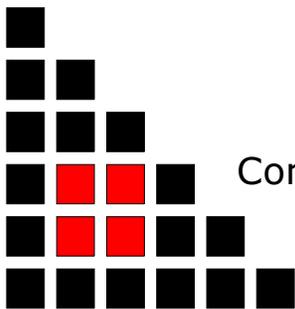


# City of Hot Springs HOUSING STUDY UPDATE

January 2023

An updated analysis of the overall housing needs  
of the City of Hot Springs



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Faribault, MN 55021

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

Community Partners Research, Inc., was hired in 2016 by the City of Hot Springs, in partnership with the Hot Springs Housing and redevelopment Commission, to conduct a study of the housing needs and conditions in the community. In 2022, an Update to the 2016 Study was initiated.

## 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 updated housing recommendations and findings

## Methodology

A variety of resources were utilized to obtain information for the Housing Study Update. Community Partners Research, Inc., collected and analyzed data from August to December, 2022. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Applied Geographic Solutions, a private data company
- Esri, a private data company
- Records and data from the City of Hot Springs
- Records and data maintained by Fall River County
- Interviews with City officials, community leaders, housing stakeholders, etc.

- Area housing agencies
- State and Federal housing agencies
- Rental property owner survey

## **Limitations**

This Housing Study represents an analysis performed with the data available at the time of the research. 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.

During the course of the research for this project, a global pandemic was still underway, which has had widespread impacts, including on economic, housing and educational conditions. The longer-term impacts of the pandemic cannot be predicted, and the analysts have proceeded with the best information available at the time of the research.

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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 Hot Springs and Fall River County.

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

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

The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For most jurisdictions in South Dakota, the 2020 estimates were derived from sampling that was done over a five-year period, between 2016 and 2020. Unless otherwise noted, the American Community Survey estimates are based on the five-year survey data.

The Governor's Office of Economic Development provides demographic profile information for cities, towns and counties supplied by Applied Geographic Solutions (AGS), a private company. The AGS estimates are for 2021, with projections to 2026 and have been examined for this Update. AGS's estimates and projections were issued prior to the release of any 2020 Census data and may not be consistent with the Census totals.

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

## Population Data and Trends

<b>Table 1 Population Trends - 1990 to 2020</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 Census
Hot Springs	4,325	4,129	-4.5%	3,711	-10.1%	3,395
Fall River Co.	7,353	7,453	1.4%	7,094	-4.8%	6,973

Source: U.S. Census Bureau

- ▶ The release of population totals from the 2020 U.S. Census has established a new benchmark for the number of people residing in each jurisdiction. The Census total had an effective date of April 1, 2020.
- ▶ At the time of the 2020 U.S. Census, Hot Springs had 3,395 permanent residents. When compared to the 2010 Census, the City had a population loss of 316 people over the decade, for a decrease of 8.5%.
- ▶ The trend of decreased population identified in the 2020 Census is the continuation of a long-term pattern in Hot Springs, as the City had a population change of -4.5% in the 1990s, -10.1% between 2000 and 2010, and -8.5% from 2010 to 2020.
- ▶ Fall River County’s population was 6,973 in 2020, down by 121 people from 2010, or -1.7%. The County also lost population between 2000 and 2010, but did add some residents in the 1990s.
- ▶ Applied Geographic Solutions (AGS), has produced 2021 population estimates for jurisdictions in South Dakota. Their population estimate for Hot Springs was 3,651 people in 2021, well above the 2020 Census count of 3,395 people in the City. Although there is a one year time difference in the effective dates between these sources, it appears that the estimate from AGS was probably too high, assuming that the Census was accurate.
- ▶ Esri’s population estimate for 2022 showed 3,380 people living in the City, slightly lower than the 2020 Census count of 3,395 people.
- ▶ The AGS estimate for Fall River County was 6,923, slightly lower than the 2020 Census count of 6,973 people but one year forward in the effective date. This estimate appears to be very accurate.

- ▶ Esri's 2022 population estimate for Fall River County showed 6,927, also slightly lower than the 2020 Census count of 6,973 people but two years forward in the effective date. This estimate also appears to be very accurate.

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

- ▶ According to the 2020 Census, more 82% of the City's residents listed their race as "White". Nearly 8.5% of people identified their race as Native American and approximately 6.7% of residents listed "Two or More Races". A majority of the people in the "Two or More Races" group listed Native American as one of their races.
- ▶ Fewer than 3% of the City's residents were of Hispanic/Latino ethnic origin.

### **Population Characteristics: Group Quarters**

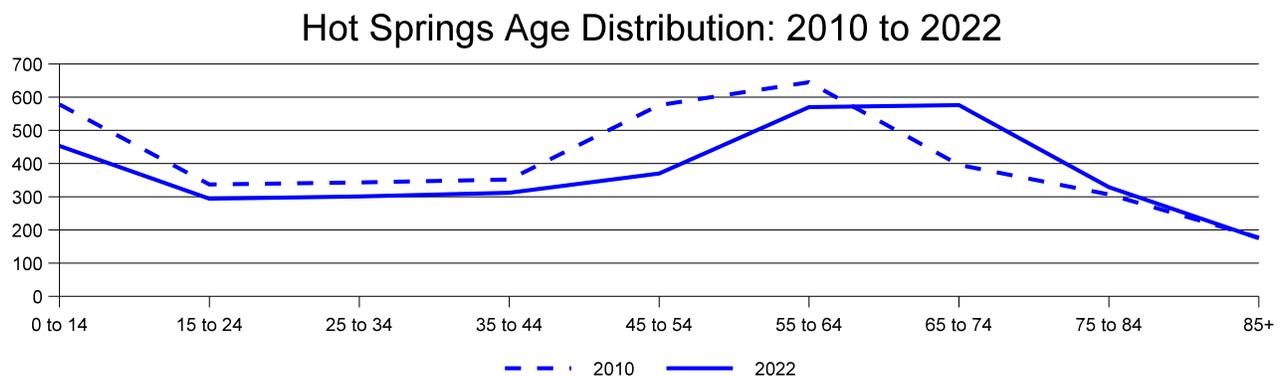
- ▶ At the time of the 2020 Census, there were 218 residents of Hot Springs that were living in "group quarters" housing. Approximately 82% of these people were living in skilled nursing facilities, 5% were in adult correctional facilities and nearly 13% were in noninstitutional facilities such as a group home.
- ▶ At the time of the 2010 Census there were 195 people in Hot Springs living in some type of group quarters housing. Although Hot Springs did add some group quarters residents between 2010 and 2020, there has been a longer-term decrease in this population segment in the City. In the 2000 Census there were 455 group quarters residents recorded in Hot Springs.

## Population by Age Trends: 2010 to 2022

The 2020 Census will not release age-based population information until May 2023. Estimates are available from Esri and have been compared to the 2010 Census to examine the changing age patterns for Hot Springs and Fall River County over the past 12 years.

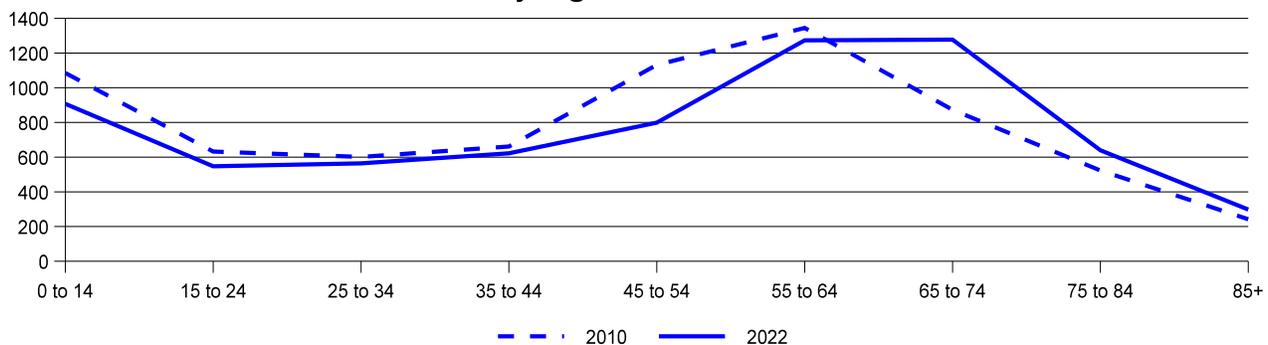
<b>Table 2 Population by Age - 2010 to 2022</b>						
Age	Hot Springs			Fall River County		
	2010	2022	Change	2010	2022	Change
0-14	578	453	-125	1,085	907	-178
15-19	193	165	-28	381	322	-59
20-24	144	129	-15	251	225	-26
25-34	343	301	-42	601	564	-37
35-44	352	312	-40	661	622	-39
45-54	576	370	-206	1,132	799	-333
55-64	645	570	-75	1,345	1,273	-72
65-74	396	576	180	873	1,277	404
75-84	307	329	22	523	640	117
85+	177	175	-2	242	298	56
<b>Total</b>	<b>3,711</b>	<b>3,380</b>	<b>-331</b>	<b>7,094</b>	<b>6,927</b>	<b>-167</b>

Source: U.S. Census; Esri



- ▶ Esri’s age-based population estimates for the City of Hot Springs shows an aging population. Between 2010 and 2022, all of the defined age ranges 64 and younger decreased in size, while the City added population age 65 and older.
- ▶ The largest numeric increase for any of the defined age groups was in the 65 to 74 year old range. According to Esri’s estimates, this senior group added 180 people in Hot Springs. This would largely reflect the age progression of the large “baby boom” generation through the aging cycle.
- ▶ Behind the baby boomers was a much smaller demographic cohort. Based on these estimates, Hot Springs had 281 fewer residents in the 20-year range between 45 and 64 years old, as the trailing demographic groups did not replace the advancing baby boomers.
- ▶ Esri’s estimates show a reduction in the number of children and young adults in Hot Springs, with a decrease of more than 150 people age 19 and younger between 2010 and 2022.
- ▶ Although Hot Springs did add seniors, most of the increase was in the youngest senior range. According to Esri, there was a net increase of only 20 residents age 75 and older over the time period reviewed.
- ▶ These same general patterns were also present for all of Fall River County. Countywide, there was even stronger growth in the senior citizen age groups, including a larger increase in the older senior ranges, age 75 and above than was present in Hot Springs.

Fall River County Age Distribution: 2010 to 2022



## Population Projections

The following table presents projections from Applied Geographic Solutions and Esri. The AGS projections are for a 5-year period to 2026 while the Esri projections are for a 5-year period ending in 2027.

<b>Table 3 Population Projections Through 2026/27</b>				
	2020 Census	2021/22 Estimate	2026/27 Projection	Change
Hot Springs - AGS	3,395	3,651	3,491	-160
Hot Springs - Esri	3,395	3,380	3,391	11
Fall River Co. - AGS	6,973	6,923	6,723	-200
Fall River Co. - Esri	6,973	6,927	7,007	80

Source: U.S. Census; AGS; Esri

- ▶ The AGS population estimate spans the 5-year period from 2021 to 2026 and projects that the City will lose 160 people over the 5-year time period, for an annual average loss of approximately 32 residents per year.
- ▶ Esri’s population projection is for the 5-year period from 2022 to 2027 and shows some minor growth, with the addition of 11 residents in Hot Springs, or an annual average of approximately two people per year.
- ▶ The AGS forecast for all of Fall River County projects that the County will lose 200 people over the 5-year period from 2021 to 2026. Most of this expected Countywide loss would be due to the projected decrease in Hot Springs.
- ▶ Esri has a more optimistic projection for future growth in Fall River County, with the addition of 80 residents over the 5-year period. Most of this increase would be expected outside of the city limits of Hot Springs.
- ▶ In the opinion of the analysts, the AGS and Esri projections represent conservative forecasts for the City and the County. Some growth potential does exist, provided adequate housing options are available for future residents.

## Household Data and Trends

<b>Table 4 Household Trends - 1990 to 2020</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 Census
Hot Springs	1,656	1,704	2.9%	1,730	1.5%	1,609
Fall River Co.	2,864	3,127	9.2%	3,272	4.6%	3,226

Source: U.S. Census

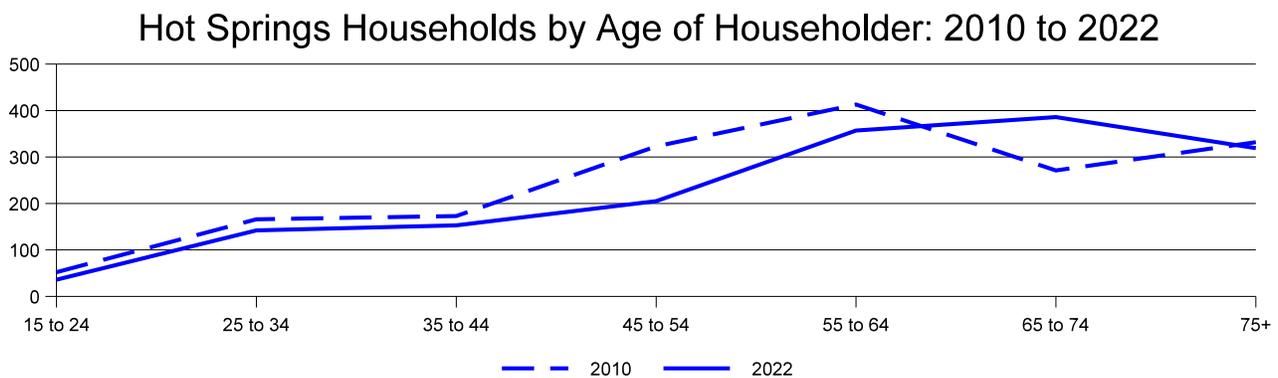
- ▶ At the time of the 2020 U.S. Census, Hot Springs had 1,609 permanent resident households. When compared to 2010, the City had lost 121 households over the decade for a decrease of approximately 7%.
- ▶ The household loss for Hot Springs over the last decade was a change in the long-term pattern for the City. In both the 1990s and between 2000 and 2010, there had been modest household growth for the community. While growth over this 20-year period was limited, at an average annual rate of less than four households per year, the City had been growing prior to 2010. If the 2020 Census is accurate, the City had an average annual loss of approximately 12 households per year after 2010.
- ▶ Fall River County had 3,226 households according to the 2020 Census, down by 46 households from 2010. However, the Countywide reduction was due to the decrease in Hot Springs. Excluding the City, the remainder of the County added households between 2010 and 2020.
- ▶ The AGS estimate showed 1,681 households in Hot Springs in 2021, above the Census count of 1,609 households in 2020. Even with a one-year difference in the effective dates, this estimate was probably too high.
- ▶ The Esri estimate shows 1,598 households in the City in 2022, below the 2020 Census count of 1,609 households but with an effective date that is two years forward. Esri’s estimates are based on the 2020 Census and have continued the modest annual household losses after 2020.
- ▶ The AGS estimate for Fall River County showed 3,202 households in 2021, slightly lower than the Census count of 3,226 households in 2020. With some possible loss between 2020 and 2021, this estimate is viewed as reasonably accurate.
- ▶ The Esri estimate for Fall River County showed 3,207 households in 2022, also slightly lower than the Census count of 3,226 households in 2020. With some possible loss between 2020 and 2022, this estimate is viewed as reasonably accurate.

## Household by Age Trends: 2010 to 2022

The 2020 Census will not release age-based demographic reports until 2023. In the following table information from the 2010 Census is compared to age-based estimates from Esri for 2022 to examine the changing age patterns in the City and the County over the past 12 years.

<b>Table 5 Households by Age - 2010 to 2022</b>						
Age	Hot Springs			Fall River County		
	2010	2022	Change	2010	2022	Change
15-24	52	36	-16	77	62	-15
25-34	166	142	-24	281	255	-26
35-44	173	153	-20	326	298	-28
45-54	323	205	-118	628	427	-201
55-64	413	357	-56	818	743	-75
65-74	271	386	115	596	828	232
75+	332	319	-13	546	594	48
<b>Total</b>	<b>1,730</b>	<b>1,598</b>	<b>-132</b>	<b>3,272</b>	<b>3,207</b>	<b>-65</b>

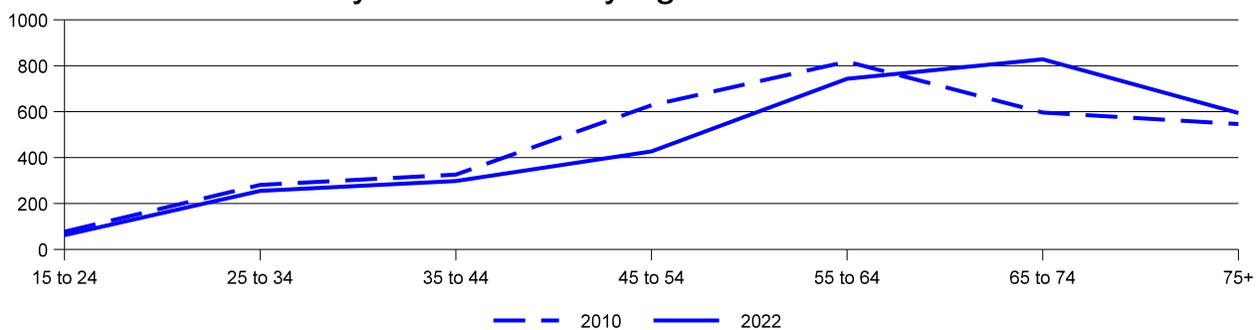
Source: U.S. Census; Esri



- ▶ Based on the available information, Hot Springs experienced an overall decrease of 132 households between 2010 and 2022. As a result, most of the defined age ranges also had some decrease in the number of households.

- ▶ Based on Esri’s estimates for 2022, only one age range has added households since 2010. The senior age group between 65 and 74 years old added 115 households during this time. This would largely reflect the movement of the large baby boom generation through the aging cycle.
- ▶ Despite the growth in the younger senior range, there was a slight decrease in the older senior age groups, age 75 and above.
- ▶ According to Esri, all of the younger age ranges decreased in size, although the estimated decreases in households were fairly limited in each of the age ranges 44 and younger.
- ▶ Larger decreases were estimated in the middle-age ranges, between 45 and 64 years old. Between 2010 and 2022, this 20-year range had an estimated decrease of nearly 175 households. Trailing behind the baby boom generation were smaller demographic cohorts, and these households did not replace the advancing baby boomers.
- ▶ Most of these same aging patterns were also evident for all of Fall River County. However, countywide there was some estimated increase in the number of older senior households, age 75 and above, despite the estimated loss of households in this range in Hot Springs.

Fall River County Households by Age of Householder: 2010 to 2022



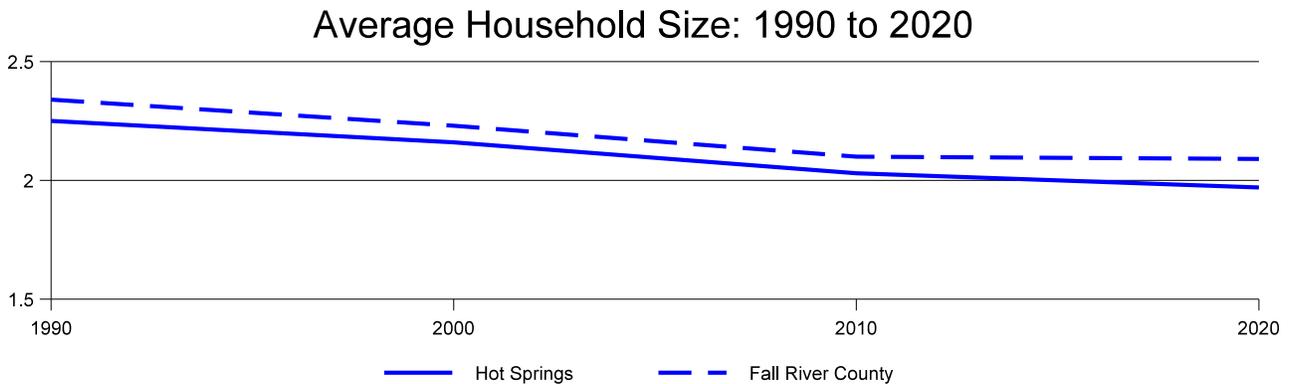
## Average Household Size

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

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

<b>Table 6 Average Number of Persons Per Household: 1990 to 2020</b>				
	1990 Census	2000 Census	2010 Census	2020 Census
Hot Springs	2.25	2.16	2.03	1.97
Fall River County	2.34	2.23	2.10	2.09
South Dakota	2.59	2.50	2.42	2.44

Source: U.S. Census



- ▶ In Hot Springs, the average household size has been decreasing steadily over the past three decades, from 2.25 persons per household in 1990 to 1.97 persons in 2020. The City’s average household size has been significantly below the Statewide average. A household size less than two persons is often an indicator of a large number of senior households and fewer families with children.
- ▶ The average household size for all of Fall River County has also been decreasing over time, although only a slight decrease was recorded between 2010 and 2020.

## Household Projections

Household projections are available from AGS and Esri. The Applied Geographic Solutions projections are for a 5-year time period through 2026, while the Esri projections are for a 5-year period through 2027. The 2020 Census count for households is provided for comparison.

<b>Table 7 Household Projections Through 2026/27</b>				
	2020 Census	2021/22 Estimate	2026/27 Projection	Change
Hot Springs - AGS	1,609	1,681	1,742	61
Hot Springs - Esri	1,609	1,598	1,606	8
Fall River Co. - AGS	3,226	3,202	3,368	166
Fall River Co. - Esri	3,226	3,207	3,250	43

Source: U.S. Census; AGS; Esri

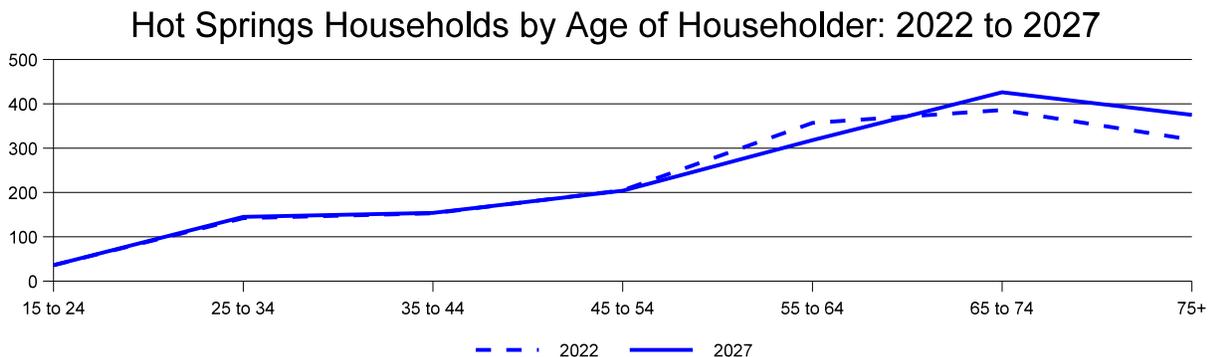
- ▶ Over the 5-year time period, AGS projects that the City will add 61 households, for an annual average of approximately 12 households per year.
- ▶ Esri has a much lower forecast, with only 8 households added over a 5-year period.
- ▶ The AGS forecast for all of Fall River County expects the addition of 166 households over the 5-year period, or approximately 33 households per year. Most of this growth would be projected in the jurisdictions outside of Hot Springs.
- ▶ Esri has a more conservative projection for the entire County, with the expected gain of 43 households through 2027. Most of this increase in households is projected outside of the City of Hot Springs.
- ▶ After reviewing the projections for Hot Springs, it is the opinion of the analysts that the Applied Geographic Solutions forecast represents an achievable expectation of future household growth. In the recommendations that follow later in this document, growth-generated demand from approximately 12 households per year has been used for determining a portion of the overall housing need in Hot Springs.

## Hot Springs Household by Age Projections: 2022 to 2027

Age-based household forecasts are available from Esri to the year 2027. However, Esri is projecting a lower level of future growth in Hot Springs and Fall River County than Applied Geographic Solutions. In the following table, the age-based projections for 2027 have been adjusted upward by approximately 3.2% in Hot Springs to better match the expected level of future growth in the City. The projected changes by age range have been reviewed as an indicator of age-based housing needs over the next five years.

<b>Table 8 Projected Households by Age - 2022 to 2027</b>			
Age Range	Hot Springs		
	2022 Estimate	2027 Projection	Change
24 and younger	36	36	0
25-34	142	145	3
35-44	153	154	1
45-54	205	204	-1
55-64	357	318	-39
65-74	386	426	40
75 and older	319	375	56
<b>Total</b>	<b>1,598</b>	<b>1,658</b>	<b>60</b>

Source: Esri, Inc.; Community Partners Research, Inc.



- ▶ The adjusted age-based projections show the largest growth occurring within the senior citizen age groups, age 65 and older between 2022 and 2027, with the expected addition of 96 households in Hot Springs.

- ▶ The largest projected loss is expected in the 55 to 64 year old range, as the age cohort trailing behind the advancing baby boom generation was not as large, and will not fully replace the advancing baby boomers, nearly all of whom will be age 65 or older by the year 2027.
- ▶ These projections show relative stability in the younger adult ranges, age 54 and under. If aggregated, fewer than five additional households would be expected in Hot Springs in the age ranges 54 and younger through 2027.

## Housing Tenure

The 2020 Census has not yet released any information on home owner and renter status. The American Community Survey does provide an estimate of the tenure distribution patterns. In the following table, the 2020 estimates have been presented, along with the 2010 Census data for comparison.

<b>Table 9 Households by Tenure - 2010 and 2020</b>				
	2010 Census		2020 ACS	
	Percent Owned	Percent Rented	Percent Owned	Percent Rented
Hot Springs	59.6%	40.4%	63.6%	36.4%
Fall River County	69.5%	30.5%	74.5%	25.5%

Source: U.S. Census; ACS

- ▶ According to the American Community Survey, the home ownership tenure rate in Hot Springs increased between 2010 and 2020, from 59.6% to 63.6%. While the rate of home ownership in the City may have increased over the decade, it is probable that the American Community Survey has over estimated the change in tenure patterns for the City. The tenure distribution tables from the 2020 Census will not be available until sometime in 2023.
- ▶ The American Community Survey estimate also showed an increase in the home ownership rate for all of Fall River County. Once again, in the opinion of the analysts, this probably represents an over estimate of the growth in home ownership as it is doubtful that the percentage change would be as large as indicated in the ACS estimate for the County.

## Median Income Data

Information on median income levels is available at the city and county level through the American Community Survey. These estimates are for 2020.

Household income represents all independent households, including people living alone and unrelated individuals together in a housing unit. Families are two or more related individuals living together. Generally, family household incomes tend to be much higher than the overall household median, as families have at least two household members, and potentially more income-earners.

<b>Table 10 Median Household Income - 2010 to 2020</b>			
	2010 Median	2020 Median	% Change
Households			
Hot Springs	\$31,536	\$45,428	44.1%
Fall River County	\$35,833	\$51,383	43.4%
South Dakota	\$46,369	\$59,896	29.1%
Families			
Hot Springs	\$53,438	\$73,650	37.8%
Fall River County	\$53,750	\$67,222	25.1%
South Dakota	\$58,958	\$77,042	30.7%

Source: ACS 5-year survey

- ▶ According to the American Community Survey, the median household income in Hot Springs was \$45,428 in 2020. The City’s median household income had increased by more than 44% from 2010, but still remained well below the comparable medians for Fall River County and the State.
- ▶ The City’s median family income, at \$73,650 in 2020, had also increased substantially, up by nearly 38% from 2010. The median family income for Hot Springs was above the Countywide median of \$67,222, and less than \$3,500 below the family median for the State of South Dakota.
- ▶ Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses, a median income household in Hot Springs could afford approximately \$1,136 per month while a median income family could afford \$1,841 per month.

## Hot Springs Income Distribution by Housing Tenure

The American Community Survey provides income data by owner and renter status. For Hot Springs, the 2020 ACS over estimated the total number of households when compared to the 2020 Census count, but the income distribution information is viewed as the best available information on this topic.

<b>Table 11 Hot Springs Household Income Distribution - 2020</b>			
Household Income	Owner Households	Renter Households	All Households
\$0 - \$14,999	92 / 8.5%	271 / 43.9%	363 / 21.4%
\$15,000 - \$24,999	36 / 3.3%	72 / 11.7%	108 / 6.4%
\$25,000 - \$34,999	108 / 10.0%	83 / 13.5%	191 / 11.3%
\$35,000 - \$49,999	163 / 15.1%	60 / 9.7%	223 / 13.2%
\$50,000 - \$74,999	239 / 22.2%	46 / 7.5%	285 / 16.8%
\$75,000 - \$99,999	196 / 18.2%	40 / 6.5%	236 / 13.9%
\$100,000+	244 / 22.6%	45 / 7.3%	289 / 17.1%
Total	1,078	617	1,695

Source: ACS

- ▶ Household income and housing tenure are linked for most households, with home owners generally having higher annual income levels and renters having lower incomes.
- ▶ In 2020, nearly 56% of renter households in Hot Springs had an annual income below \$25,000, and 69% of all renters had an annual income below \$35,000.
- ▶ For home owners, 63% had an annual income of \$50,000 or more.
- ▶ The American Community Survey for 2020 also included an estimated median household income by housing tenure. For all renters in Hot Springs, the estimated median was only \$18,808 in 2020. At 30% of income, these households would have only \$470, or less, that could be applied to monthly housing costs.
- ▶ The estimated median annual income for all home owners in Hot Springs was \$72,810 in 2020. At 30% of income, a household at the median could apply \$1,820 per month toward housing costs.

## Estimated Income and Housing Costs - Renters

The American Community Survey also collected information on housing costs. The following table provides data on the number of renter households that were paying different percentages of their gross household income for housing in the City of Hot Springs in 2020.

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 12 Gross Rent as a Percentage of Household Income - 2020</b>		
Percent of Income for Housing	Number	Percent
Less than 20%	190	30.8%
20% to 29.9%	77	12.5%
30% to 34.9%	11	1.8%
35% or more	320	51.9%
Not Computed	19	3.1%
Total	617	100%

Source: American Community Survey

- ▶ According to the American Community Survey, nearly 54% of all renters in the City were paying 30% or more of their income for rent. The large majority of these households were actually applying 35% or more of their income for housing.
- ▶ Although a cost burden could be caused by either high housing costs or low household income, in Hot Springs it was primarily due to low income levels for renters. A large majority of the renter households with a housing cost burden had an annual household income below \$20,000 in 2020. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$500 or less.

## Estimated Income and Housing Costs - Owners

The American Community Survey also provided housing cost estimates for owner-occupants. The following table provides estimates of the number of households in Hot Springs that were paying different percentages of their gross household income for housing costs in 2020.

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

<b>Table 13 Ownership Costs as a Percentage of Income - Hot Springs</b>		
Percentage of Household Income for Housing Costs	Number	Percent
0% to 19.9%	620	57.5%
20% to 29.9%	226	21.0%
30% to 34.9%	30	2.8%
35% or more	202	18.7%
Not Computed	0	0%
Total	1,078	100%

Source: ACS

- ▶ A large majority of owner-occupants in Hot Springs, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. In total, nearly 79% of all home owners in the City were paying less than 30% of income in 2020.
- ▶ Fewer than 22% of all owners in the City were applying 30% of more of their income to home ownership costs.

## Hot Springs Building Permit Trends

Hot Springs has experienced new housing construction activity in recent years. The following table identifies the units that have been constructed since 2010.

<b>Table 14 Hot Springs Housing Unit Construction Activity: 2010 to 2022</b>			
Year	Single Family	Two or More Units	Total Units Constructed
2022	7	0	7
2021	8	0	8
2020	9	4	13
2019	7	4	11
2018	11	2	13
2017	3	8	11
2016	0	4	4
2015	5	2	7
2014	1	2	3
2013	2	0	2
2012	0	0	0
2011	2	0	2
2010	2	0	2
<b>Total</b>	<b>57</b>	<b>26</b>	<b>83</b>

Source: City of Hot Springs; Census Bureau; Community Partners Research, Inc.

- ▶ Over the 13-year period from 2010 to 2022, there were 83 new housing units constructed in Hot Springs based on building permit reporting. During this time the City averaged between six and seven new units per year.
- ▶ Although the longer-term average is six to seven units per year, much of the permitting was done in the past six years. From 2017 through 2022, the City averaged more than 10 units per year. All of this recent construction has been in single family detached houses or twin homes.
- ▶ Since 2010, there have been 26 units constructed in duplex/twin home structures. No other multifamily construction has occurred.

## 2020 Census Housing Data

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

<b>Table 15 Housing Units, Occupancy and Vacancy - 2010 to 2020</b>									
	Total Housing Units			Occupied Units			Vacant Units		
	2010	2020	Change	2010	2020	Change	2010	2020	Change
Hot Springs	1,958	1,896	-62	1,730	1,609	-121	228	287	+59

Source: U.S. Census

- ▶ Comparing the Census housing totals from 2010 and 2020 for Hot Springs there was a net loss of 62 total housing units.
- ▶ On a previous page, information about residential permit issuance was provided. Based on available reports, it appears that the City would have added approximately 55 housing units between 2010 and 2019 through new construction, compared to a decrease of 62 units based on the reconciliation of Census records. This would imply that more than 110 older housing units were lost over the decade.
- ▶ The Census recorded both a drop of occupied housing units in Hot Springs between 2010 and 2020, and an increase in vacant units in the City.
- ▶ The apparent discrepancy between the unit losses identified by the 2020 Census and the new construction that has occurred cannot be explained with the available information. It is possible that the 2020 Census undercounted the number of housing units and households in the community.

## **American Community Survey Housing Data**

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

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

For owner-occupancy units a median year of construction is provided. In Hot Springs, the estimated median year of construction was 1957. More than 55% of the owner-occupied houses in the City were constructed before 1960.

### **Median Year of Construction - Renter-occupancy Housing**

For renter-occupancy units in Hot Springs, the estimated median year of construction was 1971. More than 66% of all rental units in the City were constructed before 1980.

## Existing Home Sales

This section examines houses that have been sold between 2016 and 2021 in the City of Hot Springs. The information was obtained from the South Dakota Department of Revenue website, based on reports submitted from the Fall River 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.

The County's time period for analyzing annual sales differs slightly from the calendar year. It begins on November 1<sup>st</sup> and ends on October 31<sup>st</sup> of each year. No information is yet available for sales recorded after November 1, 2021.

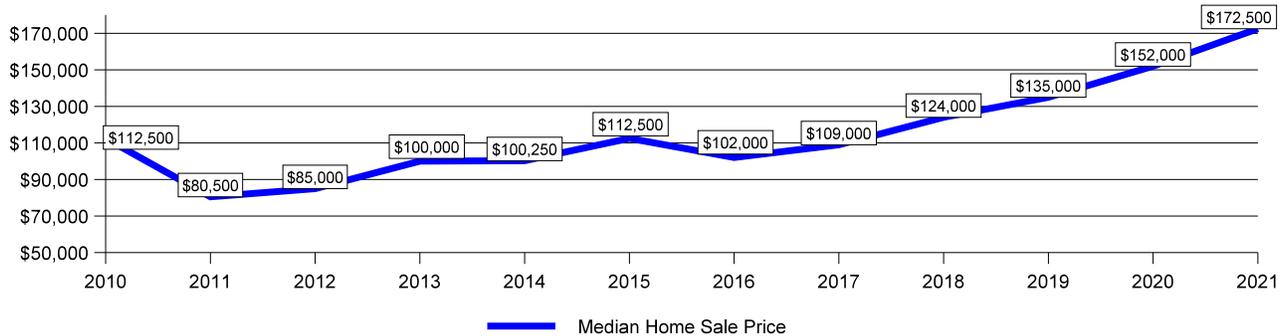
Sales Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2021	84	\$172,500	\$625,000	\$40,010
2020	92	\$152,000	\$488,000	\$27,500
2019	74	\$135,000	\$349,000	\$14,500
2018	84	\$124,000	\$332,000	\$10,000
2017	71	\$109,000	\$320,000	\$10,000
2016	56	\$102,000	\$492,200	\$15,000

Source: SD Dept. of Revenue; Fall River County Equalization; Community Partners Research, Inc.

- There may be a limited number of home sales within any 12-month time period, and the annual median may not be an accurate reflection of overall home values in the City. However, over the past five years there have been at least 71 good sales recorded annually in Hot Springs.

- ▶ In 2021, the last full year of data, the median sale price in the City was \$172,500, based on 84 good sales. The 2021 median price was up by \$20,500 from 2020, indicating a rapid escalation in sale prices.
- ▶ In each of the years reviewed there was at least one house that sold for \$320,000 or more. With the exception of 2021, at least one home was sold annually for less than \$30,000.
- ▶ Using information from the previous Housing Study it is possible to track the longer-term patterns in the annual median sale prices in Hot Springs. While there has been some year-to-year variation, there has been a general pattern of increase in the annual median price.

**Median Home Sale Price in Hot Springs: 2010 to 2021**



- ▶ An alternate estimate of home values exists in the American Community Survey. This source placed the median value at \$127,600 in 2020, well below the sales median of \$152,000 in 2020.

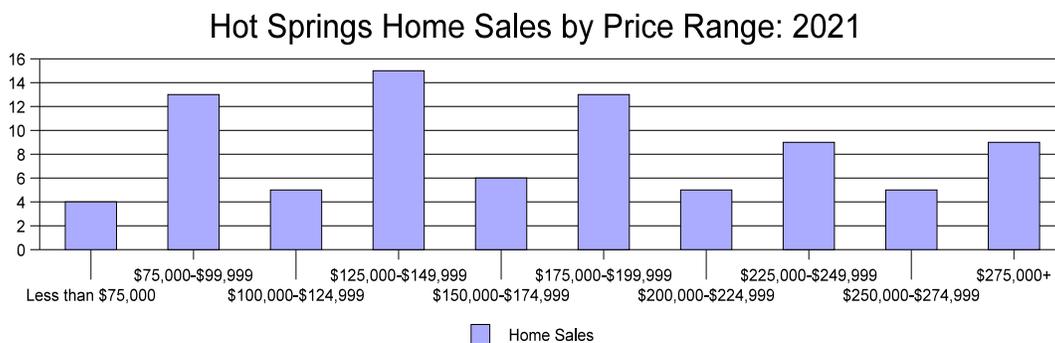
## Home Sales by Price Range

The following table looks at single family houses that sold in Hot Springs within a 12-month period, starting in November 1, 2020 and ending October 31, 2021. This represents the most recent sales year available to the analysts.

Table 17 Home Sales by Price Range: 2021		
Sale Price	Number of Home Sales	Percent of All Sales
Less than \$74,999	4	4.8%
\$75,000 - \$99,999	13	15.5%
\$100,000 - \$124,999	5	6.0%
\$125,000 - \$149,999	15	17.9%
\$150,000 - \$174,999	6	7.1%
\$175,000 - \$199,999	13	15.5%
\$200,000 - \$224,999	5	6.0%
\$225,000-\$249,999	9	10.7%
\$250,000-\$274,999	5	6.0%
\$275,000+	9	10.7%
<b>Total</b>	<b>84</b>	<b>100%</b>

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

- ▶ Home sale prices in Hot Springs in 2021 were widely distributed across a range of prices. While the median sale price was \$172,500 for that year, only 46% of all sales were priced between \$100,000 and \$199,999.



- ▶ Overall, 20.2% of the home sales in 2021 were for less than \$100,000, and 33.3% of the City's home sales were for \$200,000 or more.

## **Rental Housing Data**

### **Census Bureau Rental Inventory**

The 2020 Census has not yet released any of the more detailed tables on housing occupancy patterns, including owner versus renter status.

At the time of the 2010 Census, there were 699 occupied rental units and 87 unoccupied rental units in Hot Springs, for a total estimated rental inventory of 786 units. The City's rental tenure rate in 2010 was 49.2%, significantly higher than the Statewide rental rate of 31.9%.

Estimates exist in the 2020 American Community Survey. According to this source the City had 617 occupied rental units and 90 unoccupied units, for a total estimated rental inventory of 707 units. These estimates would appear to be low, as it is probable that Hot Springs did not see a decrease of rental housing or renter-occupancy households over the decade.

### **Recent/Pending Projects**

No specific rental construction projects have been identified in Hot Springs in the recent past.

The research for this Update identified one proposed project that would create 26 conventional market rate rental units through the conversion of an existing vacant structure into rental housing.

## **Rental Housing Survey**

As part of this housing study, a telephone survey of multifamily projects was conducted in Hot Springs. Emphasis was placed on contacting properties that have four or more units. For the purposes of planning additional projects in the future, multifamily properties represent the best comparison of market potential. However, we also obtained some information on some small rental projects and single family rental houses.

Information was tallied separately for different types of rental housing, including market rate units, subsidized units and senior housing with services units. There were 420 housing units/beds of all types that were contacted in the survey. This would represent more than 50% of all estimated rental units in the City in 2022.

The units that were successfully contacted include:

- ▶ 35 market rate units
- ▶ 208 federally subsidized units oriented to senior/disabled occupancy
- ▶ 92 federally subsidized units for occupancy
- ▶ 85 senior with services units

Some additional information was also obtained from two nursing homes in Hot Springs. Some generalized information was also obtained from single family house rentals in the community.

## **Market Rate Summary**

There are few multifamily conventional market rate rental projects that could be identified in Hot Springs. Information was obtained from 35 market rate rental units. These units are in buildings ranging from four to 13 units.

### **Unit Mix**

The bedroom mix information for the 35 units is as follows:

- ▶ efficiency/studio - 4 (11.4%)
- ▶ one-bedroom - 13 (37.1%)
- ▶ two-bedroom - 18 (51.4%)

No three or four-bedroom units were surveyed in multifamily buildings, although some single family rental houses in Hot Springs have three or more bedrooms to accommodate larger families.

### **Occupancy / Vacancy**

At the time of the survey, there were no vacancies reported in the 35 market rate units that were surveyed. In addition to a high occupancy rate, owners/managers reported good demand for market rate rental units with any turnover units filling quickly.

Although property-specific information was not obtained from single family home rentals and smaller rental projects, some generalized occupancy information was provided by owners/managers that were interviewed. Strong demand also exists within this rental segment.

### **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 in the multi-family projects, inclusive of an estimate for tenant-paid utilities.

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

<u>Unit Type</u>	<u>Lowest/Highest Gross Rents</u>
Efficiency	\$700
One-bedroom	\$800-\$950
Two-bedroom	\$925-\$1,000

## **Tax Credit Summary**

There are no tax credit projects in the City of Hot Springs.

## **Subsidized Summary**

The research completed for this Update identified six subsidized projects in Hot Springs and one project in nearby Edgemont that provide rental opportunities for lower income households. These projects have a combined 300 units.

There are two subsidized projects that are designated for senior/disabled tenant occupancy. However, one additional project, Brookside Apartments, primarily serves senior/disabled tenants although it is designated as general occupancy housing. Including Brookside, there are 208 subsidized units in Hot Springs and Edgemont that are oriented to senior/disabled occupancy.

The four remaining subsidized projects in Hot Springs, with a combined 92 units, are designated as general occupancy housing.

The subsidized rental projects in Hot Springs and Edgemont are:

- ▶ **Brookside Apartments** - a 99-unit HUD Public Housing designated for general occupancy but most tenants are senior/disabled
- ▶ **The Evans** - an 85-unit HUD Section 8/Mod Rehab project designated for senior/disabled occupancy
- ▶ **Hillcrest Apartments** - a 24-unit USDA Rural Development project designated for senior/disabled occupancy and located in Edgemont
- ▶ **Lincoln Avenue Apartments** - an eight-unit USDA Rural Development project designated for general occupancy
- ▶ **Majestic View Apartments** - a 20-unit HUD project designated for general occupancy
- ▶ **Mountain View Apartments** - a 24-unit USDA Rural Development project designated for general occupancy
- ▶ **RC Springs Apartments** - a 40-unit USDA Rural Development project designated for general occupancy

There is one additional USDA Rural Development project in Hot Springs, Rainbow House, which is owned by Black Hills Special Services and serves special needs populations. Since this project is not available to the general renter population it has not been included in the rental market analysis completed for this Update.

## **Rental Rates**

Nearly all of the subsidized units in Hot Springs and Edgemont have access to project-based rent assistance, which allows rent based on 30% of the tenant's household, income up to a maximum rent.

## **Unit Mix**

The bedroom mix breakdown for the 300 subsidized housing units in Hot Springs and Edgemont is as follows:

### Senior/Disabled Occupancy

- ▶ 12 studio (5.8%)
- ▶ 193 one-bedroom (92.8%)
- ▶ 3 two-bedroom (1.5%)

### General Occupancy

- ▶ 24 one-bedroom (26.1%)
- ▶ 64 two-bedroom (69.6%)
- ▶ 4 three-bedroom (4.3%)

## **Occupancy / Vacancy**

As reported to the 2022 telephone survey, there is a very high occupancy rate in subsidized housing. Although there were some unoccupied units on the date of the survey, any open units were in the process of being filled with application processing underway. Most of the projects reported that waiting lists are maintained and used to fill any turnover units.

Based on the rental survey, the estimated vacancy rate in subsidized housing in Hot Springs/Edgemont would be less than 1%.

## **Subsidized Housing Gains/Losses**

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

We are not aware of any subsidized projects in Hot Springs or Edgemont that have converted from subsidized to market rate.

## **Housing Choice Vouchers**

The Housing Choice Voucher Program provides portable, tenant-based rent assistance to lower income 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.

The Housing Choice Voucher Program in Hot Springs and Fall River County is administered by the Pennington County Housing and Redevelopment Commission. The Pennington County Housing and Redevelopment Commission has the ability to issue approximately 1,325 Vouchers in their service area. Typically, between 10 and 20 Hot Springs households are utilizing the Housing Choice Voucher Program. There is a two to three month waiting list to obtain a Voucher.

## **Senior Housing with Services**

### **Unit Inventory**

There are three senior housing projects in Hot Springs that provide some level of services to residents. However, a range of care options is provided in two of these three facilities, resulting in a unit inventory within different segments of the specialized senior housing market.

### **Nursing Homes**

There are two State-licensed skilled nursing homes, with a combined 137 beds.

- ▶ **Seven Sisters Living Center** - A skilled nursing home licensed for 59 residents in private and shared occupancy rooms.
- ▶ **Michael J. Fitzmaurice State Veteran's Home** - State Veteran's Home licensed for 76 nursing home residents. This facility can only serve eligible veterans/spouses that are residents of South Dakota.

### **Assisted Living**

There is one State-licensed Assisted Living Center in Hot Springs, with capacity for 78 residents in 61 apartment units. However, in 2022 some of the units are serving more independent seniors in addition to providing assisted living care.

- ▶ **Pine Hills Retirement Community** - A senior with services facility that can offer a range of care from largely independent housing to assisted living. While licensed for 78 assisted living residents, in 2022 approximately 60% of the 61 apartment units were occupied by residents needing higher levels of care.

### **Housing with Services**

Both Pine Hills Retirement Community and Michael J. Fitzmaurice State Veteran's Home can offer housing options for more independent seniors, while making lighter services available.

- ▶ **Pine Hills Retirement Community** - A senior with services facility that can offer a range of care from largely independent housing to assisted living. While licensed for 78 assisted living residents, in 2022 approximately 40% of the 61 apartment units were occupied by residents needing lower levels of care.

- ▶ **Michael J. Fitzmaurice State Veteran's Home** - State Veteran's Home which also has 24 units of independent housing in a dedicated wing. This facility can only serve eligible veterans/spouses that are residents of South Dakota.

## **Memory Care**

There are no specialized providers of memory care housing in Hot Springs in 2022. In the past, Pine Hills Retirement Community had used 12 beds specifically for memory care needs, but this was discontinued due to greater demand for assisted living and lighter services housing.

## **Occupancy/Vacancy**

For nursing homes, Seven Sisters reported a high utilization rate, with 95% or higher for bed use. Specific details were not obtained from the State Veteran's Home, but this facility did indicate that the Covid pandemic had impacted occupancy. It is important to state that most seniors residing in the Hot Springs area would not be eligible to live in the State Veteran's Home, unless they were a qualified veteran.

The only assisted living option in Hot Springs, Pine Hills Retirement Community, reported a high rate of occupancy and a waiting list. However, Pine Hills is only using approximately 60% of its unit capacity for assisted living in 2022. The remaining rooms are used for more independent, light services residents. As a result, it may be possible in the future for more apartments to be used for assisted living if demand dictates.

Approximately 40% of the 61 total units in Pine Hills are used for light services housing in 2022. Full occupancy and a waiting list was reported. There are also light services options offered in a dedicated wing of the State Veteran's Home. Specific occupancy details were not provided but it appears that some unused capacity exists. It is important to state that most seniors residing in the Hot Springs area would not be eligible to live in the State Veteran's Home, unless they were a qualified veteran.

<b>Table 18 Hot Springs Area 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 - Hot Springs</b>					
Almond Terrace	11 - 1 bedroom <u>2 - 2 Bedroom</u> 13 Total Units	\$725 \$750 +heat, electric	No vacant units	Mix of tenants	Former hospital that was converted into rental housing. Tenant pays heat and electric in addition to rent. Units and floor plans are unique. Manager reported full occupancy and good demand. General mix of tenants reported.
401 Battle Mountain	4 - studio <u>2 - 1 bedroom</u> 6 Total Units	\$700 \$950	No vacant units	Mix of tenants	Rental complex with 4 units in a converted former motel and 2 adjoining cottages. Rent includes utilities. Manager reported full occupancy and good demand. General mix of tenants reported.
1046 Galveston	<u>4 - 2 Bedroom</u> 4 Total Units	\$850-\$875 +heat, electric	No vacant units	Mix of tenants	Rental 4-plex with 2-bedroom/1 bathroom units. Tenant pays heat and electric in addition to rent. Manager reported full occupancy and good demand. General mix of tenants reported.
Townhouse Rentals	<u>8 - 2 Bedroom</u> 8 Total Units	\$875 +utilities	No vacant units	Mix of tenants	Town house complex constructed in 1994. Tenant pays utilities in addition to rent. All units have 2-bedrooms and 1.5 bathrooms. Manager reported full occupancy and good demand. General mix of tenants reported.
12772 US Hwy 18	<u>4 - 2 Bedroom</u> 4 Total Units	\$850 +heat, electric, water	No vacant units	Mix of tenants	Rental 4-plex with 2-bedroom/1 bathroom units. Tenant pays heat, electric and water in addition to rent. Manager reported full occupancy and good demand. General mix of tenants reported.

**Table 18 Hot Springs Area Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Subsidized - Senior/Disabled</b>					
The Evans	12 - studio <u>73 - 1 bedroom</u> 85 total units	\$697 \$831 30% of income	Some open units in process of being filled from waiting list	Seniors/ disabled occupancy	HUD Section 8/Mod Rehab project that converted historic hotel into rental housing. Designated for senior/disabled tenant occupancy. All tenants have access to project-based rent assistance and pay 30% of income up to maximum rents listed. Units have emergency call system. Six units were unoccupied on date of survey due to turnover and repairs but waiting list exists and units were in the process of being filled.
Hillcrest Apartments Edgemont	<u>24 - 1 bedroom</u> 24 total units	\$664 30% of income	Some open units in process of being filled from waiting list	Senior/ disabled occupancy	HUD Section 8 project located in Edgemont and designated for senior/disabled tenant occupancy. All tenants have access to project-based rent assistance and pay 30% of income up to maximum rent listed. Three units were unoccupied on date of survey due to turnover and repairs but waiting list exists and units were in the process of being filled.
Brookside Apartments	96 - 1 bedroom <u>3 - 2 bedroom</u> 99 total units	\$491 \$526 30% of income	Some open units in process of being filled from waiting list	General occupancy but most tenants are senior/ disabled	HUD Public Housing project that was originally developed in 1971 for senior/disabled occupancy but later rule change made it available for general occupancy - most tenants are senior or disabled. All tenants have access to project-based rent assistance and pay 30% of income up to maximum rents listed. Five units were unoccupied on date of survey due to turnover and repairs but waiting list exists and units were in the process of being filled.

**Table 18 Hot Springs Area Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Subsidized - General Occupancy</b>					
Lincoln Avenue Apartments	1 - 1 bedroom <u>7 - 2 bedroom</u> 8 total units	\$776-\$899 \$786-\$909 30% of income	No vacant units, short waiting list	General occupancy	USDA Rural Development subsidized project designated for general occupancy. Two-level building constructed in the 1970s. All units have access to project-based rent assistance and pay 30% of income for rent up to maximum rents listed. Manager reported full occupancy with a short waiting list.
Majestic View Townhouses	4 - 1 bedroom 12 - 2 bedroom <u>4 - 3 bedroom</u> 20 total units	30% of income	No vacant units, waiting list	General occupancy	HUD HOME general occupancy project. Three-level walkup building. All tenants have access to project-based rent assistance and pay 30% of their income for rent. Manager reported two open units at time of survey due to repairs but units have been leased. Short waiting list with approx. 5 names for 1-bedroom, 2 names for 2-bedroom and 1 name for 3-bedroom unit.
Mountain View Apartments	14 - 1 bedroom <u>10 - 2 bedroom</u> 24 total units	\$746-\$880 \$805-\$953 30% of income	No vacant units, short waiting list	General occupancy	USDA Rural Development subsidized project designated for general occupancy. Two-level builds constructed in the late 1970s. All units have access to project-based rent assistance and pay 30% of income for rent up to maximum rents listed. One-bedrooms have 549 sq ft and 2-bedrooms have 726 sq ft; all units have 1 bathroom. Manager reported full occupancy with a short waiting list.

<b>Table 18 Hot Springs Area 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 - General Occupancy</b>					
RC Springs Apartments	5 - 1 bedroom <u>35 - 2 bedroom</u> 40 total units	\$677 \$712 30% of income	No vacant units, waiting list	General occupancy	USDA Rural Development subsidized project that is designate for general occupancy. 35 units have access to project-based rent assistance and pay 30% of their income; tenants without rent assistance pay 30% of income but not less than the basic rents listed. One-bedrooms have 480 sq ft and 2-bedrooms have 748 sq ft; all units have 1 bathroom. Manager reported full occupancy and 20 name waiting list - calls are received from over income households.

**Table 18 Hot Springs Area Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Senior with Services</b>					
Pine Hills Retirement Community	56 - 1 bedroom <u>5 - 2 bedroom</u> 61 total units	\$2500+ depending on unit and care needs	All units occupied or committed	Senior housing with services including assisted living	Senior care facility that is a licensed Assisted Living Center with capacity for 78 residents. Flexible care options offered from lighter services housing to assisted living - estimated that 60% of units are for assisted living and 40% lighter care. Basic package starts at \$2500 per month and includes meals, light housekeeping, emergency call system and access to 24-hour staffing. Facility had offered 12 memory care beds in secured wing in the past but discontinued due to demand for lighter services and assisted living. Project reported some open rooms at time of survey but they had been committed to future move-ins. Project does maintain a waiting list. Primarily private-pay but some limited medicaid accepted.
Seven Sisters Living Center	27 - private rooms <u>16 - shared rooms</u> 59 licensed beds	Based on level of services	High rate of occupancy	Skilled nursing home	Skilled nursing home that is licensed for 59 beds in both private and shared occupancy rooms. Part of the Fall River Health Services campus that also includes a clinic and hospital. All beds are available for long-term care needs. High rate of occupancy - at or above 95% is typical.
Michael J. Fitzmaurice State Veteran’s Home	24 - 1 bedroom 78 - nursing beds	Based on veterans benefits	Occupancy can vary and was impacted by pandemic	Eligible veterans and spouses	State Veteran’s Home that provides nursing home beds and independent living units in new facility that opened in 2016. Nursing home license in 2022 is for 78 beds. The independent living units are in one wing of the building. Eligible veterans and spouses living in SD can qualify to live in the facility. No specific occupancy information was provided as this can change - occupancy was impacted by Covid pandemic.

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 pay for housing is severely limited.

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

## Labor Force and Unemployment

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

<b>Table 19 Fall River County Average Labor Statistics: 2010-2022*</b>						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2010	3,277	3,077	200	6.1%	5.0%	9.6%
2011	3,220	3,033	187	5.8%	4.6%	8.9%
2012	3,151	2,981	170	5.4%	4.1%	8.1%
2013	3,058	2,908	150	4.9%	3.7%	7.4%
2014	3,029	2,890	139	4.6%	3.3%	6.2%
2015	2,992	2,861	131	4.4%	3.0%	5.3%
2016	3,039	2,905	134	4.4%	3.0%	4.9%
2017	2,974	2,863	111	3.7%	3.1%	4.4%
2018	2,991	2,887	104	3.5%	2.9%	3.9%
2019	2,967	2,859	108	3.6%	3.0%	3.7%
2020	2,996	2,828	168	5.6%	4.6%	8.1%
2021	3,071	2,947	124	4.0%	2.8%	5.3%
2022*	3,137	3,050	87	2.8%	2.4%	3.8%

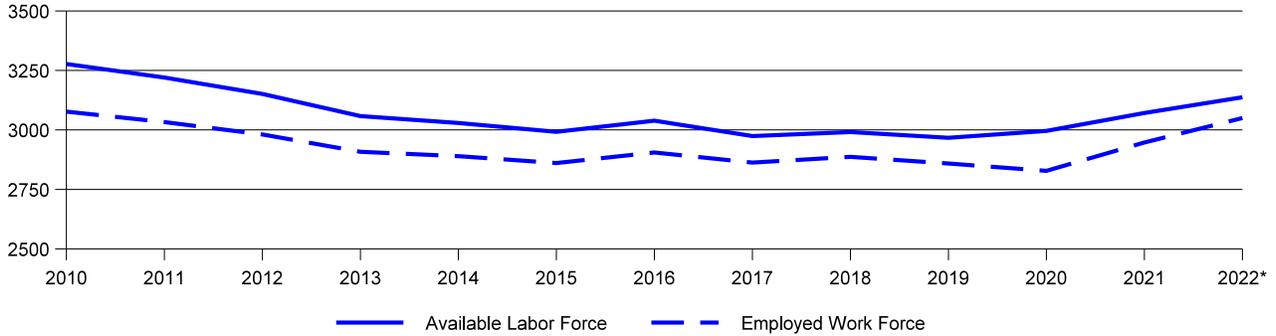
Source: South Dakota Department of Labor

\* 2022 is partial-year

The labor force statistics for Fall River County show some fluctuations in the size of the County’s available resident labor force over time. Longer-term, there has been a decrease in the number of people in the labor force if 2021 is compared back to 2010. However, since hitting a recent low point in 2019, County’s labor force has been gradually increasing in size.

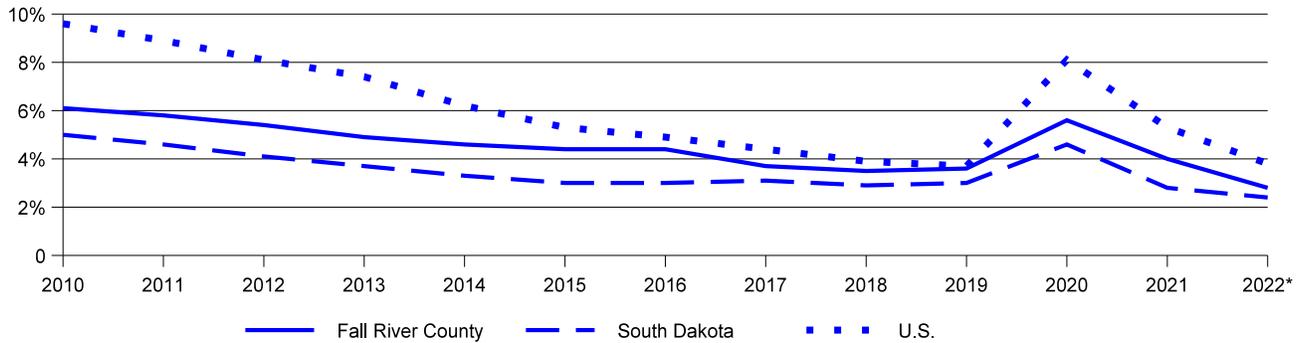
The statistics for employed County residents in the work force has generally followed similar patterns. Although there were fewer employed County residents in 2021 than had been present in 2010, more recent patterns show an increase in the work force over the past few years.

### Fall River County Labor Force and Employed Work Force



Throughout the entire time period reviewed, the unemployment rate in Fall River County has remained below the national rate. However, the County’s unemployment rate has consistently stayed above the Statewide rate since 2010.

### Unemployment Rates



The global health pandemic in 2020 did cause a “spike” in unemployment rates but by 2021 the County’s unemployment rate had nearly returned to the pre-pandemic level.

## Average Annual Employment and Wages by Industry Sector

The following table shows the annual employment and average annual wages by major employment sector in 2021, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment in Fall River County. With the exception of total employment, the specific industry sectors only reflect private employment.

<b>Table 20 Fall River County Average Wages by Industry Detail: 2021</b>		
Industry	Average Employment	Average Weekly Wage
Total All Industry	2,521	\$833
Natural Resources/Mining	68	\$903
Construction	101	\$750
Manufacturing	15	\$631
Trade, Transportation, Utilities	327	\$653
Financial Activities	57	\$1,033
Information	30	\$1,060
Professional and Business Services	140	\$1,121
Education and Health Services	372	\$872
Leisure and Hospitality	313	\$388
Other Services	61	\$373

Source: South Dakota Department of Labor

The average weekly wage for all industry in 2021 was \$833. At full-time employment this would yield a wage of approximately \$43,300.

The highest paying wage sector was Professional and Business Services, with an average annual wage of nearly \$62,300 at full-time employment. However, this sector was relatively small, with only 140 covered workers.

The County’s largest employment sector, Education and Health Services, had an average weekly wage of \$872, slightly higher than the average for all industry.

The lowest paying wage sectors were Other Services and Leisure and Hospitality, both with an average annual wage below \$20,200.

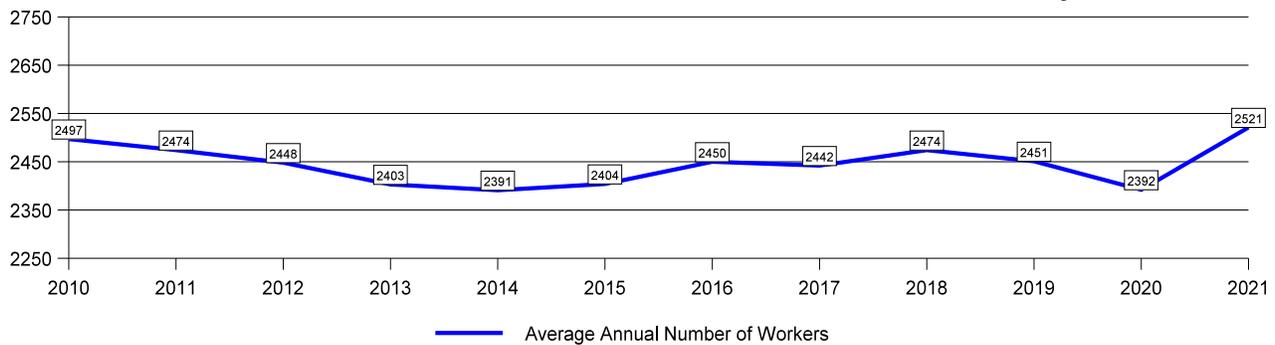
## Annual Covered Employment

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

<b>Table 21 Fall River County Average Annual Employment</b>			
Year	Total Covered Employment	Year	Total Covered Employment
2010	2,497	2016	2,450
2011	2,474	2017	2,442
2012	2,448	2018	2,474
2013	2,403	2019	2,451
2014	2,391	2020	2,392
2015	2,404	2021	2,521

Source: QCEW - SD Department of Labor

**Number of Covered Workers in the Fall River County**



When viewed over a longer-term there has been only limited change in the number of covered employees working in Fall River County. However, between 2020 and 2021 there was an increase, and 2021 represented the largest level of covered employment over the time period reviewed.

## Commuting Patterns of Area Workers

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

<b>Table 22 Commuting Times for Hot Springs Residents - 2020</b>		
Travel Time	Number	Percent
Less than 10 minutes	832	65.9%
10 to 19 minutes	149	11.8%
20 to 29 minutes	40	3.2%
30 minutes +	241	19.1%
Total	1,262	100%

Source: American Community Survey

The large majority of Hot Springs’ residents were traveling less than 20 minutes to work in 2020, and were presumably employed within the City or in one of the nearby communities. Overall, nearly 78% of the City’s residents had a drive time less than 20 minutes. However, more than 19% of City’s residents were traveling 30 minutes or more.

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

<b>Table 23 Commuting Times for City-based Workers - 2020</b>		
Travel Time	Number	Percent
Less than 10 minutes	982	55.2%
10 to 19 minutes	312	17.5%
20 to 29 minutes	194	10.9%
30 minutes +	291	16.4%
Total	1,779	100%

Source: American Community Survey

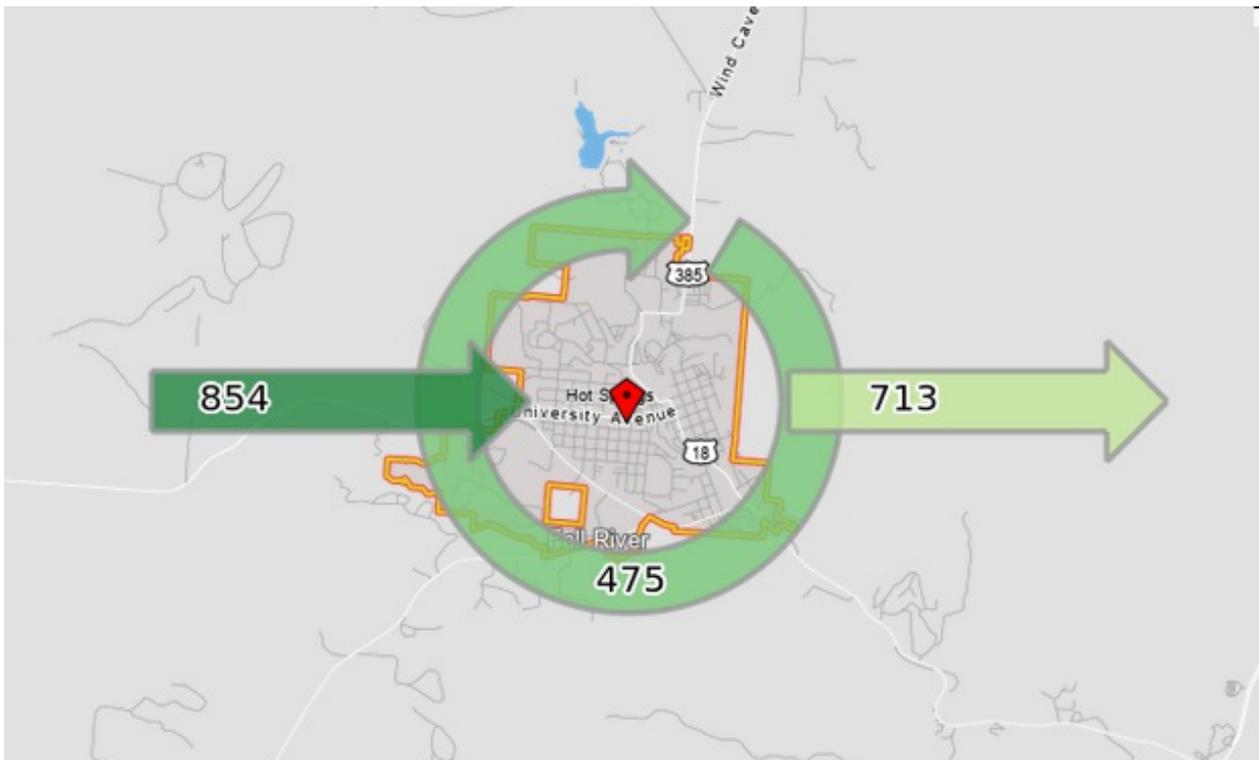
Most of the people that were employed within the City of Hot Springs in 2020 lived either in the community, or within the immediate area. Overall, nearly 73% of city-based workers had a travel time less than 20 minutes to their job.

## Census On the Map

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

According to the report for Hot Springs, there were 1,329 people that were employed within the City in 2019. Of these city-based employees, 475 people also lived in Hot Springs while the remaining 854 employees lived outside the City and commuted in for their job. The primary locations supplying workers to the City were Northeast Fall River UT, Rapid City, West Custer UT and Edgemont.

On the Map can also be used to track worker outflow patterns from the City. Overall, there were 1,188 Hot Springs residents that were employed. There were 475 City residents that worked in the City while 713 people worked outside the community. The primary locations for outbound workers included Northwest Fall River UT, Rapid City and Pierre.



## **Findings on Growth Trends**

The Demographic section of this report has presented information on the recent estimates and past trends for the City of Hot Springs. In general, Hot Springs has a long-term pattern of population and household losses.

Based on the 2020 Census, Hot Springs had a loss of 121 permanent resident households and 316 people between 2010 and 2020. The City also lost population in the 1990s and between 2000 and 2010. However, between 1990 and 2010, Hot Springs did add 74 households, but this modest growth was erased after 2010, and the City had fewer households in 2020 Census than had been counted by the Census in 1990.

It is important to state that the household reduction between 2010 and 2020 was not consistent with housing unit construction. For the period from 2010 through 2019, there were approximately 48 new housing units permitted in the City. However, in addition to the household loss reported, the 2020 Census also counted an overall reduction of housing units in the City over the decade. If the 2020 Census was accurate, Hot Springs had more than 100 older housing units that were removed from the usable inventory after 2010.

It is possible that the 2020 Census was flawed, and the housing unit and household totals may represent an undercount. There is insufficient information available to the analysts to form a conclusion on the actual household level in Hot Springs in 2020.

It is also important to state that after 2020, the best information points to recent growth in the City. Since the 2020 Census was completed, Hot Springs has added nearly 30 new homes through new construction, and this expansion of the housing stock should have resulted in both household and population growth over the past two to three years.

The historic growth patterns for all of Fall River County differ somewhat from those in Hot Springs. If the City is removed from the countywide totals, the remainder of Fall River County added both households and population between 2010 and 2020. Longer-term, Fall River County added 409 resident households over the 30-year period spanning 1990 to 2020, if the impact of Hot Springs is removed from the remainder of the County.

## Findings on Projected Growth

This Update has examined projections from established national sources, including both Applied Geographic Solutions (AGS) and Esri. For Hot Springs, these sources show very different expectations.

Applied Geographic Solutions expects fairly rapid growth in the City over a 5-year projection period, with an annual average increase of 12 households per year. In the opinion of the analysts, this level of future growth is achievable but it does represent a change from past patterns in the growth rate for Hot Springs.

The projection from Esri expects Hot Springs to add only eight households over the 5-year projection period, or fewer than two households per year. Esri's projection is based in part of the 2020 Census, and expects very little change going forward. However, if the Census count for 2020 was wrong, this would make the Esri projection unreliable.

AGS and Esri also have differing views on the growth potential for Fall River County. AGS expects solid growth Countywide, with households added in both Hot Springs and the remainder of the County. Esri is projecting a much more moderate increase in households, with most of the countywide increase occurring in the remainder of the County over the next five years.

After examining the available projections, it is the opinion of Community Partners Research, Inc., that Hot Springs does have the potential to add up to 12 households per year over the next five years, consistent with the projection from Applied Geographic Solutions, for a cumulative total of approximately 60 additional households by 2027.

Long-term patterns would also point to continued household growth for Fall River County, including the jurisdictions outside of Hot Springs. Historically, the remainder of the County has grown at a faster rate than the City of Hot Springs. Going forward, the aging patterns may direct a greater level of growth into the cities in the County, as older seniors may choose to relocate from the more rural portions of Fall River County.

## Summary of Growth Projections by Age Group

The Demographic section of this Update presented projection information on anticipated changes by age group in Hot Springs over the next few years. This information can be informative in determining the housing changes that may be needed due to age patterns of the area population.

The base level household projections were generated by Esri, and span the expected changes over a 5-year period from 2022 to 2027. However, in the opinion of the analysts, Esri has somewhat under estimated the probable household growth that will occur in Hot Springs. Esri’s age-based forecasts have been adjusted upward by approximately 3.2% to better match the net household growth expected by 2027. These age-based changes are informative when anticipating future demand for housing.

<u>Age Range</u>	<u>Projected Change in Households 2022 to 2027</u>
15 to 24	0
25 to 34	3
35 to 44	1
45 to 54	-1
55 to 64	-39
65 to 74	40
75 and older	<u>56</u>
Total	60

In general, the adjusted Esri forecast expects that the trends of the recent past to continue into the near-future, as existing residents of the City progress through the aging cycle. By 2027, nearly all of the large baby boom generation will be age 65 or older. These projections anticipate an increase of nearly 100 households age in the senior citizen age ranges.

Conversely, most of the non-senior age groups are projected to remain relatively stable or to decrease in size, with the exception of the 55 to 64 year old range. If accurate, these projections indicate that the City will have fewer households in the age ranges 64 years old and younger by the year 2027.

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

Based on the household by age projections presented on the previous page, the City's changing age composition through the projection period will have an impact on demand for housing.

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

***25 to 34 Years Old*** - The projections show a minor increase of three of households in this age range from 2022 to 2027. Within this age range households often move from rental to ownership housing. A small increase in the number of households within this age range indicates demand for both first-time home buyer and rental opportunities will remain relatively stable during the projection period.

***35 to 44 Years Old*** - The projections for this 10-year age cohort expect no significant change in households between 2022 and 2027. Households within this range often represent both first-time buyers and households looking for trade-up housing, selling their starter home for a more expensive house. Demand within these market segments should remain stable.

***45 to 54 Years Old*** - The projections for this age range show no real change in this range from 2022 to 2027. Households in this age group will often look for trade-up housing opportunities. Relative stability in the number of households in this age group, indicates that demand for trade-up housing will also remain stable during the projection period.

***55 to 64 Years Old*** - By 2027, this age cohort will represent much of the 'baby bust' generation that followed behind the baby boomers. This age group represents a much smaller segment of the population than the baby boom age group. The projections show a significant decrease of 39 households in this 10-year age range by the year 2027 in the City. This age range has traditionally a high rate of home ownership. A potential reduction of households in this age group may result in somewhat decreased demand for home ownership options, including trade-up housing.

**65 to 74 Years Old** - A gain of 40 households is expected by the year 2027 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 units, such as twin homes and town houses should increase from household growth within this age cohort.

**75 Years and Older** - There is a significant projected gain of 56 households in this age range between 2022 and 2027. An expansion of housing options for seniors, including high quality rental housing and senior housing with services will 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*** - Community Partners Research, Inc., household projections used for this Update expect Hot Springs to gain up to 60 households and Fall River County to add over 160 households from 2022 to 2027. Household growth in Hot Springs and Fall River County will yield demand for new housing production in Hot Springs.

***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 Hot Springs, some dilapidated housing has 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. Household growth and shifting age patterns have created demand for certain types of age-appropriate housing in Hot Springs. We have included our estimates of pent-up demand into the specific recommendations that follow later in this section.

# **Hot Springs Strengths and Barriers for Housing Development**

## **Strengths for Housing Development**

The following strengths for the City of Hot Springs were identified through statistical data, local interviews, research and on-site review of the local housing stock and from the 2016 Hot Springs Housing Study.

- ▶ **Hot Springs serves as a small regional center for the Southern Black Hills Region** - The City of Hot Springs provides employment opportunities, retail/service options, health and professional services, governmental services, recreational facilities and housing options for a geographical area that surrounds the City.
- ▶ **Educational system** - Hot Springs has an excellent public K-12 school system.
- ▶ **Health facilities** - Hot Springs has excellent health care facilities including a hospital, a medical clinic, senior with services facilities, and various alternative health care options.
- ▶ **Infrastructure** - Hot Springs' water and sewer infrastructure can accommodate future housing expansion. Most of the City's water and sewer lines have been modernized and the City has a surplus of geothermal mineral waters to serve its citizens.
- ▶ **Commercial development** - The Hot Springs' commercial district serves the Southern Black Hills region. Hot Springs has experienced an increase in commercial development over the past several years.
- ▶ **Southern Hills Economic Development Corporation** - The Southern Hills Economic Development Corporation (SHEDCO) is active in promoting economic and industrial development, job creation and housing.
- ▶ **Hot Springs Housing and Redevelopment Commission** - The Hot Springs HRC is active in promoting affordable housing options in the City and in Fall River County.
- ▶ **Employers** - Hot Springs has several large employers that provide job opportunities for local residents.
- ▶ **Population and household growth** - Community Partners Research, Inc., forecasts that Hot Springs will add people and households over the next five years.

- ▶ **Commuters** - Approximately 713 of the city-based employees in Hot Springs are commuting into the City daily for work. These commuters are a potential market for future housing construction.
- ▶ **Recent new housing construction** - Over the past several years, there has been significant housing construction in Hot Springs.
- ▶ **Fall River County tax incentives** - Fall River County provides a tax incentive for new construction or renovation/additions to rental housing structures with four or more units.
- ▶ **Desirable location of seniors and retirees** - Hot Springs is an attractive community for empty nesters and seniors as a retirement location. As providers for health, retail and commercial services, government services, housing options and many recreational opportunities, Hot Springs has amenities that are attractive for seniors as they age.
- ▶ **Black Hills recreational area** - Hot Springs is in the Black Hills, a prime, nationally known recreational and tourism area. Hot Springs also has several major attractions including the Mammoth Site and Evans Plunge.
- ▶ **Proximity to Rapid City** - Hot Springs is located approximately 57 miles from Rapid City, the area's Regional Center. Rapid City provides additional employment opportunities, retail/services options, educational opportunities, additional health care facilities and recreational opportunities.
- ▶ **Downtown/Uptown housing** - Hot Springs' downtown/uptown has additional capacity to create housing units on the upper floors of some commercial buildings.
- ▶ **Developers, builders, contractors** - Hot Springs has developers, builders and contractors available to address the demand for new housing.
- ▶ **Affordably priced housing stock** - Based on market values from 2021 residential sales, we estimate that the median priced home in Hot Springs is valued at approximately \$172,500. This existing stock, when available for sale, provides an affordable option for home ownership.

- ▶ **Available lots/land for development** - There are multiple lots available for new residential construction. Undeveloped land is also available for future subdivision and residential development. However, some of this land needs to be serviced with infrastructure and/or annexed into the City limits.
- ▶ **City leadership** - The City has leadership which has been successful in promoting industrial and commercial development, recreational opportunities, housing options and other community amenities.
- ▶ **Small town atmosphere** - Although Hot Springs is a tourism destination, Hot Springs still has the real and perceived amenities of a small town. Small town living is attractive to many households. Hot Springs residents are highly engaged in the community and volunteerism rates are high.
- ▶ **Hot Springs Downtown/Uptown Business District** - Hot Springs has a Downtown/Uptown Business District that is attractive and has character.
- ▶ **Historic Preservation** - The City of Hot Springs has a number of historic properties listed on the U.S. Department of Interior, National Park Service and the National Register of Historic Places. Also, the City has an Historic District that is listed on the National Register.
- ▶ **Climate** - The City's climate is more moderate than the surrounding region and is highly desirable.

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

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

- ▶ **Age and condition of the housing stock** - While most of Hot Springs' housing is in good or excellent condition, some of this housing is in need of improvements to meet expectations of potential buyers and renters.
- ▶ **Lower paying jobs** - Although Hot Springs has job opportunities, some jobs are at the lower end of the pay scale and employees with these jobs have limited housing choices.
- ▶ **Proximity to Rapid City** - Although it is a strength to be close to the Rapid City area, it is also a barrier as Hot Springs must compete with the Rapid City area, which offers attractive residential opportunities and other amenities and services.
- ▶ **Competition with rural lots** - The area has rural lot opportunities, which compete with available lots within the City limits of Hot Springs.
- ▶ **Infrastructure costs** - Some of the land and lots available for future development will have costs to install the infrastructure including water, sewer, streets, etc.
- ▶ **Lot rent structure** - The City's rent structure is relatively low, which makes it more difficult to construct new rental housing.

## **Recommendations, Strategies and Housing 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 Hot Springs. They are based on the following strategies.

- ▶ **Be realistic in expectations for housing development** - Large-scale residential growth has not occurred in the recent past and is not likely to occur in the near future. The scale of activities proposed for the future should be comparable with the area's potential for growth.
- ▶ **Proactive community involvement** - New home and apartment construction will more likely occur in Hot Springs if there is continued proactive support from the City, local and regional housing agencies, economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the existing housing stock** - The future of Hot Springs will be heavily dependent on the City's appeal as a residential location. The condition of the existing housing stock is a major factor in determining the City's long-term viability. The existing housing stock is in good condition and is a major asset, however, rehabilitation efforts are needed to preserve the housing stock.
- ▶ **Protect the existing assets and resources** - Hot Springs has several assets including a k-12 school, major tourism attractions, an affordable housing stock, the Downtown/Uptown Business District, recreational opportunities, health care facilities, residential lots, historic buildings, employers, etc. These are strong assets that make Hot Springs a desirable community 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** - The City has resources to draw on including the Hot Springs Housing and Redevelopment Commission, the Southern Hills Economic Development Corporation, USDA Rural Development, the South Dakota Housing Development Authority, the Western South Dakota Community Action Agency, the Pennington County Housing and Redevelopment Commission, the Black Hills Council of Governments and NeighborWorks Dakota Home Resources. These resources should continue to be accessed as needed to assist with housing activities.

## Summary of Findings/Recommendations

The findings/recommendations for the City of Hot Springs have been formulated through the analysis of the information provided in the previous sections. These findings/recommendations have divided into the following five categories and include 25 recommendations:

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

The findings/recommendations for each category are as follows:

<b>Findings and Recommendations for the City of Hot Springs</b>	
<b>Rental Housing Recommendations</b>	
1.	Develop 48 to 52 general occupancy market rate and moderate rent rental housing units
2.	Develop 18 to 22 senior independent/light services rental units
3.	Develop 10 to 12 subsidized general occupancy rental housing units with three or more bedrooms
4.	Preserve the existing supply of subsidized rental housing
5.	Need for 12 to 14 memory care beds/monitor the need for additional senior housing with services units
6.	Promote the development/conversion of 8 to 10 affordable market rate rental units
7.	Develop a Downtown/Uptown mixed-use commercial/housing project
8.	Continue to utilize the Housing Choice Voucher Program
<b>Home Ownership Recommendations</b>	
9.	Continue to utilize and promote all programs that assist with home ownership
10.	Develop a purchase/rehabilitation program

<b>Findings and Recommendations for the City of Hot Springs</b>	
<b>Single Family Housing Development</b>	
11.	Findings on lot availability and lot development
12.	Strategies to encourage continued residential lot sales and new home construction
13.	Promote twin home/town house and condominium development
14.	Coordinate with agencies/nonprofits that develop very affordable ownership housing
15.	Strategies to develop new affordable houses
<b>Housing Rehabilitation and Neighborhood Revitalization</b>	
16.	Promote rental housing rehabilitation programs
17.	Promote owner-occupied housing rehabilitation programs
18.	Develop a neighborhood revitalization program
19.	Continue to acquire and demolish dilapidated structures
20.	Consider the development a rental inspection and registration program
<b>Other Housing Initiatives</b>	
21.	Promote employer involvement in housing programs
22.	Develop mobile home park improvement programs
23.	Create a plan and a coordinated effort among housing agencies
24.	Strategies for downtown development
25.	Develop home ownership and new construction marketing programs and strategies

More detail on these recommendations is provided in the following section. Prior to the specific recommendations, a summary of some of the key growth-related findings and projections has been presented.

# **Hot Springs Rental Housing Development**

## **Rental Housing Development**

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

From 2000 to 2022, the only rental units that were constructed in Hot Springs were 24 independent living units constructed on the Michael J. Fitzmaurice State Veteran’s Home campus. These units are not available to rent by the general public. However, some single family homes have been converted from owner-occupied to rental use and vice versa during this time period.

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

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

Community Partners Research, Inc., projects that Hot Springs will gain approximately 60 households from 2022 to 2027. It is estimated that approximately 40% of these households will be rental households, thus, there will be a demand of approximately 24 additional rental units due to household growth in Hot Springs over the next five years.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that Hot Springs will lose as many as six to eight units annually over the next five years. As a result, approximately 30 to 40 additional units will be needed over the next five years to replace lost units.

In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition or conversion. In other cases, this replacement is appropriate due to the deteriorating condition of older, substandard rental housing that should be removed from the occupied stock. Rental units will also be lost due to rental units converting to owner occupancy.

Pent-up demand also exists. As part of this study, a rental survey was conducted. The survey found very high occupancy rates in general occupancy market rate units, subsidized units and senior housing with services projects. Some projects have waiting lists. Based on the high occupancy rates in existing housing, and a limited supply of rental options, we have identified pent-up demand for market rate, subsidized and senior housing with services rental units.

These three demand generators show a need for 96 to 110 rental units over the next five years. Based on the factors stated above, we recommend the development of the following new rental units over the next five years from 2023 to 2027.

▶ General Occupancy Market Rate	48-52 units
▶ Subsidized	10-12 units
▶ Affordable/Conversions	8-10 units
▶ Senior Independent/Light Services	18-22 units
▶ Senior Memory Care	<u>12-14 beds</u>
Total	96-110 units/beds

**1. Develop 48 to 52 general occupancy market rate and moderate rent rental units**

**Findings:** Many of the rental housing units in Hot Springs 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.

Hot Springs has a limited number of multi-family market rental projects, which have eight or more units. The market rate units in Hot Springs are in small rental buildings, mixed-use buildings, single family homes or mobile homes. The multi-family market rate projects are older, most of which are more than 25 years old. No market rate rental projects have been constructed over the past two decades.

In the market rate rental units we surveyed, we found no vacancies. The owners of rental properties reported very high occupancy rates and strong demand for rental housing.

There is a variation in rental rates in the market rate segment in Hot Springs. The existing rents including utilities for an efficiency unit is \$700, a range of \$800 to \$950 for one-bedroom units and a range of \$925 to \$1,000 for a two-bedroom unit.

From 2000 to 2022, with the exception of the independent living project at the State Veteran's Home, we are not aware of any market rate rental units that were constructed in Hot Springs. However, some single family homes converted from owner-occupied to rental and vice versa since 2000.

In the 2016 Hot Springs Housing Study, we recommended the construction of 30 to 36 market rate rental units in Hot Springs. No market rate rental units have been constructed since the 2016 Housing Study.

There is the development of a 26-unit general occupancy project that is in the planning phase. The project will be the renovation of an existing building. The units will be one and two-bedroom.

**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 48 to 52 market rate rental units over the next five years from 2023 to 2027.

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 would be advantageous for new units to be constructed in smaller project phases. This strategy allows the new units to be absorbed into the market.

There are two market rate rental segments in Hot Springs. 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 deferral, tax increment financing and other resources may be needed. Currently, Fall River County provides a tax incentive for the construction, renovation or addition to rental housing structures with four or more units.

The first option to developing market rate housing would be to encourage private developers to undertake the construction of market rate rental housing. Several rental property owners and developers have expressed interest in creating additional rental housing in Hot Springs.

If private developers cannot develop affordable workforce rental housing, the Hot Springs Housing and Redevelopment Commission or a regional housing agency could potentially utilize essential function bonds, or similar funding sources, to construct market rate units.

Also, the Hot Springs Housing and Redevelopment Commission or a regional housing agency could partner with private developers to construct additional units. The City could assist with land donations, tax increment financing, tax abatement, tax deferrals, reduced water and sewer hookup fees, etc.

It may also be possible to utilize Housing Choice Vouchers if some of the new units meet income requirements and the rents are at or below the Payment Standards. The Housing Voucher Payment Standards are at \$764 for a one-bedroom, \$1,006 for a two-bedroom and \$1,423 for a three-bedroom unit.

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

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	11-12	650 - 800	\$800 - \$1,000
Two Bedroom	30-32	850 - 1,100	\$900 - \$1,400
Three Bedroom	7-8	1,100 - 1,350	\$1,000 - \$1,600
Total	48-52		

**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 18 to 22 senior independent/light services market rate units**

**Findings:** The Pine Hills Retirement Community is utilizing approximately 24 of its 61 units for independent/light services rental units. These units were fully occupied at the time of the rental survey, and reported a high ongoing occupancy rate.

In 2022, there were approximately 391 households in Hot Springs and 594 households in Fall River County age 75 or older. It is projected that there will be 147 additional households age 75 and older by 2027 in Hot Springs and Fall River County.

**Recommendation:** We are recommending an 18 to 22-unit independent/senior with light services project in Hot Springs. The project should be designed to allow seniors to live in a unit independently or to rent a unit and utilize a low level of senior services such as noon meal and housekeeping.

In the 2016 Hot Springs Housing Study, we recommended the development of 12 to 14 independent/light services units. In 2022 approximately 24 apartment units in the Pine Hills Retirement Community are being utilized as independent/light services housing rather than assisted living, addressing this segment of the senior market. If additional units are developed as recommended, the light services units in Pine Hills would have the option to only serve the assisted living segment.

The project's amenities and features should include:

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

Apartment features should include:

- ▶ 18 to 22 units
  - ▶ 6 to 8 one-bedroom
  - ▶ 12 to 14 two-bedroom
- ▶ Fully equipped kitchen
- ▶ Large storage room

- ▶ Ample closet space
- ▶ Laundry hookups
- ▶ Open floor plan
- ▶ Private patio
- ▶ Individually controlled heat and AC
- ▶ Raised outlets, lever door handles, lowered kitchen cabinets
- ▶ Expansive windows

Optional services should include:

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

Tax increment financing, tax abatement, tax deferral and other subsidies and/or incentives could be utilized to make the project possible. Currently, Fall River County provides a tax incentive for the construction, renovation or addition to rental housing structures with four or more units.

It is estimated that 50% of the units will be occupied when the project opens and three to four 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.

### **3. Develop 10 to 12 subsidized general occupancy three and four-bedroom rental housing units**

**Findings:** There are six federally subsidized rental projects in Hot Springs. Combined, these projects have 276 units of subsidized housing. Four projects with 92 units are general occupancy and two projects with 184 units are senior/disabled. There is also a 24-unit subsidized senior/disabled rental project in Edgemont.

The subsidized projects are as follows:

- ▶ **The Evans** - The Evans is an 85-unit senior/disabled Section 8/Mod Rehab. There are 12 studio and 73 one-bedroom units.

- ▶ **Brookside Apartments** - Brookside Apartments is a 99-unit HUD Public Housing senior/disabled project. There are 96 one-bedroom and three two-bedroom units.
- ▶ **Rc Springs Apartments** - Rc Springs Apartments is a 40-unit USDA Rural Development general occupancy project. There are five one-bedroom units and 35 two-bedroom units.
- ▶ **Majestic View Apartments** - Majestic View Apartments is a 20-unit general occupancy HUD project. There are four one-bedroom units, 12 two-bedroom units and four three-bedroom units.
- ▶ **Lincoln Avenue Apartments** - Lincoln Avenue Apartments is an eight-unit general occupancy USDA Rural Development project. The eight units include one one-bedroom and seven two-bedroom units.
- ▶ **Mountain View Apartments** - Mountain View Apartments is a 24-unit USDA Rural Development general occupancy project. There are 14 one-bedroom and 10 two-bedroom units.
- ▶ **Hillcrest Apartments** - Hillcrest Apartments is a 24-unit USDA Rural Development senior/disabled project located in Edgemont. All 24 units have one bedroom.

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.

Of the 300 subsidized rental units in Hot Springs and Edgemont, 12 are studio, 217 are one-bedroom, 67 are two-bedroom and only four units are three-bedroom. There are no four-bedroom units.

At the time of the survey, there were only a few vacant units and these units were in the process of being filled through new applications.

In addition to the project-based subsidized housing, Hot Springs averages 10 to 20 households that are assisted with HUD Housing Choice Vouchers (formerly Section 8 Existing Program).

Despite the subsidized housing offerings in the City, there does appear to be unmet demand for rental housing for lower income people. Based on the 2020 American Community Survey, approximately 331 renter households reported that 30% or more of their income was required to pay housing costs.

This represented approximately 54% of all renters that were surveyed. At that time, nearly 56% of these households had annual incomes of less than \$25,000, and needed a very affordable unit to avoid a housing cost burden. Also, only four (1.3%) of the subsidized units in Hot Springs have three or more bedrooms.

**Recommendation:** We recommend that the City and the Hot Springs HRC look for opportunities to expand the supply of very affordable rental housing. Although the need is greater, a realistic goal would be the construction of 10 to 12 general occupancy subsidized units over the next five years with three or four-bedrooms for larger families. There are only four three-bedroom and no four-bedroom subsidized rental units in Hot Springs.

The need for additional subsidized 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.

This recommendation is a modest goal, however, over the past few decades, very few federal subsidy sources have been available for the construction of deep-subsidy rental housing. The actual number of future units developed will be dependent upon access to financial resources.

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

The Hot Springs HRC or an area housing agency such as Neighbor Works Dakota Home Resources may have the staff resources to assist the City of Hot Springs with developing a new subsidized rental project.

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

**Findings:** The City of Hot Springs has six “deep subsidy” rental housing projects that allow tenants to pay rent based on 30% of income. Most of these projects are more than 25 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.

Several of the “deep subsidy” rental housing projects in Hot Springs are 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.

**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.

Local and regional housing agencies should check with SDHDA, USDA Rural Development and/or the subsidized projects owners on an ongoing basis to determine if any subsidized housing projects are 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. Need for 12 to 14 memory care beds/monitor the need for additional senior housing with services units**

**Findings:** Hot Springs has three specialized senior housing projects, serving residents as they move through the aging cycle. The three existing senior housing with services projects are:

- ▶ **Pine Hills Retirement Community** - Pine Hills Retirement Community is a senior with services campus with capacity for 78 assisted living residents. The facility has 61 apartment units. In 2022, approximately 60% of the apartment units were occupied by residents needing a high level of care. The independent living units include one-bedroom and two-bedroom units. The facility was constructed in 2006.
- ▶ **Seven Sisters Living Center** - Seven Sisters Living Center is a skilled nursing home licensed for 59 residents in private and shared occupancy rooms.

- ▶ **Michael J. Fitzmaurice State Veteran’s Home - Skilled nursing and independent living** - The Michael J. Fitzmaurice State Veteran’s Home has recently developed a 76-bed skilled nursing facility. This facility can only serve eligible veterans/spouses that are residents of South Dakota.

We have defined Fall River County as the market area for senior housing with services in Hot Springs. 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. Based on 2022 estimates from Esri, there are 594 older senior citizens, age 75 and above, residing in Fall River County.

The projections contained in this Update anticipate growth in the number of older seniors from 2022 to 2027 in Fall River County. The age-based forecasts from Esri point to an increase of approximately 48 older senior citizens, age 75 and above, from 2022 to 2027.

Older seniors tend to represent the primary target market for specialized senior housing. There is also significant growth expected within the younger senior ranges, age 65 to 74, indicating growing demand for specialized housing after the year 2027.

**Recommendation:** Based on the research completed for this Update, we would recommend the development of 10 to 12 memory care beds. In a previous recommendation we had advanced the development of 18 to 22 independent/light services units.

**Skilled Nursing Home** - The research for this Update points to a decreasing reliance on nursing homes as a long-term residence option for older senior citizens. Over time, the nursing homes have tended to use more beds for rehab/recovery stays, or other specialized uses. There has also been a long-standing moratorium that limits expansion in most cases. No recommendations are offered for this type of specialized housing. Hot Springs has a well-established provider, Seven Sisters Living Center, licensed for 59 residents, that serves this section of the market. The facility was constructed in 2014. Currently, Seven Sisters Living Center is operating at a 95% occupancy rate. The City is also home to a State Veteran’s Home that serves statewide needs from qualified military veterans.

**Assisted Living** - The Pine Hills Retirement Community has 61 apartment units and is licensed to serve 79 residents. Currently, approximately 60% of the apartment units are occupied by residents needing assisted living care and 40% are occupied by residents that are more independent and require only limited services.

At the time of the survey, the facility was fully occupied and had a waiting list. In a previous recommendation, we are recommending the development of independent/light services units. The development of these units will open up units in Pine Hills Retirement Community to address the demand for additional assisted living units.

***Independent/Light Services*** - Currently, approximately 40% of the units in Pine Hills Retirement Community are being utilized as independent/light services units for more independent seniors that would look to have light services available with their housing. Lighter services would typically include a daily meal, weekly light house keeping and an emergency call system.

Based on the size of the older senior population residing in Fall River County, and the number of units occupied by independent/light services residents in the Pine Hills Retirement Community, we are recommending 18 to 22 independent light services units in Hot Springs. We have discussed this in a previous recommendation. It should also be noted that 24 independent/light services apartments exist in the State Veteran's Home, but once again these are available to qualified veterans statewide.

***Memory Care Housing*** - At the time of the 2016 Hot Springs Housing Study, the Pine Hills Retirement Community had 12 beds set aside for residents with memory care needs. These beds are no longer designated for memory care. The Seven Sisters Living Center does have residents with lower level memory care loss. To serve locally-generated demand and with no beds designated for memory care residents, the development of 12 to 14 memory care beds is recommended over the next five years.

## **6. Promote the development/conversion of 8 to 10 affordable market rate rental housing units**

**Findings:** The market rate rental housing recommendation addressed the market potential to develop high quality rental units in Hot Springs. Unfortunately, these units would tend to be beyond the financial capability of many area renters. A majority of Hot Springs' renter households have an annual income below \$30,000. These households would need a rental unit at \$750 per month or less.

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

**Recommendation:** We encourage the City of Hot Springs to promote the development/conversion of more affordable rental units. A goal of eight to 10 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/uptown buildings, or through the purchase and rehabilitation of existing single family homes.

There is a proposed project that includes the conversion of a vacant building into a 26-unit market rate rental project. We have included this proposed project as part of Recommendation No. 1 based on its size and rent structure.

Several of Hot Springs's downtown/uptown buildings 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 Hot Springs downtown/uptown conversions could also be used for high-end rental housing.

The estimated prevailing rent range for older rental units in Hot Springs is typically between \$400 and \$650 per month. Creating some additional units with contract rents below \$700 per month would help to expand the choices available to a majority of Hot Springs' 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. Currently, Fall River County provides a tax incentive for the construction, renovation or addition to rental housing structures with four or more units.

## **7. Develop a Downtown/Uptown Mixed-Use Commercial/Housing Project in Hot Springs**

**Findings:** The City of Hot Springs has undertaken projects in the Downtown/Uptown Business District to revitalize and to develop a more active and vibrant area. A new mixed-use rental housing/commercial project would complement these redevelopment efforts. Currently, there are several existing mixed-use buildings downtown/uptown.

New mixed-use projects have been developed in several cities comparable to the size of Hot Springs. Some of these projects were developed because of market demand, while others were developed to enhance the central business district, to introduce a new product to the market or to serve as a catalyst for redevelopment. Also, there is a demand for downtown/uptown rental housing.

**Recommendation:** We continue to recommend the development of a mixed-use building in the downtown/uptown area, which includes commercial space on the first floor and rental units on the second floor. The number of units would be based on the size of the site. Prior to construction, a portion of the commercial space should be leased to an anchor tenant that would complement existing downtown/uptown businesses and attract people to downtown/uptown.

The rental units should be primarily market rate units, but could be mixed income with some moderate income units. The units should be primarily one-bedroom and two-bedroom units.

The mixed-use building could be constructed on a vacant site or substandard buildings could be demolished to provide space for a new building.

Please note that these units are not in addition to the units recommended in the previous recommendations of this section. If a mixed use building was constructed, the number of units recommended previously should be reduced.

Ideally, a private developer would construct and own the building. The City may have a role in the project by providing tax increment financing, tax abatement, tax deferral or other local funds and land at a reduced price. Currently, Fall River County provides a tax incentive for the construction, renovation or addition to rental housing structures with four or more units.

## **8. Continue to utilize the Housing Choice Voucher Program**

**Findings:** The Housing Choice Voucher Program provides portable, tenant-based rent assistance to lower income renter households. The program requires participating households to contribute 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.

The Housing Choice Voucher Program is administered in Hot Springs and Fall River County by the Pennington County Housing and Redevelopment Commission. The Pennington County Housing and Redevelopment Commission has the ability to issue approximately 1,325 vouchers in Fall River and Pennington Counties. An average of 10 to 20 households in Hot Springs would typically utilize the Housing Choice Voucher Program. There is a two to three-month waiting list to obtain a Voucher.

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

# **Hot Springs 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 Hot Springs is estimated to be approximately \$172,500 based on 2021 existing home sales. The home values in Hot Springs provide a good opportunity for first time buyers and households seeking moderately priced homes.

Our analysis of Hot Springs demographic trends shows an increase or stable number of households in some of the traditionally strong home ownership age ranges. 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. Continue to utilize and promote all programs that assist with home ownership**

**Findings:** We believe that affordable home ownership is one of the issues facing Hot Springs 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. The City of Hot Springs has a supply of houses that are price-eligible for these assistance programs. The home value estimates used in this study indicate that a large majority of the existing stock currently is valued under the purchase price limits for the first-time home buyer assistance programs.

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

**Recommendation:** Hot Springs should continue to work with area housing agencies, NeighborWorks Dakota Home Resources, Grow South Dakota, 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 Hot Springs.

The City of Hot Springs and the Hot Springs Housing and Redevelopment Commission 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.

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

**Findings:** Hot Springs has a stock of older, lower valued homes, many of which need repairs. Our analysis of recent sales activity indicates that approximately 20% of the homes in Hot Springs are valued less than \$100,000. As some lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

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

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

**Recommendation:** We continue to recommend that the City of Hot Springs 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 Hot Springs, and rehabed and then resold the 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.

# **Hot Springs Single Family Housing Development**

## **New Housing Construction**

**Findings:** Since the 2016 Hot Springs Housing Study was completed, the City has experienced significant single family owner-occupied housing construction. According to City records, since 2017, approximately 63 single family units have been constructed in Hot Springs, for an average of 10 to 11 houses per year. These units include single family and twin home units. It is assumed that these units were primarily intended for owner-occupants, although some may be seasonal-use properties.

During the six-year period from 2017 to 2022, approximately 63 single family units were constructed, which is an average of 10 to 11 homes annually. During the seven-year period, from 2010 to 2016, approximately 20 single family units were constructed, which is an average of nearly three units per year.

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

It is our opinion that if the City of Hot Springs, SHEDCO, the Hot Springs HRC, developers and builders, and local and regional housing agencies continue to be proactive, an average of 14 to 18 single family owner-occupancy housing units could be constructed in Hot Springs annually from 2023 to 2027 to address demand. This is a total of 70 to 90 housing units over the five-year period. This projection is also based on the availability of an adequate number of buildable lots for higher-priced housing, affordable housing and attached housing, such as twin homes and town houses.

Our projection for new owner-occupied single family housing units includes homes built in new subdivisions and on infill lots, and includes single family attached housing units, such as twin homes and town houses. The breakdown of our projection of 70 to 90 new units over the next five years is as follows:

<b>Demand Projection for Owner-Occupancy Housing Construction from 2023 to 2027</b>		
Unit Type	Approximate Price Range	Projected Demand
Single Family Projected Demand		
Affordable	Less than \$325,000	20-25 units
Mid-Priced	\$325,000- \$450,000	20-25 units
Higher-Valued	More than \$450,000	30-40 units

Source: Community Partners Research, Inc.

We have defined **affordable homes** as single family units that would typically sell for less than \$325,000. 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 \$325,000, assistance may be needed such as land at a reduced price, tax increment financing, tax abatement, tax deferments, etc. Also, financial assistance may be needed from state agencies.

Additionally, affordable homes may be constructed by organizations like Habitat for Humanity or Neighbor Works Dakota Home Resources. 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 houses.

We have defined **mid-priced homes** within a price range of \$325,000 to \$450,000. This price can generally be achieved by private housing developers. Hot Springs has traditionally had active construction activity occurring within this price range. The higher end of the price range represents a portion of the trade-up housing market. Also, some of the homes at the lower end of this price range may include twin homes and town houses.

We have defined **higher-valued homes** as those priced above \$450,000. Once again, the private housing market has been successful at serving this segment of the market in Hot Springs. 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. Also, households will continue to move to Hot Springs and construct retirement homes. There is also a seasonal home market that may construct homes in Hot Springs.

## **11. Lot availability and lot development**

**Findings:** As part of this Update, we attempted to identify the inventory of residential lots available for single family owner-occupancy housing construction in the City of Hot Springs. This includes lots for single family homes and for twin homes/town houses. Currently, there are as many as 180 vacant parcels in the Boulder Hills Subdivision. However, no information is available on whether or not all of these parcels have infrastructure improvements and are actually available for purchase and suitable for residential construction. The vacant parcels in Boulder Hills have multiple owners.

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 dilapidated homes in the City. If these homes are demolished, some of the cleared lots may be sites for new construction. Additionally, there is land for future lot development adjacent to the Fall River Hospital.

There are additional building sites in proximity to Hot Springs, but not within the city limits.

**Recommendation:** With the significant number of vacant parcels in the Boulder Hills Subdivision, it appears that there is an adequate number of lots to address the demand for a portion of the medium-priced and higher-valued homes over the next five years. However, the vacant residential lots in Boulder Hills should be inventoried to determine how many of the existing vacant lots are for sale. It should also be determined how many lots are designated for single family homes versus twin homes. The lots in the Boulder Hills Subdivision have multiple owners, which makes it difficult to determine their availability.

While lots are available in Boulder Hills, a need has been identified for residential lots that address the demand for affordable and mid-priced homes. Therefore, we are recommending the development of approximately 60 to 80 additional residential lots in Hot Springs over the next five years.

The development of these lots will address the demand for affordable and mid-priced homes over the five-year projection period as well as provide lots for several years after the projection period. The demand for lots should continually be monitored based on the actual construction of homes. There is a potential site for subdivision/lot development adjacent to the Fall River Hospital. It is estimated that the site could accommodate 120 to 130 lots.

Future lots/subdivision development should include the following:

- ▶ It may be advantageous to develop the lots in phases based on demand.
- ▶ The lots must be as aesthetically acceptable as possible and include high quality amenities.
- ▶ The subdivision(s) should have covenants that assure high quality development. However, the covenants should not be so restrictive that they eliminate the target market's ability to construct a home.
- ▶ The subdivision(s) should accommodate a variety of home designs and home prices. However, the current lot demand is for affordable and mid-priced homes.
- ▶ To be successful, the homes must be available to households with as wide an income range as possible.
- ▶ Successful subdivisions will need the cooperation of housing agencies, financial institutions, developers, builders, realtors, funding agencies, employers, the Southern Hills Economic Development Corporation and the City. Financial assistance such as tax increment financing, tax deferral, and state and federal funding may be necessary to make the development of lots feasible.
- ▶ Some lots should be available for twin home/town home development.
- ▶ The development process should be as user-friendly and streamlined as possible.
- ▶ The subdivision(s) and lots should expand the market by providing attractive, affordable options.

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

**Findings:** Over the past six years, from 2017 to 2022, an average of 10 to 11 single family units have been constructed annually in the City.

**Recommendation:** We continue to recommend that the City of Hot Springs, SHEDCO, the Hot Springs 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:

- ▶ ***Continue the momentum*** - A substantial number of housing units have been constructed annually in Hot Springs over the past several years. The City and housing stakeholders have established momentum within this housing segment.
- ▶ ***Lot Inventory*** - The City and lot owners should develop a lot inventory which provides lot buyers with the options that are available to them.
- ▶ ***Competitive pricing*** - There are lots available in communities throughout the region. To attract new home construction in Hot Springs, lots should be competitively priced with other options in the area.
- ▶ ***User-Friendly*** - 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 Hot Springs and Hot Springs 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. Currently, Fall River County provides a tax incentive for the construction, renovation or addition to rental housing structures with four or more units.
- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a continued demand for twin homes/town homes over the next five years. Lots should continue to be available for a twin home/town home development.
- ▶ ***Generate initial activity*** - To stimulate new construction, proactive efforts, such as the sale of some lots at discounted prices, the reduction of hookup fees and permit fees or other incentives should be provided if the buyer agrees to build a home of a certain quality and style within a specified time frame. This will help create momentum for more houses to be built.
- ▶ ***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 Hot Springs and all housing stakeholders will need to develop a comprehensive marketing strategy to sell available lots. Developers, realtors, financial institutions, builders, employers, etc. should all be involved in developing marketing strategies. In addition to marketing the lots, the City of Hot Springs and its amenities should continue to be marketed.

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

**Findings:** Hot Springs has experienced some attached housing development from 2017 to 2022. Many communities over the past two decades have seen attached housing take an increasingly large share of new construction. In cities the size of Hot Springs, 20% to 25% of the housing starts are typically twin homes/town homes. From 2017 to 2022, twin home/town home construction for home ownership in Hot Springs has represented nearly 29% of single family owner-occupied housing construction in Hot Springs.

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 2022, based on Esri estimates, there were approximately 1,422 households in Fall River County with households age 65 and older and it is estimated that the 65 and older age ranges will increase by 227 households from 2022 to 2027.

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

**Recommendation:** It is our projection that approximately four new owner-occupancy single family units per year should be twin homes or town houses over the next five years, which is a total of 20 units during the five-year period.

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

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

The 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. 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 Habitat for Humanity and NeighborWorks Dakota Home Resources. These sources can help generate new homes for moderate income families in Hot Springs. NeighborWorks Dakota Home Resources has recently moved four governors homes on an in-fill parcel in Hot Springs.

**Recommendation:** We recommend that the City, SHEDCO and the Hot Springs HRC continue to 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.

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

**Findings:** It is difficult to develop homes that are considered affordable 'under \$325,000.' 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 20 to 25 affordable homes in Hot Springs from 2023 to 2027. To accomplish this, the City of Hot Springs 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:

- ▶ **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.' NeighborWorks Dakota Home Resources has recently moved four governors homes into a Hot Springs neighborhood.
- ▶ **Modular Homes and modular home subdivisions** - Modular homes provide affordable housing opportunities for low and moderate income households. Additional lots for modular homes would expand affordable ownership opportunities.

- ▶ **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 were developed in Brookings using smaller lots, more narrow streets, and in some cases, houses are 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 USDA Rural Development mortgage programs.

# **Hot Springs Housing Rehabilitation and Neighborhood Revitalization**

## **Housing Rehabilitation and Neighborhood Revitalization**

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

It is our opinion that Hot Springs 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 Hot Springs 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.

### **16. Promote rental housing rehabilitation**

**Findings:** Based on the U.S. Census data, the City of Hot Springs had approximately 786 rental units in 2010. The 2020 Census has not yet released data on the number of rental units in Hot Springs. The rental buildings are in multi-family projects, small rental buildings, duplexes, single family homes, mobile homes and mixed-use buildings. Many of these rental structures could benefit from rehabilitation as a significant number of these rental structures are more than 40 years old and some rental units may be in poor condition. Hot Springs has approximately 519 rental units more than 40 years old, which is approximately 66% of Hot Springs' total rental housing stock.

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

**Recommendation:** We continue to recommend that the City of Hot Springs work with housing agencies to seek funds to develop rental rehabilitation programs that provide design flexibility. Design flexibility makes rental rehabilitation programs 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. Currently, Fall River County provides a tax incentive for the renovation or addition to rental housing structures with four or more units.

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

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

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

It is estimated that approximately 55% of the owner-occupancy homes in Hot Springs are more than 60 years old. Some of these units need rehabilitation.

**Recommendation:** We continue to recommend that the City of Hot Springs 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 Hot Springs households to utilize these housing rehabilitation programs. Also, the Western South Dakota Community Action Agency provides Weatherization funds for Hot Springs and Fall River County.

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

**Findings:** The City of Hot Springs has several neighborhoods that are on the bubble. These neighborhoods have a significant 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 Hot Springs, 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.

## **19. Continue to acquire and demolish dilapidated structures**

**Findings:** There are single family homes in Hot Springs that are dilapidated and viewed as too deteriorated to rehabilitate. There are also single family homes in Hot Spring that need major repair and several of these homes may be too dilapidated to rehabilitate.

Currently, the City of Hot Springs requires owners of vacant houses to register the houses annually. Some of the vacant homes may be dilapidated and beyond repair.

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

The City could develop partnerships with the private sector and housing agencies to construct new housing on cleared parcels. Tax increment financing, tax abatement, tax deferments, SDHDA funds 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.

## **20. 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. Hot Springs has approximately 786 rental units, 66% of which are more than 40 years old. Some of these units are in poor condition and need rehabilitation. There are also a number of single family homes that have converted from owner-occupied to rentals. Neighborhood deterioration, lower property values and unsafe rental units are often prevented when a Rental Housing Inspection and Registration program is successfully 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 Hot Springs is more than 40 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 Hot Springs' 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 units and 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**

- ▶ Hot Springs has a significant number of rental property owners. Many of these rental property owners do an excellent job; however, some absentee rental property 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 Hot Springs comply with housing laws and codes. The Program assures that Hot Springs rental units are safe and sanitary, thus, removing blighted and unsafe conditions.

# **Hot Springs Other Housing Initiatives**

## **Other Housing Initiatives**

### **21. Promote employer involvement in housing programs**

**Findings:** The City of Hot Springs 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.

**Recommendation:** We continue to recommend an ongoing effort to involve employers as partners in addressing Hot Springs' 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 trails, parks, ballfields, etc., that directly have a positive impact on Hot Springs.

### **22. Develop mobile home park improvement programs**

**Findings:** Hot Springs has a significant number of mobile homes in multiple mobile home parks. Based on the best available data, as many as 8% of the housing units in the City are mobile homes. A significant number of mobile/manufactured homes are in need of repairs or are dilapidated and beyond repair.

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

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

It may be appropriate for the community to initiate programs to improve the quality of mobile homes, even if these programs can only address a few units per year.

Some of the innovative programs that have been used in other communities to address mobile home conditions and mobile home park issues include:

- ▶ ***Operation Safe Mobile Home Park*** - Owners of substandard mobile homes are given the option of voluntarily selling their substandard mobile home to the City or an area housing agency for a fixed minimum price. The mobile homes are then removed from the park and demolished/salvaged. The owner can then use the funds from the sale to help purchase a new home. Mobile home dealerships have sometimes participated by buying the salvaged homes.
- ▶ ***Time of Sale/Rent Inspection Program*** - This inspection program is designed to provide safe living conditions through the identification and elimination of basic life/safety hazards in older mobile homes. Mobile homes are subject to inspection prior to their sale/rent. All identified safety hazards must be corrected before the unit is sold, rented or occupied. Currently, the City's building official inspects mobile homes prior to allowing the mobile homes to locate in Hot Springs.
- ▶ ***Cooperative/Land Trust*** - Some mobile home parks have created a cooperative or a land trust which enables the home owners to own the mobile home park land and facilities. This ownership often creates pride which results in a clean, safe park atmosphere.
- ▶ ***Acquisition of the Mobile Home Park*** - In some mobile home parks, a number of the mobile homes may be substandard or vacant, and the park may be on land that has a better use. In these situations, it may be advantageous to purchase the park and relocate the remaining tenants.

- ▶ ***Age of mobile/manufactured homes*** - Some cities have adopted regulations that mobile/manufactured homes older than a designated age cannot be moved into the City and mobile/manufactured homes that are not new must be inspected prior to being moved into the City. While the City does not have age limits in place, mobile homes are inspected by the Building Official.

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

**Findings:** The City of Hot Springs will continue to need staff resources in addition to existing City, Hot Springs HRC and SHEDCO staff to plan and implement many of the housing recommendations advanced in this Update.

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

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

It will also be important for Hot Springs 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/Uptown Redevelopment**

**Findings:** Downtown/uptown Hot Springs 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 redevelop downtown/uptown, to maximize the usage of downtown/uptown buildings, to promote new downtown/uptown businesses and to identify and implement upper floor renovations/conversions for housing.

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/uptown Hot Springs:

- ▶ Interview downtown/uptown property owners to develop a database and to determine their future plans (expanding, selling, renovations, etc.)
- ▶ Develop an overall plan for downtown/uptown (potential new businesses, address parking needs, develop an overall theme, art and cultural opportunities, etc.)
- ▶ Develop a mini-plan for each downtown/uptown property and each downtown/uptown block. This may include:
  - ▶ Commercial building rehab and renovations
  - ▶ Facade work
  - ▶ Upper floor rental unit conversions or rehab
  - ▶ Building demolition
  - ▶ New construction
  - ▶ Recruiting new businesses
- ▶ Identify funding sources
  - ▶ Property owner funds
  - ▶ City funds
  - ▶ Hot Springs' HRC funds
  - ▶ Federal Home Loan Bank
  - ▶ Historic tax credits

- ▶ Historic preservation funds
  - ▶ Special tax districts
  - ▶ Tax increment financing
  - ▶ Tax abatement
  - ▶ Funds from South Dakota State Agencies
- ▶ Work with stakeholders to identify roles, to secure funding, to develop and implement programs and projects
- ▶ Property owners
  - ▶ City of Hot Springs
  - ▶ SHEDCO
  - ▶ Hot Springs Chamber of Commerce
  - ▶ Hot Springs HRC

## **25. Develop home ownership and new construction marketing programs and strategies**

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

The City of Hot Springs, SHEDCO, the Hot Springs HRC, the Chamber of Commerce and private builders and developers have been active in promoting the City, including housing opportunities.

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

- ▶ Determine the City's strengths and competitive advantages and heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including social media, TV, radio, print, etc.)
- ▶ Work closely with employers (Hot Springs and the area) to provide employees (especially new employees) with housing opportunities in Hot Springs

- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling and other housing programs
- ▶ Work with builders and developers to make sure the construction of a new home is a very user friendly process
- ▶ Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the City a “full service” community
- ▶ 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 housing 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 area housing agencies.

## **Agencies and Resources**

The following regional and state agencies administer programs or provide funds for housing programs and projects in Hot Springs and Fall River 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 E. 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

### **Pennington County Housing and Redevelopment Commission**

1805 W. Fulton St., Suite 101

Rapid City, SD 57702

(605) 394-5350