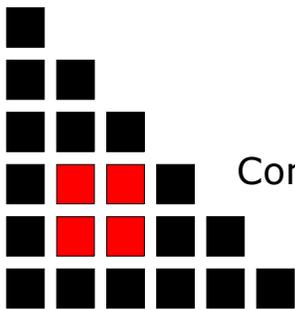


City of Hot Springs HOUSING STUDY

November 2016 Draft

An analysis of the overall housing needs
of the City of Hot Springs



Community Partners Research, Inc.

Faribault, MN 55021

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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 City of Hot Springs and Fall River County are privately owned and were constructed with private funds. On an increasing scale, however, the public is demanding that public officials control what happens in this largely private housing market by eliminating blight, protecting individual investments, and generating new housing growth to meet economic development needs.

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

Goals

The multiple goals of the study include:

- ▶ Provide updated demographic data
- ▶ 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 June to October, 2016. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Esri, a private data company
- Records and data from the City of Hot Springs
- Records and data maintained by Fall River County
- South Dakota State Data Center
- Interviews with City officials, community leaders, housing stakeholders, etc.
- Area housing agencies
- State and Federal housing agencies
- Rental property owner survey
- Housing and mobile home condition surveys

Limitations

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

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Demographic Data Overview

Sources of Data

The following pages contain demographic data obtained from a variety of local, state and national sources for the City of Hot Springs and Fall River County. For some demographic variables, the 2010 Census represents the most reliable information. However, the 2010 Census was more limited in scope than in the past, and some data, such as income and housing cost information, were not available.

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

The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For most jurisdictions in South Dakota, the 2014 estimates were derived from sampling that was done over a five-year period, between 2010 and 2014. Unless otherwise noted, the American Community Survey estimates are based on the five-year survey data.

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

Population Data and Trends

Table 1 Population Trends - 1990 to 2015						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2015 Estimate Esri
Hot Springs	4,325	4,129	-4.5%	3,711	-10.1%	3,731
Fall River Co.	7,353	7,453	1.4%	7,094	-4.8%	7,058

Source: U.S. Census Bureau; Esri

- ▶ Esri, a private data reporting service, has released 2015 population estimates. The estimate for the City of Hot Springs is 3,731, an increase of 20 people from 2010 to 2015.
- ▶ The Census Bureau has also released population estimates. The most recent estimate for Hot Springs is effective July 1, 2015, and contradicts ESRI’s population estimate. The Census estimate shows the City’s population at 3,532, a loss of 179 people from 2010 to 2015.
- ▶ According to the 2010 U.S. Census, Hot Springs’s population was 3,711 people in 2010. When compared to the 2000 Census, the City had a population loss of 418 people from 2000 to 2010. The 418-person loss from 2000 was a population decrease of 10.1%.
- ▶ Esri’s 2015 estimate for Fall River County is 7,058, a loss of 36 people since 2010.
- ▶ The Census Bureau’s 2015 estimate for Fall River County is 6,867 and shows the County down 227 people after the 2010 Census.
- ▶ Fall River County’s population was 7,094 in 2010. This was a decrease of 359 people from 2000, for a population loss of 4.8%.
- ▶ Hot Springs’s population decreased by 196 people from 1990 to 2000. Despite the reduced population in Hot Springs, Fall River County added 100 people between 1990 and 2000.

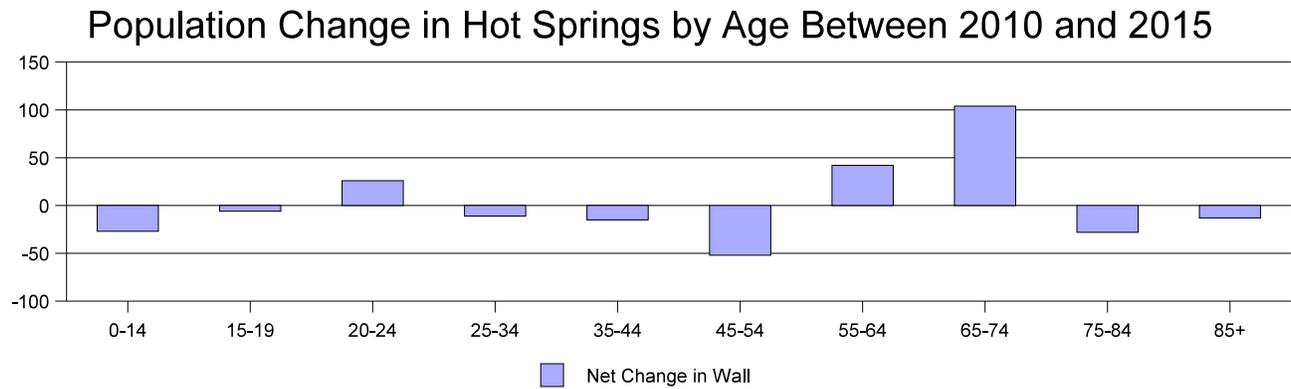
- ▶ Hot Springs's population is primarily White and non-Hispanic/Latino. At the time of the 2010 Census, 85.4% of the City's residents were White, 9.3% were American Indian, 1.1% were Black/African American and 0.5% were Asian. Additionally, 3.5% of the population identified themselves as "two or more races" and 0.2% identified themselves as "some other" race. Approximately 2.1% of the City's residents were identified as Hispanic/Latino in 2010.
- ▶ Based on the 2010 U.S. Census, 195 people in Hot Springs and 235 people in Fall River County lived in group quarters housing. In Hot Springs, more than 74% of the group quarters residents were living in skilled nursing facilities.
- ▶ The number of people living in group quarters housing in Hot Springs has decreased over time. In the year 2000, there were 455 group quarters residents counted in the City, compared to 235 in 2010. This decrease of 220 people may have represented much of the citywide population loss that occurred during the decade. However, it is also possible that some people remained in the community, but moved from institutionalized housing into more traditional housing that was no longer considered to be group quarters.

Population by Age Trends: 2010 to 2015

Esri has produced population by age estimates for 2015 which can be compared to the 2010 Census to track the changing age patterns for Hot Springs and Fall River County.

Table 2 Population by Age - 2010 to 2015						
Age	Hot Springs			Fall River County		
	2010	2015	Change	2010	2015	Change
0-14	578	551	-27	1,085	1,017	-68
15-19	193	187	-6	381	353	-28
20-24	144	170	26	251	264	13
25-34	343	332	-11	601	574	-27
35-44	352	337	-15	661	644	-17
45-54	576	524	-52	1,132	1,008	-124
55-64	645	687	42	1,345	1,392	47
65-74	396	500	104	873	1,050	177
75-84	307	279	-28	523	504	-19
85+	177	164	-13	242	252	10
Total	3,711	3,731	20	7,094	7,058	-36

Source: U.S. Census



For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been evident in Hot Springs and Fall River County from 2010 to 2015. Between 2010 and 2015, Fall River County had a gain of 224 people in the age ranges between 55 and 74 years old. In 2015, nearly all of the baby boomers were within these age ranges. The County also had a gain of 13 people in the 20 to 24 age range and a gain of 10 people in the 65 and older age ranges.

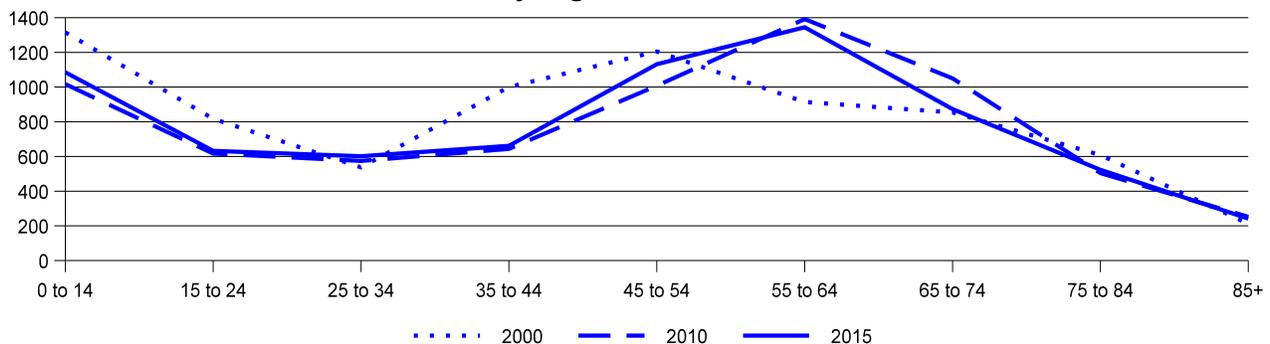
Fall River County had a loss of 96 people in the 0 to 19 age ranges, a loss of 168 people in the 25 to 54 age range and a loss of 19 people in the 85 and older age range.

Hot Springs had a gain of 146 people in the 55 to 74 age ranges and a gain of 26 people in the 20 to 24 age ranges.

Hot Springs experienced a population loss of 33 people in the 0 to 19 age ranges, a loss of 78 people in the 25 to 54 age ranges and a loss of 41 people in the 75 and older age ranges.

The aging trends present in Fall River County can be traced back over the previous decades to see the movement of the baby boom generation.

Fall River County Age Distribution: 2000 to 2015



Population Projections

The following table presents population projections using two different sources. The first set of projections has been created by Esri, and span the five-year period from 2015 to 2020. The South Dakota State Data Center has issued a Fall River County population projection for the year 2020.

Table 3 Population Projections Through 2020				
	2010 Census	2015 Esri Estimate	2020 Esri Estimate	2020 Projection State Data Center
Hot Springs	3,711	3,731	3,777	N/A
Fall River Co.	7,094	7,058	7,084	7,394

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

- ▶ Esri projects a population gain of 46 people in Hot Springs from 2015 to 2020.
- ▶ Esri’s population projection for Fall River County forecasts a gain of 26 people from 2015 to 2020.
- ▶ The State Data Center projects that Fall River County’s population will be much larger, with 7,394 people by 2020. When compared to the County’s population in 2010, this projection assumes a gain of 300 people during the current decade.
- ▶ Esri’s Fall River County projection of 7,084 people in 2020 is more than 300 people below the State Data Center’s projection for 2020. Esri’s forecast does not expect any growth Countywide during the current decade.

Household Data and Trends

Table 4 Household Trends - 1990 to 2015						
	1990 Households	2000 Households	% Change 1990-2000	2010 Households	% Change 2000-2010	2015 Esri Estimate
Hot Springs	1,656	1,704	2.9%	1,730	1.5%	1,767
Fall River Co.	2,864	3,127	9.2%	3,272	4.6%	3,296

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

- ▶ Esri estimates that Hot Springs has gained 37 households from 2010 to 2015.
- ▶ According to the U.S. Census, Hot Springs also gained households from 2000 to 2010. Hot Springs had 1,730 households in 2010, an increase of 26 households from 2000, for a household gain of 1.5%.
- ▶ Esri estimates that Fall River County has gained 24 households from 2010 to 2015.
- ▶ Fall River County had 3,272 households in 2010. This was an increase of 145 households from 2000, or a household gain of 4.6%.
- ▶ Hot Springs had a gain of 48 households and Fall River County had a gain of 263 households during the 1990s.

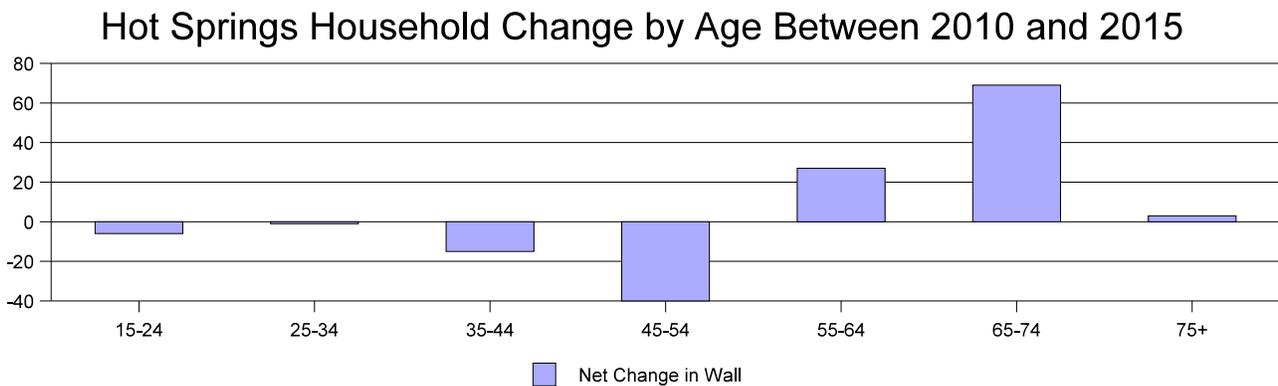
Household by Age Trends: 2010 to 2015

Esri has also produced household estimates for 2015 by age of householder which can be compared to the 2010 Census to track the changing age patterns for Hot Springs and Fall River County.

Table 5 Households by Age - 2010 to 2015						
Age	Hot Springs			Fall River County		
	2010	2015	Change	2010	2015	Change
15-24	52	46	-6	77	68	-9
25-34	166	165	-1	281	278	-3
35-44	173	158	-15	326	292	-34
45-54	323	283	-40	628	542	-86
55-64	413	440	27	818	844	26
65-74	271	340	69	596	714	118
75+	332	335	3	546	558	12
Total	1,730	1,767	37	3,272	3,296	24

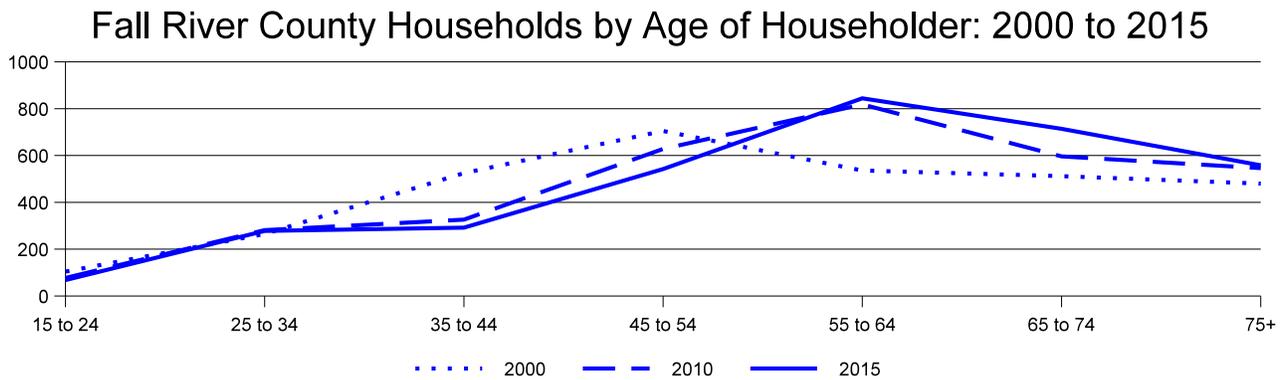
Source: U.S. Census; Esri; Community Partners Research, Inc.

From 2010 to 2015, the major household gains in Hot Springs and Fall River County were in the 'baby boom' age ranges. Hot Springs added 96 households in the 55 to 74 age ranges. Hot Springs also added three households in the 75 and older age range.



Although Hot Springs had an increase of nearly 100 households age 55 and older since 2010, the City had a decrease of 62 households in the 54 and younger age ranges.

Fall River County experienced a gain of 144 households in the 55 to 74 age ranges and a gain of 12 households in the 75 and older age ranges. Fall River County had a loss of 132 households in the 54 and younger age ranges.



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

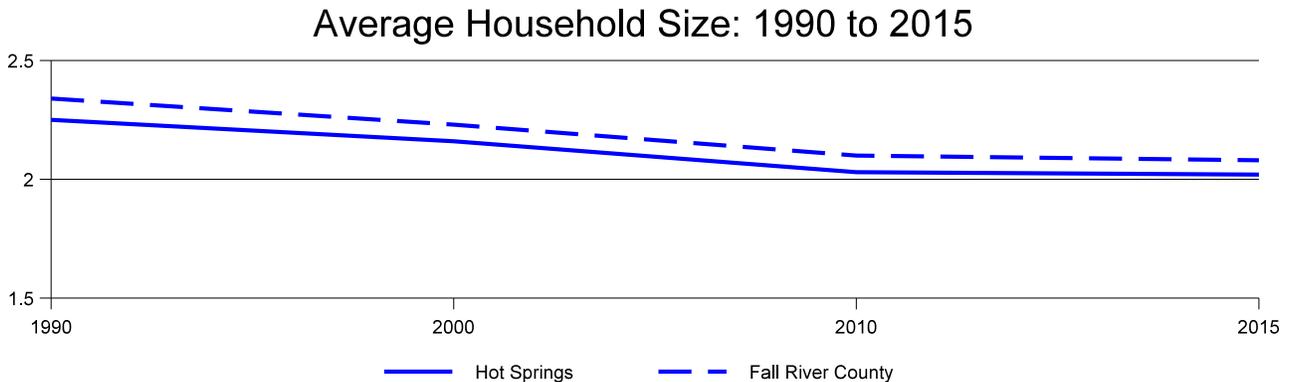
Average Household Size

The following table provides decennial Census information on average household size. The 2015 estimates from Esri are also provided.

Table 6 Average Number of Persons Per Household: 1990 to 2015				
	1990 Census	2000 Census	2010 Census	2015 Esri Estimate
Hot Springs	2.25	2.16	2.03	2.02
Fall River County	2.34	2.23	2.10	2.08
South Dakota	2.59	2.50	2.42	N/A

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

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



In Hot Springs, the average household size decreased from 2.25 persons per household in 1990 to 2.02 in 2015. In 2010, Hot Springs’s average household size was significantly below the Statewide average.

Fall River County’s average household size decreased from 2.34 in 1990 to 2.08 in 2015. Fall River County’s average household size was also significantly below the Statewide average in 2010.

Household Projections

The following table presents Esri’s 2015 household estimates and 2020 household projections for Hot Springs and Fall River County.

Table 7 Household Projections Through 2020			
	2010 Census	2015 Estimate Esri	2020 Projection Esri
Hot Springs	1,730	1,767	1,807
Fall River County	3,272	3,296	3,339

Source: U.S. Census; Esri

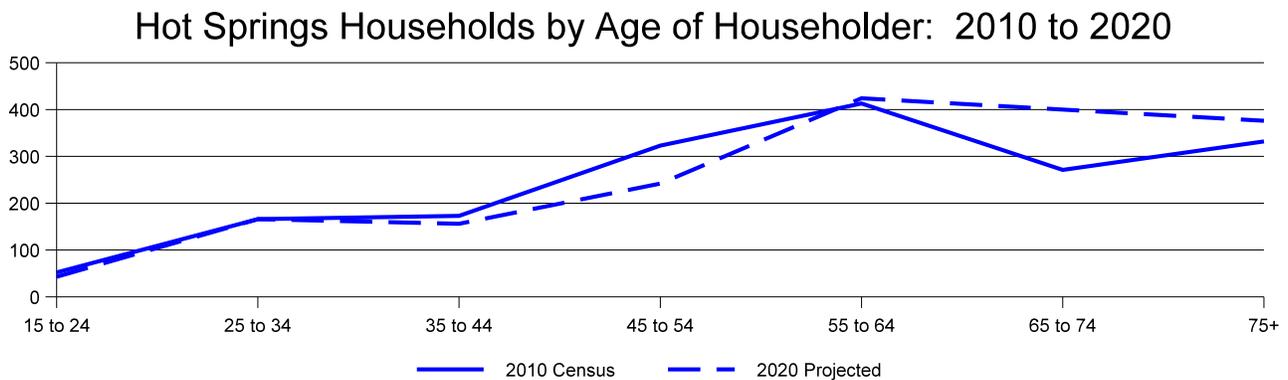
- ▶ The growth projections calculated by Esri expect household growth in Hot Springs and Fall River County from 2010 to 2020.
- ▶ Esri estimates that Hot Springs has added 37 households from 2010 to 2015 and projects that the City will add 40 households from 2015 to 2020.
- ▶ Esri estimates that Fall River County has added 24 households from 2010 to 2015. Esri projects that Fall River County will add an additional 43 households from 2015 to 2020.

Hot Springs Household by Age Projections: 2010 to 2020

Esri has released population by age projections to the year 2020. The following table presents Esri's 2020 household by age projections for Hot Springs, and the household changes from 2010 to 2020.

Table 8 Hot Springs Projected Households by Age - 2010 to 2020			
Age Range	2010 Census	Esri	
		2020 Projection	Change from 2010
15-24	52	43	-9
25-34	166	166	0
35-44	173	156	-17
45-54	323	242	-81
55-64	413	424	11
65-74	271	400	129
75+	332	376	44
Total	1,730	1,807	77

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



Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate most of the City’s growth in households in the age ranges between 55 and 74 years old. These projections expect an increase of 140 households in Hot Springs from 2010 to 2020 in the 20-year age group between 55 and 74 years old. Growth of 44 households is also expected in the 75 and older age ranges.

Esri projects that Hot Springs will lose nine households in the 15 to 24 age range and 98 households in the 35 to 54 age ranges.

No change is projected from 2010 to 2020 in the number of households in the 25 to 34 age range.

Households by Type

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

Table 9 Hot Springs Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	243	192	-51
Single Parent with own children	158	121	-37
Married Couple without own children	473	472	-1
Family Householder without spouse	89	125	36
Total Families	963	910	-53
Non-Family Households			
Single Person	678	742	64
Two or more persons	63	78	15
Total Non-Families	741	820	79

Source: U.S. Census

Between 2000 and 2010, Hot Springs experienced an overall decrease of 53 “family” households. The City had a decrease of 51 married couple families with children, a loss of one married couple without children household and a loss of 37 single parent with children households. The number of family householder without spouse households increased by 36 households in Hot Springs from 2000 to 2010.

The City of Hot Springs had an increase of 79 “non-family” households. There was an increase of 64 one-person households and a gain of 15 households that had two or more unrelated individuals living together.

Housing Tenure

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

Table 10 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Hot Springs	1,031	59.6%	699	40.4%
Fall River Co.	2,273	69.5%	999	30.5%
State	-	68.1%	-	31.9%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in Hot Springs was 59.6% and Fall River County’s ownership rate was 69.5%. Hot Springs’s rental tenure rate of 40.4% was significantly above the Statewide rate of 31.9% renter households.

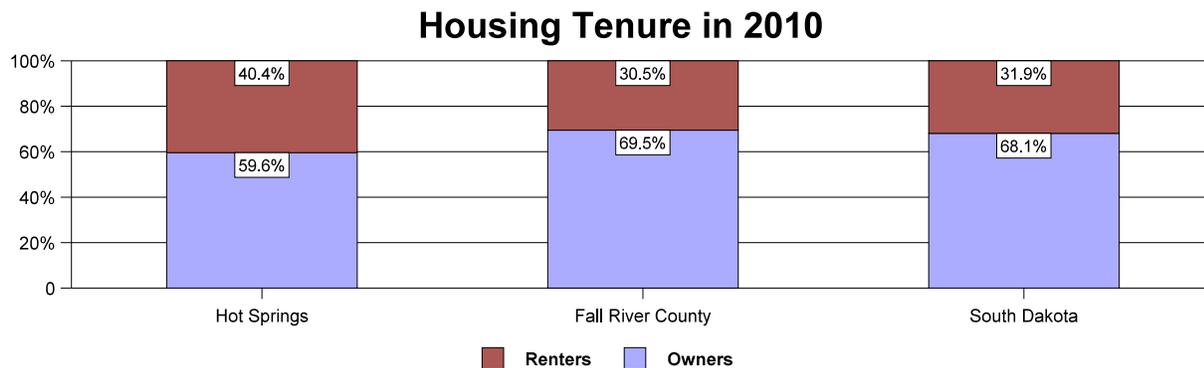


Table 11 Households by Housing Tenure - 2000 to 2010						
Tenure	Hot Springs			Fall River County		
	2000	2010	Change	2000	2010	Change
Owners	1,016/59.6%	1,031/59.6%	15	2,179/69.7%	2,273/69.5%	94
Renters	688/40.4%	699/40.4%	11	948/30.3%	999/30.5%	51
Total	1,704	1,730	26	3,127	3,272	145

Source: U.S. Census

The City of Hot Springs’s ownership tenure rate of 59.6% did not change from 2000 to 2010. Fall River County’s ownership tenure rate decreased slightly from 69.7% in 2000 to 69.5% in 2010.

Tenure by Age of Householder

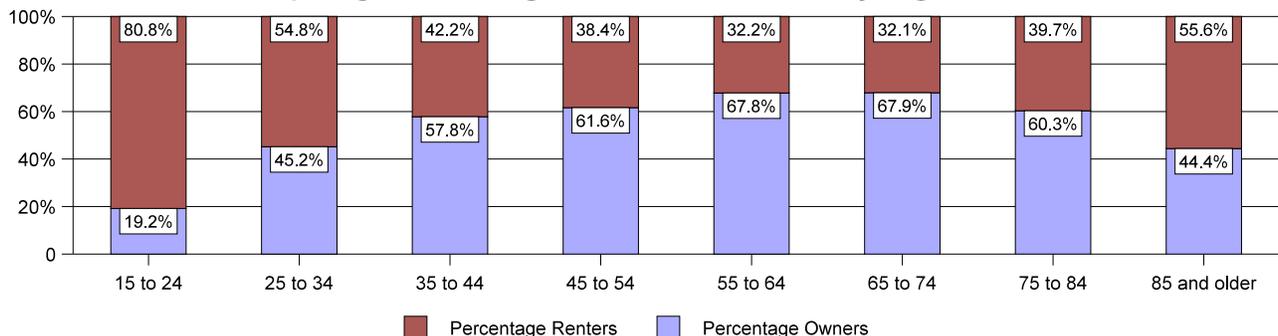
The 2010 Census provided information on the tenure distribution of Hot Springs households within each defined age range. The following table examines the number and percentage of renters and owners in each age group in Hot Springs.

Table 12 Hot Springs Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	10	19.2%	42	80.8%
25-34	75	45.2%	91	54.8%
35-44	100	57.8%	73	42.2%
45-54	199	61.6%	124	38.4%
55-64	280	67.8%	133	32.2%
65-74	184	67.9%	87	32.1%
75-84	135	60.3%	89	39.7%
85+	48	44.4%	60	55.6%
Total	1,031	59.6%	699	40.4%

Source: U.S. Census

Households at the lowest and highest end of the age spectrum showed a greater preference for rented housing. Approximately 81% of households age 24 and younger, 55% of the households in the 25 to 34 age range and 56% of the households age 85 and older rented their unit. Home ownership rates for each of the 10-year cohorts between the ages of 35 and 84 were above 57%.

Hot Springs Housing Tenure Patterns by Age in 2010

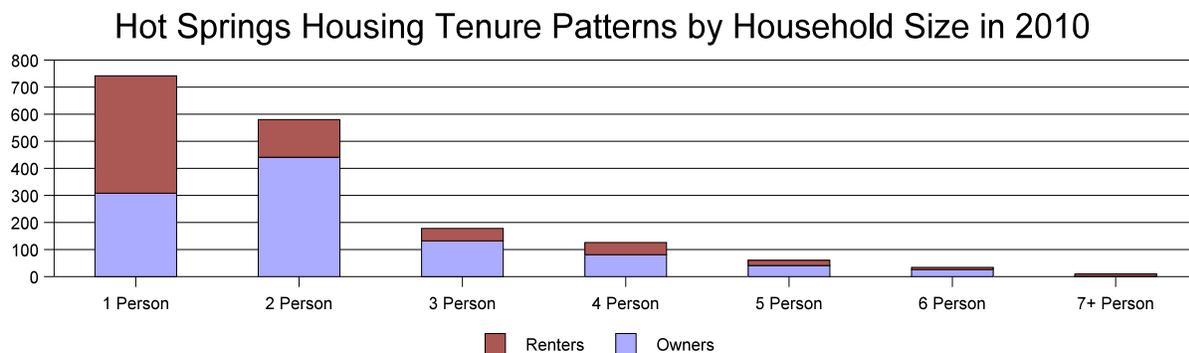


Tenure by Household Size

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

Table 13 Hot Springs Tenure by Household Size - 2000 to 2010						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	260	308	48	418	434	16
2-Person	422	441	19	129	139	10
3-Person	138	132	-6	73	46	-27
4-Person	105	81	-24	37	45	8
5-Person	51	41	-10	20	19	-1
6-Person	29	26	-3	7	8	1
7-Persons+	11	2	-9	4	8	4
Total	1,016	1,031	15	688	699	11

Source: U.S. Census



From 2000 to 2010, there was an increase of 15 owner households and an increase of 11 renter households in Hot Springs. There was an increase of 67 owner households with one or two household members. There was a decrease of 30 households with three or four household members and a decrease of 22 households with five or more household members.

There was a gain of 26 renter households with one or two household members, a gain of eight renter households with four household members and a gain of five renter households with six or more household members. There was a loss of 27 renter households with three people and a loss of one household with five household members.

Approximately 82% of the renter households in Hot Springs were one or two person households in 2010.

2014 Income Data

The 2010 Census did not collect information on household income. However, estimates are available at the city and county level through the American Community Survey. The following table compares income information from 2010 and 2014.

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

Table 14 Median Household Income - 2010 to 2014			
	2010 Median	2014 Median	% Change
Hot Springs	\$31,536	\$40,943	29.8%
Fall River County	\$35,833	\$43,239	20.7%
South Dakota	\$35,271	\$52,535	48.9%

Source: U.S. Census; 2014 ACS 5-year survey

Table 15 Median Family Income - 2010 to 2014			
	2010 Median	2014 Median	% Change
Hot Springs	\$53,438	\$54,024	11.0%
Fall River County	\$53,750	\$62,553	16.4%
South Dakota	\$43,237	\$66,936	54.8%

Source: U.S. Census; 2014 ACS 5-year survey

Information contained in the 2014 American Community Survey shows that the median household and family incomes have increased from 2010 to 2014 in Hot Springs and Fall River County. Hot Springs’s median household income increased by 29.8% and the City’s median family income increased by 11.0%. Fall River County’s median household income increased by 20.7% and the County’s median family income increased by 16.4%.

Hot Springs and Fall River County’s median household and family income levels were below the comparable Statewide medians.

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

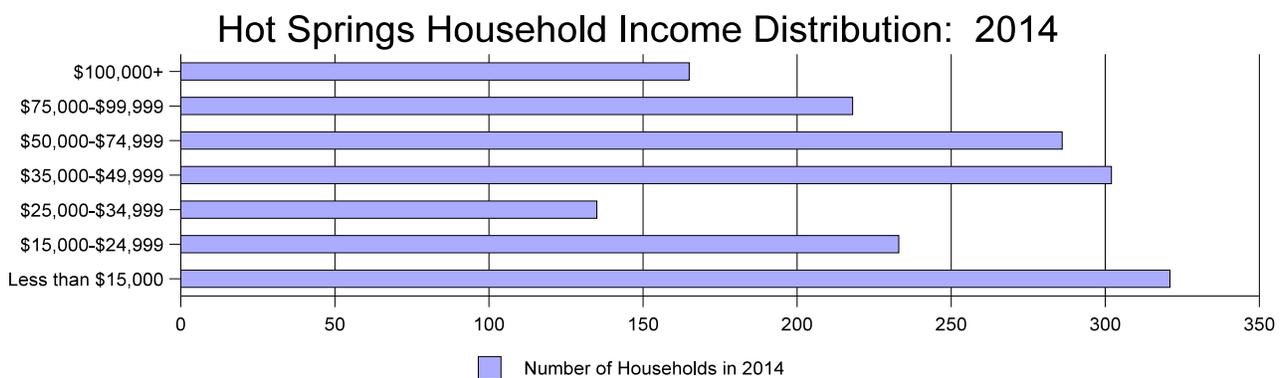
Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Hot Springs could afford approximately \$1,024 per month and a median income family household could afford \$1,350 per month for ownership or rental housing in 2014.

Hot Springs Household Income Distribution

The 2014 American Community Survey household income estimates for Hot Springs can be compared to the same distribution information from 2010 to examine changes that have occurred in the past few years.

Table 16 Hot Springs Income Distribution - 2010 to 2014			
Household Income	Number of Households 2010	Number of Households in 2014	Change 2000 to 2014
\$0 - \$14,999	388	321	-67
\$15,000 - \$24,999	286	233	-53
\$25,000 - \$34,999	206	135	-71
\$35,000 - \$49,999	269	302	33
\$50,000 - \$74,999	244	286	42
\$75,000 - \$99,999	171	218	47
\$100,000+	84	165	81
Total	1,648	1,660	12

Source: American Community Survey



The American Community Survey estimated that there were 1,648 households in Hot Springs in 2010 and 1,660 households in the City in 2014. The 2010 U.S. Census reported 1,730 households in Hot Springs in 2010. Esri estimates that there were 1,767 households in Hot Springs in 2015. Therefore, the American Community Survey undercounted the number of households in Hot Springs in 2010 and 2014. However, the data is still a good indicator of household income distribution.

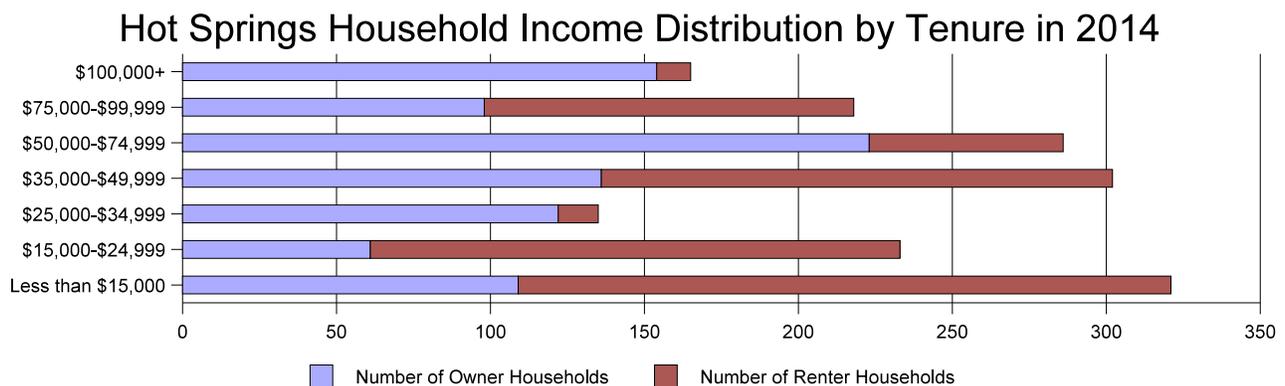
According to income estimates contained in the 2014 American Community Survey, household incomes have improved in Hot Springs in the highest income ranges. When compared to the 2010 estimates, the number of households with an income of \$50,000, or more, had an increase of 170 households. Conversely, there was a decrease of 191 households with annual incomes under \$35,000. Although there was a decrease in the number of households in the lower income ranges, there were still 554 households with an annual income below \$25,000 in 2014, which represented 33.4% of all households in Hot Springs.

Hot Springs Income Distribution by Housing Tenure

The 2014 American Community Survey provides income data by owner and renter status. The following table examines income distribution in Hot Springs. The American Community Survey is an estimate, based on limited sampling data. The American Community Survey reported income information on 1,660 households including 903 owner households and 757 renter households. The U.S. 2010 Census reported that there were 1,730 households in Hot Springs including 1,031 owner households and 699 renter households. Therefore, it appears that the total number households and the number of owner households in Hot Springs reported by the American Community Survey has been undercounted. However, the table is still an indicator of income distribution by tenure in Hot Springs in 2014.

Table 17 Hot Springs Income Distribution by Tenure - 2014			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	109/34.0%	212/66.0%	321
\$15,000 - \$24,999	61/26.2%	172/73.8%	233
\$25,000 - \$34,999	122/90.4%	13/9.6%	135
\$35,000 - \$49,999	136/45.0%	166/55.0%	302
\$50,000 - \$74,999	223/78.0%	63/22.0%	286
\$75,000 - \$99,999	98/45.0%	120/55.0%	218
\$100,000+	154/93.3%	11/6.7%	165
Total	903	757	1,660

Source: 2014 American Community Survey



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

In 2014, approximately 52% of all renter households in Hot Springs had an annual income below \$35,000. At 30% of income, these households would have \$875, or less, that could be applied to monthly housing costs. The median income for all renter households was approximately \$24,236 in 2014. At 30% of income, a renter at the median level could afford approximately \$606 per month or less for housing costs.

Most owner households had a higher income level than rental households. Approximately 53% of all owner households had an annual income of \$50,000 or more. The estimated median household income for owners in 2014 was approximately \$51,506. At 30% of income, an owner at the median income level could afford approximately \$1,288 per month for housing costs.

2014 Estimated Income and Housing Costs - Renters

The American Community Survey also collected information on housing costs. The following table provides data on the number of renter households that are paying different percentages of their gross household income for housing in the City of Hot Springs. In 2014, the American Community Survey identified 757 renter households. In 2010, based on U.S. Census data, there were 699 renter households in Hot Springs. Therefore, it appears that the American Community Survey renter household estimate for Hot Springs is reasonably accurate.

Table 18 Gross Rent as a Percentage of Household Income - 2014			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	165/28.0%	26/15.5%	191/25.2%
20% to 29.9%	149/25.3%	51/30.4%	200/26.4%
30% to 34.9%	56/9.5%	48/28.6%	104/13.7%
35% or more	118/20.0%	37/22.0%	155/20.5%
Not Computed	101/17.2%	6/3.5%	107/14.2%
Total	589/100%	168/100%	757/100%

Source: 2014 American Community Survey

According to the American Community Survey, approximately 34% of the renters in Hot Springs were paying 30% or more of their income for rent. Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a “rent burden”. When more than 35% is required, this can be considered a “severe rent burden”.

2014 Estimated Income and Housing Costs - Owners

The American Community Survey also provided housing cost estimates for owner-occupants. The following table provides estimates of the number of owner households in Hot Springs that are paying different percentages of their gross household income for housing costs. The American Community Survey reported income information on 903 owner households. The U.S. 2010 Census reported that there were 1,031 owner households in Hot Springs in 2014. Therefore, it appears that the American Community Survey undercounted owner households in Hot Springs. However, the table is still an indicator of owner housing costs in Hot Springs in 2014.

Table 19 Ownership Costs as a Percentage of Income - Hot Springs		
Percentage of Household Income for Housing Costs	Number of Owner Households 2014	Percent of All Owner Households 2014
0% to 19.9%	512	56.7%
20% to 29.9%	181	20.1%
30% to 34.9%	37	4.1%
35% or more	161	17.8%
Not Computed	12	1.3%
Total	903	100%

Source: 2014 ACS

Most owner-occupants in Hot Springs, which would include households with and without a mortgage, reported paying less than 30% of their income for housing.

However, approximately 22% of all home owners reported that they paid more than 30% of their income for housing.

Hot Springs Building Permit Trends

Hot Springs has experienced limited new housing construction activity in recent years. The following table identifies the units that have been constructed since 2000.

Table 20 Hot Springs Housing Unit Construction Activity: 2000 to 2016			
Year	Single Family	Two or More Units	Total Units Constructed
2016	0	2	2
2015	5	2	7
2014	1	2	3
2013	2	0	2
2012	0	0	0
2011	2	0	2
2010	2	0	2
2009	6	0	6
2008	2	0	2
2007	7	0	7
2006	5	0	5
2005	10	63	73
2004	8	0	8
2003	8	0	8
2002	7	22	29
2001	2	20	22
Total	67	111	178

Source: City of Hot Springs; Community Partners Research, Inc.

Over the past 16 years, from 2001 to 2016, 178 new housing units have been constructed in Hot Springs based on building permit information obtained from the City. Sixty-seven units are single family homes and 111 units were in structures with two or more units.

From 2001 to 2008, 154 housing units were constructed, which is an average of approximately 19 housing units per year. From 2009 to 2016, 24 housing units were constructed, which is an average of eight housing units annually.

Occupancy Status of Housing Units - 2010

Table 21 Occupancy Status of Housing Units - 2010						
	Occupied Units		Vacant Units			
	Owner	Renter	For Rent	For Sale	Seasonal Use	Other Vacant
Hot Springs	1,031	699	83	29	19	97
Fall River Co.	2,273	999	110	62	401	346

Source: U.S. Census

- ▶ In 2010, according to the U.S. Census, there were 401 seasonal housing units in Fall River County including 19 units in Hot Springs.
- ▶ In addition to the seasonal units in 2010, there were 518 vacant housing units in Fall River County, including 209 units in Hot Springs.

Hot Springs Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 399 single family/duplex houses in three of the oldest neighborhoods in the City of Hot Springs. The boundaries of the neighborhoods are as follows:

- ▶ Neighborhood #1: North - Washington Ave.
South - Detroit Ave.
East - South 4th St.
West - South 6th St.

- ▶ Neighborhood #2: North of Battle Mountain Ave., Bear Ave. and Beaver Ave.

- ▶ Neighborhood #3: North - Evanston Ave.
South - Indianapolis and Joplin Aves.
East - Fall River
West - 11th St. and Galvestone, Houston and Indianapolis Aves.

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

Dilapidated was the lowest rating used. These houses need major renovation to become decent, safe and sanitary housing. Some Dilapidated properties may be abandoned and may be candidates for demolition and clearance. Major Rehabilitation is defined as a house needing multiple major improvements such as roof, windows, sidings, structural/foundation, etc. Houses in this condition category may or may not be economically feasible to rehabilitate.

Minor Repair houses are judged to be generally in good condition and require less extensive repair, such as one major improvement. Houses in this condition category will generally be good candidates for rehabilitation programs because they are in a salable price range and are economically feasible to repair. Sound houses are judged to be in good, 'move-in' condition. Sound houses may contain minor code violations and still be considered Sound.

Table 22 Windshield Survey Condition Estimate - 2016

	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood #1	85/39.7%	91/42.5%	31/14.5%	7/3.3%	214
Neighborhood #2	24/23.3%	32/31.1%	31/30.1%	16/15.5%	103
Neighborhood #3	17/20.7%	34/41.5%	23/28.0%	8/9.8%	82
Total	126/31.6%	157/39.3%	85/21.3%	31/7.8%	399

Source: Community Partners Research, Inc.

- ▶ Approximately 39% of the houses in Hot Springs neighborhoods need minor repair and 21% need major repair. Approximately 32% are sound, with no required improvements. Thirty-one houses are dilapidated and possibly beyond repair.

Hot Springs Mobile Home Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 157 mobile homes located in the mobile home parks in the City of Hot Springs.

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

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

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

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

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

Table 23 Windshield Survey Condition Estimate - 2016					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Mobile Homes	28/17.8%	34/21.7%	47/29.9%	48/30.6%	157

Source: Community Partners Research, Inc.

- ▶ The mobile homes in Hot Springs are in fair condition. Approximately 22% of the mobile homes need minor repair and 30% need major repair. Approximately 18% are sound, with no required improvements.
- ▶ Forty-eight mobile homes were dilapidated and possibly beyond repair.

Existing Home Sales

This section examines houses that have been sold since 2010 in the City of Hot Springs. The information was obtained from the South Dakota Department of Revenue website, based on reports submitted from the Fall River County Equalization Office.

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

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

The County information is sent to the State Department of Revenue, where it is reviewed. The State rejects sales that show significant variation from the assessed value. Known as the "150% rule" these sales may be open market transactions but are not useful in the sales ratio analysis. In the sales sample that follows, 150% rule sales have been included when they could be identified as open market transfers.

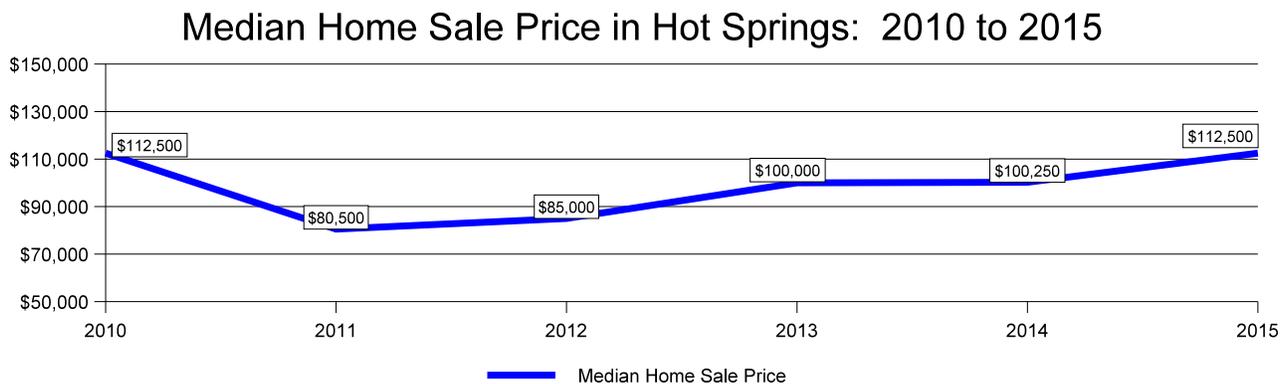
The County's time period for analyzing annual sales differs slightly from the calendar year. It begins on November 1st and ends on October 31st of each year. The years from 2010 to 2015 are complete and have been audited by the State.

Sales that have occurred since November 1, 2015 have not yet been audited by the State, and are not yet available through the Department of Revenue website.

Sales Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2015	70	\$112,500	\$299,500	\$10,000
2014	62	\$100,250	\$455,000	\$6,500
2013	18	\$100,000	\$185,000	\$30,000
2012	41	\$85,000	\$177,100	\$15,000
2011	50	\$80,500	\$490,000	\$10,000
2010	39	\$112,500	\$184,000	\$21,000

Source: SD Dept. of Revenue; Fall River County Equalization; Community Partners Research, Inc.

Over the time period from 2010 to 2015, the median home sale prices in Hot Springs have remained in a relatively moderate range, from a low of \$80,500 in 2011 to a high of \$112,500, achieved in both 2010 and 2015. The median for 2015 was based on the largest number of good reached during the six years reviewed.



In each of the years, there was at least one house in Hot Springs that sold for more than \$177,000, and at least one house has also sold for \$30,000 or less.

An alternate home value estimate exists in the 2014 American Community Survey. The estimated median value for owner-occupied houses was \$85,200. This estimate was lower than the sales median of \$98,500 in 2014, but somewhat consistent with sales in prior years, including 2011 and 2012. However, it now appears that home values have risen after 2014.

Home Sales by Price Range

The following table looks at single family houses that sold in Hot Springs within defined price ranges in a 12-month period, starting in November 1, 2014 and ending October 31, 2015. This represents the most recent sales year available to the analysts.

Table 25 2015 Home Sales by Price Range		
Sale Price	Number of Home Sales	Percent of All Sales
Less than \$49,999	13	18.6%
\$50,000 - \$74,999	8	11.4%
\$75,000 - \$99,999	10	14.3%
\$100,000 - \$124,999	9	12.9%
\$125,000 - \$149,999	9	12.9%
\$150,000 - \$174,999	8	11.4%
\$175,000 - \$199,999	6	8.6%
\$200,000 - \$224,999	3	4.3%
\$225,000-\$249,999	2	2.9%
\$250,000+	2	2.8%
Total	70	100%

Source: SD Dept. of Revenue; Fall River County Equalization; Community Partners Research, Inc.

Home sales in Hot Springs in 2015 were primarily been in the moderate to lower price ranges, as reflected by the median sale prices of \$112,500 for that year. Overall, 70% of the home sales in 2015 were for less than \$150,000.

During this time only 10% of the City's home sales were for \$200,000 or more.



Rental Housing Data

Census Bureau Rental Inventory

According to the 2010 U.S. Census, there were 699 occupied rental units and 87 unoccupied rental units in Hot Springs for a total estimated rental inventory of 786 units. The City's rental tenure rate in 2010 was 49.2%. Hot Springs' 2010 rental rate of 40.4% was significantly higher than the Statewide rental rate of 31.9%.

At the time of the 2000 Census, Hot Springs had 688 occupied rental units, and 72 vacant rental units, for a total estimated rental inventory of 760 units. Hot Springs' rental tenure rate in 2000 was also 40.4%.

Based on a Census comparison, the City of Hot Springs had a gain of 11 renter-occupancy households, and an increase of 26 rental units from 2000 to 2010. Although there has been a slight increase of rental units from 2000 to 2010, the City's rental rate did not change from 2000 to 2010 and remained at 40.4%.

From 2000 to 2010, we are not aware of any additional rental units constructed in Hot Springs, based on estimates from building permit reporting. However, some owner occupied owner units may have converted to rental. Also, nine two-bedroom single family rental homes were constructed at Maverick Junction.

Rental Housing Survey

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

Information was tallied separately for different types of rental housing, including market rate units, tax credit units, subsidized units and senior housing with services units. There were 581 housing units/beds of all types that were contacted in the survey. The 581 units surveyed include 548 units/beds in Hot Springs, nine market rate rental units at Maverick Junction and 24 subsidized rental units in Edgemont.

The units that were successfully contacted include:

- ▶ 55 market rate units
- ▶ 317 federally subsidized units
- ▶ 209 senior with services units/beds

Market Rate Summary

Information was obtained on 46 market rate rental units in Hot Springs and nine units at Maverick Junction. The total of 55 units are in a 16-plex, a 13-plex, two mixed-use buildings and four single family homes.

Unit Mix

We obtained the bedroom mix on the 55 market rate units in 14 multi-family projects. The bedroom mix of the 55 units is:

- ▶ efficiency/studio - 7 (12.7%)
- ▶ one-bedroom - 14 (25.5%)
- ▶ two-bedroom - 34 (61.8%)

No units with three or four bedrooms were identified, although some single family homes in the City that were not surveyed may have three or four bedrooms to accommodate larger families.

Occupancy / Vacancy

At the time of the survey, there were no vacancies in the 55 market rate units that were surveyed. The rental managers and property owners reported high occupancy rates and a good demand for 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 in the multi-family projects, 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>
Efficiency	\$450-\$500
One-bedroom	\$500-\$650
Two-bedroom	\$600-\$1,050

Tax Credit Summary

There are not tax credit projects in the City of Hot Springs.

Subsidized Summary

The research completed for this Study identified six subsidized projects in Hot Springs that provide rental opportunities for lower income households. These projects have a combined 293 units. Four projects, with 108 units, are general occupancy projects and two projects, with 185 units, are senior/disabled projects. We also surveyed one general occupancy project in Edgemont that have a total of 24 units.

The eight subsidized rental projects in Hot Springs and Edgemont include:

- ▶ **The Evans** - The Evans is an 85-unit senior/disabled Section 8/Mod Rehab project. There are 12 studio and 73 one-bedroom units.
- ▶ **Brookside Apartments** - Brookside Apartments is a 100-unit HUD Public Housing senior/disabled project. There are 97 one-bedroom and three two-bedroom units.
- ▶ **Rc Springs Apartments** - Rc Springs Apartments is a 40-unit USDA Rural Development general occupancy project. There are five one-bedroom units and 35 two-bedroom units.
- ▶ **Majestic View Apartments** - Majestic View Apartments is a 20-unit general occupancy HUD project. There are four one-bedroom units, 12 two-bedroom units and four three-bedroom units.
- ▶ **Lincoln Avenue Apartments** - Lincoln Ave. Apartments is an eight-unit general occupancy USDA Rural Development project. The eight units include one one-bedroom and seven two-bedroom units.

- ▶ **Mountain View Apartments** - Mountain View Apartments is a 40-unit USDA Rural Development general occupancy project. There are five one-bedroom and 35 two-bedroom units.
- ▶ **Hillcrest Apartments** - Hillcrest Apartments is a 24-unit USDA Rural Development senior/disabled project located in Edgemont. All 24 units are one-bedroom apartments.

Rental Rates

The majority of the subsidized units in Hot Springs and Edgemont have access to project-based rent assistance. These units can charge rent based on 30% of the tenant's household income up to a maximum rent.

Unit Mix

The bedroom mix breakdown for the 317 subsidized housing units in Hot Springs and Edgemont is as follows:

- ▶ 12 studio (3.8%)
- ▶ 209 one-bedroom (65.9%)
- ▶ 92 two-bedroom (29.0%)
- ▶ 4 three-bedroom (1.3%)
- ▶ 317 Total

Occupancy / Vacancy

Approximately 24 vacancies were identified in the 293 subsidized units located in Hot Springs, which is an 8.5% vacancy rate.

The 108 general occupancy units had 12 vacancies, which is a 12.0% vacancy rate. The 185 senior/disabled units had approximately 12 vacancies, which is a 6.5% vacancy rate.

The 24 units in the Edgemont subsidized project had nine vacancies, which is a 37.5% vacancy rate.

Subsidized Housing Gains/Losses

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

We are not aware of any Hot Springs subsidized projects that have converted from subsidized to market rate. However, one subsidized project may be sold in the future, but it does not appear that rents will change due to the sale of the building.

Housing Choice Vouchers

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

The Housing Choice Voucher Program in Hot Springs and Fall River is administered by the Pennington County Housing and Redevelopment Commission. The Pennington County Housing and Redevelopment Commission has the ability to issue approximately 1,329 vouchers in Pennington County. Typically, between 10 and 20 Hot Springs households are utilizing the Housing Choice Voucher Program. There is a 2 ½ to 3-year waiting list to obtain a voucher.

Senior Housing with Services

Unit Inventory

There are three senior housing with services projects in Hot Springs with 209 units/beds.

The senior housing with services projects in Hot Springs include:

- ▶ **Pine Ridge Retirement Community** - Pine Ridge Retirement Community is a senior with services campus with 28 assisted living units, 12 memory care units and 21 independent living units. The independent living units include one-bedroom and two-bedroom units. The facility was constructed in 2006.
- ▶ **Seven Sisters Living Center** - Seven Sisters Living Center is a skilled nursing home with 48 beds in 16 private rooms and 16 double rooms.
- ▶ **Michael J. Fitzmaurice State Veteran's Home - Skilled nursing and independent living** - The Michael J. Fitzmaurice State Veteran's Home has recently developed a 76-bed skilled nursing facility and 24 independent living apartments. The project opened for occupancy in early 2017.

Occupancy / Vacancy

The independent living units and the memory care beds in the Pine Hills Retirement Community are usually fully occupied and the assisted living units typically have a few vacancies. The Seven Sisters Living Center had two vacant beds at the time of the survey and operates at approximately a 95% occupancy rate. The Michael J. Fitzmaurice skilled nursing beds and independent living units had a total of six vacancies. However, this facility is still in its initial occupancy phase and expects to be totally occupied by January 2017.

Table 26 Hot Springs Area Multifamily Rental Housing Inventory

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate - Hot Springs					
Crawford Properties -10-unit mixed-use building -3-unit mixed-use building -13-unit apartment building	7 - studio 12 - 1 bedroom <u>7 - 2 bedroom</u> 26 total units	Rents range from \$450 to \$900	No vacancies	General Occupancy	The Crawford Properties include 26 units in a 10-unit mixed-use building, a three-unit mixed-use building and a 13-unit apartment building. The 26 units include seven studio, 12 one-bedroom and seven two-bedroom units. Rents range from \$450 for a studio to \$550 for a two-bedroom unit. Some unit rents include utilities and some do not. Some of the units are rented to veterans. The owner reports that the units are always fully occupied.
Four single homes	<u>4 - 2 bedroom</u> 4 total units	\$500 to \$900 plus utilities	No vacancies	General Occupancy	Two individuals were surveyed that own a total of four single family rental homes. All four homes have two bedrooms. Rent on the four homes range from \$500 to \$900 plus utilities. The homes are all occupied.
Elrancho Apartments	2 - 1 bedroom <u>14 - 2 bedroom</u> 16 total units	\$450 \$500	No vacancies	General Occupancy	Elrancho Apartments is a 16-unit market rate general occupancy project. The project was constructed in 1978 and includes two eight-plexes. The project has two one-bedroom and 14 two-bedroom units. Rents are \$450 for a one-bedroom unit and \$500 for a two-bedroom unit. Tenants also pay heat and electricity. The owner reported no vacancies and the units are usually fully occupied.
Maverick Junction Rentals	<u>9 - 2 bedroom</u> 9 total units	\$950	No vacancies	General Occupancy	Marverick Junction rentals include nine single family homes. All of the homes have two bedrooms and two baths. Rent is \$950 plus heat, electricity and water. The owner reported that there are no vacancies and the homes are almost always fully occupied.

Table 26 Hot Springs Area Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized - Hot Springs					
The Evans	12 - studio <u>73 - 1 bedroom</u> 85 total units	\$577 \$673 30% of income \$25 min	8% to 9% vacancy rate	Seniors/ disabled	The Evans is an 85-unit Senior/Disabled Section 8/Mod Rehab rental housing project. The project has 73 one-bedroom and 12 studio apartments. The project is a converted historic hotel. Tenants pay 30% of their income up to a maximum rent of \$577 for a studio apartment and \$633 for a one-bedroom apartment. The project operates at an 8% to 9% vacancy rate.
Brookside Apartments	97 - 1 bedroom <u>3 - 2 bedroom</u> 100 total units	\$450 \$500 30% of income \$25 min	5% to 6% vacancy rate	Seniors/ disabled	Brookside Apartments is a 100-unit Public Housing senior/disabled project. The project has 97 one-bedroom and three two-bedroom units. Tenants pay 30% of their income up to a maximum rent of \$450 for a one-bedroom unit and \$500 for a two-bedroom unit. The project was constructed in 1971. The project operates at a 5% to 6% vacancy rate. Approximately 70% of the tenants are seniors and 30% are younger disabled tenants.
Hillcrest Apartments - Edgemont	<u>24 - 1 bedroom</u> 24 total units	\$605 30% of income \$25 min	9 vacancies	Senior/ disabled	Hillcrest Apartments is located in Edgemont. Hillcrest Apartments is a 24 one-bedroom HUD Section 8 senior/disabled project. Tenants pay 30% of their income up to the maximum rent of \$605. The project currently has nine vacancies and has had on-going vacancies.
Majestic View Townhouses	4 - 1 bedroom 12 - 2 bedroom <u>4 - 3 bedroom</u> 20 total units	30% of income	5 vacancies	General occupancy	Majestic View Townhouses is a 20-unit family HUD Project. The 20 units include four one-bedroom, 12 two-bedroom and four three-bedroom units. Tenants pay 30% of their income for rent. The manager reports five vacancies.

Table 26 Hot Springs Area Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized - Hot Springs					
Rc Springs Apartments	5 - 1 bedroom <u>35 - 2 bedroom</u> 40 total units	\$662 30% of income	No vacancies	General occupancy	Rc Springs Apartments is a 40-unit family USDA Rural Development Project. The project includes five one-bedroom and 35 two-bedroom units. Thirty-seven units have rent assistance and pay 30% of their income up to the maximum rent. Tenants without rent assistance pay no less than a basic rent, but not more than the maximum rent. The manager reports that the units are usually fully occupied and there is a short waiting list. The manager also stated the waiting time to lease a unit is short, especially if the tenant is willing to lease a second-floor unit.
Lincoln Ave. Apartments	1 - 1 bedroom <u>7 - 2 bedroom</u> 8 total units	\$670 \$690 30% of income	3 vacancies	General occupancy	Lincoln Ave. Apartments is a USDA Rural Development eight-unit family project. The project includes one one-bedroom and seven two-bedroom units. Six units have rent assistance and pay 30% of their income up to the maximum rent. Tenants without rent assistance pay the maximum rent. The manager reports three vacancies, however, the units are usually fully occupied. The manager reported that units without rent assistance are more difficult to lease.
Mountain View Apartments	5 - 1 bedroom <u>35 - 2 bedroom</u> 40 total units	\$620 \$670 30% of income	5 vacancies	General occupancy	Mountain View Apartments is a USDA Rural Development family project with 40 units including five one-bedroom and 35 two-bedroom units. Twenty-two tenants have rent assistance and pay 30% of their income up to the maximum rent. Tenants without rent assistance pay the maximum rent. The manager reports five vacancies. The manager reported that units without rent assistance are more difficult to lease.

Table 26 Hot Springs Area Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Senior with Services - Hot Springs					
Pine Hills Retirement Community	21 -Independent 28 -Assisted Living <u>12 -Memory Care</u> 61 total units	Based on level of services	Independent and Memory care units are usually fully occupied, Assisted living typically has a few vacancies	Senior housing with services	Pine Hills is a 61-unit assisted living facility with 21 independent living units, 28 assisted living units and 12 memory care units. The 21 independent living units include 16 one-bedroom and five two-bedroom units. The independent units include 45 monthly meals, light housekeeping and a call system. The 28 assisted living units provide three levels of services based on the needs of the resident. Some of the units are double occupancy. The 12 memory care units are in a secured wing of the facility. The rent and fees are based on the level of services and type of unit. The independent and memory care units are usually fully occupied and there typically are a few vacant assisted living units.
Seven Sisters Living Center	16 - private <u>16 - double</u> 48 total beds	Based on level of services	2 vacant beds 95% occupancy rate	Skilled nursing home	Seven Sisters Living Center is a 48-bed skilled nursing home. The 48 beds are in 16 single rooms and 16 double rooms. The skilled nursing home is part of the Fall River Health Services campus that includes the nursing home, clinic and hospital.
Michael J. Fitzmaurice State Veteran's Home Skilled Nursing and Independent Living	76 - skilled nursing beds 24 - 1 bed independent <u>living units</u> 100 total units	Based on veteran's benefits	Six vacant, but will be totally occupied by January, 2017	Veterans	The Michael J. Fitzmaurice State Veteran's Home Skilled Nursing and Independent Living units include 76 skilled nursing beds and 24 one-bedroom independent living units. The facility is new and has been open for occupancy since March, 2016. There are currently six vacant beds, however, the beds will be fully occupied by January, 2017, and will remain in fully occupied based on demand.

Source: Community Partners Research, Inc.

Employment and Local Economic Trends

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

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

Labor Force and Unemployment

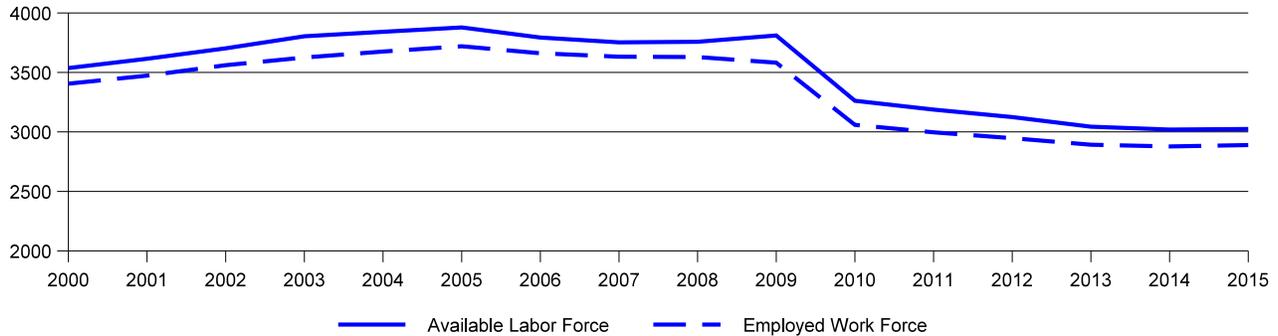
Employment information is available at the County level. This table presents information based on place of residence, not by the location of employment.

Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2000	3,537	3,406	131	3.7%	2.5%	4.0%
2001	3,615	3,473	142	3.9%	3.1%	4.7%
2002	3,703	3,561	142	3.8%	3.2%	5.8%
2003	3,804	3,626	178	4.7%	3.5%	6.0%
2004	3,842	3,676	166	4.3%	3.7%	5.6%
2005	3,878	3,720	158	4.1%	3.8%	5.1%
2006	3,794	3,661	133	3.5%	3.1%	4.6%
2007	3,753	3,632	121	3.2%	2.8%	4.6%
2008	3,758	3,630	128	3.4%	3.1%	5.8%
2009	3,811	3,582	229	6.0%	4.9%	9.3%
2010	3,262	3,059	203	6.1%	5.0%	9.6%
2011	3,188	2,997	191	6.0%	4.7%	8.9%
2012	3,125	2,947	178	5.7%	4.3%	8.1%
2013	3,044	2,892	152	5.0%	3.8%	7.4%
2014	3,020	2,878	142	4.7%	3.4%	6.2%
2015	3,025	2,890	135	4.5%	3.4%	5.5%

Source: South Dakota Department of Labor

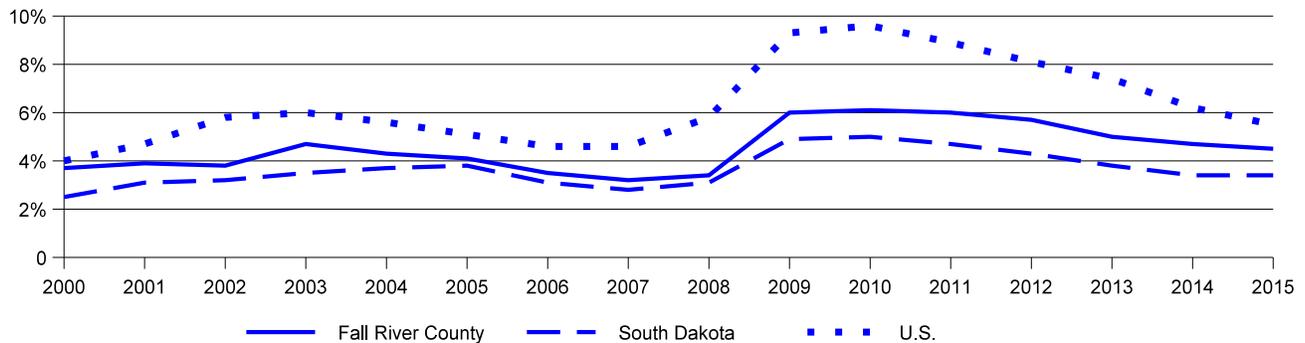
The labor force statistics for Fall River County show some fluctuations in the size of the County’s available resident labor force over time. Long-term, there has been a decrease in the number of people in the labor force, However, the labor force had been growing through the mid-2000s, before experiencing a large decrease between 2009 and 2010. Since 2010 there has been a continued decrease, but the rate of loss has slowed.

Fall River County Labor Force and Employed Work Force



The employed resident work force has largely followed the same pattern, with a large decrease in employment between 2009 and 2010. If 2015 is compared back to the year 2000, the number of employed County residents has decreased by more than 500 people, or a reduction of more than 15%.

Unemployment Rates



Throughout the entire time period reviewed, the unemployment rate in Fall River County has remained below the national rate. However, the County’s unemployment rate has consistently stayed above the Statewide rate over the past 16 years.

Average Annual Wages by Industry Sector

The following table shows the annual employment and average annual wages by major employment sector in 2015, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment in Fall River County. This listing is for private employment.

Table 28 Fall River County Average Annual Wages by Industry Detail: 2015		
Industry	2015 Employment	2015 Average Annual Wage
Total All Industry	1,360	\$28,288
Construction	88	\$28,184
Education and Health Services	330	\$37,908
Financial Activities	59	\$40,404
Information	20	\$60,528
Leisure and Hospitality	368	\$13,988
Manufacturing	14	\$34,372
Natural Resources and Mining	56	\$41,756
Other Services	48	\$15,912
Professional and Business Services	88	\$39,624
Trade, Transportation, Utilities	289	\$26,520

Source: South Dakota Department of Labor

The average annual wage for all industry in 2015 was \$28,288. The highest paying wage sector was Information, with an annual wage above \$60,500. However, this sector was relatively small, with only 20 covered workers.

The lowest paying wage sector was Leisure and Hospitality, with an average annual wage below \$14,000. Leisure and Hospitality was also the largest industry sector for total employment in the County.

Annual Covered Employment

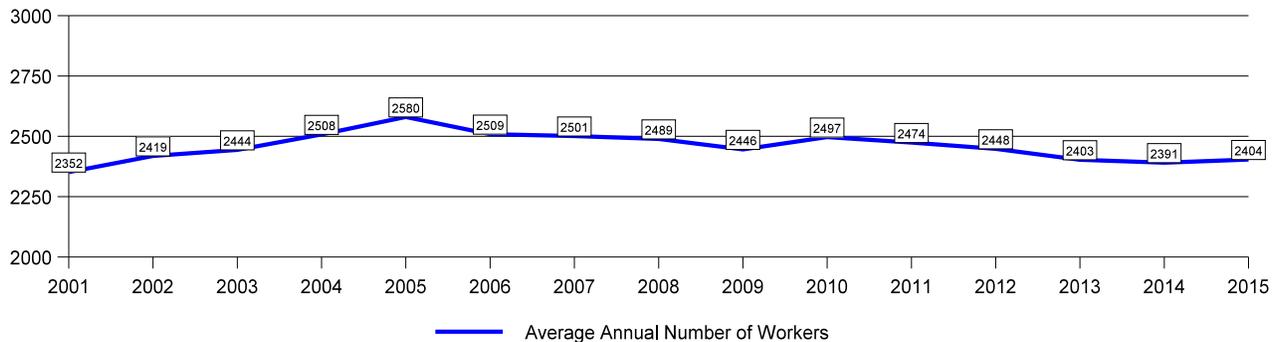
Using the Quarterly Census of Covered Workers (QCEW) it is possible to examine longer-term patterns in the local employment level. The following table displays the total number of workers reported in the County from 2000.

Table 29 Fall River County Average Annual Employment			
Year	Total Covered Employment	Year	Total Covered Employment
2000	N/A	2008	2,489
2001	2,352	2009	2,446
2002	2,419	2010	2,497
2003	2,444	2011	2,474
2004	2,508	2012	2,448
2005	2,580	2013	2,403
2006	2,509	2014	2,391
2007	2,501	2015	2,404

Source: QCEW - SD Department of Labor

When viewed over a longer-term there has been almost no growth in the

Number of Covered Workers in the Fall River County



number of covered employees working in Fall River County. If 2015 is compared to the year 2000, there has been an increase of only 52 workers covered by unemployment insurance, or an increase of 2.2%. The number of covered workers actually peaked in 2005, and then has declined since that time. However, over the last three years, the number of covered workers in the County has remained relatively stable.

Commuting Patterns of Area Workers

Some information is available on area workers that commute for employment. The best information is from the 2014 American Community Survey, and has been examined for the City of Hot Springs. The first table examines City residents that traveled to work and excludes people that work at home.

Table 30 Commuting Times for Residents - 2014		
	Hot Springs	
Travel Time	Number	Percent
Less than 10 minutes	936	58.9%
10 to 19 minutes	405	25.5%
20 to 29 minutes	66	4.2%
30 minutes +	181	11.4%
Total	1,588	100%

Source: 2014 American Community Survey

The large majority of Hot Springs’ residents were traveling less than 20 minutes to work in 2014, and were presumably employed within the City or in one of the nearby communities. Overall, more than 84% of the City’s residents had a drive time of 19 minutes or less. However, more than 11% of City’s residents were traveling 30 minutes or more.

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

Table 31 Commuting Times for City-based Workers - 2014		
	Hot Springs	
Travel Time	Number	Percent
Less than 10 minutes	925	45.1%
10 to 19 minutes	617	30.1%
20 to 29 minutes	162	7.9%
30 minutes +	347	16.9%
Total	2,051	100%

Source: 2014 American Community Survey

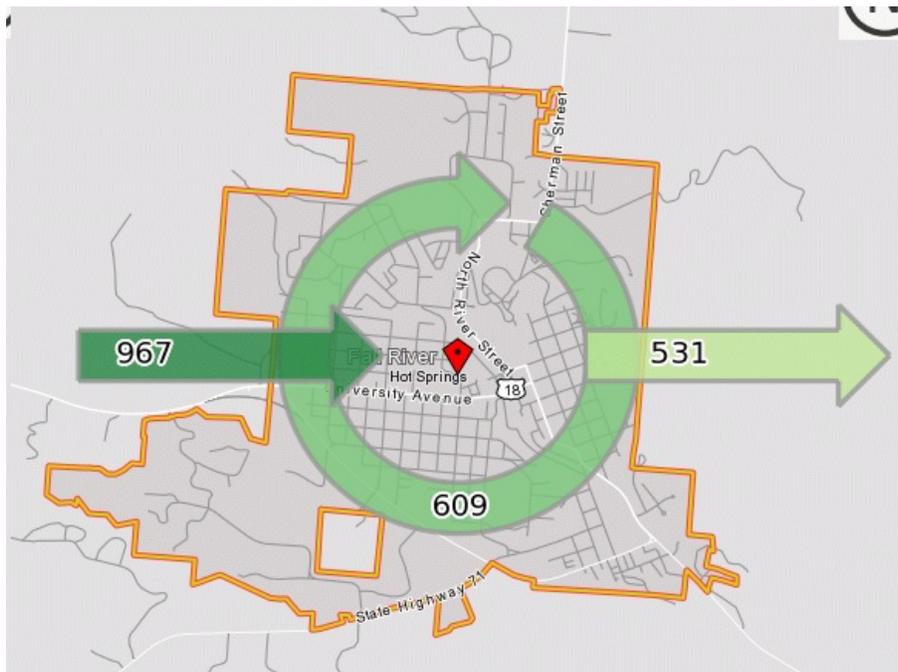
Most of the people that were employed within the City of Hot Springs in 2014 lived either within the community, or within the immediate area. Overall, more than 75% of city-based workers had a travel time of 19 minutes or less to their primary job. However, nearly 17% of workers did commute for 30 minutes or more to work in Hot Springs.

Census On the Map

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

According to the report for Hot Springs, there were 1,576 people that were employed within the City in 2014. Only 38.6% of these city-based employees also lived in Hot Springs. The remaining 61.4% of employees lived outside the City and commuted in for their job.

On the Map can also be used to track worker outflow patterns from the City. Overall, there were 1,140 Hot Springs residents that were employed. Nearly 47% of these City residents worked outside the community, while more than 53% of the City's employed residents both lived and worked in Hot Springs.



Findings on Growth Trends

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

Hot Springs' population decreased by 4.5% from 1990 to 2000. The population decreased from 4,325 in 1990 to 4,129 in 2000. From 2000 to 2010, Hot Springs' population decreased by 418 people, from 4,129 to 3,711, which was a population loss of 10.1%.

Fall River County's population increased from 7,353 in 1990 to 7,453 in 2000, which was an increase of 1.4%. The population decreased in the 2000s from 7,453 in 2000 to 7,094 in 2010, which was a population loss of 4.8%.

Hot Springs had a decrease of 48 households from 1990 to 2000. Hot Springs experienced a gain of 26 households from 2000 to 2010. Fall River County had an increase of 263 households from 1990 to 2000 and a gain of 145 households from 2000 to 2010.

Esri estimates that Hot Springs gained 20 people and 37 households from 2010 to 2015. Esri estimates that Fall River County had a loss of 36 people but added 24 households from 2010 to 2015.

The U.S. Census estimates that from 2010 to 2015, Hot Springs had a loss of 179 people and Fall River County had a loss of 227 people. The losses estimated by the U.S. Census from 2010 to 2015 contradict the gains Esri has estimated in Hot Springs. The Census Bureau's estimated population loss for Fall River County is much greater than estimated by Esri.

Findings on Projected Growth

Esri projects that Hot Springs' population will increase by 46 people and 40 households from 2015 to 2020.

Esri projects that Fall River County will gain approximately 26 people and 43 households from 2015 to 2020.

Summary of Hot Springs' Growth Projections by Age Group

The Demographic section of this Study presented Hot Springs projection information on anticipated changes by age group from 2010 to 2020. This information can be informative in determining the housing that may be needed due to age patterns of the City's population.

Consistent with the age distribution data presented earlier, the movement of the "baby boom" generation through the aging cycle should generate much of the City's growth in households in the age ranges between 55 and 74 years old. Age projections would expect the City to add approximately 140 households in the 55 to 74 age ranges from 2010 to 2020.

The Esri age-based projections also expect an increase of 44 households in the 75 and older age range.

Esri projects Hot Springs will lose nine households in the 15 to 24 age range and 98 households in the 35 to 54 age ranges from 2010 to 2020. Esri projects that there will be no change from 2010 to 2020 in the 25 to 34 age range.

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

<u>Age Range</u>	<u>Projected Change in Households 2010 to 2020</u>
15 to 24	-9
25 to 34	0
35 to 44	-17
45 to 54	-81
55 to 64	11
65 to 74	129
75 and older	44
Total	77

Findings on Unit Demand by Type of Housing

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

Age 24 and Younger - The projections used for this Study expect a loss of nine households in the 15 to 24 age range through the year 2020. Past tenure patterns indicate that most of the households in Hot Springs in this age range will rent their housing. A decrease in the number of households in this age range should mean that rental demand from younger households will decrease slightly during the projection period.

25 to 34 Years Old - The projections show no change in the number of households in this age range from 2010 to 2020. Within this age range households often move from rental to ownership housing. The ownership rate among these households in Hot Springs was approximately 45% in 2010. No change in the number of households within this age range indicates demand for both first-time home buyer and rental opportunities will remain stable during the projection period.

35 to 44 Years Old - The projections for this 10-year age cohort expect a loss of 17 households between 2010 and 2020 in Hot Springs. In the past, this age group has had a rate of home ownership in Hot Springs, at approximately 58%. Households within this range often represent both first-time buyers and households looking to trade-up in housing, selling their starter home for a more expensive house.

45 to 54 Years Old - By 2020, this age cohort will represent the front-end of the "baby bust" generation that followed behind the baby boomers. This age group represents a much smaller segment of the population than the baby boom age group. For Hot Springs, the projections show a loss of 81 households in this range from 2010 to 2020. The rate of home ownership was approximately 62% in Hot Springs in 2010. Households in this age range will often look for trade-up housing opportunities. A loss in the number of households in this age group, indicates that the demand for trade-up housing will decrease during the projection period.

55 to 64 Years Old - This age range is part of the baby boom generation. The projections show an increase of 11 households in this 10-year age range by the year 2020 in the City. This age range has traditionally a high rate of home ownership in Hot Springs, at approximately 68% in 2010. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters.

65 to 74 Years Old - A large gain of 129 households is expected by the year 2020 in the 65 to 74 age range. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. At the time of the 2010 Census, approximately 68% of the households in this age range owned their housing in Hot Springs. Once again, preferences for age-appropriate units would increase from household growth within this age cohort.

75 Years and Older - There is a projected gain of 44 households in Hot Springs in this age range between 2010 and 2020. In the past, younger households age 75 to 84 in this age range had a rate of ownership at approximately 60%. The older seniors in this age range that were over the age of 85, had a relatively low ownership rate of approximately 44%. An expansion of housing options for seniors, including high quality rental housing, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

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

Findings on Housing Unit Demand and Tenure

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

Demand from Growth - The Esri household projections used for this Study expect Hot Springs to gain 40 households and Fall River County to gain 43 households from 2015 to 2020. Household growth in Hot Springs and Fall River County will yield some demand for new housing production in Hot Springs.

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

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

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

Hot Springs Strengths and Barriers for Housing Development

Strengths for Housing Development

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

- ▶ **Hot Springs serves as a small regional center for the Southern Black Hills Region** - The City of Hot Springs provides employment opportunities, retail/service options, health and professional services, governmental services, recreational facilities and housing options for a geographical area that surrounds the City.
- ▶ **Educational system** - Hot Springs has an excellent public K-12 school system.
- ▶ **Health facilities** - Hot Springs has excellent health facilities including a hospital, medical clinic and senior with services facilities.
- ▶ **Infrastructure** - Hot Springs' water and sewer infrastructure can accommodate future expansion.
- ▶ **Commercial development** - Hot Springs' commercial district serves the Southern Black Hills Region. Also, Hot Springs has experienced commercial development over the past several years.
- ▶ **Southern Hills Economic Development Corporation** - The Southern Hills Economic Development Corporation is active in promoting economic and industrial development, job creation and housing.
- ▶ **Employers** - Hot Springs has several large employers that provide job opportunities for local residents.
- ▶ **Population and household growth** - Hot Springs and the Region are projected to add people and households over the next five years.
- ▶ **Commuters** - Approximately 61% of the city-based employees in Hot Springs are commuting into the City daily for work. These commuters are a potential market for future housing construction.

- ▶ **Desirable location of seniors and retirees** - Hot Springs is an attractive community for empty nesters and seniors as a retirement location. As providers for health, retail and commercial services, government services, housing options and many recreational opportunities, Hot Springs has amenities that are attractive for seniors as they age.
- ▶ **Black Hills recreational area** - Hot Springs is in the Black Hills, a prime, nationally known recreational and tourism area. Hot Springs also has several major attractions including the Mammoth Site and Evans Plunge.
- ▶ **Proximity to Rapid City** - Hot Springs is located approximately 57 miles from Rapid City, the area's Regional Center. Rapid City provides additional employment opportunities, retail/services options, educational opportunities, health care facilities and recreational opportunities.
- ▶ **Downtown/Uptown housing** - Hot Springs' downtown/uptown has additional capacity to create housing units on the upper floors of some commercial buildings.
- ▶ **Developers, builders, contractors** - Hot Springs has developers, builders and contractors.
- ▶ **Affordably priced housing stock** - Based on market values from 2015 residential sales, we estimate that the median priced home in Hot Springs is valued at approximately \$112,500. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Available lots/land for development** - There are approximately 100 to 120 lots available for new residential construction that either are available in 2016 or will be available in 2017. Undeveloped land, including land adjacent to the State Veterans Home, is available for future subdivision and residential lot development.
- ▶ **City leadership** - The City has leadership which has been successful in promoting industrial and commercial development, recreational opportunities, housing options and other community amenities.
- ▶ **Small town atmosphere** - Although Hot Springs is a tourism destination, Hot Springs still has the real and perceived amenities of a small town. This small town living is attractive to some households.

- ▶ **Hot Springs Downtown/Uptown** - Hot Springs has a Downtown/Uptown Business District that is attractive and has character.
- ▶ **Historic Preservation** - The City of Hot Springs has a number of historic properties listed on the U.S. Department of Interior, National Park Service and the National Register of Historic Places. Also, the City has an Historic District that is listed on the National Register.

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 Hot Springs.

- ▶ **Age and condition of the housing stock** - While most of Hot Springs' housing is in good or excellent condition, some of this housing is in need of improvements to meet expectations of potential buyers and renters.
- ▶ **Lower paying jobs** - Although Hot Springs has job opportunities, some jobs are at the lower end of the pay scale and employees with these jobs have limited housing choices.
- ▶ **Proximity to Rapid City** - Although it is a strength to be close to the Rapid City area, it is also a barrier as Hot Springs must compete with the Rapid City area, which offers attractive residential opportunities and other amenities and services.
- ▶ **Competition with rural lots** - The Hot Springs area has rural lot opportunities, which compete with available lots within the City limits of Hot Springs.
- ▶ **Infrastructure costs** - Some of the land and lots available for future development will have costs to install the infrastructure including water, sewer, streets, etc.
- ▶ **Lot rent structure** - The City's rent structure is low, which makes it difficult to construct new rental housing.

Recommendations, Strategies and Housing 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 Hot Springs. They are based on the following strategies.

- ▶ **Be realistic in expectations for housing development** - Large-scale residential growth has not occurred in the recent past and is not likely to occur in the near future. The scale of activities proposed for the future should be comparable with the area's potential for growth.
- ▶ **Proactive community involvement** - New home and apartment construction will more likely occur in Hot Springs if there is continued proactive support from the City of Hot Springs, local and regional housing agencies, economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the existing housing stock** - The future of Hot Springs will be heavily dependent on the City's appeal as a residential location. The condition of the existing housing stock is a major factor in determining the City's long-term viability. The existing housing stock is in good condition and is a major asset, however, rehabilitation efforts are needed to preserve the housing stock.
- ▶ **Protect the existing assets and resources** - Hot Springs has several assets including a k-12 school, major tourism attractions, an affordable housing stock, the Downtown/Uptown Business District, recreational opportunities, several employers, etc. These are strong assets that make Hot Springs a desirable community to live in, and are key components to the City's long-term success and viability. These assets must be protected and improved.
- ▶ **Develop a realistic action plan with goals and time lines** - In the past the City has been involved in housing issues. The City should prioritize its housing issues and establish goals and time lines to achieve success in addressing its housing needs.
- ▶ **Access all available resources for housing** - The City has other resources to draw on including the Hot Springs Housing and Redevelopment Commission, the Southern Hills Economic Development Corporation, USDA Rural Development, the South Dakota Housing Development Authority, the Western South Dakota Community Action Agency, the Pennington County Housing and Redevelopment Commission, the Black Hills Council of Governments, NeighborWorks Dakota Home Resources and Grow South Dakota. These resources should continue to be accessed as needed to assist with housing activities.

Summary of Findings/Recommendations

The findings/recommendations for the City of Hot Springs have been formulated through the analysis of the information provided in the previous sections. These findings/recommendations have divided into the following five categories and include 26 recommendations:

- ▶ **Rental Housing Development**
- ▶ **Single Family Housing Development**
- ▶ **Home Ownership Recommendations**
- ▶ **Housing Rehabilitation and Neighborhood Revitalization**
- ▶ **Other Housing Issues**

The findings/recommendations for each category are as follows:

Findings and Recommendations for the City of Hot Springs	
Rental Housing Recommendations	
1.	Develop 30 to 36 general occupancy conventional market rate rental housing units
2.	Develop 20 to 24 senior independent/light services rental units
3.	Develop six to eight subsidized general occupancy rental housing units with three or more bedrooms
4.	Preserve the existing supply of subsidized rental housing
5.	Consider the development of additional senior housing with services
6.	Promote the development of a mixed-use commercial/housing project
7.	Promote the development/conversion of 8 to 10 affordable market rate rental units
8.	Continue to utilize the Housing Choice Voucher Program
Home Ownership Recommendations	
9.	Continue to utilize and promote all programs that assist with home ownership
10.	Develop a purchase/rehabilitation program
11.	Consider the creation of a local down payment assistance program

Findings and Recommendations for the City of Hot Springs	
Single Family Housing Development	
12.	Findings on lot availability and lot development
13.	Strategies to encourage continued residential lot sales and new home construction
14.	Promote twin home/town house and condominium development
15.	Coordinate with agencies/non-profits that develop very affordable ownership housing
16.	Strategies to develop new affordable houses
Housing Rehabilitation and Neighborhood Revitalization	
17.	Promote rental housing rehabilitation programs
18.	Promote owner-occupied housing rehabilitation programs
19.	Develop a neighborhood revitalization program
20.	Continue to acquire and demolish dilapidated structures
21.	Consider the development a rental inspection and registration program
Other Housing Initiatives	
22.	Promote employer involvement in housing programs
23.	Develop mobile home park improvement programs
24.	Create a plan and a coordinated effort among housing agencies
25.	Strategies for downtown development
26.	Develop home ownership and new construction marketing programs and strategies

More detail on these recommendations is provided in the following section. Prior to the specific recommendations, a summary of some of the key growth-related findings and projections has been presented.

Hot Springs Rental Housing Development

Rental Housing Development

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

From 2000 to October, 2016, the only rental units that were constructed in Hot Springs were 24 independent living units constructed on the Michael J. Fitzmaurice State Veteran’s Home campus. These units aren’t available to rent by the general public. However, some single family homes were converted from owner-occupied to rental use during that time period.

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

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

Esri projects that Hot Springs will gain 40 households from 2015 to 2020. It is estimated that approximately 40% of these households will be rental households, thus, there will be a demand of approximately 16 additional rental units due to household growth over the next five years.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that Hot Springs will lose as many as eight to 10 units over the next five years. As a result, approximately eight 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. In other cases, this replacement is appropriate due to the deteriorating condition of older, substandard rental housing that should be removed from the occupied stock. Rental units will also be lost due to rental units converting to owner occupancy.

Pent-up demand also exists. As part of this study, a rental survey was conducted. The survey found no vacancies in general occupancy market rate units and a high occupancy rate in senior with services projects. Based on the high occupancy rates in existing housing, and a limited supply of rental options, we have identified pent-up demand for market rate and senior with services rental units.

These three demand generators show a need for 62 to 78 rental units over the next five years. Based on the factors stated above, we recommend the development of the following new rental units over the next five years from 2016 to 2021.

▶ General Occupancy Market Rate	30-36 units
▶ Subsidized	6-8 units
▶ Affordable/Conversions	8-10 units
▶ Senior Independent/Light Services	12-16 units
▶ Senior Memory Care	<u>6-8 beds</u>
Total	62-78 units

1. Develop 30 to 36 general occupancy market rate rental units

Findings: Approximately 52% of the rental housing units in Hot Springs can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

Hot Springs has only two multi-family market rental projects, which have eight or more units. The two market rate rental projects include El Rancho Apartments with 16 units and a 13-unit market rate rental building. El Rancho Apartments was constructed in 1978 and the 13-plex is also an older building. The remaining market rate units in Hot Springs are in small rental buildings, mixed-use buildings, single family homes or mobile homes.

In the market rate rental units we surveyed, we found no vacancies. The owners of rental properties reported very high occupancy rates and strong demand for rental housing.

There is a variation in rental rates in the market rate segment in Hot Springs. The existing rents including utilities for an efficiency unit range from \$450 to \$500, a range of \$500 to \$650 for one-bedroom unit and a range of \$650 to \$1,050 for a two-bedroom unit.

From 2000 to 2016, with the exception of the independent living project at the State Veteran’s Home, we are not aware of any market rate rental units that were constructed in Hot Springs. However, some single family homes converted from owner occupied to rental since 2000.

Recommendation: As stated earlier in this section, rental housing demand is based on household growth, pent-up demand and replacement of housing units that have been demolished or converted. Based on this combination of demand generators, we believe that it is reasonable to plan for the production of a total of 30 to 36 market rate rental units over the next five years from 2016 to 2021.

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

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

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

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

The first option to developing market rate housing would be to encourage private developers to undertake the construction of market rate rental housing. During the interview process, several rental property owners expressed interest in constructing additional rental housing in Hot Springs.

If private developers cannot develop affordable workforce rental housing, the Hot Springs Housing and Redevelopment Commission or a regional housing agency could potentially utilize essential function bonds, or similar funding sources, to construct market rate units.

Also, the Hot Springs Housing and Redevelopment Commission or a regional housing agency could partner with private developers to construct additional units. The City could assist with land donations, tax increment financing, tax abatement, reduced water and sewer hookup fees, etc.

It may also be possible to utilize Housing Choice Vouchers if some of the new units meet income requirements and the rents are at or below the Payment Standards. The Housing Voucher Payment Standards are at \$635 for a one-bedroom, \$780 for a two-bedroom and \$1,016 for a three-bedroom unit.

**Recommended unit mix, sizes and rents for Hot Springs
Market Rate Housing Units:**

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	6-8	700 - 850	\$700 - \$900
Two Bedroom	18-20	900 - 1,100	\$775 - \$1,100
Three Bedroom	6-8	1,100 - 1,350	\$900 - \$1,300
Total	30-36		

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2016 dollars. It is assumed that rents will increase later in the five-year projection period.

2. Develop 12 to 14 senior independent/light services market rate units

Findings: The Pine Hills Retirement Community has 21 one and two-bedroom independent/light services rental units. These units were fully occupied at the time of the rental survey, and reported a high ongoing occupancy rate.

In 2016, there are approximately 561 households age 75 or older in Fall River County. It is projected that there will be 78 additional households age 75 and older by 2021.

Recommendation: We are recommending a 12 to 14-unit independent/senior with light services project in Hot Springs. The project should be designed to allow seniors to live in a unit independently or to rent a unit and utilize a low level of senior services such as noon meal and housekeeping.

The project’s amenities and features should include:

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

Apartment features should include:

- ▶ 12 to 14 units
 - ▶ 3 to 14 one-bedroom
 - ▶ 9 to 10 two-bedroom
- ▶ Fully equipped kitchen
- ▶ Large storage room
- ▶ Ample closet space
- ▶ Laundry hookups
- ▶ Open floor plan
- ▶ Private patio
- ▶ Individually controlled heat and AC
- ▶ Raised outlets, lever door handles, lowered kitchen cabinets
- ▶ Expansive windows

Optional services should include:

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

Tax increment financing, tax abatement and other subsidies and/or incentives could be utilized to make the project possible.

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

3. Develop six to eight subsidized general occupancy three and four-bedroom rental housing units

Findings: There are seven federally subsidized rental projects in Hot Springs. Combined, these projects have 293 units of subsidized housing. Four projects with 108 units are general occupancy and two projects with 185 units are senior/disabled. There is also a 24-unit subsidized senior/disabled rental project in Edgemont.

The eight subsidized projects are as follows:

- ▶ **The Evans** - The Evans is an 85-unit senior/disabled Section 8/Mod Rehab. There are 12 studio and 73 one-bedroom units.
- ▶ **Brookside Apartments** - Brookside Apartments is a 100-unit HUD Public Housing senior/disabled project. There are 97 one-bedroom and three two-bedroom units.
- ▶ **Rc Springs Apartments** - Rc Springs Apartments is a 40-unit USDA Rural Development general occupancy project. There are five one-bedroom units and 35 two-bedroom units.
- ▶ **Majestic View Apartments** - Majestic View Apartments is a 20-unit general occupancy HUD project. There are four one-bedroom units, 12 two-bedroom units and three four-bedroom units.
- ▶ **Lincoln Ave. Apartments** - Lincoln Ave. Apartments is an eight-unit general occupancy USDA Rural Development project. The eight units include one one-bedroom and seven two-bedroom units.
- ▶ **Mountain View Apartments** - Mountain View Apartments is a 40-unit USDA Rural Development general occupancy project. There are five one-bedroom and 35 two-bedroom units.
- ▶ **Hillcrest Apartments** - Hillcrest Apartments is a 24-unit USDA Rural Development senior/disabled project located in Edgemont. All 24 units have one bedroom.

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

Of the 317 subsidized rental units in Hot Springs and Edgemont, 12 are studio, 209 are one-bedroom, 92 are two-bedroom and only four units are three-bedroom. There are no four-bedroom units.

Approximately 25 vacancies were identified in the six Hot Springs subsidized projects at the time of the survey. This is a vacancy rate of 8.5%. The 24-unit subsidized project in Edgemont had nine vacancies, which is a 37.5% vacancy rate.

In addition to the project-based subsidized housing, Hot Springs averages 10 to 20 households that are assisted with HUD Housing Choice Vouchers (formerly Section 8 Existing Program).

Despite the subsidized housing offerings in the City, there does appear to be unmet demand for rental housing for lower income people. Based on the 2014 American Survey, approximately 259 renter households reported that 30% or more of their income was required to pay housing costs. This represented over 34% of all renters that were surveyed. At that time, most of these households had annual incomes of less than \$25,000, and needed a very affordable unit to avoid a housing cost burden. Also, only four (1.3%) of the subsidized units have three or more bedrooms.

Recommendation: We would recommend that the City and the HRC look for opportunities to expand the supply of very affordable rental housing. Although the need is greater, a realistic goal would be the construction of six to eight general occupancy three and four-bedroom subsidized units for larger families over the next five years. There are only four three-bedroom and no four-bedroom subsidized rental units in the City of Hot Springs.

The need for additional subsidized rental housing could increase even more significantly if some of the existing subsidized units are lost. In the recommendation that follows, we have discussed the need to preserve the existing project-based subsidized housing in the community.

The large subsidized housing production programs of the past are no longer available, and it remains very difficult to produce new units for very low income renters. The best available options are to layer various subsidies together in an attempt to produce some very affordable units.

The Hot Springs HRC or an area housing agency such as Neighbor Works Dakota Home Resources may have the staff resources to assist the City of Hot Springs with developing a new subsidized rental project.

4. Preserve the existing supply of subsidized housing

Findings: The City of Hot Springs has six “deep subsidy” rental housing projects that allow tenants to pay rent based on 30% of income. Most of these projects are over 20 years old and were constructed when the federal government was actively involved in producing low income housing.

The subsidized housing represents the most affordable option available to lower income households. Since most of these units charge rent based on income, even extremely low income households can afford their housing.

We believe that four of the “deep subsidy” rental housing projects in Hot Springs are privately owned. In some communities, privately owned subsidized housing has been lost as owners have the ability to opt-out of subsidy contracts after their original obligations have been met. Subsidized housing that is lost cannot be cost-effectively replaced with the low income housing production resources that are available today.

Recommendation: The South Dakota Housing and Development Authority (SDHDA) tracks subsidized housing in South Dakota that is at risk of being lost. SDHDA administers subsidy programs statewide and would therefore be aware of subsidized housing that is in the process of ending its subsidy contract. USDA Rural Development would know of any projects leaving their subsidy program.

Local and regional housing agencies should check with SDHDA, USDA Rural Development and/or the subsidized projects owners on an ongoing basis to determine if any subsidized housing projects are considering the option to drop their subsidy contract. In some communities, public or nonprofit agencies have been able to purchase projects that are at risk of being lost, to preserve their affordable housing resources.

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

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

- ▶ **Pine Ridge Retirement Community** - Pine Ridge Retirement Community is a senior with services campus with 28 assisted living units, 12 memory care units and 21 independent living units. The independent living units include one-bedroom and two-bedroom units. The facility was constructed in 2006.
- ▶ **Seven Sisters Living Center** - Seven Sisters Living Center is a skilled nursing home with 48 beds in 16 private rooms and 16 double rooms.
- ▶ **Michael J. Fitzmaurice State Veteran's Home - Skilled nursing and independent living** - The Michael J. Fitzmaurice State Veteran's Home has recently developed a 76-bed skilled nursing facility and 24 independent living project. The project opened for occupancy in early 2016.

We have defined Fall River County as the market area for senior housing with services in Hot Springs. While the defined County may not be a perfect indicator of overall demand, it does provide an informative look at planning for specialized senior housing. Based on 2015 estimates from Esri, there are 756 older senior citizens, age 75 and above, residing in Fall River County.

The projections contained in this Study anticipate growth in the number of older seniors from 2015 to 2020 in Fall River County. The age-based forecasts from Esri point to an increase of approximately 53 older senior citizens, age 75 and above, from 2015 to 2020. The number of seniors, age 75 and older, is projected to increase from 756 in 2015 to 809 in 2020.

Older seniors tend to represent the primary target market for specialized senior housing. There is larger-scale growth expected within the younger senior ranges, age 65 to 74, indicating growing demand for specialized housing after the year 2020.

Using the current estimates for senior population, the current estimated capture rates for the existing providers are as follows. We have not included the Michael J. Fitzmaurice State Veteran's Home in the following capture rate as the State Veteran's Home has its own veteran's market separate from the senior housing with services needs in Hot Springs.

Skilled Nursing Beds - When compared to the older senior population in Fall River County in 2016, the total supply of 48 longer-term nursing home beds in the Seven Sisters Living Center, would require a capture rate of approximately 6.2% of the total population of older seniors (age 75+).

Assisted Living - There were approximately 710 older senior citizens, age 75 and older in Fall River County in 2015, excluding those estimated to be living in the Seven Sisters Living Center. There are 28 assisted living beds in the Pine Hills Retirement Community. In 2015, a capture rate of approximately 3.9% is required among older seniors to fully occupy the beds.

Independent/Light Services - There are 21 independent/light services units in the Pine Hills Retirement Community, including 16 one-bedroom and five two-bedroom units. A capture rate of 3.7% of the households in Fall River County is required to maintain full occupancy.

Memory Care - The Pine Hills Retirement Community has 12 beds for people with dementia. A capture rate of 1.6% is required to fully occupy the total 12 memory care beds. There are also other seniors with memory loss that can successfully live in other facilities, such as Seven Sisters Living Center.

Recommendation: Based on the research completed for this Study, we would recommend development of six to eight additional memory care and 12 to 14 independent/light services units in Hot Springs over the next five years.

Skilled Nursing Home - The research for this Study points to a decreasing alliance on nursing homes as a long-term residence option for older senior citizens. Over time, the nursing homes have tended to use more beds for rehab/recovery stays, or other specialized uses. There has also been a long standing moratorium that limits expansion in most cases. No recommendations are offered for this type of specialized housing. Hot Springs has a well established provider, Seven Sisters Living Center, with 48 beds, that serves this section of the market. The facility was constructed in 2014. Currently, Seven Sisters Living Center is operating at a 95% occupancy rate and has two vacant beds.

Assisted Living - With 28 assisted living units in the Pine Hills Retirement Community, no expansion is recommended to the year 2020. The facility has several vacancies and several units allow for double occupancy. We do recommend continuing to monitor the need for additional senior with services units/beds, as some growth will continue to occur in the population of older seniors, especially after 2020.

Independent/Light Services - Pine Hills Retirement Community has 21 independent/light services units for more independent seniors that would look to have light services available with their housing. Lighter services would typically include a daily meal, weekly light house keeping and an emergency call

system. Based on the size of the older senior population residing in Fall River County, we are recommending 12 to 14 additional light services units in Hot Springs through 2021. We have discussed this recommendation in a previous recommendation.

Memory Care Housing - The Pine Hills Retirement Community has 12 beds for memory care needs that are in a secure environment. The beds are totally occupied. Also, the Seven Sisters Living Center serves residents with lower level memory care loss. To serve locally-generated demand, the development of an additional six to eight beds would be recommended over the next five years.

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

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

There is evidence that Hot Springs 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 Hot Springs is to provide for unit replacement of lost units. Unfortunately, most of the lost units are probably very affordable, and new construction will not replace these units in a similar price range.

Recommendation: We encourage the City of Hot Springs 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 affordable 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 of Hot Springs's downtown/uptown buildings have potential on the upper floors to convert space into rental housing or to rehabilitate rental housing that has been vacant. Although this recommendation is promoting the development of affordable rental housing, some Hot Springs downtown/uptown conversions could be used for high end rental housing.

The estimated prevailing rent range for older rental units in Hot Springs is typically between \$400 and \$650 per month. Creating some additional units with contract rents below \$650 per month would help to expand the choices available to a majority of Hot Springs'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, property tax deferral, Historic Preservation funds and other financial resources from funding agencies such as the South Dakota Housing Development Authority.

7. Develop a Downtown/Uptown Mixed-Use Commercial/Housing Project in Hot Springs

Findings: The City of Hot Springs has undertaken projects in the Downtown/Uptown Business District to revitalize and to develop a more active and vibrant area. A new mixed-use rental housing/commercial project would complement these redevelopment efforts. Currently, there are several existing mixed-use buildings downtown/uptown.

New mixed use projects have been developed in several cities comparable to the size of Hot Springs. Some of these projects were developed because of market demand, while others were developed to enhance the central business district, to introduce a new product to the market or to serve as a catalyst for redevelopment. Also, there is a demand for downtown/uptown rental housing.

Recommendation: We recommend the development of a mixed-use building in the downtown/uptown area, which includes commercial space on the first floor and rental units on the second floor. The number of units would be based on the size of the site. Prior to construction, a portion of the commercial space should be leased to an anchor tenant who would complement existing downtown/uptown businesses and attract people to downtown/uptown.

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-bedroom and two-bedroom units.

The mixed-use building could be constructed on a vacant site or substandard buildings could be demolished to provide space for a new building.

Please note that these units are not in addition to the units recommended in the first three recommendations of this section. If a mixed use building was constructed, the number of units recommended previously should be reduced.

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

8. Utilize the Housing Choice Voucher Program

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

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

The Housing Choice Voucher Program is administered in Hot Springs and Fall River County by the Pennington County Housing and Redevelopment Commission. The Pennington County Housing and Redevelopment Commission has the ability to issue approximately 1,329 vouchers in Fall River and Pennington Counties. An average of 10 to 20 Hot Springs households utilize the Housing Choice Voucher Program. There is a 2½ to 3-year waiting list to obtain a Voucher.

Recommendation: The City of Hot Springs should work with the Pennington County Housing and Redevelopment Commission to assure that renter households in Hot Springs are aware of the Housing Choice Voucher Program and have an opportunity to apply for assistance.

Hot Springs Home Ownership

Home Ownership

Findings: Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base. The median owner-occupied home value in Hot Springs is estimated to be approximately \$112,500 based on recent sales activity. The home values in Hot Springs provide a good opportunity for first time buyers and households seeking moderately priced homes.

Our analysis of Hot Springs demographic trends shows an increase in the number of households in the traditionally strong home ownership age ranges between 55 and 74 years old, from 2015 to 2020. The number of households in the 25 to 34 age range is expected to remain stable over the next five years. Households in this age range are typically first-time home buyers. Some households in these age ranges as well as other age ranges that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase their first home.

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

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

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

First time home buyer assistance, down payment assistance, low interest loans and home ownership counseling and training programs can help to address affordable housing issues. The City of Hot Springs has a supply of houses that are price-eligible for these assistance programs. The home value estimates used in this study indicate that a large majority of the existing stock currently is valued under the purchase price limits for the first-time home buyer assistance programs.

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

Recommendation: Hot Springs should continue to work with area housing agencies, the South Dakota Housing Development Authority, USDA Rural Development and local financial institutions to utilize all available home ownership assistance programs. Private and nonprofit agencies should also be encouraged to provide home ownership opportunities.

The Hot Springs Housing and Redevelopment Commission could also work with housing agencies to assure that they are receiving their share of resources that are available in the region.

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

10. Develop a Purchase/Rehabilitation Program

Findings: Hot Springs has a stock of older, lower valued homes, many of which need repairs. Our analysis of recent sales activity indicates that approximately 50% of the homes in Hot Springs are valued less than \$112,500. As some lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

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

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

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

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

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

Additionally, private individuals have purchased homes in Hot Springs, and rehabed and then re-sold the homes. There may be an opportunity for local and regional housing agencies to financially assist the private sector with purchasing, rehabilitating and selling homes. This may increase the inventory of substandard homes that can economically be rehabilitated and sold.

11. Consider the development of a local down payment assistance program

Findings: One of the identifiable barriers preventing low and moderate income households from owning a home is the inability to save money for down payment and closing costs. This is especially true now that lending institutions have tightened their lending criteria and some conventional loans require a lower loan-to-value ratio.

There are numerous examples of cities and counties that have created a local fund to assist home owners with a down payment assistance program. Under these programs, the city or county establishes a loan pool. Eligible applicants are provided a "soft second" loan that can be applied to a home purchase.

This down payment/closing cost loan is typically secured against the property, behind the primary mortgage. Repayment can be triggered if the buyer sells the home within a certain period of time, but often the loan is forgiven if the borrower meets the basic program requirements. In other cases, the loan may need to be repaid after a certain period of time, or when the borrower sells or transfers the house in the future. Loans with repayment requirements typically do not accrue interest. The size of the loan is generally \$5,000 or less, but depends upon the resources that are available for the loan pool.

Recommendation: The City of Hot Springs may wish to consider the development of a local down payment/closing cost assistance program. A locally-funded program could provide additional assistance or could potentially serve households that do not qualify for SDHDA Down Payment Assistance. Following the collapse of the national housing bubble, and resulting rise in foreclosures, more stringent lending criteria now apply to many conventional mortgage loans, and a larger borrower contribution may be required.

Major local employers, the Hot Springs HRC, the Federal Home Loan Bank and the South Dakota Housing Development Authority may be potential sources to contribute to the fund. In some communities, recaptured grant funds have also been used to create a loan pool.

Hot Springs Single Family Housing Development

New Housing Construction

Findings: Hot Springs has experienced some single family owner-occupied housing construction over the past 16 years. According to City and U.S. Census records, from 2001 to October, 2016, approximately 73 single family owner-occupied units were constructed in Hot Springs. Based on the type of construction, it is assumed that these units were primarily intended for owner-occupants, although some may be seasonal-use properties.

During the eight-year period from 2001 to 2008, approximately 49 single family units were constructed, which is an average of six to seven homes annually. During the past eight years, from 2009 to 2016, 24 single family units were constructed, which is an average of three units per year.

The Hot Springs area has many desirable features and qualities, including the attractiveness of the area, its appeal as a retirement location, high amenity lots, land for future development, projected household growth, and a past history of housing development. The efforts of local stakeholders, including developers and builders, should result in the construction of single family housing units over the five-year projection period. However, attractive residential lot options must continue to be available for new home construction.

It is our opinion that if the City of Hot Springs, SHEDC, the Hot Springs HRC, developers and builders, and local and regional housing agencies continue to be proactive, an average of 10 to 13 single family owner-occupied housing units could be constructed in Hot Springs annually from 2017 to 2022 to address demand. This is a total of 50 to 65 housing units over the five-year period.

Our projection for new owner-occupied single family housing units includes homes built in new subdivisions and on infill lots, and includes single family attached housing units, such as twin homes, town houses and condominiums. The breakdown of our projection of 10 to 13 new units annually is as follows:

- | | |
|---------------------------------|--------------------|
| ▶ Higher & moderate price homes | 5-6 homes |
| ▶ Affordable homes | 2-3 homes |
| ▶ Twin homes/town homes | <u>3-4 units</u> |
| Total | 10-13 homes/ units |

12. Lot availability and lot development

Findings: As part of this Study, we attempted to identify the inventory of residential lots available for single family housing construction in the City of Hot Springs. Currently, there are approximately 100 to 120 lots that already exist or are in the development pipeline. A significant majority of these lots are on the Southern Hills Golf Course. Many of these lots still need infrastructure improvements, but these plans are in place.

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, there are dilapidated homes in the City. If these homes are demolished, some of the cleared lots may be sites for new construction.

There are also subdivisions and building sites in close proximity to Hot Springs, but not within the city limits.

Additionally, there is land potentially available for future lot development, including approximately 193 acres at the State Veteran's Home site.

Recommendation: We use a standard that a 2 ½ year supply of lots should be available in the marketplace based on annual lot usage. With projections that 10 to 13 new single family housing units could be constructed per year, the City should have approximately 25 to 33 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction.

With approximately 100 to 120 lots available now or in the near-future, plus infill lots, the City has an adequate supply of lots for the next 2 ½ years. However, the infrastructure improvements must be completed in the Southern Hills Subdivision. Also, it must be determined how many of the Southern Hills lots are for sale and available for development. We recommend that the City develop and maintain an inventory of vacant lots, after infrastructure improvements are completed.

13. Strategies to encourage continued residential lot sales and new home construction in Hot Springs

Findings: Prior to the housing market retreat of the late 2000s, an average of approximately six to seven single family housing units were constructed annually in Hot Springs from 2001 to 2008. Over the past eight years, from 2009 to 2016, an average of three single family units have been constructed in the City annually.

Recommendation: We recommend that the City of Hot Springs, SHEDC, the Hot Springs HRC, developers, builders, realtors and other housing stakeholders coordinate efforts to promote lot development, lot sales and housing development.

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

- ▶ ***Complete infrastructure improvements in the Southern Hills Subdivision*** - The infrastructure improvements must be completed, which will make the lots available for new construction.
- ▶ ***Lot Inventory*** - The City and lot owners should develop a lot inventory which provides lot buyers with the options that are available to them.
- ▶ ***Competitive pricing*** - There are lots available in communities throughout the region. To attract new home construction in Hot Springs, lots should be competitively priced with other options in the area.
- ▶ ***User-Friendly/develop momentum*** - The lot purchase and home building process must be 'user friendly.' This includes an inventory of available lots, the construction of spec homes, builders that are readily available to build custom homes and city regulations that are fair and reasonable. The entire process must be as 'user friendly' as possible to encourage home construction. This will create momentum for new housing construction.
- ▶ ***Long-term planning*** - The City of Hot Springs and Hot Springs developers should continue long-term development planning to assure lots are available to meet demand for all types 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.
- ▶ ***Incentives*** - Many cities throughout South Dakota are offering incentives to construct new homes, including reduced lot prices, reduced water and sewer hook-up fees, tax abatements, cash incentives, etc. Incentives should be considered to promote new home construction.

- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a demand for twin homes/town homes over the next five years. Lots should continue to be available for a twin home/town home development.
- ▶ ***Generate initial activity*** - To stimulate new construction, proactive efforts, such as the sale of some lots at discounted prices, the reduction of hook-up fees and permit fees or other incentives should be provided if the buyer agrees to build a home of a certain quality and style within a specified time frame. This will help create momentum for more houses to be built.
- ▶ ***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 Hot Springs and all housing stakeholders will need to develop a comprehensive marketing strategy to sell available lots. Developers, realtors, financial institutions, builders, employers, etc. should all be involved in developing marketing strategies. In addition to marketing the lots, the City of Hot Springs and its amenities should continue to be marketed.

14. Promote town house, twin home and condominium development

Findings: Hot Springs has experienced some attached housing development from 2001 to 2016. Many communities over the past two decades have seen attached housing take an increasingly large share of new construction. In cities the size of Hot Springs, 20% to 25% of the housing starts are typically twin homes/town homes. Over the past 16 years, twin home/town home construction for home ownership in Hot Springs has been limited and is approximately 8% of single family owner-occupied housing construction in Hot Springs.

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. Attached housing may also be an affordable option for younger households. In 2016, based on Esri estimates, there were 1,567 households in Hot Springs with a head of household in the 55 to 74 year old age ranges and it is estimated that the 55 to 74 age ranges will increase by 66 households from 2016 to 2021.

A developer is planning to convert the 'old' hospital into an 18-unit condominium project. The units will be large, high amenity units. The project has a three to five-year time frame for completion. There is also a developer in Hot Springs who is currently constructing twin homes.

Also, land may be available at the State Veteran's Home site for twin home and town home development.

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 three to four new owner single family units per year should be twin homes, town houses or condominiums over the next five years, which is a total of 15 to 20 units during the five-year period.

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

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

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

15. Coordinate with agencies/non-profits that develop affordable housing

Findings: With the difficulty of producing new housing units that are affordable to lower income people, it is important to take advantage of opportunities presented by housing agencies and nonprofit groups such as Habitat for Humanity and NeighborWorks Dakota Home Resources. These sources can help generate new homes for moderate income families in Hot Springs. NeighborWorks Dakota Home Resources is planning to construct approximately four affordable homes on an in-fill parcel in Hot Springs.

Recommendation: We recommend that the City continue to coordinate with housing agencies, nonprofit groups and private sector builders to produce housing units for moderate income ownership. The City may be able to contribute to the project through land donations, TIF, tax abatement, or project coordination activities.

If dilapidated homes are demolished, some of the cleared lots may be suitable for redevelopment and these in-fill lots may be good sites for this type of new construction activity.

16. Strategies to develop new affordable homes

Findings: It is difficult to develop homes that are considered affordable 'under \$200,000.' Land and development costs, the cost of materials and labor, new building requirements, etc. are all factors which make most new homes out of reach for most households.

Often, developers and builders have little incentive to address the affordable home market, as they are busy addressing the higher priced home market which generates higher profits.

Recommendation: We have recommended the construction of two to three affordable homes in Hot Springs annually from 2016 to 2021. To accomplish this, the City of Hot Springs may have to take an active role in developing new affordable housing including tax increment financing, tax abatement, land donations, etc.

Successful affordable home development strategies include:

- ▶ **Governors Homes** - Governors homes are an affordable option and SDHDA has initiated a program that enables developers to participate in the 'Governor's Home Program.'
- ▶ **Modular Homes and modular home subdivisions** - Modular homes provide affordable housing opportunities for low and moderate income households. Additional lots for modular homes would expand affordable ownership opportunities.
- ▶ **In-fill lot Home Development** - In-fill lots in existing neighborhoods are often affordable and have existing City services. Some housing agencies and non-profits develop affordable homes on in-fill lots.
- ▶ **Dakota Land Trust** - The Dakota Land Trust provides an affordable permanent new home option by taking the cost of the land out of the purchase price of the home. The land is placed in the stewardship of Dakota Land Trust and the homeowner leases the land from the Land Trust through a 99-year renewable lease.
- ▶ **South Dakota Housing Development Authority Programs (SDHDA)** - SDHDA has housing programs available to assist developers, builders and home buyers.
- ▶ **Publicly owned subdivision** - Private developers often have little incentive to develop lower-priced lots and houses. A possible approach is to develop a publicly-owned subdivision, which could offer lower-priced lots for affordable homes.

Some successful strategies to develop affordable homes in other cities include:

In Brookings, tax increment financing and other resources were used to assist more affordable subdivisions for lower priced houses. Lower cost houses currently being produced in Brookings may use smaller lots, more narrow streets, and in some cases, houses are built without basements.

In Fort Pierre, the Broken Timbers subdivision was publicly developed and offered affordable lots. This subdivision attracted a mix of houses, including a number of Governors Houses. Some of the lots were developed by Habitat for Humanity.

Aberdeen has historically been one of the most successful communities in the State of South Dakota in promoting and encouraging affordable home ownership. The Homes Are Possible, Inc. organization, better known as HAPI, has been a model that has been replicated in other communities. In addition to affordable subdivision development and home construction, HAPI has been active in offering assistance programs to potential buyers. HAPI offers home ownership training and closing cost assistance. HAPI can also direct home buyers to other financial resources, such as Rural Development mortgage programs.

Hot Springs Housing Rehabilitation and Neighborhood Revitalization

Housing Rehabilitation and Neighborhood Revitalization

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

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

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

17. Promote rental housing rehabilitation

Findings: Based on the U.S. Census data, the City of Hot Springs had approximately 786 rental units in 2010. These rental buildings are in multi-family projects, small rental buildings, duplexes, single family homes, mobile homes and mixed-use buildings. Many of these rental structures could benefit from rehabilitation as a significant number of these rental structures are more than 25 years old and some rental units may be in poor condition. Hot Springs has approximately 585 rental units more than 25 years old, which is approximately 77% of Hot Springs' total rental housing stock.

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

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

Some communities have also established rental housing inspection and registration programs that require periodic inspections to assure that housing meets applicable codes and standards.

18. Promote owner-occupied housing rehabilitation programs

Findings: The affordability and quality of the existing housing stock in Hot Springs will continue to be an attraction for families that are seeking housing in Hot Springs. Investment in owner-occupied housing rehabilitation activities will be critical to offering affordable housing opportunities. Hot Springs has more than 838 owner-occupied units that are more than 25 years old, which is approximately 93% of Hot Springs' total owner occupied housing stock. Some of these units need rehabilitation.

Also, our housing condition survey of 399 homes in three of Hot Springs' oldest neighborhoods found 157 homes that need minor repairs and 85 homes that need major repairs. Without rehabilitation assistance, the affordable housing stock will shrink in Hot Springs.

Recommendation: We recommend that the City of Hot Springs 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, NeighborWorks Dakota Home Resources and the Western South Dakota Community Action Agency are potential funding sources. NeighborWorks Dakota Home Resources has several housing programs to assist households with the rehabilitation of their homes. Some programs offer households that meet program requirements, a deferred loan to rehabilitate their homes. Deferred loans do not have to be paid back if the household lives in the rehabilitated home for a stipulated amount of time after the rehabilitation is completed. We encourage Hot Springs households to utilize these housing rehabilitation programs. Also, the Western South Dakota Community Action Agency provides Weatherization funds for Hot Springs and Fall River County.

19. Develop a Neighborhood Revitalization Program

Findings: The City of Hot Springs has several neighborhoods that are on the bubble. These neighborhoods have a significant number of homes that need rehabilitation or should be demolished. These neighborhoods also have a significant number of low/moderate income households. The neighborhoods could deteriorate or could be revitalized to continue to be strong vital neighborhoods.

Recommendation: Over the years, there has been housing and neighborhood revitalization projects in the neighborhoods including housing rehabilitation, the demolition of dilapidated housing, the development of new housing and public facility improvements. We recommend that the City of Hot Springs, area housing agencies, and the private housing sector continue these efforts, select a neighborhood and develop and implement a Neighborhood Revitalization Program.

Redevelopment strategies and opportunities should be identified including:

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

The Neighborhood Revitalization Plan should include time lines, responsible City Department or Housing Agency, funding sources, etc. The Program should be evaluated on an ongoing basis as opportunities and potential projects may change priorities. As a neighborhood is revitalized, a new neighborhood can be selected for revitalization.

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

20. Acquire and demolish dilapidated structures

Findings: The housing condition survey of three older neighborhoods in Hot Springs identified 31 houses that were dilapidated and viewed as too deteriorated to rehabilitate. We also identified 85 homes as needing major repair and several of these homes may be too dilapidated to rehabilitate. It is probable that some additional deteriorated houses exist in other neighborhoods that were not surveyed.

Currently, the City of Hot Springs requires owners of vacant houses to register the houses. The City is considering a program that requires an inspection of vacant homes. Some of the vacant homes may be dilapidated and beyond repair.

Recommendation: We recommend that the City of Hot Springs continue to work with property owners to demolish and clear severely dilapidated structures. The City is enhanced when blighted and dilapidated structures are removed. It is possible that some of the cleared lots could be utilized for the construction of new affordable housing units.

The City could develop partnerships with the private sector, housing agencies to construct new housing on cleared parcels. Tax increment financing, tax abatement, SDHDA funds and Federal Home Loan Bank funds are potential funding sources for this initiative.

Also, we recommend that the City maintain an inventory of structures that may be candidates for future demolition. Additionally, an inventory of in-fill lots for future development should be maintained.

21. Develop a Rental Inspection and Registration Program

Findings: A Rental Inspection and Registration Program can be a valuable tool in improving the quality of a City's rental housing. In 2010, there were approximately 786 rental units in Hot Springs, many of which are more than 25 years old. There are also a number of single family homes that have converted from owner-occupied to rentals. Neighborhood deterioration, lower property values and unsafe rental units are often prevented when a Rental Housing Inspection and Registration program is successfully implemented.

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

Health and Safety

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

Age of Housing Stock

- Much of the existing rental housing stock in Hot Springs is more than 25 years old.
- Older housing needs continued rehabilitation and maintenance.
- Older housing often has difficulty complying with current codes.

Conversions

- Some of the rental buildings were originally constructed for other uses, including single family homes converted into multiple units, or commercial buildings converted to residential use. In conversion, owners often do the work themselves and have inadequate or faulty mechanical, electrical, plumbing, and heating systems. Also, constructing an apartment in the basement often results in a lack of natural lighting, ventilation and proper access and egress.

Trends of Conversions

- Many of Hot Springs' buyers want more amenities and conveniences, and less maintenance, thus, they are less likely to purchase older homes. Also, there was an increase in foreclosures during the recession. These issues result in the continuation of converting old homes to rental units and magnify the problem.

Maintenance Efforts

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

High Number of Landlords

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

Neighborhood Stabilization

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

Zoning and Codes

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

Coordination

- ▶ A Rental Inspection and Registration Program provides a record of rental units and owners.
- ▶ The program provides a better opportunity for coordination of city programs and codes.

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

Hot Springs Other Housing Initiatives

Other Housing Initiatives

22. Promote employer involvement in housing programs

Findings: The City of Hot Springs has several large employers. The connection between economic development and housing availability has become an increasingly important issue as local employers have 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 Hot Springs' housing needs. Several funding sources have finance programs that include employers. The funding agencies often view 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 work force oriented rental housing or an affordable residential subdivision.

23. Develop mobile home park improvement programs

Findings: Hot Springs has a significant number of mobile homes in multiple mobile home parks. According to the American Community Survey estimates, approximately 8% of the housing units in the City were mobile homes in 2014.

Community Partners Research, Inc., conducted a housing condition survey of the mobile/manufactured homes in the City's mobile/manufactured home parks in the city limits of Hot Springs. Of the 157 mobile/manufactured homes surveyed in the mobile home parks, 34 (22%) needed minor rehabilitation, 47 (30%) needed major rehabilitation and 48 (31%) were dilapidated and possibly beyond repair.

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

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

It may be appropriate for the community to initiate programs to improve the quality of mobile homes, even if these programs can only address a few units per year.

Some of the innovative programs that have been used in other communities to address mobile home conditions and mobile home park issues include:

- ▶ ***Operation Safe Mobile Home Park*** - Owners of substandard mobile homes are given the option of voluntarily selling their substandard mobile home to the City or an area housing agency for a fixed minimum price. The mobile homes are then removed from the park and demolished/salvaged. The owner can then use the funds from the sale to help purchase a new home. Mobile home dealerships have sometimes participated by buying the salvaged homes.
- ▶ ***Time of Sale Inspection Program*** - This inspection program is designed to provide safe living conditions through the identification and elimination of basic life/safety hazards in older mobile homes. Mobile homes are subject to inspection prior to their sale. All identified safety hazards must be corrected before the unit is sold and/or occupied.
- ▶ ***Cooperative/Land Trust*** - Some mobile home parks have created a cooperative or a land trust which enables the home owners to own the mobile home park land and facilities. This ownership often creates pride which results in a clean, safe park atmosphere.
- ▶ ***Acquisition of the Mobile Home Park*** - In some mobile home parks, a number of the mobile homes may be substandard or vacant, and the park may be on land that has a better use. In these situations, it may be advantageous to purchase the park and relocate the remaining tenants.

- ▶ **Age of mobile/manufactured homes** - Some cities have adopted regulations that mobile/manufactured homes older than a designated age cannot be moved into the City and mobile/manufactured homes that are not new must be inspected prior to being moved into the City.

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

Findings: The City of Hot Springs will continue to need staff resources in addition to existing City, Hot Springs HRC and SHEDC staff to plan and implement many of the housing recommendations advanced in this Study.

The City of Hot Springs has access to NeighborWorks Dakota Home Resources, the Pennington County Housing and Redevelopment Commission, the Western South Dakota Community Action Agency, the South Dakota Housing Development Authority, USDA Rural Development and the Black Hills Council of Local Governments. These agencies all have experience with housing and community development programs.

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

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

25. Strategies for Downtown/Uptown Redevelopment

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

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

Recommendation: We are recommending the following actions for downtown/uptown Hot Springs:

- ▶ Interview downtown/uptown property owners to develop a database and to determine their future plans (expanding, selling, renovations, etc.)
- ▶ Develop an overall plan for the downtown/uptown (potential new businesses, address parking needs, develop an overall theme, art and cultural opportunities, etc.)
- ▶ Develop a mini-plan for each downtown/uptown property and each downtown/uptown block. This may include:
 - ▶ Commercial building rehab and renovations
 - ▶ Facade work
 - ▶ Upper floor rental unit conversions or rehab
 - ▶ Building demolition
 - ▶ New construction
 - ▶ Recruiting new businesses
- ▶ Identify funding sources
 - ▶ Property owner funds
 - ▶ City funds
 - ▶ Hot Springs' HRC funds
 - ▶ Federal Home Loan Bank
 - ▶ Historic tax credits
 - ▶ Historic preservation funds

- ▶ Special tax districts
 - ▶ Tax increment financing
 - ▶ Tax abatement
 - ▶ Funds from South Dakota State Agencies
- ▶ Work with stakeholders to identify roles, secure funding, develop and implement programs and projects
- ▶ Property owners
 - ▶ City of Hot Springs
 - ▶ SHEDC
 - ▶ Hot Springs Chamber of Commerce
 - ▶ Hot Springs HRC

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

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

The City of Hot Springs, the SHEDC, the Hot Springs HRC, the Chamber of Commerce, other organizations, and private builders and developers have been active in promoting the City, including housing opportunities.

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

- ▶ Determine the City's strengths and competitive advantages and heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers (Hot Springs and the area) to provide employees (especially new employees) with housing opportunities in Hot Springs
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling and other housing programs

- ▶ Consider an annual Housing Fair that provides information on lots, builders, finance programs, etc. Developers, builders, lenders, realtors, public agencies and local businesses could participate
 - ▶ Work with builders and developers to make sure the construction of a new home is a very user friendly process
 - ▶ Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the City a “full service” community
 - ▶ Continue to provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
 - ▶ Preserve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
 - ▶ Continue to develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior with services, etc.
-
- ▶ Review the City’s policies and fees to assure that they are user-friendly, fair and receptive for developers, builders and households.
 - ▶ Develop a coordinated housing plan with the private sector area housing agencies.

Hot Springs in Comparison to Other Cities

As part of the research for this Study, Hot Springs has been compared to other similar sized communities in South Dakota and other cities that are in the Black Hills area. The comparison cities are Belle Fourche, Custer, Lead, Deadwood, Milbank, Mobridge and Rapid City. Although Rapid City has been included for comparison, it has not been used when ranking communities, based on its substantially larger size.

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

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

American Community Survey data can be estimated from different samples. Estimates for larger communities, such as Rapid City, may be based on one-year or three-year surveys. In the demographic section for Hot Springs that was presented earlier, the 5-year American Community Survey estimates were used, based on surveys conducted between 2010 and 2014. For consistency, the following comparisons are all based on five-year surveys within each community.

Population Change 2010 to 2015

Table 32 Comparison of Population Change - 2010 to 2015			
City	Numeric Change 2010 to 2015	Percentage Change 2010 to 2015	Rank 1 = Highest % Growth
Hot Springs	20	0.5%	6
Custer	66	3.2%	2
Belle Fourche	102	1.8%	4
Deadwood	46	3.6%	1
Lead	95	3.0%	3
Mobridge	-90	-2.6%	7
Milbank	40	1.2%	5
Rapid City	5,640	8.3%	N/A

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

The City of Hot Springs ranked sixth of the seven comparison communities for percentage growth from 2010 to 2015.

Deadwood and Custer experienced the highest estimated rate of population growth.

Belle Fourche had the highest numeric population growth. Mobridge was the only City that lost population from 2010 to 2015.

New housing units constructed 2011 to 2015

Table 33 Comparison of housing units constructed - 2011 to 2015		
City	Numeric Change 2011 to 2015	Rank 1 = Highest number of new units
Hot Springs	14	6
Custer	26	2
Belle Fourche	72	1
Deadwood	24	3
Lead	6	7
Mobridge	19	4
Milbank	15	5
Rapid City	1,938	N/A

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

The City of Hot Springs ranked sixth with 14 housing units constructed from 2011 to 2015. Belle Fourche ranked first with 72 units constructed, followed by Custer with 26 new units and Deadwood with 24 new units.

Rapid City added 1,938 new housing units from 2011 to 2015.

Median Age in 2010

Table 34 Comparison of Median Age in 2010		
City	Median Age - 2010 Census	Rank 1 = Lowest Median Age
Hot Springs	49.8	7
Custer	47.5	5
Belle Fourche	36.1	1
Deadwood	48.0	6
Lead	40.5	2
Mobridge	42.0	3
Milbank	46.3	4
Rapid City	35.6	N/A

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

The 2010 Census included a calculation of the median age for all residents. A higher median age is typically an indicator of both an older population, and fewer children within a community.

Hot Springs had the highest median age of the comparison cities with a 49.8 median age.

Belle Fourche had the youngest median age at 36.1. Lead had the second youngest median age at 40.5.

Average Household Size in 2010

Table 35 Comparison of Average Household Size in 2010		
City	Average Household Size 2010 Census	Rank 1 = Highest Median Size
Hot Springs	2.03	6
Custer	2.06	5
Belle Fourche	2.36	1
Deadwood	1.88	7
Lead	2.19	3
Mobridge	2.22	2
Milbank	2.16	4
Rapid City	2.29	N/A

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

The calculation of average household size was included in the 2010 Census. Hot Springs had the second lowest average household size in comparison to all the other communities at 2.03 persons. Similar to median age, a small average household size generally indicates an older population, with many people living alone, as well as fewer children in the community. It also indicates a large number of senior housing units in the City.

Belle Fourche had the largest average household size at 2.36 persons.

Deadwood had the lowest average household size at 1.88.

Median Household Income in 2014

Table 36 Comparison of Estimated Median Household Income in 2014		
City	Median Income - 2014 ACS	Rank 1 = Highest Median Income
Hot Springs	\$42,052	2
Custer	\$38,779	6
Belle Fourche	\$41,356	3
Deadwood	\$37,098	7
Lead	\$41,336	4
Mobridge	\$41,010	5
Milbank	\$45,295	1
Rapid City	\$46,392	N/A

Source: 2014 American Community Survey; Community Partners Research, Inc.

The American Community Survey issues estimates for the median income level for all households in each city. The most recent estimates are for 2014.

Hot Springs ranked as the second highest median income, at \$42,052. Milbank had the higher median household income at \$45,295.

Deadwood had the lowest median income at \$37,098 and Custer had the second lowest median household income at \$38,779.

Median Home Value in 2014

Table 37 Comparison of Estimated Median Home Values in 2014		
City	Median Owner-Occupied Home Value - 2014 ACS	Rank 1 = Highest Median Value
Hot Springs	\$85,200	6
Custer	\$125,200	2
Belle Fourche	\$110,100	3
Deadwood	\$140,700	1
Lead	\$108,600	4
Mobridge	\$76,700	7
Milbank	\$96,700	5
Rapid City	\$153,900	N/A

Source: 2014 American Community Survey; Community Partners Research, Inc.

The 2014 American Community Survey contains an estimated median value for owner-occupied houses in each city.

Hot Springs' median home value ranked 6th among comparison communities, with a median of \$85,200. Values will often reflect the age, condition and quality of the unit, as well as demand.

The Cities of Deadwood and Custer had the 1st and 2nd highest median home values, at \$140,700 and \$125,200, respectively.

Mobridge had the lowest median value at \$76,700.

Percentage of Income Required for Home Ownership in 2014

Table 38 Comparison of Estimated Median Ownership Costs in 2014		
City	Median Percentage of Household Income Applied to Home Ownership Costs - 2014 ACS	Rank 1 = Lowest Median Percentage
Hot Springs	17.6%	2
Custer	24.0%	7
Belle Fourche	18.0%	4
Deadwood	20.3%	6
Lead	19.4%	5
Mobridge	14.5%	1
Milbank	17.9%	3
Rapid City	19.4%	N/A

Source: 2014 American Community Survey; Community Partners Research, Inc.

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

Hot Springs had the second lowest median percentage of income required for ownership, at 17.6%.

Mobridge had the lowest median percentage of income that was required for ownership at 14.5%.

Custer and Deadwood had the highest percentage of income applied to home ownership at 24.0% and 20.3%.

Median Gross Rent in 2014

Table 39 Comparison of Estimated Median Gross Rent in 2014		
City	Median Gross Rent - 2014 ACS	Rank 1 = Highest Median Rent
Hot Springs	\$594	3
Custer	\$679	1
Belle Fourche	\$616	2
Deadwood	\$532	5
Lead	\$533	4
Mobridge	\$513	6
Milbank	\$423	7
Rapid City	\$779	N/A

Source: 2014 American Community Survey; Community Partners Research, Inc.

The 2014 American Community Survey contains an estimated median for gross rent (rent plus tenant-paid utilities) in each city.

Hot Springs' median gross rent was the third highest of the comparison cities, at \$594 per month. A higher rent structure may be based on the high demand for rental housing.

The highest median gross rent levels were in Custer, at \$679 per month, and Belle Fourche, at \$616 per month.

Milbank and Mobridge had the lowest median gross rents among the comparison communities.

Percentage of Income Needed for Rental Costs in 2014

Table 40 Comparison of Estimated Median Renter Costs in 2014		
City	Median Percentage of Household Income Applied to Gross Rent - 2014 ACS	Rank 1 = Lowest Median Percentage
Hot Springs	27.3%	4
Custer	28.9%	5
Belle Fourche	30.5%	6
Deadwood	25.1%	3
Lead	34.0%	7
Mobridge	24.0%	2
Milbank	23.9%	1
Rapid City	28.9%	N/A

Source: 2014 American Community Survey; Community Partners Research, Inc.

The American Community Survey collects information on household incomes as well as housing costs. An estimate is made of the median percentage of household income that is required for monthly rent. The goal of most affordable housing programs is to achieve a rent that requires less than 30% of household income. Two comparison cities, Lead and Belle Fourche, required the median household to pay more than 30% of income for rental housing. Lead was the highest at 34.0%.

Hot Springs was the fourth lowest of the comparison communities. In Hot Springs, the median percentage of household income that was applied to housing costs was 27.3% in 2014.

Milbank and Mobridge had the most affordable rental housing, with 23.9% and 24.0% respectively of income required for monthly rent.

Median Renter Household Income in 2014

Table 41 Comparison of Estimated Median Renter Income in 2014		
City	Median Income - 2014 ACS	Rank 1 = Highest Median Income
Hot Springs	\$24,236	3
Custer	\$27,188	2
Belle Fourche	\$21,029	6
Deadwood	\$22,135	5
Lead	\$15,179	7
Mobridge	\$23,810	4
Milbank	\$32,713	1
Rapid City	\$30,725	N/A

Source: 2014 American Community Survey; Community Partners Research, Inc.

The American Community Survey issues estimates for the median income for all households in each city, based on owner or renter status. The most recent estimates are for 2014.

Hot Springs ranked as the third highest renter median income, at \$24,236. Milbank had the highest renter median income at \$32,713 and Custer had the second highest median renter income at \$27,188.

Lead, Belle Fourche and Deadwood had the lowest median renter household incomes of the comparison cities, all below \$23,000.

Median Owner-Occupancy Household Income in 2014

Table 42 Comparison of Estimated Owner Household Income in 2014		
City	Median Income - 2014 ACS	Rank 1 = Highest Median Income
Hot Springs	\$51,506	4
Custer	\$46,250	6
Belle Fourche	\$51,660	3
Deadwood	\$55,938	1
Lead	\$42,975	7
Mobridge	\$46,987	5
Milbank	\$54,188	2
Rapid City	\$62,188	N/A

Source: 2014 American Community Survey; Community Partners Research, Inc.

The American Community Survey issues estimates for the median income for all households in each city based on housing tenure. The most recent estimates are for 2014.

Hot Springs ranked as the second highest median income for owner-occupants, at \$51,506.

Deadwood had the highest median owner household income of the comparison cities, at \$55,938.

Lead, Custer and Mobridge had the lowest median owner household incomes of the comparison cities in 2014.

Median Year Built: Owner-Occupancy Housing

Table 43 Median Year of Construction for Owner-Occupied Housing		
City	Median Year Built - 2014 ACS	Rank 1 = Newest Median
Hot Springs	1944	5
Custer	1962	2
Belle Fourche	1964	1
Deadwood	1939	6T
Lead	1939	6T
Mobridge	1961	3
Milbank	1960	4
Rapid City	1974	N/A

Source: 2014 American Community Survey; Community Partners Research, Inc.

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

Hot Springs had the fifth newest owner occupied housing among the comparison cities. The median year of construction for owner-occupied units in Hot Springs was 1944.

Belle Fourche had the newest housing stock, with a median year of construction at 1964 for owner-occupied units.

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

Median Year Built: Renter-Occupancy Housing

Table 44 Median Year of Construction for Renter-Occupied Housing		
City	Median Year Built - 2012 ACS	Rank 1 = Newest Median
Hot Springs	1970	3
Custer	1978	1
Belle Fourche	1967	4
Deadwood	1939	7
Lead	1964	5
Mobridge	1956	6
Milbank	1974	2
Rapid City	1976	N/A

Source: 2014 American Community Survey; Community Partners Research, Inc.

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

For rental housing, Hot Springs had the third-newest median age of the comparison communities. The median year of construction for renter-occupied units was 1970.

Custer also had the newest rental housing, with a median year of construction at 1978 for renter-occupied units.

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

Agencies and Resources

The following regional and state agencies administer programs or provide funds for housing programs and projects in Hot Springs and Fall River County:

NeighborWorks Dakota Home Resources (Main Office)

795 Main St.

Deadwood, SD 57732

(605) 578-1405

* NeighborWorks also has offices in Box Elder and Wall.

Grow South Dakota

104 Ash Street East

Sisseton, SD 57262

(605) 698-7654

South Dakota Housing Development Authority

221 South Central Avenue

Pierre, SD 57501

(605) 773-3181

USDA Rural Development

414 East Stumer Road, Suite 200

Rapid City, SD 57701

(605) 342-0301

Western South Dakota Community Action Agency

1844 Lombardy Drive

Rapid City, SD 57703

(605) 348-1460

Pennington County Housing and Redevelopment Commission

1805 W. Fulton St., Suite 101

Rapid City, SD 57702

(605) 394-5350