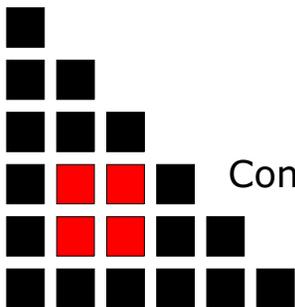


Town of Keystone **COMPREHENSIVE HOUSING STUDY**

October 2019

An analysis of the overall housing needs
of the Town of Keystone, SD



Community Partners Research, Inc.

Faribault, MN

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Introduction

Overview

Local elected and public officials are often held responsible for conditions and circumstances over which they have limited control. This is particularly true of housing. Most of the housing units in Keystone 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 Keystone to conduct a study of the housing needs and conditions in the Town. Matching funds for the project are being provided by the South Dakota Housing Development Authority.

Goals

The multiple goals of the study include:

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

Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from May to September, 2019. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Applied Geographic Solutions, Inc., a private data reporting service
- Esri, Inc., a private data reporting service
- Records and data from the Town
- Records and data maintained by Pennington County
- South Dakota State Data Center

- Interviews with Town officials and staff
- Area and State housing agencies
- Interviews with developers and housing stakeholders
- Rental property surveys
- Housing condition survey

Limitations

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

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Demographic Data Overview

Sources of Data

The following pages contain demographic data obtained from a variety of local, state and national sources for the Town of Keystone and Pennington County. A primary data source is the U.S. Census Bureau, through the decennial census, the annual American Community Survey, and the annual population estimates program.

To supplement the decennial Census, the Census Bureau has created the American Community Survey, an annual sampling of households. This provides detailed demographic characteristics, replacing information once collected by the decennial Census. However, because the American Survey is based on sampling data, there is a margin of error that exists for each estimate. Some of the following tables incorporate the 2017 American Community Survey data, when viewed as reliable.

The Governor's Office of Economic Development provides demographic profile information for cities, towns and counties supplied by Applied Geographic Solutions (AGS), a private company. Prior to using AGS, the State had used a similar provider, Esri, Inc., for demographic data. The analysts have examined both of these sources in some of the tables that follow for current-year (2018) estimates and future projections.

In addition to providing demographic information for Keystone, comparative information has often been provided for all of Pennington County.

Population Data and Trends

Table 1 Population Trends - 1990 to 2018						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2018 AGS Estimate
Keystone	232	311	34.1%	337	7.7%	335
Pennington Co.	81,343	88,565	8.9%	100,948	14.0%	111,401

Source: U.S. Census; Applied Geographic Solutions

- ▶ Two estimates exist for population levels in Keystone in 2018. According to Applied Geographic Solutions, the Town’s population was at 335 people. According to Esri, Keystone had 346 people in 2018. These estimates are reasonably similar and show the Town staying relatively stable in recent years. When compared to the 2010 Census count, the estimate range is a loss of two people to a gain of nine people by 2018.
- ▶ An estimate for 2017 is available from the Census Bureau’s annual population estimates program. According to this source, there were 339 people living in Keystone. The Census Bureau’s estimate is between the AGS and Esri estimates, but does have an effective date that is one year earlier.
- ▶ Despite some minor differences that exist in the recent estimates for Keystone, all three of the sources do show a relatively stable community, with very little population change in recent years. This pattern is largely consistent with the prior decade. From 2000 to 2010, Keystone’s population increased by 26 people. The Town did grow faster in the 1990s, with growth of 79 people, but since 2000, only a few residents have been added.
- ▶ The recent estimates do show continued strong growth for all of Pennington County. According to Applied Geographic Solutions, the County’s population was 111,401 people in 2018. Based on this estimate, the County has added nearly 10,500 people between 2010 and 2018, although most of this gain would be attributed to Rapid City.
- ▶ At the County-level, Census Bureau estimates do exist for 2018. For all of Pennington County, the Census Bureau showed 111,729 people in 2018, a very similar estimate to AGS.

- ▶ At the time of the 2010 Census, there were no group quarters residents in Keystone.
- ▶ Keystone's population is primarily White and non-Hispanic/Latino. According to the 2010 U.S. Census, approximately 93.8% of the Town's residents were White, 3.3% were American Indian and 0.6% were Asian. Additionally, 2.1% of the Keystone population identified themselves as some other race or two or more races. Also, 8.3% of the population identified themselves as Hispanic or Latino.

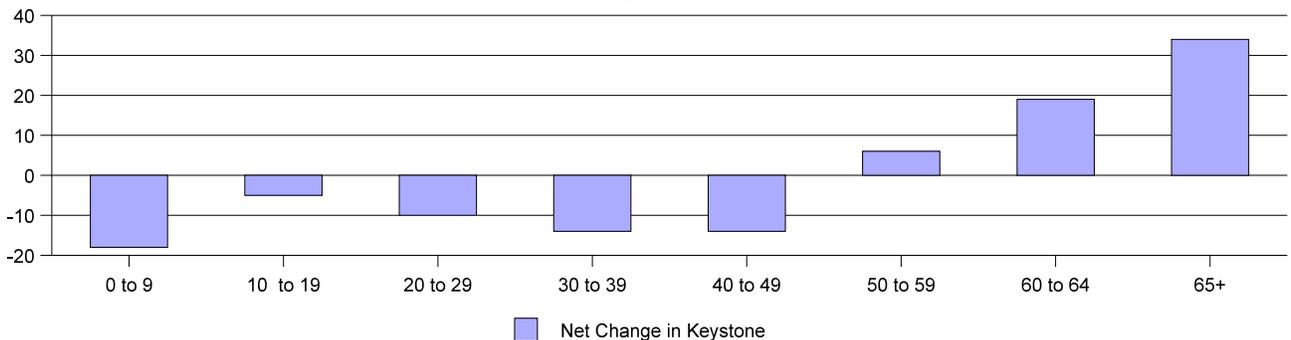
Population by Age Trends: 2010 to 2018

The 2018 population estimates from Applied Geographic Solutions include information on the age distribution of residents. However, this source uses broad age ranges, including grouping all senior citizens age 65 and older into a single group. This information can be compared to the population by age in the 2010 Census. The following table shows these changes for Keystone and Pennington County. It is important to note that due to Keystone’s small size, there is a chance that the 2018 estimates could have a higher margin of error than would exist in larger communities.

Table 2 Population by Age - 2010 to 2018						
Age	Keystone			Pennington County		
	2010	2018	Change	2010	2018	Change
0-9	47	29	-18	14,209	14,646	437
10-19	33	28	-5	13,236	13,773	537
20-29	30	20	-10	14,466	14,238	-228
30-39	44	30	-14	12,471	14,472	2,001
40-49	50	36	-14	12,853	11,980	-873
50-59	65	71	6	14,574	14,151	-423
60-64	25	44	19	5,522	8,101	2,579
65+	43	77	34	13,617	20,040	6,423
Total	337	335	-2	100,948	111,401	10,453

Source: U.S. Census; AGS

Population Change by Age Between 2010 and 2018



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 very evident in Keystone and Pennington County.

Between 2010 and 2018, Keystone had a gain of 53 people age 60 and older, but a net loss of 55 people age 59 and younger, according to the Applied Geographic Solutions estimates. A similar pattern was evident for all of Pennington County. There was a net gain of more than 9,000 people in the age ranges 60 and older Countywide, but a net gain of fewer than 1,500 people age 59 and younger so far this decade.

The estimates for Keystone show that all of the defined ranges age 49 and younger have been decreasing, including a loss of children age 19 and younger.

Pennington County did see growth in certain younger age groups, especially people age 30 to 39 years old. The County also had an increase in the number of children age 19 and younger.

Population Projections

The following table presents population projections to the year 2023. Projections for Keystone and Pennington County exist from both Applied Geographic Solutions and Esri, and span the five-year period from 2018 to 2023.

Table 3 Population Projections Through 2023						
	Applied Geographic Solutions			Esri		
	2018 Estimate	2023 Projection	Change 2018-2023	2018 Estimate	2023 Projection	Change 2018-2023
Keystone	335	374	39	346	353	7
Pennington Co.	111,401	117,321	5,920	-	-	-

Source: Applied Geographic Solutions; Esri

- ▶ Despite the general similarity in current-year estimates for Keystone in 2018, there is some variation in the projected population level by the year 2023.
- ▶ The Applied Geographic Solutions projection expects the Town to add 39 people by 2023, or an annual average of nearly eight people per year.
- ▶ The Esri projection for Keystone is forecasting that only seven residents will be added by 2023, or an annual average of just over one person per year.
- ▶ Applied Geographic Solutions expects all of Pennington County will add more than 5,900 people over the five-year time period, or an annual average of nearly 1,200 people per year. However, most of this growth would be expected to occur within Rapid City.
- ▶ No Countywide projections were obtained from Esri.
- ▶ The State Data Center has also issued projections at the county level, but these are for the year 2025. The State believes that Pennington County will have 119,876 people by the year 2025. This projection is reasonably similar to the Applied Geographic Solutions forecast, when adjusted for the two-year difference in the effective date. The State Data Center has not issued projections at the Town level.

Household Data and Trends

Table 4 Household Trends - 1990 to 2018						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2018 AGS
Keystone	92	152	65.2%	153	0.7%	150
Pennington Co.	30,553	34,641	13.4%	41,251	19.1%	47,221

Source: U.S. Census; AGS

- ▶ Household estimates for Keystone in 2018 exist from both Applied Geographic Solutions and Esri. The Census Bureau does not issue annual household estimates.
- ▶ The AGS estimate showed 150 resident households in Keystone, down by three households from the level reported in the 2010 Census.
- ▶ Esri’s estimate showed 156 households in Keystone, up by three households from the level reported in the 2010 Census.
- ▶ Similar to the 2018 population estimates from AGS and Esri presented previously, there is a slight difference between these sources but both tend to show a relatively stable community, with very limited household change since 2010. The available estimates for 2018 are also very similar to the Town’s household count at the time of the 2000 Census, although Keystone did add a significant number of households in the 1990s.
- ▶ For all of Pennington County, AGS showed an increase of nearly 6,000 households since 2010, or a gain of nearly 14.5%.
- ▶ The strong growth since 2010 in Pennington County is a continuation of a long-term pattern of household growth.

Keystone Household by Age Trends: 2010 to 2018

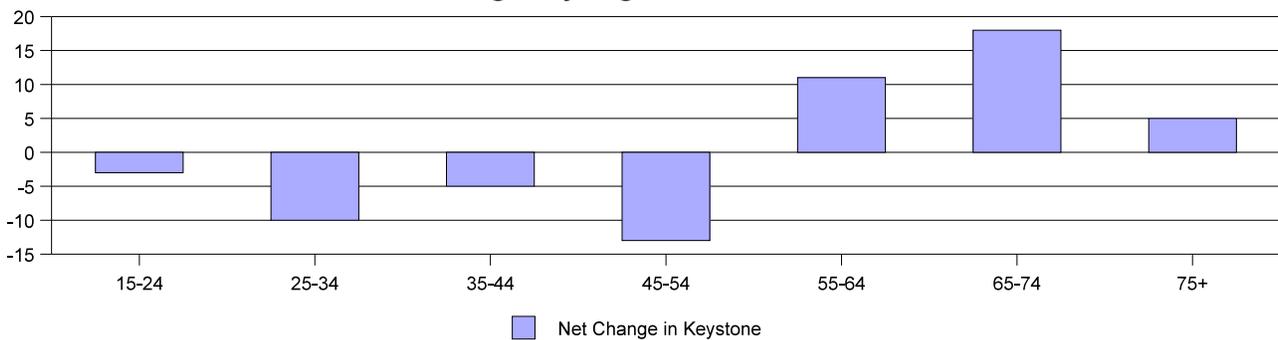
The demographic data profile that is available from AGS does not provide information on households by age. However, age-based estimates are available from Esri. The following table compares households by age in 2010 and 2018, along with the numeric changes. Information is only provided for the Town of Keystone.

Table 5 Keystone Households by Age - 2010 to 2018			
Age	Keystone		
	2010	2018	Change
15-24	4	1	-3
25-34	21	11	-10
35-44	27	22	-5
45-54	36	23	-13
55-64	34	45	11
65-74	18	36	18
75+	13	18	5
Total	153	156	3

Source: U.S. Census; Esri

Consistent with the population by age data presented earlier, the household patterns show much of the change occurring in the baby boomer age groups. For Keystone, there was an increase of 29 households in the 55 to 74 year age ranges between 2010 and 2018. Overall, there was a decrease of 31 households age 54 and younger.

Household Change by Age Between 2010 and 2018



Average Household Size

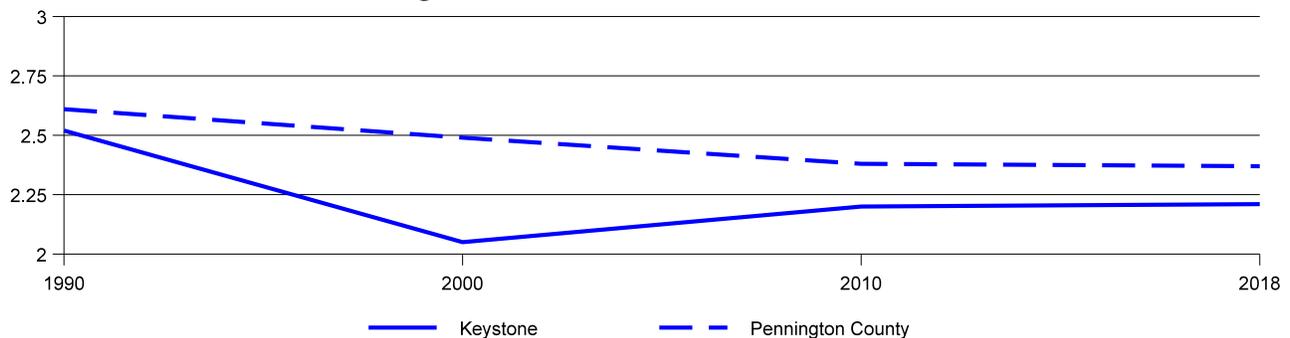
The following table provides decennial Census information on average household size, along with the 2018 estimate from Esri.

Table 6 Average Number of Persons Per Household: 1990 to 2018				
	1990 Census	2000 Census	2010 Census	2018 Esri
Keystone	2.52	2.05	2.20	2.21
Pennington Co.	2.61	2.49	2.38	2.37

Source: U.S. Census; Esri

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

Average Household Size: 1980 to 2018



Over a longer time period the average household size in Keystone has decreased, from 2.52 persons in 1990 to 2.21 in 2018. However, the Town’s average had been even smaller in the year 2000, and has rebounded somewhat since that time. Since 2010, Esri believes that Keystone’s average household hold size has largely remained stable.

Pennington County’s average household size has continued to decrease, from 2.61 in 1990 to 2.37 in 2018. However, the County’s average household size is still larger than in the Town of Keystone, and has remained relatively stable since 2010.

Household Projections

Household projections for the five-year time period spanning the years 2018 through 2023 are available from both AGS and Esri. Household projections directly impact the demand for housing.

Table 7 Household Projections Through 2023						
	AGS			Esri		
	2018 Estimate	2023 Projection	Change	2018 Estimate	2023 Projection	Change
Keystone	150	170	20	156	158	2
Pennington Co.	47,221	50,600	3,379	-	-	-

Source: AGS, Esri

- ▶ As detailed earlier in this section, the current-year (2018) population estimates for Keystone from the two primary sources are relatively similar, and show very limited change from 2010 through 2018. However, greater variation exists for household forecasts over the next five years.
- ▶ For Keystone, AGS is expecting growth of 20 households over the five-year projection period while Esri is forecasting that only two households will be added. If viewed as an annual average, a range of less than one household to four households per year is projected.
- ▶ For all of Pennington County, the AGS projection expects a gain of nearly 3,400 households, or approximately 675 households in a typical year. No Countywide projection was obtained from Esri.

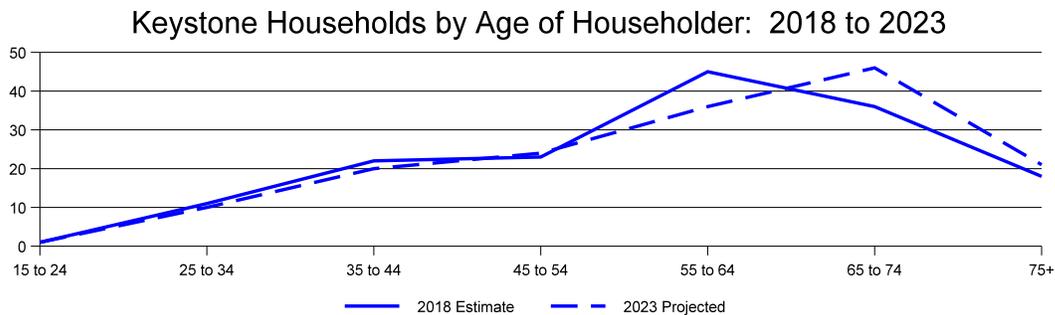
Household by Age Projections: 2018 to 2023

In addition to overall household forecasts, Esri has also generated age-based projections for households to the year 2023. These projections can be compared to the data contained in the 2018 Esri estimate to examine the change projected over the next few years. Age-based forecasts are provided for the Town of Keystone. Age-based forecasts are not available from Applied Geographic Solutions and it is important to note that Esri has a much more conservative growth forecast for Keystone.

Table 8 Projected Households by Age - 2018 to 2023			
Age	Keystone		
	2018	2023	Change
15-24	1	1	0
25-34	11	10	-1
35-44	22	20	-2
45-54	23	24	1
55-64	45	36	-9
65-74	36	46	10
75+	18	21	3
Total	156	158	2

Source: Esri

With the small size of the community, limited changes are being projected with most of the defined age ranges according to Esri. The biggest shifts are a decrease of nine households in the 55 to 64 year age group, and an increase of 10 households in the 65 to 74 year old range. This would appear to reflect the age progression patterns of existing households living in the community. Overall, Esri is expecting a gain of 13 households age 65 and older, but a net loss of 11 households age 64 and younger over the next five years.



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 Keystone.

Table 9 Keystone Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	20	22	2
Single Parent with own children	21	11	-11
Married Couple without own children	37	38	1
Family Householder without spouse	7	10	3
Total Families	85	81	-4
Non-Family Households			
Single Person	54	52	-2
Two or more persons	13	20	7
Total Non-Families	67	72	5

Source: U.S. Census

Between 2000 and 2010, Keystone experienced an overall net decrease of four “family” households. There was a decrease of 11 single parent households with children. The Town had an increase of two married couple families with children, an increase of one married couple family without children and an increase of three family holder without spouse households.

Keystone had an increase of five “non-family” households. There was a decrease of two one-person households. However, there was an increase of seven households that had unrelated individuals living together.

Housing Tenure

The 2017 American Community Survey Census provided data on housing tenure patterns. The following tables examine tenure rates, along with changes that have occurred.

Table 10 Household Tenure - 2017				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Keystone	75	54.0%	64	46.0%
Pennington Co.	29,196	67.7%	13,914	32.3%
State	230,657	67.9%	108,801	32.1%

Source: American Community Survey

According to the 2017 American Community Survey, the ownership tenure rate in Keystone was 54.0% and Pennington County's ownership rate was 67.7%. Keystone's rental tenure rate of 46.0% was significantly above the Statewide rate of 31.9% renter households.

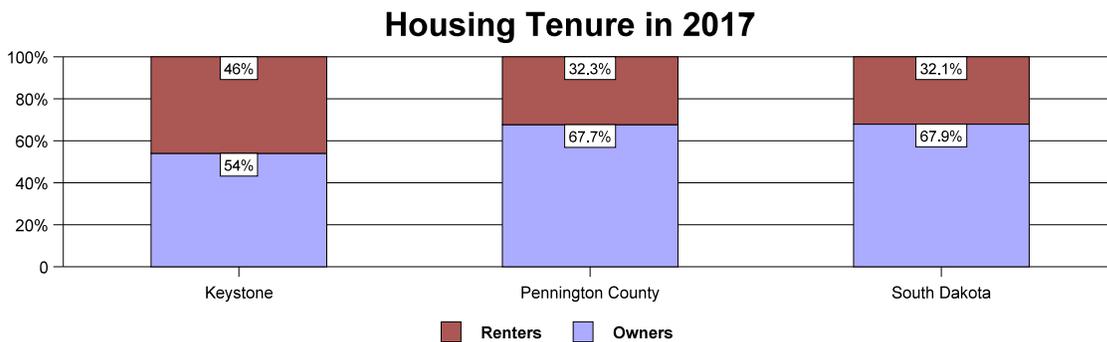


Table 11 Households by Housing Tenure - 2010 to 2017						
Tenure	Keystone			Pennington County		
	2010	2017	Change	2010	2017	Change
Owners	83/54.2%	75/54.0%	-8	26,792/64.9%	29,196/67.7%	2,404
Renters	70/45.8%	64/46.0%	-6	14,459/35.1%	13,914/32.3%	545
Total	153	139	-14	41,251	43,110	1,859

Source: U.S. Census; American Community Survey

Keystone's ownership tenure rate decreased slightly from 54.2% in 2010 to 54.0% in 2017. For Pennington County, the ownership tenure rate increased from 64.9% in 2010 to 67.7% in 2017.

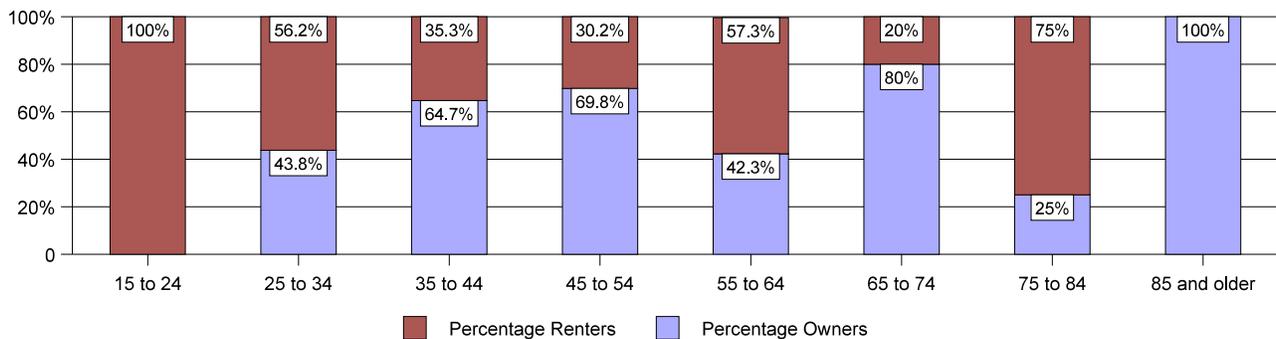
Tenure by Age of Householder

The 2017 American Community Survey provided information on the tenure distribution of Keystone households within each defined age range. The following table examines the number and percentage of renters and owners in each age group in Keystone.

Table 12 Keystone Tenure by Age of Householder - 2017				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	0	0%	12	100%
25-34	7	43.8%	9	56.2%
35-44	11	64.7%	6	35.3%
45-54	30	69.8%	13	30.2%
55-64	11	42.3%	15	57.3%
65-74	12	80.0%	3	20.0%
75-84	2	25.0%	6	75.0%
85+	2	100%	0	0%
Total	75	54.0%	64	46.0%

Source: American Community Survey

Keystone Housing Tenure Patterns by Age in 2017



Households at the lowest and highest ends of the age spectrum showed a preference for rental housing. All of the households age 15 to 24, 56% of households age 25 to 34 and approximately 60% of the households age 75 and older rented their unit.

2017 Income Data

Annual household income are available at the city, town, county and state levels through the American Community Survey. The following table compares median income levels for 2010 and 2017.

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

Table 13 Median Household Income - 2010 to 2017			
	2010 Median	2017 Median	% Change
Median Household Income			
Keystone	\$32,391	\$44,271	36.7%
Pennington County	\$46,849	\$52,245	12.5%
South Dakota	\$46,369	\$54,126	16.7%
Median Family Income			
Keystone	\$36,696	\$57,500	56.7%
Pennington County	\$57,278	\$66,250	15.7%
South Dakota	\$58,958	\$69,425	17.8%

Source: ACS 5-year survey

Information contained in the American Community Survey shows that the median household and family incomes have increased from 2010 to 2017 in Keystone, Pennington County and the State of South Dakota.

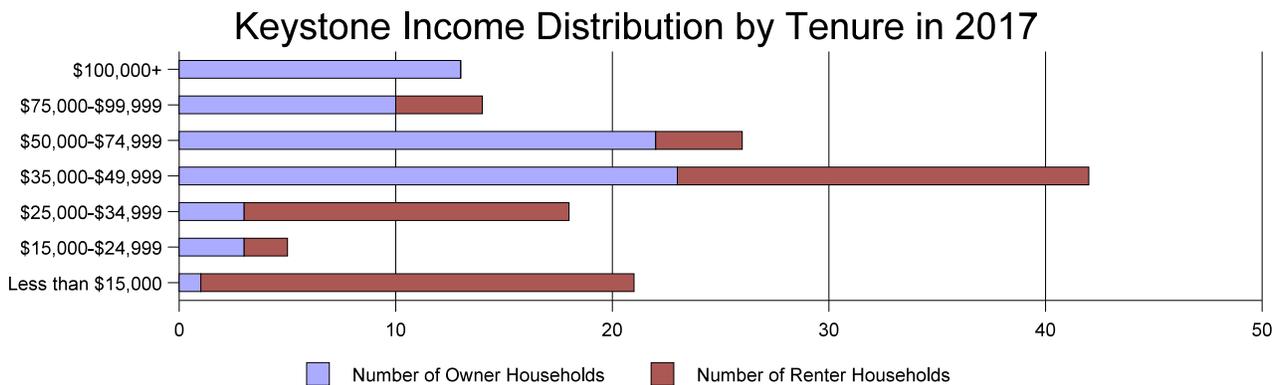
Generally, family household incomes tend to be higher than the overall household median, as families have at least two household members, and potentially more income-earners. Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Keystone could afford approximately \$1,107 per month and a median income family household could afford \$1,438 per month for ownership or rental housing in 2017.

Keystone Income Distribution by Housing Tenure

The American Community Survey provides income data by owner and renter status. The following table examines income distribution in Keystone. The American Community Survey is an estimate, based on limited sampling data, and there are some differences when compared to the 2018 AGS and Esri estimates. The 2017 American Community Survey reported income information on 139 households, AGS reported 150 households and Esri reported that there were 156 households in Keystone in 2018.

Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	1/4.8%	20/95.2%	21
\$15,000 - \$24,999	3/60.0%	2/40.0%	5
\$25,000 - \$34,999	3/16.7%	15/83.3%	18
\$35,000 - \$49,999	23/54.8%	19/45.2%	42
\$50,000 - \$74,999	22/84.6%	4/15.4%	26
\$75,000 - \$99,999	10/71.4%	4/28.6%	14
\$100,000+	13/100%	0/0%	13
Total	75	64	139

Source: American Community Survey



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

In 2017, approximately 58% of all renter households in Keystone 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 \$32,500 in 2017. At 30% of income, a renter at the median level could afford approximately \$813 per month or less for housing costs.

Most owner households had a higher income level than rental households. Approximately 60% of all owner households had an annual income of \$50,000 or more. The estimated median household income for owners in 2017 was approximately \$63,281. At 30% of income, an owner at the median income level could afford approximately \$1,582 per month for housing costs.

2017 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 Keystone.

Table 15 Gross Rent as a Percentage of Household Income - 2017			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	11/20.0%	0/0%	11/17.2%
20% to 29.9%	16/29.1%	4/44.5%	20/31.3%
30% to 34.9%	4/7.3%	2/22.2%	6/9.4%
35% or more	17/30.9%	3/33.3%	20/31.2%
Not Computed	7/12.7%	0/0%	7/10.9%
Total	55/100%	9/100%	64/100%

Source: American Community Survey

According to the American Community Survey, approximately 41% of the renters in the Town were paying 30% or more of their income for rent. The majority of these renters were actually paying more than 35% 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”.

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

Senior citizen renters (age 65 and older) represented approximately 19% of all renters with a housing cost burden. Households in the age ranges between 15 and 64 years old represented approximately 81% of all households with a rental cost burden.

2017 Estimated Income and Housing Costs - Owners

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

Table 16 Ownership Costs as a Percentage of Income - 2017		
Percentage of Household Income for Housing Costs	Number of Owner Households 2017	Percent of All Owner Households 2017
0% to 19.9%	41	54.7%
20% to 29.9%	21	28.0%
30% to 34.9%	10	13.3%
35% or more	3	4.0%
Not Computed	0	0%
Total	75	100%

Source: American Community Survey

Most owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 17% of all home owners reported that they paid more than 30% of their income for housing.

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

Existing Home Sales

This section examines houses that have been sold from 2010 to 2018 in Keystone. The information was obtained from the South Dakota Department of Revenue and reflects information assembled by the Pennington 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 also attempts to sort the residential sales into different groupings, primarily based on whether or not the house was actively listed for sale in the open market. As a result, some transactions in the County's sample may have been sales that could be considered distressed, such as houses that were previously bank-owned, but were sold by the bank back into private ownership. While it can be argued that sales of bank-owned properties acquired through foreclosure are not fair market transactions, they may be included in the County data if the bank openly placed them for sale in the public market.

The County and State reject sales that show significant variation from the assessed value. Known as the "150% rule" these sales may be open market transactions but are not useful in the County's sales ratio analysis. However, the sales data obtained from the Department of Revenue did not identify any rejected 150% rule sales in Keystone.

The County's sales ratio year differs slightly from the calendar year. It begins on November 1st and ends the following October 31st.

For Keystone, very few home sales have been recorded in any 12-month time period. As a result, the annual sales may not be representative of overall home values.

Table 17 Keystone Residential Sales Activity - 2010 to 2018				
Sales Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2018	3	\$155,000	\$230,000	\$124,000
2017	1	\$70,000	-	-
2016	3	\$144,000	\$178,600	\$132,000
2015	2	-	\$120,000	\$50,000
2014	1	\$100,000	-	-
2013	2	-	\$129,500	\$118,400
2012	0	-	-	-
2011	2	-	\$126,500	\$97,000
2010	0	-	-	-

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

Over the past nine years, only 14 good sales have been recorded, so the median for any single year can vary widely. If all 14 sales are examined over this longer time period, the median home sale price would be \$125,250.

The highest valued home sale since 2010 was for \$230,000. This was the only sale for more than \$200,000. The lowest valued sale was for \$50,000. Over the past nine years there have been three homes that sold for less than \$100,000.

An alternate home value estimate exists in the American Community Survey. In 2017, this estimate placed the median value for owner-occupied houses at \$129,200. This value was generally similar to the median sale price over the past several years.

Home Sales by Price Range

The following table looks at single family houses that sold within defined price ranges from 2010 to 2018. There were only 14 good “arms length” sales over this period.

Table 18 Keystone Home Sales by Price Range: 2010 to 2018		
Sale Price	Number of Sales	Percent of Sales
Less than \$100,000	3	21.4%
\$100,000 - \$149,999	8	57.1%
\$150,000 - \$199,999	2	14.3%
\$200,000+	1	7.1%
Total	14	100%

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

Recent home sales in Keystone have been distributed in different price ranges. However, most of the recent sales have been in a range between \$100,000 and \$149,999.

Overall, nearly 79% of the sales were for less than \$150,000, and approximately 21% were for \$150,000 or more. Only one of the recent sales was for more than \$200,000.

Keystone Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 73 single family/duplex houses in the Town of Keystone.

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 19 Windshield Survey Condition Estimate - 2019					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood	25/34.1%	28/38.5%	14/19.2%	6/8.2%	73

Source: Community Partners Research, Inc.

- ▶ Approximately 39% of the houses in the Town of Keystone need minor repair and 19% need major repair. Approximately 34% are sound, with no required improvements. Six houses are dilapidated and possibly beyond repair.

Keystone Mobile/Manufactured Home Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 74 mobile and manufactured homes located in the Town of Keystone.

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

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

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

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

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

Table 20 Windshield Survey Condition Estimate - 2019					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Total	16/31.4%	18/35.3%	10/19.6%	7/13.7%	51

Source: Community Partners Research, Inc.

- ▶ Approximately 35% of the mobile homes need minor repair and 20% need major repair. Approximately 31% are sound, with no required improvements.
- ▶ Seven mobile homes were dilapidated and possibly beyond repair.

New Home Construction in Keystone

Based on information provided by the Town of Keystone, one new home has been constructed in Keystone from 2010 to 2019. However, there have also been single family houses constructed in the area outside of the Town limits of Keystone. No rental units have been constructed in Keystone from 2010 to July 2019.

Rental Housing Data

American Community Survey Rental Inventory

According to the 2017 American Community Survey, there were approximately 64 occupied rental units in Keystone. The Town's rental tenure rate in 2017 was 46.0%, significantly above the Statewide rental rate of 32.1%.

From 2000 to May, 2019, we are not aware of any rental units that were constructed in Keystone. However, a number of owner-occupied homes and other buildings converted to rental use from 2000 to 2019. This includes both long-term rental use and vacation rentals.

Rental Housing Survey

As part of this housing study, a telephone survey of rental units was conducted in Keystone. Information was tallied separately for different types of rental housing, including market rate and subsidized rental housing.

There were 22 rental housing units contacted in the survey. The survey was conducted in June, 2019.

The units that were successfully contacted include:

- ▶ 14 market rate units
- ▶ 8 federally subsidized units

There are no tax credit or senior with services rental housing units in Keystone.

The findings of the survey are provided below.

Market Rate Summary

Information was obtained on 14 market rate rental units in a 5-plex, two duplexes and five single family homes/mobile homes.

Unit Mix

We obtained the bedroom mix on 14 market rate units. The bedroom mix of the 14 units is:

- ▶ studio - 4 (28.6%)
- ▶ one-bedroom - 1 (7.1%)
- ▶ two-bedroom - 8 (57.2%)
- ▶ three-bedroom - 1 (7.1%)

Occupancy / Vacancy

At the time of the survey, there were no vacancies in the 14 market rate units that were surveyed. The managers and owners reported a high demand for rental housing in Keystone.

Rental Rates

Rental units may include the primary utility payments within the contract rent, or the tenant may be required to pay some utilities separately, in addition to the contract rent.

In the following summary, Community Partners Research, Inc., has attempted to estimate the gross rents being charged, which includes an estimate for tenant-paid utilities.

<u>Unit Type</u>	<u>Lowest/Highest Gross Rents</u>
Studio	\$400
One-bedroom	\$750
Two-bedroom	\$550-\$850
Three-bedroom	\$900

Please note that the rents for the studio, one-bedroom and three-bedroom units are based on one rental property.

Tax Credit Summary

There are no tax credit rental projects in Keystone.

Subsidized Summary

There is one federally subsidized project in Keystone, Keystone Elderly Housing. Keystone Elderly Housing is an 8-unit senior/disabled USDA Rural Development project. Seven units are one-bedroom and one unit is two-bedroom.

Rental Rates

Tenants in Keystone Elderly Housing pay rent based on 30% of their household income up to the market rent. The project has a market rent and tenants do not pay more than the market rent.

Occupancy / Vacancy

There were no vacant units identified in the eight subsidized units at the time of the survey. The manager reported ongoing low vacancy rates, although the project does not have a waiting list.

Subsidized Housing Gains/Losses

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

Keystone has one subsidized rental project, Keystone Elderly Housing, which has eight units. The Town of Keystone and regional housing agencies should check periodically to determine if the Keystone subsidized housing project is considering the option to drop its subsidy contract. In some communities, public or non-profit agencies have been able to purchase projects that are at risk of being lost, to preserve their affordable housing resources.

Housing Choice Voucher Program

In addition to the subsidized rental project, Keystone households have access to the Housing Choice Voucher Program. The Pennington County Housing and Redevelopment Commission administers the Housing Voucher Program in Keystone.

The Housing Choice Voucher Program provides portable, tenant-based rent assistance to lower income 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.

The Pennington County HRC staff estimate that one or two Keystone households were utilizing the Housing Choice Voucher Program in June 2019. Currently, the Housing Choice Voucher Program has a waiting list of approximately three years. However, veterans and senior disabled households receive a preference.

Senior Housing with Services

There are no senior housing with services rental projects in Keystone.

Table 21 Keystone Multifamily Rental Housing Inventory

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Oakes 5-plex	4 - studio <u>1 - 2 bedroom</u> 5 total units	\$375-\$380 \$650	No vacancies	General Occupancy	The Oakes 5-plex includes four studio units and one two-bedroom unit. Rents start at \$400 for the studio rentals and \$700 for the two-bedroom unit. Additional rent is charged based on the number of people in the rental household. Rents include utilities. The owner reported no vacancies at the time of the survey.
Locke Properties	<u>3 - 2 bedroom</u> 3 total units	Approx. \$400	No vacancies	General Occupancy	Locke Properties includes a duplex and small single family home. Rent is approximately \$400 for the units. Tenants also pay utilities. The owner reported no vacancies at the time of the survey.
Alexander Properties	1 - 1 bedroom 4 - 2 bedroom <u>1 - 3 bedroom</u> 6 total units	\$600 to \$700	No vacancies	General Occupancy	Alexander Properties includes four single family homes and one duplex. The six units include one one-bedroom, four two-bedroom units and one three-bedroom unit. The average rent is \$600 to \$700. Tenants also pay utilities. The manager reported no vacancies at the time of the survey.
Subsidized					
Keystone Elderly Housing	7 - 1 bedroom <u>1 - 2 bedroom</u> 8 total units	30% of income up to a maximum rent	No vacancies	Senior	Keystone Elderly Housing is an eight-unit USDA Rural Development Project. The project has seven one-bedroom units and one two-bedroom unit. Tenants pay 30% of their income up to a maximum rent of \$840 for a one-bedroom unit and \$870 for the two-bedroom unit. The manager reports no vacancies at the time of the survey.

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. The type of employment, wage level, and working conditions will each influence the kind of housing that is needed and at what level of affordability.

Work Force and Unemployment Rates

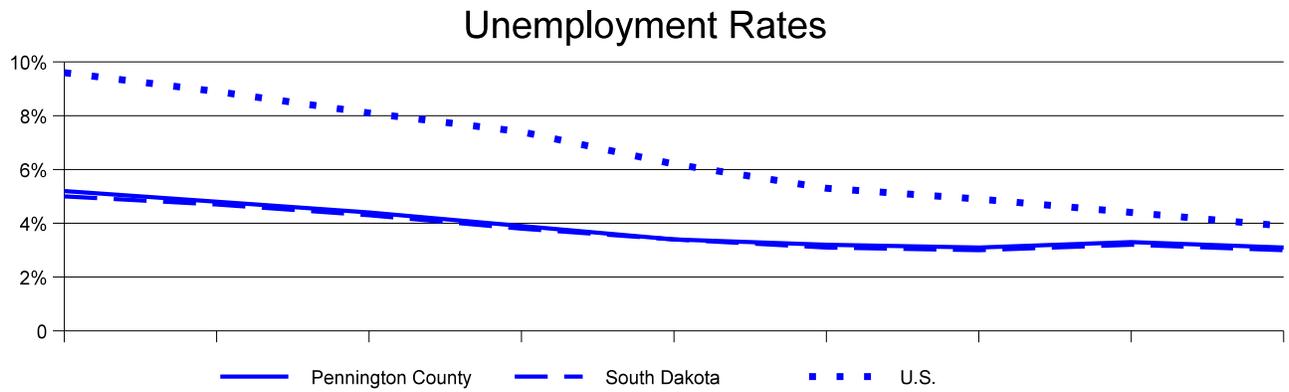
Employment information is only available at the county-level, and has been analyzed for Pennington County in this section of the Study. Data in the tables that follow have been obtained from the SD Department of Labor and Regulation.

Table 22 Pennington County Annual Labor Statistics: 2010 to 2018						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2010	52,839	50,081	2,758	5.2%	5.0%	9.6%
2011	52,984	50,421	2,563	4.8%	4.7%	8.9%
2012	53,290	50,948	2,342	4.4%	4.3%	8.1%
2013	53,179	51,108	2,071	3.9%	3.8%	7.4%
2014	53,922	52,076	1,846	3.4%	3.4%	6.2%
2015	54,315	52,603	1,712	3.2%	3.1%	5.3%
2016	54,703	53,022	1,681	3.1%	3.0%	4.9%
2017	55,714	53,895	1,819	3.3%	3.2%	4.4%
2018	56,253	54,533	1,720	3.1%	3.0%	3.9%

Source: South Dakota Department of Labor & Regulation

The statistics on the available labor force track people by their county of residence. When viewed over the entire nine-year period, the size of the County’s resident labor force has increased. Between 2010 and 2018, there was an increase of 3,414 people in the labor force, an increase of 6.5%.

The number of employed County residents has generally followed the same pattern. From 2010 to 2018, the number of employed residents of Pennington County increased by 4,452 people, or 8.9%.



The County's unemployment rate has dropped over this time period, from 5.2% in 2010 to 3.1% in 2018. Throughout the years reviewed, the County's unemployment rate has been equal to or slightly above the Statewide rate, but well below the national unemployment rate.

Employment and Wages

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

Table 23 Pennington County Average Annual Wages - 2017		
Industry	2017 Employment	Average Annual Wage
Total All Industry	57,096	\$41,184

Source: South Dakota Department of Labor & Regulation

The average weekly gross wage for all industry in 2017 was \$792 in Pennington County. At full-time employment, this would yield an annual average wage of just under \$41,200.

The County's three largest employment sectors were Trade, Transportation and Utilities, Education and Health Services, and Leisure and Hospitality. Within the Leisure and Hospitality industry sector it is possible that workers would not have full-time employment for 52 weeks each year.

Commuting Patterns of Area Workers

Information is available on workers that commute for employment. The best information is from the 2017 American Community Survey, and has been examined for Keystone. The first table examines Town residents that traveled to work from Keystone and excludes people that work at home.

Table 24 Commuting Times for Keystone Residents - 2017		
Travel Time	Number	Percent
Less than 10 minutes	120	55.8%
10 to 19 minutes	19	8.8%
20 to 29 minutes	21	9.8%
30 minutes +	55	25.6%
Total	215	100%

Source: American Community Survey

A majority of Keystone’s residents worked locally in 2017, with approximately 65% traveling less than 20 minutes for their primary job. However, nearly 26% of the Town’s residents were commuting 30 minutes or more to work.

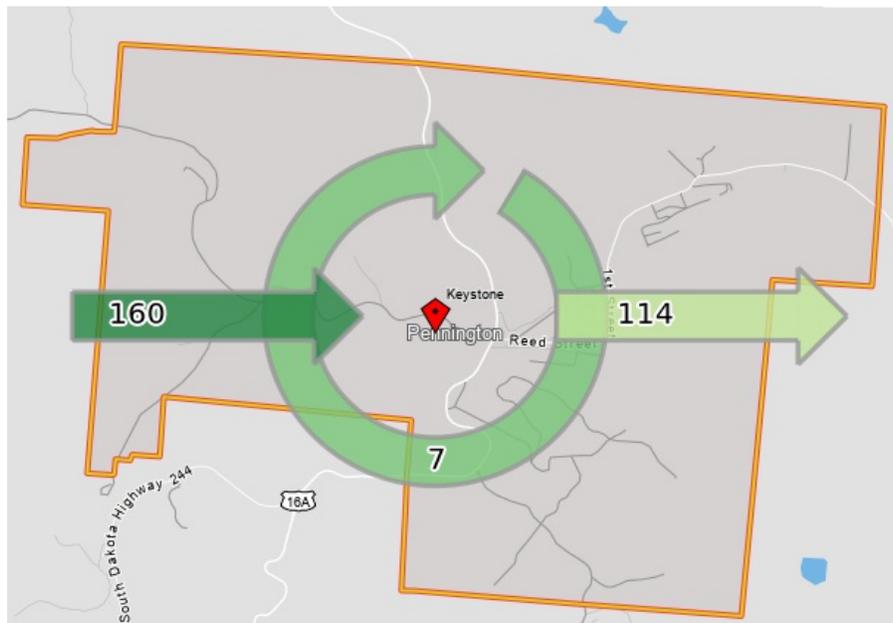
The American Community Survey also provides travel time by job location. However, no information was available for Keystone in 2017, presumably due to the small number of jobs that exist within the community.

Census On the Map - Keystone

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on reports for the year 2015, but provides a further breakdown of worker movement.

According to the report for Keystone, there were 167 people that were employed within the Town in 2015. This would be an average annual estimate. Approximately 4% of these Town-based employees also lived in Keystone. The remaining 96% of employees lived outside the community and commuted in for their job. In total, this source showed 160 workers commuting into Keystone. For people that were commuting in, the primary home locations included Rapid City, the Mount Rushmore UT and the Central Pennington UT. Approximately 74% of the incoming workers lived within one of these three jurisdictions.

On the Map can also be used to track worker outflow patterns from the Town. Overall, there were 121 Keystone residents that were employed. Most of these Town residents worked outside the community, as approximately 94% did leave the Town for their job. For Keystone residents that left the Town for their employment, the primary destinations were Rapid City and Mt. Rushmore UT. Approximately 70% of the outbound Keystone residents were working in one of these two jurisdictions in 2015.



Findings on Growth Trends

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

Keystone's population increased substantially by 34.1% from 1990 to 2000. The population increased from 232 in 1990 to 311 in 2000. From 2000 to 2010, Keystone's population increased by 26 people, which was a population gain of 7.7%.

Pennington County's population increased from 81,343 in 1990 to 88,565 in 2000, which was an increase of 8.9%. The population increased in the 2000s from 88,565 in 2000 to 100,948 in 2010, which was a population gain of 14.0%.

Household levels in Keystone and Pennington County also increased from 1990 to 2010. Keystone experienced a gain of 60 households from 1990 to 2000 and added one household from 2000 to 2010. Pennington County had an increase of 4,088 households from 1990 to 2000 and a gain of 6,610 households from 2000 to 2010.

Applied Geographic Solutions (AGS) estimates that Keystone had a loss of two people, but Esri estimates that Keystone had a gain of nine people from 2010 to 2018. The Census Bureau estimates Keystone gained two people from 2010 to 2017. Applied Geographic Solutions estimates that Pennington County had a gain of 10,453 people and the Census Bureau estimates that Pennington County had a gain of 10,781 people from 2010 to 2018.

AGS estimates that Keystone had a decrease of three households and Esri estimates that Keystone had a gain of three households from 2010 to 2018. AGS estimates that Pennington County had a gain of 5,970 households from 2010 to 2018.

Findings on Projected Growth

This Study has utilized AGS and Esri's projections for Keystone and Pennington County. AGS projects that Keystone will gain 39 people and 20 households from 2018 to 2023. Esri projects that Keystone will gain seven people and two households from 2018 to 2023. AGS projects that Pennington County will gain 5,920 people and 3,379 households from 2018 to 2023.

Summary of Keystone’s Growth Projections by Age Group

The Demographic section of this Study presented Keystone projection information from Esri on anticipated changes by age group from 2018 to 2023. 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 range between 65 and 74 years old. Age projections would expect the Town to add approximately 10 households in the 65 to 74 age ranges from 2018 to 2023.

The Esri age-based projections also expect an increase of one household in the 45 to 54 age range and an increase of three households in the 75 and older age range.

Keystone is projected to lose three households in the 44 and younger age ranges and a loss of nine households in the 55 to 64 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 Keystone 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 2018 to 2023</u>
15 to 24	0
25 to 34	-1
35 to 44	-2
45 to 54	1
55 to 64	-9
65 to 74	10
75 and older	3
Total	<u>2</u>

Findings on Unit Demand by Type of Housing

Based on the household by age projections presented earlier, the changing age composition of Keystone'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 no change in the number of households in the 15 to 24 age range from 2018 to 2023. Past tenure patterns indicate that a significant majority of the households in this age range in Keystone will rent their housing. No change in the number of households in this age range should mean that rental demand from younger households will remain relatively stable during the projection period.

25 to 34 Years Old - The projections show a loss of one household in this age range by 2023. Within this age range households often move from rental to ownership housing. The ownership rate among these households in Keystone is approximately 44%. A loss of one household within this age range indicates demand for both first-time home buyer and rental opportunities from this age range will not change during the projection period.

35 to 44 Years Old - The projections for this 10-year age cohort expect a loss of two households between 2018 and 2023 in Keystone. In the past, this age group has had a 65% ownership rate in Keystone. 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 - This age group represents a much smaller segment of the population than the baby boom age group. For Keystone, the projections show a gain of one household in this age range. This age group typically has had a rate of home ownership of approximately 70% in Keystone, and will often look for trade-up housing opportunities. A minimal gain in the number of households in this age group indicates that the demand for trade-up housing from this age range will remain relatively stable during the projection period.

55 to 64 Years Old - The projections show a decrease of nine households in this 10-year age range by the year 2023 in the Town. This age range has traditionally had a rate of home ownership in Keystone, at approximately 42%. 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 significant gain of 10 households is expected by the year 2023 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 80% of the households in this age range owned their housing in Keystone. Once again, preferences for age-appropriate units would increase from household growth within this age cohort.

75 Years and Older - There is a projected gain of three households in Keystone in this age range between 2018 and 2023. In the past, the older households within this age range have had a relatively low rate of home ownership in Keystone. 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 AGS and Esri household projections used for this Study expect Keystone to gain between two and 20 households and AGS projects Pennington County will gain 3,379 households from 2018 to 2023. Therefore, there will be demand for new housing production in Keystone based on household growth.

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 Keystone, dilapidated housing units have 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. Shifting age patterns have created demand for certain types of housing in Keystone. 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 Keystone were identified through statistical data, local interviews, research and onsite review of the local housing stock.

- ▶ **Keystone serves as a small employment and services center** - Keystone provides employment opportunities, retail/service options, health services, professional services, governmental services and recreational facilities for a small geographical area that surrounds the Town.
- ▶ **Infrastructure** - Keystone's water and sewer infrastructure can accommodate future expansion. However, ongoing infrastructure improvements are needed.
- ▶ **Commercial development** - Keystone's commercial district is an attraction for tourists.
- ▶ **Employers** - Keystone has employers that provide job opportunities for local residents.
- ▶ **Commuters** - Estimates from the Census Bureau show an average of approximately 160 employees commuting into Keystone daily for work. This number fluctuates depending on the time of year. These commuters form a potential market for future housing construction.
- ▶ **Keystone Economic Development Authority (KEDA)** - The Keystone Economic Development Authority (KEDA) plans to be active in commercial development, housing and in the development and expansion of business opportunities.
- ▶ **Pennington County Housing and Redevelopment Commission (HRC)** - The Pennington County HRC has been active in owning and managing housing in Keystone.
- ▶ **Small town atmosphere** - Keystone has the real and perceived amenities of a small town. Small town living is attractive for some households.

- ▶ **Builders and developers** - Keystone has housing builders and developers that may be willing to invest in new housing construction.
- ▶ **Population and household growth** - Keystone and Pennington County are projected to add people and households over the next five years.
- ▶ **Proximity to Rapid City** - Keystone is located approximately 27 miles from Rapid City, the area's regional center. Rapid City provides additional employment opportunities, retail/services options, educational opportunities, health care facilities and recreational opportunities.
- ▶ **Black Hills Recreational Area** - Keystone is in the Black Hills, a nationally known recreational and tourism area. Mount Rushmore, Crazy Horse Monument, Custer State Park and other tourist attractions are all in close proximity to Keystone.
- ▶ **Median Home Values** - The median value of existing houses in Keystone, based on recent sales activity, is approximately \$125,250. This relatively high value for existing homes can help to encourage new single family construction.

Barriers or Limitations to Housing Activities

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

- ▶ **Age and condition of some of the housing stock** - Keystone has some homes that require minor or major improvements, or are potentially dilapidated and beyond repair.
- ▶ **Lower paying jobs** - Although Keystone has employment opportunities, some jobs are at the lower end of the pay scale and employees with these jobs have limited housing choices.
- ▶ **Off-season commercial/retail options** - Keystone has a limited number of commercial and retail opportunities during the off-tourism season.
- ▶ **Competition from rural building sites** - Households often seek available building sites in rural areas surrounding Keystone and in Pennington County. These building sites compete with available residential lots within the Town of Keystone.
- ▶ **Employee and vacation homes** - A number of houses in Keystone that would normally be in the permanent resident housing stock are utilized as vacation/seasonal homes or for temporary employee housing.
- ▶ **Available residential lots** - There are a few available residential lots in Keystone, but the Town has a lack of residential lot options for some sizes and prices of homes.
- ▶ **Proximity to Rapid City** - Although it is a strength to be close to Rapid City, it is also a barrier as Keystone must compete with the Rapid City area, which offers employment, attractive residential opportunities and other amenities and services.
- ▶ **Flood Plain** - A portion of Keystone is in the Flood Plain which limits new construction and housing rehabilitation.
- ▶ **Lack of developable land** - Although Keystone has some developable land options, available land for subdivision development and new housing construction is limited.
- ▶ **Lack of health and educational facilities** - Keystone does not have a health clinic or a public school building within the town limits.
- ▶ **Poverty Rate** - A significant number of Keystone households are below poverty income rates.

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 Keystone. 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 Keystone if there is proactive support from the Town, local and regional housing and economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the existing housing stock** - The future of Keystone 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 a major asset, however, rehabilitation efforts are needed to continue to preserve the housing stock.
- ▶ **Protect the existing assets and resources** - Keystone has several assets including a Downtown Commercial District, recreation and tourism opportunities, etc. These are strong assets that make Keystone 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** - 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 local efforts, the Town has other resources to draw on including the Pennington County Housing and Redevelopment Commission, USDA Rural Development, the South Dakota Housing Development Authority, the Western South Dakota Community Action Agency, the Black Hills Council of Governments, NeighborWorks Dakota Home Resources, Dakota Resources and Grow South Dakota. These resources should be accessed as needed to assist with housing activities.

Summary of Findings/Recommendations

The findings/recommendations for the Town of Keystone have been formulated through the analysis of the information provided in the previous sections and include 23 recommendations. The findings/recommendations have been developed in the following five categories:

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

The findings/recommendations for each category are as follows:

Rental Housing Development

1. Develop 12 to 15 general occupancy market rate rental units
2. Develop six to eight senior independent/light services market rate units
3. Monitor the need for additional subsidized rental housing units
4. Preserve the existing supply of subsidized housing
5. Senior housing with services units/beds
6. Promote the conversion/renovation of existing buildings to create 6 to 8 affordable market rate rental housing units
7. Develop a mixed-use commercial/housing project
8. Utilize the Housing Choice Voucher Program

Home Ownership

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

Single Family Housing Development

10. Lot availability
11. Develop a 12 to 16-lot affordable home subdivision
12. Strategies to encourage residential lot sales and new home construction in Keystone
13. Promote twin home/town home development
14. Coordinate with agencies/nonprofits that develop affordable housing

Housing Rehabilitation/Neighborhood Revitalization

15. Promote rental housing rehabilitation
16. Promote owner-occupied housing rehabilitation programs
17. Acquire and demolish dilapidated structures

Other Housing Initiatives

18. Encourage employer involvement in housing
19. Develop mobile/manufactured home programs
20. Create a plan and a coordinated effort among housing agencies
21. Strategies for commercial district redevelopment/development
22. Develop home ownership and new construction marketing programs and strategies
23. Seasonal employee housing

Keystone - 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.

In Keystone from 2010 to 2019, no new rental units were constructed. However, a number of single family homes have been converted from owner-occupied to rental use during that time period.

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

Esri projects that Keystone will gain two households and AGS projects Keystone will gain 20 households from 2018 to 2023. AGS projects Pennington County will gain 3,379 households from 2018 to 2023. We have averaged the two Keystone household growth projections and determined that Keystone will add approximately 11 households from 2018 to 2023. It is estimated that approximately 40% of the new Keystone households will be rental households, thus, there will be a demand of approximately four additional rental units due to household growth over the next five years. Also, there will be a projected demand for an additional four households based on projected Pennington County growth. Therefore, there will be a total demand for approximately eight new rental units in Keystone over the next five years due to household growth.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that Keystone will lose as many as one to two rental units annually, which is five to 10 total rental units over the next five years. As a result, approximately five to 10 additional units will be needed over the next five years to replace lost units. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition 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. Additionally, Keystone has a unique situation in that rental units may be lost due to conversion to vacation/seasonal housing.

Pent-up demand also exists. As part of this study, a rental survey was conducted. There were no vacancies reported in the market rate rental units that were surveyed. Based on the high occupancy rates in existing rental housing, and a limited supply of some types of rental housing, we have identified pent-up demand for market rate, market rate senior and workforce rental units.

These three demand generators show a need for 24 to 31 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 2019 to 2024.

▶ General Occupancy Market Rate	12-15 units
▶ Senior Independent/Light Services	6-8 units
▶ Subsidized	0 units
▶ Conversions	6-8 units
▶ Senior with Services	<u>0 units/beds</u>
Total	24-31 units/beds

1. Develop 12 to 15 general occupancy market rate rental units

Findings: Approximately 88% of the rental housing units in Keystone 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.

No market rate rental units have been constructed in Keystone from 2010 to 2019. However, a number of owner-occupancy single family homes and other buildings converted to rentals. Most of the market rate units in Keystone are in single family houses and mobile homes. The number of year-round rental units is limited in Keystone as many units are designated for seasonal and temporary employee housing.

In the 14 market rate rental units we surveyed, no vacant units were reported at the time of the survey. The owners of rental properties reported very high occupancy rates and strong demand for rental housing.

The existing rent ranges for the market rate rental units surveyed, including utilities, are \$400 for an efficiency unit, \$750 for a one-bedroom unit, \$550 to \$850 for a two-bedroom unit and \$900 for a three-bedroom unit.

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 a total of 12 to 15 market rate rental units over the next five years from 2019 to 2024.

Based on our research, there is a need for all unit sizes, thus, the new units constructed over the next five years should include one, two and three-bedroom units.

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

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

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

The first option to developing market rate housing would be to encourage private developers to undertake the construction of market rate rental housing. During the interview process, several rental property owners expressed interest in constructing additional rental housing in Keystone.

If private developers cannot develop affordable workforce rental housing, the Keystone Economic Development Authority (KEDA) or a local or regional housing agency could potentially utilize essential function bonds, local funds, or similar funding sources, to construct market rate units. The South Dakota Housing Development Authority has programs for rental development that may be able to assist Keystone with new projects.

Also, KEDA or a local or regional housing agency could partner with private developers to construct additional units. The Town and/or County could assist with land donations, reduced water and sewer hookup fees, etc.

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

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	2-3	600 - 800	\$750 - \$900
Two Bedroom	9-10	850 - 1,100	\$800 - \$1,050
Three Bedroom	1-2	1,150 - 1,300	\$900 - \$1,250
Total	12-15		

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2019 dollars. It is assumed that rents will increase later in the five-year projection period.

It would be advantageous to have rents for some of the units at or less than the payment standards for the Housing Choice Voucher Program, thus, the units would be affordable for more households. The current payment standards are:

- ▶ 1 bedroom - \$700
- ▶ 2 bedroom - \$850
- ▶ 3 bedroom - \$1,126

2. Develop six to eight senior independent/light services market rate units

Findings: We are not aware of any senior independent market rate rental projects in Keystone. To determine the need for senior independent market rate units in Keystone, we have analyzed data for the Town of Keystone and Pennington County.

In 2018, there were approximately 66 households age 65 or older in the Town of Keystone. It is projected that there will be 13 additional households age 65 and older in Keystone by 2023.

We are estimating that 5% to 7% of senior households age 65 and older in the Town of Keystone would move into a senior independent/light services rental project. Also, a limited number of senior households from rural Keystone and other jurisdictions could move into a senior housing project in Keystone.

Recommendation: We are recommending a six to eight-unit independent market rate senior project in Keystone. The project should be designed to allow seniors to live in a unit independently. The senior project could be a one-level apartment building or townhome style.

The project's amenities and features should include:

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

Apartment features should include:

- ▶ 6 to 8 units
 - ▶ 2 to 3 one-bedroom
 - ▶ 4 to 5 two-bedroom
- ▶ Floor plans that promote accessibility
- ▶ Fully equipped kitchen
- ▶ Large storage area
- ▶ Ample closet space
- ▶ Laundry hookups
- ▶ Open floor plan
- ▶ Private patio
- ▶ Individually controlled heat and AC
- ▶ Raised outlets, lever door handles, lowered kitchen cabinets
- ▶ Expansive windows

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

- ▶ Noon meal
- ▶ Weekly housekeeping
- ▶ Home healthcare
- ▶ Social activities

Land donations, low interest loans and/or other subsidies and incentives could be utilized to make the project financially feasible.

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

The location of the project should be close to services as the project will be occupied by seniors. A high amenity location would be ideal for a senior project. If possible, the project should have land available for future project phases.

3. Monitor the need for additional subsidized rental housing units

Findings: There is one federally subsidized rental project in Keystone, Keystone Elderly Housing. Keystone Elderly Housing is an eight-unit USDA Rural Development senior/disabled project constructed in the 1970s. The eight units include seven one-bedroom units and one two-bedroom unit. At the time of the survey, Keystone Elderly Housing had no vacancies. Tenants with rent assistance pay 30% of their income for rent up to the market rent.

Based on the 2017 American Community Survey, approximately 26% renter households reported that 30% or more of their income was required to pay housing costs. This represented approximately 41% of all renters that were surveyed. At that time, most of these households had annual incomes of less than \$25,000, and needed a very affordable unit to avoid a housing cost burden.

Recommendation: We recommend that the Town of Keystone and KEDA monitor the need to expand the supply of subsidized rental housing in Keystone. In other recommendations in this Study, we are recommending the construction of workforce rental units, senior rental units and the development of rental units in existing buildings. It is recommended that the need for affordable rental housing is addressed through these recommendations. Additionally, the low and moderate income renter households can apply for a Housing Choice Voucher.

The large subsidized housing production programs of the past are no longer available, and it remains very difficult to produce new units for very low income renters especially in small cities and towns.

4. Preserve the existing supply of subsidized housing

Findings: Keystone has one “deep subsidy” rental housing project, Keystone Elderly Housing, that allows tenants to pay rent based on 30% of income. This project is more than 30 years old and was constructed when the federal government was actively involved in producing low income housing.

Subsidized housing represents the most affordable option available to lower income households. Since most of these units charge rent based on income, even extremely low income households can afford deep subsidy housing.

Privately-owned subsidized housing has been lost as owners have the ability to opt-out of subsidy contracts after their original obligations have been met. Subsidized housing that is lost cannot be cost-effectively replaced with the low income housing production resources that are available today.

Recommendation: The South Dakota Housing and Development Authority (SDHDA) tracks subsidized housing in South Dakota that is at risk of being lost. Also, USDA Rural Development would know of any projects leaving their subsidy program.

Local and regional housing agencies should check with SDHDA and USDA Rural Development on an on-going basis to determine if the Keystone subsidized housing project is considering the option to drop their subsidy contract. In some communities, public or non-profit agencies have been able to purchase projects that are at risk of being lost, to preserve their affordable housing resources.

5. Senior housing with services units

Findings: Keystone has no senior with services housing projects that can offer services such as light services housing, assisted living, memory or skilled nursing home units/beds. However, surrounding cities including Rapid City and Custer have senior with services housing options.

Based on 2018 estimates from Applied Geographic Solutions, there are approximately 77 senior citizens, age 65 and above, residing in the Town of Keystone. The projections contained in this Study anticipate a gain of approximately 22 seniors from 2018 to 2023.

Recommendation: Based on the research completed for this Study, we do not recommend the development of additional senior with services (skilled nursing home, assisted living, memory care) units/beds through the year 2023 in Keystone. Keystone does not have the senior (65 and older) population to support senior with services units/beds, which provide a high level of services. We have, however, in Recommendation #2, determined that there is a need for independent/light services housing units in Keystone.

The purpose of this recommendation is to provide general guidance to potential developers. A developer or existing senior with services facility planning a specific project should have a project-specific study conducted.

6. Promote the renovation/conversion of existing buildings to create six to eight affordable market rate rental housing units

Findings: The market rate rental housing recommendation addressed the market potential to develop high quality rental units in Keystone. Unfortunately, these units would tend to be beyond the financial capability of many area renters. Many of Keystone's renter households have an annual income below \$25,000. These households would need a rental unit at \$650 per month or less.

There is evidence that Keystone has lost rental housing over the years due to redevelopment, deterioration and demolition, or tenure conversion. Part of the need for additional rental units in Keystone is to provide for unit replacement of lost units. Unfortunately, most of the lost units are probably affordable, and new construction will not replace these units in a similar price range.

Recommendation: We encourage the Town of Keystone to promote the conversion of buildings to affordable rental units. A goal of six to eight units over the next five years would help to replace affordable housing that has been lost.

It would be difficult to create affordable units through new construction. Instead, it may be more practical to work on building renovation or conversion projects that can create housing. This opportunity may arise in commercial buildings, hotels, motels, or through the purchase and rehabilitation of existing single family homes.

Creating some additional units with contract rents below \$650 per month would help to expand the choices available to a majority of Keystone's renter households.

It is probable that the proposed rent structure for some units could only be obtained with financial commitments from funding agencies such as the South Dakota Housing Development Authority.

7. Develop a Mixed-Use Commercial/Housing Project

Findings: A new mixed-use rental housing/commercial project would be an asset to Keystone’s commercial district.

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.

Over the past several years, some tenants have expressed a renewed interest in living downtown. This is especially true in vibrant downtowns, such as Keystone, that offer many amenities.

Recommendation: We recommend the development of a mixed-use building in the commercial Keystone area. There are several potential sites in the Town’s commercial area for a mixed-use project. The site could be a vacant parcel, or potentially a dilapidated structure or structures could be demolished to provide a site.

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

The units should be primarily one and two-bedrooms. Please note that the new units are included in the recommended unit totals in the first recommendation 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 land at a reduced price or other local funds.

8. Utilize the Housing Choice Voucher Program

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

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

The Housing Choice Voucher Program is administered in Keystone and Pennington County by the Pennington County Housing and Redevelopment Commission. The Pennington County Housing and Redevelopment Commission has the ability to issue approximately 1,330 vouchers in Pennington County. Approximately one or two Keystone households were utilizing the Housing Choice Voucher Program in June 2019. There is a three-year waiting list to obtain a Voucher. However, veterans and senior disabled households receive a preference.

Recommendation: Keystone should work with the Pennington County Housing and Redevelopment Commission to assure that renter households in Keystone are aware of the Housing Choice Voucher Program and have an opportunity to apply for assistance.

Keystone - Home Ownership

Home Ownership

Findings: Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base. The median owner-occupied home value in Keystone is estimated to be approximately \$125,250, based on recent sales activity. The home values in Keystone provide some opportunity for first time buyers and households seeking moderately priced homes. However, Keystone’s existing homes are valued higher than most cities in South Dakota and some existing homes are purchased and converted to vacation homes or rental units for seasonal employees.

Our analysis of Keystone demographic trends shows that from 2018 to 2023, there will be a relatively stable number of households in the 54 and younger age ranges. The 65 and older age ranges are projected to have a significant increase. Some households 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:

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

Findings: We believe that affordable home ownership is one of the issues facing Keystone 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. Keystone has a limited supply of houses that are price-eligible for these assistance programs. However, the home value estimates used in this Study indicate that some of the existing stock in Keystone 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: Keystone should 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 in Keystone.

Keystone and KEDA could 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, NeighborWorks Dakota Home Resources and Grow South Dakota utilize several funding sources to provide home ownership programs. Additionally, the Federal Home Loan Bank currently has funds available for down payment/closing cost assistance.

Keystone - Single Family Housing Development

New Housing Construction

Findings: Keystone has experienced very limited single family owner-occupied housing construction since 2010. It is estimated that from 2010 to May 2019, only one single family owner-occupancy housing unit was constructed in Keystone.

The Keystone area has many desirable features and qualities, including the attractiveness of the area, natural amenities, tourism attractions, its appeal as a retirement location and projected household growth in the Black Hills. The efforts of local stakeholders, including developers and builders, could result in the construction of owner-occupancy single family housing units over the five-year projection period from 2019 to 2024. However, attractive residential lot options must be available for all home designs and prices.

It is our opinion that if the Town of Keystone, KEDA, developers, builders and local and regional housing agencies are proactive, a total of eight to 12 single family owner-occupancy housing units could be constructed in Keystone from 2019 to 2024. This is an average of two to three houses annually.

Our projection for new owner-occupied single family housing units includes homes built in new subdivisions and on infill lots, and includes single family attached housing units, such as twin homes and town homes. The breakdown of our projection of eight to 12 new units is as follows:

▶ Higher & moderately priced homes	3-4 homes
▶ Entry-level homes (less than \$200,000)	3-4 homes
▶ Twin homes/town houses	<u>2-4 units</u>
Total	8-12 homes/units

10. Lot availability

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

There are a few miscellaneous infill lots scattered around the Town. We do not know the availability of some of these infill lots. Also, there are a few dilapidated homes in the Town. If these homes are demolished, some of the cleared lots may be sites for new construction.

There are also subdivisions and building sites in proximity to Keystone in rural Pennington County such as Granite Point.

Recommendation: With projections that eight to 12 new single family housing units could be constructed over the next five years, the Town should have approximately six to 10 residential lots available on an on-going basis to meet the expected demand over the next five years and into the future. Part of this demand would be for attached unit construction.

With only a few infill lots available, the Town does not have an adequate supply of lots. It is our opinion that there is a need for additional lots that will accommodate both higher priced and affordable homes.

11. Develop a 12 to 16-lot subdivision

Findings: There are very few lot options for higher-priced houses and affordable houses such as governors homes and manufactured homes.

The median home price for an existing home in Keystone is \$125,250 based on recent sales. Also, some existing homes are purchased and converted to vacation properties or rental properties for seasonal employees. With high prices and a shortage of available existing options, the new construction of highest priced and affordable homes is a viable option for households seeking home ownership in Keystone.

Recommendation: With projections that approximately eight to 12 new owner-occupied housing units could be constructed in Keystone over the next five years, the Town should have residential lots available to meet the expected demand.

With only a few lots available in the Town for new housing, there is not an adequate supply of lots to address the projected demand. Therefore, if expected demand comes to fruition, it will be necessary to develop additional residential lots for new home construction.

To achieve the level of new home construction potential that has been identified, we recommend the development of a 12 to 16-lot subdivision for home construction, based on the following:

- ▶ The site for lot development should have land available, if possible, for future lot development phases.
- ▶ To keep development costs as low as possible, a site with access to existing infrastructure should be considered.
- ▶ The lots must be as aesthetically acceptable as possible.
- ▶ The lots should have covenants that assure quality development. However, the covenants should not be so restrictive that they eliminate the target market's ability to construct a home.
- ▶ It may be necessary to annex land into the town to accommodate a new subdivision. Potentially the Town's new comprehensive plan will identify sites for lot development.
- ▶ The lots should accommodate a variety of home designs including affordable homes such as Governors Homes and manufactured/modular homes.
- ▶ All stakeholders should be involved in promoting and publicizing the lots.
- ▶ Some lots should be available for twin home/ town home development.
- ▶ Successful lot development will need the cooperation of financial institutions, funding agencies, employers, home builders, developers, the Town of Keystone, and KEDA. Financial assistance, land donations or writedowns will be necessary to make the development of lots feasible.

We also recommend that the Town research all of the vacant lots and parcels in the Town to determine their availability and viability for new construction. A lot inventory, based on the research, should be maintained and available for future buyers.

An infill lot inventory, along with the development of 12 to 16 new affordable lots, should address lot demand for the next five years.

12. Strategies to encourage continued residential lot sales and new home construction in Keystone

Findings: From 2010 to May 2019, only one owner-occupied single family unit has been constructed in Keystone.

Recommendation: We recommend that the Town, KEDA, developers, builders, realtors and other housing stakeholders coordinate efforts to promote lot development, lot sales and housing development.

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

- ▶ **Competitive pricing** - There are lots available in communities throughout the region. To attract new home construction in Keystone, lots should be available and competitively priced with other lot options in the area.
- ▶ **User-Friendly/develop momentum** - The lot purchase and home building process must be 'user friendly.' This includes an inventory of available lots, the construction of spec homes, builders that are readily available to build custom homes and Town regulations that are fair and reasonable. The entire process must be as 'user friendly' as possible to encourage home construction. This will create momentum for new housing construction.
- ▶ **Long-term planning** - The Town of Keystone and Keystone developers should continue long-term development planning to assure lots are available to meet demand for all types of new housing on an ongoing basis. A Comprehensive Plan is currently being developed for Keystone.
- ▶ **Promote spec home construction** - Spec houses attract a buyer that is not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy.

- ▶ ***Incentives*** - Some cities and counties throughout South Dakota are offering incentives to construct new homes, including reduced lot prices, reduced water and sewer hookup fees, cash incentives, etc. Incentives should be considered to promote new home construction.
- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a demand for twin homes/town homes over the next 10 years. Lots should be available for a twin home/town home development.
- ▶ ***Range of house prices*** - Lots should be available to as wide a range of home sizes and prices as possible, without compromising the subdivisions. This broadens the lot buyer market. Also, smaller infill lots with fewer amenities could be marketed for affordable homes.
- ▶ ***Marketing*** - The Town of Keystone and all housing stakeholders will need to develop a comprehensive marketing strategy to sell available lots. Developers, realtors, financial institutions, builders, employers, the Chamber of Commerce, KEDA, etc., should all be involved in developing marketing strategies. In addition to marketing the lots, the Town of Keystone and its many amenities should continue to be marketed.
- ▶ ***Governors Homes*** - Governors Homes are an affordable option and SDHDA has initiated a program that enables developers to participate in the 'Governor's Home Program.'
- ▶ ***Manufactured/modular homes*** - Manufactured and modular homes can provide affordable housing opportunities for moderate income households.
- ▶ ***In-fill lot Home Development*** - In-fill lots in existing neighborhoods are often affordable and have existing Town services. Some housing agencies and nonprofits develop affordable homes on in-fill lots.
- ▶ ***South Dakota Housing Development Authority Programs (SDHDA)*** - SDHDA has housing programs available to assist developers, builders and home buyers.
- ▶ ***Publicly owned subdivision*** - Private developers often do not have the incentive to develop lots in a small community. A possible approach is to develop a publicly-owned subdivision, which could potentially offer lower-priced lots.

13. Promote town house/twin home development

Findings: Keystone has experienced very limited attached housing development over the past several decades. Many communities over the past two decades have seen attached housing take an increased share of new construction for owner-occupants.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making traditional single family homes available for families. Attached housing may also be an affordable option for younger households. In 2018, based on Esri estimates, there were approximately 103 households in the Town of Keystone with a head of household in the 55 and older age ranges, and it is estimated that the 55 and older age ranges will increase by four households from 2018 to 2023.

It is important for the Town to offer a range of life-cycle housing options as many of these households will be seeking to downsize into low maintenance housing options.

Recommendation: It is our projection that one to two new owner-occupancy twin homes (two to four units) will be constructed over the next five years. It is estimated that additional twin homes will also be constructed after the five-year projection period.

We recommend twin home/town home construction, and to be successful, the following should be considered:

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

The public sector's role in any owner-occupancy attached housing development may be limited, as the private sector can often meet this housing need if a demand exists. The Town's role should include assuring that adequate land is available for development and that zoning allows for attached housing development.

14. Coordinate with agencies/nonprofits that develop affordable housing

Findings: With the difficulty of producing new housing units that are affordable moderate income households, it is important to take advantage of opportunities presented by housing agencies and nonprofit groups such as Habitat for Humanity and NeighborWorks Dakota Home Resources. These sources can help generate new homes for moderate income families in Keystone.

Recommendation: We recommend that the Town coordinate with housing agencies, nonprofit groups and private sector builders to produce housing units for moderate income ownership. The Town may be able to contribute to the project through land donations, financial assistance, or project coordination activities.

If dilapidated homes are demolished, some of the cleared lots may be suitable for redevelopment and these in-fill lots may be good sites for this type of new construction activity.

Keystone Housing Rehabilitation and Neighborhood Revitalization

Housing Rehabilitation and Neighborhood Revitalization

Findings: Keystone has an asset in their 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 Keystone and area housing agencies will need to make housing rehabilitation a priority in the future. New housing construction that has occurred is often in a price range that is beyond the affordability level for most Keystone 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, affordable stock could shrink, creating an even more difficult affordability situation.

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

15. Promote rental housing rehabilitation

Findings: Based on the American Community Survey data, the Town of Keystone had approximately 64 rental units in 2017. These rental buildings are small rental buildings, single family homes and mobile homes. Many of these rental structures could benefit from rehabilitation as approximately 53 rental units more than 30 years old, which is approximately 83% of Keystone's total rental housing stock.

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

Recommendation: The Town of Keystone and KEDA should work with housing agencies to seek funds that allow for program design flexibility that make a rental rehabilitation program workable. Potential funding sources may include USDA Rural Development, the Pennington County HRC, NeighborWorks Dakota Home Resources, the Western South Dakota Community Action Agency, the South Dakota Housing Development Authority, the Federal Home Loan Bank and local funds.

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

16. Promote owner-occupied housing rehabilitation programs

Findings: The quality of the existing housing stock in Keystone will continue to be an attraction for families that are seeking housing in Keystone. Investment in owner-occupied housing rehabilitation activities will be critical to offering high quality housing opportunities. Keystone has approximately 50 owner-occupied units that are more than 30 years old, which is approximately 67% of Keystone's total owner-occupied housing stock. Some of these units need rehabilitation.

The housing condition survey of 73 homes in Keystone found 28 homes that need minor repairs and 14 homes that need major repairs. Without rehabilitation assistance, the affordable housing stock will shrink in Keystone.

Recommendation: We recommend that the Town of Keystone and KEDA seek local, state and federal funds to assist in financing housing rehabilitation. USDA Rural Development, the Pennington County HRC, the South Dakota Housing Development Authority, the Federal Home Loan Bank, NeighborWorks Dakota Home Resources and the Western South Dakota Community Action Agency are potential funding sources. NeighborWorks Dakota Home Resources has several housing programs to assist households with the rehabilitation of their homes. 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 Keystone households to utilize these housing rehabilitation programs. Also, the Western South Dakota Community Action Agency provides Weatherization funds for Keystone and Pennington County.

17. Acquire and demolish dilapidated structures

Findings: The Town of Keystone’s housing condition survey identified six houses that were dilapidated and viewed as too deteriorated to rehabilitate. We also identified 14 homes as needing major repair and several of these homes may be too dilapidated to rehabilitate. It is probable that some additional deteriorated houses exist in other neighborhoods that were not surveyed.

Recommendation: We recommend that the Town of Keystone work with property owners to demolish and clear severely dilapidated structures. The Town is enhanced when blighted and dilapidated structures are removed. It is possible that some of the cleared lots could be utilized for the construction of new affordable housing units. The new housing could be owner-occupancy single family houses or potentially multi-family units, including housing for seasonal workers.

The Town could develop partnerships with the private sector and housing agencies to construct new housing on cleared parcels. SDHDA, NeighborWorks Dakota Home Resources and Federal Home Loan Bank funds are potential funding sources for this initiative.

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

Keystone - Other Housing Initiatives

Other Housing Initiatives

18. Encourage employer involvement in housing programs

Findings: Keystone has several employers with a significant number of employees. The connection between economic development and housing availability has become an increasingly important issue as local employers have the need to attract new workers into the community.

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

Several local employers have been active in providing housing for their seasonal workers.

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

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

19. Develop mobile/manufactured home improvement programs

Findings: Community Partners Research, Inc., conducted a housing condition survey of 51 mobile/manufactured homes in Keystone. The mobile/manufactured housing stock in Keystone is generally in fair condition. Of the 51 mobile/manufactured homes surveyed in Keystone, 18 (35.3%) needed minor rehabilitation, 10 (19.6%) needed major rehabilitation and 7 (13.7%) were dilapidated and possibly beyond repair. Sixteen (31.4%) homes were in sound condition.

Recommendation: Addressing the issues created by substandard mobile homes is not easily solved. Some communities have rehabilitated older units, but this is difficult to accomplish because of the type of construction of mobile homes, and it is rarely cost effective.

Some communities have established programs that provide for the purchase and removal of substandard mobile home units, provided a newer unit is purchased to replace the acquired dwelling. While this approach can work well in upgrading the stock, it can be expensive, especially if there are a large number of homes in poor condition.

With a significant number of Keystone's mobile/manufactured home inventory needing rehabilitation, it may be appropriate for the community to initiate programs to repair mobile/manufactured homes, even if these programs can only address a few units per year.

Some of the innovative programs that have been used in other communities to address mobile/manufactured home conditions and mobile home park issues include:

- ▶ ***Eliminate Substandard Mobile Homes*** - Owners of substandard mobile/manufactured homes are given the option of voluntarily selling their substandard mobile/manufactured home to the Town or an area housing agency for a fixed minimum price. The homes are then removed and demolished/salvaged. The owner can then use the funds from the sale to help purchase a new home. Mobile home dealerships have sometimes participated by buying the salvaged homes.
- ▶ ***Time of Sale/Rent Inspection Program*** - This inspection program is designed to provide safe living conditions through the identification and elimination of basic life/safety hazards in older mobile/manufactured homes. Mobile/manufactured homes are subject to inspection prior to their sale/rent. All identified safety hazards must be corrected before the unit is sold, rented or occupied.
- ▶ ***Regulation on the age of mobile/manufactured homes*** - Some cities and towns have adopted regulations that mobile/manufactured homes older than a designated age cannot be moved into the Town.

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

Findings: Keystone 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.

Keystone has access to Dakota Resources, the Pennington County HRC, NeighborWorks Dakota Home Resources, the Western South Dakota Community Action Agency, the South Dakota Housing Development Authority, USDA Rural Development and the Black Hills Council of Local Governments. These agencies all have experience with housing and community development programs.

Dakota Resources is working with several South Dakota cities and towns to develop a plan to address the Town's housing needs.

Recommendation: Keystone has access to multiple agencies that can assist with addressing housing needs. It is our recommendation that the Town work with these agencies to 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. The Housing Plan can be implemented in coordination with the Comprehensive Plan that is currently being developed.

It will also be important for Keystone 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 town 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.

21. Strategies for Commercial District Redevelopment/Development

Findings: Keystone has a vibrant commercial district that is a tourism attraction and addresses much of the retail/commercial daily needs. Keystone has buildings that have been renovated and have high quality commercial and/or housing space. There are also buildings that have not been maintained and are substandard.

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

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

Recommendation: We are recommending the following actions for downtown Keystone:

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

- ▶ Identify funding sources
 - ▶ Property owner funds
 - ▶ Town funds
 - ▶ KEDA funds
 - ▶ Federal Home Loan Bank
 - ▶ Historic tax credits
 - ▶ Special tax districts
 - ▶ Funds from South Dakota State Agencies
 - ▶ Sales Tax Funds

- ▶ Work with stakeholders to identify roles, to secure funding, to develop and implement programs and projects
 - ▶ Property owners
 - ▶ Town of Keystone
 - ▶ Keystone Chamber of Commerce
 - ▶ Keystone Area Historic Society
 - ▶ KEDA

22. Develop home ownership and new construction marketing programs and strategies

Findings: Cities and towns that invest in marketing have a competitive 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 intimidating for first-time buyers and builders. It is important for the home buying or home building process to be user-friendly.

The Town of Keystone, the Chamber of Commerce and other organizations have been active in promoting the Town.

Recommendation: We recommend that the stakeholders continue to promote and market Keystone and continue to develop housing options as follows:

- ▶ Determine the Town’s strengths and competitive advantages and continue to heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)

- ▶ Work closely with employers (Keystone and the area) to provide employees (especially new employees) with housing opportunities in Keystone
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling and other housing programs
- ▶ Work with builders and developers to make sure the construction of a new home is a very user friendly process
- ▶ Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the Town a “full service” community
- ▶ Provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Preserve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior with services, etc.
- ▶ Review the Town’s policies and fees to assure that they are user-friendly, fair and receptive for developers, builders and households.
- ▶ Develop a coordinated housing plan with the private sector and area housing agencies.

23. Seasonal Employee Housing

Findings: There are homes in the Town of Keystone that have been converted from permanent residential properties to housing for seasonal employees.

These seasonal employee homes have a positive impact on the area as tourism is a major contributor to the Town and the County's economy and seasonal employees often are from international locations and are in need of housing. However, seasonal employee homes are removed from the Town's housing stock for permanent residents. Also, some homes are converted to vacation homes.

Recommendation: It would be advantageous for the Town of Keystone to study the impact of seasonal and vacation properties on the community. It may also be advantageous to create an inventory of the number and location of seasonal employee and vacation homes. With this information, the Town could develop guidelines for seasonal employee and vacation properties, if it is deemed necessary. Also, developing additional housing, as recommended in this Study, will expand the opportunities available to Town residents.

The Town, area housing agencies and the South Dakota Housing Development Authority could potentially assist business owners with developing employee designated housing in Keystone. New employee housing would provide quality options for seasonal workers and lower the number of existing houses that are currently being used, or that may be converted to this use in the future.

Agencies and Resources

The following regional and state agencies administer programs or provide funds for housing programs and projects in Keystone and Pennington County:

NeighborWorks Dakota Home Resources (Main Office)

795 Main St.

Deadwood, SD 57732

(605) 578-1405

* NeighborWorks also has offices in Box Elder and Wall.

Pennington County Housing and Redevelopment Commission

1805 W. Fulton St. #101

Rapid City, SD 57702

(605) 394-5350

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

414 East Stumer Road, Suite 200

Rapid City, SD 57701

(605) 342-0301

Western South Dakota Community Action Agency

1844 Lombardy Drive

Rapid City, SD 57703

(605) 348-1460

Dakota Resources

25795 475th Avenue

Suite #1

Renner, SD 57055

(605) 978-2804