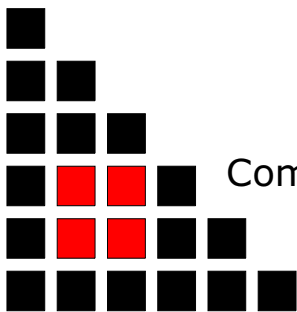


Alcester HOUSING STUDY

June 2023

An analysis of the overall housing needs
of the City of Alcester, SD



Community Partners Research, Inc.
Faribault, MN

List of Sections

| | <u>Page</u> |
|---|-------------|
| Introduction | 2 |
| Demographic and Projection Data | 4 |
| Existing Housing Data | 25 |
| Rental Housing Inventory | 33 |
| Regional MSA Data | 41 |
| Employment and Local Economic Trends Analysis | 48 |
| Findings and Recommendations | 55 |
| Summary of Findings/Recommendations | 65 |
| Rental Housing Development Recommendations | 67 |
| Home Ownership Recommendations | 78 |
| New Housing Construction Recommendations | 82 |
| Housing Rehabilitation Recommendations | 89 |
| Other Housing Initiatives | 92 |
| Agencies and Resources | 97 |

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

Community Partners Research, Inc., was hired by the City of Alcester to conduct a study of the housing needs and conditions in the community.

Goals

The multiple goals of the study include:

- ▶ Provide current demographic data including the 2020 Census
- ▶ 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 January to May, 2023. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Applied Geographical Solutions, Inc., a data reporting service
- Esri, a private data company
- Records and data from the City
- Records and data maintained by Union County
- Interviews with housing stakeholders
- 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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Section Table of Contents

| | <u>Page</u> |
|--|-------------|
| Demographic Data Overview | 5 |
| Population Data and Trends | 6 |
| Population by Age Trends: 2010 to 2022 | 8 |
| Population Projections | 10 |
| Household Data and Trends | 11 |
| Household by Age Trends: 2010 to 2022 | 13 |
| Average Household Size | 15 |
| Household Projections | 16 |
| Household Projections by Age | 18 |
| Housing Tenure | 20 |
| Median Income Data | 21 |
| Household Income Distribution by Tenure | 22 |
| Estimated Income and Housing Costs - Renters | 23 |
| Estimated Income and Housing Costs - Owners | 24 |

Demographic Data Overview

Sources of Data

The following pages contain demographic data obtained from a variety of local, state and national sources for Alcester and Union County. Some data is also included for the Sioux City Metropolitan Statistical Area (MSA). In 2020, the Sioux City MSA included Union County, Woodbury County, IA, Dakota County, NE, and Dixon County, NE. In the past, Plymouth County, IA, had also been included as part of the MSA. In the historical data tables that follow, Plymouth County has been removed from the MSA information.

When the demographic research for this Study was completed, the Census Bureau had released initial data from the 2020 U.S. Census including totals for population, households and housing units. The more detailed tables on age distribution and housing occupancy will not be available until late May 2023. The available Census information has been incorporated into the analysis that follows, but for other demographic variables, including age distribution, sources other than the 2020 Census have been used.

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

The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For most jurisdictions in South Dakota, the 2021 estimates were derived from sampling that was done over a five-year period, between 2017 and 2021. Unless otherwise noted, the American Community Survey estimates are based on the five-year survey data.

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. The AGS estimates are for 2022, with projections to 2027 and have been used for this Study. AGS's estimates and projections were issued after the release of preliminary 2020 Census data and have generally been reconciled to be consistent with the Census totals.

Prior to using AGS, the State had used Esri, Inc., for community profiles. The analysts have also utilized estimates and projections from Esri. Esri's estimates are for 2022 and were also released after the Census.

Population Data and Trends

| Table 1 Population Trends - 1990 to 2020 | | | | | | |
|---|-------------|-------------|--------------------|-------------|--------------------|-------------|
| | 1990 Census | 2000 Census | % Change 1990-2000 | 2010 Census | % Change 2000-2010 | 2020 Census |
| Alcester | 843 | 880 | 4.4% | 807 | -8.3% | 820 |
| Union County | 10,189 | 12,584 | 23.5% | 14,399 | 14.4% | 16,811 |
| Sioux City MSA | N/A | 143,053 | N/A | 143,577 | 0.4% | 149,940 |

Source: U.S. Census

- ▶ The release of population totals from the 2020 U.S. Census has established a new benchmark for the number of people residing in each jurisdiction. The Census total had an effective date of April 1, 2020.
- ▶ At the time of the 2020 U.S. Census, Alcester had 820 permanent residents. When compared to the 2010 Census, the City had a population gain of 13 people over the decade, for an increase of 1.6%. However, as will be discussed on the following page, the population growth after 2010 appears to be connected to “group quarters” residents.
- ▶ The longer-term pattern shows very limited population change in the community. The City added population in the 1990s, before losing residents between 2000 and 2010. As a result, the City’s population in 2020 was 23 people smaller than had been present at the time of the 1990 Census.
- ▶ Union County’s population was 16,811 in 2020, up by 2,412 people from 2010, for an increase of 16.8%. In each of the past three decades, the County’s population has increased by more than 14%.
- ▶ The Sioux City Metropolitan Statistical Area’s (MSA) population was 149,940 people in 2020, up by 6,363 people from 2010, for an increase of 4.4%. After limited growth between 2000 and 2010, the MSA did add a substantial number of people over the most recent decade.
- ▶ Applied Geographic Solutions (AGS), has produced population estimates for 2022 for jurisdictions in South Dakota. Their population estimate for Alcester was 822 people in 2022, very similar to the 2020 Census count of 820 people.

- ▶ Esri's population estimate for 2022 showed 1,011 people living in the City, well above the 2020 Census count of 820 people, but two years forward in the effective date. The analysts are unable to find supporting evidence for the Esri estimate. It is probable that this source has over estimated the City's current demographic profile.
- ▶ The 2022 AGS estimate for Union County was 16,963, higher than the 2020 Census count of 16,811 people.
- ▶ Esri's 2022 population estimate for Union County showed 17,346 people. This estimate was well above the 2020 Census count of 16,811 residents living in the County.

Population Characteristics

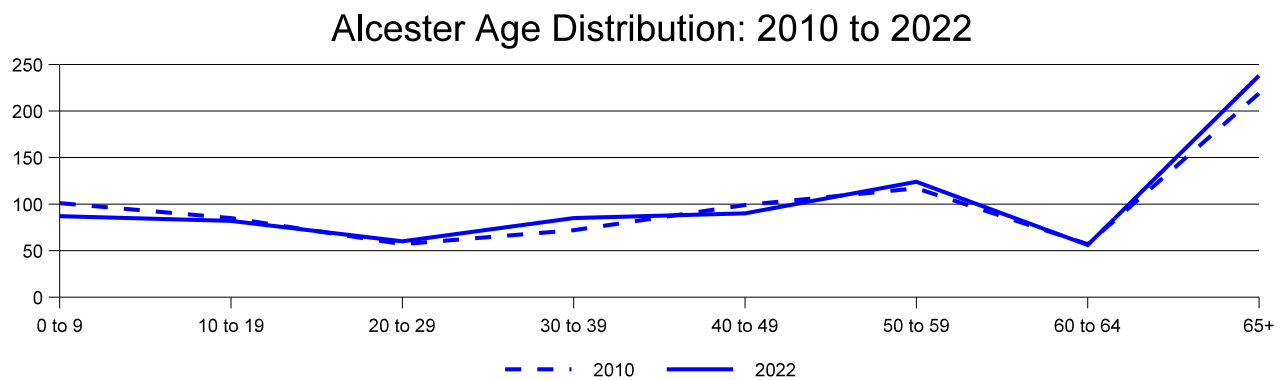
- ▶ At the time of the 2020 Census, there were 71 Alcester residents that were living in "group quarters" housing, including 48 people in skilled nursing facilities and 23 people in some type of noninstitutionalized facility, such as a group home.
- ▶ In 2010, there were 45 group quarters residents in Alcester living in skilled nursing facilities, similar to the 48 people counted in 2020. However, there were no people in 2010 in noninstitutional facilities in 2010. The addition of 23 people in group quarters housing was greater than the overall population increase for the City over the last decade.
- ▶ According to the 2020 Census, more than 93% of the City's residents listed their race as "White". Approximately 3.3% of people were identified as "Two or More Races".
- ▶ Approximately 2.2% of the City's residents were of Hispanic/Latino ethnic origin.

Population by Age Trends: 2010 to 2022

The 2020 Census will not release age-based population information until later in 2023. Estimates are available from Applied Geographic Solutions and have been compared to the 2010 Census to examine the changing age patterns for Alcester in recent years.

| Table 2 Alcester Population by Age - 2010 to 2022 | | | |
|--|-------------|-----------|--------|
| Age | 2010 Census | 2022 Esri | Change |
| 0-9 | 101 | 87 | -14 |
| 10-19 | 85 | 82 | -3 |
| 20-29 | 57 | 60 | 3 |
| 30-39 | 72 | 85 | 13 |
| 40-49 | 99 | 90 | -9 |
| 50-59 | 117 | 124 | 7 |
| 60-64 | 57 | 56 | -1 |
| 65+ | 219 | 238 | 19 |
| Total | 807 | 822 | 15 |

Source: U.S. Census; AGS



- ▶ With total population growth of only 15 people between 2010 and 2022, there were limited changes in many of the defined age ranges.
- ▶ Based on the estimates from AGS, the City had fewer children and young adults, age 19 and younger, by 2022. The decrease in children under the age of 10 accounted for the largest loss within any of the age groups.

- ▶ The estimates show the City adding young adults in the 20 to 29 and 30 to 39 year old age ranges. The estimated increase of 13 residents in the 30 to 39 year old range represented the second largest gain of the age ranges listed.
- ▶ While Alcester added population within the 50 to 59 year old range, there were estimated losses in the 40 to 49 year old group and in the near-senior range, age 60 to 64. As a result, there was almost no change in the middle-aged adult groups between 40 and 64 years old.
- ▶ There was an estimated increase of 19 people in the senior citizen age groups, age 65 and older. AGS does not provide more detailed age breakdowns for senior citizens.

Population Projections

The following table presents projections from Applied Geographic Solutions and Esri. The AGS projections are for a 5-year period to 2027.

| Table 3 Population Projections Through 2027 | | | | |
|--|-------------|---------------|-----------------|--------|
| | 2020 Census | 2022 Estimate | 2027 Projection | Change |
| Alcester - AGS | 820 | 822 | 822 | 0 |
| Alcester - Esri | 820 | 1,011 | 1,110 | 99 |
| Union County - AGS | 16,811 | 16,963 | 17,893 | 930 |
| Union County - Esri | 16,811 | 17,346 | 17,927 | 581 |

Source: U.S. Census; AGS; Esri

- ▶ The AGS population projection to 2027 expects no change in the City’s population level. This is probably a conservative forecast, although a continued decrease in the City’s average household size could result in limited population change in the future.
- ▶ Esri’s population projection for the 5-year period from 2022 to 2027 shows the addition of 99 residents in Alcester, or an annual average of nearly 20 people per year. While this forecast may be achievable, there is no supporting evidence for Esri’s estimates and projections for Alcester. It appears that this source has significantly over estimated recent growth in the City, which has impacted their projection going forward.
- ▶ The AGS forecast for all of Union County projects that the County will add 930 people over the 5-year period. Most of this expected growth would be located close to Sioux City, including North Sioux City and Big Sioux Township.
- ▶ Esri has a more conservative projection for future growth in Union County, with growth of only 581 residents. In the opinion of the analysts, this is probably a very conservative forecast, especially since the areas around Sioux City have greater growth potential.

Household Data and Trends

| Table 4 Household Trends - 1990 to 2020 | | | | | | |
|--|-------------|-------------|--------------------|-------------|--------------------|-------------|
| | 1990 Census | 2000 Census | % Change 1990-2000 | 2010 Census | % Change 2000-2010 | 2020 Census |
| Alcester | 361 | 388 | 7.5% | 352 | -9.3% | 367 |
| Union Co. | 3,859 | 4,927 | 27.7% | 5,756 | 16.8% | 6,822 |
| Sioux City MSA | N/A | 53,586 | N/A | 54,396 | 1.5% | 56,332 |

Source: U.S. Census

- ▶ At the time of the 2020 U.S. Census, Alcester had 367 permanent resident households. When compared to 2010, the City had added 15 households over the decade for an increase of 4.3%.
- ▶ Despite the recent growth, longer-term patterns show limited change in the community. The City added 27 households in the 1990s, but then lost 36 households between 2000 and 2010. With the 15 households added after 2010, the City had only six more households in 2020 than had been present in 1990.
- ▶ Union County had 6,822 households counted in the 2020 Census, up by 1,066 households from 2010. This was also the continuation of a long-term pattern as Union County has consistently added households over the past three decades.
- ▶ For the entire Sioux City MSA, the Census recorded 56,332 households in 2020, up by 1,936 households from 2010, for an increase of 3.6%. Although Union County is the second smallest County of the four that form the MSA, Union County represented 55% of the total net household growth within the MSA between 2010 and 2020.
- ▶ The 2022 estimate from AGS showed 369 households in Alcester, slightly higher than the Census count of 367 households in 2020.
- ▶ The 2022 estimate from Esri showed 400 households in the City, well above the 2020 Census count of 367 households. There is no further information available about this estimate, but even with a two-year difference in the effective date, it would not appear to be accurate. There was almost no new housing created in the City after 2020, and the supply of vacant units would also have been insufficient to allow for the addition of number of households estimated by Esri.

- ▶ The AGS estimate for Union County showed 6,883 households in 2022, higher than the Census count of 6,822 households in 2020.
- ▶ The Esri estimate for Union County showed 7,059 households in 2022, higher than the Census count of 6,822 households in 2020.

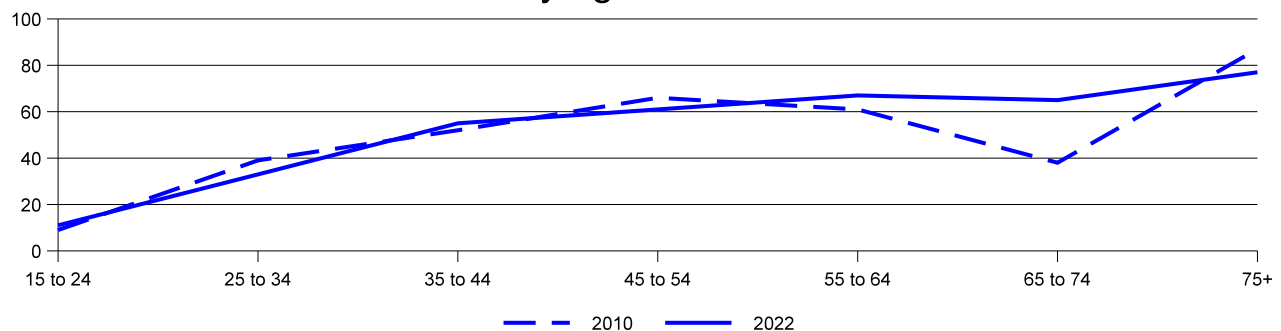
Household by Age Trends: 2010 to 2022

The 2020 Census will not release age-based demographic reports until later in 2023. Age-based household estimates for 2022 are available from Esri. However, in the opinion of the analysts, Esri has significantly over estimated the total number of households in the City. In the following table, Esri’s base estimates for 2022 have been proportionally adjusted by Community Partners Research, Inc., to match the probable total household count in Alcester. Information from the 2010 Census is provided to examine the changing age patterns in Alcester over the past 12 years.

| Table 5 Alcester Households by Age - 2010 to 2022 | | | |
|--|-------------|--------------------|-----------|
| Age | 2010 Census | 2022 Esri Estimate | Change |
| 15-24 | 9 | 11 | 2 |
| 25-34 | 39 | 33 | -6 |
| 35-44 | 52 | 55 | 3 |
| 45-54 | 66 | 61 | -5 |
| 55-64 | 61 | 67 | 6 |
| 65-74 | 38 | 65 | 27 |
| 75+ | 87 | 77 | -10 |
| Total | 352 | 369 | 17 |

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

Alcester Households by Age of Householder: 2010 to 2022



- ▶ Between 2010 and 2022, Alcester added an estimated 17 total households. As a result, limited changes occurred within many of the defined age ranges.

- ▶ The largest change in the number of households within any age group occurred in the 65 to 74 year old range. Based on the adjusted estimates for 2022, this age group added 27 households. This would generally reflect the movement of the large “baby boom” generation through the aging cycle.
- ▶ There was also some growth in the near-senior age range between 55 and 64 years old. As a result, the City added 33 households in the 20-year group between 55 and 74 years old.
- ▶ While the City added younger seniors, these estimates show a decrease of 10 households in the older senior ranges, age 75 and above, between 2010 and 2022.
- ▶ While limited changes occurred in most of the younger adult age groups, age 54 and under, the adjusted estimates show a minor decrease in the number of households. If all of the ranges under age 55 are combined, Alcester had six fewer households in 2022 than had been present in 2010.

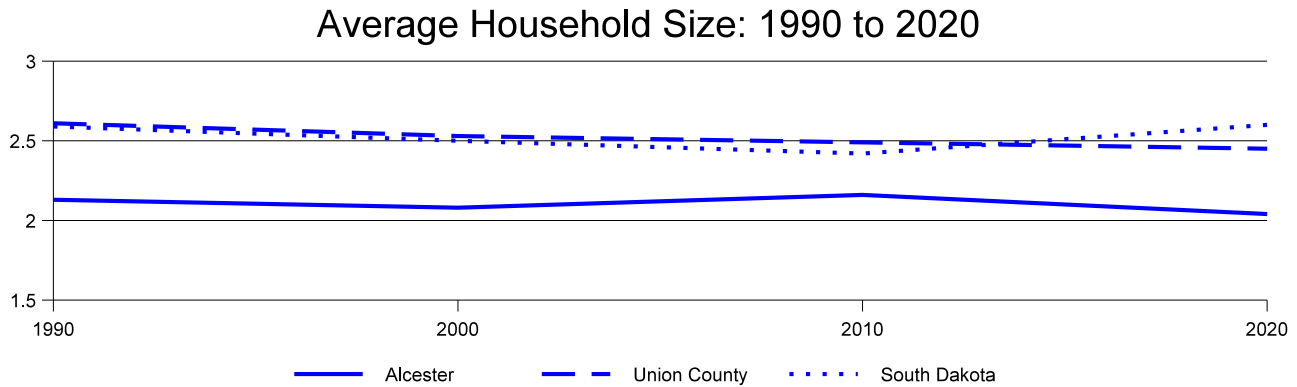
Average Household Size

The following table provides decennial Census information on average household size.

Household formation has generally 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.

| Table 6 Average Number of Persons Per Household: 1990 to 2020 | | | | |
|--|-------------|-------------|-------------|-------------|
| | 1990 Census | 2000 Census | 2010 Census | 2020 Census |
| Alcester | 2.13 | 2.08 | 2.16 | 2.04 |
| Union County | 2.61 | 2.53 | 2.49 | 2.45 |
| South Dakota | 2.59 | 2.50 | 2.42 | 2.60 |

Source: U.S. Census



- ▶ In 2020, the average household size in Alcester was only 2.04 persons, very small by comparative standards. While there has been some upward and downward movement from decade to decade, the City’s average household size has been relatively small since at least 1990. A small average household size is often an indicator of a large number of older households and fewer families with children.
- ▶ The average household size in Union County was much larger, at 2.45 persons in 2020. In general, the County’s average household size has been reasonably similar to the Statewide average.

Household Projections

Household projections are available from AGS and Esri for a 5-year period through 2027. However, the analysts do not believe that these sources are reliable in predicting future changes in Alcester. As a result, Community Partners Research has also generated a growth forecast for the City. The 2020 Census count for households is provided for comparison.

| Table 7 Household Projections Through 2026/27 | | | | |
|--|-------------|---------------|-----------------|--------|
| | 2020 Census | 2022 Estimate | 2027 Projection | Change |
| Alcester - AGS | 362 | 369 | 366 | -3 |
| Alcester - Esri | 362 | 400 | 440 | 40 |
| Alcester - CPR, Inc. | 362 | 369 | 389 | 20 |
| Union County - AGS | 6,822 | 6,883 | 7,174 | 291 |
| Union County - Esri | 6,822 | 7,059 | 7,327 | 268 |

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

- ▶ Despite their estimate that shows some household growth in Alcester between 2020 and 2022, AGS is projecting that the City will lose three households by 2027. In the opinion of the analysts, this is an overly conservative forecast that does not acknowledge the growth potential within the region.
- ▶ Esri has a significantly higher estimate for the number of households in Alcester in 2022, and is forecasting strong growth for the City over the 5-year projection period. As stated previously, the analysts are unable to find supporting evidence for Esri’s optimistic estimates and forecasts. The City’s housing stock is not adequate to support the estimated growth after 2020. While it is potentially possible that Alcester could add 40 households by 2027, growth at this rate would be very inconsistent with past patterns for the City.
- ▶ Community Partners Research, Inc., expects that the City will add households over the 5-year time period, but at a moderate rate. An increase of 20 households by 2027 is a reasonable expectation, and could prove to be a very conservative projection, given the growth potential in both the Sioux City and Sioux Falls MSAs.

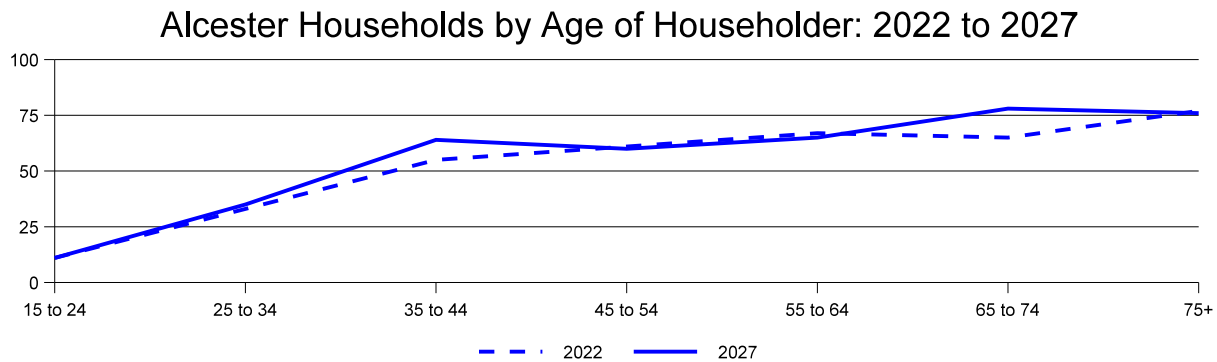
- ▶ The AGS forecast for all of Union County expects the addition of 291 households over the 5-year period, or approximately 58 households per year. Most of this growth would be projected in the jurisdictions close to Sioux City including North Sioux City and Big Sioux Township.
- ▶ Esri has a more conservative projection for the entire County, with the expected gain of only 268 households through 2027. With the growth potential of the Sioux City MSA, it is probable that the Union County jurisdictions near Sioux City will grow at a faster rate.

Alcester Household by Age Projections: 2022 to 2027

Age-based household forecasts are available from Esri to the year 2027. However, as stated earlier, the analysts believe that Esri has over estimated the recent growth in the City which has also impacted projections for 2027. In the following table, the base data from Esri have been adjusted proportionately by Community Partners Research, Inc., to match both the 2022 household estimates and 2027 projections that are more realistic for the City.

| Table 8 Alcester Projected Households by Age - 2022 to 2027 | | | |
|--|---------------|-----------------|--------|
| Age Range | 2022 Estimate | 2027 Projection | Change |
| 24 and younger | 11 | 11 | 0 |
| 25-34 | 33 | 35 | 2 |
| 35-44 | 55 | 64 | 9 |
| 45-54 | 61 | 60 | -1 |
| 55-64 | 67 | 65 | -2 |
| 65-74 | 65 | 78 | 13 |
| 75 and older | 77 | 76 | -1 |
| Total | 369 | 389 | 20 |

Source: Esri; Community Partners Research, Inc.



- ▶ The adjusted age-based projections show the largest growth occurring within the younger senior age group between 65 and 74 years old. Much of the large baby boom generation will still be within this age range by 2027.

- ▶ However, these projections also expect minor decreases in the 55 to 64 year old range and in the 75 and older age group. As a result, only limited net growth would be expected in the number of households age 55 and older.
- ▶ Some growth is also projected in the younger adult age ranges between 25 and 44 years old, with an expected increase of 11 households by 2027. However, most of the other younger age groups are expected to change very little. As a result, limited net growth would be expected in the combined age groups age 54 and younger.

Housing Tenure

Just before the release of this Housing Study, the Census Bureau published additional data tables from the 2020 Census, including housing occupancy tenure. In the following table, the tenure distribution patterns in 2020 have been compared to 2010 to track changes over the prior decade.

| Table 9 Household Tenure - 2020 | | | | | | |
|--|-------------|------|--------|---------|------|--------|
| | Home Owners | | | Renters | | |
| | 2010 | 2020 | Change | 2010 | 2020 | Change |
| Alcester | 244 | 240 | -4 | 108 | 127 | 19 |

Source: U.S. Census

- ▶ Between 2010 and 2020, the City of Alcester lost four owner-occupancy households but added 19 renter households.
- ▶ At the time of the 2020 Census, the home ownership rate in the City of Alcester was at 65.4%, down from 69.3% in 2010.
- ▶ The City primarily offers single family housing options for home ownership, but the City’s rental tenure rate of 34.6% in 2020 was higher than the Statewide rental rate of 33%.

Median Income Data

Information on median income levels is available at the city and county level through the American Community Survey. These estimates are for 2021.

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 together. 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.

| Table 10 Median Household Income - 2010 to 2021 | | | |
|--|-------------|-------------|----------|
| | 2010 Median | 2021 Median | % Change |
| Households | | | |
| Alcester | \$40,511 | \$54,063 | 33.5% |
| Union County | \$59,889 | \$80,238 | 34.0% |
| South Dakota | \$46,369 | \$63,920 | 37.9% |
| Families | | | |
| Alcester | \$48,750 | \$63,125 | 29.5% |
| Union County | \$71,308 | \$100,349 | 40.7% |
| South Dakota | \$58,958 | \$81,756 | 38.7% |

Source: ACS 5-year survey

- ▶ According to the American Community Survey, the median household income in Alcester was \$54,063 in 2021, and had increased by nearly 34% between 2010 and 2021. The City’s median household income level was well below the comparable County and Statewide medians in 2021. The City’s household median was well below the median of \$80,238 for all of Union County.
- ▶ The median family income for Alcester was estimated at \$63,125 in 2021, up by nearly 30% from 2010. The median family income for Alcester was more than \$17,000 below the Statewide median and was well below the median family income for all of Union County in 2021 of \$100,349.
- ▶ Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses, a median income household in Alcester could afford approximately \$1,352 per month while a median income family could afford \$1,578 per month.

Alcester Household Income Distribution

The American Community Survey provides income data by owner and renter status. For Alcester, the 2021 ACS slightly over estimated the total number of households when compared to the 2020 Census count, but the income distribution information is viewed as relatively accurate.

| Table 11 Alcester Household Income Distribution - 2020 | | | |
|---|------------------|-------------------|----------------|
| Household Income | Owner Households | Renter Households | All Households |
| \$0 - \$14,999 | 34 / 11.9% | 9 / 9.0% | 43 / 11.1% |
| \$15,000 - \$24,999 | 29 / 10.1% | 15 / 15.0% | 44 / 11.4% |
| \$25,000 - \$34,999 | 15 / 5.2% | 7 / 7.0% | 22 / 5.7% |
| \$35,000 - \$49,999 | 44 / 15.4% | 26 / 26.0% | 70 / 18.1% |
| \$50,000 - \$74,999 | 78 / 27.3% | 31 / 31.0% | 109 / 28.2% |
| \$75,000 - \$99,999 | 37 / 12.9% | 12 / 12.0% | 49 / 12.7% |
| \$100,000+ | 49 / 17.1% | 0 / 0.0% | 49 / 12.7% |
| Total | 286 | 100 | 386 |

Source: ACS

- ▶ Household income and housing tenure are linked for most households, with home owners generally having higher annual income levels and renters having lower incomes.
- ▶ In 2020, 57% of all renter households in Alcester had an annual income below \$50,000. For home owners, more than 57% had an annual income of \$50,000 or more.
- ▶ The American Community Survey also included an estimated median household income by housing tenure. For all renters in Alcester, the estimated median was \$46,458 in 2021. In the opinion of the analysts, this estimated median is probably too high. Due to limited sampling in a small community, there is a margin of error that applies to each ACS estimate.
- ▶ The estimated median annual income for all home owners in Alcester was \$59,167 in 2020. At 30% of income, a household at the median could apply \$1,479 per month toward housing costs.

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 were paying different percentages of their gross household income for housing in the City of Alcester in 2021.

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”.

| Table 12 Gross Rent as a Percentage of Household Income - 2020 | | |
|---|--------|---------|
| Percent of Income for Housing | Number | Percent |
| Less than 20% | 60 | 60.0% |
| 20% to 29.9% | 18 | 18.0% |
| 30% to 34.9% | 10 | 10.0% |
| 35% or more | 9 | 9.0% |
| Not Computed | 3 | 3.0% |
| Total | 100 | 100% |

Source: American Community Survey

- ▶ According to the American Community Survey, only 19% of all renters in the City were paying 30% or more of their income for rent. It is important to note that the American Community Survey may have over estimated the income levels for renter households in the City which would have impacted the estimate of housing cost burden.
- ▶ Although a cost burden could be caused by either high housing costs or low household income, in Alcester it was primarily due to low income levels for renters. All of the renter households with a housing cost burden had an annual household income below \$35,000 in 2021. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$875 or less.

Estimated Income and Housing Costs - Owners

The American Community Survey also provided housing cost estimates for owner-occupants. The following table provides estimates of the number of households in Alcester that were paying different percentages of their gross household income for housing costs in 2021.

It is important to note that mortgage lending practices tend to limit the amount of monthly income that can be used for mortgage repayment to less than 30%.

| Table 13 Ownership Costs as a Percentage of Income - Alcester | | |
|--|--------|---------|
| Percentage of Household Income for Housing Costs | Number | Percent |
| 0% to 19.9% | 188 | 65.7% |
| 20% to 29.9% | 48 | 16.8% |
| 30% to 34.9% | 6 | 2.1% |
| 35% or more | 44 | 15.4% |
| Not Computed | 0 | 0 |
| Total | 286 | 100% |

Source: ACS

- ▶ A large majority of owner-occupants in Alcester, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. In total, nearly 83% of all home owners in the City were paying less than 30% of income in 2021.
- ▶ Fewer than 18% of all owners in the City were applying 30% of more of their income to home ownership costs. Most of the households with a cost burden had a mortgage on their home.

Alcester Annual Building Permits

Alcester has experienced limited new housing construction activity in recent years. The following table identifies construction from 2010 through 2022.

| Table 14 Alcester Housing Unit Construction Activity: 2010 to 2022 | | | |
|---|---------------|-------------------|-------------------------|
| Year | Single Family | Two or More Units | Total Units Constructed |
| 2022 | 3 | 0 | 3 |
| 2021 | 0 | 0 | 0 |
| 2020 | 1 | 0 | 1 |
| 2019 | 0 | 0 | 0 |
| 2018 | 1 | 0 | 1 |
| 2017 | 1 | 0 | 1 |
| 2016 | 0 | 0 | 0 |
| 2015 | 0 | 5 | 5 |
| 2014 | 1 | 0 | 1 |
| 2013 | 0 | 0 | 0 |
| 2012 | 2 | 0 | 2 |
| 2011 | 1 | 0 | 1 |
| 2010 | 0 | 0 | 0 |
| Total | 10 | 5 | 15 |

Source: City of Alcester

- ▶ Over the 13-year period from 2010 to 2022, there were 15 new housing units developed in Alcester, based on City records.
- ▶ Ten of the units were single family houses. The largest single year of production was 2022 when three new homes were built.
- ▶ There was one multifamily rental project developed in 2015 when five units were constructed.

2020 Census Housing Data

The first housing counts released from the 2020 Census included information on occupancy and vacancy of housing units. The following table compares information from 2010 and 2020 to track changes over the decade as reported by the Census.

| Table 15 Housing Units, Occupancy and Vacancy - 2010 to 2020 | | | | | | | | | |
|---|---------------------|------|--------|----------------|------|--------|--------------|------|--------|
| | Total Housing Units | | | Occupied Units | | | Vacant Units | | |
| | 2010 | 2020 | Change | 2010 | 2020 | Change | 2010 | 2020 | Change |
| Alcester | 408 | 391 | -17 | 352 | 367 | +15 | 56 | 24 | -32 |

Source: U.S. Census

- ▶ Comparing the Census housing totals for Alcester from 2010 and 2020 Point showed a net decrease of 17 total housing units.
- ▶ On a previous page, information about residential permit issuance was provided. Based on available reports, it appears that the City would have added 11 housing units between 2010 and 2019 through new construction, compared to a net decrease of 17 units based on the reconciliation of Census records. This would imply that as many as 28 older housing units were lost during the decade and removed from the usable inventory.
- ▶ At the time of the 2010 Census, there were 56 housing units in Alcester that were recorded as vacant. By 2020, the vacant inventory had decreased to 24 units. The reported reduction of the City's housing stock may also indicate that other vacant units were demolished or otherwise removed from the community.

American Community Survey Housing Data

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

Median Year of Construction - Owner-occupancy Housing

For owner-occupancy units a median year of construction is provided. In Alcester, the estimated median year of construction was 1962. Nearly 48% of the owner-occupied houses in the City were constructed before 1960.

Median Year of Construction - Renter-occupancy Housing

For renter-occupancy units in Alcester, the estimated median year of construction was 1972. Approximately 66% of all rental units in the City were constructed before 1980.

Existing Home Sales

This section examines houses that have been sold since 2018 in the City of Alcester. The information was obtained from the South Dakota Department of Revenue, but reflects information assembled by the Union County Equalization Office.

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

The County also attempts to sort the residential sales into different groupings, primarily based on whether or not the house was actively listed for sale in the open market. The analysis that follows is based on the qualified sales that were open market transactions.

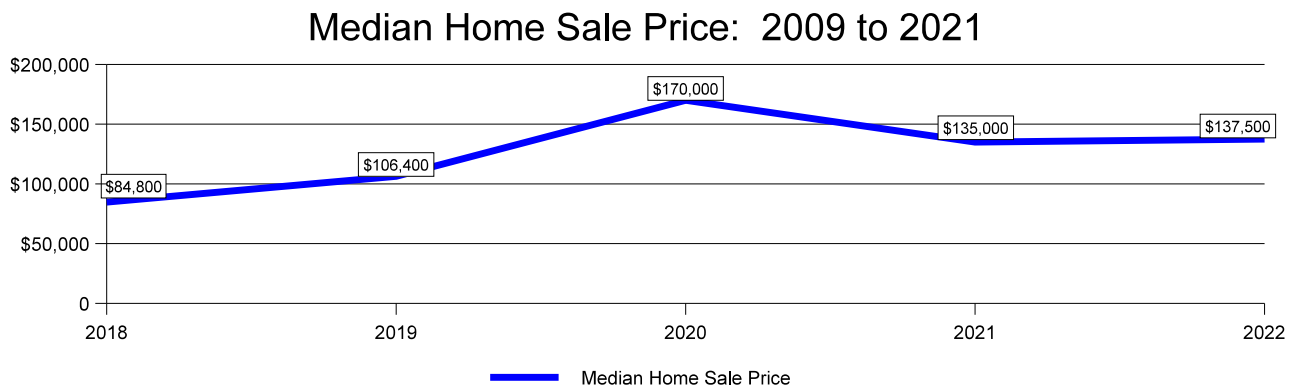
The County's time period for analyzing annual sales differs from the calendar year. It begins on November 1st and ends on October 31st of each year.

| Table 16 Alcester Residential Sales Activity - 2018 through 2022 | | | | |
|---|-----------------|-------------------|--------------|-------------|
| Sales Year | Number of Sales | Median Sale Price | Highest Sale | Lowest Sale |
| 2022 | 13 | \$137,500 | \$300,000 | \$71,550 |
| 2021 | 15 | \$135,000 | \$289,900 | \$28,000 |
| 2020 | 13 | \$170,000 | \$250,000 | \$12,182 |
| 2019 | 13 | \$106,400 | \$229,500 | \$6,000 |
| 2018 | 18 | \$84,800 | \$200,000 | \$10,000 |

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

- ▶ There may be a limited number of home sales within any 12-month time period, and the annual median may vary from year to year based on the sales activity.
- ▶ In 2022, the median sale price in the City was \$137,500, based on 13 good sales. The median for 2022 was only slightly above the 2021 median of \$135,000, based on 15 good sales. However, in 2020, the median price was \$170,000.

- ▶ In each of the years reviewed there was at least one house that sold for \$200,000 or more. With the exception of 2022, at least one home was sold for less than \$30,000.



- ▶ An alternate estimate of home values exists in the American Community Survey. This source placed the median value at \$89,600 in 2021, well below the sales median of \$135,000 in that year.

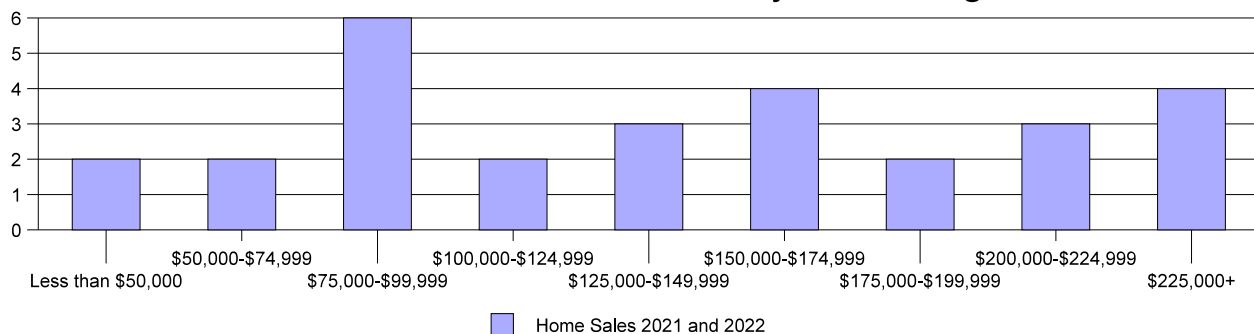
Home Sales by Price Range

The following table looks at single family houses that sold within defined price ranges in a 24-month period, starting in November 1, 2020, and ending October 31, 2022.

| Table 17 Alcester 24-Month Home Sales by Price Range | | |
|--|-----------------|------------------|
| Sale Price | Number of Sales | Percent of Sales |
| Less than \$50,000 | 2 | 7.1% |
| \$50,000 - \$74,999 | 2 | 7.1% |
| \$75,000 - \$99,999 | 6 | 21.4% |
| \$100,000 - \$124,999 | 2 | 7.1% |
| \$125,000 - \$149,999 | 3 | 10.7% |
| \$150,000 - \$174,999 | 4 | 14.3% |
| \$175,000 - \$199,999 | 2 | 7.1% |
| \$200,000 - \$224,999 | 3 | 10.7% |
| \$225,000+ | 4 | 14.3% |
| Total | 28 | 100% |

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

Recent Alcester Home Sales by Price Range



- ▶ Recent home sales in Alcester have been widely distributed in different price ranges, with nearly 54% of recent sales priced below \$150,000, and 46% of sales for \$150,000 or more.
- ▶ Over this 24-month time period, the median price was \$136,250, based on 28 open market home sales.

Alcester Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 204 of the older single family/duplex structures in Alcester. Structures that appeared to contain three or more residential units and mobile homes 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 - 2023 | | | | | |
|---|------------|--------------|--------------|-------------|-------|
| | Sound | Minor Repair | Major Repair | Dilapidated | Total |
| Total | 70 / 34.3% | 77 / 37.7% | 43 / 21.1% | 14 / 6.9% | 204 |

Source: Community Partners Research, Inc.

- ▶ The older existing housing stock in Alcester is generally in good condition, with more than 34% of all houses in the City rated as Sound, the highest rating given. Nearly 38% of the houses were rated in the Minor Repair category. In total, 72% of all houses in Alcester were in the two highest ratings groups. If newer homes in the City had also been included in the survey, the percentage of homes in the higher categories would have been greater.

- ▶ There were 43 houses that were in the Major Repair category. Major Repair houses require a significant investment to return to standard condition.
- ▶ There were 14 houses that were judged to be Dilapidated, the lowest rating given. Dilapidated houses may be beyond the point of economically feasible repair.

Rental Housing Data

Census Bureau Rental Inventory

The 2020 Census released housing occupancy tenure information shortly before the final publication of this document.

According to the 2020 Census, there were 127 occupied rental units and only two unoccupied rental units in Alcester, for a total estimated rental inventory of approximately 129 units. The City's rental tenure rate was 34.6%, based on renter-occupancy households. For comparison, the Statewide rental tenure rate in 2020 was 33.0%.

At the time of the 2010 U.S. Census, there were 108 occupied rental units and 25 unoccupied rental units in Alcester for a total estimated rental inventory of 133 units. The City's rental tenure rate for occupied units in 2010 was 30.7%, slightly below the Statewide rental rate of 31.9%. However, with the large number of vacant rental units reported in the City in 2010, the rental tenure percentage could have been higher if more units were occupied.

Between 2010 and 2020, the City added 19 renter-occupancy households, but actually had a small reduction in the total number of rental housing units. The growth in renter households was largely achieved through a large reduction in vacancies.

Although the rental inventory decreased slightly in size, there were five rental units constructed in the City in 2015. However, it appears that some older rental units were lost over time.

Pending Projects

The research for this Study did not identify any proposed or pending rental projects in Alcester.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily projects in Alcester. 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.

The telephone survey was conducted in March 2023. Information was tallied separately for different types of rental housing, including market rate units, subsidized housing and specialized senior housing.

There were 69 rental housing units of all types that were contacted in the survey. The units that were successfully contacted include:

- ▶ 25 market rate units
- ▶ 44 federally subsidized units

In addition to the 69 rental units, the Alcester Care and Rehab Center, with beds for skilled nursing care and assisted living, was also surveyed and information is provided for specialized care options.

The findings of the survey are provided below.

Market Rate Summary

Information was obtained from 25 conventional market rate rental units. All of these units are in a single project, known as Alcester Village Apartments. The Alcester Village Apartments were created through the conversion of a former senior assisted living facility into conventional rental units.

Unit Mix

Alcester Village primarily contains one and two-bedroom apartments. There are one efficiency apartment, 15 one-bedroom and nine two-bedroom units.

There are also single family houses and mobile homes in Alcester that may be offered as rental housing and most of these would have two or more bedrooms.

Occupancy / Vacancy

Alcester Village Apartments reported full occupancy and strong demand. There was a 14-name waiting list for occupancy.

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.

| <u>Unit Type</u> | <u>Lowest/Highest Gross Rents</u> |
|------------------|---------------------------------------|
| One-bedroom | \$475-\$625 |
| Two-bedroom | \$675-\$825 |

It is important to recognize that the rents listed above are all from Alcester Village Apartments.

Tax Credit Summary

There are no tax credit units in Alcester.

Subsidized Summary

Subsidized Housing Inventory

The research identified two subsidized projects providing rental opportunities for lower income households. These are phases of Town House Apartments, each with 22 general occupancy units. Both projects are subsidized through USDA Rural Development. The best estimate is that both projects were developed in the early 1970s.

Unit Mix

The 44 subsidized units in Alcester have the following mix of units:

- ▶ One-bedroom - 8 units (18.2% of total)
- ▶ Two-bedroom - 32 units (72.7%)
- ▶ Three-bedroom - 4 units (9.1%)

Since both projects were intended for general occupancy, most of the units have two or more bedrooms to serve families.

Occupancy/Vacancy

At the time of the rental survey, full occupancy was reported in both Town House projects and a waiting list existed. The manager stated that there is typically a low rate of unit turnover and many tenants are longer-term residents.

Rental Rates

Approximately half of the units have access to project-based rent assistance. These units can charge rent based on 30% of the tenant's household income up to a maximum rent. Tenants that rent units without project-based rent assistance pay a basic rent established for their unit, even if it exceeds 30% of income. Rental rates are generally in a moderate range, with a monthly rent of \$510 for a two-bedroom unit.

Subsidized Housing Gains/Losses

In some communities, subsidized housing has been lost over time, as contract compliance requirements have been met and projects are allowed to convert to conventional market rate housing. It does not appear that any subsidized projects have been lost in Alcester.

Tenant-based Rent Assistance

The City of Alcester is not served by HUD's Housing Choice Voucher Program which can provide tenant-based rent assistance to income eligible households.

Senior Housing with Services

Unit Inventory

Alcester has two licensed providers of senior housing with services, both operating as the Alcester Care and Rehab Center. There are 41 beds that are State-licensed as a Skilled Nursing Facility and 10 beds that are licensed as an Assisted Living Center.

At some point in the past, there had been an adjacent building that was used to provide assisted living care. However, this was sold many years ago and now operates as Alcester Village Apartments, the largest multifamily building providing conventional market rate housing in the City.

Occupancy/Vacancy

At the time of the rental survey, eight of the 10 beds licensed for assisted living were unoccupied.

The occupancy rate reported for skilled nursing beds in Alcester Care and Rehab Center is typically between 85% and 93%. Although some beds may be occupied by people needing only short-term transitional care stays, most beds are utilized for long-term care.

Table 19 Alcester Multifamily Rental Housing Inventory

| Name | Number of Units /Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
|---|---|---|----------------------------------|--|---|
| Market Rate | | | | | |
| Alcester Village Apartments 400 E 1 st St | 1 - efficiency 7 - 1 bedroom 8 - 1 bedroom+ 4 - 2 bedroom <u>5 - 2 bedroom+</u> 25 total units | \$425 \$475 \$625 \$675 \$750 utilities vary | No vacant units, waiting list | Mostly seniors with some younger tenants | One-level apartment building that is adjacent to the Alcester Care and Rehab Center and had originally been used for assisted living but was converted to conventional rental housing many years ago. Rent includes utilities for most units but largest 2-bedrooms also pay heat. Building has community room with kitchen and community laundry room. Manager reported that most tenants are seniors, but no age restriction and some younger tenants also in occupancy. No vacant units at time of survey and a 14-name waiting list exists. |
| Subsidized | | | | | |
| Town House Apartments 307 Circle Dr | 4 - 1 bedroom 16 - 2 bedroom <u>2 - 3 bedroom</u> 22 total units | \$425 \$510 \$560 30% of income | No vacant units, waiting list | General occupancy | USDA Rural Development subsidized project for general occupancy constructed in the early 1970s. All buildings are 2-level walkups in 2, 4 or 8 unit buildings. Approx. half the units typically have access to project-based rent assistance that allows tenants to pay 30% of income for rent; remaining tenants pay no less than maximum rents listed. Full occupancy and low turnover reported with a waiting list. Mix of tenants with both seniors and non-senior households. |
| Town House Apartments 513 Lincoln Dr | 4 - 1 bedroom 16 - 2 bedroom <u>2 - 3 bedroom</u> 22 total units | \$425 \$510 \$560 30% of income | No vacant units, waiting list | General occupancy | USDA Rural Development subsidized project for general occupancy constructed in the early 1970s. All buildings are 2-level walkups in 2, 4 or 8 unit buildings. Approx. half the units typically have access to project-based rent assistance that allows tenants to pay 30% of income for rent; remaining tenants pay no less than maximum rents listed. Full occupancy and low turnover reported with a waiting list. Mix of tenants with both seniors and non-senior households. |

| Table 19 Alcester Multifamily Rental Housing Inventory | | | | | |
|---|-------------------------------------|-------------|-----------------------------------|--------------------------|--|
| Name | Number of Units /Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
| Senior Housing with Services | | | | | |
| Alcester Care and Rehab Center 101 Church St | 10 licensed beds | N/A | 8 beds unoccupied | Assisted Living Center | Ten beds licensed for assisted living in the Alcester Care and Rehab Center that also offers skilled nursing care. Building was constructed in 1950s or 1960s. Assisted living residents have private occupancy rooms. Eight beds unoccupied on date of survey. Assisted living option is private-pay. |
| Alcester Care and Rehab Center 101 Church St | 41 licensed beds | N/A | Approx. 85% to 93% avg. occupancy | Skilled Nursing Facility | Skilled nursing home that was constructed in the 1950s or 1960s and also includes 10 beds for assisted living. Typical occupancy would be between 85% and 93% for skilled nursing beds. All beds are available for long-term care but some transitional care stays also occur. |

Source: Community Partners Research, Inc.

Net Household Growth in the Sioux City MSA

Alcester is located in Union County, one of the four counties that form the Sioux City Metropolitan Statistical Area (MSA). Over the last few decades, the Sioux City MSA has continued to grow, although at a modest pace. Growth has been distributed between the various cities and counties that form the MSA. The following table examines this growth in numeric and percentage terms. The larger cities have been identified, as well as the remainder of the counties, after the larger cities are removed.

| Table 20 Household Growth by Jurisdiction: 2010 to 2020 | | | |
|--|---------------|---------------|------------------------------|
| City | 2010 Census | 2020 Census | Change Numeric/Percentage |
| Sioux City, IA | 31,571 | 32,170 | 599 / 1.9% |
| North Sioux City, SD | 1,073 | 1,396 | 323 / 30.1% |
| South Sioux City, NE | 4,512 | 4,709 | 197 / 4.4% |
| Sergeant Bluff, IA | 1,464 | 1,731 | 267 / 18.2% |
| Elk Point, SD | 770 | 854 | 84 / 10.9% |
| Alcester, SD | 352 | 367 | 15 / 4.3% |
| Woodbury County, IA (-Sioux City, Sergeant Bluff) | 6,017 | 6,003 | -14 / -0.2% |
| Union County, SD (-North Sioux City, Elk Point, Alcester) | 3,561 | 4,205 | 644 / 18.1% |
| Dakota/Dixon Co. NE (-South Sioux City) | 5,076 | 4,897 | -179 / -3.5% |
| MSA | 54,396 | 56,332 | 1,936 / 3.6% |

Source: US Census

- ▶ Between 2010 and 2020, the entire MSA added 1,936 households, for an increase of 3.6%.
- ▶ In numeric terms, Sioux City accounted for the largest household increase of the primary cities in the MSA, adding 599 households between 2010 and 2020. However, in percentage terms, this represented an increase of less than 2% for the City.

- ▶ In percentage terms, North Sioux City showed the greatest growth over the prior decade, adding 323 households for an increase of more than 30%.
- ▶ Sergeant Bluff, IA, had a household increase of more than 18% over the decade, while Elk Point, SD had an increase of nearly 11%.
- ▶ Alcester added 15 households over the decade, representing less than 1% of the net household growth in the Sioux City MSA between 2010 and 2020.
- ▶ The remainder of each county in the MSA can also be examined, after the removal of the individual cities listed above.
- ▶ If Sioux City and Sergeant Bluff are removed, the remainder of Woodbury County, IA, had a small net decrease in households between 2010 and 2020.
- ▶ Union County, SD, after removing the impact of North Sioux City, Elk Point and Alcester, added 644 households between 2010 and 2020. While a number of jurisdictions accounted for the growth in the remainder of Union County, Big Sioux Township represented most of the increase in households. Between 2010 and 2020, Big Sioux Township added 565 households. Big Sioux Township includes the area known as Dakota Dunes.
- ▶ Dakota and Dixon Counties, NE, also had a minor decrease in total households, if South Sioux City is removed.

MSA Housing Unit Construction Activity: 2010 to 2022

The U.S. Census Bureau collects building permit issuance information from individual cities, towns and townships. Annual housing construction summary information is available for the combined jurisdictions that form the Sioux City MSA. In 2023, this represents a four-county area of Woodbury County, IA, Union County, SD, Dakota County, NE, and Dixon County, NE. However, earlier in the last decade the MSA also included Plymouth County, IA.

It is important to note that the Census Bureau’s annual totals may differ from other information in this Housing Study, which may be collected directly from individual jurisdictions. However, the Census Bureau reports do provide some perspective on housing construction within the larger MSA. Census Bureau annual totals for Alcester are also provided for comparison. The construction totals for Alcester are from City records and not from Census Bureau reporting.

At the time of the research for this Study, the building permit reporting for the MSA in 2022 was still viewed as preliminary, and may change when final annual reports are issued.

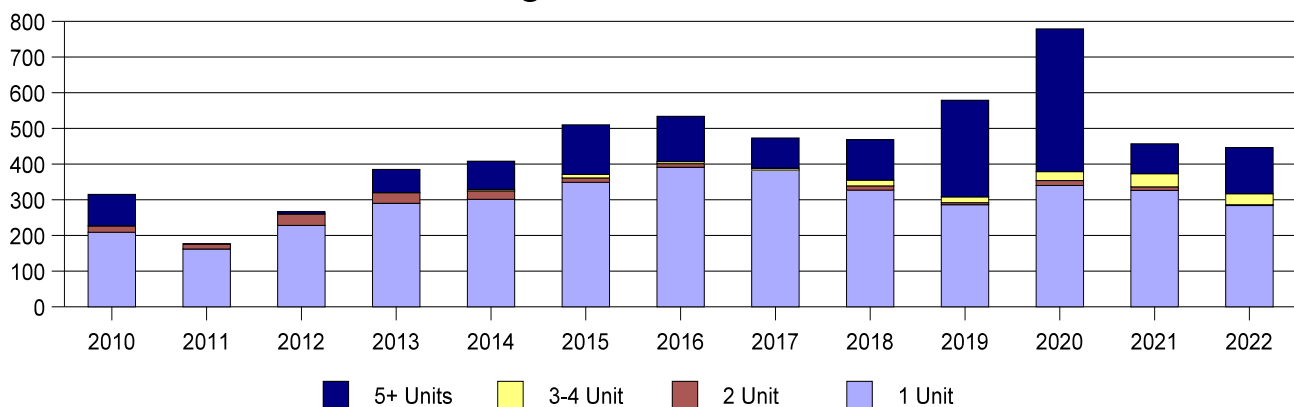
Table 21 Alcester and MSA Housing Unit Construction Activity - 2010 to 2022*

| Year | Alcester | | | | | Sioux City MSA | | | | |
|-------|---------------|------------|---------------|-------------|-------|----------------|------------|---------------|-------------|-------|
| | Single Family | Two Family | 3 to 4 Family | Multifamily | Total | Single Family | Two Family | 3 to 4 Family | Multifamily | Total |
| 2022 | 3 | 0 | 0 | 0 | 3 | 284 | 2 | 31 | 129 | 446 |
| 2021 | 0 | 0 | 0 | 0 | 0 | 326 | 10 | 37 | 84 | 457 |
| 2020 | 1 | 0 | 0 | 0 | 1 | 340 | 14 | 25 | 400 | 779 |
| 2019 | 0 | 0 | 0 | 0 | 0 | 286 | 6 | 16 | 271 | 579 |
| 2018 | 1 | 0 | 0 | 0 | 1 | 327 | 12 | 16 | 113 | 468 |
| 2017 | 1 | 0 | 0 | 0 | 1 | 383 | 0 | 6 | 84 | 473 |
| 2016 | 0 | 0 | 0 | 0 | 0 | 391 | 10 | 6 | 127 | 534 |
| 2015 | 0 | 5 | 0 | 0 | 5 | 349 | 12 | 10 | 139 | 510 |
| 2014 | 1 | 0 | 0 | 0 | 1 | 301 | 24 | 4 | 79 | 408 |
| 2013 | 0 | 0 | 0 | 0 | 0 | 290 | 30 | 0 | 65 | 385 |
| 2012 | 2 | 0 | 0 | 0 | 2 | 228 | 32 | 0 | 6 | 266 |
| 2011 | 1 | 0 | 0 | 0 | 1 | 162 | 14 | 0 | 0 | 176 |
| 2010 | 0 | 0 | 0 | 0 | 0 | 209 | 18 | 0 | 88 | 315 |
| Total | 10 | 5 | 0 | 0 | 15 | 3,876 | 184 | 151 | 1,585 | 5,796 |

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

*2022 is listed as preliminary

MSA Annual Housing Unit Construction: 2010 to 2022

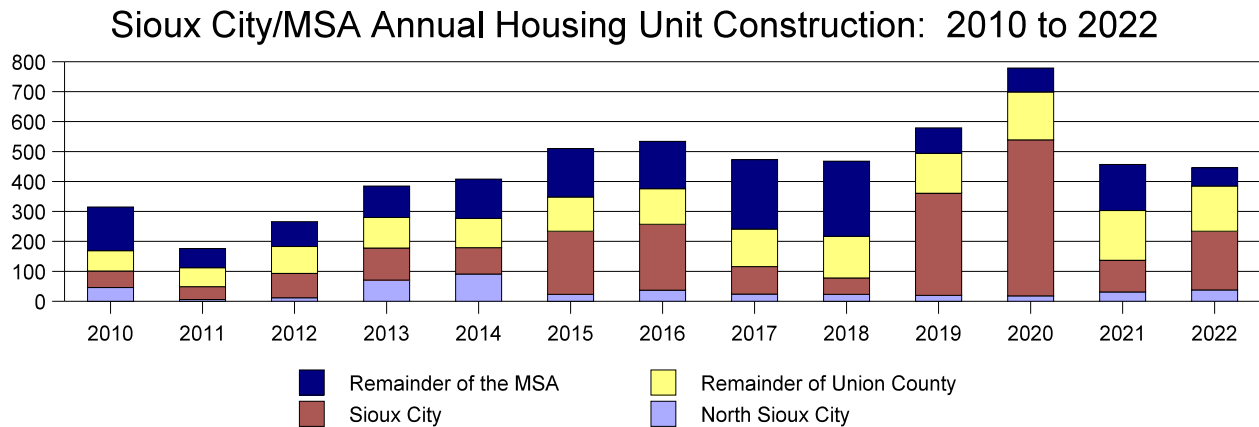


- ▶ Preliminary reporting for 2022 showed that 446 total housing units were issued a building permit in the Sioux City MSA. The unit total for 2022 was similar to the 2021 total of 457 units.
- ▶ According to Census Bureau reports, the year 2020 represented the highest year for new housing unit production in the MSA over the 13-year period reviewed. In 2020, 779 total housing units were permitted. In the other 12 years since 2010, fewer than 600 units were permitted.
- ▶ The above-average construction activity in 2020 was due to permitting in Sioux City. In that year, Sioux City reported permits for 521 total units, or nearly 67% of the MSA total.
- ▶ Much of the permitting in 2020 was in multifamily projects with five or more units per structure. It is possible that these larger-scale projects had been planned and/or initiated prior to the start of the global pandemic in 2020.
- ▶ The reporting for 2021 showed a significant reduction in total housing starts from the prior year, especially for multifamily units. Although more multifamily units were permitted in 2022 than in 2021, the total unit count was still well below the level permitted in 2020.
- ▶ As evident in the chart above, the trend between 2010 and 2020 had been for an increasing level of annual unit production in the MSA. It is possible that the decreases in 2021 and 2022 were due in part to the global health pandemic. It is also possible that the above-average production in 2020, especially in the multifamily segment, had caused below-average production in the following years.

- ▶ In most of the years reviewed, including 2022, single family housing construction was the largest contributor to the annual permitted total. However, in both 2019 and 2020, multifamily unit construction in structures containing five or more units, was above-average, and represented a large share of permitted units.

Location of MSA Construction

Using the Census Bureau’s annual reports, it is possible to better understand the location of recent housing permitting. It is important to note that there are a large number of individual jurisdictions within the Four-County MSA, and only select locations were reviewed, including Sioux City, North Sioux City and Union County (excluding North Sioux City).



- ▶ As the primary city within the MSA, Sioux City often has the largest number of units permitted of any single jurisdiction. However, in most of the years reviewed, Sioux City represented less than half of all units within the MSA.
- ▶ In both 2019 and 2020, Sioux City did have above-average unit permitting. These two years represented the highest years for unit construction in the entire MSA. In both years, Sioux City did represent more than 50% of all permitted units.
- ▶ Union County, including North Sioux City, has accounted for a relatively large share of the MSA total. In 2022, more than 42% of all permitted units in the entire MSA were located in Union County.
- ▶ Between 2017 and 2022, Union County represented more than 32% of the MSA’s 5-year total.
- ▶ Based on available reporting, the 15 new housing units created in Alcester between 2010 and 2022 represented less than 0.3% of all new unit construction in the Sioux City MSA.

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.

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

Labor Force and Unemployment

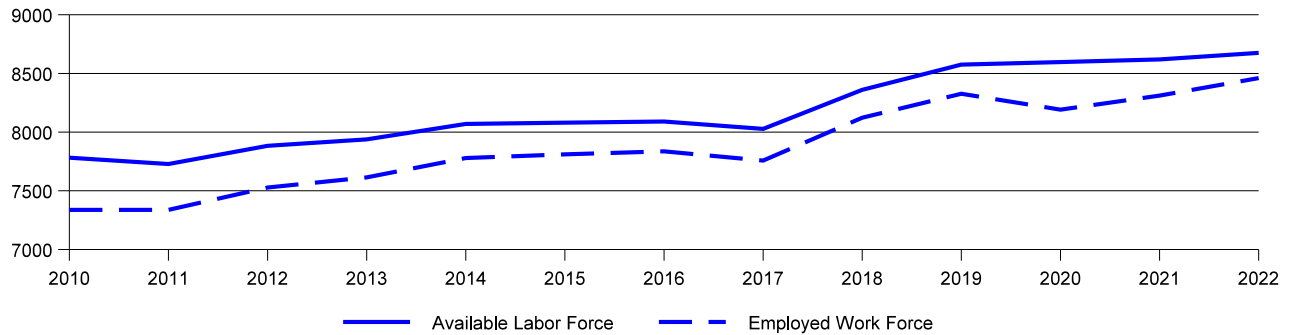
Employment information is available at the County level. The table presents information based on place of residence, not by the location of employment.

| Table 22 Union County Average Annual Labor Force: 2010 to 2022 | | | | | | |
|---|-------------|----------|------------|----------------------------|------------------------|------------------------|
| Year | Labor Force | Employed | Unemployed | Unemployment Rate - County | Unemployment Rate - SD | Unemployment Rate - US |
| 2010 | 7,782 | 7,338 | 444 | 5.7% | 5.0% | 9.6% |
| 2011 | 7,728 | 7,338 | 390 | 5.0% | 4.6% | 8.9% |
| 2012 | 7,883 | 7,528 | 355 | 4.5% | 4.1% | 8.1% |
| 2013 | 7,938 | 7,614 | 324 | 4.1% | 3.7% | 7.4% |
| 2014 | 8,070 | 7,779 | 291 | 3.6% | 3.3% | 6.2% |
| 2015 | 8,080 | 7,811 | 269 | 3.3% | 3.0% | 5.3% |
| 2016 | 8,090 | 7,836 | 254 | 3.1% | 3.0% | 4.9% |
| 2017 | 8,027 | 7,758 | 269 | 3.4% | 3.1% | 4.4% |
| 2018 | 8,360 | 8,123 | 243 | 2.9% | 2.9% | 3.9% |
| 2019 | 8,575 | 8,327 | 248 | 2.9% | 3.0% | 3.7% |
| 2020 | 8,597 | 8,191 | 406 | 4.7% | 4.6% | 8.1% |
| 2021 | 8,619 | 8,311 | 308 | 3.6% | 2.8% | 5.3% |
| 2022 | 8,675 | 8,460 | 215 | 2.5% | 2.3% | 3.7% |

Source: South Dakota Department of Labor

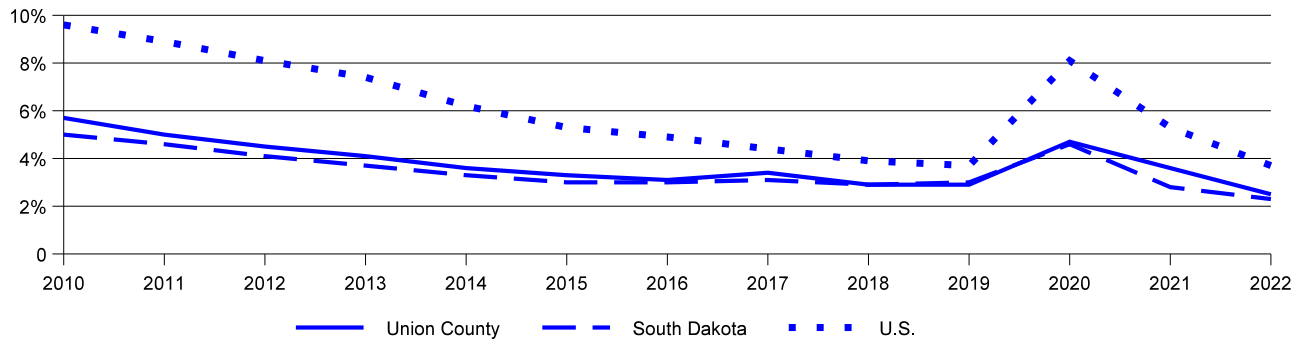
- ▶ Although Union County has experienced some year-to-year fluctuation, the labor force has generally been growing, especially after 2017. If 2022 is compared to 2010, the County’s labor force had increased by 893 people, or 11.5%.
- ▶ The employed work force has generally followed the same pattern, except for a job loss between 2019 and 2020, presumably due to the global pandemic. By 2021, most of the employment decrease had been recovered and by 2022 the County’s employed resident work force had exceeded pre-pandemic levels. If 2022 is compared to 2010, the County added 1,122 employed residents, or an increase of 15.3%.

Union County Labor Force and Employed Work Force



- ▶ Throughout the entire time period reviewed, the unemployment rate in Union County has stayed well below the national rate. However, the County’s unemployment rate has often been slightly above the statewide rate for South Dakota.

Unemployment Rates



- ▶ The Covid pandemic in 2020 did cause a spike in the County’s unemployment rate, but by the end of 2022, the rate had dropped to an even lower level than had been present before the pandemic.

Average Annual Wages by Industry Sector

The following table shows the annual employment and average annual wages by major employment sector in 2021, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment in Union County. For specific industry sectors, only private employment information is available. The total for all industries represents all public and private employment.

| Table 23 Union County Average Annual Wages by Industry Detail: 2021 | | |
|--|------------|---------------------|
| Industry | Employment | Average Weekly Wage |
| Total All Industry | 9,616 | \$1,288 |
| Natural Resources, Mining | 154 | \$906 |
| Construction | 391 | \$1,223 |
| Manufacturing | 1,943 | \$1,080 |
| Trade, Transportation, Utilities | 1,219 | \$1,199 |
| Information | 52 | \$1,371 |
| Financial Activities | 904 | \$1,299 |
| Professional and Business Services | 1,858 | \$2,230 |
| Education and Health Services | 1,288 | \$1,399 |
| Leisure and Hospitality | 796 | \$368 |
| Other Services | 166 | \$734 |

Source: South Dakota Department of Labor

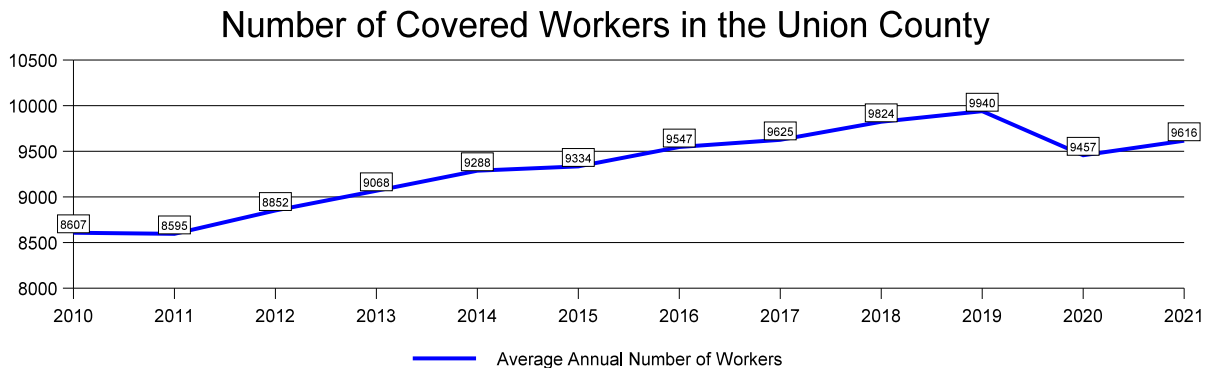
- ▶ The average weekly wage for all industry in 2021 was \$1,288. At full-time employment, this would yield an annual wage of approximately \$66,975.
- ▶ The highest paying private wage sector was Professional and Business Services, which was also the second largest industry sector for total employment. The approximate annual wage in this sector was nearly \$116,000.
- ▶ The lowest paying wage sector was Leisure and Hospitality, with an average annual wage below \$19,200 at full-time employment.

Annual Covered Employment

Since the Quarterly Census of Covered Workers (QCEW) tracks employees covered by unemployment insurance by location of the worker, it is possible to examine longer-term patterns in the local employment level. The following table displays the total number of workers reported in the County back to the year 2010.

| Table 24 Union County Average Annual Employment | | | |
|--|--------------------------|------|--------------------------|
| Year | Total Covered Employment | Year | Total Covered Employment |
| 2010 | 8,607 | 2016 | 9,547 |
| 2011 | 8,595 | 2017 | 9,625 |
| 2012 | 8,852 | 2018 | 9,824 |
| 2013 | 9,068 | 2019 | 9,940 |
| 2014 | 9,288 | 2020 | 9,457 |
| 2015 | 9,334 | 2021 | 9,616 |

Source: QCEW - SD Department of Labor



- ▶ Prior to the Covid pandemic in 2020, there had been a gradual but a consistent increase in the number of covered workers employed in Union County. If 2019 is compared to the year 2010, there was an increase of 1,333 reported workers covered by unemployment insurance, or growth of 15.5%.
- ▶ Between 2019 and 2020 there was some drop in employment, but part of this loss in covered jobs was recovered in 2021.

Commuting Patterns of Area Workers

Information is available on area workers that commute for employment. The best information is from the 2020 American Community Survey, and has been examined for Alcester. The first table examines City residents that traveled to work and excludes people that work at home.

| Table 25 Commuting Times for Alcester Residents - 2021 | | |
|---|--------|---------|
| Travel Time | Number | Percent |
| Less than 10 minutes | 186 | 51.7% |
| 10 to 19 minutes | 51 | 14.2% |
| 20 to 29 minutes | 9 | 2.5% |
| 30 minutes + | 114 | 31.7% |
| Total | 360 | 100% |

Source: American Community Survey

- ▶ The majority of Alcester’s residents were commuting 19 minutes or less to work in 2021. Overall, nearly 66% of residents were employed in the immediate area. However, nearly 32% of residents were traveling 30 minutes or more for their primary employment.

The ACS also identifies travel time by location of employment. For people that worked in Alcester, the following travel times were identified.

| Table 26 Commuting Times for Alcester-based Employees - 2020 | | |
|---|--------|---------|
| Travel Time | Number | Percent |
| Less than 10 minutes | 226 | 44.1% |
| 10 to 19 minutes | 180 | 35.1% |
| 20 to 29 minutes | 19 | 3.7% |
| 30 minutes + | 88 | 17.2% |
| Total | 513 | 100% |

Source: American Community Survey

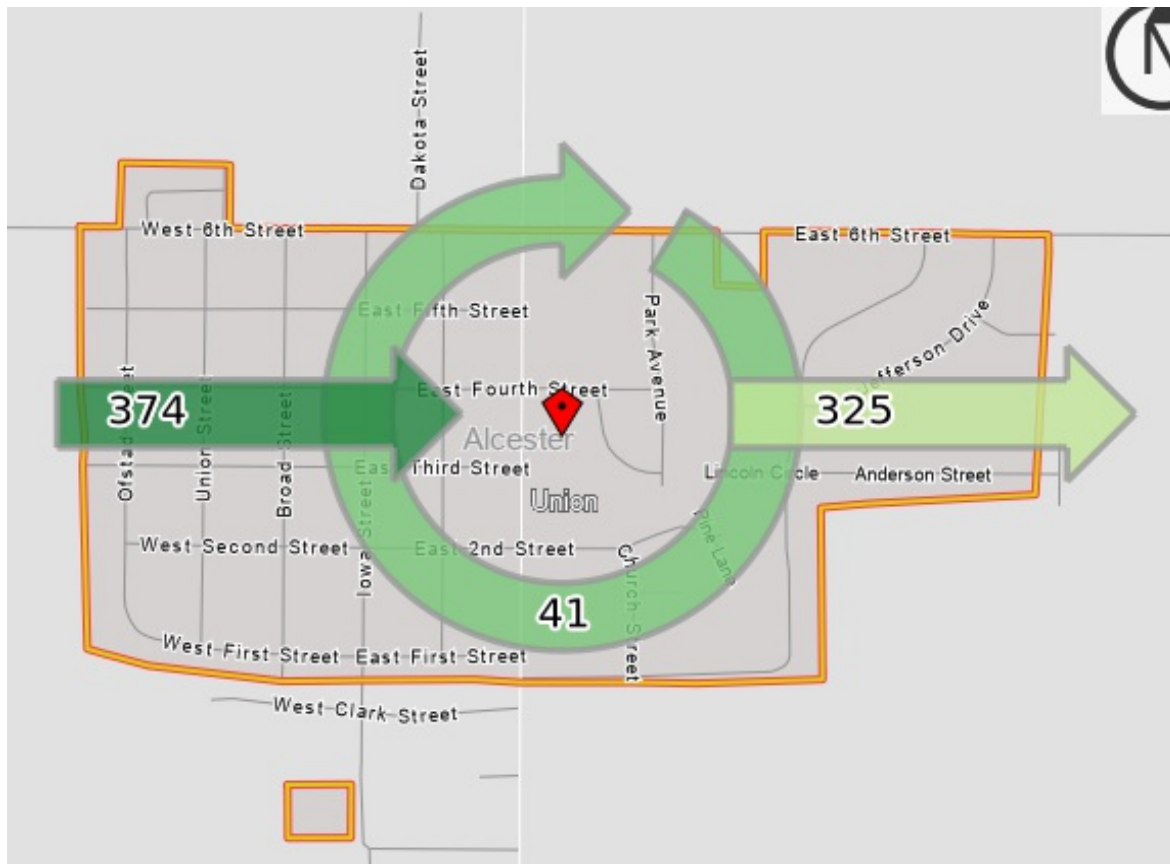
- ▶ Most of the people that worked in Alcester lived within the immediate area, as more than 79% traveled 19 minutes or less to the City. However, more than 17% of city-based workers did commute 30 minutes or more to a job in Alcester.

Census On the Map

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on reports for the year 2019, but provides a further breakdown of worker movement.

According to the report for Alcester, there were 415 people that were employed within the City in 2019. Only 41 of these City-based employees also lived in Alcester. The remaining 374 employees lived outside the City and commuted in for their job. The primary identified locations supplying workers to the City were Beresford, Sioux Falls, Alcester Township, Big Springs Township, Prairie Township and Vermillion.

On the Map can also be used to track worker outflow patterns from the City. Overall, there were 366 Alcester residents that were employed. Most of these City residents worked outside the community, as 325 people left the City for their job. The primary identified destinations for outbound commuters were Sioux Falls, Beresford and Vermillion.



Findings on Growth Trends

The release of the 2020 U.S. Census provided a new benchmark for demographic data. For the City of Alcester, the 2020 results showed moderate growth, with the City adding 15 households and 13 people between 2010 and 2020.

Past patterns for household change in Alcester have moved both up and down in past decades. The City added 27 households in the 1990s, but then lost 36 households between 2000 and 2010. Despite the addition of 15 households between 2010 and 2020, the City's household count had increased by only seven households over the 30-year time period from 1990 to 2020.

During this same 30-year time period, the City's population has decreased slightly, as there has tended to be fewer people per household. In 2020, the average household size in Alcester was at only 2.04 persons, relatively small when compared to other area communities. This typically indicates a City with a large number of senior citizens and fewer families with children.

Despite the limited demographic changes that have occurred in Alcester, Union County has continued to grow. Union County is one of the four counties that form the Sioux City Metropolitan Statistical Area (MSA). Between 2010 and 2020, the County added more than 2,400 people and 1,066 households. Much of Union County's growth was located near Sioux City, in North Sioux City and Big Sioux Township, but growth also occurred in other portions of the County.

For the entire Sioux City MSA, which includes counties in Iowa, South Dakota and Nebraska, there was strong population and household growth over the past decade. Between 2010 and 2020 the MSA added 6,363 people and 1,936 households. The numeric growth over the most recent decade was much greater than the MSA achieved between 2000 and 2010.

While the MSA did add a large number of people outside of Union County, much of the household growth since 2010 was directly attributable to the South Dakota portion of the MSA. Union County represented approximately 55% of the household growth as recorded by the 2020 Census.

Alcester is also located near the Sioux Falls MSA, with neighboring Lincoln County being the second largest county in that metropolitan area. The Sioux Falls MSA had a significantly greater level of growth than the Sioux City MSA between 2010 and 2020, and has continued to grow rapidly after 2020.

Findings on Projected Growth

This Study has examined projections from established national sources, including both Applied Geographic Solutions (AGS) and Esri. However, both of these sources appear to have fairly unreliable forecasts for near-term change in Alcester.

Applied Geographic Solutions expects the City to lose three households between 2022 and 2027. In the opinion of the analysts, this is an overly conservative projection. The City has added an average of 1.5 households per year since 2010, and some level of future growth would be expected.

The projection from Esri expects Alcester to add 40 households over the 5-year projection period, or an annual average of eight households per year. While growth at this level is achievable for Alcester, it would be a significant change from past patterns. Even in the 1990s, when the fastest rate of recent growth was reached, the City was averaging fewer than three additional households per year. Since 2010, the annual average growth was less than two households per year.

After reviewing the available data collected through the research for this Study, it is the opinion of Community Partners Research, Inc., that Alcester should be able to add approximately four households per year, or 20 total households over the 5-year projection period.

While limited growth would be projected in Alcester, the remainder of Union County should continue to add a substantial number of households and people. Most of this expected growth would be located immediately adjacent to Sioux City, in Big Sioux Township and in North Sioux City. AGS and Esri project average annual growth for the County of between 54 and 58 households per year through 2027. While these projections may prove to be overly conservative, they do highlight the growth potential that exists for Union County.

Alcester has not captured an overly large share of the past growth in Union County, but it is possible that the City will attract a larger share in the future, and the growth forecast showing the City adding 20 households by 2027 may also prove to be conservative.

Summary of Alcester’s Growth Projections by Age Group

The Demographic section of this Study presented age-based projection information for Alcester for the time period between 2022 and 2027. These projections were based on Esri’s data but adjusted downward to be compatible with the forecast that expects the City of add 20 households over the 5-year time period. This information can be informative in determining the housing that may be needed in the future due to age patterns of the City’s population.

| <u>Age Range</u> | <u>Projected Change in Households</u> |
|------------------|---------------------------------------|
| | <u>2022 to 2027</u> |
| 24 and younger | 0 |
| 25 to 34 | 2 |
| 35 to 44 | 9 |
| 45 to 54 | -1 |
| 55 to 64 | -2 |
| 65 to 74 | 13 |
| 75 and older | <u>-1</u> |
| Total Change | <u>20</u> |

The adjusted Esri projections expect that the greatest numeric growth over the next five years will occur within the 65 to 74 year old age range, as the baby boom generation moves through the aging cycle. However, these projections expect a potential small decrease in the number of older senior households, age 75 and above, and in the near-senior group age 55 to 64 years old.

Growth is also projected among certain younger ranges, including adding households in the 25 to 44 year old age groups.

The City is expected to see a slight decrease in the number of households in the 20-year range between 45 to 64 years old. As a result, growth of approximately eight households would be expected from all combined ranges age 64 and younger by 2027.

These projections are based on the assumption that the City will add 20 total households over the 5-year time period. If the City grows at a faster rate the actual increases in households should be somewhat greater than presented above.

Findings on Unit Demand by Type of Housing

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

Age 24 and Younger - The projections used for this Study expect stability in the number of households age 24 and younger through the year 2027. Past tenure patterns indicate that most younger households will rent their housing. Relative stability in the number of households in this age range should mean that rental demand from younger households will also remain stable during the projection period.

25 to 34 Years Old - The projections show a small increase in this age range by 2027. Within this age range households often move from rental to ownership housing. A slight increase within this age range indicates demand for both first-time home buyer and rental opportunities from this age range will also increase slightly during the projection period.

35 to 44 Years Old - The projections for this 10-year age cohort expect an increase of nine households through 2027 in Alcester. In the past, this age group has had a relatively high rate of home ownership. Households within this range often represent both first-time buyers and households looking to trade-up, selling their starter home for a more expensive house. An increased number of households will result in some greater demand for ownership options.

45 to 54 Years Old - The projections show slight decrease in the number of households in this age range by 2027. This age group historically has had a high rate of home ownership, and will often look for trade-up housing opportunities. A small reduction within this age range indicates slightly reduced demand for trade-up housing during the projection period.

55 to 64 Years Old - By 2027, this age cohort will largely represent the age cohort that trailed behind the baby boom generation. This group was not as large demographically and will not fully replace the advancing baby boomers. The age-based projections for Alcester expect a small decrease of households in this age range. This group has traditionally a high rate of home ownership, and age-appropriate housing, such as town house or twin home units, would have increasing appeal for the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters. However, some decrease in demand should be expected from this age range.

65 to 74 Years Old - A gain of 13 households is expected by the year 2027 in the 65 to 74 age range. While this group will begin moving to life-cycle rental housing options as they age, the younger seniors are still predominantly home owners. Once again, preferences for age-appropriate units should increase from household growth within this age cohort.

75 Years and Older - There is a slight decrease projected from older seniors, with one less household in this age range by 2027. In Alcester, most older seniors still own their home but this group may increasingly look for more age-appropriate options. Alcester does have some specialized senior housing with services and seniors needing care options with their housing may be able to access care in the community.

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 Alcester to gain up to 20 households and Union County to gain nearly 300 households from 2022 to 2027. Household growth in Alcester, Union County and the Sioux City MSA will yield demand for some new housing production in Alcester.

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. The best evidence from the 2020 Census points to an annual average loss of between two and three housing units per year after 2010. Unit losses may be caused by demolition activity, losses to fire or natural disasters, and to causes such as deterioration or obsolescence. In Alcester, some dilapidated housing has been demolished, and more units may be removed in the future. As a result, we have included an allowance for unit replacement in the recommendations that follow.

Replacement of Lost Renter-Occupancy Units - It is also difficult to accurately quantify the number of units that are lost from the rental housing stock on an annual basis, however, we are projecting that some older 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 Alcester. 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 Alcester were identified through statistical data, local interviews, research and on-site review of the local housing stock.

- ▶ **Alcester serves as a small regional center** - Alcester provides employment opportunities, retail/service options, health and professional services, governmental services and recreational facilities and opportunities for a geographical area that surrounds the City.
- ▶ **Affordable priced housing stock** - The City of Alcester has a stock of affordable, existing houses. Our analysis shows that the City's median home value based on 2020, 2021 and 2022 sales is approximately \$150,000. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Land for development** - Alcester 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** - Alcester has an excellent public preschool through grade 12 school system.
- ▶ **Health facilities** - Alcester has health care facilities including a medical clinic and senior housing with services facilities.
- ▶ **Infrastructure** - Alcester's water and sewer infrastructure can accommodate future expansion. The City is upgrading its water system.
- ▶ **Commercial development** - Alcester's commercial district is adequate to meet most daily needs.
- ▶ **Alcester Housing and Redevelopment Commission (HRC)** - The Alcester HRC is active in promoting housing. The Alcester HRC has developed a residential lot subdivision and a four-unit rental project. The HRC has also moved a governors home into the City.
- ▶ **Alcester Industrial Board** - The Alcester Industrial Board is active in promoting industrial, commercial and community development in the City.

- ▶ **Employers** - Alcester has several large employers that provide job opportunities for local residents.
- ▶ **Commuters** - Approximately 374 Alcester employees are commuting into the City daily for work. These commuters are a potential market for future housing construction.
- ▶ **Desirable location of seniors and retirees** - Alcester is an attractive community for seniors as a retirement location. As the providers for the area's health, retail and government services, recreational opportunities, and housing options, the City has amenities that are attractive for seniors as they age.
- ▶ **Recreational and tourism opportunities** - Alcester is located in an area that provides excellent recreational and tourism opportunities.
- ▶ **Housing subdivision** - The Alcester HRC has developed a 10-lot subdivision that provides residential lot opportunities.
- ▶ **Population and households** - Based on our projections, Alcester will add population and households over the next five years.
- ▶ **Developers and builders** - Alcester has developers and builders that have a track record of building housing in Alcester.
- ▶ **Proximity to regional centers** - Alcester is approximately 32 miles from Vermillion, 49 miles from Sioux Falls and 50 miles from North Sioux City. These regional centers are within commuting distance from Alcester and have access to employment, health services, retail/commercial opportunities, recreational and cultural options, etc. Some households prefer to live near but not in a large regional center.
- ▶ **Incentive to build** - The City of Alcester provides a tax incentive for new housing construction.

Barriers or Limitations to Housing Activities

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

- ▶ **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 more 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 Alcester is valued at approximately \$150,000. This is below the comparable cost for new housing construction, which will generally be above \$275,000 for a stick built home with commonly expected amenities. This creates a value gap between new construction and existing homes. This can be a disincentive for any type of speculative building and can also deter customized construction, unless the owner is willing to accept a potential loss on their investment.
- ▶ **Lower paying jobs** - Although Alcester has job opportunities, some jobs are at the lower end of the pay scale and employees with these jobs have limited housing choices.
- ▶ **Commercial/retail options** - Alcester has a limited number of commercial and retail opportunities compared to larger regional centers.
- ▶ **Available residential lots** - There are only a few residential lots available for new construction in Alcester for new construction.
- ▶ **Lack of new housing construction** - There has been limited new housing construction in Alcester over the past several years.

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 Alcester. 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 Alcester if there is proactive support from the City, the HRC, regional housing and economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the existing housing stock** - The future of Alcester will be heavily dependent on their appeal as residential locations. The condition of the existing housing stock is a major factor in determining each community'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** - Alcester has many assets including a preschool through grade 12 school, employers, a commercial district, health facilities, recreational opportunities, etc. These are strong assets that make Alcester a desirable community to live in, and are key components to its 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, Alcester has been involved in housing issues. The community 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, Alcester has other resources to draw on including USDA Rural Development, the South Dakota Housing Development Authority, Rural Office of Community Services, Inc., Grow South Dakota and Dakota Resources. These resources should continue to be accessed as needed to assist with housing activities.

Summary of Findings/Recommendations

The findings/recommendations for Alcester 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 18 to 22 general occupancy market rate and moderate rent rental units
2. Promote the development/conversion of four to six affordable market rate rental housing units
3. Develop 8 to 10 subsidized rental housing units
4. Preserve the existing subsidized housing
5. Senior with a high level of services recommendation
6. Develop 12 to 14 senior independent/light services market rate units
7. Develop a downtown mixed-use commercial/housing project
8. Develop a Housing Choice Voucher Program

Home Ownership

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

Single Family Housing Development

11. Lot availability and development
12. Strategies to encourage residential lot sales and new home construction in Alcester
13. Coordinate with economic development agencies, housing agencies and nonprofit groups to construct affordable housing
14. Promote twin home/town home/condominium development

Housing Rehabilitation

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

Other Housing Initiatives

17. Acquire and demolish dilapidated structures
18. Strategies for downtown redevelopment
19. Develop and promote home ownership and new construction programs
20. Create a plan and coordinated effort among housing agencies

Alcester - 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. We are aware of five rental units that were developed in Alcester from 2010 to 2022. Also, some owner-occupied single family homes have converted to rentals and vice versa.

Based on U.S. Census and American Community Survey data, it is estimated that there are approximately 125 to 130 rental units in Alcester in 2023.

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 Alcester expect some household growth over the next five years. From 2023 to 2027, Community Partners Research, Inc., is projecting that there will be a gain of up to 20 households in Alcester. It is projected that approximately 50% of these households will be rental households, thus, there will be a demand for up to 10 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 of Alcester will lose as many as two to three units per year. As a result, approximately 10 to 15 additional units will be needed over the next five years to replace lost units. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition or conversion. In other cases, this replacement is appropriate due to the deteriorating condition of older, substandard rental housing that should be removed from the occupied stock. Rental units will also be lost due to rental units converting to owner-occupancy.

Pent-up demand also exists. As part of this study, a rental survey was conducted. The survey found no vacancies in conventional general occupancy market rate units and no vacancies in the subsidized rental units. The owners and managers reported high ongoing occupancy rates. There were, however, vacancies reported in the senior housing with services facilities.

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

These three demand generators, after factoring current occupancy rates, show a need for 42 to 52 rental units in Alcester 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 2023 to 2027.

| | |
|-------------------------------------|--------------------|
| ▶ General Occupancy Market Rate | 18-22 units |
| ▶ Affordable/Conversions | 4-6 units |
| ▶ Subsidized | 8-10 units |
| ▶ Senior Independent/Light Services | <u>12-14 units</u> |
| Total | 42-52 units |

It is important to recognize that this is the potential demand within the various market segments, including some need for unit replacement. If this level of unit production is achieved, the total household growth within the community would exceed the expected growth projection presented earlier in this Study. The analysts recognize that production of all of these units may not actually occur at the recommended level.

1. Develop 18 to 22 general occupancy market rate and moderate rent (workforce housing) rental units

Findings: Approximately 63% of the rental housing in the City of Alcester 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.

We found no vacancies in the market rate rental units we surveyed in Alcester. The owners and managers of rental properties reported very high ongoing occupancy rates and strong demand for rental housing.

There is a variation in rental rates in the market rate segment in Alcester. The existing rent range including utilities ranges from \$475 to \$875 based on the quality and size of the units.

From 2010 to 2022, we are aware of five market rate rental units that were developed in Alcester. These units were developed by converting assisted living units to market rate units. Also, some single family homes have converted from owner-occupied to rental units and vice versa.

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 18 to 22 market rate units over the next five years, including luxury, moderate rent and workforce housing.

Based on our research, there is a lack of three-bedroom units, thus, some of the new units constructed over the next five years should be three-bedroom units. However, the majority of the new units should be two-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.

There are two market rate rental segments in Alcester. 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 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 deferral, tax increment financing may be needed. SDHDA programs such as the DakotaPlex Program, Governor's Office of Economic Development (GOED) funds may also be available.

The first option to developing market rate housing would be to encourage private developers to undertake the construction of market rate rental housing. Also, the Alcester HRC or a regional housing agency could partner with private developers to construct additional units. However, financial assistance, including the resources listed above, may still be needed.

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

| <u>Unit Type</u> | <u>No. of Units</u> | <u>Size/Sq. Ft.</u> | <u>Rent</u> |
|------------------|---------------------|---------------------|-------------------|
| One Bedroom | 3-4 | 650 - 800 | \$700 - \$900 |
| Two Bedroom | 12-14 | 850 - 1,050 | \$850 - \$1,200 |
| Three Bedroom | 3-4 | 1,100 - 1,250 | \$1,000 - \$1,400 |
| Total | 18-22 | | |

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2023 dollars.

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

Findings: The previous recommendation addressed the market potential to develop high quality rental units in Alcester. Unfortunately, these units would tend to be beyond the financial capability of many area renters. Many of the renter households in Alcester have an annual income below \$35,000. These households would need a rental unit at \$875 per month or less.

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

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

Recommendation: We encourage Alcester to promote the development/conversion of more affordable rental units. We recommend 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 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 Alcester is typically between \$450 and \$750 per month. Creating some additional units with contract rents below \$800 per month would help to expand the choices available to a majority of the area's renter households.

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

3. Develop 8 to 10 subsidized rental housing units

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

The research completed for this Study found two federally subsidized rental projects in Alcester that offer subsidized housing with rent based on income. The projects are two phases of Town House Apartments, with each phase having 22 units. Both projects are for family/general occupancy. The two projects were constructed in the early 1970s.

The 44 units in the two subsidized projects include:

- ▶ 8 one-bedroom units
- ▶ 32 two-bedroom units
- ▶ 4 three-bedroom units

At the time of the survey, the two projects had no vacancies and waiting lists.

Despite the number of income-based rental housing in the City, the 2021 American Community survey estimated that approximately 19% of all renters in the City were paying 30% or more of their income for rent. Many of the households with a rent burden had very low annual incomes, and would be under the income limits for subsidized housing.

Recommendation: Based on the cost burden data contained in the American Community Survey and high occupancy rates in the existing subsidized units, we recommend that the City expand the supply of deep subsidy rental housing for lower income renters. Over the next five years, we recommend that the City and housing agencies attempt to construct 8 to 10 units that achieve a rent level that would be affordable to very low income households earning less than \$35,000 per year. Some of the units should be three-bedroom units.

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

An area housing or economic development agency may have the staff resources to assist the City of Alcester with developing a new subsidized rental project.

4. Preserve the existing supply of subsidized housing

Findings: The City of Alcester has two “deep subsidy” rental housing projects with a total 44 units, which allow tenants to pay rent based on 30% of income. These projects are more than 40 years old and were constructed 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 in some South Dakota communities 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) administers subsidy programs statewide and would therefore be aware of subsidized housing that is in the process of ending its subsidy contract. USDA Rural Development tracks projects leaving their subsidy program. The City of Alcester and/or the Alcester HRC should check with USDA Rural Development to see if any subsidized rental projects are in the process of ending their 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.

5. Senior housing with a high level of services recommendation

Findings: Senior housing with services defines a wide range of housing types. Skilled nursing homes, assisted living and memory care housing are generally the most service-intensive units. High-service housing provides 24-hour staffing and a high level of assistance with daily living needs of residents.

Lower-service housing, sometimes referred to as congregate senior housing, generally offers the availability of a daily meal, and services such as weekly light housekeeping.

Unit Inventory

Alcester has two licensed providers of senior housing with services, both operating as the Alcester Care and Rehab Center. There are 41 beds that are State-licensed as a Skilled Nursing Facility and 10 beds that are licensed as an Assisted Living Center.

At some point in the past, there had been an adjacent building that was used to provide assisted living care. However, this was sold many years ago and now operates as Alcester Village Apartments, the largest multifamily building providing conventional market rate housing in the City.

Occupancy/Vacancy

At the time of the rental survey, eight of the 10 beds licensed for assisted living were unoccupied.

The occupancy rate reported of the skilled nursing beds in Alcester Care and Rehab Center is typically between 85% and 93%. Although some beds may be occupied by people needing only short-term transitional care stays, most beds are utilized for long-term care.

Recommendation: It is our opinion that currently, the existing senior with housing projects are adequately addressing the area's demand for senior housing with services that provide a high level of services. However, in the next recommendation we are recommending the development of an independent/light services senior project.

Also, the need for future additional senior housing that provides a high level of services should continue to be monitored.

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

Findings: Currently, there are approximately 142 households age 65 or older in Alcester. There are also more senior-headed households in Union County and neighboring counties that may elect to move into a senior independent/light services project in Alcester.

Recommendation: We are recommending a 12 to 14-unit independent/light services market rate senior project in Alcester. The project should be designed to allow seniors to live in a unit independently and for seniors who need minimal services. The senior project could be a one-level apartment building or town home-style.

The project's amenities and features should include:

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

Apartment features should include:

- ▶ 12 to 14 units
 - ▶ 2 to 3 one-bedroom
 - ▶ 10 to 11 two-bedroom
- ▶ Floor plans that promote accessibility
- ▶ Fully equipped kitchen
- ▶ Large storage area
- ▶ Ample closet space
- ▶ Laundry hookups
- ▶ Open floor plan
- ▶ Private patio
- ▶ Individually controlled heat and AC
- ▶ Raised outlets, lever door handles, lowered kitchen cabinets
- ▶ Expansive windows

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

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

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

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

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

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

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

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

Recommendation: We recommend the development of a mixed-use building in the downtown Alcester 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 to downtown.

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

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

8. Develop a Housing Choice Voucher Program

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

Although the federal government provides limited 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.

Currently, we are not aware of any housing agency that is administering the Housing Choice Voucher Program in Alcester or Union County.

Recommendation: We recommend that the City of Alcester and the Alcester HRC work with area housing agencies and SDHDA to determine the feasibility of developing a Housing Choice Voucher Program in Alcester.

Alcester - Home Ownership

Home Ownership

Findings: Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base. The median owner-occupied home value is estimated to be approximately \$150,000 in the City of Alcester based on sales activity from 2020 through 2022. The home values in Alcester provide a good opportunity for first time buyers and households seeking moderately priced homes.

Some households have not been able to achieve the goal of home ownership and 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:

9. 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 Alcester 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, gap financing, and home ownership counseling and training programs can help to address affordable housing issues. Alcester has a supply of houses that are price-eligible for these assistance programs. The home value estimates used in this study indicate that a majority of the existing stock currently is valued under the purchase price limits for the first-time home buyer assistance programs.

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

Recommendation: We recommend that the City of Alcester and the Alcester HRC 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 Alcester and the Alcester HRC should also work with housing agencies to assure that Alcester residents 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.

10. Develop a Purchase/Rehabilitation Program

Findings: The City of Alcester has a stock of older, lower valued homes, some of which need repairs. As some lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

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

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

Recommendation: We recommend that the City of Alcester and the Alcester HRC work with a housing agency to develop and implement a purchase/rehab program. Attitudinal surveys that we have conducted in other cities have found that purchase/rehabilitation programs are appealing to people who are currently renting their housing. In some similar sized communities, a large majority of survey respondents who were renters indicated an interest in buying a home in need of repair if rehabilitation assistance was available.

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

Because a purchase/rehabilitation program can be expensive and its cost effectiveness in some cases may be marginal, it may be advantageous in some cases to directly assist low and moderate income households with purchasing and rehabilitating homes. Area housing agencies and financial institutions could offer some rehabilitation assistance in conjunction with first-time home buyer programs to make the older housing a more attractive option for potential home buyers. Also, USDA Rural Development provides purchase/rehabilitation loans to low and moderate income buyers.

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

Alcester - Single Family Housing Development

Single Family Housing Development

Findings: Based on local and Census Bureau reports, Alcester has experienced limited single family housing development from 2010 to 2022. Over the past 13 years, approximately 10 single family owner-occupancy units have been constructed in Alcester. This is an average of less than one owner-occupancy unit constructed annually in Alcester. However, in 2022, three owner-occupancy houses were constructed in Alcester.

It is our opinion that if the City of Alcester, the Alcester HRC, builders and developers are proactive, and if residential lots are available, 12 to 16 homes can be constructed or moved into Alcester from 2023 to 2027, which is two to three new units annually.

The breakdown of our projection of 12 to 16 new owner-occupied housing units over the next five years is as follows:

| | |
|---|------------|
| ▶ Higher and Medium priced homes (over \$300,000) | 5-6 |
| ▶ Affordable Homes (under \$300,000) | 3-4 |
| ▶ Twin homes/Town homes | <u>3-4</u> |
| Total | 12-16 |

11. Lot availability and development

Findings: As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in Alcester. The Alcester HRC has developed 10 residential lots on Beck Drive. Currently, there are two lots remaining for sale. Five single family homes have been constructed to date on the lots that have been sold.

There are also miscellaneous infill lots scattered around the City that we did not attempt to count. We do not know the availability of these infill lots. Also, dilapidated houses may be acquired and demolished over the next five years. Some of the cleared lots may be sites for new construction. The Alcester HRC plans to move in Governors Homes on infill lots.

Two sites have been identified for future lot development. One site is approximately 18 acres and would need to be annexed into the City. The other site is approximately 78 acres.

Recommendation: We are projecting that 12 to 16 new owner-occupied housing units will be constructed over the next five years in Alcester.

With only two of the Beck Drive residential lots available, plus a few miscellaneous available lots, Alcester will need additional lots over the next five years, if the new housing construction that is projected comes to fruition. Therefore, it is our recommendation that an additional 15 to 25 lots be developed in Alcester over the next five years. This will provide an adequate number of lots for the five-year projection period, plus some remaining lots for a few additional years beyond the projection period.

Future lots/subdivision development should include the following:

- ▶ It may be advantageous to develop the lots in phases.
- ▶ The lots must be as aesthetically acceptable as possible and include high quality amenities.
- ▶ The subdivision(s) should have covenants that assure high quality development. However, the covenants should not be so restrictive that they eliminate the target market's ability to construct a home.
- ▶ The subdivision(s) should accommodate a variety of home designs and home prices.
- ▶ Employers should be involved in promoting the subdivision.
- ▶ To be successful, the homes must be available to households with as wide an income range as possible.
- ▶ Successful subdivisions will need the cooperation of housing agencies, financial institutions, funding agencies, employers, the Alcester HRC, the Alcester Industrial Board and the City of Alcester. Financial assistance such as tax increment financing, tax abatement, tax deferral, and state and federal funding may be necessary to make the development of lots feasible.
- ▶ The lots should expand the market by providing an attractive, affordable product.
- ▶ Some lots should be available for twin home/town home development.
- ▶ The development process should be as user-friendly and streamlined as possible.

12. Strategies to encourage residential lot sales and new home construction in Alcester

Findings: Over the past 13 years from 2010 to 2022, approximately 10 owner-occupancy units have been constructed in Alcester.

Recommendation: We recommend that the City of Alcester, the Alcester HRC, the Alcester Industrial Board, employers, builders and developers coordinate efforts to promote lot sales and housing development in Alcester.

Our recommendations to promote lot sales and housing development include:

- ▶ ***Continue competitive pricing*** - The current lot prices in Alcester are competitive. To encourage new home construction, lots must remain competitively priced.
- ▶ ***Plan for long-term absorption*** - The research completed for this Study expects limited annual absorption of lots in Alcester. We are projecting the construction of two to three new units per year. It is therefore necessary to view the construction of homes on the developed lots as a long-term plan.
- ▶ ***Generate activity*** - To stimulate new construction, proactive efforts, such as the sale of some lots at discounted prices, reduction of hookup and permit fees or other incentives could be provided if the buyer agrees to build a home of a certain quality and style within a stipulated time frame. This creates momentum for more houses to be built.
- ▶ ***Consider developing an exclusive builder(s) relationship*** - A block of lots could be sold to a builder or builders. Momentum can be created when a builder has access to several lots. This allows for marketing opportunities and efficiencies in the home building process. The subdivision owners, however, should assure that the builder is obligated to constructing a minimum number of homes per year. Builders are more willing to enter a market when the lots are attractive and very affordable. A block of lots available to an exclusive builder or developer should be explored, even if price concessions are required.
- ▶ ***User-Friendly*** - The lot purchase and homebuilding process must be 'user-friendly.' This includes the availability of buildable lots, the availability of builders to build custom homes, information on quality homes that can be moved into the community and City regulations that are fair and reasonable. The entire process should be as user-friendly as possible to encourage new home construction.

- ▶ ***Spec home development*** - Spec houses can 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. In an attempt to spur spec home construction, some communities have formed partnerships with private home builders to share the financial risks. For example, some developers have been willing to defer the payment for the lot until the spec home is sold. Another builder incentive is to waive any water/sewer hookup fees and building permit fees until the home is sold. A more aggressive approach is to become directly involved in helping cover the payments on a home builder's construction loan, if the house does not sell within a reasonable period of time. A community risk pool would need to be established for this type of activity. These types of approaches would somewhat reduce the builder's risk, by lowering the upfront development costs.
- ▶ ***Range of house prices*** - Lots should be available to as wide a range of home sizes and prices as possible, without compromising the subdivision(s). This broadens the lot buyer market.
- ▶ ***Incentives*** - Many cities throughout South Dakota are offering incentives to construct homes including reduced lot prices, reduced water and sewer hookup fees, tax abatement, tax deferment, cash incentives, etc. Incentives should be considered to promote new home construction.
- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a demand for twin homes/town homes over the next five years. Lots should be available for twin home/town home lot development.
- ▶ ***Marketing*** - The City of Alcester, the Alcester HRC, the Alcester Industrial Board, employers, builders and developers should create a comprehensive marketing strategy to sell the available lots. In addition to marketing the lots, Alcester and its amenities should continue to be promoted.
- ▶ ***Covenants*** - Subdivisions often have covenants that assure quality development. The covenants should assure that they protect the integrity of the subdivision, but are not a barrier to new construction.

- ▶ ***Modular homes and affordable home lots*** - Lots should continue to be available for affordable homes including modular homes and governor's homes. Mobile homes provide affordable housing opportunities for low and moderate income households. Additional lots for modular homes would expand affordable ownership opportunities.
- ▶ ***Infill lot Home Development*** - Infill lots in existing neighborhoods are often affordable and have existing City services.
- ▶ ***Governors Homes*** - Governors homes are an affordable option for households and SDHDA has initiated a program that enables developers to participate in the 'Governors Home Program.'
- ▶ ***Housing Programs*** - The South Dakota Housing Development Authority, USDA Rural Development and other housing agencies may have housing programs available to assist developers, builders and home buyers. Also, the Governors Office of Economic Development may have funds available for subdivision development.

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

Findings: There are several housing agencies and nonprofit groups that may have the capacity to construct new housing in Alcester.

Recommendation: We encourage Alcester to actively work with economic development and housing agencies, nonprofit groups and the private sector to develop affordable housing. The Alcester HRC has moved one Governors Home into the community and plans to move in additional Homes in the future.

14. Promote twin home/town home/condominium 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 Alcester, approximately 20% to 25% of the new ownership housing constructed are twin homes/town homes/condominiums. From 2010 to 2022, there were no owner-occupied units constructed in Alcester were attached housing such as twin homes or condominiums.

In 2022, Alcester had approximately 214 households in the 55 and older age ranges. There is increasing demand from empty-nester and senior households for attached single family units such as twinhomes and townhomes. It is likely that demand for attached housing units will continue to increase over the next five years.

Recommendation: It is our projection that two to three new owner-occupancy twin homes (four to six units) could be constructed in Alcester over the next five years. Our projection is based on the availability of an ideal location for twin home/town home development as well as high quality design and workmanship.

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

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

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

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.

Alcester - Housing Rehabilitation

Housing Rehabilitation

Findings: Alcester 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 the City of Alcester, the Alcester HRC and regional 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 Alcester 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.

15. Promote rental housing rehabilitation

Findings: Based on U.S. Census and American Survey Community data, the City of Alcester has approximately 125 to 130 rental units in 2023. These rental buildings are in multi-family projects, small rental buildings, duplexes, single family homes, mobile homes and mixed-use buildings. Some of these rental structures could benefit from rehabilitation as approximately 66% of the rental units in Alcester were constructed prior to 1980 and are more than 40 years old.

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

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

16. Promote owner-occupied housing rehabilitation efforts

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

According to the American Community Survey, approximately 50% of the single family houses in Alcester are more than 60 years old. Some of the homes in Alcester's older neighborhoods need minor or major repair. In Alcester, we conducted a housing condition survey of 204 single family homes. Of this total, there were 77 homes identified as needing minor repair and 43 homes needing major repair. Without rehabilitation assistance, the affordable housing stock will shrink in the City.

Recommendation: We recommend that the City of Alcester and the Alcester HRC 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, Grow South Dakota and the Rural Office of Community Services, Inc. are potential funding sources.

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 Alcester households to continue to utilize these housing rehabilitation programs.

Alcester - Other Housing Initiatives

Other Housing Initiatives

17. Acquire and demolish dilapidated structures

Findings: There are single family houses in Alcester’s older neighborhoods that are dilapidated and too deteriorated to rehabilitate. In Alcester’s older neighborhoods, we identified 14 homes that are dilapidated and beyond repair. There are also 43 single family houses in the neighborhoods that need major repair and some of these homes may be too dilapidated to rehabilitate. To improve the quality of the housing stock and to maintain the appearance of the communities, dilapidated structures should be demolished, when feasible.

Recommendation: We recommend that the City of Alcester continue to work with property owners on an ongoing basis to demolish dilapidated homes. The appearance of the communities is enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots can be utilized for the construction of new affordable housing units.

Also, we recommend that the City maintain a lot inventory of structures that may be candidates for future acquisition and demolition. Additionally, an inventory of infill lots for future development should be maintained.

18. Strategies for downtown redevelopment and commercial development

Findings: The City of Alcester’s downtown has buildings that have been renovated and have high quality commercial space. There are also buildings that need renovation. This recommendation provides an outline of actions that could be taken to complement the ongoing renovation and redevelopment initiatives that are ongoing to renovate the downtown, to maximize the usage of downtown buildings and to promote new downtown businesses.

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

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

- ▶ Interview all downtown property owners and tenants to develop a database and to determine their future plans (expanding, selling, renovations, etc.)
- ▶ Develop an overall plan for the downtown (potential new businesses, address parking needs, develop an overall theme, art and cultural opportunities, etc.)
- ▶ Develop a mini-plan for each downtown property and each downtown block. This may include:
 - ▶ Commercial building rehab and renovations
 - ▶ Facade work
 - ▶ Building demolition
 - ▶ New construction
 - ▶ Recruiting new businesses
 - ▶ Housing development
 - ▶ Upper floor renovations
- ▶ Identify funding sources
 - ▶ Property owner funds
 - ▶ City of Alcester
 - ▶ South Dakota Housing Development Authority
 - ▶ Alcester Housing and Redevelopment Commission
 - ▶ Alcester Industrial Board
 - ▶ Federal Home Loan Bank
 - ▶ Special tax districts
 - ▶ Tax increment financing
 - ▶ Tax abatement and deferment
 - ▶ Funds from South Dakota State Agencies
 - ▶ Funds from the Governors Office of Economic Development
- ▶ Work with stakeholders to identify roles, secure funding, develop and implement programs and projects
 - ▶ Property owners
 - ▶ City of Alcester
 - ▶ Alcester Housing and Redevelopment Commission
 - ▶ Alcester Industrial Board

19. Develop and promote home ownership and new construction 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 that are on the market, availability of 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 Alcester, the Alcester HRC and other stakeholders have been active in promoting and marketing housing in the communities. We recommend the continuation or consideration of the following:

- ▶ Determine the community's strengths and competitive advantages and heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including social media, TV, radio, etc.)
- ▶ Work closely with employers (Alcester and the entire region) to provide employees with housing opportunities
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, gap financing, home owner education and home owner counseling programs
- ▶ Work with builders and developers to make the construction of new homes or rental units a very user friendly process
- ▶ Continue to develop new home construction and home purchase incentive programs
- ▶ 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 local 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

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

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

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

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

Agencies and Resources

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

South Eastern Council of Governments

500 North Western Avenue, Suite 100
Sioux Falls, SD 57104
(605) 367-5390

South Eastern Development Foundation

500 North Western Avenue, Suite 100
Sioux Falls, SD 57104
(605) 367-5390

Grow South Dakota

104 Ash Street East
Sisseton, SD 57262
(605) 698-7654

The Rural Office of Community Services, Inc.

214 West Main
PO Box 70
Lake Andes, SD 57356
(605) 487-7634

South Dakota Housing Development Authority

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

USDA Rural Development

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

Dakota Resources

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