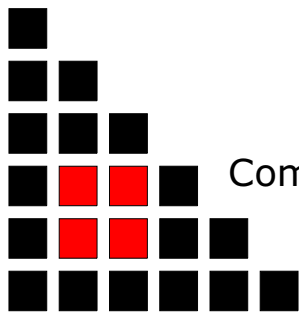


City of Lemmon HOUSING STUDY

December 2020

An updated analysis of the overall housing needs
of the City of Lemmon



Community Partners Research, Inc.
Faribault, MN

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Introduction

Local elected and public officials are often held responsible for conditions and circumstances over which they have limited control. This is particularly true of housing. Most of the housing units in Lemmon and Perkins 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.

In 2013, Community Partners Research, Inc., was hired by the Lemmon Housing and Redevelopment Commission to conduct a study of the housing needs and conditions in the City of Lemmon. Community Partners Research, Inc., was then hired to update the Housing Study and has reviewed the latest demographic and housing data for the City.

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 July to October, 2020. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Applied Geographical Solutions, Inc., a data reporting service
- Esri, Inc., a private data reporting service
- Records and data from the City
- Records and data maintained by Perkins 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.

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Demographic Data Overview

Sources of Data

The following pages contain demographic data obtained from a variety of local, state and national sources for the City of Lemmon and Perkins 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.

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 Lemmon, comparative information has often been provided for all of Perkins County.

Population Data and Trends

Table 1 Population Trends - 1990 to 2020						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 AGS Estimate
Lemmon	1,614	1,398	-13.4%	1,227	-12.2%	1,182
Perkins Co.	3,932	3,363	-14.5%	2,982	-11.3%	2,908

Source: U.S. Census; Applied Geographic Solutions

- ▶ There are two available population estimates for Lemmon in 2020. Applied Geographic Solutions estimates that Lemmon has 1,182 people, a loss of 45 people from 2010 to 2020.
- ▶ Esri, a private reporting service, shows the City with 1,170 residents, a decrease of 57 people, or -4.6%, from the 2010 Census.
- ▶ The Census Bureau has released information through its population estimates program. The most recent estimate for Lemmon is effective July 1, 2019, and places the City’s population at 1,174, a loss of 53 people from 2010 to 2019.
- ▶ Although some minor differences exist between these sources, all three show a gradual decrease in the City’s population over the past decade. If viewed as an annual average, the City has been losing approximately 5 to 6 people per year since 2010.
- ▶ The AGS population estimate for Perkins County in 2020 is 2,908 residents, down by 74 people from 2010, for a decrease of -2.5%.
- ▶ The Census Bureau’s most recent estimate for Perkins County is effective July 1, 2019, and showed the County with 2,865 people, down by 117 residents from the 2010 Census.
- ▶ Although there is a one-year time difference between AGS and the Census Bureau, they generally show a similar pattern of change for Perkins County, with an average annual loss of approximately 8 to 13 people per year over the past decade.
- ▶ For both Lemmon and Perkins County, the population patterns since 2010 continue a long-term trend of a lower number of residents, which dates back to at least 1990.

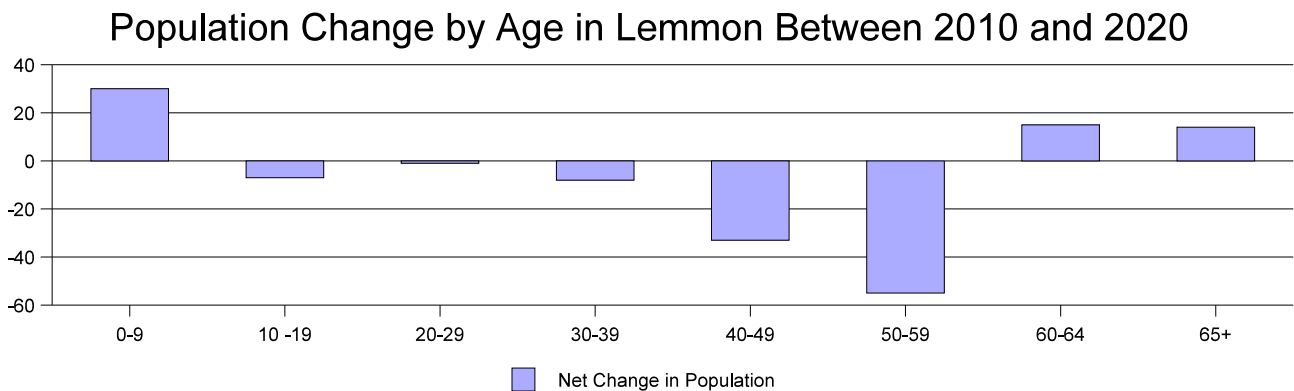
- ▶ Lemmon’s population is primarily White and non-Hispanic/Latino. Based on American Community Survey estimates, more than 94% of the City’s residents were White in 2018. Approximately 2.1% of Lemmon’s residents were identified as Hispanic/Latino. Due to the small number of minority residents, no additional information is provided in this Update by race/ethnicity.
- ▶ At the time of the 2010 Census, there were 65 people in Lemmon living in group quarters housing. Approximately 69% of the group quarters residents were in a skilled nursing home, and the remaining 31% were living in some type of noninstitutional group home facility.

Population by Age Trends: 2010 to 2020

The 2020 Lemmon population estimate from Applied Geographic Solutions includes information on the age distribution of residents. This information can be compared to the population by age in the 2010 Census.

Table 2 Population by Age - 2010 to 2020			
Age	Lemmon		
	2010	2020	Change
0-9	111	141	30
10-19	128	121	-7
20-29	107	106	-1
30-39	98	90	-8
40-49	151	118	-33
50-59	212	157	-55
60-64	81	96	15
65+	339	353	14
Total	1,227	1,182	-45

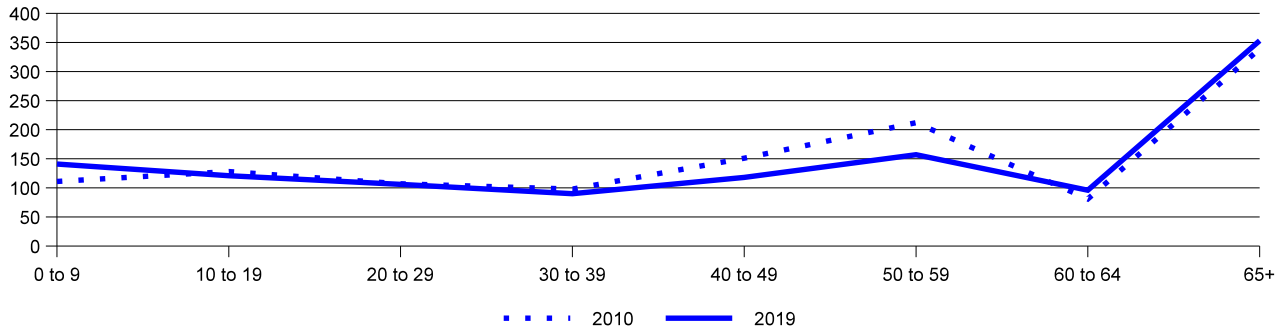
Source: U.S. Census; AGS



The age-based population estimates from Applied Geographic Solutions show limited change between 2010 and 2020 in many of the defined age ranges. However, with the exception of younger children under the age of 10, the other younger age groups experienced some level of numeric decrease. If accurate, the City had 74 fewer residents under the age of 60.

The number of seniors and near-seniors did increase over the decade. From 2010 to 2020, Lemmon added 29 people age 60 and older, according to these estimates.

City of Lemmon Population by Age: 2010 to 2020



Population Projections

The following table presents population projections to the year 2025. Projections for Lemmon and Perkins County exist from Applied Geographic Solutions and projections for Lemmon have also been obtained from Esri. These projections span the five-year period from 2020 to 2025.

Table 3 Population Projections Through 2025						
	Applied Geographic Solutions			Esri		
	2020 Estimate	2025 Projection	Change	2020 Estimate	2025 Projection	Change
Lemmon	1,182	1,092	-90	1,170	1,144	-26
Perkins Co.	2,908	2,701	-207	-	-	-

Source: Applied Geographic Solutions; Esri

- ▶ AGS is projecting a significant loss of 90 people in Lemmon between 2020 and 2025, or an average of 18 people per year. This annual rate of loss would be greater than the recent past. While estimates do show a population reduction in the City since 2010, the average decrease has been only five or six people per year.
- ▶ The projection from Esri shows only a slight population reduction over the next five years in Lemmon. This source expects the City to lose 26 residents, or an average of approximately five people per year. This is much more consistent with recent patterns.
- ▶ AGS expects all of Perkins County to lose 207 people between 2020 and 2025, or approximately 42 people in an average year.

Household Data and Trends

Table 4 Household Trends - 1990 to 2020						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 AGS Estimate
Lemmon	682	623	-8.7%	567	-9.0%	556
Perkins Co.	1,586	1,429	-9.9%	1,291	-9.7%	1,291

Source: U.S. Census; AGS

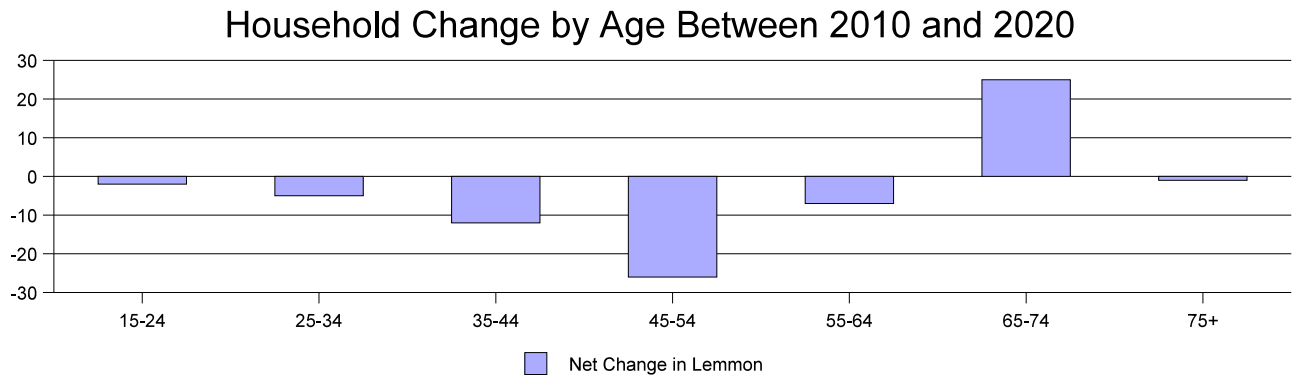
- ▶ The AGS household estimate for Lemmon in 2020 is 556, down by 11 households since the 2010 Census. While a larger population loss may have occurred, the household level has been more stable, with an average decrease of only one household per year.
- ▶ Esri’s 2020 estimate for Lemmon is 539 households, a decrease of 28 households from the 2010 Census. If accurate, this source shows the City losing nearly three households per year.
- ▶ While there are some minor differences in the recent estimates, both sources show a gradual reduction in households in Lemmon, continuing a long-term pattern that dates back to at least 1990.
- ▶ AGS estimates that Perkins County had 1,291 households in 2020, unchanged from the 2010 Census count. If accurate, the remainder of the County had a slight increase in households, which offset the estimated loss in Lemmon.

Household by Age Trends: 2010 to 2020

The demographic data profile that is available from AGS does not provide information on households by age. However, age-based estimates are available from Esri. The following table compares households by age in 2010 and 2020, along with the numeric changes. It is important to note that Esri has a lower estimate of the total household count in 2020 when compared to AGS. However, the difference between the two sources is less than 5%.

Table 5 Households by Age - 2010 to 2020			
Age	Lemmon		
	2010	2020	Change
15-24	13	11	-2
25-34	58	53	-5
35-44	70	58	-12
45-54	110	84	-26
55-64	108	101	-7
65-74	70	95	25
75+	138	137	-1
Total	567	539	-28

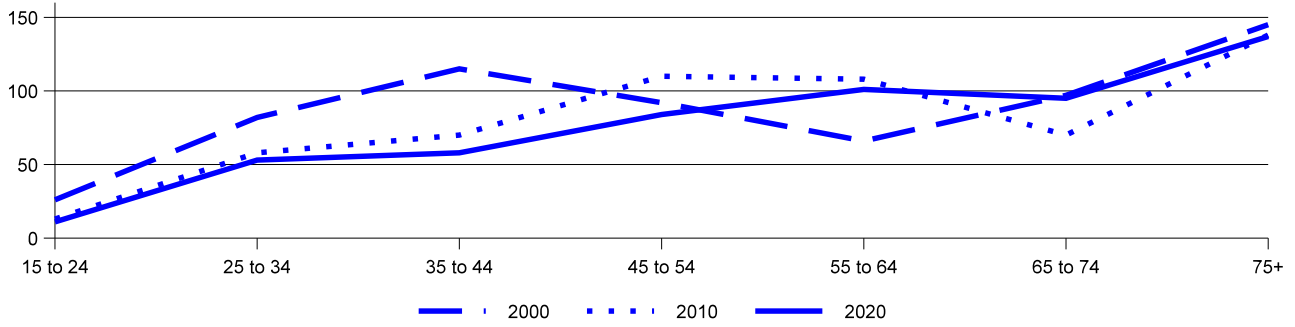
Source: U.S. Census; Esri



From 2010 to 2020, Esri shows Lemmon losing 28 households. All of this reduction was attributed to the age groups 64 and younger. The largest numeric loss occurred in the 20-year range between 35 and 54. The City did add households in the younger senior range between 65 and 74 years old.

It is possible to track the age progression patterns of households in Lemmon over the past 20 years.

City of Lemmon Households by Age of Householder: 2000 to 2020



Average Household Size

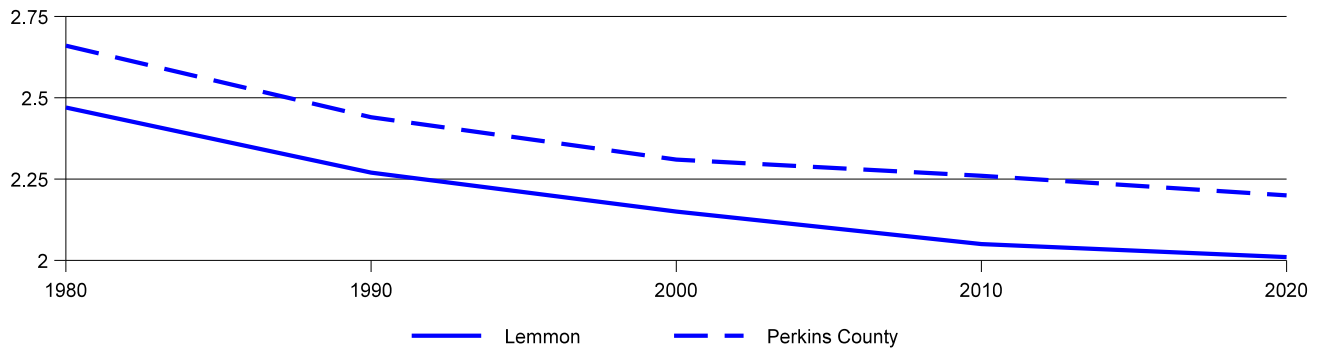
The following table provides decennial Census information on average household size, along with the 2020 estimate from AGS.

Table 6 Average Number of Persons Per Household: 1990 to 2020				
	1990 Census	2000 Census	2010 Census	2020 AGS
Lemmon	2.27	2.15	2.05	2.01
Perkins Co.	2.44	2.31	2.26	2.20

Source: U.S. Census; AGS

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

Average Household Size: 1980 to 2020



The average household size in Lemmon has continued to decrease over the past four decades. The estimate from AGS in 2020 shows an average household size of 2.01 persons, down from 2.05 at the time of the 2010 Census. When compared to most communities, Lemmon has a small number of people per household.

While the household size for all of Perkins County has also continued to decrease, the average for the County, estimated at 2.20 persons in 2020, is still much larger than the average in Lemmon.

Household Projections

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

Table 7 Household Projections Through 2024						
	AGS			Esri		
	2020 Estimate	2025 Projection	Change	2020 Estimate	2025 Projection	Change
Lemmon	556	495	-61	539	526	-13
Perkins Co.	1,291	1,172	-119	-	-	-

Source: AGS, Esri

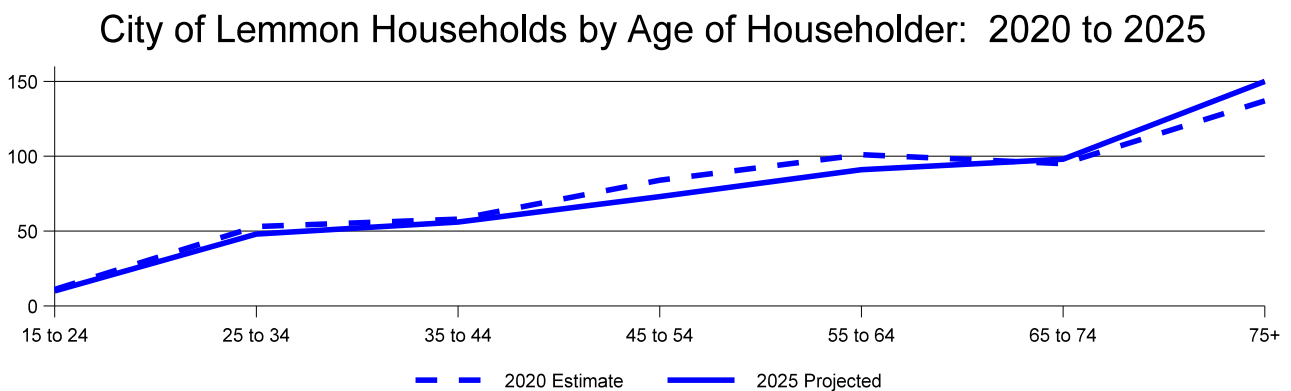
- ▶ The AGS projection for Lemmon expects a significant loss of 61 households between 2020 and 2025, or an annual average of 12 households per year. This future rate of loss is substantially higher than past trends, as AGS believes that the City was only losing one household per year between 2010 and 2020.
- ▶ Although Esri is also forecasting a loss of households in Lemmon, this source shows the City losing an average of only two to three households per year. This is generally similar to their recent estimates, as they believe that Lemmon has been losing approximately three households per year since 2010.
- ▶ Based on AGS data, Perkins County is projected to lose 119 households from 2020 to 2025. This is an average decrease of approximately 24 households per year.

Lemmon Household by Age Projections: 2020 to 2025

In addition to overall household forecasts, Esri has also generated age-based projections for households to the year 2025. These projections can be compared to the data contained in the 2020 Esri estimates to examine the change projected over the next five years. Age-based household forecasts are provided for the City of Lemmon. Age-based household forecasts are not available from Applied Geographic Solutions.

Table 8 Projected Households by Age - 2020 to 2025			
Age	Lemmon		
	2020	2025	Change
15-24	11	10	-1
25-34	53	48	-5
35-44	58	56	-2
45-54	84	73	-11
55-64	101	91	-10
65-74	95	98	3
75+	137	150	13
Total	539	526	-13

Source: Esri



Esri projects an overall loss of 13 households in Lemmon from 2020 to 2025. As a result, limited change is expected in most of the defined age ranges. If grouped into larger ranges, Esri is projecting a reduction of 29 households in the age groups 64 and younger, but an increase of 16 households age 65 and older.

2018 Income Data

The American Community Survey provides income estimates for cities and counties. The following table provides 2018 American Community survey data for Lemmon, Perkins County and the State of South Dakota. Data from 2010 are provided 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.

Table 9 Median Household Income - 2010 to 2018			
	2010 Median	2018 Median	% Change
Median Household Income			
Lemmon	\$27,418	\$40,000	45.9%
Perkins County	\$33,361	\$56,850	70.4%
South Dakota	\$46,369	\$56,499	21.8%
Median Family Income			
Lemmon	\$56,875	\$63,833	12.2%
Perkins County	\$55,313	\$68,616	24.1%
South Dakota	\$58,958	\$72,706	23.3%

Source: American Community Survey

Information contained in the American Community Survey shows that the median household income has increased substantially for Lemmon from 2010 to 2018. It is important to note that estimates for a small city can have a large margin of error, based on the limited sampling that is completed. However, it is also possible that the City has seen a significant improvement in income levels over the decade. Despite the increase, the median household income for Lemmon was still well below the comparable County and State median levels.

The median family income for Lemmon had increased at a slower rate through the decade. While also lower than the comparable Countywide median, the difference for families was less than \$5,000 in 2018.

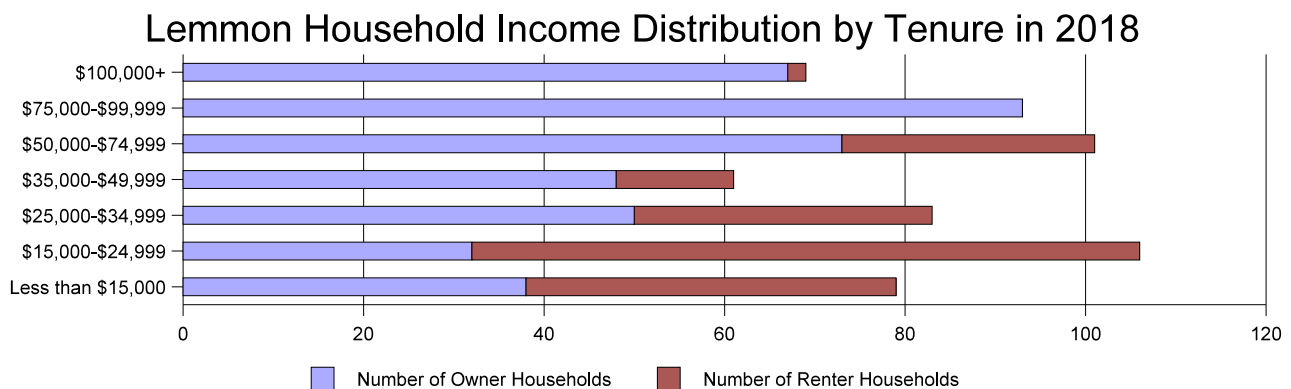
Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Lemmon could afford approximately \$1,000 per month and a median income family household could afford \$1,600 for housing in 2018.

Lemmon Income Distribution by Housing Tenure

The 2018 American Community Survey provides income data by owner and renter status. However, the American Community Survey appears to have significantly overestimated the number of households in Lemmon in 2018, when compared to more reliable sources, but the percentage distribution patterns are still viewed as the best available data on this topic.

Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	38 / 48.1%	41 / 51.9%	79
\$15,000 - \$24,999	32 / 30.2%	74 / 69.8%	106
\$25,000 - \$34,999	50 / 60.2%	33 / 39.8%	83
\$35,000 - \$49,999	48 / 78.7%	13 / 21.3%	61
\$50,000 - \$74,999	73 / 72.3%	28 / 27.7%	101
\$75,000 - \$99,999	93 / 100%	0 / 0%	93
\$100,000+	67 / 97.1%	2 / 2.9%	69
Total	401	191	592

Source: American Community Survey



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

In 2018, approximately 77% of all renter households in Lemmon had an annual income below \$35,000. At 30% of income, these households would have \$875, or less, that could be applied to monthly housing costs. The median income for all renter households was approximately \$22,784 in 2018. At 30% of income, a renter at the median level could afford approximately \$570 per month or less for housing costs.

Most owner households had a higher income level than rental households. Approximately 58% of all owner households had an annual income of \$50,000 or more. The estimated median household income for owners in 2018 was \$63,092. At 30% of income, an owner at the median income level could afford approximately \$1,575 per month for housing costs.

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 Lemmon. The American Community Survey may have over estimated the number of renter households in the City, when compared to other estimating sources, but the percentage for housing costs are viewed as the best available data on this topic.

Table 11 Gross Rent as a Percentage of Household Income - 2018		
Percent of Income for Housing	Number of Households	Percent
Less than 20%	31	16.2%
20% to 29.9%	41	21.5%
30% to 34.9%	35	18.3%
35% or more	64	33.5%
Not Computed	20	10.5%
Total	191	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 majority of renter households in Lemmon in 2018 were paying a large percentage of their income for housing. Nearly 52% of all renters were applying 30% or more of income to housing costs, with most of these paying 35% or more for rent.

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 Lemmon that are paying different percentages of their gross household income for housing costs. The American Community Survey may have over estimated the number of owner households in the City, when compared to other estimating sources, but the percentage for housing costs are viewed as the best available data on this topic.

Table 12 Ownership Costs as a Percentage of Income - Lemmon		
Percentage of Household Income for Housing Costs	Number of Owner Households 2018	Percent of All Owner Households 2018
0% to 19.9%	292	72.8%
20% to 29.9%	42	10.5%
30% to 34.9%	15	3.7%
35% or more	52	13.0%
Not Computed	0	0%
Total	401	100%

Source: American Community Survey

Most owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 17% of all home owners reported that they paid more than 30% of their income for housing. Most of these households were paying more than 35% of income for housing costs.

Existing Home Sales

This section examines houses that have been sold in Lemmon 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 Perkins 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's sale year differs slightly from a calendar year, and begins on November 1st and extends to October 31st.

Table 13 Median Value of Recent Residential Sales - 2015 to 2019

Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2019	21	\$50,000	\$220,000	\$8,000
2018	15	\$60,000	\$151,500	\$10,300
2017	22	\$67,250*	\$150,000	\$5,000
2016	16	\$37,400*	\$136,000	\$14,000
2015	23	\$50,000	\$184,460	\$8,988

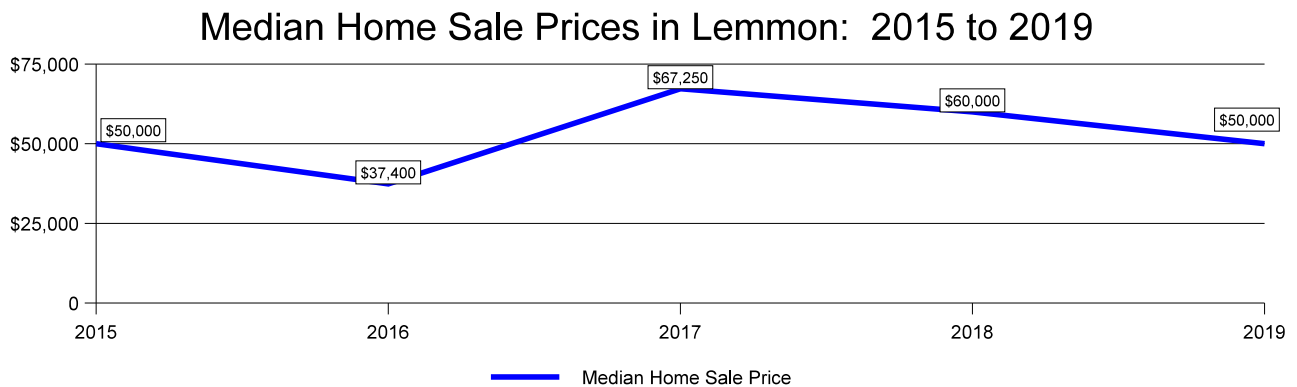
Source: SD Dept. of Revenue; Perkins County Assessor; Community Partners Research, Inc.

* Median calculated from two nearest sales

With a limited number of sales within any 12-month time period, there has been some variation in the annual median price. In 2019, the median price was \$50,000, but was based on only 21 good sales. In four of the past five years, the median has been \$50,000 or higher.

If a two-year time period is used, there were 36 combined sales in 2018 and 2019, with a median price of \$59,500.

In each of the years reviewed, at least one house in the City has sold for less than \$15,000. In all five years there has been at least one house that has sold for \$136,000 or more. But the actual number of very high priced sales has been limited. Dating back to 2015, only two sales have been recorded for \$200,000 or more.



An alternate estimate of home values exists in the American Community Survey. In 2018, the estimated median value for all owner-occupied housing in Lemmon was \$66,000. This estimate was higher than the median sale prices for 2018 or 2019.

Housing Construction Activity

Based on information available from the City of Lemmon, there have been approximately six single family houses constructed since 2010, along with a rental four-plex.

Previous research has indicated that some new homes have also been built in the rural areas outside of the City limits.

Lemmon Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 311 single family/duplex houses in two neighborhoods in Lemmon.

The boundaries of the two neighborhoods are:

Neighborhood #1: South - 10th St., North - Railroad tracks,
East - Main St., West - W. 4th Ave.

Neighborhood #2: South - 10th St., North - 2nd St.,
East - City limits, West - Main St.

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

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

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

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

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

Table 14 Windshield Survey Condition Estimate - 2020

	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood #1	52 / 25.7%	65 / 32.0%	48 / 23.8%	37 / 18.3%	202
Neighborhood #2	30 / 27.5%	28 / 25.7%	22 / 20.2%	29 / 26.6%	109
Total	82 / 26.4%	93 / 29.9%	70 / 22.5%	66 / 21.2%	311

Source: Community Partners Research, Inc.

- ▶ The existing housing stock in Lemmon is in fair condition. Approximately 30% of the houses in the two neighborhoods need minor repair and nearly 23% need major repair. More than 26% are sound, with no required improvements.
- ▶ Approximately 66 houses in the two neighborhoods are dilapidated and possibly beyond repair.

Lemmon Mobile Home Condition

Community Partners Research, Inc. representatives conducted a visual ‘windshield’ survey of 52 mobile homes in two neighborhoods in Lemmon that contain most of the City’s older housing stock.

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

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

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

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

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

Table 15 Windshield Survey Condition Estimate - 2020					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Mobile homes	14 / 26.9%	17 / 32.7%	7 / 13.5%	14 / 26.9%	52

Source: Community Partners Research, Inc.

- ▶ The mobile homes in Lemmon are in fair condition. Approximately 33% of the mobile homes in the two neighborhoods need minor repair and 14% need major repair. Approximately 27% are sound, with no required improvements.
- ▶ Fourteen mobile homes are dilapidated and possibly beyond repair.

Rental Housing Data

Estimated Rental Inventory

Based on 2020 Applied Geographic Solutions data, Lemmon has approximately 163 occupied rental units. The City's rental tenure rate was 29.3%, below the estimated Statewide rental rate of 32.7%.

From 2010 to 2020, four market rate rental units were built in Lemmon by the Lemmon HRC. The Lemmon HRC has also purchased seven single family houses and has rehabilitated these structures for use as rental housing. The number of rental units in Lemmon over the past decade may have been impacted by tenure conversion, as some houses may have changed use, but the number of structures is not known. Also, some rental units have been demolished over the past 10 years.

Rental Housing Survey

As part of this Housing Study, a telephone survey was conducted of multifamily projects in the City of Lemmon. The survey was primarily conducted during the month of September 2020. 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 single family rental homes.

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

There were 126 housing units of all types that were contacted in the survey. This represents approximately 77% of the City's estimated total rental housing units. In addition to the 126 rental units, two facilities for physically/developmentally disabled residents and the nursing home were contacted. These facilities have 56 beds and are not considered to be rental units.

The units/beds that were successfully contacted include:

- ▶ 49 market rate units
- ▶ 67 federally subsidized units
- ▶ 10 senior independent/light services units
- ▶ 42 skilled nursing beds
- ▶ 14 units for physically/developmentally disabled

The findings of the survey are provided below.

Market Rate Summary

Information was obtained on 49 rental units. The units surveyed are in a 20-unit multi-family project, four four-plexes, one triplex and 10 single family homes.

The 20-unit market rate project, Westside Apartments, was a subsidized rental project, but has converted to market rate.

Unit Mix

The bedroom mix of the market rate units surveyed is:

- ▶ One-bedroom - 11 (22.5%)
- ▶ Two-bedroom - 35 (71.4%)
- ▶ Three-bedroom - 0 (0%)
- ▶ Four-bedroom - 3 (6.1%)

Occupancy / Vacancy

At the time of the survey, there were no vacant market rate rental units. Owners/managers contacted in the survey reported that there was strong demand for rentals and they are almost always fully occupied. The Lemmon Housing and Redevelopment Commission units have a waiting list.

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. Since the highest and lowest ends of the rent range do not vary greatly, they also tend to represent the prevailing rents for the community.

<u>Unit Type</u>	<u>Identified Gross Rent Range</u>
One-bedroom	\$510-\$650
Two-bedroom	\$600-\$980
Three-bedroom	N/A
Four-bedroom	\$800-\$1,125

The units that were contacted in the conventional housing survey generally had modest rental rates. Most of the units were in older structures, dating to the 1980s or earlier. The three Lemmon Housing and Redevelopment Commission four-plexes were the only newer units. These units were constructed in 2002, 2007 and 2019. These units have the highest rents in the City.

Please note that no three-bedroom units were contacted by the rental survey, therefore, no rental rate information was obtained.

Tax Credit Summary

There are no tax credit units in the City of Lemmon.

Subsidized Summary

The research completed for this Study identified four subsidized projects providing rental opportunities for lower income households. These projects have a combined 67 units.

Three of these projects, with a combined 55 units, offer general occupancy housing. One project with 12 units is designated for senior/disabled tenant occupancy. The 67 subsidized units represent 41.1% of the estimated total rental inventory in the City of Lemmon.

The four subsidized rental projects in Lemmon include:

- ▶ ***Brick Square Villa*** - Brick Square Villa is a 31-unit Public Housing General Occupancy Project. The 31 units include 25 one-bedroom and six two-bedroom units. The project is owned and managed by the Lemmon Housing and Redevelopment Commission.
- ▶ ***FC Short Estates*** - FC Short Estates is a 12-unit Public Housing General Occupancy Project. ALL the units are one-bedroom. The project is owned and managed by the Lemmon Housing and Redevelopment Commission.
- ▶ ***Prairie West Apartments*** - Prairie West Apartments is a 12-unit HUD General Occupancy Project. The Project includes eight two-bedroom and four three-bedroom units.
- ▶ ***Lemmon Prairie Pines Apartments*** - Lemmon Prairie Pines Apartments is a 12-unit Rural Development Senior/Disabled Project. All 12 units have one bedroom.

The City's subsidized units have access to project-based rent assistance. These units can charge rent based on 30% of the tenant's household income up to a maximum rent. Brick Square Villa and FC Short Estates have a waiver that allows tenants that are over the income limits to rent a unit if a unit is available. These tenants pay the maximum rent.

Unit Mix

The bedroom mix breakdown for subsidized housing in Lemmon is as follows:

- ▶ 49 one-bedroom (73.1%)
- ▶ 14 two-bedroom (20.9%)
- ▶ 4 three-bedroom (6.0%)

Occupancy / Vacancy

There were six unoccupied units that were identified in the subsidized projects, which is a 9.0% vacancy rate. At the time of the survey, Prairie West Apartments had five vacancies and Lemmon Prairie Pines Apartment had one vacancy. Brick Square Villas and FC Short Estates were fully occupied.

Subsidized Housing Gains/Losses

Federal subsidy sources for low income rental housing have been very limited for the past few decades. Most subsidized projects were constructed in the 1960, 1970s and 1980s. Some of these older projects may have completed their compliance requirements and have the opportunity to leave their subsidy program and convert to conventional rental housing.

One project in Lemmon, Westside Apartments, which has 20 units, opted out of their subsidy program with USDA Rural Development and has converted to a market rate project

Senior Housing with Services

There are two senior housing projects in Lemmon that can offer services. These projects are:

- ▶ **Prairie Rose Suites** - Prairie Rose Suites is an independent/light services project that includes eight single rooms and two double rooms for a total of 12 beds. The project was assisted living, but has converted to independent/light services. Tenants pay a \$500 rent and can purchase additional senior services from the nursing home as needed. The administrator reported five vacancies at the time of the survey.
- ▶ **Five Counties Nursing Home** - Five Counties Nursing Home has 42 licensed skilled nursing beds. The facility had three vacancies at the time of the survey.

Housing for People with Disabilities Summary

Live Center, Inc., has 14 total beds in two residential homes for adults with disabilities. Each residential home has six bedrooms, including six single rooms and one double occupancy room. Live Center, Inc., is a nonprofit that serves Lemmon and the surrounding area. Currently, all of the beds are occupied. The rent is based on the tenant's income and the level of services.

Table 16 Lemmon Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Lemmon Housing & Redevelopment Commission 4-plexes	<u>12 - 2 bedroom</u> 12 total units	\$776-\$837	No vacancies, waiting list	General occupancy	Three 4-plexes were constructed by the Lemmon Housing HRC Housing Opportunity, Dakota Resources and essential function bonds. The 4-plexes were constructed in 2002, 2007 and 2019. Rents range from \$776 to \$837. Tenants also pay utilities. Ten units have no income or age requirements and two units are designated for households with incomes below 120% of the area's median income. The 4-plexes are owned and managed by the Lemmon HRC. The Director reported no vacancies and a waiting list at the time of the survey.
Lemmon Housing & Redevelopment Commission Single Family Homes	<u>4 - 2 bedroom</u> <u>3 - 4 bedroom</u> 7 total units	Rents range from \$450 to \$1,107	No vacancies	General occupancy	The Lemmon HRC purchased six single family homes, rehabilitated the homes and is renting the homes to Lemmon households. Four homes have two bedrooms and three homes have four bedrooms. The rent ranges from \$450 to \$1,107. Six houses are market rate and one house has income limits and the tenant pays 30% of income. The Director reported no vacancies at the time of survey.
Westside Apartments	<u>4 - 1 bedroom</u> <u>16 - 2 bedroom</u> 20 total units	\$410 \$485	No vacancies	General occupancy	Westside Apartments was subsidized USDA Rural Development Project that has converted to a 20-unit market rate general occupancy project. The project includes four one-bedroom units and 16 two-bedroom units. Rents are \$410 for a one-bedroom unit and \$485 for a two-bedroom unit. Tenants also pay heat and electricity. The owner reported no vacancies at the time of the survey.
Atkinson Rentals	<u>3 - 1 bedroom</u> <u>1 - 2 bedroom</u> 4 total units	\$410 \$525	No vacancies	General occupancy	Atkinson Rentals includes three one-bedroom apartments and one two-bedroom house. Rent is \$410 for the one-bedroom units and \$525 for the two-bedroom house. Tenants in the apartment units also pay heat. The house tenant also pays all utilities. The owner reported no vacancies at the time of the survey.

Table 16 Lemmon Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
605 Main Ave.	<u>4 - 1 bedroom</u> 4 total units	\$575	No vacancies	General occupancy	Four-plex at 605 Main Ave. All of the units are one-bedroom. The rent is \$575. The rent includes utilities. The owner reported no vacancies at the time of the survey.
Myhre Single Family Homes	<u>2 - 2 bedroom</u> 2 total units	\$500	No vacancies	General occupancy	Myhre single family homes includes two two-bedroom homes. Rent is \$500 plus the tenant pays all utilities. The owner reported that units were occupied at the time of the survey.
Subsidized					
Brick Square Villa	<u>25 - 1 bedroom</u> <u>6 - 2 bedroom</u> 31 total units	\$454 max. \$557 max. 30% of income	No vacancies	General occupancy	Brick Square Villa is a 31-unit Public Housing General Occupancy Project constructed in 1974. There are 25 one-bedroom and six two-bedroom units. Tenants pay 30% of income up to the maximum rent. The project has a waiver to allow over income households to rent a unit. Many improvements have been made to the units over the years. The project is owned and managed by the Lemmon HRC. The Director reported no vacancies at the time of the survey.
FC Short Estates	<u>12 - 1 bedroom</u> 12 total units	\$454 max. 30% of income	No vacancies	General occupancy	FC Short Estates is a 12-unit General Occupancy Public Housing Project constructed in 1981. All of the units are one-bedroom. Tenants pay 30% of income up to the maximum rent. The project has a waiver to allow over income households to rent a unit. The project is owned and managed by the Lemmon HRC. The Director reported no vacancies at the time of the survey.
Lemmon Prairie Pines Apartments	<u>12 - 1 bedroom</u> 12 total units	\$589 max. 30% of income	1 vacancy	Senior/ disabled	Lemmon Prairie Pines Apartments is a USDA Rural Development senior/disabled project. All of the units have one-bedroom. The tenants pay 30% of their income up to a maximum rent. The manager reported no vacancies at the time of the survey.

Table 16 Lemmon Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Prairie West Apartments	8 - 2 bedroom 4 - 3 bedroom 12 total units	30% of income	5 vacancies	General occupancy	Prairie West Apartments is a HUD subsidized general occupancy project constructed in the 1980s. The project includes eight two-bedroom and four three-bedroom units. Tenants pay 30% of income up to a maximum rent. The manager reported five vacancies at the time of the survey. The manager also reported that there are ongoing vacancies.
Senior Housing with Services					
Prairie Rose Suites Assisted Living	8 single rooms 2 double rooms 12 total beds	\$500	5 vacancies	Senior housing with services available	Prairie Rose Suites is an independent/light services project that includes eight single rooms and two double rooms for a total of 12 beds. The project was assisted living, but has converted to independent/light services. Tenants pay a \$500 rent and can purchase additional senior services from the nursing home as needed. The administrator reported five vacancies at the time of the survey.
Five Counties Nursing Home	42 licensed skilled nursing beds 42 total beds	Based on level of services	3 vacant beds	Skilled nursing home	Five Counties Nursing Home has 42 licensed skilled nursing beds. The facility had three vacancies at the time of the survey.
Subsidized Housing for Special Needs Populations					
Live Center, Inc.	10 - singles 2 - doubles 12 total bedrooms with 14 beds	30% of income	No vacancies	People with disabilities	Live Center, Inc., includes two residential homes for people with disabilities. Each home has six single rooms and one double room with a seven-resident capacity. The two homes have a total 14-person capacity. The manager reported no vacancies at the time of the survey. Tenants pay 30% of their income for rent.

Source: Community Partners Research, Inc.

Employment and Local Economic Trends Analysis

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

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

Employment information is available at the County level for Perkins County. The labor force statistics track people by place of residence, rather than place of employment.

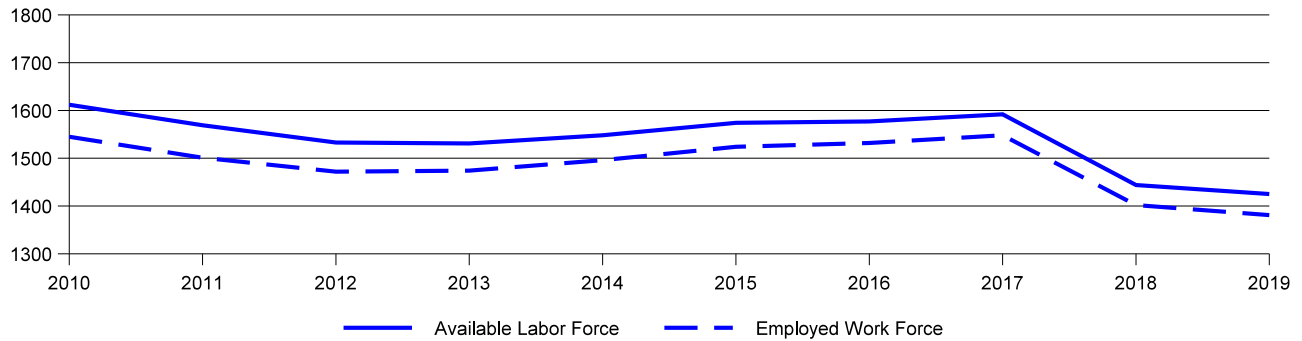
Table 17 County Average Annual Labor Force: 2010 to 2020*						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2010	1,612	1,545	67	4.2%	5.0%	9.6%
2011	1,569	1,501	68	4.3%	4.7%	8.9%
2012	1,533	1,472	61	4.0%	4.3%	8.1%
2013	1,531	1,474	57	3.7%	3.8%	7.4%
2014	1,548	1,496	52	3.4%	3.4%	6.2%
2015	1,574	1,524	50	3.2%	3.1%	5.3%
2016	1,577	1,532	45	2.9%	3.0%	4.9%
2017	1,592	1,548	44	2.8%	3.2%	4.4%
2018	1,444	1,402	42	2.9%	3.1%	3.9%
2019	1,425	1,381	44	3.1%	3.3%	3.7%
2020*	1,412	1,350	62	4.4%	5.9%	8.6%

Source: South Dakota Department of Labor

* 2020 is through September

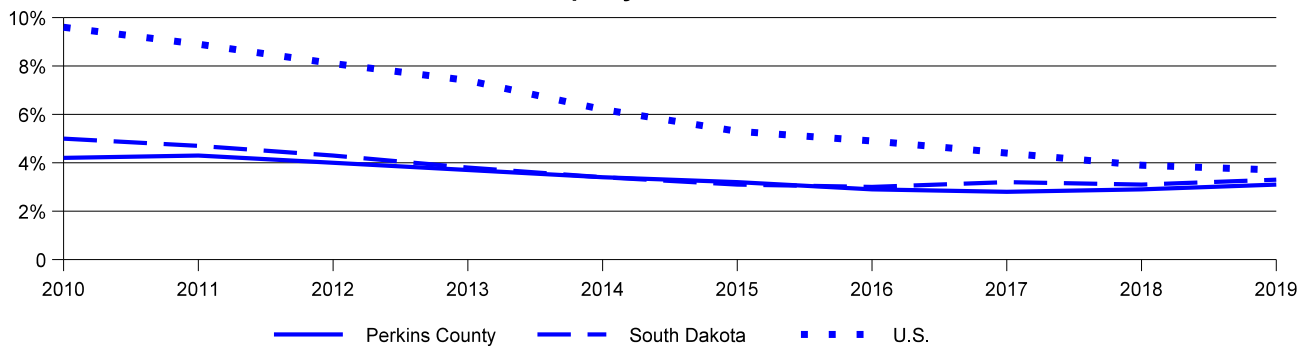
Over a longer time period, there has been a gradual reduction in the size of the County’s labor force and employed work force. Between 2010 and 2019 (the last full year of data), the size of the resident labor force decreased by 187 people, or -11.6%. The County’s employed work force decreased by 164 people, or -10.6% during this same time period.

Perkins County Labor Force and Employed Work Force



Most of these decreases occurred between 2017 and 2018. From 2010 through 2017, the County’s labor statistics had remained relatively stable.

Unemployment Rates



The County’s unemployment rate for 2019 was at 3.1%, slightly lower than the State or notional unemployment rates. Throughout the past decade, the unemployment rate for Perkins County has been similar to or lower than the Statewide rate, and consistently below the national unemployment rate.

Annual Covered Employment and Wages

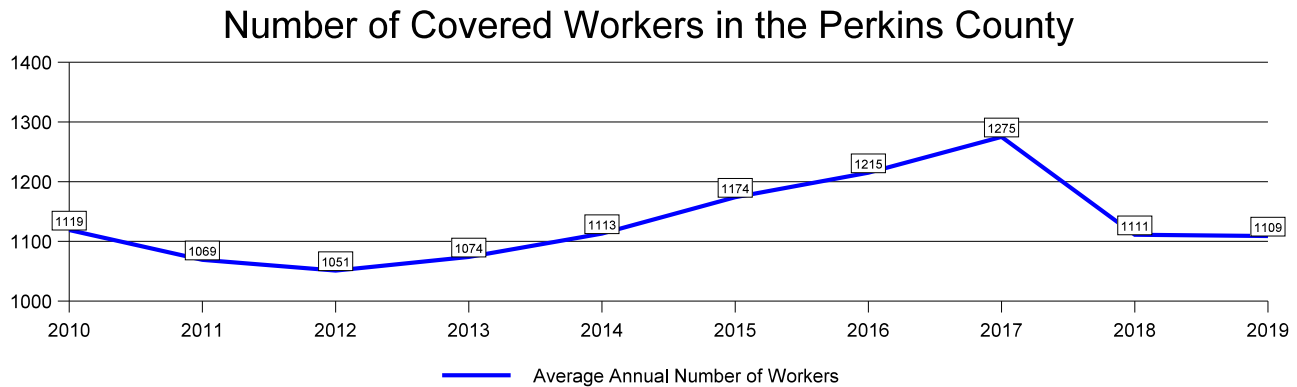
The Quarterly Census of Employment and Wages (QCEW) tracks workers that are covered by unemployment insurance. The following table shows the annual employment and average wage in 2019, the last full year of data. It is important to note that some employment may not be covered by unemployment insurance, including self-employed workers. This information is for all of Perkins County.

Table 18 County Average Annual Wages by Industry Detail: 2019		
Industry	Total Employment	Average Weekly Wage
Total All Industry	1,109	\$636

Source: South Dakota Department of Labor

The average weekly wage for all industry in 2019 was \$636. At full time employment for 52 weeks that would equate to \$33,072.

Using the QCEW it is possible to examine longer-term patterns in the local employment level. The following table displays the total number of workers reported in the County from 2010.



If 2019 is compared back to 2010, the number of covered workers in Perkins County has remained stable. However, the number of covered jobs had been increasing through the year 2017, before a drop between 2017 and 2018. Since 2018, the number of covered workers has stabilized.

Commuting Patterns of Area Workers

Information is available on area workers that commute for employment. The best information is from the American Community Survey, and has been examined for Lemmon in 2018. The first table examines employed City residents but excludes people that work at home.

Table 19 Commuting Times for Residents - 2018		
Travel Time	Number	Percent
Less than 10 minutes	420	65.8%
10 to 19 minutes	158	24.8%
20 to 29 minutes	31	4.9%
30 minutes +	29	4.5%
Total	638	100%

Source: American Community Survey

The large majority of Lemmon residents were working locally in 2018. Overall, nearly 91% of residents commuted 19 minutes or less to work. Fewer than 5% of residents were traveling 30 minutes or more for their primary job.

The American Community Survey also identified travel time by location of the job. The following travel times were listed for people working in Lemmon.

Table 20 Commuting Times for City-based Employment - 2018		
Travel Time	Number	Percent
Less than 10 minutes	496	67.2%
10 to 19 minutes	150	20.3%
20 to 29 minutes	58	7.9%
30 minutes +	34	4.6%
Total	738	100%

Source: American Community Survey

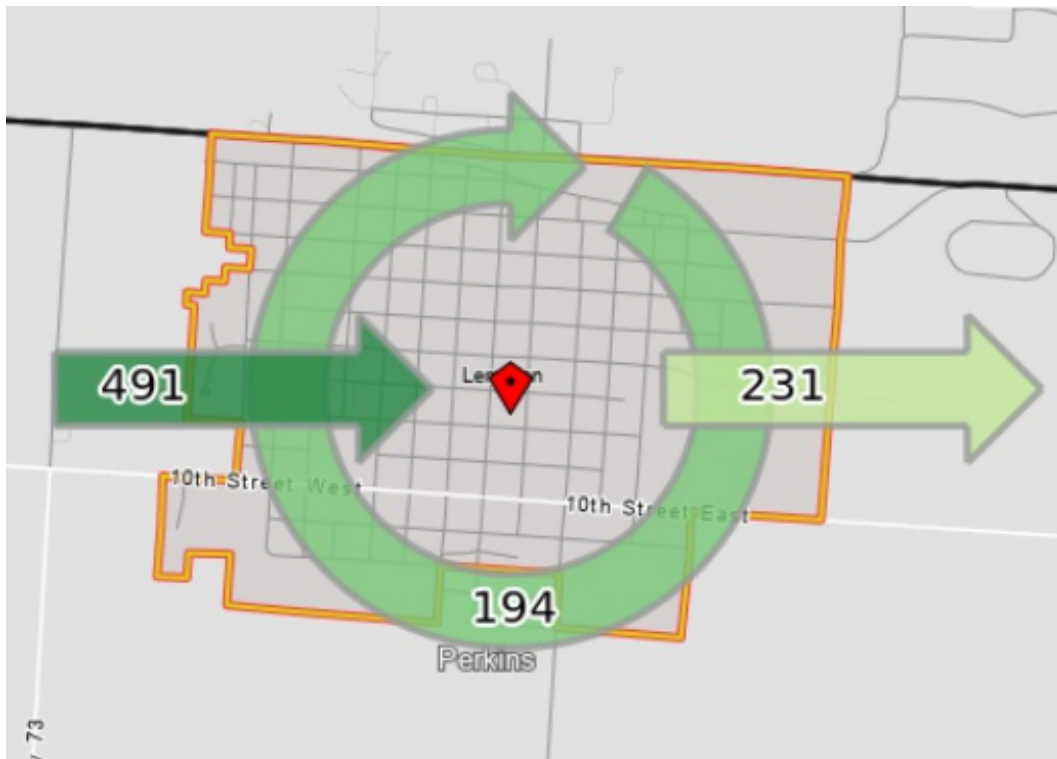
Most of the jobs in Lemmon were filled by a very local work force in 2018, with nearly 88% traveling less than 20 minutes to work in the City. Fewer than 5% of workers were commuting 30 minutes or more.

Census On the Map

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

According to the report for Lemmon, there were 685 people that were employed within the City in 2016. Most of these people were driving into the community and lived outside the city limits. Among the primary jurisdictions supplying workers to the city-based jobs were Bison Town, Lincoln Township, Northeast Perkins UT and South Perkins UT.

On the Map can also be used to track worker outflow patterns of City residents. Overall, approximately 230 Lemmon residents worked outside the community according to this source. The primary identified destinations of outbound commuters were Bison Town, Lincoln Township, Hettinger, ND and Grand River Township.



Findings on Growth Trends

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

Lemmon's population decreased by 13.4% from 1990 to 2000. The population decreased from 1,614 in 1990 to 1,398 in 2000. From 2000 to 2010, Lemmon's population decreased by 171 people, which was a population loss of 12.2%.

Perkins County's population decreased from 3,932 in 1990 to 3,363 in 2000, which was a decrease of 14.5%. The population decreased in the 2000s from 3,363 in 2000 to 2,982 in 2010, which was a population loss of 11.3%.

Household levels in Lemmon and Perkins County decreased from 1990 to 2010. Lemmon experienced a loss of 59 households from 1990 to 2000 and a loss of 56 households from 2000 to 2010. Perkins County had a decrease of 157 households from 1990 to 2000 and a loss of 138 households from 2000 to 2010.

Esri and AGS have released Lemmon population estimates for 2020 and the U.S. Census has released Lemmon's population estimate for 2019. From 2010 to 2020, Esri estimates that Lemmon had a loss of 57 people, AGS estimates a decrease of 45 people and the U.S. Census estimates a loss of 53 people. AGS estimates that Perkins County had a loss of 74 people from 2010 to 2020 and the U.S. Census estimates a decrease of 117 people from 2010 to 2019.

AGS estimates that from 2010 to 2020, Lemmon had a loss of 11 households and Esri estimates a decrease of 28 households. AGS estimates that Perkins County had no change in the number of households from 2010 to 2020.

Findings on Projected Growth

This Study has utilized AGS and Esri projections for Lemmon. AGS projects that Lemmon's population will decrease by 90 people and 61 households from 2020 to 2025. Esri's projections expect a loss of 26 people and 13 households from 2020 to 2025.

AGS forecasts that Perkins County will lose 207 people and 119 households from 2020 to 2025.

Summary of Lemmon’s Household Growth Projections by Age Group

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

Consistent with the age distribution data presented earlier, the movement of most of the City’s household growth will be in the 65 and older age ranges. Age projections expect the City to add approximately 16 households in the 65 and older age ranges from 2020 to 2025.

Esri’s age-based projections expect a decrease of 29 households in the 64 and younger 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 Lemmon adds or loses 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 2020 to 2025</u>
15 to 24	-1
25 to 34	- 5
35 to 44	-2
45 to 54	-11
55 to 64	-10
65 to 74	+3
75 and older	<u>+13</u>
Total	-13

Findings on Unit Demand by Type of Housing

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

Age 24 and Younger - The projections used for this Study expect a one-household loss in the 15 to 24 age range from 2020 to 2025. Typically, most households in this age range will rent their housing. A slight loss 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 five households in this age range by 2025. Within this age range households often move from rental to ownership housing. A loss of five households within this age range indicates demand for both first-time home buyer and rental opportunities from this age range will decrease slightly during the projection period.

35 to 44 Years Old - The projections for this 10-year age cohort expect a loss of two households between 2020 and 2025 in Lemmon. 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 - This age group represents a much smaller segment of the population than the baby boom age group. For Lemmon, the projections show a loss of 11 households in this age range. This age group often looks for trade-up housing opportunities. A loss in the number of households in this age group indicates that the demand for trade-up housing from this age range will decrease during the projection period.

55 to 64 Years Old - The projections show a decrease of 10 households in this 10-year age range by the year 2025 in the City. This age range has traditionally had a high rate of home ownership. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters.

65 to 74 Years Old - A gain of three households is expected by the year 2024 in the 65 to 74 age range in Lemmon. 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 significant gain of 13 households in Lemmon in this age range between 2020 and 2025. An expansion of 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 Lemmon to lose 13 or more households from 2020 to 2025. During this same time, Perkins County is projected to lose as many as 119 households. Therefore, there will be limited demand for new housing production in Lemmon based on household growth.

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

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

Pent-Up Demand - The third primary demand-generator for new housing is caused by unmet need among existing households, or pent-up demand. Population growth and shifting age patterns have created demand for certain types of housing in Lemmon. 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 of the community were identified through statistical data, local interviews, research and on-site review of the local housing stock, and from the 2013 Lemmon Comprehensive Housing Study.

- ▶ **Lemmon serves as a small regional center** - Lemmon provides employment opportunities, retail/service options, health and professional services and recreational facilities for a geographical area that surrounds the City.
- ▶ **Affordable priced housing stock** - The City has a large stock of affordable, existing houses. Our analysis shows that the City's median home value based on 2018 and 2019 sales is approximately \$59,500. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Adequate land for development** - The City has adequate land available for both residential and commercial/industrial development. However, some of this land needs to be serviced with infrastructure improvements and/or annexed into the City limits.
- ▶ **Proactive City involvement** - The City has a track record of being proactive and working with housing agencies and the private sector to develop housing opportunities, including rental housing and subdivision development.
- ▶ **Educational system** - The City has a public K-12 school system and a new high school is under construction.
- ▶ **Health facilities** - The City has health facilities including a medical clinic, a nursing home and assisted living.
- ▶ **Infrastructure** - Lemmon's water and sewer infrastructure can accommodate future expansion.
- ▶ **Commercial development** - Lemmon's commercial district is adequate to meet most daily needs.
- ▶ **Lemmon Housing and Redevelopment Commission** - The Lemmon Housing and Redevelopment Commission is very active in rental housing development, rental housing management, housing rehabilitation, etc.

- ▶ **Lemmon Area Charitable and Economic Development 'LACED'** - LACED has been involved in housing and economic development projects including the construction of single family homes.
- ▶ **Small-town atmosphere** - Lemmon is a small town, with the real and perceived amenities of a small community. This small-town living is attractive to some households.
- ▶ **Senior housing with services** - Lemmon has an independent/light services senior facility and a nursing home.
- ▶ **Recreational area** - Lemmon is a recreational area that provides excellent hunting, hiking, museums, parks, etc.
- ▶ **Employers** - Lemmon has several large employers including Wheeler Manufacturing, the Lemmon School District, Southwest Grain Elevator and Five Counties Nursing Home.
- ▶ **Commuters** - Approximately 490 employees are commuting into Lemmon daily for work. These commuters form a potential market for future housing construction.

Barriers or Limitations to Housing Activities

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

- ▶ **Age and condition of the housing stock** - While the existing stock is very affordable, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Low rent structure** - The City's rent structure is low, which makes it difficult to construct new rental housing.
- ▶ **Value gap deters new owner-occupied construction** - Based on market values for recent residential sales, we estimate that the median priced home in Lemmon is valued at or below approximately \$59,500. This is well 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. This can be a disincentive for any type of speculative building and can also deter customized construction, unless the owner is willing to accept a potential loss on their investment.
- ▶ **Population and household losses** - Over the past two decades there has been a decrease in the number of people and households in Lemmon.
- ▶ **Distance from a major regional center** - The nearest regional centers are Dickinson, which is 90 miles from Lemmon, and Bismarck, which is 130 miles from Lemmon. Many households desire or need to be near a regional center for employment, health care, entertainment, retail, etc.
- ▶ **Commercial/retail options** - Lemmon has a limited number of commercial and retail opportunities compared to larger regional centers.
- ▶ **Lower paying jobs** - Although Lemmon has job opportunities, some jobs are at the lower end of the pay scale and employees with these jobs have limited housing choices.

Recommendations, Strategies and 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 the City of Lemmon. 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 City's potential for growth.
- ▶ **New housing development generally will not occur without proactive community involvement** - To attract new home or apartment construction in the City of Lemmon, subsidies or some other form of financial assistance will be needed from the City of Lemmon, local and regional housing and economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the City's existing housing stock** - The future of Lemmon 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 the City's major asset, however, rehabilitation efforts are needed to preserve the housing stock.
- ▶ **Protect the City's existing assets and resources** - Lemmon has many assets including a K-12 school, employment opportunities, a Downtown Commercial District, recreational opportunities, etc. These are strong assets that make Lemmon 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 Mobridge Housing Authority, Western SD Community Action Agency, NeighborWorks Dakota Home Resources, the Black Hills Council of Local Governments 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 Lemmon have been formulated through the analysis of the information provided in the previous sections and include 22 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 8 to 10 general occupancy market rate rental units
2. Promote the development of 6 to 8 affordable market rate rental housing units
3. Develop 14 to 16 light services and assisted living senior with services rental units
4. Monitor the need for subsidized rental housing
5. Utilize the Housing Choice Voucher Program
6. Develop a downtown mixed-use commercial/housing project

Home Ownership

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

Single Family Housing Development

9. Develop 8 to 10 additional residential lots
10. Strategies to encourage residential lot sales and new home construction in Lemmon
11. Strategies to develop new affordable homes
12. Continue to Support and Promote LACED's Single Family Home Development Program
13. Promote twin home/town home development

Housing Rehabilitation

14. Promote rental housing rehabilitation
15. Promote owner-occupied housing rehabilitation efforts
16. Develop a Neighborhood Revitalization Program

Other Housing Issues

17. Acquire and demolish dilapidated structures
18. Create a plan and a coordinated effort among housing agencies
19. Encourage employer involvement in housing programs
20. Develop mobile/manufactured home improvement programs
21. Strategies for commercial district redevelopment/development
22. Develop home ownership and new construction marketing programs and strategies

Lemmon - 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.

In Lemmon, from 2010 to 2020, four market rate rental units have been constructed. The Lemmon Housing and Redevelopment Commission constructed four two-bedroom units in 2019. The Housing and Redevelopment Commission has also purchased seven single family homes, rehabilitated the homes and are renting the homes to Lemmon households. Demand for new rental housing is typically generated from three factors:

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

Esri and AGS are forecasting that Lemmon will lose 13 or more households, and AGS projects that Perkins County will lose as many as 119 households from 2020 to 2025. The projected losses for Perkins County come from AGS, and in the opinion of the analysts, overstate the probable reduction in households over the next five years.

Based on Esri’s projection, the City will still lose some households, but only at a limited rate. Although Lemmon is projected to lose some households over the five years, the 65 and older age ranges are expected to add 16 households. Also, the number of households in the 25 to 44 age ranges is expected to remain relatively stable.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that Lemmon will lose as many as two to three rental units annually, which is 10 to 15 total rental units over the next five years. As a result, approximately 10 to 15 additional units will be needed over the next five years to replace lost units. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition or conversion. In other cases, this replacement is appropriate due to the deteriorating condition of older, substandard rental housing that should be removed from the occupied stock. Rental units will also be lost due to rental units converting to owner occupancy.

Pent-up demand also exists. As part of this study, a rental survey was conducted. At the time of the survey, there were no vacancies in the 49 market rate rental units that were surveyed and there were six vacancies in the 67 subsidized rental units. Based on the occupancy rates in existing rental housing, and a limited supply of some types of rental housing, we have identified pent-up demand for market rate, moderate rent/income restricted, and senior with services rental units.

These demand generators show a need for 28 to 34 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	8-10 units
▶ Senior Light Services/Assisted Living	14-16 units
▶ Subsidized/Moderate Rent	0 units
▶ Conversions	<u>6-8 units</u>
Total	28-34 units

1. Develop 8 to 10 general occupancy market rate rental units

Findings: Approximately 60% of the rental housing units in Lemmon 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 private marketplace.

The Lemmon Housing and Redevelopment Commission has developed three market rate four-plexes since 2000. The four-plexes were constructed in 2002, 2007 and 2019. All of the units have two bedrooms. The rent range is \$776 to \$837 and the tenants pay utilities. The units are fully occupied and there is a waiting list.

There are several other smaller rental market rate projects in the City. There are also single family home rentals in Lemmon. We found no vacancies in these units. Additionally, a subsidized rental project, Westside Apartments, with 20 units has opted out of its subsidy contract and has converted to market rate. This project also had no vacancies at the time of the survey.

The only three-bedroom market rate units in Lemmon are in single family homes. There are no three-bedroom or larger units in the market rate rental projects in the City.

Although Lemmon is projected to lose households over the next five years, our interviews and the high occupancy rates in existing projects, identified a need for additional market rate rental units.

Also, although there is a projected loss of households, there is a projected increase of households in Lemmon in the 65 and older age ranges and the 25 to 44 age ranges are forecast to remain relatively stable. Some of the households in these age ranges will prefer to rent and have incomes that are too high to qualify for subsidized rental housing.

Additionally, we are expecting the ongoing loss of rental households due to deterioration and demolition. We have identified 66 homes and 14 mobile homes in two Lemmon neighborhoods that are dilapidated and beyond repair. Some of these dwellings are rentals and may be demolished or no longer rented because of their condition.

Recommendation: We recommend the development of eight to 10 market rate rental housing units. Town home units, similar to the existing Lemmon Housing and Redevelopment Commission's market rate rental four-plexes, would be the preferred style, to cater to active renter households. However, a high quality apartment building with 'state of the art' amenities is also an option.

The first option to developing market rate housing would be to encourage a private developer to undertake a project. If a private developer does not proceed, the Lemmon Housing and Redevelopment Commission could potentially utilize a variety of funding sources to construct additional market rate units. The Lemmon Housing and Redevelopment Commission has constructed three four-plexes since 2000.

The City of Lemmon could assist the Lemmon Housing and Redevelopment Commission or a private developer with land donations, tax increment financing, reduced water and sewer hook up fees, etc. Additionally, housing vouchers, if available, could be utilized by households renting the units if they meet income requirements and the rents are at or below fair market rents. Currently, fair market rents are \$605 for a one-bedroom unit, \$800 for a two-bedroom and \$1,002 for a three-bedroom unit. The Lemmon Housing and Redevelopment Commission or a developer could also utilize the South Dakota Housing Development Authority's Dakota Plex Program to construct market rate rental units.

In the past, Lemmon has added rental units in small phases, as demand dictates the need for additional units. In this way they have expanded the supply without saturating the market.

We recommend the development of eight to 10 units and the unit mix and rents should be as follows:

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

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
Two Bedroom	6-7	850-1,000	\$900-\$1,050
Three Bedroom	<u>2-3</u>	1,100-1,200	\$1,000-\$1,250
Total	8-10		

Note: Rents are quoted in 2020 dollars and include utilities.

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

Findings: The previous recommendation had addressed the market potential to develop high quality rental units in Lemmon. Unfortunately, these units would tend to be beyond the financial capability of many area renters. A majority of Lemmon’s renter households have an annual income below \$25,000. These households would need a rental unit at \$650 per month or less.

There is evidence that Lemmon has lost rental housing over the years and will continue to lose units due to deterioration and demolition. Part of the need for additional rental units in Lemmon is to provide for unit replacement. Unfortunately, most of the lost units are probably very affordable, and new construction will not replace these units in a similar price range.

There are still some programs for affordable housing creation for moderate income renters. The federal low income housing tax credit program is one available resource. However, competition for tax credits is very difficult, and few awards are made to small cities for small rental projects.

The Lemmon Housing and Redevelopment Commission and the private sector have purchased substandard single family homes, rehabbed the homes and are renting the homes to Lemmon households.

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

It would be difficult to create units through new construction. Instead, it may be more practical to work on building renovation or conversion projects that can create housing. This opportunity may arise in downtown buildings, or through the purchase and rehabilitation of existing single family homes. The Lemmon Housing and Redevelopment Commission has purchased and rehabbed two houses and is currently renting these homes.

The estimated prevailing rent range for older rental units in Lemmon is typically between \$500 and \$600 per month. Creating some additional units with contract rents below \$700 per month plus utilities would help to expand the choices available to a majority of the City's renter households.

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

3. Develop 14 to 16 light services and assisted living senior with services rental units

Findings: Lemmon has two senior with services housing projects in Lemmon. These projects include:

- ▶ **Prairie Rose Suites** - Prairie Rose Suites is an independent/light services project that includes eight single rooms and two double rooms for a total of 12 beds. The project was assisted living, but has converted to independent/light services. Tenants pay a \$500 rent and can purchase additional senior services from the nursing home as needed. The administrator reported five vacancies at the time of the survey.
- ▶ **Five Counties Nursing Home** - Five Counties Nursing Home has 42 licensed skilled nursing beds. The facility had three vacancies at the time of the survey.

Recommendation: Based on 2020 AGS data, Lemmon has 353 people and Perkins County has 765 people over the age of 65. Based on industry standards and past experience, we are estimating that 5% to 6% of these seniors will utilize light services or assisted living in Lemmon, thus, there is a market need for 18 to 21 light services and assisted living units for Lemmon seniors. Also, we are projecting that a minimum of 8 seniors from Perkins County, outside of Lemmon, would move into a light services/assisted living project in Lemmon. Therefore, we are projecting that there is an overall need for 26 to 29 light service/assisted living units in Lemmon.

Prairie Rose Suites, in Lemmon, has 10 units with 12 beds. Therefore, there is a demand for an additional 14 to 16 light services/assisted living units in Lemmon.

We are recommending a 14 to 16-unit light services/assisted living senior with services project in Lemmon. We recommend a project that allows seniors to move into a project needing limited services with the option to purchase senior services as needed.

The senior light services/assisted living housing project should include the following:

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

Apartment features should include:

- ▶ 14 to 16 units
 - ▶ 6 to 7 one-bedroom
 - ▶ 8 to 9 two-bedroom
- ▶ Floor plans that promote accessibility
- ▶ Fully equipped kitchen
- ▶ Large storage area
- ▶ Ample closet space
- ▶ Laundry hookups
- ▶ Open floor plan
- ▶ Private patio
- ▶ Individually controlled heat and AC
- ▶ Raised outlets, lever door handles, lowered kitchen cabinets
- ▶ Expansive windows

Optional light services could include:

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

Assisted living services could include meals, bathing, laundry, 24-hour skilled nursing, medication management, laundry, etc. Tax increment financing, tax abatement and other subsidies and/or incentives could be utilized to make the project financially feasible.

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

Ideally, the project would be connected to, or adjacent to, Five Counties Nursing Home, therefore, allowing the nursing home to provide senior assisted living services.

4. Monitor the need for subsidized rental housing

Findings: The City of Lemmon has four subsidized rental projects, with a total of 67 units. Three of these projects, with a combined 55 units are designated as general occupancy housing. The fourth project, with 12 units, is designated for senior/disabled occupancy.

The five subsidized rental projects in Lemmon include:

- ▶ **Brick Square Villa** - Brick Square Villa is a 31-unit Public Housing General Occupancy Project. The 31 units include 25 one-bedroom and six two-bedroom units. The Project is owned and managed by the Lemmon Housing and Redevelopment Commission.
- ▶ **FC Short Estates** - FC Short Estates is a 12-unit Public Housing General Occupancy Project. ALL the units are one-bedroom units. The Project is owned and managed by the Lemmon Housing and Redevelopment Commission.
- ▶ **Prairie West Apartments** - Prairie West Apartments is a 12-unit HUD Subsidized General Occupancy Project. The Project includes eight two-bedroom and four three-bedroom units.

- ▶ **Lemmon Prairie Pines Apartments** - Lemmon Prairie Pines Apartments is a 12-unit USDA Rural Development Senior/Disabled Project. All 12 units have one bedroom.

An additional subsidized rental project, Westside Apartments, with 20 units, has opted out of its subsidy contract and has converted to market rate.

Recommendation: We do not recommend the development of additional subsidized rental housing at this time. When the rental survey was conducted, there were six vacant units in the four subsidized rental projects, which is a 9.0% vacancy rate. We have recommended the development of 14 to 18 units to serve the market rate segment. Also, many of the existing market rate rental units have modest rents. Additionally, we are providing other recommendations in this study that will address the housing needs for low/moderate income households. We do recommend that the City continue to monitor the need for the production of subsidized housing in the future.

5. 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 Perkins County by the Mobridge Housing Authority. The Mobridge Housing Authority has the ability to issue approximately 140 vouchers for a multi-county area. Currently, there is a waiting list to obtain a voucher.

Recommendation: The Mobridge Housing Authority should continue work with the City of Lemmon, the Lemmon Housing and Redevelopment Commission and renter households to assure that Lemmon receives its share of Housing Choice Vouchers and that tenants are aware of the program.

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

Findings: A new mixed-use rental housing/commercial project would be an asset to downtown Lemmon.

New mixed-use projects have been developed in several smaller cities. 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 or to serve as a catalyst for downtown redevelopment.

Recommendation: We recommend the development of a mixed-use building in downtown Lemmon. There are several potential sites in the downtown area for a mixed-use project. The site could be a vacant parcel, or potentially a dilapidated structure or structures could be demolished to provide a site.

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 continue to attract people to downtown.

The units should be primarily one and two-bedrooms. Please note that the new downtown units are included in the recommended unit totals in the first two 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, land at a reduced price or other local funds.

Lemmon - Home Ownership

Home Ownership

Findings: Expanding home ownership opportunities is a goal for most cities. High rates of home ownership promote stable communities and strengthen the local tax base. The median owner-occupied home value in Lemmon is estimated to be approximately \$59,500 based on 2018 and 2019 residential home sales. The home values in Lemmon provide an excellent market for first time buyers and households seeking moderately priced homes.

Our analysis of Lemmon’s demographic trends shows an increasing number of households in the 65 and older age ranges from 2020 to 2025. The 25 to 44 age ranges are projected to have a relatively stable number of households over the next five years. Some households in these age ranges that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase a home.

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

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

Findings: We believe that affordable home ownership is one of the issues facing Lemmon 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 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 Lemmon and the HRC should continue to work with area housing agencies, the South Dakota Housing Development Authority and local financial institutions to utilize all available home ownership assistance programs. Private and nonprofit agencies should also be encouraged to provide home ownership opportunities.

The City and HRC should also work with housing agencies to access programs that provide financial assistance for households to purchase a home and to assure the City of Lemmon is receiving its share of resources that are available in Perkins County and the region.

Funding sources for home ownership programs may include USDA Rural Development, the South Dakota Housing Development Authority, NeighborWorks Dakota Home Resources and the Federal Home Loan Bank.

8. Develop a Purchase/Rehabilitation Program

Findings: Lemmon has a large stock of older, lower valued homes, many of which need repairs. Our analysis of 2018 and 2019 sales activity indicates that most of the homes in Lemmon are valued under \$59,500. As some lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

Some communities with a stock of older homes that need rehabilitation have developed a purchase/rehabilitation program. Under a purchase/rehabilitation program, the City or a housing agency purchases an existing home that needs rehabilitation, rehabilitates the home, sells the home to a low/moderate income family and provides a mortgage with a low down payment and low interest rate, offering a monthly payment that is affordable for the family.

In many cases, the cost of acquisition and rehab will exceed the house's after-rehab value, and a subsidy may be required to fill this gap. 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 Lemmon and the Lemmon HRC work to develop and implement a purchase/rehab program. Attitudinal surveys that we have conducted in other cities have found that purchase/rehabilitation programs are appealing to people who are currently renting their housing. In some similar sized communities, a large majority of survey respondents who were renters indicated an interest in buying a home in need of repair if rehabilitation assistance was also available.

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

Because a purchase/rehabilitation program can be expensive and its cost effectiveness in some cases may be marginal, it may be advantageous 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. Also, USDA Rural Development provides purchase/rehabilitation loans to low and moderate income buyers.

Currently, there are local individuals that are purchasing and rehabilitating homes in Lemmon. There may be an opportunity for local and regional agencies to financially assist the private sector with purchasing and rehabilitating homes. This may increase the inventory of substandard homes that can economically be rehabilitated.

Lemmon - Single Family Housing Development

Single Family Housing Development

Findings: Lemmon has experienced limited single family housing development since 2010. Over the past 10 years, approximately six single family homes have been constructed or have been moved into Lemmon. Also, several homes have been constructed outside of the City limits, but in close proximity to Lemmon.

Household growth projections for Lemmon indicate limited demand for owner-occupied housing construction. Growth is anticipated over the next five years among Perkins County households in the 65 and older age ranges. Households in these age ranges tend to be predominantly home owners, and form a market for higher priced, and trade-up housing or town homes/twin homes.

Our projections expect a relatively stable number of households in the 25 to 44 age ranges. Some households in these age ranges are first-time home buyers and may be in the market for new affordable homes.

It is our opinion that if the City, housing and economic development agencies, and private builders are proactive, nine to 11 homes can be constructed or moved into Lemmon over the next five years, from 2020 to 2025.

Our projection for new owner-occupied single family housing units includes homes built in a new subdivision and on infill lots, and includes single family attached housing units, such as twin homes, town houses and condominiums. The breakdown of our projection of nine to 11 new units is as follows:

▶ Higher & moderate price homes	2-3 homes
▶ Affordable homes	3-4 homes
▶ Twin homes/town homes	<u>4 units</u>
Total	9-11 homes/ units

9. Develop 8 to 10 additional residential lots

Findings: At the time of this study, only a few in-fill lots are available in Lemmon. If expected demand comes to fruition, new lots will be needed over the next five years.

Recommendation: To achieve the level of new home construction potential that has been identified, we recommend the development of an 8 to 10 lots for affordable home construction, based on the following:

- ▶ The site or sites for lot development should have land available, if possible, for future lot development phases.
- ▶ To keep development costs as low as possible, sites with easy access to existing infrastructure should be considered.
- ▶ The lots must be as aesthetically appealing as possible.
- ▶ 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 prices.
- ▶ All stakeholders should be involved in promoting and publicizing the lots.
- ▶ The development process should be as user-friendly and as streamlined as possible.
- ▶ Some lots should be available for twin home/ town home development.
- ▶ Successful lot development will need the cooperation of financial institutions, employers, home builders, developers, the City of Lemmon, LACED and the Lemmon HRC. Financial assistance such as tax increment financing, tax abatement and land donations or writedowns, may be necessary to make the development of lots feasible.

We also recommend that the City, LACED and the HRC research all of the vacant lots and parcels in the City to determine their availability and viability for new construction. An infill lot inventory, based on the research, should be maintained and available for future buyers.

The existing vacant infill lot inventory in Lemmon, along with the development of 8 to 10 new lots, should address lot demand for the next several years. However, planning for future lot development should continue on an ongoing basis.

The following recommendations provide information on the construction of new homes.

10. Strategies to encourage continued residential lot sales and new home construction in Lemmon

Findings: Over the past 10 years, from 2010 to 2020, six new homes were constructed or moved into Lemmon, which is an average of less than one home annually.

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

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

- ▶ ***Competitive pricing*** - To attract new home construction in Lemmon, lots should be competitively priced with other options in the area.
- ▶ ***User-Friendly/develop momentum*** - The lot purchase and home building process must be 'user friendly.' This includes an inventory of available lots, builders that are readily available to build custom homes and city regulations that are fair and reasonable. The entire process must be as 'user friendly' as possible to encourage home construction. This will create momentum for new housing construction.
- ▶ ***Long-term planning*** - The City, LACED, the HRC and the private sector, should continue long-term development planning to assure lots are available 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, tax abatements, cash incentives, etc. If needed, incentives should be considered to promote new home construction. Currently, LACED has a single family housing development program that reduces the price of a new home.
- ▶ ***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. This broadens the lot buyer market. Also, smaller infill lots with fewer amenities should continue to be marketed for affordable homes.
- ▶ **Marketing** - The City of Lemmon, LACED, the Lemmon HRC and all housing stakeholders will need to develop a comprehensive marketing strategy to sell available lots. In addition to marketing the lots, the City of Lemmon and its many amenities should continue to be marketed.

11. Strategies to develop new affordable homes

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

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

Recommendation: We have recommended the construction of three to four affordable homes in Lemmon from 2020 to 2025. To accomplish this, the City of Lemmon, LACED and the Lemmon HRC may need to take an active role in developing new affordable housing including tax increment financing, tax abatement, land donations, etc.

Successful affordable home development strategies include:

- ▶ **LACED** - LACED has recently developed two single family affordable homes in Lemmon and based on the demand for these homes, plans to construct additional affordable homes over the next five years.
- ▶ **Available lots** - Lots should be available for affordable homes including Governors Homes, manufactured homes and modular homes.
- ▶ **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 Programs (SDHDA)** - SDHDA has housing programs available to assist developers, builders and home buyers.
- ▶ **Publicly owned subdivision** - Private developers often have little incentive to develop lower-priced lots and houses. A possible approach is to develop a publicly-owned subdivision, which could offer lower-priced lots for affordable homes.

12. Continue to Support and Promote LACED's Single Family Home Development Program

Findings: Lemmon Area Charitable and Economic Development (LACED) has received an endowment from a local benefactor.

LACED has developed a program that will construct new single family homes in Lemmon. The program will develop homes as follows:

- ▶ LACED will purchase dilapidated dwellings, demolish the dwellings and utilize the vacant lots for new single family housing construction. LACED has purchased three properties to date.
- ▶ LACED will construct homes annually on the cleared lot or lots.
- ▶ The new homes will be sold utilizing funds from the endowment to reduce the cost of purchasing the lot(s) and constructing the homes.

LACED has constructed two homes utilizing the program and is planning to move in a Governors Home, which will be the third home developed in Lemmon utilizing the program.

Recommendation: We recommend that the City of Lemmon and the Lemmon HRC assist LACED in any manner possible to make this program successful. The program adds new homes to the Lemmon housing market and helps to revitalize neighborhoods by demolishing dilapidated structures.

13. Promote townhouse and twin home development

Findings: From 2010 to 2020, we are not aware of any owner occupied twin homes or town homes have been constructed in Lemmon. 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 2020, there were approximately 196 Lemmon households in the 65 and older age ranges. A significant number of households in the senior age range should result in some 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 these households that are in the prime target market.

Recommendation: It is our projection that four new owner-occupancy twin home/town home units could be constructed in Lemmon over the next five years. Our projection is based on the availability of an ideal location for twin home/town home construction, as well as high quality design and workmanship.

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

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

The City's role could include assuring that adequate land is available for development, that zoning allows for attached housing development, land donations, tax increment financing, etc.

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

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

Lemmon Housing Rehabilitation and Neighborhood Revitalization

Housing Rehabilitation and Neighborhood Revitalization

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

It is our opinion that Lemmon 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 most Lemmon 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, affordable stock could shrink, creating an even more difficult affordability situation.

The Lemmon HRC has purchased seven single family homes over the past several years. The HRC rehabbed the homes and is renting the homes.

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

14. Promote rental housing rehabilitation

Findings: Based on 2020 Applied Geographical Solutions data, Lemmon has approximately 163 rental units. Approximately 59% of the rental units in Lemmon are more than 40 years old. These rental buildings are in multifamily projects, small rental buildings, single family homes, mobile homes and mixed-use buildings. Many of these rental structures 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 Lemmon should continue to work with housing agencies to seek funds that allow for program design flexibility that make a rental rehabilitation program workable. Potential funding sources may include USDA Rural Development, the Lemmon HRC, NeighborWorks Dakota Home Resources, the Western South Dakota Community Action Agency, the South Dakota Housing Development Authority, the Federal Home Loan Bank and local funds.

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

15. Promote owner-occupied housing rehabilitation programs

Findings: The quality of the existing housing stock in Lemmon will continue to be an attraction for families that are seeking housing in Lemmon. Investment in owner-occupied housing rehabilitation activities will be critical to offering high quality housing opportunities. Approximately 79% of the owner-occupied units in Lemmon are more than 40 years old. Some of these units need rehabilitation.

Our 2020 housing condition survey of 311 Lemmon homes in two Lemmon neighborhoods found 93 homes that need minor repairs and 70 homes that need major repairs. Without rehabilitation assistance, the affordable housing stock will shrink in Lemmon.

Recommendation: We recommend that the City of Lemmon and the Lemmon HRC continue to seek local, state and federal funds to assist in financing housing rehabilitation. USDA Rural Development, the South Dakota Housing Development Authority, the Federal Home Loan Bank, NeighborWorks Dakota Home Resources and the Western South Dakota Community Action Agency are potential funding sources. NeighborWorks Dakota Home Resources has several housing programs to assist households with the rehabilitation of their homes. Some programs offer households that meet program requirements, a deferred loan to rehabilitate their homes. Deferred loans do not have to be paid back if the household lives in the rehabilitated home for a stipulated amount of time after the rehabilitation is completed. We encourage Lemmon households to utilize these housing rehabilitation programs. Also, the Western South Dakota Community Action Agency provides Weatherization funds for Lemmon and Perkins County.

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

16. Develop a Neighborhood Revitalization Program

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

The City, the Lemmon Housing and Redevelopment Commission, LACED and the private sector have been very active in housing rehabilitation, new rental housing development, dilapidated house demolitions, etc. in these neighborhoods.

Recommendation: We recommend that the City of Lemmon, the Lemmon Housing and Redevelopment Commission, LACED, and the private sector develop and implement a Neighborhood Revitalization Program, and continue with neighborhood revitalization efforts. Redevelopment strategies and opportunities in each neighborhood could include:

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

The Neighborhood Revitalization Plan should include time lines, the identification of a responsible city department or housing agency, funding sources, etc. The program should be evaluated on an ongoing basis as opportunities and potential projects may change priorities.

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

Lemmon - Other Housing Initiatives

Other Housing Initiatives

17. Acquire and demolish dilapidated structures

Findings: Our 2020 housing condition survey identified 66 single family houses in two Lemmon neighborhoods that are dilapidated and too deteriorated to rehabilitate. We also identified 70 single family houses that need major repair and several of these homes may be too dilapidated to rehabilitate.

To improve the quality of the City's housing stock and to maintain the appearance of the community, these structures should be demolished. Since the 2013 Lemmon Housing Study, the City, the HRC and LACED have worked with property owners to demolish a significant number of dilapidated structures. However, there remains an ongoing need to eliminate additional dilapidated structures from the housing stock. In the past, LACED and the HRC have utilized some of these cleared lots for new construction.

Recommendation: The City, the HRC and LACED should continue to work with property owners to demolish severely dilapidated structures. The City is enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots can be utilized for the construction of new affordable housing units.

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

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

Findings: Lemmon will continue to need staff resources in addition to existing city personnel and volunteers to plan and implement many of the housing recommendations advanced in this Study. The City has access to the Lemmon Housing and Redevelopment Commission, the Lemmon Area Charitable and Economic Development, the Mobridge Housing Authority, the Western SD Community Action Agency, the Black Hills Council of Local Governments, NeighborWorks Dakota Home Resources, Dakota Resources, the USDA Rural Development Office and the South Dakota Housing Development Authority. These agencies all have experience with housing and community development programs.

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

19. Encourage employer involvement in housing programs

Findings: Lemmon has a significant number of employers. Also, LACED and the community are working to expand the City's economic base by attracting new businesses to the City. The connection between economic development and housing availability has become an increasingly important issue as local employers have the need to attract new workers into the community.

Although the jobs being created may have good wages for the area, many jobs do not pay wages sufficient for workers to buy or improve their housing. Housing for new employees is a concern for employers. It may be advantageous for employers to become involved in housing. Wheeling Manufacturing has assisted with housing projects in Lemmon including the construction of single family homes.

Recommendation: We recommend a continued ongoing effort to involve employers as partners in addressing Lemmon's housing needs. Several funding sources have finance programs that include employers. The funding agencies often view applications favorably that include employers in the problem solving process.

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

Additionally, local employers can continue to support other City projects, such as parks, trails, ball fields, etc., that will have a positive impact on housing in Lemmon.

20. Develop mobile/manufactured home improvement programs

Findings: In 2020, Community Partners Research, Inc., conducted a housing condition survey of the 52 mobile/manufactured homes in Lemmon. These mobile homes are located throughout the community.

The mobile/manufactured housing stock in Lemmon is generally in fair condition. Of the 52 mobile/manufactured homes surveyed in Lemmon, 17 (32.7%) needed minor rehabilitation, 7 (13.5%) needed major rehabilitation and 14 (26.9%) were dilapidated and possibly beyond repair. Fourteen (26.9%) homes were in sound condition.

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

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

With a significant number of Lemmon's mobile/manufactured home inventory needing rehabilitation, it may be appropriate for the community to initiate programs to repair mobile/manufactured homes, even if these programs can only address a few units per year.

Some of the innovative programs that have been used in other communities to address mobile/manufactured home conditions include:

- ▶ **Operation Safe Mobile Homes** - Owners of substandard mobile/manufactured homes are given the option of voluntarily selling their substandard mobile/manufactured home to the City or an area housing agency for a fixed minimum price. The homes are then removed and demolished/salvaged. The owner can then use the funds from the sale to help purchase a new home. Mobile home dealerships have sometimes participated by buying the salvaged homes.

- ▶ ***Time of Sale/Rent Inspection Program*** - This inspection program is designed to provide safe living conditions through the identification and elimination of basic life/safety hazards in older mobile/manufactured homes. Mobile/manufactured homes are subject to inspection prior to their sale/rent. All identified safety hazards must be corrected before the unit is sold, rented or occupied.
- ▶ ***Regulation on the age of mobile/manufactured homes*** - Some cities have adopted regulations that mobile/manufactured homes older than a designated age cannot be moved into the City and mobile/manufactured homes that are not new must be inspected prior to being moved into the City.

21. Strategies for Commercial District Redevelopment/Development

Findings: Lemmon has a commercial district that addresses most of the retail/commercial daily needs of its residents. Lemmon has buildings that have been renovated and have high quality commercial and/or housing space. The City's downtown also has historic buildings. There are also buildings that have not been maintained and are substandard.

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 commercial businesses and to identify and implement building rehabilitation and construction projects. The purpose of this recommendation is to continue to build on the City's successes.

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

Recommendation: We are recommending the following actions for downtown Lemmon's commercial district:

- ▶ Interview 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 commercial district property 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
 - ▶ LACED funds
 - ▶ Federal Home Loan Bank
 - ▶ Historic tax credits
 - ▶ Special tax districts
 - ▶ Tax increment financing
 - ▶ Tax abatement
 - ▶ Funds from South Dakota State Agencies

- ▶ Work with stakeholders to identify roles, to secure funding, to develop and implement programs and projects
 - ▶ Property owners
 - ▶ City of Lemmon
 - ▶ LACED

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

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

The City of Lemmon, the Lemmon HRC, LACED, private builders and developers have been active in promoting the City, including housing opportunities.

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

- ▶ Identify the City’s strengths and competitive advantages and continue to heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers (Lemmon and the surrounding area) to provide employees (especially new employees) with housing opportunities in Lemmon
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling and other housing programs
- ▶ Work with builders and developers to make sure the construction of a new home is a very user friendly process
- ▶ Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the City a “full service” community
- ▶ Provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Preserve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Continue to develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior with services, etc.
- ▶ Review the City’s policies and fees to assure that they are user-friendly, fair and receptive for developers, builders and households.
- ▶ Develop a coordinated housing plan with the private sector and area housing agencies.

Agencies and Resources

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

Western SD Community Action

1844 Lombardy Drive
Rapid City, SD 57703
(605) 348-1460

NeighborWorks Dakota Home Resources

795 East Main Street
Deadwood, SD 57732
(605) 578-1401

Mobridge Housing Authority

116 4th Street West, #5
Mobridge, SD 57601
(605) 845-2560

Dakota Resources

25795 475th Ave.
Suite #1
Renner, SD 57055
(605) 978-2804

USDA Rural Development

1717 North Lincoln Avenue
Pierre, SD 57501
(605)224-8870, Ext. 4

South Dakota Housing Development Authority

3060 East Elizabeth Street
Pierre, SD 57501
(605) 773-3181

Black Hills Council of Governments

525 University Loop, Suite 102
Rapid City, SD 57701
(605) 394-2681