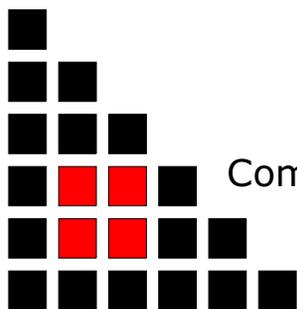


Worthing HOUSING STUDY

September 2014

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



Community Partners Research, Inc.

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Introduction

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

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

Goals

The multiple goals of the study include:

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

Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from April to August, 2014. Data sources included:

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

Limitations

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

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Demographic Data Overview

Sources of Data

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

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

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

The State of South Dakota has contracted with ESRI, a private company based in California that generates demographic and projection data. Community reports from ESRI are available on the website maintained by the Governor's Office of Economic Development. The ESRI current-year estimates and projections have also been included.

Population Data and Trends

Table 1 Population Trends - 1980 to 2013							
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2013 Estimates
Worthing	388	371	585	57.7%	877	49.9%	930
Lincoln Co.	13,942	15,427	24,131	56.4%	44,828	85.8%	49,858

Source: U.S. Census

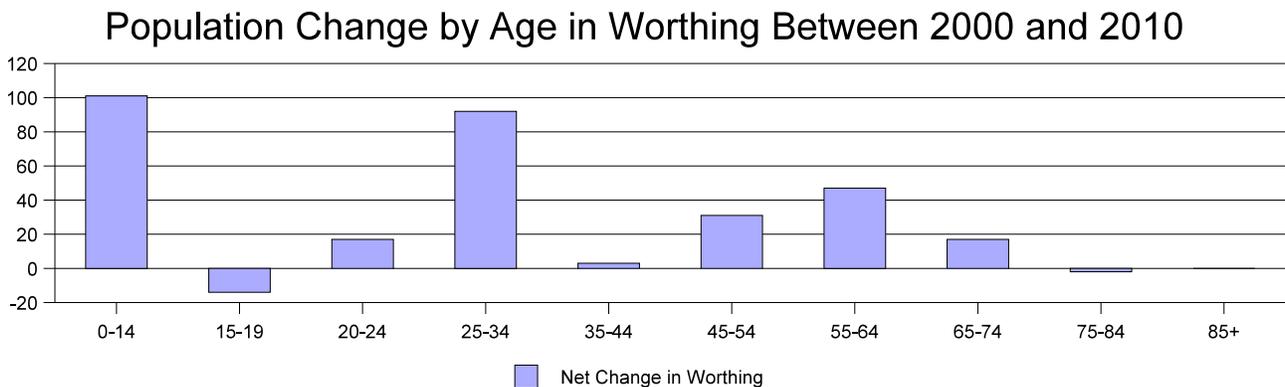
- ▶ According to the 2010 U.S. Census, the City of Worthing had a population gain of 292 people from 2000 to 2010. Worthing’s population was 877 in 2010. The 292-person increase was a population gain of 49.9%.
- ▶ Lincoln County’s population was 44,828 in 2010. This was a substantial increase of 20,697 people from 2000, for a population gain of 85.8%.
- ▶ Worthing and Lincoln County also experienced significant population increases in the 1990s. Worthing’s population increased by 214 people and Lincoln County increased by 8,704 people from 1990 to 2000.
- ▶ The Census Bureau has released more recent information through its population estimates program. The most recent estimate for Worthing is effective July 1, 2013, and shows the City adding 53 people from 2010 to 2013. The most recent estimate for Lincoln County is also effective July 1, 2013, and shows the County adding 5,030 people in the three years following the 2010 Census. The net growth in the County has been attributed to a combination of “natural increase” as births exceeded deaths, and from in-migration.
- ▶ ESRI, a private data reporting service used by the State of South Dakota, estimates the population in Worthing at 958 people in 2014, 28 people higher than the 2013 Census Bureau’s estimate. ESRI has a slightly more conservative estimate for Lincoln County, with 49,970 residents in 2014, only slightly higher than the Census Bureaus 2013 estimate.
- ▶ Worthing’s population is primarily White and non-Hispanic/Latino. At the time of the 2010 Census, 96.6% of the City’s residents were White, 1.0% were Black or African American, 0.8% were American Indian and 0.3% were Asian. Approximately 0.7% of the City’s population was identified as Hispanic/Latino.

Population by Age Trends: 2000 to 2010

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

Table 2 Population by Age - 2000 to 2010						
Age	Worthing			Lincoln County		
	2000	2010	Change	2000	2010	Change
0-14	144	245	101	5,948	11,543	5,595
15-19	51	37	-14	1,755	2,503	748
20-24	39	56	17	1,294	2,326	1,032
25-34	126	218	92	3,466	7,781	4,315
35-44	99	102	3	4,238	6,481	2,243
45-54	67	98	31	3,248	5,808	2,560
55-64	30	77	47	1,666	4,354	2,688
65-74	16	33	17	1,204	2,139	935
75-84	11	9	-2	903	1,257	354
85+	2	2	0	409	636	227
Total	585	877	292	24,131	44,828	20,697

Source: U.S. Census



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 Worthing and Lincoln County. Between 2000 and 2010, Worthing had a gain of 78 people and Lincoln County had a gain of 5,248 people in the age ranges between 45 and 64 years old. In 2010, nearly all of the baby boomers were within these age ranges.

However, Worthing had its largest population growth in the 0 to 14 age range, which increased by 101 people, and the 25 to 34 age range, which had a gain of 92 people. Between 2000 and 2007, a large number of new homes were constructed in Worthing which attracted younger families with children into the City. Worthing experienced slight population losses of 14 people in the 15 to 19 age range and two people in the 85 and older age range.

Lincoln County also had growth in all the other age ranges, with strong growth of 5,595 children in the 0 to 14 age range and 4,315 people in the 25 to 34 age range.

Population Projections

The following table presents population projections using two different sources. The South Dakota State Data Center has issued population projections for the year 2020 for Lincoln County. The other set of projections has been created by ESRI, and span the five-year period from 2014 to 2019.

Table 3 Population Projections Through 2019/2020				
	2010 Census	2014 Estimate ESRI	2019 Projection ESRI	2020 Projection State Data Center
Worthing	877	958	1,130	N/A
Lincoln County	44,828	49,970	59,208	62,170

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

- ▶ ESRI’s growth projections show population gains from 2014 to 2019 for the City of Worthing and Lincoln County. ESRI expects that the City of Worthing will add 172 residents over this five-year period, or an annual average of approximately 34 people per year. ESRI expects all of Lincoln County to add nearly 9,240 people between 2014 and 2019, or nearly 1,850 people in an average year.
- ▶ The State Data Center also projects significant population gains for all of Lincoln County. When compared to the 2010 base year, the State Data Center projection shows an increase of 17,342 people in the County during the current decade. At an annual average, this would be approximately 1,734 people per year.

Household Data and Trends

Table 4 Household Trends - 1980 to 2014							
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2014 Estimate
Worthing	130	128	206	60.9%	325	57.8%	358
Lincoln Co.	4,785	5,461	8,782	60.8%	16,649	89.6%	18,661

Source: U.S. Census; ESRI

- ▶ According to the 2010 U.S. Census, Worthing and Lincoln County gained a significant number of households from 2000 to 2010. Worthing had 325 households in 2010. This was an increase of 119 households from 2000, or a household gain of 57.8%.
- ▶ Lincoln County had 16,649 households in 2010. This was an increase of 7,867 households, or a household gain of 89.6%.
- ▶ Worthing and Lincoln County also had significant household gains in the 1990s. Worthing gained 78 households and Lincoln County gained 3,321 households during the 1990s.
- ▶ The 2014 estimate from ESRI shows 358 households in Worthing, an increase of 33 households from the 2010 Census.
- ▶ For all of Lincoln County, the 2014 ESRI estimate is 18,661 households, up by more than 2,000 households since the 2010 Census.

Household by Age Trends: 2000 to 2010

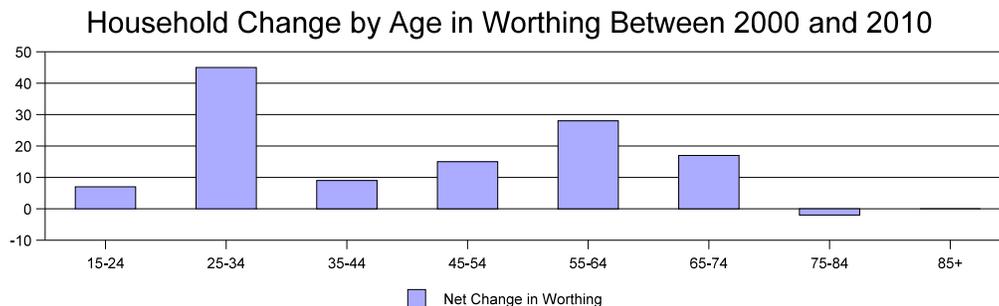
The 2010 Census allows for some analysis of Worthing and Lincoln County’s changing age patterns. The following table compares households by age of householder in 2000 and 2010, along with the numeric changes.

Table 5 Households by Age - 2000 to 2010						
Age	Worthing			Lincoln County		
	2000	2010	Change	2000	2010	Change
15-24	15	22	7	441	840	399
25-34	66	111	45	1,738	3,977	2,239
35-44	47	56	9	2,277	3,539	1,262
45-54	40	55	15	1,793	3,259	1,466
55-64	19	47	28	967	2,492	1,525
65-74	9	26	17	705	1,303	598
75-84	9	7	-2	628	821	193
85+	1	1	0	233	418	185
Total	206	325	119	8,782	16,649	7,867

Source: U.S. Census

Worthing added households in the 15 to 74 age ranges. Worthing added 52 households in the 15 to 34 year old age ranges, 24 households in the 35 to 54 age ranges and 45 households in the age 55 to 74 age ranges. Worthing had a loss of two households in the 75 to 84 age range and there was no change in the 85 and older age range.

Lincoln County experienced household gains in all age ranges. The age ranges age 54 and younger added 5,366 households and the 55 and older age ranges increased by 2,501 households.



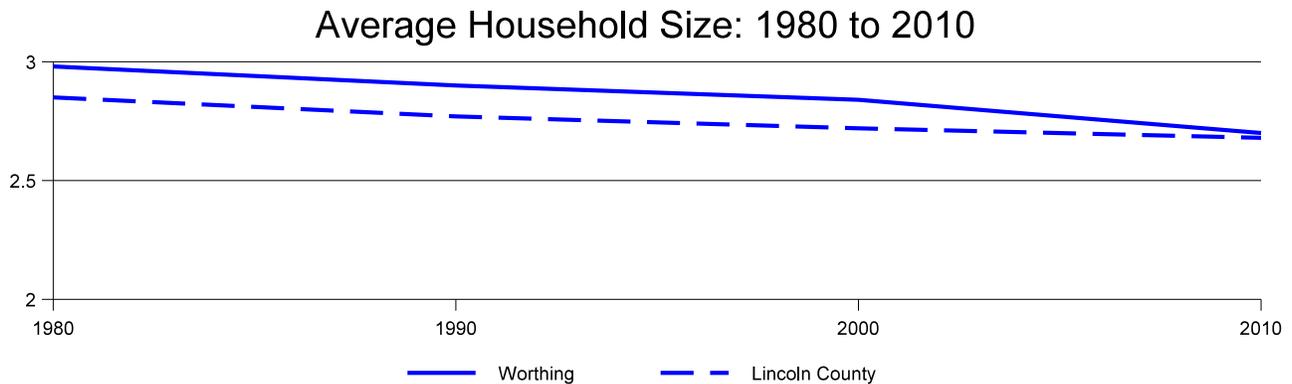
Average Household Size

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

Table 6 Average Number of Persons Per Household: 1990 to 2010				
	1980 Census	1990 Census	2000 Census	2010 Census
Worthing	2.98	2.90	2.84	2.70
Lincoln County	2.85	2.77	2.72	2.68
South Dakota	2.74	2.59	2.50	2.42

Source: U.S. Census

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



The average household size in Lincoln County and Worthing has decreased over the past three decades. In Worthing, the average household size decreased from 2.98 persons per household in 1980 to 2.70 in 2010. Lincoln County’s average household size decreased from 2.85 in 1980 to 2.68 in 2010.

In 2010, Worthing’s average household size was significantly higher than the Statewide average, and higher than most cities in South Dakota. All of Lincoln County also had a relatively large average household size.

Household Projections

The following table presents household projections for Worthing and Lincoln County. The projections are for the period between 2014 and 2019. These projections are created by ESRI.

Table 7 Household Projections Through 2019			
	2010 Census	2014 Estimate ESRI, Inc.	2019 Projection ESRI, Inc.
Worthing	325	358	425
Lincoln County	16,649	18,661	22,184

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

- ▶ The ESRI projections expect household gains for Worthing and Lincoln County from 2010 to 2019, consistent with past trends.
- ▶ Worthing is expected to add 67 households from 2014 to 2019. Over this five-year period, average annual growth would be between 13 and 14 households per year.
- ▶ Lincoln County is projected to add 3,523 households from 2014 to 2019. At an annual average, this would be approximately 705 households per year.

Worthing Household by Age Projections: 2010 to 2019

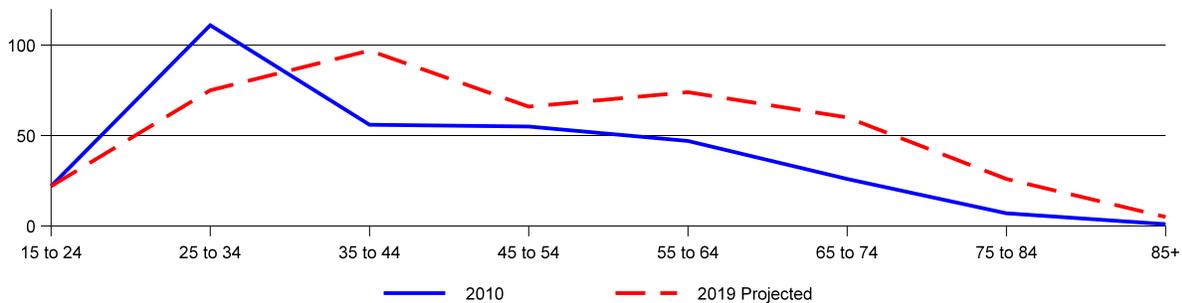
With the release of the 2010 Census, a new benchmark was established for Worthing’s age-related statistics. In the following table, Community Partners Research, Inc., has compared ESRI age-based projections for Worthing in 2019 to the 2010 Census.

The household projections for Worthing were extrapolated from ESRI’s age-based 2019 population projections. The projections assume that household formation and household size patterns within specific age groups will continue into the near-future. If Worthing adds population at a rate that is faster or slower than past patterns would suggest, traditional age-based forecasts would be altered.

Table 8 Worthing Projected Households by Age - 2010 to 2019			
Age Range	2010 Census	Extrapolated ESRI Projections	
		2019 Projection	Change from 2010
15-24	22	22	0
25-34	111	75	-36
35-44	56	97	41
45-54	55	66	11
55-64	47	74	27
65-74	26	60	34
75-84	7	26	19
85+	1	5	4
Total	325	425	100

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

City of Worthing Households by Age of Householder: 2010 and 2019



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. The ESRI projections indicate a gain of 100 households in Worthing from 2010 to 2019. Most of this growth should occur in the age ranges between 55 and 74 years old. Overall, an increase of 84 households would be expected in the age ranges 55 and older.

While the 10-year age group between 35 to 44 years old is expected to grow, only limited growth is expected within all of the younger adult age groups. Overall, the ESRI-extrapolated projections would show an increase of only 16 households age 54 and younger. Much of this would be due to an expected decrease of 36 households in the 25 to 34 age range, and no growth in the 15 to 24 year old age range.

Households by Type

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

Table 9 Worthing Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	81	113	32
Single Parent with own children	16	32	16
Married Couple without own children	60	84	24
Family Householder without spouse	7	7	0
Total Families	164	236	72
Non-Family Households			
Single Person	32	61	29
Two or more persons	10	28	18
Total Non-Families	42	89	47

Source: U.S. Census

Between 2000 and 2010, Worthing experienced an overall increase of 72 “family” households. There was an increase of 32 married couple families that had their own children in the household. The City also had an increase of 16 single parent households with children and a gain of 24 married couples without children.

The City of Worthing had an increase of 47 “non-family” households. There was an increase of 29 one-person households and an increase of 18 households that had two or more unrelated individuals living together.

Housing Tenure

The 2010 Census provided an updated look at housing tenure patterns. The following tables examine tenure rates, along with changes that have occurred.

Table 10 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Worthing	292	89.8%	33	10.2%
Lincoln County	13,042	78.3%	3,607	21.7%
State	-	68.1%	-	31.9%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in Worthing was 89.8% and Lincoln County's ownership rate was 78.3% in 2010. Worthing's rental tenure rate of 10.2% was significantly below the Statewide rate of 31.9% renter households.

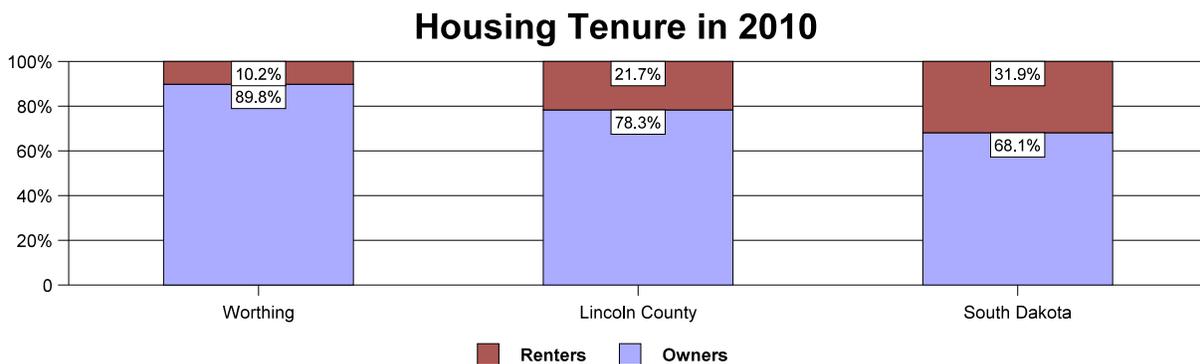


Table 11 Households by Housing Tenure - 2000 to 2010						
Tenure	Worthing			Lincoln County		
	2000	2010	Change	2000	2010	Change
Owners	184/89.3%	292/89.8%	108	6,995/79.7%	13,042/78.3%	6,047
Renters	22/10.7%	33/10.2%	11	1,787/20.3%	3,607/21.7%	1,820
Total	206	325	119	8,782	16,649	7,867

Source: U.S. Census

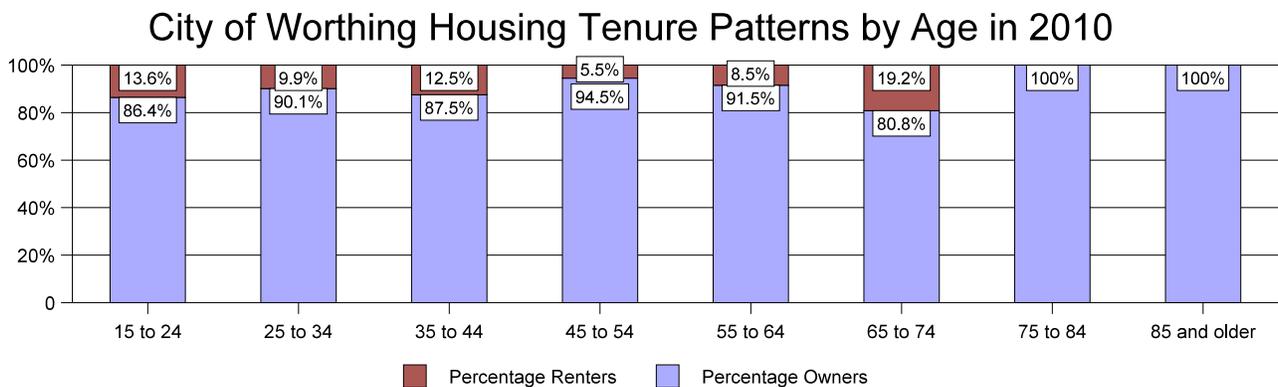
The City of Worthing's ownership tenure rate increased slightly from 89.3% in 2000 to 89.8% in 2010. For Lincoln County, the ownership tenure rate decreased slightly, from 79.7% in 2000 to 78.3% in 2010.

Tenure by Age of Householder

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

Table 12 Worthing Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	19	86.4%	3	13.6%
25-34	100	90.1%	11	9.9%
35-44	49	87.5%	7	12.5%
45-54	52	94.5%	3	5.5%
55-64	43	91.5%	4	8.5%
65-74	21	80.8%	5	19.2%
75-84	7	100%	0	0%
85+	1	100%	0	0%
Total	292	89.8%	33	10.2%

Source: U.S. Census



With the small number of rental units in Worthing, all of the age ranges had a very high owner percentage and a low renter percentage. All of the age ranges had an owner percentage of 86% or higher.

Tenure by Household Size

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

Table 13 Worthing Tenure by Household Size - 2000 to 2010						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	25	49	24	5	12	7
2-Person	53	96	43	9	12	3
3-Person	51	60	9	4	6	2
4-Person	34	58	24	2	1	-1
5-Person	17	24	7	1	2	1
6-Person	2	2	0	1	0	-1
7-Persons+	2	3	1	0	0	0
Total	184	292	108	22	33	11

Source: U.S. Census

From 2000 to 2010, there were increases in the number of owner and renter households in Worthing. There was an increase of 67 owner households with one or two household members. There was also an increase of 41 owner households with three or more household members. There was an increase of 10 renter households with one or two household members. There was a net increase of one household with three or more household members. Approximately 85% of the renter households in Worthing were one or two person households in 2010.

Worthing Housing Tenure Patterns by Household Size in 2010



2012 Income Data

The 2010 Census did not collect information on household income. However, estimates are available at the city and county level through the 2012 American Community Survey.

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

Table 14 Median Household Income - 2000 to 2012			
	2000 Median	2012 Median	% Change
Worthing	\$46,136	\$61,406	33.1%
Lincoln County	\$48,338	\$73,340	51.7%
South Dakota	\$35,271	\$46,369	31.5%

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

Table 15 Median Family Income - 2000 to 2012			
	2000 Median	2012 Median	% Change
Worthing	\$50,515	\$70,625	39.8%
Lincoln County	\$55,401	\$82,540	49.0%
South Dakota	\$43,237	\$58,958	36.4%

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

Information contained in the 2012 American Community Survey shows that the median household and family incomes have increased substantially from 2000 to 2012 in Worthing and Lincoln County. Worthing and Lincoln County's median household and family incomes and are all substantially above the statewide medians.

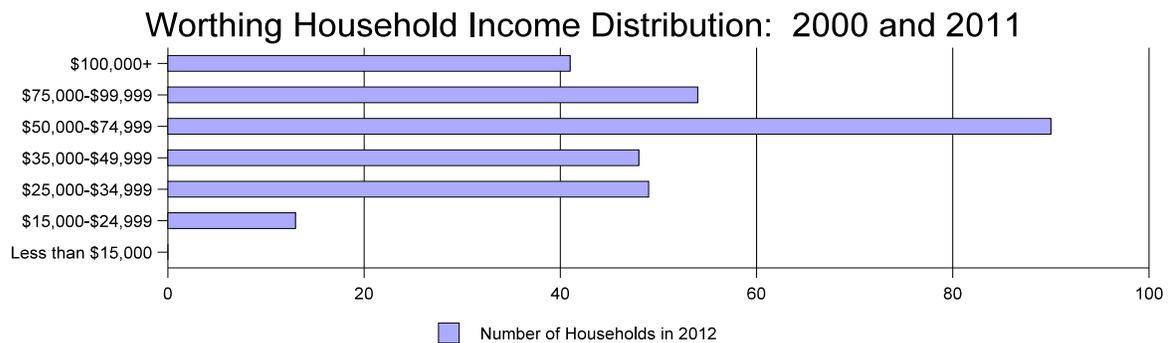
Generally, family household incomes tend to be much higher than the overall household median, as families have at least two household members, and potentially more income-earners. Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Worthing could afford approximately \$1,535 per month and a median income family household could afford \$1,766 per month for ownership or rental housing in 2012.

Worthing Household Income Distribution

The 2012 American Community Survey household income estimates for Worthing can be compared to the same distribution information from 2000 to examine changes that have occurred over the previous 12 years.

Household Income	Number of Households 2000	Number of Households in 2012	Change 2000 to 2012
\$0 - \$14,999	13	0	-13
\$15,000 - \$24,999	13	13	0
\$25,000 - \$34,999	27	49	22
\$35,000 - \$49,999	59	48	-11
\$50,000 - \$74,999	63	90	27
\$75,000 - \$99,999	18	54	36
\$100,000+	7	41	34
Total	200	295	95

Source: 2000 Census; 2012 ACS



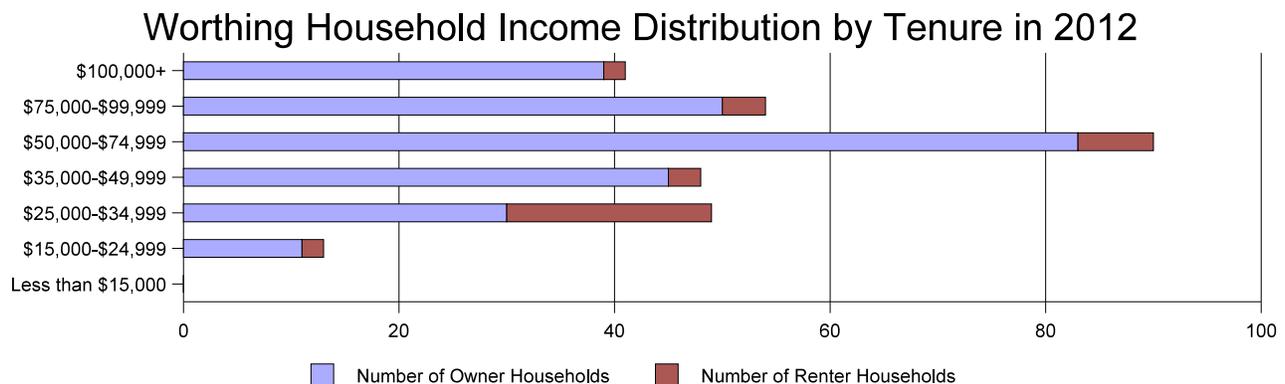
According to income estimates contained in the American Community Survey, household incomes have improved in Worthing in the highest income ranges. Although the 2012 American Community Survey underestimated the number of households in Worthing, it's the best available information of incomes in Worthing. When compared to the 2000 Census, the number of households with an income of \$50,000, or more, increased by 97 households. There was a net decrease of nine households with annual incomes under \$35,000. Although there was a net decrease in the number of households in the lower income ranges, there were still 52 households with an annual income below \$25,000 in 2012, which represented approximately 18% of all households in Worthing.

Worthing Income Distribution by Housing Tenure

The 2012 American Community Survey provides income data by owner and renter status. The following table examines income distribution in Worthing. The American Community Survey is an estimate, based on limited sampling data, and there are some differences when compared to the 2010 Census. The American Community Survey reported income information on 295 households and the U.S. 2010 Census reported that there are 325 households in Worthing.

Table 17 Worthing Household Income Distribution by Tenure - 2012			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	0/0%	0/0%	0
\$15,000 - \$24,999	11/84.6%	2/15.4%	13
\$25,000 - \$34,999	30/61.2%	19/38.8%	49
\$35,000 - \$49,999	45/93.8%	3/6.2%	48
\$50,000 - \$74,999	83/92.2%	7/7.8%	90
\$75,000 - \$99,999	50/92.6%	4/7.4%	54
\$100,000+	39/95.1%	2/4.9%	41
Total	258	37	295

Source: 2012 American Community Survey



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

In 2012, approximately 57% of all renter households in Worthing had an annual income below \$35,000. At 30% of income, these households would have \$875, or less, that could be applied to monthly housing costs. The median income for all renter households was approximately \$30,000 in 2012. At 30% of income, a renter at the median level could afford approximately \$750 per month or less for housing costs.

Most owner households had a higher income level than rental households. Approximately 67% of all owner households had an annual income of \$50,000 or more. The estimated median household income for owners in 2012 was approximately \$62,950. At 30% of income, an owner at the median income level could afford approximately \$1,574 per month for housing costs.

2012 Estimated Income and Housing Costs - Renters

The American Community Survey also collected information on housing costs. The following table provides data on the number of renter households that are paying different percentages of their gross household income for housing in Worthing.

Table 18 Gross Rent as a Percentage of Household Income - Worthing		
Percentage of Household Income for Housing Costs	Number of Renter Households 2012	Percent of All Renter Households 2012
0% to 19.9%	19	51.4%
20% to 29.9%	8	21.6%
30% to 34.9%	0	0%
35% or more	10	27.0%
Not Computed	0	0%
Total	37	100%

Source: 2012 American Community Survey

According to the American Community Survey, approximately 27% of all renters in the City were paying 30% or more of their income for rent. All of these households were actually paying 35% or more of their income for housing. Federal standards for rent subsidy programs generally identify 30% of income as the maximum household contribution. When more than 30% of income is required, this is often called a "rent burden". When more than 35% is required, this can be considered a "severe rent burden".

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

2012 Estimated Income and Housing Costs - Owners

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

Table 19 Ownership Costs as a Percentage of Income - Worthing		
Percentage of Household Income for Housing Costs	Number of Owner Households 2012	Percent of All Owner Households 2012
0% to 19.9%	139	53.9%
20% to 29.9%	77	29.8%
30% to 34.9%	20	7.8%
35% or more	22	8.5%
Not Computed	0	0%
Total	258	100%

Source: 2012 ACS

The 2012 American Community Survey underestimated the number of owner households in the City of Worthing. However, this source still represents the best available information on income compared to housing costs.

Most owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 16% of all home owners reported that they paid more than 30% of their income for housing. A slight majority of these households were paying more than 35% of income for housing costs.

Occupancy Status of Housing Units - 2010

Table 20 Occupancy Status of Housing Units - 2010						
	Occupied Units		Vacant Units			
	Owner	Renter	For Rent	For Sale	Seasonal Use	Other Vacant
Worthing	292	33	3	1	0	5
Lincoln Co.	13,042	3,607	572	297	82	275

Source: U.S. Census

- ▶ In 2010, according to the U.S. Census, there were 82 seasonal housing units in Lincoln County and no seasonal units in Worthing.
- ▶ In addition to the seasonal units in 2010, there were 1,144 vacant housing units in Lincoln County, including nine units in Worthing.

Existing Home Sales

This section examines houses that have been sold in Worthing from 2009 to 2013. It is important to note that the number of houses each year is limited and may not be an accurate indicator of overall home values in the City. However, this sample does provide some insight into those units that have turned-over during this time period. This table primarily reflects existing home sales.

Table 21 Median Value of Recent Residential Sales - 2009 to 2013		
	Number of Good Sales	Median Sale Price
2013	20	\$130,000
2012	11	\$120,000
2011	15	\$105,000
2010	14	\$124,450
2009	22	\$126,500

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

- ▶ From 2009 to 2013, there were 82 residential sales of single family houses in Worthing that were considered to be "open market" transactions, according to the Lincoln County Director of Equalization. Sales that are not available on the open market and some other types of sales have been excluded.
- ▶ The median sales price for the 20 residential sales in Worthing in 2013 was \$130,000. The highest valued sale was for \$138,500 and the lowest valued sale was for \$82,000.
- ▶ The median price for the 11 sales in 2012 was \$120,000. The highest valued sale was for \$150,000 and the lowest sale was for \$50,000.
- ▶ The median price for the 15 sales in 2011 was \$105,000. The highest valued sale was for \$139,000 and the lowest sale was for \$23,000.
- ▶ The median price for the 14 residential sales in 2010 was \$124,450. The highest valued sale was for \$141,000 and the lowest sale was for \$52,000.
- ▶ The median price for the 22 residential sales in 2009 was \$126,500. The highest valued sale was for \$140,000 and the lowest sale was for \$63,400.

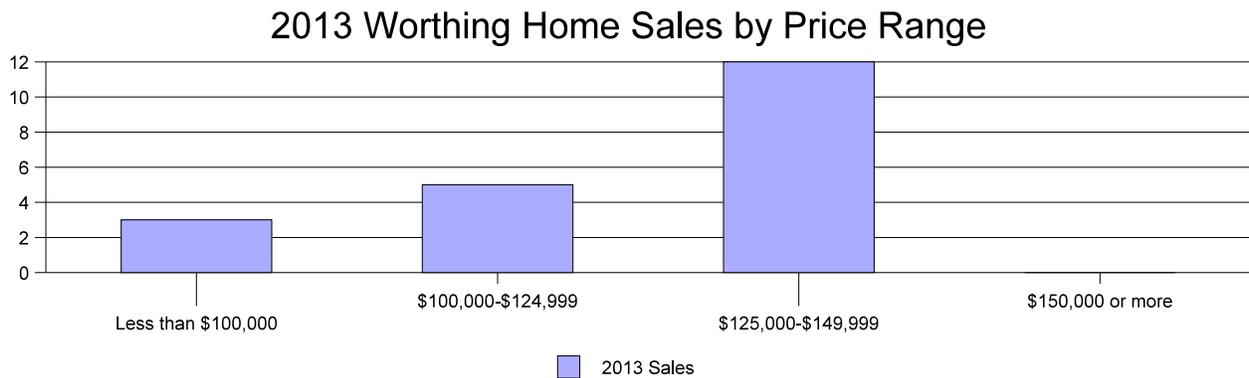
Home Sales by Price Range

The following table sorts by price range the single family houses that sold in Worthing in 2013.

Table 22 Worthing Home Sales by Price Range in 2013		
Sale Price	Number of Sales	Percent of Sales
Less than \$100,000	3	15%
\$100,000 - \$124,999	5	25%
\$125,000 - \$149,999	12	60%
\$150,000 or more	0	0%
Total	20	100%

Source: Lincoln County Equalization; Community Partners Research, Inc.

Recent home sales in Worthing in 2013 have been in the moderate to lower price ranges. Only three houses sold for less than \$100,000, and 85% of all sales were between \$100,000 and \$149,999. No houses sold for \$150,000 or more.



Worthing Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 82 single family/duplex houses in Worthing's older core area neighborhood, which surrounds the Downtown. The boundaries of the area surveyed is as follows:

- Worthing Core Neighborhood: North - First Street
South - Fourth Street
East - Cherry Street
West - Louise Avenue

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

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

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

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

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

Table 23 Windshield Survey Condition Estimate - 2014					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Worthing Core Neighborhood	29/35.4%	29/35.4%	21/25.6%	3/3.6%	82

Source: Community Partners Research, Inc.

- Approximately 35% of the houses in the City's core neighborhood need minor repair and 26% need major repair. Approximately 35% are sound, with no required improvements. Three houses are dilapidated and possibly beyond repair.

Building Permit Trends

Worthing has experienced a limited amount of new housing construction activity in recent years. The following table identifies the units that have been constructed from 2000 to 2013.

Table 24 Worthing Housing Unit Construction Activity: 2000 to 2013			
Year	Single Family	Two or More Units	Total Units Constructed
2013	1	0	1
2012	0	0	0
2011	0	0	0
2010	1	0	1
2009	0	0	0
2008	3	0	3
2007	11	0	11
2006	7	4	11
2005	10	0	10
2004	13	0	13
2003	13	0	13
2002	13	0	13
2001	19	0	19
2000	8	0	8
TOTAL	99	4	103

Source: Census Bureau; City of Worthing; Community Partners Research, Inc.

Over the past 14 years, 103 new housing units were constructed in Worthing, based on building permit issuance and U.S. Census information. Ninety-nine of these units were single family homes and four units were in a four-plex.

Nearly all of the new single family construction occurred between 2000 and 2007. After 2007, housing construction activity slowed, and the City has issued permits for only five new houses over the past six years.

Rental Housing Data

Census Bureau Rental Inventory

According to the 2010 U.S. Census, there were 33 occupied rental units and three unoccupied rental units in Worthing, for a total estimated rental inventory of 36 units. The City's rental tenure rate in 2010 was 10.2%, below the Statewide rental rate of 31.9%.

At the time of the 2000 Census, Worthing had 22 occupied rental units, and one vacant rental unit, for a total estimated rental inventory of 23 units. The rental tenure rate in 2000 was 10.7%.

Based on a Census comparison, the City gained 11 renter-occupancy households, and approximately 13 rental units during the last decade.

Rental Housing Survey

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

Information was tallied only for market rate units as there are no subsidized housing units, senior independent units or senior housing with services rental units in Worthing. A total of 21 market rate housing units were contacted in the survey.

The findings of the survey are provided below.

Market Rate Summary

Information was obtained on 16 rental units in three multifamily projects including two four-plex projects and one project that includes two four-plexes. We also obtained information on five single family homes.

Unit Mix

We obtained the bedroom mix on the 21 market rate units. The bedroom mix of the units is:

- ▶ efficiency - 0 (0%)
- ▶ one-bedroom - 1 (4.8%)
- ▶ two-bedroom - 19 (90.4%)
- ▶ three-bedroom - 1 (4.8%)

Occupancy / Vacancy

At the time of the survey, there was one vacancy in the 21 market rate units that were surveyed, which is a vacancy rate of 4.8%. The one vacancy was in the Krump Apartments and the owner reported that the units are usually fully occupied. The rental property owners reported a high demand for rental units.

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.

<u>Unit Type</u>	<u>Lowest/Highest Gross Rents</u>
One-bedroom	\$500
Two-bedroom	\$500-\$750
Three-bedroom	\$625

Tax Credit, Subsidized and Senior with Services Summaries

There are no tax credit, subsidized or senior with services rental units in the City of Worthing.

Table 25 Worthing Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Molstad 4-plex	<u>1 - 1 bedroom</u> <u>3 - 2 bedroom</u> 4 total units	\$400 range plus utilities	No vacancies	General occupancy	Market rate 4-plex approximately 20 years old with one one-bedroom and three two-bedroom units. Rent is in the \$400 range. Three tenants have rented their units for over 15 years.
Johnson 4-plex	<u>4 - 2 bedroom</u> 4 total units	\$650 plus utilities	No vacancies	General occupancy	Market rate four-plex with four two-bedroom units constructed in 2006. One recent vacancy generated 20 phone calls. Rent is \$650 plus utilities. There are no vacancies. The four-plex was recently sold to a new owner.
Krump Apartments	<u>8 - 2 bedroom</u> 8 total units	\$650 plus utilities	No vacancies	General occupancy	Eight units in two four-plexes. One four-plex is approximately 15 years old and one four-plex is approximately eight years old. All eight units are two-bedroom. Rent is \$650 plus utilities. Owner reports one vacancy, however, the units are usually fully occupied.
Woods (previous) single family homes	<u>4 - 2 bedroom</u> <u>1 - 3 bedroom</u> 5 total units	\$450 \$500	No vacancies	General occupancy	Five single family rental homes previously owned by Duane Woods. Homes were recently sold to three different owners. Rents are in the \$450 to \$500 range plus utilities. The houses include four two-bedroom and one three-bedroom. The houses are fully occupied and previous owner reports receiving numerous calls from households seeking rental housing.

Source: Community Partners Research, Inc.

Employment and Local Economic Trends

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

The City of Worthing is part of the Sioux Falls MSA and much of the household growth that has occurred in the MSA in past decades was the direct result of job opportunities that were available, especially in the City of Sioux Falls. The type of employment, wage level, and working conditions will each influence the kind of housing that is needed and at what level of affordability.

Major employers in Sioux Falls with more than 1,000 employees include:

- ▶ Sanford Health
- ▶ Avera
- ▶ John Morrell & Company
- ▶ Wells Fargo
- ▶ Sioux Falls School District
- ▶ Citibank
- ▶ Hy-Vee Food Stores
- ▶ Sioux Valley Clinic
- ▶ Evangelical Lutheran Good Samaritan Society
- ▶ Midwest Coast Transport
- ▶ WalMart/Sam's Club
- ▶ First PREMIER Bank/PREMIER Finance Bankcard
- ▶ City of Sioux Falls
- ▶ Dept. of Veterans Affairs Medical and Regional Office

Source: Governor's Office of Economic Development

Work Force and Unemployment Rates

Employment information is available for the Sioux Falls MSA. Information has been reviewed back to the year 2000. Data in the tables that follow have been obtained from the South Dakota Department of Labor.

Table 26 Sioux Falls MSA Annual Labor Statistics 2000 to 2013						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - MSA	Unemployment Rate - SD	Unemployment Rate - US
2000	111,195	108,865	2,330	2.1%	2.7%	4.0%
2001	112,945	110,135	2,810	2.5%	3.1%	4.7%
2002	114,480	111,305	3,175	2.8%	3.3%	5.8%
2003	116,510	112,955	3,555	3.1%	3.5%	6.0%
2004	118,790	114,790	4,000	3.4%	3.7%	5.6%
2005	120,280	116,370	3,910	3.3%	3.7%	5.1%
2006	123,175	119,810	3,365	2.7%	3.1%	4.6%
2007	126,810	123,600	3,210	2.5%	2.9%	4.6%
2008	128,940	125,395	3,545	2.7%	3.0%	5.8%
2009	128,830	122,185	6,645	5.2%	5.2%	9.3%
2010	128,295	121,790	6,505	5.1%	5.1%	9.6%
2011	130,050	124,230	5,820	4.5%	4.7%	8.9%
2012	131,800	126,650	5,150	3.9%	4.2%	8.1%
2013	134,105	129,635	4,470	3.3%	3.8%	7.4%

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

After experiencing very low rates of unemployment for most of the last decade, the rate for the Sioux Falls MSA increased rapidly between 2008 and 2009. However, in comparison to national patterns, the unemployment rate in the area was still very low. After 2010, the unemployment rate began to decrease, and by 2013 was down to only 3.3%, less than half of the national average.

In terms of the employment level, 2013 represented the highest employment count of the 14 years reviewed. The size of the available labor force also reached a peak in 2013.

Employment and Wages by Industry

The following table shows the annual employment and average annual wages by major employment sector in 2013, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment, as some classifications, such as self-employed workers, are not included. This information is for all of the Sioux Falls MSA.

Table 27 MSA Average Annual Wages by Industry Detail - 2013		
Industry	2013 Employment	Average Annual Wage
Total All Industry	139,171	\$41,627
Natural Resources, Mining	522	\$34,692
Construction	6,986	\$44,608
Manufacturing	13,330	\$43,583
Trade, Transportation, Utilities	29,492	\$37,604
Information	2,656	\$50,086
Financial Activities	16,001	\$51,495
Professional and Business Services	13,178	\$47,429
Education and Health Services	27,206	\$49,355
Leisure and Hospitality	13,473	\$14,724
Other Services	3,518	\$29,121
Government	12,810	\$42,782

Source: South Dakota Department of Labor

The average annual wage for all industry in 2013 was \$41,627 for the Sioux Falls MSA. The highest wage sector was Financial Activities, with an annual wage of \$51,495. The lowest average wage was paid in the Leisure and Hospitality sector, at \$14,724.

In terms of actual employment, the largest single sector was Trade, Transportation and Utilities, with 29,492 people. This is a broad sector, with a wide variation in annual wages for sub-sectors. The Retail Trade sub-sector, which accounted for more than 59% of all employment within this sector, had an average annual wage of only \$27,230.

Commuting Patterns of Workers

Only limited information is available on workers that commute for employment. The best information is from the 2012 American Community Survey, and has been examined for the City of Worthing. This table only examines travel time for Worthing residents, and excludes people that work at home.

Table 28 Commuting Times for Worthing Residents - 2012		
Travel Time	Number	Percent
Less than 10 minutes	50	11.4%
10 to 19 minutes	101	23.1%
20 to 29 minutes	165	37.7%
30 minutes +	122	27.9%
Total	438	100%

Source: 2012 American Community Survey 5-year estimates

Nearly two-thirds of Worthing’s residents were commuting 20 minutes or more to work in 2012, including 28% that were traveling 30 minutes or more. This would imply that many City residents are working in or near Sioux Falls. Fewer than 12% of the City’s residents had a drive time that was less than 10 minutes.

Findings on Growth Trends

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

Worthing's population increased by 57.7% from 1990 to 2000. The population increased from 371 in 1990 to 585 in 2000. From 2000 to 2010, Worthing's population increased by 292 people, from 585 in 2000 to 877 in 2010, for a percentage gain of nearly 50%.

Lincoln County's population increased from 15,427 in 1990 to 24,131 in 2000, which was an increase of 56.4%. The population continued to grow in the 2000s from 24,131 in 2000 to 44,828 in 2010, which was a gain of 85.8%.

Household levels have also increased from 1990 to 2010 in Worthing and Lincoln County. Worthing experienced a gain of 78 households from 1990 to 2000 and a gain of 119 households from 2000 to 2010. Lincoln County added 3,321 households from 1990 to 2000 and 7,867 households from 2000 to 2010.

Findings on Projected Growth

This Study has utilized ESRI's projections for Worthing and Lincoln County, which continue the growth patterns established in recent decades. ESRI projects that Worthing's population will increase by 172 people from 2014 to 2019. The household projections expect a gain of 67 households from 2014 to 2019.

Lincoln County is expected to gain more than 9,200 people from 2014 to 2019. Lincoln County's household projections expect a gain of 3,523 households from 2014 to 2019.

Summary of Worthing’s Growth Projections by Age Group

The Demographic section of this Study presented Worthing projection information on anticipated changes by age group from 2010 to 2019. This information can be informative in determining the housing that may be needed due to age patterns of the City’s population.

Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate much of the City’s growth in households in the age ranges between 55 and 74 years old. Projections based on ESRI’s population by age data point to a gain of approximately 61 households in the 55 to 74 year old age ranges in Worthing from 2010 to 2019. However, there will also be a projected gain of 41 households in the 35 to 44 age range, reflecting the younger households that moved to the community in the past.

The projections point to a possible loss of households in the 25 to 34 age range and no change in the 15 to 24 age range. However, this could be incorrect if the City is once again able to generate more starter home construction activity, which could help to attract younger families.

<u>Age Range</u>	<u>Projected Change in Households 2010 to 2019</u>
15 to 24	0
25 to 34	-36
35 to 44	41
45 to 54	11
55 to 64	27
65 to 74	34
75 to 84	19
85 and Older	4
Total	100

Findings on Housing Unit Demand and Tenure

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

Demand from Growth - The household projections used for this Study expect Worthing to gain 67 households from 2014 to 2019. Significant household gains of approximately 3,523 households are projected for Lincoln County. Anticipated household growth will yield demand for new housing production in Worthing.

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

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

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

Findings on Unit Demand by Type of Housing

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

Age 24 and Younger - The projections used for this Study expect no change in the number of households in the 15 to 24 age range through the year 2019. Past tenure patterns indicate that approximately 14% of these households in Worthing will rent their housing. A stable number of households in this age range should mean that rental demand from younger households will remain stable during the projection period.

25 to 34 Years Old - The projections show a loss of 36 households in this age range by 2019. Within this age range households often move from rental to ownership housing. The ownership rate among these households in Worthing was approximately 90% in 2010. A loss of households within this age range indicates less demand for both first-time home buyer and rental opportunities.

35 to 44 Years Old - The projections for this 10-year age cohort expect a range of a gain of 41 households between 2014 and 2019 in Worthing. In the past, this age group has had a high rate of home ownership in Worthing, at more than 87%. Households within this range often represent both first-time buyers and households looking to trade-up in housing, selling their starter home for a more expensive house.

45 to 54 Years Old - By 2019, this age cohort will represent the front-end of the "baby bust" generation that followed behind the baby boomers. This age group represents a much smaller segment of the population than the baby boom age group. For Worthing, the projections show a gain of 11 households in this range. This age group historically has had a high rate of home ownership, approximately 95% in Worthing in 2010, and will often look for trade-up housing opportunities. A gain in the number of households in this age group, indicates that the demand for trade-up housing will increase during the projection period.

55 to 64 Years Old - This age range is part of the baby boom generation. The projections show an expected increase of 27 households in this 10-year age range by the year 2019 in the City. This age range has traditionally a high rate of home ownership in Worthing, at approximately 92% in 2019. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters.

65 to 74 Years Old - A gain of 34 households is projected by the year 2019 in the 65 to 74 age range. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. At the time of the 2010 Census, approximately 81% of the households in this age range owned their housing in Worthing. Once again, preferences for age-appropriate units would increase from household growth within this age cohort.

75 to 84 Years Old - There is a projected gain of 19 households in Worthing in this age range between 2014 and 2019. In 2010, all the households within this 10-year age range were home owners in Worthing. While a high rate of home ownership is likely to continue, an expansion of other housing options for seniors, including high quality rental housing, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

85 Years and Older - An increase of four households is projected in this age range from 2014 to 2019. The home ownership rate in this age group in Worthing was 100% in 2010. Seniors in this age range often seek senior housing with services options.

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

Strengths for Housing Development

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

- ▶ **Worthing serves as a small regional center** - Worthing provides employment opportunities, retail/service options, professional services, governmental services and recreational facilities for a small geographical area that surrounds the City.
- ▶ **Affordable priced newer housing stock** - The City of Worthing has a stock of affordable, existing houses. Because of strong residential construction in the late 1990s and early 2000s, Worthing has a higher percentage newer, quality homes than most cities its size. Our analysis shows that the City's median home value based on 2013 sales is approximately \$130,000. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Adequate land for development** - Worthing has adequate land available for both residential and commercial/industrial development.
- ▶ **Educational system** - A K-5 elementary school is located in Worthing.
- ▶ **Infrastructure** - Worthing's water and sewer infrastructure can accommodate future expansion.
- ▶ **Commercial development** - Worthing's commercial district is adequate to meet most daily needs.
- ▶ **Worthing Economic Development Corporation** - The Worthing EDC has been active in promoting economic development in Worthing.
- ▶ **Population and Household Growth** - The City of Worthing has had significant population and household growth from 1990 to 2010.
- ▶ **Worthing is located near Sioux Falls** - Worthing is located approximately 10 miles from Sioux Falls. Sioux Falls provides employment opportunities, retail/service options, educational opportunities, health care facilities and cultural amenities. Some households prefer to live near, but not in a regional center.

- ▶ **Sioux Falls market** - On average, over the past 10 years, more than 1,800 housing units were constructed in Sioux Falls annually. Worthing has the opportunity to capture a portion of this market.
- ▶ **Housing developers** - In the past, developers have been active in subdivision development, rental housing, and single family development. There is a local developer who is interested in developing a new residential subdivision in Worthing. This developer has been successful with developing a residential subdivision in the past.
- ▶ **Industrial Park** - The City of Worthing is developing an Industrial Park and has several industrial prospects that will create jobs.
- ▶ **Park / Recreational Area** - The City of Worthing is developing a new park/recreational area that will provide a variety of leisure and recreational opportunities.

Barriers or Limitations to Housing Activities

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

- ▶ **Age and condition of the housing stock** - Although Worthing has a significant number of newer homes, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Low rent structure** - The area's rent structure is relatively low, which makes it difficult to construct new rental housing.
- ▶ **Close proximity to Sioux Falls** - Sioux Falls is located approximately 10 miles from Worthing. Many households desire or need to be in a regional center for employment, health care, entertainment, retail, etc.
- ▶ **Lack of rental housing** - Worthing's rental housing stock is very limited and households seeking rental housing in the City have few options.
- ▶ **Slowdown in new housing construction** - Worthing experienced significant new housing construction in the 1990s and early 2000s. However, only two houses have been constructed in Worthing from 2009 to 2013.
- ▶ **Limited commercial options** - Worthing has commercial and retail opportunities to meet daily needs, but it has limited other retail and commercial options.
- ▶ **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.

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 Worthing. They are based on the following strategies.

- ▶ **Be realistic in expectations for housing development** - Large-scale residential growth is not likely to occur in the near future. The scale of activities proposed for the future should be comparable with the area's potential for growth.
- ▶ **Proactive community involvement** - New home and apartment construction will more likely occur in Worthing if there is proactive support from the City, local and regional housing and economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the existing housing stock** - The future of Worthing will be heavily dependent on the City's appeal as a residential location. The condition of the existing housing stock is a major factor in determining the City's long-term viability. The existing housing stock is in good condition and is a major asset, however, rehabilitation efforts are needed to preserve the housing stock.
- ▶ **Protect the existing assets and resources** - Worthing has many assets including a K-5 school, employment opportunities, a Downtown Commercial District, two newer subdivisions, etc. These are strong assets that make Worthing a desirable community to live in, and are key components to the City's long-term success and viability. These assets must be protected and improved.
- ▶ **Develop a realistic action plan with goals and time lines** - In the past the City has been involved in housing issues. The City should prioritize its housing issues and establish goals and time lines to achieve success in addressing its housing needs.
- ▶ **Access all available resources for housing** - In addition to the local efforts, the City has other resources to draw on including USDA Rural Development, the South Dakota Housing Development Authority, the South Eastern Council of Governments, the South Eastern Development Foundation, Inter-Lakes Community Action Agency, Inc., the Rural Office of Community Services and Grow South Dakota. These resources should be accessed as needed to assist with housing activities.

Summary of Findings/Recommendations

The findings/recommendations for the City of Worthing have been formulated through the analysis of the information provided in the previous sections and include 21 recommendations. The findings/recommendations have been developed in the following five categories:

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

The findings/recommendations for each category are as follows:

Rental Housing Development

1. Develop 12 to 14 general occupancy market rate rental units
2. Promote the development/conversion of three to four affordable market rate rental housing units
3. Promote the development of five to six general occupancy subsidized rental housing units
4. Consider the development of six to eight senior independent/light services units
5. Develop a downtown mixed-use commercial/housing project
6. Utilize the Housing Choice Voucher Program

Home Ownership

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

Single Family Housing Development

9. Lot Availability
10. Support the development of a 16 to 20-lot subdivision for step-up and higher priced homes
11. Develop additional lots for starter homes
12. Consider the development of City of Worthing Housing Incentive Programs
13. Coordinate with economic development agencies, housing agencies and nonprofit groups to construct affordable housing
14. Promote twin home/townhome development

Housing Rehabilitation

15. Promote rental housing rehabilitation
16. Promote owner-occupied housing rehabilitation efforts

Other Housing Issues

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

Rental Housing Development

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

From 2000 to 2013, four rental units were constructed in Worthing. The four units provide market rate general occupancy housing. In addition to the new rental units, some single family homes were converted from owner-occupied to rental use between 2000 and 2013.

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 Worthing expect continued household growth, although most of this growth will result in demand for owner-occupied housing. From 2014 to 2019, it is projected that there will be approximately a 67 household gain in Worthing. It is projected that approximately 20% of these households will be rental households, thus, there will be a demand for approximately 13 additional rental units due to household growth over the next five years.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that the City will lose as many as one to two units per year. As a result, approximately seven 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. Also, a few homes that are currently being rented may be converted to owner-occupancy.

Some pent-up demand also exists. As part of this Study, a rental survey was conducted. A total of 16 rental units in three multifamily buildings were contacted. Information was also obtained on five single family homes. The survey found only one vacancy rate in the 21 general occupancy market rate units. There are no subsidized or senior with services rental projects in the City of Worthing.

We identified pent-up demand for high quality market rate rental units, subsidized rental units and senior independent/light services units.

These three demand generators, after factoring current vacancy rates, show a need for 26 to 32 rental units over the next five years. Based on the factors stated above, we recommend the development of the following new rental units over the next five years from 2014 to 2019.

▶ General Occupancy Market Rate	12-14 units
▶ Subsidized	5-6 units
▶ Affordable/Conversions	3-4 units
▶ Senior Independent/Light Services	<u>6-8 units</u>
Total	26-32 units

1. Develop 12 to 14 general occupancy market rate rental units

Findings: All of the rental housing in the City of Worthing 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 includes approximately 36 total units in 2010. This is 10.2% of the City’s total housing stock. This is a very low rental rate in comparison to other small South Dakota cities.

Of the market rate rental units we surveyed, we found only one vacancy. The owners and managers of rental properties, reported very high occupancy rates and strong demand for rental housing.

There is a variation in rental rates in the market rate segment in the City of Worthing. The existing rent range is \$400 to \$450 plus utilities for a one-bedroom unit, and \$400 to \$650 plus utilities for a two-bedroom unit. The only three-bedroom units in Worthing are in single family homes and the only three-bedroom home surveyed had a rent of \$500 plus utilities.

From 2000 to 2013, only one market rate rental four-plex was constructed. Also, some single family homes have converted from owner-occupied to rental units partially due to the downturn in the economy. It is our understanding that a developer is currently considering the development of townhouse rental units in Worthing.

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

Based on this combination of demand generators, we believe that it is reasonable to plan for production of between 12 to 14 market rate rental units over the next five years.

Based on our research, there is a significant need for larger rental units, thus, the majority of the new units constructed over the next five years should be two and three-bedroom units.

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

There are two market rate rental segments in Worthing. 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 segments. To construct the workforce housing and charge affordable rents, financial assistance, such as land donations, tax abatement, tax increment financing and other resources may be needed.

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

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	3-4	750 - 850	\$625 - \$775
Two Bedroom	7-8	900 - 1,000	\$675 - \$925
Three Bedroom	<u>2</u>	1,100 - 1,200	\$825 - \$1,100
Total	12-14		

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2014 dollars.

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

Findings: The previous recommendation had addressed the market potential to develop high quality rental units in Worthing. Unfortunately, these units would tend to be beyond the financial capability of many area renters. A majority of Worthing'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 Worthing 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 Worthing 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 three to four units over the next five years would help to replace affordable housing that has been lost.

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

The estimated prevailing rent range for older rental units in Worthing is typically between \$400 and \$600 per month. Creating some additional units with contract rents below \$625 per month would help to expand the choices available to a majority of the City's renter households.

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

3. Promote the development of five to six general occupancy subsidized rental housing units

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

The research completed for this Study found no subsidized rental projects in the City of Worthing. Most small cities have some subsidized housing. It is assumed that Worthing had a very small population when most subsidized housing was being constructed in the 1970s and 1980s. Worthing’s population did not warrant the construction of subsidized housing at that time.

There are “deep subsidy” resources available to Worthing residents through the tenant-based Housing Choice Voucher Program. The Vouchers allow tenants to pay 30% of income for housing in suitable private-market rental units. The Voucher Program for Worthing is administered by the Lennox Housing and Redevelopment Commission.

The 2012 American Community survey estimated that approximately 27% of all renters in the City of Worthing were paying 35% or more of their income for rent. Most of the households with a severe rent burden had low annual incomes, and would be under the income limits for subsidized housing.

Recommendation: Based on the cost burden data contained in the American Community Survey, Worthing’s projected household growth and lack of subsidized units in Worthing, we would recommend that the City look to develop deep subsidy rental housing for lower income renters. Over the next five years, we would recommend that the City attempt to construct five to six units that achieve a rent level that would be affordable to very low income households earning less than \$25,000 per year.

This recommendation represents a modest goal, however, over the past few decades, very few federal subsidy sources have been available for the construction of “deep subsidy” rental housing. The actual number of units that can be developed will be dependent upon access to financial resources. In the opinion of the analysts, the highest priority would be to create general occupancy units for families and younger households.

Expanded promotion of Housing Choice Vouchers may also be appropriate. Although Vouchers are tenant-based, and may not remain in the City if the tenant moves, the Voucher can eliminate a severe rent burden by allowing the household to apply only 30% of income for gross rent.

4. Consider the development of six to eight senior independent/light services units

Findings: The City of Worthing currently has no senior with services housing. Our research for this Study also did not identify any units dedicated for seniors to live independently or for seniors that need only light services.

Recommendation: According to the 2010 Census, the City of Worthing only had 46 people in the 65 to 74 age range and 11 people age 75 and older. However, by the year 2019, Worthing is projected to have 79 people in the 65 to 74 age range and 46 people in the 75 and older age range. With the small number of seniors in the City and with senior with services facilities available in surrounding communities, we are not recommending an assisted living facility for seniors in Worthing at this time. However, we are recommending a six to eight-unit independent/senior with light services project in Worthing. The project should be designed to allow seniors to live in a unit independently or to rent a unit and utilize a low level of senior services such as a noon meal and housekeeping.

The project's amenities and features should include:

- ▶ A community room including a small 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:

- ▶ six to eight units
 - ▶ two to three one-bedroom
 - ▶ four to five two-bedroom
- ▶ Fully equipped kitchen
- ▶ Large storage room
- ▶ 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

The recommended rents are \$900 to \$950 for a one-bedroom unit and \$1,050 to \$1,150 for a two-bedroom unit. Subsidies and/or incentives will probably be needed to lower rents, expand the available senior market and to make the project possible.

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

For the six to eight units, we recommend the following unit type, number of units, size and rent structure:

Senior Market Rate Units:			
<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	2-3	650-750	\$900-\$950
Two Bedroom	4-5	850-950	\$1,050-\$1,150
Total	6-8		

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

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

Findings: A mixed-use rental housing/commercial project in the downtown area could complement the City’s ongoing efforts to redevelop the 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.

New mixed use projects have been developed in several cities comparable to the size of Worthing. 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.

Recommendation: We recommend the development of a mixed-use building in the downtown Worthing area. There are several potential sites in the downtown area for a mixed-use project.

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

The three to four rental units should be primarily market rate units, but could be mixed income with some moderate income units. The units should be primarily one-bedroom and two-bedroom units. Please note that these units are not in addition to the units recommended in the first and second recommendations of this section. If a mixed use building was constructed, the number of units recommended previously should be reduced.

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

6. Utilize the Housing Choice Voucher Program

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

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

The Voucher Program is administered west of Interstate 29 by the Lennox Housing and Redevelopment Commission. There currently is a waiting list of eight to nine months to obtain a Housing Choice Voucher. The Lennox Housing and Redevelopment Commission has the ability to issue approximately 28 Vouchers. At the time of the research for this Study, no Worthing renter households were utilizing the Housing Voucher Program, although, there have been Worthing households who have utilized the Program in the past.

Recommendation: Worthing rental property owners should work with the Lennox Housing and Redevelopment Commission to assure that renter households are aware of the Housing Choice Voucher Program and have to the opportunity to apply for a Voucher.

Home Ownership

Findings: Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base. Many of the houses in Worthing were constructed over the last 15 to 20 years and are in good condition.

The median owner-occupied home value in Worthing is estimated to be approximately \$130,000 based on 2013 sales activity. The value, age and condition of most houses in Worthing provide a good opportunity for first time buyers and households seeking moderately priced homes.

Our analysis of Worthing demographic trends shows an increasing number of households in the traditionally strong home ownership age ranges between 55 and 74 years old. Also, the first time home buyer and move up age range 35 to 44 is projected to add households in Worthing. The 75 and older age ranges are also projected to add households. Some households that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase a home.

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

7. Continue to utilize and promote all programs that assist with home ownership

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

First time home buyer assistance, down payment assistance, low interest loans and home ownership counseling and training programs can help to address affordable housing issues. The City of Worthing has a supply of houses that are price-eligible for these assistance programs. The home value estimates used in this study indicate that most of the existing stock currently is valued under the purchase price limits for 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: Worthing should work with area housing agencies, the South Dakota Housing Development Authority and local financial institutions to utilize all available home ownership assistance programs. Private and nonprofit agencies should also be encouraged to provide home ownership opportunities.

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

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

8. Develop a Purchase/Rehabilitation Program

Findings: Worthing has a limited stock of older, lower valued homes, some of which may need repairs. Our analysis of recent sales activity indicates that some of the homes in Worthing are valued 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 are 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 Worthing work with a housing agency to develop and implement a purchase/rehab program. Attitudinal surveys that we have conducted in other cities have found that purchase/rehabilitation programs are appealing to people who are currently renting their housing. In some similar sized communities, a large majority of survey respondents who were renters indicated an interest in buying a home in need of repair if rehabilitation assistance was available.

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

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

New Housing Construction

Findings: Based on City and Census Bureau information, Worthing has experienced a significant amount of single family housing development from 2000 to 2013. Over the past 14 years, approximately 99 single family owner-occupancy units have been constructed in Worthing. This is an average of approximately seven owner-occupied units constructed annually in Worthing.

Much of the new single family construction occurred between 2000 and 2007. During this eight-year period, the City averaged approximately 10 to 12 new houses per year. After 2007, housing construction activity slowed, and only five houses have been constructed in Worthing from 2008 to 2013, or an annual average of less than one house per year.

Household growth projections for Worthing indicate future demand for owner-occupied housing construction. Growth is anticipated over the next five years in Worthing among households in nearly all age ranges. It is estimated that from 2014 to 2019, Worthing will add 67 households. Some additional housing is also needed for unit replacement and to address pent-up demand.

Therefore, all types of housing units will be needed including starter homes, move up homes and twinhomes/townhomes.

It is our opinion that if the City, housing agencies, and builders are proactive, eight to 11 owner occupied housing units can be constructed or moved into Worthing annually from 2014 to 2019.

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

▶ Higher and Median priced homes	3-4
▶ Affordable Homes	3-4
▶ Twin homes/Townhomes	<u>2-3</u>
Total	8-11

9. Lot Availability

Findings: As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in Worthing. Buildable lots are defined as having sewer and water available to the lots. There are approximately seven available lots in the Beck Subdivision.

Additionally, there are a limited number of infill lots that are potentially available throughout the City. We do not know the status of these lots. Also, there are several dilapidated houses in the City. If these houses are demolished, the lots could potentially be suitable for new construction.

Recommendation: We use a standard that a 2.5-year supply of lots should be available in the marketplace, based on annual lot usage. Using our projections that eight to 11 houses will be constructed or moved in annually, an adequate supply of lots would be 20 to 28 lots. With seven lots available in Worthing, there is currently an inadequate number of lots.

10. Support the development of a 16 to 20-lot subdivision for step-up and higher priced homes

Findings: Worthing's two newest subdivisions were very successful in developing affordable 'starter' homes in the late 1990s and early 2000s. More than 100 affordable homes were constructed in Worthing. From 2000 to 2010, Worthing added 71 households in the 25 to 54 age ranges. A large percentage of these younger households live in starter-homes. These households are a prime market for step-up homes over the next five years.

Some of the households who bought these 'starter' homes are in the position to purchase a larger, higher priced 'step up' home. There is also a limited market of households from the Sioux Falls area that may be seeking a 'step up' home in a smaller community. Currently, 'step up' homes are in short supply in Worthing. No homes have been sold in Worthing in the past five years at a price above \$150,000.

Strong household growth is projected in Worthing and Lincoln County in the 35 to 54 age ranges. Many households in these age ranges are moving into 'step-up' housing.

It is projected that Worthing will add approximately 13 households per year from 2014 to 2019 for a total of 67 households. Approximately 80% of these households will be home owners, which is 54 households. To accommodate this projected growth, new houses must be constructed.

The developer of one of the successful subdivisions in Worthing, owns land and has developed preliminary plans for a 'step up' subdivision.

Recommendation: We recommend the development of a 16 to 20-lot subdivision, with the potential for future phases as lots are absorbed. For the subdivision to be successful, we recommend the following:

- ▶ **Subdivision Phasing** - The development should be planned to allow for future phases. The initial development phase could have more than 16 to 20 lots if it is financially feasible, with the projection that three to four lots will be sold annually.
- ▶ **Amenities** - The subdivision must have as many amenities as is financially feasible. The 'step up' lots for higher priced homes must have a higher level of amenities. Potential amenities may include larger lots, sidewalks, landscaping, trails, ponds, a playground, etc.
- ▶ **Competitive Pricing** - The lots and homes must be priced lower than lots and homes with similar amenities in Sioux Falls. The existing subdivisions in Worthing were successful partially because of lower prices.
- ▶ **Financial Assistance** - The City of Worthing and the Worthing Economic Development Corporation may need to assist with tax increment financing, tax abatement or other financial assistance.
- ▶ **Marketing** - The lots and homes must be adequately marketed and publicized. In addition to marketing the lots, the City of Worthing and its amenities should be marketed.
- ▶ **User Friendly** - The lot purchase and home building/purchase process must be 'user friendly.' This includes the construction of spec homes and a builder or builders who are readily available to build custom homes.
- ▶ **Generating initial activity** - There has been very limited recent construction activity in Worthing. The first households electing to build a home in the new subdivision may have concerns about the long-term future of the subdivision. It may be necessary to initially generate some level of attractive home construction within the subdivision, to help assure

future buyers. This may require very proactive efforts, such as the initial sale of some lots at discounted prices, provided the buyer agrees to build a home of a certain quality and style within a specified time period. This will help to define the look of the neighborhood, as well as create some momentum for more houses to be built.

- ▶ **Consider developing an exclusive builder(s) relationship** - A block of lots could be sold to a builder or builders. Momentum can be created when a builder has access to several lots. This allows for marketing opportunities and efficiencies in the home building process. The developer should assure, however, that the builder is obligated to constructing a minimum number of homes per year. Builders are more willing to enter a market when the lots are attractive and very affordable. A block of lots available to an exclusive builder or developer should be explored, even if significant price concessions are required.

- ▶ **Consider partnerships that share and split financial risk between developer and city** - Given the limited demand that has been evident within Worthing over the past several years, it is difficult to recommend that any speculative homes be constructed. Spec houses could potentially attract a buyer that is not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy. In an attempt to spur spec home construction, some communities have formed partnerships with private developers and home builders to share the financial risks. Some cities have waived any water/sewer hook up fees, special assessment payments and building permit fees until the home is sold. A more aggressive approach is to become directly involved in helping cover the payments on a home builder's construction loan, if the house does not sell within a reasonable period of time. A community risk pool would need to be established for this type of activity. These types of approaches would somewhat reduce the builder's risk, by lowering the upfront development costs.

It is our opinion that there is the potential to develop three to four 'step up' homes annually on new lots developed in Worthing. It is, therefore, necessary to view the development of the subdivision as a long-term plan.

11. Develop additional lots for 'starter homes'

Findings: In the late 1990s and early 2000s, over 100 starter homes were constructed in Worthing in two subdivisions. The development of these 'affordable' subdivisions was very successful.

'Starter home' new construction has slowed dramatically over the past several years due to the recession, the lack of desirable lots and the termination of spec home construction.

However, the existing home market has been active in Worthing. Approximately 85% of the homes sold in Worthing in 2013 were in the \$100,000 to \$150,000 range. Realtors report that homes in this price range are in high demand and are on the market for only a short time.

The developer of the Beck Subdivision owns land adjacent to the existing subdivision that is available for future lot development.

Recommendation: We recommend the development of an additional phase of the Beck Subdivision for starter home lots. The number of lots should be based on the projected sale of three to four lots annually.

For the development to be successful, many of the strategies provided in the previous 'step-up lot' recommendation also pertain to the 'starter lot' recommendation including:

- ▶ Competitive lot pricing
- ▶ Financial assistance from the City of Worthing, the Economic Development Corporation and/or housing agencies
- ▶ Marketing the lots and the community
- ▶ Incentives to promote initial activity
- ▶ Consider exclusive builders
- ▶ Consider the partnerships between the developer, builders and the City

12. Consider the development of City of Worthing Housing Incentive Programs

Findings: Several cities have also developed Incentive Programs to encourage new home construction. For example, the City of Herreid has developed the following program. The Incentive Program guidelines are as follows:

- ▶ A loan up to \$1,000 per person not to exceed \$5,000 per family is awarded to a person or family for the construction of a new home located within the city limits
- ▶ 0% interest and no principal due for five years - after five years of residency, the loan is forgiven
- ▶ The loan must be used toward down payment or closing costs - not applicable if financing is not required
- ▶ Homes \$100,000 and over may qualify for the \$5,000 maximum, homes under \$100,000 will be prorated based on 5% of the purchase price

The City of Philip has developed an Incentive Program for the construction of, or improvements to, residential property. The Incentive Program assesses eligible new construction or improvements at a reduced value for a period of five years as follows:

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

Recommendation: We recommend that the City of Worthing consider the development of incentive programs to promote new single family housing development. In addition to a cash payment, other incentives can include:

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

13. Coordinate with economic development agencies, housing agencies and nonprofit groups to construct affordable housing

Findings: There are several housing agencies and nonprofit groups that have the capacity to construct new housing in Worthing, including the Worthing Economic Development Corporation, Grow South Dakota, Interlakes Community Action Partnership and Habitat of Humanity. However, due to the downturn in the housing economy, some agencies have cut back on new housing production over the past few years.

Interlakes Community Action Partnership administers the Mutual Self Help Program. The Mutual Self Help Program works with three or more households to construct new homes. The households work together to construct the homes.

Recommendation: We encourage the City of Worthing to continue to actively work with economic development and housing agencies and nonprofit groups to develop affordable housing.

As the housing economy continues to improve and home values increase, new affordable home construction production in Worthing will continue to be more feasible.

Households should be encouraged to utilize the Governor's Program and the development of a Mutual Self Help Program should be considered. The South Eastern Development Foundation provides loans to purchase and set up Governors Homes. The development of one affordable home annually by a housing agency or nonprofit group over the next five years would be a realistic goal.

14. Promote twin home/townhome development

Findings: Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making homes available for families. It is important for the community to offer a range of life-cycle housing options.

In many cities the size of Worthing, approximately 15% to 20% of the new ownership housing constructed are twinhomes/townhomes. In Worthing, since 2000, almost no new ownership housing has been twin homes/town homes.

In 2010, Worthing had 45 households and Lincoln County had 3,795 households in the 55 to 74 age ranges. These age ranges are expected to increase by 61 households in Worthing and by approximately 2,116 households in Lincoln County from 2010 to 2019. Household growth among empty-nester and senior households should result in increased demand for attached single family units. It is likely that demand for attached housing units will also be dependent on the product's ability to gain additional market acceptance among the households in the prime target market, and among other households.

Recommendation: It is our projection that approximately two to three new owner-occupied twin homes or townhomes could be constructed in Worthing annually over the next five years. Our projection is based on the availability of an ideal location for twin home development as well as high quality design and workmanship.

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

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

Worthing's role could include assuring that adequate land is available for development and that zoning allows for attached housing construction. The City or the Worthing Economic Development Corporation could also provide financial assistance in the form of land write downs, tax increment financing, tax abatement, etc.

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

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

Housing Rehabilitation

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

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

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

15. Promote rental housing rehabilitation

Findings: Based on the U.S. Census data, the City of Worthing had approximately 36 rental units in 2010. These rental buildings are primarily in four-plexes, duplexes and single family homes. Some of the duplexes and single family homes could benefit from rehabilitation as some of these rental units are more than 25 years old and some rental units are in poor condition.

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

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

16. Promote owner-occupied housing rehabilitation efforts

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

Our housing condition survey of 82 homes in Worthing's older core area neighborhood found 29 homes that need minor repairs and 21 homes that need major repairs. Without rehabilitation assistance, the affordable housing stock will shrink in Worthing.

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

Interlakes Community Action Partnership currently has several housing programs to assist households with the rehabilitation of their homes including the Self Help Rehabilitation Program and programs utilizing Home and CHIP funds. Also, the Rural Office of Community Services, Inc., provides Weatherization funds for Worthing and Lincoln County.

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

Other Housing Initiatives

17. Continue to acquire and demolish dilapidated structures

Findings: Our housing condition survey identified three single family houses in the City of Worthing's older core neighborhood, which surrounds the downtown, that are dilapidated and too deteriorated to rehabilitate. We also identified 21 single family houses as needing major repair and some of these homes may be too dilapidated to rehabilitate. To improve the quality of the housing stock and to maintain the appearance of the City, these structures should be demolished.

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

Some cities are developing ordinances that give cities more authority to require property owners to demolish vacant, dilapidated homes.

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

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

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

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

19. Promote Commercial Rehabilitation and Development

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

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

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

The City of Worthing and the Worthing Economic Development Corporation should seek funding to assist property owners with rehabilitating their commercial buildings. A goal of one commercial rehab project annually in Worthing would be a realistic goal.

20. Develop home ownership and new construction marketing programs

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

As the economy continues to improve, cities that invest in marketing have an advantage. Opportunities to buy or construct a home are sometimes limited because of the lack of information and awareness of financing and incentive

programs, homes and lots on the market, local builders, etc. This is especially evident for new households moving into the area. The home buying/home building process can be very intimidating for first-time buyers and builders. It is important for the home buying or home building process to be user-friendly.

Recommendation: We recommend that the City of Worthing and the Worthing Economic Development Corporation promote and market housing opportunities in Worthing and we recommend the following:

- ▶ Determine the City's strengths and competitive advantages and heavily promote them
- ▶ Create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers (Worthing and the entire region) to provide employees with housing opportunities in Worthing
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling programs
- ▶ Work with builders to make the construction of a new home a very user friendly process
- ▶ Develop new home construction and home purchase incentive programs.

21. Competition with other jurisdictions

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

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

- ▶ Review the City's policies to assure that the City's process for working with developers and builders is user friendly, fair and receptive.
- ▶ Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the City a "full service" community
- ▶ Provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges

- ▶ Provide financing mechanisms for households to build new homes, purchase existing homes and to rehabilitate older homes
- ▶ Preserve the quality of Worthing's older core neighborhood through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior housing, etc.
- ▶ Publicize and market Worthing throughout the Region and among the employers and employees in Worthing and the Region
- ▶ Develop a coordinated housing plan with area housing agencies

Agencies and Resources

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

InterLakes Community Action Partnership

505 North Western Avenue
Sioux Falls, SD 57104
(605) 334-2808
Contact: Dana Whitehouse

South Eastern Development Foundation

500 North Western Avenue, Suite 100
Sioux Falls, SD 57104
(605) 367-5390
Contact: Lynne Keller Forbes, Executive Director

South Eastern Council of Governments

500 North Western Avenue, Suite 100
Sioux Falls, SD 57104
(605) 367-5390
Contact: Lynne Keller Forbes, Executive Director

South Dakota Housing Development Authority

221 South Central Avenue
Pierre, SD 57501
(605) 773-3181
Contact: Mark Lauseng, Executive Director

USDA Rural Development

2408 East Benson Road
Sioux Falls, SD 57104
(605) 996-1564
Contact: Trace Davids

Rural Office of Community Services, Inc.

214 W. Main
P.O. Box 70
Lake Andes, SD 57356
(605) 698-7654
Contact: Deb Cahoy, Executive Director