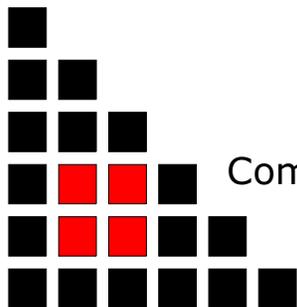


Madison HOUSING STUDY

January 2016

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



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List of Sections

	<u>Page</u>
Introduction	2
Demographic and Projection Data	4
Existing Housing Data	29
Rental Housing Inventory	41
Employment and Local Economic Trends Analysis	57
Findings and Recommendations	64
Agencies and Resources	111

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 Madison and Lake County are privately owned and were constructed with private funds. On an increasing scale, however, the public is demanding that public officials control what happens in this largely private housing market by eliminating blight, protecting individual investments, and generating new housing growth to meet economic development needs.

Community Partners Research, Inc., was hired by the Madison Housing and Redevelopment Commission to conduct a study of the housing needs and conditions in the City of Madison.

Goals

The multiple goals of the study include:

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

Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from July 2015 to January 2016. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Esri, a private data company
- Records and data from the City
- Records and data maintained by Lake 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 and mobile home surveys

Limitations

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

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Section Table of Contents

	<u>Page</u>
Demographic Data Overview	5
Population Data and Trends	6
Population by Age Trends: 2000 to 2010	8
Population Projections	10
Household Data and Trends	11
Household by Age Trends: 2000 to 2010	12
Average Household Size	14
Household Projections	15
Household Projections by Age	16
Households by Type	18
Housing Tenure	19
Tenure by Age	20
Tenure by Household Size	21
2014 Income Data	23
Household Income Distribution	24
Income Distribution by Tenure	25
2014 Estimated Income and Housing Costs - Renters	27
2014 Estimated Income and Housing Costs - Owners	28

Demographic Data Overview

Sources of Data

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

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

The frequency of American Community Survey estimates vary depending on the size of the jurisdiction. For most jurisdictions in South Dakota, the 2014 estimates were derived from sampling that was done over a five-year period, between 2010 and 2014. Unless otherwise noted, the American Community Survey estimates are based on the five-year survey data.

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

Population Data and Trends

Table 1 Population Trends - 1980 to 2015						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2015 Esri Estimates
Madison	6,257	6,540	4.5%	6,474	-1.0%	6,782
Lake Co.	10,550	11,276	6.9%	11,200	-0.7%	11,726

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

- ▶ According to the 2010 U.S. Census, Madison’s population was 6,474 people in 2010. When compared to the 2000 Census, the City had a population loss of 66 people from 2000 to 2010. The 66-person loss from 2000 was a population decrease of 1.0%.
- ▶ Lake County’s population was 11,200 in 2010. This was a decrease of 76 people from 2000, for a population loss of 0.7%.
- ▶ Madison and Lake County experienced population gains in the 1990s. Madison’s population increased by 283 people and Lake County’s population increased by 726 people from 1990 to 2000.
- ▶ Esri, a private data reporting service, has released 2015 population estimates. The estimate for the City of Madison is 6,782, an increase of 308 people from 2010 to 2015. Esri’s 2015 estimate for Lake County is 11,726, a gain of 526 people since 2010.
- ▶ The Census Bureau has also released population estimates. The most recent estimate for Madison is effective July 1, 2014, and shows the City’s population at 7,126, a gain of 652 people from 2010 to 2014. The 2014 estimate for Lake County is 12,368 people and shows the County adding 1,168 people since the 2010 Census.
- ▶ In the opinion of the analysts, both the 2014 Census Bureau estimates and the 2015 Esri estimates, which show significant population growth for Madison and Lake County after 2010, cannot be substantiated through other sources. This level of growth does not match other statistical data that exist, including changes in the housing stock or growth in the available labor force.

- ▶ Madison's population is primarily White and non-Hispanic/Latino. At the time of the 2010 Census, approximately 94.5% of the City's residents were White, 0.7% were Black or African American, 0.9% were American Indian and 1.1% were Asian. Additionally, 1.3% of the population identified themselves as some other race and 1.5% of the population identified themselves as two or more races. Approximately 2.4% of the City's population was identified as Hispanic/Latino.

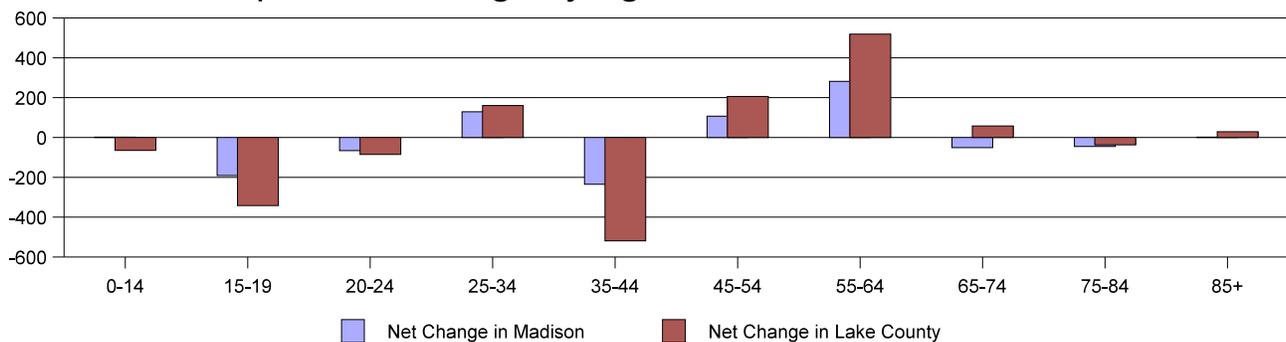
Population by Age Trends: 2000 to 2010

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

Table 2 Population by Age - 2000 to 2010						
Age	Madison			Lake County		
	2000	2010	Change	2000	2010	Change
0-14	1,118	1,120	2	2,079	2,014	-65
15-19	795	604	-191	1,245	903	-342
20-24	852	786	-66	1,048	963	-85
25-34	620	749	129	1,043	1,203	160
35-44	801	566	-235	1,600	1,081	-519
45-54	708	815	107	1,478	1,684	206
55-64	431	713	282	940	1,459	519
65-74	498	447	-51	870	928	58
75-84	473	428	-45	693	656	-37
85+	244	246	2	280	309	29
Total	6,540	6,474	-66	11,276	11,200	-76

Source: U.S. Census

Population Change by Age Between 2000 and 2010



For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been evident in Madison and Lake County. Between 2000 and 2010, Madison had a gain of 389 people and Lake County had a gain of 725 people in the age ranges between 45 and 64 years old. In 2010, nearly all of the baby boomers were within these age ranges.

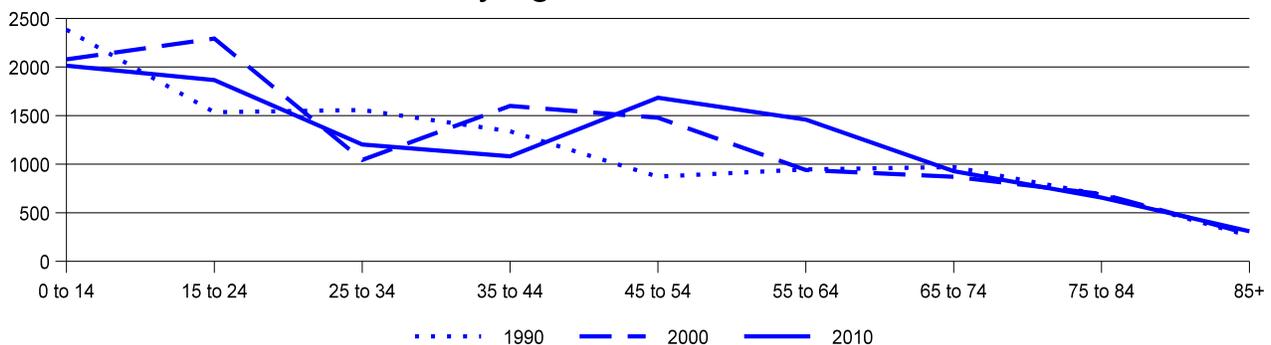
Lake County also had growth of 160 in the 25 to 34 age range, a gain of 58 people in the 65 to 74 age range and a gain of 29 people in the 85 and older age range. Lake County had a loss of 492 people in the 0 to 24 age ranges, a loss of 519 people in the 35 to 44 age range and a loss of 37 people in the 75 to 84 age range.

In addition to the gains in the 45 to 64 age ranges, Madison had a gain of two people in the 0 to 14 age range, a gain of 129 people in the 25 to 34 age range and a gain of two people in the 85 and older age range.

Madison experienced a population loss of 257 people in the 15 to 24 year old age ranges, a loss of 235 people in the 35 to 44 age range and a loss of 96 people in the 65 to 84 age ranges.

The aging trends present in Lake County can be traced back over the previous decades to see the movement of the baby boom generation. Another trend that is evident in the chart below is the decrease in younger people in the age range between 15 and 24 years old between 2000 and 2010, which would potentially reflect a decrease in post-secondary students that live in the County.

Lake County Age Distribution: 1990 to 2010



Population Projections

The following table presents population projections using two different sources. The South Dakota State Data Center has issued Lake County population projections for the year 2020. The other set of projections has been created by Esri, and span the five-year period from 2015 to 2020.

Table 3 Population Projections Through 2020				
	2010 Census	2015 Esri Estimate	2020 Esri Projection	2020 Projection State Data Center
Madison	6,474	6,782	7,325	N/A
Lake County	11,200	11,726	12,686	11,732

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

- ▶ As stated previously, Esri’s estimates for 2015 are probably too high for both Madison and Lake County. Their projections to the year 2020 are based in part on their estimate of past growth, and also are probably too optimistic.
- ▶ Esri’s growth projections show a population gain of 543 people in Madison from 2015 to 2020.
- ▶ Esri’s population projection for Lake County forecasts a gain of 960 people from 2015 to 2020.
- ▶ The State Data Center projects that Lake County’s population will be 11,732 people in 2020. When compared to the County’s population in 2010, this projection assumes an increase of 532 people during the current decade.
- ▶ Esri’s 2015 estimate of 11,726 people living in Lake County is nearly equal to the State Data Center’s projection for the year 2020.

Household Data and Trends

Table 4 Household Trends - 1980 to 2015						
	1990 Households	2000 Households	% Change 1990-2000	2010 Households	% Change 2000-2010	2015 Esri Estimate
Madison	2,474	2,589	4.6%	2,627	1.5%	2,796
Lake Co.	4,030	4,372	8.5%	4,483	2.5%	4,779

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

- ▶ According to the 2010 U.S. Census, Madison and Lake County had a gain of households from 2000 to 2010. Madison had 2,627 households in 2010, an increase of 38 households from 2000, for a household gain of 1.5%.
- ▶ Lake County had 4,483 households in 2010. This was an increase of 111 households, or a household gain of 2.5%.
- ▶ Madison had a gain of 115 households and Lake County had a gain of 342 households during the 1990s.
- ▶ Esri estimates that Madison has gained 169 households and Lake County has gained 296 households from 2010 to 2015. However, this level of growth would greatly exceed the amount of new housing that was constructed, and it is doubtful that this number of new households has actually been achieved.

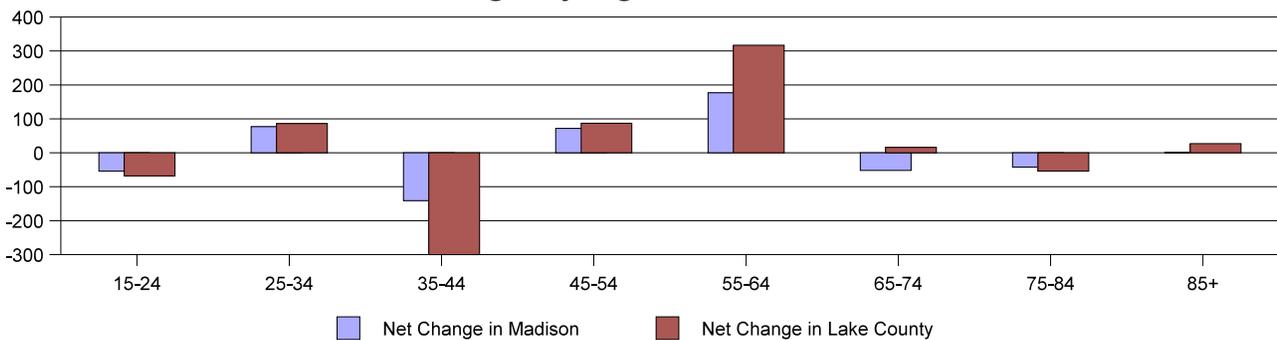
Household by Age Trends: 2000 to 2010

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

Table 5 Households by Age - 2000 to 2010						
Age	Madison			Lake County		
	2000	2010	Change	2000	2010	Change
15-24	338	284	-54	394	326	-68
25-34	336	413	77	534	620	86
35-44	466	325	-141	871	571	-300
45-54	405	477	72	839	926	87
55-64	253	430	177	532	849	317
65-74	312	260	-52	535	551	16
75-84	326	284	-42	487	433	-54
85+	153	154	1	180	207	27
Total	2,589	2,627	38	4,372	4,483	111

Source: U.S. Census

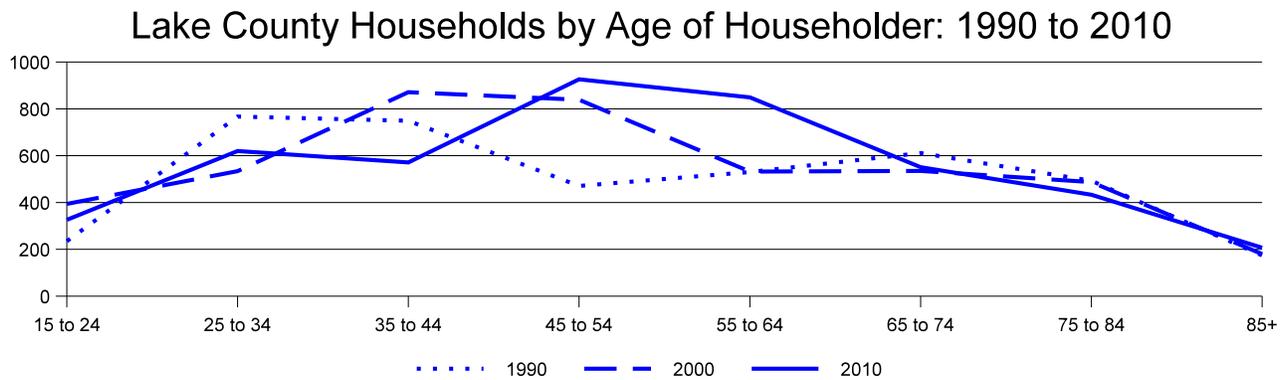
Household Change by Age Between 2000 and 2010



Madison added 77 households in the 25 to 34 year old age range, 249 households in the 45 to 64 age ranges and one household in the age 85 and older age range.

Madison had a decrease of 54 households in the 15 to 24 age range, a loss of 141 households in the 35 to 44 age range and a loss of 94 households in the 65 to 84 age ranges.

Lake County experienced a gain of 86 households in the 25 to 34 age range, a significant gain of 420 households in the 45 to 74 age ranges and a gain of 27 households in the 85 and older age range. Lake County had a loss of 68 households in the 15 to 24 age range, a decrease of 300 households in the 35 to 44 age range and a decrease of 54 households in the 75 to 84 age range.



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

Average Household Size

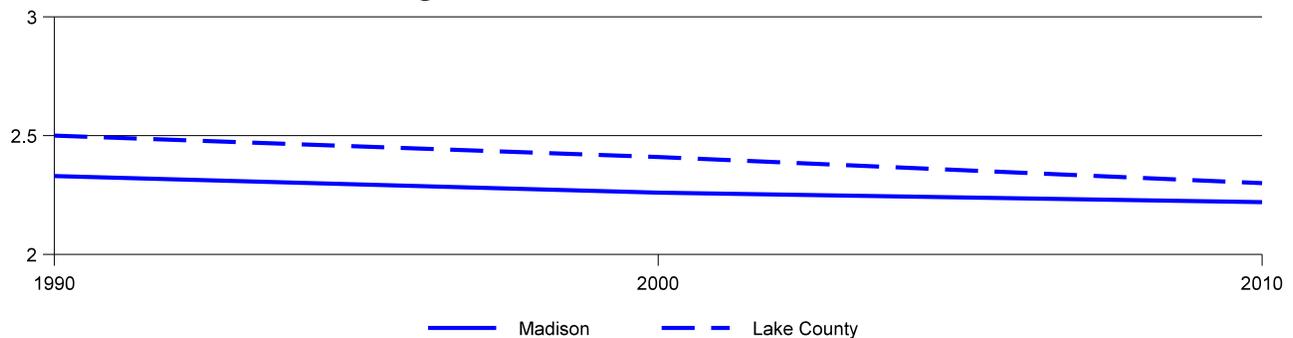
The following table provides decennial Census information on average household size. The 2015 estimates from Esri are also provided.

Table 6 Average Number of Persons Per Household: 1990 to 2015				
	1990 Census	2000 Census	2010 Census	2015 Estimate
Madison	2.33	2.26	2.22	2.20
Lake County	2.50	2.41	2.30	2.27
South Dakota	2.59	2.50	2.42	N/A

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

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

Average Household Size: 1990 to 2010



The average household size in Madison and Lake County has decreased over the past two decades, from 1990 and 2010. In Madison, the average household size decreased from 2.33 persons per household in 1990 to 2.22 in 2010. Lake County’s average household size decreased from 2.50 in 1990 to 2.30 in 2010. In 2010, Madison and Lake County’s average household size was smaller than the Statewide average.

Esri estimates that Madison and Lake County’s average household size has continued to decrease from 2010 to 2015.

Household Projections

The following table presents Esri’s 2015 household estimates and 2020 household projections for Madison and Lake County.

Table 7 Household Projections Through 2020			
	2010 Census	2015 Estimate Esri	2020 Projection Esri
Madison	2,627	2,796	3,058
Lake County	4,483	4,779	5,231

Source: U.S. Census; Esri

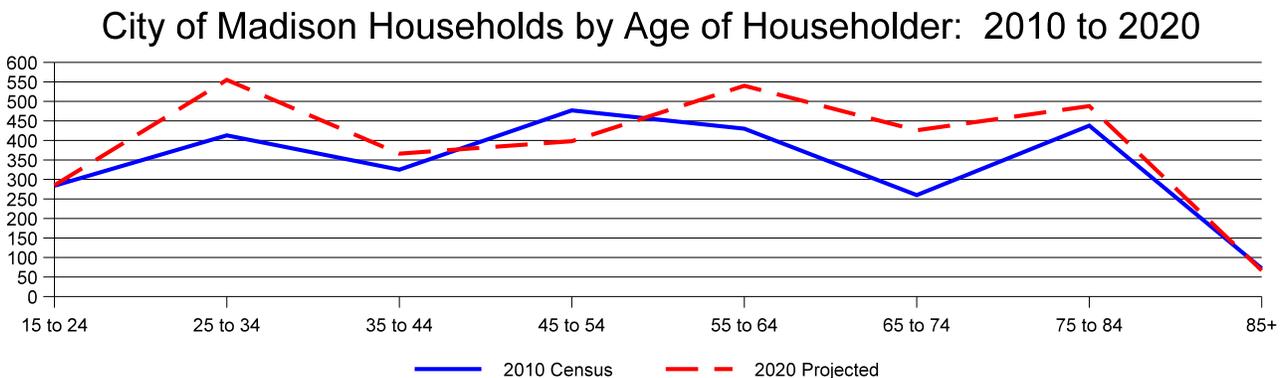
- ▶ The growth projections calculated by Esri expect household growth in Madison and Lake County from 2010 to 2020.
- ▶ Esri estimates that Madison added 169 households from 2010 to 2015 and projects that the City will add 262 more households from 2015 to 2020.
- ▶ Esri’s 2015 estimate for Lake County is 4,779 households, an increase of 296 households from 2010. Esri projects that Lake County will add an additional 452 households from 2015 to 2020.
- ▶ In the opinion of the analysts, Esri’s projections to the year 2020 are probably too high for both Madison and Lake County. For the 2015 estimate to be accurate for Madison, some of the housing that was vacant at the time of the 2010 Census would now need to be occupied. Going forward, the availability of vacant housing would have a limited impact on household growth. Instead, new housing construction of more than 50 units per year would be required, and there is no evidence that this level of activity has been happening in the past or is likely in the future.

Madison Household by Age Projections: 2010 to 2020

Esri has released population by age projections to the year 2020. The following table presents Esri’s 2020 by age projections for Madison, and the household changes from 2010 to 2020.

Table 8 Madison Projected Households by Age - 2010 to 2020			
Age Range	2010 Census	Esri	
		2020 Projection	Change from 2010
15-24	284	285	1
25-34	413	555	142
35-44	325	366	41
45-54	477	398	-79
55-64	430	540	110
65-74	260	426	166
75+	438	488	50
Total	2,627	3,058	431

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



As outlined previously, Esri’s overall projection for household growth appears to be too high. However, the expected changes within defined age ranges are likely to occur, although at a more limited scale.

Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate most of the City’s growth in households in the age ranges between 55 and 74 years old. These projections expect an increase of 276 households in Madison from 2010 to 2020 in the 20-year age group between 55 and 74 years old.

Madison is also expected to add 184 households in the 15 to 44 age ranges and 50 households in the 75 and older age range.

Esri’s projections expect a loss of 79 households in the 45 to 54 age range.

Households by Type

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

Table 9 Madison Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	501	417	-84
Single Parent with own children	187	234	47
Married Couple without own children	720	702	-18
Family Householder without spouse	82	96	14
Total Families	1,490	1,449	-41
Non-Family Households			
Single Person	901	979	78
Two or more persons	198	199	1
Total Non-Families	1,099	1,178	79

Source: U.S. Census

Between 2000 and 2010, Madison experienced an overall net decrease of 41 “family” households. There was a decrease of 84 married couple families with children and a loss of 18 married couples without children. The City had an increase of 47 single parent families with children and an increase of 14 family householder without spouse households.

The City of Madison had a gain of 79 “non-family” households. There was an increase of 78 one-person households and an increase of one household that had unrelated individuals living together.

Housing Tenure

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

Table 10 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Madison	1,589	60.5%	1,038	39.5%
Lake County	3,191	71.2%	1,292	28.8%
State	-	68.1%	-	31.9%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in Madison was 60.5% and Lake County’s ownership rate was 71.2%. Madison’s rental tenure rate of 39.5% was significantly higher than the Statewide rate of 31.9% renter households.

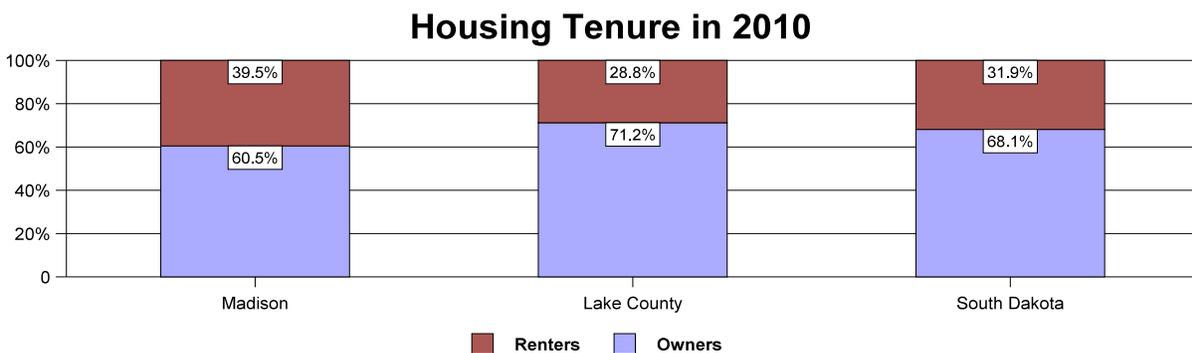


Table 11 Households by Housing Tenure - 2000 to 2010						
Tenure	Madison			Lake County		
	2000	2010	Change	2000	2010	Change
Owners	1,604/62.0%	1,589/60.5%	-15	3,083/70.5%	3,191/71.2%	108
Renters	985/38.0%	1,038/39.5%	53	1,289/29.5%	1,292/28.8%	3
Total	2,589	2,627	38	4,372	4,483	111

Source: U.S. Census

The City of Madison’s ownership tenure rate decreased from 62.0% to 60.5% from 2000 to 2010. For Lake County, the ownership tenure rate increased from 70.5% in 2000 to 71.2% in 2010.

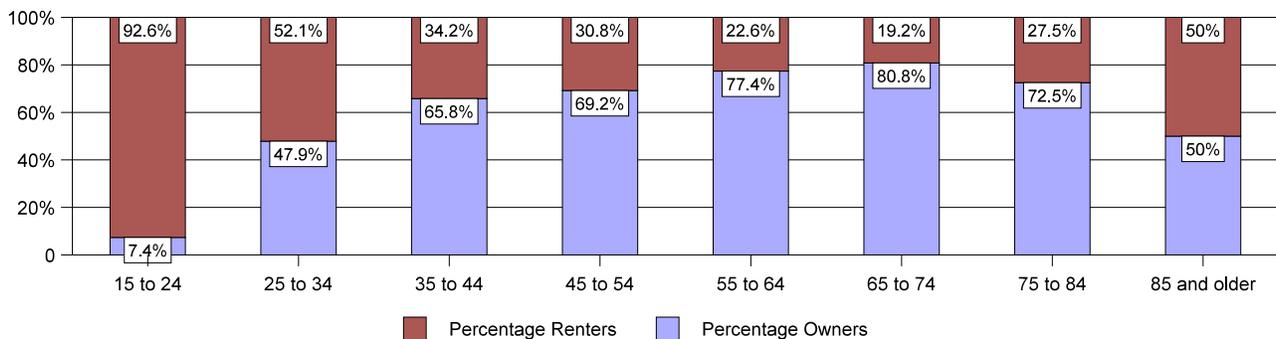
Tenure by Age of Householder

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

Table 12 Madison Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	21	7.4%	263	92.6%
25-34	198	47.9%	215	52.1%
35-44	214	65.8%	111	34.2%
45-54	330	69.2%	147	30.8%
55-64	333	77.4%	97	22.6%
65-74	210	80.8%	50	19.2%
75-84	206	72.5%	78	27.5%
85+	77	50.0%	77	50.0%
Total	1,589	60.5%	1,038	39.5%

Source: U.S. Census

City of Madison Housing Tenure Patterns by Age in 2010



Within the defined age ranges, typical tenure patterns were present. Households at the lowest and highest ends of the age spectrum showed greater preference for rented housing, while middle-aged adult households were primarily homeowners. Approximately 93% of households age 24 and younger, 52% of the households in the 25 to 34 age range, and 50% of households age 85 and older rented their housing. Home ownership rates for each of the 10-year age cohorts between 35 and 84 years old were above 65%.

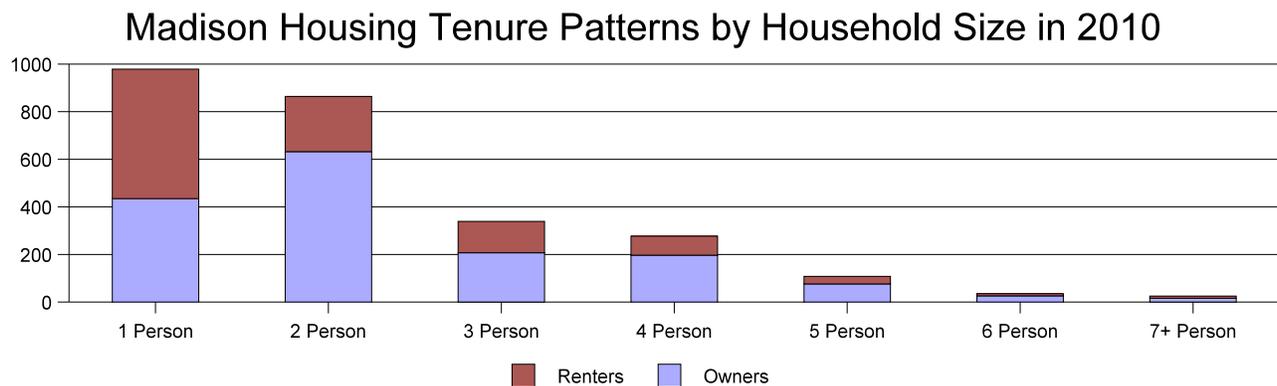
Tenure by Household Size

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

Table 13 Madison Tenure by Household Size - 2000 to 2010						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	385	435	50	516	544	28
2-Person	635	632	-3	251	232	-19
3-Person	192	207	15	119	132	13
4-Person	241	197	-44	62	80	18
5-Person	101	76	-25	20	32	12
6-Person	39	26	-13	9	9	0
7-Persons+	11	16	5	8	9	1
Total	1,604	1,589	-15	985	1,038	53

Source: U.S. Census

From 2000 to 2010, there was a decrease in the number of owner households and an increase of renter households in Madison. There was an increase of 50 owner households with one household member, an increase of 15 three-person owner households and a gain of 5 owner households with seven or more people. There was a decrease of 3 owner households with two household members and a decrease of 82 owner households with four to six people.



There was a loss of 19 renter households with two household members. There was a gain of 28 renter households with one person and a gain of 44 renter households with three or more people. Approximately 75% of the renter households in Madison were one or two person households in 2010.

2014 Income Data

The 2010 Census did not collect information on household income. However, estimates are available at the city and county level through the 2014 American Community Survey.

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

Table 14 Median Household Income - 2000 to 2014			
	2000 Median	2014 Median	% Change
Madison	\$30,434	\$37,045	21.7%
Lake County	\$34,087	\$50,378	47.8%
South Dakota	\$35,271	\$50,338	42.7%

Source: U.S. Census; 2014 ACS 5-year survey

Table 15 Median Family Income - 2000 to 2014			
	2000 Median	2014 Median	% Change
Madison	\$39,745	\$58,298	47.4%
Lake County	\$43,750	\$70,517	61.2%
South Dakota	\$43,237	\$64,636	49.5%

Source: U.S. Census; 2014 ACS 5-year survey

Information contained in the 2014 American Community Survey shows that the median household and family incomes have increased significantly from 2000 to 2014 in Madison and Lake County.

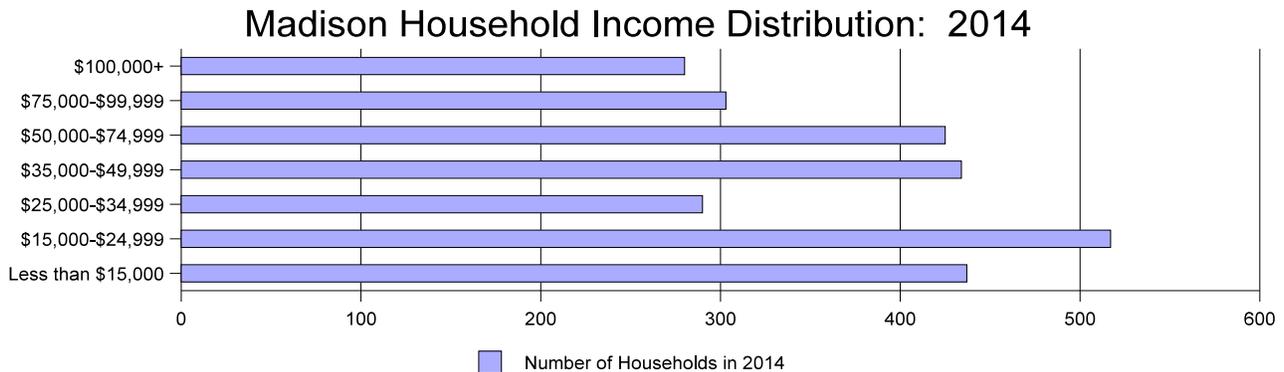
Generally, family household incomes tend to be much higher than the overall household median, as families have at least two household members, and potentially more income-earners. Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Madison could afford approximately \$926 per month and a median income family household could afford \$1,458 per month for ownership or rental housing in 2014.

Madison Household Income Distribution

The 2014 American Community Survey household income estimates for Madison can be compared to the same distribution information from 2000 to examine changes that have occurred over the past decade.

Table 16 Madison Household Income Distribution - 2000 to 2014			
Household Income	Number of Households 2000	Number of Households in 2014	Change 2000 to 2014
\$0 - \$14,999	583	437	-146
\$15,000 - \$24,999	520	517	-3
\$25,000 - \$34,999	423	290	-133
\$35,000 - \$49,999	504	434	-70
\$50,000 - \$74,999	422	425	3
\$75,000 - \$99,999	89	303	214
\$100,000+	78	280	202
Total	2,619	2,686	67

Source: 2000 Census; 2014 ACS



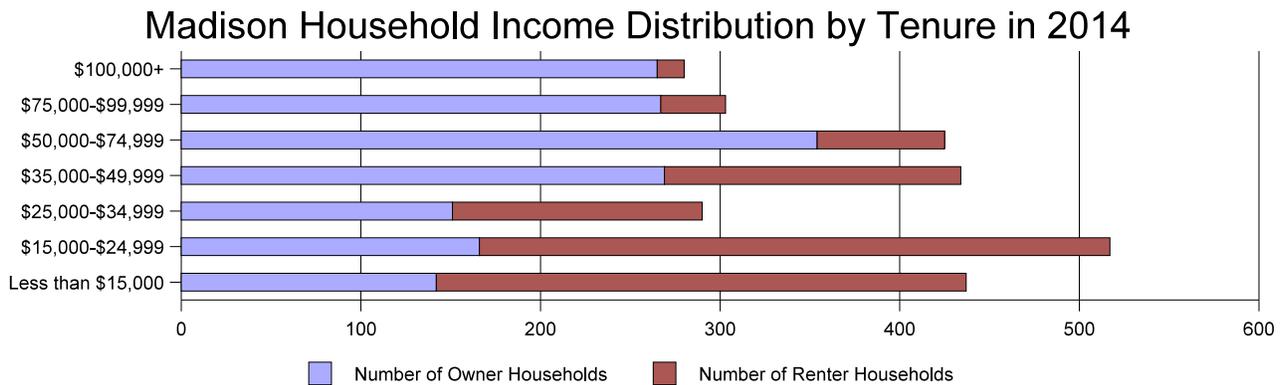
According to income estimates contained in the American Community Survey, household incomes have improved in Madison in the highest income ranges. When compared to the 2000 Census (1999 income), there was an increase of 419 households with an income of \$50,000 or more. Conversely, there was a decrease of 352 households with annual incomes less than \$50,000. Although there was a decrease in the number of households in the lower income ranges, there were still 954 Madison households with an annual income below \$25,000 in 2014, which represented 35.5% of all households.

Madison Income Distribution by Housing Tenure

The American Community Survey provides income data by owner and renter status. The following table examines income distribution in Madison. The American Community Survey is an estimate, based on limited sampling data. The American Community Survey reported income information on 2,686 households, compared to 2,627 households at the time of the 2010 Census, reflecting some growth in Madison over the four-year time period.

Table 17 Madison Household Income Distribution by Tenure - 2014			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	142/32.5%	295/67.5%	437
\$15,000 - \$24,999	166/32.1%	351/67.9%	517
\$25,000 - \$34,999	151/52.1%	139/47.9%	290
\$35,000 - \$49,999	269/62.0%	165/38.0%	434
\$50,000 - \$74,999	354/83.3%	71/16.7%	425
\$75,000 - \$99,999	267/88.1%	36/11.9%	303
\$100,000+	265/94.6%	15/5.4%	280
Total	1,614	1,072	2,686

Source: 2014 American Community Survey



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

In 2014, approximately 73% of all renter households in Madison had an annual income below \$35,000. At 30% of income, these households would have \$875, or less, that could be applied to monthly housing costs. The median income for all renter households was approximately \$22,358 in 2014. At 30% of income, a renter at the median level could afford approximately \$559 per month or less for housing costs.

Most owner households had a higher income level than rental households. Approximately 55% of all owner households had an annual income of \$50,000 or more. The estimated median household income for owners in 2014 was approximately \$56,852. At 30% of income, an owner at the median income level could afford approximately \$1,421 per month for housing costs.

2014 Estimated Income and Housing Costs - Renters

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

Table 18 Gross Rent as a Percentage of Household Income - 2014			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	304 / 36.5	87 / 36.6%	391 / 36.5%
20% to 29.9%	306 / 36.7%	76 / 31.9%	382 / 35.6%
30% to 34.9%	34 / 4.0%	20 / 8.4%	54 / 5.0%
35% or more	126 / 15.1%	55 / 23.1%	181 / 16.9%
Not Computed	64 / 7.7%	0	64 / 6.0%
Total	834	238	1,072 / 100%

Source: 2014 American Community Survey

According to the American Community Survey, approximately 22% of all renters in the City were paying 30% or more of their income for rent. The large majority of these households were actually paying 35% or more of their income for housing. Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a “rent burden”. When more than 35% is required, this can be considered a “severe rent burden”.

Although a housing cost burden could be caused by either high housing costs or low household income, in Madison it was primarily due to low income levels for renters. A majority of the renter households with a housing cost burden had an annual household income below \$20,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$500 or less.

Senior citizen renters (age 65 and older) represented approximately 32% of all households with a rental cost burden. Households in the age ranges between 15 and 64 years old represented approximately 68% of all households with a rental cost burden.

2014 Estimated Income and Housing Costs - Owners

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

Table 19 Ownership Costs as a Percentage of Income - 2014		
Percentage of Household Income for Housing Costs	Number of Owner Households 2014	Percent of All Owner Households 2014
0% to 19.9%	951	58.9%
20% to 29.9%	400	24.8%
30% to 34.9%	74	4.6%
35% or more	189	11.7%
Not Computed	0	0%
Total	1,614	100%

Source: 2014 ACS

Most owner-occupants in Madison, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 16% of all home owners reported that they paid more than 30% of their income for housing. A majority of these households were paying more than 35% of income for housing costs.

Occupancy Status of Housing Units - 2010

Table 20 Occupancy Status of Housing Units - 2010						
	Occupied Units		Vacant Units			
	Owner	Renter	For Rent	For Sale	Seasonal Use	Other Vacant
Madison	1,539	1,038	105	29	14	73
Lake Co.	3,191	1,292	139	69	682	186

Source: U.S. Census

- ▶ In 2010, according to the U.S. Census, there were 682 seasonal housing units in Lake County including 14 units in Madison.
- ▶ In addition to the seasonal units in 2010, there were 394 vacant housing units in Lake County, including 207 units in Madison.

Existing Home Sales

This section examines houses that have been sold since 2008 in the City of Madison. The information was obtained from the South Dakota Department of Revenue website, using information compiled by the Lake County Equalization Office.

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

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

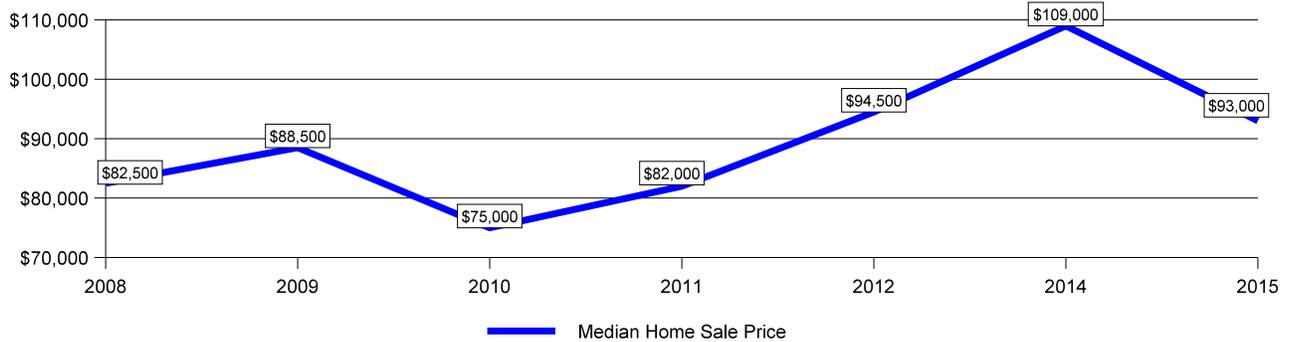
The County and State reject sales that show significant variation from the assessed value. Known as the "150% rule" these sales may be open market transactions but are not useful in the County's sales ratio analysis. The sales file identified the 150% rule sales if they otherwise represent open market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

The County's time period for analyzing annual sales differs slightly from the calendar year. It begins on November 1st and ends on October 31st of each year. The 2015 information has not yet been audited by the State, and it is possible that some sales could eventually be rejected.

Table 21 Madison Residential Sales Activity - 2008 through 2015

Sales Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2015	91	\$93,000	\$454,000	\$5,500
2014	82	\$109,000	\$370,000	\$19,000
2013	105	\$93,000	\$266,000	\$15,000
2012	82	\$94,500	\$315,000	\$5,000
2011	83	\$82,000	\$299,000	\$16,500
2010	65	\$75,000	\$282,500	\$12,000
2009	71	\$88,500	\$379,000	\$18,500
2008	96	\$82,500	\$249,900	\$13,000

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

Median Home Sale Price: 2008 to 2015

Over the time period from 2010 to 2014, the median home sale price in Madison has been on a steady upward trend. Over that time the median price has grown from \$75,000 in 2010, to \$109,000 in 2014. However, in 2015 the median price was lower than in 2014. The 2014 median may have been an aberration, as this was the only year reviewed when the median sales price was above \$100,000.

In each of the years there was at least one house that sold for less than \$20,000, and at least one sale was for \$249,900 or more.

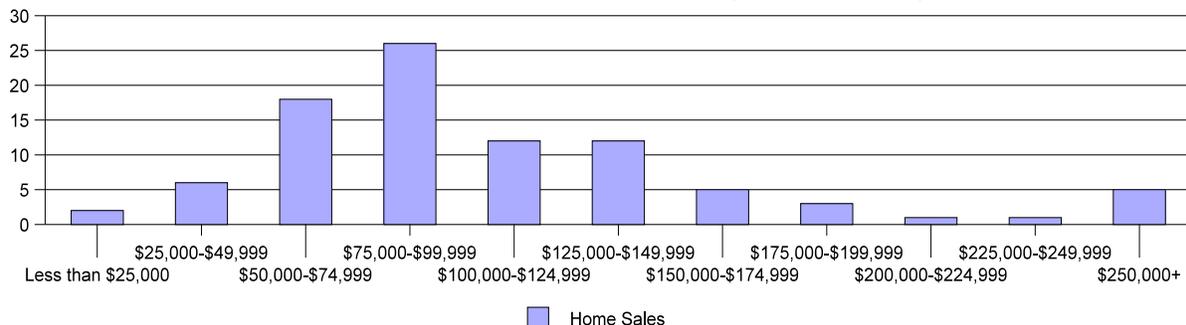
Home Sales by Price Range

The following table looks at single family houses that sold within defined price ranges in a 12-month period, starting in November 1, 2014 and ending October 31, 2015. This represents the County's sales ratio year, and is the most recent 12-month sales sample available to the analysts.

Table 22 Madison 12-Month Home Sales by Price Range		
Sale Price	Number of Sales	Percent of Sales
Less than \$25,000	2	2.2%
\$25,000 - \$49,999	6	6.6%
\$50,000 - \$74,999	18	19.8%
\$75,000 - \$99,999	26	28.6%
\$100,000 - \$124,999	12	13.2%
\$125,000 - \$149,999	12	13.2%
\$150,000 - \$174,999	5	5.5%
\$175,000 - \$199,999	3	3.3%
\$200,000 - \$224,999	1	1.1%
\$225,000-\$249,999	1	1.1%
\$250,000 - \$274,999	1	1.1%
\$275,000 - \$299,999	2	2.2%
\$300,000+	2	2.2%
Total	91	100%

SD Dept. of Revenue; Lake County Equalization; Community Partners Research, Inc.

Recent Madison Home Sales by Price Range



Recent home sales in Madison have been widely distributed in different price ranges, but approximately 56% of recent sales were priced between \$50,000 and \$124,999. Fewer than 11% of homes sold for \$175,000 or more.

Active Residential Listings

The website Realtor.com, maintained by the National Association of Realtors, was used to collect information on active residential real estate listings in Madison. When viewed in October 2015, there were 35 single family homes listed for sale. There were also three attached single family units which have been included in the analysis.

Some additional residential properties are also listed that appear to be outside the city limits, although they may have a Madison mailing address. Some of these are lake shore properties, or houses on land parcels of one acre or more. Houses that are outside the city limits have not been included.

It is important to note that the properties are those included in the Multiple Listing Service (MLS) and would generally be offered through a real estate agent. There are other homes that are posted for sale in Madison that would not be part of the MLS, including most homes being offered “for sale by owner”.

Table 23 Madison Active MLS Listings by Price Range in October 2015		
Asking Price	Number of Listings	Percent of Listings
Less than \$50,000	5	13.2%
\$50,000 - \$74,999	7	18.4%
\$75,000 - \$99,999	5	13.2%
\$100,000 - \$124,999	2	5.3%
\$125,000 - \$149,999	5	13.2%
\$150,000 - \$174,999	4	10.5%
\$175,000 - \$199,999	3	7.9%
\$200,000 - \$249,999	2	5.3%
\$250,000 - \$299,999	2	5.3%
\$300,000+	3	7.9%
Total	38	100%

Source: Realtor.com; Community Partners Research, Inc.

Based on the listings on Realtor.com, a majority of the houses that are currently being offered for sale are priced at \$174,999 or less. Overall, nearly 74% of the active listings are priced below \$175,000. Only 26.3% of all listings are priced below \$100,000. However, it is possible that some additional lower-priced houses are for sale, but not included in the Multiple Listing Service.

American Community Survey Estimated Home Values

One final source of information on home values is available from the American Community Survey for 2014, which asked home owners about the value of their house. The following table displays the values that were reported.

The 2014 American Community survey estimates were based on 1,614 home owners in Madison. The 2010 Census had counted 1,589 owner households in the City. The estimated increase 25 owner-occupants over a four-year period would be generally consistent with the level of new single family home construction that occurred over the same time.

Table 24 Madison Estimated Home Values by Price Range in 2014		
Estimated Value	Number of Owner-Occupancy Units	Percent of Owner-Occupancy Units
Less than \$25,000	93	5.8%
\$25,000 - \$49,999	181	11.2%
\$50,000 - \$79,999	319	19.8%
\$80,000 - \$99,999	324	20.1%
\$100,000 - \$124,999	228	14.1%
\$125,000 - \$149,999	130	8.1%
\$150,000 - \$174,999	138	8.5%
\$175,000 - \$199,999	122	7.5%
\$200,000 - \$249,999	47	2.9%
\$250,000+	32	2.0%
Total	1,614	100%

Source: 2014 American Community Survey

Consistent with a range of home ownership options in Madison, home values are widely distributed within the community. The ACS surveys included all unit types, so the value estimates displayed above represent single family detached homes (approximately 92% of reported units), single family attached (2%) and mobile homes (6%).

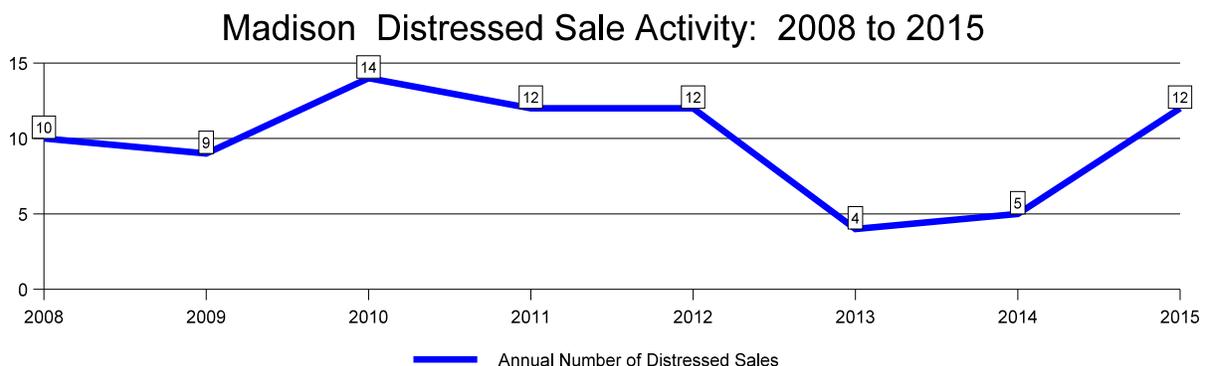
If grouped into larger ranges, approximately 57% of all owner-occupancy units in Madison were estimated to have a value below \$100,000 according to the ACS. Nearly 38% of owner-occupied homes were in the \$100,000 to \$199,999 ranges, and less than 5% of homes were valued at \$200,000 or more.

Home Foreclosures

Starting in the late 2000s, there was a nationwide increase in home foreclosures, short sales, and other distressed property transfers, caused by a national recession and a collapse of a “housing bubble”. Although Madison was impacted by these national trends to some extent, the best available evidence does not show any large-scale problem with home foreclosures.

The sales file obtained from the SD Department of Revenue included descriptive notes on sales that were rejected for the sales ratio study. From these notes, it was possible to determine the number of distressed sales in each year. These were generally listed as “foreclosure”, “Sheriff’s sale” or “repo” transactions. Since these descriptions were added by County staff, and were not always consistent in their wording, it is possible that more of the rejected sales each year were for reasons that could be included under the description of distressed transfers.

Over the period from 2008 to 2015, there were 78 residential sales in Madison that were identified as some type of foreclosure (repo), short sale or Sheriff’s sale. The annual volume ranged from a low of four sales in 2013 to a high of 14 sales in 2010. After two years with a lower volume of foreclosure activity, 2015 had an increased number of distressed transfers.



Residential Lots and Land

The website Realtor.com listed approximately 42 vacant land parcels for sale in the Madison area in October 2015. However, many of these appeared to be outside the city limits, and included a number of lake shore properties. Some of the other listings were for large parcels or properties suitable for commercial/industrial use.

There appeared to be approximately 10 residential lots in Madison that were listed on the MLS. These lots ranged in price from a low of \$15,000 to a high of \$35,000. Five of the 10 listed lots appeared to be in Windsor Estates Second Addition, and were each priced at \$22,900.

Madison Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 658 single family/duplex houses in four of Madison's oldest neighborhoods.

The boundaries of the four neighborhoods are as follows:

- ▶ Neighborhood #1: North - RR Tracks
South - 8th St. SW
East - S. Washington Ave.
West - Highland Ave.

- ▶ Neighborhood #2: North - 2nd St.
South - RR Tracks
East - S. Van Eps Ave.
West - Highland Ave.

- ▶ Neighborhood #3: North - 2nd and 3rd St.
South - RR Tracks
East - N. Division
West - N. Washington Ave.

- ▶ Neighborhood #4: North - 6th St. SE
South - RR Tracks
East - City limits
West - S. Washington Ave.

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 25 Windshield Survey Condition Estimate - 2015					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood #1	24/17.6%	36/26.5%	61/44.9%	15/11.0%	136
Neighborhood #2	86/30.9%	114/41.0%	68/24.5%	10/3.6%	278
Neighborhood #3	45/31.9%	43/30.5%	42/29.8%	11/7.8%	141
Neighborhood #4	45/43.7%	30/29.1%	20/19.4%	8/7.8%	103
Total	200/30.4%	223/33.9%	191/29.0%	44/6.7%	658

Source: Community Partners Research, Inc.

- ▶ Approximately 34% of the houses in four of the City's oldest neighborhoods need minor repair and 29% need major repair. Approximately 30% are sound, with no required improvements. Forty-four houses are dilapidated and possibly beyond repair.

Madison Mobile Home Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 105 mobile homes located in Madison's three mobile home parks.

Mobile homes were categorized in one of four levels of physical condition, Sound, Minor Repair, Major Repair, and Dilapidated as defined below. The visual survey analyzed only the physical condition of the visible exterior of each structure. Exterior condition is assumed to be a reasonable indicator of the structure's interior quality.

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

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

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

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

Table 26 Windshield Survey Condition Estimate - 2015					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Union Square	26/59.1%	16/36.4%	2/4.5%	0/0%	44
Woodbury Estates	6/11.3%	11/20.8%	20/37.7%	16/30.2%	53
Russell Rentals	0/0%	1/12.5%	3/37.5%	4/50.0%	8
Total	32/30.5%	28/26.7%	25/23.8%	20/19.0%	105

Source: Community Partners Research, Inc.

- ▶ The mobile homes in Madison are in fair condition. Approximately 27% of the mobile homes need minor repair and 24% need major repair. Approximately 31% are sound, with no required improvements.
- ▶ Twenty mobile homes were dilapidated and possibly beyond repair.

Madison Building Permit Trends

Madison has experienced some new housing construction activity in recent years. The following table identifies the units that have been constructed from 2000 to 2015.

Table 27 Madison Housing Unit Construction Activity: 2000 to 2015			
Year	Single Family	Two or More Units	Total Units Constructed
2015	2	16	18
2014	3	6	9
2013	5	34	39
2012	4	2	6
2011	3	2	5
2010	3	21*	24
2009	7	0	7
2008	11	0	11
2007	13	0	13
2006	7	0	7
2005	13	0	13
2004	8	0	8
2003	14	0	14
2002	13	0	13
2001	10	0	10
2000	10	24	34
TOTAL	126	105	231

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

* In 2010 Washington Avenue Lofts created 17 rental units through a building conversion project

Over the past 16 years, from 2000 to 2015, 231 new housing units have been created in Madison, based on building permit issuance and U.S. Census information. Approximately 126 of these units are single family homes and 105 units are in structures with two or more units.

From 2000 to 2007, the City averaged approximately 14 new housing units per year. The City has averaged 15 new units per year from 2008 to 2015.

Rental Housing Data

Census Bureau Rental Inventory

According to the 2010 U.S. Census, there were 1,038 occupied rental units and 115 unoccupied rental units in Madison, for a total estimated rental inventory of 1,153 units. The City's rental tenure rate in 2010 was 39.5%, substantially higher than the Statewide rental rate of 31.9%.

At the time of the 2000 Census, Madison had 985 occupied rental units, and 32 vacant rental units, for a total estimated rental inventory of 1,017 units. The rental tenure rate in 2000 was 30.6%.

Based on a Census comparison, the City had a gain of 53 renter-occupancy households, and an increase of 136 rental units from 2000 to 2010.

From 2010 to 2015, three larger multifamily rental projects were constructed in Madison, Washington Avenue Lofts created 17 units through a building conversion, Lake Area Townhomes with 28 units and Evergreen Townhomes with 14 units. Also, several smaller (2 to 4 unit) projects were constructed.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily projects in Madison. Emphasis was placed on contacting properties that have eight or more units. For the purposes of planning additional projects in the future, multifamily properties represent the best comparison of market potential. However, we also obtained some information on some small rental projects and single family homes.

Information was tallied separately for different types of rental housing, including market rate units, subsidized housing and senior housing with services. We also obtained information on skilled nursing beds in the nursing homes.

There were 619 housing units of all types that were contacted in the survey. In addition to the 619 rental units, the nursing homes, which have 120 beds, were surveyed.

The units that were successfully contacted include:

- ▶ 280 market rate units
- ▶ 257 federally subsidized units
- ▶ 82 senior with services units/beds
- ▶ 120 beds in the nursing home

Market Rate Summary

Information was obtained on 280 market rate rental units, including 231 units in 12 multifamily projects and 49 units in smaller rental projects and single family homes.

Unit Mix

We obtained the bedroom mix on 263 market rate units. The bedroom mix of the units is:

- ▶ efficiency/studio - 2 (0.8%)
- ▶ one-bedroom - 66 (25.1%)
- ▶ two-bedroom - 158 (60.1%)
- ▶ three-bedroom - 33 (12.5%)
- ▶ four-bedroom - 4 (1.5%)

Occupancy / Vacancy

At the time of the survey, there were six vacancies in the 263 market rate units that provided vacancy rate information. This is a vacancy rate of 2.3%. All of the rental managers and property owners reported high occupancy rates and a good demand for market rate rental units. Several market rate projects have waiting lists.

Rental Rates

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

In the following summary, Community Partners Research, Inc., has attempted to estimate the gross rents being charged, inclusive of an estimate for tenant-paid utilities. The lowest and highest gross rents have been identified, as reported in the telephone survey.

<u>Unit Type</u>	<u>Lowest/Highest Gross Rents</u>
One-bedroom	\$425-\$800
Two-bedroom	\$550-\$1,025
Three-bedroom	\$550-\$1,300

Only a small number of efficiency units and four-bedroom rentals were identified, and the rent structure for these units may not be an accurate representation of prevailing rents.

Tax Credit Summary

Evergreen Estates received tax credit assistance for project renovation in 2012. Evergreen Estates also receives Rural Development assistance, thus, we have included Evergreen Estates in the subsidized summary that follows.

Harvest Point Apartments was constructed with Tax Credit and Rural Development financing. However, the project has met its Tax Credit contract obligations and currently is only receiving Rural Development assistance. Harvest Point has also been included in the analysis of subsidized housing that follows.

Subsidized Summary

The research completed for this Study identified nine subsidized projects providing rental opportunities for lower income households. These projects have a combined 257 units. Three projects, with a total 128 units, are senior/disabled rental housing. One of the projects, Lakeview Tower, with 94 units, is actually a general occupancy project, however, senior/disabled tenants have a preference. Thus, we have included Lakeview Tower in the senior/disabled category. Six projects with 129 units are general occupancy projects.

The nine subsidized rental projects in Madison include:

- ▶ **Prairie View I Apartments** - Prairie View I Apartments is a 24-unit Section 8 senior/disabled project. The project was constructed in 1978. All of the units have one bedroom.

- ▶ **Lakeview Tower** - Lakeview Tower is a 94-unit HUD Public Housing general occupancy project, however, senior/disabled tenants have preference. The units include 43 efficiency, 48 one-bedroom and three two-bedroom.
- ▶ **Horizon Apartments** - Horizon Apartments is a 10-unit senior/disabled project. The project was constructed in Chester in 1980, but moved to Madison in 2002. All the tenants have rent assistance.
- ▶ **Harvest Point Apartments** - Harvest Point Apartments is a 30-unit Rural Development general occupancy project. There are 12 two-bedroom and 18 three-bedroom units. The project was constructed in 1994.
- ▶ **Lincoln Arms Apartments** - Lincoln Arms Apartments is a 16-unit general occupancy Rural Development project. There are two one-bedroom units and 14 two-bedroom units. The project was constructed in the late 1970s.
- ▶ **Madison Arms Apartments** - Madison Arms Apartments is an eight-unit general occupancy Rural Development project. All eight units have two bedrooms. The project was constructed in 1974.
- ▶ **Parkview Apartments** - Parkview Apartments is a 28-unit general occupancy HUD Section 8 New Construction Project. The 28 units include 24 two-bedroom and four three-bedroom units.
- ▶ **Prairie View II Apartments** - Prairie View II Apartments is a HUD Home general occupancy project constructed in 1997. The project has 27 units, however, 15 units are subsidized and 12 units are market rate. The 15 subsidized units are all one-bedroom.
- ▶ **Evergreen Estates** - Evergreen Estates is a 32-unit Rural Development Project constructed in 1976. Evergreen Estates was previously Village Green Apartments. In 2012, Evergreen Estates received tax credit assistance to renovate the apartments. All 32 units have two bedrooms.

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

Unit Mix

The bedroom mix breakdown for the 257 subsidized housing units in Madison are as follows:

- ▶ 43 efficiency (16.7%)
- ▶ 99 one-bedroom (38.5%)
- ▶ 93 two-bedroom (36.2%)
- ▶ 22 three-bedroom (8.6%)

Occupancy / Vacancy

Seven vacancies were identified in the 257 subsidized units, which is a 2.7% vacancy rate. Most of the property managers reported high occupancy rates. Several projects have waiting lists.

Subsidized Housing Gains/Losses

Federal subsidy sources for low income rental housing have been very limited for the past few decades. Many subsidized projects in South Dakota were constructed in the 1960s, 1970s and 1980s. Some of these older projects have completed their compliance requirements and have the opportunity to leave their subsidy program and convert to conventional rental housing.

In Madison, the Valley East project with 32 units converted from subsidized to market rate in the early 2000s. Therefore, the City of Madison's subsidized inventory has decreased by 32 units due to the conversion.

Senior Housing with Services

Unit Inventory

Lake County's senior housing with services projects include:

- ▶ **The Bethel Lutheran Campus** - Provides senior with services options including:
 - ▶ **Bethel Lutheran Home** - Bethel Lutheran Home is a 59-bed skilled nursing home facility that was constructed in 1962. The facility has an annual occupancy rate above 98%.

- ▶ **Bethel Suites** - Bethel Suites is an assisted living center with 12 rooms that have a capacity of 16 residents. At the time of the survey, Bethel Suites has no vacancies and a waiting list.
- ▶ **Bethel Apartments** - Bethel Apartments includes 16 two-bedroom units that provide light services. Twelve units were constructed in 1990 and four units were recently constructed. Services include a noon meal, light housekeeping, a 24-hour emergency call system and transportation. The facility is fully occupied and has a waiting list.
- ▶ **Bethel Cottage Homes** - Bethel Cottage Homes includes four units in two twin homes. Residents pay a deposit approximately equal to the cost of the unit construction and a monthly maintenance fee. When the resident moves, they are guaranteed at least 75% of their initial deposit. The units are fully occupied.
- ▶ **Bethel Patio Homes** - Bethel Patio Homes include four units in two twin homes. The patio homes are rented for \$1,450 per month plus heat and electricity. The units have 1,230 square feet. The homes are all occupied.
- ▶ **Golden Living Center** - Golden Living Center is a 61-bed skilled nursing facility. Thirteen beds are memory care beds. Currently, there are several vacant skilled nursing and memory care beds.
- ▶ **Heritage Senior Living** - Heritage Senior Living is an assisted living center with 26 licensed assisted living beds in 23 apartment style units. The facility was constructed in 1999. There were no vacancies at the time of the survey.
- ▶ **Ramona Assisted Living Center** - The Ramona Assisted Living Center is located in the City of Ramona and has 16 licensed assisted living beds in 14 rooms. The facility was constructed in 1998. At the time of the survey, there were seven vacant beds.

Table 28 Madison Area Multifamily Rental Housing Inventory

Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Grandview Apartments	1 - 1 Bedroom <u>15 - 2 Bedroom</u> 16 Total Units	\$325 \$520-\$585 +heat, electric	No vacancies	Mostly working age adults, a few students	Two apartment buildings on Lake Madison in Lakeview Twp. Buildings were constructed in 1950 and 1975, and remodeled into apartments in the early 1990s. Amenities include swimming beach and possible dock access. Tenants pay heat and electric in addition to rent. Very good demand, and no vacancies. Most tenants are working age adults, with a few students.
Heritage High Apartments 210 W Center	6 - 1 Bedroom <u>25 - 2 Bedroom</u> 31 Total Units	\$575 \$660-\$760 +heat, electric	No vacancies, waiting list	Mostly seniors, but a mix of tenants	Former junior high school converted to rental housing in the mid 1990s. Building has 6 different levels and an elevator. Amenities include heated under ground parking, security entrance, and extra storage in garage. Higher rent 2 bedroom units are on top floor and have vaulted ceilings. Full occupancy and waiting list at time of survey. Mix of tenants including a few students, DSU staff and younger couples, but nearly two-thirds of units are rented by seniors.
Hillcrest Apartments 1017 N Summit	1 Bedroom <u>2 Bedroom</u> 17 Total Units	N/A	N/A	Mix of tenants with some students	Apartments constructed in 1974 with upgrades made over time. Amenities include garages for some units and additional storage space in basement. Rental rate and occupancy information was not disclosed. Mix of tenants including some students.

Table 28 Madison Area Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Lake Area Townhomes	6 - 1 bedroom 8 - 2 bedroom <u>14 - 3 bedroom</u> 28 Total Units	\$635-\$675 \$900 \$1,075-\$1,150	No vacancies, waiting list	General occupancy	Lake Area Townhomes is a general occupancy market rate project constructed in 2013. The project includes 28 units. The City of Madison assisted the project with tax increment financing. Tenants pay heat and electricity in addition to rent. Most of the three-bedroom units are rented by the students. Units are high quality with amenities including a washer and dryer. Most units have an attached garage. Manager reports no vacancies, a waiting list and a high demand for the units.
Evergreen Townhomes	<u>14 - 2 bedroom</u> 14 Total Units	\$895 +utilities	No vacancies	General occupancy	Evergreen Townhomes is a new market rate general occupancy townhome project. Evergreen Estates includes 14 two-bedroom units. Each unit has a washer/dryer and an attached single car garage. The City of Madison assisted with tax increment financing. Rent is \$895 plus utilities. Although the project has just opened for occupancy, it is already fully leased and there are no vacancies.
MHRC Townhomes 1100 & 1110 N Harth	4 - 2 Bedroom <u>4 - 3 Bedroom</u> 8 Total Units	\$650 \$750 +utilities	No vacancies	Families	Publicly developed market rate rental town house units constructed in 2000. Amenities include attached garage, in-unit laundry hook-up, and dishwasher. Tenants pay all utilities in addition to rent. Manager reports full occupancy and good demand for units.

Table 28 Madison Area Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Prairie View II Apartments 227 SW 8 th Street	5 - 1 Bedroom 7 - 2 Bedroom 12 Total Units (+15 subsidized units reported below)	\$530 \$595 + electric	2 vacancies	General occupancy	Mixed income project constructed in 1997 with some subsidy provided through HUD HOME Program. Twelve units are market rate, four units serve households at or below 50% of income and 11 units serve households at or below 80% of income. Market rate rents are \$530 for a one-bedroom and \$595 for a two-bedroom plus heat and electricity. Manager reports two vacancies, but units are usually fully occupied.
Summit Arms Apartments 1051 N Summit	8 - 1 bedroom 16 - 2 bedroom 24 Total Units	N/A	2 one-bedroom vacancies	Mix of tenants	Summit Arms has 24 units including eight one-bedroom units and 16 two-bedroom units. Manager reports that there are two vacant one-bedroom units. Tenants include students and non-seniors. There are not many senior tenants due to steps. Manager did not provide rental rates.
Union Place Apartments 1022 N Union and other locations	17 - 1 Bedroom 40 - 2 Bedroom 13 - 3 Bedroom 3 - 4 Bedroom 73 Total Units	\$350-\$375 \$375-\$425 \$425-\$475 \$475-\$550 utilities vary but +heat, electric is typical	No vacancies, waiting list	Mix of tenants with some buildings primarily students	Rental units are in a variety of buildings and locations in Madison, ranging from single family homes to a 24-unit apartment building, which is Union Square Apartments. Most tenants are students, but this varies by location. In most units tenants pay heat and electric in addition to rent. Manager reports no vacancies, and demand exceeds supply, including demand from students.
Valley East Apartments SE 8 th & 9 th Sts	16 - 1 Bedroom 16 - 2 Bedroom 32 Total Units	\$450 \$495	No vacancies	Primarily students	Market rate apartment project. The project has 4 buildings with 8 units each, constructed in about 1955. Rent includes all utilities. No vacancies reported. Most tenants are students.

Table 28 Madison Area Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Village West Apartments West Hwy 34	2 - Efficiency 2 - 1 Bedroom 1 - 2 Bedroom 2 - 3 Bedroom <u>1 - 4 Bedroom</u> 8 Total Units	Rents range from \$250 to \$900	2 vacant units 2 - Efficiencies	General occupancy	Market rate rental units created through the conversion of a former motel into apartments. Reported rents range from \$250 to \$900. Two vacant efficiency units at time of survey, but this was due to recent turnover, and project is typically full.
Washington Avenue Lofts	5 - 1 Bedroom <u>12 - 2 Bedroom</u> 17 Total Units	\$775-\$795 \$875-\$1075	No vacancies	General occupancy	Washington Avenue Lofts created 17 rental units in 2010 through the conversion of a former elementary school into apartments. Rent includes water, sewer, garbage and garage parking, with the tenants paying heat and electric. The owner reports full occupancy and strong demand, with a high occupancy rate over the past five years. The project has a range of tenants from younger singles and couples to retirees.

Table 28 Madison Area Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized - Senior and Disabled Occupancy Preference					
Horizon Apartments 421 SE 9 th Street	<u>10 - 1 Bedroom</u> 10 Total Units	30% of income	No vacancies	Elderly and disabled	Apartments originally constructed in Chester in 1980, but moved to Madison in 2002. Significant renovation completed in 2002. All tenants have rent assistance available that allows rent based on 30% of income. Currently, all tenants are seniors (age 62+) and disabled tenants. Currently, there are no vacancies.
Lakeview Tower 111 S Washington	43 - Efficiency 48 - 1 Bedroom <u>3 - 2 Bedroom</u> 94 Total Units	\$374 \$432 \$512 30% of income	No vacancies, waiting list	General occupancy with elderly and disabled preference	Public Housing high-rise that opened for occupancy in 1971. Originally for senior and disabled occupancy, but a later HUD rule change made building available for general occupancy with elderly and disabled preferences. There is a variety of tenants including people with disabilities and seniors. Approximately 50% of the tenants are seniors. Tenants pay rent based on 30% of income up to ceiling rents listed. The manager reports no vacancies and a waiting list. For students to live in the project, they must be independent from their parents. Building has been modernized over time, including past conversion of some efficiencies into one-bedroom units.
Prairie View I Apartments 227 SW 8 th Street	<u>24 - 1 Bedroom</u> 24 Total Units	30% of income up to \$604 market rent	2 vacant units	Senior and disabled occupancy	Section 8 New Construction apartments for senior and disabled tenant occupancy, constructed in 1978. Tenants pay rent based on 30% of income, up to maximum rent of \$604. Two units vacant at time of survey, and some level of vacancy is typical.

Table 28 Madison Area Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized - General Occupancy					
Evergreen Estates 1005 NE 4 th Street	<u>32 - 2 Bedroom</u> 32 Total Units	\$520 - \$545 30% of income	No vacancies	General occupancy	Rural Development subsidized apartments for general occupancy built in 1976. This project was previously Village Green Apartments, but released tax credit assistance in 2012 to rehabilitate the project. At that time, the name of the project was changed to Evergreen Estates. Twenty-eight tenants receive rent assistance that allows rent based on 30% of income; remaining tenants pay 30% of income for rent, but not less than basic, or more than market rents listed. Due to tax credit assistance, tenants must be below 60% of median income. Currently, no students are renting a unit. Manager reports no vacancies.
Harvest Point Apartments 511 SE 9th	<u>12 - 2 Bedroom</u> <u>18 - 3 Bedroom</u> 30 Total Units	\$520 - \$693 \$555 - \$728 30% of income	3 vacant units	General occupancy	Rural Development subsidized apartments for general occupancy built in 1994. Tenants receive rent assistance that allows rent based on 30% of income. Three vacant three-bedroom units at time of survey, but units are typically full.
Lincoln Arms Apartments 1036 N Lincoln 505 NE Spencer	<u>2 - 1 Bedroom</u> <u>14 - 2 Bedroom</u> 16 Total Units	\$405 - \$475 \$430 - \$537 30% of income	No vacancies	General occupancy	Rural Development subsidized apartments for general occupancy built in late 1970s. Twelve tenants can receive rent assistance that allows rent based on 30% of income; remaining tenants pay 30% of income for rent, but not less than basic, or more than market rents listed. Most of the tenants are non-senior on upper floor. Student occupancy rule change has lead to reduced demand, however, five units are rented by seniors. Manager reports no vacancies.

Table 28 Madison Area Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized - General Occupancy					
Madison Arms Apartments 1030 N Lincoln	<u>8 - 2 Bedroom</u> 8 Total Units	\$589 - \$609 30% of income	No vacancies	General occupancy	Rural Development subsidized apartments for general occupancy built in 1974. Seven tenants receive rent assistance that allows rent based on 30% of income. Basic and market rents are listed. Currently, there are no students in this project. Manager reports no vacancies.
Parkview Apartments 1022 NW 7th	24 - 2 Bedroom <u>4 - 3 Bedroom</u> 28 Total Units	30% of income	1 vacant 2 bedroom unit	General occupancy	HUD Section 8 New Construction subsidized units for general occupancy. Tenants pay rent based on 30% of income. Two-bedroom units are in two 12-unit buildings. Three-bedroom units are in town house units. One unit vacant at time of survey.
Prairie View II Apartments 227 SW 8 th Street	<u>15 - 1 Bedroom</u> 15 Total Units (+12 market rate units reported above)	Rent varies based on income level served	1 vacancy	General occupancy	HUD HOME Program subsidized units constructed in 1997. Four units serve households at or below 50% of income, 11 units serve households at or below 80% of income, and 12 units are market rate. Manager reports full one vacancy.

Table 28 Madison Area Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Senior Housing with Services					
Bethel Lutheran Home 1001 S Egan Avenue	licensed for 59 beds	Daily rate	98% or higher annual occupancy	Skilled Nursing Home	Skilled nursing home facility that opened for occupancy in 1962. Occupancy rate is generally at 98% or higher. Part of a senior campus that includes assisted living, congregate housing, and independent living cottage and patio homes.
Bethel Suites 911 S Egan Avenue	12 rooms with license for 16 person occupancy	Monthly for single rate and double occupancy units	Fully occupied with a waiting list	Assisted Living Center	Licensed Assisted Living Center that opened for occupancy in 1997. Twelve rooms available, with four suitable for married couple occupancy - if fully utilized, would be 16 residents, but rarely have 4 married couples. Fully occupied with a waiting list. All services provided. Facility does accept Medicaid. Part of senior campus that includes Bethel Lutheran Home, Bethel Apartments and independent living cottage and patio homes.
Bethel Apartments	<u>16 - 2 Bedroom</u> 16 Total Units	\$1,050 - older units \$1,150 - new units	Full occupancy, waiting list	Senior housing with services	Congregate-style senior apartments with light services. Twelve units constructed in 1990 and four units recently constructed. Rent includes noon meal, weekly light house keeping, 24-hour emergency call system, transportation and most utilities. Fully occupied with waiting list. Garages have been constructed for all of the units. Rent is \$1,050 for the 12 older units and \$1,150 for the new units. Garage rent is \$60 per month. Part of senior complex that includes Bethel Lutheran Home, Bethel Suites and independent cottage and patio homes.

Table 28 Madison Area Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Senior Housing with Services					
Bethel Cottage Homes	4 - 2 Bedroom 4 Total Units	Initial purchase deposit plus monthly fee	Fully occupied	Independent senior housing in Bethel senior complex	Bethel Cottage Homes include two twin homes. Units have 1,494 sq. ft. plus an attached garage. Occupants pay deposit approximately equal to cost of unit construction, plus monthly maintenance fee of \$350. Refund of initial buy-in payment reduces over the years, but never drops below 75%. Residents have access to services and facilities of Bethel senior complex that includes Bethel Lutheran Home, Bethel Suites, Bethel Apartments and Bethel Patio Homes.
Bethel Patio Homes	4 - 2 Bedroom 4 Total Units	\$1,450 plus rent and electricity	No vacancies	Independent senior living	Bethel Patio Homes includes two twin homes for a total of four units. Homes are 1,230 sq. ft. The patio homes are rented for \$1,450 per month plus electricity and heat. The homes are fully occupied. The patio homes are part of the senior campus that includes Bethel Lutheran Home, Bethel Suites, Bethel Apartments and Bethel Cottage Homes.
Golden Living Center 718 NE 8 th Street	licensed for 61 beds including 13 for memory care	Based on level of services	some available beds including memory care beds	Skilled Nursing Home	Skilled nursing home facility originally constructed in the 1950s. A 13-bed secured wing is devoted to memory care housing needs - memory care is full with a waiting list. Nursing home had some available beds at time of survey.

Table 28 Madison Area Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Senior Housing with Services					
Heritage Senior Living 211 NW 1 st Street	26 licensed assisted living beds in 23 units + 4 congregate beds as needed	Based on level of services	No vacancies	Assisted Living Center	Licensed Assisted Living Center that opened for occupancy in 1999. Twenty-three apartment-style units, with 26 person licensed occupancy for assisted living, and up to 4 congregate residents (spouses). Rent includes assisted living services, with additional charges for advanced care. No vacancies at the time of the survey.
Ramona Assisted Living Center 210 E 3 rd Street	16 licensed beds in 14 rooms	Based on level of services and single or double occupancy	7 vacancies	Assisted Living Center	Licensed Assisted Living Center constructed in 1998. Units are sleeping rooms with either shared or private bathrooms - 2 rooms are intended for double occupancy. Seven beds vacant at time of survey and staff reports ongoing vacancies.

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 pay for housing is severely limited.

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

The largest employers in the Madison area (both full-time and part-time) include:

- ▶ Dakota State University
- ▶ Gehl Mustang
- ▶ Madison Community Hospital
- ▶ Madison Public Schools
- ▶ City of Madison
- ▶ Bethel Lutheran Home
- ▶ East River Electric
- ▶ Sioux Valley Energy
- ▶ Prostrollo Auto Mall
- ▶ Sunshine Foods

Source: Lake Area Improvement Corporation

Labor Force and Unemployment

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

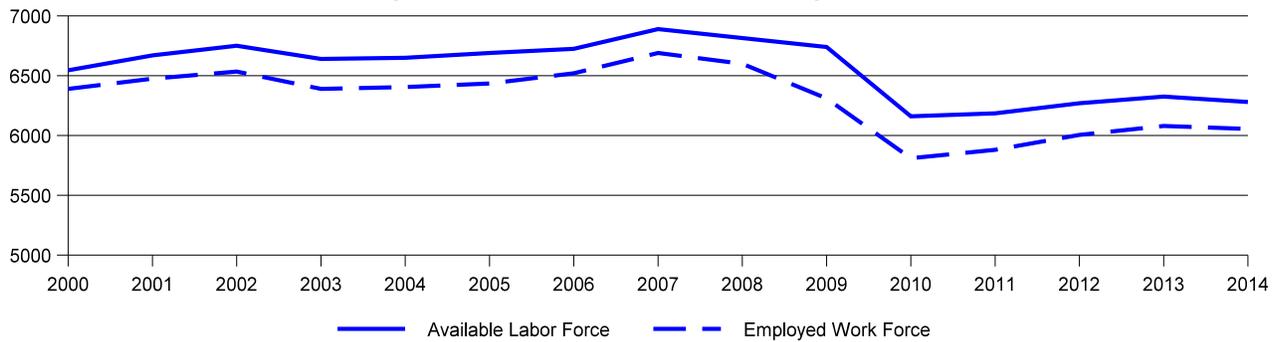
Table 29 Lake County Average Annual Labor Force: 2000 to 2015*						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2000	6,545	6,390	155	2.4%	2.5%	4.0%
2001	6,670	6,475	195	2.9%	3.1%	4.7%
2002	6,750	6,535	215	3.2%	3.2%	5.8%
2003	6,640	6,390	250	3.7%	3.5%	6.0%
2004	6,650	6,405	245	3.7%	3.7%	5.6%
2005	6,690	6,435	255	3.8%	3.8%	5.1%
2006	6,725	6,520	205	3.1%	3.1%	4.6%
2007	6,890	6,690	200	2.9%	2.8%	4.6%
2008	6,815	6,600	215	3.2%	3.1%	5.8%
2009	6,740	6,310	430	6.4%	4.9%	9.3%
2010	6,160	5,810	350	5.7%	5.0%	9.6%
2011	6,185	5,880	305	5.0%	4.7%	8.9%
2012	6,270	6,005	265	4.2%	4.3%	8.1%
2013	6,325	6,080	245	3.9%	3.8%	7.4%
2014	6,280	6,055	225	3.6%	3.4%	6.2%
2015*	6,471	6,216	255	3.9%	3.5%	5.5%

Source: South Dakota Department of Labor *2015 is through November

The labor force statistics for Lake County show a significant change between 2009 and 2010. In that year, the size of the County’s available resident labor force dropped by 580 people, or 8.6%. The employed work force also decreased by 500 people, or 8.6%.

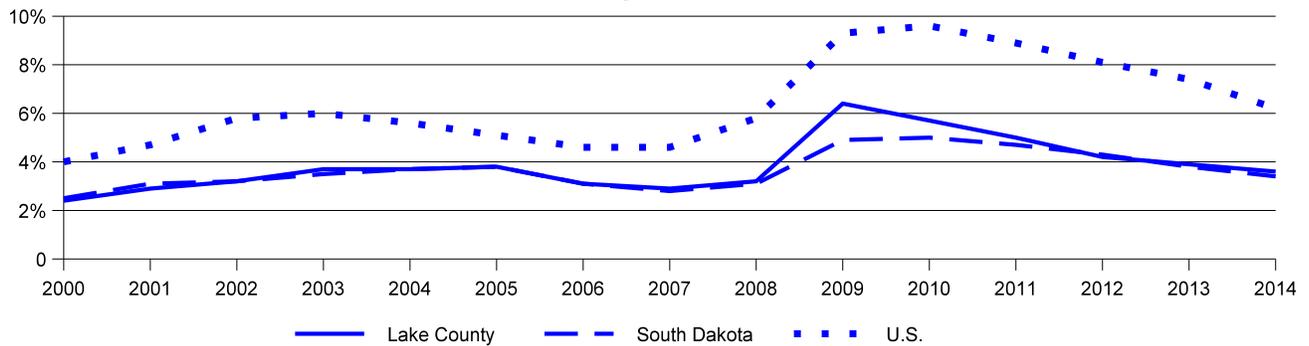
After 2010, the labor force and work force began to grow once again, but still remain below the levels that were present in 2009. There was also a minor setback in labor statistics for the County between 2013 and 2014, but partial-year information for 2015 points to a recent recovery.

Lake County Labor Force and Employed Work Force



Throughout the entire time period reviewed, the unemployment rate in Lake County has stayed well below the national rate. With the exception of 2009 and 2010, the County’s unemployment rate has remained generally similar to the Statewide rate for the past 15 years.

Unemployment Rates



Average Annual Wages by Industry Sector

The following table shows the annual employment and average annual wages by major employment sector in 2014, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment in Lake County.

Table 30 Lake County Average Annual Wages by Industry Detail: 2014		
Industry	2014 Employment	2014 Average Annual Wage
Total All Industry	4,729	\$36,206
Natural Resources, Mining	82	\$31,707
Construction	168	\$36,841
Manufacturing	883	\$39,415
Trade, Transportation, Utilities	971	\$43,426
Information	62	\$31,111
Financial Activities	155	\$47,614
Professional and Business Services	240	\$43,866
Education and Health Services	597	\$33,987
Leisure and Hospitality	492	\$10,201
Other Services	95	\$32,511
Government	984	\$37,830

Source: South Dakota Department of Labor

The average annual wage for all industry in 2014 was \$36,206. The highest paying wage sector was Financial Activities, with an annual wage above \$47,000. However, this sector was relatively small, with only 155 covered workers.

The lowest paying wage sector was Leisure and Hospitality, with an average annual wage of \$10,201.

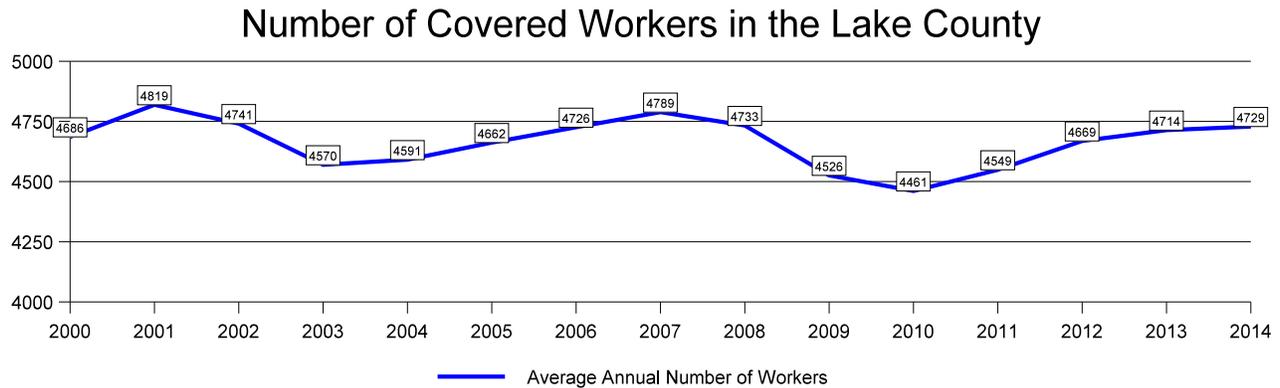
The largest industry sectors for total employment were Government and Trade, Transportation and Utilities, with more than 970 covered workers each in 2014.

Annual Covered Employment

Using the Quarterly Census of Covered Workers (QCEW) it is possible to examine longer-term patterns in the local employment level. The following table displays the total number of workers reported in the County from 2000.

Table 31 Lake County Average Annual Employment			
Year	Total Covered Employment	Year	Total Covered Employment
2000	4,686	2008	4,733
2001	4,819	2009	4,526
2002	4,741	2010	4,461
2003	4,570	2011	4,549
2004	4,591	2012	4,669
2005	4,662	2013	4,714
2006	4,726	2014	4,729
2007	4,789	2015	N/A

Source: QCEW - SD Department of Labor



When viewed over a longer-term there has been very limited change in the number of covered employees working in Lake County. If 2014 is compared to the year 2000, there has been an increase of only 43 workers covered by unemployment insurance, or an increase of less than 1%.

Within the 15-year time period there has been both downward and upward movement. The highest level for covered employment was reached in 2001, and the lowest level was reached in 2010. However, since 2010 there has been gradual growth in the number of covered workers.

Commuting Patterns of Area Workers

Some information is available on area workers that commute for employment. The best information is from the 2014 American Community Survey, and has been examined for the City of Madison. The first table examines Madison residents that traveled to work and excludes people that work at home.

Table 32 Commuting Times for Madison Residents - 2014		
Travel Time	Number	Percent
Less than 10 minutes	2,008	57.7%
10 to 19 minutes	927	26.7%
20 to 29 minutes	88	2.5%
30 minutes +	457	13.1%
Total	3,480	100%

Source: 2014 American Community Survey

The large majority of Madison residents were traveling less than 20 minutes to work in 2014. This would include residents that are employed within the City of Madison. Overall, more than 84% of working residents traveled 19 minutes or less to work. However, more than 13% of the City’s residents were commuting 30 minutes or more for employment. This could represent employment in Cities such as Sioux Falls, Mitchell, Brookings or Watertown.

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

Table 33 Commuting Times for Madison-based Employees - 2014		
Travel Time	Number	Percent
Less than 10 minutes	2,175	47.2%
10 to 19 minutes	1,330	28.9%
20 to 29 minutes	321	7.0%
30 minutes +	779	16.9%
Total	4,605	100%

Source: 2014 American Community Survey

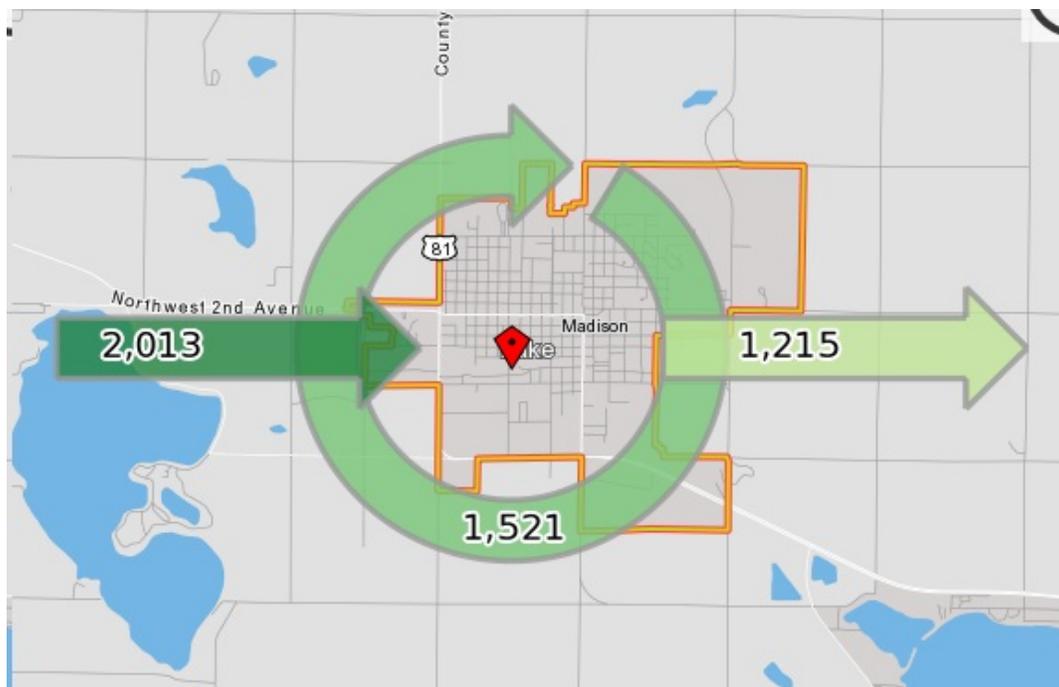
Most of the people that were employed within the City of Madison in 2014 either lived within the community, or within the immediate area. Overall, approximately 75% of city-based workers had a travel time of 19 minutes or less to their primary job. However, approximately 17% of workers did commute for 30 minutes or more to work in Madison.

Census On the Map

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is based on reports for the year 2013 and provides a further breakdown of worker movement.

According to the report for Madison, there were 3,534 people that were employed within the City in 2013. Only 43% of these city-based employees also lived in Madison. The remaining 57% of employees lived outside the City and commuted in for their job.

On the Map can also be used to track worker outflow patterns from the City. Overall, there were 2,736 Madison residents that were employed. Most of these City residents also worked inside the community, but 44.4% traveled to other locations.



Findings on Growth Trends

Madison's population increased by 4.5% from 1990 to 2000. The population increased from 6,257 in 1990 to 6,540 in 2000. From 2000 to 2010, Madison had a loss of 66 people, which was a population decrease of 1%. Madison's population was 6,474 in 2010.

Lake County's population increased from 10,550 in 1990 to 11,276 in 2000, which was an increase of 6.9%. The population decreased slightly in the 2000s from 11,276 in 2000 to 11,200 in 2010, which was a loss of 0.7%.

Household levels in Madison and Lake County increased from 1990 to 2010. Madison experienced a gain of 115 households from 1990 to 2000 and a gain of 38 households from 2000 to 2010. Lake County had an increase of 342 households from 1990 to 2000 and 111 households from 2000 to 2010.

Esri estimates that Madison and Lake County gained population and households from 2010 to 2015. Esri estimates that Madison gained 308 people and 169 households and Lake County gained 526 people and 296 households from 2010 to 2015.

While Esri has estimated that significant growth has been occurring since 2010, this level of growth is generally less than one-half the level estimated by the Census Bureau. In the opinion of the analysts, both estimating sources are probably too high. Other statistical data, including housing unit construction activity, and changes in the local labor force are inconsistent with growth of this scale.

Findings on Projected Growth

This Study has examined Esri's projections for Madison and Lake County. Esri projects that Madison will gain 543 people and 262 households from 2015 to 2020. Lake County is expected to gain 960 people and 452 households from 2015 to 2020.

As explained above, it appears that Esri has overestimated recent growth, and as a result has projected future growth at a level that is unlikely to occur through the year 2020. To achieve the household forecast, the City would generally need to average more than 50 units per year through new construction. Since 2008, the City has been averaging less than 15 units per year.

Summary of Madison’s Growth Projections by Age Group

The Demographic section of this Study presented Madison projection information on anticipated changes by age group from 2010 to 2020. This information can be informative in determining the housing that may be needed due to age patterns of the City’s population.

Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate much of the City’s growth in households in the age ranges between 55 and 74 years old. Esri’s age projections expect the City to add approximately 276 households in the 55 to 74 age ranges from 2010 to 2020.

The Esri age-based projections also expect an increase of 184 households in the 15 to 44 age ranges and a gain of 50 households in the 75 and older age ranges.

Madison is projected to lose households in only one age range from 2015 to 2020. The 45 to 54 age range is projected to lose 79 households.

It is important to note that the actual level of change is probably too high, although growth or losses within the defined age ranges are still probable, while at a more limited scale.

<u>Age Range</u>	<u>Projected Change in Households 2010 to 2020</u>
15 to 24	1
25 to 34	142
35 to 44	41
45 to 54	-79
55 to 64	110
65 to 74	166
75 and older	50
Total	431

Findings on Unit Demand by Type of Housing

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

Age 24 and Younger - The projections used for this Study expect a gain of one household in the 15 to 24 age range through the year 2020. Past tenure patterns indicate that approximately 93% of these households in Madison will rent their housing. A stable number of households in this age range should mean that rental demand from younger households will not change during the projection period.

25 to 34 Years Old - The projections show a gain of 142 households in this age range by 2020. Within this age range households often move from rental to ownership housing. The ownership rate among these households in Madison was approximately 48% in 2010. A household gain of 142 households within this age range indicates increased demand for both first-time home buyer and rental opportunities during the projection period.

35 to 44 Years Old - The projections for this 10-year age cohort expect a gain of 41 households between 2010 and 2020 in Madison. In the past, this age group has had a home ownership rate in Madison of approximately 66%. Households within this range often represent both first-time buyers and households looking to trade-up, selling their starter home for a more expensive house.

45 to 54 Years Old - By 2020, this age cohort will represent the front-end of the "baby bust" generation that followed behind the baby boomers. This age group represents a much smaller segment of the population than the baby boom age group. For Madison, the projections show a loss of 79 households in this range. This age group historically has had a high rate of home ownership, approximately 69% in Madison in 2010, and will often look for trade-up housing opportunities. A loss in the number of households in this age group, indicates that the demand for trade-up housing will decrease during the projection period.

55 to 64 Years Old - This age range is part of the baby boom generation. The projections show an increase of 110 households in this 10-year age range by the year 2020 in the City. This age range has traditionally a high rate of home ownership in Madison, at approximately 77% in 2010. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters.

65 to 74 Years Old - A strong gain of 166 households is expected by the year 2020 in the 65 to 74 age range. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. At the time of the 2010 Census, approximately 81% of the households in this age range owned their housing in Madison. Once again, preferences for age-appropriate units will increase from household growth within this age cohort.

75 Years and Older - There is a projected gain of 50 households in Madison in this age range between 2010 and 2020. In the past, households within this 10-year age range have had a relatively low rate of home ownership in Madison. An expansion of housing options for seniors, including high quality rental housing, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

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

Findings on Housing Unit Demand and Tenure

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

Demand from Growth - The household projections used for this Study expect Madison and Lake County to add households from 2015 to 2020. Household growth in Madison and Lake County will yield demand for new housing production in Madison.

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 Madison, some dilapidated housing has been demolished, and more units will be removed in the future. As a result, we have included an allowance for unit replacement in the recommendations that follow.

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

Pent-Up Demand - The third primary demand-generator for new housing is caused by unmet need among existing households, or pent-up demand. Household growth and shifting age patterns have created demand for certain types of age-appropriate housing in Madison. 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 Madison were identified through statistical data, local interviews, research and on-site review of the local housing stock.

- ▶ **Madison serves as a small regional center** - Madison provides employment opportunities, retail/service options, health and professional services, governmental services and recreational facilities for a geographical area that surrounds the City.
- ▶ **Affordable priced housing stock** - The City of Madison has a stock of affordable, existing houses. Our analysis shows that the City's median home value based on 2015 sales is approximately \$93,000. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Adequate land for development** - Madison has land available for both residential and commercial/industrial development. However, some of this land needs to be serviced with infrastructure improvements and/or annexed into the City limits.
- ▶ **Educational system** - Madison has an excellent public K-12 school system. Dakota State University, a highly regarded university, is also located in Madison.
- ▶ **Health facilities** - Madison has excellent health facilities including a new hospital, medical clinic and senior with services facilities.
- ▶ **Infrastructure** - Madison's water and sewer infrastructure can accommodate future expansion.
- ▶ **Commercial development** - Madison's commercial district is adequate to meet daily needs. Also, Madison has experienced commercial development over the past several years.
- ▶ **Madison Housing and Redevelopment Commission** - The Madison Housing and Redevelopment Commission owns and manages affordable housing and administers the Housing Voucher program in the City of Madison and in Lake and Miner Counties.

- ▶ **Lake Area Improvement Corporation** - The Lake Area Improvement Corporation is active in promoting economic and industrial development, job creation and housing.
- ▶ **Employers** - Madison has several large employers that provide job opportunities for local residents.
- ▶ **Population and household growth** - Madison is projected to gain a substantial number of people and households over the next five years.
- ▶ **Commuters** - More than 2,000 of the city-based employees are commuting into Madison daily for work. These commuters are a potential market for future housing construction.
- ▶ **Desirable location of seniors and retirees** - Madison is an attractive community for seniors as a retirement location. As the providers for the area's health, retail and government services and housing options, the City has amenities that are attractive for seniors as they age.
- ▶ **Recreational and tourism opportunities** - Madison is in a lakes area that provides excellent fishing, hunting and other recreational and tourism opportunities.
- ▶ **Proximity to Sioux Falls and Brookings** - Madison is located in close proximity to Sioux Falls and Brookings. These regional centers provide employment opportunities, retail/services options, educational opportunities, health care facilities and recreational opportunities.

Barriers or Limitations to Housing Activities

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

- ▶ **Age and condition of the housing stock** - While the existing stock is affordable, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Value gap deters new owner-occupied construction** - Based on market values from 2015 residential sales, we estimate that the median priced home in Madison is valued at approximately \$93,000. This is below the comparable cost for new housing construction, which will generally be above \$175,000 for a stick built home with commonly expected amenities. This creates a value gap between new construction and existing homes. This can be a disincentive for any type of speculative building and can also deter customized construction, unless the owner is willing to accept a potential loss on their investment.
- ▶ **Lower paying jobs** - Although Madison has job opportunities, some jobs are at the lower end of the pay scale and employees with these jobs have limited housing choices.
- ▶ **Proximity to regional centers** - Although it is a strength to be in close proximity to Sioux Falls and Brookings, it is also a barrier as Madison must compete with these centers, which offer attractive residential opportunities and other amenities and services.
- ▶ **Competition with lake lots and rural acreages** - The Madison area has lake lots and rural acreages, which compete with available lots within the City limits of Madison.
- ▶ **Shortage of buildable lots** - Currently, there is a limited supply of residential lots for sale in Madison. This limits opportunities for new housing construction.

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 Madison. They are based on the following strategies.

- ▶ **Be realistic in expectations for housing development** - The scale of housing activities proposed for the future should be comparable with the area's potential for growth.
- ▶ **Proactive community involvement** - New home and apartment construction will more likely occur in Madison if there is proactive support from the City, local and regional housing and economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the existing housing stock** - The future of Madison 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. Most of the existing housing stock is in good condition and is a major asset, however, rehabilitation efforts are needed to preserve the housing stock.
- ▶ **Protect the existing assets and resources** - Madison has many assets including a K-12 school, a state university, large employers, a Downtown Commercial District, health facilities, recreational opportunities, etc. These are strong assets that make Madison a desirable community to live in, and are key components to the City's long-term success and viability. These assets must be protected and improved.
- ▶ **Develop a realistic action plan with goals and time lines** - In the past the City has been involved in housing issues. The City should prioritize its housing issues and establish goals and time lines to achieve success in addressing its housing needs.
- ▶ **Access all available resources for housing** - In addition to the local efforts, the City has other resources to draw on including USDA Rural Development, the South Dakota Housing Development Authority, Inter-Lakes Community Action Partnership, First District Association of Local Governments 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 Madison have been formulated through the analysis of the information provided in the previous sections and include 23 recommendations. The findings/recommendations have been developed in the following five categories:

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

The findings/recommendations for each category are as follows:

Rental Housing Development

1. Develop 28 to 32 general occupancy market rate rental units
2. Promote the development/conversion of 6 to 8 affordable market rate rental housing units
3. Development 20 to 24 general occupancy tax credit/subsidized rental housing units
4. Senior with services recommendations
5. Develop a downtown mixed-use commercial/housing project
6. Continue to utilize the Housing Choice Voucher Program
7. Student Housing Issues

Home Ownership

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

Single Family Housing Development

10. Lot availability and development
11. Strategies to encourage residential lot sales and new home construction in Madison
12. Coordinate with economic development agencies, housing agencies and nonprofit groups to construct affordable housing
13. Promote twin home/town home development

Housing Rehabilitation

14. Promote rental housing rehabilitation
15. Promote owner-occupied housing rehabilitation efforts
16. Develop a neighborhood revitalization program
17. Develop a rental inspection and registration program

Other Housing Initiatives

18. Continue to acquire and demolish dilapidated structures
19. Create a plan and a coordinated effort among housing agencies
20. Encourage employer involvement in housing
21. Promote commercial rehabilitation and development
22. Competition with other jurisdictions
23. Develop mobile home programs

Madison Rental Housing Development

Rental Housing Development

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

However, several rental projects have been developed in Madison from 2010 to 2015. Washington Avenue Lofts created 17 rental units in 2010 when a former elementary school was converted to housing. Lake Area Townhomes is a market rate 28-unit project constructed in 2013 and Evergreen Townhomes is a 14-unit market rate project constructed in 2015. Also, several smaller rental projects have been constructed in Madison over the past several years. Additionally, some single family homes were converted from owner-occupied to rental use over the previous decade.

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

The household projections for Madison expect household growth over the next five years. From 2015 to 2020, Esri projects that there will be a gain of 262 households. This projection appears to be overly optimistic and we are instead projecting a growth of 80 to 100 households over the next five years, for an average of approximately 16 to 20 households per year in Madison. It is projected that approximately 40% of these households will be renters households, thus, there will be a demand for approximately 32 to 40 additional rental units due to household growth over the next five years.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that the City will lose as many as four to five units per year. 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.

Pent-up demand also exists. As part of this study, a rental survey was conducted. The survey found a 2.3% vacancy rate in general occupancy market rate units, a 2.7% vacancy rate in subsidized units, and a high occupancy rate in the senior with services units.

We identified pent-up demand for high quality market rate rental units, affordable tax credit/subsidized rental units and senior housing with services units.

These three demand generators, after factoring current occupancy rates, show a need for 71 to 85 rental units over the next five years, which is 15 to 17 units annually. Based on the factors stated above, we recommend the development of the following new rental units over the next five years from 2016 to 2021.

▶ General Occupancy Market Rate	28-32 units
▶ Affordable/Conversions	6-8 units
▶ Subsidized/Tax Credit	20-24 units
▶ Senior with Services	<u>17-21 units</u>
Total	71-85 units

1. Develop 28 to 32 general occupancy market rate rental units

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

Of the 263 market rate rental units surveyed, we found six vacancies, which is a 2.3% vacancy rate, below a healthy vacancy rate of 3% to 5%. The owners and managers of rental properties reported high occupancy rates and good demand for rental housing. Also, several market rate projects had waiting lists.

There is a wide variation in rental rates in the market rate segment in the City of Madison. The existing rent range including utilities is \$425 to \$800 for a one-bedroom unit, \$550 to \$1,025 for a two-bedroom unit and \$550 to \$1,300 for a three-bedroom unit.

From 2000 to 2015, three larger market rate rental projects proceeded, Washington Avenue Lofts, Lake Area Townhomes and Evergreen Townhomes, and several smaller rental projects were constructed. These projects are fully occupied and have been successful.

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 production of between 28 to 32 market rate rental units over the next five years.

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

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

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

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

The first option to developing market rate housing would be to encourage private developers to undertake the construction of market rate rental housing. During the interview process, several rental property owners expressed interest in constructing rental housing in Madison if it was economically feasible. A group of investors developed the Lake Area Townhomes Project and potentially could develop another market rate rental project.

If private developers do not proceed, the Madison Housing and Redevelopment Commission or the Lake Area Improvement Corporation could potentially utilize essential function bonds, or similar funding sources, to construct market rate units. The Madison Housing and Redevelopment Commission has successfully developed rental housing in the past.

Also, the Madison Housing and Redevelopment Commission or the Lake Area Improvement Corporation could partner with private developers to construct additional units. Additionally, the City could assist with land donations, tax increment financing, tax abatement, reduced water and sewer hookup fees, etc. The City of Madison assisted the Lake Area Townhome project and Lake County assisted the Evergreen Townhome project with tax increment financing.

It may also be possible to utilize Housing Choice Vouchers if some of the new units meet income requirements and the rents are at or below the Payment Standards. The Voucher Payment Standards are at \$578 for a one-bedroom, \$676 for a two-bedroom and \$986 for a three-bedroom unit.

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

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	6-7	700 - 850	\$700 - \$800
Two Bedroom	14-16	900 - 1,000	\$775 - \$1,100
Three Bedroom	8-9	1,100 - 1,200	\$900 - \$1,275
Total	28-32		

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2015 dollars.

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

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

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

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

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

The estimated prevailing rent range for older rental units in Madison is typically between \$300 and \$600 per month. Creating some additional units with contract rents below \$625 per month would help to expand the choices available to a majority of the City's renter households.

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

3. Develop 20 to 24 general occupancy subsidized/tax credit rental housing units

Findings: Although Madison has a good supply of subsidized multifamily rental units, we see unmet need for subsidized/tax credit rental units. The City of Madison has nine project-based subsidized developments with a combined 257 units. Subsidies have been provided by USDA Rural Development, the Department of Housing and Urban Development (HUD) and through the South Dakota Housing Development Authority.

Six projects, with 129 units, are general occupancy subsidized housing. Three projects, with 128 units, give preference to senior and/or disabled tenants.

Most of the City's subsidized units serve very low income people and charge rent based on 30% of the tenant's household income. In some cases, tenant households pay 30% of income, but not less than a basic rent level established for the unit. In these cases, it is possible that a very low income household pays more than 30% of income, if the basic rent was higher.

In addition to these subsidized projects, Madison has approximately 85 households utilizing the HUD Housing Choice Vouchers (formerly Section 8 Existing Program). Housing Choice Voucher assistance is issued to income-eligible households for use in suitable, private market rental housing units. With the assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional rent amounts.

Between the tenant-based assistance and project-based subsidized housing, there are approximately 342 renter households in Madison that had access to some form of subsidized housing in 2015. This represents approximately 33% of all renters in the City.

Despite the existing supply of subsidized units in Madison, the American Community Survey still identified that approximately 234 renter households in Madison had a housing cost burden, with 30% or more of their income going to housing costs. A majority of these households were actually paying 35% or more of their income for housing, which is defined as a severe cost burden.

This large number of renters with a housing cost burden is reflected in the demand for subsidized units. Our rental survey found seven vacancies in the subsidized developments, which represented a vacancy rate of 2.7%. Several subsidized projects maintain waiting lists.

Recommendation: We would recommend the development of 20 to 24 subsidized/tax credit rental housing units for low/moderate income people over the next five years, whenever resources can be secured. At this time, it is difficult to produce new subsidized units to serve low/moderate income people.

One option is to utilize the federal tax credit program. Tax credits alone do not produce 'deep subsidy' rental units that can serve very low income households, but tax credits do provide a 'shallow subsidy' that allows for the construction of units that can serve households at or below 60% of the median income established for the County. When other resources are combined with tax credits, even lower income households can be served.

If tax credit units are constructed, we recommend that a portion of the unit rents are at or below the Payment Standards for Housing Vouchers, thus, a low income household in a tax credit unit can also receive a Housing Voucher, which will enable the household to pay 30% of their income for their unit.

The City of Madison should work with a private developer or area housing agency to apply for tax credits and to develop a tax credit project. The City could assist with lowering rents by providing Tax Increment Financing and land at a reduced cost.

4. Senior housing with services recommendations

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

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

- ▶ **The Bethel Lutheran Campus** - Provides senior with services options including:
 - ▶ **Bethel Lutheran Home** - Bethel Lutheran Home is a 59-bed skilled nursing home facility that was constructed in 1962. The facility has an annual occupancy rate above 98%.
 - ▶ **Bethel Suites** - Bethel Suites is an assisted living center with 12 rooms that have a capacity of 16 residents. At the time of the survey, Bethel Suites has no vacancies and a waiting list.
 - ▶ **Bethel Apartments** - Bethel Apartments includes 16 two-bedroom units that provide light services. Twelve units were constructed in 1990 and four units were recently constructed. Services include a noon meal, light housekeeping, a 24-hour emergency call system and transportation. The facility is fully occupied and has a waiting list.
 - ▶ **Bethel Cottage Homes** - Bethel Cottage Homes includes four units in two twin homes. Residents pay a deposit approximately equal to the cost of the unit construction and a monthly maintenance fee. When the resident moves, they are guaranteed at least 75% of their initial deposit. The units are fully occupied.
 - ▶ **Bethel Patio Homes** - Bethel Patio Homes include four units in two twin homes. The patio homes are rented for \$1,450 per month plus heat and electricity. The units have 1,230 square feet. The homes are all occupied.

- ▶ **Golden Living Center** - Golden Living Center is a 61-bed skilled nursing facility. Thirteen beds are memory care beds. Currently, there are vacant skilled nursing and memory care beds.
- ▶ **Heritage Senior Living** - Heritage Senior Living is an assisted living center with 26 licensed assisted living beds in 23 apartment style units. The facility was constructed in 1999. There were no vacancies at the time of the survey.
- ▶ **Ramona Assisted Living Center** - The Ramona Assisted Living Center in the City of Ramona has 16 licensed assisted living beds in 14 rooms. The facility was constructed in 1998. At the time of the survey, there were seven vacant beds.

To determine future senior with services housing demand in Madison, we determined that Madison's market for senior with services housing includes all of Lake County.

Recommendation: In 2010, Lake County had 928 people between the age of 65 and 74 and 965 people over the age of 75. The growth projections show some continued growth in the County's senior population from 2010 to 2020.

- ▶ **Skilled Nursing Home** - The research for this Study points to a decreasing reliance on nursing homes as a long-term residency option for older senior citizens. Over time, the nursing homes have tended to use more beds for rehab/recovery stays, or other specialized uses. There has also been a long-standing State moratorium that limits expansion in most cases. No recommendations are offered for this type of specialized housing. Lake County has two well-established providers, Bethel Lutheran Home and the Golden Living Center that serve this segment of the market.
- ▶ **Memory Care Housing** - There are 13 designated memory care beds in the Golden Living Center. At the time of the survey, there were several vacant beds. Thirteen beds represents approximately 1.3% of the residents in Lake County over the age of 75. Typically, 2% represents a normal capture rate for memory care beds. With vacant memory care beds, we are assuming that other facilities in the County are meeting the needs of seniors with dementia. We recommend that the need for memory care beds continue to be monitored. Discussions with housing providers point to the cost and regulatory difficulties of creating specialized memory care units. Staffing, security, liability and licensing requirements all contribute to a reluctance to enter this very specialized housing segment.

- ▶ ***Assisted Living*** - There are three assisted living facilities in Lake County. Bethel Suites is an assisted living center with a capacity of 16 residents. Heritage Senior Living has 26 licensed beds and Ramona Assisted Living, which is located in Ramona, has a capacity of 16 residents. The three assisted living facilities have a capacity of 58 assisted living residents. At the time of the survey, Bethel Suites and Heritage Senior Living were fully occupied. Ramona Assisted Living had seven vacant beds.

A capture rate of 5% to 6% of the seniors over the age of 75 is typical for assisted living, which is 48 to 58 beds. With 58 beds in Lake County, there appears to be an adequate number of assisted living beds. However, there are seven vacant beds in Ramona Assisted Living, and full occupancy in Madison. We would therefore recommend that the need for additional assisted living beds in Madison should continue to be monitored. The addition of eight to 12 assisted living beds in Madison would address the existing demand in the County's largest city.

- ▶ ***Independent/Light Service Housing*** - Currently, there is one independent/light service project in Lake County. Bethel Apartments is a 16-unit independent/light services project. All of the units have two bedrooms. If a 2% to 2.5% capture rate could be achieved among older senior households, approximately 20 to 25 units of market rate independent lighter services housing could be supported in Lake County. More units could be justified if a higher capture rate is achieved within the primary target market. Therefore, we recommend the development of up to an additional nine independent/light services senior units in Madison. The units should provide a light level of services similar to the existing independent/light services units.

We view Madison as the best possible location for specialized senior housing in Lake County. It is possible that a developer will determine that Madison can serve an even larger market area, creating potentially greater demand for units.

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

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

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

New mixed use projects have been developed in several cities comparable to the size of Madison. 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.

Recommendation: We recommend the development of a mixed-use building in the downtown area, that includes commercial space on the first floor and six to 10 rental units on the second floor. Prior to construction, a portion of the commercial space should be leased to an anchor tenant who would complement existing downtown businesses and attract people to downtown.

The six to 10 rental units should be primarily market rate units, but could be mixed income with some moderate income units. The units should be primarily one-bedroom and two-bedroom units. Please note that these units are not in addition to the units recommended in the first and second recommendations of this section. If a mixed use building was constructed, the number of units recommended previously should be reduced.

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

6. Continue to Utilize the Housing Choice Voucher Program

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

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

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

The Housing Choice Voucher Program is administered in Lake and Minor Counties by the Madison Housing and Redevelopment Commission. The Madison Housing and Redevelopment Commission has the ability to issue approximately 111 Vouchers in Lake and Minor Counties. At the time of the research for this Study, approximately 75% of the Vouchers were being utilized by Madison and Lake County households.

Recommendation: The Madison Housing and Redevelopment Commission, should continue to work with Madison rental property owners to assure that renter households are aware of the Housing Choice Voucher Program and have the opportunity to apply for a Voucher.

7. Student Housing Issues

Findings: Based on American Community Survey data from 2014, approximately 1,370 undergraduate/graduate students live in Madison. In 2010, approximately 490 students were living in dormitories/student housing. With the assumption that on-campus occupancy is relatively stable, approximately 880 students are probably living in some form of off-campus housing. It is assumed that most of these students attend Dakota State University.

It Dakota State University's goal to grow its enrollment over the next several years, which would increase demand for on-campus and off-campus housing.

The University has recently purchased the former hospital, which is adjacent to the campus. Preliminary plans indicate that the hospital facility could be converted into 109 beds for students.

Currently, the University is leasing two eight-plexes from the Madison Housing and Redevelopment Commission. The two eight-plexes provide housing for approximately 72 students.

Recommendation: We recommend that the City of Madison, the Madison Housing and Redevelopment Commission and the Lake Area Improvement Corporation assist with student housing as follows:

- ▶ Consider Implementation of a Rental Inspection and Registration Program, which will assure safe and sanitary living conditions for students
- ▶ Continue to work with developers to construct new rental housing, which will provide additional housing opportunities for students
- ▶ Consider constructing additional student housing for students if the demand for additional housing is identified (same concept as existing eight-plexes)
- ▶ Continue to foster good communication between students, rental property owners and the University
- ▶ Assist the University with implementing their on-campus housing expansion plans

Madison 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 Madison is estimated to be approximately \$93,000 based on sales activity in 2015. The home values in Madison provide a good opportunity for first time buyers and households seeking moderately priced homes.

Our analysis of Madison demographic trends projects a substantial increase over the next five years in the number of households in the traditionally strong home ownership age ranges between 55 and 74 years old. The 25 to 44 age ranges will also have a significant increase in households over the next five years. Some of these households are first-time home buyers. Some households in these age ranges as well as other age ranges that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase their first home.

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

8. Continue to utilize and promote all programs that assist with home ownership

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

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

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

Recommendation: Madison should continue to work with area housing agencies, Inter-Lakes Community Action Partnership, Grow South Dakota, the South Dakota Housing Development Authority, USDA Rural Development and local financial institutions to utilize all available home ownership assistance programs. Private and nonprofit agencies should also be encouraged to provide home ownership opportunities.

The City of Madison and the Madison Housing and Redevelopment Commission should also work with housing agencies to assure that Madison residents 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, the Inter-Lakes Community Action Partnership and Grow South Dakota, utilize several funding sources to provide home ownership programs.

9. Develop a Purchase/Rehabilitation Program

Findings: Madison has a stock of older, lower valued homes, many of which need repairs. Our analysis of recent sales activity indicates that approximately 50% of the homes in Madison are valued less than \$93,000. As some lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

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

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

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

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

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

Also, based on our interviews, private individuals are purchasing homes in Madison, rehabbing the homes and selling the homes. There may be an opportunity for local housing agencies to financially assist the private sector with purchasing, rehabilitating and selling homes. This may increase the inventory of substandard homes that economically can be rehabilitated and sold.

Madison Single Family Housing Development

Single Family Housing Development

Findings: Based on City and Census Bureau reports, Madison has experienced some single family housing development from 2000 to 2015. Over the past 16 years, approximately 126 single family owner-occupied units have been constructed in Madison. This is an average of approximately eight owner-occupied units constructed annually in Madison.

From 2000 to 2008, approximately 11 new owner-occupied housing units were constructed annually. New housing construction slowed from 2009 to 2015, largely due to the recession. An average of only five homes have been constructed annually over this period.

It is our opinion that if the City of Madison, housing agencies, economic development agencies, builders and developers are proactive, six to nine homes can be constructed or moved into Madison annually from 2016 to 2021.

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

▶ Higher and Median priced homes	2-3
▶ Affordable Homes	2-3
▶ Twin homes/Town homes	<u>2-3</u>
Total	6-9

10. Lot availability and development

Findings: As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in the City of Madison. Currently, there are approximately 14 to 18 lots available in the City of Madison's newest subdivisions. Lot prices range from \$15,000 to \$35,000.

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, additional dilapidated houses will be acquired and demolished over the next five years. Some of the cleared lots may be sites for new construction.

Recommendation: We use a standard that a 2 ½ year supply of lots should be available in the marketplace based on annual lot usage. With projections that six to nine new owner-occupied housing units will be constructed per year, the City should have approximately 15 to 23 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction.

With approximately 14 to 18 available lots, plus any infill lots, the City will have a shortage of lots within three years. Therefore, it is our recommendation that an additional 16 to 20 lots be developed in the City of Madison within the next three to five years. There are Master Plans for several new subdivisions in Madison, however, these subdivisions have not proceeded to the development phase. The lots could be in one or more subdivisions, and should include the following:

- ▶ The subdivision(s) should have adequate land available, if possible, for future phases of lot development, based on demand.
- ▶ The subdivision(s) must be as aesthetically acceptable as possible and include high quality amenities.
- ▶ The subdivision(s) should have covenants that assure high quality development. However, the covenants should not be so restrictive that they eliminate the target market's ability to construct a home.
- ▶ The subdivision(s) should accommodate a variety of home designs and home prices.
- ▶ Major employers should be involved in promoting and publicizing the subdivisions.
- ▶ To be successful, the homes must be available to households with as wide an income range as possible.
- ▶ Successful subdivisions will need the cooperation of area housing agencies, financial institutions, employers, the Lake Area Improvement Corporation and the City of Madison. Financial assistance such as tax increment financing may be necessary to make the development of lots feasible.
- ▶ The project should expand the market by providing an attractive, affordable product.
- ▶ Some lots should be available for twin home/town home development.

11. Strategies to encourage residential lot sales and new home construction in Madison

Findings: New home construction has been limited over the past eight years with an average of only five homes constructed annually. Also, only a limited number of owner-occupancy twin homes or town homes have been constructed in Madison over the past decade.

Recommendation: We recommend that the City of Madison, employers, the Lake Area Improvement Corporation, the Madison Housing and Redevelopment Commission, area housing agencies, builders and developers coordinate efforts to promote lot sales and housing development in Madison.

Our recommendations to promote lot sales and housing development include:

- ▶ ***Continue competitive pricing*** - The current lot prices in Madison are competitive. To encourage new home construction, lots must remain competitively priced.
- ▶ ***Plan for long-term absorption*** - The research completed for this Study expects limited annual absorption of lots in Madison. We are projecting the construction of six to nine new units per year. It is therefore necessary to view the development of lots as a long-term plan.
- ▶ ***Generate activity*** - To stimulate new construction, proactive efforts, such as the sale of some lots at discounted prices, reduction of hookup and permit fees or other incentives could be provided if the buyer agrees to build a home of a certain quality and style within one year. This will help create some momentum for more houses to be built.
- ▶ ***Consider developing an exclusive builder(s) relationship*** - A block of lots could be sold to a builder or builders. Momentum can be created when a builder has access to several lots. This allows for marketing opportunities and efficiencies in the home building process. The subdivision owners, however, should assure that the builder is obligated to constructing a minimum number of homes per year. Builders are more willing to enter a market when the lots are attractive and very affordable. A block of lots available to an exclusive builder or developer should be explored, even if price concessions are required.
- ▶ ***User-Friendly*** - The lot purchase and homebuilding process must be 'user-friendly.' This includes the construction of spec homes, and builders that are readily available to build custom homes.

- ▶ ***Spec home development*** - Although spec home construction is a risk, there are also financial risks associated with holding unsold lots. Also, spec houses could potentially 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. In an attempt to spur spec home construction, some communities have formed partnerships with private home builders to share the financial risks. For example, some developers have been willing to defer the payment for the lot until the spec home is sold. Another builder incentive is to waive any water/sewer hookup fees and building permit fees until the home is sold. A more aggressive approach is to become directly involved in helping cover the payments on a home builder's construction loan, if the house does not sell within a reasonable period of time. A community risk pool could be established for this type of activity. These types of approaches would somewhat reduce the builder's risk, by lowering the upfront development costs.
- ▶ ***Range of house prices*** - Lots should be available to as wide a range of home sizes and prices as possible, without compromising the subdivision(s). This broadens the lot buyer market.
- ▶ ***Incentives*** - Many cities throughout South Dakota are offering incentives to construct homes including reduced lot prices, reduced water and sewer hookup fees, tax abatement, cash incentives, etc. Incentives should be considered to promote new home construction.
- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a demand for twin homes/town homes over the next five years. Lots should be available for twin home/town home lot development.
- ▶ ***Marketing*** - The City of Madison, the Lake Area Improvement Corporation, the Madison Housing and Redevelopment Commission, the Madison Chamber of Commerce, employers, builders and developers should create a comprehensive marketing strategy to sell the available lots. In addition to marketing the lots, the City of Madison and its amenities should be promoted.

12. Coordinate with economic development agencies, housing agencies and nonprofit groups to construct affordable housing

Findings: There are several housing agencies and nonprofit groups that have the capacity to construct new housing in Madison, including the Madison Housing and Redevelopment Commission and Grow South Dakota.

Recommendation: We encourage the City of Madison to actively work with economic development and housing agencies, nonprofit groups and the private sector to develop affordable housing.

As the housing economy continues to improve and home values increase, new affordable home construction production in Madison will continue to be more feasible.

Also, Inter-Lakes Community Action Partnership administers the Mutual Self-Help Program. This Program works with three or four households to construct new homes. The participants work together on construction.

Additionally, in the past Governor's homes have been moved into Madison. These represent an affordable housing option that should be encouraged and supported.

13. Promote twin home/town home development

Findings: Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making homes available for families. It is important for the community to offer a range of life-cycle housing options.

In many cities the size of Madison, approximately 20% to 25% of the new ownership housing constructed are twin homes/town homes. In Madison, since 2000, only a few new owner-occupied housing units have been constructed as twin homes/town homes.

In 2010, Madison had 690 households and Lake County had 1,400 households in the 55 to 74 age ranges. These age ranges are expected to have an increase of 276 households in Madison and 583 households in Lake County from 2010 to 2020. Household growth among empty-nester and senior households should result in increased demand for attached single family units. It is likely that demand for attached housing units will also be dependent on the product's ability to gain additional market acceptance among the households in the prime target market, and among other households.

Recommendation: It is our projection that approximately two to three new owner-occupied twin homes or town homes could be constructed in Madison annually over the next five years for a total of 10 to 15 units. Our projection is based on the availability of ideal locations for twin home/town home development as well as high quality design and workmanship.

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

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

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

A corporation has been developed in Arlington, MN, that includes local contractors, the local bank, the local lumberyard and local investors to construct twin homes. They have been very successful.

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

Madison Housing Rehabilitation

Housing Rehabilitation

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

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

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

14. Promote rental housing rehabilitation

Findings: Based on the U.S. Census data, the City of Madison had approximately 1,153 rental units in 2010. These rental buildings are in multi-family projects, small rental buildings, duplexes, single family homes, mobile homes and mixed-use buildings. Many of these rental structures could benefit from rehabilitation as a significant number of these rental structures are more than 30 years old and some rental units may be in poor condition.

It is difficult for rental property owners to rehabilitate and maintain their rental properties while keeping the rents affordable for the tenants. 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 Madison should work with housing agencies to seek funds that allow for program design flexibility that make a rental rehabilitation program workable. Potential funding sources may include USDA Rural Development, Grow South Dakota, Inter-Lakes Community Action Partnership, the South Dakota Housing Development Authority and the Federal Home Loan Bank.

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

15. Promote owner-occupied housing rehabilitation efforts

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

Our housing condition survey of 658 homes in four of Madison's older neighborhoods found 223 homes that need minor repairs and 191 homes that need major repairs. Without rehabilitation assistance, the affordable housing stock will shrink in Madison.

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

Inter-Lakes Community Action Partnership and Grow South Dakota currently have several housing programs to assist households with the rehabilitation of their homes including the Self Help Rehabilitation Program and programs utilizing Home and CHIP funds. Also, Inter-Lakes Community Action Partnership provides Weatherization funds for Madison and Lake County.

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 Madison households to utilize these housing rehabilitation programs.

16. Develop a Neighborhood Revitalization Program

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

Recommendation: Over the years, there has been housing and neighborhood revitalization projects in the neighborhoods including housing rehabilitation, the demolition of dilapidated housing, the development of new housing and public facility improvements. We recommend that the City of Madison, area housing agencies, and the private housing sector continue these efforts, select a neighborhood and develop and implement a Neighborhood Revitalization Program. Potentially, the neighborhood could be a consolidation of all four neighborhoods that were surveyed, or a portion of these neighborhoods.

Redevelopment strategies and opportunities should be identified including:

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

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

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

17. Develop a Rental Inspection and Registration Program

Findings: A Rental Inspection and Registration Program can be a valuable tool in improving the quality of the City's rental housing. In 2010, there were 1,154 rental units in the City of Madison, many of which are more than 30 years old. There are also a significant number of single family homes that have converted from owner-occupied to rentals. Neighborhood deterioration, lower property values and unsafe rental units are often prevented when a Rental Housing Inspection and Registration program is successfully implemented. The housing condition survey identified substandard rental units.

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

Health and Safety

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

Age of Housing Stock

- ▶ Much of the existing rental housing stock in Madison is more than 30 years old.
- ▶ Older housing needs continued rehabilitation and maintenance.
- ▶ Older housing often has difficulty complying with current codes.

Conversions

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

Trends of Conversions

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

Maintenance Efforts

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

High Number of Landlords

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

Neighborhood Stabilization

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

Zoning and Codes

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

Coordination

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

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

Madison Other Housing Initiatives

Other Housing Initiatives

18. Continue to acquire and demolish dilapidated structures

Findings: Our housing condition survey identified 44 single family houses in four of the City's oldest neighborhoods that are dilapidated and too deteriorated to rehabilitate. We also identified 191 single family houses in the four surveyed neighborhoods as needing major repair and some of these homes may be too dilapidated to rehabilitate. To improve the quality of the housing stock and to maintain the appearance of the City, dilapidated structures should be demolished.

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

Also, we recommend that the City maintain an inventory of structures that may be candidates for future acquisition and demolition. Additionally, an inventory of in-fill lots for future development should be maintained. A local contractor has been very successful in developing new rental housing on in-fill lots.

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

Findings: Madison will continue to need staff resources in addition to existing City, Lake Area Improvement Corporation and Madison Housing and Redevelopment Commission staff to plan and implement many of the housing recommendations advanced in this Study.

The City of Madison has access to Inter-Lakes Community Action Partnership, Grow South Dakota, the South Dakota Housing Development Authority, USDA Rural Development and the First District Association of Local Governments. These agencies all have experience with housing and community development programs.

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

It will also be important for the City of Madison 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.

20. Encourage employer involvement in housing

Findings: The connection between economic development and housing availability has become an increasingly important issue as low area unemployment rates dictate the need to attract new workers into the community. Housing for new employees is a concern for employers, thus, it may be advantageous for employers to become involved in housing.

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

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

21. Promote Commercial Rehabilitation and Development

Findings: The City of Madison's commercial district is in good condition, and several commercial buildings have been renovated, however, there are several substandard commercial buildings in Madison.

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

Recommendation: We recommend that the City of Madison and the Lake Area Improvement Corporation continue to work with commercial property and business owners to rehabilitate their buildings. Also, new businesses should continue to be encouraged to locate in Madison.

The City of Madison and the Lake Area Improvement Corporation should continue to seek funding to assist property owners with rehabilitating their commercial buildings. A goal of two to three commercial rehab projects annually in Madison would be a realistic goal.

22. Competition with Other Jurisdictions

Findings: During the interview process, several individuals expressed concern regarding the City of Madison’s continued ability to compete for new development in the region.

Recommendation: The City of Madison can enhance its position as a viable location for new households. We recommend the following:

- ▶ Review the City’s policies to assure that the City’s process for working with developers and builders is user-friendly, fair and receptive.
- ▶ Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the City a “full service” community
- ▶ Continue to provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Provide financing mechanisms for households to build new homes, purchase existing homes and to rehabilitate older homes
- ▶ Preserve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Continue to develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior housing, etc.
- ▶ Publicize and market Madison throughout the region and among the employers and employees in Madison and the region
- ▶ Develop a coordinated housing plan with area housing agencies and the private sector

23. Develop mobile home park improvement programs

Findings: Madison has three mobile home parks. Based on our mobile home survey, there are 105 mobile homes in the three parks.

Of the 105 mobile/manufactured homes surveyed, 28 needed minor rehabilitation, 25 needed major rehabilitation and 20 were dilapidated and possibly beyond repair.

The owner of one of the mobile home parks has been removing substandard and dilapidated mobile homes and replacing these homes with higher quality newer homes.

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

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

It may be appropriate for the community to initiate programs to improve the quality of mobile homes, even if these programs can only address a few units per year.

Currently, Madison has an ordinance that only allows newer mobile homes into the City limits. In addition to this regulation, we recommend that the City consider a time of sale program.

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

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

- ▶ ***Time of Sale Inspection Program*** - This inspection program is designed to provide safe living conditions through the identification and elimination of basic life/safety hazards in older mobile homes. Mobile homes are subject to inspection prior to their sale. All identified safety hazards must be corrected before the unit is sold and/or occupied.
- ▶ ***Cooperative/Land Trust*** - Some mobile home parks have created a cooperative or a land trust which enables the home owners to own the mobile home park land and facilities. This ownership often creates pride which results in a clean, safe park atmosphere.
- ▶ ***Acquisition of the Mobile Home Park*** - In some mobile home parks, a number of the mobile homes may be substandard or vacant, and the park may be on land that has a better use. In these situations, it may be advantageous to purchase the park and relocate the remaining tenants.
- ▶ ***Down Payment Assistance Program*** - Some cities have developed a down payment assistance program that assists households with purchasing a mobile home. Mobile and manufactured homes are an affordable housing ownership option for low and moderate income households.

Agencies and Resources

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

Inter-Lakes Community Action Partnership

111 North Van Eps
PO Box 268
Madison, SD 57042
(605) 256-6518

South Dakota Housing Development Authority

221 South Central Avenue
Pierre, SD 57501
(605) 773-3181

USDA Rural Development

810 10th Ave. SE
Watertown, SD 57201
(605) 886-8202

First District Association of Local Governments

PO Box 1207
Watertown, SD 57201
(605) 882-5115

Grow South Dakota

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