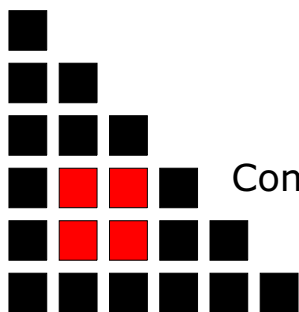


# City of Sturgis HOUSING STUDY

April 2014

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



Community Partners Research, Inc.

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# Introduction

## Overview

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 Sturgis 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 Sturgis and the Sturgis Economic Development Corp., to conduct a study of the housing needs and conditions in the City.

## Goals

The multiple goals of the study include:

- ▶ Provide updated demographic data including the 2010 Census
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet housing needs
- ▶ Examine future housing trends that the area can expect to address in the coming years
- ▶ Provide a market analysis for housing development
- ▶ Provide housing recommendations and findings

## Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from January to April, 2014. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Records and data from the City
- Records and data maintained by Meade County
- South Dakota State Data Center
- Interviews with City officials and staff
- Area and State housing agencies
- Interviews with developers and housing stakeholders
- Rental property surveys
- Housing condition survey

**Limitations**

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

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## **Demographic Data Overview**

### **Sources of Data**

The following pages contain demographic data obtained from a variety of local, state and national sources for the City of Sturgis and Meade County. A primary data source is the 2010 U.S. Census. However, the 2010 Census was more limited in scope than in the past. As a result, some of the demographic variables, such as income and housing cost information, are not available.

To supplement the decennial Census, the Census Bureau has created the American Community Survey, an annual sampling of households. The American Community Survey provides detailed demographic characteristics, replacing information once collected by the decennial Census. However, because the American Survey is based on sampling data, there is a margin of error that exists for each estimate. The following tables incorporate the 2010 Census data, when available, or the 2012 American Community Survey data.

The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For most jurisdictions in South Dakota, the 2012 estimates were derived from sampling that was done over a five-year period, between 2008 and 2012. Unless otherwise noted, the American Community Survey estimates are based on the five-year survey data.

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

## Population Data and Trends

<b>Table 1 Population Trends - 1980 to 2012</b>							
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2012 Estimate
Sturgis	5,184	5,330	6,442	20.9%	6,627	2.9%	6,644
Meade Co.	20,717	21,878	24,253	10.9%	25,434	4.9%	26,052

Source: U.S. Census

- ▶ According to the 2010 U.S. Census, both the City of Sturgis and Meade County had population gains from 2000 to 2010. Sturgis's population was 6,627 in 2010. This was a 185-person increase from 2000, which was a population gain of 2.9%.
- ▶ Meade County's population was 25,434 in 2010. This was a 1,181-person increase from 2000, which was a population gain of 4.9%.
- ▶ Sturgis and Meade County also experienced significant population growth in the 1990s. Sturgis's population increased by 1,112 people and Meade County's population increased by 2,375 people.
- ▶ The Census Bureau has released some population estimates following the 2010 Census. For Sturgis, the most recent estimate is effective on July 1, 2012. This estimate showed the City's population at 6,644 people, up 17 residents from the 2010 Census.
- ▶ For all of Meade County the 2012 Census Bureau estimate showed the County's population at 26,052, up by 618 people from the 2010 Census.
- ▶ Shortly before the release of this Study, a 2013 Census Bureau estimate was released for Meade County. Due to the timing of the annual population data, no similar 2013 estimates had yet been released for the individual cities or townships in the County. The most recent estimate has an effective date of July 1, 2013, and shows Meade County adding more than 1,100 residents between 2012 and 2013, making it one of the fastest growing counties in the U.S. The specific jurisdictional components of this rapid, one-year growth cannot be determined at this time. Since Community Partners Research, Inc., cannot identify the location of this recent growth, or its potential impact on the City of Sturgis, it has not been incorporated into the City analysis that follows.

## **Population Characteristics**

- ▶ The population of Sturgis is primarily White and non-Hispanic/Latino. At the time of the 2010 Census, approximately 94% of the City's residents identified their race as White, with the Native American population representing approximately 2.3% of the total. Asian residents were 0.4% and African Americans were 0.2% of the City's population in 2010. Approximately 2.6% of the residents were identified as Hispanic/Latino.
- ▶ According to the 2010 Census, 178 Sturgis residents lived in group quarters. Most all of these group quarters residents were living in skilled nursing facilities.



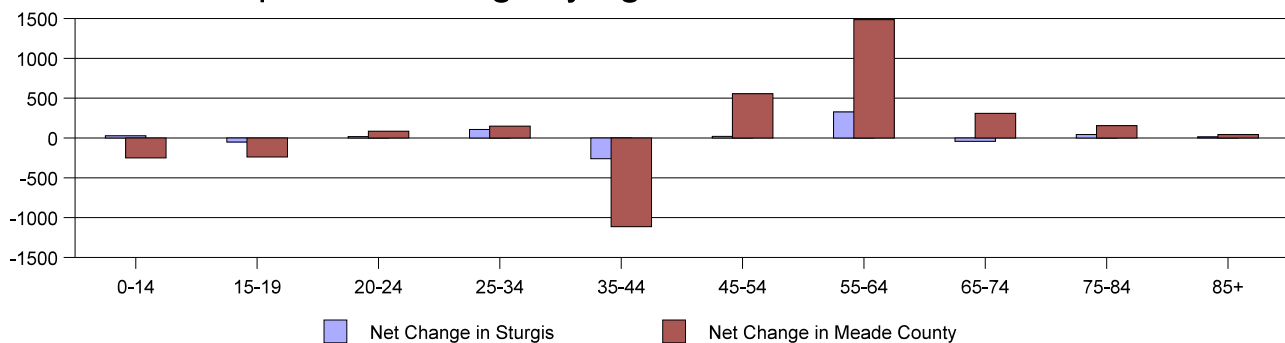
## Population by Age Trends: 2000 to 2010

The release of demographic information from the 2010 Census allows for some analysis of the changing age patterns for Sturgis and Meade County. The following table compares population by age in 2000 and 2010, along with the numeric changes.

<b>Table 2 Population by Age - 2000 to 2010</b>						
Age	Sturgis			Meade County		
	2000	2010	Change	2000	2010	Change
0-14	1,294	1,322	28	5,695	5,445	-250
15-19	478	427	-51	1,896	1,657	-239
20-24	342	360	18	1,856	1,942	86
25-34	660	767	107	3,210	3,359	149
35-44	975	714	-261	3,970	2,856	-1,114
45-54	894	914	20	3,265	3,821	556
55-64	553	880	327	1,831	3,316	1,485
65-74	589	547	-42	1,367	1,677	310
75-84	438	481	43	846	1,001	155
85+	219	215	-4	317	360	43
<b>Total</b>	<b>6,442</b>	<b>6,627</b>	<b>185</b>	<b>24,253</b>	<b>25,434</b>	<b>1,181</b>

Source: U.S. Census

### Population Change by Age Between 2000 and 2010



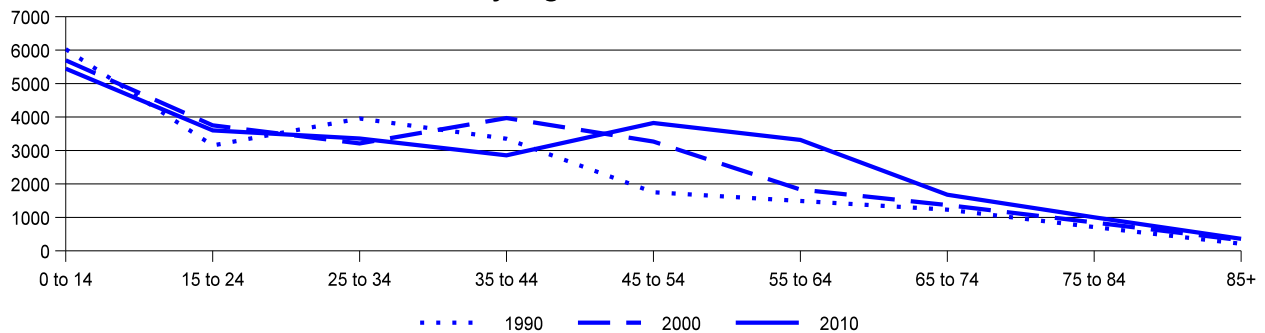
For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been evident in Sturgis and Meade County.

Between 2000 and 2010, Sturgis had a gain of 347 people and Meade County had a gain of 2,041 people in the age ranges between 45 and 64 years old. In 2010, nearly all of the baby boomers were within these age ranges.

The City of Sturgis also had an increase of 28 people in the 0 to 14 age range, 125 people in the 20 to 34 age ranges and 43 people in the 75 to 84 age range. Sturgis had a loss of 51 people in the 15 to 19 age range, 261 people in the 35 to 44 age range, 42 people in the 65 to 74 age range and four people in the 85 and older age range.

The aging trends present in 2010 can be traced back over the previous decades to see the movement of the baby boom generation over the last 20 years in Meade County.

Meade County Age Distribution: 1990 to 2010



In addition to the population increase in the 45 to 64 age ranges from 2000 to 2010, Meade County had an increase of 235 people in the 20 to 34 age ranges and an increase of 508 people in the 65 and older age ranges.

Meade County had a loss of 489 people in the 0 to 19 age ranges and a substantial loss of 1,114 people in the 35 to 44 age range.

## Population Projections

The following table presents population projections using two different sources.

The South Dakota State Data Center has issued preliminary population projections to the year 2030 for Meade County. The following table shows the Data Center projection for 2020. The other set of projections has been calculated by Community Partners Research, Inc., and these are based on past patterns of population change.

<b>Table 3 Population Projections Through 2015/2020</b>				
	2012 Population Estimate	2015 Projection	2020 Projection	2020 Projection State Data Center
Sturgis	6,644	6,737	6,847	N/A
Meade County	26,052	26,210	26,730	27,195

Source: Community Partners Research, Inc.; U.S. Census; State Data Center

- ▶ The Community Partners Research, Inc., growth projections show population gains from 2010 to 2020 for the City of Sturgis and Meade County.
- ▶ The growth projections for Sturgis expect an increase of 93 people between 2012 and 2015, and an increase of an additional 110 people from 2015 to 2020.
- ▶ Meade County’s population is projected to gain 158 people from 2012 to 2015 and an additional 520 people from 2015 to 2020.
- ▶ The State Data Center projects that Meade County will have 27,195 people by the year 2020. This projection is higher than the Community Partners Research, Inc., projection, but certainly is achievable if a slightly faster rate of future growth occurs. The State Data Center does not issue projections at the city level.

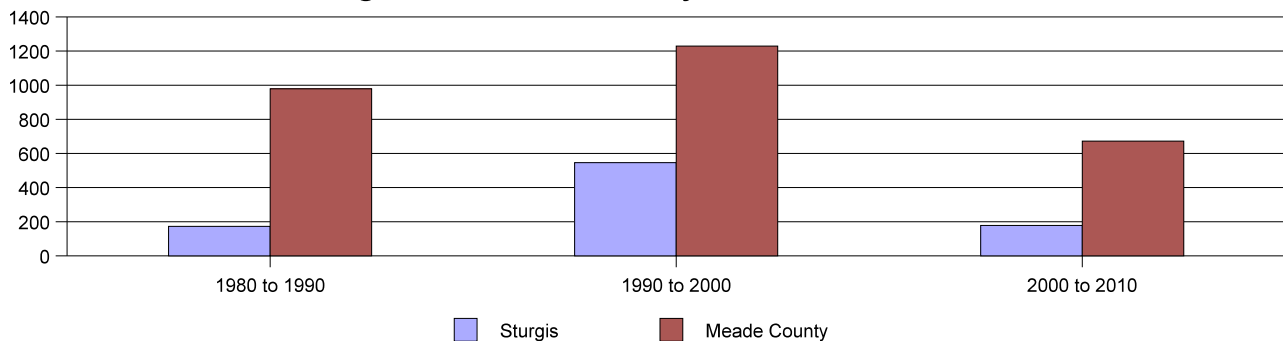
## Household Data and Trends

<b>Table 4 Household Trends - 1980 to 2010</b>						
	1980 Households	1990 Households	2000 Households	% Change 1990-2000	2010 Households	% Change 2000-2010
Sturgis	2,019	2,192	2,738	24.9%	2,916	6.5%
Meade Co.	6,364	7,084	8,805	24.3%	9,903	12.5%

Source: U.S. Census

- ▶ According to the 2010 U.S. Census, both Sturgis and Meade County gained households from 2000 to 2010.
- ▶ Sturgis had 2,916 households in 2010. This was an increase of 178 households from 2000, which was a household gain of 6.5%.
- ▶ Meade County had 9,903 households in 2010. This was a gain of 1,098 households from 2000, which was a household increase of 12.5%.
- ▶ Sturgis and Meade County also experienced significant household gains during the 1990s. Sturgis gained 546 households while Meade County gained 1,721 households from 1990 to 2000.

**Net Change in Households by Decade: 1980 to 2010**



## Household by Age Trends: 2000 to 2010

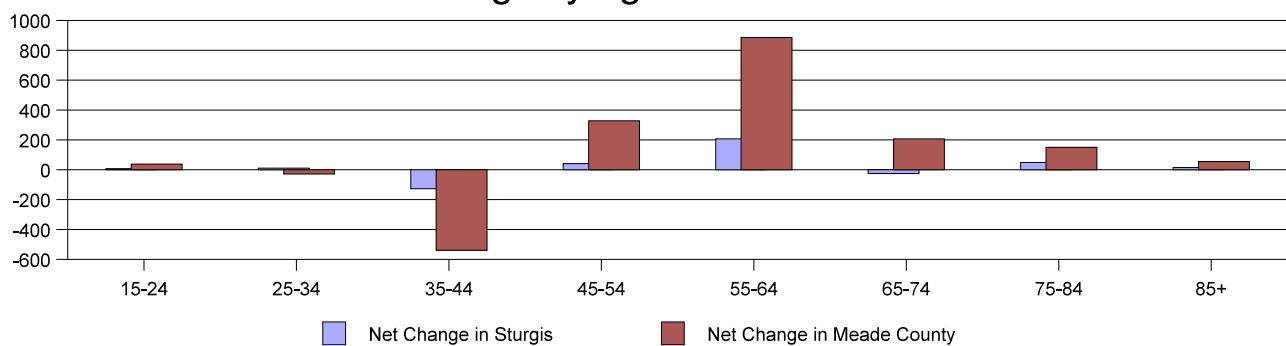
The 2010 Census allows for some analysis of Sturgis and Meade County’s changing age patterns. The following table compares households by age of householder in 2000 and 2010, along with the numeric changes.

Table 5 Households by Age - 2000 - 2010						
Age	Sturgis			Meade County		
	2000	2010	Change	2000	2010	Change
15-24	141	148	7	591	629	38
25-34	367	378	11	1,633	1,605	-28
35-44	546	419	-127	2,114	1,575	-539
45-54	525	566	41	1,832	2,160	328
55-64	340	547	207	1,062	1,948	886
65-74	388	363	-25	841	1,048	207
75-84	302	351	49	547	698	151
85+	129	144	15	185	240	55
Total	2,738	2,916	178	8,805	9,903	1,098

Source: U.S. Census

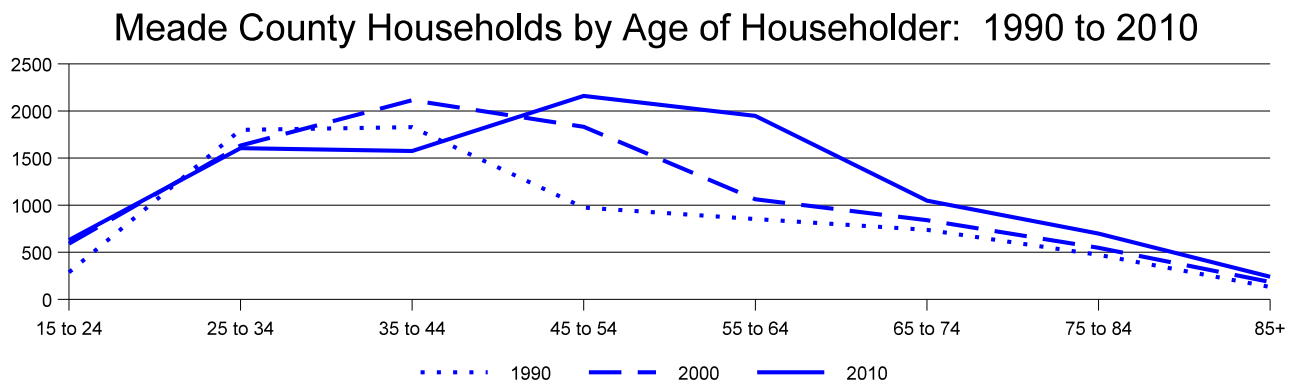
Consistent with the population by age data presented earlier, the household patterns show much of the change occurring in the baby boomer age groups. For all of Meade County there was an increase of 1,214 households in the 45 to 64 year age range, and in Sturgis there was a gain of 248 households in the 45 to 64 year old age ranges.

Household Change by Age Between 2000 and 2010



Sturgis had household increases in all age ranges with the exception of the 35 to 44 age range which had a loss of 127 households and the 65 to 74 age range, which had a loss of 25 households. Meade County also had net gains in all of the age ranges except the 25 to 44 age ranges, which had significant losses of 567 households.

As with the longer-term patterns for population, it is possible to track the progression of the baby boomer households over the past 20 years in Meade County, using Census information for households by the age of householder.



## Average Household Size

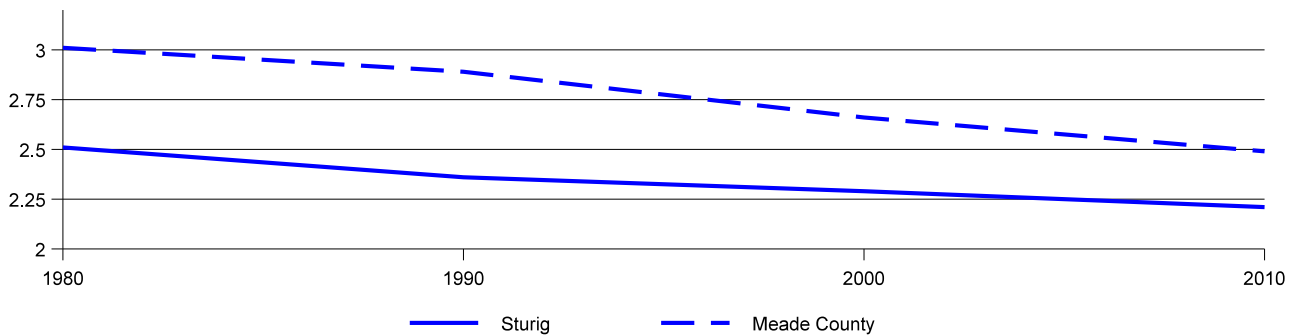
The following table provides decennial Census information on average household size.

<b>Table 6 Average Number of Persons Per Household: 1990 to 2010</b>				
	1980 Census	1990 Census	2000 Census	2010 Census
Sturgis	2.51	2.36	2.29	2.21
Meade County	3.01	2.89	2.66	2.49

Source: U.S. Census

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.

Average Household Size: 1980 to 2010



The average household size in Sturgis decreased from 2.51 in 1980 to 2.21 in 2010. Meade County’s average household size decreased from 3.01 in 1980 to 2.49 in 2010.

## Household Projections

The following table presents household projections for Sturgis and Meade County. These calculations have been generated by Community Partners Research, Inc., and are based on the past rates of change as well as the aging patterns of area residents.

<b>Table 7 Household Projections Through 2015/2020</b>			
	2010 Census	2015 Projection	2020 Projection
Sturgis	2,916	3,011	3,106
Meade County	9,903	10,264	10,626

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

- ▶ Community Partners Research, Inc.'s, growth projections forecast household gains for Sturgis and Meade County over the next few years.
- ▶ From 2010 to 2020, Sturgis is expected to gain 190 households.
- ▶ Meade County is projected to add 723 households from 2010 to 2020.



## Sturgis Household by Age Projections: 2010 to 2020

With the release of the 2010 Census, a new benchmark has been established for age-related statistics. In the following table, Community Partners Research, Inc., has generated age-based household projections for Sturgis to the year 2020.

The projections were created by Community Partners Research, Inc., by trending forward past retention rates within defined age cohorts, and assuming that these past patterns are reasonable predictors of future age-based population changes.

The projections assume that historical patterns will continue into the near-future, especially related to household formation and household size within specific age groups. If Sturgis adds population at a rate that is faster or slower than past patterns would suggest, traditional age-based forecasts could be altered.

<b>Table 8 Sturgis Projected Households by Age: 2010 to 2020</b>				
Age Range	2010 Census	Community Partners Research, Inc.		
		2015 Projection	2020 Projection	Change from 2010-2020
15-24	148	144	139	-9
25-34	378	377	375	-3
35-44	419	460	500	81
45-54	566	496	425	-141
55-64	547	558	572	25
65-74	363	477	594	231
75-84	351	344	336	-15
85+	144	155	165	21
<b>Total</b>	<b>2,916</b>	<b>3,011</b>	<b>3,106</b>	<b>190</b>

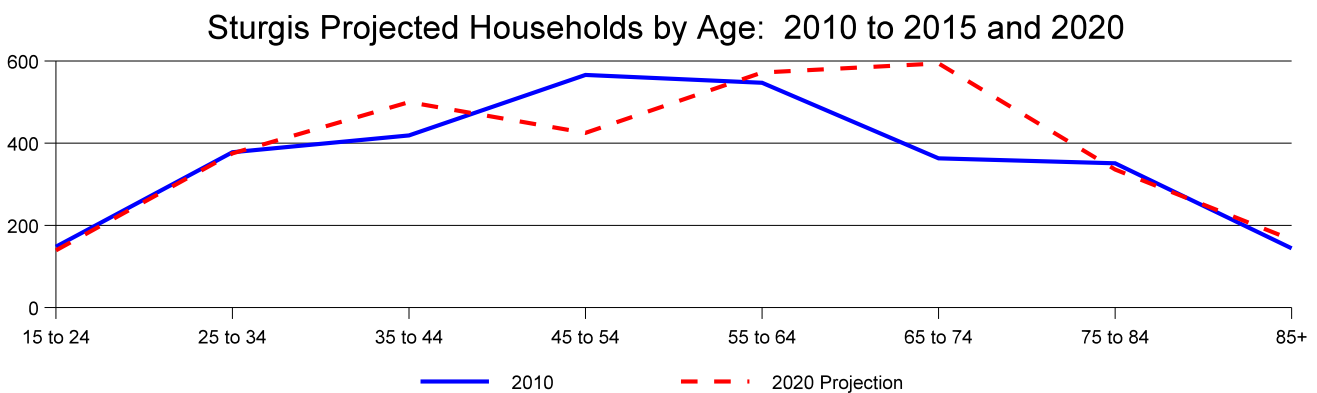
Source: U.S. Census; Community Partners Research, Inc.

Making projections at the city level can be difficult, as a single housing project could significantly impact the future retention/attraction of households within defined age ranges. However, based on past age distribution patterns in Sturgis, it is possible to make an informed prediction of the age mix of future residents and households.

From 2010 to 2020, the Community Partners Research, Inc., projection expects most of the net household increase to occur from households age 55 and older. The number of households in the 55 to 74 year old range will experience the greatest change among any of the age groups, with the expected addition of more than 250 households. This would generally reflect the aging baby boomers by the year 2020.

A fairly large increase would also be projected in the younger adult age range between 35 and 44 years old. This 10-year grouping would be expected to add more than 80 households. However, the other younger age ranges are expected to decrease in size and overall a reduction in the number of households age 54 and younger will probably occur.

While some increase in senior-headed households is expected, this would be due to the youngest senior age range. The number of older senior households, age 75 and above, is expected to remain relatively unchanged from 2010 to 2020.



## Households by Type

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

<b>Table 9 Sturgis Household Composition - 2000 to 2010</b>			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	554	431	-123
Single Parent with own children	273	321	48
Married Couple without own children	759	773	14
Family Householder without spouse	123	162	39
Total Families	1,709	1,687	-22
Non-Family Households			
Single Person	913	1,080	167
Two or more persons	116	149	33
Total Non-Families	1,029	1,229	200

Source: U.S. Census

Between 2000 and 2010, Sturgis experienced a slight loss in the total number of family households. The family household loss was due to a decrease of married couples with children. There was an increase in the number of married couples without children, family householders without spouses and single parents with children.

The City also had a significant increase in “non-family” households. This was primarily due to an increase in single person households, although, there was also an increase in the number of unrelated individuals living together.

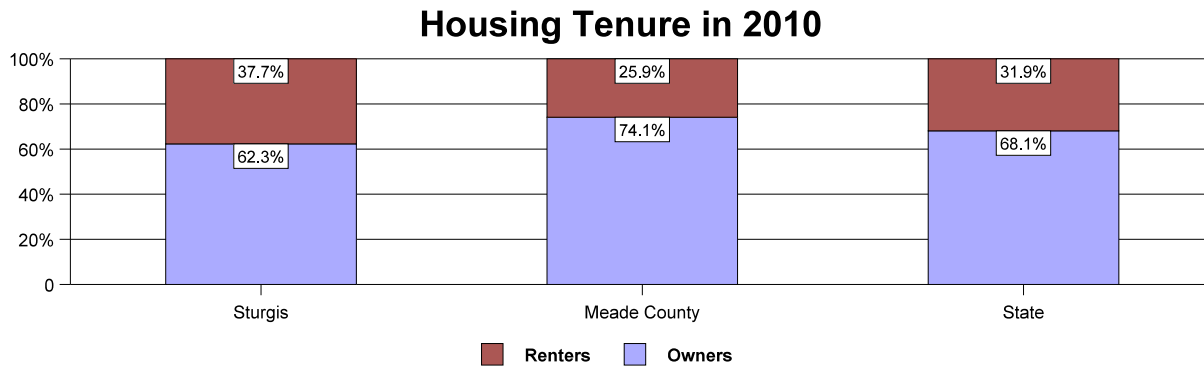
## Housing Tenure

The 2010 Census provided an updated look at housing tenure patterns. The following tables examine overall tenure rates, along with the changes that have occurred since 2000 for the City of Sturgis and Meade County.

<b>Table 10 Household Tenure - 2010</b>				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Sturgis	1,817	62.3%	1,099	37.7%
Meade Co.	7,339	74.1%	2,564	25.9%
State	-	68.1%	-	31.9%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in Sturgis was 62.3%. Meade County's ownership rate was 74.1%. Sturgis' renter rate was 37.7% in 2010, which was substantially above the Statewide renter rate of 31.9%.



<b>Table 11 Households by Housing Tenure - 2000 to 2010</b>						
Tenure	Sturgis			Meade County		
	2000	2010	Change	2000	2010	Change
Owners	1,744/63.7%	1,817/62.3%	73	6,006/68.2%	7,339/74.1%	1,333
Renters	994/36.3%	1,099/37.7%	105	2,799/31.8%	2,564/25.9%	-235
Total	2,738	2,916	178	8,805	9,903	1,098

Source: U.S. Census

Sturgis's ownership tenure rate decreased slightly between 2000 to 2010, from 63.7% in 2000 to 62.3% in 2010. For Meade County, there was an increase in the rate of owner households between 2000 and 2010. The ownership tenure rate increased from 68.2% in 2000 to 74.1% in 2010.

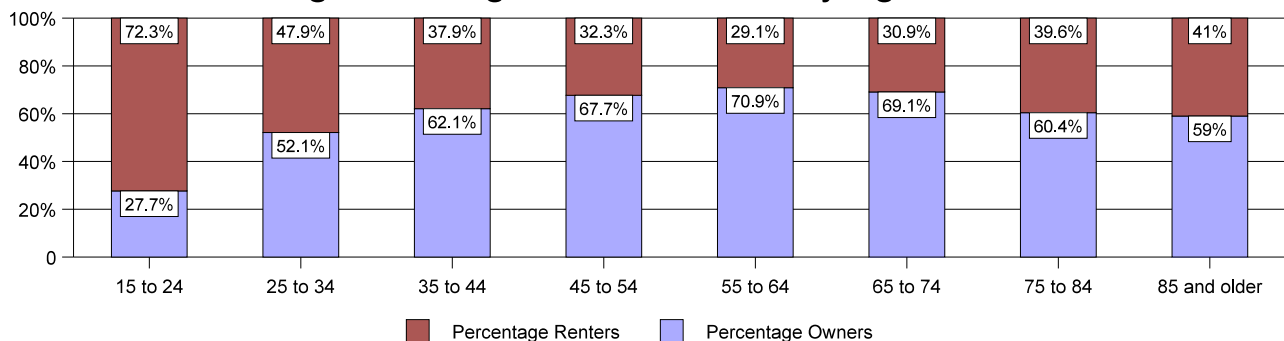
## Tenure by Age of Householder

The 2010 Census provided information on the tenure distribution of households within each defined age range. The following table examines the number and percentage of renters and owners in each age group in the City of Sturgis.

<b>Table 12 Sturgis Tenure by Age of Householder - 2010</b>				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	41	27.7%	107	72.3%
25-34	197	52.1%	181	47.9%
35-44	260	62.1%	159	37.9%
45-54	383	67.7%	183	32.3%
55-64	388	70.9%	159	29.1%
65-74	251	69.1%	112	30.9%
75-84	212	60.4%	139	39.6%
85+	85	59.0%	59	41.0%
Total	1,817	62.3%	1,099	37.7%

Source: U.S. Census

**Sturgis Housing Tenure Patterns by Age in 2010**



Within the defined age ranges, typical tenure patterns were present, with the households in the younger age ranges showing a greater preference for rental housing, while middle-aged and older adult households were primarily home owners. Approximately 72% of households age 24 and younger and 48% of the households in the 25 to 34 age range rented their unit. Home ownership rates for each of the 10-year age cohorts age 35 and older were above 59%.

## Tenure by Household Size

The 2010 Census provided information on housing tenure by household size. This can be compared to 2000 Census information to better understand trends for housing unit needs. The following table provides information for Sturgis.

<b>Table 13 Sturgis Tenure by Household Size - 2000 to 2010</b>						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	420	505	85	493	575	82
2-Person	652	704	52	259	251	-8
3-Person	288	235	-53	124	134	10
4-Person	233	234	1	72	87	15
5-Person	106	85	-21	25	39	14
6-Person	34	29	-5	15	7	-8
7-Persons+	11	25	14	6	6	0
Total	1,744	1,817	73	994	1,099	105

Source: U.S. Census

- ▶ From 2000 to 2010, there was an increase in the number of owner and renter households in Sturgis. There was an increase of 85 one-person owner households, 52 two-person owner households and 14 seven or more-person households. There was a net decrease of 78 owner households with three to six people.
- ▶ There was a gain of 82 one-person renter households, and a gain of 39 renter households with three to five people. There was a loss of eight two-person households and a loss of eight six-person households. There was no change in the number of households with seven or more people.
- ▶ Approximately 75% of the renter households in Sturgis were one or two person households.

## 2012 Income Data

The 2010 Census did not collect information on household income. However, estimates are available through the 2012 American Community Survey.

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

<b>Table 14 Median Household Income - 2000 to 2012</b>			
	2000 Median	2012 Median	% Change
Sturgis	\$30,253	\$36,935	22.1%
Meade County	\$36,992	\$50,077	35.4%
South Dakota	\$35,271	\$46,369	31.5%

Source: U.S. Census; 2012 ACS 5-year survey

<b>Table 15 Median Family Income - 2000 to 2012</b>			
	2000 Median	2012 Median	% Change
Sturgis	\$38,698	\$60,705	56.9%
Meade County	\$40,537	\$61,526	51.8%
South Dakota	\$43,237	\$58,958	36.4%

Source: U.S. Census; 2012 ACS 5-year survey

Information contained in the American Community Survey shows significant income growth from 2000 to 2012. Meade County's median household income was above the State median, while the Sturgis median household income was below the State median. The median family incomes for Sturgis and Meade County were above the family median income for all of South Dakota.

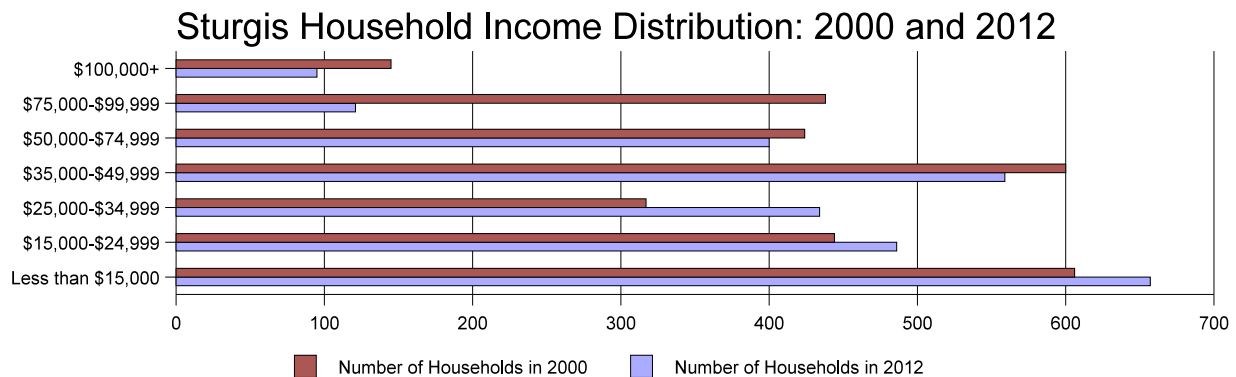
Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Sturgis could afford approximately \$923 per month for ownership or rental housing in 2012. A median income family could afford approximately \$1,518 per month for housing. However, as will be detailed later in this section, renter households tend to be below the overall median, while owner households tend to be above the overall median income level.

## Sturgis Household Income Distribution

The 2012 American Community Survey household income estimates for the City of Sturgis can be compared to the same distribution information from 2000 to examine changes that have occurred from 2000 to 2012.

<b>Table 16 Sturgis Household Income Distribution - 2000 to 2012</b>			
Household Income	Number of Households 2000	Number of Households in 2012	Change 2000 to 2012
\$0 - \$14,999	657	606	-51
\$15,000 - \$24,999	486	444	-42
\$25,000 - \$34,999	434	317	-117
\$35,000 - \$49,999	559	600	41
\$50,000 - \$74,999	400	424	24
\$75,000 - \$99,999	121	438	317
\$100,000+	95	145	50
<b>Total</b>	<b>2,752</b>	<b>2,974</b>	<b>222</b>

Source: 2000 Census; 2012 ACS



According to income estimates contained in the 2012 American Community Survey, household incomes have improved in Sturgis, especially in the highest income ranges. When compared to the 2000 Census (1999 income), the number of households with an income of \$50,000, or more, increased by 391 households. There was also a net decrease of 169 households with incomes less than \$50,000. However, there are still 1,050 households in Sturgis that have an annual income below \$25,000, which is approximately 35% of the households in Sturgis.

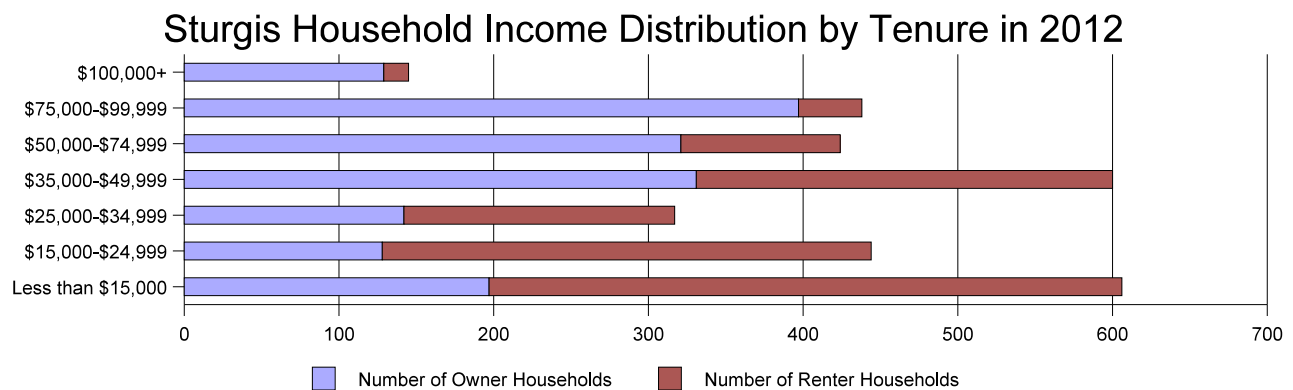


## Sturgis Income Distribution by Housing Tenure

The 2012 American Community Survey provides an income estimate by owner and renter status. The following table examines income distribution within the City of Sturgis. The American Community Survey is an estimate, based on limited sampling data, and there are some differences when compared to the 2010 Census. For total households, the American Community Survey reported 58 more households than the Census, a difference of 2.0%. The American Community Survey estimated 172 less owner households than the Census, and 230 more renter households. Since owner households tend to have higher incomes than renters, the under-weighting of owners in the estimate probably results in some lower totals in the higher income ranges.

<b>Table 17 Sturgis Household Income Distribution by Tenure - 2012</b>			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	197	409	606
\$15,000 - \$24,999	128	316	444
\$25,000 - \$34,999	142	175	317
\$35,000 - \$49,999	331	269	600
\$50,000 - \$74,999	321	103	424
\$75,000 - \$99,999	397	41	438
\$100,000+	129	16	145
<b>Total</b>	<b>1,645</b>	<b>1,329</b>	<b>2,974</b>

Source: 2012 American Community Survey



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

In 2010, approximately 68% of all renter households in Sturgis had an annual income below \$35,000. At 30% of income, these households would have \$875, or less, that could be applied to monthly housing costs.

Conversely, a majority of the owner households had a substantially higher income level. Approximately 51% of all owner households had an annual income of \$50,000 or more. At 30% of income, these owners could afford \$1,250 or more per month for housing costs.

## 2012 Estimated Income and Housing Costs - Renters

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

Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	97/19.9%	119/35.0%	316/23.8%
20% to 29.9%	55/25.8%	102/30.0%	357/26.9%
30% to 34.9%	98/9.9%	34/10.0%	132/9.9%
35% or more	417/42.2%	85/25.0%	502/37.8%
Not Computed	22/2.2%	0/0%	22/1.6%
Total	989	340	1,329

Source: 2012 American Community Survey

According to the American Community Survey, approximately 48% of all renters in the City were paying 30% or more of their income for rent. The large majority of these households were actually paying 35% or more of their income for housing. Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a "rent burden". When more than 35% is required, this can be considered a "severe rent burden".

Although a housing cost burden could be caused by either high housing costs or low household income, in Sturgis it was primarily due to low income levels for renters. Approximately 55% of the renter households with a housing cost burden had an annual household income below \$25,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$625 or less.

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

## 2012 Estimated Income and Housing Costs - Owners

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

<b>Table 19 Ownership Costs as a Percentage of Income - Sturgis</b>		
Percentage of Household Income for Housing Costs	Number of Owner Households 2012	Percent of All Owner Households 2012
0% to 19.9%	737	44.8%
20% to 29.9%	423	25.7%
30% to 34.9%	155	9.4%
35% or more	330	20.1%
Not Computed	0	0%
Total	1,645	100%

Source: 2012 ACS

Based on the 2010 Census, the 2012 American Community Survey underestimated the number of owner households in the City by 172 households.

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

As would be expected, the majority of the cost-burdened home owners had a mortgage on their home.

## Building Permit Trends

Sturgis has had a significant amount of new housing construction activity in recent years. The following table identifies the units that have been issued a building permit since the year 2001.

<b>Table 20 Sturgis Housing Unit Construction Activity: 2001 to 2013</b>			
Year	Single Family Detached	Multifamily	Total Units
2013	11	33	44
2012	9	2	11
2011	6	0	6
2010	4	0	4
2009	13	32	45
2008	13	4	17
2007	14	0	14
2006	20	2	22
2005	27	6	33
2004	61	10	71
2003	23	7	30
2002	14	0	14
2001	19	0	19
TOTAL	234	96	330

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

Over the past 13 years, 330 new housing units have been constructed in Sturgis, based on building permit issuance. A majority of these units are identified as single family homes, but 96 multifamily units have also been added, including twin homes, a four-plex, a five-plex, a 32-unit apartment building, and a 33-bed assisted living project was built in 2013.

Much of the detached single family housing construction occurred between 2001 and 2006. During this six-year period, the City averaged approximately 27 new units per year. From 2007 to 2013, housing construction activity slowed and the City has averaged approximately 10 new detached single family units per year.

## Occupancy Status of Housing Units - 2010

<b>Table 21 Occupancy Status of Housing Units - 2010</b>						
	Occupied Units		Vacant Units			
	Owner	Renter	For Rent	For Sale	Seasonal Use	Other Vacant
Sturgis	1,817	1,099	49	29	85	75
Meade Co.	7,339	2,564	367	101	291	338

Source: U.S. Census

- ▶ In 2010, according to the U.S. Census, there were 291 seasonal housing units in Meade County, including 85 units in Sturgis.
- ▶ Excluding the seasonal use units, there were 806 other types of vacant housing units in Meade County in 2010, including 153 vacant units in Sturgis. Many of the vacant units were listed as “other vacant” and the status of these units is not known. However, many of the seasonal units and other vacant units are assumed to be homes that are owned by people who utilize the units during the Sturgis® Motorcycle Rally™.

## Existing Home Sales

This section examines houses that were sold in Sturgis in 2011, 2012 and 2013. The basic sales records were obtained from the County's Equalization Office. These records were then sorted by staff from Community Partners Research, Inc. Sales that appeared to represent fair market transactions, based on the sale price compared to taxable value, were then included in this analysis.

In any 12-month time period, the number of houses that have sold can vary, and therefore may not be an accurate indicator of overall home values in the City. However, this sample does provide some insight into those units that are turning-over in a given year.

This table primarily reflects existing home sales. New construction sales activity would generally not be recorded in the data that was used for this analysis, since it would not have a prior year tax value.

<b>Table 22 Median Value of Residential Sales - 2011 to 2013</b>		
Calendar Year	Number of Good Sales	Median Sale Price
2013	106	\$123,250
2012	70	\$134,500
2011	70	\$128,000

Source: Meade County Equalization; Community Partners Research, Inc.

- ▶ In 2013, there were 106 residential sales in Sturgis. The median sales price was \$123,250. The highest valued sale was for \$290,000 and the lowest valued sale was for \$38,000.
- ▶ In 2012, there were 70 residential sales in Sturgis. The median sales price was \$134,500. The highest valued sale was for \$272,000 and the lowest valued sale was for \$15,000.
- ▶ In 2011, there were 70 residential sales in Sturgis. The median sales price was \$128,000. The highest valued sale was for \$325,000 and the lowest valued sale was for \$45,000.



## Sturgis Housing Condition

Community Partners Research, Inc., representatives conducted a visual 'windshield' survey of 496 single family/duplex houses in five Sturgis neighborhoods.

The boundaries of the five neighborhoods are:

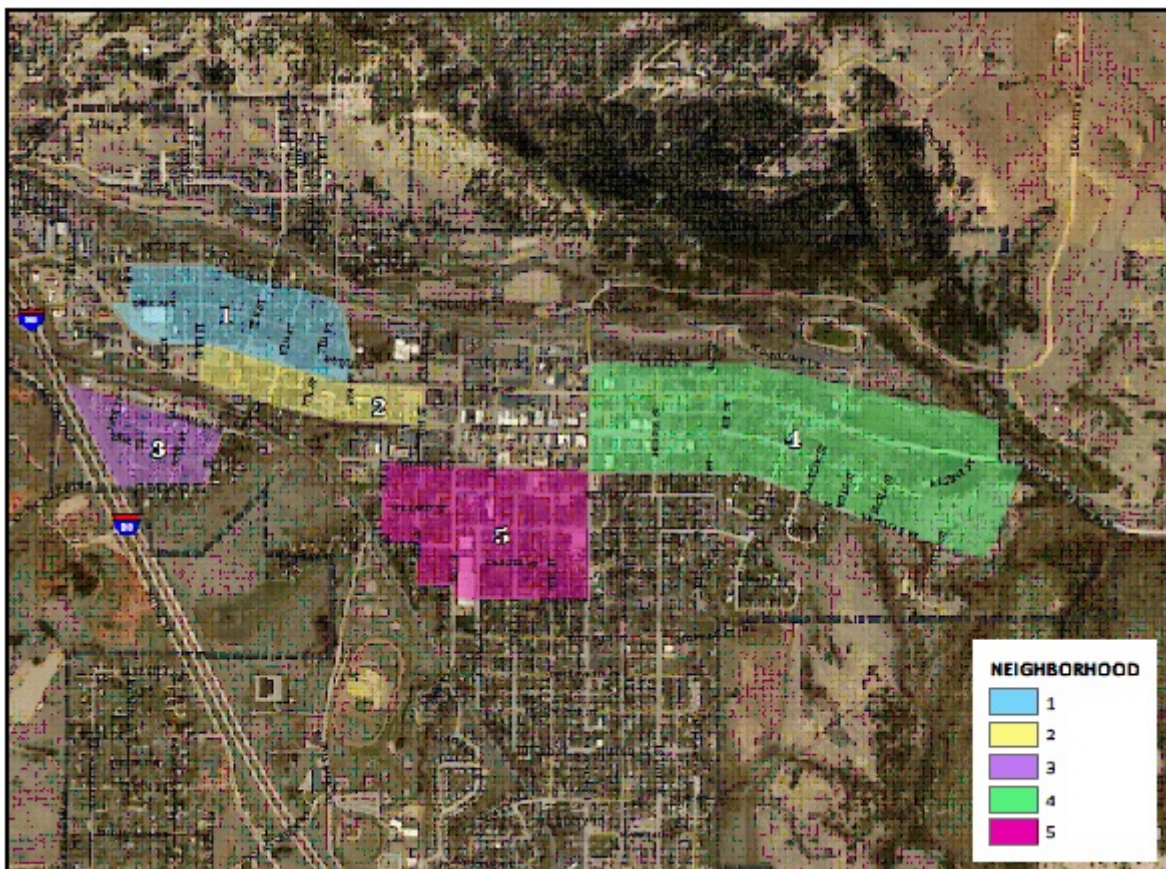
**Neighborhood No. 1:** South - Lazelle St., North - Williams St.,  
East - 6<sup>th</sup> St., West - 12<sup>th</sup> St.

**Neighborhood No. 2:** South - Main St., North - Lazelle St.,  
East - 4<sup>th</sup> St., West - 10<sup>th</sup> St.

**Neighborhood No. 3:** South - Cleveland St., North - Sherman St.,  
East - 9<sup>th</sup> St., West - Interstate 90

**Neighborhood No. 4:** South - Sherman St., North - Dudley St.,  
East - Cemetery & Park, West - Junction Ave.

**Neighborhood No. 5:** South - Church & Edmunds Streets,  
North - Sherman St., East - Junction Ave., West - 5<sup>th</sup> St.





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

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

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

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

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

<b>Table 23 Single Family Home/Duplex Condition Estimate - 2014</b>					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood #1	17/20.5%	35/42.2%	26/31.3%	5/6.0%	83
Neighborhood #2	4/9.3%	10/23.3%	24/55.8%	5/11.6%	43
Neighborhood #3	8/19.0%	13/31.0%	17/40.5%	4/9.5%	42
Neighborhood #4	43/24.7%	60/34.5%	59/33.9%	12/6.9%	174
Neighborhood #5	45/29.2%	59/38.3%	44/28.6%	6/3.9%	154
<b>Total</b>	<b>117/23.6%</b>	<b>177/35.7%</b>	<b>170/34.3%</b>	<b>32/6.4%</b>	<b>496</b>

Source: Community Partners Research, Inc.

- ▶ The existing housing stock in the five Sturgis neighborhoods is in fair condition. Approximately 36% of the houses in the five neighborhoods need minor repair and 34% need major repair. Approximately 24% are sound, with no required improvements.
- ▶ Approximately 32 houses in the five neighborhoods are dilapidated and possibly beyond repair.

## **Rental Housing Data**

### **Census Bureau Rental Inventory**

According to the 2010 U.S. Census, there were 1,099 occupied rental units and 49 unoccupied rental units in Sturgis, for a total estimated rental inventory of 1,148 units. The City's rental tenure rate was 37.7%, above the Statewide rental rate of 31.9% in 2010.

At the time of the 2000 Census, Sturgis had 994 occupied rental units, and at least 110 vacant rental units, for a total estimated rental inventory of 1,104 units. The rental tenure rate in 2000 was 36.3%.

Based on a Census comparison, the City gained 105 renter-occupancy households, and approximately 44 rental units from 2000 to 2010.

### **Rental Housing Survey**

As part of this housing study, a telephone survey was conducted of multifamily projects in the City of Sturgis. The survey was primarily conducted during the months of February and March, 2014. 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 duplexes, single family homes and mobile homes were also surveyed.

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

There were 667 housing units/beds of all types that were contacted in the survey. Based on our research, all of the subsidized and senior with services rental projects were surveyed. A significant percentage of market rate multifamily projects were also contacted. We also surveyed the 84-bed nursing home.

The units that were successfully contacted include:

- ▶ 137 market rate units
- ▶ 451 federally subsidized units
- ▶ 79 senior with services units/beds
- ▶ 84 nursing home beds

The findings of the survey are provided below.

## Market Rate Summary

Information was obtained on 137 market rate rental units. The rental projects and units surveyed include two 12-plexes, seven eight-plexes, one six-plex, two four-plexes, three duplexes, nine townhomes, 19 single family homes and four mobile homes.

### Unit Mix

The bedroom mix of the 137 surveyed market rate units is:

- ▶ Efficiency - 0 (0%)
- ▶ One-bedroom - 6 (4.4%)
- ▶ Two-bedroom - 109 (79.5%)
- ▶ Three-bedroom - 20 (14.6%)
- ▶ Four-bedroom - 2 (1.5%)

### Occupancy / Vacancy

Within the market rate multifamily segment, the managers and owners reported only one vacancy of the 137 units surveyed. This represents a vacancy rate of 0.7%. Most of the managers and owners reported high demand for rental units and daily calls from people seeking rental units. Also, many managers and owners have waiting lists.

### 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 following median gross rent range has been identified based on information from the telephone survey.

<u>Unit Type</u>	<u>Median Gross Rent Range</u>
One-bedroom	\$525-\$550
Two-bedroom	\$650-\$750
Three-bedroom	\$775-\$875
Four-bedroom	\$1,100-\$1,200

No multifamily projects that we surveyed had efficiency units.

## **Tax Credit Summary**

Five rental projects in Sturgis were constructed utilizing tax credits. However, these projects also utilized USDA Rural Development funds or HUD HOME funds. We have included these projects in the following subsidized section.

## **Subsidized Summary**

The research completed for this Study identified 11 subsidized projects providing rental opportunities for lower income households. These projects have a combined 451 units. Six of the projects are general occupancy housing with 273 units and five projects are senior/disabled occupancy with 178 units. The subsidized projects were developed in Sturgis utilizing USDA Rural Development funds, HUD Section 8, HUD Public Housing, HUD HOME funds, low income housing tax credits, or a combination of these funding sources.

## **Rental Rates**

The City's subsidized units have access to project-based rent assistance. These units charge rent based on 30% of the tenant's household income. The subsidized projects have a market rent and tenants do not pay more than the market rent. However, a very high percentage of tenants in the subsidized projects pay less than the market rent, as 30% of their income is less than the market rent.

## **Unit Mix**

The bedroom mix breakdown of the 451 subsidized housing units in Sturgis is as follows:

- ▶ Efficiency -16 (3.6%)
- ▶ One-bedroom - 243 (53.9%)
- ▶ Two-bedroom - 131 (29.0%)
- ▶ Three-bedroom - 46 (10.2%)
- ▶ Four-bedroom - 15 (3.3%)

## **Occupancy / Vacancy**

There were 19 vacant units that were identified in the subsidized projects, which is a 4.2% vacancy rate. Butte Ridge Apartments had nine vacancies, Hillsvie High Rise had five vacancies, Northgate Community Homes had three vacancies and Heritage Acres IV LP had two vacancies. Seven subsidized projects had no vacancies.

## **Subsidized Housing Gains/Losses**

Federal subsidy sources for low income rental housing have been very limited for the past few decades. Most subsidized projects were constructed in the 1960s, 1970s or 1980s. Some of these older projects may have completed their compliance requirements and have the opportunity to leave their subsidy program and convert to conventional rental housing. At this time, we are not aware of any projects that are considering opting out of their subsidy programs.

## **Housing Choice Vouchers**

In addition to subsidized rental projects, Sturgis and Meade County households have access to the Housing Choice Voucher Program. The Meade County Housing and Redevelopment Commission administers the Housing Voucher Program in Sturgis and Meade County.

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

Currently, the Meade County Housing and Redevelopment Commission has funding for approximately 190 Vouchers in Meade County, including a set aside of Vouchers for Veterans. Most of these Vouchers are being utilized by Sturgis households. The waiting list for a Voucher is approximately one year.

## **Senior Housing with Services**

Sturgis has five senior with services projects with a total of 79 beds. Four facilities are licensed as an Assisted Living Center, and one is registered as a Residential Living Facility.

Four facilities with 46 beds have a total of three vacant beds, which is a 6.1% vacancy rate. The owners and managers of these facilities reported high occupancy rates and high demand. Aspen Grove Assisted Living, with 33 beds, was not included in the vacancy rate calculation, as the facility was recently constructed and is in the initial leasing phase.

Sturgis Regional Health Care, an 84-bed nursing home, was also surveyed. The nursing home reported full occupancy.

**Table 24 Sturgis Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Market Rate</b>					
Jenter Properties	<u>32 - 2 Bedroom</u> 32 Total Units	\$550 upper \$625 lower + utilities	No vacancies and a waiting list	General occupancy	Jenter Properties include 32 units in one eight-plex and two 12-plexes. Buildings are approximately 15 years old. Some units have garages included. All 32 units are two-bedroom. Main floor rents are \$625 and second floor unit rents are \$550. Tenants pay utilities. Manager reports that the units are always fully occupied and there is a waiting list.
4 <sup>th</sup> Street Apartments	<u>4 - 2 Bedroom</u> <u>2 - 3 Bedroom</u> 6 Total Units	\$550 \$650 +utilities	1 vacancy	General occupancy	4 <sup>th</sup> Street Apartments is a six-plex owned by the Meade County Housing Authority. The six units include four two-bedroom and two three-bedroom units. The manager reports one vacancy, but the units are usually fully occupied. Tenants pay utilities in addition to rent.
Stephanie's Properties	<u>4 - 3 Bedroom</u> 4 Total Units	\$700-\$750 +utilities	No vacancies	General occupancy	Four mobile homes including one double wide and three single wides. All of the units have three bedrooms. Rent is \$700 for single wides and \$750 for the double wide. Tenants pay all utilities. Owner reports no vacancies.
Lazelle & 8 <sup>th</sup> 8-plex	<u>1 - 1 Bedroom</u> <u>7 - 2 Bedroom</u> 8 Total Units	\$475 \$575 +electric	No vacancies	General occupancy	Eight-plex with one one-bedroom and seven two-bedroom units. Rent is \$475 for the one-bedroom unit and \$575 for the two-bedroom units. Rent includes all utilities except electricity. Owner reports no vacancies.
East Main 8-plexes	<u>2 - 1 Bedroom</u> <u>14 - 2 Bedroom</u> 16 Total Units	\$475 \$550 +electric	No vacancies	General occupancy	Two 8-plexes with one one-bedroom and 14 one-bedroom units. Rent is \$475 for a one-bedroom unit and \$550 for a two-bedroom unit. Rent includes all utilities except electricity. Owner reports no vacancies.
2100 E Ida	<u>4 - 2 Bedroom</u> 4 Total Units	\$700 +electric	No vacancies	General occupancy	Four-plex with all two-bedroom units. Owner reports no vacancies and the units are always fully occupied. Rent includes all utilities except electricity.

**Table 24 Sturgis Multifamily Rental Housing Inventory**

<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>					
J & C Schreiner Apartments	<u>16 - 2 Bedroom</u> 16 Total Units	\$500 +heat, electric	No vacancies	General occupancy	J & C Schreiner Apartments includes two 8-plexes. All 16 units are two-bedroom. Rent is \$500 per month. Tenants pay heat and electricity. Owner pays water, sewer, garbage. Owner reports no vacancies and numerous calls from households seeking rentals.
1308 Davenport 8-plex	<u>8 - 2 Bedroom</u> 8 Total Units	\$500 +heat, electric	No vacancies	General occupancy	8-plex - all units are two bedroom. Rent is \$500. Tenants pay heat and electricity. Owner pays water, sewer, garbage. Owner reports no vacancies.
Main Street 4-plex	<u>4 - 2 Bedroom</u> 4 Total Units	\$525 +electric	No vacancies	General occupancy	Four-plex - All units are two-bedroom. Rent is \$525 plus electricity. Owner reports no vacancies.
1201 Butte View Duplex	<u>1 - 1 Bedroom</u> <u>1 - 2 Bedroom</u> 2 Total Units	\$450 \$650 +heat, electric	No vacancies	General occupancy	Duplex with one one-bedroom and one two-bedroom unit. Tenants pay heat and electricity. Owner pays water, sewer, garbage. One-bedroom rent is \$450 and two-bedroom is \$650. Two-bedroom unit includes a garage. Owner reports no vacancies.
Main Street Single Family Home	<u>1 - 2 Bedroom</u> 1 Total Unit	\$590 +heat, electric	No vacancy	General occupancy	Single family two-bedroom home. Rent is \$590 plus heat and electricity. Owner pays water sewer, garbage. The home is occupied.
Guy's Rentals	<u>2 - 2 Bedroom</u> <u>2 - 3 Bedroom</u> 4 Total Units	\$550 to \$850 +utilities	No vacancies	General occupancy	Rentals include a duplex and two single family homes. Duplex units rents are \$550 plus utilities and single family home rents are \$850 plus utilities. Duplex units are two-bedroom and single family homes are three-bedroom. Manager reports no vacancies.
515 Main Duplex	<u>2 - 2 Bedroom</u> 2 Total Units	\$500 +electric	No vacancies	General occupancy	Duplex on Main. Both units have two bedrooms. Rent is \$500. Rent includes all utilities except electricity. Units are fully occupied.



**Table 24 Sturgis Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Market Rate</b>					
Christy's Properties	2 - 2 Bedroom 6 - 3 Bedroom <u>1 - 4 Bedroom</u> 9 Total Units	\$575-\$725 \$650-\$850 \$1000 +utilities	No vacancies	General occupancy	Nine single family homes, four of the homes are mobile homes. Rents range from \$575 to \$1,000. Tenants pay all utilities. Owner reports that all of the homes are fully occupied.
Heidi's Properties	<u>5 - 3 Bedroom</u> 5 Total Units	\$675-\$775 +utilities	No vacancies	General occupancy	Five mobile homes all with three bedrooms. Owner reports no vacancies. Tenants pay utilities in addition to rent.
Townhomes managed by Properties Unlimited	<u>9 - 2 Bedroom</u> 9 Total Units	\$635-\$700 +utilities	No vacancies	General occupancy	Nine two-bedroom townhomes with one bath and garage. Rent ranges from \$635-\$700 plus utilities. Townhomes range from 10 to 18 years old. Manager reports no vacancies.
Single family homes managed by Properties Unlimited	2 - 1 Bedroom 4 - 2 Bedroom <u>1 - 4 Bedroom</u> 7 Total Units	\$325-\$425 \$550-*\$650 \$1,100 +utilities	No vacancies	General occupancy	Seven single family homes including two one-bedroom, four two-bedroom and one four-bedroom. Tenants pay all utilities. Manager reports no vacancies.

**Table 24 Sturgis Multifamily Rental Housing Inventory**

<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Subsidized - Senior/Disabled</b>					
Heritage Acres I & II	48 - 1 Bedroom 24 - 2 Bedroom 72 Total Units	\$585 max. \$610 max. 30% of income	No vacancies	Senior/Disabled	USDA Rural Development Senior/Disabled project with two 36-unit buildings. Heritage Acres I was constructed in 1986 and Heritage Acres II was constructed in 1989. Manager reports no vacancies. Tenants pay 30% of income. Maximum rent is \$585 for a one-bedroom unit and \$610 for a two-bedroom unit.
Heritage Acres III	30 - 1 Bedroom 4 - 2 Bedroom 34 Total Units	\$593 max. \$608 max. 30% of income	No vacancies	Senior/Disabled	HUD Senior/Disabled project constructed in 1994. Project includes 30 one-bedroom and four two-bedroom units. Tenants pay 30% of income with a maximum rent of \$593 for a one-bedroom unit and \$608 for a two-bedroom unit. Manager reports no vacancies.
Heritage Acres III LP	28 - 1 Bedroom 4 - 2 Bedroom 32 Total Units	\$570 max. \$640 max. 30% of income	No vacancies	Senior/Disabled	USDA Rural Development Senior/Disabled Project constructed in 1998. Home funds and Low Income Tax Credits were also utilized to construct the project. Tenants pay 30% of income with a maximum rent of \$570 for a one-bedroom unit and \$670 for a two-bedroom unit. Manager reports no vacancies.
Heritage Acres IV LP	28 - 1 Bedroom 4 - 2 Bedroom 32 Total Units	\$610 max. \$675 max. 30% of income	2 vacancies	Senior/Disabled	USDA Rural Development Senior/Disabled Project constructed in 2009. Home funds and Low Income Tax Credits were also utilized to construct the project. Tenants pay 30% of income with a maximum rent of \$610 for a one-bedroom unit and \$675 for a two-bedroom unit. Manager reports two vacancies.
Sherman Street Apartments	8 - 1 Bedroom 8 Total Units	\$526 max. 30% of income	No vacancies	Senior/Disabled	USDA Rural Development Senior/Disabled project with eight one-bedroom units. Project was constructed in 1984. Manager reports no vacancies and a high occupancy rate. Tenants pay 30% of income with \$526 maximum rent.

**Table 24 Sturgis Multifamily Rental Housing Inventory**

<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Subsidized - General Occupancy</b>					
Bluffs Edge Apartments	4 - 1 Bedroom 14 - 2 Bedroom <u>6 - 3 Bedroom</u> 24 Total Units	\$635 max. \$718 max. \$758 max. 30% of income	No vacancies	General occupancy	Bluffs Edge Apartments is a USDA Rural Development General Occupancy Family Project constructed in 1994. The project also utilized low income tax credits to construct the units. The manager reports no vacancies. Tenants pay 30% of income up to the maximum rent.
Butte Ridge Apartments	3 - 1 Bedroom <u>53 - 2 Bedroom</u> 56 Total Units	\$580 max. \$640 max. 30% of income	9 vacancies	General occupancy	Bluffs Ridge Apartments is a USDA Rural Development General Occupancy family project constructed in 1994. The project was renovated in 2005. In addition to the RD funding, the project has received HOME funding. The manager reports nine vacancies. Tenants pay 30% of income up to the maximum rent.
Hillsview High Rise	78 - 1 Bedroom <u>2 - 2 Bedroom</u> 80 Total Units	\$450 max. 30% of income	5 vacancies	General Occupancy with Senior/ Disabled preference	Hillsview High Rise is an 80-unit HUD Public Housing Project constructed in 1976. The project was originally a senior/disabled project, but was converted to general occupancy. However, senior/disabled still have preference. Currently, there are 37 senior tenants and 27 disabled tenants. The tenants have access to transportation, a meal program, home health care, tenant services, staff and home maker services. The project has five vacancies and Director reports that sometimes there are more than five vacancies. Tenants pay 30% of income to the maximum rent of \$450.
Hunters Run	11 - 2 Bedroom <u>13 - 3 Bedroom</u> 24 Total Units	Based on tenant's income	No vacancies	General occupancy	A 24-unit town house project constructed in 1998. The project utilized tax credits and HUD HOME funding. The manager reported no vacancies.

**Table 24 Sturgis Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Subsidized - General Occupancy</b>					
Key City Manor	16 - Efficiency <u>16 - 1 Bedroom</u> 32 Total Units	\$502 max. \$569 max. 30% of income	No vacancies	General occupancy	Key City Manor is a HUD Section 8 General Occupancy project with 32 units. Key City Manor is owned and managed by the Meade County Housing and Redevelopment Commission. The project was constructed in 1970. Director reports no vacancies, but there typically are one or two vacancies. Tenants have access to senior services. Tenants pay 30% of income up to the maximum rent.
Northgate Community Homes	15 - 2 Bedroom 27 - 3 Bedroom <u>15 - 4 Bedroom</u> 57 Total Units	30% of income up to max. rent	3 vacant units, 2 - 2 Bdrm 1 - 3 Bdrm	General occupancy	Northgate Community Homes is a 57-unit HUD Section 8 subsidized project constructed in 1972. The units include 15 two-bedroom, 27 three-bedroom and 15 four-bedroom units. Currently, the manager reports three vacancies, but the units are usually fully occupied with a waiting list.

**Table 24 Sturgis Multifamily Rental Housing Inventory**

<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>Senior with Services</b>					
Aspen Grove Assisted Living	33 Beds	Varies based on services	28 beds occupied in initial lease-up phase	Seniors	Aspen Grove Assisted Living opened in September, 2013. The facility has 33 beds. The facility offers the full array of senior assisted living services. Currently, 28 of the 33 beds are occupied, however, the facility is in the initial lease-up phase.
Dakota Hills Assisted Living Center	9 Beds	Varies based on income	No vacancies	Senior men	The Dakota Hills Assisted Living Center provides primarily for men who are veterans. The facility has a nine-bed capacity. Currently, the facility is fully occupied. The tenants have to be relatively self-sufficient. The facility provides meals and medial assistance. The age range of the tenants is 50s to 90s.
Foothills Assisted Living	16 Beds	Varies based on level of services	No vacancies	Senior/ Disabled	Foothills Assisted Living has 16 beds. All beds are fully occupied. Foothills provides a full array of senior assisted living services including meals, laundry, housekeeping, bathing, medication assistance, etc. Project serves seniors and non-seniors with disabilities.
Key City Retirement Home	15 Beds	Varies based on level of services	1 vacant bed	Primarily seniors	Key City Retirement Home is an assisted living facility with 15 beds. Currently, there is one vacancy, but beds are usually fully occupied. Key City provides a full array of assisted living services. Key City serves primarily seniors, but occasionally has a non-senior resident. Rent and fees are based on the level of service.
Our House	6 Beds	Varies based on level of services	2 vacant beds	Seniors	Our House is a six-bed Residential Living facility and provides meals and laundry. Two vacancies at time of survey, but beds are usually occupied with a waiting list. Rent and fees are based on the level of service.
Sturgis Regional Senior Care	84 Beds	Varies based on level of services	No vacant beds	Seniors	Sturgis Regional Senior Care is an 84-bed nursing home. Full occupancy reported at time of rental survey.

Source: Community Partners Research

## Employment and Local Economic Trends Analysis

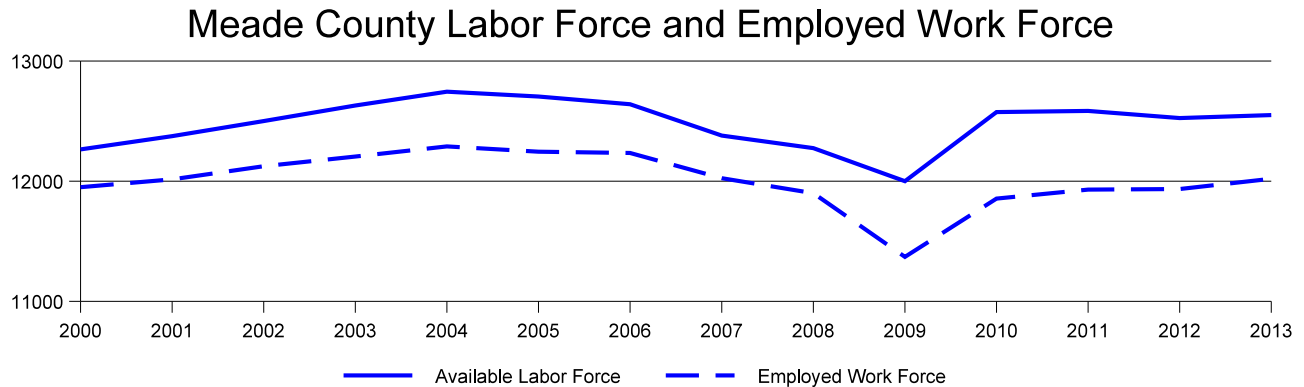
While many factors influence the need for housing, employment opportunities represent a predominant demand generator. Without jobs and corresponding wages, the means to pay for housing is severely limited.

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

Employment information is available at the County level for Meade County. The labor force statistics track people by place of residence, rather than place of employment.

<b>Table 25 County Average Annual Labor Force: 2000 to 2013</b>						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2000	12,265	11,950	315	2.6%	2.7%	4.0%
2001	12,375	12,015	360	2.9%	3.1%	4.7%
2002	12,500	12,125	375	3.0%	3.3%	5.8%
2003	12,630	12,205	425	3.4%	3.5%	6.0%
2004	12,745	12,290	455	3.6%	3.7%	5.6%
2005	12,705	12,245	460	3.6%	3.7%	5.1%
2006	12,640	12,235	405	3.2%	3.1%	4.6%
2007	12,380	12,025	355	2.9%	2.9%	4.6%
2008	12,275	11,900	375	3.1%	3.0%	5.8%
2009	12,000	11,370	630	5.3%	5.2%	9.3%
2010	12,575	11,855	720	5.7%	5.1%	9.6%
2011	12,585	11,930	655	5.2%	4.7%	8.9%
2012	12,525	11,935	590	4.7%	4.2%	8.1%
2013	12,550	12,020	530	4.2%	4.1%	7.4%

Source: South Dakota Department of Labor



Over a longer time period, there have been fluctuations in the size of the County's labor force and employed work force. Between 2000 and 2013, the size of the labor force increased by 285 people, or 2.3%. The employed work force increased by 70 people, or 0.6% during this same time period.

However, the available resident labor force reached its peak level in 2004. It then reached its lowest level in 2009. Since 2009, there has been relatively consistency in the size of the County's labor force. The employed work force has generally followed the same patterns. In 2004, the County reached its highest number of employed residents. The lowest employment level occurred in 2009. After 2009 the number of employed County residents increased, and the unemployment rate dropped substantially.

The County's unemployment rate for 2013 was at 4.2%, well below the national rate. However, for the past six years, the County's unemployment rate has been slightly higher than the Statewide rate.

## Average Annual Wages by Industry Sector

The following table shows the annual employment and average annual wages by major employment sector in 2012, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment in the County. For example, employees of the Armed Forces are not included. This information is for all of Meade County.

<b>Table 26 County Average Annual Wages by Industry Detail: 2012</b>		
Industry	2012 Employment	2012 Average Annual Wage
Total All Industry	6,803	\$34,841
Natural Resources, Mining	31	\$30,803
Construction	603	\$36,150
Manufacturing	247	\$27,930
Trade, Transportation, Utilities	1,008	\$29,766
Information	34	\$50,213
Financial Activities	286	\$39,297
Professional and Business Services	393	\$35,576
Education and Health Services	460	\$32,264
Leisure and Hospitality	842	\$14,293
Other Services	156	\$22,205
Government	2,745	\$43,751

Source: South Dakota Department of Labor

The industry sector employment data in the table above reflect place of employment, not place of residence. On the previous page, the resident labor force was identified, with more than 12,000 Meade County residents employed in 2013. With fewer than 7,000 covered workers in Meade County, these tables imply that some of the people living in the County are actually employed outside of the County borders. The industry sector data does not include the Armed Forces, which has a significant presence in Meade County.



The average annual wage for all industry in 2012 was \$34,841. The highest paying wage sector was Information, with an annual average wage above \$50,000. However, only 34 people worked in the Information sector.

Government was the largest single employment sector, and had annual wages above \$43,700. It is possible that military operations located in Meade County are reported under the Government industry sector.

The lowest paying wage sector was Leisure and Hospitality, with an average annual wage of only \$14,293. This was the only industry sector with an annual wage below \$20,000.

## **Major Employers in Sturgis**

The Sturgis Economic Development Corp. has identified the following major employers in Sturgis.

▶ VA Hospital-BH Healthcare System	751 employees
▶ Black Hills Special Services Co-operative	578 employees
▶ Meade School District 46-1	350 employees
▶ Sturgis Regional Healthcare	230 employees
▶ City of Sturgis	150 employees
▶ Meade County	138 employees
▶ Lynn's Dakota Mart	63 employees
▶ McDonald's	62 employees
▶ First Interstate Bank	38 employees
▶ CorBon	37 employees
▶ Dakota Arms/Remington	35 employees
▶ Loud American Roadhouse	33 employees
▶ Samson Exhaust	30 employees
▶ Hersrud's of Sturgis	30 employees
▶ CBH/Cenex	25 employees
▶ United Parcel Service (UPS)	25 employees
▶ Shopko	22 employees
▶ Grocery Mart	22 employees
▶ Holiday Inn Express	20 employees

Source: Sturgis Economic Development Corp.

## Commuting Patterns of Area Workers

Only limited information is available on area workers that commute for employment. The best information is from the 2012 American Community Survey, and has been examined for Sturgis. This table only examines people that traveled to work and excludes people that work at home.

<b>Table 27 Commuting Times for Residents - 2012</b>		
Travel Time	Number	Percent
Less than 10 minutes	1,233	40.3%
10 to 19 minutes	871	28.4%
20 to 29 minutes	467	15.3%
30 minutes +	491	16.0%
Total	3,062	100%

Source: 2012 American Community Survey 5-year estimates

The majority of Sturgis residents were traveling less than 20 minutes to work in 2012. Overall, nearly 69% of residents commuted 19 minutes or less to work. However, the City also had a large number of workers that commuted. Approximately 16% of all working residents had a travel time of 30 minutes or more, and more than 31% had a commute time of at least 20 minutes.

The American Community Survey also identifies travel time by location of employment. For people that worked in Sturgis, the following travel times were identified.

<b>Table 28 Commuting Times for Sturgis Employees - 2012</b>		
Travel Time	Number	Percent
Less than 10 minutes	1,308	40.3%
10 to 19 minutes	1,230	37.9%
20 to 29 minutes	355	10.9%
30 minutes +	353	10.9%
Total	3,246	100%

Source: 2012 American Community Survey 5-year estimates

For people that worked in Sturgis, only 22% of employees traveled 20 minutes or more. Overall, more than 700 people traveled to Sturgis from these greater distances, including more than 350 people that traveled 30 minutes or more. However, most workers had a commute time of 19 minutes or less, and would either be City residents, or were living reasonably close to the City.

It is important to note that the patterns for people commuting to Sturgis may not include people working at Fort Meade, which is located just outside the Sturgis city limits. The American Community Survey asks people to identify the location of their employment. Since Fort Meade is not within the City of Sturgis, it may under report the number of people commuting to the Sturgis area. If it were possible to specifically identify the number of people traveling to the area, instead of the City itself, it is probable that the number of commuters would be even larger.

## **Findings on Growth Trends**

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

Sturgis and Meade County populations increased significantly from 1990 to 2000, and while each continued to grow in each jurisdiction from 2000 to 2010, the growth slowed considerably from the 1990s. From 1990 to 2000, Sturgis's population increased by 1,112 people, and Meade County's population increased by 2,375 people. From 2000 to 2010, Sturgis's population increased by 185 people and Meade County's population increased by 1,181 people. Sturgis and Meade County have continued to show population growth after 2010.

The City of Sturgis gained 546 households from 1990 to 2000 and gained 178 households from 2000 to 2010. Meade County gained 1,721 households from 1990 to 2000 and gained 1,098 households from 2000 to 2010.

## **Findings on Projected Growth**

The projections for Sturgis and Meade County calculated by Community Partners Research, Inc., from past growth trends reflect the patterns of recent decades. Using the past trends and age-based patterns, Community Partners Research, Inc., projects that Sturgis's population will increase by 93 people between 2012 and 2015, with an increase of an additional 110 people from 2015 to 2020. The household projection expects a gain of 190 households from 2010 to 2020. The projections for all of Meade County expect a gain of 723 households from 2010 to 2020.

## Summary of Growth Projections by Age

The following chart shows the expected net change in the number of Sturgis households in each 10-year age cohort between 2010 and 2020. This information can be informative in determining the housing changes that may be needed due to age patterns of the area population.

From 2010 to 2020, the Community Partners Research, Inc., projection expects most of the net household increase to occur from households age 55 and older. The number of households in the 55 to 74 year old range will experience the greatest change among any of the age groups, with the expected addition of more than 250 households. This would generally reflect the aging baby boomers by the year 2020.

A fairly large increase would also be projected in the younger adult age range between 35 and 44 years old. This 10-year grouping would be expected to add more than 80 households. However, the other younger age ranges are expected to decrease in size, and overall, a reduction in the number of households age 54 and younger will probably occur.

While some increase in senior-headed households is expected, this would be due to the youngest senior range. The number of older senior households, age 75 and above, is expected to remain relatively unchanged from 2010 to 2020.

While projections can be informative in planning for change, it is important to note that they may be altered in the future. To the extent that Sturgis can continue to attract in-migration, the demographic profile of future residents may not always match historical patterns, and it is possible that more young adults will move to the community.

<u>Age Range</u>	<u>Projected Change in Households</u>	
	<u>2010 to 2020</u>	
15 to 24	-9	
25 to 34	-3	
35 to 44	81	
45 to 54	-141	
55 to 64	25	
65 to 74	231	
75 to 84	-15	
85 and Older	21	
Total	190	

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

Based on the household by age projections presented earlier, the changing age composition of Sturgis's population through the 10-year projection period will have an impact on demand for housing.

**Age 24 and Younger** - The projections used for this Study expect a loss of 9 households in the 15 to 24 age range through the year 2020. Past tenure patterns indicate that as many as 72% of these households in Sturgis will rent their housing. A slight decrease in the number of households in this age range should mean that rental demand from younger households will decrease slightly during the projection period.

**25 to 34 Years Old** - The projections show a loss of only 3 households in this age cohort in Sturgis by 2020. Within this age range households often move from rental to ownership housing. The ownership rate among these households in Sturgis was approximately 52% in 2010. A stable number of households within this age range will mean a no significant change in the demand for both first-time home buyer and rental opportunities.

**35 to 44 Years Old** - This 10-year age cohort has a projected a gain of 81 households between 2010 and 2020 in Sturgis. In the past, this age group has had a relatively high rate of home ownership, at approximately 62%. 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. Demand from this age cohort would have some impact on overall demand for owner-occupied housing.

**45 to 54 Years Old** - By 2020, this age cohort will represent the front-end of the "baby bust" generation that followed behind the baby boomers. This age group represents a much smaller segment of the population than the baby boom age group. For Sturgis the projections show a loss of 141 households in this range. This age group historically has had a relatively high rate of home ownership, at approximately 68% in Sturgis in 2010, and will often look for trade-up housing opportunities. With a significant household decrease in this age group, there should be a decrease in the demand for trade-up housing.

***55 to 64 Years Old*** - This age range is part of the baby boom generation. The projections show an expected increase of 25 households in this 10-year age range by the year 2020 in Sturgis. This age range has traditionally had a high rate of home ownership in Sturgis, at approximately 71% 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*** - Strong household growth is expected in Sturgis within this age range, with the projections showing an increase of 231 households by the year 2020. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. At the time of the 2010 Census, approximately 69% of households in this age range owned their housing in Sturgis. Once again, preferences for age-appropriate units should increase from household growth within this age cohort.

***75 to 84 Years Old*** - There is a projected loss of 15 households in Sturgis in this age range between 2010 and 2020. In the past, households within this 10-year age range have had a rate of home ownership of approximately 60% in Sturgis. While this is likely to continue, an expansion of other housing options for seniors, including high quality rental housing, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

***85 Years and Older*** - A gain of 21 households is projected among older senior citizens. Historic home ownership rates in this age group in Sturgis have been at approximately 59%. Seniors in this age range often seek senior housing with services options.

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

# **Sturgis - Strengths and Barriers for Housing Development**



## **Strengths for Housing Development**

The following strengths of the community were identified through statistical data, local interviews, research and on-site review of the local housing stock.

- ▶ **Sturgis is located near Rapid City, which is the regional center for the area** - Sturgis is approximately 28 miles from Rapid City. Rapid City provides employment opportunities, retail/service options, government services, health and professional services, and cultural amenities to a large surrounding trade area. Many households prefer to live near, but not in a regional center.
- ▶ **Sturgis® Motorcycle Rally™** - This annual event attracts approximately 500,000 people annually to the area and has a major impact on the local economy.
- ▶ **Increasingly diverse housing stock** - The City has a good mix of housing options, including rental housing units for both lower income and market rate households. The City also has town houses, twin homes, and senior with services facilities.
- ▶ **Median home price** - Sturgis's median priced home is approximately \$123,250. This matches well with new homes, which is an incentive for new home construction.
- ▶ **Land for development** - The City has land available for residential, commercial and industrial development.
- ▶ **Population and household growth for the City** - Over the past decade, the City has sustained relatively strong population and household growth and the City is projected to continue to grow in the future.
- ▶ **Active housing developers in the City** - Sturgis has housing developers that are willing to invest in housing projects in the community. Developers have been active in subdivision development, rental housing, attached ownership housing and single family development.
- ▶ **School system** - The City has an excellent public K-12 school system.

- ▶ **Infrastructure** - The City's public utilities and infrastructure can facilitate future expansion.
- ▶ **Commercial development** - Sturgis's commercial district is adequate to meet daily needs and new commercial development is ongoing. Also, the Business Improvement District and the Downtown Sturgis Foundation were created to improve the downtown area. Financial incentives are available to commercial business owners for new construction or building improvements.
- ▶ **Sturgis Economic Development Corp.** - The Sturgis Economic Development Corp. is very active in promoting industrial, commercial and housing development.
- ▶ **Black Hills Recreational Area** - Sturgis is in the Black Hills Recreational Area, which is a popular year-round vacation destination and has many recreational, commercial, tourism and natural amenities.
- ▶ **Sturgis Industrial Park and Industrial Development** - The City of Sturgis has developed an industrial park, which is designated as a South Dakota Certified Site Ready park. Several businesses have located in Sturgis in recent years.
- ▶ **Demand for year-round housing options** - Part of the City's housing stock is utilized for a few weeks' each year by temporary residents who are attending the Sturgis® Motorcycle Rally™. These units are available for the remainder of the year by permanent residents. However, the permanent residents get displaced for up to two weeks each year, and some would prefer to avoid this displacement, potentially creating demand for units that can be occupied year-round.

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

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

- ▶ **Proximity to Rapid City** - Although it is a strength to be located in close proximity to Rapid City, it is also a barrier as Sturgis must compete with Rapid City, which offers attractive residential opportunities and other amenities and services.
- ▶ **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.
- ▶ **Staff capacity limitations** - Although the City has access to several housing agencies, it is very difficult to develop and implement housing initiatives with limited staff resources.
- ▶ **Development competition from the rural areas** - There are housing development opportunities in rural areas that surround the City of Sturgis. The City must compete with these rural options.
- ▶ **Seasonal/recreational homes** - Many homes in the community are owned by Sturgis® Motorcycle Rally™ attendees and are only utilized approximately two weeks a year. Seasonal/recreational buyers may compete with permanent residents when more affordable housing becomes available for sale.

# **Sturgis - Recommendations and Opportunities**

## **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 Sturgis. They are based on the following strategies:

- ▶ **Focus heavily on the preservation, maintenance and improvement of the housing stock that already exists** - While significant housing construction will occur in coming years, most of the housing opportunities will continue to be provided by the housing stock that is already on the ground. This is especially important for affordable housing opportunities, as it will almost always be less expensive to offer an affordable unit through rehabilitation versus new construction. Units that are lost due to deterioration and obsolescence cannot be replaced for a similar price. Evidence suggests that the majority of the existing stock is generally being well maintained, however, a significant percentage of housing needs repair. Emphasis on continued improvement will be important to meet future housing needs.
- ▶ **Develop life cycle housing** - It is vital for a self-contained community to provide housing opportunities for all ages and household types. These housing opportunities enable a community to thrive, and allow households to live in the community throughout their lives.
- ▶ **Promote new construction** - New construction provides housing opportunities, stimulates the economy and upgrades the community's housing stock. Both new owner-occupied single family homes and rental units are needed to provide households in Sturgis with housing options and to assure a healthy housing stock into the future.
- ▶ **Promote home ownership** - Home ownership is the preferred option for most households. Home ownership assists in creating community stability and commitment to the community. There are many younger families that are renting their housing. These households may be interested in home ownership, if an affordable opportunity is available.
- ▶ **Prioritize community housing goals** - Many of the recommendations in the Study will require staff-intensive efforts. The City should prioritize its housing goals and establish a plan to achieve its goals.

It is very difficult to meet all of the objectives as the balance of the objectives are very sensitive. An overly aggressive or overly passive approach to any of the objectives can cause problems in achieving the other objectives. For example, overbuilding new rental housing units could lead to vacancy problems in older, less marketable units in the community, causing these units to deteriorate in quality. The recommendations of this section attempt to provide a balanced approach to addressing the housing needs of Sturgis.

## Summary of Findings/Recommendations

The findings/recommendations for the City of Sturgis have been formulated through the analysis of the information provided in the previous sections and include a total of 24 recommendations divided into the following five categories:

- ▶ **Rental Housing Development**
- ▶ **Home Ownership**
- ▶ **Single Family New Construction**
- ▶ **Housing Rehabilitation**
- ▶ **Other Housing Initiatives**

The findings/recommendations for each category are as follows:

<b>Findings and Recommendations for the City of Sturgis</b>	
<b>Rental Housing Development</b>	
1.	Develop 71 to 75 general occupancy market rate rental units
2.	Promote the development/conversion of 12 to 14 affordable market rate rental housing units
3.	Monitor the need for subsidized rental housing units
4.	Consider the development of 28 to 30 Tax Credit rental housing units
5.	Develop 24 to 26 senior independent/senior with light services units
6.	Develop a downtown mixed-use commercial/housing project
7.	Continue to utilize the Housing Choice Voucher Program
<b>Home Ownership</b>	
8.	Utilize and promote all programs that assist with home ownership
9.	Develop a purchase/rehabilitation program
<b>New Construction</b>	
10.	Lot availability and development
11.	Consider the development of an affordable subdivision

<b>Findings and Recommendations for the City of Sturgis</b>	
12.	Promote townhouse and twin home development
13.	Coordinate with agencies/nonprofits that develop affordable housing
<b>Housing Rehabilitation</b>	
14.	Promote rental housing rehabilitation programs
15.	Promote owner-occupied housing rehabilitation programs
16.	Develop a neighborhood revitalization program
17.	Develop and implement a rental inspection program
<b>Other Housing Initiatives</b>	
18.	Encourage employer involvement in housing programs
19.	Acquire and demolish dilapidated structures
20.	Develop mobile home park improvement programs
21.	Create a plan and continue coordination among housing agencies
22.	Promote commercial rehabilitation and development
23.	Develop home ownership and new construction marketing programs
24.	Competition with other jurisdictions



# **Sturgis - Recommendations Rental Housing Development**

## **Rental Housing Development**

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

From 2000 to 2013, based on City of Sturgis data, it is estimated that approximately 40 rental units were constructed in Sturgis. Of the 40 units, 35 are subsidized and five units provide market rate general occupancy housing. In addition to the new rental units, a significant number of single family homes were converted from owner-occupied to rental use between 2000 and 2010.

Also, a planned unit development (PUD) has been approved by the City of Sturgis which will include several smaller multifamily buildings. The units in some of these buildings may be available for renter-occupancy.

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 Sturgis expect continued household growth, although some of this growth will result in demand for owner-occupied housing. From 2012 to 2020, it is projected that there will be approximately a 190-household gain in Sturgis. Approximately 37% of these households will be rental households, thus, there will be a demand of approximately 70 additional rental units 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 five rental units per year. As a result, approximately 35 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.

Some pent-up demand also exists. As part of this study, a rental survey was conducted, with 667 rental units contacted. The survey found a 0.7% vacancy rate in general occupancy market rate units, a 4.2% vacancy rate in subsidized units, and a 6.1% vacancy rate in the senior with services projects.

We identified pent-up demand for new market rate rental units, tax credit units and senior with light services rental units.

These three demand generators, after factoring current vacancy rates, show a need for 135 to 145 rental units over the next five years. Based on the factors stated above, we recommend the development of the following new rental units over the next five years from 2014 to 2019.

▶ General Occupancy Market Rate	71-75 units
▶ Tax Credit	28-30 units
▶ Affordable/Conversions	12-14 units
▶ Senior Independent/Senior with Light Services	<u>24-26 units</u>
Total	135-145 units

### **1. Develop 71 to 75 general occupancy market rate rental units**

**Findings:** Approximately 54% of the rental housing in the City of Sturgis can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

The entire rental inventory in the City included approximately 1,148 total units in 2010. We believe that approximately 618 of these units are best described as market rate rental housing.

Of the market rate rental units we surveyed, we found a vacancy rate of 0.7%, which is well below a healthy market range of 3% to 5%. We found only one vacancy in the market rate units we surveyed. Also, the owners and managers of single family home rentals, reported very high occupancy rates and strong demand.

There is variation in rental rates in the market rate segment in the City of Sturgis. The prevailing gross rent range is \$525 to \$550 for a one-bedroom unit, \$650 to \$750 for a two-bedroom unit and \$775 to \$875 for a three-bedroom unit.

From 2000 to 2013, only a few market rate rental duplexes and townhomes were constructed. Also, some single family homes have converted from owner-occupied to rental units partially due to the downturn in the economy.

Community Partners Research, Inc., projects an increase of approximately 190 households in Sturgis from 2010 to 2020, and an increase of 723 households in all of Meade County.

**Recommendation:** As stated earlier in this section, rental housing demand is based on household growth, pent-up demand and replacement of housing units that will be demolished or converted.

Based on this combination of demand generators, we believe that it is reasonable to plan for production of between 71 to 75 market rate rental units over the next five years, which is approximately 14 to 15 units annually.

Based on our research, there is a significant need for rental units of all sizes, thus, one, two, three and four-bedroom units should be constructed over the next five years. However, the majority of the units should have two-bedrooms.

Smaller rental properties including eight-plexes and 12-plexes have been popular in Sturgis and we recommend the continued development of smaller properties. We also recommend the development of twin home and town home units to address the need for market rate units. Phasing in new rentals with smaller properties allows the market to absorb the units. The projects, to be successful, should have 'state of the art' amenities.

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

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

Several sites in the City have been identified for rental housing development. The City of Sturgis and the Sturgis Economic Development Corp. own some of these sites.

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

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	15-16	750-850	\$625-\$775
Two Bedroom	37-38	900-1,000	\$675-\$925
Three Bedroom	13-14	1,100-1,200	\$750-\$1,150
Four Bedroom	5-6	1,300-1,400	\$825-\$1,200
Total	71-75		

**Note:** The recommended rents are gross rents including all utilities. The rents are quoted in 2014 dollars.

**2. Promote the development/conversion of 12 to 14 affordable market rate rental housing units**

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

There is evidence that Sturgis has lost rental housing over the years due to redevelopment or due to deterioration and demolition. Part of the need for additional rental units in Sturgis 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 would encourage the City to promote the development/conversion of more affordable rental units. A goal of 12 to 14 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.

Currently, several single family homes are being rehabilitated for rental housing by local individuals.

The estimated prevailing rent range for older rental units in Sturgis is typically between \$450 and \$650 per month. Creating some additional units with contract rents below \$625 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. Monitor the need for subsidized rental housing units**

**Findings:** Sturgis has a good supply of subsidized multifamily rental units. The supply of subsidized units is adequate to address Sturgis's needs. The City of Sturgis has 11 project-based subsidized developments with a combined 451 units. The 451 subsidized units are 39% of the total number of rental units in Sturgis. Subsidies have been provided by USDA Rural Development, the Department of Housing and Urban Development (HUD) and through the South Dakota Housing Development Authority. The breakdown of the 11 rental projects is as follows:

- ▶ Six subsidized general occupancy projects with 273 units
- ▶ Five subsidized senior/disabled projects with 178 units

All of the city's subsidized units serve low income people and charge rent based on 30% of the tenant's household income up to a maximum market rent.

In addition to these subsidized projects, Meade County has access to Housing Choice Vouchers. Voucher assistance is issued to income-eligible households for use in suitable, private market rental housing units. With the assistance, a household pays approximately 30% of their income for rent, with the program subsidy paying any additional rent amounts.

Despite the existing supply of subsidized units in Sturgis, the 2012 American Community Survey still identified that approximately 48% of renter households in Sturgis reported a housing cost burden, with 30% or more of their income going to housing costs. A majority of these households were actually paying

35% or more of their income for housing, which is defined as a severe cost burden.

Our rental survey found 19 vacancies in the subsidized projects, which represented a vacancy rate of 4.2%. Nine of the 19 vacancies were in one subsidized project.

**Recommendation:** We are not recommending the development of additional subsidized units at this time for the following reasons:

- ▶ There are 19 vacancies in the existing subsidized projects. The vacancy rate is 4.2%, which is in the healthy market range of 3% to 5%.
- ▶ Funding for the development of subsidized units is very difficult to secure at this time.
- ▶ We are recommending the development of affordable units through conversions, the development of tax credit units and the development of market rate units, including some that are affordable and can be utilized for work force housing.

We do recommend the following:

- ▶ Continued maintenance and rehabilitation of the existing subsidized units to assure they are a viable option for Sturgis households.
- ▶ Encourage Sturgis households to apply for Housing Choice Vouchers
- ▶ Monitor the need for additional subsidized housing units in the future
- ▶ Monitor the subsidized projects that may have the option to opt-out of their subsidy program and convert to market rate units. If a project is considering an opt-out option, possibly an area housing agency could purchase the project to assure the units remain in the subsidized inventory.

#### **4. Consider the Development of 28 to 30 Tax Credit Rental Housing Units**

**Findings:** Several rental projects in Sturgis utilized tax credit assistance, but primarily function as subsidized rental housing, since these projects also have Rural Development subsidies and rent assistance. The City of Sturgis has one moderate rent tax credit rental project, known as Hunter's Run Townhomes. This project also utilized HUD HOME funding and has units set-aside for lower income renters.

Since the late 1980s, tax credits have been the primary federal production incentive for the creation of housing to serve moderate income people. Because tax credits only provide a 'shallow subsidy', this type of housing does not generally serve lower income renters, but does serve households at or below 60% of the median income level.

The use of federal tax credits places both income restrictions on tenants, and gross rent caps on the rental units. Most projects can typically serve households up to 60% of the median income level. While maximum rents are also allowed up to the 60% limits, most projects actually attempt to keep their rent structure near a lower, 50% limit. The 60% of income limits and 50% rent limits in Meade County for 2014 are as follows:

<u>Rent Limits</u> (50% of Median Income)	<u>Household Income Limits</u> (60% of Median Income)
One Bedroom - \$567	1 person - \$25,440
Two Bedroom - \$681	2 person - \$29,040
Three Bedroom - \$786	3 person - \$32,700
	4 person - \$36,300
	5 person - \$39,240
	6 person - \$42,120

The maximum rent levels allowed for the tax credit program exceed the prevailing rates for the area in market rate housing. Most tax credit projects establish rents that are below the rent limits.

**Recommendation:** We would recommend that 28 to 30 additional tax credit units be developed in the City over the next five years. These units would address the projected demand for additional rental housing caused by household growth and existing pent-up demand.

If tax credit units are developed in the future, we would recommend that mostly two-bedroom units be constructed, with a lower percentage of three-bedroom units. At the time of the 2010 Census, approximately 87% of the renter households in Sturgis had three or fewer household members. Two-bedroom affordable units could serve these smaller rental households and allow for lower development costs.

We would recommend that unit rents be kept below the maximum allowable limits imposed by the tax credit program, which are generally above the prevailing rates for market rate housing in Sturgis. Any new tax credit housing should attempt to be at or below the 50% median income rent limits.



## **5. Develop 24 to 26 independent/senior with services units**

**Findings:** The City of Sturgis currently has five senior with services projects with a total of 79 beds. One of the projects, Aspen Grove Assisted Living, opened for occupancy in September 2013. Four projects with 73 units are licensed as Assisted Living Centers. The other project has six beds and is licensed as a Residential Living Facility.

Currently, there are approximately eight vacant beds in the five projects that offer senior housing with services, however, five of the vacant beds are in Aspen Grove Assisted Living, which is in its initial lease-up phase.

Our research for this Study did not identify any projects dedicated for seniors to live independently with only light services. However, some assisted living providers do allow seniors to live in the facility by purchasing a minimal level of services.

**Recommendation:** Using 2010 Census data, Sturgis and the Southwest Meade Unorganized Territory had approximately 750 senior citizens age 75 and above that are not currently in a nursing home and are part of the potential market for assisted living units. The Southwest Meade Unorganized Territory includes the rural areas around the City of Sturgis.

Based on our previous research in other communities, the 79 current assisted living and residential living beds are adequate to address the Sturgis area's assisted living needs.

However, there are limited market rate senior-designated independent housing options or senior projects with light services in Sturgis, thus, we are recommending a 24 to 26 unit independent/senior with light services project in the City. The project should be designed to allow seniors to live in a unit independently or to rent a unit and utilize a lower level of senior services such as a noon meal and laundry/housekeeping.

The project's amenities and features should include:

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

Apartment features should include:

- ▶ 24 to 26 units
  - ▶ 9 to 10 one-bedroom
  - ▶ 15 to 16 two-bedroom
- ▶ Fully equipped kitchen
- ▶ Large storage room
- ▶ Ample closet space
- ▶ Laundry hookups
- ▶ Open floor plan
- ▶ Private patio
- ▶ Individually controlled heat and AC
- ▶ Raised outlets, lever door handles, lowered kitchen cabinets
- ▶ Expansive windows

Optional services should include:

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

This project is intended to be senior independent living supplemented with limited services and community support.

The location of the project should be close to services as the project will be primarily occupied by older seniors.

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 five to six months.

\* Please note that this recommendation is a general recommendation. The purpose of this Housing Study was not to provide a comprehensive senior with services recommendation. We encourage any developer planning to construct senior with services units in Sturgis to commission a senior-specific study that focuses solely on this segment of the market.

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

**Findings:** The City of Sturgis has an active downtown area. A mixed-use rental housing/commercial project could complement the City's ongoing efforts to maintain a vibrant downtown.

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

It is our understanding that the Sturgis Economic Development Corp. is currently planning the development of a mixed-use building downtown.

**Recommendation:** We recommend the development of a mixed-use building in the downtown Sturgis area. The site identified by the Sturgis Economic Development Corp. appears to be an ideal site.

We recommend commercial space on the first floor and 10 to 12 rental units on the second and third floors. 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. There should be sensitivity to the timing of the project and type of commercial tenants the project will have, to assure the project is an asset to the downtown.

The 10 to 12 rental units should be primarily market rate units, but could be mixed income with some moderate income units. The units should be primarily 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.

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

**Findings:** The Housing Choice Voucher Program provides portable, tenant-based rent assistance to lower income renter households. The program requires participating households to contribute from 30% to 40% of their adjusted income for rent, with the rent subsidy payment making up the difference. Tenants may lease any suitable rental unit in the community,

provided that it passes a Housing Quality Standards inspection, and has a reasonable gross rent when compared to prevailing rents in the community.

Although the federal government provides almost no funding for subsidized housing construction, it has provided new Housing Choice Voucher allocations over the last two decades.

Because of the flexibility offered through the program, eligible households often prefer the portable rent assistance to other forms of subsidized housing that are project-based, and can only be accessed by living in a specific rental development.

Currently, approximately 48% of Sturgis households are paying more than 30% of their income for rent.

The Housing Choice Voucher Program is administered in Meade County by the Meade County Housing and Redevelopment Commission. Currently adequate funding exists for approximately 190 Housing Choice Vouchers in Sturgis and Meade County, including a set aside of Vouchers for Veterans. However, there is approximately a one-year waiting list for these Vouchers.

**Recommendation:** From a practical standpoint, the Housing Choice Voucher Program is the single best way that Sturgis and Meade County can provide affordable housing. Although current funding is very limited, we recommend that low/moderate income renter households that are paying more than 30% of their income for rent, apply for a Housing Choice Voucher.

# **Sturgis - Home Ownership Recommendations**

## **Home Ownership Recommendations**

**Findings:** Expanding home ownership opportunities is a goal for most cities. High rates of home ownership promote stable communities and strengthen the local tax base. The median owner-occupied home value in Sturgis is estimated to be approximately \$123,250 based on sales activity in 2013. The homes valued below the median sales price in Sturgis provide a market for first time buyers and households seeking moderately priced homes.

Our analysis of Sturgis's demographic trends shows an increasing number of households in the traditionally strong home ownership age ranges between 55 and 74 years old. The 35 to 44 year old age range is also projected to add some households. Households in this age ranges often are first-time home buyers. The 15 to 34 and 45 to 54 age ranges are projected to lose households, however, home ownership programs may reverse or minimize the projected loss of households in these age ranges.

Approximately 62% of the households in Sturgis are home owners. This is a below average rate of home ownership compared with similar sized cities.

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 Sturgis in the future. Home ownership is generally the preferred housing option for most households and most communities. There are a number of strategies and programs that can be used to promote home ownership programs, and can assist with this effort.

First time home buyer assistance, down payment assistance, low interest loans and home ownership counseling and training programs can help to address affordable housing issues. The City has a supply of houses that are price-eligible for these assistance programs. The home value estimates used in this study indicate that some of the existing stock 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:** Sturgis should continue to work with area housing agencies, the South Dakota Housing Development Authority and local financial institutions to utilize all available home ownership programs that assist households with purchasing a home. Private and nonprofit agencies should also be encouraged to provide home ownership opportunities. Currently, NeighborWorks Dakota Home Resources is providing home ownership assistance in the region. The City should also work with housing agencies to assure the City of Sturgis is receiving its share of resources that are available in Meade County and the region.

Funding sources for home ownership programs may include the Department of Housing and Urban Development, USDA Rural Development, the South Dakota Housing Development Authority, NeighborWorks Dakota Home Resources and the Federal Home Loan Bank.

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

**Findings:** Sturgis has a stock of older, lower valued homes, many of which need repairs. Our analysis of recent sales activity indicates that some of the homes in Sturgis are valued less than \$75,000. As some lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

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

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

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

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

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



# **Sturgis - New Housing Construction**

## **New Housing Construction**

**Findings:** Sturgis has experienced significant single family owner-occupied housing construction. According to City and Census Bureau records, from 2001 to 2013, approximately 255 single family owner-occupied units were constructed in Sturgis, for an average of 19 to 20 housing units per year. The peak years for new construction were 2003 to 2006, when approximately 147 owner-occupancy units were constructed. In 2004, approximately 69 owner-occupancy units were built. However, during the past four years from 2010 to 2013, an average of only eight single family owner-occupied units were constructed annually.

The large majority of the owner-occupied units are detached units, however, some attached units, such as twin homes or town houses were also built for owner-occupancy, but the exact number of these units cannot be determined from annual reports. Thus, we have estimated the number of attached units that were constructed for owner occupancy.

The attractiveness of the area, the City's amenities and its job creation, should result in the continued construction of new homes annually. Also, there are attractive residential lot options available for new home construction.

Overall household projections for Sturgis indicate good demand for owner-occupancy housing construction. Substantial household growth is anticipated through 2020 among households in the age ranges between 55 and 74 years old. Sturgis is projected to approximately 256 households in the 55 to 74 age ranges from 2010 to 2020. Households in these age ranges tend to be predominantly home owners, and form a market for higher priced, trade-up housing and low maintenance housing such as town homes and twin homes.

The number of households in the 35 to 44 year old range is expected to add up to 81 households through 2020. Many of the households in this age range are first time home buyers. However, there is projected to be a reduction of 141 households in the 45 to 54 age range.

It is our opinion that if the city, local housing agencies and developers are proactive, 22 to 27 owner-occupied housing units should be constructed in Sturgis annually over the next five years, from 2014 to 2019, to address demand. Our projection for single family housing starts includes homes built in new subdivisions and on infill lots, and includes single family attached housing units, such as twin homes and town houses.

The breakdown of our projection of 22 to 27 new owner-occupied housing units annually over the next five years is as follows:

▶ Higher & median price homes	10-11 homes
▶ Affordable homes	7-8 homes
▶ Homes on infill lots	1-2 homes
▶ Twin homes/town homes	4-6 <u>units</u>
Total	22-27 units

## **10. Lot availability and development**

**Findings:** As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in the City of Sturgis. Almost all of these lots are in two subdivisions. Currently, there are approximately 45 lots available in these subdivisions. In addition to these lots, there are some lots in the planning phase that could be available for the next construction season. Additionally, there are lots available outside the city limits of the City of Sturgis.

There are also several miscellaneous infill lots scattered around the city that we did not attempt to count. We also do not know the availability of some of these infill lots. Also, we are promoting the acquisition and demolition of dilapidated houses. Some of the cleared lots may be sites for new construction.

**Recommendation:** We use a standard that a 2 ½ year supply of lots should be available in the marketplace based on annual lot usage. With projections that 22 to 27 new owner-occupied housing units will be constructed per year, the City should have approximately 55 to 65 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction.

With approximately 45 available lots, the City currently does not have an adequate number of lots, if new construction projections are achieved. We encourage the City of Sturgis, the Sturgis Economic Development Corp., and private developers to develop lot options in all price ranges to accommodate new housing construction.

In addition to the existing subdivisions, several sites have been identified for potential lot development.

## **11. Consider the development of an affordable new home subdivision**

**Findings:** Providing affordable new home ownership options in Sturgis is a critical issue. The City's median household income matches up fairly well with the price of the existing housing stock, however, households at or below the median income level do not have the financial ability to afford the costs associated with new housing construction. Some communities have found it appropriate to develop a subdivision specially for affordable homes.

**Recommendation:** We recommend the development of a 16 to 20-lot affordable home subdivision. It is our opinion that a total of four to five homes will be constructed annually in the subdivision, which would be an absorption period of four to five years to fill the subdivision.

- ▶ The City of Sturgis could support the project through TIF financing or tax abatement. Also, other funding sources could be utilized to assist with the development of the subdivision. The City and local housing agencies should also consider a local down payment assistance program to assist the project.
- ▶ In developing the subdivision, the following should be considered:
  - ▶ The subdivision must be as aesthetically acceptable as possible and include the same amenities as other new subdivisions. Also, if possible, land should be available for future phases.
  - ▶ A private developer, a local housing agency or the Sturgis Economic Development Corp. could own the development.
  - ▶ Total home prices must be affordable for low/moderate income households.
  - ▶ Other financing programs for households should be provided such as down payment assistance and low interest mortgage programs.
  - ▶ The project should be adequately publicized and advertised. Four to five homes represents a high percentage of the City's projected annual housing starts. The project must assist in creating a new housing market by providing an attractive, affordable product.

- ▶ The City, the developer and builders must be user-friendly. The process should be as streamlined as possible for the buyers.
  - ▶ There should be a variety of home designs in the subdivision.
  - ▶ The homes must have permanent foundations.
  - ▶ Major employers should be involved in financing and publicity.
- ▶ The City of Aberdeen has developed an affordable subdivision that has been very successful and includes several development phases with more than 200 homes. We encourage city officials and developers to contact Aberdeen to obtain more specific information.

## **12. Promote townhouse and twin home development**

**Findings:** Sturgis has experienced limited owner-occupied attached housing development from 2001 to 2013. Many communities over the past decade have seen attached housing take an increasingly large share of new construction. In cities the size of Sturgis, 20% to 30% of the housing starts are typically twin homes/townhomes. Over the past 13 years, only a small percentage of the owner-occupied housing units constructed in Sturgis have been attached units such as twin homes/townhomes.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making traditional single family houses available for families. It is estimated that the 55 to 74 age ranges will increase by 256 households in Sturgis from 2010 to 2020. It is important for the City to offer a range of life-cycle housing options as many of these households will be seeking to downsize into low maintenance housing options.

**Recommendation:** It is our projection that approximately four to six of Sturgis's new owner single family units per year should be twin homes or town houses over the next five years, which is an approximate total of 20 to 30 units during the five-year period. It should be noted that twin home/town home development has been impacted by the downturn in the housing economy, and full recovery of this segment of the market may not occur until later in the five-year time period.

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

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

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

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

**Findings:** With the difficulty of producing new housing units that are affordable to lower income people, it is important to take advantage of opportunities presented by housing agencies, nonprofit groups and organizations. NeighborWorks Dakota Home Resources has constructed two houses in Sturgis through its Land Trust Program, and has one lot remaining for future construction. The Land Trust Program lowers the costs of home ownership by removing the land cost from the purchase transaction.

Habitat for Humanity has also constructed affordable homes in the City. Additionally, the Meade County Housing and Redevelopment Commission has moved governor's homes into the community and sold the homes to low/moderate income households. Other local and regional housing agencies and nonprofits may also have the capacity to construct affordable housing in Sturgis. These sources can help generate new homes for lower income families in Sturgis.

**Recommendation:** We recommend that the City continue to coordinate with housing agencies and nonprofit organizations that help to produce affordable housing units. The City may be able to contribute to the project through land donations, TIF, tax abatement, grants writing, or project coordination activities.

# **Sturgis - Housing Rehabilitation**

## **Housing Rehabilitation**

**Findings:** Sturgis has an asset in its existing housing stock. Existing units, both now and into the future, will represent the 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. Efforts and investment in housing rehabilitation activities will be critical to offering affordable housing opportunities and in preventing the deterioration of existing neighborhoods.

Housing options for households will largely be met by the existing, more affordable housing stock. As this existing stock ages, more maintenance and repair are required. Without rehabilitation assistance, the affordable stock will 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 programs**

**Findings:** Based on the U.S. Census data, the City of Sturgis had approximately 1,148 rental units in 2010. These rental units are in multi-family projects, small rental buildings, duplexes, single family homes and mobile homes. Many of these rental structures could benefit from rehabilitation as many of the rental structures are more than 25 years old and some rental units are in poor condition.

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

**Recommendation:** Sturgis and area housing agencies should seek funds that can be dedicated to the rehabilitation of rental units. For a rental rehabilitation program to be workable and successful, the funds should to the extent possible, allow for program design flexibility.

Potential funding sources include USDA Rural Development, the Federal Home Loan Bank, the South Dakota Housing Development Authority, and local funds.



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

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

The housing condition survey of the 496 houses in five of the City's oldest neighborhoods found 177 homes that need minor repairs and 170 homes that need major repairs. Without rehabilitation assistance, the affordable housing stock will shrink in Sturgis.

**Recommendation:** We recommend that the City of Sturgis and area housing agencies seek local, state and federal funds to assist in financing housing rehabilitation. USDA Rural Development, the South Dakota Housing Development Authority and the Federal Home Loan Bank, are potential funding sources.

Based on funding availability, Western SD Community Action, Inc., and NeighborWorks Dakota Home Resources implement owner-occupied housing rehabilitation, furnace replacement and weatherization programs in Sturgis and Meade County. NeighborWorks Dakota Resources recently made repairs to approximately 35 homes in Sturgis through the Workcamps Program.

NeighborWorks Dakota Home Resources also administers other housing rehabilitation programs. Households that meet program requirements are eligible for a loan or deferred loan to rehabilitate their homes. Deferred loans do not have to be paid back if the households lives in the home for a stipulated amount of time after rehabilitation is completed. We encourage Sturgis and Meade County households to utilize these programs.

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

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

**Recommendation:** We recommend that the City of Sturgis, area housing agencies, and the private housing sector select a neighborhood and develop and implement a Neighborhood Revitalization Program. Redevelopment strategies and opportunities should be identified for the Neighborhood including:

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

The Neighborhood Revitalization Plan should include time lines, the identification of a responsible city department or housing agency, funding sources, etc. The program should be evaluated on an ongoing basis as opportunities and potential projects may change priorities.

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

After a neighborhood is revitalized, a new neighborhood can be selected for future targeted efforts.

## **17. Develop and Implement a Rental Inspection Program**

**Findings:** A Rental Inspection Program can be a valuable tool in improving the quality of the City's rental housing and assuring safe and sanitary housing. In 2010, there were 1,148 rental units in the City of Sturgis, many that are more than 25 years old. Neighborhood deterioration, lower property values and unsafe rental units are often prevented when a Rental Inspection Program is successfully implemented. Currently, Sturgis enforces codes on a complaint basis, but does not have a uniform inspection policy.

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

### **Health and Safety**

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

### **Age of Housing Stock**

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

### **Conversions**

- Many of the rental buildings were originally constructed for uses other than rental housing such as owner-occupied single family homes and commercial use buildings. In conversion, owners often do the work themselves and may have inadequate or faulty mechanical, electrical, plumbing, and heating systems. Also, constructing an apartment in the basement often results in a lack of natural lighting, ventilation and proper access and egress.

### **Trends of Conversions**

- Many of today's buyers want more amenities and conveniences, and less maintenance, thus, they are less likely to purchase older homes. Also, there has been an increase in foreclosures. These issues result in the continuation of converting old homes to rental units and magnify the problem.

### **Maintenance Efforts**

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

**High Number of Landlords**

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

**Neighborhood Stabilization**

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

**Zoning and Codes**

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

**Coordination**

- ▶ A Rental Inspection Program provides a record of rental units and owners.
- ▶ The program provides a better opportunity for coordination of city programs and codes.
- ▶ The program assures that rental units comply with minimum housing standards.

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

# **Sturgis - Other Housing Initiatives**

## **18. Encourage employer involvement in housing**

**Findings:** The City of Sturgis has several large employers. Also, the Sturgis Economic Development Corp. is aggressively working with existing employers to expand and for new employers to locate in Sturgis. The connection between economic development and housing availability has become an increasingly important issue as low area unemployment rates dictate the need to attract new workers into the community.

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

The South Dakota Housing Development Authority has developed an employer participation program, known as the Employer Mortgage Assistance Program (EMAP). There are a number of participating employers around the State. This program can assist employees of participating companies with home ownership assistance.

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

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

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

**Findings:** Our housing condition survey of five neighborhoods identified 32 single family homes that are dilapidated and too deteriorated to rehabilitate. We also identified 170 single family homes as needing major repair (several of these homes may be too dilapidated to rehabilitate upon a more detailed inspection). There are also homes in other Sturgis neighborhoods that may be dilapidated and beyond repair.

**Recommendation:** We recommend that Sturgis continue to work with property owners to demolish severely dilapidated structures. The City is enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots can possibly be utilized for the construction of new affordable housing units. Additionally, the demolition of dilapidated rental structures will upgrade the communities' rental housing stock.

Also, Sturgis should work with Meade County to acquire and demolish tax forfeited properties that are dilapidated and beyond repair.

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

**Findings:** The City of Sturgis has a significant inventory of mobile homes and mobile home parks. According to the 2012 American Community Survey there are 300 mobile homes in the City. This represents approximately 9.5% of all housing options in Sturgis.

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

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

It may be appropriate for the City to initiate programs to improve the quality of mobile homes, even if these programs can only address a few units per year. Some of the innovative programs that have been used in other communities to address mobile home conditions and mobile home park issues include:

- **Operation Safe Mobile Home Park** - Owners of substandard mobile homes are given the option of voluntarily selling their substandard mobile home to the City or a local housing agency for a fixed minimum price. The mobile homes are then removed from the park and demolished/salvaged. The owner can then use the funds from the sale to help purchase a new home. Mobile home dealerships have sometimes participated by buying the salvaged homes.

- ▶ ***Time of Sale Inspection Program*** - This inspection program is designed to provide safe living conditions through the identification and elimination of basic life/safety hazards in older mobile homes. Mobile homes are subject to inspection prior to their sale. All identified safety hazards must be corrected before the unit is sold and/or occupied.
- ▶ ***Cooperative/Land Trust*** - Some mobile home parks have created a cooperative or a land trust which enables the home owners to own the mobile home park land and facilities. This ownership often creates pride which results in a clean, safe park atmosphere.

## **21. Create a plan and continue coordination among housing agencies**

**Findings:** Sturgis needs staff resources to plan and implement many of the housing recommendations advanced in this Study. Sturgis has access to NeighborWorks Dakota Home Resources, the Black Hills Council of Local Governments, Western South Dakota Community Action, Inc., the Meade County Housing and Redevelopment Commission, the Sturgis Economic Development Corp., USDA Rural Development and the South Dakota Housing Development Authority. These agencies all have experience with housing and community development programs.

**Recommendation:** Sturgis is fortunate to have access to several agencies that can address housing needs. It is our recommendation that the City work with the housing agencies to prioritize the recommendations of this Study and to develop a plan to comprehensively address the City's housing needs. The plan should include strategies, time lines and the responsibilities of each agency. While there has traditionally been a degree of staff interaction between these agencies, it will be important that a coordinated approach be used to prioritize and assign responsibility for housing programs. This approach will reduce duplication, provide coordination and cooperation among agencies and will effectively utilize scarce resources.

It will also be important for the City to look for opportunities to work cooperatively with other area cities to address housing issues. With limited staff capacity, 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.



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

**Findings:** The City of Sturgis’s Downtown commercial district is in fair to good condition, and several commercial buildings have been renovated, however, there are several substandard and vacant commercial buildings in Sturgis. Also, because of the unique nature of the Sturgis® Motorcycle Rally™, several downtown businesses are only open during the event.

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, especially when there are other housing opportunities in close proximity.

The City of Sturgis has established a Downtown Business Improvement District (BID) and a Downtown Overlay District to improve the downtown area. A Facade Improvement Program has also been created to financially assist downtown building owners with exterior improvements.

**Recommendation:** We recommend that the City of Sturgis and the Sturgis Economic Development Corp. continue to work with commercial property and business owners to rehabilitate their buildings. We also encourage the continuation of the Facade Improvement Program. Also, new businesses should continue to be encouraged to locate in Sturgis.

The City of Sturgis and the Sturgis Economic Development Corp. should continue to seek funding to assist property owners with rehabilitating their commercial buildings. We also recommend the continued efforts to improve the downtown’s infrastructure and amenities.

## **23. Develop home ownership and new construction marketing programs**

**Findings:** With the downturn in the housing economy, the competition among cities for households looking to buy or build a home has been greater than in the past. As the economy continues to improve, cities that invest in marketing have an advantage. Opportunities to buy or construct a home are sometimes limited because of the lack of information and awareness of financing and incentive programs, homes and lots on the market, local builders, etc. This is especially evident for new households moving into the area. The home buying/home building process can be very intimidating for first-time buyers and

builders. It is important for the home buying or home building process to be user-friendly.

**Recommendation:** The City of Sturgis, the Sturgis Economic Development Corp. and the Sturgis Chamber of Commerce, have all been active in promoting and marketing housing and we recommend the following:

- ▶ Determine the City's strengths and competitive advantages and heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers (Sturgis and the entire Black Hills area) to provide employees (especially new employees) with housing opportunities in Sturgis
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling programs
- ▶ Consider an annual Housing Fair that provides information on lots, builders, finance programs, etc. Developers, builders, lenders, realtors, public agencies and local businesses could participate
- ▶ Work with developers and builders to make lot development and the construction of new homes a very user friendly process
- ▶ Continue the County's real estate tax abatement program which encourages new housing construction, and consider additional incentive programs. Examples include:
  - ▶ Free water and sewer for a period of time
  - ▶ Construction financing assistance
  - ▶ Permit/WAC and SAC fees lowered
  - ▶ Developer assistance
  - ▶ Cash payments
  - ▶ Discounts at area businesses
  - ▶ Lots at a reduced price

## **24. Competition with Other Jurisdictions**

**Findings:** During the interview process, several individuals expressed concern regarding the City of Sturgis's ability to compete for new development in the region. It is our opinion that the City of Sturgis's household growth and new housing starts over the past several years has been very competitive with other cities in the Region.

**Recommendation:** Although Sturgis is competing well with other jurisdictions in the Region, the City can enhance its position as a viable location for new households. We recommend the following:

- ▶ Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the City a "full service" community
- ▶ Continue to provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Provide financing mechanisms for households to build new homes, purchase existing homes and to rehabilitate older homes
- ▶ Preserve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Continue to develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior with services housing, etc.
- ▶ Publicize and market Sturgis throughout the Region and among area employers and employees
- ▶ Communication with Sturgis and Black Hills area employees and employers to assure they are aware of the housing opportunities in Sturgis
- ▶ Develop a coordinated housing plan with the private sector area housing agencies, financial institutions and nonprofit agencies

## **Agencies and Resources**

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

### **Sturgis Economic Development Corp.**

2885 Dickson Drive  
P.O. Box 218  
Sturgis, SD 57785  
(605) 347-4906  
Contact: Pat Kurtenbach, President

### **Meade County Housing and Redevelopment Commission**

1220 Cedar Street  
Sturgis, SD 57785  
(605) 347-3384  
Contact: Sharon Scudder

### **Western SD Community Action, Inc.**

1844 Lombardy Drive  
Rapid City, SD 57703  
(605) 348-1460  
Contact: Linda Edel, Executive Director

### **NeighborWorks Dakota Home Resources**

795 East Main Street  
Deadwood, SD 57732  
(605) 578-1401  
Contact: Joy McCracken, Executive Director

### **USDA Rural Development**

2202 W. Main Street  
Sturgis, SD 57785  
(605) 347-4952

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

3060 East Elizabeth Street  
Pierre, SD 57501  
(605) 773-3620  
Contact: Mark Lauseng, Executive Director

**Black Hills Council of Local Governments**

730 East Watertown, Suite 102

Rapid City, SD 57701

(605) 721-6136

Contact: Blaise Emerson, Executive Director