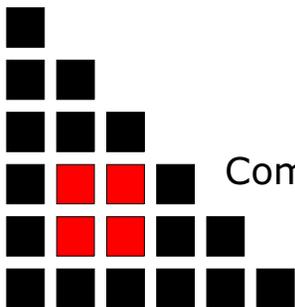


New Underwood HOUSING STUDY

April 2016

An analysis of the overall housing needs
of the City of New Underwood



Community Partners Research, Inc.

1011 Newhall Drive

Faribault, MN 55021

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Introduction

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

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

Goals

The multiple goals of the study include:

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

Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from November 2015 to March 2016. Data sources included:

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

This study was prepared by:

**Community Partners Research, Inc.
1011 Newhall Drive
Faribault, MN 55021
(507) 838-5992
cpartners@charter.net**

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Demographic Data Overview

Sources of Data

The following pages contain demographic data obtained from a variety of local, state and national sources for the City of New Underwood and Pennington County. For some demographic variables, the 2010 Census represents the most reliable information. However, the 2010 Census was more limited in scope than in the past, and some data, such as income and housing cost information, were not available.

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

The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For most jurisdictions in South Dakota, the 2014 estimates were derived from sampling that was done over a five-year period, between 2010 and 2014. Unless otherwise noted, the American Community Survey estimates are based on the five-year survey data.

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

Population Data and Trends

Table 1 Population Trends - 1990 to 2015						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2015 Estimate Esri
New Underwood	553	616	11.4%	660	7.1%	724
Pennington Co.	81,343	88,565	8.9%	100,948	14.0%	106,190

Source: U.S. Census Bureau; Esri

- ▶ According to the 2010 U.S. Census, New Underwood’s population was 660 people in 2010. When compared to the 2000 Census, the City had a population gain of 44 people from 2000 to 2010. The 44-person gain from 2000 was a population increase of 7.1%.
- ▶ Pennington County’s population was 100,948 in 2010. This was an increase of 12,383 people from 2000, for a population gain of 14.0%.
- ▶ New Underwood and Pennington County also experienced population increases in the 1990s. New Underwood’s population increased by 63 people and Pennington County’s population increased by 7,222 people from 1990 to 2000.
- ▶ Esri, a private data reporting service, has released 2015 population estimates. The estimate for the City of New Underwood is 724, an increase of 64 people from 2010 to 2015. Esri’s 2015 estimate for Pennington County is 106,190, a gain of 5,242 people since 2010.
- ▶ The Census Bureau has released population estimates. The most recent estimate for New Underwood is effective July 1, 2014, and shows the City’s population at 674, a gain of 14 people from 2010 to 2014. The 2014 estimate for Pennington County is 108,242 and shows the County up 7,294 people after the 2010 Census.
- ▶ New Underwood’s population is primarily White and non-Hispanic/Latino. At the time of the 2010 Census, 89.5% of the City’s residents were White, 6.4% were American Indian and 0.2% were Asian. Additionally, 0.8% of the population identified themselves as some other race and 3.2% of the population identified themselves as two or more races. Approximately 2.7% of the City’s residents were identified as Hispanic/Latino.

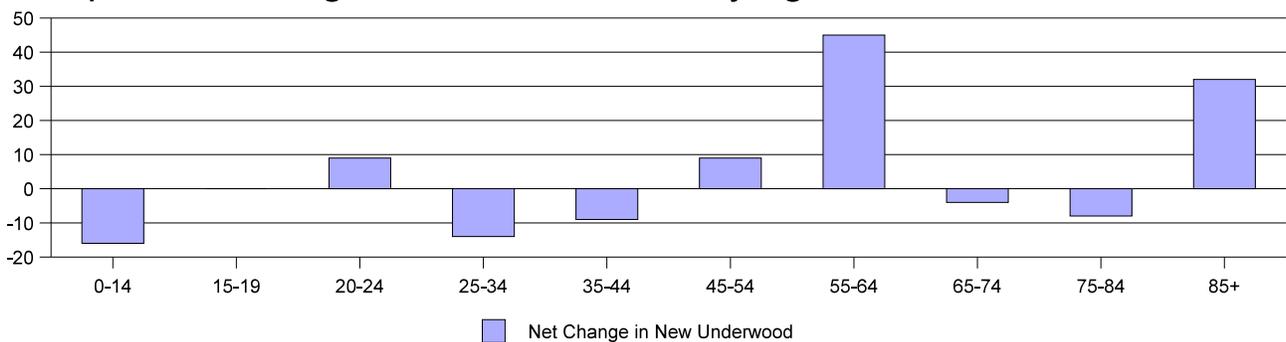
Population by Age Trends: 2000 to 2010

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

Table 2 Population by Age - 2000 to 2010						
Age	New Underwood			Pennington County		
	2000	2010	Change	2000	2010	Change
0-14	164	148	-16	19,450	20,870	1,420
15-19	45	45	0	6,904	6,575	-329
20-24	22	31	9	6,525	7,026	501
25-34	84	70	-14	11,416	13,933	2,517
35-44	92	83	-9	14,440	11,730	-2,710
45-54	80	89	9	12,127	14,704	2,577
55-64	43	88	45	7,252	12,493	5,241
65-74	43	39	-4	5,666	7,141	1,475
75-84	34	26	-8	3,532	4,602	1,070
85+	9	41	32	1,253	1,874	621
Total	616	660	44	88,565	100,948	12,383

Source: U.S. Census

Population Change in New Underwood by Age Between 2000 and 2010



For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been evident in New Underwood and Pennington County from 2000 to 2010. Between 2000 and 2010, Pennington County had a gain of 7,818 people in the age ranges between 45 and 64 years old. In 2010, nearly all of the baby boomers were within these age ranges. The County also had a gain of 1,420 people in the 0 to 14 age range, a gain of 3,018 people in the 20 to 34 age ranges and a gain of 3,166 people in the 65 and older age ranges.

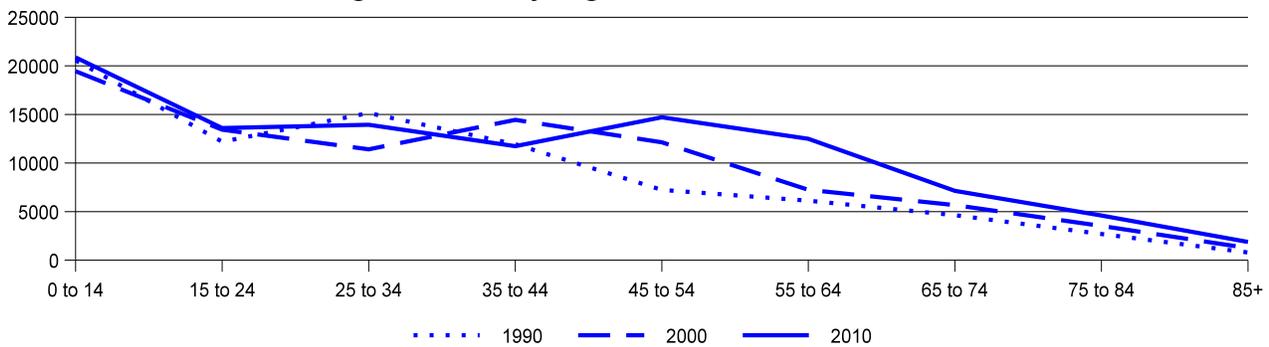
Pennington County had a loss of 329 people in the 15 to 19 age range and a loss of 2,710 people in the 35 to 44 age range.

New Underwood had a gain of 54 people in the 45 to 64 age ranges, a gain of nine people in the 20 to 24 age range and a gain of 32 people in the 85 and older age range.

New Underwood experienced a population loss of 16 people in the 0 to 14 age range, a loss of 23 people in the 25 to 44 age ranges and a loss of 12 people in the 65 to 84 age ranges.

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

Pennington County Age Distribution: 1990 to 2010



Population Projections

The following table presents population projections using two different sources. The South Dakota State Data Center has issued Pennington County population projections for the year 2020. The other set of projections has been created by Esri, and span the five-year period from 2015 to 2020.

Table 3 Population Projections Through 2020				
	2010 Census	2015 Esri Estimate	2020 Esri Estimate	2020 Projection State Data Center
New Underwood	616	724	787	N/A
Pennington Co.	100,948	106,190	113,465	114,161

Source: U.S. Census; Esri; SD State Data Center

- ▶ Esri’s growth projections show a population gain of 63 people in New Underwood from 2015 to 2020.
- ▶ Esri’s population projection for Pennington County forecasts a gain of 7,275 people from 2015 to 2020.
- ▶ The State Data Center projects that Pennington County’s population will be 114,161 in 2020. When compared to the County’s population in 2010, this projection assumes a gain of more than 13,000 people during the current decade.
- ▶ Esri’s projection of 113,465 people in 2020 is slightly lower than the State Data Center’s projection for 2020 of 114,161 people.

Household Data and Trends

Table 4 Household Trends - 1990 to 2015						
	1990 Households	2000 Households	% Change 1990-2000	2010 Households	% Change 2000-2010	2015 Esri Estimate
New Underwood	203	232	14.3%	248	6.9%	277
Pennington Co.	30,553	34,641	13.4%	41,251	19.1%	44,013

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

- ▶ According to the Census, New Underwood gained households from 2000 to 2010. New Underwood had 248 households in 2010, an increase of 16 households from 2000, for a household gain of 6.9%.
- ▶ Pennington County had 41,251 households in 2010. This was an increase of 6,610 households, or a household gain of 19.1%.
- ▶ New Underwood had a gain of 29 households and Pennington County had a gain of 4,088 households during the 1990s.
- ▶ Esri estimates that New Underwood has gained 29 households and Pennington County has gained 2,762 households from 2010 to 2015.

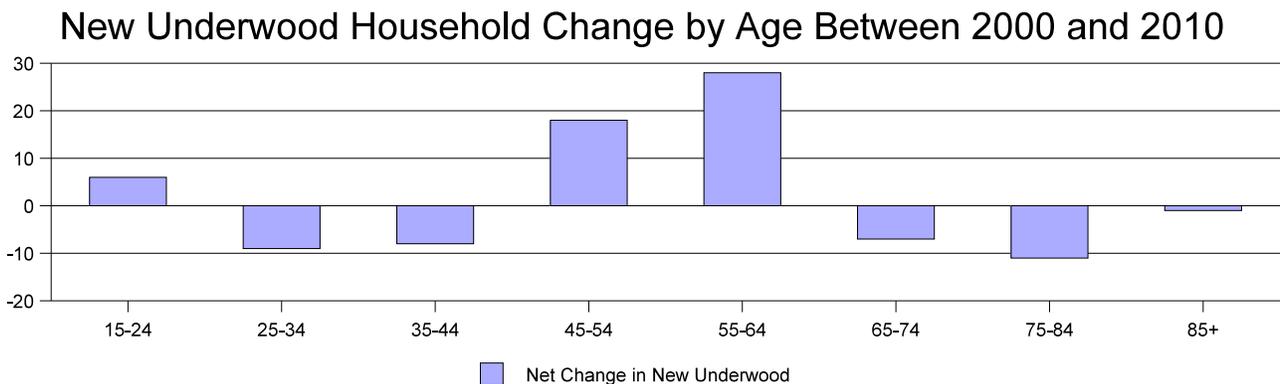
Household by Age Trends: 2000 to 2010

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

Table 5 Households by Age - 2000 to 2010						
Age	New Underwood			Pennington County		
	2000	2010	Change	2000	2010	Change
15-24	7	13	6	2,620	2,746	126
25-34	44	35	-9	5,887	7,167	1,280
35-44	51	43	-8	8,053	6,391	-1,662
45-54	44	62	18	7,053	8,518	1,465
55-64	26	54	28	4,290	7,500	3,210
65-74	26	19	-7	3,617	4,505	888
75-84	27	16	-11	2,388	3,183	795
85+	7	6	-1	733	1,241	508
Total	232	248	16	34,641	41,251	6,610

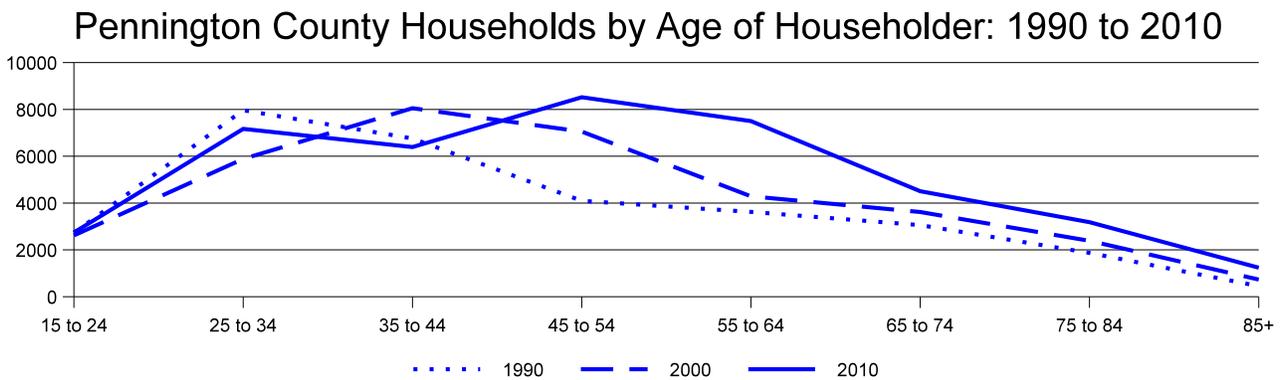
Source: U.S. Census

From 2000 to 2010, the major household gains in New Underwood and Pennington County were in the 45 to 64 'baby boom' age ranges. New Underwood added 46 households in the 45 to 64 age ranges. New Underwood also added six households in the 15 to 24 age range.



New Underwood had a decrease of 17 households in the 25 to 44 age ranges, and a loss of 19 households in the 65 and older age ranges.

Pennington County experienced a gain of 4,675 households in the 45 to 64 age ranges, a gain of 1,406 households in the 15 to 34 age ranges, and a gain of 2,191 households in the 65 and older age ranges. Pennington County had a loss of 1,662 households in the 35 to 44 age range.



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

Average Household Size

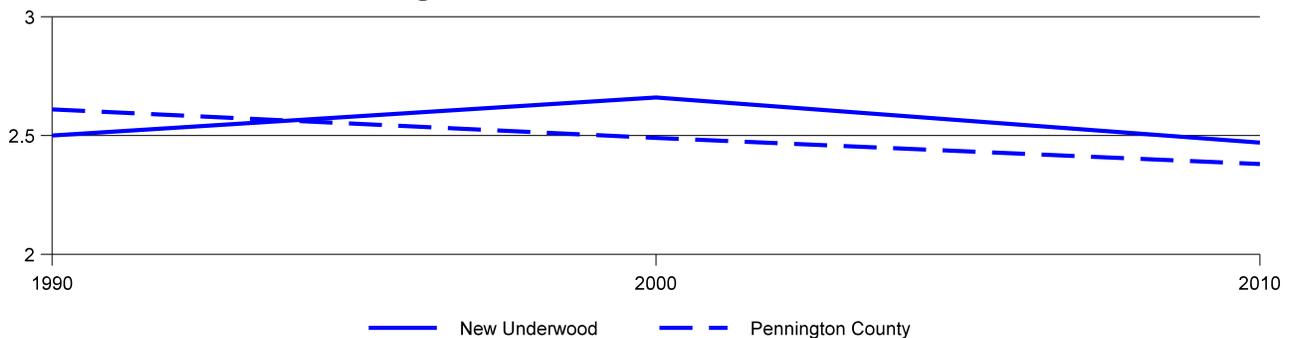
The following table provides decennial Census information on average household size. The 2015 estimates from Esri are also provided.

Table 6 Average Number of Persons Per Household: 1990 to 2015				
	1990 Census	2000 Census	2010 Census	2015 Esri Estimate
New Underwood	2.50	2.66	2.47	2.46
Pennington County	2.61	2.49	2.38	2.34
South Dakota	2.59	2.50	2.42	N/A

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

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

Average Household Size: 1990 to 2010



In New Underwood, the average household size decreased from 2.50 persons per household in 1990 to 2.46 in 2015. Although when viewed over a longer-term the City’s average household size has decreased somewhat, it is still relatively large. In 2010, New Underwood’s average household size was above the Statewide average.

Pennington County’s average household size decreased from 2.61 in 1990 to 2.34 in 2015. Pennington County’s average household size was below the Statewide average in 2010.

Household Projections

The following table presents Esri’s 2015 household estimates and 2020 household projections for New Underwood and Pennington County.

Table 7 Household Projections Through 2020			
	2010 Census	2015 Estimate Esri	2020 Projection Esri
New Underwood	248	277	305
Pennington County	41,251	44,013	47,364

Source: U.S. Census; Esri

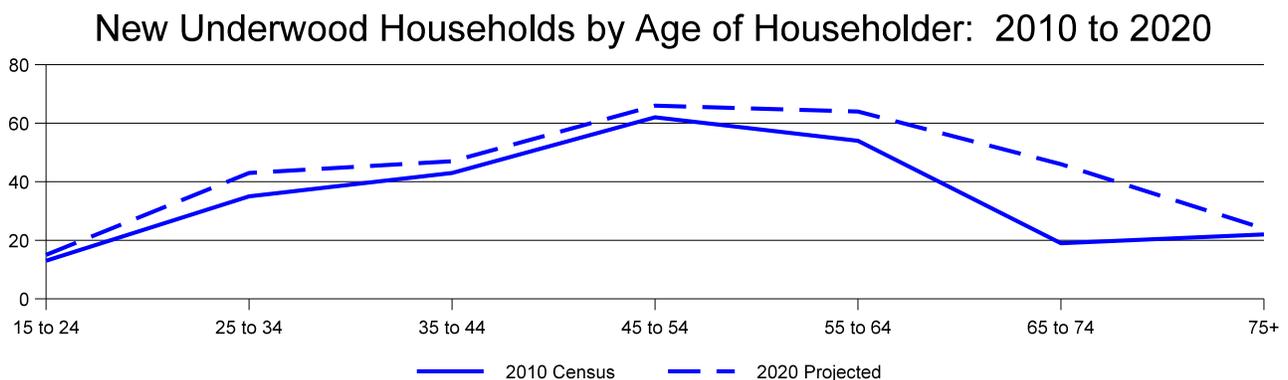
- ▶ The growth projections calculated by Esri expect household growth in New Underwood and Pennington County from 2010 to 2020.
- ▶ Esri estimates that New Underwood has added 29 households from 2010 to 2015 and projects that the City will add 28 households from 2015 to 2020.
- ▶ Esri’s 2015 estimate for Pennington County is 44,013 households, an increase of 2,762 households from 2010. Esri projects that Pennington County will add an additional 3,351 households from 2015 to 2020.

New Underwood Household by Age Projections: 2010 to 2020

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

Table 8 New Underwood Projected Households by Age - 2010 to 2020			
Age Range	2010 Census	Esri	
		2020 Projection	Change from 2010
15-24	13	15	2
25-34	35	43	8
35-44	43	47	4
45-54	62	66	4
55-64	54	64	10
65-74	19	46	27
75+	22	24	2
Total	248	305	57

Source: U.S. Census; Esri



Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate most of the City’s growth in households in the age ranges between 55 and 74 years old. These projections expect an increase of 37 households in New Underwood from 2010 to 2020 in the 20-year age group between 55 and 74 years old.

Growth of 18 households is expected in the 54 and younger age ranges and the 75 and older age range is expected to add two households from 2010 to 2020.

Esri’s projections do not expect households losses in any age ranges from 2010 to 2020.

Households by Type

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

Table 9 New Underwood Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	55	50	-5
Single Parent with own children	38	31	-7
Married Couple without own children	69	68	-1
Family Householder without spouse	13	13	0
Total Families	175	162	-13
Non-Family Households			
Single Person	47	71	24
Two or more persons	10	15	5
Total Non-Families	57	86	29

Source: U.S. Census

Between 2000 and 2010, New Underwood experienced an overall decrease of 13 “family” households. The City had a decrease of five married couple families with children, a loss of seven single parent with children households and a loss of one married couple without children household.

The City of New Underwood had a significant increase of 29 “non-family” households. There was an increase of 24 one-person households and an increase of five households that had two or more unrelated individuals living together.

Housing Tenure

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

Table 10 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
New Underwood	182	73.4%	66	25.6%
Pennington Co.	26,792	64.9%	14,459	35.1%
State	-	68.1%	-	31.9%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in New Underwood was 73.4% and Pennington County’s ownership rate was 64.9%. New Underwood’s rental tenure rate of 25.6% was below the Statewide rate of 31.9% renter households.

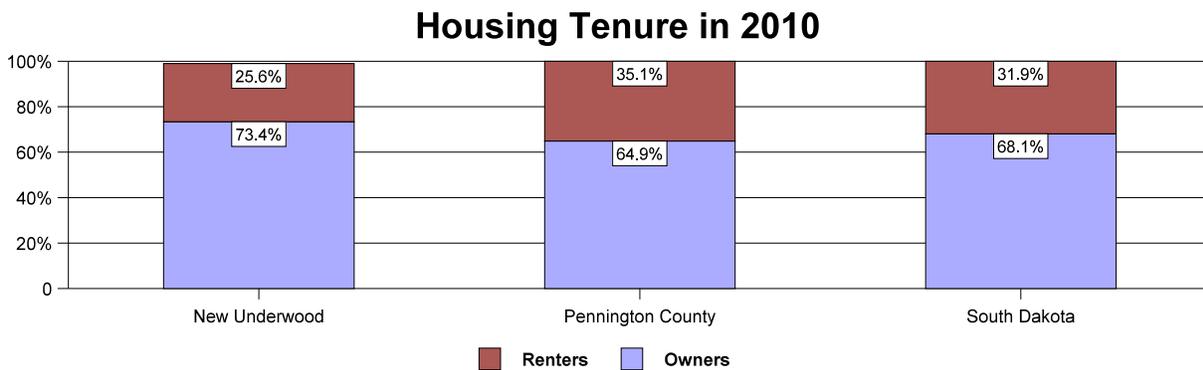


Table 11 Households by Housing Tenure - 2000 to 2010						
Tenure	New Underwood			Pennington County		
	2000	2010	Change	2000	2010	Change
Owners	173/74.6%	182/73.4%	9	22,930/66.2%	26,792/64.9%	3,862
Renters	59/25.4%	66/25.6%	7	11,711/33.8%	14,459/35.1%	2,748
Total	232	248	15	34,641	41,251	6,610

Source: U.S. Census

The City of New Underwood’s ownership tenure rate decreased from 74.6% in 2000 to 73.4% in 2010. For Pennington County, the ownership tenure rate decreased from 66.2% in 2000 to 64.9% in 2010.

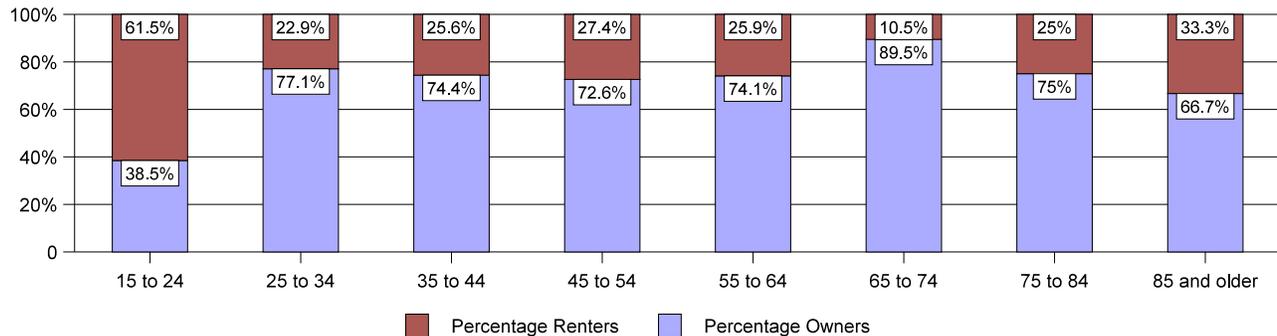
Tenure by Age of Householder

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

Table 12 New Underwood Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	5	38.5%	8	61.5%
25-34	27	77.1%	8	22.9%
35-44	32	74.4%	11	25.6%
45-54	45	72.6%	17	27.4%
55-64	40	74.1%	14	25.9%
65-74	17	89.5%	2	10.5%
75-84	12	75.0%	4	25.0%
85+	4	66.7%	2	33.3%
Total	182	73.4%	66	25.6%

Source: U.S. Census

New Underwood Housing Tenure Patterns by Age in 2010



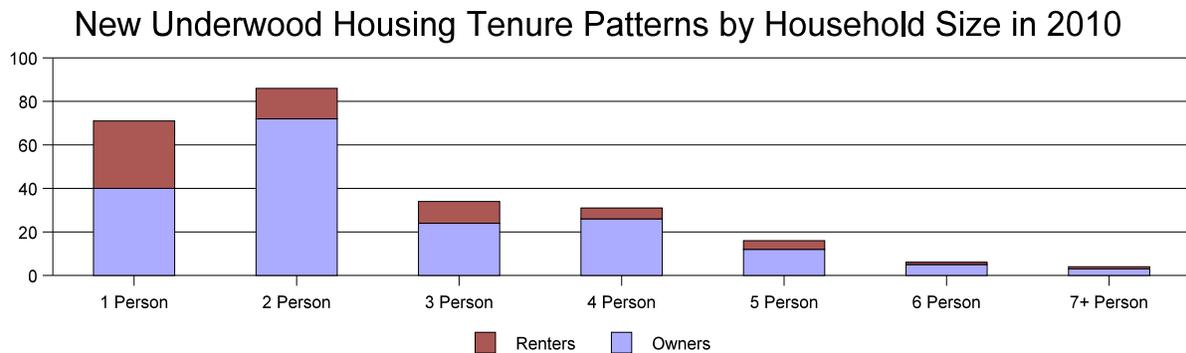
Households at the lowest and highest end of the age spectrum showed a greater preference for rented housing. Approximately 62% of households age 24 and younger and 33% of the households age 85 and older rented their unit. Home ownership rates for each of the 10-year cohorts between the ages of 25 and 84 older were above 72%.

Tenure by Household Size

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

Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	22	40	18	25	31	6
2-Person	73	72	-1	14	14	0
3-Person	34	24	-10	6	10	4
4-Person	21	26	5	6	5	-1
5-Person	17	12	-5	5	4	-1
6-Person	4	5	1	3	1	-2
7-Persons+	2	3	1	0	1	1
Total	173	182	9	59	66	7

Source: U.S. Census



From 2000 to 2010, there was an increase of nine owner households and an increase of seven renter households in New Underwood. There was an increase of 18 owner households with one household member, an increase of five households with four household members and a gain of two households with six or more household members. There was a decrease of 11 households with two or three household members. There was also a decrease of five households with five household members.

There was a loss of four renter households with four to six household members. There was a gain of six renter households with one person, a gain of four households with three household members and a gain of one renter household with seven or more household members.

Approximately 68% of the renter households in New Underwood were one or two person households in 2010.

2014 Income Data

The 2010 Census did not collect information on household income. However, estimates are available at the city and county level through the 2014 American Community Survey.

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

Table 14 Median Household Income - 2000 to 2014			
	2000 Median	2014 Median	% Change
New Underwood	\$32,750	\$46,125	40.8%
Pennington County	\$44,796	\$50,564	12.9%
South Dakota	\$35,271	\$49,495	31.5%

Source: U.S. Census; 2014 ACS 5-year survey

Table 15 Median Family Income - 2000 to 2014			
	2000 Median	2014 Median	% Change
New Underwood	\$36,111	\$46,375	28.4%
Pennington County	\$44,796	\$64,448	43.9%
South Dakota	\$43,237	\$63,195	36.4%

Source: U.S. Census; 2014 ACS 5-year survey

Information contained in the 2014 American Community Survey shows that the median household and family incomes have increased from 2000 to 2014 in New Underwood and Pennington County. New Underwood’s median household income increased by 40.8% and the City’s median family income increased by 28.4%. Pennington County’s median household income increased by 12.9% and the County’s median family income increased by 43.9%.

New Underwood’s median household and family income levels were both below the comparable Statewide medians. However, for Pennington County, the median income levels in 2014 were slightly above the Statewide comparable levels.

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.

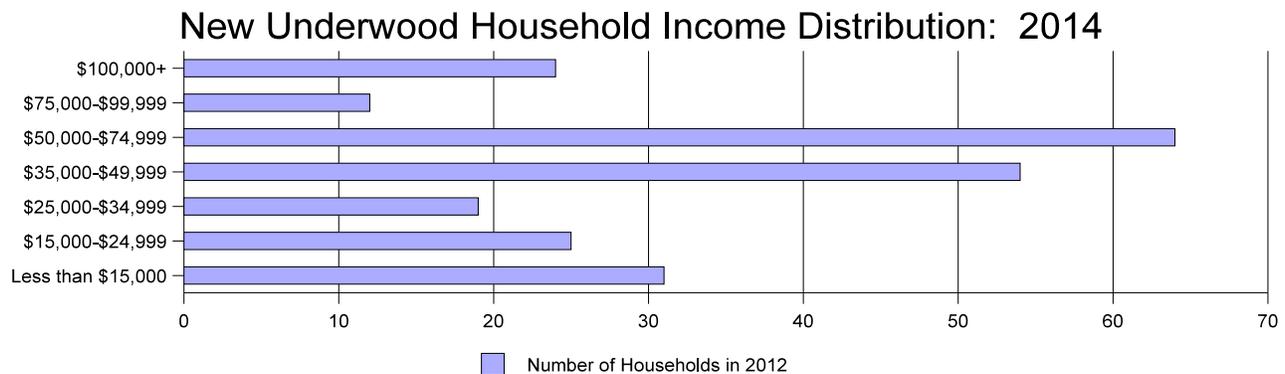
Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in New Underwood could afford approximately \$1,153 per month and a median income family household could afford \$1,160 per month for ownership or rental housing in 2014.

New Underwood Household Income Distribution

The 2014 American Community Survey household income estimates for New Underwood can be compared to the same distribution information from 2000 to examine changes that have occurred from 2000 to 2014.

Table 16 New Underwood Income Distribution - 2000 to 2014			
Household Income	Number of Households 2000	Number of Households in 2014	Change 2000 to 2014
\$0 - \$14,999	47	31	-16
\$15,000 - \$24,999	32	25	-7
\$25,000 - \$34,999	47	19	-28
\$35,000 - \$49,999	55	54	-1
\$50,000 - \$74,999	30	64	34
\$75,000 - \$99,999	16	12	-4
\$100,000+	7	24	17
Total	234	229	-5

Source: 2000 Census; 2014 ACS



The 2014 American Community Survey estimated that there were 229 households in New Underwood. Esri estimated that in 2015 there were 277 households in New Underwood. Therefore, there may be an undercount of households in this table. However, it is still a good indicator of household income distribution.

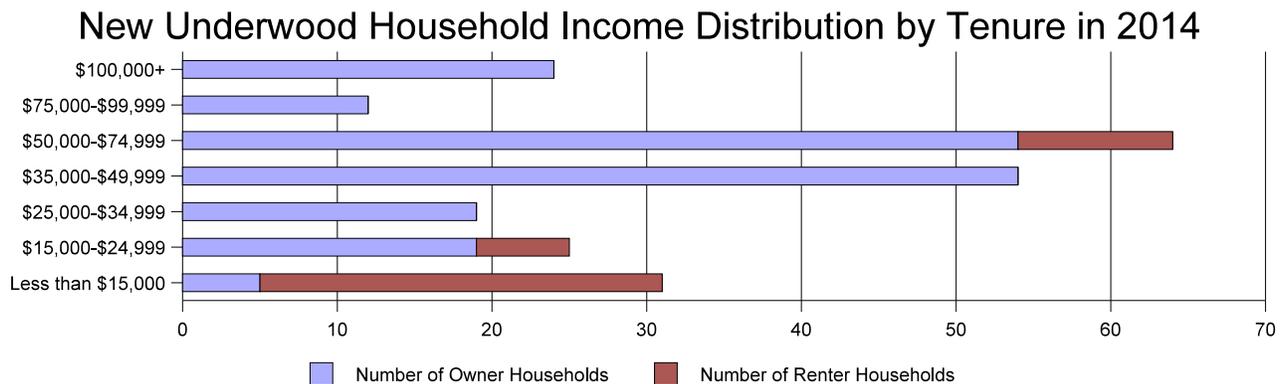
According to income estimates contained in the 2014 American Community Survey, household incomes have improved in New Underwood in the highest income ranges. When compared to the 2000 Census (1999 income), the number of households with an income of \$50,000, or more, had a net increase of 47 households. Conversely, there was a decrease of 52 households with annual incomes under \$50,000. Although there was a decrease in the number of households in the lower income ranges, there were still 56 households with an annual income below \$25,000 in 2014, which represented 24.5% of all households in New Underwood.

New Underwood Income Distribution by Housing Tenure

The 2014 American Community Survey provides income data by owner and renter status. The following table examines income distribution in New Underwood. The American Community Survey is an estimate, based on limited sampling data, and there are some differences when compared to the 2010 Census. The American Community Survey reported income information on 229 households including 187 owner households and 42 renter households. The U.S. 2010 Census reported that there were 248 households in New Underwood including 182 owner households and 66 renter households. Therefore, it appears that the number of renter households in New Underwood was undercounted by the American Community Survey.

Table 17 New Underwood Income Distribution by Tenure - 2014			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	5/16.1%	26/83.9%	31
\$15,000 - \$24,999	19/76.0%	6/24.0%	25
\$25,000 - \$34,999	19/100%	0/0%	19
\$35,000 - \$49,999	54/100%	0/0%	54
\$50,000 - \$74,999	54/84.4%	10/15.6%	64
\$75,000 - \$99,999	12/100%	0/0%	12
\$100,000+	24/100%	0/0%	24
Total	187	42	229

Source: 2014 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 2014, approximately 76% of all renter households in New Underwood 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 \$11,250 in 2014. At 30% of income, a renter at the median level could afford approximately \$280 per month or less for housing costs.

Most owner households had a higher income level than rental households. Approximately 48% of all owner households had an annual income of \$50,000 or more. The estimated median household income for owners in 2014 was approximately \$49,028. At 30% of income, an owner at the median income level could afford approximately \$1,226 per month for housing costs.

2014 Estimated Income and Housing Costs - Renters

The American Community Survey also collected information on housing costs. The following table provides data on the number of renter households that are paying different percentages of their gross household income for housing in the City of New Underwood. In 2014, the American Community Survey identified 42 renter households. In 2010, based on U.S. Census data, there were 66 renter households in New Underwood. Therefore, it appears that the American Community Survey undercounted the number of renter households in New Underwood.

Table 18 Gross Rent as a Percentage of Household Income - 2014			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	9/29.0%	3/27.3%	12/28.6%
20% to 29.9%	3/9.7%	3/27.3%	6/14.3%
30% to 34.9%	0/0%	0/0%	0/0%
35% or more	13/41.9%	5/45.4%	18/42.8%
Not Computed	6/19.4%	0/0%	6/14.3%
Total	31/100%	11/100%	42/100%

Source: 2014 American Community Survey

According to the American Community Survey, approximately 43% of the renters in New Underwood were paying 30% or more of their income for rent. Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a “rent burden”. When more than 35% is required, this can be considered a “severe rent burden”.

2014 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 New Underwood that are paying different percentages of their gross household income for housing costs.

Table 19 Ownership Costs as a Percentage of Income - New Underwood		
Percentage of Household Income for Housing Costs	Number of Owner Households 2014	Percent of All Owner Households 2014
0% to 19.9%	96	51.3%
20% to 29.9%	44	23.5%
30% to 34.9%	24	12.9%
35% or more	23	12.3%
Not Computed	0	0%
Total	187	100%

Source: 2014 ACS

Most owner-occupants in New Underwood, which would include households with and without a mortgage, reported paying less than 30% of their income for housing.

However, approximately 25% of all home owners reported that they paid more than 30% of their income for housing.

Occupancy Status of Housing Units - 2010

Table 20 Occupancy Status of Housing Units - 2010						
	Occupied Units		Vacant Units			
	Owner	Renter	For Rent	For Sale	Seasonal Use	Other Vacant
New Underwood	182	66	8	9	1	14
Pennington Co.	26,792	14,459	1,005	554	1,306	833

Source: U.S. Census

- ▶ In 2010, according to the U.S. Census, there were 1,306 seasonal housing units in Pennington County including one unit in New Underwood.
- ▶ In addition to the seasonal units in 2010, there were 2,392 vacant housing units in Pennington County, including 31 units in New Underwood.

Existing Home Sales

This section examines houses that have been sold since 2010 in the City of New Underwood. The information was obtained from the South Dakota Department of Revenue website, using information compiled 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 sales in the County's sample may have been transfers 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. The sales file identified the 150% rule sales if they otherwise represent open market transactions. In the sales sample that follows, 150% rule sales have been included when they were open market transfers.

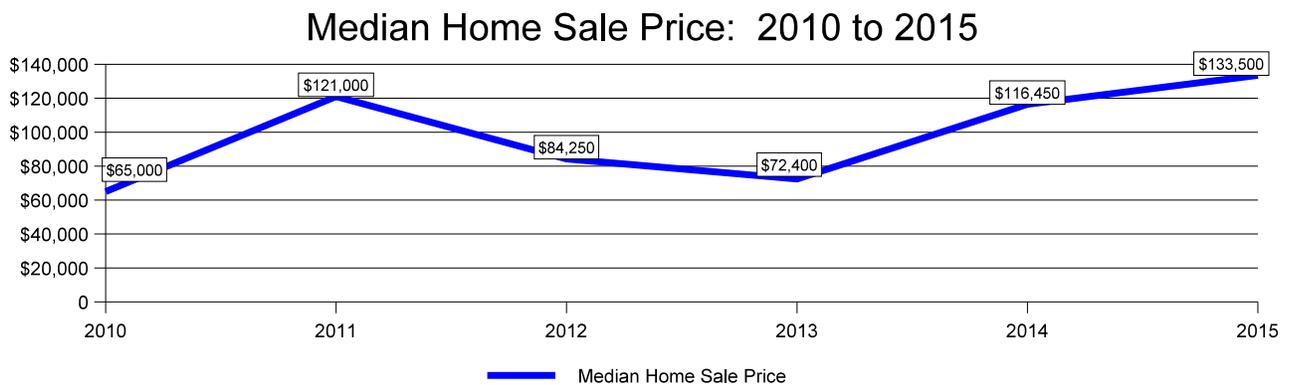
The County's time period for analyzing annual sales differs slightly from the calendar year. It begins on November 1st and ends on October 31st of each year. A full sales year was available for 2015, but the most recent year has not yet been audited by the State, and it is also possible that some sales could eventually be rejected.

Table 21 New Underwood Residential Sales Activity - 2010 to 2015

Sales Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2015	8	\$133,500	\$164,000	\$71,000
2014	12	\$116,450	\$158,000	\$37,000
2013	10	\$72,400	\$135,000	\$22,501
2012	10	\$84,250	\$168,000	\$15,000
2011	13	\$121,000	\$190,000	\$10,000
2010	11	\$65,000	\$127,000	\$7,000

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

Over the time period from 2010 to 2015, the median home sale price in New Underwood has shown significant variation from year to year. Over the years reviewed, the median price has ranged from a low of \$62,500 in 2010, to a high of \$133,500 in 2015. With only a limited number of open market transactions in a single 12-month period, the annual sales sample may not accurately reflect overall home values.



If all of the good sales over the six-year period are aggregated, the median sale price was \$106,450. If only 2014 and 2015 are aggregated, the median value was \$124,657.

The highest priced sale over the last six years was for \$190,000. In five of the six years, at least one house sold for less than \$40,000, and at least one sale was for \$127,000 or more.

An alternate estimate of home values exists in the 2014 American Community Survey. This source placed the median value at \$106,400, almost identical to the median home sale price over the last six years.

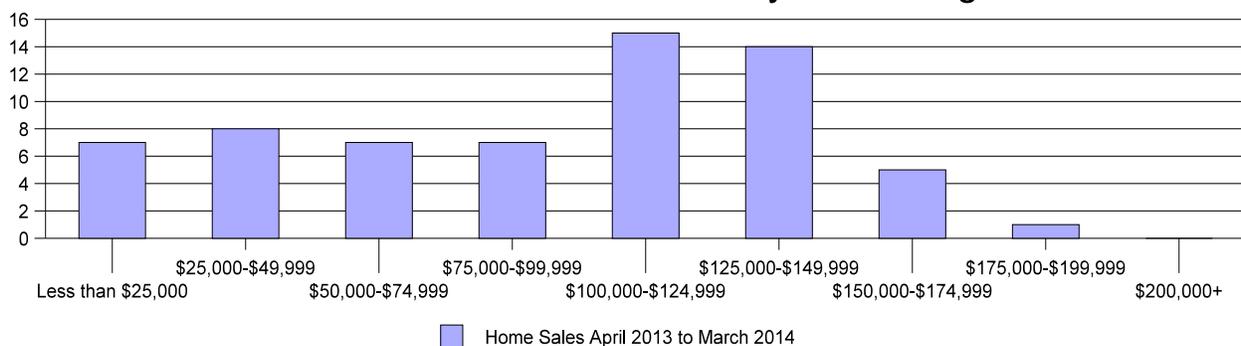
Home Sales by Price Range

The following table looks at single family houses that sold within defined price ranges in the six-year period from November 2009 through October 2015.

Table 22 Home Sales by Price Range: 2010 through 2015		
Sale Price	Number of Sales	Percent of Sales
Less than \$25,000	7	10.9%
\$25,000 - \$49,999	8	12.5%
\$50,000 - \$74,999	7	10.9%
\$75,000 - \$99,999	7	10.9%
\$100,000 - \$124,999	15	23.4%
\$125,000 - \$149,999	14	21.9%
\$150,000 - \$174,999	5	7.8%
\$175,000 - \$199,999	1	1.6%
\$200,000+	0	0%
Total	64	100%

SD Dept. of Revenue; Pennington County Equalization; Community Partners Research, Inc.

New Underwood Home Sales by Price Range



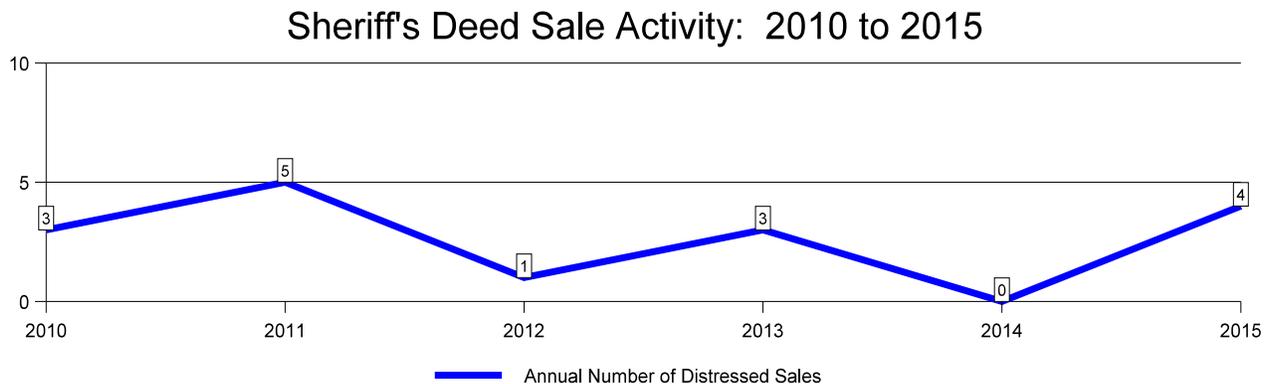
Recent home sales in New Underwood have been primarily distributed in the low to moderate price ranges, with approximately 45% of all sales priced below \$100,000, and 45% of all sales priced between \$100,000 and \$150,000. Fewer than 10% of sales were for more than \$150,000.

Home Foreclosures

Starting in the late 2000s, there was a nationwide increase in home foreclosures, short sales, and other distressed property transfers, caused by a national recession and a collapse of a “housing bubble”. New Underwood was impacted by these national trends to some extent, and the best available evidence does show that some distressed property transfers have continued in the City.

The sales file obtained from the South Dakota Department of Revenue included descriptive notes on sales that were rejected for the sales ratio study. From these notes, it was possible to determine the number of distressed sales in each year. In New Underwood, these were listed as “Sheriff’s Deed” transactions.

Over the six-year period from 2010 to 2015, there were 16 Sheriff’s Deed residential sales in New Underwood. The annual volume ranged from a low of no sales in 2014 to a high of five sales in 2011. However, in 2015, there were four Sheriff’s Deed transactions listed, so this issue has not been completely eliminated from the community.



New Underwood Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of the 167 single family/duplex houses in New Underwood. The City was divided into two neighborhoods. The boundaries of the two neighborhoods are as follows:

- ▶ Neighborhood #1: East of A Ave.
- ▶ Neighborhood #2: West of A Ave.

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

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

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

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

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

Table 23 Windshield Survey Condition Estimate - 2015					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
East of A Ave.	55/55.0%	29/29.0%	7/7.0%	9/9.0%	100
West of A Ave.	25/37.3%	23/34.3%	16/23.9%	3/4.5%	67
Total	80/47.9%	52/31.1%	23/13.8%	12/7.2%	167

Source: Community Partners Research, Inc.

- ▶ Approximately 31% of the houses in the City of New Underwood need minor repair and 14% need major repair. Approximately 48% are sound, with no required improvements. Twelve houses are dilapidated and possibly beyond repair.

New Underwood Mobile Home Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 66 mobile homes located in the City of Underwood.

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 24 Windshield Survey Condition Estimate - 2015					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Mobile Homes	19/28.8%	18/27.3%	16/24.2%	13/19.7%	66

Source: Community Partners Research, Inc.

- ▶ The mobile homes in New Underwood are in fair condition. Approximately 27% of the mobile homes need minor repair and 24% need major repair. Approximately 29% are sound, with no required improvements.
- ▶ Thirteen mobile homes were dilapidated and possibly beyond repair.

New Underwood Building Permit Trends

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

Table 25 New Underwood Housing Construction Activity: 2000-2015			
Year	Single Family	Two or More Units	Total Units Constructed
2015	0	0	0
2014	0	0	0
2013	0	0	0
2012	0	0	0
2011	2	0	2
2010	0	0	0
2009	0	0	0
2008	0	0	0
2007	0	0	0
2006	2	0	2
2005	8	0	8
2004	8	0	8
2003	12	0	12
2002	4	0	4
2001	0	0	0
2000	1	0	1
TOTAL	37	0	37

Source: City of New Underwood; Community Partners Research, Inc., US Census Bureau

Over the past 16 years from 2000 to 2015, 37 new housing units have been constructed in New Underwood, based on building permit information obtained from the Census Bureau and the City. All 37 units are single family homes. Thirty-five of the 37 housing units were constructed from 2000 to 2006.

Rental Housing Data

Census Bureau Rental Inventory

According to the 2010 U.S. Census, there were 66 occupied rental units and nine unoccupied rental units in New Underwood, for a total estimated rental inventory of 75 units. The City's rental tenure rate in 2010 was 26.6%, below the Statewide rental rate of 31.9%.

At the time of the 2000 Census, New Underwood had 59 occupied rental units, and 11 vacant rental units, for a total estimated rental inventory of 70 units. The rental tenure rate in 2000 was 25.4%.

Based on a Census comparison, the City had a gain of seven renter-occupancy households, and an increase of five rental units from 2000 to 2010.

Rental Housing Survey

As part of this housing study, we conducted a rental unit telephone survey. We surveyed 13 market rate units and Sunny Haven Apartments, which is a USDA Rural Development general occupancy project. We also surveyed the Good Samaritan Center, which is a nursing home located in New Underwood.

Market Rate Summary

There are no multi-family market rate rental projects in New Underwood. However, we obtained information on 11 rental mobile homes and two rental single family homes. The units all had two or three bedrooms. Rents ranged from \$350 to \$600, plus utilities.

Three of the mobile homes were vacant at the time of the survey. However, these units are not being offered for occupancy in the winter months, but will be available when the weather improves.

Subsidized Summary

The research completed for this Study identified one subsidized project in New Underwood, Sunny Haven Apartments, which is a 25-unit USDA Rural Development General Occupancy Project. The project is owned and managed by the Pennington County Housing and Redevelopment Commission.

Nineteen units in Sunny Haven Apartments have access to project-based rent assistance. Tenants in these units pay 30% of their income up to a maximum rent. Six units do not have rent assistance and tenants pay at least the basic rent of \$465, and potentially up to the maximum rent of \$597, depending on their actual income.

Unit Mix

All 25 units are one-bedroom units.

Occupancy / Vacancy

Sunny Haven Apartments had two vacant units at the time of the survey. The manager reported that the two vacant units do not have rent assistance, thus, the tenants have to pay at least the minimum rent of \$465, even if that amount exceeds 30% of the household's income.

Senior Housing with Services

There is one senior with services project in New Underwood, the Good Samaritan Center. The Good Samaritan Center is a nursing home with 41 skilled nursing beds. In addition to traditional long-term care, the Good Samaritan Center provides services and care to residents who have memory loss.

The Administrator reported a high occupancy rate with 39 to 41 units typically occupied.

Table 26 New Underwood Multifamily Rental Housing Inventory

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
M & S Traylor Court	11 - 2-3 bedroom <u>mobile homes</u> 11 total units	\$350 to \$600 plus utilities	3 vacant mobile homes	General occupancy	M & S Traylor Court has 11 mobile homes that are rentals. Currently, three mobile homes are vacant and eight mobile homes are occupied. The three vacant mobile homes will stay vacant until spring and will only be available for rent if a maintenance person is hired. Rent on the 11 mobile homes range from \$350 to \$600 plus utilities.
Boomsma Rentals	1 - 2 bedroom 1 - 3 bedroom 2 total units	Approx. \$500	No vacancies	General occupancy	Boomsma Rentals includes two houses, a two-bedroom and a three-bedroom. Both houses are occupied. Rent is approximately \$500 plus utilities.
Subsidized					
Sunny Haven Apartments	25 - 1 bedroom 25 total units	\$465-\$597 30% of income	Two vacancies	General occupancy	Sunny Haven Apartments is a USDA Rural Development Project. The project is owned and managed by the Pennington County Housing and Redevelopment Commission. The project was constructed in the mid 1970s and has 25 one-bedroom units. The project was originally a senior/disabled project, but converted to general occupancy. Nineteen units have rent assistance. Tenants with rent assistance pay 30% of their income, while tenants without rent assistance pay 30% of income but not less than a minimum rent of \$465 or more than a maximum rent of \$597. The manager reports two vacancies - the vacancies are in units that do not have rent assistance. Manager reports that units without rent assistance are difficult to rent.
Section 8 Housing Choice Vouchers	Approximately 1,329 vouchers	30% of income	2 ½ to 3-year waiting list	General occupancy	The Pennington Housing and Redevelopment Commission administers the Housing Choice Voucher Program in New Underwood and Pennington County. The program currently has approximately 1,329 vouchers. There is currently a 2 ½ to 3-year waiting list for a voucher. Currently, no New Underwood tenants have a Housing Choice Voucher.

Table 26 New Underwood Multifamily Rental Housing Inventory

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Senior with Services					
Good Samaritan Center - New Underwood	41 - skilled <u>nursing beds</u> 41 total beds	Varies based on level of services	Average 39 to 41-bed occupancy	Seniors	The Good Samaritan Center in New Underwood has 41 skilled nursing beds. The facility also provides services for people with memory loss, although, the facility does not have a lockdown section. The Director reports that the facility averages 39 to 41 occupied beds.

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 City of New Underwood is part of the Rapid City Metropolitan Statistical Area (MSA), which includes all of Pennington and Meade Counties. Much of the household growth that has occurred in the MSA in past decades was the direct result of job opportunities that were available, especially in the City of Rapid City. 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 available for the Rapid City MSA. Information has been reviewed back to the year 2010. Data in the tables that follow have been obtained from the South Dakota Department of Labor.

Table 27 Rapid City MSA Annual Labor Statistics: 2010 to 2015						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - MSA	Unemployment Rate - SD	Unemployment Rate - US
2010	70,045	66,360	3,685	5.3%	5.0%	9.6%
2011	70,090	66,665	3,425	4.9%	4.7%	8.9%
2012	70,440	67,310	3,130	4.4%	4.3%	8.1%
2013	70,930	68,135	2,795	3.9%	3.8%	7.4%
2014	71,365	68,925	2,440	3.4%	3.4%	6.2%
2015	72,304	69,758	2,546	3.5%	3.4%	5.3%

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

The unemployment rate for the Rapid City MSA has generally been on a downward trend since 2010. The unemployment rate did increase slightly between 2014 and 2015, but the increase was only 0.1%. In comparison to national patterns, the unemployment rate in the area has remained low.

In terms of the employment level, 2015 represented the highest employment count of the six years reviewed. The size of the available labor force also reached a peak in 2015.

Employment and Wages by Industry

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

Table 28 MSA Average Annual Wages by Industry Detail - 2014		
Industry	2014 Employment	Average Annual Wage
Total All Industry	64,557	\$37,187
Natural Resources, Mining	237	\$34,813
Construction	4,510	\$41,635
Manufacturing	2,955	\$41,430
Trade, Transportation, Utilities	13,293	\$33,252
Information	928	\$42,168
Financial Activities	4,130	\$43,382
Professional and Business Services	5,123	\$48,724
Education and Health Services	10,404	\$46,527
Leisure and Hospitality	9,865	\$16,137
Other Services	2,309	\$27,907
Government	10,800	\$42,978

Source: South Dakota Department of Labor

The average annual wage for all industry in 2014 was \$37,187 for the Rapid City MSA. The highest wage sector was Professional and Business Services, with an annual wage of \$48,724. The lowest average wage was paid in the Leisure and Hospitality sector, at \$16,137.

In terms of actual employment, the largest single sector was Trade, Transportation and Utilities, with 13,293 people. This is a broad sector, with a wide variation in annual wages for sub-sectors. The Retail Trade sub-sector, which accounted for more than 70% of all employment within this sector, had an average annual wage of only \$26,108.

Commuting Patterns of Area Workers

Some information is available on area workers that commute for employment. The best information is from the 2014 American Community Survey, and has been examined for the City of New Underwood. The table examines New Underwood residents that traveled to work and excludes people that work at home.

Table 29 Commuting Times for New Underwood Residents - 2014		
Travel Time	Number	Percent
Less than 10 minutes	94	31.2%
10 to 19 minutes	25	8.3%
20 to 29 minutes	111	36.9%
30 minutes +	71	23.6%
Total	301	100%

Source: 2014 American Community Survey

A majority of New Underwood residents were traveling 20 minutes or more to work in 2014. Overall, more than 60% of working residents traveled 20 minutes or longer to work. Most people were traveling between 20 and 29 minutes, which would generally be consistent with the travel time to Rapid City.

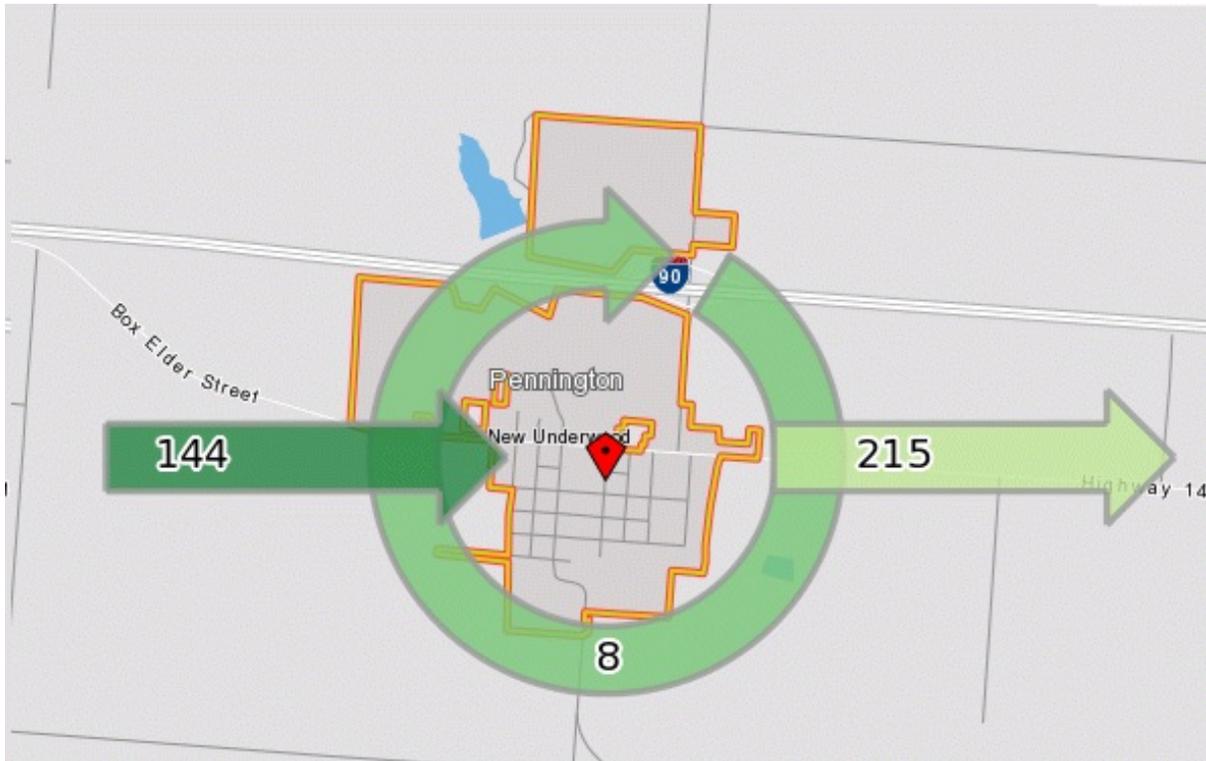
The American Community Survey also identifies travel time by location of employment. However, because of the small size of New Underwood, no travel time estimates were provided for people that work in the City.

Census On the Map

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on reports for the year 2013 and provides a further breakdown of worker movement.

According to the report for New Underwood, there were 152 people that were employed within the City in 2013. Only 5.3% of these city-based employees also lived in New Underwood. The remaining 94.7% of employees lived outside the City and commuted in for their job.

On the Map can also be used to track worker outflow patterns from the City. Overall, there were 223 New Underwood residents that were employed. Most of these City residents worked outside the community, as more than 96% traveled to other locations.



Findings on Growth Trends

As part of this Study, Community Partners Research, Inc., has examined growth patterns for New Underwood 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.

New Underwood's population increased by 11.4% from 1990 to 2000. The population increased from 553 in 1990 to 616 in 2000. From 2000 to 2010, New Underwood's population increased by 44 people, which was a population gain of 7.1%.

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 New Underwood increased from 1990 to 2010. New Underwood experienced a gain of 29 households from 1990 to 2000 and a gain of 16 households 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.

Esri estimates that New Underwood and Pennington County gained population and households from 2010 to 2015. Esri estimates that New Underwood gained 64 people and 29 households from 2010 to 2015. Esri estimates that Pennington County gained 5,242 people and 2,762 households from 2010 to 2015.

The U.S. Census estimates that from 2010 to 2014, New Underwood gained only 14 people and Pennington County gained 7,294 people.

Findings on Projected Growth

Esri projects that New Underwood's population will increase by 63 people and 28 households from 2015 to 2020.

Esri projects that Pennington County will gain approximately 7,275 people and 3,351 households from 2015 to 2020.

Summary of New Underwood’s Growth Projections by Age Group

The Demographic section of this Study presented New Underwood projection information on anticipated changes by age group from 2010 to 2020. This information can be informative in determining the housing that may be needed due to age patterns of the City’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 City’s growth in households in the age ranges between 55 and 74 years old. Age projections would expect the City to add approximately 37 households in the 55 to 74 age ranges from 2010 to 2020.

The Esri age-based projections also expect an increase of 18 households in the 54 and younger age ranges and two households in the 75 and older age ranges.

Esri projects that none of New Underwood’s age ranges will lose households from 2010 to 2020.

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 New Underwood 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 2010 to 2020</u>
15 to 24	2
25 to 34	8
35 to 44	4
45 to 54	4
55 to 64	10
65 to 74	27
75 and older	2
Total	57

Findings on Unit Demand by Type of Housing

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

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

25 to 34 Years Old - The projections show a gain of eight households in this age range by 2020. Within this age range households often move from rental to ownership housing. The ownership rate among these households in New Underwood was approximately 77% in 2010. A household increase of eight households within this age range indicates demand for both first-time home buyer and rental opportunities will increase slightly during the projection period.

35 to 44 Years Old - The projections for this 10-year age cohort expect a gain of four households between 2010 and 2020 in New Underwood. In the past, this age group has had a high rate of home ownership in New Underwood, at approximately 74%. Households within this range often represent both first-time buyers and households looking to trade-up in housing, selling their starter home for a more expensive house.

45 to 54 Years Old - By 2020, this age cohort will represent the front-end of the "baby bust" generation that followed behind the baby boomers. This age group represents a much smaller segment of the population than the baby boom age group. For New Underwood, the projections show a gain of four households in this range. This age group historically has had a high rate of home ownership, approximately 73% in New Underwood in 2010, and will often look for trade-up housing opportunities. A slight gain in the number of households in this age group, indicates that the demand for trade-up housing will remain relatively stable during the projection period.

55 to 64 Years Old - This age range is part of the baby boom generation. The projections show an increase of 10 households in this 10-year age range by the year 2020 in the City. This age range has traditionally a high rate of home ownership in New Underwood, at approximately 74% in 2010. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters.

65 to 74 Years Old - A large gain of 27 households is expected by the year 2020 in the 65 to 74 age range. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. At the time of the 2010 Census, approximately 90% of the households in this age range owned their housing in New Underwood. 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 two households in New Underwood in this age range between 2010 and 2020. In the past, households within this 10-year age range have had approximately a 67% rate of home ownership in New Underwood. 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 Esri household projections used for this Study expect New Underwood to gain 28 households and Pennington County to gain 3,351 households from 2015 to 2020. Household growth in New Underwood and Pennington County will yield some demand for new housing production in New Underwood.

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

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

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

Strengths for Housing Development

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

- ▶ **New Underwood serves as a small regional center** - New Underwood provides employment opportunities, retail/service options, governmental services and recreational facilities for a small geographical area that surrounds the City.
- ▶ **Affordable priced housing stock** - The City of New Underwood has a stock of affordable, existing houses. Our analysis shows that the City's median home value based on home sales in 2014 and 2015 was approximately \$124,650. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Adequate land for development** - New Underwood has adequate land available for both residential and commercial/industrial development. However, some of this land needs to be serviced with infrastructure improvements and/or annexed into the City limits.
- ▶ **Educational system** - New Underwood has an excellent public K-12 school system.
- ▶ **Infrastructure** - New Underwood's water and sewer infrastructure can accommodate future expansion, although some improvements are needed.
- ▶ **New Underwood Community Development Corporation** - The New Underwood Community Development Corporation is very active in promoting economic development and housing in the City.
- ▶ **Employers** - New Underwood has several large employers that provide job opportunities for local residents including the New Underwood School District, the Good Samaritan Center and FMG Feed & Seed.
- ▶ **Leadership** - New Underwood has very active leadership, who have a track record of community accomplishments including the development of a residential subdivision and the moving of Governor's Homes into the City.

- ▶ **Proximity to Rapid City** - New Underwood is located approximately 18 miles from Rapid City. Rapid City provides employment opportunities, retail/service options, educational opportunities, health care facilities and cultural amenities. Some households prefer to live near, but not in a large regional center.
- ▶ **Interstate 90** - New Underwood is located on Interstate 90, which provides excellent access to the City.

Barriers or Limitations to Housing Activities

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

- ▶ **Age and condition of the housing stock** - While the existing stock is affordable, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Low rent structure** - The City's rent structure is relatively low, which makes it difficult to construct new rental housing.
- ▶ **Value gap deters new owner-occupied construction** - Based on market values from 2014 and 2015 homes sales, we estimate that the median priced home in New Underwood is valued at approximately \$124,650. This is below the comparable cost for new housing construction, which will generally be above \$175,000 for a stick built home with commonly expected amenities. This creates a value gap between new construction and existing homes. This can be a disincentive for any type of speculative building and can also deter customized construction, unless the owner is willing to accept a potential loss on their investment.
- ▶ **Commercial/retail option** - New Underwood has a limited number of commercial and retail opportunities.
- ▶ **Proximity to Rapid City** - Although it is a strength to be located in close proximity to Rapid City, it is also a barrier as New Underwood must compete with Rapid City, which offers attractive residential and employment opportunities and other amenities and services.
- ▶ **Lot Availability** - Currently, there is a very limited number of lots available for new residential development.

Recommendations, Strategies and Housing 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 New Underwood. 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 New Underwood if there is continued proactive support from the City of New Underwood, local and regional housing agencies, economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the existing housing stock** - The future of New Underwood will be heavily dependent on the City's appeal as a residential location. The condition of the existing housing stock is a major factor in determining the City's long-term viability. The existing housing stock is in good condition and is a major asset, however, rehabilitation efforts are needed to preserve the housing stock.
- ▶ **Protect the existing assets and resources** - New Underwood has several assets including a k-12 school, an affordable housing stock, recreational opportunities, several employers, etc. These are strong assets that make New Underwood a desirable community to live in, and are key components to the City's long-term success and viability. These assets must be protected and improved.
- ▶ **Develop a realistic action plan with goals and time lines** - In the past the City has been involved in housing issues. The City should prioritize its housing issues and establish goals and time lines to achieve success in addressing its housing needs.
- ▶ **Access all available resources for housing** - In addition to the local efforts, the City has other resources to draw on including USDA Rural Development, the South Dakota Housing Development Authority, the Western South Dakota Community Action Agency, the Pennington County Housing and Redevelopment Commission, NeighborWorks Dakota Home Resources and Grow South Dakota. These resources should continue to be accessed as needed to assist with housing activities.

Summary of Findings/Recommendations

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

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

The findings/recommendations for each category are as follows:

Rental Housing Development

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

Home Ownership

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

Single Family Housing Development

9. Lot availability and lot development
10. Strategies to encourage residential lot sales and new home construction in New Underwood
11. Promote twin home/townhome development

Housing Rehabilitation

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

Other Housing Initiatives

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

New Underwood - Rental Housing Development

Rental Housing Development

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

From 2000 to 2015, no rental units were constructed in New Underwood. However, some single family homes were converted from owner-occupied to rental use. Also, some mobile homes have been moved into the City that are being used as rentals.

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’s household projections for New Underwood expect household growth over the next five years. From 2015 to 2020, it is projected that there will be a gain of 28 households. It is estimated that approximately 30% of these households will be rental households, thus, there will be a demand of approximately eight to nine additional rental units due to household growth over the next five years.

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

Pent-up demand also exists. As part of this study, a rental survey was conducted. The survey found no vacancies in general occupancy market rate units and two vacancies in the subsidized project. The nursing home, the Good Samaritan Center, operates at a very high occupancy rate. Based on the high occupancy rates in existing housing, and a limited supply of rental options, we identified pent-up demand for market rate rental units.

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

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

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

Findings: Approximately 66% of the rental housing units in the City of New Underwood can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

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

There is a wide variation in rental rates in the market rate segment in the City of New Underwood. The existing rents including utilities for a two-bedroom unit range from \$300 to \$650.

From 2000 to 2015, no market rate rental units were constructed in New Underwood.

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

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

The majority of the new units constructed over the next five years should be two-bedroom units.

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

The first option to developing market rate housing would be to encourage private developers to undertake the construction of market rate rental housing. If private developers do not proceed, the New Underwood Community Development Corporation could potentially utilize essential function bonds, or similar funding sources, to construct market rate units.

Also, the New Underwood Community Development Corporation could partner with private developers to construct units. Additionally, the City of New Underwood could assist with land donations, tax increment financing, tax abatement, reduced water and sewer hook up fees, etc.

Recommended unit mix, sizes and rents for the New Underwood Market Rate Housing Units:

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	1-2	750 - 850	\$625 - \$675
Two Bedroom	4-5	900 - 1,000	\$700 - \$800
Three Bedroom	<u>1</u>	1,100 - 1,200	\$850 - \$1,000
Total	6-8		

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

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, making the units more affordable for more households. The 2016 payment standards are:

- ▶ 1 bedroom - \$635
- ▶ 2 bedroom - \$780
- ▶ 3 bedroom - \$1,010

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

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

There is evidence that New Underwood has lost rental housing over the years due to deterioration and demolition and rental single family homes converting to owner-occupied homes. Part of the need for additional rental units in New Underwood is to provide for unit replacement. Unfortunately, most of the lost units are probably very affordable, and new construction will not replace these units in a similar price range.

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

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

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

The estimated prevailing rent range for older rental units in New Underwood is typically between \$300 and \$600 per month. Creating some additional units with contract rents below \$625 per month including utilities would help to expand the choices available to a majority of the City's renter households.

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

3. Monitor the need for additional subsidized rental housing units

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

The research completed for this Study found one subsidized project in New Underwood, Sunny Haven Apartments, which is a 25-unit USDA Rural Development General Occupancy project. The tenants pay 30% of their income up to a maximum rent. The manager reported two vacant units. Six of the 25 units do not have rent assistance, thus, tenants in these units pay at least the basic rent of \$465. The manager reported that these units are typically more difficult to rent because of the higher rent.

The 2014 American Community survey estimated that 18 renters in the City of New Underwood were paying 30% or more of their income for rent.

Recommendation: We do not recommend the development of additional subsidized rental housing at this time. When the rental survey was conducted, there were two vacancies in Sunny Haven Apartments, which is a 25-unit subsidized project. Twenty-five units of subsidized housing are a significant number of units for a city of New Underwood’s size. Also, Rapid City has a large number of subsidized units.

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

Also, if Sunny Haven Apartments continues to have vacancies, it may be advantageous to convert two one-bedroom units into two-bedroom units. The two-bedroom units would provide rental housing for families.

4. Monitor the need for additional senior with services units

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

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

There is one senior with services project in New Underwood, the Good Samaritan Center, a nursing home with 41 skilled nursing beds. In addition to traditional long-term care, the Good Samaritan Center provides services and care to residents who have memory loss. The administrator of the facility reports a high occupancy rate with 39 to 41 beds typically occupied.

Recommendation: It is our opinion that no additional senior with services units should be constructed in New Underwood. The Good Samaritan Center provides long-term care and memory care for seniors in New Underwood and the New Underwood Market Area. There is not an assisted living facility in New Underwood, however, New Underwood has a small senior population, which limits demand for an assisted living facility in New Underwood. Also, Rapid City has several assisted living facilities and additional services including hospitals and clinics.

5. Consider the Development of a Mixed-Use Commercial/Housing Project

Findings: A new mixed-use rental housing/commercial project would be an asset to New Underwood.

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

Recommendation: We recommend the development of a mixed-use building in New Underwood's commercial district. There are several potential sites for a mixed-use project.

We recommend commercial space on the first floor and three to four rental units on the second floor. Prior to construction, a portion of the commercial space should be leased to an anchor tenant who would attract people to New Underwood.

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

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

6. 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 New Underwood and Pennington County by the Pennington County Housing and Redevelopment Commission. The Pennington County Housing and Redevelopment Commission has the ability to issue approximately 1,329 vouchers in Pennington County. Currently, no New Underwood households are utilizing the Housing Choice Voucher Program. There is a 2½ to 3-year waiting list to obtain a Voucher.

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

New Underwood - 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 New Underwood is estimated to be approximately \$124,650 based on sales activity in 2014 and 2015. The home values in New Underwood provide a good opportunity for first time buyers and households seeking moderately priced homes.

Our analysis of New Underwood demographic trends shows an increase in the number of households in the traditionally strong home ownership age ranges between 55 and 74 years old, during the current decade. The 25 to 54 age ranges are also expected to add households. Some households in these age ranges as well as other age ranges that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase their first home.

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

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

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

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

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

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

The City and the New Underwood Community Development Corporation should also work with housing agencies to assure that they are receiving their share of resources that are available in the region.

Funding sources for home ownership programs may include USDA Rural Development, the South Dakota Housing Development Authority and the Federal Home Loan Bank. Also, NeighborWorks Dakota Home Resources and Grow South Dakota utilize several funding sources to provide home ownership programs.

8. Develop a Purchase/Rehabilitation Program

Findings: New Underwood has a stock of older, lower valued homes, many of which need repairs. Our analysis of recent sales activity indicates that approximately 50% of the homes in New Underwood are valued less than \$124,650. As some lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

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

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

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

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

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

Additionally, private individuals are purchasing homes in New Underwood, rehabbing and then re-selling the homes. There may be an opportunity for local housing agencies to financially assist the private sector with purchasing, rehabilitating and selling homes. This may increase the inventory of substandard homes that economically can be rehabilitated and sold.

New Underwood - Single Family Housing Development

Single Family Housing Development

Findings: Based on City and U.S. Census information, New Underwood has experienced some single family housing development from 2000 to 2015. Over the past 16 years, 37 single family owner-occupied homes have been constructed in New Underwood. However, 35 of the 37 single family homes were constructed from 2000 to 2006. From 2007 to 2015, only two new houses have been constructed in New Underwood.

Many of the new houses were constructed in the Janklow Subdivision, which was developed by the New Underwood Community Development Corporation. Also, the Community Development Corporation has moved Governor’s Homes onto some infill lots in the City.

It is our opinion that if the City, housing agencies, the Community Development Corporation, employers, community leaders, and builders are proactive, eight to 11 homes can be constructed or moved into New Underwood from 2016 to 2021.

The breakdown of our projection of eight to 11 new owner-occupied housing units over the next five years is as follows:

▶ Median priced homes	1-2
▶ Affordable Homes	4-5
▶ Twin homes/Town homes	<u>3-4</u>
Total	8-11

9. Lot availability and lot development

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

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

Recommendation: With projections that eight to 11 new owner-occupied housing units could be constructed in New Underwood over the next five years, the City should have approximately 10 to 12 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction.

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

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

We would recommend the development a 10 to 12-lot subdivision, based on the following:

- ▶ If possible, the site should have land available for future lot development phases.
- ▶ To keep development costs as low as possible, sites with easy access to existing infrastructure should be considered.
- ▶ The lots must be as aesthetically acceptable as possible and include high quality amenities.
- ▶ The subdivision 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.
- ▶ The subdivision should accommodate a variety of home designs and home prices.
- ▶ All stakeholders should be involved in promoting and publicizing the subdivision.
- ▶ To be successful, the homes must be available to households with as wide an income range as possible.
- ▶ A successful subdivision will need the cooperation of financial institutions, funding agencies, employers, home builders, the City, and the Community Development Corporation. Financial assistance such as tax increment financing and tax abatement may be necessary to make the development of lots feasible.

10. Strategies to encourage residential lot sales and new home construction in New Underwood

Findings: There is a small inventory of infill lots available in the City of New Underwood. Also, we have recommended that the City develop additional lots.

Recommendation: We recommend that the City of New Underwood and the Community Development Corporation coordinate efforts to promote lot sales and housing development in New Underwood.

Our recommendations to promote lot sales and housing development include:

- ▶ ***Janklow Subdivision success*** - In the early to mid-2000s, the Janklow Subdivision was developed. The development was successful. The success can primarily be attributed to the New Underwood Community Development Corporation taking on the role of general contractor, utilizing the Governor's Home Program, offering the homes at an affordable price and making the buying process user-friendly for the buyer. A similar process will be needed for a future subdivision to be successful in New Underwood.
- ▶ ***Competitive pricing*** - There are lots available in communities throughout the Region. Lot prices in New Underwood will need to be competitive.
- ▶ ***Plan for long-term absorption*** - The research completed for this Study expects limited annual absorption of lots in New Underwood over the next five years. If a new subdivision is developed, it is necessary to view the residential development of the subdivision as a long-term plan.
- ▶ ***Generate initial activity*** - To stimulate new construction in a new subdivision, proactive efforts, such as the sale of some lots at discounted prices, reduction of hookup and permit fees or other incentives should be provided if the buyer agrees to build a home of a certain quality and style within one year. This will help create momentum for more houses to be built.
- ▶ ***Consider developing an exclusive builder(s) relationship*** - Several lots could be sold to a builder or builders. Momentum can be created when a builder has access to several lots. This allows for marketing opportunities and efficiencies in the home building process. The subdivision owner, however, should stipulate that the builder is obligated

to construct a minimum number of homes per year. Builders are more willing to enter a market when the lots are attractive and very affordable. Several lots available to an exclusive builder or developer should be explored, even if price concessions are required.

- ▶ ***User-Friendly*** - The lot purchase and homebuilding process must be 'user-friendly.' This includes builders, who are readily available to build custom homes.
- ▶ ***Allow for a range of house prices*** - Lots should be available in New Underwood in as wide a range of home sizes and prices as possible. This would broaden the lot buyer market.
- ▶ ***Incentives*** - Many cities throughout South Dakota are offering incentives to construct new homes, including reduced lot prices, reduced water and sewer hookup fees, tax abatements, cash incentives, etc. Incentives should be considered to promote new home construction.
- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a demand for twin homes/town homes over the next five years. Lots should be available for twin home/town home lot development.
- ▶ ***Marketing*** - The City of New Underwood and the Community Development Corporation should develop a marketing strategy to sell the available lots. All stakeholders including realtors, financial institutions, builders, employers, etc. should be included in marketing strategies. In addition to marketing the lots, the City of New Underwood and its amenities should be marketed.
- ▶ ***Consider partnerships that share and split financial risk to construct spec homes*** - Given the limited demand for new construction in New Underwood, it is difficult to recommend that any speculative homes be constructed. Spec houses could potentially attract a buyer that is not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy. In an attempt to spur spec home construction, some communities have formed partnerships with private home builders to share the financial risks. For example, subdivision

owners have been willing to defer the payment for the lot until the spec home is sold. Another builder incentive is for the city to waive any water/sewer hook up fees, special assessment payments and building permit fees until the home is sold. A more aggressive approach is to become directly involved in helping cover the payments on a home builder's construction loan, if the house does not sell within a reasonable period of time. A community risk pool would need to be established for this type of activity. These types of approaches would somewhat reduce the builder's risk, by lowering the upfront development costs.

11. Promote twin home/town home development

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

In 2010, New Underwood had 73 households in the 55 to 74 age ranges. The number of households in New Underwood in the 55 to 74 age ranges is expected to increase by 37 households from 2010 to 2020. In 2020, it is estimated that New Underwood will have 110 households in the 55 to 74 age ranges. Household growth among empty-nester and senior households should result in demand for attached single family units. It is likely that demand for attached housing units will also be dependent on the product's ability to gain additional market acceptance among the households in the prime target market, and among other households.

Recommendation: It is our projection that approximately three to four new owner-occupied twin home or town home units could be constructed in New Underwood over the next five years. Our projection is based on the availability of an ideal location for twin home/town home development as well as high quality design and workmanship. We recommend that for twin home/town home development to be successful, the following should be considered:

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

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

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

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

New Underwood - Housing Rehabilitation

Housing Rehabilitation

Findings: New Underwood has an asset in its existing housing stock. Existing units, both now and into the future, will represent the large majority of the affordable housing options. 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 will be critical to offering affordable housing opportunities.

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

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

12. Promote rental housing rehabilitation

Findings: Based on the U.S. Census data, the City of New Underwood had approximately 75 rental units in 2010. These rental units are in a multi-family project, small rental buildings, single family homes and mobile homes. Many of these rental structures could benefit from rehabilitation as most of these rental structures are more than 25 years old and some rental units are in poor condition.

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

Recommendation: The City of New Underwood and the New Underwood Community Development Corporation 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 Western South Dakota Community Action Agency, NeighborWorks Dakota Home Resources, Grow South Dakota, the South Dakota Housing Development Authority and the Federal Home Loan Bank.

13. Promote owner-occupied housing rehabilitation efforts

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

Our housing condition survey of the 167 homes in New Underwood found 52 homes that need minor repairs and 23 homes that need major repairs. Without rehabilitation assistance, the affordable housing stock will shrink in New Underwood.

Recommendation: We recommend that the City of New Underwood and the New Underwood Community Development Corporation seek local, state and federal funds to assist in financing housing rehabilitation. USDA Rural Development, the South Dakota Housing Development Authority, the Federal Home Loan Bank, NeighborWorks Dakota Home Resources, the Western South Dakota Community Action Agency and Grow South Dakota are potential funding sources.

NeighborWorks Dakota Home Resources and Grow South Dakota have several housing programs to assist households with housing rehabilitation. The Western South Dakota Community Action Agency administers the Weatherization Program in New Underwood and Pennington County.

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

New Underwood - Other Housing Initiatives

Other Housing Initiatives

14. Continue to acquire and demolish dilapidated structures

Findings: Our housing condition survey identified 12 single family houses in New Underwood that are dilapidated and too deteriorated to rehabilitate. We also identified 23 single family houses in New Underwood as needing major repair and some of these homes may be too dilapidated to rehabilitate. To improve the quality of the housing stock and to maintain the appearance of the City, dilapidated structures should be demolished.

The City of New Underwood has been active in demolishing dilapidated structures over the past 15 years.

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

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

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

Findings: New Underwood will continue to need staff resources in addition to existing City staff to plan and implement many of the housing recommendations advanced in this Study. The City of New Underwood has access to the Pennington County Housing and Redevelopment Commission, NeighborWorks Dakota Home Resources, the Western South Dakota Community Action Agency, Grow South Dakota, 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.

Recommendation: The City of New Underwood has access to multiple agencies that can assist with addressing housing needs. It is our recommendation that the City prioritize the recommendations of this Study and develop a plan to address the identified housing needs. The Plan should include strategies, time lines and the responsibilities of each agency.

It will be important that a coordinated approach be used to prioritize and assign responsibility for housing programs.

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

16. Promote Commercial Rehabilitation and Development

Findings: The number of commercial/retail buildings in the commercial district in New Underwood is very limited, and most of these buildings are substandard and vacant.

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

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

Additionally, the City of New Underwood and the New Underwood Community Development Corporation should seek funding to assist property owners with rehabilitating their commercial buildings.

17. Develop mobile home programs and policies

Findings: New Underwood has approximately 66 mobile homes in mobile home parks and on lots scattered throughout the City. This represents approximately 27% of all housing options in New Underwood. Over the past 10 years, from 2006 to 2015, 23 mobile homes have been moved into the City. Also, some mobile homes have been moved out, however, we do not have a count of the homes moved out.

Community Partners Research, Inc., conducted a housing condition survey of the mobile homes in the City of New Underwood. Of the 66 mobile homes surveyed, 19 were sound with no required improvements, 18 needed minor rehabilitation, 16 needed major rehabilitation and 13 were dilapidated and possibly beyond repair.

Mobile homes are an affordable option for many households and New Underwood appears to be an acceptable location for households seeking a mobile home as a housing option.

Recommendation: It may be appropriate for the community to initiate programs to improve the quality of mobile homes and mobile home parks and to potentially encourage the location of more mobile homes in the City.

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

- ▶ ***Down Payment Assistance Program*** - Develop a Down Payment Assistance Program that assists households with the purchase of a mobile home.
- ▶ ***Operation Safe Mobile Home Park*** - Owners of substandard mobile homes are given the option of voluntarily selling their substandard mobile home to the City or an area housing agency for a fixed minimum price. The mobile homes are then removed from the park 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 homes. Mobile homes are subject to inspection prior to their sale or rental. All identified safety hazards must be corrected before the unit is sold, rented and/or occupied.
- ▶ ***Age of Mobile Homes Moved into the City*** - Some cities have implemented an ordinance which stipulates that a mobile home must have been manufactured after a designated year to be moved into the City. This prevents older units from being moved into the City.

- ▶ ***Acquisition of the Mobile Home Park*** - In some mobile home parks, a number of the mobile homes may be substandard or vacant, and the park may be on land that has a better use. In these situations, it may be advantageous to purchase the park and relocate the remaining tenants.

18. Develop home ownership and new construction marketing programs

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

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

Recommendation: We recommend that the City of New Underwood and the New Underwood Community Development Corporation consider the following:

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

19. Competition with Other Jurisdictions

Findings: During the interview process, several individuals expressed concern regarding the City of New Underwood’s ability to compete for new development in the region.

Recommendation: The City of New Underwood can enhance its position as a viable location for new households. We recommend the following:

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

Agencies and Resources

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

Pennington County Housing and Redevelopment Commission

1805 W. Fulton St., Suite 101
Rapid City, SD 57702
(605) 394-5350

NeighborWorks Dakota Home Resources (Main Office)

795 Main St.
Deadwood, SD 57732
(605) 578-1405
* NeighborWorks also has offices in Box Elder and Wall.

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