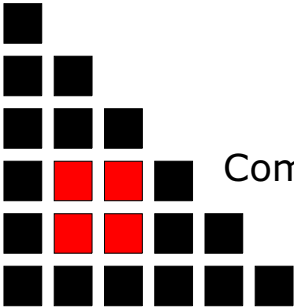


# City of Canton Housing Study Update

August 2021

An updated examination of the housing needs  
and conditions in Canton, SD



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

Community Partners Research, Inc., was hired by the Canton Housing and Redevelopment Commission in 2014 to conduct a study of the housing needs and conditions in the City. A project to update this document was initiated in 2021.

### Goals

The multiple goals of the study include:

- ▶ Provide current demographic data
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet housing needs
- ▶ Examine future housing trends that the 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 March to June 2021. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Applied Geographical Solutions, Inc., a data reporting service
- Esri, Inc., a data reporting service
- Records and data from the City
- Records and data maintained by Lincoln County
- Interviews with City officials, community leaders, housing stakeholders, etc.

- Area housing agencies
- State and Federal housing agencies
- Rental property owner surveys
- Housing condition survey

## **Limitations**

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

During the course of the research for this project, a global pandemic occurred, which has had immediate and widespread impacts, including on economic, housing and educational conditions. The longer-term impacts of the pandemic cannot be predicted, and the analysts have proceeded with the best information available at the time of the research.

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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.

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. However, the American Community Survey is based on sampling data and there is a margin of error that exists for each estimate. The following tables incorporate the 2019 American Community Survey data, when viewed as reliable.

The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For most jurisdictions in South Dakota, the 2019 estimates were derived from sampling that was done over a five-year period, between 2015 and 2019.

In addition to the detailed tables in the American Community Survey, the Census Bureau also issues a separate population estimate for cities, towns and counties. However, this is limited to total population, with no additional demographic details. These population estimates are for 2019.

The Governor's Office of Economic Development provides demographic profile information for cities, towns and counties supplied by Applied Geographic Solutions (AGS), a private company.

Prior to using AGS, the State had used a similar provider, Esri, Inc., for demographic data. The analysts have examined both of these sources in some of the tables that follow for current-year estimates and future projections.

Canton is in Lincoln County, the second largest County in the Sioux Falls Metropolitan Statistical Area (MSA). Comparative information has sometimes been provided for Lincoln County or for the entire MSA. However, it is important to recognize that Canton represents less than 6% of the total population for Lincoln County, and less than 1.3% of the total population for the Sioux Falls MSA.

## Population Data and Trends

<b>Table 1 Population Trends - 1990 to 2020</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 AGS
Canton	2,787	3,110	11.6%	3,057	-1.7%	3,474
Lincoln Co.	15,427	24,131	56.4%	44,828	85.8%	61,303

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

- ▶ For this update, we have obtained population estimates from three sources. Two of these estimates, from Applied Geographic Solutions and Esri, have an effective date in 2020. The third estimate, from the U.S. Census Bureau, is for 2019.
- ▶ Applied Geographic Solutions (AGS), a private reporting service, showed the City with 3,474 residents in 2020, an increase of 417 people, or 13.6% from the 2010 Census. If accurate, this estimate shows the City adding an average of nearly 42 residents per year over the last decade.
- ▶ Esri, another private data services provider, had a slightly higher estimate. According to Esri, the City had 3,526 residents in 2020, up by 469 people, or 15.3% from the 2010 Census. Based on this estimate, the City has added an average of approximately 47 people per year for the decade.
- ▶ The Census Bureau also issues an annual population estimate for jurisdictions, although the most recent estimate was for July 1, 2019. According to this source there were 3,560 people living in Canton, up by 503 people from 2010 to 2019, or an annual average of nearly 56 people per year.
- ▶ While some differences exist, all show growth in the City’s population after 2010. If used to form a range, the City has probably been averaging annual population growth between 42 and 56 people per year.
- ▶ Lincoln County has grown very rapidly in recent decades. The population estimate from AGS showed the County adding nearly 16,500 people between 2010 and 2020, for an increase approaching 37%.

- ▶ Esri had a higher estimate, and showed Lincoln County adding more than 18,400 people between 2010 and 2020, for an increase of more than 41%.

### **Population Characteristics**

- ▶ At the time of the 2010 Census, there were 98 people living in some type of group quarters housing in Canton. There were 53 people living in a skilled nursing home, 26 people living in a juvenile facility, and 19 people in a noninstitutional facility, such as a group home.
- ▶ According to AGS, a very large percentage of the City's residents were White and not of Hispanic/Latino origin in 2020. With only small racial and ethnic minority populations, no further details have been provided in this document.

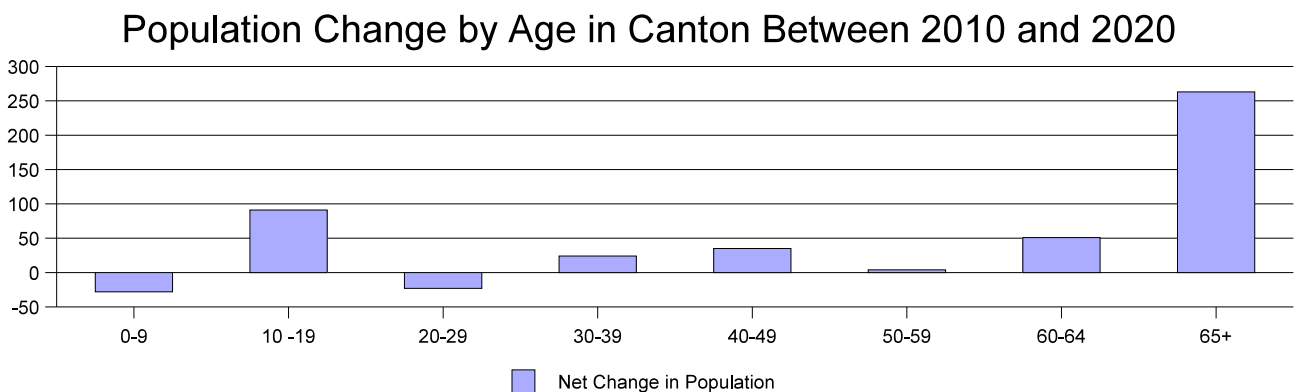


## Population by Age Trends: 2010 to 2020

The 2020 population estimates from Applied Geographic Solutions included information on the age distribution of residents. This information can be compared to the age patterns present at the time of the 2010 Census.

<b>Table 2 Population by Age - 2010 to 2020</b>			
Age	Canton		
	2010	2020	Change
0-9	420	392	-28
10-19	448	539	91
20-29	362	339	-23
30-39	360	384	24
40-49	389	424	35
50-59	403	407	4
60-64	160	211	51
65+	515	778	263
<b>Total</b>	<b>3,057</b>	<b>3,474</b>	<b>417</b>

Source: U.S. Census; AGS



The age-based estimates from Applied Geographic Solutions show some significant changes in the age distribution patterns for the City over the past decade. Canton had a large increase in the number of senior citizens, age 65 and older between 2010 and 2020, and an increase in children age 10 to 19 years old. The City also added people in the ranges from 30 to 64 years old.

## Population Projections

Population projections to the year 2025 for the City of Canton and Lincoln County exist from both Applied Geographic Solutions and Esri. These projections have been compared to the respective 2020 estimates.

<b>Table 3 Population Projections Through 2025</b>						
	Applied Geographic Solutions			Esri		
	2020 Estimate	2025 Projection	Change	2020 Estimate	2025 Projection	Change
Canton	3,474	4,179	705	3,526	3,838	312
Lincoln Co.	61,303	72,878	11,575	63,237	73,177	9,940

Source: Applied Geographic Solutions; Esri

- ▶ AGS is projecting an increase of 705 residents in Canton over the next five years, or approximately 141 people added in an average year. This projection would be much greater than the estimated growth the recent past, as AGS believes that the City’s population increased by approximately 42 people per year between 2010 and 2020.
- ▶ Esri is also projecting population growth for Canton, but at a slower pace with an expected gain of 312 people over the 5-year period. On an average basis, this would be an annual increase of more than 62 residents in an average year. This projection is slightly higher than their past estimates, which showed the City adding an average of approximately 47 people per year between 2010 and 2020.
- ▶ Both sources also show significant population growth for all of Lincoln County. The projection from Applied Geographic Solutions anticipates that the County will add 11,575 residents between 2020 and 2025. Esri has a lower level of projected growth but still expects the County to add 9,940 people over the 5-year projection period.

## Household Data and Trends

<b>Table 4 Household Trends - 1990 to 2020</b>						
	1990 Households	2000 Households	% Change 1990-2000	2010 Households	% Change 2000-2010	2020 AGS
Canton	1,107	1,209	9.2%	1,248	3.2%	1,309
Lincoln County	5,461	8,782	60.8%	16,649	89.6%	21,590

Source: U.S. Census; AGS

- ▶ The AGS estimate for Canton in 2020 was 1,309 households, up by 61 households when compared to the 2010 Census. Over the 10-year period this represents an annual average increase of approximately six households per year.
- ▶ The Esri estimate showed 1,469 households in Canton in 2020, up by 221 households from the 2010 Census total, or approximately 22 additional households in an average year. However, this estimate does not appear to be accurate based on other data reviewed during the research process.
- ▶ Later in this document, information is provided on housing unit construction activity in Canton. Based on identified building permit issuance, it is probable that 45 new housing units were constructed in the City between 2010 and 2019. Although this expansion of the housing stock is smaller than either of the household growth estimates, it is better matched with the household growth estimate from AGS which shows the City adding 61 households over the decade. In addition to newly built housing, occupancy of some formerly vacant units would have allowed the City to add 61 households.
- ▶ For all of Lincoln County, Applied Geographic Solutions showed very strong household growth, with the County adding nearly 4,950 households between 2010 and 2020.
- ▶ The 2020 estimate from Esri was significantly larger for all of Lincoln County. According to this source, there were 23,621 households in the County, up by nearly 7,000 households from the 2010 Census count.

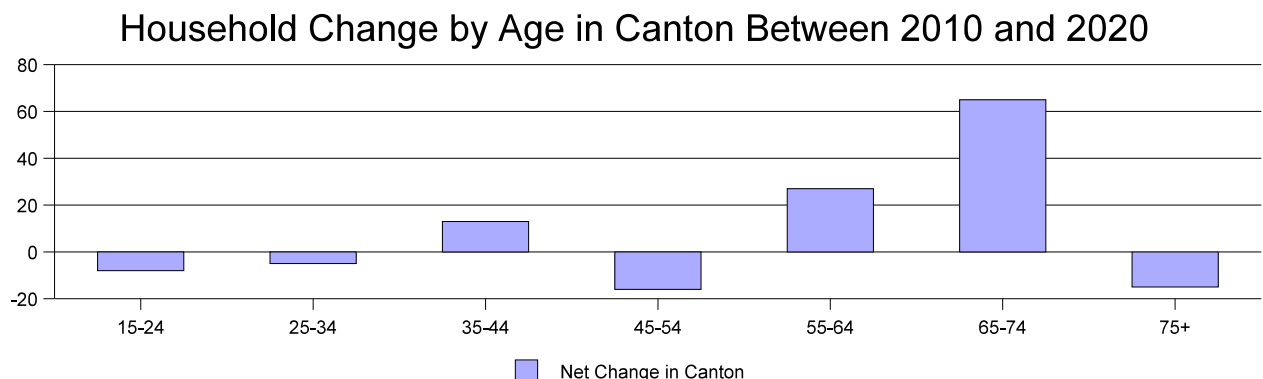
## Household by Age Trends: 2010 to 2020

The demographic data profile that is available from AGS does not provide information on households by age. Esri has produced age-based estimates, however, in the opinion of the analysts, Esri has over estimated the total number of households living in Canton in 2020. The following table is based on the Esri estimates, but they have been adjusted downward to better match the probable number of households living in Canton in 2020. These are then compared to households by age of householder in 2010.

<b>Table 5 Canton Households by Age - 2010 to 2020</b>			
Age	2010	2020	Change
15-24	68	60	-8
25-34	196	191	-5
35-44	189	202	13
45-54	245	229	-16
55-64	212	239	27
65-74	145	210	65
75+	193	178	-15
Total	1,248	1,309	61

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

Using the adjusted age-based estimates from Esri, much of the change in the City’s households was due to a growing number of households in the 20-year range between 55 and 74 years old. This would primarily reflect the progression of the ‘baby boom’ generation through the aging cycle. More limited change probably occurred in most of the other age groups, with a minor reduction of households age 54 and younger, and among seniors age 75 and older.



## Household Projections

Household projections for the five-year time period spanning the years 2020 through 2025 are available from AGS and Esri. Household growth directly impacts the demand for housing.

<b>Table 6 Household Projections Through 2025</b>						
	AGS			Esri		
	2020 Estimate	2025 Projection	Change	2020 Estimate	2025 Projection	Change
Canton	1,309	1,461	152	1,469	1,608	139
Lincoln County	21,590	23,750	2,160	23,621	27,384	3,763

Source: AGS, Esri

- ▶ Although Applied Geographic Solutions and Esri have different estimates for the number of households living in Canton in 2020, both show a relatively similar growth potential for the City through the year 2025.
- ▶ AGS is projecting the City to add 152 households over the 5-year period, or an annual average of just over 30 households per year.
- ▶ Esri is projecting that the City will add 139 households between 2020 and 2025, for an annual average of approximately 28 households per year.
- ▶ Although these two sources do show significant future growth potential for the City of Canton going forward, household growth at this level would be greater than in the recent past, as the City has probably averaged fewer than seven additional households per year since 2010.
- ▶ For all of Lincoln County there is also a difference between AGS and Esri in the base number of households present in 2020. Going forward, Esri is projecting significantly greater growth potential Countywide.
- ▶ The AGS projection for Lincoln County expects the addition of 2,160 households between 2020 and 2025, or an average of 432 households per year.
- ▶ Esri’s projection is significantly higher, with an expected gain of 3,763 households, or an annual average of 753 households per year.

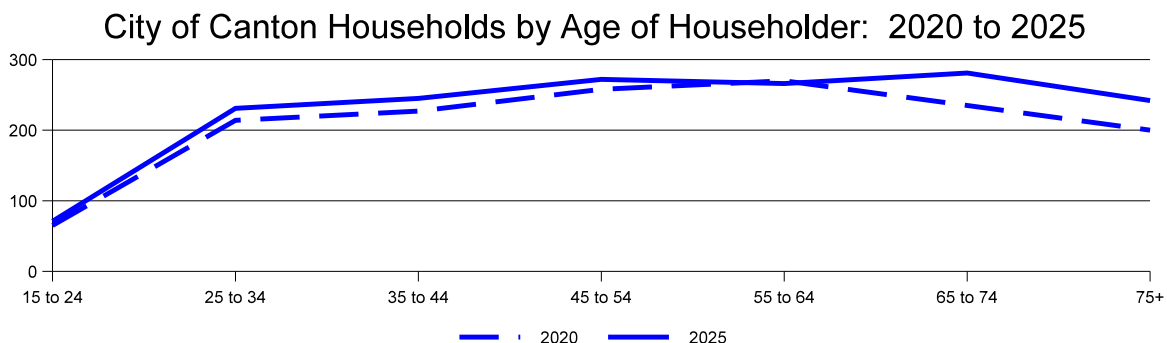
## Canton Household by Age Projections: 2020 to 2025

Esri has generated age-based household projections for Canton to the year 2025. In the opinion of the analysts, the total household estimate for 2020 was too high. This also results in an overly high household count in 2025. However, the incremental changes over the 5-year period can be informative in understanding the potential changes that will occur in the City going forward.

<b>Table 7 Canton Projected Households by Age - 2020 to 2025</b>			
	2020 Estimate	2025 Projection	Change
15-24	65	71	6
25-34	214	231	17
35-44	227	245	18
45-54	258	272	14
55-64	270	266	-4
65-74	235	281	46
75+	200	242	42
Total	1,469	1,608	139

Source: Esri

Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle could generate much of the City of Canton’s household change over the 5-year period. Esri projections expect a gain of 88 households age 65 and older. Growth is also projected in most of the younger adult age groups, with an expected increase of 49 total households in the 30-year range between 25 and 54 years old.



## 2019 Median Income Data

The American Community Survey provides income estimates for cities and counties. The following table provides 2019 American Community survey data for Canton, Lincoln County and the State of South Dakota for comparison.

Household income represents all independent households, including people living alone and unrelated individuals together. Families are two or more related individuals living in a household. Generally, family household incomes tend to be much higher than the overall household median, as families have at least two household members, and potentially more income-earners.

<b>Table 8 Median Household Income - 2010 to 2019</b>			
	2010 Median	2019 Median	% Change
Median Household Income			
Canton	\$46,538	\$62,045	33.3%
Lincoln County	\$67,491	\$82,473	22.2%
South Dakota	\$46,369	\$58,275	25.7%
Median Family Income			
Canton	\$65,417	\$75,583	15.5%
Lincoln County	\$75,231	\$95,160	26.5%
South Dakota	\$58,958	\$75,168	27.5%

Source: American Community Survey

Information contained in the American Community Survey shows that the median household and family incomes have increased from 2010 to 2019 in Canton. The City’s median household income increased by more than 33% during this time, while the median family income increased by nearly 16%. Despite the income improvement over the decade, the medians in Canton remain substantially lower than the comparable medians for all of Lincoln County. However, the median income levels are above the Statewide medians.

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 Canton could afford approximately \$1,550 per month and a median income family household could afford \$1,890 per month for ownership or rental housing in 2019.

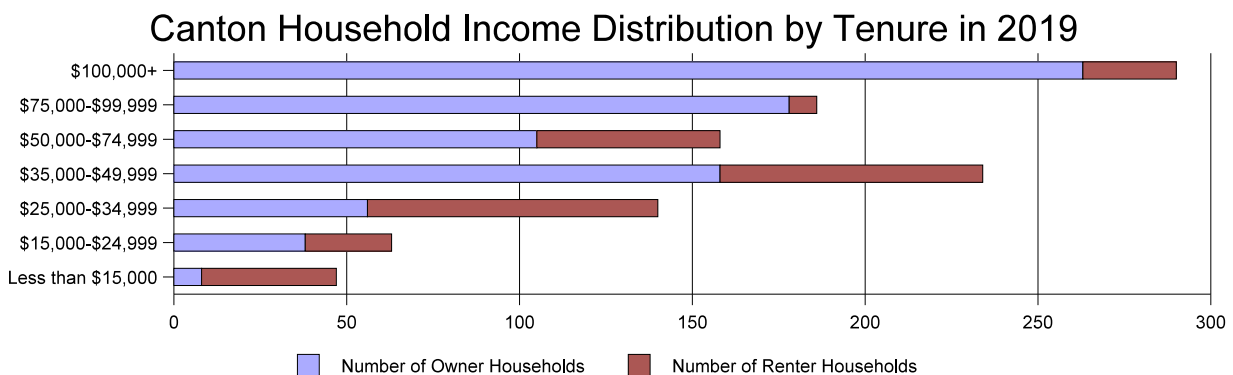
## Canton Income Distribution

The 2019 American Community Survey provides income data within specific income ranges. Based on other data, it appears that the American Community Survey has significantly under estimated the total number of households in the City, but the percentage distribution is assumed to be reasonably accurate.

<b>Table 9 City of Canton Income Distribution by Tenure - 2019</b>			
Household Income	Owner Households	Renter Households	All Households
\$0 - \$14,999	8 / 17.0%	39 / 83.0%	47
\$15,000 - \$24,999	38 / 60.3%	25 / 39.7%	63
\$25,000 - \$34,999	56 / 40.0%	84 / 60.0%	140
\$35,000 - \$49,999	158 / 67.5%	76 / 32.5%	234
\$50,000 - \$74,999	105 / 66.5%	53 / 33.5%	158
\$75,000 - \$99,999	178 / 95.7%	8 / 4.3%	186
\$100,000+	263 / 90.7%	27 / 9.3%	290
<b>Total</b>	<b>806</b>	<b>312</b>	<b>1,118</b>

Source: ACS

In 2019, income levels were widely distributed, but in all of the defined ranges above \$35,000, a large majority of households were home owners. However, in the income ranges below \$35,000, most households were renting their housing. For all households with an income below \$35,000 the rental tenure rate was above 59%. For all households with an income of \$35,000 or more, the rate of home ownership was above 81%.





## 2019 Estimated Income and Housing Costs - Renters

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

<b>Table 10 Gross Rent as a Percentage of Income - City of Canton</b>		
Percent of Income for Housing	Number of Households	Percent
Less than 20%	95	30.4%
20% to 29.9%	121	38.8%
30% to 34.9%	17	5.4%
35% or more	67	21.5%
Not Computed	12	3.8%
Total	312	100%

Source: American Community Survey

Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a “rent burden”. When more than 35% is required, this can be considered a “severe rent burden”.

For renter households in Canton, approximately 27% of all renters reported paying 30% or more of their income for gross rent. Most of these households were actually applying 35% or more of income, and were in the severe cost burden category.

The large majority of renter households with a cost burden had an annual income below \$35,000 in 2019. According to the American Community Survey, the median income level for renter households in Canton was relatively high in 2019, at \$38,750, which contributed to the lower percentage of cost burdened households.

## 2019 Estimated Income and Housing Costs - Owners

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

<b>Table 11 Canton Owner Costs as a Percentage of Income: 2019</b>		
Percentage of Income for Housing Costs	Number of Owner Households	Percent of All Owner Households
0% to 19.9%	585	72.6%
20% to 29.9%	100	12.4%
30% or more	121	15.0%
Not Computed	0	0%
Total	806	100%

Source: American Community Survey

Mortgage lending practices generally attempt to keep monthly payments below 30% of household income. A very large majority of owner-occupants in Canton, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. Only 15% of all home owners reported that they paid more than 30% of their income for housing.

Ownership cost burden often tends to be lower due to higher income levels for most home owners. In 2019, the estimated median income for owner-occupants in Canton was \$80,484, allowing a significant monthly housing cost contribution before experiencing a cost burden.

## Building Permit Trends

Canton has experienced some new housing construction activity in recent years. The following table identifies the units that have been issued a building permit since the year 2010, based on building permit reporting from the City and from U.S. Census Bureau records.

<b>Table 12 Canton Housing Unit Construction Activity: 2010 to 2020</b>			
Year	Single Family Detached	Multifamily	Total Units
2020	3	0	3
2019	1	0	1
2018	4	2	6
2017	4	0	4
2016	5	0	5
2015	7	2	9
2014	4	6	10
2013	1	0	1
2012	4	0	4
2011	4	0	4
2010	1	0	1
TOTAL	38	10	48

Source: City of Canton; Census Bureau

Over the past 11 years, from 2010 through 2020, there were 48 total housing units constructed in Canton, based on City reports and Census Bureau data. Of this total, 38 units were in single family detached houses, and 10 units were in small multi-unit buildings, believed to be twin homes and a 4-plex.

From 2010 to 2014, the City was averaging four housing units per year. From 2015 onward, this average increased slightly to between four and five new units per year.

## **American Community Survey Housing Data**

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

### **Median Year of Construction - Owner-occupancy Housing**

For owner-occupancy units in Canton, the estimated median year of construction is 1955. Approximately 66% of all owner-occupancy houses in the City were constructed prior to 1970.

### **Median Year of Construction - Renter-occupancy Housing**

For renter-occupancy units in Canton, the estimated median year of construction is 1973. More than 40% of all renter-occupancy units in the City were constructed prior to 1970.

### **Mobile Homes**

According to the American Community Survey estimates there were 46 mobile homes in the City of Canton in 2019. Most of these were renter-occupied, with 35% owner-occupied and 65% for rental occupancy.

However, a visual survey in May 2021 found 43 mobile homes in Canton. Although there is a two year time difference between these data sources, it appears that the American Community Survey may have slightly overestimated the City's mobile home inventory.

## Existing Home Sales

This section examines houses that have been sold in Canton for the 5-year period from 2016 through 2020. It is important to note that the number of houses that sell each year can vary and may not be an accurate indicator of overall home values in the City. However, this sample does provide some insight into those units that have turned-over during this time period.

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

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

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

**Table 13 Median Value of Recent Residential Sales - 2016 to 2020**

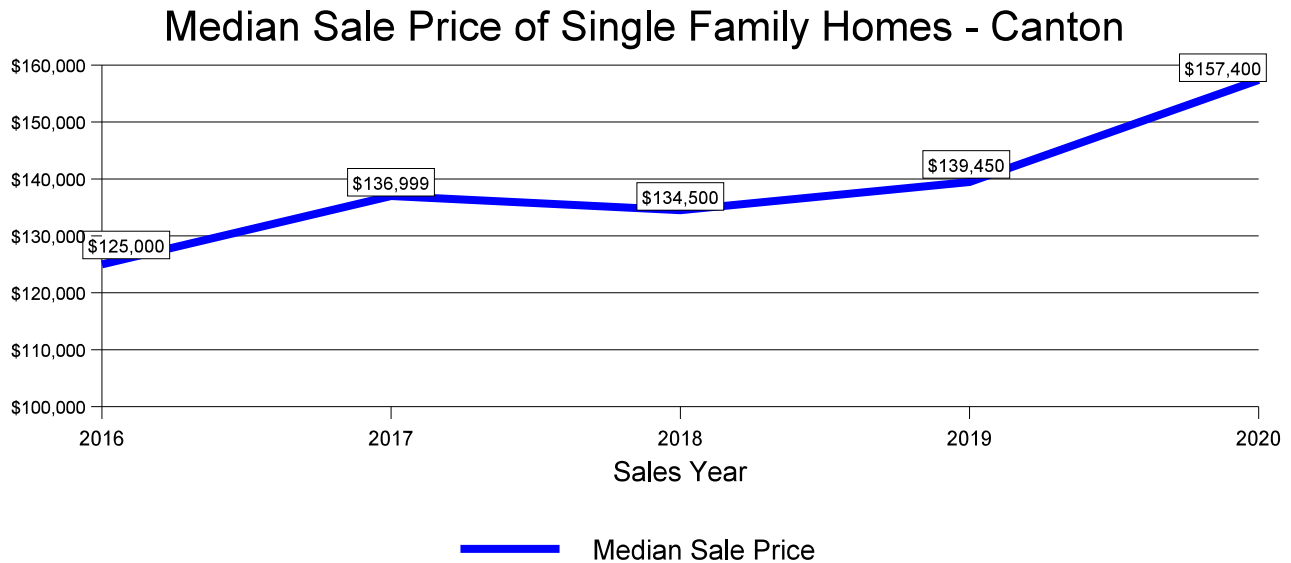
Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2020	72	\$157,400*	\$367,500	\$10,000
2019	52	\$139,450*	\$420,000	\$25,000
2018	63	\$134,500	\$350,000	\$20,000
2017	73	\$136,999	\$350,000	\$34,900
2016	47	\$125,000	\$395,500	\$30,000

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

\* Median calculated from two nearest sales

With a varying number of sales within any 12-month time period, there has also been some variation in the annual median price in Canton since 2016. In general, there has been an upward trend in the annual median sales price.

In 2020 there were 72 open market sales were recorded, with a median price of \$157,400. The 2020 median was up by nearly \$18,000 from the median in 2019.



In each of the years reviewed at least one home has been sold for \$350,000 or more. In each the four years at least one sale occurred annually for less than \$35,000.

An alternate estimate of home values exists in the American Community Survey. In 2019, the estimated median value for all owner-occupied housing in Canton was \$129,300. This estimate was lower than the median sale price recorded in 2019 of \$139,450.

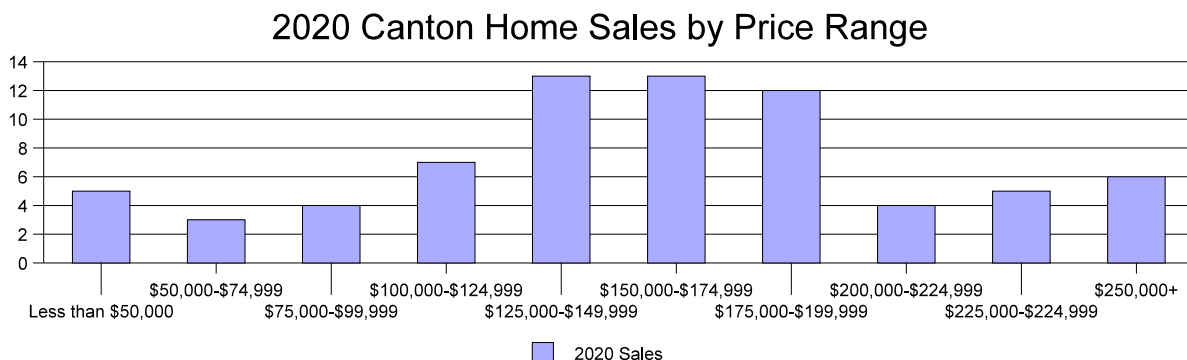
## Home Sales by Price Range

The following table looks at single family houses that sold within defined price ranges in 2020. The County's sales year differs from the calendar year, and ends on October 31<sup>st</sup> of each year, so the 12-month period used started in November 2019 and ended in October 2020.

Table 14 Canton Home Sales by Price Range in 2020		
Sale Price	Number of Sales	Percent of Sales
Less than \$49,999	5	6.9%
\$50,000 - \$74,999	3	4.2%
\$75,000 - \$99,999	4	5.6%
\$100,000 - \$124,999	7	9.7%
\$125,000 - \$149,999	13	18.1%
\$150,000 - \$174,999	13	18.1%
\$175,000 - \$199,999	12	16.7%
\$200,000 - \$224,999	4	5.6%
\$225,000 - \$249,999	5	6.9%
\$250,000 or more	6	8.3%
Total	72	100%

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

Recent home sales in Canton have been widely distributed in different price ranges, but nearly 53% of the most recent sales were priced between \$125,000 and \$199,999. Fewer than 9% of existing homes sold for \$250,000 or more, and less than 17% of the sales were below \$100,000.



## **Canton Housing Condition**

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 599 single family/duplex houses in four of Canton's oldest neighborhoods.

The boundaries of the two neighborhoods are as follows:

- ▶ Neighborhood #1: North - Hwy 18  
South - City limits  
East - S. Lincoln, S. Dakota, S. Broadway and  
S. Milwaukee Streets  
West - Howard Street
- ▶ Neighborhood #2: North - City limits/3rd Street  
South - Hwy 18  
East - Railroad tracks  
West - Bridge Street
- ▶ Neighborhood #3: North - West Elder Street/West 1<sup>st</sup> Street  
South - Hwy 18  
East - Cedar Street  
West - Pleasant Street
- ▶ Neighborhood #4: North - 2<sup>nd</sup> Street  
South - Hwy 18  
East - Lawler Street  
West - Cedar Street

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.

<b>Table 15 Windshield Survey Condition Estimate - 2021</b>					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood #1	90/35.7%	101/40.1%	45/17.9%	16/6.3%	252
Neighborhood #2	21/32.3%	30/46.2%	12/18.4%	2/3.1%	65
Neighborhood #3	40/43.5%	40/43.5%	11/11.9%	1/1.1%	92
Neighborhood #4	87/45.8%	80/42.1%	22/11.6%	1/0.5%	190
Total	238/39.7%	251/41.9%	90/15.0%	20/3.4%	599

Source: Community Partners Research, Inc.

- ▶ Approximately 42% of the houses in the City’s four oldest neighborhoods need minor repair and 15% need major repair. Approximately 40% are sound, with no required improvements. Twenty houses are dilapidated and possibly beyond repair.
- ▶ It appears that the quality of the housing stock in these four older neighborhoods has improved since a similar conditions survey was completed in 2014. At that time there were 147 houses rated in the two lowest condition categories, compared with 110 houses in 2021 that were major repair or dilapidated.

## Canton Mobile Home Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of the 43 mobile homes located in Canton's mobile home parks.

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

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

<b>Table 16 Windshield Survey Condition Estimate - 2021</b>					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Mobile homes	20/46.5%	12/27.9%	7/16.3%	4/9.3%	43

Source: Community Partners Research, Inc.

- ▶ The mobile homes in Canton are in good condition. Approximately 28% of the mobile homes need minor repair and 16% need major repair. Nearly 47% are sound, with no required improvements.
- ▶ Four mobile homes are dilapidated and possibly beyond repair.

## **Rental Housing Data**

### **Census Bureau Rental Inventory**

At the time of the 2010 U.S. Census, there were 354 occupied rental units and 51 unoccupied rental units in Canton, for a total estimated rental inventory of 405 units. The City's rental tenure rate in 2010 was 28.4%, below the Statewide rental rate of 31.9%.

Since 2010, no new rental housing has been constructed in Canton. Although some single family rental homes have converted to owner-occupied and vice versa, the tenure distribution patterns in 2010 are probably still an accurate reflection of rental housing occupancy patterns.

Therefore, we are estimating that in 2021, there are approximately 405 rental units in the City of Canton.

## **Rental Housing Survey**

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

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

There were 204 housing units of all types that were contacted in the survey. In addition to the 204 rental units, the nursing home, which has 56 beds, was surveyed.

The units that were successfully contacted include:

- ▶ 156 market rate units
- ▶ 36 federally subsidized units
- ▶ 12 senior assisted living units
- ▶ 56 beds in the nursing home

The findings of the survey are provided below.

## Market Rate Summary

Information was obtained on 156 market rate rental units. Of the total units, 134 units are in 15 multifamily projects and 22 units are in duplexes and single family homes.

### Unit Mix

We obtained the bedroom mix on the 156 market rate units. The bedroom mix of the units is:

- ▶ one-bedroom - 59 (37.8%)
- ▶ two-bedroom - 94 (60.3%)
- ▶ three-bedroom - 3 (1.9%)

### Occupancy / Vacancy

At the time of the survey, there were seven vacancies in the 156 market rate units that were surveyed. This is a vacancy rate of 4.5%. The majority of the vacancies were in older apartments. Nine of the 15 rental projects surveyed had no vacancies. Only one rental project had more than one vacancy.

### Rental Rates

Rental units may include the primary utility payments within the contract rent, or the tenant may be required to pay some utilities separately, in addition to the contract rent.

In the following summary, Community Partners Research, Inc., has attempted to estimate the gross rents being charged, inclusive of an estimate for tenant-paid utilities.

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

<u>Unit Type</u>	<u>Lowest/Highest Gross Rents</u>
One-bedroom	\$475-\$750
Two-bedroom	\$575-\$1,200
Three-bedroom	\$675-\$875

Please note that the three-bedroom rent information was based on only three units.

## **Tax Credit Summary**

There are no tax credit units in Canton.

## **Subsidized Summary**

The research completed for this Study identified two subsidized projects providing rental opportunities for lower income households. These projects have a combined 36 units. Both projects are general occupancy rental housing, although one project was originally a senior/disabled project.

The two subsidized rental projects in Canton include:

- ▶ **Colonial Village** - Colonial Village is a 20-unit HUD-subsidized project. The project includes five four-unit buildings. The 20 units are all one-bedroom units. The project was constructed in 1972, however, the buildings have been renovated over the years.
- ▶ **Canton Villa Apartments** - Canton Villa Apartments is a 16-unit USDA Rural Development General Occupancy project. The 16 units include two one-bedroom and 14 two-bedroom units.

The City's 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.

## **Unit Mix**

The bedroom mix breakdown for the 36 subsidized housing units in Canton is as follows:

- ▶ 22 one-bedroom (61.1%)
- ▶ 14 two-bedroom (38.9%)

## **Occupancy / Vacancy**

At the time of the survey, Colonial Village was fully occupied and Canton Villa Apartments had two vacancies.

## **Subsidized Housing Gains/Losses**

Federal subsidy sources for low income rental housing have been very limited for the past few decades. Many subsidized projects in South Dakota were constructed in the 1960s, 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.

In Canton, prior to the 2014 Canton Housing Study, Elms Apartments, a 24-unit project with 11 efficiency and 13 one-bedroom units, converted from subsidized to conventional market rate. Also, Old Main Apartments, a 26-unit project with 21 one-bedroom and five two-bedroom units, opted out of its subsidy contract and converted to conventional market rate. Therefore, the City of Canton's subsidized inventory decreased by 50 units due to the conversions. No subsidized rental housing projects have converted to market rate rental housing since the 2014 Housing Study.

## **Senior Housing with Services**

### **Unit Inventory**

Canton has two senior with services projects including Hiawatha Heights Assisted Living and the Good Samaritan Nursing Home.

**Hiawatha Heights Assisted Living** - Hiawatha Heights Assisted Living has 12 units and the facility is licensed for 16 residents. The facility provides all assisted living services, including meals, medication distribution, bathing assistance, housekeeping, laundry, etc. The facility offers three levels of services based on the resident's needs. Rent and fees are based on the level of services. At the time of the survey there was one vacant unit.

**Good Samaritan Nursing Home** - The Good Samaritan Nursing Home is licensed as a 56-bed skilled nursing facility. The facility typically has a high occupancy rate, however, due to the pandemic the occupancy rate is currently lower than in previous years. Fees are based on the level of services. At the time of the 2014 Canton Housing Study, Good Samaritan also had seven assisted living beds, however, these beds have been eliminated.



**Table 17 Canton Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Market Rate</b>					
Elder Apartments	<u>16 - 2 bedroom</u> 16 total units	\$750-\$775	No vacancies	Mostly seniors	Elder Apartments include 16 two-bedroom units in 4 four-plexes, constructed in 1996 and 1997. Rent is \$750 and \$775 plus utilities. Owner reports no vacancies at the time of the survey. The project is general occupancy, however, the tenants are mostly seniors.
Old Main Apartments	<u>21 - 1 bedroom</u> <u>5 - 2 bedroom</u> 26 total units	\$625-\$675 \$800-\$825	1 vacancy	General occupancy	Old Main is an older building that was constructed in the early 1900s and converted into apartments in the late 1990s. Old Main was a Tax Credit Project with income requirements, but the project has met its compliance requirements and has converted to a market rate project. There are 21 one-bedroom and five two-bedroom apartments. Tenants pay electricity in addition to rent. At the time of the survey, there was one vacant unit.
Doyle Properties 3 four-plexes	<u>12 - 2 bedroom</u> 12 total units	\$660 +electric	No vacancies	General occupancy	Doyle Properties include three four-plexes. The units are all two-bedroom units. The four-plexes were constructed in the 1970s. Rents are \$600 plus electricity for the four-plex units. At the time of the survey, there were no vacancies. The lower units have all been renovated.
Molstad Properties	1 - 1 bedroom 28 - 2 bedroom <u>1 - 3 bedroom</u> 30 total units	Range of \$500 to \$600	Average three vacancies	General occupancy	Molstad Properties includes approximately 30 rental units. All but two of the units are two-bedroom. The units are in a variety of complexes and projects including 4 four-plexes, twin homes and townhomes. Rents range from \$400 to \$800. The utilities that are included in the rent vary from project to project. The occupancy rate varies, but the owner reports that there is typically an average of three vacancies.
508 E 4 <sup>th</sup> St	<u>4 - 2 bedroom</u> 4 total units	\$750 +utilities	No vacancies	General occupancy	Four-plex includes four two-bedroom units. The units were constructed in 1996. The units have attached garages. Rents are \$750 plus utilities. The owner reported no vacancies at the time of the survey.

**Table 17 Canton Multifamily Rental Housing Inventory**

<b>Name</b>	<b>Number of Units / Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Market Rate</b>					
Thormodsgard Rentals	2 bedroom <u>3 bedroom</u> 5 total homes	\$500-\$600 +utilities	No vacancies	General occupancy	Thormodsgard Rentals includes five single family two and three-bedroom homes. Rent is in the \$500 to \$600 range. Tenants also pay utilities. The owner reported no vacancies at the time of the survey.
122 W 2 <sup>nd</sup> St 4-plex	2 - 1 bedroom <u>2 - 2 bedroom</u> 4 total units	\$700 \$750	1 vacancy	General occupancy	Four-plex with 2 one-bedroom and 2 two-bedroom units. Rent is \$700 for a one-bedroom unit and \$750 for a two-bedroom unit. All of the units have been renovated. Tenants also pay electricity. The owner reported one vacancy at the time of the survey.
Cedar Manor Apartments	3 - 1 bedroom <u>3 - 2 bedroom</u> 6 total units	\$600 \$600 +electric	No vacancies	General occupancy	Cedar Manor Apartments is a six-unit market rate general occupancy project. There are three one-bedroom and three two-bedroom units. Rent is \$600 plus electricity. Rent includes a garage. The units were constructed in 1974. The owner reported no vacancies at the time of the survey.
Main Street Apartments	1 - 1 bedroom <u>2 - 2 bedroom</u> 3 total units	\$450 \$700	No vacancies	General occupancy	Main St. Apartments includes one one-bedroom and two two-bedroom units. Rent ranges from \$450 to \$700. Tenants also pay heat and electricity. The owner reported no vacancies at the time of the survey.
Esche Duplexes	<u>6 - 2 bedroom</u> 6 total units	\$800- \$1000	No vacancies	General occupancy	Esche Duplexes includes six two-bedroom units in three duplexes. One duplex was constructed in 1997 and two duplexes were constructed in 2003. Rents range from \$800 to \$1,000. Tenants also pay utilities. The owner reported no vacancies and a waiting list at the time of the survey.
Skiles 4-Plex	1 - 1 bedroom <u>3 - 2 bedroom</u> 4 total units	\$450 \$550	1 vacancy	General occupancy	The Skiles 4-plex includes one one-bedroom unit and three two-bedroom units. Rent is \$450 for the one-bedroom unit and \$550 for the two-bedroom units. Tenants also pay utilities. The owner reported one vacancy at the time of the survey.

**Table 17 Canton Multifamily Rental Housing Inventory**

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Market Rate</b>					
Canton Apartments	23 - 1 bedroom <u>1 - 2 bedroom</u> 24 total units	\$475 \$575	No vacancies	General occupancy	Canton Apartments, which was previously Elms Apartments, is a 24-unit general occupancy project. There are 23 one-bedroom units. Rent is \$475 for the one-bedroom units and \$575 for the two-bedroom unit. Rent includes utilities. The manager reported no vacancies at the time of the survey.
Hillcrest Apartments	<u>4 - 2 bedroom</u> 4 total units	\$650 +utilities	No vacancies	General occupancy	Hillcrest Apartments is a general occupancy market rate 4-plex. All of the units are two-bedroom. The units are 1,200 sq. ft. with attached double garages. Rent is \$650 plus utilities. The units were constructed in 1996. The owner reported no vacancies at the time of the survey.
Holman Apartments	7 - 1 bedroom <u>5 - 2 bedroom</u> 12 total units	\$500 \$650	2 vacancies	General occupancy	Holman Apartments is a 12-unit building with seven one-bedroom and five two-bedroom units. The building was constructed in the 1930s. Rent is \$500 for the one-bedroom unit and \$650 for the two-bedroom units. Tenants also pay heat and electricity. At the time of the survey, the owner reported two vacancies.

**Table 17 Canton Multifamily Rental Housing Inventory**

<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Subsidized</b>					
Colonial Village	<u>20 - 1 bedroom</u> 20 total units	\$552 max. 30% of income	No vacancies	General occupancy	Colonial Village is a 20-unit HUD Public Housing general occupancy project that was constructed in 1972. The units are all one-bedroom. The units are in five four-plexes. The units have had improvements and renovations over the years. The manager reports full occupancy at the time of the survey. Preference is given to households that live, work or go to school in Canton. Tenants pay 30% of their income up to a ceiling rent of \$552.
Canton Villa Apartments	2 - 1 bedroom <u>14 - 2 bedroom</u> 16 total units	\$615 max. \$655 max. 30% of income	2 vacancies	General Occupancy	The Canton Villa Apartments is a 16-unit USDA Rural Development Project. The 16 units include two one-bedroom and 14 two-bedroom units. There were two vacancies at the time of the survey. Rent includes water, sewer and garbage. Tenants pay 30% of their income up to the maximum rent of \$615 for a one-bedroom unit and \$655 for a two-bedroom unit.
<b>Senior Housing with Services</b>					
Good Samaritan Nursing Home	56 - nursing <u>home beds</u> 56 total units	Varies based on level of services	Currently at approx. 77% capacity	Skilled Nursing Home	Good Samaritan has 56 skilled nursing beds. The nursing home beds are at full capacity and there is one vacant assisted living bed. The administrator reported that at the time of the survey, the skilled nursing beds were at approximately 77% capacity. However, prior to the pandemic, the facility was operating at approximately 90% capacity. The nursing home does not have dementia-designated beds, however, the nursing home accommodates many residents with dementia.
Sanford Hiawatha Heights	12 units licensed for 16 residents	Varies based on level of services	No vacancies	Assisted Living Center	Hiawatha Heights is a 12-unit assisted living facility that is licensed for 16 residents, thus, four units can have double occupancy. The facility provides all assisted living services including meals, medication distribution, bathing assistance, housekeeping, laundry, etc. At the time of the survey, there were no vacancies.

Source: Community Partners Research, Inc.

## Net Household Growth in the Sioux Falls MSA

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

<b>Table 18 Household Growth by Jurisdiction: 2010 to 2020</b>				
City	2010 Census	2020 AGS	Numeric Growth	Percentage Growth
Sioux Falls	61,707	77,737	16,030	26.0%
Harrisburg	1,423	2,356	933	65.6%
Brandon	3,118	3,809	691	22.2%
Tea	1,254	1,884	630	50.2%
Hartford	913	1,299	386	42.3%
Baltic	389	457	68	17.5%
Canton	1,248	1,309	61	4.9%
Dell Rapids	1,388	1,443	55	4.0%
Crooks	431	478	47	10.9%
MSA	83,677	108,907	25,293	30.2%

Source: US Census; Applied Geographic Solutions

Between in 2010 and 2020, the MSA added nearly 25,300 households, according to estimates supplied by Applied Geographic Solutions (AGS). More than 63% of this household growth occurred within the City of Sioux Falls.

The remainder of the regions household growth was shared between multiple jurisdictions within the 4-County MSA, but Harrisburg, Brandon, Tea and Hartford captured the largest numeric share of household growth outside of Sioux Falls. Together, these four jurisdictions along with Sioux Falls, accounted for nearly 74% of all household growth in the MSA.

Based on the AGS estimate, Canton added 61 households over the decade. This represented approximately 0.24% of the MSA’s net household gain during this time.

## **MSA Housing Unit Construction Activity: 2010 to 2020**

The U.S. Census Bureau collects building permit issuance information from individual cities, towns and townships. Annual housing construction summary information is available for the combined jurisdictions that form the Sioux Falls MSA. This represents a four-county area of Minnehaha, Lincoln, McCook and Turner Counties.

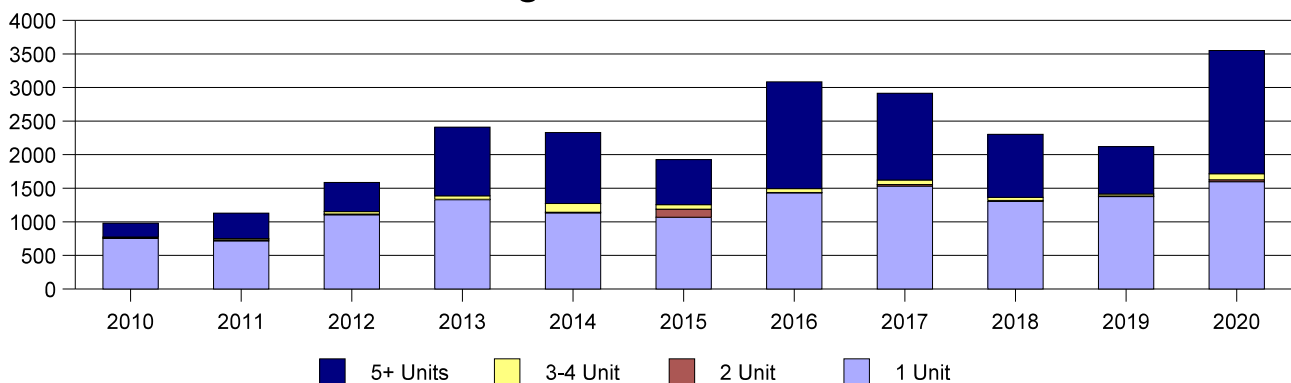
It is important to note that the Census Bureau's annual totals may differ from other information in this Housing Study, which may be collected directly from individual cities. However, the Census Bureau reports do provide some perspective on housing construction within the larger MSA. Census Bureau annual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

Housing construction activity in Canton has represented only a small share of all activity in the Sioux Falls MSA in recent years. From 2010 through 2020, unit construction in Canton represented less than 0.2% of all MSA activity.

<b>Table 19 Canton and MSA Housing Unit Construction Activity - 2010 to 2019</b>										
Year	City of Canton					Sioux Falls MSA				
	Single Family	Two Family	3 to 4 Family	Multifamily	Total	Single Family	Two Family	3 to 4 Family	Multifamily	Total
2020	3	0	0	0	3	1,597	30	89	1,834	3,550
2019	1	0	0	0	1	1,376	10	28	705	2,119
2018	4	2	0	0	6	1,306	12	46	938	2,302
2017	4	0	0	0	4	1,533	22	67	1,292	2,914
2016	5	0	0	0	5	1,431	6	58	1,589	3,084
2015	7	2	0	0	9	1,069	120	67	670	1,926
2014	4	6	0	0	10	1,134	8	131	1,057	2,330
2013	1	0	0	0	1	1,330	6	52	1,021	2,409
2012	4	0	0	0	4	1,104	12	36	435	1,587
2011	4	0	0	0	4	716	16	19	378	1,129
2010	1	0	0	0	1	755	8	111	207	1,081
Total	38	10	0	0	48	13,351	250	704	10,126	24,431

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

### MSA Annual Housing Unit Construction: 2010 to 2020

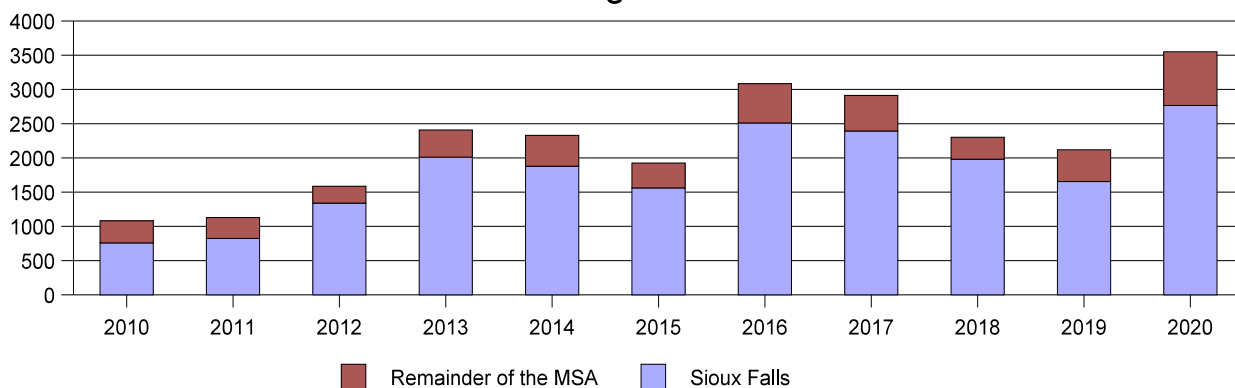


According to Census Bureau reports, the year 2020 represented the highest year for new housing unit production in the MSA over the 11-year period reviewed. In 2020, more than 3,500 total housing units were permitted. The total production in 2016, was lower, but more than 3,000 total units were permitted in the entire MSA in that year.

Much of the permitting in 2020 was in multifamily projects with five or more units per structure. It is possible that many of these larger-scale projects had been planned and/or initiated prior to the start of the global pandemic in 2020.

As the primary jurisdiction in the MSA, the City of Sioux Falls accounts for a large majority of the units constructed annually. In recent decades, Sioux Falls has typically represented between 70% and 86% of the annual MSA construction activity, and in most recent years, the City’s share has generally been 78% or higher, according to the Census Bureau.

### Sioux Falls/MSA Annual Housing Unit Construction: 2010 to 2020





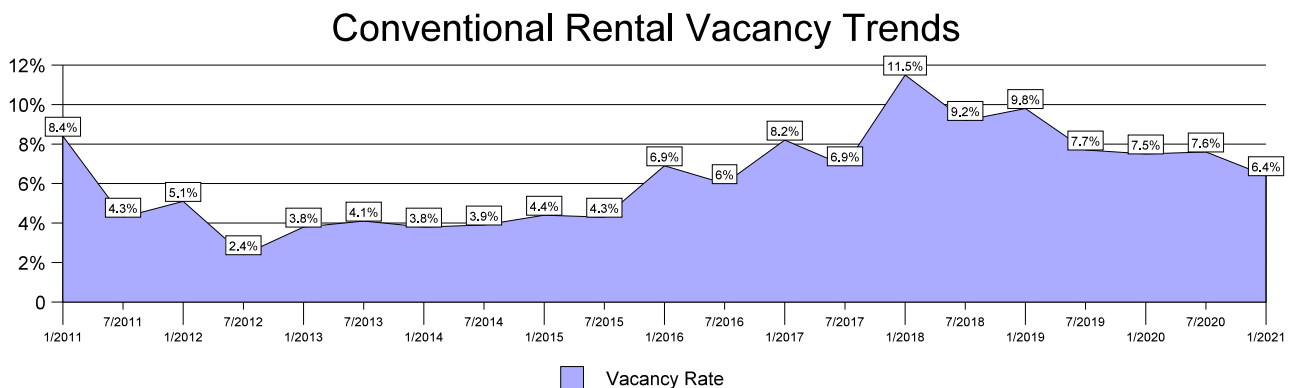
## Regional Rental Vacancy Rates

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

### Conventional Market Rate Housing

The most recently completed vacancy survey is from January 2021. This survey found a 6.4% vacancy rate in conventional market rate housing. The survey included more than 14,500 conventional units and found 931 vacancies. Although this was an area-wide survey, including communities that are within a 20-mile radius of Sioux Falls, more than 96% of the reporting units were located within the Sioux Falls zip codes.

The following chart presents the Multi-Housing Association vacancy calculations dating back to the year 2011 to provide a 10-year history for conventional rental housing.



The most recent survey does show a decrease in the conventional rental vacancy rate, but at 6.4% the vacancy rate still remains relatively high. For the period between July 2011 and July 2015, the vacancy rate typically remained below 5%. But starting in January 2016 the vacancy rate moved above 6% in market rate rental housing and has remained at or above 6% since that time.

However, the vacancy rate in conventional housing reached a recent peak in January 2018 at 11.5%. Since that time there has been a general reduction in the vacancy rate through January 2021.

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

Although the vacancy rates since 2016 have been above the desired level, past history shows that the market has had the ability to “self-correct”. People interviewed in past studies in the area have cited the cyclical nature of rental production in Sioux Falls. As the vacancy rate has risen, construction activity in subsequent years tends to diminish. As vacancy rates begin to fall, it has been typical to see an above-average level of construction.

Based on the building permit reporting presented previously from the Census Bureau, the number of multifamily units permitted in the MSA decreased steadily from 2016 to 2019. After reaching a single year peak of nearly 1,600 multifamily units permitted in 2016, this level did drop to approximately 700 units in 2019.

However, based on information contained in the Multi-Housing report for January 2021, rental production in Sioux Falls increased substantially in 2020, with more than 1,570 multifamily units permitted in Sioux Falls. No Census Bureau totals for the entire MSA are available yet for 2020, but based on the production in Sioux Falls the number of new units more than doubled between 2019 and 2020.

### **Income-Based Housing Vacancy Rates**

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

Since the start of 2019, the vacancy rate in tax credit housing has generally been high, and has remained above 8%. In the most recent survey, tax credit units had a vacancy rate of 9.1%, compared to the conventional housing vacancy rate of 6.4%.

HUD units have tended to maintain a low rate of vacancy over time. In the most recent report, the vacancy rate for HUD units was only 1.3%. With the exception of one survey in January 2020, this very affordable segment has maintained a vacancy rate below 5%.

Presumably, the impact of the global health pandemic has resulted in decreased incomes for some MSA households, which has increased demand for deep subsidy housing. In January 2020 the vacancy rate was 6.6% in HUD units, compared to only 1.3% by January 2021.

### **Vacancy Rates Outside of Sioux Falls**

The Multi-Housing Survey does collect some rental data from units that are outside of the City of Sioux Falls, but within a 20-mile radius. Information is provided by zip code for communities in the Sioux Falls region. However, in the January 2021 survey, no rental units were listed in Canton.

The January 2021 survey collected information from other outlying areas within a 20-mile radius of Sioux Falls, including Harrisburg and Brandon. There were 890 conventional market rate units surveyed with a vacancy rate of only 4.6%, lower than the 6.4% rate for the entire Sioux Falls area.

Outside of Sioux Falls, there were tax credit units reported in Brandon, Harrisburg, Hartford and Tea. In total, 483 tax credit units were surveyed in these four cities. There were 33 vacant units in January 2021, for a vacancy rate of 6.8%, below the tax credit vacancy rate of 9.1% for the entire Sioux Falls area.

Only eight "HUD units" were reported in the most recent survey outside of Sioux Falls and all were occupied. These units are in Brandon.

## **Employment and Local Economic Trends**

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

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

The largest employers in Canton include:

- ▶ Adams Thermal
- ▶ Canton School District
- ▶ Fastek Products
- ▶ Good Samaritan Center
- ▶ Keystone Treatment Center
- ▶ Sanford Canton-Inwood Hospital
- ▶ Legacy Electronics
- ▶ Terex Bid-Well
- ▶ Lincoln County Courthouse
- ▶ Johnson Feed
- ▶ Eastern Farmers Cooperative

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

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

Source: Governor's Office of Economic Development

## Work Force and Unemployment Rates

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

<b>Table 20 Sioux Falls MSA Annual Labor Statistics: 2010 to 2020</b>						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - MSA	Unemployment Rate - SD	Unemployment Rate - US
2010	133,585	127,238	6,347	4.8%	5.0%	9.6%
2011	134,281	128,513	5,768	4.3%	4.7%	8.9%
2012	136,615	131,430	5,185	3.8%	4.3%	8.1%
2013	138,817	134,408	4,409	3.2%	3.8%	7.4%
2014	141,705	137,621	4,084	2.9%	3.4%	6.2%
2015	144,400	140,650	3,750	2.6%	3.1%	5.3%
2016	146,949	143,305	3,644	2.5%	3.0%	4.9%
2017	150,020	145,981	4,039	2.7%	3.2%	4.4%
2018	152,316	148,354	3,962	2.6%	3.0%	3.9%
2019	155,468	151,110	4,358	2.8%	3.0%	3.7%
2020	156,605	149,880	6,275	4.3%	4.6%	8.1%

Source: South Dakota Department of Labor

The Sioux Falls MSA continues to be strong for labor force and job growth. Over the time period from 2010 through 2020, the size of the resident labor force increased by more than 22,800 people, or an increase of more than 17%. The employed resident work force increased by nearly 21,600 people during this same time, for an increase of nearly 17%.

The MSA’s unemployment rate has generally decreased over this longer time period and by 2019 was at only 2.8%. However, the global pandemic did impact statistics for 2020, although the annual employment rate was still only 4.3%.

## **Employment and Wages by Industry**

The following table shows the annual employment and average annual wages in 2018. This information is for all of the MSA.

<b>Table 21 MSA Average Annual Wages - 2018</b>		
Industry	2018 Employment	Average Annual Wage
Total All Industry	153,130	\$48,736

Source: South Dakota Department of Labor

The average annual wage for all industry in 2018 was \$48,736 for the Sioux Falls MSA.

## Commuting Patterns of Canton Residents

Information is available on workers that commute for employment. The best information is from the 2019 American Community Survey, and has been examined for residents of Canton. This first table only examines travel time for City residents, and excludes people that work at home.

<b>Table 22 Commuting Times for Canton Residents - 2019</b>		
Travel Time	Number	Percent
Less than 10 minutes	742	43.3%
10 to 19 minutes	159	9.3%
20 to 29 minutes	272	15.9%
30 minutes +	540	31.5%
Total	1,713	100%

Source: American Community Survey

While a majority of Canton’s residents were employed locally in 2019, the City also had a number of people traveling 20 minutes or more to their job. Overall, nearly 53% of the City’s residents were traveling less than 20 minutes or for their primary employment, while more than 47% were commuting 20 minutes or more.

The American Community Survey did not provide travel time information for people that worked in Canton.

<b>Table 23 Commuting Times for Canton-based Employees - 2019</b>		
Travel Time	Number	Percent
Less than 10 minutes	560	41.7%
10 to 19 minutes	298	22.2%
20 to 29 minutes	172	12.8%
30 minutes +	313	23.3%
Total	1,343	100%

Source: American Community Survey

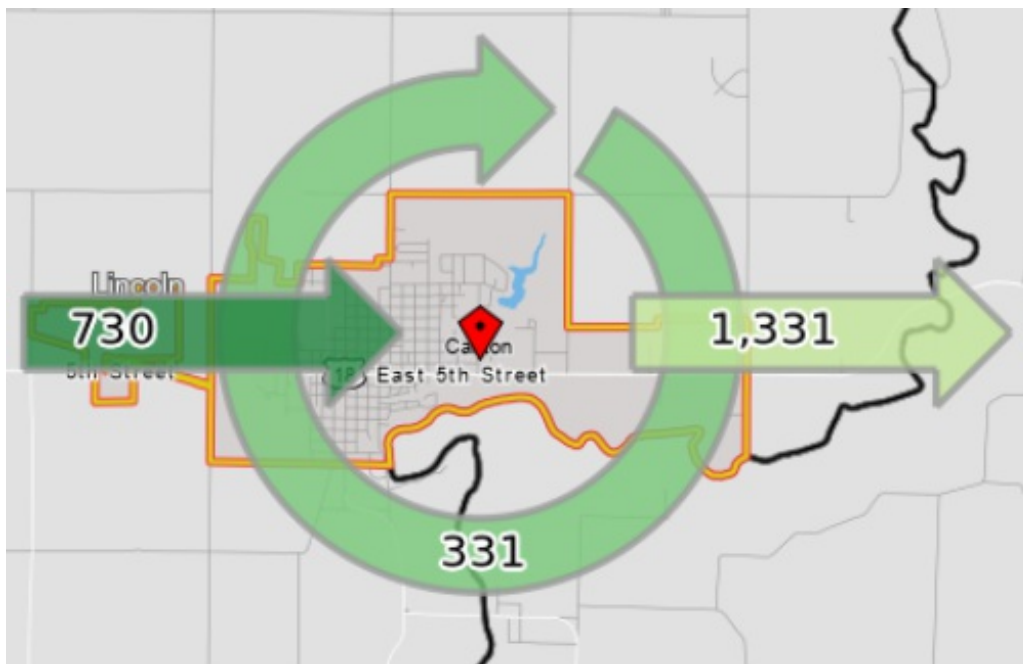
Most of the people that worked in Canton in 2019 lived in the immediate area. Overall, nearly 64% of workers were traveling less than 20 minutes for their primary job. However, there were 485 people traveling 20 minutes or more.

## Census On the Map

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on reports for the year 2018, but provides a further breakdown of worker movement patterns.

According to the report for Canton, there were 1,061 people that were employed within the city limits in 2018. Approximately 31% of these Canton-based employees also lived within the City, with nearly 730 employees commuting in to work. The primary identified jurisdictions supplying workers to the City were Sioux Falls, Canton Township, Harrisburg, Sioux City and Springdale Township.

The large majority of Canton's residents left their home community to work elsewhere. The primary location listed for outbound commuters was Sioux Falls. Approximately 45% of the City's residents worked in Sioux Falls. Other identified employment locations included Canton Township, Sioux City and Harrisburg.





## **Findings on Growth Trends**

As part of this Study, Community Partners Research, Inc., has examined growth patterns for Canton and Lincoln 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.

Canton's population increased by 11.6% from 1990 to 2000. The population increased from 2,787 in 1990 to 3,110 in 2000. From 2000 to 2010, Canton's population decreased by 53 people, which was a population loss of 1.7%.

Applied Geographic Solutions (AGS) estimates that from 2010 to 2020, the City of Canton had a significant gain of 417 people. Esri estimates a gain of 469 people from 2010 to 2020, and the Census Bureau estimates an increase of 503 people from 2010 to 2019.

Lincoln County's population increased from 15,427 in 1990 to 24,131 in 2000, which was an increase of 56.4%. The population continued to grow in the 2000s from 24,131 in 2000 to 44,828 in 2010, which was a gain of 85.8%. AGS estimates that Lincoln County added 16,475 people and Esri estimates that Lincoln County gained 18,400 people from 2010 to 2020.

Household levels have increased from 1990 to 2010 in Canton and Lincoln County. Canton experienced a gain of 102 households from 1990 to 2000 and a gain of 39 households from 2000 to 2010. Lincoln County added 3,321 households from 1990 to 2000 and 7,867 households from 2000 to 2010. AGS estimates that the City gained 61 households and Esri estimates that Canton gained 221 households from 2010 to 2020. However, the Esri estimate is considered too high and unreliable. AGS estimates that Lincoln County added 4,950 households and Esri estimates that the County added 7,000 households from 2010 to 2020.

## **Findings on Projected Growth**

Projections for Canton and Lincoln County reflect the patterns of recent decades. AGS projects that from 2020 to 2025, the City of Canton will gain 705 people and 152 households. Esri forecasts that from 2020 to 2025, Canton will gain 312 people and 139 households.

AGS is forecasting that Lincoln County will gain 11,575 people and 2,160 households from 2020 to 2025. Esri is projecting that Lincoln County will add 9,940 people and 3,763 households over the 5-year projection period.

## **Summary of Canton’s Growth Projections by Age Group**

The Demographic section of this Study presented Esri’s Canton projection information on anticipated changes by age group from 2020 to 2025. This information can be informative in determining the housing that may be needed due to age patterns of the City’s population.

Most of the projected growth to the year 2025 will occur among people in the 75 and older age range. This would largely reflect the aging “baby boomers”, most of whom will be age 65 or older between 2020 and 2025. However, all but one of the age ranges is projected to gain households from 2020 to 2025.

Esri is projecting an increase of 23 households in the 15 to 34 age ranges, an increase of 32 households in the 35 to 54 age ranges and a gain of 88 households in the 65 and older age ranges.

Esri is projecting a loss of four households in the 55 to 64 age range.

<u>Age Range</u>	<u>Projected Change in Households 2020 to 2025</u>
15 to 24	6
25 to 34	17
35 to 44	18
45 to 54	14
55 to 64	-4
65 to 74	46
75 and Older	<u>42</u>
Total	139

## **Findings on Unit Demand by Type of Housing**

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

**Age 24 and Younger** - The projections used for this Study expect a gain of six households in the 15 to 24 age range through the year 2025. Past tenure patterns indicate that a majority of these households in Canton will rent their housing. A small gain in the number of households in this age range should mean that rental demand from younger households will remain stable during the projection period.

**25 to 34 Years Old** - The projections show a gain of 17 households in this age range by 2025. Within this age range households often move from rental to ownership housing. A gain of households within this age range indicates more demand for both first-time home buyer and rental opportunities.

**35 to 44 Years Old** - The projections for this 10-year age cohort expect a gain of 18 households between 2020 and 2025 in Canton. In the past, this age group has had a high rate of home ownership. Households within this range often represent both first-time buyers and households looking for trade-up housing, selling their starter home for a more expensive house.

**45 to 54 Years Old** - Esri's projections for Canton show a gain of 14 households in this range. This age group historically has had a high rate of home ownership and will often look for trade-up housing opportunities. A gain in the number of households in this age group, indicates that the demand for trade-up housing from this age range will increase during the projection period.

**55 to 64 Years Old** - The projections show an expected decrease of four households in this 10-year age range by the year 2025 in the City. This age range has traditionally a high rate of home ownership in Canton. 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. A percentage of households in this age range will also look for trade-up housing.

**65 to 74 Years Old** - Esri expects a strong gain of 46 households by the year 2025 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. Once again, preferences for age-appropriate units would increase from household growth within this age cohort.

**75 Years and Older** - There is also a projected significant gain of 42 households in Canton in this age range between 2020 and 2025. An expansion of housing options for seniors, including high quality rental housing and senior housing with services, 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 needs 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*** - Esri's household projections used for this Study expect Canton to gain 139 households from 2020 to 2025. Significant household gains of approximately 3,763 households are projected for Lincoln County. This anticipated household growth will yield demand for new housing production in Canton.

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

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

***Pent-Up Demand*** - The third primary demand-generator for new housing is caused by unmet need among existing households, or pent-up demand. Although there has not been significant growth in the number of households, shifting age patterns have created demand for certain types of age-appropriate housing in Canton. We have included our estimates of pent-up demand into the specific recommendations that follow later in this section.

## **Strengths for Housing Development**

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

- ▶ **Canton serves as a small regional center** - Canton provides employment opportunities, retail/service options, health and professional services, governmental services and recreational facilities for a geographical area that surrounds the City.
- ▶ **Affordable priced housing stock** - The City of Canton has a stock of affordable, existing houses. Our analysis shows that the City's median home value based on 2020 sales is approximately \$157,400. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Adequate land for development** - Canton has adequate land available for both residential and commercial/industrial development. However, some of this land needs to be serviced with infrastructure improvements and/or annexed into the City limits.
- ▶ **Educational system** - Canton has an excellent public K-12 school system.
- ▶ **Health facilities** - Canton has excellent health facilities including a hospital, medical clinic, a nursing home and assisted living.
- ▶ **Infrastructure** - Canton's water and sewer infrastructure can accommodate future expansion.
- ▶ **Commercial development** - Canton's commercial district is adequate to meet most daily needs.
- ▶ **Canton Housing and Redevelopment Commission (HRC)** - The Canton Housing and Redevelopment Commission owns and manages rental housing and administers HUD's Housing Voucher Program in Canton.
- ▶ **Canton Economic Development Corporation (EDC)** - The Canton EDC has been active in promoting economic development in Canton.

- ▶ **Canton is located near Sioux Falls** - Canton is located 20 miles from Sioux Falls. Sioux Falls provides employment opportunities, retail/service options, educational opportunities, health care facilities and cultural amenities. Some households prefer to live near, but not in a regional center.
- ▶ **Employers** - Canton has several large employers that provide job opportunities for local residents.
- ▶ **County Seat** - Canton is the county seat for Lincoln County.
- ▶ **Sioux Falls market** - On average, over the past 10 years, more than 2,000 housing units were constructed in the Sioux Falls MSA annually. Canton has the opportunity to capture a portion of this market.
- ▶ **Housing developers** - There are developers that are willing to invest in housing projects in the City of Canton. Developers have been active in subdivision development, attached ownership housing and single family development.
- ▶ **Population and household growth** - The City of Canton is projected to have population and household growth over the next five years.
- ▶ **Commuters** - Approximately 730 people are commuting into Canton daily for employment. These commuters are a potential market for future housing construction.
- ▶ **Housing and Economic Development Agencies** - In addition to the Canton HRC and Canton EDC, the City has access to area housing and economic development agencies that can assist with housing development, housing projects and housing programs.

## **Barriers or Limitations to Housing Activities**

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

- ▶ **Age and condition of the housing stock** - While the existing stock is affordable, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Low rent structure** - The area's rent structure is relatively low, which makes it difficult to construct new rental housing.
- ▶ **Lower paying jobs** - Although Canton has several large employers, some jobs are at the lower end of the pay scale and employees with these jobs have limited housing choices.
- ▶ **Proximity to Sioux Falls** - Although it is a strength to be located in close proximity to Sioux Falls, it is also a barrier as Canton must compete with Sioux Falls, which offers attractive residential opportunities and other amenities and services.
- ▶ **Limited new construction** - Over the past several years, new housing construction has been limited.
- ▶ **Lot availability** - Canton has a limited number of available residential lots for new construction.



## **Recommendations, Strategies and Housing Market Opportunities**

Based on the research contained in this study, and the housing strengths and barriers identified above, we believe that the following recommendations are realistic options for Canton. 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 Canton if there is proactive support from the City, local and regional housing and economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the existing housing stock** - The future of Canton 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** - Canton has many assets including a K-12 school, employment opportunities, a Downtown Commercial District, health facilities, etc. These are strong assets that make Canton a desirable community to live in, and are key components to the City's long-term success and viability. These assets must be protected and improved.
- ▶ **Develop a realistic action plan with goals and time lines** - In the past the City has been involved in housing issues. The City should prioritize its housing issues and establish goals and time lines to achieve success in addressing its housing needs.
- ▶ **Access all available resources for housing** - In addition to local resources, the City has other resources to draw on including USDA Rural Development, the South Dakota Housing Development Authority, the South Eastern Council of Governments, the South Eastern Development Foundation, the Lincoln County Economic Development Association, Dakota Resources, Inter-Lakes Community Action Agency, the Rural Office of Community Services and Grow South Dakota. These resources should be accessed as needed to assist with housing activities.

## **Summary of Findings/Recommendations**

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

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

The findings/recommendations for each category are as follows:

### **Rental Housing Development**

1. Develop 24 to 28 general occupancy market rate rental units
2. Consider the development of 20 to 24 tax credit/moderate rent general occupancy rental units
3. Promote the development of 12 to 14 general occupancy subsidized rental housing units
4. Consider the development of 14 to 16 senior independent/light services units
5. Promote the development/conversion of six to eight affordable market rate rental housing units
6. Develop a downtown mixed-use commercial/housing project
7. Continue to utilize the Housing Choice Voucher Program

### **Home Ownership**

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

**Single Family Housing Development**

10. Support Lot/Subdivision Development
11. Strategies to encourage continued residential lot sales and new home construction in Canton
12. Coordinate with economic development agencies, housing agencies and nonprofit groups to construct affordable housing
13. Promote twin home/townhome/villa development

**Housing Rehabilitation**

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

**Other Housing Issues**

16. Development of a 40-acre parcel
17. Continue to acquire and demolish dilapidated structures
18. Create a plan and a coordinated effort among housing agencies
19. Encourage employer involvement in housing
20. Strategies for downtown redevelopment and commercial development
21. Develop home ownership and new construction marketing programs

# **Canton Rental Housing Development**

# Rental Housing Development

## Overview

Many communities in South Dakota have had minimal rental housing development over the past decade.

From 2010 to 2020, no rental units have been constructed in Canton. However, Lincoln County and the Sioux Falls MSA have had substantial rental unit construction over the past decade.

Demand for new rental housing in Canton is generated from three factors:

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

Household projections for Canton expect significant household growth, although a majority of this growth will result in demand for owner-occupied housing. From 2020 to 2025, AGS and Esri project that there will be a gain of approximately 139 to 152 households in Canton. AGS projects that from 2020 to 2025, Lincoln County will gain 2,160 households and Esri forecasts that Lincoln County will gain 3,763 households. Therefore, we are projecting growth-generated demand for approximately 60 new rental units over the next five years in Canton.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that the City will lose only one to two rental units per year from 2021 to 2025. As a result, approximately five to 10 additional units will be needed over the next five years to replace lost units. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition. However, in many cases, the unit replacement will be due to single family rental houses converting to owner-occupancy.

Pent-up demand also exists. As part of this study, a rental survey was conducted. There were 204 rental units that were contacted and surveyed. The survey found seven vacancies in the general occupancy market rate units and two vacancies in the City's subsidized projects. Based on limited vacancies in existing rental projects and the lack of certain rental unit types, we identified pent-up demand for market rate units, tax credit/moderate rent units, subsidized units and senior independent/light services units.

These three demand generators, after factoring current vacancy rates, show a need for 76 to 90 rental units in Canton over the next five years. Based on the factors stated above, we recommend the development of the following new rental units from 2021 to 2026.

▶ General Occupancy Market Rate	24-28 units
▶ Tax Credit/Moderate Rent	20-24 units
▶ General Occupancy Subsidized	12-14 units
▶ Senior (Independent/Light Services)	14-16 units
▶ Conversions (Affordable Market Rate)	<u>6-8 units</u>
Total	76-90 units

The 76 to 90 rental units are projected to be 1.0% to 1.2% of the total rental units that will potentially be constructed in the Sioux Falls MSA from 2021 to 2026.

For 76 to 90 additional rental units to be developed over the next five years, affordable land and infrastructure must be available for multi-family construction. Additionally, the City of Canton must continue to develop amenities that make Canton an attractive residential option for households.

### **1. Develop 24 to 28 general occupancy market rate rental units**

**Findings:** Canton has a limited number of quality market rate units. The most recently constructed rental units in Canton have been small projects including duplexes, triplexes and four-plexes. No market rate rental units have been constructed since the early 2000s.

The gross rents for market rate rental units in Canton range from \$475 to \$750 for a one-bedroom and \$575 to \$1,200 for a two-bedroom unit.

Our survey identified only a few three-bedroom and four-bedroom market rate units in the City of Canton.

The interviews and rental survey identified demand and a need for additional market rate rental housing. We found seven vacancies in the 156 rental units that we surveyed, however, the majority of these vacancies were in older and smaller units with few amenities. The newer units were usually fully occupied, some of which had waiting lists.

There is a projected gain of approximately 145 households in Canton from 2020 to 2025. There is also a projected substantial household increase during this timeframe in Lincoln County. Canton has the potential to capture a larger future share of this Countywide growth.

Additionally, we are expecting the loss of some rental units in Canton due to deterioration and demolition. We have identified 20 single family homes in four older Canton neighborhoods that are dilapidated and beyond repair. We also identified 90 single family homes that need major rehabilitation. Some of these dwellings are rentals and may be demolished or no longer rented because of their condition. Also, redevelopment projects and conversions from rental to owner-occupied units will result in the loss of rental units.

**Recommendation:** We recommend the development of 24 to 28 market rate rental housing units over the next five years. A town home unit or twin home style similar to the City's newest rental units would be the preferred style, to cater to active renter households, although, a high quality apartment building or buildings with 'state of the art' amenities is an option.

The first option to developing market rate housing would be to encourage private developers to undertake the construction of market rate rental housing. If private developers do not proceed, the Canton Housing and Redevelopment Commission or the Canton Economic Development Corporation could potentially utilize essential function bonds, or similar funding sources, to construct market rate units.

Also, the Canton Housing and Redevelopment Commission or the Canton Economic Development Corporation could partner with private developers to construct additional units. The City could assist with land donations, tax increment financing, reduced water and sewer hook up 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 Housing Choice Voucher Program's Fair Market Rents (FMRs). The 2021 FMRs are \$675 for a one-bedroom unit, \$850 for a two-bedroom unit and \$1,050 for a three-bedroom unit.

The units could be added in several phases, as demand dictates the need for additional units. In this way they have expanded the supply without saturating the market. Additionally, some of the units should be three-bedroom units as there is a shortage of three-bedroom units in Canton. In the 2014 Canton Housing Study, the construction of 20 to 24 market rate rental units was recommended. No market rate rental units have been constructed.

We recommend the development of 24 to 28 units and the unit mix and rents should be as follows:

**Recommended unit mix, sizes and rents for the Canton Market Rate Housing Project:**

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	4-5	650-800	\$800-\$1,100
Two Bedroom	14-16	850-1,050	\$900-\$1,350
Three Bedroom	<u>6-7</u>	1,100-1,250	\$1,100-\$1,500
Total	24-28		

Note: Rents are quoted in 2021 dollars and include utilities.

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

**Findings:** The Federal low income housing tax credit program is the most available development financing resource for more affordable rental housing development. Over the past two decades, a number of the most affordable projects in the Sioux Falls MSA have utilized tax credits. Currently, there are no tax credit rental units in Canton.

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

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

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



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

- ▶ The City of Canton currently has no tax credit units and only 36 subsidized units.
- ▶ A significant number of Canton's renter households are within the income range of \$20,000 to \$40,000. These households will generally be income qualified for a moderate rent tax credit unit. Some of these renter households cannot afford a market rate unit, but also do not qualify to live in a subsidized unit.
- ▶ The City's subsidized rental housing stock has decreased by 50 units due to two subsidized projects opting out of their subsidies and converting to market rate rental housing.
- ▶ There have been no new rental units constructed in Canton for many years.
- ▶ Canton is projected to add approximately 145 households from 2020 to 2025. A significant percentage of these households will be low and moderate income renter households.
- ▶ Approximately 27% of the renter households in Canton are paying more than 30% of their income for rent. A significant majority of these households are actually paying more than 35% of their income for rent.
- ▶ Canton has experienced substantial job growth over the past several years.
- ▶ The Sioux Falls area is experiencing substantial commercial and industrial growth. This growth is creating jobs and a need for housing. Canton is located within a short commuting distance of Sioux Falls and has the opportunity to address some of the demand for housing.
- ▶ Sioux Falls households seeking a small town atmosphere could live in Canton, some of which are already commuting to Canton to work.
- ▶ There were only a few vacant rental units in Canton at the time of the survey. Rental property owners and managers reported a demand for rental units.

The 20 to 24 tax credit units should be primarily two and three-bedroom units and serve families.

It should be noted that the State of South Dakota awards tax credits based on a point system. For Canton to score highly enough to receive tax credits, it may be necessary for the City of Canton, local employers or the Canton Economic Development Corporation, to financially participate through waiving permit fees, land donations, tax increment financing or some other form of financial participation. Also, it may be advantageous for Canton to coordinate with other cities in the area to submit a tax credit application that includes several cities.

### **3. Promote the development of 12 to 14 general occupancy subsidized rental housing units**

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

The research completed for this Study found only two subsidized projects, Colonial Village and Canton Villa Apartments, which have a combined 36 units. Both projects are general occupancy rental housing, although one project was originally a senior/disabled project.

Colonial Village is a 20-unit HUD-subsidized project. The project includes five four-unit buildings. The 20 units are all one-bedroom units. The project was constructed in 1972, however, the buildings have been renovated over the years.

Canton Villa Apartments is a 16-unit USDA Rural Development General Occupancy project. The 16 units include two one-bedroom and 14 two-bedroom units.

The City has lost 50 subsidized units in recent years due to two projects that converted to market rate housing. These projects, Elms Apartments with 24 units and Old Main Apartments with 26 units, both completed their contracts to provide subsidized housing.

There are additional “deep subsidy” resources available to Canton residents through the tenant-based Housing Choice Voucher Program. The Vouchers allow tenants to pay approximately 30% of income for housing in suitable private-market rental units. The Voucher Program for Canton is administered by the Canton Housing and Redevelopment Commission. Twenty-one Canton households were using a Voucher in April 2021.

The 2019 American Community survey estimated that approximately 27% of all renters in the City of Canton were paying 30% or more of their income for rent. The large majority of these households were actually paying 35% or more of their income for housing. Most of the households with a severe rent burden had low annual incomes, and would be under the income limits for subsidized housing.

**Recommendation:** Based on the cost burden data contained in the American Community Survey, the limited number of subsidized units in Canton and the loss of 50 subsidized units due to conversions to market rate, we would recommend that the City look to expand the supply of deep subsidy rental housing for lower income renters. Over the next five years, we would recommend that the City attempt to construct 12 to 14 units that achieve a rent level that would be affordable to very low income households earning less than \$25,000 per year.

This recommendation represents a modest goal, since substantially more low income households exist in the City with a cost burden. However, over the past few decades, very few federal subsidy sources have been available for the construction of “deep subsidy” rental housing. The actual number of units that can be developed will be dependent upon access to financial resources.

In the opinion of the analysts, the highest priority would be to create general occupancy units for families and younger households. Most of the cost burdened households in Canton are households between 25 and 64 years old.

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

**4. Consider the development of 14 to 16 senior independent/light services units**

**Findings:** The City of Canton currently has two senior with services facilities. Good Samaritan has 56 skilled nursing beds. Hiawatha Heights is an assisted living facility licensed for 16 residents. Additionally, the Sioux Falls Market Area has many senior housing with services projects that provide a variety of options.

Our research for this Study did not identify any units dedicated for seniors to live independently in a senior project or for seniors that need only light services.

**Recommendation:** Currently, the capacity of assisted living and skilled nursing beds in Canton's two senior with services facilities are adequate to address Canton's current assisted living and skilled housing needs. However, there are no independent, senior-designated housing options or senior with light services projects in Canton, thus, we are a 14 to 16-unit independent/senior with light services project in Canton. 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 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:

- ▶ 14 to 16 units
  - ▶ four to five one-bedroom
  - ▶ 10 to 11 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

It may be advantageous for this project to be attached or adjacent to one of Canton's existing senior with services facilities. This would allow the project to utilize existing staffing and services.

Subsidies and/or incentives could be utilized to lower rents, expand the available senior market and to make the project possible.

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

In addition to the recommendation to construct senior independent/light services units, we recommend that the City monitor the need for additional assisted living units in the future.

## **5. Promote the development/conversion of six to eight affordable market rate rental housing units**

**Findings:** The market rate recommendation addressed the market potential to develop high quality rental units in Canton. Unfortunately, these units would tend to be beyond the financial capability of many area renters. A majority of Canton's renter households have an annual income below \$30,000. These households would need a rental unit at \$750 per month or less.

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

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

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

Several of Canton's downtown buildings may have the potential on the upper floors to convert space into rental housing or to rehabilitate rental housing that has been vacant. Also, other buildings or vacant homes may be available for rental housing.

The estimated prevailing rent range for older rental units in Canton is typically between \$475 and \$750 per month. Creating some additional units with contract rents below \$750 per month would help to expand the choices available to many of Canton'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, and other financial resources from funding agencies such as the South Dakota Housing Development Authority.

## **6. Develop a Downtown Mixed-Use Commercial/Housing Project**

**Findings:** A mixed-use rental housing/commercial project in the Downtown area could complement the City's ongoing efforts to redevelop the downtown. There should be sensitivity to the timing of the project and type of commercial tenants the project will have, to assure the project is an asset to the downtown.

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

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

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

The rental units should be primarily market rate units, but could be mixed income with some moderate income units. The units should be primarily one-bedroom and two-bedroom units. Please note that these units are not in addition to the units recommended in the previous 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 or other local funds, and land at a reduced price.

## **7. Continue to utilize the Housing Choice Voucher Program**

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

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

The Housing Choice Voucher Program is administered east of Interstate 29 by the Canton Housing and Redevelopment Commission (HRC). The Canton HRC has the ability to issue approximately 68 Vouchers. At the time of the research for this Study, approximately 21 Canton renter households were utilizing the Voucher Program. There currently is a waiting list of approximately six months to obtain a Housing Choice Voucher.

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

# **Canton 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 Canton is estimated to be approximately \$157,400 based on 2020 sales activity. The home values in Canton provide a good opportunity for first time buyers and households seeking moderately priced homes.

Our analysis of Canton demographic trends shows an increasing number of households in the traditionally strong home ownership age ranges between 35 and 54 years old. Also, the first time home buyer age range 25 to 34 are projected to add households in Canton. 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:

### **8. Continue to utilize and promote all programs that assist with home ownership**

**Findings:** We believe that affordable home ownership is one of the issues facing Canton 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 Canton has a supply of houses that are price-eligible for these assistance programs. The home value estimates used in this study indicate that a 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:** Canton should continue to work with area housing agencies, the South Dakota Housing Development Authority and local financial institutions to utilize all available home ownership assistance programs. Private and nonprofit agencies should also be encouraged to provide home ownership opportunities.

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

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

## **9. Develop a Purchase/Rehabilitation Program**

**Findings:** Canton has a stock of older, lower valued homes, many of which need repairs. Our analysis of recent sales activity indicates that approximately 17% of the homes in Canton are valued less than \$100,000. As some lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

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

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

# **Canton Single Family Housing Development**

## **Single Family Housing Development**

**Findings:** Based on City information, Canton has experienced a limited amount of single family housing development from 2010 to 2020. Over the past 11 years, approximately 48 single family owner-occupancy units have been constructed in Canton. This is an average of approximately four to five owner-occupied units constructed annually in Canton.

From 2010 to 2014, the City averaged approximately four new housing units per year. From 2015 to 2020, housing construction activity averaged four to five new units per year. However, over the past two years, 2019 and 2020, a total of only four owner-occupancy units was constructed.

Household growth projections for Canton and Lincoln County indicate demand for owner-occupied housing construction. Growth is anticipated over the next five years among households in almost all age ranges in Canton and Lincoln County.

Strong growth is projected in households in the 25 to 54 age ranges. Households in these age ranges include first-time home buyers and households seeking trade-up housing. Substantial growth is also forecast for the 65 and older age ranges. These households are often in the market for senior friendly, no maintenance housing options.

It is our opinion that if the City, housing and economic development agencies, developers and builders are proactive, 10 to 12 homes can be constructed or moved into Canton annually from 2021 to 2026. This is a total of 60 to 72 owner-occupancy housing units over the 5-year period.

The breakdown of our projection of 10 to 12 new owner-occupancy housing units annually over the next six years is as follows:

▶ Higher and Median priced homes	3-4
▶ Affordable Homes	3-4
▶ Twin homes/Townhomes	<u>4</u>
Total	10-12

## **10. Support Lot/Subdivision Lot Development**

**Findings:** As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in Canton. Buildable lots are defined as having sewer and water available to the lots. It appears that there are only approximately four available lots in Canton. However, there is a 40-acre parcel in Canton that is in the planning phase for the development of lots.

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

**Recommendation:** We use a standard that a 2.5-year supply of lots should be available in the marketplace, based on annual lot usage. Using our projections that 10 to 12 houses will be constructed or moved in annually, an adequate supply of lots would be 25 to 30 lots. With approximately four lots available in Canton, there currently is not an adequate supply of lots.

The City of Canton, the Canton Economic Development Corporation and private developers should continue to plan for future subdivision and lot development. If new construction projections come to fruition, there will be a need for 60 to 72 lots over the next five years.

Lots should be available for:

- ▶ Executive (higher priced) homes
- ▶ Medium-priced homes
- ▶ Affordable homes including modular and Governors Homes
- ▶ Twin homes, town homes, villas

Additionally, the City of Canton should review its development policies to assure the City's interests are being addressed, while also being 'user friendly' for developers and builders.

## **11. Strategies to encourage continued residential lot sales and new home construction in Canton**

**Findings:** Over the past 10 years, Canton has averaged four to five new single family housing units annually. However, over the past two years, 2019 and 2020, a total of only four units was constructed, below the longer-term average. To increase new single family housing construction, we recommend several strategies.

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

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

- ▶ ***Continue the momentum*** - In 2019 and 2020, only four owner-occupied units were constructed in Canton. The City must develop a working formula for new home construction that develops momentum and the City should maintain this momentum by assuring that in the City of Canton, there is an ongoing adequate number of developers, builders, lots, etc.
- ▶ ***Competitive pricing*** - There are lots available in communities throughout the region. To continue to attract new home construction in Canton, lots should remain competitively priced in comparison to other options in the area.
- ▶ ***User-Friendly*** - The lot purchase and home building process must be 'user friendly.' This includes the construction of spec homes, builders that are readily available to build custom homes and city regulations that are fair and reasonable. The entire process must be as 'user friendly' as possible to encourage home construction.
- ▶ ***Long-term planning*** - The City of Canton, the Canton Economic Development Corporation and Canton developers should continue long-term development planning to assure lots are available on an ongoing basis to meet demand for all types and pricing of new housing.

- ▶ ***Promote spec home construction*** - Spec houses attract a buyer that is not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy.
- ▶ ***Lot availability for twin home/town home/villa development*** - It is our opinion that there will be a demand for twin homes/town homes/villas over the next five years. Lots should continue to be available for a twin home/town home/villa development.
- ▶ ***Range of house prices*** - Lots should be available to as wide a range of home sizes and prices as possible, including high and median-priced homes and affordable homes 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 Canton will need to create a comprehensive marketing strategy to sell available lots. All stakeholders including developers, realtors, financial institutions, builders, employers, etc. should to be included in marketing strategies. In addition to marketing the lots, the City of Canton and its amenities should be marketed.
- ▶ ***Develop exclusive builder(s) relationship*** - Several lots could be sold to a builder or builders. Momentum can be created when a builder has access to several lots. This allows for marketing opportunities and efficiencies in the home building process. The subdivision owners, however, should assure that the builder is obligated to construct a minimum number of homes within a defined time period. Builders are more willing to enter a market when the lots are attractive and affordable.
- ▶ ***Covenants*** - New subdivisions in Canton may have covenants that assure quality development. The covenants should assure that they protect the integrity of the subdivision, but are not a barrier to new construction and do not prevent the target markets from constructing homes.
- ▶ ***Lot Availability for affordable homes*** - Lots should be available for affordable homes including modular homes and governor's homes that provide affordable homes ownership opportunities for moderate income households.



- ▶ ***Incentives*** - Many cities throughout South Dakota are offering incentives to construct new homes, including reduced lot prices, reduced water and sewer hookup fees, tax abatements, cash incentives, etc. Currently, the City of Canton rebates the City share of property taxes for five years for newly constructed homes.
- ▶ ***Infill lot Home Development*** - Infill lots in existing neighborhoods are often affordable and have existing City services.
- ▶ ***Housing Programs*** - The South Dakota Housing Development Authority, USDA Rural Development and other housing agencies may have housing programs available to assist developers, builders and home buyers.

## **12. Coordinate with economic development agencies, housing agencies and nonprofit groups to construct affordable housing**

**Findings:** There are several housing agencies and nonprofit groups that have the capacity to construct new housing in Canton, including the Canton Housing and Redevelopment Commission, the Canton Economic Development Corporation, Grow South Dakota and Interlakes Community Action Partnership and Habitat of Humanity.

Habitat for Humanity has partnered with Adams Thermal Systems, Inc., in the past to construct homes in Canton and is currently rehabilitating a home in Canton.

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

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

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

Habitat for Humanity's ongoing home construction should continue to be supported. Also, households should be encouraged to utilize the Governor's Program and the development of a Mutual Self Help Program should be considered. Additionally, the South Eastern Development Foundation provides loans to purchase and set up Governors Homes.

### **13. Promote twin home/townhome/villa development**

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

In many cities the size of Canton, approximately 20% to 25% of the new ownership housing constructed is in attached single family units. In Canton, since 2010, approximately 10 new housing units have been in the form of twin homes/town houses.

In 2020, Esri estimates that Canton had 435 households in the 65 and older age ranges. These age ranges are expected to increase by 88 households in Canton from 2020 to 2025. Lincoln County will also have significant household gains in these age ranges over the next five years.

Household growth among empty-nester and senior households should result in increased demand for attached single family units. It is likely that demand for attached housing units will also be dependent on the product's ability to gain additional market acceptance among the households in the prime target market, and among other households.

**Recommendation:** It is our projection that approximately four new owner-occupied twin homes, townhomes or villas could be constructed in Canton annually over the next six years, which is a total of approximately 24 units. Our projection is based on the availability of an ideal location for twin home development as well as high quality design and workmanship.

We recommend that for attached housing/villa 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

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

It may be advantageous to meet with a group of empty nesters and seniors who are interested in purchasing attached housing or a villa to solicit their ideas.

# **Canton Housing Rehabilitation**

## **Housing Rehabilitation**

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

It is our opinion that Canton 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 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.

### **14. Promote rental housing rehabilitation**

**Findings:** Based on the U.S. Census and City data, the City of Canton has approximately 405 rental units in 2021. These rental buildings are in multi-family projects, small rental buildings, duplexes, single family homes, mixed-use buildings and mobile homes. Many of these rental structures could benefit from rehabilitation as approximately 40% of the rental structures are more than 50 years old and some rental units need improvements.

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

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

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

## **15. Promote owner-occupied housing rehabilitation efforts**

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

Our housing condition survey of 599 homes in four of Canton’s older neighborhoods found 251 homes that need minor repairs and 90 homes that need major repairs. Without rehabilitation assistance, the affordable housing stock will shrink in Canton. Additionally, approximately 66% of all of the owner-occupied homes in Canton are more than 50 years old.

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

Interlakes Community Action Partnership currently has several housing programs to assist households with the rehabilitation of their homes including the Self Help Rehabilitation Program and programs utilizing Home funds. Also, the Rural Office of Community Services, Inc., provides Weatherization funds for Canton and Lincoln County. Additionally, Habitat for Humanity has a Neighborhood Revitalization Program, which provides resources for housing rehabilitation.

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 Canton households to utilize these housing rehabilitation programs.

# **Canton Other Housing Initiatives**

## **Other Housing Initiatives**

### **16. Development of a 40-acre parcel**

**Findings:** The Canton Economic Development Corporation is working with private developers to develop a 40-acre parcel in the City of Canton. The proposed development will include single family and multi-family development.

The intent of this Housing Study is to provide a comprehensive analysis and overall housing recommendations for the entire City of Canton. Therefore, we did not conduct an analysis or housing recommendations for a specific site or a specific development. However, the proposed 40-acre project, appears to be a competitive site for several of the new housing construction recommendations included in this Study.

**Recommendation:** New housing construction recommendations that could be included in the development are:

- ▶ Single family housing development - The Study forecasts the construction of six to eight single family detached homes annually over the next six years, which is a total of 36 to 48 homes.
- ▶ Twin home/town house/villas - The Study projects the development of four twin home/town house/villa units annually during the projection period, which is a total of 24 units.
- ▶ The development could include specific neighborhoods for higher-priced, medium-priced, affordable homes, and for twin home/town home/villas.
- ▶ The Study recommends the following rental units over the next six years that may be compatible with the parcel's development plans. These units include:
  - ▶ General occupancy market rate - 24 to 28 units
  - ▶ Subsidized/income-restricted - 20 to 24 units
  - ▶ General occupancy subsidized - 12 to 14 units
  - ▶ Senior market rate independent/light services - 14 to 16 units
- ▶ Mixed-use development - If the development has a commercial area, a mixed-use (housing/commercial) project may be possible. A mixed-use project is included in this Study as a recommendation.



As stated previously, Community Partners Research, Inc., has not analyzed the site, proforma information, etc. Also, there are other parcels and lots in the City that may be available for new housing construction.

## **17. Continue to acquire and demolish dilapidated structures**

**Findings:** Our housing condition survey identified 20 single family houses in four of the City's oldest neighborhoods that are dilapidated and too deteriorated to rehabilitate. We also identified 90 single family houses in Canton as needing major repair and some of these homes may be too dilapidated to rehabilitate upon a more detailed inspection. To improve the quality of the housing stock and to maintain the appearance of the City, dilapidated structures should be demolished.

**Recommendation:** The City of Canton should continue to work with property owners to demolish severely dilapidated structures. The appearance of the City is enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots can be utilized for the construction of new affordable housing units. Habitat for Humanity, other housing agencies and private individuals have utilized in-fill lots for new home construction and will need infill lots for future homes. Some cities are developing ordinances that give cities more authority to require property owners to demolish vacant, dilapidated homes.

We also recommend that the City of Canton maintain an inventory of structures that may be candidates for future acquisition. An inventory of in-fill lots should also be maintained.

## **18. Create a plan and a coordinated effort among housing and economic development agencies**

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

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

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

## **19. Encourage employer involvement in housing**

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

Housing for new employees is a concern for employers, thus, it may be advantageous for employers to become involved in housing. Adams Thermal Systems, Inc., has partnered with Habitat for Humanity to construct some new affordable homes.

Although the jobs being created by area employers may have good wages for the area, they do not pay wages sufficient for workers to buy or improve their housing.

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

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

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

## **20. Strategies for downtown redevelopment and commercial development**

**Findings:** The City of Canton’s downtown has buildings that have been renovated and have high quality commercial space. There are also buildings that are in need of rehabilitation. This recommendation provides an outline of actions that could be taken to continue to redevelop the downtown, to maximize the usage of downtown buildings and to promote new downtown buildings and businesses in the downtown area.

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 downtown commercial district is an important factor in their decision making process.

**Recommendation:** We are recommending the initiation or continuation of the following actions for downtown Canton:

- ▶ Interview downtown property owners to develop a database and to determine their future plans (expanding, selling, renovations, etc.)
- ▶ Develop an overall plan for the downtown (potential new buildings and businesses, address parking needs, develop an overall theme, art and cultural opportunities, etc.)

- ▶ Develop a mini-plan for each downtown area property and each downtown block. This may include:
  - ▶ Commercial building rehab and renovations
  - ▶ Facade work
  - ▶ Building demolition
  - ▶ New construction
  - ▶ Recruiting new businesses
  - ▶ Upper floor rental unit conversions or rehab
  
- ▶ Identify funding sources
  - ▶ Property owner funds
  - ▶ City of Canton
  - ▶ Canton Economic Development Corporation
  - ▶ Federal Home Loan Bank
  - ▶ Special tax districts
  - ▶ Tax increment financing
  - ▶ Tax abatement
  - ▶ Funds from South Dakota State Agencies
  
- ▶ Work with stakeholders to identify roles, secure funding, develop and implement programs and projects
  - ▶ Property owners
  - ▶ City of Canton
  - ▶ Lincoln County Economic Development Association
  - ▶ South Eastern Council of Governments
  - ▶ Canton Economic Development Corporation

## **21. Develop home ownership and new construction marketing programs**

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

**Recommendation:** The City of Canton, the Canton Economic Development Corporation and the Canton Housing and Redevelopment Commission have been active in promoting and marketing housing and we recommend the initiation or continuation of the following:

- ▶ Determine the City’s strengths and competitive advantages and heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers (Canton and the Sioux Falls MSA) to provide employees (especially new employees) with housing opportunities in Canton
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling programs
- ▶ Consider an annual Housing Fair that provides information on lots, builders, finance programs, etc. Developers, builders, lenders, realtors, public agencies and local businesses could participate
- ▶ Work with developers and builders to make lot development and the construction of new homes as user-friendly as possible
- ▶ 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
- ▶ Develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior housing, etc.
- ▶ Review the City’s policies and fees to assure that they are user-friendly, fair and receptive for developers, builders and households
- ▶ Develop a coordinated housing plan with the private sector and area housing agencies

## **Agencies and Resources**

In addition to local agencies, the following regional and state agencies administer programs or provide funds for housing programs and projects:

### **InterLakes Community Action Partnership**

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

### **South Eastern Development Foundation**

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

### **South Eastern Council of Governments**

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

### **South Dakota Housing Development Authority**

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

### **USDA Rural Development**

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

### **Rural Office of Community Services, Inc.**

214 W. Main  
P.O. Box 70  
Lake Andes, SD 57356  
(605) 698-7654

**Lincoln County Economic Development Association**

200 N. Phillips Ave., Suite 101

Sioux Falls, SD 57104

(650) 339-0103

Contact: Jesse Fonkert, Director