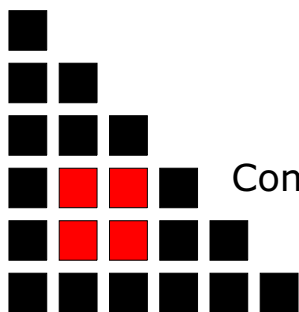


City of Sturgis HOUSING STUDY UPDATE

September 2019

An updated analysis of the overall housing needs
of the City of Sturgis, SD



Community Partners Research, Inc.

Faribault, MN 55021

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Introduction

Overview

Local elected and public officials are often held responsible for conditions and circumstances over which they have limited control. This is particularly true of housing. Most of the housing units in Sturgis 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 initially hired by the City of Sturgis and the Sturgis Economic Development Corporation in 2014 to conduct a study of the housing needs and conditions in the City. In 2019, Community Partners Research, Inc. was hired to update to this 2014 document.

Goals

The multiple goals of the study include:

- ▶ Provide updated demographic data from the 2014 Study
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet housing needs
- ▶ Examine future housing trends that the area can expect to address in the coming years
- ▶ Provide a market analysis for housing development
- ▶ Provide housing recommendations and findings

Methodology

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

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

- Interviews with City officials and staff
- Area and State housing agencies
- Interviews with developers and housing stakeholders
- Rental property surveys

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 Sturgis and Meade County. A primary data source is the U.S. Census Bureau, through the decennial census, the annual American Community Survey, and the annual population estimates program.

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

The Governor's Office of Economic Development provides demographic profile information for cities and counties supplied by Applied Geographic Solutions (AGS), a private company. Prior to using AGS, the State had utilized a similar provider, Esri, Inc., for demographic data. The analysts have examined both of these sources in some of the tables that follow for both current-year (2018) estimates and future projections (2023).

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

Population Data and Trends

Table 1 Population Trends - 1980 to 2018							
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2018 AGS Estimate
Sturgis	5,184	5,330	6,442	20.9%	6,627	2.9%	7,244
Meade Co.	20,717	21,878	24,253	10.9%	25,434	4.9%	28,377

Source: U.S. Census; Applied Geographic Solutions

- ▶ Two estimates exist for population levels in 2018. According to Applied Geographic Solutions, the City’s population was at 7,244 people. According to Esri, Sturgis had 7,232 people in 2018. These estimates are very similar and show the City adding more than 600 people since 2010, for an increase of more than 9%.
- ▶ An estimate for 2017 is available from the Census Bureau’s annual population estimates program. According to this source, there were 6,908 people living in Sturgis. The Census Bureau’s estimate is substantially lower, but does have an effective date that is one year earlier than AGS and Esri.
- ▶ Despite some differences that exist in the recent estimates for Sturgis, all three of the sources do show recent growth in the City’s population, continuing a long-term pattern. From 2000 to 2010, Sturgis’s population increased by 185 people, for a population gain of 2.9%.
- ▶ The recent estimates also show continued growth for all of Meade County. According to Applied Geographic Solutions, the County’s population was 28,377 people in 2018. Esri estimated that there were 28,369 people living in the County in 2018, a nearly identical level to AGS.
- ▶ At the County-level, Census Bureau estimates do exist for 2018. For all of Meade County, the Census Bureau showed 28,294 people in 2018, a very similar estimate to AGS and Esri.
- ▶ The 2018 estimates also continue the long-term pattern of population growth Countywide. Meade County’s population was 25,434 in 2010. This was a 1,181-person increase from 2000, which was a population gain of 4.9%.

Population Characteristics

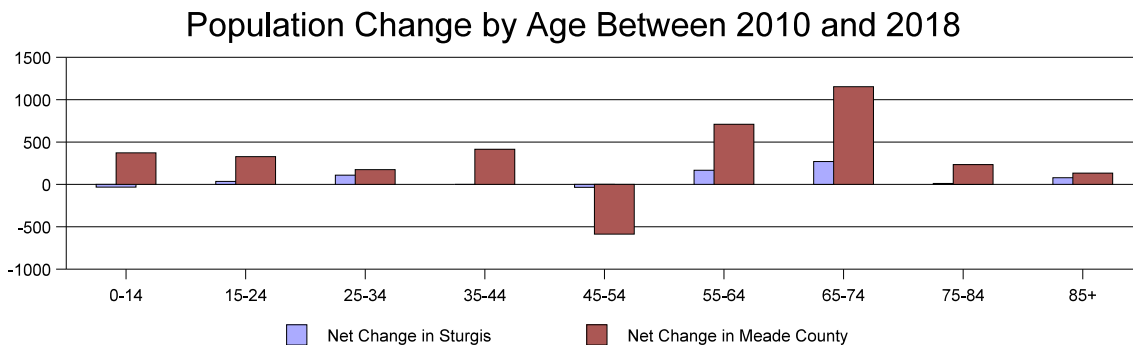
- ▶ The population of Sturgis is primarily White and non-Hispanic/Latino. At the time of the 2010 Census, approximately 94% of the City's residents identified their race as White, with the Native American population representing approximately 2.3% of the total. Asian residents were 0.4% and African Americans were 0.2% of the City's population in 2010. Approximately 2.6% of the residents were identified as Hispanic/Latino.
- ▶ According to the 2010 Census, 178 Sturgis residents lived in group quarters. Most all of these group quarters residents were living in skilled nursing facilities.

Population by Age Trends: 2010 to 2018

The 2018 population estimates from Applied Geographic Solutions include information on the age distribution of residents. However, this source uses broad age ranges, including grouping all senior citizens age 65 and older into a single group. As a result, the analysts have used the age-based estimates provided by Esri to compare the population by age in 2010 and 2018, along with the numeric changes. The following table shows these changes for Sturgis and Meade County.

Table 2 Population by Age - 2010 to 2018						
Age	Sturgis			Meade County		
	2010	2018	Change	2010	2018	Change
0-14	1,322	1,290	-32	5,445	5,818	373
15-19	427	417	-10	1,657	1,695	38
20-24	360	405	45	1,942	2,232	290
25-34	767	876	109	3,359	3,534	175
35-44	714	715	1	2,856	3,271	415
45-54	914	879	-35	3,821	3,234	-587
55-64	880	1,047	167	3,316	4,026	710
65-74	547	817	270	1,677	2,830	1,153
75-84	481	492	11	1,001	1,235	234
85+	215	294	79	360	494	134
Total	6,627	7,232	605	25,434	28,369	2,935

Source: U.S. Census; Esri



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

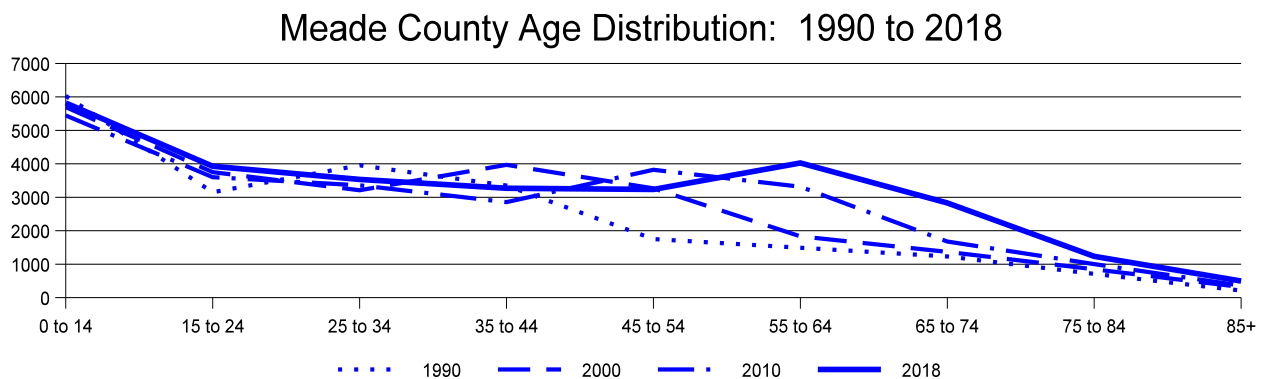
Between 2010 and 2018, Sturgis had a gain of 437 people and Meade County had a gain of 1,863 people in the age ranges between 55 and 74 years old. In 2018, nearly all of the baby boomers were within these age ranges.

The City of Sturgis also had an increase of 155 people in the 20 to 44 age ranges and a gain of 90 people in the 75 and older age ranges. Sturgis had a loss of 42 people in the 0 to 19 age ranges.

In addition to the population increase in the 55 to 74 age ranges from 2010 to 2018, Meade County had an increase of 1,291 people in the 0 to 44 age ranges and an increase of 368 people in the 75 and older age ranges.

Meade County had a loss of 587 people in the 45 to 54 age range.

The aging trends present in 2018 can be traced back over the previous decades to see the movement of the baby boom generation over the last 28 years in Meade County.



Population Projections

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

Table 3 Population Projections Through 2023						
	Applied Geographic Solutions			Esri		
	2018 Estimate	2023 Projection	Change 2018-2023	2018 Estimate	2023 Projection	Change 2018-2023
Sturgis	7,244	8,041	797	7,232	7,699	467
Meade County	28,377	31,829	3,452	28,369	30,480	2,111

Source: Applied Geographic Solutions; Esri

- ▶ Despite the similarity in current-year estimates for Sturgis in 2018, there is a wide variation in the projected population level by the year 2023.
- ▶ The Applied Geographic Solutions projection expects the City to add 797 people by 2023, or an annual average of 159 people per year.
- ▶ The Esri projection for Sturgis is forecasting that 467 residents will be added by 2023, or an annual average of 93 people per year.
- ▶ The differences between the projection sources also exist at the County level.
- ▶ Applied Geographic Solutions expects the County, including Sturgis, to add 3,452 people over the five-year time period, or an annual average of 690 people per year.
- ▶ Esri is once again more conservative and Sturgis is forecasting that Meade County will add 2,111 residents by 2023, or an annual average of 422 people per year.
- ▶ The State Data Center has also issued projections at the county level, but these are for the year 2025. The State believes that Meade County will have 27,805 people by the year 2025. This projection is substantially lower than the other available sources, even though it is for the year 2025. The State Data Center has not issued projections at the city level.

Household Data and Trends

Table 4 Household Trends - 1980 to 2018							
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2018 AGS
Sturgis	2,019	2,192	2,738	24.9%	2,916	6.5%	3,345
Meade Co.	6,364	7,084	8,805	24.3%	9,903	12.5%	11,585

Source: U.S. Census; AGS

- ▶ Household estimates for 2018 exist from both Applied Geographic Solutions and Esri. The Census Bureau does not issue annual household estimates.
- ▶ The AGS estimate showed 3,345 resident households in Sturgis, up by 429 households, or 14.7%, from the level reported in the 2010 Census.
- ▶ Esri’s estimate showed 3,211 households in Sturgis, up by 295 households, or 10.1% from the level reported in the 2010 Census.
- ▶ Despite the similarity in the 2018 population estimates from AGS and Esri, there is some difference in the level of household growth in Sturgis since 2010. If reduced to an annual average, AGS showed the City adding nearly 54 households per year during the current decade, while Esri showed an average of only 37 households per year.
- ▶ For all of Meade County, AGS showed an increase of 1,682 households since 2010, or a gain of nearly 17%. Esri showed 11,170 total households in 2018, for an increase of 1,267 households from 2010, for an increase of 12.8%.
- ▶ Although difference exists between these sources, both show strong growth since 2010, continuing a long-term pattern of household growth in Sturgis and Meade County. According to the U.S. Census, both Sturgis and Meade County gained households from 2000 to 2010, and in the 1990s and 1980s.

Household by Age Trends: 2010 to 2018

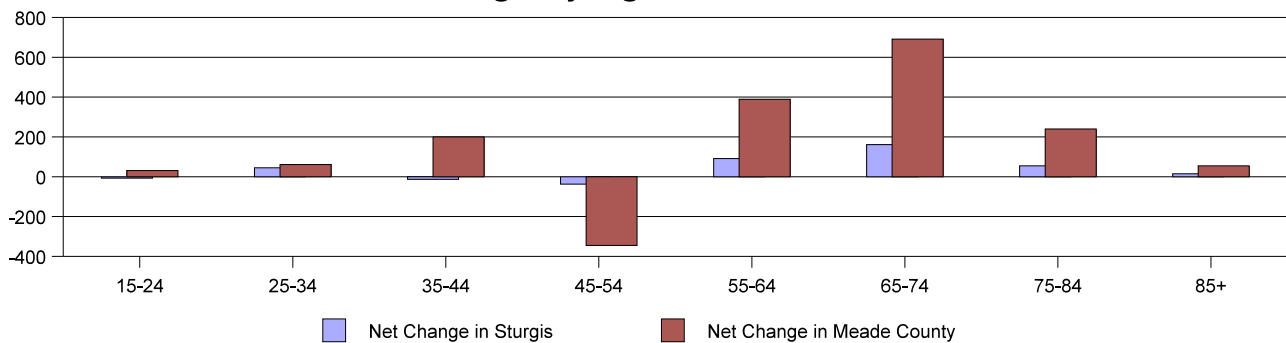
The demographic data profile that is available from AGS does not provide information on households by age. However, age-based estimates are available from Esri. The following table compares households by age in 2010 and 2018, along with the numeric changes. It is important to note that Esri’s total household count for Sturgis in 2018 was lower than the estimate from AGS.

Table 5 Households by Age - 2010 to 2018						
Age	Sturgis			Meade County		
	2010	2018	Change	2010	2018	Change
15-24	148	141	-7	629	660	31
25-34	378	423	45	1,605	1,666	61
35-44	419	406	-13	1,575	1,775	200
45-54	566	529	-37	2,160	1,815	-345
55-64	547	638	91	1,948	2,337	389
65-74	363	524	161	1,048	1,739	691
75+	495	550	55	938	1,178	240
Total	2,916	3,211	295	9,903	11,170	1,267

Source: U.S. Census; Esri

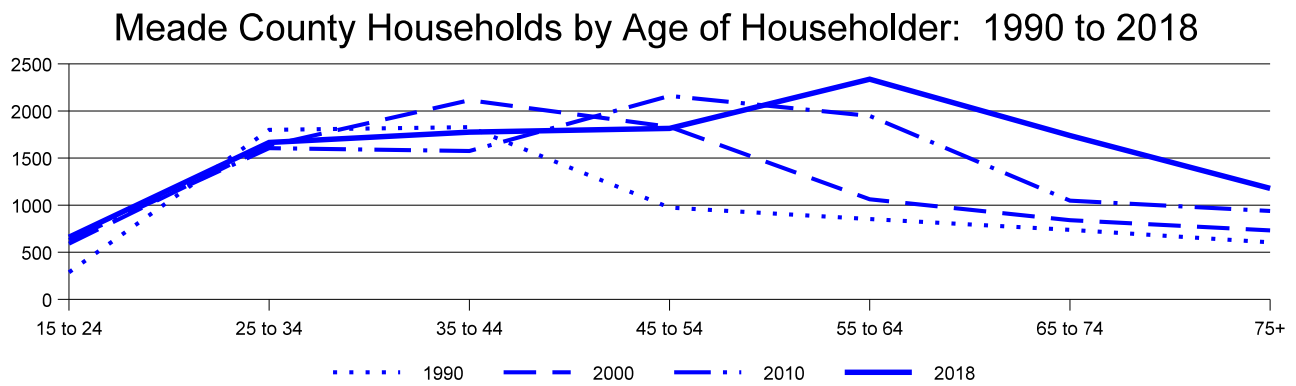
Consistent with the population by age data presented earlier, the household patterns show much of the change occurring in the baby boomer age groups. For all of Meade County there was an increase of 1,080 households in the 55 to 74 year age ranges, and in Sturgis there was a gain of 252 households in the 55 to 74 year old age ranges.

Household Change by Age Between 2010 and 2018



Sturgis also had an increase of 45 households in the 25 to 34 age range and an increase of 55 households in the 75 and older age range. Sturgis had a loss of seven households in the 15 to 24 age range and a loss of 50 households in the 35 to 54 age ranges. Meade County had household gains in all of the age ranges except the 45 to 54 age range, which had a loss of 345 households.

As with the longer-term patterns for population, it is possible to track the progression of the baby boomer households over the past 28 years in Meade County, using Census information for households by the age of householder.



Average Household Size

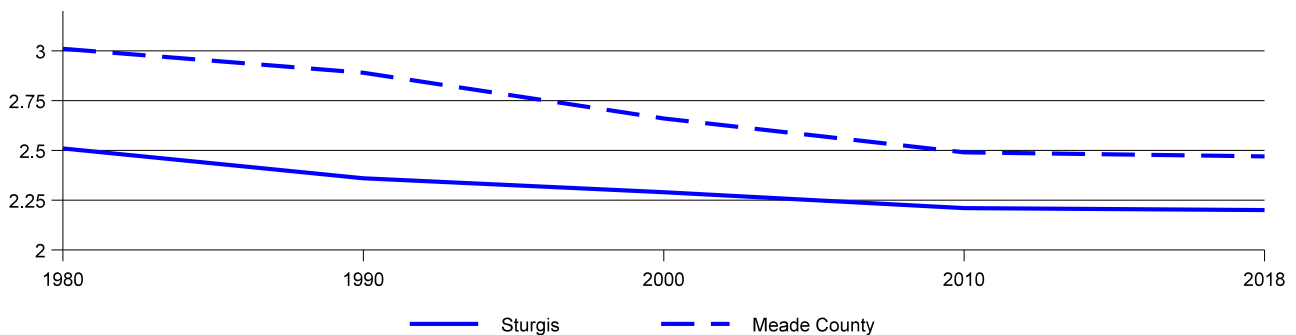
The following table provides decennial Census information on average household size, along with the 2018 estimate from Esri.

Table 6 Average Number of Persons Per Household: 1980 to 2018					
	1980 Census	1990 Census	2000 Census	2010 Census	2018 Esri
Sturgis	2.51	2.36	2.29	2.21	2.20
Meade County	3.01	2.89	2.66	2.49	2.47

Source: U.S. Census; Esri

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

Average Household Size: 1980 to 2018



Over time the average household size in Sturgis has decreased, from 2.51 in 1980 to 2.20 in 2018. Meade County’s average household size has also continued to decrease, from 3.01 in 1980 to 2.47 in 2018. However, the County’s average household size is still larger than in the City of Sturgis.

Although the Applied Geographic Solutions reports do not include an estimate on the group quarters population in the area, it would appear that this source shows an even smaller average household size than Esri. Assuming that the group quarters totals have remained stable since 2010, AGS would show an average household size of approximately 2.11 persons in Sturgis in 2018.

Household Projections

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

Table 7 Household Projections Through 2023						
	AGS			Esri		
	2018 Estimate	2023 Projection	Change	2018 Estimate	2023 Projection	Change
Sturgis	3,345	3,578	233	3,211	3,431	220
Meade County	11,585	12,520	935	11,170	12,062	892

Source: AGS, Esri

- ▶ As detailed earlier in this section, there is some difference in the population projections for Sturgis and Meade County between the two primary sources, Applied Geographic Solutions and Esri. However, for household forecasts, these sources have a more similar expectation. The differences in population appear to be linked to the number of people per household, as AGS is expecting more people to be living in the average household than Esri by the year 2023.
- ▶ For households in Sturgis, AGS is expecting growth of 233 households over the five-year projection period while Esri is forecasting that 220 households will be added. If viewed as an annual average, a range of between 44 and 47 households per year is projected.
- ▶ For all of Meade County, the two projection sources are also relatively similar. AGS is projection a gain of 935 households, while Esri is showing that 892 households will be added. If viewed as an annual average, a range of between 178 and 187 households per year is projected.
- ▶ It is important to note that the projected numeric growth going forward is generally similar, but Applied Geographic Solutions starts from a higher base-year (2018) estimate than Esri.

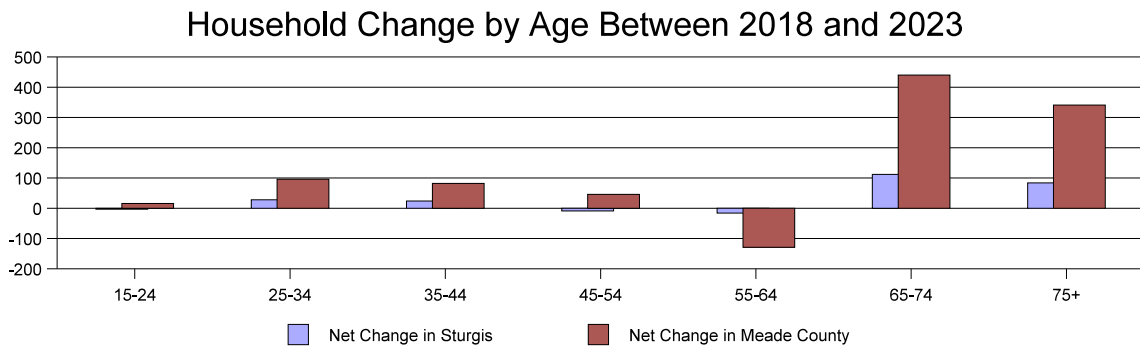
Household by Age Projections: 2018 to 2023

In addition to overall household forecasts, Esri has also generated age-based projections for households to the year 2023. These projections can be compared to the data contained in the 2018 Esri estimate to examine the change projected over the next few years. Age-based forecasts are provided for both Sturgis and for all of Meade County.

Table 8 Households by Age - 2018 to 2023						
Age	Sturgis			Meade County		
	2018	2023	Change	2018	2023	Change
15-24	141	138	-3	660	676	16
25-34	423	451	28	1,666	1,762	96
35-44	406	430	24	1,775	1,857	82
45-54	529	520	-9	1,815	1,861	46
55-64	638	622	-16	2,337	2,208	-129
65-74	524	636	112	1,739	2,179	440
75+	550	634	84	1,178	1,519	341
Total	3,211	3,431	220	11,170	12,062	892

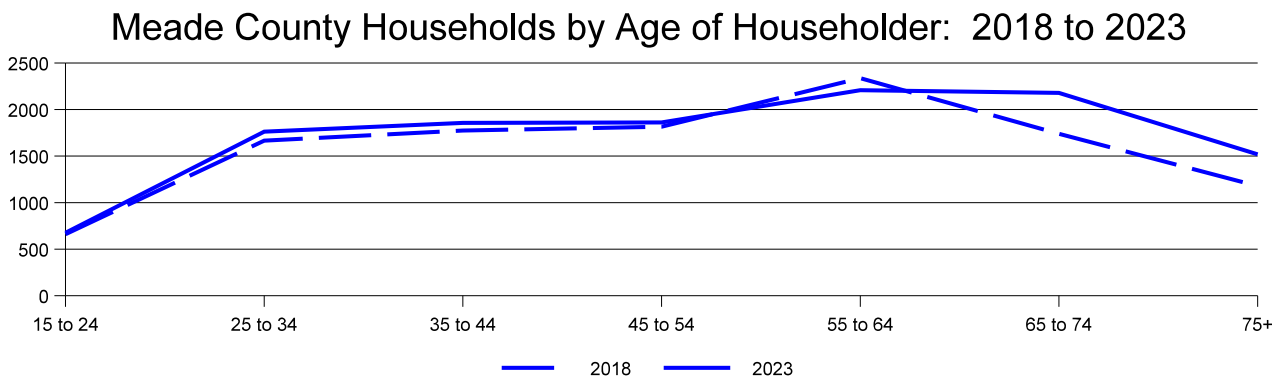
Source: Esri

According to Esri, most of the net growth in Sturgis through the year 2023 is expected among households age 65 and older. Some limited growth is also expected in the 20-year range between 25 and 44 years old, but overall, fewer than 25 additional households is forecast among households age 64 and younger. For the City, the single greatest change is projected in the 65 to 74 year old group, representing the advancement of the baby boom generation.



Somewhat similar patterns are also projected for all of Meade County. According to Esri, most of the countywide growth should be due to households age 65 and older through the year 2023. However, for the County, some growth is also expected in most of the non-senior age ranges, with the notable exception of households age 55 to 64 years old.

When grouped into larger ranges, Esri is projecting net growth of 111 households age 64 and younger, but growth of 781 households age 65 and older in Meade County between 2018 and 2023.



Housing Tenure

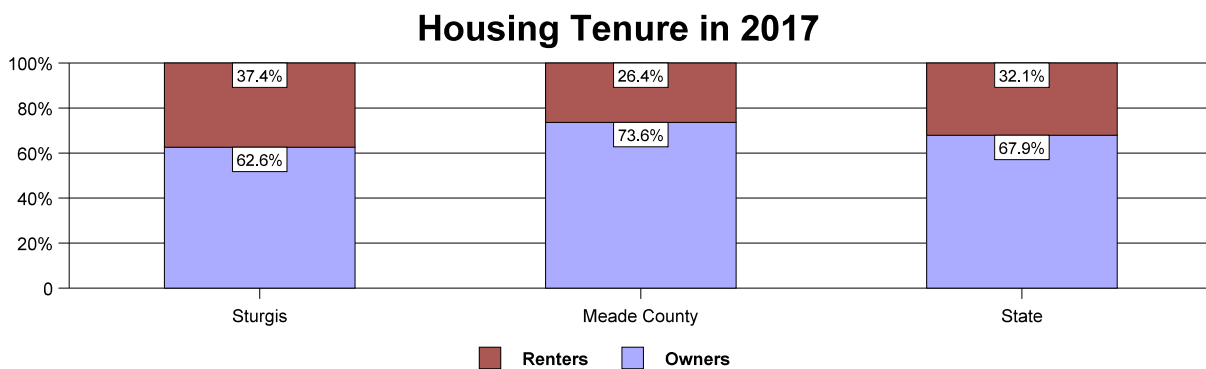
The 2010 Census and the 2017 American Community Survey have provided data on housing tenure patterns. The following tables examine overall tenure rates, along with the changes that have occurred from 2010 to 2017 for the City of Sturgis and Meade County.

Table 9 Household Tenure - 2017				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Sturgis	1,856	62.6%	1,109	37.4%
Meade Co.	8,117	73.6%	2,905	26.4%
State	230,657	67.9%	108,801	32.1%

Source: U.S. Census, ACS

According to the 2017 American Community Survey, the ownership tenure rate in Sturgis was 62.6%. Meade County’s ownership rate was 73.6%. Sturgis’ renter rate was 37.4% in 2017, which was above the Statewide renter rate of 32.1%.

Based on 2018 ESRI and AGS data, the American Community Survey has underestimated the number of households in Sturgis and Meade County. However, it is still a good indicator of housing tenure in the jurisdictions.



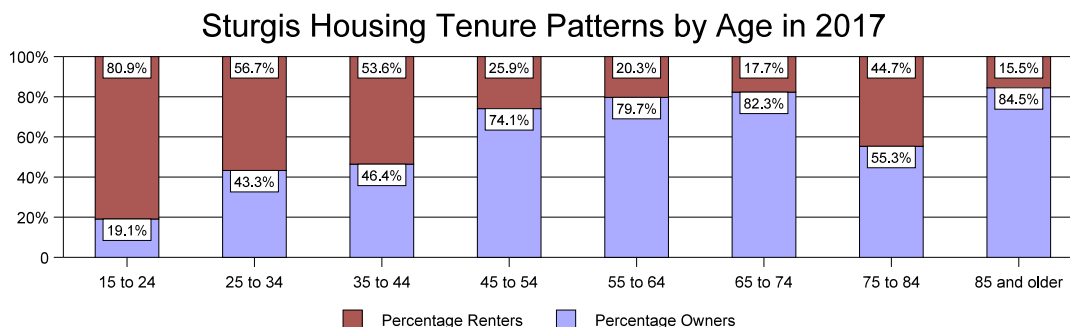
Tenure by Age of Householder

The 2017 American Community Survey provided information on the tenure distribution of households by age range. This table examines the number and percentage of renters and owners in each age group in Sturgis. The American Community Survey underestimated the number of owner and rental households in the City. However, the data is still a good indicator of tenure by age.

Table 10 Sturgis Tenure by Age of Householder - 2017				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	26	19.1%	110	80.9%
25-34	224	43.3%	293	56.7%
35-44	232	46.4%	268	53.6%
45-54	261	74.1%	91	25.9%
55-64	417	79.7%	106	20.3%
65-74	410	82.3%	88	17.7%
75-84	161	55.3%	130	44.7%
85+	125	84.5%	23	15.5%
Total	1,856	62.6%	1,109	37.4%

Source: American Community Survey

Within the defined age ranges, households in younger age ranges showed a greater preference for rental housing, while middle-aged and older adult households were primarily home owners. Approximately 81% of households age 24 and younger, 57% of the households in the 25 to 34 age range and 54% of the households in the 35 to 44 age range rented their unit. Ownership rates for each of the 10-year age cohorts age 45 and older were above 55%.



2017 Income Data

Median income estimates are available for cities and counties through the American Community Survey. The 2014 Study had presented estimates for the year 2012. In the following table, the 2017 estimates have been compared to the 2012 data to examine the changes over the previous five years.

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. Family incomes tend to be higher than the overall household median, as families have at least two household members, and potentially more income-earners.

Table 11 Median Income - 2012 to 2017			
	2012 Median	2017 Median	% Change
Households			
Sturgis	\$36,935	\$37,388	1.2%
Meade County	\$50,077	\$54,286	8.4%
South Dakota	\$46,369	\$54,126	16.7%
Families			
Sturgis	\$60,705	\$56,912	-6.2%
Meade County	\$61,526	\$64,536	4.9%
South Dakota	\$58,958	\$69,425	17.8%

Source: American Community Survey

Information contained in the American Community Survey shows Sturgis and Meade County household income growth and Meade County family income growth from 2012 to 2017. However, Sturgis' household income decreased from 2012 to 2017. Meade County's median household income was above the State median, while the Sturgis median household income was significantly below the State median. The median family incomes for Sturgis and Meade County were below the family median income for all of South Dakota.

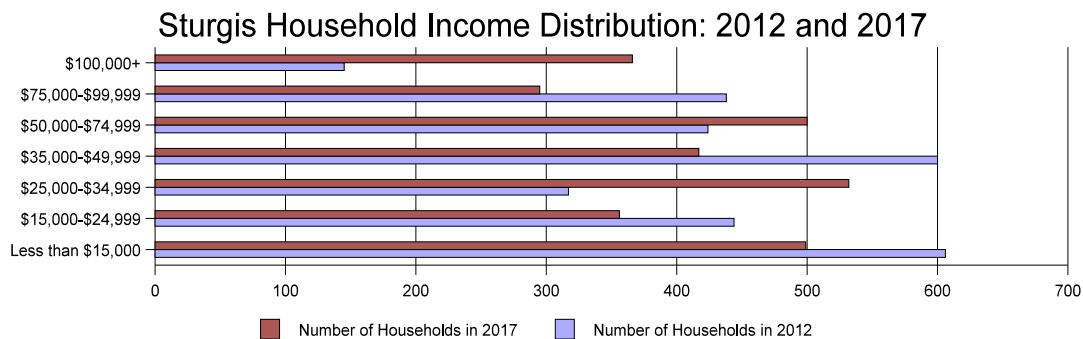
Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Sturgis could afford approximately \$934 per month for ownership or rental housing in 2017. A median income family could afford approximately \$1,423 per month for housing. However, as will be detailed later in this section, renter households tend to be below the overall median, while owner households tend to be above the overall median income level.

Sturgis Household Income Distribution

The 2017 American Community Survey household income estimates for the City of Sturgis can be compared to the same distribution information from 2012 to examine changes that have occurred over the previous five years.

Table 12 Sturgis Household Income Distribution - 2012 to 2017			
Household Income	Number of Households 2012	Number of Households in 2017	Change 2012 to 2017
\$0 - \$14,999	606	499	-107
\$15,000 - \$24,999	444	356	-88
\$25,000 - \$34,999	317	532	215
\$35,000 - \$49,999	600	417	-183
\$50,000 - \$74,999	424	500	76
\$75,000 - \$99,999	438	295	-143
\$100,000+	145	366	221
Total	2,974	2,965	-9

Source: ACS



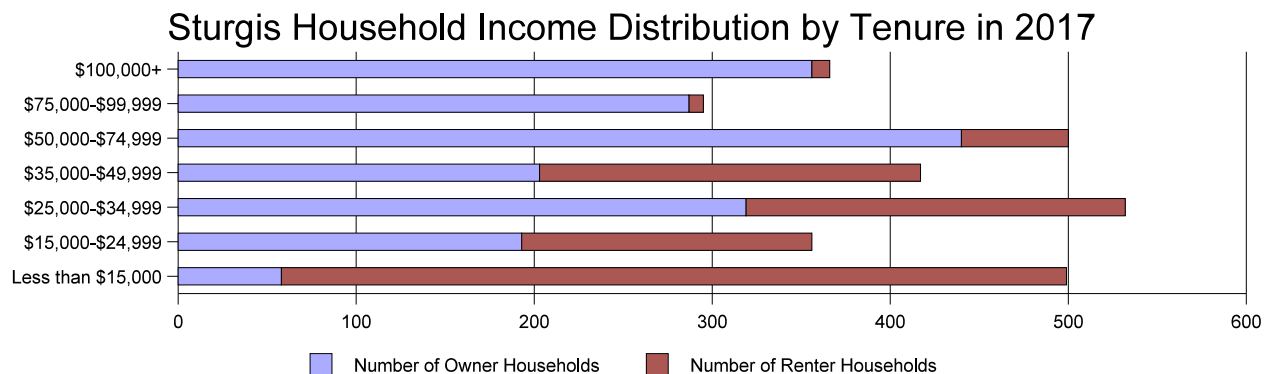
The 2017 American Community Survey underestimated the number of households in Sturgis, however, the data is still a good indicator of income distribution in Sturgis. According to income estimates contained in the 2017 American Community Survey, household incomes have improved in Sturgis. When compared to the 2012 income, the number of households with an income of \$50,000, or more, increased by a net 154 households. Conversely, there was a net decrease of 163 households with incomes less than \$50,000. However, there are still 855 households in Sturgis that have an annual income below \$25,000, which is approximately 29% of the households in Sturgis.

Sturgis Income Distribution by Housing Tenure

The 2017 American Community Survey provides an income estimate by owner and renter status. The following table examines income distribution within the City of Sturgis. The American Community Survey is an estimate, based on limited sampling data, and it appears that the American Community Survey has underestimated the number of owner and renter households in Sturgis in 2017.

Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	58/11.6%	441/88.4%	499
\$15,000 - \$24,999	193/54.2%	163/45.8%	356
\$25,000 - \$34,999	319/60.0%	213/40.0%	532
\$35,000 - \$49,999	203/48.7%	214/51.3%	417
\$50,000 - \$74,999	440/88.0%	60/12.0%	500
\$75,000 - \$99,999	287/97.3%	8/2.7%	295
\$100,000+	356/97.3%	10/2.7%	366
Total	1,856/62.6%	1,109/37.4%	2,965

Source: American Community Survey



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

In 2017, approximately 74% of all renter households in Sturgis had an annual income below \$35,000. At 30% of income, these households would have \$875, or less, that could be applied to monthly housing costs.

Conversely, a majority of the owner households had a substantially higher income level. Approximately 58% of all owner households had an annual income of \$50,000 or more. At 30% of income, these owners could afford \$1,250 or more per month for housing costs.

2017 Estimated Income and Housing Costs - Renters

The American Community Survey 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 Sturgis.

Table 14 Gross Rent as a Percentage of Household Income - 2017			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	115/13.3%	38/15.8%	153/13.8%
20% to 29.9%	287/33.0%	176/73.0%	463/41.8%
30% to 34.9%	170/19.6%	14/5.8%	184/16.6%
35% or more	296/34.1%	13/5.4%	309/27.8%
Not Computed	0/0%	0/0%	0/0%
Total	868/100%	241/100%	1,109/100%

Source: American Community Survey

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”.

According to the 2017 American Community Survey, approximately 44% of all renter households in the City were paying 30% or more of their income for rent. Of the households paying 30% or more, approximately 63% were actually paying 35% or more of their income for housing.

Although a housing cost burden could be caused by either high housing costs or low household income, in Sturgis it was primarily due to low income levels for renters. Approximately 55% of the renter households with a housing cost burden had an annual household income below \$25,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$625 or less.

Senior citizen renters (age 65 and older) represented approximately 5% of all households with a rental cost burden. Households in the age ranges between 15 and 64 years old represented approximately 95% of all households with a rental cost burden.

2017 Estimated Income and Housing Costs - Owners

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

Table 15 Ownership Costs as a Percentage of Income - Sturgis		
Percentage of Household Income for Housing Costs	Number of Owner Households 2017	Percent of All Owner Households 2017
0% to 19.9%	1,073	57.8%
20% to 29.9%	400	21.6%
30% to 34.9%	162	8.7%
35% or more	221	11.9%
Not Computed	0	0%
Total	1,856	100%

Source: American Community Survey

Based on the 2017 American Community Survey, most owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 21% of all home owners reported that they paid more than 30% of their income for housing. Of the households paying 30% or more for housing, approximately 58% were actually paying more than 35% of income for housing costs.

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

Building Permit Trends

Sturgis has had a significant amount of new housing construction activity in recent years. The following table identifies the units that have been issued a building permit since the year 2001.

Table 16 Sturgis Housing Unit Construction Activity: 2001 to 2019			
Year	Single Family Detached	Multifamily (includes twinhomes/twinhomes)	Total Units
2019*	23	6	29
2018	40	4	44
2017	27	12	39
2016	30	24	54
2015	19	16	35
2014	9	0	9
2013	11	33	44
2012	9	2	11
2011	6	0	6
2010	4	0	4
2009	13	32	45
2008	13	4	17
2007	14	0	14
2006	20	2	22
2005	27	6	33
2004	61	10	71
2003	23	7	30
2002	14	0	14
2001	19	0	19
TOTAL	382	158	540

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

*2019 data is through Sept. 6

Over the past 19 years, 540 new housing units have been constructed in Sturgis, based on building permit issuance. A majority of these units are identified as single family homes, but 158 multifamily units have also been added, including twin homes, small rental buildings, large rental buildings, and a 33-bed assisted living project that was built in 2013.

During the six-year period, from 2001 to 2006, the City averaged approximately 32 new units per year. Housing construction activity slowed and the City averaged approximately 20 new housing units per year during the seven-year period from 2007 to 2013.

During the five-year period from 2015 to September 6, 2019, the City has averaged 40 new housing units annually.

Existing Home Sales

This section examines houses that were sold in Sturgis from 2011 through 2018, the last full year of data. The sales records were obtained from the SD Department of Revue website, presenting information supplied by the Meade 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 County's sales ratio year differs slightly from the calendar year. It begins on November 1st and ends the following October 31st.

Table 17 Sturgis Residential Sales Activity - 2011 to 2018

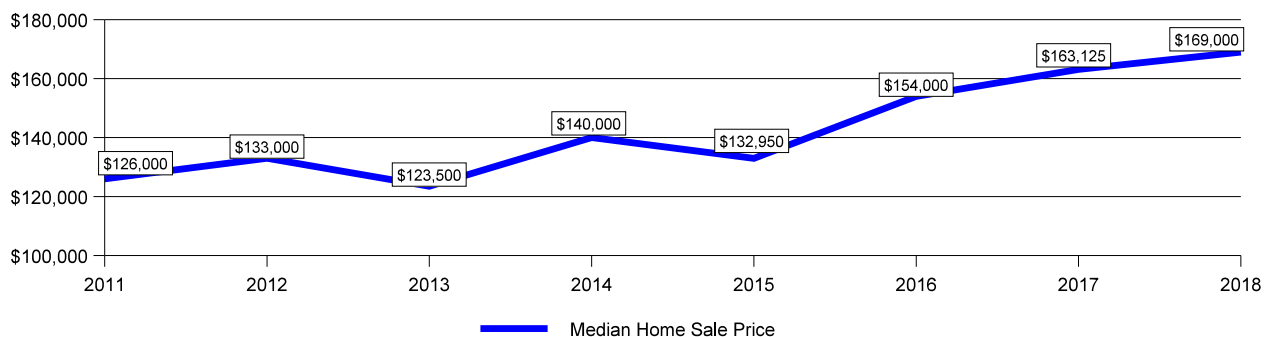
Sales Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2018	134	\$169,000	\$400,000	\$35,000
2017	128	\$163,125	\$335,000	\$5,000
2016	101	\$154,000	\$325,000	\$42,000
2015	119	\$132,950	\$410,000	\$27,000
2014	105	\$140,000	\$415,000	\$20,287
2013	106	\$123,500	\$325,000	\$19,500
2012	78	\$133,000	\$280,000	\$15,000
2011	67	\$126,000	\$325,000	\$42,500

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

After a reduced volume of good residential sales in 2011 and 2012, the number of open market transactions has exceeded 100 sales per year in Sturgis over the past six years. In 2013, there were 134 good sales in the City.

For 2018, the median sales price was \$169,000, up by nearly \$6,000 from 2017. Since 2016, the median sales price in the City has been above \$150,000.

Over the last six years, at least one house has been sold for \$325,000 or more each year. There has also been at least one home sold for less than \$43,000.

Median Home Sale Price: 2011 to 2018

Home Sales by Price Range

The following table looks at single family houses that sold within defined price ranges in the 2018 sales period. There were 134 good “arms length” sales over this period.

Table 18 Sturgis Home Sales by Price Range: 2018		
Sale Price	Number of Sales	Percent of Sales
Less than \$50,000	1	0.7%
\$50,000 - \$99,999	15	11.2%
\$100,000 - \$124,999	17	12.7%
\$125,000 - \$149,999	15	11.2%
\$150,000 - \$174,999	26	19.4%
\$175,000 - \$199,999	23	17.2%
\$200,000 - \$224,999	8	6.0%
\$225,000 - \$249,999	8	6.0%
\$250,000 - \$299,999	12	9.0%
\$300,000+	9	6.7%
Total	134	100%

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

Recent home sales in Sturgis have been distributed in different price ranges. However, in 2018, more than 60% of the sales were in a range between \$100,000 and \$199,999.

Overall, fewer than 12% of the sales were for less than \$100,000. Approximately 28% sold for \$200,000 or more, including nine houses that sold for \$300,000 or more.

Rental Housing Data

Census Bureau Rental Inventory

According to the 2010 U.S. Census, there were 1,099 occupied rental units and 49 unoccupied rental units in Sturgis, for a total estimated rental inventory of 1,148 units. The City's rental tenure rate was 37.7%, above the Statewide rental rate of 31.9% in 2010.

Since the 2010 U.S. Census, a total of 69 rental units have been constructed in Sturgis, which includes two 16-plexes, a four-plex and 33 senior assisted living units. Therefore, we are estimating that in 2019 there are approximately 1,217 rental units in Sturgis and the rental tenure rate is 37.4%.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily projects in the City of Sturgis. The survey was primarily conducted during the months of June and July, 2019. Emphasis was placed on contacting properties that have six or more units. For the purposes of planning additional projects in the future, multifamily properties represent the best comparison of market potential. However, some duplexes, single family homes and mobile homes were also surveyed.

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

There were 682 housing units/beds of all types that were contacted in the survey. Based on our research, all of the subsidized and senior with services rental projects were surveyed. A significant percentage of market rate multifamily projects were also contacted. We also surveyed the 84-bed nursing home.

The units that were successfully contacted include:

- ▶ 209 market rate units
- ▶ 386 federally subsidized units
- ▶ 87 senior with services units/beds
- ▶ 84 nursing home beds

The findings of the survey are provided below.

Market Rate Summary

Information was obtained on 209 market rate rental units. The rental projects and units surveyed include 16-plexes, 12-plexes, 8-plexes, 4-plexes, duplexes, townhomes, single family homes and mobile homes.

Unit Mix

Bedroom mix information was obtained on 202 market rate units. The bedroom mix breakdown is as follows:

- ▶ One-bedroom - 14 (6.9%)
- ▶ Two-bedroom - 137 (67.8%)
- ▶ Three-bedroom - 40 (19.8%)
- ▶ Four-bedroom - 11 (5.5%)

Occupancy / Vacancy

Within the market rate multifamily segment, the managers and owners reported four vacancies of the 209 units surveyed. This represents a vacancy rate of 1.9%. Most of the managers and owners reported high demand for rental units and daily calls from people seeking rental units. At the time of the 2014 Sturgis Housing Study, the vacancy rate for market rate rental units was 0.7%.

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. Gross rents are included for all types of rental units including multi-family units and single family homes.

The following gross rent ranges have been identified based on information from the telephone survey.

<u>Unit Type</u>	<u>Median Gross Rent Range</u>
One-bedroom	\$550-\$650
Two-bedroom	\$625-\$1,350
Three-bedroom	\$775-\$1,400
Four-bedroom	\$1,350-\$1,600

No rental projects that we surveyed had efficiency units.

Tax Credit Summary

Five rental projects in Sturgis were constructed utilizing tax credits. However, these projects also utilized USDA Rural Development funds or HUD HOME funds. We have included these projects in the following subsidized section. We are not aware of any rental projects in Sturgis that were constructed utilizing only the tax credit program.

Subsidized Summary

The research completed for this Study identified nine subsidized projects providing rental opportunities for lower income households. These projects have a combined 386 units. Five of the projects are general occupancy housing with 216 units and four projects are senior/disabled occupancy with 170 units. The subsidized projects were developed in Sturgis utilizing USDA Rural Development funds, HUD Section 8, HUD Public Housing, HUD HOME funds, low income housing tax credits, or a combination of these funding sources.

The nine subsidized rental projects include:

- ▶ **Heritage Acres I & II** - Heritage I & II is a 72-unit USDA Rural Development senior/disabled project constructed in the late 1980s. There are 48 one-bedroom and 24 two-bedroom units.
- ▶ **Heritage Acres III** - Heritage Acres III is a 34-unit HUD senior/disabled project constructed in 1994. There are 30 one-bedroom and four two-bedroom units.
- ▶ **Heritage Acres III LP** - Heritage Acres III LP is a 32-unit USDA Rural Development senior/disabled project constructed in 1998. Home funds and low income tax credits were also utilized to construct the project. There are 28 one-bedroom and four two-bedroom units.
- ▶ **Heritage Acres IV LP** - Heritage Acres IV LP is a 32-unit USDA Rural Development Project constructed in 2009. Home funds and low income tax credits were also utilized to construct the project. There are 28 one-bedroom and four two-bedroom units.

- ▶ **Bluff's Edge Apartments** - Bluff's Edge Apartments is a 24-unit USDA Rural Development general occupancy project constructed in 1994. The project also utilized low income tax credits to construct the units. There are four one-bedroom, 14 two-bedroom and six three-bedroom units.
- ▶ **Butte Ridge Apartments** - Butte Ridge Apartments is a 56-unit USDA Rural Development General Occupancy project constructed in 1994. The project was renovated in 2005. In addition to Rural Development funding, the project has also received HOME funds. There are three one-bedroom and 53 two-bedroom units.
- ▶ **Hillsview High Rise** - Hillsview High Rise is an 80-unit HUD Public Housing general occupancy project constructed in 1976. The project was originally a senior/disabled project, but converted to general occupancy. There are 78 one-bedroom and two two-bedroom unit.
- ▶ **Hunters Run** - Hunters Run is a 24-unit townhouse general occupancy project constructed in 1998. The project utilized Home funding and low income tax credits to construct the units.
- ▶ **Key City Manor** - Key City Manor is a 32-unit HUD Section 8 general occupancy project constructed in 1970. The project has 16 efficiency and 16 one-bedroom units.

Rental Rates

The City's subsidized units have access to project-based rent assistance. These units charge rent based on 30% of the tenant's household income. The subsidized projects have a market rent and tenants do not pay more than the market rent. However, a very high percentage of tenants in the subsidized projects pay less than the market rent, as 30% of their income is less than the market rent.

Unit Mix

The bedroom mix breakdown of the 386 subsidized housing units in Sturgis is as follows:

- ▶ Efficiency -16 (4.2%)
- ▶ One-bedroom - 235 (60.9%)
- ▶ Two-bedroom - 116 (30.0%)
- ▶ Three-bedroom - 19 (4.9%)

Occupancy / Vacancy

There were 12 vacant units that were identified in the 386 subsidized units, which is a 3.1% vacancy rate. Butte Ridge Apartments had three vacancies, Hillsvie High Rise had four vacancies, Key City Manor had two vacancies, Heritage Acres IV LP had two vacancies and Hunters Run had one vacancy. Four subsidized projects had no vacancies.

At the time of the 2014 Housing Study, the vacancy rate in subsidized housing in Sturgis was at 4.2%.

Subsidized Housing Gains/Losses

Federal subsidy sources for low income rental housing have been very limited for the past few decades. Most subsidized projects were constructed in the 1960s, 1970s or 1980s. Some of these older projects may have completed their compliance requirements and have the opportunity to leave their subsidy program and convert to conventional rental housing. Since the 2014 Sturgis Housing Study, two subsidized projects with a total of 65 units have opted out of their subsidy programs. Sherman Street Apartments was an eight-unit USDA Rural Development Project that has converted to market rate. Northgate Community Homes was a 57-unit HUD Section 8 project that has converted to 50 owner occupied units and seven market rate rental units.

Housing Choice Vouchers

In addition to subsidized rental projects, Sturgis and Meade County households have access to the Housing Choice Voucher Program. The Meade County Housing and Redevelopment Commission administers the Housing Voucher Program in Sturgis and Meade County.

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

Currently, the Meade County Housing and Redevelopment Commission has funding for approximately 214 Vouchers in Meade County, including a set aside of Vouchers for Veterans. Most of these Vouchers are being utilized by Sturgis households. The waiting list for a Voucher is approximately one year.

Senior Housing with Services

Sturgis has six senior with services projects with a total of 171 beds. Four facilities with 81 beds are licensed as Assisted Living Centers, one facility with six beds is registered as a Residential Living Facility and one facility with 84 beds is a skilled nursing home.

The six senior with services projects include:

- ▶ **Aspen Grove Assisted Living** - Aspen Grove Assisted Living has 40 beds in 33 units. The facility was constructed in 2013.
- ▶ **Dakota Hills Assisted Living Center** - Dakota Hills Assisted Living Center is a nine-bed assisted living facility for senior men.
- ▶ **Foothills Assisted Living** - Foothills Assisted Living is a 16-bed assisted living facility that provides the full array of assisted living services.
- ▶ **Key City Retirement Home** - Key City Retirement Home is a 16-bed assisted living facility that provides the full array of assisted living services.
- ▶ **Mountain View** - Mountain View is a six-bed Residential Living facility that provides meals, laundry services, etc.
- ▶ **Sturgis Regional Senior Care** - Sturgis Regional Senior Care is an 84-bed skilled nursing home.

Occupancy/Vacancy

At the time of the survey, Key City Retirement Home reported one vacant bed and Mountain View reported two vacant beds. Sturgis Regional Senior Care reported that the facility had multiple vacancies. Aspen Grove Assisted Living, the Dakota Hills Assisted Living Center and Foothills Assisted Living reported full occupancy.

Table 18 Sturgis Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Jenter Properties	<u>32 - 2 Bedroom</u> 32 Total Units	\$650 upper \$700 lower +utilities	Two vacancies	General occupancy	Jenter Properties include 32 units in one eight-plex and two 12-plexes. Buildings are approximately 20 years old. Some units have garages included. All 32 units are two-bedroom. Main floor rents are \$700 with a garage and second floor unit rents are \$650 without a garage. Tenants pay utilities. Manager reports two vacant units at the time of the survey.
4 th Street Apartments	2 - 2 Bedroom <u>4 - 3 Bedroom</u> 6 Total Units	\$750 \$800 +utilities except water	No vacancies	General occupancy	4 th Street Apartments is a six-plex with two two-bedroom and four three-bedroom units. The owner reported no vacancies at the time of the survey. Tenants pay utilities except water.
Lazelle & 8 th 8-plex	1 - 1 Bedroom <u>7 - 2 Bedroom</u> 8 Total Units	\$500 \$575 +electric	No vacancies	General occupancy	Eight-plex with one one-bedroom and seven two-bedroom units. Rent is \$500 for the one-bedroom unit and \$575 for the two-bedroom units. Rent includes all utilities except electricity. Manager reports no vacancies.
Philfask Investments 8-plexes	2 - 1 Bedroom <u>14 - 2 Bedroom</u> 16 Total Units	\$475 \$550-\$575 +electric	No vacancies	General occupancy	Two 8-plexes with two one-bedroom and 14 one-bedroom units. Rent is \$475 for a one-bedroom unit and \$550 to \$575 for a two-bedroom unit. Rent includes all utilities except electricity. Owner reports no vacancies. Manager reported one vacant unit at the time of the survey.
J & C Schreiner Apartments	<u>16 - 2 Bedroom</u> 16 Total Units	\$550 +heat, electric	No vacancies	General occupancy	J & C Schreiner Apartments includes two 8-plexes. All 16 units are two-bedroom. Rent is \$550 per month. Tenants pay heat and electricity. Owner pays water, sewer, garbage. Owner reported no vacancies at the time of the survey.

Table 18 Sturgis Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
1308 Davenport 8-plex	<u>8 - 2 Bedroom</u> 8 Total Units	\$550 +heat, electric	No vacancies	General occupancy	8-plex - all units are two bedroom. Rent is \$550. Tenants pay heat and electricity. Owner pays water, sewer, garbage. Owner reported no vacancies at the time of the survey.
Main Street 4-plex	<u>4 - 2 Bedroom</u> 4 Total Units	\$560-\$575 +electric	No vacancies	General occupancy	Four-plex - All units are two-bedroom. Rent is \$560-\$575 plus heat and electricity. Owner reported no vacancies at the time of the survey.
Hi-lo Holdings Properties	2 - 2 Bedroom 6 - 3 Bedroom <u>1 - 4 Bedroom</u> 9 Total Units	\$575-\$725 \$650-\$850 \$1,100 +utilities	No vacancies	General occupancy	Nine single family homes, four of the homes are mobile homes. Rents range from \$575 to \$1,100. Tenants pay all utilities. Owner reports that all of the homes are fully occupied.
Townhomes managed by Properties Unlimited	<u>9 - 2 Bedroom</u> 9 Total Units	\$825 +utilities	No vacancies	General occupancy	Nine two-bedroom townhomes with one bath and garage. Rent is \$825 plus utilities. Townhomes range from 10 to 18 years old. Manager reports no vacancies.
Single family homes managed by Properties Unlimited	2 - 1 Bedroom 2 - 2 Bedroom <u>1 - 4 Bedroom</u> 5 Total Units	\$475-\$600 \$650 \$1,100 +utilities	No vacancies	General occupancy	Five single family homes including two one-bedroom, two two-bedroom and one four-bedroom. Tenants pay utilities. Manager reports no vacancies.
Duplex 1400-1402 Meade Ave.	<u>2 - Bedroom</u> 2 Total Units	\$575 +utilities	No vacancies	General occupancy	Duplex with two two-bedroom units on Meade Ave. Rent is \$575 plus utilities. The manager reported no vacancies at the time of the survey.
Duplex 2009 Lazelle Ave.	<u>2 - 2 Bedroom</u> 2 Total Units	\$800 +utilities	No vacancies	General occupancy	Duplex with two two-bedroom units on Lazelle Ave. Rent is \$800 plus utilities. The units include garages. The manager reported no vacancies at the time of the survey.

Table 18 Sturgis Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Smith Properties	<u>2 - 3 Bedroom</u> 2 Total Units	\$850-\$1,000 + heat and electricity	No vacancies	General occupancy	Smith Properties includes two three-bedroom homes. Rents are \$850-\$1,000. Tenants also pay heat and electricity. The owner pays water, sewer and garbage. The owner pays water, sewer and garbage. The owner reported that both homes were occupied at the time of the survey.
Bradley Properties	<u>6 - 2 Bedroom</u> 6 Total Units	\$600 +utilities	No vacancies	General occupancy	Bradley Properties includes a 4-plex on William St. and a duplex on Meade Ave. All six units have two bedrooms. The rent for all of the units is \$600 plus utilities. The owner reported no vacancies at the time of the survey.
Reiman Properties	1 - 1 Bedroom 5 - 3 Bedroom <u>1 - 4 Bedroom</u> 1 - 6 Total Units	\$450 \$700-\$900 \$1,600	No vacancies	General occupancy	Reiman Properties includes three single family homes, two mobile homes and one duplex. Rents are \$450 for the one-bedroom, \$700 to \$900 for a three-bedroom. The four-bedroom home is \$1,600, which includes utilities and is a very high quality home.
Empty Brass Outfitter Duplex	<u>2 -2 Bedroom</u> 2 Total Units	\$500 +electric	No vacancies	General occupancy	Empty Brass Outfitters is a duplex with two two-bedroom units. Rent is \$500 plus electricity. The manager reports no vacancies.
PF Properties Mobile Homes	<u>9 - 3 Bedroom</u> 9 Total Units	\$700-\$800 +electric	No vacancies	General occupancy	PF Properties Mobile Homes includes nine three-bedroom/2 bath mobile homes. Rents range from \$700 to \$800 plus electricity. The manager reports no vacancies.

Table 18 Sturgis Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Philfask Investments Properties	2 - 2 Bedroom 1 - 3 Bedroom 3 Total Units	\$600-\$675 \$800 +utilities	No vacancies	General occupancy	Philfask Investments Properties includes a duplex with two two-bedroom units and a three-bedroom/two-bath mobile home. Rent is \$600 for one two-bedroom duplex unit and \$675 for one two-bedroom unit plus utilities. The rent for the three-bedroom mobile home is \$800 plus utilities. At the time of the survey, the units were fully occupied.
Rubel Homes	5 - 2 Bedroom 8 - 3 Bedroom 2 - 4 Bedroom 15 Total Units	\$575-\$1,150 \$650-\$1,100 \$800-\$1,200	1 vacancy	General occupancy	Fifteen homes managed by Connie Rubel. The homes include five two-bedroom, eight three-bedroom and two four-bedroom. Rents range from \$575 to \$1,200. Tenants also pay utilities. Tenants vacate during the Rally. The manager reported one vacancy at the time of the survey.
Sierra Vista Apartments	15 - 2 bed/1 bath 7 - 2 bed/2 bath 3 - 3 bed/1 bath 1 - 3 bed/2 bath 6 - 4 bed/2 bath 32 Total Units	Rents range from \$825 to \$1,200 +heat and electricity	No vacancies	General occupancy	Sierra Vista Apartments includes two 16-unit buildings constructed in 2015 and 2016. The units include two, three and four-bedroom. The rents range from \$825 to \$1,200 plus heat and electricity. The manager reported no vacancies at the time of the survey.
444 E. Main St. & 1853 Pine	2 two-bedroom <u>single family homes</u> 2 Total	\$600 +heat, electricity	No vacancies	General occupancy	Two two-bedroom single family homes. Rent is \$600 plus heat and electricity. Owner pays water, sewer, garbage. The owner reported no vacancies at the time of the survey.
Sherman Street Apartments	8 - 1 Bedroom 8 Total Units	\$550	Two vacancies	General occupancy	Sherman Street Apartments was a USDA Rural Development Senior/Disabled project that has converted to a general occupancy market rate project. The project has eight one-bedroom units. Project was constructed in 1984. The manager reports two vacancies at the time of the survey.

Table 18 Sturgis Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized - Senior/Disabled					
Heritage Acres I & II	48 - 1 Bedroom 24 - 2 Bedroom 72 Total Units	\$629 max. \$659 max. 30% of income	No vacancies	Senior/Disabled	USDA Rural Development Senior/Disabled project with two 36-unit buildings. Heritage Acres I was constructed in 1986 and Heritage Acres II was constructed in 1989. Manager reports no vacancies. Tenants pay 30% of income. Maximum rent is \$629 for a one-bedroom unit and \$659 for a two-bedroom unit.
Heritage Acres III	30 - 1 Bedroom 4 - 2 Bedroom 34 Total Units	\$615 max. \$645 max. 30% of income	No vacancies	Senior/Disabled	HUD Senior/Disabled project constructed in 1994. Project includes 30 one-bedroom and four two-bedroom units. Tenants pay 30% of income with a maximum rent of \$615 for a one-bedroom unit and \$645 for a two-bedroom unit. Manager reports no vacancies.
Heritage Acres III LP	28 - 1 Bedroom 4 - 2 Bedroom 32 Total Units	\$595 max. \$665 max. 30% of income	No vacancies	Senior/Disabled	USDA Rural Development Senior/Disabled Project constructed in 1998. Home funds and Low Income Tax Credits were also utilized to construct the project. Tenants pay 30% of income with a maximum rent of \$595 for a one-bedroom unit and \$665 for a two-bedroom unit. Manager reports no vacancies.
Heritage Acres IV LP	28 - 1 Bedroom 4 - 2 Bedroom 32 Total Units	\$648 max. \$715 max. 30% of income	2 vacancies	Senior/Disabled	USDA Rural Development Senior/Disabled Project constructed in 2009. Home funds and Low Income Tax Credits were also utilized to construct the project. Tenants pay 30% of income with a maximum rent of \$610 for a one-bedroom unit and \$675 for a two-bedroom unit. Manager reported two vacancies at the time of the survey.

Table 18 Sturgis Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized - General Occupancy					
Bluffs Edge Apartments	4 - 1 Bedroom 14 - 2 Bedroom <u>6 - 3 Bedroom</u> 24 Total Units	\$650 max. \$733 max. \$773 max. 30% of income	No vacancies	General occupancy	Bluffs Edge Apartments is a USDA Rural Development General Occupancy Family Project constructed in 1994. The project also utilized low income tax credits to construct the units. The manager reports no vacancies. Tenants pay 30% of income up to the maximum rent.
Butte Ridge Apartments	3 - 1 Bedroom <u>53 - 2 Bedroom</u> 56 Total Units	\$735 max. \$795 max. 30% of income	3 vacancies	General occupancy	Bluffs Ridge Apartments is a USDA Rural Development General Occupancy family project constructed in 1994. The project was renovated in 2005. In addition to the RD funding, the project has received HOME funding. The manager reports three vacancies. Tenants pay 30% of income up to the maximum rent.
Hillsview High Rise	78 - 1 Bedroom <u>2 - 2 Bedroom</u> 80 Total Units	\$450 max. 30% of income	4 vacancies	General Occupancy	Hillsview High Rise is an 80-unit HUD Public Housing Project constructed in 1976. The project was originally a senior/disabled project, but was converted to general occupancy. Currently, there is a mix of senior, disabled, student and non-senior/disabled tenants. The tenants have access to transportation, a meal program, home health care, tenant services, staff and home maker services. The project had four vacancies at the time of the survey. Tenants pay 30% of income to the maximum rent of \$450.
Hunters Run	11 - 2 Bedroom <u>13 - 3 Bedroom</u> 24 Total Units	Based on tenant's income	1 vacancy	General occupancy	A 24-unit town house project constructed in 1998. The project utilized tax credits and HUD HOME funding. The manager reported one vacancy at the time of the survey.

Table 18 Sturgis Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized - General Occupancy					
Key City Manor	16 - Efficiency <u>16 - 1 Bedroom</u> 32 Total Units	\$564 max. \$640 max. 30% of income	Two vacancies	General occupancy	Key City Manor is a HUD Section 8 General Occupancy project with 32 units. Key City Manor is owned and managed by the Meade County Housing and Redevelopment Commission. The project was constructed in 1970. The Director reported two vacancies at the time of the survey. Tenants have access to senior services. Tenants pay 30% of income up to the maximum rent.
Northgate Community Homes	7 two, three and <u>four-bedroom units</u> 7 Total Units	Rent information not available	No vacancies	General occupancy	Northgate Community Homes was a 57-unit HUD Section 8 subsidized project constructed in 1972. However, all but seven of the units have been converted to owner occupied units. The seven rental units have been converted from subsidized to market rate and include two, three and four bedroom units. The owner did not provide rental rate information. The seven units are all occupied.

Table 18 Sturgis Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Senior with Services					
Aspen Grove Assisted Living	40 Beds in 33 Units	Varies based on services	Fully occupied	Assisted Living	Aspen Grove Assisted Living opened in 2013. The facility has 40 beds in a total 33 units. The facility offers the full array of senior assisted living services. Currently, all of the units are occupied, however, the two-bed units are designed for married couples but some are occupied by one person.
Dakota Hills Assisted Living Center	9 Beds	Varies based on income	No vacancies	Assisted Living for senior men	Dakota Hills Assisted Living Center provides primarily for men who are veterans. The facility has a nine-bed capacity. Currently, the facility is fully occupied. The tenants have to be relatively self-sufficient. The facility provides meals, housekeeping and medical assistance. The age range of the tenants is 50s to 70s.
Foothills Assisted Living	16 Beds	Varies based on level of services	No vacancies	Senior/ Disabled	Foothills Assisted Living has 16 beds. All beds are fully occupied. Foothills provides a full array of senior assisted living services including meals, laundry, housekeeping, bathing, medication assistance, etc. Project serves seniors and non-seniors with disabilities.
Key City Retirement Home	16 Beds	Varies based on level of services	1 vacant bed	Assisted Living	Key City Retirement Home is an assisted living facility with 16 beds. Currently, there is one vacancy, but beds are usually fully occupied. Key City provides a full array of assisted living services. Key City serves primarily seniors, but occasionally has a non-senior resident. Rent and fees are based on the level of service.
Mountain View	6 Beds	Varies based on level of services	2 vacant beds	Residential Living Center	Our House is a six-bed Residential Living facility and provides meals and laundry. Two vacancies at time of survey, but beds are usually occupied with a waiting list. Rent and fees are based on the level of service.
Sturgis Regional Senior Care	84 Beds	Varies based on level of services	Multiple vacancies	Skilled Nursing Home	Sturgis Regional Senior Care is an 84-bed nursing home. Multiple vacancies were reported at time of rental survey.

Employment and Local Economic Trends Analysis

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

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

Work Force and Unemployment Rates

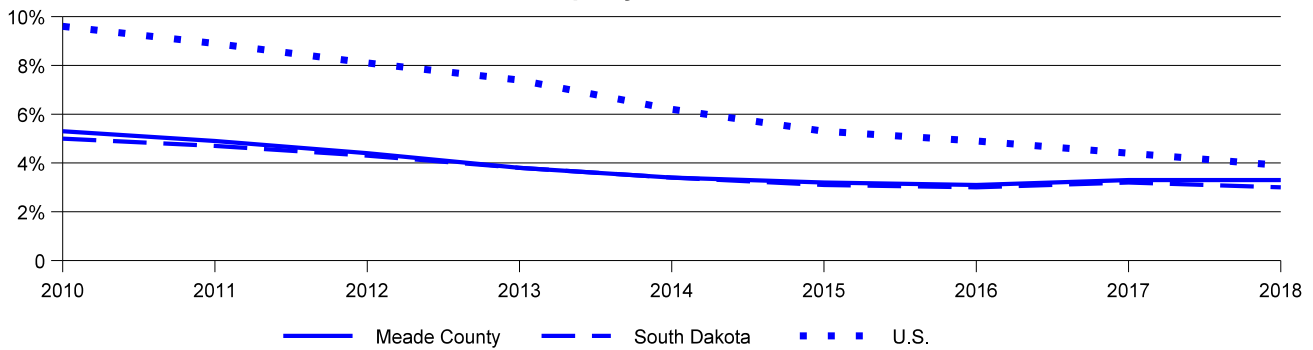
Employment information is only available at the county-level, and has been analyzed for Meade County in this section of the Study. Data in the tables that follow have been obtained from the SD Department of Labor and Regulation.

Table 22 Meade County Annual Labor Statistics: 2010 to 2018						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2010	13,148	12,457	691	5.3%	5.0%	9.6%
2011	13,076	12,441	635	4.9%	4.7%	8.9%
2012	13,173	12,595	578	4.4%	4.3%	8.1%
2013	13,518	13,004	514	3.8%	3.8%	7.4%
2014	13,268	12,822	446	3.4%	3.4%	6.2%
2015	13,325	12,904	421	3.2%	3.1%	5.3%
2016	13,675	13,246	429	3.1%	3.0%	4.9%
2017	13,960	13,499	461	3.3%	3.2%	4.4%
2018	14,107	13,643	464	3.3%	3.0%	3.9%

Source: South Dakota Department of Labor & Regulation

The statistics on the available labor force track people by their county of residence. When viewed over the entire nine-year period, the size of the County's resident labor force has increased. Between 2010 and 2018, there was an increase of more than 950 people in the labor force, or 7.3%.

Unemployment Rates



The number of employed County residents has grown even more. From 2010 to 2018, the number of employed residents of Meade County increased by nearly 1,200 people, or 9.5%. As a result, the County’s unemployment rate has decreased.

The County’s unemployment rate for 2018 was at 3.3%. While above, the Statewide unemployment rate, Meade County has been below the national rate for all of the current decade.

Average Annual Wages by Industry Sector

The following table shows the annual employment and average annual wages by major employment sector in 2018, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment in the County. For example, this table only shows private sector employees and does not include government employment including the Armed Forces are not included. This information is for all of Meade County.

Table 20 County Average Annual Wages by Industry Detail: 2018		
Industry	2018 Employment	2018 Average Annual Wage
Total All Industry	7,197	\$40,352
Natural Resources, Mining	57	\$34,840
Construction	809	\$45,084
Manufacturing	300	\$36,348
Trade, Transportation, Utilities	1,316	\$36,140
Information	28	\$47,372
Financial Activities	290	\$43,992
Professional and Business Services	406	\$41,860
Education and Health Services	478	\$38,740
Leisure and Hospitality	816	\$16,224
Other Services	203	\$27,612

Source: South Dakota Department of Labor

The industry sector employment data in the table above reflect place of employment, not place of residence.

The average annual wage for all private industry in 2018 was \$40,352, at full-time employment. The highest paying wage sector was Information, with an annual average wage above \$47,000. However, only 28 people worked in the Information sector.

Trade, Transportation and Utilities was the largest private employment sector, and had annual wages above \$36,000. The lowest paying wage sector was Leisure and Hospitality, with an average annual wage of only \$16,224.

Major Employers in Sturgis

The Sturgis Economic Development Corp. has identified the following major employers in Sturgis.

<u>Employer</u>	<u>Sector</u>	<u>Employment</u>
VA Hospital-BH Healthcare	Healthcare	751
BH Special Services Co-operative	Education	525
Meade School District 46-1	Education	350
Sturgis Regional Healthcare	Healthcare	240
City of Sturgis	Government	155
CHB Cooperative	C-Store/Retail	154
Meade County	Government	145
The HomeSlice Group	Media/Entertainment	114
Lynn's Dakotamart	Grocery	68
The Knuckle Saloon & Brewing Co.	Entertainment	60
United Parcel Services	Logistics	44
McDonald's	Restaurant	42
Dakota Arms/Remington	Firearms Mfg.	34
Scott Peterson Motors of Sturgis	Auto Dealership	29
Glencoe Campground	Lodging	28
Prairie Industries/Truck Defender	Vehicle Parts Mfg.	25
G & G Garbage	Waste Management	25
Leavitt Group	Insurance Services	25
Sturgis Meat Service	Food Processing	24
First Interstate Bank	Financial Services	24
Aspen Grove	Assisted Living	23
Legend Air Suspension	Motorcycle Parts Mfg	22
Grocery Mart	Groceries	21
Little Promises University	Child Care Services	21
Indian Motorcycle Sturgis	Motorcycle Retail	21
Iverson Construction	Construction	20
Baymont Inn & Suites	Lodging/Convention	20
Liberty Chevrolet	Auto Dealership	19
Buffalo Chip Campground	Lodging	18
Pizza Hut	Restaurant	17
Landsport dba Advanced Aluminum	Aluminum Ramp Mfg.	17
Black Hills Energy	Utility	17
Loftus Dental Clinic	Dentist	17
Rasmussen Mechanical Services	Commercial HVAC	16
Super 8 Motel	Lodging	15
Iron Outfitter	Metal Manufacturing	15
Sturgis Motorsports	Motorcycle Retail	13
Renatus Woodworks	Construction/Retail	12
Domino's	Restaurant	12
Campbell Supply	Farm & Ranch Retail	12
Arby's	Restaurant	11

Source: Sturgis Economic Development Corp (SEDC)

Commuting Patterns of Area Workers

Information is available on area workers that commute for employment. The best information is from the 2017 American Community Survey, and has been examined for Sturgis. These tables only examine people that travel to work and excludes people that work at home.

Table 21 Commuting Times for Residents - 2017		
Travel Time	Number	Percent
Less than 10 minutes	924	31.0%
10 to 19 minutes	760	25.5%
20 to 29 minutes	582	19.5%
30 minutes +	712	23.9%
Total	2,978	100%

Source: American Community Survey

Although a majority of Sturgis residents were traveling less than 20 minutes to work in 2017, nearly 24% were traveling 30 minutes or more. Overall, more than 43% of residents commuted 20 minutes or more to work.

Travel time by location of employment is also provided. For people that worked in Sturgis, the following travel times were identified.

Table 22 Commuting Times for Sturgis Employees - 2017		
Travel Time	Number	Percent
Less than 10 minutes	1,006	36.4%
10 to 19 minutes	738	26.7%
20 to 29 minutes	229	8.3%
30 minutes +	788	28.5%
Total	2,761	100%

Source: American Community Survey

For people that worked in Sturgis, nearly 37% of employees traveled 20 minutes or more. Overall, more than 1,000 people traveled to Sturgis from these greater distances.

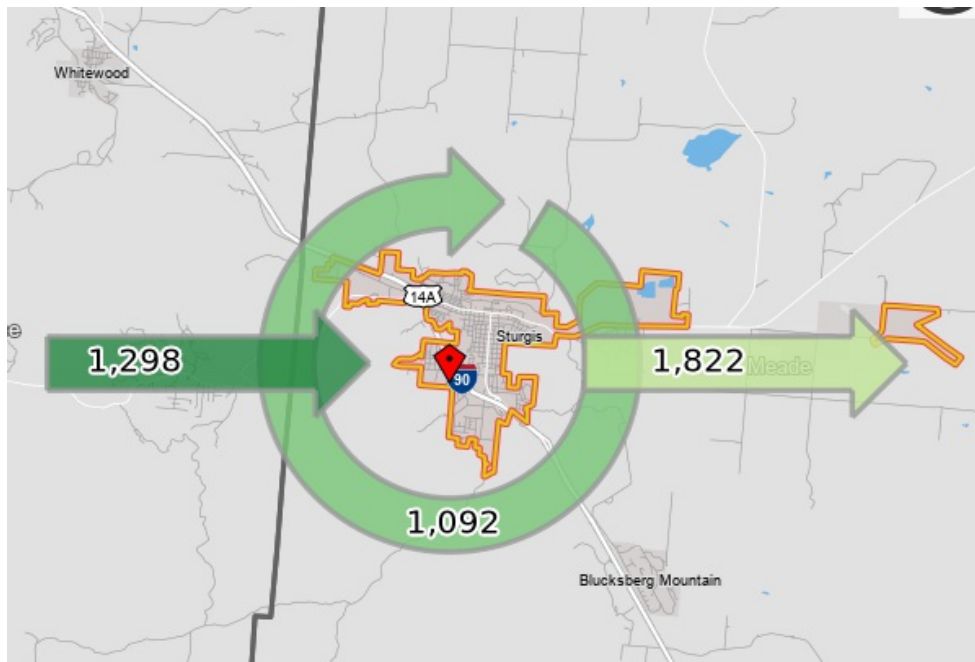
It is important to note that the patterns for people commuting to Sturgis may not include people working at Fort Meade, which is located just outside the Sturgis city limits. The American Community Survey asks people to identify the location of their employment. Since Fort Meade is not within the City of Sturgis, it may under report the number of people commuting to the Sturgis area. If it were possible to specifically identify the number of people traveling to the area, instead of the City itself, it is probable that the number of commuters would be even larger.

Census On the Map - Sturgis

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

According to the report for Sturgis, there were 2,390 people that were employed within the City in 2015. Approximately 46% of these City-based employees also lived in Sturgis. The remaining 54% of employees lived outside the community and commuted in for their job. In total, this source showed nearly 1,300 workers commuting into Sturgis. For people that were commuting in, the primary home locations included SW Meade UT, Rapid City, Spearfish, North Lawrence UT and Belle Fourche.

On the Map can also be used to track worker outflow patterns from the City. Overall, there were more than 2,900 Sturgis residents that were employed. Most of these residents worked outside the community, as approximately 62% did leave the City for their primary job. For Sturgis residents that left the City, the primary destinations were Rapid City, SW Meade UT, Spearfish and Deadwood.



Findings on Growth Trends

As part of this Study, Community Partners Research, Inc., has examined growth patterns for the City of Sturgis and Meade 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.

Sturgis and Meade County populations increased significantly from 1990 to 2000, and while each continued to grow in each jurisdiction from 2000 to 2010, the growth slowed considerably from the 1990s. From 1990 to 2000, Sturgis's population increased by 1,112 people, and Meade County's population increased by 2,375 people. From 2000 to 2010, Sturgis's population increased by 185 people and Meade County's population increased by 1,181 people. Sturgis and Meade County have continued to show population growth from 2010 to 2018. Applied Geographical Solutions and Esri both estimate that Sturgis has gained more than 600 people since 2010.

From 2010 to 2018, Applied Geographic Solutions estimates that Meade County has added 2,943 people and Esri estimates that Meade County has increased by 2,935 people. These estimates are very similar.

Applied Geographic Solutions estimates that Sturgis has gained 429 households and Esri estimates that Sturgis has added 295 households from 2010 to 2018. The City of Sturgis gained 546 households from 1990 to 2000 and gained 178 households from 2000 to 2010.

From 2010 to 2018, Applied Geographic Solutions estimates that Meade County has added 1,682 households and Esri estimates that Meade County added 1,267 households. Meade County gained 1,721 households from 1990 to 2000 and gained 1,098 households from 2000 to 2010.

Findings on Projected Growth

Applied Geographic Solutions projects that Sturgis's population will increase by 797 people and Esri projects that Sturgis will add 467 people between 2018 and 2023. Applied Geographic Solutions expects a gain of 233 households and Esri projects an increase of 220 households from 2018 to 2023. The AGS projections for all of Meade County expect a gain of 3,452 people and 935 households, and Esri expects a gain of 2,111 people and 892 households from 2018 to 2023.

Summary of Sturgis' Growth Projections by Age Group

The Demographic section of this Study presented projection information for Sturgis from Esri on anticipated changes by age group from 2018 to 2023. This information can be informative in determining the housing that may be needed due to age patterns of the 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 range between 65 and 74 years old. Age projections would expect the City to add approximately 112 households in the 65 to 74 age ranges from 2018 to 2023.

The Esri age-based projections also expect an increase of 52 households in the 25 to 44 age ranges and a significant increase of 84 households in the 75 and older age range.

Sturgis is projected to lose three households in the 15 to 24 age range and a loss of 25 households in the 45 to 64 age ranges.

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 Sturgis adds population at a rate that is faster or slower than past patterns would suggest, traditional age-based forecasts would be altered.

<u>Age Range</u>	<u>Projected Change in Households 2018 to 2023</u>
15 to 24	-3
25 to 34	28
35 to 44	24
45 to 54	-9
55 to 64	-16
65 to 74	112
75 and older	<u>84</u>
Total	220

Findings on Unit Demand by Type of Housing

Based on the household by age projections presented earlier, the changing age composition of Sturgis's population through the 10-year projection period will have an impact on demand for housing.

Age 24 and Younger - The projections used for this Study expect a loss of three households in the 15 to 24 age range through the year 2023. Past tenure patterns indicate that as many as 81% of these households in Sturgis will rent their housing. A slight decrease 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 gain of 28 households in this age cohort in Sturgis by 2028. Within this age range households often move from rental to ownership housing. The ownership rate among these households in Sturgis was approximately 43% in 2017. An increase in the number of households within this age range will mean some increased demand for both first-time home buyer and rental opportunities.

35 to 44 Years Old - This 10-year age cohort has a projected a gain of 24 households between 2018 and 2023 in Sturgis. In 2017, this age group had a home ownership rate of approximately 46%. 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. Demand from this age cohort would have some impact on overall demand for owner-occupied housing as well as rental housing.

45 to 54 Years Old - This age group represents a much smaller segment of the population than the baby boom age group. For Sturgis the projections show a loss of nine households in this range. This age group historically has had a relatively high rate of home ownership, at approximately 74% in Sturgis in 2017, and will often look for trade-up housing opportunities. With a small household decrease in this age group, there should be a slight decrease in the demand for trade-up housing.

55 to 64 Years Old - The projections show an expected decrease of 16 households in this 10-year age range by the year 2023 in Sturgis. This age range has traditionally had a high rate of home ownership in Sturgis, at approximately 80% in 2017. 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 - Strong household growth is expected in Sturgis within this age range, with the projections showing an increase of 112 households by the year 2023. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. In 2017, approximately 55% of households in this age range owned their housing in Sturgis. Once again, preferences for age-appropriate units should increase from household growth within this age cohort.

75 Years and Older - A gain of 84 households is projected among older senior citizens. Historic home ownership rates in this age group in Sturgis have been at approximately 65%. Seniors in this age range often seek senior housing with services options.

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

Sturgis - Strengths and Barriers for Housing Development

Strengths for Housing Development

The following strengths for the City of Sturgis were identified through statistical data, local interviews, research and on-site review of the local housing stock and from the 2014 Sturgis Comprehensive Housing Study.

- ▶ **Sturgis is located near Rapid City, which is the regional center for the area** - Sturgis is approximately 28 miles from Rapid City. Rapid City provides employment opportunities, retail/service options, government services, health and professional services, and cultural amenities to a large surrounding trade area. Many households prefer to live near, but not in a regional center.
- ▶ **Sturgis® Motorcycle Rally™** - This annual event attracts approximately 500,000 people annually to the area and has a major impact on the local economy.
- ▶ **Increasingly diverse housing stock** - The City has a good mix of housing options, including rental housing units for both lower income and market rate households. The City also has town houses, twin homes, and senior with services facilities.
- ▶ **Median home price** - Sturgis' median priced home is approximately \$169,000. Sturgis' median home price is higher than most cities and is an incentive for new home construction.
- ▶ **Land for development** - The City has land available for residential, commercial and industrial development.
- ▶ **Population and household growth for the City** - Over the past several decades, the City has sustained strong population and household growth and the City is projected to continue to grow in the future.
- ▶ **Active housing developers in the City** - Sturgis has housing developers that are willing to invest in housing projects in the community. Developers have been active in subdivision development, rental housing, attached ownership housing and single family development.
- ▶ **School system** - The City has an excellent public K-12 school system.

- ▶ **Commuters** - Nearly 1,300 employees are commuting into Sturgis daily for work. These workers are a potential market for future housing construction.
- ▶ **Meade County Housing and Redevelopment Commission** - The Meade County Housing and Redevelopment Commission owns Hillview High Rise and Key City Manor. The HRC also administers several programs including the Housing Choice Voucher Program that assists low/moderate income households.
- ▶ **Infrastructure** - The City's public utilities and infrastructure can facilitate future expansion.
- ▶ **Commercial development** - Sturgis's commercial district is adequate to meet daily needs and new commercial development is ongoing. Also, the Business Improvement District and the Downtown Sturgis Foundation were created to improve the downtown area. Financial incentives are available to commercial business owners for new construction or building improvements.
- ▶ **Sturgis Economic Development Corp.** - The Sturgis Economic Development Corp. is active in promoting industrial, commercial and housing development.
- ▶ **Black Hills Recreational Area** - Sturgis is in the Black Hills Recreational Area, which is a popular vacation destination and has many recreational, commercial, tourism and natural amenities.
- ▶ **Sturgis Industrial Park and Industrial Development** - The City of Sturgis has developed an industrial park, which is designated as a South Dakota Certified Site Ready park. Several businesses have located in Sturgis in recent years.
- ▶ **Demand for year-round housing options** - Part of the City's housing stock is utilized for a few weeks' each year by temporary residents who are attending the Sturgis® Motorcycle Rally™. These units are available for the remainder of the year for permanent residents. However, the permanent residents get displaced for up to two weeks each year, and some would prefer to avoid this displacement, potentially creating demand for units that can be occupied year-round.

- ▶ **Community Development** - The community is undertaking community development projects and programs that enhance Sturgis' attractiveness as a community to live and work in.
- ▶ **Interstate 90** - Sturgis is located on Interstate 90, which gives residents, commuters, tourists and vacationers easy access to the City.
- ▶ **Health facilities** - The City of Sturgis has excellent health facilities including a hospital, clinics and senior with services projects.
- ▶ **Desirable location for seniors and retirees** - Sturgis is an attractive retirement location. As a provider of health, retail and government services, the City has the amenities that are attractive for seniors as they age.
- ▶ **New housing construction** - Over the past several years, Sturgis has had strong new housing construction including new single family homes and rental construction.
- ▶ **Proactive city involvement** - The City of Sturgis, the Sturgis Economic Development Corporation and the Meade County Housing and Redevelopment Commission have been successful with assisting in the development of rental housing, residential subdivisions and new single family housing.

Barriers or Limitations to Housing Activities

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

- ▶ **Proximity to Rapid City** - Although it is a strength to be located in close proximity to Rapid City, it is also a barrier as Sturgis must compete with Rapid City, which offers attractive residential opportunities and other amenities and services.
- ▶ **Age and condition of the housing stock** - While a limited percentage of the existing stock is affordable, some of this housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Staff capacity limitations** - Although the City has access to several housing agencies, it is very difficult to develop and implement housing initiatives with limited staff resources.
- ▶ **Development competition from the rural areas** - There are housing development opportunities in rural areas that surround the City of Sturgis. The City must compete with these rural options.
- ▶ **Seasonal/recreational homes** - Many homes in the community are owned by Sturgis® Motorcycle Rally™ attendees and are only utilized approximately two weeks a year. Seasonal/recreational buyers may compete with permanent residents when more affordable housing becomes available for sale.

Sturgis - Recommendations and Opportunities

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 Sturgis. They are based on the following strategies:

- ▶ **Focus heavily on the preservation, maintenance and improvement of the housing stock that already exists** - While significant housing construction will occur in coming years, most of the housing opportunities will continue to be provided by the housing stock that is already on the ground. This is especially important for affordable housing opportunities, as it will almost always be less expensive to offer an affordable unit through rehabilitation versus new construction. Units that are lost due to deterioration and obsolescence cannot be replaced for a similar price. Evidence suggests that the majority of the existing stock is generally being well maintained, however, a significant percentage of housing needs repair. Emphasis on continued improvement will be important to meet future housing needs.
- ▶ **Develop life cycle housing** - It is vital for a self-contained community to continue to provide housing opportunities for all ages and household types. These housing opportunities enable a community to thrive, and allow households to live in the community throughout their lives.
- ▶ **Promote new construction** - New construction provides housing opportunities, stimulates the economy and upgrades the community's housing stock. Both new owner-occupied single family homes and rental units are needed to provide households in Sturgis with housing options and to assure a healthy housing stock into the future.
- ▶ **Promote home ownership** - Home ownership is the preferred option for most households. Home ownership assists in creating community stability and commitment to the community. There are many younger families that are renting their housing. These households may be interested in home ownership, if an affordable opportunity is available.
- ▶ **Prioritize community housing goals** - Many of the recommendations in the Study will require staff-intensive efforts. The City should prioritize its housing goals and establish a plan to achieve its goals.

It is very difficult to meet all of the objectives as the balance of the objectives are very sensitive. An overly aggressive or overly passive approach to any of the objectives can cause problems in achieving the other objectives. For example, overbuilding new rental housing units could lead to vacancy problems in older, less marketable units in the community, causing these units to deteriorate in quality. The recommendations of this section attempt to provide a balanced approach to addressing the housing needs of Sturgis.

Summary of Findings/Recommendations

The findings/recommendations for the City of Sturgis have been formulated through the analysis of the information provided in the previous sections and include a total of 25 recommendations divided into the following five categories:

- ▶ **Rental Housing Development**
- ▶ **Home Ownership**
- ▶ **Single Family New Construction**
- ▶ **Housing Rehabilitation**
- ▶ **Other Housing Initiatives**

The findings/recommendations for each category are as follows:

Findings and Recommendations for the City of Sturgis	
Rental Housing Development	
1.	Develop 50 to 54 general occupancy market rate rental units
2.	Promote the development/conversion of 12 to 14 affordable market rate rental housing units
3.	Continue to monitor the need for subsidized rental housing units
4.	Consider the development of 28 to 32 Tax Credit rental housing units
5.	Consider the development of additional senior with services units
6.	Develop 30 to 35 senior independent/senior with light services units
7.	Develop a downtown mixed-use commercial/housing project
8.	Continue to utilize the Housing Choice Voucher Program
Home Ownership	
9.	Utilize and promote all programs that assist with home ownership
10.	Monitor the need for a purchase/rehabilitation program
New Construction	
11.	Lot availability and development
12.	Strategies to encourage continued residential lot sales and new home construction in Sturgis

13. Develop additional residential lots and subdivisions
14. Promote townhouse and twin home development
15. Coordinate with agencies/nonprofits that develop affordable housing
Housing Rehabilitation
16. Promote rental housing rehabilitation programs
17. Promote owner-occupied housing rehabilitation programs
18. Develop a neighborhood revitalization program
19. Develop and implement a rental inspection program
Other Housing Initiatives
20. Encourage employer involvement in housing programs
21. Acquire and demolish dilapidated structures
22. Develop mobile home park improvement programs
23. Create a plan and continue coordination among housing agencies
24. Promote commercial rehabilitation and development
25. Develop home ownership and new construction marketing programs

Sturgis - Recommendations 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, local property tax rates, high construction costs and a low rent structure, have all contributed to the difficulty in developing rental housing in most South Dakota communities.

In the 2014 Sturgis Housing Study, it was reported that from 2000 to 2013, based on City of Sturgis data, approximately 40 rental units were constructed in Sturgis. Of the 40 units, 35 are subsidized and five units provide market rate general occupancy housing. In addition to the new rental units, a significant number of single family homes were converted from owner-occupied to rental use between 2000 and 2010.

Since the 2014 Housing Study, based on City data, 69 rental units have been constructed in Sturgis, including two 16-plexes, a four-plex and a 33-unit assisted living project.

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 Sturgis expect continued household growth, although some of this growth will result in demand for owner-occupied housing. From 2019 to 2024, it is projected that there will be a 220 to 233 household gain in Sturgis. Approximately 37% of these households will be rental households, thus, there will be a demand of approximately 81 to 86 additional rental units over the next five years to address rental household growth in Sturgis.

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 four to five rental units per year. As a result, approximately 20 to 25 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.

Some pent-up demand also exists. As part of this study, a rental survey was conducted, with 682 rental units contacted. The survey found a 1.9% vacancy rate in general occupancy market rate units, a 3.1% vacancy rate in subsidized units, and a 3.8% vacancy rate in the senior with services projects excluding the skilled nursing home.

We identified pent-up demand for new market rate rental units, tax credit units and senior with services rental units.

These three demand generators, after factoring current vacancy rates, show a need for 152 to 175 rental units over the next five years. Based on the factors stated above, we recommend the development of the following new rental units over the next five years from 2019 to 2024.

▶ General Occupancy Market Rate	50-54 units
▶ Tax Credit	28-32 units
▶ Affordable/Conversions	12-14 units
▶ Senior Assisted Living and Memory Care Beds	32-40 units
▶ Senior Independent/Senior with Light Services	<u>30-35 units</u>
Total	152-175 units

1. Develop 50 to 54 general occupancy market rate rental units

Findings: Approximately 62% of the rental housing in the City of Sturgis 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.

The entire rental inventory in the City included approximately 1,217 total units in 2019. We believe that approximately 752 of these units are best described as market rate rental housing.

Of the market rate rental units we surveyed, we found a vacancy rate of 1.9%, which is well below a healthy market range of 3% to 5%. We found only four vacancies in the market rate units we surveyed. Also, the owners and managers of rental properties, reported very high occupancy rates and strong demand.

There is variation in rental rates in the market rate segment in the City of Sturgis. The gross rent range is \$550 to \$650 for a one-bedroom unit, \$625 to \$1,350 for a two-bedroom unit, \$775 to \$1,400 for a three-bedroom unit and \$1,350 to \$1,600 for a four-bedroom unit.

From 2014 to 2019, 36 market rate rental units were constructed in Sturgis. These units include two 16-plexes and a four-plex. In the 2014 Housing Study, the construction of 71 to 75 general occupancy market rate units was recommended.

Esri and AGS project an increase of approximately 220 to 233 households in Sturgis from 2019 to 2024. Approximately 81 to 86 (37%) of these households will be rental households.

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

Based on this combination of demand generators, we believe that it is reasonable to plan for production of between 50 to 54 market rate rental units over the next five years, which is approximately 10 to 13 units annually.

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

Smaller rental properties including four-plexes, eight-plexes, 12-plexes and 16-plexes continue to be popular in Sturgis and we recommend the continued development of smaller properties. We also recommend the development of twin home and town home units to address the need for market rate units. Phasing in new rentals with smaller properties continues to be a good strategy as it allows the market to absorb the units. The projects, to be successful, should have 'state of the art' amenities.

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

There is a need to construct both types of market rate rental housing. There is a wide rent range in the following table reflecting the two market segments. To construct the workforce housing and charge affordable rents, land donations, financial assistance, tax abatement, tax increment financing and other resources may be needed.

Several sites in the City have been identified for rental housing development. The City of Sturgis and the Sturgis Economic Development Corp. own some of these sites.

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

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One-Bedroom	15-16	600-800	\$750-\$900
Two-Bedroom	22-23	850-1,000	\$800-\$1,050
Three-Bedroom	10-11	1,100-1,200	\$900-\$1,300
Four-Bedroom	3-4	1,300-1,400	\$1,000-\$1,450
Total	50-54		

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2019 dollars.

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

- ▶ One-Bedroom - \$646
- ▶ Two-Bedroom - \$837
- ▶ Three-Bedroom - \$1,210
- ▶ Four-Bedroom - \$1,379

2. Promote the development/conversion of 12 to 14 affordable market rate rental housing units

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

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

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

Recommendation: We would encourage the City to promote the development/conversion of more affordable rental units. A goal of 12 to 14 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.

Currently, several single family homes are being rehabilitated for rental housing by local individuals.

The estimated prevailing rent range for older rental units in Sturgis is typically between \$550 and \$700 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. Continue to monitor the need for subsidized rental housing units

Findings: Sturgis has a good supply of subsidized multifamily rental units. The supply of subsidized units appears to be adequate to address Sturgis’s needs. The City of Sturgis has nine project-based subsidized developments with a combined 386 units. The 386 subsidized units are 32% of the total number of rental units in Sturgis. Subsidies have been provided by USDA Rural Development, the Department of Housing and Urban Development (HUD) and through the South Dakota Housing Development Authority. The breakdown of the nine rental projects is as follows:

- ▶ Five subsidized general occupancy projects with 216 units
- ▶ Four subsidized senior/disabled projects with 170 units

Since the 2014 Sturgis Housing Study, Sherman Street Apartments, which was an eight-unit USDA Rural Development Project, has converted to a market rate rental project. Northgate Community Homes was a 57-unit HUD Section 8 project and has converted to 50 owner-occupied units and seven market rate rental units. Therefore, since 2014, 65 subsidized rental units have been lost due to conversions.

All of the city’s subsidized units serve low income people and charge rent based on 30% of the tenant's household income up to a maximum market rent.

In addition to these subsidized projects, Meade County has access to Housing Choice Vouchers. Voucher assistance is issued to income-eligible households for use in suitable, private market rental housing units. With the assistance, a household pays 30% to 40% of their income for rent, with the program subsidy paying any additional rent amounts.

Despite the existing supply of subsidized units in Sturgis, the 2012 American Community Survey still identified that approximately 44% of renter households in Sturgis reported a housing cost burden, with 30% or more of their income going to housing costs.

Our rental survey found 12 vacancies in the subsidized projects, which represented a vacancy rate of 3.1%. At the time of the 2014 Sturgis Housing Study, the vacancy rate in the subsidized units was 4.2%.

Recommendation: We are not recommending the development of additional subsidized units at this time for the following reasons:

- ▶ There are 12 vacancies in the existing subsidized projects. The vacancy rate is 3.1%, which is in the healthy market range of 3% to 5%.
- ▶ Funding for the development of subsidized units is very difficult to secure at this time.
- ▶ We are recommending the development of affordable units through conversions, the development of tax credit units and the development of market rate units, including some units that are affordable and can be utilized for work force housing.

We do recommend the following:

- ▶ Continued maintenance and rehabilitation of the existing subsidized units to assure they are a viable option for Sturgis households.
- ▶ Encourage Sturgis households to apply for Housing Choice Vouchers
- ▶ Monitor the need for additional subsidized housing units in the future
- ▶ Monitor the subsidized projects that may have the option to opt-out of their subsidy program and convert to market rate units. If a project is considering an opt-out option, possibly an area housing agency could purchase the project to assure the units remain in the subsidized inventory. As stated earlier in this recommendation, since 2014, 65 subsidized rental units in two projects have opted out of their subsidy program.

4. Consider the Development of 28 to 32 Tax Credit Rental Housing Units

Findings: Several rental projects in Sturgis utilized tax credit assistance, but primarily function as subsidized rental housing, since these projects also have Rural Development subsidies and rent assistance. The City of Sturgis has one moderate rent tax credit rental project, known as Hunter’s Run Townhomes. This project also utilized HUD HOME funding and has units set-aside for lower income renters.

Since the late 1980s, tax credits have been the primary federal production incentive for the creation of housing to serve moderate income people. Because tax credits only provide a ‘shallow subsidy’, this type of housing does not generally serve lower income renters, but does serve households at or below 60% of the median income level.

The use of federal tax credits places both income restrictions on tenants, and gross rent caps on the rental units. Most projects can typically serve households up to 60% of the median income level. While maximum rents are also allowed up to the 60% limits, most projects actually attempt to keep their rent structure near a lower, 50% limit. The 60% of income limits and 50% rent limits in Meade County for 2019 are as follows:

<u>Rent Limits</u> (50% of Median Income)	<u>Household Income Limits</u> (60% of Median Income)
One Bedroom - \$662	1 person - \$29,700
Two Bedroom - \$795	2 person - \$33,900
Three Bedroom - \$918	3 person - \$38,160
	4 person - \$42,360
	5 person - \$45,780
	6 person - \$49,140

The maximum rent levels allowed for the tax credit program exceed the prevailing rates for the area in market rate housing. Most tax credit projects establish rents that are below the rent limits.

Recommendation: We recommend that 28 to 32 additional tax credit units be developed in the City over the next five years. These units would address the projected demand for additional rental housing caused by household growth and existing pent-up demand. In 2014, we recommended the development of 28 to 30 tax credit units. A developer proposed the construction of a tax credit rental project in Sturgis, however, the project did not proceed.

If tax credit units are developed in the future, we would recommend that mostly two-bedroom units be constructed, with a lower percentage of three-bedroom units. At the time of the 2010 Census, approximately 87% of the renter households in Sturgis had three or fewer household members. Two-bedroom affordable units could serve these smaller rental households and allow for lower development costs.

We would recommend that unit rents be kept below the maximum allowable limits imposed by the tax credit program, which are generally above the prevailing rates for market rate housing in Sturgis. Any new tax credit housing should attempt to be at or below the 50% median income rent limits.

5. Consider the development of additional senior housing with services units/beds

Findings: Sturgis has six specialized senior housing projects, serving residents as they move through the aging cycle. The six existing senior housing with services projects are:

- ▶ **Aspen Grove Assisted Living** - Aspen Grove Assisted Living has 40 beds in 33 units. The facility was constructed in 2013.
- ▶ **Dakota Hills Assisted Living Center** - Dakota Hills Assisted Living Center is a nine-bed assisted living facility for senior men.
- ▶ **Foothills Assisted Living** - Foothills Assisted Living is a 16-bed assisted living facility that provides the full array of assisted living services.
- ▶ **Key City Retirement Home** - Key City Retirement Home is a 16-bed assisted living facility that provides the full array of assisted living services.
- ▶ **Mountain View** - Mountain View is a six-bed Residential Living facility that provides meals, laundry services, etc.
- ▶ **Sturgis Regional Senior Care** - Sturgis Regional Senior Care is an 84-bed skilled nursing home.

Based on 2017 estimates from Esri, there are approximately 786 older senior citizens, age 75 and older, residing in the City of Sturgis.

The projections contained in this Study anticipate growth in the number of older seniors from 2018 to 2023 in Sturgis. The age-based forecasts from Esri point to an increase of approximately 40 older senior citizens, age 75 and older, from 2018 to 2023. The number of seniors, age 75 and older, is projected to increase from 786 in 2018 to 825 in 2023 in Sturgis.

Older seniors tend to represent the primary target market for specialized senior housing. There is also significant growth expected within the younger senior ranges, age 65 to 74. Also, the Sturgis senior with services facilities serve a market that surrounds Sturgis.

Recommendation: Based on the research completed for this Study, we recommend the development of 16 to 20 memory care beds, 16 to 20 additional assisted living beds, and 30 to 35 independent/light services units in Sturgis over the next five years.

Skilled Nursing Home - The research for this Study points to a decreasing alliance on nursing homes as a long-term residence 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 moratorium that limits expansion in most cases. No recommendations are offered for this type of specialized housing. Sturgis has a well-established provider, the Sturgis Regional Senior Care, with 84 beds, that serves this section of the market. Currently, Sturgis Regional Senior Care has multiple vacant beds.

Assisted Living - There are 81 total assisted living beds in four assisted living facilities in Sturgis. It is our recommendation that the City of Sturgis could support an additional 16 to 20 assisted living beds over the next five years.

Independent/Light Services - The recommendation on the following pages addresses the need for 30 to 35 independent/light services units over the next five years from 2019 to 2024.

Memory Care Housing - There are no memory care beds in Sturgis that are in a secured setting. However, the senior with services facilities in Sturgis serve residents with lower levels of memory loss. To serve demand, the development of 16 to 20 memory care beds in a secure setting would be recommended over the next five years.

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

6. Develop 30 to 35 independent/senior with services units

Findings: The City of Sturgis currently has five senior with services projects with a total of 81 beds. One of the projects, Aspen Grove Assisted Living, opened for occupancy in September 2013. Four projects with 75 beds are licensed as Assisted Living Centers. The other project has six beds and is licensed as a Residential Living Facility.

Our research for this Study did not identify any projects dedicated for seniors to live independently with only light services. However, some assisted living providers do allow seniors to live in the facility by purchasing a minimal level of services. Also, Hillview High Rise with a HUD Public Housing General Occupancy Project does provide its tenant's access to several services including transportation, a meal program, home healthcare, etc.

Recommendation: There are limited market rate senior-designated independent housing options or senior projects with light services in Sturgis, thus, we are recommending a 30 to 35 unit independent/senior with light services project in the City. The project should be designed to allow seniors to live in a unit independently or to rent a unit and utilize a lower level of senior services such as a noon meal and laundry/housekeeping.

The project's amenities and features include:

- ▶ A community room including a community dining room and kitchen
- ▶ 24-hour call system
- ▶ A limited access security system
- ▶ Smoke alarms
- ▶ Enclosed parking
- ▶ Spacious corridor with a theme such as a street scape design

Apartment features should include:

- ▶ 30 to 35 units (one and two-bedroom)
- ▶ Fully equipped kitchen
- ▶ Storage areas
- ▶ Ample closet space
- ▶ Laundry hookups
- ▶ Open floor plan
- ▶ Private patio
- ▶ Individually controlled heat and AC
- ▶ Raised outlets, lever door handles, lowered kitchen cabinets
- ▶ Expansive windows

Optional services should include:

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

This project is intended to be senior independent living supplemented with limited services and community support.

The location of the project should be close to services as the project will be primarily occupied by older seniors.

It is estimated that 25% of the units will be occupied when the project opens and three to four additional units will be rented each following month for an absorption period of approximately eight months.

A developer is in the planning phase of developing a senior independent/light services project in Sturgis that will have approximately 60 units.

This proposed project exceeds our recommended number of independent/light services units. However, if the project's rent and fees are competitively priced with other facilities in the region, includes state of the art amenities, and is prepared to have an extended absorption rate; it is our opinion that the project will be successful.

Also, the older baby boomers are approaching the age that they will use this type of facility. Additionally, there is an economy of scale when a higher number of units are constructed.

* Please note that this recommendation is a general recommendation. The purpose of this Housing Study was not to provide a comprehensive senior with services recommendation. We encourage any developer planning to construct senior with services units in Sturgis to commission a senior-specific study that focuses solely on this segment of the market.

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

Findings: The City of Sturgis has an active downtown area. A mixed-use rental housing/commercial project could complement the City's ongoing efforts to maintain a year-round vibrant downtown.

New mixed-use projects have been developed in several cities comparable to the size of Sturgis. 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 and to serve as a catalyst for downtown redevelopment.

It is our understanding that the Sturgis Economic Development Corp. was planning the development of a mixed-use building downtown at the time of the 2014 Sturgis Housing Study. This project did not proceed.

Recommendation: We continue to recommend the development of a mixed-use building in the downtown Sturgis area. There are potential sites available in the City's downtown.

We recommend commercial space on the first floor and rental units on the second and third floors. 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. There should be sensitivity to the timing of the project and type of commercial tenants the project will have, to assure the project is an asset to the downtown.

The rental units should be primarily market rate units, but could be mixed income with some moderate income units. The units should be primarily 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.

8. Continue to utilize the Housing Choice Voucher Program

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

Although the federal government provides almost no funding for subsidized housing construction, it has provided new Housing Choice Voucher allocations over the last two decades.

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

Currently, approximately 493 (48%) of Sturgis households are paying more than 30% of their income for rent.

The Housing Choice Voucher Program is administered in Meade County by the Meade County Housing and Redevelopment Commission. Currently adequate funding exists for approximately 214 Housing Choice Vouchers in Sturgis and Meade County, including a set aside of approximately 35 Vouchers for Veterans. However, there is approximately a one-year waiting list for these Vouchers.

Recommendation: From a practical standpoint, the Housing Choice Voucher Program is the single best way that Sturgis and Meade County can provide affordable housing. Although current funding is very limited, we recommend that low/moderate income renter households that are paying more than 30% of their income for rent, apply for a Housing Choice Voucher. Also, we recommend that the Meade County Housing and Redevelopment Commission continue to apply for Housing Choice Vouchers if they become available.

Sturgis - Home Ownership Recommendations

Home Ownership Recommendations

Findings: Expanding home ownership opportunities is a goal for most cities. High rates of home ownership promote stable communities and strengthen the local tax base. The median owner-occupied home value in Sturgis is estimated to be approximately \$169,000 based on sales activity in 2018. The homes valued below the median sales price in Sturgis provide a market for first time buyers and households seeking moderately priced homes.

Our analysis of Sturgis’s demographic trends shows an increasing number of households over the next five years in the age ranges between 25 and 45 years old. Households in these age ranges are often first-time home buyers or households moving into a trade-up home. The 15 to 24 and 45 to 54 age ranges are both projected to lose households, thus, home ownership programs may reverse or minimize the projected loss of households in these age ranges.

Approximately 63% of the households in Sturgis are home owners. This is a below average rate of home ownership compared with similar sized cities.

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

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

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

First time home buyer assistance, down payment assistance, low interest loans and home ownership counseling and training programs can help to address affordable housing issues. The City has a supply of houses that are price-eligible for these assistance programs. The home value estimates used in this study indicate that some 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: Sturgis should continue to work with area housing agencies, the South Dakota Housing Development Authority and local financial institutions to utilize all available home ownership programs that assist households with purchasing a home. Private and nonprofit agencies should also be encouraged to provide home ownership opportunities. Currently, NeighborWorks Dakota Home Resources is providing home ownership assistance in the region. The City should also work with housing agencies to assure the City of Sturgis is receiving its share of resources that are available in Meade County and the region.

Funding sources for home ownership programs may include the Department of Housing and Urban Development, USDA Rural Development, the South Dakota Housing Development Authority, NeighborWorks Dakota Home Resources and the Federal Home Loan Bank.

10. Monitor the need for a Purchase/Rehabilitation Program

Findings: Sturgis has a stock of older, lower valued homes, many of which need repairs. Our analysis of recent sales activity indicates that some of the homes in Sturgis are valued at less than \$100,000. 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 the City of Sturgis monitor the need to work with a housing agency to develop and implement a purchase/rehab program. Currently, developers have taken an active role in purchasing substandard homes and rehabbing and selling the homes. This limits the need for involvement from a public agency.

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.

If public assistance is needed in the future, area housing agencies and financial institutions could offer some rehabilitation assistance in conjunction with first-time home buyer programs to make the City's older housing a more attractive option for potential home buyers. Also, USDA Rural Development provides purchase/rehabilitation loans to low and moderate income buyers.

Sturgis - New Housing Construction

New Housing Construction

Findings: Sturgis has experienced significant single family owner-occupied housing construction over the past two decades. According to City and Census Bureau records, from 2001 to 2013, approximately 255 single family owner-occupied units were constructed in Sturgis, for an average of 19 to 20 housing units per year. The peak years for new construction were 2003 to 2006, when approximately 147 owner-occupancy units were constructed. In 2004, approximately 69 owner-occupancy units were built. During the four years from 2010 to 2013, an average of only eight single family owner-occupied units were constructed annually.

Since the 2014 Sturgis Housing Study, from 2014 to September 6, 2019, there have been 178 single family and twin/town home units constructed. This includes 152 single family houses and 26 twin home/town homes. This is an average of 30 units per year. In 2016, 38 units were constructed, in 2017, 35 units were constructed, and in 2018, 44 units were constructed. Through the first week of September in 2019, 29 units had been permitted in single family houses and town homes.

During the four years from 2016 to 2019, the majority of the owner-occupied units were detached houses. However, 26 attached twin home and town house units were constructed, which is approximately 18% of the units constructed during the three-year period.

The attractiveness of the area, the current new construction momentum, the City's amenities, the availability of developers and builders, and the City's projected growth, should result in the continued construction of new homes annually. However, attractive residential lot options must be available for new home construction.

Overall household projections for Sturgis indicate good demand for owner-occupancy housing construction. Substantial household growth is anticipated through 2024 among households in the 65 and older age ranges. Sturgis is projected to gain approximately 196 households in the 65 and older age range from 2019 to 2024. Households in these age ranges tend to be predominantly home owners, and form a market for higher priced, trade-up housing and low maintenance housing such as town homes and twin homes.

The number of households in the 25 to 44 year old ranges are expected to add approximately 52 households through 2024. Many of the households in this age range are first time home buyers. However, there is a projected reduction of 25 households in the 45 to 64 age ranges.

The Rapid City Metropolitan Statistical Area (MSA), which includes Meade and Pennington Counties, has had rapid residential growth.

Over the five-year period from 2014 to 2018, the approximate number of owner-occupied single family homes and twin homes constructed in the Rapid City MSA and in Sturgis and the percentage of the MSA new homes constructed in Sturgis is as follows:

	<u>Rapid City MSA</u>	<u>Sturgis</u>	<u>Percent constructed in Sturgis</u>
2018	476	44	9.2%
2017	586	35	6.0%
2016	540	38	7.0%
2015	572	19	3.3%
2014	534	9	1.7%

From 2014 to 2018, there has been an average of 542 owner-occupied units constructed annually in the Rapid City MSA.

The average percentage of these owner-occupied units constructed in Sturgis annually is 5.4%. It is estimated that approximately 500 owner-occupied units will be constructed annually in the Rapid City MSA over the next five years. If attractive residential lots are available in Sturgis, for a range of home types and price ranges, it is projected that 8% to 9% of the new units will be constructed in Sturgis, which is 40 to 45 units annually.

It is our opinion that if the city, local housing agencies, developers and builders are proactive, 40 to 45 owner-occupied housing units should be constructed in Sturgis annually over the next five years, from 2019 to 2024, to address demand. Our projection for single family housing starts includes homes built in new subdivisions and on infill lots, and includes single family attached housing units, such as twin homes and town houses.

This projection is based on the on-going availability of lots for single family homes and twin homes/town homes at all price ranges.

The breakdown of our projection of 40 to 45 new owner-occupied housing units annually over the next five years is as follows:

▶ Higher & medium price homes	21-23 homes
▶ Affordable homes	10-12 homes
▶ Homes on infill lots	1-2 homes
▶ Twin homes/town homes	<u>8 units</u>
Total	40-45 homes/units

In the 2014 Sturgis Housing Study, we projected that 22 to 27 single family and twin home/town homes would be constructed annually. The City surpassed that projection and an average of 29 units were constructed annually.

Resident Survey

To provide some additional insights into the City’s new housing construction potential, the following highlights have been taken from a resident survey conducted by City staff in Sturgis. The residents in three Sturgis subdivisions were surveyed: Canyon View, Dolan Creek and Wildflowers.

The survey included demographic questions on the number and ages of the people in the household. The residents were also surveyed on where they relocated from and where they are currently working. This information assisted in determining future new housing construction. Some of the observations derived from the survey include:

- ▶ The average household size in the new single family homes is 3.84 which is very high in comparison to the overall city average household size, which is 2.20.
- ▶ Only 32% of the households who constructed a single family home in one of the subdivisions are from Sturgis, 32% are from the Greater Black Hills area, 10% are from other regions in South Dakota and 26% are from out of state.
- ▶ Nearly 16% of the households living in town homes are from other regions of South Dakota or from out of state.
- ▶ Approximately 62% of the residents living in town homes are retired.
- ▶ More than 35% of the residents living in single family homes work in Sturgis, 10% are retired and 49% commute to other cities for work.

- ▶ The most common reasons for living in Sturgis include:
- ▶ cheaper housing
- ▶ close to family
- ▶ new subdivision
- ▶ close to work
- ▶ want to live in Black Hills region
- ▶ wanted a new home

11. Lot availability and 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 Sturgis. Based on information provided by the City of Sturgis, there are currently approximately 49 lots available in three subdivisions.

There are also several miscellaneous infill lots scattered around the city that we did not attempt to count. We also do not know the availability of some of these infill lots. Also, we are promoting the acquisition and demolition of dilapidated houses. Some of the cleared lots may be sites for new construction. Additionally, there are lots available outside the city limits of the City of Sturgis.

Recommendation: We use a standard that a 2 ½ year supply of lots should be available in the marketplace based on annual lot usage. With projections that 35 to 45 new owner-occupied housing units will be constructed per year, the City should have approximately 88 to 113 residential lots available to meet the 2 ½ year expected demand. Part of this demand is for attached unit construction.

With approximately 49 available lots, the City currently does not have an adequate number of lots, if new construction projections are achieved. We encourage the City of Sturgis, the Sturgis Economic Development Corp., and private developers to develop lot options in all price ranges to accommodate new housing construction. Several Sturgis sites have been identified for potential new lot development.

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

Findings: From January 2014 to September 6, 2019, approximately 178 owner-occupied single family units have been constructed in Sturgis.

Recommendation: We recommend that the City of Sturgis, the Sturgis Economic Development Corp., developers, builders, realtors and other housing stakeholders coordinate efforts to promote lot development, lot sales and housing development.

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

- ▶ ***Competitive pricing*** - There are lots available in communities throughout the region. To attract new home construction in Sturgis, lots should be available and competitively priced with other lot options in the area.
- ▶ ***User-Friendly/continue momentum*** - The lot purchase and home building process must continue to be 'user friendly.' This includes an inventory of available lots, the construction of spec homes, builders that are readily available to build custom homes and city regulations that are fair and reasonable. The entire process must be as 'user friendly' as possible to encourage home construction. This will continue the new housing construction that Sturgis has been experiencing for the past several years.
- ▶ ***Long-term planning*** - The City of Sturgis and Sturgis developers should continue long-term development planning to assure lots are available on an on-going basis to meet demand for all types of new housing.
- ▶ ***Continue to promote spec home construction*** - Spec houses attract a buyer that is not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy.
- ▶ ***Incentives*** - Some cities and counties throughout South Dakota are offering incentives to construct new homes, including reduced lot prices, reduced water and sewer hookup fees, cash incentives, etc. Incentives should be considered to promote new home construction if new home construction slows over the next several years.

- ▶ ***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 continue to be available for a twin home/town home development.
- ▶ ***Range of house prices*** - Lots should be available to as wide a range of home sizes and prices as possible, without compromising the subdivisions. This broadens the lot buyer market. Also, smaller infill lots with fewer amenities should be marketed for affordable homes.
- ▶ ***Marketing*** - The City of Sturgis and all housing stakeholders will need to continue marketing the sale of available lots and new home construction. Developers, realtors, financial institutions, builders, employers, the Chamber of Commerce, the Sturgis Economic Development Corp., etc., should all be involved in developing marketing strategies. In addition to marketing the lots, the City of Sturgis and its many amenities should continue to be marketed.
- ▶ ***Governors Homes*** - Governors Homes are an affordable option and SDHDA has initiated a program that enables developers to participate in the 'Governor's Home Program.'
- ▶ ***Manufactured/modular homes*** - Manufactured and modular homes can provide affordable housing opportunities for moderate income households.
- ▶ ***In-fill lot Home Development*** - In-fill lots in existing neighborhoods are often affordable and have existing City services. Some housing agencies and nonprofits develop affordable homes on in-fill lots.
- ▶ ***South Dakota Housing Development Authority Programs (SDHDA)*** - SDHDA has housing programs available to assist developers, builders and home buyers.
- ▶ ***Publicly owned subdivision*** - Private developers often do not have the incentive to develop lots in a small community. A possible approach is to develop a publicly-owned subdivision, which could potentially offer lower-priced lots.

13. Develop additional residential lots and subdivisions

Findings: A 2 ½ year supply of lots should be available on an ongoing basis to address the projected demand for new housing construction. Therefore, it will be necessary to develop additional residential lots and subdivisions in Sturgis. At the time of this Study, approximately 49 residential lots in subdivisions plus a limited number of in-fill lots are available. If expected demand comes to fruition, 105 to 135 lots will be needed over the next three years.

Recommendation: To achieve the level of new home construction potential that has been identified, we would recommend the development of residential lots and subdivisions based on the following:

- ▶ 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 and subdivisions 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.
- ▶ 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, the City of Sturgis, the Sturgis Economic Development Corp., and the Sturgis Chamber of Commerce. Financial assistance such as tax increment financing and tax abatement, may be necessary to make the development of lots feasible for affordable homes.
- ▶ The lots must be as aesthetically acceptable as possible and include high quality amenities.
- ▶ The subdivisions must be as aesthetically acceptable as possible.
- ▶ The subdivisions, if possible, should have land available for future development phases.
- ▶ The development process should be as user-friendly and streamlined as possible.

We also recommend that the City research all of the vacant lots and parcels in the City to determine their availability and viability for new construction. Also, additional lots could become available through the demolition and clearance of dilapidated structures. A lot inventory, based on the research, should be maintained and available for future buyers.

14. Promote townhouse and twin home development

Findings: Sturgis has experienced some owner-occupied attached housing development over the past four years from 2016 to 2019. Many communities have seen attached housing take an increasingly large share of new construction. In cities the size of Sturgis, 20% to 30% of the housing starts are typically twin homes/townhomes. From 2016 to September 6, 2019, approximately 18% of the owner-occupied housing units constructed in Sturgis have been attached units such as twin homes/townhomes.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making traditional single family houses available for families. It is estimated that in 2018 there were approximately 1,270 households age 65 and older in Sturgis and from 2018 to 2023, the 65 and older age ranges will increase by 196 households. It is important for the City to continue to offer a range of life-cycle housing options as many of these households will be seeking to downsize into low maintenance housing options.

Recommendation: It is our projection that approximately eight of the new owner-occupancy single family units per year in Sturgis should be twin homes or town houses, which is a total of 40 units during the five-year projection period.

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

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

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

15. Coordinate with agencies/nonprofits that develop affordable housing

Findings: With the difficulty of producing new housing units that are affordable to lower income people, it is important to take advantage of opportunities presented by housing agencies and nonprofit groups and organizations.

Currently, the City of Sturgis is moving four Governors Homes into the Sturgis area. Also, the Meade County Housing and Redevelopment Commission has moved governor's homes into the community and sold the homes to low/moderate income households. Habitat for Humanity has also constructed affordable homes in the City. NeighborWorks Dakota Home Resources has also constructed houses in Sturgis through its Land Trust Program. The Land Trust Program lowers the costs of home ownership by removing the land cost from the purchase transaction.

Other local and regional housing agencies and nonprofits may also have the capacity to construct affordable housing in Sturgis. These sources can help generate new homes for moderate income families in Sturgis.

Recommendation: We recommend that the City continue to coordinate with housing agencies and nonprofit organizations that help to produce affordable housing units. The City may be able to contribute to the project through land donations, TIF, tax abatement, grants writing, or project coordination activities.

Sturgis - Housing Rehabilitation

Housing Rehabilitation

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

Housing options for households will largely be met by the existing, more affordable housing stock. As this existing stock ages, more maintenance and repair are required. Without rehabilitation assistance, the affordable stock will shrink, creating an even more difficult affordability situation.

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

16. Promote rental housing rehabilitation programs

Findings: Based on the American Community Survey and the U.S. Census data, the City of Sturgis has approximately 1,217 rental units in 2019. These rental units are in multi-family projects, small rental buildings, mixed-use buildings, duplexes, single family homes and mobile homes. Many of these rental structures could benefit from rehabilitation as approximately 80% of the rental structures are more than 30 years old and some of these rental units are in poor condition.

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

Recommendation: Sturgis and area housing agencies should seek funds that can be dedicated to the rehabilitation of rental units. For a rental rehabilitation program to be workable and successful, the funds should to the extent possible, allow for program design flexibility.

Potential funding sources include USDA Rural Development, the Federal Home Loan Bank, the South Dakota Housing Development Authority, and local funds.

17. Promote owner-occupied housing rehabilitation efforts

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

The 2014 housing condition survey of the 496 houses in five of the City's oldest neighborhoods found 177 homes that need minor repairs and 170 homes that need major repairs. Also, approximately 69% of the owner-occupied single family homes in Sturgis are over 30 years old. Without rehabilitation assistance, the affordable housing stock will shrink in Sturgis.

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

Based on funding availability, Western SD Community Action, Inc., and NeighborWorks Dakota Home Resources implement owner-occupied housing rehabilitation, furnace replacement and weatherization programs in Sturgis and Meade County. In the past, NeighborWorks Dakota Resources made repairs to approximately 35 homes in Sturgis through the Workcamps Program.

NeighborWorks Dakota Home Resources also administers other housing rehabilitation programs. Households that meet program requirements are eligible for a loan or deferred loan to rehabilitate their homes. Deferred loans do not have to be paid back if the households lives in the home for a stipulated amount of time after rehabilitation is completed. We encourage Sturgis and Meade County households to continue to utilize these programs.

18. Develop a Neighborhood Revitalization Program

Findings: The City of Sturgis has several neighborhoods that are on the bubble. These neighborhoods have a significant number of homes that need rehabilitation and a significant number of low/moderate income households. These neighborhoods also have vacant and dilapidated homes. The neighborhoods could deteriorate, or could be revitalized to be strong vital neighborhoods.

Recommendation: We continue to recommend that the City of Sturgis, area housing agencies, and the private housing sector select a neighborhood and develop and implement a Neighborhood Revitalization Program. Redevelopment strategies and opportunities should be identified for the Neighborhood including:

- ▶ A plan for each parcel in the neighborhood
- ▶ Owner-occupied rehabilitation
- ▶ Rental Rehabilitation
- ▶ Demolition of dilapidated structures
- ▶ Infill new construction including single family homes and attached housing
- ▶ Land pooling for larger town home and attached housing projects
- ▶ Purchase/Rehabilitation Programs that rehabilitate homes and provide home ownership for low/moderate income households
- ▶ Public projects (streets, utilities, parks, etc.)
- ▶ Possible rezoning, variances and/or replatting to make areas and parcels more desirable for redevelopment
- ▶ Programs that encourage energy conservation
- ▶ Other projects identified through the planning process

The Neighborhood Revitalization Plan should include time lines, the identification of a responsible city department or housing agency, funding sources, etc. The program should be evaluated on an ongoing basis as opportunities and potential projects may change priorities.

It must be noted that neighborhood revitalization can result in the loss of affordable housing. Redevelopment projects, infill construction and other affordable housing projects in the community should assure that there are overall net gains in the affordable housing stock.

After a neighborhood is revitalized, a new neighborhood can be selected for future targeted efforts.

19. Develop and Implement a Rental Inspection Program

Findings: A Rental Inspection Program can be a valuable tool in improving the quality of the City's rental housing and assuring safe and sanitary housing. In 2019, there are approximately 1,217 rental units in the City of Sturgis, more than 80% are more than 30 years old. Neighborhood deterioration, lower property values and unsafe rental units are often prevented when a Rental Inspection Program is successfully implemented. Currently, Sturgis enforces codes on a complaint basis, but does not have a uniform inspection policy.

The need for an ongoing Rental Inspection Program includes the following:

Health and Safety

- ▶ There is a need to provide tenants with safe, sanitary, and standard living conditions and to eliminate life threatening hazards.

Age of Housing Stock

- ▶ Approximately 80% of the existing rental housing stock is more than 30 years old.
- ▶ Older housing needs continued rehabilitation and maintenance.
- ▶ Older housing often has difficulty complying with current codes.

Conversions

- ▶ Many of the rental buildings were originally constructed for uses other than rental housing such as owner-occupied single family homes and commercial use buildings. In conversion, owners often do the work themselves and may have inadequate or faulty mechanical, electrical, plumbing, and heating systems. Also, constructing an apartment in the basement often results in a lack of natural lighting, ventilation and proper access and egress.

Trends of Conversions

- ▶ Many of today's buyers want more amenities and conveniences, and less maintenance, thus, they are less likely to purchase older homes. These issues result in the continuation of converting old homes to rental units and magnify the problem.

Maintenance Efforts

- ▶ A large number of rental property owners are providing standard housing and reinvesting in their rental properties. However, some rental property owners do not maintain their buildings. Ongoing maintenance is necessary for older housing as buildings with continued deferred maintenance become unsafe and substandard.

High Number of Rental Property Owners

- ▶ Sturgis has a significant number of rental property owners. Many of these rental property owners do an excellent job; however, some absentee rental property owners do not reinvest in their properties, and create a need for the program.

Neighborhood Stabilization

- ▶ Rental units need to be maintained to keep the integrity of the neighborhood and stabilize property values. Deferred maintenance, and such things as parked junk cars, trash and debris all have a negative impact on residential neighborhoods.

Zoning and Codes

- ▶ Illegal apartments such as inappropriately constructed basement apartments may be unsafe and a violation of zoning regulations.

Coordination

- ▶ A Rental Inspection Program provides a record of rental units and owners.
- ▶ The program provides a better opportunity for coordination of city programs and codes.
- ▶ The program assures that rental units comply with minimum housing standards.

Recommendation: We continue to recommend the development and implementation of a Rental Inspection Program to assure that all rental units in Sturgis comply with housing laws and codes. The Program assures that Sturgis rental units are safe and sanitary, thus, removing blighted and unsafe conditions.

Sturgis - Other Housing Initiatives

20. Encourage employer involvement in housing

Findings: The City of Sturgis has several large employers. Also, the Sturgis Economic Development Corp. is working with existing employers to expand and for new employers to locate in Sturgis. The connection between economic development and housing availability has become an increasingly important issue as low area unemployment rates dictate the need to attract new workers into the community.

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

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

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

21. Acquire and demolish dilapidated structures

Findings: The 2014 housing condition survey of five neighborhoods identified 32 single family homes that are dilapidated and too deteriorated to rehabilitate. We also identified 170 single family homes as needing major repair (several of these homes may be too dilapidated to rehabilitate upon a more detailed inspection). There are also homes in other Sturgis neighborhoods that may be dilapidated and beyond repair. A few homes have been demolished in Sturgis since the 2014 Sturgis Study.

Recommendation: We recommend that Sturgis continue to work with property owners to demolish severely dilapidated structures. The City is enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots can possibly be utilized for the construction of new affordable housing units. Additionally, the demolition of dilapidated rental structures will upgrade the City's rental housing stock.

Also, Sturgis should work with Meade County to acquire and demolish tax forfeited properties that are dilapidated and beyond repair. Additionally, we recommend that the City maintain an inventory of structures that may be candidates for future demolition. Also, an inventory of in-fill lots for future development should be maintained.

22. Develop mobile home park improvement programs

Findings: The City of Sturgis has a significant inventory of mobile homes and mobile home parks. According to the 2017 American Community Survey there were approximately 347 mobile homes in the City. This represented nearly 11% of all housing options in Sturgis.

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

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

It may be appropriate for the City to initiate programs to improve the quality of mobile homes, even if these programs can only address a few units per year. Some of the innovative programs that have been used in other communities to address mobile home conditions and mobile home park issues include:

- ▶ **Operation Safe Mobile Home Park** - Owners of substandard mobile homes are given the option of voluntarily selling their substandard mobile home to the City or a local housing agency for a fixed minimum price. The mobile homes are then removed from the park and demolished/salvaged. The owner can then use the funds from the sale to help purchase a new home. Mobile home dealerships have sometimes participated by buying the salvaged homes.

- ▶ ***Time of Sale Inspection Program*** - This inspection program is designed to provide safe living conditions through the identification and elimination of basic life/safety hazards in older mobile homes. Mobile homes are subject to inspection prior to their sale. All identified safety hazards must be corrected before the unit is sold and/or occupied.
- ▶ ***Cooperative/Land Trust*** - Some mobile home parks have created a cooperative or a land trust which enables the home owners to own the mobile home park land and facilities. This ownership often creates pride which results in a clean, safe park atmosphere.

23. Create a plan and continue coordination among housing agencies

Findings: Sturgis needs staff resources to plan and implement many of the housing recommendations advanced in this Study. Sturgis has access to NeighborWorks Dakota Home Resources, the Black Hills Council of Local Governments, the Western South Dakota Community Action Agency, the Meade County Housing and Redevelopment Commission, the Sturgis Economic Development Corp., USDA Rural Development and the South Dakota Housing Development Authority. These agencies all have experience with housing and community development programs.

Recommendation: Sturgis is fortunate to have access to several agencies that can address housing needs. It is our recommendation that the City work with the housing agencies to prioritize the recommendations of this Study and to develop a plan to comprehensively address the City's housing needs. The plan should include strategies, time lines and the responsibilities of each agency. While there has traditionally been a degree of staff interaction between these agencies, it will be important that a coordinated approach be used to prioritize and assign responsibility for housing programs. This approach will reduce duplication, provide coordination and cooperation among agencies and will effectively utilize scarce resources.

It will also be important for the City to look for opportunities to work cooperatively with other area cities to address housing issues. With limited staff capacity, 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.

24. Promote Commercial Rehabilitation and Development

Findings: The City of Sturgis’s Downtown commercial district is in good condition, and several commercial buildings have been renovated, however, there are several substandard and vacant commercial buildings in Sturgis. Also, because of the unique nature of the Sturgis® Motorcycle Rally™, several downtown businesses are only open during the event.

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, especially when there are other housing opportunities in close proximity.

The City of Sturgis has established a Downtown Business Improvement District (BID) and a Downtown Overlay District to improve the downtown area. A Facade Improvement Program has also been created to financially assist downtown building owners with exterior improvements.

Recommendation: We recommend that the City of Sturgis and the Sturgis Economic Development Corp. continue to work with commercial property and business owners to rehabilitate their buildings. We also encourage the continuation and potential expansion of the Facade Improvement Program. Also, new businesses should continue to be encouraged to locate in Sturgis.

The City of Sturgis and the Sturgis Economic Development Corp. should continue to seek funding to assist property owners with rehabilitating their commercial buildings. We also recommend the continued efforts to improve the downtown’s infrastructure and amenities.

25. Develop home ownership and new construction marketing programs

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

Recommendation: The City of Sturgis, the Sturgis Economic Development Corp., the Mead and the Sturgis Chamber of Commerce, have all been active in promoting and marketing housing and we recommend the following:

- ▶ Determine the City's strengths and competitive advantages and heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers (Sturgis and the entire Black Hills area) to provide employees (especially new employees) with housing opportunities in Sturgis
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling programs
- ▶ Consider an annual Housing Fair that provides information on lots, builders, finance programs, etc. Developers, builders, lenders, realtors, public agencies and local businesses could participate
- ▶ Work with developers and builders to make lot development and the construction of new homes a very user friendly process
- ▶ Continue the County's real estate tax abatement program which encourages new housing construction
- ▶ 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
- ▶ Continue to 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 housing, 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 and area housing agencies

Agencies and Resources

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

Sturgis Economic Development Corp.

2885 Dickson Drive
P.O. Box 218
Sturgis, SD 57785
(605) 347-4906
Contact: Amanda Anglin, Executive Director

Meade County Housing and Redevelopment Commission

1220 Cedar Street
Sturgis, SD 57785
(605) 347-3384
Contact: Lori Hoppe

Western South Dakota Community Action Agency

1844 Lombardy Drive
Rapid City, SD 57703
(605) 348-1460

NeighborWorks Dakota Home Resources

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

USDA Rural Development

2202 W. Main Street
Sturgis, SD 57785
(605) 347-4952

South Dakota Housing Development Authority

3060 East Elizabeth Street
Pierre, SD 57501
(605) 773-3620
Contact: Mark Lauseng, Executive Director

Black Hills Council of Local Governments

730 East Watertown, Suite 102

Rapid City, SD 57701

(605) 721-6136

Contact: Ali DeMersseman, Executive Director