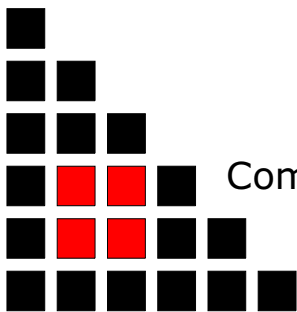


Hill City COMPREHENSIVE HOUSING STUDY

July 2018

An analysis of the overall housing needs
of Hill City



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

Community Partners Research, Inc., was hired by the City of Hill City to conduct a study of the housing needs and conditions in 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 City 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 February to July 2018. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Esri, a private data company
- Records and data from the City of Hill City
- Records and data maintained by Pennington 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 condition survey
- Mobile home/manufactured home condition survey

Limitations

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

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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 Hill City and Pennington County.

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

The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For most jurisdictions in South Dakota, the 2016 estimates were derived from sampling that was done over a five-year period, between 2012 and 2016.

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

Population Data and Trends

Table 1 Population Trends - 1990 to 2017						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2017 Esri Estimates
Hill City	650	780	20.0%	948	21.5%	1,137
Pennington County	81,343	88,565	8.9%	100,948	14.0%	112,158

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

- ▶ Esri, a private data reporting service, has released 2017 population estimates. The estimate for Hill City is 1,137, an increase of 189 people from 2010 to 2017.
- ▶ The U.S. Census Bureau also releases annual population estimates. The most recent estimate for Hill City is effective July 1, 2016, and also shows a population increase but not as large an increase as Esri’s population estimate. According to the Census Bureau, the City’s population in 2016 was 1,008 people, an increase of 60 people from 2010 to 2016.
- ▶ Esri’s 2017 estimate for Pennington County is 112,158, a gain of 11,210 people since 2010. The Census Bureau’s 2017 estimate for Pennington County was 110,141, an increase of 9,193 people from the population reported in the 2010 Census.
- ▶ According to the 2010 U.S. Census, Hill City’s population was 948 people in 2010. When compared to the 2000 Census, the City had a population gain of 168 people from 2000 to 2010. The 168-person gain from 2000 was a population increase of 21.5%.
- ▶ Pennington County’s population was 100,948 in 2010. This was an increase of 12,383 people from 2000, for a population gain of 14.0%.
- ▶ Hill City and Pennington County also experienced population increases in the 1990s. Hill City’s population increased by 130 people and Pennington County’s population increased by 7,222 people from 1990 to 2000.
- ▶ Hill City’s population is primarily White and non-Hispanic/Latino. According to the 2010 U.S. Census, 82.1% of the City’s residents were White, 4.0% were Native American Indian, 0.6% were Black or African American and 0.1% were Asian. Additionally, 12.2% identified themselves as some other race or two or more races. Also, 18.9% of the population identified themselves as Hispanic or Latino in 2010.

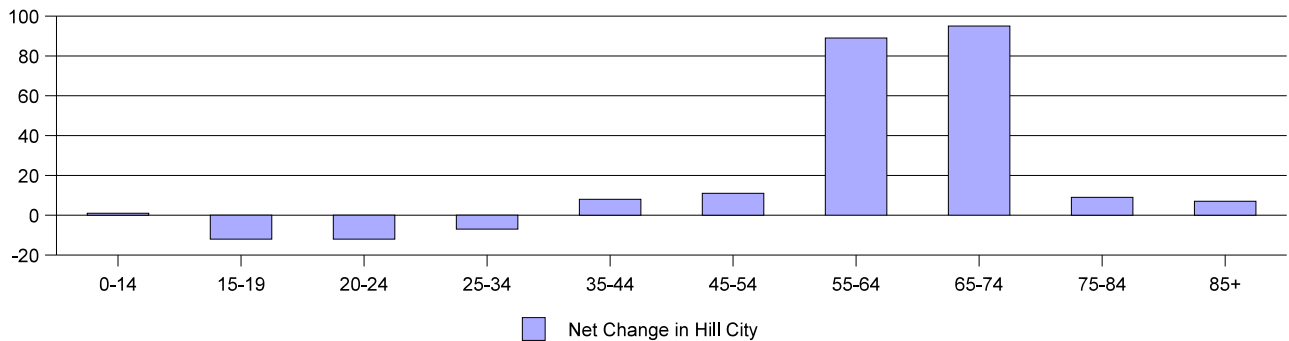
Population by Age Trends: 2010 to 2017

The release of 2017 demographic information from Esri allows for some analysis of the changing age patterns for Hill City and Pennington County. The following table compares population by age in 2010 and 2017, along with the numeric changes.

Table 2 Population by Age - 2010 to 2017						
Age	Hill City			Pennington County		
	2010	2017	Change	2010	2017	Change
0-14	196	197	1	20,870	22,034	1,164
15-19	67	55	-12	6,575	6,891	316
20-24	63	51	-12	7,026	7,337	311
25-34	116	109	-7	13,933	15,064	1,671
35-44	118	126	8	11,730	13,280	1,550
45-54	136	147	11	14,704	13,580	-1,124
55-64	125	214	89	12,493	15,113	2,620
65-74	61	156	95	7,141	10,389	3,248
75-84	52	61	9	4,602	5,390	788
85+	14	21	7	1,874	2,540	666
Total	948	1,137	189	100,948	112,158	11,210

Source: U.S. Census; Esri

Population Change by Age Between 2010 and 2017



For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been evident in Hill City and Pennington County.

Between 2010 and 2017, Hill City had a gain of 184 people and the Pennington County had a gain of 5,868 people in the age ranges between 55 and 74 years old. In 2017, all of the baby boomers were within these age ranges.

The City of Hill City also had population gains in the 0 to 14, 35 to 54 and 75 and older age ranges. Hill City had population losses in the 15 to 34 age ranges.

In addition to the 55 to 74 age ranges, Pennington County also had population gains in all of the ranges with the exception of the 45 to 54 age range, which had a loss of 1,124 people from 2010 to 2017.

Population Projections

The following table presents population projections using two different sources. Estimates and projections have been obtained from Esri and span the five-year period from 2017 to 2022. The South Dakota State Data Center has issued Pennington County population projections for the year 2020.

Table 3 Population Projections Through 2020/2022				
	2010 US Census	2017 Esri Estimate	2022 Esri Projection	2020 Projection State Data Center
Hill City	948	1,137	1,288	N/A
Pennington Co.	100,948	112,158	120,446	114,161

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

- ▶ Esri’s growth projections expect a population gain of 151 people in Hill City from 2017 to 2022. This is an average of approximately 30 people in an average year.
- ▶ Esri’s population projection for Pennington County forecasts a gain of 8,288 people from 2017 to 2022.
- ▶ The State Data Center projects that Pennington County’s population will be 114,161 people in the year 2020. When compared to the County’s population in 2010, this projection expects a gain of 13,213 people during the 10-year time period. If reduced to an annual average, this projection expects average annual growth of approximately 1,321 people per year, a forecast that is smaller than the growth projection from Esri.

Household Data and Trends

Table 4 Household Trends - 1990 to 2017						
	1990 Households	2000 Households	% Change 1990-2000	2010 Households	% Change 2000-2010	2017 Esri Estimate
Hill City	275	298	8.4%	394	32.2%	474
Pennington County	30,553	34,641	13.4%	41,251	19.1%	44,013

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

- ▶ Esri estimates that Hill City has gained 80 households and Pennington County had a gain of 2,762 households from 2010 to 2017.
- ▶ According to the 2010 U.S. Census, Hill City and Pennington County both had household gains from 2000 to 2010. Hill City had 394 households in 2010, an increase of 96 households from 2000, for a household gain of 32.2%. Pennington County had 41,251 households in 2010. This was an increase of 6,610 households from 2000 to 2010, or a household gain of 19.1%.
- ▶ Hill City had a gain of 23 households and Pennington County had a gain of 4,088 households during the 1990s.
- ▶ Annual household estimates are not available from the Census Bureau.

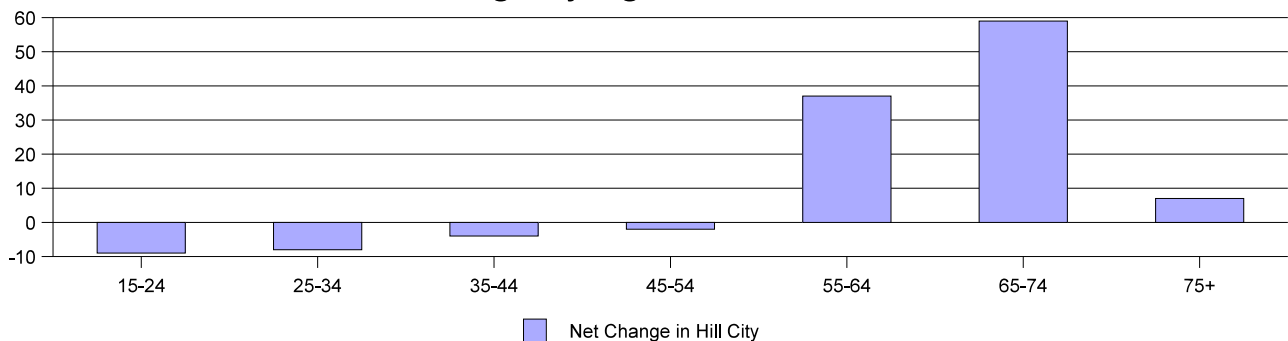
Household by Age Trends: 2010 to 2017

Esri has also produced household estimates for 2017 by age of householder which can be compared to the 2010 Census to track the changing age patterns for Hill City and Pennington County.

Table 5 Households by Age - 2010 to 2017			
Age	Hill City		
	2010	2017	Change
15-24	25	16	-9
25-34	55	47	-8
35-44	66	62	-4
45-54	81	79	-2
55-64	82	119	37
65-74	39	98	59
75+	46	53	7
Total	394	474	80

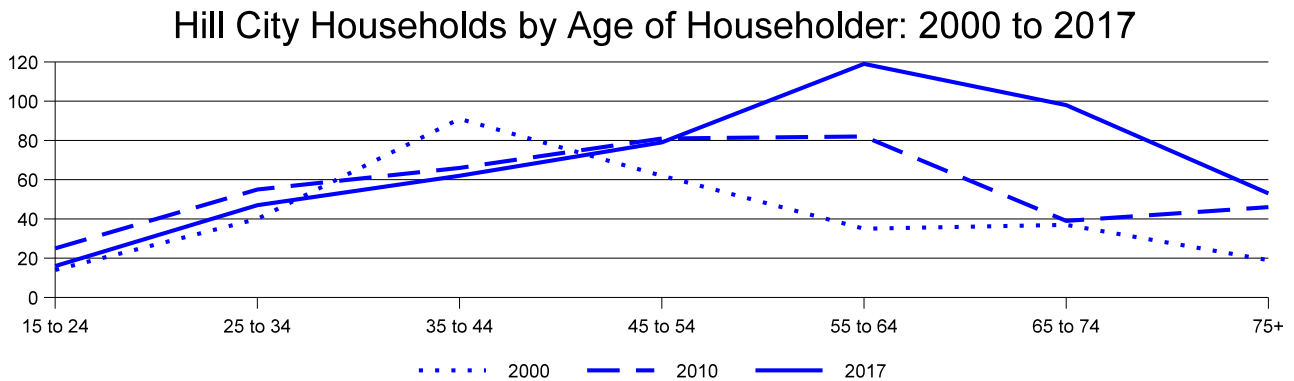
Source: U.S. Census; Esri

Household Change by Age Between 2010 and 2017



Based on Esri estimates, from 2010 to 2017, Hill City added 96 households in the 55 to 74 year old age ranges. Hill City also added seven households in the 75 and older age range.

Hill City had a decrease of from 2010 to 2017 in all of the households in each of the age ranges 54 and younger. There was a loss of 23 households in the 54 and younger households.



It is possible to track the “wave” progression of the baby boomer households over time in Hill City using information for households by the age of householder. One very noticeable trend is the growing number of households in the prime baby boomer age groups since 2010, as in-migration appears to be attracting new households, specifically in the age ranges between 55 and 74 years old.

Average Household Size

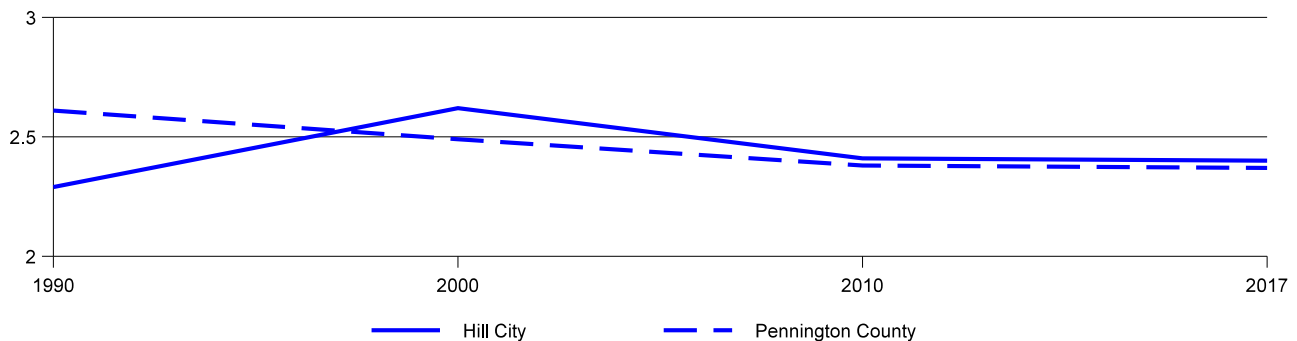
The following table provides decennial Census information on average household size. The 2017 estimates from Esri are also provided.

Table 6 Average Number of Persons Per Household: 1990 to 2017				
	1990 Census	2000 Census	2010 Census	2017 Esri Estimate
Hill City	2.29	2.62	2.41	2.40
Pennington County	2.61	2.49	2.38	2.37
South Dakota	2.59	2.50	2.42	N/A

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

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

Average Household Size: 1990 to 2017



In Hill City, the average household size increased from 1990 to 2000, but decreased from 2.62 persons per household in 2000 to 2.40 in 2017. Pennington County’s average household size decreased from 2.61 in 1990 to 2.37 in 2017. In 2010, Hill City and Pennington County’s average household sizes were slightly below the Statewide average.

Household Projections

The following table presents Esri’s 2017 household estimates and 2022 household projections for Hill City and Pennington County.

Table 7 Household Projections Through 2022			
	2010 Census	2017 Estimate Esri	2022 Projection Esri
Hill City	394	474	538
Pennington County	41,251	46,229	49,859

Source: U.S. Census; Esri

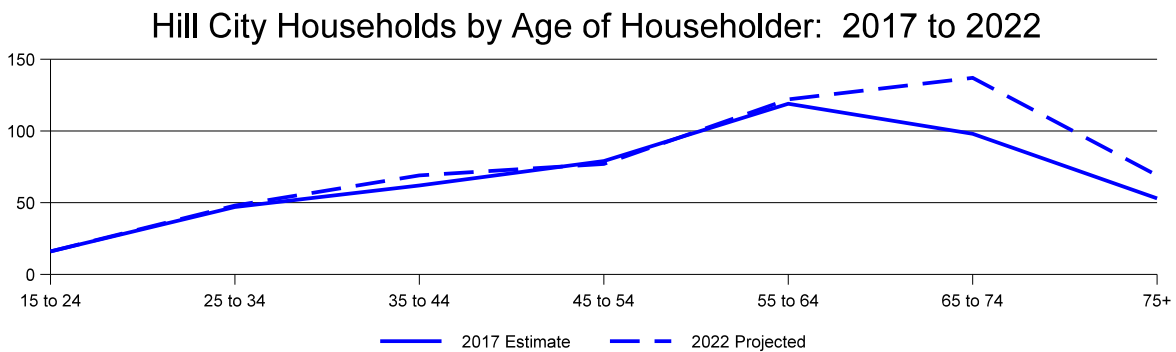
- ▶ The growth projections calculated by Esri expect household gains in Hill City and Pennington County from 2017 to 2022.
- ▶ Esri estimates that Hill City added 80 households from 2010 to 2017, and projects that the City will gain 64 households from 2017 to 2022.
- ▶ Esri’s 2017 estimate for Pennington County is 46,229 households, an increase of 4,978 households from 2010. Esri projects that Pennington County will gain an additional 3,630 households from 2017 to 2022.

Hill City Household by Age Projections: 2017 to 2022

Esri has released age-based projections to the year 2022. The following table presents Esri’s 2022 household by age projections for Hill City, and the expected changes from 2017 to 2022.

Table 8 Hill City Projected Households by Age - 2017 to 2022			
	2017 Estimate	2022 Projection	Change
15-24	16	16	0
25-34	47	48	1
35-44	62	69	7
45-54	79	77	-2
55-64	119	122	3
65-74	98	137	39
75+	53	69	16
Total	474	538	64

Source: Esri



Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate household growth in households in the 65 and older age ranges. Esri’s projections expect an increase of 55 households in Hill City from 2017 to 2022 in the 65 and older age ranges. Esri also projects a gain of eight households in the 25 to 44 age ranges and a gain of three households in the 55 to 64 age range. Esri’s projections expect a loss of two households in the 45 to 54 age ranges.

Households by Type

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

Table 9 Hill City Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	73	80	7
Single Parent with own children	44	36	-8
Married Couple without own children	83	114	31
Family Householder without spouse	14	14	0
Total Families	214	244	30
Non-Family Households			
Single Person	73	121	48
Two or more persons	11	29	18
Total Non-Families	84	150	66

Source: U.S. Census

Between 2000 and 2010, Hill City experienced an overall net increase of 30 “family” households. There was a decrease of eight single parent households with children. The City had an increase of seven married couple families with children and an increase of 31 married couple families without children.

Hill City had an increase of 66 “non-family” households. There was an increase of 48 one-person households. There was also an increase of 18 households that had unrelated individuals living together.

Housing Tenure

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

Table 10 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Hill City	248	62.9%	146	37.1%
Pennington Co.	26,792	64.9%	14,459	35.1%
State	-	68.1%	-	31.9%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in Hill City was 62.9% and Pennington County’s ownership rate was 64.9%. Hill City’s rental tenure rate of 37.1% was above the Statewide rate of 31.9% renter households.

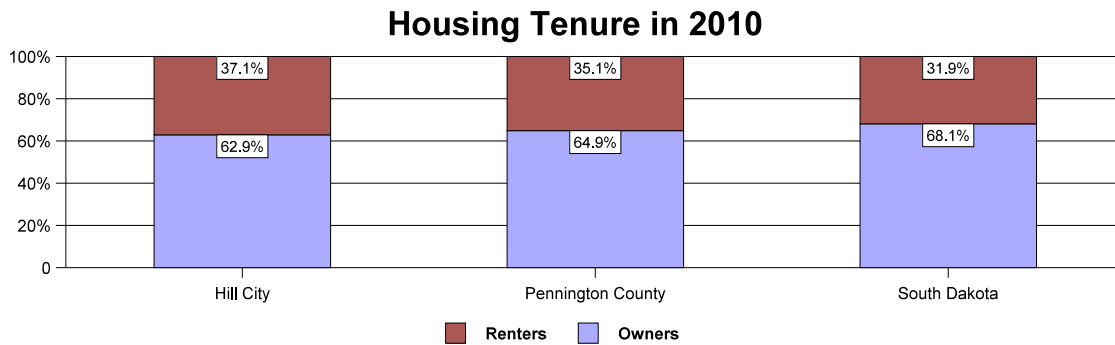


Table 11 Households by Housing Tenure - 2000 to 2010						
Tenure	Hill City			Pennington County		
	2000	2010	Change	2000	2010	Change
Owners	199/66.8%	248/62.9%	49	22,930/66.2%	26,792/64.9%	3,862
Renters	99/33.2%	146/37.1%	47	11,711/33.8%	14,459/35.1%	2,748
Total	298	394	96	34,641	41,251	6,610

Source: U.S. Census

Hill City’s ownership tenure rate decreased from 66.8% in 2000 to 62.9% in 2010. For Pennington County, the ownership tenure rate decreased from 66.2% in 2000 to 64.9% in 2010.

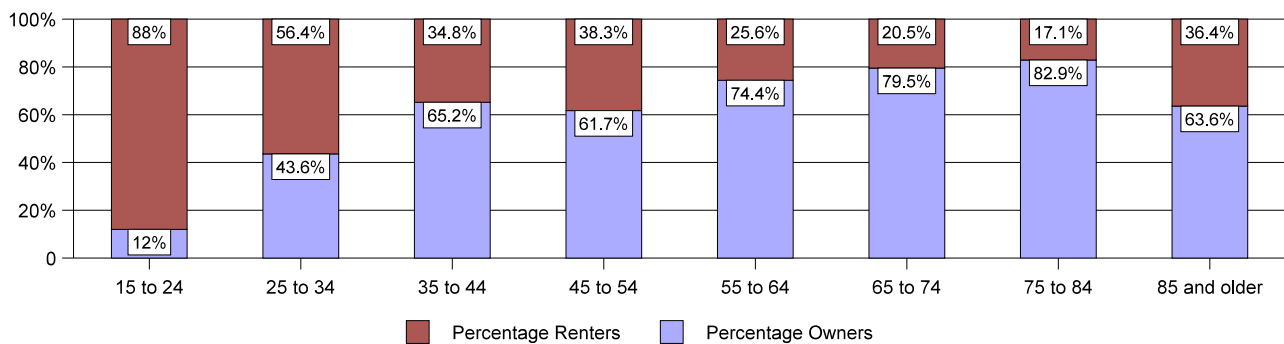
Tenure by Age of Householder

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

Table 12 Hill City Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	3	12.0%	22	88.0%
25-34	24	43.6%	31	56.4%
35-44	43	65.2%	23	34.8%
45-54	50	61.7%	31	38.3%
55-64	61	74.4%	21	25.6%
65-74	31	79.5%	8	20.5%
75-84	29	82.9%	6	17.1%
85+	7	63.6%	4	36.4%
Total	248	62.9%	146	37.1%

Source: U.S. Census

Hill City Housing Tenure Patterns by Age in 2010



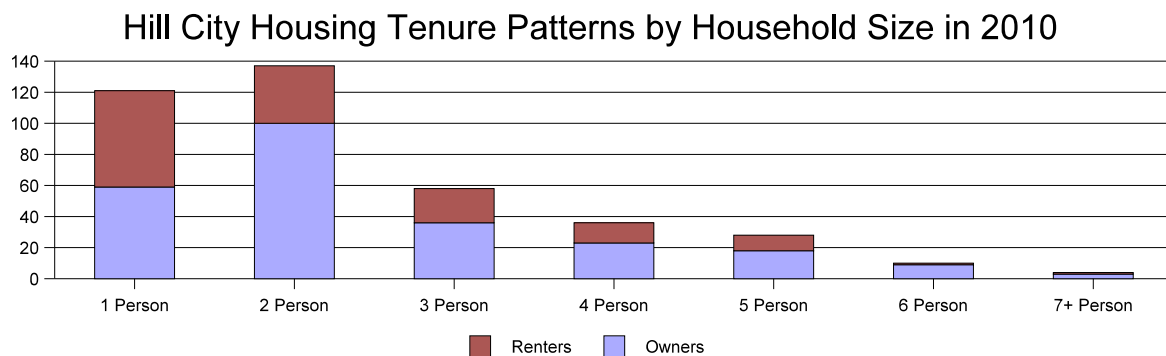
Households at the lowest end of the age spectrum showed a greater preference for rental housing. Approximately 88% of households age 15 to 24, and 56% of households age 25 to 34 rented their unit. Home ownership rates for each of the 10-year age cohorts from age 35 and older were above 61%.

Tenure by Household Size

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

Table 13 Hill City Tenure by Household Size - 2000 to 2010						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	44	59	15	29	62	33
2-Person	77	100	23	26	37	11
3-Person	26	36	10	19	22	3
4-Person	25	23	-2	16	13	-3
5-Person	16	18	2	5	10	5
6-Person	7	9	2	3	1	-2
7-Persons+	4	3	-1	1	1	0
Total	199	248	49	99	146	47

Source: U.S. Census



From 2000 to 2010, there was an overall increase in the number of both owner households and renter households in Hill City. There was a gain of 48 households with one, two or three household members and a gain of four owner households with five or six household members. However, there was a decrease of two owner households with four household members, and a decrease of one household with seven or more members.

There was a gain of 47 renter households with one to three household members and a gain of five renter households with five household members. However, there was a loss of three renter households with four household members and a loss of two households with six household members. Approximately 68% of the renter households in Hill City were one or two person households in 2010.

2016 Income Data

The 2010 Census did not collect information on household income. However, annual estimates are available at the city and county level through the American Community Survey. The following table compares median income levels for 2010 and 2016.

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

Table 14 Median Household Income - 2010 to 2016			
	2010 Median	2016 Median	% Change
Median Household Income			
Hill City	\$40,476	\$54,107	33.7%
Pennington County	\$46,849	\$51,084	9.0%
South Dakota	\$46,369	\$52,078	12.2%
Median Family Income			
Hill City	\$46,964	\$66,786	42.2%
Pennington County	\$57,278	\$64,835	13.2%
South Dakota	\$58,958	\$66,825	13.3%

Source: ACS 5-year survey

Information contained in the 2016 American Community Survey shows that the median household and family incomes have increased from 2010 to 2016 in Hill City and Pennington County.

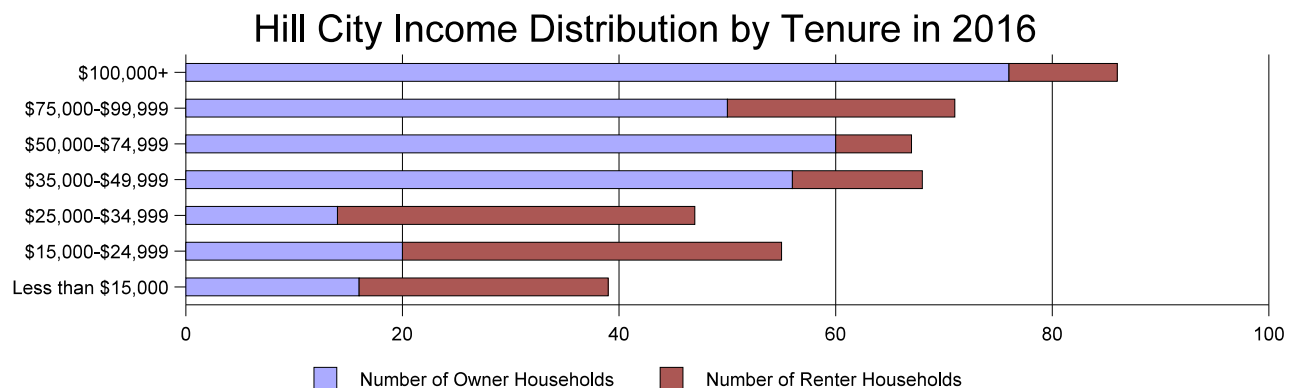
Generally, family household incomes tend to be higher than the overall household median, as families have at least two household members, and potentially more income-earners. Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Hill City could afford approximately \$1,353 per month and a median income family household could afford \$1,670 per month for ownership or rental housing in 2016.

Hill City Income Distribution by Housing Tenure

The 2016 American Community Survey provides income data by owner and renter status. The following table examines income distribution in Hill City. The American Community Survey is an estimate, based on limited sampling data, and there are some differences when compared to the 2017 Esri estimate. The 2016 American Community Survey reported income information on 433 households and Esri reported that there were 474 households in Hill City in 2017.

Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	16/41.0%	23/59.0%	39
\$15,000 - \$24,999	20/36.4%	35/63.6%	55
\$25,000 - \$34,999	14/29.8%	33/70.2%	47
\$35,000 - \$49,999	56/82.4%	12/17.6%	68
\$50,000 - \$74,999	60/89.6%	7/10.4%	67
\$75,000 - \$99,999	50/70.4%	21/29.6%	71
\$100,000+	76/88.4%	10/11.6%	86
Total	292	141	433

Source: 2016 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 2016, approximately 65% of all renter households in Hill City 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 \$27,232 in 2016. At 30% of income, a renter at the median level could afford approximately \$680 per month or less for housing costs.

Most owner households had a higher income level than rental households. Approximately 64% of all owner households had an annual income of \$50,000 or more. The estimated median household income for owners in 2016 was approximately \$62,333. At 30% of income, an owner at the median income level could afford approximately \$1,558 per month for housing costs.

2016 Estimated Income and Housing Costs - Renters

The American Community Survey also collected information on housing costs. The following table provides data on the number of renter households that are paying different percentages of their gross household income for housing in Hill City.

Table 16 Gross Rent as a Percentage of Household Income - 2016			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	25/18.8%	0/0%	25/17.7%
20% to 29.9%	53/39.8%	5/62.5%	58/41.1%
30% to 34.9%	19/14.3%	0/0%	19/13.5%
35% or more	33/24.8%	0/0%	33/23.4%
Not Computed	3/2.3%	3/37.5%	6/4.3%
Total	133/100%	8/100%	141/100%

Source: 2016 American Community Survey

According to the American Community Survey, approximately 37% of the renters in the City were paying 30% or more of their income for rent. The majority of these renters were actually paying more than 35% of their income for rent. Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a “rent burden”. When more than 35% is required, this can be considered a “severe rent burden”.

A majority of the renter households with a housing cost burden had an annual income below \$20,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$500 or less.

All of the renter households in Hill City with a rental cost burden were in the 64 and younger age ranges.

2016 Estimated Income and Housing Costs - Owners

The American Community Survey also provided housing cost estimates for owner-occupants. The following table provides estimates of the number of households in Hill City that are paying different percentages of their gross household income for housing costs.

Table 17 Ownership Costs as a Percentage of Income - Hill City		
Percentage of Household Income for Housing Costs	Number of Owner Households 2016	Percent of All Owner Households 2016
0% to 19.9%	179	61.3%
20% to 29.9%	56	19.2%
30% to 34.9%	11	3.8%
35% or more	40	13.7%
Not Computed	6	2.0%
Total	292	100%

Source: 2015 ACS

Most owner-occupants in Hill City, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 18% of all home owners reported that they paid more than 30% of their income for housing. The majority of these homeowners were actually paying more than 35% of their income for housing.

Occupancy Status of Housing Units - 2010

Table 18 Occupancy Status of Housing Units - 2010						
	Occupied Units		Vacant Units			
	Owner	Renter	For Rent	For Sale	Seasonal Use	Other Vacant
Hill City	248	146	24	7	38	10
Pennington County	26,792	14,459	1,005	554	1,306	833

Source: U.S. Census

- ▶ In 2010, according to the U.S. Census, there were 1,306 seasonal housing units in Pennington County including 38 units in Hill City.
- ▶ Seasonal housing units are those intended for occupancy only during certain seasons of the year and are not occupied by permanent year-round residents of the City.
- ▶ In addition to the seasonal units in 2010, there were 2,392 vacant housing units in Pennington County, including 41 units in Hill City.

Existing Home Sales

This section examines houses that have been sold from 2010 to 2017 in Hill City. The information was obtained from the South Dakota Department of Revenue and reflects information assembled by the Pennington County Equalization Office.

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

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

The County and State reject sales that show significant variation from the assessed value. Known as the "150% rule" these sales may be open market transactions but are not useful in the County's sales ratio analysis. However, the sales data obtained from the Department of Revenue did not identify any rejected 150% rule sales in Hill City.

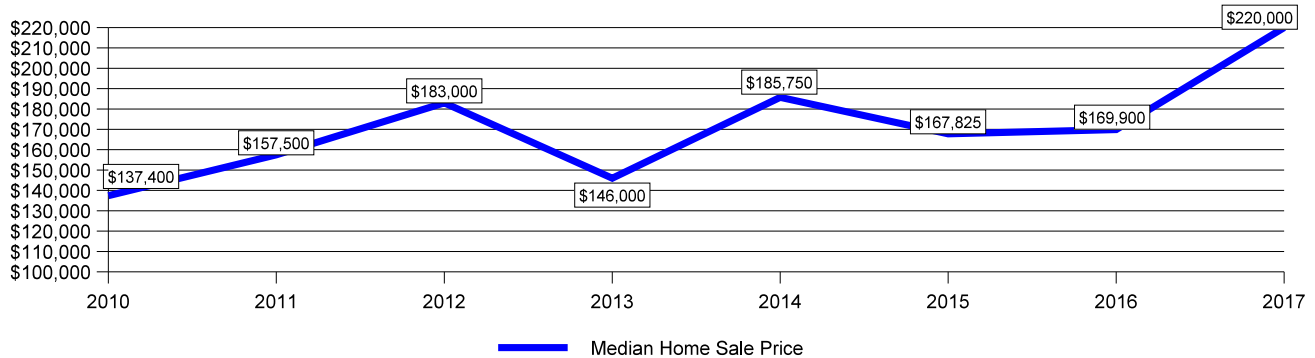
The County's sales ratio year differs slightly from the calendar year. It begins on November 1st and ends the following October 31st.

Table 19 Hill City Residential Sales Activity - 2010 to 2017

Sales Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2017	9	\$220,000	\$453,000	\$82,676
2016	11	\$169,900	\$245,000	\$117,000
2015	18	\$167,825	\$358,000	\$100,000
2014	16	\$185,750	\$374,500	\$65,000
2013	18	\$146,000	\$350,000	\$100,000
2012	11	\$183,000	\$275,000	\$120,000
2011	9	\$157,500	\$320,000	\$62,000
2010	7	\$137,400	\$272,000	\$57,500

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

Over the past eight years the median home sale price in Hill City has fluctuated and has ranged from a low of \$137,400 in 2010, to a high of \$220,000 in 2017. Over the past four years, the median sale price has been \$167,825 or higher. The annual volume of good sales ranged from only seven sales in 2010 to 18 sales in 2013 and 2015.

Median Home Sale Price: 2010 to 2017

In each of the years reviewed there was at least one house that sold for \$120,000 or less, and in most years, a good sale was recorded for \$100,000 or less. There was at least one sale for \$245,000 or higher every year. In 2017, the median sales price was \$220,000.

An alternate home value estimate exists in the American Community Survey. In 2016, this estimate placed the median value for owner-occupied houses at \$152,900. This value was lower than the median sale price of \$169,000 for the year 2016, based on actual sales.

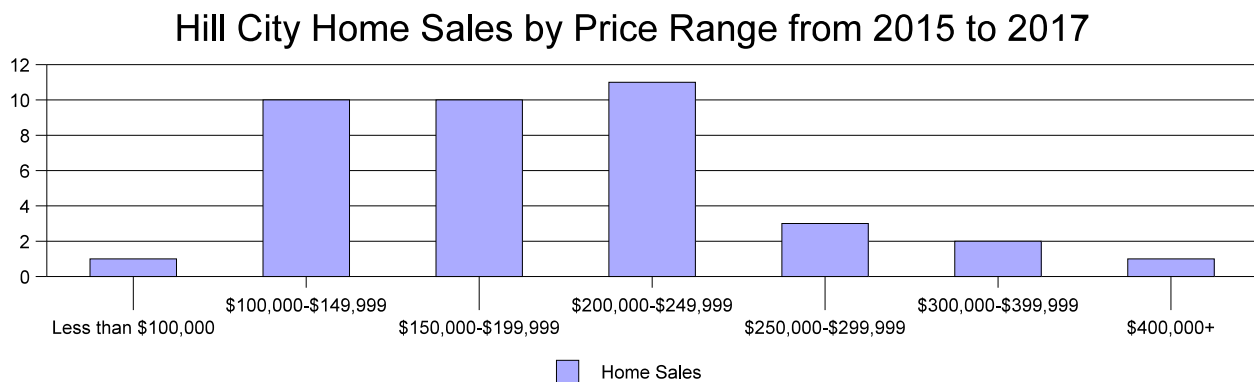
Home Sales by Price Range

The following table looks at single family houses that sold within defined price ranges from 2015 to 2017, the most recent 36-month sales period. There were 38 good “arms length” sales over this period.

Table 20 Hill City 36-Month Home Sales by Price Range		
Sale Price	Number of Sales	Percent of Sales
Less than \$100,000	1	2.6%
\$100,000 - \$149,999	10	26.3%
\$150,000 - \$199,999	10	26.3%
\$200,000 - \$249,999	11	29.0%
\$250,000 - \$299,999	3	7.9%
\$300,000 - \$399,999	2	5.3%
\$400,000+	1	2.6%
Total	38	100%

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

Recent home sales in Hill City have been widely distributed in different price ranges. However, most of the recent sales have been for \$150,000 or more. Overall, 71% of the sales were at \$150,000 or more. Only one of the recent sales was for less than \$100,000, and approximately 26% were priced between \$100,000 and \$149,999.



Hill City Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 34 single family/duplex houses in the City's oldest neighborhood, which is adjacent to Main Street.

The boundaries of the neighborhood are as follows:

- ▶ North - Deerfield Road
- South - Popular Street
- East - Main Street
- West - Pine Avenue

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

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

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

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

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

Table 21 Windshield Survey Condition Estimate - 2018

	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood	11/32.4%	12/35.3%	9/26.4%	2/5.9%	34

Source: Community Partners Research, Inc.

- ▶ Approximately 35% of the houses in the City's oldest neighborhood need minor repair and 26% need major repair. Approximately 32% are sound, with no required improvements. Two houses are dilapidated and possibly beyond repair.

Hill City Mobile/Manufactured Home Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 74 mobile and manufactured homes located in the City's two mobile home parks.

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

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

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

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

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

Table 22 Windshield Survey Condition Estimate - 2018					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Hall Acres	14/45.2%	14/45.2%	3/9.6%	0/0%	31
Mobile Home Park #2	1/2.3%	8/18.6%	19/44.2%	15/34.9%	43
Total	15/20.3%	22/29.7%	22/29.7%	15/20.3%	74

Source: Community Partners Research, Inc.

- ▶ Approximately 30% of the mobile homes need minor repair and 30% need major repair. Approximately 20% are sound, with no required improvements.
- ▶ Fifteen mobile homes were dilapidated and possibly beyond repair.

Hill City Building Permit Trends

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

Table 23 Hill City Housing Unit Construction Activity: 2006 to 2017			
Year	Single Family	Two or More Units	Total Units Constructed
2017	4	0	4
2016	3	0	3
2015	4	0	0
2014	5	0	5
2013	4	0	4
2012	4	0	4
2011	0	0	0
2010	4	0	4
2009	2	0	2
2008	1	0	1
2007	5	4	9
2006	9	0	9
Total	41	4	45

Source: Hill City; Community Partners Research, Inc.

Over the past 12 years from 2006 to 2017, 45 new housing units have been constructed in Hill City, based on building permit information obtained from the City of Hill City. Forty-one units are single family homes and four units are in two twinhomes.

From 2006 to 2011, 25 single family units were constructed, which is an average of approximately four units per year. From 2012 to 2017, 20 housing units were constructed, which is an average of three to four homes annually. As of May 31, three building permits have been issued in 2018, all for the construction of single family homes.

Rental Housing Data

Census Bureau Rental Inventory

According to the 2010 U.S. Census, there were 146 occupied rental units and 25 unoccupied rental units in Hill City, for a total estimated rental inventory of 171 units. The City's rental tenure rate in 2010 was 37.1%, above the Statewide rental rate of 31.9%.

At the time of the 2000 Census, Hill City had 99 occupied rental units, and 11 vacant rental units, for a total estimated rental inventory of 110 units. The rental tenure rate in 2000 was 33.2%.

Based on a Census comparison, the City had a gain of 47 renter-occupancy households, and an increase of 61 rental units from 2000 to 2010.

From 2000 to 2010, we are aware of only 10 rental units, Olson Apartments, that were constructed. No rental units have been constructed from 2010 to 2017 in Hill City. However, a significant number of owner-occupied homes converted to rental use from 2000 to 2017. This includes both long-term rental use and vacation rentals.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily projects in Hill City. Emphasis was placed on contacting properties that have six or more units. However, some smaller rental projects, single family homes and mobile homes were also surveyed. For the purposes of planning additional projects in the future, multifamily properties represent the best comparison of market potential.

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

There were 87 rental housing units contacted in the survey. The survey was conducted in April and May of 2018.

The units that were successfully contacted include:

- ▶ 63 market rate units
- ▶ 24 federally subsidized units

There are no tax credit or senior with services rental housing units in Hill City.

The findings of the survey are provided below.

Market Rate Summary

Information was obtained on 63 market rate rental units in four rental buildings, twinhomes, single family homes and mobile homes.

Unit Mix

We obtained the bedroom mix on 38 market rate units. We did not obtain the specific bedroom mix of the 25 mobile homes surveyed. However, the owner reported that all of the units are two and three-bedroom. The bedroom mix of the 38 units is:

- ▶ efficiency - 3 (7.9%)
- ▶ one-bedroom - 6 (15.8%)
- ▶ two-bedroom - 15 (39.5%)
- ▶ three-bedroom - 9 (23.7%)
- ▶ four-bedroom - 5 (13.1%)

Occupancy / Vacancy

At the time of the survey, there was one vacancy in the 63 market rate units that were surveyed, which is a 1.6% vacancy rate.

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, which includes an estimate for tenant-paid utilities.

<u>Unit Type</u>	<u>Lowest/Highest Gross Rents</u>
Efficiency	\$550
One-bedroom	\$500-\$750
Two-bedroom	\$475-\$1,350
Three-bedroom	\$575-\$1,200
Four-bedroom	\$1,100-\$1,200

Please note that the rent range for efficiency units was based on one rental property and the rent range for four-bedroom units was based on only two rental properties.

Tax Credit Summary

There are no tax credit rental projects in Hill City.

Subsidized Summary

There is one federally subsidized project in Hill City, Hillyo Manor. Hillyo Manor is a 24-unit General Occupancy HUD Section 8/Rural Development 515 Project. All 24 units are one-bedroom. The project was constructed in the 1970s. Hillyo Manor was originally a senior/disabled project, but has converted to general occupancy.

Rental Rates

Tenants in Hillyo Manor pay rent based on 30% of their household income. The project has a market rent and tenants do not pay more than the market rent.

Occupancy / Vacancy

There were no vacant units identified in the 24 subsidized units at the time of the survey. The manager reported ongoing low vacancy rates.

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 1970s and 1980s. Some of the older projects around the State of South Dakota have completed their compliance requirements and have the opportunity to leave their subsidy program and convert to conventional rental housing.

In Hill City, Black Hills Apartments, an eight-unit Rural Development general occupancy project, has recently converted from subsidized rental housing to hotel units. Therefore, eight affordable rental units have been eliminated from the City's rental inventory.

Hill City has one remaining subsidized rental project, Hillyo Manor, which has 24 units. The project is owned and managed by the Pennington County Housing and Redevelopment Commission.

Senior Housing with Services

There are no senior housing with services rental projects in Hill City.

Table 24 Hill City Multifamily Rental Housing Inventory

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Cozine Apartments	<u>4 - 2 bedroom</u> 4 total units	\$650 plus heat & electric	1 vacancy	General Occupancy	Cozine Apartments is a four-plex constructed in the late 1970s. The units have been remodeled. All of the units are two-bedroom. Rent is \$650 plus heat and electricity. The manager reported one vacancy, however, the units are usually fully occupied.
Olson Apartments	<u>6 - 2 bedroom</u> <u>4 - 3 bedroom</u> 10 total units	Rents not provided by owner	No vacancies	General Occupancy	Olson Apartments is a 10-unit project with six two-bedroom and four three-bedroom units. The three-bedroom units were base housing that was moved in and renovated and the two-bedroom units were new construction. The project is approximately 10 years old. The owner did not provide rent information. The owner reported no vacancies at the time of the survey. The owner also reported that some tenants have a HUD Housing Choice Voucher.
Main Street Apartments	<u>4 - 1 bedroom</u> <u>2 - 2 bedroom</u> 6 total units	\$485 \$680	No vacancies	General Occupancy	Main St. Apartments is a six-plex with four one-bedroom and six two-bedroom units. The rents are \$485 for a one-bedroom unit and \$680 for a two-bedroom unit plus heat and electricity. The owner reported no vacancies at the time of the survey and his units are always fully occupied.
Alexander Rentals	3 - efficiencies 1 - 1 bedroom 1 - 2 bedroom 4 - 3 bedroom <u>3 - 4 bedroom</u> 12 total units	Rents range from \$500 for an efficiency to \$1,200	No vacancies	General Occupancy	Alexander Rentals includes 12 units in single family homes and duplexes. Rents range from \$500 to \$1,200. Tenant paid utilities vary by units and range from all utilities paid by the owner to all utilities paid by the tenant. The owner reported that the units are usually fully occupied. Some units are available for seasonal rentals during the tourism season.

Table 24 Hill City Multifamily Rental Housing Inventory					
Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Forest Recreation Management two houses and a four-unit apartment building	1 - 1 bedroom 2 - 2 bedroom 1 - 3 bedroom <u>2 - 4 bedroom</u> 6 total units	\$450 \$750 \$950 or \$250 per bed	No vacancies	General Occupancy 3 units house temporary employees	The Forest Recreation Management, Inc., rentals include a three-bedroom home, a four-bedroom home and the four-unit 'Bunk House' Apt. building that has a one-bedroom unit, two two-bedroom units and a four-bedroom unit. The two houses and one apartment in the Bunk House building are rented by year-round tenants and the three apartments with 18 beds are rented by seasonal employees. The units are usually fully occupied.
Matkins Mobile Home Rentals	<u>25 - 2 & 3 bdrm</u> 25 total units	\$350-\$450 plus utilities	No vacancies	General Occupancy	Matkins Mobile Home Rentals include approximately 25 two and three-bedroom mobile homes. The rent range is \$350 to \$450 plus utilities. The owner reports that all of the units are usually fully occupied.
Subsidized					
Hillyo Manor	<u>24 - 1 bedroom</u> 24 total units	30% of income	No vacancies	General Occupancy	Hillyo Manor is a 24-unit General Occupancy HUD Section 8/RD 515 Project owned and managed by the Pennington County Housing and Redevelopment Commission. All 24 units are one-bedroom. The project was constructed in the 1970s. Tenants pay 30% of their income for rent. The manager reported no vacancies at the time of the survey.

Source: Community Partners Research, Inc.

Employment and Local Economic Trends

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

Work Force and Unemployment Rates

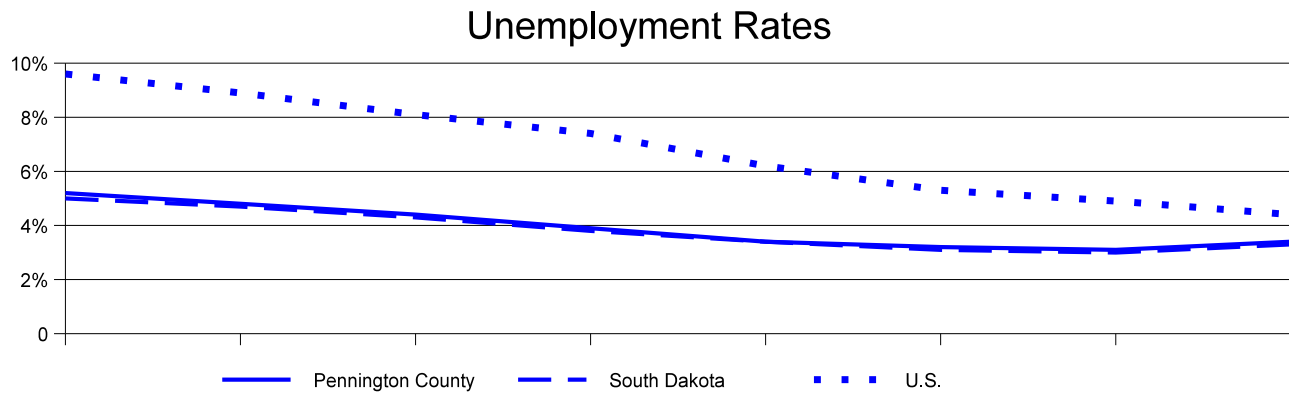
Employment information is only available at the county-level, and has been analyzed for Pennington County in this section of the Study. Data in the tables that follow have been obtained from the SD Department of Labor and Regulation.

Table 25 Pennington County Annual Labor Statistics: 2010 to 2017						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2010	52,838	50,081	2,757	5.2%	5.0%	9.6%
2011	52,983	50,421	2,562	4.8%	4.7%	8.9%
2012	53,290	50,948	2,342	4.4%	4.3%	8.1%
2013	53,179	51,108	2,071	3.9%	3.8%	7.4%
2014	53,893	52,048	1,845	3.4%	3.4%	6.2%
2015	54,261	52,547	1,714	3.2%	3.1%	5.3%
2016	54,602	52,912	1,690	3.1%	3.0%	4.9%
2017	55,730	53,838	1,892	3.4%	3.3%	4.4%

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

The statistics on the available labor force track people by their county of residence. When viewed over the entire eight-year period, the size of the County’s resident labor force has increased. Between 2010 and 2017, there was an increase of 2,892 people in the labor force, an increase of 5.5%.

The number of employed County residents has generally followed the same pattern. From 2010 to 2017, the number of employed residents of Pennington County increased by 3,757 people, or 7.5%.



The County's unemployment rate has dropped over this time period, from 5.2% in 2010 to 3.4% in 2017. Throughout the years reviewed, the County's unemployment rate has been equal to or slightly above the Statewide rate, but well below the national unemployment rate.

Employment and Wages

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

Table 26 Pennington County Average Annual Wages - 2016		
Industry	2016 Employment	Average Annual Wage
Total All Industry	58,935	\$39,988

Source: South Dakota Department of Labor & Regulation

The average weekly gross wage for all industry in 2016 was \$769 in Pennington County. At full-time employment, this would yield an annual average wage of just under \$40,000.

The County's three largest employment sectors were Trade, Transportation and Utilities, Education and Health Services, and Leisure and Hospitality. Within the Leisure and Hospitality industry sector it is possible that workers would not have full-time employment for 52 weeks each year.

Commuting Patterns of Area Workers

Information is available on workers that commute for employment. The best information is from the 2016 American Community Survey, and has been examined for Hill City. The first table examines City residents that traveled to work from Hill City and excludes people that work at home.

Table 28 Commuting Times for Hill City Residents - 2016		
Travel Time	Number	Percent
Less than 10 minutes	264	41.8%
10 to 19 minutes	76	12.1%
20 to 29 minutes	38	6.0%
30 minutes +	253	40.1%
Total	631	100%

Source: American Community Survey

A majority of Hill City’s residents worked locally in 2016, with approximately 54% traveling less than 20 minutes for their primary job. However, more than 40% of the City’s residents were commuting 30 minutes or more to work.

The American Community Survey also provides travel time by job location. For people that worked in Hill City the following travel times were identified.

Table 29 Commuting Times for Hill City-based Employees - 2016		
Travel Time	Number	Percent
Less than 10 minutes	354	45.1%
10 to 19 minutes	214	27.3%
20 to 29 minutes	62	7.9%
30 minutes +	155	19.7%
Total	785	100%

Source: American Community Survey

Most of the people that worked in Hill City lived within the immediate area, as more than 72% traveled 19 minutes or less to the City. This would include people that both lived and worked in Hill City. However, nearly 20% of city-based workers did commute from greater distances, and traveled 30 minutes or more to Hill City to work.

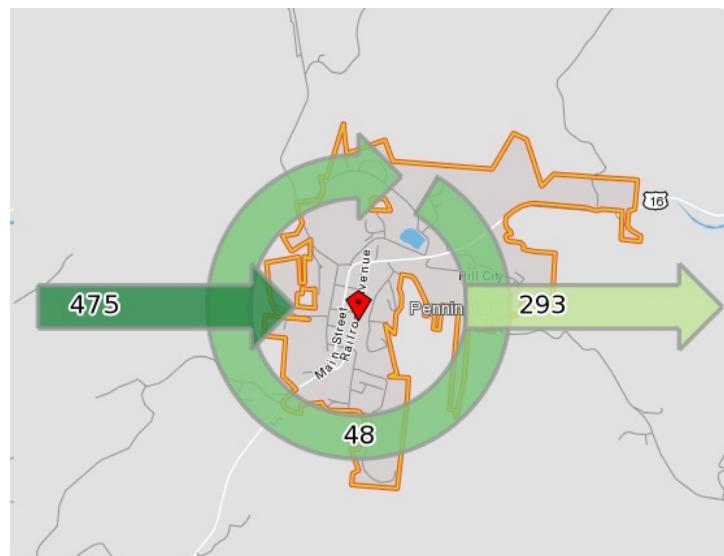
Census On the Map - Hill City

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on reports for the year 2015, but provides a further breakdown of worker movement.

It is important for readers to recognize that these two data sources do show somewhat differing information for the City. For example, the previous page showed more people working in Hill City than is reported on this page. Despite the differences, they do provide some insight into commuting patterns.

According to the report for Hill City, there were 523 people that were employed within the City in 2015. This would be an average annual estimate. Approximately 9.2% of these City-based employees also lived in Hill City. The remaining 90.8% of employees lived outside the City and commuted in for their job. For people that were commuting into Hill City, the primary home locations included Rapid City, the Mount Rushmore Unorganized Territory and the West Pennington Unorganized Territory. Approximately 61% of the incoming workers lived within one of these three jurisdictions.

On the Map can also be used to track worker outflow patterns from the City. Overall, there were 341 Hill City residents that were employed. Most of these City residents worked outside the community, as approximately 85.9% did leave the City for their job. For Hill City residents that left the City for their employment, the primary destinations were Rapid City and the West Pennington Unorganized Territory. Approximately 55% of the outbound Hill City residents were working in one of these two jurisdictions in 2015.



Findings on Growth Trends

As part of this Study, Community Partners Research, Inc., has examined growth patterns for Hill City and Pennington 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.

Hill City's population increased by 20% from 1990 to 2000. The population increased from 650 in 1990 to 780 in 2000. From 2000 to 2010, Hill City's population increased by 168 people, which was a population gain of 21.5%.

Pennington County's population increased from 81,343 in 1990 to 88,565 in 2000, which was an increase of 8.9%. The population increased in the 2000s from 88,565 in 2000 to 100,948 in 2010, which was a population gain of 14.0%.

Household levels in Hill City and Pennington County also increased from 1990 to 2010. Hill City experienced a gain of 23 households from 1990 to 2000 and a gain of 96 households from 2000 to 2010. Pennington County had an increase of 4,088 households from 1990 to 2000 and a gain of 6,610 households from 2000 to 2010.

Esri estimates that Hill City had a gain of 189 people and 80 households from 2010 to 2017. Esri estimates that Pennington County had a gain of 11,210 people and a gain of 2,762 households from 2010 to 2017.

The U.S. Census also releases household estimates. The most recent estimates for Hill City and Pennington County are from 2010 to 2016. The U.S. Census estimates that Hill City gained 60 people and Pennington County gained 9,193 people during this time period.

Findings on Projected Growth

This Study has utilized Esri's projections for Hill City and Pennington County. Esri projects that Hill City's population will increase by 151 people from 2017 to 2022. The household projections expect a gain of 64 households from 2017 to 2022.

Pennington County is expected to gain approximately 8,288 people from 2017 to 2022. Pennington County's household projections expect a gain of 3,630 households from 2017 to 2022.

Summary of Hill City’s Growth Projections by Age Group

The Demographic section of this Study presented Hill City projection information on anticipated changes by age group from 2017 to 2022. This information can be informative in determining the housing that may be needed due to age patterns of the City’s population.

Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate much of the City’s growth in households in the age ranges between 55 and 74 years old. Age projections would expect the City to add approximately 42 households in the 55 to 74 age ranges from 2017 to 2022.

The Esri age-based projections also expect an increase of eight households in the 25 to 44 age ranges and an increase of 16 households in the 75 and older age range.

Hill City is projected to lose two households in the 45 to 54 age range. This is the only age range projected to lose households.

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 Hill City adds population at a rate that is faster or slower than past patterns would suggest, traditional age-based forecasts would be altered.

<u>Age Range</u>	<u>Projected Change in Households 2017 to 2022</u>
15 to 24	0
25 to 34	1
35 to 44	7
45 to 54	-2
55 to 64	3
65 to 74	39
75 and older	<u>16</u>
Total	64

Findings on Unit Demand by Type of Housing

Based on the household by age projections presented earlier, the changing age composition of Hill City'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 no change in the number of households in the 15 to 24 age range from 2017 to 2022. Past tenure patterns indicate that approximately 88% of the households in this age range in Hill City will rent their housing. No change in the number of households in this age range should mean that rental demand from younger households will remain relatively stable during the projection period.

25 to 34 Years Old - The projections show a gain of one household in this age range by 2022. Within this age range households often move from rental to ownership housing. The ownership rate among these households in Hill City is approximately 44%. A gain of one household within this age range indicates demand for both first-time home buyer and rental opportunities from this age range will not change during the projection period.

35 to 44 Years Old - The projections for this 10-year age cohort expect a gain of seven households between 2017 and 2022 in Hill City. In the past, this age group has had a 65% ownership rate in Hill City. Households within this range often represent both first-time buyers and households looking to trade-up in housing, selling their starter home for a more expensive house.

45 to 54 Years Old - By 2022, this age cohort will represent the front-end of the "baby bust" generation that followed behind the baby boomers. This age group represents a much smaller segment of the population than the baby boom age group. For Hill City, the projections show a loss of two households in this age range. This age group typically has had a rate of home ownership of approximately 62% in Hill City, and will often look for trade-up housing opportunities. A minimal loss in the number of households in this age group indicates that the demand for trade-up housing from this age range will remain relatively stable during the projection period.

55 to 64 Years Old - The projections show an increase of three households in this 10-year age range by the year 2022 in the City. This age range has traditionally had a high rate of home ownership in Hill City, at approximately 75% in 2010. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters.

65 to 74 Years Old - A significant gain of 39 households is expected by the year 2022 in the 65 to 74 age range. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. At the time of the 2010 Census, approximately 83% of the households in this age range owned their housing in Hill City. Once again, preferences for age-appropriate units would increase from household growth within this age cohort.

75 Years and Older - There is a projected gain of 16 households in Hill City in this age range between 2017 and 2022. In the past, the older households within this age range have had a relatively low rate of home ownership in Hill City. An expansion of housing options for seniors, including high quality rental housing, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

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

Findings on Housing Unit Demand and Tenure

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

Demand from Growth - The household projections used for this Study expect Hill City to gain 64 households and Pennington County will gain 3,630 households from 2017 to 2022. Therefore, there will be a significant demand for new housing production in Hill City 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 Hill City, 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. Shifting age patterns have created demand for certain types of housing in Hill City. We have included our estimates of pent-up demand into the specific recommendations that follow later in this section.

Strengths for Housing Development

The following strengths for the City of Hill City were identified through statistical data, local interviews, research and onsite review of the local housing stock.

- ▶ **Hill City serves as a regional center** - Hill City provides employment opportunities, retail/service options, health services, professional services, governmental services and recreational facilities for a geographical area that surrounds the City.
- ▶ **Educational system** - Hill City has a public K-12 school system.
- ▶ **Infrastructure** - Hill City's water and sewer infrastructure can accommodate future expansion. However, ongoing infrastructure improvements are needed.
- ▶ **Commercial development** - Hill City's commercial district is adequate to meet most daily needs and is an attraction for tourists.
- ▶ **Employers** - Hill City has employers that provide job opportunities for local residents.
- ▶ **Commuters** - Estimates from the Census Bureau show an average of approximately 475 employees commuting into Hill City daily for work. This number would fluctuate depending on the time of year. These commuters form a potential market for future housing construction.
- ▶ **Heart of the Hills Economic Development Corporation (HOHEDC)** - The Heart of the Hills Economic Development Corporation (HOHEDC) has been active in commercial development and also in developing and expanding business opportunities.
- ▶ **Pennington County Housing and Redevelopment Commission (HRC)** - The Pennington County HRC has been active in owning and managing housing in Hill City.
- ▶ **Small town atmosphere** - Hill City has the real and perceived amenities of a small town. Small town living is attractive for some households.

- ▶ **Builders and developers** - Hill City has housing builders and developers that are willing to invest in new housing construction.
- ▶ **Population and household growth** - Hill City and Pennington County are projected to add people and households over the next five years.
- ▶ **Proximity to Rapid City** - Hill City is located approximately 27 miles from Rapid City, the area's regional center. Rapid City provides additional employment opportunities, retail/services options, educational opportunities, health care facilities and recreational opportunities.
- ▶ **Black Hills Recreational Area** - Hill City is in the Black Hills, a nationally known recreational and tourism area. Mount Rushmore, Crazy Horse Monument, Wind Cave, Custer State Park and other tourist attractions are all in close proximity to Hill City.
- ▶ **Median Home Values** - The median value of existing houses in Hill City, based on 2016 and 2017 sales activity, is approximately \$200,750. This relatively high value for existing homes can help to encourage new single family construction.

Barriers or Limitations to Housing Activities

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

- ▶ **Age and condition of some of the housing stock** - Hill City has some homes that require minor or major improvements, or are potentially dilapidated and beyond repair. However, a high percentage of the City's older homes are in good or excellent condition.
- ▶ **Construction costs** - Due to several factors, new construction is higher in Hill City than some other locations including Rapid City.
- ▶ **Lower paying jobs** - Although Hill City has employment opportunities, some jobs are at the lower end of the pay scale and employees with these jobs have limited housing choices.
- ▶ **Off-season commercial/retail options** - Hill City has a limited number of commercial and retail opportunities during the off-season.
- ▶ **Competition from rural building sites** - Households often seek available building sites in rural areas surrounding Hill City and in Pennington County. These building sites compete with available residential lots within the City of Hill City.
- ▶ **Vacation homes** - A significant number of houses in Hill City that would normally be in the permanent resident housing stock are utilized as vacation/seasonal homes.
- ▶ **Available residential lots** - There are available residential lots, but the City has a lack of residential lot options for some sizes and prices of homes.
- ▶ **Proximity to Rapid City** - Although it is a strength to be close to Rapid City, it is also a barrier as Hill City must compete with the Rapid City area, which offers employment, attractive residential opportunities and other amenities and services.
- ▶ **Flood Plain** - A portion of Hill City is in the Flood Plain which limits new construction and housing rehabilitation.
- ▶ **Lack of developable land** - Although Hill City has some developable land options, available land for subdivision development and new housing construction is limited.

Recommendations, Strategies and Housing Market Opportunities

Based on the research contained in this study, and the housing strengths and barriers identified above, we believe that the following recommendations are realistic options for Hill City. They are based on the following strategies.

- ▶ **Be realistic in expectations for housing development** - Large-scale residential growth has not occurred in the recent past and is not likely to occur in the near future. The scale of activities proposed for the future should be comparable with the area's potential for growth.
- ▶ **Proactive community involvement** - New home and apartment construction will more likely occur in Hill City if there is proactive support from the City, local and regional housing and economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the existing housing stock** - The future of Hill City 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 a major asset, however, rehabilitation efforts are needed to continue to preserve the housing stock.
- ▶ **Protect the existing assets and resources** - Hill City has several assets including a K-12 school, an excellent Downtown Commercial District, recreation and tourism opportunities, etc. These are strong assets that make Hill City 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 the local efforts, the City has other resources to draw on including the Pennington County Housing and Redevelopment Commission, USDA Rural Development, the South Dakota Housing Development Authority, the Western South Dakota Community Action Agency, the Black Hills Council of Governments, NeighborWorks Dakota Home Resources, Dakota Resources, and Grow South Dakota. These resources should continue to be accessed as needed to assist with housing activities.

Summary of Findings/Recommendations

The findings/recommendations for the City of Hill City have been formulated through the analysis of the information provided in the previous sections and include 25 recommendations. The findings/recommendations have been developed in the following five categories:

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

The findings/recommendations for each category are as follows:

Rental Housing Development

1. Develop 14 to 18 general occupancy market rate rental units
2. Develop 12 to 14 senior independent/light services market rate units
3. Develop 10 to 12 subsidized or moderate rent/income restricted rental housing units
4. Preserve the existing supply of subsidized housing
5. Consider the development of senior housing with services units/beds
6. Promote the conversion/renovation of existing buildings to create 6 to 8 affordable market rate rental housing units
7. Develop a downtown mixed-use commercial/housing project
8. Apply to access the Housing Choice Voucher Program

Home Ownership

9. Utilize and promote all programs that assist with home ownership
10. Consider the development of a local down payment assistance program

Single Family Housing Development

11. Lot availability
12. Strategies to encourage residential lot sales and new home construction in Hill City
13. Promote twin home/town home development
14. Develop a 10 to 15-lot affordable home subdivision
15. Strategies to develop new affordable homes
16. Coordinate with agencies/nonprofits that develop affordable housing

Housing Rehabilitation/Neighborhood Revitalization

17. Promote rental housing rehabilitation
18. Promote owner-occupied housing rehabilitation programs
19. Acquire and demolish dilapidated structures

Other Housing Initiatives

20. Encourage employer involvement in housing
21. Develop mobile/manufactured home programs
22. Create a plan and a coordinated effort among housing agencies
23. Strategies for downtown redevelopment
24. Develop home ownership and new construction marketing programs and strategies
25. Vacation Properties

Hill City - 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 Hill City from 2000 to 2017, only 10 rental units were constructed, all of which offer market rate housing. Also, a significant number of single family homes have been converted from owner-occupied to rental use during that time period.

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

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

Esri projects that Hill City will gain 64 households and Pennington County will gain 3,630 households from 2017 to 2022. It is estimated that approximately 35% of the new Hill City households will be rental households, thus, there will be a demand of approximately 22 additional rental units due to household growth over the next five years. Also, there will be a projected demand for an additional 10 households based on projected Pennington County growth. Therefore, there will be a demand for approximately 32 new rental units in Hill City over the next five years due to household growth.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that Hill City will lose as many as three to four rental units annually, which is 15 to 20 total rental units over the next five years. As a result, approximately 15 to 20 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. Additionally, Hill City has a unique situation in that rental units are being lost due to conversion to vacation/seasonal housing.

Pent-up demand also exists. As part of this study, a rental survey was conducted. Based on the high 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, market rate senior, moderate rent/income restricted, and senior with services rental units.

These three demand generators show a need for 56 to 71 rental units/beds 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 2018 to 2023.

▶ General Occupancy Market Rate	14-18 units
▶ Senior Independent/Light Services	12-14 units
▶ Subsidized/Moderate Rent	10-12 units
▶ Conversions	6-8 units
▶ Senior with Services (assisted living, memory care)	14-19 units/beds
Total	56-71 units/beds

1. Develop 14 to 18 general occupancy market rate rental units

Findings: Approximately 86% of the rental housing units in Hill City can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

Only 10 market rate rental units have been constructed in Hill City from 2000 to 2017. The 10 units were constructed in a 10-plex, Olson Apartments. However, a substantial number of owner-occupancy single family homes converted to rentals. Most of the market rate units in Hill City are in small rental buildings, mixed-use buildings, twin home/town houses, single family houses and mobile homes. Olson Apartments is the only market rate project in Hill City with more than six units.

In the 87 market rate rental units we surveyed, only one vacant unit was reported at the time of the survey. The owners of rental properties reported very high occupancy rates and strong demand for rental housing. The market rate units surveyed included efficiency units and one, two, three and four-bedroom units.

There is a variation in rental rates in the market rate segment in Hill City. The existing rent ranges, including utilities, are \$550 for an efficiency unit, \$500 to \$750 for a one-bedroom unit, \$475 to \$1,350 for a two-bedroom unit, \$575 to \$1,200 for a three-bedroom unit and \$1,100 to \$1,200 for a four-bedroom unit.

Recommendation: As stated earlier in this section, rental housing demand is based on household growth, pent-up demand and replacement of housing units that have been demolished or converted. Based on this combination of demand generators, we believe that it is reasonable to plan for the production of a total of 14 to 18 market rate rental units over the next five years from 2018 to 2023.

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

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

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

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

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

If private developers cannot develop affordable workforce rental housing, the HOHEDC could potentially utilize essential function bonds, local funds, or similar funding sources, to construct market rate units.

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

**Recommended unit mix, sizes and rents for Hill City
Market Rate Housing Units:**

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	3-4	600 - 800	\$800 - \$950
Two Bedroom	8-10	900 - 1,200	\$850 - \$1,250
Three Bedroom	3-4	1,250 - 1,400	\$950 - \$1,400
Total	14-18		

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2018 dollars. It is assumed that rents will increase later in the five-year projection period.

It would be advantageous to have rents for some of the units at or less than the fair market rents for the Housing Choice Voucher Program, thus, the units would be affordable for more households. The current fair market rents are:

- ▶ 1 bedroom - \$619
- ▶ 2 bedroom - \$823
- ▶ 3 bedroom - \$1,149

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

Findings: We are not aware of any senior independent market rate rental projects in Hill City. To determine the need for senior independent market rate units in Hill City, we have analyzed data for a Hill City Market Area that includes the City of Hill City and the West Pennington Unincorporated Area.

In 2017, there were approximately 472 households age 65 or older in the Hill City Market Area. It is projected that there will be 107 additional households age 65 and older in the Hill City Market Area by 2022.

We are estimating that 2.5% to 3.0% of senior households age 65 and older in the Hill City Market Area would move into a senior independent/light services rental project.

Recommendation: We are recommending a 12 to 14-unit independent market rate senior project in Hill City. The project should be designed to allow seniors to live in a unit independently. The senior project could be a one-level apartment building or townhome style.

The project's amenities and features should include:

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

Apartment features should include:

- ▶ 12 to 14 units
 - ▶ 3 to 4 one-bedroom
 - ▶ 9 to 10 two-bedroom
- ▶ Floor plans that promote accessibility
- ▶ Fully equipped kitchen
- ▶ Large storage area
- ▶ Ample closet space
- ▶ Laundry hookups
- ▶ Open floor plan
- ▶ Private patio
- ▶ Individually controlled heat and AC
- ▶ Raised outlets, lever door handles, lowered kitchen cabinets
- ▶ Expansive windows

Optional services that could be provided by community organizations or agencies could include:

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

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

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

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

3. Develop 10 to 12 subsidized or moderate rent/affordable general occupancy rental housing units

Findings: There is one federally subsidized rental project in Hill City, Hillyo Manor. Hillyo Manor is a 24-unit HUD Section 8/USDA Rural Development general occupancy project constructed in the 1970s. The 24 units are all one-bedroom. At the time of the survey, Hillyo Manor had no vacancies. Tenants pay 30% of their income for rent.

A second federally subsidized rental project, Black Hills Apartments, has recently converted from subsidized rental units to hotel units. Black Hills Apartments had eight two-bedroom units, thus, eight units have been lost from Hill City's most affordable rental housing stock.

Based on the 2016 American Survey, approximately 52 renter households reported that 30% or more of their income was required to pay housing costs. This represented approximately 37% of all renters that were surveyed. At that time, most of these households had annual incomes of less than \$25,000, and needed a very affordable unit to avoid a housing cost burden.

Recommendation: We recommend that the City of Hill City, the HOHEDC, and area housing agencies look for opportunities to expand the supply of affordable rental housing. Although the need is greater, a realistic goal would be the construction of 10 to 12 general occupancy two and three-bedroom subsidized or moderate rent/affordable units over the next five years. Ideally, these units would allow tenants to apply no more than 30% of income to monthly rent.

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

The Pennington County HRC or NeighborWorks Dakota Home Resources may be resources for the development of future affordable rental housing. The City of Hill City and the HOHEDC could assist with land donations, low interest loans, reduced water and sewer hookup fees, etc. Also, the South Dakota Housing Development Authority may have resources to assist with financing affordable rental housing.

4. Preserve the existing supply of subsidized housing

Findings: Hill City has one “deep subsidy” rental housing project, Hillyo Manor, that allows tenants to pay rent based on 30% of income. This project is more than 20 years old and was constructed when the federal government was actively involved in producing low income housing. A second subsidized project, Black Hills Apartments, has recently been converted from subsidized rental housing to hotel units.

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

Privately-owned subsidized housing has been lost as owners have the ability to opt-out of subsidy contracts after their original obligations have been met. This was the case with Black Hills Apartments. Subsidized housing that is lost cannot be cost-effectively replaced with the low income housing production resources that are available today. However, Hillyo Manor is owned by the Pennington County Housing and Redevelopment Commission.

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

The Pennington County HRC owns and manages Hillyo Manor, therefore, it should remain subsidized housing into perpetuity.

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

Findings: There are no senior with services housing facilities in Hill City or the Hill City Market Area.

We have analyzed population data for the Hill City Market Area, which includes the West Pennington Unincorporated Area and the City of Hill City. While the Market Area may not be a perfect indicator of overall demand, it does provide an informative look at planning for specialized senior housing. Based on 2017 estimates from Esri, there are 226 older senior citizens, age 75 and older, residing in the Market Area.

Also, the age-based forecasts from Esri point to an increase of approximately 74 older senior citizens, age 75 and older, from 2017 to 2022. The number of seniors, age 75 and older, is projected to increase from 226 in 2017 to 300 in 2022 in the Hill City Market Area. There is also larger-scale growth expected within the younger senior ranges, age 65 to 74. In 2022, it is projected that there will be 606 people in Pennington County in the 65 to 74 age range.

Recommendation: Based on the research completed for this Study, we would recommend the development of five to seven memory care beds, nine to 12 additional assisted living beds, and 12 to 14 independent/light services units in Hill City over the next five years.

Skilled Nursing Home - The research for this Study points to a decreasing reliance on nursing homes as a long-term residence option for older senior citizens. Over time, the nursing homes have tended to use more beds for rehab/recovery stays, or other specialized uses. There has also been a long-standing moratorium that limits expansion in most cases. No recommendations are offered for this type of specialized housing in Hill City. There are a significant number of nursing homes in Rapid City.

Assisted Living - There are no assisted living facilities in the Hill City Market Area. Therefore, to address projected demand, we are recommending the development of nine to 12 assisted living units over the next five years.

Independent/Light Services - We are not aware of any independent/light services units in the Hill City Market Area. Independent/light services units are for more independent seniors that would look to have light services available with their housing. Lighter services would typically include a daily meal, weekly light house keeping and an emergency call system. Based on the size of the older senior population residing in the Market Area and the projected senior population growth over the next five years, we are recommending the development of 12 to 14 independent/light services units in Hill City through 2023. We have detailed this recommendation in Recommendation Number 2., presented earlier in this section.

Memory Care Housing - There are no memory care beds in the Hill City Market Area. To serve demand, the development of five to seven memory care beds in a secure setting would be recommended over the next five years.

The purpose of the senior with services recommendations is to provide general guidance to potential developers. A developer planning a specific project should have a project specific study conducted.

6. Promote the renovation/conversion of existing buildings to create six to eight affordable market rate rental housing units

Findings: The market rate rental housing recommendation addressed the market potential to develop high quality rental units in Hill City. Unfortunately, these units would tend to be beyond the financial capability of many area renters. Many of Hill City'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 Hill City has lost rental housing over the years due to redevelopment, deterioration and demolition, or tenure conversion. Part of the need for additional rental units in Hill City is to provide for unit replacement of lost units. Unfortunately, most of the lost units are probably very affordable, and new construction will not replace these units in a similar price range.

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

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

Creating some additional units with contract rents below \$650 per month would help to expand the choices available to a majority of Hill City's renter households.

It is probable that the proposed rent structure for some units could only be obtained with financial commitments from other sources such as tax increment financing, property tax deferment, Historic Preservation funds and other financial resources from funding agencies such as the South Dakota Housing Development Authority.

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

Findings: A new mixed-use rental housing/commercial project would be an asset to Downtown Hill City.

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.

Over the past several years, some tenants have expressed a renewed interest in living downtown. This is especially true in vibrant downtowns, such as Hill City, that offer many amenities.

Recommendation: We recommend the development of a mixed-use building in the downtown Hill City area. 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 three recommendations of this section. If a mixed use building was constructed, the number of units recommended previously should be reduced.

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

8. Utilize the Housing Choice Voucher Program

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

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

The Housing Choice Voucher Program is administered in Hill City and Pennington County by the Pennington County Housing and Redevelopment Commission. The Pennington County Housing and Redevelopment Commission has the ability to issue approximately 1,330 vouchers in Pennington County. Currently, approximately five Hill City households are utilizing the Housing Choice Voucher Program. There is a three-year waiting list to obtain a Voucher.

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

Hill City - Home Ownership

Home Ownership

Findings: Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base. The median owner-occupied home value in Hill City is estimated to be approximately \$200,750, based on 2017 sales activity. The home values in Hill City provide some opportunity for first time buyers and households seeking moderately priced homes. However, Hill City's existing homes are valued higher than most cities in South Dakota and some existing homes are purchased and converted to vacation homes.

Our analysis of Hill City demographic trends shows some limited increase in the number of households in the traditionally strong home ownership age ranges between 25 and 44 years old, from 2017 to 2022. Households in these age ranges are typically first-time home buyers. Some households in these age ranges as well as other age ranges that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase their first home.

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

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

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

Hill City and the HOHEDC could also work with housing agencies to assure that they are receiving their share of resources that are available in the region.

Funding sources for home ownership programs may include USDA Rural Development, the South Dakota Housing Development Authority and the Federal Home Loan Bank. Also, NeighborWorks Dakota Home Resources and Grow South Dakota utilize several funding sources to provide home ownership programs. Additionally, the Federal Home Loan Bank currently has funds available for down payment/closing cost assistance.

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

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

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

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

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

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

Hill City - Single Family Housing Development

New Housing Construction

Findings: Hill City has experienced some single family owner-occupied housing construction over the past 12 years. It is estimated that from January 2006 to May 2018, approximately 45 single family owner-occupancy housing units were constructed in Hill City. Therefore, since 2006, Hill City has averaged approximately four new owner-occupied units annually.

The Hill City area has many desirable features and qualities, including the attractiveness of the area, its appeal as a retirement location, high amenity lots, land for future development, projected household growth, and a past history of housing development. The efforts of local stakeholders, including developers and builders, should result in the continued construction of owner-occupancy single family housing units over the five-year projection period from 2018 to 2023. However, attractive residential lot options must be available for all home designs and prices.

It is our opinion that if the City of Hill City, the HOHEDC, developers and builders, and local and regional housing agencies continue to be proactive, an average of seven to ten single family owner-occupancy housing units could be constructed in Hill City annually from 2018 to 2023 to address demand. This is a total of 35 to 50 housing units over the five-year period.

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

▶ Higher & moderately priced homes	3-4 homes
▶ Entry-level homes (less than \$200,000)	2-3 homes
▶ Twin homes/town houses	<u>2-3 units</u>
Total	7-10 homes/units

11. Lot availability

Findings: As part of this Study, we attempted to identify the inventory of residential lots available for single family housing construction in the City of Hill City. Currently, there are approximately 12 lots that already exist in the City's newer subdivisions. Approximately eight of these lots are in the Sunset Creek Subdivision and approximately four lots are in the Mountain Estates Subdivision.

There are also miscellaneous infill lots scattered around the City that we did not attempt to count. We do not know the availability of some of these infill lots. Also, there are a few dilapidated homes in the City. If these homes are demolished, some of the cleared lots may be sites for new construction.

There are also subdivisions and building sites in proximity to Hill City in rural Pennington County.

Recommendation: We use a standard that a 2 ½ year supply of lots should be available in the marketplace based on annual lot usage. With projections that seven to ten new single family housing units could be constructed per year, the City should have approximately 18 to 25 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction.

With approximately 12 lots available, plus infill lots, the City does not have an adequate supply of lots for the next 2 ½ years. Also, the majority of the lots currently available in Hill City are for higher priced homes. It is our opinion that there is a need for additional lots that will accommodate higher priced and affordable homes.

It is our understanding that the developer of the Sunset Creek Subdivision will develop a Phase II which will include approximately 30 new residential lots. This will address the need for medium and higher priced homes. We encourage the City of Hill City and the HOHEDC to support this project. In a later recommendation, we have recommended the development of affordable lots.

12. Strategies to encourage continued residential lot sales and new home construction in Hill City

Findings: Over the past 12 years, from 2006 to 2018, an average of approximately four owner-occupied single family units have been constructed in Hill City annually.

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

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

- ▶ ***Competitive pricing*** - There are lots available in communities throughout the region. To attract new home construction in Hill City, lots should be competitively priced with other options in the area.
- ▶ ***User-Friendly/develop momentum*** - The lot purchase and home building process must be 'user friendly.' This includes an inventory of available lots, the construction of spec homes, builders that are readily available to build custom homes and city regulations that are fair and reasonable. The entire process must be as 'user friendly' as possible to encourage home construction. This will create momentum for new housing construction.
- ▶ ***Long-term planning*** - The City of Hill City and Hill City developers should continue long-term development planning to assure lots are available to meet demand for all types of new housing.
- ▶ ***Promote spec home construction*** - Spec houses attract a buyer that is not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy.
- ▶ ***Incentives*** - 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. Incentives should be considered to promote new home construction.
- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a demand for twin homes/town homes over the next five years. Lots should continue to be available for a twin home/town home development.
- ▶ ***Range of house prices*** - Lots should be available to as wide a range of home sizes and prices as possible, without compromising the subdivisions. This broadens the lot buyer market. Also, smaller infill lots with fewer amenities could be marketed for affordable homes.

- ▶ **Marketing** - The City of Hill City and all housing stakeholders will need to develop a comprehensive marketing strategy to sell available lots. Developers, realtors, financial institutions, builders, employers, the Chamber of Commerce, the HOHEDC, etc., should all be involved in developing marketing strategies. In addition to marketing the lots, the City of Hill City and its many amenities should continue to be marketed.

13. Promote town house/twin home development

Findings: Hill City has experienced limited attached housing development from 2000 to 2017. Many communities over the past two decades have seen attached housing take an increasingly large share of new construction for owner-occupants. In cities the size of Hill City, 20% to 25% of the housing starts are typically twin homes/town homes.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making traditional single family homes available for families. Attached housing may also be an affordable option for younger households. In 2017, based on Esri estimates, there were approximately 649 households in the Hill City Market Area with a head of household in the 55 to 74 year old age ranges, and it is estimated that the 55 to 74 age ranges will increase by 116 households from 2017 to 2022.

It is important for the City to offer a range of life-cycle housing options as many of these households will be seeking to downsize into low maintenance housing options.

Recommendation: It is our projection that two to three new owner occupied single family units per year should be twin homes, town houses or condominiums over the next five years, which is a total of 10 to 15 units during the five-year period.

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

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

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

14. Develop a 10 to 15-lot affordable/entry-level home subdivision

Findings: A significant majority of the available residential lots in Hill City are for higher priced homes. There are very few lot options for affordable homes such as governors homes and manufactured homes.

The median home price for an existing home in Hill City is high at \$200,750 based on recent sales. Also, some existing homes are purchased and converted to vacation properties. With high prices and a shortage of available affordable existing options, the new construction of affordable homes is a viable option for moderate income households.

Recommendation: With projections that two to three new affordable owner-occupied housing units could be constructed annually in Hill City over the next five years, the City should have residential lots available to meet the expected demand.

With only a few lots available in the City for affordable housing, there is not an adequate supply of lots to address the projected demand. Therefore, if expected demand comes to fruition, it will be necessary to develop additional residential lots for new affordable home construction.

To achieve the level of new affordable home construction potential that has been identified, we recommend the development of a 10 to 15-lot subdivision for affordable home construction, based on the following:

- ▶ The site for lot development should have land available, if possible, for future lot development phases.
- ▶ To keep development costs as low as possible, a site with easy access to existing infrastructure should be considered.
- ▶ The lots must be as aesthetically acceptable 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 affordable home designs and types including Governors Homes and manufactured/modular homes.
- ▶ All stakeholders should be involved in promoting and publicizing the lots.
- ▶ Some lots should be available for twin home/ town home development.
- ▶ Successful lot development will need the cooperation of financial institutions, funding agencies, employers, home builders, developers, the City of Hill City, and HOHEDC. Financial assistance such as tax increment financing, tax abatement and land donations or writedowns, will be necessary to make the development of lots feasible.

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

An infill lot inventory, along with the development of 10 to 15 new affordable lots, should address lot demand for the next five years.

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

15. Strategies to develop new affordable homes

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

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

Recommendation: We have recommended the construction of two to three affordable homes in Hill City annually from 2018 to 2023. To accomplish this, the City of Hill City and the HOHEDC 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:

- ▶ **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.
- ▶ **Dakota Land Trust** - The Dakota Land Trust provides an affordable permanent new home option by taking the cost of the land out of the purchase price of the home. The land is placed in the stewardship of Dakota Land Trust and the homeowner leases the land from the Land Trust through a 99-year renewable lease.
- ▶ **South Dakota Housing Development Authority Programs (SDHDA)** - SDHDA has housing programs available to assist developers, builders and home buyers.
- ▶ **Publicly owned subdivision** - Private developers often have little incentive to develop lower-priced lots and houses. A possible approach is to develop a publicly-owned subdivision, which could offer lower-priced lots for affordable homes.

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

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

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

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

16. Coordinate with agencies/nonprofits that develop affordable housing

Findings: With the difficulty of producing new housing units that are affordable moderate income households, it is important to take advantage of opportunities presented by housing agencies and nonprofit groups such as Habitat for Humanity and NeighborWorks Dakota Home Resources. These sources can help generate new homes for moderate income families in Hill City.

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

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

Hill City Housing Rehabilitation and Neighborhood Revitalization

Housing Rehabilitation and Neighborhood Revitalization

Findings: Hill City 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 Hill City 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 Hill City 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 following specific recommendations are made to address the housing rehabilitation needs.

17. Promote rental housing rehabilitation

Findings: Based on the U.S. Census data, the City of Hill City had approximately 171 rental units in 2010. These rental buildings are in multi-family projects, small rental buildings, twin homes/town houses, single family homes, mobile homes and mixed-use buildings. Many of these rental structures could benefit from rehabilitation as a significant number of these rental structures are more than 30 years old and some rental units may be in poor condition. Hill City has approximately 141 rental units more than 30 years old, which is approximately 82% of Hill City's total rental housing stock.

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

Recommendation: The City of Hill City and the HOHEDC should work with housing agencies to seek funds that allow for program design flexibility that make a rental rehabilitation program workable. Potential funding sources may include USDA Rural Development, the Pennington County 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.

18. Promote owner-occupied housing rehabilitation programs

Findings: The quality of the existing housing stock in Hill City will continue to be an attraction for families that are seeking housing in Hill City. Investment in owner-occupied housing rehabilitation activities will be critical to offering high quality housing opportunities. Although Hill City has a newer housing stock compared to most rural cities, the City has approximately 113 owner-occupied units that are more than 30 years old, which is approximately 64% of Hill City's total owner occupied housing stock. Some of these units need rehabilitation.

The housing condition survey of 34 homes in Hill City's oldest neighborhood found 12 homes that need minor repairs and nine homes that need major repairs. Without rehabilitation assistance, the affordable housing stock will shrink in Hill City.

Recommendation: We recommend that the City of Hill City and the HOHEDC seek local, state and federal funds to assist in financing housing rehabilitation. USDA Rural Development, the Pennington County HRC, 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 Hill City households to utilize these housing rehabilitation programs. Also, the Western South Dakota Community Action Agency provides Weatherization funds for Hill City and Pennington County.

19. Acquire and demolish dilapidated structures

Findings: The housing condition survey of the City's oldest neighborhood identified two houses that were dilapidated and viewed as too deteriorated to rehabilitate. We also identified nine homes as needing major repair and several of these homes may be too dilapidated to rehabilitate. It is probable that some additional deteriorated houses exist in other neighborhoods that were not surveyed. The City of Hill City has worked with property owners in the past to demolish dilapidated structures.

The Governor's Office of Economic Development has developed the Bulldoze, Build and Beautify (BBB) Program. This program assists with funding to demolish dilapidated housing structures, to prepare the sites for redevelopment and to construct new affordable housing on the cleared sites. Housing on cleared sites could be used for affordable single family housing or potentially for multi-family housing units, including housing for seasonal workers.

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

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

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

Hill City - Other Housing Initiatives

Other Housing Initiatives

20. Encourage employer involvement in housing programs

Findings: Hill City has several employers with a significant number of employees. 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.

Several local employers have been active in developing housing for their seasonal workers.

Recommendation: We recommend an ongoing effort to involve employers as partners in addressing Hill City'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 or an affordable residential subdivision.

21. Develop mobile/manufactured home park improvement programs

Findings: Community Partners Research, Inc., conducted a housing condition survey of the 74 mobile/manufactured homes in Hill City's two mobile/manufactured home parks. The mobile/manufactured housing stock in Hill City is generally in fair condition. Of the 74 mobile/manufactured homes surveyed in Hill City, 22 (29.7%) needed minor rehabilitation, 22 (29.7%) needed major rehabilitation and 15 (20.3%) were dilapidated and possibly beyond repair. Fifteen (20.3%) 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 Hill City'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 and mobile home park issues include:

- ▶ ***Operation Safe Mobile Home Park*** - 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.
- ▶ ***Continue regulation on the age of mobile/manufactured homes*** - Hill City has adopted regulations that mobile/manufactured homes older than a designated age cannot be moved into the City.

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

Findings: Hill City will continue to need staff resources in addition to existing City and HOHEDC staff to plan and implement many of the housing recommendations advanced in this Study.

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

Dakota Resources is working with several South Dakota cities to develop a plan to address the City's housing needs.

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

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

23. Strategies for Downtown Redevelopment

Findings: Hill City has a vibrant commercial district that is a tourism attraction and addresses the retail/commercial daily needs of its residents. Hill City has buildings that have been renovated and have high quality commercial and/or housing space. There are also buildings that have not been maintained and are substandard.

This recommendation provides an outline of actions that could be taken to continue downtown redevelopment, to maximize the usage of downtown buildings, to promote new downtown businesses and to identify and implement building rehabilitation and renovations. Hill City has an excellent Downtown. 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 viable commercial district is an important factor in their decision making process.

Recommendation: We are recommending the following actions for downtown Hill City:

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

- ▶ Identify funding sources
 - ▶ Property owner funds
 - ▶ City funds
 - ▶ HOHEDC 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 Hill City
 - ▶ HOHEDC
 - ▶ Hill City Chamber of Commerce

24. 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 Hill City, the HOHEDC, the Chamber of Commerce, other organizations, and private builders and developers have been active in promoting the City, including housing opportunities.

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

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

25. Vacation Properties

Findings: There are a substantial number of homes in the City of Hill City and in Pennington County that have been converted from permanent residential properties to vacation and/or seasonal properties.

These seasonal use homes have a positive impact on the area as tourism is a major contributor to the City and the County's economy. However, vacation homes are removed from the City's housing stock for permanent residents. Vacation homes also raise property values as existing homes are on high demand. The increased values have both a positive and negative impact on housing in the City.

Recommendation: It may be advantageous for the City of Hill City to study the impact of vacation properties on the City. It may also be advantageous to create an inventory of the number and location of vacation homes. With this information, the City could develop regulations/guidelines for vacation properties if it is deemed necessary. Also, developing additional housing, as recommended in this Study, will expand the opportunities available to City residents.

Agencies and Resources

The following regional and state agencies administer programs or provide funds for housing programs and projects in Hill City and Pennington County:

NeighborWorks Dakota Home Resources (Main Office)

795 Main St.

Deadwood, SD 57732

(605) 578-1405

* NeighborWorks also has offices in Box Elder and Wall.

Pennington County Housing and Redevelopment Commission

1805 W. Fulton St. #101

Rapid City, SD 57702

(605) 394-5350

Grow South Dakota

104 Ash Street East

Sisseton, SD 57262

(605) 698-7654

South Dakota Housing Development Authority

221 South Central Avenue

Pierre, SD 57501

(605) 773-3181

USDA Rural Development

414 East Stumer Road, Suite 200

Rapid City, SD 57701

(605) 342-0301

Western South Dakota Community Action Agency

1844 Lombardy Drive

Rapid City, SD 57703

(605) 348-1460

Dakota Resources

25795 475th Avenue

Suite #1

Renner, SD 57055

(605) 978-2804