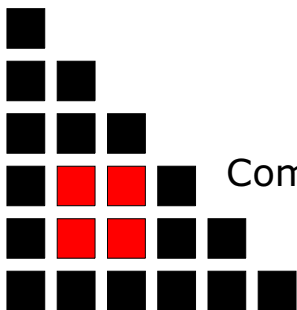


City of Watertown HOUSING STUDY

September 2014

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



Community Partners Research, Inc.

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Introduction

Overview

Community Partners Research, Inc., was hired by the City of Watertown to complete a comprehensive study of housing market conditions in Watertown.

Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from March to September 2014. Data sources included:

- U.S. Census Bureau
- Demographic data from the State Data Center
- ESRI, a private data analysis company
- Records and data from the City
- Records and data maintained by Codington County
- Data from the SD Department of Labor
- Data provided by the Multiple Listing Service
- Data from the Governor's Office of Economic Development
- Interviews with elected officials and staff from the City
- Interviews with community leaders
- Interviews with people familiar with the area's housing conditions including bankers, realtors, property managers, and developers
- Area housing agencies
- Rental property owner surveys
- Housing and mobile home condition surveys

Limitations

This Housing Study represents an analysis performed with the data available at the time of the research. Any findings 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 findings and conclusions contained in this Study.

In 2014, a number of issues continue to negatively impact local and national housing markets. Many of these issues represent a significant departure from conditions that were present prior to 2008, when housing development activity was stronger. They have the potential to alter traditional supply and demand calculations for housing.

In most cases, this Study has not attempted to project future economic conditions, but instead has relied on past patterns and practices, with modifications that are appropriate for the current conditions. Among the issues impacting housing markets are the following:

- ▶ High Rates of Delinquency and Foreclosure - Since 2007, many communities have witnessed an above-average level in the number of delinquent mortgages and foreclosures. As a result, there has been an above-average level of housing turnover, caused by both "short sales" and foreclosures.
- ▶ Mortgage Market Liquidity - In response to rising delinquency and foreclosure rates, the mortgage market has been altered, with both primary and secondary mortgage lenders changing their standards and the availability of credit.
- ▶ Fannie Mae and Freddie Mac Bailout - The federal government was forced to take over these quasi-public agencies to help keep home mortgages available. Changes to the federal government's role in the home mortgage market continue to be debated in Washington.
- ▶ National Retreat in Home Prices - After many years of steady gains, the median value of single family homes dropped in some major markets in recent years. This had multiple effects, including a retreat of potential home buyers out of the market until conditions stabilize. In 2014, these price trends appear to be reversing.
- ▶ Over Supply of Housing - Strong housing market conditions earlier in this decade resulted in above-average activity in the housing development markets, including both housing units and residential lots. In some areas, an oversupply of inventory exists, which further depresses home prices.
- ▶ Economic Recession - The economy of the United States was in a period of sustained recession, and recovery remains slow in 2014. Above-average national unemployment levels exist and reduced consumer demand has been present in many areas, including housing.

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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, including the 2010 Census. However, the most recent Census was more limited in scope than in the past. As a result, some of the variables, such as income and housing cost information, were not available.

To supplement the decennial Census, the Census Bureau has created the American Community Survey, an annual sampling of households. The American Community Survey provides detailed demographic characteristics, replacing information once collected by the decennial Census. At the time of the research for this Study, the 2012 estimates were the most recent release, and were derived from sampling that was done over a five-year period, between 2008 and 2012. However, because the American Community Survey is based on sampling data, there is a margin of error that exists for each estimate. The following tables incorporate the 2010 Census data, when available, or the American Community Survey data.

The State of South Dakota has contracted with ESRI, a private company based in California that generates demographic and projection data. City and county reports from ESRI are available on the website maintained by the Governor's Office of Economic Development. The ESRI current-year projections have also been included.

Micropolitan Statistical Area (MiSA)

To put the City in a larger regional context, a two-county area has also been examined for certain demographic variables, such as population and household trends. This area includes all of Codington County and all of Hamlin County. This two-county area has been designated as a Micropolitan Statistical Area (MiSA) by the Office of Management and Budget. This is referred to as the "MiSA" in this Study.

In addition to providing demographic information for the City of Watertown and the MiSA, comparative data has often been provided for all of Codington County.

Population Data and Trends

Table 1 Population Trends - 1980 to 2013							
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2013 Estimate
Watertown	15,649	17,592	20,237	15.0%	21,482	6.2%	21,995
Codington Co.	20,885	22,698	25,897	14.1%	27,227	5.1%	27,853
MiSA	26,146	27,672	31,437	13.6%	33,130	5.4%	33,814

Source: U.S. Census

Based on population data from the Census Bureau, the City of Watertown has had a long-term history of population growth. At the time of the 2010 Census, Watertown had a total population of 21,482 people, up by 1,245 people, or 6.2% from the 2000 Census count. Over the last three decades, the City has been gradually adding population, with an increase of 12.4% in the 1980s, 15.0% in the 1990s and 6.2% in the 2000s.

The most recent estimate released by the Census Bureau for Watertown is effective July 1, 2013. It shows the City adding 513 residents between 2010 and 2013. ESRI has released a 2014 estimate for Watertown, which is 22,059, slightly higher than the Census Bureau’s 2013 estimate.

Codington County has also been adding population since 1980. Codington County added 1,813 people in the 1980s, 3,199 people in the 1990s and had population growth of 1,330 people in the 2000s. It is important to note that nearly all of this growth was in the City of Watertown. The most recent estimate released by the Census Bureau for Codington County is effective July 1, 2013, and shows Codington County adding 626 people from 2010 to 2013. ESRI’s 2014 population estimate for Codington County is 27,890, slightly higher than the Census Bureau’s 2013 estimate.

Within the larger MiSA, there has also been a pattern of population growth over the past several decades. The MiSA added 1,526 people in the 1980s, 3,765 people in the 1990s and 1,693 people in the 2000s. The most recent estimate released by the Census Bureau for the MiSA is effective July 1, 2013, and shows the MiSA adding 684 people from 2010 to 2013. ESRI’s 2014 estimate for the MiSA is 33,798, slightly lower than the Census Bureau’s 2013 estimate.

The Census Bureau’s county-level population estimates for 2013 show the components of population change. Codington County had net growth from both natural increase (births exceeding deaths) and from in-migration.

Population by Race/Ethnicity

Watertown's population is primarily White and non-Hispanic. At the time of the 2010 Census, 96.1% of the City's residents identified their race as White, and not of Hispanic/Latino ethnicity. The Native American population represented 3.1% of the City total. This was the largest single racial group other than White. The Black/African American population represented 0.7% and the Asian population represented 0.8% of the City total.

The Hispanic/Latino ethnicity represented only 1.6% of Watertown's total population in 2010.

Given the relatively small minority populations, no further information has been provided on this segment of the population.

Group Quarters Population Data

Approximately 1.7% of the people in Watertown reside in “group quarters” rather than households. The following table displays changes in this population subset over the past 30 years.

Table 2 Group Quarters Populations in Watertown: 1980 to 2010				
	1980 Census	1990 Census	2000 Census	2010 Census
Watertown	264	402	376	371

Source: U.S. Census

According to the 2010 Census, Watertown had 371 people living in group quarters housing. In Watertown, this represented three groups.

- ▶ Adults living in skilled nursing homes represented nearly 55% of all the group quarter’s total, or 203 people.
- ▶ Adults living in noninstitutional facilities, such as group homes, correctional facilities represented nearly 30% of all the group quarter’s total, or 111 people.
- ▶ Adults living in correctional facilities for adults represented nearly 15% of all the group quarter’s total, or 57 people.

The City’s group quarters population has remained relatively stable from 2000 to 2010.

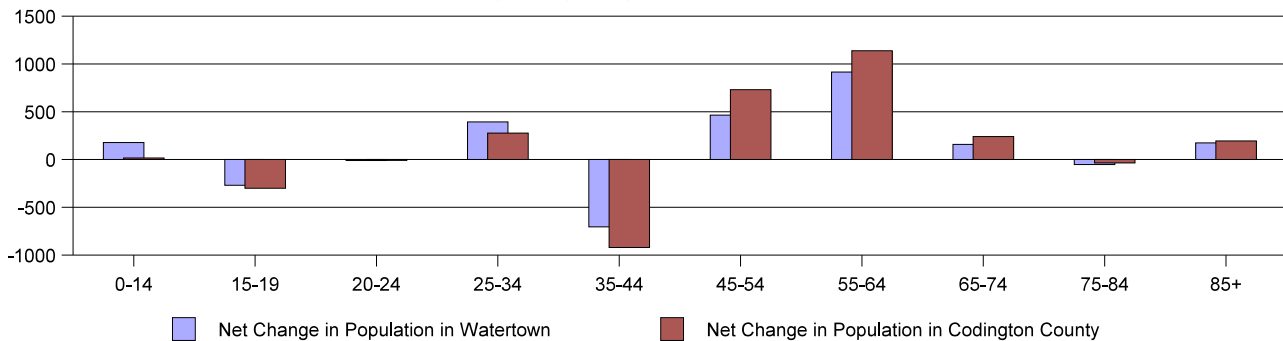
Population by Age Trends: 2000 to 2010

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

Table 3 Population by Age - 2000 to 2010						
Age	City of Watertown			Codington County		
	2000	2010	Change	2000	2010	Change
0-14	4,244	4,422	178	5,644	5,660	16
15-19	1,741	1,471	-270	2,216	1,915	-301
20-24	1,539	1,529	-10	1,773	1,764	-9
25-34	2,563	2,956	393	3,201	3,478	277
35-44	3,081	2,376	-705	4,060	3,140	-920
45-54	2,523	2,988	465	3,304	4,035	731
55-64	1,507	2,422	915	2,046	3,184	1,138
65-74	1,379	1,537	158	1,733	1,973	240
75-84	1,198	1,145	-53	1,398	1,362	-36
85+	462	636	174	522	716	194
Total	20,237	21,482	1,245	25,897	27,227	1,330

Source: U.S. Census

Population Change by Age Between 2000 and 2010



For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been very evident in Watertown and Codington County.

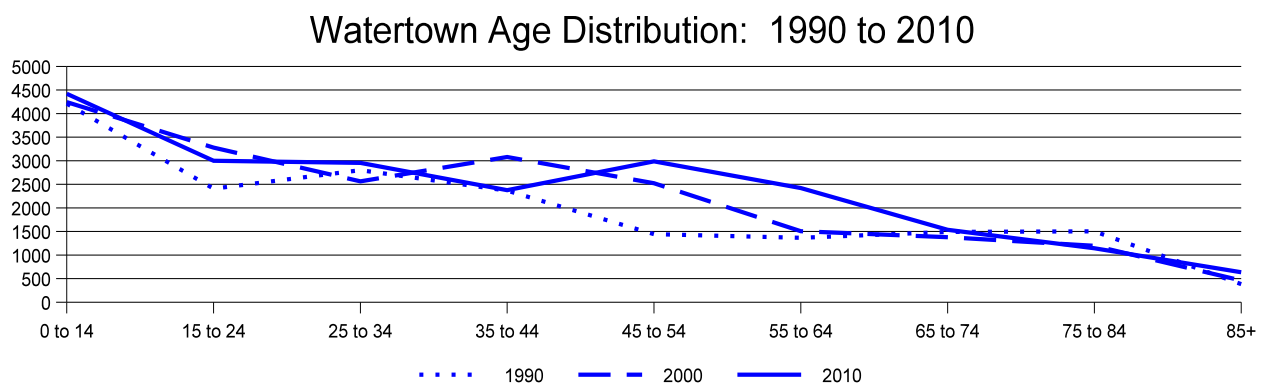
Between 2000 and 2010, Watertown had a gain of 1,380 people in the age ranges between 45 and 64 years old. In 2010, nearly all of the baby boomers were within these age ranges. The aging of the baby boomers, as reflected in the numeric net gain in the 55 to 64 year old age group, was the largest change within any of the defined age cohorts.

Watertown also had relatively strong net growth in two of the younger adult age groups, the 0 to 14 and the 25 to 34 age ranges. The 0 to 14 age range added 178 people and the 25 to 34 age range added 393 people during the decade. However, growth in these age ranges does not compensate for the large population decreases in the 15 to 24 and 35 to 44 age ranges. Overall, the City had a net decrease of 414 residents age 44 or younger.

The City had a net gain of senior citizens, 65 and older. This was due to strong growth among older seniors, age 85 and above, and younger seniors, age 65 to 74 years old. The 74 to 84 year old age group decreased in size.

The City of Watertown represents approximately 79% of the total population of Codington County, so the same patterns are reflected in the County. However, in the jurisdictions outside of Watertown there were even larger losses in the younger age groups, including a large reduction in the 15 to 19 and 35 to 44 year old age ranges. Overall, Codington County had a net reduction of 937 people age 44 and younger.

The aging trends can be traced back over the previous decades to see the movement of the baby boom generation. This chart shows the changing age patterns in the City of Watertown.



Population Estimates and Projections

The following table presents population projections using two different sources. The South Dakota State Data Center has issued population projections to the year 2020 at the County and MiSA level. These projections were issued in 2013, and reflect the new data presented in the 2010 Census.

The other set of projections has been calculated by ESRI and span the five-year period from 2014 to 2019.

Table 4 Population Projections Through 2020				
	2010 Population Census	2014 Estimate ESRI	2019 Projection ESRI	2020 Projection State Data Center
Watertown	21,482	22,059	22,840	N/A
Codington County	27,227	27,890	28,866	28,932
MiSA	33,130	33,798	34,879	35,180

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

The population projections for Watertown, as prepared by ESRI, highlight the steady pace of growth that has existed in the past. These projections expect the City to add approximately 1,350 residents between 2010 and 2019. On an average annual basis, this would be approximately 151 people per year. For comparison, the most recent Census Bureau estimate shows the City adding 171 people per year between 2010 and 2013.

For all of Codington County, the projected growth is approximately 182 people per year from 2010 to 2020. The State Data Center projects that the County will add 171 people annually from 2010 to 2020.

ESRI’s projections estimate the MiSA will add approximately 194 people per year from 2010 to 2019. The State Data Center projects an annual population gain in the MiSA of 205 people.

Household Data and Trends

Table 5 Household Trends - 1980 to 2010						
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010
Watertown	6,051	7,043	8,385	19.1%	9,278	10.6%
Codington Co.	7,675	8,739	10,357	18.5%	11,432	10.4%
MiSA	9,562	10,593	12,405	17.1%	13,540	9.1%

Source: U.S. Census

According to the 2010 Census, Watertown added 893 households between 2000 and 2010. This represented household growth of 10.6% for the decade. Over the past 30 years, Watertown has continually added households. In the 1980s, the household level increased by 16.4%, followed by an increase of 19.1% in the 1990s. Over the 30-year period between 1980 and 2010, Watertown has added 3,227 households.

Codington County added 1,075 total households between 2000 and 2010. When the City of Watertown's contribution was removed, the remaining jurisdictions had a net gain of 182 households in the 10-year period. Over the 30-year period from 1980 to 2010, Codington County added 3,757 households.

In the 1980s, the MiSA had a gain of 1,031 households. However, Codington County had a gain of 1,075 households, which indicates that Hamlin County actually lost 44 households. This pattern then reversed in the 1990s, as the MiSA added 1,812 households, which indicates that was a growth of 200 households in the Hamlin County portion of the MiSA. From 2000 to 2010, the MiSA added 1,135 households, which again indicates house growth in both counties that make up the MiSA.

ESRI Estimates

ESRI has produced current-year household estimates for the year 2014. For the City of Watertown, ESRI shows 9,642 households in 2014, up by 364 households from the level counted by the 2010 Census. For an annual average, the ESRI estimate shows grow of 91 households per year.

The ESRI estimate for all of Codington County shows 11,765 households, up by 333 from the 2010 Census. For the two-county MiSA, ESRI shows 13,866, up by 323 households from 2010. These estimates actually point to household losses outside of the City of Watertown.

Household by Age Trends: 2000 to 2010

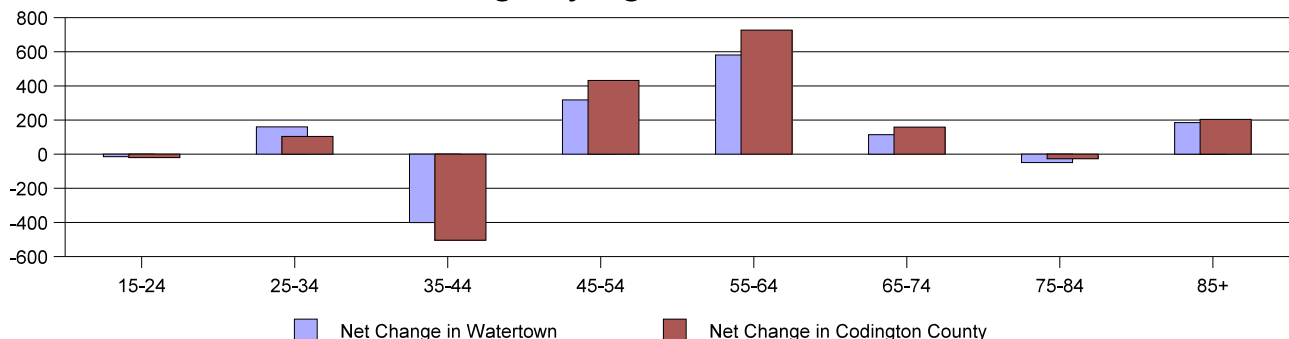
The 2010 Census allows for some analysis of Watertown and Codington County's changing age patterns. The following table compares households by age of householder in 2000 and 2010, along with the numeric changes.

Table 6 Households by Age of Householder - 2000 to 2010						
Age	City of Watertown			Codington Co.		
	2000	2010	Change	2000	2010	Change
15-24	881	866	-15	943	923	-20
25-34	1,423	1,583	160	1,722	1,826	104
35-44	1,738	1,337	-401	2,239	1,735	-504
45-54	1,488	1,806	318	1,915	2,347	432
55-64	895	1,476	581	1,194	1,921	727
65-74	848	962	114	1,064	1,223	159
75-84	845	796	-49	974	947	-27
85+	267	452	185	306	510	204
Total	8,385	9,278	893	10,357	11,432	1,075

Source: U.S. Census

Consistent with the population by age data presented earlier, the household patterns show most of the net change occurring in the baby boomer age groups. For both Watertown and Codington County, the largest growth in households occurred in the 10-year age group between 55 and 64 years old. Watertown added 581 households and Codington County added 727 households in the 55 to 64 age range from 2000 to 2010.

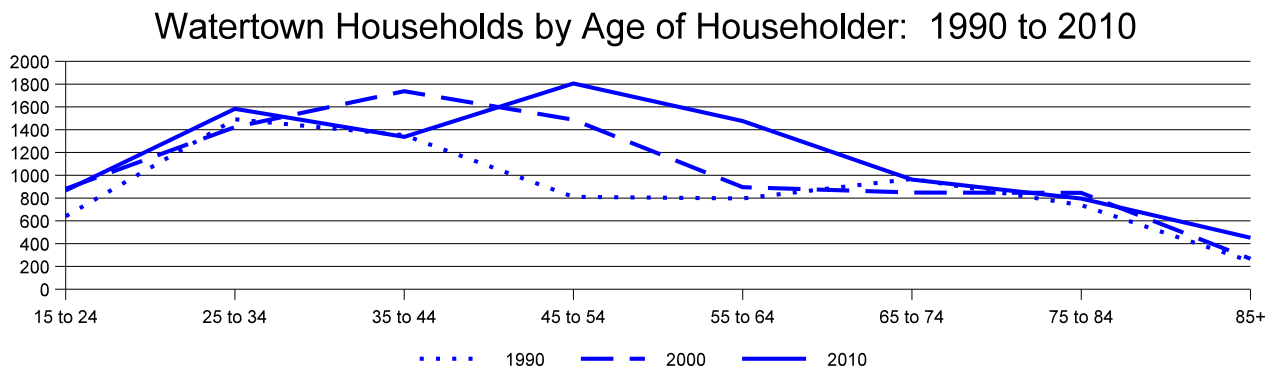
Household Change by Age Between 2000 and 2010



The movement of the baby boomers through the aging cycle also resulted in a net reduction in households age 35 to 44 years old, as the age group immediately younger was much smaller in size and they could not replace the advancing baby boomers. For both Watertown and Codington County, there was an overall net decrease in the number of households age 44 and younger. For Watertown, there were 256 fewer households in the 44 and younger age ranges in 2010 than in the year 2000.

For Watertown and Codington County, there was an overall net increase in the number of senior-headed households. Watertown had a gain of 114 young senior households, age 65 to 74, and 185 older senior households, age 85 and above. Watertown did have a loss of 49 households in the 75 to 84 age range.

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



Average Household Size

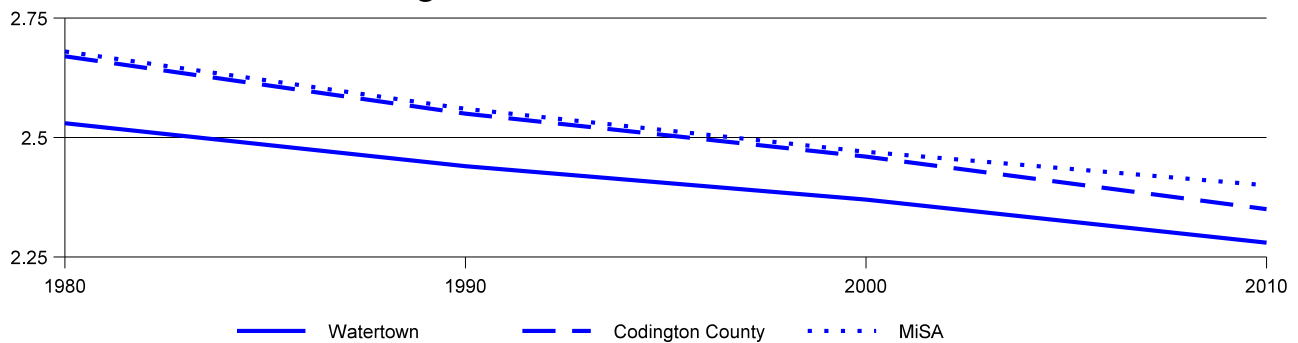
The following table provides decennial Census information on average household size for the City of Watertown, Codington County and the MiSA.

Table 7 Average Number of Persons Per Household: 1980 to 2010				
	1980 Census	1990 Census	2000 Census	2010 Census
Watertown	2.53	2.44	2.37	2.28
Codington County	2.67	2.55	2.46	2.35
MiSA	2.68	2.56	2.47	2.40

Source: U.S. Census

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

Average Household Size: 1980 to 2010



The average household size in the area has continued to decrease over the past three decades. In Watertown, the average household size has decreased from 2.53 persons per household in 1980 to 2.28 persons in 2010. This same pattern was evident in Codington County and the MiSA, although the County and the MiSA still maintained a larger average household size than the City.

Household Estimates and Projections

The following table presents ESRI’s 2014 household estimates and 2019 household projections for the City of Watertown, Codington County and the MiSA.

Table 8 Household Estimates and Projections Through 2019			
	2010 Census	2014 Estimate ESRI	2019 Projection ESRI
Watertown	9,278	9,642	10,046
Codington Co.	11,432	11,765	12,275
MiSA	13,540	13,866	14,407

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

The City of Watertown has a history of household growth over recent decades. The trend-based calculations expect Watertown to add approximately 404 households over the five-year projection period between 2014 and 2019. On an average basis, this would be approximately 81 additional households per year.

For Codington County, the trend-based growth forecast shows an increase of 510 households from 2014 to 2019.

The household projection for the MiSA, which includes Codington and Hamlin Counties, expects a gain of 541 households from 2014 to 2019.

Watertown Household by Age Projections: 2010 to 2019

In the following table, Community Partners Research, Inc., has compared ESRI age-based household projections for Watertown in 2019 to the 2010 Census. The household projections for Watertown were extrapolated from ESRI’s age-based 2019 population projections. The projections assume that historical patterns will continue into the near-future, especially related to household formation and household size within specific age groups. If Watertown adds population at a rate that is faster or slower than past patterns would suggest, traditional age-based forecasts would be altered.

Table 9 Watertown Projected Households by Age - 2010 to 2019			
Age Range	2010 Census	Extrapolated ESRI Projections	
		2019 Projection	Change from 2010
15-24	866	816	-50
25-34	1,583	1,634	51
35-44	1,337	1,411	74
45-54	1,806	1,591	-215
55-64	1,476	1,849	373
65-74	962	1,375	413
75-84	796	905	109
85+	452	465	13
Total	9,278	10,046	768

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

Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate much of the City’s growth in households in the age ranges between 55 and 74 years old. ESRI projects a gain of 786 households in the 55 to 74 year old age ranges within Watertown from 2010 to 2019.

The ESRI projections also expect an increase of 125 households in the 25 to 44 age ranges. Also, a gain of 535 households is projected in the 65 and older age ranges. The only age ranges projected to lose households from 2010 to 2019 are the 15 to 24 age range, which is expected to lose 50 households, and the 45 to 54 age range, which is expected to lose 215 households.

Households by Type

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

Table 10 Watertown Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	1,968	1,701	-267
Single Parent with own children	705	904	199
Married Couple without own children	2,277	2,537	260
Family Householder without spouse	341	421	80
Total Families	5,291	5,563	272
Non-Family Households			
Single Person	2,559	3,065	506
Two or more persons	535	650	115
Total Non-Families	3,094	3,715	621

Source: U.S. Census

Between 2000 and 2010, Watertown did experience growth in the total number of family households. Married couples without children households, single parent with children households and family householder without spouses households all increased. However, married couples with children households decreased significantly.

Non-family households also increased significantly. There was an increase of 506 single person households and an increase of 115 households with two or more unrelated individuals living together.

Housing Tenure

The 2010 Census provided a look at housing tenure patterns. The following tables examine overall tenure rates, along with the changes that have occurred since 2000.

Table 11 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Watertown	5,894	63.5%	3,384	36.5%
Codington Co.	7,778	68.0%	3,654	32.0%
State	-	68.1%	-	31.9%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in the City of Watertown was 63.5%, with the remaining 36.5% of households renting their unit. Codington County’s ownership rate was 68.0% and the County’s rental tenure rate was 32.0% in 2010.

Although not displayed in the table above, Watertown’s rental tenure rate of 36.5% was generally comparable to or lower than the other larger Cities in the State, including Pierre/Ft. Pierre (35.7%), Sioux Falls (37.6%), Aberdeen (40.1%), Huron (40.1%), Rapid City (42.5%), Mitchell (44.1%) and Brookings (52.9%). The overall State of South Dakota’s rental rate was 31.9% in 2010.

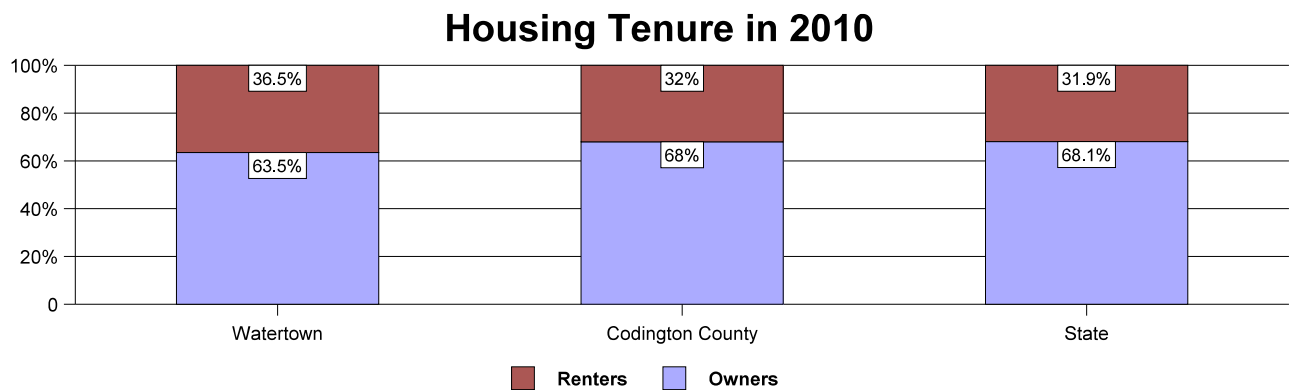


Table 12 Households by Housing Tenure - 2000 to 2010						
Tenure	Watertown			Codington Co.		
	2000	2010	Change	2000	2010	Change
Owners	5,549/66.2%	5,894/63.5%	345	7,267/70.2%	7,778/68.0%	511
Renters	2,836/33.8%	3,384/36.5%	548	3,090/29.8%	3,654/32.0%	564
Total	8,385	9,278	893	10,357	11,432	1,075

Source: U.S. Census

The City of Watertown had growth of both owner and renter households over the last decade. However, the City’s ownership tenure rate decreased from 66.2% in 2000 to 63.5% in 2010.

Codington County’s owner tenure rate also decreased from 70.2% in 2000 to 68.0% in 2010.

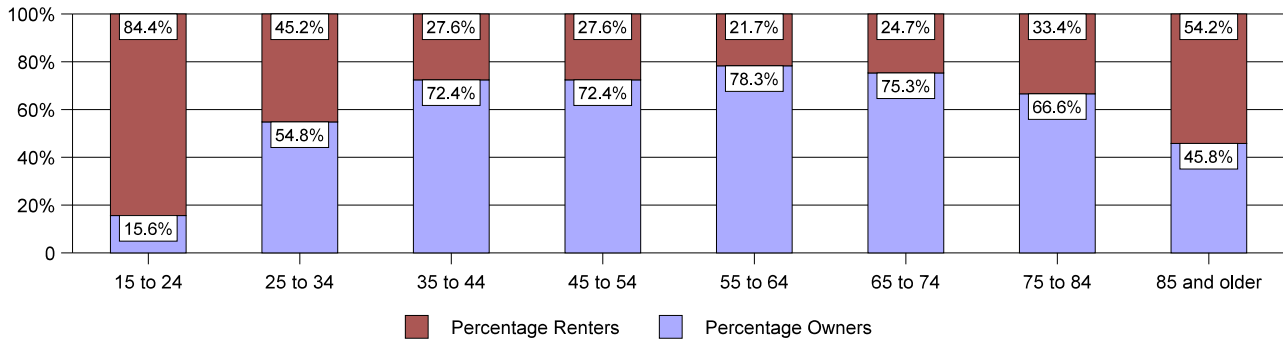
Tenure by Age of Householder

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

Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	135	15.6%	731	84.4%
25-34	868	54.8%	715	45.2%
35-44	968	72.4%	369	27.6%
45-54	1,307	72.4%	499	27.6%
55-64	1,155	78.3%	321	21.7%
65-74	724	75.3%	238	24.7%
75-84	530	66.6%	266	33.4%
85+	207	45.8%	245	54.2%
Total	5,894	63.5%	3,384	36.5%

Source: U.S. Census

Watertown Housing Tenure Patterns by Age in 2010



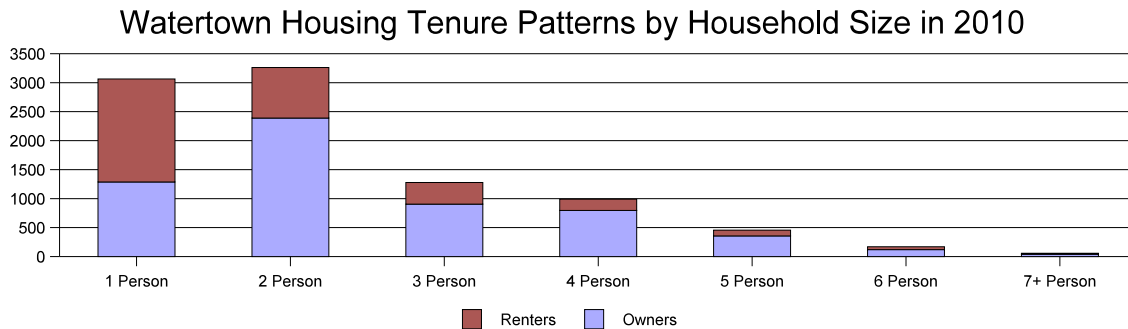
Within the defined age ranges, typical tenure patterns were present, with households at the lowest and highest ends of the age spectrum showing greater preference for rental housing, while middle-aged adult households were primarily home owners. Approximately 84% of households age 24 and younger rented their unit, and more than 54% of households age 85 and older were renters. Home ownership rates were above 66% for each of the 10-year age cohorts between 35 and 84 years old.

Tenure by Household Size

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

Table 14 Watertown Tenure by Household Size - 2000 to 2010						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	1,110	1,287	177	1,449	1,778	329
2-Person	2,071	2,390	319	799	872	73
3-Person	907	905	-2	308	374	66
4-Person	907	796	-111	163	194	31
5-Person	407	356	-51	68	100	32
6-Person	103	120	17	32	49	17
7-Persons+	44	40	-4	17	17	0
Total	5,549	5,894	345	2,836	3,384	548

Source: U.S. Census



Over the past decade, there was an increase in the number of smaller households. Among home owners, nearly all of the growth occurred from households with only one or two members. Overall, there was an increase of 496 owner households with one or two members, and a net decrease of 151 owner households with three or more members. There was renter household growth among all sizes of households except households with seven or more people, which remained the same. One person renter households had significant growth with the addition of 329 households. Renter households with only one or two household members represented approximately 78% of all renter household growth in the City during the decade.

2012 Income Data

The 2010 Census did not collect information on household income. However, estimates are available at the city and county level through the 2012 American Community Survey.

Household income represents all independent households, including people living alone and unrelated individuals together in a housing unit. Families are two or more related individuals living in a household. Median income information has been provided for Watertown and Codington County.

Table 15 Median Household Income - 2000 to 2012			
	2000 Median	2012 Median	% Change
Watertown	\$34,348	\$43,815	27.6%
Codington County	\$36,257	\$46,383	27.9%
South Dakota	\$35,271	\$46,369	31.5%

Source: U.S. Census; 2010 ACS 5-year survey

Table 16 Median Family Income - 2000 to 2012			
	2000 Median	2012 Median	% Change
Watertown	\$44,944	\$59,659	32.7%
Codington County	\$45,153	\$62,189	37.7%
South Dakota	\$43,237	\$58,958	36.4%

Source: U.S. Census STF-3; 2012 ACS 5-year survey

Information contained in the 2012 American Community Survey shows solid local income levels and income growth from 2000 to 2012. The City of Watertown’s median household income in 2012 was \$2,554 below the Statewide household median. However, Watertown’s median family income was \$701 above the Statewide family median. Codington County’s median household income was slightly above the Statewide median and the County’s family median income was \$3,231 above the Statewide median.

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, while many non-family households have only one household member.

Median income levels can also be used to establish a benchmark for affordable housing thresholds. Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Watertown could afford approximately \$1,095 per month for ownership or rental housing in 2012.

However, as will be detailed later in this section, renter households tend to be below the overall median, while owner households tend to be above the overall median level.

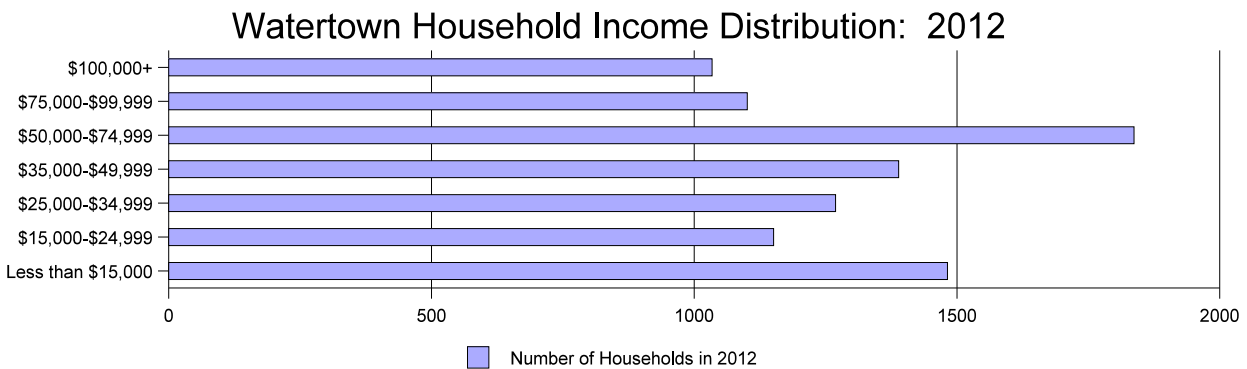
Watertown Household Income Distribution

The 2012 American Community Survey household income estimates for the City of Watertown area can be compared to the same distribution information from 2000 to examine changes that have occurred over time.

Household Income	Number of Households 2000	Number of Households in 2012	Change 2000 to 2012
\$0 - \$14,999	1,595	1,482	-113
\$15,000 - \$24,999	1,498	1,151	-347
\$25,000 - \$34,999	1,166	1,269	103
\$35,000 - \$49,999	1,546	1,389	-157
\$50,000 - \$74,999	1,619	1,837	218
\$75,000 - \$99,999	453	1,101	648
\$100,000+	508	1,034	526
Total	8,385	9,263	878

Source: 2000 Census; 2012 ACS

According to income estimates contained in the 2012 American Community



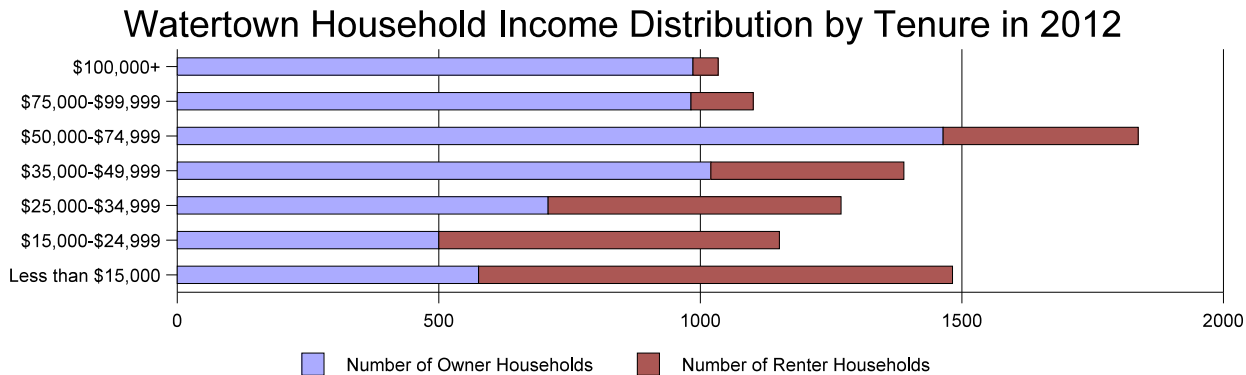
Survey, household incomes have generally improved in the City of Watertown, especially in the highest income ranges. When compared to the 2000 Census (1999 income), the number of households with an income of \$50,000, or higher, increased by more than 1,392 households. There was a net decrease of 514 households with incomes of \$50,000 or less. Although there was a net decrease in the number of households in the lower income ranges, there were still 2,633 households with an annual income below \$25,000 in 2012, representing approximately 28% of all Watertown households.

Watertown Income Distribution by Housing Tenure

The 2012 American Community Survey provides an income estimate by owner and renter status. The following table examines income distribution within the City of Watertown. The American Community Survey is based on limited sampling data, and there are some differences when compared to the 2010 Census. For total households, the American Community Survey reported 15 fewer households than the Census. The American Community Survey estimated significantly more owner households and fewer renter households than the 2010 Census. With an underestimate of renter households, the income estimates are conservative in the lower income ranges, where renter households are most likely to be represented.

Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	576/38.9%	906/61.1%	1,482
\$15,000 - \$24,999	500/43.4%	651/56.6%	1,151
\$25,000 - \$34,999	709/55.9%	560/44.1%	1,269
\$35,000 - \$49,999	1,020/73.4%	369/26.6%	1,389
\$50,000 - \$74,999	1,464/79.7%	373/20.3%	1,837
\$75,000 - \$99,999	982/89.2%	119/10.8%	1,101
\$100,000+	986/95.4%	48/4.6%	1,034
Total	6,237	3,026	9,263

Source: 2012 American Community Survey



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

In 2012, nearly 70% of all renter households in Watertown had an annual income below \$35,000. At 30% of income, these households would have \$875, or less, that could be applied to monthly housing costs. The median income for all renter households was approximately \$24,325 in 2012. At 30% of income, a renter at the median level could afford approximately \$600 per month for housing costs.

Conversely, most owner households had a substantially higher income level. Approximately 55% of all owner households had an annual income of \$50,000 or more. The estimated median household income for owners in 2010 was approximately \$56,000. At 30% of income, an owner at the median level could afford approximately \$1,400 per month for housing costs.

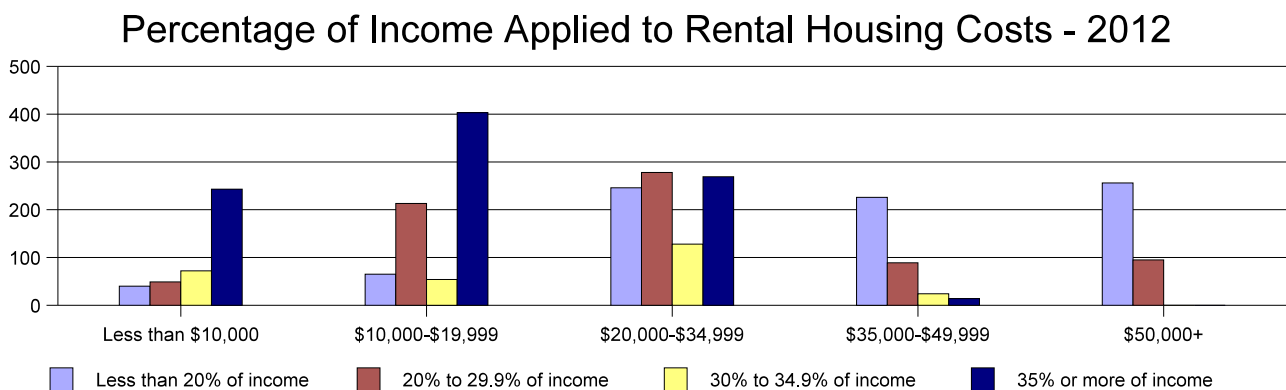
Rental Housing Cost Burden

The household income and tenure information in the 2012 American Community Survey can be analyzed to determine the number of lower income households that experience a housing cost burden. The goal of most housing assistance programs is to keep housing costs at 30% or less of household income. When 30% or more of income is required, it is generally defined as a housing cost burden. Households applying more than 35% of income for housing may often have a severe housing cost burden.

Table 19 Watertown Renter Income and Housing Costs - 2012				
Household Income	Less than 20% of Income	20% to 29% of Income	30% to 34% of Income	35% or More of Income
\$0 - \$9,999	40	49	72	243
\$10,000 - \$19,999	65	213	54	403
\$20,000 - \$34,999	246	278	128	269
\$35,000 - \$49,999	226	89	24	14
\$50,000 +	256	95	0	0
Total	833	724	278	929

Source: 2012 American Community Survey

The table above only provides information for households paying cash rent, and excludes those households where a percentage of income could not be computed.



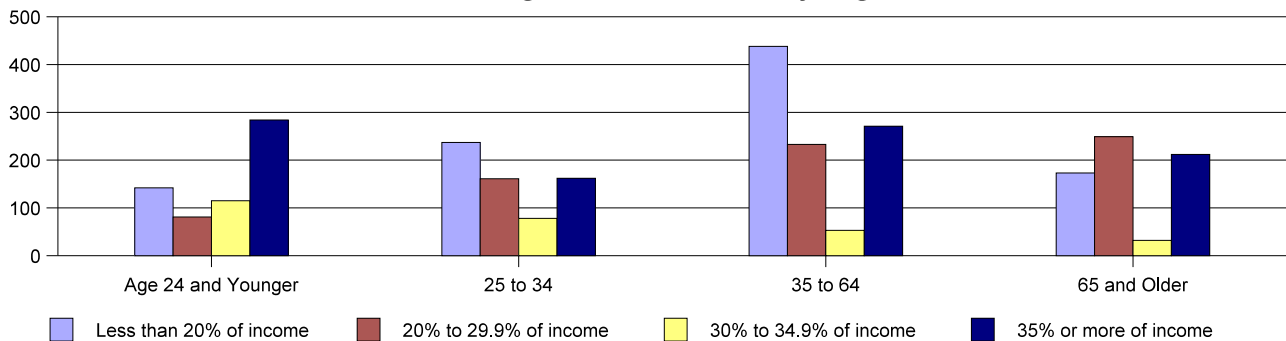
With 2,764 Watertown renter households reporting a cash rent, there were more than 1,207 households that had a housing cost burden, with 30% or more of their income required for gross rent. This represented approximately 44% of all reporting renter households in 2012. For most of these households, a severe cost burden existed, with 35% or more of income applied to housing.

As would be expected, a large majority of the renter households with a housing cost burden also had an annual income below \$35,000. For renter households with an annual income of \$35,000 or more, the percentage with a cost burden dropped to 5.4%.

Table 20 Watertown Rental Housing Costs by Age - 2012				
Age of Householder	Less than 20% of Income	20% to 29% of Income	30% to 34% of Income	35% or More of Income
15 to 24	142	81	115	284
25 to 34	237	161	78	162
35 to 64	438	233	53	271
65 and older	173	249	32	212
Total	990	724	278	929

Source: 2012 American Community Survey

Rental Housing Cost Burden By Age - 2012



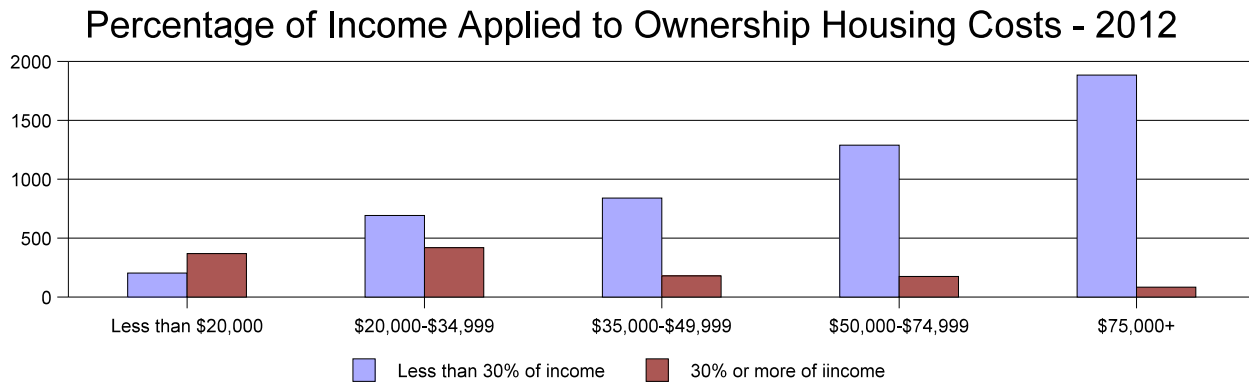
For households paying 30% or more of income for rent, approximately 33% were age 24 or younger, and 20% were in the younger adult range between 25 and 34 years old. Approximately 20% of the renters with a housing cost burden were age 65 or older, and nearly 27% were age 35 to 64 years old.

Ownership Housing Cost Burden

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

Household Income	Less than 30% of Income	30% or More of Income
\$0 - \$19,999	204	369
\$20,000 - \$34,999	692	419
\$35,000 - \$49,999	840	180
\$50,000 - \$74,999	1,289	175
\$75,000 +	1,884	84
Total	4,909	1,227

Source: 2012 American Community Survey



Most home owners have higher household income levels. Overall, nearly 56% of all owner-occupants in Watertown had an annual income of \$50,000 or more. This increases the amount of monthly income that can be applied to housing costs, and lowers the percentage with a cost burden. Lending practices also tend to limit the amount of monthly income that can be used for mortgage repayment.

Only 27% of owners had an annual income below \$35,000, according to the 2012 American Community Survey. These low to moderate income households had the greatest frequency for a housing cost burden. More than 64% of all home owners with an annual income below \$20,000 had to apply 30% or more of their income for housing. Presumably, many of these lower income owners were seniors that had retired on a fixed income but still owned their home.

For households with an annual income between \$20,000 and \$34,999, approximately 38% were applying 30% or more of their income for housing. However, fewer than 18% of households between \$35,000 and \$49,999 also reported a cost burden, and for households with an annual income of \$50,000 or more, the percentage paying 30% or more of their income for housing dropped to approximately 7.5%.

As would be expected, the large majority of cost-burdened home owners had a mortgage on their home.

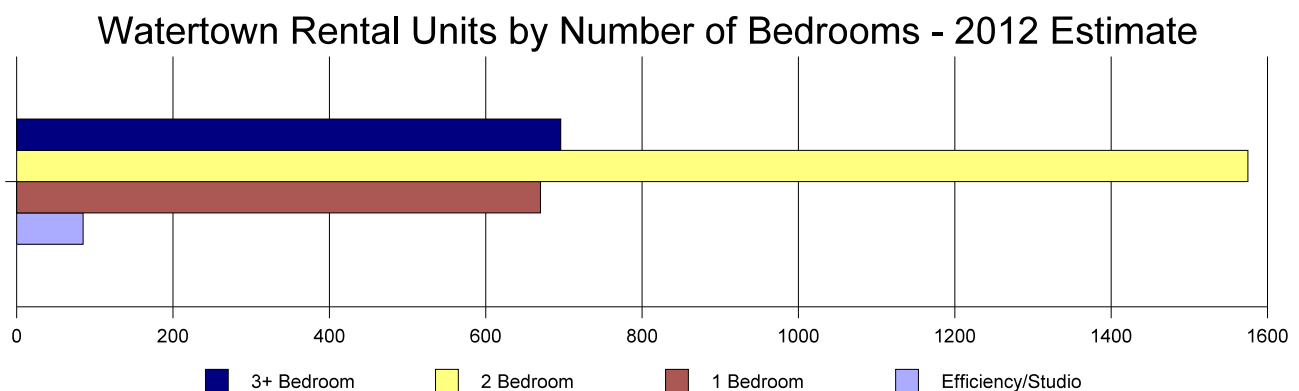
Rental Housing Costs and Comparison to Renter Incomes

American Community Survey Rental Inventory Data

The 2012 American Community Survey provides estimates on rental units in Watertown and the gross rents for these units. However, the ACS appears to have underestimated the total number of occupied rental units in Watertown by 20% or more, when compared to the more accurate decennial Census, so the following information should be viewed as an estimate reflecting the majority of rental units in the City.

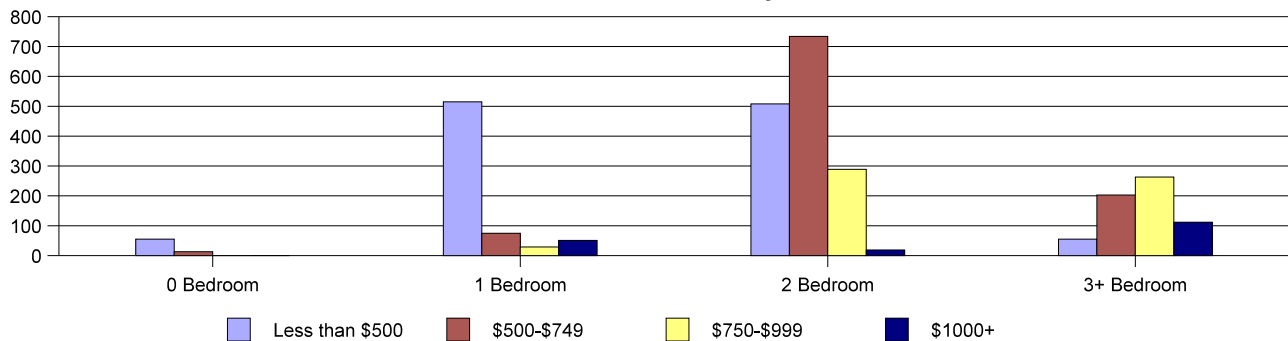
Unit Size	Rent less than \$500	Rent \$500 to \$749	Rent \$750 to \$999	Rent \$1,000+	No cash rent	Total Units
Efficiency/Studio	55	13	0	0	17	85
1 Bedroom	515	75	29	51	0	670
2 Bedroom	508	734	289	19	25	1,575
3+ Bedroom	55	203	263	112	63	696
Total	1,133	1,025	581	182	105	3,026

Source: 2012 American Community Survey



According to the 2012 ACS, two-bedroom rental units represented more than 52% of all rental options in the City, and larger units, with three or more bedrooms accounted for approximately 23% of all rental housing. Smaller units, including one-bedrooms and efficiency/studio apartments, represented nearly 25% of the City’s rental stock.

Watertown Gross Rent Distribution by Bedroom Size - 2012



The median gross rent for all units in 2012 was estimated at \$608 per month. A median gross rent by bedroom size was not provided, but the distribution of rents by bedroom in 2012 did define a prevailing range for units. From the distribution, it is also possible to calculate a median rent through extrapolation.

The estimate of 0-bedroom units was rather small, with rents estimated for only 68 total units. All of the reported units had a gross rent below \$750. The extrapolated median rent for studio/efficiency units would have been between \$350 and \$375.

The inventory of one-bedroom units was larger, and the rent distribution would be more reliable. The largest number of units fell within a range between \$300 and \$499 per month. The extrapolated median gross rent for these units was between \$375 and \$400 per month.

For two-bedroom rentals, most units fell within a range between \$500 and \$749 per month. The extrapolated median gross rent for two-bedroom units was between \$575 and \$600 per month.

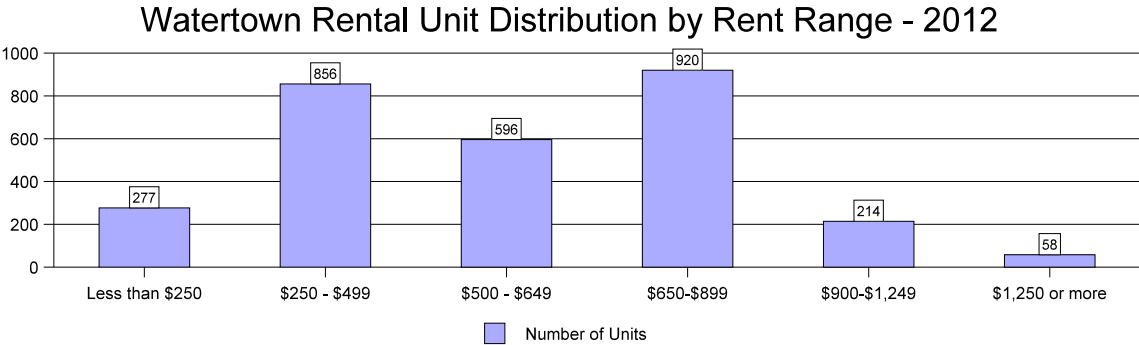
Prices increased rapidly for larger rental units, with three or more bedrooms. For these larger units, most units were in a range between \$750 and \$899. The extrapolated median gross rent was between \$800 and \$825 per month. It is probable that many rental units with three or more bedrooms exist in single family structures, such as houses converted to rental use or in mobile homes.

The information on gross monthly rent by the number of bedrooms used fairly broad ranges for reporting rents. The American Community Survey also presents information on gross rents within more defined price ranges, but this information is not distributed by bedroom mix.

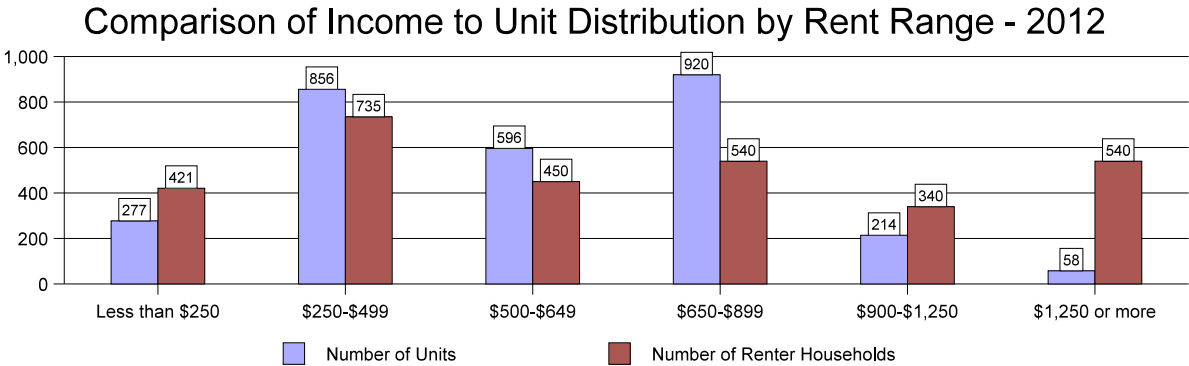
The rent distribution tables from the 2012 American Community Survey also do not differentiate between different segments of the market. Since all types of renter households would be surveyed, the rent distribution should include subsidized units, tax credit units, and probably some specialized senior housing. However, the vast majority of units in Watertown would represent conventional, market rate housing.

Gross Rent Compared to Renter Household Income

Using the overall distribution of gross monthly rents and renter households by income, presented earlier in this Study, it is possible to compare rents and income. The following chart displays the overall rent distribution within defined price ranges as estimated for all rental units in Watertown. This is then compared to the number of renter households that would need a unit within this same basic price range, using a standard that 30% of income can be applied to housing costs.



Comparing supply and demand, based on the price needed versus unit distribution, shows some interesting trends. First, there were more very low income households that need a unit priced less than \$250 than there were units available in 2012. There were nearly 150 more households with an annual income below \$10,000 than there were units that would be considered affordable for this income range.



However, this mismatch then disappeared in the next price/income ranges. There were more available units in the \$250 to \$449 price range and in the \$500 to \$649 price range than there were households within these basic income ranges. Presumably, some of the very low income renter households were living in a unit that was more expensive than their income level could support. This may have been helped somewhat by rent assistance Vouchers or other public assistance programs. However, even with some assistance available, there were many lower income households that reported a housing cost burden, as detailed earlier in this section.

The supply of units in the \$650 to \$899 price range was much larger than the number of renter households with an annual income between \$26,000 and \$36,000. The conventional rental market has been able to produce new units in this basic price range in recent decades, and much of the rental housing constructed in the past 20 years is generally priced below \$900 per month. Higher income households that rent a less expensive unit would potentially elect to rent a unit in this more moderate range, and would need a smaller percentage of their income applied to housing costs.

In the higher rent ranges of \$900 or more, the total supply of units was much smaller than the number of renter households with moderate to higher incomes. Overall, the American Community Survey estimates show that nearly 18% of all renter households in Watertown in 2012 had an annual income of \$36,000 or more, but only 2% of all rental units were priced at \$900 or more for gross rent. As reported earlier, more than 68% of the moderate to higher income renters were living in a unit that required less than 20% of their monthly income for gross rent.

Building Permit Trends

Watertown has had a significant amount of new housing construction activity in recent years. The following table identifies the units that have been issued a building permit since the year 2000.

Table 23 Watertown Housing Unit Construction: 2000 to 2014*					
Year	Single Family Detached	Single Family Attached	Multifamily/ Apartments	Senior/Special Use Units	Total Units
2014*	32	12	42**	36	122
2013	47	39	43**	0	129
2012	37	17	32**	0	86
2011	32	6	50	0	88
2010	33	4	4	0	41
2009	47	3	6	19	75
2008	36	6	4	0	46
2007	56	15	34	0	105
2006	76	12	8	0	96
2005	84	10	22	0	116
2004	102	4	24	0	130
2003	119	14	0	0	133
2002	101	6	0	0	107
2001	72	8	0	0	80
2000	69	6	0	0	75
TOTAL	943	162	269	55	1,429

Source: City of Watertown; Census Bureau - Permit activity from 2005 forward was available from City records; earlier years are from Census Bureau reports

* Through August 2014

** Includes units created through existing building conversions

Over the past 15 years (partial 2014), nearly 1,430 housing units have been added to Watertown's housing inventory, based on building permits issuance. For the 14 full years from 2000 to 2013, average annual production has been 93 units per year. Actual production has ranged from a low of 41 units in 2010, to a high of 133 units in 2003.

Single Family Construction

The housing total includes more than 1,100 single family units that appear to be intended for owner-occupancy. While most of these units are in the form of detached single family houses, there has also been construction of twin homes and town houses that are sold to individual owners. Over the 15-year time period, an estimated 162 attached single family units have been permitted that appear to be for owner-occupancy.

The strongest time period for new single unit creation in Watertown occurred between 2002 and 2004. During each of these years, more than 100 single family housing starts occurred. The single highest year of single family production was 2003, when 133 single family units were permitted.

The lowest sustained period of construction was from 2008 to 2011, when 50 or fewer single family permits were issued per year. In 2010, only 37 single family homes were constructed.

Some construction rebound has occurred in the past few years, with 86 single family permits issued in 2013, the highest annual level since 2006. Although only partial-year information exists for 2014, the current year does not appear to be on pace to reach or exceed the 2013 production total.

Over the most recent five-year period (2009-2013), the City has averaged 53 single family units per year.

There are multiple factors that have probably contributed to the slowdown in housing construction after the year 2007. One factor is the collapse of a national "housing bubble" starting in 2007. Although Watertown was not greatly impacted by an overinflated housing market, national concerns and news reports did tend to have a ripple effect on construction activity across the country. A nationwide economic recession also resulted in reduced consumer confidence, even in areas of the country that did not experience high rates of unemployment.

Another factor may have been an overproduction of single family housing units during the "housing boom" years of the early 2000s. During the ten-year period from 2000 through 2009, building permit issuance in Watertown showed construction of nearly 850 single family attached and detached units that appeared to be oriented to owner-occupants.

Units permitted in 2009 would generally have completed construction and been available for occupancy by April when the 2010 Census was completed. When the 2010 household totals are compared to the 2000 Census, they show a net gain of only 345 home owners in Watertown during the decade, less than one-half the number of new units constructed.

If the Census counts are accurate, new home construction during the last decade exceeded the growth in home ownership demand from permanent residents. The construction slowdown that has occurred over the past five years may be a market response to a possible overproduction of housing in the prior time period.

There may be other mitigating factors that negatively impacted the net growth in the number of home owners, such as a decrease in the number of mobile home owners during this time period, but that would still not account for most of the difference between single family construction and the growth in home ownership.

Multifamily Construction Activity

A number of multifamily rental housing projects have been constructed in Watertown over the past 15 years. City reports indicate that more than 320 multifamily/rental units were permitted, presumably intended for renter-occupancy. This total would generally reflect new construction activity. A review of building permit records indicated that some additional units were added through conversion projects in existing buildings. It is also known that some units have been lost, although they have not been subtracted from the building permit totals.

Many of the newer multifamily projects have added units in smaller construction phases, typically 20 or fewer units per building. Eight to twelve unit configurations have been popular with a number of developers, and in some cases, multiple buildings have been constructed over a series of years by the same developer, gradually introducing the units into the local market.

After a review of building permit annual reports, the following large multifamily rental projects constructed since the year 2009 were identified and contacted:

- ▶ **Eastwood Apartments** - This 19-unit apartment was permitted in 2009 and opened for occupancy in 2010. Developed by Accessible Space, Inc., it provides accessible apartments for tenants with physical disabilities, including people with traumatic brain injuries. This project is HUD-subsidized, and allows tenants to pay rent based on 30% of income. Eastwood Apartments is the first addition to the subsidized housing inventory in many years, although it is oriented to a very specific segment of the rental market.
- ▶ **Prairie Winds/Sweet Properties** - This development group constructed four 8-plexes between 2011 and 2013. The buildings are two-level walkup apartments. The first building had four three-bedrooms, but all of the remaining units have two-bedrooms/one bathroom. The units are targeted to the general conventional rental market, including some students. Two-bedroom contract rents are \$750, plus tenant-paid utilities. No future construction phases are expected at this project site.
- ▶ **Best Properties** - This development group constructed a 12-unit building that opened for occupancy in August 2014. It is similar in style to the Sweet Properties projects constructed between 2011 and 2013. The new building is a three-level walkup apartment and offers two-bedroom/one bathroom units. It is located less than one mile from the LATI campus. Early initial occupancy had approximately one-half of the units filled by students. No future phases were identified in City planning reports.
- ▶ **Retterath Properties** - This development group constructed three 8-plexes that were permitted in 2011. The apartments offer conventional rental housing that serves a mix of tenants, but primarily younger professionals. Two-bedroom contract rents are \$775, with tenants paying all utilities.
- ▶ **Northgrove Properties** - This development group has constructed two 4-plexes in 2013 and 2014, with some additional multifamily construction phases planned in the future. Units are 2-level town houses with attached garage and serve the higher end of the rental market, with gross rents above \$1,300. Future phases will add 1-level units with two bedrooms.
- ▶ **Lawrence Properties** - Two 12-plexes have been constructed near the LATI campus, with permit issuance in 2011 and 2013. While not limited to student occupancy, the location is convenient and all units are currently leased by students. All units have three bedrooms and one bathroom. Contract rents are \$1,000, plus tenant-paid utilities.

- ▶ **Dargatz Properties** - A building permit was issued in 2013 for an 8-unit project that created efficiency apartment units with a kitchen and bathroom, but less than 300 sq. ft. of living space. The units have polished concrete floors, private exterior entrances and a detached garage. They are designed for single tenants, and require only a 6-month initial lease, making them attractive to people living in Watertown for a limited duration. Despite their limited size, gross rents are above \$600 per month.
- ▶ **U-Shape Rentals** - A developer has started construction of two 4-plexes in 2014 that will provide 2 bedroom/2 bathroom rentals with an attached garage. Buildings are 2-level, but have a stairway from the garage directly to the upper units. These units are oriented to the conventional rental market, although no proposed rental rate information was available. Plans exist for five additional 4-plexes on the site, to be constructed as dictated by demand.
- ▶ **Eastside Estates** - This 12-unit apartment building was issued a building permit in 2014 and is scheduled for occupancy in 2015. All units have three-bedrooms and are oriented to student occupancy. Up to 20 additional units could be added in future construction phases over the next few years.
- ▶ **HKL Development** - This student-oriented housing project is located adjacent to the LATI campus and was issued a building permit in 2014, with expected completion by the summer of 2015. This apartment-style project will create four-bedroom suites, with total capacity for 96 students. Leases will be signed for each bedroom. Additional features include some underground parking spaces, a community room and wifi included in the monthly rent.
- ▶ **12th Ave SE Town Homes** - This 12-unit town house rental project was issued a building permit in 2014 with units under construction. One-level town homes with an attached garage will be created. Units are a mix of one and two-bedroom, all having one bathroom. These units are targeted to seniors and empty-nesters looking for one-level living, with features like an attached garage and in-unit laundry. Proposed contract rents are moderate, with two-bedrooms at \$750 plus tenant-paid utilities. The site plan includes two additional 12-unit phases of construction which will be completed within the next few years.
- ▶ **StoneyBrook Assisted Living** - The existing StoneyBrook project is being expanded in 2014 with 12 additional apartments under construction. All units are used for assisted living.

Proposed/Planned Projects

In addition to the projects listed above, there are a number of other developments that are proposed or planned for construction in 2014 or beyond.

- ▶ **Colony West** - A new development phase is planned adjacent to the existing Colony West complex. The proposed phase would add 10 town house-style units in two 5-unit configurations later in 2014. These would be conventional, market rate units with an attached garage, in-unit laundry, dishwasher and other modern amenities. The proposed rent structure was not available, but these are intended to serve the higher rent market segment. Additional land exists, and future development phases would add up to 20 apartment-style units over the next few years.
- ▶ **Willow Creek** - This proposed project would construct two 32-unit multifamily buildings in two development phases, with the first phase possible in 2015. Current design plans could include a mix of condominium units that could be offered for sale or used as higher-quality rental units. While specific amenities were not defined, the features typical in for-sale condominiums would be planned. A mix of one-bedroom and two-bedroom options is being designed. No target rents are available, but this project is intended for the higher-rent market segment.
- ▶ **Edgewood Assisted Living** - The Edgewood Prairie Crossings senior facility is planning to add 49 assisted living units in a new building that will be constructed next to The Commons, an existing independent senior project. The start of construction is expected in the fall of 2014. The new assisted living units will replace 29 beds that exist in Prairie Crossings, with these facilities converted to memory care use. As part of the overall plan, three independent apartments will be restored at The Commons.

There have also been a few miscellaneous rental units added, in one to three unit permits. These may have represented new construction, or single units added, such as the conversion of a single family home into a duplex.

Rental Unit Losses

It is also important to recognize that some other units have been removed from the inventory. The largest single unit loss that can be identified is Sunchase Apartments, which burned in 2013 and was not rebuilt. Sunchase had 41 affordable apartments, which were originally constructed using housing tax credits and Rural Development subsidies. Other miscellaneous unit losses can also be identified, such as demolition permits that removed smaller structures containing rental housing.

Existing Home Sales

This section examines houses that have been sold since 2011 in the City of Watertown. The information was obtained from the Codington County Equalization Office.

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

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

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

The County's time period for analyzing annual sales differs slightly from the calendar year. It begins on November 1st and ends on October 31st of each year. A full sales year was not yet available for 2014, but sales through part of April had been entered into the County's data system, representing nearly one-half of the current sales year. The 2014 information had not yet been audited by the State, it is also possible that some sales could eventually be rejected.

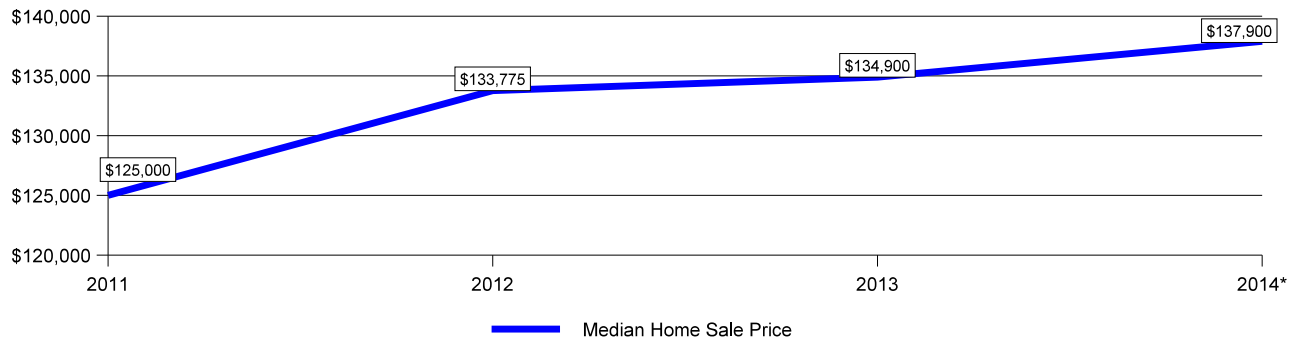
Table 24 Watertown Residential Sales Activity - 2011 through 2014*

Sales Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2014*	135	\$137,900	\$510,000	\$11,000
2013	389	\$134,900	\$555,000	\$11,000
2012	431	\$133,775	\$656,000	\$17,000
2011	400	\$125,000	\$700,000	\$5,000

Source: Codington County Equalization; Community Partners Research, Inc.

* Nearly 6 months represented

Over the last three and one-half years the median home sale price in Watertown has been on a general upward trend. Over that time the median price has ranged from a low of \$125,000 in 2011, to a high of nearly \$138,000 in the first six months of 2014.

Median Home Sale Price: 2011 to 2014*

In each of the years there was at least one house that sold for less than \$20,000, and at least one sale for \$500,000 or more.

Home Sales by Price Range

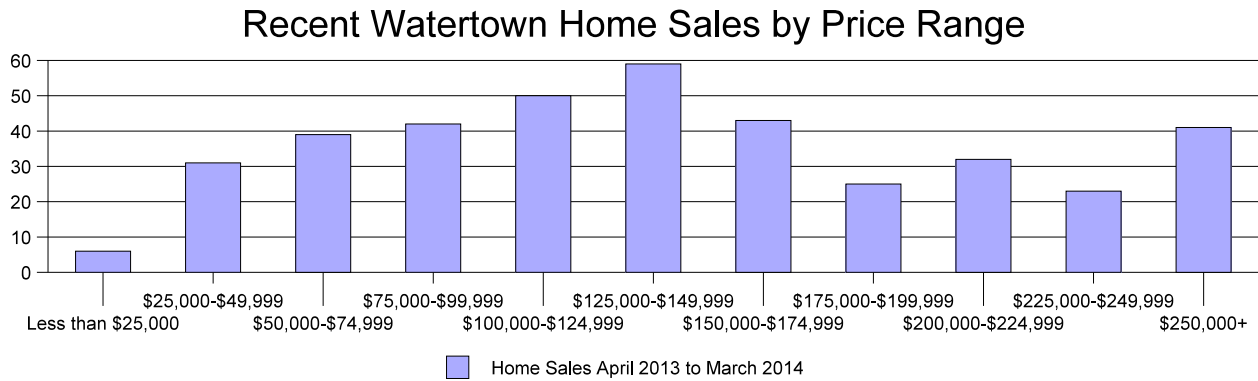
The following table looks at single family houses that sold within defined price ranges in a 12-month period, starting in April 2013 and ending in March 2014. This represents a different time period than the County sales ratio years used above, but does cover the most recent 12-month sales sample available to the analysts.

Table 25 Watertown 12-Month* Home Sales by Price Range		
Sale Price	Number of Sales	Percent of Sales
Less than \$25,000	6	1.5%
\$25,000 - \$49,999	31	7.9%
\$50,000 - \$74,999	39	10.0%
\$75,000 - \$99,999	42	10.7%
\$100,000 - \$124,999	50	12.8%
\$125,000 - \$149,999	59	15.1%
\$150,000 - \$174,999	43	11.0%
\$175,000 - \$199,999	25	6.4%
\$200,000 - \$224,999	32	8.2%
\$225,000-\$249,999	23	5.9%
\$250,000 - \$274,999	13	3.3%
\$275,000 - \$299,999	7	1.8%
\$300,000+	21	5.4%
Total	391	100%

Source: Codington County Equalization; Community Partners Research, Inc.

* 12-month period from April 1, 2013 to March 31, 2014

Recent home sales in Watertown have been widely distributed in different price ranges, but approximately 45% of recent sales were priced between \$100,000 and \$199,999. Fewer than 25% of existing homes sold for \$200,000 or more, and approximately 30% of all sales were priced below \$100,000.



Active Residential Listings

Single Family Detached

The website Realtor.com, maintained by the National Association of Realtors, was used to collect information on active residential real estate listings in Watertown. When viewed in September 2014, there were 192 single family homes listed for sale. However, based on the address listed, some of these appeared to be outside the city limits, although they may have had a Watertown mailing address. After removing houses that were not in the City, as well as some duplicate listings, there were 172 single family homes that were used. The following table examines the MLS listings by listing price.

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

Table 26 Watertown Active MLS Listings by Price Range in September 2014		
Asking Price	Number of Listings	Percent of Listings
Less than \$50,000	4	2.3%
\$50,000 - \$74,999	8	4.7%
\$75,000 - \$99,999	16	9.3%
\$100,000 - \$124,999	19	11.0%
\$125,000 - \$149,999	21	12.2%
\$150,000 - \$174,999	8	4.7%
\$175,000 - \$199,999	13	7.6%
\$200,000 - \$249,999	27	15.7%
\$250,000 - \$299,999	23	13.4%
\$300,000+	33	19.2%
Total	172	100%

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

Based on the listings on Realtor.com, a majority of the houses that are currently being offered for sale are priced at \$175,000 or more. Overall, nearly 56% of the active listings are priced at \$175,000 or above. Only 16% of all listings are priced below \$100,000. However, it is possible that some additional lower-priced houses are for sale, but not included in the Multiple Listing Service.

Single Family Attached

In addition to the detached single family houses listed above, the website Realtor.com also had attached units listed for sale, including twin homes, town houses and condominiums. In total, 17 units were listed for sale. There were seven units listed in the price ranges from \$124,900 to \$188,500. All of these units were listed as two-bedroom options. The remaining 10 units were priced between \$214,500 and \$299,000. Most of these units had three bedrooms.

Manufactured Homes

The website Realtor.com listed eight manufactured/mobile homes for sale, ranging in price from \$9,500, up to \$182,900. The home listed at \$182,900 was on a lake shore parcel with 100 feet of lake frontage. The home listed at \$9,500 was identified as personal property and did not include any land.

American Community Survey Estimated Home Values

One final source of information on home values is available from the American Community Survey for 2012, which asked home owners about the value of their house. The following table displays the values that were reported.

Although the 2012 American Community survey estimates for renter households were lower than the level counted in the 2010 Census, the estimates for owner-occupancy households appear to be slightly high. The 2010 Census counted 5,894 owner households in Watertown, compared to 6,237 estimated in 2012. This estimated increase of approximately 344 owner-occupants over a two-year period would be greater than the level of new single family home construction that occurred over the same period.

Estimated Value	Number of Owner-Occupancy Units	Percent of Owner-Occupancy Units
Less than \$25,000	379	6.1%
\$25,000 - \$49,999	246	3.9%
\$50,000 - \$79,999	616	9.9%
\$80,000 - \$99,999	673	10.8%
\$100,000 - \$124,999	936	15.0%
\$125,000 - \$149,999	834	13.4%
\$150,000 - \$174,999	749	12.0%
\$175,000 - \$199,999	461	7.4%
\$200,000 - \$249,999	530	8.5%
\$250,000-\$299,999	207	3.3%
\$300,000+	606	9.7%
Total	6,237	100%

Source: 2012 American Community Survey

Consistent with a range of home ownership options in Watertown, owner-occupied home values are widely distributed within the community. The ACS surveys owners of all unit types, so the value estimates displayed above represent single family detached homes (87% of reported units), single family attached (4%), condominiums (1%) and mobile home (8%).

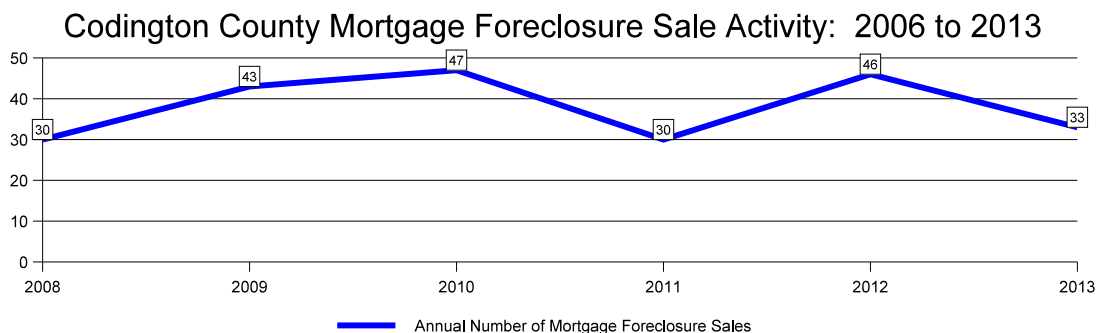
If grouped into larger price ranges, nearly 31% of all owner-occupancy units in Watertown were estimated to have a value below \$100,000 according to the ACS. Nearly 48% of owner-occupied homes were in the \$100,000 to \$199,999 ranges, while an estimated 22% of homes were valued at \$200,000 or more.

Home Foreclosures

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

The Codington County Sheriff’s Office supplied information on the number “Mortgage Foreclosure Sales” that have occurred annually. This information was for all of Codington County, but staff estimated that most of the activity occurred within Watertown. It is also possible that some of these foreclosures may not have been a housing unit, but most are believed to represent residential properties.

Over the six-year period from 2008 to 2013, there were 229 mortgage foreclosure sales conducted by the Sheriff in the County. Annual volume ranged from a low of 30 sales in 2008 and 2011, to a high of 47 sales in 2010.



Residential Lots and Land

The website Realtor.com listed approximately 40 residential lots in Watertown in September 2014. These lots ranged in price from a low of \$19,900 to lake shore lots that were priced above \$200,000. There were approximately 18 lots with a listing price below \$40,000.

Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 1,155 single family/duplex houses in three of the oldest neighborhoods in Watertown. The neighborhood boundaries were selected with input from City staff. The neighborhood boundaries are as follows:

Neighborhood #1 - East - 5th Street SE, North - Kemp Avenue,
West - 4th Street SW, South - Hwy 212

Neighborhood #2 - East - 10th Street SW & NW, North - 6th Avenue NW
West - 13th Street SW & NW, South - 4th Avenue SW

Neighborhood #3 - East - 8th Street NW & Kameska Blvd NW, North - 6th
Avenue NW, West - 10th Street SW, South - 2nd Avenue
SW

Houses that appeared to contain three or more residential units and mobile homes were excluded from the survey.

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

Dilapidated was the lowest rating used. Dilapidated 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 28 Windshield Survey Condition Estimate - 2014

	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood#1	240/28.4%	310/36.7%	262/31.0%	33/3.9%	845
Neighborhood#2	68/38.6%	52/29.6%	43/24.4%	13/7.4%	176
Neighborhood#3	45/33.6%	47/35.1%	35/26.1%	7/5.2%	134
Total	353/30.6%	409/35.4%	340/29.4%	53/4.6%	1,155

Source: Community Partners Research, Inc.

The visual condition survey found that most of the neighborhoods were in fair condition. In each neighborhood, a majority of the structures were rated as needing some level of repair, although this included the Minor Repair category. Approximately 35% of the houses in the three neighborhoods need minor repair and 29% need major repair. Approximately 31% are sound, with no required improvements.

There were 53 single family houses in the three neighborhoods that were rated as Dilapidated, and possibly beyond repair. Dilapidated structures may be suitable for demolition and clearance.

Watertown Mobile/Manufactured Home Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of the 819 mobile and manufactured homes located in Watertown's 13 mobile home and manufactured home parks.

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

Dilapidated was the lowest rating used. Dilapidated mobile and manufactured homes 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 mobile or manufactured home needing multiple major improvements such as roof, windows, sidings, structural/foundation, etc. Houses and mobile homes in this condition category may or may not be economically feasible to rehabilitate.

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

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

Table 29 Windshield Survey Condition Estimate - 2014

	Sound	Minor Repair	Major Repair	Dilapidated	Total
Town Country Square	17/17.9%	38/40.0%	39/41.0%	1/1.1%	95
McKinley Mobile Home Park	11/15.9%	16/23.2%	33/47.8%	9/13.1%	69
Prairie Pasque	15/17.9%	28/33.3%	29/34.5%	12/14.3%	84
Southview Mobile Home Park	72/86.7%	11/13.3%	0/0%	0/0%	83
Bay View Estates	30/50.0%	22/36.7%	8/13.3%	0/0%	60
Country View Housing Community	78/55.7%	30/21.4%	24/17.2%	8/5.7%	140
22 nd St SW Mobile/Manufactured Home Park	44/95.7%	2/4.3%	0/0%	0/0%	46
33 rd St SW Mobile/Manufactured Home Park	75/61.4%	44/36.1%	3/2.5%	0/0%	122
11 th St NE Mobile Home Park	1/3.8%	7/26.9%	11/42.3%	7/26.9%	26
38 th St. W Mobile Home Park	3/4.7%	7/10.9%	19/29.7%	35/54.7%	64
* S&V Court * 9 th St NW & 5 th Ave NW	5/16.7%	1/3.3%	5/16.7%	19/63.3%	30
Total	351/42.9%	206/25.1%	171/20.9%	91/11.1%	819

Source: Community Partners Research, Inc.

The mobile/manufactured homes in Watertown are in fair to good condition. Approximately 25% of the mobile/manufactured homes need minor repair and 21% need major repair. Approximately 43% are sound, with no required improvements. Ninety-one homes are dilapidated and possibly beyond repair.

Rental Housing Data

Census Bureau Rental Inventory

According to the 2010 U.S. Census, there were 3,384 occupied rental units, and at least 288 unoccupied rental units in Watertown, for a total estimated rental inventory of approximately 3,672 units. The City's rental tenure rate was 36.5%, well above the Statewide rate in 2010 of 31.9% rental.

At the time of the 2000 Census, Watertown had 2,836 occupied rental units, and at least 418 vacant rental units, for a total estimated rental inventory of approximately 3,254 units. The rental tenure rate in 2000 was at 33.8%.

Based on a Census comparison, the City added 548 renter-occupancy households, and approximately 418 rental units during the last decade. The net gain in renter-occupancy households was more than 200 households greater than owner-occupancy households during the decade, and the City's rental tenure rate increased substantially between 2000 and 2010.

Watertown is the primary rental center for the surrounding area. According to the 2010 Census, nearly 93% of Codington County's renter households lived within the City of Watertown. The County's rental tenure rate in 2010 was 32.0%, very similar to the Statewide renter rate.

Recent Rental Construction

In the section of this document that examines building permit trends, information was provided on rental housing development since the year 2000. The larger rental projects constructed over the past few years were profiled based on the market segment being served.

The best available information indicates that overall, there were approximately 325 rental units of all types that were constructed in Watertown over the last 15 years. However, some of these represent specialized housing, such as units oriented to students, seniors needing services or defined disabled populations. Excluding these specialized units, approximately 270 general purpose rental units have been constructed in Watertown between 2000 and 2014.

There were approximately 117 estimated units of rental housing that were constructed in Watertown between 2000 and 2009. These units would probably have been constructed and available for occupancy at the time the 2010 Census was conducted. These new units constructed during the last decade would be

substantially less than the growth in renter households during the same time period, as the Census recorded a net gain of 548 renter-occupancy households. This implies that vacant units existed in 2000 that were later occupied, or that a substantial amount of tenure conversion occurred, as houses that had previously been owner-occupied switched to rental use.

After the 2010 Census, it is probable that more than 200 rental units have been constructed in the community, including projects underway in 2014. However, some unit losses have also occurred, including the removal of 41 units due to a fire at Sunchase Apartments. Without any additional adjustments for unit loss or tenure conversion, it is likely that the rental housing inventory at the end of 2014 will have more than 3,800 total rental units, up by 150 or more units from the level counted by the 2010 Census.

Pending/Proposed Rental Projects

The research for this Study identified a number of potential rental projects that could proceed in the near future. In 2014, it appears that 60 or more additional rental units may be permitted. Longer-term, more than 100 units may be at various stages in the planning pipeline. In many cases, these are projects that could be developed in multiple phases over the next several years. However, there is no guarantee that these proposed projects will proceed to construction.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily projects in the City of Watertown. The survey was conducted in July and August of 2014.

Emphasis was placed on contacting properties that have five or more units, although a few smaller properties were also included. For the purposes of planning additional projects in the future, multifamily properties represent the best comparison of market potential. Various sources were used to identify multifamily rental projects, including housing resources lists compiled by the City and the Housing and Redevelopment Commission.

Multiple attempts were made to contact each building. Information was tallied separately for different types of rental housing, including market rate units, tax credit units, subsidized housing, and senior housing.

While subsidized senior housing is included in this section of the Study, the following section contains the information on the senior units that also provide services. Senior housing that includes light services, such as a daily meal in the monthly rent are considered to be housing with services, even if they are marketed as independent senior units.

There were more than 1,500 housing units of all types that were contacted in the survey. This total would represent more than 40% of the City's estimated total inventory of rental housing units. The units that were successfully contacted include:

- ▶ 511 conventional, market rate multifamily units
- ▶ 105 rental mobile homes
- ▶ 154 rental units oriented to student occupancy
- ▶ 64 tax credit moderate rent units (other tax credit units included in subsidized summary)
- ▶ 229 subsidized units oriented to senior/disabled occupancy
- ▶ 264 subsidized units for general occupancy
- ▶ more than 200 specialized senior units/beds (detailed in following section)

The findings of the survey for independent living units are provided below. The findings of the survey for senior housing with services units are presented in the next section of this Study.

Market Rate Summary

Conventional, market rate rental housing includes the large majority of rental options within the City of Watertown. Within this market segment there is variation in units.

Since Watertown has a relatively large student population, a number of rental projects near the LATI campus are oriented to student renters. Projects that appear to serve primarily students have been analyzed separately later in this section. It is important to note that many traditional rental complexes may have student renters. One feature that tends to identify projects primarily catering to students is walking distance proximity to the campus.

There is another segment of rental housing that is served by the City's mobile home parks. Owner versus renter occupancy of mobile homes varies by park, but mobile home rentals have also been analyzed separately later in this section.

Market Rate Multifamily Rental Housing

Usable information was obtained from 23 different market rate rental projects. Combined, these projects had 511 conventional rental units that were available for occupancy. Some of the projects that are under construction in 2014 were also successfully contacted. Although some information from these newest projects is not usable, other items, such as the bedroom mix, has been included if these details were made available.

The project and unit totals did include various forms of rental housing. In some cases, these represent apartments created in older houses that were later subdivided, or units in other buildings that were converted to housing. However, most represent units in traditional multifamily rental projects that were originally constructed for rental use.

For some of the buildings that were contacted, only partial information was obtained. For example, some properties did not provide the exact bedroom mix for units in the building. In other cases, vacancies were not defined by bedroom mix. For some of the calculations that follow, a smaller subset of market rate units may have been used.

Unit Mix

Since a number of the building owners/managers could not identify an exact unit count by bedrooms, the following breakdown is based on the specific information obtained from 433 units:

- ▶ Efficiency/Studio - 24 units (5.5% of all reported units)
- ▶ One-bedroom - 47 units (10.9%)
- ▶ Two-bedroom - 342 units (79.0%)
- ▶ Three-bedroom - 20 units (4.6%)
- ▶ Four-bedroom - no reported units

Occupancy / Vacancy

Within the market rate multifamily segment there were 8 vacant units of the 499 used in the occupancy calculation. This represents an overall vacancy rate of 1.6%. There were a few additional units that were intentionally vacant to allow for unit repairs.

It should be noted that although some vacant units were reported, these may have been units that had recently turned over. Most property owners/managers talked about strong overall demand, and multiple inquiries that would be received if available units were advertised. A number of people elect to fill the units by word-of-mouth, rather than through public advertising.

Seven of the eight reported vacancies were in two-bedroom rentals, for a vacancy rate of 2.0%. There was one vacant one-bedroom unit, for a vacancy rate of 2.1%. There were no unoccupied efficiency/studio units or three-bedrooms reported to the survey.

There were some differing opinions about the strength of the local rental market. Most owners/managers indicated that many inquiries were received from prospective tenants, especially if units were publicly advertised. However, some other property managers/owners reported that an expanding supply of units in Watertown was having an impact on demand. Some feared that overbuilding was occurring, with too many units becoming available in the past year.

Rental Rates

Rental rates in Watertown can vary widely, reflecting the age of construction and the unit amenities being offered. Reported rents 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.

In the first column, the lowest and highest gross rents have been identified, as reported in the telephone survey. Since the highest and lowest ends of the rent range may not be representative of most units, a prevailing rent column has also been listed that attempts to define the gross rents being charged by a majority of the units surveyed.

<u>Unit Type</u>	<u>Lowest/Highest Gross Rents</u>	<u>Prevailing Rents Majority of Units</u>
Efficiency/Studio	\$340-\$620	\$340-\$500
One-bedroom	\$400-\$775	\$450-\$575
Two-bedroom	\$450-\$950	\$675-\$825
Three-bedroom	\$675-\$1450	\$750-\$1000

Certain types of units, such as three-bedroom rentals, were not well represented in the multifamily sample, and the rent levels presented above may not be a good reflection of the typical rental rates in the community.

Market Rate Rentals in Mobile Homes

Watertown has a large number of mobile homes in multiple mobile home parks. The most recent American Community Survey estimates place approximately 10% to 11% of all rental housing in mobile homes.

The rental survey contacted six different mobile home parks and collected basic information about renter-occupancy units. Overall, approximately 100 to 110 units were reported to be available for rental use.

Good demand was reported, with all mobile homes occupied on the date of the survey. However, many of the parks did have vacant lots available, so there actually was capacity to add even more rental homes.

Rental rates varied, depending on the size of the mobile home, as well as age and condition. Contract rents were reported as low as \$300, and as high as \$650, with most units between \$450 and \$600, and having two or three bedrooms. In most cases, tenants paid nearly all of the utilities.

Student-Oriented Rental Housing

There are several rental complexes that primarily rent to students enrolled at LATI. While the definition of student-oriented housing is somewhat arbitrary, as these properties will also rent to non-student households, the analysts have attempted to identify certain properties that target students. In most cases, these buildings are within walking distance of the campus. The designation of certain properties as student-oriented housing is also based on the responses to the rental survey, as some property owners/managers stated that nearly all of their tenants are students, versus a mix of tenants that includes students.

Most of the student-oriented projects rent their units, not the individual bedrooms, but there are some properties that do sign individual leases with each occupant. Some projects may also offer two different rental rates, with a lower monthly rent for a 12-month lease period, or a higher rent for a lease that coincides with the school year.

There were nine rental projects that were identified as primarily offering student housing. These projects have a combined 190 rental units. This total includes the new HKL Development which is still under construction, and is located across the street from the LATI campus. Another new project, Eastside Estates, has also been included and is also still being constructed.

Unit Mix

Another defining feature of student-oriented housing is the number of larger units typically available, as shared roommate living arrangements result in more three-bedroom and even four-bedroom options.

- ▶ Efficiency/Studio - 48 units (25.3% of all reported units)
- ▶ One-bedroom - 11 units (5.8%)
- ▶ Two-bedroom - 47 units (24.7%)
- ▶ Three-bedroom - 60 units (31.6%)
- ▶ Four-bedroom - 24 units (12.6%)

While shared bedrooms may be allowed, many of the student-oriented projects attempt to have one student per bedroom. The specific projects listed above represent 429 bedrooms that would be primarily occupied by students.

Occupancy/Vacancy

One of the largest student-oriented projects, HKL Development with 96 bedrooms, will not be available for occupancy until the start of the 2015/2016 academic year. Eastside Estates, with 12 three-bedroom units, is also still under construction but will be available for occupancy by the start of the next academic year.

Each of the other projects reported full occupancy to the rental survey. Most student housing is secured well in advance of the start of the fall term, with full lease-up generally achieved in the late spring or early summer.

Rental Rates

The new HKL Development will rent bedrooms for \$450 per month. Although the other projects rent the unit, not the bedroom, the estimated cost per bedroom provides the best comparative information.

Most of the efficiency and one-bedroom units are priced between \$400 and \$500 per bedroom. Most of the two-bedroom units are priced between \$300 and \$325 per bedroom. Most of the three-bedroom units are priced between \$325 and \$375 per bedroom. Each of these estimates would be somewhat dependent upon the actual cost of tenant-paid utilities.

Income Restricted/Tax Credit/HOME Moderate Rent Summary

The City of Watertown has some moderate rent units that received a more “shallow” form of federal assistance, and do not offer “deep subsidy” rental housing. These moderate rent projects include units assisted with low income housing tax credits, and/or units assisted through HUD’s HOME Program. This section analyzes this segment of the market which has income and rent restrictions in place, but generally has rent levels that are too high to serve very low income renters. The subsequent section examines the “deep subsidy” projects that can serve very low income renters.

Tax Credit Inventory

Since the late 1980s, the primary federal incentive program for the production of affordable rental housing has been through federal low income housing tax credits, also referred to as Section 42 housing. In South Dakota, tax credits are awarded annually on a competitive basis through the South Dakota Housing Development Authority. In some cases, tax credits have been combined with other federal programs.

Tax credit assistance triggers income, occupancy and rent restrictions that are in place for 15 years or more. The income limits are generally tied to 60% or less of the median income level, although a portion of the units may be set aside for even lower income groups.

Since the tax credit program was created, 11 different rental projects in Watertown have received a tax credit award. However, eight of the 11 projects also had some form of “deep subsidy” assistance, and have been addressed in the subsidized housing analysis that follows later in this section.

There were three tax credit awards that resulted in the construction of more moderate rent housing. Three Oaks II has 24 income-restricted units and received a tax credit allocation in 1996. Springwood has 24 income-restricted units and received tax credits in 1997. Briar Creek, with 16 income-restricted units, is the most recent project, receiving a tax credit award in 2008. It should be noted that Briar Creek also received HOME Program funding, along with housing tax credits, but the tax credit regulations are generally more restrictive for most units, and they have been categorized as tax credit housing.

All three of these moderate rent projects used the tax credit assistance for new construction of town house-style units. Combined, these three projects created 64 moderate rent units.

Unit Mix

The following breakdown is based on the 64 moderate rent units that operate under tax credit regulations.

- ▶ Two-bedroom - 44 units (68.8%)
- ▶ Three-bedroom - 20 units (31.3%)

Occupancy / Vacancy

Occupancy information was obtained from all 64 moderate rent, income-restricted units in this segment of the market. On the date of the survey, only two units were reported as vacant. However, these units were in the process of being filled from an existing waiting list. Due to income certification requirements, units can sometimes remain unoccupied while paperwork is being completed. The estimated effective vacancy rate in this segment of the market is less than 1%.

All three projects reported waiting lists for occupancy, although some managers stated that prospective tenants are generally looking for immediate housing options, and cannot wait for a unit to become available at an unknown date in the future.

Rental Rates

Federal requirements place rent caps on assisted units. Tax credit requirements, which apply to most of the moderate rent units within this segment, have gross rents capped at 60% of the median income level. However, it is typical to see most units at or below the limits set at 50% of median, in part due to competitive market pressures. In some projects, a portion of the units are designated for even lower income groups, such as households at 40% or 50% of the median income level.

The 2014 rent limits for Codington County at 50% and 60% of median are provided below, along with the range currently being charged by tax credit projects in Watertown, based on the survey responses.

	<u>Watertown Range</u>	<u>50% Limits</u>	<u>60% Limits</u>
Two-bedroom	\$530 - \$630	\$722	\$867
Three-bedroom	\$600 - \$850	\$835	\$1002

Most of the income restricted moderate rent units in Watertown are charging gross rents that are below the federal limits set for households at 50% of the median income level. There are some three-bedrooms in Briar Creek that may be above the 50% limits, but that would depend on the actual cost of tenant-paid utilities.

Tax Credit Compliance Requirements

Tax credit projects have an initial compliance requirement for the first 15 years of operation. Some of the projects constructed in the late 1980s and early 1990s converted to conventional rental housing after completing this initial period. However, after the early 1990s, most projects had additional compliance requirements that apply after the first 15-year period has been completed. This "extended compliance" period will typically be in place for an additional 15 years, or more.

Briar Creek was awarded tax credits in 2008, and is still within its initial compliance period. However, Springwood and Three Oaks II were awarded credits in the late 1990s, and both are nearing completion of their initial 15-year period. It is possible that Three Oaks II may enter its extended compliance phase later in 2014, and Springwood may enter extended compliance within the next few years.

In extended compliance, projects continue to offer affordable rental housing, and income certification requirements still apply to new tenants. However, some rules are relaxed concerning existing tenant annual certification. Some of the rules prohibiting full-time student occupancy are also eased.

Subsidized Summary

The research completed for this Study identified 15 different subsidized projects in Watertown that provide rental opportunities for lower income households. Some of these projects are designated for senior and/or disabled tenant occupancy, and others are available to all renters, referred to as general occupancy.

There are some additional subsidized projects that are targeted to special needs populations, such as the developmentally disabled. Since occupancy in these buildings is generally controlled by a specialized service provider and these units are not available for the general rental market, they have not been included in the analysis that follows.

Subsidized Unit Inventory

Six of the subsidized projects are designated for, or oriented to, senior and/or disabled tenant occupancy. These projects have a combined total of 229 units. The projects that provide housing for senior/disabled populations are:

- ▶ Colonial Apartments - 24 units
- ▶ Eastwood Apartments - 19 units
- ▶ Jenkins Townview Apartments - 60 units
- ▶ Tower Apartments - 50 units
- ▶ Watercress Apartments - 16 units
- ▶ Watertown Hi-Rise - 60 units

There are nine subsidized projects providing general occupancy housing. These projects have a combined 264 units, as follows:

- ▶ Ashland Apartments - 24 units
- ▶ Christianson Apartments - 45 units
- ▶ Colony West - 48 units
- ▶ Cornell I - 24 units
- ▶ Cornell II - 24 units
- ▶ Jefferson Court - 24 units
- ▶ Public Housing Scattered Site - 25 units
- ▶ StoneBridge Apartments - 27 units
- ▶ Willow Creek - 23 units

Most of the City's subsidized units have access to project-based rent assistance. These units can charge rent based on 30% of the tenant's household income. However, in some of the Rural Development projects, rent assistance is not available for all of the units. Units without project-based rent assistance have a basic rent amount that is charged, even if this is above 30% of income for the tenant.

In the past, SDHDA has been willing to reallocate available rent assistance to different projects around the State, to serve income-eligible households. As a result, nearly all low income renters could access project-based rent assistance. However, in response to federal budget sequestration/shutdown, SDHDA has not been transferring rent assistance as readily as in the past, so there is no guarantee that a tenant can access rent assistance unless it is already committed to the specific project.

There are also tenant-based rent assistance Vouchers available in the area. In June 2014, there were approximately 158 Vouchers being used in Watertown. It is known that some of these Vouchers are being used by tenants in subsidized projects that cannot offer project-based rent assistance to all lower income tenants, but most Vouchers tend to be used in private-market, conventional rental housing.

Senior/Disabled Occupancy Unit Mix

The individual subsidized rental projects in Watertown that primarily serve senior/disabled populations range in size from 16 units to 60 units. The bedroom mix breakdown is as follows (excluding special needs units):

- ▶ 222 one-bedroom (96.9% of total)
- ▶ 7 two-bedroom (3.1%)

General Occupancy Unit Mix

- ▶ 60 one-bedroom (22.7%)
- ▶ 141 two-bedroom (53.4%)
- ▶ 56 three-bedroom (21.2%)
- ▶ 7 four-bedroom (2.7%)

Senior/Disabled Occupancy Vacancy Rate

There was only one unoccupied unit that was identified in the senior/disabled occupancy subsidized projects. The project with the unoccupied unit also reported that a waiting list existed, so the vacancy is attributed to processing of a new tenant. There were some additional units that were intentionally vacant to facilitate renovation. This project also maintained a waiting list, and indicated that units would be filled as the rehabilitation work was completed.

All of the subsidized projects oriented to senior/disabled tenant occupancy reported the existence of a waiting list. In one case, the waiting list was described as short.

General Occupancy Vacancy Rate

There were approximately 13 unoccupied units that were identified in the general occupancy subsidized projects. However, in many cases, the projects with vacancies indicated that processing was underway to fill available units. For example, Christianson Apartments had eight vacant units on the date of the survey, but was processing six new applications for the next month. With some short-term unit vacancies caused by paperwork requirements, the estimated vacancy is probably below 2% within this market segment.

Most of the projects reported that waiting lists are maintained and used to fill units as they become available. Some managers stated that the waiting lists are sometimes out-of-date, as many applicants needed immediate access to housing.

Tenant-Based Rent Assistance Vouchers

As stated above, Watertown renters also have access to HUD Housing Choice Vouchers (formerly Section 8 Existing Program). The service area for the rent assistance program includes Watertown and some neighboring cities and counties. The total program has budget authority to serve approximately 180 households, but approximately 158 households were actually receiving assistance in June 2014. The required costs per month have reduced the number of households that can be served.

Housing Choice Voucher assistance is issued to income-eligible households for use in suitable, private market rental housing units. With the assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional rent amounts. The rent assistance is administered by the Watertown Housing and Redevelopment Commission.

Since this rent assistance is tenant-based, and moves with the household, the actual number of participating households within the City can vary from month to month. It is known that some Voucher recipients are using their rent assistance in subsidized projects that do not have project-based rent assistance available for all tenants. It is also probable that some Vouchers are being used in the moderate rent tax credit projects.

Subsidized Unit Gains/Losses

Resources for construction of “deep subsidy” rental housing have been very limited in recent decades. However, one new apartment building with project-based rent assistance was constructed in Watertown in 2009, when the 19-unit Eastwood Apartments was developed by Accessible Space, Inc. All units in Eastwood are accessible, and designated for people with physical disabilities, including traumatic brain injuries.

While one new project was added in recent years, most of the changes that have occurred in the subsidized inventory represent unit losses. This has occurred due to a combination of factors, including two buildings that were lost to fire, and at least five projects that ended their contract compliance requirements and converted to conventional rental housing.

The first property lost to fire was Stone Bridge II with 27 HUD-subsidized apartments. This building was undergoing renovation in 2004 when it burned and was never rebuilt.

In 2013, Sunchase Apartments, with 41 units, also experienced a fire and was not rebuilt. Sunchase was subsidized through Rural Development.

The following projects were all subsidized through Rural Development, but have ended their contract requirements and now operate as conventional rental housing. In many cases, lower income tenants in occupancy at the time of the conversion were granted special rent assistance or a reduced rent for a period of time. However, as these original tenants move, the units are offered as market rate rental housing.

- ▶ Dakota Towhhomes - 12 units
- ▶ Friendship Village - 24 units
- ▶ Hillsdale Apartments - 20 units
- ▶ Villa Apartments - 48 units
- ▶ Plum Creek Apartments - 24 units

Since 2004, Watertown has had a reduction of approximately 196 affordable rental units through the loss of federally subsidized projects. Not all of the lost units had project-based rent assistance available, but the large majority were able to charge rent based on 30% of income. Some of the project-based rent assistance that was lost was replaced by tenant-based rent assistance Vouchers. While Voucher assistance mitigates the financial impact for the specific tenant, it is portable assistance, and moves with the household. Over time, it is probable that some of these households will move away from Watertown, and take the rent assistance to a different community, unlike project-based rent assistance which remains tied to a specific building.

Based on the original dates of construction, it is possible that some additional subsidized projects in Watertown may meet their contract compliance requirements in the future, although specific at-risk projects were not identified.

Table 30 Watertown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - General Occupancy					
Ambassador Apartments 410 4 th Ave NE 605-886-5512	5 - 1 Bedroom <u>12 - 2 Bedroom</u> 17 Total Units	\$475 \$525 +electric, sewer, garbage	No vacant units	Mix of tenants	Older apartment building - 3-level walkup. Rent includes heat and water with tenant paying electric, sewer and garbage. Amenities include stove, refrigerator, AC, coin laundry, and garages for extra fee. All units have 1 bathroom. Manager reports mix of tenants. No vacant units on date of survey.
2214 Ash NE 605-886-7080	<u>8 - 2 Bedroom</u> 8 Total Units	N/A	1 vacant unit	Mix of tenants	Two-level walkup building constructed in 1997. Tenants pay all utilities in addition to rent. Amenities include stove, refrigerator, wall AC and garage. Units are estimated at 800 sq ft, with 1 bathroom. One unit vacant at time of survey, but this was partly due to repairs that were being made. Rents were not disclosed.
Best Properties 1616 1 st Ave NE 886-4700	<u>12 - 2 Bedroom</u> 12 Total Units	\$750 +utilities	Initial lease-up underway	Mix of students and younger renters	Newly constructed 3-level walkup apartment building that was just completed in 2014 and has started initial occupancy, with 6 units leased. Less than 1 mile from LATI and half of initial tenants are students. Amenities include stove, refrigerator, dishwasher, in-unit laundry, security cameras, controlled entrance and detached garage for extra fee. Tenants pay all utilities in addition to rent - estimated at approx. \$100/month. Units have 910-920 sq ft and 1 bathroom.
618 N Broadway 605-886-5512	<u>6 - 1 Bedroom</u> 6 Total Units	\$350-\$375 +heat, electric, sewer, garbage	No vacant units	Mix of tenants	Older house that was later converted into 8 apartments, but only 6 are being used. Rent includes water with tenant paying heat, electric, sewer and garbage. No vacant units on date of survey.

Table 30 Watertown Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - General Occupancy					
C 4 Properties 201-207 3 rd St SE	N/A	N/A	N/A	N/A	Unable to contact.
Colony West 2014 Phase	<u>10 - 2 Bedroom</u> 10 Total Units	N/A	Proposed for construction in 2014	Market rate housing	Proposed construction of two 5-unit structures that would create 10 town house-style rental units. Units would be one level with attached garage, and would include in-unit laundry, dishwasher, microwave and other features. Tenants would pay utilities. All units would have 1 bathroom. Unit sizes and proposed rents were not available, but units are intended to serve higher-rent market segment. Future phases could add up to 20 apartment units, but this would be in future years.
Dakota Townhouses 430 9 th Ave NE 605-881-2713	<u>8 - 2 Bedroom</u> <u>4 - 3 Bedroom</u> 12 Total Units	\$485 \$575 +heat, electric	1 vacant unit, 1 - 2 Bdrm	Mix of students and younger renters	Formerly a Rural Development subsidized project that opted-out and converted to conventional market rate housing in late 2000s. Units are town house-style, originally built in the 1980s. Tenants pay electric heat and electricity in addition to rent. Owner reports 1 vacant unit due to recent turnover, but a waiting list exists and unit will be quickly filled. Most tenants are students or younger renter households.
Dargatz Properties 8-Plex 225 8 th Ave NE 605-886-7080	<u>8 - 2 Bedroom</u> 8 Total Units	\$600 +utilities	No vacant units	Mix of tenants	Split-level 8-plex apartment building constructed in the 1980s. Tenants pay all utilities in addition to rent. Unit amenities include stove, refrigerator, in-unit laundry, wall AC, and detached garage parking. All units have 1 bathroom. Owner reports full occupancy, with a mix of tenants including some students.

Table 30 Watertown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - General Occupancy					
<p>Dargatz Properties 317 13th St SW 605-886-7080</p>	<p><u>8 - Efficiency</u> 8 Total Units</p>	<p>\$575 +electric, sewer, garbage</p>	<p>No vacant units</p>	<p>Most working-age singles</p>	<p>Efficiency apartment building that was permitted in 2013. Building is 1-level, and units have private exterior entrances. Units have kitchen with stove and refrigerator, wall AC and full bathroom. Rent includes in-floor heat and water, with tenant paying electric, sewer and garbage. Detached garage included in rent. Units have concrete floors and pets accepted. Six-month lease initially required, but then month-to-month, and designed for tenants looking for shorter-term rental. Units have approx. 288 sq ft and are generally occupied by younger singles. Owner reports full occupancy.</p>
<p>East Point 1118 Skyline Dr 886-6160</p>	<p>Dorm-style rooms Efficiency 1 Bedroom <u>1 - 2 Bedroom</u> 79 Total Units</p>	<p>\$250-\$275 \$350-\$495 \$550 \$600 includes cable TV</p>	<p>No vacant units</p>	<p>Mix of students, seniors, singles, couples</p>	<p>Former hospital building that was converted to housing in 1991 - floors and units were converted over the next 17 years. Wide range of units with dorm-style rooms that use community bathroom and kitchen, to efficiency units with small stove, to efficiency units with private bathroom, and full apartments with kitchen and bathroom - rents reflect features and amenities. Rent includes all utilities and cable TV. Month-to-month leases available for 10% more. Mix of tenants can include seniors, some students, seasonal construction workers, interns, singles and couples. High rate of occupancy and any turnover units fill quickly.</p>

Table 30 Watertown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - General Occupancy					
Friendship Village 411 10 th St SE 605-256-6985	<u>24 - 2 Bedroom</u> 24 Total Units	\$650 +heat, electric, sewer, garbage	1 vacant unit, 1 - 2 Bdrm	Mix of tenants	Formerly a Rural Development subsidized project that opted-out and converted to conventional market rate housing in 2013. Existing tenants were given access to rent assistance Vouchers. Owner has been making improvements to the project and may add garages in the future. Tenants pay heat, electric, sewer and garbage in addition to rent. Manager estimates that units have approx. 800 sq ft and 1 bathroom. One vacancy at time of survey and had been open for a few months - above-average turnover in late spring caused vacancies which have filled over time.
Lo-Rise Apartments 21 1 st St SW 605-886-9208	<u>4 - 2 Bedroom</u> 4 Total Units	\$400 +electric, garbage	No vacant units	Mix of tenants	Older 3-level building probably constructed in the 1930s and located in the downtown area. Building has 5 apartments, but owners use 1 for storage. Rent includes heat and water, with tenants paying electric and garbage. No off-street parking and downtown location can be difficult for tenants with cars. General mix of tenants but often younger singles and couples. Owner reports good demand, due in part to lower rent level, with no vacancies at time of survey.
Memorial Arms Apartments 414 9 th Ave NE	N/A	N/A	N/A	N/A	Unable to contact.

Table 30 Watertown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - General Occupancy					
1517-1529 North Grove Place 605-520-2273	<u>8 - 3 Bedroom</u> 8 Total Units	\$1150-\$1250 +utilities	No vacant units	Mix of tenants including empty- nesters and younger renters	Rental town house project that was permitted in 2014 and has created 8 rental units in two structures. Two-level town houses with 1 or 2 car attached garage. Units have features of single family living including dishwasher, in-unit laundry and 2.5 bathrooms. Tenants pay all utilities in addition to rent. All 3 bedrooms are on upper floor, along with 2 bathrooms. Units have 1500 sq ft. Site plan will add 16 more units in 2015 and later, with some having 2-bedrooms and 1-level living. All units leased on date of survey, with both younger professionals and empty-nesters in occupancy. Higher rent reflects 2-car garage.
Palace Apartments 315 Kemp	N/A	N/A	N/A	N/A	Unable to contact.
Park Manor Apartments 4 th St NE 605-886-5512	11 - 1 Bedroom <u>6 - 2 Bedroom</u> 17 Total Units	\$375-\$425 \$475 +electric, sewer, garbage	No vacant units	Mix of tenants	Older apartment building - 3-level walkup. Rent includes heat and water with tenant paying electric, sewer and garbage. Amenities include stove, refrigerator, AC and coin laundry. All units have 1 bathroom. Manager reports mix of tenants. No vacant units on date of survey.
Pine View Apartments 123 4 th St SE 605-886-5512	N/A	N/A	N/A	N/A	Older house with 5 rental units that was demolished a few years ago.

Table 30 Watertown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - General Occupancy					
Plum Creek Apartments 1600 1 st Ave NE 605-881-1460	3 - 1 Bedroom <u>21 - 2 Bedroom</u> 24 Total Units	\$590 \$640 +heat, electric	No vacant units	Mostly students, but also seniors and younger renters	Originally built as a Rural Development and tax credit project in 1987, it converted to conventional housing in May 2013. Approximately 10 subsidized tenants remain and have access to special rent assistance. Three 2-level walkup buildings in complex. Amenities include stove, refrigerator, wall AC and community laundry in each building. Tenants pay electric heat and general electricity in addition to rent. Property is less than 1 mile from campus and most tenants are students, but also some seniors and general rental households. No information available on unit sizes. Manager reports full occupancy at time of survey, and strong demand, especially from students as fall term approaches.
Prairie Winds/Sweet Properties 1415, 1425, 1509, 1519 1 st Ave NE 605-886-4968	28 - 2 Bedroom <u>4 - 3 Bedroom</u> 32 Total Units	\$750 \$900 +utilities	No vacant units	Mix of tenants	Four 8-plex apartment buildings that were permitted between 2011 and 2013. Buildings are 2-level walkups. Tenants pay all utilities in addition to rent. Amenities include stove, refrigerator, dishwasher, in-unit laundry and detached garage available for extra fee. Three-bedrooms have 1059 to 1074 sq ft and 2 bathrooms; 2-bedrooms range from 882 to 1000 sq ft but most are 967 to 977 sq ft and have 1 bathroom. Contract rents are the same despite unit size differences, but some of the smaller units have access to a patio that is not available in larger units. Manager reports full occupancy at time of survey, but some limited vacancies can occur at times of high turnover, such as when students leave at the end of the school year. The project serves a mix of tenants, including young professionals and students.

Table 30 Watertown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - General Occupancy					
The Ritz 605-886-5512	16 - Efficiency <u>4 - 1 Bedroom</u> 20 Total Units	\$275 \$300-\$450 +heat, electric, sewer, garbage	No vacant units	Primarily singles and couples	Older downtown apartment building. Rent includes water with tenant paying electric heat, electric, sewer and garbage. Units have stove and refrigerator, and community laundry room. Higher rent 2-bedrooms have been remodeled. No vacant units on date of survey.
505,509,513 16 th Ave NE 605-868-1766	<u>24 - 2 Bedroom</u> 24 Total Units	\$775 +utilities	1 vacant unit	Mix of tenants	Three 8-plexes that were permitted in 2011 - buildings are 2-level walkups. Tenants pay all utilities in addition to rent. Amenities include full kitchen with dishwasher, in-unit laundry, central AC and heat and garage. Mix of tenants including some students, but most are younger professionals. Rent is \$800/month for less than 12-month lease. One unit vacant at time of survey due to recent turnover - building in City has had impact on demand, as vacancies in the past would have generated a large volume of phone calls.
South Park Apartments 1100 14 th St SE 605-886-5512	2 - 1 Bedroom <u>34 - 2 Bedroom</u> 36 Total Units	\$475 \$550 +heat, electric, sewer, garbage	No vacant units	Mix of tenants	Two apartment buildings with 18 units each, constructed in the late 1970s or early 1980s. Rent includes water with tenant paying electric heat, electric, sewer and garbage. Amenities include stove, refrigerator, dishwasher, AC, coin laundry, and garage. Manager reports mix of tenants. No vacant units on date of survey.
Sun Cast Properties 300 1 st Ave NE	N/A	N/A	N/A	N/A	Unable to contact.

Table 30 Watertown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - General Occupancy					
1200 23 rd St NE 605-886-7080	<u>8 - 2 Bedroom</u> 8 Total Units	N/A	No vacant units	Mix of tenants	Two-level walkup building constructed in 2008. Tenants pay all utilities in addition to rent. Amenities include stove, refrigerator, dishwasher, in-unit laundry, wall AC and garage. Units are estimated at 950 sq ft, with 1 bathroom. No units vacant at time of survey. Rents were not disclosed.
1412 12 th Ave SE 605-878-2007	<u>1 Bedroom</u> <u>2 Bedroom</u> 12 Total Units	\$675 \$750 +utilities	Under construction, occupancy planned in Oct. 2014	Senior-oriented	Rental project permitted in 2014 that will create 12 town house-style rentals in phase 1. Units will offer one-level living with attached garage, in-unit laundry and dishwasher. Tenant will pay all utilities. Units are targeted to empty-nesters and seniors. Square footage not available, all units will have 1 bathroom. Scheduled for occupancy in late Oct. of 2014. Two additional phases planned.
2205 12 th Ave NE 605-886-7080	<u>8 - 2 Bedroom</u> 8 Total Units	N/A	No vacant units	Mix of tenants	Two-level walkup building constructed in 2006. Tenants pay all utilities in addition to rent. Amenities include stove, refrigerator, dishwasher, in-unit laundry, wall AC and garage. Units are estimated at 950 sq ft, with 1 bathroom. No units vacant at time of survey. Rents were not disclosed.
U-Shape Rentals	<u>8 - 2 Bedroom</u> 8 Total Units 2 4-plex in 2014 + 5 more planned	N/A	Under Construction	General occupancy	Two 4-plexes that were issued a building permit in 2014 and are under construction. Buildings are 2-level, but have attached garage with direct access to unit. No other details available, but plan is to construct 5 additional 4-plexes over the next few years as units are absorbed.

Table 30 Watertown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - General Occupancy					
Villa Apartments 311-405 13 th St NE 605-881-8825	12 - 1 Bedroom <u>36 - 2 Bedroom</u> 48 Total Units	\$575 \$625 +utilities	2 vacant units, 1 - 1 Bdrm 1 - 2 Bdrm	Mix of tenants including students	Formerly a Rural Development subsidized project that opted-out and converted to conventional market rate housing in 2014. Most existing tenants were given access to rent assistance, but as move-outs occur the project is converting to market rate. Four 12-plex buildings, 2-level without elevator. Market rate tenants are paying for nearly all utilities. Owner reports a mix of tenants, including students - project is within walking distance of LATI. Two vacancies at time of survey and softer market - lots of recent building has resulted in vacancies in the City.
Watertown Properties 102 13 th St NE 868-8144	1 Bedroom 2 Bedroom	\$350 \$450-\$475	N/A	N/A	Unable to contact. Information on rent structure obtained from project's answering system. Units are possibly within walking distance of LATI.
Westminster Apartments 107-111 19thSt SE 605-881-8825	<u>24 - 2 Bedroom</u> 24 Total Units	\$700-\$765 +utilities	2 vacant units, 2 - 2 Bdrm	Mix of tenants including some students	Three 8-unit buildings constructed in the late 1980s - 2-level walkups. Tenants pay nearly all utilities in addition to rent including electric heat. Amenities include dishwasher, in-unit laundry and detached garage included in rent. Higher rent units have 2 bathrooms. Owner reports a mix of tenants including some students. Two vacancies at time of survey and softer market - lots of recent building has resulted in vacancies in the City.
Westwood Apartments 330-366 18 th St SW 605-886-5512	16 - 2 Bedroom <u>4 - 3 Bedroom</u> 20 Total Units	\$625 \$750-\$775 +heat, electric, sewer, garbage	No vacant units	Mix of tenants	Five 4-plex buildings constructed in the late 1990s. Three-bedrooms are 2-level units. Rent includes water with tenant paying electric heat, electric, sewer and garbage. Amenities include stove, refrigerator, in-unit laundry, AC, and garage - 3-bedrooms have 2 car garage. Two-bedrooms have 1.5 bathrooms and 3-bedrooms have 2 baths. Manager reports mix of tenants, including some seniors. No vacant units on date of survey.

Table 30 Watertown Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - General Occupancy					
Wilkshire Apartments 1845 Westminster Ave 605-882-8814	4 - 1 Bedroom <u>50 - 2 Bedroom</u> 54 total units	\$650 \$700-\$750 +heat, electric, sewer and garbage	No vacant units	Mix of tenants	Apartment project built in 2 phases, with 8 units in the late 1980s and 46 units in the mid-1990s. Second phase was 3-level building with elevator. Rent includes water with tenants paying other utilities including electric heat. Amenities include detached garage parking, in-unit laundry, some units with dishwashers and walk-in closet, and community room. One-bedrooms are large with 980 sq ft, and 2-bedrooms range from 880 to 1080 sq ft; all units have 1 bathroom. Manager reports full occupancy and good demand.
Willow Creek 605-690-5417	1 Bedroom <u>2 Bedroom</u> 64 Total Units Proposed	N/A	Proposed first phase in 2015	Market rate rental or sold as condos	Proposed project that could add 64 units in two development phases, with first phase proposed for 2015. Units would be one and two-bedroom, and could also be sold as condominiums.

Table 30 Watertown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Mobile Home Park Rentals					
Country View Mobile Home Court 884-1368	20 - 30 Total Units	\$450-\$600 +utilities	No vacant units	Mix of tenants	Rental mobile homes in a 192-lot park. Most homes are owner-occupied but 20 to 30 are generally used as rental. Rent ranges depending on size and condition. Manager says good demand exists, especially for 3-bedrooms. Tenants pay utilities in addition to rent. Approximately 4 sites in the park are vacant.
Mallard Cove West 884-1368	2 - 3 Total Units	\$450-\$600 +utilities	No vacant units	Mix of tenants	Rental mobile homes in a 72-lot park. Most homes are owner-occupied but 2 to 3 are generally used as rental. Rent ranges depending on size and condition. Manager says good demand exists, especially for 3-bedrooms. Tenants pay utilities in addition to rent. Approximately 30 sites in the park are vacant.
McKinley Court West	N/A	N/A	N/A	N/A	Unable to contact.
Pelican View Estates West 882-3365 882-7931	50 Total Units	\$550-\$650 +utilities	Only vacant units are intentional for rehab	Mix of tenants	Rental mobile homes in a 144-lot park. Most homes are owner-occupied but 50 are used as rental. Rent ranges depending on size and condition. Manager says good demand exists - the only unoccupied units are intentionally vacant for repairs. Approximately 15 sites in the park are vacant.
Prairie Pasque Community 17 th St SE 605-886-5193	1 Bedroom 2 Bedroom <u>3 Bedroom</u> 8 Total Units	\$450-\$650 +utilities	No vacant units	Mix of tenants	Rental mobile homes in a 114-lot park. Most homes are owner-occupied but 8 are used as rental. Rent ranges depending on size and condition. Manager says good demand exists and a waiting list is maintained. Approximately 12 sites in the park are vacant.

Table 30 Watertown Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Mobile Home Park Rentals					
S&V Mobile Home Court 605-882-3465	<u>14 - 2 Bedroom</u> 14 Total Units	\$300-\$450 +heat, electric	No vacant units	Mix of tenants	Rental mobile homes in a 14-lot park. Rent includes water and sewer, with tenant paying other utilities, averaging \$150-\$200/month. Mobile homes are all 15 years old or older, 2 newest ones rent for \$450, but most others are between \$300-\$375. Owner reports full occupancy, although turnover occurs.
Southview Park 605-886-5193	<u>2 Bedroom</u> <u>3 Bedroom</u> 4 Total Units	\$600-\$650 +utilities	No vacant units	Mix of tenants	Rental mobile homes in a 92-lot park. Most homes are owner-occupied but 4 are used as rental. Most units are newer and rent range is between \$600 and \$650. Manager says good demand exists and a waiting list is maintained. Approximately 10 sites in the park are vacant.
Town & Country Square Mobile Estates 605-886-6109	N/A	N/A	N/A	N/A	Unable to contact. Mobile home park that may include some rental units.

Table 30 Watertown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - Student-Oriented					
Apartments on Arrow 908 Arrow Ave 605-881-2308	<u>12 - 3 Bedroom</u> 12 Total Units	\$1000 +utilities	No vacant units	Students	Three-level apartment building constructed in 2012 and ½ block from LATI. All tenants are students. Tenants pay all utilities in addition to rent - estimated at \$150 to \$180/month. Amenities include dishwasher, in-unit laundry, central AC and heat. Owner reports full occupancy, but lots of similar building is now underway that could have impact.
Eastside Estates	<u>12 - 3 Bedroom</u> 12 Total Units	Estimated at \$1000 +utilities	Under Construction - opening for occupancy in 2015	Student-oriented housing	New apartment building that was issued a building permit in 2014 and is scheduled for occupancy in 2015. Three-level walkup building located approx. 3 blocks from LATI - while oriented to student rentals, the building will be general occupancy. Tenants will pay all utilities and some detached garages will be available for extra fee. Amenities include in-unit laundry and dishwasher. Units will have 1120 sq ft and 1 bathroom. Project site will have 2 future construction phases of 12 and 8 units, approx. 1 to 1.5 years apart.
Hillsdale Apartments 1025 7 th Ave NE	3 - 1 Bedroom <u>17 - 2 Bedroom</u> 20 Total Units	\$455 \$515 +heat, electric	No vacant units	Many student renters	Two-level apartment building constructed in 1978 and located within walking distance of LATI. Project had originally been subsidized through Rural Development, but converted to conventional housing in the mid-2000s. Rent includes water, sewer and garbage, with tenant paying heat and electric. Project amenities include community laundry, controlled entrance, car plug-ins and storage units. Manager reports full occupancy and good demand, including summer demand from students looking for housing.

Table 30 Watertown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - Student-Oriented					
908 Arrow Ave 605-878-3108	<u>12 - 3 Bedroom</u> 12 Total Units	\$1000 +utilities	No vacant units	Primarily students	Three-level walkup apartment building that was permitted in 2013. Located within a few blocks of LATI campus - while not limited to student occupancy, all current tenants are students. Tenants pay all utilities. Amenities include stove, refrigerator, dishwasher, microwave, central AC and in-unit laundry. Units have 1120 sq ft and 1 bathroom. Owner reports full occupancy but lease-up for fall term proceeded slower than in the past due to increased competition.
15 11 th St NE 605-878-3108	<u>12 - 3 Bedroom</u> 12 Total Units	\$1000 +utilities	No vacant units	Primarily students	Three-level walkup apartment building that was permitted in 2011. Located within a few blocks of LATI campus - while not limited to student occupancy, all current tenants are students. Tenants pay all utilities. Amenities include stove, refrigerator, dishwasher, microwave, central AC and in-unit laundry. Units have 1120 sq ft and 1 bathroom. Owner reports full occupancy but lease-up for fall term proceeded slower than in the past due to increased competition.
1511 11 th St NE 605-881-2308	<u>12 - 3 Bedroom</u> 12 Total Units	\$1000 +utilities	No vacant units	Students	Three-level apartment building constructed in 2013 and ½ block from LATI. All tenants are students. Tenants pay all utilities in addition to rent - estimated at \$150 to \$180/month. Amenities include dishwasher, in-unit laundry, central AC and heat. Owner reports full occupancy, but lots of similar building is now underway that could have impact.
HKL Development 605-886-8240	<u>24 - 4 Bedroom</u> 24 Total Units	\$450/ bedroom	Under Construction - opening for occupancy in 2015	Student housing	Student-oriented apartment project that was permitted in 2014 and will become available in summer 2015. Units are 4-bedroom quads with shared kitchen, living room and 1.5 bathrooms. Units will be leased per bedroom and rent includes all utilities and Wifi. Some heated under ground parking spaces available for extra \$70/month. Project is located very close to the LATI campus.

Table 30 Watertown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Market Rate - Student-Oriented					
Lake Area Apartments 310 11 th St NE 605-882-1589	48 Efficiency <u>2 - 1 Bedroom</u> 50 Total Units	\$350-\$360 \$410 +heat, electric, sewer, garbage	No vacant units	Primarily students	Smaller efficiency and one-bedroom apartments in 3-level apartment building within walking distance of LATI campus. Manager estimates that 90% of tenants are students. Units have kitchenette with apartment-sized stove, full refrigerator and built-in desks. Community laundry available. Rent includes water with tenant paying electric heat, electricity sewer and garbage - manager estimates utilities are \$30-\$50/month. Ten month lease available for efficiency units at higher rent listed. Efficiencies have 350 sq ft and 1-bedrooms have 600 sq ft. Full occupancy and good demand from student renters.
Penn Park Apartments 152,164 13 th St NE 605-886-5625	6 - 1 Bedroom <u>30 - 2 Bedroom</u> 36 Total Units	\$440 \$550-\$600 +electric, garbage	No vacant units	Students	Two 18-unit apartment buildings constructed in the mid 1970s - buildings are 3-level walkups. Located within walking distance of LATI and nearly all tenants are students. Rent includes heat, water and sewer, with tenant paying electric and garbage. Amenities include community laundry and some 2-bedrooms have larger floor plans and balcony. All units have 1 bathroom. Manager reports no vacancies and that project is always full - word-of-mouth fills any turnover units.

Table 30 Watertown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Tax Credit/Moderate Rent					
Briar Creek Townhomes 1830 Westminster Ave 605-886-4480	8 - 2 Bedroom <u>8 - 3 Bedroom</u> 16 Total Units	\$407-\$609 \$452-\$706 +heat, electric, hot water	No vacant units, waiting list	General occupancy at 60% or less of median income	Tax credit and HOME general occupancy project awarded credits in 2008. All units serve households at or below 60% of median income, with 2 units designated for 40% of median and 6 at 50% of median. Rent range listed reflects 40% and 60% rents. Units are 2-level, town house-style, with bedrooms on upper level. Amenities include master bedroom, walk-in closet, full kitchen with dishwasher, in-unit laundry, and AC. Site amenities include patio/porch, shared yard, play ground and picnic area. Tenants pay heat and electric; rent includes water, sewer and garbage. Two-bedrooms have 931-1006 sq ft and 1.5 bathrooms, and 3-bedrooms have 1320-1328 sq ft and 2.5 bathrooms. Manager reports full occupancy at time of survey, and a waiting list is maintained.
Springwood 1405 11 th St NE 605-882-1151	18 - 2 Bedroom <u>6 - 3 Bedroom</u> 24 Total Units	\$505 \$580 +utilities	2 vacant units, 2 - 2 Bdrm waiting list	General occupancy at or below 60% of income	Tax credit project awarded credits in 1997. Units are in 2-level town house-style four-plexes. All units serve households at or below 60% of median income. Amenities include private entrance, stove, refrigerator, dishwasher, in-unit laundry hookup and garage for \$40. Tenants pay all utilities except garbage in addition to rent. Two-bedrooms have 1003 sq ft and 3-bedrooms have 1178 sq ft; all units have 1 bathroom. Manager reports 2 vacant units at time of survey, but waiting list exists and is used to fill turnover units - income certification process can result in some vacant units.

Table 30 Watertown Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Tax Credit/Moderate Rent					
Three Oaks Apartments II 305 18 th St SW 605-882-1151	18 - 2 Bedroom <u>6 - 3 Bedroom</u> 24 Total Units	\$480 \$555 +utilities	No vacant units, waiting list	General occupancy at or below 60% of income	Tax credit project awarded credits in 1996. Units are in 2-level town house-style four-plexes. All units serve households at or below 60% of median income. This property may enter extended compliance period later in 2014, which could allow for more student occupancy. Amenities include private entrance, stove, refrigerator, dishwasher, in-unit laundry hookup and garage for \$40. Tenants pay all utilities except garbage in addition to rent. Two-bedrooms have 1003 sq ft and 3-bedrooms have 1178 sq ft; all units have 1 bathroom. Manager reports full occupancy and waiting list in July, but 5 units will turn over in August and may result in short-term vacancies.

Table 30 Watertown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Subsidized - General Occupancy					
Ashland Apartments 1500 3 rd Ave SW 952-906-7216	4 - 1 Bedroom 16 - 2 Bedroom <u>4 - 3 Bedroom</u> 24 Total Units	\$470-\$660 \$520-\$710 \$570-\$760 30% of income	No vacant units, waiting list	General occupancy	Rural Development subsidized general occupancy project constructed in the early 1980s. Project includes three 8-unit buildings that are 2-level walkups. Twenty-three units have project-based rent assistance allowing rent based on 30% of income; remaining unit charges 30% of income but not less than basic or more than market rents listed. Amenities include stove, refrigerator, AC, community laundry in each building, playground and basketball court. One-bedrooms have 612 sq ft, 2-bedrooms have 729 sq ft, and 3-bedrooms have 874 sq ft; all units have 1 bathroom. Manager reported 2 unoccupied units on date of survey but they had already been leased for the next month, using a waiting list that exists.
Christianson Apartments 1200 2 nd Ave SW 701-364-2620	16 - 1 Bedroom 19 - 2 Bedroom <u>10 - 3 Bedroom</u> 45 Total Units	\$525 \$555 \$585 30% of income	8 vacant units, 7 - 2 Bdrm 1 - 3 Bdrm	General occupancy	Rural Development subsidized general occupancy project constructed in the 1970s. Project includes 6 buildings and most 2 and 3-bedrooms are 2-level units. Thirty-four units have project-based rent assistance allowing rent based on 30% of income; remaining unit charges 30% of income but not less than basic rents listed. Poor occupancy rates in the past resulted in loss of some project-based subsidy, and over-income waiver is also in place. New manager started in 2014 and occupancy has been improving. Eight vacant units at time of survey, but that was caused by above-average turnover and 6 new applications were being processed. Some LATI students live in property and end-of-year turnover results. Amenities include coin laundry, extra storage and a good location in the City.

Table 30 Watertown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Subsidized - General Occupancy					
Colony West Apartments 1630 3 rd Ave SW 605-882-1151	2 - 1 Bedroom 30 - 2 Bedroom 14 - 3 Bedroom <u>2 - 4 Bedroom</u> 48 Total Units	\$25-\$587 30% of income	2 vacant units, 2 - 2 Bdrm waiting list	General occupancy	HUD subsidized units for general occupancy probably constructed in the 1970s. All units have rent assistance allowing tenants to pay rent based on 30% of income. Units are 3-level town homes with unfinished basement. Unit amenities include private entrance, stove, refrigerator, AC, in-unit laundry hookup, and 10 garages available for \$45. Units range in size from 1000 to 1800 sq ft. Manager reports 2 vacant units at time of survey, but waiting list exists and is used to fill turnover units - income certification process can result in some vacant units.
Cornell Apartments I 1800 Westminster Ave 605-886-4480	3 - 1 Bedroom 13 - 2 Bedroom <u>8 - 3 Bedroom</u> 24 Total Units	\$440-\$638 \$510-\$690 \$565-\$740 30% of income	1 vacant unit, 1 - 3 Bdrm waiting list	General occupancy	Rural Development and tax credit project awarded credits in 1992 - tax credit restrictions have expired. Designated for general occupancy. Three 2-level walkup apartment buildings. Twenty-three units have project-based rent assistance allowing rent based on 30% of income; remaining unit charges 30% of income but not less than basic or more than market rents listed. Unit amenities include equipped kitchen with pantry, master bedroom with walkin closet, and AC. Project amenities include community laundry, storage spaces, playground and basketball court. One-bedrooms have 681 sq ft, 2-bedrooms have 765 sq ft and 3-bedrooms have 940 sq ft; all units have 1 bathroom. Manager reports 1 vacant 3-bedroom at time of survey. Waiting list is maintained but most want 2-bedroom.

Table 30 Watertown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Subsidized - General Occupancy					
Cornell Apartments II 1804-1806 Westminster Ave 605-886-4480	4 - 1 Bedroom 12 - 2 Bedroom <u>8 - 3 Bedroom</u> 24 Total Units	\$440-\$595 \$525-\$685 \$585-\$750 30% of income	No vacant units, waiting list	General occupancy	Rural Development and tax credit project awarded credits in 1994 - tax credit restrictions have expired. Designated for general occupancy. Three 2-level walkup buildings. Twenty-three units have project-based rent assistance allowing rent based on 30% of income; remaining unit charges 30% of income but not less than basic or more than market rents listed. Unit amenities include equipped kitchen with pantry, master bedroom with walkin closet, and AC. Project amenities include community laundry, storage spaces, playground and basketball court. One-bedrooms have 650 sq ft, 2-bedrooms have 765 sq ft and 3-bedrooms have 940 sq ft; all units have 1 bathroom. Manager reports full occupancy at time of survey, and a waiting list is maintained.
Jefferson Court 400 11 th St NE 605-886-4480	<u>24 - 2 Bedroom</u> 24 Total Units	\$536 30% of income	1 vacant unit, 1 - 2 Bdrm tax credit, waiting list	General occupancy	HUD subsidized project for general occupancy constructed in 1971 and awarded HOME funds tax credits in 2003 for renovation. 14 units have rent assistance allowing rent based on 30% of income, and 10 units are subject to tax credit rent listed, plus heat, electric and hot water estimated at \$77/month. All serve households at or below 60% of median income. Unit amenities include equipped kitchen with pantry, master bedroom with walkin closet, in-unit laundry and AC. Project amenities include deck/patio and shared yard. Two-bedrooms have 896 sq ft and 1.5 bathrooms. Manager reports 1 vacant tax credit unit at time of survey, but waiting list is maintained for both tax credit and HUD units.

Table 30 Watertown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Subsidized - General Occupancy					
Public Housing Scattered Sites 605-886-7731	2 - 1 Bedroom 8 - 2 Bedroom 10 - 3 Bedroom <u>5 - 4 Bedroom</u> 25 Total Units	30% of income	No vacant units, waiting list	General occupancy	HUD Public Housing constructed in scattered sites as single family homes or duplexes. 1975. All tenants pay rent based on 30% of income up to ceiling rent level. Units are fully occupied with a waiting list.
Stone Bridge Apartments 22 8 th Ave SW 605-886-4480	24 - 1 Bedroom <u>3 - 2 Bedroom</u> 27 Total Units	\$577 \$645 30% of income	1 vacant unit, 1 - 1 Bdrm waiting list	General occupancy	HUD subsidized apartments constructed in 1976 for general occupancy, and awarded HOME funds and tax credits in 2003 for renovation. Another 27-unit building burned in 2004 and was not rebuilt. Building is 3-level with elevator. All units have rent assistance allowing rent based on 30% of income, up to maximum rents listed. All serve households at or below 60% of median income. Unit amenities include kitchen with dishwasher and pantry, master bedroom with walkin closet, security alarm and AC. Project amenities include community room, controlled entry, storage spaces, picnic area and shared yard. One-bedrooms have 539-646 sq ft and 1 bathroom, and 2-bedrooms have 872 sq ft and 1 bathroom. Manager reports 1 vacant unit at time of survey, but a waiting list is maintained.
Willow Creek Apartments 1520 3 rd Ave SW 952-906-7216	5 - 1 Bedroom 16 - 2 Bedroom <u>2 - 3 Bedroom</u> 23 Total Units	\$470-\$660 \$520-\$710 \$570-\$760 30% of income	No vacant units, waiting list	General occupancy	Rural Development subsidized general occupancy project constructed in the early 1980s. Project includes three 8-unit buildings that are 2-level walkups. Twenty-one units have project-based rent assistance allowing rent based on 30% of income; remaining unit charges 30% of income but not less than basic or more than market rents listed. Some tenants also have Vouchers. Amenities include stove, refrigerator, AC, community laundry in each building, playground and basketball court. One-bedrooms have 612 sq ft, 2-bedrooms have 729 sq ft, and 3-bedrooms have 874 sq ft; all units have 1 bathroom. Manager reported 2 open units on date of survey but they had already been leased for the next month, using a waiting list that exists.

Table 30 Watertown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Subsidized - Senior/Disabled Occupancy					
Colonial Apartments 325 E Kemp 605-886-4480	<u>24 - 1 Bedroom</u> 24 Total Units	\$550-\$743 30% of income	No vacant units, waiting list	Senior/ disabled occupancy	Rural Development and tax credit project awarded credits in 1992 - tax credit restrictions have expired. Designated for senior (62+) or disabled tenant occupancy. Three-level building with elevator. Twenty-three units have project-based rent assistance allowing rent based on 30% of income; remaining unit charges 30% of income but not less than basic or more than market rents listed. Unit amenities include equipped kitchen with pantry, security alarm and AC. Project amenities include patio, community laundry and secured entrance. One-bedrooms have 514 sq ft and 1 bathroom. Manager reports full occupancy at time of survey, and a waiting list is maintained.
Eastwood Apartments 925 25 th St NE	<u>16 - 1 Bedroom</u> <u>3 - 2 Bedroom</u> 19 Total Units	30% of income	No vacant units, waiting list	Disabled tenant occupancy	HUD Section 811 subsidized apartments for disabled populations, including traumatic brain injury. Building opened for occupancy in 2010. All units are fully accessible and project-based rent assistance allows rent based on 30% of income. Amenities include AC, coin laundry, community room, and patio.
Jenkins Townview Apartments 220 S Maple 605-886-5777	<u>60 - 1 Bedroom</u> 60 Total Units	30% of income	Some intentionally vacant units for rehab, waiting list	Senior/ disabled occupancy	HUD Section 202/Section 8 subsidized apartments for senior/disabled occupancy. Project was built in 1980 and is part of the Jenkins Living Center community which includes a skilled nursing home, congregate housing and assisted living, although it is not physically connected to other senior options. All tenants have access to rent assistance that allows rent based on 30% of income. Additional home help services can be purchased as needed. Renovation underway with some units intentionally vacant - but waiting list exists to fill completed units.

Table 30 Watertown Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Subsidized - Senior/Disabled Occupancy					
Watercress Apartments 107 8 th Ave SW 507-531-0487	<u>16 - 1 Bedroom</u> 16 Total Units	N/A 30% of income	1 vacant unit, 1 - 1 Bdrm waiting list	Senior/ disabled occupancy	Rural Development subsidized apartments for senior/disabled occupancy constructed in the mid-1970s, in two-level building without elevator. All units have project-based rent assistance allowing rent based on 30% of income, but some tenants pay market rent based on their income level. Amenities include coin laundry and community room/lounge with kitchen - meals can be delivered. Owner reports 1 vacancy on date of survey due to turnover, but short waiting list and advertising will be used to fill vacancy.
Watertown Hi-Rise 605-886-7731	<u>56 - 1 Bedroom</u> <u>4 - 2 Bedroom</u> 60 Total Units	\$415 \$440 30% of income	No vacant units, waiting list	Senior/ disabled preference	HUD Public Housing constructed in 1975. Preference given for senior and/or disabled tenant occupancy. Approximately 20 disabled tents are non-seniors. All tenants pay rent based on 30% of income up to ceiling rents listed. Several tenants contract privately for home health care services. Units are fully occupied with a waiting list.
Tower Apartments 17 1 st St SW 605-886-4523	<u>50 - 1 Bedroom</u> 50 Total Units	30% of income	No vacant units, waiting list	Senior/ disabled occupancy	HUD subsidized hi-rise apartment building constructed in 1979 and designated for senior or disabled tenant occupancy. Awarded tax credits in 2013 for renovation. More than half of the tenants are less than 62 years old but disabled. All tenants pay rent based on 30% of income. All units occupied on date of survey and a waiting list exists.
Tenant-Based Rent Assistance					
Housing Choice Vouchers 605-886-7731	158 Households	30% of income	N/A	N/A	HUD tenant-based rent assistance program that allows households to pay rent based on approximately 30% of income. Budget authority for 180 households, with 158 Vouchers in use in June 2014. Some Voucher holders have a difficult time finding a suitable unit under the program guidelines. Some landlords unwilling to participate.

Source: Community Partners Research, Inc.

Senior Housing with Services

Specialized senior housing, which provides some level of services along with a housing unit, has been an important part of the housing construction activity for most larger South Dakota communities. In Watertown, a number of projects have been developed over the last 25 years that have catered to senior renters.

Under South Dakota law, the Department of Health is required to license the more service-intensive forms of senior housing, including Skilled Nursing Facilities and Assisted Living Centers. Lower-service forms of senior housing, referred to as Residential Living Centers by the State, are required to register with the Department of Health, but are not licensed and subject to the more stringent requirements, such as inspections, that apply to more service-intensive housing.

Due to the higher level of regulation, the Skilled Nursing Facilities and Assisted Living Centers can be identified through State licensing. In the case of Residential Living Centers, where registration is required but inspections are not required, it is possible that some properties are not registered.

Although there are both State and industry definitions that identify the different types of specialized senior housing, there can be some variation in how these definitions are used. For example, some senior projects may identify themselves as “independent living” for seniors, but they may actually provide some light services, such as a daily meal and housekeeping. In the opinion of the analysts, the features that differentiate these units from truly independent housing are the availability of these light services that are included in the rent package.

For the analysis that follows, Community Partners Research, Inc., has grouped the housing with services providers into the following categories. Although we have attempted to clearly define each housing project by these categories, there may be some overlap in units.

- ▶ Independent senior housing with light services
- ▶ Assisted Living Center
- ▶ Memory care
- ▶ Skilled Nursing Facility

Senior Housing with Light Services

Unit Inventory

As used in this Study, senior housing with light services defines a housing project where the basic monthly rent amount includes access to certain services, such as a daily meal(s), access to an emergency call system, and possibly other light services, such as weekly laundry service or assistance with housekeeping. Although Community Partner Research, Inc., has defined some projects as housing with light services, none of these projects is registered with the State as Residential Living Centers.

The research for this Study identified three housing projects in Watertown that meet the basic definition of offering seniors a light services unit. Combined, these projects have 99 apartment-style units available for seniors looking to live independently, but with access to certain light services. Three more units will be added in 2015 through a renovation project. Actual person capacity could be higher, as couples may reside in some of the units.

Each of the light services projects is part of a larger senior complex that can offer a range of care.

- ▶ 200 Maple Place is part of the Jenkins Senior Living community, which also includes a skilled nursing home, memory care and assisted living options. 200 Maple Place has 37 independent apartment units.
- ▶ The Commons is part of the Edgewood senior community. It currently offers 24 apartment units, but three additional units will be added in the next year through a renovation project.
- ▶ Benet Place Senior Apartments is part of the Benet Place campus that also includes assisted living. The more independent part of the project has 38 apartments for seniors.

In each of these light services projects, the basic monthly rent includes a noon meal, weekly light housekeeping and an emergency call system. Most of these projects also offer other features such as activities, wellness checks and scheduled transportation.

It could be argued that some of the City's subsidized senior housing projects, including Jenkins Townview Apartments, also facilitate the delivery of light services to senior residents. However, in the subsidized buildings, the individual tenant must contract with a private provider for meals and home health care services, and they are not included in the monthly rent. For the purposes of this analysis, only the three projects listed above are viewed as light services senior housing.

Occupancy

All three light services projects reported full occupancy in the rental survey. The projects also reported that waiting lists can exist, but can also become out-of-date. Specialized senior housing can at times have a high rate of unit turnover, and some vacant months can exist if multiple apartments become available at the same time.

Rental Rates

Rental rates can vary in this segment of the market, depending on what is actually included in the basic package. The monthly rates in 200 Maple Place started as low as \$1,000 per month, but were dependent upon the size and type of units. The lowest entry rent in The Commons was \$1,315 per month. The largest units in both projects were above \$1,600 per month.

In Benet Place, monthly rents are lower, starting at \$890 per month. With the exception of one deluxe suite, all of the unit rents at Benet Place are below \$1,400.

Assisted Living Centers

Assisted living providers are able to offer a higher level of care and services for their senior residents. Although some facilities will offer a bundled package of services with the monthly rent, and others will sell the services "a la carte", the assisted living providers are able to offer a significant assistance with daily living activities. Assisted living will have 24-hour on-site staffing, and the availability of skilled nursing. All meals are available, as well as the ability to assist with medications. In South Dakota, these facilities must be licensed as Assisted Living Centers.

Unit Inventory

There are five facilities in Watertown that are licensed as Assisted Living Centers that specifically serve the resident senior community. This count joins the two Edgewood Prairie Crossings buildings into a single project.

In 2014, these facilities are licensed for a combined 125 assisted living beds. However, to achieve this capacity, some rooms would require shared occupancy, and a more realistic count of utilized beds would be approximately 120 residents.

In addition to the current capacity, there are two new construction projects underway in 2014. StoneyBrook is adding 12 assisted living apartments. Edgewood is adding 49 assisted living units. However, when the new Edgewood facility opens, it appears that 29 units at Edgewood Prairie Crossings will shift from assisted living to memory care use. As a result, the estimated capacity in 2015 will be approximately 157 total assisted living beds.

Occupancy

At the time of the survey, occupancy rates were high in most facilities, and any unoccupied units were attributed to recent turnover, and the time necessary to move a new resident into the project. Specialized senior housing can have some periodic vacancies due to a high rate of unit turnover.

All of the projects reported that waiting lists tend to exist, although some older seniors are willing to be on a waiting list, but may elect to not move when a vacancy occurs.

Rental Rates

Prices can vary depending on the type of unit and the services that are included in the basic package. The lowest entry cost is typically between \$2,400 and \$2,700 for the smallest units, although in some facilities this includes a certain level of services, while services are extra in other projects. It is important to note that assisted living residents often need additional services each month that are in addition to any basic package provided.

Medicaid Assistance for Lower Income Seniors

Lower income seniors needing assisted living may be able to secure County/State assistance through the Medicaid Waivers system. Low reimbursement rates for Medicaid Waivers make this program difficult to use for many facilities.

Three of the five current facilities, Benet Place, Cedar View and StoneyBrook identified themselves as private-pay facilities only. The other two assisted living providers, Edgewood Prairie Crossings and Meadow Lake, will accept some Medicaid residents. In Edgewood a limited number will be accepted while most of the Meadow Lake residents may be receiving State assistance.

Memory Care Housing

Unit Inventory

Memory care housing represents a very specialized segment of the senior market. People with health issues due to dementia, Alzheimer's Disease, or other causes may often be housed in assisted living centers, nursing homes, or less service-intensive forms of senior housing in the earlier phases of memory loss. However, as the conditions progress, it is often necessary to provide housing in special facilities that provide a secure environment and care targeted to the needs of memory care residents.

The research for this Study identified only one current provider of specialized memory care housing in Watertown. Defined wings and floors of the Jenkins Care Center are used for secure memory care housing, with 60 total beds available.

A possible expansion of memory care housing was identified through the research for this Study. The current Edgewood Prairie Crossings may be converting from assisted living to memory care use in 2015, as part of a planned complex expansion that will construct 49 new assisted living units.

No pricing information was obtained from memory care beds, but the high level of services provided tends to make this a more expensive care option.

Skilled Nursing Homes

Skilled nursing homes have historically represented the most service-intensive form of senior housing. This segment of the market has been in transition, however, as other forms of senior housing, such as assisted living, have grown in availability, and become the preferred option for many seniors.

Telephone interviews with administrators of nursing homes around the region have highlighted the fact that nursing home residents are staying for shorter periods of time, and some nursing homes have designated an increasing share of their beds for short-term/rehabilitation stays.

In South Dakota, a moratorium has been in place for many years that prevent the addition of more skilled nursing beds, even in communities with high utilization rates.

Unit Inventory

There are two State-licensed skilled nursing homes in Watertown. The Jenkins Care Center is licensed for 162 beds in 2014, but 60 of these are in the dedicated memory care wings. Golden Living Center is licensed for 51 beds.

Some beds are generally used for short-term rehab/recovery stays. Although subject to change, the two nursing homes typically have a combined 30 beds available for shorter-term rehab/recovery stays. Approximately 120 beds are generally used for longer-term occupancy.

Occupancy

Although we did not complete a formal “snapshot” occupancy survey, each facility was asked about occupancy rates. Both indicated that utilization rates are generally high, with annual occupancy of 90% or higher.

Rental Rates

No information was collected on daily rates. Rates are generally impacted by State policy on reimbursement.

Market Share for Existing Housing with Services Projects

Senior Demographics

Housing with services projects can serve seniors of any age, but typically have the greatest utilization by older seniors. A 2005 Assisted Living Center report from the South Dakota Department of Health identified 88.3% of all assisted living residents Statewide as age 75 or older. To analyze the market share for the various forms of housing in the Watertown area, Community Partners Research, Inc., has focused on demographic data for older seniors, age 75 and above residing in Codington and Hamlin Counties, which form the Watertown Micropolitan Statistical Area (MiSA).

The 2010 Census information provided an accurate look at the area's senior population at that time. In April 2010, there were 5,071 senior citizens (age 65+) living in the Watertown MiSA. This included 2,444 younger seniors, in the age range between 65 and 74 years old, and 2,627 older seniors age 75 and above.

The population of senior citizens did grow over the last decade. Between 2000 and 2010, the Two-County MiSA added 250 younger seniors, age 65 to 74, and 107 older seniors, age 75 and above.

Current-year estimates and five-year projections are available from ESRI, Inc. Between 2010 and 2014, the estimates from ESRI show growth of approximately 400 additional senior citizens in the Watertown MiSA, but most of this was due to seniors at the youngest end of the group, age 65 to 74. Fewer than 35 additional older senior citizens in the age groups 75 years old and older have been added to the MiSA since 2010.

The projections from ESRI to the year 2019 show similar patterns. While ESRI does expect the MiSA to add approximately 840 seniors in the five-year projection period, only 222 of these seniors would be age 75 or older.

For senior-headed households, there were 3,265 households in the Watertown MiSA that had a householder age 65 or older at the time of the 2010 Census. Of these households, 1,767 had a householder age 75 or older. As with senior populations, there was a net increase in the number of senior households in the last decade, but most of the gain was due to an increase in younger senior households, age 65 to 74.

ESRI's age-based population projection's can be converted into households and would show some expected growth in senior-headed households through the year 2019. These projections would show growth of approximately 525 senior-headed households between 2014 and 2019, but this will largely be caused by an expansion of younger seniors, age 74 and younger. The growth in the number of older senior households should be more limited. The ESRI-based projections would expect net growth of approximately 150 older senior households between 2014 and 2019.

As stated above, the estimates and projections do point to net growth in the number of younger senior households, in the age range between 65 and 74 years old. Over the longer-term, the advancing baby boomer generation will create demand for additional specialized senior housing, but this demand is not expected until after the year 2020 for the more specialized forms of care, that offer a higher level of services.

At the start of 2014, Community Partners Research, Inc., estimates that there will be approximately 3,000 households age 65 and older, including approximately 1,470 households with a head-of-household age 75 or older.

Senior Housing Utilization

It is important to note that the senior demographic statistics from the 2010 and 2014 would include seniors already residing in specialized senior housing, including nursing homes, assisted living centers, memory care facilities, and group quarters units. Adjustments to the senior population and the number of senior-headed households will be made for each of the different housing types reviewed. For example, when examining the seniors that form a potential market for an assisted living unit, it is necessary to subtract the seniors that already reside in more service intensive forms of senior housing, such as nursing homes or memory care units.

Skilled Nursing Homes

Since utilization of nursing home beds varies by short-term versus longer-term stays, some assumptions need to be applied to this segment of the market. After talking to staff at Watertown's skilled nursing homes, it is estimated approximately 120 skilled nursing beds are generally available for longer-term residents. There are also three skilled nursing homes in the Hamlin County portion of the MiSA, and the analysts have used an estimate that as many as 120 beds are available for longer-term residents, based on Census records.

When these statistics are compared to the senior populations in the Watertown MiSA, the available supply of beds represents approximately 9% of the total population of older seniors (age 75+). While this is a relatively high capture rate, it is probable that the effective market area for skilled nursing beds in Watertown is larger than the area defined by the two-county MiSA.

There is a long-standing moratorium on adding beds. As a result, no additional development of nursing homes would be expected in the future. To the extent that some existing beds are diverted to other uses, such as rehab/recovery, the utilization as a long-term place of residence could be lowered over time. However, the Jenkins Care Center does have 14 beds that are not currently licensed, but could be used as needed in the future. The fact that these beds are currently “banked” points to the balance of supply and demand at the present time.

Memory Care Housing

Watertown has capacity for people needing specialized memory care housing. There are 60-beds designated for memory care use within the Jenkins Care Center. As stated above, the Jenkins Care Center has 14 beds that are available but not currently licensed. The analysts have assumed that these beds could be activated and added to the memory care wings if dictated by demand.

There is also the potential that some memory care units/beds will be added as part of the Edgewood Prairies Crossings project that is underway, although no specific information was available.

The available memory care beds in Watertown represent approximately 2.3% of the older senior population. Since memory care represents a very specialized form of housing, no adjustment has been made for seniors residing in other forms of housing. It is possible that this capture rate is even higher, if some additional capacity exists within the smaller communities in Hamlin County. In the opinion of the analysts, a capture rate above 2% represents a relatively normal capture rate for memory care units in a larger regional center.

Discussions with senior housing providers in South Dakota point to the cost and regulatory difficulties of creating specialized memory care units. Staffing, security, liability and licensing requirements all contribute to a reluctance to enter this very specialized housing segment.

In South Dakota, it appears that some of the demand for memory care housing is met through the use of nursing home beds that devote a portion of the building to memory care use, such as the dedicated portions of the Jenkins Care Center. The conversion of skilled nursing home beds to specialized memory care often occurs in smaller communities that may have a declining local senior population.

Assisted Living Centers

When examining market demand for assisted living, calculations are generally compared to the population of older seniors, rather than senior households. This is because assisted living residents are generally older seniors that tend to live alone, rather than as couples or households. Watertown does have assisted living units that can accommodate couples if they both need this form of housing.

A downward adjustment needs to be made to account for seniors that are living in a memory care unit or a nursing home on a permanent basis. This results in a potential target market of approximately 2,340 older senior citizens in 2014 that would consider an assisted living unit.

There are some changes underway in the local assisted living inventory. In 2015, the analysts have estimated that approximately 157 units available will be available in Watertown to serve assisted living residents. There are also as many as 54 beds available in the smaller cities in Codington and Hamlin Counties, which also serve older seniors living in the MiSA.

The future supply of units/beds in Watertown represents approximately 6.7% of the adjusted target population of older senior citizens residing in the Watertown MiSA. If the units/beds in the smaller communities are added to the supply, a capture rate of approximately 9% of older seniors would be required to achieve full occupancy. In the opinion of the analysts, the existing supply of units in the MiSA represents a relatively high capture rate within the target population. However, for the City of Watertown, a capture rate of more than 6% should be achievable, as the regional center provides an attractive location for seniors needing a higher level of care.

Although occupancy rates are generally high in the existing Watertown assisted living units in 2014, a number of units used in the calculation above are still under construction in 2014, and will not be available for occupancy until 2015. The current expansion of supply that is underway may impact occupancy rates in the future.

Housing with Light Services/Residential Living Centers

Light services units are typically compared to the distribution of all older senior households, rather than population. Housing with light services can serve a more active and independent senior, and it is more common to see couples reside in this housing, as well as single person households.

After adjusting for senior households that already reside in more service-intensive forms of housing, we would estimate the target market at approximately 1,600 to 1,650 older senior households in the Watertown MiSA in 2014.

The current supply of 99 to 102 light services rental units represents a market capture rate of approximately 6.2% of the primary target market. In the opinion of the analysts, this is a relatively normal concentration of units for a regional center like Watertown. Similar to assisted living, a capture rate of 5% or more would be expected.

The rental survey completed for this Study found a high rate of occupancy in the existing supply of units, and some evidence of unmet demand in the form of waiting lists. The strength of the waiting lists varied, as some indicated that waiting lists can quickly become out-of-date.

Table 31 Watertown Senior Housing with Services Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Skilled Nursing Homes					
Golden Living Center 886-8431	51 bed licensed skilled nursing home	N/A	Annual occupancy rate of 90% or higher	Skilled nursing home	Skilled nursing home constructed in about 1970. No specific set-aside, but approximately 40% of beds are generally occupied by short-term residents on rehab/recovery stays. Annual occupancy tends to be 90% or higher.
Jenkins Living Center 605-886-5777	162 bed licensed skilled nursing home	N/A	Annual occupancy rate of 93% or higher in facility	Skilled nursing home	Skilled nursing home originally constructed in 1958, with later additions, that is part of a senior complex that includes subsidized senior housing, congregate housing and assisted living. Part of the facility (60 beds) is used for memory care and is reported separately below. 12 beds are in transitional care, with 90 beds for longer-term residents. Licensing has been stable in recent years, but 14 beds are banked and could be added in the future. Occupancy rate is high and a waiting list exists at times.
Memory Care					
Jenkins Living Center Memory Care 605-886-5777	60 beds in licensed skilled nursing home	N/A	Annual occupancy rate of 93% or higher in facility	Memory care housing	Dedicated wings/floors of skilled nursing home originally constructed in 1958, with later additions, that serve people with memory care needs in secured housing. Part of a senior complex that includes subsidized senior housing, congregate housing and assisted living. Occupancy rate is high and a waiting list exists at times. One memory care wing is newer and serves 18 people with more moderate needs - a waiting list tends to exist for this wing.

Table 31 Watertown Senior Housing with Services Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Assisted Living					
Benet Place Assisted Living 90 28 th Ave SE 605-886-9177	2 shared bath 8 private bath 3 shared occ. 13 Total Rooms Licensed for 16 Assisted Living Beds	\$2659 \$2750-\$2800 \$2466-\$4050 inclusive of services	No vacant units, waiting list	Assisted Living Center	Assisted Living Center that is licensed for 16 residents in 2014 - part of a senior campus that also includes housing with light services. Project was built in 2 phases in the early and late 1980s. Assisted living rooms have shared or private bathrooms, and some suites available that could be used for double-occupancy, or single occupancy at higher price listed. Meals and care services provided and included in the rents listed - no additional charges for services. Facility is private-pay.
Cedar View Assisted Living 225 14 th Ave NE 605-882-8419	11 rooms with normal capacity for 12 residents - Licensed for 16 Assisted Living Beds	\$2400-\$2600 +	High annual occupancy rate	Assisted Living Center	Assisted living project constructed in 1997 that is part of the Jenkins senior complex that includes a skilled nursing home, subsidized senior housing and congregate living. Basic monthly fee includes meals and services, with most rooms at approximately \$2600. Rooms are studio units with private bathroom but no kitchen facilities. One room is larger and suitable for couples - typical occupancy will be 12 residents. Licensing allows 16 residents, but shared occupancy would be required. Project is private-pay only. High annual occupancy and a waiting list often exists.
Edgewood Assisted Living	49 Total Units Planned	N/A	N/A	Assisted Living Center	Planned expansion next to the Commons that would create 49 apartment-style units for assisted living - construction start in fall 2014. Limited details available, but these units would replace existing assisted living beds offered in Edgewood Prairie Crossings, and those buildings would convert to memory care use.

Table 31 Watertown Senior Housing with Services Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Assisted Living					
Edgewood Prairie Crossings Watertown, LLC 420 9 th St SE 605-882-9003	Licensed for 16 Assisted Living Beds	N/A	1 vacant unit in Prairie Crossings, waiting list	Assisted Living Center	Assisted Living Center constructed in the early 1990s that is licensed for 16 beds. Part of the Edgewood senior offerings that also include light services housing. Assisted living residents get all meals and needed services for daily living. Proposed renovation planned for 2014 or 2015 that would convert these units to memory care use - with new assisted living building constructed next to Edgewood Commons. One unoccupied bed in the 2 Prairie Crossings buildings at time of survey, but waiting list generally exists. Facility does accept residents with County/Sate assistance.
Edgewood Prairie Crossings Watertown, LLC 424 9 th St SE 605-882-9003	Licensed for 13 Assisted Living Beds	N/A	1 vacant unit in Prairie Crossings, waiting list	Assisted Living Center	Assisted Living Center constructed in the early 1990s that is licensed for 13 beds. Part of the Edgewood senior offerings that also include light services housing. Assisted living residents get all meals and needed services for daily living. Proposed renovation planned for 2014 or 2015 that would convert these units to memory care use - with new assisted living building constructed next to Edgewood Commons. One unoccupied bed in the 2 Prairie Crossings buildings at time of survey, but waiting list generally exists. Facility does accept residents with County/Sate assistance.
Meadow Lake Assisted Living 17444 Meadow Lake Rd 605-882-4388	10 - single rooms 3 - shared rooms Licensed for 16 Assisted Living beds	\$2700+ \$2500+	Full occupancy - 14 residents, waiting list	Assisted Living Center	Assisted Living Center primarily serving senior citizens - constructed in the 1970s. If all shared occupancy rooms had 2 people, capacity would be 16 residents, but currently 2 shared rooms are used for private occupancy. Sleeping rooms have shared bathroom or private bathroom - rates listed are lowest entry point for shared bath. Monthly fee includes all meals and services. Most residents receive County assistance, but private-pay residents also in occupancy. Strong demand reported with long waiting list.

Table 31 Watertown Senior Housing with Services Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Assisted Living					
StoneyBrook Suites 500 16 th Ave NE 605-882-0013	Licensed for 48 Assisted Living Beds with expansion underway	\$2700+ +services as needed	No vacant units, waiting list	Assisted Living Center	Assisted Living Center constructed in 2000, with an expansion underway in 2014 that will add 12 more units. Units are apartment-style in studio, 1-bedroom and 2-bedroom configurations, with kitchenettes. Flat monthly rate starting at \$2700 for s studio unit, plus additional services as needed. In addition to more units, expansion will add other features and amenities. All units are private-pay. Project maintains a high rate of occupancy and a waiting list. Site has adequate land for additional future expansion phases.
Housing with Light Services					
Benet Place Senior Apartments 90 28 th Ave SE 605-886-9177	1 Bdrm Small 1 Bdrm Large 2 Bdrm Small 2 Bdrm Large <u>1 - Deluxe Suite</u> 37 Total Units	\$890 \$990 \$1140 \$1290 N/A	No vacant units, waiting list	Senior housing with light services	Senior-designated housing (age 55+) providing independent living option that is part of the Benet Place senior community that also includes assisted living. Project was built in 1989. Monthly rent includes noon meal, weekly light housekeeping, all utilities, cable TV, extra storage, scheduled transportation and emergency call system. Additional light services can be purchased including additional meals, laundry and garage parking. Units have full kitchen with stove and refrigerator. One-bedrooms have 533-625 sq ft and 2-bedrooms have 725-863 sq ft; all units have 1 bathroom. One large deluxe suite was created by joining 2 1-bedrooms. Project reports full occupancy and a waiting list exists.

Table 31 Watertown Senior Housing with Services Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Occupancy Type	Comments
Housing with Light Services					
Edgewood The Commons 901 14 th Ave NE 882-3084	14 - 1 Bedroom <u>10 - 2 Bedroom</u> 24 Total Units	\$1315 \$1665	No vacant units, waiting list	Senior housing with light services	Senior-designated housing (age 55+) providing independent living option that is part of the Edgewood senior community that also includes assisted living at a different location. Project was built in 2001. Monthly rent includes noon meal, light housekeeping, all utilities and cable TV and emergency call system. Units have full kitchen with stove, refrigerator, dishwasher and microwave. One-bedrooms have 665 sq ft and 1 bathroom; 2-bedrooms have 874 sq ft; all units have 1 bathroom. Renovation planned in fall 2014 that will add back three apartments that had been used for medical purposes. New construction phase also planned that will add 49 assisted living units. Manager reports full occupancy and a waiting list exists.
200 Maple Place 605-886-5777	1 Bedroom <u>2 Bedroom</u> 37 Total Units	\$1000+ \$1600-	No vacant units	Housing with services	Congregate senior apartment building constructed in 1988 that is part of the Jenkins senior complex that includes a skilled nursing home, subsidized senior housing and assisted living. Basic monthly fee includes a daily meal, light housekeeping and an emergency call system. Additional home help services can be purchased as needed. Project had once had 40 apartments, but some 1-bedrooms were combined to add more 2-bedroom options. High occupancy rate in recent years with any turnover units filling quickly, and a waiting list often exists.

Source: Community Partners Research, Inc.

Employment and Local Economic Trends Analysis

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

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

The City of Watertown has been aggressively pursuing economic development and job growth. While working on attracting new business to the area, the City has also worked with existing businesses to facilitate job expansion in the communities.

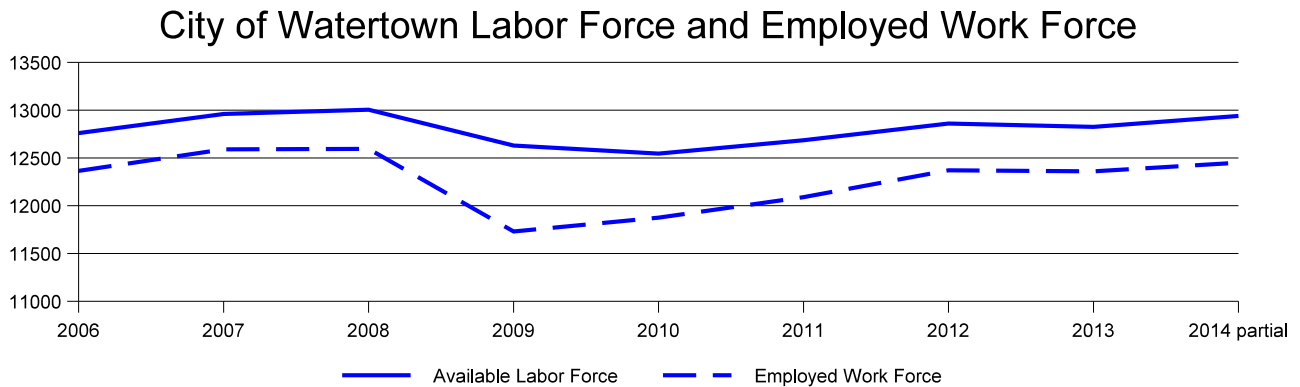
Employment information is available at the City level for Watertown, and at the County level. The first table displays information for the City of Watertown, while the second table contains data for the Two-County area that includes Codington and Hamlin Counties. Information for Watertown has only been available since 2006. The labor force statistics in the tables below track people by place of residence, rather than place of employment.

Table 32 Watertown Average Annual Labor Statistics: 2006 to 2014*

Year	Labor Force	Employed	Unemployed	Unemployment Rate - City	Unemployment Rate - SD	Unemployment Rate - US
2006	12,760	12,365	395	3.1%	3.1%	4.6%
2007	12,960	12,590	370	2.9%	2.9%	4.6%
2008	13,005	12,595	410	3.1%	3.0%	5.8%
2009	12,630	11,730	900	7.1%	5.2%	9.3%
2010	12,545	11,875	670	5.3%	5.1%	9.6%
2011	12,685	12,090	595	4.7%	4.7%	8.9%
2012	12,860	12,370	490	3.8%	4.2%	8.1%
2013	12,825	12,360	465	3.6%	3.8%	7.4%
2014*	12,940	12,450	490	3.8%	3.8%	6.5%

Source: South Dakota Department of Labor

* 2014 information is for January through July

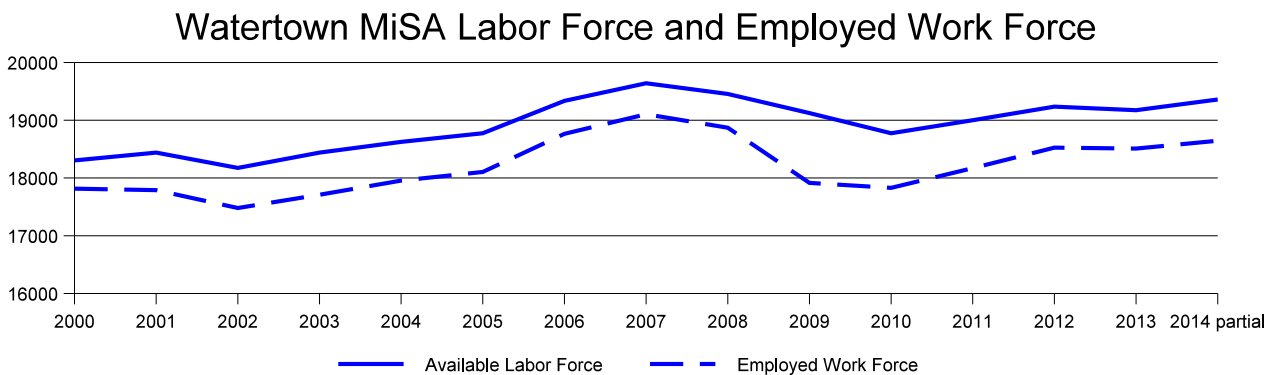


Watertown has experienced some fluctuation in recent years in the available labor force and the employed work force. Between 2006 and 2013, the last full year of data, the City’s available labor force increased by only 65 people, or 0.5%. However, the resident labor force reached its recent peak in 2008, before declining in size in 2009. Through the first seven months of 2014, the labor force has been growing, when compared to 2012.

The same basic pattern was evident in the employed work force. The highest level of employed City residents occurred in 2008, before dropping in 2009. Although only partial year data exist for 2014, the employed workforce has grown since 2013, and is continuing a growth pattern that started after 2009.

Table 33 Two-County MiSA Annual Labor Statistics: 2000 to 2014*						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2000	18,305	17,815	490	2.7%	2.7%	4.0%
2001	18,440	17,790	650	3.5%	3.1%	4.7%
2002	18,175	17,480	695	3.8%	3.3%	5.8%
2003	18,440	17,710	730	3.9%	3.5%	6.0%
2004	18,625	17,955	670	3.6%	3.7%	5.6%
2005	18,775	18,105	670	3.6%	3.7%	5.1%
2006	19,335	18,765	570	3.0%	3.1%	4.6%
2007	19,640	19,105	535	2.7%	2.9%	4.6%
2008	19,455	18,870	585	3.0%	3.0%	5.8%
2009	19,125	17,915	1,210	6.3%	5.2%	9.3%
2010	18,775	17,830	945	5.0%	5.1%	9.6%
2011	19,000	18,170	830	4.4%	4.7%	8.9%
2012	19,235	18,525	710	3.7%	4.2%	8.1%
2013	19,175	18,510	665	3.5%	3.8%	7.4%
2014*	19,360	18,645	715	5.0%	3.8%	6.5%

Source: South Dakota Department of Labor
 * 2014 information is for January through July



Watertown represents nearly 67% of the entire labor force for the Two-County MiSA, and the patterns for this larger region are generally similar to those in the City. Over a longer time period, there has been some growth in the area's labor force and employed work force, however, the levels have fluctuated from year to year. Between 2000 and 2013, the last full year of information, the size of the resident labor force increased by only 870 people, or 4.8%. The employed work force added nearly 700 people over that longer time period.

However, between 2007 and 2010, there was a large drop in the number of employed residents, during a period of national economic recession. Since reaching a recent low in 2010, the employed resident work force has grown by more than 800 people through July of 2014, and has nearly returned to the level that existed in 2008.

Through the entire time period reviewed, the unemployment rate in the MiSA has stayed well below the national rate, and has been lower than the Statewide rate in certain years, including 2013, the last full year of data.

Average Annual Wages by Industry Sector

The following table shows the annual employment and average annual wages by major employment sector in 2013, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment in the County.

This information is for all of Codington County. Covered employment and wages are based on the location of the job, not the residency of the worker.

Table 34 Codington County Average Wages by Industry Detail: 2013		
Industry	2012 Employment	2012 Average Annual Wage
Total All Industry	15,959	\$34,854
Natural Resources, Mining	196	\$37,031
Construction	774	\$43,553
Manufacturing	3,049	\$42,962
Trade, Transportation, Utilities	3,625	\$30,428
Information	183	\$37,210
Financial Activities	932	\$41,040
Professional and Business Services	906	\$34,691
Education and Health Services	1,895	\$39,411
Leisure and Hospitality	1,687	\$12,281
Other Services	586	\$29,391
Government	2,127	\$35,594

Source: South Dakota Department of Labor

The average annual wage for all industry in 2012 was \$34,854. The highest paying wage sectors were Construction, Manufacturing and Financial Activities, each with an annual average wage above \$41,000. Manufacturing was also the second largest industry sector for number of employees.

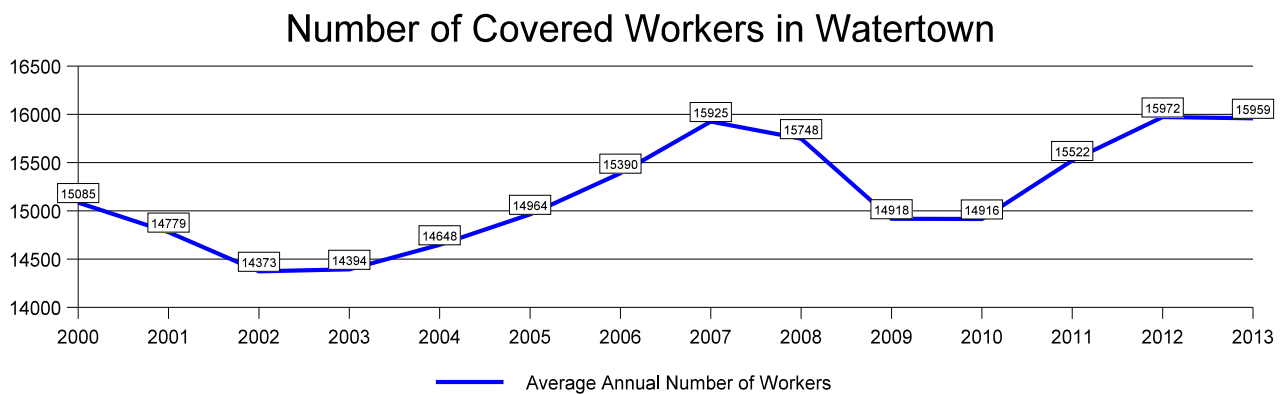
The lowest paying wage sector was Leisure and Hospitality, with an average annual wage of only \$12,281.

Watertown 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 Watertown back to the year 2000.

Table 35 Watertown Average Annual Employment			
Year	Total Covered Employment	Year	Total Covered Employment
2000	15,085	2007	15,925
2001	14,779	2008	15,748
2002	14,373	2009	14,918
2003	14,394	2010	14,916
2004	14,648	2011	15,522
2005	14,964	2012	15,972
2006	15,390	2013	15,959

Source: QCEW - SD Department of Labor



Although there has been a long-term pattern of growth in the number of employees working in Watertown, the City has suffered employment setbacks in certain years. From 2000 to 2002, job losses occurred within the City. Then, after growing steadily through 2007, job losses again occurred through 2010. Growth has been especially strong since 2010, as more than 1,000 workers have been added in the past few years. In 2013, the number of covered workers in the City topped the level that had been reached in 2007.

Regional Unemployment and Wage Rates

The City of Watertown, like many of the other employment centers in South Dakota, has a concern about maintaining an adequate labor force. As existing businesses look to expand, or new businesses look to locate into the community, potential worker shortages could become an issue. In addition to labor force and employment information for Watertown and the surrounding area, information has also been collected for the larger region and neighboring states. Information is presented for 2013, the last full year of available data. Unemployment numbers are at the city level, while annual wage information is for the entire county.

Table 36 Regional and State Unemployment Data - 2013			
Area	Number of Unemployed - 2013	Unemployment Rate - 2013	2013 Average Annual Wage all Industry County Wage
Watertown	465	3.6%	\$34,854
Aberdeen	535	3.5%	\$36,673
Brookings	440	3.3%	\$37,526
Huron	260	3.6%	\$34,306
Mitchell	295	3.2%	\$34,361
Pierre	255	3.1%	\$37,901
Yankton	290	3.8%	\$35,823
Sioux Falls	3,200	3.5%	\$41,627
South Dakota	-	3.8%	\$37,226
North Dakota	-	2.9%	\$47,788
Minnesota	-	5.1%	\$50,128

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

For calendar year 2013, the national unemployment rate was at 7.4%. All of the regional entities reviewed had an unemployment rate that was well below the national average. The State of Minnesota, with an unemployment rate of 5.1%, was the highest of the jurisdictions examined.

The average annual wage data is from the Quarterly Census of Employment and Wages (QCEW) and represents the average pay for all employed workers within the jurisdiction. It does not represent any estimate of the pay that is being offered for available jobs. However, it does provide some perspective on the overall wage conditions that exist.

The average annual wage in Codington County in 2013 was below the Statewide average by approximately \$2,400 annually. However, it was higher than in some of the other large communities in the area, including Huron and Mitchell. The average wage in Codington County was lower than those reported in the State's largest jurisdictions, including the Sioux Falls MSA, Aberdeen, Brookings, Pierre and Yankton.

The average annual wage in South Dakota was the lowest of the three States examined. The highest average annual wage in 2013 was in the State of Minnesota. Both North Dakota and Minnesota had statewide average wages that were more than \$12,000 higher than the average wage in Codington County.

Major Employers in Watertown

The City's Comprehensive Annual Financial Report for 2013 lists the following top 10 employers in Watertown.

- ▶ Watertown School District
- ▶ Prairie Lakes Health Care System
- ▶ Terex Utilities
- ▶ Angus Palm
- ▶ Premier Bankcard
- ▶ City of Watertown
- ▶ Hy-Vee Food Stores
- ▶ Sparton
- ▶ WalMart Super Center
- ▶ Jenkins Living Center

Source: City of Watertown

Commuting Patterns of Area Workers

Only limited information is available on area workers that commute for employment. The best information is from the 2012 American Community Survey, and has been examined for the City of Watertown. The first table only examines travel time for Watertown residents, and excludes people that work at home.

Table 37 Commuting Times for Watertown Residents - 2012		
Travel Time	Number	Percent
Less than 10 minutes	4,169	37.1%
10 to 19 minutes	5,684	50.6%
20 to 29 minutes	478	4.3%
30 minutes +	909	8.1%
Total	11,240	100%

Source: 2012 American Community Survey 3-year estimates

The large majority of Watertown residents were commuting less than 20 minutes to work in 2012. Overall, nearly 88% of residents commuted less than 20 minutes to work. Fewer than 9% of the City’s residents did commute a half hour or more for employment.

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

Table 38 Commuting Times for Watertown Employees - 2012		
Travel Time	Number	Percent
Less than 10 minutes	4,049	31.5%
10 to 19 minutes	6,341	49.3%
20 to 29 minutes	1,133	8.8%
30 minutes +	1,335	10.4%
Total	12,858	100%

Source: 2012 American Community Survey 3-year estimates

For people that traveled to Watertown for employment, more than 19% traveled 20 minutes or more. Overall, nearly 2,500 people traveled to Watertown from these greater distances, including more than 1,300 people that traveled 30 minutes or more. However, most Watertown workers had a commute time of 19 minutes or less, and would either be City residents, or were living reasonably close to the city limits.

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 2011, but provides a further breakdown of worker movement.

According to the report for Watertown, there were 13,120 people that were employed within the city limits in 2011. More than 56% of these Watertown-based employees also lived within the City. The remaining 44% of employees lived outside the City limits.

The **On the Map** reporting service can be used to make comparisons between communities in the region. The following table presents information for other large communities in eastern South Dakota. It looks at the percentage of people in each community that both live and work in their home city, as well as the percentage of workers that come from outside of each city.

Table 39 Employee Inflow/Outflow Analysis - 2011			
City	Number of People Employed in the City	Percent of City Employees that also Reside in the City	Percent of City Employees that Live Outside of the City
Watertown	13,120	56.4%	43.6%
Brookings	13,809	38.7%	61.3%
Aberdeen	16,262	58.8%	41.2%
Huron	6,134	55.5%	44.5%
Mitchell	9,771	49.1%	50.9%
Yankton	8,707	44.8%	55.2%
Sioux Falls	104,289	61.8%	38.2%

Source: Census Bureau, Center for Economic Studies

Consistent with the other data sources reviewed, a majority of the jobs based in Watertown are filled by people that live within the City. In 2011, more than 56% of the people working within the City also lived in Watertown.

Excluding Sioux Falls, the percentage of Watertown employees that also live within the City was fairly comparable to, or better than, the other large cities in the State. Watertown was similar to Aberdeen and Huron for the percentage of jobs filled by residents. Watertown had a higher percentage of employee/residents than many of the other cities, including Mitchell, Yankton and Brookings.

Summary of Findings/Recommendations

The findings/recommendations for the City of Watertown have been formulated through the analysis of the information provided in the previous sections.

These findings/recommendations have divided into the following categories:

- ▶ **Rental Housing Recommendations**
- ▶ **Home Ownership and Single Family Housing Recommendations**
- ▶ **Housing Rehabilitation and Neighborhood Revitalization**
- ▶ **Other Housing Issues**

The findings/recommendations for each category are as follows:

Findings and Recommendations for the City of Watertown	
Rental Housing Recommendations	
1.	Market potential to develop 115 to 140 moderate rent conventional market rate rental housing units
2.	Market potential to develop 50 to 60 higher-priced, high-amenity conventional market rate rental housing units
3.	Recommended development of 50 to 60 tax credit/moderate income rental housing units
4.	Promote the development of 25 to 30 additional subsidized rental housing units
5.	Monitor demand for senior housing with services units
6.	Promote opportunities to provide housing with services in subsidized housing
7.	Consider innovative program efforts to assist renter households
8.	Housing opportunities in the downtown area
Home Ownership and Single Family Housing Recommendations	
9.	Most demand for single family home construction will continue to be for moderate to higher priced housing
10.	Promote affordable new home construction using available resources and incentives
11.	Promote town house and twin home development
12.	Promote additional residential lot development to meet expected demand

Findings and Recommendations for the City of Watertown	
13.	Utilize and promote all programs that assist with home ownership
14.	Explore the creation of a local down payment assistance program
15.	Coordinate with agencies/nonprofits that develop very affordable ownership housing
Housing Rehabilitation and Neighborhood Revitalization	
16.	Promote rental housing rehabilitation programs
17.	Promote owner-occupied housing rehabilitation programs
18.	Consider the development of a program to promote the purchase and rehabilitation of older homes
19.	Consider the development of a Neighborhood Revitalization Program
20.	Acquire and demolish dilapidated structures
21.	Investigate the possibility of implementing a rental inspection and registration program
Other Housing Initiatives	
22.	Promote employer involvement in housing programs
23.	Develop mobile home programs
24.	Create a plan and a coordinated effort among housing agencies
25.	Develop home ownership and new construction marketing programs and strategies

More detail on these recommendations is provided in the following section. Prior to the specific recommendations, a summary of some of the key growth-related findings and projections has been presented.

Summary of Growth Trends

The Demographic section of this report has presented information on the recent estimates and past trends for the City of Watertown, Codington County and the Micropolitan Statistical Area (MiSA), which includes Codington and Hamlin Counties. In general terms, the City of Watertown, Codington County and the MiSA have all demonstrated a consistent pattern of growth in recent decades, adding both population and households.

Watertown's past rate of household growth has been reasonably consistent. The City had a gain of 893 households between 2000 and 2010, 1,342 households in the 1990s, and 992 households in the 1980s. The City's population level has also grown in each of the past three decades.

While the City has continually added population and households, the average household size has been gradually declining, as an aging population and fewer children have resulted in smaller households. At the time of the 2010 Census, the City's average household size was 2.28 persons, down from an average of 2.53 persons that had existed in 1980. The number of one and two-person households accounted for most of the net household gain over the last decade.

The Census Bureau's most recent population estimates are effective July 1, 2013. These estimates showed Watertown adding 513 people between 2010 and 2013. There are no intercensal household estimates, but it is possible to extrapolate some basic household information from the population data. For the City of Watertown, the population change would indicate growth of approximately 225 to 230 households.

This estimate would be generally consistent with building permit data which showed 215 housing units constructed in Watertown from 2010 to 2012. Annual net household growth of 75 to 80 households, if sustained for the remainder of this decade, would be below the level of growth achieved over the prior 30 years. However, 2013 housing unit construction and 2014 construction to date, indicate strong household growth consistent with growth over the past several decades.

With very limited excess housing capacity in the City of Watertown, future population and household growth will generally be dependent upon a commensurate level of housing unit creation.

Growth Projections Overview

A primary method for projecting future household growth is based on the continuation of past trends and patterns. The projections created by ESRI expect the addition of approximately 768 households over the 9-year projection period between 2010 and 2019. On an average basis, this would be approximately 85 additional households per year.

For household growth in Watertown to occur at the projection levels used in this Study, new housing construction activity must generate 80 to 90 housing units annually. Over the past four years, an average of 117 housing units have been constructed in Watertown annually.

Summary of Growth Projections by Age Group

The Demographic section of this Study presented projection information on anticipated changes by age group from 2010 to 2019. This information can be informative in determining the housing changes that may be needed due to age patterns of the area population. In the following table, Community Partners Research, Inc., has compared ESRI age-based age projections for Watertown in 2019 to the 2010 Census.

The household projections for Watertown were extrapolated from ESRI’s age-based 2019 population projections. The projections assume that historical patterns will continue into the near future, especially related to household formation and household size within specific age groups. If Watertown adds population at a rate that is faster or slower than past patterns would suggest, traditional age-based forecasts would be altered.

<u>Age Range</u>	<u>Projected Change in Households 2010 to 2019</u>
15 to 24	-50
25 to 34	51
35 to 44	74
45 to 54	-215
55 to 64	373
65 to 74	413
75 to 84	109
85 and Older	<u>13</u>
Total	768

The projections show strong household gains in the 55 to 74 age ranges from 2010 to 2019. A gain of 786 households is expected in these age ranges. The 25 to 44 age ranges are projected to gain 125 households, and the 65 and older age ranges are expected to gain 535 households.

The projections show a significant loss of 215 households in the 45 to 54 age range. Also, the 15 to 24 year old age range is expected to lose 50 households.

Findings on Unit Demand by Type of Housing

Based on the household by age projections, the changing age composition of Watertown's population through the nine-year projection period will have an impact on demand for housing.

Age 24 and Younger - The projections used for this Study expect the number of households in the 15 to 24 age range to decrease by approximately 50 households through the year 2020. Past tenure patterns indicate that as many as 84% of these households in Watertown will rent their housing. A decrease in the number of households in this age range should mean that rental demand from younger households will drop during the projection period.

25 to 34 Years Old - The projections shows an increase of 51 households in this age cohort by 2019. Within this age range, households often move from rental to ownership housing. The ownership rate among these households in Watertown was approximately 55% in 2010. An increase in the number of households within this age range will result in an increase in the demand for both first-time home buyer and rental opportunities.

35 to 44 Years Old - This 10-year age cohort has a projected gain of 74 households between 2010 and 2019 in the City of Watertown. In the past, this age group has had a high rate of home ownership in Watertown, at approximately 72%. 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. Demand from this age cohort would have an impact on overall demand for owner-occupied housing.

45 to 54 Years Old - By 2019, this age cohort will represent the front-end of the "baby bust" generation that followed behind the baby boomers. This age group represents a much smaller segment of the population than the baby boom age group. For Watertown, this projection shows a significant decrease of 215 households in this range. This age group historically has had a high rate of home ownership, approximately 72% in Watertown in 2010, and will often look for trade-up housing opportunities. With a household decrease in this age group, there will be a decrease in the demand for trade-up housing.

55 to 64 Years Old - This age range is part of the baby boom generation. The projections show an expected significant increase of 373 additional households in this 10-year age range by the year 2019 in the City. This age range has traditionally had a high rate of home ownership in Watertown, at approximately 78% in 2010. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters.

65 to 74 Years Old - Strong household growth is expected in Watertown within this age range, with the projection showing an increase of approximately 413 households by the year 2019. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. At the time of the 2010 Census, approximately 75% of households in this age range owned their housing in Watertown. Once again, preferences for age-appropriate units should increase from household growth within this age cohort.

75 to 84 Years Old - There is a projected gain of 109 households in Watertown in this age range between 2010 and 2019. In the past, households within this 10-year age range have had a relatively high rate of home ownership, at approximately 67% in Watertown. While this is likely to continue, an expansion of other housing options for seniors, including high quality rental housing, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

85 Years and Older - An increase of 13 households is projected among older senior citizens. Historic home ownership rates in this age group in Watertown have been relatively low, at approximately 46% in 2010. Seniors in this age range often seek senior housing with services options.

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

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 Watertown. They are based on the following strategies:

- ▶ **Focus heavily on the preservation, maintenance and improvement of the housing stock that already exists** - While significant housing construction will occur in coming years, most of the housing opportunities will continue to be provided by the housing stock that is already on the ground. This is especially important for affordable housing opportunities, as it will almost always be less expensive to offer an affordable unit through rehabilitation versus new construction. Units that are lost due to deterioration and obsolescence cannot be replaced for a similar price. Evidence suggests that the majority of the existing stock is generally being well maintained, however, a significant percentage of housing needs repair. Emphasis on continued improvement will be important to meet future housing needs.
- ▶ **Develop life cycle housing** - It is vital for a self-contained community to provide housing opportunities for all ages and household types. These housing opportunities enable a community to thrive, and allow households to live in the community throughout their lives.
- ▶ **Promote new construction** - New construction provides housing opportunities, stimulates the economy and upgrades the community's housing stock. Both new owner-occupied single family homes and rental units are needed to provide households in Watertown with housing options and to assure a healthy housing stock into the future.
- ▶ **Promote home ownership** - Home ownership is the preferred option for most households. Home ownership assists in creating community stability and commitment to the community. There are many younger families that are renting their housing. These households may be interested in home ownership, if an affordable opportunity is available.
- ▶ **Prioritize community housing goals** - Many of the recommendations in the Study will require staff-intensive efforts. The City should prioritize its housing goals and establish a plan to achieve its goals.

It is very difficult to meet all of the objectives as the balance of the objectives are very sensitive. An overly aggressive or overly passive approach to any of the objectives can cause problems in achieving the other objectives. For example, overbuilding new rental housing units could lead to vacancy problems in older, less marketable units in the community, causing these units to deteriorate in quality. The recommendations of this section attempt to provide a balanced approach to addressing the housing needs of Watertown.

Summary of Housing Unit Demand and Tenure Projections

As the largest city in Codrington County and the immediate area, Watertown has developed a diverse range of housing options for area residents. This is most evident in rental housing, as approximately 93% of all Countywide renter households reside in Watertown.

Between 2000 and 2010, the net change in housing tenure was heavily oriented to renter household growth, a deviation from historical tenure patterns. Watertown added 345 owner-occupancy households and 548 renter-occupancy households. The tenure distribution for the net change during the decade was approximately 39% home owners and 61% renters. As a result, the City's overall home ownership rate dropped, from 66.2% in 2000 to 63.5% in 2010.

Although Watertown did add 345 owner-occupancy households, the level of home owner growth was lower than the level of single family housing unit construction. Housing units issued a building permit between 2000 and 2009 would probably have completed construction and been available for occupancy by the time the 2010 Census was completed. During the ten-year period from 2000 through 2009, building permit issuance in Watertown showed construction of nearly 850 single family attached and detached units, more than double the corresponding increase in the number of home owners. If the Census tenure counts are accurate, actual single family home construction during the last decade greatly exceeded the growth in home ownership demand from permanent residents.

Part of the discrepancy between new home construction can be attributed to an apparent decrease in the number of mobile home owners during this time period, but that would still not account for most of the difference between single family construction and the growth in home ownership. Instead, most of the change was probably due to tenure conversion of existing units, as the growth in rental households greatly exceeded the construction of multifamily rental housing. This would imply that existing units, including single family houses and mobile homes, changed tenure from owner-occupied to renter-occupied during the course of the previous decade. Tenure conversion could represent more than 400 housing units between 2000 and 2010.

Looking forward, there are multiple methods available for converting projected household growth into expected tenure preference. These methods include historic tenure patterns, tenure patterns for the past few years, and the projected tenure preferences among households in the different age groups.

In the Watertown area, any calculations based on long-term tenure patterns would show greater future demand for ownership housing, as Watertown's home ownership rate was still above 63% in the year 2010.

Age-based forecasts would also show above-average demand for home ownership, and below-average demand for rental housing going forward. The age ranges that are growing in size have historically had very high rates of home ownership, and growth within these age cohorts would point to an ownership preference. The age-based tenure projections would yield demand of approximately 75% for ownership and 25% for rental housing. However, this same pattern should have been present in the past, but was not evident between 2000 and 2010, as renter demand grew at a substantially faster rate than age-based patterns would suggest.

Short-term tenure preferences have been heavily oriented to rental housing. As stated above, the short-term tenure preference patterns have been as high as 60% or more for rental options, and less than 40% for home ownership. To the extent that these recent patterns are sustained, rental housing could command a larger share of the market than ownership demand.

After examining these differing predictions of future tenure preference, this Study has proceeded with the assumption that home ownership demand is showing signs of recovery. After experiencing below-average demand for a number of years, single family home construction activity rebounded in 2013, and reached its highest production level since 2006. While 2014 may not match the 2013 single family production levels, home ownership demand does appear to be strengthening.

For the purposes of this Study, the analysts have used a tenure projection of 55% ownership and 45% rental for growth-generated demand over the next five years. With overall projected growth of between 80 and 90 households per year in Watertown, this would yield potential demand for approximately 44 to 50 home ownership units and 36 to 40 rental units in an average year.

While household growth will be the primary demand-generator for new construction, there are other factors that will also contribute to the need for more housing. Over the last decade, annual construction of owner-occupancy housing units was greater than owner household growth, implying that unit replacement and pent-up demand may also have contributed to the need for new construction. However, some level of overbuilding also occurred, possibly

contributing to a construction slowdown after 2006. As a result, we have made only a minor upward demand adjustment for unit replacement or pent-up demand for owner-occupancy housing, bringing the annual projected range to 50 to 55 owner-occupancy units per year.

For rental housing, some upward adjustment does need to be applied for existing, pent-up demand that is evident in the low rate of rental housing vacancy. Including some allowance for pent-up demand and unit replacement, the potential exists for an additional 10 to 15 rental units each year during the five-year projection period. When added to growth-generated demand, the estimated cumulative rental unit potential reaches approximately 46 to 55 units per year, or a five-year total of 230 to 275 rental units.

Some of the demand for owner-occupancy units can be met outside of the city limits, especially in the lake areas and rural settings that surround the City. Demand for rental units will be primarily oriented to Watertown. Any rental growth outside of the City would generally only occur when an existing unit is converted from owner to renter-occupancy.

It is important to note that we have estimated potential demand. In the specific recommendations that follow, we have made an actual construction forecast for Watertown that also incorporates current economic and market conditions. For example, some of the demand will exist for very affordable housing, which may be difficult to construct unless significant subsidy sources can be obtained.

It is also probable that the five-year projections will not result in a consistent level of year-to-year construction. For example, over the past seven years the annual single family housing unit construction in Watertown has ranged from a low of 37 homes, to a high of 86 homes. However, when viewed over a five-year period, these annual variations should result in an average that is closer to the projections identified in this Study.

Rental housing construction has shown even greater annual variation, from a low of only four units, to years when more than 75 rental units have been built. However, over the past four years, rental production has been very close to the demand forecasts contained in this Study.

Summary of Employment and Economic Conditions

As detailed in a previous section of this Study, Watertown has had a strong local economy in 2014. The City's unemployment rate has been well below the national rate for more than a decade, and in most recent years, the unemployment rate in the City has been generally comparable to or lower than the Statewide rate.

Although the City's unemployment rate has remained relatively low by comparative standards, there has been some up and down movement. The most notable recent change occurred between 2008 and 2009, when the annual unemployment rate went from 3.1% to 7.1%. The unemployment rate has continued to drop since reaching a recent peak in 2009, and was at 3.8% through the first seven months of 2014.

Single family housing construction patterns and home values are directly linked to economic activity and consumer confidence. As national economic conditions deteriorated in the late 2000s, housing markets also slumped. While Watertown's unemployment rate has been lower than the national average, the fluctuations in unemployment over the past six years appear to have had some ripple effect on housing, especially the number of single family houses being constructed.

The accuracy of demand projections and housing forecasts contained in this Study will be impacted by the local economy. In 2014, the local economy is strong, although Watertown's resident labor force and employed work force is still slightly smaller than the levels that had existed in 2007 and 2008. While negative employment changes would not be expected in the Watertown area, housing demand will be directly impacted by any future changes in the local economy.

Rental Housing Recommendations

Overview: Watertown has a relatively large supply of rental housing. This is a direct result of the City's role as a regional center, providing rental opportunities for area residents from multiple surrounding counties.

At the time of the 2010 Census, more than 36% of Watertown's households were renting their housing. This rental tenure rate was up significantly from the year 2000, as the net gain of renters between 2000 and 2010 was much greater than the growth in home ownership.

As the largest City in a multi-county region, Watertown also has a diverse rental inventory, with a broad mix of units serving different income levels and age groups. Consistent with the strength of the rental market, and the growth of housing demand over the last decade, Watertown has been experiencing strong rental unit development activity, especially over the past four years.

After averaging fewer than 15 new rental units per year between 2000 and 2010, production has jumped, an annual average production has exceeded 50 units per year from 2011 to 2014, with a number of these new projects still under construction in 2014.

Looking forward, the potential demand calculations used for this Study show the need for 230 to 275 units of rental housing over a five-year projection period. These recommendations are primarily based on projected growth, but also reflect some allowance for pent-up demand and unit replacement, especially in the most affordable segments of the local market.

Rental Rate Distribution of Recommended Units

In the section above, an overall demand-based recommendation was made for rental unit production. Information from the American Community Survey can be analyzed to better define an ideal distribution of units, based on the ability to pay of area renter households.

Please note that this is largely a theoretical discussion, as most renters would need a lower-priced unit. However, production of lower-priced units is generally not practical, given economic considerations of new housing construction. But restrictions on the ability-to-pay do help to define some of the limitations that apply as the area attempts to address rental demand and add to their supply of affordable rental housing.

- ▶ Approximately 38% to 42% of all current renter households have an annual income below \$20,000 and an affordable unit would be defined as a gross rent below \$500 - this would include many renters currently living in income-based housing
- ▶ Approximately 12% to 15% of current renters would need an affordable unit priced between \$500 and \$650 per month
- ▶ Approximately 15% to 18% of renters would need a moderately-priced unit between \$650 and \$900 per month
- ▶ Approximately 28% to 32% of renter households can afford \$900 or more for rent, although many choose to apply a smaller percentage of their income for housing - this higher-rent group could potentially be expanded by current home owners that would opt for a high quality rental unit as a lifestyle option

Recognizing the income limitations of area renter households has an impact on the number and type of units that can be constructed. Even though more overall demand may exist, the predicted income distribution of future renter household growth would generally be similar to these established income patterns.

The following rental recommendations are made for the five-year projection period from 2014 to 2019

1. Market Potential to Develop 115 to 140 Moderate Rent Conventional Market Rate Rental Housing Units

Findings: The majority of the rental housing in Watertown can be classified as conventional housing, serving general occupancy, market rate renters. These units are free of any specific occupancy restrictions or income limits. Conventional, market rate housing does not typically have any form of rent controls, other than those imposed by the competitive marketplace.

There is no definitive summary of total rental units in Watertown. However, based on the research completed for this Study, Community Partners Research, Inc., estimates there are approximately 3,800 total rental units in Watertown in 2014. Approximately 2,800 to 2,900 of these units, or 75%, are best described as conventional, market rate rental housing. This would include a large number of rental houses and mobile homes, in addition to traditional multifamily rental

projects. To the best of our knowledge, nearly all of these are for general occupancy, although a few may be oriented to students, or be age-restricted to 55 and older occupancy.

Most of the conventional market rate housing in Watertown would generally be described as having a moderate rent structure. The rental survey found the following prevailing gross rent ranges in the City, representing a majority of the multifamily units surveyed.

<u>Unit Type</u>	<u>Prevailing Rents Majority of Units</u>
Efficiency/Studio	\$340-\$500
One-bedroom	\$450-\$575
Two-bedroom	\$675-\$825
Three-bedroom	\$750-\$1000

Most of the units within these moderate rent ranges represent older housing. While some units may have been constructed in the 1990s, most of the moderate rent stock would be older, with construction from the 1960s to the 1980s.

The most recent conventional rental projects constructed in Watertown would tend to be above this prevailing range, but most would still offer relatively moderate rents for newly-built housing. For example, a number of the newer projects would have gross two-bedroom rents between \$850 and \$950 per month.

There are some high-rent units that have also been constructed, and these are often in the form of town house-style units, offering amenities consistent with single family living, such as an attached garage.

The rental telephone survey that was completed for this Study collected information from approximately 500 market rate multifamily rental units in Watertown. The estimated vacancy rate in these units was less than 2%. Information was also collected from more than 100 rental mobile homes, and the reported vacancy rate in these units was even lower.

While the goal of the rental survey was to contact multifamily rental properties, some limited information was obtained on single family rentals. In general, single family rentals are a popular option for people looking for rental housing, and there were no indications that vacancy rates would differ significantly within this segment of the market.

Most property owners/managers talked about good overall demand, especially when students are looking to secure housing for the next academic year. However, some owners/managers point to the impact of newly constructed units, and that an increased supply had resulted in fewer telephone calls from prospective tenants.

A commonly used standard is that a vacancy rate between 3% and 5% is considered acceptable, to offer some degree of unit choice while still providing rental property owners with a good return on their investment. The estimated vacancy rate that we found in our survey was below this level, indicating that some pent-up demand does exist, and part of the unit recommendation in this Study is based on adding to the overall supply to promote choice for existing renter households.

Recommendation: The overall demand calculations show that the Watertown area will need between 230 and 275 total rental units over a five-year forecast period. We have allocated approximately 50% of these units into a more moderate rent, conventional segment of the market, yielding 115 to 140 additional units over the next five years.

While unit rents would still be higher than the prevailing rates for older housing in the community, these proposed units should have the ability to serve more moderate income renter households. Target rents would generally be below \$700 for a one-bedroom unit, and below \$950 for a two-bedroom apartment.

In the recent past, Watertown has been successful in producing new apartments in this moderate rent range. In many cases, these are built in smaller development phases, such as eight to twelve unit buildings, with additional phases constructed as the previous phase is fully absorbed. Given the successful track record of local developers, it is probable that this type of rental housing will continue to be produced as dictated by demand.

The renter household income estimates for Watertown indicate that more than 30% of the current renter households in Watertown can afford to pay a rent of \$850 or more. As the community grows, serving this high quality, moderate rent segment will be an important part of the effort to attract resident households.

2. Market Potential to Develop 50 to 60 Higher-Priced, High Amenity Conventional Market Rate Rental Housing Units

The City of Watertown has a relatively small inventory of higher-priced, higher amenity housing. This segment of the market is generally defined as units that reach or exceed \$800 per month for a one-bedroom, \$1,000 or more for a two-bedroom, and \$1,200 or more for even larger units.

The current rental units in Watertown that serve this segment of the market are generally in town house-style projects, such as the recently constructed North Grove Place. In North Grove, units have large, three-bedroom floor plans and include an attached garage. Gross rent, including tenant-paid utilities, exceeds \$1,300 per month. Future phases at North Grove will add one-bedroom and two-bedroom options, including units with one-level living.

Another new rental project under construction in 2014, on 12th Avenue SE, will also create town house-style units with one-level living, an attached garage, in-unit laundry and other amenities of a single family unit. Proposed pricing for these units would actually be below \$800 for a one-bedroom and below \$900 for a two-bedroom, one bathroom unit.

Even with some higher-priced units under construction in 2014, this segment of the market probably contains fewer than 12% of all conventional options available in Watertown, and many of these units may exist in rental single family homes. Few options tend to exist in multifamily rental projects. Based on information on gross rents and rental household incomes contained in the Census, the number of households in the moderate to higher income ranges significantly exceeds the number of higher rent units that have existed in the community.

In addition to moderate to higher income renter households, the Watertown area has a growing market of older adult households, most of whom currently own their housing. The projections used for this Study show the strongest net household growth over the next few years occurring among households in the 55 to 74 year old age groups. While home ownership rates in these age groups remain very high, those looking to rent will generally have higher incomes and/or assets, and will often look for higher amenity rental units that offer features that are age-appropriate and a reasonable replacement for their single family home. Some of the higher-rent projects in Watertown have focused on single-level living options, which would be well-matched to the growing senior population.

Recommendation: The overall demand calculations show that the Watertown area will need between 230 and 275 total rental units over a five-year forecast period. We have allocated approximately 15% of these units into a high quality, higher priced segment of the market. This would yield demand potential for approximately 35 to 40 additional units. In the opinion of the analysts, this market segment is currently under-represented, and an additional allowance of 15 to 20 units has been added, bringing the recommended total to 50 to 60 units.

These units should be larger in size, and offer amenities such as attached parking, in-unit laundry and other features consistent with the higher end of the rental market. While the actual construction of these units could be phased in over the five-year period, the scale of this recommendation probably will be accomplished in one or two development phases.

Developers should be cognizant of the growing demographic segment that is age 55 and older. While most of these households own their housing, as they age there will be continued movement into rental options. More mature renters will be looking for amenities and features that are age-appropriate, including one-level living options.

If evidence of unmet demand continues to exist after the recommended units are built, additional phases of construction could be appropriate later in the five-year projection period.

3. Recommended Development of 50 to 60 Tax Credit/Moderate Income Rental Housing Units

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

Since the tax credit program became available in the late 1980s, a number of different rental projects in Watertown have received an award. However, in most cases, the tax credit assistance was used in conjunction with federal subsidy sources to produce “deep subsidy” housing, and these projects have been included in the subsidized housing recommendation that follows.

In other cases, the tax credit projects have fulfilled their affordable housing contract provisions and are no longer required to comply with affordable housing regulations.

In 2013 there are three operating tax credit projects in Watertown serving the more moderate segment of the market, without any other form of project-based federal subsidies. These moderate rent projects are Three Oaks II (1996 award), Springwood (1997), and Briar Creek (2008). Combined, they have 64 units serving low and moderate income renters.

Occupancy information was obtained from all 64 income-restricted units in this segment of the market. On the date of the survey, only two units were reported as vacant. However, these units were in the process of being filled from an existing waiting list. Due to income certification requirements, units can sometimes remain unoccupied while paperwork is being completed. The estimated effective vacancy rate in this segment of the market is less than 1%.

All three projects reported waiting lists for occupancy, although some managers stated that prospective tenants are generally looking for immediate housing options, and cannot wait for a unit to become available at an unknown date in the future. As a result, waiting lists are not always useful.

Federal requirements place rent caps on assisted units. Tax credit requirements, which apply to most of the moderate rent units within this segment, have gross rents capped at 60% of the median income level. However, it is typical to see most units at or below the limits set at 50% of median, in part due to competitive market pressures, and the need to offer lower rents when applying for a competitive tax credit award.

The 2014 rent limits for Codington County at 50% and 60% of median are provided below, along with the range currently being charged by tax credit projects in Watertown, based on the survey responses.

	<u>Watertown Range</u>	<u>50% Limits</u>	<u>60% Limits</u>
Two-bedroom	\$530 - \$630	\$722	\$867
Three-bedroom	\$600 - \$850	\$835	\$1002

Most of the income restricted moderate rent units in Watertown are charging gross rents that are below the federal limits set for households at 50% of the median income level. There are some three-bedroom units in Briar Creek that may be above the 50% limits, but that would depend on the actual cost of tenant-paid utilities.

Renter household income levels in Watertown are generally well-matched to income-based housing. In 2014, a family of three can have a maximum annual income of \$32,720 to qualify for a tax credit unit. In Watertown, more than 60% of all rental households would probably be below this limit, without making any adjustment for household size. The City's median renter household income level in 2012 was at only \$23,842. This median income was lower than in most comparably-sized communities in South Dakota, although that is partly due to a student population in Watertown.

Recommendation: As part of the allocation of rental housing development in Watertown over the next few years, the research for this Study would support the construction of 50 to 60 additional moderate rent units to serve the low and moderate income segments. This is most likely to occur through the utilization of State and Federal resources, including low income housing tax credits, the HUD HOME Program and similar resources.

This unit recommendation can be viewed as conservative, given the relatively small number of existing moderate rent tax credit units in the community. However, part of the rental demand in Watertown is driven by student households, that may not be eligible to live in tax credit housing.

The recommended units have been based on anticipated household growth and also from a need for affordable unit replacement. While more than 60% of all renters in Watertown would be income eligible for tax credit housing, many of these households would not actually have a sufficient income to rent a moderately-priced unit. With the assumption that approximately 20% to 25% of all renter households would be income-qualified, the overall demand calculation would yield a need for up to 60 units over a five-year period.

It is important to note that this analysis of moderate rent, income-restricted housing is based on a general assessment of overall need within this segment. The analysts did not have access to any proposed rent structure or construction plans for any future project. Any application to the State for tax credits must be supported by a project-specific analysis. This analysis may reach different conclusions, based on access to more specific information.

4. Promote the Development of 25 to 30 Additional Subsidized Rental Housing Units and Work to Preserve Existing Projects

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. Most of the subsidized housing in the Watertown area has project-based rent assistance, or a similar subsidy available, that allows rent to be based on 30% of the household’s monthly income.

The research completed for this Study identified 15 subsidized projects in Watertown that provide rental opportunities for lower income people. These projects have a combined 493 units. There are additional subsidized projects that may serve special needs populations within the City, but only general occupancy and senior/disabled occupancy projects have been included in this section. The special needs housing units are generally filled through referrals from the applicable service provider, and are not available to the general rental market.

Six of the subsidized projects are designated for senior and/or disabled tenant occupancy. These senior-oriented projects have a combined total of 229 units. There are nine subsidized projects are designated as general occupancy housing. Combined, they have 264 general occupancy units.

In addition to the subsidized properties with project-based rent subsidies, there are also tenant-based rent assistance Vouchers available in the area. In June 2013, there were approximately 158 Vouchers being used in Watertown. It is possible that some of these Vouchers could be used in subsidized projects that cannot offer project-based rent assistance to all lower income tenants, but most Vouchers tend to be used in private-market, conventional rental housing.

Assuming limited overlap of subsidized resources, the combination of project-based and tenant-based rent assistance results in approximately 651 Watertown renter households that have access to some form of subsidized housing. This would represent approximately 18% of all renter households in the community.

In comparison with other communities, this represents a relatively low percentage of subsidized rental units. Similar analyses have found that

approximately 34% of Yankton renter households, 24% of renters in Pierre/Ft. Pierre, and 21% of all renter households in Mitchell had access to some form of subsidized housing.

The lower percentage of subsidized units in Watertown is due in large part to projects that have left their federal subsidy programs in recent years. Since 2004, Watertown has had a reduction of approximately 196 affordable rental units through the loss of federally subsidized projects. Not all of the lost units had project-based rent assistance available, but the large majority were able to charge rent based on 30% of income.

Some of the project-based rent assistance that was lost was replaced by tenant-based rent assistance Vouchers. While Voucher assistance mitigates the financial impact for the specific tenant, it is portable assistance, and moves with the household. Over time, it is probable that some of these households will move away from Watertown, and take the rent assistance to a different community, unlike project-based rent assistance which remains tied to a specific building.

Rental housing cost burden statistics in the American Community Survey show that approximately 44% of all reporting renter households in 2012 were paying 30% or more of their income for housing. For most of these households, a severe cost burden existed, with 35% or more of income applied to housing. As would be expected, a large majority of the renter households with a housing cost burden also had an annual income below \$35,000.

In addition to the rent burden statistics, there is also evidence of unmet demand for subsidized housing based on the waiting list for most of the community's subsidized housing projects.

Recommendation: Based on the research for this Study, there is unmet demand for additional income-based subsidized housing in Watertown. However, it is unlikely that financial resources will be available to build new units that can serve households with incomes below \$20,000 per year.

We would encourage the City, and its private development partners, to look for opportunities to secure subsidized housing resources. This could be in the form of project-based subsidized housing, or tenant-based rent assistance Vouchers. If resources for a new subsidized project can be secured, we would recommend a goal of constructing at least 25 to 30 additional units.

This level of production would be substantially less than estimated demand, and would be well below the level of units that have been lost over the past decade. However, it is mindful of the limited deep subsidy resources that exist for construction this type of very affordable housing.

In the opinion of the analysts, an important community strategy will be to prevent the future loss of any of the existing project-based subsidized housing. It may be appropriate for public or nonprofit housing agencies to become involved in attempts to preserve subsidized housing resources. In other South Dakota communities, including Aberdeen, Housing Authorities have acquired subsidized projects that were at risk of being lost.

One final issue that has emerged in other South Dakota communities that could impact Watertown in the future is growing demand for Vouchers from people that have not formerly resided in the community. According to staff at the Brookings Housing Commission staff, as many as 700 households have applied to that agency's Voucher Program from locations that are outside of the immediate Brookings area. Brookings' location near the Minnesota border has resulted in many applicants coming from that State.

If these nonresident households are selected to receive a Voucher, they are required to initially lease-up in the Brookings area and sign a one-year lease. However, at the end of the one-year period, it is possible that the household can "port" the Voucher assistance to a new location outside of South Dakota. Some porting of Vouchers from Brookings has already been occurring, but a much greater potential exists over the next year as the one-year initial lease requirements are fulfilled.

If this trend continues, the Brookings area would see a continued decrease in the number of local Vouchers, unless an equal number of households port into Brookings from outside locations, which is unlikely to occur. While this was not identified as a problem in Watertown in 2014, it may emerge as an issue in the future.

5. Monitor Demand for Senior Housing with Services

Findings: A previous section of this Study has specifically addressed the supply of specialized senior units in Watertown. Senior housing with services, as used in this Study, defines a wide range of housing types. Skilled nursing homes, assisted living centers and memory care housing are generally the most service-intensive types of units. High-service housing provides 24-hour staffing and offers assistance with daily living needs of residents. Under South Dakota law, service-intensive senior housing must be licensed as a Skilled Nursing Facility or as an Assisted Living Center.

Lower-service housing, sometimes referred to as independent or congregate senior housing, generally offers a daily meal, access to transportation and selected services such as weekly laundry or light housekeeping. While a resident may be able to contract for more intensive services, or purchase them separately through a home health care provider agency, they are not included in light services rent package. Some light-service housing providers may be registered with the State as Residential Living Centers. These facilities are not subject to the same standards as the Assisted Living Centers, including the inspection requirements. Because of the lower level of regulation, many light services projects are not registered as Residential Living Centers.

An earlier section of this Study provides details on the existing specialized senior projects in Watertown, including a summary of the different segments being served. Readers are encouraged to review this section for a greater level of detail. In general terms, the following observations are made regarding senior housing with services:

- ▶ Watertown has a range of senior housing options, providing various levels of care. In most subsets of the market, there are multiple providers, allowing some degree of choice for consumers.
- ▶ Watertown has three different providers that provide varying levels of senior care. The Jenkins senior complex has options ranging from largely independent living to a skilled nursing home and memory care. The Benet Place campus has independent and assisted living options. The Edgewood senior community provides a range of care options, from largely independent housing to assisted living, with a large-scale expansion underway in 2014. These campuses allow seniors to age-in-place, within the same facility.
- ▶ Watertown also has stand-alone providers, which primarily offer assisted living facilities.

Skilled Nursing Homes - There are two State-licensed skilled nursing homes in Watertown. The Jenkins Care Center is licensed for 162 beds in 2014, but 60 of these are in the dedicated memory care wings. Golden Living Center is licensed for 51 beds. Some beds are generally used for short-term rehab/recovery stays. Although subject to change, the two nursing homes typically have a combined 30 beds available for shorter-term rehab/recovery stays. Approximately 120 beds are generally used for longer-term occupancy.

There are also three skilled nursing homes in the Hamlin County portion of the MiSA, and the analysts have used an estimate that as many as 120 beds are available for longer-term residents, based on Census records.

There is a long-standing moratorium on adding beds. As a result, no additional development of nursing homes would be expected in the future. To the extent that some existing beds are diverted to other uses, such as rehab/recovery, the utilization as a long-term place of residence could be lowered over time. However, the Jenkins Care Center does have 14 beds that are not currently licensed, but could be used as needed in the future. The fact that these beds are currently “banked” points to the balance of supply and demand in Watertown at the present time.

Assisted Living Centers - There were changes underway in the supply of assisted living units in Watertown in 2014, with two projects proceeding to construction. With the information that was available, the estimated capacity in 2015 will be approximately 157 total assisted living beds. There are also as many as 54 beds available in the smaller cities in Codrington and Hamlin Counties, which also serve older seniors living in the MiSA.

The future supply of units/beds in Watertown represents approximately 6.7% of the adjusted target population of older senior citizens residing in the Watertown MiSA. If the units/beds in the smaller communities are added to the supply, a capture rate of approximately 9% of older seniors would be required to achieve full occupancy. In the opinion of the analysts, the existing supply of units in the MiSA represents a relatively high capture rate within the target population. However, for the City of Watertown, a capture rate of more than 6% should be achievable, as the regional center provides an attractive location for seniors needing a higher level of care.

Most of the assisted living units/beds in Watertown are not accessible by lower income seniors receiving Medicaid Waivers assistance, primarily due to the low rate of reimbursement. If more lower income seniors had access to assisted

living, utilization rates would be higher. It is probable that County/State assistance is more widely used in assisted living options in the smaller communities in the MiSA.

Housing with Light Services - A current estimated supply of 99 light services rental units exists in Watertown with a small expansion underway. The light services rental units would need a market capture rate of approximately 6.2% of the primary target market to maintain full occupancy. In the opinion of the analysts, this is a relatively normal concentration of units for a regional center like Watertown. Similar to assisted living, a capture rate of 5% or more would be expected. The rental survey completed for this Study found a high rate of occupancy in the existing supply of light services units, and some evidence of unmet demand in the form of waiting lists.

Memory Care - The specialized senior segment that currently has the fewest choices is memory care housing. Only one current provider was identified, with 60 beds in specialized wings of the Jenkins Care Center. However, it appears likely that another provider will enter this market in 2015, as some memory care units/beds will probably be added as part of the Edgewood Prairies Crossings project that is underway.

The current available memory care beds in Watertown represent approximately 2.3% of the older senior population. It is possible that this capture rate is even higher, if some additional capacity exists within the smaller communities in Hamlin County. In the opinion of Community Partners Research, Inc., a capture rate above 2% represents a relatively normal capture rate for memory care units in a larger regional center. If Edgewood adds more beds in 2015, the required capture rate would increase.

Discussions with housing providers point to the cost and regulatory difficulties of creating specialized memory care units. Staffing, security, liability and licensing requirements all contribute to a reluctance to enter this very specialized housing segment.

Recommendation: Watertown currently has multiple choices for seniors and a wide range of specialized units. In 2014, the supply of specialized units will expand, most notably the options for assisted living, but also with the probable addition of memory care beds. Although the rental survey completed for this Study generally found high utilization rates in 2014, the identified unit expansion will add to the supply within the next year.

The projections used for this Study do not expect any significant near-term growth in the local population of older senior citizens. As a result, growth-generated demand for additional units will be limited, but will continue to increase to the year 2020. Higher capture rates within the targeted population groups also have the potential to increase demand.

Between 2014 and 2019, the projections used for this Study point to growth of approximately 220 additional older senior citizens, age 75 and above, in the Watertown MiSA. Since many of these older seniors will be living alone, this could represent as many as 150 additional older senior households. Substantially larger growth will occur within the younger senior ranges, between 65 and 74 years old, but this group tends to use specialized senior housing at a much lower rate than older seniors.

After 2020, as the baby boom generation begins advancing into the older senior age ranges, there will be more substantial growth in the number of older seniors.

With some modest growth in the number of older senior residents in the Watertown MiSA, the recommended expansions of specialized senior units would also be modest in size, to incrementally expand the supply over time. The existing network of providers may be able to adjust to market demands with additional phases of development, such as the current projects that are underway at the Edgewood complex and at StoneyBrook Suites assisted living.

The continued growth of the younger senior population, age 65 to 74, would indicate some expansion of lighter services housing units in the future. Only a minor expansion of three units was underway in 2014 in the light services segment, as the other development projects are primarily focused on higher service forms of housing.

The other senior with services gap that seems to exist is the provision of assisted living to lower income people. Three of the five current assisted living facilities, Benet Place, Cedar View and StoneyBrook identified themselves as private-pay only. The other two assisted living providers, Edgewood Prairie Crossings and Meadow Lake, will accept up to Medicaid residents. Most of the Meadow Lake residents may be receiving State assistance. As a result, there are few options for some lower income seniors that rely on Medicaid Waivers assistance. This problem will not be easily solved, due to the costs associated with providing assisted living care and the State reimbursement rate.

It should be noted that we have looked at overall demand for senior units, not competitive positioning for individual projects. It is very possible that more units could successfully be constructed in Watertown in the near-future. However, without significant growth in the target populations, in the opinion of the analysts, the success of new projects would probably reduce occupancy rates in competing projects, as the City already has a relatively normal distribution of units within most market segments.

6. Promote Opportunities to Provide Housing with Services in Subsidized Housing

Findings: One of the issues identified in the previous recommendation was the inability of lower income seniors to access some assisted living options due to cost. While not a solution to this problem, some lower income seniors may be able to live in subsidized rental housing if certain services can be made available. In other communities, subsidized senior rental projects have attempted to retain older seniors by facilitating service delivery.

In response to the need to help lower income seniors, the STAR Program (Service to Aging Residents) is available through the South Dakota Housing Development Authority. STAR helps residents secure outside services. The services are actually provided by a home health care agency or similar organization, and are not provided by the apartment complex.

In other communities around the State, some federally subsidized rental projects participate in STAR. In subsidized housing for seniors, most units offer rent based on 30% of household income, making it affordable for even very low income tenants.

Providing supportive housing for lower income seniors outside of nursing homes is a challenge for many South Dakota communities. In most cases, lower income seniors in need of more service-intensive housing will often move into skilled nursing homes with Medicaid Waivers/Medicare assistance.

Recommendation: One program opportunity that may exist is to better promote and utilize the existing subsidized senior housing projects to serve low income seniors needing some level of services with their housing. SDHDA's STAR Program, which is not currently offered in any projects in Watertown, may provide a good model for helping frail elderly residents that can benefit from additional services. If this model can be used in senior-oriented subsidized housing, it could allow more low income seniors the opportunity to remain living independently.

In some subsidized buildings in Minnesota, entire floors of senior buildings have been used for seniors needing additional services, and office space may be provided for use by home health care agencies. While services are contracted directly between the tenant and the home health care provider, the on-site office makes the services readily available to lower income people. It should be noted that State licensing or registration requirements would need to be researched in South Dakota. At a minimum, it would appear that this type of housing with services arrangement would require the housing project to register with the State as a Residential Living Center, and possibly as an Assisted Living Center.

7. Consider Innovative Program Efforts to Assist Renter Households

Findings: Watertown has a large number of renter households and rental housing units. Renter household incomes also tend to be low, with an estimated median below \$24,500 in 2012.

Due to the low rental vacancy rate that exists in 2014, property owners and managers can be very selective in accepting new tenants to fill available units. This can add to the difficulty in securing affordable housing for lower income renter households that have credit problems or similar financial issues.

Some communities in the State have been developing innovative rental housing programs to assist households that may otherwise be "hard to house". The Aberdeen Housing Authority secured a \$21,000 HOME Program grant from the South Dakota Housing Development Agency for a Security Deposit Program. The Program can provide up to \$300 to eligible households for a security deposit. The Program goal was to assist between 70 and 80 households.

In the Watertown area, Interlakes Community Action Partnership offers a security deposit program for people that are homeless. Other homeless prevention programs are also offered.

Another innovative program that could be considered is based on the Tenant Education and Self-Sufficiency (TESS) model being used in Sioux Falls. TESS is administered by the Inter-Lakes Community Action Partnership. It is a very labor-intensive program that includes active case management, especially in the financial affairs of the participating household. By all reports, this approach has tended to be very successful, and is highly regarded by some property managers who have worked with program graduates.

Recommendation: We would recommend that the community, in cooperation with local housing agencies, explore innovative programs to improve the situation for area renter households. As Watertown continues to grow, more households will need to migrate from other parts of the country.

Newly arriving households will often look for rental housing until they get acclimated to the community and look for ownership options. Ongoing efforts to assist area renters and rental housing conditions will be an important strategy for community growth.

8. Promote Housing Opportunities in the Downtown Area

Findings: The City of Watertown's downtown business district provides some housing options for area residents. Additional opportunities may exist for the future creation of rental housing.

Although no detailed analysis was completed as part of this Study, some rental units typically exist in mixed-use commercial buildings. Other buildings in the downtown area may not currently have housing units, but may have underutilized space on upper floors.

Downtown housing locations, generally on the upper floors of buildings, are not conducive to families with children or to senior citizens that do not want to use stairways. However, working-age households and students would be a potential target market.

Recommendation: The research for this Study has recommended the development of between 230 and 275 additional rental units in Watertown over a five-year period. Although most units will probably be created through new construction of larger multifamily buildings, there are also opportunities to introduce units through building conversion. Success can potentially be achieved in downtown units that serve both the higher-end and the more moderate rent segment of the market.

Creating lower-priced units would have a larger market potential, due to attractive pricing. Most new construction projects would generally need to charge higher, market rate rents. Moderate-priced units created through downtown space conversion may be achievable at a lower cost, and could therefore charge rents that are more compatible for the prevailing rental market. Good quality, affordable rental housing is in high demand in Watertown.

Higher-priced, loft-style units could also be successful. However, based on the prevailing rents in the community, these units would be more dependent on the quality and features of the spaces being renovated. One of the reasons renters are sometimes willing to pay above-average rates for a unit is a unique floor plan, such as a unit which highlights the historic restoration efforts.

An evaluation of higher-priced downtown units would therefore be very building dependent. Attractive older buildings, unique unit floor plans and desirable locations downtown would all need to be considered before developing higher-priced housing.

In most downtowns, the buildings that could be considered for future housing have relatively small spaces available, it is possible that any unit creation would generally be between one and five units per building. The introduction of a small number of units into the Watertown rental market, would represent a very low required absorption rate.

Home Ownership and Single Family Housing Recommendations

Findings: Expanding home ownership and generating new owner-occupied housing construction activity are primary goals for most cities. Home ownership promotes a stable community, the availability of a steady and reliable labor force, and property ownership can strengthen the local tax base.

Home ownership advancement can be achieved through the promotion of new construction activity. It can also be accomplished through utilization of the large, existing housing stock that already exists in the Watertown area.

Based on the research completed for this Study, Watertown tends to have relatively strong home values in the existing single family inventory. This is probably due in part to the consistent pattern of growth that has been present in the community, as Watertown has continued to add households over the past 30 years, creating ongoing demand for more housing.

The research of recent sales activity indicated that the median owner-occupied home value in Watertown has been in a range between \$133,775 and \$137,900 from 2012 to 2014. There has been a gradual, upward climb in the median sale price, from approximately \$125,000 in 2011, to \$137,900 in 2014 (partial year).

While median sale price information for other communities in the State is not readily available, the American Community Survey does provide a comparative measure for existing home values. In 2012, the ACS estimated the median owner-occupied home value in Watertown at \$133,900, very similar to the actual sales median. The ACS estimated median for Watertown is relatively similar to other comparable cities in the State, including an estimated median value of \$133,200 in Aberdeen, \$128,600 in Vermillion and \$120,700 in Yankton. However, it is below the median in some of the other cities, including \$145,800 in Brookings, \$151,900 in Pierre and \$151,100 in Sioux Falls.

Although existing home prices tend to have a significant price advantage when compared to new construction, the supply of existing houses that may be available for sale is often limited. When existing houses are available, they do represent an option for first time home buyers. During the 12-month period from April 2013 to March 2014, approximately 30% of all existing home sales in Watertown were for less than \$100,000, and more than 58% of the houses were sold for less than \$150,000. Some of the recommendations contained in

this section specifically address strategies intended to assist with ownership, especially for entry-level buyers, who will typically need a more affordable house.

Home ownership opportunities will also be created through new construction. The community has experienced significant single family owner-occupied housing construction from 2000 through 2014, with 943 single family detached units built. There has also been ongoing construction activity of attached single family units over the 14-year time period with approximately 162 attached single family units constructed, most of which appear to be for owner occupancy.

Most of the new single unit creation in Watertown occurred between 2000 and 2007. During this eight-year time period, the City issued permits for 754 single family detached and attached units, and the annual average was approximately 94 units per year. The single highest year of production was 2003, when 133 single family units were permitted. Between 2003 and 2006, more than 105 single family permits were issued each year.

Over the past seven years (partial year 2014), the City has averaged approximately 50 single family units per year. However, single family production in 2013 was above the recent annual average and 2014 will also be above the recent average based on permits issued to date.

There are multiple factors that have probably contributed to the slowdown in unit creation after the year 2007. One factor is the collapse of a national "housing bubble" starting in 2007. Although Watertown was not greatly impacted by an overinflated housing market, national concerns and news reports did tend to have a ripple effect on construction activity across the country. A nationwide economic recession also resulted in reduced consumer confidence, even in areas of the country that did not experience high rates of unemployment.

Another factor may have been an overproduction of single family housing units during the "housing boom" years of the early 2000s. During the ten-year period from 2000 through 2009, building permit issuance in Watertown showed construction of 846 single family attached and detached units.

Units permitted in 2009 would generally have completed construction and been available for occupancy by April when the 2010 Census was completed. When the 2010 totals are compared to the 2000 Census, they show a net gain of only 345 home owners in Watertown during the decade, approximately 541

households lower than the number of new units constructed. If the Census counts are accurate, new home construction during the last decade exceeded the growth in home ownership demand from permanent residents. The construction slowdown that has occurred over the past five years may be a market response to a possible overproduction of housing in the prior time period.

Going forward, the overall household projections used for this Study point to continued good demand for owner-occupied housing construction. The tenure-based forecasts presented earlier in this section show potential demand in Watertown for between 50 and 55 owner-occupancy housing units per year over the five-year projection period 2014 to 2019.

If this projected level of construction is to be achieved, it would require a level of building activity similar to what has existed over the past five years, as Watertown has been averaging approximately 50 new units annually over the past five years.

Substantial growth of households is anticipated over the next five years among households in the age ranges between 55 and 74 years old. Households in these age ranges tend to be predominantly home owners, and often form a market for higher priced, trade-up housing and for low maintenance housing such as town homes and twin homes. Growth is also projected in the 25 to 44 age ranges. Households at the younger end of this range are often looking for an entry level home, while the households at the older end of the range are in the market for trade-up homes.

While growth of older adult households should yield continued demand for new houses, the projections also point to a decrease in households in the 15 to 24 and 45 to 54 age ranges. A probable reduction in the number of very young adult households could result in lowered demand for the entry-level segment of the market. The decrease of households in the 45 to 54 age range will lower demand for higher priced, trade-up housing.

In the Table below, we have produced annual demand projections for different price ranges of owner-occupancy housing. These projections assume that between 50 and 55 units will be constructed per year in Watertown.

Demand Projection for Annual Owner-Occupancy Housing Construction		
Unit Type	Approximate Price Range	Projected Annual Demand
Single Family Projected Demand		
Affordable	Less than \$175,000	18-19 units
Mid-Priced	\$175,000- \$250,000	22-24 units
Higher-Valued	\$250,000+	10-12 units

Source: Community Partners Research, Inc.

We have defined **new affordable** as single family units that would sell for less than \$175,000. Houses in this price range would typically appeal to younger buyers, first-time buyers, or those households trading-up from an older, lower valued house or mobile home. According to our local research, approximately 40% of the houses built in Watertown in recent years have been in the \$175,000 or less range.

Demand for new affordable housing will continue to be strong and to achieve the projected market share, it is possible that some form of financial assistance would need to be provided to write-down development costs or assist the end buyer. As will be discussed later in this section, some communities have made public investments and/or financial contributions to promote new affordable housing, but this does require direct financial involvement.

It should also be noted that some additional construction will occur in lower price ranges, including homes built by groups like Habitat for Humanity. This housing often serves a segment of the market that could not otherwise access newly constructed units.

We have defined **mid-price homes** within a price range of \$175,000 to \$250,000. This price can generally be achieved by private housing developers without the need for subsidies. Watertown has traditionally had active construction activity occurring within this price range. Over the past few years, approximately 47% of the houses constructed in Watertown have been in the \$175,000 to \$250,000 range. At the higher end of the price range, this represents a portion of the trade-up housing market.

We have defined **higher-valued homes** as those priced at \$250,000 and above. Approximately 13% of the houses built over the past few years have a value above \$250,000. Over the next five years, the largest growth of any

demographic segment will be among households in the 55 to 74 year old age ranges. Strong growth in these older adult ranges will continue to create a market for higher-valued homes.

To assist in promoting the goal of home ownership and new home construction, the following activities are recommended.

9. Most demand for single family home construction will continue to be for moderate to higher priced housing

Findings: The demographic analysis contained in this Study has tracked the advancing segment of the population that exists in the age ranges between 55 and 74 years old. As the large “baby boom” generation has moved through the aging cycle, they have created demand for age-appropriate housing options.

The tenure preference patterns within these growing age segments are clearly defined. In 2010, the home ownership tenure rate for Watertown households in the 55 to 74 year old ranges was 75% or higher. In both the recent past, and in the next few years, most of the housing demand should be created by middle-aged and older adult households upgrading their housing.

In Watertown, demand will also be impacted by income levels. The comparison of income levels for Watertown households presented earlier in this document showed very strong growth in the number of households with an annual income of \$75,000 or more.

Existing home values also tend to be relatively strong, and are comparable to most of the medium to larger sized communities in the State. Since most of the higher income households already own their housing, people that look to move into a newly constructed house should also have equity available from the sale of their previous home.

Recommendation: Housing units that are attractive to middle-aged and older adult households will continue to represent the largest share of home ownership demand in the Watertown over the five-year projection period.

The forecasts used in this Study expect that 40% to 45% of the new housing demand will be in the mid-price range, generally defined as \$175,000 to \$250,000, and 17% to 20% will be in the high-price range of \$250,000 and above. Based on the overall new construction forecast, this yields annual

demand potential for 22 to 24 units in the mid-price range and 10 to 12 units in the higher price range. Demand for housing in these price ranges can be met by the private development community, and would not typically require any level of public involvement or assistance.

Newly constructed mid- and high-priced units should continue to represent a mix of single family homes, as well as attached housing, which can appeal to mature households as they age. Attached housing in the more mid-priced ranges has been successful in the Watertown market in recent years, with several local builders active in building attached units that sell for less than \$250,000.

10. Promote affordable new home construction using available resources and incentives

Findings: The demand forecasts being used for this Study expect that 18 to 19 homes will be constructed annually over the next five years in the more affordable market segment, generally defined as less than \$175,000. Greater demand would exist if attractive options could be produced at a lower price point, but it is difficult to construct affordable homes. According to local builders and real estate experts, it is very difficult to produce a house for less than \$175,000 that would be attractive to potential buyers, although, homes under \$175,000 have been constructed in Watertown over the past five years.

Most existing home prices in Watertown are below \$175,000. During the 12-month period from April 2013 to March 2014, approximately 69% of existing home sales in Watertown occurred in the price ranges below \$175,000. This price disparity between new entry-level homes and the prices for existing homes can further suppress affordable construction activity.

With the difficulty in constructing affordable homes, it may be appropriate to promote the development of affordable units within the City. Communities that continue to achieve a high level of new construction have generally taken an active role, often through direct financial assistance.

In Brookings, tax increment financing and other resources were used to assist more affordable subdivisions for lower priced houses. Lower cost houses currently being produced in Brookings may use smaller lots, more narrow streets, and in some cases, houses are built without basements. These concepts could be replicated in Watertown.

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

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

Prior to the housing market collapse in the late 2000s, many cities in Minnesota were very actively involved in promoting the development of affordable ownership housing. The most successful example occurred in the Rochester area, as part of an initiative to offer housing for workers. In the First Homes Program, financial incentives up to \$25,000 per house were offered to income-qualified buyers of new homes, priced below a certain limit. Rochester, home to the Mayo Clinic, had sizable financial donations that were used to fund the program.

Recommendation: To develop a significant number of new single family houses and ownership options for entry-level buyers, it may require the community to become actively involved in providing financial assistance and/or development subsidies. According to local sources, producing new, affordable stick-built homes for less than \$175,000 over the next five years is very difficult, given current development and construction costs.

The per unit cost for direct public involvement will somewhat limit the area's ability to generate this type of housing. As stated above, in some communities that have assisted with affordable new construction incentives, a financial contribution as high as \$25,000 per home has been required.

Another possible approach is to develop a publicly-owned subdivision, which could offer lower-priced lots for affordable homes. This would require direct involvement in what has otherwise been a private segment of the market. However, private developers in the Watertown area may have little incentive to develop lower-priced lots and houses.

The unit projections used for this Study have set a goal of 18 to 19 affordable homes annually, which is approximately 32% to 36% of annual home construction.

While affordable new construction is encouraged, we believe that the existing housing market will continue to address much of the demand from entry-level home buyers. Typically, households in the entry home market have a target price of \$150,000 or less, which will generally be achieved through the purchase of an existing home.

It should also be noted that some additional construction will occur in lower price ranges, including efforts by groups like Habitat for Humanity. This housing often serves a segment of the market that could not otherwise access newly constructed units.

Some cities, including Watertown, have also been successful in placing Governor's Houses in their communities. In Watertown, additional Governor's Houses would probably use infill lots, or be part of neighborhood redevelopment efforts.

11. Promote town house and twin home development

Findings: Watertown has experienced owner-occupied attached housing development from 2000 to 2014. Many communities over the past 15 years have seen attached housing take an increasingly large share of new construction. In cities the size of Watertown, 20% to 30% of the housing starts are typically twin homes/town homes. Over the past 14 years, approximately 15% of the owner-occupied housing units constructed in Watertown have been attached units such as twin homes/town homes. Although only 15% of the owner-occupied units constructed in Watertown since 2000 are twin homes/town homes, this represents 162 attached units that have been constructed.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making traditional single family homes available for families. In 2010, there were 2,438 households in Watertown with a head of household in the 55 to 74 age ranges and it is estimated that the 55 to 74 age ranges will increase by 786 households in Watertown from 2010 to 2019. It is important for the City to offer a range of life-cycle housing options as many of these households will be seeking to downsize into low maintenance housing options.

Recommendation: It is our projection that approximately 13 to 15 of Watertown's new owner single family units per year should be twin homes or town houses over the next five years, which is an approximate total of 65 to 75 units during the five-year period. We are aware of two new town home projects that have begun construction. A total of 52 town homes are planned in the two subdivisions. Target prices are \$250,000.

For future development to be successful, the following should be considered for the majority of the units:

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

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

12. Promote additional lot development to meet expected demand

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 Watertown. Currently, there are approximately 125 lots available in Watertown subdivisions. According to interviews with housing professionals, most lots are in the \$35,000 to \$50,000 range.

There are also several miscellaneous infill lots scattered around the city that we did not attempt to count. We do not know the availability of some of these infill lots. Also, we are promoting the acquisition and demolition of dilapidated houses. Some of the cleared lots may be sites for new construction.

Recommendation: We use a standard that a 2 ½ year supply of lots should be available in the marketplace based on annual lot usage. With projections that 50 to 55 new owner-occupied housing units will be constructed per year, the City should have approximately 125 to 138 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction.

With approximately 125 available lots, plus infill lots, the City has a 2.5-year supply of lots. Also, several Watertown developers monitor the demand for lots and develop lots as needed.

We recommend that the City and developers continue to monitor the number of lots in the local inventory to assure that an adequate supply exists. This would include an attempt to keep lots available in a variety of price ranges, and suitable for different home styles.

Several housing stakeholders in the City have stated that there is a lack of lots for affordable housing. Future lot development should assure that an adequate supply of lots is available for affordable housing. We are projecting that 18 to 19 affordable homes will be constructed annually.

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

Findings: Home ownership is generally the preferred housing option for most households and most communities. According to the 2010 Census, nearly 64% of all households in Watertown owned their housing unit. This percentage increased to a home ownership rate of approximately 68% for all of Codington County. There are a number of strategies and programs that can be used to promote home ownership, and programs that can assist with this effort.

First time home buyer mortgage loans and down payment/closing cost assistance programs can help to address affordable housing issues. The community does have a supply of houses that are price-eligible for these types of assistance programs. The home value estimates used in this study indicate that a majority of the existing stock in Watertown is valued below the purchase price limits for the first-time home buyer assistance programs available through the South Dakota Housing Development Authority (SDHDA).

Home ownership counseling and training programs can also play a significant role in helping marginal buyers achieve home ownership. The Home Ownership Education Resource Organization (HERO) has a network of provider agencies across the State that provides classes to potential home buyers.

While individual home ownership assistance programs may not generate a large volume of new ownership activity, a 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: Watertown should continue to work with area housing agencies, the South Dakota Housing Development Authority and local financial institutions to utilize all available home ownership assistance programs. The community should also work with housing agencies to access programs that provide financial assistance for households to purchase a home and to assure that residents of the City are receiving their share of resources that are available in the region.

In addition to programs available through the South Dakota Housing Development Authority, other potential funding sources for home ownership programs may include USDA Rural Development, and the Federal Home Loan Bank. Grow South Dakota and HAPI both have experience in administering these types of assistance programs.

14. Explore the creation of a local down payment assistance program

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

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

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

Recommendation: The community may wish to consider the development of a local down payment/closing cost assistance program. A locally-funded program could provide additional assistance or could potentially serve households that do not qualify for SDHDA Down Payment Assistance. Following the collapse of the

national housing bubble, and resulting rise in foreclosures, more stringent lending criteria now apply to many conventional mortgage loans, and a larger borrower contribution may be required.

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

15. Coordinate with agencies/nonprofits that develop very affordable ownership housing

Findings: While the private development community has achieved success in meeting demand for moderate to higher-priced homes, there has been very little new construction of new housing units that are very affordable and available to lower income buyers.

To serve an even lower income group, Habitat for Humanity has been very active in Watertown, building and selling approximately 24 new homes. Although this type of organization may not be able to produce a large number of housing units annually, they can help generate a few new homes for lower income families. Homes are Possible, Inc., and Grow South Dakota are other agencies that may have the capacity to build homes in Watertown.

Interlakes Community Action Partnership administers a Mutual Self-Help Program which works with three or more households to construct new homes. The households work together on parts of the construction activity.

Governor's Houses are another affordable option. Governor's Houses often utilize infill lots.

Recommendation: We encourage the community to coordinate with housing agencies and nonprofit organizations to help produce more affordable housing units. The City may be able to contribute to the project through land donations, TIF, grant writing, or project coordination activities.

This Study has also included information on housing conditions in the City's older neighborhoods. The condition analysis identified more than 53 dilapidated houses in three older neighborhoods that may be suitable for demolition and

clearance. If these substandard structures are demolished in the future, the cleared lots may be suitable for redevelopment. These infill lots may be good sites for this type of new construction activity.

It is our understanding that the City of Watertown is reviewing its minimum lot size requirements for new construction. It may be necessary to reduce the lot size minimum to encourage new construction on infill lots.

Housing Rehabilitation and Neighborhood Revitalization

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

Efforts and investment in housing rehabilitation activities will be critical to offering affordable housing opportunities and in preventing the deterioration of existing neighborhoods. As this existing stock ages, more maintenance and repair are required. Without rehabilitation assistance, the affordable stock will shrink, creating an even more difficult affordability situation.

Some of the City's older neighborhoods and older homes are in the flood plain, which creates additional challenges in revitalizing neighborhoods and rehabilitating homes.

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

16. Promote rental housing rehabilitation programs

Findings: Based on 2010 U.S. Census data, the City of Watertown had approximately 3,670 rental units. These rental units are in large, multifamily projects, small rental buildings, converted buildings, mixed-use buildings, duplexes, single family homes and mobile homes.

According to the American Community Survey, the estimated median year of construction for all rental housing units was 1977. Although most rental property owners attempt to keep their housing properly maintained, there are age-related issues for condition and quality when a majority of units are more than 30 years old.

Information on the age of construction for rental housing units also exists for different types of rental structures. It is common to see older single family houses represented in the rental stock. The American Community Survey estimates for 2012 show approximately 460 houses that were built before 1960 that were being used for rental housing. There were also more than 260 units in multifamily structures that had a year of construction before 1960.

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

Recommendation: The community and area housing agencies should seek funds that can be dedicated to the rehabilitation of rental units. For a rental rehabilitation program to be workable and successful, the funds should allow for program flexibility, to the extent possible.

Potential funding sources include USDA Rural Development, the Federal Home Loan Bank, the South Dakota Housing Development Authority, and local funds. In many cases, some form of grant or forgivable loan may be needed to prevent rents from increasing as a result of the investment in the property.

17. Promote owner-occupied housing rehabilitation programs

Findings: With relatively high prices for homes in the Watertown area, the older existing housing stock will continue to represent some of the most affordable home ownership options in the community. Investment in owner-occupied housing rehabilitation activities will be critical to offering affordable housing opportunities in the future. According to the American Community Survey, the median year of construction for owner-occupied houses in Watertown is 1973, so more than half of all owner-occupied units in the City are more than 40 years old.

As part of the research for this Study, a visual housing condition survey was completed in three of the City's older neighborhoods. There were 1,155 houses viewed and rated based on observable exterior features. The analysis found that 409 homes needed minor repair and 340 homes needed major repairs. Without rehabilitation assistance, there is the potential that the affordable housing stock will shrink in the City of Watertown.

Recommendation: We recommend that the community and area housing agencies identify and apply for funds to develop an ongoing housing rehabilitation program. Grow South Dakota, HAPI, and Interlakes Community Action Partnership are all area agencies that have administered housing rehabilitation programs. USDA Rural Development, the South Dakota Housing Development Authority and the Federal Home Loan Bank are potential funding sources.

18. Consider the development of a program to promote the purchase and rehabilitation of older homes

Findings: Although Watertown has a relatively high median home value, the City also has a number of older, lower valued homes. In some cases, these older homes may be used as rental housing.

As detailed in the previous recommendation on housing rehabilitation, a visual survey of some of the City's older neighborhoods did identify older houses in varying states of deterioration.

Some communities have developed programs designed to encourage the purchase and rehabilitation of older homes, either by individual buyers, or by a housing agency. If an agency is involved, it purchases an existing home, rehabilitates the structure and then sells the home to a lower income family. The sale may involve additional financial assistance, such as a mortgage with no down payment, a low interest rate and/or a monthly payment that is affordable for the family.

Because a purchase/rehabilitation program can be expensive and its cost effectiveness in some cases could be marginal, it may be advantageous to directly assist low and moderate income households with purchasing and rehabilitating homes. If an individual buyer purchases the home, then a loan that allows for rehabilitation costs is also structured into the mortgage.

It should be noted that the cost of acquisition and rehabilitation may exceed the after-rehab value of the house. In these instances, some form of subsidy may be needed. However, the subsidy cost required to preserve and re-use an existing housing unit will often be lower than the subsidy required to provide an equally affordable unit through new construction.

Recommendation: The community should work with an area housing agency to explore the program options that may be available for a purchase/rehab program.

A purchase/rehabilitation program can achieve several goals. The program encourages home ownership, it rehabilitates homes in need of repair, and it helps prevent substandard homes from converting to rental use.

19. Consider the development of a neighborhood revitalization program

Findings: As part of the research for this Study, Community Partners Research, Inc., consulted with City staff and area agencies that work on community development issues. Through that process, three older neighborhoods were identified in the City, and a visual housing condition analysis was completed.

These neighborhoods have a significant number of homes that need rehabilitation or should be demolished. These neighborhoods also have a significant number of low/moderate income households.

The potential exists that these neighborhoods could deteriorate further, or they could be revitalized to continue to be strong and vital areas of the City.

Recommendation: We recommend that the community, area housing agencies, and the private housing sector select a neighborhood and develop and implement a targeted neighborhood revitalization program.

Redevelopment strategies and opportunities should be identified for the neighborhood including:

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

A neighborhood revitalization plan should include time lines, the identification of responsible staff from the city/housing agency, funding sources, and other details. The program should be evaluated on an ongoing basis as opportunities and potential projects may change priorities.

The City of Sioux Falls has undertaken neighborhood revitalization projects and has developed detailed planning documents for specific neighborhoods. While Sioux Falls has more resources available for these concentrated efforts, the City of Watertown could examine the Sioux Falls approaches to obtain information on how to effectively develop and administer a revitalization program. They could also examine the funding sources that were used.

It must be noted that neighborhood revitalization can result in the loss of affordable housing. Redevelopment projects, infill construction and other affordable housing development in the community should assure that there is an overall net gain in the affordable housing stock as a result of the program.

20. Acquire and demolish dilapidated structures

Findings: The housing condition survey of three older neighborhoods in Watertown identified 53 houses that were dilapidated and viewed as too deteriorated to rehabilitate. We also identified 340 homes as needing major repair and several of these homes may be too dilapidated to rehabilitate. It is probable that some additional deteriorated houses exist in other neighborhoods that were not viewed.

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

21. Investigate the possibility of implementing a Rental Inspection and Registration Program

Findings: A Rental Inspection and Registration Program can be a valuable tool in improving the quality of the City's rental housing. It is estimated that there are approximately 3,800 rental units in the City of Watertown, many of which are more than 30 years old. There are also a significant number of single family homes that have converted from owner-occupied to rentals.

Neighborhood deterioration, lower property values and unsafe rental units are often prevented when a Rental Housing Inspection and Registration program is successfully implemented. Also, our housing condition survey identified substandard rental units.

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

Health and Safety

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

Age of Housing Stock

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

Conversions

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

Trends of Conversions

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

Maintenance Efforts

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

High Number of Landlords

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

Neighborhood Stabilization

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

Zoning and Codes

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

Coordination

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

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

Other Housing Initiatives

22. Promote employer involvement in housing

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

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

The South Dakota Housing Development Authority has established an employer participating program, known as the Employer Mortgage Assistance Program (EMAP). There are a number of participating employers around the State of South Dakota. This program can assist employees of participating companies with home ownership assistance.

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

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

Another option is for employers to participate in SDHDA's EMAP Program.

23. Develop mobile home park improvement programs

Findings: Watertown has a significant number of mobile homes in multiple mobile home parks. According to the American Community Survey estimates there were more than 850 mobile homes in the City in 2012. This represented more than 8.4% of all owner-occupied housing options in Watertown, and nearly 11% of all rental options in the community. The American Community Survey also estimated that approximately 50% of the City's mobile homes were constructed before 1980, and are more than 30 years old.

Also, Community Partners Research, Inc., conducted a housing condition survey of the mobile/manufactured homes in the City's mobile/manufactured home parks. Of the 819 mobile/manufactured homes surveyed, 206 needed minor rehabilitation, 171 needed major rehabilitation and 91 were dilapidated and possibly beyond repair.

The analysts do recognize that there is a significant variation in the quality and condition between individual mobile home parks. Also, some of the manufactured home neighborhoods primarily contain newer units that are in good condition.

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

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

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

Currently, mobile homes more than 20 years old must be inspected prior to being moved into the Watertown City limits. In addition to this regulation, we recommend that the City consider a time of sale program.

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

- ▶ ***Operation Safe Mobile Home Park*** - Owners of substandard mobile homes are given the option of voluntarily selling their substandard mobile home to the City or an area housing agency for a fixed minimum price. The mobile homes are then removed from the park and demolished/salvaged. The owner can then use the funds from the sale to help purchase a new home. Mobile home dealerships have sometimes participated by buying the salvaged homes.
- ▶ ***Time of Sale Inspection Program*** - This inspection program is designed to provide safe living conditions through the identification and elimination of basic life/safety hazards in older mobile homes. Mobile homes are subject to inspection prior to their sale. All identified safety hazards must be corrected before the unit is sold and/or occupied.
- ▶ ***Cooperative/Land Trust*** - Some mobile home parks have created a cooperative or a land trust which enables the home owners to own the mobile home park land and facilities. This ownership often creates pride which results in a clean, safe park atmosphere.
- ▶ ***Acquisition of the Mobile Home Park*** - In some mobile home parks, a number of the mobile homes may be substandard or vacant, and the park may be on land that has a better use. In these situations, it may be advantageous to purchase the park and relocate the remaining tenants.

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

Findings: Watertown will need staff resources to plan and implement many of the housing recommendations advanced in this Study. Watertown has access to City staff, the Watertown Housing and Redevelopment Commission, Grow South Dakota, First District Association of Governments, Habitat for Humanity of Greater Watertown Region, Inc., Inter-Lakes Community Action Partnership, and possibly other organizations. Watertown also has direct access to the USDA Rural Development Service Center Office and the South Dakota Housing Development Authority.

Recommendation: The community has access to multiple agencies that can assist with addressing housing needs. It is our recommendation that the community work with the housing agencies to prioritize the recommendations of this Study and to develop a plan to address the City's 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 community to look for opportunities to work cooperatively with other area cities to address housing issues. With 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.

25. 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 Watertown, the Chamber of Commerce and other organizations have been active in promoting the City, including housing opportunities.

Recommendation: We recommend that the City of Watertown, the Watertown Chamber of Commerce and other organizations continue to promote and market housing in Watertown 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 internet, TV, radio, etc.)
- ▶ Work closely with employers (Watertown and the area) to provide employees (especially new employees) with housing opportunities in Watertown
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling and other housing programs
- ▶ Consider an annual Housing Fair that provides information on lots, builders, finance programs, etc. Developers, builders, lenders, realtors, public agencies and local businesses could participate
- ▶ Work with builders to make sure the construction of a new home is a very user friendly process

- ▶ Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the City a “full service” community
- ▶ Continue to provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Preserve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Continue to develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior with services, etc.
- ▶ Review the City’s policies and fees to assure that they are user-friendly, fair and receptive for developers, builders and households.
- ▶ Develop a coordinated housing plan with area housing agencies.

Watertown in Comparison to Other Cities

As part of the research for this Study, Watertown has been compared to other larger communities in eastern and central South Dakota, including Pierre, Mitchell, Yankton, Huron, Aberdeen, Brookings, Vermillion and Sioux Falls. Although the City of Sioux Falls has been included for comparison, it has not been used when ranking communities, based on its substantially larger size.

There are sources of comparative data from standardized sources. For demographic items such as population and household growth, the decennial U.S. Census has been used.

For information on household income, housing costs and age of housing, the best source is the Census Bureau's American Community Survey, which collects sample data within each community and then generates estimates from these samples. There can be a significant margin of error in these estimates, depending upon the specific variable being examined. However, the same methodology would be used in each city, so a standardized process is being followed.

American Community Survey data can be estimated from different samples. Estimates for larger communities, such as Sioux Falls, may be based on one-year or three-year surveys. In the demographic section for Watertown that was presented earlier, the 5-year American Community Survey estimates were used, based on surveys conducted between 2008 and 2012. For consistency, the following comparisons are all based on five-year surveys within each community.

Population Change 2000 to 2010

Table 40 Comparison of Population Change - 2000 to 2010			
City	Numeric Change 2000 to 2010	Percentage Change 2000 to 2010	Rank 1 = Highest % Growth
Watertown	1,245	6.2%	4
Aberdeen	1,433	5.8%	6
Brookings	3,552	19.2%	1
Huron	699	5.9%	5
Mitchell	696	4.8%	7
Pierre	-230	-1.7%	8
Vermillion	806	8.3%	2
Yankton	926	6.8%	3
Sioux Falls	29,913	24.1%	N/A

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

The City of Watertown outperformed some of the comparison cities for population growth from 2000 to 2010, ranking fourth of the eight comparison communities for percentage growth.

Brookings, Vermillion and Yankton experienced a higher rate of population growth. As locations for major state universities, the population growth in Brookings and Vermillion may have been due in part to an enrollment increase. Also, some of the population growth in Yankton was due to an increase in group quarters residents, including residents of correctional facilities. Thus, some of Yankton’s growth grew by adding non-traditional population groups.

With regard to numeric population growth, only Brookings and Aberdeen experienced more growth than Watertown. Only the City of Pierre lost population over the past decade. Development patterns in that area have resulted in many homes being constructed outside of the city limits, taking advantage of rural settings and river views. Watertown also has some growth occur outside of the city limits that would not be reflected in the table above.

Household Change 2000 to 2010

Table 41 Comparison of Household Change - 2000 to 2010			
City	Numeric Change 2000 to 2010	Percentage Change 2000 to 2010	Rank 1 = Highest % Growth
Watertown	893	10.6%	2
Aberdeen	865	8.2%	5
Brookings	1,188	17.0%	1
Huron	155	2.9%	8
Mitchell	575	9.4%	4
Pierre	211	3.8%	7
Vermillion	164	4.5%	6
Yankton	540	10.1%	3
Sioux Falls	11,976	24.1%	N/A

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

The City of Watertown outperformed most of the comparison cities for household growth from 2000 to 2010, ranking second for both percentage and numeric household increase.

Brookings led the group, with household growth of 17% during the decade. However, student renter household formation may have contributed to this high growth rate.

All of the comparison cities added households in the last decade.

Median Age in 2010

Table 42 Comparison of Median Age in 2010		
City	Median Age - 2010 Census	Rank 1 = Lowest Median Age
Watertown	36.6	4
Aberdeen	36.4	3
Brookings	23.5	2
Huron	39.8	7
Mitchell	36.8	5
Pierre	39.3	6
Vermillion	23.4	1
Yankton	40.4	8
Sioux Falls	33.6	N/A

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

The 2010 Census included a calculation of the median age for all residents. A higher median age is typically an indicator of both an older population, and fewer children within a community.

Watertown had the 4th highest median age of the comparison cities.

Vermillion and Brookings had the youngest medians, due to the large student populations in each of those communities.

All of the other comparison communities, excluding Sioux Falls, Brookings and Vermillion, had a median age between 36 and 41 years old.

Average Household Size in 2010

Table 43 Comparison of Average Household Size in 2010		
City	Average Household Size 2010 Census	Rank 1 = Highest Median Size
Watertown	2.28	2
Aberdeen	2.18	6
Brookings	2.29	1
Huron	2.27	3
Mitchell	2.16	8
Pierre	2.23	4
Vermillion	2.21	5
Yankton	2.17	7
Sioux Falls	2.40	N/A

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

The calculation of average household size was included in the 2010 Census. Watertown had a larger average household size than all of the comparison communities except for Brookings, at 2.28 persons. Similar to median age, a small average household size generally indicates an aging population, with many people living alone, as well as fewer children in the community.

Brookings had the largest average household size at 2.29 persons, although student households with multiple roommates may have impacted this calculation.

Mitchell, Watertown and Aberdeen all had an average that was below 2.20 persons per household.

Median Household Income in 2012

Table 44 Comparison of Estimated Median Household Income in 2012		
City	Median Income - 2012 ACS	Rank 1 = Highest Median Income
Watertown	\$43,815	4
Aberdeen	\$46,073	3
Brookings	\$41,468	6
Huron	\$40,533	7
Mitchell	\$43,557	5
Pierre	\$56,125	1
Vermillion	\$30,493	8
Yankton	\$48,966	2
Sioux Falls	\$51,882	N/A

Source: 2012 American Community Survey; Community Partners Research, Inc.

The American Community Survey issues estimates for the median income level for all households in each city. The most recent estimates are for 2012.

Watertown ranked as the fourth highest median income, at \$43,815. Pierre, Yankton and Aberdeen had higher median household income levels.

Pierre and Sioux Falls were the only cities that had a median household income above \$50,000 in 2012.

Vermillion had the lowest median income at \$30,493, but this may have been impact by the community’s relatively small size but large student population.

Median Home Value in 2012

Table 45 Comparison of Estimated Median Home Values in 2012		
City	Median Owner-Occupied Home Value - 2012 ACS	Rank 1 = Highest Median Value
Watertown	\$133,000	4
Aberdeen	\$133,200	3
Brookings	\$145,800	2
Huron	\$81,400	8
Mitchell	\$112,700	7
Pierre	\$151,900	1
Vermillion	\$128,600	5
Yankton	\$120,700	6
Sioux Falls	\$151,100	N/A

Source: 2012 American Community Survey; Community Partners Research, Inc.

The 2012 American Community Survey contains an estimated median value for owner-occupied houses in each city.

Watertown’s median home value ranked 4th among comparison communities, with a median of \$133,000. Values will often reflect the age, condition and quality of the unit, as well as demand.

The Cities of Pierre and Brookings had the highest median home values, at \$151,900 and \$145,800, respectively. These two cities were well above all of the other comparison communities.

The lowest median value was in Huron, at \$81,400. Huron was the only comparison city with a median value below \$110,000.

Percentage of Income Required for Home Ownership in 2012

Table 46 Comparison of Estimated Median Ownership Costs in 2012		
City	Median Percentage of Household Income Applied to Home Ownership Costs - 2012 ACS	Rank 1 = Lowest Median Percentage
Watertown	19.1%	T7
Aberdeen	19.1%	T7
Brookings	18.1%	4
Huron	14.9%	1
Mitchell	17.9%	3
Pierre	18.4%	5
Vermillion	19.0%	6
Yankton	16.9%	2
Sioux Falls	19.4%	N/A

Source: 2011 American Community Survey; Community Partners Research, Inc.

The American Community Survey collects information on household incomes as well as housing costs. An estimate is made of the median percentage of household income that is required for ownership costs.

Watertown and Aberdeen had the highest median percentage of income required for ownership, at 19.1%.

Huron had the lowest median percentage of income that was required for ownership at 14.9%, but Huron also had a median home value that was well below the level in the peer communities.

Median Gross Rent in 2012

Table 47 Comparison of Estimated Median Gross Rent in 2012		
City	Median Gross Rent - 2012 ACS	Rank 1 = Highest Median Rent
Watertown	\$608	3
Aberdeen	\$508	7
Brookings	\$644	1
Huron	\$488	8
Mitchell	\$577	4
Pierre	\$527	5
Vermillion	\$636	2
Yankton	\$516	6
Sioux Falls	\$703	N/A

Source: 2012 American Community Survey; Community Partners Research, Inc.

The 2012 American Community Survey contains an estimated median for gross rent (rent plus tenant-paid utilities) in each city.

Watertown’s median gross rent was third highest of the comparison cities, at \$608 per month. A higher rent structure may be based on the high demand for rental housing.

The highest median gross rent levels were in Brookings, at \$644 per month, and Vermillion at \$636 per month. Presumably student-generated demand has resulted in newer units and a higher rent structure in these communities.

Huron, Aberdeen and Yankton had the lowest median gross rents among the comparison communities.

Percentage of Income Needed for Rental Costs in 2012

Table 48 Comparison of Estimated Median Renter Costs in 2012		
City	Median Percentage of Household Income Applied to Gross Rent - 2012 ACS	Rank 1 = Lowest Median Percentage
Watertown	26.5%	5
Aberdeen	23.2%	2
Brookings	29.7%	7
Huron	22.3%	1
Mitchell	25.8%	4
Pierre	25.6%	3
Vermillion	41.1%	8
Yankton	28.6%	6
Sioux Falls	26.8%	N/A

Source: 2012 American Community Survey; Community Partners Research, Inc.

The American Community Survey collects information on household incomes as well as rental housing costs. An estimate is made of the median percentage of household income that is required for monthly rent. The goal of most affordable housing programs is to achieve a rent that requires less than 30% of household income. Only one comparison city, Vermillion required the median household to pay more than 30% of income for rental housing. However, Brookings was slightly below 30% of income at 29.7%.

Watertown was in the lower half of the comparison communities, with less income required for rental housing than most of the other comparison communities. In Watertown, the median percentage of household income that was applied to housing costs was 26.5% in 2012.

Huron had the most affordable rental housing, with less than 23.2% of income required for monthly rent.

Median Renter Household Income in 2012

Table 49 Comparison of Estimated Median Renter Income in 2012		
City	Median Income - 2012 ACS	Rank 1 = Highest Median Income
Watertown	\$23,842	5
Aberdeen	\$24,973	4
Brookings	\$23,633	6
Huron	\$29,688	1
Mitchell	\$28,454	2
Pierre	\$28,413	3
Vermillion	\$19,590	8
Yankton	\$19,944	7
Sioux Falls	\$31,595	N/A

Source: 2012 American Community Survey; Community Partners Research, Inc.

The American Community Survey issues estimates for the median income for all households in each city, based on owner or renter status. The most recent estimates are for 2012.

Watertown ranked as the fifth lowest renter median income, at \$23,842. Vermillion, Yankton and Brookings had lower median income levels for renter households.

Huron, Mitchell and Pierre had the highest median renter household incomes of the comparison cities, all above \$28,000.

Median Owner-Occupancy Household Income in 2012

Table 50 Comparison of Estimated Owner Household Income in 2012		
City	Median Income - 2012 ACS	Rank 1 = Highest Median Income
Watertown	\$54,770	7
Aberdeen	\$56,132	6
Brookings	\$64,605	3
Huron	\$54,092	8
Mitchell	\$62,585	4
Pierre	\$71,763	1
Vermillion	\$58,791	5
Yankton	\$66,610	2
Sioux Falls	\$69,681	N/A

Source: 2012 American Community Survey; Community Partners Research, Inc.

The American Community Survey issues estimates for the median income for all households in each city based on housing tenure. The most recent estimates are for 2012.

Watertown ranked as the second lowest median income for owner-occupants, at \$54,770.

Pierre had the highest median owner household income of the comparison cities, and was the only city above \$70,000.

Watertown and Huron were the only cities that had a median owner household income that was below \$55,000 in 2012.

Median Year Built: Owner-Occupancy Housing

Table 51 Median Year of Construction for Owner-Occupied Housing		
City	Median Year Built - 2012 ACS	Rank 1 = Newest Median
Watertown	1973	3T
Aberdeen	1965	6
Brookings	1979	1
Huron	1956	7
Mitchell	1966	5
Pierre	1974	2
Vermillion	1973	3T
Yankton	1968	4
Sioux Falls	1984	N/A

Source: 2012 American Community Survey; Community Partners Research, Inc.

The American Community Survey issues estimates for the median year of construction for owned and rented housing units.

Watertown, along with Vermillion, had the third newest housing among the comparison cities. The median year of construction for owner-occupied units was 1973.

Brookings had the newest housing stock, with a median year of construction at 1979 for owner-occupied units.

Huron had the oldest housing stock with 1956 as the median year of construction.

Median Year Built: Renter-Occupancy Housing

Table 52 Median Year of Construction for Renter-Occupied Housing		
City	Median Year Built - 2012 ACS	Rank 1 = Newest Median
Watertown	1977	2
Aberdeen	1969	6
Brookings	1979	1
Huron	1965	7
Mitchell	1970	5T
Pierre	1974	3
Vermillion	1972	4
Yankton	1970	5T
Sioux Falls	1984	N/A

Source: 2012 American Community Survey; Community Partners Research, Inc.

The American Community Survey issues estimates for the median year of construction for owned and rented housing units.

For rental housing, Watertown had the second-newest median age of the comparison communities. The median year of construction for renter-occupied units was 1977.

Brookings also had the newest rental housing, with a median year of construction at 1979 for renter-occupied units.

Huron had the oldest housing stock with 1965 as the median year of construction for rental units.

Agencies and Resources

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

Watertown Housing Authority

24 West Kemp
Watertown, SD 57201
(605) 886-7731
Contact: Mary Goldade, Executive Director

InterLakes Community Action Partnership

505 North Western Avenue
Sioux Falls, SD 57104
(605) 334-2808
Contact: Dana Whitehouse

First District Association of Governments

124 1st Avenue NW
Watertown, SD 57201
(605) 882-5115
Contact:

South Dakota Housing Development Authority

221 South Central Avenue
Pierre, SD 57501
(605) 773-3181
Contact: Mark Lauseng, Executive Director

USDA Rural Development

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

Habitat for Humanity of Greater Watertown Region, Inc.

P.O. Box 604
Watertown, SD 57201
(605) 844-0366

Grow South Dakota

414 3rd Avenue East

Sisseton, SD 57262

(605) 698-7654

Contact: Marcia Erickson

Homes Are Possible, Inc.

318 South Main

Aberdeen, SD 57401

(605) 225-4274

Contact: Jeff Mitchell, Executive Director