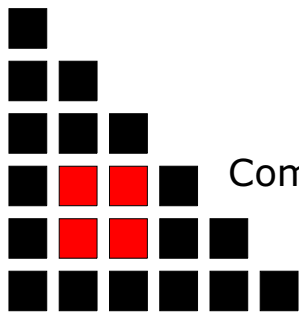


# Salem HOUSING STUDY UPDATE

April 2023

An updated analysis of the overall housing needs  
of the City of Salem, SD



Community Partners Research, Inc.  
Faribault, MN

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## Introduction

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

Community Partners Research, Inc., was hired by the City of Salem in 2017 to conduct a study of the housing needs and conditions in the community. In 2022, an Update to the previous Housing 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 housing recommendations and findings

### Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from December 2022 to February 2023. 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
- Records and data maintained by McCook County
- Interviews with City officials, community leaders, housing stakeholders, etc.

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

## **Limitations**

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

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 Salem, McCook County and the Sioux Falls MSA.

At the time that research was completed for this Study, the Census Bureau had released initial information from the 2020 decennial Census. However, some of the more detailed tables on demographic and housing characteristics are not scheduled for release until May 2023.

The global pandemic had not only impacted the Census release schedule, but it also affected the data collection in 2020. As a result, there are some questions about the accuracy of 2020 Census data, but in the opinion of the analysts it still represents the best demographic information available.

With the absence of some data from the 2020 Census, this Update has proceeded with the best available estimates from secondary sources, including the Census Bureau's American Community Survey, an annual sampling of households. However, because the American Survey is an estimate, based on sampling data, there is a margin of error that exists for each estimate.

The American Community Survey estimates used for this Update have an effective date in 2021. The estimates were derived from five-year sampling, obtained between 2017 and 2021.

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

Prior to using AGS, the State had used Esri, Inc., for community profiles. The analysts have also utilized estimates and projections from Esri.

Both AGS and Esri produced their estimates and projections after the release of the 2020 Census, and the information is generally consistent with Census totals. Both of these private data reporting services are widely used by financial and government entities.

## 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
Salem	1,289	1,371	6.4%	1,347	-1.8%	1,325
McCook County	5,688	5,832	2.5%	5,618	-3.7%	5,682

Source: U.S. Census

- ▶ The release of population totals from the 2020 U.S. Census has established a new benchmark for the number of people residing in each jurisdiction. The Census total has an effective date of April 1, 2020.
- ▶ In 2020, the population for the City of Salem was 1,325 people. When compared back to the 2010 Census, the City had lost 22 permanent residents, for a population decrease of 1.6%.
- ▶ The most recent decade represented a continued pattern of minor population loss as Salem also experienced a decreased population between 2000 and 2010. Salem did add residents in the 1990s, but the losses over the next two decades largely erased these past gains. Over the entire 30-year time period from 1990 to 2020, the City added only 36 residents.
- ▶ In 2020, the population level for all of McCook County was 5,682, up by 54 people from 2010. The Countywide population growth occurred despite the reduced population in Salem.
- ▶ McCook County had lost residents between 2000 and 2010, but added population in the 1990s and after 2010. Over the entire 30-year period from 1990 to 2020, McCook County’s population has decreased by six people.
- ▶ It is important to note that McCook County is part of the Sioux Falls Metropolitan Statistical Area (MSA) that also includes Minnehaha, Lincoln and Turner Counties. However, in 2020 McCook County represented less than 2.1% of the MSA’s population total.

- ▶ There are more recent population estimates available from both Applied Geographic Solutions (AGS) and Esri. Both sources provide estimates for 2022 and they were issued after the release of any 2020 Census data.
- ▶ AGS, the data source utilized by the Governor’s Office of Economic Development, estimates that the City of Salem had 1,342 permanent residents in 2022. This estimate was slightly above the 2020 Census count of 1,325 people, with a two-year difference in the effective date.
- ▶ The 2022 estimate from Esri for the City of Salem showed 1,355 residents, above the 2020 Census count of 1,325 people, with a two-year difference in the effective date.
- ▶ The AGS estimate for McCook County showed 5,749 residents in 2022, compared to 5,682 counted by the 2020 Census. With the probability that the County experienced some further population growth between 2020 and 2022, this estimate appears to be relatively accurate.
- ▶ The Esri estimate for McCook County showed 5,691 residents in 2022, only slightly above the 2020 Census count of 5,682 people.

### **Population Characteristics**

- ▶ Salem’s population is primarily White and non-Hispanic/Latino. At the time of the 2020 Census, approximately 92% of the City’s residents were identified White for race. The next largest racial group was “two or more races”, which represented 4.8% of the City’s residents.
- ▶ Fewer than 5% of Salem’s residents were of Hispanic/Latino ethnic origin according to the 2020 Census.
- ▶ The 2020 Census counted 31 people in Salem living in group quarters housing. All of these people were living in a nursing home.

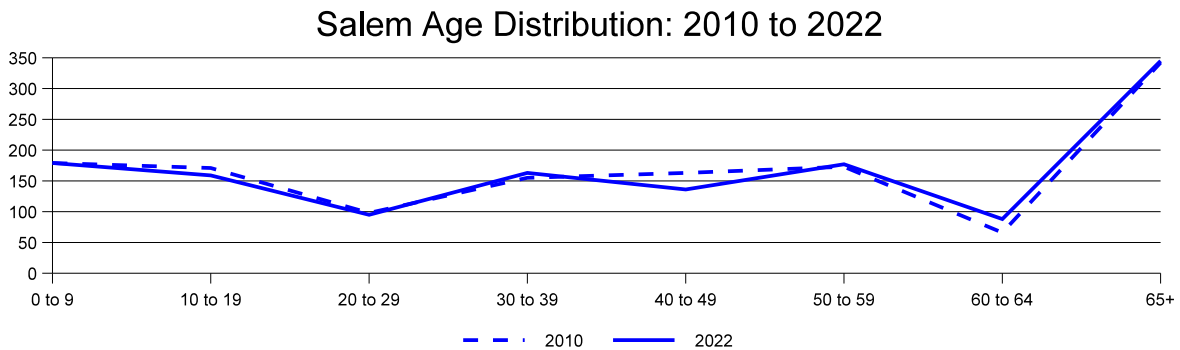


## Population by Age Trends: 2010 to 2022

Age-based population estimates are available from Applied Geographic Solutions. These estimates can be compared to the 2010 Census examine the area’s changing age patterns over time. This information is for Salem.

<b>Table 2 Salem Population by Age - 2010 to 2022</b>			
Age	2010 Census	2022 AGS	Change
0-9	179	179	0
10-19	171	159	-12
20-29	98	95	-3
30-39	155	163	8
40-49	163	136	-27
50-59	173	177	4
60-64	66	88	22
65+	342	345	3
<b>Total</b>	<b>1,347</b>	<b>1,342</b>	<b>-5</b>

Source: U.S. Census; AGS



- ▶ The age-based estimates from AGS show limited changes in most of the defined age ranges, with an increase or decrease of fewer than 10 people between 2010 and 2022.
- ▶ The largest numeric increase occurred within the near-senior age group between 60 and 64 years old. This 5-year age range is estimated to have added 22 people between 2010 and 2022. The largest decreases occurred within the 40 to 49 year old group, which lost 27 people, and the 10 to 19 year old group, which decreased by 12 people.

## Population Projections from AGS/Esri

Population projections are available from both Applied Geographic Solutions and Esri. The base-year estimates for 2022 from these sources have been provided, along with projections to 2027. The 2020 Census totals are also presented for comparison.

<b>Table 3 Population Projections Through 2027</b>				
	2020 Census	2022 Estimate	2027 Projection	Change
Salem - AGS	1,325	1,342	1,358	16
Salem - Esri	1,325	1,355	1,394	39
McCook County - AGS	5,682	5,749	5,766	17
McCook County - Esri	5,682	5,691	5,706	15

Source: U.S. Census; AGS; Esri

- ▶ Applied Geographic Solutions is projecting some population growth in Salem with the expected addition of 16 people over the 5-year time period, or an annual average of approximately three people per year. While growth at this level would be greater than recorded by the City over the prior decade, it is viewed as an achievable forecast.
- ▶ Esri is projecting a higher level of population growth for Salem, with the expected addition of 39 residents between 2022 and 2027. While growth at this level would be greater than recorded by the City over the prior decade, it is viewed as an achievable forecast.
- ▶ Applied Geographic Solutions is projecting minor population growth in McCook County, with the expected addition of 17 people between 2022 and 2027. Most of this Countywide growth would be due to the expected increase in Salem.
- ▶ Esri has a very similar forecast for McCook County, with the expected addition of 15 residents over the 5-year projection period. Excluding Salem, the Esri forecast showed a decreased population level in the remainder of the County.

## 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
Salem	532	588	10.5%	567	-3.6%	559
McCook Co.	2,145	2,204	2.8%	2,168	-1.6%	2,159

Source: U.S. Census

- ▶ According to the 2020 Census, Salem had 559 permanent resident households in 2020, down by eight households from 2010, or -1.4%.
- ▶ Salem had also experienced a minor loss of households between 2000 and 2010. Despite fairly strong growth in the 1990s, Salem added only 27 households in the 30-year time period between 1990 and 2020.
- ▶ McCook County had 2,159 households in 2020, down by nine households from 2010.
- ▶ McCook County added households in the 1990s, but then has had a minor loss of households in the following two decades. With the reduction since 2000, the actual numeric increase over the past 30 years has been very limited.
- ▶ Household estimates for 2022 are available from Applied Geographic Solutions and Esri.
- ▶ According to AGS there were 558 households in Salem in 2022, nearly identical to the Census count of 559 households in 2020.
- ▶ According to Esri, there were 577 households in the City in 2022, higher than the 2020 Census count of 559 households. If accurate, this estimate shows that the City has been growing over the past two years.
- ▶ The AGS estimate for McCook County showed 2,189 households in 2022 compared to the Census count of 2,159 households in 2020. Based on this estimate, the County added 30 households between 2020 and 2022.
- ▶ According to Esri, there were 2,155 households in the County, nearly identical to the 2020 Census count.

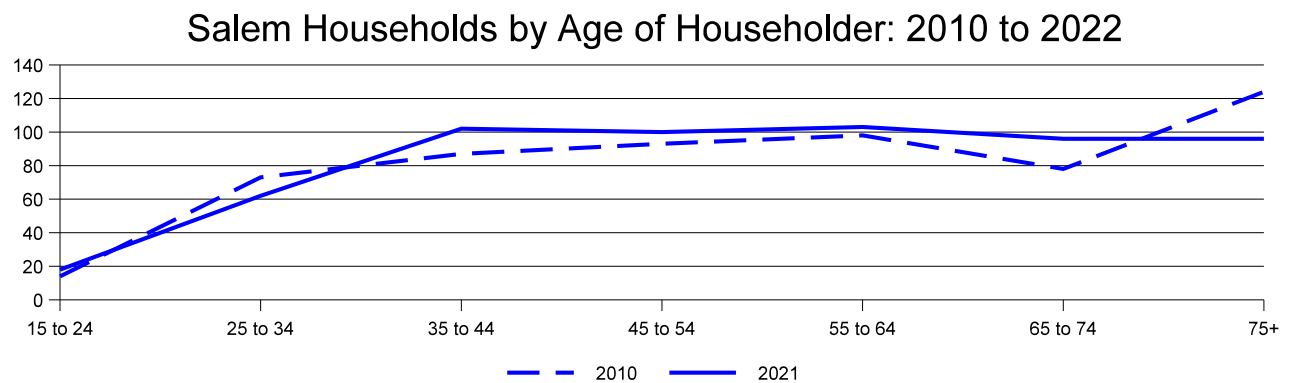
## Household by Age Trends: 2010 to 2022

Esri provides age-based household estimates for the year 2022 which can be compared to the 2010 Census to track aging patterns. This information is for the City of Salem.

<b>Table 5 Salem Households by Age - 2010 to 2022</b>			
Age	2010 Census	2022 Esri	Change
Under 25	14	18	4
25-34	73	62	-11
35-44	87	102	15
45-54	93	100	7
55-64	98	103	5
65-74	78	96	18
75+	124	96	-28
Total	567	577	10

Source: U.S. Census; Esri

- ▶ As estimated by Esri, the City of Salem added 10 households between 2010 and 2022.



- ▶ The largest increases in the number of households in Salem were within the 65 to 74 year old range, which added an estimated 18 households between 2010 and 2022, and within the 35 to 44 year old range, which added an estimated 15 households.

- ▶ According to Esri, only two of the defined age groups decreased in size, with 28 fewer households in the older senior range age 75 and older, and 11 fewer households in the 25 to 34 year old range.
- ▶ Despite the relatively strong growth among younger senior households, age 65 to 74, there were large losses estimated among older seniors. As a result, there was an overall decrease of senior-headed households in Salem according to Esri.
- ▶ If all of the non-senior age groups are combined, Salem had an estimated increase of 20 households age 64 and younger between 2010 and 2020.

## Average Household Size

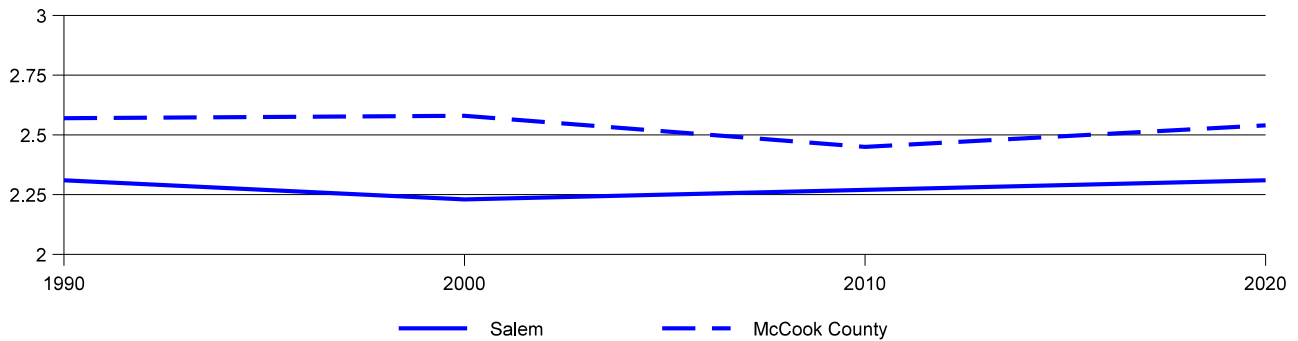
The following table provides decennial Census information on average household size.

In most communities, 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
Salem	2.31	2.23	2.27	2.31
McCook County	2.57	2.58	2.45	2.54
South Dakota	2.59	2.50	2.42	2.44

Source: U.S. Census

Average Household Size: 1990 to 2020



- ▶ Salem has generally moved in the opposite direction of larger regional trends and has had an increase in the average household size since the year 2000. The City’s average, of 2.31 persons per household in 2020, was up from 2.27 persons in 2010, and 2.23 persons in 2000. However, the City’s average has remained lower than the comparable County and Statewide averages for the past 30 years.
- ▶ The average household size for McCook County had decreased between 1990 and 2010, but then increased between 2010 and 2020. The County’s average of 2.54 persons per household in 2020 was larger than the Statewide average for all of South Dakota.

## Household Projections from AGS/Esri

Household projections are available to the year 2027 from Applied Geographic Solutions and Esri. The base-year estimate for 2022 from each source has also been provided to track the expected change in households over the 5-year time period. The 2020 Census count is provided for comparison.

<b>Table 7 Household Projections Through 2027</b>				
	2020 Census	2022 Estimate	2027 Projection	Change
Salem - AGS	559	558	545	-13
Salem - Esri	559	577	592	15
McCook County - AGS	2,159	2,189	2,143	-46
McCook County - Esri	2,159	2,155	2,149	-6

Source: U.S. Census; AGS; Esri

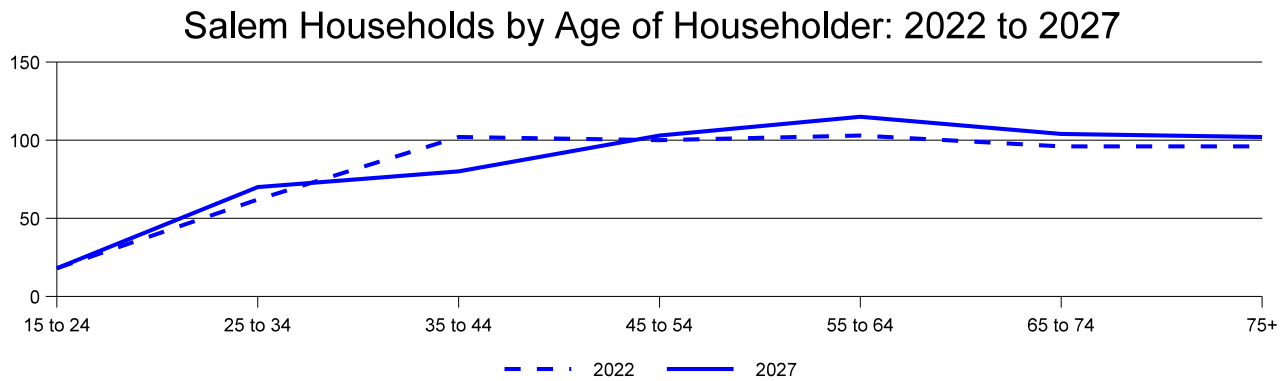
- ▶ Applied Geographic Solutions is projecting the loss of 13 households in Salem between 2022 and 2027. If viewed as an annual average, this would yield approximately two to three fewer households per year. While this expected loss is somewhat consistent with the pattern present between 2010 and 2020 in Salem, in the opinion of the analysts the City does have some growth potential going forward.
- ▶ Esri is projecting that Salem will add 15 households over the 5-year time period between 2022 and 2027. While this modest forecast would show an average annual increase of only three households per year, it would represent a change of patterns for the City when compared to the prior two decades.
- ▶ Applied Geographic Solutions believes that McCook County will lose 46 households between 2022 and 2027, with most of this reduction occurring outside of Salem. In the opinion of the analysts, this Countywide forecast is very conservative, as the County also has some growth potential going forward, especially with the large-scale growth that would be expected for the Sioux Falls MSA.
- ▶ Esri is projecting relative stability for McCook County between 2022 and 2027 with a projected reduction of only six households over the 5-year time period. However, since Esri is forecasting some growth in Salem, the remainder of the County is expected to see a decrease of households during this time.

## Salem Household by Age Projections: 2022 to 2027

Esri has also created age-based household projections for 2027 which can be compared to their 2022 estimates to examine anticipated changes over the next five years.

<b>Table 8 Salem Projected Households by Age - 2022 to 2027</b>			
Age Range	2022 Estimate	2027 Projection	Change
24 and younger	18	18	0
25-34	62	70	8
35-44	102	80	-22
45-54	100	103	3
55-64	103	115	12
65-74	96	104	8
75 and older	96	102	6
Total	577	592	15

Source: Esri, Inc.



- ▶ The age-based projections from Esri show a change of fewer than 10 households in most of the defined age ranges. In broader terms, Esri is projecting an overall increase in older adult households, with a projected increase of 26 households age 55 and older, but a projected net decrease of 11 households age 54 and younger between 2022 and 2027.
- ▶ The largest numeric increase is expected in the 55 to 64 year old range, with an increase of 12 households. The largest decrease is projected in the 35 to 44 year old group, with a reduction of 22 households by 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 2021 estimates have been presented, along with the 2010 Census data for comparison.

<b>Table 9 Households by Tenure - 2010 and 2021</b>				
	2010 Census		2021 ACS	
	Percent Owned	Percent Rented	Percent Owned	Percent Rented
Salem	73.4%	26.6%	75.5%	24.5%
McCook County	79.1%	20.9%	80.9%	19.1%

Source: U.S. Census; ACS

- ▶ According to the American Community Survey, the home ownership tenure rate in Salem has been increasing, with an estimated 75.5% of all households owning their housing in 2021 compared to 73.4% of all households in 2010. As will be discussed later in this document, no multifamily rental housing has been built in many years while some traditional single family homes have been constructed and presumably used as owner-occupancy housing.
- ▶ The American Community Survey estimated that the home ownership rate in all of McCook County has also been increasing, and was above 80% in 2021. The County has a very high rate of owner-occupancy housing.
- ▶ Updated housing occupancy tenure data from the 2020 Census will become available in May 2023.

## Median Income Data

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

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

<b>Table 10 Median Household Income - 2010 to 2021</b>			
	2010 Median	2021 Median	% Change
Households			
Salem	\$39,028	\$65,820	68.6%
McCook County	\$42,022	\$72,063	71.5%
South Dakota	\$46,369	\$63,920	37.9%
Families			
Salem	\$57,679	\$79,063	37.1%
McCook County	\$57,287	\$84,417	47.4%
South Dakota	\$58,958	\$81,756	38.7%

Source: ACS

- ▶ According to the American Community Survey, the median household income in Salem had increased very rapidly between 2010 and 2021. The City's median, at \$65,820 had moved higher than the comparable Statewide household median by 2021. The median household income for all of McCook County was well above the Statewide median.
- ▶ The median family income for Salem was estimated at \$79,063 in 2021, up by more than 37% from 2010. The City's percentage increase in the median family income was below the comparable increases for the County and the State. Although the median family income for Salem was below the Statewide median, the family median for all of McCook County was above the median for South Dakota.
- ▶ Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, the median incomes in Salem yield an amount of \$1,646 for households and \$1,977 for families at the medians that could be applied to monthly costs for ownership or rental housing in 2021.

## Salem Household Income Distribution

The American Community Survey provides income data by owner and renter status. For Salem, the 2021 American Community Survey estimated that there were 493 total households compared to the 2020 Census count of 559 households. As a result of the under estimate, only the percentage distributions have been presented.

<b>Table 11 Salem Household Income Distribution - 2021</b>			
Household Income	Percentage of Owner Households	Percentage of Renter Households	Total
\$0 - \$14,999	4.8%	4.1%	4.7%
\$15,000 - \$24,999	7.0%	7.4%	7.1%
\$25,000 - \$34,999	8.6%	16.5%	10.5%
\$35,000 - \$49,999	9.7%	21.5%	12.6%
\$50,000 - \$74,999	23.7%	22.3%	23.3%
\$75,000 - \$99,999	21.5%	5.8%	17.6%
\$100,000+	24.7%	22.3%	24.1%
Total	100%	100%	100%

Source: ACS

- ▶ Household income and housing tenure are often linked for most households, with home owners generally having higher annual income levels, and renters having lower incomes.
- ▶ In 2021, nearly 50% of renter households in Salem had an annual income below \$50,000. The estimated median income level for all renter households was \$52,656. The estimated median income for renter households in Salem was relatively high when compared to other small communities in South Dakota.
- ▶ Most owner households had a higher income level. Nearly 70% of owner households had an annual income of \$50,000 or more in 2021. The estimated median household income for home owners was \$68,462.
- ▶ It is important to note that a margin of error applies to all American Community Survey estimates and in a small community only a limited number of households surveyed each year.

## Estimated Income and Housing Costs - Renters

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

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 - 2021</b>	
Percent of Income for Housing	Percent of Renter Households
Less than 20%	24.0%
20% to 29.9%	27.3%
30% to 34.9%	2.5%
35% or more	16.5%
Not Computed	29.8%
Total	100%

Source: American Community Survey

- ▶ According to the 2021 American Community Survey, most renter households in Salem had an affordable rent. More than 51% of all renters in the City were paying less than 30% of their income for rent.
- ▶ Approximately 19% of all renter households were paying 30% or more and had a cost burden in 2021. Most of these households were applying 35% or more of their income and had a severe cost burden.
- ▶ No housing cost estimates were provided for nearly 30% of all renter households in Salem in 2021.
- ▶ While a housing cost could be caused by high housing costs, in Salem it was primarily due to lower income levels. Nearly all of the City’s renter households with a cost burden had an annual income below \$35,000 in 2021.

## Estimated Income and Housing Costs - Owners

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

<b>Table 13 Salem Ownership Costs as a Percentage of Income - 2021</b>	
Percentage of Household Income for Housing Costs	Percent of All Owner Households
0% to 19.9%	66.9%
20% to 29.9%	19.6%
30% or more	12.9%
Not Computed	0.5%
Total	100%

Source: ACS

- ▶ Nearly 87% of owner-occupants in Salem, which would include households with and without a mortgage, reported paying less than 30% of their income for housing in 2021.
- ▶ Fewer than 13% of all home owners reported that they paid more than 30% of their income for housing.

## Salem Building Permit Trends

The following table identifies the units constructed from 2010 to 2022 based on building permit issuance.

<b>Table 14 Salem Housing Unit Construction Activity: 2010 to 2022</b>			
Year	Single Family	Two or More Units	Total Units Constructed
2022	1	0	1
2021	0	0	0
2020	2	0	2
2019	0	2	2
2018	0	2	2
2017	1	2	3
2016	1	0	1
2015	0	0	0
2014	1	2	3
2013	0	0	0
2012	1	0	1
2011	0	0	0
2010	2	0	2
Total	9	8	17

Source: City of Salem; Census Bureau

- ▶ According to Census Bureau records, there were 17 new housing units constructed in Salem between 2010 and 2022.
- ▶ Nine of the permitted units were in traditional single family houses and eight units were in twin home/duplex structures.
- ▶ Throughout the time period reviewed there have been no multifamily rental structures built in Salem other than the twin homes/duplexes listed.

## 2020 Census Housing Unit Data

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

<b>Table 15 Housing Units, Occupancy and Vacancy - 2020</b>									
	Total Housing Units			Occupied Units			Vacant Units		
	2010	2020	Change	2010	2020	Change	2010	2020	Change
Salem	667	629	-38	567	559	-8	100	70	-30

Source: U.S. Census

- ▶ Based on a reconciliation of decennial Census data, Salem had 38 fewer housing units in 2020 than were present at the time of the 2010 Census.
- ▶ The building permit reporting presented on the previous page indicated that 14 new housing units were constructed in Salem between 2010 and 2019. However, a net loss of 38 housing units, as reported by the Census, would indicate that significantly more older units were removed from the City's inventory than were constructed over the decade.
- ▶ Most of the reduction in the housing stock was from a reduced number of vacant units. Salem had a reduction of only eight occupied units between 2010 and 2020.

## **American Community Survey Housing Data**

The Census Bureau's American Community Survey includes information on various housing topics. As stated previously, the estimates for small communities are based on limited 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 an estimated median year of construction is provided. In Salem, the estimated median year of construction was 1965. Approximately 42% of the owner-occupied houses in the City were constructed before 1960.

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

For renter-occupancy units in Salem, the estimated median year of construction was 1972. More than 56% of all rental units in the City were constructed before 1980.



## Existing Home Sales

This section examines houses that have been sold since 2018 in Salem. The information was obtained from the South Dakota Department of Revenue website, using information compiled by the McCook 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 information primarily reflects sales of 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 sorts the residential sales into different groupings, primarily based on whether or not the house was actively listed for sale in the open market. In the following table, only open market transactions have been reported.

The 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.

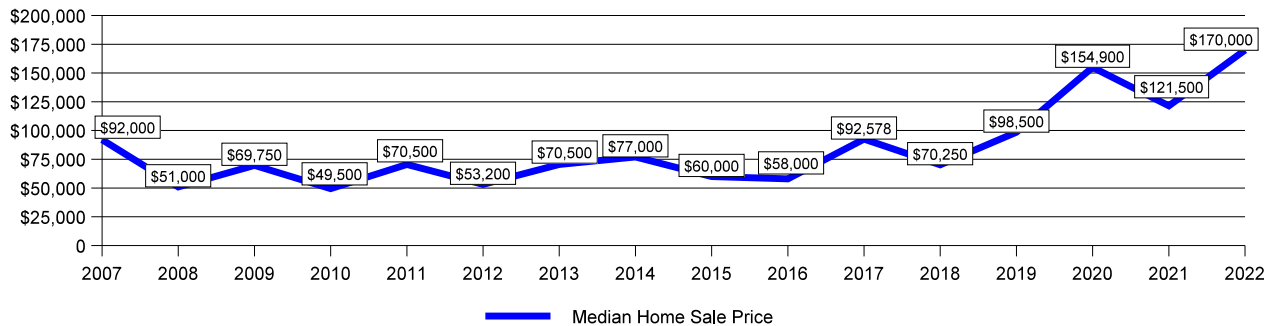
<b>Table 16 Median Value of Recent Sales - 2018 to 2022</b>				
Sales Year	Number of Good Sales	Median Sale Price	Highest Valued Sale	Lowest Valued Sale
2022	31	\$170,000	\$365,000	\$30,000
2021	20	\$121,500	\$285,000	\$35,000
2020	27	\$154,900	\$245,200	\$43,000
2019	32	\$98,500	\$306,000	\$20,000
2018	14	\$70,250	\$275,000	\$25,000

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

- ▶ With only a limited number of home sales within any 12-month time period, there can be significant year to year variation in the annual median sale price.
- ▶ For 2022, the median price was \$170,000, based on 31 good sales. The median for 2021 was well above the sales median for 2021 of \$121,500.

- ▶ Although there has been significant variation in the annual median sale price over the past three years, it is evident that home values in the City increased rapidly starting in 2020.
- ▶ With the large variation between 2021 and 2022, a median has also been calculated for the 24-month period. This median was \$150,000 based on 51 home sales.
- ▶ Using information from the previous Housing Study, it is possible to examine longer-term patterns. Between 2007 and 2019, the City’s annual median sale price had always been below \$100,000.

**Median Home Sale Price: 2007 to 2022**



- ▶ Between 2018 and 2021, at least one annual sale was recorded for more than \$245,000. In all five of the years reviewed, at least one home was sold annually for \$43,000 or less.
- ▶ An alternate estimate of home values exists in the American Community Survey. In 2021, the estimated median value for all owner-occupied housing in Salem was \$120,600. This estimate was very similar to the median sale price recorded in 2021 of \$121,500. However, based on sales activity in 2022, the median value has increased since the 2021 estimate was issued.

## Home Sales by Price Range

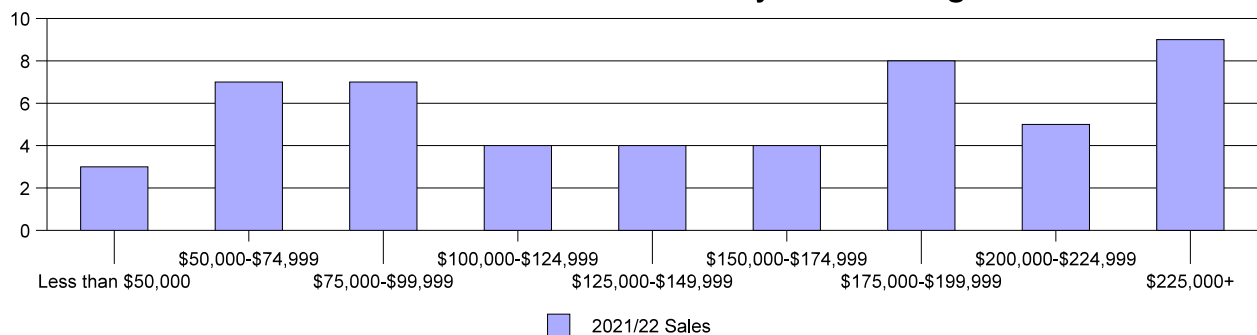
The following table looks at 47 single family houses that sold in 2021 and 2022, using the information that was available from the County Equalization Office.

Table 17 Salem Home Sales by Price Range in 2021 and 2022		
Sale Price	Number of Sales	Percent of Sales
Less than \$49,999	3	5.9%
\$50,000 - \$74,999	7	13.7%
\$75,000 - \$99,999	7	13.7%
\$100,000 - \$124,999	4	7.8%
\$125,000 - \$149,999	4	7.8%
\$150,000 - \$174,999	4	7.8%
\$175,000 - \$199,999	8	15.7%
\$200,000 - \$224,999	5	9.8%
\$225,000 or more	9	17.6%
<b>Total</b>	<b>51</b>	<b>100%</b>

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

- Recent home sales in Salem have been widely distributed in different price ranges, but approximately 49% of the sales in 2021 and 2022 were priced below \$150,000, and 51% of all sales were for \$150,000 or more.

### Recent Salem Home Sales by Price Range



- More than 27% of the existing homes were sold for \$200,000 or more, while more than 33% of all sales were for less than \$100,000.

## **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. Estimates do exist in the American Community Survey.

At the time of the 2010 Census there were 151 occupied rental units and 65 unoccupied rental units in Salem, for a total estimated rental inventory of 216 units. The City's rental tenure rate in 2010 was 26.6%, below the Statewide rental rate of 31.9%.

The 2021 American Community Survey estimated that there were 121 renter-occupancy households in Salem and 34 unoccupied rental units, for a total inventory of 155 units. If accurate, the City has lost some rental housing over time and the number of renter-occupancy households has also decreased. However, it is also possible that the 2021 American Community under estimated the rental information for the City.

### **Recent Rental Construction**

Based on annual building permit reporting, the only identified construction of rental housing in Salem since 2010 was one unit in a twin home structure. Changes in the City's rental stock may have occurred due to tenure conversion, such as rental houses that were changed to owner-occupancy, or vice versa.

## **Rental Housing Survey**

As part of this housing study, a telephone survey was conducted of multifamily projects in Salem. 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, some information was also obtained from smaller rental properties such as duplexes.

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

There were 120 housing units of all types that were contacted in the survey. The units that were successfully contacted include:

- ▶ 100 conventional market rate units
- ▶ 4 senior light services/independent units
- ▶ 16 senior assisted living units

The findings of the survey are provided below.

## Market Rate Summary

Information was obtained on 100 conventional market rate rental units. The specific projects ranged in size from a 24-unit apartment complex to a rental duplex.

### Unit Mix

Bedroom mix information was obtained from all of the 100 units contacted, as follows:

- ▶ studio - 9 (9%)
- ▶ one-bedroom - 26 (26%)
- ▶ two-bedroom - 65 (65%)

There were no three or four-bedroom units in the multi-family rental projects that were surveyed, however, there are rental single family homes and possibly rental mobile homes in Salem that have three or more bedrooms.

### Occupancy / Vacancy

At the time of the survey, there was only one unit reported as vacant. In general, good demand exists and any open units are the result of recent tenant turnover.

### Rental Rates

Rental units may include the primary utility payments within the contract rent, or the tenant may be required to pay some utilities separately, in addition to the contract rent. In the following summary, Community Partners Research, Inc., has attempted to estimate the gross rents being charged, inclusive of an estimate for tenant-paid utilities.

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

<u>Unit Type</u>	<u>Lowest/Highest Gross Rents</u>
Studio	\$650
One-bedroom	\$438-\$675
Two-bedroom	\$540-\$950

Please note that the studio apartment rents that are reported are from only one project.

## **Tax Credit Summary**

There are no tax credit units in Salem.

## **Subsidized Summary**

The research completed for this Update found that no federally subsidized projects remain in Salem.

At the time of the 2017 Housing Study there had been one USDA Rural Development subsidized project, Southtown Apartments, that had been providing income-based housing but this project was converted to conventional market rate housing in 2018. Eligible tenants in occupancy at the time of the conversion would have been provided tenant-based rent assistance Vouchers. At the time of the rental survey in November 2022, there were still eight tenants with Vouchers that still lived in Southtown Apartments.

Two additional projects had previously converted from subsidized to market rate housing. Salem Apartments (USDA Rural Development) and Hill Center Apartments (HUD) had both offered subsidized housing in the past, but ended their subsidy agreements before 2010.

## **Senior Housing with Services**

### **Unit Inventory**

There is one senior with services projects in Salem.

- ▶ **Leisure Living Salem** - This project offers both assisted living and lighter services housing for more independent tenants. In 2022, the facility was licenced for 16 assisted living residents in 16 units. There are four additional units registered as a Residential Living Center. With double-occupancy, these four units could have eight residents.

At the time of the 2017 Housing Study there had also been a skilled nursing home, Avantara Salem (formerly Golden Living Center), that was operating in Salem. However, this project had severe damage from a storm and all residents were relocated to nursing homes in other communities. At the time of the research for this Update, it did not appear that the facility would reopen. This nursing home had been licensed for 63 beds.

### **Occupancy / Vacancy**

When contacted by the survey, Leisure Living reported full occupancy and good demand for assisted living units. There was one unit available in the Residential Living Center portion of the building and less demand was present for the lighter services units.



**Table 18 Salem Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Market Rate</b>					
Hill/Sabers Townhomes 360 S Hill 401-415 Sabers	<u>8 - 2 bedroom</u> 8 total units	\$825 +utilities	No vacant units, waiting list	Mix of tenants	Rental project originally constructed in 2001 and owned by the Salem HRC until sale into private ownership in 2022. Tenant pays all utilities in addition to rent. Units are 1-level with attached garage and 1 bathroom. Manager reported full occupancy with a waiting list and good demand. Mix of tenants reported. Rent listed will be effective in January 2023.
Hill Center Apartments 361 S Hill St	9 - studios 10 - 1 bedroom <u>3 - 2 bedroom</u> 22 total units	\$575 \$600 \$625-\$650 +heat, electric	Unoccupied units in process of being filled	Mix of tenants	Two-level apartment building constructed originally developed as HUD subsidized housing but converted to market rate many years ago. Rent includes water, sewer and garbage with tenant paying heat and electricity. Two of the 2-bedroom units have 2 bathrooms and are at higher end of listed range. Manager reported some unoccupied units due to turnover but good demand exists and these units are in the process of being filled. Mix of tenants reported. Rents have increased by approx. \$100-\$125 from 2017 survey for studio and 1-bedroom units.
140 E Norton Ave	4 - 1 bedroom <u>2 - 2 bedroom</u> 6 total units	\$475 \$550 +electric	No vacant units	Mix of tenants	One-level town house-style units constructed in the late 1950s. Rent includes heat, water, sewer and garbage with tenant paying electric. Amenities include in-unit laundry, wall AC and 2-bedroom units have attached garage. Owner reported full occupancy with good demand. General mix of tenants reported. Rents have increased by \$65-\$75 from 2017 survey.
Duplex 115 E Norton	<u>2 - 2 bedroom</u> 2 total units	\$575-\$595 +electric	No vacant units	Mix of tenants	One-level units in duplex. Rent includes heat, water, sewer and garbage with tenant paying electric. Units have 850 sq ft and 1 bathroom. Amenities include in-unit laundry and attached garage. Owner reported full occupancy with good demand. General mix of tenants in occupancy. Rents have increased by \$50-\$70 from 2017 survey.

**Table 18 Salem Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Market Rate</b>					
Park Place Townhomes 130-161 Park Place	<u>8 - 2 bedroom</u> 8 total units	\$825 +utilities	No vacant units, waiting list	Mix of tenants	Rental project originally constructed in 2006 and owned by the Salem HRC until sale into private ownership in 2022. Tenant pays all utilities in addition to rent. Units are 1-level with attached garage and 2 bathrooms. Manager reported full occupancy with a waiting list and good demand. Mix of tenants reported. Rent listed will be effective in January 2023.
Salem Apartments 430-440 E Beebe Ave 441 E Brown Ave	4 - 1 bedroom <u>8 - 2 bedroom</u> 12 total units	\$400 \$495 +heat, electric	1 vacant unit, 1 - 1 bdrm	Mix of tenants	Three 4-plexes constructed in the 1970s - originally USDA Rural Development subsidized housing that was converted to market rate many years ago. Rent includes water, sewer and garbage with tenant paying heat and electric. Garage available for extra \$40 per month. Manager reported 1 vacant unit at time of survey due to turnover but inquiries are being received. Manager reported mix of tenants. Rents are generally unchanged from 2017 survey.
St. Mary's Apartments 300 W Vermont Ave	8 - 1 bedroom <u>4 - 2 bedroom</u> 12 total units	\$438 \$540	No vacant units	Mix of tenants	Former school that was converted to rental housing. The project includes a sprinkler system, cathedral ceilings and an elevator. Rent includes all utilities. Unit amenities include dishwasher, disposal and AC. Manager reported some unoccupied units due to turnover but these had already been rented to new tenants. Mix of tenants reported. Rents have increased by approx. \$30 from 2017 survey.
Schnider Twinhomes 103 S Minnesota Ave	<u>6 - 2 bedroom</u> 6 total units	N/A	N/A	N/A	Three twin homes built within the past 20 years and used as rental housing. The owner did not provide rental information. The units have two bedrooms with two bathrooms and a 2-car garage.

<b>Table 18 Salem Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Market Rate</b>					
Southtown Apartments 105-107 W Center Ave 441-451 S Main 501-511 S Main	<u>24 - 2 bedroom</u> 24 total units	\$650 +heat, electric	No vacant units	Mix of tenants	Six 4-plexes originally developed as a USDA Rural Development subsidized project for general occupancy but was converted to market rate housing in 2018. Eligible tenants were offered Vouchers and 8 still remain in occupancy. Rent includes water, sewer and garbage with tenant paying heat and electric. The manager reported no vacancies at the time of the survey. Mix of tenants reported. No comparable rents from 2017 survey.
<b>Senior Housing with Services</b>					
Leisure Living Apartments Independent	18 - studio <u>2 - 1 bedroom</u> 20 total units 4 independent and 16 assisted living	N/A	1 vacant unit for double occupancy	Residential Living Center	Leisure Living is a 20-unit project with capacity for 24 residents with some rooms having shared occupancy. Four units with capacity for 8 people are registered as a Residential Living Center and are for more independent seniors. Residents receive all meals, housekeeping, laundry services and emergency call system with 24-hour staffing. One unit for shared occupancy was vacant at time of survey and had been available for a few months - less demand for independent units.
Leisure Living Salem Assisted Living	18 - studio <u>2 - 1 bedroom</u> 20 total units 16 assisted living and 4 independent	N/A	No vacant units	Assisted Living Center	Leisure Living is a 20-unit project with 16 units with capacity for 16 people licensed as an Assisted Living Center. Remaining 4 rooms are for more independent seniors and registered as a Residential Living Center. The facility provides assisted living services including all meals, laundry, housekeeping, emergency call system with 24-hour staffing. No vacant units for assisted living and good demand. Facility accepts County assistance for lower income seniors.

Source: Community Partners Research, Inc.

## Net Household Growth in the Sioux Falls MSA

Over the last few decades, the Sioux Falls MSA has grown at a rapid rate. Between the 2010 Census and the 2020 Census there were a substantial number of households that were added in Sioux Falls and in many of the smaller cities in the area. The following table examines growth in numeric and percentage terms. The listed cities have been ordered by the numeric household growth that occurred over the period.

<b>Table 19 Household Growth by Jurisdiction: 2010 to 2020</b>				
City	2010 Census	2020 Census	Numeric Growth	Percentage Growth
Sioux Falls	61,707	78,405	16,698	27.1%
Harrisburg	1,423	2,268	845	59.4%
Brandon	3,118	3,888	770	24.7%
Tea	1,254	1,897	643	51.3%
Hartford	913	1,218	305	33.4%
Dell Rapids	1,388	1,551	163	11.7%
Baltic	389	458	69	17.7%
Crooks	431	476	45	10.4%
Garretson	449	482	33	7.3%
Salem	567	559	-8	-1.4%
MSA	83,677	109,218	25,541	30.5%

Source: US Census

Between in 2010 and 2020, the MSA added 25,541 households, for an increase of 30.5%. More than 65% of this household growth occurred within the City of Sioux Falls.

The remainder of the region's household growth was shared between multiple jurisdictions within the 4-County MSA, but Harrisburg, Brandon, Tea and Hartford captured the largest numeric share of household growth outside of Sioux Falls. Together, these four jurisdictions, along with Sioux Falls, accounted for more than 75% of all household growth in the MSA.

The City of Salem lost eight households over the decade, according to the decennial Census.

## **MSA Housing Unit Construction Activity: 2010 to 2022**

The U.S. Census Bureau collects building permit issuance information from individual cities, towns and townships. Annual housing construction summary information is available for the combined jurisdictions that form the Sioux Falls MSA. This represents a four-county area of Minnehaha, Lincoln, McCook and Turner Counties. The total unit production for 2022 was identified as “preliminary” at the time of the research for this Update and may change.

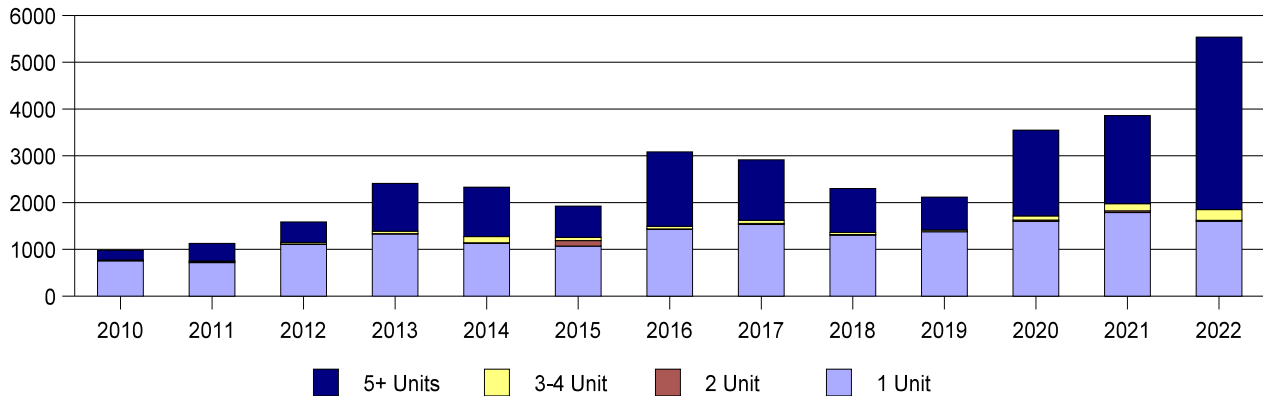
It is important to note that the Census Bureau’s annual totals may differ from other information in this Update, which may be collected directly from individual jurisdictions. However, the Census Bureau reports do provide some perspective on housing construction within the larger MSA. Census Bureau annual totals for the City of Salem are also provided for comparison.

Housing construction activity in Salem has represented a very small share of all activity in the Sioux Falls MSA in recent years. From 2010 through 2022 the City reported that 17 new housing units were built in Salem which represented less than 0.05% of all MSA activity.

<b>Table 20 Salem and MSA Housing Unit Construction Activity - 2010 to 2022</b>										
Year	City of Salem					Sioux Falls MSA				
	Single Family	Two Family	3 to 4 Family	Multifamily	Total	Single Family	Two Family	3 to 4 Family	Multifamily	Total
2022	1	0	0	0	1	1,600	22	229	3,687	5,538
2021	0	0	0	0	0	1,788	36	153	1,882	3,859
2020	2	0	0	0	2	1,597	30	89	1,834	3,550
2019	0	2	0	0	2	1,376	10	28	705	2,119
2018	1	2	0	0	3	1,306	12	46	938	2,302
2017	0	0	0	0	0	1,533	22	67	1,292	2,914
2016	1	2	0	0	3	1,431	6	58	1,589	3,084
2015	0	0	0	0	0	1,069	120	67	670	1,926
2014	1	2	0	0	3	1,134	8	131	1,057	2,330
2013	0	0	0	0	0	1,330	6	52	1,021	2,409
2012	1	0	0	0	1	1,104	12	36	435	1,587
2011	0	0	0	0	0	716	16	19	378	1,129
2010	2	0	0	0	2	755	8	111	207	1,081
<b>Total</b>	<b>9</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>17</b>	<b>16,739</b>	<b>308</b>	<b>1,086</b>	<b>15,695</b>	<b>33,828</b>

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

### MSA Annual Housing Unit Construction: 2010 to 2022

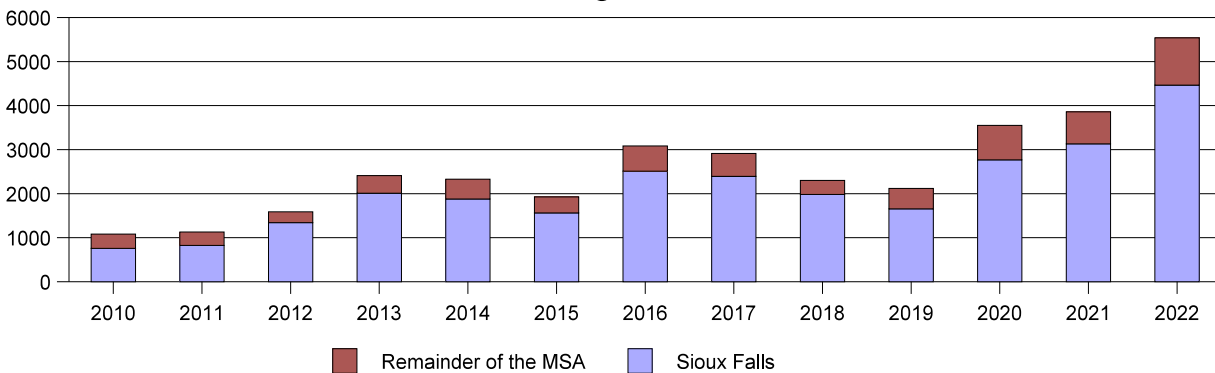


According to Census Bureau reports, the years 2022 and 2021 represented the highest years for new housing unit production in the MSA over the 13-year period reviewed. In 2022, preliminary reports indicated that more than 5,500 total housing units were permitted.

The permitting for 2022 was distributed in all structure types, but the year-to-year increase from 2021 was due to very strong production of multifamily units. Approximately 29% of all permitted units in 2022 were in one unit structures and nearly 67% were in multifamily projects with five or more units per structure. The remaining units were in structures with between two and four residential units.

As the primary jurisdiction in the MSA, the City of Sioux Falls accounts for a large majority of the units constructed annually. While year-to-year variation exists, in recent decades, Sioux Falls has typically represented between 70% or more 86% of the annual MSA construction activity. Based on preliminary reporting for 2022, Sioux Falls represented nearly 81% of the MSA’s construction unit total, according to the Census Bureau.

### Sioux Falls/MSA Annual Housing Unit Construction: 2010 to 2022



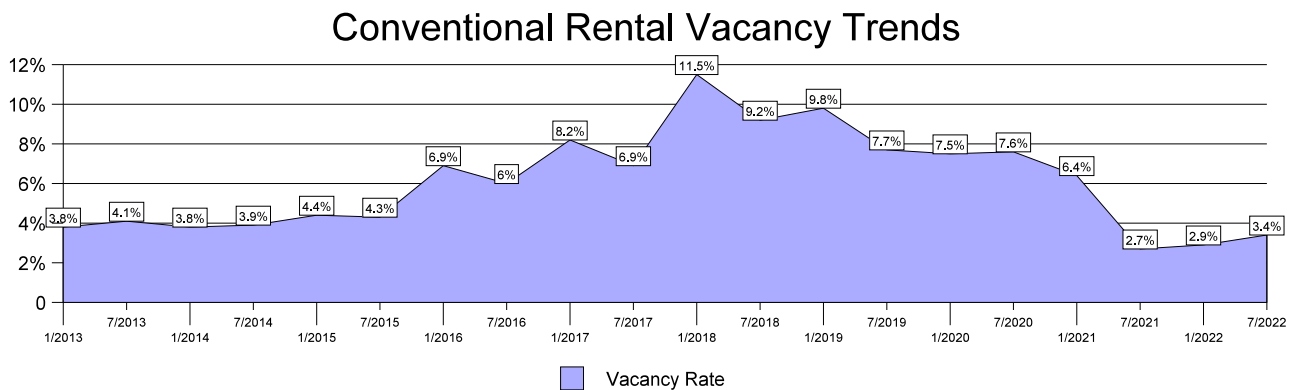
## Regional Rental Vacancy Rates

The South Dakota Multi-Housing Association has tracked rental housing vacancy information for the Sioux Falls area for many years through a semiannual survey. This is an excellent source of information that not only provides a current picture of rental housing occupancy, but also a perspective on longer-term trends.

### Conventional Market Rate Housing

The most recently completed vacancy survey is from July 2022. This survey found a vacancy rate of 3.4% in conventional market rate housing. The survey included nearly 15,300 conventional units and found just 521 vacancies. Although this was an area-wide survey, including communities that are within a 20-mile radius of Sioux Falls, a very large majority of the reporting units were located within the Sioux Falls zip codes.

The following chart presents the Multi-Housing Association vacancy calculations dating back to the January 2013 to provide a 10-year history for conventional rental housing.



While the July 2022 survey did show a slight increase in the conventional rental vacancy rate when compared to the prior two surveys, the reported vacancy rate of 3.4% was still low by historic standards. Over the past 20 surveys, only the most recent three have reported a vacancy rate that has been below 3.5% in this market segment.

A big drop in the vacancy rate occurred in 2021, with a 6.4% in January which then moved to only 2.7% by July 2021.



A general standard for rental housing vacancy is that a rate up to 5% is considered acceptable. A modest level of vacancy is desirable to allow tenant movement in the market by providing choices for prospective renters. It also allows a community the chance to grow, as new households moving into the area can readily locate a living unit. In Sioux Falls, a vacancy rate above 5% would not be surprising for individual surveys, as large-scale unit construction can occur which can temporarily cause an oversupply of units.

As evident in the previous chart, past history shows that the Sioux Falls market has had the ability to “self-correct”. People interviewed in past studies in the area have cited the cyclical nature of rental production in Sioux Falls. As the vacancy rate has risen, construction activity in subsequent years tends to diminish. As vacancy rates begin to fall, it has been typical to see an above-average level of construction.

Based on the building permit reporting presented previously from the Census Bureau, the number of multifamily units permitted in the MSA was below average in 2018 and 2019, probably in response to very high vacancy rates during those years. Multifamily production then began to increase in 2020 and 2021. The preliminary reporting for 2022 points to the largest production of new multifamily units over the past 13 years. While vacancy rates have been very low, the impact of the above-average construction in 2022 is still in the process of entering the market in 2023, and vacancy rates may increase as the next few surveys are completed.

### **Income-Based Housing Vacancy Rates**

The large majority of the units in the Multi-Housing survey are conventional rentals. However, different types of income-restricted housing are also included. These units include moderate rent properties constructed through the federal low income housing tax credit program and federally subsidized low income housing referred to as “HUD units” in the reports.

Since the start of 2018, the vacancy rate in tax credit housing has stayed above 5%, and in many surveys has been above 7%. In the July 2022 survey, tax credit units had a vacancy rate of 5.9%, compared to the conventional housing vacancy rate of 3.4%.

HUD units have tended to maintain a low rate of vacancy over time. In the most recent report, the vacancy rate for HUD units was only 1.9%. With the exception of one survey in January 2020, when the HUD vacancy rate was at 6.6%, this very affordable segment has maintained a vacancy rate below 5%.

While the Sioux Falls MSA has generally performed well during the global health pandemic, presumably the impact has resulted in decreased incomes for some MSA households. This has potentially increased demand for income-restricted tax credit and deep subsidy rental housing.

### **Vacancy Rates Outside of Sioux Falls**

The Multi-Housing Survey does collect some rental data from units that are outside of the City of Sioux Falls, but within a certain radius. Information is provided by zip code for communities in the Sioux Falls region. No rental units in Salem were included in the July 2022 survey.

## **Employment and Local Economic Trends**

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

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.

McCook County is part of the Sioux Falls MSA. Much of the household growth that has occurred in the MSA in past decades was the direct result of job opportunities that were available, especially in the City of Sioux Falls.

Salem is also within a reasonable commuting distance of a number of other employment centers, including Mitchell (37 minutes) and Madison (35 minutes).

## Labor Force and Unemployment

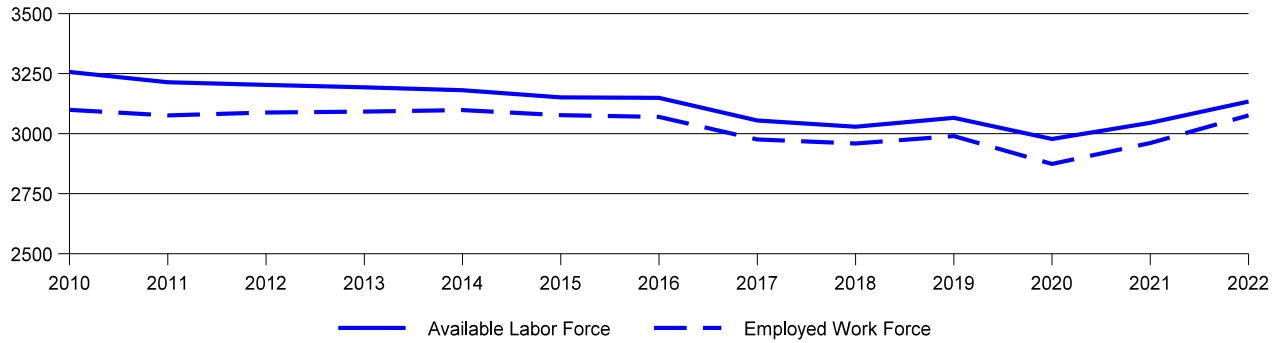
Employment information is available at the County level. This table presents information based on place of residence, not by the location of employment.

<b>Table 21 McCook County Average Annual Labor Force: 2010 to 2022</b>						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2010	3,257	3,099	158	4.9%	5.0%	9.6%
2011	3,214	3,076	138	4.3%	4.6%	8.9%
2012	3,203	3,088	115	3.6%	4.1%	8.1%
2013	3,193	3,092	101	3.2%	3.7%	7.4%
2014	3,181	3,098	83	2.6%	3.3%	6.2%
2015	3,151	3,077	74	2.3%	3.0%	5.3%
2016	3,149	3,070	79	2.5%	3.0%	4.9%
2017	3,055	2,976	79	2.6%	3.1%	4.4%
2018	3,029	2,959	70	2.3%	2.9%	3.9%
2019	3,066	2,990	76	2.5%	3.0%	3.7%
2020	2,978	2,874	104	3.5%	4.6%	8.1%
2021	3,045	2,961	84	2.8%	2.8%	5.3%
2022	3,134	3,076	58	1.9%	2.3%	3.7%

Source: South Dakota Department of Labor

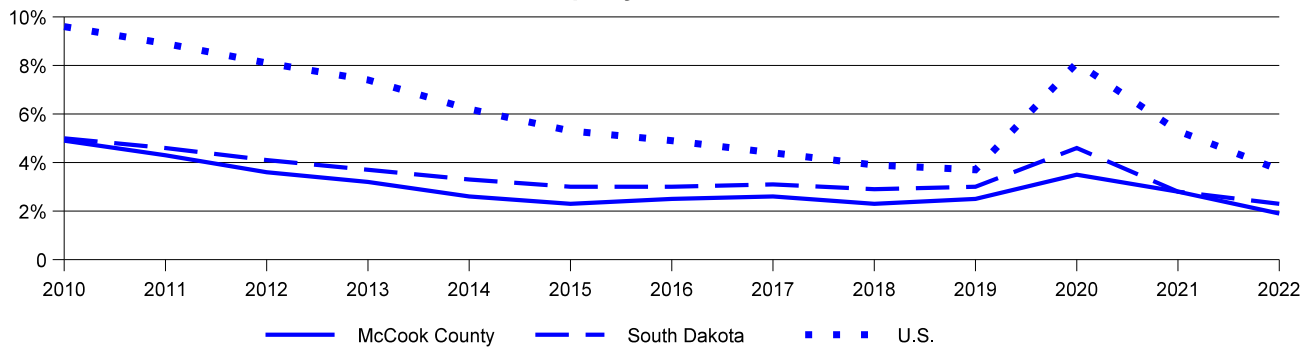
- ▶ Between 2010 and 2022, the size of McCook County’s available resident labor force has experienced both up and down movement, but if 2022 is compared to 2010, the labor force had decreased by 123 people, or -3.8%.
- ▶ The County’s employed resident labor force has generally followed a similar pattern, although the reduction has been smaller. The number of employed County residents in 2022 was only 23 people lower than in 2010, or -0.7%.

### McCook County Labor Force and Employed Work Force



- ▶ The global pandemic in 2020 did have some impact on the County’s labor statistics, but by the end of 2021 McCook County had generally returned to pre-pandemic levels.
- ▶ Throughout the entire time period reviewed, the unemployment rate in McCook County has stayed below the national rate, as has been at or below the Statewide unemployment rate.

### Unemployment Rates



## Average Annual Wages by Industry Sector

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

<b>Table 22 McCook County Average Annual Wages by Industry Detail: 2021</b>		
Industry	Employment	Average Weekly Wage
Total All Industry	2,383	\$785
Natural Resources, Mining	104	\$823
Construction	125	\$1,061
Manufacturing	N/A	N/A
Trade, Transportation, Utilities	293	\$912
Information	15	\$1,519
Financial Activities	52	\$1,081
Professional and Business Services	70	\$703
Education and Health Services	248	\$697
Leisure and Hospitality	N/A	N/A
Other Services	41	\$654

Source: South Dakota Department of Labor

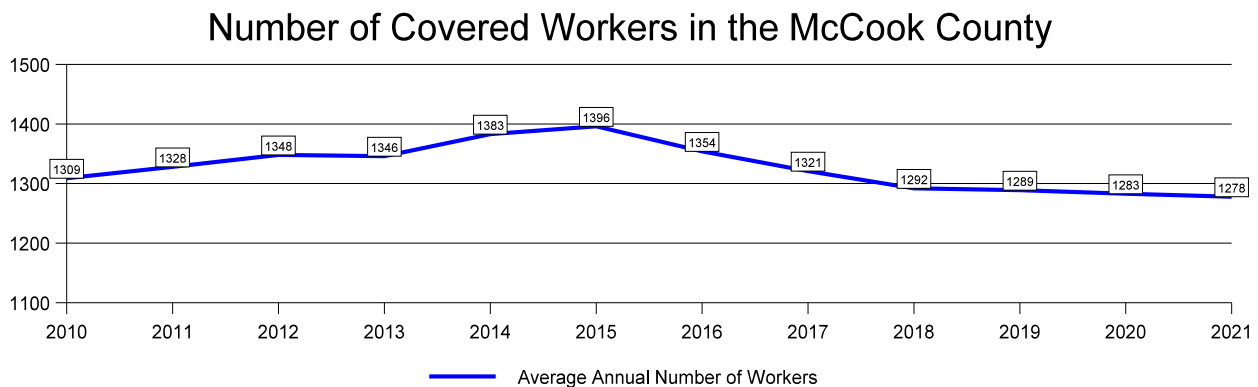
- ▶ The average weekly wage for all industry in 2021 was \$785. At full-time employment this would equate to an annual wage of \$40,820.
- ▶ The highest paying wage sectors were Information and Financial Activities. Each of these employment sectors had an average weekly wage above \$1,000. However, the Information sector was small with only 15 employees in 2021.
- ▶ The largest single industry sector was Trade, Transportation and Utilities with an average weekly wage of \$912, which was higher than the average for all employment in the County.

## Annual Covered Employment

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

<b>Table 23 McCook County Average Annual Employment</b>			
Year	Total Covered Employment	Year	Total Covered Employment
2010	1,309	2016	1,354
2011	1,328	2017	1,321
2012	1,348	2018	1,292
2013	1,346	2019	1,289
2014	1,383	2020	1,283
2015	1,396	2021	1,278

Source: QCEW - SD Department of Labor



- ▶ The recent peak level for covered employment occurred in 2015, when nearly 1,400 jobs were reported in McCook County that were covered by unemployment insurance. Since that time there has been a gradual decrease in the number of covered workers.
- ▶ Since 2010, the lowest number of covered workers was reported in 2021.

## Commuting Patterns of Area Workers

Some information is available on area workers that commute for employment. The best information is from the 2021 American Community Survey, and has been examined for the City of Salem. The first table examines City residents that traveled to work and excludes people that work at home.

<b>Table 24 Commuting Times for Salem Residents - 2021</b>		
Travel Time	Number	Percent
Less than 10 minutes	211	39.7%
10 to 19 minutes	106	19.9%
20 to 29 minutes	20	3.8%
30 minutes +	195	36.7%
Total	532	100%

Source: American Community Survey

Nearly 60% of the employed residents of Salem were working locally in 2021 and commuting less than 20 minutes to work. However, a large number of people were traveling greater distances to their primary job. More than 40% of residents were traveling 20 minutes or more, and most of these people were traveling 30 minutes or more.

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

<b>Table 25 Commuting Times for Salem-based Employees - 2021</b>		
Travel Time	Number	Percent
Less than 10 minutes	258	49.0%
10 to 19 minutes	131	24.9%
20 to 29 minutes	35	6.7%
30 minutes +	102	19.4%
Total	526	100%

Source: American Community Survey

Most of the people that worked in Salem traveled 19 minutes less in 2020, with nearly 73% living within the immediate area. However, more than 19% of the people employed within Salem were coming from greater distances, with a travel time of 30 minutes or more.

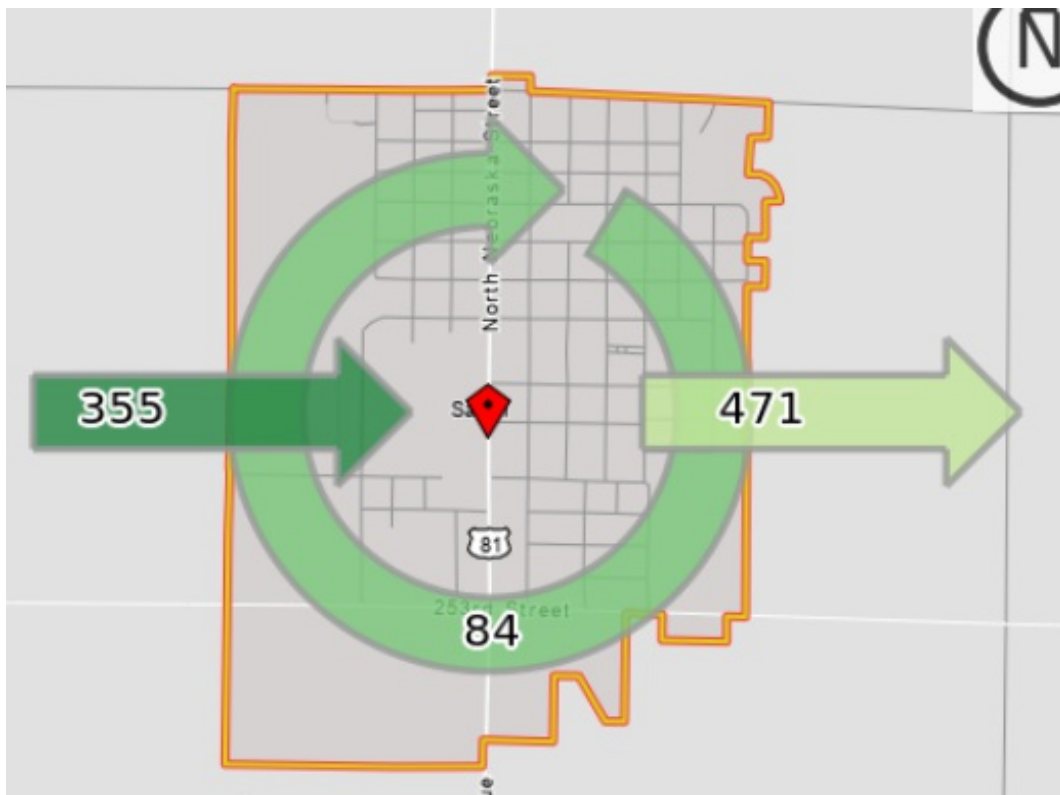


## Census On the Map

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 Salem, there were 439 people that were employed within the City in 2019. Only 84 of these City-based employees also lived in Salem, with an estimated 355 employees commuting into the City for their primary job. The identified home locations for workers traveling to the community were Montrose, Sioux Falls, Salem Township, Ramsey Township and Montrose Township.

On the Map can also be used to track worker outflow patterns from the City. Overall, there were 555 Salem residents that were employed. Most of these City residents worked outside the community with 471 people traveling to other locations. The primary identified work locations were Sioux Falls, Montrose, Mitchell and Madison.



## **Findings on Growth Trends**

The release of the 2020 Census provided a new benchmark for demographic data. For the City of Salem, the 2020 results showed a slight decrease in both the City's permanent resident population and number of households. When compared to 2010, Salem had lost 8 households and 22 people over the decade.

While there are some questions about the accuracy of the 2020 Census, it does represent the most reliable source of information on basic demographic topics. It is also important to note that Salem experienced decreases in the number of residents and households between 2000 and 2010, so the most recent Census showed a continuation of patterns that have existed for at least 20 years. The City did see solid growth in the 1990s, but with the losses in the following two decades, Salem's population and household counts in 2020 were only slightly above the 1990 levels.

Despite the recent population decrease in Salem, the remainder of McCook County did add some permanent residents between 2010 and 2020. However, the County did have a small reduction in the number of permanent households over the decade, although there were only nine fewer households Countywide in 2020 than in 2010, including the reduction in Salem.

Although there were relatively small demographic changes in Salem and McCook County from 2010 to 2020, the Sioux Falls MSA experienced large-scale growth. During the last decade the MSA added more than 25,500 households. Most of this growth was located in Minnehaha and Lincoln Counties. McCook and Turner Counties represent only a small percentage of the entire MSA and did not impact regional growth patterns.

## Findings on Projected Growth

This Study has examined projections from established national sources, including both Applied Geographic Solutions (AGS) and Esri. There are differing opinions between these sources on the future growth potential for the City and the County.

Applied Geographic Solutions is forecasting a minor reduction in the number of households in Salem over the next five years, but some increase in the City's population. This would imply that the average household size will increase during the projection period. While a minor reduction in the number of households would be consistent with the 2020 Census results, it would not recognize the significant growth potential that exists, given Salem's proximity to Sioux Falls.

Esri is projecting modest growth for the community, with the expected addition of 15 households and 39 people over the 5-year projection period. This source shows Salem adding an average of three households per year through 2027. To achieve even this limited annual growth, the City will probably need to add housing units. The best available information shows that older housing has been lost at a faster rate than new construction in recent years. As a result, future housing development at a level that is greater than expected growth will be required.

While the available projection sources differ somewhat for the County's growth potential, both tend to show only limited changes between 2022 and 2027. AGS and Esri are forecasting a small increase in the County's population, but a small decrease in the number of households.

In the opinion of Community Partners Research, Inc., McCook County should benefit from the large-scale growth that has been occurring in the Sioux Falls region, and the County will add some households, both in Salem and in the remainder of the County.

After reviewing the available projections, and other information collected for this Update, it is the opinion of Community Partners Research, Inc., that Salem does have growth potential going forward, and an average annual increase of five to seven households per year represents a very achievable forecast. Over the 5-year projection period to 2027, this would yield growth-generated demand for up to 35 additional housing units in the City. Additional housing production will also be required to replace older units and to address pent-up demand in certain market segments. These additional demand generators will be discussed on the following pages.

## Summary of Salem’s Growth Projections by Age Group

The Demographic section of this Update presented projection information for Salem on anticipated changes by age group from 2022 to 2027. This information can be informative in determining the housing that may be needed due to age patterns of the area’s residents.

The projections from Esri expect an increase of 15 total households over the projection period. However, in the opinion of Community Partners Research, Inc., the City has greater growth potential, and the addition of between five and seven households in an average year is an achievable forecast. Esri’s age-based projections presented earlier have been proportionally adjusted upward by approximately 3.4% to better reflect probable growth in Salem.

<u>Age Range</u>	<u>Projected Change in Households</u>
	<u>2022 to 2027</u>
24 and younger	1
25 to 34	10
35 to 44	-18
45 to 54	6
55 to 64	16
65 to 74	11
75 and older	9
Total	35

In general, Esri is projecting an aging population for the City, with an increase of households age 55 and older. This would largely track with the movement of the “baby boom” generation through the aging cycle. By the year 2027, nearly all of the baby boomers will be age 65 or older, and the projections show an increase of 20 households age 65 and older. Esri is also projecting growth from near-seniors, with an increase of 16 households age 55 to 64 years old.

Esri’s projections show a large decrease of households in the in the 35 to 44 year old age group. While all of the other younger adult ranges should remain stable or increase slightly in size, the reduction of households age 35 to 44 years old will result in only a very limited net change in the number households age 54 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 following observations are made on the changing age composition of Salem's population through the projection period and the resulting impact on demand for housing.

***Age 24 and Younger*** - The projections used for this Study expect almost no change in the number of households age 24 and younger between 2022 and 2027. Past tenure patterns indicate that the large majority of these households in Salem 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 an increase of approximately 10 households in this age range by 2027. Within this age range households often move from rental to home ownership. The ownership rate among these households in Salem was approximately 67% in 2010. An increase of households within this age range indicates some increase in demand for both first-time home buyer and rental opportunities from this age range during the projection period.

***35 to 44 Years Old*** - The projections for this 10-year age cohort expect a significant reduction of 18 households between 2022 and 2027 in Salem. In the past, this age group has had a high rate of home ownership, at approximately 79%. Households within this range often represent both first-time buyers and households looking to trade-up in housing, selling their starter home for a more expensive house. The projected reduction points to decreased demand within these ownership segments from households in this age group.

***45 to 54 Years Old*** - Esri's projections show very limited change, with an increase of only six households in this age group by 2027. Households in this age range have historically had a high rate of home ownership, at approximately 83% in Salem in 2010. These households will often look for trade-up housing opportunities. A small gain in the number of households in this age group indicates that the demand for trade-up housing may increase slightly during the projection period.

***55 to 64 Years Old*** - This near-senior age group is projected to add 16 households in Salem between 2022 and 2027. This age range has traditionally a high rate of home ownership in Salem, at approximately 84% in 2010. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters.

***65 to 74 Years Old*** - A significant gain of 11 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, younger seniors are still predominantly home owners. At the time of the 2010 Census, approximately 82% of the households in this age range owned their housing in Salem. Once again, preferences for age-appropriate units should increase from household growth within this age cohort.

***75 Years and Older*** - There is a projected gain of nine households in Salem in this age range between 2022 and 2027. In the past, the older households within this age range have had a relatively low rate of home ownership in Salem. An expansion of housing options for seniors, including high quality rental housing, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

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

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

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

***Demand from Growth*** - The household projections used for this Study expect Salem to gain approximately 35 households from 2022 to 2027. Household growth in Salem and McCook County will yield some demand for new housing production in Salem.

***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 Salem, 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 Salem. We have included our estimates of pent-up demand into the specific recommendations that follow later in this section.

## **Strengths for Housing Development**

The following strengths for the City of Salem were identified through statistical data, local interviews, research and on-site review of the local housing stock and from the 2017 Salem Comprehensive Housing Study.

- ▶ **Salem serves as a small regional center** - Salem provides employment opportunities, retail/service options, health and professional services, governmental services and recreational facilities for a small geographical area that surrounds the City.
- ▶ **Affordable priced housing stock** - The City of Salem has a stock of affordable, existing houses. Our analysis shows that the City's median home value based on 2022 home sales was approximately \$170,000. A portion of this existing stock, when available for sale, provides a relatively affordable option for home ownership.
- ▶ **Educational system** - Salem has a public K-12 school system, which includes a new high school. A K-8 parochial school is also located in Salem.
- ▶ **Infrastructure** - Salem's water and sewer infrastructure can accommodate future expansion and infrastructure improvements are ongoing.
- ▶ **Commercial development** - Salem's commercial district is adequate to meet most daily needs.
- ▶ **Salem Economic Development Corporation** - The Salem Economic Development Corporation (SEDC) is active in addressing Salem's community, economic development and housing needs.
- ▶ **Employers** - Salem has employers that provide job opportunities for local residents.
- ▶ **Commuters** - Approximately 355 employees are commuting into Salem daily for work. These commuters are a potential market for future housing construction.



- ▶ **Proximity to Sioux Falls, Mitchell and Madison** - Salem is located 44 miles from Sioux Falls, 33 miles from Mitchell and 33 miles from Madison. Sioux Falls, Mitchell and Madison provide employment opportunities, retail/service options, educational opportunities, health care facilities and entertainment and recreational amenities. Some households prefer to live near, but not in a large regional center.
- ▶ **Population and household growth** - Salem and McCook County are projected to add people and households over the next five years.
- ▶ **Health facilities** - Salem has health facilities including a medical clinic and assisted living.
- ▶ **Small town atmosphere** - Salem has the real and perceived amenities of a small town. Small town living is attractive for some households.
- ▶ **Assistance from organizations** - Several organizations are assisting Salem with addressing their housing needs, including the South Eastern Council of Governments and the Sioux Metro Growth Alliance.
- ▶ **Available land for residential lot development** - A 12-acre parcel may be available for residential development. Other parcels adjacent to the City may also be available for lot development.
- ▶ **New Community Center** - A new community center will be constructed in the City of Salem.

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

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

- ▶ **Age and condition of the housing stock** - While the existing stock is affordable, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Low rent structure** - The area's rent structure is relatively low, which makes it difficult to construct new rental housing.
- ▶ **Value-gap deters new owner-occupied construction** - Based on market values from 2022 residential sales, we estimate that the median priced home in Salem is valued at approximately \$170,000. This is below the comparable cost for new housing construction, which will generally be above \$275,000 for a stick built home with commonly expected amenities. This creates a value gap between new construction and existing homes. This can be a disincentive for any type of speculative building and can also deter customized construction.
- ▶ **Lower paying jobs** - Although Salem has job opportunities, some jobs are at the lower end of the pay scale and employees with these jobs have limited housing choices.
- ▶ **Commercial/retail option** - Salem has a limited number of commercial and retail opportunities compared to larger regional centers.
- ▶ **Proximity to Sioux Falls, Mitchell and Madison** - Although it is a strength to be located in close proximity to Sioux Falls, Mitchell and Madison, it is also a barrier as Salem must compete with these regional centers, which offer attractive residential opportunities and other amenities and services.
- ▶ **Flood Plain** - A portion of the City is in a 100-year flood plain, which limits new construction and potential renovation of existing structures.
- ▶ **Competition from rural lots** - The Salem area has lot opportunities in rural subdivisions. These compete with available residential lots within the City of Salem.
- ▶ **Skilled nursing home closure** - Avantara Salem, the skilled nursing home in Salem, has closed due to damage from a storm.

## **Recommendations, Strategies and Housing Market Opportunities**

Based on the research contained in this study, and the housing strengths and barriers identified above, we believe that the following recommendations are realistic options for Salem. 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 Salem if there is continued proactive support from the City, local and regional housing and economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the existing housing stock** - The future of Salem 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** - Salem has several assets including a K-12 school, a K-8 parochial school, a Downtown Commercial District, recreational opportunities, health facilities, etc. These are strong assets that make Salem a desirable community to live in, and are key components to the City's long-term success and viability. These assets must be protected and improved.
- ▶ **Develop a realistic action plan with goals and time lines** - In the past the City has been involved in housing issues. The City should prioritize its housing issues and establish goals and time lines to achieve success in addressing its housing needs.
- ▶ **Access all available resources for housing** - In addition to the local efforts, the City has other resources to draw on including USDA Rural Development, the South Dakota Housing Development Authority, the Southeastern Council of Governments, the Southeastern Development Foundation, Inter-Lakes Community Action Partnership, the Sioux Growth Metro Alliance and Grow South Dakota. These resources should continue to be accessed as needed to assist with housing activities.

## **Summary of Findings/Recommendations**

The findings/recommendations for the City of Salem have been formulated through the analysis of the information provided in the previous sections and include 19 recommendations. The findings/recommendations have been developed in the following five categories:

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

The findings/recommendations for each category are as follows:

### **Rental Housing Development**

1. Develop 12 to 14 general occupancy market rate rental units
2. Promote the development/conversion of five to six affordable market rate rental housing units
3. Promote the development of 10 to 12 subsidized rental housing units
4. Consider the development of eight to 10 senior housing with services memory care beds
5. Develop 14 to 16 senior independent/light services market rate units
6. Develop a downtown mixed-use commercial/housing project
7. Apply to access the Housing Choice Voucher Program

### **Home Ownership**

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

**Single Family Housing Development**

- 10. Support lot/subdivision development
- 11. Strategies to encourage residential lot sales and new home construction in Salem
- 12. Coordinate with agencies/nonprofits that develop affordable housing
- 13. Promote twin home/town home development

**Housing Rehabilitation**

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

**Other Housing Initiatives**

- 16. Continue to acquire and demolish dilapidated structures
- 17. Create a plan and a coordinated effort among housing agencies
- 18. Strategies for downtown redevelopment
- 19. Develop home ownership and new construction marketing programs and strategies

# **Salem - 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.

Since the 2017 Salem Comprehensive Housing Study, it appears that only one rental unit has been constructed in Salem. This unit is in a duplex. From 2000 to 2017, 22 rental units were constructed in Salem. These units included 16 market rate units constructed by the Salem HRC and three market rate twinhomes constructed by a local builder. Also, some single family homes were converted from owner-occupied to rental use and vice versa from 2000 through 2022. Additionally, Southtown Apartments, with 24 units, converted from subsidized to market rate.

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

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

Our household projections for Salem expect some household growth over the next five years. From 2023 to 2027, it is projected that there will be a gain of approximately 35 households. It is estimated that approximately 40% of these households will be rental households, thus, there will be a demand of approximately 14 additional rental units due to household growth over the next five years.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that the City will lose as many as two to three units per year. As a result, approximately 10 to 15 additional units will be needed over the next five years to replace lost units. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition or conversion. In other cases, this replacement is appropriate due to the deteriorating condition of older, substandard rental housing that should be removed from the occupied stock. Rental units may also be lost due to conversion to owner-occupancy. Also, some rental units may have been lost due to the recent storms.

Pent-up demand also exists for some rental housing segments. As part of this study, a rental survey was conducted. The survey found only one vacant general occupancy market rate unit. Golden Living Center, the nursing home, has closed due to severe storm damage. The Leisure Living facility had one vacancy.

Southtown Apartments was the only subsidized project in Salem, but ended its subsidy contract in 2018 and converted to market rate. We identified pent-up demand for high quality market rate rental units, subsidized units and senior with services units.

The three demand generators, after factoring current vacancy rates, show a need for 49 to 58 rental units over the next five years. Based on the factors stated above, we recommend the development of the following new rental units/beds over the next five years from 2023 to 2027.

▶ General occupancy market rate	12-14 units
▶ Subsidized	10-12 units
▶ Affordable/conversions	5-6 units
▶ Senior with services (independent/light services)	14-16 units
▶ Senior with services (memory care)	<u>8-10 beds</u>
Total	49-58 units/beds

### **1. Develop 12 to 14 general occupancy market rate rental units**

**Findings:** All of the rental units in Salem, with the exception of the senior with services units, 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.

In the 100 market rate rental units we surveyed, we found only one vacancy, which is a 1.0% vacancy rate.

There is a variation in rental rates in the market rate segment in the City of Salem. The existing rent range, including utilities, is approximately \$650 for a studio, \$438 to \$675 for a one-bedroom unit and \$540 to \$950 for a two-bedroom unit.



From 2017 to 2022, only one rental unit was constructed in Salem. From 2000 to 2016, 22 market rate rental units were constructed in Salem. These units include 16 market rate units constructed by the Salem HRC and three market rate twinhomes with six units constructed by a local builder. Also, some single family homes converted from owner-occupied to rental units and vice versa from 2000 to 2022.

Additionally, when Southtown Apartments converted from subsidized to market rate, 24 units were added to the conventional rental supply.

**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 12 to 14 market rate rental units over the next five years, from 2023 to 2027. The new units should be primarily two and three-bedroom units.

In the 2017 Salem Comprehensive Housing Study, we recommended the development of six to eight market rate units. Only one unit was constructed since the 2017 Study.

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

The first option to developing market rate housing would be to encourage private developers to undertake the construction of market rate rental housing. If private developers do not proceed, the SEDC or a regional housing agency could potentially utilize essential function bonds, or similar funding sources, to construct market rate units. The Salem HRC successfully developed 16 market rate rental housing units in the 2000s.

Also, the SEDC could partner with private developers to construct units. The City could also assist with land donations, tax increment financing, tax deferments, reduced water and sewer hook up fees, etc. Additionally, SDHDA has a DakotaPlex Program that can assist communities with the development of rental housing.

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

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One-Bedroom	3	650 - 800	\$850 - \$1,150
Two-Bedroom	7-8	850 - 1,050	\$950 - \$1,300
Three-Bedroom	<u>2-3</u>	1,100 - 1,250	\$1,200 - \$1,400
Total	12-14		

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

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

**Findings:** The previous recommendation addressed the market potential to develop high quality rental units in Salem. Unfortunately, these units would tend to be beyond the financial capability of many area renters. Approximately 50% of Salem’s renter households have an annual income below \$35,000. These households would need a rental unit at \$875 per month or less.

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

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

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

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

The estimated prevailing gross rent range for older rental units in Salem is typically between \$500 and \$650 per month. Creating some additional units with gross rents below \$800 per month would help to expand the choices available to a majority of the City's renter households.

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

### **3. Promote the development of 10 to 12 subsidized rental units**

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

At the time of the 2017 Salem Comprehensive Housing Study, Salem had one subsidized project, Southtown Apartments, which was a 24-unit USDA Rural Development family project. The project includes six 4-plexes. All 24 units have two bedrooms. Eighteen tenants had rent assistance. Tenants with rent assistance were paying 30% of their income up to a market rent.

In 2018, Southtown Apartments converted from subsidized to a market rate project, thus, there are no rent or income restrictions. Tenants that were living in Southtown Apartments at the time of conversion were given a tenant-based housing Voucher and were able to continue paying 30% of their income. Currently, eight Southtown tenants are still utilizing a Voucher.

**Recommendation:** Based on the cost burdened rental household data contained in the American Community Survey and the conversion of Southtown Apartments from subsidized to market rate, which was the last remaining subsidized rental project in Salem, we recommend that the City look to develop deep subsidy rental housing for lower income renters. Over the next five years, we recommend that the City attempt to construct 10 to 12 units that achieve a rent level that would be affordable for low income households. The 10 to 12 subsidized units would replace a portion of the 24 units in Southtown Apartments.

In the 2017 Salem Comprehensive Housing Study, we recommended the development of eight to 10 subsidized rental units. No subsidized units have been developed.

This recommendation represents a modest goal, since substantially more low income households exist in the City with a cost burden. The recommendation does not even represent a one-for-one replacement of the Southtown subsidized units that will be lost. However, over the past few decades, very few federal subsidy sources have been available for the construction of “deep subsidy” rental housing. The actual number of units that can be developed will be dependent upon access to financial resources. Also, due to market constraints, rents at Southtown Apartments are still modest. Therefore, some low income tenants will still be able to afford the rent.

In the opinion of the analysts, some of the units should have three-bedrooms to provide options for larger families.

#### **4. Consider the development of eight to 10 senior with services memory care units**

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

Lower-service housing, sometimes referred to as congregate senior housing, generally offers the availability of a daily meal, and services such as weekly light housekeeping. The City of Salem had two specialized projects that provide housing with supportive services for an elderly population. These senior with services projects include:

- ▶ **Golden Living Center** - The Golden Living Center was located in Salem and was licensed for 63 skilled nursing beds. However, the Golden Living Center was severely damaged from a storm and has closed. Residents were transferred to other facilities. It does not appear that the Golden Living Center will reopen.
- ▶ **Leisure Assisted Living and Apartments** - Leisure Assisted Living and Apartments is located in Salem and has 20 licensed units. The 20 licensed units include 16 assisted living and four residential living (light services) units.

**Recommendation:** In 2022, McCook County had approximately 1,312 people and Salem had 345 people age of 65 and older.

- ▶ ***Skilled Nursing Home*** - The research for this Study points to a decreasing reliance on nursing homes as a long-term residency 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 State moratorium that limits expansion in most cases. Although the nursing home in Salem has closed due to extensive damage from a storm, no recommendations are offered for this type of specialized housing. McCook County has two other well-established providers that serve this segment of the market.
- ▶ ***Memory Care Housing*** - There are no designated memory care beds in a secured facility in McCook County. However, the nursing homes may serve residents that have memory loss issues. Local providers do report some unmet demand for this type of specialized memory care housing. Based on the demand for the beds and unmet need, we recommend the development of eight to 10 beds in a secure facility dedicated for memory care over the next five years.
- ▶ ***Assisted Living*** - Currently, Leisure Living Assisted Living and Apartments in Salem has 16 licensed units with a 20-resident capacity. At the time of the survey, Leisure Assisted Living had one vacant unit. There are also other senior facilities in McCook County that have assisted living units, including 16 units in Grandview Assisted Living in Bridgewater. It is our opinion, based on McCook County's older population and the existing number of assisted living units/beds in the existing utilities in the County, that there is an adequate number of units/beds in the County to address demand. However, we recommend that the need for assisted living beds should continue to be monitored.
- ▶ ***Independent/Light Service Housing*** - Currently, there is one independent/light services project in McCook County. Leisure Assisted Living and Apartments is located in Salem and has 20 units. Four of the units are used for lighter services housing and 16 units are licensed for assisted living residents. At the time of the survey, the three of the four light services units were occupied. We are recommending additional Independent/Light Services senior housing in the following recommendation.

The supply and demand overview presented above indicates potential demand for eight to 10 memory care beds. It would probably be most cost effective for memory care beds to be added to the existing senior with services project in Salem. It is also our opinion that an Independent/Light Services project should be developed in Salem.

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

**5. Develop 14 to 16 senior independent/light services market rate units**

**Findings:** To determine the need for senior independent/light services market rate units in Salem, we have analyzed data for McCook County.

Currently, there were approximately 729 households age 65 or older in McCook County. We are estimating that approximately 2% of senior households age 65 and older in McCook County would move into a senior independent/light services rental project in Salem. Also, additional senior households would be expected to move into a senior independent project from locations outside of McCook County.

**Recommendation:** We are recommending a 14 to 16-unit independent/light services market rate senior project in Salem. The project should be designed to allow seniors to live in a unit independently and for seniors who need minimal services. The senior project could be a one-level apartment building or town home-style.

The project's amenities and features should include:

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

Apartment features should include:

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

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

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

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

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

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

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

**Findings:** A new mixed-use rental housing/commercial project would be an asset to Downtown Salem. Currently, there are several mixed-use buildings downtown.

New mixed use projects have been developed in several smaller cities. Some of these projects were developed because of market demand while others were developed to enhance the downtown, to introduce a new product to the market or to serve as a catalyst for downtown redevelopment. A mixed-use rental housing/commercial project would complement the City's ongoing efforts to develop a vibrant downtown.

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

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

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

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



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

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

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

Based on research for this study, it appears that the Housing Choice Voucher Program is not available in Salem or McCook County. McCook County is one of the few counties in the State of South Dakota that does not have the Housing Choice Voucher Program available for its residents. The Huron Housing Authority administered the Housing Voucher Program in McCook County at one time, but no longer administers the Program in McCook County.

**Recommendation:** We continue to recommend that the City of Salem should work with area and regional housing agencies, the South Eastern Council of Governments, and the South Dakota Housing Development Authority to determine if Salem and McCook County can obtain access to the Housing Choice Voucher Program.

# **Salem - 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 Salem is estimated to be approximately \$170,000 based on sales activity from 2022. The home values in Salem provide a good opportunity for first time buyers and households seeking moderately priced homes.

Our analysis of Salem’s demographic trends shows an increase in the number of households in the traditionally strong home ownership age ranges over the next five years. All of the 45 and older age ranges are projected to gain households. The 25 to 34 age range will also have an increase in the number of households. Some households in all age ranges that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase their first home.

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

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

**Findings:** We believe that affordable home ownership is one of the issues facing Salem 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 Salem 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:** We recommend that the City of Salem and SEDC continue to work with area housing agencies, the South Dakota Housing Development Authority, USDA Rural Development and local financial institutions to utilize all available home ownership assistance programs. Private and nonprofit agencies should also be encouraged to provide home ownership opportunities.

The City of Salem and SEDC should also work with housing agencies to assure that they are receiving their share of resources that are available in the region.

Funding sources for home ownership programs may include USDA Rural Development, the South Dakota Housing Development Authority, the South Eastern Development Foundation and the Federal Home Loan Bank. Also, Grow South Dakota and the Inter-Lakes Community Action Partnership utilize several funding sources to provide home ownership programs.

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

**Findings:** The City of Salem has a stock of older, lower valued homes, many of which need repairs. Our analysis of 2022 sales activity indicates that approximately 50% of the homes in Salem are valued less than \$170,000. 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 Salem and SEDC 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. Additionally, USDA Rural Development provides purchase/rehabilitation loans to low and moderate income buyers.

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

# **Salem - Single Family Housing Development**

## **Single Family Housing Development**

**Findings:** Based on City and U.S. Census information, Salem has experienced some owner-occupancy single family housing development from 2010 to 2022. From 2010 to 2016, seven single family units were constructed, for an average of one home per year. From 2017 to 2022, nine owner-occupancy units were constructed in single family houses and twin homes for an average of approximately two units per year.

It is our opinion that if the City, SEDC, housing agencies, and builders are proactive, 12 to 16 homes can be constructed in Salem over the next five years from 2023 to 2027.

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

▶ Higher and median priced homes (over \$300,000)	3-4
▶ Affordable homes (under \$300,000)	3-4
▶ Twin homes/town homes	<u>6-8</u>
Total	12-16

In the 2017 Salem Housing Study, we projected that eight to 10 single family owner-occupancy units would be constructed over the five-year projection period and nine units were actually built.

### **10. Support lot/subdivision development**

**Findings:** As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in the City of Salem.

The newest subdivision in Salem has only one available lot for new construction. There are also a few miscellaneous infill lots scattered around the City. We do not know if these infill lots are for sale, if these lots have enough square footage for new construction, if the lots are in attractive locations, etc. Also, dilapidated homes are being demolished in Salem. Some of the cleared lots may be potential sites for new construction.

**Recommendation:** With projections that 12 to 16 new owner-occupied housing units could be constructed in Salem over the next five years, the City should have residential lots available to meet the expected demand. Part of this demand would be for attached unit construction.

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

The Salem Economic Development Corporation (SEDC) has identified a 12-acre parcel for lot development. There is also a parcel adjacent to the City that may be available for development. Additionally, it is possible that several adjacent dilapidated homes or buildings could be demolished to create a larger parcel of land for development.

To achieve the level of new home construction potential that has been identified, we would recommend the development of 16 to 20 new lots for housing construction, based on the following:

- ▶ If possible, the site(s) for lot development should have land available for future lot development phases.
- ▶ To keep development costs as low as possible, a site with easy access to existing infrastructure should be considered.
- ▶ The lots must be as aesthetically acceptable as possible and include high quality amenities.
- ▶ The lots should have covenants that assure quality development. However, the covenants should not be so restrictive that they eliminate the target market's ability to construct a home.
- ▶ The lots should accommodate a variety of home designs and home prices.
- ▶ All stakeholders should be involved in promoting and publicizing the lots.
- ▶ To be successful, the homes must be available to households with as wide an income range as possible.
- ▶ Some lots should be available for twin home/ town home development



- ▶ Successful lot development will need the cooperation of financial institutions, funding agencies, employers, home builders, developers, the City of Salem and SEDC. Financial assistance such as tax increment financing, tax abatement, tax deferments and land donations or writedowns, may be necessary to make the development of lots feasible.
- ▶ It may be advantageous to develop the lots in phases.

### **11. Strategies to encourage residential lot sales and new home construction in Salem**

**Findings:** There is a small inventory of lots available in the City of Salem. However, the capacity exists to develop additional lots, and in the previous recommendation, we have recommended additional lot development.

**Recommendation:** We continue to recommend that the City of Salem and SEDC coordinate efforts with the private sector to promote lot sales and housing development in Salem.

Our recommendations to promote lot sales and housing development include:

- ▶ **Competitive pricing** - There are lots that are available in communities throughout the Region. Lot prices in Salem will need to be competitive.
- ▶ **Plan for long-term absorption** - The research completed for this Study expects limited annual absorption of lots in Salem over the next five years. If new subdivision lots are developed, it is necessary to view the lot sales and housing development as a long-term plan.
- ▶ **Generate initial activity** - Recent construction activity has been limited. To stimulate more new construction, proactive efforts, such as the sale of some lots at discounted prices, reduction of hookup and permit fees or other incentives could be provided if the buyer agrees to build a home of a certain quality and style within a specified time period. This will help create some momentum for more houses to be built.
- ▶ **Consider developing an exclusive builder(s) relationship** - Several lots could be sold to a builder(s). Momentum can be created when a builder has access to several lots. This allows for marketing opportunities and efficiencies in the home building process. The subdivision owners should require the builder to construct a minimum number of homes per

year. Builders are more willing to enter a market when the lots are attractive and very affordable. Several lots available to an exclusive builder or developer should be explored, even if significant price concessions are required.

- ▶ ***User-Friendly*** - The lot purchase and homebuilding process must be 'user-friendly.' This includes the availability of buildable lots, builders that are readily available to build custom homes, information on quality homes that could be moved into the community and City regulations that are fair and reasonable. This entire process should be as user-friendly as possible to encourage new home construction.
- ▶ ***Allow for a range of house prices*** - Lots should be available in Salem in as wide a range of home sizes and prices as possible. This would broaden the lot buyer market.
- ▶ ***Incentives*** - Many cities throughout South Dakota are offering incentives to construct new homes, including reduced lot prices, reduced water and sewer hookup fees, tax abatements, cash incentives, etc. Incentives should be considered to promote new home construction.
- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a demand for twin homes/town homes over the next five years. Lots should be available for twin home/town home lot development.
- ▶ ***Marketing*** - The City of Salem, SEDC and lot owners should develop a marketing strategy to sell the available lots. All stakeholders including realtors, financial institutions, builders, employers, etc. should be included in marketing strategies. In addition to marketing the lots, the City of Salem and its amenities should be marketed.
- ▶ ***Consider partnerships that share and split financial risk to construct spec homes*** - Spec houses could potentially attract buyers that are not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy. In an attempt to spur spec home construction, some communities have formed partnerships with private home builders to share the financial risks. For example, subdivision owners have been willing to defer the payment for the lot until the spec home is sold. Another builder incentive is for the City to waive

any water/sewer hook up fees, special assessment payments and building permit fees until the home is sold. A more aggressive approach is to become directly involved in helping cover the payments on a home builder's construction loan, if the house does not sell within a reasonable period of time. A community risk pool would need to be established for this type of activity. These types of approaches would somewhat reduce the builder's risk, by lowering the upfront development costs. A local builder has constructed spec homes in Salem in the past and may construct spec homes in Salem in the future.

- ▶ **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.' The South Eastern Council of Governments has recently moved a governors home into Salem and plans to move in additional governors homes in the future.
- ▶ **Modular Homes and modular home lots** - 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.
- ▶ **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.

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

**Findings:** With the difficulty of producing new housing units that are affordable to moderate income households, it is important to take advantage of opportunities presented by housing agencies and nonprofit groups. Private developers may also have an interest in constructing affordable housing in Salem. These sources can help generate new homes for moderate income families in Salem.

**Recommendation:** We recommend that the City of Salem and SEDC 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 (TIF), tax abatement, tax deferral or project coordination activities. The Governors Home Program could also be utilized to reduce the cost of a new affordable home. The South Eastern Council of Governments has moved a governors home into Salem and is planning to move in additional homes.

If dilapidated homes are demolished, some of the cleared lots may be suitable for new affordable home construction.

## **13. Promote twin home/town home development**

**Findings:** Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making homes available for families. It is important for the community to offer a range of life-cycle housing options. In Salem since 2010 to 2020, four twin homes/town houses (8 units) have been constructed.

In 2022, Salem had approximately 192 households in the 65 and older age ranges. These age ranges are expected to add 20 households from 2023 to 2027. Household growth among empty-nester and senior households should result in continued demand for attached single family units. It is likely that demand for attached housing units will also be dependent on the product's ability to gain additional market acceptance among the households in the prime target market, and among other households.

In the 2017 Salem Comprehensive Housing Study, we recommended the construction of four twin home units from 2017 to 2022. Six units were constructed in Salem during this time period.

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

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

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

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

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

# **Salem - Housing Rehabilitation**

## **Housing Rehabilitation**

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

It is our opinion that Salem 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 Salem households. Housing options for households at or below the median income level will largely be met by the existing, more affordable housing stock. As this existing stock ages, more maintenance and repair will be required. Without rehabilitation assistance, there is a chance that this affordable stock could shrink, creating an even more difficult affordability situation.

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

### **14. Promote rental housing rehabilitation**

**Findings:** Based on the U.S. Census data, the City of Salem had approximately 216 rental units in 2010. The 2020 rental housing data has not yet been released, however, it is estimated that there are 210 to 220 rental units in Salem in 2023. These rental buildings are in multi-family projects, single family homes, mobile homes and mixed-use buildings. Some of these rental structures could benefit from rehabilitation as approximately 56% of these rental structures are more than 40 years old and some rental units are in poor condition.

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

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

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

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

Approximately 42% of the owner-occupied homes in Salem are more than 60 years old. Some of these homes need repair. Without rehabilitation assistance, the affordable housing stock will shrink in Salem.

In the past year, there were two major storms in Salem and a substantial number of homes were damaged. As a result, more than 1.5 million dollars of housing rehabilitation and repairs have been undertaken since the storms.

**Recommendation:** We recommend that the City of Salem and SEDC continue to seek local, state and federal funds to assist in financing housing rehabilitation. USDA Rural Development, the South Dakota Housing Development Authority, the Federal Home Loan Bank, Inter-Lakes Community Action Partnership and Grow South Dakota are potential funding sources.

The Inter-Lakes Community Action Partnership currently has several housing programs to assist households with the rehabilitation of their homes including the Weatherization Program, the Self Help Rehabilitation Program and programs utilizing Home funds.

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



# **Salem - Other Housing Initiatives**

## **Other Housing Initiatives**

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

**Findings:** Single family homes have been identified in Salem that are dilapidated and too deteriorated to rehabilitate. There are also single family houses in Salem as needing major repair and some of these homes may be too dilapidated to rehabilitate. To improve the quality of the housing stock and to maintain the appearance of the City, these structures should be demolished, when feasible.

The City of Salem has been active in working with property owners to demolish dilapidated structures.

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

Also, the City of Salem should continue to maintain an inventory of structures that may be candidates for future acquisition. Additionally, an inventory of in-fill lots for future development should continue to be maintained.

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

**Findings:** The City of Salem will continue to need staff resources in addition to existing staff to plan and implement many of the housing recommendations advanced in this Study. The City of Salem has access to the South Eastern Council of Governments, the South Eastern Development Foundation, Inter-Lakes Community Action Partnership, Grow South Dakota, the South Dakota Housing Development Authority, the Sioux Metro Growth Alliance and USDA Rural Development. These agencies all have experience with housing and community development programs.

**Recommendation:** Salem 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 the City of Salem 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.

## **18. Strategies for Downtown Redevelopment**

**Findings:** Downtown Salem 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 the downtown, to maximize the usage of downtown buildings, to promote new downtown 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 recommend that the City of Salem continue the following actions for downtown Salem:

- ▶ Interview downtown property owners to develop a database and to determine their future plans (expanding, selling, renovations, etc.)
- ▶ Develop an overall plan for the downtown (potential new businesses, address parking needs, develop an overall theme, art and cultural opportunities, etc.)
- ▶ Develop a mini-plan for each downtown property and each downtown block. This may include:
  - ▶ Commercial building rehab and renovations
  - ▶ Facade work
  - ▶ Upper floor rental unit conversions or rehab
  - ▶ Building demolition
  - ▶ New construction
  - ▶ Recruiting new businesses

- ▶ Identify funding sources
  - ▶ Property owner funds
  - ▶ City and SEDC funds
  - ▶ Federal Home Loan Bank
  - ▶ Special tax districts
  - ▶ Tax increment financing
  - ▶ Tax abatement
  - ▶ Tax deferments
  - ▶ Funds from South Dakota State Agencies
  
- ▶ Work with stakeholders to identify roles, secure funding, develop and implement programs and projects
  - ▶ Property owners
  - ▶ City of Salem
  - ▶ Salem Economic Development Corporation
  - ▶ Salem Chamber of Commerce
  - ▶ South Eastern Council of Governments
  - ▶ South Eastern Development Foundation
  - ▶ Sioux Metro Growth Alliance

## **19. 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 Salem, SEDC 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 Salem 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, etc.)
- ▶ Work closely with employers (Salem and the area) to provide employees (especially new employees) with housing opportunities in Salem
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, gap financing, home owner education and home owner counseling and other housing programs
- ▶ Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the City a “full service” community
- ▶ Provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Preserve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Continue to develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior with services, etc.
- ▶ Review the City’s policies and fees to assure that they are user-friendly, fair and receptive for developers, builders and households.
- ▶ Develop a coordinated housing plan with the private sector area housing agencies.

## **Agencies and Resources**

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

### **South Eastern Council of Governments**

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

### **South Eastern Development Foundation**

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

### **Grow South Dakota**

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

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

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

### **USDA Rural Development**

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

### **Inter-Lakes Community Action Partnership**

505 N. Western Ave.  
Sioux Falls, SD 57104  
(605) 334-2808