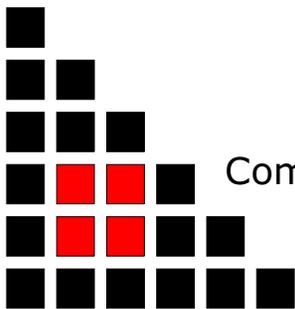


# City of Philip HOUSING STUDY

April 2014

An analysis of the overall housing needs  
in the City of Philip



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# Introduction

## Overview

Local elected and public officials are often held responsible for conditions and circumstances over which they have limited control. This is particularly true of housing. Many of the housing units in Philip and Haakon 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 Philip to conduct a study of the housing needs and conditions in the City of Philip.

## 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 housing trends that the area can expect 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 January to March, 2014. Data sources included:

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

**Limitations**

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

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## **Demographic Data Overview**

### **Sources of Data**

The following pages contain demographic data obtained from a variety of local, state and national sources for the City of Philip and Haakon County. At the time research was completed for this Study, the 2010 Census information was available. However, the 2010 Census was more limited in scope than in the past. As a result, some of the demographic variables, such as income and housing cost information, were not available.

To supplement the decennial Census, the Census Bureau has created the American Community Survey, an annual sampling of households. The American Community Survey provides detailed demographic characteristics, replacing information once collected by the decennial Census. However, because the American Survey is based on sampling data, there is a margin of error that exists for each estimate. The following tables incorporate the 2010 Census data, when available, or the 2012 American Community Survey data.

The frequency of American Community Survey varies depending on the size of the jurisdiction. For most jurisdictions in South Dakota, the 2012 estimates were derived from sampling that was done over a five-year period, between 2008 and 2012. Unless otherwise noted, the American Community Survey estimates are based on the five-year survey data.

## Population Data and Trends

<b>Table 1 Population Trends - 1980 to 2012</b>							
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	Census 2012 Estimate
Philip	1,088	1,077	885	-17.8%	779	-12.0%	780
Haakon Co.	2,794	2,624	2,196	-16.3%	1,937	-11.8%	1,939

Source: U.S. Census

- ▶ The 2010 U.S. Census established a new benchmark for population data. The City of Philip and Haakon County lost population from 2000 to 2010. Philip’s population was 779 in 2010. This is a 106-person decrease since 2000, which is a population loss of 12.0%.
- ▶ Haakon County’s population was 1,937 in 2010. This is a 259-person decrease since 2000, which is a population loss of 11.8%.
- ▶ Philip and Haakon County also experienced significant population losses in the 1990s. Philip’s population decreased by 192 people and Haakon County’s population decreased by 428 people.
- ▶ The Census Bureau has released more recent information through its population estimates program. The most recent estimate for Haakon County is effective July 1, 2012, and shows the County adding two people after the 2010 Census. The most recent estimate for Philip is effective July 1, 2012, and shows the City adding one person between 2010 and 2012.
- ▶ Philip’s population is primarily White and non-Hispanic. At the time of the 2010 Census, 94.4% of the City’s residents were White, 2.2% were Native American, 0.8% were Asian and 2.4% were identified as two or more races. Approximately 1.2% of the City’s residents were identified as Hispanic/Latino.
- ▶ According to the 2010 Census Bureau, 36 Philip residents lived in group quarters. Most of these people were age 65 or older and living in a skilled nursing home.

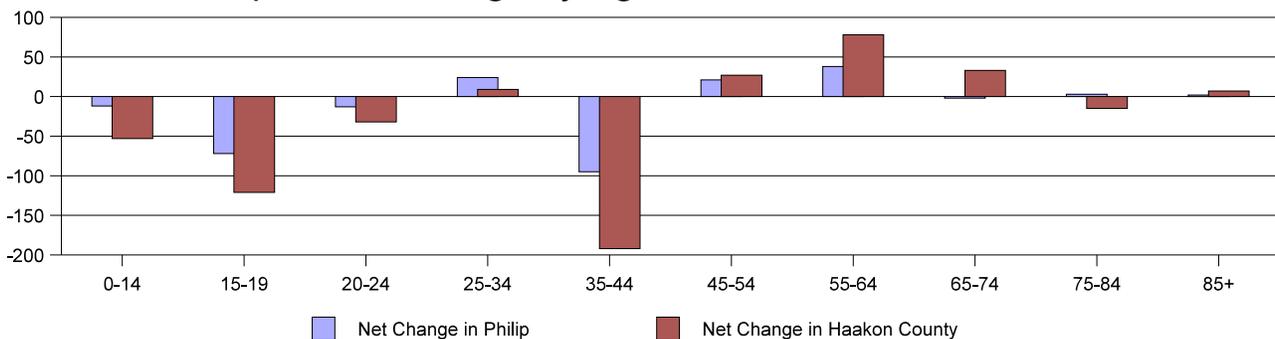
## Population by Age Trends: 2000 to 2010

The release of demographic information from the 2010 Census allows for some analysis of the changing age patterns for Philip and Haakon 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	Philip			Haakon County		
	2000	2010	Change	2000	2010	Change
0-14	143	131	-12	408	355	-53
15-19	98	26	-72	228	107	-121
20-24	39	26	-13	81	49	-32
25-34	65	89	24	191	200	9
35-44	152	57	-95	362	170	-192
45-54	110	131	21	319	346	27
55-64	67	105	38	211	289	78
65-74	70	68	-2	165	198	33
75-84	85	88	3	156	141	-15
85+	56	58	2	75	82	7
Total	885	779	-106	2,196	1,937	-259

Source: U.S. Census

Population Change by Age Between 2000 and 2010



For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been evident in Philip and Haakon County.

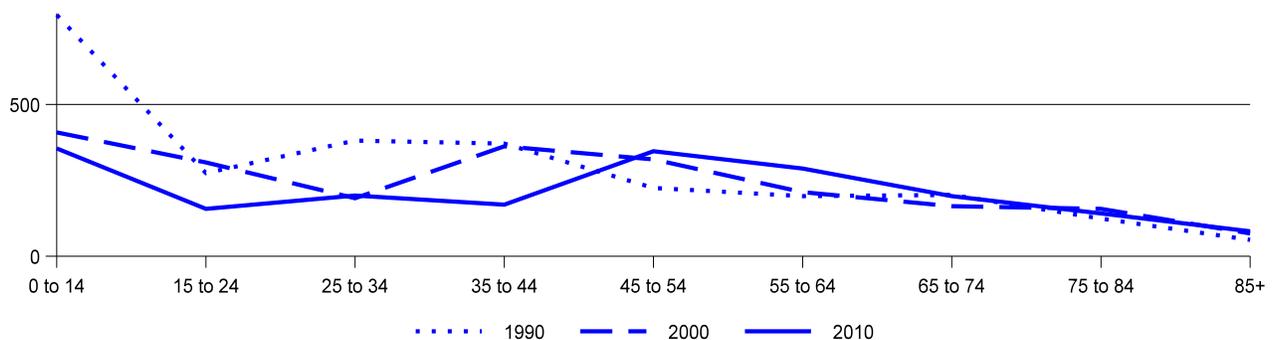
Between 2000 and 2010, Philip had a net gain of 59 people and Haakon County had a gain of 105 people in the age ranges between 45 and 64 years old. In 2010, nearly all of the baby boomers were within these age ranges. The 55 to 64 year old age group, was the largest increase within any of the defined age cohorts.

The City and County also had an increase of older senior citizens, age 85 and older. There was a gain of two people in Philip and a gain of seven people in Haakon County in the age 85 and older age range. Philip also had a gain of 24 people and Haakon County had a gain of nine people in the 25 to 34 age range.

Philip had a loss of 97 people and Haakon County had a loss of 206 people in the 0 to 24 age ranges. Also, Philip had a decrease of 95 people and Haakon County had a loss of 192 people in the 35 to 44 age range.

The aging trends present in Philip in 2010 can be traced back over the previous decades to see the movement of the baby boom generation over the last 20 years in Haakon County.

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 preliminary population projections to the year 2030 for Haakon County. The following table shows the Data Center projection for 2020.

The other set of projections has been calculated by Community Partners Research, Inc., and these are based on past patterns of population change over the past 22 years from 1990 to 2012.

<b>Table 3 Population Projections Through 2015</b>				
	2012 U.S. Census Estimate	2015 Projection	2020 Projection	2020 Projection State Data Center
Philip	780	765	740	N/A
Haakon County	1,939	1,845	1,707	1,664

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

- ▶ The growth projections calculated by Community Partners Research, Inc., expect population losses from 2012 to 2020 for the City of Philip and Haakon County. The State Data Center also projects population losses for Haakon County to the year 2020.
- ▶ The Community Partners Research, Inc., population projections for Philip estimate a decrease of 15 people from 2012 to 2015 and a loss of an additional 25 people from 2015 to 2020.
- ▶ Haakon County’s population, based on Community Partners Research, Inc. estimates, is projected to lose 94 people from 2012 to 2015 and an additional 138 people from 2015 to 2020.
- ▶ The State Data Center projects that Haakon County will lose 275 people from 2012 to 2020.

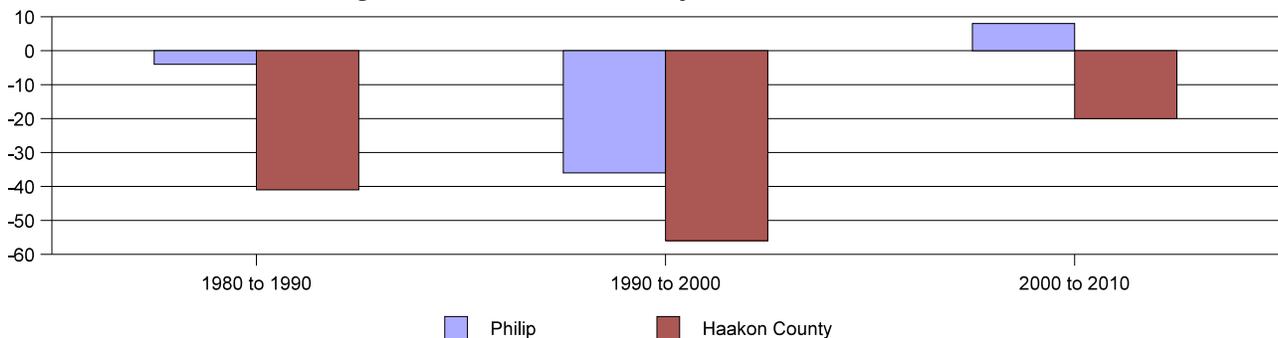
## Household Data and Trends

<b>Table 4 Household Trends - 1980 to 2010</b>						
	1980 Households	1990 Households	2000 Households	% Change 1990-2000	2010 Households	% Change 2000-2010
Philip	407	403	367	-8.9%	375	2.2%
Haakon County	967	926	870	-6.0%	850	-2.3%

Source: U.S. Census

- ▶ The 2010 U.S. Census provided household data. Philip gained households and Haakon County lost households from 2000 to 2010. Philip had 375 households in 2010. This is an increase of eight households since 2000, which is a household gain of 2.2%.
- ▶ Haakon County had 850 households in 2010. This is a loss of 20 households, which is a household decrease of 2.3%.
- ▶ Philip and Haakon County both experienced household losses during the 1990s, Philip had a decrease of 36 households and Haakon County had a loss of 56 households from 1990 to 2000.

**Net Change in Households by Decade: 1980 to 2010**



## Household by Age Trends: 2000 to 2010

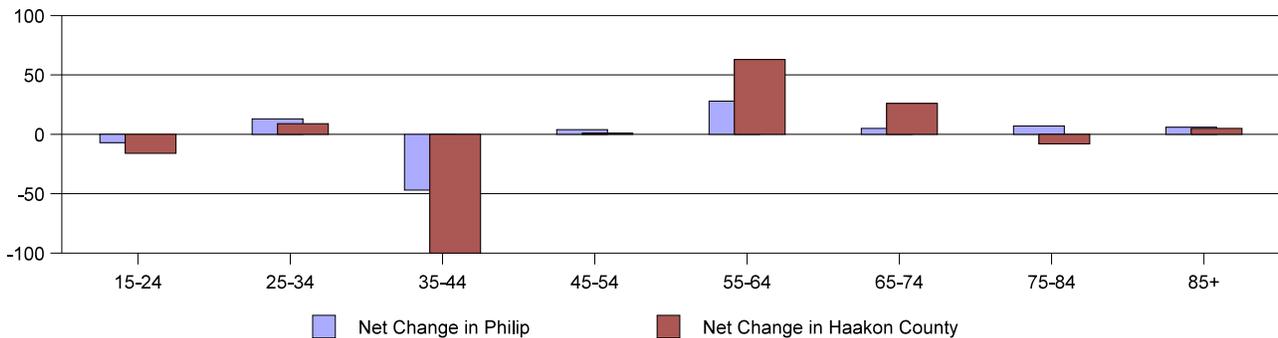
The 2010 Census allows for some analysis of Philip and Haakon County’s changing age patterns. The following table compares households by age of householder in 2000 and 2010, along with the numeric changes.

Table 5 Households by Age - 2000 to 2010						
Age	Philip			Haakon County		
	2000	2010	Change	2000	2010	Change
15-24	21	13	-7	36	20	-16
25-34	35	48	13	94	103	9
35-44	83	36	-47	193	93	-100
45-54	68	72	4	188	189	1
55-64	43	71	28	118	181	63
65-74	38	43	5	94	120	26
75-84	54	61	7	105	97	-8
85+	25	31	6	42	47	5
Total	367	376	9	870	850	-20

Source: U.S. Census

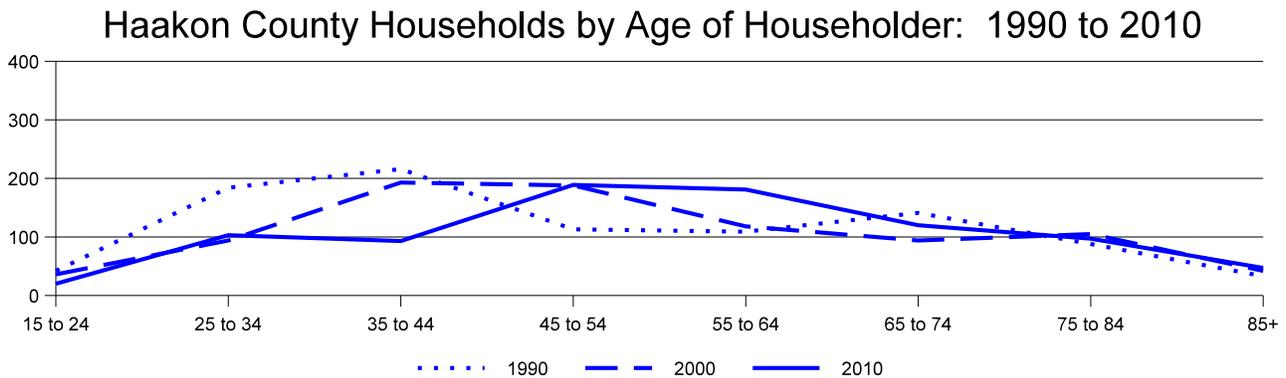
Consistent with the population by age data presented earlier, the household patterns show most of the net change occurring in the baby boomer age groups. For both Philip and the Haakon County, the largest net growth in households occurred in the 10-year age group between 55 and 64 years old. For all of Haakon County there was an increase of 63 households and in Philip there was an increase of 28 households in the 55 to 64 year age range.

Household Change by Age Between 2000 and 2010



Also, Philip had a gain of 13 households and Haakon County had a gain of nine households in the 25 to 34 age range. In the 65 and older age ranges, Philip had a gain of 19 households and Haakon County had a net gain of 23 households.

From 2000 to 2010, Philip had a loss of seven households and Haakon County had a loss of 16 households in the 15 to 24 age range. Also, Philip had 47 fewer households and Haakon County had 100 fewer households in the 35 to 44 age range, than in the year 2000.



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

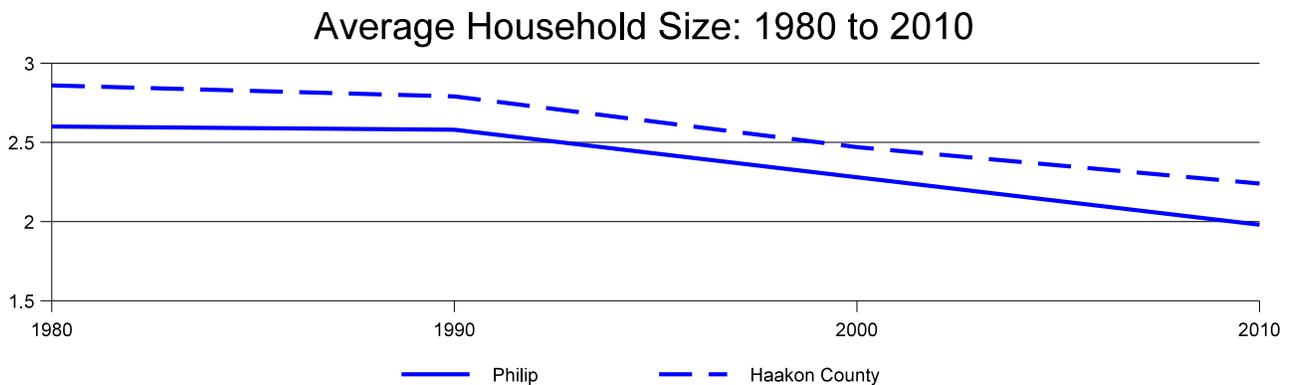
## Average Household Size

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

<b>Table 6 Average Number of Persons Per Household: 1990 to 2010</b>				
	1980 Census	1990 Census	2000 Census	2010 Census
Philip	2.60	2.58	2.28	1.98
Haakon County	2.86	2.79	2.47	2.24

Source: U.S. Census

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



The average household size in Philip and Haakon County has continued to decrease over the past three decades. In Philip, the average household size has decreased from 2.60 persons per household in 1980 to 1.98 persons in 2010.

Haakon County’s average household size decreased from 2.86 in 1980 to 2.24 in 2010.

## Household Projections

The following table presents household projections for Philip and Haakon County, as generated by Community Partners Research, Inc., based on past patterns of household change over the 20-year period from 1990 to 2010.

<b>Table 7 Household Projections Through 2015</b>			
	2010 Census	2015 Projection from 10-year trend	2015 Projection from 20-year trend
Philip	375	377	379
Haakon County	850	823	795

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

- ▶ The growth projections expect that Philip will experience slight household gains and Haakon County will experience household decreases from 2010 to 2020.
- ▶ From 2010 to 2015, Philip is expected to increase by two households followed by an increase of an additional two households from 2015 to 2020.
- ▶ Haakon County is projected to lose 27 households from 2010 to 2015, followed by a decrease of an additional 28 households from 2015 to 2020.

## Household by Age Projections: 2010 to 2020

With the release of the 2010 Census, a new benchmark has been established for Haakon County age-related statistics. In the following table, Community Partners Research, Inc., has generated age-based household projections for Haakon County to the year 2020.

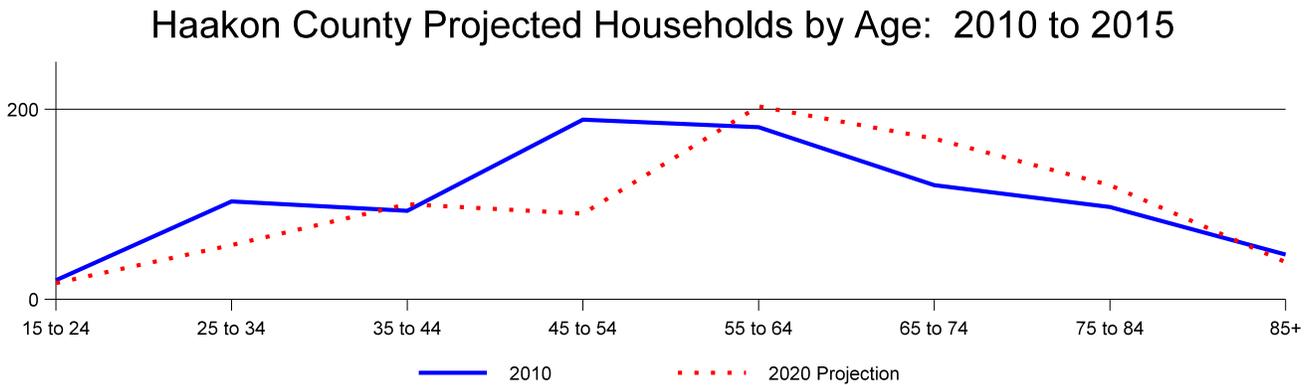
The projections were created by Community Partners Research, Inc., by trending forward past retention rates within defined age cohorts, and assuming that these past patterns are a reasonable predictor of future age-based population changes.

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 the County loses population at a rate that is slower than past patterns would suggest, traditional age-based forecasts could be altered.

<b>Table 8 Haakon County Projected Households by Age - 2010 to 2015</b>			
Age Range	2010 Census	Community Partners Research, Inc.	
		2020 Projection	Change from 2010
15-24	20	17	-3
25-34	103	57	-46
35-44	93	100	7
45-54	189	90	-99
55-64	181	203	22
65-74	120	169	49
75-84	97	120	23
85+	47	39	-8
<b>Total</b>	<b>850</b>	<b>795</b>	<b>-55</b>

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

The following line chart shows the age progression from 2010 to 2020.



From 2010 to 2020, the projections estimate a loss of 49 households in the 15 to 34 age ranges, a loss of 99 households in the 45 to 54 age range and a loss of eight households in the 85 and older age range.

The projections estimate a gain of seven households in the 35 to 44 age range and an increase of 94 households in the 55 to 84 age ranges.

## Households by Type

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

<b>Table 9 Philip Household Composition - 2000 to 2010</b>			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	87	50	-37
Single Parent with own children	20	19	-1
Married Couple without own children	111	116	5
Family Householder without spouse	8	12	4
Total Families	226	197	-29
Non-Family Households			
Single Person	125	168	43
Two or more persons	16	10	-6
Total Non-Families	141	178	37

Source: U.S. Census

Between 2000 and 2010, Philip experienced losses in the total number of family households. All of the family household losses were due to a decrease in the number of married couple families with children and single parent families with children. The City had an increase in married couples without children and family householders without spouses.

The City also had a net increase in “non-family” households. This was due to an increase in single person households. There was a decrease in the number of unrelated individuals living together.

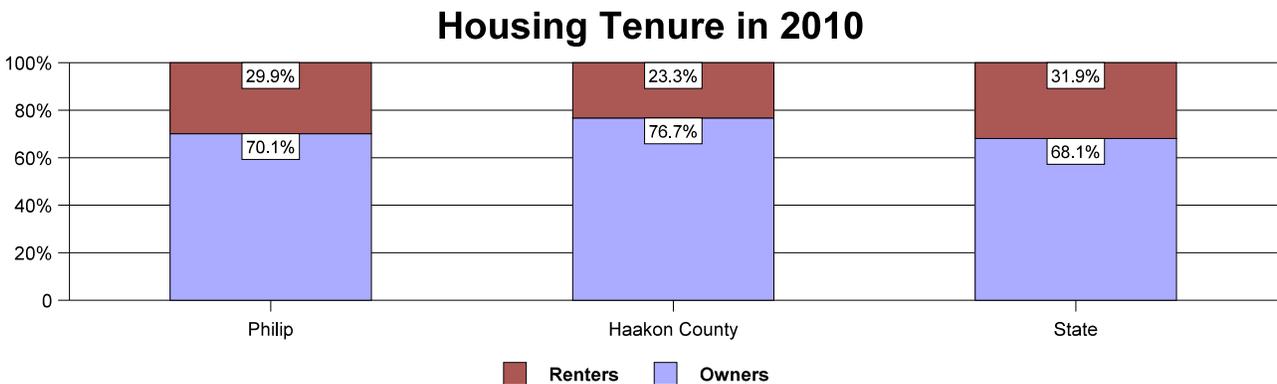
## Housing Tenure

The 2010 Census provided an updated look at housing tenure patterns. The following tables examine overall tenure rates, along with the changes that have occurred since 2000 for the City of Philip and Haakon County.

<b>Table 10 Household Tenure - 2010</b>				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Philip	263	70.1%	112	29.9%
Haakon County	652	76.7%	198	23.3%
State	-	68.1%	-	31.9%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in the City of Philip was 70.1%. Haakon County’s ownership rate was 76.7%. Philip’s renter rate of 29.9% was slightly lower than the State of South Dakota’s renter rate of 31.9%.



## Household Changes by Housing Tenure

<b>Table 11 Households by Housing Tenure - 2000 to 2010</b>						
Tenure	Philip			Haakon County		
	2000	2010	Change	2000	2010	Change
Owners	282/76.8%	263/70.1%	-19	668/76.8%	652/76.7%	-16
Renters	85/23.2%	112/29.9%	27	202/23.2%	198/23.3%	-4
Total	367	375	8	870	850	-20

Source: U.S. Census

Philip's ownership tenure rate decreased from 76.8% in 2000 to 70.1% in 2010.

For Haakon County, the rate of owner households between 2000 and 2010 remained stable. The ownership tenure rate decreased slightly, from 76.8% in 2000 to 76.7% in 2010.

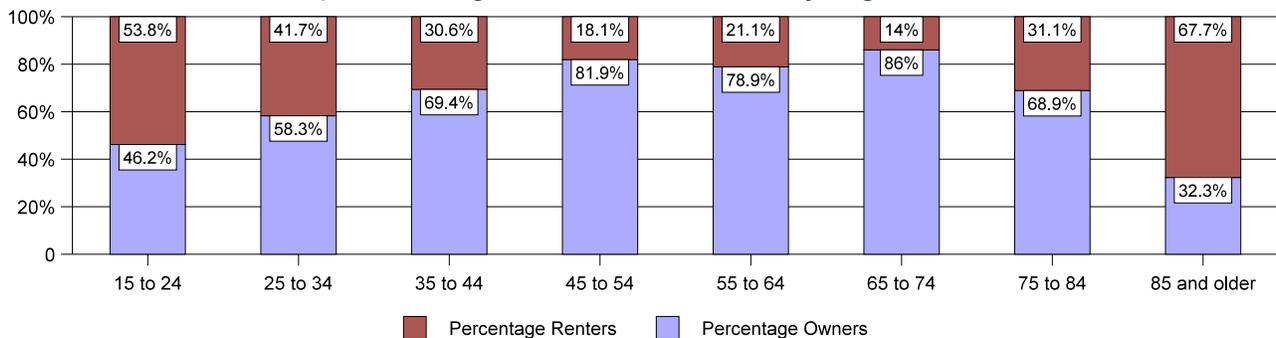
## Tenure by Age of Householder

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

<b>Table 12 Philip Tenure by Age of Householder - 2010</b>				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	6	46.2%	7	53.8%
25-34	28	58.3%	20	41.7%
35-44	25	69.4%	11	30.6%
45-54	59	81.9%	13	18.1%
55-64	56	78.9%	15	21.1%
65-74	37	86.0%	6	14.0%
75-84	42	68.9%	19	31.1%
85+	10	32.3%	21	67.7%
Total	263	70.1%	112	29.9%

Source: U.S. Census

**Philip Housing Tenure Patterns by Age in 2010**



Within the defined age ranges, typical tenure patterns were present, with households at the lowest and highest ends of the age spectrum showing greater preference for rental housing, while middle-aged adult households were primarily home owners. Approximately 54% of the households age 24 and younger rented their unit, and approximately 68% of households age 85 and older were renters. Home ownership rates for each of the 10-year age cohorts between 35 and 84 years old were approximately 69% or higher.

## 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 Philip.

<b>Table 13 Philip Tenure by Household Size - 2000 to 2010</b>						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	83	87	4	42	81	39
2-Person	97	105	8	28	16	-12
3-Person	45	31	-14	9	11	2
4-Person	32	23	-9	2	3	1
5-Person	13	8	-5	2	1	-1
6-Person	9	6	-3	2	0	-2
7-Persons+	3	3	0	0	0	0
Total	282	263	-19	85	112	27

Source: U.S. Census

From 2000 to 2010, there was a decrease in the number of owner households and an increase in the number of renter households in Philip. There was an increase of 12 owner households with one or two household members, and a decrease of 31 owner households with three or more household members. There was a net increase of 30 renter households with four or fewer people. There was a loss of three households with five or more people. Approximately 87% of the renter households in Philip are one or two person households.

## 2012 Income Data

The 2010 Census did not collect information on household income. However, estimates are available at the city and county level through the 2012 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 and family incomes tend to be higher than the overall household median, as families have at least two household members, and potentially more income-earners.

<b>Table 14 Median Household Income - 2000 to 2012</b>			
	2000 Median	2012 Median	% Change
Philip	\$31,103	\$44,875	44.3%
Haakon County	\$29,894	\$48,571	62.5%
South Dakota	\$35,271	\$46,369	31.5%

Source: U.S. Census; 2012 ACS 5-year survey

<b>Table 15 Median Family Income - 2000 to 2012</b>			
	2000 Median	2012 Median	% Change
Philip	\$43,929	\$67,813	54.4%
Haakon County	\$35,958	\$67,188	86.6%
South Dakota	\$43,237	\$58,958	36.4%

Source: U.S. Census; 2012 ACS 5-year survey

Information contained in the 2012 American Community Survey shows local income levels increased substantially from 2000 to 2012. The median family income for Philip and the median household and family incomes for Haakon County were above the state median levels. The median household income for Philip was only \$1,494, below the state median income.

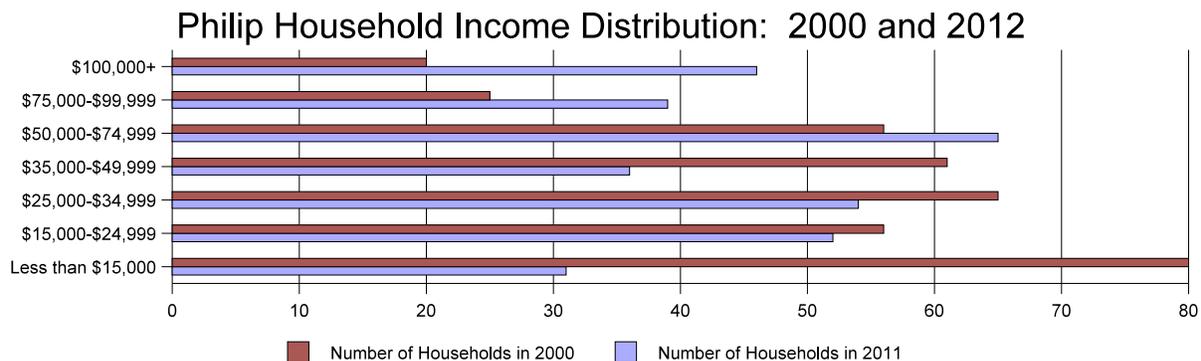
Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Philip could afford approximately \$1,122 per month for ownership or rental housing in 2010. A median income family could afford approximately \$1,695 per month for housing. However, as will be detailed later in this section, renter households tend to be below the overall median, while owner households tend to be above the overall median level.

## Philip Household Income Distribution

The 2012 American Community Survey household income estimates for the City of Philip can be compared to the same distribution information from 2000 to examine changes that have occurred from 2000 to 2012.

Table 16 Philip Household Income Distribution - 2000 to 2012			
Household Income	Number of Households 2000	Number of Households in 2012	Change 2000 to 2012
\$0 - \$14,999	80	31	-49
\$15,000 - \$24,999	56	52	-4
\$25,000 - \$34,999	65	54	-11
\$35,000 - \$49,999	61	36	-25
\$50,000 - \$74,999	56	65	9
\$75,000 - \$99,999	25	39	14
\$100,000+	20	46	26
Total	363	323	-40

Source: 2000 Census; 2012 ACS



The 2010 Census reported 376 households in Philip. The 2012 American Community Survey provided data on only 323 households. However, the 2012 American Survey is still provides representative income data for households.

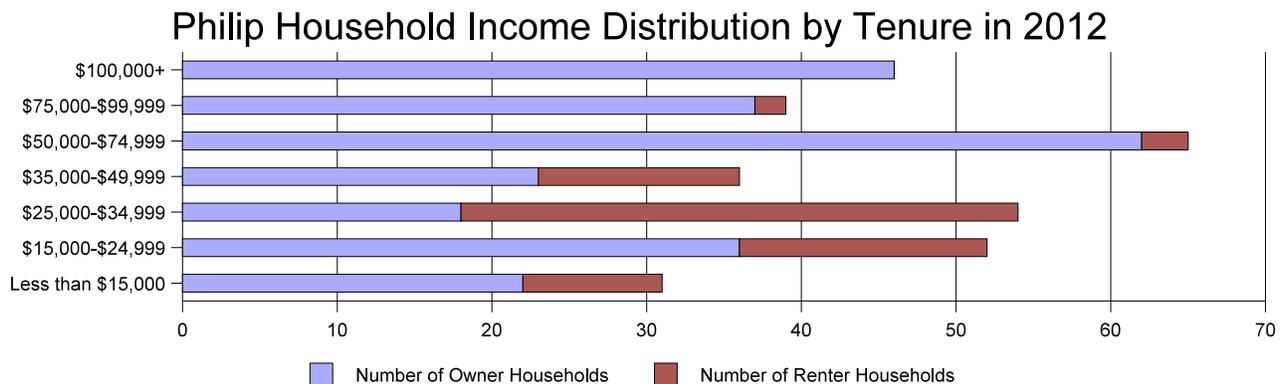
According to the 2012 income estimates, household incomes have improved in Philip. When compared to the 2000 Census (1999 income), the number of households with an income of \$50,000, or more, increased by 49 households. Conversely, there was a decrease of 89 households with annual incomes less than \$50,000. However, there were still 83 households with annual incomes less than \$25,000.

## Philip Income Distribution by Housing Tenure

The 2012 American Community Survey provides an estimate by owner and renter status. The following table examines income distribution within the City of Philip. The American Community Survey is an estimate, based on limited sampling data, and there are some differences when compared to the 2010 Census. For total households, the American Community Survey reported 52 fewer households than the 2010 U.S. Census. The American Community Survey estimated 19 fewer owner households than the Census, and 33 fewer renter households.

<b>Table 17 Philip Household Income Distribution by Tenure - 2012</b>			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	22/71.0%	9/29.0%	31
\$15,000 - \$24,999	36/69.2%	16/30.8%	52
\$25,000 - \$34,999	18/33.3%	36/66.7%	54
\$35,000 - \$49,999	23/63.9%	13/36.1%	36
\$50,000 - \$74,999	62/95.4%	3/4.6%	65
\$75,000 - \$99,999	37/94.9%	2/5.1%	39
\$100,000+	46/100%	0/0%	46
<b>Total</b>	<b>244</b>	<b>79</b>	<b>323</b>

Source: 2012 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 2012, approximately 77% of all renter households in Philip 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.

Conversely, most owner households had a substantially higher income level. Approximately 59% of all owner households had an annual income of \$50,000 or more. At 30% of income, an owner could afford \$1,364 or more per month for housing costs.

## 2012 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 Philip.

<b>Table 18 Gross Rent as a Percentage of Household Income - 2012</b>			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	31/57.4%	0/0%	31/39.2%
20% to 29.9%	0/0%	16/64.0%	16/20.2%
30% to 34.9%	9/16.7%	4/16.0%	13/16.4%
35% or more	3/5.5%	5/20.0%	8/10.3%
Not Computed	11/20.4%	0/0%	11/13.9%
Total	54	25	79

Source: 2011 American Community Survey

According to the American Community Survey, approximately 27% of all renters in the City were paying 30% or more of their income for rent. Approximately 10% majority of these households were actually paying 35% or more of their income for housing. Federal standards for rent subsidy programs generally identify 30% of 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".

Although a housing cost burden could be caused by either high housing costs or low household income, in Philip it was primarily due to low income levels for renters. The median income for renter households in Philip is approximately \$30,450. To avoid a cost burden, a median income renter household would have needed a unit with a gross monthly rent of \$760 or less.

Senior citizen renters (age 65 and older) represented approximately 43% of all households with a rental cost burden. Households in the age ranges between 15 and 64 years old represented approximately 57% of all households with a rental cost burden.

## 2012 Estimated Income and Housing Costs - Owners

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

<b>Table 19 Ownership Costs as a Percentage of Income - Philip</b>		
Percentage of Household Income for Housing Costs	Number of Owner Households 2012	Percent of All Owner Households 2012
0% to 19.9%	153	62.7%
20% to 29.9%	33	13.5%
30% to 34.9%	16	6.6%
35% or more	42	17.2%
Not Computed	0	0%
Total	244	100%

Source: 2012 ACS

Based on the 2010 Census, the 2012 American Community Survey slightly underestimated the number of owner households in the City, however, this source still represents the best available information on income compared to housing costs.

Most owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 24% of all home owners reported that they paid more than 30% of their income for housing. Most of these households were actually paying more than 35% of income for housing costs.

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

## Housing Construction Activity

Based on information available from the City of Philip and the U.S. Census Bureau, 14 single family houses, a rental duplex and a rental four-plex were constructed in the City from 2000 to 2013. Additionally, several homes have also been constructed in the rural areas outside of the City limits.

## Occupancy Status of Housing Units - 2010

<b>Table 20 Occupancy Status of Housing Units - 2010</b>						
	Occupied Units		Vacant Units			
	Owner	Renter	For Rent	For Sale	Seasonal Use	Other Vacant
Philip	263	112	12	6	11	19
Haakon Co.	652	198	31	9	40	83

Source: U.S. Census

- ▶ In 2010, according to the U.S. Census, there were 40 seasonal housing units in Haakon County, including 11 units in Philip.
- ▶ In addition to the seasonal units, there were 123 other vacant housing units in Haakon County in 2010, including 37 units in Philip.

## Existing Home Sales

This section examines houses that have been sold in Philip in 2011, 2012 and 2013. It is important to note that the number of houses that have sold is limited, and may not be an accurate indicator of overall home values in the City. However, this sample does provide some insight into those units that are turning-over in a given year.

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

<b>Table 21 Median Value of Residential Sales - 2011 to 2013</b>			
Calendar Year	Number of Good Sales	Median Sale Price	Average Sale Price
2011	13	\$30,000	\$45,808
2012	12	\$51,000	\$55,688
2013	13	\$55,000	\$64,154

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

- ▶ From 2011 to 2013, there were 38 residential sales of single family houses in Philip that were considered to be “arms length” transactions, according to the County’s Director of Equalization. Sales that are not “arms length” include, but are not limited to, sales between relatives, forced sales and foreclosures, and estate transfers that are not available on the open market. Only the “arms length” transactions have been reviewed for this study.
- ▶ In 2011, there were 13 residential sales in Philip. The median sales price was \$30,000. The highest valued sale was for \$150,000 and the lowest valued sale was for \$12,000.
- ▶ In 2012, there were 12 residential sales in Philip. The median sales price was \$51,000. The highest valued sale was for \$137,500 and the lowest valued sale was for \$11,000.
- ▶ In 2013, there were 13 residential sales in Philip. The median sales price was \$55,000. The highest valued sale was for \$115,000 and the lowest valued sale was for \$10,000.

## **Philip Housing Condition**

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 298 single family/duplex houses in the City of Philip.

The City of Philip was divided into two neighborhoods:

**Neighborhood No. 1:** Portion of the City that is on the low ground

**Neighborhood No. 2:** Portion of the City that is on high ground

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. Dilapidated 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, siding, structural/foundation, etc. Houses in this condition category may or may not be economically feasible to rehabilitate.

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

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

**Table 22 Windshield Survey Condition Estimate - 2014**

	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood No. 1	60/32.8%	60/32.8%	46/25.1%	17/9.3%	183
Neighborhood No. 2	64/55.7%	28/24.3%	17/14.8%	6/5.2%	115
Total	124/41.6%	88/29.5%	63/21.2%	23/7.7%	298

Source: Community Partners Research, Inc.

- ▶ The existing housing stock in Philip is in fair condition. Approximately 30% of the houses in the two neighborhoods need minor repair and 21% need major repair. Approximately 42% are sound, with no required improvements.
- ▶ Approximately 23 houses in the two neighborhoods are dilapidated and possibly beyond repair.

## Philip Mobile Home Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 28 mobile homes in three mobile home parks. Two of the mobile home parks are located within the City limits of Philip and one mobile home park is located outside of the City limits.

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

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

Major Rehabilitation is defined as a mobile home needing multiple major improvements such as roof, windows, siding, structural/foundation, etc. 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 will generally be good candidates for rehabilitation programs because they are in a salable price range and are economically feasible to repair.

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

<b>Table 23 Windshield Survey Condition Estimate - 2014</b>					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Mobile homes	9/32.1%	8/28.6%	8/28.6%	3/10.7%	28

Source: Community Partners Research, Inc.

- ▶ The mobile homes in Philip are in fair condition. Approximately 29% of the mobile homes in the City need minor repair and 29% need major repair. Approximately 32% are sound, with no required improvements.
- ▶ Three mobile homes are dilapidated and possibly beyond repair.

## **Rental Housing Data**

### **Census Bureau Rental Inventory**

According to the 2010 U.S. Census, there were 112 occupied rental units and at least 12 unoccupied rental units in Philip, for a total estimated rental inventory of 124 units. The City's rental tenure rate was 29.9%, below the Statewide rental rate in 2010 of 31.9%.

At the time of the 2000 Census, Philip had 85 occupied rental units, and 21 vacant rental units, for a total estimated rental inventory of 106 units. The rental tenure rate in 2000 was 23.2%.

Based on a Census comparison, the City gained 27 renter-occupancy households, and 18 rental units from 2000 to 2010.

The City experienced a decrease of 19 owner-occupants and an increase of 27 renter occupants between 2000 and 2010. In many communities, the reduction of owner households corresponded to growth among renters, as tenure conversion occurred in some housing units. It appears that only six rental units were constructed in Philip from 2000 to 2010, thus, with the gain of 18 rental units, it is assumed that there was a conversion of owner-occupied units to rental units from 2000 to 2010.

### **Rental Housing Survey**

As part of this housing study, a telephone survey was conducted of multifamily projects in the City of Philip. The survey was primarily conducted during the months of February and March, 2014. Emphasis was placed on contacting properties that have two or more units. For the purposes of planning additional projects in the future, multifamily properties represent the best comparison of market potential. However, with the limited number of market rate units in Philip, several single family homes were also surveyed. Three of the single family homes we surveyed are located in Pfeiferville, but we have included these homes in the survey.

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

There were 72 housing units of all types that were contacted in the survey. In addition to the 72 rental units, the nursing home was also contacted. The nursing home has 30 beds, which are not considered rental units.

The units/beds that were successfully contacted include:

- ▶ 26 market rate units
- ▶ 30 federally subsidized units
- ▶ 16 assisted living units
- ▶ 30 beds in skilled nursing facilities

The findings of the survey are provided below.

## **Market Rate Summary**

Information was obtained on 26 rental units. The units surveyed are in two four-plexes, three duplexes and 12 single family homes.

There are no market rate rental projects in Philip that are larger than a four-plex.

### **Unit Mix**

The bedroom mix of the market rate units surveyed is:

- ▶ One-bedroom - 5 (19.2%)
- ▶ Two-bedroom - 13 (50.0%)
- ▶ Three-bedroom - 7 (26.9%)
- ▶ Four-bedroom - 0 (0%)
- ▶ Five-bedroom - 1 (3.9%)

### **Occupancy / Vacancy**

Within the market rate multifamily segment there were two vacant units of the 26 used in the occupancy calculation. This represents a vacancy rate of 7.8%. Although there were two vacancies, owners/managers contacted in the survey reported that there was excellent demand for rentals and they are almost always fully occupied. However, several of the owners/managers reported frequent turnover in renters.

### **Rental Rates**

Rental units may include the primary utility payments within the contract rent, or the tenant may be required to pay some utilities separately, in addition to the contract rent. In the following summary, Community Partners Research, Inc., has attempted to estimate the gross rents being charged, inclusive of an estimate for tenant-paid utilities.

The median rents for the City of Philips rental units are approximately as follows:

<u>Unit Type</u>	<u>Identified Gross Rent Range</u>
One-bedroom	\$325-\$425
Two-bedroom	\$400-\$500
Three-bedroom	\$425-\$525
Four-bedroom & Five-bedroom	\$500-\$600

The units that were contacted in the conventional housing survey generally had very modest rental rates. Most of the units were in older structures, dating to the 1980s or earlier. The Moses Manor four-plex units were the only newer units. These units were constructed in 2005. These units have the highest rents in the City at \$1,000 per month plus electricity.

### **Tax Credit Summary**

There are no tax credit units in the City of Philip.

### **Subsidized Summary**

The research completed for this Study identified three subsidized projects providing rental opportunities for lower income households. These projects have a combined 30 units. Two projects are general occupancy and one project is senior/disabled. The 30 subsidized units represent 24.2% of the total rental inventory in the City of Philip.

The three subsidized rental projects in Philip include:

- ▶ **Riverview Townhouses** - Riverview Townhouses is a 10-unit HUD Section 8 General Occupancy Project. The 10 units include one one-bedroom unit, eight two-bedroom units and one three-bedroom unit.
- ▶ **Philip Plaza Apartments** - Philip Plaza Apartments is a four-unit Rural Development General Occupancy Project. The four units include one one-bedroom unit and three two-bedroom units.
- ▶ **Senechal Apartments** - Senechal Apartments is a 16-unit HUD senior/disabled project. All 16 units are one-bedroom units.

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

### **Unit Mix**

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

- ▶ 18 one-bedroom (60.0%)
- ▶ 11 two-bedroom (36.7%)
- ▶ 1 three-bedroom (3.3%)

### **Occupancy / Vacancy**

There were three unoccupied units that were identified in the subsidized projects, which is a 10% vacancy rate. Two vacancies were in Riverview Townhouses and one vacancy was in Philip Plaza Apartments. The manager reports that both of these projects have had ongoing vacancy problems.

### **Subsidized Housing Gains/Losses**

Federal subsidy sources for low income rental housing have been very limited for the past few decades. Most subsidized projects were constructed in the 1960, 1970s and 1980s. Some of these older projects may have completed their compliance requirements and have the opportunity to leave their subsidy program and convert to conventional rental housing.

At this time, we are not aware of any projects in Philip that are considering opting out of their subsidy programs.

## **Senior Housing with Services**

### **Unit Inventory**

The City of Philip has two senior with services projects. These projects include:

- ▶ **Silver Leaf Assisted Living** - Silver Leaf is a 16-unit assisted living project. The facility is owned by Philip Health Care. The facility was constructed in 1998. Basic services are included in the base rent and fee and additional services can be purchased as needed for a fee.
- ▶ **Philip Nursing Home** - The Philip Nursing Home is also owned by Philip Health Care. The Nursing Home has 30 beds.

### **Occupancy / Vacancy**

Silver Leaf had two vacancies at the time of the survey. The administrator reports that the facility typically has zero to two vacancies. The Philip Nursing Home operates at full capacity and has no vacant beds.

**Table 24 Philip Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Market Rate</b>					
Moses Manor	<u>4 - 2 bedroom</u> 4 total units	\$1,000	No vacancies, waiting list	General Occupancy	Moses Manor is a high quality town home style four-unit project constructed in 2005. All of the units are two-bedroom and have 1,200 square feet. Amenities include washer/dryer and attached garage. The units are also handicapped accessible. Rent is \$1,000 per month plus electricity. Owner reports no vacancies and a waiting list.
Pfeifer Properties	2 - 2 bedroom 1 - 3 bedroom <u>1 - 5 bedroom</u> 4 total units	\$400	1 vacancy	General Occupancy	Four single family homes including two two-bedroom homes, one three-bedroom house and one five-bedroom house. The three-bedroom house is currently vacant. Three homes are in Pfeiferville and one home is in Philip. Tenants pay utilities. Although the size of the homes vary, they all have \$400 rent.
Stickler Properties	<u>2 - 2 bedroom</u> 2 total units	\$300	No vacancies	General Occupancy	Two two-bedroom single family homes. Rent is \$300 per month. One tenant pays all utilities and one tenant pays heat and electricity. Both houses are occupied and the owner reports good occupancy. Owner also reported that he receives many calls from people seeking rentals.
Carstensen Properties	1 - 1 bedroom 3 - 2 bedroom <u>2 - 3 bedroom</u> 6 total units	Did not provide	No vacancies	General Occupancy	Three duplexes, which include one one-bedroom unit, three two-bedroom units and two three-bedroom units. Owner reports no vacancies and high demand for rental units. Owner did not provide rent information.
Daly Properties	<u>1 - 3 bedroom</u> 1 total unit	\$450	No vacancies	General Occupancy	One three-bedroom home with attached garage. Home is occupied. Tenant pays \$450 per month plus utilities. Owner had another rental home, but is in the process of selling the property.
Foley Properties	1 - 2 bedroom <u>1 - 3 bedroom</u> 2 total units	\$400 \$300	No vacancies	General Occupancy	Two single family homes, one two-bedroom and one three-bedroom. Two-bedroom house is newer and has a \$400 rent and three-bedroom unit is \$300. Tenants pay utilities in addition to rent. Both houses are occupied, but one home has been vacant occasionally.

**Table 24 Philip Multifamily Rental Housing Inventory**

<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Market Rate</b>					
Voth Apartments	<u>4 - 1 bedroom</u> 4 total units	\$275 + utilities, except water	1 vacancy	General Occupancy	Four-plex with four one-bedroom units. Owner reports one vacancy, but units are usually fully occupied. Rent is \$275. Tenants pay all utilities except water.
Moses single family rentals	<u>1 - 2 bedroom</u> <u>2 - 3 bedroom</u> 3 total units	\$350 \$500	No vacancies	General Occupancy	Three single family homes including one two-bedroom and two three-bedroom. Tenants pay utilities in addition to rent. The homes are fully occupied.
<b>Subsidized</b>					
Senechal Apartments	<u>16 - 1 bedroom</u> 16 total units	30% of income	No vacancies	Senior/ Disabled	Senechal Apartments is a 16-unit HUD senior/disabled project located in downtown Philip. The project is in a mixed-use building with commercial space on the first floor. The project has a community room, elevator access and on-site laundry. Meals on Wheels are delivered to the tenants. The manager reports no vacancies and an excellent occupancy rate.
Riverview Townhouses	<u>1 - 1 bedroom</u> <u>8 - 2 bedroom</u> <u>1 - 3 bedroom</u> 10 total units	30% of income	2 vacancies	General occupancy	Riverview Townhouses is a 10-unit General Occupancy HUD Section 8 Project. The project has one one-bedroom, eight two-bedroom and one three-bedroom unit. Manager reports two vacancies and there typically are vacancies.
Philip Plaza Apartments	<u>1 - 1 bedroom</u> <u>3 - 2 bedroom</u> 4 total units	30% of income	1 vacancy	General occupancy	Public Plaza is a USDA Rural Development four-unit General Occupancy Project. The project has one one-bedroom and three two-bedroom units. The project has one vacancy. There had been two vacancies for over two years.

**Table 24 Philip Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Senior Housing with Services</b>					
Silverleaf	<u>16 - 1 bedroom</u> 16 total units	\$2,300	2 vacancies	Seniors	The Silverleaf is a 16-unit assisted living project constructed in 1998. Units are one room with an attached bathroom. Services include three meals, weekly housekeeping, medication assistance, laundry, etc. Some services are included in the rent and other services can be purchased for an additional fee. Currently, there are two vacancies. Approximately 50% of Silverleaf's residents receive light services and 50% require a higher level of services.
Philip Nursing Home	30 beds	Varies	No vacancies	Seniors	The Philip Nursing Home is part of Philip Health Care, which includes a hospital, nursing home, clinic and assisted living. The nursing home is at 100% occupancy.

Source: Community Partners Research, Inc.

## Employment and Local Economic Trends Analysis

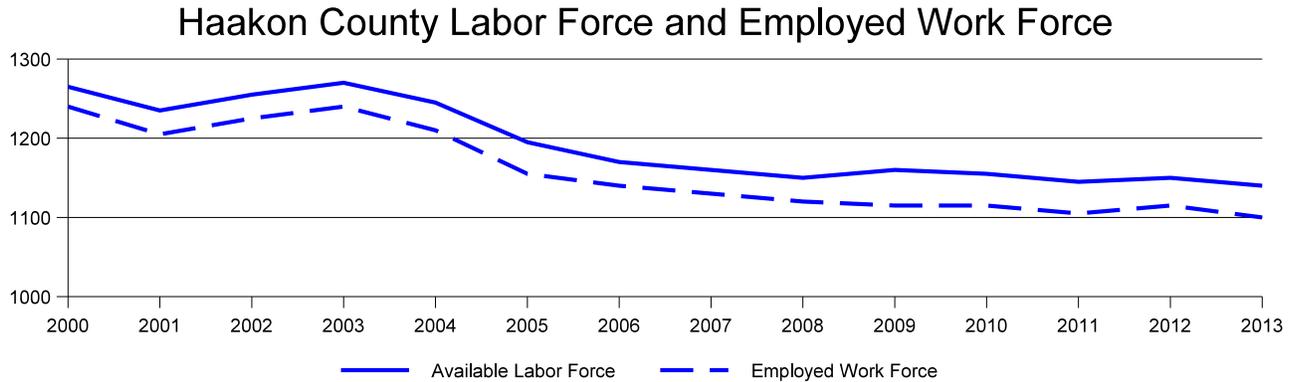
While many factors influence the need for housing, employment opportunities represent a predominant demand generator. Without jobs and corresponding wages, the means to pay for housing is severely limited.

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

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

<b>Table 25 County Average Annual Labor Force: 2000 to 2013</b>						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2000	1,265	1,240	25	1.9%	2.7%	4.0%
2001	1,235	1,205	30	2.3%	3.1%	4.7%
2002	1,255	1,225	30	2.3%	3.3%	5.8%
2003	1,270	1,240	30	2.4%	3.5%	6.0%
2004	1,245	1,210	35	2.7%	3.7%	5.6%
2005	1,195	1,155	40	3.2%	3.7%	5.1%
2006	1,170	1,140	30	2.6%	3.1%	4.6%
2007	1,160	1,130	30	2.5%	2.9%	4.6%
2008	1,150	1,120	30	2.5%	3.0%	5.8%
2009	1,160	1,115	45	3.9%	5.2%	9.3%
2010	1,155	1,115	40	3.3%	5.1%	9.6%
2011	1,145	1,105	40	3.7%	4.7%	8.9%
2012	1,150	1,115	35	3.1%	4.2%	8.1%
2013	1,140	1,100	40	3.5%	4.1%	7.4%

Source: South Dakota Department of Labor



Over a longer time period, there has been a gradual reduction in the size of the area’s labor force and employed work force. Between 2000 and 2013, the size of the County’s resident labor force decreased by 125 people, or 9.9%. The employed resident work force decreased by 140 people, or 11.3% during this same time period.

However, much of this decrease occurred between 2003 and 2006. Since 2006, statistics for the County have declined somewhat, but have been more stable. When 2006 is compared to 2013, the available labor force has decreased by only 30 people, and the employed work force has decreased by only 40 people.

The County’s unemployment rate for 2013 was at 3.5%, less than one-half of the national rate. The County’s unemployment rate has also been lower than the Statewide rate since at least the year 2000.

## Average Annual Wages by Industry Sector

The following table shows the annual employment and average annual wages by major employment sector in 2012, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment in the County. Some of the exclusions are self-employed workers and agricultural workers on small farms. This information is for all of Haakon County.

<b>Table 26 County Average Annual Wages by Industry Detail: 2012</b>		
Industry	2012 Employment	2012 Average Annual Wage
Total All Industry	428	\$30,143
Natural Resources, Mining	29	\$27,374
Construction	19	\$28,439
Manufacturing	62	\$39,673
Trade, Transportation, Utilities	204	\$24,802
Information	27	\$37,335
Financial Activities	36	\$51,403
Professional and Business Services	19	\$69,405
Education and Health Services	157	\$28,945
Leisure and Hospitality	39	\$8,730
Other Services	19	\$32,342
Government	117	\$29,182

Source: South Dakota Department of Labor

The average weekly wage for all industry in 2012 was \$30,143. The highest paying wage sectors were Professional and Business Services, and Financial Activities, both with an annual average wage above \$50,000.

The lowest paying wage sector was Leisure and Hospitality, with an average annual wage of only \$8,730.

## Major Employers in Philip

The Community Profile for Philip lists the following major employers with 12 or more employees. This information is from the Governor’s Office of Economic Development website.

▶ Philip Health Services	132 employees
▶ Kro-Fam, Inc.	105 employees
▶ Philip Livestock Auction Services	90 employees
▶ First National Bank	28 employees
▶ Philip Motor, Inc.	24 employees
▶ Moddie Implement	17 employees
▶ Kennedy Implement and Auto	15 employees
▶ Midwest Cooperatives	12 employees

Source: Governor’s Office of Economic Development

There may be additional employers that are not listed.

## Commuting Patterns of Area Workers

Only limited information is available on area workers that commute for employment. The best information is from the 2012 American Community Survey, and has been examined for Philip. This table only examines people that commuted, and excludes people that work at home.

<b>Table 27 Commuting Times for Residents - 2012</b>		
Travel Time	Number	Percent
Less than 10 minutes	322	80.1%
10 to 19 minutes	36	9.0%
20 to 29 minutes	6	1.5%
30 minutes +	38	9.5%
Total	402	100%

Source: 2012 American Community Survey 5-year estimates

The large majority of Philip residents were traveling less than 10 minutes to work in 2012. Overall, more than 80% of residents traveled 9 minutes or less to work. Many of the people not working in the City were employed in the immediate area, as more than 89% of residents traveled less than 20 minutes for employment. However, more than 9% did commute 30 minutes or more.

The American Community Survey also identifies travel time by location of employment. For people that worked in Philip, the following travel times were identified.

<b>Table 28 Commuting Times for Philip Employees - 2012</b>		
Travel Time	Number	Percent
Less than 10 minutes	347	62.6%
10 to 19 minutes	43	7.8%
20 to 29 minutes	41	7.4%
30 minutes +	123	22.2%
Total	554	100%

Source: 2012 American Community Survey 5-year estimates

For people that worked in Philip, nearly 30% traveled 20 minutes or more. Overall, approximately 164 people traveled to Philip from these greater distances, including more than 120 people that traveled 30 minutes or more. However, most workers had a commute time of 19 minutes or less, and would either be City residents, or were living reasonably close to the City.

## **Findings on Growth Trends**

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

Philip and Haakon County's population has decreased since 1980. From 1980 to 2010, Philip's population decreased by 309 people and Haakon County's population decreased by 857 people. From 2000 to 2010, Philip's population decreased by 106 people and Haakon County's population decreased by 259 people.

Household levels have been more stable. From 1980 to 2010, the City of Philip lost 32 households and Haakon County lost 117 households. From 2000 to 2010, Philip reversed the trend of household losses and gained seven households during the decade. Haakon County had a loss of 20 households from 2000 to 2010.

## **Findings on Projected Growth**

The population and household projections for Philip and Haakon County calculated by Community Partners Research, Inc., from past growth trends reflect the patterns of recent decades.

Using the past trends to form a range, Community Partners Research, Inc., projects that the City of Philip's population will decrease by 15 people between 2012 and 2015, and will decrease by an additional 25 people from 2015 to 2020. The household projection expects a gain of two households from 2010 to 2015 and a gain of an additional two households from 2015 to 2020.

The population and household projections for all of Haakon County expect an ongoing reduction through the year 2020. The forecasts used for this Study expect a loss of 94 people from 2012 to 2015 and a loss of an additional 138 people from 2015 to 2020. The projections generated by Community Partners Research, Inc., expect the County to lose 27 households from 2010 to 2015, followed by a decrease of an additional 28 households from 2015 to 2020.

## **Summary of Haakon County Growth Projections by Age Group**

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

In general terms, most of the projected growth to the year 2020 will occur among people in the 55 to 74 age ranges. This would largely reflect the aging “baby boomers”, all of whom will be age 55 or older by the year 2020. Haakon County is expected to gain 71 households in the 55 to 74 age ranges from 2010 to 2020. The County is also projected to gain seven households in the 35 to 44 age range and 23 households in the 75 to 84 age range.

The other age ranges are expected to lose households from 2010 to 2020 including a loss of 49 households in the 15 to 34 age ranges, a loss of 99 households in 45 to 54 age range and a loss of eight households in the 85 and older age range.

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

The following projection shows the expected net change in the number of Haakon County households in each 10-year age cohort between 2010 and 2020, as calculated by Community Partners Research, Inc.

<u>Age Range</u>	<u>Projected Change in Households 2010 to 2020</u>
15 to 24	-3
25 to 34	-46
35 to 44	7
45 to 54	-99
55 to 64	22
65 to 74	49
75 to 84	23
85 and Older	<u>-8</u>
	-55

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

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

***Demand from Growth*** - The household projections used for this Study expect a slight increase of approximately four households in the City of Philip from 2010 to 2020. However, Haakon County is projected to lose households, continuing a trend that dates back to at least 1980. As a result, anticipated household growth yields no significant demand for new housing production.

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

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

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

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

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

***Age 24 and Younger*** - The projections used for this Study expect a small loss of three households in the 15 to 24 age range through the year 2020. Past tenure patterns indicate that as many as 54% of these households in Philip will rent their housing. A stable number of households in this age range should mean that rental demand from younger households will remain relatively unchanged during the projection period.

***25 to 34 Years Old*** - The projections show a numeric decrease in this age cohort Countywide, with an expected loss of 46 households by 2020. Within this age range households often move from rental to ownership housing. The ownership rate among these households in Philip was approximately 58% in 2010. The projected decrease within this age range will generate reduced demand for both first-time home buyer and rental opportunities.

***35 to 44 Years Old*** - This 10-year age cohort is expected to increase by seven households between 2010 and 2020 in Haakon County. In the past, this age group has had a high rate of home ownership in Philip, at nearly 70%. 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. Higher demand from this age cohort will also have some limited positive impact on overall demand for owner-occupied housing.

***45 to 54 Years Old*** - By 2020, this age cohort will represent the "baby bust" generation that follows behind the baby boomers. This age group represents a much smaller segment of the population than the baby boom age group. For Haakon County, the projections show a substantial loss of 99 households in this range. This age group historically has had a high rate of home ownership, approximately 82% in Philip in 2010, and will often look for trade-up housing opportunities. With a household decrease in this age group, there will be a decrease in the demand for trade-up housing.

***55 to 64 Years Old*** - This age range represents the bulk of the baby boom generation. The projections show an expected increase of 22 households in this 10-year age range by the year 2020 in the County. This age range has traditionally a high rate of home ownership in Philip, at approximately 79% 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** - This age group represents the leading edge of the 'baby boom' generation. Relatively strong household growth is expected showing an increase of 49 households by the year 2020. 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 86% of households in this age range owned their housing in Philip. Once again, preferences for age-appropriate units should increase from household growth within this age cohort.

**75 to 84 Years Old** - There is a projected gain of 23 households in Haakon County in this age range between 2010 and 2020. In the past, households within this 10-year age range have had a relatively high rate of home ownership, at approximately 69% in Philip. While this is likely to continue, an expansion of other housing options for seniors, including high quality rental housing, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

**85 Years and Older** - A loss of eight households is projected among older seniors. Historic home ownership rates in this age group in Philip have been low, at approximately 32% in 2010. Seniors in this age range often seek senior housing with services options.

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

## **Strengths for Housing Development**

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

- ▶ **Philip serves as a small regional center** - Philip provides employment opportunities, retail/service options, health and professional services and recreational facilities for a geographical area that surrounds the City.
- ▶ **Affordable priced housing stock** - The City has a large stock of affordable, existing houses. Our analysis shows that the City's median home value based on recent sales is approximately \$55,000. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Land for development** - The City has land available for both residential and commercial/industrial development. However, some of this land needs to be available for sale at a reasonable price, serviced with infrastructure improvements and/or annexed into the City limits.
- ▶ **Educational system** - The City has an excellent public K-12 school system.
- ▶ **Health facilities** - The City has health facilities including a hospital, a medical clinic, a nursing home and an assisted living facility. The hospital is the only one within a large geographical area.
- ▶ **Infrastructure** - Philip's water and sewer infrastructure can accommodate future expansion.
- ▶ **Commercial development** - Philip's commercial district is adequate to meet most daily needs.
- ▶ **Philip Chamber of Commerce - Economic Development** - The Philip Chamber of Commerce - Economic Development is active in promoting economic development, community development, housing, etc.
- ▶ **City Staff** - Philip's city staff is experienced in identifying and addressing community needs.

- ▶ **Small-town atmosphere** - Philip is a small town, with the real and perceived amenities of a small community. This small-town living is attractive to some households.
- ▶ **Senior with Services Housing** - Philip has a hospital, clinic, nursing homes and an assisted living facility.
- ▶ **Recreational Area** - Philip is a recreational area that provides excellent hunting, fishing, hiking, a swimming pool complex and a park system.
- ▶ **Employers** - Philip has several large employers including Philip Health Services, Haakon 27-1 School District, Philip Livestock Auction and Scotchman Industries, Inc.
- ▶ **Discretionary Tax Program** - The City of Philip has developed a discretionary tax program for commercial and residential improvement and new construction projects. If new construction/improvements are made to real property it allows for a five-year phase-in of the increased property tax rate.

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

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

- ▶ **Age and condition of the housing stock** - While the existing stock is very affordable, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Low rent structure** - The City's rent structure is low, which makes it difficult to construct new rental housing.
- ▶ **Value gap deters new owner-occupied construction** - Based on market values for recent residential sales, we estimate that the median priced home in Philip is valued at approximately \$55,000. This is well below the comparable cost for new housing construction, which will generally be above \$170,000 for a stick built home with commonly expected amenities. This creates a value gap between new construction and existing homes. This can be a disincentive for any type of speculative building and can also deter customized construction, unless the owner is willing to accept a potential loss on their investment.
- ▶ **Population and household growth** - Historical data indicates that the City's population is expected to decrease from 2010 to 2020. However, the City is projected to add a minimal number of households during the decade. The City has to have realistic expectations when planning for the future.
- ▶ **Distance from a major regional center** - The nearest regional centers are Rapid City, which is 86 miles from Philip, and Pierre, which is 87 miles from Philip. Many households desire or need to be near a regional center for employment, health care, entertainment, retail, etc.
- ▶ **Housing Agencies** - Although there are several regional housing agencies with service areas that include Philip and Haakon County, the housing activities in Philip and Haakon County have been limited.
- ▶ **Flood Plain** - A significant portion of the City of Philip is in the flood plain, which is a barrier to home improvements and housing construction.

## **Recommendations, Strategies and Market Opportunities**

Based on the research contained in this study, and the housing strengths and barriers identified above, we believe that the following recommendations are realistic options for the City of Philip. 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 City's potential for growth.
- ▶ **New housing development generally will not occur without proactive community involvement** - To attract new home or apartment construction in Philip, subsidies or some other form of financial assistance may be needed from the City of Philip, local and regional housing and economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the City's existing housing stock** - The future of Philip will be somewhat 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 the City's major asset, however, rehabilitation efforts are needed to preserve the housing stock.
- ▶ **Protect the City's existing assets and resources** - Philip has many assets including a K-12 school, health facilities, employment opportunities, a Downtown Commercial District, etc. These are strong assets that make Philip 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 local efforts, the City has other resources to draw on including USDA Rural Development, the South Dakota Housing Development Authority, Western SD Community Action, Inc., NeighborWorks Dakota Home Resources, and the Central SD Enhancement District. These resources should be accessed as needed to assist with housing activities.

## **Summary of Findings/Recommendations**

The findings/recommendations for the City of Philip have been formulated through the analysis of the information provided in the previous sections and include 21 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 10 to 12 general occupancy market rate rental units
2. Promote the development of six to eight affordable rental units
3. Monitor the need for additional senior with services rental units
4. Monitor the need for subsidized rental housing
5. Apply for access to the Housing Choice Voucher Program
6. Develop a mixed-use commercial/housing project

### **Home Ownership**

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

### **Single Family Housing Development**

9. Support Lot/Subdivision Development
10. Coordinate with housing agencies and nonprofit groups to construct affordable housing
11. Promote twin home/town home development

12. Develop a 'Gap Financing' Mortgage Program

**Housing Rehabilitation**

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

**Other Housing Issues**

15. Acquire and demolish dilapidated structures
16. Create a plan and a coordinated effort among housing agencies
17. Promote commercial rehabilitation and development
18. Encourage employer involvement in housing
19. Develop a Time of Sale/Rental Inspection Program
20. Develop home ownership and new construction marketing programs
21. Continue the Discretionary Tax Program

## Rental Housing Development

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

Our projections indicate that the City of Philip is projected to gain approximately four households from 2014 to 2019 and Haakon County is projected to decrease by approximately 28 households.

Although there is expected to be small household gains in Philip and household losses in Haakon County over the next five years, we are recommending the development of the following units from 2014 to 2019:

▶ General Occupancy Market Rate	- 10 to 12
▶ Subsidized	- 0
▶ Rehab/Conversions	- 6 to 8
▶ Senior with Services	- 0
	<hr/>
Total	16 to 20

These recommendations are based on continued pent-up demand for quality rental units, the loss of rental units from the housing stock due to deterioration and demolition, and the low vacancy rates in existing market rate units.

### 1. Develop 10 to 12 general occupancy market rate rental units

**Findings:** The City of Philip has a limited number of market rate units. There are no market rate rental projects with more than four units. Moses Manor, which was constructed in 2005, was the most recently constructed market rate project in Philip. All of the units in Moses Manor have two bedrooms. The units are high quality and have attached garages. The rent is \$1,000 and the tenants pay electricity. The units are fully occupied and there is a waiting list.

There are several other smaller rental market rate projects and single family homes in the City. The rent structure for these units is low and ranges from \$275 to \$450 plus utilities. We found only two vacancies in these units.

The only three-bedroom market rate units in Philip are in single family homes. There are no three-bedroom or larger units in the market rate rental 4-plexes and smaller projects in the City.

Philip is projected to gain only approximately four households and Haakon County is projected to lose approximately 28 households over the next five years, our interviews and rental surveys identified a need for market rate rental units.

Although there is a projected limited gain of households in Philip and a loss of households in Haakon County, there is an estimated increase of approximately 71 households in Haakon County in the 55 to 74 age ranges. While this projection is for the overall growth in Haakon County, Philip has the potential to capture a significant share of this growth. Some of the households in this age range will prefer to rent and have incomes that are too high to qualify for subsidized rental housing.

Additionally, we are expecting a loss of rental housing units in Philip due to deterioration and demolition. We have identified 23 homes and three mobile homes in Philip that are dilapidated and beyond repair. We also identified 63 homes and eight mobile homes that need major repair. Some of these dwellings are rentals and may be demolished or no longer rented because of their condition.

**Recommendation:** We would recommend the development of 10 to 12 market rate rental housing units. Town home units, similar to the existing Moses Manor market rate rental four-plexes, would be the preferred style, to cater to active renter households. A high quality apartment building with 'state of the art' amenities is also an option.

The first option to create market rate housing would be to encourage a private developer to construct the units. If a private developer does not proceed, Philip Chamber of Commerce - Economic Development or the City of Philip could potentially utilize essential function bonds, or other sources of funding, to construct additional market rate units.

Also, Philip Chamber of Commerce - Economic Development or the City could partner with a private developer to construct additional units. The City could assist with land donations, tax increment financing, tax abatement, reduced water and sewer hook up fees, etc.

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

There is a need to construct both types of market rate rental housing, thus, there is a wide rent range in the following table reflecting the two markets. To construct the workforce housing and charge affordable rents, land donations and other financial assistance may be necessary.

Some cities have added units in small phases, as demand dictates the need for additional units. In this way they have expanded the supply without saturating the market.

We recommend the development of 10 to 12 units and the unit mix and rents should be as follows:

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

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	2	700-850	\$625-\$755
Two Bedroom	6-7	900-1,000	\$675-\$1,100
Three Bedroom	<u>2-3</u>	1,100-1,200	\$775-\$1,200
Total	10-12		

Note: Rents are quoted in 2014 dollars and include utilities.

**2. Promote the development of 6 to 8 affordable market rate rental housing units**

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

There is evidence that Philip has lost rental housing over the years and will continue to lose units due to deterioration and demolition. Part of the need for additional rental units in Philip 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 to promote the development of more affordable rental units. A goal of six to eight units over the next few years would help to replace affordable housing that has been lost.

It would be difficult to create units through new construction. Instead, it may be more practical to work on building renovation or conversion projects that can create housing. This opportunity may arise in downtown buildings, or through the purchase and rehabilitation of existing single family homes. Private individuals have purchased and rehabbed several homes in Philip and are currently renting these homes.

The estimated prevailing rent range for older rental units in Philip is typically between \$350 and \$500 per month. Creating some additional units with contract rents below \$625 per month would help to expand the choices available to a majority of the City's renter households.

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

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

**Findings:** Philip has two senior with services facilities, the Silverleaf and the Philip Nursing Home. Silverleaf is a 16-unit assisted living project. All of the units are one-bedroom. The facility is part of the Philip Health Services. The facility offers the full array of senior assisted living services. The rent and fees for a base level of services is \$2,300 per month. Additional services can be purchased as needed. At the time of the survey, there were two vacancies. The Administrator reports that the facility typically has zero to two vacancies.

The Philip Nursing Home has 30 licensed beds. The nursing home is at full capacity and usually is fully occupied.

Based on our projections, the number of Philip and Haakon County senior age 75 and over households will remain relatively stable over the next five years.

**Recommendation:** Haakon County has 141 people in the 75 to 84 age range and 82 people in the 85 and over, for a total of 223 people age 75 and over. Of this total, approximately 30 people live in the nursing home and would not be potential tenants in assisted living. Therefore, there is a market for assisted living of approximately 193 people age 75 and over in Haakon County.

Based on industry standards and past experience, we are estimating that 6% to 7% of these seniors will utilize assisted living in Philip, thus, there is a market need for 13 to 16 assisted living beds for Haakon County seniors. Also, we are projecting that one to two seniors from outside Haakon County would move into assisted living in Philip. Therefore, we are projecting that there is an overall need for 14 to 17 assisted living units in Philip.

The Silverleaf, in Philip, has 16 units. Based on the calculated statistical demand, the Silverleaf has an adequate number of units to meet Haakon's County demand for assisted living.

We recommend that the need for additional assisted living units be monitored. Presently, the Silverleaf should adequately address most of the demand for assisted living. The Silverleaf should continue to evaluate its product and the market to determine if additional units are needed in the future.

There may be a future need for light services units. Seniors who only require light services can live in the Silverleaf, however, the base rent and fee structure at the Silverleaf may not be cost effective for seniors requiring minimal services. Senechal Apartments may also be addressing a portion of the need for light services units.

Additionally, the need for memory care beds should be monitored. The Philip Nursing Home does serve people with memory loss, however, the Nursing Home does not have a designated memory care wing to serve residents with dementia that need a high level of services.

#### **4. Monitor the need for subsidized rental housing**

**Findings:** The City of Philip has three subsidized rental projects. Two projects are general occupancy and one project is senior/disabled.

The three subsidized rental projects in Philip include:

- ▶ ***Riverview Townhouses*** - Riverview Townhouses is a 10-unit HUD Section 8 General Occupancy Project. The 10 units include one one-bedroom unit, eight two-bedroom units and one three-bedroom unit.
- ▶ ***Philip Plaza Apartments*** - Philip Plaza Apartments is a four-unit Rural Development General Occupancy Project. The four units include one one-bedroom unit and three two-bedroom units.

- ***Senechal Apartments*** - Senechal Apartments is a 16-unit HUD senior/disabled project. All 16 units are one-bedroom units.

**Recommendation:** We do not recommend the development of additional subsidized rental housing at this time. When the rental survey was conducted, there were three vacancies in the three subsidized rental projects, which is a 10% vacancy rate. There were two vacancies in Riverview Townhomes and one vacancy in Philip Plaza Apartments. Senechal Apartments was fully occupied. The manager reports, however, that these projects have had chronic vacancies over the past several years. We have recommended 10 to 12 market rate units. Rents can be affordable in these units if the Housing Voucher Program is utilized. We also recommended six to eight affordable market rate units. We do recommend that the City monitor the need for the production of subsidized housing in the future.

We also recommend that the City of Philip work with the manager of Riverview Townhomes and Philip Plaza Apartments to determine why these projects have a vacancy problem and if actions can be taken to increase occupancy.

## **5. Apply for access to 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 limited funding for subsidized housing construction, it has provided new Housing Choice Voucher allocations over the last two decades, although finding levels are low at this time.

Because of the flexibility offered through the program, eligible households often prefer the portable rent assistance to other forms of subsidized housing that are project-based, and can only be accessed by living in a specific rental development.

Based on the research for this study, it appears that the Housing Choice Voucher Program is currently not available in Philip and Haakon County.

**Recommendation:** The City of Philip should work with area and regional housing agencies and the South Dakota Housing Development Authority to determine if Haakon County can obtain access to the Housing Choice Voucher Program.

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

**Findings:** New mixed-use projects have been developed in several cities. Senechal Apartments in Philip is an example of a successful downtown mixed-use project. There are affordable senior rental units on the upper floor, and commercial uses on the street level.

Some of these projects were developed because of market demand while others were developed to enhance the commercial, to introduce a new product to the market and to serve as a catalyst for downtown redevelopment. Additional mixed-use rental housing/commercial projects could complement the City's ongoing efforts to develop vibrant commercial opportunities.

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

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

The four to six rental units should be primarily two-bedroom units. Please note that these units are not in addition to the units recommended in the first recommendations of this section. If a mixed use building or buildings were 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 abatement, tax increment financing or other local funds and land at a reduced price.

## **Home Ownership**

**Findings:** Expanding home ownership opportunities is a goal for most cities. High rates of home ownership promote stable communities and strengthen the local tax base. The median owner-occupied home value in Philip is estimated to be approximately \$55,000 based on sales activity from 2013. The home values in Philip provide an excellent market for first time buyers and households seeking moderately priced homes.

Our analysis of Haakon County demographic trends shows an increasing number of households in the traditionally strong home ownership age range between 55 and 74 years old. The other age ranges are projected to lose households or will remain relatively stable. Some households in these 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 Philip 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 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:** Philip should work with area housing agencies, the South Dakota Housing Development Authority and local financial institutions to utilize all available home ownership assistance programs. Private and nonprofit agencies should also be encouraged to provide home ownership opportunities.

The City should also work with housing agencies to assure the City of Philip is receiving its 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, NeighborWorks Dakota Home Resources, the Federal Home Loan Bank and Grow South Dakota.

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

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

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

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

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

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

Because a purchase/rehabilitation program can be expensive and its cost effectiveness in some cases may be marginal, it may be advantageous to directly assist low and moderate income households with purchasing and rehabilitating homes. 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.

## **Single Family Housing Development**

**Findings:** Philip has experienced limited single family housing development since 2000. Over the past 13 years, 14 single family homes have been constructed or have been moved into Philip. A duplex and four-plex have also been constructed in Philip. Also, several homes have been constructed out of the City limits, but in close proximity to the City.

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

Our projections also expect a slight increase in the number of households in the 35 to 44 age range. Some households in these age ranges are first-time home buyers and may be in the market for new affordable homes.

It is our opinion that if the City, housing agencies, and builders are proactive, eight to 10 homes can be constructed or moved into Philip over the next five years, from 2014 to 2019.

### **9. Support Lot / Subdivision Development**

**Findings:** As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in the City of Philip. Buildable lots are defined as having sewer and water available to the lots. It appears that the only lots are several in-fill lots located throughout the community. We do not know the availability of these lots. Also, there are numerous dilapidated houses throughout the City that could be demolished and the lot could be used for new construction. However, many of these lots are in the flood plain, which may limit their potential for new construction.

**Recommendation:** We use a standard that a 2.5-year supply of lots should be available in the marketplace, based on annual lot usage. Using our projections that one to two houses will be constructed or moved in annually, an adequate supply of lots only exists if the buyer pro-actively seeks to purchase a lot that may not be currently on the market or if the buyer purchases a home for demolition. Although it should be a priority to redevelop neighborhoods by demolishing dilapidated housing, we are recommending that the City of Philip coordinate with an area housing agency or private developer to plan and develop an eight-lot to ten-lot subdivision.

The eight-lot to 10-lot subdivision should include the following:

- ▶ The subdivision should be no more than eight to 10 lots, but the subdivision and infrastructure should be planned and developed to accommodate future phases.
- ▶ The subdivision must be as aesthetically acceptable as possible.
- ▶ The subdivision should accommodate a variety of home designs and home prices.
- ▶ Major employers should be involved in the financing and publicity.
- ▶ To be successful, the homes must be available to as wide an income range as possible.
- ▶ A successful subdivision will need the cooperation of area housing agencies, financial institutions, funding agencies, employers and the City of Philip.

We are recommending that the subdivision is developed within one to three years, in coordination with the improving economy. We are estimating a six-to-seven year lot absorption timeframe.

At least two potential sites have been identified for a new subdivision. One of the sites is out of the city limits and may require annexation. The other site would require land pooling and the purchase of a mobile home park.

#### **10. Coordinate with housing agencies and nonprofit groups to construct affordable housing**

**Findings:** There are several housing agencies and nonprofit groups that may have the capacity to construct new affordable housing. However, due to the downturn in the housing economy, most housing agencies have cut back on new housing production.

**Recommendation:** We encourage the City of Philip to actively work with housing agencies or nonprofit groups to develop affordable housing.

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

Additionally, the City should work with housing agencies, the Central South Dakota Enhancement District and builders to market Governors Homes.

## **11. Promote townhouse and twin home development**

**Findings:** From 2000 to 2013, only one twin home has been constructed in Philip. Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making homes available for families. It is important for the community to offer a range of life-cycle housing options.

In 2010, there were 301 Haakon County households in the 55 to 74 year old age ranges and these age ranges are expected to increase by 71 households between 2010 and 2015. Household growth among empty-nester and senior households should result in some demand for attached single family units. It is likely that demand for attached housing units will also be dependent on the product's ability to gain additional market acceptance among the households in the prime target market.

**Recommendation:** It is our projection that approximately three to four new owner-occupied twin home/townhomes could be constructed in Philip over the next five years. Our projection is based on the availability of an ideal location and 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 a significant number of homes which provides security
- ▶ Homes at a price that is acceptable to the market

The City's role could include assuring that adequate land is available for development, that zoning allows for attached housing development, land donations, tax increment financing, etc.

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

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

## **12. Develop a 'Gap Financing' Mortgage Program**

**Findings:** The home values in the Philip area are low compared to the cost of constructing a new home. Based on market values for recent residential sales, we estimate that the median priced home in Philip is valued at approximately \$55,000. This is well below the comparable cost for new housing construction, which will generally be above \$170,000 for a stick-built home with commonly expected amenities. This creates a value gap between new construction and existing homes. This value gap makes it difficult for households to obtain financing to construct a new home or to move a new home into the area. Financial institutions have difficulty identifying comparable properties at a value equal to the cost of constructing a new home.

**Recommendation:** We recommend that the City of Philip, the Philip Chamber of Commerce - Economic Development, and financial institutions work together to develop a mechanism that provides mortgages for households seeking to construct a home in the Philip area.

Potentially, the Philip Chamber of Commerce - Economic Development could provide a second mortgage or be involved in the underwriting of the mortgages.

## **Housing Rehabilitation**

**Findings:** Philip has an asset in its existing housing stock. Existing units, both now and into the future, will represent the large majority of the affordable housing opportunities. Existing units generally sell at a discount to their replacement value. Units that are not maintained and improved may slip into disrepair and be lost from the housing stock. Efforts and investment in housing rehabilitation activities will be critical to offering affordable housing opportunities.

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

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

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

**Findings:** Based on the 2010 U.S. Census data, the City currently has approximately 124 rental units. These rental units are in multi-family projects, small rental buildings, duplexes, single family homes and mobile homes. Many of these rental units are more than 30 years old, are in poor condition and could benefit from rehabilitation. 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 should work with housing agencies to seek funds that allow for program design flexibility that make a rental rehabilitation program workable. Potential funding sources may include USDA Rural Development, the South Dakota Housing Development Authority and the Federal Home Loan Bank.

#### **14. Promote owner-occupied housing rehabilitation efforts**

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

Our housing condition survey of the 298 homes in Philip found 88 homes that need minor repairs and 63 homes that need major repairs. Without rehabilitation assistance, the affordable housing stock will shrink in Philip.

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

Currently, Western SD Community Action, Inc., and NeighborWorks Dakota Home Resources implement owner-occupied housing rehabilitation programs, furnace replacement and weatherization programs in Philip and Haakon County as funds are available. Households that meet program requirements are eligible for a deferred loan to rehabilitate their homes. Deferred loans do not have to be paid back if the household lives in the rehabilitated home for a stipulated amount of time after the rehabilitation is completed. We encourage Philip and Haakon County households to continue to utilize these programs.

## **Other Housing Initiatives**

### **15. Acquire and demolish dilapidated structures**

**Findings:** Our housing condition survey identified 23 single family houses and three mobile homes in Philip that are dilapidated and too deteriorated to rehabilitate. We also identified 63 single family houses and eight mobile homes as needing major repair and several of these homes may be too dilapidated to rehabilitate. To improve the quality of the City's housing stock and to maintain the appearance of the community, these structures should be demolished. In the past, the City has worked with property owners to demolish several dilapidated structures.

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

Some cities are developing ordinances that give cities more authority to require property owners to demolish vacant, dilapidated homes, while other cities are working with property owners to voluntarily demolish structures. Also, several cities have provided equipment and/or City personnel to assist with the demolition of dilapidated structures.

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

**Findings:** Philip will need staff resources in addition to existing city personnel to plan and implement many of the housing recommendations advanced in this Study. The City has access to Western SD Community Action, Inc., the Central SD Enhancement District, NeighborWorks Dakota Home Resources, the USDA Rural Development Office and the South Dakota Housing Development Authority. These agencies all have experience with housing and community development programs.

**Recommendation:** The City of Philip has access to multiple agencies that can assist with addressing housing needs. It is our recommendation that the City work with the housing agencies to prioritize the recommendations of this Study and to develop a plan to address the City's housing needs. The Plan should include strategies, time lines and the responsibilities of each agency. While there has traditionally been a degree of staff interaction between these agencies, 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 to look for opportunities to work cooperatively with other area cities to address housing issues. With the number of small cities in the Region, and limited staff capacity at both the city and county levels, cooperative efforts may be the only way to accomplish certain projects. Cooperative efforts will not only make housing projects more practical, but they will often be more cost-effective and competitive.

## **17. Promote commercial rehabilitation and development**

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

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 Philip and the Chamber of Commerce - Economic Development continue to work with commercial property and business owners to rehabilitate their buildings. Also, new businesses should be encouraged to locate in Philip.

The City of Philip and the Chamber of Commerce - Economic Development should be encouraged to seek funding to assist property owners with rehabilitating their commercial buildings. A goal of one to two commercial rehabilitation projects annually in Philip would be a realistic goal.

## **18. Encourage employer involvement in housing**

**Findings:** The City of Philip has several large employers. The connection between economic development and housing availability has become an increasingly important issue as low area unemployment rates dictate the need to retain existing workers and to attract new workers into the community.

Although the jobs being created may have good wages for the area, it is difficult for workers to buy or improve their housing. Housing for new employees is a concern for employers. It may be advantageous for employers to become involved in housing.

The South Dakota Housing Development Authority has developed an employer participation program, known as the Employer Mortgage Assistance Program (EMAP). There are a number of participating employers around the State. This program can assist employees of participating companies with home ownership assistance.

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

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

## **19. Develop a Time of Sale/Rent Inspection Program**

**Findings:** There are approximately 28 mobile homes in three mobile home parks. Two of the mobile home parks are in the City of Philip and one park is adjacent to the city limits. There are also several mobile homes in Philip neighborhoods.

Based on our survey of mobile homes in the three mobile home parks, which was completed in February 2014, eight mobile homes need minor repair, eight mobile homes need major repair and three mobile homes are dilapidated and beyond repair. Some of the substandard and dilapidated mobile homes are rentals and others are sold for home ownership.

**Recommendation:** Several cities have developed an inspection program 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 rent or sale. All identified safety hazards must be corrected before the unit is sold or rented.

Several cities have also required stick-built homes to be inspected prior to being rented.

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

**Findings:** The competition among cities to attract workers and households has been greater than in the past. 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:** The City of Philip and the Philip Chamber of Commerce - Economic Development, have been active in promoting and marketing housing in the City of Philip and we recommend the following:

- ▶ Determine the City's strengths and competitive advantages and heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers to provide employees (especially new employees) with housing opportunities in Philip
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling programs
- ▶ Work with housing stakeholders to make the construction of a new home a very user friendly process
- ▶ Continue new home construction incentive programs
- ▶ Implement the recommendations in this Study, which will broaden housing opportunities for current Philip households and households moving into the Philip area.

## **21. Continue the Discretionary Tax Program**

**Findings:** The City of Philip has developed a Discretionary Tax Program to encourage the new construction of, or improvements to, commercial buildings, industrial buildings or residential dwellings.

The Program assesses eligible new construction or improvements at a reduced value for a period of five years as follows:

First Year	- 20%
Second Year	- 40%
Third Year	- 60%
Fourth Year	- 80%
Fifth Year	- 100%

**Recommendation:** We recommend that the City of Philip continue the Discretionary Tax Program to promote residential, commercial and industrial development.

Also, other incentives could be considered including:

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

## **Agencies and Resources**

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

### **Western SD Community Action, Inc.**

1844 Lombardy Drive  
Rapid City, SD 57703  
(605) 348-1460  
Contact: Linda Edel, Executive Director

### **NeighborWorks Dakota Home Resources**

795 East Main Street  
Deadwood, SD 57732  
(605) 578-1401  
Contact: Joy McCracken, Executive Director

### **USDA Rural Development**

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

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

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

### **Central South Dakota Enhancement District**

3431 Airport Road  
Pierre, SD 57501  
(605) 773-2780  
Contact: Marlene Knutson, Executive Director