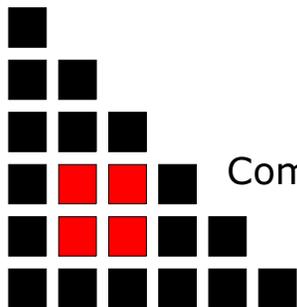


# Kennebec HOUSING STUDY

October 2015

An analysis of the overall housing needs  
of the Town of Kennebec



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

Community Partners Research, Inc., was hired by the Town of Kennebec to conduct a study of the housing needs and conditions in the Town of Kennebec.

## **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 July to September, 2015. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Esri, a private data company
- Records and data from the Town
- Records and data maintained by Lyman County
- South Dakota State Data Center
- Interviews with Town officials, community leaders, housing stakeholders, etc.
- Area housing agencies
- State and Federal housing agencies
- Rental property owner survey
- 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 Town of Kennebec and Lyman County.

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 2013 estimates were derived from sampling that was done over a five-year period, between 2009 and 2013. Unless otherwise noted, the American Community Survey estimates are based on the five-year survey data.

Additionally, Community Partners Research, Inc., has obtained information from Esri, a private company based in California that generates demographic and projection data. Esri estimates and projections are included in this demographic data section.

## Population Data and Trends

<b>Table 1 Population Trends - 1980 to 2014</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2014 Estimates
Kennebec	284	286	0.7%	240	-16.1%	252
Lyman Co.	3,638	3,895	7.1%	3,755	-3.6%	3,877

Source: U.S. Census Bureau

- ▶ According to the U.S. Census, Kennebec’s population was 240 people in 2010. When compared to the 2000 Census, the Town had a population loss of 46 people from 2000 to 2010. The 46-person loss from 2000 was a population decrease of 16.1%.
- ▶ Lyman County’s population was 3,755 in 2010. This was a decrease of 140 people from 2000, for a population loss of 3.6%.
- ▶ Both Kennebec and Lyman County experienced population increases in the 1990s. Kennebec’s population increased slightly by two people and Lyman County’s population increased by 257 people from 1990 to 2000.
- ▶ The Census Bureau also releases annual population estimates. The most recent estimate for Kennebec is effective July 1, 2014, and shows the Town’s population at 252, a gain of 12 people from 2010 to 2014. The 2014 estimate for Lyman County is 3,877 and shows the County up 122 people after the 2010 Census.
- ▶ Esri, a private data reporting service, has released 2015 population estimates. The estimate for the Town of Kennebec is 239, a decrease of one person from 2010 to 2015. Esri’s 2015 estimate for Lyman County is 3,745, a loss of 10 people since 2010.
- ▶ Kennebec’s population is primarily White and non-Hispanic/Latino. At the time of the 2010 Census, approximately 90% of the Town’s residents were White and 6.7% were American Indian. Additionally, 3.3% of the population identified themselves as two or more races. None of the Town’s residents were identified as Hispanic/Latino.

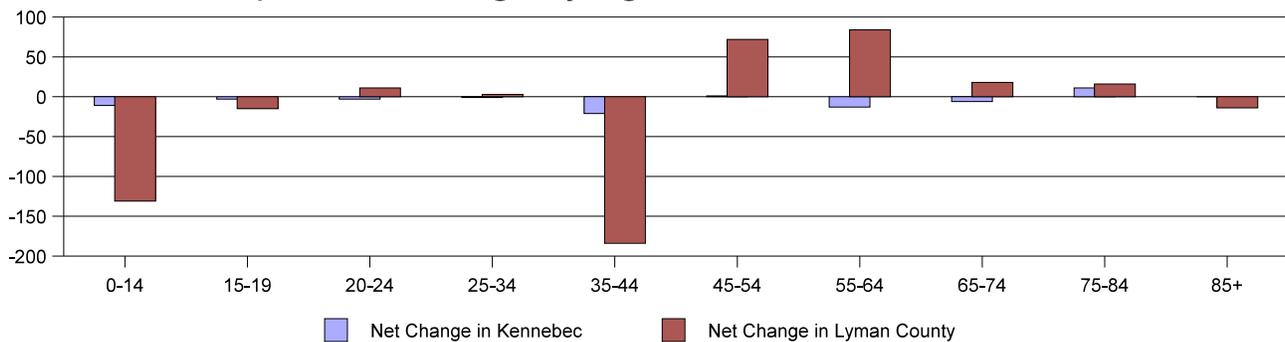
## Population by Age Trends: 2000 to 2010

Comparison of population by age statistics between 2000 and 2010 allows for some analysis of the changing age patterns for Kennebec and Lyman County. The following table compares population by age as reported in the decennial censuses, along with the numeric changes.

Table 2 Population by Age - 2000 to 2010						
Age	Kennebec			Lyman County		
	2000	2010	Change	2000	2010	Change
0-14	60	49	-11	1,030	899	-131
15-19	15	12	-3	316	301	-15
20-24	8	5	-3	199	210	11
25-34	29	28	-1	426	429	3
35-44	43	22	-21	582	398	-184
45-54	34	35	1	469	541	72
55-64	39	26	-13	345	429	84
65-74	34	28	-6	292	310	18
75-84	17	28	11	170	186	16
85+	7	7	0	66	52	-14
Total	286	240	-46	3,895	3,755	-140

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 Lyman County from 2000 to 2010, although, Kennebec had a net population loss in these age ranges. Between 2000 and 2010, Lyman County had a gain of 156 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 County also had a gain of 14 people in the 20 to 34 age ranges and a gain of 34 people in the 65 to 84 age ranges.

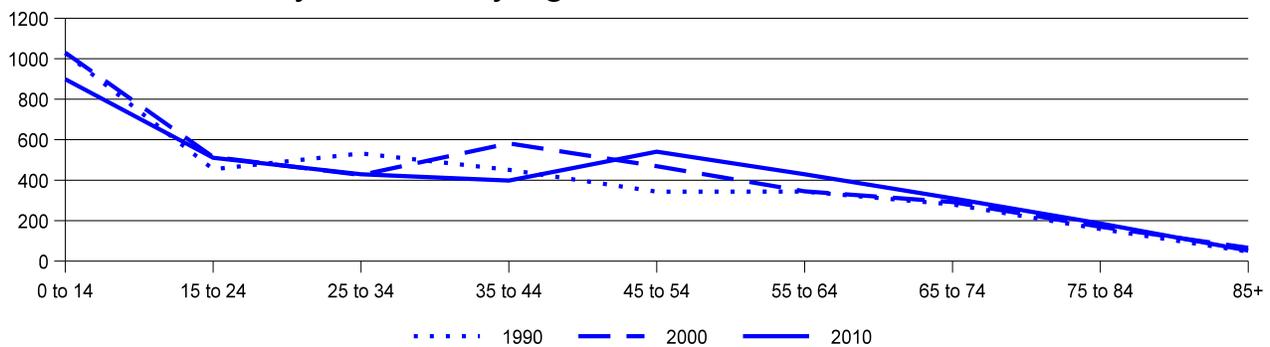
Lyman County had a loss of 146 people in the 0 to 19 age ranges, a loss of 184 people in the 35 to 44 age range and a loss of 14 people in the 85 and older age ranges.

Kennebec experienced a population loss in all the 44 and younger age ranges from 2000 to 2010. The Town had a loss of 39 people in the 0 to 44 age ranges. Kennebec also had a loss of 19 people in the 55 to 74 age ranges.

Kennebec had a gain of one person in the 45 to 54 age range and a gain of 11 people in the 75 to 84 age range.

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

**Lyman 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 Lyman County population projections for the year 2020. The other set of projections has been created by Esri, and span the five-year period from 2015 to 2020.

<b>Table 3 Population Projections Through 2020</b>				
	2010 US Census	2015 Esri Estimate	2020 Esri Estimate	2020 Projection State Data Center
Kennebec	240	239	249	N/A
Lyman County	3,755	3,745	3,880	3,788

Source: U.S. Census; Esri, Inc.; State Data Center

- ▶ Although Esri believes that Kennebec has lost a few residents between 2010 and 2015, their projections show expected growth of 10 people in Kennebec from 2015 to 2020.
- ▶ Esri’s population projection for Lyman County forecasts a gain of 135 people from 2015 to 2020.
- ▶ The State Data Center projects that Lyman County’s population will be 3,788 people in 2020. When compared to the County’s population in 2010, this projection assumes a gain of only 33 people during the current decade. The State Data Center does not issue projections at the city, town or township level.
- ▶ Esri’s projection of 3,880 people in 2020 is above the State Data Center’s projection for 2020 by 92 people.

## Household Data and Trends

The Census Bureau does not issue annual household estimates. In the following table, the current-year estimate is from Esri.

<b>Table 4 Household Trends - 1980 to 2015</b>						
	1990 Households	2000 Households	% Change 1990-2000	2010 Households	% Change 2000-2010	2015 Esri Estimate
Kennebec	123	120	-2.4%	112	-6.7%	113
Lyman Co.	1,268	1,400	10.4%	1,392	-0.6%	1,403

Source: U.S. Census; Esri, Inc.

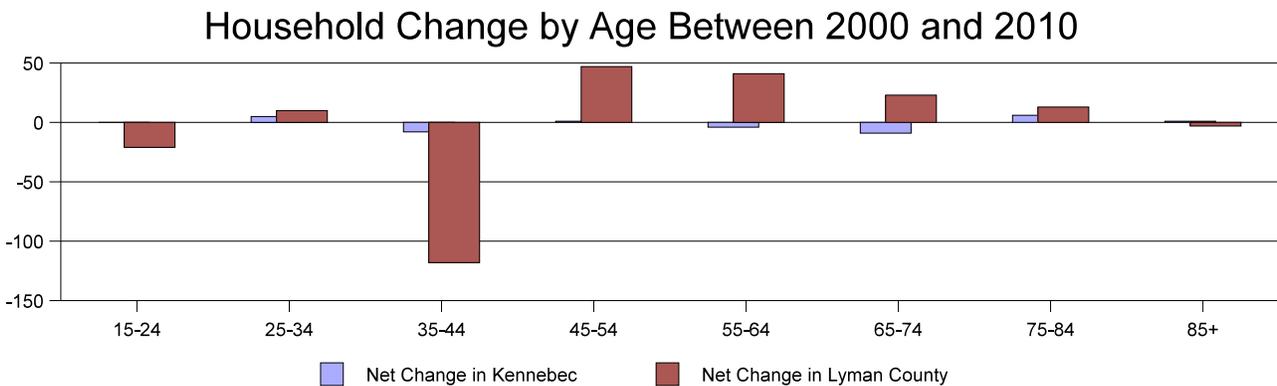
- ▶ According to the 2010 U.S. Census, Kennebec and Lyman County had a loss of households from 2000 to 2010. Kennebec had 112 households in 2010, a decrease of eight households from 2000, for a household loss of 6.7%.
- ▶ Lyman County had 1,392 households in 2010. This was a decrease of eight households, or a household loss of 0.6%.
- ▶ Kennebec had a loss of three households and Lyman County had a gain of 132 households during the 1990s.
- ▶ Esri estimates that Kennebec has gained one household and Lyman County has gained 11 households from 2010 to 2015.

## Household by Age Trends: 2000 to 2010

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

Table 5 Households by Age - 2000 to 2010						
Age	Kennebec			Lyman County		
	2000	2010	Change	2000	2010	Change
15-24	3	3	0	66	45	-21
25-34	14	19	5	188	198	10
35-44	20	12	-8	319	201	-118
45-54	20	21	1	263	310	47
55-64	19	15	-4	206	247	41
65-74	25	16	-9	185	208	23
75-84	14	20	6	129	142	13
85+	5	6	1	44	41	-3
Total	120	112	-8	1,400	1,392	-8

Source: U.S. Census



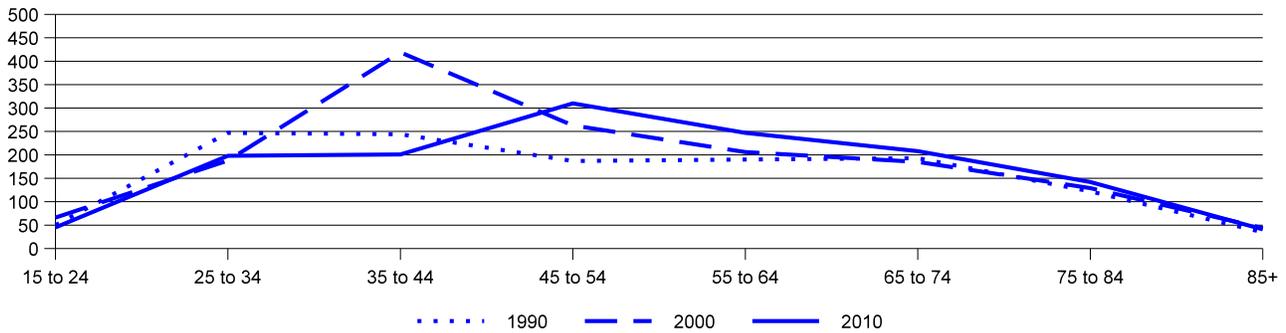
From 2000 to 2010, Kennebec added five households in the 25 to 34 year old age range, one household in the 45 to 54 age range and seven households in the 75 and older age ranges

Kennebec had a decrease of eight households in the 35 to 44 age range, and a loss of 13 households in the 55 to 74 age ranges.

Lyman County experienced a gain of 10 households in the 25 to 34 age range and a gain of 124 households in the 45 to 84 age ranges. Lyman County had a loss of 21 households in the 15 to 24 age range, a decrease of 118 households in the 35 to 44 age ranges and a loss of three households in the 85 and older age range.

As with the longer-term patterns for population, it is possible to track the progression of the baby boomer households over the past 20 years in Lyman County using Census information for households by the age of householder.

Lyman County Households by Age of Householder: 1990 to 2010



The number of households in the primary baby boom age ranges spiked upward in 2000, but then decreased significantly by 2010.

## Average Household Size

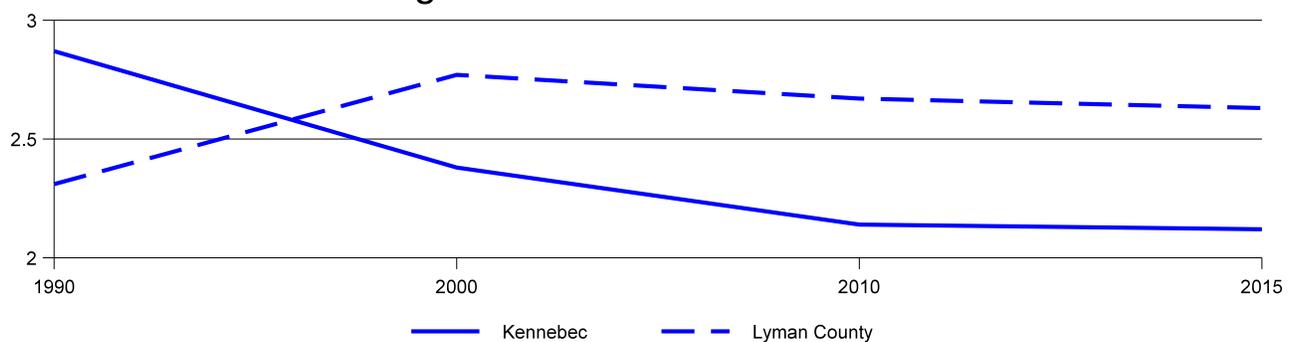
The following table provides decennial Census information on average household size. The 2015 estimates from Esri are also provided.

<b>Table 6 Average Number of Persons Per Household: 1990 to 2015</b>				
	1990 Census	2000 Census	2010 Census	2015 Esri Estimate
Kennebec	2.87	2.38	2.14	2.12
Lyman County	2.31	2.77	2.67	2.63
South Dakota	2.59	2.50	2.42	N/A

Source: U.S. Census; Esri, Inc.

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

Average Household Size: 1990 to 2010



In Kennebec, the average household size decreased from 2.87 persons per household in 1990 to 2.14 in 2010, according to the Census. Esri’s more recent estimate shows the average household size decreasing to 2.12 since that time. However, other data sources, including the American Community Survey show the average household size growing larger after 2010.

Lyman County’s average household size increased substantially, from 2.31 in 1990 to 2.77 in 2000. However, the County’s average household size decreased from 2.77 in 2000 to 2.63 in 2015. Lyman County’s average household size was still significantly above the Statewide average.

## Household Projections

The following table presents Esri’s 2015 household estimates and 2015 household projections for Kennebec and Lyman County.

<b>Table 7 Household Projections Through 2020</b>			
	2010 Census	2015 Estimate Esri	2020 Projection Esri
Kennebec	112	113	119
Lyman County	1,392	1,403	1,462

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

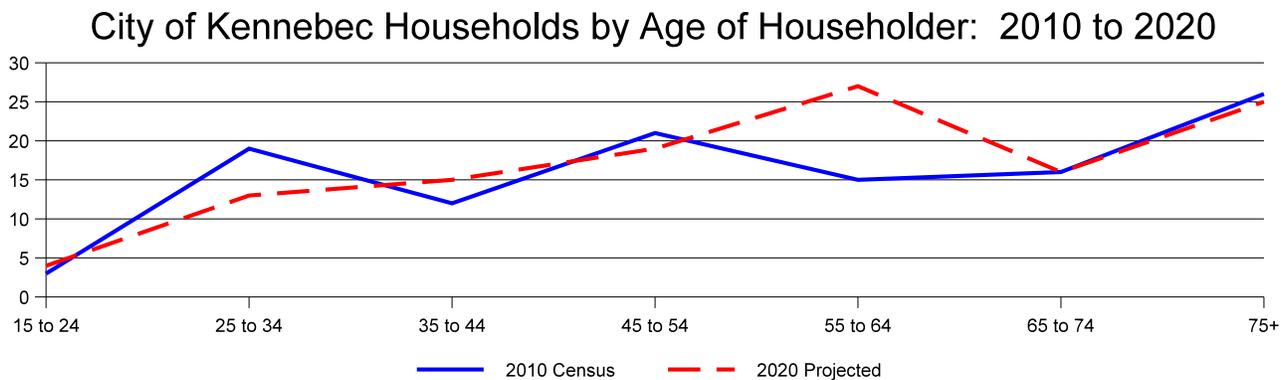
- ▶ The growth projections calculated by Esri expect household growth in Kennebec and Lyman County from 2010 to 2020.
- ▶ Esri estimates that Kennebec has added one household from 2010 to 2015 and projects that the Town will add six more households from 2015 to 2020.
- ▶ Esri’s 2015 estimate for Lyman County is 1,403 households, an increase of 11 households from 2010. Esri projects that Lyman County will add an additional 59 households from 2015 to 2020.

## Kennebec Household by Age Projections: 2010 to 2020

Esri has released population by age projections to the year 2020. The following table presents Esri's 2020 household by age projections for Kennebec, and the household changes from 2010 to 2020.

<b>Table 8 Kennebec Projected Households by Age - 2010 to 2020</b>			
Age Range	2010 Census	Extrapolated from Esri Population Data	
		2020 Projection	Change from 2010
15-24	3	4	1
25-34	19	13	-6
35-44	12	15	3
45-54	21	19	-2
55-64	15	27	12
65-74	16	16	0
75+	26	25	-1
<b>Total</b>	<b>112</b>	<b>119</b>	<b>7</b>

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



Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate most of the Town’s growth in households in the age ranges between 55 and 74 years old. These projections expect an increase of 12 households in Kennebec from 2010 to 2020 in the 20-year age group between 55 and 74 years old.

Growth of one household is also expected in the 15 to 24 age range and three households in the 35 to 44 age range is also expected from 2010 to 2020.

Esri's projections expect a loss of six households in the 25 to 34 age range, a loss of two households in the 45 to 54 age range and a loss of one household in the 75 and older age range.

## 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 Town of Kennebec.

<b>Table 9 Kennebec Household Composition - 2000 to 2010</b>			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	24	17	-7
Single Parent with own children	5	7	2
Married Couple without own children	43	40	-3
Family Householder without spouse	8	5	-3
<b>Total Families</b>	<b>80</b>	<b>69</b>	<b>-11</b>
Non-Family Households			
Single Person	36	38	2
Two or more persons	4	5	1
<b>Total Non-Families</b>	<b>40</b>	<b>43</b>	<b>3</b>

Source: U.S. Census

Between 2000 and 2010, Kennebec experienced an overall net decrease of 11 “family” households. There was an increase of two single parent with children households. The Town had a decrease of seven married couple families with children, a loss of three married couples without children and a decrease of three family householder without spouse households.

The Town of Kennebec had an increase of three “non-family” households. There was an increase of two one-person households and an increase of one household that had unrelated individuals living together.

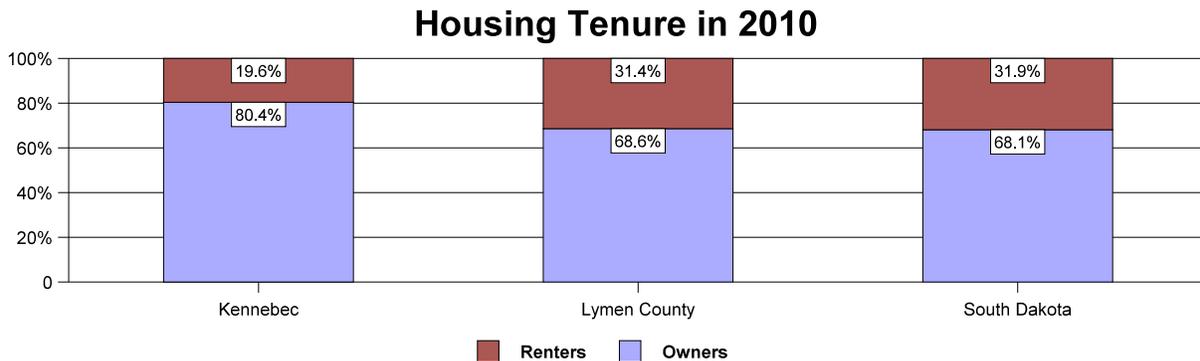
## Housing Tenure

The 2010 Census provided an information on housing tenure patterns. The following tables examine tenure rates, along with changes that have occurred.

<b>Table 10 Household Tenure - 2010</b>				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Kennebec	90	80.4%	22	19.6%
Lyman County	955	68.6%	437	31.4%
State	-	68.1%	-	31.9%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in Kennebec was 80.4% and Lyman County’s ownership rate was 68.6%. Kennebec’s rental tenure rate of 19.6% was well below the Statewide rate of 31.9% renter households.



<b>Table 11 Households by Housing Tenure - 2000 to 2010</b>						
Tenure	Kennebec			Lyman County		
	2000	2010	Change	2000	2010	Change
Owners	99/82.5%	90/80.4%	-9	971/69.4%	955/68.6%	-16
Renters	21/17.5%	22/19.6%	1	429/30.6%	437/31.4%	8
Total	120	112	-8	1,400	1,392	-8

Source: U.S. Census

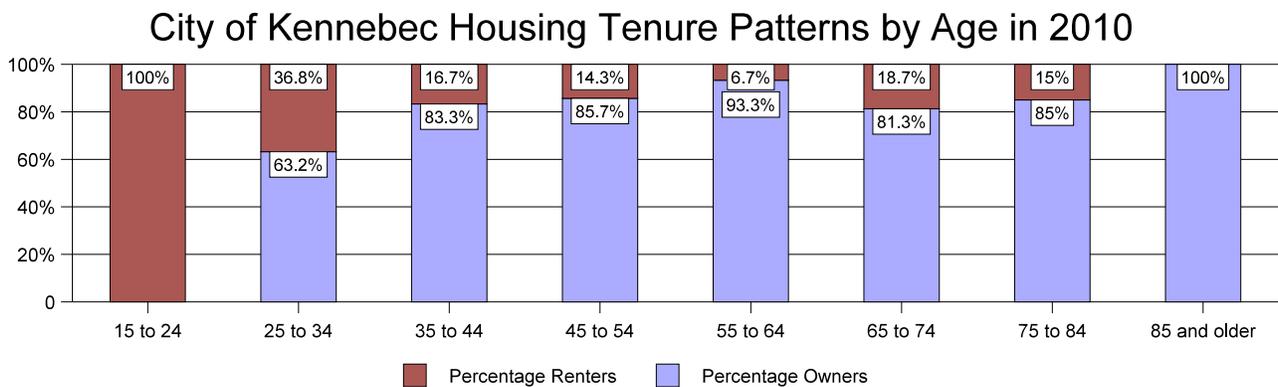
The Town of Kennebec’s ownership tenure rate decreased from 82.5% in 2000 to 80.4% in 2010. For Lyman County, the ownership tenure rate decreased from 69.4% in 2000 to 68.6% in 2010.

## Tenure by Age of Householder

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

<b>Table 12 Kennebec Tenure by Age of Householder - 2010</b>				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	0	0%	3	100%
25-34	12	63.2%	7	36.8%
35-44	10	83.3%	2	16.7%
45-54	18	85.7%	3	14.3%
55-64	14	93.3%	1	6.7%
65-74	13	81.3%	3	18.7%
75-84	17	85.0%	3	15.0%
85+	6	100%	0	0%
Total	90	80.4%	22	19.6%

Source: U.S. Census



Households at the lowest end of the age spectrum showed a greater preference for rented housing. Approximately 46% of households age 34 and younger rented their unit. Home ownership rates for each of the 10-year cohorts age 35 and older were above 83%.

## Tenure by Household Size

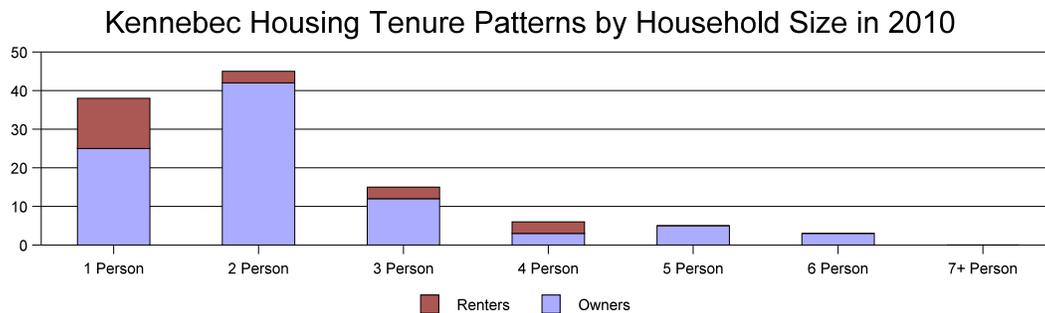
The following table provides 2000 and 2010 Census information for Kennebec.

Table 13 Kennebec Tenure by Household Size - 2000 to 2010						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	25	25	0	11	13	2
2-Person	39	42	3	5	3	-2
3-Person	15	12	-3	2	3	1
4-Person	9	3	-6	0	3	3
5-Person	8	5	-3	3	0	-3
6-Person	2	3	1	0	0	0
7-Persons+	1	0	-1	0	0	0
Total	99	90	-9	21	22	1

Source: U.S. Census

From 2000 to 2010, there was a decrease of nine owner households and a slight increase of one renter household in Kennebec. There was an increase of three owner households with two household members and an increase of one household with six household members. There was a decrease of 12 households with three to five household members. There was also a decrease of one household with seven or more household members. There was a loss of 2 two-person and a loss of three renter households with five household members. There was a gain of two renter households with one person and a gain of four households with three or four household members. In 2010, there was no renter households with six or more household members.

Approximately 73% of the renter households in Kennebec were one or two person households in 2010.



## 2013 Income Data

The 2010 Census did not collect information on household income. However, estimates are available at the city and county level through the 2013 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.

<b>Table 14 Median Household Income - 2000 to 2013</b>			
	2000 Median	2013 Median	% Change
Kennebec	\$36,875	\$44,167	19.8%
Lyman County	\$29,509	\$47,596	61.3%
South Dakota	\$35,271	\$49,495	31.5%

Source: U.S. Census; 2013 ACS 5-year survey

<b>Table 15 Median Family Income - 2000 to 2013</b>			
	2000 Median	2013 Median	% Change
Kennebec	\$50,000	\$76,250	52.5%
Lyman County	\$32,028	\$61,713	92.7%
South Dakota	\$43,237	\$63,195	36.4%

Source: U.S. Census; 2013 ACS 5-year survey

Information contained in the 2013 American Community Survey shows that the median household and family incomes have increased significantly from 2000 to 2013 in Kennebec and Lyman County. Kennebec’s median household income increased by 19.8% and the Town’s median family income increased by 52.5%. Lyman County’s median household income increased by 61.3% and the County’s median family income increased by 92.7%. However, it should be noted that with Kennebec and Lyman County’s small population, the number of people surveyed is limited, thus, the income data has a large margin of error.

Kennebec and Lyman County’s median household incomes were below the Statewide median household income in 2013. However, Kennebec’s median family income was higher than the statewide median and the County’s median family income was only slightly lower than the Statewide median.

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 Kennebec could afford approximately \$1,104 per month and a median income family household could afford \$1,906 per month for ownership or rental housing in 2013.

## Kennebec Household Income Distribution

The 2013 American Community Survey household income estimates for Kennebec can be compared to the same distribution information from 2000 to examine changes that have occurred over the past decade.

<b>Table 16 Kennebec Household Income Distribution - 2000 to 2013</b>			
Household Income	Number of Households 2000	Number of Households in 2013	Change 2000 to 2013
\$0 - \$14,999	18	21	3
\$15,000 - \$24,999	20	16	-4
\$25,000 - \$34,999	19	12	-7
\$35,000 - \$49,999	22	21	-1
\$50,000 - \$74,999	25	12	-13
\$75,000 - \$99,999	6	14	8
\$100,000+	10	32	22
<b>Total</b>	<b>120</b>	<b>128</b>	<b>8</b>

Source: 2000 Census; 2013 ACS



The 2013 American Community Survey estimated that there were 128 households in Kennebec. Esri estimated that in 2015 there were 113 households in Kennebec. Therefore, there may be an overcount of households in this table. However, it is still a good indicator of household income distribution.

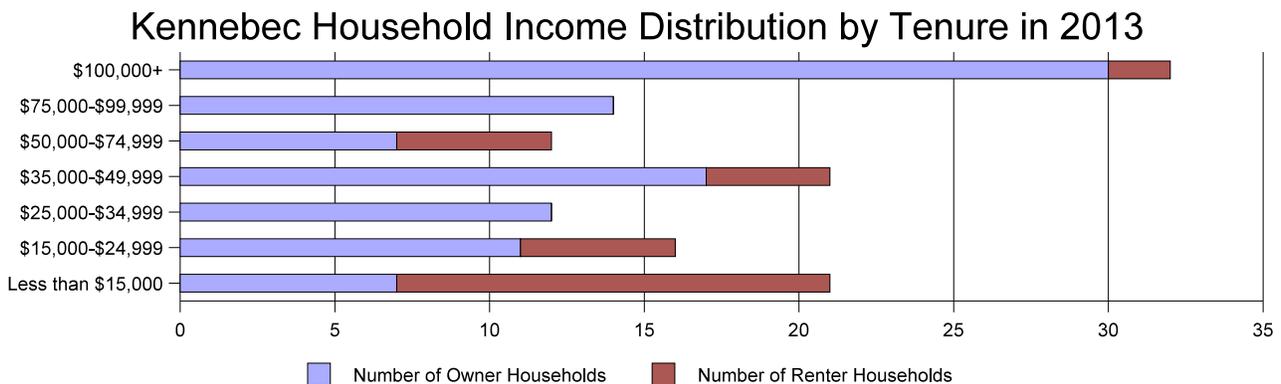
According to income estimates contained in the 2013 American Community Survey, household incomes have improved in Kennebec in the highest income ranges. When compared to the 2000 Census (1999 income), the number of households with an income of \$50,000, or more, had a net increase of 17 households. Conversely, there was a net decrease of nine households with annual incomes under \$50,000. Although there was a decrease in the number of households in the lower income ranges, there were still 37 households with an annual income below \$25,000 in 2013, which represented 28.9% of all households in Kennebec.

## Kennebec Income Distribution by Housing Tenure

The 2013 American Community Survey provides income data by owner and renter status. The following table examines income distribution in Kennebec. 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 128 households and the U.S. 2010 Census reported that there were 113 households in Kennebec.

Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	7/33.3%	14/67.7%	21
\$15,000 - \$24,999	11/68.8%	5/31.2%	16
\$25,000 - \$34,999	12/100%	0/0%	12
\$35,000 - \$49,999	17/81.0%	4/19.0%	21
\$50,000 - \$74,999	7/58.3%	5/41.7%	12
\$75,000 - \$99,999	14/100%	0/0%	14
\$100,000+	30/93.8%	2/6.2%	32
<b>Total</b>	<b>98</b>	<b>30</b>	<b>128</b>

Source: 2013 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 2013, approximately 63% of all renter households in Kennebec had an annual income below \$35,000. At 30% of income, these households would have \$875, or less, that could be applied to monthly housing costs. The median income for all renter households was approximately \$21,250 in 2013. At 30% of income, a renter at the median level could afford approximately \$530 per month or less for housing costs.

Most owner households had a higher income level than rental households. Approximately 52% of all owner households had an annual income of \$50,000 or more. The estimated median household income for owners in 2013 was approximately \$53,542. At 30% of income, an owner at the median income level could afford approximately \$1,340 per month for housing costs.

## 2013 Estimated Income and Housing Costs - Renters

The American Community Survey also collected information on housing costs. The following table provides data on the number of renter households that are paying different percentages of their gross household income for housing in the Town of Kennebec. In 2013, the American Community Survey identified 30 renter households. In 2010, based on U.S. Census data, there were 22 renter households in Kennebec.

<b>Table 18 Gross Rent as a Percentage of Household Income - 2013</b>			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	7	0	7/23.3%
20% to 29.9%	9	4	13/43.3%
30% to 34.9%	5	0	5/16.7%
35% or more	0	3	3/10.0%
Not Computed	2	0	2/6.7%
Total	23	7	30/100%

Source: 2013 American Community Survey

According to the American Community Survey, approximately 27% of the renters in Kennebec were paying 30% or more of their income for rent. Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a "rent burden". When more than 35% is required, this can be considered a "severe rent burden".

## 2013 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 Kennebec County that are paying different percentages of their gross household income for housing costs. The 2013 American Community Survey identified 98 owner households. In 2010, according to the U.S. Census data, Kennebec had 90 households.

<b>Table 19 Ownership Costs as a Percentage of Income - Kennebec</b>		
Percentage of Household Income for Housing Costs	Number of Owner Households 2013	Percent of All Owner Households 2013
0% to 19.9%	77	78.5%
20% to 29.9%	10	10.2%
30% to 34.9%	3	3.1%
35% or more	8	8.2%
Not Computed	0	0%
<b>Total</b>	<b>98</b>	<b>100%</b>

Source: 2013 ACS

Most owner-occupants in Kennebec, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 11% of all home owners reported that they paid more than 30% of their income for housing.

## 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
Kennebec	90	22	5	1	3	25
Lyman Co.	955	437	41	5	90	176

Source: U.S. Census

- ▶ In 2010, according to the U.S. Census, there were 90 seasonal housing units in Lyman County including three units in Kennebec.
- ▶ In addition to the seasonal units in 2010, there were 222 vacant housing units in Lyman County, including 31 units in Kennebec.

## Existing Home Sales

This section examines houses that have been sold from 2011 to June 2015, in the Town of Kennebec. The information was obtained from the Lyman County Equalization Office.

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

The County sorts the residential sales into different groupings, primarily based on whether or not the house was actively listed for sale in the open market.

<b>Table 21 Kennebec Residential Sales Activity - 2011 to June 2015</b>				
Sales Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2014 to June 2015	6	\$64,100	\$122,500	\$8,000
2011 to 2013	7	\$35,000	\$87,500	\$6,000

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

From 2014 to June, 2015, there were six good residential sales in Kennebec. The median sales price of the sales is \$64,100. The highest sale was for \$122,500 and the lowest sale was for \$8,000.

From 2011 to 2013, there were seven good residential sales in Kennebec. The median sales price of these sales was \$35,000. The highest sale was for \$87,500 and the lowest sale was for \$6,000.

## Home Sales by Price Range

The following table looks at single family houses that sold within defined price ranges from 2011 to June, 2015.

<b>Table 22 Kennebec Home Sales by Price Range</b>		
Sale Price	Number of Sales	Percent of Sales
Less than \$25,000	2	15.4%
\$25,000 - \$74,999	7	53.8%
\$75,000 - \$99,999	3	23.1%
\$100,000 +	1	7.7%
Total	13	100%

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

Home sales in Kennebec from 2011 to 2015 have been distributed in different price ranges. Approximately 69% of recent sales were priced below \$75,000 and 31% sold for \$75,000 or more.

## **Kennebec Housing Condition**

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of the 92 single family/duplex houses in Kennebec. The Town was divided into two neighborhoods.

The boundaries of the two neighborhoods are as follows:

- ▶ Neighborhood #1: North of Railroad Tracks
- ▶ Neighborhood #2: South of Railroad Tracks

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 23 Windshield Survey Condition Estimate - 2015**

	Sound	Minor Repair	Major Repair	Dilapidated	Total
North of railroad tracks	26/59.1%	12/27.3%	4/9.1%	2/4.5%	44
South of railroad tracks	25/52.1%	10/20.8%	9/18.8%	4/8.3%	48
Total	51/55.5%	22/23.9%	13/14.1%	6/6.5%	92

Source: Community Partners Research, Inc.

- ▶ Approximately 24% of the houses in the Town of Kennebec need minor repair and 14% need major repair. Approximately 56% are sound, with no required improvements. Six houses are dilapidated and possibly beyond repair.

## Kennebec Building Permit Trends

Kennebec has experienced limited new housing construction activity in recent years. The following table identifies the units that have been constructed from 2000 to 2015.

<b>Table 24 Kennebec Housing Unit Construction Activity: 2000 to 2015</b>			
Year	Single Family	Two or More Units	Total Units Constructed
2015	0	6	6
2014	4	0	4
2013	3	0	3
2012	1	0	1
2011	0	0	0
2010	0	0	0
2009	0	0	0
2008	0	0	0
2007	0	0	0
2006	0	0	0
2005	2	0	2
2004	0	0	0
2003	1	0	1
2002	1	0	1
2001	0	0	0
2000	0	0	0
<b>TOTAL</b>	<b>12</b>	<b>6</b>	<b>18</b>

Source: Town of Kennebec; Community Partners Research, Inc.

\*2015 is not a full year

Over the past 16 years from 2000 to 2015, 18 new housing units have been constructed in Kennebec, based on building permit issuance and U.S. Census information. Twelve of the units are single family homes, with eight of the 12 constructed from 2012 to 2014.

There were also six rental units constructed in 2015 in a six-plex.

## Lyman County Building Permit Trends

Lyman County has experienced some new housing construction activity in recent years. The following table identifies the units that have been constructed from 2000 to 2014.

<b>Table 25 Lyman County Housing Unit Construction Activity: 2000 to 2014</b>			
Year	Single Family	Two or More Units	Total Units Constructed
2014	6	0	6
2013	6	0	6
2012	4	0	4
2011	2	0	2
2010	6	0	6
2009	2	8	10
2008	2	8	10
2007	1	0	1
2006	1	0	1
2005	2	0	2
2004	6	0	6
2003	7	0	7
2002	1	0	1
2001	0	0	0
2000	0	0	0
TOTAL	46	16	62

Source: Town of Kennebec; Community Partners Research, Inc.

Over the past 15 years, 62 new housing units have been constructed in Lyman County, based on building permit issuance and U.S. Census information. The units include 46 single family homes and 16 units in two eight-plexes.

From 2000 to 2007, the County averaged approximately two to three new housing units per year. After 2007, housing construction activity increased and the County has averaged six to seven new units per year from 2008 to 2014.

## **Rental Housing Data**

### **Census Bureau Rental Inventory**

According to the 2010 U.S. Census, there were 22 occupied rental units and five unoccupied rental units in Kennebec, for a total estimated rental inventory of 27 units. The Town's rental tenure rate in 2010 was 19.6%, significantly below the Statewide rental rate of 31.9%.

At the time of the 2000 Census, Kennebec had 21 occupied rental units, and 15 vacant rental units, for a total estimated rental inventory of 37 units. The rental tenure rate in 2000 was also 17.5%.

Based on a Census comparison, the Town had a gain of one renter-occupancy household, but a decrease of approximately 10 rental units from 2000 to 2010.

### **Rental Housing Survey**

As part of this housing study, a telephone survey was conducted of multifamily projects in Kennebec. Kennebec has two multi-family rental projects. Fifth Avenue Apartments is a market rate general occupancy project. Kennebec Housing is a HUD Public Housing Subsidized General Occupancy project. We also surveyed the only Senior with Services project in Lyman County, New Life Boarding Home, Inc., which is located in Presho.

### **Market Rate Summary**

Fifth Avenue Apartments is a six-unit general occupancy market rate project that recently opened for occupancy in September, 2015. All six units have two bedrooms. Rent is \$600 per month plus heat and electricity. Water, sewer and garbage is included in the rent. The units have 770 square feet.

At the time of the survey, all six units were leased. Three of the units are leased by Wheat Growers and have been reserved for future employees.

We also surveyed several rental single family homes. All of the homes were occupied unless the homes were vacant due to renovation. Rents ranged from \$275 to \$650 per month plus utilities.

## **Subsidized Summary**

The research completed for this Study identified one subsidized project in Kennebec, Kennebec Housing, which is a HUD Public Housing General Occupancy Project. The project was constructed in 1973 and is owned and managed by the Kennebec Housing and Redevelopment Commission. The project has 17 units.

Kennebec Housing has access to project-based rent assistance. Tenants pay 30% of their income up to a maximum rent.

The units have been remodeled over the years as funds were available.

### **Unit Mix**

The bedroom mix breakdown for the 17 subsidized housing units in Kennebec Apartments is as follows:

- ▶ 4 one-bedroom
- ▶ 4 two-bedroom
- ▶ 5 three-bedroom
- ▶ 1 four-bedroom

### **Occupancy / Vacancy**

Kennebec Housing had one vacant three-bedroom unit at the time of the survey. The project maintains a waiting list, but temporary vacancies can exist due to the time required to refurbish a unit when it turns over.

## **Senior Housing with Services**

There is one senior with services project in Lyman County, New Life Boarding Home, Inc., which is located in Presho. New Life Boarding Home, Inc., is licensed as a Residential Living Center. The facility is licensed for eight beds, but the owner prefers to have a capacity of five residents.

The facility provides an array of senior services including meals, laundry, medication management, activities, etc. At the time of the survey, there were three residents, thus, there were two vacancies.

The owner reported that Kennebec is part of the facility's market area.

<b>Table 26 Kennebec Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Market Rate</b>					
Fifth Avenue Apartments	<u>6 - 2 bedroom</u> 6 total units	\$600 + heat and electricity	No vacancies	General occupancy	Six-plex recently constructed. All six units are two-bedroom with approximately 770 square feet. Units are fully rented. Three units are rented and reserved by Wheat Growers for future employees. Rent is \$600 per month plus heat and electricity.
<b>Subsidized</b>					
Kennebec Apartments	4 - 1 bedroom 7 - 2 bedroom 5 - 3 bedroom <u>1 - 4 bedroom</u> 17 total units	30% of income up to a maximum rent	1 vacant 3-bedroom unit	General occupancy	Kennebec Apartments is a 17-unit HUD General Occupancy Public Housing Project. The project was constructed in 1973. The 17 units include four one-bedroom, seven two-bedroom, five three-bedroom and one one-bedroom unit. Project is owned by the Kennebec Housing and Redevelopment Commission. Units have been remodeled over the years as funds were available. Tenants pay 30% of income up to a maximum rent. A few tenants pay the maximum rent. Manager reports one three-bedroom vacant unit.
<b>Senior with Services</b>					
New Life Boarding Home, Inc. Presho	5 to 8 beds	Based on level of services	2 vacant beds	Seniors	New Life Boarding Home, Inc., is a Residential Living Center located in Presho that provides senior services including meals, laundry, transportation, medication distribution, etc. The facility is licensed for eight beds, but owner prefers to have a capacity of five. Currently, there are three residents, thus, there are two vacancies. Owner reports that Kennebec is part of her Market Area.

Source: Community Partners Research, Inc.

## Employment and Local Economic Trends

While many factors influence the need for housing, employment opportunities represent a predominant demand generator. Without jobs and corresponding wages, the means to afford housing is severely limited. Future household growth in Kennebec will be directly impacted by job opportunities that may be available. The type of employment and wage level will influence the kind of housing that is needed and at what level of affordability.

### Work Force and Unemployment Rates

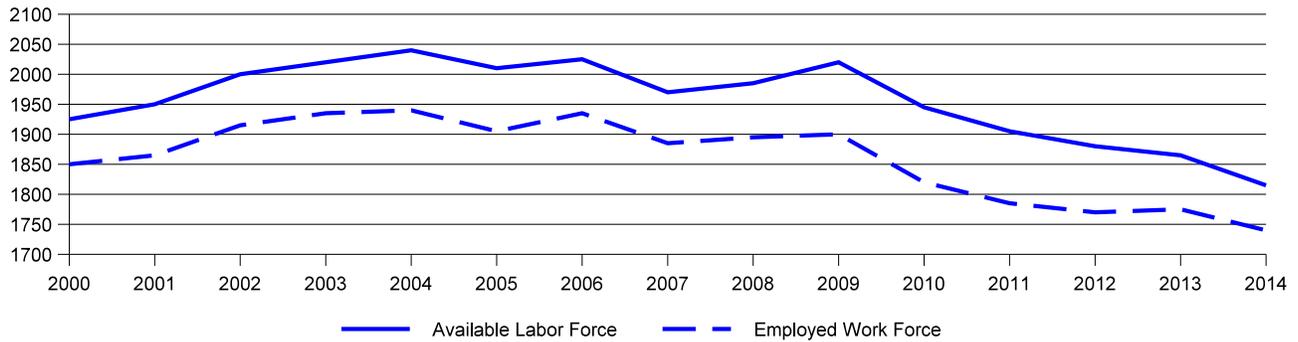
Employment information is available at the County level, and has been obtained from the South Dakota Department of Labor.

<b>Table 27 Lyman County Annual Labor Statistics: 2000 to 2015*</b>						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - MSA	Unemployment Rate - SD	Unemployment Rate - US
2000	1,925	1,850	75	4.0%	2.7%	4.0%
2001	1,950	1,865	85	4.4%	3.1%	4.7%
2002	2,000	1,915	85	4.3%	3.3%	5.8%
2003	2,020	1,935	85	4.2%	3.5%	6.0%
2004	2,040	1,940	100	4.9%	3.7%	5.6%
2005	2,010	1,905	105	5.3%	3.7%	5.1%
2006	2,025	1,935	90	4.4%	3.1%	4.6%
2007	1,970	1,885	85	4.3%	2.9%	4.6%
2008	1,985	1,895	90	4.5%	3.0%	5.8%
2009	2,020	1,900	120	6.0%	5.2%	9.3%
2010	1,945	1,820	125	6.5%	5.1%	9.6%
2011	1,905	1,785	120	6.4%	4.7%	8.9%
2012	1,880	1,770	110	5.9%	4.2%	8.1%
2013	1,865	1,775	90	4.7%	3.8%	7.4%
2014	1,815	1,740	75	4.2%	3.6%	6.2%
2015*	1,840	1,738	102	5.5%	3.7%	5.5%

Source: South Dakota Department of Labor; Community Partners Research, Inc.

\* 2015 is through August

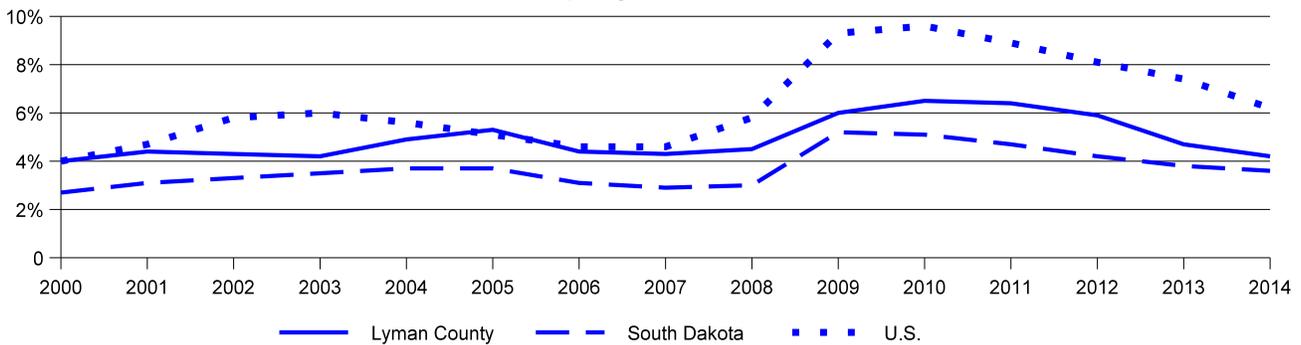
### Lyman County Labor Force and Employed Work Force



In terms of resident employment, 2004 represented the highest employment count of the years reviewed. From 2000 to 2010, the number of employed County residents decreased by 110 people, or 5.9%.

The size of the available resident labor force also reached its peak level in 2004, and has since decreased by 225 people.

### Unemployment Rates



In each of the years reviewed, the unemployment rate in Lyman County has been higher than the Statewide rate. However, it most years it has been lower than the national unemployment rate. The County’s highest unemployment rate was reached in 2010, at 6.5%, but then had gradually reduced through the year 2010. Only partial-year information exists for 2015, but through the first eight months of the year, the County’s unemployment rate had increased. This may change when a full 12 months are reported.

## Employment and Wages by Industry

The following table shows the annual employment and average annual wages by major employment sector in 2014, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment, as some classifications, such as self-employed workers, are not included. This information is for all of Lyman County.

<b>Table 28 MSA Average Annual Wages by Industry Detail - 2014</b>		
Industry	Employment	Average Annual Wage
Total All Industry	1,450	\$27,124
Natural Resources, Mining	32	\$36,450
Construction	23	\$24,366
Manufacturing	N/A	N/A
Trade, Transportation, Utilities	216	\$22,349
Information	N/A	N/A
Financial Activities	42	\$27,443
Professional and Business Services	17	\$20,004
Education and Health Services	6	\$23,557
Leisure and Hospitality	346	\$15,069
Other Services	2	\$20,845
Government	720	\$31,623

Source: South Dakota Department of Labor

The average annual wage for all industry in 2014 was \$27,124 in Lyman County.

The highest paying wage sector in Lyman County was Natural Resources and Mining, with an annual wage of more than \$36,400. However, this was one of only two industry sectors with an average annual wage above \$30,000.

The lowest average wage was paid in the Leisure and Hospitality sector, at only \$15,069. Leisure and Hospitality was the largest reported sector for number of workers.

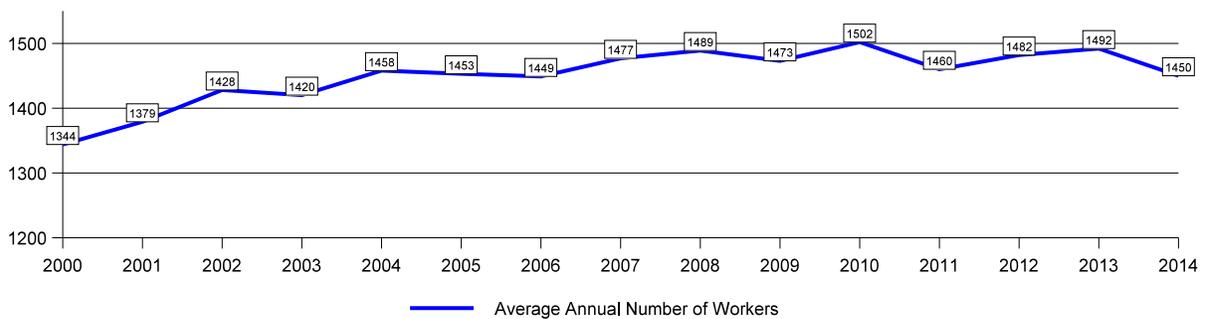
## Annual Covered Employment

Since the Quarterly Census of Covered Workers (QCEW) tracks employees covered by unemployment insurance by location of the worker, it is possible to examine longer-term patterns in the local employment level. The following table displays the total number of workers reported in the County back to the year 2000.

<b>Table 29 Lyman County Average Annual Employment</b>			
Year	Total Covered Employment	Year	Total Covered Employment
2000	1,344	2008	1,489
2001	1,379	2009	1,473
2002	1,428	2010	1,502
2003	1,420	2011	1,460
2004	1,458	2012	1,482
2005	1,453	2013	1,492
2006	1,449	2014	1,450
2007	1,477	-	-

Source: QCEW - SD Department of Labor

**Number of Covered Workers in the Lyman County**



When viewed over a longer-term there has been gradual upward movement in the number of employees working in Lyman County. If 2014 is compared to the year 2000, there has been an increase of more than 100 reported workers covered by unemployment insurance, or growth of 7.9%. However, the peak employment level was actually reached in 2010, and the number of covered workers has decreased by more than 50 jobs since that time.

## **Commuting Patterns of Area Workers**

Some information is available on area workers that commute for employment. The best information is from the 2013 American Community Survey, and has been examined for the Town of Kennebec. The table examines Town residents that traveled to work and excludes people that work at home.

<b>Table 30 Commuting Times for Kennebec Residents - 2013</b>		
Travel Time	Number	Percent
Less than 10 minutes	52	41.6%
10 to 19 minutes	34	27.2%
20 to 29 minutes	5	4.0%
30 minutes +	34	27.2%
Total	125	100%

Source: 2013 American Community Survey

Although many residents work locally, a majority of Kennebec residents were commuting 10 minutes or more to work in 2013, and were apparently employed outside of the city limits. Overall, more than 68% of residents commuted 10 minutes or more to work, including more than 27% of residents that traveled 30 or more for their primary employment.

## **Findings on Growth Trends**

As part of this Study, Community Partners Research, Inc., has examined growth patterns for Kennebec and Lyman County over the past few decades.

Kennebec's population increased by 0.7% from 1990 to 2000. The population increased from 284 in 1990 to 286 in 2000. However, from 2000 to 2010, Kennebec's population decreased by 46 people, which was a population loss of 16.1%.

Lyman County's population increased from 3,638 in 1990 to 3,895 in 2000, which was an increase of 7.1%. The population decreased in the 2000s from 3,895 in 2000 to 3,755 in 2010, which was a population loss of 3.6%.

Household levels in Kennebec decreased from 1990 to 2010. Kennebec experienced a loss of three households from 1990 to 2000 and a loss of eight households from 2000 to 2010. Lyman County had an increase of 132 households from 1990 to 2000 and a loss of eight households from 2000 to 2010.

From 2010 to 2015, Esri estimates that Kennebec lost one person, but gained one household, and Lyman County lost 10 people, but gained 11 households from 2010 to 2015.

However, the U.S. Census estimates that from 2010 to 2014, Kennebec gained 12 people and Lyman County gained 122 people.

## **Findings on Projected Growth**

Esri projects that Kennebec's population will increase by 10 people and six households from 2015 to 2020.

Lyman County is expected to gain approximately 135 people and 59 households from 2015 to 2020.

## **Summary of Kennebec’s Growth Projections by Age Group**

The Demographic section of this Study presented Kennebec projection information on anticipated changes by age group from 2010 to 2020. This information can be informative in determining the housing that may be needed due to age patterns of the Town’s population.

Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate much of the Town’s growth in households in the age ranges between 55 and 74 years old. Age projections would expect the Town to add approximately 12 households in the 55 to 74 age ranges from 2010 to 2019.

The Esri age-based projections also expect an increase of one household in the 15 to 24 age range and three households in the 35 to 44 age range.

Kennebec is projected to lose six households in the 25 to 34 age range, two households in the 45 to 54 and older age range, and one household in the 75 and older age range.

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

<u>Age Range</u>	<u>Projected Change in Households</u>
	<u>2010 to 2020</u>
15 to 24	1
25 to 34	-6
35 to 44	3
45 to 54	-2
55 to 64	11
65 to 74	1
75 and older	-1
Total	7

## **Findings on Unit Demand by Type of Housing**

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

**Age 24 and Younger** - The projections used for this Study expect a gain of one household in the 15 to 24 age range through the year 2020. Past tenure patterns indicate that most of the households in Kennebec will rent their housing. A slight increase in the number of households in this age range should mean that rental demand from younger households will remain stable during the projection period.

**25 to 34 Years Old** - The projections show a loss of six households in this age range by 2020. Within this age range households often move from rental to ownership housing. The ownership rate among these households in Kennebec was approximately 63% in 2010. A household decrease of six households within this age range indicates demand for both first-time home buyer and rental opportunities from this age range will decrease during the projection period.

**35 to 44 Years Old** - The projections for this 10-year age cohort expect a gain of three households between 2010 and 2020 in Kennebec. In the past, this age group has had a high rate of home ownership in Kennebec, at approximately 83%. 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 2020, 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 Kennebec, the projections show a loss of two households in this range. This age group historically has had a high rate of home ownership, approximately 86% in Kennebec in 2010, and will often look for trade-up housing opportunities. A slight loss in the number of households in this age group, indicates that the demand for trade-up housing will remain relatively stable during the projection period.

**55 to 64 Years Old** - This age range is part of the baby boom generation. The projections show an increase of 11 households in this 10-year age range by the year 2020 in the Town. This age range has traditionally a high rate of home ownership in Kennebec, at approximately 93% 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*** - A gain of one household is expected by the year 2020 in the 65 to 74 age range. 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 85% of the households in this age range owned their housing in Kennebec. Once again, preferences for age-appropriate units would increase from household growth within this age cohort.

***75 Years and Older*** - There is a projected loss of one household in Kennebec in this age range between 2010 and 2020. In the past, households within this 10-year age range have had a relatively low rate of home ownership in Kennebec. An expansion of housing options for seniors, including high quality rental housing, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

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

## **Findings on Housing Unit Demand and Tenure**

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

***Demand from Growth*** - The household projections used for this Study expect Kennebec to gain six households and Lyman County will gain 59 households from 2015 to 2020. Household growth in Kennebec and Lyman County will yield some demand for new housing production in Kennebec.

***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 Kennebec, some dilapidated housing has been demolished, and more units will be removed in the future. As a result, we have included an allowance for unit replacement in the recommendations that follow.

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

***Pent-Up Demand*** - The third primary demand-generator for new housing is caused by unmet need among existing households, or pent-up demand. Household growth and shifting age patterns have created demand for certain types of age-appropriate housing in Kennebec. We have included our estimates of pent-up demand into the specific recommendations that follow later in this section.

## **Strengths for Housing Development**

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

- ▶ **Kennebec serves as a small regional center** - Kennebec provides employment opportunities, retail/service options, health and professional services, governmental services and recreational facilities for a small geographical area that surrounds the Town.
- ▶ **Affordable priced housing stock** - The Town of Kennebec has a stock of affordable, existing houses. Our analysis shows that the Town's median home value based on recent sales is approximately \$64,100. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Adequate land for development** - Kennebec 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 Town limits.
- ▶ **Educational system** - Kennebec is an excellent public K-12 school system. The elementary and middle school is located in Kennebec and the senior high school is located nine miles from Kennebec.
- ▶ **Infrastructure** - Kennebec's water and sewer infrastructure can accommodate future expansion.
- ▶ **Commercial development** - Kennebec's commercial district is adequate to meet most daily needs.
- ▶ **Kennebec Housing and Redevelopment Commission** - The Kennebec Housing and Redevelopment Commission owns and manages rental housing in the community.
- ▶ **Employers** - Kennebec has several large employers that provide job opportunities for local residents. Also, several employers have recently expanded or are expanding, which creates additional jobs.
- ▶ **Commuters** - Some employees are commuting into Kennebec daily for work. These commuters are a market for future housing construction.

- ▶ **Leadership** - The Town of Kennebec has very active leadership, which have a track record of community accomplishments.
- ▶ **Proximity to Chamberlain** - Kennebec is located 30 miles from Chamberlain. Chamberlain provides employment opportunities, retail/service options, educational opportunities, health care facilities and cultural amenities. Some households prefer to live near, but not in a large regional center.
- ▶ **Interstate 90** - Kennebec is located on Interstate 90, which provides excellent access to the Town.

## **Barriers or Limitations to Housing Activities**

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

- ▶ **Age and condition of the housing stock** - While the existing stock is affordable, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Low rent structure** - The area's rent structure is relatively low, which makes it difficult to construct new rental housing.
- ▶ **Value gap deters new owner-occupied construction** - Based on market values from recent residential sales, we estimate that the median priced home in Kennebec is valued at approximately \$64,100. This is below the comparable cost for new housing construction, which will generally be above \$160,000 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.
- ▶ **Distance from a larger regional center** - Some households need or desire to be close to a regional center, which offers additional health services, retail/commercial opportunities, recreational and cultural options, etc. The nearest large regional center to Kennebec is Pierre, which is 60 miles from Kennebec.
- ▶ **Population and household growth**- Historical data indicates that the Town is not expected to add a significant number of people or households over the next several years.
- ▶ **Commercial/retail option** - Kennebec has a limited number of commercial and retail opportunities compared to larger regional centers.
- ▶ **Proximity to Chamberlain** - Although it is a strength to be located in close proximity to Chamberlain, it is also a barrier as Kennebec must compete with Chamberlain, which offers attractive residential opportunities and other amenities and services.

## **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 Kennebec. They are based on the following strategies.

- ▶ **Be realistic in expectations for housing development** - Large-scale residential growth has not occurred in the recent past and is not likely to occur in the near future. The scale of activities proposed for the future should be comparable with the area's potential for growth.
- ▶ **Proactive community involvement** - New home and apartment construction will more likely occur in Kennebec if there is continued proactive support from the Town, local and regional housing agencies, economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the existing housing stock** - The future of Kennebec will be heavily dependent on the Town's appeal as a residential location. The condition of the existing housing stock is a major factor in determining the Town'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** - Kennebec has several assets including a school, a Downtown Commercial District, recreational opportunities, a clinic, excellent employers etc. These are strong assets that make Kennebec a desirable community to live in, and are key components to the Town'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 Town has been involved in housing issues. The Town 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 Town has other resources to draw on including USDA Rural Development, the South Dakota Housing Development Authority, Planning and Development District III, and Grow South Dakota. These resources should continue to be accessed as needed to assist with housing activities.

## **Summary of Findings/Recommendations**

The findings/recommendations for the Town of Kennebec have been formulated through the analysis of the information provided in the previous sections and include 19 recommendations. The findings/recommendations have been developed in the following five categories:

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

The findings/recommendations for each category are as follows:

### **Rental Housing Development**

1. Develop six to eight general occupancy market rate rental units
2. Promote the development/conversion of four to six affordable market rate rental housing units
3. Monitor the need for additional subsidized rental housing units
4. Monitor the need for senior assisted living units
5. Consider the development of a downtown mixed-use commercial/housing project
6. Apply to access the Housing Choice Voucher Program

### **Home Ownership**

7. Utilize and promote all programs that assist with home ownership
8. Develop a purchase/rehabilitation program
9. Develop a local down payment assistance program

**Single Family Housing Development**

10. Develop an eight to 10-lot subdivision
11. Strategies to encourage residential lot sales and new home construction in Kennebec
12. Promote twin home/townhome development

**Housing Rehabilitation**

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

**Other Housing Initiatives**

15. Continue to acquire and demolish dilapidated structures
16. Create a plan and a coordinated effort among housing agencies
17. Promote commercial rehabilitation and development
18. Develop home ownership and new construction marketing programs
19. Competition with other jurisdictions

# **Kennebec - Rental Housing Development**

## **Rental Housing Development**

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

From 2000 to 2014, no rental units were constructed in Kennebec. However, in 2015 six market rate units were constructed and opened for occupancy in early September. Also, some single family homes were converted from owner-occupied to rental use during the past 15 years.

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

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

The household projections for Kennebec expect some household growth over the next five years. From 2015 to 2020, it is projected that there will be a gain of approximately six households. It is estimated that approximately 50% of these households will be rental households, thus, there will be a demand of approximately three additional rental units due to household growth over the next five years.

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

Pent-up demand also exists. As part of this study, a rental survey was conducted. The survey found no vacancies in general occupancy market rate units and one vacancy in the subsidized project. The one senior with services facility, which is located in Presho, had two vacant beds. We identified pent-up demand for market rate rental units.

These three demand generators show a need for 10 to 14 rental units over the next five years. Based on the factors stated above, we recommend the development of the following new rental units over the next five years from 2016 to 2021.

▶ General Occupancy Market Rate	6-8 units
▶ Subsidized	0 units
▶ Affordable/Conversions	4-6 units
▶ Senior Independent/Light Services	<u>0 units</u>
Total	10-14 units

**1. Develop six to eight general occupancy market rate rental units**

**Findings:** Approximately 50% of the rental housing units in the Town of Kennebec can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

In the market rate rental units we surveyed, we found no vacancies. The owners of rental properties reported very high occupancy rates and strong demand for rental housing.

There is a wide variation in rental rates in the market rate segment in the Town of Kennebec. The existing rents including utilities for a two-bedroom unit range from \$275 to \$650.

From 2000 to 2014, no market rate rental units were constructed in Kennebec. However, a six-unit project, Fifth Avenue Apartments, was recently constructed.

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

Based on this combination of demand generators, we believe that it is reasonable to plan for the production of six to eight market rate rental units over the next five years.

We recommend that the units are not constructed until the Fifth Avenue Apartments occupancy rates are analyzed over the next six to nine months. If Fifth Avenue Apartments continue to have high occupancy rates and strong demand, additional units should be constructed.

The majority of the new units constructed over the next five years should be two-bedroom units. However, the actual size and unit design details could be altered depending upon demand that surfaces for the recently built units.

Townhome style units or a high quality apartment building are both options in addressing the need for market rate units. The projects, to be successful, should have 'state of the art' amenities.

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

Also, the Kennebec Housing and Redevelopment Commission could partner with private developers to construct units. Additionally, the Town of Kennebec could assist with land donations, tax increment financing, reduced water and sewer hook up fees, etc.

**Recommended unit mix, sizes and rents for the Kennebec  
Market Rate Housing Units:**

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	1-2	600 - 700	\$625 - \$675
Two Bedroom	4-5	750 - 900	\$700 - \$800
Three Bedroom	<u>1</u>	950 - 1,100	\$850 - \$1,000
Total	6-8		

**Note:** The recommended rents are gross rents including all utilities. The rents are quoted in 2015 dollars.

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

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

There is evidence that Kennebec has lost rental housing over the years due to deterioration and demolition. Part of the need for additional rental units in Kennebec 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 Town of Kennebec to promote the development/conversion of more affordable rental units. A goal of four to six units over the next five years would help to replace affordable housing that has been lost.

It would be difficult to create units through new construction. Instead, it may be more practical to work on building renovation or conversion projects that can create housing. This opportunity may arise in downtown buildings, or through the purchase and rehabilitation of existing single family homes. Several single family homes have been rehabilitated for rental housing by local individuals.

The estimated prevailing rent range for older rental units in Kennebec is typically between \$275 and \$500 per month. Creating some additional units with contract rents below \$625 per month including utilities would help to expand the choices available to a majority of the Town's renter households.

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

### **3. Monitor the need for additional subsidized rental housing units**

**Findings:** The term subsidized rental housing, as used in this Study, refers to rental units that have been constructed to serve low and moderate income people. In nearly all cases, subsidized housing has utilized federal resources that provide a "deep subsidy", allowing very low income people access to the housing at an affordable price.

The research completed for this Study found one subsidized project in Kennebec, Kennebec Housing, which is a 17-unit HUD Public Housing General Occupancy project. The project has four one-bedroom, seven two-bedroom, five three-bedroom and one four-bedroom unit. The tenants pay 30% of their income up to a maximum rent. The manager reported one vacant three-bedroom unit due to turnover, but a waiting list exists.

The 2013 American Community survey estimated that eight renters in the Town of Kennebec were paying 30% or more of their income for rent.

**Recommendation:** We do not recommend the development of additional subsidized rental housing at this time. When the rental survey was conducted, there was one vacancy in Kennebec Housing, which is a 17-unit subsidized project. Seventeen units of subsidized housing is a significant number of units for a town of Kennebec's size.

We have recommended the construction of six to eight market rate units. We also recommended four to six affordable/conversion market rate units. We do recommend that the Town monitor the need for the production of subsidized housing in the future.

#### **4. Monitor the need for additional senior with services units**

**Findings:** Senior housing with services defines a wide range of housing types. Skilled nursing homes, assisted living and memory care housing are generally the most service-intensive units. High-service housing provides 24-hour staffing and a high level of assistance with daily living needs of residents.

Lower-service housing, sometimes referred to as congregate senior housing, generally offers the availability of a daily meal, and services such as weekly light housekeeping.

There is one senior with services project in Lyman County, New Life Boarding Home, Inc., which is located in Presho. New Life Boarding Home, Inc., is licensed as a Residential Living Center. The facility is licensed for eight beds, but the owner prefers to have a capacity of five residents.

The facility provides an array of senior services including meals, laundry, medication management, activities, etc. At the time of the survey, there were three residents, thus, there were two vacancies.

The owner reported that Kennebec was part of the facility's market area.

**Recommendation:** It is our opinion that no additional senior with services units should be constructed in Kennebec or Lyman County at this time. The County does not have the services and amenities necessary to support an assisted living or skilled nursing facility. Also, Lyman county has a small population, which limits demand for an additional senior with services facility.

## **5. Develop a Downtown Mixed-Use Commercial/Housing Project**

**Findings:** A new mixed-use rental housing/commercial project would be an asset to Downtown Kennebec.

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

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

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

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

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

## **6. Apply to access the Housing Choice Voucher Program**

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

Although the federal government provides almost no funding for subsidized housing construction, it has provided new Housing Choice Voucher allocations over the last two decades. Because of the flexibility offered through the program, eligible households often prefer the portable rent assistance to other forms of subsidized housing that are project-based, and can only be accessed by living in a specific rental development.

Based on research for this study, it appears that the Housing Choice Voucher Program is not available in Kennebec or Lyman County. Lyman County is one of the few counties in the State of South Dakota that does not have the Housing Choice Voucher Program available for its residents.

**Recommendation:** The Town of Kennebec and the Kennebec Housing and Redevelopment Commission should work with area and regional housing agencies and the South Dakota Housing Development Authority to determine if Kennebec and Lyman County can obtain access to the Housing Choice Voucher Program.

# **Kennebec - Home Ownership**

## **Home Ownership**

**Findings:** Expanding home ownership opportunities is one of the primary goals for most cities and towns. High rates of home ownership promote stable communities and strengthen the local tax base. The median owner-occupied home value in Kennebec is estimated to be approximately \$64,100 based on sales activity in 2014 and 2015. The home values in Kennebec provide a good opportunity for first time buyers and households seeking moderately priced homes.

Our analysis of Kennebec demographic trends shows a strong increase in the number of households in the traditionally strong home ownership age ranges between 55 and 74 years old. Over the next five years, the 35 to 44 age range is also expected to add households. 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. Continue to utilize and promote all programs that assist with home ownership**

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

The Town of Kennebec 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.

## **8. Develop a Purchase/Rehabilitation Program**

**Findings:** Kennebec has a stock of older, lower valued homes, many of which need repairs. Our analysis of recent sales activity indicates that approximately 50% of the homes in Kennebec are valued less than \$64,100. 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 Town 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 cost to rehab and sell an existing housing unit is generally lower than the subsidy required to provide an equally affordable unit through new construction.

**Recommendation:** We recommend that Kennebec 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 available.

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

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

Also, based on our interviews, private individuals are purchasing homes in Kennebec, rehabbing the homes and selling the homes. There may be an opportunity for local housing agencies to financially assist the private sector with purchasing, rehabilitating and selling homes. This may increase the inventory of substandard homes that economically can be rehabilitated and sold.

**9. Develop a local down payment assistance program**

**Findings:** One of the largest identifiable barriers preventing low and moderate income households from owning a home is the inability to save money for down payment and closing costs. This is especially true now that lending institutions have tightened their lending criteria.

There are several examples of communities providing down payment assistance to assist home owners with a down payment. For example, the City of Faribault, Minnesota, developed a program that provides a maximum of \$4,000 in local funds to households for down payment assistance. Twenty-four local households utilized this program to purchase a home over a nine-month period.

**Recommendation:** The Town of Kennebec should consider the development of a local Down payment Assistance Program. A local down payment assistance program is needed more now than in the past because of more stringent lending criteria.

Local employers, the Federal Home Loan Bank and the South Dakota Housing Development Authority may be additional sources that could contribute to the fund.

# **Kennebec - Single Family Housing Development**

## **Single Family Housing Development**

**Findings:** Based on Town and U.S. Census information, Kennebec has experienced some single family housing development from 2000 to 2015. Over the past 16 years, 12 single family owner-occupied homes have been constructed in Kennebec. The majority of these homes were constructed since 2012.

It is our opinion that if the Town, housing agencies, employers, community leaders, and builders are proactive, eight to 10 homes can be constructed or moved into Kennebec from 2015 to 2020.

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

▶ Higher and Median priced homes	2-3
▶ Affordable Homes	2-3
▶ Twin homes/Townhomes	<u>4</u>
Total	8-10

### **10. Lot availability and lot development**

**Findings:** As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in the Town of Kennebec.

There are only a few miscellaneous infill lots scattered around the city that we did not attempt to count. We also do not know the availability of some of these infill lots. Also, dilapidated homes are being demolished in the Town. Some of the cleared lots may be potential sites for new construction.

**Recommendation:** With projections that eight to 10 new owner-occupied housing units could be constructed in Kennebec over the next five years, the Town should have approximately 10 to 15 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction.

With only a few miscellaneous lots available, the Town currently does not have an adequate supply of lots. Therefore, it would be advantageous to develop additional residential lots that expand the choices available for potential buyers of newly constructed homes.

There are several potential sites, which would be conducive to lot development.

We would recommend the development an eight to ten-lot subdivision, based on the following:

- ▶ If possible, the site should have land available for future lot development phases.
- ▶ The lots must be as aesthetically acceptable as possible and include high quality amenities.
- ▶ The subdivision should have covenants that assure high quality development. However, the covenants should not be so restrictive that they eliminate the target market's ability to construct a home.
- ▶ The subdivision should accommodate a variety of home designs and home prices.
- ▶ Major employers should be involved in promoting and publicizing the subdivision.
- ▶ To be successful, the homes must be available to households with as wide an income range as possible.
- ▶ A successful subdivision will need the cooperation of financial institutions, funding agencies, employers, home builders, and the Town of Kennebec. Financial assistance such as tax increment financing and tax abatement may be necessary to make the development of lots feasible.
- ▶ To keep development costs as low as possible, sites with easy access to existing infrastructure should be utilized.

### **11. Strategies to encourage residential lot sales and new home construction in Kennebec**

**Findings:** There is a small inventory of infill lots available in the Town of Kennebec. Also, we have recommended that the Town develop additional lots.

**Recommendation:** We recommend that the Town of Kennebec coordinate efforts to promote lot sales and housing development in Kennebec.

Our recommendations to promote lot sales and housing development include:

- ▶ **Competitive pricing** - There are lots that are available in communities throughout the Region. Lot prices in Kennebec will need to be competitive.
- ▶ **Plan for long-term absorption** - The research completed for this Study expects limited annual absorption of lots in Kennebec over the next five years. If a new subdivision is developed, it is necessary to view the residential development of the subdivision as a long-term plan.
- ▶ **Generate initial activity** - To stimulate new construction in a new subdivision, proactive efforts, such as the sale of some lots at discounted prices, reduction of hook up and permit fees or other incentives should be provided if the buyer agrees to build a home of a certain quality and style within one year. This will help create some momentum for more houses to be built.
- ▶ **Consider developing an exclusive builder(s) relationship** - Several lots could be sold to a builder or builders. Momentum can be created when a builder has access to several lots. This allows for marketing opportunities and efficiencies in the home building process. The subdivision owners, however, that the builder is obligated to constructing a minimum number of homes per year. Builders are more willing to enter a market when the lots are attractive and very affordable. Several lots available to an exclusive builder or developer should be explored, even if significant price concessions are required.
- ▶ **User-Friendly** - The lot purchase and homebuilding process must be 'user-friendly.' This includes builders, who are readily available to build custom homes.
- ▶ **Allow for a range of house prices** - Lots should be available in Kennebec in as wide a range of home sizes and prices as possible. This would broaden the lot buyer market.
- ▶ **Incentives** - Many cities and towns throughout South Dakota are offering incentives to construct new homes, including reduced lot prices, reduced water and sewer hookup fees, tax abatements, cash incentives, etc. Incentives should be considered to promote new home construction.
- ▶ **Lot availability for twin home/townhome development** - It is our opinion that there will be a demand for twin homes/townhomes over the next five years. Lots should be available for twin home/townhome lot development.

- ▶ **Marketing** - The Town of Kennebec and the lot owners should develop a comprehensive marketing strategy to sell the available lots. All stakeholders including realtors, financial institutions, builders, employers, etc. should be included in marketing strategies. In addition to marketing the lots, the Town of Kennebec and its amenities should be marketed.
- ▶ **Consider partnerships that share and split financial risk to construct spec homes** - Given the limited demand for new construction in Kennebec, it is difficult to recommend that any speculative homes be constructed. Spec houses could potentially attract a buyer that is not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy. In an attempt to spur spec home construction, some communities have formed partnerships with private home builders to share the financial risks. For example, subdivision owners have been willing to defer the payment for the lot until the spec home is sold. Another builder incentive is for the community to waive any water/sewer hookup fees, special assessment payments and building permit fees until the home is sold. A more aggressive approach is to become directly involved in helping cover the payments on a home builder's construction loan, if the house does not sell within a reasonable period of time. A community risk pool would need to be established for this type of activity. These types of approaches would somewhat reduce the builder's risk, by lowering the upfront development costs.

## **12. Promote twin home/townhome development**

**Findings:** Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making homes available for families. It is important for the community to offer a range of life-cycle housing options. In Kennebec, since 2000, no new ownership housing has been twinhomes/townhomes.

In 2010, Kennebec had 31 households and Lyman County had 455 households in the 55 to 74 age ranges. The number of households in Kennebec in the 55 to 74 age ranges is expected to increase by 12 households from 2010 to 2020. Household growth among empty-nester and senior households should result in 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 new owner-occupied twin home or townhome units could be constructed in Kennebec over the next five years. Our projection is based on the availability of an ideal location for twin home/townhome development as well as high quality design and workmanship.

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

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

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

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.

# **Kennebec - Housing Rehabilitation**

## **Housing Rehabilitation**

**Findings:** Kennebec 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 Kennebec 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 Kennebec households. Housing options for households at or below the median income level will largely be met by the existing, more affordable housing stock. As this existing stock ages, more maintenance and repair will be required. Without rehabilitation assistance, there is a chance that this affordable stock could shrink, creating an even more difficult affordability situation.

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

### **13. Promote rental housing rehabilitation**

**Findings:** Based on the U.S. Census data, the Town of Kennebec had approximately 27 rental units in 2010. These rental buildings are in multi-family projects, single family homes and mixed-use buildings. Many of these rental structures could benefit from rehabilitation as most of these rental structures are more than 25 years old and some rental units are in poor condition.

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 Town of Kennebec 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, Grow South Dakota, 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 Kennebec will continue to be an attraction for families that are seeking housing in Kennebec. Investment in owner-occupied housing rehabilitation activities will be critical to offering affordable housing opportunities.

Our housing condition survey of the 92 homes in Kennebec found 22 homes that need minor repairs and 13 homes that need major repairs. Without rehabilitation assistance, the affordable housing stock will shrink in Kennebec.

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

Grow South Dakota currently has several housing programs to assist households with housing rehabilitation. The Rural Office of Community Services, Inc., administers the Weatherization Program in Kennebec and Lyman County.

Some programs offer households that meet program requirements, a deferred loan to rehabilitate their homes. Deferred loans do not have to be paid back if the household lives in the rehabilitated home for a stipulated amount of time after the rehabilitation is completed. We encourage Kennebec households to utilize these housing rehabilitation programs.

# **Kennebec - Other Housing Initiatives**

## **Other Housing Initiatives**

### **15. Continue to acquire and demolish dilapidated structures**

**Findings:** Our housing condition survey identified six single family houses in Kennebec that are dilapidated and too deteriorated to rehabilitate. We also identified 13 single family houses in Kennebec as needing major repair and some of these homes may be too dilapidated to rehabilitate. To improve the quality of the housing stock and to maintain the appearance of the community, dilapidated structures should be demolished.

The Town of Kennebec has been active in demolishing dilapidated structures.

**Recommendation:** We recommend that the Town of Kennebec continue to work with property owners to demolish dilapidated structures. The appearance of the Town 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.

Also, the Town should maintain an inventory of structures that may be candidates for future acquisition. Additionally, an inventory of in-fill lots for future development should to be maintained.

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

**Findings:** Kennebec will continue to need staff resources in addition to existing Town staff to plan and implement many of the housing recommendations advanced in this Study. The Town of Kennebec has access to Grow South Dakota, the South Dakota Housing Development Authority, Planning and Development District III, the Rural Office of Community Services, Inc., and USDA Rural Development. These agencies all have experience with housing and community development programs.

**Recommendation:** Kennebec has access to multiple agencies that can assist with addressing housing needs. It is our recommendation that the Town 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. It will be important that a coordinated approach be used to prioritize and assign responsibility for housing programs.

It will also be important for the Town of Kennebec to continue 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 Town of Kennebec's commercial district is in good condition, and several commercial buildings have been renovated, however, there are several substandard and vacant commercial buildings in Kennebec.

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

**Recommendation:** We recommend that the Town of Kennebec continue to work with commercial property and business owners to rehabilitate their buildings. Also, new businesses should continue to be encouraged to locate in Kennebec.

The Town of Kennebec should seek funding to assist property owners with rehabilitating their commercial buildings. A goal of one commercial rehab project annually in Kennebec would be a realistic goal.

## **18. Develop home ownership and new construction marketing programs**

**Findings:** With the downturn in the housing economy, the competition among cities and towns for households looking to buy or build a home has been greater than in the past. Also, some cities and towns have an excess inventory of residential lots, homes for sale, vacant homes and homes in foreclosure. Additionally, households are evaluating the appropriate timing to buy or build a home.

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

**Recommendation:** We recommend that the Town of Kennebec consider the following:

- ▶ Determine the Town's strengths and competitive advantages and heavily promote them
- ▶ Create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers (Kennebec and the entire region) to provide employees with housing opportunities in Kennebec
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling programs
- ▶ Work with builders to make the construction of new homes or rental units a very user friendly process
- ▶ Develop new home construction and home purchase incentive programs.

## **19. Competition with Other Jurisdictions**

**Findings:** During the interview process, several individuals expressed concern regarding the Town of Kennebec's ability to compete for new development in the region.

**Recommendation:** The Town of Kennebec can enhance its position as a viable location for new households. We recommend the following:

- ▶ Review the Town's policies to assure that the Town's process for working with builders is user friendly, fair and receptive.
- ▶ Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the Town a "full service" community
- ▶ Provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Provide financing mechanisms for households to build new homes, purchase existing homes and to rehabilitate older homes
- ▶ Preserve the quality of the existing housing stock through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Develop new housing choices that serve housing needs, such as new rental housing and twin homes
- ▶ Publicize and market Kennebec throughout the Region and among the employers and employees in Kennebec and the Region
- ▶ Develop a coordinated housing plan

## **Agencies and Resources**

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

### **Grow South Dakota**

104 Ash Street East  
Sisseton, SD 57262  
(605) 698-7654

### **South Dakota Housing Development Authority**

221 South Central Avenue  
Pierre, SD 57501  
(605) 773-3181

### **USDA Rural Development**

1717 North Lincoln Avenue  
Pierre, SD 57501  
(605) 224-8870

### **Planning and Development District III**

1808 Summit Street  
PO box 687  
Yankton, SD 57078  
(605) 665-4408