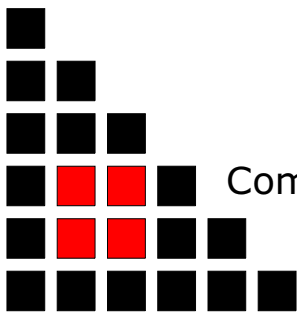


# City of Lake Norden HOUSING STUDY

December 2020

An analysis of the overall housing needs  
of the City of Lake Norden, SD



Community Partners Research, Inc.

Faribault, MN

## List of Sections

	<u>Page</u>
Introduction	2
Demographic and Projection Data	4
Existing Housing Data	25
Rental Housing Inventory	30
Employment and Local Economic Trends Analysis	37
Findings and Recommendations	42
Summary of Findings/Recommendations	52
Rental Housing Development Recommendations	54
Home Ownership Recommendations	65
New Housing Construction Recommendations	69
Housing Rehabilitation Recommendations	76
Other Housing Initiatives	79
Agencies and Resources	85

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

Community Partners Research, Inc., has been hired by the City of Lake Norden to complete a Comprehensive Housing Study for the community.

### **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 May to September 2020. Data sources included:

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

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

**Limitations**

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

This study was prepared by:

**Community Partners Research, Inc.  
Faribault, MN  
(507) 838-5992  
cpartners@charter.net**

## **Section Table of Contents**

	<u>Page</u>
Demographic Data Overview	5
Population Data and Trends	6
Population by Age Trends: 2010 to 2019	8
Population Projections	10
Household Data and Trends	11
Household by Age Trends: 2010 to 2019	12
Average Household Size	14
Household Projections	15
Household Projections by Age	16
Households by Type	18
Housing Tenure	19
2018 Income Data	20
Income Distribution by Tenure	21
2018 Estimated Income and Housing Costs - Renters	23
2018 Estimated Income and Housing Costs - Owners	24

## **Demographic Data Overview**

### **Sources of Data**

The following pages contain demographic data obtained from a variety of local, state and national sources for the City of Lake Norden and Hamlin County. A primary data source is the U.S. Census Bureau, through the decennial census, the annual American Community Survey, and the annual population estimates program.

To supplement the decennial Census, the Census Bureau has created the American Community Survey, an annual sampling of households. This provides detailed demographic characteristics, replacing information once collected by the decennial Census. However, because the American Community Survey is based on sampling data, there is a margin of error that exists for each estimate. Some of the following tables incorporate the 2018 American Community Survey data, when viewed as reliable.

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.

In addition to providing demographic information for Lake Norden, comparative information has often been provided for all of Hamlin County.

## 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 Estimate
Lake Norden	427	432	1.2%	467	8.1%	548
Hamlin Co.	4,974	5,540	11.4%	5,903	6.6%	6,140

Source: U.S. Census; AGS

- ▶ There are two available population estimates for Lake Norden. Both of these estimates show recent population growth in the City.
- ▶ Applied Geographic Solutions (AGS), a private reporting service, showed the City with 548 residents in 2020, an increase of 81 people, or 17.3% from the 2010 Census. Over the 10-year period the City had averaged approximately 8 additional residents per year.
- ▶ The Census Bureau’s population estimate is effective for July 1, 2019, and showed 522 people living in Lake Norden, up by 55 people, or 11.8%, from 2010 to 2019. Over the 9-year period the City had averaged approximately 6 additional residents per year.
- ▶ Although there is some difference between the estimates, both sources show continued population growth for the community, continuing a pattern that has been present since at least 1990.
- ▶ The estimating sources also show recent population growth for all of Hamlin County. AGS placed the County’s population in 2020 at 6,140 people, up by 237 residents from the 2010 Census.
- ▶ The Census Bureau estimated that Hamlin County had 6,164 people in 2019, up by 261 people from the 2010 Census.
- ▶ For Hamlin County, a 2019 population estimate was also obtained from Esri, another data provider. According to Esri, there were 6,244 permanent County residents in 2019. Esri had the highest estimate of the three sources reviewed.
- ▶ All of these estimates show continued population growth for the County, which dates back to at least 1990.

## **Population Characteristics**

- ▶ At the time of the 2010 Census there were 63 residents in Lake Norden that were living in group quarters housing. Most of these people, 57 residents, were identified as living in a skilled nursing home. The remaining six people were in some type of noninstitutional group home facility.
- ▶ Lake Norden's population is primarily White and non-Hispanic/Latino. According to the 2018 American Community Survey more than 98% of residents were White for race. Fewer than 3% of the City's residents were Hispanic/Latino. As a result, no additional demographic details are provided by race or ethnic background.

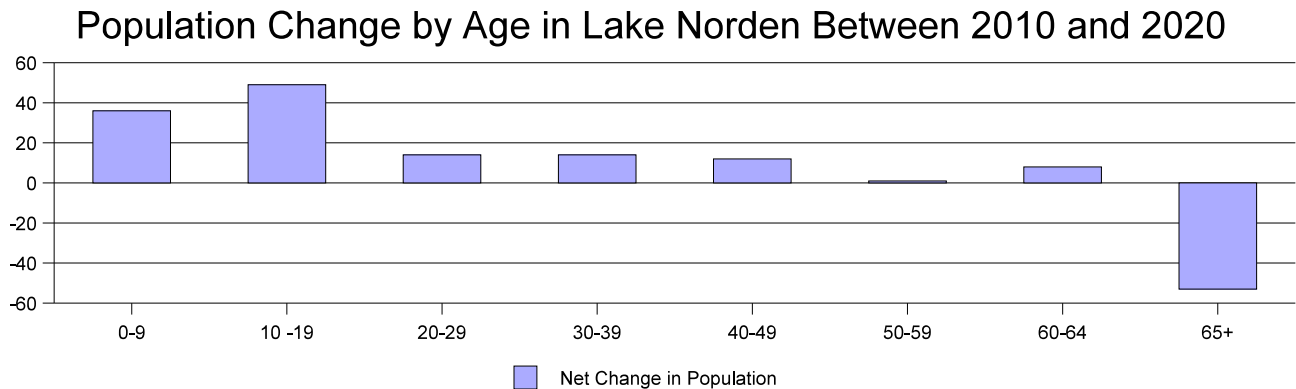


## Population by Age Trends: 2010 to 2020

The 2020 population estimate 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	Lake Norden		
	2010	2020	Change
0-9	75	111	36
10-19	39	88	49
20-29	62	76	14
30-39	42	56	14
40-49	32	44	12
50-59	52	53	1
60-64	28	36	8
65+	137	84	-53
Total	467	548	81

Source: U.S. Census; AGS



The age-based population estimates from Applied Geographic Solutions show a significant change in the age distribution patterns for the City over the past decade. According to this source there has been a fairly large decrease in the number of senior citizens in the community. However, there has been an increase of younger residents, especially children.

It is important to note that making estimates in a small community can be difficult, and a relatively large margin of error could apply. The 2020 Census count, which will be released in 2021, will establish a new demographic benchmark for cities and towns.

As estimated by AGS, Lake Norden had an increase of 85 residents age 19 and younger. In the combined age groups between 20 and 64 years old, more limited change occurred, with the addition of 49 people. However, AGS believes that the number of senior citizens, age 65 and older, decreased by 53 people between 2010 and 2020.

## Population Projections

The following table presents population projections to the year 2024/25. The 2025 projection for Lake Norden was provided by Applied Geographic Solutions, and has been compared to their 2020 estimate for the City. Projections for Hamlin County exist from both Applied Geographic Solutions and Esri, and also span a five-year period, although Esri’s information is from 2019 to 2024.

<b>Table 3 Population Projections Through 2024/25</b>						
	Applied Geographic Solutions			Esri		
	2020 Estimate	2025 Projection	Change 2020-2025	2019 Estimate	2024 Projection	Change 2019-2024
Lake Norden	548	609	61	-	-	-
Hamlin Co.	6,140	6,559	419	6,244	6,410	166

Source: Applied Geographic Solutions; Esri

- ▶ AGS is projecting population growth for Lake Norden over the next five years. This source shows the City adding 61 people between 2020 and 2025, or approximately 12 people in an average year.
- ▶ The annual pace of numeric population growth for Lake Norden, as projected by AGS, would be greater than the recent past. The AGS estimate provided for the past decade would show the City adding approximately 8 people per year from 2010 to 2020.
- ▶ AGS is also showing continued population growth for all of Hamlin County, with an expected increase of 419 people from 2020 through 2025. On an average basis, this would be approximately 84 people per year. Once again, if achieved this rate of growth would be significantly greater than in the past, as their 2020 estimate showed the County averaging fewer than 25 people per year between 2010 and 2020.
- ▶ Esri started with a higher base year (2019) estimate, but then expects a more moderate increase over the 5-year time period. Esri projects that the County will add approximately 33 people per year, well below the average annual growth being projected by AGS.
- ▶ Although population projections can be useful, this Study has placed greater emphasis on household projections which are provided later.

## Household Data and Trends

<b>Table 4 Household Trends - 1990 to 2020</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 AGS Estimate
Lake Norden	168	172	2.4%	175	1.7%	198
Hamlin Co.	1,854	2,048	10.5%	2,108	2.9%	2,221

Source: U.S. Census; AGS

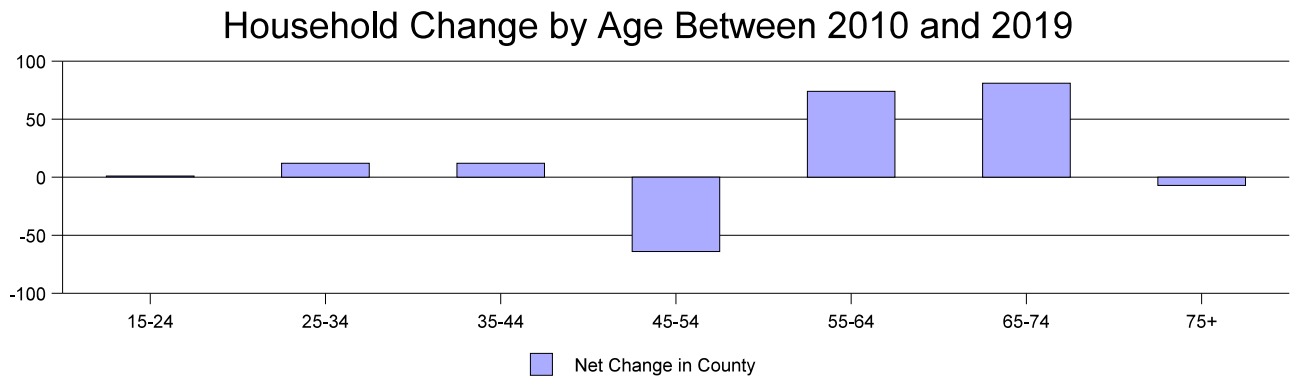
- ▶ The AGS household estimate for Lake Norden in 2020 was 198, a gain of 23 households when compared to the 2010 Census.
- ▶ Although the AGS estimate shows the City adding households over the past decade, it is very possible that this estimate is overly conservative. Since 2010, the City has added more than 40 additional housing units through new construction, and it is possible that household growth is greater than indicated in the AGS estimate.
- ▶ Growth over the longer-term has not been as great as in the most recent decade. In the 1990s the City added four households, and three households between 2000 and 2010. Between 1990 and 2020, the estimates show the City adding 30 total households, or a 30-year average of only one household per year.
- ▶ AGS estimates that Hamlin County has 2,221 households in 2020, a gain of 113 households from 2010 to 2020, or an average increase of 11 to 12 households per year.
- ▶ The 2019 estimate obtained from Esri showed 2,217 households in the County, a generally similar estimate to AGS although with an effective date that was one year earlier. If viewed as an annual average, Esri believes that the County added approximately 12 households per year from 2010 through 2019.
- ▶ In the 1990s, average annual growth Countywide was more than 19 households per year. This annual average then decreased, as the County added six households per year between 2000 and 2010.

## Household by Age Trends: 2010 to 2019

The demographic data profile that is available from AGS does not provide information on households by age. The following table compares households by age from the 2010 Census and 2019 estimates from Esri. This information is for all of Hamlin County.

<b>Table 5 Households by Age - 2010 to 2019</b>			
Age	Hamlin County		
	2010	2019	Change
15-24	91	92	1
25-34	302	314	12
35-44	333	345	12
45-54	442	378	-64
55-64	355	429	74
65-74	275	356	81
75+	310	303	-7
<b>Total</b>	<b>2,108</b>	<b>2217</b>	<b>109</b>

Source: U.S. Census; Esri



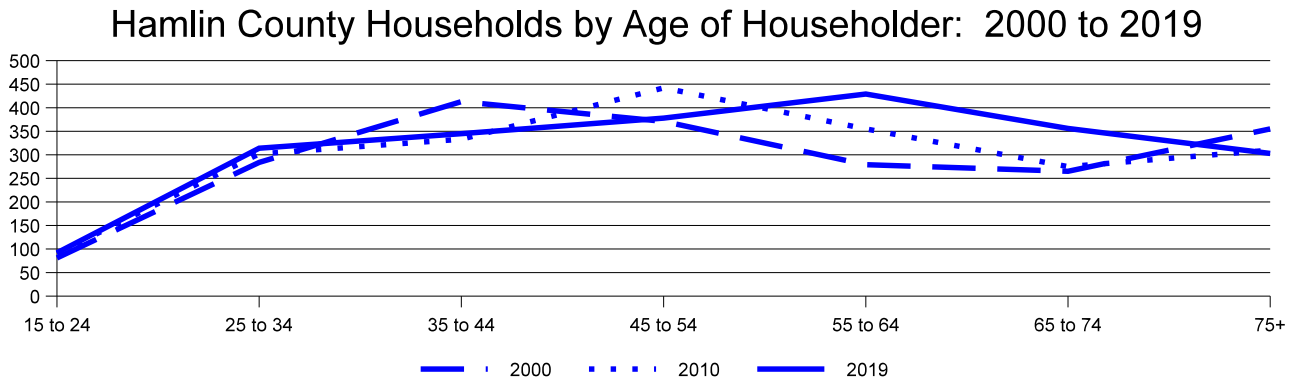
The age-based household estimates provided by Esri show that much of the growth from 2010 through 2019 in Hamlin County was due to an increasing number of households in the 20-year range between 55 and 74 years old. This would generally reflect the movement of the large “baby boom” generation.

Trailing immediately behind the baby boomers was a much smaller demographic age cohort. This group could not replace the advancing baby boomers, resulting in an estimated reduction of 64 households in the 45 to 54 year old age range.

Esri did track some growth within the younger adult age groups, with an estimated increase of 25 households age 44 and younger in Hamlin County.

Within the eldest senior range, a minor reduction of seven households was estimated over the past decade.

It is possible to track the age progression patterns of households in Hamlin County back to the year 2000 to view the changes over time, including the advancing “wave” created by the advancement of the baby boom generation.



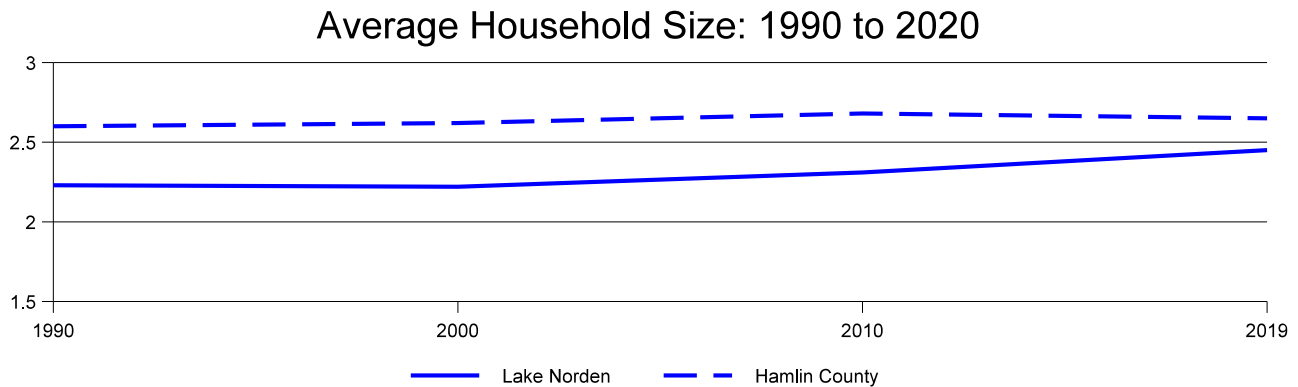
## Average Household Size

The following table provides decennial Census information on average household size, along with the 2020 estimate from AGS.

<b>Table 6 Average Number of Persons Per Household: 1990 to 2020</b>				
	1990 Census	2000 Census	2010 Census	2020
Lake Norden	2.23	2.22	2.31	2.45
Hamlin Co.	2.60	2.62	2.68	2.65

Source: U.S. Census; AGS

In most jurisdictions there has been a steady decrease in average household size over the past several decades. This has often been caused by household composition changes, such as more single person and single parent families, fewer children per family, and more senior households due to longer life spans. However, the pattern of smaller households has not been evident in Lake Norden or Hamlin County.



According to AGS, the average household size in Lake Norden has increased from 2010 through 2020. This is consistent with their estimate that the number of children has increased over the past decade.

Although AGS has tracked some minor decrease in the average household size in all of Hamlin County from 2010 to 2020, the estimate of 2.65 persons per household in 2020 is still larger than the average size of 2.60 persons as recorded in the 1990 Census.

An alternate 2019 estimate exists for Hamlin County from Esri, which showed 2.71 persons per household, up slightly from the 2010 Census.

## Household Projections

Household projections for the next five-years are available from AGS and Esri. However, in the opinion of the analysts, the projections from Applied Geographic Solutions are not reliable, as they show both the City and the County losing households between 2020 and 2025. A more realistic projection for Lake Norden has been generated by Community Partners Research, Inc., and is presented in the table below. A County projection has been obtained from Esri for the period between 2019 and 2024. Household growth directly impacts the demand for housing.

<b>Table 7 Household Projections Through 2024/25</b>						
	Community Partners Research, Inc.			Esri		
	2020 Estimate	2025 Projection	Change	2019 Estimate	2024 Projection	Change
Lake Norden	198	223	25	-	-	-
Hamlin Co.	-	-	-	2,217	2,272	55

Source: Community Partners Research, Inc., Esri

- ▶ Based on other research completed for this Study, a realistic projection would be for the City to add between four and five households per year going forward, or a 5-year total of 20 to 25 total households.
- ▶ Esri is projecting some household growth for the County, with the addition of 55 households, or an average of 11 households per year from 2019 to 2024.
- ▶ Growth of approximately 11 households per year in Hamlin County would be very consistent with the recent past, as AGS and Esri believe that the County added an average between 11 and 12 households per year since 2010.



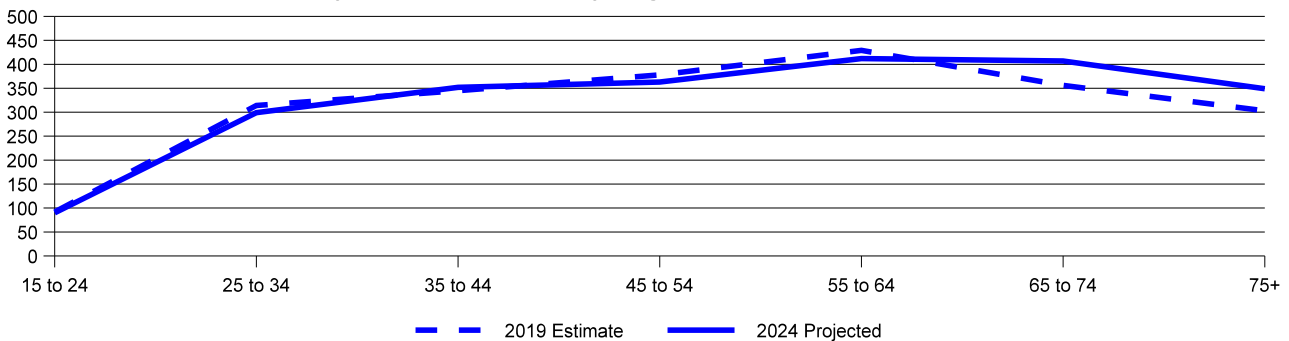
## Hamlin County Household by Age Projections: 2019 to 2024

In addition to overall household forecasts, Esri has also generated age-based projections for households to the year 2024. These projections can be compared to the data contained in the 2019 Esri estimate to examine the change projected over the next five years. Age-based household forecasts are provided for all of Hamlin County. Age-based household forecasts are not available from Applied Geographic Solutions.

<b>Table 8 Projected Households by Age - 2019 to 2024</b>			
Age Range	2019	2024	Change
15-24	92	90	-2
25-34	314	299	-15
35-44	345	352	7
45-54	378	363	-15
55-64	429	412	-17
65-74	356	407	51
75+	303	349	46
<b>Total</b>	<b>2,217</b>	<b>2,272</b>	<b>55</b>

Source: Esri

Hamlin County Households by Age of Householder: 2019 to 2024



Esri projects an overall gain of 55 households in Hamlin County from 2019 to 2024. Within most of the defined age ranges only limited change would be expected.

Consistent with the age distribution patterns presented earlier, the movement of the “baby boom” generation through the aging cycle should generate the largest changes. Overall, an increase of 97 households is being projected in the age ranges 65 and older.

The Esri projections expect a small decrease in most of the age ranges 64 and younger. The only exception is a slight increase within the 35 to 44 year old range. If all of the age groups 64 and younger are combined, a net decrease of 42 households is being projected.

## Households by Type

The American Community Survey contains estimates on household composition. Since these estimates are based on sampling, there is a margin of error that applies, but this information does allow for some comparison of changes that may have occurred since the 2010 Census was completed. The following table looks at household information for Hamlin County.

<b>Table 9 Hamlin County Household Composition - 2010 to 2018</b>			
	2010 Census	2018 ACS	Change
Family Households			
Married Couple with own children	563	613	50
Single Parent with own children	107	161	54
Married Couple without own children	732	784	52
Family Householder without spouse	81	86	5
Total Families	1,483	1,644	161
Non-Family Households			
Single Person	540	389	-151
Two or more persons	85	182	97
Total Non-Families	625	571	-54

Source: U.S. Census; American Community Survey

Based on the 2018 estimates contained in the American Community Survey, Hamlin County has had an increase of family households in recent years, while the number of people living alone has decreased. Between 2010 and 2018, the County had an increase in the number of families with children, as well as married-couples without children. The number of non-family households with unrelated individuals living together has also been increasing. However, the number of one person households decreased substantially.

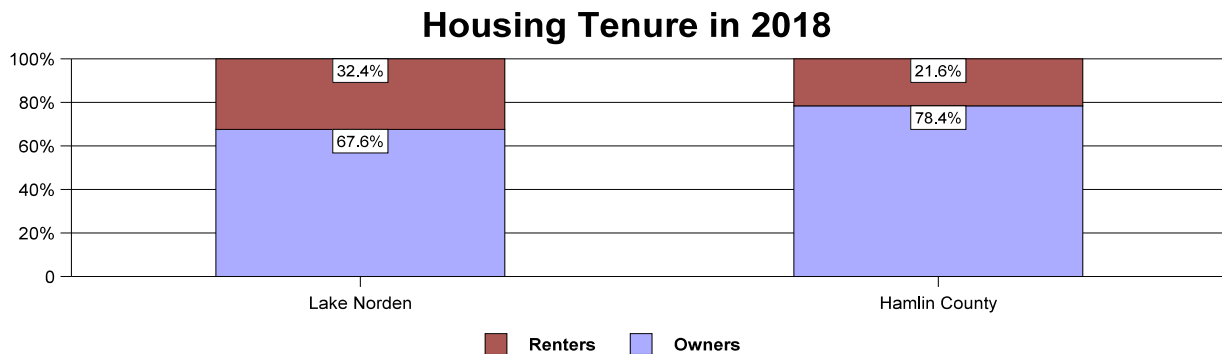
## Housing Tenure

The 2018 estimates from the American Community Survey contain housing tenure information for the City and County.

<b>Table 10 Household Tenure - 2018</b>				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Lake Norden	123	67.6%	59	32.4%
Hamlin County	1,736	78.4%	479	21.6%

Source: ACS

According to the American Community Survey, the home ownership rate in Lake Norden was at 67.6% in 2018. For comparison, the ownership rate at the time of the 2010 Census was 75.4%. It is important to note that this estimate was for 2018, and in recent years the City of Lake Norden has been adding rental housing through new construction. The rental rate is probably higher in 2020.



The 2018 estimate for Hamlin County shows an above-average rate of home ownership, with 78.4% of all households owning their unit. However, this has decreased from the ownership rate of 82.4% that was recorded by the 2010 Census.

## 2018 Median Income Data

The American Community Survey provides income estimates for cities and counties. The following table provides 2018 American Community survey data for Lake Norden, Hamlin County and the State of South Dakota for comparison.

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

<b>Table 11 Median Household Income - 2010 to 2018</b>			
	2010 Median	2018 Median	% Change
Median Household Income			
Lake Norden	\$31,705	\$62,143	96.0%
Hamlin County	\$44,439	\$65,050	46.4%
South Dakota	\$46,369	\$56,499	21.8%
Median Family Income			
Lake Norden	\$48,750	\$72,143	48.0%
Hamlin County	\$54,483	\$69,514	27.6%
South Dakota	\$58,958	\$72,706	23.3%

Source: American Community Survey

Information contained in the 2018 American Community Survey shows that the median household and family incomes have increased substantially for Lake Norden from 2010 to 2018. It is important to note that an estimate for a small community can have a large margin of error, based on the limited sampling that is completed. However, it is probable that the City has seen a significant improvement in income levels over the decade.

In 2018, the median household income levels for both Lake Norden and Hamlin County were higher than the Statewide median, and had been increasing at faster rates since 2010.

The median family incomes for Lake Norden and Hamlin County were slightly below the Statewide median for families, but had also been increasing at a faster rate since 2010.

Generally, family household incomes tend to be much higher than the overall household median, as families have at least two household members, and potentially more income-earners. Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Lake Norden could afford approximately \$1,555 per month and a median income family household could afford \$1,805 for ownership or rental housing in 2018.

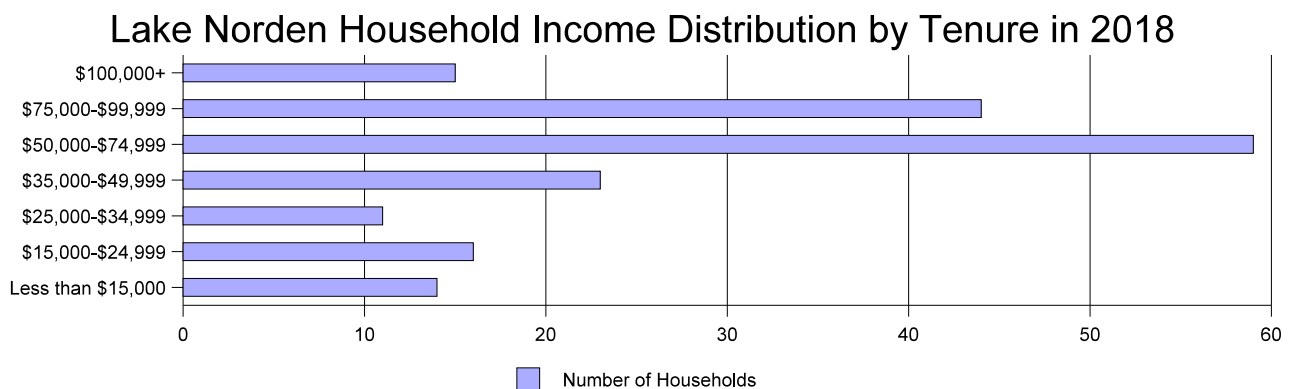
## Lake Norden Income Distribution

The 2018 American Community Survey provides income data within specific income ranges.

<b>Table 12 Lake Norden Household Income Distribution - 2018</b>		
Household Income	Number of Households	Percent of Households
\$0 - \$14,999	14	7.7%
\$15,000 - \$24,999	16	8.8%
\$25,000 - \$34,999	11	6.0%
\$35,000 - \$49,999	23	12.6%
\$50,000 - \$74,999	59	32.4%
\$75,000 - \$99,999	44	24.2%
\$100,000+	15	8.2%
<b>Total</b>	<b>182</b>	<b>100%</b>

Source: American Community Survey

As indicated by the median income estimates provided previously, Lake Norden has a majority of households with an annual income above \$50,000. Overall, nearly 64% of all households were within these moderate to higher income ranges.



Fewer than 17% of all households in the City had an annual income below \$25,000 in 2018.

## 2018 Estimated Income and Housing Costs - Renters

The American Community Survey collected information on housing costs. The following table provides data on the number of renter households that are paying different percentages of their gross income for housing in Lake Norden. The American Community Survey may have over estimated the number of renter households in Lake Norden, when compared to other estimating sources, but the percentage for housing costs are viewed as the best available data on this topic.

<b>Table 13 Gross Rent as a Percentage of Household Income - 2018</b>		
Percent of Income for Housing	Number of Households	Percent
Less than 20%	30	50.8%
20% to 29.9%	13	22.0%
30% to 34.9%	7	11.9%
35% or more	6	10.2%
Not Computed	3	5.1%
Total	59	100%

Source: American Community Survey

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

According to the American Community Survey, a large majority of renter households could find an affordable housing option in Lake Norden. Nearly 73% of all renters were applying less than 30% of income to housing costs in 2018.

Approximately 22% of all renters were spending 30% or more of their income for housing, but only 10.2% of renters were in the severe rent burden category, with 35% or more of their income needed for housing each month.



## 2018 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 Lake Norden that are paying different percentages of their gross household income for housing costs.

<b>Table 14 Ownership Costs as a Percentage of Income - Lake Norden</b>		
Percentage of Income for Housing	Number of Households	Percent
0% to 19.9%	88	71.5%
20% to 29.9%	31	25.2%
30% or more	4	3.3%
Not Computed	0	0%
Total	123	100%

Source: American Community Survey

Mortgage lending practices generally attempt to keep monthly payments below this level of household income. A very large majority of owner-occupants in Lake Norden, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. Only 3.3% of all home owners reported that they paid more than 30% of their income for housing. The combination of a relatively high median income along with relatively moderate home values has allowed most home owners to secure affordable housing.

## Building Permit Trends

Lake Norden has experienced some new housing construction activity in recent years. The following table identifies the units that have been constructed from 2010 to 2020.

<b>Table 15 Lake Norden Housing Unit Construction Activity: 2010 to 2020*</b>			
Year	Single Family	Two or More Units	Total Units Constructed
2020*	1	4	5
2019	5	4	9
2018	1	10	11
2017	3	8	11
2016	1	0	1
2015	0	3	3
2014	3	0	3
2013	3	0	3
2012	2	0	2
2011	0	0	0
2010	1	2	3
<b>TOTAL</b>	<b>20</b>	<b>31</b>	<b>51</b>

Source: Census Bureau CenStats; Community Partners Research, Inc.

\* 2020 is through November

Over the past 11 years, based on building permit issuance information from the City of Lake Norden, 51 new housing units have been constructed. Of this total, 20 are single family homes and 31 units are in multifamily projects with two to 10 units per structure.

From 2010 to 2020 (partial year), the City averaged approximately two new single family homes per year. However, there were five single family permits issued in 2019.

There have been 31 multifamily units constructed since 2010. In 2017 and 2018 there were 18 units constructed in the Prairie Properties project. A 4-plex was constructed in 2019 and another 4-plex is under construction in 2020.

## Existing Home Sales

This section examines houses that have been sold in Lake Norden from 2015 through 2019. 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 Hamlin 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. The County and State reject sales that show significant variation from the assessed value. Known as the "150% rule" these sales may be open market transactions but are not useful in the County's sales ratio analysis. However, for Lake Norden these rejected 150% rule sales were identified and have been used in the following table.

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>. No information is yet available for the 2020 sales year.

**Table 16 Median Value of Recent Residential Sales - 2015 to 2019**

Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2019	9	\$87,000	\$232,500	\$30,000
2018	9	\$85,600	\$215,000	\$29,900
2017	7	\$85,000	\$101,000	\$23,000
2016	8	\$83,730*	\$195,000	\$27,500
2015	8	\$102,950*	\$179,900	\$26,000

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

\* Median calculated from two nearest sales

Despite the limited number of sales within any 12-month time period, there has been a fairly consistent annual median price in Lake Norden since 2016. Over the four-year period the midpoint sale price ranged from \$83,730 to \$87,000. In 2019, the median price was \$87,000, based on only 9 sales. From 2015 through 2019, there were only two houses that sold for more than \$200,000. In each of these years there was at least one sale annually for \$30,000 or less.

An alternate estimate of home values exists in the American Community Survey. In 2018, the estimated median value for all owner-occupied housing in Lake Norden was \$93,700. This estimate was slightly higher than the median sale price over the past four years.

## Lake Norden Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 149 single family/duplex houses in Lake Norden. Houses that appeared to contain three or more residential units were excluded from the survey. The City was divided into two neighborhoods: houses north of Main Avenue and south of Main Avenue.

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 17 Windshield Survey Condition Estimate - 2020</b>					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
North of Main Ave.	43 / 38.7%	45 / 40.6%	17 / 15.3%	6 / 5.4%	111
South of Main Ave.	16 / 42.1%	13 / 34.2%	6 / 15.8%	3 / 7.9%	38
Total	59 / 39.6%	58 / 38.9%	23 / 15.4%	9 / 6.1%	149

Source: Community Partners Research, Inc.

- ▶ Citywide, nearly 79% of the houses were rated in the two highest condition categories, with nearly 40% rated as Sound and 39% needing Minor Repair.

- ▶ In the neighborhood north of Main Avenue there were 17 houses rated in the Major Repair category, and six houses that were viewed as Dilapidated, and probably beyond repair.
- ▶ In the neighborhood south of Main Avenue there were six houses rated in the Major Repair category, and three houses that were viewed as Dilapidated, and probably beyond repair.

## Mobile Home Condition

A visual survey of 11 mobile homes in Lake Norden was also completed.

<b>Table 18 Mobile Home Condition Estimate - 2020</b>					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Total	2 / 18.2%	4 / 36.3%	3 / 27.3%	2 / 18.2%	11

Source: Community Partners Research, Inc.

- ▶ Six of the 11 mobile homes in the City were rated in the two highest condition categories.
- ▶ There were three mobile homes that were deteriorated and rated as needing Major Repair. There were two additional mobile homes rated as Dilapidated, and probably beyond the point of repair.

## **Rental Housing Data**

### **Census Bureau Rental Inventory**

According to the 2018 American Community Survey, there were approximately 59 occupied rental units in Lake Norden. The City's rental tenure rate in 2018 was approximately 32.4%, slightly higher than the Statewide rental rate of 31.9%.

From 2010 to 2019, 27 rental units have been constructed in Lake Norden. These units include a duplex, a triplex, a 4-plex and an 18-unit project that includes an 8-unit and a 10-unit structure. Another four units are under construction in 2020.

With units constructed after the 2018 estimate was released, it is probable that 70 or more rental units are present in 2020.

### **Rental Housing Survey**

As part of this housing study, a telephone survey was conducted of multifamily projects in Lake Norden. 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 information on some properties with less than four units.

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

There were 55 housing units/beds of all types that were contacted in the survey. In addition to the 55 rental units, the assisted living project with eight beds, and the skilled nursing home, which has 61 beds, were surveyed.

The units that were successfully contacted include:

- ▶ 37 market rate units
- ▶ 18 federally subsidized units
- ▶ 8 senior assisted living beds
- ▶ 61 beds in the skilled nursing home

The findings of the survey are provided below.

## **Market Rate Summary**

Information was obtained on 37 market rate rental units in six multifamily projects and four single family homes.

### **Unit Mix**

We obtained the bedroom mix on the 37 market rate units. The bedroom mix of the units is:

- ▶ one-bedroom - 2 (5.4%)
- ▶ two-bedroom - 27 (73.0%)
- ▶ three-bedroom - 8 (21.6%)

### **Occupancy / Vacancy**

At the time of the survey, there were no vacancies in the 37 market rate units that were included in the occupancy survey. The owners and manager of the projects reported that they operate at a high occupancy rate. Several projects have waiting lists.

### **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	\$800
Two-bedroom	\$650-\$925
Three-bedroom	\$650-\$1,000

Please note that the one-bedroom rent is based on only one project.



## **Tax Credit Summary**

There are no tax credit units in Lake Norden.

## **Subsidized Summary**

The research completed for this Study identified one subsidized project providing rental opportunities for lower income households, Lakeview Court.

Lakeview Court is an 18-unit general occupancy HUD Public Housing Project. The project was constructed in the mid 1970s. The project has 16 one-bedroom and two two-bedroom units.

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

### **Unit Mix**

The bedroom mix breakdown for the 18 subsidized housing units in Lake Norden is as follows:

- ▶ 16 one-bedroom (88.9%)
- ▶ 2 two-bedroom (11.1%)

### **Occupancy / Vacancy**

At the time of the survey, there were no vacancies in Lakeview Court and there is a waiting list.

## **Senior Housing with Services**

### **Unit Inventory**

Lake Norden has two senior with services projects, Homestead Assisted Living and Avantara-Lake Norden, which is a skilled nursing facility.

- ▶ **Homestead Assisted Living** - Homestead Assisted Living is an assisted living project with eight beds in four single rooms and two double rooms. The assisted living residents have access to all assisted living services, including meals, medication distribution, bathing assistance, housekeeping, laundry, etc. At the time of the survey, there were no vacant assisted living beds.
  
- ▶ **Avantara-Lake Norden** - Avantara-Lake Norden is a licensed 61-bed skilled nursing facility. Twenty-one beds are designated as memory care. The facility currently has vacant beds. Fees are based on the level of services.

**Table 19 Lake Norden Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Market Rate</b>					
Mobile Home Park - Mobile Homes	2 - 2 bedroom <u>2 - 3 bedroom</u> 4 total units	\$500	No vacancies	General occupancy	The Mobile Home Park has four rental mobile homes including two two-bedroom and two three-bedroom units. The rent is \$500 plus utilities. The owner of the mobile homes reported no vacancies at the time of the survey.
Homola Duplexes	2 - 1 bedroom <u>2 - 2 bedroom</u> 4 total units	\$800 \$925	No vacancies	General occupancy	The Homola duplexes include two one-bedroom units and two two-bedroom units. The duplexes were constructed in 2009 and 2017. Rent is \$800 for a one-bedroom unit and \$925 for a two-bedroom unit. The rent includes utilities. At the time of the survey, the owner reported no vacancies.
Sodak Properties 4-plex	<u>4 - 2 bedroom</u> 4 total units	\$700	No vacancies, waiting list	General occupancy	Sodak Properties includes a 4-plex that was constructed in 2019. All four units have two bedrooms. Rent is \$700. Tenants also pay utilities. At the time of the survey, the owner reported no vacancies and a waiting list.
Park St. 3-plex	<u>3 - 2 bedroom</u> 3 total units	\$750-\$775	No vacancies	General occupancy	The Park Street 3-plex is approximately 5-years old and includes three two-bedroom units. Rent range is \$750 to \$775. The rent includes utilities. At the time of the survey, the owner reported no vacancies.
Antonen 4-plex	<u>4 - 3 bedroom</u> 4 total units	\$575	No vacancies	General occupancy	The Antonen 4-plex includes four three-bedroom units. The project is approximately 20-years old. The rent is \$575 plus utilities. At the time of the survey, the owner reported no vacancies.
Prairie Properties	16 - 2 bedroom <u>2 - 3 bedroom</u> 18 total units	\$750 to \$850	No vacancies	General occupancy	Prairie Properties is an 18-unit market rate general occupancy rental project that includes a 10-unit and an 8-unit building. These buildings opened for occupancy in 2019 and 2018. There are 16 two-bedroom and two three-bedroom units. The rent range is \$750 to \$850 plus heat and electricity. At the time of the survey, the owner reported no vacancies.

**Table 19 Lake Norden Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Subsidized</b>					
Lakeview Court	16 - 1 bedroom <u>2 - 2 bedroom</u> 18 total units	\$379 \$475 30% of income	No vacancies, waiting list	General occupancy	Lakeview Court is an 18-unit HUD general occupancy Public Housing project. The project has 16 one-bedroom and two two-bedroom units. Tenants must have an annual income below the income limits. Tenants pay 30% of their income up to the maximum rent of \$379 for a one-bedroom units and \$475 for a two-bedroom unit. The project is 45 years old, however, many improvements have been made on an ongoing basis over the years. At the time of the survey, the manager reported no vacancies and a waiting list.

**Table 19 Lake Norden 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>Senior Housing with Services</b>					
Homestead Assisted Living	4 single rooms <u>2 double rooms</u> 8 bed total	Based on type of room and level of services	No vacancies	Assisted Living Center	Homestead Assisted Living is an eight-bed assisted living facility. The facility has four single rooms and two double rooms. The facility provides the full array of assisted living services including meals, laundry, housekeeping, medication management, etc. The owner reported no vacancies at the time of the survey.
Avantara Lake Norden	40 skilled nursing <u>21 memory care</u> 61 total	Based on level of services	Administrator reported that the facility has vacancies	Seniors	Avantara Lake Norden is a skilled nursing facility with a 61-bed capacity. Twenty-one of the 61 beds are designated for residents with dementia. At the time of the survey, the Administrator reported that there were vacant beds, both skilled nursing and 'dementia designated' beds available.

Source: Community Partners Research, Inc.

## Employment and Local Economic Trends

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

### Work Force and Unemployment Rates

Employment information is available for Hamlin County. 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 County Annual Labor Statistics 2010 to 2020*</b>						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2010	3,133	2,976	157	5.0%	5.0%	9.6%
2011	3,094	2,956	138	4.5%	4.7%	8.9%
2012	3,125	3,002	123	3.9%	4.3%	8.1%
2013	3,106	2,999	107	3.4%	3.8%	7.4%
2014	3,122	3,014	108	3.5%	3.4%	6.2%
2015	3,130	3,026	104	3.3%	3.1%	5.3%
2016	3,173	3,067	106	3.3%	3.0%	4.9%
2017	3,151	3,040	111	3.5%	3.2%	4.4%
2018	3,248	3,145	103	3.2%	3.1%	3.9%
2019	3,319	3,210	109	3.3%	3.3%	3.7%
2020*	3,287	3,131	156	4.7%	6.3%	8.8%

Source: South Dakota Department of Labor; Community Partners Research, Inc.

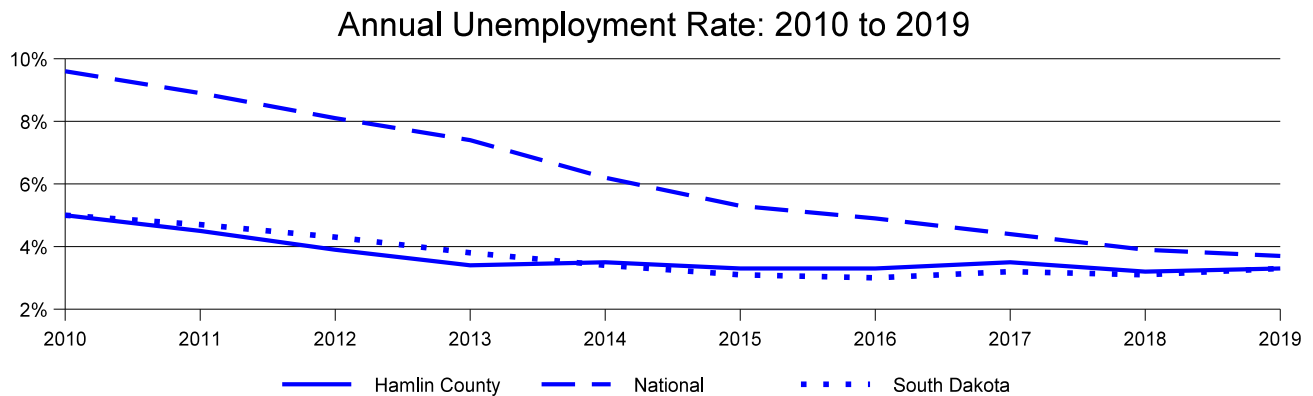
\* 2020 is through July

Not seasonally adjusted

Over the current decade, there has been a gradual increase in the County’s resident labor force. If 2019 is compared to 2010, the labor force had increased by 186 people, or 5.9%. Partial-year information for 2020 does show the impact of the global pandemic, but the resident labor force is still larger than in 2010.

Statistics for the employed work force have followed a similar pattern. From 2010 through 2019, the number of employed County residents increased by 234 people, or 7.9%.

With the employed work force increasing at a faster rate than the labor force, the County's unemployment rate generally decreased over the decade. For 2019, the unemployment rate was only 3.3%. Since 2010, the County's unemployment rate has generally been similar to the Statewide rate, and well below the national average.



Although partial-year information for 2020 shows some increase in the unemployment rate through July, the County has performed better than the State or the nation through the health pandemic.

## Average Employment and Wages

The Quarterly Census of Employment and Wages (QCEW) tracks annual employment and average wage data. The QCEW reporting is for unemployment compensation. It is important to note that the reporting does not represent all employment, as some classifications such as self-employed workers are not included. This information is for all of Hamlin County and is based on the location of the job.

<b>Table 21 County Average Annual Wages - 2019</b>		
Industry	Total Employment	Average Weekly Wage
Total All Industry	2,096	\$782

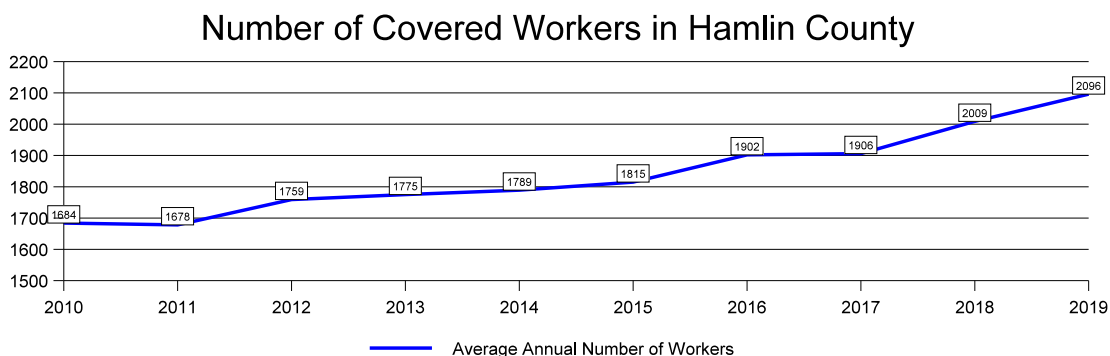
Source: South Dakota Department of Labor & Regulation

The average weekly wage for all industry in 2019 was \$782 in Hamlin County. At full-time employment, this would yield an annual average wage of \$40,664.

Since the QCEW data exist for multiple years, the longer-term pattern of employment in Hamlin County can be examined.

<b>Table 22 Hamlin County Average Annual Employment</b>			
Year	Total Covered Employment	Year	Total Covered Employment
2010	1,684	2015	1,815
2011	1,678	2016	1,902
2012	1,759	2017	1,906
2013	1,775	2018	2,009
2014	1,789	2019	2,096

Source: QCEW - MN Department of Employment and Economic Development





## Commuting Patterns of Workers

Information is available on workers that commute for employment. The best information is from the 2018 American Community Survey, and has been examined for the City of Lake Norden. The first table only examines travel time for Lake Norden residents, and excludes people that work at home.

<b>Table 23 Commuting Times for Lake Norden Residents - 2018</b>		
Travel Time	Number	Percent
Less than 10 minutes	121	64.4%
10 to 19 minutes	15	8.0%
20 to 29 minutes	19	10.1%
30 minutes +	33	17.6%
Total	188	100%

Source: American Community Survey

A large majority of Lake Norden’s residents were working locally in 2018, with more than 64% commuting less than 10 minutes to work. Fewer than 18% were traveling 30 minutes or more.

The American Community Survey also identifies travel time by location of the job. For people that worked in Lake Norden, the following travel times were listed.

<b>Table 24 Commuting Times for Lake Norden Employees - 2018</b>		
Travel Time	Number	Percent
Less than 10 minutes	144	39.9%
10 to 19 minutes	84	23.3%
20 to 29 minutes	65	18.0%
30 minutes +	68	18.8%
Total	361	100%

Source: American Community Survey

For people that worked in Lake Norden, more than 63% traveled less than 20 minutes in 2018. However, approximately 68 people traveled from greater distances requiring a drive time of 30 minutes or more.

## **Census On the Map**

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is also based on reports for the year 2016, and provides a further breakdown of worker movement patterns.

According to the report for Lake Norden, there were 363 people that were employed within the city limits in 2016. Most of these employees were commuting in from outside the City. The primary identified jurisdictions supplying workers to the City were Watertown, Bryant, Oxford Township, Hayti and Norden Township.

Most Lake Norden residents left their home community to work elsewhere. The primary locations listed for outbound commuters were Watertown, Bryant, Opdahl Township and Brookings.

## Findings on Growth Trends

As part of this Study, Community Partners Research, Inc., has examined growth patterns for Lake Norden and Hamlin County over the past few decades. These historic growth trends assist in projecting future demographic changes in the area.

Lake Norden's population increased by 1.2% from 1990 to 2000. The population increased from 427 in 1990 to 432 in 2000. From 2000 to 2010, Lake Norden's population increased by 35 people, which was a population gain of 8.1%.

Applied Geographic Solutions estimates that Lake Norden had a gain of 81 people from 2010 to 2020. The Census Bureau estimates that from 2010 to 2019, Lake Norden had a gain of 55 people.

Hamlin County's population increased from 4,974 in 1990 to 5,540 in 2000, which was an increase of 11.4%. The population continued to increase in the 2000s from 5,540 in 2000 to 5,903 in 2010, which was a gain of 6.6%.

AGS estimates that from 2010 to 2020, Hamlin County had a gain of 237 people. The U.S. Census estimate shows a gain of 261 people from 2010 to 2019. Esri estimates that Hamlin County added 341 people from 2010 to 2019.

Household levels increased from 1990 to 2000 in Lake Norden and Hamlin County. Lake Norden experienced a gain of four households from 1990 to 2000 followed by a gain of three households from 2000 to 2010. AGS estimates that from 2010 to 2020, Lake Norden added 23 households.

Hamlin County added 194 households from 1990 to 2000 and gained 60 households from 2000 to 2010. AGS estimates that from 2010 to 2020, Hamlin County gained 113 households, and Esri estimates that Hamlin County added 109 households.

## **Findings on Projected Growth**

This Study has examined projections from AGS and Esri for population and households for Hamlin County and AGS projections for Lake Norden. However, the household projections from AGS are not viewed as reliable for Lake Norden, and Community Partners Research has generated its own projection for the City.

Based on the research completed for this Study, a realistic household projection for Lake Norden would expect the City to add four to five households per year, or up to 25 households between 2020 and 2025.

For all of Hamlin County, Esri projects that the County's population will increase by 166 people and by 55 households from 2019 to 2024.

## **Summary of Hamlin County’s Growth Projections by Age Group**

The Demographic section of this Study presented Hamlin County projection information on anticipated changes by age group from 2019 to 2024. This information can be informative in determining the housing that may be needed due to the changing age patterns of the County’s population.

Esri projects a gain of 55 households in Hamlin County from 2019 to 2024. Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate much of the County’s growth in households in the 65 and older age ranges. Age projections expect the County to add approximately 97 households in the 65 and older age ranges. Esri also projects that Hamlin County will gain seven households in the 35 to 44 age range.

Esri projects that from 2019 to 2024, Hamlin County will lose 17 households in the 15 to 34 age ranges and will lose 32 households in the 45 to 64 age ranges.

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

<u>Age Range</u>	<u>Projected Change in Households 2019 to 2024</u>
15 to 24	-2
25 to 34	-15
35 to 44	7
45 to 54	-15
55 to 64	-17
65 to 74	51
75 and Older	<u>46</u>
Total	<u>55</u>

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

Based on the household by age projections presented earlier, the changing age composition of Hamlin County'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 two-household loss in the 15 to 24 age range through the year 2024. Past tenure patterns indicate that many of these households in Hamlin County will rent their housing. A slight decrease in the number of households in this age range should mean that rental demand from younger households will remain stable during the projection period.

**25 to 34 Years Old** - The projections show a loss of 15 households in this age range by 2024. Within this age range households often move from rental to ownership housing. A loss of 15 households indicates a reduced demand for both first-time home buyer and rental opportunities within this age range.

**35 to 44 Years Old** - The projections for this 10-year age cohort expect a gain of seven households between 2019 and 2024 in Hamlin County. 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** - For Hamlin County, the projections show a loss of 15 households in this age range. These households will often look for trade-up housing opportunities. A loss in the number of households in this age group indicates that the demand for trade-up housing will decrease from this age range during the projection period.

**55 to 64 Years Old** - Esri's projections show a decrease of 17 households in this 10-year age range by the year 2024 in the County. This age range has traditionally had a high rate of home ownership in Hamlin County. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters.

***65 to 74 Years Old*** - A significant gain of 51 households is expected by the year 2024 in the 65 to 74 age range, as all of the households in this age range are part of the baby boom generation. 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 a projected increase of 46 households in the County in this age range between 2019 and 2024. An expansion of other housing options for seniors, including high quality rental housing and 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 need are generally based on three demand generators; household growth, replacement of lost housing units, and pent-up, or existing demand for units from households that already exist but are not being served.

***Demand from Growth*** - The household projections used for this Study expect Lake Norden to gain 20 to 25 households from 2020 to 2025. Household gains of 55 households are projected for all of Hamlin County. Anticipated household gain in Lake Norden and Hamlin County will yield some demand for new housing production.

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

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

***Pent-Up Demand*** - The third primary demand-generator for new housing is caused by unmet need among existing households, or pent-up demand. Household growth and shifting age patterns have created demand for certain types of age-appropriate housing in Lake Norden. 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 Lake Norden were identified through statistical data, local interviews, research and an on-site review of the local housing stock.

- ▶ **Lake Norden serves as a small regional center** - Lake Norden provides employment opportunities, retail/service options, health and professional services, governmental services and recreational facilities for a small geographical area that surrounds the City.
- ▶ **Affordable priced housing stock** - The City of Lake Norden has a stock of affordable, existing houses. Our analysis shows that the City's median home value is approximately \$87,000 based on 2019 sales. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Adequate land for development** - Lake Norden has 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** - Lake Norden has an excellent public preschool through grade 12 school system.
- ▶ **Health facilities** - Lake Norden has a medical clinic, an assisted living facility and a nursing home.
- ▶ **Infrastructure** - Lake Norden's water and sewer infrastructure can accommodate future expansion.
- ▶ **Commercial development** - Lake Norden's downtown commercial district is adequate to meet most daily needs and the majority of the buildings are in very good condition.
- ▶ **Lake Norden Development Corporation** - The Lake Norden Development Corporation has been active in promoting economic development, industrial development, commercial development and housing in Lake Norden.
- ▶ **Lake Norden Housing and Redevelopment Commission** - The Lake Norden Housing and Redevelopment Commission owns and manages rental housing in the community.

- ▶ **Housing development** - The City of Lake Norden has experienced housing development over the past several years including lot development, rental housing, single family homes and assisted living.
- ▶ **Lake Norden is located near regional centers** - Lake Norden is located 39 miles from Brookings and 27 miles from Watertown. Lake Norden is also located 31 miles from De Smet which is a smaller regional center. These cities provide 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** - Lake Norden has several employers that provide job opportunities for local residents, including Agropur, which is the area's largest employer.
- ▶ **Commuters** - Approximately 217 employees are commuting 10 minutes or more into Lake Norden daily for work. These commuters are a potential target market for future housing construction.
- ▶ **Available lots** - There are residential lots available in Lake Norden at an affordable price.
- ▶ **Tourism and recreational opportunities** - There are tourism and recreational opportunities in the Lake Norden area.
- ▶ **Developers** - The City of Lake Norden has several individuals who are investing in housing projects in the community.
- ▶ **Small town atmosphere** - Lake Norden has the real and perceived amenities of a small community. This small town living is attractive to some households.
- ▶ **Population and household growth** - Lake Norden is projected to add both population and households over the next five years.

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

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

- ▶ **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.
- ▶ **Value-gap deters new owner-occupied construction** - Based on market values from recent residential sales, we estimate that the median priced home in Lake Norden is valued at approximately \$87,000 based on 2019 sales. This is below the comparable cost for new housing construction, which will generally be above \$200,000 for a stick built home with commonly expected amenities. This creates a value gap between new construction and existing homes.
- ▶ **Lower paying jobs** - Although Lake Norden has several employers, some jobs are at the lower end of the pay scale and employees with these jobs have limited housing choices.
- ▶ **Limited commercial options** - Lake Norden has commercial and retail options to meet daily needs, however, it has limited other retail and commercial opportunities.
- ▶ **Staff capacity limitations** - Although Lake Norden has access to several housing agencies, it is difficult to develop and implement housing initiatives with limited resources.

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

Based on the research contained in this study, and the housing strengths and barriers identified above, we believe that the following recommendations are realistic options for Lake Norden. 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 Lake Norden 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 Lake Norden 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** - Lake Norden has many assets including a preschool through grade 12 school, large employers, an excellent downtown commercial district, senior housing facilities, tourism and recreational opportunities, etc. These are strong assets that make Lake Norden 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 efforts, the City has other resources to draw on including USDA Rural Development, the South Dakota Housing Development Authority, the First District Association of Governments, Inter-Lakes Community Action Agency Partnership, Grow South Dakota, and Dakota Resources. These resources should be accessed as needed to assist with housing activities.

## **Summary of Findings/Recommendations**

The findings/recommendations for the City of Lake Norden have been formulated through the analysis of the information provided in the previous sections and include 19 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 14 to 16 general occupancy market rate rental units
2. Develop six to eight additional general occupancy moderate rent/income restricted or subsidized rental housing units
3. Consider the development of eight to 10 senior independent/light services units
4. Promote the development/conversion of two to four affordable market rate rental housing units
5. Develop a downtown mixed-use commercial/housing project
6. Continue to utilize the Housing Choice Voucher Program

### **Home Ownership**

7. Continue to utilize and promote all programs that assist with home ownership
8. Consider the development and implementation of a purchase/rehabilitation program

**Single Family Housing Development**

9. Lot availability and lot development
10. Strategies to encourage continued residential lot sales and new home construction in Lake Norden
11. Coordinate with economic development agencies, housing agencies and nonprofit groups to construct affordable housing
12. Promote twin home/townhome development

**Housing Rehabilitation**

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

**Other Housing Issues**

15. Continue to acquire and demolish dilapidated structures
16. Create a plan and a coordinated effort among housing agencies
17. Encourage employer involvement in housing
18. Strategies for Commercial District Redevelopment/Development
19. Develop home ownership and new construction marketing programs

# **Lake Norden - Recommendations Rental Housing Development**

## **Rental Housing Development**

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

From 2010 to 2020, 31 rental units in five projects have been built or are under construction in Lake Norden. Also, two rental duplexes are in the planning phase. Additionally, an eight-bed assisted living project recently opened for occupancy.

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

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

Our household projections for Lake Norden and Hamlin County forecast household growth from 2020 to 2025. Lake Norden will add 20 to 25 households and Hamlin County will increase by 55 households. Therefore, we are expecting a demand of approximately 10 to 12 additional rental units in Lake Norden due to household growth over the next five years in the City and the County.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that the City will lose approximately four to six units over the next five years and the replacement of these units will be needed. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition. In other cases, this replacement is appropriate due to the deteriorating condition of older, substandard rental housing that should be removed from the occupied stock. Rental units may also be lost due to rental units converting to owner occupancy.



Pent-up demand also exists. As part of this study, a rental survey was conducted. The survey found no vacancies in the 37 general occupancy market rate units and no vacancies in the 18-unit subsidized project. The owners and managers of the rental projects reported that they have high occupancy rates and several projects have waiting lists.

The skilled nursing home reported that the facility has unoccupied beds. The assisted living project had no vacant beds.

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

These three demand generators, after factoring current vacancy rates, show a need for 30 to 38 rental units over the next five years. Based on the factors stated above, we recommend the development of the following new rental units over the next five years from 2020 to 2025.

▶ General Occupancy Market Rate	14-16 units
▶ Income-restricted/Subsidized	6-8 units
▶ Affordable/Conversions	2-4 units
▶ Senior Independent/Light Services	<u>8-10 units</u>
Total	30-38 units

### **1. Develop 14 to 16 general occupancy market rate rental units**

**Findings:** Approximately 70% of the rental housing in the City of Lake Norden can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

Of the 37 market rate rental units we surveyed, we found no vacancies. The owners and managers of rental properties reported high occupancy rates and strong demand for rental housing. Several rental projects have waiting lists.

There is a variation in rental rates in the market rate segment in the City of Lake Norden. The existing rent range including utilities is \$600 to \$925 for a two-bedroom unit and \$650 to \$1,000 for a three-bedroom unit.

From 2010 to 2020, 31 conventional market rate rental projects have been constructed or are under construction in Lake Norden. Additionally, the construction of two duplexes is in the planning phase.

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

Based on this combination of demand generators, we believe that it is reasonable to plan for the production of 14 to 16 market rate rental units over the next five years from 2020 to 2025. This includes the four-plex that is currently under construction and the duplexes being planned for development.

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

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

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

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

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

Also, the Lake Norden Housing and Redevelopment Commission and the Lake Norden Development Corporation could partner with private developers to construct additional units. The City could assist with land donations, tax increment financing, tax abatement, reduced water and sewer hookup fees, etc. A private developer, the Lake Norden Housing and Redevelopment Commission or the Lake Norden Development Corporation could potentially utilize the DakotaPlex Program to construct rental units in the community.

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

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	4	650 - 800	\$750 - \$900
Two Bedroom	7-8	850 - 1,000	\$900 - \$1,100
Three Bedroom	3-4	1,100 - 1,200	\$1,000 - \$1,250
Total	14-16		

**Note:** The recommended rents are gross rents including all utilities. The rents are quoted in 2020 dollars.

It may also be possible to utilize Housing Choice Vouchers if some of the tenants meet income requirements and the rents are at or below Fair Market Rents (FMRs). The 2020 FMRs are \$596 for a one-bedroom unit, \$785 for a two-bedroom unit and \$1,103 for a three-bedroom unit.

**2. Develop six to eight additional general occupancy moderate rent/income restricted or subsidized rental units**

**Findings:** Over the past few decades, resources have not generally been available for new subsidized housing construction. Instead, the primary federal incentive program has been low income housing tax credits, which typically generates moderate rent housing that is income restricted. There are no tax credit projects that currently exist in Lake Norden.

Subsidized housing utilizes 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 identified one subsidized project in Lake Norden. Lakeview Court is a HUD Public Housing 18-unit general occupancy project. There are 16 one-bedroom and two two-bedroom units. At the time of the survey, Lakeview Court had no vacancies and a waiting list.

There are additional “deep subsidy” resources available to Lake Norden residents through the tenant-based Housing Choice Voucher Program. The Vouchers allow tenants to pay 30% to 40% of their income for housing in suitable private-market rental units. The Voucher Program for Lake Norden and Hamlin County is administered by the Brookings Housing and Redevelopment Commission. Currently, the Voucher Program has no waiting list, thus, households could immediately be eligible for a voucher.

The 2018 American Community survey estimated that approximately 22% of all renters in the City of Lake Norden were paying 30% or more of their income for rent.

**Recommendation:** Based on the cost burden data contained in the American Community Survey and the limited number of subsidized units with two or more bedrooms, we 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 six to eight 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 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 larger subsidized general occupancy units for families and younger households.

### **3. Consider the development of eight to 10 senior independent/light services units**

**Findings:** The City of Lake Norden currently has two senior with services facilities. The two facilities are:

- ▶ **Homestead Assisted Living** - Homestead Assisted Living is an eight-bed assisted living facility. The facility has four single rooms and two double rooms. The facility provides the full array of assisted living services including meals, laundry, housekeeping, medication management, etc. The owner reported no vacancies at the time of the survey.

- ▶ **Avantara** - Avantara Lake Norden is a skilled nursing facility with a 61-bed capacity. Twenty-one of the 61 beds are designated for residents with dementia. At the time of the survey, the Administrator reported that there were vacant beds. Both skilled nursing and 'dementia designated' beds were available.

**Recommendation:** In 2020, Lake Norden had approximately 84 people and 98 households over the age of 65, and Hamlin County had approximately 991 people and 659 households over the age of 65. Lake Norden has an eight-bed assisted living project and a 61-bed skilled nursing facility, but does not have a senior independent/light services project.

Therefore, we are recommending an eight to 10-unit senior independent/light services project in Lake Norden. The project should be designed for flexibility to allow seniors to live in a unit independently, or to rent a unit and utilize a low level of senior services such as a noon meal and housekeeping.

The new project is intended to complement Homestead Assisted Living and Avantara Lake Norden. The project is intended to provide a housing option that currently does not exist in Lake Norden.

The senior project could be a one-level apartment building or townhome style. The project's amenities and features should include:

- ▶ A community room
- ▶ 24-hour call system
- ▶ A limited access security system
- ▶ Smoke alarms
- ▶ Enclosed parking
- ▶ Spacious corridor with a theme such as a street scape design (apartment option)

Apartment features should include:

- ▶ 8 to 10 units
  - ▶ 2 to 3 one-bedroom
  - ▶ 6 to 7 two-bedroom
- ▶ Floor plans that provide accessibility
- ▶ 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 that could be provided by community organizations or agencies include:

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

Tax increment financing, tax abatement and other subsidies and/or incentives could be utilized to make the project financially feasible. The location of the project should be close to services as the project will be occupied by seniors. A high amenity location would be ideal for a senior project. If possible, the project should have land available for future project phases.

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 four to five months.

We recommend that a developer planning the construction of a senior housing project should have a specific study conducted.

**4. Promote the development/conversion of two to four affordable market rate rental housing units**

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

There is evidence that Lake Norden has lost rental housing over the years due to redevelopment, conversion to home ownership or due to deterioration and demolition. Part of the need for additional rental units in Lake Norden 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 to promote the development/conversion of more affordable rental units. A goal of two to four units over the next five years would help to replace affordable housing that has been lost.

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

The estimated prevailing rent range for older rental units in Lake Norden is typically between \$500 and \$650 per month. Creating some additional units with contract rents below \$650 per month would help to expand the choices available to a majority of the City's renter households.

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

## **5. Develop a downtown mixed-use commercial/housing project**

**Findings:** A mixed-use rental housing/commercial project in the Downtown area would complement the City's ongoing efforts to maintain a vibrant downtown.

New mixed use projects have been developed in several cities comparable to the size of Lake Norden. 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 Lake Norden area. There are several potential sites in the downtown area for a mixed-use project.

We recommend commercial space on the first floor and 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 and be an asset 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 first and second recommendations of this section. If a mixed use building was constructed, the number of units recommended previously should be reduced.

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



## **6. Continue to Utilize the Housing Choice Voucher Program**

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

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

The Housing Choice Voucher Program is administered in Lake Norden and Hamlin County by the Brookings Housing and Redevelopment Commission. There currently is no waiting list to obtain a Voucher, thus, Lake Norden households could be immediately eligible for a Housing Choice Voucher.

**Recommendation:** The Brookings Housing and Redevelopment Commission should continue to work with Lake Norden's rental property owners, managers and renter households to assure that renters are aware of the Housing Choice Voucher Program and have to the opportunity to apply for assistance.

# **Lake Norden - Home Ownership Recommendations**

## **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 Lake Norden is estimated to be approximately \$87,000 based on 2019 sales activity. The home values in Lake Norden provide a good opportunity for first time buyers and households seeking moderately priced homes.

Households in all age ranges that have not been able to achieve the goal of home ownership may need the assistance of housing programs to help them purchase a home.

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

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

**Findings:** We believe that affordable home ownership is one of the issues facing Lake Norden 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 Lake Norden has a supply of houses that are price-eligible for these assistance programs. The home value estimates used in this study indicate that a large majority of the existing stock currently is valued under the purchase price limits for the first-time home buyer assistance programs.

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

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

The City of Lake Norden, the Lake Norden Housing and Redevelopment Commission, and the Lake Norden Development Corporation 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, Grow South Dakota can utilize several funding sources to provide home ownership programs.

## **8. Consider the development and implementation of a Purchase/Rehabilitation Program**

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

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

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

**Recommendation:** We recommend that the City of Lake Norden or the Lake Norden Development Corporation work with the South Dakota Housing Development Authority and area and regional housing agencies to consider the development and implementation of a Purchase/Rehabilitation 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 also available.

Because a purchase/rehabilitation program can be expensive and its cost effectiveness in some cases may be marginal, it may be advantageous to directly assist low and moderate income households with purchasing and rehabilitating homes. Local 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. USDA Rural Development also provides purchase/rehabilitation loans for low and moderate income buyers.

Also, some private individuals on a limited basis have purchased homes in Lake Norden, rehabbed the homes and sold the homes. There may be an opportunity for 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.

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.

# **Lake Norden - New Housing Construction**

## **New Housing Construction**

**Findings:** Lake Norden has experienced ongoing single family owner-occupied housing construction from 2010 to 2020. According to City and Census Bureau records, over the past 11 years, 20 single family owner-occupancy units were constructed in Lake Norden, for an average of approximately two housing units per year. Over the past four years, from 2017 to 2020, 10 single family units were built.

The City's amenities, employment opportunities and residential lot options, should result in the continued construction of new homes annually.

Overall household projections for Lake Norden indicate demand for owner-occupancy housing construction. Lake Norden is projected to gain households in the 65 and older ranges from 2020 to 2025. Households in these age ranges tend to be predominantly home owners, and form a market for higher priced, trade-up housing and low maintenance housing such as town homes and twin homes.

The 44 and younger age ranges are expected to remain stable through 2025. Some of the households in these age ranges are first time home buyers or are looking for trade-up housing. It is our opinion that if the City, the Development Corporation, housing agencies, employers and builders are proactive, 18 to 22 homes can be constructed in Lake Norden from 2020 to 2025.

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

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

▶ Higher & medium price homes	4-5 homes
▶ Affordable homes	8-9 homes
▶ Twin homes/town homes	<u>6-8 units</u>
Total	18-22 homes/units

## **9. Lot Availability and Lot Development**

**Findings:** As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in Lake Norden. Buildable lots are defined as having sewer, water and streets available to the lots.

There are two newer residential subdivisions located in Lake Norden, the Twilight Subdivision and Sunset Circle Subdivision. The Twilight Subdivision currently has three lots that are for sale. There are an additional eight lots in the Twilight Subdivision that are vacant, but have been sold. Sunset Circle has no available lots for sale and no vacant lots.

There are also a few infill lots that are potentially available in the City. Additionally, there may be a few dilapidated houses in the City that could be demolished and the cleared 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 three to four houses will be constructed annually, an adequate supply of lots would be eight to 10 lots. With three lots currently for sale and an additional five vacant lots that have been sold in the Twilight Subdivision, and with a few infill lots in the community, there is currently an adequate supply of lots in Lake Norden in the short-term. However, if the projected number of housing units is constructed over the next several years, additional lots will be needed in Lake Norden.

The City of Lake Norden, the Lake Norden Development Corporation and private developers should continue to plan for future subdivision and lot development and continue to monitor new housing construction.

If new housing construction projections come to fruition, we are recommending the development of 12 to 14 additional residential lots. New residential lot development should include the following:

- ▶ The lots, if possible, should be on sites that have to existing utilities.
- ▶ The lots should have covenants that assure quality development. However, the covenants should not be so restrictive that they eliminate the target market's ability to construct a home.



- ▶ The lots should accommodate a variety of home designs and home prices.
- ▶ All stakeholders should be involved in promoting and publicizing the lots.
- ▶ To be successful, the homes must be available to households with as wide an income range as possible.
- ▶ Some lots should be available for twin home/ town home development.
- ▶ A site or sites for lot development should have land available, if possible, for future lot development phases.
- ▶ Successful lot development will need the cooperation of financial institutions, builders, employers, the City of Lake Norden and the Lake Norden Development Corporation. Financial assistance such as tax increment financing, tax abatement, and assistance from area housing agencies and the South Dakota Housing Development Agency may be needed.
- ▶ The lots must be as aesthetically acceptable as possible and include high quality amenities.
- ▶ The developers should plan on a long absorption time period to sell the lots.
- ▶ If the lots are sold at a reduced price, the lot buyer should be obligated to build a home on the lot within a specified time period.

**10. Strategies to encourage continued residential lot sales and new home construction in Lake Norden**

**Findings:** From 2010 to 2020, approximately 20 owner-occupied single family units have been constructed in Lake Norden.

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

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

- ▶ **Competitive pricing** - There are lots available in communities throughout the region. To attract new home construction in Lake Norden, lots should continue to be available and competitively-priced compared to other options in the region.
- ▶ **User-Friendly** - The lot purchase and home building process must continue to be 'user friendly.' This includes an inventory of available lots, the construction of spec homes, builders that are readily available to build custom homes and city regulations that are fair and reasonable. The entire process must be as 'user friendly' as possible to encourage home construction.
- ▶ **Long-term planning** - The City of Lake Norden and the Lake Norden Development Corporation should continue long-term development planning to assure lots are available on an ongoing basis to meet demand for all types of new housing.
- ▶ **Incentives** - Some cities and counties throughout South Dakota are offering incentives to construct new homes, including reduced lot prices, reduced water and sewer hookup fees, cash incentives, etc. Incentives should be considered to promote new home construction if new home construction slows over the next several years.
- ▶ **Lot availability for twin home/town home development** - It is our opinion that there will be a demand for twin homes/town homes over the next five years. Lots should be available for a twin home/town home development.
- ▶ **Range of house prices** - Lots should be available to as wide a range of home sizes and prices as possible, without compromising the subdivision. This broadens the lot buyer market. Also, smaller infill lots with fewer amenities should be marketed for affordable homes.
- ▶ **Marketing** - The City of Lake Norden and all housing stakeholders will need to continue marketing the sale of available lots and new home construction. Developers, realtors, financial institutions, builders, employers, the Lake Norden Area Development Corporation, etc., should all be involved in developing marketing strategies. In addition to marketing the lots, the City of Lake Norden and its amenities should continue to be marketed.

- ▶ ***Governors Homes*** - Governors Homes are an affordable option and SDHDA has initiated a program that enables developers to participate in the 'Governor's Home Program.'
- ▶ ***Manufactured/modular homes*** - Manufactured and modular homes can provide affordable housing opportunities for moderate income households.
- ▶ ***In-fill lot Home Development*** - In-fill lots in existing neighborhoods are often affordable and have existing City services. Some housing agencies and nonprofits develop affordable homes on in-fill lots.
- ▶ ***South Dakota Housing Development Authority (SDHDA) Programs*** - SDHDA may have housing programs available to assist developers, builders and home buyers.

#### **11. 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 Lake Norden, including the Lake Norden Housing and Redevelopment Commission, the Lake Norden Development Corporation, Grow South Dakota and Interlakes Community Action Partnership.

**Recommendation:** We encourage the City of Lake Norden to actively work with economic development and housing agencies and nonprofit groups to develop affordable housing. Some of the affordable housing could be developed on in-fill lots.

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. The development of the Mutual Self Help Program should be considered.

Also, households should be encouraged to utilize the Governor's Program.

## **12. Promote twin home/townhome development**

**Findings:** Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making homes available for families. It is important for the community to offer a range of life-cycle housing options. In many cities the size of Lake Norden, approximately 15% to 20% of the new ownership housing constructed are twinhomes/townhomes.

In 2019, Lake Norden had approximately 56 households and Hamlin County had 659 households in the 65 and older age ranges. These age ranges are expected to have an increase of up to 100 households in Hamlin County from 2019 to 2024. 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 six to eight new owner-occupied twin home or townhome units could be constructed in Lake Norden over the next five years. Our projection is based on the availability of an ideal location for twin home development as well as high quality design and workmanship. The construction of three twinhomes (six units) are currently in the planning phase in the Twilight Subdivision.

We recommend that for twin home/townhome 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

Lake Norden's role could include assuring that adequate land continues to be available for development and that zoning allows for attached housing construction.

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

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

# **Lake Norden - Housing Rehabilitation**

## **Housing Rehabilitation**

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

It is our opinion that Lake Norden 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 Lake Norden 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.

### **13. Promote rental housing rehabilitation**

**Findings:** Based on the American Community Survey, the City of Lake Norden had approximately 70 or more occupied rental units in 2020. These rental units are in multi-family projects, small rental buildings and single family houses and mobile homes. Some of these rental structures are more than 40 years old and could benefit from rehabilitation.

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

**Recommendation:** The City of Lake Norden should work with rental property owners and 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, Inter-Lakes Community Action Agency Partnership, the South Dakota Housing Development Authority and the Federal Home Loan Bank.

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

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

Our 2020 housing condition survey of the 149 homes in Lake Norden found 58 homes that need minor repairs and 23 homes that need major repairs. Without rehabilitation assistance, the affordable housing stock will shrink in Lake Norden.

**Recommendation:** We recommend that the City of Lake Norden, the Lake Norden Housing and Redevelopment Commission and regional housing agencies 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 Grow South Dakota 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.

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 Lake Norden households to utilize these housing rehabilitation programs.

# **Lake Norden - Other Housing Initiatives**



## **Other Housing Initiatives**

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

**Findings:** A large majority of the housing units in Lake Norden are in good condition, however, a few units are dilapidated and beyond repair. The housing condition survey of the City's single family houses identified nine homes that were too dilapidated to rehabilitate. We also identified 23 homes as needing major repair and several of these homes may be too dilapidated to rehabilitate.

To improve the quality of the housing stock and to maintain the appearance of the City, dilapidated structures should be demolished. Over the past few years, several dilapidated homes have been demolished in Lake Norden.

**Recommendation:** The City of Lake Norden should continue to work with property owners on an ongoing basis to demolish dilapidated homes. The appearance of the City is enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots have been utilized for the construction of new housing units or for homes to be moved onto the cleared lots.

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

### **16. Create a plan and a coordinated effort among housing agencies**

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

**Recommendation:** Lake Norden 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 and projects.

It will also be important for the City of Lake Norden to continue to look for opportunities to work cooperatively with other area cities to address housing issues. With the number of 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.

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

**Findings:** The Lake Norden Area has several large employers including Agropur Cheese, which is located in Lake Norden. Also, on an ongoing basis, the City and the Lake Norden Development Corporation have been working with existing employers to expand and for new employers to locate in Lake Norden. The connection between economic development and housing availability has become an increasingly important issue as low area unemployment rates dictate the need to attract new workers into the community.

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

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

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

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 Lake Norden.

## **18. Strategies for Downtown Redevelopment/Development**

**Findings:** Lake Norden has a vibrant commercial district that addresses many of the daily retail/commercial needs of its residents. The majority of Lake Norden's buildings are relatively new or have been renovated, and offer high quality commercial and/or housing space. There are also a few buildings that need improvements.

This recommendation provides an outline of actions that could be taken to continue downtown redevelopment, to maximize the usage of downtown buildings, to promote new downtown businesses and to identify and implement building rehabilitation and renovations. The purpose of this recommendation is to continue to build on the City's successes as the City of Lake Norden and Development Corporation have been working with building owners on an ongoing basis to improve their buildings.

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

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

- ▶ Interview all commercial district property owners to develop a database and to determine their future plans (expanding, selling, renovations, etc.)
- ▶ Develop an overall plan for the commercial district (potential new businesses, address parking needs, continue to develop an overall theme, art and cultural opportunities, etc.)
- ▶ Develop a mini-plan for each property in the commercial district and each commercial district block. This may include:
  - ▶ Retention of existing businesses
  - ▶ Commercial building rehab and renovations
  - ▶ Facade work
  - ▶ Building demolition
  - ▶ New construction
  - ▶ Recruiting new businesses

- ▶ Identify funding sources
  - ▶ Property owner funds
  - ▶ City funds
  - ▶ Development Corporation funds
  - ▶ Federal Home Loan Bank
  - ▶ Special tax districts
  - ▶ Funds from South Dakota State Agencies
  - ▶ Sales Tax Funds
  
- ▶ Work with stakeholders to identify roles, to secure funding, to develop and implement programs and projects
  - ▶ Property owners
  - ▶ City of Lake Norden
  - ▶ Lake Norden Development Corporation
  - ▶ Lake Norden Housing and Redevelopment Commission
  - ▶ First District Association of Governments

## **19. 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 Lake Norden, the Lake Norden Housing and Redevelopment Commission, and the Lake Norden Development Corporation, have all been active in promoting and marketing housing and we recommend the continuation or initiation 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 to provide employees (especially new employees) with housing opportunities in Lake Norden and the Lake Norden Area
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling programs
- ▶ Work with developers and builders to make lot development and the construction of new homes a very user-friendly process
- ▶ Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the City a "full service" community
- ▶ Continue to provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Preserve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Continue to develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior with services housing, etc.
- ▶ Review the City's policies and fees to assure that they are user-friendly, fair and receptive for developers, builders and households
- ▶ Develop a coordinated housing plan with the private sector and area housing agencies

## **Agencies and Resources**

The following 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

### **First District Association of Governments**

121 1<sup>st</sup> Ave. NW  
Watertown, SD 57201  
(605) 882-5115

### **Dakota Resources**

25795 475<sup>th</sup> Ave., Suite 1  
Renner, SD 57055  
(605) 978-2804

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

1720 4<sup>th</sup> St. NE Suite 2  
Watertown, SD 57201  
(605) 886-8202

### **USDA Rural Development**

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

### **Brookings Housing and Redevelopment Commission**

1310 Main Ave. S., Suite 106  
P.O. Box 432  
Brookings, SD 57006  
(605) 692-1670

### **Grow South Dakota**

414 3<sup>rd</sup> Avenue  
Sisseton, SD 57262  
(605) 698-7654  
Contact: Marcia Erickson, Executive Director