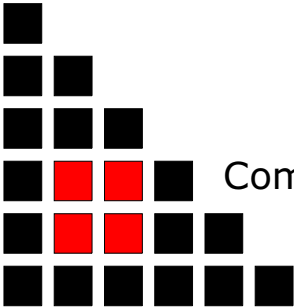


City of Dell Rapids HOUSING STUDY UPDATE

October 2023

An updated analysis of the overall housing needs
of the City of Dell Rapids, SD



Community Partners Research, Inc.

Faribault, MN

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Introduction

Local elected and public officials are often held responsible for conditions and circumstances over which they have limited control. This is particularly true of housing. Most of the housing units in Dell Rapids, Minnehaha County and the Sioux Falls MSA 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 originally hired by the City of Dell Rapids in 2016 to conduct a study of the housing needs and conditions in the City. In 2023, an update to this research was initiated.

Goals

The multiple goals of the study include:

- ▶ Provide updated demographic data including the 2020 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 June, 2023. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Applied Geographical Solutions, Inc., a data reporting service
- Esri, Inc., a data reporting service
- Records and data from the City
- Records and data maintained by Minnehaha County
- Interviews with City officials, housing stakeholders, etc.
- Area housing agencies
- State and Federal housing agencies
- Rental property owner surveys

Limitations

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

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Demographic Data Overview

Sources of Data

The following pages contain demographic data obtained from a variety of local, state and national sources.

At the time that research was completed for this Update, the Census Bureau had released initial information from the 2020 decennial Census. However, some of the more detailed tables on demographic and housing characteristics are not scheduled for release until later in 2023.

The global pandemic that began in 2020 resulted in a delay in the Census release schedule. It also affected the data collection in 2020. As a result, there are some questions about the accuracy of 2020 Census data, but in the opinion of the analysts it still represents the best demographic information available.

With the absence of some detailed data tables from the 2020 Census, this Update has proceeded with the best available estimates from secondary sources, including the Census Bureau's American Community Survey, an annual sampling of households. However, because the American Survey is an estimate, based on sampling data, there is a margin of error that exists for each estimate.

The American Community Survey estimates have an effective date in 2021. The estimates were derived from five-year sampling, obtained between 2017 and 2021.

This Study has also utilized demographic estimates and projections that have been generated by private data providers. The South Dakota Governor's Office of Economic Development contracts with Applied Geographic Solutions (AGS) to provide community profiles for each city in the State.

Prior to using AGS, the State had used Esri, Inc., for community profiles. The analysts have also utilized estimates and projections from Esri. Both of these private data reporting services are widely used by financial and government entities.

Dell Rapids is in Minnehaha County, the largest of the four counties in the Sioux Falls Metropolitan Statistical Area (MSA). Some comparative information has been provided for Minnehaha County or for the MSA. However, it is important to recognize that Dell Rapids represents less than 2% of all households in Minnehaha County and approximately 1.4% of all households in the MSA.

Population Data and Trends

Table 1 Population Trends - 1990 to 2020						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 Census
Dell Rapids	2,484	2,980	20.0%	3,633	21.9%	3,996
Minnehaha Co.	123,809	148,281	19.8%	169,468	14.3%	197,214

Source: U.S. Census

- ▶ The release of population totals from the 2020 U.S. Census established a new benchmark for the number of people residing in each community. The Census total had an effective date of April 1, 2020.
- ▶ In 2020, the population for the City of Dell Rapids was 3,996 people. When compared back to the 2010 Census, the City had added 363 permanent residents, for a population increase of 10%.
- ▶ While Dell Rapids did add a substantial number of permanent residents between 2010 and 2020, the percentage increase was lower than in the past. In the 1990s, the City’s population had increased by 20%, and by nearly 22% from 2000 to 2010. From 2010 to 2020, the City’s population increased by 10%.
- ▶ In 2020, the population level for all of Minnehaha County was 197,214, up by 27,746 people from 2010. Minnehaha County and the Metropolitan Statistical Area (MSA) have grown very rapidly in past decades, with most of this growth specifically located within the City of Sioux Falls.
- ▶ There are population estimates available for 2022 which were issued after of the release of the 2020 Census data.
- ▶ Applied Geographic Solutions (AGS), the data source utilized by the Governor’s Office of Economic Development, estimates that the City of Dell Rapids had 4,034 residents in 2022, compared to 3,996 at the time of the 2020 Census. If accurate, the AGS estimate shows only limited population growth in the City between 2020 and 2022.
- ▶ The 2022 estimate from Esri showed 4,032 residents in Dell Rapids, very similar to the estimate from AGS and also showing limited population growth for the City since 2020.

Population Characteristics

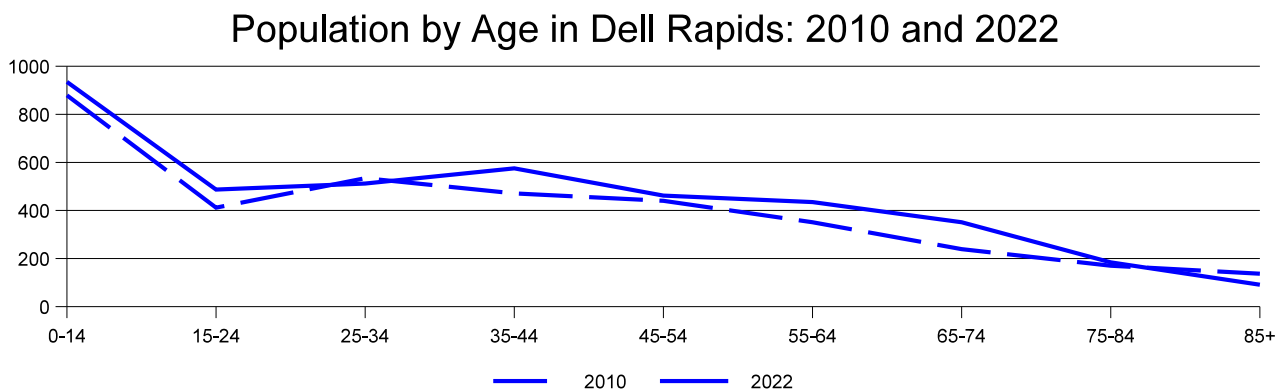
- ▶ Dell Rapids' population is primarily White and non-Hispanic/Latino. At the time of the 2020 Census, nearly 96% of the City's residents were identified White for race. The next largest racial group was "two or more races", which represented nearly 3% of the City's residents.
- ▶ Fewer than 1.5% of Dell Rapids' residents were of Hispanic/Latino ethnic origin in 2020.
- ▶ In 2020, there were 45 people in Dell Rapids living in group quarters housing. All of these people lived in a skilled nursing facility.

Population by Age Trends: 2010 to 2022

The 2022 population estimate from Esri includes information on the age distribution of residents. This information can be compared to the age patterns present at the time of the 2010 Census.

Table 2 Population by Age - 2010 to 2022			
Age	2010	2022	Change
0-14	879	935	56
15-19	233	253	20
20-24	179	234	55
25-34	534	512	-22
35-44	471	575	104
45-54	440	462	22
55-64	351	435	84
65-74	239	351	112
75-84	170	184	14
85+	137	91	-46
Total	3,633	4,032	399

Source: U.S. Census; Esri



- ▶ The age-based estimates from Esri show the City adding 399 residents between 2010 and 2022. As a result, most of the defined age groups in the City added people over this time period.

- ▶ The largest numeric increase occurred within the younger senior citizen age group, 65 to 74 years old, with an estimated increase of 112 people. However, very limited growth was estimated in the senior age range between 75 and 84 years old, and a reduced population was estimated among older seniors, age 85 and above.
- ▶ The Esri estimates also show strong population growth in the younger adult age range between 35 and 44 years old, with an increase of 104 people between 2010 and 2022.
- ▶ According to Esri, Dell Rapids added population in all but one of the younger age ranges. Based on these estimates, the 25 to 34 year old group was the only younger age group to decrease in size.
- ▶ If aggregated into larger groupings, the City had a net increase of 235 people age 54 and younger, and a net increase of 164 people age 55 and older.

Population Projections

Population projections are available from both Applied Geographic Solutions (AGS) and Esri.

Table 3 Population Projections Through 2026				
	2020 Census	2022 Estimate	2027 Projection	Change
Dell Rapids - AGS	3,996	4,034	4,167	133
Dell Rapids - Esri	3,996	4,032	4,059	27
Minnehaha Co. - AGS	197,214	200,783	212,209	11,426

Source: U.S. Census; Applied Geographic Solutions; Esri

- ▶ AGS is projecting that Dell Rapids will add 133 residents over the 5-year period from 2022 to 2027, or an average of approximately 27 people per year. The AGS projections for the City are viewed by the analysts as somewhat conservative as Dell Rapids added an average of more than 36 people per year between 2010 and 2020.
- ▶ Esri is projecting the addition of only 27 people over the 5-year period. This forecast is not viewed as reliable by the analysts.
- ▶ Significant population growth would be expected for all of Minnehaha County. The projection from Applied Geographic Solutions anticipates that the County will add 11,426 residents over the five-year projection period, or an annual average of 2,285 people per year. For comparison, Minnehaha County added an average of 2,775 people per year between 2010 and 2020. It would appear, therefore, that the AGS forecast is very conservative for future growth.

Household Data and Trends

Table 4 Household Trends - 1990 to 2020						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 Census
Dell Rapids	918	1,127	22.8%	1,388	23.2%	1,551
Minnehaha Co.	46,805	57,996	23.9%	67,028	15.6%	78,715

Source: U.S. Census

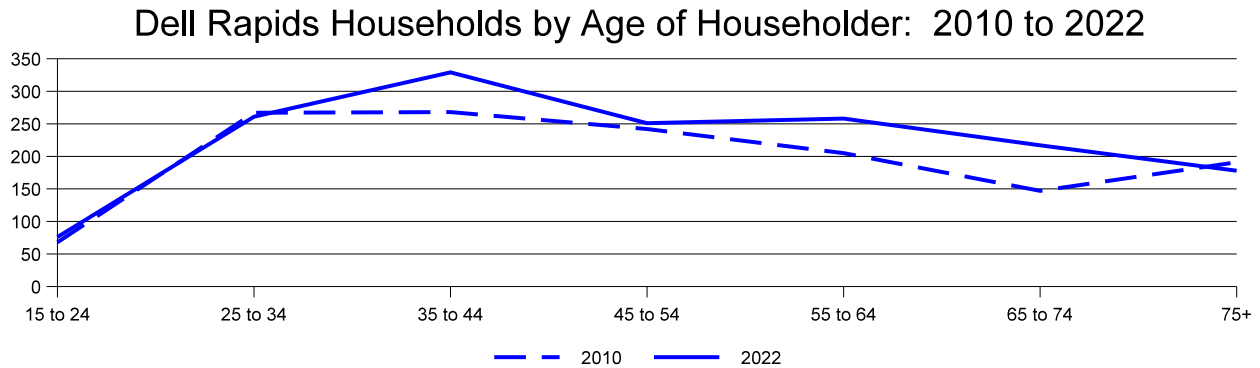
- ▶ According to the 2020 Census, Dell Rapids had 1,551 permanent resident households in 2020, up by 163 households, or 11.7% from 2010.
- ▶ When viewed over a longer time frame, Dell Rapids has consistently added households in recent decades. However, the rate of growth after 2010 was well below the past. In the 1990s, the City’s household level increased by 22.8%, and then by 23.2% between 2000 and 2010. The percentage increase over the most recent decade was approximately half the rate of the prior decade.
- ▶ Minnehaha County has continued to grow at a very rapid rate, adding nearly 11,700 households between 2010 and 2020.
- ▶ Household estimates for 2022 are also available from Applied Geographic Solutions and Esri.
- ▶ According to AGS there were 1,541 households in Dell Rapids in 2022, slightly below the 2020 Census count of 1,551 households.
- ▶ According to Esri there were 1,570 households in the City in 2022. If accurate, there has been some limited household growth between 2020 and 2022.
- ▶ AGS estimates that there were 80,298 households in Minnehaha County 2022. When compared to the 2020 Census count of 78,715, the County had added 1,583 households over the 2-year time period. This would appear to be a very conservative estimate based on past growth patterns for Minnehaha County.

Household by Age Trends: 2010 to 2022

The following table compares households by age from the 2010 Census and 2022 estimates from Esri. This information is for the City of Dell Rapids. While Esri’s estimate of the total household count in 2022 may be conservative, it does provide some insight into age-based changes in the community.

Table 5 Dell Rapids Households by Age - 2010 to 2022			
Age	2010	2022	Change
15-24	68	76	8
25-34	267	261	-6
35-44	268	329	61
45-54	242	251	9
55-64	205	258	53
65-74	147	217	70
75+	191	178	-13
Total	1,388	1,570	182

Source: U.S. Census; Esri



- ▶ The household estimates provided by Esri show the City adding 182 total households between 2010 and 2022. As a result, growth occurred within all but one of the defined age ranges.
- ▶ In general, the City has been aging, with especially strong growth among households in the age ranges between 55 and 74 years old. The largest numeric change within any single age range was an estimated increase of 70 households in the range between 65 and 74 years old. The 55 to 64 year old group added an estimated 53 households.

- ▶ The second largest increase for any age group was in the younger adult range between 35 and 44 years old. In many South Dakota communities there has been limited growth in the number of younger adult age groups, but Dell Rapids was successful in this 10-year range, possibly by attracting younger families from the Sioux Falls area.
- ▶ However, limited change occurred within the other younger adult age groups below 55 years old. Each of the other defined age ranges had a net change of fewer than 10 households between 2010 and 2022.
- ▶ The City did have a decrease of older senior households, age 75 and older. However, if all of the age groups age 55 and older are combined, the City had a net increase of 110 households between 2010 and 2020.

Average Household Size

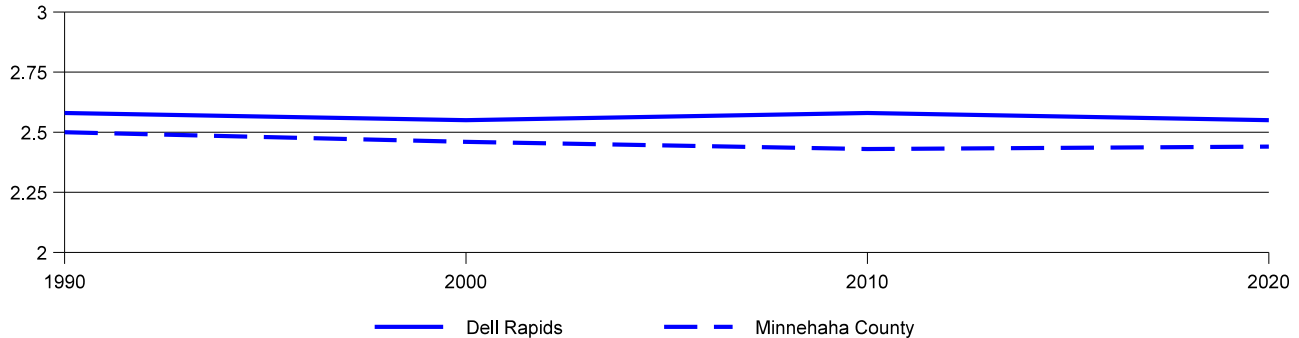
The following table provides decennial Census information on average household size.

In most jurisdictions in South Dakota there has been a steady decrease in average household size over the past several decades. This has often 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.

Table 6 Average Number of Persons Per Household: 1990 to 2020				
	1990 Census	2000 Census	2010 Census	2020 Census
Dell Rapids	2.58	2.55	2.58	2.55
Minnehaha Co.	2.50	2.46	2.43	2.44

Source: U.S. Census

Average Household Size: 1990 to 2020



- ▶ Although Dell Rapids did see a small decrease in its average household size between 2010 and 2020, the average has remained relatively steady over the past 30 years, within a range between 2.55 persons and 2.58 persons per household. Throughout the time period reviewed, the City’s average household size has been larger than the Minnehaha County average.
- ▶ For all of Minnehaha County, the 2020 Census showed 2.44 persons per household. Since the year 2000 there has also been very little change in the County’s average household size.

Household Projections

Household projections for the five-year time period spanning the years 2022 through 2027 are available from AGS and Esri. In addition, Community Partners Research, Inc., has also issued a household forecast for Dell Rapids based on the City’s housing unit construction and growth potential. Household growth directly impacts the demand for housing.

Table 7 Household Projections Through 2027				
	2020 Census	2022 Estimate	2027 Projection	Change
Dell Rapids - AGS	1,551	1,541	1,569	28
Dell Rapids - Esri	1,551	1,570	1,591	21
Dell Rapids - CPR, Inc.	1,551	1,570	1,670	100
Minnehaha Co. - AGS	78,715	80,298	83,413	3,115

Source: U.S. Census; AGS; Esri

- ▶ Applied Geographic Solutions appears to have underestimated the 2022 household level for Dell Rapids, which has probably increased after 2020. This conservative estimate has resulted in a conservative projection, with the expectation that the City will see only a limited increase of 28 households going forward. In the opinion of the analysts, this is forecast is not reliable.
- ▶ The 2027 projection from Esri expects an increase of only 21 households in Dell Rapids over the 5-year projection period. Growth at this level would be significantly slower than in the recent past, as the City added approximately 16 households per year between 2010 and 2020. In the opinion of the analysts, this is forecast is not reliable, especially with the large-scale growth potential that exists in the Sioux Falls region.
- ▶ Community Partners Research, Inc., is projecting that the City of Dell Rapids can potentially add up to 20 households per year going forward, with up to 100 households added over a 5-year projection period.
- ▶ The AGS projection for Minnehaha County expects significant growth, with the County expected to add more than 3,100 households between 2022 and 2027. While this probably understates the growth potential for the Minnehaha County portion of the Sioux Falls metropolitan area, it does highlight the large number of households that are expected to live in the larger region.

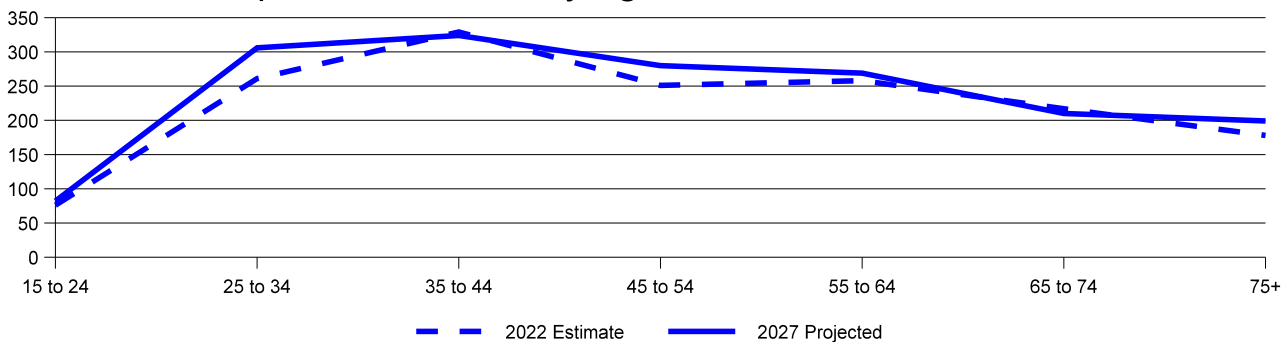
Household by Age Projections in Dell Rapids: 2022 to 2027

Esri has generated age-based projections for households to the year 2027. However, in the opinion of the analysts, Esri’s growth forecast for Dell Rapids is too low. Community Partners Research, Inc., has adjusted the original Esri data to better match the probable total household count in the City by 2027. The total has been adjusted upward by approximately 5%.

Table 8 Projected Households by Age - 2022 to 2027			
Age Range	2022	2027	Change
15-24	76	82	6
25-34	261	306	45
35-44	329	324	-5
45-54	251	280	29
55-64	258	269	11
65-74	217	210	-7
75+	178	199	21
Total	1,570	1,670	100

Source: Esri; Community Partners Research, Inc.

Dell Rapids Households by Age of Householder: 2022 to 2027



- ▶ The adjusted age-based projections expect the City of Dell Rapids to add 100 total households over the five-year time period.
- ▶ Much of the growth would be expected within the younger adult age ranges, as strong growth in the Sioux Falls MSA will create opportunities for cities like Dell Rapids to attract younger households and families. The largest numeric increase between 2022 and 2027 would be projected in the 25 to 34 year old age range.

- ▶ The second largest increase is projected in the 45 to 54 year old age range, with an additional 29 households. Part of this growth would reflect the age progression of existing households in the community as Dell Rapids had strong growth in the number of households in the 35 to 44 year old range between 2010 and 2022.
- ▶ The addition of 21 households is projected among older seniors, age 75 and above. By 2027, the leading edge of the large baby boom generation will be age 75 and older resulting in strong growth in this senior range.
- ▶ If grouped into larger aggregations, these projections expect that Dell Rapids will have a net increase of 75 households age 54 and younger, and net growth of 25 households age 55 and older by the year 2027.

Housing Tenure

The 2020 Census recently released housing occupancy tenure information. This can be compared to the 2010 Census to track changes over the prior decade.

Table 9 Household Tenure - 2020						
	Home Owners			Renters		
	2010	2020	Change	2010	2020	Change
Dell Rapids	1,003	1,112	109	385	439	54

Source: U.S. Census

- ▶ Between 2010 and 2020, the City of Dell Rapids added 109 owner-occupancy households and 54 renter households.
- ▶ At the time of the 2020 Census, the home ownership rate in the City of Dell Rapids was at 71.7%, down slightly below the home ownership rate of 72.3% in 2010.
- ▶ Although the City primarily offers single family housing options for home ownership, there was also a substantial amount of new rental construction since 2010, resulting in some increase in the City’s rental tenure rate.

Median Income Data

The American Community Survey provides income estimates for cities and counties. The following table provides 2020 American Community survey data for Dell Rapids along with Minnehaha County and the State of South Dakota for comparison.

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

Table 10 Median Household Income - 2010 to 2021			
	2010 Median	2021 Median	% Change
Median Household Income			
Dell Rapids	\$56,400	\$75,677	34.1%
Minnehaha County	\$51,799	\$66,502	28.4%
South Dakota	\$46,369	\$63,920	37.9%
Median Family Income			
Dell Rapids	\$73,111	\$99,231	35.7%
Minnehaha County	\$64,645	\$86,092	33.2%
South Dakota	\$58,958	\$81,756	38.7%

Source: American Community Survey

- ▶ According to the American Community Survey, the median household income in the City of Dell Rapids increased by more than 34% between 2010 and 2020, and was at \$75,677 in 2021. The City’s median household income was more than \$9,000 higher than the median for Minnehaha County, and more than \$11,000 above the Statewide median.
- ▶ The estimated median family income for Dell Rapids was above \$99,000 in 2021, and again well above the comparable medians for the County and the State.
- ▶ Median income levels can be used to establish a benchmark for affordable housing thresholds, 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 Dell Rapids could afford approximately \$1,892 per month for ownership or rental housing in 2021.
- ▶ A median income family in Dell Rapids could afford \$2,481 in 2021 for monthly housing costs.
- ▶ However, as will be detailed later in this section, renter households tend to be below the overall median, while owner households tend to be above the overall median level.

Household Income Distribution

The 2021 American Community Survey provides income data within specific income ranges. Based on the recently released 2020 Census, it appears that the American Community Survey overestimated the total number of owner households in the City, while underestimating renter households. However, the percentage distribution of income is assumed to be reasonably accurate.

Table 11 City of Dell Rapids Income Distribution by Tenure - 2021			
Household Income	Owner Households	Renter Households	All Households
\$0 - \$14,999	1.3%	5.2%	2.2%
\$15,000 - \$24,999	6.7%	21.7%	10.2%
\$25,000 - \$34,999	4.5%	4.7%	4.5%
\$35,000 - \$49,999	8.2%	30.5%	13.4%
\$50,000 - \$74,999	19.4%	19.0%	19.3%
\$75,000 - \$99,999	13.8%	8.8%	12.6%
\$100,000+	46.2%	10.2%	37.8%
Total	100%	100%	100%

Source: ACS

- ▶ 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 2021, approximately 62% of all renter households in Dell Rapids had an annual income below \$50,000.
- ▶ The median income for all renter households was \$41,780 in 2021. At 30% of income, a renter at the median level could afford approximately \$1,045 per month for housing costs.
- ▶ Conversely, most owner households had a substantially higher income level. Approximately 60% of all owner households had an annual income of \$75,000 or more in 2021.
- ▶ The estimated median household income for owners in 2021 was \$92,813. At 30% of income, an owner at the median level could afford approximately \$2,320 per month for housing costs.

Estimated Income and Housing Costs - Renters

The American Community Survey collected information on housing costs. The following table provides data on the percentage of renter households that are paying different percentages of their income for housing in Dell Rapids. The American Community Survey appears to have underestimated the number of renter households in Dell Rapids, but the percentage for housing costs are viewed as the best available data on this topic.

Table 12 Gross Rent as a Percentage of Income - City of Dell Rapids	
Percent of Income for Housing	Percent of Renter Households
Less than 20%	46.7%
20% to 29.9%	28.3%
30% to 34.9%	1.9%
35% or more	23.1%
Not Computed	0%
Total	100%

Source: American Community Survey

- ▶ Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a “rent burden”. When more than 35% is required, this can be considered a “severe rent burden”.
- ▶ For renter households in Dell Rapids, approximately 25% reported a cost burden in 2021. Most of these households were actually applying 35% or more of income and were in the severe cost burden category.
- ▶ All of the renter households with a cost burden had an annual income below \$50,000 in 2021.

Estimated Income and Housing Costs - Owners

The American Community Survey provided housing cost estimates for owner-occupants. The following table examines estimates for the number of households in Dell Rapids that are paying different percentages of their gross household income for housing costs. The American Community Survey appears to have overestimated the number of home owners in Dell Rapids when compared to the 2020 Census, but the percentage for housing costs are viewed as the best available data on this topic.

Table 13 Dell Rapids Owner Costs as a Percentage of Income: 2021	
Percentage of Income for Housing Costs	Percent of All Owner Households
0% to 19.9%	66.1%
20% to 29.9%	24.9%
30% or more	9.1%
Not Computed	0%
Total	100%

Source: American Community Survey

- ▶ Mortgage lending practices generally attempt to keep monthly payments below 30% of household income.
- ▶ A very large majority of owner-occupants in Dell Rapids, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. Only 9.1% of all home owners reported that they paid more than 30% of their income for housing in 2021.

Building Permit Trends

Dell Rapids has had a significant amount of new housing construction activity in recent years. Most all of the new housing construction was in single family homes. The following table identifies the units that have been issued a building permit since the year 2010.

Table 14 Dell Rapids Housing Unit Construction Activity: 2010 to 2023*				
Year	Single Family Detached	Twinhomes/ Duplexes	Multifamily	Total Units
2023*	6	2	0	8
2022	10	0	8	18
2021	17	0	0	17
2020	10	2	4	16
2019	12	0	4	16
2018	17	0	4	21
2017	10	0	4	14
2016	12	0	0	12
2015	10	2	0	12
2014	13	0	4	17
2013	15	0	0	15
2012	8	0	8	16
2011	10	0	4	14
2010	4	0	4	8
Total	154	6	44	204

Source: City of Dell Rapids; Community Partners Research, Inc.

* 2023 is through May

- ▶ Over the 14-year period from 2010 through May 2023 there were 204 new housing units permitted in Dell Rapids, based on available reporting. This was an annual average of nearly 15 housing units per year.

- ▶ There were 154 single family detached houses constructed since 2010, or an annual average of 11 to 12 new homes per year.
- ▶ There were six units reported in 2-unit structures, such as twin homes or duplexes.
- ▶ There were 44 units permitted in multifamily structures. Based on available reporting, nearly all of the multifamily structures appear to be four unit buildings, presumably intended for renter-occupancy. No larger-scale buildings with more than eight units have been constructed in the City in many years.
- ▶ Although new housing unit construction has continued to occur in Dell Rapids, the number of units is lower than in the past. As documented in the previous Housing Study for the City, between 2000 and 2007 the City had averaged approximately 28 new housing units per year.
- ▶ The recent release of housing occupancy tenure data from the 2020 Census allows for some comparison between household growth and housing starts.
- ▶ Between 2010 and 2019 (construction completed prior to Census), there were 111 new single family houses permitted in Dell Rapids. Between 2010 and 2020, the City added 109 owner-occupancy households, a number that is generally consistent with single family housing starts.
- ▶ Between 2010 and 2019 there were 34 units permitted in multifamily structures, with two or more units per building. Between 2010 and 2020, the City added 54 renter-occupancy households. During this same time, the number of vacant units in Dell Rapids also decreased, so some of the renter growth may have occurred when units that had been vacant in 2010 were later occupied.

Census Housing Unit Data

The first housing counts released from the 2020 Census included information on occupancy and vacancy. The following table compares information from 2010 and 2020 to track changes over the decade as reported by the Census.

Table 15 Housing Units, Occupancy and Vacancy - 2020									
	Total Housing Units			Occupied Units			Vacant Units		
	2010	2020	Change	2010	2020	Change	2010	2020	Change
Dell Rapids	1,495	1,606	111	1,388	1,551	163	107	55	-52

Source: U.S. Census

- ▶ According a reconciliation of decennial Census data, Dell Rapids had 111 more housing units in 2020 than were present at the time of the 2010 Census. The increase in the City’s housing stock was smaller than the increase in occupied housing units, as the City added 163 households over the decade. In addition to the net gain in new housing, there was a large reduction in the number of vacant housing units in Dell Rapids between 2010 and 2020.
- ▶ On the previous page, information was presented on building permit issuance. Between 2010 and 2019 there were more than 150 new housing units built in the City. This new construction total was higher than the reported growth in the housing stock of 111 units as tracked by the 2020 Census. Presumably, some older housing units were lost over the decade due to demolition or other causes.
- ▶ At the time of the 2010 Census, Dell Rapids had a reported 107 vacant housing units. The timing of the 2010 Census had occurred after the national housing market downturn that started in 2008. During those years there had been an increase in home foreclosure activity, and some of the vacant units in 2010 may have been due to economic factors. After 2010, many of these vacant units were occupied, as the City had 52 fewer vacant units by 2020.

American Community Survey Housing Data

The Census Bureau's American Community Survey includes information on various housing topics. As stated previously, the estimates for small communities are based on limited sampling, which results in a margin of error within the individual data being presented.

Median Year of Construction - Owner-occupancy Housing

For owner-occupancy units in Dell Rapids, the estimated median year of construction is 1983. Approximately 25% of all owner-occupancy houses in the City were constructed prior to 1960, and more than 49% were constructed before 1980.

Median Year of Construction - Renter-occupancy Housing

For renter-occupancy units in Dell Rapids, the estimated median year of construction is 1976. Approximately 53% of all renter-occupancy units in the City were constructed prior to 1980.

Existing Home Sales

This section examines houses that have been sold in Dell Rapids from 2015 through 2022. It is important to note that the number of houses that sell each year can vary 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.

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

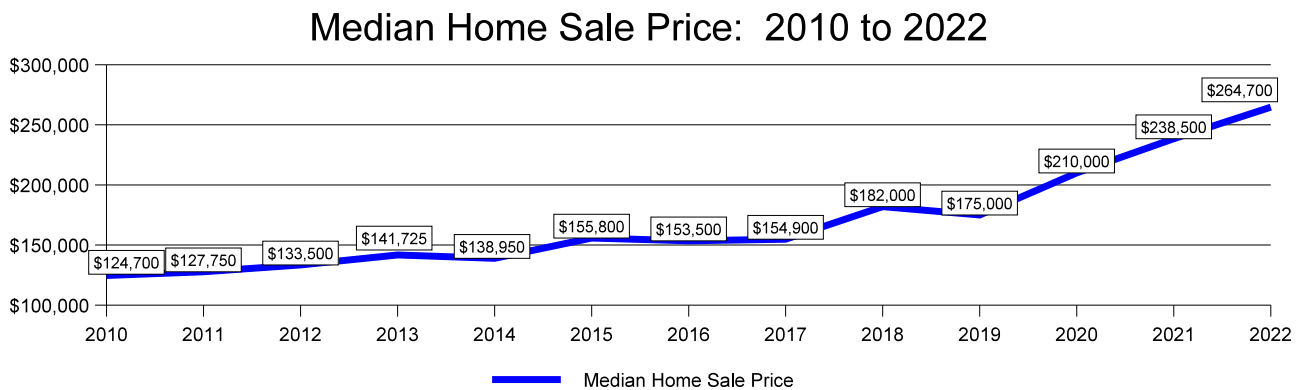
The County also sorts the residential sales into different groupings, rejecting certain sales. The primary reason that sales are rejected is because the house was not actively listed for sale in the open market. Only the “good” sales have been used in the analysis that follows.

The County’s sale year differs slightly from a calendar year, and begins on November 1st and extends to October 31st.

Table 16 Median Value of Recent Residential Sales - 2015 to 2022				
Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2022	62	\$264,700	\$965,000	\$82,500
2021	68	\$238,500	\$905,000	\$20,000
2020	66	\$210,000	\$445,500	\$54,900
2019	89	\$175,000	\$547,000	\$27,000
2018	80	\$182,000	\$610,000	\$25,000
2017	80	\$154,950	\$430,000	\$13,000
2016	74	\$153,500	\$384,700	\$29,000
2015	70	\$155,800	\$350,000	\$44,000

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

- ▶ Between 2019 and 2022 there was a large increase in the median sale price in Dell Rapids. The median price of \$264,700 in 2022 was \$89,700 higher than in 2019. Over the past four years there has been a steady upward trend of escalating sale prices in the community.
- ▶ Using information from the previous Housing Study completed for Dell Rapids it is possible to track longer-term sales trends back to the year 2010.



- ▶ From 2010 to 2017 there had been a general pattern of gradually rising prices in the community, increasing from \$124,700 in 2010 to \$154,900 in 2017. The median price then increased by more than \$27,000 between 2017 and 2018, before decreasing slightly in 2019. But after 2019, annual increases of more than \$25,000 per year began to occur.
- ▶ Although overall prices have been increasing, there are also some lower valued home sales in Dell Rapids each year. With the exception of 2022, at least one home was sold each year for less than \$55,000.
- ▶ Since 2017, at least one house was sold for \$430,000 or more each year.
- ▶ An alternate estimate of home values exists in the American Community Survey. In 2021, the estimated median value for all owner-occupied housing in Dell Rapids was \$224,400. This estimate was below the median sale price recorded in 2021 of \$238,500, but above the median sale price in 2020 of \$210,000.

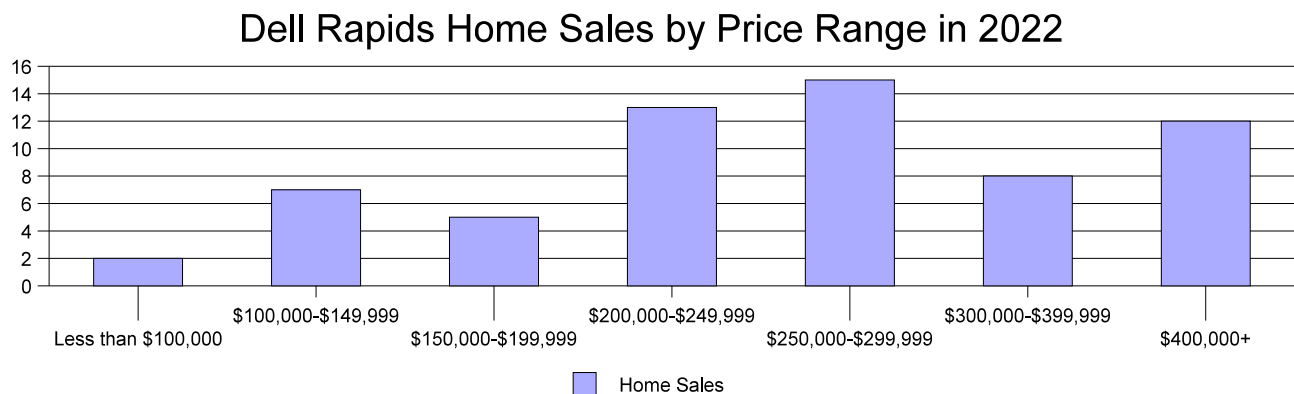
Home Sales by Price Range

The following table looks at single family houses that sold within defined price ranges over a 12-month period for the 2022 sales year. There were 62 good “arms length” sales over this period.

Table 17 Dell Rapids Home Sales by Price Range: 2022		
Sale Price	Number of Sales	Percent of Sales
Less than \$100,000	2	3.2%
\$100,000 - \$149,999	7	11.3%
\$150,000 - \$199,999	5	8.1%
\$200,000 - \$249,999	13	21.0%
\$250,000 - \$299,999	15	24.2%
\$300,000 - \$399,999	8	12.9%
\$400,000+	12	19.4%
Total	62	100%

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

- ▶ While recent home sales in Dell Rapids were widely distributed in different price ranges, the large majority of homes were sold for \$200,000 or more. Overall, fewer than 23% of the sales were for less than \$200,000.



- ▶ More than 32% of all sales in Dell Rapids were for \$300,000 or more in 2022.

Rental Housing Data

Census Bureau Rental Inventory - Dell Rapids

According to the 2020 Census, there were 439 occupied rental units and 25 unoccupied rental units in Dell Rapids, for a total estimated rental inventory of approximately 464 units. The City's rental tenure rate was 28.3%, based on renter-occupancy households. For comparison, the Statewide rental tenure rate in 2020 was 33.0%.

At the time of the 2010 U.S. Census, there were 385 occupied rental units, and 63 unoccupied rental units in Dell Rapids, for a total estimated rental inventory of approximately 448 units. The City's rental tenure rate, was 27.7%, based on renter-occupancy households, below the Statewide rental tenure rate in 2010 of 31.9%.

Between 2010 and 2020, Dell Rapids added 54 renter-occupancy households but only 16 rental housing units, based on the Census totals. There were more than 16 new units constructed during this time, so the smaller net gain in rental housing implies that some older units were removed from the inventory.

Much of the growth in renter-occupancy households can be linked to a decrease in vacant housing. In 2010 the Census had counted 63 unoccupied rental units in the City, but in 2020, only 25 vacant rental units were recorded.

Rental Construction 2010 to 2019

Based on available building permit reports, there were housing units constructed in Dell Rapids in buildings with four or more units. Between 2010 and 2019, there were 32 units permitted in these multifamily structures. These units would probably have been counted in the 2020 Census.

Rental Construction 2020 to 2023

Since 2020, an additional 14 units have been permitted in Dell Rapids, presumably intended as rental housing.

Census Bureau Rental Inventory - Sioux Falls MSA

Dell Rapids is part of the Sioux Falls Metropolitan Statistical Area (MSA), with the City of Sioux Falls having the large majority of the region's rental units. According to the 2020 Census, there were 37,611 occupied rental units in the MSA. For the entire MSA the rental tenure rate was 34.3%.

When compared to the totals provided in the 2010 Census, the Sioux Falls MSA had added more than 9,300 total rental units from 2010 to 2020. The rental tenure rate in 2010 was less than 32%, compared to more than 34% in 2020.

Dell Rapids' Share of Rental Housing in the MSA

At the time of the 2020 Census, the number of renter-occupancy households in Dell Rapids represented less than 1.2% of all renter households in the entire MSA.

Pending Rental Projects

Our research identified no planned rental projects in Dell Rapids.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily rental projects in the City of Dell Rapids. The survey was conducted in May 2023.

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, in some cases a single owner/manager had multiple units spread across a range of structure types, and in these surveys information was obtained on all units, including single family rental houses.

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

There were 258 rental units of all types that were contacted in the survey. The units that were successfully contacted include:

- ▶ 163 conventional, market rate units
- ▶ 47 subsidized units
- ▶ 48 senior housing with services units

The survey also contacted a nursing home in Dell Rapids that is licensed for 48 beds.

The findings of the survey by unit type are provided below.

Market Rate Summary

Usable information was obtained from 163 conventional market rate rental units. All of the units in the survey were in buildings with between two and eight units per structure.

Unit Mix

The survey obtained unit size information on 145 rental units from property owners/managers. The bedroom mix breakdown of the 145 units is as follows:

- ▶ Efficiency/Studio - 1 unit (0.7%)
- ▶ One-bedroom - 6 units (4.1%)
- ▶ Two-bedroom - 105 units (72.4%)
- ▶ Three-bedroom - 33 units (22.8%)

No units with four or more bedrooms were identified, although some single family houses in the community may provide rental housing for large families.

Occupancy / Vacancy

Within the market rate segment there were no vacancies reported in the 163 units used in the calculation. The property owners/managers reported strong demand for conventional market rate 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.

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

<u>Unit Type</u>	<u>Lowest/Highest Gross Rents</u>
One-bedroom	\$630-\$825
Two-bedroom	\$715-\$1,575
Three-bedroom	\$1,100-\$1,875

Subsidized Summary

The research completed for this Update identified one federally subsidized housing project in Dell Rapids. Friendship Village, a 47-unit project, is subsidized through USDA Rural Development. The project has two buildings. While originally constructed to serve senior and/or disabled tenants, one of the buildings was later changed to allow for general occupancy.

Unit Mix

The bedroom mix for the 47 units in Friendship Village is as follows:

- ▶ One-bedroom - 40 units (85.1%)
- ▶ Two-bedroom - 7 units (14.9%)

Since both buildings in Friendship Village were originally intended for senior/disabled residents, the project primarily offers one-bedroom apartments.

Occupancy / Vacancy

At the time of the survey, full occupancy was reported. The manager reported a waiting list with 15 names, although this was for both buildings.

Rental Rates

Forty units in Friendship Village have access to project-based rent assistance. Tenants in the units pay 30% of their income up to a maximum rent.

There are seven units that do not have project-based rent assistance. These tenants pay 30% of income, but not less than a minimum rent or more than a maximum rent that is set for their unit.

Subsidized Housing Gains/Losses

Federal subsidy sources for low income rental housing have been limited for the past few decades. Most subsidized projects were constructed in the 1960s, 1970s or early 1980s. Some of these older projects may have completed their compliance requirements and have the opportunity to leave their subsidy program and convert to conventional rental housing. In communities with low vacancy rates, private property owners may have an incentive to convert subsidized units to conventional housing.

USDA Rural Development records indicate that a four-plex, known as Blue Sky Apartments, had also been providing subsidized housing in Dell Rapids in the past, but this project was apparently converted to market rate many years ago.

The only subsidized project still operating in Dell Rapids is Friendship Village. According to the manager, Friendship Village has not taken any action to convert from subsidized to market rate housing.

Tenant-Based Rent Assistance Vouchers

There are also tenant-based rent assistance Housing Choice Vouchers available in the area. The Housing Choice Voucher Program is administered in Dell Rapids by the Sioux Falls Housing and Redevelopment Commission. Housing Choice Voucher assistance is issued to income-eligible households for use in suitable, private market rental housing units. With the assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional rent amounts.

Since this rent assistance is tenant-based, and moves with the household, the actual number of participating households within the City can vary from month to month.

The Program currently has a long waiting list for assistance.

Senior Housing with Services Summary

Unit Inventory

Dell Rapids has two senior with services providers which include a skilled nursing home, an assisted living center and a congregate/light services apartment building.

- ▶ **Dells Nursing and Rehab Center** - A skilled nursing facility that is licensed for 48 nursing home beds in 2023, down from 71 beds in 2016 - but the decrease is largely due to staffing limitations. Beds are available for both long-term care and shorter-term transitional care but most residents are long-term.
- ▶ **Orchid Hills Assisted Living** - State-licensed Assisted Living Center with 24 apartment-style units with kitchenettes and capacity for 32 residents. The facility also has congregate apartments offering light services housing.
- ▶ **Orchid Hills Congregate Living** - Light services housing option that has 24 one and two-bedroom apartments and also includes a daily meal, weekly light housekeeping and activities, with additional meals and services available for purchase. The facility also has apartment-style units offering assisted living.

Occupancy / Vacancy

Dells Nursing and Rehab Center has reduced its number of licensed beds due to a staffing shortage. The facility reported that a high rate of utilization is typical with 44 of the 48 licensed beds occupied on the date of the survey.

Orchid Hills Assisted Living had nine unoccupied units on the date of the survey. The facility reported that a higher occupancy rate is typical, but turnover along with some lingering effects from the Covid pandemic have resulted in reduced occupancy.

Orchid Hills Congregate Living reported full occupancy with a waiting list on the date of the survey.

Table 18 Dell Rapids Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
MGM/Crisp Properties	83 - 2 bedroom <u>20 - 3 bedroom</u> 103 total units	\$900-\$1450 \$925-\$1700 +heat, hot water, electric	No vacant units	Mix of tenants	Rental developments ranging from 2 to 6 unit structures in various locations with most units constructed since 2000. Rent includes water, sewer and garbage, with tenant paying gas and electric. Most units are town house-style, with 1 level and 1 or 2 car garage. Units range in size and some have 2 bathrooms. Newest units generally have rents of \$1400 or more. Strong demand reported with any open units filling quickly, often by word of mouth. Mix of tenants including seniors and younger working age tenants including commuters to Sioux Falls or Brookings. Land exists for additional development,
Downtown Mixed-Use Rentals	1 bedroom <u>2 bedroom</u> 18 total units	\$575-\$725 \$800-\$900 +gas, electric	No vacant units	Mostly working age tenants	Rental units in 6 downtown mixed-use buildings. Although buildings are older most of the residential units have renovated over time. For most units tenants pay gas and electric with water, sewer and garbage included in rent. Units vary in size but typical 1-bedroom has approx 600 sq ft and 2-bedrooms have 800 sq ft. Owner reported full occupancy and good demand. Most tenants are working age and include local work force and commuters.
Downtown Apartments	1 - efficiency 5 - 1 bedroom <u>2 - 2 bedroom</u> 8 total units	\$425 \$550 \$615 +utilities	No vacant units	Mostly singles	Two-story apartment building constructed in the 1800s and located in the downtown area. New owner in recent years and building has been renovated. Tenants pay utilities in addition to rent. Owner reported full occupancy and good demand. Most tenants are single and either work locally or commute.

Table 18 Dell Rapids Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Odd Fellows Home Apartments	1 - 1 bedroom 8 - 2 bedroom <u>8 - 3 bedroom</u> 17 total units	\$750 \$1000-\$1100 \$1200-\$1250 +utilities	No vacant units	Mix of tenants	Historic Odd Fellows structures that were converted to rental housing in phases, with 13 units added since 2016 Housing Study. Units are unique and vary in size with 1-bedroom at approx 600 sq ft, 2-bedrooms at 1000-1200 sq ft and some 3-bedrooms up to 1800 sq ft. Tenants pay utilities in addition to rent. Manager reported good demand with full occupancy typical - mix of tenants. There is a possibility to add 1 or 2 more units in the future.
Skelly Properties	12 - 2 bedroom <u>5 - 3 bedroom</u> 17 total units	\$850-\$900 \$1000 +gas, electric	No vacant units, waiting list	General Occupancy	Rental units in multiple small structures from duplexes to an 8-plex - most constructed in 1990s or early 2000s. All tenants pay gas and electric and 3-bedrooms also pay water. Units have amenities such as in-unit laundry and garage. Owner reported full occupancy and a waiting list. Mix of tenants with approx 1/2 retirees and 1/2 working age, primarily commuters.
Blue Sky Apartments 902 E 11 th St	<u>4 - 2 bedroom</u> 4 total units	N/A	N/A	N/A	Unable to contact - information presented is from secondary sources. Formerly a USDA Rural Development subsidized project for general occupancy that was constructed in 1979 and ended its subsidy contract in 2011 and was converted to conventional housing.

Table 18 Dell Rapids Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Friendship Village 1	19 - 1 bedroom <u>4 - 2 bedroom</u> 23 total units	\$491-\$499 \$511-\$519 30% of income	No vacant units, waiting list	Senior/ disabled occupancy	USDA Rural Development subsidized project designated for senior and/or disabled occupancy. Forty units in Friendship Village 1 and 2 have access to project-based rent assistance which allows rent based on 30% of income. Tenants without rent assistance pay 30% of income, but not less than minimum rent or more than maximum rents listed. The manager reported full occupancy and a 15-name waiting list for the entire project.
Friendship Village 2	21 - 1 bedroom <u>3 - 2 bedroom</u> 24 total units	\$491-\$499 \$511-\$519 30% of income	No vacant units, waiting list	General occupancy	USDA Rural Development subsidized project originally built for senior and/or disabled occupancy but later changed to general occupancy. Forty units in Friendship Village 1 and 2 have access to project-based rent assistance which allows rent based on 30% of income. Tenants without rent assistance pay 30% of income, but not less than minimum or more than maximum rent listed. The manager reported full occupancy and a 15-name waiting list for the entire project.

Table 18 Dell Rapids Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Senior with Services					
Dells Nursing and Rehab Center 1400 Thresher Dr	licensed for 48 beds	N/A	High occupancy rate	Skilled nursing home	Skilled nursing home that is licensed for 48 beds in 2023 - down from 71 beds in 2016. Reduced licensing is due to staffing issues and facility could return to 72 beds in the future. Both long-term care and transitional care available but 90%+ of residents are long-term. 44 of 48 beds were being utilized at time of survey.
Orchid Hills Congregate Living 210 W 10 th St	1 bedroom <u>2 bedroom</u> 24 congregare	\$1575 lowest entry price+	No vacant congregare units, waiting list	Senior housing with light services	Congregate living portion of a senior housing project that also includes assisted living. Congregate tenants have independent apartment with kitchen. Rent includes 1 daily meal, weekly light housekeeping and activities. Additional meals and services can be purchased. Full occupancy reported and a waiting list.
Orchid Hills Assisted Living 210 W 10 th St	24 congregare <u>24 - 1 bedroom</u> 24 assisted living with 32 person licensed capacity	Based on level of services	9 vacant units	Assisted Living Center	Assisted Living Center that is part of a senior housing project that also includes congregare/light services housing. Licensed capacity for 32 residents in 2023 with double occupancy in 8 units. One-bedroom apartments with kitchenettes. Assisted living provides daily meals, housekeeping, laundry, bathing, medication management and other assistance with daily living. Nine units were vacant at time of survey - occupancy rate is typically higher. Private-pay facility.

Source: Community Partners Research, Inc.

Household Growth in the Sioux Falls MSA

Over the last few decades, the Sioux Falls MSA has grown at a rapid rate. Between the 2010 Census and the 2020 Census there were a substantial number of households that were added in Sioux Falls and in many of the smaller cities in Minnehaha and Lincoln Counties. The following table examines growth in numeric and percentage terms. The listed cities have been ordered by the numeric household growth that occurred over the period.

Table 19 Household Growth by Jurisdiction: 2010 to 2020				
City	2010 Census	2020 Census	Numeric Growth	Percentage Growth
Sioux Falls	61,707	78,405	16,698	27.1%
Harrisburg	1,423	2,268	845	59.4%
Brandon	3,118	3,888	770	24.7%
Tea	1,254	1,897	643	51.3%
Hartford	913	1,218	305	33.4%
Dell Rapids	1,388	1,551	163	11.7%
Baltic	389	458	69	17.7%
Crooks	431	476	45	10.4%
Garretson	449	482	33	7.3%
MSA	83,677	109,218	25,541	30.5%

Source: US Census

Between in 2010 and 2020, the MSA added more than 25,500 households, for an increase of 30.5%. More than 65% of this household growth occurred within the City of Sioux Falls.

The remainder of the regions household growth was shared between multiple jurisdictions within the 4-County MSA, but Harrisburg, Brandon, Tea and Hartford captured the largest numeric share of household growth outside of Sioux Falls. Together, these four jurisdictions, along with Sioux Falls, accounted for more than 75% of all household growth in the MSA.

The City of Dell Rapids added 163 households over the decade, representing approximately 0.64% of the MSA’s net household gain during this time.

MSA Housing Unit Construction Activity: 2010 to 2022

The U.S. Census Bureau collects building permit issuance information from individual cities, towns and townships. Annual housing construction summary information is available for the combined jurisdictions that form the Sioux Falls MSA. This represents a four-county area of Minnehaha, Lincoln, McCook and Turner Counties. The total unit production for 2022 was identified as “preliminary” at the time of the research for this Housing Study and may change.

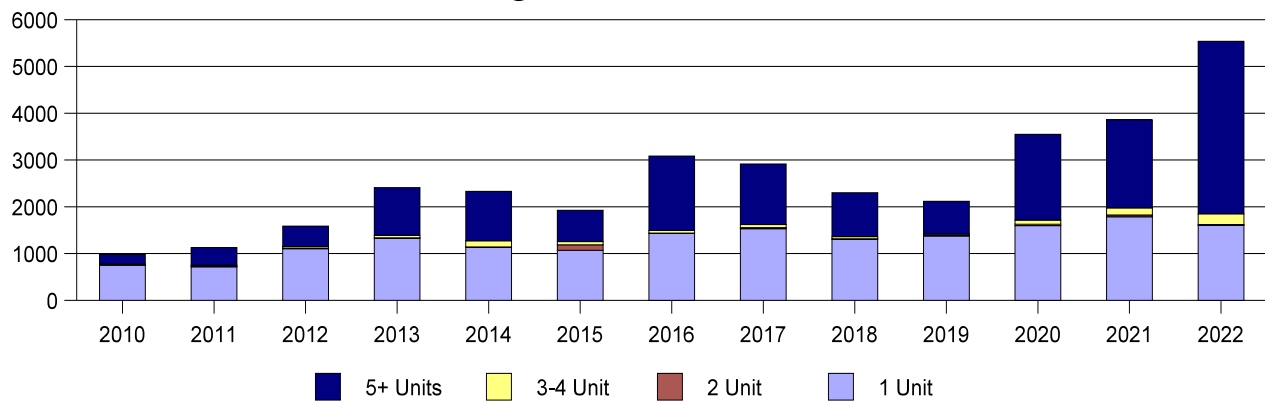
It is important to note that the Census Bureau’s annual totals may differ from other information in this Housing Study, which may be collected directly from individual jurisdictions. However, the Census Bureau reports do provide some perspective on housing construction within the larger MSA. Census Bureau annual totals for the City of Dell Rapids are also provided for comparison.

Housing construction activity in Dell Rapids has represented a very small share of all activity in the Sioux Falls MSA in recent years. From 2010 through 2022 the City reported that 196 new housing units were built in Dell Rapids which represented approximately 0.6% of all MSA activity.

Table 20 Dell Rapids and MSA Housing Unit Construction Activity - 2010 to 2022										
Year	City of Dell Rapids					Sioux Falls MSA				
	Single Family	Two Family	3 to 4 Family	Multifamily	Total	Single Family	Two Family	3 to 4 Family	Multifamily	Total
2022	10	0	8	0	18	1,600	22	229	3,687	5,538
2021	17	0	0	0	17	1,788	36	153	1,882	3,859
2020	10	2	4	0	16	1,597	30	89	1,834	3,550
2019	12	0	4	0	16	1,376	10	28	705	2,119
2018	17	0	4	0	21	1,306	12	46	938	2,302
2017	10	0	4	0	14	1,533	22	67	1,292	2,914
2016	12	0	0	0	12	1,431	6	58	1,589	3,084
2015	10	2	0	0	12	1,069	120	67	670	1,926
2014	13	0	4	0	17	1,134	8	131	1,057	2,330
2013	15	0	0	0	15	1,330	6	52	1,021	2,409
2012	8	0	8	0	16	1,104	12	36	435	1,587
2011	10	0	4	0	14	716	16	19	378	1,129
2010	4	0	4	0	8	755	8	111	207	1,081
Total	148	4	44	0	196	16,739	308	1,086	15,695	33,828

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

MSA Annual Housing Unit Construction: 2010 to 2022

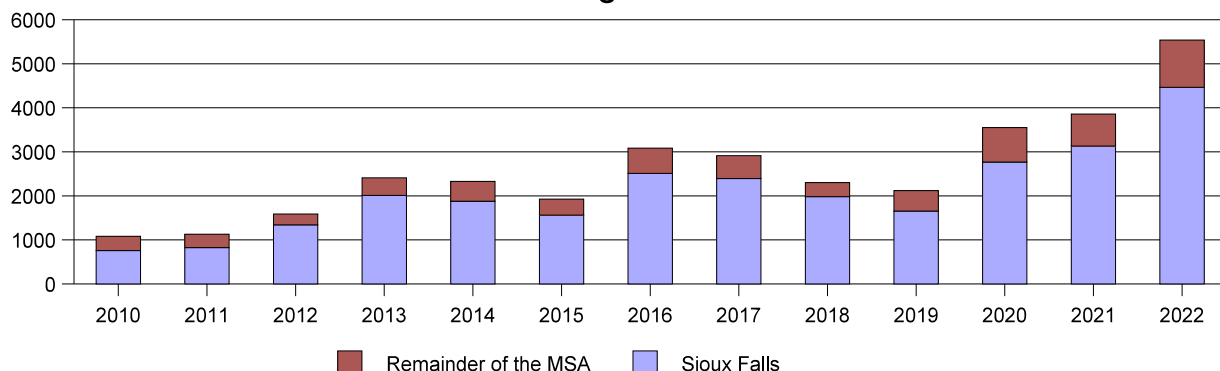


According to Census Bureau reports, the years 2022 and 2021 represented the highest years for new housing unit production in the MSA over the 13-year period reviewed. In 2022, preliminary reports indicated that more than 5,500 total housing units were permitted.

The permitting for 2022 was distributed in all structure types, but the year-to-year increase from 2021 was due to very strong production of multifamily units. Approximately 29% of all permitted units in 2022 were in one unit structures and nearly 67% were in multifamily projects with five or more units per structure. The remaining units were in structures with between two and four residential units.

As the primary jurisdiction in the MSA, the City of Sioux Falls accounts for a large majority of the units constructed annually. While year-to-year variation exists, in recent decades, Sioux Falls has typically represented between 70% or more 86% of the annual MSA construction activity. Based on preliminary reporting for 2022, Sioux Falls represented nearly 81% of the MSA’s construction unit total, according to the Census Bureau.

Sioux Falls/MSA Annual Housing Unit Construction: 2010 to 2022



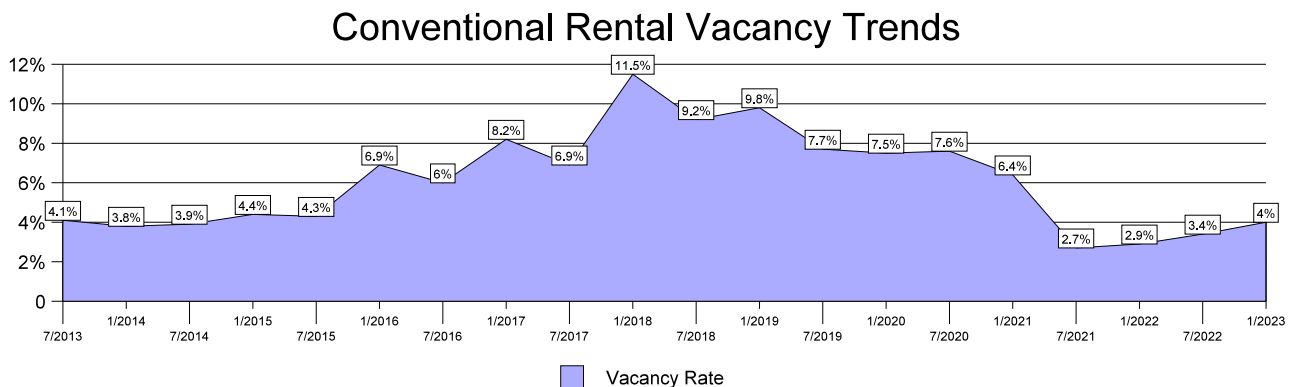
Regional Rental Vacancy Rates

The South Dakota Multi-Housing Association has tracked rental housing vacancy information for the Sioux Falls area for many years through a semiannual survey. This is an excellent source of information that not only provides a current picture of rental housing occupancy, but also a perspective on longer-term trends.

Conventional Market Rate Housing

The most recently completed vacancy survey is from January 2023. This survey found a vacancy rate of 4.0% in conventional market rate housing. The survey included nearly 15,900 conventional units and found just 629 vacancies. Although this was an area-wide survey, including communities that are within a 20-mile radius of Sioux Falls, a very large majority of the reporting units were located within the Sioux Falls zip codes.

The following chart presents the Multi-Housing Association vacancy calculations dating back to the July 2013 to provide a 10-year history for conventional rental housing.



While the most recent survey does show a slight increase in the conventional rental vacancy rate when compared to the prior two surveys, the reported vacancy rate of 4.0% is still relatively low by historic standards. Over the past 20 surveys, the vacancy rate has been below 4% only five times in this market segment.

A big drop in the vacancy rate occurred in 2021, with a 6.4% in January which then moved to only 2.7% by July 2021. Since that time it has been gradually increasing.

A general standard for rental housing vacancy is that a rate up to 5% is considered acceptable. A modest level of vacancy is desirable to allow tenant movement in the market by providing choices for prospective renters. It also allows a community the chance to grow, as new households moving into the area can readily locate a living unit. In Sioux Falls, a vacancy rate above 5% would not be surprising for individual surveys, as large-scale unit construction can occur which can temporarily cause an oversupply of units.

As evident in the previous chart, past history shows that the Sioux Falls market has had the ability to “self-correct”. People interviewed in past studies in the area have cited the cyclical nature of rental production in Sioux Falls. As the vacancy rate has risen, construction activity in subsequent years tends to diminish. As vacancy rates begin to fall, it has been typical to see an above-average level of construction.

Based on the building permit reporting presented previously from the Census Bureau, the number of multifamily units permitted in the MSA was below average in 2018 and 2019, probably in response to very high vacancy rates during those years. Multifamily production then began to increase in 2020 and 2021. The preliminary reporting for 2022 points to the largest production of new multifamily units over the past 13 years. While vacancy rates have been low, the impact of the above-average construction in 2022 may be starting to be reflected as more units enter the market in 2023, and vacancy rates may continue to increase as the next few surveys are completed.

Income-Based Housing Vacancy Rates

The large majority of the units in the Multi-Housing survey are conventional rentals. However, different types of income-restricted housing are also included. These units include moderate rent properties constructed through the federal low income housing tax credit program and federally subsidized low income housing referred to as “HUD units” in the reports.

Since the start of 2018, the vacancy rate in tax credit housing has stayed above 5%, and in many surveys has been above 7%. In the January 2023 survey, tax credit units had a vacancy rate of 6.1%, compared to the conventional housing vacancy rate of 4.0%.

HUD units have tended to maintain a low rate of vacancy over time. In the most recent report, the vacancy rate for HUD units was only 1.4%. With the exception of one survey in January 2020, when the HUD vacancy rate was at 6.6%, this very affordable segment has maintained a vacancy rate below 5%.

Although the Sioux Falls MSA generally performed well during the global health pandemic, presumably the impact had caused some decrease in incomes for some MSA households. This potentially increased demand for income-restricted tax credit and deep subsidy rental housing.

Vacancy Rates Outside of Sioux Falls

The Multi-Housing Survey does collect some rental data from units that are outside of the City of Sioux Falls, but within a certain radius. Information is provided by zip code for communities in the Sioux Falls region.

The January 2023 survey included 16 conventional market rate units in Dell Rapids. The specific project(s) that reported is not identified, but there were no vacancies at the time of the survey.

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. Much of the household growth that has occurred in the Sioux Falls MSA in the past decade 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

Work Force and Unemployment Rates

Employment information is available for the Sioux Falls MSA. Information has been reviewed back to the year 2010. Data in the tables that follow have been obtained from the South Dakota Department of Labor.

Table 21 Sioux Falls MSA Annual Labor Statistics: 2010 to 2022						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - MSA	Unemployment Rate - SD	Unemployment Rate - US
2010	133,585	127,238	6,347	4.8%	5.0%	9.6%
2011	134,281	128,513	5,768	4.3%	4.7%	8.9%
2012	136,615	131,430	5,185	3.8%	4.3%	8.1%
2013	138,817	134,408	4,409	3.2%	3.8%	7.4%
2014	141,705	137,621	4,084	2.9%	3.4%	6.2%
2015	144,400	140,650	3,750	2.6%	3.1%	5.3%
2016	146,949	143,305	3,644	2.5%	3.0%	4.9%
2017	150,020	145,981	4,039	2.7%	3.2%	4.4%
2018	152,316	148,354	3,962	2.6%	3.0%	3.9%
2019	155,468	151,110	4,358	2.8%	3.0%	3.7%
2020	156,605	149,880	6,725	4.3%	4.6%	8.1%
2021	159,995	156,025	3,970	2.5%	2.8%	5.3%
2022	163,101	159,830	3,271	2.0%	2.3%	3.7%

Source: South Dakota Department of Labor

The Sioux Falls MSA continues to be strong for labor force and job growth. Over the time period from 2010 through 2022, the size of the resident labor force increased by more than 29,500 people, or an increase of more than 22%. The employed resident work force increased by more than 32,600 people during this same time, for an increase of nearly 26%.

The MSA’s unemployment rate has generally decreased over this longer time period and pre-pandemic in 2019, was at only 2.8%. The Covid pandemic then impacted statistics for 2020, although the annual employment rate was still only 4.3%. But for 2022, the MSA’s unemployment rate had dropped to only 2%.

Employment and Wages by Industry

The following table shows the annual employment and average annual wages in 2021, the last full year of data. This information is for all of the MSA.

Table 22 MSA Average Annual Wages - 2021		
Industry	Total Employment	Average Weekly Wage
Total All Industry	157,592	\$1,102

Source: South Dakota Department of Labor

The average weekly wage for all industry in 2021 was \$1,102 for the Sioux Falls MSA. At full-time employment this would yield an annual average wage of more than \$57,300.

Commuting Patterns of Dell Rapids Residents

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

Table 23 Commuting Times for Dell Rapids Residents - 2020		
Travel Time	Number	Percent
Less than 10 minutes	595	29.5%
10 to 19 minutes	220	10.9%
20 to 29 minutes	299	14.8%
30 minutes +	900	44.7%
Total	2,014	100%

Source: American Community Survey

A majority of Dell Rapids’ residents were driving 20 minutes or more for their primary employment in 2020. Fewer than 41% of residents were traveling less than 19 minutes, while nearly 60% were traveling 20 minutes or more, generally consistent with employment in Sioux Falls.

The ACS also identifies travel time by location of the job. For people that worked in Dell Rapids, the following travel times were identified. This would include people that both lived and worked in the City.

Table 24 Commuting Times for Dell Rapids-based Employees - 2020		
Travel Time	Number	Percent
Less than 10 minutes	558	42.1%
10 to 19 minutes	351	26.5%
20 to 29 minutes	127	9.6%
30 minutes +	289	21.8%
Total	1,325	100%

Source: American Community Survey

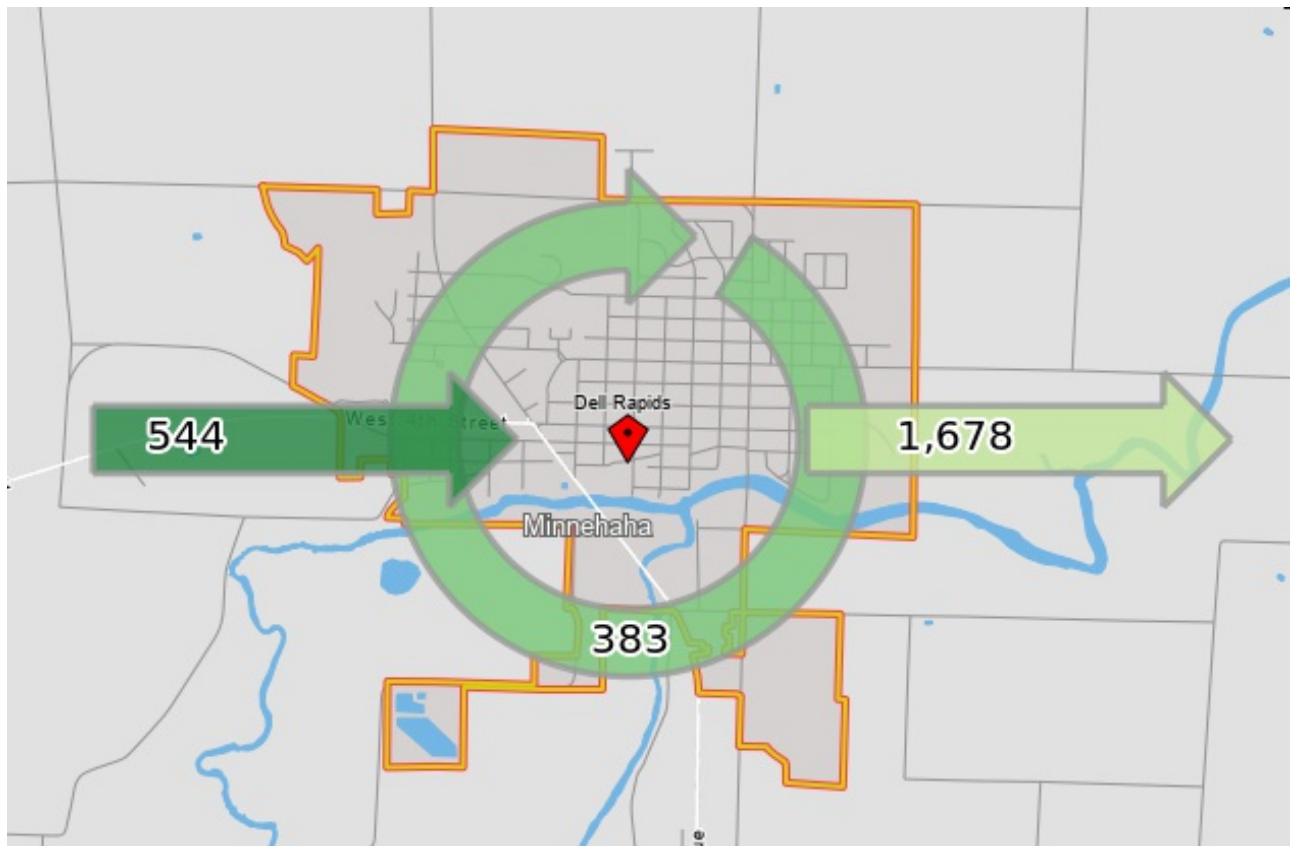
Most Dell Rapids-based employees lived locally, with nearly 69% of the people employed within the City having a travel time of 19 minutes or less. This would include people that both live and work in the City. However, there were an estimated 289 people that traveled to Dell Rapids from farther distances with a drive time of 30 minutes or more.

Census On the Map

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on reports for the year 2020 but provides a further breakdown of worker movement.

According to the report for Dell Rapids, there were 927 people that were employed within the City in 2020. Of these city-based employees, there were 383 people that both lived and worked in Dell Rapids, with the remaining 544 workers commuting in for their job. The primary jurisdictions supplying workers to Dell Rapids were Sioux Falls, Baltic and Canton.

On the Map can also be used to track worker outflow patterns from the City. Overall, there were 2,061 employed Dell Rapids residents, but 1,678 of these people worked outside the community. The primary identified destination for employment was Sioux Falls. Overall, nearly 59% of Dell Rapids' residents that left the City were commuting to Sioux Falls. Other identified locations included Lyons Township, Colman and Sioux City.



Findings on Growth Trends

As part of this Study, Community Partners Research, Inc., has examined growth patterns for the City of Dell Rapids, as well as Minnehaha County and the entire Sioux Falls MSA. Although Dell Rapids is a relatively small community within the MSA, the City has experienced solid growth in recent decades, and has benefitted from its location near a fast-growing metropolitan area.

Based on the 2020 Census, Dell Rapids added 363 residents and 163 households between 2010 and 2020. However, the City's household growth rate for the most recent decade, at of 11.7%, was approximately one-half the rate of growth from the prior decade, as the City's household level increased by 23.2% between 2000 and 2010.

The slower rate of growth was also evident in housing construction statistics. Between 2000 and 2009, the City had been averaging approximately 25 new housing units per year. Since 2010, the average annual production has decreased to approximately 15 new units per year.

Dell Rapids is located in Minnehaha County, the largest of the four counties that form the Sioux Falls Metropolitan Statistical Area (MSA). Minnehaha County has had a pattern of very rapid growth, adding nearly 11,700 households between 2010 and 2020. The entire MSA added more than 25,500 households between 2010 and 2020, with most of the additional households in Lincoln County.

While the MSA's household growth has been very strong, most of the household increase since 2010 was directly attributable to the City of Sioux Falls. More than 65% of the MSA's household growth was within Sioux Falls, and more than 75% of the MSA's household increase was due to the five cities of Sioux Falls, Harrisburg, Brandon, Tea and Hartford. Between 2010 and 2020, Dell Rapids represented approximately 0.5% of the overall growth in MSA households.

Findings on Projected Growth

This Update has examined projections from established national sources, including both Applied Geographic Solutions (AGS) and Esri. In the opinion of the analysts, the household projections from these national sources significantly underestimate the growth potential for Dell Rapids. As a result, Community Partners Research, Inc., has generated its own forecast for the City. Over the 5-year projection period to 2027, the analysts believe that Dell Rapids has the potential to add up to 100 households, or an annual average of 20 households per year.

While this growth forecast is significantly higher than other available projections, it could prove to be conservative. With the large-scale growth that has been occurring in the Sioux Falls MSA, it is very possible that Dell Rapids could capture an even greater share of regional household growth going forward.

Projections for the entire MSA from AGS and Esri are also viewed by the analysts as being overly conservative. Housing unit construction is viewed as a better indicator of growth potential, and since 2020, the entire has been averaging more than 4,000 new housing units per year. Although unit production at this level may not be sustained for the entire decade, it is likely that the MSA will add more than 3,000 households per year through 2027. Most of this growth will continue to occur in Sioux Falls and selected suburban communities in Minnehaha and Lincoln Counties, but smaller cities in the MSA should also benefit from the region's growth potential.

Summary of Growth Projections by Age

The Demographic section of this Study presented projection information on anticipated changes by age group from 2022 to 2027 in Dell Rapids. The base projections were generated by Esri, but have been adjusted upward by Community Partners Research, Inc., to better reflect the future growth potential that exists in the City.

These age-based forecasts assume that approximately 20 households per year will be added in Dell Rapids, for an increase of 100 households over the 5-year projection period.

<u>Age Range</u>	<u>Projected Change in Households</u>
	<u>2022 to 2027</u>
15 to 24	6
25 to 34	45
35 to 44	-5
45 to 54	29
55 to 64	11
65 to 74	-7
75 and older	<u>21</u>
Total	100

In general, Dell Rapids has been successful in attracting younger households and families into the community. Unlike most similar-sized cities, which have a large impact from the movement of the “baby boom” generation through the aging cycle, in Dell Rapids most of the growth is in the non-senior age groups.

Based on the adjusted projections, the largest growth within any single age range will occur among households age 25 to 34 years old, followed by an increase in the 45 to 54 year old range.

Although less growth, and possibly some minor reductions could occur in other non-senior ranges, these projections expect an overall net increase of 86 households age 64 and younger by the year 2027.

The projections also point to some growth among older senior households, age 75 and above. But a possible small decrease in the 65 to 74 year old range should result in only limited growth from senior-headed households, age 65 and older by 2027.

These projections represent an informed prediction of near-term changes in Dell Rapids. However, as a single jurisdiction within a large MSA, the actual growth patterns in the City will also be impacted by the larger trends within the MSA.

Findings on Unit Demand by Type of Housing

Based on the household by age projections presented on the previous page, the changing age composition of households in Dell Rapids over the five-year projection period will have an impact on demand for housing.

Age 24 and Younger - The projections used for this Update expect the 24 and younger age group to increase by approximately six households through 2027. Past tenure patterns indicate that a majority of the younger households will rent their housing. A small increase in the number of households in this age range should mean that rental demand from younger households will also increase somewhat during the projection period.

25 to 34 Years Old - The projections show a strong expected increase of 45 households in this age cohort through 2027. Within this age range households often move from rental to first-time home ownership. A significant increase in the number of households within this age range will mean increased demand for both first-time home buyer and rental opportunities.

35 to 44 Years Old - This 10-year age cohort is projected to decrease slightly in size between 2022 and 2027 in Dell Rapids. Households within this range often represent both first-time buyers and households looking for trade-up housing, selling their starter home for a more expensive house. Despite some possible decrease, there should be only limited change in demand from these younger households.

45 to 54 Years Old - The projections for this age range show a solid increase of 29 households in this age range. This age group historically has had a high rate of home ownership, and will often look for trade-up housing opportunities. With the projected increase of households, the demand for trade-up housing from this age range should increase through 2027.

55 to 64 Years Old - The projections show an expected increase of approximately 11 households in this 10-year age range by the year 2027. This age range has traditionally had a very high rate of home ownership. 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. Some households in this age range will also seek higher priced trade-up housing.

65 to 74 Years Old - A minor decrease of 7 households is expected in Dell Rapids within this younger senior age range. While this group will begin moving into life-cycle housing options as they age, younger seniors are still predominantly home owners. Limited change within this age cohort may result in slightly reduced demand for age-appropriate housing units.

75 Years and Older - A gain of 21 households is projected among older seniors, age 75 and above. Households in this age range will often be seeking high quality rental housing or senior housing with services options as they move through the aging cycle.

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

Strengths for Housing Development

The following strengths of the community were identified through statistical data, local interviews, research, on-site review of the local housing stock and from the 2016 Dell Rapids Comprehensive Housing Study.

- ▶ **Dell Rapids is located near Sioux Falls and Brookings** - Dell Rapids is approximately 20 miles from Sioux Falls and 40 miles from Brookings. Sioux Falls and Brookings provide employment opportunities, retail/service options, government services, health and professional services, educational opportunities, cultural amenities and recreational facilities. Many households prefer to live near, but not in a regional center.
- ▶ **Median home price** - Dell Rapids's median priced home based on 2022 sales of existing homes is approximately \$264,700. The price of existing homes is high enough to encourage new home construction in Dell Rapids.
- ▶ **Population and household growth for the City** - Over the past few decades, the City has sustained good population and household growth and the City is projected to continue to grow in the future.
- ▶ **Sioux Falls MSA market** - Over the past five years, it is estimated that an average of nearly 3,500 housing units have been constructed in the Sioux Falls MSA. Dell Rapids has an opportunity to capture a larger portion of this market.
- ▶ **Active housing developers in the City** - Dell Rapids has housing developers that are willing to invest in housing projects in the community. Developers have been active in subdivision creation, owner-occupancy single family housing construction and rental housing construction.
- ▶ **School system** - The City of Dell Rapids has two excellent K-12 school systems including the Dell Rapids School District 49-3 and St. Mary's Catholic Schools. Also, two new elementary schools have been constructed in the community.
- ▶ **Infrastructure** - The City of Dell Rapids has built a new waste water facility and has upgraded its underground utilities to accommodate future housing and commercial development.

- ▶ **Dell Rapids Economic Development Corporation** - The Dell Rapids Economic Development Corporation is active in promoting industrial, commercial and housing development. The Economic Development Corporation has also developed an industrial park in Dell Rapids.
- ▶ **Median family income** - The City of Dell Rapids' median family income is higher than the statewide median family income. Therefore, there is a significant number of households in Dell Rapids that have the financial resources to purchase new housing.
- ▶ **Desirable location for area seniors and retirees** - Dell Rapids is an attractive community for seniors as a retirement location. As providers for the area's health, retail and governmental services and recreational opportunities, the City has amenities that are attractive for seniors as they age.
- ▶ **Sioux Falls Growth Pattern** - Several large commercial and industrial projects are in the planning or construction phases in north Sioux Falls. Growth to the north of Sioux Falls benefits residential development in Dell Rapids.
- ▶ **New homes** - From 2010 to 2022, approximately 148 new single family homes have been constructed in Dell Rapids. Many of these homes are occupied by families with children.
- ▶ **Commercial Development** - There has been significant commercial development in Dell Rapids over the past several years.
- ▶ **Rental housing** - Approximately 44 rental units have been developed in Dell Rapids from 2010 to 2023.
- ▶ **Dell Rapids Downtown** - Dell Rapids has a Downtown Business District that is attractive and has character. Several cities in the Sioux Falls MSA do not have an identifiable, adequate Downtown Business District.
- ▶ **Medical facilities** - A clinic, hospital, nursing home and assisted living facility are all located in Dell Rapids.

- ▶ **Available land for residential development** - Land is available for residential and commercial/industrial development. However, this land will need to be serviced with infrastructure improvements and/or annexed into the City limits.
- ▶ **Employers** - Dell Rapids has employers that provide job opportunities for local residents.
- ▶ **Commuters** - Approximately 544 Dell Rapids employees are commuting into Dell Rapids daily for work. These commuters are a potential market for future housing construction.
- ▶ **Assistance from organizations and agencies** - Several organizations and agencies are available to assist Dell Rapids with addressing its housing needs, including the South Eastern Council of Governments and the South Metro Growth Alliance.

Barriers or Limitations to Housing Activities

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

- ▶ **Proximity to Sioux Falls and Brookings** - Although it is a strength to be located in close proximity to Sioux Falls and Brookings, it is also a barrier as Dell Rapids and Brookings must compete with Sioux Falls and Brookings, which offers attractive residential opportunities and other amenities and services.
- ▶ **Staff capacity limitations** - Although the City has access to several housing agencies, it is difficult to develop and implement housing initiatives with limited staff resources.
- ▶ **Land for future development** - There are residential lots available in Dell Rapids for new housing construction for the next several years, however, land must continue to be available for future lot development.
- ▶ **Communities in the Sioux Falls MSA** - There are communities in the Sioux Falls MSA and in close proximity to Sioux Falls that are experiencing substantial development. Dell Rapids must compete with these communities.
- ▶ **Flood Plain** - A portion of the City of Dell Rapids is in the flood plain and development cannot occur in the flood plain area of the City.
- ▶ **Lower-paying jobs** - Although Dell Rapids has job opportunities, some jobs are at the lower end of the pay scale and employees with these jobs have limited housing choices.
- ▶ **Age and condition of the housing stock** - While the existing housing stock in Dell Rapids is in good condition, some of the housing is in need of improvements to meet the expectations of potential buyers.

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 Dell Rapids. They are based on the following strategies:

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

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

Summary of Findings/Recommendations

The findings/recommendations for the City of Dell Rapids have been formulated through the analysis of the information provided in the previous sections and include a total of 21 recommendations divided into the following five categories:

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

The findings/recommendations for each category are as follows:

Findings and Recommendations for the City of Dell Rapids	
Rental Housing Development	
1.	Develop 30 to 34 market rate rental units
2.	Consider the development of 20 to 24 additional tax credit/moderate rent housing units
3.	Develop 8 to 10 subsidized rental housing units
4.	Promote the development/conversion of 8 to 10 affordable market rate rental units
5.	Senior housing with a high level of services recommendation
6.	Develop 16 to 18 senior independent/light services market rate units
7.	Develop a mixed-use commercial/housing project
8.	Continue to utilize the Housing Choice Voucher Program
Home Ownership	
9.	Utilize and promote all programs that assist with home ownership
New Construction	
10.	Lot availability and development
11.	Strategies to encourage residential lot sales and new home construction
12.	Promote townhouse and twin home development
13.	Coordinate with agencies/nonprofits that develop affordable housing

Findings and Recommendations for the City of Dell Rapids	
Housing Rehabilitation	
14.	Promote rental housing rehabilitation programs
15.	Promote owner-occupied housing rehabilitation programs
Other Housing Initiatives	
16.	Acquire and demolish dilapidated structures
17.	Create a plan and continue coordination among housing agencies
18.	Promote commercial rehabilitation and development
19.	Strategies for Downtown Redevelopment
20.	Develop home ownership and new construction marketing programs
21.	Encourage employer involvement in housing

Dell Rapids - Rental Housing Development Recommendations

Rental Housing Development

Overview

The City of Dell Rapids has been successful in attracting new rental housing construction activity since 2000. Many comparably-sized communities in South Dakota have had very little success in developing new rental units.

From 2000 to 2015, Dell Rapids added approximately 90 rental housing units through new construction. All of the rental units constructed during this 16-year time period were conventional market rate housing. Since the 2016 Dell Rapids Housing Study from 2016 through May 2023, approximately 26 rental units were constructed in Dell Rapids. All of these units were also conventional market rate housing.

Despite the success that the City has had in getting some new rental development, the City's share of all rental new units constructed in the entire Sioux Falls MSA from 2016 to 2022 was approximately 0.2%.

Although there has been rental housing construction in Dell Rapids since 2000, the City still has a below average supply of rental housing units. According to the 2020 Census, 28.3% of all households in Dell Rapids were renters compared to a Statewide rental tenure rate of 33%.

Future demand for new rental housing in Dell Rapids will continue to be generated from three primary factors:

- ▶ Household growth
- ▶ Replacement of lost units
- ▶ Pent-up demand from existing households

Household projections for Dell Rapids expect significant household growth, although most of this growth will result in demand for owner-occupied housing. From 2023 to 2027, it is projected that there will be approximately a 100-household gain in Dell Rapids. Approximately 40% of these households will be rental households, thus, there will be growth-generated demand for approximately 40 additional rental units 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 only one to two rental units per year from 2023 to 2027. As a result, approximately five to 10 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. However, in many cases, the unit replacement will be due to single family rental houses converting back to owner-occupancy.

Pent-up demand also exists. As part of this study, a rental survey was conducted. There were 258 rental units that were contacted and surveyed. The survey found a 0% vacancy rate in general occupancy market rate units and a 0% vacancy rate in subsidized units. There were a number of vacancies in the assisted living units in Orchid Hills, but all of the light services/congregate units were occupied. Based on the low vacancy rates in most rental segments, we have identified pent-up demand for several different types of rental housing in Dell Rapids.

These three demand generators, after factoring current vacancy rates, show a need for 82 to 96 rental units in Dell Rapids over the next five years. Based on the factors stated above, we recommend the development of the following new rental units from 2023 to 2027.

▶ General Occupancy Market Rate	30-34 units
▶ Conversions	8-10 units
▶ Tax Credit/Moderate Rent	20-24 units
▶ Subsidized	8-10 units
▶ Senior Independent/Light Services	<u>16-18 units</u>
Total	82-96 units

The 86 to 100 rental units are projected to be approximately 1% of the total rental units that will potentially be constructed in the Sioux Falls MSA over the next five years.

For 86 to 100 additional rental units to be developed over the next five years, affordable land and infrastructure must be available for multi-family construction. Additionally, the City of Dell Rapids must continue to develop amenities that make Dell Rapids an attractive residential option for households.

1. Develop 30 to 34 general occupancy conventional market rate rental units

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

The entire rental inventory in the City included approximately 475 to 480 total units in 2023. We believe that approximately 384 of these units are best described as market rate rental housing.

Of the 163 market rate rental units we surveyed in 2023, no vacant units were reported. In the survey completed for the 2016 Housing Study, the estimated vacancy rate was less than 1%. A healthy rental market would typically have a vacancy rate of at least 3% to 5% to allow prospective renters some housing choices.

Based on the available information, the rental market in Dell Rapids has had a low vacancy rate for many years. The rental property owners and managers reported high demand for market rate rental housing and high occupancy rates.

There is a fairly wide variation in rental rates in the market rate segment in the City of Dell Rapids. The prevailing gross rent range is \$630 to \$825 for a one-bedroom, \$715 to \$1,575 for a two-bedroom unit and \$1,100 to \$1,875 for a three-bedroom unit.

Since the 2016 Dell Rapids Housing Study, approximately 24 market rate rental units have been constructed.

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 34 to 38 market rate rental units over the next five years from 2023 to 2027.

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

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

It may be advantageous for new units to be constructed in smaller project phases. This strategy allows the new units to be absorbed into the market. The market rate units constructed since 2010 have been townhome-style units and have been constructed in phases.

There continues to be two market rate rental segments in Dell Rapids. 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, thus, there is a wide rent range in the following table reflecting the two segments. To construct the workforce housing and charge affordable rents, land donations, financial assistance, tax increment financing, tax abatement/deferral and other resources may be needed.

There are developers that have been constructing rental units in Dell Rapids and may have an interest in continuing to develop rental housing in the City.

We recommend the development of 30 to 34 rental units over the next five years, with a unit mix and rent levels as follows:

Recommended unit mix, sizes and rents for the Dell Rapids Market Rate Housing Units:

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	5-6	700 - 800	\$750 - \$1,000
Two Bedroom	18-20	900 - 1,050	\$950 - \$1,500
Three Bedroom	7-8	1,100 - 1,250	\$1,400 - \$1,850
Total	30-34		

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2023 dollars.

If possible, it would be advantageous to keep the rent structure at or below the rent limits for the Housing Choice Voucher Program. This would allow renter households to participate in the Housing Voucher Program and expand the number of households that could afford the proposed rents. In 2023, the rent limits that apply to the Voucher Program are:

- ▶ 1 bedroom - \$793
- ▶ 2 bedroom - \$949
- ▶ 3 bedroom - \$1,274
- ▶ 4 bedroom - \$1,616

2. Consider the development of 20 to 24 tax credit/moderate rent housing units

Findings: Federal low income housing tax credits are a financial resource that is available for more affordable rental housing development. Over the past 25 years, a number of the more affordable projects in the Sioux Falls MSA have utilized tax credits. Currently, there are no tax credit rental units in Dell Rapids.

Tax credit rental housing cannot serve all renter households. There are occupancy restrictions concerning household composition. There are also income limits that apply to all tax credit-assisted units. Households earning more than 60% of the HUD median income level, as adjusted by family size, cannot reside in a tax credit unit.

Since nearly all tax credit units have a more moderate gross rent, there is also a lower effective income limit, as households below 30% of the HUD median may not be able to afford the monthly rent. This lower limit can be eliminated if the household has a rent assistance Voucher or some form of project-based rent assistance.

Tax credit assistance has been widely used to construct new rental units in the Sioux Falls MSA. Tax credit units have also been constructed outside Sioux Falls, including projects in Brandon, Harrisburg, Tea, and Hartford.

Many of the renter households currently residing in Dell Rapids are in the moderate to lower income ranges. According to the renter income distribution contained in the American Community Survey, nearly 50% of all renter households in 2022 had an annual income below \$40,000. Although some of these households had a very low income, and could not afford a moderate rent unit without rent assistance, approximately 30% to 35% of all renters have an annual income between \$20,000 and \$40,000. These basic income ranges are typically targeted by tax credit projects.

The growth projections provided earlier expect the City to add as many as 40 renter households over the next five years. Nearly half of these households would potentially be income-qualified for a tax credit unit. However, this growth-generated demand will gradually be added over the five-year period. Additional demand would be generated from existing residents that would look to move into a newly constructed affordable unit.

Recommendation: We recommend the development of 20 to 24 tax credit units in Dell Rapids during the next five years based on the following:

- ▶ The City of Dell Rapids currently has no tax credit units and a high occupancy rate in the subsidized units (Friendship Village).
- ▶ Dell Rapids is projected to add a significant number of new renter households from 2023 to 2027. Past history indicates that many of these will be in a moderate to lower income range.
- ▶ The median income for all renter households in 2021 was \$41,780. Between 30% and 35% of all renter households are within the income ranges from approximately \$20,000 to \$40,000. These households will generally be income-qualified for a moderate rent tax credit unit. Some of these moderate income renter households cannot afford a market rate unit, but also do not qualify to live in a subsidized unit.
- ▶ Approximately 25% of the renter households in Dell Rapids were paying more than 30% of their income for rent. A significant majority of these households are actually paying more than 35% of their income for rent.
- ▶ Currently, there are no very affordable subsidized three-bedroom units and a limited supply of subsidized two-bedroom units in Dell Rapids.
- ▶ Dell Rapids is experiencing industrial and commercial growth and adding employees. Some of these employees have moderate incomes and a tax credit rental project would address their housing needs.
- ▶ In the 2016 Dell Rapids Housing Study, we recommended the construction of 16 to 20 tax credit units. No tax credit units have been constructed since that time.
- ▶ The northern Sioux Falls area is experiencing substantial commercial and industrial growth. This growth is creating jobs and a demand for housing. Dell Rapids is located within commuting distance of this growth and has the opportunity to address some of the demand for housing.

The 20 to 24 tax credit units should be primarily two and three-bedroom units and serve families. It should be noted that if a local developer received financial assistance such as tax increment financing, tax abatement/deferment and land at a reduced price, rental units could potentially be developed with a rent that serves most moderate income households without utilizing tax credits.

The State of South Dakota awards tax credits based on a point system, thus, it would be necessary for the City to work with a developer to successfully develop a competitive tax credit project.

3. Develop 8 to 10 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 Update found one federally subsidized USDA Rural Development rental project in Dell Rapids, with a total of 47 units that offer subsidized housing with rent based on income. The project, Friendship Village has 23 units designated for senior/disabled occupancy and 24 units for general occupancy.

The 47 units include:

- ▶ 40 one-bedroom units
- ▶ 7 two-bedroom units

At the time of the survey, Friendship Village had no vacancies and a 15-name waiting list.

Despite the number of income-based rental housing in the City, the 2021 American Community Survey estimated that approximately 22% of all renters in the City were paying 30% or more of their income for rent. Many of the households with a rent burden had very 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, the high occupancy rates in the existing subsidized projects and the lack of two and three-bedroom units, we recommend that the City expand the supply of deep subsidy rental housing for lower income renters. Over the next five years, we recommend that the City and housing agencies attempt to construct 8 to 10 units that achieve a rent level that would be affordable to very low income households earning less than \$35,000 per year. All of the units should be two and three-bedroom units.

This recommendation represents a modest goal, since substantially more low income households in the City have a cost burden. 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.

4. Promote the development/conversion of 8 to 10 affordable market rate rental units

Findings: The previous recommendation addressed the market potential to develop high quality rental units in Dell Rapids. Unfortunately, these units would tend to be beyond the financial capability of some area renters. Many of Dell Rapids’ renter households have an annual income below \$35,000. These households would need a rental unit at \$875 per month or less.

There is evidence that Dell Rapids 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 Dell Rapids 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, although, competition for tax credits is very difficult.

Recommendation: We continue to encourage the City of Dell Rapids to promote the development/conversion of more affordable rental units. A goal of eight to 10 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. Also, rental units have been constructed in the Odd Fellows Building.

The estimated prevailing rent range for older rental units in Dell Rapids is typically between \$550 and \$850 per month. Creating some additional units with contract rents below \$875 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.

5. Senior housing with a high level of services recommendation

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

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

- ▶ **Orchid Hills - Congregate and Assisted Living** - Orchid Hills has 48 units including 24 congregate units and 24 assisted living units. The congregate units include housekeeping and one daily meal. The assisted living units include three daily meals, housekeeping, laundry, bathing, medication management, etc. At the time of the survey, there were no vacant congregate units and there was a waiting list. However, there were nine vacant assisted living units.
- ▶ **Dells Nursing and Rehab Center** - The Dell Nursing and Rehab Center has 48 skilled nursing beds for long-term care and rehab. This facility has de-licensed a number of beds in recent years and was licensed for 71 beds in 2016. The downsizing is primarily due to staffing issues and not actual demand for this type of specialized care.

Recommendation: It is our opinion that currently, the existing senior with housing projects are adequately addressing the area's demand for senior housing with services that provide a high level of services. However, in the next recommendation we are recommending the development of an independent/light services senior project.

Also, the need for future additional senior housing that provides a high level of services should continue to be monitored.

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

6. Develop 16 to 18 senior independent/light services market rate units

Findings: At the time of the 2020 Census there were approximately 450 households age 65 or older in Dell Rapids and more than 18,000 senior-headed households in Minnehaha County. Also, additional senior households would be expected to move into a senior independent/light services project from locations outside of Minnehaha County.

Currently, there are 24 senior congregate housing units in Orchid Hills. These units are all occupied and there is a waiting list.

Recommendation: We are recommending a 16 to 18 independent/light services market rate senior units in Dell Rapids. The project should be designed to allow seniors to live in a unit independently and for seniors who need minimal services. The senior project could be a one-level apartment building or town home-style.

The project's amenities and features should include:

- ▶ A small community room
- ▶ 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 design)

Apartment features should include:

- ▶ 16 to 18 units
 - ▶ 3 to 4 one-bedroom
 - ▶ 13 to 14 two-bedroom
- ▶ Floor plans that promote accessibility
- ▶ Fully equipped kitchen
- ▶ Large storage area
- ▶ 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 that could be provided by community organizations or agencies could include:

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

Tax increment financing, tax abatement, tax deferments, land donations, low interest loans and/or other subsidies and incentives could be utilized to make the project financially feasible.

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

The location of the project should be close to services as the project will be occupied by seniors. A high amenity location would be ideal for a senior project. If possible, the project should have land available for future project phases.

7. Develop a Mixed-Use Commercial/Housing Project

Findings: New mixed use projects have been developed in several cities comparable to the size of Dell Rapids. Some of these projects were developed because of market demand while others were developed to enhance the commercial district, to introduce a new product to the market or to serve as a catalyst for downtown redevelopment.

A mixed-use rental housing/commercial project could complement the City's ongoing efforts to maintain a vibrant Downtown Business District.

Recommendation: We continue to recommend the development of a mixed-use building in Downtown Dell Rapids. There are several potential sites in Dell Rapids for a mixed-use commercial/housing project. A redevelopment site for a commercial/housing project may become available when a major downtown business relocates.

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

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

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

8. Continue to utilize the Housing Choice Voucher Program

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

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

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

Currently, approximately 25% of Dell Rapids households are paying more than 30% of their income for rent.

The Housing Choice Voucher Program is administered in Dell Rapids by the Sioux Falls Housing and Redevelopment Commission. The Voucher Program currently has a lengthy waiting list.

Recommendation: From a practical standpoint, the Housing Choice Voucher Program is the single best way that Dell Rapids can provide affordable housing for low income households. Although current funding is limited and there is a waiting list, we recommend that low/moderate income renter households that are paying more than 30% of their income for rent be encouraged to apply for a Housing Choice Voucher.

Dell Rapids - Home Ownership Recommendations

Home Ownership Recommendations

Findings: Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base.

The median owner-occupied home value in Dell Rapids based on sales activity in 2022 is estimated to be \$264,700. Although Dell Rapids has a high median sales price of existing homes, approximately 22% of the homes in Dell Rapids are valued under \$150,000. Therefore, Dell Rapids has a limited market for first time home buyers and households seeking moderately priced homes.

Our analysis of Dell Rapids demographic trends shows strong household growth from 2022 to 2027 in the 45 to 64 age ranges, with a gain of approximately 40 households. While most households in these age ranges already own their housing, this group represents a strong potential market for 'trade-up' housing. The number of Dell Rapids households in the 25 to 34 age range is also expected to have strong household gains with an increase of approximately 45 households from 2022 to 2027. Many households have not been able to achieve the goal of home ownership and may need the assistance of special programs to help them purchase their first home and will be seeking affordable homes.

Dell Rapids is also expected to add households from 2022 to 2027 in the 75 and older age range, which is projected to gain approximately 21 households. Households in this age range are often seeking no maintenance housing options, such as twin homes and town homes or senior housing with services options.

Also, Dell Rapids has the opportunity to attract other Sioux Falls MSA households to the City. It is estimated that the Sioux Falls MSA will gain more than 10,000 households from 2022 to 2027.

To assist in promoting the goal of home ownership, the following is recommended.

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

Findings: We believe that affordable home ownership is one of the issues facing Dell Rapids 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, gap financing, low interest loans and home ownership counseling and training programs can help to address affordable housing issues. Dell Rapids has a supply of houses that are price-eligible for these assistance programs. The home value estimates used in this study indicate that some of the existing stock currently is valued under the purchase price limits for the first-time home buyer assistance programs.

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

Recommendation: We recommend that the City of Dell Rapids, the Dell Rapids Economic Development Corporation and local financial institutions should continue to work with regional housing agencies and the South Dakota Housing Development Authority to utilize all available home ownership assistance programs. Private and nonprofit agencies should also be encouraged to provide home ownership opportunities.

Funding sources for home ownership programs may include the South Eastern Development Foundation, Inter-Lakes Community Action Partnership, USDA Rural Development, the South Dakota Housing Development Authority, and the Federal Home Loan Bank.

Dell Rapids - New Housing Construction

New Housing Construction

Findings: The City of Dell Rapids has experienced significant single family owner-occupied housing construction. Based on City of Dell Rapids and U.S. Census data, from 2000 to 2015, approximately 255 owner-occupied units were constructed in the City of Dell Rapids, which is an average of approximately 16 housing units per year. Since the 2016 Dell Rapids Housing Study from 2016 to 2022, approximately 90 owner-occupied units were constructed, which is an average of 13 units annually. In 2018 and 2021, 17 homes were constructed each year. From January through May of 2023, permits had been issued for six single family houses.

The attractiveness of the area, the City's proximity to Sioux Falls and the substantial housing development that has been ongoing for the past several decades, should result in the continued construction of new homes annually. However, attractive residential lot options must continue to be available for new home construction to continue.

Overall household projections for Dell Rapids indicate good demand for owner-occupied housing construction. Dell Rapids is projected to gain approximately 40 households in the 45 to 64 age ranges from 2022 to 2027. Households in these age ranges tend to be predominantly home owners, and form a market for higher priced, trade-up housing and low maintenance housing such as town homes and twin homes. The 25 to 34 year old range is expected to gain 45 households from 2022 to 2027. Many of the households in this age range are first-time home buyers.

Based on past construction patterns, the Sioux Falls MSA has been constructing more than 1,600 owner-occupancy houses per year. Dell Rapids only needs to capture a small percentage of this annual regional housing construction to experience significant household growth.

It is our opinion that if the City, the Development Corporation, developers, builders and all stakeholders are proactive, 18 to 22 owner-occupancy housing units could be constructed in Dell Rapids annually over the next five years, from 2023 to 2027. This is a 5-year total of 90 to 110 owner-occupancy units. Our projection for single family housing includes homes built in new subdivisions and on infill lots, and includes single family attached owner-occupied housing units, such as twin homes and town houses.

The breakdown of our projection of 18 to 22 new owner-occupied housing units annually over the next five years is as follows:

Demand Projection for Annual Owner-Occupancy Housing Construction		
Unit Type	Approximate Price Range	Projected Annual Demand Projection
Single Family Projected Demand		
Affordable	Less than \$340,000	4 to 5 units
Mid-Priced	\$340,000- \$475,000	5 to 6 units
Higher-Valued	\$475,000+	9 to 11 units

Source: Community Partners Research, Inc.

We have defined **affordable homes** as single family units that would typically sell for less than \$340,000. While many people may view this as a high price for affordable housing, it is increasingly difficult to construct new houses at a lower cost. Houses within this price range often appeal to younger buyers, first-time buyers, or those households trading-up from an older, lower valued house or mobile home. To achieve a price under \$340,000, assistance may be needed such as land at a reduced price, tax increment financing, tax deferments, tax abatement, etc. Also, financial assistance may be needed from state agencies.

Additionally, affordable homes may be constructed by organizations like Habitat for Humanity or Inter-Lakes Community Action Partnership. This housing often serves a segment of the market that could not otherwise access newly constructed units. Also, affordable homes could include governors homes, modular homes and twinhomes/townhomes.

We have defined **mid-priced homes** within a price range of \$340,000 to \$475,000. This price can generally be achieved by private housing developers. Dell Rapids has traditionally had active construction activity occurring within this price range. The higher end of the price range represents a portion of the trade-up housing market.

We have defined **higher-valued homes** as those priced at \$475,000 and above. Once again, the private housing market has been successful at serving this segment of the market in the Dell Rapids area. This should continue to be a strong market segment going forward. Many households purchasing a high valued home will be selling an existing home and have an equity position that can be used to purchase or build a home in this price range.

Over the past five years, Dell Rapids' market share of the new single family construction has been approximately 0.5% to 0.6% of the MSA total. To achieve the recommendation above, the City would need to capture between 1% and 1.2% of all projected single family housing construction in the Sioux Falls MSA.

10. Lot availability and development

Findings: As part of this Update, we attempted to identify the inventory of available residential lots for single family housing construction in the City of Dell Rapids. Lots are considered available if they currently have infrastructure including water, sewer and streets or if infrastructure can be installed within one construction season. Currently, there are approximately 25 lots available in the Spruce Glen Subdivision.

There are also miscellaneous infill lots scattered around the city that we did not attempt to count. We do not know the availability of some of these infill lots. Also, a few additional dilapidated houses may be acquired and demolished over the next five years. Some of the cleared lots may be sites for new construction.

There also is a 40-acre parcel in Dell Rapids that is currently under development. A total of approximately 100 to 110 residential lots could be developed in phases.

Recommendation: With projections that 18 to 22 new owner-occupied housing units will be constructed per year, the City should have approximately 90 to 110 residential lots available to meet the expected demand over the five-year projection period. There should also be lots developed for at least two years beyond the projection period to maintain new housing construction momentum. Therefore, if the projected number of owner-occupied housing units are constructed, 126 to 154 lots should be available over the next five years. Part of this demand would be for attached unit construction.

With approximately 25 available lots, plus possible infill lots in older neighborhoods, the City does not have an adequate supply for expected demand. Therefore, it is our recommendation that an additional 91 to 119 lots be planned for development in the City of Dell Rapids over the next five years. The development of these lots should be based on the actual lot absorption that occurs. The lots could be in one or more subdivisions, and should include the following:

- ▶ The subdivision (s) should have adequate land available, if possible, for future phases of lot development, based on demand.
- ▶ The subdivision (s) must be as aesthetically acceptable as possible and include high quality amenities. Part of Dell Rapids' past success with new single family construction has been based on the attractiveness of the lots.
- ▶ The subdivision(s) should have covenants that assure high quality development. However, the covenants should not be so restrictive that they eliminate the target market's ability to construct a home.
- ▶ The subdivision(s) should accommodate a variety of home designs and home prices.
- ▶ Major employers should be involved in promoting and publicizing the subdivisions.
- ▶ To be successful, the lots must be available to households with as wide an income range as possible.
- ▶ Successful subdivisions will need the cooperation of developers, financial institutions, employers, the Dell Rapids Economic Development Corporation and the City of Dell Rapids. Financial assistance such as tax increment financing or tax abatement may be necessary to make the development of lots feasible. Funding may also be needed from SDHDA and the Governors Office of Economic Development.
- ▶ Some lots should be developed that expand the market by providing an attractive, affordable product.
- ▶ The development process should be as user-friendly and streamlined as possible.
- ▶ A cluster of lots should be available for twin home/town home development.
- ▶ The City of Dell Rapids should continue to be perceived as a desirable City to live in and must be competitive with other cities. Local government, schools, parks, health services, retail stores, employers, etc. all have a role in making Dell Rapids a desirable residential community.

11. Strategies to encourage continued residential lot sales and new home construction in Dell Rapids

Findings: Over the past seven years from 2016 to 2022, Dell Rapids has averaged 13 new single family housing units annually. To continue new single family housing construction at its current rate and to potentially increase new construction, we recommend several strategies.

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

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

- ▶ ***Continue the momentum*** - There are a substantial number of housing units constructed annually in the City. There is currently an adequate number of developers, builders, and buildable lots in the City. The City has a working formula for new home construction and the City should maintain its momentum.
- ▶ ***Continue competitive pricing*** - There are lots available in communities throughout the region. To continue to attract new home construction in Vermillion, lots should remain competitively priced in comparison to other options in the area.
- ▶ ***User-Friendly*** - The lot purchase and home building process must be 'user friendly.' This includes the construction of spec homes, builders that are readily available to build custom homes and city regulations that are fair and reasonable. The entire process must be as 'user friendly' as possible to encourage home construction.
- ▶ ***Long-term planning*** - The City of Dell Rapids, the Dell Rapids Economic Development Corporation and developers should continue long-term development planning to assure lots are available on an ongoing basis to meet demand for all types and pricing of new housing.
- ▶ ***Promote spec home construction*** - Spec houses attract a buyer that is not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy.

- ▶ ***Lot availability for twin home/townhome and villa development*** - It is our opinion that there will be a demand for twin homes/townhomes over the next five years. Lots should continue to be available for a twin home/townhome development.
- ▶ ***Range of house prices*** - Lots should be available to as wide a range of home sizes and prices as possible, without compromising the subdivisions. This broadens the lot buyer market. Also, smaller infill lots with fewer amenities could be marketed for affordable homes.
- ▶ ***Marketing*** - The City of Dell Rapids, the Dell Rapids Economic Development Corporation and developers, will need to continue a comprehensive marketing strategy to sell available lots. All stakeholders including developers, realtors, financial institutions, builders, employers, etc. should to be included in marketing strategies. In addition to marketing the lots, the City of Dell Rapids and its amenities should be marketed.
- ▶ ***Consider developing an exclusive builder(s) relationship*** - Several lots could be sold to a builder or builders. Momentum can be created when a builder has access to several lots. This allows for marketing opportunities and efficiencies in the home building process. The subdivision owners, however, should assure that the builder is obligated to construct a minimum number of homes within a defined time period. Builders are more willing to enter a market when the lots are attractive and very affordable. Several lots available to an exclusive builder or developer should be explored, even if price concessions are required.
- ▶ ***Covenants*** - Subdivisions often have covenants that assure quality development. The covenants should be reviewed to assure that they protect the integrity of the subdivision, but are not a barrier to new construction.
- ▶ ***Lot Availability for affordable homes*** - Lots should be available for affordable homes including modular homes and governor's homes.
- ▶ ***Incentives*** - Many cities throughout South Dakota are offering incentives to construct new homes, including reduced lot prices, reduced water and sewer hookup fees, tax abatements, cash incentives, etc. It does not appear that incentives are needed in Dell Rapids to promote new construction at this time. However, incentives may be needed if new construction slows in the future.

- ▶ ***Publically-owned subdivision*** - Private developers often have limited incentive to develop lower-priced lots and houses. A possible approach is to develop a publically-owned subdivision, which could offer lower-priced lots for affordable homes.
- ▶ ***Infill lot Home Development*** - Infill lots in existing neighborhoods are often affordable and have existing City services.
- ▶ ***Housing Programs*** - The South Dakota Housing Development Authority, USDA Rural Development and other housing agencies may have housing programs available to assist developers, builders and home buyers. Also, SDHDA and the Governors Office of Economic Development may have funds available for subdivision development in the future.
- ▶ ***Manufactured, Modular Homes and Governors Homes*** - Manufactured, modular and governor's homes can provide affordable opportunities for moderate income households.

12. Promote town house and twin home development

Findings: Dell Rapids has had a limited number of twin homes constructed since 2010. Two twin homes (four units) were constructed from 2010 to 2022 but we do not know if these units are for owner or renter-occupancy. Many communities over the past decade have seen attached housing take an increasingly large share of new construction. In cities the size of Dell Rapids, 20% to 25% of the housing starts are typically twin homes/townhomes.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making traditional single family homes available for families. It is estimated in 2022 there were approximately 653 households in the 55 and older age ranges in Dell Rapids. It is important for the City to offer a range of life-cycle housing options as many of these households will be seeking to downsize into low maintenance housing options.

Recommendation: It is our projection that approximately four to five of Dell Rapids's new owner single family units per year should be twin homes or town houses over the next five years, which is a total of 20 to 25 units during the five-year period. This is approximately 22% to 23% of the annual projected single family housing construction total in Dell Rapids.

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

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

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

13. Coordinate with agencies/nonprofits that develop affordable housing

Findings: With the difficulty of producing new housing units that are affordable to lower income people, it is important to take advantage of opportunities presented by housing agencies, nonprofit groups and organizations. Inter-Lakes Community Action Partnership has a Mutual Self Help Program. Households who participate in this program assist each other with constructing affordable new homes. Also, Sioux Falls Habitat for Humanity is willing will work with a Dell Rapids group to construct homes in Dell Rapids. Other local and regional housing agencies and nonprofits may also have the capacity to construct affordable housing in Dell Rapids. These sources can help generate new homes for lower income families in Dell Rapids.

Recommendation: We continue to recommend that the City coordinate with housing agencies, nonprofit organizations and private developers to help produce housing units for moderate income home ownership. The City may be able to contribute to the project through land donations, tax increment financing, grant writing, or project coordination activities.

Dell Rapids - Housing Rehabilitation

Housing Rehabilitation

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

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

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

14. Promote rental housing rehabilitation programs

Findings: The City of Dell Rapids has approximately 480 rental units in 2023. These rental units are in multi-family projects, small rental buildings, duplexes, single family homes, mixed-use buildings and mobile homes. Some of these rental structures could benefit from rehabilitation as approximately 53% of the rental structures are more than 40 years old and some rental units are in poor condition.

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

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

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

15. Promote owner-occupied housing rehabilitation programs

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

Approximately 50% of the owner-occupied single family homes in Dell Rapids are more than 40 years old. Without rehabilitation assistance, there is the potential that the affordable housing stock will shrink in Dell Rapids.

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

Recommendation: We recommend that Dell Rapids and area housing agencies continue to 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 and Grow South Dakota are potential funding sources. Dell Rapids should coordinate with the Inter-Lake's Community Action Partnership to assure Dell Rapids households have access to housing rehabilitation funds.

Dell Rapids - Other Housing Initiatives

Other Housing Initiatives

16. Acquire and demolish dilapidated structures

Findings: The City of Dell Rapids has a limited number of homes that are dilapidated and too dilapidated to rehabilitate. To improve the quality of the housing stock and to maintain the appearance of the City, dilapidated structures should be demolished, when feasible.

Recommendation: We recommend that Dell Rapids continue to demolish severely dilapidated structures. The City is enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots can possibly be utilized for the construction of new affordable housing units.

Additionally, Dell Rapids and the Dell Rapids Economic Development Corporation should work with Minnehaha County to acquire and demolish any tax forfeited properties that may exist in Dell Rapids that are dilapidated and beyond repair.

17. Create a plan and continue coordination among housing agencies

Findings: The City of Dell Rapids needs staff resources to plan and implement many of the housing recommendations advanced in this Study. Dell Rapids has access to Inter-Lakes Community Action Partnership, the Sioux Metro Growth Alliance, the South Eastern Council of Governments, the Sioux Falls Habitat for Humanity, the South Eastern Development Foundation, the Sioux Falls Housing and Redevelopment Commission, USDA Rural Development and the South Dakota Housing Development Authority. These agencies all have experience with housing and community development programs.

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

It will also be important for the City to look for opportunities to work cooperatively with other area cities to address housing issues. With limited staff capacity, cooperative efforts may be the only way to accomplish certain projects. Cooperative efforts will not only make housing projects more practical, but they will often be more cost-effective and competitive.

18. Promote Commercial Rehabilitation and Development

Findings: The City of Dell Rapids has a strong and vibrant commercial district. The existing commercial buildings are generally in good condition. Several commercial buildings have architectural significance and some buildings have been renovated. However, there are also some substandard and vacant commercial buildings in Dell Rapids.

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 continue to recommend that the City of Dell Rapids and the Dell Rapids Economic Development Corporation work with commercial property and business owners to rehabilitate and/or expand their buildings and businesses. Also, new businesses should continue to be encouraged to locate in Dell Rapids.

The City of Dell Rapids and the Dell Rapids Economic Development Corporation should seek funding to assist property owners with rehabilitating their commercial buildings. In the recommendation that follows we have discussed strategies that can be used for downtown redevelopment.

19. Strategies for Downtown Redevelopment

Findings: Based on our research and interviews, we continue to make the following observations:

- ▶ Downtown Dell Rapids has buildings that have been renovated and have high quality housing and/or commercial space. There are also buildings that have not been maintained and are substandard or dilapidated.
- ▶ There is a market for downtown housing units.

- ▶ Some of the downtown buildings have unique architecture and/or were constructed with local quarry rock.
- ▶ A business relocation may make a large parcel of land available for redevelopment.
- ▶ There are upper floor renovation/conversion opportunities downtown.
- ▶ Downtown Dell Rapids has the potential to be a recreational/tourist destination for the Region.

Recommendation: We continue to recommend the following actions for Downtown Dell Rapids:

- ▶ Interview downtown property owners to develop a database and to determine their future plans (expanding, selling, renovations, etc.)
- ▶ Develop an overall plan for the downtown (potential new business, address parking needs, develop an overall theme, etc.)
- ▶ Develop a mini-plan for each downtown property and each downtown block. This may include:
 - ▶ Commercial building rehab and renovations
 - ▶ Facade work
 - ▶ Upper floor rental unit conversions or rehab
 - ▶ Building demolition
 - ▶ New construction
 - ▶ Recruitment of new businesses
- ▶ Identify funding source
 - ▶ Property owner funds
 - ▶ City funds
 - ▶ Federal Home Loan Bank
 - ▶ Historic tax credits
 - ▶ Special tax districts
 - ▶ Tax increment financing
 - ▶ Tax abatement

- ▶ Work with stakeholders to identify roles, secure funding, develop and implement programs and projects
 - ▶ Property owners
 - ▶ City of Dell Rapids
 - ▶ Dell Rapids Economic Development Corporation
 - ▶ Chamber of Commerce
 - ▶ South Eastern Council of Governments

20. Develop and promote home ownership and new construction programs

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

Recommendation: The City of Dell Rapids and the Dell Rapids Economic Development Corporation have been active in promoting and marketing housing and we recommend the initiation or continuation of the following:

- ▶ Determine the City’s strengths and competitive advantages and heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including social media, TV, radio, etc.)
- ▶ Work closely with employers (Dell Rapids and the Sioux Falls MSA) to provide employees (especially new employees) with housing opportunities in Dell Rapids
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, gap financing, home owner education and home owner counseling programs
- ▶ Continue to work with builders to make lot development and the construction of new homes as user-friendly as possible
- ▶ Continue to work on the creation of jobs and the development of retail, service, medical and recreational opportunities that can make the City a “full service” community
- ▶ Continue to provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges

- ▶ Preserve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Continue to develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior housing, etc.
- ▶ Review the City's policies and fees to assure that they are user-friendly, fair and receptive for developers, builders and households
- ▶ Develop a coordinated housing plan with the private sector and area housing agencies

21. Encourage employer involvement in housing

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

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

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

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

Additionally, employers can continue to support other city projects, such as parks, trails, ball fields, educational facilities, etc., that have a positive impact on housing in Dell Rapids.

Housing Agencies and Resources

The following local 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

Sioux Metro Growth Alliance

196 E. 6th St., Suite 200
Sioux Falls, SD 57104
(605) 679-7149

Habitat for Humanity Greater Sioux Falls

721 East Amidon Street
Sioux Falls, SD 57117
(605) 332-5962

Sioux Falls Housing and Redevelopment Commission

630 South Minnesota Avenue
Sioux Falls, SD 57104
(605) 332-0704

South Dakota Housing Development Authority

P.O. Box 1237
3060 E. Elizabeth Street
Pierre, SD 57501
(605) 773-3181