

Appendix H – Brookings Area Housing Study

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Executive Summary

The Brookings Area Housing Study has been organized into several different sections, as follows:

- ▶ Demographic Estimates and Trends
- ▶ Demographic Projections
- ▶ Student Population Data
- ▶ Housing Affordability and Income
- ▶ Existing Housing Inventory
- ▶ Rental Housing Analysis
- ▶ Employment and Economic Trends
- ▶ Home Buyer Survey
- ▶ Employee Survey
- ▶ Focus Group and Interview Summary
- ▶ Affordable Housing Development Strategies
- ▶ Best Practices Approaches
- ▶ Findings and Recommendations

This Executive Summary has been organized in the same format, and provides some of the highlights from each of the individual sections.

Demographic Estimates and Trends Highlights

- ▶ The only available official statistics on the population levels in the Brookings area are produced by the U. S. Census Bureau, and these estimates do not appear to be accurate. For 2006, they place the City of Brookings' population at 18,802 people up only 39 people from the level counted in the 2000 Census. The 2006 estimate for Brookings County is 28,195 people, down 25 from the 2000 Census. The larger Brookings Market Area, which includes the Cities of Arlington and Estelline with Brookings County, shows a total population of 29,808, down 79 people from the 2000 Census count.
- ▶ The Census Bureau does not generate annual household estimates, but a reasonable conversion of population to households would yield approximately 7,045 households in Brookings, 10,676 in Brookings County, and 11,373 in the larger Brookings Market Area. At this estimated level, Brookings would only have added 74 new households between 2000 and 2006. Both Brookings County and the Brookings area would have lost households, when the City of Brookings is excluded from the aggregation. These official estimates are not at all consistent with housing construction activity, housing occupancy rates and job creation activity for the area.
- ▶ Based on our review of the available data, we believe that the Primary Market Area has added between 1,500 and 2,000 new residents between 2000 and 2006. The large majority of this growth has occurred within the City of Brookings. Translating this population growth into households, we believe that there were approximately 12,100 total households in the Brookings Market Area in 2006, up approximately 720 households since the 2000 Census. Between 650 and 700 of these new households were

in the City of Brookings. If our estimates are correct, the Market Area has been adding an average of 120 new households per year since 2000. Despite the fact that this is well above any estimates from other sources, it too may prove to be conservative, once the 2010 Census establishes a more accurate count.

Demographic Projection Highlights

- ▶ Due to the poor quality of current-year estimates, most available projections are also inaccurate. After reviewing available data, we believe that the population projections issued by the South Dakota State Data Center are the best available indicators of future growth in the area. Since these are only available for population, Community Partners Research has converted the population projections into household projections. Although we believe the State Data Center's projections are relatively accurate, they have been comparing their population projections to the recent Census Bureau estimates, and now believe that their projections are too high. As a result, they may be in the process of revising their projections downward.
- ▶ After review of the State Data Center projection data, we believe that the Brookings Market Area can be expected to add approximately 110 new households per year through the year 2015. Nearly all of this growth will probably occur within the City of Brookings, although many of the smaller communities also have the potential to capture a share of this growth. We believe that our calculation of future household growth can be viewed as a conservative perspective, despite the fact that it is much more optimistic than projections available from other sources. However, the age-based projections for the Market Area show a continued aging of the area population through 2015. If these projections are accurate, household formation will continue, but could slow when compared to the past. As noted above, household growth has probably been closer to 120 new households per year in the recent past.
- ▶ This Study has relied heavily on age-based projections between the years 2005 and 2015. These projections show very distinct trends. Overall, the number and percentage of people age 55 and older should continue to increase, while the number and percentage of people age 54 and younger will probably decrease. These trends are not necessarily unique to Brookings, but reflect broader regional and national patterns, as the "baby boomer" age groups move through the aging cycle.
- ▶ Projections are only an informed estimate of expected future activity. Proactive community involvement can have an impact on the future course of events. The Brookings area is prepared to undertake efforts to recruit and/or retain younger people in the community. These actions, if successful, would help to counter the aging of the existing population, and could easily result in household growth that exceeds our expectations.

Student Population Highlights

- ▶ Student enrollment at South Dakota State University has a big impact on the City of Brookings. The total student population residing in Brookings was 6,236 people in 2000. This represented 33.2% of the entire City population.
- ▶ We were able to track student enrollment in Brookings since 1989. For the last three years, total enrollment has exceeded 9,700 students per year, the highest three years for the 18 years reviewed. Although more than 20% of the enrolled students do not actually reside in Brookings or Brookings County, the recent increase in total enrollment has been a contributing factor to population and household growth in the community.
- ▶ Although no official enrollment projections were obtained from SDSU, there is reason to believe that recent enrollment gains may level-off, or actually reverse in the next few years. High school graduation rates have either peaked or are nearing a peak in the five-State region, and the number of high school graduates is projected to decline for the next several years in South Dakota, North Dakota, Nebraska, Iowa and Minnesota. After 2014, the number of high school graduates should once again begin to climb in Minnesota, Nebraska and Iowa.
- ▶ The large population of students, particularly those residing in Brookings, has a very significant impact on the local housing market. Based on Census records, most of the City's net growth in renter households between 1990 and 2000 was caused by an increase of younger renters, age 24 and younger. With a large number of student renter households, the 2000 Census reported that 53.6% of all households in the City were renters. For comparison, the rental tenure rate in the City of Sioux Falls was 38.9% and the rental tenure rate for all of South Dakota was 31.8% in 2000.

Housing Affordability and Income Highlights

- ▶ The 2000 Census reported a median household income of \$35,600 in Brookings County. A more recent estimate, obtained from Claritas, Inc., places the County's median household income at \$42,804 in 2007. Based on this estimate, the County's median household income has increased by 20.2% during this time period.
- ▶ Converting household income into purchasing power for housing is a difficult calculation, which is impacted by many factors including interest rates, personal savings and credit history. In general terms, we believe that the median household income is matched to home buying power of \$125,000 for ownership housing. Half of the households can afford more, and half can afford less. When targeting assistance for affordable ownership, this number becomes an approximate target for purchase price.
- ▶ Since the large majority of renter households have an annual income that is well below the overall median, we have used a much lower standard to define affordable rental. In 2007, the target affordable rent level is defined as \$620 per month.
- ▶ Claritas, Inc., also projects future income. They project that the median household income for Brookings County will be \$47,430 in the year 2012. This would represent an

increase of 10.8% in the median level when compared to the 2007 estimate. With a continued increase in the median household income for the next five years, housing purchasing power will also improve, but it is very possible that construction costs could increase at an equal, or even greater rate.

Existing Housing Inventory Highlights

- ▶ The City of Brookings has a long history of strong rental housing construction activity. According to Census records, construction of rental housing units in Brookings exceeded construction of owner-occupancy housing in past decades. Between 1960 and 2000, there were 1,891 owner-occupancy and 3,041 renter-occupancy units constructed in the City. However, since 2000, the level of owner-occupancy construction has greatly exceeded rental housing construction in Brookings.
- ▶ Brookings also has a large inventory of mobile home units. At the time of the 2000 Census, mobile homes represented 9.5% of all housing units in the City. There is no official information available on mobile homes that have been added since 2000, but a visual inventory of the parks resulted in a total count of 816 mobile homes in Brookings. This would seem to indicate that 113 units have been added since the Census.
- ▶ From 2000 through June 2007, Brookings has issued permits for 951 total housing units through new construction. Some of the units that were issued permits in late 2006 or 2007 may still be under construction and not yet ready for occupancy. Single family detached housing represents 582 units, or approximately 61% of total construction activity. Annual production of single family housing has ranged from a low of 40 units in 2000, to a high of 106 units in 2006. The City has averaged 76 new single family detached houses per year between 2000 and 2006, the last full year of data.
- ▶ Multifamily housing construction has also occurred in Brookings. Since 2000, permits have been issued for at least 199 units. Research for this Study identified more recently constructed units than can be identified from City building permit reports. This would indicate that some of the projects may have been permitted through a different system. For example, some of the senior with services projects may have been permitted as commercial, rather than residential projects.
- ▶ Housing construction has also been occurring outside of Brookings, in both the smaller Cities and in the rural areas. Among the small Cities, Volga has lead the way with 128 new units constructed since 2000, including both owner-occupancy and renter-occupancy housing. Arlington has produced 34 new units through new construction, and Estelline has had 17 units constructed.
- ▶ Existing home sales were reviewed for a period ending in April 2007. In this time, 196 sales of single family houses occurred in Brookings that appeared to be fair market transactions. The median sales price for single family homes was \$142,000. The highest valued single family home sale in Brookings was for \$507,000. The second highest price sale was for \$457,979. There were only nine residential sales for less than \$70,000. These lower valued homes were all constructed in 1955 or earlier. The lowest value sale was for \$34,400. This house was constructed in 1950, but had only 480 square feet of

living space. The median year of construction for all homes in the sales sample was 1970.

- ▶ The volume of home sales in the small Cities was often limited, so the sales reviewed may not always be an accurate indicator of overall values. However, the median sales prices were lower than in Brookings. Volga and Aurora had the highest sales medians, at \$116,500 and \$113,000, respectively.
- ▶ An exterior housing condition's survey was completed in eight older neighborhoods in Brookings, and in all of the mobile home parks. The results of these surveys are included in the Existing Housing Inventory section.

Rental Housing Inventory Highlights

- ▶ Depending on which estimate is used, Brookings has between 3,500 and 4,100 rental housing units in 2007. The working estimate used for this Study was 3,900 to 4,000 total units in the City. Between 3,100 and 3,200 units are market rate rental housing. There are 84 units in Brookings that operate under the federal low income housing tax credit program. There are 497 units that have some form of subsidy attached, primarily through the U.S. Department of Housing and Urban Development (HUD), or USDA Rural Development. There are 135 units in Brookings that provide senior housing with some level of services (not including nursing homes).
- ▶ Vacancy rates do vary somewhat, based on the type of housing and the target population served, but in general, there is a high rate of occupancy in Brookings. The vacancy rate was essentially nonexistent in both the market rate and the tax credit sectors. While there were some vacancies in the subsidized stock, the rates of vacancy were not unusually high. The only sub-sector showing some weakness was subsidized housing for senior and disabled tenants. Subsidized housing occupancy rates have been directly impacted by changes in eligibility for full-time students. In most cases, students can no longer qualify for subsidized rent. The senior housing with services category had some available units, depending on the type of services being offered.
- ▶ Rental housing construction activity has been ongoing in Brookings. As mentioned previously, rental housing construction generally exceeded owner-occupancy construction in recent decades. Since 2000, rental housing production has been lower, but new rental projects are continually being constructed in the City.
- ▶ Rental housing in the smaller communities tends to be different from Brookings. The communities that are closest to Brookings, such as Volga, have seen new construction activity and tend to have relatively good demand. In the Cities that are farther removed from Brookings, there is less demand, and some rental projects, especially subsidized buildings, can often have relatively high rates of vacancy.

Employment and Economic Trends Highlights

- ▶ The Brookings area has a very low rate of unemployment. In 2006, and 2007, the rate of unemployment has been 2.5% in Brookings County. This has consistently been lower

than the State or National rate. Since 2000, the highest the annual rate of unemployment has reached is 3.0% in Brookings County.

- ▶ According to community leaders, the City also has a large number of available jobs that are not being filled. Attempts to quantify and compare these job openings with State agencies were unsuccessful. However, it was clear from the interviews and focus groups completed for this Study that some large employers in the area have been forced to open manufacturing operations in other Cities due in part to a lack of available workers in the Brookings area.
- ▶ Average annual wages are a broad measure of overall employee compensation, but do provide a general comparative measure between communities and States. For 2006, the average annual wage in Brookings County was \$29,818. While this was approximately \$1,000 to \$2,000 higher than in other South Dakota Cities such as Aberdeen, Huron and Watertown, the average wage was approximately \$3,000 or more below the average annual wage in communities such as Fargo and Sioux Falls.
- ▶ While the unemployment rate in the Brookings area may be very low, it is not substantially lower than in other communities and States in the region. The 2006 unemployment rate in Sioux Falls was 2.8%, and the 2006 unemployment rate in the Fargo-Moorhead area was 2.7%. The highest rate of unemployment for the five-State region was in Minnesota, at 4.0%. However, average annual wages in Minnesota were also 41% above the level in Brookings County in 2006.

Home Buyer Survey Highlights

- ▶ A short telephone survey was conducted with 32 recent home buyers in the Brookings area. The findings of this survey, along with the survey form, are contained in this section.

Employee Housing Survey

- ▶ A survey form was distributed to employees of major companies in the Brookings area. This survey was completed by the Brookings Economic Development Corporation. The findings of this survey, along with the survey form, are contained in this section.

Focus Group and Interview Highlights

- ▶ As part of the research for this project, focus group meetings were held to collect information on the community and the local housing situation. The focus groups included local housing agencies, Brookings City and Municipal Utilities staff, regional Mayors, private-sector housing contractors and developers, local employers and industry representatives, Realtors, lending institutions, Central Brookings Neighborhood representatives, the BEDC Housing Task Force, and South Dakota State University student representatives. In addition to the focus groups, some private interviews were conducted to collect more in-depth information. Highlights of the focus group and interview process are contained in this section.

Affordable Housing Development Strategies

- ▶ This section of the Study focuses on strategies involved with the development of more affordable housing. The strategies and approaches were largely developed by the Greater Minnesota Housing Fund (GMHF), which is a nonprofit organization that was created in 1996 and is committed to increasing the supply of affordable housing throughout Greater Minnesota. Their area of operation is outside of the Minneapolis-St. Paul Metropolitan Area. GMHF has been active in assisting communities in western and southwestern Minnesota, including the Cities of Marshall and Pipestone. The organization's research into housing and land development costs is applicable to communities in eastern South Dakota, and represents some of the best available information on efforts to reduce the costs associated with ownership housing. Strategies are identified for site selection, lots, streets, homes and landscape systems.

Best Practices Approaches

- ▶ This section of the Study examines actual development and construction projects initiated by other communities to provide more affordable housing. The section provides findings on the following topics:
 - ▶ Model for Community Involvement in Affordable Housing Development
 - ▶ Model of Design Criteria for Affordable Single Family Homes
 - ▶ Models of Affordable Single Family Home Designs
 - ▶ Models of Successful Subdivision Design
 - ▶ Model of Lease-to-Purchase Subdivision
 - ▶ “New Urbanism” Approaches to Neighborhood Development
 - ▶ Model of Manufactured Home Initiatives
 - ▶ Various Standards for Street Width

Findings and Recommendations Summary

- ▶ The Findings and Recommendations for this Study have been grouped into the following categories:
 - ▶ Rental Housing Recommendations
 - ▶ Home Ownership Recommendations
 - ▶ Housing Rehabilitation Recommendations
 - ▶ Policy Issues

- ▶ ***Rental Development Recommendations*** - Our demand calculations show the need to develop between 55 and 70 new rental housing units per year through the end of our projection period in the year 2015. Demand for these units will be generated by a number of factors, including projected household growth, replacement of older rental units, and from pent-up demand, that has created a rental market with very few vacancies.
 - ▶ Market rate rental housing should represent the large majority of the new units created. We would recommend that between 40 and 55 units be added in an average year. To address the low level of unit vacancy that currently exists, near-term production could even be at a higher level, so that some market saturation occurs, and vacancy rates increase to a more healthy level. If production is front-end loaded, then fewer units would be required annually later in the projection period. (See Recommendation #1.)
 - ▶ Rental rates for market rate units should ideally be distributed between moderate rent and higher rent units. At the estimated median household income level, an affordable level is defined as having a gross rent of approximately \$620 per month in 2007. However, it is very doubtful that market rate units can be produced at this rent level. Instead, higher rent units will probably be constructed. By providing new units for higher income tenants and student renter households, the older, less expensive rental housing should be more available for moderate income renters. (See Recommendation #1.)
 - ▶ Tax credit rental housing can be part of the solution, but our calculations show demand growing by approximately four to five units per year. This would be sufficient to construct at least two moderate-sized projects of between 20 and 24 units each by the year 2015. The tax credit recommendation is rather small, but recognizes the prohibition on students, as well as the income restrictions that are placed on tenant households. (See Recommendation #2.)
 - ▶ The subsidized sector should be monitored in the near-term, to see if additional demand develops. Changes in occupancy rules affecting student renters have caused some degree of instability in this sector of the rental market. The senior and disabled occupancy units, in particular, have relatively limited current demand. While the subsidized general occupancy units have fewer vacancies, there are also tenant-based rent assistance Vouchers that are currently unused, indicating that pent-up demand does not necessarily exist. This segment of the

rental market could see demand swings, depending on economic conditions. There is also the potential that some existing subsidized projects could be lost, necessitating subsidized housing unit replacement. (See Recommendation #3.)

- ▶ Subsidized housing vacancy rates in the smaller communities around Brookings are often very high. There is a very good chance that the supply of subsidized units will decrease, as chronic vacancy issues in some buildings result in these projects leaving their subsidy program. (See Recommendation #3.)
- ▶ The supply of assisted living options in the Brookings area is adequate for the near-term. However, our projections to 2015 do show strong growth in the age groups 55 and older, although most of this growth is in the age ranges between 55 and 74 years old. There are opportunities for a modest expansion of assisted living units, but we would not recommend this construction until a time near the end of our projection period in 2015. (See Recommendation #4.)
- ▶ The supply of light-services senior units, also known as congregate units, could be expanded. Our calculations show potential demand for as many as 70 additional units by the year 2015. While this calculation can be justified through demographic analysis, the current market for these types of units in Brookings is not overly strong. There are some current vacancies, despite the relatively small inventory of units. As the residents of the Brookings area continue to age, we would expect to see improving demand for this type of housing. (See Recommendation #4.)
- ▶ Brookings is under served with specialized memory care housing. We would recommend that up to 24 units be created by the year 2015. The City has no specialized providers of this type of housing, and the only known provider in the past has closed their facility. (See Recommendation #4.)
- ▶ A program opportunity exists to add an assisted living component to one or more of the existing subsidized rental projects serving senior and disabled tenants. This type of arrangement with a home health care provider agency could improve occupancy rates in subsidized senior projects, and provide important services to lower income renters. (See Recommendation #5.)
- ▶ The City has in place a program to register and inspect rental housing units. Modifications to this program may be appropriate to ensure that all units in the City are properly registered and to insure that inspections are performed in a timely manor to assure that the City's rental stock is decent, safe and sanitary. (See Recommendation #6.)
- ▶ With the number of additional rental units that will be needed in the coming years, it will be important for the community to have desirable locations for this housing. This may require additional zoning of property for multifamily rental. It may also present opportunities to look for redevelopment opportunities, particularly in and around the downtown area. With as many as 50% of the renter households in Brookings being students, a downtown location has the potential to provide a very desirable living environment. (See Recommendation #7.)

- ▶ **Home Ownership Development Recommendations** - Our demand calculations have been provided with two different assumptions. The first calculation is based on demand consistent with more modest household growth projections for the Brookings area. This calculation shows demand for between 85 and 100 new owner-occupancy housing units per year through the 10-year projection period. While defensible with longer-term trends, growth at this scale is not consistent with short-term patterns, as the City of Brookings alone has exceeded this level of new housing construction since 2004. As a result, we have also calculated a higher-end projection that assumes that up to 125 owner-occupancy units can be constructed per year for the remainder of the projection period. To sustain this higher level of annual production, the Brookings area would need to be successful in its efforts to attract and retain younger workers. The community would also need to be successful in converting a larger share of younger households into home ownership. Most of the additional demand under the higher-end projection is caused by entry-level home buyers.

| Demand Projection for Annual Owner-Occupancy Housing Construction to 2015 | | | |
|--|----------------------|---------------------------------------|--------------------------------------|
| Unit Type | Price Range | Annual Demand at Mid-Range Projection | Annual Demand at High-End Projection |
| Single Family Detached | | | |
| Entry-Level | \$100,000-\$150,000 | 13 - 15 | 15 - 28 |
| Mid-Priced | \$150,000- \$225,000 | 32 - 35 | 35 - 38 |
| Higher-Valued | \$225,000+ | 23 - 25 | 25 - 27 |
| Total | All Prices | 68 - 75 | 75 - 93 |
| Single Family Attached | | | |
| Entry-Level | \$100,000-\$150,000 | 4 - 6 | 6 - 9 |
| Mid-Priced | \$150,000- \$225,000 | 8 - 11 | 11 - 13 |
| Higher-Valued | \$225,000+ | 5 - 8 | 8 - 10 |
| Total | All Prices | 17 - 25 | 25 - 32 |

Source: Community Partners Research, Inc.

- ▶ This Study has used a general definition that a house priced at approximately \$125,000 represents an affordable ownership option for a household at the Brookings County median income level. It is generally difficult to construct new houses in this basic price range that provide the amenities and features that moderate income buyers are looking for when purchasing a home. This Study has recommended that a community goal be established to generate 20 or more affordable homes each year through new construction. Achieving this goal, at the approximate price level targeted, will require that certain subsidies be applied to the development projects. These may include Tax Increment Financing assistance, land or infrastructure cost write-downs, and/or direct end buyer

subsidies, in the form of down payment assistance and other affordability gap assistance. This type of affordable housing production has not been happening naturally in the Brookings area, and direct proactive efforts will be required to generate a higher level of production. (See recommendation #8.)

- ▶ The projections used for this Study expect most of the demand for new ownership housing through the year 2015 will come from empty-nesters and younger seniors. Over the next eight years, these age groups will represent the largest amount of net household growth in the County, reflecting the movement of the baby boomer age group through the aging cycle. Historic rates of home ownership in these age groups have been extremely high. These older adult households will often be in their peak earning years, and will have significant asset accumulation. Since most of them will also be selling an existing home if they purchase new, they will have a significant equity contribution available. The trade-up segment of the housing market has been strong in Brookings, and should continue to represent a good market opportunity for ownership housing. (See Recommendation #9.)
- ▶ Our research indicates that Brookings has a strong private development community that is well prepared to respond to most market demands, especially for moderate to higher-priced housing. There are a number of different residential subdivisions available in 2007, and it appears that overall lot availability is not an issue that will negatively impact future housing development. While the supply of developed lots may be slightly smaller than we would normally expect to see, land developers are cognizant of carrying-costs, and tend to develop new subdivisions only as needed by the construction community. The market segment that may be under represented is for lower-priced home construction, as the lowest priced lots available probably sell for \$29,000 or more. Efforts are underway by housing nonprofit groups to develop more affordable subdivisions, consistent with community efforts to spur a greater volume of entry-level home construction. (See Recommendation #10.)
- ▶ Since 2004, attached single family housing construction, primarily in the form of twin homes, has represented approximately 19% of all owner-occupancy housing starts in Brookings. Through our 10-year projection period we would expect this style of construction to eventually increase to 25% to 30% of all owner-occupancy activity. Most of the demand for attached single family units will come from the growing number of empty-nester and senior citizen households in the Brookings area. To a lesser extent, younger buyers looking for a lower cost alternative will generate some additional demand. (See Recommendation #11.)
- ▶ The Brookings area has well established nonprofit groups, including Habitat for Humanity and Inter-Lakes Community Action, that have been successfully developing affordable homes for lower income buyers. The households being assisted would not be able to purchase a new home without the assistance provided by the nonprofit groups. To build more homes, these agencies need very affordable lots for development. One opportunity that is available is to redevelop infill lots that exist in Brookings and the smaller Cities. Although most vacant infill lots have already been identified and used, there are opportunities to

acquire and clear substandard structures. In the eight neighborhoods in Brookings that were surveyed for housing conditions, there were 27 houses identified that may be suitable for acquisition and clearance. (See Recommendation #12.)

- ▶ Development of new affordable ownership housing in Brookings has generally been accomplished through the construction of stick-built single family houses. There has been very limited use of alternative housing products, such as modular homes. For example, the Governor’s House Program has successfully placed more than 1,600 units in South Dakota, but this Program has had very little use within the City of Brookings. A combination of community acceptance and the presence of restrictive covenants on many subdivisions have probably been factors in the limited use of alternative housing products. As part of a community strategy to expand affordable options, these alternative types of single family construction may need to be used more frequently in the City. (See Recommendation #13.)
- ▶ If Brookings is able to generate a larger volume of more affordable single family housing construction, it will probably be the result of a community decision to apply financial resources to the initiative. Most of the successful examples of larger-scale affordable development have involved direct and indirect financial assistance to both the private development market and the end home buyer. It may cost \$150,000 or more to develop a single family detached home that is attractive to a prospective buyer. To reach an approximate target price of \$125,000, a large subsidy would be required. In projects such as the HAPI subdivisions in Aberdeen, or in the multiple Greater Minnesota Housing Fund projects in southwestern Minnesota, this has been accomplished using multiple cost saving measures along with direct financial assistance. (See Recommendation #14.)
- ▶ ***Housing Rehabilitation Recommendations*** - Preserving and improving the existing stock of housing in Brookings and the smaller Cities will be a very important component of an affordable housing strategy. For most low and moderate income households, an existing housing unit will be the most affordable housing option.
 - ▶ As part of this Study, a visual exterior housing condition’s survey was completed in eight older neighborhoods in Brookings. In total, 1,252 homes were viewed and rated:
 - ▶ 483 (38.6%) - Sound and in good repair
 - ▶ 452 (31.6%) - Minor rehabilitation needed
 - ▶ 290 (23.2%) - Major rehabilitation needed
 - ▶ 27 (2.1%) - Dilapidated and possibly beyond repair

Concentrations of substandard houses varied by neighborhood. In some of the neighborhoods, more than 25% of the houses were rated as either dilapidated or needing major repair. A coordinated plan for neighborhood revitalization efforts should be developed as part of an affordable housing strategy. (See Recommendation #15.)

- ▶ Brookings has an extremely large inventory of rental housing. At the time of the 2000 Census, more than 53% of the occupied units in the City were rentals. Fortunately, most of the multifamily stock is relatively new, as the City had substantial rental construction between 1960 and 2000. While most of the multifamily stock may be well maintained, there are also a number of rental units that are in disrepair, including some single family houses that have been converted to rental units. A rental rehabilitation program will be a necessary component of any neighborhood revitalization strategy. (See Recommendation #16.)
- ▶ The neighborhood housing condition survey found a number of houses in need of repair, with high concentrations of housing existing in some neighborhoods. While the tenure status of these houses is not known, the number of houses needing repair exceeds the total count of rental houses in Brookings, so some of the homes are owner-occupied. Neighborhood revitalization efforts will also need to include owner-occupancy rehabilitation. (See Recommendation #17.)
- ▶ The housing condition's survey in eight older neighborhoods rated 27 houses as dilapidated, and probably beyond repair. Acquisition and clearance may be an appropriate neighborhood revitalization strategy. Cleared lots could be reused for affordable housing construction. (See Recommendation #18.)
- ▶ At the time of the 2000 Census, 9.5% of the occupied housing units in Brookings were mobile homes. A visual inventory completed as part of this Study counted 813 units in the 16 parks within the City limits. When compared to the Census, this represents an apparent increase of 113 mobile homes since 2000. The physical condition of the homes in each park varied greatly, but overall, there are a large number of mobile homes in need of repair. Mobile home improvement efforts will also be important to preserve and improve this very affordable stock of housing. (See Recommendation #19.)
- ▶ ***Recommendations on Policy Issues*** - In addition to actual programs that may need to be developed, some of the items uncovered in the research for this Study are policy related.
 - ▶ The City of Brookings has not generally applied public resources to affordable housing needs in the past. The City government does not have a housing office or dedicated staff. Regional or County housing agencies have typically been used for most housing program delivery. In the future, it may be necessary for Brookings to dedicate specific staff and financial resources to housing programs and initiatives. (See Recommendation #20.)
 - ▶ The focus group and interview process that was used for research in this Study uncovered a number of policy issues that still generate significant community debate. Many of these may be fully resolved in the community, but others may be appropriate for future discussion as the City attempts to address affordable housing. Among the public policy issues identified are the following:

- ▶ Assessment practices for residential development
- ▶ Drainage plan requirements and fees for these plans
- ▶ Minimum street widths and sidewalk requirements
- ▶ Boarding house ordinances and concentrations
- ▶ Three unrelated person occupancy limitation

(See Recommendation #21.)

- ▶ The City of Brookings, and communities in South Dakota, have generally not played an active role in the housing market. Unlike Minnesota, where Cities and public agencies are often very involved in affordable housing development, in South Dakota it is primarily the private sector that addresses most housing needs. Many of the recommendations contained in this Study would require a more active community response, including the possibility that direct financial assistance be provided to promote affordable housing. This would require a significant change in policy. Before proceeding, this policy change should be actively debated and resolved. (See Recommendation #22.)

Introduction

Overview

Local elected and public officials are often held responsible for conditions and circumstances over which they have limited control. This is particularly true of housing. Nearly all of the housing units in Brookings 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 affordable housing growth to meet economic development needs.

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

Goals

The multiple goals of the study include:

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

Methodology

A variety of resources were utilized to obtain information. Community Partners Research, Inc., collected and analyzed data from April to August 2007. Data sources included:

- ▶ U.S. Census Bureau
- ▶ Demographic projections from the State Data Center
- ▶ Claritas, Inc.
- ▶ Records and data from the City
- ▶ Records and data maintained by Brookings County
- ▶ Elected officials and staff from the City
- ▶ Community leaders
- ▶ People familiar with the area's housing conditions including bankers, realtors, property managers, and developers
- ▶ Area housing agencies
- ▶ State and Federal housing agencies
- ▶ Rental property owner surveys
- ▶ Housing conditions 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.

This study was prepared by:

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Demographic Estimates and Trends

Population Estimates and Trends

Official population estimates are available for the City of Brookings and surrounding jurisdictions. These estimates are generated by the U.S. Census Bureau. The most recent estimates are effective July 1, 2006. No other government-generated estimates are available from State or local sources.

In the table that follows, population levels have been tracked since 1980. Please note that we have presented this information as the only official estimates that exist. This does not imply that we agree with this information. In the analysis section that follows, we have discussed our differences with the Census Bureau estimates.

The inclusion of a seven-County region is intended to present information on the Counties that share a border with Brookings County. The other six Counties are Deuel, Hamlin, Kingsbury, Lake and Moody Counties in South Dakota, along with Lincoln County in Minnesota.

| Table 1 Population Trends - U.S. Census Bureau - 1980 - 2006 | | | | | | |
|---|--------------------|--------------------|--------------------|-----------------------|------------------|--------------------------------|
| | 1980 Population | 1990 Population | 2000 Population | % Change 1990-2000 | 2006 Estimate | Numeric Change 2000-2006 |
| Brookings | 14,951 | 16,270 | 18,763 | 15.3% | 18,802 | 39 |
| Brookings County | 24,332 | 25,207 | 28,220 | 12.0% | 28,195 | -25 |
| 7-County Region | 67,184 | 64,754 | 68,373 | 5.6% | 67,353 | -1,020 |
| Arlington | 991 | 908 | 992 | 9.3% | 944 | -48 |
| Aurora | 507 | 619 | 500 | -19.2% | 455 | -45 |
| Bruce | 254 | 235 | 272 | 15.7% | 256 | -16 |
| Bushnell | 76 | 81 | 75 | -7.4% | 67 | -8 |
| Elkton | 632 | 602 | 677 | 12.5% | 612 | -65 |
| Estelline | 719 | 658 | 675 | 2.6% | 669 | -6 |
| Sinai | 129 | 120 | 133 | 10.8% | 119 | -14 |
| Volga | 1,221 | 1,263 | 1,435 | 13.6% | 1,460 | 25 |
| White | 474 | 536 | 530 | -1.1% | 499 | -31 |

Source: U.S. Census Bureau

- ▶ The most recent estimates, effective July 1, 2006, show the population losses have continued for most of the individual jurisdictions in recent years. Only Brookings and Volga have added population since 2000, and in both of these Cities, the population gains have been minor.

- ▶ For most of the small Cities, there is a long-term pattern of population loss that is evident. Although many of the individual Cities added population between 1990 and 2000, the 2006 estimates show that most communities still have fewer residents in 2006 than in 1980. Only Brookings, Volga and White have added population over the past 26 years.
- ▶ For all of Brookings County, the population level has remained relatively unchanged between 2000 and 2006. However, this has been due to the modest population growth in Brookings and Volga, which has largely offset the losses in other County jurisdictions.
- ▶ For the seven County region, population losses have continued, with an estimated loss of more than 1,000 people between 2000 and 2006.
- ▶ In their County-level estimates, the Census Bureau identifies the major components of population change. For Brookings County, the Census Bureau believes that natural increase has occurred, with births exceeding deaths in the County between 2000 and 2006. The Census Bureau also believes that Brookings County has added some population through international in-migration since 2000. However, population growth from these two components was completely negated by an out-migration of Brookings County residents to other locations in the U.S. Due to the amount of domestic out-migration between 2000 and 2006, the County lost 25 people.
- ▶ Patterns are very similar for the seven-County region. Births have exceeded deaths since 2000, and the region has gained some population from international in-migration. However, the level of domestic out-migration has greatly exceeded the positive components of change, and overall the region has lost 1,020 residents.

Accuracy of Census Bureau Estimates

The U.S. Census Bureau produces population estimates for each year between the decennial Census. For the City of Brookings and all of Brookings County, the annual estimates released after the 2000 Census appear to be overly conservative.

The 2006 estimate for Brookings County shows a loss of 25 people since the 2000 Census. This estimated loss of population occurred despite the fact that the Census Bureau did identify the addition of 456 new housing units in Brookings County between 2000 and 2005. Growth in the number of available housing units should typically translate into household growth for the County, and should not result in population losses over this same time period.

To better assess the accuracy of past Census Bureau estimates, we revisited their estimates for 1999, the year before the 2000 Census established a new benchmark. For the City of Brookings, the 1999 population estimate was 17,283 people, well below the actual level of 18,763 that was recorded in the 2000 Census. For all of Brookings County, the 1999 estimate was 25,931 people, again well below the level of 28,220 that was counted by the 2000 Census.

With a documented history of population estimates significantly undercounting the true population, there is reason to believe that the official estimates for 2006 are too low, especially when compared to the level of housing unit construction that has occurred and continues to occur in and around Brookings.

Household Estimates and Trends

There are no official 2006 household estimates available for the Cities or the Counties included in this Study. The Census Bureau has only generated population estimates for 2006. In the following table, Community Partners Research, Inc., has generated extrapolated household estimates from the 2006 population estimates. To form these estimates, we have assumed that group quarters populations in most communities have remained relatively unchanged from 2000, unless evidence of change exists. Group quarters residents do not live in independent households, and include nursing homes, college dormitories, jails, and institutional living. We have also applied estimates of average household size that appear to be evident from past trends and regional patterns.

| Table 2 Households Trends - 1980 - 2006 | | | | | | |
|--|--------------------|--------------------|--------------------|-----------------------|------------------|-----------------------|
| | 1980 Households | 1990 Households | 2000 Households | % Change 1990-2000 | 2006 Estimate | % Change 2000-2006 |
| Brookings | 4,797 | 5,685 | 6,971 | 22.6% | 7,045 | 1.1% |
| Brookings County | 8,005 | 8,910 | 10,665 | 19.7% | 10,676 | 0.1% |
| 7-County Region | N/A | 24,020 | 26,513 | 10.4% | 26,494 | -0.1% |
| Arlington | 399 | 404 | 424 | 5.0% | 407 | -4.0% |
| Aurora | 178 | 202 | 205 | 1.5% | 190 | -7.3% |
| Bruce | 91 | 96 | 105 | 9.4% | 102 | -2.9% |
| Bushnell | 28 | 27 | 32 | 18.5% | 31 | -3.1% |
| Elkton | 253 | 239 | 267 | 11.7% | 242 | -9.4% |
| Estelline | 273 | 279 | 290 | 3.9% | 290 | 0% |
| Sinai | 60 | 52 | 54 | 3.8% | 52 | -3.7% |
| Volga | 450 | 487 | 571 | 17.2% | 589 | 3.2% |
| White | 177 | 189 | 198 | 4.8% | 192 | -3.0% |

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

- ▶ The 2006 household estimates presented above are based on the Census Bureau's population estimates for 2006. They have been calculated by Community Partners Research, Inc., not the U.S. Census Bureau.
- ▶ For most of the small Cities, the loss of population between 2000 and 2006 implies that minor household losses have also occurred.
- ▶ While most of the small Cities have lost households since 2000, the longer-term patterns are more stable. When comparing 1980 household levels with 2006 estimates, all of the small Cities, except Elkton, have added households. Modest household growth has occurred

despite the fact that most of the small Cities have lost population over the past 26 years. An aging population and changes in household composition have resulted in more households being formed from a smaller number of people.

- ▶ The only communities with population growth, and probable household growth, are Brookings and Volga. In both of these Cities the level of household growth does not imply household growth of any significant level.
- ▶ The extrapolated household figure for Brookings implies that very limited household growth has occurred. Most of the population growth in the City since 2000 is attributed to group quarters' residents, rather than population in households. But the Census Bureau's estimates are not consistent with recent housing construction activity. Between 2000 and 2007, more than 700 new housing units were constructed in the Brookings area. Since unit vacancy appears to be very low, and there is no evidence of significant unit loss in the City, it is reasonable to assume that Brookings has added more than 600 new households between 2000 and 2006.

Average Household Size Estimates and Trends

Average household size information from the U.S. Census has been provided for 1980, 1990 and 2000. The 2006 estimate was prepared by Community Partners Research, Inc., based on available data and regional trends.

| Table 3 Average Household Size Trends - 1980 - 2006 | | | | |
|--|-----------------------------|-----------------------------|-----------------------------|---------------|
| | 1980 Average Household Size | 1990 Average Household Size | 2000 Average Household Size | 2006 Estimate |
| Brookings | 2.48 | 2.33 | 2.26 | 2.22 |
| Brookings County | 2.65 | 2.48 | 2.38 | 2.34 |
| Seven County Region | N/A | 2.52 | 2.42 | 2.37 |
| Arlington | 2.36 | 2.13 | 2.23 | 2.20 |
| Aurora | 2.85 | 3.06 | 2.44 | 2.39 |
| Bruce | 2.79 | 2.45 | 2.59 | 2.51 |
| Bushnell | 2.71 | 3.00 | 2.34 | 2.16 |
| Elkton | 2.50 | 2.47 | 2.51 | 2.50 |
| Estelline | 2.42 | 2.14 | 2.13 | 2.11 |
| Sinai | 2.15 | 2.32 | 2.46 | 2.29 |
| Volga | 2.68 | 2.56 | 2.51 | 2.48 |
| White | 2.37 | 2.51 | 2.54 | 2.45 |

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

- ▶ For most communities, we believe that average household sizes have grown smaller since 2000. This would be consistent with local and national trends. An aging population for the region, with a growing number of people age 50 and older and a shrinking population age 49 and younger, translates into fewer people in an average household.
- ▶ Some of the communities, such as Bushnell and Estelline, have average household sizes that are relatively small. This typically is an indication of a large population of senior citizens.
- ▶ Other communities, including Bruce, Elkton and Volga, have maintained average household sizes that are comparatively large. This would imply that these Cities have been popular locations for families with children.
- ▶ The estimated average household size in Brookings has grown consistently smaller in recent decades. While this is a reflection of an aging population, it is also a reflection of trends for student households. Increasingly, students are preferring to live alone or with only one or two roommates. The City also has in place a three unrelated person occupancy rule that attempts to prevent larger student households.

Demographic Projections

Projected Population - City of Brookings

As part of the Vision 2020 Plan, population projections were generated for the City. These are viewed as the best available projection information for Brookings. The Vision 2020 Plan was adopted in 2002, and the projection methodology is based on the rate of population change as recorded in the decennial Census. The following table displays the low, medium and high series of projections for the years 2010 and 2015.

| | 2000 Population | 2010 Projection | | | 2015 Projection | | |
|-----------|--------------------|-----------------|--------|--------|-----------------|--------|--------|
| | | Low | Medium | High | Low | Medium | High |
| Brookings | 18,763 | 20,565 | 20,900 | 21,000 | 21,600 | 22,400 | 23,000 |

Source: 2000 Census; Vision 2020 Plan

- ▶ The projections calculated for the Vision 2020 Plan are reasonably consistent with past growth patterns in Brookings. Between 1990 and 2000, the City's population increased by 2,493 people, or 15.3%, according to the Census. The medium series projection for the City between 2000 and 2010 would expect the population to increase by 2,137 people, or 11.4%.
- ▶ The medium series projections between 2010 and 2015 expect an increase of 1,500 people, or 7.2% during that five-year time period.
- ▶ While the City population projections can be supported by past growth trends, they are not consistent with the most recently released Census Bureau estimate. For 2006, the Census Bureau believes that Brookings' population has increased by only 39 people, or 0.2% since 2000. However, as explained previously, we believe that the Census Bureau's population estimates for Brookings are not accurate, and fail to record the actual population growth that has been occurring.

Population Projections - Brookings County

The South Dakota State Data Center has issued population projections for each of the Counties in South Dakota. In the table below, we have presented these projections for Brookings County in 2005, 2010 and 2015. We have provided 2000 Census data for comparison.

The State Data Center issued the projections shortly after the release of the 2000 Census, and these projections incorporate the growth trends that were evident at that time. Later population estimates released by the Census Bureau have not been consistent with the State-generated projections. For example, the State Data Center had projected the population for Brookings County would be 29,966 people in the year 2005. The 2005 County population estimate from the Census Bureau was 27,769.

| Table 5 Brookings County Population Projections - State Data Center - 2000-2015 | | | | | | |
|--|--------------------|--------------------|--------------------|---------------------|--------------------|---------------------|
| | 2000 Population | 2005 Projection | 2010 Projection | Change 2000-2010 | 2015 Projection | Change 2010-2015 |
| Brookings County | 28,220 | 29,966 | 31,014 | 2,794 | 31,698 | 684 |

Source: 2000 Census; South Dakota State Data Center

- ▶ When compared to U.S. Census Bureau annual estimates, the projections from the State Data Center appear to be very optimistic. However, as explained in the Demographic section of this Study, there is also reason to believe that the Census Bureau's annual estimates for Brookings County are much too low. In the 1990s, the Census Bureau's estimates were undercounting the County's population by more than 2,200 people as the decade progressed.
- ▶ The State Data Center projections expected that the County would grow more rapidly in the early part of the decade, and then the rate of growth would slow between 2005 and 2010. Between 2000 and 2005, the projections expected the County to add 1,746 new residents, or nearly 350 people in an average year. This projection appears to have been too optimistic, as housing unit creation between 2000 and 2004 was not generally sufficient to support population growth at this level.
- ▶ When examining the trends over the entire decade, the projections appear to be much more realistic. Between 2000 and 2010, the projections expect the entire County to add 2,794 new people. Growth of this scale would be somewhat consistent with the patterns Brookings County experienced in the 1990s, when 3,013 residents were added between the 1990 Census and the 2000 Census.
- ▶ When the State Data Center population projections between 2000 and 2010 are reduced to an annual average, the County would need to add only 279 new residents per year. After adjusting for growth in group quarters residents, primarily in on-campus student housing, the County would only need to average approximately 240 residents per year in traditional households to reach the 2010 projection. The City of Brookings alone has been able to generate new housing starts to reach this level of population growth.
- ▶ The State Data Center projections to the year 2015 also appear to be very attainable. Between 2010 and 2015, the County would only need to add 684 people, or an annual average of 137 new residents per year. By all current indications, growth on this scale would be very achievable.
- ▶ In general, the State Data Center projections were probably too high for 2005, but over the longer-term, out to 2015, would appear to be a reasonable expectation of growth for the County.

Population Projections by Age - 2000-2015

The population projections prepared by the South Dakota State Data Center included the projected changes by age range. In the table below, we have presented these projections for Brookings County in 2005, 2010 and 2015. We have provided 2000 Census data for comparison.

| Table 6 Brookings County Projected Persons by Age - State Data Center - 2000 - 2015 | | | | | |
|--|---------------|---------------|---------------|---------------|---|
| Age | 2000 | 2005 | 2010 | 2015 | Projected Change in Population - 2005-2015 |
| 0-14 | 4,785 | 4,612 | 4,682 | 4,869 | 257 |
| 15-19 | 3,128 | 3,218 | 2,969 | 3,004 | -214 |
| 20-24 | 5,517 | 6,655 | 6,847 | 6,317 | -338 |
| 25-34 | 3,384 | 3,422 | 3,841 | 4,228 | 806 |
| 35-44 | 3,462 | 2,926 | 2,697 | 2,726 | -200 |
| 45-54 | 3,020 | 3,472 | 3,235 | 2,735 | -737 |
| 55-64 | 1,859 | 2,353 | 3,024 | 3,482 | 1,129 |
| 65-74 | 1,394 | 1,477 | 1,803 | 2,313 | 836 |
| 75-84 | 1,157 | 1,303 | 1,267 | 1,349 | 46 |
| 85+ | 514 | 528 | 649 | 675 | 147 |
| Total | 28,220 | 29,966 | 31,014 | 31,698 | 1,732 |

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

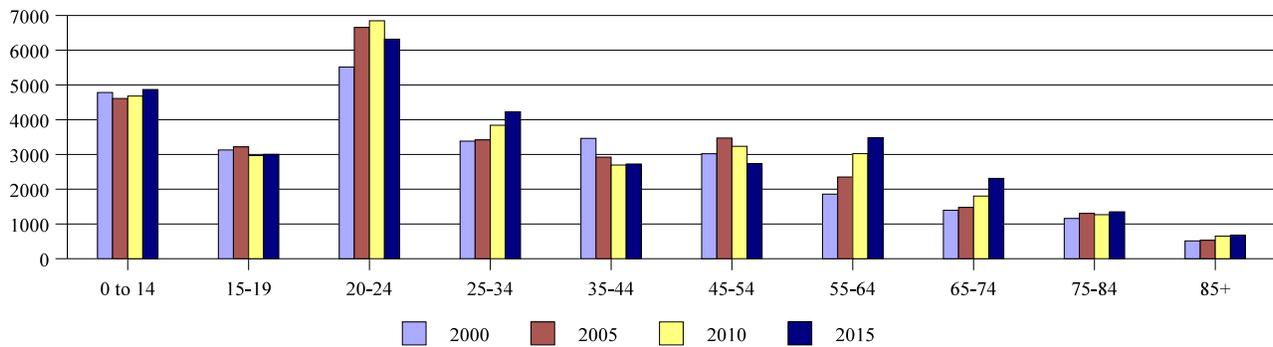
- ▶ The age-based forecasts expect significant movement of the population within the defined age ranges. The projected changes would primarily reflect the movement of the existing County population through the aging cycle for the time period reviewed. The projections would also represent an informed prediction of the probable population changes that would be expected as a certain portion of the population moves into or out of the County during the 15-year time period.
- ▶ For the purposes of this Study, we have focused on the expected change between the 2005 forecast and the 2015 forecast. During this 10-year projection period, the largest net population increase is expected to occur in the 55 to 64 year old age range. The second largest net growth is expected in the 65 to 74 year old range. If these projections hold true, there will be nearly 2,000 more people in these two age groups by 2015.
- ▶ The number of children, age 14 and younger, is projected to increase slightly between 2005 and 2015, but overall, the County's younger population, and 24 and under, is expected to decrease in size. Both the 15 to 19 year old group and the 20 to 24 year old group are

expected to grow smaller. This would include the age groups that represent “traditional” students at South Dakota State University.

- ▶ The 25 to 34 year old age group is expected to grow. Among adults age 54 and younger, this is the only group that is projected to increase in size.
- ▶ All of the age ranges 55 and older are projected to grow. However, in the older senior age groups, this growth is expected to be relatively modest. In the 75 and older age groups, fewer than 200 additional people are projected between 2005 and 2010.

The following chart tracks the South Dakota State Data Center age-based population changes for

Brookings County Population by Age - 2000 to 2015



Brookings County.

Projected Population by Age for the Seven County Region - 2000-2015

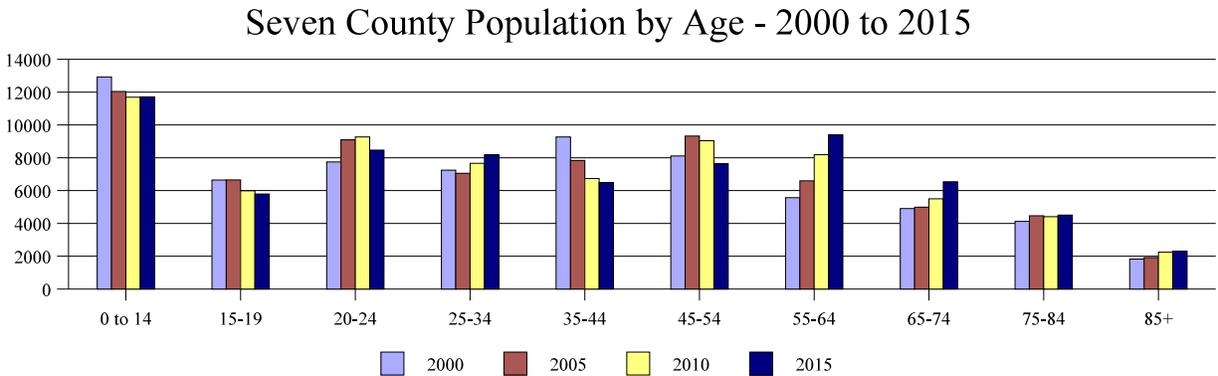
This Study has also examined demographic trends for a broader region that surrounds the City of Brookings and Brookings County. This seven-county aggregation includes Brookings, Deuel, Hamlin, Kingsbury, Lake, and Moody Counties in South Dakota, and Lincoln County in Minnesota. Population by age projections for all of these Counties is available from the South Dakota State Data Center and the Minnesota State Demographer’s Office.

| Table 7 Seven-County Region Projected Persons by Age - 2000 - 2015 | | | | | |
|---|---------------|---------------|---------------|---------------|---|
| Age | 2000 | 2005 | 2010 | 2015 | Projected Change in Population - 2005-2015 |
| 0-14 | 12,925 | 12,039 | 11,692 | 11,710 | -329 |
| 15-19 | 6,647 | 6,653 | 5,989 | 5,790 | -863 |
| 20-24 | 7,744 | 9,095 | 9,267 | 8,463 | -632 |
| 25-34 | 7,246 | 7,055 | 7,665 | 8,182 | 1,127 |
| 35-44 | 9,270 | 7,838 | 6,734 | 6,492 | -1,346 |
| 45-54 | 8,113 | 9,324 | 9,036 | 7,638 | -1,686 |
| 55-64 | 5,566 | 6,596 | 8,185 | 9,393 | 2,797 |
| 65-74 | 4,906 | 4,989 | 5,501 | 6,536 | 1,547 |
| 75-84 | 4,127 | 4,469 | 4,414 | 4,506 | 37 |
| 85+ | 1,829 | 1,919 | 2,247 | 2,312 | 393 |
| Total | 68,373 | 69,977 | 70,730 | 71,022 | 1,045 |

Source: U.S. Census; South Dakota State Data Center; Minnesota State Demographer; Community Partners Research

- ▶ Although population growth is projected for the seven-county region through the year 2015, this is primarily due to the impact of Brookings County. Between 2005 and 2015, the aggregation of Counties is expected to add 1,045 people, but Brookings County alone is expected to add 1,732 during this time. Excluding Brookings County, the remaining Counties would actually be expected to lose 687 people over this 10-year time period.
- ▶ Age-based population changes for the larger region are very similar to the patterns expected in Brookings County. The largest net growth in any single age range is projected to occur among people age 55 to 64 years old through 2015. The second largest net growth is projected in the 65 to 74 year old range.
- ▶ With the exception of the 25 to 34 year old age group, all of the younger age cohorts are projected to decrease in size. Overall, these projections expect that there will be 3,729 fewer people age 54 and younger by the year 2015, when compared to the level present in 2005.
- ▶ As with Brookings County, growth among younger seniors will be relatively modest. In total, the seven-county region would expect only 430 additional senior citizens age 75 and older between 2005 and 2015.

The following chart displays the expected age movement of the population in the seven-County area between 2000 and 2015.



Brookings County Households Projections - 2000 to 2015

The Brookings County projections from the State Data Center are only for total population. However, it is possible to extrapolate household projections from this data, using some basic assumptions about group quarters populations and expected changes in the average household size.

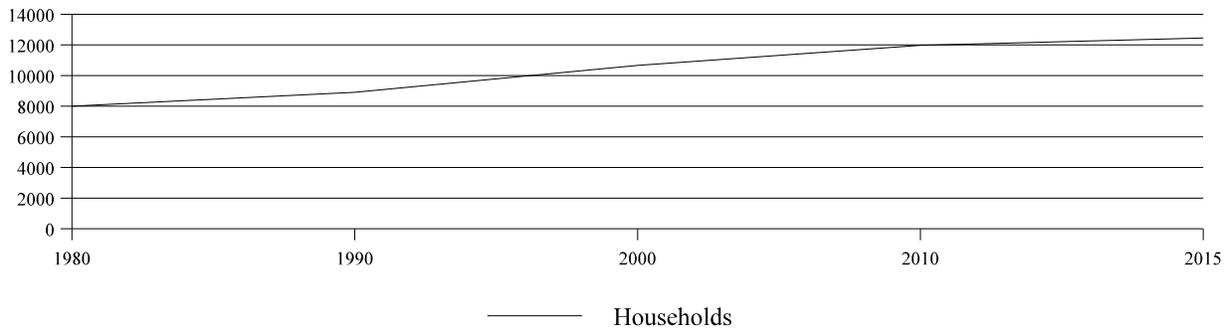
| Table 8 Brookings County Household Projections - 2000-2015 | | | | | | |
|---|-----------------|-----------------|-----------------|------------------|-----------------|------------------|
| | 2000 Households | 2005 Projection | 2010 Projection | Change 2000-2010 | 2015 Projection | Change 2010-2015 |
| Brookings County | 10,665 | 11,384 | 11,976 | 1,311 | 12,455 | 479 |

Source: 2000 Census; Community Partners Research, Inc.

- ▶ The household projections derived from the State Data Center forecasts are once again overly optimistic through the year 2005, but longer-term, reflect a realistic growth pattern for the County. When comparing the 2010 projection to the 2000 Census, Brookings County would need to add 1,311 new households during the decade, or approximately 131 new households for an annual average. Annual growth at this level would be very consistent with new housing construction activity that has occurred in recent years. Between 2000 and 2006, the City of Brookings averaged 121 new housing units per year, with additional construction occurring in some of the smaller Cities, including Volga and Elkton.
- ▶ As noted in the analysis of population projections, the State Data Center forecasts had expected relatively rapid growth between 2000 and 2005, and then a gradual slowdown in the rate of growth between 2005 and 2010 and between 2010 and 2015. This appears to be based on their projection that the County and the larger regional population would continue to age. With fewer young adults and fewer children present, the rate of population growth, and consequently household formation, would continue to slow over time.

- ▶ When comparing the projections for household growth between 2005 and 2015, the County would be expected to add 1,071 new households. Average annual growth of 107 new households per year appears to be a very realistic rate of longer-term growth for the County. While the City of Brookings alone has exceeded this level of growth in recent years, over a 10-year period the County will probably experience years of slow growth as well. As a result, this average net increase is a realistic indicator of household growth potential.

Brookings County Households - 1980 to 2015



Brookings County Household Projections by Age of Householder - 2000 to 2015

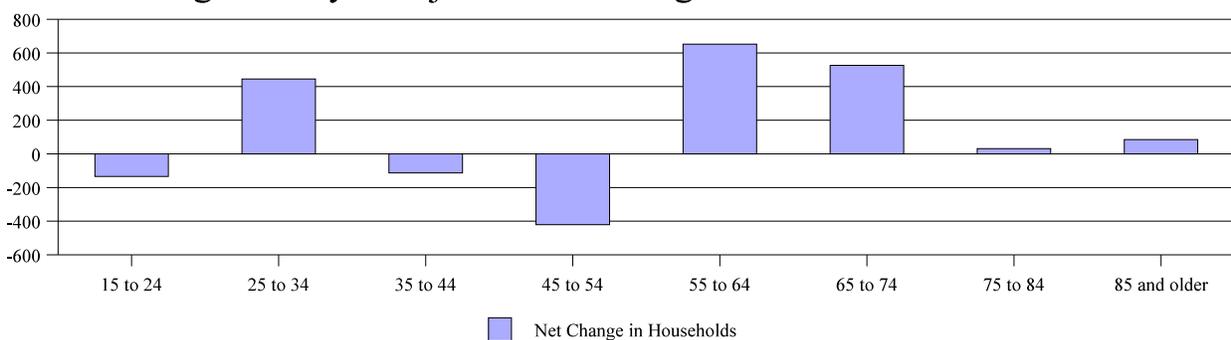
In the table that follows, Community Partners Research has converted the State Data Center population by age projections into household by age projections. These projections are for Brookings County, and are through the year 2015.

| Table 9 Brookings County Projected Households by Age - 2000 - 2015 | | | | | |
|--|---------------|---------------|---------------|---------------|--|
| Age | 2000 | 2005 | 2010 | 2015 | Projected Change in Households - 2005-2015 |
| 15-24 | 2,089 | 2,386 | 2,372 | 2,252 | -134 |
| 25-34 | 1,870 | 1,891 | 2,123 | 2,336 | 445 |
| 35-44 | 1,946 | 1,645 | 1,516 | 1,532 | -113 |
| 45-54 | 1,727 | 1,985 | 1,850 | 1,564 | -421 |
| 55-64 | 1,073 | 1,358 | 1,745 | 2,010 | 652 |
| 65-74 | 877 | 929 | 1,134 | 1,455 | 526 |
| 75-84 | 785 | 884 | 860 | 915 | 31 |
| 85+ | 298 | 306 | 376 | 391 | 85 |
| Total | 10,665 | 11,384 | 11,976 | 12,455 | 1,071 |

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

- ▶ The age-based household projections expect strong net household growth to occur in three primary age groups. The largest net growth is projected in the 55 to 64 year old age range, followed by growth among younger seniors, age 65 to 74 years old.
- ▶ Relatively strong growth is also projected among younger adult households in the 25 to 34 year old range. However, this is the only age group age 54 and younger that is expected to increase through the year 2015.
- ▶ Only modest growth is expected among older seniors, age 75 and above.
- ▶ If these projections hold true, there will be a significant shift in the age make-up of households in Brookings County between 2005 and 2015. Based on these projections, the County will have 223 fewer households age 54 and younger, and 1,294 more households age 55 and older by the year 2015.

Brookings County - Projected Net Change in Households - 2005 to 2015



Claritas Projections for Household by Age Changes - 2007 to 2012

Claritas, Inc., is a private company that supplies demographic data and projections for marketing and research. Community Partners Research, Inc., acquired and examined data from Claritas as part of the research process for this Housing Study.

The information from Claritas for the City of Brookings and Brookings County is very conservative. Claritas does not recognize any significant growth in the area since 2000, and their projections expect both population and household losses in the future. We do acknowledge that the Claritas estimates of population and household levels for the County are flawed. We believe that an approximate undercount of 500 households exists in their 2007 estimate for Brookings County. As a result, their information is of marginal value for projection purposes. However, this Study has examined the patterns that are present in their age-based forecasts for Brookings County, for comparison with the trends derived from the South Dakota State Data Center's age-based forecasts.

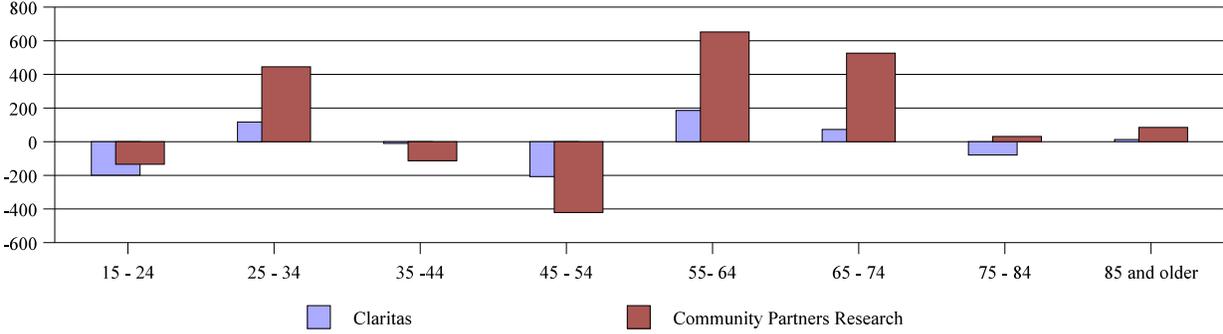
The Claritas projections are to the year 2012, with 2007 estimates serving as the base. The projections in the following table are for Brookings County.

| Table 10 Brookings County Projected Households by Age - Claritas - 2007 to 2012 | | | |
|--|---------------|---------------|-----------------------------------|
| Age | 2007 | 2012 | Projected Change 2007-2012 |
| 15-24 | 2,051 | 1,852 | -199 |
| 25-34 | 2,234 | 2,351 | 117 |
| 35-44 | 1,449 | 1,443 | -6 |
| 45-54 | 1,716 | 1,509 | -207 |
| 55-64 | 1,237 | 1,423 | 186 |
| 65-74 | 828 | 901 | 73 |
| 75-84 | 710 | 631 | -79 |
| 85+ | 349 | 362 | 13 |
| Total | 10,574 | 10,472 | -102 |

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

- ▶ The Claritas projections presented above are for a five-year time period, rather than the 10-year period that is covered by the age-based projections from the State Data Center examined earlier in this section. The Claritas projections are for the period 2007 to 2012, in the middle range of the 10-year period examined. Despite the differences in the scale of future growth and the actual time period examined, the Claritas projections are generally similar to the age changes presented earlier.
- ▶ Claritas projects that the largest numeric gain will occur in the age group 55 to 64 years old. The State Data Center also believes that this age group will have the greatest numeric increase. Growth within this age range reflects the movement of the baby boomer generation through the aging cycle.
- ▶ Both projection sources expect a significant population decrease in the 35 to 44 year old age group. This largely represents the change that is evident from the baby boomers aging out of this age range, and being replaced by the smaller, baby bust generation.
- ▶ Overall, both sources see a decrease in the number of households age 54 and younger, and an increase in the number of households age 55 and older. This pattern is heavily influenced by the aging of the existing resident population.
- ▶ In the older senior age groups, Claritas expects a net loss of households over the next five years, caused by a decrease in households in the 75 to 84 year old range. The State Data Center forecasts would indicate modest growth in the number of older senior households through the year 2015.

Comparison of Projected Net Household Changes by Age



Student Population Data

The City of Brookings has a large population of post-secondary students, primarily attending South Dakota State University. Students have a major impact on the local housing market. This section provides additional information about students and student housing. Information for this section was obtained from the U.S. Census Bureau, and from staff at South Dakota State University.

Student Population in Brookings - 1990 and 2000

The U.S. Census Bureau records information on students residing in the community that are enrolled in post-secondary institutions. According to the 2000 Census, there were 6,236 post-secondary students living in the City of Brookings. This included 5,800 people enrolled as undergraduates and 436 people enrolled in graduate or professional programs. While the large majority of these students were at SDSU, a small number are identified as attending a private institution. The total student population of 6,236 people in 2000 represented 33.2% of the entire City population.

There were also some students residing elsewhere in Brookings County. The 2000 Census identified an additional 310 undergraduate students and 76 graduate or professional students residing outside of the City of Brookings. Presumably, a majority of these students were also attending SDSU, although some may have been commuting to other educational facilities.

At the time of the 1990 Census, there were 6,031 students residing in Brookings that were identified as enrolled in college. There were an additional 359 students residing in other Brookings County jurisdictions in 1990. The student population in Brookings in 1990 represented 37% of the total City population.

There is no updated information since the 2000 Census on the size of the resident student population in Brookings or Brookings County.

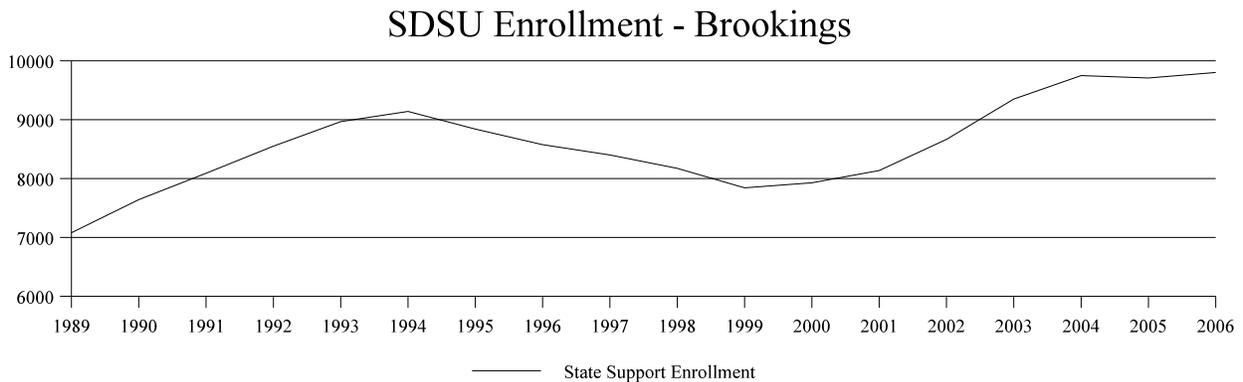
SDSU Enrollment

The Office of Institutional Research at SDSU has provided an enrollment Census for the University dating back to 1989. The enrollment count is for the fall of each year, and would include both graduate and undergraduate students.

SDSU also offers classes at locations that are outside of Brookings, including a facility in Sioux Falls, as well as offering internet-based opportunities. Identifying the exact enrollment in Brookings is not possible, since some students may take classes in both Sioux Falls and Brookings. To best identify a Brookings-based student population, we have used the SDSU classification of “State support” students, which will generally represent a group that takes one or more classes in Brookings. Total SDSU enrollment through all available opportunities is often substantially higher than State support enrollment, especially in the most recent years.

| Table 11 SDSU Enrollment Census - 1989-2006 | |
|---|------------------|
| Academic Year | Enrollment Total |
| 1989 | 7,080 |
| 1990 | 7,642 |
| 1991 | 8,090 |
| 1992 | 8,550 |
| 1993 | 8,966 |
| 1994 | 9,140 |
| 1995 | 8,840 |
| 1996 | 8,575 |
| 1997 | 8,401 |
| 1998 | 8,174 |
| 1999 | 7,843 |
| 2000 | 7,928 |
| 2001 | 8,136 |
| 2002 | 8,666 |
| 2003 | 9,351 |
| 2004 | 9,749 |
| 2005 | 9,709 |
| 2006 | 9,801 |

Source: Office of Institutional Research, SDSU



Comparison of Census Count to SDSU Enrollment

The SDSU enrollment information for the fall 1999 academic term can be compared to the 2000 Census. Much of the Census information was collected in March and April of 2000, during that academic year.

The SDSU enrollment in Brookings for the 1999/2000 academic year was 7,843 students. This count included students in both graduate and undergraduate programs. The 2000 Census recorded 6,236 students residing within the City of Brookings, or approximately 80% of the SDSU enrollment. If the student residents in all of Brookings County are examined, then an estimated 84% of all SDSU students resided in the County. The Census Count of residents included 2,468 students living in group quarters, including dormitories and off-campus University-owned housing.

A similar comparison can be made with the 1990 Census. The estimated Brookings-based enrollment in 1989 was 7,080 students. The Census recorded 6,031 students residing in Brookings, or just over 85% of the estimated enrollment. In all of Brookings County, there were 6,390 students, or just over 90% of total estimated enrollment.

Based on this comparison, it appears that a very high percentage of students taking classes in Brookings elect to reside in the immediate area. However, based on these two points in time, the percentage that resides in Brookings or Brookings County has decreased somewhat in recent decades.

Projected Enrollment

Our attempts to secure projected enrollment information from SDSU officials were unsuccessful.

Regional Trends Impacting Future Enrollment

The Western Interstate Commission for Higher Education (WICHE) has issued projections for all 50 states for the number of high school graduates. These projections were generated in 2003. WICHE examined trends between 1987 and 2002, and then projected high school graduation data between 2003 and 2018. We have examined this information for the State of South Dakota, and the four neighboring states of North Dakota, Nebraska, Iowa and Minnesota. We have also examined their national projections.

Nationally, WICHE projects that high school graduation levels will peak in the 2008-2009 academic year. This graduating class is projected to be the largest in U.S. history. In the period between 2001/2002 and 2017/2018, WICHE expects the number of high school graduates to increase by 10.4%. However, this projected growth will be unevenly distributed, with most of the increase in the South and West, and only limited increases in the Midwest and Northeast. For the Midwest region, the increase in the number of high school graduates is projected to be 2.7% between 2001/2002 and 2017/2018.

For the five state region of South Dakota, North Dakota, Nebraska, Iowa and Minnesota, there is a consistent pattern of decline in the number of high school graduates over the next several years. With the exception of North Dakota, which has been in consistent decline, the other states

should see a slight upward peak in the number of high school graduates in either the 2007/2008 or the 2008/2009 academic year. This would be consistent with the national trends. However, all five states are then projected to see a decline in the number of graduates through the 2013/2014 academic year. At that point, the number of graduates is expected to begin increasing once again in Nebraska, Minnesota and Iowa. The number of graduates in South Dakota and North Dakota are expected to basically remain stable at that time.

The WICHE projections are consistent with other available forecasts. A 2006 report issued by the Minnesota State Demographer's Office indicated that the number of high school graduates is expected to decline significantly in Minnesota outside of the Minneapolis-St. Paul Metropolitan Area. In the southwestern portion of Minnesota, the number of high school graduates is expected to decrease by nearly 12% between 2005 and 2010. In the 10-year period between 2005 and 2015, the projected number of graduates will decrease by nearly 25%. According to the Minnesota State Demographer's Office:

High school graduation trends in surrounding states will also have implications for post-secondary institutions. State education departments in Iowa, South Dakota, North Dakota, and Wisconsin do not prepare high school graduate projections, but prepare K-12 enrollment projections. In each of the adjacent states, the population expected to be seniors in high school is projected to decrease over the next 10 years.

Once the peak of new Minnesota high school graduates passes in 2009, traditional age populations of post-secondary students are projected to decline. This is similar to what happened in the late 1980s and early 1990s.

College Participation Rates Remain Steady

The Minnesota Office of Higher Education reports that about 65 percent of Minnesota's high school graduates enroll in post-secondary education following graduation. Participation rates of graduating Minnesota high school seniors enrolling directly in college have shown year-to-year changes but are generally flat. Unless high school to college participation rates increase - especially among low-income students, students of color and other students who are traditionally under represented in post-secondary education - colleges will have a smaller pool of students from which to recruit.

Projections for fewer high school graduates in South Dakota would also be consistent with the State Data Center forecasts that show an ongoing decline in the number of younger residents in the State.

SDSU has traditionally attracted a large percentage of its new students from the immediate region. For the fall 2006 academic year, there were 1,917 new undergraduate students that enrolled at the University. Nearly 65% of these students were from South Dakota, and over 95% were from the five state region that included Minnesota, North Dakota, Iowa and Nebraska.

To retain a stable population of students, SDSU will need to attract more "traditional" students from other parts of the U.S., such as the South or West regions, or will need to compensate for a smaller pool of graduating high school students in the immediate area. This could include

attracting a larger share of the available high school graduates. It could also include attracting more “non-traditional” students to campus.

The University is directly addressing these demographic factors, by extending tuition reciprocity agreements with neighboring states, or capping tuition for students from states without reciprocity agreements. SDSU is also increasing its recruitment efforts nationally, and has taken actions, such as the switch to Division I athletics, that expand its national visibility.

Student Housing Options

Housing for SDSU students is provided in both on-campus housing options that are part of the University system, and through off-campus housing controlled by the private market.

On-Campus Housing

SDSU requires that undergraduate that are less than three years removed from high school reside in on-campus housing. Most of this housing is provided through residence halls. The University has eight residence hall options, with the capacity to house 3,286 students. At the start of the fall academic term, these residence halls are fully committed.

The most recently constructed residence hall, Caldwell Hall, was opened for occupancy at the start of the fall 2005 term. Caldwell Hall has capacity for 290 students. This Hall is suite-style housing, with two-bedrooms (2 students each), sharing a bathroom. While the construction of Caldwell Hall did add to the availability of residence hall options for students, at the same time Wakota Hall was being converted into offices, resulting in a net gain of housing for 215 students.

SDSU also offers student housing in apartment-style units. These units are available to undergraduate students who are more than two years removed from high school, and also to graduate students. Berg and Bailey Halls are in four-bedroom apartments, and have a combined capacity for 320 students.

Family student housing is available in two complexes, State Court and State Village. State Court has 48 one-bedroom apartments. At a minimum, this project can house 48 students. State Village has both one- and two-bedroom family apartments.

SDSU also has “specialty housing” available for students with shared interests, such as health professionals or engineering students. However, these specialty residential areas are contained within the existing residence halls and apartment buildings.

Private Market Housing

Most SDSU students residing in or around Brookings live in private market housing, primarily rental housing. According to the 2000 U.S. Census, there were 3,733 occupied rental housing units in the City of Brookings. This represents that last official rental tenure estimate that is available. The renter households in 2000 represented 53.6% of all households in the City. For comparison, the rental tenure rate in the City of Sioux Falls was 38.9% and the rental tenure rate for all of South Dakota was 31.8% in 2000.

The extremely high rate of renter occupancy in Brookings is a direct result of the large student population attending South Dakota State University. According to 2000 Census records, there were 1,772 renter households in Brookings that had a head of household age 24 and younger. This primarily represents the student population. In contrast, there were only 115 households in the City with a head of household age 24 and younger that owned their housing unit in 2000.

In the next oldest age range, between 25 and 34 years old, there was also a large number of renter households. The Census recorded 771 renter households in this age group, compared to 497 households that owned their housing. The 25 to 34 year old group would still represent some students, including graduate students, along with younger households that may have left the University, but who have elected to remain in the community after graduation. In total, renter households age 35 and younger represented 2,543 households, or more than 68% of all renters in Brookings in 2000.

The 1990 Census provides for some comparative data. In 1990, Brookings had 1,145 renter households age 24 and younger. This represented 627 fewer renter households than recorded in 2000 within this youngest age grouping. When renter households age 34 and younger are examined, there were 1,914 total households, or 629 fewer households than in 2000.

Based on Census records, rental demand from households age 25 to 34 years old remained constant during the 1990s, and most of the City's net growth in renter households between 1990 and 2000 was caused by an increase of younger renters, age 24 and younger. In total, the City added 797 new renter households during the 1990s, and 629 of these households, or 79%, were in the 24 and younger age group.

Housing Affordability and Income

Affordable Housing Defined

An adequate supply of affordable housing is often cited as one of the greatest needs in communities throughout South Dakota. Brookings is no exception. The need for affordable housing was frequently identified in the interview and focus group data collection process. This issue was raised by a wide variety of people, ranging from housing agency representatives, who traditionally work with lower income people, to large employers, who see the issue as critical to the attraction and retention of a quality workforce.

Affordable housing is a relative term, which depends on a given household's income and their ability to apply a certain portion of that income to housing costs. In an attempt to better analyze affordable housing, this Study has defined the term for rental housing based on the accepted standard defined by the U.S. Department of Housing and Urban Development (HUD), which allows 30% of adjusted gross income for housing costs. For ownership housing we have used the standard lending ratio of 28% of gross income used by the conventional mortgage market for housing expenses of principal, interest, property taxes and insurance (PITI).

While these are commonly accepted standards, many households will voluntarily opt to pay a higher percentage of their income for housing. For example, Fannie Mae has mortgage programs that allow households to pay up to 33% of their income for PITI. For lower income renters, HUD's Housing Choice Voucher Program allows participating households to pay up to 40% of their adjusted monthly income for rent.

Household Income Estimates

We have obtained income estimates from Claritas, Inc., a private company that prepares and reports demographic data. The Claritas estimate of median family income is for all of Brookings County and is a 2007 estimate. While we view the Claritas income data as the best available information on income levels, we do acknowledge that the Claritas estimates of population and household levels for the County are flawed. They are similar to U.S. Census Bureau estimates, which have under-estimated the growth that has been occurring in the area since 2000. For this reason, we have focused on the information from Claritas in percentage terms, rather than real household numbers, when examining distribution information.

Median income represents the midpoint for all households. While we believe that a Claritas undercount of households exists, the inclusion of 500 additional households (the approximate extent of the undercount) would probably not result in a significant alteration of the median.

In the estimated 2007 median household income figure, all households are being examined, which would include single individuals that are living alone, as well as households with two or more unrelated individuals living together. A family is a subset of all households, and requires that two or more individuals be related within the household. The median family income is higher than the median household income level.

The Claritas median household income estimate for 2007 is \$42,804. This is up from the median of \$35,600 that was reported in the 2000 Census. Based on this estimate, the County’s median household income has increased by 20.2% during this time period.

There is no official source available to compare to the Claritas estimates. The Census Bureau’s 2006 American Community Survey, which provides income data between the decennial Census, does not cover the City of Brookings or Brookings County. The American Community Survey does provide information for Sioux Falls. The 2006 median income estimate for Sioux Falls was \$48,220, up 17% from the level reported in the 2000 Census. The rate of increase in Sioux Falls between 2000 and 2006 is reasonably consistent with the Claritas estimate for Brookings County that shows a 20.2% increase between 2000 and 2007.

In the following table, we have presented the income distribution by income range.

| Table 12 Brookings County Median Household Income Estimate - 2007 | | |
|--|-----------------------------|---------------------------------|
| Income | Number of Households | Percentage of Households |
| Less than \$10,000 | 950 | 9.0% |
| \$10,000 - \$14,999 | 674 | 6.4% |
| \$15,000 - \$19,999 | 751 | 7.1% |
| \$20,000 - \$24,999 | 663 | 6.3% |
| \$25,000 - \$29,999 | 635 | 6.0% |
| \$30,000 - \$34,999 | 674 | 6.4% |
| \$35,000 - \$39,999 | 627 | 5.9% |
| \$40,000 - \$44,999 | 558 | 5.3% |
| \$45,000 - \$49,999 | 553 | 5.2% |
| \$50,000 - \$59,999 | 1,113 | 10.5% |
| \$60,000 - \$74,999 | 1,119 | 10.6% |
| \$75,000 - \$99,999 | 1,108 | 10.5% |
| \$100,000 - \$124,999 | 612 | 5.8% |
| \$125,000 - \$149,999 | 205 | 1.9% |
| \$150,000 - \$199,999 | 151 | 1.4% |
| \$200,000+ | 181 | 1.7% |
| Total | 10,574 | 100% |

Source: Claritas, Inc.

Based on the Claritas estimates, approximately 35% of the households in the County have an annual income of \$30,000 or less. Approximately 21% of households have an income of \$75,000 or more. The remaining 44% of households have annual incomes between \$30,000 and \$75,000.

The U.S. Department of Housing and Urban Development (HUD), also issues an estimated median County income figure for use with the different federally subsidized housing programs. This estimate is issued annually, and defines income limits that apply to federal housing programs, including Housing Choice Vouchers, Low Rent Public Housing and Low Income Housing Tax Credits. The HUD median income estimate for Brookings County in 2006 was \$58,500. Eligibility for housing assistance programs is often set at 80% or less, or 60% or less of this Countywide level, as adjusted by family size.

While the HUD estimate is very important for determining housing program participation, it does not reflect a true picture of actual income levels in the area. It is based on a statistical calculation used by HUD.

Affordability Levels for Median Income Households

We believe that the Claritas 2007 estimates provide the best available source and a reasonably reliable source for actual household income information. We have used the County median household income estimate to serve as the basis for housing affordability thresholds. For households at or near the median income level, housing affordability could be defined as follows:

- ▶ Ownership housing that has a purchase price from \$125,000 or less is considered to be affordable for a median income household (based on 6.75% rate, 30 year fixed rate mortgage, with \$10,000 available for down payment and closing costs, and \$300 per month in other fixed debt)
- ▶ Rental housing with a gross monthly rent of \$1,070, or less, is considered to be affordable for a median income household (with 30% of gross income available for rent and housing costs)

Using this general standard of affordability, production of new ownership units for median income households will be difficult to accomplish. However, it should be recognized that the affordability threshold of \$125,000 is impacted by a number of factors in our calculation, including interest rate, debt-to-income ratios, and an equity contribution of only \$10,000. A household that receives a lower interest mortgage, reduces consumer debt, or makes a larger equity contribution can afford to purchase a more expensive home.

The affordability standards above are based on the estimated median income level. We have also converted defined income ranges into approximate housing affordability levels, representing households at the bottom and top of each income range. For rental housing, the affordability range is based on 30% of income for monthly rent. Making the calculation for home ownership is more complicated, as the standard industry calculation would examine principal and interest on the loan, as well as property taxes, home owners insurance, and possibly mortgage insurance. Other fixed debt would also be included in any mortgage qualifying calculation. To simply the

ranges below, we have used the assumption that all income ranges can apply 20% of gross income to principal and interest payments. The mortgage calculation assumes a 30-year fixed rate loan at 6.75%, with no amount included for down payment.

| Table 13 Brookings County Median Household Income Estimate - 2007 | | | |
|--|------------------------------|-----------------------|---------------------------|
| Income | Number/Percent of Households | Affordable Rent Range | Affordable Mortgage Range |
| Less than \$10,000 | 950 / 9.0% | \$0 to \$250 | up to \$25,750 |
| \$10,000 - \$14,999 | 674 / 6.4% | \$250 to \$375 | \$25,750 to \$38,500 |
| \$15,000 - \$19,999 | 751 / 7.1% | \$375 to \$500 | \$38,500 to \$51,500 |
| \$20,000 - \$24,999 | 663 / 6.3% | \$500 to \$625 | \$51,500 to \$64,250 |
| \$25,000 - \$29,999 | 635 / 6.0% | \$625 to \$750 | \$64,250 to \$77,000 |
| \$30,000 - \$34,999 | 674 / 6.4% | \$750 to \$875 | \$77,000 to \$90,000 |
| \$35,000 - \$39,999 | 627 / 5.9% | \$875 to \$1,000 | \$90,000 to \$102,750 |
| \$40,000 - \$44,999 | 558 / 5.3% | \$1,000 to \$1,125 | \$102,750 to \$115,750 |
| \$45,000 - \$49,999 | 553 / 5.2% | \$1,125 to \$1,250 | \$115,750 to \$128,500 |
| \$50,000 - \$59,999 | 1,113 / 10.5% | \$1,250 to \$1,500 | \$128,500 to \$154,000 |
| \$60,000 - \$74,999 | 1,119 / 10.6% | \$1,500 to \$1,875 | \$154,000 to \$192,750 |
| \$75,000 - \$99,999 | 1,108 / 10.5% | \$1,875 to \$2,500 | \$192,750 to \$257,000 |
| \$100,000 - \$124,999 | 612 / 5.8% | \$2,500 to \$3,125 | \$257,000 to \$321,250 |
| \$125,000 - \$149,999 | 205 / 1.9% | \$3,125 to \$3,750 | \$321,250 to \$385,500 |
| \$150,000 - \$199,999 | 151 / 1.4% | \$3,750 to \$5,000 | \$385,500 to \$514,000 |
| \$200,000+ | 181 / 1.7% | \$5,000+ | \$514,000+ |
| Total | 10,574 / 100% | N/A | N/A |

Source: Claritas, Inc.

The affordability amounts use the same percentage of household income applied to housing costs. Ideally, the calculations should be skewed to reflect basic costs of living. For example, a household earning \$100,000 or more would still have substantial disposable income available after applying 30% of income to housing. However, a household earning \$15,000 would have less money remaining for food and clothing if 30% of income is applied to housing. As a result, the amounts reflected above present only a partial picture of the actual housing options that a particular household may be able to secure.

Rental Housing

Affordable Rental Analysis

Generally speaking, the private housing market can produce rental units that are considered affordable for households at the threshold based on median household income, with a gross rent of \$1,070 per month. However, this assumes that households earning the median income level are typically represented in the rental housing market, which generally is not true.

At the time of the 2000 Census, the median household income for renter households was only 58% of the overall County median level. If this same basic percentage still applies in 2007, the median income level for renter households would be approximately \$24,800. This estimated median income level for renter households would also be consistent with the Claritas calculation of change since 2000. At the estimated median income of \$24,800 for renter households, to be affordable at 30% of median income, a unit would need to have a gross rent of \$620 per month or less.

According to the 2000 Census, only 20% of all renter households in the County had a household income that was equal to or greater than the median. Assuming that these same distributions are present in 2007, only 20% of existing rental households can afford a unit at \$1,070.

Since renter households are disproportionately represented in the lower income ranges, most of the very affordable housing is needed to serve renter households. In 2000, approximately 79% of the households in the County with income below \$20,000 were renters. If these same percentages are present in 2007, then approximately 2,400 to 2,500 renter households are present in Brookings County in 2007 in the lower income ranges. These households would need a gross rent of \$625 per month or less.

The survey completed as part of this Study found that most of the rental housing with two or fewer bedrooms in Brookings, and the surrounding small communities, would be affordable by this definition. However, very few rental options with three or more bedrooms were identified below this price level.

One factor that may impact the calculation for lower income renter households is the presence of student renters. On paper, student households may be reflected in the lower income renter group, having limited earnings while attending college. However, this group may be prepared to spend a disproportionately large share of their income for housing while in school, or they may be receiving parental financial support. As a result, in our recommendations section later in this Study, we have recommended that some additional higher rent units be constructed specifically for students.

Affordable Ownership for Renter Households

If the income distributions in 2007 are consistent with past patterns, then converting a significant number of renter households into home ownership will be a difficult task, unless household income consistently improves, and rises above the median for renter households. Using our

estimate that the median income level for renter households in 2007 is approximately \$25,000, and applying the same mortgage assumptions identified above, a median income renter household can afford a monthly principal and interest payment to support a loan of approximately \$64,250. However, at this relatively low income level, the probable purchase price is assumed to be even lower. With only a modest level of revolving debt, at \$300 per month, the estimated house purchase price drops to a level of \$61,000 or less. Even a home at this price is based on the household having \$10,000 available for closing costs and down payment. A household at this low income level would generally not have that level of personal savings available.

In the recent sales period reviewed for this Study, there appear to be only nine existing home sales in Brookings that were for \$61,000 or less. These houses were all constructed in 1950 or earlier. There were 21 identified sales in the smaller Cities in Brookings County that were below this price-point. Most of these houses were in White, Elkton or Bruce.

Some of the Brookings area housing nonprofits, such as Habitat for Humanity and Inter-Lakes Community Action, are attempting to serve households at the \$25,000 income level with new construction. However, this is generally done through self-help type construction arrangements. Very low interest mortgage programs are also used, such as those offered through USDA Rural Development, which can offer rates as low as 1%, and a term that can extend beyond 30 years.

As mentioned above, an estimated 20% of renter households do have annual incomes that are equal to or greater than the Countywide median. These households can generally afford ownership housing of \$125,000 or more. However, it is assumed that some of these higher income households have elected to rent, rather than own their housing. This group could include higher income retirees who have sold their home and are living in senior rental housing. This group could also include professionals that are in the community for a limited duration of time, such as visiting professors or untenured faculty at SDSU.

Rental Housing Cost Burden

The best available data of housing costs in comparison to income is from the 2000 Census. The Census identified the number of households that reported paying more than 30% of their income for their housing, the standard that has been used by this Study to define rental affordability.

Since much of the rental housing in Brookings is occupied by students, the following table examines rental costs for households age 25 and older separately from households age 24 and younger.

| Percentage of Household Income for Housing Costs | Renter Households Age 24 and Younger | Renter Households Age 25 and Older |
|--|--------------------------------------|------------------------------------|
| 0% to 19.9% | 494 | 1,102 |
| 20% to 29.9% | 504 | 622 |
| 30% to 34.9% | 173 | 150 |
| 35% or more | 605 | 481 |
| Not Computed | 46 | 171 |
| Total | 1,822 | 2,526 |

Source: U.S. Census

NOTE: Data for this table was taken from STF-3 which provides sample data and may not match 100% reporting from STF-1.

In total, the Census reported that 1,409 renter households in the County were paying more than 30% of their income for rent. This represented 32.4% of all renter households. Approximately 92% of all renter households with a housing cost burden in 2000 also had an annual household income that was less than \$20,000.

The vast majority of the households with a cost burden were in the 24 and under age group, and presumably represented much of the student population. For much of the student group, there is probably a recognition that housing costs will represent a disproportionately large share of their income while in school. Among renter households age 25 and older, there were 631 households with a cost burden, or approximately 25% of all renters age 25 and older.

Our rental housing survey did find some vacancies in subsidized rental housing, although most of the vacancies were in senior-designated buildings. We also found that some Housing Choice Vouchers, providing rent assistance to tenants, were not being utilized. It would therefore appear that lower income people with a cost burden do have some potential remedies, through the subsidized rental options that exist. Recent changes affecting student eligibility in subsidized housing will probably limit the ability of younger full-time students from using this resource.

While the 2000 Census represents the best information for Brookings County on rental cost burden, the 2006 American Community Survey does provide updated information for the entire State of South Dakota. According to the 2006 estimates, the percentage of households that are paying more than 30% of income for rental housing has increased significantly between 2000 and 2006. In 2000, approximately 29% of all renters paid 30% or more of their income for housing. By 2006, approximately 34% of all renters had a cost burden.

While patterns could be different in Brookings County, the Statewide trends would seem to indicate that more households may now be experiencing a rent burden than in the past.

Ownership Housing

Owner Household Median Income

At the time of the 2000 Census, owner households had a median income level of \$48,949, which was well above the median for all households. The median for owner households was 139% of the overall median income for the County. Applying a similar percentage to the 2007 Claritas estimate of \$42,804, the median income for owner households in 2007 would be approximately \$59,000. This would also be consistent with the Claritas estimate of change between 2000 and 2007, as Claritas estimates that the median level has increased by 20.2% over that time.

At a median income of \$59,000, some different financing assumptions could be used to calculate affordability. For example, if the down payment/closing cost contribution is raised to \$20,000, the purchasing power is approximately \$177,000, and the PITI contribution is nearly 28%. With a calculated affordability level of approximately \$177,000 for existing owner households, the median income level is generally well-matched with prices for existing homes in the area. Our analysis of recent sales activity for existing houses shows that the median sales price for the Cities in Brookings County is \$134,000. The median sales price in the City of Brookings is approximately \$142,000 for existing homes.

A purchase price of \$177,000 would also provide for some new construction options for ownership. Since most new construction is of custom-built homes, there is less available data on pricing. However, our interviews with private market home builders indicate that prices start as low as \$129,000. In the \$150,000 range, there appear to be multiple builders that are active in producing single family detached housing. In the attached single family segment of the market, it is believed that an even lower price-point can be achieved.

Owner Housing Costs and Income

The 2000 Census also provided information on owner housing costs compared to income.

| Percentage of Household Income for Housing Costs | Number of Owner Households 2000 | Percent of All Owner Households 2000 |
|--|---------------------------------|--------------------------------------|
| 0% to 19.9% | 2,674 | 65.9% |
| 20% to 29.9% | 939 | 23.1% |
| 30% to 34.9% | 209 | 5.2% |
| 35% or more | 225 | 5.5% |
| Not Computed | 11 | 0.3% |
| Total | 4,058 | 100% |

Source: 2000 Census

Most owner-occupants, which would include households both with and without a mortgage, reported paying less than 30% of their income for housing. In fact, nearly 66% of all owner households reported that they actually paid less than 20% of income for ownership housing costs. Reduced to a median calculation, the median percentage of household income that was applied to ownership costs in Brookings County was 16.6% in Brookings County at the time of the 2000 Census. For comparison purposes, we also examined the median percentage in Sioux Falls and in all of South Dakota. According to the 2000 Census, the median percentage of household income applied to ownership in Sioux Falls was 17.7%, slightly higher than in Brookings County. Statewide, the median percentage was 16.6%, identical to Brookings County.

The Census also provides the same information just for people that have a mortgage. As would be expected, this group was applying a higher percentage of income for home ownership. In Brookings County in 2000, the median percentage of household income applied to ownership costs was 19.2%. In Sioux Falls in 2000, the median percentage was 20.1%, and Statewide, the median was 19.7%.

While no updated information exists for Brookings County, the American Community Survey does provide 2006 estimates for Sioux Falls and the State. In Sioux Falls, the percentage of income applied to ownership housing costs increased to 21.7% for households with a mortgage. For South Dakota, the median percentage increased to 22.2% for households with a mortgage. Since Brookings County was below both the Sioux Falls and the Statewide rate in 2000, it is reasonable to assume that the median percentage of income applied in 2006 was between 20.5% and 21%.

Comparison with the larger region shows that South Dakota has relatively low ownership housing costs compared to income. The following percentages are for owner households with a mortgage. In the five State Region, Minnesota had the highest percentage of income devoted to ownership costs, at 24.4%. Nebraska was also higher than the rate in South Dakota, at 22.4%. Iowa and North Dakota both had a lower median percentage, at 21.6% and 21.0%, respectively, according to the 2006 American Community Survey. Nationwide, the median percentage was 24.9% of income for ownership housing costs in 2006.

Although the large majority of home owners in Brookings County do not appear to have a housing cost burden, nearly 11% of all home owners reported that they did pay 30% or more of their income for housing at the time of the 2000 Census.

The distribution of households with a cost burden was through all of the age ranges. There were 75 households in the age groups 34 and younger with a reported cost burden. There were also 109 senior citizen households, age 65 and older that reported paying more than 30% of income for ownership housing. The remaining 250 households were in the age groups between 35 and 64 years old.

While housing cost burdens were present in all age groups, there were some age ranges where the likelihood was much greater, in percentage terms. For example, the greatest cost burden was reported by younger home owners, under age 35, where 13.3% reported paying a

disproportionate share of income for housing, while fewer than 10% of households in the 35 to 64 year old range reported a cost burden. Among senior citizens, nearly 12% of households reported a cost burden.

Approximately 65% of the 464 households with an ownership cost burden reported an annual household income less than \$35,000. Since most home ownership transactions involve mortgage financing, which includes an analysis of ability to pay, it is not clear why some home owners report paying a disproportionate percentage of their income for housing. The most likely explanation involves owners who have had an income reduction after purchasing their home. Another possible explanation is related to voluntarily paying more than 30% of income, through home improvement financing and home equity loans.

Although there are some area households with a housing cost burden, there are very few programs or options available to address this situation. In the most severe cases, it is probable that the owner may be forced to sell their home and look for a more affordable option. With home price escalation in Brookings County, people selling their homes may be able to take a profit from the sale to help them secure more affordable, replacement housing.

While no updated information exists for Brookings County since 2000, the gradual rise in percentage of income applied to ownership housing Statewide, as reported in the 2006 American Community Survey, would imply that the number households with a housing cost burden may have increased slightly in recent years.

Trends in Foreclosure

In 2007, many national reports have surfaced about the growing threat of home foreclosures. Often linked to the popularity of adjustable rate mortgages and the expansion of sub-prime mortgage lending, fears of a foreclosure crisis exist in some housing markets.

While tracking current foreclosures is relatively easy, predicting future foreclosure activity is difficult. Delinquent borrowers have a number of different procedure steps that must be met before actual foreclosure occurs. Our research indicates that current foreclosure activity in Brookings County is very limited, but we cannot predict the future foreclosures that may occur.

According to the County Sheriff's Office, there are 13 closed or pending foreclosure "Sheriff's Sales" in calendar year 2007. This compares to five Sheriff's Sales in 2006, and 10 Sheriff's Sales in 2005. While the percentage change between 2006 and 2007 is quite large, in hard numbers the level of home foreclosures is small.

Income Projections

Claritas, Inc., has produced household income projections to the year 2012. As noted previously, Claritas takes an overly conservative view of the growth potential in and around Brookings. The income projections for 2012 are based on a projected household level of 10,472. We believe that the actual household count in Brookings County by the year 2012 will be greater than 12,100 total households. Recognizing that the actual household numbers from Claritas are much too low, we have focused on the percentage distributions for various income ranges, along with use of the projected median income level.

Claritas projects that the median household income for Brookings County will be \$47,430 in the year 2012. This would represent an increase of 10.8% in the median level when compared to the 2007 estimate. Based on the past information on income by tenure, the estimated median for renter households in 2012 would be approximately \$27,500, and the median income for owner households would be approximately \$65,500.

The distribution of households by income range for 2012 is provided in the following table. The estimated distribution of households in 2007 is provided for comparison.

| Table 16 Brookings County Median Household Income Projection - 2007 to 2012 | | |
|--|--------------------------------------|--------------------------------------|
| Income | Percentage of Households 2007 | Percentage of Households 2012 |
| Less than \$10,000 | 9.0% | 8.1% |
| \$10,000 - \$14,999 | 6.4% | 5.4% |
| \$15,000 - \$19,999 | 7.1% | 6.2% |
| \$20,000 - \$24,999 | 6.3% | 6.0% |
| \$25,000 - \$29,999 | 6.0% | 5.6% |
| \$30,000 - \$34,999 | 6.4% | 5.5% |
| \$35,000 - \$39,999 | 5.9% | 5.7% |
| \$40,000 - \$44,999 | 5.3% | 5.3% |
| \$45,000 - \$49,999 | 5.2% | 4.8% |
| \$50,000 - \$59,999 | 10.5% | 9.5% |
| \$60,000 - \$74,999 | 10.6% | 11.6% |
| \$75,000 - \$99,999 | 10.5% | 11.6% |
| \$100,000 - \$124,999 | 5.8% | 7.1% |
| \$125,000 - \$149,999 | 1.9% | 3.6% |
| \$150,000 - \$199,999 | 1.4% | 2.0% |
| \$200,000+ | 1.7% | 2.3% |
| Total | 100% | 100% |

Source: Claritas, Inc.

The projections for 2012 show a gradual improvement in incomes in the County. Overall, there should be a reduction in the number of households earning less than \$60,000 per year, and an increase in the percentage of households earning \$60,000 or more. The projections show particularly strong growth among households earning \$100,000 or more per year.

The continued improvement in incomes will result in greater buying power for housing. However, there is no comparative projection data on construction costs or mortgage interest rates. With projections showing that the median income will increase by 10.2%, it is very possible that construction costs could increase by that percentage, or more, over a five-year time period. As a result, housing affordability may not improve significantly for most households.

It is also important to note that many households will still have very limited income for housing. While the percentage of households with lower incomes will decrease, there will still be almost

3,300 households in Brookings County in 2012 with annual household incomes below \$30,000. With the actual household level expected to exceed the total projected by Claritas, it is reasonable to assume that between 3,300 and 3,800 households will be able to apply less than \$750 per month toward housing expenses in the year 2012.

Projected Median Income by Age

The Claritas income projections to 2012 also provide a forecast of the median household income by age group. In the following table, we have displayed the projected median, along with the monthly amount that could be applied to housing costs using 30% of the median income.

| Table 17 Brookings County Median Household Income Projection by Age - 2012 | | |
|---|--------------------------------|--------------------------------------|
| Age Range | Projected Median Income - 2012 | Monthly Amount Available for Housing |
| 15 to 24 | \$22,314 | \$558 |
| 25 to 34 | \$45,769 | \$1,144 |
| 35 to 44 | \$66,332 | \$1,658 |
| 45 to 54 | \$68,103 | \$1,703 |
| 55 to 59 | \$65,513 | \$1,638 |
| 60 to 64 | \$64,407 | \$1,610 |
| 65 to 69 | \$49,712 | \$1,243 |
| 70 to 74 | \$46,875 | \$1,172 |
| 75 to 79 | \$36,190 | \$905 |
| 80 to 84 | \$28,897 | \$722 |
| 85 and older | \$26,759 | \$669 |

Source: Claritas, Inc.

As would be expected, incomes for younger households and older senior households are projected to be relatively low. Incomes for households in the age groups between 35 and 64 years old are projected to be relatively high. Senior citizen households see a drop in income at age 65, due to retirement, but this group probably has significant asset accumulation.

The amount that can be applied to housing costs, representing 30% of monthly median income, would be available for rent, or for PITI payments for home owners.

Existing Housing Inventory

| Table 18 Owner-Occupied Housing Units by Year Built - Brookings | | | | | | |
|--|-----------|-----------|-----------|-----------|------------|-------------|
| 1939 and Earlier | 1940-1959 | 1960-1969 | 1970-1979 | 1980-1989 | 1990-2000* | 2000-2007** |
| 637 | 690 | 393 | 650 | 328 | 520 | 666 |

Source: 2000 Census; City Building Permits

* The Census reported units constructed through March of 2000. Because of weather conditions, it is assumed that permits for housing that was occupied in March/April 2000 would have been issued in 1999.

** 2007 permit issuance is through June.

- ▶ At the time of the 2000 Census, approximately 20% of the City's owner-occupied housing units were identified as pre-1940 built housing. Approximately 41% of the City's owner-occupied units were pre-1960 construction. These are relatively low percentages for older housing. Brookings has had a rapid rate of growth in recent decades. As a result, much of the City's owner-occupancy housing is relatively new.
- ▶ Estimating the tenure of housing units constructed since 2000 is based on the intended use of the structure. In the table above, we have assumed that all twin homes are owner-occupied, and all duplexes are renter-occupied.

| Table 19 Renter-Occupied Housing Units by Year Built - Brookings | | | | | | |
|---|-----------|-----------|-----------|-----------|------------|-------------|
| 1939 and Earlier | 1940-1959 | 1960-1969 | 1970-1979 | 1980-1989 | 1990-2000* | 2000-2007** |
| 328 | 376 | 453 | 901 | 709 | 978 | 285 |

Source: 2000 Census; City Building Permits

* The Census reported units constructed through March of 2000. Because of weather conditions, it is assumed that permits for housing that was occupied in March/April 2000 would have been issued in 1999.

** 2007 permit issuance is through June.

- ▶ At the time of the 2000 Census, most of the rental stock was also newer housing. The Census identified fewer than 9% of occupied rental units as pre-1940 built housing, and fewer than 19% of units as pre-1960 construction.
- ▶ Starting in the 1970s, a significant amount of rental housing construction occurred in Brookings. In the 1970s, and again in the 1990s, Brookings averaged more than 90 new construction rental units per year.
- ▶ According to Census records, construction of rental housing units in Brookings has exceeded construction of owner-occupancy housing since 1960. Between 1960 and 2000, there were 1,891 owner-occupancy and 3,041 renter-occupancy units constructed. However, since 2000, the level of owner-occupancy construction has greatly exceeded rental housing construction in the City.

| Table 20 Brookings Occupied Housing Units by Number of Units in Structure | | | | | | |
|--|------------------------|-------------------------|-------------------------|------------------------|-------------------------|-----------------------------|
| | Owner-Occupied 2000 | Renter-Occupied 2000 | Vacant Units 2000 | Total Units 2000 | New Units 2000-2007* | Estimated Total 2007* |
| 1 Unit Detached | 2,647 | 529 | 105 | 3,281 | 582 | 3,863 |
| 1 Unit Attached | 112 | 88 | 0 | 200 | 84 | 284 |
| 2 Units | 34 | 191 | 24 | 249 | 86 | 335 |
| 3-4 Units | 21 | 278 | 25 | 324 | 0 | 324 |
| 5+ Units | 36 | 2,382 | 196 | 2,614 | 199 | 2,813 |
| Mobile Home | 368 | 277 | 58 | 703 | 113 | 816 |
| Total | 3,218 | 3,745 | 408 | 7,371 | 1,064 | 8,435 |

Source: U.S. Census; Building Permits

- ▶ Brookings has had continued construction activity of new housing since 2000. Based on building permits, we believe that 951 new units have been constructed between 2000 and June 2007. A more detailed breakdown of these new units is provided on the following page.
- ▶ Brookings has a large inventory of mobile home units. At the time of the 2000 Census, mobile homes represented 9.5% of all housing units in the City. There is no information available on mobile homes that have been added since 2000, but a visual inventory of the parks resulted in a total count of 816 mobile homes in Brookings. This would seem to indicate that 113 units have been added since the Census.
- ▶ The table above does not reflect demolition activity. Since 2000, some older housing units have been demolished in Brookings. Some of the new housing constructed since 2000 may have replaced older housing units, and would therefore not reflect a net gain in total units.

Housing Construction Activity

| Table 21 Housing Unit Construction Activity - 2000 to 2007* | | | | | | | | | |
|---|------|------|------|------|------|------|------|-------|-------|
| Housing Type | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007* | Total |
| Single Family Detached | 40 | 56 | 77 | 50 | 102 | 104 | 106 | 47 | 582 |
| Single Family Attached | 0 | 0 | 0 | 0 | 14 | 28 | 30 | 12 | 84 |
| Duplex | 6 | 6 | 24 | 18 | 14 | 4 | 4 | 10 | 86 |
| Multifamily Rental | 24 | 0 | 28 | 50 | 8 | 56 | 0 | 33 | 199 |
| Total | 70 | 62 | 129 | 118 | 138 | 192 | 140 | 102 | 951 |

Source: City Building Permit Reports; U.S. Census Bureau; Community Partners Research, Inc.

* Partial Year

- ▶ For building permit reports we had access to both detailed City records and summary reports from the U.S. Census Bureau. Although these reports were largely similar, there were a few discrepancies in unit reporting. In the table above, we have utilized the City records on building permit issuance to estimate annual housing unit construction.
- ▶ From 2000 through June 2007, Brookings has issued permits for 951 total housing units through new construction. Some of the units that were issued permits in late 2006 or 2007 may still be under construction and not yet ready for occupancy.
- ▶ Single family detached housing represents 582 units, or approximately 61% of total construction activity. Annual production of single family housing has ranged from a low of 40 units in 2000, to a high of 106 units in 2006. The City has averaged 76 new single family detached houses per year between 2000 and 2006, the last full year of data. Through June of 2007, permits had been issued for 47 detached single family houses, and current-year production appears to be consistent with recent trends.
- ▶ There may be some reporting inconsistencies for single family attached housing units. Between 2000 and 2003, there were no permits issued for town house or twin home units for owner-occupancy. Since 2004, permits have been issued for 84 units of attached single family housing, all of the units in twin home configurations. All of these units were constructed for owner-occupancy, although some could be vacant or occupied by renters.
- ▶ The combination of detached and attached single family units has generated an average of 87 new units per year between 2000 and 2006.
- ▶ City building permit records also show considerable activity in the construction of duplex units. Under the current definition, duplexes cannot be split into two individually owned

housing units. Since a duplex has a single owner, it can be assumed that at least one, and possibly both units are used as rental housing. Between 2000 and June 2007, there have been 86 units constructed in 43 duplexes. While it is possible that 43 of the units could be owner-occupied, we have assumed that the large majority of the duplex units are for renter-occupancy.

- ▶ Multifamily housing construction has occurred in Brookings. Since 2000, permits have been issued for at least 199 units. Larger rental projects constructed in Brookings since 2000 include Mills Ridge (36 units), Mills Senior Project (25 units), one phase of Southland Court (12 units), three projects by Den-Wil, Inc., (32 units), two phases of Heron Cove (44 units), one phase of Eastcrest Townhomes (8 units), and 18 units added through a conversion project at the 1921 Building. Some specialized senior rental housing has also been constructed, including Stoney Brook Suites Assisted Living (38 units), and Brookhaven Estates (24 senior congregate units).
- ▶ The rental projects identified in the paragraph above exceed the unit total generated from City building permit reports. This would indicate that some of the projects may have been permitted through a different system. For example, some of the senior with services projects may have been permitted as commercial, rather than residential projects.
- ▶ While most of the area new construction activity is located in Brookings, there has also been some new housing activity in the smaller surrounding communities. The City of Volga has had both rental and single family construction activity. Arlington has added new subdivisions and has added single family homes. Other communities, such as Elkton, have added a smaller number of new units. On the following pages we have presented information on the housing inventory in each of the small communities, along with construction activity since 2000.
- ▶ Construction has also been occurring in some of the rural Townships in Brookings County, including within the 3-mile planning jurisdiction that surrounds Brookings. The actual level of construction in the smaller jurisdictions was difficult to assess due to the lack of available building permit data.

Small Cities Existing Housing Inventory

| Table 22 Arlington Occupied Housing Units by Number of Units in Structure | | | | | | |
|--|------------------------|-------------------------|-------------------------|------------------------|-------------------------|-----------------------------|
| | Owner-Occupied 2000 | Renter-Occupied 2000 | Vacant Units 2000 | Total Units 2000 | New Units 2000-2007* | Estimated Total 2007* |
| 1 Unit Detached | 271 | 51 | 14 | 336 | 26 | 362 |
| 1 Unit Attached | 4 | 2 | 0 | 6 | 0 | 6 |
| 2 Units | 0 | 0 | 8 | 8 | 0 | 8 |
| 3-4 Units | 0 | 32 | 1 | 33 | 8 | 41 |
| 5+ Units | 2 | 38 | 24 | 64 | 0 | 64 |
| Mobile Home | 19 | 6 | 3 | 28 | N/A | 28 |
| Total | 296 | 129 | 50 | 475 | 34 | 509 |

Source: U.S. Census; City Building Permit Reports

- ▶ At the time of the 2000 Census, 69.6% of the City's households were owner-occupants. The 2000 Census did report a large number of vacant units in the City, including 24 vacancies in larger, multifamily buildings.
- ▶ Arlington has experienced ongoing construction of single family houses since 2000. According to City records, 26 single family detached houses have been built. New subdivisions have been created in the community in recent years to accommodate housing growth, including the Dakota Sunset Addition which has single family lots available.
- ▶ Arlington also has had some multifamily development, with eight units constructed since 2000. In 2007, an existing structure was moved into the City and was being converted into six units of rental housing.

| Table 23 Aurora Occupied Housing Units by Number of Units in Structure | | | | | | |
|---|------------------------|-------------------------|-------------------------|------------------------|-------------------------|-----------------------------|
| | Owner-Occupied 2000 | Renter-Occupied 2000 | Vacant Units 2000 | Total Units 2000 | New Units 2000-2007* | Estimated Total 2007* |
| 1 Unit Detached | 133 | 13 | 1 | 147 | 6 | 153 |
| 1 Unit Attached | 0 | 3 | 0 | 3 | 0 | 3 |
| 2 Units | 0 | 6 | 0 | 6 | 0 | 6 |
| 3-4 Units | 0 | 3 | 0 | 3 | 0 | 3 |
| 5+ Units | 0 | 34 | 12 | 46 | 0 | 46 |
| Mobile Home | 13 | 0 | 3 | 16 | N/A | 16 |
| Total | 146 | 59 | 16 | 221 | 6 | 227 |

Source: U.S. Census; Census Building Permit Reports

- ▶ Aurora has had some new housing construction in recent years. Between 2000 and July 2007, building permits were issued for six new single family homes. Some of these houses had very low permit values, under \$50,000, and may be some form of manufactured or modular housing.
- ▶ At the time of the 2000 Census, 71.2% of the City's households owned their housing. A number of vacant rental units were reported, in larger, multifamily structures. Our rental survey in 2007 found 12 vacant units in the Dakota Village rental project.

| Table 24 Bruce Occupied Housing Units by Number of Units in Structure | | | | | | |
|--|------------------------|-------------------------|-------------------------|------------------------|-------------------------|-----------------------------|
| | Owner-Occupied 2000 | Renter-Occupied 2000 | Vacant Units 2000 | Total Units 2000 | New Units 2000-2007* | Estimated Total 2007* |
| 1 Unit Detached | 68 | 3 | 0 | 71 | N/A | 71 |
| 1 Unit Attached | 0 | 0 | 0 | 0 | N/A | 0 |
| 2 Units | 0 | 0 | 0 | 0 | N/A | 0 |
| 3-4 Units | 0 | 0 | 0 | 0 | N/A | 0 |
| 5+ Units | 0 | 6 | 8 | 14 | N/A | 14 |
| Mobile Home | 20 | 4 | 0 | 24 | N/A | 24 |
| Total | 88 | 13 | 8 | 109 | N/A | 109 |

Source: U.S. Census; Building Permits

- ▶ At the time of the 2000 Census, Bruce was primarily an owner-occupancy community. Only 13% of households renter their housing.
- ▶ Attempts to gain building permit information from the City of Bruce were unsuccessful.

| Table 25 Bushnell Occupied Housing Units by Number of Units in Structure | | | | | | |
|---|------------------------|-------------------------|-------------------------|------------------------|-------------------------|-----------------------------|
| | Owner-Occupied 2000 | Renter-Occupied 2000 | Vacant Units 2000 | Total Units 2000 | New Units 2000-2007* | Estimated Total 2007* |
| 1 Unit Detached | 14 | 6 | 1 | 21 | 0 | 21 |
| 1 Unit Attached | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 Units | 0 | 0 | 0 | 0 | 0 | 0 |
| 3-4 Units | 0 | 0 | 0 | 0 | 0 | 0 |
| 5+ Units | 0 | 0 | 0 | 0 | 0 | 0 |
| Mobile Home | 4 | 3 | 0 | 7 | 0 | 7 |
| Total | 18 | 9 | 1 | 28 | 0 | 28 |

Source: U.S. Census; City Staff

- ▶ At the time of the 2000 Census, 66.7% of the households in Bushnell owned their unit, and 33.3% rented their housing.
- ▶ According to City staff, there have been no changes to the City's housing unit inventory since 2000.

| Table 26 Elkton Occupied Housing Units by Number of Units in Structure | | | | | | |
|---|------------------------|-------------------------|-------------------------|------------------------|-------------------------|-----------------------------|
| | Owner-Occupied 2000 | Renter-Occupied 2000 | Vacant Units 2000 | Total Units 2000 | New Units 2000-2007* | Estimated Total 2007* |
| 1 Unit Detached | 192 | 36 | 12 | 240 | 10 | 250 |
| 1 Unit Attached | 2 | 0 | 0 | 2 | 0 | 2 |
| 2 Units | 0 | 5 | 0 | 5 | 0 | 5 |
| 3-4 Units | 0 | 15 | 0 | 15 | 0 | 15 |
| 5+ Units | 0 | 7 | 5 | 12 | 0 | 12 |
| Mobile Home | 8 | 6 | 0 | 14 | 0 | 14 |
| Total | 202 | 69 | 17 | 288 | 10 | 298 |

Source: U.S. Census; City Building Permits

- ▶ At the time of the 2000 Census, the rate of owner-occupancy in Elkton was relatively high, at 74.5%. This may have been due in part to a high rate of rental vacancy that appear to exist in the community, and persists into 2007.
- ▶ Between 2000 and 2007, there have been 19 single family homes added to the City of Elkton, according to City staff. However, during the same period, there were nine houses

demolished, resulting in a net gain of only 10 units. City records indicate that many of the houses were moved in. While this probably implies that the houses were modular construction, or manufactured homes, it is also possible that some were older homes that were relocated into the community.

| Table 27 Estelline Occupied Housing Units by Number of Units in Structure | | | | | | |
|--|------------------------|-------------------------|-------------------------|------------------------|-------------------------|-----------------------------|
| | Owner-Occupied 2000 | Renter-Occupied 2000 | Vacant Units 2000 | Total Units 2000 | New Units 2000-2007* | Estimated Total 2007* |
| 1 Unit Detached | 229 | 35 | 6 | 270 | 13 | 283 |
| 1 Unit Attached | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 Units | 0 | 2 | 0 | 2 | 0 | 2 |
| 3-4 Units | 0 | 7 | 2 | 9 | 4 | 13 |
| 5+ Units | 0 | 14 | 2 | 16 | 0 | 16 |
| Mobile Home | 13 | 2 | 0 | 15 | N/A | 15 |
| Total | 242 | 60 | 10 | 312 | 17 | 329 |

Source: U.S. Census; Building Permits

- ▶ At the time of the 2000 Census, the rate of owner-occupancy in Estelline was high, at 80.1%. Most of the vacant units recorded by the Census were in single family houses.
- ▶ Between 2000 and 2007, there have been 13 single family homes constructed in the City. However, most of these were constructed in the early part of the decade. Since 2004, only three new houses have been built. A four-unit rental project was also constructed in 2000.

| Table 28 Sinai Occupied Housing Units by Number of Units in Structure | | | | | | |
|--|------------------------|-------------------------|-------------------------|------------------------|-------------------------|-----------------------------|
| | Owner-Occupied 2000 | Renter-Occupied 2000 | Vacant Units 2000 | Total Units 2000 | New Units 2000-2007* | Estimated Total 2007* |
| 1 Unit Detached | 36 | 17 | 9 | 62 | N/A | 62 |
| 1 Unit Attached | 0 | 0 | 0 | 0 | N/A | 0 |
| 2 Units | 0 | 0 | 0 | 0 | N/A | 0 |
| 3-4 Units | 0 | 0 | 0 | 0 | N/A | 0 |
| 5+ Units | 0 | 0 | 0 | 0 | N/A | 0 |
| Mobile Home | 2 | 0 | 0 | 2 | N/A | 2 |
| Total | 38 | 17 | 9 | 64 | N/A | 64 |

Source: U.S. Census; Building Permits

- ▶ At the time of the 2000 Census, Sinai had only 55 occupied housing units.
- ▶ Attempts to gain building permit information from the City of Sinai were unsuccessful.

| Table 29 Volga Occupied Housing Units by Number of Units in Structure | | | | | | |
|--|------------------------|-------------------------|-------------------------|------------------------|-------------------------|-----------------------------|
| | Owner-Occupied 2000 | Renter-Occupied 2000 | Vacant Units 2000 | Total Units 2000 | New Units 2000-2007* | Estimated Total 2007* |
| 1 Unit Detached | 373 | 37 | 18 | 428 | 64 | 492 |
| 1 Unit Attached | 6 | 13 | 7 | 26 | 0 | 26 |
| 2 Units | 0 | 7 | 0 | 7 | 0 | 7 |
| 3-4 Units | 4 | 17 | 0 | 21 | 20 | 41 |
| 5+ Units | 2 | 44 | 0 | 46 | 44 | 90 |
| Mobile Home | 69 | 5 | 0 | 74 | N/A | 74 |
| Total | 454 | 123 | 25 | 602 | 128 | 730 |

Source: U.S. Census; Building Permits

- ▶ At the time of the 2000 Census, 78.7% of Volga's households were owner-occupants. Although Volga had the second largest inventory of rental housing of the Cities in Brookings County, it is still had an above-average ownership tenure rate.
- ▶ Since 2000, new rental housing unit construction has been occurring at an equal pace with owner-occupancy housing, as Volga is viewed as a reasonable alternative to Brookings for new rental development, given the easy commute for students and workers.

- ▶ Volga has also had strong single family housing production since 2000. However, this has been due to very strong production in 2006, when 21 single family homes were built. Excluding 2006, the City has averaged between six and seven single family housing starts in the other years since 2000. Through August of 2007, the City had issued building permits for seven single family homes.

| Table 30 White Occupied Housing Units by Number of Units in Structure | | | | | | |
|--|---------------------|----------------------|-------------------|------------------|----------------------|-----------------------|
| | Owner-Occupied 2000 | Renter-Occupied 2000 | Vacant Units 2000 | Total Units 2000 | New Units 2000-2007* | Estimated Total 2007* |
| 1 Unit Detached | 141 | 23 | 10 | 174 | 10 | 184 |
| 1 Unit Attached | 0 | 1 | 2 | 3 | 0 | 3 |
| 2 Units | 0 | 0 | 0 | 0 | 0 | 0 |
| 3-4 Units | 0 | 0 | 0 | 0 | 0 | 0 |
| 5+ Units | 0 | 22 | 3 | 25 | 0 | 25 |
| Mobile Home | 16 | 2 | 0 | 18 | 1 | 19 |
| Total | 157 | 48 | 15 | 220 | 11 | 231 |

Source: U.S. Census; City Building Permit Reports

- ▶ There has been ongoing housing activity in White since 2000. According to City records, as many as 18 housing units have been added to the City. However, many of these units replaced an older house or mobile home that was removed, so a net gain of 11 units appears to have occurred.
- ▶ Many of the newer housing units were constructed off-site and moved into the community. These include Governor's Houses and double-wide manufactured housing.

Existing Home Sales

This section examines houses that have been sold within a recent time period. The information is from the Brookings County Board of Equalization's residential sales records. The sales period reviewed starts in late June 2006 and extends to late April 2007.

This data primarily looks at the sales of existing homes. The information maintained by the County is based on the comparison of taxable valuation to actual sales price. Since newly constructed houses did not have a prior value, they are not included in the sales analysis.

It is important to note that annual house sales may not be a completely accurate indicator of overall home values. However, this sample does provide some insight into those units that are turning over in the City. The sales sample only includes sales judged to be "good" sales by Brookings County. This would exclude sales that were for less than fair market value, such as distress sales, foreclosures, transfers between relatives, and similar transactions.

| Table 31 Median Value of Recent Residential Sales | | |
|--|-----------------|--------------|
| City of Brookings | Number of Sales | Median Price |
| Single Family Houses | 196 | \$142,000 |

Source: Brookings County; Community Partners Research, Inc.

- ▶ For the time period reviewed there were 196 sales of single family houses in Brookings that appeared to be fair market transactions. The median sales price for single family homes was \$142,000.
- ▶ The highest valued single family home sale in Brookings was for \$507,000. The second highest price sale was for \$457,979.
- ▶ There were only nine residential sales for less than \$70,000. These lower valued sales were all constructed in 1955 or earlier. The lowest value sale was for \$34,400. This house was constructed in 1950, but had only 480 square feet of living space.
- ▶ The median year of construction for all homes in the sales sample was 1970.
- ▶ The median for livable square footage in the sample was 1,299 square feet.

| Table 32 Brookings Home Sales by Price Range | | |
|---|------------|-------------|
| Sale Price | Number | Percent |
| Less than \$70,000 | 9 | 4.6% |
| \$70,000-\$89,999 | 15 | 7.7% |
| \$90,000 - \$109,999 | 17 | 8.7% |
| \$110,000 - \$129,999 | 29 | 14.8% |
| \$130,000 - \$149,999 | 35 | 17.9% |
| \$150,000 - \$169,999 | 16 | 8.2% |
| \$170,000 - \$199,999 | 24 | 12.2% |
| \$200,000 - \$249,000 | 27 | 13.8% |
| \$250,000 - \$299,999 | 17 | 8.7% |
| \$300,000+ | 7 | 3.6% |
| Total | 196 | 100% |

Source: Brookings County; Community Partners Research, Inc.

- ▶ While there were some sales in each of the defined price ranges, there were only a limited number of lower valued sales. Overall, only 21% of single family sales were for less than \$110,000.
- ▶ In the Housing Affordability and Income section of this Study, we had converted information on the median income level into housing price purchasing ability. At the County's 2007 median household income level, the purchasing power for home ownership is approximately \$125,000. Approximately 35% of recent sales of existing homes in Brookings were at or below this level.
- ▶ There was a significant amount of sales activity in the higher price ranges. Approximately 26% of all single family house sales were for \$200,000 or more.

Neighboring Communities

The sales data obtained from Brookings County also had information on the smaller Cities in the County. In most of the communities, only a few sales had been made. In some communities there were no sales in the time period reviewed.

| Table 33 Median Value of Recent Residential Sales | | |
|--|-----------------|--------------|
| | Number of Sales | Median Price |
| Aurora | 4 | \$113,000 |
| Bruce | 5 | \$16,000 |
| Elkton | 15 | \$77,900 |
| Volga | 13 | \$116,500 |
| White | 12 | \$34,500 |

Source: Brookings County; Community Partners Research, Inc.

- ▶ Sales prices varied widely for the small Cities in Brookings County. The two communities located closest to Brookings, Aurora and Volga, had substantially higher median sales prices than the communities that are farther removed.
- ▶ Since the sample of sales was very small in these Cities, it is possible that the median does not reflect true values within the community.

Housing Condition

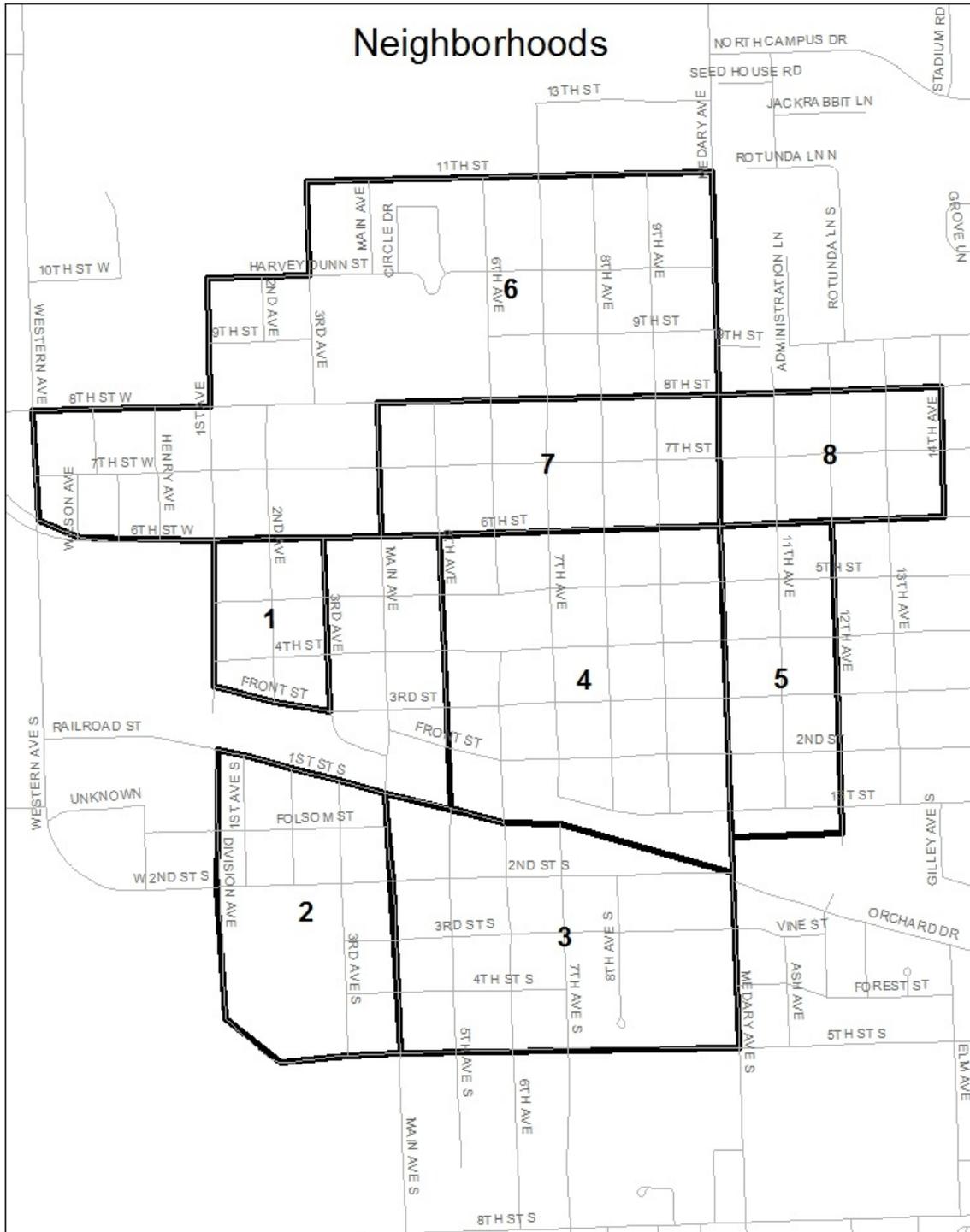
Community Partners Research, Inc. representatives conducted a visual ‘windshield’ survey of single family style houses in eight older neighborhoods in Brookings. The neighborhood boundaries are as follows:

- Neighborhood #1* - 6th St. S. (north), Front St. (south), 3rd Ave. (east), 1st Ave. (west)
- Neighborhood #2* - 1st St. S. (north), 5th St. S. (south), Main Ave. (east), Division Ave. (west)
- Neighborhood #3* - RR tracks (north), 5th St. S. (south), Medary Ave. (east), Main Ave. (west)
- Neighborhood #4* - 6th St. (north), RR Tracks (south), Medary Ave. (east), 5th Ave. S. (west)
- Neighborhood #5* - 6th St. S. (north), 1st St. S. (south), 12th Ave. S. (east), Medary Ave. (west)
- Neighborhood #6* - 11th St. (north), 6th St. and 8th St. (south), Main Ave. and Medary Ave. (east), Western Ave., 1st Ave. and 3rd Ave. (west)
- Neighborhood #7* - 8th St. (north), 6th St. (south), Medary Ave. (east), Main Ave. (west)
- Neighborhood #8* - 8th St. (north), 6th St. (south), 14th Ave. (east), Medary Ave. (west)

Houses that appeared to contain more than three units were excluded from the survey. The visual survey analyzed only the physical condition of the visible exterior of each structure.

Houses were rated in one of four levels of physical condition. Exterior condition is assumed to be a reasonable indicator of the structure’s interior quality. Dilapidated houses are generally considered beyond repair. Major Repair houses need 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.

A map showing neighborhood boundaries is provided on the following page.



| Table 34 Windshield Survey Condition Estimate - 2007 | | | | | |
|---|-------------|--------------|--------------|-------------|-------|
| | Sound | Minor Repair | Major Repair | Dilapidated | Total |
| Neighborhood #1 | 18 (35.3%) | 22 (43.1%) | 11 (21.6%) | 0 (0%) | 51 |
| Neighborhood #2 | 6 (12%) | 10 (20%) | 23 (6%) | 11 (22%) | 50 |
| Neighborhood #3 | 42 (33.3%) | 44 (34.9%) | 37 (29.4%) | 3 (2.4%) | 126 |
| Neighborhood #4 | 95 (39.6%) | 82 (34.2%) | 62 (25.8%) | 1 (0.4%) | 240 |
| Neighborhood #5 | 80 (48.8%) | 60 (36.6%) | 24 (14.6%) | 0 (0%) | 164 |
| Neighborhood #6 | 58 (29.8%) | 73 (37.4%) | 55 (28.2%) | 9 (4.6%) | 195 |
| Neighborhood #7 | 159 (50.2%) | 114 (36%) | 42 (13.2%) | 2 (0.6%) | 317 |
| Neighborhood #8 | 25 (22.9%) | 47 (43.1%) | 36 (33.0%) | 1 (0.9%) | 109 |
| Total | 483 (38.6%) | 452 (36.1%) | 290 (23.2%) | 27 (2.1%) | 1,252 |

Source: Community Partners Research, Inc.

- ▶ Housing conditions varied widely in the City's older neighborhoods. The percentage of houses rated as Sound ranged from a high of 50.2% in neighborhood #7, to a low of only 12% in neighborhood #2.
- ▶ There were four neighborhoods where more than 30% of the houses were rated low, as either Major Repair, or rated as Dilapidated and possibly beyond repair. In neighborhood #2, 68% of the houses received these lower ratings. In neighborhood #8, there were 34% of houses in these lower rating groups, followed by 32.8% of houses in neighborhood #6, and 31.8% of houses in neighborhood #3.
- ▶ In two neighborhoods, more than 85% of houses were rated as Sound or needing only Minor Repair. In neighborhood #7 there were 86.2% of all houses in these higher rating groups. In neighborhood #5, 85.2% of houses were judged to be in good repair.
- ▶ In all of the eight neighborhoods combined, there were 27 houses that were rated as Dilapidated. Given their deteriorated condition, these houses may not be suitable for repair. Eleven of these houses were located in neighborhood #2, and nine were located in neighborhood #6. Each of the other neighborhoods had three or fewer Dilapidated houses.

Mobile Home Condition

Brookings has a large inventory of mobile homes. Community Partners Research, Inc. representatives conducted a visual ‘windshield’ survey of 16 mobile home parks in Brookings. Two parks that are just outside of the City limits, Southbrook Estates and Sheldon’s, have also been included in the table below.

The visual survey analyzed only the physical condition of the visible exterior of each structure. Mobile homes were rated in one of four levels of physical condition. Exterior condition is assumed to be a reasonable indicator of the structure’s interior quality.

Dilapidated units are generally considered beyond repair. Major Repair units need multiple major improvements such as roof, windows, siding, etc. Units in this condition category may or may not be economically feasible to rehabilitate. Minor Repair units are judged to be generally in good condition and require less extensive repair, such as one major improvement. Units in this condition category will generally be good candidates for rehabilitation programs because they are economically feasible to repair. Sound units are judged to be in good, ‘move-in’ condition. Sound units may contain minor code violations and still be considered Sound.

| Table 35 Mobile Home Condition Estimate - 2007 | | | | | |
|---|--------------------|--------------------|--------------------|------------------|------------|
| Mobile Home Parks | Sound | Minor Repair | Major Repair | Dilapidated | Total |
| Westwinds | 1 (3.0%) | 9 (27.3%) | 21 (63.6%) | 2 (6.1%) | 33 |
| Potters, Shady Acres, Parkside | 0 (0%) | 0 (0%) | 2 (7.1%) | 26 (92.9%) | 28 |
| Westview Estates | 31 (75.6%) | 7 (17.1%) | 3 (7.3%) | 0 (0%) | 41 |
| Broadacre | 19 (29.7%) | 30 (46.9%) | 13 (20.3%) | 2 (3.1%) | 64 |
| Lamplighter Village | 12 (15.2%) | 41 (51.9%) | 26 (32.9%) | 0 (0%) | 79 |
| Prairie Ridge Estates | 26 (89.7%) | 3 (10.3%) | 0 (0%) | 0 (0%) | 29 |
| Western Estates II | 0 (0%) | 2 (50.0%) | 2 (50.0%) | 0 (0%) | 4 |
| 1461 6 th Street | 0 (0%) | 0 (0%) | 2 (50.0%) | 2 (50.0%) | 4 |
| Normandy Village | 8 (8.2%) | 41 (41.8%) | 46 (46.9%) | 3 (3.1%) | 98 |
| Hillside | 7 (11.1%) | 18 (28.6%) | 30 (47.6%) | 8 (12.7%) | 63 |
| Meadowlark Villa | 10 (15.9%) | 22 (34.9%) | 31 (49.2%) | 0 (0%) | 63 |
| Western Estates | 94 (70.2%) | 33 (24.6%) | 7 (5.2%) | 0 (0%) | 134 |
| Sunny Meadow Estates | 62 (98.4%) | 1 (1.6%) | 0 (0%) | 0 (0%) | 63 |
| Medary Village | 21 (28.8%) | 28 (38.3%) | 18 (24.7%) | 6 (8.2%) | 73 |
| Colonial Village | 23 (71.9%) | 8 (25.0%) | 1 (3.1%) | 0 (0%) | 32 |
| Southside | 1 (12.5%) | 3 (37.5%) | 4 (50.0%) | 0 (0%) | 8 |
| Brookings Total | 315 (38.6%) | 246 (30.1%) | 206 (25.2%) | 49 (6.0%) | 816 |
| Southbrook Estates | 0 (0%) | 6 (13.1%) | 10 (21.7%) | 30 (65.2%) | 46 |
| Sheldon's | 2 (9.0%) | 10 (45.5%) | 10 (45.5%) | 0 (0%) | 22 |
| Total | 317 (35.9%) | 262 (29.6%) | 226 (25.6%) | 79 (8.9%) | 884 |

Source: Community Partners Research, Inc.

- ▶ There is a wide variation in the unit quality within individual mobile home parks. Some of the parks had mobile homes that were in very good condition. In Westview Estates, Prairie Ridge Estates, Western Estates, Sunny Meadow Estates and Colonial Village, a large majority of homes were rated as either Sound or Minor Repair.

- ▶ In many of the other parks, there were a large percentage of homes rated as either Major Repair or Dilapidated. The parks with more than 50% of mobile homes in poor condition included Westwind's, Potters/Shady Acres/Parkside, 1461 6th Street, Hillside, and Southbrook Estates, which is outside of the City limits.
- ▶ The totals for all 18 parks, including those just outside of the City, show that there are a substantial number of mobile homes that are in relatively poor condition. Overall, there were 226 homes rated in the Major Repair category. There were 79 mobile homes rated as Dilapidated. Since older mobile homes tend to lose value, it may not be economically feasible to consider repairs to these homes that are in poor condition.

Rental Housing

Rental Unit Inventory

U.S. Census Rental Tenure Rate

According to the 2000 U.S. Census, there were 3,733 occupied rental housing units in the City of Brookings. This represents the last official rental tenure estimate that is available. The renter households in 2000 represented 53.6% of all households in the City. For comparison, the Statewide rental tenure rate in the City of Sioux Falls was 38.9% and the rental tenure rate for all of South Dakota was 31.8% in 2000.

U.S. Census Rental Housing Inventory

In addition to the 3,733 total occupied rental housing units in Brookings in 2000, the Census recorded at least 224 vacant rental units. There were a few additional rental units that appear to have been rented, yet unoccupied, but the exact number of these units is not clearly defined. When occupied and vacant rental units are combined, there were at least 3,957 rental housing units in Brookings, or 53.8% of all housing that was in existence at that time.

At the time of the 1990 Census, the City had 2,936 occupied rental units and 209 vacant units, for a total estimated inventory of 3,145 units. Between the 1990 Census and the 2000 Census, the City added 797 renter households and 812 rental units to the total inventory. Between the 1990 Census and the 2000 Census, Brookings added 1,286 total households. Renter households represented 797 of these new households, or 62% of the net increase.

The Census Bureau also provided year of construction information in the 2000 Census. Based on this information, the City of Brookings added 978 new rental units in the 1990s through construction activity, yet had a net gain of only 812 rental units during this time. This information would imply that 166 older rental units were removed from the inventory during this same period.

Student Renter Impact

The extremely high rate of renter occupancy in Brookings is a direct result of the large student population attending South Dakota State University. According to 2000 Census records, there were 1,772 renter households in Brookings that had a head of household age 24 and younger. This primarily represents the student population. In contrast, there were only 115 households in the City with a head of household age 24 and younger that owned their housing unit in 2000.

In the next oldest age range, between 25 and 34 years old, there was also a large number of renter households. The Census recorded 771 renter households in this age group, compared to 497 households that owned their housing. The 25 to 34 year old group would still represent some students, including graduate students, along with younger households that may have left the

University, but who have elected to remain in the community after graduation. In total, renter households age 35 and younger represented 2,543 households, or more than 68% of all renters in Brookings in 2000.

The 1990 Census provides for some comparative data. In 1990, Brookings had 1,145 renter households age 24 and younger. This represented 627 fewer renter households than recorded in 2000 within this youngest age grouping. When renter households age 34 and younger are examined, there were 1,914 total households, or 629 fewer households than in 2000.

Based on Census records, rental demand from households age 25 to 34 years old remained constant during the 1990s, and most of the City's net growth in renter households was caused by an increase of younger renters, age 24 and younger. In total, the City added 797 new renter households during the 1990s, and 629 of these households, or 79%, were in the 24 and younger age group.

Recent Rental Housing Construction

Since the 2000 Census was completed, there has been a limited amount of new multifamily rental construction in Brookings. Our review of building permit issuance indicates that 199 units have been permitted in apartment buildings that would appear to be rental housing.

Larger rental projects constructed in Brookings since 2000 include Mills Ridge (36 units), one phase of Southland Court (12 units), two projects by Den-Wil, Inc., (24 units), two phases of Heron Cove (44 units), one phase of Eastcrest Townhomes (8 units), and 18 units added through a conversion project at the 1921 Building. Some specialized senior rental housing has also been constructed, including Stoney Brook Suites Assisted Living (38 units), and Brookhaven Estates (24 senior congregate units).

The rental projects identified in the paragraph above exceed the unit total generated from City building permit reports. This would indicate that some of the projects may have been permitted through a different system. For example, some of the specialized senior projects may have been permitted as commercial, rather than residential projects.

Rental Housing Registration Program

The City of Brookings has in place a rental housing registration program that requires periodic unit inspections. In May 2007, there were 3,542 registered units in the City.

The registration program unit total is lower than the estimated unit count based on Census and building permit records. However, certain types of units are not required to register with the City, including some of the specialized senior housing projects, such as assisted living or congregate senior housing. These specialized types of housing are instead licensed or registered with the State of South Dakota, and the City does not require a local inspection.

The City Rental Registration records allow for analysis of rental units by structure type. The breakdown of units in May 2007, was as follows:

| | <u>Projects</u> | <u>Total Units</u> |
|--------------------------------|-----------------|--------------------|
| ▶ 1 unit rentals | 389 | 389 |
| ▶ 1 unit in misc. structures | 121 | 121 |
| ▶ 2 units in 2 unit structures | 123 | 246 |
| ▶ 2 units in misc. structures | 11 | 22 |
| ▶ 3 and 4 unit structures | 65 | 218 |
| ▶ 5 to 7 unit structures | 30 | 183 |
| ▶ 8 to 19 unit structures | 53 | 595 |
| ▶ 20 or more unit structures | <u>53</u> | <u>1,768</u> |
| | 845 | 3,540 |

Pending Rental Projects

Our research identified two rental housing developments that are under construction in 2007.

Den-Wil, Inc., which has constructed 24 units in recent years in the Countryside Villa project, has started construction of eight units on a multifamily parcel close to their Countryside Villa and Countryside Estates projects. All eight units will be three-bedrooms with two bathrooms, similar to the Countryside Villa project. Target rents are approximately \$1,000 plus tenant-paid utilities. This new project is expected to primarily appeal to students. At the time of our rental survey, all of the units in the Countryside Villa project were being rented by students. The eight units that are under construction are expected to be available for occupancy in early 2008. They represent the first phase of construction for a site that could eventually accommodate as many as 90 to 96 rental housing units.

A second project that is being constructed is a 25-unit rental project for senior occupancy. This project is by Mills Property Management. In recent years, this company has developed two phases of the Heron Cove project and the Mills Ridge apartments. It is expected that the new project will be similar to the Mills Ridge Apartments, with higher-priced, high amenity market rate rental units.

Rental Housing Survey

As part of this housing study, a survey was conducted of multifamily rental buildings in the City. The survey focused on larger rental projects with eight or more units. While larger multifamily projects were targeted, some additional information was collected from rental properties with fewer than eight units. Information was collected in June 2007.

Multiple attempts were made to contact each building. Information was tallied separately for different types of rental housing, including market rate units, tax credit units, subsidized housing, and special-use housing, such as senior housing that also provides services.

A total of 1,708 rental units of all types were contacted in the survey. This represents between 43% and 48% of all rental units in the City, depending on the estimate of the total rental stock that is used.

The breakdown of units surveyed is as follows:

- ▶ 992 market rate units
- ▶ 84 tax credit units
- ▶ 497 subsidized units
- ▶ 135 senior housing with services units (excluding nursing homes)

It is important to note that not all of the projects provided the level of detail requested in the survey. For example, some projects would not disclose their rate structure, or did not have an exact unit count of one-bedroom versus two-bedroom units. As a result, in the analysis that follows, the unit totals used may vary from the count provided above.

Market Rate Summary

There were 24 market rate multifamily projects that were successfully contacted in the survey, with a combined 992 rental units. All of the other market rate projects analyzed in this section have no occupancy restrictions.

Unit Mix

Information on unit size was obtained from 799 market rate units. The following information is the bedroom mix for units surveyed:

- ▶ 33 efficiency/studio (4.1%)
- ▶ 161 one-bedroom (20.2%)
- ▶ 411 two-bedroom (51.4%)
- ▶ 146 three-bedroom (18.3%)
- ▶ 48 four-bedroom (6.0%)

Occupancy / Vacancy

All of the market rate units provided usable occupancy information. In these 992 units the survey found no reported vacancies.

Most of the projects reported some students in occupancy, and certain projects were nearly 100% students. Twelve month leases appear to be the standard practice for most rental projects in Brookings. Units that do turn over at the end of the twelve-month lease period appear to be rented quickly to students looking for housing in the next year. The timing of our rental survey, primarily in the month of June, did not appear to correspond to a time when leases were expiring, resulting in all of the projects reporting full occupancy.

We did not complete a formal survey of smaller rental properties, such as single family houses, duplexes, or multifamily buildings with fewer than eight units. However, some of the property managers and owners with larger buildings also had rental units in these smaller properties. Based on our limited discussions in this segment of the market, it does not appear that vacancy rates would be substantially higher for those units that are in good physical condition. There may be some substandard houses and other small rental buildings that are not occupied.

Many owners/managers were asked about any recent changes in the market. Most reported that the market had been stable in recent years, and that occupancy rates had not changed significantly in the immediate past. Some longtime property managers talked about a period of lower enrollment at SDSU, presumably back in the 1980s, and the negative impact that had on occupancy. However, with a stable to growing demand from students in recent years, the rental market appears to be very tight for prospective renters looking for market rate housing.

Rental Rates

There is some wide variation in contract rental rates based on unit age and amenities. The City does have an above-average number of larger rental units, with three or more bedrooms, that generally cater to the student population. With a large share of the rental units in a shared, roommate arrangement, rental rates are probably higher than in most comparably sized communities. The extremely low rate of vacancy would also contribute to a strong market for rental property owners.

There are a number of newer rental projects in the City that have been constructed in the past 10 years. These projects tend to have a higher level of amenities, such as underground parking, in-unit laundry, dishwashers and microwaves in the kitchen, ample square footage and two bathrooms. Some of these newer projects have gross rents approaching \$1,000 for a two-bedroom unit.

There are also a large number of apartments in the City that are 20 or more years old, and these units have a more moderate rent structure.

Some of the units include the primary utility payments with the rent, while in other cases, the tenant pays the major utilities in addition to rent. We have attempted to estimate tenant-paid utilities into a gross rent estimate for the following ranges. The identified range defines the highest and lowest rents that were found for each unit type. The prevailing range is an estimate of the rents being charged by a majority of the units that were surveyed.

| <u>Units Type</u> | <u>Identified Range</u> | <u>Prevailing Range</u> |
|-------------------|-------------------------|-------------------------|
| efficiency/studio | \$375-\$425 | \$375-\$425 |
| one-bedroom | \$425-\$700 | \$450-\$550 |
| two-bedroom | \$525-\$1,000 | \$550-\$650 |
| three-bedroom | \$800-\$1,200 | \$875-\$950 |
| four-bedroom | \$1,100-\$1,200 | \$1,100-\$1,200 |

Although the student population represents a very large percentage of the rental market, the survey did not find many rental properties that appeared to charge a per person rent. In some college towns it is typical for students to pay per person or per bedroom for housing. Some of the property owners with multiple single family rental homes may use this approach, but it is not evident in the multifamily rental market.

Market Rate Units in Surrounding Cities

There are some market rate rental opportunities in the smaller communities around Brookings. However, most of the rental units in larger, multifamily buildings are federally subsidized housing.

In the City of Volga, two multifamily rental projects have been constructed since 2000. Combined, these projects added 26 high quality rental units to that community. One of these projects, Country View Estates, is a publicly-owned market rate rental development.

Occupancy rates in both of the Volga projects are high. No vacancies were reported, and Country View Estates reported a waiting list for occupancy. An additional construction phase of six units is possible at Country View Estates, but a law suit challenging public ownership has delayed any action on additional construction activity.

Rental rates in Volga are generally lower than for comparable newer units in Brookings. This may be due in part to market conditions, but also may be due to the fact that some of the units are publicly owned. One of the public purposes of municipally owned rental housing is to offer more affordable housing.

Tax Credit Rental Housing Summary

Since the late 1980s, federal low income housing tax credits have been the federal government's primary financial incentive for the production of affordable rental housing. We were able to identify eight projects in Brookings that have received an allocation of tax credits, dating back to the late 1980s.

Two of the tax credit projects, Sunchase Apartments, with 31 tax credit units, and the Kneip Duplex, with two tax credit units, were constructed in the late 1980s, and the compliance period has been fulfilled. However, Sunchase also received Rural Development subsidies when it was constructed, and continues to operate as very affordable subsidized rental housing.

Three of the tax credit projects constructed since 1990 combined the tax credit assistance with other federal development subsidies available through USDA Rural Development. Regency Square, with four tax credit units, Wellington Heights, with 12 tax credit units, and Windsor Estates, with 36 tax credit units, all operate as subsidized housing. Many of these units have rental assistance contracts available, so very low income people can be served. These three projects have been included in the subsidized housing analysis that follows later in this section.

The three projects in Brookings that operate as tax credit housing are Three Oaks Townhomes, with 24 tax credit units, South Briar, with 30 tax credit units, and Green Briar, with 30 tax credit units. All of these units must serve households at or below 60% of the County median income level, with an unspecified number of units in Green Briar and South Briar that are targeted to households at or below 50% of the County median.

Unit Mix

The three tax credit projects in Brookings have a combined 84 rental units, distributed as follows:

- 1 - one-bedroom
- 73 - two-bedroom
- 10 - three-bedroom

Occupancy/Vacancy

At the time of our rental survey, there was one vacant unit reported in the tax credit projects. However, this unit had been successfully leased for occupancy beginning at the first of the next month, so the effective vacancy rate was 0%.

Rental Rates

The federal tax credit program places maximum rent limitations on assisted units. For 2006, maximum gross rents for units at 50% and 60% of median income were as follows:

| <u>Bedroom Size</u> | <u>Maximum Allowable Rent 50%</u> | <u>Maximum Allowable Rent 60%</u> |
|---------------------|-----------------------------------|-----------------------------------|
| One Bedroom | \$548 | \$658 |
| Two Bedroom | \$658 | \$790 |
| Three Bedroom | \$760 | \$912 |

The gross unit rents in the tax credit projects in Brookings are well below the maximum tax credit limits. For example, all of the two-bedroom tax credit units have contract rents of \$450 or less. Even with the inclusion of tenant-paid utilities, gross rents would be \$500 per month or less. Similarly, three-bedroom units in Brookings have contract rents of \$495 per month or less. Gross rents would be less than \$600, compared to a maximum allowable rent of \$912 per month under the federal tax credit guidelines.

The maximum rents allowable under the tax credit program are generally above the prevailing rates for most market rate units in Brookings. To stay competitive with other moderate income rental projects in the City, the tax credit developments often charge rents that are well below the maximum federal limits. It is also important to note that tax credit rules generally prohibit student occupancy. As a result, the potential market for tax credit units in Brookings is greatly reduced.

Subsidized Rental Housing Summary

We were able to identify 18 different federally subsidized rental projects in Brookings. Combined, these projects have 497 units of subsidized rental housing.

Four of the projects, Arrowhead Apartments, with 40 units, Briarwood Apartments, with 32 units, Heritage Estates II Apartments, with 44 units, and Sunchase Apartments with 42 units are designated for senior and disabled occupancy. The 158 units designated for senior and disabled occupancy represent 32% of the project-based subsidized units in the City.

There are 13 subsidized projects that provide general occupancy rental housing: Cedar Townhomes, with 32 units, Clairview, with 64 units, Heritage Estates Townhomes, with 28 subsidized units and eight market rate units, Lakota Village, with 25 units, Onaka Village, with 36 units, Sunrise Apartments, with eight units, Wellington Heights Apartments, with 12 units, Windsor Estates, with 36 units, Windsor Estates South, with 22 units, Regency Square, with eight units, Sandpiper I, with six units, Sandpiper II, with four units, and Yorkshire Apartments, with 50 units. Combined, these projects have 331 subsidized rental units, or 67% of the project-based subsidized units in the City.

There is one subsidized project serving special-needs populations. Supervised Living Apartments has eight units serving 16 clients with developmental disabilities. The units in this project represent approximately 1.6% of the project-based subsidized units in the City.

Occupancy/Vacancy

For vacancy calculations, we have excluded the units in Supervised Living Apartments, since these are only available by State referral.

In the 158 subsidized units designated for senior and disabled tenant occupancy, our rental survey found eight vacant units, for a vacancy rate of 5.1%. While this represents a rather typical rental market in most communities, it reflects an unusually high rate of vacancy in Brookings, where other subsets of the rental inventory have extremely low rates of vacancy. It should also be noted that the available inventory of subsidized housing specifically targeted to senior and disabled tenant occupancy has contracted in recent years. One project, Yorkshire Apartments, with 50 one-bedroom units, has converted from senior/disabled occupancy to a general occupancy project. Presumably this occupancy change was made in response to limited demand for senior/disabled units. Another project, Village Estates I, with 72 efficiency and one-bedroom units, has terminated its subsidy contract and converted to market rate housing. While we could not verify its occupancy status prior to the subsidy opt-out, it is assumed that this project was originally intended for senior and disabled tenant occupancy, based on the presence of efficiency and one-bedroom apartments.

In the 331 subsidized units designated as general occupancy, we found nine vacancies, for a vacancy rate of 2.7%. However, this rate of vacancy may be artificially high. Two of the nine vacant units were accessible apartments. When accessible units come available, they have an occupancy preference for a wheelchair/disabled tenant for a period of time, before they can be rented to a tenant household that does not require an accessible unit. Also, some of the projects reporting vacancies had waiting lists for occupancy, and the vacancies at the time of our survey were due to the processing time required for verification of households on the waiting list.

While general occupancy vacancy rates were low according to our survey, this segment of the market has changed in the recent past. Both the U.S. Department of Housing and Urban Development (HUD), and USDA Rural Development, have modified their rules regarding student occupancy in subsidized housing. In the past, students could often qualify for deeply subsidized rent, based on their income. The rules in effect now require that the student must be either age 24 or older, or that younger students be independent of their parents. Students that do not meet these tests can still occupy units in some of the projects, but can no longer qualify for subsidized rent. The effect of these rule changes on subsidized projects has meant more non-traditional students or older, graduate students in occupancy. Despite the changes concerning students, some of the projects still reported primary student occupancy, such as Clairview Apartments, where an estimated 70% of the tenants are graduate or undergraduate students that can still qualify under the new rules.

The restriction on student occupancy has at least one subsidized project exploring the possibility of leaving the subsidy program. Onaka Village, a HUD Section 8 project constructed in the late 1970s, is considering an opt-out of its subsidy contract due to changing demand created by the student occupancy restrictions.

Rental Rates

Most of the subsidized units in Brookings have rent subsidies available for tenants, so lower income households pay rent based on 30% of income. In some projects, particularly those subsidized through Rural Development, tenants without rent assistance pay 30% of income for rent, but must pay at least the basic rent amount, even if this exceeds 30% of their income. For example, the basic rent for a two-bedroom unit in Lakota Village is \$372. In units without project-based assistance, the individual tenant may still be able to secure a tenant-based Housing Choice Voucher that could be used in the property.

Tenant-Based Housing Choice Voucher Assistance

In addition to these subsidized projects, Brookings County residents have access to the HUD Housing Choice Voucher Program (formerly Section 8 Existing Program). Housing Choice Vouchers are issued to income-eligible households for use in suitable, private market rental housing units. With the assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional rent amounts.

In 2007, 307 households in Brookings, Deuel, Hamlin, Kingsbury, and Moody Counties had access to a Housing Choice Voucher. However, in May 2007, only 240 of the Vouchers were actually being used. The utilization rate appears to have been impacted in part by the ability of traditional students to apply for the assistance. It appears that a high rate of Voucher turnover has occurred in the recent past, as students left the program.

Since this rent assistance is tenant-based, and moves with the household, the actual number of participating households within the City of Brookings can vary from month to month. It is also possible that some of these households may be using their rent assistance in one of the subsidized or tax credit projects, if that project does not have rent assistance available for all tenants. For example, there are residents of Three Oaks Townhomes that are using tenant-based rent assistance in the tax credit units. As a result, the Housing Choice Voucher assistance may add to the overall supply of “deep subsidy” housing in the community, but may also overlap with some of the other subsidized or income-based projects.

One of the limitations that can affect the use of Housing Choice Vouchers is the standard that is applied to allowable unit rents. HUD issues Fair Market Rents for each participating County that limits the gross rent that can be charged under the Program. In Brookings County in 2007, the Fair Market Rents (FMRs) are \$408 for a one-bedroom unit, \$502 for a two-bedroom unit, and \$708 for a three-bedroom unit.

Neighboring Communities

There are multiple subsidized rental projects that were identified in the smaller Cities in Brookings County, as well as in the nearby City of Arlington. The majority of these projects are subsidized through Rural Development. Information on individual projects is included in the rental tables that follow.

In general, occupancy rates are not as strong in the smaller Cities, with the exception of Volga. Most of the projects in Volga reported full occupancy. However, subsidized projects in Arlington, Aurora, Bruce, Elkton, and White all reported vacant units. In certain projects, such as Elkton Housing II, or Dakota Village in Aurora, the vacancy rates were very high.

Multiple contributing factors were cited for the vacancy issues being experienced. Parkview Apartments in Arlington had seven vacant one-bedroom units, and identified the student occupancy rule changes as a major cause for reduced demand. Dakota Village in Aurora, which had 12 vacant two-bedroom units, indicated that the City requires a \$200 utility deposit for new renters, and that this created a burden for lower income households that also needed to supply a security deposit and first month's rent at the time of initial occupancy.

Other subjective reasons that were identified include a lack of amenities and job opportunities in small communities, which would generally require residents to commute to Brookings or other cities for services and employment.

Subsidized Unit Gains and Losses

It does not appear that any subsidized units have been constructed in Brookings in many years. Windsor Estates South was constructed in 1996, but this project does not have any project-based rent assistance. Windsor Estates, constructed in 1994, is the most recently constructed project that does have rent assistance, and can charge rent based on 30% of tenant income.

Some subsidized projects around the State have met their contractual obligations to provide affordable housing and have been converting to market rate housing. Based on the research for this Study, Brookings has lost one subsidized rental project in recent years. Village Estates I was constructed in the early 1970s using a HUD subsidy program. When this project had fulfilled its contractual obligations to HUD, it converted to market rate housing. As part of the mitigation plan for existing low income tenants, the Brookings Housing Authority received a special allocation of 30 Housing Choice Vouchers, which were provided to eligible tenants. While the Voucher allocation helped to minimize the immediate impact, these Vouchers are portable, and will move with the tenant household. The project-based assistance that had been tied to Village Estates I has been lost. Village Estates I has 72 total rental housing units, with 24 efficiency apartments, and 48 one-bedroom apartments.

Other subsidized projects that could be lost in the future include Onaka Village, which as discussed previously, has seen reduced demand due to student occupancy changes, and Elkton Housing II, in Elkton, which has had chronic vacancy problems.

Senior Housing with Services

Brookings has a number of specialized housing projects that provide housing with supportive services, primarily for a frail elderly population. In some cases, “continuum of care” complexes have been built that allow seniors to effectively age-in-place, by starting out in a light services housing project, then eventually moving into more service-intensive housing as they age.

Under South Dakota law, the Department of Health is required to license the more service-intensive forms of senior housing, including nursing homes and assisted living centers. Lower-service forms of senior housing, referred to as residential living centers by the State, are required to register with the Department of Health, but are not licensed and subject to the more stringent requirements, such as inspections, that apply to more service-intensive housing.

Due to the higher level of regulation, the assisted living projects can be identified through State licensing. In the case of residential living centers, where registration is required but inspections are not required, it is possible that some properties are not properly registered.

In the summary of providers that follows, we have used our own classification for units based on the type of housing provided. We have also examined those properties that are licensed or registered with the State in determining the type of housing.

Light Services/Congregate Senior Housing

There are two rental projects that provide light services to residents. These projects are sometimes described as either independent living or congregate senior housing. Services are limited in each of these projects, but both buildings do provide access to daily meals to residents.

Brookhaven Estates has 24 units and was constructed in 2004. It is part of the Brookings Health System that includes the Hospital and Brookview Manor Nursing Home. A corridor connection exists to these other facilities. Park Place Apartments has 15 units and was constructed in 1991. It is physically connected to the United Retirement Center and is part of a senior campus that also includes Park Place Assisted Living. Park Place Apartments was originally constructed with 20 units, but lack of demand has resulted in five units being converted into offices or other uses.

Combined, these two projects have 39 total rental units available. Park Place reported two vacant units at the time of our survey. Brookhaven Estates had one vacant unit, but this unit had just come available and a waiting list for occupancy existed at that facility.

Rental rates vary, depending on the services included. Park Place had one-bedroom rents starting at \$633 per month, but most services, including meals were contracted separately. Brookhaven Estates had a higher rent structure, starting at \$1,000 for a one-bedroom unit, but a daily meal and underground parking were included in the basic rent.

Assisted Living Centers

There are three licensed providers of more service-intensive, assisted living for seniors in Brookings. These projects provide all meals, assistance with daily living services, house keeping, laundry, medication dispensing and have 24-hour staffing.

Greenleaf Assisted Living was constructed in 1997 and has 30 units. The units are a private sleeping room and bathroom, but there are no kitchen facilities. Greenleaf is a stand-alone facility that is not connected to a nursing home or other form of senior housing.

Park Place Assisted Living was constructed in 1999, and has 28 studio units, with total capacity for 36 people, if some rooms have shared occupancy. The units are a private sleeping room and bathroom, but there are no kitchen facilities. Park Place Assisted Living is part of a senior campus that also includes the United Retirement Center and Park Place Apartments.

Stoney Brook Suites opened for occupancy in 2003, with 38 total units. Most of the units are studio apartments, with kitchenette facilities, but some one-bedroom apartments also exist. Stoney Brook Suites is a stand-alone facility.

Combined, these projects offer 96 units of assisted living. Occupancy rates were generally high, with five vacant units at the time of our survey. Assisted living units often have a relatively high rate of turnover, and there is sometimes a delay while a new occupant makes arrangements to move into the facility.

Rental rates for assisted living can vary depending on the actual level of services provided. Rental rates were obtained from Park Place, where units started at \$1,850 per month. Greenleaf indicated that some of their residents qualify for State and/or County assistance that is available for lower income seniors.

Memory Care Housing

There are no projects in Brookings that are specifically designed to provide housing for people with memory care needs. Memory care residents may be housed in nursing homes or assisted living centers, but these facilities do not provide a secure wing or specialized care for memory care residents.

It does appear that the City did have a specialized memory care housing provider, but Prairie Crossings Assisted Living closed in 2004. This facility apparently had 16 beds, but may have closed due to occupancy problems.

Skilled Nursing Homes

There are two State-licensed skilled nursing homes in Brookings. Brookview Manor is licensed for 79 beds. United Retirement Center is also licensed for 79 beds.

We did not complete a more detailed survey of nursing home occupancy rates.

Other Communities

There are four licensed assisted living centers in Brookings County outside of the City of Brookings, and one licensed Assisted Living Center in Estelline. Two of the projects, Cozy Corner and Elkton Residential Living Center in Elkton are affiliated, and have a combined 12 licensed beds. Dakota Sun in Volga has 16 licensed beds. White Pines Assisted Living Center in White has 10 licensed beds, which are located in the White Health Care Center along with nursing home beds. There are two licensed assisted living beds in Estelline that are part of the Estelline Nursing and Care Center, which is also licensed for 60 nursing home beds.

All of the Assisted Living Centers in the surrounding communities had at least one available bed at the time of our survey. The facility in White had only four of the 10 beds occupied.

There are also skilled nursing homes in some of the surrounding communities. In addition to the nursing homes already identified, there is the 48 bed Golden Living Center in Arlington. We did not complete a more detailed survey of nursing home occupancy rates.

Table 36 Brookings Area Multifamily Rental Housing Inventory

| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
|---|---|--|-------------------------------|---|---|
| Market Rate | | | | | |
| Brooks Manor 705 14 th Avenue | 3 - Efficiency 9 - 1 Bedroom <u>3 - 2 Bedroom</u> 15 Total Units | N/A N/A +electric | No vacancies | Over half of tenants are students | Three-story apartments built in late 1970s. Project is near the University and over half of the tenants are students. Rental rates were not disclosed, but tenants pay electric in addition to rent. 12 month lease required and strong demand results in few vacancies. |
| Campus View Townhomes 2225 9 th St. | 16 - 2 Bedroom 24 - 3 Bedroom <u>48 - 4 Bedroom</u> 88 Total Units | \$575 \$756 \$1,008 +heat, electric | No vacancies | Nearly all students | Apartment-style units near the University and nearly all tenants are students. Units have dishwasher, microwave and laundry facilities. 11 month lease required, with 12 th month used for repairs and maintenance. Full occupancy reported. |
| Caroline Estates 913 Roberts Avenue | 9 - 1 Bedroom <u>15 - 2 Bedroom</u> 24 Total Units | N/A N/A +heat, electric | No vacancies | Mostly working age tenants | Three-story apartments built in late 1970s. Most tenants are working age adults, with only a few students. Rental rates were not disclosed, but tenants pay heat and electric in addition to rent. Manager says that units have very limited turnover. |
| Carriage House 1511 8 th St. S. | 3 - 1 Bedroom 18 - 2 Bedroom <u>4 - 3 Bedroom</u> 25 Total Units | \$600 \$760 \$760 + all utilities | No vacancies, waiting list | Primarily seniors | Three-story apartment building constructed in 1986. Amenities include elevator, underground parking, in-unit laundry hookup, balcony/patio, and large units. Project is very popular with seniors, and very low rate of unit turnover. Tenants pay most utilities in addition to rent - estimated monthly utility charge is \$60. |
| Countryside Estates 1014 N. 22 nd Ave. 2229 10 th St. | 24 - 1 Bedroom <u>44 - 2 Bedroom</u> 68 Total Units | \$430 \$580 +electric | No vacancies | 98% students | Apartments in two buildings constructed in 1968 and 1972. Tenants pay electric in addition to rent. Project is located near campus, and approximately 98% of tenants are students. Garages available for extra fee. No vacancies and strong demand. |

Table 36 Brookings Area Multifamily Rental Housing Inventory

| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
|---|---|---|-------------------------------|---|--|
| Market Rate | | | | | |
| Countryside Villa 2221-2231 10 th St. | <u>24 - 3 Bedroom</u> 24 Total Units | \$960 +heat, electric | No vacancies | All students | Apartments constructed in two phases in 2003 and 2004. Units are 3-bedroom with 2 bath. Units have in-unit laundry, dishwashers, microwaves and garages for extra fee. Located near campus and all tenants are students. No vacancies and strong demand. |
| Country Crossings | <u>1 Bedroom</u> <u>2 Bedroom</u> 88 Total Units | \$380-\$430 \$470-\$535 +electric and heat in some units | No vacancies | Primarily students | Apartments in four buildings constructed in the mid-1970s. Some buildings have heat provided, other buildings tenants pay heat. Rent range indicates heat and patio differences between units. Estimated 60% of tenants are students. No vacancies and good demand. |
| Eastcrest Townhomes 2415 9 th Street | <u>32 - 3 Bedroom</u> 32 Total Units | \$775 + most utilities | No vacancies | Mix of tenants but primarily students | Town-house style rental units constructed in multiple phases since 2000, with 8 units constructed in 2005. Tenants pay most utilities in addition to rent. Mix of tenants, but majority are students. Units have in-unit laundry and other amenities. No vacancies at time of survey and good demand. |
| 14 th Avenue Apartments | <u>4 - 1 Bedroom</u> 4 Total Units | \$400 +heat, electric | No vacancies, waiting list | Primarily students | Former fraternity house converted to rental housing - all tenants are students. Strong demand results in no vacancies - 12 month lease required. Tenants pay for most utilities in addition to rent. |
| Garden Village Townhomes 1821 8 th St. | <u>1 - 2 Bedroom</u> <u>17 - 3 Bedroom</u> 18 Total Units | \$460 \$660 +all utilities | No vacancies, waiting list | Primarily students | Town house style rental units constructed in 1993. Within walking distance of campus and 90% or more of the tenants are students. Most units are 3-bedroom with 2 bathrooms - detached garages available for extra fee. Student demand results in almost no vacancies during the year - 12 month lease required. |

Table 36 Brookings Area Multifamily Rental Housing Inventory

| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
|---|---|--|-------------------------------|----------------------------------|--|
| Market Rate | | | | | |
| Green Estates 815 Roberts Ave. | 18 - 1 Bedroom <u>30 - 2 Bedroom</u> 48 Total Units | N/A +heat, electric | No vacancies | Primarily students | Two multi-story apartment buildings constructed in 1977 and 1979. Rental rates not disclosed; tenants pay heat and electric in addition to rent. Approximately 2/3 of tenants are students - 12 month lease required. Amenities include coin laundry, off-street parking and garages for additional fee. Manager reports full occupancy. |
| Heritage Condos 629 Heritage Drive | 6 - Studio <u>21 - 2 Bedroom</u> 27 Total Units | N/A N/A +heat, electric | No vacancies | Mostly working age tenants | Three-story apartments built in 1985. Most tenants are working age adults, with only a few students. Rental rates were not disclosed, but tenants pay heat and electric in addition to rent. Amenities include coin laundry facilities and detached garages for additional fee. Manager says that units have very limited turnover. |
| Heron Cove Townhomes Western Avenue | 32 - 2 Bedroom <u>20 - 3 Bedroom</u> 52 Total Units | \$700-\$828 \$936 +all utilities | No vacancies, waiting list | General occupancy | Town house-style units constructed in four phases between 1996 and 2004. Amenities include dishwashers, in-unit laundry and garage parking. Tenants pay all utilities in addition to rent. Mix of tenants including seniors, students and young professionals. Manager reports full occupancy and good demand for units. |
| Kneip Duplex 312 8 th Ave. | N/A | N/A | N/A | N/A | Unable to contact. This rental project was awarded tax credits in 1988 for 2 units. Tax credit compliance period has ended. |
| Medary Woods | <u>12 - 2 Bedroom</u> 12 Total Units | \$440 +all utilities | No vacancies | Mix of tenants | Apartments constructed in 1982. Tenants pay all utilities in addition to rent. Garages available for extra fee. Most tenants are young professionals - no students at time of survey. No vacancies and waiting list for occupancy. |

| Table 36 Brookings Area Multifamily Rental Housing Inventory | | | | | |
|--|---|---|-------------------------------|----------------------|---|
| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
| Market Rate | | | | | |
| Medary Square | 6 - 1 Bedroom 18 - 2 Bedroom 24 Total Units | \$340 \$440 +all utilities | No vacancies | Mix of tenants | Apartments constructed in 1984. Tenants pay all utilities in addition to rent. Garages available for extra fee. Most tenants are young professionals, with a few grad students at time of survey. No vacancies and waiting list for occupancy. |
| Mills Ridge 2410 Sunrise Ridge Circle | 30 - 2 Bedroom 6 - 3 Bedroom 36 Total Units | \$870-\$900 \$970-\$1,000 +most utilities | No vacancies, waiting list | General occupancy | Units opened for occupancy in 2006. Amenities include dishwasher, in-unit washer and dryer, wireless internet, cable TV and underground parking. Mix of tenants including seniors, students and young professionals. Manager reports full occupancy and good demand for units. |
| 1921 Building 601 4 th St. | 1 - 1 Bedroom 17 - 2 Bedroom 18 Total Units | \$512 \$650-\$782 +heat, electric | No vacancies, waiting list | General occupancy | Former school building converted to rental housing in 2004. Amenities include in-unit laundry, dishwasher and attached covered parking in former gymnasium. . Mix of tenants including seniors, students and young professionals. Manager reports full occupancy and good demand for units. |
| Olson Apartments 703 Main Ave. S. | N/A | N/A | N/A | N/A | Unable to contact. |
| Park Apartments 1018 Southland Lane | N/A | N/A | No vacancies | N/A | Unable to contact. Recorded message stated that the project had no vacant units. |

Table 36 Brookings Area Multifamily Rental Housing Inventory

| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
|---|--|--|-----------------------|--------------------|--|
| Market Rate | | | | | |
| 701 Prairie View Drive | <u>8 - 2 Bedroom</u> 8 Total Units | N/A | No vacancies | Mix of tenants | Split-foyer apartments constructed in 1978. Approximately half the tenants are students - have been all students in the past. Tenants pay heat and electric in addition to rent. Full occupancy and good demand reported. |
| Skylight Apartments | 20 - 2 Bedroom <u>13 - 3 Bedroom</u> 33 Total Units | \$500-\$530 \$750 + all utilities | No vacancies | Primarily students | Four apartment buildings constructed between 1987 and 1995. Nearly all tenants are students -12 month lease required. Tenants pay for all utilities except garbage in addition to rent. Amenities include coin laundry facilities and off-street parking. Manager reports full occupancy and good demand from students. |
| Southland Court Apartments 1920 Southland Lane | 6 - 2 Bedroom <u>6 - 3 Bedroom</u> 12 Total Units | \$875 \$1,075 +all utilities | No vacancies | Mix of tenants | Apartments constructed in 2005 - part of complex with 3 other buildings constructed between 1978 and 1984 which are listed separately. Tenants pay all utilities in addition to rent. Most tenants are working age, with approximately 25% student - have had higher percentage of student renters in the past. Manager reports no vacant units. |
| Southland Court Apartments 1910 8 th St. S., 818 and 916 Southland Lane | Studio 1 Bedroom <u>2 Bedroom</u> 105 Total Units | \$300 \$440-\$480 \$540-\$580 +heat, electric | No vacancies | Mix of tenants | Apartments in three buildings constructed between 1978 and 1984 - a fourth building was constructed in 2005 and is listed separately. Tenants pay heat and electric in addition to rent. Most tenants are working age, with approximately 25% students, and some senior renters. Manager reports no vacant units. |

Table 36 Brookings Area Multifamily Rental Housing Inventory

| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
|---|---|---|----------------------------|--|---|
| Market Rate | | | | | |
| Village Estates I | 24 - Efficiency 48 - 1 Bedroom 72 Total Units | \$400 \$450 | No vacancies | General occupancy | Constructed in the early 1970s as a HUD Section 221(d)(3) subsidized project, the subsidy contract has been met and this building has converted to market rate housing. Brookings Housing Authority has provided an allocation of Vouchers to existing low income tenants, but assistance is no longer project-based. Tenants with Vouchers pay 30% of income up to market rents listed. No vacancies at time of survey, and up to 60% of tenants are students. |
| Village Square Apartments 1730 - 1907 8 th Street | 27 - 1 Bedroom 82 - 2 Bedroom 109 Total Units | \$346-\$378 \$424-\$474 +heat, electric | No vacancies, waiting list | Primarily students | Five, three-story apartment buildings constructed 1974 and 1982. Within walking distance of campus and 95% or more of the tenants are students. Student demand results in almost no vacancies during the year - 12 month lease required. Tenants pay heat and electric in addition to rent, and some pay for hot water. Detached garages available for extra fee. |
| Westgate Apartments 1027 North Main | 12 - 1 Bedroom 38 - 2 Bedroom 50 Total Units | N/A N/A +heat, electric | No vacancies | Mostly working age tenants and seniors | Multi-story apartments built in 1969. Most tenants are seniors or working age adults, with only a few students. Rental rates were not disclosed, but most tenants pay heat and electric in addition to rent. Amenities include coin laundry facilities and detached garages for additional fee. Manager says that units have very limited turnover. |

| Table 36 Brookings Area Multifamily Rental Housing Inventory | | | | | |
|--|---|--------------------------------------|-------------------------------|--|--|
| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
| Tax Credit | | | | | |
| South Briar Apartments 423 15 th St. S. | 28 - 2 Bedroom <u>2 - 3 Bedroom</u> 30 Total Units | \$450 \$495 +electric | No vacancies, waiting list | 60% or less of median income | Apartments constructed in 1999 using federal low income housing tax credit assistance. All tenants must be at or below 60% of median income, with some units reserved for households below 50% of median. Manager reports full occupancy and short waiting list. |
| Green Briar 500 15 th St. S. | 1 - 1 Bedroom 27 - 2 Bedroom <u>2 - 3 Bedroom</u> 30 Total Units | \$395 \$450 \$495 +electric | 1 vacant 2 bedroom unit | 60% or less of median income | Apartments constructed in 1999 using federal low income housing tax credit assistance. All tenants must be at or below 60% of median income, with some units reserved for households below 50% of median. Manager reports 1 vacant unit at time of survey, but has already been leased for next month. |
| Three Oaks Townhomes 705-725 6 th Ave. S. | 18 - 2 Bedroom <u>6 - 3 Bedroom</u> 24 Total Units | \$414 \$490 +heat, electric | No vacancies, waiting list | All units at 60% of median income | Town house style units constructed in 1994 using low income housing tax credits. All units serve households at or below 60% of median income. Units are town house-style, with in-unit laundry hookup; detached garage parking available for \$40/month. No vacancies and a waiting list - some tenants have rent assistance Vouchers. |

Table 36 Brookings Area Multifamily Rental Housing Inventory

| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
|---|---|---|-------------------------------|-------------------------------------|---|
| Subsidized - Senior and Disabled Occupancy | | | | | |
| Arrowhead Apartments 913 Onaka Trail | <u>40 - 1 Bedroom</u> 40 Total Units | \$506 Max. 30% of income | 3 vacant units | Senior and disabled occupancy | HUD Section 8 subsidized apartments for senior and disabled occupancy constructed in 1978. Tenants pay rent based on 30% of income, up to maximum rent listed. Three units vacant at time of survey, and less demand in recent years for subsidized senior housing. |
| Briarwood Apartments 2322 Yorkshire Dr. | <u>8 - 1 Bedroom</u> <u>24 - 2 Bedroom</u> 32 Total Units | \$355 - \$480 \$420 - \$550 30% of income | No vacancies, waiting list | Senior and disabled occupancy | Rural Development subsidized apartments for senior and disabled occupancy. Only five units have rent subsidy that allows rent based on 30% of income; remaining tenants pay 30% of income for rent, but not less than basic, or more than market rents listed. However, many tenants receive Voucher assistance through Brookings HA. Manager reports full occupancy, low turnover and short waiting list. Seniors like the option of a two-bedroom unit. |
| Heritage Estates II | <u>44 - 1 Bedroom</u> 44 Total Units | \$473 max. 30% of income | 2 vacant units | Senior and disabled occupancy | Apartments constructed in 1980 and designated for senior and disabled occupancy - subsidized through SDHDA/HUD Section 8. All units have rent assistance that allows rent based on 30% of income up to maximum rent listed. Two units vacant at time of survey, and limited demand. |
| Supervised Living Apartments | <u>8 - 1 Bedroom</u> 8 Total Units | N/A | N/A | Disabled occupancy | Rural Development subsidized group home for developmentally disabled individuals. Placement is through State referral and Advance. |

Table 36 Brookings Area Multifamily Rental Housing Inventory

| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
|--|---|---|--|----------------------|--|
| Subsidized - General Occupancy | | | | | |
| Cedar Townhomes 711 8 th St. S. | 24 - 2 Bedroom <u>8 - 2 Bedroom</u> 32 Total Units | \$604 max. \$740 max. 30% of income | 2 vacant units, waiting list | General occupancy | Town house units constructed in early 1980s and designated for general occupancy - subsidized through SDHDA/HUD Section 8. All units have rent assistance that allows rent based on 30% of income up to maximum rent listed. Two units vacant at time of survey due to recent turnover, but waiting list exists. Mix of tenants including some students. |
| Clairview 920 22 nd Avenue North | 8 - 1 Bedroom <u>56 - 2 Bedroom</u> 64 Total Units | \$335 - \$425 \$360 - \$455 30% of income | No vacancies, waiting list | General occupancy | Rural Development subsidized apartments for general occupancy built in 1981 and 1982. 47 tenants receive rent assistance that allows rent based on 30% of income; remaining tenants pay 30% of income for rent, but not less than basic, or more than market rents listed. Approximately 70% of tenants are graduate or undergraduate students that can qualify to live in project. No vacancies and a waiting list. |
| Heritage Estates Townhomes 508-610 Heritage Drive | 12 - 2 Bedroom <u>24 - 3 Bedroom</u> 36 Total Units | \$569 \$626 30% of income | 2 vacant units, including 1 market rate and 1 subsidized, waiting list | General occupancy | HUD Section 8 subsidized town house units for general occupancy, constructed in 1972. 28 units have rent assistance available that allows rent based on 30% of income, and 8 units are market rate at rents listed. Project has mix of tenants including some students. Two units vacant at time of survey, including one subsidized unit - but waiting list exists. |

| Table 36 Brookings Area Multifamily Rental Housing Inventory | | | | | |
|--|---|---|---------------------------------|----------------------|---|
| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
| Subsidized - General Occupancy | | | | | |
| Lakota Village Onaka Trail/Deer Lane | 21 - 2 Bedroom <u>4 - 3 Bedroom</u> 25 Total Units | \$372 - \$584 \$432 - \$644 30% of income | 2 vacant units, waiting list | General occupancy | Rural Development subsidized apartments for general occupancy. 15 units have rental assistance that allows rent based on 30% of income; remaining tenants pay 30% of income for rent, but not less than basic, or more than market rents listed. Rural Development has recently changed rules on student occupancy, causing above-average level of turnover. Two units vacant at time of survey, but waiting list did exist. Fewer students in the future could affect occupancy rates. |
| Onaka Village Onaka Trail/8th Street South | 4 - 1 Bedroom 24 - 2 Bedroom <u>8 - 3 Bedroom</u> 36 Total Units | \$399 Max. \$462 Max. \$494 Max. 30% of income | 2 vacant units, waiting list | General occupancy | HUD Section 8 subsidized apartments for general occupancy constructed in the late 1970s. Tenants pay rent based on 30% of income, up to maximum rents listed. HUD rule changes on student occupancy have impacted demand. Two units vacant at time of survey, but waiting list exists. Project is considering opt-out of subsidy program due to impact of student occupancy changes. |
| Regency Square 100-104 Sunrise Ridge Road | <u>8 - 1 Bedroom</u> 8 Total Units | \$345-\$545 30% of income | No vacancies | General occupancy | Two four-plexes originally constructed in the 1980s, but relocated into Brookings in 1990. Rural Development and tax credits for 4 units used for project and renovation. All units have rent assistance available, so tenants pay rent based on 30% of income. Owner reports no vacancies and low unit turnover. |

| Table 36 Brookings Area Multifamily Rental Housing Inventory | | | | | |
|---|--|--|---|-------------------------------------|---|
| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
| Subsidized - General Occupancy | | | | | |
| Sandpiper I Townhomes 163 1 st Avenue South | 2 - 2 Bedroom <u>4 - 3 Bedroom</u> 6 Total Units | \$355 - \$570 \$400 - \$660 30% of income | No vacancies, waiting list | General occupancy | Rural Development subsidized town house units for general occupancy. Four units have rent assistance that allows rent based on 30% of income; remaining tenants pay 30% of income for rent, but not less than basic, or more than market rents listed. Manager reports full occupancy and good demand - less impact from student rule changes for family housing. |
| Sandpiper II Townhomes 144 2 nd Avenue South | <u>4 - 3 Bedroom</u> 4 Total Units | \$450 - \$705 30% of income | No vacancies, waiting list | General occupancy | Rural Development subsidized town house units for general occupancy. All units have rent assistance that allows rent based on 30% of income; remaining tenants pay 30% of income for rent, but not less than basic, or more than market rents listed. Manager reports full occupancy and good demand - less impact from student rule changes for family housing. |
| Sunchase Apartments 131 Sunrise Ridge Road | 1 - Efficiency 40 - 1 Bedroom <u>1 - 2 Bedroom</u> 42 Total Units | \$320-\$527 \$432-\$617 \$526-\$697 30% of income | 3 vacant units, including efficiency unit | Senior and disabled occupancy | Subsidized apartments for senior and disabled occupancy constructed in 1987 using Rural Development and tax credit subsidies. Tax credit compliance period has been met, but Rural Development requirements in effect. 38 units have rent assistance available that allows rent based on 30% of income; remaining tenants pay 30% of income, but not less than basic or more than market rents listed. Project has community dining room where noon meal can be purchased. Manager reports 3 vacancies at time of survey. |

| Table 36 Brookings Area Multifamily Rental Housing Inventory | | | | | |
|--|--|---|-------------------------------------|----------------------|---|
| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
| Subsidized - General Occupancy | | | | | |
| Sunrise Apartments 120 6 th Avenue South | 1 - 1 Bedroom <u>7 - 2 Bedroom</u> 8 Total Units | \$350-\$420 \$420-\$490 30% of income | No vacancies, short waiting list | General occupancy | Rural Development apartments for general occupancy built in 1978. Seven tenants receive rent assistance that allows rent based on 30% of income; remaining tenant pays 30% of income, but not less than basic or more than market rents listed. Manager reports full occupancy with short waiting list. |
| Wellington Heights Apartments 600 Medary Ave. S. | <u>12 - 3 Bedroom</u> 12 Total Units | \$430-\$650 30% of income | No vacancies | General occupancy | Rural Development and tax credit project that opened for occupancy in 1993. Units are town house style. Tax credits used for all units - 60% of median income limits apply. 10 units have rent assistance that allows rent based on 30% of income; remaining tenants pay 30% of income but not less than basic or more than market rents listed. Owner reports full occupancy and low turnover. |
| Windsor Estates 1027 Southland Lane | 4 - 1 Bedroom 12 - 2 Bedroom 8 - 3 Bedroom <u>12 - 3 Bedroom TH</u> 36 Total Units | \$285-\$415 \$370-\$520 \$420-\$624 \$440-\$660 30% of income | No vacancies | General occupancy | Rural Development and tax credit project that opened for occupancy in 1994. 12 Units are town house style and 24 units are apartments. Tax credits used for all units - 60% of median income limits apply. All units have rent assistance that allows rent based on 30% of income. Basic and market rents also listed. Owner reports full occupancy and low turnover. |
| Windsor Estates South 1025-1027 Southland Lane | 1 Bedroom 2 Bedroom <u>3 Bedroom</u> 22 Total Units | \$275 \$350 \$475 +heat, electric | No vacancies | General occupancy | HOME funded units that opened for occupancy in 1996. All units serve households at or below 60% of median income. No project-based rent assistance available. Owner reports full occupancy and low turnover. |

| Table 36 Brookings Area Multifamily Rental Housing Inventory | | | | | |
|---|---|-----------------------------|--|----------------------|---|
| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
| Subsidized - General Occupancy | | | | | |
| Yorkshire 2410 Yorkshire Drive | <u>50 - 1 Bedroom</u> 50 Total Units | \$542 Max. 30% of income | 2 vacant accessible units, waiting list | General occupancy | HUD Section 8 subsidized units constructed in 1980. Originally constructed for senior and disabled occupancy, but later changed to general occupancy housing. Tenants pay rent based on 30% of income up to maximum rent listed. Two units vacant at time of survey, but these were accessible units that are being advertised for suitable tenants. Approximately 20 name waiting list exists, although these are almost all non-elderly households. |

| Table 36 Brookings Area Multifamily Rental Housing Inventory | | | | | |
|--|---|--|-----------------------------|---------------------------|--|
| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
| Senior Housing with Services | | | | | |
| Brookview Manor | 79 bed skilled nursing facility | N/A | 95%-100% occupancy rate | Skilled nursing home | Skilled nursing home constructed in 1960s. Part of the Brookings Health System that includes the Hospital and Brookhaven Estates senior housing. Current occupancy rate is 100%, and typically between 95 and 100% |
| Brookhaven Estates | 1 Bedroom <u>2 Bedroom</u> 24 Total Units | \$1,000-\$1,150 \$1,350-\$1,500 higher rate is for 2 people | 1 vacant unit, waiting list | Senior congregate housing | Senior congregate-style housing project constructed in 2004. Rent includes a meal daily, emergency call system, utilities and underground parking. Optional services can be purchased including additional meals, housekeeping, laundry and personal care assistance. Part of the Brookings Health System that includes the Hospital and Brookview Manor Nursing Home - corridor connection to these facilities. One unit vacant at time of survey due to turnover, but waiting list does exist. Expansion of senior housing campus is possible in the future. |
| Greenleaf Assisted Living | 30 Total Units | N/A | 3 units vacant | Assisted Living | Senior assisted living constructed in 1997. Studio units with private bath but no kitchen facilities. Some tenants receive State/County assistance. Three units vacant at time of survey and some vacancies typical due to ongoing unit turnover - no waiting list. |
| Park Place Apartments | 7 - 1 Bedroom <u>8 - 2 Bedroom</u> 15 Total Units | \$663 \$963-\$1201 + approximately \$50 charge for second person | 2 vacant 1 bedroom units | Senior congregate housing | Congregate-style apartments for seniors constructed in 1991. Connected to United Retirement Center and part of senior campus with Park Place Assisted Living. Rent includes emergency call system, wellness program and social activities. Contracted services can be purchased including meals, laundry, housekeeping, medication dispensing and licensed nursing. Project has 20 units, but 5 are used for offices, due to demand. Two units vacant at time of survey, and some vacancies typical. |

Table 36 Brookings Area Multifamily Rental Housing Inventory

| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
|-------------------------------------|---|-----------------|----------------------------|----------------------|---|
| Senior Housing with Services | | | | | |
| Park Place Assisted Living | 28 Studio units with capacity for 36 residents | \$1,850-\$2,060 | 2 units vacant | Assisted Living | Assisted living units for seniors constructed in 1999. Part of senior campus that includes United Retirement Center and Park Place Apartments. Rent includes all meals, laundry and housekeeping services, medication dispensing, assistance with daily living and 24-hour staffing. Studio units with private bathroom, but two adjoining units could be combined to create private bedroom, but no kitchen facilities. Rents listed are for studio units. Two units vacant at time of survey due to recent turnover, but generally at full occupancy. |
| United Retirement Center | 79 licensed beds | N/A | approximate 96% occupancy | Skilled nursing home | Skilled nursing home constructed in 1959 with addition in 1989. Part of senior complex that includes Park Place Apartments and Park Place Assisted Living. 76 of 79 beds occupied at time of survey. |
| Prairie Crossings Assisted Living | N/A | N/A | N/A | N/A | Closed in 2004. Project had provided memory care housing. |
| Stoney Brook Suites | 30 - Studio <u>8 - 1 Bedroom</u> 38 Total Units | N/A | No vacancies, waiting list | Assisted Living | Senior assisted living project that opened in 2003. Tenants receive all meals, laundry and housekeeping, medication dispensing and assistance with daily living. Most units are studio with private bath and kitchenette facilities. Fully occupied with waiting list at time of survey. Addition with more assisted living units possible in the future. |

| Table 36 Brookings Area Multifamily Rental Housing Inventory | | | | | |
|---|---------------------------------|------|-----------------------|------------------------|--|
| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
| Senior Housing with Services - Neighboring Communities | | | | | |
| Cozy Corner/Elkton Residential Living Center Elkton | 12 beds | N/A | 3 vacant beds | Assisted Living Center | Two facilities licensed as Assisted Living Center. Cozy Corner was constructed in 1982 and has 10 licensed beds. Residential Living Center is located in the basement, and while licenced as an Assisted Living Center, serves a more independent senior. Service area extends into western Minnesota. Three beds vacant at time of survey, but typically at full occupancy. |
| Estelline Nursing and Care Center Estelline | 2 beds | N/A | 1 vacant bed | Assisted Living Center | Two assisted living beds in the nursing home that is also licensed for 60 beds. One unit vacant at time of survey. Only one nursing home bed unoccupied. |
| Dakota Sun Assisted Living Volga | 16 beds | N/A | 2 vacant beds | Assisted Living Center | Assisted Living Center constructed in the 1970s. Two beds vacant at time of survey. Majority of residents are from Volga or immediate vicinity. |
| White Pines Assisted Living Center White | 10 beds | N/A | 6 vacant beds | Assisted Living Center | Assisted Living Center beds are part of White Health Care Center, a nursing home also licensed for 34 beds. Only 4 assisted living beds occupied at time of survey, and 26 nursing home beds occupied. |

| Table 36 Brookings Area Multifamily Rental Housing Inventory | | | | | |
|--|--|---|-----------------------------|-------------------------------------|---|
| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
| Multifamily Rental - Neighboring Communities | | | | | |
| Nelson Diamond Apartments Arlington | <u>8 - 2 Bedroom</u> 8 Total Units | N/A | 1 vacant unit | General occupancy | Rural Development subsidized apartments for general occupancy. Seven units have rent assistance that allows rent based on 30% of income; remaining tenant pays 30% of income but not less than basic or more than market rents. Owner reports 1 vacant unit and limited demand. |
| Nelson Lakeview Apartments Arlington | <u>12 - 1 Bedroom</u> 12 Total Units | N/A | 3 vacant units | Senior and disabled occupancy | Rural Development subsidized apartments for senior and disabled occupancy. Ten units have rent assistance that allows rent based on 30% of income; remaining tenants pay 30% of income but not less than basic or more than market rents. Owner reports 3 vacant units and limited demand. |
| Parkview Apartments Arlington | 34 - 1 Bedroom <u>8 - 2 Bedroom</u> 42 Total Units | \$360 - \$380 \$390 - \$565 30% of income | 7 vacant 1 bedroom units | General occupancy | Rural Development subsidized apartments for general occupancy built in phases between 1978 and 1984 - nine buildings. 25 units have rent assistance that allows rent based on 30% of income; remaining tenants pay 30% of income but not less than basic or more than market rents. Manager reports good demand for 2 bedroom units, but 7 vacant 1 bedroom apartments. Rural Development rule changes for student occupancy has impacted vacancy rate. |

Table 36 Brookings Area Multifamily Rental Housing Inventory

| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
|---|---|--|------------------------|------------------------------|--|
| Multifamily Rental - Neighboring Communities | | | | | |
| <p>Dakota Village Aurora</p> | <p><u>30 - 2 Bedroom</u> 30 Total Units</p> | <p>\$315-\$370 30% of income</p> | <p>12 vacant units</p> | <p>General occupancy</p> | <p>General occupancy subsidized units constructed in 1992 with Rural Development and tax credit subsidies. Tax credit limits apply to 24 units at 60% of median income, and 6 units at RD limits of 80% of median income. Twenty units have rent assistance that allows rent based on 30% of income; remaining tenants pay rent based on 30% of income, but not less than basic or more than market rents listed. City requires \$200 utility deposit which is difficult for lower income renters.</p> |
| <p>Nelson Apartments Bruce</p> | <p><u>11 - 1 Bedroom</u> 11 Total Units</p> | <p>\$370-\$470 30% of income</p> | <p>3 vacant units</p> | <p>General occupancy</p> | <p>Rural Development subsidized apartments for general occupancy. Nine units have rent assistance that allows rent based on 30% of income; remaining tenants pay 30% of income but not less than basic or more than market rents listed. Owner reports 3 vacant units and limited demand.</p> |
| <p>Elkton Housing I Elkton</p> | <p>1 - 1 Bedroom <u>3 - 2 Bedroom</u> 4 Total Units</p> | <p>\$350-\$385 \$385-\$430 30% of income</p> | <p>1 vacant unit</p> | <p>General occupancy</p> | <p>Rural Development subsidized apartments for general occupancy constructed in the 1970s. Two units receive rent assistance that allows rent based on 30% of income; remaining tenants pay 30% of income for rent, but not less than basic, or more than market rents listed. One unit vacant at time of survey, and limited demand.</p> |
| <p>Elkton Housing II Elkton</p> | <p>6 - 1 Bedroom <u>1 - 2 Bedroom</u> 7 Total Units</p> | <p>\$476 Max. \$528 Max. 30% of income</p> | <p>5 vacant units</p> | <p>General occupancy</p> | <p>HUD Section 8 subsidized apartments for general occupancy. Units are in two buildings - four-plex may be sold due to chronic vacancy issues. Tenants pay 30% of income for rent, but not more than maximum rents listed. Only 2 units occupied at time of survey.</p> |

| Table 36 Brookings Area Multifamily Rental Housing Inventory | | | | | |
|---|---|---|-------------------------------|-------------------------------------|--|
| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
| Multifamily Rental - Neighboring Communities | | | | | |
| Volga Manor III Volga | <u>6 - 1 Bedroom</u> 6 Total Units | \$300-\$500 30% of income | No vacancies | General occupancy | Rural Development subsidized units for general occupancy built in 1986. All units have rent assistance that allows rent based on 30% of income. Basis and market rents are listed. Project has historically been popular with students, but recent rule changes have limited student eligibility - have found students that meet income and non-dependent tests and 5 of 6 units are occupied by students. |
| Garfield Manor Apartments Volga | <u>5 - 1 Bedroom</u> <u>3 - 2 Bedroom</u> 8 Total Units | \$275-\$390 \$325-\$400 30% of income | 3 vacant units | Senior and disabled occupancy | Rural Development subsidized apartments for senior and disabled occupancy constructed in 1980. Building is two-story with no elevator. Four units have rent assistance that allows rent based on 30% of income; remaining tenants pay 30% of income but not less than basic or more than market rents listed. Owner reports 3 vacant units and limited demand. |
| Volga Manor Volga | <u>1 - 1 Bedroom</u> <u>7 - 2 Bedroom</u> 8 Total Units | \$300-\$410 \$352-\$455 30% of income | No vacancies | General occupancy | Rural Development subsidized apartments for general occupancy. Six units have rent assistance that allows rent based on 30% of income; remaining tenants pay 30% of income for rent, but not less than basic, or more than market rents listed. Manager reports full occupancy but no waiting list - 1 unit had been vacant for past 4 months. |

Table 36 Brookings Area Multifamily Rental Housing Inventory

| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
|---|---|---|-------------------------------|----------------------|---|
| Multifamily Rental - Neighboring Communities | | | | | |
| Nelson South Side Apartments Volga | 1 - 1 Bedroom <u>3 - 2 Bedroom</u> 4 Total Units | \$350-\$450 \$390-\$490 30% of income | 1 vacant 2 bedroom unit | general occupancy | Rural Development subsidized apartments for general occupancy. Three units have rent assistance that allows rent based on 30% of income; remaining tenant pays 30% of income but not less than basic or more than market rents listed. Owner reports 1 vacant unit and limited demand. Some tenants have been students, but Rural Development rule change could limit future student occupancy. |
| West Side Apartments Volga | <u>20 - 1 Bedroom</u> 20 Total Units | 40% of income | No vacancies, waiting list | General occupancy | HUD Public Housing project originally constructed for senior and disabled occupancy, but now available for general occupancy. Most tenants are senior or disabled, but also younger tenants, including students. Units are in four-plex configurations, and are one-level housing. Manager reports full occupancy and strong demand with waiting list of 15 names. |
| Sand Creek Volga | 4 - 1 Bedroom <u>8 - 2 Bedroom</u> 12 Total Units | \$475 \$595 +heat, electric | No vacancies | General occupancy | Apartments constructed in 2002. Amenities include covered parking, community room and some units have in-unit laundry. Tenants pay heat and electric in addition to rent. Full occupancy reported, but rents are below-market in order to remain competitive with prevailing rates in Volga. |

| Table 36 Brookings Area Multifamily Rental Housing Inventory | | | | | |
|--|--|---|-------------------------------|-------------------|--|
| Name | Number of Units/ Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
| Multifamily Rental - Neighboring Communities | | | | | |
| Country View Estates Volga | 12 - 2 Bedroom <u>2 - 3 Bedroom</u> 14 Total Units | \$610-\$645 \$710 + all utilities | No vacancies, waiting list | Mostly seniors | Publicly-owned market rate rental units constructed in 2001 and 2004. Units are town house-style with attached garage. Lower rent 2 bedrooms have 1 car garage, and higher rent 2 bedroom and 3 bedroom units have 2 car garage. Tenants pay all utilities in addition to rent - estimated at \$125 per month. Project is popular with senior renters, and waiting list exists, especially for 3 bedroom units. Future phase of 6 units is possible. |
| Country View White | <u>8 - 1 Bedroom</u> 8 Total Units | \$420-\$445 30% of income | 2 vacant units | General occupancy | Rural Development subsidized apartments for general occupancy. All units have rent assistance available that allows tenants to pay rent based on 30% of income, up to maximum rent listed. Manager reports a mix of tenants, including seniors and non-traditional students. Two units vacant at time of survey. Traditional students can live in the project, but cannot access rent assistance, and must pay at least the basic rent listed. |

Source: Community Partners Research, Inc.

Employment and Local Economic Trends Analysis

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

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

Major employers in the Brookings area with 100 or more employees include:

| | |
|----------------------------------|-----------------|
| ▶ Daktronics, Inc. | 2,300 employees |
| ▶ South Dakota State University | 2,121 employees |
| ▶ 3M Company | 796 employees |
| ▶ Larson Manufacturing Company | 711 employees |
| ▶ Brookings Health System | 386 employees |
| ▶ Rainbow Play Systems, Inc. | 385 employees |
| ▶ Brookings School District | 350 employees |
| ▶ Hy-Vee Food Store | 350 employees |
| ▶ Wal-Mart | 349 employees |
| ▶ Twin City Fan & Blower Company | 233 employees |
| ▶ Brookings Municipal Utilities | 220 employees |
| ▶ Advance | 213 employees |
| ▶ City of Brookings | 209 employees |
| ▶ Aramark/SDSU Dining Services | 170 employees |
| ▶ Swiftel Communications | 162 employees |
| ▶ Fishback Financial Corporation | 158 employees |
| ▶ Avera Brookings Medical Clinic | 140 employees |
| ▶ Falcon Plastics, Inc. | 138 employees |
| ▶ United Retirement Center | 116 employees |

Source: Brookings Area Chamber of Commerce

In addition to the employers listed above, many of the smaller communities around Brookings also have local employment options, including Volga, Arlington, Estelline, White and Elkton.

Work Force and Unemployment Rates

Employment information is available for all of Brookings County. We have reviewed the County information back to the year 2000. City of Brookings information is only available starting in 2006. Data in the table that follows have been obtained from the South Dakota Department of Labor.

| Table 37 Brookings County Average Annual Labor Force 2000 -2007* | | | | | | |
|---|-------------|----------|------------|-------------------|------------------------|------------------------|
| Year | Labor Force | Employed | Unemployed | Unemployment Rate | Unemployment Rate - SD | Unemployment Rate - US |
| Brookings County | | | | | | |
| 2000 | 17,605 | 17,215 | 390 | 2.2% | 2.7% | 4.0% |
| 2001 | 16,985 | 16,515 | 470 | 2.8% | 3.5% | 4.7% |
| 2002 | 16,940 | 16,450 | 490 | 2.9% | 3.3% | 5.8% |
| 2003 | 17,440 | 16,910 | 530 | 3.0% | 3.6% | 6.0% |
| 2004 | 17,960 | 17,430 | 530 | 3.0% | 3.9% | 5.6% |
| 2005 | 18,155 | 17,610 | 545 | 3.0% | 3.8% | 5.1% |
| 2006 | 18,795 | 18,320 | 475 | 2.5% | 3.2% | 4.6% |
| 2007* | 19,625 | 19,133 | 492 | 2.5% | 3.6% | 4.6% |
| City of Brookings | | | | | | |
| 2006 | 12,695 | 12,375 | 320 | 2.5% | 3.2% | 4.6% |
| 2007* | 13,254 | 12,926 | 328 | 2.5% | 3.6% | 4.6% |

Source: South Dakota Department of Labor

* 2007 data are through May.

- ▶ Brookings County has had some minor fluctuations in the size of the available labor force in recent years. Between 2000 and 2006 (the last full year of data) the labor force increased by 1,190 people, or 6.3%. However, between 2000 and 2002, there was a decrease in the labor force, and the size of the labor force did not surpass the 2000 level again until the year 2004.
- ▶ The employed work force shows similar patterns. The number of employed workers in the County has increased between 2000 and 2006 by 1,105 workers, or 6.0%. But the level of employment actually dropped after 2000, and once again did not surpass the 2000 level again until the year 2004.

- ▶ Data for 2007 only extends through May, but through the first five months it appears that both the available labor force and the employed work force have been growing. The unemployment rate for the first five months of 2007 was only 2.5%.
- ▶ Although the unemployment rates in 2006 and 2007 are higher than in the year 2000, the unemployment rates of Brookings County have remained very low when compared to State and National averages. Since 2000, the County's annual average unemployment rate has not been higher than 3.0%.
- ▶ Since 2006, labor market data has also been available at the City of Brookings level. In 2006, the City represented nearly 68% of the County's total labor force.

Employment and Wages by Industry - Brookings County

The following table shows the annual employment and average annual wages by major employment sector in 2006, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment in the County. This information is for all of Brookings County.

| Table 38 County Average Weekly Wages by Industry Detail - 2006 | | |
|---|-----------------|--------------------------|
| Industry | 2006 Employment | 2006 Average Annual Wage |
| Total All Industry | 16,663 | \$29,818 |
| Natural Resources, Mining | 312 | \$30,510 |
| Construction | 606 | \$32,032 |
| Manufacturing | 5,159 | \$34,821 |
| Trade, Transportation, Utilities | 2,242 | \$24,414 |
| Information | 165 | \$27,157 |
| Financial Activities | 607 | \$31,394 |
| Professional and Business Services | 704 | \$33,871 |
| Education and Health Services | 962 | \$24,645 |
| Leisure and Hospitality | 1,683 | \$8,856 |
| Other Services | 364 | \$24,365 |
| Government | 3,859 | \$35,939 |

Source: South Dakota Department of Labor

- ▶ The average annual wage for all industry in 2006 was \$29,818.
- ▶ The highest paying wage sectors were Government and Manufacturing, with average annual wages of \$35,939 and \$34,821, respectively. Most of the Government employment was State Government, and reflects employment at SDSU.
- ▶ The lowest paying wage sector was Leisure and Hospitality, with an average annual wage of only \$8,856.
- ▶ Retail trade is a subcategory of the Trade, Transportation and Utilities sector. Employees in Retail Trade represented nearly 73% of the total employment in this sector. Average annual wages for Retail Trade employees were \$17,637.

Regional Unemployment Rates

The City of Brookings has identified a number of job openings that exist with area employers. There is a concern in the community that a worker shortage exists, causing some businesses to expand in other areas of the State or region, where a suitable workforce could be found.

In an effort to examine the employment situation in Brookings, compared to other large employment centers in the region, we have compiled unemployment information for area cities, counties and states. Information is provided for 2006, the last full year of data.

| Table 39 Regional and State Unemployment Data - 2006 | | | |
|--|----------------------|-------------------|----------------------------------|
| Area | Number of Unemployed | Unemployment Rate | Average Annual Wage All Industry |
| Brookings MiSA | 475 | 2.5% | \$29,818 |
| Aberdeen MiSA | 600 | 2.6% | \$28,998 |
| Sioux Falls MSA | 3,410 | 2.8% | \$34,531 |
| Huron MiSA | 280 | 3.1% | \$28,064 |
| Watertown MiSA | 585 | 3.1% | \$27,771 |
| Fargo-Moorhead MSA | 3,156 | 2.7% | \$32,708 |
| South Dakota | 13,890 | 3.2% | \$30,282 |
| Nebraska | - | 3.0% | \$33,409 |
| Minnesota | - | 4.0% | \$42,172 |
| Iowa | - | 3.7% | \$33,250 |
| North Dakota | - | 3.2% | \$31,304 |

Source: Various sources including State Departments of Labor and the Federal Bureau of Labor Statistics

- ▶ For calendar year 2006, the last full year of data, the National unemployment rate was 4.6%. All of the regional entities reviewed had an unemployment rate that was well below the National average. The State of Minnesota, with an unemployment rate of 4.0%, was the highest of the jurisdictions examined.
- ▶ The Brookings Micropolitan Statistical Area (MiSA), includes all of Brookings County. With a 2006 unemployment rate at 2.5%, Brookings County had the lowest rate of unemployment of all the jurisdictions that were reviewed. However, the unemployment rates in the Aberdeen MiSA (Brown and Edmunds Counties), the Sioux Falls MSA (Minnehaha, McCook, Lincoln and Turner Counties), and the Fargo-Moorhead MSA (Cass and Clay Counties), all had unemployment rates of 2.8% or less.

- ▶ The average annual wage data is from either the Quarterly Census of Employment and Wages (QCEW) or from the Bureau of Labor Statistics. It represents the average pay for all employed workers within the jurisdiction. It does not represent any estimate of the pay that is being offered for available jobs. However, it does provide some perspective on the overall wage conditions that exist.
- ▶ The average annual wage in Brookings County in 2006 was higher than in the other South Dakota Micropolitan Statistical Areas that were examined, including Aberdeen, Watertown and Huron. However, the average wage in Brookings County was lower than those reported in larger area jurisdictions, including the Sioux Falls MSA and the Fargo-Moorhead MSA.
- ▶ The average annual wage in South Dakota was the lowest of the five States examined. The highest average annual wage in 2006 was in the State of Minnesota. This average wage was more than 39% higher than the South Dakota average, and more than 41% above the average wage in Brookings County.
- ▶ Sioux Falls and Fargo, the two Metropolitan Statistical Areas (MSA) located closest to Brookings, had higher average annual wages, at nearly 16% higher and 10% higher, respectively.
- ▶ The U.S. Department of Labor identifies “labor surplus areas”. A civil jurisdiction is classified as a labor surplus area when its average unemployment rate was at least 20 percent above the average unemployment rate for all states. In South Dakota, there were six Counties defined as labor surplus areas for 2007: Buffalo, Corson, Dewey, Jackson, Shannon and Ziebach Counties. Five of these six Counties are in the western portion of the State, and Buffalo County borders the Missouri River.

Recent Home Buyer Survey

Community Partners Research, Inc., conducted a survey of households that have recently purchased a new or existing home in the Brookings Area. The purpose of the survey was to obtain home buyer's comments, perceptions and information on their experiences in purchasing a Brookings' Area home. This information will assist us in determining the Brookings housing needs and in developing housing recommendations to address the Brookings' Area housing needs.

A total of 32 recent Brookings Area home buyers were surveyed. The findings are as follows:

- ▶ All 32 households purchased a single family home.
- ▶ Twenty-seven households purchased an existing home and five households purchased a new home.
- ▶ Nine (28%) households relocated from outside the Brookings Area and 23 (72%) were already Brookings Area residents. Seven of the new households relocated to the Brookings Area for employment, while two households had previously lived in the Brookings Area and were moving back to the area.
- ▶ Twenty-four (80%) of the households purchased a home within the price range they had established when beginning their search for a new home and six (20%) of the households paid more than their original established price range.
- ▶ Twenty-two (73%) of the households did not pay the list price for the home they purchased. Although five households paid more than the list price, 12 households paid less than the list price. Five households would not answer whether they paid more or less than the list price.
- ▶ Twenty-five (78%) of the households stated that they purchased a home that meets their specifications, while seven stated that the home they purchased did not meet their specifications. Of these seven households, the reasons why their home doesn't meet their specifications include:
 - ▶ home too small - 3
 - ▶ home too large - 1
 - ▶ cost too much to renovate - 1
 - ▶ bought only as a transition home - 1
 - ▶ wanted a two story, but settled for a one story
- ▶ Fourteen (45%) of the households purchased a home in the neighborhood that was their first choice, while 11 (35%) purchased a home in a neighborhood that was not their first choice. Six households had no neighborhood preference.

- ▶ Ten households (33%) found a home to purchase in less than a month, 13 (43%) found a home to purchase in one to six months and seven (23%) searched for over six months to find a home.
- ▶ All of the households had positive experiences working with area realtors and only one household had a negative experience working with area bankers/mortgage lenders.
- ▶ Most of the households did not have contact with City and County officials, but those that did had a positive experience working with these officials.
- ▶ The majority of the households plan to live in their newly purchased homes indefinitely. Of those that plan to move within the next ten years, four households will seek a ranch style home, four will seek a larger home, three will build a new home, one household will seek a better location and one household will move into a retirement home.
- ▶ Overall, 30 (94%) of the households surveyed are satisfied with the home they purchased and only two households (6%) are not satisfied.
- ▶ The households had a variety of general comments, however, the predominant comments were that housing is expensive in the Brookings Area and there is a shortage of affordable homes that are priced in the mid-range.

Highlights of Households New to Brookings

While the majority of households surveyed were already Brookings residents prior to their home purchase, there were nine households that moved into the City. Three of the nine were from the immediate area, such as Watertown, and six came from other States or from the western part of South Dakota. Responses from this relocating group have been reviewed, with the highlights as follows:

- ▶ Four of the nine households paid more than they were expecting to purchase a home. This represented most of the households in the entire survey group that paid more than expecting. However, it is also reasonable to expect this group to have different expectations, since they were not previously living in the City. The existing resident group would have more familiarity with the market conditions, and would therefore be less surprised by listing prices for the typical home.
- ▶ When actually buying the home, five of the nine relocating households reported that they negotiated a purchase price that was below the listing price. Two households paid the listing price, and two households reported a competitive bidding environment that required them to offer more than the listing price. The relocating group tended to have reasonably similar purchase price experiences when compared to the overall survey group.
- ▶ Two-thirds of the relocating group stated that their house met their basic expectations. However, some of them still made statements that not all aspects of the house were

perfect. For example, one buyer was satisfied, but still wished their house was larger. Another buyer was satisfied, but wished they would have had more options to consider. Of the three households that compromised on their expectations, one said their house was too small, one said that their house required more renovation than they wanted to make, and one had to buy a different house style than they would have otherwise preferred.

- ▶ Most of the relocating households reported that they looked for between one and three months before finding a home to purchase. This was reasonably consistent with the larger survey group. One relocating household did report a six month search, and another looked for four to five months before finding a suitable choice.

**Recent Home Buyer Survey
July 2007**

The City of Brookings is exploring opportunities to provide home ownership options in the City. To help analyze housing needs and concerns, we are contacting households that have recently purchased a home in Brookings. It is our understanding that you have purchased a home in Brookings in the past year. We would like to ask you a few questions. The individual responses will be kept confidential.

1. Did you buy a new or existing home? new existing

2. What type of home did you purchase?

single family home twin home town home

condo other

3. Did you move to a new home from outside of Brookings? If so, where did you move from?

If you moved to Brookings from outside the area, why did you move to Brookings?

4. Did you purchase your home in the price range that you originally had established when you starting your search for a home?

Yes No Explain

5. Did you pay the list price for the home? yes no
If no, did you pay more or less than the list price? more less

Explain _____

6. In your opinion, did you have enough homes to choose from that met your specifications, design, housing type, age, etc.?

____yes ____no Explain_____

7. Is your new home in the neighborhood that was your first choice?

____yes ____no Explain_____

8. How long did it take you to find the home that you purchased? _____

Explain _____

9. What was your experience working with area realtors? _____

10. What was your experience working with area bankers? _____

11. What was your experience working with City and County personnel?

12. How long do you plan to live in your home? _____

13. What type of housing unit do you think your next home will be? Explain

14. Overall, are you satisfied with your home? ____yes ____no Explain

15. Any general comments that will help us in our research?

Focus Group Research

As part of the research process for this Study, a number of focus group discussions were convened in Brookings. Stakeholders for the different focus groups were identified by staff at the Brookings Economic Development Corporation (BEDC). Staff from Community Partners Research, Inc., served as moderators for the focus group sessions.

Focus groups were identified in the following categories:

- ▶ Local housing agencies
- ▶ Brookings City and Municipal Utilities staff
- ▶ Regional Mayors
- ▶ Private-sector housing contractors and developers
- ▶ Local employers and industry representatives
- ▶ Realtors
- ▶ Lending institutions
- ▶ Central Brookings Neighborhood representatives
- ▶ BEDC Housing Task Force
- ▶ South Dakota State University students

Private interviews were also conducted with people knowledgeable about housing and growth issues in the community. In some cases, these individuals were unable to participate in the focus group sessions. In other cases, additional information was obtained following the focus groups.

The following pages contain a summary of some of the issues and topics that emerged through the focus group discussions and individual interviews. In many cases, the various topics and issues were discussed by multiple groups. In other cases, discussion may have been limited to a single focus group or interviewee.

It is important to note that the issue summaries presented here often represent opinions or perceptions that were expressed through the process. In some cases, conflicting information may have emerged as multiple groups discussed a single issue. We have attempted to reflect these differences in opinion in the issue summary.

The focus group and interview comments have been organized into general issues as follows:

- ▶ Philosophy on Affordable Housing
- ▶ Affordable Residential Lots
- ▶ Affordable New Ownership Housing
- ▶ Affordable New Rental Housing
- ▶ Development Capacity
- ▶ General Rental Market Issues
- ▶ General Ownership Market Issues
- ▶ Consumer Expectations
- ▶ Existing Homes Sales/Market Conditions
- ▶ Government Policies Impacting Development
- ▶ Public Role in Housing
- ▶ Mortgage and Financing Issues
- ▶ Mobile Home Issues
- ▶ Economic Development Issues
- ▶ Employer Perspective
- ▶ Student Rentals in Single Family Houses
- ▶ Issues Affecting SDSU Students
- ▶ The Role of Small Cities in Addressing Affordable Housing

Philosophy on Affordable Housing

- ▶ Many of the City's manufacturing employers pay hourly wages between \$11 and \$15 per hour - this translates into limited purchasing power for housing
- ▶ Affordable housing should not always have ownership as a goal - for many low and moderate income households, renting is a better option
- ▶ Mobile home ownership is also viewed as a possible solution, although mobile homes have limitations
- ▶ One of the ways to increase supply of affordable housing is to promote trade-up housing that turns over more affordable units - housing that is age-appropriate for seniors and attractive to higher income people leads to rollover of older housing
- ▶ Luxury rental segment has been successful recently, and this helps to free-up less expensive rental

Affordable Residential Lots

- ▶ The availability of affordable lots for single family housing construction is a significant issue for Brookings
- ▶ The ability to produce affordable lots is directly linked to prices for undeveloped land - in Brookings land prices can be as high as \$20,000 per acre, compared to prices as low as \$5,000 per acre in other communities, such as Aberdeen
- ▶ Others counter that land can be found for \$10,000 per acre
- ▶ The ability to produce affordable lots is also impacted by development requirements that exist in the City relating to public infrastructure, street widths, drainage plans and other similar issues
- ▶ High land prices result from multiple limitations that exist around Brookings, including flood plain areas that cannot be developed, the limited amount of bare land that can be served by gravity-fed sewer, large tracts of land owned by SDSU, and the belief that a relatively small number of land owners have control over large tracts of the undeveloped land that remains
- ▶ The City's Comprehensive Plan has a development schedule that extends to the year 2050, indicating that an adequate supply of land exists, but this does assume that forced-sewer will be utilized and that unusable tracts will be leapfrogged as development proceeds
- ▶ Many new lots have covenants that require minimum square footage for the house - this negates any chance for very affordable ownership
- ▶ The issue of affordable residential lots can be addressed in part by opportunities that may exist in the small communities that surround Brookings, although costs of commuting then impact lower income people
- ▶ Infill lots that remain in existing neighborhoods and subdivisions can represent a very affordable option - however, housing agencies have been active in using these lots and the remaining supply is very limited

Affordable New Ownership Housing

- ▶ To attract workers for the City's moderate wage employment opportunities, it will be important to continue the production of affordable ownership housing
- ▶ Multiple groups are working on different approaches to generating affordable ownership housing
- ▶ While multiple approaches are being used, the scale of this activity is generally limited by the resources that are available for development cost write-downs
- ▶ Habitat for Humanity generally targets households earning 30% to 50% of the County median income level
- ▶ Homes Are Possible Inc., (HAPI) has a goal of constructing houses for approximately \$110,000 and looks to serve households with incomes as low as \$25,000
- ▶ The area CAP agency utilizes the Rural Development self-help program, with a goal of constructing six houses per year and targets households as low as 40% of the median income level
- ▶ Covenants on lots may limit affordable housing - example that Governors Homes could not be used because covenants required more square feet for the house
- ▶ City has never had much activity with modular houses - special subdivisions should be created for this type of housing

Affordable New Rental Housing

- ▶ The most affordable rental housing stock, subsidized through State and Federal assistance programs is one of the few segments of the rental market with some level of vacancy - this is primarily due to recent changes in the eligibility of students to occupy subsidized units
- ▶ The City's Housing Choice Voucher Program is underutilized - this again appears to be the result of student eligibility changes
- ▶ Households that are assisted through subsidized rental programs often have a very low income, estimated to be \$12,000 per year
- ▶ Subsidized housing projects in the smaller communities around Brookings appear to often have persistent vacancy problems
- ▶ Federal low income housing tax credits are the primary subsidy program for affordable rental, but students cannot occupy tax credit housing, so this resource has limited use in Brookings

Development Capacity

- ▶ Brookings has local developers that are capable and willing to address housing development needs
- ▶ The major local developers are able to quickly develop land and projects as need dictates - efficiency in development helps eliminate unnecessary costs that could result if an oversupply of land or units is created
- ▶ High costs associated with development limit developers' willingness to develop more lots or units than can be quickly absorbed by the market
- ▶ The City has an increasing supply of nonprofit agencies that are willing to work on affordable housing
- ▶ The City is experiencing increasing interest from developers that are from outside the immediate area but see market opportunities in the Brookings area
- ▶ Perception exists that much of the undeveloped land in Brookings is controlled by a few owners and developers, which results in higher costs than in communities where there is more competition
- ▶ City infrastructure and utilities are capable of sustaining future development - only identified limitation is in water processing capacity
- ▶ Hundreds of lots are available or are in the development pipeline - these lots exist in multiple subdivisions

General Rental Market Issues

- ▶ In general, the rental market is strong due to demand from growth, students and workers, but significant differences exist in the area rental market
- ▶ Luxury rental market is strong with waiting lists
- ▶ Subsidized market has had recent changes due to student eligibility - HUD and Rural Development have different rules, but both have tended to limit student eligibility in recent years
- ▶ Perception that vacancies exist in the senior assisted living segment of the market
- ▶ Subsidized housing in smaller communities around Brookings often have significant vacancy issues
- ▶ Student demand leads to 12-month lease requirement, which creates a problem for some renters - for example Daktronics has six month internships available but six month leases are difficult to find
- ▶ SDSU has not been active in developing dormitories or other on-campus housing - enrollment has grown much faster than housing
- ▶ Different opinions exist about availability of R-3 land for multifamily housing - but R-3 land does exist, but the amount near the University is limited
- ▶ An estimated 150 to 250 rental units are in the downtown area - mostly occupied by students or younger renters
- ▶ Possibility exists that downtown parking ramp may be constructed with housing above

General Ownership Market Issues

- ▶ Strong demand exists, especially for custom homes
- ▶ Only limited speculative construction occurs - spec homes can stay on the market for extended periods of time
- ▶ Higher income, corporate headquarters and professional employees have the financial ability to acquire housing - if they cannot locate a suitable house, they can have it built
- ▶ Construction costs and land costs are the two biggest factors in final price
- ▶ The lowest priced lots are typically around \$30,000 - one solution to lower lot costs is to look for smaller lots or promote attached housing
- ▶ Realtors identified 18 lots for less than \$29,000, but the lowest price was \$28,500
- ▶ Development of residential lots has been strong - over 180 new lots were platted in 2006, and 200 are in development
- ▶ To reduce construction costs buyers must be willing to accept less or use cheaper materials - this has not been accepted in the market
- ▶ Some fear exists that Brookings market will slow, as higher material costs and mortgage interest rates will impact housing construction

Consumer Expectations

- ▶ People expect affordable housing but do not expect to compromise on any amenities or quality
- ▶ Younger people expect a house that is equal to or better than their parents - do not want to accept a “starter home”
- ▶ “fixer-uppers” are harder to sell - few buyers want to take on a house that needs work - as a result, the best use for some older single family houses may be as student rentals
- ▶ Young professionals want to upgrade their housing as their income improves - if it is not available in Brookings then they will leave the community
- ▶ Many young people focus on careers first, and families later - this results in demand for housing that is maintenance free
- ▶ There is evidence that smaller houses and attached housing options will sell easily in this market, if priced right

Existing Home Sales/Market Conditions

- ▶ Home prices in Brookings have increased steadily in recent years
- ▶ Sales prices never retreat - some years the prices may be relatively stable, but most years there is appreciation
- ▶ Nearly all Realtors have had examples of listings that sell for more than the listing price
- ▶ Existing houses that are priced in a manner that is consistent with new construction costs are not subject to price declines
- ▶ The average listing period for most existing homes is 30 days or less

Government Policies Impacting Development

- ▶ Some debate exists about density issues for housing development - organizations like Habitat for Humanity are prepared to develop as many as 5.5 housing units per acre, compared to the prevailing standard in Brookings of no more than 4 units per acre
- ▶ Tax Increment Financing (TIF) has not been used to assist housing developments in Brookings, and only limited TIF usage has been applied to commercial/industrial development
- ▶ Minimum street width requirements were a topical issue at the time of the focus group meetings as the City Council had been actively discussing a proposed development with narrower streets
- ▶ City appears to be more willing to compromise on issues such as greater density, but unwilling to compromise on items that are viewed as impacting public safety, i.e., sidewalk requirement
- ▶ Land developers pay for infrastructure costs at time of development - in some communities the City bonds for these costs in affordable housing projects
- ▶ Perception exists that Brookings and Sioux Falls compete for development, but that Sioux Falls is more “developer friendly”
- ▶ Property taxes are perceived as being high in Brookings - in some communities property taxes may be deferred for a set period of time for affordable housing projects
- ▶ Aberdeen has in place a program that defers City fees and charges until the point of sale for qualified affordable housing - a program also exists that provides construction financing for affordable speculative construction - similar programs may be available through SDHDA
- ▶ An active group of nonprofit agencies exists that can produce affordable housing but is often limited by staff capacity issues - City financial support of nonprofit staff could generate additional affordable housing
- ▶ Developers often view many City requirements as overly expensive - items such as required drainage plans are an example of controversial issues
- ▶ City staff stress the importance of development regulations to promote a safe and desirable community - for example, flood plain and drainage issues impact the City and must be addressed as part of the development process
- ▶ Drainage plan requirements may provide Citywide benefits, and some of the cost should be shared through City tax base, not placed solely on developer
- ▶ City’s Boarding House Ordinance may need to be revisited with focus on the density impact it creates
- ▶ Possible City moratorium on change in use for structures after sale - if residences could not be converted to boarding houses for a certain period of time, it would lower the incentive to convert
- ▶ Enforcement of existing City ordinances is also important in student neighborhoods - snow removal, clutter, off-street parking, garbage removal, etc.
- ▶ Some college towns tie rental license to ordinance violations - gives the City greater clout when dealing with landlords

- ▶ County zoning places strict limits on rural housing development around Brookings - some argue that loosened restrictions would generate more construction outside of City limits to serve higher income people
- ▶ City already has extra-jurisdictional planning power to prevent poorly planned development around City limits - makes for future annexation that is compatible and less costly

Public Role in Housing

- ▶ Many in private sector believe that public agencies should stay out of housing - this is a private sector issue
- ▶ Public involvement should be limited to subsidies to private projects - TIF, infrastructure assistance, help with drainage plans, etc.
- ▶ Publicly-owned market rate rental housing project in Volga is being challenged in court by a private property developer/manager
- ▶ Nonprofits believe that they can address affordable housing needs, and could add capacity with public financial assistance
- ▶ Possibility that local down payment assistance pool could be created - community has had past success with fund-raising efforts that serve public purposes
- ▶ City has been active in offering incentives for business expansion, but has never been active in offering housing incentives
- ▶ Public-private partnerships would be favored over public attempts to address affordable housing
- ▶ Affordable housing set-aside requirements may be workable given the strength of the Brookings development market

Mortgage and Financing Issues

- ▶ Local lenders have affordable products through State of South Dakota, Rural Development and internal bank programs in larger banks
- ▶ Purchase/rehabilitation package loans are difficult to make - owners need some level of equity in the home
- ▶ Available mortgage products include programs with no down payment requirement
- ▶ Area lending community did not view home buyer education programs as a big issue - people with a job and modest savings have mortgage products available to them
- ▶ Reverse mortgages are being used in Brookings
- ▶ Sub-prime mortgage problems were not viewed as a significant issue in Brookings
- ▶ Foreclosures were not viewed as a significant issue in the area

Mobile Home Issues

- ▶ Brookings has a large inventory of mobile homes and mobile home parks
- ▶ While providing affordable housing, mobile homes lose equity rather than build equity for owners
- ▶ Too many mobile homes are in poor condition and should be replaced
- ▶ Some occupied mobile homes are viewed as unsuitable for occupancy
- ▶ The Housing Choice Voucher Program is being actively used by renter households in mobile homes - at the time of the focus group there were 35 mobile homes in the Voucher Program
- ▶ While Brookings has a large number of mobile homes, modular housing has not been used - many other South Dakota Cities have used modular housing products to offer more affordable ownership
- ▶ At least two mobile home parks are planning to expand their capacity

Economic Development Issues

- ▶ Many of the jobs being created in Brookings have moderate wages, and moderately priced housing options are needed to attract new workers to these jobs
- ▶ The inability to attract manufacturing employees to the community has resulted in expansions being lost to other communities, such as Daktronics expansions in Sioux Falls and Redwood Falls
- ▶ The low unemployment rate and the shortage of younger workers in the immediate area will potentially require the City to recruit from national and international destinations to acquire a workforce
- ▶ Many of the jobs in Brookings are suitable for students seeking part-time employment while attending school, but historically Brookings has not had opportunities to keep students after they graduate
- ▶ The planned technology/research park would create jobs that could help the City retain more students after graduation
- ▶ The City has successfully raised more than \$4 million for economic development - similar approach could be attempted with housing

Employer Perspective

- ▶ Many large employers tend to have stable, long-term employee base
- ▶ Industries recognize the aging existing workforce - but most do not expect major turnover for 10 to 15 years
- ▶ Daktronics and 3M are two large employers that have been looking to hire a significant number of new employees in recent past

- ▶ Some local employers have diversified their operations to other communities - this was generally done for business reasons, such as stabilizing distribution networks, but employment stability was also a factor
- ▶ Daktronics has expanded in Sioux Falls and Redwood Falls for production - near-term growth in Brookings will be oriented to professional employees, not manufacturing
- ▶ The Daktronics expansion was very rapid - the company may have doubled in size within two years - and this contributed to the shortage of workers in Brookings
- ▶ Most Brookings area manufacturing jobs have wages between \$11 and \$15 per hour - to attract new workers in this income range requires an expansion of very affordable ownership options
- ▶ Rainbow Play Systems has recruited workers from other States in the past - but an attempt to attract workers from Texas was largely unsuccessful, as most workers had left within a few years
- ▶ Professional/corporate head quarters' employees can have short-term housing issues when they arrive - but generally have sufficient incomes to buy or build suitable housing
- ▶ Employer involvement in housing has not been attempted, and probably would not be appropriate for publicly-held companies
- ▶ Individual corporations have been indirectly involved in housing - Larson makes significant contributions to Habitat for Humanity
- ▶ While corporate involvement in housing has not been done, individual contributions for officers and company founders are more feasible
- ▶ Daktronics actively works with SDSU students in "preferred majors" - part-time work during school year can lead to permanent employment
- ▶ Retaining younger workers can be a challenge - Brookings is a "family friendly" community for younger workers, but not an attractive location for younger singles
- ▶ The City can assist area employers through affordable housing development, commercial development that appeals to younger people, transportation planning that eases congestion, and keeping the community an attractive place to live

Student Rentals in Single Family Houses

- ▶ Older, less expensive single family homes are attractive to investors looking to serve student renters
- ▶ Parents of students can also be active in this segment of the market - own the house while children are in college and then sell for a profit
- ▶ Student populations once were located close to campus, but over time, the student renter population has spread throughout the City where affordable single family homes exist
- ▶ While student rental houses are viewed as necessary, there is some desire in the community that this be contained to an area immediately around the campus - however, the counter view is that this would result in greater concentrations of students and more issues in those neighborhoods
- ▶ Perception that neighborhood conditions are deteriorating in the City's core neighborhoods as student housing demand impacts older homes
- ▶

- ▶ Perception that enrollment at SDSU has grown much faster in recent years than the supply of on-campus housing, creating greater demands on private housing market
- ▶ Competition exists between landlords and first time home buyers for older, lower-priced single family homes
- ▶ First time home buyer assistance programs generally require an inspection of the unit - this complication does not exist when rental investors are also trying to buy the unit - this results in a competitive disadvantage for potential home owners
- ▶ Some reports that SD Housing Development Agency was dropping inspection requirement in response to difficulties it creates - but this was disputed by others
- ▶ City has put in place a rental inspection program due in part to student renters - but this program has not been able to meet the inspection goal of viewing each unit once every three years
- ▶ City has in place an ordinance that prevents more than three unrelated individuals living together - but this ordinance is very difficult to successfully enforce
- ▶ Other Cities, including Sioux Falls, may have an ordinance governing more than three unrelated individuals in a household, and may have different experiences with enforcement
- ▶ Students are proposing their own rating system for properties and landlords - this system could help to regulate problem properties

Issues Affecting SDSU Students

- ▶ Parking is an issue for rental housing in neighborhoods surrounding the University
- ▶ Freshman and sophomores are required to live on campus - total on-campus population is 3,200
- ▶ SDSU'S newest dorm, Caldwell Hall, is apartment-style and is very popular
- ▶ Housing strategic plan includes housing for up to 400 additional students on-campus
- ▶ Students stated that there are many rental units that are in a substandard condition and are not up to code and that codes are not being enforced
- ▶ Students feel that the three students per housing unit ordinance is not fair, difficult to enforce and is not being enforced
- ▶ Students are creating a process that will rate the quality of off campus housing utilizing a set of criteria - this information will be available to students seeking off campus housing - the desired result is more quality, safe housing
- ▶ Many landlords do keep up their rental units and are responsive to their tenants
- ▶ Some students stated that there is a need for more boarding houses
- ▶ Students are concerned that the number of students in neighborhoods adjacent to the University will be limited
- ▶ Some parents are buying homes in Brookings for their children to live in while they are students

The Role of Small Cities in Providing Affordable Housing

- ▶ The small Cities in Brookings County, plus Arlington and Estelline just outside the County borders are viewed as very important for providing housing for the region
- ▶ Many of the small Cities have found a market niche in providing more affordable housing options
- ▶ While more affordable, most small City subdivisions still have covenants that dictate the size of the house - in some cases these covenants are more restrictive than in Brookings
- ▶ Affordable rental housing projects can struggle with vacancy issues, especially projects that are farther removed from Brookings
- ▶ Rental housing in Volga, which serves as a primary bedroom community to Brookings, is more viable
- ▶ Higher gas prices are perceived as impacting the desirability of the smaller Cities as commuting locations for people employed in Brookings
- ▶ While the small Cities are an important resource for future housing development, most of the small communities are also concerned about maintaining controlled and orderly patterns of growth
- ▶ Aurora is well-located to provide housing for Daktronics employees, but barriers also exist, including no school in the City and limited City staff to facilitate development issues
- ▶ Two large developers from outside the area have been looking at Aurora as possible location for building affordable homes
- ▶ Aurora is served by Brookings' water system

Affordable Housing Development Strategies

Like most growing areas, the City of Brookings and the surrounding small communities are active in their attempts to expand the supply of affordable ownership housing. Older, existing homes have generally represented the single best opportunity for affordable ownership, but the supply of these houses is fixed. As household growth continues to occur, more emphasis has been placed on new construction to meet demand.

In the City of Brookings, employment growth has been very strong in recent decades. The area unemployment rate has been very low for many years, and to fill available jobs, it is becoming increasingly necessary to attract new workers to the area. Yet attracting and retaining new workers requires a supply of housing that is both affordable and desirable. The City of Brookings and area communities have been exploring different options to expand the inventory of affordable ownership housing. This section attempts to discuss some of the factors that can impact housing costs.

Most of the research for this section has been done by the Greater Minnesota Housing Fund, through their Building Better Neighborhoods Program. The Greater Minnesota Housing Fund (GMHF) is a nonprofit organization that was created in 1996 and is committed to increasing the supply of affordable housing throughout Greater Minnesota. Their area of operation is outside of the Minneapolis-St. Paul Metropolitan Area. GMHF has been active in assisting communities in western and southwestern Minnesota, including the Cities of Marshall and Pipestone. The organization's research into housing and land development costs is applicable to communities in eastern South Dakota, and represents some of the best available information on efforts to reduce the costs associated with ownership housing.

Major Areas of Cost for Housing Development

The GMHF research identifies five major expense categories that need to be addressed with affordable housing development, as follows:

- ▶ Site Selection
- ▶ Lots
- ▶ Streets
- ▶ Homes
- ▶ Landscape Systems

The summary of their research will be provided by each cost area, with discussion on the applicability to new construction in Brookings.

Site Selection

Site selection includes identifying and securing the land that is necessary for affordable housing development. To help keep costs low, the following three strategies are recommended:

- ▶ ***Assess Housing Needs*** - Select a site that is the appropriate size to accommodate anticipated housing needs and housing types
- ▶ ***Evaluate Site Conditions*** - Select a site that is reasonably priced and suitable for residential development.
- ▶ ***Consider Infrastructure Connections*** - Select a site that can be easily and economically connected to existing infrastructure and streets.

Applicability to Development in Brookings: Based on the research completed with focus groups and construction industry representatives, site selection is a major issue for affordable new construction in Brookings. Among the issues identified are:

- ▶ ***Relatively high costs for land*** - The general belief is that land costs in Brookings tend to be higher than in most comparably sized South Dakota communities. Initial reports were that land suitable for residential development was selling for \$20,000 per acre, although some later reports indicated that land for \$10,000 per acre could be found within the City limits.
- ▶ ***Potential for high land development costs*** - Brookings has a significant amount of land within the City limits, but not all of this land is suitable for development, or economical to develop. Among the complications are flood plain areas, significant tracts of land that are owned by SDSU and cannot be developed for housing, and land that will require forced sewer mains, rather than gravity feed for future development. The combination of these factors can be a detriment to compact, orderly development, as some tracts of land must be “leapfrogged”, resulting in higher costs for infrastructure.
- ▶ ***Control over available land*** - There is a perception in the community that a few land owners have ownership or development control over much of the desirable land within the City limits. This is believed to be a contributing factor to above-average costs for land purchase.

Possible Action

To address the availability of land for affordable housing development, there are potential ways for public involvement, including the following:

- ▶ ***Public subsidies for development*** - Land that can only be served by sewer lift stations will be more costly to develop. It would be possible for the City to spread these additional costs across the general tax base, rather than charging these costs back to the

benefitting developments. This would create additional options for development in land that should be less costly to acquire.

- ▶ ***Affordable housing set-asides*** - Some communities have placed requirements on developers that designate that a certain percentage of lots or housing units in new developments are to be priced at or below an affordable housing threshold. In these projects, the buyers of the market rate units essentially subsidized a percentage of the units, which can be sold at below-market prices. Under this approach, an affordable site does not need to be found, but rather 10% to 20% of all developments are dedicated to more affordable housing.
- ▶ ***Public or nonprofit developed subdivisions*** - In many communities, a public agency or a nonprofit agency has become actively involved in developing residential subdivisions. Under this approach, a profit-motive can be removed from the development, and lots can be sold for a lower price. In Brookings, this approach is already being considered, as the Home Ownership Assistance Program, Inc., (HOAP) is actively looking for residential development opportunities.

Lots

According to Greater Minnesota Housing Fund research, planning modest-sized lots is the most significant cost-reduction strategy for new home construction. Smaller lots in compact neighborhoods will reduce the initial and long-term costs of land and infrastructure.

Based on GMHF research in Minnesota communities, they believe that a reduction in lot width from 80 front feet to 50 front feet can reduce the lot cost by 30% to 40%.

Applicability to Development in Brookings:

Based on our research, there are some opportunities for lowering housing costs through lot size reduction, but Brookings is already prepared to allow this type of development.

- ▶ ***Brookings already allows 50 foot lots*** - The current residential standards in Brookings will allow for lot widths of 50 feet and total lot area of 6,000 square feet. The Valley View development project, which is being planned in 2007, will utilize 50 x 120 foot lots to achieve more affordable development.
- ▶ ***Attached Housing*** - Developers indicated that younger buyers looking for home ownership will consider an attached single family unit, such as a twin home or town house. This style of construction can reduce the lot development costs. Local Realtors stated that many younger professionals are looking for lower maintenance responsibilities, which could also be met through attached housing developments that offer an ownership association. Some of the housing developers believe that attached housing will grow in market share as a way to reduce the purchase price for new units.

Possible Action

Private developers are already attempting to reduce development costs through lot price reductions, and specific public action may not be necessary. However, the following approaches have been successfully used in other communities:

- ▶ ***Promote mixed income neighborhoods*** - The Greater Minnesota Housing Fund promotes mixed income projects as a way to add value to affordable housing projects. Under this approach, smaller lots are randomly dispersed in larger lot subdivisions. While still achieving some greater density with some smaller lots, the neighborhood is not as compact as a subdivision that only includes small lots. This type of neighborhood can also have a good mix of house styles and types, which can be constructed on larger lots.
- ▶ ***Density bonuses for set-aside projects*** - Communities that have used affordable housing set-aside requirements will often provide incentives to developers by offering additional density bonuses in the project. This may include a greater number of lots per acre, or the ability to add more multifamily or attached housing in the project.

Streets

The Greater Minnesota Housing Fund’s research identifies street layout as a way to significantly reduce development costs, yet still enhancing the appearance of the neighborhood. Their identified strategies to reduce costs are as follows:

- ▶ ***Plan efficient streets and infrastructure*** - Lay out streets efficiently to reduce total length of streets and associated infrastructure.
- ▶ ***Street width*** - Create streets of appropriate widths to accommodate all anticipated uses and traffic volumes.

Applicability to Development in Brookings:

During the course of research for this Study, street widths were a topic generating significant discussion and debate in the community. An affordable housing development project was requesting City approval to construct a subdivision with 25 feet wide streets with one-way traffic. This development also wanted to eliminate sidewalks. The City Council voted to require 31 foot streets, two-way traffic and required sidewalks to be added to the development.

- ▶ ***GMHF supports narrower street widths to reduce infrastructure costs*** - The research by the GMHF indicates that the combination of street widths and street layout can significantly reduce costs. It is their belief that many developments have wider streets than would be required for a residential neighborhood. They have assisted a project in Marshall that achieved a cost savings of \$100,000 through changes in layout and street widths.
- ▶ ***GMHF recommends a minimum street width of 28 feet*** - GMHF recommends a minimum street width of 28 feet for one-sided parking, and a minimum width of 34 feet for two-sided parking. This represents one more opinion in the debate over the appropriate standard for the community.

Possible Action

- ▶ ***Revisit discussion on street widths and sidewalks*** - The Brookings City Council was required to actively research and debate the issue of street widths and layout in response to a proposed project. The decision was to retain the current community standard. The opinion of the Greater Minnesota Housing Fund would appear to offer a possible compromise for future projects, as the GMHF recommendation (for one-sided parking) appears to fall midway between the 25-foot width proposed by a developer and the 31-foot width required by the City. Further research on this issue could be completed before additional affordable projects are designed or proposed.
- ▶ ***Examine other Cities for models*** - The Best Practices section of this Study contains additional information on residential street widths that was collected from other Cities in the region. These other models could be examined for applicability to Brookings.

Homes

The Greater Minnesota Housing Fund uses the term “homes” to discuss cost and design issues related to actual unit construction, including floor plans, volume, and builder experience. These items encompass the largest segment of cost for new housing. Their identified cost reduction strategies include:

- ▶ **Select economical home plans** - Select home plans that are economical to build.
- ▶ **Include expansion space** - Select home plans that include unfinished living space for future expansion.
- ▶ **Match home with lot size** - Select home plans that fit on modest-sized lots and can be placed to reduce infrastructure.
- ▶ **Build in volume** - Utilize volume building to get a “quantity discount” that lowers the cost per home.
- ▶ **Use value engineering** - Maximize the efficient use of materials and labor to reduce construction costs.

Applicability to Development in Brookings:

- ▶ **Brookings has an experienced private development community** - The research for this Study found a well-established development capacity that is locally based. With strong housing unit construction activity in the City, especially over the last five years, the number of developers and home builders in Brookings has expanded. While some of the largest developers have not tended to focus on very affordable houses, there is also an active group that is building for this segment of the market. During the course of research for this Study, the Valley View project was being planned to specifically address many of the cost saving strategies identified in this section.
- ▶ **Brookings is receiving increased interest from nonprofit developers** - The City has an active group of nonprofit developers that address affordable home ownership, including Habitat for Humanity and Inter-Lakes Community Action Agency. While these organizations have utilized many of the cost saving measures identified by GMHF, they have limited capacity, and have not generated a large volume of homes. At the time of this Study, the Home Ownership Assistance Program (HOAP) was becoming more active in Brookings. This group has been able to achieve larger volume development of affordable housing in Aberdeen and plans to replicate this approach in Brookings.
- ▶ **The Brookings area is receiving increased interest from private developers from outside the area** - With a strong local economy and a strong housing market, it appears that Brookings may see future activity from private developers and builders from the larger region. During the focus group sessions it was mentioned that at least two

developers from Sioux Falls were looking for opportunities in the immediate area. These developers have successful past histories in larger-scale affordable housing projects.

Possible Action

With both private and nonprofit development capacities present in the community, the opportunities for action are limited with housing that is built on-site. However, there may be other opportunities related to reducing construction costs for housing that is built off-site.

- ▶ ***Use of modular home products*** - During focus group discussions there were comments that modular, or factory-built housing was not being actively used as a housing option in Brookings. A review of building permit activity for 2007 showed only one modular home being placed in the City. Other communities, including Watertown and Elkton were identified as having a greater volume of modular housing, and using this type of housing to lower ownership costs. It is not clear if the lack of modular housing is market driven or if there are barriers to using this product. For example, during the focus groups numerous references were made to covenants in existing subdivisions. It is possible that modular home products are not accepted for use in some subdivisions.

- ▶ ***Use of Governor's Houses*** - The Governor's House Program provides a very affordable home that is constructed off-site and moved into the community. The house may be priced as low as \$33,000. After being moved and placed on a permanent foundation, a cost less than \$70,000 has been achievable in some communities. This product has been used very rarely in Brookings or the Brookings area. Statewide, more than 1,600 Governor's Houses have been placed. The lack of use in Brookings may be due to land costs, restrictive covenants and/or general market conditions, but this would be a resource for the future. In Aberdeen, where this product has been used extensively, the HAPI subdivision was a popular location. A possible HOAP subdivision in Brookings may help to expand the use of this housing product.

Landscape Systems

The fifth major consideration for affordable housing development identified by the Greater Minnesota Housing Fund is related to landscape systems. While this is tied to the individual lot, it is also related to the overall attractiveness of affordable housing developments. GMHF believes that with careful site design and the use of value-added components, affordable housing developments can be attractive, connected neighborhoods. Their identified cost reduction strategies include:

- ▶ ***Incorporate Natural Controls*** - Use landscape elements as alternatives to costly infrastructure.

Applicability to Development in Brookings

Landscape systems will generally be site-specific items that will incorporate the unique features of the subdivision and the individual lot. Brookings is very interested in maintaining its reputation as an attractive, family-friendly community. New affordable housing developments that can add-value through attractive landscape designs will be a benefit to the community.

- ▶ ***Look for open space opportunities with natural features and views*** - According to the focus group meetings, there are large tracts of land within the City that are designated as flood plain. These areas would generally be unsuitable for development, unless extensive mitigation efforts were made. The flood plain land, while unsuitable for development, may provide for affordable housing developments that have open space, which could be minimally developed with walking trails or other treatments suitable for open space. Undeveloped flood plain areas could also be enhanced through the use of water retention ponds or similar features that could add value to the surrounding housing.

Possible Action

Landscape and design elements will largely be dependent upon the creativity of the developer. The City could encourage added attention to landscaping, especially in those developments that receive some form of public assistance or development subsidy.

Besides adding value to residential subdivisions due to attractiveness, landscape systems can also have very practical benefits such as shade trees impacting energy consumption, and wind screens affecting blowing snow and drifting.

“Best Practices” in Affordable Single Family Housing

The Brookings Economic Development Corporation is interested in collecting “best practices” information on affordable housing development in other jurisdictions. This section presents the findings of our research in other communities in the region. Information was obtained from the following cities, nonprofit organizations, agencies, and private companies:

- ▶ Greater Minnesota Housing Fund, St. Paul, MN
- ▶ Minnesota Housing Finance Agency
- ▶ First Homes Program, Rochester, MN
- ▶ South Dakota Housing Development Authority
- ▶ City of Sioux Falls Planning Department
- ▶ City of Stillwater (MN) Planning Department
- ▶ City of Ankeny (IA) Planning Department
- ▶ City of Omaha (NE) Planning Department
- ▶ City of Omaha (NE) Community Development and Housing Department
- ▶ Putnam Planning & Design, Hudson, WI
- ▶ New Hampshire Housing Finance Agency
- ▶ Fargo Housing Authority (ND)

The “best practices” section provides findings on the following topics:

- ▶ Model for Community Involvement in Affordable Housing Development
- ▶ Model of Design Criteria for Affordable Single Family Homes
- ▶ Models of Affordable Single Family Home Designs
- ▶ Models of Successful Subdivision Design
- ▶ Model of Lease-to-Purchase Subdivision
- ▶ “New Urbanism” Approaches to Neighborhood Development
- ▶ Model of Manufactured Home Initiatives
- ▶ Various Standards for Street Width

We focused our research on the four states that immediately border with eastern South Dakota. While we did review information from some other states, there were often significant difference in architectural style and housing unit density that did not seem appropriate for the City of Brookings.

In Minnesota, much of the available information that exists for affordable single family housing development is from research that has been done by the Greater Minnesota Housing Fund. This nonprofit organization is somewhat unique in the Midwest region of the U.S. Attempts to find a similar entity in the neighboring states of North Dakota, Iowa and Nebraska were unsuccessful. As a result, the research into design criteria and development ideas from GMHF seems to be the most applicable to the style of construction that would be compatible with the City of Brookings.

Model for Community Involvement in Affordable Housing Development

The City of Rochester, MN, is home to the Mayo Clinic, as well as a number of other large employers. In the late 1990s, the City became concerned about a housing shortage that existed in the immediate area. The First Homes Program was developed in response to the area's housing needs. First Homes is a housing initiative designed to promote the creation of workforce housing in and around the City of Rochester, MN. First Homes is closely linked to the Greater Minnesota Housing Fund (GMHF), and some of the funding for the buyer subsidy programs is provided by GMHF. While GMHF makes statewide efforts in Minnesota to promote affordable housing construction, First Homes is a local effort that is more applicable to possible locally based efforts in the Brookings area.

The First Homes website, at www.firsthomes.org, describes the initiative as follows:

The Rochester Area Foundation's First Homes initiative was launched in 1999 as an effort to alleviate a severe housing shortage by creating 875 housing units for working families in a 30-mile radius of Rochester.

First Homes is a public-private collaborative to build 600 single-family homes and 275 rental townhomes over a five-year span. It was kicked off with pledges of \$1 million from the Rochester Area Foundation and \$4 million from Mayo Clinic.

Partnering with First Homes are area residents, lenders, state agencies, other foundations, cities and counties, builders, organizations, regional authorities and professional groups.

Including the initial leadership gifts from the Rochester Area Foundation and Mayo Clinic, more than \$14 million in pledges has been received from community residents, businesses and organizations.

With community firmly behind the project, First Homes has been able to realize major investments from state, federal and private charitable sources. The Greater Minnesota Housing Fund and the Minnesota Housing Finance Agency have partnered with First Homes in offering guidance and experience.

Local governments have played an important role in First Homes' success, too. The leadership of public officials in Rochester and nearby communities has enabled the leveraging of additional community resources in tax increment financing and other incentives.

Since 1999, \$14 million has been raised, which has helped leverage an additional \$115 million in additional donations and funds from other agencies to assist income-qualified home buyers purchase starter homes. Additionally we have had many individual donors that have contributed to First Homes.

First Homes is well on its way toward its goal of 875 new residences. Since funding kicked off in 2000, more than 650 new residences have been built with First Homes' funds. The

total includes more than 420 new single family homes and more than 225 new below-market-rate rental units. Of those single-family totals, more than four dozen are community land trust properties.

The First Homes project for new single family housing construction helped home buyers in two primary ways. First, the Program worked closely with specific, qualified developers to build quality homes at more affordable prices. Second, First Homes also offered home buyers financial assistance to reduce monthly mortgage payments, making home ownership affordable to families on a limited budget.

Financial assistance was available to individuals and families that met certain maximum and minimum income requirements based on family size. The income limits by family size were based on 80% of the statewide estimated median income level. The assistance was provided as a “gap loan”, which was a low-interest deferred loan that allowed homeowners to have a smaller primary mortgage. This kept the monthly mortgage payments manageable for households with limited incomes. Gap loans are repaid when the home is sold.

Much of the success of the First Homes initiative was due to the fact that home buyers were receiving an up-front financial discount at the time of purchase. The gap loan assistance effectively lowered the home purchase price by \$15,000 or more, with repayment of this subsidy deferred until a point in the future. While cost-saving measures were also applied to other aspects of home development, it was primarily the financial assistance to the end buyers that helped to generate the high level of interest in the program. As the Program proceeded, the amount of gap assistance was lowered to \$7,500, and the initiative shifted from individual home ownership to the land trust model. While land trust housing development is much more complicated, and possibly more expensive initially, it does help to assure that the housing created maintains a longer-term level of affordability, by capping the owners’ equity capture at the time of resale.

The Brookings area does have demonstrated success in raising funds for different community initiatives. A locally-generated fund could potentially be created to replicate the First Homes model in the Brookings Area.

Model of Design Criteria for Affordable Single Family Homes

While the City of Brookings is very interested in expanding the supply of affordable home ownership options, the community does not want to compromise the quality and attractiveness of its neighborhoods. The First Homes Program was also cognizant of the need to develop attractive houses and neighborhoods.

First Homes did not provide any model floor plans for single family homes. Instead, individual builders supplied the home designs. However, First Homes did put in place some design criteria, including the following standards, to help assure that quality homes were constructed. The design criteria were partly based on those developed by the Greater Minnesota Housing Fund.

- ▶ The overall street scene of the Development shall be arranged to ensure that identical Dwellings or similar colored Dwellings are not adjacent to and do not align directly across the street from each other. Floor plans for the Dwellings in the Development must be varied and reversed to avoid repetitive elevations along the street scene.
- ▶ Homes that are located on Lots that do not abut alleys and which use side-attached garages, the garage must be set back from the front facade of the Home. Front attached garages are not allowed.
- ▶ The Developer shall create Home Plans for the Homes that minimize the visible impact of garages constructed in connection with the Homes.
- ▶ The Developer shall avoid using large flat wall planes on the Homes; instead using deep set windows and doors, and trim work which varies from the main color or siding style of the Home.
- ▶ Front doors on the Homes must be enhanced with windows, raised panels, transom windows above or beside the doors, double or 8' tall doors, or other similar decorative treatments.
- ▶ The entry of the Homes shall be articulated as a focal point of the front elevation through the appropriate use of roof elements, columns, porches, pilasters, urns, windows, or other architectural features.
- ▶ All Homes shall be designed to be sensitive to and compatible with the surrounding Dwellings with respect to architectural style, massing, proportion, scale, materials, colors, textures, building orientation, garage and driveway placement, building height, mass, roof pitch and air conditioning, utility meter, and chimney locations.
- ▶ Home Plans shall be developed to enhance the appearance of the Dwelling from the street.
- ▶ Details such as vegetation, porch design, shutters, color and window treatments shall be used to enhance the Dwelling's appearance. The Architectural Review Committee (ARC) shall review and approve all Home Plans, landscape plans and exterior detailing.

- ▶ The ARC must review and approve all siding and trim colors and treatments for the Homes prior to Developer's application for a building permit. The Developer shall provide a mix of Home colors within the Development.
- ▶ Each Home shall contain at least four colors, including the colors of the roof, the main siding, accent siding, and the trim. The roof color shall be considered a color only if it is a color other than black or grey. Of the four colors, at least one must be a rich color.
- ▶ All accessory structures are to conform to the colors selected for the Home on the same Lot.
- ▶ Exterior trim shall consist of shutters or window wrapping, and other detail to the approval of the ARC.
- ▶ Unless otherwise approved by the ARC, the Developer must have at least \$500 landscaping budget for foundation plantings for each Dwelling. Minimum landscaping requirements are as follows: a seeded yard and one ornamental tree in the front yard, not including boulevard trees.

Models of Single Family Home Designs

There are multiple approaches to construction designs for affordable single family homes. In some cases, such as the First Homes Program in Rochester, MN, there were no specified design plans. Instead, individual home builders were allowed to design the homes that met the basic design criteria of the Program.

In other cases, specific designs have been developed, as follows:

South Dakota Housing Development Authority - In the mid-1990s, the South Dakota Housing Development Authority constructed four single family houses in Pierre as a demonstration project. The houses were split level with 884 finished square feet on the upper level and 884 unfinished square feet on the lower level. There were two bedrooms and one bath on the upper level, with the potential for two additional bedrooms and a roughed-in bathroom on the lower level. The houses had a two car attached garage, and a deck. The house designs were based on research by SDHDA that showed that these plans were the most economical to build for the climate in the State. The South Dakota Housing Authority made these floor plans available for other agencies and builders to use. According to SDHDA staff, the home plans were distributed to private builders and to communities, but no further demonstration projects were developed. In recent years, the Governor's House program has been used as a means for generating more affordable ownership housing units.

Homes Are Possible, Inc. (HAPI) - HAPI is a non-profit developer that has constructed affordable houses and subdivisions in Aberdeen. Their subdivisions in Aberdeen utilized Tax Increment Financing assistance to help pay for infrastructure development costs.



This is a 960 square foot Governor's House that was built into a split level, with a two stall attached garage. It has two bedrooms, kitchen, living room and bathroom on the main floor and two bedrooms, laundry, bathroom and a family room in the lower level. This model is selling for \$134,000 in Aberdeen, and is the most popular home style.

Greater Minnesota Housing Fund - The Greater Minnesota Housing Fund has developed detailed floor plans and construction drawings for at least five different affordable homes. The designs are for the following home types:



Split entry home with two bedrooms and one bathroom, and a rear attached garage - 912 sq. ft. per level



Split level home with two bedrooms and one bathroom, and a rear attached garage - 944 sq. ft. on the main level and 438 sq. ft. on the lower level



Split entry home with two bedrooms and one bathroom, and a rear attached garage - 940 sq. ft. per level



Two story house with three bedrooms and 1 ½ bathrooms, and a rear attached garage - 640 sq. ft. per level



Two story craftsman style house with three bedrooms and 1 ½ bathrooms, and a rear attached garage - 666 sq. ft. per level

A complete set on construction drawings for these homes can be down loaded from:

www.gmhf.com/programs/bbn/default.htm

According to GMHF staff, split entry, split level and two story designs that have multiple bedrooms on a single floor have proved to be the most popular designs with younger buyers. Families with children are generally reluctant to purchase a home that would require children to sleep on a different level of the house than the parents. These houses also tend to offer more usable square feet of space for younger families.

Three Rivers Community Action Agency - This nonprofit housing agency has been an active builder for the First Homes Program in the Rochester area. They have constructed a variety of different home styles, but have had success with some of the larger split level homes, as shown below, that have approximately 1,100 square feet of space on each level.



This house is a split-entry home with approximately 1,100 sq. ft. per floor. Typical construction would have an unfinished lower level. The upper level contains two bedrooms and one bathroom.

Estimated construction cost in 2007 is \$125,000, including appliances, sod and a few small trees.



Two-story house with approximately 600 sq. ft. per floor above grade, and a 600 sq. ft. unfinished basement. This house has three bedrooms and 1 ½ bathrooms.

Estimated construction cost in 2007 is \$125,000, including appliances, sod and a few small trees.



This house is a split-entry home with approximately 1,000 sq. ft. per floor. Typical construction would have an unfinished lower level. The upper level contains two bedrooms and one bathroom.

Estimated construction cost in 2007 is \$121,000, including appliances, sod and a few small trees.



This two-story house has been designed for narrow lot applications. The structure is 30 feet wide, allowing 10 foot side-yard setbacks on a 50 foot lot. The house contains three bedrooms and 1 ½ bathrooms. The garage is one car wide, but two cars deep.

Estimated construction cost in 2007 is \$128,000, including appliances, sod and a few small trees.

The houses constructed by Three Rivers Community Action have been part of the First Home Program in Rochester. As a result, they have typically benefitted from Tax Increment Financing assistance that is part of that Program. The total estimated development cost for these homes, including land, is between \$166,000 and \$171,000. The TIF assistance lowers the sales prices by \$10,000 to \$15,000 per home. Buyers have then been able to qualify for as much as \$15,000 in gap financing, effectively lowering the final purchase price to approximately \$140,000 to \$145,000.

Most of the home designs used by Three Rivers Community Action have been derived from plans developed by the Greater Minnesota Housing Fund. However, these plans generally reflect older versions of plans from GMHF. The current GMHF plans, provided above, generally have less livable square footage, in an attempt to lower the construction cost. Three Rivers has continued to build the older floor plans, in response to consumer demand for larger houses.

Southwest Minnesota Housing Partnership - SWMHP is a nonprofit housing agency that works on housing issues in a large geographic area in southwestern Minnesota, including Minnesota Counties that border with Brookings County. SWMHP has constructed affordable single family homes and residential subdivisions in many communities, including Marshall, St. Peter, Willmar and Hutchinson.

In 1995, SWMHP had obtained a \$500,000 grant from the McKnight Foundation to research and develop affordable ownership housing. This project and their first-hand experience with affordable new construction resulted in a comprehensive approach to ownership housing that is based on the following principles:

- ▶ Build a good quality product that is an asset to the community and has the potential to appreciate in value for the home owner
- ▶ Contain costs on development and construction as much as possible
- ▶ Maximize the buying power of the market by offering low-interest mortgages, and innovative financing that allow more people to qualify for purchase
- ▶ Apply “gap financing” to the end buyer as an economic incentive for people to purchase the homes - gap assistance essentially allows the buyer a discount on the true price of the home

SWMHP has developed and utilized as many as 40 different plans and designs for single family houses. Some of the designs were taken from the Greater Minnesota Housing Fund, and others were developed by the Partnership. The following home styles were identified by SWMHP as successful examples that have been used in southwestern Minnesota.

Worthington, MN - The Southwest Minnesota Housing Partnership frequently participates with local communities and Economic Development Authorities to address affordable workforce housing needs. Communities often utilize tax increment financing to create affordable lot prices and in Worthington’s case affordable lots were obtained through tax forfeiture. Buyers are able to access a myriad of products which make the home more affordable including below interest rate mortgage products, and gap financing and entry cost assistance which are both structured as 0% deferred loans. The SWMHP also works with local employers to assist in matching these gap resources.



2126 Castlewood Drive - This is a ramble style home built in 2007 with 1014 finished square feet. The home is 2 bedrooms with 1 bathroom. The estimated construction cost in 2007 for this home was \$113,517 (not including the lot cost of \$23,000), including stove and refrigerator, seeding and a few small plants and trees. The garage is double car attached.



2132 Castlewood Drive - This is a split-foyer style home built in 2007 with 979 finished square feet. The home is a 2 bedrooms with 1 bathroom. The estimated construction cost in 2007 for this home was \$112,417 (not including the lot cost of \$22,700), including stove and refrigerator, seeding and a few small plants and trees. The garage is double car attached.



2150 Castlewood Drive - This is a ramble style home built in 2007 with 1,014 finished square feet. The home is 2 bedrooms with 1 bathroom. The estimated construction cost in 2007 for this home was \$113,517 (not including the lot cost of \$24,300), including stove and refrigerator, seeding and a few small plants and trees. The garage is double car attached.



2142 Castlewood Drive - This is a split-foyer style home built in 2007 with 979 finished square feet. The home is a 2 bedroom with 1 bathroom. The estimated construction cost in 2007 for this home was \$112,417 (not including the lot cost of \$22,700), including stove and refrigerator, seeding and a few small plants and trees. The garage is double car attached.

Marshall, MN - The SW MN Housing Partnership has been involved in two affordable subdivision in Marshall, using the Building Better Neighborhoods Program through the Greater Minnesota Housing Fund. The Housing Partnership identified the following house styles as popular choices in the Parkway Estates and Parkway Extension projects in Marshall.



509 Darlene Drive - This is a two story style house built in 2006 with 1,278 finished square feet. This is a 3 bedroom home with 1 ½ baths. The construction cost of this higher end home was \$145,180 including stove and refrigerator, seeding and a few small plants and trees. The lot cost for this home is \$21,500. The garage is an attached double car.



402 Berlin Circle - This is a split style house built in 2007 with 1,112 finished square feet. This is a 2 bedroom home with 1 bath. The construction cost of this home was \$118,050 including stove and refrigerator, seeding and a few small plants and trees. The lot cost for this home is \$21,500. The garage is an attached double car.



303 Brussels Court - This is a split foyer style house built in 2007 with 1,064 finished square feet. This is a 2 bedroom home with 1 bath. The construction cost of this home was \$112,882 including stove and refrigerator, seeding and a few small plants and trees. The lot cost for this home is \$29,500. The garage is an attached double car.

Models of Affordable Housing Subdivision Design

The actual physical design of an affordable housing subdivision will be heavily dependent upon the size and topography of the bare land parcel. In Brookings, considerations such as flood plain areas, and required drainage plans will impact lot layout, street placements, and traffic flow patterns.

The following site plans for affordable housing have been provided as possible examples for subdivision planning that have been successful in St. Peter, MN. These projects were done in conjunction with the Greater Minnesota Housing Fund. The City of St. Peter and the Southwest MN Housing Partnership have been very willing to conduct tours of the subdivisions for other interested communities.

Nicollet Meadows, St. Peter, MN

Nicollet Meadows was the first of two very successful affordable subdivisions developed in St. Peter, MN. The project was developed in two phases, and encompassed 40 acres. This mixed income subdivision that was started in 2001 and completed in 2003. There are 82 single family lots and 3 townhouse lots. Half of the single family lots and all of the town house lots are viewed as affordable. Development density is 2.8 units per acre. The affordable lots have lot widths between 60 and 65 feet, and the market rate lots are between 65 and 80 feet wide.



Site plan provided by the Greater Minnesota Housing Fund

Washington Terrace, St. Peter, MN

Washington Terrace is a mixed-income subdivision that was started in 2003. The project is located on 38.3 acres, and includes 86 single family lots and 18 townhouse lots. The 86 single family lots are divided into 24 that are viewed as market rate, and 62 that are viewed as affordable.

Development density is 2.72 units per acre. The development includes 7.48 acres of park land and/or open space. The affordable lots tend to have lot widths between 55 and 65 feet, and the market rate lots are between 65 and 90 feet wide.



Site plan provided by the Greater Minnesota Housing Fund

The two subdivisions profiled above utilized lot widths of 55 feet or more for the affordable single family construction. Residential lots with small front widths (less than 55 feet) can be difficult to develop with a typical house that includes a front-loaded garage. For lots less than 55 feet wide, the Greater Minnesota Housing Fund promotes garages placed on an alley, so that the house design is not constrained by the placement of a garage and driveway in the front of the house. However, the development of alleys negates some of the cost savings achieved through narrow lots. The removal of garages from the front of the houses does allow for better street-scape design. There have been some examples of subdivisions created with alleys through the Greater Minnesota Housing Fund's Building Better Neighborhoods Program.

Model of Lease-to-Purchase Affordable Housing

The Fargo Housing Authority has recently completed an innovative housing development project using federal low income housing tax credits and the lease-to-purchase approach. The Housing Authority created a 30 unit development on six acres that constructed units in single family detached and twin home housing styles. All 30 units were pre-leased prior to the completion of construction, and an extensive waiting list exists for occupancy.

The project financing included the use of federal low income housing tax credits. As a result, some strict income limits apply to the project, based on 50% of the County median income level. The use of tax credits also requires that a 15 year rental compliance period be met. These units will not convert to home ownership until the start of the sixteenth year of occupancy.

During the rental compliance period, tenants will pay rent, generally set at the HUD Fair Market Rent standards for the Fargo area. The Housing Authority will deposit 5% of the monthly rent amount into a special escrow account that is established for each tenant household. Tenants becoming fully vested in the escrow account after two years of occupancy in the project. The escrow account can be used for a down payment on a home purchase, either in the tax credit development in the sixteenth year, or for the purchase of a different home outside of the development.

The project utilizes four different floor plans and two different roof lines. Units are slab-on-grade construction.

Model Manufactured Home Initiatives

The City of Brookings has a large inventory of mobile homes. As part of the “best practices” research, we also looked for innovative approaches for manufactured homes.

The State of New Hampshire, in particular, is highly regarded in its approach to using manufactured homes as an important part of its affordable housing strategy. Recognizing the importance of mobile homes, in 2004 the New Hampshire Housing Finance Authority added manufactured homes as eligible for its home ownership assistance programs. However, only mobile homes that are located on resident owned or resident controlled land can qualify for the assistance programs. Mobile homes on leased lots are not eligible.

In the State of New Hampshire, cooperatively-owned mobile home parks are becoming much more common over time. A State law was enacted that gives residents the first right to purchase a privately-owned park if it comes up for sale.

While manufactured housing was viewed as one of the most affordable options for New Hampshire residents, there were very limited long-term financing options available for buyers, before the NHHFA became actively involved in this segment of the market. Private mortgage financing that was available was often at a high interest rate. NHHFA’s use of first-time home buyer mortgages allowed for below-market financing for mobile home buyers. NHHFA staff now estimate that up to 15% of the first-time home buyer loan portfolio is provided to manufactured housing units.

Models of New Urbanism Housing Development

New urbanism is a design concept introduced in the late 1980s. New urbanism is based on a design approach for new home construction that includes such traditional features as front porches, back-loaded garages that are accessed by alleys, multi-use buildings and compact neighborhoods that include both housing and commercial development. The design approach is intended to foster a strong sense of community closeness. One of the most well-known new urbanism projects is the Walt Disney Company's Celebration, FL.

New urbanism projects often use features that are consistent with attempts to lower housing development costs, including smaller lot sizes, narrow streets, and shallow front yard set-backs. However, the examples of new urbanism neighborhoods that we found did not offer affordable homes. Many of the cost saving features are off-set by other investments in the project, such as architectural design features and extensive landscaping that provide for an attractive development.

Liberty on the Lake was one of the first new urbanism projects constructed in the Minneapolis/St. Paul Metropolitan Area, with 300 single family homes and 60 town houses. However, the average sale price of these homes was \$439,000. According to the designers of this project, higher priced housing was not the original goal, but market demand for the product resulted in price escalation and higher valued homes being constructed.

Putnam Planning & Design, based in Hudson, WI, did the planning and design work for the Liberty project. This firm has gone on to promote traditional neighborhood design as a way to promote affordable and sustainable housing and neighborhoods. They believe that many of the cost-saving approaches that are used in traditional neighborhood development can result in affordable housing in very attractive settings.

Models for Minimum Residential Street Width

During the course of research for this Study, street widths were a topic generating significant discussion and debate in Brookings. An affordable housing development project had requested City approval to construct a subdivision with 25 feet wide streets and one-way traffic. This development also wanted to eliminate sidewalks. The City Council voted to require 31 foot streets, two-way traffic and required sidewalks to be added to the development. As part of the Best Practices section, additional research has been done on street width requirements in other communities in the five state region.

Stillwater, MN - This City has a 32 foot street width requirement due to its fire code. However, exceptions have been granted. The Liberty on the Lake project, described earlier in this section, has street widths ranging from 19.5 feet (one-way traffic), 24 feet (two-way traffic) to 28 feet for the main arterial streets (two-way traffic). All streets in this development have parking on at least one side of the street. The exceptions to the normal City standard were based on the “new urbanism” design approach. The project designers provided an inter-linked grid street pattern that provides alternate points of access to the neighborhood in the event that multiple fire trucks need to access the same part of the development. According to the designers of Liberty, the narrow streets have had a “traffic calming” influence, although the 28 foot wide streets have had the fastest traffic, and have in some cases needed signs advising drivers to slow down.

Ankeny, IA - The residential street standard in this community is 25 feet. Repeated attempts to gain more information from this community were unsuccessful.

Omaha, NE - The minimum street width standard in this City is 25 feet. Parking is always allowed on one side, and most streets have parking on both sides. Omaha requires sidewalks on both sides of the street. The street width issue did not appear to be a point of controversy in Omaha, based on discussions with Planning Department staff.

St. Peter, MN - St. Peter has a 36 foot street width requirement currently in place, which was applied to the Washington Terrace and Nicollet Meadows Subdivisions identified earlier in this section. The City is in the process of reviewing its ordinances, and is considering a reduction in the residential street width standard to 28 feet.

Sioux Falls, SD - Attempts to gain information on minimum street width standards in Sioux Falls were unsuccessful. However, Sioux Falls does allow for narrow paved streets with one-sided parking and no sidewalks in private development projects. In these private street projects, the City does not provide snow removal.

Mitigating Actions: Wider street widths are often directly linked to fire safety, with concerns that large fire trucks or multiple fire trucks would not have adequate room to maneuver on narrow streets. One mitigating action that was identified was that fire trucks often have an option that allows the rear wheels to steer independently, providing for greater maneuverability. One advocate of narrower street widths indicated that for growing cities, it would be less expensive to invest in a rear-steering option for new fire equipment, rather than to continue to pay for more street infrastructure in every future development area.

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Findings on Growth Trends

Limited usable information is available from official sources on current population and household levels for the City of Brookings and the surrounding area. The only official source for current-year (2006) estimates is the U.S. Census Bureau. There are no annual estimates available from the South Dakota Data Center, the County, or from City sources.

The Census Bureau's population estimate for 2006, therefore, represents best available demographic information. Yet this information appears to be flawed. The Census Bureau's 2006 population estimate for the City of Brookings is 18,802 people, up only 39 people from the level reported in the 2000 Census. Their estimate for Brookings County, plus the Cities of Arlington and Estelline (defined as the Primary Market Area), is 29,808, down 79 people from the level reported by the 2000 Census.

These estimates are not consistent with our research on housing construction patterns and housing vacancy rates for the area. Between 2000 and 2005, building permits were issued for between 700 and 800 new housing units in the Primary Market Area. By July 1, 2006, the effective date of the Census Bureau's estimates, these housing units should have completed construction and would have been available for occupancy. Our research into occupancy patterns for rental housing indicate that very few units are unoccupied, and there is no evidence of widespread vacancy in the owner-occupancy segment of the housing stock. With hundreds of new housing units constructed and occupied since 2000, we do not believe that population levels have declined in the Primary Market Area.

Our review of past Census Bureau estimates indicates a pattern of seriously underestimating growth in the Brookings area. For example, the Census Bureau's population estimate that was released for 1999 showed that the City of Brookings had added approximately 1,000 people between 1990 and 1999. When the 2000 Census was completed in the following year, the actual Census count showed that the City had added nearly 2,500 new residents between 1990 and 2000, or nearly 2 ½ times as many as had been estimated in 1999. These same patterns of underestimating population were also evident for the County and the Primary Market Area.

The Census Bureau's tendency to underestimate actual growth seems to have continued after 2000. Based on our review of the available data, we believe that the Primary Market Area has added between 1,500 and 2,000 new residents between 2000 and 2006. The large majority of this growth has occurred within the City of Brookings. Translating this population growth into households, we believe that there were approximately 12,100 total households in the Primary Market Area in 2006, up approximately 720 households since the 2000 Census. Between 650 and 700 of these new households are in the City of Brookings.

If our estimates are correct, the Primary Market Area has been adding an average of 120 new households per year since 2000. Despite the fact that this is well above any estimates from other sources, it too may prove to be conservative, once the 2010 Census establishes a more accurate count.

Findings on Growth Projections

As part of this Study, we have used household projections to the year 2015. These projections were calculated by Community Partners Research, Inc., using population projections taken from the South Dakota State Data Center. The State Data Center has been comparing their population projections to the recent Census Bureau estimates, and they now believe that their projections are too high. As a result, they are in the process of revising their projections downward. However, as explained on the previous page, we believe that it is the Census Bureau's estimates that are inaccurate, and the population projections from the State Data Center are much more consistent with our research into growth trends, housing construction activity and housing vacancy rates.

We have also examined projections from Claritas, Inc., but we found these to be unusable, as they show almost no household growth for the area since 2000. The Claritas projections appear to be based on similar information to the Census Bureau estimates, and are not at all consistent with our local research for this Study.

Our review of projection data is more focused on households, rather than population. Households, by definition, require an independent housing unit, and the purpose of this Study is to determine housing needs for the area. In making household projections, we have relied on forecasts for change between 2005 and 2015. A ten-year time horizon can be beneficial in compensating for short-term changes that can otherwise impact the market. For example, a change in mortgage interest rates, either up or down, could cause certain years to have above-average or below-average levels of construction activity, but over a ten-year period, these short-term swings in the market tend to even out.

After review of the projection data, we believe that the Primary Market Area can be expected to add approximately 110 new households per year through the year 2015. Nearly all of this growth will probably occur within the City of Brookings, although many of the smaller communities also have the potential to capture a share of this growth.

Actual housing unit construction activity within Brookings and the smaller Cities will probably exceed the level of household growth. During the time period examined, it is probable that some of the small Cities and rural Township areas could lose housing units and households, which will be replaced by housing unit growth within the Cities. It is also assumed that some level of older housing unit loss will occur through 2015, as each year some existing housing is lost to demolition, obsolescence, redevelopment, and other similar causes.

We believe that our calculations of future household growth can be viewed as a conservative perspective, despite the fact that these forecasts are much more optimistic than those available from any other source. However, the age-based projections, which will be discussed on the following page, show a continued aging of the Brookings County population through 2015. If these projections are accurate, household formation will continue, but could slow when compared to the past.

Projections are only an informed estimate of expected future activity. Proactive community involvement can have a very big impact on the future course of events. The Brookings area is prepared to undertake efforts to recruit and/or retain younger people in the community. These actions, if successful, would help to counter the aging of the existing population, and could easily result in household growth that exceeds our expectations.

Findings on Growth Projections by Age Group

We have utilized available projection information on the changes expected by age group for Brookings County. These projections would not include the Cities of Arlington and Estelline, outside of Brookings County, but these two Cities represent only 6% of all households in the Primary Market Area, so their inclusion would not significantly change the trends that are evident below.

Projections by age can be very informative for calculating future housing demand, as strong preferences in tenure, style, price and features are evident within defined age ranges. The projections reflect growth from both new households that will come to Brookings County as well as the aging-in-place of existing households during the decade.

The actual household projections have been calculated by Community Partners Research, Inc. They are derived from age-based population projection information from the South Dakota State Data Center. We have also reviewed household by age forecasts from Claritas, Inc. While the Claritas projections are too conservative, the patterns of change within the age ranges have been examined for consistency with the State Data Center population forecasts.

On the pages that follow, we have used these household by age projections to form projections on future demand by tenure.

It is very important to note that these age-based projections represent an informed prediction of future change. Actual market activity and economic growth could substantially alter these expectations.

Our Countywide projected changes for households by age of householder are as follows.

| <u>Age Range</u> | <u>Projected Change in Households 2005 to 2015</u> |
|------------------|--|
| 24 and Younger | -141 to -124 |
| 25 to 34 | +423 to +467 |
| 35 to 44 | -119 to -107 |
| 45 to 54 | -442 to -400 |
| 55 to 64 | +619 to +685 |
| 65 to 74 | +500 to +552 |
| 75 to 84 | +29 to +33 |
| 85 and Older | +81 to +89 |

Findings on Housing Unit Demand and Tenure

Calculations for total future housing needs are generally based on three demand generators: household growth, replacement of lost housing units, and pent-up, or existing demand for units that is not being served.

We have compared the projected age-based household changes between 2005 and 2015 with past tenure patterns. This results in a forecast of the tenure mix that will be needed for new units added over the ten-year projection period. Our calculations are based largely on the tenure preferences by age group that were evident in the 2000 Census, with some adjustment for a greater acceptance of certain housing as people become more familiar with newer options.

Demand from Growth - Using our projections by age for Brookings County, we would expect demand for owner-occupied housing to significantly exceed demand for renter-occupied housing through the projection period. Our projections would expect that between 73% and 77% of the net household increase from growth will be looking for an owner-occupancy housing unit, with the remaining 23% to 27% looking for rental opportunities. Applying these percentages to the highest end of our projected growth range for Brookings County would result in growth generated demand for between 800 and 850 additional owner-occupancy housing options and between 250 and 300 additional rental housing units over the ten-year projection period.

Replacement of Lost Rental Units - It is difficult to estimate the number of units that will be lost from the housing stock on an annual basis. In the 1990s, it appears that an average of approximately 15 to 20 older rental units were lost each year. Causes may be varied, but it is assumed that some rental units have been sold and converted to other uses. It is also possible that some substandard units may have been removed due to condition. Over the ten-year projection period, between 150 and 200 additional rental units could be justified for unit replacement.

Replacement of Lost Owner-Occupancy Units - Unit losses for owner-occupancy housing appear to be small. Based on Census data, we would estimate that only five units are lost in an average year. While past unit losses have been limited, there are houses in Brookings County that are in need of repair. If maintenance is not completed, it is possible that a higher rate of unit loss could occur in the future, especially in smaller communities and rural areas. For the ten-year projection period, we have used an estimate that a minimum of 50 units of owner-occupancy housing will be required to replace lost units.

Pent-Up Demand - The third primary demand-generator for new housing is caused by unmet need among existing households, or pent-up demand. Pent-up demand is easier to determine in the rental housing market. For example, in the market rate rental housing segment, vacancies are almost nonexistent, and between 150 and 200 additional units could reasonably be added just to create a moderate level of unit vacancy. We believe that pent-up demand also exists in owner-occupancy housing, as evidenced by relatively low rates of home ownership in some younger age ranges. It may be difficult under current market conditions to address this demand. For example, low-cost ownership options may be in short supply, but construction costs generally prevent this type of housing from being constructed. We have included our estimates of pent-up demand into the specific recommendations that follow.

Findings on Unit Demand by Type of Housing

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

Age 24 and Younger - The projections used for this Update expect a modest decrease in the number of younger households over the ten-year projection period. Past tenure patterns indicate that as many as 91% of these households will rent their housing. The high rate of renter-occupancy is largely due to the undergraduate student population in the City. Permanent resident households in this age range tend to have a median income that is well below the overall median. A slight reduction in households in this age range should mean that rental demand from younger households will decrease slightly for the remainder of the decade. While this projection represents the best available forecast, a significant change in the enrollment at SDSU would alter the projection for this specific age group.

25 to 34 Years Old - The projections show relatively strong growth in this age cohort, with an expected addition of 423 to 467 households during the ten-year projection period. This is the only age group under age 55 that is projected to show a net increase in households. Within this age range households often move from rental to ownership housing. However, the ownership rate among these households in Brookings County was only 48% in 2000. The projected increase within this age range will generate additional demand for both first-time home buyer and rental opportunities. If the area is successful in retaining these younger households in the future, through job creation that is well-matched to the skills of recent graduates, it would be expected that the rate of home ownership could be increased significantly within this age range.

35 to 44 Years Old - This 10-year age cohort is expected to moderately decrease in size. The projections show a probable loss of between 107 and 119 households during the ten-year projection period. It is important to note that this loss of households does not necessarily mean that this age group is moving out of the County. This age group includes some of the "baby bust" generation that followed behind the "baby boomers". This age group represents a much smaller segment of the population than immediately older age ranges. In the past, this age group has had a relatively high rate of home ownership, at more than 74% in Brookings County. 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. Lowered demand from this age cohort could have some impact on overall demand for owner-occupancy housing, but projected growth from the immediately younger age cohort should help to mitigate the decline within this age range.

45 to 54 Years Old - By the end of the ten-year projection period, nearly all of the large, "baby boom" generation will have moved through this age range. For Brookings County, the projections show a relatively large decrease of households, with the reduction of 400 to 442 households. This age group historically has had a very high rate of home ownership, above 81% in 2000, and represents part of the trade-up market. With fewer households in this range, more of the trade-up market will be focused on empty-nester and senior buyers.

55 to 64 Years Old - Much of the baby boom generation will be in this age cohort by the year 2015. The projections show an expected increase of 619 to 685 additional households in this 10-year age range during the projection period, representing the greatest numeric growth of any age cohort. This age range has traditionally had the highest rate of home ownership in the County, at nearly 85%. Attached housing construction 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. This group will also gravitate to high amenity locations, such as golf course lots, master-planned developments or rural acreages.

65 to 74 Years Old - Strong household growth is expected within this age range, with the projections showing an increase of between 500 and 552 households during the ten-year projection period. While this group will begin moving to other life-cycle housing options as they age, the younger seniors are still predominantly home owners. At the time of the 2000 Census, nearly 80% of households in this age range owned their housing. Once again, ownership preferences for town house-style units, cooperatively owned housing and senior communities should increase as these type of units gain greater acceptance with the marketplace.

75 to 84 Years Old - A relatively stable household count is expected within this age range, with a projected increase of only 29 and 33 households during the ten-year projection period. In the past, households within this 10-year age range have had a relatively high rate of home ownership, above 66%. While this is likely to continue, we believe that an expansion of housing options for seniors, including high quality rental housing, will appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

85 Years and Older - Modest numeric growth is projected among older seniors, with the possible addition of between 81 and 89 additional older senior households during the ten-year projection period. Historic home ownership rates in this age group in Brookings County have been relatively low, at 49% in 2000. Senior housing with services options in Brookings and surrounding communities will help to address the needs of this population of older seniors.

These demographic trends will be incorporated into the recommendations that follow.

Rental Housing Development Recommendations

Findings: Brookings has an extremely large supply of rental housing, largely driven by the presence of a student population at South Dakota State University. At the time of the 2000 Census, renter households outnumbered owner households in Brookings, as the Census reported that 53.6% of all households in the City rented their housing. For comparison, the Statewide rental tenure rate in the City of Sioux Falls was 38.9% and the rental tenure rate for all of South Dakota was 31.8% in 2000.

Between 1960 and 2000, rental housing construction in Brookings greatly exceeded production of housing units for owner-occupancy. Based on Census records, between 1960 and 2000, there were 1,891 owner-occupancy and 3,041 renter-occupancy units constructed. However, since 2000, this trend has reversed, and owner-occupancy construction has greatly exceeded rental housing construction in the City. Our projections would indicate that this trend should continue, as demand caused by household growth will primarily be oriented to ownership opportunities. Despite the changing trend, ongoing rental production will also be needed, to address growth, unit replacement and pent-up demand from renter households.

The majority of the units constructed since 2000 have generally served the higher rent segment of the market. This has been a reflection of market opportunity, such as high-amenity rental housing for seniors, as well as the dynamics of the student market. Increasingly, three- and even four-bedroom rentals have been constructed that attract student renters. When three or four students pool their resources, gross rents of \$1,000 or more are possible, while these same rent levels would not typically be affordable for most families.

There is no available estimate on the number of the student renter households in Brookings. It is known that renter households age 24 and younger did represent more than 47% of all the City's renters in 2000, and most of these would probably be students. It is also known that enrollment gains at SDSU have outpaced on-campus student housing construction in recent years, presumably forcing even more students into the private rental market.

At the same time, Brookings has continued to grow in the number of permanent resident households. Job growth has remained strong and unemployment rates have remained low. Increasingly, the City has needed to attract new workers from a larger geographical area as the local economy has expanded. This has placed additional demands on the rental housing market, especially market rate units.

Rental Demand Calculations

Our projections between the years 2005 and 2015, expect household growth to generate demand for between 250 and 300 additional rental housing units in Brookings County. Our calculations also show that between 150 and 200 rental units can be justified over this ten-year period for unit replacement. Pent-up demand is more specific to certain types of units, but overall, an expansion of between 150 and 200 units would be appropriate in an attempt to create a moderate level of unit vacancy, especially in the market rate rental sector.

Combined, these three demand-generators indicate the need for between 550 and 700 additional rental housing units Countywide between 2005 and 2010, or between 55 and 70 units in an average year. While these calculations are based on demand for all of Brookings County, they are most focused on the City of Brookings, where the vast majority of these units are likely to be built.

Since 2005, actual rental production has been below our calculated demand. An estimated 107 rental units have been constructed in Brookings between 2005 and June 2007, or approximately 35 per year, with more still possible in the remainder of 2007. However, Caldwell Hall at SDSU opened for occupancy in 2005 and represented a net gain of housing for 215 students on-campus. This expansion of SDSU housing has had the same impact as creating between 70 and 100 units of private rental housing. When Caldwell Hall is included, annual production has been very similar to our annual recommendation for the ten-year projection period.

Although recent rental construction has been good, it has had minimal impact on overall vacancy rates. We completed a rental housing survey as part of the research for this Study. In the City’s large supply of market rate rental units, the vacancy rate was nonexistent. In the tax credit sector, the vacancy rate was also very low, but the City has only a small supply of true tax credit housing. Student occupancy is generally prohibited in tax credit units, making it a less desirable resource in Brookings. Some moderate level of vacancy did exist in subsidized housing, but this segment of the market was experiencing changes that also limited student occupancy. As a result, some projects had been experiencing above-average levels of tenant turnover, as students were moving out, and not being replaced by other students.

To significantly impact vacancy rates in market rate housing, above-average production of units would be needed for the next few years. Our estimate is that between 150 and 200 units would be needed to impact pent-up demand. If this number of units would be introduced rapidly into the market, some saturation would occur and vacancies would result. We believe that a modest level of vacancy is desirable, to allow prospective tenants some degree of unit choice. However, private developers have no real incentive to produce housing that would result in vacancies, so it is probable that units will continue to be introduced into the community in smaller increments to avoid market saturation.

| Demand Projection for Renter-Occupancy Housing Construction to 2015 | | | |
|--|---------------------------|------------------|------------------|
| Demand from Growth | Replacement of Lost Units | Pent-Up Demand | 10-Year Total |
| 250 to 300 units | 150 to 200 units | 150 to 200 units | 550 to 700 units |

Source: Community Partners Research, Inc.

Our findings on the different segments of the rental market are contained in the recommendations that follow.

1. Market Need to Develop 40 to 55 Market Rate Rental Housing Units per Year

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

There is conflicting information on the size of Brookings' total rental inventory. Working forward from the total reported in the 2000 Census, there could be more than 4,100 rental units in the City. However, the City's Rental Registration Program had only 3,540 licensed units in 2007. It is probable that the actual rental unit count is between these two numbers, and is between 3,900 and 4,000 total rental units in 2007.

We would estimate that approximately 3,100 to 3,200 of all units are best described as market rate rental housing. To the best of our knowledge, nearly all of these are for general occupancy, although a few may be age-restricted to 55 and older occupancy.

The rental market survey that we completed for this Study collected information from 24 larger market rate projects. In total, we collected usable information from 992 market rate units, or nearly one-third of the estimated market rate stock. We found no vacancies in the market rate units that we surveyed.

Although we did not formally survey smaller rental properties, including single family rentals, we did not find any evidence that vacancy rates are significantly higher in this segment of the market. Some owners and managers that were contacted also had smaller rental projects, and they generally indicated that their occupancy rates were high. There is even a concern in the community that too many older homes are being converted to rental occupancy because of strong demand.

Due to the large student renter population, it is common practice for rental projects in Brookings to require a 12-month lease. This leasing feature helps to contribute to the high rate of occupancy, as rent may be paid even after the tenant has moved from the unit. Leases that are tied to the academic year then come available at the prime time when students are attempting to secure their housing for the next year.

Our best estimate is that student renters, both graduate and undergraduate, account for between 45% and 50% of the total rental demand in Brookings. Between 2000 and 2006, the size of the Brookings-enrolled population at SDSU appears to have increased by more than 23%, or more than 1,800 total students. With as many as 80% of these students living in Brookings, and nearly 85% in Brookings County, the growth in demand from student renters has maintained an extremely low rate of rental vacancy in the immediate area.

A commonly used standard is that a vacancy rate between 3% and 5% is considered acceptable, to offer some degree of unit choice while still providing rental property owners with a good return on their investment. The low vacancy rate that we found in our survey would indicate that pent-up demand does exist. With an estimated market rate inventory of between 3,900 and

4,000 units, a 3% vacancy rate would require approximately 120 vacant units, well above the level that currently exists in Brookings.

Market rate rental housing construction has continued to occur in Brookings. Based on building permit issuance, as many as 285 rental housing units have been constructed between 2000 and June 2007. This total does not include some specialized senior housing, such as assisted living, which may have been permitted as commercial projects. Rental housing construction since 2000 is actually at a lower pace than the City experienced in the 1970s, 1980s, and 1990s, when rental production greatly exceeded owner-occupancy construction in the City.

The characteristics of the most recently constructed units tend to be higher rent housing that is aimed at a specific market segment. For example, Mills Development has been constructing high-amenity units for seniors and professionals. The most recent of these projects has two-bedroom gross rents that are at or above \$1,000 per month. Their newest project, which is still being constructed, will be senior-designated and will have underground parking.

Another active developer, Den-Wil, Inc., has recently built 24 apartment units, and has eight more under construction. These are all three-bedroom, two bathroom units that have a gross rent above \$1,000. They are near the University and all of them are rented by students.

The economics of rental housing construction forces most new market rate units into the higher rent ranges. All of the market rate units constructed since 2000 have rents that are substantially above the prevailing range for older units in the City. Despite these higher rents, the units have proven to be very successful, with full occupancy reported, and waiting lists at projects such as Mills Ridge and Heron Cove.

In many similar-sized communities, the number of high rent units that could succeed would be very limited. For example, our income estimates show that only 20% of renter households can afford rents above \$1,000 per month. However, this market is expanded in Brookings, primarily because of the student households. Two or three students pooling their rent contributions have been willing to rent units at these higher rates. This provides a very distinct advantage for Brookings. While moderate rent units may be difficult to build, higher rent units that cater to students can be constructed and leased. The students occupying these higher rent units will then make available the more moderately priced housing for families and younger workers.

The City also has a growing market for older adult households. Our projections through the year 2015 show the strongest net household growth occurring among households in the 55 to 74 year old age groups. While most of these households will still choose to own their housing, those looking to rent will generally have higher incomes and/or assets, and will often look for high amenity rental units.

Recommendation: Our demand calculations show that Brookings will need between 55 and 70 additional rental housing units constructed per year over the projection period. We would recommend that market rate rental housing represent approximately 75% to 80% of this production goal, or approximately 40 to 55 units in an average year.

Ideally, this future new construction would serve both moderate income and higher income renters. As detailed in the Housing Affordability and Income section of this Study, a median income renter household in 2007 can afford a gross rent of only \$620 per month. By 2015, this affordability threshold will rise to approximately \$700 per month. From an affordable housing perspective, the goal should be to produce new market rate units in this price range.

Realistically, new units will probably require unit rents that are well above both this affordability level and the prevailing rates in the community. Most of the newer rental units that we could identify in Brookings have two-bedroom gross rents above \$900 per month, and three-bedroom units that often exceed \$1,000.

While these rents are too high for a large majority of working households and younger families, they have been successful with student renters, seniors and professional-level households looking for a high quality unit. Three students living together and contributing \$350 each per month for rent can afford this type of housing. As students move to these newer projects, older, less expensive rental options become available elsewhere in the community, that are within the price range for more moderate income households.

Most of the net growth in households through 2015 will come from households age 55 and older. As a result, it will be possible to age-restrict some of the new construction. These units would be designed to appeal to empty-nesters and seniors, and would include amenities such as attached covered parking, in-unit laundry, and ample living space. The new rental project under construction by Mills Development will produce this type of age-restricted unit, and the response to this project will be a good indication of market demand. Since our projections of growth extend to the year 2015, demand for age-restricted units grows strongest near the end of our projection period.

Our projections are cautious about future growth of a traditional student population in Brookings, as demographic trends for the five-state region show a declining number of high school graduates between 2008-2009 and 2014-2015. However, even if the student population at SDSU does not grow, the construction of rental housing that appeals to students will still have a very large market share to draw from in the community. With students representing as much as 45% to 50% of the rental market, the option of building for students remains a viable way to expand the rental housing supply. Student-oriented units located near the University will continue to be extremely popular.

Unit production at the annual level that we have recommended will not have a significant impact on easing vacancy rates in the near-term. To generate some level of vacancy and unit choice for prospective renters, it would be necessary to construct an above-average level of units over the next few years.

There is one significant factor that should be monitored in relation to our ten-year rental recommendations. SDSU has a master plan in place that calls for the potential development of on-campus housing for up to 400 students. This would be done in suite configurations, similar to the recent units in Caldwell Hall. If this housing is built, and an equal level of older dorm units are not removed, then the private rental market would see a drop in student-related demand.

This impact could be as much as 200 fewer student households in the private rental market, and our recommendations would need to be reduced accordingly.

From a design perspective, the relatively large unit production required over the next several years can justify the addition of higher amenities in the construction. For example, a larger, planned rental community can offer more in the way of community space, such as a community gathering room, an exercise room, a library/reading room or similar amenities. Some projects have also been able to include a swimming pool, hot tub and/or sauna facilities. A higher quality rental project catering to students would have a competitive advantage if this type of amenity package were available. The trade-off would be in the higher rents that would generally be required to support this up front investment and long-term operation and maintenance costs.

2. Market Need to Develop 35 to 50 Tax Credit Moderate Income Rental Housing Units Through the Year 2015

Findings: The federal low income housing tax credit program remains as one of the only subsidy sources still available for the production of more affordable rental housing. Tax credits alone do not produce “deep subsidy” rental units that can serve very low income people, but tax credits do provide a “shallow subsidy” that allows for the construction of units that can serve households at or below 60% of the median income level. When other resources are combined with tax credits, even lower income households can be served.

Since the program became available in the late 1980s, there have been only eight projects in Brookings that have received an allocation of tax credits. Two of the tax credit projects, Sunchase Apartments, with 31 tax credit units, and the Kneip Duplex, with two tax credit units, were constructed in the late 1980s, and the compliance period has been fulfilled. However, Sunchase also received Rural Development subsidies when it was constructed, and continues to operate as very affordable subsidized rental housing.

Three of the tax credit projects constructed since 1990 combined the tax credit assistance with other federal development subsidies available through USDA Rural Development. Regency Square, with four tax credit units, Wellington Heights, with 12 tax credit units, and Windsor Estates, with 36 tax credit units, all operate as subsidized housing. Many of these units have rental assistance contracts available, so very low income people can be served.

There are three projects in Brookings that currently operate as tax credit housing and do not have federal subsidy contracts. They are Three Oaks Townhomes, with 24 tax credit units, South Briar, with 30 tax credit units, and Green Briar, with 30 tax credit units. All of these units must serve households at or below 60% of the County median income level, with an unspecified number of units in Green Briar and South Briar that are targeted to households at or below 50% of the County median.

At the time of our rental survey, there was only one vacant unit reported in the 84 tax credit units in Brookings. However, this unit had been successfully leased for occupancy beginning at the first of the next month, so the effective vacancy rate was 0%.

Among the rules for tax credit housing are the income limits that restrict occupancy to households earning less than 60% of HUD’s estimate of the County median family income level. For 2006, the maximum income by household size for Brookings County at 60% of median income was as follows:

| | |
|------------------------|----------|
| One person household | \$24,600 |
| Two person household | \$28,080 |
| Three person household | \$31,620 |
| Four person household | \$35,100 |
| Five person household | \$37,920 |
| Six person household | \$40,740 |

In addition to income limits, the tax credit program places gross rent caps on the rental units. The 60% of income gross rent limits in 2006 were as follows:

| <u>Bedroom Size</u> | <u>Maximum Allowable Rent</u> |
|---------------------|-------------------------------|
| One-Bedroom | \$658 |
| Two-Bedroom | \$790 |
| Three-Bedroom | \$912 |

The gross unit rents that are being charged in the tax credit projects in Brookings are well below the maximum limits that are established for the program. For example, all of the two-bedroom tax credit units have contract rents of \$450 or less. Even with the inclusion of tenant-paid utilities, gross rents currently charged in Brookings would be \$500 per month or less, compared to the maximum allowable rent of \$790. Similarly, three-bedroom units in Brookings have contract rents of \$495 per month or less. Gross rents would be less than \$600, compared to a maximum allowable rent of \$912 per month under the federal tax credit guidelines.

The maximum rents allowable under the tax credit program are generally above the prevailing rates for most older market rate units in Brookings. To stay competitive with moderately priced market rate rental projects in the City, the tax credit developments often charge rents that are well below the maximum federal limits.

Another limitation of tax credit housing that impacts Brookings is the prohibition of full-time students, unless other members of the household have earned-income. With a large “traditional” student population in the community, a tax credit project could not accept renter households if all the household members were full-time students.

Recommendation: Because of the prohibition of traditional student occupancy, the use of tax credits in Brookings is somewhat limited. However, we would recommend that 35 to 50 additional tax credit units be constructed in the City through 2015.

In most comparably sized communities, our research has found that tax credit units represent between 1.5% and 2.0% of all households in the City. For Brookings, this would represent 120 to 150 tax credit units. The current inventory of only 84 tax credit units represents only 1.1% of all households in the City, which is a relatively small distribution of units. However, this is

partly due to the impact of students. If the student households are removed from the calculation, then the distribution of tax credit units to total households is approximately 1.5%, at the lower end of the normal range.

The addition of 35 to 50 units is a rather modest recommendation, given the size of the rental housing market in Brookings, but when student households are removed from consideration, the market potential is greatly diminished. The numerous manufacturing jobs in the City also pay wages that will often result in annual incomes that are higher than those allowed for tax credit occupancy, so again the tax credit units have a more restricted potential market.

The age-based projections that we have used in this Study expect some net renter household growth among households in the 24 to 34 year old age range, so additional tax credit units for younger families will be needed. However, most of the net renter household growth will be from households age 55 and older, so senior-oriented tax credit units will also be needed.

We would recommend tax credit housing construction be completed in phases during projection period, such as two projects of 20 to 24 units each. In particular, tax credit units could address much of the demand caused by the replacement of lost rental units, as a replacement unit with a moderate rent structure would be more compatible with the prevailing market rents.

We would also recommend that the need for this type of housing be closely monitored in the community. While our projections show an overall decline in the number of households age 54 and younger, the community is prepared to take proactive steps to recruit and/or retain younger households. It is also possible that future growth could attract new residents from international locations. An in-migration of younger workers from international locations would alter the demographic of households looking for rental housing, and more two- and three-bedroom tax credit units may be necessary.

Maintaining gross unit rents at an affordable level will be a concern for future tax credit developments. The existing tax credit projects have a very moderate rent structure that is well below the federally imposed limits. Our research found that comparable prevailing rents for older market rate units in Brookings are between \$550 and \$650 per month for a two-bedroom unit, while the tax credit program would allow a rent as high as \$790. Charging rents at or near the tax credit limits would result in a unit that would not be competitive in the broader marketplace, and the unit would also have income restrictions that would not apply to market rate housing.

Another rental rate consideration is the Fair Market Rent (FMR) limitations imposed by the Housing Choice Voucher Program. Many lower income renters look to utilize this tenant-based assistance when shopping for a housing unit. For 2007, the one-bedroom FMR is \$408, the two-bedroom FMR is \$502, and the three-bedroom FMR is \$708. It would be preferable if some or all of the new tax credit units could charge rents that would be allowable under the Voucher Program. To achieve this lower rent structure, other types of financial assistance will probably be required.

It should be noted that our tax credit unit recommendation is for traditional rental units. In the "Best Practices" section of this Study, we have presented information on an innovative approach in Fargo that uses tax credits as part of a lease-to-purchase housing arrangement. This approach is largely untested in the region. There are significant obstacles to using tax credits in this way, including the requirement that a 15-year rental compliance period be met before units convert to individual ownership. The success of the Fargo model should be monitored. If it proves to be successful, it could be replicated in Brookings as another way to move residents into home ownership. Since it is experimental, any lease-to-purchase attempt in Brookings should be modest in size. For comparison, the project in Fargo involved 30 units in a metropolitan area of nearly 150,000 residents. Any lease-to-purchase tax credit developments would be in addition to our unit recommendation for traditional rental housing.

3. Monitor the Need for Additional Subsidized Rental Housing Units

Findings: The term subsidized rental housing, as used in this Study, refers to rental units that have been constructed to serve low and moderate income people. In nearly all cases, subsidized housing has utilized federal resources that provide a "deep subsidy", allowing very low income people access to the housing at an affordable price. Much of the subsidized housing has project-based rent assistance, or a similar subsidy available, that allows rent to be based on 30% of the household's monthly income.

Our review of subsidized rental opportunities found 18 different federally subsidized rental projects in Brookings. Combined, these projects have 497 units of subsidized rental housing.

Four of the projects, Arrowhead Apartments, with 40 units, Briarwood Apartments, with 32 units, Heritage Estates II Apartments, with 44 units, and Sunchase Apartments with 42 units are designated for senior and/or disabled occupancy. The 158 units designated for senior and disabled occupancy represent 32% of the project-based subsidized units in the City.

There are 13 subsidized projects that provide general occupancy rental housing: Cedar Townhomes, with 32 units, Clairview, with 64 units, Heritage Estates Townhomes, with 28 subsidized units and eight market rate units, Lakota Village, with 25 units, Onaka Village, with 36 units, Sunrise Apartments, with eight units, Wellington Heights Apartments, with 12 units, Windsor Estates, with 36 units, Windsor Estates South, with 22 units, Regency Square, with eight units, Sandpiper I, with six units, Sandpiper II, with four units, and Yorkshire Apartments, with 50 units. Combined, these projects have 331 subsidized rental units, or 67% of the project-based subsidized housing in the City.

There is one subsidized project serving special-needs populations. Supervised Living Apartments has eight units serving 16 clients with developmental disabilities. The units in this project represent approximately 1.6% of the project-based subsidized units in the City.

There are also subsidized rental housing options available in many of the smaller communities that surround Brookings, including Arlington, Aurora, Bruce, Elkton, Volga and White.

For vacancy calculations, we have excluded the units in Supervised Living Apartments, since these are only available by State referral.

In the 158 subsidized units in Brookings that are designated for senior and disabled tenant occupancy, our rental survey found eight vacant units, for a vacancy rate of 5.1%. While this represents a rather typical vacancy rate in most communities, it reflects an unusually high rate of vacancy in Brookings, where other subsets of the rental inventory have almost no available units.

It should also be noted that the available inventory of subsidized housing specifically targeted to senior and disabled tenant occupancy has contracted in recent years. One project, Yorkshire Apartments, with 50 one-bedroom units, has converted from senior/disabled occupancy to a general occupancy project. Presumably this occupancy change was made in response to limited demand for senior/disabled units. Another project, Village Estates I, with 72 efficiency and one-bedroom units, has terminated its subsidy contract and converted to market rate housing. While we could not verify its occupancy status prior to the subsidy opt-out, it is assumed that this project was originally intended for senior and disabled tenant occupancy, based on the presence of efficiency and one-bedroom apartments.

In the 331 subsidized units designated as general occupancy, we found nine vacancies, for a vacancy rate of 2.7%. However, this rate of vacancy may be artificially high. Two of the nine vacant units were accessible apartments. When accessible units come available, they have an occupancy preference for a wheelchair/disabled tenant for a period of time, before they can be rented to a tenant household that does not require an accessible unit. Also, some of the projects reporting vacancies had waiting lists for occupancy, and the vacancies at the time of our survey may have been due to the processing time required for verification of households on the waiting list.

While general occupancy vacancy rates were low according to our survey, this segment of the market has changed in the recent past. Both the U.S. Department of Housing and Urban Development (HUD), and USDA Rural Development have modified their rules regarding student occupancy in subsidized housing.

In the past, students could often qualify for deeply subsidized rent, based on their lack of income. The rules in effect now require that the student must be either age 24 or older, or that younger students be independent of their parents for tax purposes. Students that do not meet these tests can still occupy units in some of the projects, but can no longer qualify for subsidized rent. The effect of these rule changes on subsidized projects has meant more non-traditional students or older, graduate students in occupancy. Despite the changes concerning students, some of the projects still reported primarily student occupancy, such as Clairview Apartments, where an estimated 70% of the tenants are graduate or undergraduate students that can still qualify under the new rules.

The restriction on student occupancy has at least one subsidized project exploring the possibility of leaving the subsidy program. Onaka Village, a HUD Section 8 project constructed in the late 1970s, is considering an opt-out of its subsidy contract due to changing demand created by the student occupancy restrictions.

In general, occupancy rates are not as strong in the smaller Cities around Brookings, with the exception of Volga. Most of the projects in Volga reported full occupancy. However, subsidized projects in Arlington, Aurora, Bruce, Elkton, and White all reported vacant units. In certain projects, such as Elkton Housing II, or Dakota Village in Aurora, the vacancy rates were very high.

Multiple contributing factors were cited for the vacancy issues being experienced in the smaller Cities. Parkview Apartments in Arlington had seven vacant one-bedroom units, and identified the student occupancy rule changes as a major cause for reduced demand. Dakota Village in Aurora, which had 12 vacant two-bedroom units, indicated that the City requires a \$200 utility deposit for new renters, and that this created a burden for lower income households that also needed to supply a security deposit and first month's rent at the time of initial occupancy.

Other subjective reasons that were identified include a lack of amenities and job opportunities in small communities, which therefore require residents to commute to Brookings or other cities for services and employment.

In addition to the subsidized projects, Brookings County residents have access to the HUD Housing Choice Voucher Program (formerly Section 8 Existing Program). Housing Choice Vouchers are issued to income-eligible households for use in suitable, private market rental housing. With the Voucher assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional rent amounts.

In 2007, 307 households in Brookings, Deuel, Hamlin, Kingsbury, and Moody Counties had access to a Housing Choice Voucher. However, in May 2007, only 240 of the Vouchers were actually being used. The utilization rate appears to have been impacted in part by the ability of traditional students to apply for the assistance. It appears that a high rate of Voucher turnover has occurred in the recent past, as students left the program.

Since this rent assistance is tenant-based, and moves with the household, the actual number of participating households within the City can vary from month to month. It is also possible that some of these households may be using their rent assistance in one of the subsidized or tax credit projects, if that project does not have rent assistance available for all tenants. For example, there are residents of Three Oaks Townhomes are using tenant-based rent assistance in tax credit units. As a result, the Housing Choice Voucher assistance may add to the overall supply of "deep subsidy" housing in the community, but may also overlap with some of the other subsidized or income-based projects.

Despite the number of subsidized rental options that exist, the 2000 Census reported that more than 32% of renter households in Brookings County were paying more than 30% of their income for rent. More than 600 households were actually paying more than 35% of income for housing. Most of the households with a severe rent burden had low annual incomes, and would be under the income limits for subsidized housing.

The vast majority of the households with a cost burden were in the 24 and under age group, and presumably represented much of the student population. For much of the student group, there is

probably a recognition that housing costs will represent a disproportionately large share of their income while in school. Among renter households age 25 and older, there were 631 households with a cost burden, or approximately 25% of all renters age 25 and older.

Recommendation: Based on our research, we would recommend that the need for additional subsidized in Brookings be monitored. There does not appear to be a pressing need to expand this resource in 2007. If this situation changes between now and 2015, additional units could be constructed as needed.

Four factors uncovered by our research have contributed to our recommendation to monitor the need for additional subsidized housing:

- ▶ There does not appear to be unmet need for subsidized senior and disabled occupancy housing. Our survey found vacancies in those projects designated for senior and disabled occupancy. There is also evidence that some subsidized units have changed from senior/disabled occupancy to general occupancy, or have terminated their subsidy contracts. These events typically occur due to softness in the market. While our projections show growth in the number of senior households through 2015, this growth primarily occurs among younger seniors, who are less likely to rent their housing. Older seniors, age 75 and above, will have limited net household growth.
- ▶ While evidence does exist of an under supply of general occupancy subsidized units in Brookings, there are a number of unused Housing Choice Vouchers. This tenant-based subsidy program allows low income people to rent any suitable unit. The unclaimed Vouchers would indicate limited pent-up demand exists. The Voucher situation may be due to the changing rules affecting full-time student eligibility. If Voucher utilization improves, and vacancy rates in existing subsidized projects in Brookings remains low, then additional general occupancy units would be needed in the future. As the area continues to grow and add households, demand for general occupancy subsidized housing should increase.
- ▶ Changes in student occupancy rules appear to be having a major impact on subsidized housing in the area. However, this situation is confusing and still seems to be evolving. There are differing interpretations between federal agencies, such as HUD and Rural Development. There even seem to be differing interpretations depending on the specific subsidy source that is used within a single federal agency. The displacement of traditional students from subsidized complexes may explain the vacancies that currently exist.
- ▶ The subsidized housing market in the small Cities, with the exception of Volga, is soft. In some projects, high rates of vacancy are common and have persisted for some time. This creates a rather difficult situation for use of resources. Building additional subsidized units in Brookings would potentially cause even higher levels of vacancy in the small communities. However, having low income renters live away from the regional center is also problematic, as low income renters are often least able to pay the costs associated with commuting for employment and services.

We would recommend that the City monitor the availability of resources for the creation of subsidized housing, especially for general occupancy. At this time, there is limited demand and it would be very difficult to produce new subsidized units to serve very low income people.

Another important community strategy will be to prevent the future loss of any of the existing project-based subsidized housing. Our review did identify at least one subsidized project in Brookings that is at risk of being lost, due to the changes in student occupancy. It may be appropriate for public or nonprofit housing agencies to become involved in attempts to preserve subsidized housing resources. In other South Dakota communities, including Aberdeen, Housing Authorities have acquired subsidized projects that were at risk of being lost.

4. Address Senior Housing with Services Units as Needed

Findings: Senior housing with services defines a wide range of housing types. Assisted living and memory care housing are generally the most service-intensive units outside of nursing homes. High-service housing provides 24-hour staffing and a high level of assistance with daily living needs of residents. Under South Dakota law, service-intensive senior housing must be licensed as an Assisted Living Center.

Lower-service housing, sometimes referred to as congregate senior housing, generally offers a daily meal, access to transportation and services such as weekly light housekeeping. While a resident can contract for more intensive services through a home health care provider agency, additional services are not available through the housing project. South Dakota law requires these light-service housing providers to register with the State as Residential Living Centers. These facilities are not subject to the same standards as the Assisted Living Centers, including the inspection requirements. Because of the lower level of regulation, many Residential Living Centers are not properly registered.

We were able to identify a number of different specialized senior housing projects in Brookings that can offer some level of services. In many cases, continuum of care complexes have been built that allow seniors to effectively age-in-place, by starting out in an independent living, or light services housing project, then eventually moving into more service-intensive housing as they age. In the summary that follows, we have grouped the different existing projects into categories based on the style and type of housing provided.

Light Services/Congregate Senior Housing - There are two rental projects that provide light services to residents. These projects are sometimes described as either independent living or congregate senior housing. Services are limited in each of these projects, but both buildings do provide access to daily meals to residents.

Brookhaven Estates has 24 units and was constructed in 2004. It is part of the Brookings Health System that includes the Hospital and Brookview Manor Nursing Home. A corridor connection exists to these other facilities.

Park Place Apartments has 15 units and was constructed in 1991. It is physically connected to the United Retirement Center and is part of a senior campus that also includes Park Place Assisted Living. Park Place Apartments was originally constructed with 20 units, but lack of demand has resulted in five units being converted into offices or other uses.

Combined, these two projects have 39 total rental units available. Park Place reported two vacant units at the time of our survey. Brookhaven Estates had one vacant unit, but this unit had just come available and a waiting list for occupancy existed at that facility.

Rental rates vary, depending on the services included. Park Place had one-bedroom rents starting at \$633 per month, but most services, including meals, were charged separately. Brookhaven Estates had a higher rent structure, starting at \$1,000 for a one-bedroom unit, but a daily meal and underground parking were included in the basic rent.

Assisted Living Centers - There are three licensed providers of more service-intensive, assisted living for seniors in Brookings. These projects provide all meals, assistance with daily living services, house keeping, laundry, medication dispensing and have 24-hour staffing.

Greenleaf Assisted Living was constructed in 1997 and has 30 units. The units provide a private sleeping room and bathroom, but there are no kitchen facilities. Greenleaf is a stand-alone project that is not connected to a nursing home or other form of senior housing.

Park Place Assisted Living was constructed in 1999, and has 28 studio units, with total capacity for 36 people, if some rooms have shared occupancy. The units have a private sleeping room and bathroom, but there are no kitchen facilities. Park Place Assisted Living is part of a senior campus that also includes the United Retirement Center and Park Place Apartments.

Stoney Brook Suites opened for occupancy in 2003, with 38 total units. Most of the units are studio apartments, with kitchenette facilities, but some one-bedroom apartments also exist. Stoney Brook Suites is a stand-alone facility.

Combined, these projects offer 96 units of assisted living. Occupancy rates were generally high, but some vacant units existed at the time of our survey. Assisted living units often have a relatively high rate of turnover, and there is sometimes a delay while a new occupant makes arrangements to move into the facility.

Rental rates for assisted living can vary depending on the actual level of services provided. Rental rates were obtained from Park Place, where units started at \$1,850 per month. Greenleaf indicated that some of their residents qualify for State and/or County assistance that is available for lower income seniors.

Memory Care Housing - There are no projects in Brookings that are specifically designed to provide housing for people with memory care needs. Memory care residents may be housed in nursing homes or assisted living centers, but these facilities do not provide a secure wing or specialized care for memory care residents.

It does appear that the City did have a specialized memory care housing provider, but Prairie Crossings Assisted Living closed in 2004. Based on second-hand reports, this facility had 16 beds, but may have closed due to occupancy problems.

Skilled Nursing Homes - There are two State-licensed skilled nursing homes in Brookings. Brookview Manor is licensed for 79 beds. United Retirement Center is also licensed for 79 beds. We did not complete a more detailed survey of nursing home occupancy rates.

Other Communities

There are four licensed Assisted Living Centers in Brookings County outside of the City of Brookings, and one licensed Assisted Living Center in Estelline. Two of the projects, Cozy Corner and Elkton Residential Living Center in Elkton are affiliated, and have a combined 12 licensed beds. Dakota Sun in Volga has 16 licensed beds. White Pines Assisted Living Center in White has 10 licensed beds, which are located in the White Health Care Center along with nursing home beds. There are two licensed assisted living beds in Estelline, which are part of the Estelline Nursing and Care Center, which is also licensed for 60 nursing home beds.

All of the Assisted Living Centers in the surrounding communities had at least one vacant bed at the time of our survey. The facility in White had only four of the 10 beds occupied.

There are also skilled nursing homes in some of the surrounding communities. In addition to the nursing homes already identified, there is the 48-bed Golden Living Center in Arlington. We did not complete a more detailed survey of nursing home occupancy rates.

Senior Demographics

Specialized senior housing in Brookings has the potential to attract residents from a large geographical area. While much of our research has focused on Brookings County, with the addition of Arlington and Estelline, the potential exists for Brookings to attract people from the neighboring Counties.

We have utilized the projections prepared by the South Dakota State Data Center as the most reliable predictor for the senior population in the area. At the time of the 2000 Census, there were 3,065 senior citizens residing in all of Brookings County. With the Cities of Estelline and Arlington added to Brookings County, there were 3,589 seniors in the Primary Market Area in the year 2000. Within the City of Brookings, there 1,834 senior citizens, or approximately 51% of the Primary Market Area total.

In 2005, there were an estimated 3,850 senior citizens in the Primary Market Area, including approximately 2,200 older seniors, age 75 and above. Projections for the year 2015 expect between 4,800 and 4,850 seniors in the primary market area, including approximately 2,400 older seniors. Although the entire senior population can be analyzed for specialized senior housing, it is often the older seniors, age 75 and above, that access more service-intensive housing options.

A growing population of senior citizens and older seniors should result in some increased demand for senior housing with services through our projection period.

Recommendation: While Brookings does have a wide variety of life-cycle housing options, we do believe that some market opportunities exist. Options will be discussed by housing type.

Assisted Living Recommendation - The current supply of assisted living units in Brookings and the surrounding market area is adequate for the near-term. A modest expansion of assisted living units would be possible closer to the year 2015, the end of our projection period.

The City has three licensed Assisted Living Centers with a combined 96 units. In the Primary Market Area there are an additional 40 licensed assisted living beds outside of Brookings. Excluding the seniors living in nursing homes, the current supply of units in Brookings represents a market penetration rate of approximately 2.7% of all seniors in the Primary Market Area. If only older seniors (age 75+) are analyzed, the existing units represent a market penetration rate of 4.9% within the market area.

When the assisted living units available in the small communities are included in the calculations, the percentages increase even higher. The existing assisted living projects represent a market penetration rate of 3.8% of all seniors, and a 6.9% rate among the older senior population.

We view these as relatively high percentages for unit availability compared to the number of seniors. For comparative purposes, the State of South Dakota calculated the distribution assisted living units Statewide at the end of 2005. The comparison was made to 2000 Census data on the size of the senior population, and was not adjusted for nursing home residency. The South Dakota distribution of units to total senior population was 3.1%. In urban geographic areas the rate jumped to 3.8% of all seniors. While the Brookings and market area statistics appear compatible with Statewide patterns, in 2005 the average daily occupancy rate in South Dakota was only 75%, implying that an oversupply of assisted living existed at these concentrations.

Based on the comparison of Statewide patterns, the number of assisted living units in the City of Brookings is not overly high, but when the other units in the market area are included, the area has an above-average supply of senior assisted living.

The above-average supply of units has resulted in unit vacancies for many of the Assisted Living Centers. In the City of Brookings, this vacancy level is low, but in some of the smaller communities, a large number of assisted living beds are unused. The only Assisted Living Center in the primary market area that reported full occupancy was Stoney Brook Suites in Brookings, which also reported a waiting list for occupancy.

Our age-based projections show strong growth in the senior population through the year 2015, but nearly all of this growth is from younger seniors, in the 65 to 74 year old age groups. Very limited growth is projected among seniors age 75 and older. We believe that older seniors are much more likely to use assisted living services. The 2005 Assisted Living Center report from

the South Dakota Department of Health identified 88.3% of all assisted living residents as age 75 or older.

If the current assisted living unit distribution percentages are to be maintained in the year 2015, based on our projections, the City of Brookings could add between 10 and 28 additional assisted living units. For the entire market area, between 14 and 37 additional units would be appropriate. These recommended ranges are wide, and reflect the differences in calculations that result from analyzing the entire senior population versus the older senior population. The lower end of the range reflects projected demand when older seniors are viewed as the primary target market. We believe that this is the best indicator of future demand. However, if existing providers find that much of their demand comes from younger seniors, under age 75, then the higher end of our recommended range would be appropriate for the year 2015.

It should be noted that we have looked at overall demand, not competitive positioning for individual projects. We view Brookings as the best possible location for assisted living units. It is very possible that more units could successfully be constructed in Brookings than we have recommended. However, this would probably reduce occupancy rates even further in communities like White, Estelline and Elkton and Volga.

Light Service/Congregate Housing Recommendation - We believe that Brookings is under served with light services senior housing. While we believe that units could be added in 2007, the current market has some level of vacancy, which is difficult to explain. By the year 2015, we would recommend the supply of light services units be expanded by 65 to 70 units.

The City currently has only 36 units that we would classify as market rate, congregate-style apartment housing. One of the projects, Park Place Apartments does have five units that are being used as offices, due to lack of demand, so it is possible that 41 units could be available if needed.

Excluding the seniors living in nursing homes or assisted living centers, the current supply of units in Brookings represents a market penetration rate of approximately 1.2% of all seniors in the primary market area. If only older seniors (age 75+) are analyzed, the existing units represent a market penetration rate of only 2.2%. We did not identify any other light services housing in the market area outside of Brookings, but this type of housing is not State licensed, and is therefore more difficult to identify.

Our calculations, based on utilization rates in other communities, would expect at least 84 light services housing units in the Brookings market area in 2007, and between 105 and 110 total units by the year 2015, or approximately triple the current inventory.

Memory Care Housing Recommendations - We believe that Brookings is under served with memory care housing. By the year 2015, we would recommend that approximately 24 units be available in the community.

There are no specialized providers of memory care housing in Brookings or the surrounding market area. The only provider that could be identified, Prairie Crossings Assisted Living,

closed in 2004. This facility apparently had 16 beds, and may have closed due to occupancy problems. Housing for people with memory care issues may be provided in other senior complexes, including nursing homes, provided the resident does not need to be in a secured facility. It appears that people needing a secured facility must leave the area, possibly moving to Sioux Falls, Madison or Watertown.

Our calculations would indicate that between 15 and 18 specialized memory care units would be needed to serve the primary market area. By the year 2015, up to 24 units would be appropriate. Despite our calculations, a project that supplied this number of units has closed, and no new providers have entered the market. We were unable to learn any detailed information about the reasons that Prairie Crossings closed in 2004. This was a stand-alone facility, and it is possible that it could not operate successfully based on the size of the operation.

State Policy Regarding Senior Housing with Services - The State of South Dakota has commissioned a study of long-term care needs Statewide. The research for this project is currently underway, with a report expected in November 2007. The results of this study may be used to shape State policy on issues such as senior housing with services. Before proceeding with any of the senior housing with services recommendations contained in this Study, we would recommend that the results of the Statewide long-term care study be monitored for potential impact on future senior housing development.

5. Opportunity to Provide Housing with Services to Lower Income Seniors

Findings: In most South Dakota communities, there are few options for lower income seniors needing housing with services. Some County and/or State assistance may exist, but most of the existing projects cater to private-pay residents. Some private-pay facilities will not accept Medicaid/Medicare residents, due to the payment restrictions.

Lower income seniors in need of more service-intensive housing will often move into skilled nursing homes with their Medicaid/Medicare assistance. There are fewer financial mechanisms that allow lower income people to move into Assisted Living Centers. A Statewide survey of Assisted Living Centers in 2005 found that nearly 74% of assisted living residents were private-pay, approximately 19% were Medicaid Waiver, and approximately 7% were SSI or State-paid.

Recommendation: One program opportunity that may exist is to utilize existing subsidized senior housing projects to serve low income seniors needing some level of services with their housing. There are numerous examples of Housing Authorities in Minnesota facilitating the delivery of services in senior subsidized buildings.

By working with a home health care provider agency, the subsidized project can allow for coordinated service delivery for frail elderly residents. In some examples, entire floors of senior buildings have been used for housing with services, and the home health care agency establishes an on-site office with 24-hour staffing. While services are contracted directly between the tenant and the home health care provider, the on-site staffing makes the services readily available to lower income people.

While we are supportive of the senior subsidized projects in Brookings exploring a housing with services option, it should be noted that State licensing or registration requirements would need to be researched. At a minimum, it would appear that this type of housing with services arrangement would require the housing project to register with the State as a Residential Living Center.

6. Rental Housing Quality Issues/Rental Registration Program

Findings: As detailed in previous recommendations, the large student population at SDSU creates some unique housing issues for the community. The overall impact on the City's rental housing market, and the changing status of subsidized housing occupancy patterns have already been addressed. Other issues, such as the impact on neighborhood housing conditions will be addressed in later recommendations.

One of the issues that directly impacts students in Brookings is the physical condition of available rental housing. Interviews with student representatives and focus group discussions indicate that some students may reside in housing that is substandard, or that may pose a health and safety risk. While unit quality and condition are not necessarily limited to students, it is probably most pronounced among this group.

Students are generally looking for limited-duration housing options, for one or two years, and may be willing to accept a unit that is close to campus, even if it is in poor condition. With the low vacancy rate in the community, students needing to secure housing before the start of the academic term may also be more willing to compromise their standards. Student units are more subject to overcrowding issues. While the City has in place a three unrelated persons occupancy limit, this ordinance is very difficult to enforce, and some student units may have too many residents, forcing some people to sleep in basements or areas without proper egress.

To address some of these problems, the City has put in place a Rental Housing Registration Program that requires periodic unit inspections. Under the Program, each unit is to be inspected every third year. However, it appears that the resources for this effort are not adequate to maintain that schedule, and inspections are less frequent than every third year.

Student representatives that were interviewed for this Study helped to identify the quality and condition issues that exist in Brookings. In response, the students are planning to organize their own initiatives to improve the quality and condition of housing that is available in the private rental market. The students would create an internal mechanism to distribute information on unit availability, a unit quality rating, and landlord responsiveness, among other items.

Recommendation: Most of the issues concerning rental unit quality have previously been identified by the community and are actively being discussed. Specific programs and ideas are in place to address rental housing condition and quality. However, it will be appropriate to modify these approaches, as necessary to accomplish the desired objectives.

For the Rental Housing Registration Program, this may involve applying more resources to complete unit inspections on a faster schedule. It may also mean prioritizing units for inspection, based on age, or market value, in an attempt to address units that are at greater risk.

The actual rental registration component of the Program may also need to be reviewed. There is a discrepancy between the number of registered units in 2007, and the number that would seem to exist in Brookings, based on Census data. It is therefore possible that some units have never registered, and have never been subject to the inspection requirements.

The student initiatives to improve quality will also help to locate and improve substandard rental units. Cooperation between the student system and City inspection staff can help to quickly identify units that may pose health and safety risks.

7. Locational Issues for Future Rental Development

Findings: As previously documented, our analysis indicates ongoing need for rental housing production in Brookings through the year 2015. Overall, our calculations show adequate demand for 550 to 700 additional units over the ten-year projection period, when all demand generators are examined.

Through the focus group and interview process, extensive discussion occurred about availability of land in Brookings for future housing development, including land that is zoned R-3 and is suitable for multifamily rental housing. While it does appear that adequate R-3 land is available, it is not always located near the University, which is a major attraction for potential student renters.

As rental housing is developed in the future, it will be necessary to look for appropriate sites that are suitable for new rental construction. During the course of research for this Study, some different options were identified.

The City's downtown area appears very suitable for additional housing. According to community representatives, there are already 150 to 250 rental units that exist in the downtown area. Most of these are occupied by students or other younger renters. The downtown area offers numerous amenities for younger renters, including social and employment opportunities. Plans for downtown redevelopment and renovation may include additional rental housing. Downtown units that are designed to appeal to students should prove very popular.

There has also been some discussion of new residential and mixed-use development on the east side of Interstate 29. This area has typically been used for commercial and industrial activities. The prime attraction for this area is the location near some of the largest employers, as well as a highway oriented commercial area along the Interstate exit. Since housing east of the Interstate would be especially convenient for workers at east side business and industrial parks, a project in this location would be most practical if continued hiring occurs, especially of production level workers. More moderate-rent housing would be appropriate in this location.

Recommendation: In general, Brookings will need to add more rental units through 2015. As other R-3 locations are used, there will be a need to find sites that are suitable for the target rental market. Provided that any housing that is constructed is compatible in amenities and price with other options around the City, it is our opinion that it will be successful. The downtown location, in particular, has the potential to appeal to student renters that make up between 45% and 50% of the total rental market in Brookings.

Home Ownership Recommendations

Findings: The City of Brookings has experienced a significant increase in the level of owner-occupancy housing development in recent years. Housing construction has included detached single family housing, twin homes, town houses and a limited number of condominium units.

Some construction of owner-occupancy housing has also been occurring in the rural areas of Brookings County, and in some of the smaller Cities. Cities within easy commuting distance of Brookings, such as Volga, have had ongoing single family housing development. Other small Cities with a local employment base, such as Arlington, have also had relatively strong owner-occupancy construction. Of the small Cities included in this Study, only Bushnell did not have any housing construction, although no information was available from either Bruce or Sinai, and it is probable that no significant level of construction has occurred in these two small Cities.

Between 2000 and 2006, the City of Brookings averaged approximately 86 new housing units per year that appear to be for owner-occupancy. Of this total, an average of 76 new single family detached homes have been constructed each year. Additional construction of attached single family housing has represented approximately 10 units per year.

Although the City of Brookings has averaged 86 new owner-occupancy units per year since 2000, the level of annual production has varied widely. Between 2000 and 2003, the City average 56 new single family detached houses per year. Between 2004 and 2006, the City average 104 single family detached houses per year. Patterns for single family attached housing in the form of twin homes is similar, with all of the construction occurring since 2004. Between 2004 and 2006, the City averaged 24 attached single family units per year.

Through the first six months of 2007, approximately 59 housing units that would appear to be intended for owner-occupancy housing have been issued building permits. A review of July and August statistics indicate that approximately 19 additional owner-occupancy units were permitted in those two months. At this pace, it would appear that production of single family housing in 2007 will be more consistent with the last three years, instead of the lower construction level that was present earlier in the decade.

The attractiveness of the City and Brookings' status as an educational, employment and service center should result in the continued construction of new homes annually. In many communities, there has been a severe slowdown in new home construction activity since 2006, as the regional and national housing markets have cooled. Through the first eight six months of 2007, this does not appear to be the case in Brookings. The Census building permit reports indicate that the level of single family construction in Brookings for July 2007 and the months immediately prior, have been at our above the level that has occurred since 2004.

The household growth projections used for this Study expect continued strong demand for owner-occupied housing construction. Most of the growth that is anticipated over the next eight years will be among households in the age ranges between 55 and 74 years old. Households in these age ranges tend to be predominantly home owners, and form a market for higher priced and trade-up housing.

There is also growth projected among younger households, in the 25 to 34 year old range, but overall, a decrease is expected in the number of households age 54 and younger. The Brookings area is prepared to take proactive efforts to recruit and retain younger households. This would involve efforts to keep recent graduates of SDSU in the area, by creating jobs that are well-suited to their educations. It would also involve potential recruitment efforts, both nationally and internationally to attract younger workers to the area for employment opportunities.

The projections that we have used for this Study cannot anticipate the potential success of future community efforts to retain or attract younger people to the area. The projections are instead based on the distribution of the current population by age, along with the past patterns of retaining or losing certain populations. For example, in the past, only a certain percentage of SDSU graduates have tended to be present in the community five or ten years after graduation, and projections expect these patterns of retention to be relatively consistent in the future.

If the community is successful in keeping more students after graduation, the projections that we have used would tend to be conservative. However, it should also be recognized that the five-state region will have a diminishing number of high school graduates through 2015, so even a higher rate of retention would be somewhat mitigated by a smaller demographic pool of younger adults in the immediate region.

Our projections expect that the Primary Market Area of Brookings County, plus Arlington and Estelline, can be expected to add approximately 110 new households per year through the year 2015. The combination of demand generators that we have examined would indicate that between 85 and 100 owner-occupancy units will be needed in an average year through the ten-year period. These numbers are averages, and it is very possible that production in some years will exceed this average. For example, the City of Brookings alone has exceeded this level of production in the last three years. However, over a ten-year period, it is probable that lower production years will also occur, which will lower the average.

While the average annual projection of 85 to 100 owner-occupancy units can be defended by statistical calculations based on data since 2000, there is strong evidence that the short-term construction patterns may represent an even better indicator of future activity. Based on the success of the area's housing market since 2004, a high-end projection range can also be provided for single family construction that anticipates that up to 120 owner-occupancy units will be constructed in an average year in the Brookings area.

The projections used in this Study show limited growth in demand for entry-level owner housing, due to an overall decline in the number of households age 54 and younger over the next few years. To sustain the higher end of the housing construction range, the area would need to be successful in its recruitment efforts of younger workers. It would also need to achieve success with expanding the rate of home ownership among younger buyers, so that an expansion in market share is achieved in addition to expansion from overall household growth. The area is in the process of developing a new technology park, that is specifically aimed at creating professional employment opportunities. These economic development attempts could result in higher rates of retention for recent SDSU graduates, as well as attraction of younger professionals from other locations.

While an increase in younger buyers is very possible, all available projections still indicate that older buyers will be the primary source of demand for new construction activity. The age-based projections would indicate that the strongest segments of the market will be trade-up housing that would appeal to empty-nesters and younger seniors. This would include attached housing, such as high quality twin homes and town house units.

Home Ownership Demand Projections

In the Table that follows, we have produced annual demand projections for different types and different price ranges of owner-occupancy housing. The projections are annual, for the period extending to the year 2015. The mid-range projection assumes that between 85 and 100 units will be constructed per year. The high-end projection assumes that economic development and housing incentive programs are successful, and that above-average growth results in 100 to 125 units being constructed per year.

To achieve the higher end of the projected range of annual home construction will generally require the Brookings area to become more successful at attracting and retaining younger households. As identified above, the best available projections would expect fewer households age 54 and younger in the year 2015. In our high-end projections, we have used an assumption that the Brookings area will be more successful in building houses that attract younger households. As a result, most of the additional growth in the high-end projections is due to success in the entry-level home market.

Please note that these are annual projections to the year 2015. Price ranges used reflect 2007 construction and sales prices.

| Demand Projection for Annual Owner-Occupancy Housing Construction to 2015 | | | |
|--|----------------------|---------------------------------------|--------------------------------------|
| Unit Type | Price Range | Annual Demand at Mid-Range Projection | Annual Demand at High-End Projection |
| Single Family Detached | | | |
| Entry-Level | \$100,000-\$150,000 | 13 - 15 | 15 - 28 |
| Mid-Priced | \$150,000- \$225,000 | 32 - 35 | 35 - 38 |
| Higher-Valued | \$225,000+ | 23 - 25 | 25 - 27 |
| Total | All Prices | 68 - 75 | 75 - 93 |
| Single Family Attached | | | |
| Entry-Level | \$100,000-\$150,000 | 4 - 6 | 6 - 9 |
| Mid-Priced | \$150,000- \$225,000 | 8 - 11 | 11 - 13 |
| Higher-Valued | \$225,000+ | 5 - 8 | 8 - 10 |
| Total | All Prices | 17 - 25 | 25 - 32 |

Source: Community Partners Research, Inc.

We have defined *entry-level homes* as single family units that would sell for between \$100,000 and \$150,000. Houses in this price range would typically appeal to younger buyers, first-time buyers, or those households trading-up from an older, lower valued house or mobile home. New construction at the lower end of this price range is very difficult to achieve. According to our local research, the lowest priced single family detached home has recently been in the \$129,000 price range. It is possible to produce single family detached homes in this price range if different subsidies are used. For example, the HAPI project in Aberdeen was able to layer various subsidies, including Tax Increment Financing, to lower sale prices significantly. For example, a house with a total development cost of \$160,000 could sometimes be sold for \$135,000 when various subsidies were applied.

We have defined *mid-price homes* within a price range of \$150,000 to \$225,000. This price can generally be achieved by private housing developers without the need for subsidies. Brookings has active construction activity occurring within this price range. Going forward, we see this as the strongest price range for new single family construction. At the higher end of the price range, this represents a portion of the trade-up housing market. The large projected increase in the number of households age 55 and older is well suited to trade up housing. Houses priced at the lower end of the range would be available to serve younger professional workers. Increasingly, employment in the Brookings area is aimed at growth of corporate head quarters and professional-level jobs. These households have more income that can be applied to home purchase.

We have defined *higher-valued homes* as those priced at \$225,000 and above. Once again, the private housing market has been very successful at serving this segment of the market in the

Brookings area. Through the year 2015, the largest net growth of any demographic segment will be households in the 55 to 64 year old age range. Traditionally, this age group has owned the highest average value homes in the area. Strong growth in this age cohort, as well as households in the 65 to 74 year old range, will keep the market strong for higher-valued homes.

It should be noted that some additional construction will occur that is less than \$100,000, due to the efforts of groups like Habitat for Humanity and Inter-Lakes Community Council. This housing serves a lower income group that could otherwise not be served by private market efforts.

8. Establish a Goal of Constructing 20 or More Entry-Level Homes Per Year

Findings: The focus group and interview process used as part of the research for this Study frequently cited affordable home ownership options as a major community need. This issue was raised by a wide variety of people, ranging from housing agency representatives, who traditionally work with lower income people, to large employers, who see the issue as critical to the attraction and retention of a quality workforce.

Brookings has multiple factors that have contributed to a shortage of affordable ownership housing. One primary factor is the substantial growth in the community within the last few decades. As a result, Brookings has a relatively small supply of older, single family homes. Older units often represent a very affordable ownership option in most communities. However, fewer than 20% of the owner-occupancy homes in Brookings were constructed prior to 1940.

Another factor that has negatively impacted affordability is demand from student renters. Unlike most communities, there is very strong competition from the rental market for older single family homes. Property investors have been able to purchase lower valued homes in need of repair, and use these houses for renter-occupancy. In most communities, these houses would continue to revolve as affordable ownership units.

The combination of growth and demand has resulted in continued upward pressure on existing home prices. Our review of recent sales data shows that the median sales price for existing homes was \$142,000. Approximately 36% of recent sales were for less than \$130,000. In the new construction market, there are some single family houses that can be purchased in the \$130,000 price range, but most new construction is priced at \$150,000 or more.

In the Housing Affordability and Income section of this Study we have attempted to define affordable housing thresholds for the area. In any such calculation, certain assumptions need to be made, which have a direct impact on the result. For ownership housing, we have defined a purchase price of \$125,000 or less as affordable for a median income household. A large majority of the existing home sales, and nearly all of the new construction houses are above this threshold.

In recent years, only limited activity has occurred in producing single family homes priced under \$150,000. However, at the time of this Study, the Home Ownership Assistance Program (HOAP) was becoming more active in Brookings. This group has been able to achieve larger

volume development of affordable housing in Aberdeen and plans to replicate this approach in Brookings.

In Aberdeen, the initiative was called Homes Are Possible, Inc. (HAPI). Since 2003, HAPI has been very successful in developing affordable lots and constructing affordable homes. HAPI's first subdivision included the development of 25 affordable lots and the construction of 25 affordable homes. HAPI's 2nd phase development included 58 acres and 112 affordable lots.

There are a variety of homes in the HAPI Subdivision in Aberdeen. The prices of the homes range from less than \$135,000 to more than \$200,000. Multiple programs from several agencies provide down payment assistance, low interest mortgages, deferred loans, and other financial assistance to help income qualified households with purchasing these homes. The HAPI Subdivision includes Governor's Homes, homes that will be developed through the Rural Development Self Help Program, modular homes and houses constructed by local builders.

The HOAP approach in Brookings has a goal of producing some ownership houses as low as \$110,000, and serving households with incomes as low as \$25,000.

Private developers are also becoming more involved in the affordable end of the market. During the course of research for this Study, the Valley View project was being planned to specifically address the need for more affordable homes. This project was utilizing many cost saving strategies, including smaller lots, and attached home construction. This project had also attempted unsuccessfully to reduce infrastructure costs, such as building more narrow streets.

Recommendation: New construction of entry-level single family homes in the Brookings area has been limited in recent years. Based on the research completed for this Study, we believe that the area should set a goal of attempting to construct 20 or more new entry-level homes each year through the year 2015. In current prices, we would define an entry-level home up to \$150,000. However, a target price of \$125,000 would be better suited to current incomes and home buying power. To achieve an ownership purchase price of \$125,000, significant cost saving measures will be needed, along with probable development or financing subsidies. This will somewhat limit the area's ability to generate this type of housing, as development subsidies may be as high as \$25,000 per home.

Our projections show only limited growth in demand from younger home buyers to the year 2015. Under our projections, the annual demand for new entry-level homes would be between 17 and 21 units per year. With proactive efforts to attract younger workers, and retain a higher percentage of recent SDSU graduates, we believe that annual production of entry-level homes could potentially be as high as 38 units per year. Production at this level would also be partly dependent upon raising the rate of home ownership among existing younger households. In 2000, the rate of home ownership was only 48% for households in the 25 to 34 year old age group. While a graduate student and recent graduate population in the area can explain part of this low ownership rate, it also appears to be an issue of supply and willingness to invest in home ownership.

The Brookings area intends to aggressively recruit and promote the community to younger households, primarily through the creation of attractive job offerings. This would involve both retention of recent SDSU graduates, as well as attracting younger households from other parts of the country. The success of these efforts could also significantly boost demand from younger home buyers.

While affordable new construction will be needed, we also believe that the existing housing market will continue to address most of the demand for younger home buyers. The recent home buyer survey completed as part of this Study found that 84% of the buyers acquired an existing home, and only 16% purchased a newly constructed home. This would be partly explainable by the lack of supply of new homes that are priced as entry-level options, but it is also a reflection of the good value that is available in the existing home market.

With projected growth from households age 55 and older, the community has the ability to generate roll-over opportunities within the existing stock. Empty-nester and younger senior buyers that move into trade-up housing, attached single family new construction and luxury rental units will help to make older single family houses available for sale. The more the life-cycle concept is successfully implemented over the next ten years, the more opportunities that will be created for younger buyers in the existing single family stock.

One note of caution that should be identified is the potential impact that an affordable new construction initiative can have on existing home prices. Currently, older existing homes represent the primary ownership opportunity for entry-level buyers. In the recent home buyer survey completed as part of this Study, 27 of 32 buyers had purchased an existing home, and only five had purchased new construction. The prices for existing homes have continued to escalate as demand has grown, but used houses still typically sell at a discount to new construction. If the community elects to subsidize new construction with financial incentives, it may be possible that new houses are selling at a discount to existing homes, which could have the affect of placing downward price pressure on used homes.

9. Majority of New Construction Market will be from Empty-Nesters and Young Seniors

Findings: Higher-priced single family housing has been a market strength for new construction activity in Brookings in recent years. This is very consistent with the demographic patterns that have been evident both locally and regionally, as the large “baby boom” generation has moved through the aging cycle, and has continually upgraded their housing. This pattern is also consistent with the importance of professional level jobs in the community. As home to South Dakota State University and a number of corporate head quarters, Brookings has had solid job growth in professional and executive level employment opportunities.

Going forward to the year 2015, we continue to see a strong market for home ownership housing in Brookings and Brookings County. Our projections indicate that between 73% and 77% of the demand generated by net household growth will be for ownership housing. Prior to the year 2000, Brookings was producing more rental housing units than ownership units on an annual

basis. Since 2000, this pattern has reversed, and we expect it to continue through the end of our projection period. Our ten year projections show annual demand for between 85 and 100 owner-occupancy housing units through the year 2015.

Within the demand from household growth, households in the age range between 55 and 64 years old will represent the largest growth of any age group. Between 2005 and 2015, there will be as many as 619 to 685 additional households in this 10-year age range. This group has historically had the highest rate of home ownership in Brookings County, at nearly 85% at the time of the 2000 Census. This group also tends to be near the top for median household income. The income projections expect households in this age group to have a median income of approximately \$65,000 in the year 2012. A household at the median could afford more than \$1,600 per month for housing, and many households can afford substantially more.

The second largest growth projected by age group is for households age 65 to 74 years old. Once again, this group has traditionally had a very high rate of home ownership, at nearly 80%. The median projected income for this group is lower, at approximately \$49,000 in 2012, reflecting the movement from employment to retirement income. However, this group does have asset accumulation, and substantial equity available from their existing home. As a result, there is still considerable buying-power within this growing age group. Age-appropriate housing options will be especially appealing for this younger senior group.

Overall, the Claritas income projections between 2007 and 2012 show solid income growth for all age ranges. There should be a reduction in the number of households earning less than \$60,000 per year, and an increase in the percentage of households earning \$60,000 or more. The projections show particularly strong growth among households earning \$100,000 or more per year.

Recommendation: Building attractive, amenity-filled housing for households age 55 and older will be the fastest-growing share of the home ownership market in Brookings County through the year 2015. This will represent a mix of trade-up single family homes, as well as lifestyle housing, that will appeal to mature households as they age.

Because nearly all of the households in these 55 and older age groups already own a home, they can apply considerable home equity, along with strong income, to their home purchase.

We believe that building to this market strength is one of the best community strategies to addressing affordable ownership needs. As empty-nester and senior households trade-up to better, or more life-cycle appropriate housing, they will be selling an older, existing home, typically of lower value.

Since the growing demographic of households age 55 and older will typically own their current housing, their decision to purchase a different house will be based on economic considerations. The strength of the local economy should have a positive impact on the confidence to invest in new housing in the community.

The price appreciation for existing homes will also factor into the decision. By all indications, values for existing homes have continued to rise. Our review of sales data in recent months indicates that the median sales price for an existing home in Brookings is \$142,000. This median price for existing homes is driven by strong demand, and is not substantially below the cost for a moderately-priced new construction home. The ability of households age 55 and older to sell their previous home for a good profit will help them to make a decision to upgrade their housing.

The only potential demographic weakness that could impact this upward housing mobility is the projected decline in the number of households age 54 and younger through the year 2015. If accurate, this would indicate somewhat reduced demand from younger buyers, especially households in the 35 to 54 year old age groups. However, this is the demographic group that Brookings leaders hope to attract to the community over the next ten years, through attractive job creation and higher retention rates among SDSU graduates.

10. Overall Lot Availability Appears to be Adequate - Efforts May be Required to Produce More Affordable Lots

Findings: As part of this Study, we attempted to determine if an adequate inventory of available residential lots exists in Brookings for future single family housing construction. Information was obtained from the City Planning Office and from local developers.

At the time of our interview with City Planning staff, there were 183 residential lots that were platted in 2007. While some of these have since been utilized for new construction, the lots created since 2006 have exceeded actual home construction since that time, so some available lot inventory remains. More than 200 additional lots are available to be developed in existing subdivisions, or are in the planning phase. Lots are distributed in as many as 14 different subdivisions, which allows multiple options for prospective buyers. The active subdivisions identified by Planning staff include:

- ▶ Timberline - 80 platted lots, although most are already developed
- ▶ Indian Hills, Onaka Village, Teton Village - 25 lots
- ▶ Hunter's Ridge First Addition - 15 lots
- ▶ Hunter's Ridge Second Addition - 20 lots
- ▶ McClellan's - 30 lots
- ▶ Blair Hill Addition - 100 lots
- ▶ Bluegill Addition - 80 lots
- ▶ Windmere - 75 lots
- ▶ American - 30 lots
- ▶ Valley View - 20 lots
- ▶ Moriarty Edge - 25 lots
- ▶ Moriarty Fourth - 30 lots
- ▶ Camelot Square - 20 lots
- ▶ Prairie Hills - 90 lots

According to the Planning Department, there are also as much as 189 acres available for future development. The City's Comprehensive Plan has a development schedule that extends to the year 2050, indicating that an adequate supply of land exists for long-term development, but this does assume that forced-sewer will be utilized and that unusable tracts will be leapfrogged as development proceeds.

Brookings has local developers that are capable and willing to address lot development needs. The major local developers are able to quickly develop land and projects as demand dictates. This efficiency in lot development helps eliminate unnecessary costs that could result if an oversupply of land or units is created. High costs associated with land development limit developers' willingness to develop more lots or units than can be quickly absorbed by the market.

Increasingly, the Brookings area is seeing interest from developers from outside communities, including Sioux Falls. According to the focus group meetings, at least two developers from Sioux Falls have been exploring possibilities for lot development in the neighboring community of Aurora.

The City has also received interest from nonprofit developers. The Home Ownership Assistance Program, Inc., (HOAP) is a nonprofit community housing development organization. This group, which has worked extensively in Aberdeen under the name Homes Are Possible, Inc., (HAPI), is looking for opportunities to develop affordable lots in Brookings. The availability of affordable lots for single family housing construction is viewed as a more significant issue for Brookings than overall lot availability.

Some of the smaller communities around Brookings have also had successful residential subdivisions developed. Both Arlington and Volga, in particular, have had ongoing home construction due to attractive lot options. Volga has the potential to be a successful alternative residential community to Brookings, given the close location and easy highway access to Brookings. The City of Aurora also appears to have lot development potential, given its location immediately east of Brookings. However, this community has some service and infrastructure hurdles that would need to be addressed before larger-scale development could occur. Given Aurora's small size, there is less municipal staff capacity that can be devoted to development-related issues.

Recommendation: We typically use a standard that a 2 ½ year supply of lots should be available in the marketplace, based on annual lot usage. In Brookings, single family lots, including lots for twin homes and town houses, can be used for both rental-occupancy and owner-occupancy. For example, in 2007, there have been nearly as many side-by-side duplexes constructed in Brookings as twin homes. As a result, lot usage has been averaging approximately 135 lots per year in the most recent years.

Applying the 2 ½ year standard, the City's available lot inventory may be too small, as more than 330 lots should be available or in the development phase. Depending on the status of 2007 projects, it is probable that fewer than 300 lots are in the pipeline. However, this is not an area of concern. Since the local development community can proceed quickly with new lot platting

and development, it does not appear that an overall lot shortage has the potential to constrict new home construction.

The best available evidence suggests that most of the new home construction in Brookings in recent years has been of higher priced homes. Most of this is customized construction, rather than speculative home construction. The lot inventory for these types of homes is adequate.

There is greater concern in the community about lower-priced lots. According to the focus group discussions with Realtors, lot prices start at about \$29,000. It would be advantageous for the City to encourage the development of lower-priced lots for more affordable ownership options.

The ability to produce affordable lots is directly linked to prices for undeveloped land. In Brookings, land prices can be as high as \$20,000 per acre, compared to prices as low as \$5,000 per acre in other communities. The ability to produce affordable lots is also impacted by development requirements that exist in the City relating to public infrastructure, street widths, drainage plans and other similar issues.

11. Attached Single Family Housing May Represent Between 25% and 30% of Future New Construction

Findings: Based on a long-term review of City building permit reports, construction of twin home and town house units in Brookings is a rather recent trend. Between 2004 and June 2007, 84 attached single family units have been constructed, all in the form of twin homes. Prior to 2004, the last identified town house development had occurred in 1989. It is possible that inconsistent reporting practices in the building permit annual reports may have undercounted other twin home and town house construction between 1990 and 2003.

While the level of attached single family construction prior to 2004 was very limited, this type of ownership housing has represented nearly 19% of all ownership housing construction since 2004.

Attached single family housing construction can help achieve multiple community housing goals. First, it can help to reduce housing development costs through smaller lots, less front-footage for infrastructure development, and construction savings through common wall(s).

Second, attached housing can expand the life-cycle housing choices for residents. It can be a desirable alternative for empty-nesters and seniors looking for reduced maintenance by moving out of their older single family house. It can also be an attractive option for younger households also looking for a more affordable housing option that does not require extensive maintenance and home improvement. According to area Realtors, younger buyers will purchase an attached housing unit if the price is attractive.

Recommendation: Our projections would indicate that attached single family housing will account for between 25% and 30% of all ownership housing construction in Brookings by the

year 2015. This would typically be in the range of 20 to 30 units per year. We believe that 75% or more of this production will serve the mid-level to higher-value segment of the market. A much smaller percentage will serve the entry-level segment. However, if construction prices do escalate rapidly in the coming years, construction economics may force additional volume into the attached housing products.

While demand may come from multiple demographic segments, we believe that most of the construction should be oriented to younger seniors, in the 65 to 74 year old age group, and to empty-nesters. This segment of the market will be looking for a unit with attractive amenities, and one-level living options that are largely barrier-free. In the near-term, we would recommend twin home and town house units, in recognition that a younger senior and near-senior group will form the primary target market. After 2015, the population of older seniors will continue to grow, and condominium units and cooperatively owned housing should add market share.

To a lesser extent, some attached single family construction will be appropriate for younger buyers. However, considerable efforts will be made to construct affordable single family detached houses within the next few years. Depending on the success of these new efforts, it may be difficult to create a significant purchase price differential between attached and detached single family housing. Lot prices for detached construction, starting at approximately \$30,000, are not overly high, and the actual dollar savings that can be achieved from attached housing construction may not yield a significantly lower price when compared to smaller lot single family detached housing.

At the time of the research for this Study, a private development group was working on an affordable development that includes affordable attached housing units. These units are based on one-level living, with seniors as a target market. The market success to this project will help to define the demand for a more affordable attached housing unit.

The public sector's role in promoting attached housing development should be limited as the private sector is meeting this housing need. The City should assure that adequate land is available for development and that zoning allows for attached housing construction in desirable areas.

12. Utilize Infill Lots for Very Affordable Housing Development

Findings: Nonprofit housing groups, such as Habitat for Humanity, can greatly benefit from the availability of low cost lots. Infill lots that already have access to municipal services, can reduce development costs even further. However, the supply of such lots in Brookings is very limited. Infill lots that were available in the past have already been utilized for new home development.

As will be discussed in greater detail in some of the Housing Rehabilitation Recommendations that follow, we have completed a housing conditions analysis in eight of the City's older neighborhoods. This survey identified 27 houses that are dilapidated and probably beyond repair. In a separate recommendation, we have promoted the acquisition and clearance of

dilapidated houses. Once demolished, some of the cleared lots may be suitable for redevelopment as affordable housing.

Some of the Brookings area housing nonprofits, such as Habitat for Humanity and Inter-Lakes Community Action, are attempting to sell houses for less than \$120,000, and serve households with incomes as low as \$25,000. This is generally done through self-help type construction arrangements. Very low interest mortgage programs are also used, such as those offered through USDA Rural Development, which can offer rates as low as 1%, and a term that can extend beyond 30 years. Because of the resources that need to be applied, both Habitat and Inter-Lakes have limited capacity for housing production at this price.

Recommendation: In the Housing Rehabilitation recommendations that follow, we have encouraged the City to identify parcels in existing neighborhoods that are suitable for redevelopment. This may include activities such as acquisition and clearance of existing structures. Priority could be given to parcels that are suitable for reuse as affordable housing. The City has multiple nonprofit agencies that can complete affordable new construction projects, including Habitat for Humanity and Inter-Lakes Community Action.

Another development option would be to establish a Land Trust Program for infill parcels. Through a Land Trust approach, affordable homes could be constructed on redevelopment sites. Permanent affordability is achieved when the Land Trust maintains ownership of the land beneath the affordable homes, selling only the house and garage to the buyers and entering into a 99-year renewable lease for the land. Land Trust home owners who choose to sell their homes in the future will receive what they paid for the home plus a defined percentage of the increase in value of the home. Since the land is not sold, and the equity appreciation is capped, the units remain a long-term affordable option.

13. Consider Alternative Housing Types to Achieve Affordable Goals

Findings: Affordable home ownership in Brookings has generally been defined in terms of single family detached housing options. Most of the nonprofits that are active in serving lower income people are using traditional, stick-built construction, although this sometimes involves self-help arrangements where the owners do some of the construction work.

During focus group discussions there were comments that modular, or factory-built housing was not being actively used as a housing option in Brookings. A review of building permit activity for 2007 showed only one modular home being placed in the City.

Other communities, including Watertown and Elkton were identified as having a greater volume of modular housing, and using this type of housing to lower ownership costs. It is not clear if the lack of modular housing is market driven or if there are barriers to using this product. For example, during the focus group discussions, numerous references were made to covenants in existing subdivisions. It is possible that modular home products are not allowed for use in some subdivisions.

Another very affordable option that is used elsewhere in South Dakota is the Governor's House Program. This Program provides a very affordable home that is constructed off-site and moved into the community. The house may be priced as low as \$33,000. After being moved and placed on a permanent foundation, a cost less than \$70,000 has been achievable in some cities.

This product has been used very rarely in Brookings or the Brookings area. Statewide, more than 1,600 Governor's Houses have been placed. The lack of use in Brookings may be due to land costs, restrictive covenants and/or general market conditions, but this would be a resource for future use. In Aberdeen, where the Governor's House product has been used extensively, the HAPI subdivision was a popular location. A possible HOAP subdivision in Brookings may help to expand the use of this housing product.

Another option to consider is adding even more mobile homes. Brookings already has a large inventory of mobile homes in 16 parks. Based on housing inventory estimates, between 9.5% and 10% of the City's total housing stock is in mobile homes. If only single family homes are considered, mobile homes represent more than 16% of the stock. Although mobile homes represent one of the most affordable options, these units tend to lose value over time, compared to price appreciation that occurs with most traditional housing.

Recommendation: There are alternatives to stick-built housing that can represent significant cost savings. These housing types, including modular homes or factory-built housing, are not often used in Brookings. According to the focus group discussions, these types of housing have met with community opposition in the past. In addition, many subdivisions have restrictive covenants in place that limit the use of some of these alternative housing types, based on items such as minimum house size.

The concept of using alternative housing products may require a community debate. To utilize these lower cost products, it may be necessary that the City promote the development of specific subdivisions designed for these types of housing.

The City could also promote additional development of mobile home parks. However, a large concentration of this type of housing already exists in the community, and some of the units are in poor condition. It would therefore seem more appropriate to work on improving the condition of the existing mobile home stock, rather than expanding the size of the inventory.

14. Consider Community Incentives to Promote Affordable New Construction

Findings: Constructing new stick-built homes for less than the affordable threshold of \$125,000 will be extremely difficult to achieve without the use of subsidies and incentives. In other South Dakota communities, including Aberdeen, incentives have been provided to private builders to construct affordable homes.

In the HAPI Subdivisions in Aberdeen, these incentives include:

- ▶ Builder initially pays \$2,000 for the lot, with the remaining amount paid when the home is sold
- ▶ Builder does not pay water/sewer hookup fees or building permit fees until the home sells
- ▶ A risk pool will be set up by Absolutely Aberdeen that will assist with interest payments on the builder's construction loan if the home does not sell in a reasonable period of time
- ▶ The price of the lots in the HAPI Subdivision is \$12,000 for low income households and \$19,900 for higher income buyers. The HAPI Subdivision is in a tax increment district which has assisted with keeping lot prices affordable.

Recommendation: The City of Brookings has not been actively involved in the past with affordable housing development. The City has been active in economic development issues, but has largely left housing to the private market.

A significant policy-shift would be needed, but to address affordable housing, some new initiatives may be required. If the community decides that incentives are appropriate, the HAPI subdivisions in Aberdeen may be a model that could be replicated. The Greater Minnesota Housing Fund's efforts in communities such as Marshall, Worthington, St. Peter and Pipestone could also be considered. The Best Practices section of this Study presents information on some of these initiatives.

Housing Rehabilitation

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

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

15. Develop a Neighborhood Revitalization Program

Findings: The housing conditions in several of Brookings' older neighborhoods are a causing concern. In the focus group sessions it was frequently mentioned that poor housing conditions had previously been confined to certain blocks immediately surrounding the University. Over time, housing blight had spread to other neighborhoods around the City. Some neighborhood groups are beginning to organize in an attempt to address substandard housing conditions. A coordinated neighborhood revitalization would be one possible solution to these issues.

As part of our research for this Study, Community Partners Research, Inc., surveyed the housing conditions in eight older neighborhoods. A map showing the boundaries of the neighborhoods is provided on page 66, in the Existing Housing Inventory section of this report. These neighborhoods were selected for analysis by Community Partners Research, using input from focus group meetings, interviews and input from City staff.

These neighborhoods primarily represent the older housing in the City, and are at the greatest risk of experiencing deterioration. The neighborhoods have many amenities, including their location close to downtown, churches, schools, and the University. However, the neighborhoods also have many substandard dwellings, a high percentage of rental structures and traditionally have high turnover rates. It is necessary to invest in these neighborhoods to assure future vitality and eliminate the possibility of further deterioration.

We surveyed 1,252 homes in the eight neighborhoods, and the following is a summary for all neighborhoods:

- ▶ 483 (38.6%) - Sound and in good repair
- ▶ 452 (31.6%) - Minor rehabilitation needed
- ▶ 290 (23.2%) - Major rehabilitation needed
- ▶ 27 (2.1%) - Dilapidated and possibly beyond repair

Concentrations of substandard houses varied by neighborhood. In some of the neighborhoods, more than 25% of the houses were rated as either dilapidated or needing major repair.

Recommendation: We recommend that the City of Brookings and area housing agencies develop a coordinated plan for neighborhood revitalization. The plan could prioritize the neighborhoods by need, potential for success and ongoing projects that are in the planning or implementation process.

Research should be undertaken in the priority neighborhoods including:

- ▶ Number of tax parcels
- ▶ Total number of residential parcels
- ▶ Type of tenure of each residence - owner vs. renter
- ▶ Number of units in each structure
- ▶ Number of boarding houses or higher density units
- ▶ Estimated market value of each parcel
- ▶ Condition of each structure (standard, substandard, dilapidated)
- ▶ Identification of areas where several parcels can be assembled for possible redevelopment
- ▶ Identification of projects and programs in the neighborhoods in the planning or implementation phase
- ▶ Identify street, utility and other public needs in the neighborhoods
- ▶ Identification of other neighborhood problems or needs

With this information, redevelopment strategies and opportunities should be identified for the selected priority neighborhoods including:

- ▶ Highest and best use for each parcel in the neighborhood
- ▶ Owner-occupied rehabilitation
- ▶ Rental rehabilitation (HOME funds)
- ▶ Purchase / rehabilitation programs
- ▶ Lease to purchase programs
- ▶ Demolition of dilapidated structures
- ▶ Infill new construction
- ▶ Land pooling for larger town home, condo and attached housing projects
- ▶ Public projects (streets, utilities, parks, etc.)
- ▶ Consider rezoning and/or replatting to make areas and parcels more desirable for redevelopment
- ▶ Other projects and projects identified through the strategy process

The plan should be evaluated on an ongoing basis as opportunities and potential projects may change priority neighborhoods. The plan should include time lines, responsible staff/agency and funding sources.

It must be noted that neighborhood revitalization can initially result in the loss of affordable housing, but redevelopment projects, in-fill construction and other affordable housing projects can assure that there are overall net gains in the affordable housing stock long-term.

16. Promote Rental Housing Rehabilitation as Part of Neighborhood Improvement Efforts

Findings: Brookings has an extremely large supply of rental housing, due primarily to the demand created by students at SDSU. Much of this rental stock is relatively new housing, as the City experienced the construction of more than 3,000 rental units between 1960 and 2000. Less than 19% of the City's rental stock is pre-1960 construction.

Another benefit to the overall condition is that much of the multifamily rental inventory is owned or managed by large management companies that do a good job of maintaining the units. With extremely high rates of occupancy, there is good cash flow to address maintenance needs. However, there is also the potential for accumulated wear-and-tear, as units may rarely be off-line for routine maintenance, and student renters can cause an above-average need for maintenance.

While most of the rental stock is newer housing in large rental complexes that are well maintained, the City also has a stock of rental units in single family houses, converted buildings and accessory apartments that often represent the older rental inventory. These units, especially in certain older neighborhoods of the City, may be in poor condition. In a previous recommendation we had addressed concerns expressed by student representatives at SDSU about condition and quality issues in housing used by students.

According to focus group discussions and interviews, the City's older single family housing stock is most susceptible to conversion into rental housing. These old, lower valued units are acquired by investors for use as student rentals, especially if they are located within the vicinity of SDSU. The City's Rental Housing Registration Program lists 389 one unit rentals, which would presumably be single family homes.

The housing conditions analysis completed for this Study, and detailed in the Existing Housing Inventory section of the document, presents information at the neighborhood level. In some of the older neighborhoods, there are relatively large concentrations of houses in need of repair. While the survey did not know whether a specific home was owner or renter occupied, it is assumed that many of the houses found to be in poor condition are for renter-occupancy.

Recommendation: The City of Brookings, local housing agencies and rental property owners should access available funding to promote rental housing rehabilitation as needed. In South Dakota, HOME funds through the U.S. Department Housing and Urban Development (HUD) are the primary source for funds for rental rehabilitation. Inter-Lakes Community Action Agency administers rehabilitation programs and SDHDA administers the HOME funds for larger rental complexes. The federal low income housing tax credit program also can be used for modernization of larger complexes, but the prohibition on student occupancy makes this program less desirable in Brookings.

The rental units that may be in greatest need of rehabilitation, such as single family rentals, may be the least interested in participating in a government program. However, with the inspection

requirements associated with the City’s Rental Housing Registration Program, it may be possible to identify those units in need of repair, and encourage them to access resources.

The City of Brookings could also look for other funds, including a locally created revolving fund, that would allow for program design flexibility, which makes a rental rehabilitation program for small properties workable.

17. Promote Ongoing Owner-Occupied Housing Rehabilitation Programs

Findings: The City’s attempts to create more affordable housing options for workers will be directly tied to rehabilitation efforts for older homes. Older single family houses represent the large majority of the affordable owner-occupied housing opportunities in the City. According to the focus group discussions, many prospective home buyers are less interested in “fixer upper” houses, preferring instead to buy and occupy a unit that does not need repairs. As a result, some of the older houses needing repair that do come up for sale are purchased by investors, who convert them to rental use.

The housing condition survey completed for this Study rated 1,252 single family houses in eight of the City’s older neighborhoods. The results of this survey are provided in the Existing Housing Inventory section of this document. The survey rated 452 homes as needing minor repairs and 290 homes as needing major repair. The concentrations of these homes varied by neighborhood, but in some areas, more than 60% of the houses were in need of repair. These houses may be both owner- and renter-occupancy units. Without rehabilitation assistance, there is the potential that the affordable housing stock will shrink in these neighborhoods.

Recommendation: The City of Brookings should promote ongoing efforts to rehabilitate older homes. The City should continue to work with Inter-Lakes CAP, SDHDA, Rural Development and local financial institutions to provide financing for housing rehabilitation.

18. Acquire and Demolish Dilapidated Structures

Findings: Our housing condition survey, identified a total of 27 houses in the eight older neighborhoods that we surveyed, that are dilapidated and too deteriorated to rehabilitate. Most of these houses were concentrated in two neighborhoods. There may be additional dilapidated homes in other neighborhoods that were not surveyed.

Recommendation: We recommend that the City of Brookings use an aggressive approach to demolishing severely dilapidated structures. The City’s neighborhoods are enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots can be utilized for the construction of new affordable housing units.

The City could also develop partnerships with housing agencies and private developers to construct new housing on cleared parcels.

19. Consider a Mobile Home Park Improvement Program

Findings: Brookings has a relatively large inventory of mobile home units. At the time of the 2000 Census, mobile homes represented 9.5% of all housing units in the City. There is no City information available on mobile homes that have been added since 2000, but a visual inventory of the parks resulted in a total count of 816 mobile homes in Brookings. This would seem to indicate that 113 units have been added since the Census. Possible expansions of mobile home parks are also possible in the future.

Community Partners Research, Inc., conducted a condition survey of the mobile homes in Brookings' 16 mobile home parks, as well as two parks that are just outside of the City limits. In all 18 parks, there are a total of 884 mobile homes. The condition ranking for all mobile homes was:

- ▶ 317 (35.9%) - Sound
- ▶ 262 (29.6%) - Need minor repair
- ▶ 226 (25.6%) - Need major repair
- ▶ 79 (8.9%) - Dilapidated

In addition to the poor condition of some of the mobile homes, there are problems unique to mobile homes in mobile home parks, including the tendency to decrease in value and the concentration of a large number of households in a small area.

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 replaces the acquired dwelling. While this approach can work well in upgrading the stock, it can be expensive, especially when there are a large number of homes in poor condition.

Several communities have initiated innovative programs that address mobile home conditions and mobile home park issues. We recommend the City of Brookings or area housing agencies consider the implementation of the following:

- ▶ **Operation Safe Mobile Home Park** - Owners of substandard mobile homes are given the option of voluntarily selling their substandard mobile home to the City or an area housing agency for a fixed minimum price. The mobile homes are then removed from the park and demolished/salvaged. The owner could then use the funds from the sale to help purchase a new home. In some cases, housing agencies have provided funding for down payment assistance or gap financing programs to purchase new mobile homes. Also, mobile home dealerships have participated with buying the salvaged homes.
- ▶ **Time of Sale Inspection Program** - This inspection program is designed to provide safe living conditions to community residents through the identification and elimination of basic life/safety hazards in older mobile homes. Mobile homes are subject to inspection

prior to their sale. All identified safety hazards must be corrected before the unit is sold and/or occupied.

- ▶ **Cooperative/Land Trust** - Some mobile home parks have created a cooperative or a land trust which enables the home owners to own the mobile home park land and facilities. This ownership often creates pride which results in a clean, safe park atmosphere.

Policy Issues

20. Consider the Need for a Dedicated Housing Staff

Findings: The City of Brookings has not applied public resources to affordable housing needs in the past. The City government does not have a housing office or dedicated staff. This Housing Study was initiated by the Brookings Economic Development Corporation, which has traditionally focused on employment and economic development issues.

There are regional housing agencies that are active in Brookings and Brookings County. The Brookings County Housing and Redevelopment Commission primarily administers the Housing Choice Voucher Program for a five-county area that includes Brookings County.

Inter-Lakes Community Action, Inc., administers a number of different programs in the region, including housing rehabilitation, Weatherization, and the Rural Development Self-Help Program.

The Brookings Chapter of Habitat for Humanity also is active in the community, and has built a number of houses for lower income people.

While there is an active group of regional housing agencies, there are no specific staffing resources dedicated to general housing issues and initiatives in Brookings.

Recommendation: This Housing Study has identified a number of programs and initiatives that the City could pursue as it attempts to address future housing needs. A dedicated staffing presence will be required to implement some of the more labor-intensive projects. The City should decide whether or not this would be an appropriate use of public resources.

21. Revisit Discussion on Various City Policies and Ordinances

Findings: The focus group and interview process that was used for research in this Study uncovered a number of policy issues that still generate significant community debate. Many of these may be fully resolved in the community, but others may be appropriate for future discussion as the City attempts to address affordable housing. Among the public policy issues identified are the following:

- ▶ Assessment practices for residential development
- ▶ Drainage plan requirements and fees for these plans
- ▶ Minimum street widths and sidewalk requirements
- ▶ Boarding house ordinances and concentrations
- ▶ Three unrelated person occupancy limitation

Recommendation: It is often easier to conduct public debate on policy issues when there is no pending project before the Council. Based on our research, the topics above are still causing

some degree of controversy in the community. The City Council may wish to reopen discussion on some of these issues.

22. Determine Appropriate Public Role in Assisting with Affordable Housing

Findings: Cities in the Brookings area have a vested interest in affordable housing development. In the small communities, overall population growth will generally depend on an expansion of the housing supply. In Brookings, continued economic growth and retention of major business operations will be dependent upon the ability of the City to attract and retain a work force. Despite the importance of housing issues to the community, City governments and public agencies have generally had a very limited role in promoting affordable housing.

The focus group and interview process identified a prevailing philosophy that housing is an issue for the private market. Unlike communities in Minnesota, where local governments may be involved in everything from subdivision development to rental housing ownership, there is very little interest in Brookings in a direct public role. One of the only identified publicly-sponsored projects, some market rate rental housing in Volga, was being challenged in court by a private company.

While direct public involvement has been discouraged, the focus group process did identify certain possible ways that public involvement could assist with affordable housing development. These largely revolved around the concept of public-private partnerships.

For example, Tax Increment Financing (TIF) has never been used for housing projects, and would be appropriate for future consideration. Other possible assistance could be provided through Citywide tax base assistance for infrastructure extensions, or for more broadly distributing the costs for drainage plans and required mitigation.

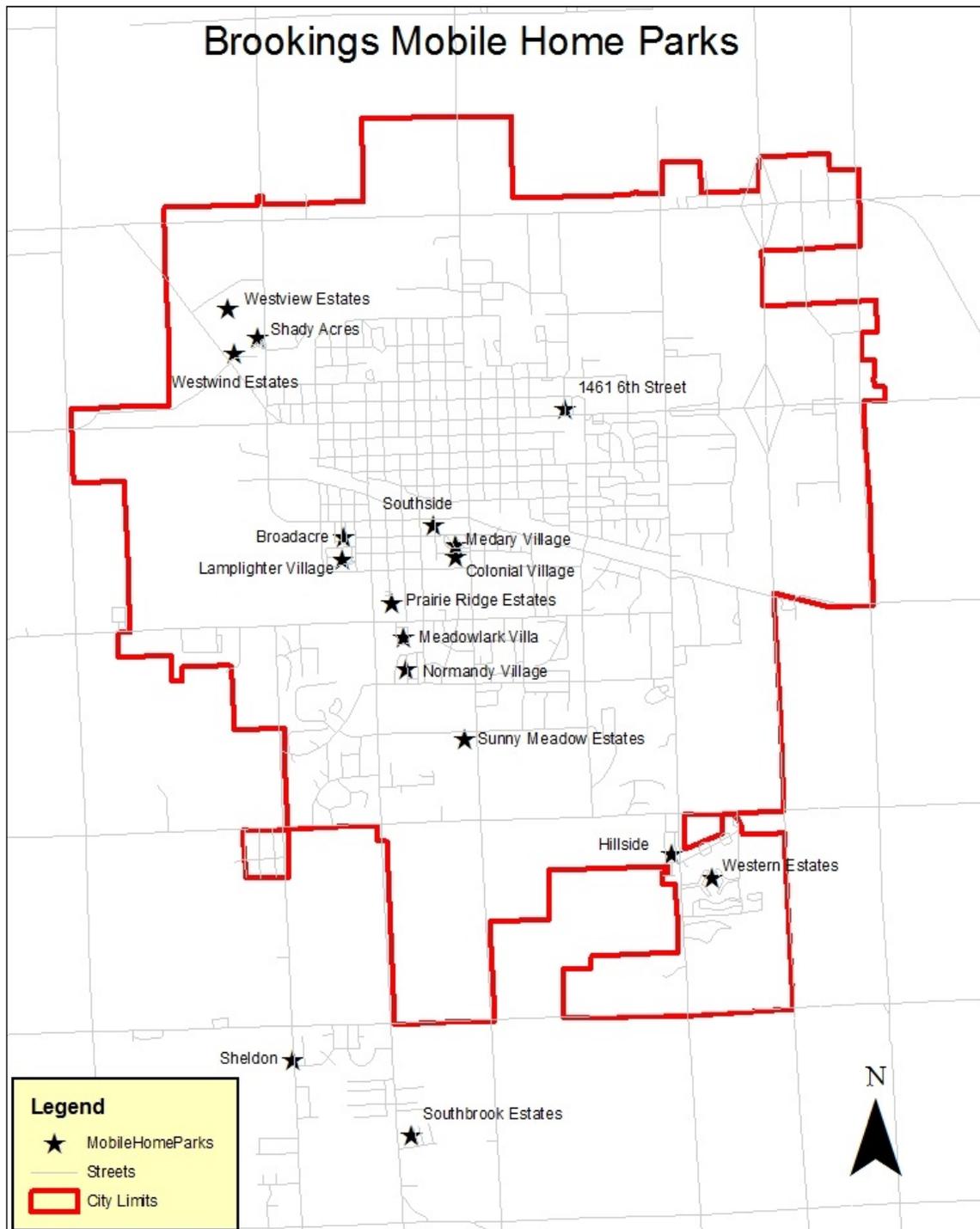
It was noted that the City of Brookings had achieved great success with a public role in business and economic development efforts. A large donation fund had been created for business attraction and retention fund. A similar effort, aimed at creating a large down payment assistance fund, could give the City a competitive edge in attracting first-time home buyers.

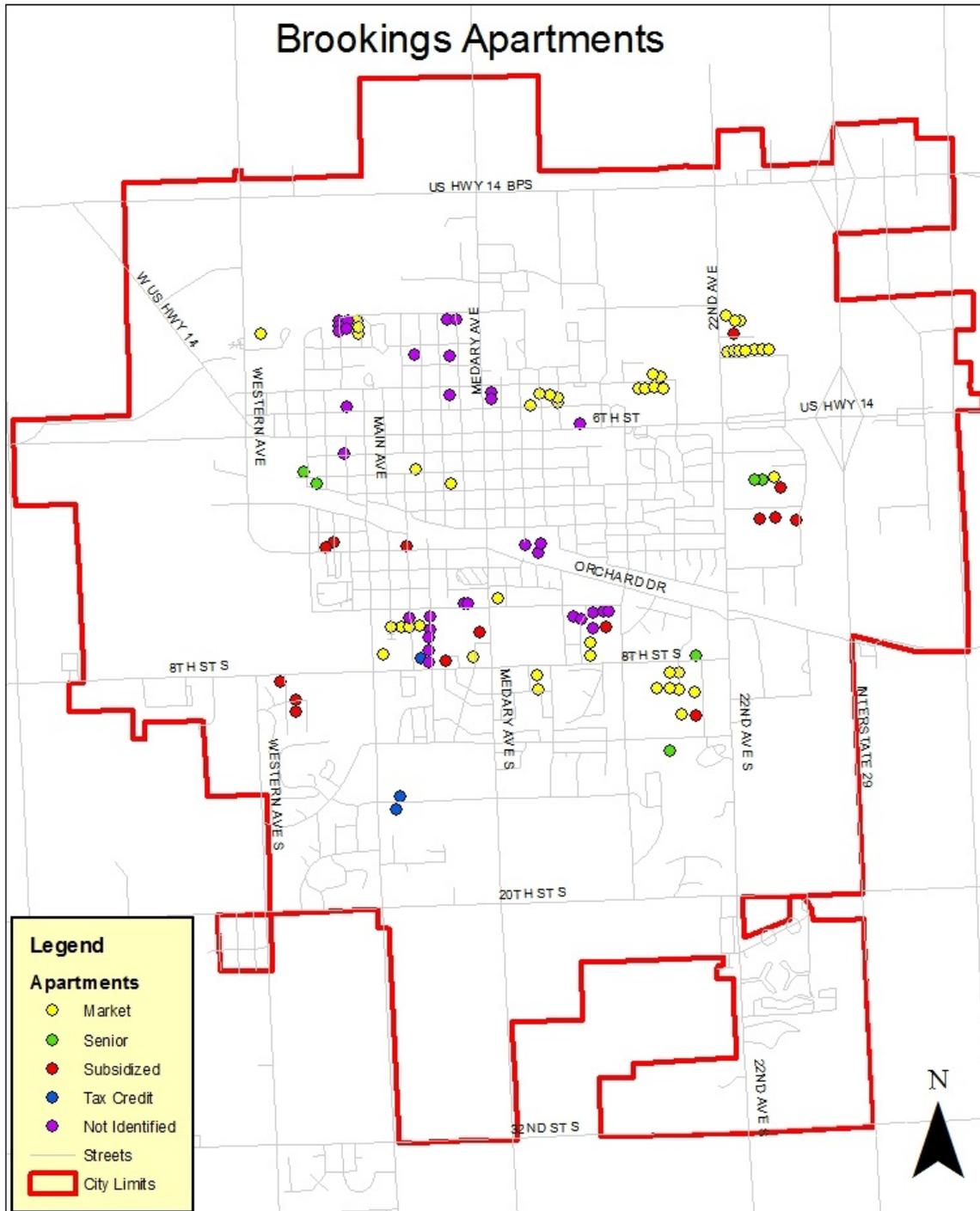
Some of the area nonprofit groups believe that their capacity is often limited by the staff resources that they have available. A public financial contribution from the City or a government agency would enable the nonprofit agencies the ability to better serve low income people with affordable housing options.

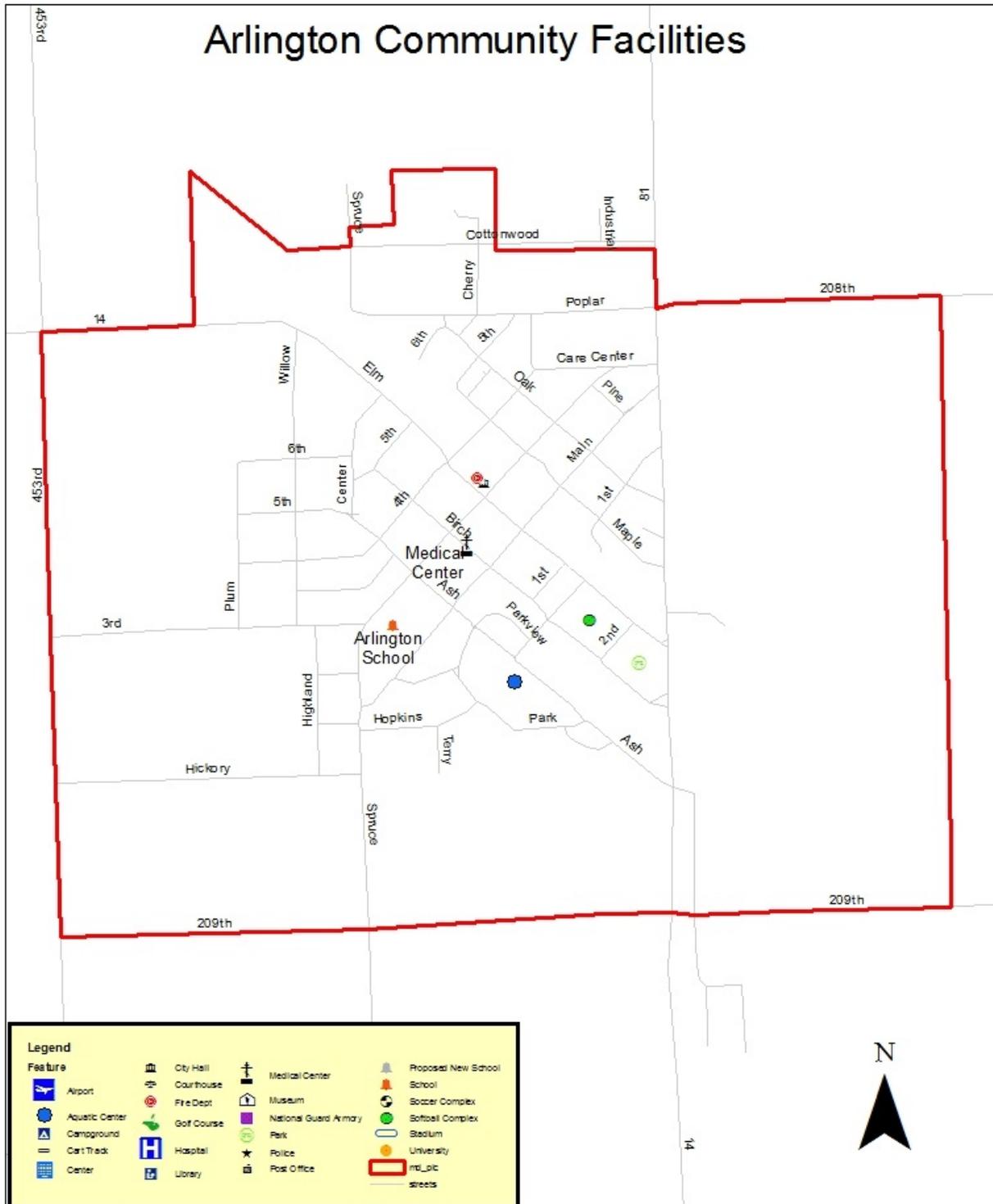
In Minnesota, it is becoming increasingly common for Cities to enlist the support of major employers in fund raising efforts to assist with housing projects. When this idea was discussed in focus groups, it was generally not supported by business representatives, who believed that it was often not an appropriate business activity, especially for publicly-traded companies. However, the concept may be more appropriate for private contributions from corporate officers and business owners.

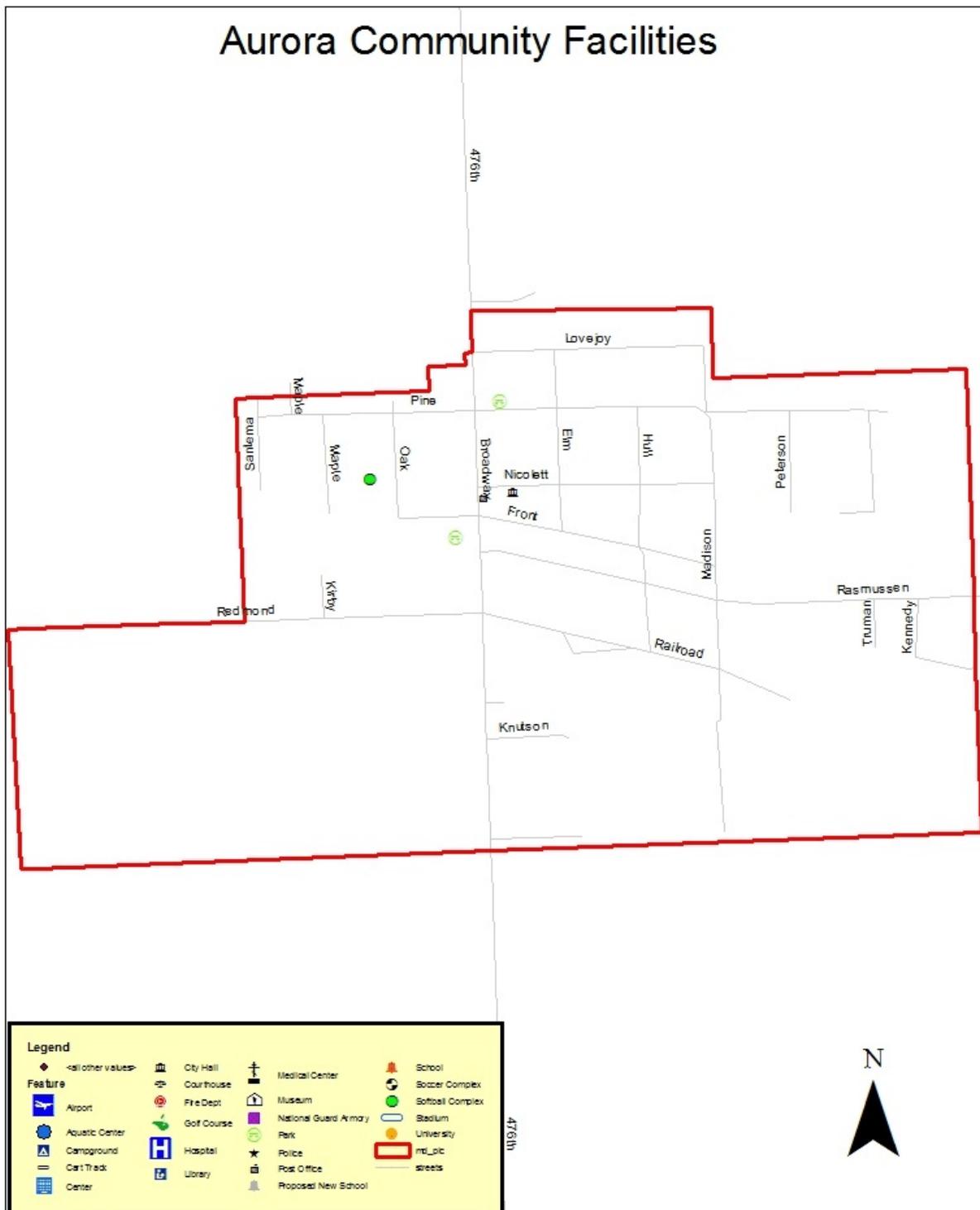
In the Affordable Housing Construction Strategies section of this Study we had advanced the idea of affordable housing set-asides in new subdivisions. Some communities have placed requirements on developers that designate that a certain percentage of lots or housing units in new developments be priced at or below an affordable housing threshold. In these projects, the buyers of the market rate units essentially subsidized a percentage of the units, which can be sold at below-market prices. Under this approach, an affordable site does not need to be found, but rather 10% to 20% of all developments are dedicated to more affordable housing.

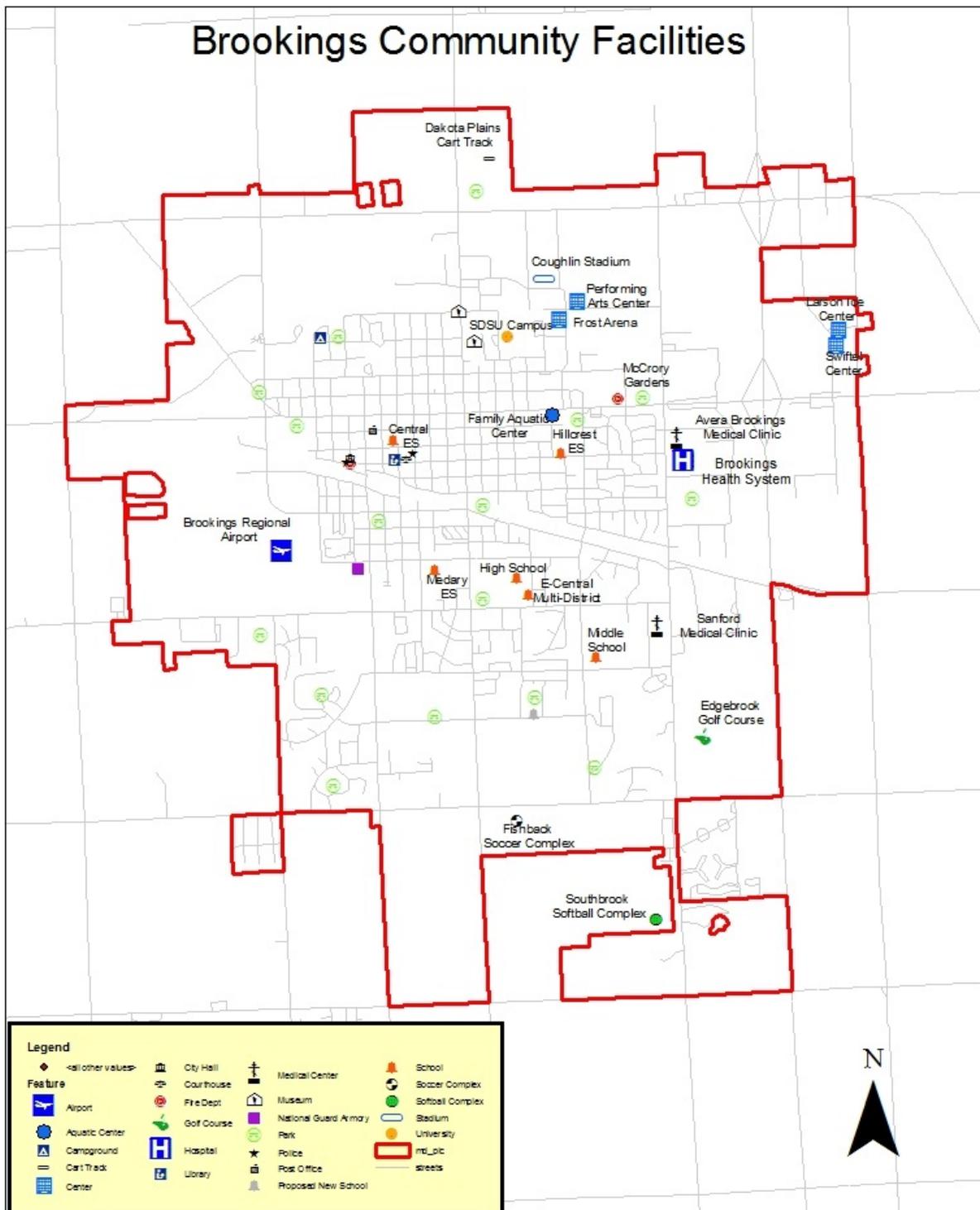
Recommendation: A direct City role in affordable housing would probably meet with considerable political resistance. But a limited role, through public-private partnerships would seem to be possible. A public debate on some of the ideas discussed above could help to define an acceptable level of community involvement in addressing the area's housing needs.

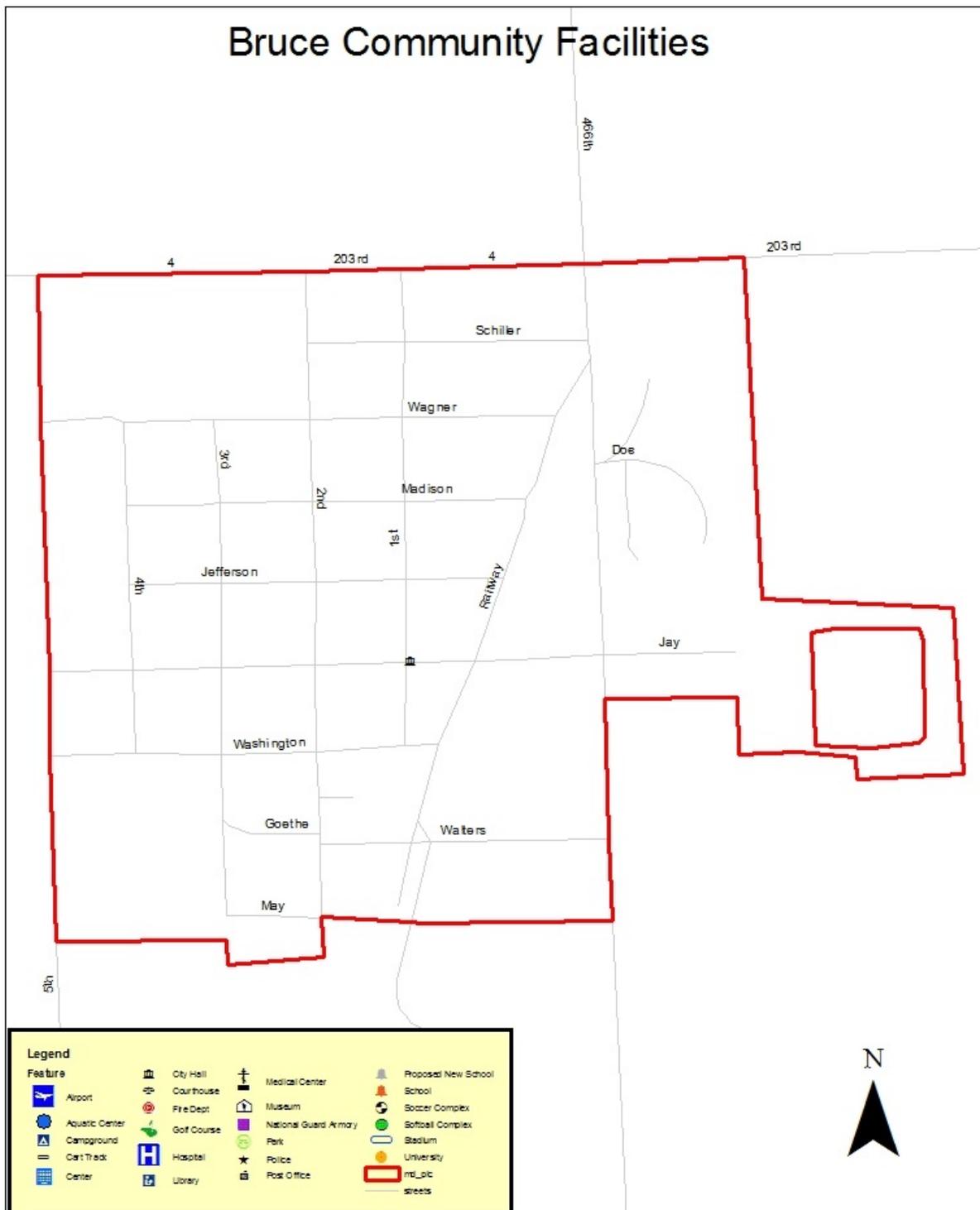


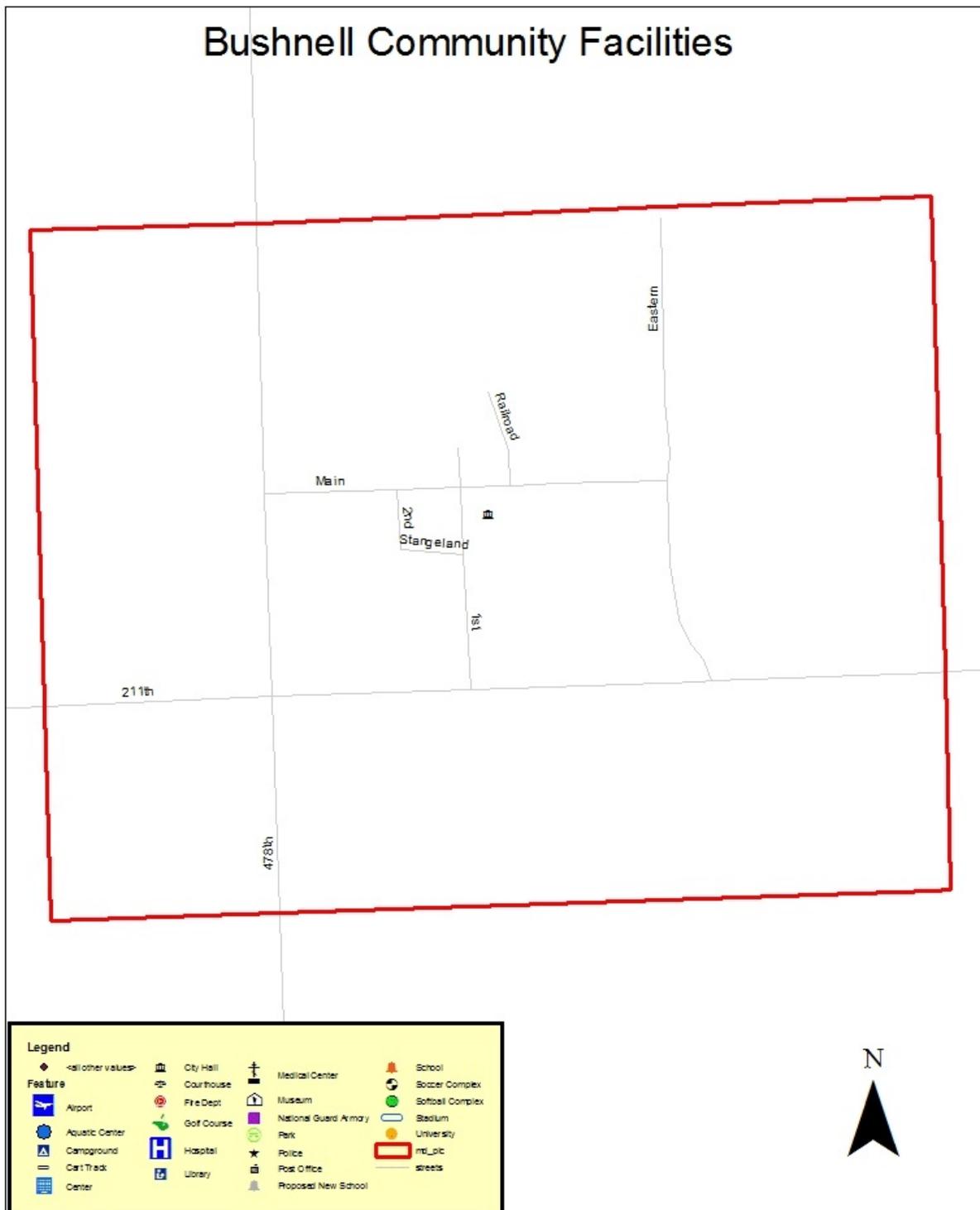


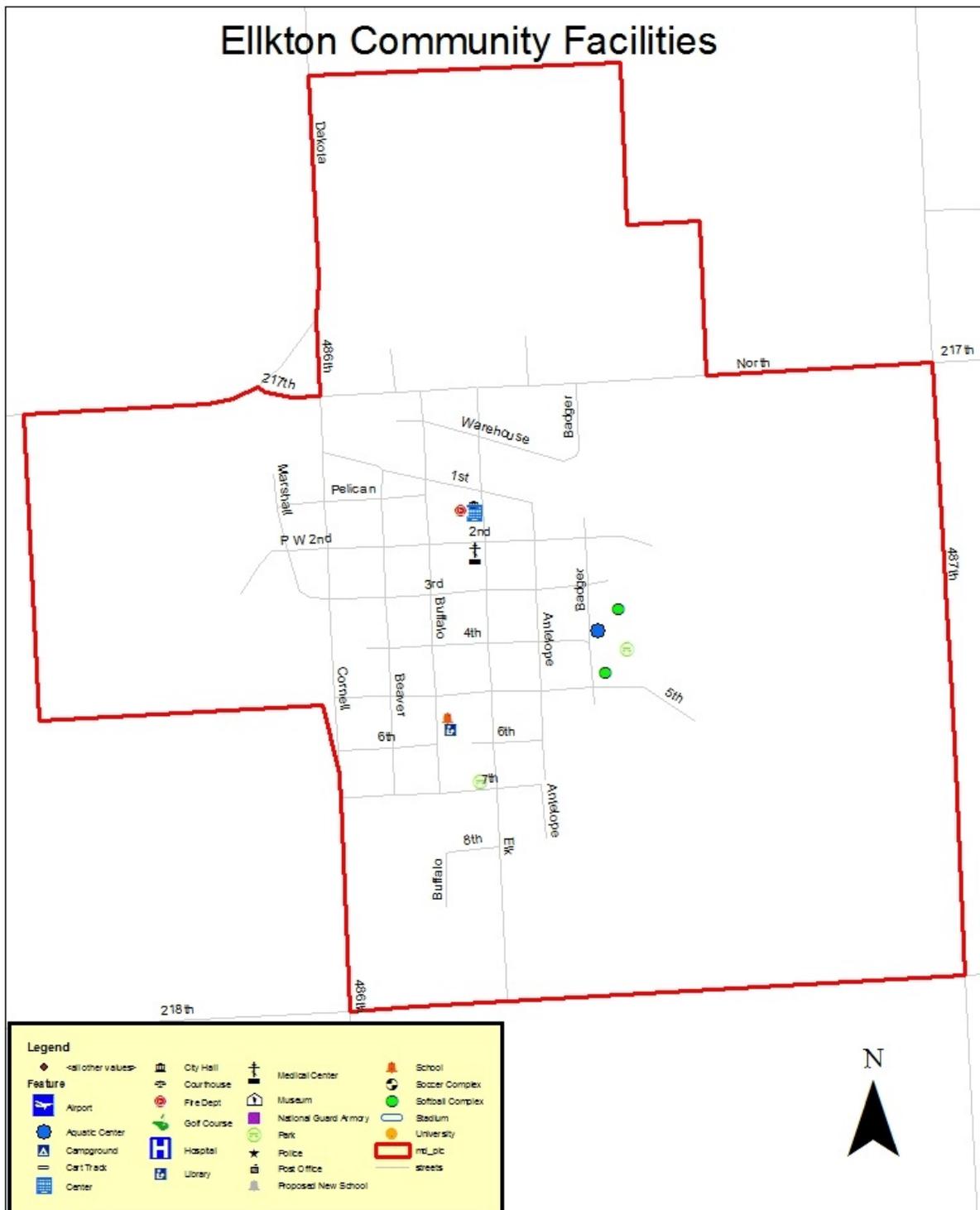


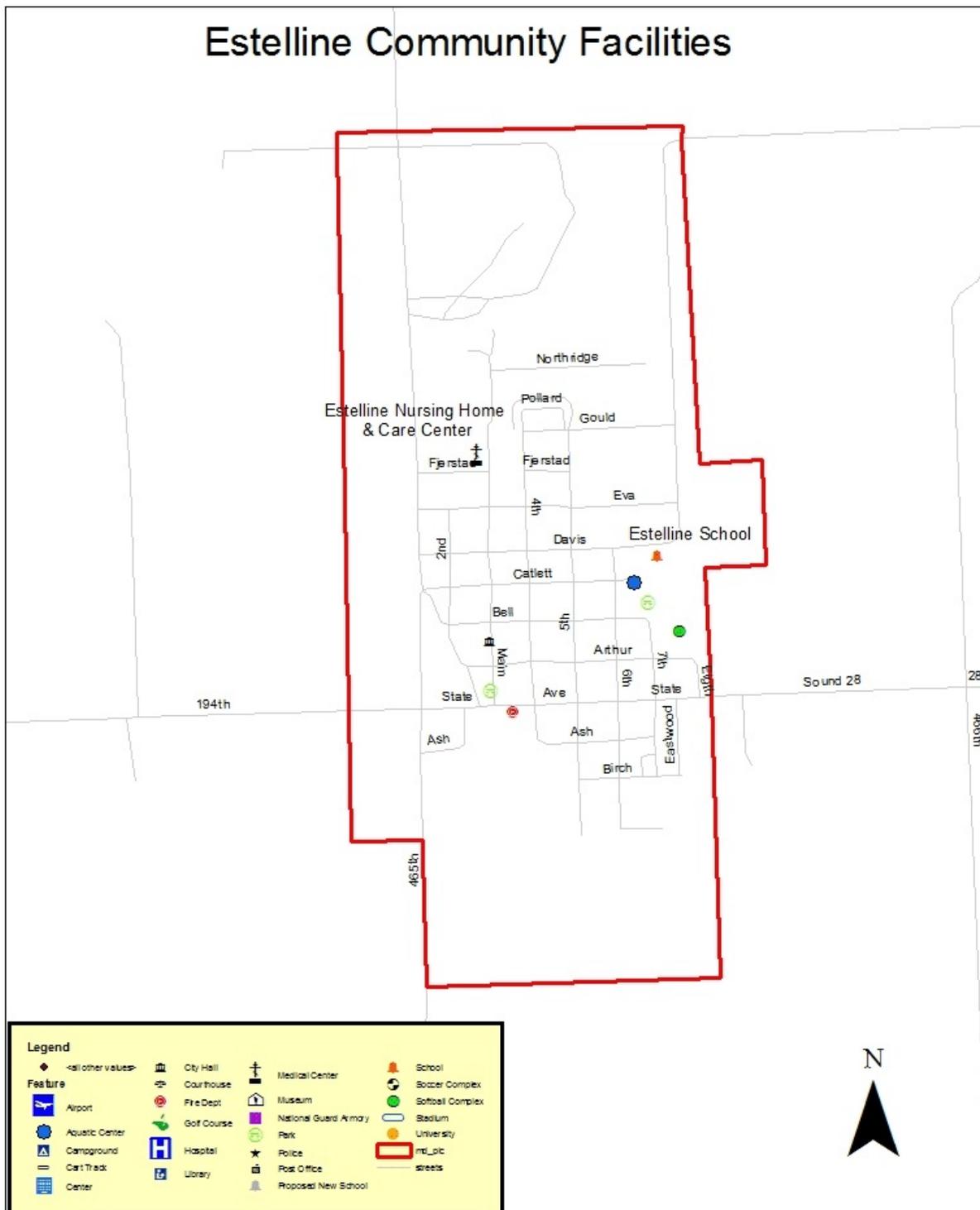


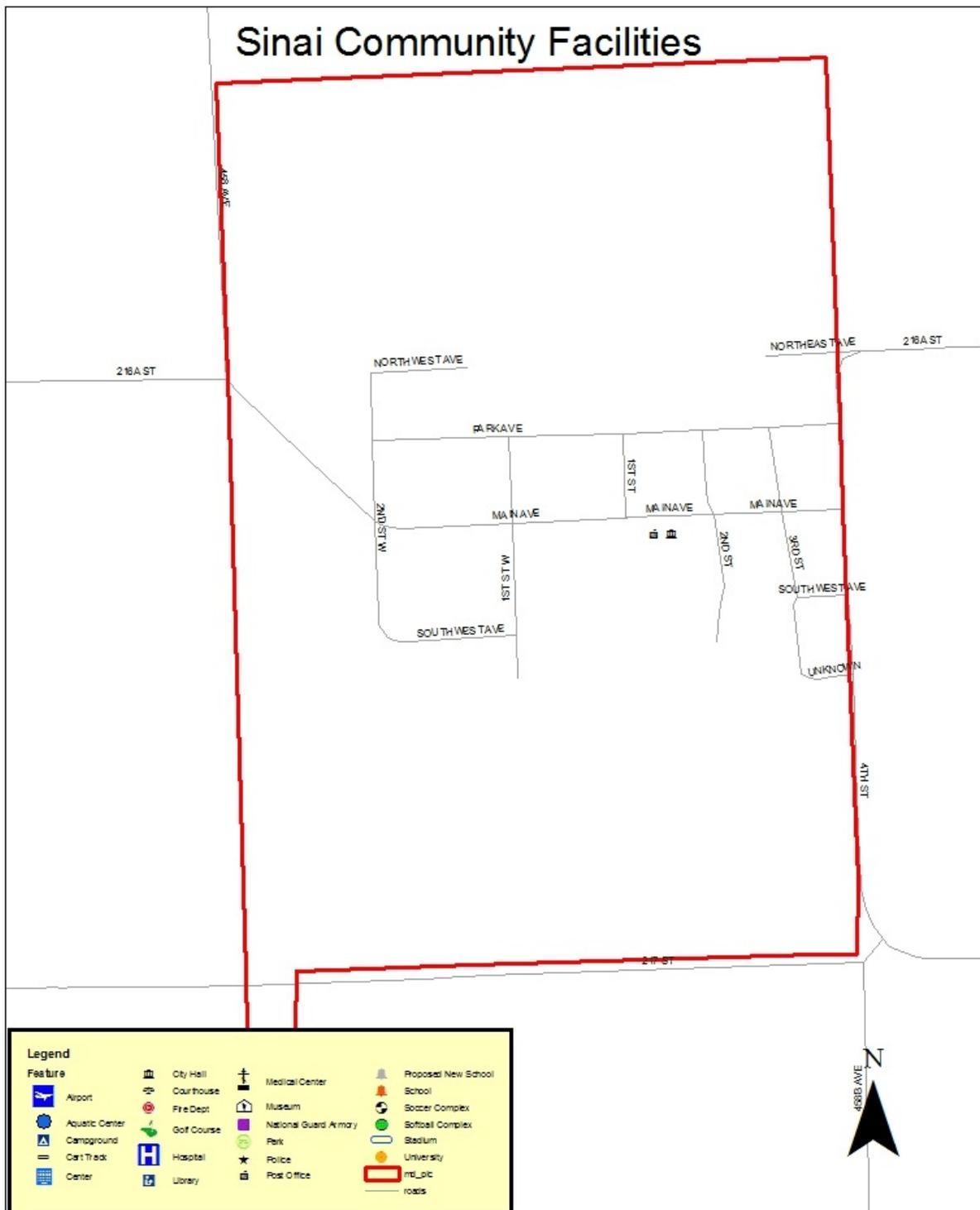


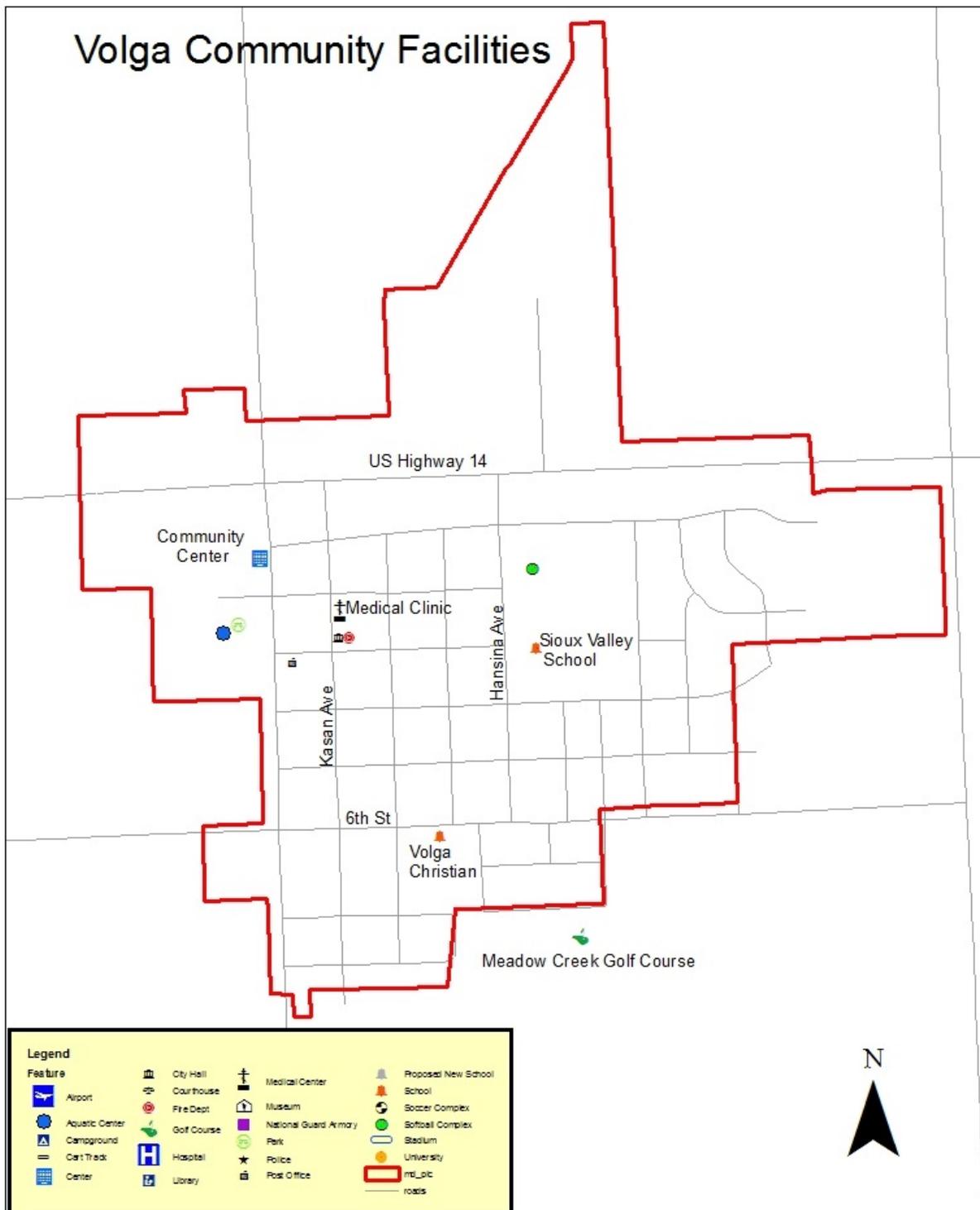


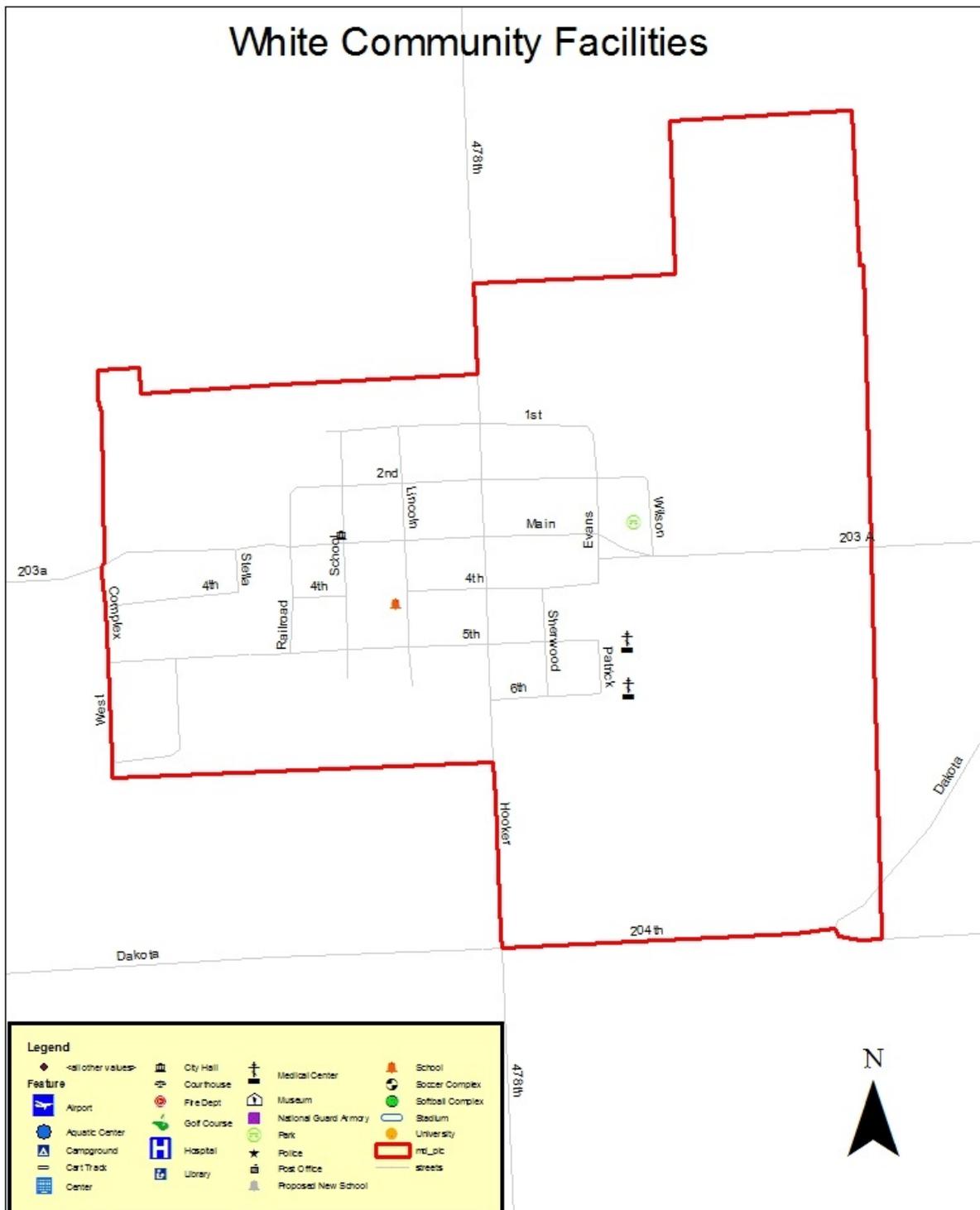












EMPLOYEE HOUSING SURVEY

July 2007

The City of Brookings is exploring opportunities to provide home ownership and rental options in the city. To help us analyze housing needs and concerns, please take a few minutes to complete the following survey. The survey is anonymous and individual responses will be kept confidential.

Please check the appropriate response and offer written comments when requested. Use the back of this form to provide any additional comments.

1. Do you currently live the City of Brookings? Yes No

 If you do **not** live in Brookings, how far is the drive from your home to Brookings?
 less than 15 minutes 15 to 30 minutes 30 to 60 minutes

 more than 60 minutes

2. Do you own or rent your current housing? Own Rent

 If you own your house, how much is your monthly mortgage payment? \$_____

 If you rent, how much is the total monthly rent? \$_____

 Do you split this rent with a roommate(s)? Yes No

3. How many people are in your family/household?
 1 2 3 4 5 6+

4. In your family/household, how many are working wage earners?
 1 Wage earner 2 Wage earners 3 Wage earners

5. What is the age of the primary wage earner? _____

6. What is the approximate annual income for your family/household?
 Less than \$20,000
 \$20,001-\$30,000 \$50,001-\$70,000
 \$30,001-\$40,000 \$70,001-\$100,000
 \$40,001-\$50,000 \$100,001+

7. If you do **not** currently live in Brookings, would you be interested in moving to the City if housing to meet your needs were available? Yes No

 If you currently live in Brookings, are you interested in moving into a different housing unit in Brookings? Yes No

If Yes, to one of the above questions, what housing options would you prefer (you may Check more than one)

- | | |
|---|---|
| <p><u>Own</u></p> <p>___ Single family home</p> <p>___ Town house</p> <p>___ Twin home</p> <p>___ Condo</p> <p>___ Mobile home</p> <p>___ Other _____</p> | <p><u>Rent</u></p> <p>___ Single family home</p> <p>___ Town house</p> <p>___ Apartment</p> <p>___ Mobile home</p> <p>___ Other _____</p> |
|---|---|

Please comment on amenities that should be included in newly constructed housing units to address your housing needs. (No. of bedrooms, No. of bathrooms, location, type of design, etc.)

8. If you are interested in purchasing a home, what price would you be willing to pay for a housing unit?

- | | |
|-------------------------|-------------------------|
| ___ under \$100,000 | ___ \$150,001-\$160,000 |
| ___ \$100,001-\$110,000 | ___ \$160,001-\$170,000 |
| ___ \$110,001-\$120,000 | ___ \$170,001-\$180,000 |
| ___ \$120,001-\$130,000 | ___ \$180,001-\$190,000 |
| ___ \$130,001-\$140,000 | ___ \$190,001-\$200,000 |
| ___ \$140,001-\$150,000 | ___ over \$200,000 |

9. If you are interested in renting a housing unit in Brookings, what rent amount including utilities, would you be willing to pay?

- | | |
|-----------------|---------------------|
| ___ under \$300 | ___ \$701-\$800 |
| ___ \$301-\$400 | ___ \$801-\$900 |
| ___ \$401-\$500 | ___ \$901-\$1,000 |
| ___ \$501-\$600 | ___ \$1,001-\$1,250 |
| ___ \$601-\$700 | ___ \$1,251-\$1,500 |
| | ___ over \$1,500 |

10. If you have attempted to purchase or rent a housing unit in Brookings, and were not successful, why?

- _____ price of home
- _____ rent amount of unit
- _____ lack of choices in location I'm interested in
- _____ housing type I'm looking for is not available
- _____ Other _____

11. If you do not live in Brookings and you have no interest in living in Brookings, why not?

12. Please provide any comments which would assist us in developing housing in Brookings that would meet your needs.



Deer Creek Power Project Economic Impact Analysis

**Prepared by:
Stuefen Research, LLC**

**Prepared for:
Basin Electric Power Cooperative
June 2009**

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At a Glance Executive Summary¹

| <i>General Model Inputs²: 2010 – 2011</i> | <i>State Impact</i> | <i>Three County Impact</i> |
|--|-----------------------|----------------------------|
| Deer Creek Project's Total Budget | \$33.7 Million | \$32.0 Million |
| Budgeted Direct Construction Activity | \$28.1 Million | \$26.3 Million |
| Land, Contingency and Other Funds | \$5.7 Million | \$5.7 Million |
| <i>Construction Economic Activity</i> | | |
| Budgeted Direct Construction Costs | \$28.1 Million | \$26.3 Million |
| Estimated Output Economic Impact | \$33.1 Million | \$28.1 Million |
| Estimated Value Added or Income | \$26.2 Million | \$25.1 Million |
| Estimated Full- and Part-Time Jobs (over 2yrs) | 280 | 238 |
| <i>Deer Creek Project's Operating Budget</i> | | |
| Budgeted Direct Wages (2012) | \$2.5 Million | \$2.5 Million |
| Total Induced Economic Impact | \$3.6 Million | \$3.1 Million |
| <i>Contingency and Other Funds</i> | | |
| Contingency Funds | \$0.9 Million | \$0.9 Million |
| Land, Fees and Net Contractor's Excise Taxes and Net Sales Taxes | \$4.8 Million | \$4.8 Million |

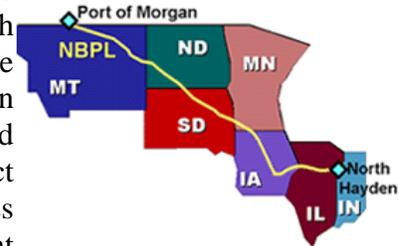


¹ All expenditures and impacts are expressed in 2011 dollars.

² All expenditures shown are South Dakota expenditures. Out-of-state purchases of goods and services are not included in these amounts.

Economic Impact Analysis for the Deer Creek Project

Basin Electric Power Cooperative proposes to construct a 300 net megawatt combustion and recovered heat turbine energy conversion facility to be powered by natural gas in South Dakota near the communities of White and Bushnell which are located in Brookings County. This combined cycle power generation facility is known as the Deer Creek Project³. A pipeline of approximately 14 miles in length will be installed underground to transport natural gas from the existing Northern Border Pipeline to the Deer Creek Project. In addition to the construction of the energy conversion facility and the installation of the natural gas pipeline, the Deer Creek Project includes the construction of a 345-kv transmission line of less than 1 mile in length to connect the project to the Upper Great Plains Region transmission grid. This economic study includes the effects from construction and operation of the energy conversion facility, the natural gas pipeline, the transmission line and is referred to as the Deer Creek Project in this report.



The largest trade center near the Deer Creek Project site is the community of Brookings which is approximately 16 miles west and south from the community of White on I-29.⁴ Brookings is a Micropolitan Statistical Area that includes only Brookings County. Watertown is a trade center located approximately 47 miles to the north on I-29. The Watertown Micropolitan Statistical Area includes Codington and Hamlin counties in South Dakota. Sioux Falls, SD is the state’s largest trade center and is approximately 70 miles south of White on I-29. The Sioux Falls Metropolitan Statistical Area includes the South Dakota counties of Minnehaha, Lincoln, McCook and Turner.

Table 1
Proximity Trade Center Communities Surrounding White, South Dakota

| Trade Centers | 2007 Population ⁵ | Distance from White ⁶ | Retail Trade Employment ⁷ |
|-----------------|------------------------------|----------------------------------|--------------------------------------|
| Brookings, SD | 19,463 | 16 | 2,208 |
| Sioux Falls, SD | 151,505 | 70 | 20,478 |
| Watertown, SD | 20,530 | 47 | 3,413 |

Retail Trade Employment is Metro-SA for Sioux Falls, Micro-SA for Brookings and Watertown Communities.

³ The Northern Border Pipeline Company is a general partnership owned by TC PipeLines, LP and ONEOK Partners, L.P., www.northernborder.com

⁴ A metro area contains a core urban area of 50,000 or more population, and a micro area contains an urban core of at least 10,000 (but less than 50,000) population. Each metro or micro area consists of one or more counties and includes the counties containing the core urban area, as well as any adjacent counties that have a high degree of social and economic integration (as measured by commuting to work) with the urban core.

⁵ Population Finder, US Census Bureau, 2007 estimate

⁶ MapQuest Direction Finder

⁷ Retail Trade Employment in the Sioux Falls Area and the Brookings and Watertown Micropolitan Areas, Bureau of Economic Analysis, Regional Economic Accounts, Local Personal Income, CA25N

Introduction

Five (5) counties are included in part or totally by a twenty-five mile radius: Brookings, Deuel, Hamlin, Lake, and Moody counties. Three (3) of the 5 counties are included in the Deer Creek Project economic impact estimate: Brookings, Deuel and Moody counties. Fifteen (15) cities and towns are located within the 3 county area. Brookings County alone is encompassed in its entirety by a 25 mile radius. Not included are Hamlin and Lake Counties. The population centers for Hamlin and Lake Counties lie beyond the 25 mile radius surrounding the Deer Creek site.

The operation of the power generation facility will have economic impacts affecting businesses and government services throughout the state of South Dakota and spill into the business and governmental sectors of neighboring states. The construction of the facility will have regional and potentially national impacts as workers are brought in from a much larger geography to install the necessary infrastructure and assemble the facility.

Economic Impacts will be estimated for two levels of geography. The first estimate is the expected economic impact on the state of South Dakota. The second impact analysis will be for the 3 counties surrounding the project. Economic impacts are estimated for the construction of the facility and for its operation. Construction activity and the resulting economic impact will occur over a 2 year period starting in 2010 and ending in 2011.⁸ The Deer Creek Project includes the construction of the energy conversion facility, a pipeline to move natural gas from the existing Northern Border Pipeline to the Deer Creek Project and a transmission line of less than 1 mile in length to connect the project to the Upper Great Plains Region transmission grid. Beyond the construction impacts, the energy conversion facility will provide long term employment for 30 people that will live in the greater White area including the larger community of Brookings, South Dakota.

Economic Impact Estimation using IMPLAN

The multiplier estimation product used in the analysis is IMPLAN (IMpact Analysis for PLANning). IMPLAN was developed at the University of Minnesota over a period of years in conjunction with the U.S. Forest Service's Land Management Planning Unit in Fort Collins. Governmental agencies and leading universities across the nation use this product for estimating economic impacts.

IMPLAN is an input-output (I-O) estimation model. The versatility of this model enables specific analysis for each area of interest, including county, multi-county regions, a state or a group of states. Naturally, some estimation error will remain. The I-O technique describes an enterprise based on average ingredient and performance measures and therefore best predicts the impact of an average enterprise. While the I-O modeling technique has been designed and refined to minimize error, estimation error does occur because of our inability to distinguish the specific enterprise from the average.⁹

⁸ All expenditures and impacts are expressed in 2011 dollars.

⁹ See Technical Note on page 14 for further comments.

Three multiplier effects are presented: the *output*, *value-added*, and *employment* effects. Each of these in turn reflects three components: the *direct* effect, the *indirect* effect, and the *induced* effect. The output multiplier is the change in the economy required to deliver an additional dollar of construction services to demand. The initial response in final demand is the direct effect, always with a multiplier of 1. The construction contractors will in turn buy goods and services from other industries to produce the dollar's worth of construction, and these industries buy inputs themselves, creating a whole series of additional purchases that are captured by the indirect effect component. Finally, there will be additional purchases motivated by the income generated for households in these transactions; these are called induced effects. All three effects combine to create the output multiplier.

The output multiplier measures the economic activity that will occur as a result of the initial stimulus. It will rise as more inputs are purchased and more income is spent in the region in question. If most inputs are purchased and most income is spent outside the region, the output multiplier will be relatively small. Small counties, for example, will have smaller output multipliers than counties with large wholesale and retail operations, and county multipliers will be smaller than the state multipliers.

The output multiplier is appropriate for sizing up the total economic activity that will occur in an area as a result of a project. The value-added effect is a better measure of the income created for people and the government by the project. Payments for raw materials continue through the system, but payments for labor, or proprietors' income, or distributed corporate profits represent added wealth for people, and thus value-added. Payments for input materials are referred to as "leakages" from the stream of payments. Eventually a dollar spent on the final product ends up split among many income recipients, some of whom live outside the region under consideration. As a result, the value-added multiplier effect is expected to be below one. Like the output multiplier, the value-added effect will typically be larger for the state than for individual counties.

Value-added is decomposed into the same three parts as the output multiplier: direct effects, indirect effects, and induced effects. The direct component will be income generated over and above the cost of resources in the immediate enterprise. The indirect multiplier effect similarly measures net income created in the upstream industries that supply inputs for the final good. The induced component reflects the on-going effect of the income created directly and indirectly: income that is spent on goods and services creates demand for additional goods and services, thus creating a repeating cycle of expenditures. The sum of the three parts creates the value-added multiplier effect.

Finally, the analysis in this report provides an employment multiplier, showing the estimated number of jobs created by one million dollars of output. Again, the multiplier is comprised of three parts. The direct component shows the number of jobs created by the immediate enterprise of the Deer Creek Project. The indirect component refers to jobs created in supporting industries, and the induced component reflects jobs created by additional demand throughout the area's economy.

Deer Creek Project Data Sources

The data used in these analyses was provided for the Deer Creek Project to Stuefen Research, LLC by representatives of Basin Electric Cooperative. Burns & McDonnell of Kansas City is the lead architectural and engineering firm for the project.

Economic Impact Estimates

Economic impact analyses estimated for the Deer Creek Project includes: 1) energy conversion facility construction, the installation of a connecting natural gas pipeline and less than a mile of 345-kv transmission line; 2) operation of the energy conversion facility; and 3) opportunity costs resulting from the change of agricultural land use. Each of these impacts will be estimated for two levels of geography: the state of South Dakota and three selected South Dakota counties. The counties included in the analyses are Brookings, Moody and Deuel counties. A twenty-five mile radius around the Deer Creek site in South Dakota includes communities in Minnesota. The Minnesota communities within a twenty-five mile radius include Lake Benton, Hendricks, Ivanhoe, Pipestone and Canby. These out-of-state communities and any economic benefit from the project are outside the scope of this study.

Deer Creek Project's Economic Impact on South Dakota

Three multiplier effects are presented: the *output*, *value-added*, and *employment* effects. These measures describe the impact on South Dakota's economy resulting from the construction, operation and agricultural production. Construction and operation economic activity are gains to the state's economy. Any decrease in agricultural productivity resulting from the conversion of land from crop to energy conversion facility site is an offset or agricultural loss. *Output*, *value-added*, and *employment estimates* are estimated for three effects: the *direct* effect, the *indirect* effect, and the *induced* effect. The output multiplier is the change in the economy required to deliver an additional dollar of construction services to demand. The initial response in final demand is the direct effect, always with a multiplier of 1. The construction contractors will in turn buy goods and services from other industries to produce the dollar's worth of construction, and these industries buy inputs themselves, creating a whole series of additional purchases that are captured by the indirect effect component. Finally, there will be additional purchases motivated by the income generated for households in these transactions; these are called induced effects. All three effects combine to create the output multiplier.

An estimated output multiplier of 1.2 means the initial investment will be spent throughout the economy an additional 0.2 times. A project direct investment of 28.1 million dollars will have a 33.1 million dollar total economic impact as money makes its way through the economy.

The value-added effect is a measure of the income created for people and the government by the project. Payments for raw materials continue through the system, but payments for labor, or

proprietors' income, or distributed corporate profits represent added wealth for people and or are the value-added. Value-added is decomposed into the same three parts as the output multiplier: direct effects, indirect effects, and induced effects. The direct component will be income generated over and above the cost of resources in the immediate enterprise. The indirect multiplier effect similarly measures net income created in the upstream industries that supply inputs for the final good. The induced component reflects the on-going effect of the income created directly and indirectly: income that is spent on goods and services creates demand for additional goods and services, thus creating a repeating cycle of expenditures. The sum of the three parts creates the value-added multiplier effect. The new wealth created by the direct expenditure is 23.5 million dollars. The new wealth or income created throughout the economy in the form of payments for labor, proprietors' income, or distributed corporate profits is estimated to total 26.2 million dollars which yields a value-added or new-wealth multiplier of 1.1, the ratio of 26.2 million to 23.5 million dollars.

State Summary Table 1

| Project Multipliers | Output | Value Added | Employment |
|--------------------------------------|---------------|--------------------|-------------------|
| Total Direct Expenditures | \$ 28,057,153 | \$ 23,527,100 | 237 |
| Total Direct, Indirect and Induced | \$ 33,144,688 | \$ 26,217,974 | 280 |
| Direct Expenditures of \$2.4 Billion | 1.2 | 1.1 | 1.2 |

Finally, the analysis in this report provides an employment multiplier, showing the estimated number of jobs created by one million dollars of output. Again, the multiplier is comprised of three parts. The direct component of the multiplier shows the number of jobs created onsite by the Deer Creek Project. The indirect component refers to jobs created in supporting industries, and the induced component reflects jobs created by additional demand throughout the area's economy. There will be 220 full-time jobs created directly on-site at the Deer Creek Project and an additional 17 created throughout the state. There will be an estimated 43 full- or part-time jobs of one year or less in duration created throughout the economy for a total of 280. The total estimated impact is 1.2 times the direct impact of 237.

Deer Creek Project Construction

The construction direct, indirect and induced impacts are summarized for each of the activities estimated in the analysis in the following table. Procurement dollars are identified to provide information and perspective regarding the investment being made in the project but little economic impact benefiting any part of South Dakota is expected from these expenditures. Approximately 370.6 million dollars will be invested in out-of-state services and the procurement of large components and parts. These expenditures are included in the discussion of total investment and direct expenditures but are not given further consideration in the impact analysis. The total direct investment in the construction of the Deer Creek energy conversion facility not including contingency funds or expenditures that will be made in other states is an estimated 28.1 million dollars.

State Summary Table 2

| Direct Impacts | Output | Value Added | Employment |
|-----------------------------|----------------------|----------------------|-------------------|
| Construction Expenses | \$ 26,313,403 | \$ 22,523,905 | 220.0 |
| Legal Fees | \$ 150,000 | \$ 104,848 | 1.6 |
| External Consultants | \$ 1,593,750 | \$ 898,347 | 15.6 |
| Total Direct Impacts | \$ 28,057,153 | \$ 23,527,100 | 237.3 |

The construction contractors will in turn buy goods and services from other industries to produce the dollar's worth of construction, and these industries buy inputs themselves, creating a whole series of additional purchases that are captured by the indirect effect component. These purchases are estimated to be 2.4 million dollars during the 2010 to 2011 construction period. The value added or new wealth created by these purchases is an estimated 1.2 million dollars.

State Summary Table 3

| Indirect Impacts | Output | Value Added | Employment |
|-------------------------------|---------------------|---------------------|-------------------|
| Construction Expenses | \$ 1,946,613 | \$ 987,068 | 15.8 |
| Legal Fees | \$ 29,939 | \$ 16,854 | 0.2 |
| External Consultants | \$ 406,056 | \$ 210,509 | 3.7 |
| Total Indirect Impacts | \$ 2,382,607 | \$ 1,214,431 | 19.7 |

The induced component of the estimate reflects full- and part-time jobs created by additional demand from households benefiting from the project as money earned is spent throughout the state's economy. The construction expense estimates have been modified to reflect the potential for out of state workers temporarily locating in the state to work on the project but returning home with much of their earnings to support their families and their permanent residence. These impacts will occur in 2010 and 2011.

State Summary Table 4

| Induced Impacts | Output | Value Added | Employment |
|------------------------------|---------------------|---------------------|-------------------|
| Construction Expenses | \$ 1,963,279 | \$ 1,071,621 | 17.0 15% |
| Legal Fees | \$ 58,437 | \$ 31,897 | 0.5 100% |
| External Consultants | \$ 683,212 | \$ 372,925 | 5.9 100% |
| Total Induced Impacts | \$ 2,704,928 | \$ 1,476,443 | 23.3 |

Operation of the Deer Creek Energy Conversion Facility

The energy conversion facility will be staffed by 25 full-time employees located on-site in permanent jobs. The payroll for these employees will be 2.5 million dollars in 2012, the first full year of production.

In addition to the 2.5 million dollar payroll for the 25 employees, the new wealth created throughout the economy as employees spend their income in South Dakota will create an additional 1.1 million dollars of new wealth which when combined with the direct payroll of 2.5 million dollars totals 3.6 million dollars annually and an additional 17.6 full- and part-time jobs.

State Summary Table 5

| Induced Impacts | Output | Value Added | Employment |
|---|---------------------|---------------------|-------------------|
| | | \$ 2,500,000 | \$ 25.0 |
| Deer Creek Conversion Facility Operations | \$ 1,971,770 | \$ 1,063,319 | \$ 17.6 |
| Total Induced Impacts | \$ 1,971,770 | \$ 3,563,319 | \$ 42.6 |

Potential Agricultural Loss to State

The footprint for the Deer Creek Project covers 50 acres on a 160 acre quarter section of agricultural land. Farm income volatility does not allow for precise estimation of the financial loss. Suffice it to state that the opportunity cost, the loss in agricultural income due to the removal of the facility footprint of 50 acres from agricultural crop production, will have a negative impact but the impact will not result in a substantial employment loss in the county or throughout the state.

Contingency and Other Expenditures

There are 850,000 dollars of contingency and special project funding available to be spent in South Dakota. Where the money will be spent and on what goods and services is not known.

**State Summary Table 6
Contingency Funding Included in the Budget**

| | |
|---|------------------|
| Contingency & Special Projects | \$850,000 |
|---|------------------|

Land, Fees, Net Contractor's Excise Taxes and Net Sales Taxes

These are activities delivered to final demand within South Dakota with only direct economic impacts.

**State Summary Table 7
Land, Fees, Net Contractor's Excise Taxes and Net Sales Taxes**

| | |
|---|--------------------|
| Land | \$1,400,000 |
| Net Contractor's Excise Taxes and Net Sales Taxes | \$3,437,000 |
| Total | \$4,837,000 |

Deer Creek Project's Economic Impact on Three County Area

Three (3) of the 5 counties are included in the Deer Creek Project economic impact estimate: Brookings, Deuel and Moody counties. Fifteen (15) cities and towns are located within the 3 county area. Only Brookings County is encompassed in its entirety by a 25 mile radius.

Three multiplier effects are presented: the *output*, *value-added*, and *employment* effects. These measures describe the estimated impact of the Deer Creek Project on a three county area resulting from construction, operation and agricultural production. Construction and operation economic activity are gains to the local economy. Any decrease in agricultural productivity resulting from the conversion of land from crop to an energy conversion facility site is an offset or agricultural loss. *Output*, *value-added*, and *employment* effects are estimated using three components: the *direct* effect, the *indirect* effect, and the *induced* effect. The output multiplier is the change in the economy required to deliver an additional dollar of construction services to demand. The initial response in final demand is the direct effect, always with a multiplier of 1. The construction contractors will in turn buy goods and services from other industries to produce the dollar's worth of construction, and these industries buy inputs themselves, creating a whole series of additional purchases that are captured by the indirect effect component. Finally, there will be additional purchases motivated by the income generated for households in these transactions; these are called induced effects. All three effects combine to create the output multiplier.

An estimated output multiplier of 1.1 means the initial investment will be spent throughout the economy an additional 0.1 times. A project investment of 26.3 million dollars in Brookings County will have a 28.1 million dollar total economic impact as money makes its way through the three county economy.

The value-added effect is a measure of the income created for people and the government by the project. Payments for raw materials continue through the system, but payments for labor, or proprietors' income, or distributed corporate profits represent added wealth for people and or are the value-added. Value-added is decomposed into the same three parts as the output multiplier: direct effects, indirect effects, and induced effects. The direct component will be income generated over and above the cost of resources in the immediate enterprise. The indirect multiplier effect similarly measures net income created in the upstream industries that supply inputs for the final good. The induced component reflects the on-going effect of the income created directly and indirectly: income that is spent on goods and services creates demand for additional goods and services, thus creating a repeating cycle of expenditures. The sum of the three parts creates the value-added multiplier effect. The new wealth created by the direct expenditure is 24.1 million dollars. The new wealth or income created throughout the economy in the form of payments for labor, proprietors' income, or distributed corporate profits is estimated to total 25.1 million dollars which yields a value-added or a three county new-wealth multiplier of 1.0. It is assumed that most workers on the project will be from outside the three county area.

Three County Summary Table 1a

| Project Multipliers | Output | Value Added | Employment |
|--------------------------------------|---------------|--------------------|-------------------|
| Total Direct Expenditures | \$ 26,313,403 | \$ 24,102,367 | 220 |
| Total Direct, Indirect and Induced | \$ 28,147,518 | \$ 25,053,501 | 238 |
| Direct Expenditures of \$2.4 Billion | 1.1 | 1.0 | 1.1 |

Finally, the analysis in this report provides an employment multiplier, showing the estimated number of jobs created by one million dollars of output. Again, the multiplier is comprised of three parts. The direct component of the multiplier shows the number of jobs created onsite by the Deer Creek Project. The indirect component refers to jobs created in supporting industries, and the induced component reflects jobs created by additional demand throughout the area's economy. The 220 full-time jobs created directly on-site at the Deer Creek Project, there will be an estimated 18 full- or part-time jobs of one year or less in duration created throughout the economy for a total of 238. The total estimated impact is 1.1 times the direct impact of 220. These jobs will be distributed over a two-year construction period.

Deer Creek Project Construction

The construction direct, indirect and induced impacts are summarized for each of the activities estimated in the analysis in the following table. Procurement dollars are identified to provide information and perspective regarding the investment being made in the project but little economic impact benefiting the three county area is expected from these expenditures. Approximately 374.7 million dollars will be invested in the project to procure equipment that are large component parts of the generation facility. These expenditures are included in the discussion of total investment and direct expenditures but are not given further consideration in this impact analysis. The total direct investment in the construction of the energy conversion facility not considering contingency funds or expenditures that will be made in other states is an estimated 26.3 million dollars.

Three County Summary Table 2a

| Direct Impacts | Output | Value Added | Employment |
|-----------------------------|----------------------|----------------------|-------------------|
| Construction Expenses | 26,313,403 | \$ 24,102,367 | 220.0 |
| Total Direct Impacts | \$ 26,313,403 | \$ 24,102,367 | 220.0 |

The construction contractors will in turn buy goods and services from other industries to produce the dollar's worth of construction, and these industries buy inputs themselves, creating a whole series of additional purchases that are captured by the indirect effect component. These purchases are estimated to be 0.8 million dollars in the 2010 and 2011 construction period. The value added or new wealth created by these purchases is an estimated 0.4 million dollars. A substantial percentage of the full- and part-time jobs created off-site in the local economy are attributed to these indirect construction activities.¹⁰

¹⁰ See technical notes on page 14.

Three County Summary Table 3a

| Indirect Impacts | Output | Value Added | Employment |
|-------------------------------|-------------------|--------------------|-------------------|
| Construction Expenses | \$ 802,085 | \$ 395,412 | 7.9 |
| Total Indirect Impacts | \$ 802,085 | \$ 395,412 | 7.9 |

The induced component of the estimate reflects full- and part-time jobs created by additional demand from households benefiting from the project as money earned is spent throughout the three county area economy. The estimates have been modified to reflect the potential for out of state workers temporarily locating in the state to work on the project but returning home with much of their earnings to support their families and their permanent residence. These impacts will be spread over the two year 2010 and 2011 time period.

Three County Summary Table 4a

| Induced Impacts | Output | Value Added | Employment |
|------------------------------|---------------------|--------------------|-------------------|
| Construction Expenses | \$ 1,032,030 | \$ 555,723 | 9.8 12% |
| Total Induced Impacts | \$ 1,032,030 | \$ 555,723 | 9.8 |

Operation of the Deer Creek Energy Conversion Facility

The energy conversion facility will be staffed by 25 full-time employees located on-site in permanent jobs. The payroll for these employees will be 2.5 million dollars in 2012, the first full year of production.

In addition to the 2.5 million dollar payroll for the 25 employees, the new wealth created throughout the economy as employees spend their income in the three county area will create an additional 0.6 million dollars of new wealth which when combined with the direct payroll of 2.5 million dollars totals 3.1 million dollars annually and an additional 11.7 full- and part-time jobs.

Three County Summary Table 5a

| Induced Impacts | Output | Value Added | Employment |
|---|---------------------|---------------------|-------------------|
| | | \$ 2,500,000 | \$ 25.0 |
| Deer Creek Conversion Facility Operations | \$ 1,262,263 | \$ 647,123 | \$ 11.7 |
| Total Induced Impacts | \$ 1,262,263 | \$ 3,147,123 | \$ 36.7 |

Potential Agricultural Loss to Three County Area

The footprint for the Deer Creek Project covers 50 acres on a 160 acre quarter section of agricultural land. Farm income volatility does not allow for precise estimation of the financial loss. Suffice it to state that the opportunity cost, the loss in agricultural income due to the removal of the facility footprint of 50 acres from agricultural crop production, will have a negative impact but the impact will not result in a substantial employment loss in Brookings County, the three county area or throughout the state.

Contingency and Other Expenditures

There are 850,000 dollars of contingency and special project funding available to be spent in South Dakota. Where the money will be spent and on what goods and services is not known.

**State Summary Table 6a
Contingency Funding Included in the Budget**

| | |
|---|------------------|
| Contingency & Special Projects | \$850,000 |
|---|------------------|

Land, Fees, Net Contractor’s Excise Taxes and Net Sales Taxes

These are activities delivered to final demand within South Dakota with only direct economic impacts.

**State Summary Table 7a
Land, Fees, Net Contractor’s Excise Taxes and Net Sales Taxes**

| | |
|---|--------------------|
| Land | \$1,400,000 |
| Net Contractor's Excise Taxes and Net Sales Taxes | \$3,437,000 |
| Total | \$4,837,000 |

Technical Notes:

It is technically appropriate that the “direct” value added amounts in the economic impact estimates for construction and startup are attributed to the South Dakota economy. The value-added impact is assigned to the geography where the activity is delivered. That is where the jobs and income to proprietors and corporations are located. That is not to say that the full measure of new wealth described will remain in that geography. A large percentage of the new wealth described in the construction and startup activities for the Deer Creek Project is expected to leak from the state’s economy as a result of out-of-state workers and businesses participating in the construction of the energy conversion facility. Many of the skills required for the construction of an energy conversion facility, its startup and testing are skill sets not available from professionals and laborers currently living in South Dakota. The job estimates reflect expectations as modeled. The value added or new wealth to South Dakota from “direct impacts” plus “indirect impacts” that will be kept in South Dakota is assumed to be stated percentages and is the basis for the partial “induced” impact estimates in the construction and startup tables. The indirect impacts are assumed to be purchases from firms located in South Dakota.

IMPLAN Model

There are numerous assumptions in the IMPLAN model methodology and in its use. The relationship of inputs to output is one.

IMPLAN is a fixed input model that assumes relative prices of inputs do not affect the firm’s purchase of inputs and that the technology represented in the model will not change. The model assumes output will increase in proportion to inputs given a fixed technology.

IMPLAN Modeling

IMPLAN allows customization of income variables to fit the project. Income variables include employee compensation, proprietary income, other property type income and indirect business taxes.

Employee compensation as estimated in the project budgets was used when possible throughout the analysis. The proprietary income on the project and the indirect business taxes were held in proportion to the employee compensation or entered as estimated in the budget data. Assumptions are consistent for the state or three county general models. Other property income includes payments for rents, royalties and dividends. These items are for the most part are either included in the project or have the most substantial impact out of state. Inclusion of this variable in the model would increase the value added to the state’s economy. To be conservative in the estimate, the construction estimates do not include an allowance for other property type income. The full model is impacted by this exception but not substantially.