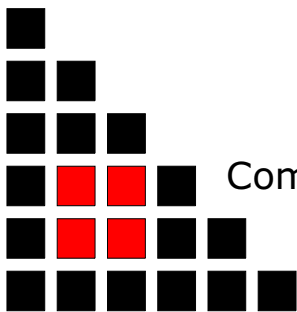


Custer COMPREHENSIVE HOUSING STUDY

February 2018

An analysis of the overall housing needs
of the City of Custer



Community Partners Research, Inc.

Faribault, MN

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Introduction

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

Community Partners Research, Inc., was hired by the Custer Area Economic Development Corporation to conduct a study of the housing needs and conditions in the City of Custer.

Goals

The multiple goals of the study include:

- ▶ Provide current demographic data
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet housing needs
- ▶ Examine future housing trends that the City 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 September 2017 to January 2018. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Esri, a private data company
- Records and data from the City of Custer
- Records and data maintained by Custer County
- South Dakota State Data Center
- Interviews with City officials, community leaders, housing stakeholders, etc.
- Area housing agencies
- State and Federal housing agencies
- Rental property owner surveys
- Housing condition survey
- Mobile home/manufactured home 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 Custer and Custer County.

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

The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For most jurisdictions in South Dakota, the 2015 estimates were derived from sampling that was done over a five-year period, between 2011 and 2015.

Additionally, Community Partners Research, Inc., has obtained information from Esri, a private company based in California that generates demographic and projection data. Esri estimates and projections are included in this demographic data section.

Population Data and Trends

Table 1 Population Trends - 1990 to 2017						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2017 Esri Estimates
Custer	1,741	1,860	6.8%	2,067	11.1%	2,182
Custer Co.	6,179	7,275	17.7%	8,216	12.9%	8,608

Source: U.S. Census; Esri, Inc.

- ▶ Esri, a private data reporting service, has released 2017 population estimates. The estimate for the City of Custer is 2,182, an increase of 115 people from 2010 to 2017.
- ▶ The U.S. Census Bureau also releases annual population estimates. The most recent estimate for Custer is effective July 1, 2016, and contradicts Esri’s population estimate. According to the Census Bureau, the City’s population in 2016 was 1,956 people, a decrease of 111 people from 2010 to 2016.
- ▶ Esri’s 2017 estimate for Custer County is 8,608, a gain of 392 people since 2010. The Census Bureau’s 2016 estimate for Custer County was 8,596, an increase of 380 people from the population reported in the 2010 Census.
- ▶ According to the 2010 U.S. Census, Custer’s population was 2,067 people in 2010. When compared to the 2000 Census, the City had a population gain of 207 people from 2000 to 2010. The 207-person gain from 2000 was a population increase of 11.1%.
- ▶ Custer County’s population was 8,216 in 2010. This was an increase of 941 people from 2000, for a population gain of 12.9%.
- ▶ Custer and Custer County also experienced population increases in the 1990s. Custer’s population increased by 119 people and Custer County’s population increased by 1,096 people from 1990 to 2000.
- ▶ Custer’s population is primarily White and non-Hispanic/Latino. According to the 2010 U.S. Census, 94.8% of the City’s residents were White, 2.6% were Native American Indian, 0.5% were Black or African American and 0.2% were Asian. Additionally, 1.9% identified themselves as some other race or two or more races. Also, 2.6% of the population was Hispanic or Latino in 2010.

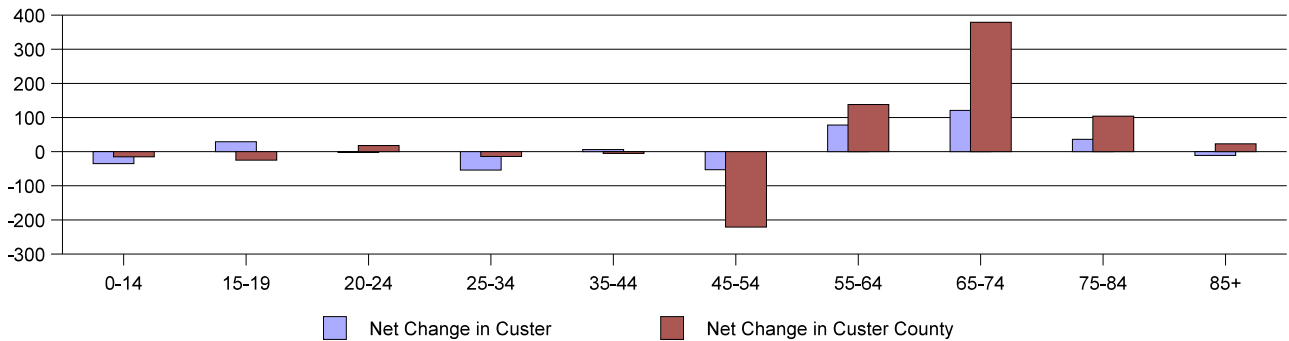
Population by Age Trends: 2010 to 2017

The release of 2017 demographic information from Esri allows for some analysis of the changing age patterns for Custer and Custer County. The following table compares population by age in 2010 and 2017, along with the numeric changes.

Table 2 Population by Age - 2010 to 2017						
Age	Custer			Custer County		
	2010	2017	Change	2010	2017	Change
0-14	363	328	-35	1,254	1,239	-15
15-19	104	133	29	493	468	-25
20-24	76	74	-2	245	263	18
25-34	240	186	-54	704	690	-14
35-44	199	205	6	753	758	-5
45-54	291	238	-53	1,363	1,142	-221
55-64	321	399	78	1,638	1,776	138
65-74	229	350	121	1,108	1,487	379
75-84	138	174	36	457	561	104
85+	106	95	-11	201	224	23
Total	2,067	2,182	115	8,216	8,608	392

Source: U.S. Census; Esri

Population Change by Age Between 2010 and 2017



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 Custer and Custer County.

Between 2010 and 2017, Custer had a gain of 199 people and the Custer County had a gain of 517 people in the age ranges between 55 and 74 years old. In 2017, all of the baby boomers were within these age ranges.

The City of Custer also had population gains in the 15 to 19, 35 to 44 and 75 to 84 age ranges. Custer had population losses in the 0 to 14, 20 to 24, 25 to 34, 45 to 54 and 85 and older age ranges.

In addition to the 55 to 74 age ranges, Custer County also had population gains in the 20 to 24, 75 to 84 and 85 and older age ranges from 2010 to 2017. Custer County had population losses in the 0 to 14, 15 to 19, 25 to 34, 35 to 44, and 45 to 54 age ranges.

Population Projections

The following table presents population projections using two different sources. Estimates and projections have been obtained from Esri and span the five-year period from 2017 to 2022. The South Dakota State Data Center has issued Custer County population projections for the year 2025.

Table 3 Population Projections Through 2020/2022				
	2010 US Census	2017 Esri Estimate	2022 Esri Projection	2025 Projection State Data Center
Custer	2,067	2,182	2,292	N/A
Custer County	8,216	8,608	8,949	9,360

Source: U.S. Census; Esri; State Data Center

- ▶ Esri’s growth projections expect a population gain of 110 people in Custer from 2017 to 2022.
- ▶ Esri’s population projection for Custer County forecasts a gain of 341 people from 2017 to 2022. If reduced to an annual average, this projection expects the addition of approximately 68 people in an average year.
- ▶ The State Data Center projects that Custer County’s population will be 9,360 people in the year 2025. When compared to the County’s population in 2010, this projection expects a gain of 1,144 people during the 15-year time period. If reduced to an annual average, this projection expects average annual growth of approximately 76 people per year, a forecast that is generally similar to the growth projection from Esri.

Household Data and Trends

Table 4 Household Trends - 1990 to 2017						
	1990 Households	2000 Households	% Change 1990-2000	2010 Households	% Change 2000-2010	2017 Esri Estimate
Custer	707	825	16.7%	956	15.9%	1,017
Custer Co.	2,352	2,970	26.3%	3,636	22.4%	3,829

Source: U.S. Census; Esri, Inc.

- ▶ Esri estimates that Custer has gained 61 households and Custer County had a gain of 193 households from 2010 to 2017.
- ▶ According to the 2010 U.S. Census, Custer and Custer County both had household gains from 2000 to 2010. Custer had 956 households in 2010, an increase of 131 households from 2000, for a household gain of 15.9%. Custer County had 3,636 households in 2010. This was an increase of 666 households from 2000 to 2010, or a household gain of 22.4%.
- ▶ Custer had a gain of 118 households and Custer County had a gain of 618 households during the 1990s.
- ▶ Annual household estimates are not available from the Census Bureau.

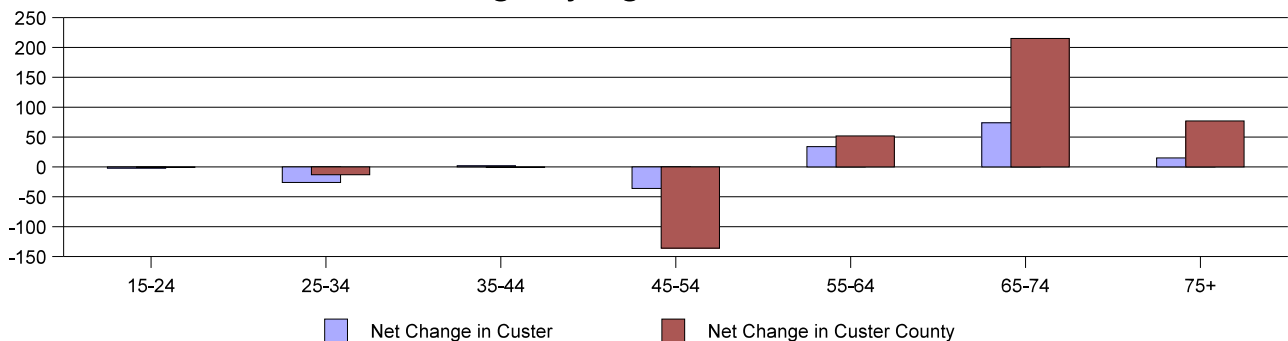
Household by Age Trends: 2010 to 2017

Esri has also produced household estimates for 2017 by age of householder which can be compared to the 2010 Census to track the changing age patterns for Custer and Custer County.

Table 5 Households by Age - 2010 to 2017						
Age	Custer			Custer County		
	2010	2017	Change	2010	2017	Change
15-24	42	40	-2	85	84	-1
25-34	126	100	-26	344	331	-13
35-44	121	123	2	399	398	-1
45-54	171	135	-36	737	601	-136
55-64	208	242	34	939	991	52
65-74	141	215	74	685	900	215
75+	147	162	15	447	524	77
Total	956	1,017	61	3,636	3,829	193

Source: U.S. Census; Esri

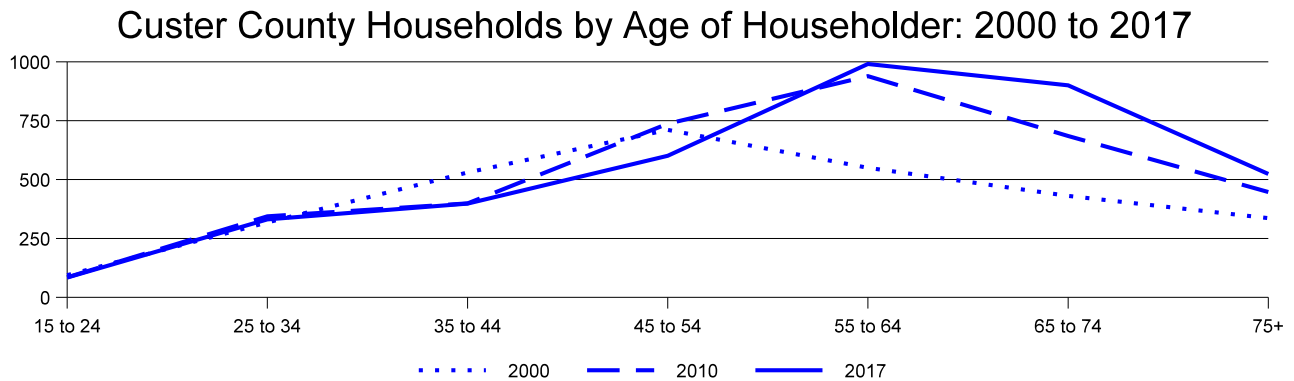
Household Change by Age Between 2010 and 2017



Based on Esri estimates, from 2010 to 2017, Custer added 108 households in the 55 to 74 year old age ranges. Custer also added two households in the 35 to 44 age range and 15 households in the 75 and older age range.

Custer had a decrease of 28 households in the 15 to 34 age ranges and a loss of 36 households in the 45 to 54 age range.

Custer County experienced a gain of 267 households in the 55 to 74 age ranges and a gain of 292 households in the 65 and older age ranges. Custer County had a loss of 15 households in the 15 to 44 age ranges and a loss of 136 households in the 45 to 54 age range.



It is possible to track the “wave” progression of the baby boomer households over time in Custer County using information for households by the age of householder. One very noticeable trend is the growing number of households in the prime baby boomer age group over time, as in-migration to Custer County has continued to attract new households.

Average Household Size

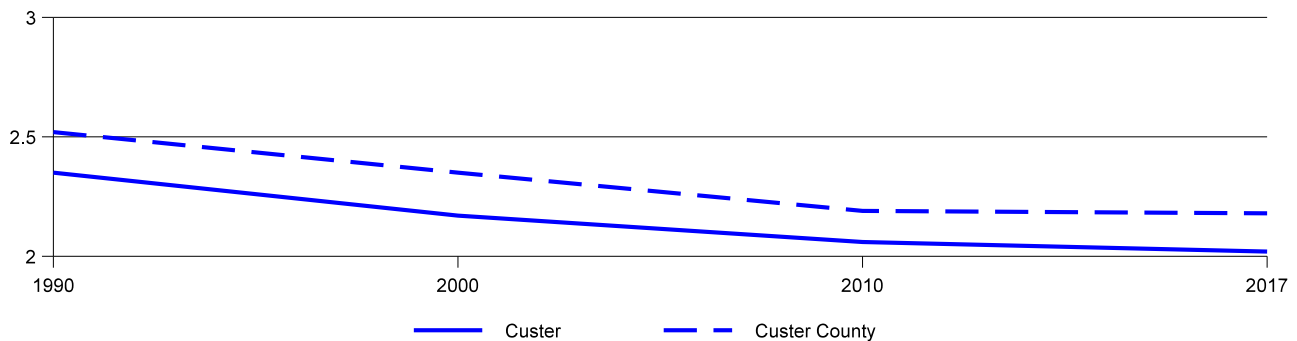
The following table provides decennial Census information on average household size. The 2017 estimates from Esri are also provided.

Table 6 Average Number of Persons Per Household: 1990 to 2017				
	1990 Census	2000 Census	2010 Census	2017 Esri Estimate
Custer	2.35	2.17	2.06	2.02
Custer County	2.52	2.35	2.19	2.18
South Dakota	2.59	2.50	2.42	N/A

Source: U.S. Census; Esri, Inc.

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: 1990 to 2017



In Custer, the average household size decreased from 2.35 persons per household in 1990 to 2.02 in 2017. Custer County’s average household size decreased from 2.52 in 1990 to 2.18 in 2017. In 2010, Custer and Custer County’s average household size were significantly below the Statewide average.

Household Projections

The following table presents Esri’s 2017 household estimates and 2022 household projections for Custer and Custer County.

Table 7 Household Projections Through 2022			
	2010 Census	2017 Estimate Esri	2022 Projection Esri
Custer	956	1,017	1,072
Custer County	3,636	3,829	3,992

Source: U.S. Census; Esri

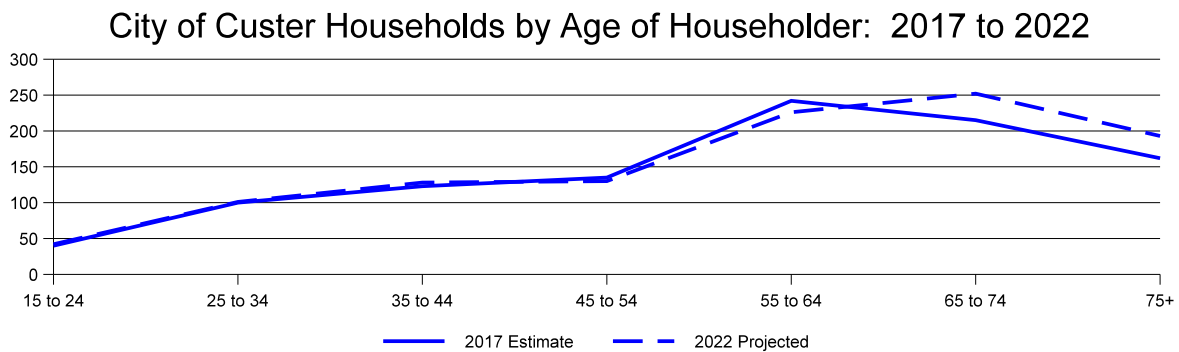
- ▶ The growth projections calculated by Esri expect household gains in Custer and Custer County from 2017 to 2022.
- ▶ Esri estimates that Custer added 61 households from 2010 to 2017, and projects that the City will gain 55 households from 2017 to 2022.
- ▶ Esri’s 2017 estimate for Custer County is 3,829 households, an increase of 193 households from 2010. Esri projects that Custer County will gain an additional 163 households from 2017 to 2022.

Custer Household by Age Projections: 2017 to 2022

Esri has released population by age projections to the year 2022. The following table presents Esri's 2022 household by age projections for Custer, and the household changes from 2017 to 2022.

Table 8 Custer Projected Households by Age - 2017 to 2022			
	2017 Estimate	2022 Projection	Change
15-24	40	42	2
25-34	100	101	1
35-44	123	128	5
45-54	135	130	-5
55-64	242	226	-16
65-74	215	252	37
75+	162	193	31
Total	1,017	1,072	55

Source: Esri



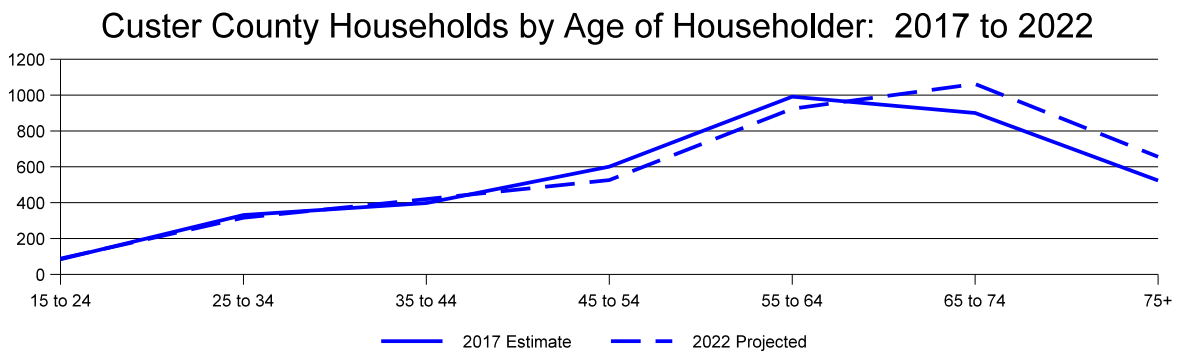
Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate household growth in households in the 65 and older age ranges. Esri’s projections expect an increase of 68 households in Custer from 2017 to 2022 in the 65 and older age ranges. Esri also projects a gain of eight households in the 15 to 44 age ranges. Esri’s projections expect a loss of 21 households in the 45 to 64 age ranges.

Custer County Household by Age Projections: 2017 to 2022

Esri has released population by age projections to the year 2022. The following table presents Esri's 2022 household by age projections for Custer County, and the household changes from 2017 to 2022.

Table 9 Custer County Projected Households by Age - 2017 to 2022			
	2017 Estimate	2022 Projection	Change
15-24	84	88	4
25-34	331	316	-15
35-44	398	420	22
45-54	601	526	-75
55-64	991	924	-67
65-74	900	1,062	162
75+	524	656	132
Total	3,829	3,992	163

Source: Esri



Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate household growth in households in the 65 and older age ranges. Esri’s projections expect an increase of 294 households in Custer County from 2017 to 2022 in the 65 and older age ranges. Esri also projects that Custer County will gain four households in the 15 to 24 age range and a gain of 22 households in the 35 to 44 age range. Esri also projects a loss of 142 households in the 45 to 64 age ranges.

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 Custer.

Table 10 Custer Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	174	142	-32
Single Parent with own children	55	75	20
Married Couple without own children	227	283	56
Family Householder without spouse	36	35	-1
Total Families	492	535	43
Non-Family Households			
Single Person	301	384	83
Two or more persons	32	37	5
Total Non-Families	333	421	88

Source: U.S. Census

Between 2000 and 2010, Custer experienced an overall net decrease of 43 “family” households. There was a decrease of 32 married couple families with children and a loss of one family householder without spouse household. The City had an increase of 20 single parent families with children and an increase of 56 married couple families without children.

The City of Custer had an increase of 88 “non-family” households. There was an increase of 83 one-person households. There was also an increase of five households that had unrelated individuals living together.

Housing Tenure

The 2010 Census provided data on housing tenure patterns. The following tables examine tenure rates, along with changes that have occurred.

Table 11 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Custer	567	59.3%	389	40.7%
Custer County	2,837	78.0%	799	22.0%
State	-	68.1%	-	31.9%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in Custer was 59.3% and Custer County’s ownership rate was 78.0%. Custer’s rental tenure rate of 40.7% was substantially above the Statewide rate of 31.9% renter households.

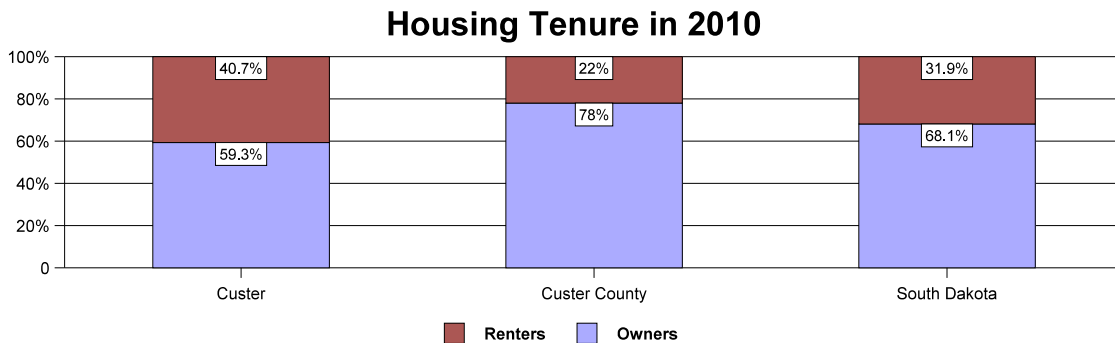


Table 12 Households by Housing Tenure - 2000 to 2010						
Tenure	Custer			Custer County		
	2000	2010	Change	2000	2010	Change
Owners	502/60.8%	567/59.3%	65	2,288/77.0%	2,837/78.0%	549
Renters	323/39.2%	389/40.7%	66	682/23.0%	799/22.0%	117
Total	825	956	131	2,970	3,636	666

Source: U.S. Census

The City of Custer’s ownership tenure rate decreased from 60.8%% in 2000 to 59.3% in 2010. For Custer County, the ownership tenure rate increased from 77.0% in 2000 to 78.0% in 2010.

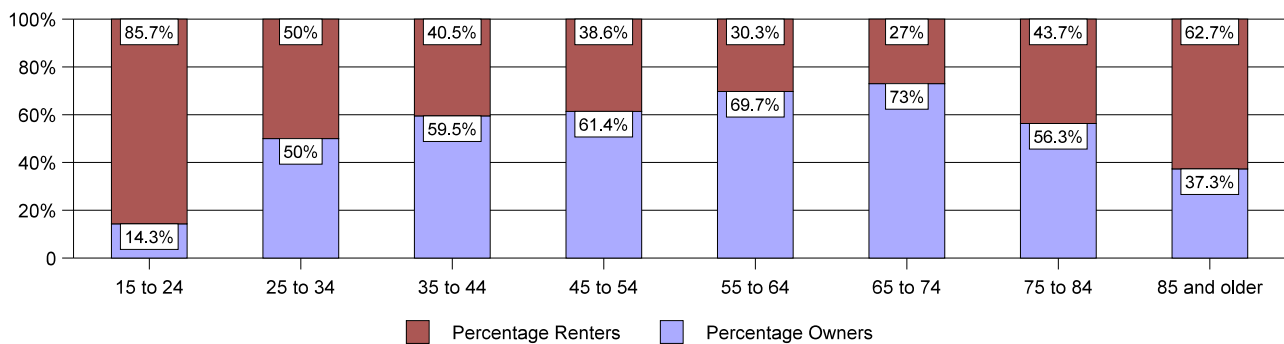
Tenure by Age of Householder

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

Table 13 Custer Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	6	14.3%	36	85.7%
25-34	63	50.0%	63	50.0%
35-44	72	59.5%	49	40.5%
45-54	105	61.4%	66	38.6%
55-64	145	69.7%	63	30.3%
65-74	103	73.0%	38	27.0%
75-84	54	56.3%	42	43.7%
85+	19	37.3%	32	62.7%
Total	567	59.3%	389	40.7%

Source: U.S. Census

City of Custer Housing Tenure Patterns by Age in 2010



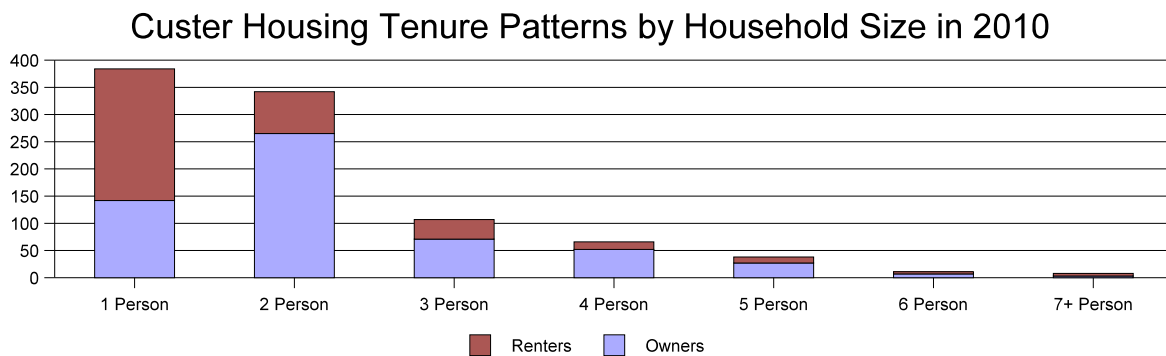
Households at the lowest end and highest end of the age spectrum showed a greater preference for rental housing. Approximately 86% of households age 15 to 24, 50% of households age 25 to 34, and 63% age 85 and older rented their unit. Home ownership rates for each of the 10-year age cohorts from age 35 to 84 were above 56%.

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 Custer.

Table 14 Custer Tenure by Household Size - 2000 to 2010						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	128	142	14	173	242	69
2-Person	200	265	65	77	77	0
3-Person	74	71	-3	44	36	-8
4-Person	67	52	-15	17	14	-3
5-Person	24	27	3	8	11	3
6-Person	7	7	0	1	4	3
7-Persons+	2	3	1	3	5	2
Total	502	567	65	323	389	66

Source: U.S. Census



From 2000 to 2010, there was an overall increase in the number of both owner households and renter households in Custer. There was a gain of 79 one and two person owner households and a gain of four owner households with five or more household members. However, there was a decrease of 18 owner households with three or four household members.

There was a gain of 69 renter households with one household member and a gain of eight renter households with five or more household members. However, there was a loss of 11 renter households with three or four household members. Approximately 82% of the renter households in Custer were one or two person households in 2010.

2015 Income Data

The 2010 Census did not collect information on household income. However, annual estimates are available at the city and county level through the American Community Survey. The following table compares median income levels for 2010 and 2015.

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.

Table 15 Median Household Income - 2010 to 2015			
	2010 Median	2015 Median	% Change
Median Household Income			
Custer	\$35,058	\$41,500	18.4%
Custer County	\$46,743	\$52,218	11.7%
South Dakota	\$46,369	\$50,957	9.9%
Median Family Income			
Custer	\$56,615	\$55,156	-2.6%
Custer County	\$58,253	\$62,909	8.0%
South Dakota	\$58,958	\$65,237	10.6%

Source: ACS 5-year survey

Information contained in the 2015 American Community Survey shows that the median household incomes have increased from 2010 to 2015 in Custer and Custer County. Custer County’s median family income also increased. However, Custer’s median family income decreased slightly from 2010 to 2015.

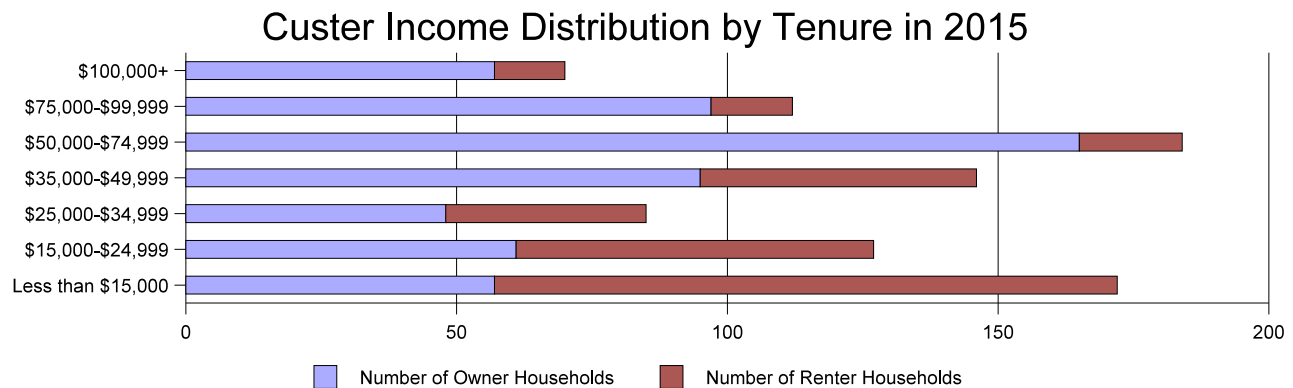
Generally, family household incomes tend to be higher than the overall household median, as families have at least two household members, and potentially more income-earners. Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Custer could afford approximately \$1,038 per month and a median income family household could afford \$1,379 per month for ownership or rental housing in 2015.

Custer Income Distribution by Housing Tenure

The 2015 American Community Survey provides income data by owner and renter status. The following table examines income distribution in Custer. The American Community Survey is an estimate, based on limited sampling data, and there are some differences when compared to the 2017 Esri estimate. The 2015 American Community Survey reported income information on 896 households and Esri reported that there were 1,017 households in Custer in 2017.

Table 16 Custer Household Income Distribution by Tenure - 2015			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	57/33.1%	115/66.9%	172
\$15,000 - \$24,999	61/48.0%	66/52.0%	127
\$25,000 - \$34,999	48/56.5%	37/43.5%	85
\$35,000 - \$49,999	95/65.1%	51/34.9%	146
\$50,000 - \$74,999	165/89.7%	19/10.3%	184
\$75,000 - \$99,999	97/86.6%	15/13.4%	112
\$100,000+	57/81.4%	13/18.6%	70
Total	580	316	896

Source: 2015 American Community Survey



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

In 2015, approximately 69% of all renter households in Custer 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. The median income for all renter households was approximately \$21,071 in 2015. At 30% of income, a renter at the median level could afford approximately \$527 per month or less for housing costs.

Most owner households had a higher income level than rental households. Approximately 55% of all owner households had an annual income of \$50,000 or more. The estimated median household income for owners in 2015 was approximately \$41,500. At 30% of income, an owner at the median income level could afford approximately \$1,036 per month for housing costs.

2015 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 Custer.

Table 17 Gross Rent as a Percentage of Household Income - 2015			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	20/28.6%	60/24.5%	80/25.3%
20% to 29.9%	9/12.9%	66/26.8%	75/23.7%
30% to 34.9%	5/7.1%	18/7.3%	23/7.3%
35% or more	36/51.4%	82/33.3%	118/37.4%
Not Computed	0/0%	20/8.1%	20/6.3%
Total	70/100%	246/100%	316

Source: 2015 American Community Survey

According to the American Community Survey, approximately 45% of the renters in the City were paying 30% or more of their income for rent. The majority of these renters were actually paying more than 35% of their income for rent. 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”.

A majority of the renter households with a housing cost burden had an annual income below \$20,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$500 or less.

Senior citizen renters (age 65 and older) represented approximately 29% of all households with a rental cost burden. Households in the age ranges between 15 and 64 years old represented approximately 71% of all households with a rental cost burden.

2015 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 Custer that are paying different percentages of their gross household income for housing costs.

Table 18 Ownership Costs as a Percentage of Income - Custer		
Percentage of Household Income for Housing Costs	Number of Owner Households 2015	Percent of All Owner Households 2015
0% to 19.9%	223	38.4%
20% to 29.9%	190	32.8%
30% to 34.9%	41	7.1%
35% or more	120	20.7%
Not Computed	6	1.0%
Total	580	100%

Source: 2015 ACS

Most owner-occupants in Custer, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 28% of all home owners reported that they paid more than 30% of their income for housing. The majority of these homeowners were actually paying more than 35% of their income for housing.

Occupancy Status of Housing Units - 2010

Table 19 Occupancy Status of Housing Units - 2010						
	Occupied Units		Vacant Units			
	Owner	Renter	For Rent	For Sale	Seasonal Use	Other Vacant
Custer	567	389	54	23	48	48
Custer Co.	2,837	799	111	80	566	235

Source: U.S. Census

- ▶ In 2010, according to the U.S. Census, there were 566 seasonal housing units in Custer County including 48 units in Custer.
- ▶ Seasonal housing units are those intended for occupancy only during certain seasons of the year and are not occupied by permanent year-round residents of the City.
- ▶ In addition to the seasonal units in 2010, there were 426 vacant housing units in Custer County, including 125 units in Custer.

Existing Home Sales

This section examines houses that have been sold from 2010 to 2017 in the City of Custer. The information was obtained from the South Dakota Department of Revenue, but reflects information assembled by the Custer County Equalization Office.

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

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

The County and State reject sales that show significant variation from the assessed value. Known as the "150% rule" these sales may be open market transactions but are not useful in the County's sales ratio analysis. The sales data obtained from the Department of Revenue identified the 150% rule sales. In the sales sample that follows, 150% rule sales have been included when they were open market transfers.

The County's sales ratio year differs slightly from the calendar year. It begins on November 1st and ends the following October 31st. For 2017, it is probable that not all of the sales had been recorded when the information was obtained in mid-November. The sales for 2017 had also not been audited by the State, and it is possible that some adjustments will be made to the list of accepted and rejected sales.

Table 20 Custer Residential Sales Activity - 2007 to 2017

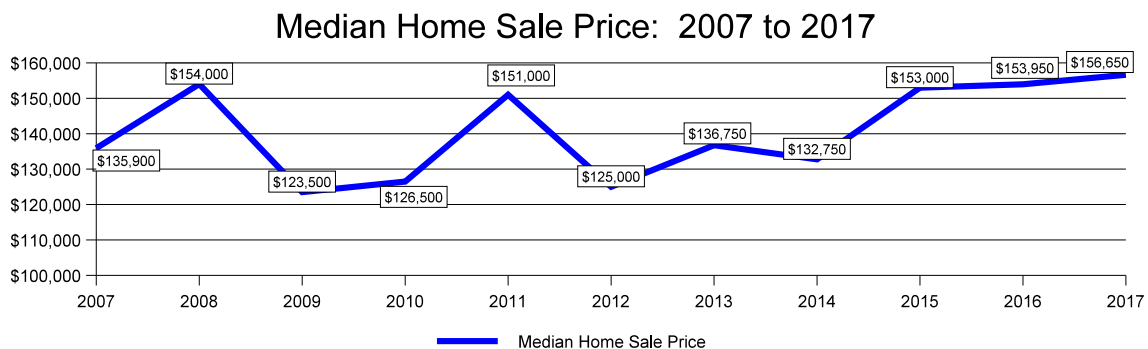
Sales Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2017	40	\$156,650	\$595,000	\$20,000
2016	42	\$153,950	\$390,000	\$23,000
2015	54	\$153,000	\$525,000	\$44,000
2014	48	\$132,750	\$305,000	\$20,000
2013	40	\$136,750	\$227,000	\$35,800
2012	19	\$125,000	\$299,000	\$36,000
2011	26	\$151,000	\$300,000	\$32,800
2010	27	\$126,500	\$225,000	\$21,500
2009	33	\$123,500	\$371,500	\$23,000
2008	32	\$154,000	\$275,000	\$17,000
2007	37	\$135,900	\$271,000	\$59,000

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

Over the past 11 years the median home sale price in Custer has ranged from a low of \$123,500 in 2009, to a high of \$156,650 in 2017. Over the past three years the median sale price has been above \$150,000.

In 2008, shortly after the start of the national housing decline, the City's median sale price had reached \$154,000. The median price then decreased substantially, and did not exceed \$154,000 until 2017.

The annual volume of good sales also decreased substantially during the early years of the current decade, with only 19 open market transactions recorded in 2012. However, by 2013 there were 40 good sales, and the City has had 40 or more good transactions per year since that time.



In each of the years reviewed there was at least one house that sold for \$60,000 or less, and in most years, a good sale was recorded for less than \$40,000. In each of the last four years at least one sale has been recorded for \$305,000 or more.

An alternate home value estimate exists in the American Community Survey. In 2015, this estimate placed the median value for owner-occupied houses at \$135,700. This value was lower than the median sale price for that year of \$153,000, but was similar to sales medians in 2013 and 2014.

Home Sales by Price Range

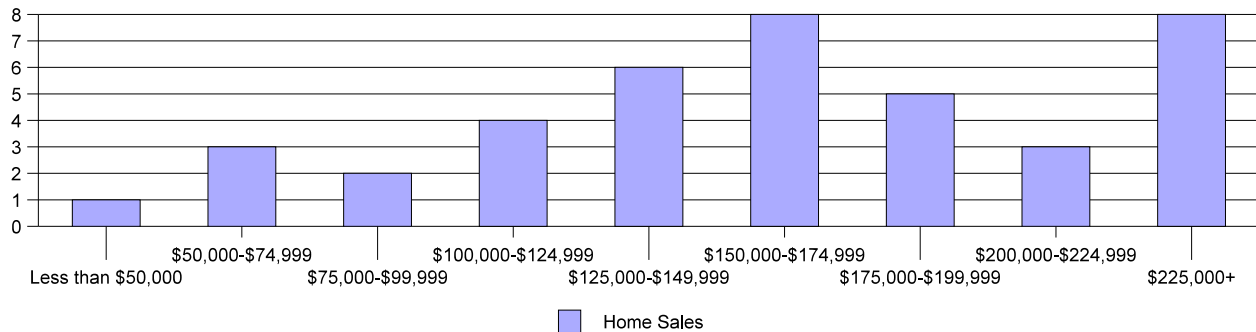
The following table looks at single family houses that sold within defined price ranges in 2017, the most recent 12-month sales period.

Table 21 Custer 12-Month Home Sales by Price Range		
Sale Price	Number of Sales	Percent of Sales
Less than \$50,000	1	2.5%
\$50,000 - \$74,999	3	7.5%
\$75,000 - \$99,999	2	5.0%
\$100,000 - \$124,999	4	10.0%
\$125,000 - \$149,999	6	15.0%
\$150,000 - \$174,999	8	20.0%
\$175,000 - \$199,999	5	12.5%
\$200,000 - \$224,999	3	7.5%
\$225,000+	8	20.0%
Total	40	100%

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

Recent home sales in Custer have been widely distributed in different price ranges. However, most of the recent sales have been for \$150,000 or more. Overall, 60% of the sales were at \$150,000 or more. Only 15% of recent sales were for less than \$100,000, and 25% were priced between \$100,000 and \$149,999.

Custer Home Sales by Price Range in 2017



Custer Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 300 single family/duplex houses in four of Custer's oldest neighborhoods.

The boundaries of the four neighborhoods are as follows:

- ▶ Neighborhood #1: North - Washington St.
South - City limits/Canal St.
East - 10th St.
West - Hwy 385
- ▶ Neighborhood #2: North - Homestad Neighborhood
- ▶ Neighborhood #3: North - Montgomery St.
South - Mt. Rushmore Rd.
East - City limits
West - N. 5th St.
- ▶ Neighborhood #4: North of Montgomery 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. These houses need major renovation to become decent, safe and sanitary housing. Some Dilapidated properties may be abandoned and may be candidates for demolition and clearance.

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

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

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

Table 22 Windshield Survey Condition Estimate - 2017					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood #1	34/36.2%	37/39.4%	18/19.1%	5/5.3%	94
Neighborhood #2	19/47.5%	12/30.0%	7/17.5%	2/5.0%	40
Neighborhood #3	33/31.1%	42/39.6%	24/22.7%	7/6.6%	106
Neighborhood #4	24/40.0%	21/35.0%	10/16.7%	5/8.3%	60
Total	110/36.7%	112/37.3%	59/19.7%	19/6.3%	300

Source: Community Partners Research, Inc.

- ▶ Approximately 37% of the houses in four of the City of Custer's oldest neighborhoods need minor repair and 20% need major repair. Approximately 37% are sound, with no required improvements. Nineteen houses are dilapidated and possibly beyond repair.

Custer Mobile/Manufactured Home Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 94 mobile and manufactured homes located in three mobile and manufactured home parks, and mobile homes in miscellaneous locations in the City.

Mobile homes 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 mobile homes need major renovation to become decent, safe and sanitary housing. Some Dilapidated properties may be abandoned and candidates for demolition and clearance.

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

Minor Repair mobile homes are judged to be generally in good condition and require less extensive repair, such as one major improvement. Mobile homes in this condition category may be good candidates for rehabilitation programs because they are in a sellable price range and are economically feasible to repair.

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

Table 23 Windshield Survey Condition Estimate - 2017					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Ponderosa St.	6/35.3%	5/29.4%	5/29.4%	1/5.9%	17
Homestad Drive	7/63.6%	4/36.4%	0/0%	0/0%	11
Woodland Meadows	38/100%	0/0%	0/0%	0/0%	38
Misc. Locations	13/46.4%	5/17.9%	7/25.0%	3/10.7%	28
Total	64/68.1%	14/14.9%	12/12.8%	4/4.2%	94

Source: Community Partners Research, Inc.

- ▶ The mobile/manufactured homes in Custer are in very good condition. Approximately 15% of the mobile homes need minor repair and 13% need major repair. Approximately 68% are sound, with no required improvements.
- ▶ Four mobile homes were dilapidated and possibly beyond repair.

Rental Housing Data

Census Bureau Rental Inventory

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

At the time of the 2000 Census, Custer had 323 occupied rental units, and 36 vacant rental units, for a total estimated rental inventory of 359 units. The rental tenure rate in 2000 was 39.2%.

Based on a Census comparison, the City had a gain of 66 renter-occupancy households, and an increase of approximately 87 rental units from 2000 to 2010.

From 2000 to 2017, approximately 64 rental units were constructed in Custer. These units include approximately 30 market rate units, 16 subsidized units and 18 income restricted/moderate rent units. Also, a significant number of owner-occupied homes converted to rental use from 2000 to 2017. This could include both long-term rental use or vacation rentals.

Rental Housing Survey

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

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

There were 208 rental housing units of all types that were contacted in the survey. In addition to the 208 rental units, the two assisted living facilities with 29 beds and the nursing home in Custer, which has 76 beds, were also surveyed.

The units that were successfully contacted include:

- ▶ 79 market rate units
- ▶ 105 federally subsidized units
- ▶ 24 moderate rent/income restricted units
- ▶ 29 assisted living units/beds
- ▶ 79 skilled nursing beds

The findings of the survey are provided below.

Market Rate Summary

Information was obtained on 79 market rate rental units in five rental buildings, and in twinhomes and townhomes. Four of the market rate rental buildings with 48 units were subsidized USDA Rural Development projects, but converted to market rate in 2013.

Unit Mix

We obtained the bedroom mix on all 79 market rate units. The bedroom mix of the units is:

- ▶ efficiency - 0 (0%)
- ▶ one-bedroom - 61 (77.2%)
- ▶ two-bedroom - 18 (22.8%)
- ▶ three-bedroom - 0 (0%)

There were no efficiency or three-bedroom units in the market rate projects we surveyed. However, there are rental single family homes in Custer that have three or more bedrooms.

Occupancy / Vacancy

At the time of the survey, there were 13 vacancies in the 79 market rate units that were surveyed, which is a 16.5% vacancy rate.

However, all 13 vacancies were in older converted USDA rural Development projects and the owner of these projects reported that the units are fully occupied during the vacation/tourism season.

Rental Rates

Rental units may include the primary utility payments within the contract rent, or the tenant may be required to pay some utilities separately, in addition to the contract rent.

In the following summary, Community Partners Research, Inc., has attempted to estimate the gross rents being charged, inclusive of an estimate for tenant-paid utilities.

<u>Unit Type</u>	<u>Lowest/Highest Gross Rents</u>
One-bedroom	\$650-\$700
Two-bedroom	\$750-\$1,275

Tax Credit Summary

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

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

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

Subsidized Summary

The research completed for this Study surveyed the four federally subsidized projects in Custer that provide rental opportunities for lower income households. These projects have a combined 105 subsidized units. Three projects with 67 units are family/general occupancy and one project with 38 units is senior/disabled housing. The subsidized projects were developed with HUD Section 8 assistance, USDA Rural Development assistance, and some also included low income housing tax credits.

The four subsidized rental projects in Custer include:

- ▶ **Landover Estates** - Landover Estates is a 38-unit USDA Rural Development senior/disabled project constructed in 1991. The 38 units include 31 one-bedroom and six two-bedroom units.
- ▶ **Valley Hi Apartments** - Valley Hi Apartments is a 27-unit HUD/Section 8 General Occupancy project constructed in 1979. The 27 units include 13 efficiency and 14 one-bedroom units.
- ▶ **Aspen View Townhomes I** - Aspen View Townhomes I is a 24-unit USDA Rural Development family project constructed in 1992. The 24 units include six one-bedroom, 12 two-bedroom units and six three-bedroom units.
- ▶ **Aspen View Townhomes II** - Aspen View Townhomes II is a 16-unit family USDA Rural Development project constructed in 2004. The 16 units include eight two-bedroom and eight three-bedroom units.

Rental Rates

The 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.

Unit Mix

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

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

Occupancy / Vacancy

There was one vacant unit identified in the 105 subsidized units, for a 1.0% vacancy rate. The one vacant unit was in Aspen View Townhomes I and a tenant household had qualified for the unit, but was waiting for rent assistance prior to moving in.

Subsidized Housing Gains/Losses

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

Four subsidized USDA Rural Development rental projects with 48 total units have opted out of their subsidy contract and converted to market rate rental projects. These rental projects include Winchester Apartments (12 units), Crook St. Apartments (4 units), Laughing Water Apartments (16 units) and Harney St. Apartments (16 units).

Moderate Rent/Income Restricted Summary

The research completed for this Study surveyed the three moderate rent/income restricted rental projects in Custer. The three projects have a total of 24 units. All three of these projects utilized HUD HOME Program funding, which triggered income limits and rent restrictions on most of the units.

One of the projects, Landover Estates III, has three income restricted units and three units are market rate, thus, there is a total 21 income-restricted units in the three moderate rent-income restricted projects.

The three moderate rent-income restricted projects in Custer include:

- ▶ **Horse Shoe Park** - Horse Shoe Park is an eight-unit moderate rent-income restricted 62 and older/disabled project constructed in 2005. The project was constructed utilizing HOME funds. All eight units have two bedrooms. Rents range from \$510 to \$556. Tenants also pay heat and electricity.
- ▶ **Landover Estates III** - Landover Estates III is a six-unit moderate rent-income restricted age 62 and older/disabled project constructed in 1997. A portion of the project was constructed with HOME funds. Three units are income restricted and three units are market rate. All six units have two bedrooms. Rents range from \$472 to \$645. Tenants also pay heat and electricity.
- ▶ **Landover Estates IV** - Landover Estates IV is a 10-unit moderate rent-income restricted age 62 and older/disabled project. The project was constructed utilizing HOME funds and all of the units are income-restricted. The project was constructed in 2000. Rents range from \$460 to \$506. Tenants also pay heat and electricity.

Unit Mix

All 24 units in the three moderate rent-income restricted projects have two bedrooms.

Occupancy/Vacancy

At the time of the survey, there were no vacancies and all three projects have waiting lists.

Senior Housing with Services

Unit Inventory

There are three senior housing with services projects in Custer County, which include:

- ▶ **Regional Health Care Center-Custer** - The Regional Health Care Center is a nursing home facility with 76 skilled nursing beds. The facility is part of the health care system in Custer that includes the hospital and assisted living center.
- ▶ **Regional Health Care-Assisted Living (Wedgewood)** - Regional Health Care-Assisted Living is a 16-bed assisted living facility. The facility is part of Custer's health care system that includes the hospital and nursing home.
- ▶ **Rose Haven Senior Living** - Rose Haven Senior Living is a 13-bed assisted living facility. The beds are in seven single rooms and three double rooms. The facility provides the full array of assisted living services.

Occupancy / Vacancy

At the time of the survey, the Regional Health Care Center, the skilled nursing home, reported a 95% occupancy rate. Regional Health Care-Assisted Living reported full occupancy. Rose Haven Senior Living reported two vacant beds.

Table 24 Custer Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Boothill Townhomes	<u>12 - 2 bedroom</u> 12 total units	\$920 to \$945	No vacancies	General Occupancy	Boothill Townhomes includes 12 two-bedroom townhomes. The townhomes were constructed in 2006. The units are high quality with two baths and an attached garage. The units have 1,100 sq. ft. Rent is \$920 to \$945. Tenants also pay heat and electricity. The owner reported no vacancies.
Stonehill Townhomes	<u>10 - 2 bedroom</u> 10 total units	\$1,025 to \$1,075	No vacancies	General Occupancy	Stonehill Townhomes includes 10 units in five twinhomes. The units have been constructed over the past several years. The units are high quality with 1,350 sq. ft., two baths and attached garages. Rent is \$1,025 to \$1,075 plus utilities. The owner reports no vacancies. In addition to the 10 units, a twinhome is currently under construction. The rents on these two units will be \$1,125.
Laughing Water Apartments	<u>1 - 1 bedroom</u> <u>15 - 2 bedroom</u> 16 total units	\$650	6 vacancies off-season average, fully occupied in-season	General Occupancy	Laughing Water Apartments is a 16-unit general occupancy market rate project. The project was a Rural Development subsidized project but has converted to market rate. Fifteen units are two-bedroom. Rent is \$650. Tenants pay heat and electricity, all other utilities are included in the rent. The owner reports an average of six vacancies off-season and full occupancy in-season.
Harney St. Apartments	<u>16 - 1 bedroom</u> 16 total units	\$550	4 vacancies average off-season, fully occupied in-season	General Occupancy	Harney St. Apartments is a 16-unit general occupancy market rate project. All 16 units have one-bedroom. Rent is \$650. Tenants also pay heat and electricity, all other utilities included in the rent. The project was a Rural Development subsidized project, but has converted to market rate. The owner reports an average of four vacancies off-season and full occupancy in-season.

Table 24 Custer Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy / Wait List	Tenant Mix	Comments
Market Rate					
Winchester Apartments	1 - 1 bedroom <u>11 - 2 bedroom</u> 12 total units	\$650	3 vacancies average off-season and full occupancy in-season	General Occupancy	Winchester Apartments is a 12-unit general occupancy market project. There are 11 two-bedroom units and one one-bedroom unit. The project was a Rural Development subsidized project, but has converted to market rate. The rent is \$650. Tenants also pay heat and electricity, all other utilities are included in the rent. The owner reports an average of three vacancies off-season and full occupancy in-season.
Crook Street Apartments	4 - 2 bedroom 4 total units	\$650	No vacancies	General Occupancy	Crook St. Apartments is a four-unit general occupancy market rate project. The project was a Rural Development subsidized project, but has converted to market value. All four units have two bedrooms. Rent is \$650. Tenants also pay heat and electricity, all other utilities are included in the rent. The owner reported no vacancies at the time of the survey.
Ashmore Townhomes	6 - 2 bedroom 6 total units	\$775	No vacancies	General Occupancy	Ashmore Townhomes includes six two-bedroom townhomes. Rent is \$775 plus heat and electricity. The townhomes include washers, dryers and garages. The owner reported no vacancies at the time of the survey. Owner reported getting many calls from households seeking rental housing.
Lampert Properties	3 - 2 bedroom 3 total units	\$850 to \$900	No vacancies	General Occupancy	Lampert Properties includes three two-bedroom units in a 4-plex building. Rent is \$850 to \$950. Tenants also pay utilities. The owner reports no vacancies.

Table 24 Custer Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Landover Estates I & II	32 - 1 bedroom <u>6 - 2 bedroom</u> 38 total units	\$665-\$714 \$700-\$749 30% of income	No vacancies	Senior 62 and over/ disabled	Landover Estates I & II is a USDA Rural Development 38-unit project. The project includes two buildings, one building was constructed in 1991 and one building was constructed in 1996. There are 32 one-bedroom and six two-bedroom units. Thirty-five of the 38 units have rent assistance. Tenants in units with rent assistance pay 30% of their income up to the market rent. Tenants in units without rent assistance pay 30% of their income, but not less than the established base rent and not more than the market rent listed. The manager reported no vacancies at the time of the survey.
Aspen View Townhomes I	6 - 1 bedroom 12 - 2 bedroom <u>6 - 3 bedroom</u> 24 total units	\$680-\$825 \$790-\$940 \$915-\$1065 30% of income	1 vacant unit	General occupancy	Aspen View Townhomes is a 24-unit family USDA Rural Development project constructed in 1997. There are six one-bedroom, 12 two-bedroom and six three-bedroom units. One three-bedroom unit has been converted to office space. Twenty-one units have rent assistance. Tenants in units with rent assistance pay 30% of their income for rent. Tenants without rent assistance pay 30% of their income, but not less than the base rent and not more than the market rent listed. The manager reported one vacancy.
Aspen View Townhomes II	8 - 2 bedroom <u>8 - 3 bedroom</u> 16 total units	\$900-\$948 \$1025-\$1073 30% of income	No vacancies	General occupancy	Aspen View Townhomes is a 16-unit family USDA Rural Development project constructed in 2004. There eight two-bedroom and eight three-bedroom units. Fifteen units have rent assistance. Tenants in units with rent assistance pay 30% of their income up to the market rent. Tenants without rent assistance pay 30% of their income, but not less than the base rent and not more than the market rent listed. The manager reported no vacancies at the time of the survey.

Table 24 Custer Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Valley Hi Apartments	13 - efficiency <u>14 - 1 bedroom</u> 27 total units	\$541 \$631 30% of income	No vacancies/ waiting list	General occupancy	Valley Hi Apartments is a 27-unit general occupancy HUD Section Project constructed in 1979. There are 13 efficiency and 14 one-bedroom apartments. Tenants pay 30% of their income up to the market rents listed. The manager reported no vacancies and a waiting list.

Table 24 Custer Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Moderate Rent/Income Restricted					
Horse Shoe Park	<u>8 - 2 bedroom</u> 8 total units	\$510-\$556	No vacancies/ waiting list	Age 62+/ disabled	Horse Shoe Park is an eight-unit moderate townhome rent/income restricted project constructed in 2005. All of the units have two bedrooms. Tenants must be 62 & older or disabled. Tenants incomes must be below income limits for the project. The project was constructed utilizing HOME funds. There are two rent levels based on the household's income. Manager reports no vacancies and there is a waiting list.
Landover Estates III	<u>6 - 2 bedroom</u> 6 total units	\$472 to \$545	No vacancies/ waiting list	62+/ disabled	Landover Estates III includes three moderate rent/income restricted units and three market rate units. The moderate rent units were constructed utilizing Home funds. All of the units have two bedrooms. Tenants must be age 62 or older or disabled. Households renting a HOME unit must have incomes below the project's income limits. The market rate units have no income restrictions. Rent for Home units is \$472, two HOME units have a \$515 rent and the rent on the market rate units is \$645. Tenants also pay heat and electricity. The manager reported no vacancies and a waiting list at the time of the survey. The units were developed utilizing Governors Homes.
Landover Estates IV	<u>10 - 2 bedroom</u> 10 total units	\$460 to \$506	No vacancies/ waiting list	62+/ disabled	Landover Estates IV is a 10-unit HOME project. All of the units have two bedrooms. Tenants must be 62 or older or disabled. Tenants must have incomes below the project's income limits. Two units have \$460 rents and eight units have \$506 rents. The two rent levels have different income limits. Tenants pay heat and electricity in addition to rent. The project was constructed utilizing HOME funds. The manager reported no vacancies and a waiting list.

Table 24 Custer Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Senior with Services					
Rose Haven Senior Living	7 single rooms <u>3 double rooms</u> 10 rooms/beds	Based on room type	Two vacant rooms	Assisted Living	Rose Haven Senior Living is an assisted living project with seven single rooms and three double rooms. The project provides the full array of assisted living services including three daily meals, medication management, laundry, bathing, etc. All of the residents receive the same level of services. Fee differences are based on room type. Staff reported two vacant rooms at the time of the survey.
Regional Health Care - Assisted Living (formerly Wedgewood)	<u>16 beds</u> 16 total beds	Based on level of services	No vacancies	Assisted Living	Regional Health Care Assisted Living (Wedgewood) has 16 beds. The facility provides the full array of assisted living services including three daily meals, laundry, medication management, etc. Staff reported full occupancy at the time of the survey. The facility is part of the health care system in Custer that includes the hospital and the nursing home. The facility was constructed in 1999.
Regional Health Care Center Custer	<u>76 skilled nursing beds</u> 76 total beds	Based on level of services	Average of 95% occupancy rate	Skilled nursing home	The Regional Health Care Center is a 76-bed skilled nursing home. The facility is part of the health care system in Custer that includes the hospital and an assisted living facility. Staff reports an average 95% occupancy rate.

Source: Community Partners Research, Inc.

Employment and Local Economic Trends

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

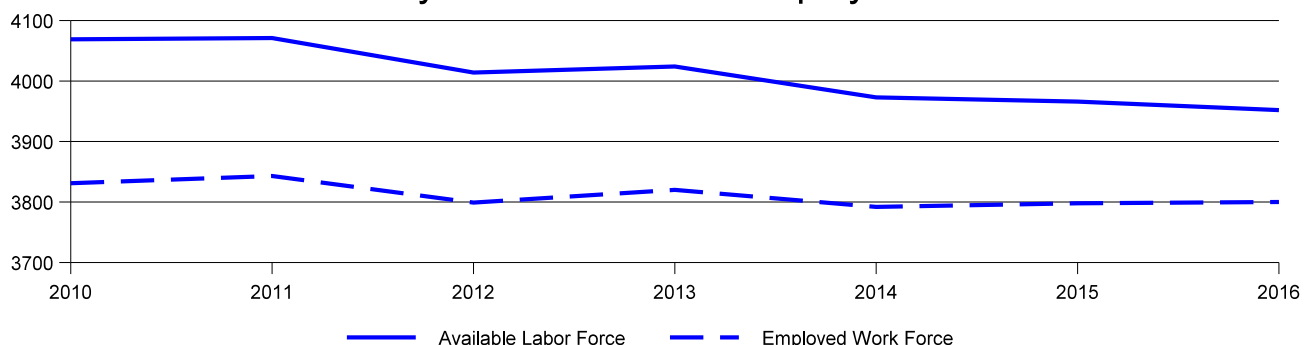
Work Force and Unemployment Rates

Employment information has been analyzed for Custer County in this section of the Study. Data in the tables that follow have been obtained from the South Dakota Department of Labor and Regulation.

Table 25 Custer County Annual Labor Statistics: 2010 to 2016						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2010	4,069	3,831	238	5.8%	5.0%	9.6%
2011	4,071	3,843	228	5.6%	4.7%	8.9%
2012	4,014	3,799	215	5.4%	4.3%	8.1%
2013	4,024	3,820	204	5.1%	3.8%	7.4%
2014	3,973	3,792	181	4.6%	3.4%	6.2%
2015	3,966	3,798	168	4.2%	3.1%	5.3%
2016	3,952	3,800	152	3.8%	2.8%	4.9%

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

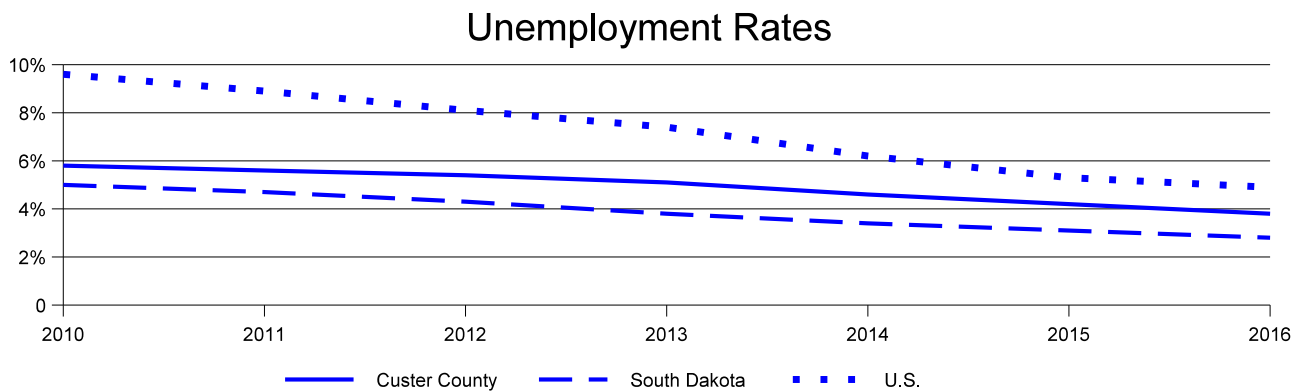
Custer County Labor Force and Employed Work Force



The statistics on the available labor force track people by their county of residence. When viewed over the entire 7-year period, the size of the County's resident labor force has decreased. Between 2010 and 2016 there were 117 fewer people in the labor force, a decrease of 2.9%.

The number of employed County residents has generally followed the same pattern. From 2010 to 2016, the number of employed residents of Custer County decreased by 31 people, or less than 1%.

With the labor force decreasing at a faster rate than the employed work force, the County's unemployment rate did drop over this time period, from 5.8% in 2010 to 3.8% in 2016. Throughout the years reviewed, the County's unemployment rate has been above the Statewide rate, but below the national unemployment rate.



Employment and Wages

The Quarterly Census of Employment and Wages (QCEW) tracks annual employment and average annual wage data. The QCEW reporting is for unemployment compensation. It is important to note that the reporting does not represent all employment, as some classifications such as self-employed workers are not included. This information is for all of Custer County and tracks the location of the job.

Table 26 Custer County Average Annual Wages - 2016		
Industry	2016 Employment	Average Annual Wage
Total All Industry	2,331	\$33,540

Source: South Dakota Department of Labor & Regulation

The average weekly wage for all industry in 2016 was \$645 in Custer County. At full-time employment, this would yield an annual average wage of just over \$33,500.

The County's three largest employment sectors were Leisure and Hospitality, Trade/Transportation/Utilities and Education and Health Services. With Leisure and Hospitality as the largest employment sector, it is possible that workers would not have full-time employment for 52 weeks each year.

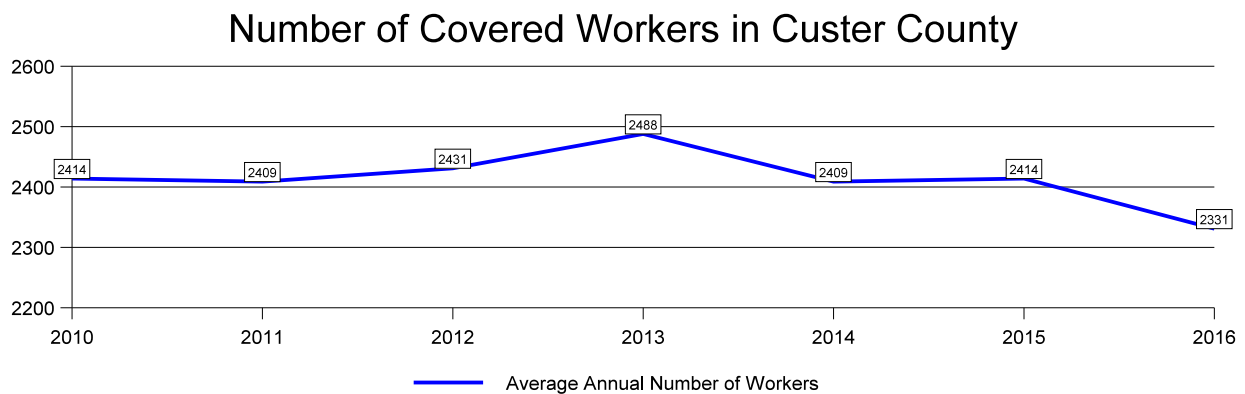
Annual Covered Employment

Since the Quarterly Census of Covered Workers (QCEW) tracks employees covered by unemployment insurance by location of the worker, it is possible to examine longer-term patterns in the local employment level. The following table displays the total number of workers reported in the County back to the year 2010. No partial-year information exists for 2017.

Table 27 Custer County Average Annual Employment			
Year	Total Covered Employment	Year	Total Covered Employment
2010	2,414	2014	2,409
2011	2,409	2015	2,414
2012	2,431	2016	2,331
2013	2,488	2017	-

Source: QCEW - SD Department of Labor

There has been relative stability in the number of employees working in Custer County. If 2016 is compared to the year 2010, there has been a decrease of 83 reported workers covered by unemployment insurance. However, the total in 2015 was identical to 2010, and the 2016 numbers may just represent minor year-to-year fluctuation.



Commuting Patterns of Area Workers

Information is available on workers that commute for employment. The best information is from the 2015 American Community Survey, and has been examined for Custer, the largest city in the County. The first table examines City residents that traveled to work and excludes people that work at home.

Table 28 Commuting Times for Custer Residents - 2015		
Travel Time	Number	Percent
Less than 10 minutes	531	56.3%
10 to 19 minutes	168	17.8%
20 to 29 minutes	63	6.7%
30 minutes +	181	19.2%
Total	943	100%

Source: American Community Survey

A large majority of Custer’s residents worked locally in 2015, with more than 74% traveling less than 20 minutes for their primary job. However, more than 19% of the City’s residents were commuting 30 minutes or more to work, and most of this group was actually traveling 45 minutes or more.

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

Table 29 Commuting Times for Custer-based Employees - 2015		
Travel Time	Number	Percent
Less than 10 minutes	604	42.0%
10 to 19 minutes	585	40.7%
20 to 29 minutes	81	5.6%
30 minutes +	168	11.7%
Total	1438	100%

Source: American Community Survey

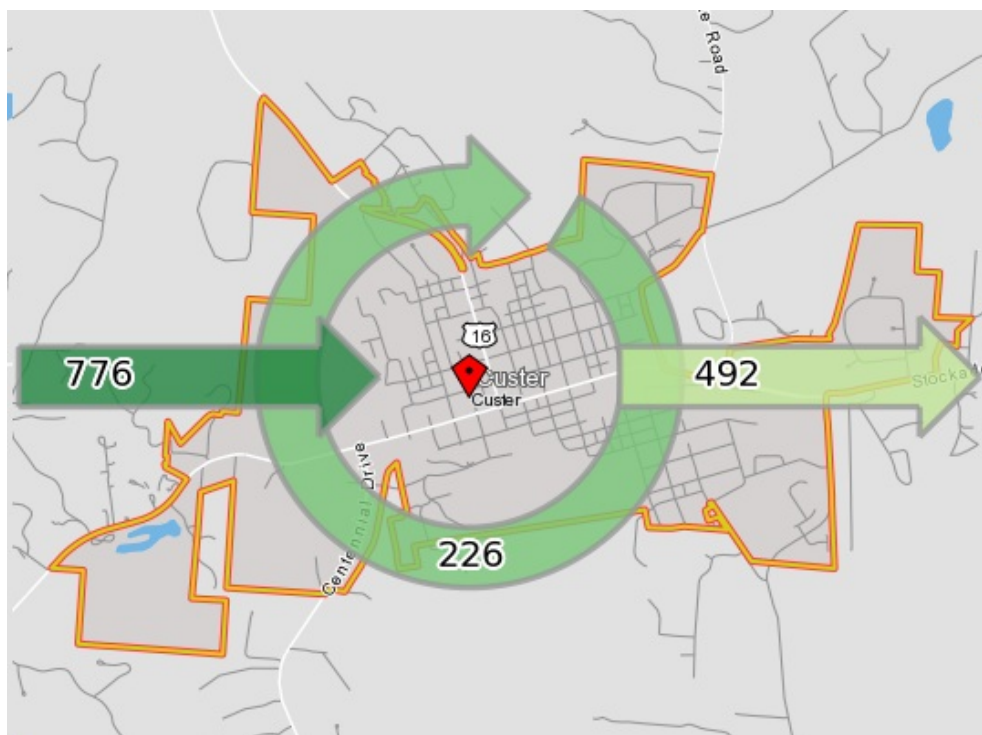
Most of the people that worked in Custer lived within the immediate area, as nearly 83% traveled 19 minutes or less to the City. This would include people that both lived and worked in Custer. However, nearly 12% of city-based workers did commute from greater distances, and traveled 30 minutes or more to Custer.

Census On the Map - Custer

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on reports for the year 2015, but provides a further breakdown of worker movement.

According to the report for Custer, there were 1,002 people that were employed within the City in 2015. Approximately 23% of these City-based employees also lived in Custer. The remaining 77% of employees lived outside the City and commuted in for their job. For people that were commuting into Custer, the primary home locations were West Custer UT and East Custer UT. More than 56% of the incoming workers lived within one of these two neighboring jurisdictions.

On the Map can also be used to track worker outflow patterns from the City. Overall, there were 718 Custer residents that were employed. Most of these City residents worked outside the community, as approximately 68.5% did leave the City for their job. For Custer residents that left the City for their employment, the primary destinations were Rapid City, West Custer UT, Hill City or Hot Springs. More than 61% of the outbound Custer residents were working in one of these four jurisdictions in 2015.



Findings on Growth Trends

As part of this Study, Community Partners Research, Inc., has examined growth patterns for Custer and Custer 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.

Custer's population increased by 6.8% from 1990 to 2000. The population increased from 1,741 in 1990 to 1,860 in 2000. From 2000 to 2010, Custer's population increased by 207 people, which was a population gain of 11.1%.

Custer County's population increased from 6,179 in 1990 to 7,275 in 2000, which was an increase of 17.7%. The population increased in the 2000s from 7,275 in 2000 to 8,216 in 2010, which was a population gain of 12.9%.

Household levels in Custer and Custer County also increased from 1990 to 2010. Custer experienced a gain of 118 households from 1990 to 2000 and a gain of 131 households from 2000 to 2010. Custer County had an increase of 618 households from 1990 to 2000 and a gain of 666 households from 2000 to 2010.

Esri estimates that Custer had a gain of 115 people and 61 households from 2010 to 2017. Esri estimates that Custer County had a gain of 392 people and a gain of 193 households from 2010 to 2017.

Findings on Projected Growth

This Study has utilized Esri's projections for Custer and Custer County. Esri projects that Custer's population will increase by 110 people from 2017 to 2022. The household projections expect a gain of 55 households from 2017 to 2022.

Custer County is expected to gain approximately 341 people from 2017 to 2022. Custer County's household projections expect a gain of 163 households from 2017 to 2022.

Summary of Custer’s Growth Projections by Age Group

The Demographic section of this Study presented Custer projection information on anticipated changes by age group from 2017 to 2022. This information can be informative in determining the housing that may be needed due to age patterns of the City’s population.

Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate much of the City’s growth in households in the age range between 65 and 74 years old. Age projections would expect the City to add approximately 37 households in the 65 to 74 age range from 2017 to 2022.

The Esri age-based projections also expect an increase of eight households in the 15 to 44 age ranges and an increase of 31 households in the 75 and older age range.

Custer is projected to lose 21 households in the 45 to 64 age ranges.

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 Custer adds population at a rate that is faster or slower than past patterns would suggest, traditional age-based forecasts would be altered.

<u>Age Range</u>	<u>Projected Change in Households 2017 to 2022</u>
15 to 24	2
25 to 34	1
35 to 44	5
45 to 54	-5
55 to 64	-16
65 to 74	37
75 and older	<u>31</u>
Total	55

Findings on Unit Demand by Type of Housing

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

Age 24 and Younger - The projections used for this Study expect a gain of two households in the 15 to 24 age range from 2017 to 2022. Past tenure patterns indicate that approximately 86% of these households in Custer will rent their housing. A minimal increase in the number of households in this age range should mean that rental demand from younger households will remain relatively stable during the projection period.

25 to 34 Years Old - The projections show a gain of one household in this age range by 2022. Within this age range households often move from rental to ownership housing. The ownership rate among these households in Custer was 50% in 2010. A gain of one household within this age range indicates demand for both first-time home buyer and rental opportunities from this age range will not change during the projection period.

35 to 44 Years Old - The projections for this 10-year age cohort expect a gain of five households between 2017 and 2022 in Custer. In the past, this age group has had a 60% ownership rate in Custer. 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.

45 to 54 Years Old - By 2022, 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 Custer, the projections show a loss of five households in this age range. This age group typically has had a rate of home ownership of approximately 61% in Custer, and will often look for trade-up housing opportunities. A minimal loss in the number of households in this age group indicates that the demand for trade-up housing from this age range will decrease slightly during the projection period.

55 to 64 Years Old - The projections show a decrease of 16 households in this 10-year age range by the year 2022 in the City. This age range has traditionally had a high rate of home ownership in Custer, at approximately 70% in 2010. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters.

65 to 74 Years Old - A significant gain of 37 households is expected by the year 2022 in the 65 to 74 age range. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. At the time of the 2010 Census, approximately 73% of the households in this age range owned their housing in Custer. Once again, preferences for age-appropriate units would increase from household growth within this age cohort.

75 Years and Older - There is a projected gain of 31 households in Custer in this age range between 2017 and 2022. In the past, the older households within this age range have had a relatively low rate of home ownership in Custer. An expansion of housing options for seniors, including high quality rental housing, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

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

Findings on Housing Unit Demand and Tenure

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

Demand from Growth - The household projections used for this Study expect Custer to gain 55 households and Custer County will gain 163 households from 2017 to 2022. Therefore, there will be a significant demand for new housing production in Custer based on household growth.

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

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

Pent-Up Demand - The third primary demand-generator for new housing is caused by unmet need among existing households, or pent-up demand. Shifting age patterns have created demand for certain types of housing in Custer. We have included our estimates of pent-up demand into the specific recommendations that follow later in this section.

Strengths for Housing Development

The following strengths for the City of Custer were identified through statistical data, local interviews, research and onsite review of the local housing stock.

- ▶ **Custer serves as a regional center** - Custer provides employment opportunities, retail/service options, health and professional services, governmental services and recreational facilities for a geographical area that surrounds the City.
- ▶ **Educational system** - Custer has a public K-12 school system and the school buildings are in excellent condition.
- ▶ **Infrastructure** - Custer's water and sewer infrastructure can accommodate future expansion. However, infrastructure facility improvements are needed.
- ▶ **Commercial development** - Custer's commercial district is adequate to meet most daily needs and is an attraction for tourists.
- ▶ **Employers** - Custer has employers that provide job opportunities for local residents.
- ▶ **Commuters** - Approximately 776 employees are commuting into Custer daily for work. These commuters are a potential market for future housing construction.
- ▶ **Custer Area Economic Development Corporation** - The Custer Area Economic Development Corporation (CAEDC) has been active in developing and expanding business opportunities and commercial development.
- ▶ **Health facilities** - Custer has excellent health facilities including a hospital, clinics, assisted living facilities and a nursing home. A new hospital is currently under construction.
- ▶ **Custer County Housing and Redevelopment Commission (HRC)** - The Custer County HRC has been very active in developing and managing housing in the City of Custer.

- ▶ **Federal and State Funds** - The Custer County HRC, the City of Custer and local developers have experience in utilizing State and Federal funds for housing projects. Also, the City has utilized tax increment financing (TIF) for some housing developments.
- ▶ **Small town atmosphere** - Custer has the real and perceived amenities of a small town. Small town living is attractive for some households.
- ▶ **Active builders and developers** - Custer has active housing builders and developers that are willing to invest in new housing construction.
- ▶ **Desirable location for seniors and retirees** - Custer is an attractive option for seniors as a retirement location. As a provider of health, retail and governmental services, the City has amenities that are attractive for seniors as they age.
- ▶ **Land for development** - The Community has land available for residential, commercial and industrial development, however, some of the land needs to be serviced with infrastructure improvements and/or annexed into the City.
- ▶ **Population and household growth** - Custer and Custer County are projected to add people and households over the next five years.
- ▶ **Proximity to Rapid City** - Custer is located approximately 41 miles from Rapid City, the area's regional center. Rapid City provides additional employment opportunities, retail/services options, educational opportunities, health care facilities and recreational opportunities.
- ▶ **Black Hills Recreational Area** - Custer is in the Black Hills, a nationally known recreational and tourism area. Mount Rushmore, Crazy Horse Monument, Wind Cave and Custer State Park are all in close proximity to Custer.
- ▶ **Median Home Values** - The median value of existing houses in Custer, based on recent sales activity, is approximately \$156,650. This relatively high value for existing homes can help to encourage new single family construction.

Barriers or Limitations to Housing Activities

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

- ▶ **Age and condition of some of the housing stock** - Custer has some homes that require minor or major improvements, or are potentially dilapidated and beyond repair. However, a high percentage of the City's older homes are in good or excellent condition.
- ▶ **Construction costs** - Due to several factors, new construction is higher in Custer than some other locations including Rapid City.
- ▶ **Lower paying jobs** - Although Custer has employment opportunities, some jobs are at the lower end of the pay scale and employees with these jobs have limited housing choices.
- ▶ **Off-season commercial/retail options** - Custer has a limited number of commercial and retail opportunities during the off-season.
- ▶ **Competition from rural building sites** - Households often seek available building sites in rural areas surrounding Custer and in Custer County. These building sites compete with available residential lots within the City of Custer.
- ▶ **Vacation homes** - Over 100 homes in Custer that would normally be in the affordable housing stock are utilized as vacation/seasonal homes.
- ▶ **Available residential lots** - There are many available residential lots, but the City has a lack of residential lot options for some sizes and prices of homes.
- ▶ **Proximity to Rapid City** - Although it is a strength to be close to Rapid City, it is also a barrier as Custer must compete with the Rapid City area, which offers employment attractive residential opportunities and other amenities and services.
- ▶ **Star Academy Closing** - Star Academy, one of the area's larger employers, has closed.
- ▶ **Natural Gas** - Custer is not served with natural gas as an energy source.
- ▶ **Water and Sewer Availability Charges (WAC/SAC)** - During the interview process, several people reported that the City has high utility charges.

Recommendations, Strategies and Housing Market Opportunities

Based on the research contained in this study, and the housing strengths and barriers identified above, we believe that the following recommendations are realistic options for Custer. They are based on the following strategies.

- ▶ **Be realistic in expectations for housing development** - Large-scale residential growth has not occurred in the recent past and is not likely to occur in the near future. The scale of activities proposed for the future should be comparable with the area's potential for growth.
- ▶ **Proactive community involvement** - New home and apartment construction will more likely occur in Custer if there is proactive support from the City, local and regional housing and economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the existing housing stock** - The future of Custer will be heavily dependent on the City's appeal as a residential location. The condition of the existing housing stock is a major factor in determining the City's long-term viability. The existing housing stock is a major asset, however, rehabilitation efforts are needed to preserve the housing stock.
- ▶ **Protect the existing assets and resources** - Custer has several assets including a K-12 school, an excellent Downtown Commercial District, recreational and tourism opportunities, health facilities including clinics and a hospital, etc. These are strong assets that make Custer a desirable community to live in, and are key components to the City's long-term success and viability. These assets must be protected and improved.
- ▶ **Develop a realistic action plan with goals and time lines** - In the past, the City has been involved in housing issues. The City should prioritize its housing issues and establish goals and time lines to achieve success in addressing its housing needs.
- ▶ **Access all available resources for housing** - In addition to the local efforts, the City has other resources to draw on including USDA Rural Development, the South Dakota Housing Development Authority, the Western South Dakota Community Action Agency, the Black Hills Council of Governments, NeighborWorks Dakota Home Resources, Dakota Resources, and Grow South Dakota. These resources should continue to be accessed as needed to assist with housing activities.

Summary of Findings/Recommendations

The findings/recommendations for the City of Custer have been formulated through the analysis of the information provided in the previous sections and include 28 recommendations. The findings/recommendations have been developed in the following five categories:

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

The findings/recommendations for each category are as follows:

Rental Housing Development

1. Develop 16 to 20 general occupancy market rate rental units
2. Develop 12 to 14 senior independent market rate units
3. Develop 12 to 14 subsidized or moderate rent/income restricted rental housing units
4. Preserve the existing supply of subsidized housing
5. Consider the development of additional senior housing with services units/beds
6. Promote the conversion/renovation of existing buildings to create 6 to 8 affordable market rate rental housing units
7. Develop a downtown mixed-use commercial/housing project
8. Apply to access the Housing Choice Voucher Program

Home Ownership

9. Utilize and promote all programs that assist with home ownership
10. Develop a purchase/rehabilitation program
11. Consider the development of a local down payment assistance program

Single Family Housing Development

12. Lot availability
13. Strategies to encourage residential lot sales and new home construction in Custer
14. Promote twin home/town home development
15. Develop a 10 to 12-lot affordable home subdivision
16. Strategies to develop new affordable homes
17. Coordinate with agencies/nonprofits that develop affordable housing

Housing Rehabilitation/Neighborhood Revitalization

18. Promote rental housing rehabilitation
19. Promote owner-occupied housing rehabilitation programs
20. Develop a Neighborhood Revitalization Program
21. Acquire and demolish dilapidated structures
22. Consider the development and implementation of a Rental Inspection Program

Other Housing Initiatives

23. Encourage employer involvement in housing
24. Develop mobile/manufactured home programs
25. Create a plan and a coordinated effort among housing agencies
26. Strategies for downtown redevelopment
27. Develop home ownership and new construction marketing programs and strategies
28. Vacation Properties

Custer - Rental Housing Development

Rental Housing Development

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

However, Custer has been more successful than most small South Dakota cities, and approximately 64 rental units have been constructed in Custer from 2000 to 2017. These 64 units include approximately 30 market rate units, 16 subsidized units and 18 income restricted/moderate rent units. Also, some single family homes have been converted from owner-occupied to rental use during that time period.

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

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

Esri projects that Custer will gain 55 households and Custer County will gain 163 households from 2017 to 2022. It is estimated that approximately 45% of the new Custer households will be rental households, thus, there will be a demand of approximately 25 additional rental units due to household growth over the next five years. Also, if new rental options are constructed in Custer over the next five years, there will be a demand for an additional 20 households based on projected Custer County growth. Therefore, there will be a demand for approximately 45 new rental units in Custer over the next five years due to household growth.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that Custer will lose as many as 20 to 25 rental units over the next five years. As a result, approximately 20 to 25 additional units will be needed over the next five years to replace lost units. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition or conversion. In other cases, this replacement is appropriate due to the deteriorating condition of older, substandard rental housing that should be removed from the occupied stock. Rental units will also be lost due to rental units converting to owner occupancy. Additionally, Custer has a unique situation in that rental units are being lost due to conversion to vacation housing.

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

These three demand generators show a need for 74 to 90 rental units/beds over the next five years. Based on the factors stated above, we recommend the development of the following new rental units over the next five years from 2018 to 2023.

▶ General Occupancy Market Rate	16-20 units
▶ Senior Independent	12-14 units
▶ Subsidized/Moderate Rent	12-14 units
▶ Conversions	6-8 units
▶ Senior with Services (assisted living, light services, memory care)	28-34 units/beds
Total	74-90 units/beds

1. Develop 16 to 20 general occupancy market rate rental units

Findings: Approximately 70% of the rental housing units in Custer can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

The market rate rental units constructed in Custer since 2000 are in twinhomes and townhomes. The only market rate rental projects with more than eight units are three USDA Rental Projects that have converted to market rate. These projects include Laughing Water (16 units), Harney St. (16 units) and Winchester Apartments (12 units). The remaining market rate units in Custer are in small rental buildings, mixed-use buildings, twin home/town houses, single family houses or mobile homes.

In the market rate rental units we surveyed, the rental property owners reported no vacancies during the tourism/vacation season. The owners of rental properties reported very high occupancy rates and strong demand for rental housing. However, during the off-season, the owner of three older rental properties reported that he experiences vacancies. The owners of the newer rental units reported high occupancy rates year round.

There is a variation in rental rates in the market rate segment in Custer. The existing rents including utilities range from \$650 to \$700 for one-bedroom unit and range from \$750 to \$1,275 for a two-bedroom unit.

From 2000 to 2017, approximately 30 market rate units were constructed in Custer. All of these units are townhomes or townhomes. Also, some single family homes converted from owner-occupied to rental since 2000. Additionally, four USDA Rural Development subsidized projects with a total 48 units converted to market rate in 2013. Although Custer has gained rental units from conversions, rental units have also been lost due to conversion to vacation properties.

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

Recommendation: As stated earlier in this section, rental housing demand is based on household growth, pent-up demand and replacement of housing units that have been demolished or converted. Based on this combination of demand generators, we believe that it is reasonable to plan for the production of a total of 16 to 20 market rate rental units over the next five years from 2018 to 2023.

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

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

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

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

The first option to developing market rate housing would be to encourage private developers to undertake the construction of market rate rental housing. During the interview process, several rental property owners expressed interest in constructing additional rental housing in Custer. Developers have been active in constructing market rate rental housing in Custer.

If private developers cannot develop affordable workforce rental housing, the Custer County HRC could potentially utilize essential function bonds, local HRC funds, or similar funding sources, to construct market rate units. The Custer County HRC has developed 24 rental housing units in the past.

Also, the Custer County HRC or a regional housing agency could partner with private developers to construct additional units. The City and/or County could assist with land donations, tax increment financing, tax abatement, reduced water and sewer hookup fees, etc.

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

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	4-5	600 - 800	\$800 - \$950
Two Bedroom	8-10	900 - 1,200	\$850 - \$1,250
Three Bedroom	4-5	1,250 - 1,400	\$950 - \$1,400
Total	16-20		

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2017 dollars. It is assumed that rents will increase later in the five-year projection period.

2. Develop 12 to 14 senior independent market rate units

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

In 2017, there are approximately 377 households age 65 or older in Custer and 1,424 households age 65 or older in Custer County. It is projected that there will be 68 additional households age 65 and older in Custer and an additional 294 households age 65 and older in Custer County by 2022.

Recommendation: We are recommending a 12 to 14-unit independent market rate senior project in Custer. The project should be designed to allow seniors to live in a unit independently. The senior project could be a one level apartment building or townhome style.

The project's amenities and features should include:

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

Apartment features should include:

- ▶ 12 to 14 units
 - ▶ 3 to 4 one-bedroom
 - ▶ 9 to 10 two-bedroom
- ▶ Floor plans that promote accessibility
- ▶ Fully equipped kitchen
- ▶ Large storage room
- ▶ Ample closet space
- ▶ Laundry hookups
- ▶ Open floor plan
- ▶ Private patio
- ▶ Individually controlled heat and AC
- ▶ Raised outlets, lever door handles, lowered kitchen cabinets
- ▶ Expansive windows

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

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

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

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

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

3. Develop 12 to 14 subsidized or moderate rent/income restricted general occupancy rental housing units

Findings: There are four federally subsidized rental projects in Custer. The four federally subsidized projects have 105 units. Three projects with 67 units are general occupancy and one project with 38 units is senior/disabled. The three moderate rent/income restricted projects are all 62 and older/disabled projects. There are 21 moderate rent/income restricted units in the three projects.

The four subsidized projects are as follows:

- ▶ **Landover Estates** - Landover Estates is a 38-unit USDA Rural Development senior/disabled project constructed in 1991. The 38 units include 31 one-bedroom and six two-bedroom units.
- ▶ **Valley Hi Apartments** - Valley Hi Apartments is a 27-unit HUD/Section 8 General Occupancy project constructed in 1979. The 27 units include 13 efficiency and 14 one-bedroom units.
- ▶ **Aspen View Townhomes I** - Aspen View Townhomes I is a 24-unit USDA Rural Development family project constructed in 1992. The 24 units include six one-bedroom, 12 two-bedroom units and six three-bedroom units.
- ▶ **Aspen View Townhomes II** - Aspen View Townhomes II is a 16-unit family USDA Rural Development project constructed in 2004. The 16 units include eight two-bedroom and eight three-bedroom units.

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

The three moderate rent/income restricted rental projects are as follows:

- ▶ **Horse Shoe Park** - Horse Shoe Park is an eight-unit moderate rent-income restricted 62 and older/disabled project constructed in 2005. The project was constructed utilizing HOME funds. All eight units have two bedrooms. Rents range from \$510 to \$556. Tenants also pay heat and electricity.
- ▶ **Landover Estates III** - Landover Estates III is a six-unit moderate rent/income restricted 62 and older/disabled project constructed in 1997. A portion of the project was constructed with HOME funds. Three units are income restricted and three units are market rate. All six units have two bedrooms. Rents range from \$472 to \$645. Tenants also pay heat and electricity.
- ▶ **Landover Estates IV** - Landover Estates IV is a 10-unit moderate rent/income restricted 62 and older/disabled project. The project was constructed utilizing HOME funds and all of these units are income restricted. The project was constructed in 2000. Rents range from \$460 to \$506. Tenants also pay heat and electricity.

Of the total 126 units in the subsidized /moderate rent/income restricted projects in Custer, 13 are efficiency, 52 are one-bedroom, 47 are two-bedroom and 14 units are three-bedroom.

The rental survey identified only one vacancy in the 126 units at the time of the survey. Most of the projects have waiting lists and the managers reported a high demand for the units.

Four USDA Rural Development projects with a total of 48 units have opted out of their subsidy program and converted to market rate, thus, the City's subsidized housing stock has been reduced by 48 units.

Based on the 2015 American Survey, approximately 141 renter households reported that 30% or more of their income was required to pay housing costs. This represented more than 45% of all renters that were surveyed. At that time, most of these households had annual incomes of less than \$25,000, and needed a very affordable unit to avoid a housing cost burden.

Recommendation: We recommend that the City of Custer and the Custer County HRC look for opportunities to expand the supply of affordable rental housing. Although the need is greater, a realistic goal would be the construction of 12 to 14 general occupancy two and three-bedroom subsidized or moderate rent/affordable units over the next five years.

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

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

The Custer County HRC has successfully developed moderate rent rental housing in the past and may be a resource for the development of future affordable rental housing. The City of Custer could assist with land donations, reduced water and sewer hookup fees, etc.

4. Preserve the existing supply of subsidized housing

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

The subsidized housing represents the most affordable option available to lower income households. Since most of these units charge rent based on income, even extremely low income households can afford deep subsidy housing.

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

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

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

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

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

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

- ▶ **Regional Health Care Center-Custer** - The Regional Health Care Center is a nursing home facility with 76 skilled nursing beds. The facility is part of the health care system in Custer that includes the hospital and assisted living center.
- ▶ **Regional Health Care-Assisted Living (Wedgewood)** - Regional Health Care-Assisted Living is a 16-bed assisted living facility. The facility is part of Custer's health care system that includes the hospital and nursing home.
- ▶ **Rose Haven Senior Living** - Rose Haven Senior Living is a 13-bed assisted living facility. The beds are in seven single rooms and three double rooms. The facility provides the full array of assisted living services.

We have defined Custer County as the market area for senior housing with services in Custer. While the defined County may not be a perfect indicator of overall demand, it does provide an informative look at planning for specialized senior housing. Based on 2017 estimates from Esri, there are 785 older senior citizens, age 75 and older, residing in Custer County.

The projections contained in this Study anticipate growth in the number of older seniors from 2017 to 2022 in Custer County. The age-based forecasts from Esri point to an increase of approximately 198 older senior citizens, age 75 and older, from 2017 to 2022. The number of seniors, age 75 and older, is projected to increase from 785 in 2017 to 983 in 2022 in Custer County.

Older seniors tend to represent the primary target market for specialized senior housing. There is also larger-scale growth expected within the younger senior ranges, age 65 to 74. In 2022, it is projected that there will be 1,778 people in Custer County in the 65 to 74 age range.

Skilled Nursing Beds - When compared to the older senior population in Custer County in 2017, the total supply of 76 skilled nursing beds in the Regional Health Care Center, would require a capture rate of approximately 9.7% of the total population of older seniors (age 75+).

Assisted Living - There are approximately 713 older senior citizens, age 75 and older in Custer County in 2017, excluding those estimated to be living in the Regional Health Care Center (nursing home). There are 29 assisted living beds in Rose Haven Senior Living and Regional Health Care Assisted Living (Wedgewood). In 2017, a capture rate of approximately 3.7% is required among older seniors to fully occupy the existing beds.

Independent/Light Services - We are not aware of any independent/light services units in Custer County.

Memory Care - We are not aware of any memory care projects that have beds in a secured facility. However, all three senior with services projects serve residents with memory loss.

Recommendation: Based on the research completed for this Study, we would recommend the development of 6 to 8 memory care beds, 8 to 10 additional assisted living beds, and 12 to 14 independent/light services units in Custer over the next five years.

Skilled Nursing Home - The research for this Study points to a decreasing alliance on nursing homes as a long-term residence option for older senior citizens. Over time, the nursing homes have tended to use more beds for rehab/recovery stays, or other specialized uses. There has also been a long-standing moratorium that limits expansion in most cases. No recommendations are offered for this type of specialized housing. Custer has a well-established provider, the Regional Health Care Center, with 76 beds, that serves this section of the market. Currently, the Regional Health Care Center is operating at a 95% occupancy rate.

Assisted Living - There are 29 total assisted living beds in Rose Haven and Regional Health Care Assisted Living. To be fully occupied, the two facilities would need a 3.7% capture rate. It is our recommendation that the County could support an additional eight to 10 assisted living beds, which would be approximately a 4.8% to 5.0% capture rate.

Independent/Light Services - We are not aware of any independent/light services units in Custer County. Independent/light services units are for more independent seniors that would look to have light services available with their housing. Lighter services would typically include a daily meal, weekly light house keeping and an emergency call system. Based on the size of the older senior population residing in Custer County and the projected senior population growth over the next five years, we are recommending the development of 12 to 14 light services units in Custer through 2022.

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

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

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

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

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

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

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

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

Creating some additional units with contract rents below \$625 per month would help to expand the choices available to a majority of Custer’s renter households.

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

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

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

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

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

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

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

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

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

8. Apply to access the Housing Choice Voucher Program

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

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

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

Custer - Home Ownership

Home Ownership

Findings: Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base. The median owner-occupied home value in Custer is estimated to be approximately \$156,650 based on 2017 sales activity. The home values in Custer provide some opportunity for first time buyers and households seeking moderately priced homes. However, Custer’s existing homes are valued higher than most cities in South Dakota and some existing homes are purchased and converted to vacation homes.

Our analysis of Custer demographic trends shows some limited increase in the number of households in the traditionally strong home ownership age ranges between 25 and 44 years old, from 2017 to 2022. Households in these age ranges are typically first-time home buyers. Some households in these age ranges as well as other age ranges that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase their first home. The number of households in the 65 to 74 age range is also expected to grow substantially over the next five years.

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

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

Findings: We believe that affordable home ownership is one of the issues facing Custer in the future. Home ownership is generally the preferred housing option for most households and most communities. There are a number of strategies and programs that can be used to promote home ownership programs, and can assist with this effort.

First time home buyer assistance, down payment assistance, low interest loans and home ownership counseling and training programs can help to address affordable housing issues. The City of Custer has a limited supply of houses that are price-eligible for these assistance programs. The home value estimates used in this study indicate that some of the existing stock in Custer currently is valued under the purchase price limits for the first-time home buyer assistance programs.

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

Recommendation: Custer should continue to work with area housing agencies, the South Dakota Housing Development Authority, USDA Rural Development and local financial institutions to utilize all available home ownership assistance programs. Private and nonprofit agencies should also be encouraged to provide home ownership opportunities in Custer.

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

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

10. Develop a Purchase/Rehabilitation Program

Findings: Custer has a limited stock of older, lower valued homes, many of which need repairs. Our analysis of recent sales activity indicates that approximately 50% of the homes in Custer are valued less than \$156,650. 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 the City of Custer work with a housing agency to develop and implement a purchase/rehab program. Attitudinal surveys that we have conducted in other cities have found that purchase/rehabilitation programs are appealing to people who are currently renting their housing. In some similar sized communities, a large majority of survey respondents who were renters indicated an interest in buying a home in need of repair if rehabilitation assistance was available.

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

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

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

11. Consider the development of a local down payment assistance program

Findings: One of the identifiable barriers preventing low and moderate income households from owning a home is the inability to save money for down payment and closing costs. This is especially true now that lending institutions have tightened their lending criteria and some conventional loans require a lower loan-to-value ratio.

There are numerous examples of cities and counties that have created a local fund to assist home owners with a down payment assistance program. Under these programs, the city or county establishes a loan pool. Eligible applicants are provided a "soft second" loan that can be applied to a home purchase.

This down payment/closing cost loan is typically secured against the property, behind the primary mortgage. Repayment can be triggered if the buyer sells the home within a certain period of time, but often the loan is forgiven if the borrower meets the basic program requirements. In other cases, the loan may need to be repaid after a certain period of time, or when the borrower sells or transfers the house in the future. Loans with repayment requirements typically do not accrue interest. The size of the loan is generally \$5,000 or less, but depends upon the resources that are available for the loan pool.

Recommendation: The City of Custer may wish to consider the development of a local down payment/closing cost assistance program. A locally-funded program could provide additional assistance or could potentially serve households that do not qualify for SDHDA Down Payment Assistance. Following the collapse of the national housing bubble, and resulting rise in foreclosures, more stringent lending criteria now apply to many conventional mortgage loans, and a larger borrower contribution may be required.

Major local employers, the Custer County HRC, the Federal Home Loan Bank and the South Dakota Housing Development Authority may be potential sources to contribute to the fund. In some communities, recaptured grant funds have also been used to create a loan pool.

Custer - Single Family Housing Development

New Housing Construction

Findings: Custer has experienced some single family owner-occupied housing construction over the past 18 years. It is estimated that from 2000 to October 2017, approximately 127 single family housing units were constructed in Custer. It is estimated that approximately 70% of these housing units were primarily intended for owner occupants. Therefore, since 2000, Custer has averaged approximately five to six new owner-occupied units annually.

From 2010 to 2017, an average of two to three single family owner occupied housing units have been constructed annually.

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

It is our opinion that if the City of Custer, the Custer Area Economic Development Corporation, the Custer County HRC, developers and builders, and local and regional housing agencies continue to be proactive, an average of nine to 12 single family owner-occupied housing units could be constructed in Custer annually from 2018 to 2023 to address demand. This is a total of 45 to 60 housing units over the five-year period.

Our projection for new owner-occupied single family housing units includes homes built in new subdivisions and on infill lots, and includes single family attached housing units, such as twin homes, town houses and condominiums. The breakdown of our projection of nine to 12 new units annually is as follows:

- | | |
|---------------------------------|-------------------|
| ▶ Higher & moderate price homes | 4-5 homes |
| ▶ Affordable homes | 2-3 homes |
| ▶ Twin homes/town homes | <u>3-4 units</u> |
| Total | 9-12 homes/ units |

12. Lot availability

Findings: As part of this Study, we attempted to identify the inventory of residential lots available for single family housing construction in the City of Custer. Currently, there are approximately 65 lots that already exist in the City's newer subdivisions. A significant majority of these lots are in the Stone Hill and Boothill subdivisions.

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

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

Recommendation: We use a standard that a 2 ½ year supply of lots should be available in the marketplace based on annual lot usage. With projections that nine to 12 new single family housing units could be constructed per year, the City should have approximately 23 to 30 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction.

With approximately 65 lots available, plus infill lots, the City has an adequate supply of lots for the next 2 ½ years. However, the majority of the lots currently available in Custer are for higher priced homes. It is our opinion that there is a need for lots that will accommodate affordable homes.

13. Strategies to encourage continued residential lot sales and new home construction in Custer

Findings: Prior to the housing market retreat of the late 2000s, an average of approximately seven owner-occupied single family housing units were constructed annually in Custer from 2000 to 2008. Over the past eight years, from 2010 to 2017, an average of two to three owner-occupied single family units have been constructed in the City annually.

Recommendation: We recommend that the City of Custer, the CAEDC, the Custer County HRC, developers, builders, realtors and other housing stakeholders coordinate efforts to promote lot development, lot sales and housing development.

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

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

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

14. Promote town house, twin home and condominium development

Findings: Custer has experienced some attached housing development from 2000 to 2017. The significant majority of these attached units have been rental units. Many communities over the past two decades have seen attached housing take an increasingly large share of new construction for owner-occupants. In cities the size of Custer, 20% to 25% of the housing starts are typically twin homes/town homes.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making traditional single family homes available for families. Attached housing may also be an affordable option for younger households. In 2017, based on Esri estimates, there were approximately 1,891 households in Custer County with a head of household in the 55 to 74 year old age ranges, and it is estimated that the 55 to 74 age ranges will increase by 95 households from 2017 to 2022.

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 three to four new owner occupied single family units per year should be twin homes, town houses or condominiums over the next five years, which is a total of 15 to 20 units during the five-year period.

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

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

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

15. Develop a 10 to 12 lot affordable home subdivision

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

The median home price for an existing home in Custer is high at \$156,650 based on recent sales. Also, a significant number of existing homes are purchased and converted to vacation properties. With relatively high prices and a shortage of available affordable existing options, the new construction of affordable homes is a viable option for moderate income households.

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

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

To achieve the level of new affordable home construction potential that has been identified, we recommend the development of a 10 to 12 lot subdivision for affordable home construction, based on the following:

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

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

An infill lot inventory, along with the development of 10 to 12 new affordable lots, should address lot demand for the next five years.

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

16. Strategies to develop new affordable homes

Findings: It is difficult to develop homes that are considered affordable 'under \$200,000.' Land and development costs, the cost of materials and labor, new building requirements, etc. are all factors which make most new homes out of reach for most households.

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

Recommendation: We have recommended the construction of two to three affordable homes in Custer annually from 2018 to 2023. To accomplish this, the City of Custer may have to take an active role in developing new affordable housing including tax increment financing, tax abatement, land donations, etc.

Successful affordable home development strategies include:

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

- ▶ **Publicly owned subdivision** - Private developers often have little incentive to develop lower-priced lots and houses. A possible approach is to develop a publicly-owned subdivision, which could offer lower-priced lots for affordable homes.

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

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

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

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

17. Coordinate with agencies/nonprofits that develop affordable housing

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

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

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

Custer Housing Rehabilitation and Neighborhood Revitalization

Housing Rehabilitation and Neighborhood Revitalization

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

It is our opinion that Custer and area housing agencies will need to make housing rehabilitation a priority in the future. New housing construction that has occurred is often in a price range that is beyond the affordability level for many Custer households. Housing options for households at or below the median income level will largely be met by the existing, more affordable housing stock. As this existing stock ages, more maintenance and repair will be required. Without rehabilitation assistance, there is a chance that this affordable stock could shrink, creating an even more difficult affordability situation.

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

18. Promote rental housing rehabilitation

Findings: Based on the U.S. Census data, the City of Custer had approximately 446 rental units in 2010. These rental buildings are in multi-family projects, small rental buildings, twin homes/town houses, single family homes, mobile homes and mixed-use buildings. Many of these rental structures could benefit from rehabilitation as a significant number of these rental structures are more than 25 years old and some rental units may be in poor condition. Custer has approximately 330 rental units more than 25 years old, which is approximately 74% of Custer' total rental housing stock.

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

Recommendation: The City of Custer and the Custer County HRC should work with housing agencies to seek funds that allow for program design flexibility that make a rental rehabilitation program workable. Potential funding sources may include USDA Rural Development, NeighborWorks Dakota Home Resources, the Western South Dakota Community Action Agency, the South Dakota Housing Development Authority, the Federal Home Loan Bank and local funds.

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

19. Promote owner-occupied housing rehabilitation programs

Findings: The quality of the existing housing stock in Custer will continue to be an attraction for families that are seeking housing in Custer. Investment in owner-occupied housing rehabilitation activities will be critical to offering high quality housing opportunities. Custer has approximately 486 owner-occupied units that are more than 25 years old, which is approximately 84% of Custer's total owner occupied housing stock. Some of these units need rehabilitation.

The housing condition survey of 300 homes in four of Custer's oldest neighborhoods found 112 homes that need minor repairs and 59 homes that need major repairs. Without rehabilitation assistance, the affordable housing stock will shrink in Custer.

Recommendation: We recommend that the City of Custer and the Custer County HRC continue to seek local, state and federal funds to assist in financing housing rehabilitation. USDA Rural Development, the South Dakota Housing Development Authority, the Federal Home Loan Bank, NeighborWorks Dakota Home Resources and the Western South Dakota Community Action Agency are potential funding sources. NeighborWorks Dakota Home Resources has several housing programs to assist households with the rehabilitation of their homes. Some programs offer households that meet program requirements, a deferred loan to rehabilitate their homes. Deferred loans do not have to be paid back if the household lives in the rehabilitated home for a stipulated amount of time after the rehabilitation is completed. We encourage Custer households to utilize these housing rehabilitation programs. Also, the Western South Dakota Community Action Agency provides Weatherization funds for Custer and Custer County.

20. Develop a Neighborhood Revitalization Program

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

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

Redevelopment strategies and opportunities should be identified including:

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

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

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

21. Acquire and demolish dilapidated structures

Findings: The housing condition survey of four older neighborhoods in Custer identified 19 houses that were dilapidated and viewed as too deteriorated to rehabilitate. We also identified 59 homes as needing major repair and several of these homes may be too dilapidated to rehabilitate. It is probable that some additional deteriorated houses exist in other neighborhoods that were not surveyed. The City of Custer has worked with property owners in the past to demolish dilapidated structures.

The Governor's Office of Economic Development has developed the Bulldoze, Build and Beautify (BBB) Program. This program assists with funding to demolish dilapidated housing structures, to prepare the sites for redevelopment and to construct new affordable housing on the cleared sites. Housing on cleared sites could be used for affordable single family housing or potentially for multi-family housing units, including housing for seasonal workers.

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

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

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

22. Develop a Rental Inspection and Registration Program

Findings: A Rental Inspection and Registration Program can be a valuable tool in improving the quality of a City's rental housing. In 2010, there were approximately 446 rental units in Custer, many of which are more than 25 years old. There are also a number of single family homes that have converted from owner to rental use, including vacation rentals. Neighborhood deterioration, lower property values and unsafe rental units are often prevented when a Rental Inspection and Registration program is implemented.

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

Health and Safety

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

Age of Housing Stock

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

Conversions

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

Trends of Conversions

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

Maintenance Efforts

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

High Number of Rental Property Owners

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

Neighborhood Stabilization

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

Zoning and Codes

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

Coordination

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

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

Custer - Other Housing Initiatives

Other Housing Initiatives

23. Encourage employer involvement in housing programs

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

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

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

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

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

24. Develop mobile/manufactured home park improvement programs

Findings: Community Partners Research, Inc., conducted a housing condition survey of the mobile/manufactured homes in the City's mobile/manufactured home parks and in miscellaneous locations throughout the City and 94 mobile/manufactured homes were identified. The mobile/manufactured housing stock in Custer is generally in very good condition. Of the 94 mobile/manufactured homes surveyed in Custer, 14 (14.9%) needed minor rehabilitation, 12 (12.8%) needed major rehabilitation and 4 (4.2%) were dilapidated and possibly beyond repair. Sixty-five (68.1%) homes were in sound condition.

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.

Although the City of Custer's mobile/manufactured home inventory is in good condition, it may be appropriate for the community to initiate programs to assure the quality of mobile/manufactured home stock remains in good condition, 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/manufactured home conditions and mobile home park issues include:

- ▶ ***Operation Safe Mobile Home Park*** - Owners of substandard mobile/manufactured homes are given the option of voluntarily selling their substandard mobile/manufactured home to the City or an area housing agency for a fixed minimum price. The homes are then removed and demolished/salvaged. The owner can then use the funds from the sale to help purchase a new home. Mobile home dealerships have sometimes participated by buying the salvaged homes.
- ▶ ***Time of Sale/Rent Inspection Program*** - This inspection program is designed to provide safe living conditions through the identification and elimination of basic life/safety hazards in older mobile/manufactured homes. Mobile/manufactured homes are subject to inspection prior to their sale/rent. All identified safety hazards must be corrected before the unit is sold, rented or occupied.
- ▶ ***Continue regulation on the age of mobile/manufactured homes*** - Custer has adopted regulations that mobile/manufactured homes older than a designated age cannot be moved into the City.

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

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

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

Dakota Resources is currently working with the City of Custer and the Custer Area Economic Development Corporation to develop a plan to address the City's housing needs.

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

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

26. Strategies for Downtown Redevelopment

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

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

South Dakota State University's Department of Architecture (DoArch) has recently assisted the City of Deadwood with developing concepts to maximize the upper floors of downtown Buildings. Potentially, DoArch could assist Custer with developing concepts and plans to maximize the potential that exists in its downtown buildings.

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

Recommendation: We are recommending the following actions for downtown Custer:

- ▶ Interview downtown property owners to develop a database and to determine their future plans (expanding, selling, renovations, etc.)
- ▶ Develop an overall plan for downtown (potential new businesses, address parking needs, continue to develop an overall theme, art and cultural opportunities, etc.)
- ▶ Develop a mini-plan for each downtown property and each downtown block. This may include:
 - ▶ Retention of existing businesses
 - ▶ Commercial building rehab and renovations
 - ▶ Facade work

- ▶ Upper floor rental unit conversions or rehab
- ▶ Building demolition
- ▶ New construction
- ▶ Recruiting new businesses
- ▶ Promoting a year-round successful downtown

- ▶ Identify funding sources
 - ▶ Property owner funds
 - ▶ City funds
 - ▶ CAEDC funds
 - ▶ Custer County HRC funds
 - ▶ Federal Home Loan Bank
 - ▶ Historic tax credits
 - ▶ Special tax districts
 - ▶ Tax increment financing
 - ▶ Tax abatement
 - ▶ Funds from South Dakota State Agencies

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

27. Develop home ownership and new construction marketing programs and strategies

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

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

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

- ▶ Determine the City's strengths and competitive advantages and continue to heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers (Custer and the area) to provide employees (especially new employees) with housing opportunities in Custer
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling and other housing programs
- ▶ Consider an annual Housing Fair that provides information on lots, builders, finance programs, etc. Developers, builders, lenders, realtors, public agencies and local businesses could participate
- ▶ Work with builders and developers to make sure the construction of a new home is a very user friendly process
- ▶ Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the City a "full service" community
- ▶ Continue to provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Preserve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Continue to develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior with services, etc.
- ▶ Review the City's policies and fees to assure that they are user-friendly, fair and receptive for developers, builders and households.
- ▶ Develop a coordinated housing plan with the private sector and area housing agencies.

28. Vacation Properties

Findings: It is estimated that there are a substantial number of homes in the City of Custer and in Custer County that have been converted from permanent residential properties to vacation and/or seasonal properties.

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

Recommendation: It is our understanding that the City of Custer is studying the impact of vacation properties on the City. The City is currently in the process of creating an inventory of the number and location of vacation homes. Also, developing additional housing, as recommended previously, will expand the opportunities available to City residents.

Agencies and Resources

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

NeighborWorks Dakota Home Resources (Main Office)

795 Main St.

Deadwood, SD 57732

(605) 578-1405

* NeighborWorks also has offices in Box Elder and Wall.

Grow South Dakota

104 Ash Street East

Sisseton, SD 57262

(605) 698-7654

South Dakota Housing Development Authority

221 South Central Avenue

Pierre, SD 57501

(605) 773-3181

USDA Rural Development

414 East Stumer Road, Suite 200

Rapid City, SD 57701

(605) 342-0301

Western South Dakota Community Action Agency

1844 Lombardy Drive

Rapid City, SD 57703

(605) 348-1460

Dakota Resources

25795 475th Avenue

Suite #1

Renner, SD 57055

(605) 978-2804