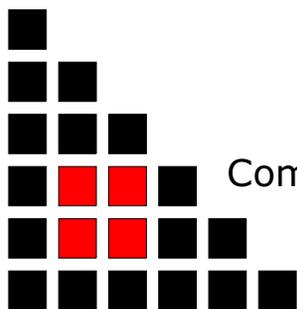


Salem HOUSING STUDY

May 2017

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



Community Partners Research, Inc.
Faribault, MN

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Introduction

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

Goals

The multiple goals of the study include:

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

Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from November 2016 to April 2017. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Esri, a private data company
- Records and data from the City of Salem
- Records and data maintained by McCook 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
- Mobile Home Condition Survey

Limitations

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

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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 Salem and McCook County. At the time that research was completed for this Study, the 2010 Census information was available. However, the 2010 Census was more limited in scope than in the past. As a result, some of the demographic variables, such as income and housing cost information, were not available.

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

The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For most jurisdictions in South Dakota, the 2015 estimates were derived from sampling that was done over a five-year period, between 2011 and 2015. Unless otherwise noted, the American Community Survey estimates are based on the five-year survey data.

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

Population Data and Trends

| Table 1 Population Trends - 1990 to 2016 | | | | | | |
|---|-------------|-------------|--------------------|-------------|--------------------|---------------------|
| | 1990 Census | 2000 Census | % Change 1990-2000 | 2010 Census | % Change 2000-2010 | 2016 Esri Estimates |
| Salem | 1,289 | 1,371 | 6.4% | 1,347 | -1.8% | 1,455 |
| McCook Co. | 5,688 | 5,832 | 2.5% | 5,618 | -3.7% | 5,837 |

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

- ▶ Esri, a private data reporting service, has released 2016 population estimates. The estimate for the City of Salem is 1,455, an increase of 108 people from 2010 to 2016.
- ▶ The U.S. Census Bureau also releases annual population estimates. The most recent estimate for Salem is effective July 1, 2015. According to the Census Bureau, the City’s population in 2015 was 1,325 people, a decrease of 22 people from 2010 to 2015. This estimate contradicts the Esri estimate, which shows Salem gaining population.
- ▶ Esri’s 2016 estimate for McCook County is 5,837, a gain of 219 people since 2010.
- ▶ The Census Bureau’s 2016 estimate for McCook County was 5,625, an increase of 7 people from the level reported in the 2010 Census. The Census Bureau’s County estimate still differs from the Esri estimate as Esri shows the County gaining more population from 2010 to 2016.
- ▶ According to the 2010 U.S. Census, Salem’s population was 1,347 people in 2010. When compared to the 2000 Census, the City had a population loss of 24 people from 2000 to 2010. The 24-person loss from 2000 was a population decrease of 1.8%.
- ▶ McCook County’s population was 5,618 in 2010. This was a decrease of 214 people from 2000, for a population loss of 3.7%.
- ▶ Salem and McCook County experienced population increases in the 1990s. Salem’s population increased by 82 people and McCook County’s population increased by 144 people from 1990 to 2000.

- ▶ Salem's population is primarily White and non-Hispanic/Latino. According to the 2015 American Community Survey estimates, approximately 97.4% of the City's residents were White, and 1.6% Native American Indian. Additionally, 0.5% of the population identified themselves as some other race and 0.5% of the population identified themselves as two or more races. Approximately 2.3% of the City's population was identified as Hispanic/Latino.

Population Projections

The following table presents population projections using two different sources. Estimates and projections have been obtained from Esri and span the five-year period from 2016 to 2021. The South Dakota State Data Center has issued McCook County population projections for the year 2020.

| Table 2 Population Projections Through 2020/2021 | | | | |
|---|----------------|--------------------|----------------------|-----------------------------------|
| | 2010 US Census | 2016 Esri Estimate | 2021 Esri Projection | 2020 Projection State Data Center |
| Salem | 1,371 | 1,455 | 1,540 | N/A |
| McCook County | 5,618 | 5,837 | 6,039 | 5,639 |

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

- ▶ Esri’s growth projections expect a population gain of 85 people in Salem from 2016 to 2021.
- ▶ Esri’s population projection for McCook County forecasts a gain of 202 people from 2016 to 2021.
- ▶ The State Data Center projects that McCook County’s population will be 5,639 in 2020. When compared to the County’s population in 2010, this projection expects a gain of 21 people during the current decade.
- ▶ The State Data Center’s 2020 population projection of 5,639 for McCook County is 400 people less than Esri’s 2021 population projection of 6,039 people.

Household Data and Trends

| Table 3 Household Trends - 1990 to 2016 | | | | | | |
|--|-----------------|-----------------|--------------------|-----------------|--------------------|--------------------|
| | 1990 Households | 2000 Households | % Change 1990-2000 | 2010 Households | % Change 2000-2010 | 2016 Esri Estimate |
| Salem | 532 | 588 | 10.5% | 567 | -3.6% | 619 |
| McCook Co. | 2,145 | 2,204 | 2.8% | 2,168 | -1.6% | 2,290 |

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

- ▶ Esri estimates that Salem has gained 52 households and McCook County has gained 122 households from 2010 to 2016.
- ▶ According to the 2010 U.S. Census, Salem and McCook County both had household losses from 2000 to 2010. Salem had 567 households in 2010, a decrease of 21 households from 2000, for a household loss of 3.6%. McCook County had 2,168 households in 2010. This was a decrease of 36 households, or a household loss of 1.6%.
- ▶ Salem had a gain of 56 households and McCook County had a gain of 59 households during the 1990s.

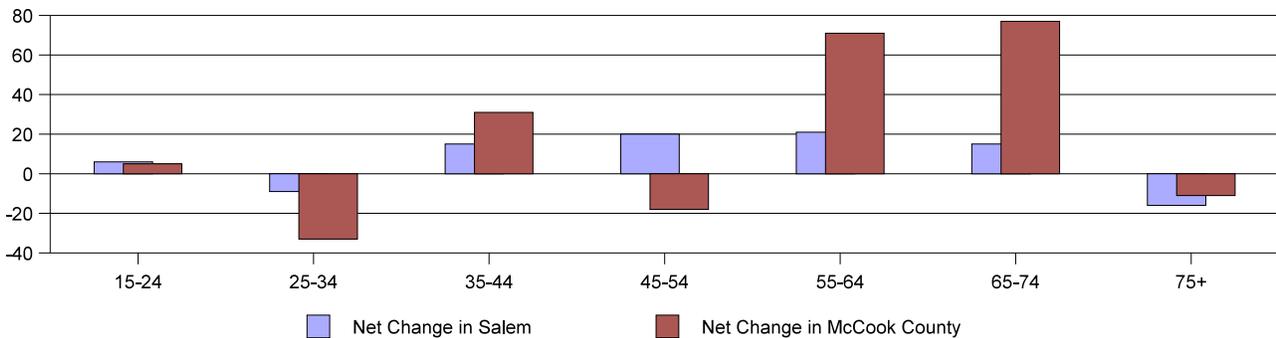
Household by Age Trends: 2010 to 2016

Esri has also produced household estimates for 2016 by age of householder which can be compared to the 2010 Census to track the changing age patterns for Salem and McCook County.

| Table 4 Households by Age - 2010 to 2016 | | | | | | |
|---|-------|------|--------|---------------|-------|--------|
| Age | Salem | | | McCook County | | |
| | 2010 | 2016 | Change | 2010 | 2016 | Change |
| 15-24 | 14 | 20 | 6 | 56 | 61 | 5 |
| 25-34 | 73 | 64 | -9 | 275 | 242 | -33 |
| 35-44 | 87 | 102 | 15 | 342 | 373 | 31 |
| 45-54 | 93 | 113 | 20 | 458 | 440 | -18 |
| 55-64 | 98 | 119 | 21 | 407 | 478 | 71 |
| 65-74 | 78 | 93 | 15 | 282 | 359 | 77 |
| 75+ | 124 | 108 | -16 | 348 | 337 | -11 |
| Total | 567 | 619 | 52 | 2,168 | 2,290 | 122 |

Source: U.S. Census; Esri

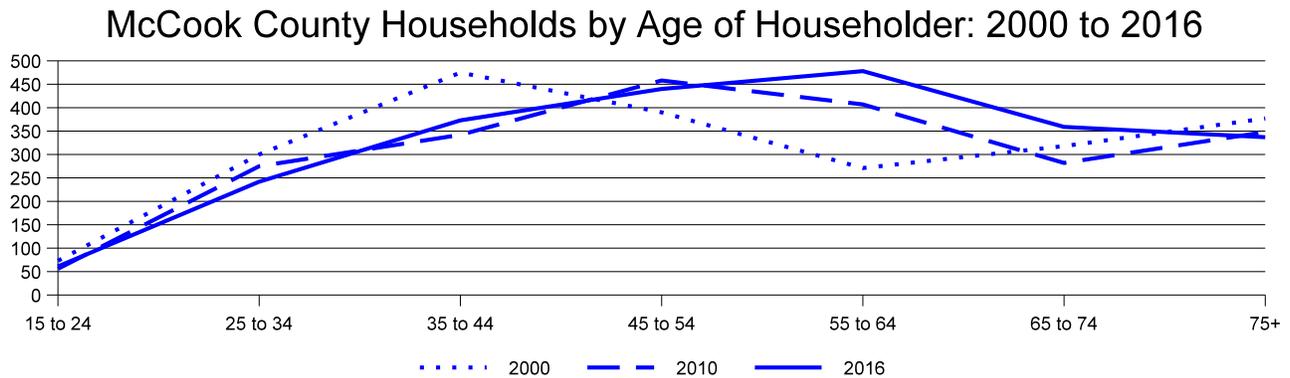
Household Change by Age Between 2010 and 2016



From 2010 to 2016, Salem added 36 households in the 55 to 74 year old age ranges. Salem also added six households in the 15 to 24 age range and 35 households in the 35 to 54 age ranges.

Salem had a decrease of nine households in the 25 to 34 age range, and a loss of 16 households in the 75 and older age range.

McCook County experienced a gain of 148 households in the 55 to 74 age range, a gain of 31 households in the 35 to 44 age range and a gain of five households age 24 and younger. McCook County had a loss of 33 households in the 25 to 34 age range, a loss of 18 households in the 45 to 54 age range, and a decrease of 11 households in the 75 and older age range.



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

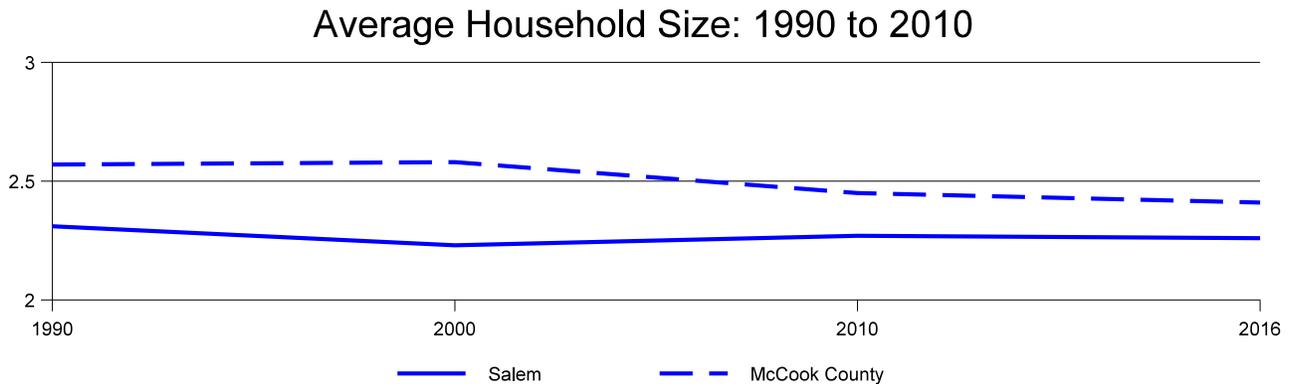
Average Household Size

The following table provides decennial Census information on average household size. The 2016 estimates from Esri are also provided.

| Table 5 Average Number of Persons Per Household: 1990 to 2016 | | | | |
|--|-------------|-------------|-------------|--------------------|
| | 1990 Census | 2000 Census | 2010 Census | 2016 Esri Estimate |
| Salem | 2.31 | 2.23 | 2.27 | 2.26 |
| McCook County | 2.57 | 2.58 | 2.45 | 2.41 |
| South Dakota | 2.59 | 2.50 | 2.42 | N/A |

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

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



In Salem, the average household size decreased from 2.31 persons per household in 1990 to 2.26 in 2016. McCook County’s average household size decreased from 2.57 in 1990 to 2.41 in 2016. In 2010, McCook County’s average household size was above the Statewide average, but Salem’s average household size was below the Statewide average.

Household Projections

The following table presents Esri’s 2016 household estimates and 2021 household projections for Salem and McCook County.

| Table 6 Household Projections Through 2021 | | | |
|---|-------------|-----------------------|-------------------------|
| | 2010 Census | 2016 Estimate Esri | 2021 Projection Esri |
| Salem | 567 | 619 | 660 |
| McCook County | 2,168 | 2,290 | 2,392 |

Source: U.S. Census; Esri

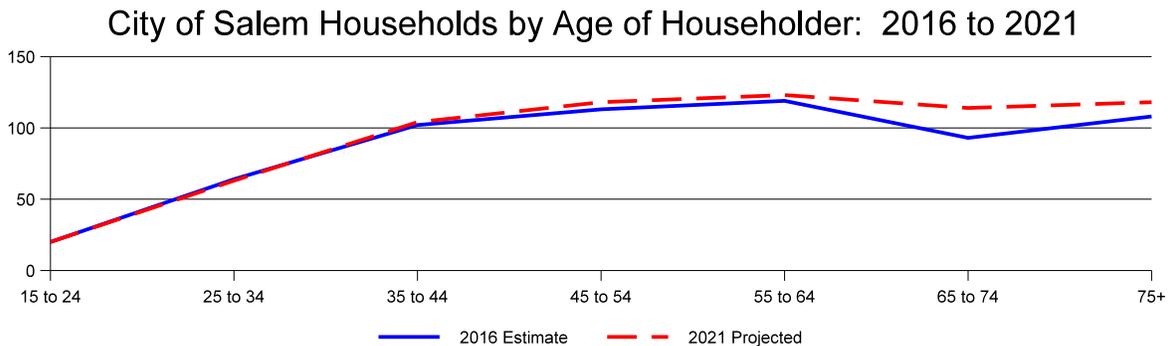
- ▶ The growth projections calculated by Esri expect household growth in Salem and McCook County from 2016 to 2021.
- ▶ Esri estimates that Salem has added 52 households from 2010 to 2016 and projects that the City will add 41 more households from 2016 to 2021.
- ▶ Esri’s 2016 estimate for McCook County is 2,290 households, an increase of 122 households from 2010. Esri projects that McCook County will add an additional 102 households from 2016 to 2021.

Salem Household by Age Projections: 2016 to 2021

Esri has released population by age projections to the year 2021. The following table presents Esri's 2021 household by age projections for Salem, and the household changes from 2016 to 2021.

| Table 7 Salem Projected Households by Age - 2016 to 2021 | | | |
|---|---------------|-----------------|--------|
| | 2016 Estimate | 2021 Projection | Change |
| 15-24 | 20 | 20 | 0 |
| 25-34 | 64 | 63 | -1 |
| 35-44 | 102 | 104 | 2 |
| 45-54 | 113 | 118 | 5 |
| 55-64 | 119 | 123 | 4 |
| 65-74 | 93 | 114 | 21 |
| 75+ | 108 | 118 | 10 |
| Total | 619 | 660 | 41 |

Source: U.S. Census; Esri



Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate most of the City’s growth in households in the age ranges between 55 and 74 years old. These projections expect an increase of 25 households in Salem from 2016 to 2021 in the 20-year age group between 55 and 74 years old. Growth of seven households is also expected in the 35 to 54 age ranges and the 75 and older age range is projected to gain 10 households. Esri’s projections expect a slight loss of one household in the 25 to 34 age range. The number of households in the 15 to 24 age range is projected to remain the same at 20 households.

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 Salem.

| Table 8 Salem Household Composition - 2000 to 2010 | | | |
|---|-------------|-------------|--------|
| | 2000 Census | 2010 Census | Change |
| Family Households | | | |
| Married Couple with own children | 136 | 123 | -13 |
| Single Parent with own children | 34 | 36 | 2 |
| Married Couple without own children | 189 | 179 | -10 |
| Family Householder without spouse | 13 | 24 | 11 |
| Total Families | 372 | 362 | -10 |
| Non-Family Households | | | |
| Single Person | 201 | 188 | -13 |
| Two or more persons | 15 | 17 | 2 |
| Total Non-Families | 216 | 205 | -11 |

Source: U.S. Census

Between 2000 and 2010, Salem experienced an overall net decrease of 10 “family” households. There was a decrease of 13 married couple families with children and a loss of 10 married couple families without children. The City had an increase of two single parent families with children and an increase of 11 family householder without spouse households.

The City of Salem had a net decrease of 11 “non-family” households. There was a decrease of 13 one-person households. There was an increase of two households that had unrelated individuals living together.

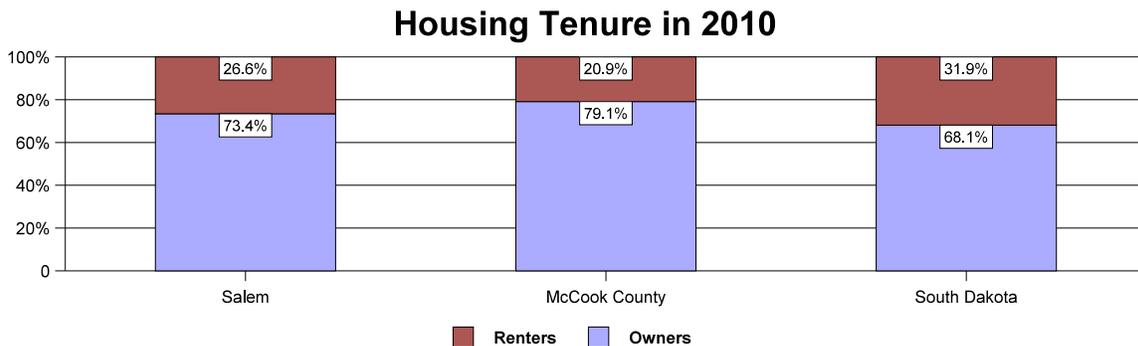
Housing Tenure

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

| Table 9 Household Tenure - 2010 | | | | |
|--|------------------|---------------------------|-------------------|---------------------------|
| | Number of Owners | Percent of all Households | Number of Renters | Percent of all Households |
| Salem | 416 | 73.4% | 151 | 26.6% |
| McCook County | 1,715 | 79.1% | 453 | 20.9% |
| State | - | 68.1% | - | 31.9% |

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in Salem was 73.4% and McCook County’s ownership rate was 79.1%. Salem’s rental tenure rate of 26.6% was below the Statewide rate of 31.9% renter households.



| Table 10 Households by Housing Tenure - 2000 to 2010 | | | | | | |
|---|-----------|-----------|--------|---------------|-------------|--------|
| Tenure | Salem | | | McCook County | | |
| | 2000 | 2010 | Change | 2000 | 2010 | Change |
| Owners | 447/76.0% | 416/73.4% | -31 | 1,740/78.9% | 1,715/79.1% | -25 |
| Renters | 141/24.0% | 151/26.6% | 10 | 464/21.1% | 453/20.9% | -11 |
| Total | 588/100% | 567/100% | -21 | 2,204/100% | 2,168/100% | -36 |

Source: U.S. Census

The City of Salem’s ownership tenure rate decreased from 76.0% in 2000 to 73.4% in 2010. For McCook County, the ownership tenure rate increased from 78.9% in 2000 to 79.1% in 2010.

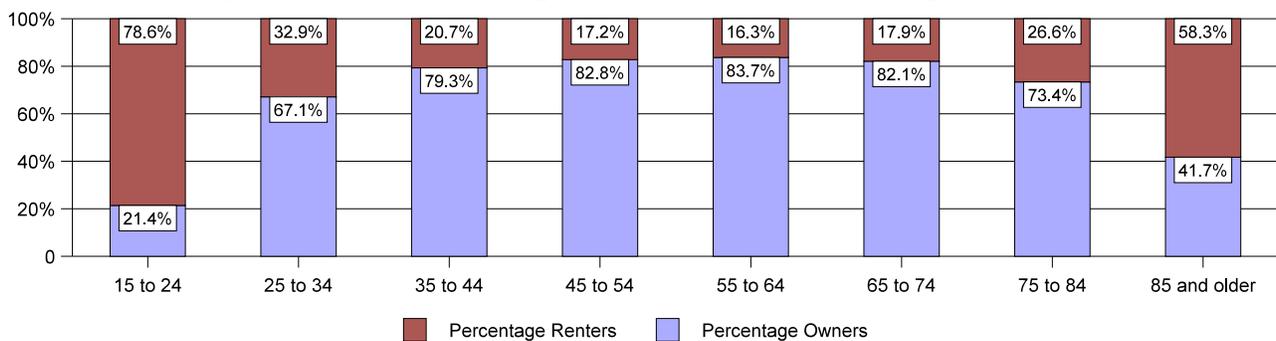
Tenure by Age of Householder

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

| Table 11 Salem Tenure by Age of Householder - 2010 | | | | |
|---|--------|--------------------|---------|--------------------|
| Age | Owners | | Renters | |
| | Number | Percent within age | Number | Percent within age |
| 15-24 | 3 | 21.4% | 11 | 78.6% |
| 25-34 | 49 | 67.1% | 24 | 32.9% |
| 35-44 | 69 | 79.3% | 18 | 20.7% |
| 45-54 | 77 | 82.8% | 16 | 17.2% |
| 55-64 | 82 | 83.7% | 16 | 16.3% |
| 65-74 | 64 | 82.1% | 14 | 17.9% |
| 75-84 | 47 | 73.4% | 17 | 26.6% |
| 85+ | 25 | 41.7% | 35 | 58.3% |
| Total | 416 | 73.4% | 151 | 26.6% |

Source: U.S. Census

City of Salem Housing Tenure Patterns by Age in 2010



Households at the lowest end and highest end of the age spectrum showed a greater preference for rental housing. Approximately 79% of households age 15 to 24 and 58% age 85 and older rented their unit. Home ownership rates for each of the 10-year age cohorts from age 25 to 84 were above 67%.

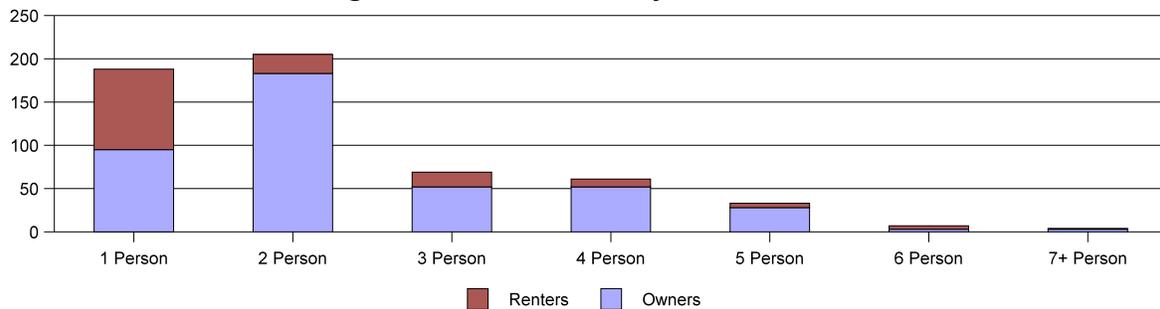
Tenure by Household Size

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 Salem.

| Table 12 Salem Tenure by Household Size - 2000 to 2010 | | | | | | |
|--|--------|------|--------|---------|------|--------|
| Household Size | Owners | | | Renters | | |
| | 2000 | 2010 | Change | 2000 | 2010 | Change |
| 1-Person | 115 | 95 | -20 | 86 | 93 | 7 |
| 2-Person | 174 | 183 | 9 | 37 | 22 | -15 |
| 3-Person | 62 | 52 | -10 | 10 | 17 | 7 |
| 4-Person | 54 | 52 | -2 | 5 | 9 | 4 |
| 5-Person | 35 | 28 | -7 | 2 | 5 | 3 |
| 6-Person | 5 | 3 | -2 | 1 | 4 | 3 |
| 7-Persons+ | 2 | 3 | 1 | 0 | 1 | 1 |
| Total | 447 | 416 | -31 | 141 | 151 | 10 |

Source: U.S. Census

Salem Housing Tenure Patterns by Household Size in 2010



From 2000 to 2010, there was a decrease in the number of owner households and an increase in the number of renter households in Salem. There was a net decrease of 21 owner households with one to three household members. There was a net decrease of 10 owner households with four or more household members. There was a gain of seven one-person renter households and a gain of 18 renter households with three or more members. There was a loss of 15 renter households with two household members. Approximately 76% of the renter households in Salem were one or two person households in 2010.

2015 Income Data

The 2010 Census did not collect information on household income. However, annual estimates are available at the city and county level through the American Community Survey. The following table compares median income levels for 2010 and 2015.

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

| Table 13 Median Household Income - 2010 to 2015 | | | |
|--|-------------|-------------|----------|
| | 2010 Median | 2015 Median | % Change |
| Median Household Income | | | |
| Salem | \$39,028 | \$49,750 | 27.5% |
| McCook County | \$42,022 | \$56,954 | 35.5% |
| South Dakota | \$46,369 | \$50,957 | 9.9% |
| Median Family Income | | | |
| Salem | \$57,679 | \$59,097 | 2.5% |
| McCook County | \$57,287 | \$68,871 | 20.2% |
| South Dakota | \$58,958 | \$65,237 | 10.6% |

Source: ACS 5-year survey

Information contained in the 2015 American Community Survey shows that the median household and family incomes have increased from 2010 to 2015 in Salem and McCook County. Salem’s median household income was slightly below the statewide median and Salem’s median family income was approximately \$6,140 below the statewide median. McCook County’s family and household incomes were both above the statewide medians.

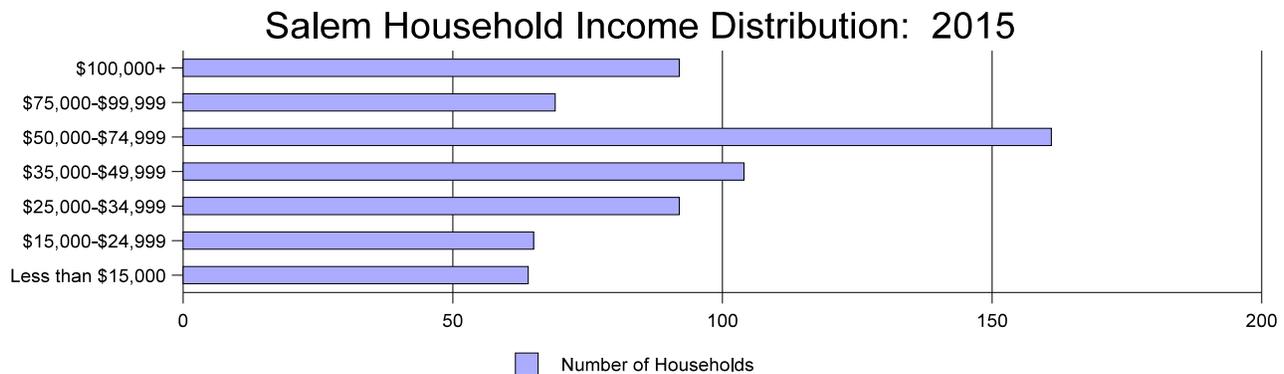
Generally, family household incomes tend to be higher than the overall household median, as families have at least two household members, and potentially more income-earners. Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Salem could afford approximately \$1,244 per month and a median income family household could afford \$1,477 per month for ownership or rental housing in 2015.

Salem Household Income Distribution

The 2015 American Community Survey household income estimates for Salem can be compared to the same distribution information from 2010 to examine changes that have occurred over the past decade.

| Table 14 Salem Household Income Distribution - 2010 to 2015 | | | |
|--|---------------------------|------------------------------|---------------------|
| Household Income | Number of Households 2010 | Number of Households in 2015 | Change 2010 to 2015 |
| \$0 - \$14,999 | 82/13.8% | 64/9.9% | -18 |
| \$15,000 - \$24,999 | 88/14.8% | 65/10.0% | -23 |
| \$25,000 - \$34,999 | 115/19.4% | 92/14.2% | -23 |
| \$35,000 - \$49,999 | 82/13.8% | 104/16.1% | 22 |
| \$50,000 - \$74,999 | 116/19.6% | 161/24.9% | 45 |
| \$75,000 - \$99,999 | 65/11.0% | 69/10.7% | 4 |
| \$100,000+ | 45/7.6% | 92/14.2% | 47 |
| Total | 593 | 647 | 54 |

Source: ACS



The 2015 American Community Survey estimated that there were 647 households in Salem. Esri estimated that in 2016 there were 619 households in Salem. Therefore, there may be an overcount of households in this table. However, it is still a good indicator of household income distribution.

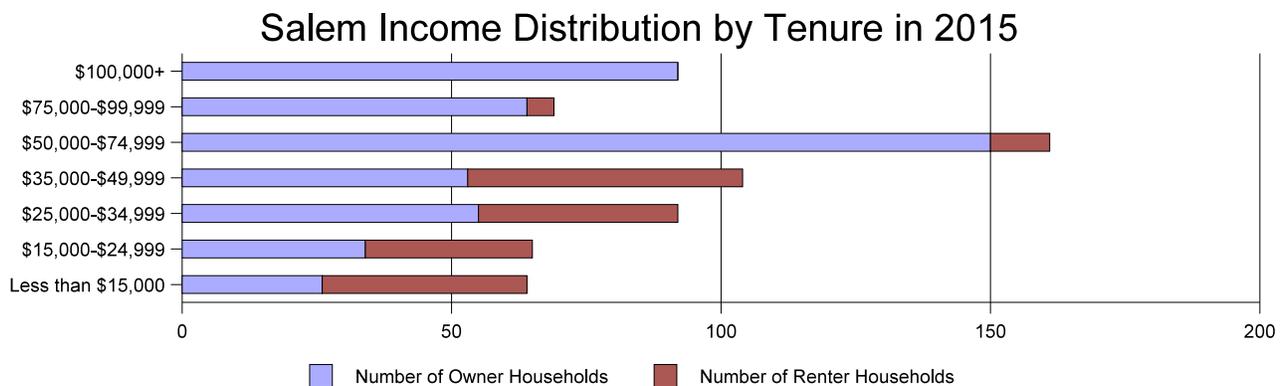
According to income estimates contained in the 2015 American Community Survey, household incomes have improved in Salem in the highest income ranges. When compared to 2010 estimates, the number of households with an income of \$35,000, or more, had an increase of 118 households. Conversely, there was a decrease of 64 households with annual incomes less than \$35,000. Although there was a decrease in the number of households in the lower income ranges, there were still 129 households with an annual income below \$25,000 in 2015, which represented 19.9% of all households in Salem.

Salem Income Distribution by Housing Tenure

The 2015 American Community Survey provides income data by owner and renter status. The following table examines income distribution in Salem. The American Community Survey is an estimate, based on limited sampling data, and there are some minor differences when compared to the 2016 Esri estimate. The 2015 American Community Survey reported income information on 647 households and Esri reported that there were 619 households in Salem in 2016.

| Household Income | Number of Owner Households | Number of Renter Households | Total Households |
|---------------------|----------------------------|-----------------------------|------------------|
| \$0 - \$14,999 | 26/40.6% | 38/59.4% | 64 |
| \$15,000 - \$24,999 | 34/52.3% | 31/47.7% | 65 |
| \$25,000 - \$34,999 | 55/59.8% | 37/40.2% | 92 |
| \$35,000 - \$49,999 | 53/51.0% | 51/49.0% | 104 |
| \$50,000 - \$74,999 | 150/93.2% | 11/6.8% | 161 |
| \$75,000 - \$99,999 | 64/92.8% | 5/7.2% | 69 |
| \$100,000+ | 92/100% | 0/0% | 92 |
| Total | 474 | 173 | 647 |

Source: 2015 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 2015, approximately 61% of all renter households in Salem had an annual income below \$35,000. At 30% of income, these households would have \$875 or less that could be applied to monthly housing costs. The median income for all renter households was approximately \$29,688 in 2015. At 30% of income, a renter at the median level could afford approximately \$740 per month or less for housing costs.

Most owner households had a higher income level than rental households. Approximately 65% of all owner households had an annual income of \$50,000 or more. The estimated median household income for owners in 2015 was approximately \$62,500. At 30% of income, an owner at the median income level could afford approximately \$1,562 per month for housing costs.

2015 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 Salem.

| Table 16 Gross Rent as a Percentage of Household Income - 2015 | | | |
|---|-------------------------------|-----------------------------|-----------------|
| Percent of Income for Housing | Households Age 64 and Younger | Households Age 65 and Older | Total |
| Less than 20% | 38/30.9% | 2/4.0% | 40/23.1% |
| 20% to 29.9% | 46/37.4% | 13/26.0% | 59/34.1% |
| 30% to 34.9% | 12/9.7% | 2/4.0% | 14/8.1% |
| 35% or more | 13/10.6% | 24/48.0% | 37/21.4% |
| Not Computed | 14/11.4% | 9/18.0% | 23/13.3% |
| Total | 123/100% | 50/100% | 173/100% |

Source: 2015 American Community Survey

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

2015 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 Salem County that are paying different percentages of their gross household income for housing costs.

| Table 17 Ownership Costs as a Percentage of Income - Salem | | |
|---|---------------------------------|--------------------------------------|
| Percentage of Household Income for Housing Costs | Number of Owner Households 2015 | Percent of All Owner Households 2015 |
| 0% to 19.9% | 355 | 74.9% |
| 20% to 29.9% | 65 | 13.7% |
| 30% to 34.9% | 16 | 3.4% |
| 35% or more | 29 | 6.1% |
| Not Computed | 9 | 1.9% |
| Total | 474 | 100% |

Source: 2015 ACS

Most owner-occupants in Salem, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 9.5% of all home owners reported that they paid more than 30% of their income for housing.

Occupancy Status of Housing Units - 2010

| Table 18 Occupancy Status of Housing Units - 2010 | | | | | | |
|--|----------------|--------|--------------|----------|--------------|--------------|
| | Occupied Units | | Vacant Units | | | |
| | Owner | Renter | For Rent | For Sale | Seasonal Use | Other Vacant |
| Salem | 416 | 151 | 62 | 9 | 2 | 27 |
| McCook Co. | 1,715 | 453 | 114 | 31 | 25 | 153 |

Source: U.S. Census

- ▶ In 2010, according to the U.S. Census, there were 25 seasonal housing units in McCook County including two units in Salem.
- ▶ In addition to the seasonal units in 2010, there were 298 vacant housing units in McCook County, including 98 units in Salem.

Existing Home Sales

This section examines houses that have been sold from 2007 to 2016 in the City of Salem. The information was obtained from the South Dakota Department of Revenue, but reflects information assembled by the McCook County Equalization Office.

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

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

The County and State reject sales that show significant variation from the assessed value. Known as the "150% rule" these sales may be open market transactions but are not useful in the County's sales ratio analysis. The sales data obtained from the Department of Revenue identified the 150% rule sales. In the sales sample that follows, 150% rule sales have been included when they were open market transfers.

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

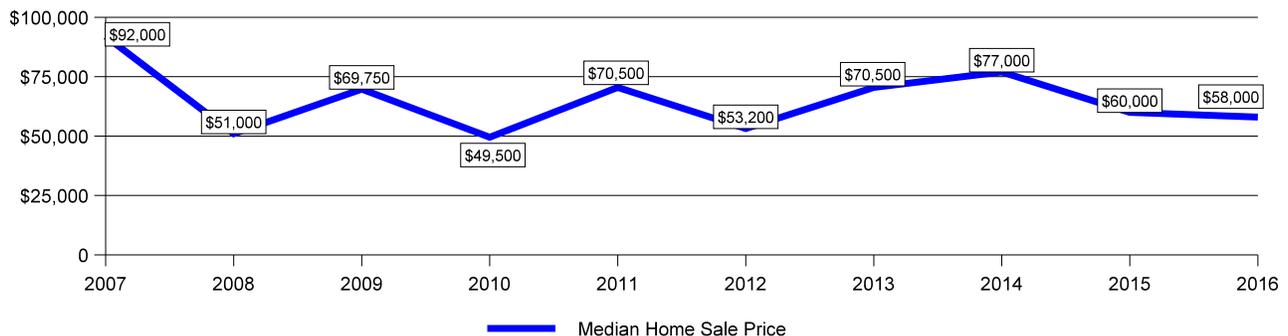
Table 19 Salem Residential Sales Activity - 2007 to 2016

| Sales Year | Number of Sales | Median Sale Price | Highest Sale | Lowest Sale |
|------------|-----------------|-------------------|--------------|-------------|
| 2016 | 13 | \$58,000 | \$165,000 | \$16,000 |
| 2015 | 18 | \$60,000* | \$186,500 | \$10,000 |
| 2014 | 16 | \$77,000* | \$230,000 | \$7,000 |
| 2013 | 23 | \$70,500 | \$150,000 | \$12,000 |
| 2012 | 17 | \$53,200 | \$139,000 | \$12,500 |
| 2011 | 25 | \$70,500 | \$170,000 | \$17,000 |
| 2010 | 14 | \$49,500* | \$138,000 | \$15,000 |
| 2009 | 18 | \$69,750* | \$142,500 | \$4,500 |
| 2008 | 17 | \$51,000 | \$165,000 | \$10,000 |
| 2007 | 17 | \$92,000 | \$149,000 | \$25,000 |

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

* Calculated median from two nearest sales

Over the past 10 years the median home sale price in Salem has ranged from a low of \$49,500 in 2010, to a high of \$92,000 in 2007. In many communities, housing markets reached their peak in 2007, before the start of a national housing market collapse and economic recession. Although the number of annual sales in Salem is limited, and may not always be an accurate reflection of home values, it does appear that after 2007 home prices moved lower.

Median Home Sale Price: 2007 to 2016

Over the past two years, the median sale price has been \$60,000 or less. In each of the 10 years reviewed there was at least one house that sold for \$25,000 or less, and at least one sale for \$138,000 or more. However, over the entire ten years, only one house was sold for more than \$200,000, when a \$230,000 sale was recorded in 2014.

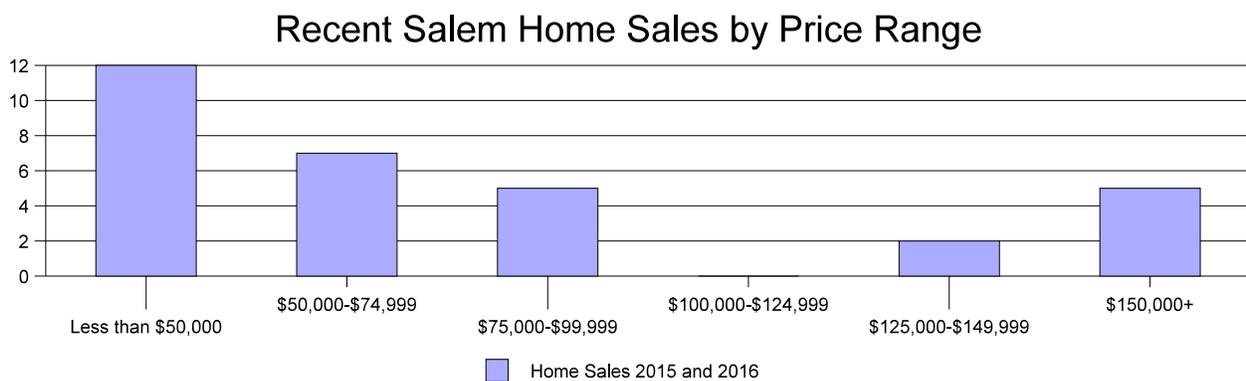
Home Sales by Price Range

The following table looks at single family houses that sold within defined price ranges in 2015-2016, the most recent two 12-month sales periods.

| Table 20 Salem 24-Month Home Sales by Price Range | | |
|---|-----------------|------------------|
| Sale Price | Number of Sales | Percent of Sales |
| Less than \$50,000 | 12 | 38.7% |
| \$50,000 - \$74,999 | 7 | 22.6% |
| \$75,000 - \$99,999 | 5 | 16.1% |
| \$100,000 - \$124,999 | 0 | 0% |
| \$125,000 - \$149,999 | 2 | 6.5% |
| \$150,000 + | 5 | 16.1% |
| Total | 31 | 100% |

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

Recent home sales in Salem have been widely distributed in different price ranges. Approximately 61% of recent sales were priced below \$75,000 and nearly 23% sold for \$100,000 or more.



Salem Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 294 single family/duplex houses in two of Salem's oldest neighborhoods.

The boundaries of the two neighborhoods are as follows:

- ▶ Neighborhood #1: North - Richard Ave.
South - Center Ave.
East - Minnesota Ave.
West - Nebraska Ave.

- ▶ Neighborhood #2: North - Richard Ave.
South - Hwy 38
East - Nebraska Ave.
West - Douglas St.

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

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

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

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

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

Table 21 Windshield Survey Condition Estimate - 2016

| | Sound | Minor Repair | Major Repair | Dilapidated | Total |
|-----------------|-----------|--------------|--------------|-------------|-------|
| Neighborhood #1 | 70/40.5% | 66/38.2% | 31/17.9% | 6/3.4% | 173 |
| Neighborhood #2 | 46/38.0% | 43/35.5% | 25/20.7% | 7/5.8% | 121 |
| Total | 116/39.5% | 109/37.1% | 56/19.0% | 13/4.4% | 294 |

Source: Community Partners Research, Inc.

- ▶ Approximately 37% of the houses in the City of Salem's two oldest neighborhoods need minor repair and 19% need major repair. Approximately 40% are sound, with no required improvements. Thirteen houses are dilapidated and possibly beyond repair.

Salem Home Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of the 15 mobile homes located in Salem's three small mobile home parks.

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

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

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

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

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

| Table 22 Windshield Survey Condition Estimate - 2016 | | | | | |
|---|---------|--------------|--------------|-------------|-------|
| | Sound | Minor Repair | Major Repair | Dilapidated | Total |
| Mobile Homes | 3/20.0% | 4/26.7% | 7/46.7% | 1/6.6% | 15 |

Source: Community Partners Research, Inc.

- ▶ The mobile homes in Salem are in fair condition. Approximately 27% of the mobile homes need minor repair and 47% need major repair. Approximately 20% are sound, with no required improvements.
- ▶ One mobile home was dilapidated and possibly beyond repair.

Salem Building Permit Trends

Salem has experienced limited new housing construction activity in recent years. The following table identifies the units that have been constructed from 2000 to 2016.

| Table 23 Salem Housing Unit Construction Activity: 2000 to 2016 | | | |
|--|---------------|-------------------|-------------------------|
| Year | Single Family | Two or More Units | Total Units Constructed |
| 2016 | 0 | 0 | 0 |
| 2015 | 0 | 0 | 0 |
| 2014 | 1 | 2 | 3 |
| 2013 | 0 | 0 | 0 |
| 2012 | 1 | 0 | 1 |
| 2011 | 0 | 0 | 0 |
| 2010 | 2 | 0 | 2 |
| 2009 | 1 | 0 | 1 |
| 2008 | 3 | 0 | 3 |
| 2007 | 3 | 0 | 3 |
| 2006 | 0 | 0 | 0 |
| 2005 | 1 | 10 | 11 |
| 2004 | 1 | 0 | 1 |
| 2003 | 2 | 2 | 4 |
| 2002 | 5 | 0 | 5 |
| 2001 | 6 | 0 | 6 |
| 2000 | 6 | 8 | 14 |
| TOTAL | 32 | 22 | 54 |

Source: City of Salem; Community Partners Research, Inc.

Over the past 17 years from 2000 to 2016, 54 new housing units have been constructed in Salem, based on building permit issuance and U.S. Census information. Thirty-two units are single family homes and 22 units are in duplexes and four-plexes.

From 2000 to 2008, 47 units were constructed, which is an average of five to six units per year. From 2009 to 2016, seven units have been constructed, which is an average of approximately one unit per year.

Rental Housing Data

Census Bureau Rental Inventory

According to the 2010 U.S. Census, there were 151 occupied rental units and 65 unoccupied rental units in Salem, for a total estimated rental inventory of 216 units. The City's rental tenure rate in 2010 was 26.6%, below the Statewide rental rate of 31.9%.

At the time of the 2000 Census, Salem had 141 occupied rental units, and 27 vacant rental units, for a total estimated rental inventory of 168 units. The rental tenure rate in 2000 was 24.0%.

From 2000 to 2010, 22 rental units were constructed in Salem. These units include 16 market rate units constructed by the Salem Housing and Redevelopment Commission (HRC) and three market rate twin homes constructed by a local builder. Also, a significant number of owner-occupied homes converted to rentals from 2000 to 2010.

Based on a Census comparison, the City had a gain of 10 renter-occupancy households, and an increase of approximately 48 rental units from 2000 to 2010.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily projects in Salem. Emphasis was placed on contacting properties that have four or more units. For the purposes of planning additional projects in the future, multifamily properties represent the best comparison of market potential. However, we also obtained information on some small rental properties.

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

There were 132 housing units of all types that were contacted in the survey. In addition to the 132 rental units, the nursing home in Salem, which has 58 beds, was also surveyed.

The units that were successfully contacted include:

- ▶ 86 market rate units
- ▶ 24 federally subsidized units
- ▶ 22 senior light services/assisted living units
- ▶ 58 nursing home beds

The findings of the survey are provided below.

Market Rate Summary

Information was obtained on 86 market rate rental units in five multifamily projects, five duplexes and 10 single family homes.

Unit Mix

We obtained the bedroom mix on the 76 market rate units in the multi-family projects and duplexes. The bedroom mix of the units is:

- ▶ studio - 9 (11.8%)
- ▶ one-bedroom - 24 (31.6%)
- ▶ two-bedroom - 43 (56.6%)

There were no three or four-bedroom units in the multi-family rental projects that were surveyed, however, there are rental single family homes in Salem that have three or four bedrooms.

Occupancy / Vacancy

At the time of the survey, there were 19 vacancies in the 86 market rate units that were surveyed, which is a 22.1% vacancy rate. All of the market rate multi-family projects had vacancies. The duplexes and single family homes were fully occupied.

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 lowest and highest gross rents have been identified, as reported in the telephone survey.

| <u>Unit Type</u> | <u>Lowest/Highest Gross Rents</u> |
|------------------|---------------------------------------|
| Studio | \$450 |
| One-bedroom | \$410-\$525 |
| Two-bedroom | \$510-\$825 |

Please note that the studio apartment rents that are reported are from only one rental project.

Tax Credit Summary

There are no tax credit units in Salem.

Subsidized Summary

The research completed for this Study identified one subsidized project. Southtown Apartments is a general occupancy Rural Development project which provides rental opportunities for lower income households. The project has 24 units in six four-plexes. All of the units have two bedrooms.

Eighteen of the 24 subsidized units have access to project-based rent assistance. These units can charge rent based on 30% of the tenant's household income up to a maximum rent. The remaining tenants pay 30% of income, but not less than the basic rent or more than the market rent. There are different types of units in the project with different basic and market rents. The lowest basic rent is \$375 and the highest market rent is \$485.

Unit Mix

All 24 units have two bedrooms. However, there are three different sizes of two-bedroom units.

Occupancy / Vacancy

Southtown Apartments had no vacancies at the time of the survey, however, the manager reported that the units are usually fully occupied.

Conversion from subsidized to market rate units

Southtown Apartments has fulfilled its subsidy contract obligations with USDA Rural Development and will convert from subsidized housing to a market rate project later in 2017. Therefore, Southtown Apartments will no longer have income requirements. Tenants that were receiving project-based rent assistance will receive a tenant-based Housing Choice Voucher, which will allow them to continue paying rent based on 30% of their income. This Voucher will be portable and will move with the tenant in the future.

Two additional projects had previously converted from subsidized to market rate housing. Salem Apartments (Rural Development) with 12 units and Hill Center Apartments (HUD) with 20 units had both offered subsidized housing in the past, but ended their subsidy agreements before 2010.

Senior Housing with Services

Unit Inventory

There are two senior with services projects in Salem which include:

- ▶ **Leisure Assisted Living and Apartments** - Leisure Assisted Living and Apartments is located in Salem and includes 20 efficiency and two one-bedroom units. The facility is licensed for 10 assisted living and 12 residential living (light services) units. Currently, three tenants are assisted living residents and the remaining tenants are independent/light services tenants.
- ▶ **Golden Living Center** - The Golden Living Center is located in Salem and is licensed for 57 skilled nursing and one assisted living bed. Although 58 beds are licensed in 2017, the facility has a 63-bed capacity.

Occupancy / Vacancy

At the time of the survey, Leisure Assisted Living and Apartments reported approximately 10 vacancies.

The Golden Living Center averages approximately a 90% occupancy rate.

Table 24 Salem Multifamily Rental Housing Inventory

| Name | Number of Units /Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
|----------------------------|--|-------------------------------|---|-------------------|---|
| Market Rate | | | | | |
| Salem HRC Apartments | <u>16 - 2 bedroom</u> 16 total units | \$640-\$665 | 2 vacancies | General occupancy | The Salem HRC Apartments include 16 units in four 4-plexes and are owned by the Salem Housing and Redevelopment Commission. Eight units were constructed in 2001 and eight in 2006. The units constructed in 2001 rent for \$640 and the units constructed in 2006 rent for \$665. Tenants also pay utilities. The manager reported two vacant units. |
| Salem Apartments | 4 - 1 bedroom <u>8 - 2 bedroom</u> 12 total units | \$400 \$490 | 1 vacant 2-bedroom units | General occupancy | Salem Apartments includes 12 units in three 4-plexes. The 12 units include 4 one-bedroom units and 8 two-bedroom units. The rents are \$400 for a one-bedroom unit and \$490 for a two-bedroom unit. Tenants also pay heat and electricity. The manager reported that there are ongoing improvements made to the project. The manager also reported one vacant two-bedroom unit. Garages are available for \$45-\$50. |
| St. Mary's Hall Apartments | 8 - 1 bedroom <u>4 - 2 bedroom</u> 12 total units | \$410 \$510 | 4 vacant 2-bedroom units | General occupancy | St. Mary's Hall Apartments is a school conversion project that includes 12 units, 8 one-bedroom and 4 two-bedroom. Rent is \$410 for a one-bedroom unit and \$510 for a two-bedroom unit. The rent includes utilities. The manager reports four vacant one-bedroom units. The project includes a sprinkler system, cathedral ceilings and an elevator. |
| Hill Center Apartments | 9 - studios 8 - 1 bedroom <u>3 - 2 bedroom</u> 20 total units | \$450 \$500 \$650-\$700 | 10 vacant units 4 studio 6 1-bdrm | General Occupancy | Hill Center Apartments is a 20-unit market rate general occupancy project. There are two additional units that are not rentable at this time. The 20 units include 9 studios, 8 one-bedrooms and 3 two-bedroom. Rents are \$450 for a studio, \$500 for a one-bedroom and \$650-\$700 for a three-bedroom. The \$700 two-bedroom unit has two bathrooms. Rent includes utilities. The manager reports four studio and six one-bedroom vacant units. The manager reports that units are being renovated including carpeting, painting and bathroom fixtures. |

Table 24 Salem Multifamily Rental Housing Inventory

| Name | Number of Units / Bedroom Mix | Rent | Vacancy / Wait List | Tenant Mix | Comments |
|------------------------|--|-----------------------|----------------------|-------------------|--|
| Market Rate | | | | | |
| Huls 6-plex | 4 -1 bedroom <u>2- 2 bedroom</u> 6 total units | \$400 \$485 | 1 vacant one-bedroom | General Occupancy | The Huls 6-plex includes 4 one-bedroom and 2 two-bedroom units. Rent is \$400 for a one-bedroom unit and \$485 for a two-bedroom unit. Tenants also pay electricity. The other utilities including heat are included in the rent. The owner reports 1 one-bedroom vacancy. |
| Huls Duplex | <u>2 - 2 bedroom</u> 2 total units | \$525 | No vacancies | General Occupancy | The Huls Duplex includes 2 two-bedroom units. Rent is \$525 plus electricity. The rent includes the other utilities, including heat. The units have garages. The owner reports no vacancies. |
| Viking Apartments | <u>2 - 1 bedroom</u> 2 total units | \$410 | No vacancies | General Occupancy | Viking Apartments is a duplex with 2 one-bedroom units. Rent is \$410. Tenants also pay electricity. The other utilities are included in the rent. The owner reports no vacancies. |
| Schnider Twinhomes | <u>6 - 2 bedroom</u> 6 total units | Not provided by owner | No vacancies | General Occupancy | The Schnider twinhomes include 6 two-bedroom units in three twinhomes. The owner did not provide rent information. The units range from two to 10 years old. The units have two bathrooms and two-car garages. The owner reports no vacancies. |
| 10 single family homes | <u>1, 2 & 3 bedroom</u> 10 total units | \$375-\$550 | No vacancies | General Occupancy | Ten single family homes were also surveyed. The homes ranged from one to three bedrooms. Rents are \$375-\$550. The tenants also pay utilities. All of the homes were fully occupied and the owners reported a high demand for rental single family homes. |

Table 24 Salem Multifamily Rental Housing Inventory

| Name | Number of Units / Bedroom Mix | Rent | Vacancy / Wait List | Tenant Mix | Comments |
|---|--|--|---------------------------|--|---|
| Subsidized | | | | | |
| Southtown Apartments | <u>24 -2 bedroom</u> 24 total units | \$375-\$485 30% of income | No vacancies | Family | <p>Southtown Apartments is a 24-unit family USDA Rural Development Project. The 24 units are in six 4-plexes. All 24 units have two bedrooms. Eighteen tenants have rent assistance that allows the tenant to pay 30% of income up to a maximum rent. The remaining tenants pay 30% of income, but not less than the basic rent or more than the market rent listed. There are three types of units in the project with different basic and market rents. The lowest basic rent is \$375 and the highest market rent is \$485. The manager reported no vacancies. However, there have been vacancies in the past. The units without rent assistance have been the most difficult to rent. The manager reported that Southtown Apartments will be opting out of the Rural Development subsidy and will convert to a market rate project later in 2017.</p> |
| Senior Housing with Services | | | | | |
| Golden Living Center | 57-skilled nursing <u>1-assisted living</u> 58 total units | Based on level of services | Approx. 90% capacity rate | Skilled nursing home | Golden Living Center is a skilled nursing facility with 57 licensed skilled nursing beds and one assisted living bed, although, the facility has a capacity of 63 beds. Staff reports approximately a 90% occupancy rate. |
| Leisure Living Assisted Living & Apartments | 20 - efficiency <u>2 - 1 bedroom</u> 22 total units | Based on level of services and room type | Approx. 10 vacancies | Assisted Living Center/ Residential Living Center | Leisure Living in Salem is a 22-unit project. The facility can have up to 10 assisted living units and the remaining units are residential living (light services) units. Currently, three of the occupied units are assisted living and the other units have independent/light services. The facility provides the full array of assisted living services including three daily meals, laundry, housekeeping, 24-hour staffing, etc. Staff reports that there currently are approximately 10 vacancies in the facility. |

Source: Community Partners Research, Inc.

Employment and Local Economic Trends

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

McCook County is part of the Sioux Falls MSA. Much of the household growth that has occurred in the MSA in past decades was the direct result of job opportunities that were available, especially in the City of Sioux Falls. 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.

Salem is also within a reasonable commuting distance of a number of other employment centers, including Mitchell (37 minutes) and Madison (35 minutes).

Work Force and Unemployment Rates

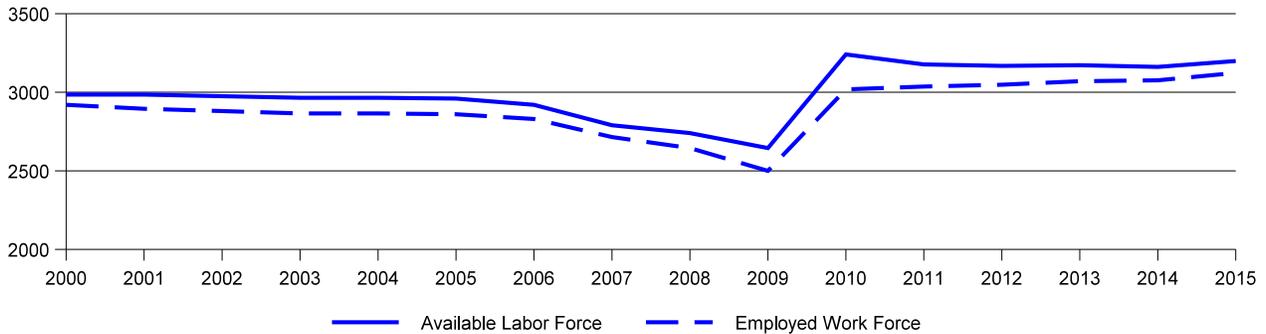
Although McCook County is part of the Sioux Falls MSA, employment information has been analyzed for McCook County in this section of the Study. Data in the tables that follow have been obtained from the South Dakota Department of Labor.

| Table 25 McCook County Annual Labor Statistics: 2000 to 2016 | | | | | | |
|---|-------------|----------|------------|-------------------------|------------------------|------------------------|
| Year | Labor Force | Employed | Unemployed | Unemployment Rate - MSA | Unemployment Rate - SD | Unemployment Rate - US |
| 2000 | 2,985 | 2,920 | 65 | 2.1% | 2.7% | 4.0% |
| 2001 | 2,985 | 2,895 | 90 | 3.0% | 3.1% | 4.7% |
| 2002 | 2,975 | 2,880 | 95 | 3.2% | 3.3% | 5.8% |
| 2003 | 2,965 | 2,865 | 100 | 3.3% | 3.5% | 6.0% |
| 2004 | 2,965 | 2,865 | 100 | 3.4% | 3.7% | 5.6% |
| 2005 | 2,960 | 2,860 | 100 | 3.4% | 3.7% | 5.1% |
| 2006 | 2,920 | 2,830 | 90 | 3.1% | 3.1% | 4.6% |
| 2007 | 2,790 | 2,715 | 75 | 2.7% | 2.9% | 4.6% |
| 2008 | 2,740 | 2,645 | 95 | 3.5% | 3.0% | 5.8% |
| 2009 | 2,645 | 2,500 | 145 | 5.4% | 5.2% | 9.3% |
| 2010 | 3,241 | 3,081 | 160 | 4.9% | 5.0% | 9.6% |
| 2011 | 3,177 | 3,036 | 141 | 4.4% | 4.7% | 8.9% |
| 2012 | 3,168 | 3,048 | 120 | 3.8% | 4.3% | 8.1% |
| 2013 | 3,172 | 3,070 | 102 | 3.2% | 3.8% | 7.4% |
| 2014 | 3,161 | 3,076 | 85 | 2.7% | 3.4% | 6.2% |
| 2015 | 3,199 | 3,123 | 76 | 2.4% | 3.1% | 5.3% |
| 2016* | 3,268 | 3,197 | 71 | 2.2% | 2.7% | 4.9% |

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

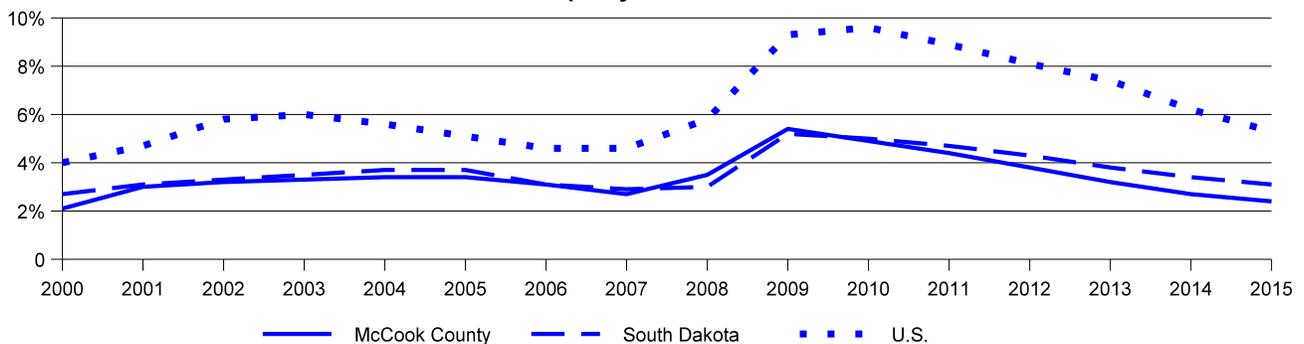
Excluding partial-year information for 2016, in terms of resident employment, 2015 represented the highest employment count of the years reviewed. However, over the 16-year period, the number of employed County residents has only increased by only 7%. The size of the available resident labor force actually reached its peak level in 2010, but 2015 represented the second highest level of the years reviewed.

McCook County Labor Force and Employed Work Force



After experiencing very low rates of unemployment for most of the prior decade, the rate for McCook County increased rapidly between 2008 and 2009. However, in comparison to national patterns, the unemployment rate in the County was still very low. After 2009, the unemployment rate began to decrease, and by 2014 was down below 3%, and less than half of the national rate.

Unemployment Rates



Throughout the entire time period reviewed, the unemployment rate in McCook County has stayed well below the national rate. For most of the years, the County's unemployment rate has also remained below the Statewide rate.

Employment and Wages

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

| Table 26 McCook County Average Annual Wages - 2015 | | |
|---|-----------------|---------------------|
| Industry | 2015 Employment | Average Annual Wage |
| Total All Industry | 1,396 | \$31,824 |

Source: South Dakota Department of Labor

The average annual wage for all industry in 2015 was \$31,824 in McCook County. The County’s average wage was more than \$13,000 below the average in 2015 for the entire Sioux Falls MSA.

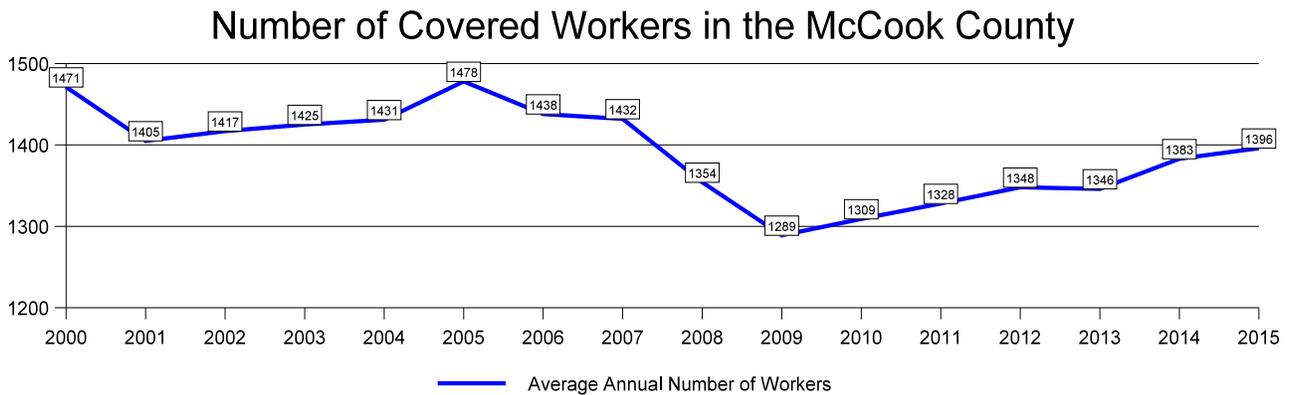
Annual Covered Employment

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

| Table 27 McCook County Average Annual Employment | | | |
|---|--------------------------|------|--------------------------|
| Year | Total Covered Employment | Year | Total Covered Employment |
| 2000 | 1,471 | 2008 | 1,354 |
| 2001 | 1,405 | 2009 | 1,289 |
| 2002 | 1,417 | 2010 | 1,309 |
| 2003 | 1,425 | 2011 | 1,328 |
| 2004 | 1,431 | 2012 | 1,348 |
| 2005 | 1,478 | 2013 | 1,346 |
| 2006 | 1,438 | 2014 | 1,383 |
| 2007 | 1,432 | 2015 | 1,396 |

Source: QCEW - SD Department of Labor

When viewed over a longer-term there has been downward movement in the number of employees working in McCook County. If 2015 is compared to the year 2000, there has been a decrease of 75 reported workers covered by unemployment insurance, or a reduction of 5.1%. However, much of this loss occurred between 2005 and 2009. Since 2009, there has been a gradual increase in the number of covered workers. The employment level that was reached in 2015 was the highest since 2007.



Commuting Patterns of Area Workers

Some information is available on area workers that commute for employment. The best information is from the 2015 American Community Survey, and has been examined for the City of Salem. The first table examines City residents that traveled to work and excludes people that work at home.

| Table 28 Commuting Times for Salem Residents - 2015 | | |
|--|--------|---------|
| Travel Time | Number | Percent |
| Less than 10 minutes | 365 | 50.9% |
| 10 to 19 minutes | 70 | 9.8% |
| 20 to 29 minutes | 8 | 1.1% |
| 30 minutes + | 274 | 38.2% |
| Total | 717 | 100% |

Source: American Community Survey

Although a majority of residents appeared to work locally, a large percentage of Salem residents were commuting 30 minutes or more to work in 2015, and were apparently employed outside of the city limits. Overall, more than 38% of residents commuted 30 minutes or more to work, which would imply that people were employed in Sioux Falls, Mitchell or other area regional centers.

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

| Table 29 Commuting Times for Salem-based Employees - 2015 | | |
|--|--------|---------|
| Travel Time | Number | Percent |
| Less than 10 minutes | 424 | 59.8% |
| 10 to 19 minutes | 140 | 19.7% |
| 20 to 29 minutes | 44 | 6.2% |
| 30 minutes + | 101 | 14.2% |
| Total | 709 | 100% |

Source: American Community Survey

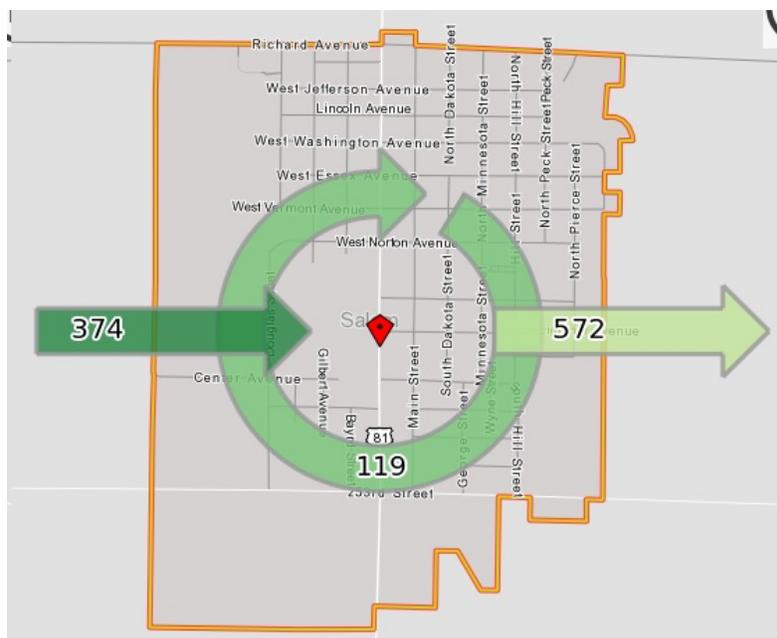
Most of the people that worked in Salem lived within the immediate area, as approximately 80% traveled 19 minutes or less to the City. This would include people that both lived and worked in Salem. However, approximately 20% of city-based workers did commute from greater distances, and traveled 20 minutes or more to Salem.

Census On the Map

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on reports for the year 2014, but provides a further breakdown of worker movement.

According to the report for Salem, there were 493 people that were employed within the City in 2014. Approximately 24% of these City-based employees also lived in Salem. The remaining 76% of employees lived outside the City and commuted in for their job.

On the Map can also be used to track worker outflow patterns from the City. Overall, there were 691 Salem residents that were employed. Most of these City residents worked outside the community, as nearly 83% left the City for their job. Only 17% of City residents also worked within their home community.



Findings on Growth Trends

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

Salem's population increased by 6.4% from 1990 to 2000. The population increased from 1,289 in 1990 to 1,371 in 2000. However, from 2000 to 2010, Salem's population decreased by 24 people, which was a population loss of 1.8%.

McCook County's population increased from 5,688 in 1990 to 5,832 in 2000, which was an increase of 2.5%. The population decreased in the 2000s from 5,832 in 2000 to 5,618 in 2010, which was a population loss of 3.7%.

Household levels in Salem and McCook County increased from 1990 to 2000 but then decreased from 2000 to 2010. Salem experienced a gain of 56 households from 1990 to 2000 and a loss of 21 households from 2000 to 2010. McCook County had an increase of 59 households from 1990 to 2000 and a loss of 36 households from 2000 to 2010.

Esri estimates that Salem and McCook County gained population and households from 2010 to 2016. Esri estimates that Salem gained 108 people and 52 households and McCook County gained 219 people and 122 households from 2010 to 2016.

Findings on Projected Growth

This Study has utilized Esri's projections for Salem and McCook County, which show continued growth patterns established over the past six years. Esri projects that Salem's population will increase by 85 people from 2016 to 2021. The household projections expect a gain of 41 households from 2016 to 2021.

McCook County is expected to gain approximately 202 people from 2016 to 2021. McCook County's household projections expect a gain of 102 households from 2016 to 2021.

Summary of Salem’s Growth Projections by Age Group

The Demographic section of this Study presented Salem projection information on anticipated changes by age group from 2016 to 2021. This information can be informative in determining the housing that may be needed due to age patterns of the City’s population.

Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate much of the City’s growth in households in the age ranges between 55 and 74 years old. Age projections would expect the City to add approximately 25 households in the 55 to 74 age ranges from 2010 to 2021.

The Esri age-based projections also expect an increase of seven households in the 35 to 54 age ranges and a gain of 10 households in the 75 and older age range.

Salem is projected to lose one household in the 25 to 34 age range. No change is projected in the number of households in the 15 to 24 age range.

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

| <u>Age Range</u> | <u>Projected Change in Households 2016 to 2021</u> |
|------------------|--|
| 15 to 24 | 0 |
| 25 to 34 | -1 |
| 35 to 44 | 2 |
| 45 to 54 | 5 |
| 55 to 64 | 4 |
| 65 to 74 | 21 |
| 75 and older | <u>10</u> |
| Total | 41 |

Findings on Unit Demand by Type of Housing

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

Age 24 and Younger - The projections used for this Study expect no change in the number of households in the 15 to 24 age range from 2016 to 2021. Past tenure patterns indicate that approximately 79% of these households in Salem will rent their housing. No change in the number of households in this age range should mean that rental demand from younger households will remain stable during the projection period.

25 to 34 Years Old - The projections show a loss of one household in this age range by 2021. Within this age range households often move from rental to ownership housing. The ownership rate among these households in Salem was approximately 67% in 2010. A household decrease of one household within this age range indicates demand for both first-time home buyer and rental opportunities from this age range will not change during the projection period.

35 to 44 Years Old - The projections for this 10-year age cohort expect a gain of two households between 2010 and 2021 in Salem. In the past, this age group has had a high rate of home ownership in Salem, at approximately 79%. Households within this range often represent both first-time buyers and households looking to trade-up in housing, selling their starter home for a more expensive house.

45 to 54 Years Old - By 2021, this age cohort will represent the front-end of the "baby bust" generation that followed behind the baby boomers. This age group represents a much smaller segment of the population than the baby boom age group. For Salem, the projections show a gain of five households in this age range. This age group historically has had a high rate of home ownership, approximately 83% in Salem in 2010, and will often look for trade-up housing opportunities. A small gain in the number of households in this age group indicates that the demand for trade-up housing will increase slightly during the projection period.

55 to 64 Years Old - This age range is part of the baby boom generation. The projections show an increase of four households in this 10-year age range by the year 2021 in the City. This age range has traditionally a high rate of home ownership in Salem, at approximately 84% in 2010. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters.

65 to 74 Years Old - A significant gain of 21 households is expected by the year 2021 in the 65 to 74 age range. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. At the time of the 2010 Census, approximately 82% of the households in this age range owned their housing in Salem. Once again, preferences for age-appropriate units would increase from household growth within this age cohort.

75 Years and Older - There is a projected gain of 10 households in Salem in this age range between 2016 and 2021. In the past, the older households within this age range have had a relatively low rate of home ownership in Salem. An expansion of housing options for seniors, including high quality rental housing, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

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

Findings on Housing Unit Demand and Tenure

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

Demand from Growth - The household projections used for this Study expect Salem to gain 41 households and McCook County will gain 102 households from 2016 to 2021. Household growth in Salem and McCook County will yield some demand for new housing production in Salem.

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

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

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

Strengths for Housing Development

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

- ▶ **Salem serves as a small regional center** - Salem provides employment opportunities, retail/service options, health and professional services, governmental services and recreational facilities for a small geographical area that surrounds the City.
- ▶ **Affordable priced housing stock** - The City of Salem has a stock of affordable, existing houses. Our analysis shows that the City's median home value based on recent sales is approximately \$60,000. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Educational system** - Salem has a public K-12 school system, which includes a new high school. A K-8 parochial school is also located in Salem.
- ▶ **Infrastructure** - Salem's water and sewer infrastructure can accommodate future expansion and infrastructure improvements are ongoing.
- ▶ **Commercial development** - Salem's commercial district is adequate to meet most daily needs.
- ▶ **Progressive Salem Association** - The Progressive Salem Association is active in addressing Salem's community development.
- ▶ **Employers** - Salem has employers that provide job opportunities for local residents.
- ▶ **Commuters** - Nearly 375 employees are commuting into Salem daily for work. These commuters are a potential market for future housing construction.
- ▶ **Salem Housing and Redevelopment Commission** - The Salem Housing and Redevelopment Commission has been active in the past in addressing Salem's housing needs.

- ▶ **Proximity to Sioux Falls, Mitchell and Madison** - Salem is located 44 miles from Sioux Falls, 33 miles from Mitchell and 33 miles from Madison. Sioux Falls, Mitchell and Madison provide employment opportunities, retail/service options, educational opportunities, health care facilities and entertainment and recreational amenities. Some households prefer to live near, but not in a large regional center.
- ▶ **Population and household growth** - Salem and McCook County are projected to add people and households over the next five years.
- ▶ **Health facilities** - Salem has excellent health facilities including medical clinics, assisted living and a nursing home.
- ▶ **Small town atmosphere** - Salem has the real and perceived amenities of a small town. Small town living is attractive for some households.

Barriers or Limitations to Housing Activities

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

- ▶ **Age and condition of the housing stock** - While the existing stock is affordable, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Low rent structure** - The area's rent structure is relatively low, which makes it difficult to construct new rental housing.
- ▶ **Value-gap deters new owner-occupied construction** - Based on market values from recent residential sales, we estimate that the median priced home in Salem is valued at approximately \$60,000. This is below the comparable cost for new housing construction, which will generally be above \$175,000 for a stick built home with commonly expected amenities. This creates a value gap between new construction and existing homes. This can be a disincentive for any type of speculative building and can also deter customized construction.
- ▶ **Lower paying jobs** - Although Salem has job opportunities, some jobs are at the lower end of the pay scale and employees with these jobs have limited housing choices.
- ▶ **Commercial/retail option** - Salem has a limited number of commercial and retail opportunities compared to larger regional centers.
- ▶ **Proximity to Sioux Falls, Mitchell and Madison** - Although it is a strength to be located in close proximity to Sioux Falls, Mitchell and Madison, it is also a barrier as Salem must compete with these regional centers, which offer attractive residential opportunities and other amenities and services.
- ▶ **Industry Closing** - An industry located in Salem has recently closed its Salem location, which resulted in the loss of approximately 60 jobs.
- ▶ **Land for residential lot development** - Salem has only a few lots available for new home construction and there are limited land options for new lot development.

- ▶ **Flood Plain** - A portion of the City is in a 100-year flood plain, which limits new construction and potential renovation of existing structures.
- ▶ **Competition from rural lots** - The Salem area has lot opportunities in rural subdivisions. These compete with available residential lots within the City of Salem.

Recommendations, Strategies and Housing Market Opportunities

Based on the research contained in this study, and the housing strengths and barriers identified above, we believe that the following recommendations are realistic options for Salem. They are based on the following strategies.

- ▶ **Be realistic in expectations for housing development** - Large-scale residential growth has not occurred in the recent past and is not likely to occur in the near future. The scale of activities proposed for the future should be comparable with the area's potential for growth.
- ▶ **Proactive community involvement** - New home and apartment construction will more likely occur in Salem if there is proactive support from the City, local and regional housing and economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the existing housing stock** - The future of Salem will be heavily dependent on the City's appeal as a residential location. The condition of the existing housing stock is a major factor in determining the City's long-term viability. The existing housing stock is in good condition and is a major asset, however, rehabilitation efforts are needed to preserve the housing stock.
- ▶ **Protect the existing assets and resources** - Salem has several assets including a K-12 school, a K-8 parochial school, a Downtown Commercial District, recreational opportunities, health facilities, etc. These are strong assets that make Salem a desirable community to live in, and are key components to the City's long-term success and viability. These assets must be protected and improved.
- ▶ **Develop a realistic action plan with goals and time lines** - In the past the City has been involved in housing issues. The City should prioritize its housing issues and establish goals and time lines to achieve success in addressing its housing needs.
- ▶ **Access all available resources for housing** - In addition to the local efforts, the City has other resources to draw on including USDA Rural Development, the South Dakota Housing Development Authority, the Southeastern Council of Governments, the Southeastern Development Foundation, Inter-Lakes Community Action Partnership and Grow South Dakota. These resources should continue to be accessed as needed to assist with housing activities.

Summary of Findings/Recommendations

The findings/recommendations for the City of Salem have been formulated through the analysis of the information provided in the previous sections and include 18 recommendations. The findings/recommendations have been developed in the following five categories:

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

The findings/recommendations for each category are as follows:

Rental Housing Development

1. Develop six to eight general occupancy market rate rental units
2. Promote the development/conversion of five to six affordable market rate rental housing units
3. Promote the development of 8 to 10 subsidized rental housing units
4. Consider the development of six to eight senior housing with services beds
5. Develop a downtown mixed-use commercial/housing project
6. Apply to access the Housing Choice Voucher Program

Home Ownership

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

Single Family Housing Development

9. Lot availability and development
10. Strategies to encourage residential lot sales and new home construction in Salem
11. Coordinate with agencies/nonprofits that develop affordable housing
12. Promote twin home/town home development

Housing Rehabilitation

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

Other Housing Initiatives

15. Continue to acquire and demolish dilapidated structures
16. Create a plan and a coordinated effort among housing agencies
17. Strategies for downtown redevelopment
18. Develop home ownership and new construction marketing programs and strategies

Salem - Rental Housing Development

Rental Housing Development

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

From 2000 to 2017, 22 rental units were constructed in Salem. These units include 16 market rate units constructed by the HRC and three market rate twinhomes constructed by a local builder. Also, some single family homes were converted from owner-occupied to rental use between 2000 and 2016.

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

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

Our household projections for Salem expect some household growth over the next five years. From 2017 to 2022, it is projected that there will be a gain of approximately 40 households. It is estimated that approximately 35% of these households will be rental households, thus, there will be a demand of approximately 14 additional rental units due to household growth over the next five years.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that the City will lose as many as two to three units per year. As a result, approximately 10 to 15 additional units will be needed over the next five years to replace lost units. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition or conversion. In other cases, this replacement is appropriate due to the deteriorating condition of older, substandard rental housing that should be removed from the occupied stock. Rental units may also be lost due to conversion to owner-occupancy.

Limited pent-up demand also exists for some rental housing segments. As part of this study, a rental survey was conducted. The survey found a 22.1% vacancy rate in general occupancy market rate units. Golden Living Center, the nursing home, averages an occupancy rate of approximately 90%. Leisure Living Assisted Living and Apartments had 10 vacancies when surveyed.

We identified pent-up demand for high quality market rate rental units, subsidized units and memory care units. Southtown Apartments, the only subsidized project in Salem, was fully occupied at the time of the survey. This project will end its subsidy contract later in 2017. At that time unmet demand will exist for subsidized housing.

The three demand generators, after factoring current vacancy rates, show a need for 25 to 32 rental units over the next five years. Based on the factors stated above, we recommend the development of the following new rental units/beds over the next five years from 2017 to 2022.

| | |
|--------------------------------------|------------------|
| ▶ General occupancy market rate | 6-8 units |
| ▶ Subsidized | 8-10 units |
| ▶ Affordable/conversions | 5-6 units |
| ▶ Senior with services (memory care) | <u>6-8 beds</u> |
| Total | 25-32 units/beds |

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

Findings: Approximately 80% of the rental housing in the City of Salem can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

In the 86 market rate rental units we surveyed, we found 19 vacancies, which is a 22.1% vacancy rate.

There is a variation in rental rates in the market rate segment in the City of Salem. The existing rent range, including utilities, is approximately \$450 for a studio, \$410 to \$525 for a one-bedroom unit and \$510 to \$825 for a two-bedroom unit. The Schnider Twinhomes are the newest market rate units in the City and the units have many amenities. The owner did not provide rental rate information.

From 2000 to 2016, 22 market rate rental units were constructed in Salem. These units include 16 market rate units constructed by the Salem HRC and three market rate twinhomes with six units constructed by a local builder. However, some single family homes converted from owner-occupied to rental units partially due to the downturn in the economy in the late 2000s.

Additionally, when Southtown Apartments converts from subsidized to market rate, 18 units will be added to the conventional rental supply as 18 of the 24 units in Southtown are currently subsidized.

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

Based on this combination of demand generators, we believe that it is reasonable to plan for the production of six to eight market rate rental units over the next five years. The new units should be two and three-bedroom units.

Although Salem currently has a significant number of vacant market rate rental units, the newer units in the City have high occupancy rates. Also, it is important to continue to add new units to the rental market.

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

The first option to developing market rate housing would be to encourage private developers to undertake the construction of market rate rental housing. If private developers do not proceed, the Salem HRC or a regional housing agency could potentially utilize essential function bonds, or similar funding sources, to construct market rate units. The Salem HRC has successfully developed 16 market rate rental housing units, in the 2000s.

Also, the Salem HRC could partner with private developers to construct units. The City could also assist with land donations, tax increment financing, reduced water and sewer hook up fees, etc. A local builder has successfully constructed market rate rental twinhomes over the past 10 years.

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

| <u>Unit Type</u> | <u>No. of Units</u> | <u>Size/Sq. Ft.</u> | <u>Rent</u> |
|------------------|---------------------|---------------------|-----------------|
| Two Bedroom | 4-5 | 900 - 1,000 | \$800 - \$900 |
| Three Bedroom | 2-3 | 1,100 - 1,200 | \$900 - \$1,000 |
| Total | 6-8 | | |

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2017 dollars.

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

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

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

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

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

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

The estimated prevailing rent range for older rental units in Salem is typically between \$410 and \$600 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 for some units could only be obtained with financial commitments from other sources such as tax increment financing or property tax deferral from the City and other financial resources from funding agencies such as the South Dakota Housing Development Authority.

3. Promote the development of 8 to 10 subsidized rental units

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

The research completed for this Study found one subsidized project in Salem, Southtown Apartments, which is a 24-unit USDA Rural Development family project. The project includes six 4-plexes. All 24 units have two bedrooms. Eighteen tenants have rent assistance. Tenants with rent assistance pay 30% of their income up to a market rent. The manager reported no vacancies at the time of the survey, but there have been vacancies over the past year.

Later in 2017 Southtown Apartments will convert to a market rate project, thus, there will be no rent or income restrictions. The tenants currently renting a unit in Southtown Apartments that have rent assistance, will receive a housing Voucher and will continue to pay 30% of their income.

Recommendation: Based on the cost burden rental household data contained in the American Community Survey, the conversion of Southtown Apartments from subsidized to market rate, and the 0% vacancy rate in Southtown, we recommend that the City look to develop deep subsidy rental housing for lower income renters. Over the next five years, we would recommend that the City attempt to construct eight to 10 units that achieve a rent level that would be affordable to very low income households earning less than \$25,000 per year. The eight to 10 subsidized units would replace a portion of the 18 units with rental assistance in Southtown Apartments.

This recommendation represents a modest goal, since substantially more low income households exist in the City with a cost burden. The recommendation does not even represent a one-for-one replacement of the Southtown subsidized units that will be lost. However, over the past few decades, very few federal subsidy sources have been available for the construction of “deep subsidy” rental housing. The actual number of units that can be developed will be dependent upon access to financial resources. Also, existing Southtown tenants with rental assistance will receive a Housing Voucher and they will continue to pay 30% of their income for rent. Also, due to market constraints, we anticipate rents at Southtown Apartments will not increase significantly. Therefore, some low income tenants will still be able to afford the rent.

In the opinion of the analysts, some of the units should have three-bedrooms to provide options for larger families.

4. Consider the development of six to eight senior with services units

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

Lower-service housing, sometimes referred to as congregate senior housing, generally offers the availability of a daily meal, and services such as weekly light housekeeping. McCook County has five specialized projects that provide housing with supportive services for an elderly population, including two projects in Salem. These senior with services projects include:

- ▶ **Golden Living Center** - The Golden Living Center is located in Salem and is licensed for 58 skilled nursing and two assisted living beds.
- ▶ **Leisure Assisted Living and Apartments** - Leisure Assisted Living and Apartments is located in Salem and includes 20 efficiency and two one-bedroom units. The 22 units include 10 assisted living and 12 residential living (light services) units. Currently, three tenants are assisted living residents and the remaining tenants are independent/light services tenants.
- ▶ **Canistota Good Samaritan Center** - The Canistota Good Samaritan Center is located in Canistota and includes 58 skilled nursing beds and two assisted living beds.
- ▶ **Diamond Care Center** - The Diamond Care Center is located in Bridgewater and includes 39 skilled nursing beds. The facility is part of a campus that includes Grandview Assisted Living.
- ▶ **Grandview Assisted Living** - Grandview Assisted Living is located in Bridgewater and includes 16 one and two-bedroom assisted living units. The facility provides the full array of assisted living services including meals, housekeeping, laundry, 24-hour staffing, etc. The facility is part of a campus that includes the Diamond Care Center.

To determine future senior with services housing demand in Salem, we determined that Salem's market for senior with services housing includes all of McCook County.

Recommendation: In 2016, McCook County had 359 households between the ages of 65 and 74 and 337 households age 75 and older. The growth projections for 2016 to 2021 show an expected increase of 31 senior-headed households in the County, age 65 and older.

- ▶ ***Skilled Nursing Home*** - The research for this Study points to a decreasing reliance on nursing homes as a long-term residency option for older senior citizens. Over time, the nursing homes have tended to use more beds for rehab/recovery stays, or other specialized uses. There has also been a long-standing State moratorium that limits expansion in most cases. No recommendations are offered for this type of specialized housing. McCook County has three well-established providers that serve this segment of the market.
- ▶ ***Memory Care Housing*** - There are no designated memory care beds in a secured facility in McCook County. However, the nursing homes all serve residents that have memory loss issues. Local providers do report some unmet demand for this type of specialized memory care housing. Based on the demand for the beds and unmet need, we recommend the development of 6 to 8 beds in a secure facility dedicated for memory care over the next five years.
- ▶ ***Assisted Living*** - Currently, Leisure Living Assisted Living and Apartments in Salem has 22 units that have the flexibility to be utilized for assisted living or independent/light services living. At the time of the survey, three of these units had assisted living residents. The Golden Living Center in Salem has one assisted living bed. Grandview Assisted Living in Bridgewater has 16 assisted living units. The Canistota Good Samaritan Center each has two assisted living beds. It is our opinion that based on McCook County's older population and the existing number of assisted living units/beds in the four facilities, there is an adequate number of units/beds in the County to address demand. However, we recommend that the need for assisted living beds should continue to be monitored.
- ▶ ***Independent/Light Service Housing*** - Currently, there is one independent/light service project in McCook County. Leisure Assisted Living and Apartments is located in Salem and has 22 units. Twelve of the units are used for lighter services housing and 10 units are licensed for assisted living residents. However, if there is not sufficient demand for assisted living, these units can be used for independent/light services housing. Currently, only three units are being used for assisted living. If a 3% capture rate could be achieved among senior-headed households in McCook County, approximately 21 units of independent/lighter services housing could be supported.

More units could be justified if a higher capture rate is achieved within the primary target market. With 12 designated units in Leisure Living, McCook County has a need for approximately 9 additional independent/light services senior housing units. However, there are unoccupied units in Leisure Living. Any additional light services/independent units that are developed in the future would be most appropriate in a city other than Salem, to serve unmet demand that exists in the remainder County.

The supply and demand overview presented above indicates potential demand for six to eight memory care beds. It would probably be most cost effective for memory care beds to be added to an existing McCook County senior with services project.

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

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

Findings: A new mixed-use rental housing/commercial project would be an asset to Downtown Salem. Currently, there are several mixed-use buildings downtown.

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

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

We recommend commercial space on the first floor and 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 downtown businesses and attract people to downtown.

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

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

6. Apply to access the Housing Choice Voucher Program

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

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

Based on research for this study, it appears that the Housing Choice Voucher Program is not available in Salem or McCook County. McCook County is one of the few counties in the State of South Dakota that does not have the Housing Choice Voucher Program available for its residents. The Huron Housing Authority administered the Housing Voucher Program in McCook County at one time, but no longer administers the Program in McCook County.

Recommendation: The City of Salem should work with area and regional housing agencies, the South Eastern Council of Governments, and the South Dakota Housing Development Authority to determine if Salem and McCook County can obtain access to the Housing Choice Voucher Program.

Salem - Home Ownership

Home Ownership

Findings: Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base. The median owner-occupied home value in Salem is estimated to be approximately \$60,000 based on sales activity from 2015 and 2016. The home values in Salem provide a good opportunity for first time buyers and households seeking moderately priced homes.

Our analysis of Salem’s demographic trends shows a significant increase in the number of households in the traditionally strong home ownership age ranges between 55 and 74 years old over the next five years. The 35 to 54 age ranges will have a small increase in the number of households. Some households in these age ranges as well as other age ranges that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase their first home.

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

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

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

First time home buyer assistance, down payment assistance, low interest loans and home ownership counseling and training programs can help to address affordable housing issues. The City of Salem 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: Salem should continue to work with area housing agencies, the South Dakota Housing Development Authority, USDA Rural Development and local financial institutions to utilize all available home ownership assistance programs. Private and nonprofit agencies should also be encouraged to provide home ownership opportunities.

The City of Salem and the Progressive Salem Association should also work with housing agencies to assure that they are receiving their share of resources that are available in the region.

Funding sources for home ownership programs may include USDA Rural Development, the South Dakota Housing Development Authority, the South Eastern Development Foundation and the Federal Home Loan Bank. Also, Grow South Dakota and the Inter-Lakes Community Action Agency utilize several funding sources to provide home ownership programs.

8. Develop a Purchase/Rehabilitation Program

Findings: Salem has a stock of older, lower valued homes, many of which need repairs. Our analysis of recent sales activity indicates that approximately 50% of the homes in Salem are valued less than \$60,000. As some lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

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

In many cases, the cost of acquisition and rehab will exceed the house's after-rehab value, thus, a subsidy is needed. Although a public subsidy may be involved, the 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 Salem work with a housing agency to develop and implement a purchase/rehab program. Attitudinal surveys that we have conducted in other cities have found that purchase/rehabilitation programs are appealing to people who are currently renting their housing. In some similar sized communities, a large majority of survey respondents who were renters indicated an interest in buying a home in need of repair if rehabilitation assistance was available.

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

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

Also, there may be an opportunity for local housing agencies to financially assist the private sector with purchasing, rehabilitating and selling homes. This may increase the inventory of substandard homes that economically can be rehabilitated and sold.

Salem - Single Family Housing Development

Single Family Housing Development

Findings: Based on City and U.S. Census information, Salem has experienced some single family housing development from 2000 to 2016. From 2000 to 2008, 27 single family houses were constructed, for an average of three home per year. From 2009 to 2016, five houses were constructed, for an average of less than one house per year.

It is our opinion that if the City, the Progressive Salem Association, housing agencies, and builders are proactive, eight to 10 homes can be constructed in Salem from 2017 to 2022.

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

| | |
|----------------------------------|----------|
| ▶ Higher and median priced homes | 2-3 |
| ▶ Affordable homes | 2-3 |
| ▶ Twin homes/town homes | <u>4</u> |
| Total | 8-10 |

9. Lot availability and lot development

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

The newest subdivision in Salem has approximately three lots available for new construction. There are also approximately 13 miscellaneous infill lots scattered around the City. We do not know the availability of these infill lots, if these lots have enough square footage for new construction, if the lots are in attractive locations, etc. Also, dilapidated homes are being demolished in Salem. Some of the cleared lots may be potential sites for new construction.

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

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

There are sites in Salem which may be conducive to lot development. Also, future demolition may provide additional in-fill lots. Additionally, it is possible that several adjacent dilapidated homes or buildings could be demolished to create a larger parcel of land for development.

To achieve the level of new home construction potential that as been identified, we would recommend the development an eight to 10 new lots for construction based on the following:

- ▶ If possible, the site(s) for lot development should have land available for future lot development phases.
- ▶ To keep development costs as low as possible, sites with easy access to existing infrastructure should be considered.
- ▶ The lots must be as aesthetically acceptable as possible and include high quality amenities.
- ▶ The lots should have covenants that assure quality development. However, the covenants should not be so restrictive that they eliminate the target market's ability to construct a home.
- ▶ The lots should accommodate a variety of home designs and home prices.
- ▶ All stakeholders should be involved in promoting and publicizing the lots.
- ▶ To be successful, the homes must be available to households with as wide an income range as possible.
- ▶ Some lots should be available for twin home/ town home development
- ▶ Successful lot development will need the cooperation of financial institutions, funding agencies, employers, home builders, developers, the City of Salem and the Progressive Salem Association. Financial assistance such as tax increment financing, tax abatement and land donations or writedowns, may be necessary to make the development of lots feasible.
- ▶ It may be advantageous to develop the lots in phases.

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

Findings: There is a very small inventory of lots available in the City of Salem. However, the capacity exists to develop additional lots, and in the previous recommendation, we have recommended additional lot development.

Recommendation: We recommend that the City of Salem and the Progressive Salem Association coordinate efforts with the private sector to promote lot sales and housing development in Salem.

Our recommendations to promote lot sales and housing development include:

- ▶ **Competitive pricing** - There are lots that are available in communities throughout the Region. Lot prices in Salem will need to be competitive.
- ▶ **Plan for long-term absorption** - The research completed for this Study expects limited annual absorption of lots in Salem over the next five years. If new subdivision lots are developed, it is necessary to view the lot sales and housing development as a long-term plan.
- ▶ **Generate initial activity** - Recent construction activity has been limited. To stimulate new construction, proactive efforts, such as the sale of some lots at discounted prices, reduction of hookup and permit fees or other incentives could be provided if the buyer agrees to build a home of a certain quality and style within a specified time period. This will help create some momentum for more houses to be built.
- ▶ **Consider developing an exclusive builder(s) relationship** - Several lots could be sold to a builder(s). Momentum can be created when a builder has access to several lots. This allows for marketing opportunities and efficiencies in the home building process. The subdivision owners should require the builder to construct a minimum number of homes per year. Builders are more willing to enter a market when the lots are attractive and very affordable. Several lots available to an exclusive builder or developer should be explored, even if significant price concessions are required.
- ▶ **User-Friendly** - The lot purchase and homebuilding process must be 'user-friendly.' This includes builders that are readily available to build custom homes, information on quality homes that could be moved into the community and City regulations that are fair and reasonable. This entire process should be as user-friendly as possible to encourage new home construction.

- ▶ ***Allow for a range of house prices*** - Lots should be available in Salem in as wide a range of home sizes and prices as possible. This would broaden the lot buyer market.
- ▶ ***Incentives*** - Many cities throughout South Dakota are offering incentives to construct new homes, including reduced lot prices, reduced water and sewer hookup fees, tax abatements, cash incentives, etc. Incentives should be considered to promote new home construction.
- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a demand for twin homes/town homes over the next five years. Lots should be available for twin home/town home lot development.
- ▶ ***Marketing*** - The City of Salem, the Progressive Salem Association and the lot owners should develop a marketing strategy to sell the available lots. All stakeholders including realtors, financial institutions, builders, employers, etc. should be included in marketing strategies. In addition to marketing the lots, the City of Salem and its amenities should be marketed.
- ▶ ***Consider partnerships that share and split financial risk to construct spec homes*** - Spec houses could potentially attract buyers that are not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy. In an attempt to spur spec home construction, some communities have formed partnerships with private home builders to share the financial risks. For example, subdivision owners have been willing to defer the payment for the lot until the spec home is sold. Another builder incentive is for the City to waive any water/sewer hook up fees, special assessment payments and building permit fees until the home is sold. A more aggressive approach is to become directly involved in helping cover the payments on a home builder's construction loan, if the house does not sell within a reasonable period of time. A community risk pool would need to be established for this type of activity. These types of approaches would somewhat reduce the builder's risk, by lowering the upfront development costs. A local builder has constructed spec homes in Salem in the past and may construct spec homes in Salem in the future.

11. Coordinate with agencies/nonprofits that develop affordable housing

Findings: With the difficulty of producing new housing units that are affordable to moderate income households, it is important to take advantage of opportunities presented by housing agencies and nonprofit groups. Private developers may also have an interest in constructing affordable housing in Salem. These sources can help generate new homes for moderate income families in Salem.

Recommendation: We recommend that the City of Salem and the Progressive Salem Association coordinate with housing agencies, nonprofit groups and private sector builders to produce housing units for moderate income ownership. The City may be able to contribute to the project through land donations, tax increment financing (TIF), tax abatement, or project coordination activities. The Governors Home Program could also be utilized to reduce the cost of a new affordable home.

If dilapidated homes are demolished, some of the cleared lots may be suitable for new affordable home construction.

12. Promote twin home/town home development

Findings: Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making homes available for families. It is important for the community to offer a range of life-cycle housing options. In Salem since 2000, only a few twin home/town house units have been constructed.

In 2016, Salem had 212 households in the 55 to 74 age ranges. These age ranges are expected to add 25 households from 2016 to 2021. Household growth among empty-nester and senior households should result in demand for attached single family units. It is likely that demand for attached housing units will also be dependent on the product's ability to gain additional market acceptance among the households in the prime target market, and among other households.

Recommendation: It is our projection that approximately four new owner-occupied twin home or town house units could be constructed in Salem over the next five years. Our projection is based on the availability of an ideal location for twin home/town home development as well as high quality design and workmanship.

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

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

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

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

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

Salem - Housing Rehabilitation

Housing Rehabilitation

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

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

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

13. Promote rental housing rehabilitation

Findings: Based on the U.S. Census data, the City of Salem had approximately 216 rental units in 2010. These rental buildings are in multi-family projects, single family homes, mobile homes and mixed-use buildings. Some of these rental structures could benefit from rehabilitation as most of these rental structures are more than 25 years old and some rental units are in poor condition.

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

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

14. Promote owner-occupied housing rehabilitation efforts

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

Our housing condition survey of 294 homes in Salem’s two oldest neighborhoods found 109 homes that need minor repairs and 56 homes that need major repairs. Without rehabilitation assistance, the affordable housing stock will shrink in Salem.

Recommendation: We recommend that the City of Salem and the Progressive Salem Association seek local, state and federal funds to assist in financing housing rehabilitation. USDA Rural Development, the South Dakota Housing Development Authority, the Federal Home Loan Bank, Inter-Lakes Community Action Partnership and Grow South Dakota are potential funding sources.

The Inter-Lakes Community Action Partnership currently has several housing programs to assist households with the rehabilitation of their homes including the Weatherization Program, the Self Help Rehabilitation Program and programs utilizing Home and CHIP funds.

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

Salem - Other Housing Initiatives

Other Housing Initiatives

15. Continue to acquire and demolish dilapidated structures

Findings: Our housing condition survey identified 13 single family houses in Salem that are dilapidated and too deteriorated to rehabilitate. We also identified 56 single family houses in Salem as needing major repair and some of these homes may be too dilapidated to rehabilitate. The City of Salem staff has also conducted a survey and has identified 11 vacant and/or dilapidated houses. To improve the quality of the housing stock and to maintain the appearance of the City, these structures should be demolished.

The City of Salem has been active in demolishing dilapidated structures.

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

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

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

Findings: Salem will continue to need staff resources in addition to existing City staff to plan and implement many of the housing recommendations advanced in this Study. The City of Salem has access to the South Eastern Council of Governments, the South Eastern Development Foundation, Inter-Lakes Community Action Partnership, Grow South Dakota, the South Dakota Housing Development Authority and USDA Rural Development. These agencies all have experience with housing and community development programs.

Recommendation: Salem has access to multiple agencies that can assist with addressing housing needs. It is our recommendation that the City prioritize the recommendations of this Study and develop a plan to address the identified housing needs. The Plan should include strategies, time lines and the responsibilities of each agency. It will be important that a coordinated approach be used to prioritize and assign responsibility for housing programs.

It will also be important for the City of Salem 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. Strategies for Downtown Redevelopment

Findings: Downtown Salem has buildings that have been renovated and have high quality commercial and/or housing space. There are also buildings that have not been maintained and are substandard. This recommendation provides an outline of actions that could be taken to redevelop the downtown, to maximize the usage of downtown buildings, to promote new downtown businesses and to identify and implement upper floor renovations/conversions for housing.

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 are recommending the following actions for downtown Salem:

- ▶ Interview downtown property owners to develop a database and to determine their future plans (expanding, selling, renovations, etc.)
- ▶ Develop an overall plan for the downtown (potential new businesses, address parking needs, develop an overall theme, art and cultural opportunities, etc.)
- ▶ Develop a mini-plan for each downtown property and each downtown block. This may include:
 - ▶ Commercial building rehab and renovations
 - ▶ Facade work
 - ▶ Upper floor rental unit conversions or rehab
 - ▶ Building demolition
 - ▶ New construction
 - ▶ Recruiting new businesses

- ▶ Identify funding sources
 - ▶ Property owner funds
 - ▶ City and Progressive Salem Association funds
 - ▶ Federal Home Loan Bank
 - ▶ Special tax districts
 - ▶ Tax increment financing
 - ▶ Tax abatement
 - ▶ Funds from South Dakota State Agencies

- ▶ Work with stakeholders to identify roles, secure funding, develop and implement programs and projects
 - ▶ Property owners
 - ▶ City of Salem
 - ▶ Progressive Salem Association
 - ▶ Salem Chamber of Commerce
 - ▶ South Eastern Council of Governments
 - ▶ South Eastern Development Foundation

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

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

The City of Salem, the Progressive Salem Association, the Chamber of Commerce, other organizations, and private builders and developers have been active in promoting the City, including housing opportunities.

Recommendation: We recommend that the stakeholders continue to promote and market housing in Salem as follows:

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

Salem in Comparison to Other Cities

As part of the research for this Study, Salem has been compared to several other similar sized communities in South Dakota. The comparison cities are Canistota, Crooks, Deadwood, Miller, Parkston and Gregory.

There are sources of comparative data from standardized sources. For demographic items such as population and household growth, the decennial U.S. Census and Esri have been used.

For information on household income, housing costs and age of housing, the best source is the Census Bureau's American Community Survey, which collects sample data within each community and then generates estimates from these samples. There can be a significant margin of error in these estimates, depending upon the specific variable being examined. However, the same methodology would be used in each city, so a standardized process is being followed.

American Community Survey data can be estimated from different samples. In the demographic section for Salem that was presented earlier, the 5-year American Community Survey estimates were used, based on surveys conducted between 2010 and 2015. For consistency, the following comparisons are all based on five-year surveys within each community.

Population Change 2010 to 2015

| Table 30 Comparison of Population Change - 2010 to 2015 | | | |
|--|-----------------------------|--|------------------------------|
| City | Population 2010 and 2015 | Numeric & Percentage Change 2010 to 2015 | Rank 1 = Highest % Growth |
| Salem | 1,347/1,425 | 78/5.8% | 1 |
| Canistota | 656/692 | 36/5.5% | 3 |
| Crooks | 1,269/1,332 | 63/5.0% | 4 |
| Deadwood | 1,270/1,316 | 46/3.6% | 5 |
| Miller | 1,489/1,481 | -8/-0.5% | 7 |
| Parkston | 1,516/1,603 | 87/5.7% | 2 |
| Gregory | 1,295/1,305 | 10/0.8% | 6 |

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

The City of Salem ranked first of the seven comparison communities for percentage growth from 2010 to 2015.

Parkston and Canistota experienced the second and third highest estimated rate of population growth.

Miller was the only city that experienced a population loss from 2010 to 2015.

New housing units constructed 2011 to 2015

| Table 31 Comparison of housing units constructed - 2011 to 2015 | | |
|--|--------------------------------|---|
| City | Numeric Change 2011 to 2015 | Rank 1 = Highest number of new units |
| Salem | 4 | 4 |
| Canistota | 1 | 5T |
| Crooks | 19 | 1 |
| Deadwood | 17 | 2 |
| Miller | N/A | N/A |
| Parkston | 7 | 3 |
| Gregory | 1 | 5T |

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

The City of Salem ranked fourth with four housing units constructed from 2011 to 2015. Crooks ranked first with 19 units constructed, followed by Deadwood with 17 new units.

Canistota and Gregory each reported that one housing unit was constructed from 2011 to 2015.

Miller did not report the number of units constructed in several of the years included in this comparison. Therefore, Miller is not included in the rankings.

Median Age in 2015

| Table 32 Comparison of Median Age in 2015 | | |
|--|-------------------|-------------------------------|
| City | Median Age - 2015 | Rank 1 = Lowest Median Age |
| Salem | 43.9 | 3 |
| Canistota | 41.0 | 2 |
| Crooks | 33.6 | 1 |
| Deadwood | 51.6 | 6 |
| Miller | 52.3 | 7 |
| Parkston | 48.4 | 4 |
| Gregory | 50.1 | 5 |

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

A high median age is typically an indicator of both an older population, and fewer children within a community.

Salem had the third highest median age of the comparison cities with a 43.9 median age.

Crooks had the youngest median age at 33.6. Canistota had the second youngest median age at 41.0.

Miller and Deadwood had the highest median age at 52.3 and 51.6, respectively.

Average Household Size in 2015

| Table 33 Comparison of Average Household Size in 2015 | | |
|--|---|---------------------------------|
| City | Average Household Size 2015 Estimate | Rank 1 = Highest Median Size |
| Salem | 2.25 | 3 |
| Canistota | 2.51 | 2 |
| Crooks | 2.77 | 1 |
| Deadwood | 1.87 | 7 |
| Miller | 2.01 | 6 |
| Parkston | 2.12 | 4 |
| Gregory | 2.09 | 5 |

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

Salem had the third highest average household size in comparison to all the other communities at 2.25 persons. Similar to median age, a small average household size generally indicates an older population, people living alone, and fewer children in the community.

Crooks had the highest average household size at 2.77 persons.

Deadwood had the lowest average household size at 1.87.

Median Household Income in 2015

| Table 34 Comparison of Estimated Median Household Income in 2015 | | |
|---|--------------------------|-----------------------------------|
| City | Median Income - 2015 ACS | Rank 1 = Highest Median Income |
| Salem | \$49,750 | 3 |
| Canistota | \$50,882 | 2 |
| Crooks | \$82,054 | 1 |
| Deadwood | \$35,417 | 6 |
| Miller | \$41,193 | 4 |
| Parkston | \$39,609 | 5 |
| Gregory | \$30,294 | 7 |

Source: 2015 American Community Survey; Community Partners Research, Inc.

The American Community Survey issues estimates for the median income level for all households in each city. The most recent estimates are for 2015.

Salem had the third highest median income, at \$49,750. Crooks had the highest median household income at \$82,054.

Gregory had the lowest median income at \$30,294 and Deadwood had the second lowest median household income at \$35,417.

Median Home Value in 2015

| Table 35 Comparison of Estimated Median Home Values in 2015 | | |
|--|---|----------------------------------|
| City | Median Owner-Occupied Home Value - 2015 ACS | Rank 1 = Highest Median Value |
| Salem | \$88,000 | 3 |
| Canistota | \$73,000 | 6 |
| Crooks | \$156,100 | 1 |
| Deadwood | \$140,500 | 2 |
| Miller | \$83,900 | 4 |
| Parkston | \$75,400 | 5 |
| Gregory | \$57,000 | 7 |

Source: 2015 American Community Survey; Community Partners Research, Inc.

The 2015 American Community Survey contains an estimated median value for owner-occupied houses in each city.

Salem’s median home value ranked third among comparison communities, with a median of \$88,000. Values will often reflect the age, condition and quality of the unit, as well as demand.

The Cities of Crooks and Deadwood had the 1st and 2nd highest median home values, at \$156,100 and \$140,500, respectively.

Gregory had the lowest median value at \$57,000.

Percentage of Income Required for Home Ownership in 2015

| Table 36 Comparison of Estimated Median Ownership Costs in 2015 | | |
|--|--|--------------------------------------|
| City | Median Percentage of Household Income Applied to Home Ownership Costs - 2015 ACS | Rank 1 = Lowest Median Percentage |
| Salem | 14.2% | 3 |
| Canistota | 15.6% | 4 |
| Crooks | 16.9% | 6 |
| Deadwood | 25.7% | 7 |
| Miller | 12.6% | 1 |
| Parkston | 13.8% | 2 |
| Gregory | 16.4% | 5 |

Source: 2015 American Community Survey; Community Partners Research, Inc.

The American Community Survey collects information on household incomes as well as housing costs. An estimate is made of the median percentage of household income that is required for ownership costs.

Salem had the third lowest median percentage of income required for ownership, at 14.2%.

Miller had the lowest median percentage of income that was required for ownership at 12.6%.

Deadwood had the highest percentage of income applied to home ownership at 25.7%, followed by Crooks at 16.9%.

Median Gross Rent in 2015

| Table 37 Comparison of Estimated Median Gross Rent in 2015 | | |
|---|------------------------------|---------------------------------|
| City | Median Gross Rent - 2015 ACS | Rank 1 = Highest Median Rent |
| Salem | \$645 | 2 |
| Canistota | \$518 | 5 |
| Crooks | \$975 | 1 |
| Deadwood | \$524 | 4 |
| Miller | \$451 | 7 |
| Parkston | \$584 | 3 |
| Gregory | \$464 | 6 |

Source: 2015 American Community Survey; Community Partners Research, Inc.

The 2015 American Community Survey contains an estimated median for gross rent (rent plus tenant-paid utilities) in each city.

Salem’s median gross rent was the second highest of the comparison cities, at \$645 per month. The highest median gross rent levels were in Crooks, at \$975 per month.

Miller and Gregory had the lowest median gross rents among the comparison communities at \$451 and \$464, respectively.

Percentage of Income Needed for Rental Costs in 2015

| Table 38 Comparison of Estimated Median Renter Costs in 2015 | | |
|---|--|--------------------------------------|
| City | Median Percentage of Household Income Applied to Gross Rent - 2015 ACS | Rank 1 = Lowest Median Percentage |
| Salem | 24.5% | 4 |
| Canistota | 15.8% | 7 |
| Crooks | 21.3% | 6 |
| Deadwood | 25.7% | 3 |
| Miller | 23.6% | 5 |
| Parkston | 47.1% | 1 |
| Gregory | 29.4% | 2 |

Source: 2015 American Community Survey; Community Partners Research, Inc.

The American Community Survey collects information on household incomes as well as housing costs. An estimate is made of the median percentage of household income that is required for monthly rent. The goal of most affordable housing programs is to achieve a rent that requires less than 30% of household income. One comparison City, Parkston, required the median household to pay 30% or more of income for rental housing. Parkston was at 47.1%.

Salem was the fourth lowest of the comparison communities. In Salem, the median percentage of household income that was applied to housing costs was 24.5% in 2015.

Canistota had the most affordable rental housing, at 15.8% of income required for monthly rent.

Median Renter Household Income in 2015

| Table 39 Comparison of Estimated Median Renter Income in 2015 | | |
|--|--------------------------|-----------------------------------|
| City | Median Income - 2015 ACS | Rank 1 = Highest Median Income |
| Salem | \$29,688 | 3 |
| Canistota | \$34,531 | 2 |
| Crooks | \$62,917 | 1 |
| Deadwood | \$21,343 | 5 |
| Miller | \$28,409 | 4 |
| Parkston | \$16,360 | 7 |
| Gregory | \$17,552 | 6 |

Source: 2015 American Community Survey; Community Partners Research, Inc.

The American Community Survey issues estimates for the median income for all households in each city, based on owner or renter status. The most recent estimates are for 2015.

Salem ranked as the third highest renter median income, at \$29,688. Crooks had the highest renter median income at \$62,917.

Parkston had the lowest median renter household income at \$16,360.

Median Owner-Occupancy Household Income in 2015

| Table 40 Comparison of Estimated Owner Household Income in 2015 | | |
|--|--------------------------|-----------------------------------|
| City | Median Income - 2015 ACS | Rank 1 = Highest Median Income |
| Salem | \$62,500 | 3 |
| Canistota | \$54,271 | 5 |
| Crooks | \$83,750 | 1 |
| Deadwood | \$63,542 | 2 |
| Miller | \$55,625 | 4 |
| Parkston | \$49,688 | 6 |
| Gregory | \$42,917 | 7 |

Source: 2015 American Community Survey; Community Partners Research, Inc.

The American Community Survey issues estimates for the median income for all households in each city based on housing tenure. The most recent estimates are for 2015.

Salem ranked as the third highest median income for owner-occupants, at \$62,500.

Crooks had the highest median owner household income of the comparison cities, at \$83,750.

Gregory and Parkston had the lowest median owner household incomes of the comparison cities in 2015.

Median Year Built: Owner-Occupancy Housing

| Table 41 Median Year of Construction for Owner-Occupied Housing | | |
|--|------------------------------|---------------------------|
| City | Median Year Built - 2015 ACS | Rank 1 = Newest Median |
| Salem | 1958 | 2 |
| Canistota | 1952 | 6 |
| Crooks | 1991 | 1 |
| Deadwood | 1939 | 7 |
| Miller | 1954 | 5 |
| Parkston | 1956 | 4 |
| Gregory | 1957 | 3 |

Source: 2015 American Community Survey; Community Partners Research, Inc.

The American Community Survey issues estimates for the median year of construction for owned and rented housing units.

Salem had the second newest owner occupied housing among the comparison cities with 1958 as the median year built. Crooks had the newest median year built which was 1991.

Deadwood had the oldest housing stock with 1939 as the median year of construction.

Median Year Built: Renter-Occupancy Housing

| Table 42 Median Year of Construction for Renter-Occupied Housing | | |
|---|------------------------------|---------------------------|
| City | Median Year Built - 2015 ACS | Rank 1 = Newest Median |
| Salem | 1970 | 4 |
| Canistota | 1976 | 2 |
| Crooks | 1996 | 1 |
| Deadwood | 1947 | 7 |
| Miller | 1967 | 5 |
| Parkston | 1964 | 6 |
| Gregory | 1971 | 3 |

Source: 2015 American Community Survey; Community Partners Research, Inc.

The American Community Survey issues estimates for the median year of construction for owned and rented housing units.

For rental housing, Salem had the fourth-newest median age of the comparison communities. The median year of construction for renter-occupied units in Salem was 1970.

Crooks had the newest rental housing, with a median year of construction at 1996 for renter-occupied units.

Deadwood had the oldest housing stock with 1947 as the median year of construction for rental units.

Agencies and Resources

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

South Eastern Council of Governments

500 North Western Avenue, Suite 100
Sioux Falls, SD 57104
(605) 367-5390

South Eastern Development Foundation

500 North Western Avenue, Suite 100
Sioux Falls, SD 57104
(605) 367-5390

Grow South Dakota

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

South Dakota Housing Development Authority

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

USDA Rural Development

2408 East Benson Road
Sioux Falls, SD 57104
(605) 996-1564

Inter-Lakes Community Action Partnership

505 N. Western Ave.
Sioux Falls, SD 57104
(605) 334-2808