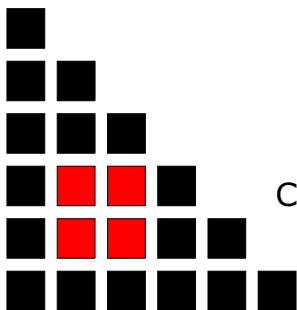


# Custer County HOUSING STUDY UPDATE

November 2023

An updated analysis of the overall housing needs of the City of Custer and the smaller Towns of Buffalo Gap, Fairburn, Hermosa and Pringle in Custer County, SD



Community Partners Research, Inc.  
Faribault MN

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## **Introduction**

Local elected and public officials are often held responsible for conditions and circumstances over which they have limited control. This is particularly true of housing. Most of the housing units in Custer 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 initially hired by the City of Custer in 2017 to conduct a study of the housing needs and conditions in the City. In 2023, an Update to the previous Housing Study was initiated, with the added component of providing some basic information on the smaller communities in Custer County.

### **Goals**

The multiple goals of the study include:

- ▶ Provide updated 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 April to September 2023. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Applied Geographic Solutions, Inc., a private reporting service
- Esri, a private data company
- Records and data from the Towns
- Records and data maintained by Custer County
- Interviews with housing stakeholders

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

## **Limitations**

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

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# Demographic Data Overview

## Sources of Data

The following pages contain demographic data obtained from a variety of local, state and national sources for the City of Custer and the Towns of Buffalo Gap, Fairburn, Hermosa and Pringle. For some demographic topics information is also provided for all of Custer County.

At the time that research was completed for this Study, the Census Bureau had provided two releases of demographic and housing information from the 2020 decennial Census. However, some additional detailed tables are not scheduled for release until later in 2023.

The global pandemic that began in 2020 resulted in a delay in the Census release schedule. It also affected the data collection in 2020. As a result, there are some questions about the accuracy of 2020 Census data, but in the opinion of the analysts it still represents the best demographic information available.

This Update has also reviewed post-Census estimates from secondary sources, including the American Community Survey, an annual sampling of households. However, because the American Survey is an estimate, based on sampling data, there is a margin of error that exists for each estimate. The American Community Survey estimates have an effective date in 2021. The estimates were derived from five-year sampling, obtained between 2017 and 2021.

This Update has also utilized demographic estimates and projections that have been generated by private data providers. The South Dakota Governor's Office of Economic Development contracts with Applied Geographic Solutions (AGS) to provide community profiles for each city in the State. The AGS estimates are effective for 2023, with projections to 2028.

Prior to using AGS, the State had used Esri, Inc., for community profiles. The analysts have also utilized 2023 estimates and 2028 projections from Esri. Both of these private data reporting services are widely used by financial and government entities.

Both AGS and Esri had access to the 2020 Census totals when preparing their 2023 estimates and projections, and in general, the demographic forecasts have been reconciled with the benchmark that was established by the Census.

## Population Data and Trends

The release of population totals from the 2020 U.S. Census established a new benchmark for the number of people residing in each jurisdiction. The Census total had an effective date of April 1, 2020.

<b>Table 1 Population Trends - 1990 to 2020</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 Census
Custer	1,741	1,860	6.8%	2,067	11.1%	1,919
Buffalo Gap	173	164	-5.2%	126	-23.2%	131
Fairburn	62	80	29.0%	85	6.3%	60
Hermosa	242	315	30.2%	398	26.4%	382
Pringle	96	125	30.2%	112	-10.4%	109
Custer Co.	6,179	7,275	17.7%	8,216	12.9%	8,318

Source: U.S. Census

### Custer

- ▶ In 2020, the population for the City of Custer was 1,919 people. When compared back to the 2010 Census, the City had lost 148 permanent residents, for a population decrease of -7.2%.
- ▶ The population loss for Custer over the most recent decade reversed a longer-term pattern of growth. In the 1990s, the City had averaged growth of nearly 12 people per year, followed by average growth of approximately 21 people per year between 2000 and 2010.
- ▶ Applied Geographic Solutions (AGS), the data source provided by the Governor’s Office of Economic Development, estimates that the City of Custer had 1,980 residents in 2023. This estimate was up from the 2020 Census count of 1,919 people, as AGS believes that the City has once again been growing over the past few years.
- ▶ For the City of Custer, a 2023 estimate was also obtained from Esri. This source showed the City with 2,103 residents, up substantially from the 2020 Census count of 1,919 people living in the City.

## **Buffalo Gap**

- ▶ The Town of Buffalo Gap had 131 permanent residents at the time of the 2020 Census. When compared back to 2010, the Town had gained five people over the decade.
- ▶ Although population growth was limited, the increase between 2010 and 2020 reversed a longer-term pattern, as Buffalo Gap had lost a significant number of residents between 1990 and 2010. Even with some recent growth, the Town's population in 2020 was still significantly smaller than at the time of the 2000 Census.
- ▶ The 2023 AGS estimate for Buffalo Gap showed 138 residents, up by seven people from the 2020 Census count.

## **Fairburn**

- ▶ The Town of Fairburn had 60 permanent residents at the time of the 2020 Census. When compared back to 2010, the Town had lost 25 people over the decade.
- ▶ With the loss of residents after 2010, Fairburn's population was two people lower than recorded in the 1990 Census. The City had grown rapidly in the 1990s, and had then added a few people between 2000 and 2010. However, the population loss after 2010 erased the population growth that had occurred in the prior two decades.
- ▶ The 2023 AGS estimate for Fairburn showed 61 residents, up by one person from the 2020 Census count.

## **Hermosa**

- ▶ The Town of Hermosa had 382 permanent residents at the time of the 2020 Census. When compared back to 2010, the Town had lost 16 people over the decade.
- ▶ Prior to 2010, Hermosa had been growing rapidly, adding 73 people in the 1990s and 83 people between 2000 and 2010. Despite the population loss after 2010, the Town still had 140 more permanent residents in 2020 than had been present in 1990.
- ▶ The 2023 AGS estimate for Hermosa showed 380 residents, down by two people from the 2020 Census count.



## **Pringle**

- ▶ The Town of Pringle had 109 permanent residents at the time of the 2020 Census. When compared back to 2010, the Town had lost three people over the decade.
- ▶ Although population loss was very small, Pringle had also lost residents between 2000 and 2010. There had been growth in the community in the 1990s, but in the following 20 years much of the gain in the 1990s was lost. As a result, the Town's population in 2020 was only 13 people larger than in 1990.
- ▶ The 2023 AGS estimate for Pringle showed 109 residents, unchanged from the 2020 Census count.

## **Custer County**

- ▶ In 2020, the population level for all of Custer County was 8,318, up by 102 people, or 1.2%, from 2010.
- ▶ Although there was some population growth Countywide, the level of growth between 2010 and 2020 was significantly smaller than in the past. In the 1990s the County had added an average of nearly 110 people per year, followed by an average of 94 people per year from 2000 to 2010. The annual average of 10 people per year between 2010 and 2020 was substantially below longer-term patterns for Custer County.
- ▶ The AGS estimate for Custer County showed 8,718 residents in 2023, up by 400 people from the 2020 Census count.
- ▶ An Esri estimate for Custer County was also obtained, which shows 8,725 residents in 2023, up by 407 people from 2020. The Esri estimate is very similar to the AGS estimate for the County.

## **Population Characteristics: Race and Ethnic Origin**

- ▶ Custer County's population was primarily White for race, according to the 2020 Census. More than 91% of the residents identified their race as White, with more than 5% identified as "Two or More Races".
- ▶ At the time of the 2020 Census, only 2.5% of the County's residents were of Hispanic/Latino ethnic origin.

**Population Characteristics: Group Quarters**

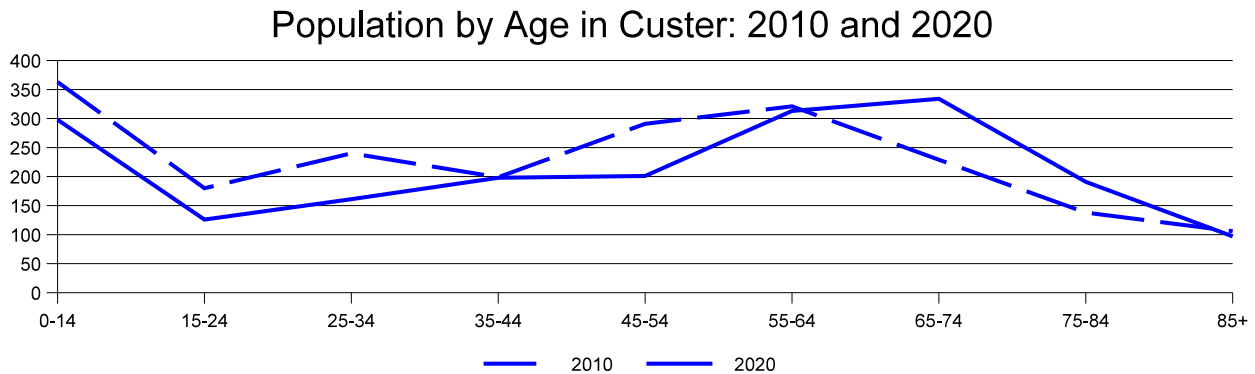
- ▶ The Census identified 71 residents in the City of Custer living in group quarters housing. All of these people were in a nursing home. However, this nursing home was closed in 2022, so it is probable that the city no longer has any residents of group quarters housing.
  
- ▶ There were no residents in “group quarters” housing in Buffalo Gap, Fairburn, Hermosa or Pringle in 2020.
  
- ▶ In addition to the group quarters residents in Custer, there were also 24 group quarters residents living in the rural portions of Custer County, primarily in some type of noninstitutionalized facility, such as a residential group home.

## Population by Age Trends: 2010 to 2020

The 2020 Census included information on the age distribution of residents. This can be compared to the age patterns present at the time of the 2010 Census. The following table is for the City of Custer and all of Custer County.

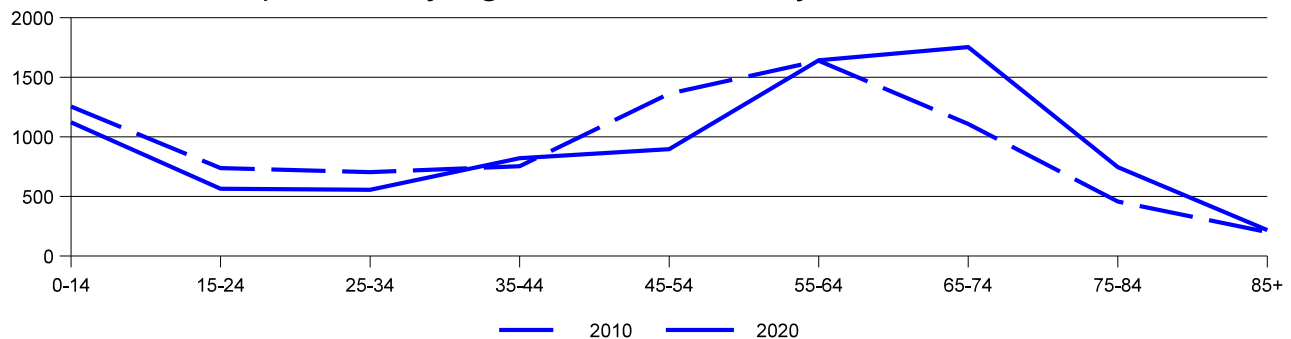
<b>Table 2 Population by Age - 2010 to 2020</b>						
Age	City of Custer			Custer County		
	2010	2020	Change	2010	2020	Change
0-14	363	298	-65	1,254	1,122	-132
15-19	104	88	-16	493	372	-121
20-24	76	38	-38	245	192	-53
25-34	240	161	-79	704	556	-148
35-44	199	198	-1	753	821	68
45-54	291	201	-90	1,363	897	-466
55-64	321	313	-8	1,638	1,642	4
65-74	229	334	105	1,108	1,753	645
75-84	138	191	53	457	746	289
85+	106	97	-9	201	217	16
<b>Total</b>	<b>2,067</b>	<b>1,919</b>	<b>-148</b>	<b>8,216</b>	<b>8,318</b>	<b>102</b>

Source: U.S. Census



- ▶ The aging patterns for the City of Custer between 2010 and 2020 show a significant shift to an older population. Over the decade, the City had a decreased population in each of the defined age ranges 64 years old and younger.
- ▶ The City had a large increase in senior citizens, especially in the 65 to 74 year old age group. There was also an increase in the 75 to 84 year old range. The strong growth in the 20-year age cohort between 65 and 84 would generally reflect the movement of the large baby boom generation through the aging cycle. It is also consistent with Custer’s popularity as a retirement location.
- ▶ Despite the overall growth of senior citizens, Custer did have a small decrease in the oldest range, age 85 and above, between 2010 and 2020.

**Population by Age in Custer County: 2010 and 2020**



- ▶ The changing age patterns for all of Custer County are generally very similar to those in the City of Custer between 2010 and 2020. The County had a decreased population in each of the defined ranges age 34 and younger. The County also had a large decrease in the 45 to 54 year old age group.
- ▶ Unlike Custer, the County did add residents in the 35 to 44 year old age range and had a small increase in the 55 to 64 year old age group.
- ▶ Although some limited growth occurred in certain younger age ranges, most of the County’s growth occurred in the senior citizen groups, especially with a large increase in the 65 to 74 year old range. In total, Custer County added 960 people age 65 and older between 2010 and 2020.

## Population Projections

The following table presents population projections for the 5-year period from 2023 to 2028. The primary projection source is Applied Geographic Solutions, although projections from Esri have also been reviewed for Custer and Custer County.

Table 3 Population Projections - 2023 to 2028				
	2020 Census	2023 Estimate	2028 Projection	Change
Custer - AGS	1,919	1,980	2,056	76
Custer - Esri	1,919	2,103	2,180	77
Buffalo Gap - AGS	131	138	143	5
Fairburn - AGS	60	61	63	2
Hermosa - AGS	382	380	395	15
Pringle - AGS	109	109	112	3
Custer Co. - AGS	8,318	8,718	9,033	315
Custer Co. - Esri	8,318	8,725	9,004	279

Source: AGS; Esri; U.S. Census

- ▶ A population projection is available from Applied Geographic Solutions (AGS) for **Custer** for the 5-year time period from 2023 to 2028. This source expects a gain of 76 people in the City.
- ▶ Esri starts with a higher base year estimate for **Custer** in 2023, but is projecting a nearly identical level of growth by 2028, with the expected addition of 77 people.
- ▶ AGS's growth projections from 2023 to 2028 expect a gain of five people in **Buffalo Gap**.
- ▶ The AGS projection for **Fairburn** expects the Town to add two residents over the next five years.
- ▶ The AGS forecast for **Hermosa** anticipates that the City will add 15 residents between 2023 and 2028.
- ▶ The projection for **Pringle** from AGS expects a gain of three people in by 2028.

- ▶ AGS's population projection for all of **Custer County** forecasts an increase of 315 people from 2023 to 2028. As listed above, the five cities and towns would represent 101 of the added residents, while the rural portions of the County would be expected to add 214 people.
- ▶ The Esri projection for Custer County expects the addition of 279 permanent residents between 2023 and 2028, a forecast that is only slightly lower than the AGS projection.

## Household Data and Trends

The following table tracks changes in the number of permanent resident households between 1990 and 2020, as tracked by the Census.

<b>Table 4 Household Trends - 1990 to 2020</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 Census
Custer	707	825	16.7%	956	15.9%	922
Buffalo Gap	70	75	7.1%	66	-12.0%	74
Fairburn	23	34	47.8%	39	14.7%	34
Hermosa	89	130	46.1%	158	21.5%	154
Pringle	39	46	17.9%	54	17.4%	51
Custer Co.	2,352	2,970	26.3%	3,636	22.4%	3,794

Source: U.S. Census

### Custer

- ▶ The 2020 Census recorded 922 permanent resident households living in Custer, down from 956 households in 2010.
- ▶ The household loss in Custer over the last decade reversed a longer-term pattern of growth. In the 1990s the City added 118 households, followed by an increase of 131 households between 2000 and 2010.
- ▶ A post-Census estimate from Applied Geographic Solutions shows 948 households in the City in 2023. If accurate, Custer has added an average of nearly nine households per year after 2020.
- ▶ A 2023 estimate is also available from Esri, which shows 972 households in Custer, up by 50 households since the 2020 Census. If accurate, Custer has added an average of nearly 17 households per year after 2020.

### Buffalo Gap

- ▶ The 2020 Census reported 74 resident households in Buffalo Gap, up by eight households from the 2010 Census.

- ▶ In recent decades, the Town has had both up and down movement in the number of households, but when viewed over a longer time period there has been very limited change. The household count in 2020 was only four households higher than had been reported in 1990.
- ▶ The 2023 estimate from AGS shows 60 households in Buffalo Gap, down significantly from 74 households in 2020.

### **Fairburn**

- ▶ According to the Census there were 34 permanent resident households in Fairburn in 2020, down by five households from 2010.
- ▶ Although Fairburn is a small community, it had added households in both the 1990s and between 2000 and 2010. However, with the household losses after 2010, the Town's household count in 2020 was the same as reported in the 2000 Census.
- ▶ The 2023 estimate from AGS shows 27 households in Fairburn, down significantly from 34 households in 2020.

### **Hermosa**

- ▶ The 2020 Census reported 154 households in Hermosa, down by four households from 2010.
- ▶ Despite the small loss of households after 2010, the Town has grown substantially over the past 30 years. If compared back to 1990, the count in 2020 was up by 65 households over the 30-year time period.
- ▶ The 2023 estimate from AGS shows 165 households in Hermosa, up by 11 households from the 2020 Census count.

### **Pringle**

- ▶ Pringle had 51 resident households at the time of the 2020 Census, down by three households from 2010.
- ▶ Although Pringle added households in the 1990s and between 2000 and 2010, the actual level of growth has been limited in the small community. With the reduction of households after 2010, the City's count in 2020 was only five households greater than recorded by the 2000 Census.



- ▶ The 2023 estimate from AGS shows 49 households in Pringle, down from 51 households in 2020.

### **Custer County**

- ▶ The 2020 Census counted 3,794 permanent resident households in Custer County, up by 158 households from 2010.
- ▶ Custer County has had a long-term pattern of growth, adding 618 households in the 1990s and 666 households between 2000 and 2010. Although the County continued to add households between 2010 and 2020, the annual average gain in households was substantially lower than in prior decades.
- ▶ The net growth in households in Custer County after 2010 was largely due to increases in the rural areas. The combined five communities listed above had a net decrease of 38 households between 2010 and 2020, while the rural portions of the County added 196 households.
- ▶ A post-Census estimate for Custer County is available from AGS. This source shows 4,012 households in 2023. If accurate, the County has added 218 households in the 3-year period from 2020 to 2023, or an annual average of nearly 73 households per year.
- ▶ AGS would attribute the large majority of the County's growth since 2020 to the rural portions of the County, with limited net growth from the combined cities and towns.
- ▶ A 2023 estimate is also available from Esri which shows 4,002 households in Custer County, up by 208 households from 2020. Esri's estimate is very similar to the AGS estimate for 2023, with average annual growth of approximately 70 households per year.

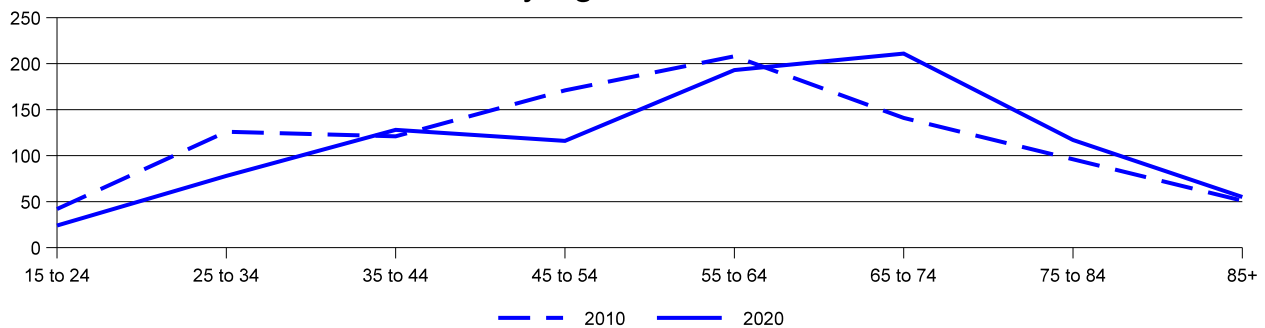
## Household by Age Trends: 2010 to 2020

Age-based reporting from the 2020 Census can be compared back to 2010 to track changes over the prior decade. Information is presented for the City of Custer and for all of Custer County.

<b>Table 5 Households by Age - 2010 to 2020</b>						
Age	Custer			Custer County		
	2010	2020	Change	2010	2020	Change
15-24	42	24	-18	85	67	-18
25-34	126	78	-48	344	262	-82
35-44	121	128	7	399	394	-5
45-54	171	116	-55	737	500	-237
55-64	208	193	-15	939	916	-23
65-74	141	211	70	685	1,057	372
75-84	96	117	21	330	460	130
85+	51	55	4	117	138	21
Total	956	922	-34	3,636	3,794	158

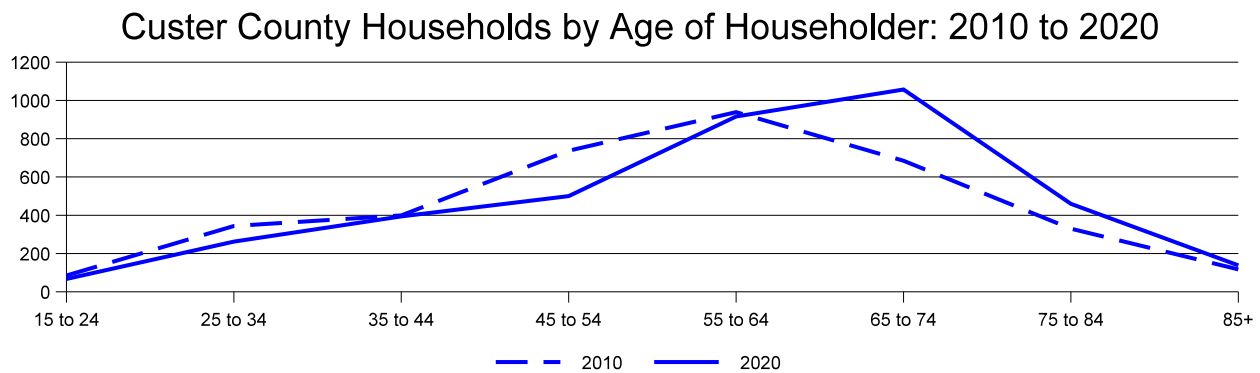
Source: U.S. Census

**Custer Households by Age of Householder: 2010 to 2020**



- ▶ Between 2010 and 2020, the City of Custer had a large increase in the number of senior citizen households living in the community, as the large baby boom generation moved through the aging cycle.
- ▶ The largest change within any of the defined age groups occurred within the 65 to 74 year old range, as the City added 70 households.

- ▶ The number of households age 75 and older also increased, although growth was limited among older seniors age 85 and above. If all of the senior groups are combined, Custer had an increase of 95 households age 65 and older.
- ▶ There were decreases in all but one of the non-senior age groups. The only younger range to increase in size between 2010 and 2020 was the 35 to 44 year old range, which added only seven households.
- ▶ The largest decrease was recorded in the 45 to 54 year old range, which had 55 fewer households by 2020. There was also a decrease of 48 households in the 25 to 34 year old age group.
- ▶ If all of the age ranges 64 and younger are combined, the City of Custer had 129 fewer households in these age groups in 2020.



- ▶ The aging patterns for all of Custer County were generally similar, although overall the County did have a net increase in households between 2010 and 2020.
- ▶ Custer County had a large increase in senior-headed households, especially in the 65 to 74 and 75 to 84 year old age ranges. This would reflect both the aging of existing County residents and the movement of retirees into the County over the decade. In total, the County added 522 households age 65 and older between 2010 and 2020.
- ▶ While the County’s decreases in the non-senior age groups were often small, there were household losses in all of the age ranges 64 and younger between 2010 and 2020. If the age groups are combined, Custer County had 365 fewer households age 64 and younger by 2020.

## Average Household Size

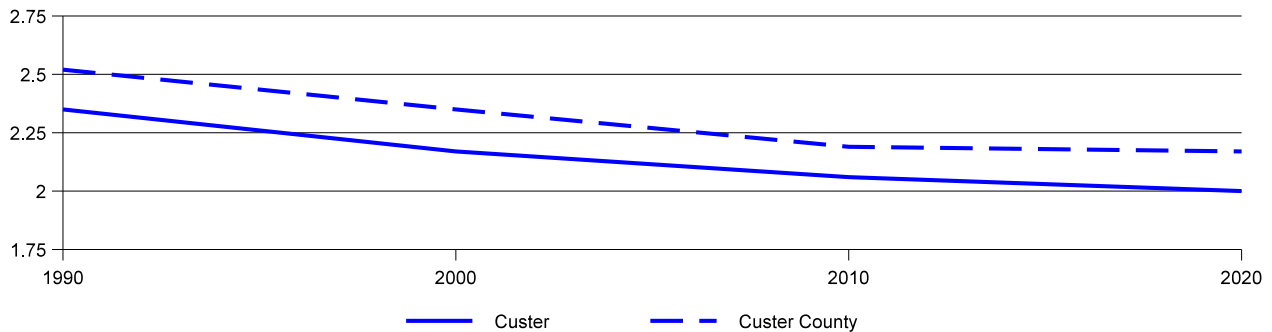
The following table provides decennial Census information on average household size back to the year 1990.

In most jurisdictions, household formation has been occurring at a different rate than population change in recent decades. Most communities have seen a steady decrease in average household size caused by household composition changes, such as more single persons and single parent families, fewer children per family, and more senior households due to longer life spans.

<b>Table 6 Average Number of Persons Per Household: 1990 to 2020</b>				
	1990 Census	2000 Census	2010 Census	2020 Census
Custer	2.35	2.17	2.06	2.00
Buffalo Gap	2.47	2.19	1.91	1.77
Fairburn	2.70	2.35	2.18	1.76
Hermosa	2.72	2.42	2.52	2.48
Pringle	2.46	2.72	2.07	2.14
Custer Co.	2.52	2.35	2.19	2.17
South Dakota	2.59	2.50	2.42	2.44

Source: U.S. Census

Average Household Size: 1990 to 2020



- ▶ The average household size in **Custer** has been decreasing for the past 30 years and was at 2.00 persons in 2020. By comparative standards, this was a small average household size and reflected the aging of the City’s resident households.

- ▶ The average household size in **Buffalo Gap** has been decreasing for the past 30 years and was at only 1.77 persons in 2020, very small when compared to most communities in the State.
- ▶ The average household size in **Fairburn** has been decreasing for the past 30 years and was at only 1.76 persons in 2020, very small when compared to most communities in the State.
- ▶ Although the average household size in **Hermosa** did decrease between 2010 and 2020, the City's average was the largest for any city or town in Custer County, and is larger than had been recorded in the 2000 Census.
- ▶ The average household size in **Pringle** has changed substantially over time. In 2000, the Town had the largest average household size of any community in Custer County, but by 2010, the average had decreased to only 2.07 persons. Despite some increase between 2010 and 2020, the City's average household, at 2.14 persons, was still relatively small.
- ▶ **Custer County's** average household size has been continually decreasing over the past 30 years, although the change from 2010 to 2020 was very limited. The County's average of 2.17 persons per household in 2020 was well below the Statewide average of 2.44 persons.

## Household Projections

The following table presents household projections from AGS for 2028. For Custer and Custer County, projections from Esri have also been presented. The 2020 Census counts have been provided for comparison.

<b>Table 7 Household Projections Through 2028</b>				
	2020 Census	2023 Estimate	2028 Projection	Projected Change
Custer - AGS	922	948	1,023	75
Custer - Esri	922	972	1,022	50
Buffalo Gap - AGS	74	60	65	5
Fairburn - AGS	34	27	29	2
Hermosa - AGS	154	165	178	13
Pringle - AGA	51	49	52	3
Custer Co. - AGS	3,794	4,012	4,319	307
Custer Co. - Esri	3,794	4,002	4,164	162

Source: AGS; Esri

- ▶ AGS believes that **Custer** has been adding households since 2020 and is projecting this growth to continue, with the addition of 75 households between 2023 and 2028, or an average of 15 households per year.
- ▶ Esri’s estimate shows an even greater level of growth between 2020 and 2023, but projects a slightly slower level of growth going forward. Over the 5-year projection period, Esri expects **Custer** to add 50 households, or an average of 10 households per year.
- ▶ The AGS projection for **Buffalo Gap** expects the Town to add an average of one household per year through 2028, or five households over the projection period.
- ▶ The AGS projection for **Fairburn** expects the Town to add an average of less than one household per year through 2028, with a gain of only two households over the projection period.

- ▶ AGS is estimating that **Hermosa** has added households between 2020 and 2023, and will continue to add households through 2028, with an average annual increase of between two and three households per year.
- ▶ The AGS projection for **Pringle** expects the Town to add three households over the 5-year projection period to 2028.
- ▶ AGS estimates that **Custer County** has added 218 households between 2020 and 2023, and that the County will add 307 more households between 2023 and 2028. Based on the AGS estimates for the incorporated communities, AGS is projecting that more than two-thirds of the Countywide growth will be located in the rural portions of the County.
- ▶ Esri starts with a very similar estimate to AGS for **Custer County** in 2023, but projects that the County will add fewer households than AGS. The 5-year projection expects the County to add 162 households, or an average of approximately 32 households per year, compared to an average of approximately 61 households per year in the AGS forecast.

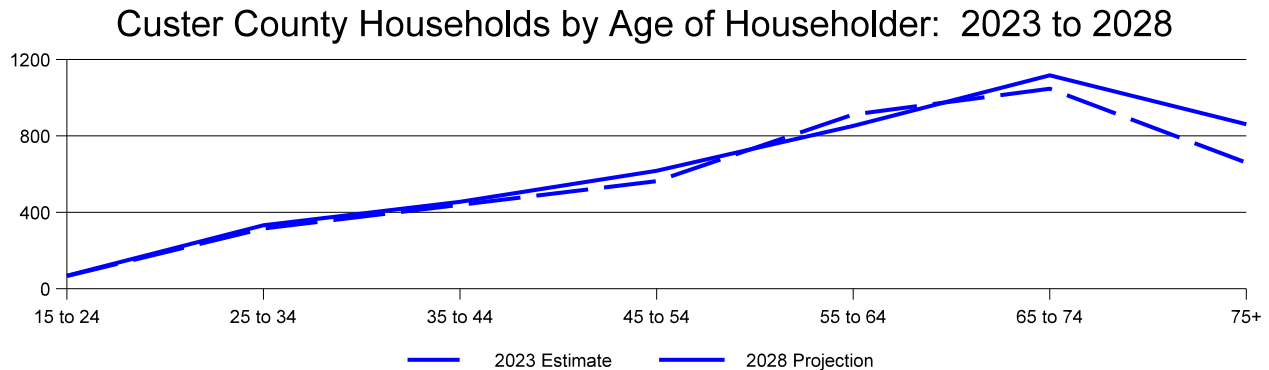
## Custer County Household by Age Projections: 2023 to 2028

Applied Geographic Solutions does not provide projections by age of householder. However, the analysts have acquired age-based forecasts from Esri. Age-based forecasts are provided for all of Custer County.

In the opinion of the analysts, Esri’s overall growth forecast for Custer County is overly conservative. In the following table, the 2028 projections have been adjusted upward to reach a net gain of 300 households, similar to the growth projection from AGS. This required an adjustment of approximately 3.3%.

<b>Table 8 Custer County Projected Households by Age - 2023 to 2028</b>			
	2023 Estimate	2028 Projection	Projected Change
24 and younger	66	68	2
25-34	315	332	17
35-44	439	455	16
45-54	563	617	54
55-64	912	852	-60
65-74	1,047	1,117	70
75 and older	660	861	201
Total	4,002	4,302	300

Source: Esri; Community Partners Research, Inc.



- ▶ The adjusted age-based projections expect a net gain of 300 households in Custer County between 2023 and 2028. With strong overall household growth, all but one of the age groups are expected to add households.



- ▶ Consistent with past aging patterns, the largest projected increase is within the older senior age group, with the expected addition of more than 200 households age 75 and above.
- ▶ Growth is also expected within the younger senior range, as these projections show an increase of 70 households age 65 to 74 years old.
- ▶ The only age range that is expected to decrease in size is the 55 to 64 year old range. The age cohort trailing behind the baby boomers was not as large and will not fully replace the advancing generation.
- ▶ While each of the younger adult age groups is projected to increase in size, this growth is often limited. If all of the age groups 44 years old and younger are combined, these projections show an increase of only 35 households between 2023 and 2028, as the younger adult age ranges remain relatively stable.
- ▶ There is stronger growth projected in the 45 to 54 year old group, with the expected addition of more than 50 households over the projection period.
- ▶ When viewed as larger age groupings, these projections expect a Countywide increase of 271 households age 65 and older, but a net increase of only 29 households age 64 and younger by 2028.

## Households by Type: Custer

The 2020 Census can be compared to information from 2010 to examine changes in household composition. The following table looks at household trends within the City of Custer.

<b>Table 9 Custer Household Composition - 2010 to 2020</b>			
	2010 Census	2020 Census	Change
Family Households			
Married Couple with own children	142	98	-44
Married Couple without own children	283	303	20
Single Parent with own children	75	74	-1
Family Householder without spouse	35	42	7
<b>Total Families</b>	<b>535</b>	<b>517</b>	<b>-18</b>
Non-Family Households			
Single Person	384	367	-17
Two or more persons	37	38	1
<b>Total Non-Families</b>	<b>421</b>	<b>405</b>	<b>-16</b>

Source: U.S. Census

- ▶ Between 2010 and 2020, Custer experienced a decrease of 18 family households and 16 non-family households, for an overall net loss of 34 households.
- ▶ The largest decrease for families occurred due to fewer married couples with children. Although there was some increase in the number of married couples without children, overall the City had fewer married couples by 2020.
- ▶ The City did have a minor increase in other types of family households, but in total there were fewer families living in the City in 2020.
- ▶ The City also had fewer people living alone in 2020, resulting in an overall decrease of non-family households. The City did add one non-family household with two or more people living together.

## Households by Type: Custer County

The 2020 Census can be compared to 2010 to examine changes in household composition. The following table looks at household trends within all of Custer County.

<b>Table 10 Custer County Household Composition - 2010 to 2020</b>			
	2010 Census	2020 Census	Change
Family Households			
Married Couple with own children	563	448	-115
Married Couple without own children	1,554	1,739	185
Single Parent with own children	214	171	-43
Family Householder without spouse	96	194	98
Total Families	2,427	2,552	125
Non-Family Households			
Single Person	1,033	1,062	29
Two or more persons	176	180	4
Total Non-Families	1,209	1,242	33

Source: U.S. Census

- ▶ Between 2010 and 2020, Custer County added 158 households, with an increase of 125 family households and 33 non-family households.
- ▶ Despite the increase in families, the County had fewer married couples with children in 2020. There was also a decrease of single parent households with children between 2010 and 2020.
- ▶ The County added married couples without children and other family households without children. As a result, Custer County had a net gain of 125 families over the prior decade.
- ▶ The County also had a small increase in non-family households, due primarily to an increase in people living alone.
- ▶ The County's household composition changes are consistent with the aging patterns presented earlier, as more senior-headed households resulted in fewer families with children and more people living alone.

## Housing Tenure

Housing occupancy tenure information is available through the 2020 Census.

<b>Table 11 Household Tenure - 2020</b>				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Custer	580	62.9%	342	37.1%
Buffalo Gap	61	82.4%	13	17.6%
Fairburn	31	91.2%	3	8.8%
Hermosa	120	77.9%	34	22.1%
Pringle	36	70.6%	15	29.4%
Custer Co.	3,085	81.3%	709	18.7%

Source: AGS

- ▶ The 2020 Census reported a home ownership rate of 62.9% in **Custer**, with 37.1% of households renting their unit. Custer serves as a primary rental center in the County with a rental tenure rate that was higher than any of the other individual jurisdictions.
- ▶ At the time of the 2010 Census there were 389 renter-occupancy households in **Custer**, compared to 342 in 2020. Over the decade, the City had 34 fewer households, and this was reflected in 47 fewer renter households by 2020.
- ▶ **Buffalo Gap** had a high rate of owner-occupancy housing in 2020, with 82.4% of all households owning their unit. Between 2010 and 2020, the Town added households and this was due to an increase of home owners, as the number of rental households remained unchanged between 2010 and 2020. The Town's ownership rate in 2010 was 80.3%.
- ▶ The home ownership rate in **Fairburn** was extremely high in 2020, at 91.2%. In 2010 the Town's home ownership rate was at 89.7%.
- ▶ The home ownership rate in **Hermosa** was at 77.9% in 2020, very similar to the rate of 77.2% in 2010. Between 2010 and 2020 there was an overall reduction of four households in the Town, resulting in limited change in the tenure distribution.

- ▶ ***Pringle*** had the lowest rate of home ownership of the small towns in Custer County, at 70.6% in 2020. However, this was higher than the Town's ownership rate of 64.8% in 2010, as the community lost more renter-occupancy households than owner-occupancy households between 2010 and 2020.
- ▶ ***Custer County*** had a high rate of home ownership in 2020, at 81.3%. Statewide, the home ownership rate was 77% in 2020. The County's ownership rate had increased from 78% in 2010.

## Median Income Data

Income estimates are available at the city, town and county level through the American Community Survey. The most recent 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 in a household.

<b>Table 12 Median Household Income - 2010 to 2021</b>			
	2010 Median	2021 Median	% Change
Custer	\$35,058	\$61,648	75.8%
Buffalo Gap	\$37,917	-	-
Fairburn	\$54,000	\$26,429	-51.1%
Hermosa	\$33,359	\$70,208	110.5%
Pringle	\$43,542	-	-
Custer Co.	\$46,743	\$68,736	47.1%
South Dakota	\$46,369	\$63,920	37.9%

Source: ACS

- ▶ Due to the small size of some of the communities, income estimates may not always be available. With limited sampling, there can also be a wide margin of error for small town estimates.
- ▶ The estimated median household income for **Custer** in 2021 was \$61,648. The City’s median had increased rapidly from 2010 and was less than \$2,300 below the Statewide median in 2021.
- ▶ No median household income estimate was available for **Buffalo Gap** in 2021. In 2010, the median for the Town was lower than the comparable County or Statewide medians.
- ▶ The 2021 median estimate for **Fairburn** showed a large decrease when compared to 2010. This may represent a data collection error due to the small size of the Town.
- ▶ The estimated median for **Hermosa** was \$70,208 in 2021, up by more than 110% from 2010. If accurate, the median for the Town had moved higher than the comparable County or Statewide household medians.

- ▶ No median household income estimate was available for **Pringle** in 2021. In 2010, the median for the Town was slightly lower than the comparable County or Statewide medians.
- ▶ For all of **Custer County**, the estimated median household income was \$68,736 in 2021. The County’s median had increased by more than 47% from 2010 and had moved well above the Statewide median.

Family income levels are generally higher than household incomes because families contain two or more members and more potential income earners.

<b>Table 13 Median Family Income - 2010 to 2021</b>			
	2010 Median	2021 Median	% Change
Custer	\$56,615	\$73,981	30.7%
Buffalo Gap	\$45,417	\$64,167	41.3%
Fairburn	\$92,750	-	-
Hermosa	\$40,938	\$73,250	78.9%
Pringle	\$44,583	-	-
Custer Co.	\$58,253	\$77,988	33.9%
South Dakota	\$58,958	\$81,756	38.7%

Source: ACS

- ▶ The estimated median family income for **Custer** in 2021 was \$73,981. The City’s median had increased by nearly 31% from 2010.
- ▶ The median family income for **Buffalo Gap** in 2021 was \$64,167. The Town’s median had increased by more than 41% from 2010 but was still well below the median for all of Custer County.
- ▶ No median household income estimate was available for **Fairburn** in 2021. In 2010, the median for the Town was substantially higher than the comparable County or Statewide medians.
- ▶ The 2021 median family income estimate for **Hermosa** was \$73,250, and was up by nearly 79% from 2010. The median for Hermosa was only slightly lower than the median family income in Custer.

- ▶ No median household income estimate was available for ***Pringle*** in 2021. In 2010, the median for the Town was substantially below the comparable County or Statewide medians.
- ▶ The estimated median family income for ***Custer County*** was \$77,988 in 2021, up by nearly 34% from 2010. The County's median was lower than the median family income for South Dakota, at \$81,756 in 2021.



## Custer County Household Income Distribution by Tenure

The American Community Survey contains household income distribution estimates. This information is available by ownership or renter status.

When compared to the 2020 Census, the 2021 American Community Survey estimates underestimated the number of both owner and renter households living in the County. However, the percentage distribution of households by income is the best available information on this topic.

<b>Table 14 Custer County Income Distribution by Tenure: 2021</b>			
Household Income	Owner Households	Renter Households	Total Households
\$0 - \$14,999	7.3%	15.4%	8.6%
\$15,000 - \$24,999	7.2%	24.4%	10.1%
\$25,000 - \$34,999	7.3%	3.6%	6.7%
\$35,000 - \$49,999	11.6%	10.8%	11.5%
\$50,000 - \$74,999	20.3%	14.6%	19.3%
\$75,000 - \$99,999	16.3%	9.8%	15.2%
\$100,000+	30.0%	21.4%	28.6%
Total	100%	100%	100%

Source: American Community Survey

- ▶ Income and housing tenure are often linked for most households, with home owners generally having higher annual income levels, and renters having lower incomes.
- ▶ Within the moderate to higher income ranges, there was a greater frequency for home ownership. Nearly 67% of all home owners in Custer County in 2021 had an annual income of \$50,000 or more.
- ▶ Most renter households had more moderate income levels. In 2021, more than 54% of all renter households in the County had an annual income below \$50,000.
- ▶ For home owners in the County, the estimated median household income in 2021 was \$71,707. For all renter households, the estimated median income level in 2021 was \$45,521.

## Estimated Income and Rental Housing Costs - Custer

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

When compared to the 2020 Census, the American Community Survey may have slightly over estimated the number of renter households in Custer. However, it is assumed that the percentage distribution is relatively accurate.

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”.

<b>Table 15 Gross Rent as a Percentage of Income - City of Custer</b>			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	97 / 38.8%	12 / 11.0%	109 / 30.4%
20% to 29.9%	38 / 15.2%	43 / 39.4%	81 / 22.6%
30% to 34.9%	11 / 4.4%	13 / 11.9%	24 / 6.7%
35% or more	72 / 28.8%	36 / 33.0%	108 / 30.1%
Not Computed	32 / 12.8%	5 / 4.6%	37 / 10.3%
<b>Total</b>	<b>250</b>	<b>109</b>	<b>359</b>

Source: American Community Survey

- ▶ According to the American Community Survey, nearly 37% of all renters in Custer were paying 30% or more of their income for rent in 2021. The large majority of these households were actually paying 35% or more of their income for housing, which can be considered a “severe rent burden”.
- ▶ Households with a rental cost burden were present in all age ranges, with nearly 45% of senior households applying 30% of more of their income to rent. Although a smaller percentage of non-senior households had a cost burden, in numeric terms most of the cost-burden renters in Custer were age 64 or younger.

## Estimated Income and Ownership Housing Costs - Custer

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

When compared to the 2020 Census, the American Community Survey may have slightly over estimated the number of owner households in Custer. However, it is assumed that the percentage distribution is relatively accurate.

Mortgage lending practices will often prevent households from applying an overly large percentage of their income for housing.

<b>Table 16 Ownership Costs as a Percentage of Income - Custer</b>		
Percentage of Income for Housing Costs	Number of Owner Households	Percent of All Owner Households
0% to 19.9%	419	67.8%
20% to 29.9%	58	9.4%
30% to 34.9%	5	0.8%
35% or more	120	19.4%
Not Computed	16	2.6%
<b>Total</b>	<b>618</b>	<b>100%</b>

Source: ACS

- ▶ More than 77% of owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 20% of all home owners reported that they paid more than 30% of their income for housing. The large majority of these households were paying more than 35% of income for housing costs.
- ▶ The large majority of the owner households reporting a cost burden had an annual income below \$50,000 in 2021.

## Building Permit History: Custer

Custer has experienced some new housing construction activity in recent years. The following table tracks building permit reporting from the Census Bureau back to the year 2010 for Custer.

<b>Table 17 Custer Housing Unit Construction Activity: 2010 to 2023*</b>				
Year	Single Family	Two Unit Structures	Three or More Units	Total Units Constructed
2023*	4	2	0	6
2022	6	4	0	10
2021	6	0	0	6
2020	1	0	0	1
2019	2	0	0	2
2018	6	0	0	6
2017	6	2	0	8
2016	1	0	0	1
2015	3	0	0	3
2014	4	4	0	8
2013	5	0	0	5
2012	5	4	0	9
2011	1	0	0	1
2010	1	0	0	1
<b>TOTAL</b>	<b>51</b>	<b>16</b>	<b>0</b>	<b>67</b>

Source: Census Bureau; Community Partners Research, Inc.

\*2023 is through June

- ▶ Over the 14-year time period spanning 2010 through June 2023, Census Bureau records show that 67 new housing units were permitted in Custer. Although more permits may still be issued in 2023, over this time period the City has averaged nearly five housing unit starts per year.
- ▶ There have been 51 permitted units that were identified as one unit structures, presumably detached single family houses. There have been 16 units permitted in eight twin home/duplex structures. No multifamily structures with more than two units have been permitted since 2010.

## Building Permit History: Custer County

Census Bureau annual reports also show permitting done in the incorporated and unincorporated areas of Custer County.

<b>Table 18 Custer County Housing Unit Construction Activity: 2010 to 2023*</b>					
Year	Custer	Hermosa	Unincorporated Areas	Remainder of County	County Total
2023*	6	1	143	0	150
2022	10	5	273	0	288
2021	6	0	234	0	240
2020	1	0	216	0	217
2019	2	0	146	0	148
2018	6	2	56	0	64
2017	8	3	54	1	66
2016	1	4	99	0	104
2015	3	0	95	0	98
2014	8	0	78	0	86
2013	5	0	111	0	116
2012	9	4	56	0	69
2011	1	0	50	1	52
2010	1	0	33	0	34
<b>TOTAL</b>	<b>67</b>	<b>19</b>	<b>1,644</b>	<b>2</b>	<b>1,732</b>

Source: Census Bureau; Community Partners Research, Inc.

\*2023 is through June

- ▶ According to annual reports to the Census Bureau, there were 1,732 total housing units permitted in Custer County between 2010 and June 2023.
- ▶ Most of the units were permitted in the rural, unincorporated portions of Custer County. In total, there were 67 housing units permitted in the City of Custer, 19 units in Hermosa, two units the other incorporated jurisdictions, and 1,644 units in the unincorporated areas.
- ▶ All of the permits were believed to be for single family structures, or units in twin homes/duplexes.

## 2020 Census Housing Unit Data

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

Table 19 Housing Units, Occupancy and Vacancy - 2020									
	Total Housing Units			Occupied Units			Vacant Units		
	2010	2020	Change	2010	2020	Change	2010	2020	Change
Custer	1,129	1,101	-28	956	922	-34	173	179	6
Buffalo Gap	85	74	-11	66	74	8	19	0	-19
Fairburn	47	38	-9	39	34	-5	8	4	-4
Hermosa	183	185	2	158	154	-4	25	31	6
Pringle	68	60	-8	54	51	-3	14	9	-5
Custer Co.	4,628	4,837	209	3,636	3,794	158	992	1,043	51

Source: U.S. Census

- ▶ According a reconciliation of decennial Census data, **Custer** had a decreased housing inventory between 2010 and 2020. During the decade there was a decrease of 28 housing units in the City. On a previous page, information was presented on new building permit issuance for Custer. The overall loss of housing after 2010 despite some new unit construction indicates that more older housing was lost during the decade.
- ▶ **Buffalo Gap** also experienced a reduction of housing units between 2010 and 2020. However, much of this loss appears to have been in housing units that were vacant in 2010. With a reduction in housing but an increase in households, the Town had no units reported as vacant at the time of the 2020 Census.
- ▶ **Fairburn** had a loss of nine housing units between 2010 and 2020. By 2020 there were five fewer occupied units and four fewer vacant units in the community.
- ▶ **Hermosa** had a slight increase in housing availability, adding two units between 2010 and 2020 according to Census records. The City had a small reduction of occupied units and a slight increase of vacant housing by 2020. Although specific records were not obtained, Hermosa did have some new single family construction between 2010 and 2020.

- ▶ **Pringle** had a loss of eight housing units between 2010 and 2020. By 2020 there were three fewer occupied units and five fewer vacant units in the Town.
- ▶ For all of **Custer County**, the 2020 Census reported a net gain of 209 housing units. There was an increase of 158 occupied units and 51 unoccupied/vacant units.
- ▶ As reported on a previous page, there was a very large number of new housing units that were permitted in the County after 2010, primarily in the rural portions of **Custer County**. Units permitted between 2010 and 2019 should have completed construction and been counted in the 2020 Census. During that time, nearly 840 total units were permitted. The reported net gain of only 209 units Countywide would imply that a substantial amount of older housing was removed. It may be possible that much of the new construction was done on sites where an older housing unit was removed to allow for a new home to be built.

## Seasonal/Recreational Use Housing

Custer County is a popular destination for both tourists and seasonal residents. As a result, the City has had a long history of offering seasonal/recreational use housing options. Although the small communities may have some of these types of properties, the large majority of the seasonal/recreational housing stock is in the rural portions of the County. The following table presents information on the changes in this housing stock between 2010 and 2020 as tracked by the decennial Census.

<b>Table 20 Seasonal/Recreational Use Housing: 2010 to 2020</b>			
	Seasonal/Recreational 2010	Seasonal/Recreational 2020	Change
City of Custer	48	96	48
Custer County	566	639	73

Source: U.S. Census

- ▶ In 2020, there were 96 housing units in **Custer** that were identified as seasonal, recreational or occasional use housing. The inventory of these units had doubled between 2010 and 2020.
- ▶ For all of **Custer County**, the 2020 Census recorded 639 seasonal, recreational or occasional use housing units. The County's inventory had increased by 73 units between 2010 and 2020 although most of the Countywide increase was due to the changes in Custer.
- ▶ The Census counted 4,837 total housing units in Custer County in 2020. The seasonal/recreational use units represented 13.2% of all housing in the County in 2020.



## **Housing Age Estimates**

The 2021 American Community Survey included an estimate of the year of construction for housing.

### **Year of Construction: Owner-occupancy Housing**

In Custer, the median year for owner-occupancy units was estimated to be 1960.

Nearly 63% of the owner-occupied houses in Custer were constructed before 1980.

### **Year of Construction: Rental Housing**

The City's rental stock is somewhat newer, with an estimated median year of construction in 1977. However, in comparative terms this still represents a relatively old housing stock.

Nearly 56% of the City's renter-occupancy housing units were constructed prior to 1980.

## **Existing Home Sales**

This section examines houses that have been sold from 2018 to 2022 in Custer and the four small Towns in Custer County. The information was obtained from the South Dakota Department of Revenue, but reflects sales records assembled by the Custer County Equalization Office.

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

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

The County's sales ratio year differs slightly from the calendar year. It begins on November 1<sup>st</sup> and ends the following October 31<sup>st</sup>. No sales information is yet available for the 2023 sales period.

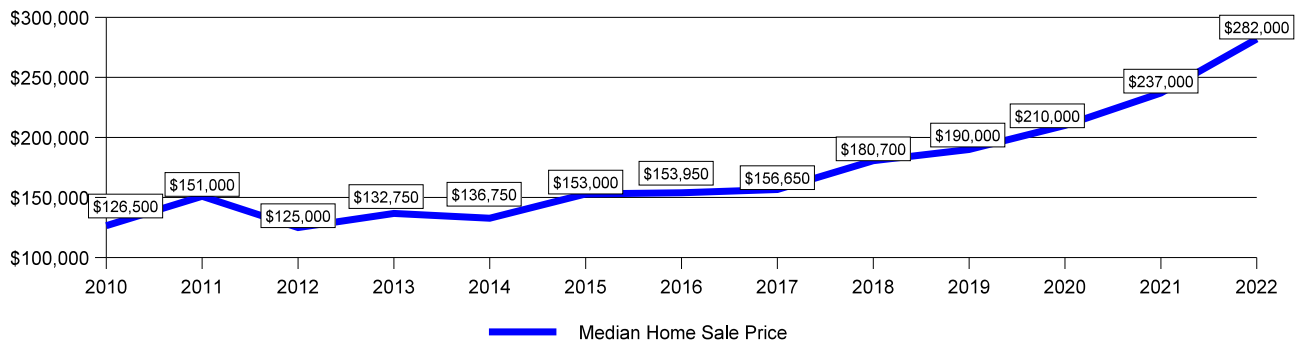
## Custer Existing Home Sales

Table 21 Custer Residential Sales Activity - 2018 to 2022				
Sales Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2022	38	\$282,000	\$575,000	\$33,000
2021	49	\$237,000	\$950,000	\$56,000
2020	45	\$210,000	\$620,000	\$57,000
2019	48	\$190,000	\$650,000	\$33,000
2018	48	\$180,700	\$378,481	\$25,000

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

- ▶ There were 38 “good” residential sales recorded in Custer in 2022, with a median value of \$282,000.
- ▶ There has been a consistent year-to-year increase in the City’s annual median sale price over the past five years. However, between 2021 and 2022 the median price increased by \$45,000, the largest single year increase recorded.
- ▶ Using information from the 2018 Housing Study, a longer-term home sales pattern can be reviewed for Custer, dating back to the year 2010.

Custer Annual Median Home Sale Price: 2010 to 2022



- ▶ As evident in the chart above, the City’s median sale price has been rising rapidly since 2017.

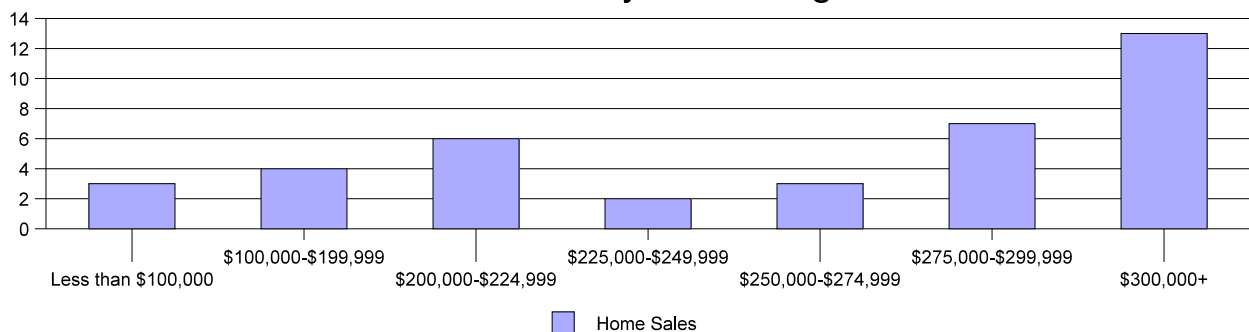
## Custer Home Sales by Price Range

The following table looks at single family houses that sold within defined price ranges in Custer in 2022, the most recent 12-month sales period.

Table 22 Custer Home Sales by Price Range: 2022		
Sale Price	Number of Sales	Percent of Sales
Less than \$100,000	3	7.9%
\$100,000 - \$124,999	0	0%
\$125,000 - \$149,999	0	0%
\$150,000 - \$174,999	0	0%
\$175,000 - \$199,999	4	10.5%
\$200,000 - \$224,999	6	15.8%
\$225,000 - \$249,999	2	5.3%
\$250,000 - \$274,999	3	7.9%
\$275,000 - \$299,999	7	18.4%
\$300,000+	13	34.2%
Total	38	100%

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

Custer Home Sales by Price Range in 2022



- ▶ Home sales prices in 2022 were generally in the moderate to higher price ranges in Custer, with nearly 61% of all sales for \$250,000 or more.
- ▶ Fewer than 19% of all sales were for less than \$200,000.

## Buffalo Gap Existing Home Sales

<b>Table 23 Buffalo Gap Residential Sales Activity - 2018 to 2022</b>				
Sales Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2022	3	\$205,000	\$250,000	\$125,000
2021	3	\$85,000	\$146,000	\$75,000
2020	3	\$96,000	\$174,000	\$87,000
2019	3	\$22,000	\$52,000	\$17,000
2018	5	\$66,000	\$99,900	\$29,000

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

- ▶ There were only 17 “good” sales in Buffalo Gap over the 5-year time period reviewed. With a very limited number of sales within any 12-month period, there can be a wide variation in the annual median sale price.
- ▶ Despite the limited sales, it does appear that there has been upward price pressure on home values, especially beginning in 2020.
- ▶ For each of the past three years, 2020 through 2022, no home was sold for less than \$75,000.
- ▶ The median sale price in 2022 appears to be an anomaly, based on only three homes that sold that year. If the nine good sales from 2020 through 2022 are grouped, the median sale price was \$125,000.

## Fairburn Existing Home Sales

<b>Table 24 Fairburn Residential Sales Activity - 2018 to 2022</b>				
Sales Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2022	1	\$136,500	-	-
2021	2	-	\$139,000	\$115,000
2020	2	-	\$170,000	\$11,000
2019	0	-	-	-
2018	0	-	-	-

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

- ▶ Fairburn is a very small community and only five “good” sales were recorded over the 5-year time period reviewed. With a very limited number of sales, the prices reported may not be representative of the Town’s entire existing housing stock.
- ▶ If all five years are combined, the median sale price was \$136,500.

## Herмосa Existing Home Sales

<b>Table 25 Herмосa Residential Sales Activity - 2018 to 2022</b>				
Sales Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2022	7	\$250,000	\$514,553	\$47,000
2021	20	\$208,500	\$399,900	\$60,000
2020	7	\$169,900	\$230,000	\$43,500
2019	11	\$124,742	\$225,300	\$25,000
2018	7	\$136,000	\$287,000	\$70,000

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

- ▶ There was significant variation in the number of “good” sales in any single year in Herмосa. In three of the five years reviewed, only seven open market sales recorded. However, in 2021 there were 21 good sales in the community.
- ▶ In both 2021 and 2022, the annual median sales prices in Herмосa were above \$200,000. Although the small sales sample may not be a perfect indicator of price trends, the median sale price increased by approximately \$40,000 or more each year since 2019.
- ▶ If the 27 sales for the 2021 and 2022 sales years are combined, the median price was \$217,500.

## Pringle Existing Home Sales

<b>Table 26 Pringle Residential Sales Activity - 2018 to 2022</b>				
Sales Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2022	0	-	-	-
2021	2	-	\$146,500	\$135,000
2020	3	\$185,000	\$198,500	\$88,000
2019	5	\$83,000	\$165,000	\$72,500
2018	1	\$165,000	-	-

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

- ▶ Pringle is a small community and only 11 “good” sales were recorded over the 5-year time period reviewed. With a very limited number of sales, the prices reported may not be representative of the Town’s entire existing housing stock.
- ▶ If all five years are combined, the median sale price was \$135,000.



## Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of single family/duplex houses in the four small towns in Custer County. In Hermosa, the newest neighborhoods were excluded. No condition survey was completed in Custer in 2023, but this analysis was completed in 2018.

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

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

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

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

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

<b>Table 27 Windshield Survey Condition Estimate - 2023</b>					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Buffalo Gap	13 / 21.7%	21 / 35.0%	16 / 26.7%	10 / 16.7%	60
Fairburn	5 / 16.7%	7 / 23.3%	5 / 16.7%	13 / 43.3%	30
Hermosa (partial)	17 / 25.4%	28 / 41.8%	17 / 25.4%	5 / 7.5%	67
Pringle	6 / 15.0%	16 / 40.0%	5 / 12.5%	13 / 32.5%	40

Source: Community Partners Research, Inc.

- ▶ The single family housing stock in **Buffalo Gap** is generally in fair condition. Although a majority of houses were rated in one of the two highest condition categories, the Town also had a number of units needing significant repairs. There were 16 houses rated as Major Repair, which will require a large financial investment to return to Sound condition. There were also 10 houses rated as Dilapidated, the lowest rating used. These structures may not be economically feasible to repair and may be suitable for demolition and clearance.
- ▶ The single family housing stock in **Fairburn** is generally in poor condition. Only 40% of houses were rated in one of the two highest condition categories. A majority of the houses in the Town needed significant repairs. There were five houses rated as Major Repair, which will require a large financial investment to return to Sound condition. There were 13 houses, or more than 43% of the Town's housing stock, that were rated as Dilapidated, the lowest rating used. These structures may not be economically feasible to repair and may be suitable for demolition and clearance.
- ▶ In **Hermosa**, the newer neighborhoods were not included in the condition survey. Only 67 houses were viewed and rated in Hermosa. In general, the Town's housing stock is in good condition, with more than 67% of the units rated in the Sound or Minor Repair categories. Hermosa did have 17 houses rated as Major Repair which will require a large financial investment to return to Sound condition. There were only five houses in the Town rated as Dilapidated, the lowest rating used.
- ▶ The single family housing stock in **Pringle** is generally in fair to good condition. A majority of houses, 65%, were rated in one of the two highest condition categories. However, the Town also had a number of units needing significant repairs. There were five houses rated as Major Repair, which will require a large financial investment to return to Sound condition. There were also 13 houses rated as Dilapidated, the lowest rating used. These structures may not be economically feasible to repair and may be suitable for demolition and clearance.

## **Rental Housing Data**

### **Census Bureau Rental Inventory - Custer**

According to the 2020 U.S. Census, there were 342 occupied rental units in the City of Custer and 31 vacant or unoccupied units, for a total rental inventory of 373 units. The City's rental tenure rate in 2020 was at 37.1%, higher than the Statewide average of 33% rental.

At the time of the 2010 Census there were 389 occupied rental units and 57 unoccupied rental units in Custer, for a total estimated rental inventory of 446 units. The City's rental tenure rate in 2010 was 40.7%, significantly above the Statewide rental rate of 31.9%.

Between the 2010 Census and the 2020 Census there was a loss of rental housing in Custer. Over the decade the City lost 73 units from the inventory and 47 renter-occupancy households. The exact causes of this housing reduction are not known.

As presented previously, the City did add 48 housing units that are identified as seasonal/recreational housing between 2010 and 2020 and it is possible that some of these had been offered as rental housing in 2010. However, even a conversion of some units to seasonal/recreational use would not explain the total reduction of rental units between 2010 and 2020.

Another possible explanation for the reduced rental inventory is that some houses offered as rentals in 2010 were later sold, and used as owner-occupancy housing.

### **Recent Rental Construction - Custer**

A review of building permit issuance since 2010 did not identify any new construction of multifamily rental housing in the City of Custer, although it is known that some rental duplexes were constructed after 2010.

### **Census Bureau Rental Inventory - Custer County**

According to the 2020 Census there were 709 occupied rental units in Custer County and 84 units that were vacant or unoccupied, for a total rental inventory of 793 units. In 2010, the County had 799 renter-occupancy units and 116 vacant/unoccupied units for a total inventory of 915 units. Between 2010 and 2020 the County lost 90 renter-occupancy households and 122 rental units. Excluding the City of Custer, the rental inventory in the remainder of the County decreased by 49 units between 2010 and 2020.

## **Rental Housing Survey**

As part of this housing study, a telephone survey was conducted of multifamily projects in Custer. Emphasis was placed on contacting properties that have six or more units. For the purposes of planning additional projects in the future, multifamily properties represent the best comparison of market potential. The survey was completed in August 2023.

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

There were 239 rental housing units/rooms of all types that were contacted in the survey, in the following market segments:

- ▶ 93 units in conventional market rate housing
- ▶ 18 units in moderate rent/income restricted housing
- ▶ 38 units in subsidized housing for senior/disabled occupancy
- ▶ 67 units in subsidized housing for general occupancy
- ▶ 23 rooms/units in specialized senior housing with services

Based on the Census tabulation of 373 rental units in Custer in 2020, the units contacted in the survey represent approximately 64% of the City's total rental inventory. All of the City's subsidized units, moderate rent/income restricted and specialized senior units were successfully contacted.

## **Market Rate Summary**

Information was obtained from 93 conventional market rate rental units in nine multifamily rental projects. Four of the market rate rental buildings, with a combined 48 units, were once subsidized through USDA Rural Development but later completed their subsidy contracts and were converted to market rate housing.

### **Unit Mix**

The bedroom mix of the 93 units that were contacted is as follows:

- ▶ studio/efficiency - 16 units (17.2%)
- ▶ one-bedroom - 18 (19.4%)
- ▶ two-bedroom - 59 (63.4%)

There were no units with more than two bedrooms that were contacted in the multifamily survey. It is likely that units with three or more bedrooms are available in single family rental houses in Custer.

### **Occupancy / Vacancy**

At the time of the survey in August there was a high rate of occupancy reported within the multifamily rental segment. Any unoccupied units were generally the result of recent turnover and were in the process of being filled.

The only exception was some availability in studio units. A former motel had recently been converted to rental housing and they reported an occupancy rate of approximately 70%. However, these studio units did not have kitchenettes and instead had access to a shared community kitchen. Most of the tenants were shorter-term residents of the community, such as seasonal work force.

### **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>
Studio	\$900-\$950
One-bedroom	N/A
Two-bedroom	\$850-\$1575

No specific rental information was obtained from one-bedroom units in the rental survey.

## **Moderate Rent/Income Restricted Summary**

The research completed for this Update identified two moderate rent/income restricted rental projects in Custer. Both projects had utilized HUD HOME Program funds, which triggered income limits and rent restrictions for the units.

### **Unit Inventory**

The two projects have a total of 18 affordable units, all senior-designated for households age 55 and older.

- ▶ **Horse Shoe Park** - An eight-unit affordable project with two units designated for households at or below 50% of the median income level and six units at 80% or less of median income.
- ▶ **Landover Estates IV** - A 10-unit affordable project with two units designated for households at or below 50% of the median income level and eight units at 80% or less of median income.

### **Unit Mix**

All 18 units in the moderate rent/income restricted projects have two bedrooms.

### **Occupancy/Vacancy**

At the time of the rental survey the occupancy rate in moderate rent/income restricted housing in Custer was very high. Any units that were open on the date of the survey were in the process of being filled from a waiting list. Because of the income verification requirements, there can be a processing delay in filling any turnover units, but strong demand was present and both projects maintained waiting lists for occupancy.

### **Rental Rates**

There are two different rent levels offered, depending on whether the units are designated for households at 50% or 80% of the median income level. The two-bedroom units at 50% of median have contract rents ranging from \$537 to \$602, with the 80% units ranging from \$592 to \$656. In all units tenants do have some responsibility for paying utilities including heat and electric.

## **Tax Credit Summary**

There are no moderate rent/income restricted rental projects in Custer that were developed using tax credits as a primary source of financing.

Trail View Estates I and II (formerly Aspen View Townhomes I and II) were developed utilizing both tax credits and USDA Rural Development financing. USDA Rural Development provides a deep subsidy which allows tenants to pay 30% of their income for rent, thus, these two projects are included in the subsidized summary.

Winchester Apartments was also developed utilizing USDA Rural Development financing and tax credits. However, Winchester Apartments completed its initial 15-year tax credit compliance requirement, and has opted out of its Rural Development subsidy contract and converted to conventional rental housing and is included in the market rate summary presented previously.



## **Subsidized Summary**

The research completed for this Study identified four federally subsidized projects in Custer that provide rental opportunities for lower income households.

### **Unit Inventory**

One of the subsidized projects is designated for senior and/or disabled tenant occupancy:

- ▶ **Landover Estates I and II** - 38-unit USDA Rural Development project

The remaining three projects are designated as general occupancy housing:

- ▶ **Trail View Estates** - 24-unit USDA Rural Development project
- ▶ **Trail View Estates II** - 16-unit USDA Rural Development project
- ▶ **Valley Hi Apartments** - 27-unit HUD Section 8 project

These projects have a combined 105 subsidized units. The subsidized projects were developed with HUD Section 8 assistance or USDA Rural Development assistance, and some also included low income housing tax credits.

### **Unit Mix**

The bedroom mix breakdown for the 105 subsidized units in Custer is as follows:

▶ Efficiency	13 (12.4%)
▶ One-bedroom	52 (49.5%)
▶ Two-bedroom	26 (24.8%)
▶ Three-bedroom	<u>14 (13.3%)</u>
▶ Total	105

Although Valley Hi Apartments is designated as general occupancy housing, it was probably developed as a senior/disabled occupancy project and later was changed to general occupancy. As a result, nearly 62% of the subsidized unit inventory is in efficiency or one-bedroom options, with approximately 38% of all units having two or more bedrooms.

## **Occupancy / Vacancy**

At the time of the rental survey the occupancy rate in subsidized housing in Custer was very high. Any units that were open on the date of the survey were in the process of being filled from a waiting list. Because of the income verification requirements there can be a processing delay in filling any turnover units, but strong demand was present and all of the subsidized projects maintained waiting lists for occupancy.

## **Rental Rates**

Most of the subsidized units in Custer have access to project-based rent assistance that allows eligible tenants to pay rent based on 30% of their household income. At the time of the survey there were six units that did not offer project-based assistance, and in these units a minimum "basic" rent applied, even if it exceeded 30% of the household income level. It is possible that some tenants without project-based assistance could have tenant-based rent assistance Vouchers.

## **Subsidized Housing Gains/Losses**

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

Four subsidized USDA Rural Development rental projects with 48 total units had opted-out of their subsidy contracts prior to the completion of the 2018 Custer Housing Study and had been converted to conventional market rate housing.

These rental projects include:

- ▶ Winchester Apartments - a 12-unit general occupancy project
- ▶ Crook Street Apartments - a 4-unit general occupancy project that had originally been part of Laughing Water Apartments
- ▶ Harney Street Apartments - a 16-unit general occupancy project that had originally been part of Laughing Water Apartments
- ▶ Laughing Water Apartments - a 16-unit general occupancy project

## **Senior Housing with Services**

### **Unit Inventory**

There are only two senior housing projects in Custer County that provide services and are listed on the South Dakota Department of Health website.

- ▶ **Monument Health Assisted Living (formerly Regional Health Care-Assisted Living)** - An Assisted Living Center that is licensed for 16 residents in 2023.
- ▶ **Rose Haven Senior Living** - A Residential Living Center that is registered for 12 residents in 2023.

At the time of the 2018 Custer Housing Study there had also been a skilled nursing facility, Regional Health Care Center, that was operating in Custer and was licensed for 76 residents. However, this facility closed in 2022 and is not licensed in 2023. The closure has been linked to a shortage of staff, although this could not be confirmed.

The 2020 Census had identified 71 “group quarters” residents living in skilled nursing facilities in Custer. There are reports that the nursing home will re-open later in 2023, but potentially with only 40 beds.

### **Occupancy / Vacancy**

At the time of the survey, Monument Health Assisted Living had three unoccupied rooms, although processing was underway to fill two of these units.

Rose Haven Senior Living had five unoccupied beds/rooms. Although occupancy is sometimes higher, this facility indicated that it usually is at less than full capacity.

**Table 28 Custer Multifamily Rental Housing Inventory**

Name	Number of Units / Bedroom Mix	Rent	Vacancy / Wait List	Tenant Mix	Comments
<b>Market Rate</b>					
Ashmore Townhomes	<u>6 - 2 bedroom</u> 6 total units	N/A +heat, electric	N/A	N/A	Unable to contact in 2023 - information provided is from prior survey. Three duplex units with attached garages. Tenant pays heat and electric in addition to rent. Amenities include in-unit laundry.
Bluebell Lane Townhomes	<u>12 - 2 bedroom</u> 12 total units	\$1375-\$1425 +utilities	No vacant units	Primarily retirees	Six rental duplexes constructed between 2014 and 2022. Twin home-style design with attached garage. Tenant pays all utilities in addition to rent. Amenities include dishwasher, microwave, in-unit laundry and patio. Units have approx. 1325 sq ft and 2 bathrooms. Owner reported full occupancy and limited unit turnover - approx. 75% of tenants are retirees with some younger professionals and families.
Boothill Ranch Estates Townhomes	<u>8 - 2 bedroom</u> 8 total units	\$1175-\$1275 +heat, electric	No vacant units	Primarily retirees	Four rental duplexes constructed in the mid-2000s. Twin home-style design with attached garage. Rent includes water, sewer and garbage, with tenant paying electric heat and electricity. Amenities include dishwasher, microwave, in-unit laundry and patio. Units have approx. 1200 sq ft and 2 bathrooms. Owner reported full occupancy and limited unit turnover - approx. 75% of tenants are retirees with some younger professionals and families.
Crook Street Apartments	<u>4 - 2 bedroom</u> 4 total units	N/A	Any open units in process of being filled	N/A	Former USDA Rural Development subsidized project that was converted to conventional market rate housing before 2018. Tenants pay heat and electricity with other utilities included in rent. Some furnished units may be available and lease terms from 3 to 12 months are offered. Rents can vary depending on unit and lease length. Manager reported a high rate of occupancy with any turnover units filling quickly. Some tenants are short-term, such as traveling medical staff.

**Table 28 Custer Multifamily Rental Housing Inventory**

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Market Rate</b>					
Harney Street Apartments	<u>16 - 1 bedroom</u> 16 total units	N/A	Any open units in process of being filled	N/A	Former USDA Rural Development subsidized project that was converted to conventional market rate housing before 2018. Tenants pay heat and electricity with other utilities included in rent. Some furnished units may be available and lease terms from 3 to 12 months are offered. Rents can vary depending on unit and lease length. Manager reported a high rate of occupancy with any turnover units filling quickly. Some tenants are short-term, such as traveling medical staff.
Landover Estates III 1325 Sherman	<u>6 - 2 bedroom</u> 6 total units	\$700 +heat, electric	No vacant units, waiting list	Senior-designated housing	Conventional market rate rental project developed in 1998 utilizing Governors Homes. Senior-designated for tenants age 55 and older. Tenant pays heat and electric in addition to rent. Units have in-unit laundry hookup and attached garage. Manager reported full occupancy and waiting list.
Laughing Water Apartments 901 Montgomery St	<u>1 - 1 bedroom</u> <u>15 - 2 bedroom</u> 16 total units	N/A	Any open units in process of being filled	N/A	Former USDA Rural Development subsidized project that was converted to conventional market rate housing before 2018. Tenants pay heat and electricity with other utilities included in rent. Some furnished units may be available and lease terms from 3 to 12 months are offered. Rents can vary depending on unit and lease length. Manager reported a high rate of occupancy with any turnover units filling quickly. Some tenants are short-term, such as traveling medical staff.
212 W Mt Rushmore Rd	<u>16 - Studio</u> 16 Total Units	\$900-\$950	70% occupancy	Mix of seasonal workers and short term rentals	Former motel that has been converted to rental housing in 2023. Units are furnished and have shared kitchen - kitchenettes will be added later this year. Rent includes utilities. Leases are month to month and tenants may be shorter term including seasonal workers and people building a home in the area. Owner reported about 70% occupancy rate.

<b>Table 28 Custer Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units / Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Market Rate</b>					
Santos 4-Plex	<u>3 - 2 bedroom</u> 3 total units	\$1150	No vacant units	Mix of tenants	Rental 4-plex originally intended for seasonal worker housing but 3 of the 4 units are offered as general market rentals and only 1 used for seasonal workers. Rent includes all utilities. Units are large and have 2 bathrooms. Owner reported full occupancy with mix of tenants.
Winchester Apartments	<u>1 - 1 bedroom</u> <u>11 - 2 bedroom</u> 12 total units	N/A	Any open units in process of being filled	N/A	Former USDA Rural Development subsidized project that also used tax credits and was converted to conventional market rate housing before 2018. Tenants pay heat and electricity with other utilities included in rent. Some furnished units may be available and lease terms from 3 to 12 months are offered. Rents can vary depending on unit and lease length. Manager reported a high rate of occupancy with any turnover units filling quickly. Some tenants are short-term, such as traveling medical staff.

<b>Table 28 Custer Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units / Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Moderate Rent/Income Restricted</b>					
Horse Shoe Park 101 Coral Dr	<u>8 - 2 bedroom</u> 8 total units	\$602-\$656 +heat, electric	Open units in the process of being filled from waiting list	Senior-designated housing	HUD HOME affordable project constructed in 2005 households age 55 and older. Two units at 50% of median income with rents at lower end of range; remaining units at 80% of median with rents at higher end of range. Tenant pays utilities in addition to rent. Manager reported 2 open units due to turnover but new applicants being processed from waiting list to fill units.
Landover Estates IV 375-425 Bluebell Lane	<u>10 - 2 bedroom</u> 10 total units	\$537-\$592 +heat, electric	No vacant units, waiting list	Senior-designated housing	HUD HOME affordable project constructed in 2001 and designated for households age 55 and older. Two units at 50% of median income with rents at lower end of range; remaining units at 80% of median with rents at higher end of range. Tenant pays utilities in addition to rent. Manager reported full occupancy and a waiting list.

**Table 28 Custer Multifamily Rental Housing Inventory**

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Subsidized</b>					
Landover Estates I & II 1205-1305 Sherman St	32 - 1 bedroom <u>6 - 2 bedroom</u> 38 total units	\$710-\$759 \$745-\$794 30% of income	No vacant units, waiting list	Senior and/or disabled occupancy	USDA Rural Development subsidized project for senior/disabled tenant occupancy. Two 2-level buildings with elevators constructed 1991 and 1996. Thirty-seven units have project-based rent assistance that allows rent based on 30% of income up to the market rents listed. The manager reported no vacancies at the time of the survey and a long waiting list.
Trail View Estates (formerly Aspen View I) 1120-1180 Harney St	6 - 1 bedroom 12 - 2 bedroom <u>5 - 3 bedroom</u> 23 total units	\$680-\$825 \$790-\$940 \$915-\$1065 30% of income	Open units in the process of being filled from waiting list	General occupancy	USDA Rural Development subsidized project for general occupancy constructed in 1997. Tax credits also used and 60% of median income limits still apply. Nineteen units have project-based rent assistance allowing rent based on 30% of their income - remaining tenants pay 30% of their income, but not less than base rent or more than market rents listed. One-bedrooms have 615 sq ft, 2-bedrooms have 750 sq ft and 3-bedrooms have 956 sq ft; all units have 1 bathroom. One additional 3-bedroom unit is used as an office in 2023. Manager reported 2 open units due to turnover but new applicants being processed from waiting list to fill units. Waiting list is primarily for 1 and 2-bedrooms.
Trail View Estates II (formerly Aspen View II) 1125 Crook St	8 - 2 bedroom <u>8 - 3 bedroom</u> 16 total units	\$900-\$948 \$1025-\$1073 30% of income	Open units in the process of being filled from waiting list	General occupancy	USDA Rural Development subsidized project for general occupancy constructed in 2004. Tax credits also used and 60% of median income limits still apply. All units have project-based rent assistance allowing rent based on 30% of their income up to maximum rents listed. Manager reported that any open units due to turnover are filled from waiting list - waiting list is primarily for 2-bedrooms.



<b>Table 28 Custer Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Subsidized</b>					
Valley Hi Apartments 545 Lincoln St	13 - efficiency <u>14 - 1 bedroom</u> 27 total units	\$625 \$698 30% of income	No vacant units, waiting list	General occupancy	HUD Section 8 subsidized project for general occupancy constructed in 1979 - project may have been developed as senior/disabled housing but later converted to general occupancy. All tenants have access to project-based rent assistance that allows rent based on 30% of income up to market rents listed. No vacant units at time of survey and 16 name waiting list.

**Table 28 Custer Multifamily Rental Housing Inventory**

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Senior with Services</b>					
Rose Haven Senior Living 25234 US Hwy 385	6 single rooms <u>1 double room</u> 7 rooms/8 beds	\$4000 +meds assistance and move-in fee	5 available beds/ rooms	Residential Living Center	Residential Living Center with capacity for 8 residents in 2023. Rooms are single or double and most have a private ½ bathroom. Project has a single staff person 24 hours/day but no skilled medical staff. Monthly fee includes utilities, meals and snacks, housekeeping, laundry and other assistance including medication distribution. Many residents have memory loss issues but can live in non-secured facility. Residents must generally be able to function independently or require assistance from only 1 staff person. Private-pay facility only. Three residents at time of survey and typical occupancy has been between 3 and 6 people.
Monument Health Assisted Living (formerly Regional Health Care) 423 N 10 <sup>th</sup>	16 beds 16 total beds 16 resident license	N/A	Some open rooms	Assisted Living Center	Assisted Living Center that is licensed for 16 residents in 2023. Part of Monument Health Care that also includes hospital. Project was built in 1999 and has 16 sleeping rooms with private bathroom. Three open rooms at time of survey but two were in the process of being filled. Project will accept residents on State/County assistance.
Regional Health Care Center Custer	Not licensed in 2023	N/A	N/A	Former skilled nursing home	Skilled nursing home that is not licensed in 2023 - but is reportedly planning to reopen later in the year. In 2018 there had been 76 licensed beds, but in the future the facility may have only 40 beds. This would allow for renovation with larger rooms and private occupancy, and would also lower staffing requirements. Closure was attributed to staff shortage rather than lack of demand. Facility is part of the health care system in Custer that includes the hospital.

Source: Community Partners Research, Inc.

## **Employment and Local Economic Trends**

While many factors influence the need for housing, employment opportunities represent a predominant demand generator. Without jobs and corresponding wages, the means to afford housing is severely limited. The type of employment, wage level, and working conditions will each influence the kind of housing that is needed and at what level of affordability.

## Work Force and Unemployment Rates

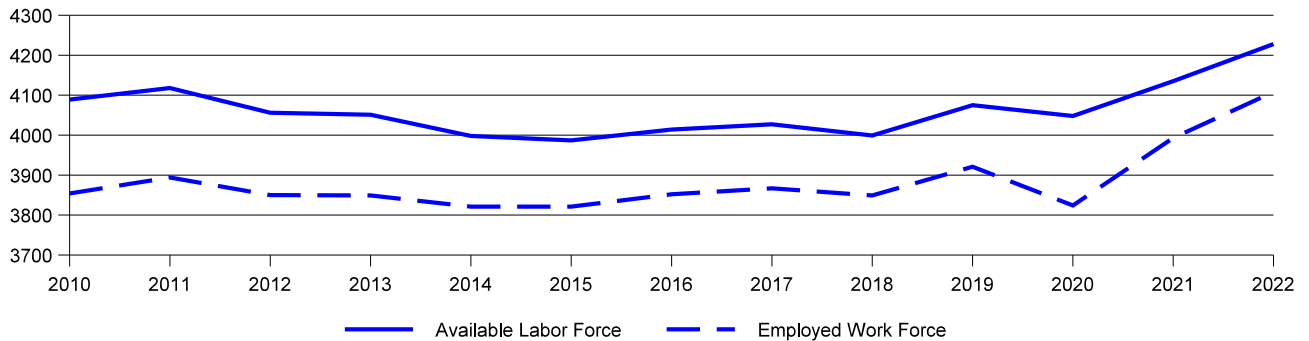
Labor statistics are available for Custer County. Data in the tables that follow have been obtained from the SD Department of Labor and Regulation.

<b>Table 29 Custer County Annual Labor Statistics: 2010 to 2022</b>						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2010	4,089	3,854	235	5.7%	4.9%	9.6%
2011	4,118	3,894	224	5.4%	4.6%	8.9%
2012	4,056	3,850	206	5.1%	4.1%	8.1%
2013	4,051	3,849	202	5.0%	3.7%	7.4%
2014	3,998	3,821	177	4.4%	3.3%	6.2%
2015	3,987	3,821	166	4.2%	3.0%	5.3%
2016	4,014	3,852	162	4.0%	3.0%	4.9%
2017	4,027	3,867	160	4.0%	3.1%	4.4%
2018	3,999	3,849	150	3.8%	2.8%	3.9%
2019	4,075	3,921	154	3.8%	2.8%	3.7%
2020	4,048	3,824	224	5.5%	4.2%	8.1%
2021	4,135	3,993	142	3.4%	2.6%	5.3%
2022	4,228	4,108	120	2.8%	2.1%	3.7%

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

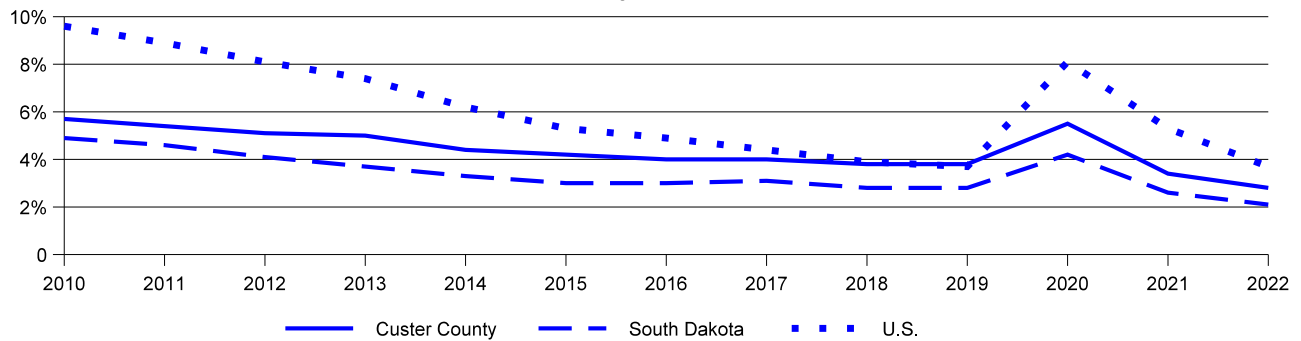
- ▶ Labor force statistics track people by their county of residence. In 2022, the last full year of data, Custer County had 4,228 people in the labor force.
- ▶ When compared back to the year 2010, the County’s labor force had added 139 people, for an increase of 3.4%.
- ▶ The number of employed County residents has generally followed the same pattern. In 2022 there were 4,108 employed County residents. Between 2010 and 2022 the County added 254 employed residents, for an increase of 6.6%.

### Custer County Labor Force and Employed Work Force



- ▶ With the County’s employment growing at a faster rate than the available labor force, the unemployment rate dropped, from 5.7% in 2010 to only 2.8% in 2022.

### Unemployment Rates



- ▶ Although there was an upward spike in the County’s unemployment rate in 2020, presumably due to the Covid pandemic, by 2021 the County’s employed work force was larger than at pre-pandemic levels.

## Employment and Wages

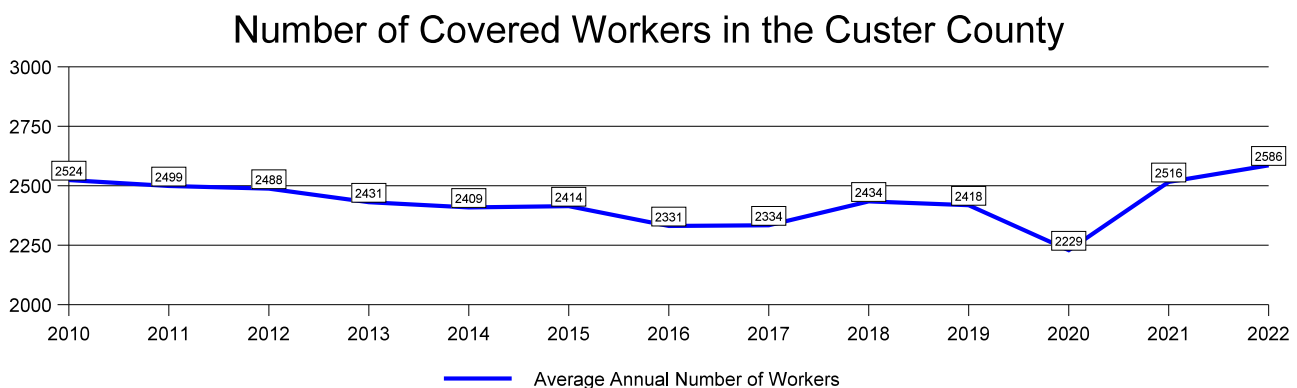
The following table shows the annual employment and average wage in 2022, the last full year of data. The QCEW reporting is for unemployment compensation. This information is for all of Custer County. It is important to note that the major employment sectors listed do not represent all employment in the County.

<b>Table 30 Custer County Average Annual Wages - 2022</b>		
Industry	2022 Employment	Average Weekly Wage
Total All Industry	2,586	\$837

Source: South Dakota Department of Labor & Regulation

- ▶ The average weekly wage for all industry in 2022 was \$837. At full-time employment this would equate to an annual wage of approximately \$43,525. Statewide the average weekly wage in 2022 was \$1,039, higher than the average wage in Roberts County. The Statewide average wage would equate to approximately \$54,000 at full-time employment.

Using the QCEW it is possible to examine longer-term patterns in the local employment level. The following chart displays the total number of workers reported in the County from 2010 through 2022.



- ▶ The number of covered workers in Custer County reached a recent peak 2022. However, there had been a gradual decrease in covered workers between 2010 and 2020, and the increase after 2020 has resulted in only 62 more workers in 2022 than had been present in 2010.

## Commuting Patterns of Area Workers

Information is available on workers that commute for employment through the American Community Survey, and has been examined for Custer, the largest city in the County. The first table examines City residents that traveled to work and excludes people that work at home.

<b>Table 31 Commuting Times for Custer Residents - 2021</b>		
Travel Time	Number	Percent
Less than 10 minutes	419	52.8%
10 to 19 minutes	105	13.2%
20 to 29 minutes	74	9.3%
30 minutes +	196	24.7%
Total	794	100%

Source: American Community Survey

- ▶ A large majority of Custer’s residents worked locally in 2021, with 66% traveling less than 20 minutes for their primary job. However, nearly 25% of the City’s residents were commuting 30 minutes or more to work, and most of this group was actually traveling 45 minutes or more.

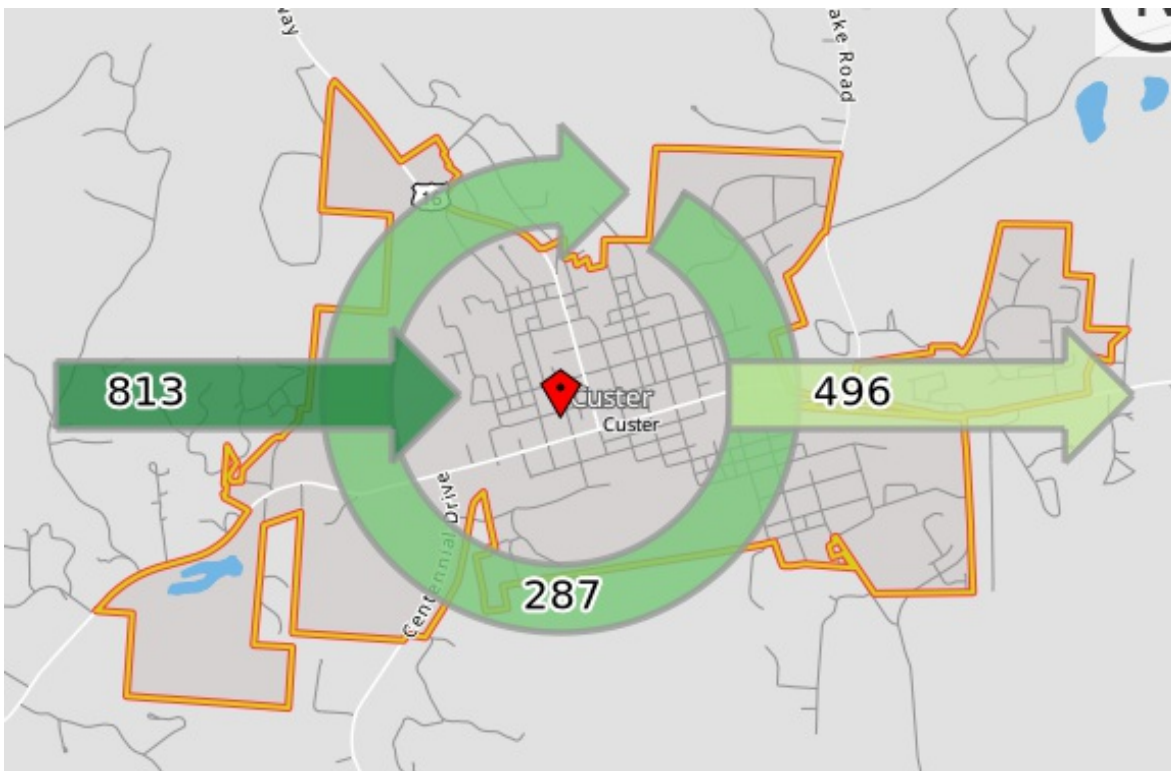
The American Community Survey did not provide an estimate in 2021 for travel time by location of the job.

## Census On the Map - Custer

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on reports for the year 2020, but provides a further breakdown of worker movement.

According to the report for Custer, there were 1,100 people that were employed within the City in 2020. There were 287 of these City-based employees that also lived in Custer. The remaining 813 employees lived outside the City and commuted in for their primary job. For people that were commuting into Custer, the primary home locations were West Custer UT, Rapid City, East Custer UT and Hermosa.

On the Map can also be used to track worker outflow patterns from the City. Overall, there were 783 Custer residents that were employed. Most of these City residents worked outside the community, as 496 people had their primary job outside of Custer. For Custer residents that left the City for their employment, the identified destinations were Rapid City, West Custer UT, Hot Springs, Mount Rushmore UT and Hill City. Nearly 27% of the outbound Custer residents were working in Rapid City in 2020.





## **Summary of Findings on Growth Trends**

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

### **Custer**

Based on the 2020 Census, Custer lost both population and households between 2010 and 2020. The most recent pattern had reversed a longer-term pattern of growth for the community.

While no specific information is available on the causes of the demographic losses after 2010, it is possible that the global pandemic had an impact on the 2020 Census count. Both of the demographic data sources used for more recent estimates, Applied Geographic Solutions and Esri believe that Custer has added households between 2020 and 2023. Both of these sources also show the City adding population since 2020.

It is important to state that the housing stock in Custer has not changed significantly in recent years. With pressure from seasonal/recreational residents, it is possible that fewer housing units over time are being occupied by permanent residents of the City. The 2020 Census recorded a small decrease in the City's overall housing inventory, as new unit construction may not have been sufficient to replace older housing unit losses over the decade.

### **Buffalo Gap**

Although Buffalo Gap did add a few permanent residents between 2010 and 2020, as well as a few households, the Town has had very limited long-term change. If compared back to the year 1990, Buffalo Gap had only added four households over the 30-year time period, while losing 42 permanent residents. The population loss was due to a fairly large decrease over time in the average number of people per household. In 2020 the average household in Buffalo Gap had only 1.77 persons, very small by comparative standards.

Like other incorporated communities in Custer County, there has been limited change in the available housing stock in Buffalo Gap in recent decades. The 2020 Census recorded a decreased supply of housing units when compared back to 2010, and no vacant housing was recorded in 2020. For any future growth to occur, the Town will need to have an expansion of housing units.

## **Fairburn**

Fairburn experienced a loss of both people and households between 2010 and 2020. The Town is the smallest incorporated jurisdiction in Custer County, and has had only limited demographic change over the past 20 years. The City's household count in 2020 was the same as recorded in the 2000 Census, while the number of residents had decreased, as the average household size grew smaller. In 2020 the average household in Fairburn had only 1.76 persons, very small by comparative standards.

Like most of the other small communities in the County, the 2020 Census recorded a decrease in housing unit availability when compared to 2010. There were also only four vacant housing units recorded in 2020. For any future growth to occur, Fairburn will need to have some expansion of housing units.

## **Hermosa**

The 2020 Census recorded a small decrease of both population and households in Hermosa between 2010 and 2020, but when viewed over a longer-time period the community has been growing. When compared back to 1990, Hermosa added a substantial number of households and permanent residents over the prior decades.

Hermosa had the largest average household size in 2020 of any of the incorporated jurisdictions in the County, which is often an indicator of more families with children. Hermosa was also the only community to see some growth in the available housing stock between 2010 and 2020, although the Census recorded a net gain of only two units in the Town.

Although specific building permit data was not obtained for the small communities, Hermosa has been more successful than the other small towns in Custer County in attracting some level of new home construction. Going forward, additional unit creation will be needed for the Town to add population and households.

## **Pringle**

The 2020 Census recorded a small decrease of both population and households in Pringle between 2010 and 2020. Like some of the other small communities in Custer County, Pringle has had only limited demographic change in recent decades.

The Town had been adding households in prior decades, but between 2010 and 2020 the supply of housing units decreased, resulting in a small reduction of households living in the community. Going forward, additional unit creation will be needed for the Town to add population and households.

### **Custer County**

The rural portions of Custer County have continued to grow. Between 2010 and 2020, the County added both population and households outside of the incorporated jurisdictions. However, the actual rate of growth was significantly lower than had been experienced in previous decades.

Over time, rural Custer County has become more popular as a retirement location and as a place for part-time seasonal residents. This does not result in an equal level of growth from permanent residents.

Likewise, available records point to a large volume of new housing construction activity in the rural portions of the County. But this did not result in a commensurate increase in the County's housing inventory between 2010 and 2020, implying that much of the home building may have replaced an older unit that was removed to create a building site.

## **Summary of Findings on Projected Growth**

This Update has examined available demographic projections for the individual jurisdictions and for all of Custer County. The primary projection source is Applied Geographic Solutions (AGS), although some forecasts from Esri were also reviewed. Community Partners Research, Inc., has also examined historic growth patterns when evaluating growth potential.

### **Custer**

Both AGS and Esri expect future household growth in Custer, in a range between 10 and 15 households per year through 2028. In the opinion of the analysts, the higher end of this range is very achievable, and a total of 75 households could be added in Custer between 2023 and 2028, provided adequate housing options are available.

### **Buffalo Gap**

The projection from AGS expects that Buffalo Gap will add one household per year through 2028. While the analysts view this as an achievable forecast for the community, it will require new housing units to be added. The 2020 Census found no vacant housing in Buffalo Gap. Without an expansion of the housing inventory, this growth potential will not be reached.

### **Fairburn**

The projection from AGS expects that Fairburn will add a total of two households between 2023 and 2028. While the analysts view this as an achievable forecast for the community, it will probably require new housing units to be added. The Town had a small supply of vacant housing in 2020, but any unoccupied units may be in poor condition. Without some expansion of the housing inventory, this growth potential will probably not be reached.

### **Hermosa**

Hermosa has the greatest growth potential of the four small towns in Custer County. The projection from AGS expects the addition of 13 households between 2023 and 2028, or an annual average of nearly three households per year. The analysts view this as a very achievable forecast, and the Town has had more past success with new housing construction than other small communities in the area.

## **Pringle**

The projection from AGS expects that Pringle will add a total of three households between 2023 and 2028. While the analysts view this as an achievable forecast for the community, it will probably require that some new housing units be added. The Town did have some vacant housing in 2020, but any unoccupied units may be in poor condition. Without some expansion of the housing inventory, this growth potential will probably not be reached.

## **Custer County**

Both AGS and Esri expect future household growth in Custer County, in a range between 32 and 61 households per year through 2028. In the opinion of the analysts, the higher end of this range is achievable and a total of up to 300 households could be added in Countywide between 2023 and 2028.

It is important to note that both of the primary projection sources would expect most of the household growth to be located in the rural portions of the County. While the incorporated jurisdictions, including Custer, should add households between 2023 and 2028, the unincorporated portions of the County have historically had greater appeal when attracting new households and new housing construction.

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

The Demographic section of this Update presented projection information on anticipated changes by age group in Custer County from 2023 to 2028. This information can be informative in determining the housing that may be needed due to age patterns of the County’s population.

The age-based projections were generated by Esri but were adjusted slightly by Community Partners Research, Inc., to better reflect the County’s growth potential going forward. The adjustments to the 2028 totals were less than 3.5%.

<u>Age Range</u>	<u>Projected Change in Households 2023 to 2028</u>
24 and younger	2
25 to 34	17
35 to 44	16
45 to 54	54
55 to 64	-60
65 to 74	70
75 and older	<u>201</u>
Total change	<u>300</u>

Overall, the adjusted projections expect up to 300 households to be added in Custer County by 2028. As a result, all but one of the defined age ranges is expected to increase in size over the 5-year time period.

Most of the net change in households is expected in the senior age groups, with especially strong growth in the older senior group, age 75 and above. Custer County is a very popular location for retirees, and the advancement of the large baby boom generation through the aging cycle will result in strong growth from senior households.

Trailing behind the baby boom was a much smaller demographic cohort, and a reduction of households in the age range between 55 and 64 years old is projected. This demographic group was not as large and will not fully replace the advancing baby boomers.

All of the younger ranges age 54 and younger are projected to increase in size, although the numeric increase may be limited. If combined, these projections expect an increase of 89 total households age 54 and younger in Custer County between 2023 and 2028.

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

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

**Age 24 and Younger** - The projections used for this Update expect a gain of only two households in the 15 to 24 age range from 2023 to 2028. Past tenure patterns indicate that most of these households will rent their unit. Stability in households in this age range should mean that rental demand from younger households will remain relatively unchanged during the projection period.

**25 to 34 Years Old** - The projections show a gain of approximately 17 households Countywide in this age range by 2028. Within this age range households often move from rental to ownership housing. Some growth within this age range indicates demand for both first-time home buyer and rental opportunities from this age range will increase somewhat during the projection period.

**35 to 44 Years Old** - The projection for this 10-year age cohort expects a gain of approximately 16 households between 2023 and 2028 in Custer County. In the past, this age group has predominantly been home owners, and these households often represent both first-time buyers and households looking to trade-up in housing, selling their starter home for a more expensive house. Some growth within this age range indicates demand for home ownership will increase somewhat during the projection period.

**45 to 54 Years Old** - The projections show solid growth of 54 households in this age range by 2028. This age group generally has a high rate of home ownership. Households within this range often represent households looking to trade-up, selling their starter home for a more expensive house. Growth within this age range indicates increased demand for trade-up housing during the projection period.

**55 to 64 Years Old** - By 2028, this age cohort will largely represent the generation that followed behind the baby boomers. This age group represents a much smaller segment of the population than the baby boom age group. For Custer County, the projections show a reduction of 60 households in this age range. This age group typically has had a rate of home ownership and will often look for trade-up housing opportunities. A reduced number of households in this age group indicates that the demand for trade-up housing from this age range will decrease slightly during the projection period.

***65 to 74 Years Old*** - A significant gain of 70 households is expected by the year 2028 in the 65 to 74 age range. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. Preferences for age-appropriate housing units should increase from household growth within this age cohort.

***75 Years and Older*** - There is a strong projected gain of approximately 200 households in Custer County in this age range between 2023 and 2028. An expansion of housing options that are age-appropriate for seniors, including low maintenance ownership housing and high quality rental housing should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

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



## **Findings on Housing Unit Demand and Tenure**

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

***Demand from Growth*** - The household projections used for this Study expect Custer to gain 75 households and Custer County will gain approximately 300 households from 2023 to 2028. Therefore, there will be a significant demand for new housing production in Custer based on household growth.

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

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

***Pent-Up Demand*** - The third primary demand-generator for new housing is caused by unmet need among existing households, or pent-up demand. Shifting age patterns have created demand for certain types of housing in Custer. 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 Custer were identified through statistical data, local interviews, research and onsite review of the local housing stock and from strengths identified in the 2018 Custer Comprehensive Housing Study.

- ▶ **Custer serves as a regional center** - Custer provides employment opportunities, retail/service options, health and professional services, governmental services and recreational facilities for a geographical area that surrounds the City.
- ▶ **Educational system** - Custer has a public pre-school-12 school system and the school buildings are in excellent condition.
- ▶ **Infrastructure** - Custer's water and sewer infrastructure can accommodate future expansion. The waste water and water systems are being upgraded.
- ▶ **Commercial development** - Custer's commercial district is adequate to meet most daily needs and is an attraction for tourists.
- ▶ **Employers** - Custer has employers that provide job opportunities for local residents.
- ▶ **Commuters** - More than 800 employees are commuting into Custer daily for work. These commuters are a potential market for future housing construction.
- ▶ **Custer Area Economic Development Corporation** - The Custer Area Economic Development Corporation (CAEDC) has been active in developing and expanding business opportunities and commercial development.
- ▶ **Health facilities** - Custer has excellent health facilities including a hospital, clinics and assisted living facilities. A new hospital was recently constructed.
- ▶ **Custer County Housing and Redevelopment Commission (HRC)** - The Custer County HRC has been active in developing and managing housing in the City of Custer.

- ▶ **Federal and State Funds** - The Custer County HRC, the City of Custer and local developers have experience in utilizing State and Federal funds for housing projects. Also, the City has utilized tax increment financing (TIF) for some housing developments.
- ▶ **Small town atmosphere** - Custer has the real and perceived amenities of a small town. Small town living is attractive for some households.
- ▶ **Active builders and developers** - Custer has active housing builders and developers that are willing to invest in new housing construction. Several housing projects are currently in the planning phase.
- ▶ **Desirable location for seniors and retirees** - Custer is an attractive option for seniors as a retirement location. As a provider of health, retail and governmental services, the City has amenities that are attractive for seniors as they age.
- ▶ **Land for development** - The Community has land available for residential, commercial and industrial development, however, some of the land needs to be serviced with infrastructure improvements and/or annexed into the City.
- ▶ **Population and household growth** - Custer and Custer County are projected to add people and households over the next five years.
- ▶ **Proximity to Rapid City** - Custer is located approximately 41 miles from Rapid City, the area's regional center. Rapid City provides additional employment opportunities, retail/services options, educational opportunities, health care facilities and recreational opportunities.
- ▶ **Black Hills Recreational Area** - Custer is in the Black Hills, a nationally known recreational and tourism area. Mount Rushmore, Crazy Horse Monument, Wind Cave and Custer State Park are all in close proximity to Custer.
- ▶ **Median Home Values** - The median value of existing houses in Custer, based sales activity in 2022, is approximately \$282,000. This relatively high value for existing homes can help to encourage new single family construction.

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

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

- ▶ **Age and condition of some of the housing stock** - Custer has some homes that require minor or major improvements, or are potentially dilapidated and beyond repair. However, a high percentage of the City's older homes are in good or excellent condition.
- ▶ **Construction costs** - Due to several factors, new construction is higher in Custer than some other locations including Rapid City.
- ▶ **Lower paying jobs** - Although Custer has employment opportunities, some jobs are at the lower end of the pay scale and employees with these jobs have limited housing choices.
- ▶ **Off-season commercial/retail options** - Some of Custer's commercial and retail options are not open during the off-season.
- ▶ **Competition from rural building sites** - Households often seek available building sites in rural areas surrounding Custer and in Custer County. These building sites compete with available residential lots within the City of Custer.
- ▶ **Vacation homes** - Many homes in Custer that would normally be in the affordable housing stock are utilized as vacation/seasonal homes.
- ▶ **Available residential lots** - There are many available residential lots, but the City has a lack of residential lot options for some sizes and prices of homes.
- ▶ **Proximity to Rapid City** - Although it is a strength to be close to Rapid City, it is also a barrier as Custer must compete with the Rapid City area, which offers employment attractive residential opportunities and other amenities and services.
- ▶ **Natural Gas** - Custer is not served with natural gas as an energy source.

## **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 Custer. 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 rental unit construction will more likely occur in Custer if there is proactive support from the City, local and regional housing and economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the existing housing stock** - The future of Custer will be heavily dependent on the City's appeal as a residential location. The condition of the existing housing stock is a major factor in determining the City's long-term viability. The existing housing stock is a major asset, however, rehabilitation efforts are needed to preserve the housing stock.
- ▶ **Protect the existing assets and resources** - Custer has several assets including a pre-school-12 public school, an excellent Downtown Commercial District, recreational and tourism opportunities, natural resources, health facilities including clinics and a hospital, etc. These are strong assets that make Custer a desirable community to live in, and are key components to the City's long-term success and viability. These assets must be protected and improved.
- ▶ **Develop a realistic action plan with goals and time lines** - In the past, the City has been involved in housing issues. The City should prioritize its housing issues and establish goals and time lines to achieve success in addressing its housing needs.
- ▶ **Access all available resources for housing** - In addition to the local efforts, the City has other resources to draw on including USDA Rural Development, the South Dakota Housing Development Authority, the Western South Dakota Community Action Agency, the Black Hills Council of Governments, NeighborWorks Dakota Home Resources, Dakota Resources, and Grow South Dakota. These resources should continue to be accessed as needed to assist with housing activities.

## **Summary of Findings/Recommendations City of Custer**

The findings/recommendations for the City of Custer have been formulated through the analysis of the information provided in the previous sections and include 26 recommendations. The findings/recommendations have been developed in the following five categories:

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

The findings/recommendations for each category are as follows:

### **Rental Housing Development**

1. Develop 36 to 40 general occupancy market rate rental units
2. Develop 16 to 18 senior independent/light services market rate units
3. Develop 32 to 38 subsidized or tax credit /workforce rental housing units
4. Preserve the existing supply of subsidized housing
5. Consider the development of additional senior housing with services units/beds
6. Promote the conversion/renovation of existing buildings to create 6 to 8 affordable market rate rental housing units
7. Develop a downtown mixed-use commercial/housing project
8. Apply to access the Housing Choice Voucher Program

### **Home Ownership**

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

**Single Family Housing Development**

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

**Housing Rehabilitation/Neighborhood Revitalization**

17. Promote rental housing rehabilitation
18. Promote owner-occupied housing rehabilitation programs
19. Develop a Neighborhood Revitalization Program
20. Acquire and demolish dilapidated structures
21. Develop a Rental Inspection and Registration Program

**Other Housing Initiatives**

22. Encourage employer involvement in housing
23. Create a plan and a coordinated effort among housing agencies
24. Strategies for downtown redevelopment
25. Continue to develop and promote home ownership and new construction marketing programs and strategies
26. Vacation/rental properties

# **Custer - 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.

Custer has been more successful than most small South Dakota cities, and approximately 64 rental units have been constructed in Custer from 2000 to 2017. These 64 units include approximately 30 market rate units, 16 subsidized units and 18 income restricted/moderate rent units. Also, some single family homes have been converted from owner-occupancy to rental use during that time period. After the 2018 Housing Study was completed, an estimated six rental units have been developed in duplex structures.

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

Applied Geographic Solutions forecasts that Custer will gain approximately 75 households and Custer County will gain approximately 300 households from 2023 to 2028. It is estimated that approximately 45% of the new Custer households will be rental households, thus, there will be a demand of approximately 34 additional rental units due to household growth over the next five years. Also, we are projecting demand from an additional 25 households based on expected growth in Custer County. Therefore, there will be a demand for approximately 59 new rental units in Custer over the next five years due to household growth.

According to the 2020 U.S. Census, the City of Custer lost more than 70 rental units between 2010 and 2020. It is also projected that Custer will have a loss of additional existing rental units from 2023 to 2028. As a result, approximately 40 to 45 additional units will be needed over the next five years to partially replace lost units. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition or conversion. In other cases, this replacement is appropriate due to the deteriorating condition of older, substandard rental housing that should be removed from the occupied stock.

Rental units will also be lost due to rental units converting to owner occupancy. Additionally, Custer has a unique situation in that rental units were lost due to conversion to vacation housing.

Pent-up demand also exists. As part of this study, a rental survey was conducted. Based on the high occupancy rates in existing rental housing, and a limited supply of some types of rental housing, we have identified pent-up demand for market rate, market rate senior, subsidized, moderate rent/income restricted and senior with services rental units.

These three demand generators show a need for 104 to 122 rental units/beds over the next five years. Based on the factors stated above, we recommend the development of the following new rental units over the next five years from 2023 to 2028.

▶ General Occupancy Market Rate	36-40 units
▶ Senior Independent/Light Services	16-18 units
▶ Subsidized/Tax Credit/Workforce	32-38 units
▶ Conversions	6-8 units
▶ Senior with Services (assisted living, memory care)	<u>14-18 units/beds</u>
Total	104-122 units/beds

### **1. Develop 36 to 40 general occupancy market rate rental units**

**Findings:** Approximately 61% of the rental housing units in Custer 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.

The market rate rental units constructed in Custer over the past two decades were primarily in twin homes and town homes. The only market rate rental projects with more than eight units are three USDA Rental Projects that have converted to market rate. These projects include Laughing Water (16 units), Harney St. (16 units) and Winchester Apartments (12 units). The remaining market rate units in Custer are in small rental buildings, mixed-use buildings, twin home/town houses, single family houses or mobile homes.

In the market rate rental units we surveyed, the rental property owners reported very high rates of occupancy. The only available units reported during the tourism/vacation season were in studio rentals that did not have kitchen facilities. The owners of other rental properties reported very strong demand for rental housing.

It is possible that during the off-season, some of the City's rental properties may have vacancies, especially those that are oriented to shorter-term rentals or seasonal workers. However, rental units oriented to permanent residents have high occupancy rates year round.

There is a variation in rental rates in the market rate segment in Custer. The existing rents, including tenant-paid utilities, range from \$850 to \$1,575 for a two-bedroom unit.

Since 2010, only a few market rate units were constructed in Custer. These units are rental twin homes/town homes. Additionally, four USDA Rural Development subsidized projects with a total 48 units converted to market rate in 2013.

Despite some limited new rental development between 2010 and 2020, the 2020 Census recorded a decrease in rental housing units in Custer. Some possible causes of this unit loss include rentals converting to home ownership, or to seasonal/recreational use.

All of the market rate units surveyed were one or two-bedroom units. No three-bedroom units were identified. However, there are three or four-bedroom single family rental houses in Custer that were not surveyed.

**Recommendation:** As stated earlier in this section, rental housing demand is based on household growth, pent-up demand and replacement of housing units that have been demolished or converted. Based on this combination of demand generators, we believe that it is reasonable to plan for the production of a total of 36 to 40 market rate rental units over the next five years from 2023 to 2028.

In the 2018 Custer Comprehensive Housing Study, we recommended the construction of 16 to 20 market rate rental units. Only six market rate units have been constructed since the 2018 Study was completed.

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

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

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

There is a need to construct both types of market rate rental housing. There is a 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 deferments, tax increment financing or SDHDA programs, such as the DakotaPlex program, may be needed.

The first option to developing market rate housing would be to encourage private developers to undertake the construction of market rate units. Several rental property owners have expressed interest in constructing additional rental housing in Custer. A developer has recently received approval from the Custer City Council to construct 34 rental units in Custer over the next three years. The City of Custer will assist this project with tax increment financing.

Also, the Custer County HRC could potentially utilize essential function bonds, local HRC funds, or similar funding sources, to construct market rate units. The Custer County HRC has developed 24 rental housing units in the past.

The City and/or County could continue to assist rental projects with land donations, tax increment financing, tax abatement, tax deferments, reduced water and sewer hookup fees, etc.

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

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	6-7	650 - 800	\$850 - \$975
Two Bedroom	25-27	900 - 1,200	\$1,000 - \$1,400
Three Bedroom	5-6	1,250 - 1,400	\$1,200 - \$1,600
Total	36-40		

**Note:** The recommended rents are gross rents including all utilities. The rents are quoted in 2023 dollars. It is assumed that rents will increase later in the five-year projection period.

## **2. Develop 16 to 18 senior independent/light services market rate units**

**Findings:** We are not aware of any apartment-style senior independent market rate rental projects in Custer. However, the Custer County HRC has constructed 24 units designated for households age 62 and older in Custer. Three of these are purely market rate housing, but 21 units do have income and rent restrictions.

In 2023, there were approximately 440 households age 65 or older in Custer and 1,700 households age 65 or older in Custer County. It is projected that there will be 60 additional households age 65 and older in Custer and an additional 270 households age 65 and older in Custer County by 2028.

**Recommendation:** We are recommending a 16 to 18-unit independent/light services market rate senior project in Custer. The project should be designed to allow seniors to live in a unit independently. The senior project could be a one level apartment building or town home-style. In the 2018 Custer Comprehensive Study, we recommended a 12 to 14-unit senior independent project. No senior units were constructed.

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:

- ▶ 16 to 18 units
  - ▶ 4 to 5 one-bedroom
  - ▶ 12 to 13 two-bedroom
- ▶ Floor plans that promote accessibility
- ▶ Fully equipped kitchen
- ▶ Large storage room
- ▶ Ample closet space
- ▶ Laundry hookups
- ▶ Open floor plan
- ▶ Private patio
- ▶ Individually controlled heat and AC
- ▶ Raised outlets, lever door handles, lowered kitchen cabinets
- ▶ Expansive windows

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

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

Tax increment financing, tax abatement, tax deferments and other subsidies and/or incentives could be utilized to make the project possible.

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

### **3. Develop 32 to 38 subsidized or tax credit/workforce general occupancy rental housing units**

**Findings:** There are four federally subsidized rental projects in Custer. These projects have 105 subsidized units. Three projects, with 67 units, are designated for general occupancy and one project, with 38 units, is designated for senior/disabled tenants.

The four subsidized projects are as follows:

- ▶ **Landover Estates I & II** - Landover Estates I & II are a combined 38-unit USDA Rural Development senior/disabled project constructed in 1991. The 38 units include 31 one-bedroom and six two-bedroom units.
- ▶ **Valley Hi Apartments** - Valley Hi Apartments is a 27-unit HUD/Section 8 General Occupancy project constructed in 1979. The 27 units include 13 efficiency and 14 one-bedroom units.
- ▶ **Trail View Townhomes I** - Trail View Townhomes I is a 24-unit USDA Rural Development family project constructed in 1992. The 24 units include six one-bedroom, 12 two-bedroom units and six three-bedroom units.

- ▶ **Trail View Townhomes II** - Trail View Townhomes II is a 16-unit family USDA Rural Development project constructed in 2004. The 16 units include eight two-bedroom and eight three-bedroom units.

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

There are also two moderate rent/income restricted projects that were assisted with HUD HOME funding that have income and rent restrictions. Both of these projects are senior-designated for tenants 55 and older. There are 18 moderate rent/income restricted units in the two projects, as follows:

- ▶ **Horse Shoe Park** - Horse Shoe Park is an eight-unit moderate rent-income restricted project constructed in 2005. All eight units have two bedrooms. Rents range from \$602 to \$656. Tenants also pay heat and electricity.
- ▶ **Landover Estates IV** - Landover Estates IV is a 10-unit moderate rent/income restricted project constructed in 2001. Rents range from \$537 to \$592. Tenants also pay heat and electricity.

Of the total 123 units in the subsidized /moderate rent/income restricted projects in Custer, 13 are studio/efficiency, 52 are one-bedroom, 44 are two-bedroom and 14 units are three-bedroom.

The rental survey identified no vacancies in the subsidized/ income-restricted units at the time of the survey. Any open units due to turnover were in the process of being filled with a new tenant. Most of the projects have waiting lists and the managers reported a high demand for the units.

Custer once had a larger inventory of federally subsidized housing but four USDA Rural Development projects, with a total of 48 units, opted out of their subsidy program and converted to market rate housing in 2013.

Based on the 2021 American Community Survey, approximately 37% of all renter households in Custer reported that 30% or more of their income was required to pay housing costs. Most of these households had annual incomes of less than \$35,000, and needed a very affordable unit to avoid a housing cost burden.

**Recommendation:** We recommend that the City of Custer and the Custer County HRC look for opportunities to expand the supply of affordable rental housing. Although the need is greater, a realistic goal would be the construction of 32 to 38 general occupancy two and three-bedroom subsidized or moderate rent/affordable units over the next five years.

The need for additional affordable rental housing could increase even more significantly if some of the existing subsidized units are lost. In the recommendation that follows, we have discussed the need to preserve the existing project-based subsidized housing in the community.

The large subsidized housing production programs of the past are no longer available, and it remains very difficult to produce new units for very low income renters. The best available option is to utilize the federal tax credit program layered with various other subsidies together in an attempt to produce some very affordable units.

The Custer County HRC has successfully developed moderate rent rental housing in the past and may be a resource for the development of future affordable rental housing. It is our understanding that the Custer County HRC has considered applying for tax credit funding in the past. The City of Custer could assist with land donations, reduced water and sewer hookup fees, etc.

#### **4. Preserve the existing supply of subsidized housing**

**Findings:** The City of Custer has four “deep subsidy” rental housing projects that allow tenants to pay rent based on 30% of income. Three of these projects are more than 20 years old and were constructed when the federal government was actively involved in producing low income housing.

The 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.

One of the “deep subsidy” rental housing projects in Custer is privately owned. In some communities, privately owned subsidized housing has been lost as owners have the ability to opt-out of subsidy contracts after their original obligations have been met. Subsidized housing that is lost cannot be cost-effectively replaced with the low income housing production resources that are available today.



In 2013, four subsidized USDA Rural Development projects in Custer with a combined total of 48 units opted-out of the subsidy program and converted to market rate housing. The four projects that converted to market rate are Laughing Water Apartments (16 units), Harney St. Apartments (16 units), Winchester Apartments (12 units) and Crook St. Apartments (4 units).

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

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

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

**Findings:** Custer County had three specialized senior housing projects, serving residents as they move through the aging cycle. However, in 2023 the City's skilled nursing home is closed, although it plans to reopen later in the year. The three senior housing with services projects are:

- ▶ **Regional Health Care Center** - The Regional Health Care Center was a nursing home facility which previously had 76 licensed skilled nursing beds. The facility was part of the health care system that includes the hospital and assisted living center. There are plans to re-open the facility in October 2023, but the capacity will be reduced to 40 beds.
- ▶ **Monument Health Assisted Living** - Monument Health Assisted Living is licensed as a 16-bed Assisted Living Center. The facility is part of Custer's health care system that includes the hospital and the former nursing home.
- ▶ **Rose Haven Senior Living** - Rose Haven Senior Living is registered as an 8-person Residential Living Center. The beds are in seven rooms with one room for shared occupancy. The facility provides 24-hour staffing but does not have skilled medical staff.

We have defined Custer County as the market area for senior housing with services in Custer. While the defined County may not be a perfect indicator of overall demand, it does provide an informative look at planning for specialized senior housing. At the time of the 2020 Census there were approximately 600 older senior households, age 75 and older, residing in Custer County. Estimates for 2023 would show continued growth of among older seniors since 2020 with the addition of 60 households

The projections contained in this Study anticipate continued growth in the number of older senior households through the year 2028 in Custer County. The adjusted age-based adjusted forecasts point to an increase of approximately 200 older senior citizens, age 75 and older, over the 5-year projection period.

Older seniors tend to represent the primary target market for specialized senior housing. However, there is also growth expected within the younger senior ranges, age 65 to 74. In 2023, it is estimated that there are approximately 1,050 households in Custer County in the 65 to 74 age range.

**Recommendation:** Based on the research completed for this Study, we would recommend the development of 6 to 8 memory care beds, 8 to 10 additional assisted living beds, and 16 to 18 independent/light services units in Custer over the next five years. The 16 to 18 independent/light services units are included in a separate recommendation (Recommendation No. 2).

**Skilled Nursing Home** - The research for this Study points to a decreasing alliance on nursing homes as a long-term residence option for older senior citizens. Over time, the nursing homes have tended to use more beds for rehab/recovery stays, or other specialized uses. There has also been a long-standing moratorium that limits expansion in most cases. Although the skilled nursing home in Custer was closed in 2022, it is scheduled to re-open later in 2023, although with fewer licensed beds.

**Assisted Living** - There are 16 licensed assisted living beds in Monument Health Assisted Living. It is our recommendation that the County could support an additional 10 to 12 assisted living beds. There are also 12 lower-service Residential Living Center beds in Rose Haven Senior Living.

**Memory Care Housing** - There are no memory care beds in Custer County that are in a secured setting. The Regional Health Care Center did have memory care beds in a secure setting, but no longer offers that option. However, other senior with services facilities, including Rose Haven, do serve residents with lower levels of memory loss. To address demand, the development of eight to 10 memory care beds in a secure setting would be recommended over the next five years.

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

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

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

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

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

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

Several of Custer’s downtown buildings may have potential on the upper floors to convert space into rental housing or to rehabilitate rental housing that has been vacant. Although this recommendation is promoting the development of affordable rental housing, some Custer downtown conversions could also be used for high-end rental housing.

Creating some additional units with contract rents below \$875 per month would help to expand the choices available to a majority of Custer’s renter households.

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

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

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

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

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

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

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

The units should be primarily one and two-bedrooms. Please note that the new downtown units are included in the recommended unit totals in the first three recommendations of this section. If a mixed use building was constructed, the number of units recommended previously should be reduced.

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

## **8. Apply to access the Housing Choice Voucher Program**

**Findings:** The Housing Choice Voucher Program provides portable, tenant-based rent assistance to lower income renter households. The program requires participating households to contribute 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 almost no funding for subsidized housing construction, it has provided new Housing Choice Voucher allocations over the last two decades. Because of the flexibility offered through the program, eligible households often prefer the portable rent assistance to other forms of subsidized housing that are project-based, and can only be accessed by living in a specific rental development.

Based on the research for this study, it appears that the Housing Choice Voucher Program is currently not available in Custer and Custer County.

**Recommendation:** The City of Custer and the Custer County HRC should work with the area and regional housing agencies and SDHDA to determine if Custer and Custer County can obtain access to the Housing Choice Voucher Program.

# **Custer - Home Ownership**

## **Home Ownership**

**Findings:** Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base. The median owner-occupied home value in Custer is estimated to be approximately \$282,000, based on 2022 sales activity. The home values in Custer provide some opportunity for first time buyers and households seeking moderately priced homes. However, Custer’s existing homes are valued higher than most cities in South Dakota and some existing homes have been purchased and converted to vacation homes.

Our analysis of Custer demographic trends shows some limited increase in the number of households in the traditionally strong home ownership age ranges between 25 and 44 years old, from 2023 to 2028. Households in these age ranges are typically first-time home buyers or households looking to trade up, selling their starter home for a more expensive house. The number of households in the 65 and older age ranges are also expected to grow substantially over the next five years. These households are often seeking low maintenance housing such as twin homes or town homes. Some households in these age ranges, as well as other age ranges that have not been able to achieve the goal of home ownership, may need the assistance of special programs to help them purchase their first home.

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

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

**Findings:** We believe that affordable home ownership is one of the issues facing Custer 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. The City of Custer has a limited supply of houses that are price-eligible for these assistance programs. The home value estimates used in this study indicate that some of the existing stock in Custer 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 continue to recommend that the City of Custer and the Custer County 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 in Custer.

The Custer County HRC could also work with housing agencies to assure that they are receiving their share of resources that are available in the region.

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

## **10. Develop a Purchase/Rehabilitation Program**

**Findings:** Custer has a limited stock of older, lower valued homes, many of which need repairs. Our analysis of recent sales activity indicates that approximately 50% of the homes in Custer are valued less than \$282,000. As some lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

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



In 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 continue to recommend that the City of Custer 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 City's older housing a more attractive option for potential home buyers. Also, USDA Rural Development provides purchase/rehabilitation loans to low and moderate income buyers.

Additionally, private individuals have purchased homes in Custer, and then rehabilitated and re-sold these homes. There may be an opportunity for local and regional housing agencies to financially assist the private sector with purchasing, rehabilitating and selling homes. This may increase the inventory of substandard homes that can economically be rehabilitated and sold.

# **Custer - Single Family Housing Development**

## **New Housing Construction**

**Findings:** The City of Custer has experienced some single family owner-occupancy housing construction over the past 13 years, from 2010 to June 2023. It is estimated that approximately 51 single family housing units were constructed in Custer during this time period. There were also some twin homes constructed during this time although most are believed to be for renter-occupancy. Therefore, from 2010 to 2023, Custer has averaged approximately four new owner-occupancy units annually.

Over the past three years from 2021 to June 2023, an average of five owner-occupancy units has been constructed annually. In the 2018 Custer Comprehensive Housing Study, we recommended that nine to 12 units could be constructed annually.

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

It is our opinion that if the City of Custer, the County Economic Development Corporation, the Custer County HRC, developers, builders, and local and regional housing agencies continue to be proactive, an average of 10 to 13 single family owner-occupied housing units could be constructed in Custer annually from 2023 to 2028 to address demand. This is a total of 50 to 65 housing units over the five-year period.

The breakdown of our projection of 50 to 65 new owner-occupied housing units over the next five years is as follows:

<b>Demand Projection for Annual Owner-Occupancy Housing Construction</b>		
Unit Type	Approximate Price Range	Projected Annual Demand Projection
Single Family Projected Demand		
Affordable	Less than \$380,000	10 to 15 units
Mid-Priced	\$380,000-\$500,000	25 to 30 units
Higher-Valued	\$500,000+	15 to 20 units

Source: Community Partners Research, Inc.

We have defined **affordable homes** as single family units that would typically sell for less than \$380,000. While many people may view this as a high price for affordable housing, it is increasingly difficult to construct new houses at a lower cost. Houses within this price range often appeal to younger buyers, first-time buyers, or those households trading-up from an older, lower valued house or mobile home. To achieve a price under \$380,000, assistance may be needed such as land at a reduced price, tax increment financing, tax deferments, tax abatement, etc. Also, financial assistance may be needed from state agencies.

Additionally, affordable homes may be constructed by organizations like Habitat for Humanity. This housing often serves a segment of the market that could not otherwise access newly constructed units. Also, affordable homes could include Governors Homes, modular homes and twin homes/town homes.

We have defined **mid-priced homes** within a price range of \$380,000 to \$500,000. This price can generally be achieved by private housing developers. Custer has had active construction activity occurring within this price range.

We have defined **higher-valued homes** as those priced at \$500,000 and above. Once again, the private housing market has been successful at serving this segment of the market in the Custer area. This should continue to be a strong market segment going forward. Many households purchasing a high valued home will be selling an existing home and have an equity position that can be used to purchase a home in this price range.

## **11. Lot availability**

**Findings:** As part of this Study, we attempted to identify the inventory of residential lots available for single family housing construction in the City of Custer. Currently, there are approximately 80 to 90 residential lots that already exist in the City's newer subdivisions. A significant majority of these lots are in the Stone Hill Subdivision. Approximately 47 residential lots have recently been developed in the Stone Hill Subdivision. There are also a significant number of lots available for new construction in the Stone Hill Subdivision's 1<sup>st</sup> phase.

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

There are also subdivisions and building sites in close proximity to Custer, but not within the city limits.

**Recommendation:** We use a standard that a 2 ½ year supply of lots should be available in the marketplace based on annual lot usage. With projections that 10 to 13 new single family housing units could be constructed per year, the City should have approximately 25 to 30 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction.

With approximately 80 to 90 lots available, the City has an adequate supply of lots for the next 2 ½ years and for the entire five-year projection period. However, the majority of the lots currently available in Custer are for higher priced homes. It is our opinion that there is a need for residential lot options that will accommodate affordable homes.

## **12. Strategies to encourage continued residential lot sales and new home construction in Custer**

**Findings:** An average of approximately five owner-occupancy single family housing units has been constructed annually in Custer, from 2021 to June 2023. Over the past 14 years, from 2010 to June 2023, an average of four owner-occupied single family units has been constructed in the City annually.

**Recommendation:** To increase the number of owner-occupied units constructed annually, we recommend that the City of Custer, the CAEDC, the Custer County HRC, developers, builders, realtors and other housing stakeholders coordinate efforts to promote lot development, lot sales and housing development.

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

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

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

### **13. Promote town house, twin home and condominium development**

**Findings:** The City of Custer has experienced some limited attached housing development from 2010 to June 2023. The majority of these attached units have been rental units. Many communities over the past two decades have seen attached housing take an increasingly large share of new construction for owner-occupants. In cities the size of Custer, 20% to 25% of the housing starts are typically twin homes/town homes.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making traditional single family homes available for families. Attached housing may also be an affordable option for younger households. In 2020, based on the U.S. Census, there were approximately 1,650 households in Custer County with a head of household in the 65 and older age ranges. It is estimated that the 65 and older age ranges will increase by approximately 270 households from 2023 to 2028.

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

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

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

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

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

#### **14. Develop an affordable home subdivision**

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

The median home price for an existing home in Custer is high at \$282,000 based on home sales in 2022. Also, a significant number of existing homes are purchased and converted to vacation properties. With relatively high prices and a shortage of available affordable existing options, the new construction of affordable homes is a viable option for moderate income households.

It is our understanding that there are preliminary plans to expand an existing mobile home park that will create lots for manufactured homes.

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

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

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

- ▶ The site for lot development should have land available, if possible, for future lot development phases.
- ▶ To keep development costs as low as possible, a site with easy access to existing infrastructure should be considered.
- ▶ The lots must be as aesthetically acceptable as possible.



- ▶ The lots should have covenants that assure quality development. However, the covenants should not be so restrictive that they eliminate the target market's ability to construct a home.
- ▶ The lots should accommodate a variety of affordable home designs and types including Governors Homes and manufactured/modular homes.
- ▶ All stakeholders should be involved in promoting and publicizing the lots.
- ▶ Some lots should be available for twin home/ town home development.
- ▶ Successful lot development will need the cooperation of financial institutions, funding agencies, employers, home builders, developers, the City of Custer, the CAEDC, and the Custer County HRC. Financial assistance such as tax increment financing, tax abatement and land donations or write downs, will be necessary to make the development of lots feasible.

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

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

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

## **15. Strategies to develop new affordable homes**

**Findings:** It is difficult to develop homes that are considered affordable 'under \$380,000.' Land and development costs, the cost of materials and labor, new building requirements, etc. are all factors which make most new homes out of reach for most households.

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

**Recommendation:** We have recommended the construction of two to three affordable homes in Custer annually from 2023 to 2028. To accomplish this, the City of Custer may have to take an active role in developing new affordable housing including tax increment financing, tax abatement, tax deferments, land donations, etc.

Successful affordable home development strategies include:

- ▶ **Available lots** - Lots should be available for affordable homes including Governors Homes, manufactured homes and modular homes.
- ▶ **Governors Homes** - Governors Homes are an affordable option and SDHDA has initiated a program that enables developers to participate in the 'Governor's Home Program.'
- ▶ **Manufactured/modular homes** - Manufactured and modular homes can provide affordable housing opportunities for moderate income households.
- ▶ **In-fill lot Home Development** - In-fill lots in existing neighborhoods are often affordable and have existing City services. Some housing agencies and nonprofits develop affordable homes on in-fill lots.
- ▶ **Dakota Land Trust** - The Dakota Land Trust provides an affordable permanent new home option by taking the cost of the land out of the purchase price of the home. The land is placed in the stewardship of Dakota Land Trust and the homeowner leases the land from the Land Trust through a 99-year renewable lease.
- ▶ **South Dakota Housing Development Authority Programs (SDHDA)** - SDHDA has housing programs available to assist developers, builders and home buyers.
- ▶ **Publicly owned subdivision** - Private developers often have little incentive to develop lower-priced lots and houses. A possible approach is to develop a publicly-owned subdivision, which could offer lower-priced lots for affordable homes.

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

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

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

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

## **16. Coordinate with agencies/nonprofits that develop affordable housing**

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

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

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

# **Custer Housing Rehabilitation and Neighborhood Revitalization**

## **Housing Rehabilitation and Neighborhood Revitalization**

**Findings:** The City of Custer 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 Custer and area housing agencies will need to make housing rehabilitation a priority in the future. New housing construction that has occurred is often in a price range that is beyond the affordability level for many Custer 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.

### **17. Promote rental housing rehabilitation**

**Findings:** Based on the U.S. Census data, the City of Custer had approximately 373 rental units in 2020. These rental buildings are in multi-family projects, small rental buildings, twin homes/town houses, single family homes, mobile homes and mixed-use buildings. Approximately 56% of these rental units are more than 40 years old and some rental units may be in poor condition and could benefit from rehabilitation.

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

**Recommendation:** We continue to recommend that the City of Custer and the Custer County HRC 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, NeighborWorks Dakota Home Resources, the Western South Dakota Community Action Agency, the South Dakota Housing Development Authority, the Federal Home Loan Bank and local funds.

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

## **18. Promote owner-occupied housing rehabilitation programs**

**Findings:** The quality of the existing housing stock in Custer will continue to be an attraction for families that are seeking housing in Custer. Investment in owner-occupied housing rehabilitation activities will be critical to offering high quality housing opportunities. Approximately 63% of the owner-occupied housing units in Custer were constructed before 1980. Due to their age, some of these units need maintenance and rehabilitation to be viable housing options. Without rehabilitation assistance, the affordable housing stock will shrink in Custer.

**Recommendation:** We continue to recommend that the City of Custer and the Custer County HRC continue to seek local, state and federal funds to assist in financing housing rehabilitation. USDA Rural Development, the South Dakota Housing Development Authority, the Federal Home Loan Bank, NeighborWorks Dakota Home Resources and the Western South Dakota Community Action Agency are potential funding sources. NeighborWorks Dakota Home Resources has several housing programs to assist households with the rehabilitation of their homes.

Some programs offer households that meet program requirements, a deferred loan to rehabilitate their homes. Deferred loans do not have to be paid back if the household lives in the rehabilitated home for a stipulated amount of time after the rehabilitation is completed. We encourage Custer households to utilize these housing rehabilitation programs. Also, the Western South Dakota Community Action Agency provides Weatherization funds for Custer and Custer County.

## **19. Develop a Neighborhood Revitalization Program**

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

**Recommendation:** Over the years, there has been housing and neighborhood revitalization projects in the neighborhoods including housing rehabilitation, the demolition of dilapidated housing, the development of new housing and public facility improvements. We continue to recommend that the City of Custer, area housing agencies, and the private housing sector continue these efforts, select a neighborhood and develop and implement a Neighborhood Revitalization Program.

Redevelopment strategies and opportunities should be identified including:

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

The Neighborhood Revitalization Plan should include time lines, responsible City Department or Housing Agency, funding sources, etc. The Program should be evaluated on an ongoing basis as opportunities and potential projects may change priorities. As a neighborhood is revitalized, a new neighborhood can be selected for revitalization.

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

## **20. Acquire and demolish dilapidated structures**

**Findings:** There are single family houses and mobile homes in Custer that are dilapidated and too deteriorated to rehabilitate. There are also single family homes needing major repair and several of these homes may be too dilapidated to rehabilitate. To improve the quality of the City's housing stock and to maintain the appearance of the community, these structures should be demolished. The City of Custer has worked with property owners in the past to demolish dilapidated structures.

**Recommendation:** We recommend that the City of Custer continue to work with property owners to demolish and clear severely dilapidated structures. The City is enhanced when blighted and dilapidated structures are removed. It is possible that some of the cleared lots could be utilized for the construction of new affordable single family housing units or for multi-family housing units, including housing for seasonal workers.

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

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

## **21. Develop a Rental Inspection and Registration Program**

**Findings:** A Rental Inspection and Registration Program can be a valuable tool in improving the quality of a City's rental housing. In 2020, there were approximately 373 rental units in Custer, many of which are more than 40 years old. There are also a number of single family homes that have converted from owner to rental use, including vacation rentals. Neighborhood deterioration, lower property values and unsafe rental units are often prevented when a Rental Inspection and Registration program is implemented.



The need for an ongoing Rental Inspection and Registration Program includes the following:

**Health and Safety**

- ▶ There is a need to provide tenants with safe, sanitary, and standard living conditions and to eliminate life threatening hazards.

**Age of Housing Stock**

- ▶ Much of the existing rental housing stock in Custer is more than 25 years old.
- ▶ Older housing needs continued rehabilitation and maintenance.
- ▶ Older housing often has difficulty complying with current codes.

**Conversions**

- ▶ Some of the rental buildings were originally constructed for other uses, including single family homes converted into multiple units, or commercial buildings converted to residential use. In conversion, owners often do the work themselves and have inadequate or faulty mechanical, electrical, plumbing, and heating systems. Also, constructing an apartment in the basement often results in a lack of natural lighting, ventilation and proper access and egress.

**Trends of Conversions**

- ▶ Many of Custer's buyers want more amenities and conveniences, and less maintenance, thus, they are less likely to purchase older homes. Also, there was an increase in foreclosures during the recession. These issues result in the continuation of converting old homes to rental or vacation units, which could magnify the problem.

**Maintenance Efforts**

- ▶ A large number of rental property owners are providing standard housing and reinvesting in their rental properties. However, some rental property owners do not maintain their buildings. Ongoing maintenance is necessary for older housing as buildings with continued deferred maintenance become unsafe and substandard.

**High Number of Rental Property Owners**

- ▶ Custer has a significant number of rental property owners. Many of these do an excellent job; however, some absentee owners do not reinvest in their properties, and create a need for the program.

### **Neighborhood Stabilization**

- ▶ Rental units need to be maintained to keep the integrity of the neighborhood and stabilize property values. Deferred maintenance, parked junk cars, trash and debris all have a negative impact on residential neighborhoods.

### **Zoning and Codes**

- ▶ Illegal apartments such as inappropriately constructed basement apartments may be unsafe and a violation of zoning regulations.

### **Coordination**

- ▶ A Rental Inspection and Registration Program provides a record of rental units and owners.
- ▶ The program provides a better opportunity for coordination of city programs and codes.

**Recommendation:** We continue to recommend the development and implementation of the Rental Inspection and Registration Program to assure that all rental units in Custer comply with housing laws and codes. The Program assures that Custer rental units are safe and sanitary, thus, removing blighted and unsafe conditions.

# **Custer - Other Housing Initiatives**

## **Other Housing Initiatives**

### **22. Encourage employer involvement in housing programs**

**Findings:** The City of Custer has several large employers. The connection between economic development and housing availability has become an increasingly important issue as local employers have the need to attract new workers into the community.

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

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

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

Employer involvement can include direct assistance to their employees such as a grant, loan, forgivable loan, deferred loan, down payment assistance, loan guarantee, etc. In many cases, employers do not wish to provide assistance to specific employees, but are willing to contribute to an overall city project, such as work force oriented rental housing or an affordable residential subdivision. Additionally, employers can continue to support other city projects, such as parks, trails, ball fields, educational facilities, etc., that have a positive impact on housing in Custer.

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

**Findings:** The City of Custer will continue to need staff resources in addition to existing City, CAEDC and Custer County HRC staff to plan and implement many of the housing recommendations advanced in this Study.

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

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

It will also be important for the City of Custer 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.

### **24. Strategies for Downtown Redevelopment**

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

This recommendation provides an outline of actions that could be taken to continue downtown redevelopment, to maximize the usage of downtown buildings, to promote new downtown businesses and to identify and implement upper floor renovations for housing. Custer has an excellent Downtown. The purpose of this recommendation is to continue to build on the City's successes.

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

**Recommendation:** We continue to recommend the following actions for downtown Custer:

- ▶ Interview downtown property owners to develop a database and to determine their future plans (expanding, selling, renovations, etc.)
- ▶ Develop an overall plan for downtown (potential new businesses, address parking needs, continue to develop an overall theme, art and cultural opportunities, etc.)
- ▶ Develop a mini-plan for each downtown property and each downtown block. This may include:
  - ▶ Retention of existing businesses
  - ▶ Commercial building rehab and renovations
  - ▶ Facade work
  - ▶ Upper floor rental unit conversions or rehab
  - ▶ Building demolition
  - ▶ New construction
  - ▶ Recruiting new businesses
  - ▶ Promoting a year-round successful downtown
- ▶ Identify funding sources
  - ▶ Property owner funds
  - ▶ City funds
  - ▶ CAEDC funds
  - ▶ Custer County HRC funds
  - ▶ Federal Home Loan Bank
  - ▶ Historic tax credits
  - ▶ Special tax districts
  - ▶ Tax increment financing
  - ▶ Tax abatement/deferments
  - ▶ Funds from South Dakota State Agencies

- ▶ Work with stakeholders to identify roles, to secure funding, to develop and implement programs and projects
  - ▶ Property owners
  - ▶ City of Custer
  - ▶ CAEDC
  - ▶ Custer Chamber of Commerce
  - ▶ Custer County HRC

## **25. Continue to develop and promote home ownership and new construction programs and strategies**

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

The City of Custer, the CAEDC, the Custer County HRC, the Chamber of Commerce, other organizations, and private builders and developers have been active in promoting the City, including housing opportunities.

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

- ▶ Determine the City's strengths and competitive advantages and continue to heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including social media, TV, radio, etc.)
- ▶ Work closely with employers (Custer and the area) to provide employees (especially new employees) with housing opportunities in Custer
- ▶ Work with housing agencies to provide down payment assistance, gap financing, low interest loans, home owner education and home owner counseling and other housing programs
- ▶ Consider an annual Housing Fair that provides information on lots, builders, finance programs, etc. Developers, builders, lenders, realtors, public agencies and local businesses could participate
- ▶ Work with builders and developers to make sure the construction of a new home is a very user friendly process

- ▶ Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the City a “full service” community
- ▶ Continue to provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Preserve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Continue to develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior with services, etc.
- ▶ Review the City’s policies and fees to assure that they are user-friendly, fair and receptive for developers, builders and households.
- ▶ Develop a coordinated housing plan with the private sector and area housing agencies.

## **26. Vacation Rental Properties**

**Findings:** There are a significant number of homes in the City of Custer and in Custer County that have been converted from permanent residential properties to vacation rental properties.

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

**Recommendation:** It is our understanding that the City of Custer has researched the impact of vacation rental properties on the City. The City is in the process of limiting the number of vacation rental homes in the City. Existing vacation rental homes will be “grand fathered” in to remain as vacation rental properties, however, additional vacation rental homes will not be allowed.



**Findings and Recommendations  
for the Towns of  
Buffalo Gap  
Fairburn  
Hermosa  
Pringle**

## **Summary of Findings/Recommendations for Buffalo Gap, Fairburn, Hermosa and Pringle**

The findings/recommendations for the Custer County towns have been formulated through the analysis of the information provided in the previous sections and include 15 recommendations. The findings/recommendations have been developed in the following five categories:

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

The findings/recommendations for each category are as follows:

### **Rental Housing Development**

1. Develop 12 to 14 new market rate/workforce rental housing units in Hermosa
2. Monitor the need to develop additional subsidized rental housing units in Custer County
3. Promote the renovation/conversion of existing buildings/homes to create 10 to 15 affordable market rate rental housing units
4. Utilize the Housing Choice Voucher Program

### **Home Ownership**

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

### **Single Family Housing Development**

7. Lot availability
8. Strategies to encourage residential lot sales and new home construction in Custer County towns

**Housing Rehabilitation**

9. Promote rental housing rehabilitation
10. Promote owner-occupied housing rehabilitation efforts

**Other Housing Issues**

11. Acquire and demolish dilapidated structures
12. Create a plan and a coordinated effort among housing agencies
13. Promote commercial building rehabilitation and development
14. Develop a Time of Sale/Rental Inspection Program
15. Summary of recommendations

# **Custer County Towns - Rental Housing Development**

## **Rental Housing Development**

**Findings:** It is difficult to produce new affordable rental units. A number of factors including Federal tax policy, State property tax rates, high construction costs and low rental rates have all contributed to making rental housing production difficult to achieve, especially in small cities and towns.

From 2010 to 2022, we aren't aware of any multi-family rental units that were constructed in Custer County towns. However, it is probable that some single family homes were converted from owner-occupied to rental use over the past two decades.

It is estimated that there are approximately 65 renter-occupied units in the four small Towns in Custer County. Although growth potential varies by community, the projections used for this Housing Study would expect the combined growth for the four small Towns to be between 20 and 25 households through the year 2028.

We recommend the development of the following rental units in the four Towns in Custer County over the next five years, from 2023 to 2028:

▶ General Occupancy Market Rate/Moderate Rent	12-14 units
▶ Subsidized	0 units
▶ Affordable Conversions/Renovations	10-15 units
▶ Senior with Services	<u>0 units</u>
Total	22-29 units

### **1. Develop new market rate/workforce rental housing units in Hermosa**

**Findings:** There are a limited number of rental units in the Custer County towns. The large majority of these units are in single family homes. It is estimated that there are approximately 65 rental units in the four Towns, towns, with more than half of these in Hermosa. All of the units are market rate. There are no subsidized rental units outside of Custer. All of the towns are projected to have small household gains from 2023 to 2028.

Buffalo Gap, Fairburn and Pringle have small populations and the lack of amenities needed to attract rental households, including employment, health care, retail and service opportunities, schools, etc. Also, it would be very difficult to construct rental units and charge rents that make a rental project feasible.

However, it is our opinion that Hermosa has the amenities to support a small market rate rental project. Hermosa is projected to add 13 households from 2023 to 2028, and is located in close proximity to Rapid City. The Town also has a K-12 public school and some limited commercial options.

**Recommendation:** We recommend the construction of 12 to 14 market rate/workforce rental housing units in Hermosa over the next five years. We do not recommend the new construction of market rate rental units over the next five years in Buffalo Gap, Fairburn and Pringle.

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

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

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

The first option to developing market rate housing would be to encourage private developers and builders to undertake the construction of market rate rental housing. If private developers do not proceed, a housing/economic development agency or the city/county could construct the units utilizing a variety of funding sources.

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

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

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	2	650 - 800	\$750 - \$950
Two Bedroom	8-10	850 - 1,000	\$900 - \$1,200
Three Bedroom	2	1,100 - 1,200	\$1,100 - \$1,300
Total	12-14		

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

**2. Monitor the need to develop subsidized rental housing units in the small Towns in Custer County**

**Findings:** Over the past few decades, resources available for new subsidized housing construction have been very limited, especially in small towns. Instead, the primary federal incentive program has been through low income housing tax credits, which typically generates moderate rent housing that is income restricted. However, strong competition for tax credit resources results in most awards being made in larger cities.

The research completed for this Study identified no subsidized projects in the Custer County small towns, however, there are subsidized rental projects located in Custer. Subsidized housing utilizes federal resources that provide a “deep subsidy”, allowing very low income people access to the housing at an affordable price.

**Recommendation:** Over the next five years, we recommend that Custer County and the Custer County HRC monitor the need for additional subsidized units in Custer County in the future. However, we are not recommending the construction of subsidized housing in Custer County’s small towns, as the towns do not have the services to support a subsidized rental project. Any new subsidized rental housing projects should be located in Custer.

**3. Promote the renovation/conversion of existing buildings/homes to create 10 to 15 affordable market rate rental housing units**

**Findings:** Many of renter households in the towns in Custer County have an annual income below \$35,000. Also, renter households moving into the towns will primarily have lower incomes. These households need a rental unit at \$875 per month or less.

There is evidence that Custer County and Custer County towns have lost some rental housing over the years due to redevelopment, conversion to home ownership, conversion to seasonal or vacation homes or due to deterioration and demolition. Part of the need for additional rental units in Custer County 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.

All of the towns, with the exception of Buffalo Gap, have some vacant homes and/or vacant buildings.

**Recommendation:** We encourage the towns to promote the renovation/conversion of buildings and homes to create affordable rental units. A goal of 10 to 15 total units in the towns over the next five years would be a realistic goal.

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

Creating some additional units with contract rents below \$875 per month would help to expand the choices available to a majority of the City's renter households.

It is probable that a low rent structure for some units could only be obtained with financial commitments from other sources, such as tax increment financing tax abatement or property tax deferral from the town/county, or from other financial resources from funding agencies such as the South Dakota Housing Development Authority, USDA Rural Development, the Custer County Housing and Redevelopment Commission, and NeighborWorks Home Resources.



#### **4. Apply for access to the Housing Choice Voucher Program**

**Findings:** The Housing Choice Voucher Program provides portable, tenant-based rent assistance to lower income renter households. The program requires participating households to contribute 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 almost no funding for subsidized housing construction, it has provided new Housing Choice Voucher allocations over the last two decades. Because of the flexibility offered through the program, eligible households often prefer the portable rent assistance to other forms of subsidized housing that are project-based, and can only be accessed by living in a specific rental development.

Based on the research for this Study, it appears that the Housing Choice Voucher Program is currently not available in Custer County.

**Recommendation:** The City of Custer, the Custer County towns and the Custer County HRC should work with the area and regional housing agencies and SDHDA to determine if Custer County can obtain access to the Housing Choice Voucher Program.

# **Custer County Towns - Home Ownership Recommendations**

## **Home Ownership**

**Findings:** Expanding home ownership opportunities is one of the primary goals for most cities and towns. High rates of home ownership promote stable communities and strengthen the local tax base. All of the Custer County towns have a stock of affordable homes. The home values in the towns provide a good opportunity for first time buyers and households seeking moderately priced homes.

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

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

### **5. Utilize and promote all programs that assist with home ownership**

**Findings:** We believe that affordable home ownership is one of the issues facing Custer County towns 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, gap financing, low interest loans and home ownership counseling and training programs can help to address affordable housing issues. Custer County towns have a significant supply of houses that are price-eligible for these assistance programs. The home value estimates used in this study indicate that a large majority of the existing stock currently is valued under the purchase price limits for the first-time home buyer assistance programs.

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

**Recommendation:** Custer County towns should 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.

Custer County towns should also work with housing agencies to assure that they are receiving their share of resources that are available in the region.

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

## **6. Develop a Purchase/Rehabilitation Program**

**Findings:** The Custer County towns have a stock of older, lower valued homes, many of which need repairs. The towns also have a significant number of vacant houses. Our analysis of recent sales activity indicates that there are a significant number of homes in Custer County towns that are valued at less than \$50,000. As some lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

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

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

**Recommendation:** We recommend that the Custer County towns work with a housing agency to develop and implement a purchase/rehab program. Attitudinal surveys that we have conducted in other counties and cities have found that purchase/rehabilitation programs are appealing to people who are currently renting their housing. 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.

Because a purchase/rehabilitation program can be expensive and its cost effectiveness in some cases may be marginal and because of the capacity of the small towns to administer a program, 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.

Additionally, private individuals could purchase homes in Custer County towns and rehabilitate and sell the homes. There may be an opportunity to financially assist the private sector with purchasing, rehabilitating and selling homes. This may increase the inventory of substandard homes that economically can be rehabilitated and sold.

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

# **Custer County Towns - Single Family Housing Development**

## **Single Family Housing Development**

**Findings:** The Town of Hermosa experienced some new housing development from 2010 to 2023, with an estimated 19 single family homes constructed during this time frame. Although specific records were not available, it is probable that no new homes were constructed in Fairburn, Buffalo Gap and Pringle from 2010 through 2023. However, a limited number of modular/mobile homes may have been moved into some of the communities.

Overall household projections for Custer County towns from 2023 to 2028 expect the addition of between 20 and 25 total households, although most of this growth would be projected for Hermosa.

It is our opinion that new housing construction (including houses moved in) will be very limited over the next five years, from 2023 to 2028, in Buffalo Gap, Fairburn and Pringle. This is due to multiple factors including the small size of the towns, limited household growth, the current low property values and a history of limited housing construction over the past two decades.

However, we are projecting that there will be significant housing development in Hermosa over the next five years, if residential lots are available to accommodate a variety of different house styles and price ranges.

Also, new owner-occupancy construction has been occurring in Custer County's unincorporated areas outside of the cities and towns. According to Census Bureau records, a large number of single family housing units were constructed between 2010 and 2023 in the unincorporated rural areas of Custer County.

The breakdown of our projection for new owner-occupancy housing units in each town and in the townships and unincorporated areas over the next five years from 2023 to 2028 is as follows:

- ▶ **Hermosa** - 12 to 16 higher and medium-priced homes and 5 to 7 affordable homes
- ▶ **Fairburn** - 1 to 2 affordable homes
- ▶ **Buffalo Gap** - 1 to 2 affordable homes
- ▶ **Pringle** - 1 to 2 affordable homes

The total projected number of new single family owner-occupancy homes in the four towns in Custer County from 2023 to 2028, is:

- ▶ 12 to 16 higher priced and medium-priced homes
- ▶ 8 to 13 affordable homes
- ▶ 20 to 29 Total

\* Please note that the new units include houses that are constructed on-site and new homes that are moved in, such as modular and Governor's Homes.

Most of the new home construction in Custer County will continue to occur in the rural, unincorporated portions of the County. Based on Census Bureau records, most of the new home construction since 2020 has been outside of the incorporated cities and towns, with a large number of new units reported through 2023.

## **7. Lot availability**

**Findings:** As part of this Study, we attempted to identify the residential lots that may be available for single family housing construction in the small towns in Custer County. Buildable lots are defined as having sewer and water available. It appears that there are infill lots that are potentially available in all of the towns. Also, there are dilapidated houses in each of the towns that could be demolished and some of these lots could be suitable for new construction or for houses to be moved in.

Additionally, Hermosa has land available for lot and subdivision development.

**Recommendation:** We are projecting that one to two houses could be constructed or moved into each of the towns of Fairburn, Buffalo Gap and Pringle over the next five years, from 2023 to 2028. It appears that there are an adequate number of infill lots in each of the towns. However, each town should inventory the lots that are buildable and that may be available for sale. Also, the towns should inventory the vacant and dilapidated homes that could be demolished to make lots available for development.

In Hermosa, we are projecting that 17 to 23 new houses will be constructed from 2023 to 2028. Based on information from the Town, there are approximately 10 lots available in existing subdivisions plus a few in-fill lots.



We recommend that a three-year supply of lots be available on an ongoing basis to address the projected demand. Therefore, Hermosa will need additional residential lots over the next five years and we are recommending the development of 20 to 30 lots in Hermosa.

To achieve the level of new home construction potential that has been identified, we recommend the development of the proposed residential lots based on the following:

- ▶ The residential lots should have covenants that assure quality development. However, the covenants should not be so restrictive that they eliminate the target market's ability to construct a home.
- ▶ The lots should accommodate a variety of home designs and home prices.
- ▶ All stakeholders should be involved in promoting and publicizing the lots.
- ▶ To be successful, the homes must be available to households with as wide an income range as possible.
- ▶ Some lots should be available for twin home/ town home development
- ▶ Successful lot development will need the cooperation of financial institutions, funding agencies, employers, home builders, the Town of Hermosa, the CAEDC and Hermosa Connects. Financial assistance such as tax increment financing, tax abatement and/or tax deferrals may be necessary to make the development of lots feasible.
- ▶ The lots must be as aesthetically acceptable as possible and include high quality amenities.
- ▶ The lots could be developed in multiple locations.

## **8. Strategies to encourage residential lot sales and new home construction in Custer County towns**

**Findings:** From 2010 to 2023, new housing construction or houses moved in have been very limited in the Custer County towns of Buffalo Gap, Fairburn and Pringle. However, 19 homes have been constructed in Hermosa since 2010.

**Recommendation:** We recommend that the Custer County Economic Development Corporation, the Custer County HRC, the towns and property owners, coordinate efforts to promote lot sales and housing development.

Our recommendations to promote lots sales and housing development include:

- ▶ ***Competitive pricing*** - There are lots available in communities throughout the region. To attract new home construction in Custer County towns, lots should continue to be available and competitively-priced compared to other options in the County and the region.
- ▶ ***User-Friendly*** - The lot purchase and home building process must be 'user friendly.' This includes an inventory of available lots, a listing of builders and city regulations that are fair and reasonable. The entire process must be as 'user friendly' as possible to encourage home construction or for homes to be moved into the towns.
- ▶ ***Manufactured/modular/Governors Homes*** - Manufactured, modular and Governors Homes can provide affordable housing opportunities for moderate income households.
- ▶ ***In-fill lot Home Development*** - In-fill lots should be available at a very affordable price for new construction and for houses to be moved onto the lots.
- ▶ ***Financial Assistance*** - Work with housing agencies to make low interest mortgage and down payment assistance available for new homes.
- ▶ ***Incentives*** - Some cities and towns in South Dakota are offering incentives to construct new homes or to move in homes. Incentives include reduced lot prices, reduced water and sewer fees, cash incentives, etc.

# **Custer County Towns - Housing Rehabilitation**

## **Housing Rehabilitation**

**Findings:** Custer County towns have 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 Custer County and Custer County towns and area housing agencies will need to make housing rehabilitation a priority in the future. New housing construction that has occurred is often in a price range that is beyond the affordability level for many Custer County 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.

### **9. Promote rental housing rehabilitation**

**Findings:** Based on the 2020 U.S. Census, the four Custer County towns had approximately 65 occupied rental units in 2020. The rental units are in small rental buildings, duplexes, single family homes and mobile homes. A majority of these rental structures are more than 40 years old and could benefit from rehabilitation as some of these rental structures are in need of renovation.

Also, based on the 2020 U.S. Census, there are approximately 44 vacant homes in the towns. Some of these homes could potentially be rehabilitated and utilized for rental housing.

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

**Recommendation:** Custer County, the Custer County HRC and the towns should work with rental property owners and housing agencies to seek funds that allow for program design flexibility that make a rental rehabilitation program workable. Potential funding sources may include USDA Rural Development, the South Dakota Housing Development Authority and the Federal Home Loan Bank.

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

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

A significant percentage of the owner-occupied single family homes in the Custer County towns are more than 40 years old.

Our housing condition survey of the single family homes in the four Custer County towns found the following homes that need minor or major repair:

- ▶ **Hermosa** - 28 minor rehab, 17 major rehab
- ▶ **Fairburn** - 7 minor rehab, 5 major rehab
- ▶ **Buffalo Gap** - 21 minor rehab, 16 major rehab
- ▶ **Pringle** - 16 minor rehab, 5 major rehab

Without rehabilitation assistance, the affordable housing stock will shrink in Custer County.

**Recommendation:** We recommend that Custer County, the Custer County HRC and Custer County towns seek local, state and federal funds to assist in financing housing rehabilitation. USDA Rural Development, the South Dakota Housing Development Authority, the Federal Home Loan Bank, NeighborWorks Dakota Home Resources and Grow South Dakota are potential funding sources.

NeighborWorks Dakota Home Resources has several housing programs to assist households with the rehabilitation of their homes.

Some programs offer households that meet program requirements a deferred loan to rehabilitate their homes. Deferred loans do not have to be paid back if the household lives in the rehabilitated home for a specified amount of time after the rehabilitation is completed. We encourage households to utilize these housing rehabilitation programs. Also, the Western South Dakota Community Action Agency provides Weatherization funds for Custer County.

# **Custer County Towns - Other Housing Initiatives**

## **Other Housing Initiatives**

### **11. Acquire and demolish dilapidated structures**

**Findings:** A significant percentage of the housing units in the Custer County towns were constructed before 1980 and are more than 40 years old. Some of these units are in good condition, however, there are a significant number of units that are dilapidated and beyond repair. Our housing condition survey identified the single family houses in each Custer County town that are dilapidated and too deteriorated to rehabilitate. We also identified single family houses in each town that need major rehabilitation and some of these homes may be too dilapidated to rehabilitate. The number of dilapidated homes and the number of homes that need major repair in each town is as follows:

- ▶ ***Hermosa*** - 5 dilapidated, 17 major rehab
- ▶ ***Fairburn*** - 13 dilapidated, 5 major rehab
- ▶ ***Buffalo Gap*** - 10 dilapidated, 16 major rehab
- ▶ ***Pringle*** - 13 dilapidated, 5 major rehab

To improve the quality of the housing stock and to maintain the appearance of the towns, dilapidated structures should be demolished. Over the past few years, dilapidated homes have been demolished in most of the Custer County towns.

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

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

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

**Findings:** The Custer County towns will continue to need staff resources in addition to existing town, CAEDC and Custer County HRC staff to plan and implement many of the housing recommendations advanced in this Study. The towns have access to the USDA Rural Development Office, the South Dakota Housing Development Authority, NeighborWorks Dakota Home Resources, the Western South Dakota Community Action Agency and the Black Hills Council of Local Governments. These agencies all have experience with housing and community development programs.

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

It will also be important for the towns to continue to look for opportunities to work cooperatively with other area cities and towns to address housing issues. With the number of cities in the Region, and limited staff capacity at the town, 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.

## **13. Promote Commercial Rehabilitation and Development**

**Findings:** The Custer County towns have commercial districts that are in fair to poor condition, and there are vacant and substandard commercial buildings.

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

**Recommendation:** We recommend that the towns work with commercial property owners to rehabilitate their buildings and to demolish the buildings if they are beyond repair. Also, new businesses should, to the extent that it is feasible, be encouraged to locate in Custer County towns. However, the small population of the towns makes it difficult for businesses to be viable in the towns.



#### **14. Develop a Time of Sale/Rent Inspection Program**

**Findings:** Based on a visual inspection of each community, there are a number of mobile homes in each of the four small Towns. Some of these mobile homes are substandard and need repairs or are dilapidated and beyond repair. Some of the substandard and dilapidated mobile homes are rentals and others are sold for home ownership.

**Recommendation:** Several communities in the State have developed a Time of Sale/Rent Inspection Program designed to provide safe living conditions through the identification and elimination of basic life/safety hazards in older mobile homes. Mobile homes are subject to inspection prior to rent or sale. All identified safety hazards must be corrected before the unit is sold or rented.

Several cities have also required stick-built homes to be inspected prior to being rented.

#### **15. Summary of Recommendations**

**Findings:** The previous 14 recommendations provide information on improving the housing stock in Custer County towns. The recommendations are based on demographic data, on-site surveys, discussions with community members, etc.

**Recommendation:** The previous recommendations provide the outline of a housing plan for the Custer County towns. A summary of recommendations is as follows:

- ▶ Develop rental housing in Hermosa
- ▶ Renovate existing vacant buildings and homes in the towns to create rental housing
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, gap financing, home owner education and home owner counseling programs, etc.
- ▶ Create programs to purchase and rehabilitate homes
- ▶ Develop residential lots in Hermosa
- ▶ Develop an inventory of buildable infill lots in each town

- ▶ Encourage new home construction or moving in modular and Governors Homes
- ▶ Rehabilitate substandard rental and owner-occupied housing units
- ▶ Demolish dilapidated structures
- ▶ Create a housing plan
- ▶ Promote commercial building rehabilitation and development
- ▶ Develop a mobile home time of sale/rent inspection program

## **Agencies and Resources**

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

### **NeighborWorks Dakota Home Resources (Main Office)**

795 Main St.

Deadwood, SD 57732

(605) 578-1405

\* NeighborWorks also has offices in Box Elder and Wall.

### **Grow South Dakota**

104 Ash Street East

Sisseton, SD 57262

(605) 698-7654

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

3060 East Elizabeth Street

Pierre, SD 57501

(605) 773-3181

### **USDA Rural Development**

414 East Stumer Road, Suite 200

Rapid City, SD 57701

(605) 342-0301

### **Western South Dakota Community Action Agency**

1844 Lombardy Drive

Rapid City, SD 57703

(605) 348-1460

### **Dakota Resources**

25795 475<sup>th</sup> Avenue

Suite #1

Renner, SD 57055

(605) 978-2804