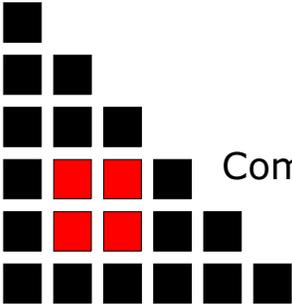


City of Arlington HOUSING STUDY

June 2020

An analysis of the overall housing needs
of the City of Arlington



Community Partners Research, Inc.
Faribault, MN

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Introduction

Local elected and public officials are often held responsible for conditions and circumstances over which they have limited control. This is particularly true of housing. Most of the housing units in Arlington and Kingsbury County are privately owned and were constructed with private funds. On an increasing scale, however, the public is demanding that public officials control what happens in this largely private housing market by eliminating blight, protecting individual investments, and generating new housing growth to meet economic development needs.

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

Goals

The multiple goals of the study include:

- ▶ Provide current demographic data
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet housing needs
- ▶ Examine future housing trends that the area can expect to address in the coming years
- ▶ Provide a market analysis for housing development
- ▶ Provide housing recommendations and findings

Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from November 2019 to March 2020. Data sources included:

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

Limitations

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

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Demographic Data Overview

Sources of Data

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

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

The Governor's Office of Economic Development provides demographic profile information for cities, towns and counties supplied by Applied Geographic Solutions (AGS), a private company. Prior to using AGS, the State had used a similar provider, Esri, Inc., for demographic data. The analysts have examined both of these sources in some of the tables that follow for current-year estimates and future projections.

A small portion of the City of Arlington is located within neighboring Brookings County. However, at the time of the 2010 Census, more than 99% of all households residing in Arlington were living in the Kingsbury County portion of the City. In the demographic tables that follow, the entire City of Arlington has been analyzed

In addition to providing demographic information for Arlington, comparative information has often been provided for all of Kingsbury County.

Population Data and Trends

Table 1 Population Trends - 1990 to 2019						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2019 Esri Estimate
Arlington	908	992	9.3%	915	-7.8%	964
Kingsbury Co.	5,925	5,815	-1.9%	5,148	-11.5%	5,235

Source: U.S. Census; Esri

- ▶ There are two available population estimates for Arlington in 2019. Esri, a private reporting service, showed the City with 964 residents in 2019, an increase of 49 people, or 5.4%, from the 2010 Census. However, this is the only source that shows growth in the community over the last decade.
- ▶ Applied Geographic Solutions estimates that Arlington had 870 residents in 2019 for a loss of 45 people from 2010, which is a decrease of 4.9%.
- ▶ The Census Bureau has released information through its population estimates program. The most recent estimate for Arlington is effective July 1, 2018, and shows the City losing 63 people from 2010 to 2018.
- ▶ These same patterns are reflected in recent estimates for all of Kingsbury County. Esri’s 2019 population estimate for Kingsbury County was 5,235 residents, a gain of 87 people from 2010. Much of this Countywide growth would be due to the population increase in Arlington.
- ▶ The AGS estimate showed that Kingsbury County had a loss of 248 people from 2010 to 2019, a decrease of 4.8%. If accurate, this would imply that other jurisdictions in the County, in addition to Arlington, have also been losing population in the current decade.
- ▶ The Census Bureau’s most recent estimate for Kingsbury County is also effective July 1, 2018, and shows the County losing 299 people after the 2010 Census. Although there is a one-year time difference between AGS and the Census Bureau, they generally show similar patterns of change for both Arlington and Kingsbury County.

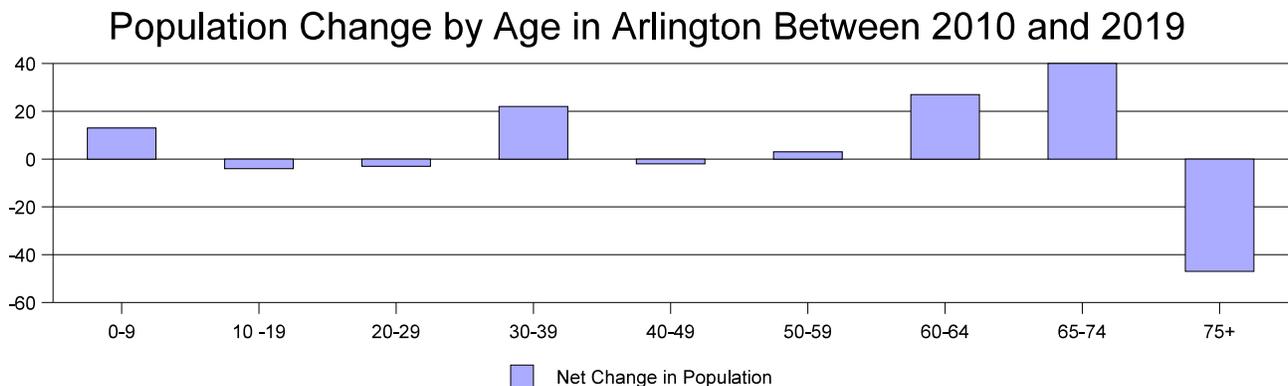
- ▶ If the City and County's population has decreased since 2010, it would be a continuation of a trend from the prior decade. According to the 2010 U.S. Census, the City of Arlington had a population loss of 77 people from 2000 to 2010. Arlington's population was 915 in 2010. The 77-person decrease from 2000 was a population decrease of 7.8%.
- ▶ Kingsbury County's population was 5,148 in 2010. This was a loss of 667 people from 2000, for a population decrease of 11.5%.
- ▶ Arlington gained population and Kingsbury County experienced a population decrease in the 1990s. Arlington's population increased by 84 people and Kingsbury County's population decreased by 110 people from 1990 to 2000.
- ▶ Arlington's population is primarily White and non-Hispanic/Latino. Based on American Community Survey estimates, 92% of the City's residents were White, 1.2% were Asian, 0.8% were American Indian and 6.0% were some other race or two or more races.

Population by Age Trends: 2010 to 2019

The 2019 population estimates from Esri for Arlington include information on the age distribution of residents. This information can be compared to the population by age in the 2010 Census. It is important to note that Esri is the only data source that is showing recent population growth in the City.

Table 2 Population by Age - 2010 to 2019			
Age	Arlington		
	2010	2019	Change
0-9	98	111	13
10-19	108	104	-4
20-29	94	91	-3
30-39	101	123	22
40-49	112	110	-2
50-59	133	136	3
60-64	54	81	27
65-74	77	117	40
75+	138	91	-47
Total	915	964	49

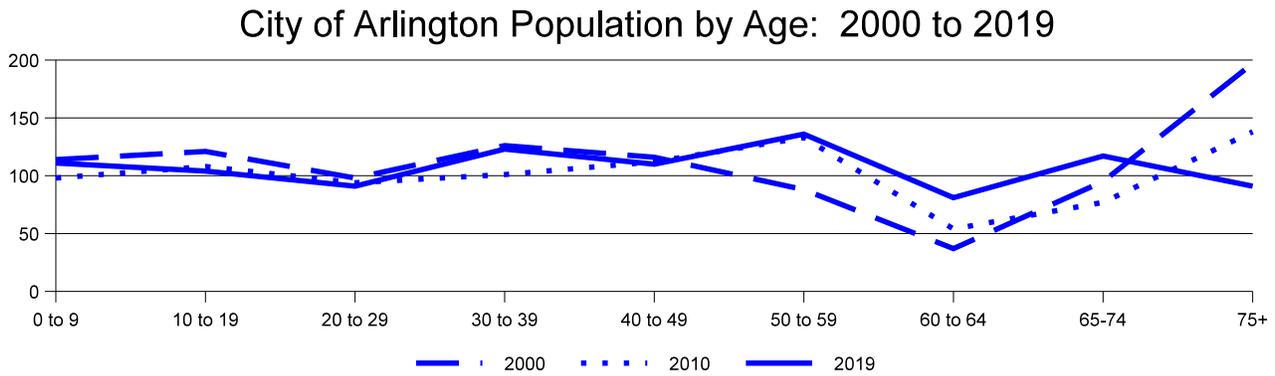
Source: U.S. Census; Esri



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 Arlington. Between 2010 and 2019, Arlington had a gain of 67 people and in the 60 to 74 age ranges.

Arlington also had population growth of 13 people in the 0 to 9 age range, a gain of 22 people in the 30 to 39 age range and a gain of three people in the 50 to 59 age range.

Arlington experienced a population loss of seven people in the 10 to 29 age ranges, a loss of two people in the 40 to 49 age range and significant loss of 47 people in the 75 and older age range.



Population Projections

The following table presents population projections to the year 2024. Projections for Arlington and Kingsbury County exist from both Applied Geographic Solutions and Esri, and span the five-year period from 2019 to 2024.

Table 3 Population Projections Through 2024						
	Applied Geographic Solutions			Esri		
	2019 Estimate	2024 Projection	Change 2019-2024	2019 Estimate	2024 Projection	Change 2019-2024
Arlington	870	865	-5	964	971	7
Kingsbury Co.	4,900	4,700	-200	5,235	5,221	-14

Source: Applied Geographic Solutions; Esri

- ▶ AGS forecasts a slight loss and Esri projects a slight population gain from 2019 to 2024 for the City of Arlington. AGS projects a loss of five people in Arlington from 2019 to 2024, or an average decrease of one person annually. Esri expects that the City of Arlington will add seven residents over this five-year period, or an annual average of approximately one to two people per year.
- ▶ AGS expects all of Kingsbury County to lose 200 people between 2019 and 2024, or approximately 40 people in an average year. Esri is much more optimistic and projects that Kingsbury County will lose 14 people from 2019 to 2024, which is an annual average of three people.

Household Data and Trends

Table 4 Household Trends - 1990 to 2019						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2019 Esri Estimate
Arlington	404	424	5.0%	420	-0.9%	448
Kingsbury Co.	2,357	2,406	2.1%	2,222	-7.6%	2,268

Source: U.S. Census; Esri

- ▶ Esri’s 2019 household estimate for Arlington was 448 households, an increase of 28 households from the 2010 Census. The AGS household estimate for Arlington in 2019 was 377, a loss of 43 households since the 2010 Census.
- ▶ For all of Kingsbury County, the 2019 Esri estimate is 2,268 households, an increase of 46 households from 2010 to 2019. AGS estimates that Kingsbury County has 2,225 households in 2019, a gain of three households from 2010 to 2019.
- ▶ According to the 2010 U.S. Census, Arlington and Kingsbury County had household losses from 2000 to 2010. Arlington had 420 households in 2010. This was a decrease of four households from 2000, or a household loss of 0.9%.
- ▶ Kingsbury County had 2,222 households in 2010. This was a decrease of 184 households between 2010 and 2019, or a household loss of 7.6%.
- ▶ Arlington gained 20 households and Kingsbury County gained 49 households during the 1990s.

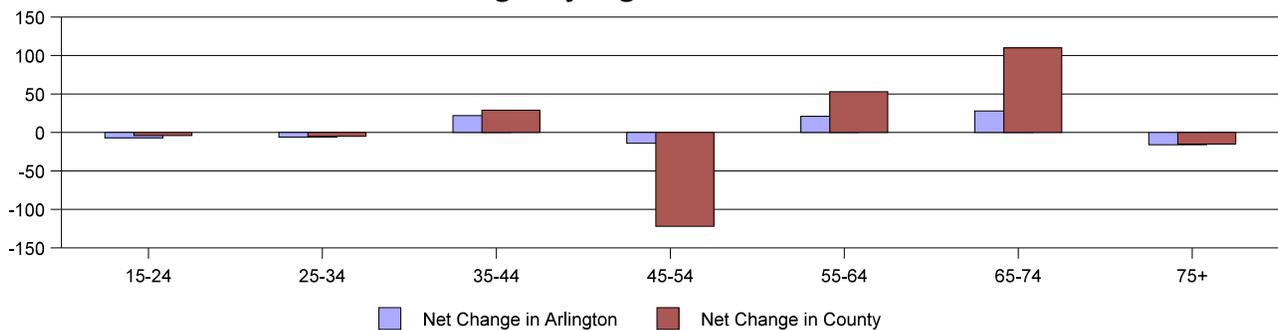
Household by Age Trends: 2010 to 2019

The demographic data profile that is available from AGS does not provide information on households by age. However, age-based estimates are available from Esri. The following table compares households by age in 2010 and 2019, along with the numeric changes. It is important to note that Esri has a higher estimate of the total household count in 2019 when compared to AGS.

Table 5 Households by Age - 2010 to 2019						
Age	Arlington			Kingsbury County		
	2010	2019	Change	2010	2019	Change
15-24	15	8	-7	53	49	-4
25-34	63	57	-6	270	265	-5
35-44	57	79	22	263	292	29
45-54	74	60	-14	474	352	-122
55-64	76	97	21	432	485	53
65-74	52	80	28	293	403	110
75+	83	67	-16	437	422	-15
Total	420	448	28	2,222	2,268	46

Source: U.S. Census; Esri

Household Change by Age Between 2010 and 2019

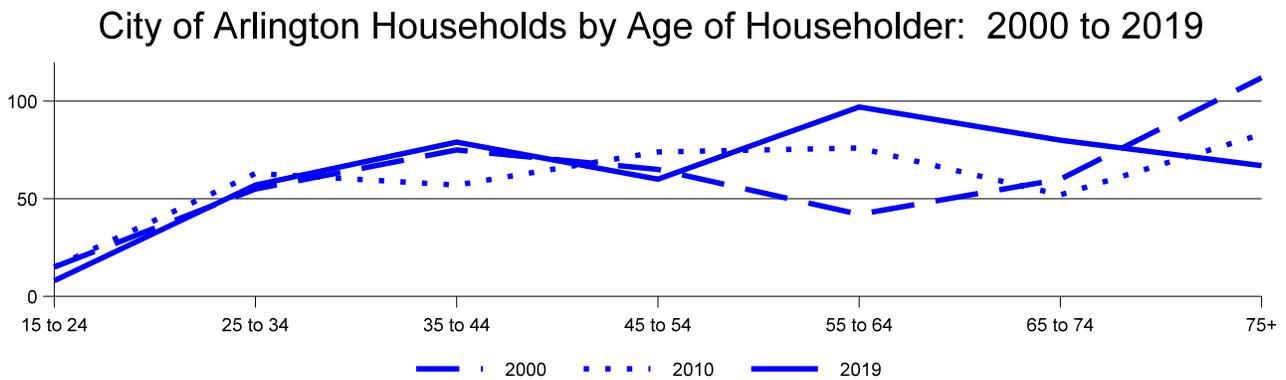


From 2010 to 2019, Arlington added 22 households in the 35 to 44 age range and gained 49 households in the 55 to 74 age ranges. During that same time span, Arlington had a loss of 13 households in the 15 to 34 age ranges, a loss of 14 households in the 45 to 54 age range and a decrease of 16 households in the 75 and older age range.

From 2010 to 2019, Kingsbury County gained 29 households in the 35 to 44 age range and added 163 households in the 55 to 74 age ranges.

From 2010 to 2019, Kingsbury County had a decrease of nine households in the 15 to 34 age ranges, a significant loss of 122 households in the 45 to 54 age range and a loss of 15 households in the 75 and older age range.

It is possible to track the progression of the baby boomer households over the past 20 years in Arlington, using Census information for households by the age of householder.



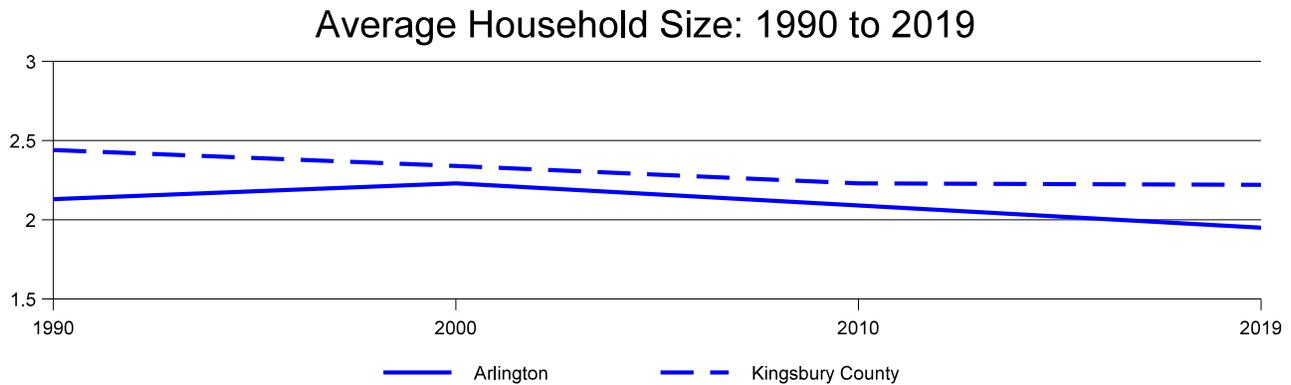
Average Household Size

The following table provides decennial Census information on average household size, along with the 2019 estimate from Esri.

Table 6 Average Number of Persons Per Household: 1990 to 2019				
	1990 Census	2000 Census	2010 Census	2019 Esri
Arlington	2.13	2.23	2.09	1.95
Kingsbury Co.	2.44	2.34	2.23	2.22

Source: U.S. Census; Esri

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.



The average household size in Arlington has decreased over the past three decades. In Arlington, the average household size decreased from 2.13 persons per household in 1990 to 1.95 in 2019. Kingsbury County’s average household size decreased from 2.44 in 1990 to 2.22 in 2019.

Household Projections

Household projections for the five-year time period spanning the years 2019 through 2024 are available from AGS and Esri. Household growth directly impacts the demand for housing.

Table 7 Household Projections Through 2024						
	AGS			Esri		
	2019 Estimate	2024 Projection	Change	2019 Estimate	2024 Projection	Change
Arlington	377	384	7	448	452	4
Kingsbury Co.	2,225	2,174	-51	2,268	2,264	-4

Source: AGS, Esri

- ▶ The AGS and Esri projections expect household gains for Arlington and household losses for Kingsbury County from 2019 to 2024.
- ▶ AGS projects that Arlington will add seven households from 2019 to 2024. Esri estimates that Arlington will add four households from 2019 to 2024.
- ▶ Based on AGS data, Kingsbury County is projected to lose 51 households from 2019 to 2024. This is an average decrease of approximately 10 households per year.
- ▶ Esri projects that Kingsbury County will lose four households from 2019 to 2024, or an average loss of nearly one household per year.

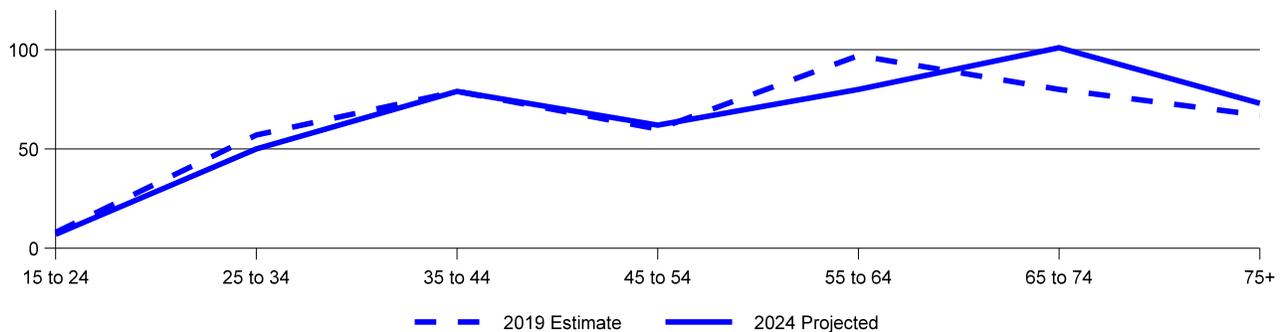
Arlington Household by Age Projections: 2019 to 2024

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

Table 8 Projected Households by Age - 2019 to 2024			
Age	Arlington		
	2019	2024	Change
15-24	8	7	-1
25-34	57	50	-7
35-44	79	79	0
45-54	60	62	2
55-64	97	80	-17
65-74	80	101	21
75+	67	73	6
Total	448	452	4

Source: Esri

City of Arlington Households by Age of Householder: 2019 to 2024



Esri projects an overall gain of four households in Arlington from 2019 to 2024. Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate much of the City’s household growth. The household projections for Arlington expect the City to add 27 households in the 65 and older age ranges.

The Esri projections also expect an increase of two households in the 45 to 54 age range.

From 2019 to 2024, the Esri projections expect a loss of eight households in the 15 to 34 age ranges and a loss of 17 households in the 55 to 64 age range.

Households by Type

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

Table 9 Arlington Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	87	69	-18
Single Parent with own children	21	27	6
Married Couple without own children	143	136	-7
Family Householder without spouse	11	11	0
Total Families	262	243	-19
Non-Family Households			
Single Person	153	164	11
Two or more persons	9	13	4
Total Non-Families	162	177	15

Source: U.S. Census

Between 2000 and 2010, Arlington experienced an overall net decrease of 19 “family” households. There was a decrease of 18 married couples with children and a decrease of seven married couples without children. The City had an increase of six single parent households with children. There was no change in the number of households without a spouse or children.

The City of Arlington had an increase of 15 “non-family” households. There was an increase of 11 one-person households. There was also an increase of four households that had unrelated individuals living together.

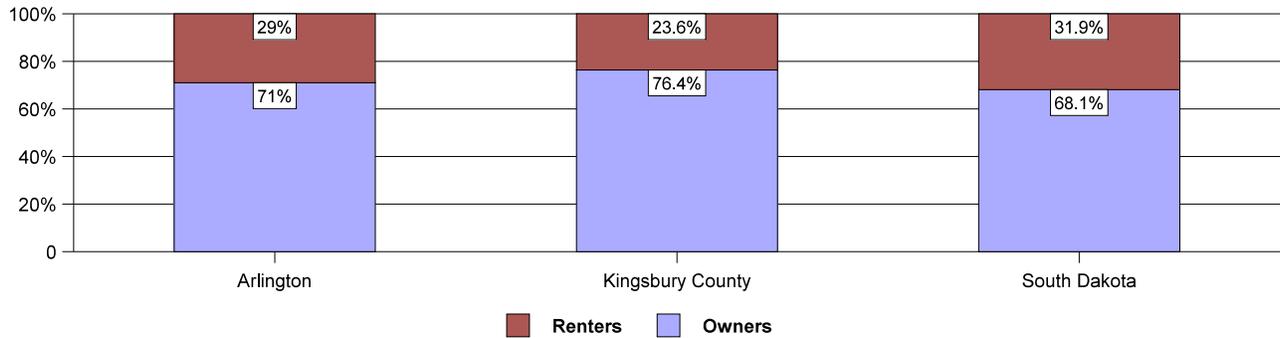
Housing Tenure

The 2018 American Community Survey provided data on housing tenure patterns. However, it appears that the number of renter households was over estimated. As a result, the 2010 tenure distribution information has been presented. There has only been limited new housing construction in Arlington after 2010 so it is probable that the percentages of owners and renters have not changed significantly since the last Census.

Table 10 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Arlington	298	71.0%	122	29.0%
Kingsbury Co.	1,698	76.4%	524	23.6%
State	-	68.1%	-	31.9%

Source: ACS

Housing Tenure in 2010



According to the 2010 Census, the home ownership tenure rate in Arlington was at 71%, compared to a rate of 76.4% for all of Kingsbury County. Statewide, 68.1% of all households were homeowners, with 31.9% renting.

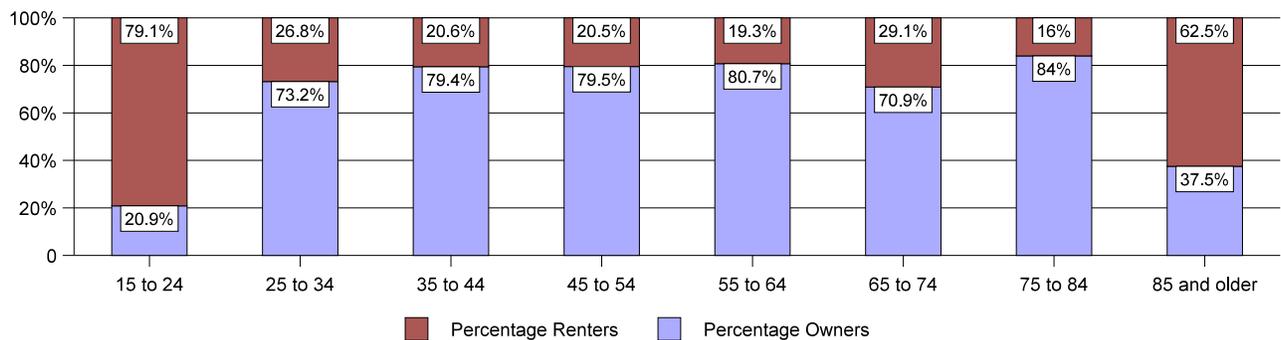
Tenure by Age of Householder

The American Community Survey provided information on the tenure distribution of households within each defined age range. The following table examines the number and percentage of renters and owners in each age group in Arlington. Based on other information, it appears that the ACS over estimated the number of renter households in Arlington in 2018, but the age distribution is still viewed as the best information available.

Table 11 Arlington Tenure by Age of Householder - 2018				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	19	20.9%	72	79.1%
25-34	60	73.2%	22	26.8%
35-44	50	79.4%	13	20.6%
45-54	31	79.5%	8	20.5%
55-64	67	80.7%	16	19.3%
65-74	39	70.9%	16	29.1%
75-84	21	84.0%	4	16.0%
85+	15	37.5%	25	62.5%
Total	302	63.2%	176	36.8%

Source: ACS

Arlington Housing Tenure Patterns by Age in 2018



Households at the upper and lower ends of the age spectrum showed a higher preference for rented housing, while middle-aged adult households were primarily homeowners. Approximately 79% of households age 24 and younger rented their unit, and 63% of households age 85 and older were renters.

2018 Income Data

The 2010 Census did not collect information on household income. However, estimates are available at the city and county level through the American Community Survey. The following table provides 2018 American Community survey data for Arlington, Kingsbury County and the State of South Dakota.

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 12 Median Household Income - 2010 to 2018			
	2010 Median	2018 Median	% Change
Median Household Income			
Arlington	\$41,500	\$45,833	10.4%
Kingsbury County	\$44,948	\$59,395	32.1%
South Dakota	\$46,369	\$56,499	21.8%
Median Family Income			
Arlington	\$53,875	\$68,750	27.6%
Kingsbury County	\$56,925	\$70,213	23.3%
South Dakota	\$58,958	\$72,706	23.3%

Source: American Community Survey

Information contained in the 2018 American Community Survey shows that the median household and family incomes have increased for Arlington and Kingsbury County from 2010 to 2018.

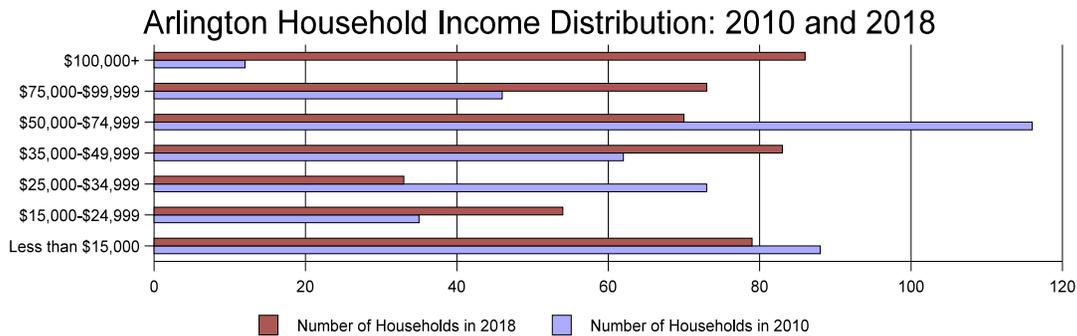
Generally, family household incomes tend to be much higher than the overall household median, as families have at least two household members, and potentially more income-earners. Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Arlington could afford approximately \$1,146 per month and a median income family household could afford \$1,719 per month for ownership or rental housing in 2018.

Arlington Household Income Distribution

The 2018 American Community Survey household income estimates for the City of Arlington can be compared to the same distribution information from 2010 to examine changes that have occurred from 2010 to 2018.

Household Income	Number of Households 2010	Number of Households in 2018	Change 2010 to 2018
\$0 - \$14,999	88	79	-9
\$15,000 - \$24,999	35	54	19
\$25,000 - \$34,999	73	33	-40
\$35,000 - \$49,999	62	83	21
\$50,000 - \$74,999	116	70	-46
\$75,000 - \$99,999	46	73	27
\$100,000+	12	86	74
Total	432	478	46

Source: ACS



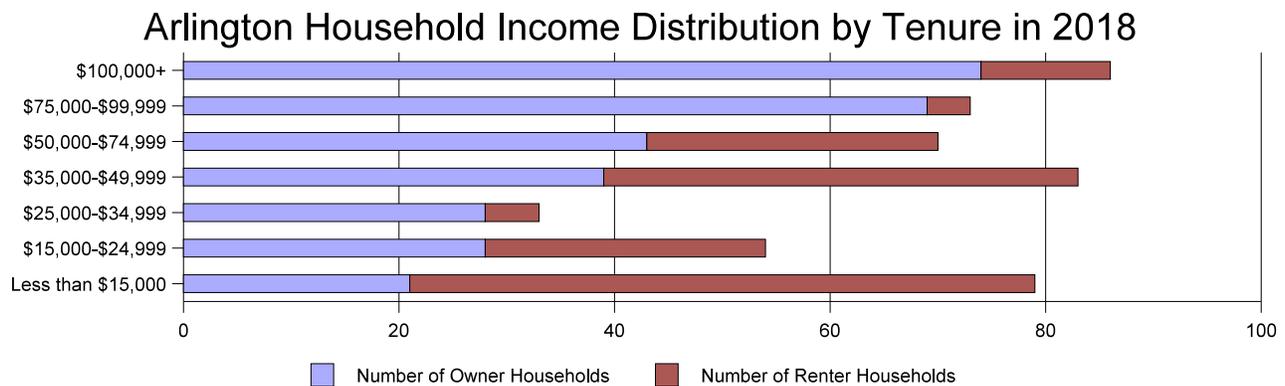
The 2018 American Community Survey overestimated the number of households in Arlington, however, the data is still a good indicator of income distribution in Arlington. According to income estimates contained in the 2018 American Community Survey, household incomes have improved in Arlington. When compared to the 2010 income data, the number of households with an income of \$75,000, or more, increased by 101 households. Conversely, there was a net decrease of 30 households with incomes less than \$35,000. However, there are still 133 households in Arlington that have an annual income below \$25,000, or approximately 28% of all households.

Arlington Income Distribution by Housing Tenure

The 2018 American Community Survey provides income data by owner and renter status. The following table examines income distribution in Arlington by tenure. As stated previously, the number of renters is probably too high, but the income distribution percentages are viewed as reasonably accurate.

Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	21/26.6%	58/73.4%	79
\$15,000 - \$24,999	28/51.9%	26/48.1%	54
\$25,000 - \$34,999	28/84.8%	5/15.2%	33
\$35,000 - \$49,999	39/47.0%	44/53.0%	83
\$50,000 - \$74,999	43/61.4%	27/38.6%	70
\$75,000 - \$99,999	69/94.5%	4/5.5%	73
\$100,000+	74/86.0%	12/14.0%	86
Total	302/63.2%	176/36.8%	478

Source: American Community Survey



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

In 2018, approximately 51% of all renter households in Arlington 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 \$28,750 in 2018. At 30% of income, a renter at the median level could afford approximately \$719 per month or less for housing costs.

Most owner households had a higher income level than rental households. Approximately 62% of all owner households had an annual income of \$50,000 or more. The estimated median household income for owners in 2018 was approximately \$70,000. At 30% of income, an owner at the median income level could afford approximately \$1,750 per month for housing costs.

2018 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 income for housing in Arlington.

The American Community Survey has probably over estimated the number of renter households in the City, but the distribution of housing cost is viewed as the best available information.

Table 15 Gross Rent as a Percentage of Household Income - 2018			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	53/40.4%	15/33.3%	68/38.6%
20% to 29.9%	27/20.6%	13/28.9%	40/22.7%
30% to 34.9%	9/6.9%	2/4.4%	11/6.3%
35% or more	30/22.9%	7/15.6%	37/21.0%
Not Computed	12/9.2%	8/17.8%	20/11.4%
Total	131	45	176

Source: American Community Survey

According to the American Community Survey, approximately 27% of the renters in the City were paying 30% or more of their income for rent. A significant majority of these households were actually paying 35% or more of their income for housing. 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".

Many of the renter households with a housing cost burden had an annual income below \$25,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$625 or less.

Senior citizen renters (age 65 and older) represented approximately 19% of the households with a rental cost burden. Households in the age ranges between 15 and 64 years old represented approximately 81% of all households with a rental cost burden.

2018 Estimated Income and Housing Costs - Owners

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

Table 16 Ownership Costs as a Percentage of Income - Arlington		
Percentage of Household Income for Housing Costs	Number of Owner Households 2018	Percent of All Owner Households 2018
0% to 19.9%	223	73.8%
20% to 29.9%	37	12.3%
30% to 34.9%	8	2.6%
35% or more	34	11.3%
Not Computed	0	0%
Total	302	100%

Source: American Community Survey

Most owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 14% of all home owners reported that they paid more than 30% of their income for housing. A significant majority of these households were paying more than 35% of income for housing costs.

Existing Home Sales

This section examines houses that have been sold in Arlington from 2015 through 2019. It is important to note that the number of houses that sell each year can vary and may not be an accurate indicator of overall home values in the City. However, this sample does provide some insight into those units that have turned-over during this time period.

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

The County also sorts the residential sales into different groupings, rejecting certain sales. The primary reason that sales are rejected is because the house was not actively listed for sale in the open market.

The County's sale year differs slightly from a calendar year, and begins on November 1st and extends to October 31st.

Table 17 Median Value of Recent Residential Sales - 2015 to 2019

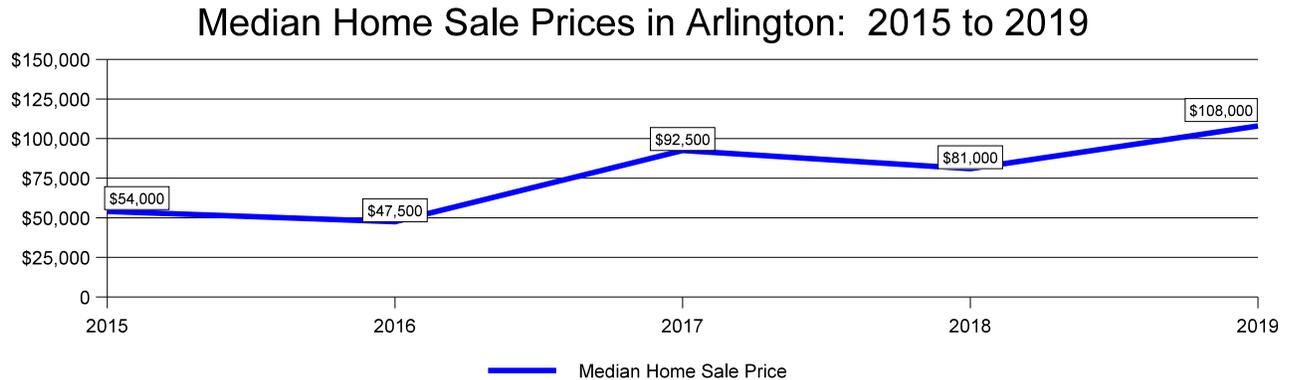
Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2019	19	\$108,000	\$295,000	\$17,500
2018	19	\$81,000	\$259,000	\$2,000
2017	20	\$92,500*	\$200,000	\$25,000
2016	14	\$47,500	\$195,000	\$5,000
2015	13	\$54,000	\$156,900	\$6,500

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

* Median calculated from two nearest sales

With a limited number of sales within any 12-month time period, there has been a wide variation in the annual median price. In 2016, the median was less than \$50,000, but by 2019, had moved above \$100,000.

Although the small sales sample may be misleading, it does appear that home sale prices in Arlington may have increased rapidly over the past few years.



In each of the years reviewed, at least one house in the City has sold for \$25,000 or less. Over the past three years there has been at least one house that has sold for \$200,000 or more. But the actual number of very high priced sales has been limited. Dating back to 2015, only four sales have been recorded for \$200,000 or more.

An alternate estimate of home values exists in the American Community Survey. In 2018, the estimated median value for all owner-occupied housing in Arlington was \$98,700. This estimate was higher than the median sale price for 2018, but is reasonably similar to the medians achieved over the past three years.

Arlington Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 260 single family/duplex houses in two of Arlington's oldest neighborhoods.

The boundaries of the two neighborhoods are as follows:

- ▶ Neighborhood #1: All homes north of the railroad tracks

- ▶ Neighborhood #2: North - Elm St.
South - Walnut St.
East - Main Street
West - Highland and Willow St.

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

Dilapidated was the lowest rating used. 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 18 Windshield Survey Condition Estimate - 2020

	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood #1	29/30.9%	43/45.7%	14/14.9%	8/8.5%	94
Neighborhood #2	67/40.4%	66/39.7%	29/17.5%	4/2.4%	166
Total	96/36.9%	109/41.9%	43/16.6%	12/4.6%	260

Source: Community Partners Research, Inc.

- ▶ Approximately 42% of the houses in the City's two oldest neighborhoods need minor repair and 17% need major repair. Approximately 37% of the houses are sound, with no required improvements. Twelve houses are dilapidated and possibly beyond repair.

Arlington Mobile Home Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 18 mobile homes located in the City of Arlington. The survey was conducted in December 2019.

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 19 Windshield Survey Condition Estimate - 2020					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Mobile Homes	4/22.2%	6/33.3%	7/38.9%	1/5.6%	18

Source: Community Partners Research, Inc.

- ▶ The mobile homes in Arlington are in fair condition. Approximately 33% of the mobile homes need minor repair and 39% need major repair. Approximately 22% are sound, with no required improvements.
- ▶ One mobile home was dilapidated and possibly beyond repair.

Building Permit Trends

Arlington has experienced some new housing construction activity over the past two decades. The following table identifies the units that have been constructed from 2000 to 2019.

Table 20 Arlington Housing Unit Construction Activity: 2000 to 2019			
Year	Single Family	Two or More Units	Total Units Constructed
2019	5	0	5
2018	3	0	3
2017	2	0	2
2016	1	0	1
2015	0	0	0
2014	3	0	3
2013	1	0	1
2012	1	0	1
2011	0	0	0
2010	1	0	1
2009	4	0	4
2008	2	0	2
2007	4	0	4
2006	2	0	2
2005	5	0	5
2004	1	0	1
2003	2	0	2
2002	3	0	3
2001	6	4	10
2000	2	4	6
TOTAL	48	8	56

Source: City of Arlington; Community Partners Research, Inc.

Over the past 20 years, 56 new housing units have been constructed in Arlington, based on building permit issuance information from the City of Arlington. Of the total units, 48 are single family homes and eight units are in townhomes.

During the 10-year period from 2000 through 2009 the City averaged approximately four new housing units per year. From 2010 to 2019, the City has averaged approximately one to two new units per year.

Rental Housing Data

Census Bureau Rental Inventory

According to the 2010 U.S. Census, there were 122 occupied rental units and 26 unoccupied rental units in Arlington, for a total estimated rental inventory of 148 units. The City's rental tenure rate in 2010 was 29.0%, below the Statewide rental rate of 31.9%.

Since 2010, no rental units have been constructed in Arlington. However, some owner-occupancy units may also have been converted to rental use since that time. Also, some rental units may have been removed from the housing stock due to their condition. It is estimated that in 2020 there are approximately 150 rental units in Arlington.

Rental Housing Survey

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

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

There were 104 housing units/beds of all types that were contacted in the survey. In addition to the 104 rental units/beds, the skilled nursing home, which has 37 beds, was surveyed.

The units that were successfully contacted include:

- ▶ 47 market rate units
- ▶ 54 federally subsidized units
- ▶ 3 senior assisted living units/beds
- ▶ 37 beds in the skilled nursing home

The findings of the survey are provided below.

Market Rate Summary

Information was obtained on 47 total rental units in Arlington. The 47 units are in two 7-plexes, three 8-plexes and nine single family homes.

Unit Mix

We obtained the bedroom mix on the 47 market rate units. The bedroom mix of the units is:

- ▶ one-bedroom - 22 (46.8%)
- ▶ two-bedroom - 20 (42.6%)
- ▶ three-bedroom - 4 (8.5%)
- ▶ four-bedroom - 1 (2.1%)

Occupancy / Vacancy

At the time of the survey, there were no vacancies in the 47 market rate units that were surveyed. The rental property owners and managers reported a high demand for rental units in Arlington. The manager of Country View Estates reported a waiting list for rental units.

Rental Rates

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

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

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

<u>Unit Type</u>	<u>Lowest/Highest Gross Rents</u>
One-bedroom	\$400-\$530
Two-bedroom	\$575-\$925
Three-bedroom	\$800-\$1,125
Four-bedroom	\$975

Please note that the four-bedroom rent is based on one unit.

Tax Credit Summary

There are no tax credit units in Arlington.

Subsidized Summary

The research completed for this Study identified three subsidized projects providing rental opportunities for lower income households. These projects have a combined 54 units. All three projects are general occupancy rental housing.

The three subsidized rental projects in Arlington include:

- ▶ **Parkview Apartments** - Parkview Apartments is a 34-unit USDA Rural Development General Occupancy Project. The project was constructed in the mid 1960s. The 34 units include 12 one-bedroom, 20 two-bedroom and two three-bedroom units.
- ▶ **Parkview II Apartments** - Parkview II Apartments is an eight-unit USDA Rural Development General Occupancy project. The eight units all have two bedrooms.
- ▶ **Parkview 10 Apartments** - Parkview 10 Apartments is a 12-unit USDA Rural Development General Occupancy Project. The 12 units are all one-bedroom units. The project was constructed in 1995.

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

Unit Mix

The bedroom mix breakdown for the 54 subsidized housing units in Arlington is as follows:

- ▶ one-bedroom - 24 (44.4%)
- ▶ two-bedroom - 28 (51.9%)
- ▶ three-bedroom - 2 (3.7%)

Occupancy / Vacancy

Nine vacancies were identified in the 54 subsidized units for a vacancy rate of 16.7%. At the time of the 2020 survey, Parkview Apartments had two vacancies, Parkview II Apartments had four vacancies and Parkview 10 Apartments had three vacancies. The manager of the projects reported that they typically have vacancies.

Subsidized Housing Gains/Losses

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

We are not aware of any subsidized projects in Arlington that have met their compliance requirements and are considering converting from subsidized to market rate rental housing.

Senior Housing with Services

Unit Inventory

Arlington has one senior with services housing project.

Avantara Arlington - Avantara Arlington is a licensed 40-bed skilled nursing facility. Three of the 40 beds are designated for assisted living residents, however, these beds are being phased out due to a change in regulations. At the time of the survey, there were no vacant beds in the facility.

Table 21 Arlington Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Brentwood I	6 - 1 bedroom <u>1 - 2 bedroom</u> 7 total units	\$425-\$450 \$800	No vacancies	General occupancy	Brentwood I is a 7-unit general occupancy project constructed in the 1970s. There are six one-bedroom units and one two-bedroom unit. The units have all been totally remodeled. Rent is \$425 to \$450 for the one-bedroom units and \$800 for the two-bedroom unit. The rent includes utilities. The owner reported no vacancies at the time of the survey.
Brentwood II	<u>8 - 1 bedroom</u> 8 total units	\$400-\$450	No vacancies	General occupancy	Brentwood II is a 7-unit general occupancy project constructed in the 1970s. All units are one-bedroom. The units have all been totally remodeled. Rent is \$400 to \$450 and the rent includes utilities. The owner reported no vacancies at the time of the survey.
Prairie House I	4 - 1 bedroom <u>3 - 2 bedroom</u> 7 total units	\$425-\$475 \$475-\$600	No vacancies	General occupancy	Prairie House I is a 7-unit general occupancy project constructed in the 1970s. There are four one-bedroom and three two-bedroom units. The units have been totally remodeled. Rent is \$425 to \$475 for a one-bedroom unit and \$475 to \$600 for a two-bedroom unit. One-bedroom renters also pay electricity and two-bedroom renters pay gas and electricity. The owners reported no vacancies at the time of the survey.
Prairie House II	4 - 1 bedroom <u>4 - 2 bedroom</u> 8 total units	\$350-\$450 \$450-\$475	No vacancies	General occupancy	Prairie House II is an 8-unit general occupancy project constructed in the 1970s. There are four one-bedroom and four two-bedroom units. The units haven't all been totally remodeled. Rent is \$350 to \$450 for a one-bedroom unit and \$450 to \$475 for a two-bedroom unit. Tenants also pay gas and electricity. The owner reported no vacancies at the time of the survey.

Table 21 Arlington Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Walter Rentals	<u>1 - 1 bedroom</u> <u>2 - 2 bedroom</u> 3 total units	\$625 \$700 and \$725	No vacancies	General occupancy	Walter Rentals includes one two-bedroom and two three-bedroom single family homes. Rent is \$625 for the two-bedroom homes and \$700 and \$725 for the three-bedroom homes. Tenants also pay utilities. The owner reported that the homes were all occupied at the time of the survey.
Mix Rentals	<u>3 - 2 bedroom</u> <u>1 - 3 bedroom</u> <u>1 - 4 bedroom</u> 5 total units	\$450 to \$725	No vacancies	General occupancy	Mix rentals includes three two-bedroom homes, a three-bedroom home and a four-bedroom home. Rents range from \$450 to \$725. Tenants also pay utilities. The owner reported that all of the homes were occupied at the time of the survey.
Dakota Resources Single Family Home	<u>1 - 3 bedroom</u> 1 total unit	\$925	No vacancy	General occupancy	Dakota Resources is a three-bedroom single family home. Rent is \$925 plus utilities. The home was occupied at the time of the survey.
Countryview Estates	<u>8 - 2 bedroom</u> 8 total units	\$700	No vacancies & waiting list	General occupancy	Countryview Estates is an eight-unit general occupancy market rate townhome project. The project was developed and owned by the Arlington HRC, but has been sold to a private entity. The townhomes include garages. Rent is \$700 plus utilities. The manager reports no vacancies and a waiting list at the time of the survey.

Table 21 Arlington Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Parkview Apartments	12 - 1 bedroom 20 - 2 bedroom <u>2 - 3 bedroom</u> 34 total units	\$425 \$536 \$646 30% of income	2 vacancies	Family	Parkview Apartments is a 34-unit USDA Rural Development Family Project constructed in the mid-1960s. There are 12 one-bedroom, 20 two-bedroom and two three-bedroom units. Tenants pay 30% of their income up to the market rent. The manger reported two vacancies at the time of the survey.
Parkview II Apartments	<u>8 - 2 bedroom</u> 8 total units	\$720 30% of income up to the market rent	4 vacancies	Family	Parkview II Apartments is an eight-unit USDA Rural Development Family Project. All of the units have two bedrooms. Tenants pay 30% of their income up to the market rent. The manager reported four vacancies at the time of the survey.
Parkview 10 Apartments	<u>12 - 1 bedroom</u> 12 total units	\$675 30% of income up to the market rent	3 vacancies	Family	Parkview 10 Apartments is a 12-unit USDA Rural Development Family Project constructed in 1995. All of the units have one bedroom. Tenants pay 30% of their income up to the market rent. The manager reported three vacancies at the time of the survey.
Senior Housing with Services					
Avantara Arlington	<u>40 beds</u> 40 total	Based on level of services	No vacant beds	Skilled nursing home	Avantara Arlington is a 40-bed skilled nursing home. Three beds are being utilized for assisted living, but are being phased out due to state regulations. At the time of the survey, all of the beds were occupied.

Source: Community Partners Research, Inc.

Employment and Local Economic Trends

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

Work Force and Unemployment Rates

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

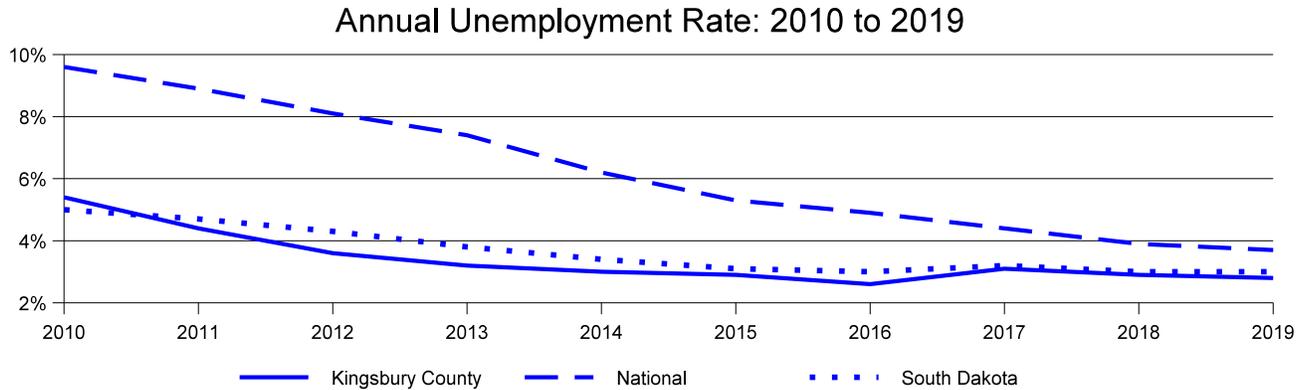
Table 22 County Annual Labor Statistics 2010 to 2019						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2010	2,868	2,713	155	5.4%	5.0%	9.6%
2011	2,874	2,747	127	4.4%	4.7%	8.9%
2012	2,971	2,865	106	3.6%	4.3%	8.1%
2013	2,873	2,780	93	3.2%	3.8%	7.4%
2014	2,879	2,793	86	3.0%	3.4%	6.2%
2015	2,751	2,670	81	2.9%	3.1%	5.3%
2016	2,740	2,668	72	2.6%	3.0%	4.9%
2017	2,678	2,596	82	3.1%	3.2%	4.4%
2018	2,675	2,597	78	2.9%	3.0%	3.9%
2019	2,704	2,627	77	2.8%	3.0%	3.7%

Source: South Dakota Department of Labor; Community Partners Research, Inc.
Not seasonally adjusted

Over the current decade, there has been a gradual reduction in the County’s resident labor force. Preliminary monthly information for 2019 does show a slight reversal in this pattern, but when annual statistics are issued this may be revised downward.

Even with some increase in 2019, the County’s available labor force has decreased by 164 people, or 5.7% between 2010 and 2019. The County’s employed work force has shown similar patterns, down by 86 people, or 3.2% from 2010 to 2019.

With the labor force decreasing at a faster rate than the employed work force, the County's unemployment rate has generally decreased over the decade. For 2019, the unemployment rate was only 2.8%. Since 2011, the County's unemployment rate has been lower than the Statewide rate, and well below the national average.



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 Kingsbury County and tracks the location of the job.

Table 23 County Average Annual Wages - 2018		
Industry	2018 Employment	Average Annual Wage
Total All Industry	1,695	\$37,232

Source: South Dakota Department of Labor & Regulation

The average weekly gross wage for all industry in 2018 was \$716 in Kingsbury County. At full-time employment, this would yield an annual average wage of \$37,232.

Commuting Patterns of Workers

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

Table 24 Commuting Times for Arlington Residents - 2018		
Travel Time	Number	Percent
Less than 10 minutes	201	36.9%
10 to 19 minutes	55	10.1%
20 to 29 minutes	159	29.2%
30 minutes +	129	23.7%
Total	544	100%

Source: American Community Survey

Most of Arlington’s residents were commuting 20 minutes or more to work in 2018, including nearly 24% that were traveling 30 minutes or more. However, nearly 37% of the City’s residents had a drive time that was less than 10 minutes, and presumably working in Arlington.

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

Table 25 Commuting Times for Arlington Employees - 2018		
Travel Time	Number	Percent
Less than 10 minutes	193	52.7%
10 to 19 minutes	83	22.7%
20 to 29 minutes	45	12.3%
30 minutes +	45	12.3%
Total	366	100%

Source: American Community Survey

For people that worked in Arlington, more than 75% traveled less than 20 minutes in 2018. Only 90 people traveled to Arlington from greater distances requiring a drive time of 20 minutes or more.

Findings on Growth Trends

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

Arlington's population increased by 9.3% from 1990 to 2000. The population increased from 908 in 1990 to 992 in 2000. From 2000 to 2010, Arlington's population decreased by 77 people, which was a population loss of 7.8%.

Applied Geographic Solutions estimates that Arlington had a loss of 49 people from 2010 to 2019, which is a decrease of 4.9%. The Census Bureau estimates that from 2010 to 2018, Arlington had a loss of 63 people. Esri contradicts AGS and the Census Bureau, and estimates that Arlington had a gain of 49 people from 2010 to 2019, which is an increase of 5.4%.

Kingsbury County's population decreased from 5,925 in 1990 to 5,815 in 2000, which was a decrease of 1.9%. The population continued to decline in the 2000s from 5,815 in 2000 to 5,148 in 2010, which was a loss of 11.5%.

AGS estimates that from 2010 to 2019, Kingsbury County had a loss of 248 people, a decrease of 4.8%. The U.S. Census estimate shows a loss of 299 people from 2010 to 2018. Esri contradicts these two estimates and believes that Kingsbury County added 87 people from 2010 to 2019.

Arlington experienced a gain of 20 households from 1990 to 2000 followed by a loss of four households from 2000 to 2010. AGS estimates that from 2010 to 2019, Arlington decreased by 43 households. Esri contradicts the AGS estimate and believes that Arlington gained 28 households during the same time period.

Kingsbury County added 49 households from 1990 to 2000 and had a loss of 184 households from 2000 to 2010. AGS estimates that from 2010 to 2019, Kingsbury County gained three households, and Esri estimates that Kingsbury County gained 46 households.

Findings on Projected Growth

This Study has utilized AGS and Esri projections for Arlington and Kingsbury County. AGS projects that Arlington will lose five people, but will gain seven households from 2019 to 2024. Esri projects that Arlington's population will increase by seven people and four households from 2019 to 2024.

AGS projects that from 2019 to 2024, Kingsbury County will lose 200 people and 51 households. Esri projects that Kingsbury County's population will decrease by 14 people and by four households from 2019 to 2024.

Summary of Arlington’s Growth Projections by Age Group

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

Esri projects a gain of four households in Arlington from 2019 to 2024. Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate much of the City’s growth in households in the 65 and older age ranges. Age projections expect the City to add approximately 27 households in the 65 and older age ranges.

Esri age-based projections also expect an increase of two households in the 45 to 54 age range. Esri projects that from 2019 to 2024, Arlington will lose eight households in the 15 to 34 age ranges and will lose 17 households in the 55 to 64 age range.

The projections assume that historical patterns will continue into the near-future, especially related to household formation and household size within specific age groups. If Arlington 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</u> <u>2019 to 2024</u>
15 to 24	-1
25 to 34	-7
35 to 44	0
45 to 54	2
55 to 64	-17
65 to 74	21
75 and Older	<u>6</u>
Total	4

Findings on Unit Demand by Type of Housing

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

Age 24 and Younger - The projections used for this Study expect a one-household loss in the 15 to 24 age range through the year 2024. Past tenure patterns indicate that approximately 79% of these households in Arlington will rent their housing. A slight decrease in the number of households in this age range should mean that rental demand from younger households will remain stable during the projection period.

25 to 34 Years Old - The projections show a decrease of seven households in this age range by 2024. Within this age range households often move from rental to ownership housing. The ownership rate among these households in Arlington was approximately 73% in 2018. A loss of households indicates decreased demand for both first-time home buyer and rental opportunities within this age range.

35 to 44 Years Old - The projections for this 10-year age cohort expect no change in the number of households between 2019 and 2024 in Arlington. In the past, this age group has had a high rate of home ownership in Arlington, at approximately 79%. 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 - For Arlington, the projections show a gain of two households in this age range. This age group's home ownership rate was approximately 80% in Arlington in 2018. These households will often look for trade-up housing opportunities. A slight gain in the number of households in this age group indicates that the demand for trade-up housing will remain stable during the projection period.

55 to 64 Years Old - The projections show a decrease of 17 households in this 10-year age range by the year 2024 in the City. This age range has traditionally a high rate of home ownership in Arlington, at approximately 81%. 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 strong gain of 21 households is expected by the year 2024 in the 65 to 74 age range, as all of the households in this age range are part of the baby boom generation. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. Approximately 71% of the households in this age range own their housing in Arlington. Once again, preferences for age-appropriate units would increase from household growth within this age cohort.

75 Years and Older - There is a projected increase of six households in Arlington in this age range between 2019 and 2024. An expansion of other 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 Arlington to gain between four to seven households from 2019 to 2024. Household losses of between four and 51 households are projected for all of Kingsbury County. Anticipated slight household growth in Arlington will yield limited demand for new housing production.

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

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

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

- ▶ **Arlington serves as a small regional center** - Arlington provides employment opportunities, retail/service options, health and professional services, governmental services and recreational facilities for a small geographical area that surrounds the City.
- ▶ **Affordable priced housing stock** - The City of Arlington has a stock of affordable, existing houses. Our analysis shows that the City's median home value is approximately \$91,250, based on existing home sales in 2018 and 2019. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Adequate land for development** - Arlington has land available for both residential and commercial/industrial development. However, some of this land needs to be serviced with infrastructure improvements and/or annexed into the City limits.
- ▶ **Educational system** - Arlington has an excellent public K-12 school system.
- ▶ **Health facilities** - Arlington has a medical clinic and a nursing home.
- ▶ **Infrastructure** - Arlington's water, sewer and electric infrastructure can accommodate future expansion.
- ▶ **Commercial development** - Arlington's commercial district is adequate to meet most daily needs.
- ▶ **Arlington Housing and Redevelopment Commission** - The Arlington Housing and Redevelopment Commission is active in addressing Arlington's housing needs and has constructed rental housing and single family spec homes.
- ▶ **Arlington Community Development Corporation** - The Arlington Community Development Corporation has been very active in promoting economic development and housing in Arlington.

- ▶ **Housing development** - Over the past three years, 10 housing units have been constructed in Arlington.
- ▶ **Arlington is located near regional centers** - Arlington is located 20 miles from Brookings, 37 miles from Watertown and 25 miles from Madison. These cities provide employment opportunities, retail/service options, educational opportunities, health care facilities and cultural amenities. Some households prefer to live near, but not in a regional center.
- ▶ **Employers** - Arlington has several employers that provide excellent job opportunities for local residents.
- ▶ **Brookings market** - Over the next five years, a substantial number of housing units will be constructed in the Brookings area. Arlington has the opportunity to capture a portion of this market.
- ▶ **Population and household growth** - Esri projects that there will be limited population and household growth from 2019 to 2024 in the City of Arlington.
- ▶ **Commuters** - Approximately 90 employees are commuting 20 minutes or more into Arlington daily for work. These longer-distance commuters are a potential market for future housing construction.
- ▶ **Available lots** - There are residential lots available in Arlington at an affordable price.

Barriers or Limitations to Housing Activities

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

- ▶ **Age and condition of the housing stock** - While the existing stock is affordable, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Low rent structure** - The area's rent structure is relatively low, which makes it difficult to construct new rental housing.
- ▶ **Value-gap deters new owner-occupied construction** - Based on market values from recent residential sales, we estimate that the median priced home in Arlington is valued at approximately \$91,250. This is below the comparable cost for new housing construction, which will generally be above \$200,000 for a stick built home with commonly expected amenities. This creates a value gap between new construction and existing homes.
- ▶ **Close Proximity to Brookings, Watertown and Madison** - Although it is a strength to be located in close proximity to Brookings, Watertown and Madison, it is also a barrier as Arlington must compete with these cities, which offer attractive residential opportunities and other amenities and services.
- ▶ **Lower paying jobs** - Although Arlington has several large employers, some jobs are at the lower end of the pay scale and employees with these jobs have limited housing choices.
- ▶ **New rental housing** - The development of new rental housing has been limited over the past 20 years.
- ▶ **Staff capacity limitations** - Although the City has access to several housing agencies, it is difficult to develop and implement housing initiatives with limited resources.

Recommendations, Strategies and Housing Market Opportunities

Based on the research contained in this study, and the housing strengths and barriers identified above, we believe that the following recommendations are realistic options for Arlington. 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 Arlington 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 Arlington will be heavily dependent on the City's appeal as a residential location. The condition of the existing housing stock is a major factor in determining the City's long-term viability. The existing housing stock is in good condition and is a major asset, however, rehabilitation efforts are needed to preserve the housing stock.
- ▶ **Protect the existing assets and resources** - Arlington has many assets including a K-12 school, employers, a downtown commercial district, a nursing home, a medical clinic, etc. These are strong assets that make Arlington 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 USDA Rural Development, the South Dakota Housing Development Authority, the First District Association of Governments, Inter-Lakes Community Action Agency, Inc., Grow South Dakota, Homes Are Possible, Inc. and Dakota Resources. These resources should be accessed as needed to assist with housing activities.

Summary of Findings/Recommendations

The findings/recommendations for the City of Arlington have been formulated through the analysis of the information provided in the previous sections and include 20 recommendations. The findings/recommendations have been developed in the following five categories:

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

The findings/recommendations for each category are as follows:

Rental Housing Development

1. Develop 12 to 15 general occupancy market rate rental units
2. Monitor the need for the development of additional general occupancy moderate rent/income restricted or subsidized rental housing units
3. Consider the development of 14 to 18 senior with services units
4. Promote the development/conversion of four to six affordable market rate rental housing units
5. Develop a downtown mixed-use commercial/housing project
6. Continue to utilize the Housing Choice Voucher Program
7. Preserve the existing supply of subsidized housing

Home Ownership

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

Single Family Housing Development

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

Housing Rehabilitation

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

Other Housing Issues

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

Arlington - Recommendations Rental Housing Development

Rental Housing Development

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

From 2010 to 2019, no rental units have been constructed in Arlington. The most recent rental units constructed in Arlington were two four-plexes constructed by the Arlington Housing and Redevelopment Commission in 2000 and 2001.

In addition to the four-plexes, some single family homes were converted from owner-occupied to rental use over the past two decades.

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

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

Our household projections for Arlington from 2019 to 2024 expect household growth. It is projected that there will be a four to seven-household gain in Arlington. It is projected that approximately 50% of the new households in Arlington will be rental households, thus, there will be a demand of approximately two to four additional rental units due to household growth over the next five years.

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

Pent-up demand also exists. As part of this study, a rental survey was conducted. A total of 47 rental units in five multifamily buildings and nine single family homes were contacted. The survey found no vacancies in the general occupancy market rate units. The senior with services facility also reported no vacancies. However, the subsidized units had a 16.7% vacancy rate.

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

These three demand generators, after factoring current vacancy rates, show a need for 30 to 39 rental units over the next five years. Based on the factors stated above, we recommend the development of the following new rental units over the next five years from 2020 to 2025.

▶ General Occupancy Market Rate	12-15 units
▶ Income-restricted/Subsidized	0 units
▶ Affordable/Conversions	4-6 units
▶ Senior Independent/Light Services	<u>14-18 units</u>
Total	30-39 units

1. Develop 12 to 15 general occupancy market rate rental units

Findings: Approximately 64% of the rental housing in the City of Arlington can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

Of the 47 market rate rental units we surveyed, we found no vacancies. A healthy vacancy rate is 3% to 5%. The owners and managers of rental properties, reported very high occupancy rates and strong demand for rental housing. The manager of Countryview Estates reported a waiting list.

There is a variation in rental rates in the market rate segment in the City of Arlington. The existing rent range including utilities is \$400 to \$530 for a one-bedroom unit, \$575 to \$925 for a two-bedroom unit and \$800 to \$1,125 for a three-bedroom unit. Only one four-bedroom unit was surveyed and the rent plus utilities is approximately \$975.

From 2000 to 2019, eight conventional market rate rental projects were constructed. These units were constructed in 2000 and 2001. Also, some single family homes converted from owner-occupancy to rental units partially due to the downturn in the economy. No market rate rental units have been constructed in Arlington since 2001.

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 production of 12 to 15 market rate rental units over the next five years from 2020 to 2025.

Based on our research, there is a need for larger rental units, thus, the majority of the new units constructed over the next five years should be two and three-bedroom units.

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

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

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

The first option to developing market rate housing would be to encourage private developers to undertake the construction of market rate rental housing. If private developers do not proceed, the Arlington Housing and Redevelopment Commission or the Arlington Community Development Corporation could potentially utilize essential function bonds, or similar funding sources, to construct market rate units. The Arlington Housing and Redevelopment Commission developed eight market rate units in 2000 and 2001.

Also, the Arlington Housing and Redevelopment Commission or the Arlington Community Development Corporation could partner with private developers to construct additional units. The City could assist with land donations, tax increment financing, tax abatement, reduced water and sewer hookup fees, etc.

Recommended unit mix, sizes and rents for the Arlington Market Rate Housing Units:

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	2-3	650 - 800	\$750 - \$900
Two Bedroom	8-9	850 - 1,000	\$800 - \$1,000
Three Bedroom	2-3	1,100 - 1,200	\$900 - \$1,200
Total	12-15		

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

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

2. Monitor the need for the development of additional general occupancy moderate rent/income-restricted or subsidized rental housing units

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

The research completed for this Study identified three subsidized projects in Arlington, which have a combined 54 units. All three projects are general occupancy rental housing. Subsidized housing utilizes federal resources that provide a “deep subsidy”, allowing very low income people access to the housing at an affordable price.

The three subsidized rental projects in Arlington are:

- ▶ **Parkview Apartments** - Parkview Apartments is a 34-unit USDA Rural Development General Occupancy Project. The project was constructed in the mid 1960s. The 34 units include 12 one-bedroom, 20 two-bedroom and two three-bedroom units.

- ▶ **Parkview II Apartments** - Parkview II Apartments is an eight-unit USDA Rural Development General Occupancy project. The eight units all have two bedrooms.
- ▶ **Parkview 10 Apartments** - Parkview 10 Apartments is a 12-unit USDA Rural Development General Occupancy Project. The 12 units are all one-bedroom units. The project was constructed in 1995.

In January 2020, there were nine vacancies in the three subsidized projects, which is a 16.7% vacancy rate. Parkview Apartments had two vacancies, Parkview 10 Apartments had four vacancies and Parkview II Apartments had four vacancies. The manager of the projects reported that the projects typically have vacancies.

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

The 2018 American Community survey estimated that approximately 27% of all renters in the City of Arlington were paying 30% or more of their income for rent, which is approximately 48 households. The significant majority of these households were actually paying 35% or more of their income for housing.

Recommendation: Over the next five years, we recommend that the City of Arlington and the Arlington Housing and Redevelopment Commission monitor the need for additional subsidized units in Arlington in the future. Currently, there are vacancies in the City’s subsidized rental projects.

It is our recommendation that the City, the Arlington Housing and Redevelopment Commission and the Arlington Community Development Corporation, work with the project’s owners, USDA Rural Development, the South Dakota Housing Development Authority and area housing agencies to determine what actions can be taken to increase the project’s occupancy rate to better address Arlington’s rental housing needs and to assure that the subsidized projects are a continued strong community asset.

Actions could include purchase of a project, combining smaller units to develop larger units, renovations, converting some of the projects to market rate, lowering the market rent, etc.

3. Consider the development of 14 to 18 senior independent/light services units

Findings: The City of Arlington currently has one senior with services facility, Avantara Arlington. Avantara Arlington has 37 licensed long-term care and three assisted living beds. However, the three assisted living beds will be phased out.

At the time of the survey, there were no vacant beds in the facility.

Recommendation: In 2019, Arlington had approximately 208 people and 147 households over the age of 65. After the three assisted living beds are phased out in Avantara Arlington, there will be no assisted living or independent light services units in Arlington.

Therefore, we are recommending a 14 to 18-unit senior with services project in Arlington. The project should be designed for flexibility to allow seniors to live in a unit independently, or to rent a unit and utilize a low level of senior services such as a noon meal and housekeeping. Ideally the project would allow seniors to age in place and purchase home health care services as needed in the future. If possible, this project should be attached to or in close proximity to Avantara Arlington, which would allow for the delivery of services.

The new project is intended to complement Avantara Arlington by providing a housing option that currently does not exist in the City.

The project's amenities and features should include:

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

Apartment features should include:

- ▶ 14 to 18 units
 - ▶ 10 to 12 one-bedroom
 - ▶ four to six two-bedroom
- ▶ Fully equipped kitchen
- ▶ Large storage room
- ▶ Ample closet space
- ▶ Laundry hookups
- ▶ Open floor plan
- ▶ Private patio
- ▶ Individually controlled heat and AC
- ▶ Raised outlets, lever door handles, lowered kitchen cabinets
- ▶ Expansive windows

Optional services should be made available including meals, housekeeping, bathing, laundry, etc.

It would be advantageous to attach this project to Avantara Arlington, which would allow the project to utilize existing staffing and services.

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

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

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

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

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

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

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

The estimated prevailing rent range for older rental units in Arlington is typically between \$400 and \$650 per month. Creating some additional units with contract rents below \$650 per month would help to expand the choices available to a majority of the City's renter households.

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

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

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

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

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

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

The rental units should be primarily market rate units, but could be mixed income with some moderate income units. The units should be primarily one-bedroom and two-bedroom units. Please note that these units are not in addition to the units recommended in the first and second recommendations of this section. If a mixed use building was constructed, the number of units recommended previously should be reduced.

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

6. Continue to Utilize the Housing Choice Voucher Program

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

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

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

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

7. Preserve the existing supply of subsidized housing

Findings: Arlington has three “deep subsidy” rental housing projects that allow tenants to pay rent based on 30% of income. These projects were constructed in the 1980s and 1990s when the federal government was actively involved in producing low income housing.

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. Subsidized housing that is lost cannot be cost-effectively replaced with the low income housing production resources that are available today.

Recommendation: The South Dakota Housing and Development Authority (SDHDA) tracks subsidized housing in South Dakota that is at risk of being lost. Also, USDA Rural Development would know of any projects leaving their subsidy program.

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

Arlington - Home Ownership Recommendations

Home Ownership

Findings: Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base. The median owner-occupied home value in Arlington is estimated to be approximately \$91,250 based on recent sales activity. The home values in Arlington provide a good opportunity for first time buyers and households seeking moderately priced homes.

From 2019 to 2024, the 65 and older age ranges are projected to add 27 households and the 45 to 54 age range is projected to add two households. The households in the 44 and younger age ranges are expected to lose a minimal number of households. Some households in all age ranges that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase a home.

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

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

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

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

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

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

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

Funding sources for home ownership programs may include USDA Rural Development, the South Dakota Housing Development Authority, and the Federal Home Loan Bank. Also, Homes Are Possible, Inc. (HAPI) and Grow South Dakota utilize several funding sources to provide home ownership programs.

9. Monitor the need to develop a Purchase/Rehabilitation Program

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

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

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

Recommendation: Based on our interviews, some private individuals are purchasing homes in Arlington, rehabbing the homes and selling the homes. This increases home ownership, rehabilitates substandard homes and revitalizes neighborhoods.

Therefore, we recommend that the City of Arlington monitor the need to develop and implement a purchase/rehab program. Currently, the private sector appears to be addressing this housing opportunity. Attitudinal surveys that we have conducted in other cities have found that purchase/rehabilitation programs are appealing to people who are currently renting their housing. In some similar sized communities, a large majority of survey respondents who were renters indicated an interest in buying a home in need of repair if rehabilitation assistance was available.

Although we are not recommending the development and implementation of a purchase/rehabilitation program, we encourage households to work with area housing agencies and financial institutions to obtain rehabilitation assistance in conjunction with first-time home buyer programs. Also, USDA Rural Development provides purchase/rehabilitation loans to low and moderate income buyers.

Arlington - New Housing Construction

New Housing Construction

Findings: Arlington has experienced some single family owner-occupied housing construction from 2000 to 2019. According to City and Census Bureau records, over the past 20 years approximately 48 single family owner-occupied units were constructed in Arlington, for an average of two to three housing units per year.

From 2000 to 2009, 31 single family units were constructed. This is an average of three units per year. From 2010 to 2019, 17 single family units were constructed, which is an average of 1.7 units per year. However, in 2019 there were five single family homes constructed, which is the most units constructed in a year since 2005.

The City's amenities, recent new housing construction and affordable attractive residential lot options, and the City's proximity to Brookings, should result in the continued construction of new homes annually.

Overall household projections for Arlington indicate some demand for owner-occupancy housing construction. Household growth is anticipated through 2024 among several household age ranges. Arlington is projected to gain approximately 27 households in the 65 and older range from 2019 to 2024. Households in these age ranges tend to be predominantly home owners, and form a market for higher priced, trade-up housing and low maintenance housing such as town homes and twin homes.

The 35 to 54 age ranges are expected to remain relatively stable with an increase of two households through 2024. Some of the households in these age ranges are first time home buyers or are looking for trade-up housing.

It is our opinion that if the City, the Community Development Corporation, the Housing and Redevelopment Commission, SDHDA, local employers and builders are proactive, 16 to 20 houses can be constructed in Arlington over the next five years. This projection is based on the ongoing availability of lots for single family homes and twin homes/town homes at all price ranges.

The breakdown of our projection of 16 to 20 new owner-occupied housing units over the next five years is as follows:

▶ Higher & medium price homes	5-6 homes
▶ Affordable homes	7-8 homes
▶ Twin homes/town homes	<u>4-6 units</u>
Total	16-20 homes/units

10. Lot Availability and Lot Development

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

The Dakota Sunset (Johnson) Addition is a 32-lot residential subdivision located in Arlington. There are 22 remaining lots for sale. The lot sale price is \$15,000 to \$21,000. The subdivision is owned by the South Dakota Housing Development Authority.

There are also a few infill lots that are potentially available in the City. Additionally, there may be a few dilapidated houses in the City that could be demolished and the cleared lots could be suitable for new construction.

Recommendation: We use a standard that a 2.5-year supply of lots should be available in the marketplace, based on annual lot usage. Using our projections that four to five houses will be constructed annually, an adequate supply of lots would be 10 to 13 lots. With 22 lots available in the Johnson Addition and the availability of a few infill lots, there is currently an adequate number of lots in Arlington. However, some lots should be available for attached unit construction, such as twin homes or town houses. Also, if the projected number of housing units is constructed over the next several years, additional lots may be needed near the end of the five-year projection period.

The City of Arlington, the Arlington Community Development Corporation and private developers should continue to plan for future subdivision and lot development.

Currently, the City of Arlington and the Arlington Community Development Corporation are identifying sites for future lot development.

11. Strategies to encourage continued residential lot sales and new home construction in Arlington

Findings: From 2010 to September 2019, approximately 17 owner-occupied single family units have been constructed in Arlington.

Recommendation: We recommend that the City of Arlington, the Arlington Community Development Corporation, the Arlington Housing and Redevelopment Commission, 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:

- ▶ ***Partnership with the South Dakota Housing Development Authority (SDHDA)*** - SDHDA owns the Johnson Subdivision and is motivated to sell the remaining lots. SDHDA has housing programs available to assist builders and home buyers. The City and the Community Development Corporation should continue to work with SDHDA and regional housing agencies to develop a plan that includes programs and strategies to sell lots and construct homes.
- ▶ ***Competitive pricing*** - There are lots available in communities throughout the region. To attract new home construction in Arlington, lots should continue to be available and competitively-priced compared to other options in the region.
- ▶ ***User-Friendly*** - The lot purchase and home building process must continue to be 'user friendly.' This includes an inventory of available lots, the construction of spec homes, builders that are readily available to build custom homes and city regulations that are fair and reasonable. The entire process must be as 'user friendly' as possible to encourage home construction.
- ▶ ***Long-term planning*** - The City of Arlington and the Arlington Community Development Corporation should continue long-term development planning to assure lots are available on an ongoing basis to meet demand for all types of new housing.

- ▶ ***Continue to 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. The Arlington Housing and Redevelopment Commission has constructed three spec homes in the Johnson Subdivision.
- ▶ ***Incentives*** - Some cities and counties throughout South Dakota are offering incentives to construct new homes, including reduced lot prices, reduced water and sewer hookup fees, cash incentives, etc. Incentives should be considered to promote new home construction if new home construction slows over the next several years.
- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a demand for twin homes/town homes over the next five years. Lots should be available for a twin home/town home development.
- ▶ ***Range of house prices*** - Lots should be available to as wide a range of home sizes and prices as possible, without compromising the subdivision. This broadens the lot buyer market. Also, smaller infill lots with fewer amenities should be marketed for affordable homes.
- ▶ ***Marketing*** - The City of Arlington and all housing stakeholders will need to continue marketing the sale of available lots and new home construction. Developers, realtors, financial institutions, builders, employers, the Arlington Community Development Corporation, the Arlington Housing and Redevelopment Commission, etc., should all be involved in developing marketing strategies. In addition to marketing the lots, the City of Arlington and its amenities should continue to be marketed.
- ▶ ***Governors Homes*** - Governors Homes are an affordable option and SDHDA has initiated a program that enables developers to participate in the 'Governor's Home Program.'
- ▶ ***Manufactured/modular homes*** - Manufactured and modular homes can provide affordable housing opportunities for moderate income households.

- ▶ ***In-fill lot Home Development*** - In-fill lots in existing neighborhoods are often affordable and have existing City services. Some housing agencies and nonprofits develop affordable homes on in-fill lots.

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

Findings: There are several housing agencies and nonprofit groups that have the capacity to construct new housing in Arlington, including the Arlington Housing and Redevelopment Commission, the Arlington Community Development Corporation, Grow South Dakota, Interlakes Community Action Partnership and HAPI, Inc.

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

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

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

13. Promote twin home/townhome development

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

In many cities the size of Arlington, approximately 20% to 25% of the new ownership housing constructed are twinhomes/townhomes. In Arlington, from 2010 to 2019 no owner-occupied twin homes or townhomes have been constructed.

In 2019, Arlington had 244 households and Kingsbury County had 1,310 households in the 55 and older age ranges. These age ranges are expected to have an increase of six households in Arlington and 59 households in Kingsbury County from 2019 to 2024. Household growth among empty-nester and senior households should result in increased demand for attached single family units. It is likely that demand for attached housing units will also be dependent on the product's ability to gain additional market acceptance among the households in the prime target market, and among other households.

Recommendation: It is our projection that approximately four to six new owner-occupied twin home or townhome units could be constructed in Arlington over the next five years. Our projection is based on the availability of an ideal location for twin home development as well as high quality design and workmanship.

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

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

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

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

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

Arlington - Housing Rehabilitation

Housing Rehabilitation

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

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

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

14. Promote rental housing rehabilitation

Findings: Based on the American Community Survey, the City of Arlington had approximately 150 rental units in 2018. These rental buildings are in multi-family projects, small rental buildings and single family homes. Approximately 88% of these rental structures are more than 30 years old and could benefit from rehabilitation as some of these rental structures are in need of renovation.

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 Arlington should work with rental property owners and housing agencies to seek funds that allow for program design flexibility that make a rental rehabilitation program workable. Potential funding sources may include USDA Rural Development, Grow South Dakota, HAPI, Inc., the South Dakota Housing Development Authority and the Federal Home Loan Bank.

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

15. Promote owner-occupied housing rehabilitation efforts

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

Approximately 77% of the owner-occupied single family homes in Arlington are more than 30 years old.

Our 2020 housing condition survey of 260 homes in two of Arlington's older neighborhoods found 109 homes that need minor repairs and 43 homes that need major repairs. Without rehabilitation assistance, the affordable housing stock will shrink in Arlington.

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

Interlakes Community Action Partnership currently has several housing programs to assist households with the rehabilitation of their homes including the Self Help Rehabilitation Program and programs utilizing HOME funds.

Some programs offer households that meet program requirements, a deferred loan to rehabilitate their homes. Deferred loans do not have to be paid back if the household lives in the rehabilitated home for a stipulated amount of time after the rehabilitation is completed. We encourage Arlington households to utilize these housing rehabilitation programs.

Arlington - Other Housing Initiatives

Other Housing Initiatives

16. Continue to acquire and demolish dilapidated structures

Findings: Approximately 57% of the housing units in Arlington are more than 40 years old. A large majority of these units are in good condition, however, the housing condition survey did identify 12 houses that are dilapidated and beyond repair. To improve the quality of the housing stock and to maintain the appearance of the City, dilapidated structures should be demolished. Over the past few years, several dilapidated homes have been demolished in Arlington.

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

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

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

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

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

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

18. Encourage employer involvement in housing

Findings: The City of Arlington has several large employers. Also, on an ongoing basis, the City and the Arlington Community Development Corporation have been working with existing employers to expand and for new employers to locate in Arlington. The connection between economic development and housing availability has become an increasingly important issue as low area unemployment rates dictate the need to attract new workers into the community.

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

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

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

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

19. Strategies for Commercial District Redevelopment/Development

Findings: Arlington has a vibrant commercial district that addresses many of the daily retail/commercial needs of its residents. Arlington 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. 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 Arlington:

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

- ▶ Identify funding sources
 - ▶ Property owner funds
 - ▶ City funds
 - ▶ Development Corporation funds
 - ▶ Federal Home Loan Bank
 - ▶ Special tax districts
 - ▶ Funds from South Dakota State Agencies
 - ▶ Sales Tax Funds
 - ▶ Housing and Redevelopment Commission

- ▶ Work with stakeholders to identify roles, to secure funding, to develop and implement programs and projects
 - ▶ Property owners
 - ▶ City of Arlington
 - ▶ Arlington Community Development Corporation
 - ▶ Arlington Housing and Redevelopment Commission
 - ▶ First District Association of Governments

20. Develop home ownership and new construction marketing programs

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

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

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

Agencies and Resources

The following regional and state agencies administer programs or provide funds for housing programs and projects:

InterLakes Community Action Partnership

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

First District Association of Governments

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

Homes Are Possible, Inc.

320 S. Main St.
Aberdeen, SD 57401
(605) 225-4274

South Dakota Housing Development Authority

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

USDA Rural Development

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

Brookings Housing and Redevelopment Commission

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

Grow South Dakota

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