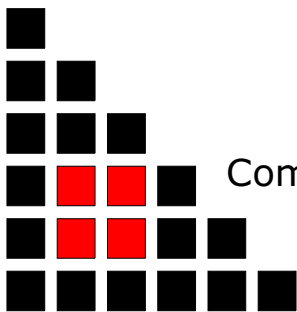


Montrose HOUSING STUDY

October 2023

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



Community Partners Research, Inc.
Faribault, MN

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Introduction

Local elected and public officials are often held responsible for conditions and circumstances over which they have limited control. This is particularly true of housing. Most of the housing units in Montrose and McCook 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 City of Montrose to conduct a study of the housing needs and conditions in the community.

Goals

The multiple goals of the study include:

- ▶ Provide demographic data including the 2020 Census
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet housing needs
- ▶ Examine future housing trends that the 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 April to July 2023. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Applied Geographic Solutions, a private data company
- Esri, a private data company
- Records and data from the City
- Records and data maintained by McCook County
- Interviews with City officials, community leaders, housing stakeholders, etc.
- Area housing agencies
- State and Federal housing agencies
- Rental property owner surveys
- Housing condition survey

Limitations

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

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Demographic Data Overview

Sources of Data

The following pages contain demographic data obtained from a variety of local, state and national sources for the City of Montrose, McCook County and the Sioux Falls MSA.

At the time that research was completed for this Study, the Census Bureau had released information from the 2020 decennial Census, including some of the more detailed tables on demographic and housing characteristics, which had been delayed and not released until May 2023.

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

This Study has also utilized demographic estimates from secondary sources, including the Census Bureau's American Community Survey, an annual sampling of households. However, because the American Survey is an estimate, based on sampling data, there is a margin of error that exists for each estimate.

The American Community Survey estimates used for this Study have an effective date in 2021. The estimates were derived from five-year sampling, obtained between 2017 and 2021.

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

Prior to using AGS, the State had used Esri, Inc., for community profiles. The analysts have also utilized estimates and projections from Esri.

Both AGS and Esri produced their population and household estimates and projections after the release of initial data from the 2020 Census, and the information is generally consistent with Census totals. However, the latest data releases from both of these private data reporting services did not have access to the detailed demographic tables from the Census that were released in 2023.

Population Data and Trends

Table 1 Population Trends - 1990 to 2020						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 Census
Montrose	420	455	8.3%	472	3.7%	468
McCook County	5,688	5,832	2.5%	5,618	-3.7%	5,682

Source: U.S. Census

- ▶ The release of population totals from the 2020 U.S. Census has established a new benchmark for the number of people residing in each jurisdiction. The Census total had an effective date of April 1, 2020.
- ▶ In 2020, the population for the City of Montrose was 468 people. When compared back to the 2010 Census, the City had lost four permanent residents, for a population decrease of -0.8%.
- ▶ Although the population loss for Montrose over the most recent decade was very small, it represented a change in a longer-term trend of modest population growth. In the 1990s, the City had added 35 residents, followed by an increase of 17 people between 2000 and 2010.
- ▶ In 2020, the population level for all of McCook County was 5,682, up by 54 people from 2010. The Countywide population growth occurred despite the slightly reduced population in Montrose.
- ▶ McCook County had lost residents between 2000 and 2010, but added population in the 1990s and again after 2010. However, over the entire 30-year period from 1990 to 2020, McCook County’s population had decreased by six people.
- ▶ It is important to note that McCook County is part of the Sioux Falls Metropolitan Statistical Area (MSA) that also includes Minnehaha, Lincoln and Turner Counties. However, in 2020 McCook County represented less than 2.1% of the MSA’s total population.
- ▶ There are population estimates available for 2022 which were released after the 2020 Census.

- ▶ Applied Geographic Solutions (AGS), the data source utilized by the Governor’s Office of Economic Development, estimates that the City of Montrose had 463 residents in 2022. This estimate was down by five people from the 2020 Census count.
- ▶ Esri’s 2022 population estimate for Montrose showed 446 people living in the City, down from 468 counted in the 2020 Census.
- ▶ The AGS estimate for McCook County showed 5,749 residents in 2022, compared to 5,682 counted by the 2020 Census. With the probability that the County experienced some further population growth between 2020 and 2022, this estimate appears to be relatively accurate.
- ▶ The Esri estimate for McCook County showed 5,691 residents in 2022, only slightly above the 2020 Census count of 5,682 people.

Population Characteristics

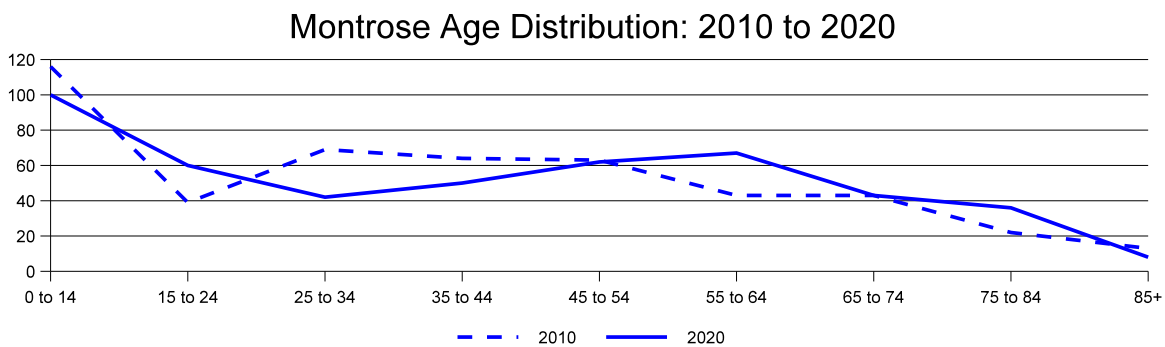
- ▶ Montrose’s population is primarily White and non-Hispanic/Latino. At the time of the 2020 Census, Nearly 92% of the City’s residents were identified White for race. The next largest racial group was “two or more races”, which represented 1.7% of the City’s residents.
- ▶ Only 1% of the City’s residents were of Hispanic/Latino ethnic origin according to the 2020 Census.
- ▶ The 2020 Census did not record any people in Montrose living in group quarters housing such as a nursing home or group home facility.

Population by Age Trends: 2010 to 2022

The 2020 Census included detailed age data on the City’s residents. The 2020 information can be compared to the 2010 Census examine the City’s changing age patterns over time. This information is for the City of Montrose.

Table 2 Montrose Population by Age - 2010 to 2022			
Age	2010 Census	2020 Census	Change
0-14	116	100	-16
15-19	26	47	21
20-24	13	13	0
25-34	69	42	-27
35-44	64	50	-14
45-54	63	62	-1
55-64	43	67	24
65-74	43	43	0
75-84	22	36	14
85+	13	8	-5
Total	472	468	-4

Source: U.S. Census



- ▶ Between 2010 and 2020, the City’s population decreased by only four people. Despite the relatively stable total population level, most of the defined age ranges experienced changes.

- ▶ While the City did have some decrease among younger children between 2010 and 2020, there was growth in the age range 15 to 19 years old. As a result, the City had a net increase of five residents under the age of 20.
- ▶ Although the number of young adults in the 20 to 24 year old age group remained stable, the City did see a reduction of residents in the 25 to 34 year old and in the 35 to 44 year old age groups. As a result, the City had a reduction of 41 younger adults between the ages of 20 and 44 years old.
- ▶ The City had a relatively stable population in the 45 to 54 year old age group but added residents in the 55 to 64 year old range. Combined, there was a net increase of 23 people in the 20-year group between 45 and 64 years old.
- ▶ Within the senior citizen age groups there was no change in the youngest range, between 65 and 74 years old. There was growth in the 75 to 84 year old age group, but a minor reduction among older seniors, age 85 and above. When all the senior ranges were combined, the City had a net increase of only nine residents age 65 and older between 2010 and 2020.

Population Projections from AGS/Esri

Population projections are available from both Applied Geographic Solutions and Esri. The base-year estimates for 2022 from these sources have been provided, along with projections to 2027. The 2020 Census totals are also presented for comparison.

Table 3 Population Projections Through 2027				
	2020 Census	2022 Estimate	2027 Projection	Change
Montrose - AGS	468	463	465	2
Montrose - Esri	468	449	435	-14
McCook County - AGS	5,682	5,749	5,766	17
McCook County - Esri	5,682	5,691	5,706	15

Source: U.S. Census; AGS; Esri

- ▶ Applied Geographic Solutions is projecting relative stability for the City with the expected addition of only two people over the 5-year time period. This forecast would be very consistent with past patterns. Over the 20-year time period from 2000 through 2020, the total population in Montrose increased by an average of less than one person per year.
- ▶ Esri is projecting a small reduction in the population level growth for Montrose, with the expected loss of 14 residents between 2022 and 2027.
- ▶ Applied Geographic Solutions is projecting minor population growth in McCook County, with the expected addition of 17 people between 2022 and 2027. Most of this Countywide growth would be due to the expected increase in the City of Salem.
- ▶ Esri has a very similar forecast for McCook County, with the expected addition of 15 residents over the 5-year projection period. Once again much of the Countywide growth would be attributed to Salem. Excluding Salem, the Esri forecast showed a decreased population level in the remainder of the County.
- ▶ Although these forecasts do not expect any significant population growth for the City or the County through the year 2027, in the opinion of the analysts, Montrose and McCook County do have the potential to add residents over the next five years.

Household Data and Trends

Table 4 Household Trends - 1990 to 2020						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2020 Census
Montrose	164	195	18.9%	191	-2.1%	176
McCook Co.	2,145	2,204	2.8%	2,168	-1.6%	2,159

Source: U.S. Census

- ▶ According to the 2020 Census, Montrose had 176 permanent resident households in 2020, down by 15 households, or -7.9%, from 2010.
- ▶ The most recent decade was a continuation of a demographic pattern that has been present since the year 2000, as the City also lost households between 2000 and 2010. In the 1990s the City had added 31 households, but with losses in the following two decades, the count in 2020 was only 12 households greater than in 1990.
- ▶ McCook County had 2,159 households in 2020, down by nine households from 2010.
- ▶ McCook County added households in the 1990s, but then has had a minor loss of households in the following two decades. With the reduction since 2000, the actual numeric increase over the past 30 years has been very limited.
- ▶ Household estimates for 2022 are also available from Applied Geographic Solutions and Esri.
- ▶ According to AGS there were 173 households in Montrose in 2022, down by three households from the 2020 Census count.
- ▶ Esri’s estimate for 2022 showed 170 households in Montrose, down by six households from 2020.
- ▶ The AGS estimate for McCook County showed 2,189 households in 2022 compared to the Census count of 2,159 households in 2020. Based on this estimate, the County added 30 households between 2020 and 2022.
- ▶ According to Esri, there were 2,155 households in the County, nearly identical to the 2020 Census count.

Average Household Size

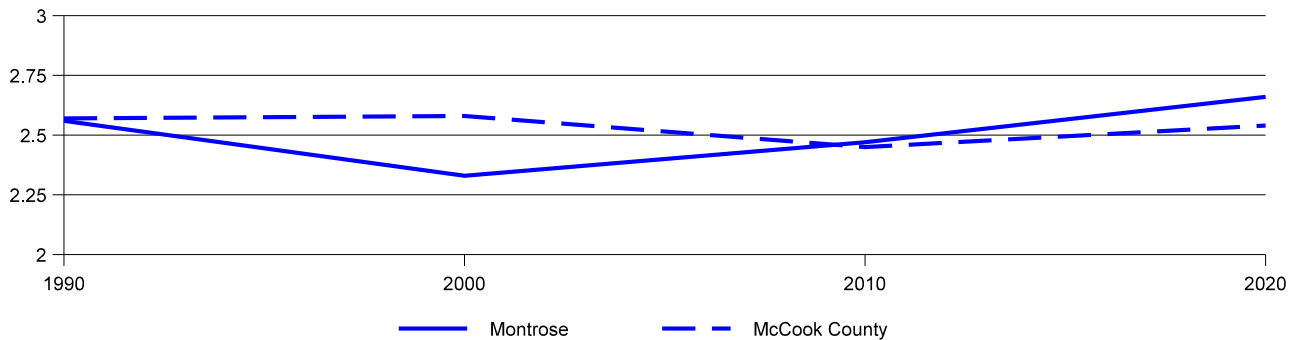
The following table provides decennial Census information on average household size.

In most communities, 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.

Table 5 Average Number of Persons Per Household: 1990 to 2020				
	1990 Census	2000 Census	2010 Census	2020 Census
Montrose	2.56	2.33	2.47	2.66
McCook County	2.57	2.58	2.45	2.54
South Dakota	2.59	2.50	2.42	2.44

Source: U.S. Census

Average Household Size: 1990 to 2020



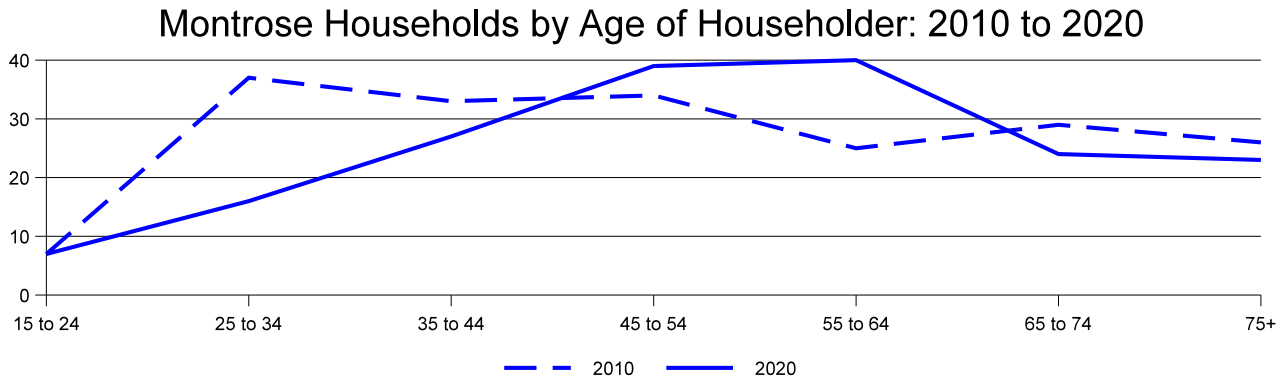
- ▶ Montrose has generally moved in the opposite direction of larger regional trends and has had an increase in the average household size since the year 2000. The City’s average, of 2.66 persons per household in 2020 was relatively large and was up from 2.47 persons in 2010. The City’s average household size in 2020 was well above the Statewide average of 2.44 persons and larger than the average household size for all of McCook County.
- ▶ The average household size for McCook County had decreased between 1990 and 2010, but then increased between 2010 and 2020. The County’s average of 2.54 persons per household in 2020 was larger than the Statewide average for all of South Dakota.

Household by Age Trends: 2010 to 2020

The following table compares households by age using data from the Census for 2020 and 2010. This information is for the City of Montrose.

Table 6 Montrose Households by Age - 2010 to 2020			
Age	2010 Census	2020 Census	Change
Under 25	7	7	0
25-34	37	16	-21
35-44	33	27	-6
45-54	34	39	5
55-64	25	40	15
65-74	29	24	-5
75+	26	23	-3
Total	191	176	-15

Source: U.S. Census



- ▶ Between 2010 and 2020, the City of Montrose had an overall decrease of 15 households. This resulted in no growth or household reductions in five of the seven defined age ranges.
- ▶ While the number of younger households age 24 and under remained stable over the decade, The City did have decreases in the other younger adult ranges. From 2010 to 2020 there was a net decrease of 27 households age 44 and younger.

- ▶ The only age ranges to increase in size over the last decade were in the middle-aged ranges, with an increase of five households in the 45 to 54 year old group, and a gain of 15 households in the 55 to 64 year old range.
- ▶ Minor reductions were recorded in the number of senior-headed households living in Montrose, with five fewer households in the 65 to 74 year old range, and three fewer households in the older senior group age 75 and older.

Household Characteristic: Households by Type

The 2020 Census can be compared to statistics from 2010 to examine changes in household composition over the prior decade. The following table looks at household trends within the City of Montrose.

Table 7 Montrose Household Composition - 2010 to 2020			
	2010 Census	2020 Census	Change
Family Households			
Married couple with children under 18	49	44	-5
Married couple without children under 18	64	56	-8
Other families with children under 18	15	15	0
Other families without children under 18	7	12	5
Total Families	135	127	-8
Non-Family Households			
Single Person	50	40	-10
Two or more persons	6	9	3
Total Non-Families	56	49	-7

Source: U.S. Census

- ▶ Between 2010 and 2020, Montrose had a loss of 15 households. This included eight fewer families and seven fewer non-family households.
- ▶ The number of married couple families living in the City decreased over the decade, with fewer married couples with children and fewer married couples without children.
- ▶ The largest change by household type between 2010 and 2020 occurred within one person households, as the City had 10 fewer people living alone by 2020.
- ▶ There was some growth in the number of non-married families without children, and among non-family households where two or more unrelated people were living together.

Household Projections

Household projections are available to the year 2027 from Applied Geographic Solutions and Esri. However, in the opinion of the analysts, these sources have under estimated the City’s growth potential. As a result, Community Partners Research, Inc., has also generated a projection based on data collected in the research process.

The base-year estimate for 2022 from each source has also been provided to track the expected change in households over the 5-year time period. The 2020 Census count is provided for comparison.

Table 8 Household Projections Through 2027				
	2020 Census	2022 Estimate	2027 Projection	Change
Montrose - AGS	176	173	169	-4
Montrose - Esri	176	170	165	-5
Montrose - CPR, Inc.	176	170	180	10
McCook County - AGS	2,159	2,189	2,143	-46
McCook County - Esri	2,159	2,155	2,149	-6

Source: U.S. Census; AGS; Esri

- ▶ Applied Geographic Solutions is projecting the loss of four households in Montrose between 2022 and 2027. If viewed as an annual average, this would yield approximately one less household per year. While this expected loss is somewhat consistent with the pattern present between 2010 and 2020 in Montrose, in the opinion of the analysts the City does have some growth potential going forward.
- ▶ Esri is projecting that Montrose will lose five households over the 5-year time period between 2022 and 2027. As stated above, this is somewhat consistent with past patterns but the City does have the potential to grow in the future.
- ▶ In the opinion of Community Partners Research, Inc., the City does have some growth potential going forward, especially given its location within the Sioux Falls MSA. A forecast that the City can add between 8 and 10 households is viewed as an achievable projection.

- ▶ Applied Geographic Solutions believes that McCook County will lose 46 households between 2022 and 2027, with most of this reduction occurring outside of Montrose. In the opinion of the analysts, this Countywide forecast is very conservative, as the County also has some growth potential going forward, especially with the large-scale growth that would be expected for the Sioux Falls MSA.
- ▶ Esri is projecting relative stability for McCook County between 2022 and 2027 with a projected reduction of only six households over the 5-year time period.

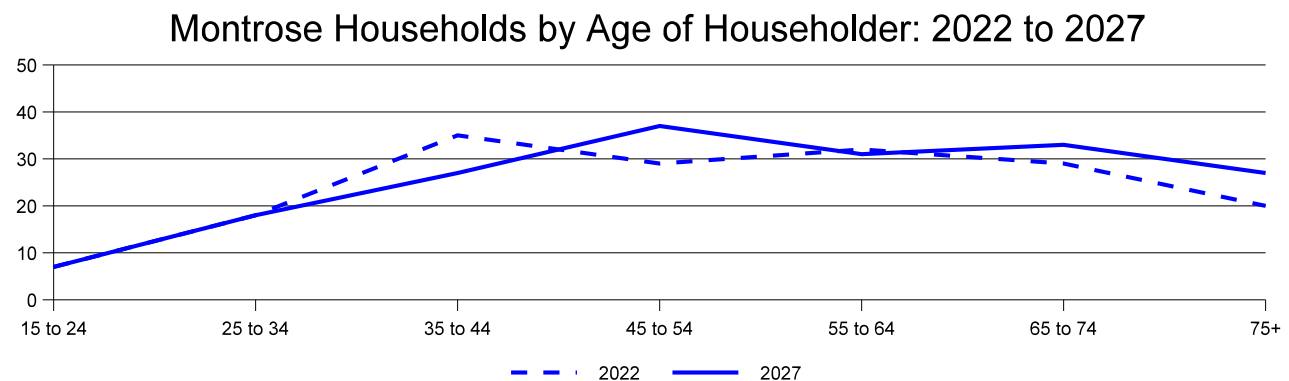
Montrose Household by Age Projections: 2022 to 2027

Esri has created age-based household projections for 2027. However, in the opinion of the analysts, Esri has an overly conservative forecast for the total household count in the City in 2027. In the following table, the base projections from Esri have been adjusted upward by approximately 9% to better reflect the probable household level in Montrose in 2027.

It should also be noted that Esri’s 2022 estimates for household distribution by age do show some differences from the age patterns reported in the 2020 Census. However, there is also a two-year difference in the effective dates of the data, and some differences would be due to changes over time. The numeric change between 2022 and 2027 should be viewed as a general demographic trend, rather than an exact prediction of household change.

Table 9 Montrose Projected Households by Age - 2022 to 2027			
Age Range	2022 Estimate	2027 Projection	Change
24 and younger	7	7	0
25-34	18	18	0
35-44	35	27	-8
45-54	29	37	8
55-64	32	31	-1
65-74	29	33	4
75 and older	20	27	7
Total	170	180	10

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



- ▶ The age-based projections from Esri have been adjusted upward to show growth of 10 total households by the year 2027, which better reflects the City's growth potential over the 5-year time period.
- ▶ Given the small size of the community, only limited change of fewer than five households is projected in many of the defined age ranges.
- ▶ The adjusted projections would expect no change in the younger adult age groups, with a stable number of households age 34 and younger.
- ▶ Within the middle-aged adult ranges, these projections show a decrease of eight households in the 35 to 44 year old range, but an increase of eight households age 45 to 54 years old, resulting in no net change within this 20-year grouping.
- ▶ Relative stability would be expected in the near-senior age group, with a possible reduction of one household in the 55 to 64 year old age group.
- ▶ Based on these projections, most of the increase in households by 2027 will be due to a growing number of seniors, with an increase of four households age 65 to 74 years old and an increase of seven households age 75 and older.

Housing Tenure

The 2020 Census recently released housing occupancy tenure information. This can be compared to the 2010 Census to track changes over the prior decade.

Table 10 Household Tenure - 2020						
	Home Owners			Renters		
	2010	2020	Change	2010	2020	Change
Montrose	144/75.4%	137/77.8%	-7	47/24.6%	39/22.2%	-8

Source: U.S. Census

- ▶ Between 2010 and 2020, the City of Montrose lost seven owner-occupancy households and eight renter households.
- ▶ At the time of the 2020 Census, the home ownership rate in the City of Montrose was at 77.8%, higher than the home ownership rate of 75.4% in 2010.
- ▶ The City primarily offers single family housing options for home ownership, and the City’s rental tenure rate of 22.2% in 2020 was well below the Statewide rental rate of 33%.

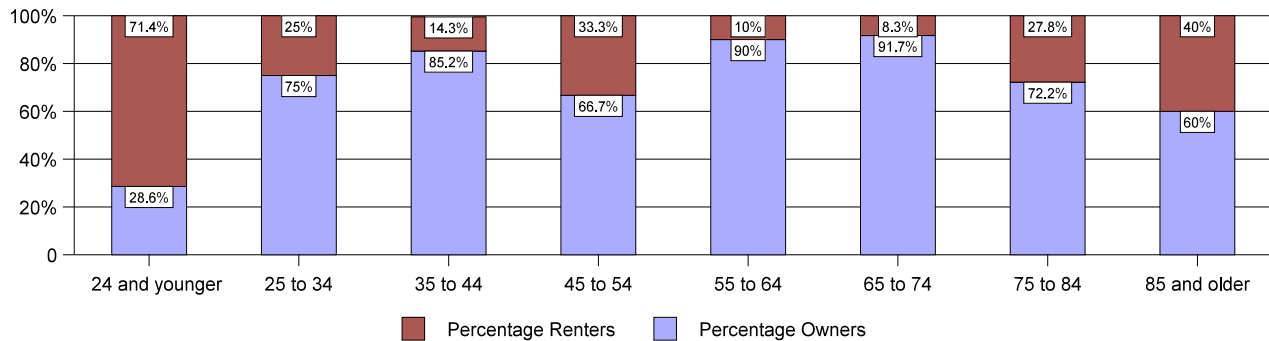
Tenure by Age of Householder

The 2020 Census provided details on the distribution of owner and renter households within defined age ranges. The following table examines the percentages of renters and owners in each age group for Montrose.

Table 11 Housing Occupancy Tenure by Age of Householder: 2020				
Age	Home Owners		Renters	
	Number	% in age range	Number	% in age range
24 and younger	2	28.6%	5	71.4%
25-34	12	75.0%	4	25.0%
35-44	23	85.2%	4	14.8%
45-54	26	66.7%	13	33.3%
55-64	36	90.0%	4	10.0%
65-74	22	91.7%	2	8.3%
75-84	13	72.2%	5	27.8%
85 and older	3	60.0%	2	40.0%
Total	137	77.8%	39	22.2%

Source: U.S. Census

Montrose Housing Tenure Patterns by Age in 2020



- ▶ Household tenure by age patterns show a preference for home ownership in most of the defined age ranges. Only one age group in Montrose, households 24 and younger, predominantly rented their housing in 2020.
- ▶ Home ownership rates were approximately 60% or higher for each of the 10-year age groups 35 years old and older.

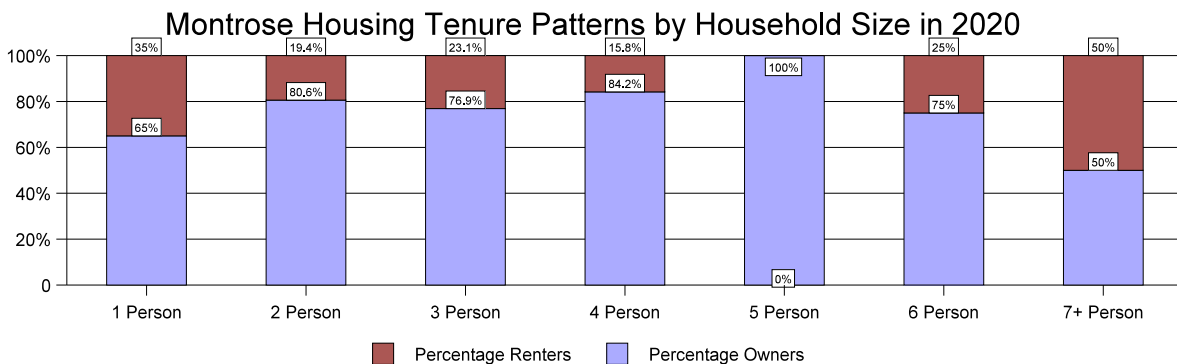
- ▶ The home ownership rate was very high for households in the 55 to 64 and in the 65 to 74 year old groups, at 90% and 91.7%, respectively.
- ▶ Although the home ownership rates for most senior-headed households were high in 2020, the rate of ownership dropped significantly for older seniors age 85 and above. Within this age range the home ownership rate was at 60%, compared to 72.2% for seniors in the 75 to 84 year old age group.

Tenure by Household Size

The 2020 Census also provided information on housing occupancy tenure by household size. This can be compared to the 2010 Census distribution to better understand trends for housing unit needs. The following tables provide information for renter and owner households in Montrose.

Table 12 Tenure by Household Size: 2010 to 2020						
Household Size	Home Owners			Renters		
	2010	2020	Change	2010	2020	Change
1-Person	27	26	-1	23	14	-9
2-Person	63	54	-9	6	13	7
3-Person	17	20	3	9	6	-3
4-Person	23	16	-7	4	3	-1
5-Person	13	14	1	3	0	-3
6-Person	1	6	5	2	2	0
7-Persons+	0	1	1	0	1	1
Total	144	137	-7	47	39	-8

Source: U.S. Census



- ▶ Over the past decade, the City of Montrose lost 15 resident households, with seven fewer home owners and eight fewer renter households between 2010 and 2020.
- ▶ Home ownership rates tended to be high for most household sizes. Only very large households with seven or more members had a rental rate that was equal to the ownership rate. For households with six or fewer members, the ownership rate was 65% or higher.

Median Income Data

Information on median income levels is available at the city and county level through the American Community Survey. These estimates are for 2021.

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 together. 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.

Table 13 Median Household Income - 2010 to 2021			
	2010 Median	2021 Median	% Change
Households			
Montrose	\$43,250	\$78,125	80.6%
McCook County	\$42,022	\$72,063	71.5%
South Dakota	\$46,369	\$63,920	37.9%
Families			
Montrose	\$44,917	\$103,438	130.3%
McCook County	\$57,287	\$84,417	47.4%
South Dakota	\$58,958	\$81,756	38.7%

Source: ACS

- ▶ According to the American Community Survey, the median household income in Montrose had increased very rapidly between 2010 and 2021. The City’s median, at \$78,125 had moved higher than the comparable Countywide and Statewide household medians by 2021. The median household income for all of McCook County was also well above the Statewide median.
- ▶ The median family income for Montrose was estimated at \$103,438 in 2021, up by more than 130% from 2010. The City’s percentage increase in the median family income was much higher than the comparable increases for the County and the State. The family median for all of McCook County was above the median for South Dakota.
- ▶ Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, the median incomes in Montrose yield an amount of \$1,953 for households and \$2,586 for families at the medians that could be applied to monthly costs for ownership or rental housing in 2021.

Montrose Household Income Distribution

The American Community Survey provides income data by owner and renter status. For Montrose, the 2021 American Community Survey estimated that there were 204 total households compared to the 2020 Census count of 176 households. As a result of the overly high estimate, only the percentage distributions have been presented.

Table 14 Montrose Household Income Distribution - 2021			
Household Income	Percentage of Owner Households	Percentage of Renter Households	Total
\$0 - \$14,999	0.7%	4.5%	2.0%
\$15,000 - \$24,999	4.3%	6.1%	4.9%
\$25,000 - \$34,999	2.2%	28.8%	10.8%
\$35,000 - \$49,999	5.1%	24.2%	11.3%
\$50,000 - \$74,999	16.7%	9.1%	13.8%
\$75,000 - \$99,999	18.1%	27.3%	21.2%
\$100,000+	52.9%	0%	36.0%
Total	100%	100%	100%

Source: ACS

- ▶ Household 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 2021, nearly 64% of renter households in Montrose had an annual income below \$50,000. The estimated median income level for all renter households was \$37,500. The estimated median income for renter households in Montrose was relatively high when compared to other small communities in South Dakota.
- ▶ Most owner households had a higher income level. Approximately 71% of owner households had an annual income of \$75,000 or more in 2021. The estimated median household income for home owners was \$105,714.
- ▶ It is important to note that a margin of error applies to all American Community Survey estimates and in a small community only a limited number of households surveyed each year.

Estimated Income and Housing Costs - Renters

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

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”.

Table 15 Gross Rent as a Percentage of Household Income - 2021	
Percent of Income for Housing	Percent of Renter Households
Less than 20%	65.2%
20% to 29.9%	25.8%
30% to 34.9%	0%
35% or more	9.1%
Not Computed	0%
Total	100%

Source: American Community Survey

- ▶ According to the American Community Survey, a large majority of renter households in Montrose had an affordable rent in 2021. Nearly 91% of all renters in the City were paying less than 30% of their income for rent.
- ▶ Approximately 9% of all renter households were paying 30% or more and had a cost burden in 2021. All of these households were applying 35% or more of their income and had a severe cost burden.
- ▶ While a housing cost could be caused by high housing costs, in Montrose it was primarily due to lower income levels. All of the City’s renter households with a cost burden had an annual income below \$35,000 in 2021.

Estimated Income and Housing Costs - Owners

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

Table 16 Montrose Ownership Costs as a Percentage of Income - 2021	
Percentage of Household Income for Housing Costs	Percent of All Owner Households
0% to 19.9%	81.2%
20% to 29.9%	12.3%
30% or more	6.5%
Not Computed	0%
Total	100%

Source: ACS

- ▶ Nearly 94% of owner-occupants in Montrose, which would include households with and without a mortgage, reported paying less than 30% of their income for housing in 2021.
- ▶ Fewer than 7% of all home owners reported that they paid more than 30% of their income for housing.

Building Permit Trends

Montrose has experienced some new housing construction activity in recent years. Specific annual permit information was obtained from the Census Bureau.

Table 17 Montrose Housing Unit Construction Activity: 2010 to 2022			
Year	Single Family	Two or More Units	Total Units Constructed
2022	1	0	1
2021	1	0	1
2020	0	0	0
2019	1	0	1
2018	1	0	1
2017	0	0	0
2016	0	0	0
2015	0	0	0
2014	0	0	0
2013	0	0	0
2012	0	0	0
2011	0	0	0
2010	1	0	1
TOTAL	5	0	5

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

- ▶ Over the 13-year time period spanning 2010 through 2022, there were five new housing units permitted in Montrose. All of these were single family houses.
- ▶ Four of the five houses were constructed since 2018.
- ▶ No larger multifamily developments with more than two units per structure could be identified from available reporting.

2020 Census Housing Unit Data

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

Table 18 Housing Units, Occupancy and Vacancy - 2020									
	Total Housing Units			Occupied Units			Vacant Units		
	2010	2020	Change	2010	2020	Change	2010	2020	Change
Montrose	208	202	-6	191	176	-15	17	26	9

Source: U.S. Census

- ▶ Based on a reconciliation of decennial Census data, Montrose had six fewer housing units in 2020 than were present at the time of the 2010 Census.
- ▶ The building permit reporting presented on the previous page indicated that three new housing units were constructed in Montrose between 2010 and 2019. However, a net loss of six housing units, as reported by the Census, would indicate that an estimated nine older units were removed from the City's inventory than were constructed over the decade.
- ▶ Over the decade the number of vacant units in the City increased. Half of the vacant units counted in Montrose in 2020 were listed as "other vacant". There were no additional details provided on the units listed as "other vacant". For units that were defined, there were only five unoccupied rental units, three unoccupied ownership units, and three seasonal/recreational units counted by the 2020 Census.

American Community Survey Housing Data

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

Median Year of Construction - Owner-occupancy Housing

For owner-occupancy units an estimated median year of construction is provided. In Montrose, the estimated median year of construction was 1993. Approximately 27% of the owner-occupied houses in the City were constructed before 1960.

Median Year of Construction - Renter-occupancy Housing

For renter-occupancy units in Montrose, the estimated median year of construction was 1988. More than 42% of all rental units in the City were constructed before 1980.

Existing Home Sales

This section examines houses that have been sold since 2018 in Montrose. The information was obtained from the South Dakota Department of Revenue website, using information compiled by the McCook 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 information primarily reflects sales of 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 sorts the residential sales into different groupings, primarily based on whether or not the house was actively listed for sale in the open market. In the following table, only open market transactions have been reported.

The 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.

Table 19 Median Value of Recent Sales - 2018 to 2022				
Sales Year	Number of Good Sales	Median Sale Price	Highest Valued Sale	Lowest Valued Sale
2022	6	\$238,150*	\$345,000	\$28,000
2021	8	\$104,000*	\$260,000	\$15,000
2020	8	\$132,450*	\$217,500	\$14,000
2019	4	\$151,250*	\$290,000	\$69,900
2018	7	\$125,000	\$235,000	\$72,500

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

* Median calculated from nearest sales

- ▶ With only a small number of good home sales within any 12-month time period, there has been significant year to year variation in the annual median sale price in Montrose.
- ▶ For 2022, the calculated median price was \$238,150, but was based on only six good sales. The calculated median for 2021 was much lower, at \$104,000, based on only eight sales.

- ▶ With the large variation between 2021 and 2022, a median has also been calculated for the 24-month period. This median was \$137,250 based on 14 home sales.
- ▶ In each of the five years reviewed, at least one home was sold for \$72,500 or less.
- ▶ Over the entire 5-year time period, only one home was sold for more than \$300,000 in Montrose, when a \$345,000 sale was recorded in 2022.
- ▶ An alternate estimate of home values exists in the American Community Survey. In 2021, the estimated median value for all owner-occupied housing in Montrose was \$166,700. This estimate was well above the median sale price recorded in 2021 and 2022 of \$137,250.

Home Sales by Price Range

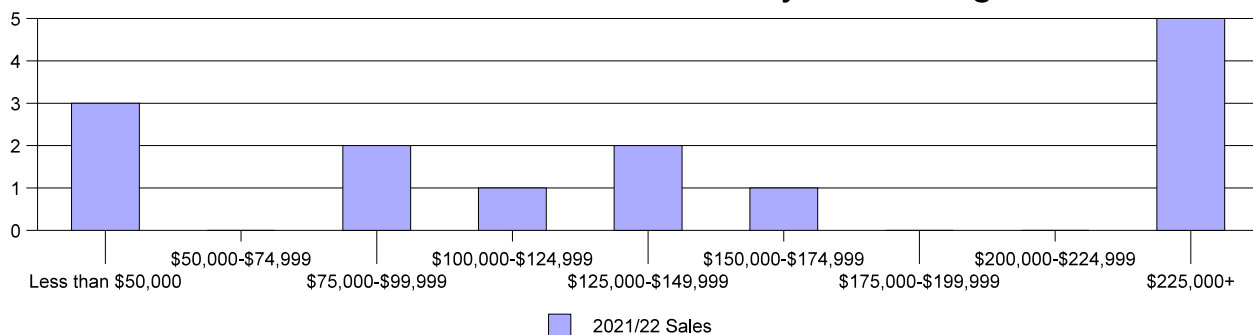
The following table looks at 14 single family houses that sold in 2021 and 2022, using the information that was available from the County Equalization Office.

Table 20 Montrose Home Sales by Price Range in 2021 and 2022		
Sale Price	Number of Sales	Percent of Sales
Less than \$49,999	3	21.4%
\$50,000 - \$74,999	0	0%
\$75,000 - \$99,999	2	14.3%
\$100,000 - \$124,999	1	7.1%
\$125,000 - \$149,999	2	14.3%
\$150,000 - \$174,999	1	7.1%
\$175,000 - \$199,999	0	0%
\$200,000 - \$224,999	0	0%
\$225,000 or more	5	35.7%
Total	14	100%

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

- Recent home sales in Montrose have been widely distributed in different price ranges, but approximately 57% of the sales in 2021 and 2022 were priced below \$150,000, and 43% of all sales were for \$150,000 or more.

Recent Montrose Home Sales by Price Range



- Nearly 36% of the existing homes were sold for \$200,000 or more, while an equal percentage of all sales were for less than \$100,000.

Montrose Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 98 single family/duplex structures in Montrose. Structures that appeared to contain three or more residential units were excluded from the survey. All of the houses in the City, with the exception of the Horstman Addition, were viewed and rated for condition.

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 condition of the visible exterior of each structure, which 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 21 Windshield Survey Condition Estimate - 2023

	Sound	Minor Repair	Major Repair	Dilapidated	Total
Total	41 / 41.8%	43 / 43.9%	9 / 9.2%	5 / 5.1%	98

Source: Community Partners Research, Inc.

- ▶ The existing housing stock in Montrose is generally in good condition, with nearly 42% of the houses rated as Sound, the highest rating given. Nearly 44% of the houses were rated in the Minor Repair category. In total, nearly 86% of the houses were in the two highest ratings groups.
- ▶ There were 9 houses that were in the Major Repair category, which would require a significant investment to return to better condition. There were 5 houses that were judged to be Dilapidated, and may be beyond the point of economically feasible repair.

Rental Housing Data

Census Bureau Rental Inventory

According to the 2020 Census, there were 39 occupied rental units and 5 unoccupied rental units in Montrose, for a total estimated rental inventory of 44 units. The City's rental tenure rate was 22.2%, based on renter-occupancy households. For comparison, the Statewide rental tenure rate in 2020 was 33.0%.

At the time of the 2010 Census there were 47 occupied rental units and 6 unoccupied rental units in Montrose, for a total estimated rental inventory of 53 units. The City's rental tenure rate in 2010 was 24.6%, below the Statewide rental rate of 31.9%.

Between 2010 and 2020 the City lost 8 renter-occupancy households, and 9 rental housing units, according to Census data.

Recent Rental Construction

Based on annual building permit reporting, there has been no identified construction of rental housing in Montrose since 2010. Changes in the City's rental stock may have occurred due to tenure conversion, such as rental houses that were changed to owner-occupancy, or vice versa.

Pending Projects

The research for this Housing Study did not identify any proposed or pending rental projects in Montrose.

Rental Housing Survey

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

There were 24 rental units contacted in the survey. All of the multifamily units identified in Montrose serve the conventional market rate rental segment. There are no income-restricted properties or specialized senior housing projects in the City.

Market Rate Summary

Information was obtained on 24 conventional market rate rental units. All of these units are in 4-unit structures. All of the units had originally been developed as subsidized housing through USDA Rural Development, but in approximately 2017, the subsidy contracts ended and the projects were converted to market rate housing.

There had been one additional subsidized project that was also converted in approximately 2017, but the two 4-plexes were sold to a different owner that could not be contacted.

Unit Mix

Bedroom mix information was obtained from all of the 24 units contacted, as follows:

- ▶ one-bedroom - 6 units (25%)
- ▶ two-bedroom - 18 units (75%)

There were no three or four-bedroom units in the multi-family rental projects that were surveyed, however, there are probably single family homes that are used as rental housing in Montrose that have three or more bedrooms.

Occupancy / Vacancy

At the time of the survey, all of the 24 units were occupied. The owner reported good demand with a number of long-term tenants.

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. It is important to note that all of the units that were contacted had the same owner and had a consistent rent structure.

<u>Unit Type</u>	<u>Reported Gross Rents</u>
One-bedroom	\$525
Two-bedroom	\$575

Tax Credit Summary

There are no tax credit units in Montrose.

Subsidized Summary

There are no federally subsidized rental projects in Montrose in 2023. The City originally had four projects, with 32 total units, developed through USDA Rural Development, but the subsidy contracts have ended and all four projects were converted to conventional market rate housing.

Eligible tenants in occupancy at the time of the conversion were provided with tenant-based rent assistance Vouchers, allowing rent based on 30% of household income. These Vouchers are portable and move with the tenant, but in the 24 units that were contacted by the telephone survey, between 8 and 10 tenants were still in occupancy with a Voucher.

Senior Housing with Services

There are no senior housing projects in Montrose that offer supportive services. There are specialized senior housing options in other communities in McCook County including Bridgewater, Canistota and Salem.

Table 22 Montrose Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Eastside Manor 104 Clark St	6 - 1 bedroom <u>2 - 2 bedroom</u> 8 total units	\$450 \$500 +heat, electric	No vacant units	Mix of tenants	Originally developed as a USDA Rural Development subsidized project for senior/disabled occupancy then later changed to general occupancy - but contract ended in about 2017 and project was converted to conventional market rate housing. Some Vouchers still in use from time of conversion. Rent includes water, sewer and garbage with tenant paying electric heat and electricity. Owner reported full occupancy and good demand.
Rosemount Manor 207 Main St	<u>8 - 2 bedroom</u> 8 total units	\$500 +heat, electric	No vacant units	Mix of tenants	Originally developed as USDA Rural Development subsidized project for general occupancy - but contract ended in about 2017 and project was converted to conventional market rate housing. Some Vouchers still in use from time of conversion. Rent includes water, sewer and garbage with tenant paying electric heat and electricity. Owner reported full occupancy and good demand.
Tibio Manor 211 S 2 nd Ave	<u>8 - 2 bedroom</u> 8 total units	\$500 +heat, electric	No vacant units	Mix of tenants	Originally developed as USDA Rural Development subsidized project for general occupancy - but contract ended in about 2017 and project was converted to conventional market rate housing. Some Vouchers still in use from time of conversion. Rent includes water, sewer and garbage with tenant paying electric heat and electricity. Owner reported full occupancy and good demand.
Northside Manor 307 N 2 nd St	6 - 1 bedroom <u>2 - 2 bedroom</u> 8 total units	N/A	N/A	N/A	Unable to contact - information provided is from secondary sources. Originally developed as USDA Rural Development subsidized project for senior/disabled occupancy then later changed to general occupancy but contract has ended and project was converted to conventional market rate housing.

Source: Community Partners Research, Inc.

Net Household Growth in the Sioux Falls MSA

Over the last few decades, the Sioux Falls MSA has grown at a rapid rate. Between the 2010 Census and the 2020 Census there were a substantial number of households added in Sioux Falls and in many of the smaller cities in the area. The following table examines growth in numeric and percentage terms. The listed cities have been ordered by the numeric household growth that occurred over the period.

Table 23 Household Growth by Jurisdiction: 2010 to 2020				
City	2010 Census	2020 Census	Numeric Growth	Percentage Growth
Sioux Falls	61,707	78,405	16,698	27.1%
Harrisburg	1,423	2,268	845	59.4%
Brandon	3,118	3,888	770	24.7%
Tea	1,254	1,897	643	51.3%
Hartford	913	1,218	305	33.4%
Dell Rapids	1,388	1,551	163	11.7%
Baltic	389	458	69	17.7%
Crooks	431	476	45	10.4%
Garretson	449	482	33	7.3%
Salem	567	559	-8	-1.4%
Montrose	191	176	-15	-7.9%
MSA	83,677	109,218	25,541	30.5%

Source: US Census

Between in 2010 and 2020, the MSA added 25,541 households, for an increase of 30.5%. More than 65% of this household growth occurred in Sioux Falls.

The remainder of the region’s household growth was shared between multiple jurisdictions within the 4-County MSA, but Harrisburg, Brandon, Tea and Hartford captured the largest numeric share of household growth outside of Sioux Falls. Together, these four jurisdictions, along with Sioux Falls, accounted for more than 75% of all household growth in the MSA.

The City of Montrose lost 15 households over the decade, according to the decennial Census.

MSA Housing Unit Construction Activity: 2010 to 2022

The U.S. Census Bureau collects building permit issuance information from individual cities, towns and townships. Annual housing construction summary information is available for the combined jurisdictions that form the Sioux Falls MSA. This represents a four-county area of Minnehaha, Lincoln, McCook and Turner Counties. The total unit production for 2022 was identified as “preliminary” at the time of the research for this Study and may change.

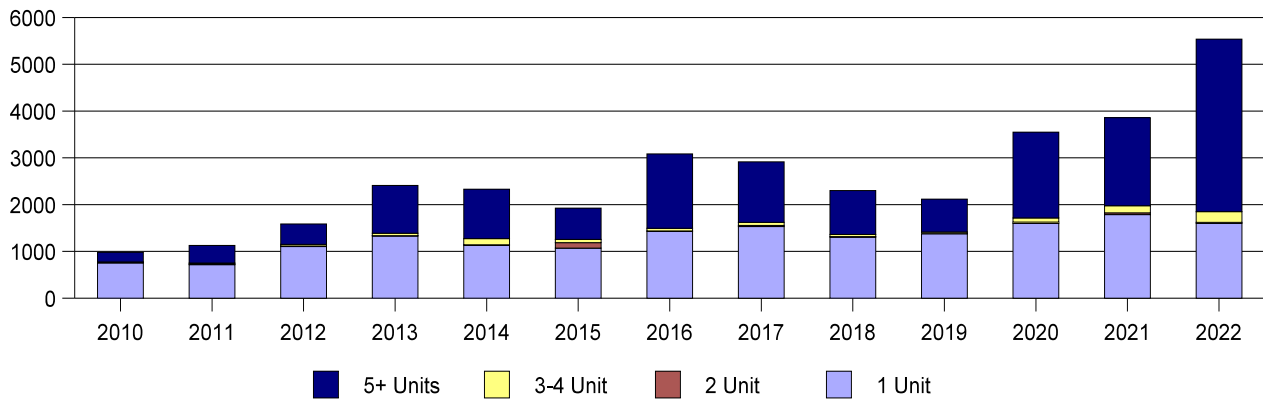
It is important to note that the Census Bureau’s annual totals may differ from other information in this Study, which may be collected directly from individual jurisdictions. However, the Census Bureau reports do provide some perspective on housing construction within the larger MSA. Census Bureau annual totals for the City of Montrose are also provided for comparison.

Housing construction activity in Montrose has represented a very small share of all activity in the Sioux Falls MSA in recent years. From 2010 through 2022 the City reported that only five new housing units were built in Montrose.

Table 24 Montrose and MSA Housing Unit Construction Activity - 2010 to 2022										
Year	City of Montrose					Sioux Falls MSA				
	Single Family	Two Family	3 to 4 Family	Multifamily	Total	Single Family	Two Family	3 to 4 Family	Multifamily	Total
2022	1	0	0	0	1	1,600	22	229	3,687	5,538
2021	1	0	0	0	1	1,788	36	153	1,882	3,859
2020	0	0	0	0	0	1,597	30	89	1,834	3,550
2019	1	0	0	0	1	1,376	10	28	705	2,119
2018	1	0	0	0	1	1,306	12	46	938	2,302
2017	0	0	0	0	0	1,533	22	67	1,292	2,914
2016	0	0	0	0	0	1,431	6	58	1,589	3,084
2015	0	0	0	0	0	1,069	120	67	670	1,926
2014	0	0	0	0	0	1,134	8	131	1,057	2,330
2013	0	0	0	0	0	1,330	6	52	1,021	2,409
2012	0	0	0	0	0	1,104	12	36	435	1,587
2011	0	0	0	0	0	716	16	19	378	1,129
2010	1	0	0	0	1	755	8	111	207	1,081
Total	5	0	0	0	5	16,739	308	1,086	15,695	33,828

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

MSA Annual Housing Unit Construction: 2010 to 2022

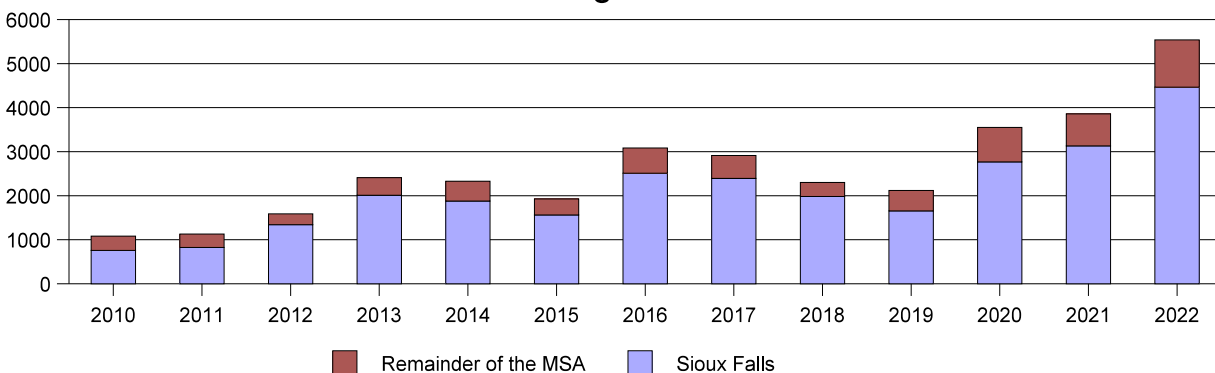


According to Census Bureau reports, the years 2022 and 2021 represented the highest years for new housing unit production in the MSA over the 13-year period reviewed. In 2022, preliminary reports indicated that more than 5,500 total housing units were permitted.

The permitting for 2022 was distributed in all structure types, but the year-to-year increase from 2021 was due to very strong production of multifamily units. Approximately 29% of all permitted units in 2022 were in one unit structures and nearly 67% were in multifamily projects with five or more units per structure. The remaining units were in structures with between two and four residential units.

As the primary jurisdiction in the MSA, the City of Sioux Falls accounts for a large majority of the units constructed annually. While year-to-year variation exists, in recent decades, Sioux Falls has typically represented between 70% or more 86% of the annual MSA construction activity. Based on preliminary reporting for 2022, Sioux Falls represented nearly 81% of the MSA’s construction unit total, according to the Census Bureau.

Sioux Falls/MSA Annual Housing Unit Construction: 2010 to 2022



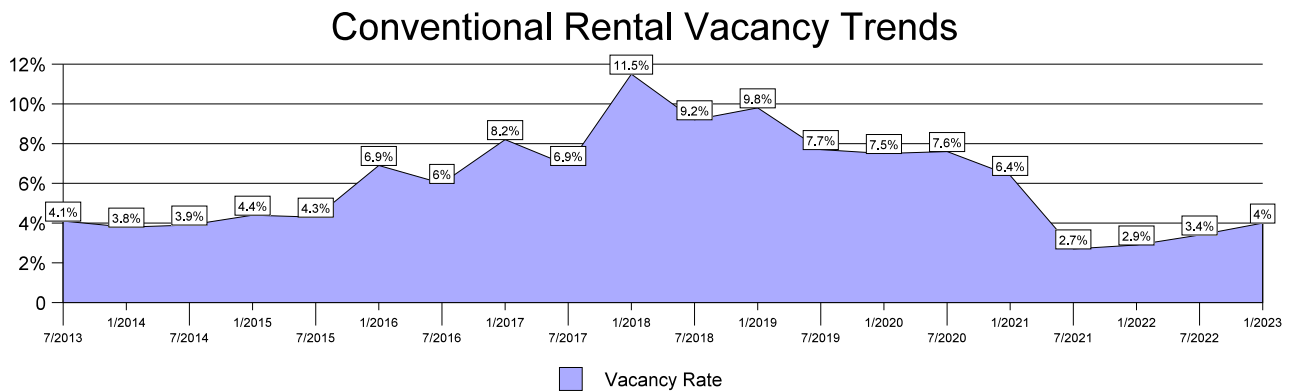
Regional Rental Vacancy Rates

The South Dakota Multi-Housing Association has tracked rental housing vacancy information for the Sioux Falls area for many years through a semiannual survey. This is an excellent source of information that not only provides a current picture of rental housing occupancy, but also a perspective on longer-term trends.

Conventional Market Rate Housing

The most recently completed vacancy survey is from January 2023. This survey found a vacancy rate of 4.0% in conventional market rate housing. The survey included nearly 15,900 conventional units and found just 629 vacancies. Although this was an area-wide survey, including communities that are within a 20-mile radius of Sioux Falls, a very large majority of the reporting units were located within the Sioux Falls zip codes.

The following chart presents the Multi-Housing Association vacancy calculations dating back to the July 2013 to provide a 10-year history for conventional rental housing.



While the most recent survey does show a slight increase in the conventional rental vacancy rate when compared to the prior two surveys, the reported vacancy rate of 4.0% is still relatively low by historic standards. Over the past 20 surveys, the vacancy rate has been below 4% only five times in this market segment.

A big drop in the vacancy rate occurred in 2021, with a 6.4% in January which then moved to only 2.7% by July 2021. Since that time it has been gradually increasing.

A general standard for rental housing vacancy is that a rate up to 5% is considered acceptable. A modest level of vacancy is desirable to allow tenant movement in the market by providing choices for prospective renters. It also allows a community the chance to grow, as new households moving into the area can readily locate a living unit. In Sioux Falls, a vacancy rate above 5% would not be surprising for individual surveys, as large-scale unit construction can occur which can temporarily cause an oversupply of units.

As evident in the previous chart, past history shows that the Sioux Falls market has had the ability to “self-correct”. People interviewed in past studies in the area have cited the cyclical nature of rental production in Sioux Falls. As the vacancy rate has risen, construction activity in subsequent years tends to diminish. As vacancy rates begin to fall, it has been typical to see an above-average level of construction.

Based on the building permit reporting presented previously from the Census Bureau, the number of multifamily units permitted in the MSA was below average in 2018 and 2019, probably in response to very high vacancy rates during those years. Multifamily production then began to increase in 2020 and 2021. The preliminary reporting for 2022 points to the largest production of new multifamily units over the past 13 years. While vacancy rates have been low, the impact of the above-average construction in 2022 may be starting to be reflected as more units enter the market in 2023, and vacancy rates may continue to increase as the next few surveys are completed.

Income-Based Housing Vacancy Rates

The large majority of the units in the Multi-Housing survey are conventional rentals. However, different types of income-restricted housing are also included. These units include moderate rent properties constructed through the federal low income housing tax credit program and federally subsidized low income housing referred to as “HUD units” in the reports.

Since the start of 2018, the vacancy rate in tax credit housing has stayed above 5%, and in many surveys has been above 7%. In the January 2023 survey, tax credit units had a vacancy rate of 6.1%, compared to the conventional housing vacancy rate of 4.0%.

HUD units have tended to maintain a low rate of vacancy over time. In the most recent report, the vacancy rate for HUD units was only 1.4%. With the exception of one survey in January 2020, when the HUD vacancy rate was at 6.6%, this very affordable segment has maintained a vacancy rate below 5%.

Although the Sioux Falls MSA generally performed well during the global health pandemic, presumably the impact had caused some decrease in incomes for some MSA households. This potentially increased demand for income-restricted tax credit and deep subsidy rental housing.

Vacancy Rates Outside of Sioux Falls

The Multi-Housing Survey does collect some rental data from units that are outside of the City of Sioux Falls, but within a certain radius. Information is provided by zip code for communities in the Sioux Falls region. No rental units in Montrose were included in the January 2023 survey.

Employment and Local Economic Trends

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

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.

McCook County is part of the Sioux Falls MSA. Much of the household growth that has occurred in the MSA in past decades was the direct result of job opportunities that were available, especially in the City of Sioux Falls.

Montrose is also within a reasonable commuting distance of a number of other employment centers, including Mitchell (37 minutes) and Madison (35 minutes).

Labor Force and Unemployment

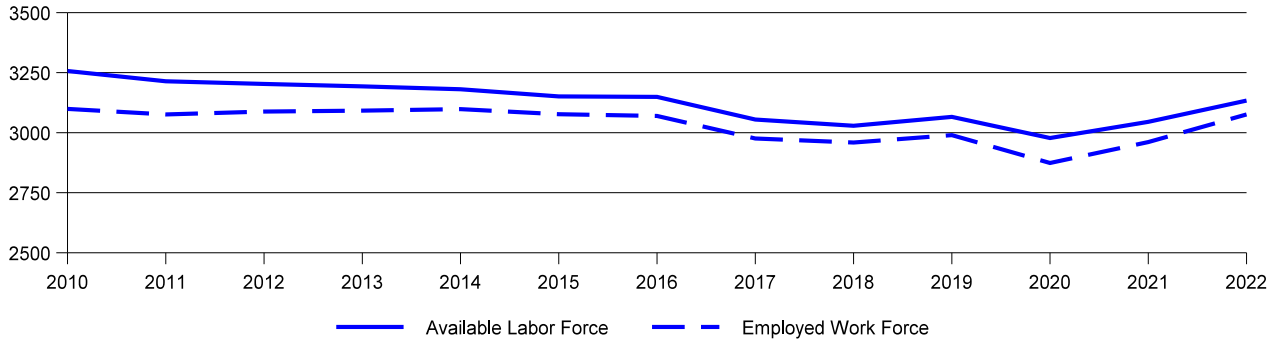
Employment information is available at the County level. This table presents information based on place of residence, not by the location of employment.

Table 25 McCook County Average Annual Labor Force: 2010 to 2022						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2010	3,257	3,099	158	4.9%	5.0%	9.6%
2011	3,214	3,076	138	4.3%	4.6%	8.9%
2012	3,203	3,088	115	3.6%	4.1%	8.1%
2013	3,193	3,092	101	3.2%	3.7%	7.4%
2014	3,181	3,098	83	2.6%	3.3%	6.2%
2015	3,151	3,077	74	2.3%	3.0%	5.3%
2016	3,149	3,070	79	2.5%	3.0%	4.9%
2017	3,055	2,976	79	2.6%	3.1%	4.4%
2018	3,029	2,959	70	2.3%	2.9%	3.9%
2019	3,066	2,990	76	2.5%	3.0%	3.7%
2020	2,978	2,874	104	3.5%	4.6%	8.1%
2021	3,045	2,961	84	2.8%	2.8%	5.3%
2022	3,134	3,076	58	1.9%	2.3%	3.7%

Source: South Dakota Department of Labor

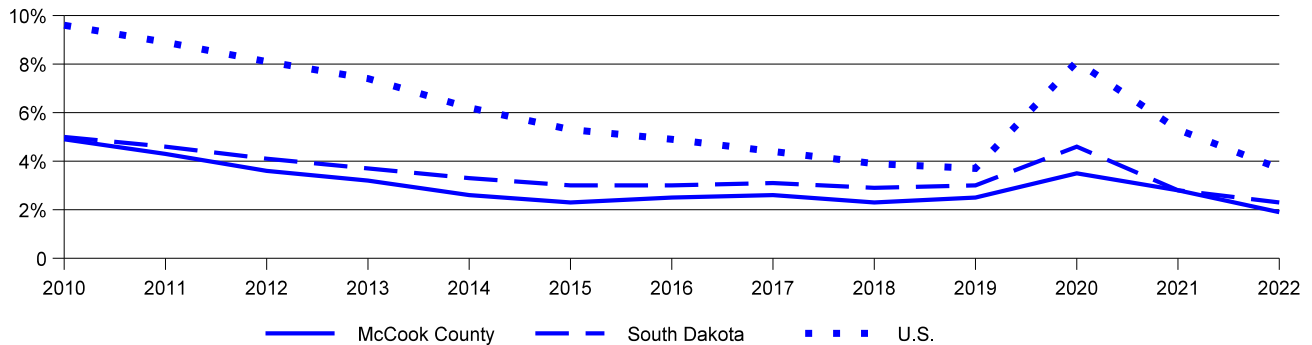
- ▶ Between 2010 and 2022, the size of McCook County’s available resident labor force has experienced both up and down movement, but if 2022 is compared to 2010, the labor force had decreased by 123 people, or -3.8%.
- ▶ The County’s employed resident labor force has generally followed a similar pattern, although the reduction has been smaller. The number of employed County residents in 2022 was only 23 persons lower than in 2010, or -0.7%.

McCook County Labor Force and Employed Work Force



- ▶ The global pandemic in 2020 did have some impact on the County’s labor statistics, but by the end of 2021 McCook County had generally returned to pre-pandemic levels.
- ▶ Throughout the entire time period reviewed, the unemployment rate in McCook County has stayed below the national rate, and has been at or below the Statewide unemployment rate. McCook County’s unemployment rate of only 1.9% in 2022 was extremely low.

Unemployment Rates



Average Annual Wages by Industry Sector

The following table shows the annual employment and average annual wages by major employment sector in 2021, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment in McCook County. With the exception of total employment, the industry sectors reported below are for private employment.

Table 26 McCook County Average Annual Wages by Industry Detail: 2021		
Industry	Employment	Average Weekly Wage
Total All Industry	2,383	\$785
Natural Resources, Mining	104	\$823
Construction	125	\$1,061
Manufacturing	N/A	N/A
Trade, Transportation, Utilities	293	\$912
Information	15	\$1,519
Financial Activities	52	\$1,081
Professional and Business Services	70	\$703
Education and Health Services	248	\$697
Leisure and Hospitality	N/A	N/A
Other Services	41	\$654

Source: South Dakota Department of Labor

- ▶ The average weekly wage for all industry in 2021 was \$785. At full-time employment this would equate to an annual wage of \$40,820.
- ▶ The highest paying wage sectors were Information and Financial Activities. Each of these employment sectors had an average weekly wage above \$1,000. However, the Information sector was small with only 15 employees in 2021.
- ▶ The largest single industry sector was Trade, Transportation and Utilities with an average weekly wage of \$912, which was higher than the average for all employment in the County.

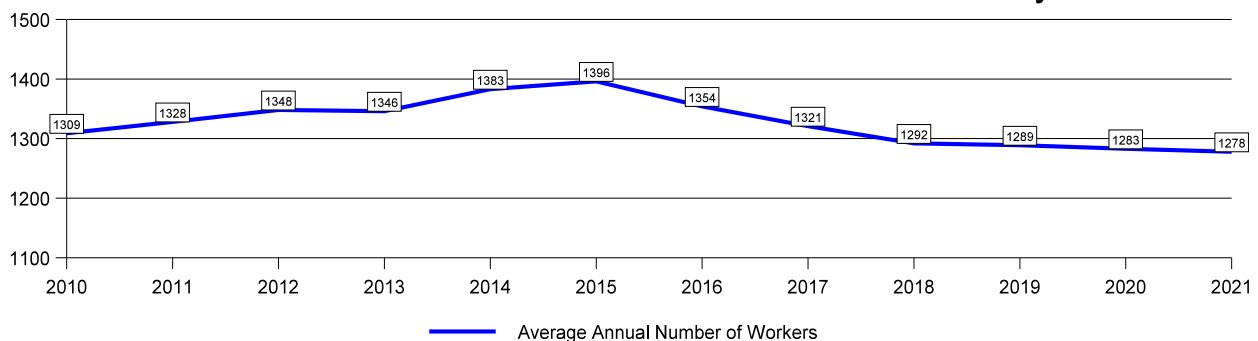
Annual Covered Employment

Since the Quarterly Census of Covered Workers (QCEW) tracks employees covered by unemployment insurance by location of the worker, it is possible to examine longer-term patterns in the local employment level. The following table displays the total number of workers reported in the County back to the year 2010.

Table 27 McCook County Average Annual Employment			
Year	Total Covered Employment	Year	Total Covered Employment
2010	1,309	2016	1,354
2011	1,328	2017	1,321
2012	1,348	2018	1,292
2013	1,346	2019	1,289
2014	1,383	2020	1,283
2015	1,396	2021	1,278

Source: QCEW - SD Department of Labor

Number of Covered Workers in the McCook County



- ▶ The recent peak level for covered employment occurred in 2015, when nearly 1,400 jobs were reported in McCook County that were covered by unemployment insurance. Since that time there has been a gradual decrease in the number of covered workers.
- ▶ Since 2010, the lowest number of covered workers was reported in 2021.

Commuting Patterns of Area Workers

Some information is available on area workers that commute for employment. The best information is from the 2021 American Community Survey, and has been examined for the City of Montrose. The first table examines City residents that traveled to work and excludes people that work at home.

Table 27 Commuting Times for Montrose Residents - 2021		
Travel Time	Number	Percent
Less than 10 minutes	43	14.3%
10 to 19 minutes	31	10.3%
20 to 29 minutes	69	23.0%
30 minutes +	157	52.3%
Total	300	100%

Source: American Community Survey

Most employed residents of Montrose were traveling significant distances to work in 2021, with more than 52% commuting 30 minutes or more. Fewer than 25% of people were traveling less than 20 minutes for their primary job.

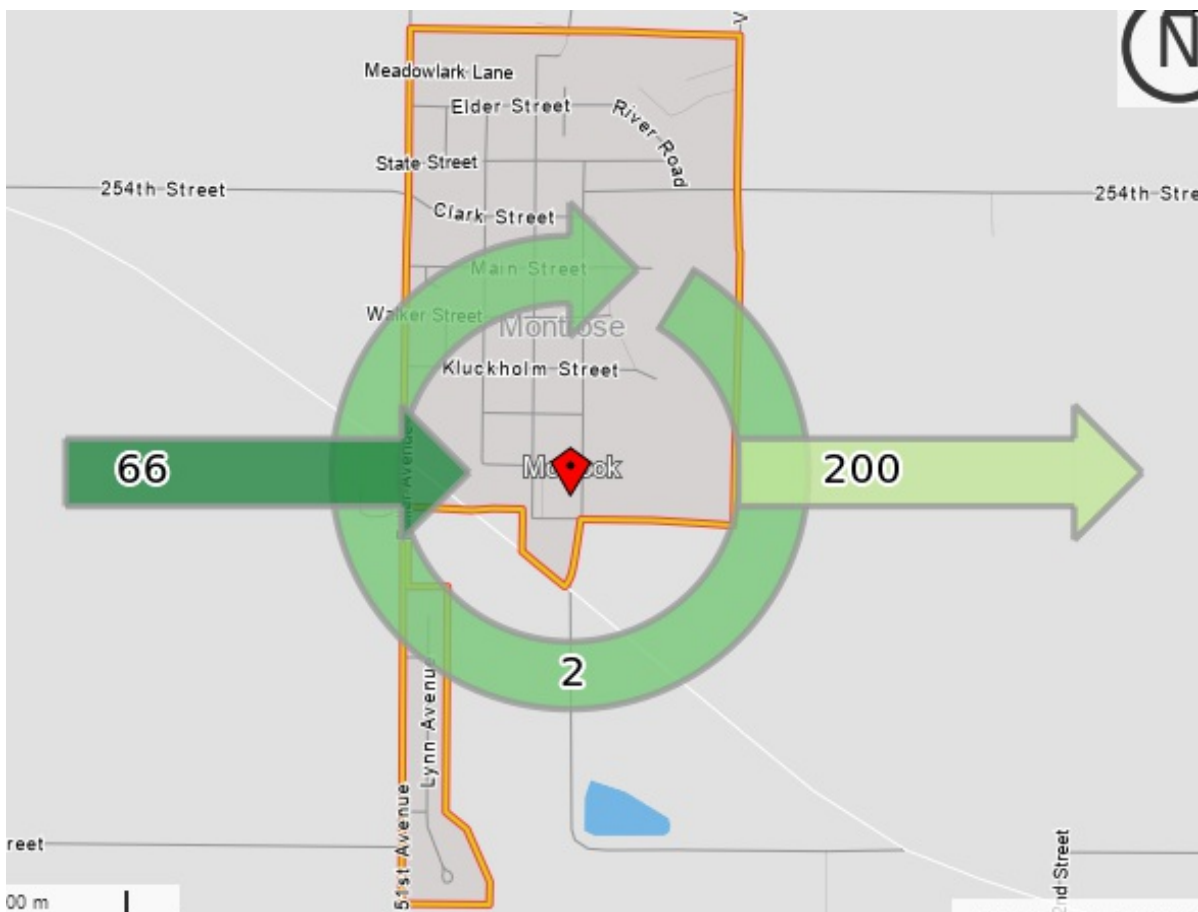
The ACS also identifies travel time by location of employment. However, due to the limited number of jobs in Montrose, no estimates were provided for City-based employment.

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 2020, but provides a further breakdown of worker movement.

According to the report for Montrose, there were 68 people that were employed within the City in 2020. Nearly all of these City-based employees lived outside of Montrose, with an estimated 66 employees commuting into the City for their primary job. The identified home locations for workers traveling to the community were Salem, Salem Township and Sioux Falls.

On the Map can also be used to track worker outflow patterns from the City. Overall, there were 202 Montrose residents that were employed. Most of these City residents worked outside the community with 200 people traveling to other locations. The primary identified work locations were Sioux Falls, Salem, Salem Township and Madison.



Findings on Growth Trends

The release of the 2020 Census provided a new benchmark for demographic data. For the City of Montrose, the 2020 results showed a slight decrease in both the City's permanent resident population and number of households. When compared to 2010, Montrose had lost 15 households but only four people over the decade.

While there may be some questions about the accuracy of the 2020 Census, it does represent the most reliable source of information on basic demographic topics. It is also important to note that Montrose also had a small decrease in the number of households between 2000 and 2010, so the most recent Census showed a continuation of household patterns that have existed for at least 20 years. The City did see solid household growth in the 1990s, but with the losses in the following two decades, the City's total household count in 2020 was only 12 households higher than in 1990.

Despite the recent population decrease in Montrose, McCook County did add some permanent residents between 2010 and 2020. However, the entire County also had a small reduction in the number of permanent households over the decade, although there were only nine fewer households Countywide in 2020 than in 2010, including the reduction in Montrose.

Although there were relatively small demographic changes in Montrose and McCook County from 2010 to 2020, the Sioux Falls MSA experienced large-scale growth. During the last decade the MSA added more than 25,500 households. Most of this growth was located in Minnehaha and Lincoln Counties. McCook and Turner Counties represent only a small percentage of the entire MSA and did not impact regional growth patterns.

Findings on Projected Growth

This Study has examined projections from established national sources, including both Applied Geographic Solutions (AGS) and Esri. There are differing opinions between these sources on the future growth potential for the City and the County.

Applied Geographic Solutions is forecasting a minor reduction in the number of households in Montrose over the next five years, but a slight increase in the City's population. This would imply that the average household size will increase during the projection period.

Esri is also projecting a small decrease in the number of permanent households in the community, with the expected loss of approximately one household per year over the 5-year projection period. Esri is also showing some loss of population by 2027.

Although both of the household forecasts from AGS and Esri are consistent with past patterns for the community, in the opinion of Community Partners Research, Inc., Montrose does have some growth potential. Given its location within the fast-growing Sioux Falls MSA, an achievable forecast would be for the City to add between 8 and 10 total households over the next five years.

To achieve even this limited annual growth of up to two households per year, the City will probably need to add housing units. The best available information indicates that older housing has been lost at a faster rate than new construction in recent years. As a result, future housing development at a level that is greater than expected household growth will be required. Additional housing production will also be needed to address pent-up demand in certain market segments. These additional demand generators will be discussed on the following pages.

While the available projection sources differ somewhat for McCook County's growth potential, both tend to show only limited changes between 2022 and 2027. AGS and Esri are forecasting a small increase in the County's population, but a small decrease in the number of households.

In the opinion of Community Partners Research, Inc., McCook County also should benefit from the large-scale growth that has been occurring in the Sioux Falls region, and the County will add some households, both in Montrose and in the remainder of the County.

Summary of Montrose’s Growth Projections by Age Group

The Demographic section of this Study included projection information for Montrose on anticipated changes by age group from 2022 to 2027. This information can be informative in determining the housing that may be needed due to age patterns of the area’s residents.

The base projections were generated by Esri, but were then adjusted upward by approximately 9% to better reflect the probable household count in Montrose in the year 2027. As projected by Community Partners Research, Inc., Montrose should be able to add approximately 8 to 10 households over the 5-year time period.

<u>Age Range</u>	<u>Projected Change in Households 2022 to 2027</u>
24 and younger	0
25 to 34	0
35 to 44	-8
45 to 54	8
55 to 64	-1
65 to 74	4
75 and older	7
Total	10

In general, the adjusted projections indicate an aging population for the City, with a net increase of 10 households age 55 and older. This would largely track with the movement of the “baby boom” generation through the aging cycle. By the year 2027, nearly all of the baby boomers will be age 65 or older.

Although these projections show growth in the 45 to 54 year old range, this is then offset by expected losses in the adjoining 35 to 44 year old range. As a result, these projections expect no net change in Montrose among younger adult households age 54 and younger by 2027.

Findings on Unit Demand by Type of Housing

Based on the household by age projections presented on the previous page, the following observations are made on the changing age composition of Montrose's population through the projection period and the resulting impact on demand for housing.

Age 24 and Younger - The projections used for this Study expect no change in the number of households age 24 and younger between 2022 and 2027. Tenure patterns at the time of the 2020 Census showed that more than 70% of these households in Montrose will rent their housing. No change in the number of younger adult households should mean that rental demand from this group will remain stable during the projection period.

25 to 34 Years Old - The projections also show no change in households in this age range by 2027. Within this age range households often move from rental to home ownership. The ownership rate among these households in Montrose was approximately 76% in 2020. Once again, stable demand would be expected for both first-time home buyer and rental opportunities from this age range during the projection period.

35 to 44 Years Old - The projections for this 10-year age cohort expect a reduction of 8 households between 2022 and 2027 in Montrose. In 2020, this age group had a very high rate of home ownership, above 81%. Households within this range often represent both first-time buyers and households looking to trade-up in housing, selling their starter home for a more expensive house. The projected reduction points to somewhat decreased demand within these ownership segments from households in this age group.

45 to 54 Years Old - The projections show an expected increase of 8 households in this age group by 2027. Households in this age range typically have a high rate of home ownership, but in Montrose the ownership rate was at approximately 67% in 2020. These households will often look for trade-up housing opportunities. Growth in the number of households in this age group should indicate that the demand for trade-up housing may increase during the projection period.

55 to 64 Years Old - This near-senior age group is projected to remain relatively stable in Montrose between 2022 and 2027. This age range has traditionally a high rate of home ownership, at approximately 90% in 2020. 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 gain of 4 households is expected by the year 2027 in the 65 to 74 age range. While this group will begin moving to life-cycle housing options as they age, younger seniors are still predominantly home owners. At the time of the 2000 Census, nearly 92% of the households in this age range owned their housing in Montrose. Once again, preferences for age-appropriate units should increase from household growth within this age cohort.

75 Years and Older - There is a projected gain of 7 households in Montrose in this age range between 2022 and 2027. In the past, the older households within this age range have had a relatively low rate of home ownership in Montrose, at 60% in 2020. An expansion of housing options for seniors, including high quality rental housing and senior housing with services, 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 Montrose to gain approximately 10 households from 2022 to 2027. Household growth in Montrose and McCook County will yield some demand for new housing production in Montrose.

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 Montrose, 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 Montrose. 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 Montrose were identified through statistical data, local interviews, research and on-site review of the local housing stock.

- ▶ **Montrose serves as a small regional center** - Montrose provides employment opportunities, retail/service options, professional services, governmental services and recreational facilities for a small geographical area that surrounds the City.
- ▶ **Affordable priced housing stock** - The City of Montrose has a stock of affordable, existing houses. Our analysis shows that the City's median home value based on 2021 and 2022 home sales was approximately \$137,250. A portion of this existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Educational system** - Montrose has a pre-K to grade 12 school system.
- ▶ **Infrastructure** - Montrose's water and sewer infrastructure is in excellent condition and can accommodate future expansion.
- ▶ **Commercial development** - Montrose's commercial district is adequate to meet most daily needs.
- ▶ **Employers** - Montrose has employers that provide job opportunities for local residents.
- ▶ **Commuters** - Approximately 66 employees are commuting into Montrose daily for work. These commuters are a potential market for future housing construction.
- ▶ **Proximity to Sioux Falls, Mitchell and Madison** - Montrose is located approximately 29 miles from Sioux Falls, 46 miles from Mitchell and 28 miles from Madison. Sioux Falls, Mitchell and Madison provide employment opportunities, retail/service options, educational opportunities, health care facilities and entertainment and recreational amenities. Some households prefer to live near, but not in a large regional center.

- ▶ **Small town atmosphere** - Montrose has the real and perceived amenities of a small town. Small town living is attractive for some households.
- ▶ **Assistance from organizations** - Several organizations are available to assist Montrose with addressing their housing needs, including the South Eastern Council of Governments and the Sioux Metro Growth Alliance.
- ▶ **Median household and family incomes** - The City of Montrose household and family incomes are significantly higher than the statewide household and family incomes. Therefore, there is a significant number of households in Montrose that have the financial resources to purchase new housing.
- ▶ **Horstman Addition** - The Horstman Addition is the City's newest subdivision. The subdivision was successfully developed and provides optimism that new housing development can be achieved in Montrose.

Barriers or Limitations to Housing Activities

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

- ▶ **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.
- ▶ **Low rent structure** - The area's rent structure is relatively low, which makes it difficult to construct new rental housing.
- ▶ **Value-gap deters new owner-occupied construction** - Based on market values from 2021/22 residential sales, we estimate that the median priced home in Montrose is valued at approximately \$137,250. This is below the comparable cost for new housing construction, which will generally be above \$300,000 for a stick built home with commonly expected amenities. This value gap between new construction and existing homes can be a disincentive for any type of speculative building and can also deter customized construction.
- ▶ **Lower paying jobs** - Although Montrose has job opportunities, some jobs are at the lower end of the pay scale and employees with these jobs have limited housing choices.
- ▶ **Commercial/retail option** - Montrose has a limited number of commercial and retail opportunities compared to larger regional centers.
- ▶ **Proximity to Sioux Falls, Mitchell and Madison** - Although it is a strength to be located in close proximity to Sioux Falls, Mitchell and Madison, it is also a barrier as Montrose must compete with these regional centers, which offer attractive residential opportunities and other amenities and services.
- ▶ **Flood Plain** - A portion of the City is in a 100-year flood plain, which limits new construction and potential renovation in the flood plain area.
- ▶ **Competition from rural lots** - The Montrose area has lot opportunities in rural areas that compete with available residential lots within the City.
- ▶ **Available residential lots** - There are only a few residential lots available in Montrose for new housing construction.
- ▶ **Available land for development** - The options for vacant land for future residential development are limited.

Recommendations, Strategies and Housing Market Opportunities

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

- ▶ **Be realistic in expectations for housing development** - Large-scale residential growth has not occurred in the recent past and is not likely to occur in the near future. The scale of activities proposed for the future should be comparable with the area's potential for growth.
- ▶ **Proactive community involvement** - New home and apartment construction will more likely occur in Montrose if there is continued 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 Montrose will be heavily dependent on the City's appeal as a residential location. The condition of the existing housing stock is a major factor in determining the City's long-term viability. The existing housing stock is in good condition and is a major asset, however, rehabilitation efforts are needed to preserve the housing stock.
- ▶ **Protect the existing assets and resources** - Montrose has several assets including a pre-school to grade 12 school, a Downtown Commercial District, recreational opportunities, etc. These are assets that make Montrose a desirable community to live in, and are key components to the City's long-term success and viability. These assets must be protected and improved.
- ▶ **Develop a realistic action plan with goals and time lines** - In the past the City has been involved in housing issues. The City should prioritize its housing issues and establish goals and time lines to achieve success in addressing its housing needs.
- ▶ **Access all available resources for housing** - In addition to the local efforts, the City has other resources to draw on including USDA Rural Development, the South Dakota Housing Development Authority, the Southeastern Council of Governments, the Southeastern Development Foundation, Inter-Lakes Community Action Partnership, the Sioux Growth Metro Alliance 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 Montrose have been formulated through the analysis of the information provided in the previous sections and include 18 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 10 to 12 general occupancy market rate rental units
2. Promote the development/conversion of three to four affordable market rate rental housing units
3. Monitor the need for subsidized rental housing units
4. Consider the development 8 to 10 senior independent/light services market rate units
5. Develop a downtown mixed-use commercial/housing project
6. Apply to access the Housing Choice Voucher Program

Home Ownership

7. Utilize and promote all programs that assist with home ownership
8. Develop a purchase/rehabilitation program

Single Family Housing Development

9. Support lot/subdivision development
10. Strategies to encourage residential lot sales and new home construction in Montrose
11. Coordinate with agencies/nonprofits that develop affordable housing
12. Promote twin home/town home development

Housing Rehabilitation

13. Promote rental housing rehabilitation
14. Promote owner-occupied housing rehabilitation efforts

Other Housing Initiatives

15. Continue to acquire and demolish dilapidated structures
16. Create a plan and a coordinated effort among housing agencies
17. Strategies for downtown redevelopment
18. Develop home ownership and new construction marketing programs and strategies

Montrose - 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.

From 2000 to 2022, no rental units were constructed in Montrose. However, some single family homes were converted from owner-occupied to rental use and vice versa.

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

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

Our household projections for Montrose expect some household growth over the next five years. From 2022 to 2027, it is projected that there will be a gain of approximately 10 households. It is estimated that approximately 50% of these households will be rental households, thus, there will be a demand of approximately five 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 one to two units per year. As a result, approximately five to 10 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 may also be lost due to conversion to owner-occupancy.

Pent-up demand also exists for some rental housing segments. As part of this study, a rental survey was conducted. The survey found no vacant rental units in Montrose. There originally were 32 USDA Rural Development subsidized rental units in Montrose in four separate projects. However, all four projects have ended their subsidy contracts and converted to market rate.

We have identified pent-up demand for high quality market rate rental units and senior independent/light services units. The three demand generators show a need for 21 to 26 rental units over the next five years. Based on the factors stated above, we recommend the development of the following new rental units/beds over the next five years from 2023 to 2027.

▶ General occupancy market rate	10-12 units
▶ Affordable/conversions	3-4 units
▶ Senior with services (independent/light services)	<u>8-10 units</u>
Total	21-26 units

1. Develop 10 to 12 general occupancy market rate rental units

Findings: All of the rental units in Montrose 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. Over the years, 32 subsidized USDA Rural Development units in four projects, have converted to market rate units.

In the 24 market rate rental units we surveyed, we found no vacant units. The owner reported good demand for the units.

There is a limited variation in rental rates in the market rate segment in the City of Montrose. The existing rents, including utilities, are approximately \$550 for a one-bedroom unit and \$600 for a two-bedroom unit.

From 2000 to 2022, we are not aware of any rental units that were constructed in Montrose. However, some single family homes converted from owner-occupied to rental units and vice versa from 2000 to 2022.

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

Based on this combination of demand generators, we believe that it is reasonable to plan for the production of 10 to 12 market rate rental units over the next five years, from 2023 to 2027. The new units should be primarily two-bedroom units.

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

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

There is a need to construct both types of market rate rental housing. There is a wide rent range in the following table reflecting the two segments. To construct the workforce housing and charge affordable rents, financial assistance, such as land donations, tax abatement, tax deferments, tax increment financing and other resources may be needed. Also, SDHDA has programs to assist with rental housing development including the Dakota Plex Program.

The first option to developing market rate housing would be to encourage private developers to undertake the construction of market rate rental units. If private developers do not proceed, a regional housing agency could potentially utilize essential function bonds, or similar funding sources, to construct market rate units.

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

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One-Bedroom	1-2	650 - 800	\$750 - \$900
Two-Bedroom	8-10	850 - 1,050	\$850 - \$1,150
Three-Bedroom	<u>1</u>	1,100 - 1,250	\$1,000 - \$1,250
Total	10-12		

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2023 dollars.

2. Promote the development/conversion of three to four affordable market rate rental housing units

Findings: The previous recommendation addressed the market potential to develop high quality rental units in Montrose. Unfortunately, these units would tend to be beyond the financial capability of many area renters. Approximately 50% of Montrose’s renter households have an annual income below \$37,500.

Montrose has lost rental housing over the years due to deterioration and demolition. Part of the need for additional rental units in Montrose 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 Montrose to promote the development/conversion of more affordable rental units. A goal of three to four 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 gross rent range for older rental units in Montrose is typically between \$500 and \$700 per month. Creating some additional units with gross rents below \$800 per month would help to expand the choices available to a majority of the City’s renter households.

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

3. Monitor the need for subsidized rental housing units

Findings: The term subsidized rental housing, as used in this Study, refers to rental units that have been constructed to serve low and moderate income people. In nearly all cases, subsidized housing has utilized federal resources that provide a “deep subsidy”, allowing very low income people access to the housing at an affordable price.

The research completed for this Study found no subsidized rental projects in Montrose. There were originally four USDA Rural Development projects with 32 subsidized units. However, all of these projects have converted from subsidized to market rate.

According to the American Community Survey, the 2021 American Community survey estimated that approximately 9% of the renters in Montrose were paying 35% or more of their income for rent.

Recommendation: We do not recommend the development of subsidized rental housing in Montrose at this time. The rent structure of market rate units in Montrose is relatively low, which provides affordable housing for low income households. Additionally, it is currently difficult to obtain funding for subsidized rental housing. Also, the City of Montrose, as a small city, does not have some of the services and amenities that are needed to support a new subsidized rental housing.

In earlier recommendations we had recommended the construction of 10 to 12 market rate units and three to four affordable/conversion market rate units. The City should monitor the need for the production of subsidized housing in the future.

4. Consider the development of eight to 10 senior independent/light services units

Findings: The City of Montrose currently has no senior with services housing. Our research for this Study also did not identify any units dedicated for seniors to live independently or for seniors that need only light services.

Recommendation: According to the 2020 U.S. Census, the City of Montrose had 47 households in 2020 in the 65 and older age ranges. With the small number of senior households in the City and with senior with services facilities available in surrounding communities, we are not recommending an assisted

living facility, that would offer a high level of services for seniors in Montrose at this time. However, we are recommending an eight to 10-unit independent/senior with light services project in Montrose. The project should be designed to allow seniors to live in a unit independently or to rent a unit and utilize a low level of senior services such as a noon meal and housekeeping.

The project's amenities and features should include:

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

Apartment features should include:

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

Optional services should include:

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

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

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

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

Findings: A new mixed-use rental housing/commercial project would be an asset to Downtown Montrose. New mixed-use projects have been developed in several smaller cities. Some of these projects were developed because of market demand while others were developed to enhance the downtown, to introduce a new product to the market or to serve as a catalyst for downtown redevelopment. A mixed-use rental housing/commercial project would complement the City's ongoing efforts to develop a vibrant downtown.

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

We recommend commercial space on the first floor and four to six 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 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 previous recommendations of this section. If a mixed-use building was constructed, the number of units recommended previously should be reduced.

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

6. Apply to access the Housing Choice Voucher Program

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

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

Based on research for this study, it appears that the Housing Choice Voucher Program is not available in Montrose or McCook County. McCook County is one of the few counties in the State of South Dakota that does not have the Housing Choice Voucher Program available for its residents. The Huron Housing Authority administered the Housing Voucher Program in McCook County at one time, but no longer administers the Program in McCook County.

Recommendation: We recommend that the City of Montrose should work with area and regional housing agencies, the South Eastern Council of Governments, and the South Dakota Housing Development Authority to determine if Montrose and McCook County can obtain access to the Housing Choice Voucher Program.

Montrose - 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 Montrose is estimated to be approximately \$137,250 based on sales activity from 2021 and 2022. The home values in Montrose provide a good opportunity for first time buyers and households seeking moderately priced homes.

Our analysis of Montrose’s demographic trends shows an increase in the number of households in the 45 to 54 year old age range over the next five years. The 65 and older age ranges will also have an increase in the number of households. Some households in all 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:

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

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

First time home buyer assistance, down payment assistance, gap financing, low interest loans and home ownership counseling and training programs can help to address affordable housing issues. The City of Montrose 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: We recommend that the City of Montrose work with area housing agencies, the South Dakota Housing Development Authority, USDA Rural Development and local financial institutions to utilize all available home ownership assistance programs. Private and nonprofit agencies should also be encouraged to provide home ownership opportunities.

The City of Montrose should also work with housing agencies to assure that they are receiving their share of resources that are available in the region.

Funding sources for home ownership programs may include USDA Rural Development, the South Dakota Housing Development Authority, the South Eastern Development Foundation and the Federal Home Loan Bank. Also, Grow South Dakota and the Inter-Lakes Community Action Partnership utilize several funding sources to provide home ownership programs.

8. Develop a Purchase/Rehabilitation Program

Findings: The City of Montrose has a stock of older, lower valued homes, many of which need repairs. Our analysis of 2021 and 2022 sales activity indicates that approximately 50% of the homes in Montrose are valued less than \$137,250. 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, a low interest rate and a monthly payment that is affordable for the family.

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

Recommendation: We recommend that the City of Montrose 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. Additionally, USDA Rural Development provides purchase/rehabilitation loans to low and moderate income buyers.

Also, 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.

Montrose - Single Family Housing Development

Single Family Housing Development

Findings: Based on City and U.S. Census information, Montrose has experienced limited owner-occupancy single family housing development from 2010 to 2022. From 2010 to 2022, based on U.S. Census and City data, five single family owner-occupancy units were constructed in the City. Four of the five units were constructed from 2018 to 2022. From 2000 to 2010, a significant number owner-occupancy units were constructed, as this was the decade when many of the homes in the Horstman Addition were built.

It is our opinion that if the City of Montrose, housing agencies, developers and builders are proactive, nine to 13 homes can be constructed in Montrose over the next five years from 2023 to 2027. However, for this level of new construction to occur by 2027, additional residential lots must be created.

The breakdown of our projection of nine to 13 new owner-occupied housing units over the next five years is as follows:

▶ Higher and medium priced homes (over \$385,000)	4-5
▶ Affordable homes (under \$385,000)	3-4
▶ Twin homes/town homes	<u>2-4</u>
	Total 9-13

9. Support lot/subdivision 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 Montrose.

There are only a few miscellaneous infill lots that are believed to exist in the City. We do not know if these infill lots are for sale, if these lots have enough square footage for new construction, if the lots are in attractive locations, etc. Also, a limited number of dilapidated homes may be demolished in Montrose. Some of the cleared lots may be potential sites for new construction.

Recommendation: With projections that nine to 13 new owner-occupied housing units could be constructed in Montrose over the next five years, the City should have residential lots available to meet the expected demand. Part of this demand would be for attached unit construction.

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

There are potential sites for new residential lot development. However, some of the sites need to be serviced with infrastructure improvements and/or annexed into the City. Also, the sites must be available for purchase.

To achieve the level of new home construction potential that as been identified, we would recommend the development of 16 to 20 new lots for housing construction, which will address near-term lot demand over the next five years and provide lot options for several years beyond the projection period. The residential lot development should include the following:

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

- ▶ Successful lot development will need the cooperation of financial institutions, funding agencies, employers, home builders, developers and the City of Montrose. Financial assistance such as tax increment financing, tax abatement, tax deferrals and land donations or writedowns, may be necessary to make the development of lots feasible. Also, financial assistance may be available from the South Dakota Housing Development Authority.
- ▶ It may be advantageous to develop the lots in phases.

10. Strategies to encourage residential lot sales and new home construction in Montrose

Findings: There is a small inventory of lots available in the City of Montrose. Therefore, the need exists to develop additional lots, and in the previous recommendation, we have recommended additional lot development.

Recommendation: We recommend that the City of Montrose coordinate efforts with the private sector to promote lot sales and housing development in Montrose.

Our recommendations to promote lot sales and housing development include:

- ▶ ***Competitive pricing*** - There are residential lots that are available in communities throughout the region. Lot prices in Montrose will need to be competitive.
- ▶ ***Plan for long-term absorption*** - The research completed for this Study expects limited annual absorption of lots in Montrose over the next five years. If new subdivisions and lots are developed, it is necessary to view the lot sales and housing development as a long-term plan.
- ▶ ***Generate initial activity*** - Recent construction activity has been limited. To stimulate more 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 a specified time period. This will help create some momentum for more houses to be built.

- ▶ ***Consider developing an exclusive builder(s) relationship*** - Several lots could be sold to a builder(s). 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 should require the builder to construct a minimum number of homes per year. Builders are more willing to enter a market when the lots are attractive and very affordable. Several lots available to an exclusive builder or developer should be explored, even if significant price concessions are required.
- ▶ ***User-Friendly*** - The lot purchase and homebuilding process must be 'user-friendly.' This includes the availability of buildable lots, builders that are readily available to build custom homes, information on quality homes that could be moved into the community and City regulations that are fair and reasonable. This entire process should be as user-friendly as possible to encourage new home construction.
- ▶ ***Allow for a range of house prices*** - Lots should be available in Montrose in as wide a range of home sizes and prices as possible. This would broaden the lot buyer market.
- ▶ ***Incentives*** - Many cities throughout South Dakota are offering incentives to construct new homes, including reduced lot prices, reduced water and sewer hookup fees, tax abatements, tax deferments, cash incentives, etc. Incentives should be considered to promote new home construction.
- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a demand for twin homes/town homes over the next five years. Lots should be available for twin home/town home lot development.
- ▶ ***Marketing*** - The City of Montrose and lot owners should develop a marketing strategy to sell the available lots. All stakeholders including realtors, financial institutions, builders, employers, etc. should be included in marketing strategies. In addition to marketing the lots, the City of Montrose and its amenities should be marketed.

- ▶ ***Consider partnerships that share and split financial risk to construct spec homes*** - Spec houses could potentially attract buyers that are 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, subdivision owners have been willing to defer the payment for the lot until the spec home is sold. Another builder incentive is for the City to waive any water/sewer hook up fees, special assessment payments 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 would need to be established for this type of activity. These types of approaches would somewhat reduce the builder's risk, by lowering the upfront development costs.

- ▶ ***Governors Homes*** - Governors homes are an affordable option and SDHDA has initiated a program that enables developers to participate in the 'Governor's Home Program.' The South Eastern Council of Governments is a resource that could assist Montrose with moving Governors Homes into the community.

- ▶ ***Modular Homes and modular home lots*** - Modular homes provide affordable housing opportunities for low and moderate income households. Residential lots for modular homes would expand affordable ownership opportunities.

- ▶ ***In-fill lot Home Development*** - In-fill lots in existing neighborhoods are often affordable and have existing City services. Some housing agencies and nonprofits develop affordable homes on in-fill lots.

- ▶ ***South Dakota Housing Development Authority Programs (SDHDA)*** - SDHDA has housing programs available to assist developers, builders and home buyers.

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

11. Coordinate with agencies/nonprofits that develop affordable housing

Findings: With the difficulty of producing new housing units that are affordable to moderate income households, it is important to take advantage of opportunities presented by housing agencies and nonprofit groups. Private developers may also have an interest in constructing affordable housing in Montrose. These sources can help generate new homes for moderate income families in Montrose.

Recommendation: We recommend that the City of Montrose coordinate with housing agencies, nonprofit groups and private sector builders to produce housing units for moderate income ownership. The City may be able to contribute to the project through land donations, tax increment financing, tax abatement, tax deferral or project coordination activities. The Governors Home Program could also be utilized to reduce the cost of a new affordable home. The South Eastern Council of Governments has assisted cities with moving governors homes into their communities.

If dilapidated homes are demolished, some of the cleared lots may be suitable for new affordable home construction.

12. 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 2022, Montrose had approximately 81 households in the 55 and older age ranges. These age ranges are expected to add approximately 10 households from 2023 to 2027. Household growth among empty-nester and senior households should result in 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 four new owner-occupancy twin home or town house units could be constructed in Montrose over the next five years. Our projection is based on the availability of an ideal location 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

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

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.

Montrose - Housing Rehabilitation

Housing Rehabilitation

Findings: The City of Montrose 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 Montrose 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 Montrose 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.

13. Promote rental housing rehabilitation

Findings: Based on the U.S. Census data, the City of Montrose had approximately 44 rental units in 2020. These rental buildings are primarily in multi-family projects and single family homes. Some of these rental structures could benefit from rehabilitation as approximately 42% of the City's rental structures are more than 40 years old.

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

Recommendation: We recommend that the City of Montrose 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, the South Dakota Housing Development Authority and the Federal Home Loan Bank.

14. Promote owner-occupied housing rehabilitation efforts

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

According to the American Community Survey, approximately 27% of the single family homes in Montrose are more than 60 years old. Some of the homes in Montrose’s older neighborhoods need minor or major repair. We conducted a housing condition survey of 98 single family homes and duplexes in the City of Montrose. There were 43 homes identified as needing minor repair and nine homes needing major repair. Without rehabilitation assistance, the affordable housing stock will shrink in Montrose.

Recommendation: We recommend that the City of Montrose 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, Inter-Lakes Community Action Partnership and Grow South Dakota are potential funding sources.

The Inter-Lakes Community Action Partnership currently has several housing programs to assist households with the rehabilitation of their homes including the Weatherization Program, the Self Help Rehabilitation Program and programs utilizing Home funds.

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 Montrose households to utilize these housing rehabilitation programs.

Montrose - Other Housing Initiatives

Other Housing Initiatives

15. Continue to acquire and demolish dilapidated structures

Findings: Single family homes have been identified in Montrose that are dilapidated and too deteriorated to rehabilitate. We identified five houses in Montrose that are probably too dilapidated to rehabilitate. There are also nine single family houses in Montrose that we identified 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, these structures should be demolished, when feasible.

The City of Montrose has been active in working with property owners to demolish dilapidated structures.

Recommendation: We recommend that the City of Montrose continue to work with property owners to demolish dilapidated structures. 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, the City of Montrose should continue to maintain an inventory of structures that may be candidates for future acquisition. Additionally, an inventory of in-fill lots for future development should continue to be maintained.

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

Findings: The City of Montrose will need staff resources in addition to existing staff to plan and implement many of the housing recommendations advanced in this Study. The City of Montrose has access to the South Eastern Council of Governments, the South Eastern Development Foundation, Inter-Lakes Community Action Partnership, Grow South Dakota, the South Dakota Housing Development Authority, the Sioux Metro Growth Alliance and USDA Rural Development. These agencies all have experience with housing and community development programs.

Recommendation: Montrose 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 Montrose 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.

17. Strategies for Downtown Redevelopment

Findings: Downtown Montrose has buildings that have been renovated and have high quality commercial and/or housing space. There are also buildings that have not been maintained and are substandard. This recommendation provides an outline of actions that could be taken to redevelop the downtown, to maximize the usage of downtown buildings, to promote new downtown businesses and to identify and implement upper floor renovations/conversions for housing.

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 Montrose continue the following actions for downtown Montrose:

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

- ▶ Identify funding sources
 - ▶ Property owner funds
 - ▶ City funds
 - ▶ Federal Home Loan Bank
 - ▶ Special tax districts
 - ▶ Tax increment financing
 - ▶ Tax abatement
 - ▶ Tax deferments
 - ▶ Funds from South Dakota State Agencies

- ▶ Work with stakeholders to identify roles, secure funding, develop and implement programs and projects
 - ▶ Property owners
 - ▶ City of Montrose
 - ▶ South Eastern Council of Governments
 - ▶ South Eastern Development Foundation
 - ▶ Sioux Metro Growth Alliance

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

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

The City of Montrose and private builders and developers have been active in promoting the City, including housing opportunities.

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

- ▶ Determine the City’s strengths and competitive advantages and heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including social media, TV, radio, etc.)
- ▶ Work closely with employers (Montrose and the area) to provide employees (especially new employees) with housing opportunities in Montrose
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, gap financing, home owner education and home owner counseling and other housing programs
- ▶ 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
- ▶ Provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Preserve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior with services, etc.
- ▶ Review the City’s policies and fees to assure that they are user-friendly, fair and receptive for developers, builders and households.
- ▶ Develop a coordinated housing plan with the private sector and area housing agencies.

Agencies and Resources

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

South Eastern Council of Governments

500 North Western Avenue, Suite 100
Sioux Falls, SD 57104
(605) 367-5390

South Eastern Development Foundation

500 North Western Avenue, Suite 100
Sioux Falls, SD 57104
(605) 367-5390

Grow South Dakota

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

South Dakota Housing Development Authority

3060 E. Elizabeth Street
Pierre, SD 57501
(605) 773-3181

USDA Rural Development

2408 East Benson Road
Sioux Falls, SD 57104
(605) 996-1564

Inter-Lakes Community Action Partnership

505 N. Western Ave.
Sioux Falls, SD 57104
(605) 334-2808