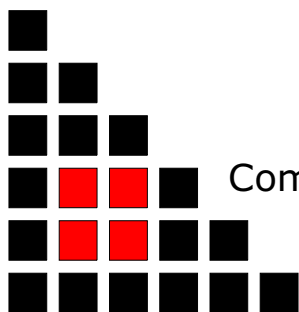


# Hill City COMPREHENSIVE HOUSING STUDY UPDATE

May 2022 Draft

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



Community Partners Research, Inc.

Faribault, MN

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## Introduction

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

In 2018, Community Partners Research, Inc., was hired by the Hill City to conduct a study of the housing needs and conditions in the City. In 2022, an update to the Housing Study was initiated.

### Goals

The multiple goals of the study include:

- ▶ Provide current demographic data including the 2020 Census
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet housing needs
- ▶ Examine future housing trends that the City can expect to address in the coming years
- ▶ Provide a market analysis for housing development
- ▶ Provide housing recommendations and findings

### Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from December 2021 to April 2022. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Applied Geographic Solutions, a private data company
- Esri, a private data company
- Records and data from the City of Hill City
- Records and data maintained by Pennington County
- South Dakota State Data Center
- Interviews with City officials, community leaders, housing stakeholders, etc.

- Area housing agencies
- State and Federal housing agencies
- Rental property owner surveys
- Housing condition survey

## **Limitations**

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

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

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# Demographic Data Overview

## Sources of Data

The following pages contain demographic data obtained from a variety of local, state and national sources for Hill City and Pennington County. For some demographic variables, a surrounding 10-mile radius area has also been estimated.

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

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

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

The American Community Survey estimates have an effective date in 2020. The estimates were derived from five-year sampling, obtained between 2016 and 2020. Due to the global pandemic, the American Community Survey estimates for 2020 were impacted and had a delayed release schedule.

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

Prior to using AGS, the State had used Esri, Inc., for community profiles. The analysts have also utilized estimates and projections from Esri. Both of these private data reporting services are widely used by financial and government entities.

## Population Data and Trends

<b>Table 1 Population Trends - 1990 to 2020</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 Census
Hill City	650	780	20.0%	948	21.5%	872
Pennington Co.	81,343	88,565	8.9%	100,948	14.0%	109,222

Source: U.S. Census

- ▶ The release of population totals from the 2020 U.S. Census has established a new benchmark for the number of people residing in each jurisdiction. The Census total had an effective date of April 1, 2020.
- ▶ In 2020, the population for the City of Hill City was 872 people. When compared back to the 2010 Census, the City had lost 76 permanent residents, for a population decrease of 8%.
- ▶ The most recent decade represented a change of patterns for Hill City. In the 1990s and between 2000 and 2010, the City had experienced significant growth, with population increases of 20% and 21.5%, respectively.
- ▶ In 2020, the population level for all of Pennington County was 109,222, up by 8,274 people from 2010. Although some other jurisdictions in the County also added residents over the decade, most of the countywide growth would be attributed to Rapid City, which added 6,747 residents. Excluding Rapid City, the remaining jurisdictions had a combined net population increase of 1,572 people between 2010 and 2020.
- ▶ There are also 2021 population estimates available, although these were issued prior to the release of any 2020 Census data. These estimates will not be revised to incorporate the new 2020 benchmark data until sometime later in 2022.
- ▶ Applied Geographic Solutions (AGS), the data source utilized by the Governor’s Office of Economic Development, estimates that Hill City had 859 permanent residents in 2021. This estimate was slightly below the 2020 Census count of 872 people. Even with a one-year difference in the effective date, the AGS estimate appears to be slightly low.

- ▶ A 10-mile ring radius estimate around Hill City is also available from AGS. This estimate showed 3,297 people living in the immediate area in 2021. No historical or comparative data exist as the 10-mile radius does not follow standard jurisdictional boundaries.
- ▶ The 2021 estimate from Esri for Hill City showed 1,040 residents, well above the 2020 Census count of 872 people in the City.
- ▶ The differences between the Esri population estimate and the 2020 Census total for Hill City may be explainable by the presence of seasonal/recreational use housing, which will be reported later in this document. Esri may be assuming that a number of the housing units in the City are permanently occupied, while the Census counted these units as unoccupied on April 1, 2020, and used by seasonal residents of the community. There was also some new housing constructed in 2020 that may have been occupied by 2021.
- ▶ The AGS estimate for Pennington County showed 109,500 residents in 2021, compared to 109,222 counted by the 2020 Census. Since some additional growth would have occurred between 2020 and 2021, it would appear that the AGS estimate for the County is relatively accurate.

### **Population Characteristics**

- ▶ Hill City's population is primarily White and non-Hispanic/Latino. At the time of the 2020 Census, nearly 74% of the City's residents were identified White for race. The next largest racial groups were "two or more races", which represented 11% of the City's residents, and "some other race" which represented 10% of City residents.
- ▶ Approximately 18.5% of Hill City's residents were of Hispanic/Latino ethnic origin according to the 2020 Census.
- ▶ In 2020, there were no people in Hill City living in group quarters housing, such as skilled nursing facilities, correctional facilities or group homes.



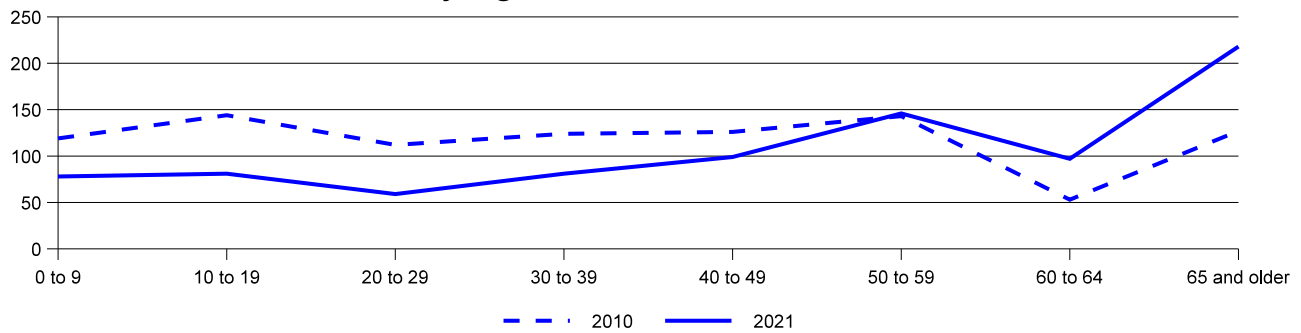
## Population by Age Trends: 2010 to 2021

The estimates from Applied Geographic Solutions include age-based population totals for 2021. These can be compared to the 2010 Census to track the City’s changing age patterns.

<b>Table 2 Population by Age - 2010 to 2021</b>			
Age	2010	2021	Change
0-9	119	78	-41
10-19	144	81	-63
20-29	112	59	-53
30-39	124	81	-43
40-49	126	99	-27
50-59	143	146	3
60-64	53	97	44
65 and older	127	218	91
<b>Total</b>	<b>948</b>	<b>859</b>	<b>-89</b>

Source: U.S. Census; AGS

**Hill City Age Distribution: 2010 to 2021**



- ▶ As estimated by AGS, Hill City lost 89 permanent residents between 2010 and 2021, resulting in significant changes within most of the defined age ranges. However, despite an overall decrease in the total population, the City generally experienced an increasing population within the older age ranges.

- ▶ According to AGS, the City added 91 senior citizens in the age groups 65 and older. All seniors were aggregated and there were no additional details on the age distribution of the City's senior population.
- ▶ Growth also occurred among near-seniors, with an estimated increase of 44 people in the 60 to 64 year old age group and three people in the 50 to 59 year age group. If all of the age ranges 50 and older are aggregated, AGS believes that the City added 138 people between 2010 and 2021.
- ▶ There were estimated decreases within all of the younger age groups. For children and young adults, age 19 and younger, AGS believes that the population decreased by more than 100 people.
- ▶ The young adult age groups also decreased, with 53 fewer people in the 20 to 29 year old age range and 43 fewer people in the 30 to 39 year old group, and 27 fewer people in the 40 to 49 year old range.

## Population Projections

The following table presents population projections from Applied Geographic Solutions and Esri. These projections extend to the year 2026, and are based off of each company’s 2021 estimates. The 2020 Census totals are provided for comparison.

<b>Table 3 Population Projections Through 2026</b>				
	2020 Census	2021 Estimate	2026 Projection	Change
Hill City - AGS	872	859	882	23
Hill City - Esri	872	1,040	1,115	75
10-Mile Radius - AGS	N/A	3,297	3,414	117
Pennington Co. - AGS	109,222	109,500	117,931	8,431

Source: U.S. Census; AGS; Esri

- ▶ AGS’s projection expects a population gain of 23 people in Hill City from 2021 to 2026. This is an average of approximately 4 to 5 people per year.
- ▶ Esri’s projection for Hill City expects a population increase of 75 people from 2021 to 2026. However, it appears that Esri significantly over estimated the City’s population level in 2021, which has impacted their forecast of future change.
- ▶ Although Esri may have overestimated past population growth in Hill City, in the opinion of the analysts their projections for the future do represent an achievable level of possible growth. Using both sources to form a range, an increase of between 5 and 15 people per year over the 5-year forecast period is a reasonable forecast for the City.
- ▶ Only one projection exists for the area forming a 10-mile radius around Hill City. This source expects the area’s population to increase by 117 people over the 5-year time period, inclusive of the growth within Hill City.
- ▶ Although Hill City represents less than 1% of the total population of Pennington County, strong growth is expected Countywide. AGS expects Pennington County to add 8,431 people between 2021 and 2026.

## Household Data and Trends

<b>Table 4 Household Trends - 1990 to 2020</b>						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 Census
Hill City	275	298	8.4%	394	32.2%	388
Pennington Co.	30,553	34,641	13.4%	41,251	19.1%	44,909

Source: U.S. Census

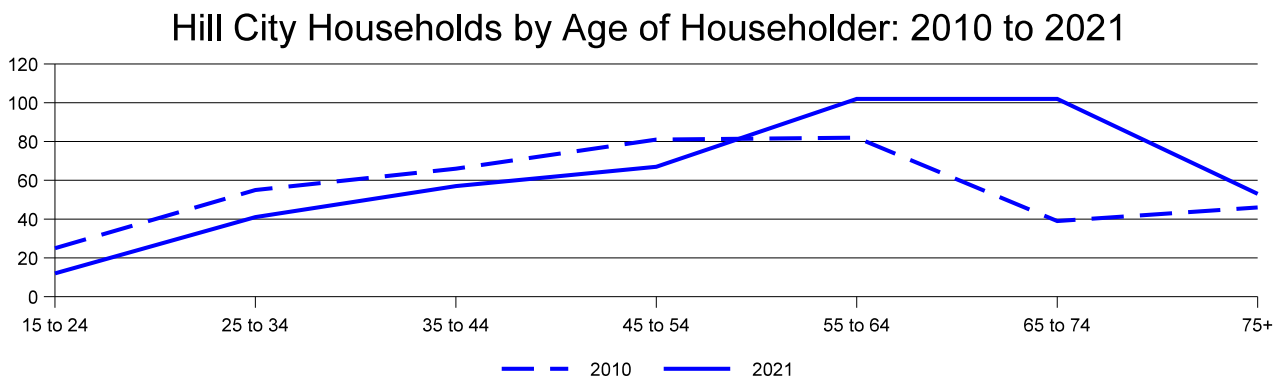
- ▶ According to the 2020 Census, Hill City had 388 permanent resident households in 2020, down by six households, or -1.5% from 2010.
- ▶ Despite a small decrease over the most recent decade, the household count in Hill City had been growing in the past, especially between 2000 and 2010 when the City added nearly 100 households.
- ▶ Pennington County had 44,909 households in 2020, up by 3,658 households from 2010. However, most of this growth would be directly attributable to growth in Rapid City, which added 2,742 households. If Rapid City is removed, the remaining jurisdictions in Pennington County had a combined increase of 916 permanent resident households from 2010 to 2020.
- ▶ Household estimates for 2021 are also available from Applied Geographic Solutions and Esri.
- ▶ According to AGS there were 374 households in Hill City in 2021, below the Census count of 388 households but with a one year difference in effective dates.
- ▶ According to Esri there were 434 households in the City, well above the 2020 Census.
- ▶ A 10-mile ring radius estimate around Hill City is also available from AGS. This estimate showed 1,443 resident households, including Hill City. No historical or comparative data exist as the 10-mile radius does not follow standard jurisdictional boundaries.
- ▶ According to AGS there were 45,028 households in Pennington County 2021. This was similar to the Census count of 44,909 households when adjusted for the one year time difference.

## Household by Age Trends: 2010 to 2021

Esri has also produced household estimates for 2021 by age of householder which can be compared to the 2010 Census to track the changing age patterns for Hill City. Esri's total household estimate for the City in 2021 was significantly higher than reported in the 2020 Census and may overstate changes that have occurred since 2010.

<b>Table 5 Households by Age - 2010 to 2021</b>			
Age	Hill City		
	2010	2021	Change
15-24	25	12	-13
25-34	55	41	-14
35-44	66	57	-9
45-54	81	67	-14
55-64	82	102	20
65-74	39	102	63
75+	46	53	7
<b>Total</b>	<b>394</b>	<b>434</b>	<b>40</b>

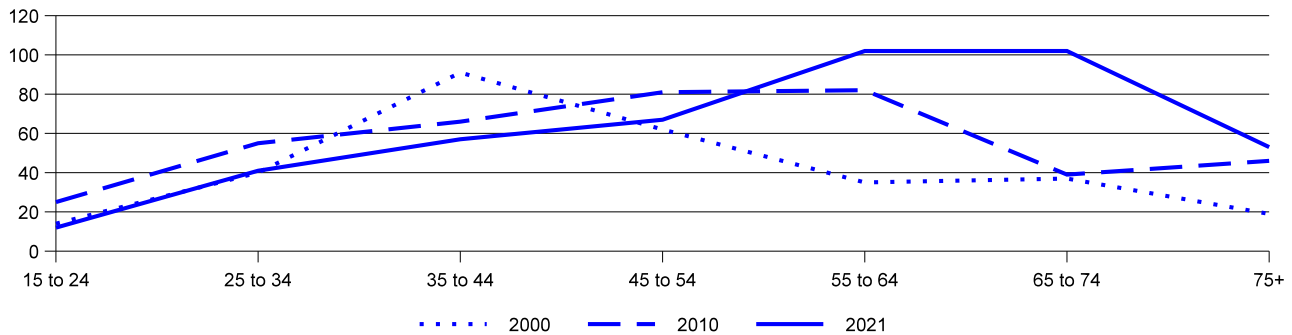
Source: U.S. Census; Esri



- ▶ Despite the household growth that was estimated between 2010 and 2021, Esri shows a decreasing number of households in Hill City in each of the younger adult age groups, age 54 and under. However, significant growth did occur among older adult households.

- ▶ From 2010 to 2021, Esri estimates that 63 households were added in the 10-year range between 65 and 74 years old.
- ▶ If all age ranges 55 and older are combined, these estimates show an increase of 90 households in Hill City.
- ▶ Esri believes that the number of younger adult households decreased after 2010. If all of the age ranges 54 and younger are combined, Esri's estimates show 50 fewer households in 2021 than were present in 2010.

**Hill City Households by Age of Householder: 2000 to 2021**



- ▶ Longer-term patterns back to the year 2000 show the “wave” progression of the baby boomer households over time in Hill City. One very noticeable trend is the increasing number of households in the prime baby boomer age groups, as in-migration appears to be attracting new households, specifically in the age ranges between 55 and older.

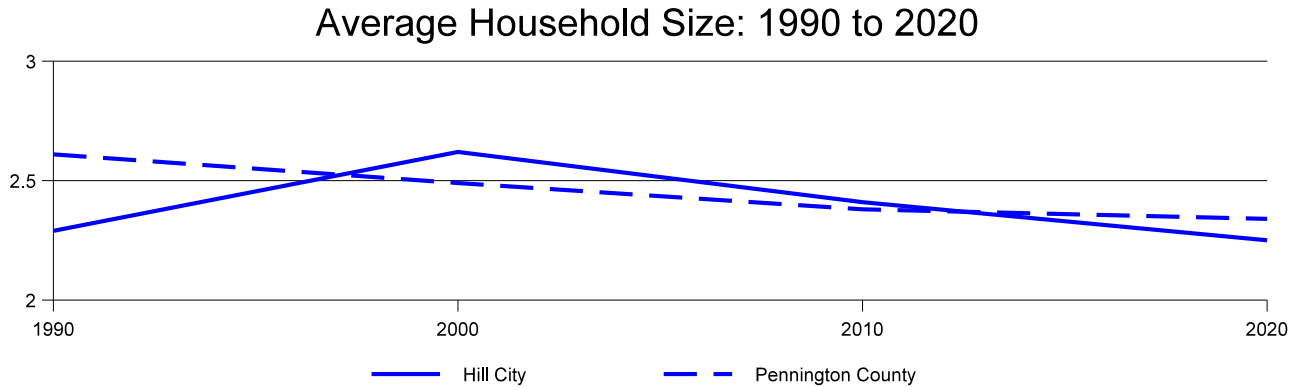
## Average Household Size

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

<b>Table 6 Average Number of Persons Per Household: 1990 to 2020</b>				
	1990 Census	2000 Census	2010 Census	2020 Census
Hill City	2.29	2.62	2.41	2.25
Pennington County	2.61	2.49	2.38	2.34
South Dakota	2.59	2.50	2.42	2.44

Source: U.S. Census

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



- ▶ In Hill City, the average household size increased substantially between 1990 and 2000, but then has decreased steadily since that time. In 2020 the City’s average household size was 2.25 persons, down from 2.41 persons per household in 2010.
- ▶ Pennington County’s average household size has been continuously decreasing in recent decades and was down to 2.34 persons per household in 2020. The County’s average household size was below the Statewide average.

## Household Projections

The following table presents household projections for Hill City, the 10-mile Radius area and Pennington County. These projections are for the 5-year period from 2021 to 2026 and are from Applied Geographic Solutions and Esri.

<b>Table 7 Household Projections Through 2026</b>				
	2020 Census	2021 Estimate	2026 Projection	Change
Hill City - AGS	388	374	388	14
Hill City - Esri	388	434	466	32
10-mile Radius - AGS	N/A	1,443	1,512	69
Pennington Co. - AGS	44,909	45,028	48,994	3,966

Source: U.S. Census; AGS; Esri

- ▶ Looking forward, AGS is projecting that Hill City will add 14 households over the 5-year period, or an average of nearly three households per year.
- ▶ Esri appears to have overestimated the City’s household count in 2021. By 2026, Esri is projecting that Hill City will add 32 households, or an annual average of between six and seven households per year.
- ▶ Although Esri may have overestimated past growth in Hill City, in the opinion of the analysts their projection for the future represents an achievable level of future growth. An increase of up to seven households per year over the 5-year forecast period is very reasonable for the City.
- ▶ Only one projection exists for the area forming a 10-mile radius around Hill City. This source expects the area’s household count to increase by 69 households over the 5-year time period, inclusive of the growth within Hill City.
- ▶ Although Hill City represents less than 1% of the total population of Pennington County, strong growth is expected Countywide. AGS expects Pennington County to add nearly 4,000 households between 2021 and 2026.

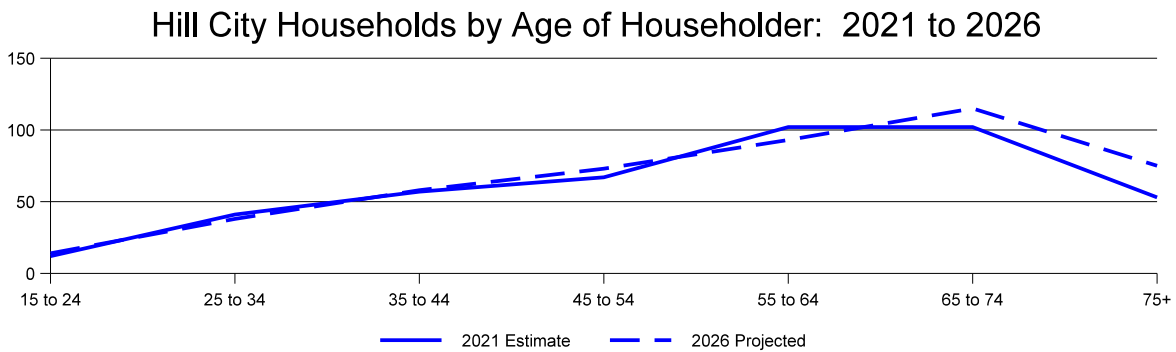


## Hill City Household by Age Projections: 2021 to 2026

Esri has released age-based projections to the year 2026. The following table presents Esri’s 2026 household by age projections for Hill City, and the expected changes from 2021.

<b>Table 8 Hill City Projected Households by Age - 2021 to 2026</b>			
	2021 Estimate	2026 Projection	Change
15-24	12	14	2
25-34	41	38	-3
35-44	57	58	1
45-54	67	73	6
55-64	102	93	-9
65-74	102	115	13
75+	53	75	22
<b>Total</b>	<b>434</b>	<b>466</b>	<b>32</b>

Source: Esri



- ▶ Although Esri is projecting a net increase of 32 total households, only limited changes are projected within some of the defined age ranges. Within most of the younger groups, relative stability would be expected. If all households age 64 and younger are combined, these projections expect a decrease of only three households between 2021 and 2026 in Hill City.
- ▶ Growth is projected in the older age ranges, especially from households age 75 and older. For all seniors age 65 and older, Esri is projecting an increase of 35 households.

## Housing Occupancy Tenure

The 2020 Census has not yet released information on housing tenure patterns. However, estimates exist in the 2020 American Community Survey and in the following table have been compared to the 2010 Census data.

<b>Table 9 Households by Tenure - 2010 and 2020</b>				
	2010 Census		2020 ACS	
	Percent Owned	Percent Rented	Percent Owned	Percent Rented
Hill City	62.9%	37.1%	73.8%	26.2%
Pennington Co.	64.9%	35.1%	68.9%	31.1%

Source: U.S. Census; ACS

- ▶ According to the most recent American Community Survey estimates, the home ownership tenure rate in Hill City increased over the past decade, from 62.9% in 2010 to 73.8% in 2020. In the opinion of the analysts, the estimated home ownership rate in the City in 2020 is probably too high. While Hill City may have added home owners over the decade, it is doubtful that the tenure percentages shifted as much as estimated.
- ▶ The American Community Survey also showed an increasing rate of home ownership for all of Pennington County between 2010 and 2020.

## Median Income Data

Median income estimates are available through the American Community Survey. The most recently released data are for 2020 and have been compared to estimates from 2010 to track changes over time.

Household income represents all independent households, including people living alone and unrelated individuals together in a housing unit. Families are two or more related individuals living in a household.

<b>Table 10 Median Household Income - 2010 to 2020</b>			
	2010 Median	2016 Median	% Change
Median Household Income			
Hill City	\$40,476	\$66,442	64.2%
Pennington County	\$46,849	\$58,278	24.4%
South Dakota	\$46,369	\$59,896	29.1%
Median Family Income			
Hill City	\$46,964	\$78,854	67.9%
Pennington County	\$57,278	\$74,120	29.4%
South Dakota	\$58,958	\$77,042	30.7%

Source: ACS 5-year survey

- ▶ According to the American Community Survey, the median household income in Hill City was \$66,442 in 2020, and had increased by more than 64% between 2010 and 2020. With the large increase in the City’s median household income over the decade, the median for Hill City had moved well above the comparable medians for Pennington County and the State of South Dakota by 2020.
- ▶ The median family income for Hill City was estimated at \$78,854 in 2020, up by nearly 68% from 2010. With the rapid increase over the last decade, the median family income for Hill City had moved above the comparable medians for the County and the State by 2020.
- ▶ Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Hill City could afford approximately \$1,661 per month and a median income family household could afford \$1,971 per month for ownership or rental housing in 2020.

## **Hill City Income Distribution by Housing Tenure**

The American Community Survey provides income data by owner and renter status. However, for Hill City the 2020 American Community Survey significantly underestimated the total number of households, when compared to the 2020 Census count. As a result, the analysts do not view the income distribution estimates as reliable.

The American Community Survey also provides a median income estimate by housing occupancy tenure:

- ▶ \$64,646 estimated median income for home owner households
- ▶ \$42,083 estimated median income for renter households

It is important to note that due to the sampling methodology used, there is a margin of error that applies to each estimate in the American Community Survey. This margin of error can be larger in small communities where a limited number of surveys are collected annually.

In the opinion of the analysts, the estimate median income for renter households in Hill City, at more than \$42,000 in 2020, may be overly high when compared to other communities. For comparison, the estimated median renter household income for all of Pennington County was \$32,272 in 2020.

## **Estimated Income and Housing Costs - Renters**

The American Community Survey also collected information on housing costs. This information can be compared to household income to determine the percentage of income required for housing each month.

Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a “rent burden”. When more than 35% is required, this can be considered a “severe rent burden”.

Since the American Community Survey significantly under estimated the number of households in Hill City in 2020, only percentages have been presented.

- ▶ 76.7% of renters were applying less than 30% of income for housing
- ▶ 13.3% of renters were applying 30% or more of income for housing
- ▶ Housing costs could not be calculated for 10% of renter households
- ▶ 22.9% was the median percentage of income applied by renter households for monthly housing costs

## **Estimated Income and Housing Costs - Owners**

The American Community Survey also provided housing cost estimates for owner-occupants. This information can be compared to household income to determine the percentage of income required for housing each month.

Since the American Community Survey significantly under estimated the number of households in Hill City in 2020, only percentages have been presented.

It is important to note that mortgage lending practices tend to limit the amount of monthly income that can be used for mortgage repayment to less than 30%, although the following information is for owner households both with and without a mortgage.

- ▶ 78.1% of all home owners were applying less than 30% of income for housing
- ▶ 21.9% of all home owners were applying 30% or more of income for housing
- ▶ 15.4% of income was the median percentage applied by owner households for monthly housing costs

## Hill City Building Permit Trends

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

<b>Table 11 Hill City Housing Unit Construction Activity: 2010 to 2021</b>			
Year	Single Family	Two or More Units	Total Units Constructed
2021	26	0	26
2020	19	0	19
2019	4	2	6
2018	5	0	5
2017	4	0	4
2016	3	0	3
2015	4	0	4
2014	5	0	5
2013	4	0	4
2012	4	0	4
2011	0	0	0
2010	4	0	4
<b>Total</b>	<b>82</b>	<b>2</b>	<b>84</b>

Source: Hill City; Census Bureau; Community Partners Research, Inc.

Over the 12-year time period from 2010 to 2021 there were 84 new housing units constructed in Hill City, based on annual building permit reports. All of these units were in one or two unit structures, and presumably intended for owner-occupancy. This could include houses that were sold to seasonal/recreation use residents of the City.

Although the annual average over this 12-year period was seven houses per year, most of the construction activity occurred in 2020 and 2021, when 45 single family houses were built. Between 2010 and 2019, there were 39 units constructed for an average of approximately four houses per year.

No multifamily construction has been permitted in many years.

## 2020 Census Housing Unit Data

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

<b>Table 12 Housing Units, Occupancy and Vacancy - 2020</b>									
	Total Housing Units			Occupied Units			Vacant Units		
	2010	2020	Change	2010	2020	Change	2010	2020	Change
Hill City	473	481	8	394	388	-6	79	93	14

Source: U.S. Census

- ▶ According a reconciliation of decennial Census data, there was very little change in the overall housing inventory in Hill City between 2010 and 2020. In total, the City added only eight housing units.
- ▶ On the previous page, information was presented on building permit issuance. From 2010 to 2019, permits were issued for 39 new housing units in Hill City. If the Census count was accurate, Hill City lost as many as 31 older housing units over the decade, possibly due to condition or quality.
- ▶ Despite a small increase in housing availability, Hill City did see a decrease of housing that was occupied by permanent residents. The number of vacant/unoccupied units did increase during the decade.
- ▶ In Hill City, it is possible that the increase in unoccupied units reflects some conversion of permanent resident housing into seasonal/recreational use housing. No vacancy details have yet been released from the 2020 Census, but in 2010 Hill City had 38 seasonal/recreational housing units.



## **American Community Survey Housing Data**

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

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

For owner-occupancy units an estimated median year of construction is provided.

In Hill City, the estimated median year of construction was 1990. Approximately 23% of the owner-occupied houses were constructed before 1960.

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

For renter-occupancy units in Hill City, the estimated median year of construction was 1949. Approximately 55% of all rental units were built before 1960.

### **Housing Costs**

The American Community Survey includes estimates for housing costs.

For owner-occupied houses, the estimated median value was \$193,600 in 2020.

For all renter-occupancy units, the estimated median gross rent was \$594 in 2020.

## Existing Home Sales

This section examines houses that have been sold from 2017 to 2021 in Hill City. The information was obtained from the South Dakota Department of Revenue and reflects information assembled by the Pennington County Equalization Office.

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

The County also attempts to sort the residential sales into different groupings, primarily based on whether or not the house was actively listed for sale in the open market. Only houses that were offered for sale in the public market have been used in the analyses that follow.

The County's sales ratio year differs slightly from the calendar year. It begins on November 1<sup>st</sup> and ends the following October 31<sup>st</sup>.

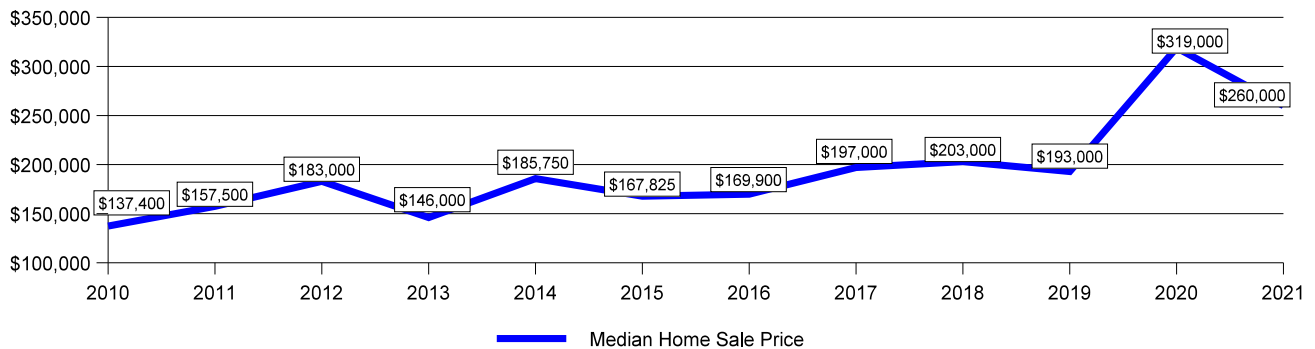
<b>Table 13 Hill City Residential Sales Activity - 2017 to 2021</b>				
Sales Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2021	21	\$260,000	\$580,000	\$127,500
2020	13	\$319,000	\$543,800	\$70,000
2019	17	\$193,000	\$420,000	\$55,000
2018	16	\$203,000	\$467,000	\$38,500
2017	13	\$197,000	\$453,000	\$82,676

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

- ▶ With a limited number of sales within any 12-month sales period, there has been some year to year variation in the median sale price. However, in each of the five years reviewed the annual median has been \$193,000 or higher.

- ▶ The median price in 2021 was \$260,000, based on 21 open market sales. While lower than the median of \$319,000 in 2020, the past two years have had the highest annual medians of the years reviewed.
- ▶ The annual volume of good sales ranged from a low of only 13 sales in 2020 and 2017, to a high of 21 sales in 2021.
- ▶ In each of the years reviewed there was at least one house was sold for \$420,000 or more.
- ▶ In four of the five years no home was sold for less than \$55,000.
- ▶ An alternate home value estimate exists in the American Community Survey. In 2020, this estimate placed the median value for owner-occupied houses at \$193,600. This value was lower than the median sale price of \$319,000 for the year 2020, based on actual sales, however it was very similar to the median sale price of \$193,000 in 2019.

**Median Home Sale Price: 2010 to 2021**



- ▶ Using information from the previous Housing Study, it is possible to track longer-term patterns in the City’s annual median sale price. Since 2010 there has generally been an upward trend in home values, although prices increased very rapidly after 2019.

## Home Sales by Price Range

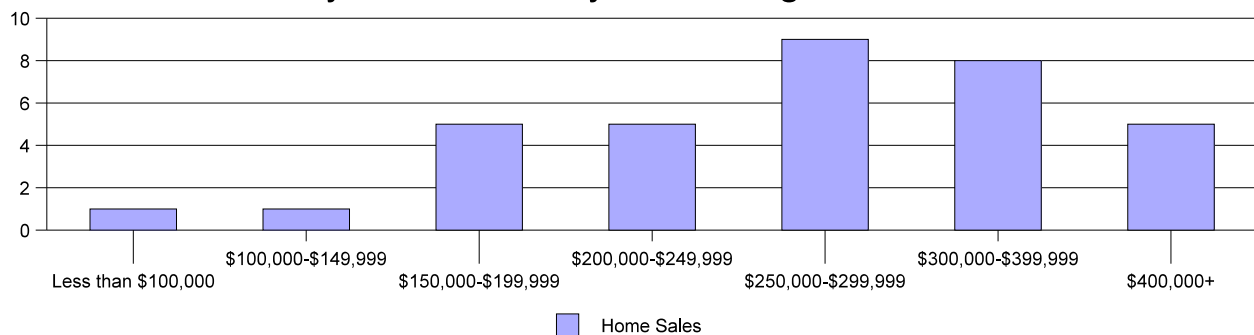
The following table looks at single family houses that sold within defined price ranges over a 24-month period spanning the 2020 and 2021 sales years. There were 34 good “arms length” sales over this period.

Table 14 Hill City 24-Month Home Sales by Price Range		
Sale Price	Number of Sales	Percent of Sales
Less than \$100,000	1	2.9%
\$100,000 - \$149,999	1	2.9%
\$150,000 - \$199,999	5	14.7%
\$200,000 - \$249,999	5	14.7%
\$250,000 - \$299,999	9	26.5%
\$300,000 - \$399,999	8	23.5%
\$400,000+	5	14.7%
Total	34	100%

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

- ▶ While recent home sales in Hill City were widely distributed in different price ranges, the large majority of homes were sold for \$150,000 or more. Overall, fewer than 6% of the sales were for less than \$150,000.
- ▶ Approximately 65% of all sales in Hill City were for \$250,000 or more in 2020 and 2021.

Hill City Home Sales by Price Range in 2020/2021



## **Hill City Housing Condition**

In December 2021, Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 35 single family/duplex houses in the City's oldest neighborhood, which is adjacent to Main Street.

The boundaries of the neighborhood are as follows:

- ▶ North - Deerfield Road
- South - Popular Street
- East - Main Street
- West - Pine Avenue

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

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

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

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

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

**Table 15 Windshield Survey Condition Estimate - 2018**

	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood	11 / 31.4%	17 / 48.6%	6 / 17.1%	1 / 2.9%	35

Source: Community Partners Research, Inc.

- ▶ Approximately 49% of the houses in the City's oldest neighborhood need minor repair and 17% need major repair.
- ▶ Approximately 31% are sound, with no required improvements.
- ▶ Only one house was rated as dilapidated and possibly beyond repair.

## **Rental Housing Data**

### **Census Bureau Rental Inventory**

The 2020 Census data on housing occupancy tenure patterns have not yet been released. As a result, the last benchmark for tenure distribution is from the 2010 Census.

In 2010 there were 146 occupied rental units and 25 unoccupied rental units in Hill City, for a total estimated rental inventory of 171 units. The City's rental tenure rate in 2010 was 37.1%, above the Statewide rental rate of 31.9%.

The American Community Survey did contain an estimate of rental housing units in 2020. However, this appeared to significantly under estimate the number of resident households in Hill City, including renter-occupancy households, and in the opinion of the analysts, this data source is not reliable for occupancy tenure data.

### **Rental Housing Unit Construction**

No multifamily rental construction for long-term rentals was identified from annual building permit reporting between 2010 and 2021. The last known rental project construction occurred between 2000 and 2010, when the 10-unit Olson Apartment building was constructed.

However, based on local reports, a number of owner-occupancy homes have been converted in the past two decades to rental use or to short-term vacation rentals.

## **Rental Housing Survey**

As part of this housing study, a telephone survey was conducted of multifamily projects in Hill City. Emphasis was placed on contacting properties that have six or more units. However, some smaller rental projects, single family homes and mobile homes were also surveyed. For the purposes of planning additional projects in the future, multifamily properties represent the best comparison of market potential.

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

There were 99 rental housing units contacted in the survey. The survey was conducted in April of 2022.

The units that were successfully contacted include:

- ▶ 75 market rate units
- ▶ 24 federally subsidized units

There are no tax credit or senior with services rental housing units in Hill City.

The findings of the survey are provided below.



## Market Rate Summary

Information was obtained on 75 market rate rental units in four rental buildings, twinhomes, single family homes and mobile homes.

### Unit Mix

We obtained the bedroom mix on 40 market rate units. We did not obtain the specific bedroom mix of the 35 mobile homes surveyed. However, the owner reported that all but a few of the units are two and three-bedroom. The estimated bedroom mix of the 40 units is:

- ▶ efficiency - 3 (7.5%)
- ▶ one-bedroom - 4 (10.0%)
- ▶ two-bedroom - 16 (40.0%)
- ▶ three-bedroom - 12 (30.0%)
- ▶ four-bedroom - 5 (12.5%)

### Occupancy / Vacancy

At the time of the survey, there were no vacancies in the 75 market rate units that were surveyed. The rental property owners and managers reported a very high demand for rental units. At the time of the 2018 Hill City Housing Study, only one vacancy was reported.

### Rental Rates

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

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

<u>Unit Type</u>	<u>Lowest/Highest Gross Rents</u>
Efficiency	\$700
One-bedroom	\$525-\$750
Two-bedroom	\$700-\$800
Three-bedroom	\$850-\$925
Four-bedroom	\$1,100-\$1,500

Please note that the rent range for efficiency units was based on one rental property and the rent range for four-bedroom units was based on only two rental properties.

## **Tax Credit Summary**

There are no tax credit rental projects in Hill City.

## **Subsidized Summary**

There is one federally subsidized project in Hill City, Hillyo Manor. Hillyo Manor is a 24-unit General Occupancy HUD Section 8/Rural Development 515 Project. All 24 units are one-bedroom. The project was constructed in the 1970s. Hillyo Manor was originally a senior/disabled project, but has converted to general occupancy.

## **Rental Rates**

Tenants in Hillyo Manor pay rent based on 30% of their household income, up to a maximum market rent of \$650.

## **Occupancy / Vacancy**

There were no vacant units identified in the 24 subsidized units at the time of the survey. The manager reported ongoing low vacancy rates.

## **Subsidized Housing Gains/Losses**

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

In Hill City, Black Hills Apartments, an eight-unit Rural Development general occupancy project, converted from subsidized rental housing to hotel units several years ago. Therefore, eight affordable rental units were eliminated from the City's rental inventory.

Hill City has one remaining subsidized rental project, Hillyo Manor, which has 24 units. The project is owned and managed by the Pennington County Housing and Redevelopment Commission.

## **Senior Housing with Services**

There are no senior housing with services rental projects in Hill City.

**Table 16 Hill City Multifamily Rental Housing Inventory**

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Market Rate</b>					
Olson Apartments	6 - 2 bedroom <u>4 - 3 bedroom</u> 10 total units	Starts at \$700	No vacancies	General Occupancy	Olson Apartments is a 10-unit project with six two-bedroom and four three-bedroom units. The three-bedroom units were base housing that was moved in and renovated and the two-bedroom units were new construction. The project is approximately 10 years old. Rents start at \$700. Tenants also pay heat and electricity. The owner reported no vacancies at the time of the survey. The owner also reported that some tenants have a HUD Housing Choice Voucher.
Main Street Apartments	2 - 1 bedroom 1 - 2 bedroom <u>1 - 3 bedroom</u> 4 total units	Range from \$600 to \$750	No vacancies	General Occupancy	Main St. Apartments includes four units with two one-bedroom, one two-bedroom unit and one one-bedroom unit. The rents range from \$600 to \$750 plus electricity and water. The owner reported no vacancies at the time of the survey.
Alexander Rentals	20 units ranging from efficiencies <u>to 4-bedroom</u> 20 total units	Rents range from \$800 for an efficiency to \$1,400	No vacancies	General Occupancy	Alexander Rentals includes 20 units in single family homes, duplexes and 4-plexes. Rents range from \$800 to \$1,400. Tenant paid utilities vary by units and range from all utilities paid by the owner to all utilities paid by the tenant. The owner reported that the units are always fully occupied and there is a very high demand.

<b>Table 16 Hill City Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Market Rate</b>					
Forest Recreation Management	1 - 1 bedroom 2 - 2 bedroom 1 - 3 bedroom <u>2 - 4 bedroom</u> 6 total units	Rents vary by unit, some units have rents per bed	No vacancies	General occupancy, year-round residents, seasonal employees	The Forest Recreation Management, Inc., rentals include a three-bedroom home, a four-bedroom home and a four-unit 'Bunk House' Apt. building that has a one-bedroom unit, two two-bedroom units and a four-bedroom unit. Tenants include year-round residents and seasonal employees. The units were usually fully occupied at the time of the survey.
Matkins Mobile Home Rentals	35 - primarily <u>2 &amp; 3 bdrm</u> 35 total units	\$450-\$550 plus utilities	No vacancies	General Occupancy	Matkins Mobile Home Rentals include approximately 35 mobile homes. A significant majority of the mobile homes are two and three-bedroom. The rent range is \$450 to \$550 plus utilities. The owner reported that all of the units were usually fully occupied at the time of the survey.
<b>Subsidized</b>					
Hillyo Manor	<u>24 - 1 bedroom</u> 24 total units	30% of income up to market rent of \$650	No vacancies	General Occupancy	Hillyo Manor is a 24-unit General Occupancy HUD Section 8/RD 515 Project owned and managed by the Pennington County Housing and Redevelopment Commission. All 24 units are one-bedroom. The project was constructed in the 1970s. Tenants pay 30% of their income for rent up to market rent of \$650. The manager reported no vacancies at the time of the survey and there is a waiting list.

Source: Community Partners Research, Inc.

## Employment and Local Economic Trends

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

### Work Force and Unemployment Rates

Employment information is only available at the county-level, and has been analyzed for Pennington County. Data in the tables that follow have been obtained from the SD Department of Labor and Regulation.

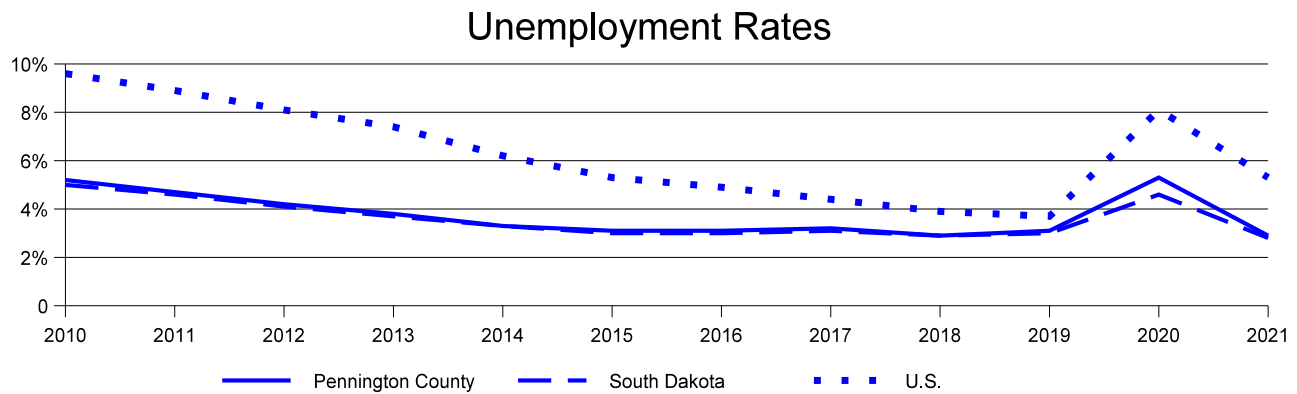
<b>Table 17 Pennington County Annual Labor Statistics: 2010 to 2021</b>						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2010	52,838	50,081	2,757	5.2%	5.0%	9.6%
2011	53,574	51,058	2,516	4.7%	4.6%	8.9%
2012	53,841	51,602	2,239	4.2%	4.1%	8.1%
2013	53,706	51,654	2,052	3.8%	3.7%	7.4%
2014	54,411	52,602	1,809	3.3%	3.3%	6.2%
2015	54,705	53,010	1,695	3.1%	3.0%	5.3%
2016	54,987	53,277	1,710	3.1%	3.0%	4.9%
2017	55,798	54,027	1,771	3.2%	3.1%	4.4%
2018	56,062	54,418	1,644	2.9%	2.9%	3.9%
2019	56,923	55,157	1,766	3.1%	3.0%	3.7%
2020	57,094	54,074	3,020	5.3%	4.6%	8.1%
2021	57,992	56,301	1,691	2.9%	2.8%	5.3%

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

The statistics on the available labor force track people by their county of residence, regardless of where they are employed.

When viewed over the entire 12-year period, the size of the County’s resident labor force has continually increased in size. Between 2010 and 2021, there was an increase of 5,154 people in the labor force, for an increase of 9.8%.

The number of employed County residents has generally followed the same pattern. From 2010 to 2021, the number of employed residents of Pennington County increased by 6,220 people, or 12.4%.



Although the Covid pandemic did have some impact on unemployment in 2020, by the end of 2021 the County’s unemployment rate had dropped to 2.9%.

Throughout the years reviewed, the County’s unemployment rate has been very similar to the Statewide rate, but well below the national unemployment rate.



## **Employment and Wages**

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

<b>Table 18 Pennington County Average Employment and Wages - 2020</b>		
Industry	Total Employment	Average Weekly Wage
Total All Industry	55,475	\$920

Source: South Dakota Department of Labor & Regulation

The average weekly gross wage for all industry in 2020 was \$920 in Pennington County. At full-time employment, this would yield an annual average wage of \$47,840.

## Commuting Patterns of Area Workers

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

<b>Table 19 Commuting Times for Hill City Residents - 2020</b>		
Travel Time	Number	Percent
Less than 10 minutes	95	36.3%
10 to 19 minutes	58	22.1%
20 to 29 minutes	14	5.3%
30 minutes +	95	36.3%
Total	262	100%

Source: American Community Survey

A majority of Hill City’s residents worked locally in 2020, with more than 58% traveling less than 20 minutes for their primary job. However, more than 36% of the City’s residents were commuting 30 minutes or more to work. The American Community Survey also provides travel time by job location. For people that worked in Hill City the following travel times were identified.

<b>Table 20 Commuting Times for Hill City-based Employees - 2020</b>		
Travel Time	Number	Percent
Less than 10 minutes	222	34.5%
10 to 19 minutes	219	34.0%
20 to 29 minutes	68	10.6%
30 minutes +	135	21.0%
Total	644	100%

Source: American Community Survey

Most of the people that worked in Hill City lived within the immediate area, as more than 68% traveled 19 minutes or less to the City. This would include people that both lived and worked in Hill City. However, 21% of city-based workers did commute from greater distances, and traveled 30 minutes or more to Hill City to work.

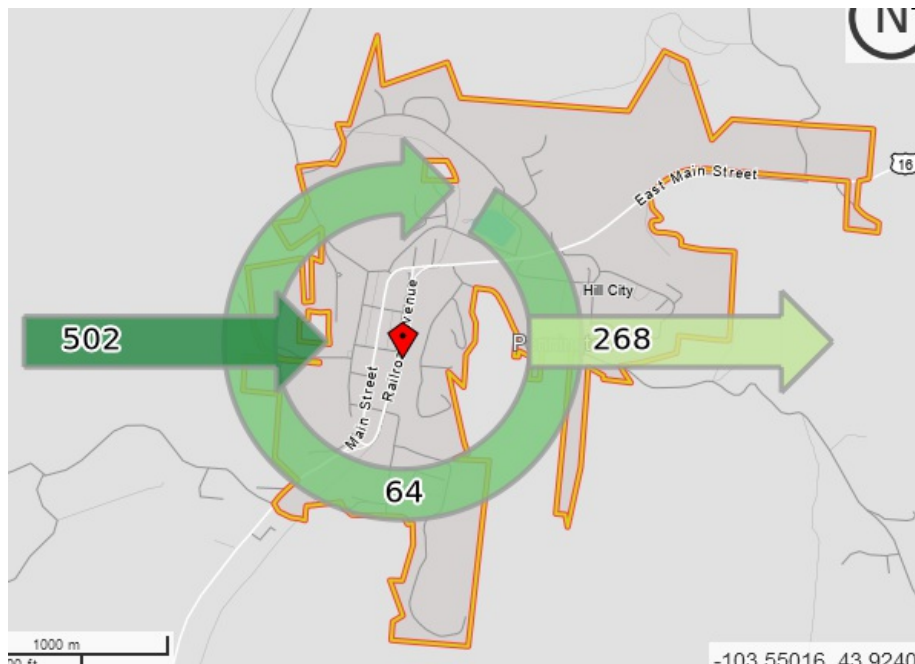
## Census On the Map - Hill City

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

It is important for readers to recognize that these two data sources do show somewhat differing information for the City. For example, the previous page showed more people working in Hill City than is reported on this page. Despite the differences, they do provide some insight into commuting patterns.

According to the report for Hill City, there were 566 people that were employed within the city limits in 2019. Approximately 11% of these City-based employees also lived in Hill City. There were 502 employees that lived outside the City and commuted in for their job. For people that were commuting into Hill City, the primary home locations included West Pennington UT, Mount Rushmore UT and Rapid City.

On the Map can also be used to track worker outflow patterns from the City. Overall, there were 332 Hill City residents that were employed. Most of these City residents worked outside the community, as nearly 81% left the City for their primary job. For Hill City residents that left the City for their employment, the primary destination was Rapid City. Some City residents were also commuting to Mount Rushmore UT, West Pennington UT and Southwest Meade UT.



## **Summary of Findings on Growth Trends**

As part of this Study, Community Partners Research, Inc., has examined growth patterns for Hill City and Pennington County over the past few decades. These historic growth trends have then been used when analyzing future demographic changes projected for the City and the surrounding area.

Based on the recently released 2020 Census, Hill City lost both population and households over the past decade. If 2020 is compared to 2010, the City had 76 fewer residents, although there were only six fewer permanent households in 2020.

The minor reduction in the number of households living in the City after 2010 was a significant change in past patterns, as Hill City had added 96 permanent households between 2000 and 2010, after adding 23 households in the 1990s.

There are few available details that may explain the household loss that occurred after 2010. One possible explanation is that there has been some increase in the use of housing units in the City by seasonal/recreational residents, instead of permanent resident occupancy.

The reduction in the City's population since 2010 is also probably a reflection of an aging population, with fewer children and more senior citizens. The City's average household size has decreased rapidly in the past two decades, often an indicator of more one and two person households.

Although the 2020 U.S. Census reported population and households losses from 2010 to 2020, Hill City experienced strong new housing construction in 2020 and 2021. A total of 45 units were constructed over the past two years. These new units are not included in the 2020 U.S. Census.

While Hill City has seen a minor reduction of households and some population loss, the remainder of Pennington County has continued to grow. Driven primarily by strong growth in Rapid City, the entire County added 3,658 households between 2010 and 2020, and added nearly 8,300 people, continuing a long-term pattern of growth Countywide.

## **Summary of Findings on Projected Growth**

This Update has examined growth projections to the year 2026 from both Applied Geographic Solutions and from Esri. While both of these sources expect future growth in Hill City, the most realistic projection is from Esri.

Between 2021 and 2026, Esri is projecting that the City will add 32 permanent households, or an annual average of between six and seven households per year. Some additional growth is also being projected in the immediate area surrounding Hill City.

There has been significant new single family housing construction in 2020 and 2021. Forty-seven housing units have been constructed in Hill City over the past two years. It is possible, therefore, the Esri household growth projections may prove to be low. However, it is also possible that some of these new units will be owned by people that are seasonal/recreational residents of the City.

These sources also expect some future population growth for the City, with between 23 and 75 permanent residents added over the 5-year projection period. Age-based projections expect the City to continue to add senior citizens and senior-headed households.

Forecasts for all of Pennington County, including Rapid City, show very strong growth over the 5-year projection period. Countywide, nearly 4,000 additional households are projected by 2026, or an annual average of approximately 793 households per year. While most of this Countywide growth would be expected to locate in Rapid City, other parts of the County also have the potential to attract a share of these new households.

## **Summary of Hill City’s Growth Projections by Age Group**

The Demographic section of this Study presented projection information for Hill City on anticipated changes by age group from 2021 to 2026. This information can be informative in determining the housing that may be needed due to age patterns of the City’s population.

Consistent with past research for Hill City, the movement of the “baby boom” generation through the aging cycle will have the greatest impact on near-term changes. Most of the increase in households would be attributed to an expected increase of households age 65 and older. According to Esri, nearly 41% of all households in Hill City will be in the senior citizen age ranges in 2026, compared to approximately 36% of all households in 2021.

Although some of the younger adult age groups may remain relatively stable or even add some households, overall the City may see a minor reduction of households age 64 and younger between 2021 and 2026.

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

<u>Age Range</u>	<u>Projected Change in Households 2021 to 2026</u>
15 to 24	2
25 to 34	-3
35 to 44	1
45 to 54	6
55 to 64	-9
65 to 74	13
75 and older	<u>22</u>
Total	32

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

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

***Age 24 and Younger*** - The projections used for this Study expect an increase of two households in the 15 to 24 age range from 2021 to 2026. Past tenure patterns indicate that a significant majority of the households in this age range in Hill City will rent their housing. A limited increase in the number of households in this age range should mean that rental demand from younger households will remain stable during the projection period.

***25 to 34 Years Old*** - The projections show a loss of three households in this age range by 2026. Within this age range households often move from rental to ownership housing. A gain of three households within this age range indicates demand for both first-time home buyer and rental opportunities from this age range will increase slightly during the projection period.

***35 to 44 Years Old*** - The projections for this 10-year age cohort expect a gain of one household between 2021 and 2026 in Hill City. In the past, this age group has had a high ownership rate in Hill City. Households within this range often represent both first-time buyers and households looking for trade-up housing, selling their starter home for a more expensive house.

***45 to 54 Years Old*** - The projections show a gain of six households in this age range. This age group typically has a high rate of home ownership in Hill City, and will often look for trade-up housing opportunities. A gain in the number of households in this age group indicates that the demand for trade-up housing from this age range will increase during the projection period.

***55 to 64 Years Old*** - The projections show a decrease of nine households in this 10-year age range by the year 2026 in the City. This age range has traditionally had a very high rate of home ownership in Hill City. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters. Households in this age range are also often seeking trade-up housing.

**65 to 74 Years Old** - A significant gain of 13 households is expected by the year 2026 in the 65 to 74 age range. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. Once again, preferences for age-appropriate units would increase from household growth within this age cohort.

**75 Years and Older** - There is a very significant gain of 22 households in Hill City in this age range between 2021 and 2026. An expansion of housing options for seniors, including high quality rental housing, senior with services housing and twinhomes/townhomes, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

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



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

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

***Demand from Growth*** - The household projections used for this Study expect Hill City to gain 32 households and Pennington County will gain 3,966 households from 2021 to 2026. The 10-mile radius around the Hill City is projected to add 69 households, including the growth in Hill City. Therefore, there will be a demand for new housing production in Hill City based on household growth.

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

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

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

## **Strengths for Housing Development**

The following strengths for the City of Hill City were identified through statistical data, local interviews, research and onsite review of the local housing stock and from the 2018 Hill City Housing Study.

- ▶ **Hill City serves as a regional center** - Hill City provides employment opportunities, retail/service options, health services, professional services, governmental services and recreational facilities for a geographical area that surrounds the City.
- ▶ **Educational system** - Hill City has a public K-12 school system.
- ▶ **Infrastructure** - Hill City's water and sewer infrastructure can accommodate future expansion and infrastructure improvements are in the planning phase.
- ▶ **Commercial development** - Hill City's commercial district is adequate to meet most daily needs and is an attraction for tourists.
- ▶ **Employers** - Hill City has employers that provide job opportunities for local residents and seasonal employees.
- ▶ **Commuters** - Estimates from the Census Bureau show an average of approximately 500 employees commuting into Hill City daily for work. This number would fluctuate depending on the time of year. These commuters form a potential market for future housing construction.
- ▶ **Hill City Economic Development Corporation (EDC)** - The Hill City EDC has been active in commercial development, developing and expanding business opportunities and subdivision and housing development.
- ▶ **Pennington County Housing and Redevelopment Commission (HRC)** - The Pennington County HRC has been active in owning and managing housing in Hill City.
- ▶ **Small town atmosphere** - Hill City has the real and perceived amenities of a small town. Small town living is attractive for some households.

- ▶ **Recent housing construction** - Over the past two years, there has been significant construction in Hill City. In 2020, 19 housing units were constructed and in 2021, 26 housing units were constructed.
- ▶ **Builders and developers** - Hill City has housing builders and developers that are willing to invest in new housing construction.
- ▶ **Population and household growth** - Hill City and Pennington County are projected to add people and households over the next five years.
- ▶ **Proximity to Rapid City** - Hill City is located approximately 27 miles from Rapid City, the area's regional center. Rapid City provides additional employment opportunities, retail/services options, educational opportunities, health care facilities and recreational opportunities.
- ▶ **Black Hills Recreational Area** - Hill City is in the Black Hills, a nationally known recreational and tourism area. Mount Rushmore, Crazy Horse Monument, Wind Cave, Custer State Park and other tourist attractions are all in close proximity to Hill City.
- ▶ **Median Home Values** - The median value of existing houses in Hill City, based on 2021 sales activity, is approximately \$260,000. This high value for existing homes can help to encourage new single family construction.
- ▶ **Desirable location to live** - Hill City is in the heart of the Black Hills, which makes it a very attractive area to live in for all households including seniors and retirees.

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

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

- ▶ **Age and condition of some of the housing stock** - Hill City has some homes that require minor or major improvements, or are potentially dilapidated and beyond repair. However, a high percentage of the City's older homes are in good or excellent condition.
- ▶ **Construction costs** - Due to several factors, new construction is higher in Hill City than some other locations including Rapid City.
- ▶ **Lower paying jobs** - Although Hill City has employment opportunities, some jobs are at the lower end of the pay scale and employees with these jobs have limited housing choices.
- ▶ **Off-season commercial/retail options** - Hill City has a limited number of commercial and retail opportunities during the off-season.
- ▶ **Competition from rural building sites** - Households often seek available building sites in rural areas surrounding Hill City and in Pennington County. These building sites compete with available residential lots within the City of Hill City.
- ▶ **Vacation homes** - A significant number of houses in Hill City that would normally be in the permanent resident housing stock are utilized as vacation/seasonal homes.
- ▶ **Available residential lots** - Although a new subdivision was developed since the 2018 Housing Study, there is an ongoing need for additional residential lots.
- ▶ **Proximity to Rapid City** - Although it is a strength to be close to Rapid City, it is also a barrier as Hill City must compete with the Rapid City area, which offers employment, attractive residential opportunities and other amenities and services.
- ▶ **Flood Plain** - A portion of Hill City is in the Flood Plain which limits new construction and housing rehabilitation.
- ▶ **Lack of developable land** - Although Hill City has some developable land options, available land for subdivision development and new housing construction currently is limited.

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

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

- ▶ **Be realistic in expectations for housing development** - The scale housing of activities proposed for the future should be comparable with the area's potential for growth and lot availability.
- ▶ **Proactive community involvement** - New home and apartment construction will more likely occur in Hill City if there is continued proactive support from the City, the Hill City EDC, local and regional housing and economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the existing housing stock** - The future of Hill City will be heavily dependent on the City's appeal as a residential location. The condition of the existing housing stock is a major factor in determining the City's long-term viability. The existing housing stock is a major asset, however, rehabilitation efforts are needed to continue to preserve the housing stock.
- ▶ **Protect the existing assets and resources** - Hill City has several assets including a K-12 school, an excellent Downtown Commercial District, recreation and tourism opportunities, an affordable lot subdivision, etc. These are strong assets that make Hill City a desirable community to live in, and are key components to the City's long-term success and viability. These assets must be protected and improved.
- ▶ **Develop a realistic action plan with goals and time lines** - In the past, the City has been involved in housing issues. The City should prioritize its housing issues and establish goals and time lines to achieve success in addressing its housing needs.
- ▶ **Access all available resources for housing** - In addition to the local efforts, the City has other resources to draw on including the Pennington County Housing and Redevelopment Commission, USDA Rural Development, the South Dakota Housing Development Authority, the Western South Dakota Community Action Agency, the Black Hills Council of Governments, NeighborWorks Dakota Home Resources, Dakota Resources, and Grow South Dakota. These resources should continue to be accessed as needed to assist with housing activities.

## **Summary of Findings/Recommendations**

The findings/recommendations for the City of Hill City have been formulated through the analysis of the information provided in the previous sections and include 25 recommendations. The findings/recommendations have been developed in the following five categories:

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

The findings/recommendations for each category are as follows:

### **Rental Housing Development**

1. Develop 30 to 34 general occupancy market rate rental units
2. Develop 18 to 22 senior independent/light services market rate units
3. Develop 14 to 16 subsidized or moderate rent/income restricted rental housing units
4. Preserve the existing supply of subsidized housing
5. Consider the development of 17 to 21 senior housing with services units/beds
6. Promote the conversion/renovation of existing buildings to create 6 to 8 affordable market rate rental housing units
7. Develop a downtown mixed-use commercial/housing project
8. Apply to access the Housing Choice Voucher Program

### **Home Ownership**

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

**Single Family Housing Development**

10. Lot availability
11. Develop 45 to 55 residential lots
12. Develop a second affordable home subdivision
13. Strategies to encourage residential lot sales and new home construction in Hill City
14. Promote twin home/town home development
15. Coordinate with agencies/nonprofits that develop affordable housing

**Housing Rehabilitation/Neighborhood Revitalization**

16. Promote rental housing rehabilitation
17. Promote owner-occupied housing rehabilitation programs
18. Acquire and demolish dilapidated structures

**Other Housing Initiatives**

19. Encourage employer involvement in housing including the development of seasonal employee housing
20. Develop mobile/manufactured home programs
21. Create a plan and a coordinated effort among housing agencies
22. Strategies for downtown redevelopment
23. Develop home ownership and new construction marketing programs and strategies
24. Vacation Properties
25. Seasonal Employee Housing

# **Hill City - Rental Housing Development**



## **Rental Housing Development**

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

In Hill City from 2010 to 2021, we are not aware of any long-term rental units were constructed. However, single family homes have been converted from owner-occupied to rental use and vice versa during that time period.

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

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

Esri projects that Hill City will gain 32 households from 2021 to 2026. AGS projects that Hill City and the 10-mile radius surrounding Hill City will gain 69 households. AGS is also projecting that Pennington County will gain 3,966 households from 2021 to 2026, highlighting the significant growth potential in the larger region.

We are estimating that approximately 40% of the new Hill City households will be rental households, thus, there will be a demand of approximately 16 additional rental units due to household growth over the next five years. Also, there will be a projected demand for an additional 20 households based on projected Pennington County growth and the growth in the 10-mile radius that surrounds Hill City. Therefore, there will be a demand for approximately 36 new rental units in Hill City over the next five years due to household growth.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that Hill City will lose as many as three to four rental units annually, which is 15 to 20 total rental units over the next five years. As a result, approximately 15 to 20 additional units will be needed over the next five years to replace lost units.

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

Rental units will also be lost due to rental units converting to owner occupancy. Additionally, Hill City has a unique situation in that rental units are being lost due to conversion to short-term rentals and vacation/seasonal housing.

Pent-up demand also exists. As part of this study, a rental survey was conducted. At the time of the survey, there were no vacancies in the market rate units or the subsidized units. Based on the high occupancy rates in existing rental housing, and a limited supply of some types of rental housing, we have identified pent-up demand for market rate, market rate senior, moderate rent/income restricted, and senior with services rental units.

These combined demand generators show a need for 85 to 101 rental units/beds over the next five years. Based on the factors stated above, we recommend the development of the following new rental units over the next five years from 2021 to 2026. In the 2016 Housing Study, we recommended the development of 56 to 71 units and no new units have been constructed from 2016 to 2021.

▶ General Occupancy Market Rate	30-34 units
▶ Senior Independent/Light Services	18-22 units
▶ Subsidized/Moderate Rent	14-16 units
▶ Conversions	6-8 units
▶ Senior with Services (assisted living, memory care)	17-21 units/beds
Total	85-101 units/beds

**1. Develop 30 to 34 general occupancy market rate/work force rental units**

**Findings:** Approximately 85% of the rental housing units in Hill City can be classified as general occupancy market rate/work force housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

We are not aware of any long-term market rental units that have been constructed from 2010 to 2020. Also, only 10 market rate rental units were constructed in Hill City from 2000 to 2010. The 10 units were constructed in a 10-plex, Olson Apartments. However, a number of owner-occupancy single family homes converted to rentals and vice versa.

Most of the market rate units in Hill City are in small rental buildings, mixed-use buildings, twin home/town houses, single family houses and mobile homes. Olson Apartments is the only market rate project in Hill City with more than six units.

In the 75 market rate rental units we surveyed, there were no vacant units. The owners and managers of rental properties reported very high occupancy rates and strong demand for rental housing. The market rate units surveyed included efficiency units and one, two, three and four-bedroom units.

There is a variation in rental rates in the market rate segment in Hill City. The existing rent ranges, including utilities, are \$700 for an efficiency unit, \$525 to \$750 for a one-bedroom unit, \$700 to \$800 for a two-bedroom unit, \$850 to \$925 for a three-bedroom unit, and \$1,100 to \$1,500 for a four-bedroom unit.

**Recommendation:** As stated earlier in this section, rental housing demand is based on household growth, pent-up demand and replacement of housing units that have been demolished or converted. Based on this combination of demand generators, we believe that it is reasonable to plan for the production of a total of 30 to 34 market rate/work force rental units over the next five years from 2022 to 2026.

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

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

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

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

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

If private developers cannot develop affordable workforce rental housing, the Hill City EDC or a regional housing agency could potentially utilize essential function bonds, local funds, or similar funding sources, to construct market rate units.

Also, the Hill City EDC or a regional housing agency could partner with private developers to construct additional units. The City and/or County could assist with land donations, tax increment financing, tax abatement, tax deferments, reduced water and sewer hookup fees, etc. Additionally, funds are available for affordable rental housing and additional funds may be allocated in the future.

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

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	5-6	700 - 800	\$800 - \$1,000
Two Bedroom	20-22	900 - 1,200	\$850 - \$1,400
Three Bedroom	5-6	1,100 - 1,300	\$1,000 - \$1,500
Total	30-34		

**Note:** The recommended rents are gross rents including all utilities. The rents are quoted in 2022 dollars. It is assumed that rents will increase later in the five-year projection period.

It would be advantageous to have rents for some of the units at or less than the fair market rents for the Housing Choice Voucher Program, thus, the units would be affordable for more households. The current fair market rents are:

- ▶ 1 bedroom - \$675
- ▶ 2 bedroom - \$810
- ▶ 3 bedroom - \$1,126

## **2. Develop 18 to 22 senior independent/light services market rate units**

**Findings:** We are not aware of any senior independent market rate rental projects in Hill City. To determine the need for senior independent market rate units in Hill City, we have analyzed data for a Hill City Market Area that includes the City of Hill City and a 10-mile radius surrounding Hill City.

In 2021, there were approximately 610 households age 65 or older in the Hill City Market Area. It is projected that there will be approximately an additional 20 households age 65 and older in the Hill City Market Area by 2022.

We are estimating that 3.0% to 3.5% of senior households age 65 and older in the Hill City Market Area would move into a senior independent/light services rental project. Also, additional senior households are expected to move into a senior independent project from locations outside of Hill City and the 10-mile radius.

**Recommendation:** We are recommending an 18 to 22-unit independent market rate senior project in Hill City. The project should be designed to allow seniors to live in a unit independently. The senior project could be a one-level apartment building or townhome style.

The project's amenities and features should include:

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

Apartment features should include:

- ▶ 18 to 22 units
  - ▶ 4 to 5 one-bedroom
  - ▶ 14 to 17 two-bedroom
- ▶ Floor plans that promote accessibility
- ▶ Fully equipped kitchen
- ▶ Large storage area
- ▶ Ample closet space
- ▶ Laundry hookups

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

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

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

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

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

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

### **3. Develop 14 to 16 subsidized or moderate rent/affordable general occupancy rental housing units**

**Findings:** There is one federally subsidized rental project in Hill City, Hillyo Manor. Hillyo Manor is a 24-unit HUD Section 8/USDA Rural Development general occupancy project constructed in the 1970s. The 24 units are all one-bedroom. At the time of the survey, Hillyo Manor had no vacancies. Tenants pay 30% of their income for rent.

A second federally subsidized rental project, Black Hills Apartments, converted from subsidized rental units to hotel units several years ago. Black Hills Apartments had eight two-bedroom units, thus, eight units were lost from Hill City's most affordable rental housing stock.

Based on the American Survey, approximately 13% of the renter households reported that 30% or more of their income was required to pay housing costs. Most of these households had annual incomes of less than \$25,000, and needed a very affordable unit to avoid a housing cost burden.

**Recommendation:** We recommend that the City of Hill City, the Hill City EDC, and area housing agencies look for opportunities to expand the supply of affordable rental housing. Although the need is greater, a realistic goal would be the construction of 14 to 16 general occupancy two and three-bedroom subsidized or moderate rent/affordable units over the next five years. Ideally, these units would allow tenants to apply no more than 30% of income to monthly rent.

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

The Pennington County HRC or NeighborWorks Dakota Home Resources may be resources for the development of future affordable rental housing. The City of Hill City and the Hill City EDC could assist with land donations, low interest loans, reduced water and sewer hookup fees, etc. Also, the South Dakota Housing Development Authority may have resources to assist with financing affordable rental housing.

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

**Findings:** Hill City has one “deep subsidy” rental housing project, Hillyo Manor, that allows tenants to pay rent based on 30% of income. This project is more than 20 years old and was constructed when the federal government was actively involved in producing low income housing. A second subsidized project, Black Hills Apartments, has recently been converted from subsidized rental housing to hotel units.

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

Privately-owned subsidized housing has been lost as owners have the ability to opt-out of subsidy contracts after their original obligations have been met. This was the case with Black Hills Apartments. Subsidized housing that is lost cannot be cost-effectively replaced with the low income housing production resources that are available today. However, Hillyo Manor is owned by the Pennington County Housing and Redevelopment Commission.

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

The Pennington County HRC owns and manages Hillyo Manor, therefore, it should remain subsidized housing into perpetuity.

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

**Findings:** There are no senior with services housing facilities in Hill City or the Hill City Market Area.

We have analyzed population data for the Hill City Market Area, which includes the City of Hill City and a 10-mile radius surrounding Hill City. While the Market Area may not be a perfect indicator of overall demand, it does provide an informative look at planning for specialized senior housing. Based on 2021 estimates, there are more than 800 older senior citizens, age 65 and older, residing in the Market Area. Also, the age-based forecasts from Esri point to an increase of senior citizens, age 65 and older, from 2021 to 2026.

**Recommendation:** Based on the research completed for this Study, we recommend the development of five to seven memory care beds, 12 to 14 additional assisted living beds, and 18 to 22 independent/light services units in Hill City over the next five years.

**Skilled Nursing Home** - The research for this Study points to a decreasing reliance on nursing homes as a long-term residence option for older senior citizens. Over time, the nursing homes have tended to use more beds for rehab/recovery stays, or other specialized uses. There has also been a long-standing moratorium that limits expansion in most cases. No recommendations are offered for this type of specialized housing in Hill City. There are a significant number of nursing homes in Rapid City.



***Assisted Living*** - There are no assisted living facilities in the Hill City Market Area. Therefore, to address projected demand, we are recommending the development of 12 to 14 assisted living units over the next five years.

***Independent/Light Services*** - We are not aware of any independent/light services units in the Hill City Market Area. Independent/light services units are for more independent seniors that would look to have light services available with their housing. Lighter services would typically include a daily meal, weekly light house keeping and an emergency call system. Based on the size of the older senior population residing in the Market Area and the projected senior population growth over the next five years, we are recommending the development of 18 to 22 independent/light services units in Hill City through 2026. We have detailed this recommendation in Recommendation Number 2, presented earlier in this section.

***Memory Care Housing*** - There are no memory care beds in the Hill City Market Area. To serve demand, the development of five to seven memory care beds in a secure setting would be recommended over the next five years.

It would be advantageous for a medical clinic to be located in Hill City prior to the development of assisted living and memory care units.

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

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

**Findings:** The market rate rental housing recommendation addressed the market potential to develop high quality rental units in Hill City. Unfortunately, these units would tend to be beyond the financial capability of many area renters. Many of Hill City's renter households have an annual income below \$25,000. These households would need a rental unit at \$650 per month or less.

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

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

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

Creating some additional units with contract rents below \$700 per month would help to expand the choices available to a majority of Hill City's renter households.

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

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

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

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

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

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

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

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

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

## **8. Utilize the Housing Choice Voucher Program**

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

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

The Housing Choice Voucher Program is administered in Hill City and Pennington County by the Pennington County Housing and Redevelopment Commission (HRC). The Pennington County HRC has the ability to issue approximately 1,300 vouchers in Pennington County. Currently, there is a waiting list to obtain a Voucher.

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

# **Hill City - Home Ownership**

## **Home Ownership**

**Findings:** Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base. The median owner-occupied home value in Hill City is estimated to be approximately \$260,000, based on 2021 sales activity. The home values in Hill City provide some limited opportunity for first time buyers and households seeking moderately priced homes. However, Hill City's existing homes are valued higher than most cities in South Dakota and some existing homes are purchased and converted to vacation homes or short-term rentals.

Our analysis of Hill City demographic trends shows some limited increase in the number of households in the traditionally strong home ownership age ranges between 35 and 54 years old and strong household growth in the 65 and older age ranges, from 2021 to 2026. Some households in these age ranges as well as other age ranges that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase their first home.

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

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

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

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

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

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

Hill City and the Hill City EDC could also work with housing agencies to assure that they are receiving their share of resources that are available in the region.

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

# **Hill City - Single Family Housing Development**

## **New Housing Construction**

**Findings:** Hill City has experienced significantly family owner-occupied housing construction since the 2016 Hill City Housing Study. From 2016 to 2021 to approximately 59 single family owner-occupancy housing units were constructed in Hill City. Therefore, since 2016, Hill City has averaged approximately 10 new owner-occupied units annually. In the 2016 Housing Study, we recommended seven to 10 new owner-occupied units annually.

The Hill City area has many desirable features and qualities, including the attractiveness of the area, its appeal as a retirement location, the potential for high amenity lots, projected household growth, and a past history of housing development. The efforts of local stakeholders, including developers and builders, should result in the continued construction of owner-occupancy single family housing units over the five-year projection period from 2022 to 2026. However, attractive residential lot options must be available for all home designs and prices.

It is our opinion that if the City of Hill City, the Hill City EDC, developers and builders, and local and regional housing agencies continue to be proactive, an average of 10 to 14 single family owner-occupancy housing units could be constructed in Hill City annually from 2022 to 2026 to address demand. This is a total of 50 to 60 housing units over the five-year period. There could be a significantly higher number of owner-occupied housing units constructed in Hill City over the next five years, as there is a significant demand for new housing. This is evidenced by the number of homes that have been constructed since 2016. However, it appears a shortage of lots will limit the number of owner-occupied units that will be constructed.

Our projection for new owner-occupied single family housing units includes homes built in new subdivisions and on infill lots, and includes single family attached housing units, such as twin homes and town houses. The breakdown of our projection of 10 to 14 new units annually is as follows:

▶ Higher & moderately priced homes	3-4 homes
▶ Entry-level homes (less than \$300,000)	5-6 homes
▶ Twin homes/town houses	<u>2-4 units</u>
Total	10-14 homes/units



## **10. Lot availability**

**Findings:** As part of this Study, we attempted to identify the inventory of residential lots available for single family housing construction in the City of Hill City. Currently, there are approximately eight residential lots that are available in the City’s newer subdivisions, Bull Run and Sunset Creek. Most of these lots are located in the Bull Run Subdivision.

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

There are also subdivisions and building sites in close proximity to Hill City in rural Pennington County.

**Recommendation:** We use a standard that a three-year supply of lots should be available in the marketplace based on annual lot usage. With projections that 10 to 14 new single family housing units could be constructed per year, the City should have approximately 30 to 42 residential lots available to meet the expected current demand. Part of this demand would be for attached unit construction.

With approximately eight lots available, plus infill lots, the City does not have an adequate supply of lots for the next three years. It is our opinion that there is a need for additional residential lots that will accommodate higher priced and affordable homes.

It is our understanding that a second phase of the Sunset Creek Subdivision would include approximately 15 new residential lots. This would partially address the need for medium and higher priced homes. Also, the Bull Run Subdivision with 38 lots for affordable housing has been very successful and we recommend the development of a second affordable subdivision.

## **11. Develop 45 to 55 residential lots**

**Findings:** As stated in the previous recommendation, Hill City has a shortage of residential lots based on projected new housing construction over the next several years.

The median home price for an existing home in Hill City is very high at \$260,000 based on recent sales. Also, some existing homes are purchased and converted to vacation properties. With high prices and a shortage of available existing housing options, new housing construction is a viable option for many households, if lots are available.

**Recommendation:** With projections that 10 to 14 new owner-occupied housing units could be constructed annually in Hill City over the next five years, the City should have residential lots available to meet the expected demand.

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

To achieve the level of new home construction potential that has been identified, we recommend the development of a 45 to 55 lots for home construction, based on the following:

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

- ▶ Successful lot development will need the cooperation of financial institutions, funding agencies, area housing agencies, employers, home builders, developers, the City of Hill City, and Hill City EDC. Financial assistance such as tax increment financing, tax abatement and land donations or writedowns, will be necessary to make the development of lots feasible.

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

An infill lot inventory, along with the development of 35 to 45 new lots, should address lot demand for the next several years.

## **12. Development of a second affordable home subdivision**

**Findings:** It is difficult to develop homes that are considered affordable, generally defined as less than \$300,000. Land and development costs, the cost of materials and labor, new building requirements, etc. are all factors which make many new homes out of reach for most households.

The Hill City Economic Development Corporation has successfully developed a 38-lot affordable subdivision, Bull Run. Most of the lots have been sold and approximately 25 homes have been constructed. It's estimated that all of the lots will be sold and the subdivision will be fully occupied by the end of 2022.

**Recommendation:** We have recommended the construction of five to six affordable homes in Hill City annually from 2022 to 2026, which is a total of 25 to 30 homes. To accomplish this, the City of Hill City and the Hill City EDC will need to take an active role in developing new affordable housing.

Therefore, we recommend that the Hill City EDC and the City of Hill City develop a second 25 to 35-lot affordable subdivision. Please note that the 25 to 35 lots are part of the previous 45 to 55-lot recommendation and are not in addition to recommendation 11. presented above.

The Bull Run Subdivision has been very successful, thus, we recommend similar guidelines, home designs, covenants and home prices for the new subdivision. However, the Hill City EDC should continue to review and monitor the Bull Run Subdivision process to make improvements to a second subdivision where feasible.

Also, as the cost of new home construction continues to increase, additional funding sources should be considered to continue to make the homes affordable. This would include funding sources to reduce subdivision infrastructure costs and financing to assist households with purchasing a home.

### **13. Strategies to encourage continued residential lot sales and new home construction in Hill City**

**Findings:** Over the past six years, from 2016 to 2021, approximately 59 single family homes have been constructed, which is an average of 10 owner-occupied single family units in Hill City annually.

**Recommendation:** We recommend that the City of Hill City, the Hill City EDC, developers, builders, realtors, area housing agencies and other housing stakeholders coordinate efforts to promote lot development, lot sales and housing development.

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

- ▶ **Competitive pricing** - There are lots available in communities throughout the region. To attract new home construction in Hill City, lots should be competitively priced with other options in the area.
- ▶ **User-Friendly/continue the momentum** - The lot purchase and home building process must be 'user friendly.' This includes an inventory of available lots, the construction of spec homes, builders that are readily available to build custom homes and city regulations that are fair and reasonable. The entire process must be as 'user friendly' as possible to encourage home construction. Over the past several years, there has been substantial new home construction in Hill City. It is vital to continue the housing momentum that exists.
- ▶ **Long-term planning** - The City of Hill City and Hill City developers should continue long-term development planning to assure lots are available to meet demand for all types of new housing.
- ▶ **Promote spec home construction** - Spec houses attract a buyer that is not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy.

- ▶ ***Incentives*** - Some cities and counties throughout South Dakota are offering incentives to construct new homes, including reduced lot prices, reduced water and sewer hookup fees, tax abatements, tax deferments, cash incentives, etc. Incentives should be considered to promote new home construction.
- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a demand for twin homes/town homes over the next five years. Lots should continue to be available for a twin home/town home development.
- ▶ ***Range of house prices*** - Lots should continue to be available to as wide a range of home sizes and prices as possible, without compromising the subdivisions. This broadens the lot buyer market. Also, smaller infill lots with fewer amenities could be marketed for affordable homes.
- ▶ ***Marketing*** - The City of Hill City and all housing stakeholders will need to develop a comprehensive marketing strategy to sell available lots. Developers, realtors, financial institutions, builders, employers, the Chamber of Commerce, the Hill City EDC, etc., should all be involved in developing marketing strategies. In addition to marketing the lots, the City of Hill City and its many amenities should continue to be marketed.

#### **14. Promote town house/twin home development**

**Findings:** Hill City has experienced limited attached housing development from 2016 to 2021. Over the six-year period, two twin homes (four units) were constructed. Many communities over the past two decades have seen attached housing take an increasingly large share of new construction for owner-occupants. In cities the size of Hill City, 20% to 25% of the housing starts are typically twin homes/town homes.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making traditional single family homes available for families. Attached housing may also be an affordable option for younger households. In 2021, it is estimated that there were approximately 628 households in the Hill City Market Area in the 65 and older age ranges, and it is estimated that the 65 and older age ranges will increase by 87 households from 2021 to 2026.

It is important for the City to offer a range of life-cycle housing options as many of these households will be seeking to downsize into low maintenance housing options. New twin homes and town homes will also attract households from outside the Hill City Market Area.

**Recommendation:** It is our projection that four new owner-occupancy single family units per year should be twin homes, town houses or condominiums over the next five years, which is a total of 10 to 20 units during the five-year period.

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

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

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

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

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

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

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

# **Hill City Housing Rehabilitation and Neighborhood Revitalization**

## **Housing Rehabilitation and Neighborhood Revitalization**

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

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

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

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

**Findings:** Based on the U.S. Census and American Survey data, the City of Hill City has approximately 170 rental units. These rental buildings are in multi-family projects, small rental buildings, twin homes/town houses, single family homes, mobile homes and mixed-use buildings.

Many of these rental structures could benefit from rehabilitation as a significant number of these buildings are more than 60 years old and some rental units may be in poor condition. Hill City has approximately 94 rental units more than 60 years old, which is approximately 55% of Hill City's total rental housing stock.

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



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

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

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

**Findings:** The quality of the existing housing stock in Hill City will continue to be an attraction for families that are seeking housing in Hill City. Investment in owner-occupied housing rehabilitation activities will be critical to offering high quality housing opportunities. Although Hill City has a newer housing stock compared to most rural cities, approximately 50% of all owner-occupied units that are more than 30 years old. Some of these units need rehabilitation.

The 2022 housing condition survey of 35 homes in Hill City's oldest neighborhood found 17 homes that need minor repairs and six homes that need major repairs. Without rehabilitation assistance, the affordable housing stock will shrink in Hill City.

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

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

**Findings:** The housing condition survey of the City’s oldest neighborhood identified one house that was dilapidated and viewed as too deteriorated to rehabilitate. We also identified six homes as needing major repair and several of these homes may be too dilapidated to rehabilitate. It is probable that some additional deteriorated houses exist in other neighborhoods that were not surveyed. The City of Hill City has worked with property owners in the past to demolish dilapidated structures.

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

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

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

# **Hill City - Other Housing Initiatives**

## **Other Housing Initiatives**

### **19. Encourage employer involvement in housing programs**

**Findings:** Hill City has several employers with a significant number of employees. The connection between economic development and housing availability has become an increasingly important issue as local employers have the need to attract new workers into the community.

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

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

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

Employer involvement can include direct assistance to their employees such as a grant, loan, forgivable loan, deferred loan, down payment assistance, loan guarantee, etc. In many cases, employers do not wish to provide assistance to specific employees, but are willing to contribute to an overall city project, such as work force oriented rental housing or an affordable residential subdivision. Employers can also continue to support other City projects such as trails, parks, ballfields, etc., that directly have a positive impact on housing in Hill City.

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

**Findings:** Hill City has two mobile/manufactured home parks with approximately 74 units. The mobile/manufactured housing stock in Hill City is generally in fair condition. A significant number of the mobile/manufactured homes need major rehabilitation, major rehabilitation or are dilapidated beyond repair.

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

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

With a significant number of Hill City's mobile/manufactured home inventory needing rehabilitation, it may be appropriate for the community to initiate programs to repair mobile/manufactured homes, even if these programs can only address a few units per year.

It is recognized, however, that manufactured/mobile homes in Hill City provide housing for a significant number of low and moderate income households and a loss of units would be a burden for some households in locating affordable housing.

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

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

- ▶ ***Time of Sale/Rent Inspection Program*** - This inspection program is designed to provide safe living conditions through the identification and elimination of basic life/safety hazards in older mobile/manufactured homes. Mobile/manufactured homes are subject to inspection prior to their sale/rent. All identified safety hazards must be corrected before the unit is sold, rented or occupied.
- ▶ ***Continue regulation on the age of mobile/manufactured homes*** - Hill City has adopted regulations that mobile/manufactured homes older than a designated age cannot be moved into the City.

Please note that any manufactured/mobile home programs and projects initiated in Hill City should not result in the loss of affordable housing. The loss of substandard manufactured/mobile home units should be offset with standard manufactured/mobile homes or other types of affordable housing.

## **21. Create a plan in coordination with housing and economic development agencies**

**Findings:** Hill City will continue to need staff resources in addition to existing City and Hill City EDC staff to plan and implement many of the housing recommendations advanced in this Study.

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

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

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

## **22. Strategies for Downtown Redevelopment**

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

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

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

**Recommendation:** We continue to recommend the following actions for downtown Hill City:

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

- ▶ Identify funding sources
  - ▶ Property owner funds
  - ▶ City funds
  - ▶ Hill City EDC funds
  - ▶ Federal Home Loan Bank
  - ▶ Historic tax credits
  - ▶ Special tax districts
  - ▶ Tax increment financing
  - ▶ Tax abatement
  - ▶ Tax deferment
  - ▶ Funds from South Dakota State Agencies
  
- ▶ Work with stakeholders to identify roles, to secure funding, to develop and implement programs and projects
  - ▶ Property owners
  - ▶ City of Hill City
  - ▶ Hill City EDC
  - ▶ Hill City Chamber of Commerce

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

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

The City of Hill City, the Hill City EDC, the Chamber of Commerce, other organizations, and private builders and developers have been active in promoting the City, including housing opportunities.



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

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

## **24. Vacation Properties**

**Findings:** There are a substantial number of homes in the City of Hill City and in Pennington County that have been converted from permanent residential properties to vacation and/or seasonal properties.

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

**Recommendation:** It is our understanding that the City has developed ordinances and regulations for vacation properties. Also, the continued development of additional housing, will expand the housing opportunities available to City residents.

## **25. Seasonal Employee Housing**

**Findings:** During the tourism/vacation season, many Hill City businesses employ seasonal workers. Often these employers are from international locations and are in need of housing.

Some Hill City homes have been converted to seasonal employee housing. Also, some employees live in campgrounds. Additionally, seasonal employees commute into Hill City from other locations such as Rapid City.

**Recommendation:** It may be advantageous to create an inventory of the number, location and type of seasonal employee housing. This could assist in the development of additional employee housing opportunities. The City, Hill City EDC, area housing agencies and the South Dakota Housing Development Authority could potentially assist business owners with developing and/or identifying employee designated housing in Hill City. New employee housing would provide a quality housing option for seasonal workers and lower the number of existing homes that are currently being used, or that may be converted to this use in the future.

## **Agencies and Resources**

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

### **NeighborWorks Dakota Home Resources (Main Office)**

795 Main St.

Deadwood, SD 57732

(605) 578-1405

\* NeighborWorks also has offices in Box Elder and Wall.

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

1805 W. Fulton St. #101

Rapid City, SD 57702

(605) 394-5350

### **Grow South Dakota**

104 Ash Street East

Sisseton, SD 57262

(605) 698-7654

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

221 South Central Avenue

Pierre, SD 57501

(605) 773-3181

### **USDA Rural Development**

414 East Stumer Road, Suite 200

Rapid City, SD 57701

(605) 342-0301

### **Western South Dakota Community Action Agency**

1844 Lombardy Drive

Rapid City, SD 57703

(605) 348-1460

### **Dakota Resources**

25795 475<sup>th</sup> Avenue

Suite #1

Renner, SD 57055

(605) 978-2804