



Sioux Falls Housing Needs Assessment 2021

Conducted by
The Augustana Research Institute



AUGUSTANA RESEARCH INSTITUTE
AUGUSTANA UNIVERSITY
SIOUX FALLS, SOUTH DAKOTA

Suzanne Smith, Ph.D.
Grace Bucklin
Anna Olson
Charlotte Poppinga

Cover design by Charlotte Poppinga

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Executive Summary

Over the last decade, Sioux Falls has experienced rapid population growth, and that growth is expected to continue. Robust jobs growth will continue to attract newcomers to Sioux Falls. An adequate housing supply is key to recruiting and retaining workforce for continued economic growth. Given the local market's very high labor force participation and employment rates, attracting newcomers to the city will be necessary to meet workforce needs.

However, population growth is already putting pressure on the housing market to keep up with increasing demand. Apartment vacancy rates are very low despite record construction activity, and short supply combined with strong demand has led to a rapid escalation of home sales prices. In recent years, the cost of housing in Sioux Falls has begun to rise faster than incomes, making housing relatively less affordable.

Larger demographic trends will also affect the profile of housing demand. As Millennials age into their 30s and 40s, they are moving into the peak age for first time home buying; this large generation may increase demand for entry level homes at the same time construction costs are making it unrealistic to deliver detached single family homes at prices affordable to first time homebuyers. As Baby Boomers age into retirement, there may be increasing demand for smaller homes or rentals, as well as a need for accessible housing and housing that is affordable to retirees on fixed incomes.

Shelter is a fundamental human need, and housing is essential to the health and wellbeing of all. Beyond workforce concerns, it is important to understand housing needs across the income spectrum and across groups within the Sioux Falls community.

Sioux Falls has a significant housing gap for extremely low income households. Although this population segment is not expected to grow in absolute terms, the existing housing gap amounts to about 4,500 units; there are an estimated 28 units affordable and available for every 100 households below 30% of the area median family income. Due to this gap, the lowest income renters have the highest housing cost burden of any group in the city.

Though housing costs are rising for both renters and homeowners, asset tests and mortgage qualification generally mean that those who are able to purchase a home live in housing they can afford. People who struggle to afford a place to live end up in rental housing, and that housing may still be unaffordable or it may be undesirable in terms of location, amenities, or quality. In addition to a significant existing need for housing units affordable on an annual income under \$20,000, there is a growing need for units affordable to households with incomes in the \$20,000 to \$35,000 range. Housing cost burdens among this group have been steadily increasing over time.

Beyond cost concerns, community members and stakeholders raise quality and location concerns. There is a growing perception in the community that low income residents and affordable housing are concentrated in certain neighborhoods, including core neighborhoods near downtown and the eastside, and that much of this housing is poorly maintained. At the same time, developers report that NIMBYism prevents more widespread construction of multifamily developments and affordable housing. Additionally, data reveal racial disparities in homeownership rates and homelessness.

Certain groups have special difficulties finding and maintaining housing or navigating housing resources, including single parents, immigrants and people of color, people with

disabilities or living on fixed incomes, felons, people with poor credit, and people with mental health or substance use issues. In particular, community stakeholders and local data both indicate a need for permanent supportive housing for people with mental health or substance use issues.

Based on specific local needs identified in this report and a survey of best practices in affordable housing, this study recommends that the city--in collaboration with other community organization where appropriate--consider the following action areas:

- Lead, advocate, and inform. By taking a leadership role, city officials and elected representatives together can raise awareness and change the tenor of community conversations around housing.
 - Make the case for density to Sioux Falls residents.
 - Engage employers in conversations about workforce housing.
 - Become a regional and statewide leader and advocate for housing-friendly policies.
 - Spread the word about available housing programs and policies.
- Offer incentives to create and preserve supply. Market forces--rising demand and escalating prices--will spur construction, but not of units affordable to lower income households. Additional incentives, cost offsets, or supports will be necessary to increase production of affordable housing.
 - Remove unnecessary regulatory and zoning barriers to constructing housing affordably.
 - Create financial incentives for constructing affordable housing.
 - Expand programs to preserve affordable housing for renters and homeowners.
- Engage landlords to increase access to safe, quality rental housing. Seek collaboration with community organizations who already work closely with landlords and tenants.
 - Provide resources to support landlords in maintaining property.
 - Expand the pool of landlords willing to accept tenants regardless of source of income, criminal history, or poor credit.
 - Promote awareness of fair housing with educational opportunities.
- Build programs to support housing stability and expand housing options. In order to thrive, Sioux Falls residents need access to housing that is both stable and affordable when balanced against their other needs, which may include care for behavioral health problems, care for medical needs, transportation, food security, and childcare, among other things.
 - Expand rental counseling and eviction prevention services.
 - Encourage the development of permanent supportive housing, including options for people with mental health or substance use issues.
 - Contextualize housing access among other social needs, including transportation, food security, healthcare, and childcare.

Table of Contents

Executive Summary	2
Introduction	8
Section 1: Population Patterns and Projections	1
Key Findings	1
1.1 Demographic Patterns	4
1.2 Income and Employment Trends	11
1.3 Families and Children	20
Section 2: Housing Needs	24
Key Findings	24
2.1 Defining Affordability	29
2.2 Housing Tenure: Owners and Renters	32
2.3 New Housing Construction	41
2.4 Owner-Occupied Housing Detail	48
2.5 Rental Housing Detail	51
2.5.1 New Multifamily Construction	51
2.5.2 Current Rental Stock	53
2.5.3 Conventional Rentals	55
2.5.4 Tax Credit Properties	61
2.5.5 Subsidized rental housing	64
Housing Choice Voucher Waiting List	67
2.6 Affordability Gaps and Cost Burden	71
2.6.1 Affordability Gaps	71
2.6.2 Cost Burden	75
2.6.3 Housing Assistance	80
2.6.4 Homelessness	82
Coordinated Entry	85
Section 3: Populations of Special Concern	86
Key Findings	86
3.1 Families with Children	88
3.2 Formerly Incarcerated	90
3.3 Refugees and Immigrants	91
3.4 People with Disabilities	94
Section 4: The Geography of Affordable Housing	100
Key Findings	100
4.1 The Geography of Affordable Housing	101
4.2 Transportation	105

Section 5: Focus Group Results	108
Key Findings	108
5.1 Methodology	115
Instrument Development	115
Site Selection	115
Participant Recruitment	116
5.2 Participant Profile	116
Community Members	116
Stakeholders	117
5.3 The Search for Affordable Rentals	118
Short Supply of Rentals on the Market	118
Application Fees and Deposits	119
Affordable Quality Rentals	119
5.4 Workforce Housing for a Low Wage Workforce	120
Low Wages	120
Income Limits and Eligibility Cliffs	121
5.5 Interconnected Needs	123
Balancing a Budget	123
Medical Expenses	124
Transportation	124
Childcare	128
Safe Neighborhoods	129
5.6 Concentration and Quality Concerns	129
Property Maintenance and Landlord Accountability	129
Concentration: "I know the east side is known for that"	131
Lack of Choice in Location	132
NIMBYism	133
NOAH, Rehab, and Revitalization	135
5.7 Vulnerable Groups	137
Single Parents	137
Immigrants and People of Color	138
Fixed Income and People with Disabilities	139
Mental Health	139
Substance Use	140
Felons	141
Credit	142
Doubled Up, Overcrowded, or Unhoused	143
5.8 Section 8 and Housing Choice Vouchers	143
Housing Choice Vouchers	144
Project-Based	144
Larger Families	145
5.9 A Housing Hub Vision	145

Facebook and Online Search	146
211 and Sioux Falls Housing Are First Stops	146
Housing Hub	147
Public Awareness	148
Housing Navigators and Social Workers	149
Landlord - Tenant Rights	149
Referral Networks	150
5.10 COVID Assistance	151
COVID Support for Renters and Landlords	151
COVID Support Is Temporary	152
COVID Money Is an Opportunity to Invest in Housing	152
5.11 Home Buying: Prices and Demand	153
Population Growth Driven by Jobs	153
Prices Climbing	154
Will Single Family Be Affordable Again?	155
5.12 Homeowner Help	156
Homebuyer Assistance	156
Keeping Homeowners in Their Homes	157
5.13 Closing Market Gaps	158
Public Investment	159
LIHTC and HOME Aren't Enough	159
Permanent Supportive Housing	160
5.14 Increasing Density	162
5.15 Incentives	163
Targeted Incentives for Affordable Developments	164
Attach Strings, But Not Red Tape	165
Regulations and Roadblocks	166
Land, Lots, and Infrastructure	166
Tax Increment Financing (TIFs)	168
Continued Consultation with Developers and Builders	169
5.16 Advocacy and Leadership	170
Flexible Local Housing Fund	171
Regional Leadership	172
Public Opinion	173
Community Engagement	173
5.17 Building Workforce	173
5.18 Landlord Engagement and Education	174
Accountability	175
Fair Housing	177
Section 6: Sioux Falls in Comparison	178
Key Findings	178
6.1 Sioux Falls in Comparison	180

6.2 Demographic Comparison	181
6.3 Economic and Housing Comparison	184
Section 7: Summary of Key Findings and Projected Demand	191
1. Population Patterns and Projections	191
2. Housing Needs	193
3. Populations of Special Concern	197
4. The Geography of Affordable Housing	199
5. Focus Group Results	199
6. Sioux Falls in Comparison	205
7.1 Projected Demand	207
Section 8: Recommendations	209
1. Lead, Advocate, and Inform	209
Make the case for density to Sioux Falls residents.	209
Engage employers in conversations about workforce housing.	210
Become a regional and statewide leader and advocate for housing-friendly policies.	211
Spread the word about available housing programs and policies.	211
2. Offer Incentives to Create and Preserve Supply	212
Remove unnecessary regulatory and zoning barriers to constructing housing affordably.	212
Create financial incentives for constructing affordable housing.	215
Expand programs to preserve affordable housing for renters and homeowners.	217
3. Engage Landlords to Increase Access to Safe, Quality Rental Housing	218
Provide resources to support landlords in maintaining property.	219
Expand the pool of landlords willing to accept tenants regardless of source of income, criminal history, or poor credit.	220
Promote awareness of fair housing with educational opportunities.	222
4. Build Programs to Support Housing Stability and Expand Housing Options	222
Expand rental counseling and eviction prevention services.	223
Encourage the development of permanent supportive housing, including options for people with mental health or substance use issues.	223
Contextualize housing access among other social needs, including transportation, food security, healthcare, and childcare.	224
Appendix: Data and Methods	225

Introduction

The first five sections of this report look at affordable housing needs in Sioux Falls.

Section 1 summarizes population trends, demographic patterns, and projections, including population and household growth for the city of Sioux Falls and the four-county Sioux Falls Metropolitan Statistical Area (MSA). It documents income and employment trends and also includes a special analysis of demographic and income trends among families with children.

Section 2 quantifies current housing needs among renters and homeowners. It includes data on new single- and multifamily housing construction as well as estimates of the total housing stock of single-family homes and rental units, including conventional rentals, tax credit properties, and subsidized rental housing. It estimates the housing gap between the number of households at various income levels and the number of units available in corresponding price ranges. This section also quantifies the number of households with a housing cost burden and estimates the number of homeless adults, families, and children in Sioux Falls.

Section 3 outlines the housing needs for populations of special concern: families with children, the formerly incarcerated, refugees and immigrants, and people with disabilities.

Section 4 looks at the geography of affordable housing, including the relationship between housing's location, neighborhood income and poverty levels, and proximity to jobs. This section also explores transportation access for income-restricted affordable housing units.

Section 5 presents the results of a series of focus groups and interviews held with affordable housing stakeholders and with community members. It discusses their perceptions of affordability, awareness of available resources and how to access them, concerns and perceived barriers around housing access, and proposed solutions for meeting affordable housing needs in the community.

Following the examination of local affordable housing needs, Section 6 compares Sioux Falls to similar communities along a series of metrics, including population growth, income and employment, and housing affordability.

Section 7 summarizes the report's key findings and projects demand for housing over the next 5 years.

Finally, section 8 presents suggested approaches to address local affordable housing needs.

Section 1: Population Patterns and Projections

Key Findings

1.1 Demographic Patterns

In 2020, the city of Sioux Falls was home to an estimated 192,517 people and 78,405 households. Both population and household growth have been strong, outpacing national trends. Since 2010, on average, Sioux Falls has added about 3,863 people and 1,670 households each year. Within the four-count Sioux Falls Metropolitan Statistical Area (MSA), the jurisdictions outside the city of Sioux Falls have added about 985 people and 322 households annually.

Migration (both domestic and international combined) made up the largest component of population growth over the last decade, whereas just under half of net population growth was due to natural increase.

Although most age groups have increased in size, growth has been strongest among the 35 to 44 age range and 55 to 74 age range. Average household size has decreased in the city of Sioux Falls, from 2.40 in 2010 to an estimated 2.31 in 2019. At the same time, household composition in the city has changed: household growth has been driven by growth among families without children and single person households, which are now the largest and fastest growing household types in Sioux Falls.

Over the past decade, the rate of household growth in Sioux Falls has outpaced the rate of population growth. Nevertheless, in the city of Sioux Falls, overall housing vacancy rates fell from an already low 6.9% in 2010 to 6.1% by 2020, according to the decennial census. A lower vacancy rate can indicate tighter supply relative to demand.

Sioux Falls continues to grow more diverse. Between 2010 and 2020, the White population showed the largest growth in absolute terms, adding 18,570 people to reach a total of 152,142. However, in relative terms, this growth amounted to an increase of 13.9%, less than the citywide population growth rate of 25.1%. As a result, the proportion of Sioux Falls residents identifying as White decreased from 87% in 2010 to 79% in 2020. In 2020, the two largest racial groups, after White residents, were Black residents (12,190) and multiracial residents (11,838). Additionally, an estimated 12,269 residents (of any race) are Hispanic or Latino.

Current population estimates show strong population and household growth in the Sioux Falls area. Projections through 2026 estimate average annual household growth in Sioux Falls will remain strong, adding approximately 2,000 households per year. Household growth will remain strongest among Millennials (ages 35 to 44 by 2026) and Baby Boomers (ages 65+ by 2026).

1.2 Income and Employment Trends

Median income in Sioux Falls has remained steady over the last decade, but population growth has not been equally distributed across household income brackets. The number of households in upper income brackets (\$50,000 or more) has increased while the number of households in lower income brackets (less than \$50,000) has stayed relatively constant. This pattern is projected to continue through 2026.

Household income tends to be higher in the MSA than in the city of Sioux Falls, and it is higher among families than non-family households. In the city of Sioux Falls, median household income in 2019 was approximately \$59,912, compared to \$65,621 in the MSA as a whole. The estimated median family income was approximately \$79,533 in the city of Sioux Falls and slightly higher (\$82,404) in the MSA.

Income inequality is evident across different households and families in Sioux Falls. In general, income levels are higher among homeowners, families, and households headed by a working age adult (ages 25 to 64). Additionally, median household income varies significantly by race and ethnicity. In 2019, median income for White households was significantly higher than the overall median, whereas Black, American Indian, multiracial, and households headed by someone of some other race had median household income significantly below the overall median, as did Hispanic or Latino households.

In terms of unemployment and job growth, Sioux Falls continues to perform well, having returned to typical levels after a sharp rise in unemployment during the COVID-19 pandemic. Preliminary unemployment for June 2021 was reported at 2.9%. Until the pandemic, the Sioux Falls MSA had enjoyed a steady decline in the unemployment rate following the 2008 economic downturn, resulting in nearly half a decade of unemployment rates averaging less than 3%. Through 2026, projected job growth will be strongest in healthcare occupations but is not expected to change existing income dynamics. Income projections through the year 2026 continue to forecast stronger growth in the higher income ranges and a relatively static number of households in the lower income ranges. As a result, by 2026, households with incomes of \$100,000 or above are projected to increase from about 28% of Sioux Falls households to about 32%. Over the same period, the number of lower income households (less than \$50,000) is expected to decrease from about 39% of households in 2021 to about 35% in 2026.

1.3 Families and Children

Although the number of households without children is growing more rapidly than households with children, Sioux Falls is still home to a significant number of families with children. Approximately 30% of households (49% of family households) in Sioux Falls include one or more children under 18 years of age. In total, the city is home to about 44,005 children.

Families with children are more likely to experience financial hardship than families without children. In the city of Sioux Falls, an estimated 6.8% of families are below poverty: among those without children, the poverty rate is an estimated 3.3%, compared to a rate among families with children of 10.2%. Overall, about three-fourths of families below poverty in Sioux Falls have children living at home. Between 2010 and 2015, the poverty rate among children increased from 12.6% to 16.5%, but by 2019 it had returned to an estimated 12.3%.

Children's economic circumstances depend on a variety of factors, including family composition. In Sioux Falls, children living in a family headed by a single woman are about 8 times as likely to be below poverty as children living in a family headed by a married couple. In 2019, the median income for a married couple family with children was \$101,069, compared to \$31,019 for families with children headed by single women and \$42,680 for those headed by single men.

In Sioux Falls, 78% of the city's married couple families with children are dual earner families in which both parents work, and in nearly all (99%), at least one parent is employed. Most single parents are also employed: an estimated 80% of single women and

95% of single men with children are employed. Nevertheless, with only one earner, single-parent families have lower incomes, on average, than married couples.

1.1 Demographic Patterns

Both the city of Sioux Falls and the surrounding Metropolitan Statistical Area (MSA) continue to grow at around 2% annually. Between 2000 and 2010, the city averaged annual growth of 2.2%, a growth rate that was maintained between 2010 and 2020. During the same periods, the MSA grew at a slightly slower pace: 2.0% between 2000 and 2010 and 1.9% between 2010 and 2020.

Sioux Falls’s growth outpaces national trends. Compared to the United States as a whole, the city of Sioux Falls grew nearly two-and-a-half times as fast between 2000 and 2010 and nearly three-and-a-half times as fast between 2010 and 2020.

Population growth, 2000 - 2020

	2000 Census	2010 Census	% Change 2000-2010	2020 Census (Redistricting)	% Change 2010-2020
Sioux Falls	123,975	153,888	24.13%	192,517	25.10%
MSA	187,093	228,261	22.00%	276,730	21.23%
USA	281,421,906	308,745,538	9.71%	331,449,281	7.35%

Source: U.S. Census 2000 and 2010 Decennial Censuses and 2020 Redistricting Summary

Since 2010, Sioux Falls has added an average of 3,863 people each year. For the MSA as a whole, annual population growth has averaged 4,847, or about 984 people per year outside of Sioux Falls. During this period, growth in the city of Sioux Falls accounted for about 80% of MSA population growth.

Between 2010 and 2020, about 47% of the MSA’s net population growth was due to natural increase (births minus deaths). International and domestic migration accounted for the remaining increase. Domestic migration accounted for about 34% of the net population growth, and international migration accounted for the remaining 18%.¹

Household growth in Sioux Falls remains strong, with a boost in recent years as the population continues to grow and household sizes decrease. Between 2000 and 2010, the city added an average of 1,200 households annually. Since 2010, the pace of household growth in Sioux Falls has picked up to an average of about 1,670 households per year. In total, the city has added an estimated 16,698 households since 2010.

Household growth, 2000 - 2020

	2000 Census	2010 Census	% Change 2000-2010	2020 Census	% Change 2010-2020
Sioux Falls	49,731	61,707	24.08%	78,405	27.06%
MSA	72,492	89,297	23.18%	109,218	22.31%
USA	105,480,101	116,716,292	10.65%	126,817,580	8.65%

Source: U.S. Census 2000, 2010, and 2020 Decennial Censuses (Redistricting Summary)

¹ U.S. Census Bureau Population Estimates and Components of Change, Vintage 2020. Components of change do not sum to 100% due to rounding.

Housing unit growth, 2010 - 2020

Housing Units	2010			2020			% Change	
	Total Housing Units	Occupied Units	Vacant Units	Total Housing Units	Occupied Units	Vacant Units	% Change in Units	% Change Occupied Units
Sioux Falls city	66,283	61,707	4,576	83,504	78,405	5,099	25.98%	27.06%
MSA	95,862	89,297	6,565	116,263	109,218	7,045	21.28%	22.31%
USA	131,704,730	116,716,292	14,988,438	140,498,736	126,817,580	13,681,156	6.68%	8.65%

Source: U.S. Census 2010 and 2020 Decennial Censuses (Redistricting Summary)

Note: Occupied housing units are the equivalent of households, so the change in occupied housing units is the same as the change in households.

In the MSA as a whole, the total number of households grew by approximately 19,921 between 2010 and 2020, an average of about 1,992 households each year. Removing the impact of the city of Sioux Falls, the remainder of the MSA has added about 322 additional households each year. Overall, about 84% of household growth in the MSA has been within the city of Sioux Falls.

This pattern suggests a shift toward more concentrated household growth within the city rather than outlying areas of the MSA. Between 2000 and 2010, each year, the MSA added about 480 additional households outside the city limits, while the city of Sioux Falls added about 1,200. During that decade, the city of Sioux Falls accounted for about 71% of household growth in the MSA.

Compared to national trends, household growth in Sioux Falls has been especially robust since 2010. Between 2010 and 2020, Sioux Falls's rate of household growth was more than triple the national average.

The housing unit vacancy rate has also fallen over the last decade, both nationally and in the Sioux Falls area. Nationally, between 2010 and 2020, the vacancy rate fell from 11.4% to 9.7%. In the city of Sioux Falls, it fell from an already low 6.9% in 2010 to 6.1% by 2020. Sioux Falls MSA vacancy rates were similar, falling from 6.8% to 6.1%.² Some level of vacancy is natural and necessary for residential mobility. A lower vacancy rate can indicate tighter supply relative to demand.

² This vacancy rate, calculated from the Census Bureau's count of vacant units as a proportion of total housing units, includes vacant units for sale or rent as well as housing units that are not occupied but also not on the market (e.g., a home whose occupants have a primary residence elsewhere, or a property that is substantially complete but not yet for sale or occupied).

Since 2010, the rate of household growth in Sioux Falls has outpaced the rate of population growth. Faster growth in households is the result of decreasing household size. Between 2000 and 2010, the average household size in Sioux Falls stayed steady at 2.40 people per household, but from 2010 to 2019, it dropped to 2.31.

Average household size, 2000 - 2019

	2000 Census	2010 Census	% Change 2000-2010	2019 ACS	% Change 2010-2019
Sioux Falls	2.40	2.40	0.00%	2.31	-3.75%
MSA	2.50	2.48	-0.80%	2.43	-2.02%
USA	2.59	2.58	-0.39%	2.61	1.16%

Source: U.S. Census 2000 and 2010 Decennial Censuses and 2019 American Community Survey 1-year estimates, Table S1101

Since 2000, the average household size for the city of Sioux Falls has been consistently smaller than for the MSA. That pattern held through 2019, when average household size in Sioux Falls was 2.31 compared to 2.43 for the MSA. This pattern can be expected to continue as average household size declines more rapidly in the city than the surrounding MSA.

Household composition, Sioux Falls, 2010 - 2019

	2010 Census	2019 ACS	% Change 2010-2019	# Change 2010-2019
<u>Family households with children</u>				
Married couple with related children	12,894	14,130	9.59%	1,236
Single or cohabiting parent with related children	6,494	7,262	11.83%	768
Total families with related children	19,388	21,377	10.26%	1,989
<u>Family households without children</u>				
Married couple without children	15,153	18,455	21.79%	3,302
Other family without children	2,921	3,611	23.62%*	690*
Total families without children	18,074	22,066	22.09%	3,992
<u>Total family households</u>	37,462	43,443	15.97%	5,981
<u>Non-family households</u>				
Single person	18,887	23,203	22.85%	4,316
Two or more persons	5,358	5,645	5.36%*	287*
<u>Total non-families</u>	24,245	28,848	18.99%	4,603

*Not a statistically significant change

Source: U.S. Census 2010 Decennial Census and 2019 American Community Survey 5-year estimates, Tables DP02, S1101, and S2501

Between 2010 and 2019, the increase in Sioux Falls households was driven by growth among families without children and single person households. The number of families without children grew 22% and the number of single person households increased by 23%. Both groups outpaced growth among families with children, which increased by 10% during the same period. As a result, whereas in 2010, families with children outnumbered families without, by 2019 the two groups were roughly the same size.

Among married couple families specifically, the pattern was similar. In 2010, married couples without children outnumbered married couples with children by about 2,250 households; by 2019, that gap had grown to about 4,350 households.

Married couple families without children and single person households are now the largest and fastest growing household types in Sioux Falls. This trend may reflect delayed marriage and childbearing, decreased fertility, an increase in the number of older married couples whose children are grown, or a combination of these factors. It is consistent with the observed decrease in average household size.

A pattern of rapid household growth and shrinking household size has been observed in other communities. It is likely tied to changes in household composition just discussed as well as population changes in age structure, race, and income, discussed below. Household size and growth dynamics are relevant to housing: changes in the number of households drives housing unit demand more directly than overall population growth does, and changes in household size can alter demand for housing unit size, features, and amenities. The demographic changes underlying household changes may also indicate changing housing demands. For example, household size may decline due to a larger share of older adults who do not have children living at home, or due to a larger share of younger adults who are delaying (or forgoing) marriage or childbearing.

Population projections to 2026

City of Sioux Falls			Census / ARI			Esri		
2020 Est	2026 Projection	Average annual growth	2020 Census	ARI 2026 projection	Average annual growth	Esri 2021 Est	Esri 2026 projection	Average annual growth
195,850	220,450	4,100	192,517	220,142	4,600	188,711	205,598	3,377

Source: Sioux Falls Planning and Development, U.S. Census 2020 Redistricting Estimates, Esri, author's calculations

The Sioux Falls Planning and Development Department estimated the 2020 city population at 195,850, and reported average annual growth over the previous decade of 4,100. If that rate continues, using the city's base year population estimate, projected population by 2026 would be 220,450. Esri's forecast is more conservative, with projected annual growth of 3,377 for a 2026 city population of 205,598. Esri's projections were calculated before 2020 Census data were released; they are built on historical data that does not fully reflect faster growth in the most recent years. Based on 2020 Census estimates and historical growth trends, ARI projects average annual growth of 4,600, for a 2026 population of 220,142.

Households projections to 2026

Census / ARI				Esri		
2020 Census	ARI 2026 projection	Average annual growth		Esri 2021 Est	Esri 2026 projection	Average annual growth
78,405	90,495	2,015		76,041	83,074	1,407

Source: U.S. Census 2020 Redistricting Estimates, Esri, author's calculations

Since 2010, Sioux Falls has averaged annual household growth of 1,670, or an annual rate of 2.42%. Based on a 2020 estimate of 78,405 households, a steady growth rate would result in 90,495 households in 2026. Esri's projections for household growth are more

conservative, estimating fewer households in the base year (2021) and slower annual growth of 1,407 households, resulting in a projected 83,074 households in 2026. Esri's estimates assume a constant average household size of 2.4, contrary to evidence that average household size in Sioux Falls is on the decline.

According to age-based projections from Esri, about 28% of the net population increase in Sioux Falls between 2021 and 2026 will occur among younger adults, people who will be 25 to 44 years old by 2026. Another one-third (33%) will be among older adults, those aged 65 or older by 2026. Meanwhile, the city can expect slower growth for the segment of the population that will be 45 to 64 by 2026--only about 7% of total population growth will occur among that age group.

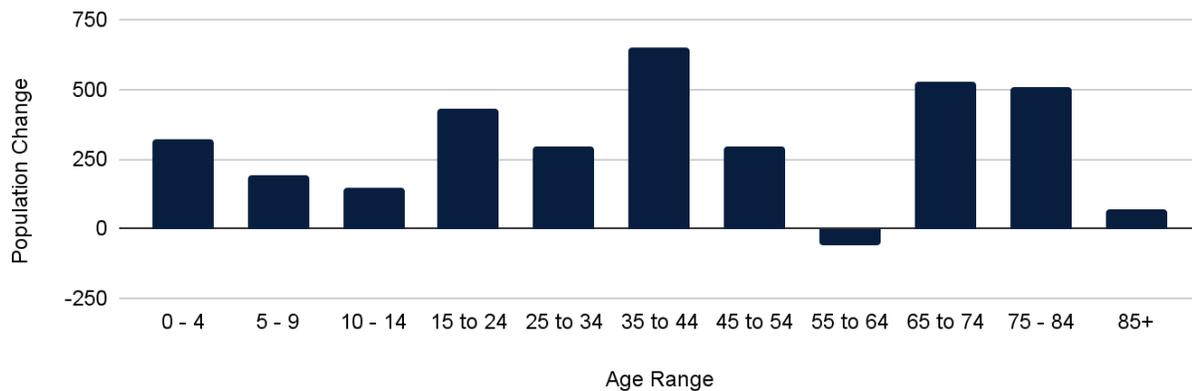
Sioux Falls population by age, 2010 - 2026

Age Range	Age Distribution			Average Annual Change	
	2010 Census	2021 Esri	2026 Esri	2010 to 2021	2021 to 2026
0 - 4	12,329	13,210	14,803	80	319
5 - 9	10,548	13,021	13,981	225	192
10 - 14	9,447	12,832	13,570	308	147
15 to 24	21,973	24,155	26,317	198	432
25 to 34	25,869	28,118	29,606	204	298
35 to 44	19,843	26,986	30,223	649	647
45 to 54	20,972	20,947	22,410	-2	293
55 to 64	16,111	21,890	21,588	525	-61
65 to 74	8,364	15,852	18,504	681	530
75 - 84	5,702	7,737	10,208	185	509
85+	2,730	3,774	4,112	95	68
Total	153,888	188,711	205,599	3,166	3,378

Source: U.S. Census 2010 Decennial Census, Esri

Overall, Sioux Falls can expect to see about 4,725 additional people in the 25 to 44 age range by 2026, and an additional 5,535 aged 65 or older. Population growth among the younger cohort may increase demand for starter homes, while growth among the older cohort increases demand for housing for seniors.

Sioux Falls projected population change by age, 2021 - 2026



Source: U.S. Census 2010 Decennial Census, Esri

In Sioux Falls, population growth has occurred across all racial groups (except the Native Hawaiian and Other Pacific Islander category, with which very few Sioux Falls residents identify). However, growth has not been evenly distributed across races. In numeric terms, the White population showed the largest growth, adding 18,570 people between 2010 and 2020. However, in relative terms, this increase only represented a 13.9% increase, less than the citywide population growth rate of 25.1%. As a result, the proportion of Sioux Falls residents identifying as White decreased from 87% in 2010 to 79% in 2020.

In total in 2020, approximately 21% of all Sioux Falls residents identified with a race other than White, an increase from 13% in 2010.

Sioux Falls population estimates by race, 2010 - 2020

	2010 Census	2020 Census (Redistricting Summary)	Numeric Change	Percentage Change
White	133,572	152,142	18,570	13.9%
Black or African American	6,494	12,190	5,696	87.7%
American Indian and Alaska Native	4,092	5,279	1,187	29.0%
Asian	2,743	5,318	2,575	93.9%
Native Hawaiian and Other Pacific Islander	131	74	-57	-43.5%
Some other race	3,021	5,676	2,655	87.9%
Two or more races	3,835	11,838	8,003	208.7%
Total	153,888	192,517	38,629	25.1%

Source: U.S. Census 2010 Decennial Census and 2020 Census Redistricting Summary File
 Note: In 2020, the Census changed its approach to asking, processing, and coding the two questions about race and ethnicity. As a result, caution should be used in making direct comparisons between 2010 and 2020, especially with regard to the "Two or more races" category. Changes in racial distribution may be due in part to differences in method as well as to actual demographic change.

Between 2010 and 2020, the number of Black, American Indian, Asian, and multiracial residents increased more rapidly than the number of White residents, as did the number of people who identify with some other race. The Black population increased by about 5,696 people, from 6,494 to 12,190--an 87.7% increase. During the same period, the American Indian population grew by an estimated 1,187 people, from 4,092 to 5,279, an increase of 29.0% over the decade. The Asian population increased by an estimated 2,575 people, from 2,743 to 5,318--a 93.9% increase. The population that identifies with some other race grew by 2,655 people, an increase of 87.9%. And the multiracial population, those who identify with two or more races, grew by about 8,003, from 3,835 in 2010 to 11,838 in 2020--a 208.7% increase.

In both 2010 and 2020, Black residents made up the largest racial minority group in Sioux Falls, followed closely in 2020 by multiracial residents. According to the American Community Survey, as of 2019, approximately 36% of the city's Black population was born in the United States, while about 64% was foreign-born (2015-19 5-year estimates, Table B16005B). This is a higher proportion of foreign-born residents than in 2010, when an estimated 45% of Black residents were foreign-born (2006-10 5-year estimates, Table B16005B). This data would be consistent with a growing population of international immigrants to Sioux Falls over the past decade. Note that foreign-born residents may have immigrated directly to Sioux Falls or may be secondary migrants who relocated to Sioux Falls after first immigrating to a different U.S. community.

Additionally, an estimated 6.4% of Sioux Falls residents identify as Hispanic or Latino, an increase from 4.4% in 2010. Between 2010 and 2020, the Hispanic/Latino population grew at about three-and-a-half times the rate of the rest of the population, increasing by about 79.7% compared to 22.6% for the non-Hispanic/Latino population.

Sioux Falls population by ethnicity, 2010 - 2020

	2010 Census	2020 Census (Redistricting Data)	Numeric Change	Percentage Change
Hispanic or Latino (of any race)	6,827	12,269	5,442	79.7%
Not Hispanic or Latino	147,061	180,248	33,187	22.6%
Total	153,888	192,517	38,629	25.1%

Source: U.S. Census 2010 Decennial Census and 2020 Redistricting Summary File

In 2019, an estimated 66% of Sioux Falls's Hispanic or Latino residents were born in the United States, while the remaining 34% were foreign-born (2015-19 American Community Survey 5-year estimates, Table B16005I). Whereas the Black population in Sioux Falls is increasingly composed of immigrants to the United States, the Hispanic or Latino population is predominantly made up of people who were born in this country.

For the most part, household growth patterns reflect overall population changes. Between 2010 and 2019, White households increased by about 8,200, or 15%. This rate is lower than the citywide rate of household growth (17%) due to the more rapid increase in households of other races.

As is the case with the city's population growth, Sioux Falls household growth was especially rapid among households headed by Black, Asian, or multiracial householders. Black householders increased about 85% between 2010 and 2019, while Asian householders increased by 67% and multiracial householders increased by 75%.

Sioux Falls household estimates by race, 2010 - 2019

	2010 Census	2019 ACS	Numeric Change	Percentage Change
White	56,503	64,708	8,205	14.52%
Black or African American	1,875	3,465	1,590	84.80%
American Indian and Alaska Native	1,055	931	-124	-11.75%
Asian	800	1,334	534	66.75%
Native Hawaiian and Other Pacific Islander	38	7	-31	-81.58%
Some other race	775	692	-83	-10.71%
Two or more races	661	1,154	493	74.58%
Total	61,707	72,291	10,584	17.15%

Source: U.S. Census 2010 Decennial Census and 2015-19 American Community Survey 5-year estimates, Table B11001

Likewise, the number of households headed by Hispanic or Latino householders also grew more rapidly than the citywide average. Between 2010 and 2019, Hispanic or Latino households in Sioux Falls increased by about 52%.

Sioux Falls household estimates by ethnicity, 2010 - 2019

	2010 Census	2019 ACS	Numeric Change	Percentage Change
Hispanic or Latino (of any race)	1,704	2,582	878	51.53%
Not Hispanic or Latino	60,003	69,709	9,706	16.18%
Total	61,707	72,291	10,584	17.15%

Source: U.S. Census 2010 Decennial Census and 2015-19 American Community Survey 5-year estimates, Table B11001I

1.2 Income and Employment Trends

In 2019, the American Community Survey estimated median household income in Sioux Falls at \$59,912. Median household income for the MSA as a whole was higher at \$65,621. Note that median income represents the midpoint for all households: half of the households have higher incomes, and half have lower.

Median household and family income, Sioux Falls and MSA, 2019

	Median Household Income	Median Family Income
Sioux Falls	\$59,912	\$79,533
MSA	\$65,621	\$82,404

Source: American Community Survey 2006-10 and 2015-19 5-year estimates, Table S1901. Estimates are in inflation-adjusted 2019 dollars.

Median family income in both the city and MSA was slightly higher than the household median. In the city of Sioux Falls, 2019 median family income was \$79,533; for the MSA, it was \$82,404. Families are a subset of households that, by definition, include two or more related individuals and exclude people living alone. As a result, median family income tends to be higher than the household median, and data are consistent with this trend.

Between 2010 and 2019, real median income (adjusted for inflation) was steady for the city of Sioux Falls and increased slightly for the MSA as a whole.

Real median household income, 2010 - 2019 (in 2019 inflation-adjusted dollars)

	2010	2010 (adjusted to 2019 dollars)	2019
Sioux Falls	\$50,727	\$58,926	\$59,912
MSA	\$54,183	\$62,941	\$65,621

Source: American Community Survey 2006-10 and 2015-19 5-year estimates, Table S1901

Between 2010 and 2019, population growth in Sioux Falls has not been equally distributed across household income brackets. Rather, the number of households in upper income brackets (\$50,000 or more) has increased while the number of households in lower income brackets (less than \$50,000) has stayed relatively constant.

Household income distribution, Sioux Falls, 2010 - 2019

Annual Income	Households 2010	Households 2019	Change	% Change
Less than \$15,000	6,193	6,329	136*	2.20%*
\$15,000 - \$24,999	6,463	5,976	-487*	-7.54%*
\$25,000 - \$34,999	7,072	7,723	651*	9.21%*
\$35,000 - \$49,999	9,723	9,524	-199*	-2.05%*
\$50,000 - \$74,999	12,603	13,735	1,132	8.98%
\$75,000 - \$99,999	8,189	10,422	2,233	27.27%
\$100,000 - \$149,999	5,723	11,020	5,297	92.56%
\$150,000+	3,785	7,562	3,777	99.79%

*Not a statistically significant change

Source: American Community Survey 2006-10 and 2015-19 5-year estimates, Table B19001

The number of households with incomes of \$75,000 or more has grown especially rapidly, faster than the citywide rate of household growth. In 2010, about 17,700 or 30% of households had incomes of \$75,000 or more; by 2019, that number had increased to about 29,000 or 40% of households.

Meanwhile, the number of households with incomes of less than \$50,000 stayed essentially constant at about 29,500 households. As the total number of households in the city increased, lower income households made up a shrinking proportion of Sioux Falls households, from about 49% in 2010 to about 41% in 2019.

A similar pattern is evident for the MSA as a whole, which experienced growth in the number of higher income households, while the number of households in lower income ranges stayed relatively constant.

Household income distribution, MSA, 2010 - 2019

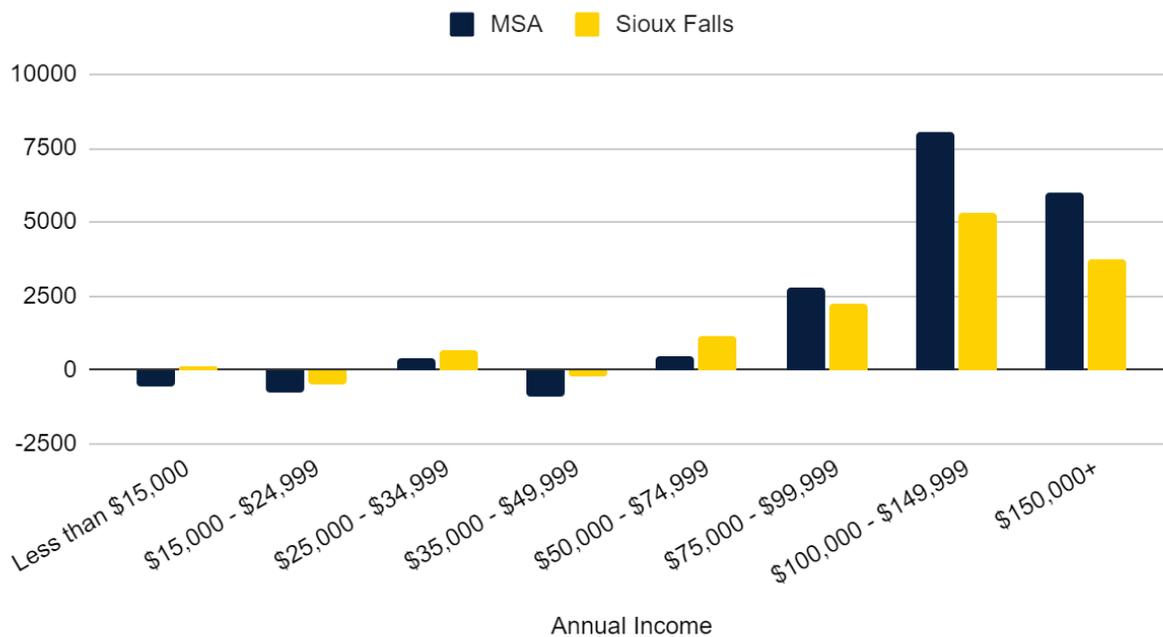
Annual Income	Households 2010	Households 2019	Change	% Change
Less than \$15,000	8,297	7,747	-550*	-6.63%*
\$15,000 - \$24,999	8,461	7,716	-745*	-8.81%*
\$25,000 - \$34,999	9,547	9,959	412*	4.32%*
\$35,000 - \$49,999	13,650	12,757	-893*	-6.54%*
\$50,000 - \$74,999	19,228	19,667	439*	2.28%*
\$75,000 - \$99,999	13,165	15,965	2,800	21.27%
\$100,000 - \$149,999	9,203	17,237	8,034	87.30%
\$150,000+	5,267	11,246	5,979	113.52%

*Not a statistically significant change

Source: American Community Survey 2006-10 and 2015-19 5-year estimates, Table B19001

In the MSA, from 2010 to 2019, the number of households with incomes of \$75,000 or more increased from about 27,500 to about 44,500, or from about 32% of all households to 43%.

Change in households by income, 2010 - 2019



Source: American Community Survey 2006-10 and 2015-19 5-year estimates, Table B19001

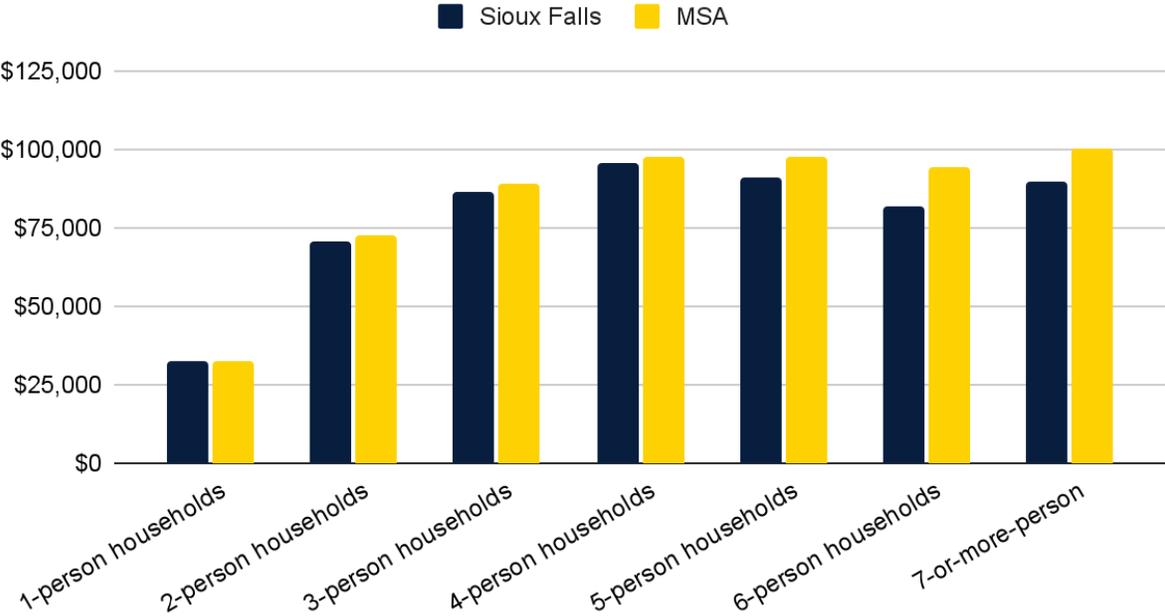
Household income varies with household size. One-person households, which necessarily have no more than a single earner, have the lowest median income. In Sioux Falls, median income for two-person households (\$70,682) is more than double that for one-person households (\$32,530). This is consistent with American Community Survey data that show the median family income for single-earner families was \$47,092 compared to \$92,994 for dual-earner families (2015-19 5-year estimates, Table B19121). The pattern is similar in the MSA as a whole.

Median household income by household size, 2019

	Sioux Falls	MSA
1-person households	\$32,530	\$32,661
2-person households	\$70,682	\$72,398
3-person households	\$86,225	\$88,769
4-person households	\$95,385	\$97,554
5-person households	\$91,113	\$97,460
6-person households	\$81,855	\$94,323
7-or-more-person households	\$89,659	\$100,513
Total (overall median):	\$59,912	\$65,621

Source: American Community Survey 2015-19 5-year estimates, Table B19019

Median household income by household size, 2019



Source: American Community Survey 2015-19 5-year estimates, Table B19019

Household income also varies by age. Households headed by working-age adults (ages 25 to 64) have the highest median incomes, whereas household income tends to be lower for both younger householders (under 25) and older (65 and older).

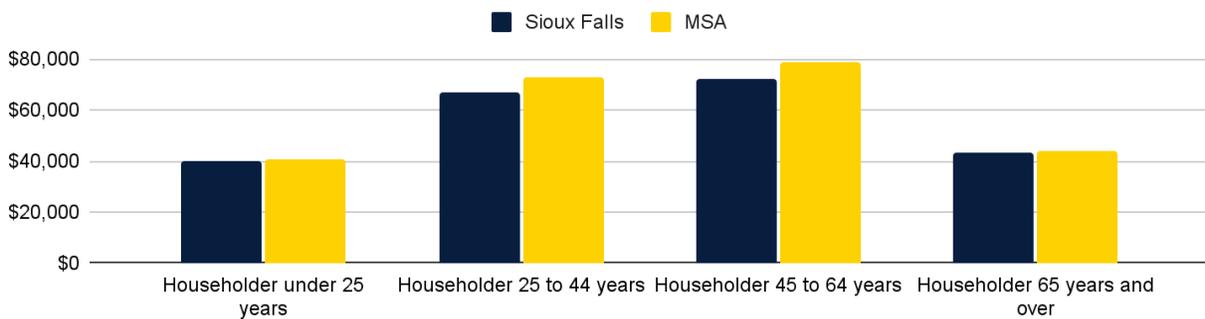
Median household income by age of householder, 2019

	Sioux Falls	MSA
Householder under 25 years	\$39,741	\$40,848
Householder 25 to 44 years	\$67,116	\$72,868
Householder 45 to 64 years	\$72,015	\$78,478
Householder 65 years and over	\$43,491	\$44,081
Total (overall median):	\$59,912	\$65,621

Source: 2015-19 American Community Survey 5-year estimates, Table B19049

In Sioux Falls in 2019, households headed by adults aged 45 to 64 have the highest median income at \$72,015. Adults in this age range are typically more experienced or advanced in their careers and have accordingly higher earnings. By comparison, early and mid-career heads of household, those aged 25 to 44, have slightly lower median household incomes at \$67,116. Households headed by young adults under the age of 25 have the lowest median income, at \$39,741. At the other end of the spectrum, income is also relatively low for households headed by retirement-age adults aged 65 or older. The median household income for these households was \$43,491

Median household income by age of householder, 2019



Source: American Community Survey 2015-19 5-year estimates, Table B19049

In Sioux Falls and the surrounding MSA, median household income varies significantly by race and ethnicity. In 2019, median income for White households was significantly higher than the overall median, whereas Black, American Indian, multiracial, and households headed by someone of some other race had median household income significantly below the overall median.

Median household income by race, 2019

	Sioux Falls	MSA
White	\$63,419	\$68,337
Black or African American	\$33,207	\$34,529
American Indian and Alaska Native	\$28,691	\$29,868
Asian	\$69,583*	\$68,750*
Native Hawaiian and Other Pacific Islander	**	\$31,118
Some other race	\$53,321	\$53,078
Two or more races	\$38,070	\$49,068
Total (overall median)	\$59,912	\$65,621

*Not significantly different from the total (overall median).

**Not reported due to small sample size.

Source: American Community Survey 2015-19 5-year estimates, Table B19013

In 2019 in Sioux Falls, the estimated median income for Black households was \$33,207; for American Indian households, median household income was \$28,691. Both were well below the citywide median of \$59,912.

Hispanic or Latino households in Sioux Falls also have lower median household income compared to White households and to the citywide median. However, when compared to Black, American Indian, and multiracial households, Hispanic households have higher median income.

Median household income by ethnicity, 2019

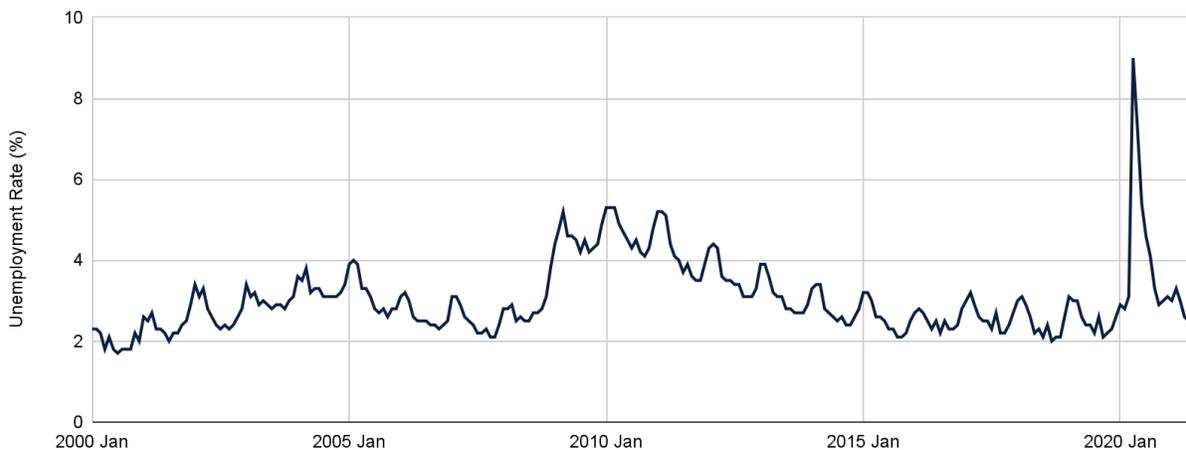
	Sioux Falls	MSA
Hispanic or Latino	\$52,016	\$51,959
White alone, Not Hispanic or Latino	\$63,872	\$68,794
Total (overall median)	\$59,912	\$65,621

Source: 2019 American Community Survey 5-year estimates, Table B19013

Hispanic or Latino households (of any race) in Sioux Falls had a 2019 median household income of \$52,016, about \$7,000 below the citywide median but \$19,000 above the median for Black households and \$23,300 above the median for American Indian households.

In terms of unemployment and job growth, Sioux Falls continues to perform well, having returned to typical levels after a sharp rise in unemployment during the COVID-19 pandemic.

Sioux Falls MSA Monthly Unemployment Rates, 1/2000 - 6/2021



Source: Bureau of Labor Statistics, Local Area Unemployment Statistics, Unemployment Rates for Metropolitan Areas, Not Seasonally Adjusted

Pandemic-related unemployment peaked in April 2020 at 9%, but had returned to 2.9% by October of that year. Preliminary unemployment for June 2021 was reported at 2.9%. Until the pandemic, the Sioux Falls MSA had enjoyed a steady decline in the unemployment rate following the 2008 economic downturn, resulting in nearly half a decade of unemployment rates averaging less than 3%. This drop in unemployment has come at the same time the labor force has grown: before the pandemic, in June 2019, the Sioux Falls MSA labor force was 156,623; by June 2021, it had grown to 164,122.

Compared to the United States as a whole, the Sioux Falls MSA unemployment rate is very low. In June 2021, the MSA was tied for 6th lowest unemployment rate among 389 ranked MSAs across the country. The 2.9% unemployment rate recorded that month was less than half the national rate of 6.1%.

Over half of employees in the Sioux Falls MSA work in one of the top five occupations: office and administrative support (15%), sales and related (10%), healthcare practitioners and technical occupations (10%), transportation and material moving (8%), or food preparation and serving (8%).

Employment by Occupational Group, Sioux Falls MSA, May 2020

Occupation	Employment	Annual Median Wage	Projected Annual Change (2016-2026)
All Occupations	153,530	\$39,050	1,435
Office and Administrative Support Occupations	22,690	\$35,390	62
Sales and Related Occupations	15,580	\$35,640	136
Healthcare Practitioners and Technical Occupations	14,960	\$59,320	199
Transportation and Material Moving Occupations	12,570	\$33,020	90
Food Preparation and Serving Related Occupations	12,300	\$23,080	160
Production Occupations	10,160	\$36,220	62
Business and Financial Operations Occupations	9,860	\$64,150	89
Construction and Extraction Occupations	7,980	\$41,370	77
Installation, Maintenance, and Repair Occupations	6,580	\$47,810	70
Educational Instruction and Library Occupations	6,300	\$42,830	63
Healthcare Support Occupations	5,230	\$29,670	53
Computer and Mathematical Occupations	5,190	\$68,780	55
Building and Grounds Cleaning and Maintenance Occupations	4,890	\$28,000	78
Management Occupations	4,760	\$106,880	59
Personal Care and Service Occupations	4,150	\$26,180	88
Community and Social Service Occupations	2,580	\$42,450	28
Protective Service Occupations	2,310	\$42,830	7
Arts, Design, Entertainment, Sports, and Media Occupations	2,060	\$41,870	15
Architecture and Engineering Occupations	1,570	\$68,750	22
Life, Physical, and Social Science Occupations	980	\$62,640	12
Legal Occupations	690	\$74,400	8
Farming, Fishing, and Forestry Occupations	140	\$31,230	0

Source: Bureau of Labor Statistics, Occupational Employment Statistics, May 2020 Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates

These occupational estimates are based on May 2020 employment, measured near the peak of COVID-19-related labor market disruption. Employment in occupations such as food preparation and serving may be especially subject to change as the local economy emerges from the pandemic.

The South Dakota Department of Labor and Regulation’s employment projections--compiled before the pandemic--suggest that, over the next five years, the bulk of employment

growth will be in healthcare, food preparation and serving, and sales. Strong growth is also expected in transportation and material moving, business and financial operations, and personal care.

Esri projects that median household income in Sioux Falls will increase over the next five years. The projected five-year increase is about 9.2%, or about 1.8% annually. This projection is fairly consistent with the rate of income growth over the previous decade, during which median household income grew at an annual average of about 2%.

Median household income projections, 2021 - 2026

	2021	2026	Percent Change
Median Household Income (Sioux Falls)	\$60,881	\$66,486	9.2%

Source: Esri

According to Esri’s projections, household growth will be concentrated in the upper income ranges. Between 2021 and 2026, Esri projects Sioux Falls will see an additional 5,653 households with incomes of \$100,000 or above; that segment of households is projected to increase from about 28% of Sioux Falls households to about 32%. Over the same period, Sioux Falls is projected to see about 2,200 more households in the \$50,000 to \$100,000 range, with households in that upper-middle income range remaining at about 33% of Sioux Falls households. The number of lower income households (less than \$50,000) is expected to decrease by about 818 households, resulting in a relative decrease in this segment as a proportion of all Sioux Falls households, from about 39% in 2021 to about 35% in 2026.

Projected income distribution of households in Sioux Falls, 2021 - 2026

Income	Number of Households 2021	Number of Households 2026	Total Change (2021 to 2026)
Less than \$15,000	5,861	5,726	-135
\$15,000 - \$24,999	5,937	5,892	-45
\$25,000 - \$34,999	7,916	7,967	51
\$35,000 - \$49,999	9,819	9,129	-690
\$50,000 - \$74,999	15,756	17,262	1,506
\$75,000 - \$99,999	9,515	10,208	693
\$100,000 - \$149,999	11,341	13,943	2,601
\$150,000+	9,895	12,947	3,052
Total households	76,041	83,075	7,034

Source: Esri, calculations by analyst

For affordable housing programs, eligibility typically depends both on household income and household size. Except in the case of very large households, affordable housing programs serving very low and extremely low income households (50% AMI or below) have income limits of below \$50,000 (based on HUD’s FY 2021 income limits). At that income range, projections indicate Sioux Falls will lose 818 households over the next 5 years, or about 163 per year. However, most of that change is expected to occur near the top of that income range, among households with incomes of \$35,000-\$49,999. The number of households

with incomes below \$35,000 will change only slightly, decreasing by an estimated 129 households by 2026, or about 25 households per year.

Affordable housing programs serving low income households (80% AMI or below) have income limits that, except in the case of large families, typically fall below \$75,000 (based on HUD’s FY 2021 income limits). In the \$50,000 to \$74,999 income range, Esri projects that Sioux Falls will add about 1,506 households over the next 5 years, or about 301 per year.

1.3 Families and Children

Although the number of households without children is growing more rapidly than households with children, Sioux Falls is still home to a significant number of families with children. Approximately 30% of households (49% of family households) in Sioux Falls include one or more children under 18 years of age. In total, the city is home to about 44,005 children (2015-19 American Community Survey 5-year estimates, Table S0901).

Families with children are more likely to experience financial hardship than families without children. In the city of Sioux Falls, an estimated 6.8% of families are below poverty: among those without children, the poverty rate is an estimated 3.3%, compared to a rate among families with children of 10.2%.

Poverty rate among families with and without children, Sioux Falls, 2019

	% below poverty level	Total families
Families with children	10.2%	22,316
Families with no children	3.3%	21,127
All families	6.8%	43,443

Source: 2015-19 American Community Survey 5-year estimates, Table S1702

Note: In 2019, the poverty threshold used by the Census was \$25,926 for a family of four. This number is similar to but not the same as the federal poverty guidelines set by the Department of Health and Human Services (HHS). In 2019, the HHS poverty guideline for a family of four was \$25,750.

The poverty rate among families with children is more than 3 times the rate among families without children. Overall, about three-fourths of families below poverty in Sioux Falls have children living at home.

The poverty threshold is set at a very low level relative to the typical standard of living, so it may underestimate the number of families facing economic hardship. In Sioux Falls in 2019, the average family size was 3, which would result in a poverty threshold of about \$20,500--roughly one-fourth of the median family income of \$79,553. Families may experience economic hardship at income levels above the poverty threshold. A commonly used alternative measure of the extent of economic hardship among families with children is the percentage of students eligible for free or reduced price meals. The income eligibility cut-off for free meals is 130% of the federal poverty guidelines; for reduced price meals, it is 185%.

Overall in Sioux Falls, an estimated 8,042 families (about 19%) had incomes at or below 185% of poverty in 2019 (2015-19 American Community Survey 5-year estimates, Table S1702). In the Sioux Falls School District, in the 2019-20 academic year, 49% of

elementary students, 44% of middle school students, and 36% of high school students were eligible for free or reduced price meals. In total, about 44% of all Sioux Falls School District students were eligible for free or reduced price meals.

Low-income school-age students eligible for free or reduced price meals, 2019-20

	Fall Enrollment (Total)	% eligible for free or reduced meals
Elementary	11,775	49.0%
Middle school	5,565	44.4%
High school	6,910	36.1%
Total	24,250	44.3%

Source: Sioux Falls School District 2019-20 Data Profile

Children’s economic circumstances depend on a variety of factors, including family composition. Children living with single parents are more likely to experience poverty and housing insecurity. In 2019 in Sioux Falls, the poverty rate among all families with children was 10.2%, but among married couple families with children, it was much lower at 3.4%, compared to a much higher rate among families headed by single women, whose poverty rate was 27.1%. In Sioux Falls, children living in a family headed by a single woman are about 8 times as likely to be below poverty as children living in a family headed by a married couple.

Family composition of households with children and percent below poverty, Sioux Falls, 2019

	All households with children	% below poverty
Married couple	14,522	3.4%
Single female	5,859	27.1%
Single male	1,935	6.0%
All families	22,316	10.2%

Source: 2015-19 American Community Survey 5-year estimates, Table S1702

Median income for married couple families is much higher than for families headed by a single adult. In Sioux Falls in 2019, the median income for a married couple family with children was \$101,069, compared to \$31,019 for families with children headed by single women and \$42,680 for those headed by single men.

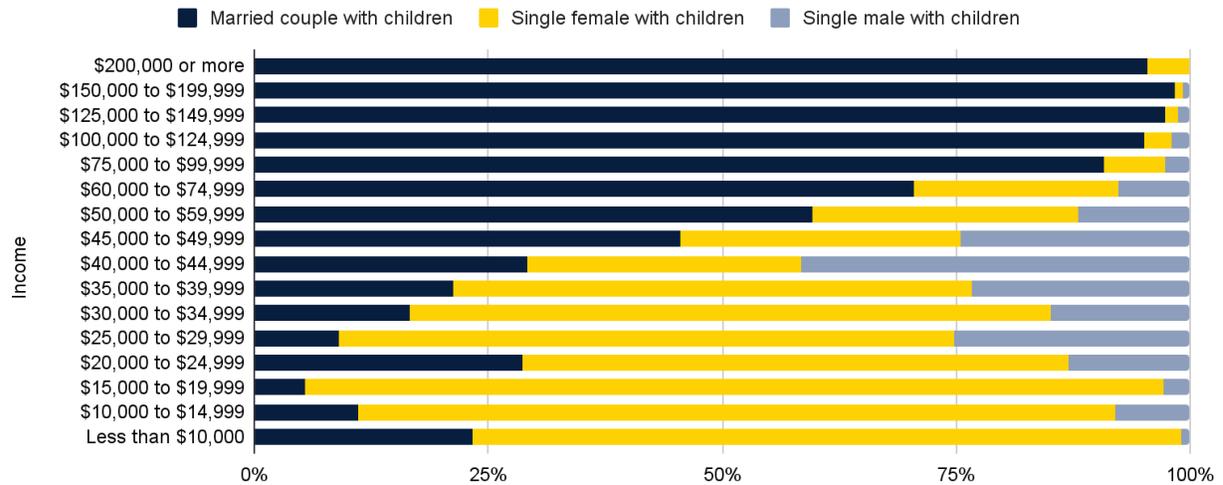
Median family income for households with children by composition, Sioux Falls, 2019

	Median income
Married couple	\$101,069
Single female	\$31,019
Single male	\$42,680

Source: 2015-19 American Community Survey 5-year estimates, Table B19126

As the following figure shows, among families with children, those headed by married couples make up the vast majority of families with annual income of \$50,000 or more, whereas families with income below \$50,000 are much more likely to be headed by a single parent.

Income level by family composition among families with children, Sioux Falls, 2019



Source: 2015-19 American Community Survey 5-year estimates, Table B19131

In large part, income differences among families are due to the fact that most married couple families in Sioux Falls are dual earner families. In 2019, among opposite-sex married couple families with children, 78% had both husband and wife employed, and in nearly all (99%), at least one parent was employed.

Employment status for families with children by composition, Sioux Falls, 2019

	Estimate	Percent employed
Families with children	21,372	
Opposite-sex married couple families with children	14,125	
Both employed	11,015	78.0%
One parent employed	2,903	20.6%
Single female with children	5,507	
Employed	4,420	80.3%
Single male with children	1,740	
Employed	1,646	94.6%

Source: 2015-19 American Community Survey 5-year estimates, Table B23007

Note: Households headed by a single adult include cohabiting adults who are not married. In some cases, an unmarried partner or a relative may contribute additional income to the family. Employment status in the table above includes people serving in the armed forces.

Most single parents are also employed: an estimated 80% of single women and 95% of single men with children are employed. Nevertheless, with only one earner, single-parent families have lower incomes, on average, than married couples.

Overall, economic hardship in Sioux Falls tends to be higher among families with children than those without, but it is concentrated among single parents, particularly single mothers.

Trend data suggest, however, that child poverty in Sioux Falls has decreased over recent years. After increasing between 2010 and 2015, both the number of children in poverty and the child poverty rate fell from 2015 to 2019. In 2019, an estimated 5,213 children were in poverty, about 12.3% of children in Sioux Falls.

Children below poverty, Sioux Falls, 2010 - 2019

	2010	2015	2019
Children below poverty	4,375	6,473	5,213
Total children	34,624	39,158	42,304
Child poverty rate	12.6%	16.5%	12.3%

Source: 2015-19 American Community Survey 5-year estimates, Table B05010

Section 2: Housing Needs

Key Findings

2.1 Defining Affordability

The United States Department of Housing and Urban Development (HUD) defines affordability as paying 30% or less of gross monthly income for housing costs. HUD sets income limits relative to household size and an area's median family income (MFI). Eligibility for most affordable housing programs begins at or below 80% MFI.

Overall, in the city of Sioux Falls, 29,905 households (43% of all households) have incomes at or below 80% MFI, making them potentially eligible for affordable housing programs. Although homeowner households outnumber renter households overall (42,280 versus 26,775), more renter households fall into lower income brackets. Whereas about 27% (11,245) of homeowner households have incomes at or below 80% MFI, among renter households, 70% (18,660) do. Based on household income levels, there is demand for about 1,995 owner-occupied units and 8,065 renter-occupied units at costs affordable at or below 30% MFI (e.g., at or below about \$663 for a 4-person household or \$434 for a single-person household).

In the Sioux Falls MSA in 2020, the annual median wage across all occupations was \$39,050, lower than the 50% MFI income limit for a 4-person household, and well below the 80% MFI income limit even for a single-person household. In other words, typical wages in the Sioux Falls area fall below the eligibility threshold for income-based affordable housing programs.

For a 4-person household to exceed an annual income of \$66,000 (the 80% MFI income limit for a 4-person household), a single earner would need an hourly wage of \$31.73, or dual earners would need to average full-time hourly wages of \$15.87.

2.2 Housing Tenure: Owners and Renters

In Sioux Falls, homeowners outnumber renters: In 2019, 43,832 (61%) of the city's housing units were owner-occupied. The remaining 28,459 (39%) were renter-occupied. Although growth in absolute terms has been about equal, the proportion of renter-occupied households has been increasing relative to owner households. Between 2010 and 2019, the number of renter households grew from 22,553 to 28,459, a 26% increase. Over the same period, the number of owner-occupied households grew from 37,198 to 43,832, an 18% increase.

Between 2010 and 2019, growth in owner-occupied households has been driven by older households, especially those aged 60 or older. Over that 9-year period, the city saw an estimated increase of 1,470 homeowner householders aged 60 to 74 and an increase of 2,511 aged 65 to 74. This trend is due in part to the aging of the population.

Among renter-occupied households, growth has been driven by younger householders. Between 2010 and 2019, Sioux Falls saw an estimated increase of 1,875 renter households aged 25 to 34 and an increase of 1,202 aged 35 to 44. Among young adults, renting is common: most households headed by someone under 25 are renters. Between the ages of 25 to 34, households are evenly split between owners and renters. As householders approach their late 30s and early 40s, homeownership becomes more common. Older householders--those age 35 or above--are more likely to be homeowners than renters.

Tenure and ownership also vary by race of the householder. In Sioux Falls, an estimated 64.6% of White householders own their own home, compared to 14.3% of Black householders and 18.9% of American Indian householders. Disparities in homeownership are partly due to economic differences (i.e., income and wealth gaps), as well as to legacies of discrimination, which fair housing efforts have been intended to rectify.

Although Sioux Falls has more homeowners than renters overall, renter households make up the majority of households in lower income ranges. About 63% of households with incomes below \$50,000 are renter-occupied.

Household composition also varies with housing tenure. Owner-occupied units are more likely to be home to a family (two or more related people living together), whereas renter-occupied units are more likely home to a nonfamily household (a single person living alone or unrelated people living together). In 2019, an estimated 73% of owner-occupied homes housed families, whereas 60% of renter-occupied homes housed nonfamily households. Owner-occupied homes are also more likely to be home to children. An estimated 34% of owner-occupied units are owned by households with children, compared to 25% of renter-occupied units.

2.3 New Housing Construction

Although the number of units permitted each year varies, from 2016 through 2020, the city has averaged 2,288 units per year.

Over the five year period from 2016 through 2020, the city permitted 11,439 new housing units: 5,991 multifamily and duplex units and 5,448 single-family and townhouse units. This total excludes 293 manufactured homes that were also placed in the city, but which are generally assumed to be replacement units rather than a net gain in housing.

Since 2013, the balance of new construction activity has shifted toward multifamily, and even within the single-family market, attached units are becoming more prevalent. Construction of single family homes and townhouses has been fairly steady, averaging 1,090 units permitted annually from 2016 through 2020; of those units, 36% have been attached units. Over the same period, multifamily construction reached an all-time high. In both 2016 and 2020, over 1,500 multifamily units were permitted. On average, from 2016 through 2020, Sioux Falls permitted 1,193 new multifamily units each year. By comparison, from 2011 through 2015, the city permitted an average of 737 multifamily units annually.

In 2021, Sioux Falls is on track to see a total of about 3,500 new units permitted, including 950 single family, 494 townhouse units, and 2,070 duplex or multifamily units. If these totals are achieved, they would represent all-time permitting highs across all categories.

2.4 Owner-Occupied Housing Detail

Within the single-family market, the construction of attached single-family units is increasing. Nevertheless, of existing owner-occupied housing stock in the city of Sioux Falls, most (84.6% or 37,086 units) is made up of single-unit, detached homes, while 5% owner-occupied homes (about 2,193 units) are mobile homes.

Over the last decade, median home value in Sioux Falls has increased at a modest pace, averaging about 2.25% per year through 2016. However, the rate of change has increased over the past few years. According to American Community Survey estimates, from 2018 to 2019, Sioux Falls home values jumped 9.7%. Sales data also reflect an upward trend: The

REALTOR Association of the Sioux Empire estimates that from July 2020 to July 2021, the 12-month median sales price increased by 10.8%, from \$221,000 to \$244,990.

2.5 Rental Housing Detail

Most of the recent housing construction in Sioux Falls has been in multifamily rental housing projects. During the 5-year period from 2016 through 2020, annual average construction of multifamily units was 1,193. This annual average is more than double the annual average from 2001 through 2015, and it is higher than annual construction totals for every year during that 15-year period.

Strong construction activity through 2016 led to a gradual rise in vacancy rates. In turn, construction began to taper off, dropping year over year in 2017, 2018, and 2019. More recently, Sioux Falls has entered a growth phase of the cycle: as vacancy rates once again turned down in 2019, new construction increased in 2020.

As a result of the city's robust household growth and a shift toward multifamily construction in recent years, the rental stock is composed of relatively newly constructed units. Over half (56%) of existing rental units were built since 1980. Older conventional rental units represent much of the moderate rent housing in the city; these older units are a type of naturally occurring affordable housing. As the balance of the rental inventory moves toward more recently constructed units, the supply of naturally occurring affordable rental housing can be expected to decline.

From 2010 to 2019, median gross rent in Sioux Falls increased 31%, averaging an increase of about 3.2% annually. Trends for the MSA appear similar. Taking units of all sizes together, in 2019, although half of the rental units in the city rent for less than \$827 (the overall median gross rent), only 29% rented for less than \$700, and only 16% rented for less than \$600.

An estimated 86% of rental units in Sioux Falls are conventional rental housing. This segment of the rental housing stock is market-driven and largely responds to normal supply and demand dynamics. Despite high levels of new construction, the vacancy rate for conventional rentals has been on a downward trend for the past couple years. In July 2021, the South Dakota Multi-Housing Association's rental vacancy survey recorded a 2.69% vacancy rate for conventional rentals in the Sioux Falls area, a continuation of a multi-year downward trend. It is also the lowest vacancy rate recorded by this survey since July 2012.

Additionally, Sioux Falls has about 4,000 units in tax credit properties, which offer a moderate rate rental option for households at 60% or less of median income. Tax credit properties are typically subject to an affordability period of between 15 and 40 years; while new tax credit projects are built each year, the number of units has increased only gradually as projects leave the program. By restricting availability based on income, tax credit properties create a supply of affordable housing set aside for low income renters. They also create a stock of rental units whose rent levels typically meet payment standards for rental subsidy programs such as Housing Choice Vouchers, helping to ensure that voucher holders can find a suitable unit to rent. However, tax credit properties themselves do not directly subsidize tenants' rent, and households at the lower end of income ranges or with other major expenses may find the rents unaffordable without additional subsidy (e.g., Housing Choice Vouchers).

Sioux Falls also has an estimated 1,256 subsidized housing units, which are supported by a variety of federal programs, including Section 202 which serves very low-income seniors, Section 811 which serves very low income people with disabilities, and project-based

subsidies that serve a more general population (Project Based Section 8, Mod Rehab, and Public Housing). Additionally, Sioux Falls has between 1,800 and 1,900 households receiving tenant-based rental assistance, which can be used in conventional or tax credit housing. Renters with either a project-based or tenant-based rent subsidy made up about 3,113 households, or about 11% of all renter households. Very high demand exists for subsidized housing. As of July 2021, there were 1,604 households on the waiting list for a Housing Choice Voucher.

2.6 Affordability Gaps and Cost Burden

This study finds a significant affordability gap for extremely low-income households, estimated at about 4,500 units. In 2019, Sioux Falls had an estimated 2,360 units with rent levels under \$500, compared to an estimated 6,803 renter households with annual incomes under \$20,000.

The supply of units in the more moderate rent ranges exceeds the number of moderate income renter households. At higher rent ranges, Sioux Falls has a large and growing number of rental units with rents between \$900 and \$1,249--about 7,425 units in 2019 compared to 4,359 in 2015. Growth of units in this rent range has overtaken the number of households whose incomes would put them in that range for affordable rents: whereas the city has about 7,425 units in that rent range, there are about 4,532 households with commensurate incomes.

At any rent range, many affordable units are absorbed by renter households that could afford to pay more for housing but instead opt to pay less than 30% of their income for housing. After accounting for units being rented by higher income households, Sioux Falls has just 28 affordable and available units for every 100 renter households at or below 30% MFI.

Owner-occupied housing is also becoming less affordable. In the city of Sioux Falls, the home value-to-income ratio (calculated with median home value in lieu of median sales price) has hovered around 3.0 since 2010, but since 2018 has begun a gradual climb. In 2019, the home value-to-income ratio in Sioux Falls was 3.6.

Households that cannot find affordable housing may crowd into housing without enough rooms, opt for substandard housing, or choose to incur a cost burden (that is, pay more than 30% of household income for housing). In 2019, an estimated 3.8% of renter households and 0.9% of homeowners in Sioux Falls were crowded, with more than 1 occupant per room. Cost burdens are more common: An estimated 37.4% of renters (10,014 households) and 14.3% of homeowners (6,060 households) are cost burdened, paying more than 30% of income toward housing costs. Some households direct more than half of their income toward housing costs: 18.3% of renters (4,910 households) and 5.0% of homeowners (2,135 households) have a housing cost burden over 50%.

While housing cost burden has stayed consistently higher for the lowest income renters and moderate to low for the highest income renters, for middle income renters--those with incomes between \$20,000 and \$35,000--housing cost burdens have climbed steadily. In 2010, about 45% of renters in this income range were cost burdened; by 2019, that proportion had risen to 73%. In 2019, an estimated 6,796 renters found themselves in this middle income range, representing about 24% of all renter households in Sioux Falls.

For Sioux Falls renters, household income of \$35,000 remains an important threshold: renter households with incomes above \$35,000 have an easier time finding housing they

can afford, while those with incomes below \$35,000 have an increasingly difficult time finding housing that is affordable.

Applications for rental assistance are an indicator of need. Minnehaha County Human Services reports a fairly consistent level of need, with around 4,000 applications for rental assistance each year over the past 5 years. In 2018, the Helpline Center reported that housing-related requests made up 9.2% of contacts, and in 2019, 8.75% of contacts. In 2020, housing-related needs made up as much as 20% of documented needs. That increase may have been driven by the COVID-19 pandemic.

Individuals and families who are unable to find affordable housing are at increased risk of homelessness. For the past five years, the annual point in time count of people experiencing homelessness has recorded over 300 people who are unsheltered or in emergency shelters on a single night in January. Results also show that, in Sioux Falls, people of color have a disproportionate risk of homelessness: in 2020, American Indians in Sioux Falls are 32.1 times as likely to experience homelessness as White residents (RR 32.1, 95% CI 28.3 - 36.0) , and Black residents are 5.1 times as likely (RR 5.1, 95% CI 1.2 - 9.0).

Results from Coordinated Entry System intake assessments indicate an unmet need for permanent supportive housing, a crucial intervention for highly vulnerable individuals and families.

2.1 Defining Affordability

The United States Department of Housing and Urban Development (HUD) defines affordability as paying 30% or less of gross monthly income for housing costs. For example, a family of four with an annual income of \$82,500 could afford to pay up to \$2,062 per month toward rent or a mortgage and utilities.

Many housing programs that aim to increase access to affordable housing base eligibility on income limits set annually by HUD. HUD sets income limits relative to household size and an area’s median family income (MFI). Eligibility for most affordable housing programs begins at or below 80% MFI. Generally, households earning 80% MFI or more are able to find housing they can afford on the open market.

In the case of Sioux Falls, HUD sets income limits and affordability standards based on median family income in the four-count Sioux Falls Metropolitan Statistical Area (MSA), which comprises Lincoln, McCook, Minnehaha, and Turner Counties.

For fiscal year (FY) 2021, HUD income limits were based on an MFI for Sioux Falls MSA of \$82,500. The table below shows HUD’s income limits by family size and percentage of MFI.

HUD income limits for the Sioux Falls MSA by household size, FY 2021

Income Limit Category (% MFI)	Persons in Family							
	1	2	3	4	5	6	7	8
Extremely Low (30%)	\$17,350	\$19,800	\$22,300	\$26,500	\$31,040	\$35,580	\$40,120	\$44,660
Very Low (50%)	\$28,900	\$33,000	\$37,150	\$41,250	\$44,550	\$47,850	\$51,150	\$54,450
Low (80%)	\$46,200	\$52,800	\$59,400	\$66,000	\$71,300	\$76,600	\$81,850	\$87,150

Source: HUD FY2021 Income Limits Documentation System, Sioux Falls, SD MSA

Note: The 30% MFI income limit is adjusted by HUD such that the federal HHS poverty guideline is used where a calculated 30% of MFI would fall below poverty. Slightly different limits are used for tax credit properties.

Conventionally, households at or below 30% MFI are referred to as extremely low income, those between 30% and 50% as very low income, and those between 50% and 80% as low income.

Using HUD’s standard, 30% of income is considered the *maximum* amount a family can affordably spend on housing. The table below shows the maximum amount that households at each income limit could afford to pay for housing, given that standard:

Affordable monthly housing costs by household size and percentage of MFI, Sioux Falls MSA, FY 2021

Income Limit Category (% MFI)	Persons in Family							
	1	2	3	4	5	6	7	8
Extremely Low (30%)	\$434	\$495	\$558	\$663	\$776	\$890	\$1,003	\$1,117
Very Low (50%)	\$723	\$825	\$929	\$1,031	\$1,114	\$1,196	\$1,279	\$1,361
Low (80%)	\$1,155	\$1,320	\$1,485	\$1,650	\$1,783	\$1,915	\$2,046	\$2,179

Source: Calculated by analyst. Affordable is defined as housing costs (including utilities) at or below 30% of gross monthly income.

Put another way, the table above shows the housing affordability threshold that housing programs should target in order to make housing affordable to a household of a given size within a given income limit category. For example, in order to be affordable to a four-person, extremely low income household (with income at or below 30% MFI), a housing unit's monthly cost must be less than \$663.

Consider the 30% affordability standard relative to hourly wages and their annual equivalents.

Annual and hourly wages with 30% affordable housing costs calculated

Annual Income	Hourly Wage	30% monthly
\$15,080	\$7.25*	\$377
\$19,656	\$9.45**	\$491
\$25,000	\$12.02	\$625
\$30,000	\$14.42	\$750
\$35,000	\$16.83	\$875
\$40,000	\$19.23	\$1,000
\$45,000	\$21.63	\$1,125
\$50,000	\$24.04	\$1,250

* Federal minimum wage ** South Dakota minimum wage effective January 1, 2021
Source: Calculated

At the current minimum wage of \$9.45 per hour, a full-time employee would earn about \$19,656 annually. Based on HUD's FY 2021 income limits, that employee could be eligible for housing programs serving very or extremely low income households: an annual income of \$19,656 is below the 50% MFI income limit for a single-person household and below the 30% MFI income limit for a household of 2 people.

Working full time at \$15 per hour, a single parent with two children would fall under the 50% MFI income limit for a 3-person household. If both parents worked full time at minimum wage, a married couple family with two children would likewise fall below the 50% MFI income limit for a 4-person household. For a 4-person household to exceed an annual income of \$66,000 (the 80% MFI income limit for a 4-person household), a single earner would need an hourly wage of \$31.73, or dual earners would need to average full-time hourly wages of \$15.87.

In the Sioux Falls MSA in 2020, the annual median wage across all occupations was \$39,050, lower than the 50% MFI income limit for a 4-person household, and well below the 80% MFI income limit even for a single-person household. In other words, typical wages in the Sioux Falls area fall below the eligibility threshold for income-based affordable housing programs.

Overall, in the city of Sioux Falls, 29,905 households (43% of all households) have incomes at or below 80% MFI, making them potentially eligible for affordable housing programs.

Sioux Falls (city) households by percentage of area median family income (MFI)

% of MFI	Owner-occupied		Renter-occupied		Total	
<= 30%	1,995	4.7%	6,070	22.7%	8,065	11.7%
30 to 50%	2,890	6.8%	5,135	19.2%	8,025	11.6%
50 to 80%	6,360	15.0%	7,455	27.8%	13,815	20.0%
80 to 100%	4,705	11.1%	2,895	10.8%	7,600	11.0%
> 100%	26,330	62.3%	5,220	19.5%	31,550	45.7%
Total	42,280	100.0%	26,775	100.0%	69,055	100.0%

Source: HUD Comprehensive Housing Affordability Strategy (CHAS), a special tabulation of 2013-17 American Community Survey 5-year estimates

Although homeowner households outnumber renter households overall (42,280 versus 26,775), more renter households fall into lower income brackets. Whereas about 27% (11,245) of homeowner households have incomes at or below 80% MFI, among renter households, 70% (18,660) do. Further, 23% (6,070) of renter households fall into the very lowest income bracket, with incomes equal to or less than 30% MFI.

The table above can be read as an indication of demand at different affordability levels. For example, there is demand for about 1,995 owner-occupied units and 6,070 renter-occupied units at costs affordable at or below 30% MFI (e.g., at or below about \$663 for a 4-person household or \$434 for a single-person household).

2.2 Housing Tenure: Owners and Renters

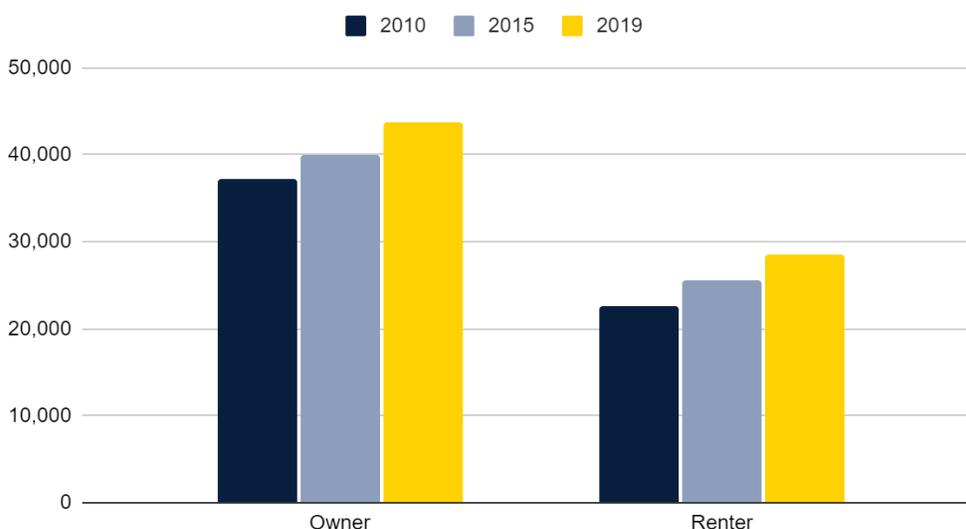
In Sioux Falls, homeowners outnumber renters: In 2019, 43,832 (61%) of the city's housing units were owner-occupied. The remaining 28,459 (39%) were renter-occupied.

Housing tenure in Sioux Falls, 2010 to 2019

	2010	2015	2019
Owner	37,198	39,976	43,832
Renter	22,553	25,562	28,459
Total occupied housing units	59,751	65,538	72,291

Source: 2015-19 American Community Survey 5-year estimates, Table DP04

Housing tenure in Sioux Falls, 2010 to 2019



Source: 2015-19 American Community Survey 5-year estimates, Table DP04

Between 2010 and 2019, Sioux Falls's household growth was fairly evenly split between renter- and owner-occupied households. During that period, the city added an estimated 5,906 renter-occupied households and 6,634 owner-occupied households. Averaged over 9 years, that equates to about 656 renter-occupied households and 737 owner-occupied households annually.

Although growth in absolute terms has been about equal, the proportion of renter-occupied households has been increasing relative to owner households. Between 2010 and 2019, the number of renter households grew from 22,553 to 28,459, a 26% increase. Over the same period, the number of owner-occupied households grew from 37,198 to 43,832, an 18% increase.

Between 2010 and 2019, growth in owner-occupied households has been driven by older households, especially those aged 60 or older. Over that 9-year period, the city saw an estimated increase of 1,470 homeowner householders aged 60 to 74 and an increase of 2,511 aged 65 to 74. This trend is due in part to the aging of the population.

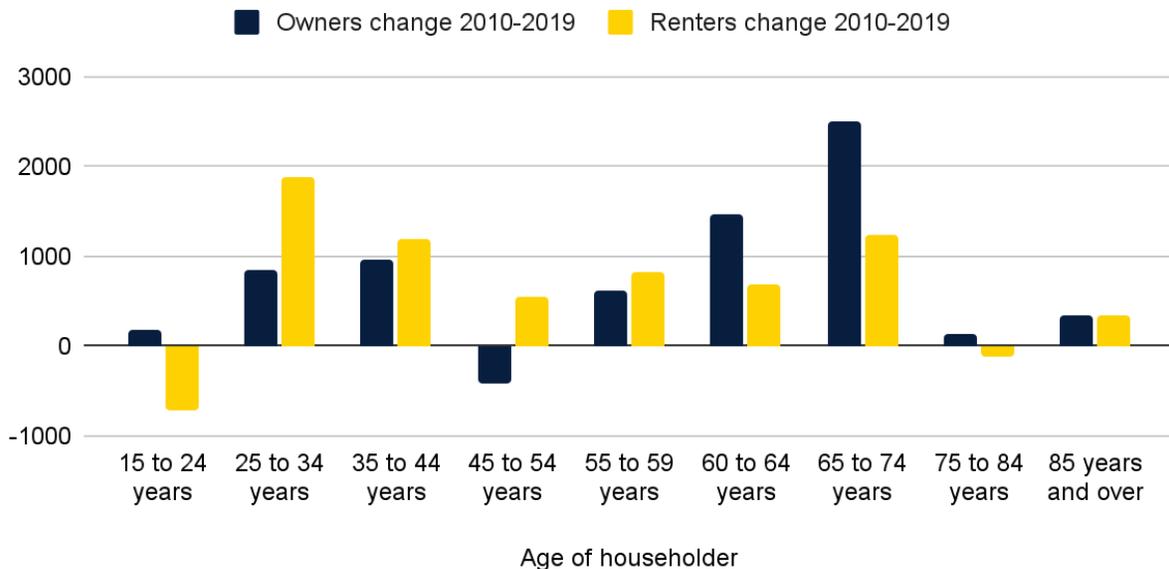
Households by tenure and age of householder, Sioux Falls, 2010 and 2019

Age of householder	Owners 2010	Owners 2019	Renters 2010	Renters 2019
15 to 24 years	693	873	4,378	3,673
25 to 34 years	6,543	7,380	6,103	7,978
35 to 44 years	7,474	8,434	3,676	4,878
45 to 54 years	8,471	8,047	3,146	3,703
55 to 59 years	4,205	4,822	990	1,817
60 to 64 years	2,741	4,211	768	1,447
65 to 74 years	4,032	6,543	1,132	2,372
75 to 84 years	2,432	2,579	1,389	1,275
85 years and over	607	943	971	1,316

Source: 2010 Census and 2015-19 American Community Survey 5-year estimates, Table B25007

Among renter-occupied households, growth has been driven by younger householders. Between 2010 and 2019, Sioux Falls saw an estimated increase of 1,875 renter householders aged 25 to 34 and an increase of 1,202 aged 35 to 44.

Change in the number of households by tenure and age of householder, Sioux Falls, 2010 - 2019

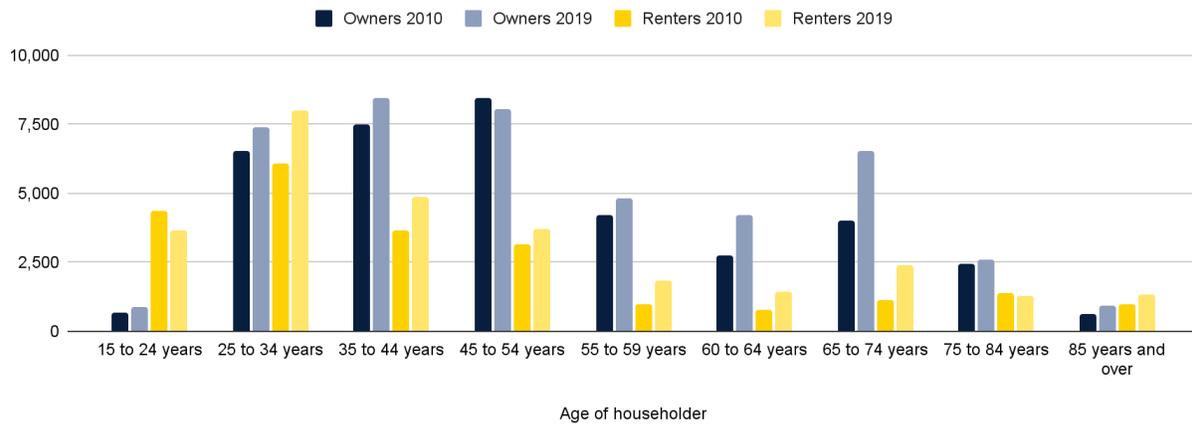


Source: 2010 Census and 2015-19 American Community Survey 5-year estimates, Table B25007

Overall, older householders are more likely to be homeowners than are younger householders. Among young adults, renting is common: most households headed by someone under 25 are renters. Between the ages of 25 to 34, households are evenly split between owners and renters. As householders approach their late 30s and early 40s,

homeownership becomes more common. Older householders--those age 35 or above--are more likely to be homeowners than renters. This reflects national trends, which peg the 30s as a prime age for transitioning to homeownership.

Housing tenure by age, Sioux Falls, 2010 and 2019



Source: 2010 Census and 2015-19 American Community Survey 5-year estimates, Table B25007

Tenure and ownership also vary by race of the householder. In Sioux Falls, an estimated 64.6% of White householders own their own home, compared to 14.3% of Black householders and 18.9% of American Indian householders.

Although race-based disparities in homeownership exist nationally, too, they are smaller than those observed in Sioux Falls. Nationally, an estimated 69.5% of White householders are homeowners, compared to 41.8% of Black householders and 54.3% of American Indian householders (2019 ACS 5-year estimates).

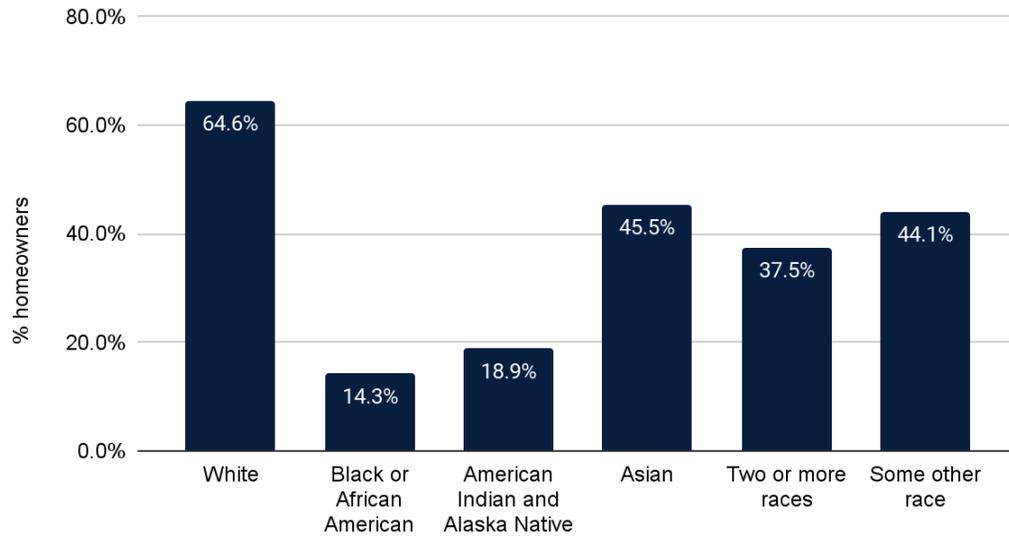
Housing Tenure and Homeownership Rate by Race, Sioux Falls, 2019

	Homeownership Rate	Owner-occupied Housing Units	Renter-occupied Housing Units
White	64.6%	41,816	22,892
Black or African American	14.3%	495	2,970
American Indian and Alaska Native	18.9%	176	755
Asian	45.5%	607	727
Two or more races	37.5%	433	721
Some other race	44.1%	305	387
Native Hawaiian and other Pacific Islander	**	**	**

Source: 2015-19 American Community Survey 5-year estimates, Table B25003

** Not shown due to small n.

Homeownership Rate by Race, Sioux Falls, 2019



Source: 2015-19 American Community Survey 5-year estimates, Table B25003

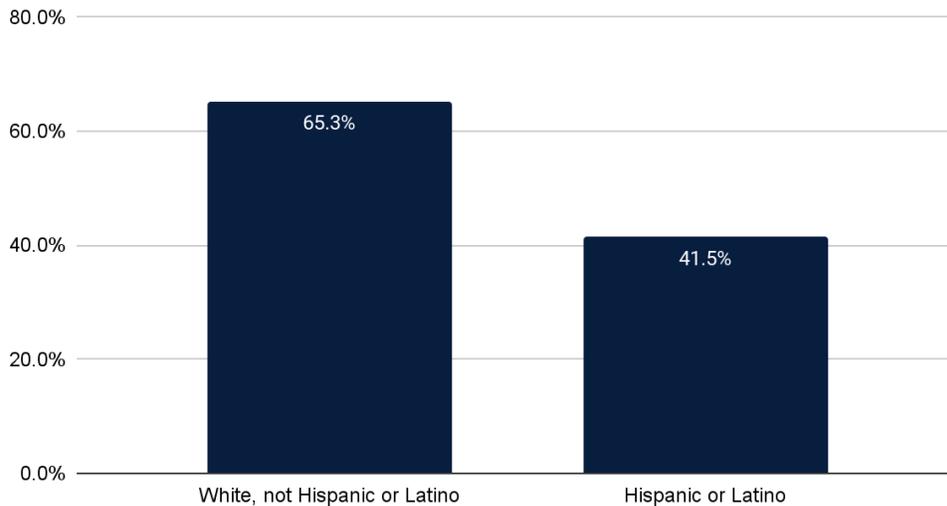
Disparities--albeit smaller--also exist in homeownership rates by ethnicity. In Sioux Falls, an estimated 65.3% of White, non-Hispanic householders own their own homes, compared to 41.5% of Hispanic or Latino householders. By comparison, nationally, an estimated 71.9% of White, non-Hispanic householders are owners, compared to 47.3% of Hispanic or Latino householders (2019 ACS 5-year estimates).

Housing Tenure and Homeownership Rate by Ethnicity, Sioux Falls, 2019

	Homeownership Rate	Owner-occupied Housing Units	Renter-occupied Housing Units
White, not Hispanic or Latino	65.3%	41,122	21,853
Hispanic or Latino	41.5%	1,072	1,510

Source: 2015-19 American Community Survey 5-year estimates, Table B25003

Homeownership Rate by Ethnicity, Sioux Falls, 2019



Source: 2015-19 American Community Survey 5-year estimates, Table B25003

Disparities in homeownership are partly due to economic differences (i.e., income and wealth gaps)--as well as to legacies of discrimination, which fair housing efforts have been intended to rectify.³ However, data suggest more work is needed.

Household composition also varies with housing tenure. Owner-occupied units are more likely to be home to a family (two or more related people living together), whereas renter-occupied units are more likely home to a nonfamily household (a single person living alone or unrelated people living together). In 2019, an estimated 73% of owner-occupied homes housed families, whereas 60% of renter-occupied homes housed nonfamily households.

³ For an overview of forces driving racial disparities in homeownership, see Michael Neal, Jung Hyun Choi, and John Walsh, "Before the Pandemic, Homeowners of Color Faced Structural Barriers to the Benefits of Homeownership," Urban Institute Housing Finance Policy Center Research Report, August 2020, available online at <https://www.urban.org/sites/default/files/publication/102781/before-the-pandemic-homeowners-of-color-faced-structural-barriers-to-the-benefits-of-homeownership.pdf>

Households by tenure and composition, Sioux Falls, 2019

	Owner-occupied	% of households	Renter-occupied	% of households
Total households	43,832	100%	28,459	100%
Nonfamily households	11,788	27%	17,060	60%
Family households (total)	32,044	73%	11,399	40%
Married-couple family:	27,128	62%	5,457	19%
With own children of the householder under 18 years	11,499	26%	2,631	9%
No own children of the householder under 18 years	15,629	36%	2,826	10%
Other family:	4,916	11%	5,942	21%
Male householder, no spouse present:	1,581	4%	1,519	5%
With own children of the householder under 18 years	913	2%	827	3%
No own children of the householder under 18 years	668	2%	692	2%
Female householder, no spouse present:	3,335	8%	4,423	16%
With own children of the householder under 18 years	2,022	5%	3,485	12%
No own children of the householder under 18 years	1,313	3%	938	3%

Source: 2015-19 American Community Survey 5-year estimates, Table B25115

Among family households, homeowners are more frequently married-couple families (62% of owner-occupied households compared to 19% of renter-occupied households).

Owner-occupied homes are also more likely to be home to children. An estimated 34% of owner-occupied units are owned by households with children, compared to 25% of renter-occupied units.

Households with children by tenure, Sioux Falls city, 2019

	Owner-occupied	%	Renter-occupied	%
Households with children	15,110	34%	7,206	25%
Total households	43,832		28,459	

Source: 2015-19 American Community Survey 5-year estimates, Table B25012

Renter-occupied units tend to house smaller households: in 2019, nearly half (47.4%) of renter households were made up of one person, compared to 22.1% of owner households. At the other end of the distribution, about one-fourth (25.4%) of owner households are made up of 4 or more people, compared to about 13.5% of renter households.

Distribution of household size by tenure, Sioux Falls city, 2019

	Owners	%	Renters	%
1 person	9,707	22.1%	13,496	47.4%
2 person	16,650	38.0%	7,981	28.0%
3 person	6,325	14.4%	3,131	11.0%
4 or more person	11,150	25.4%	3,851	13.5%
Total households	43,832		28,459	

Source: 2015-19 American Community Survey 5-year estimates, Table S2501

Although Sioux Falls has more homeowners than renters overall, renter households make up the majority of households in lower income ranges. Whereas homeowners make up the majority of households with annual incomes over \$50,000, renters make up the majority of households with incomes below \$50,000. In 2019, among households with an annual income below \$50,000, an estimated 18,553 were renting, compared to about 10,999 who owned their homes.

Household income by tenure, Sioux Falls city, 2019

Household income	All occupied housing units	%	Owner-occupied	%	Renter-occupied	%
Less than \$5,000	1,969	2.7	454	1	1,515	5.3
\$5,000 to \$9,999	1,465	2	355	0.8	1,110	3.9
\$10,000 to \$14,999	2,895	4	586	1.3	2,309	8.1
\$15,000 to \$19,999	2,667	3.7	798	1.8	1,869	6.6
\$20,000 to \$24,999	3,309	4.6	1,133	2.6	2,176	7.6
\$25,000 to \$34,999	7,723	10.7	3,005	6.9	4,718	16.6
\$35,000 to \$49,999	9,524	13.2	4,668	10.6	4,856	17.1
\$50,000 to \$74,999	13,735	19	8,092	18.5	5,643	19.8
\$75,000 to \$99,999	10,422	14.4	8,387	19.1	2,035	7.2
\$100,000 to \$149,999	11,020	15.2	9,370	21.4	1,650	5.8
\$150,000 or more	7,562	10.5	6,984	15.9	578	2
Median (\$)	\$59,912		\$82,881		\$36,629	

Source: 2015-19 American Community Survey 5-year estimates, Table S2503

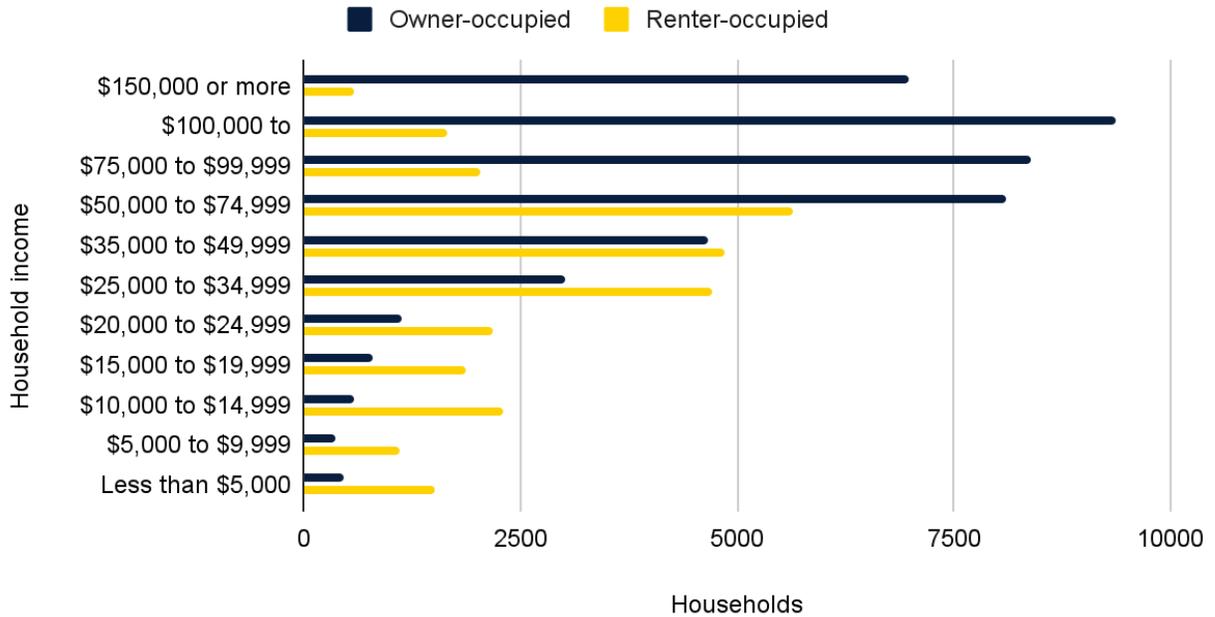
Put another way, although about 61% of all households in Sioux Falls are owner-occupied, at lower income ranges, the owner/renter proportions are reversed: about 63% of households with incomes below \$50,000 are renter-occupied.

Citywide, 2019 median household income for renters in Sioux Falls was \$36,629, compared to \$82,881 for homeowners. That means half of renter-occupied households in Sioux Falls have annual incomes below \$36,629.

There are also a number of renter households with higher incomes. However, owner-occupied households far outnumber renters at higher income levels. In Sioux Falls in 2019, an estimated 2,228 (8%) renter households had annual incomes of \$100,000 or

more. At that income level, Sioux Falls had an estimated 16,354 (37%) owner-occupied households.

Household income by tenure, Sioux Falls, 2019



Source: 2015-19 American Community Survey 5-year estimates, Table S2503

When it comes to monthly housing costs, patterns also differ among homeowners and renters. For most renters, monthly housing costs fall within a narrow range: about 84% of renter households in Sioux Falls have monthly housing costs of between \$500 and \$1,500. For homeowners, monthly housing costs vary more widely: while about half (56%) of homeowners have monthly housing costs between \$500 and \$1,500, 27% pay \$1,500 or more each month (versus 6% of renters) and 16% pay less than \$500 (versus 8% of renters).

Monthly housing costs by tenure, Sioux Falls, 2019

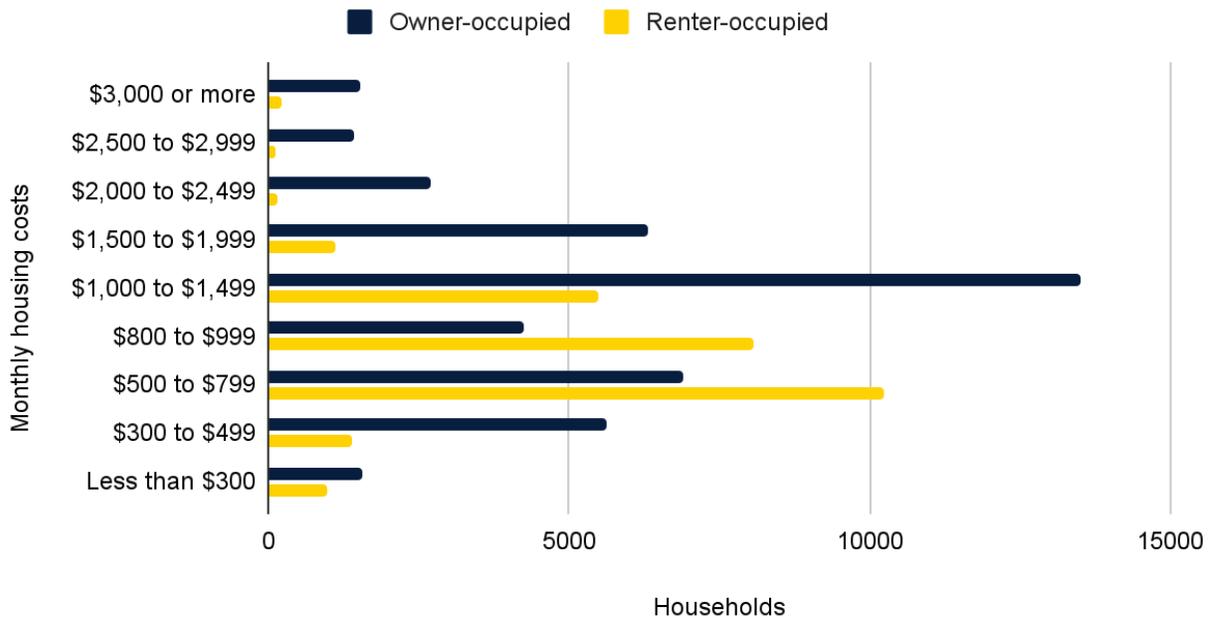
Monthly housing costs	All occupied housing units	%	Owner-occupied	%	Renter-occupied	%
Less than \$300	2,555	3.5	1,577	3.6	978	3.4
\$300 to \$499	7,010	9.7	5,628	12.8	1,382	4.9
\$500 to \$799	17,141	23.7	6,915	15.8	10,226	35.9
\$800 to \$999	12,284	17	4,231	9.7	8,053	28.3
\$1,000 to \$1,499	18,999	26.3	13,515	30.8	5,484	19.3
\$1,500 to \$1,999	7,446	10.3	6,326	14.4	1,120	3.9
\$2,000 to \$2,499	2,867	4	2,708	6.2	159	0.6
\$2,500 to \$2,999	1,547	2.1	1,413	3.2	134	0.5
\$3,000 or more	1,731	2.4	1,519	3.5	212	0.7
Median (\$)	\$944		\$1,129		\$827	

Source: 2015-19 American Community Survey 5-year estimates, Table S2503

On one hand, the overrepresentation of homeowners among households with *higher* monthly housing costs is consistent with income patterns: homeowners with higher incomes are able to afford higher housing costs.

On the other hand, the overrepresentation of homeowners among households with *lower* monthly housing costs may reflect owners who own their homes outright and therefore do not have a mortgage payment.

Monthly housing costs by tenure, Sioux Falls, 2019



Source: 2015-19 American Community Survey 5-year estimates, Table S2503

2.3 New Housing Construction

Following the economic downturn of 2008, housing construction in Sioux Falls remained depressed through 2011 but recovered by 2013. Although the number of units permitted each year varies, from 2016 through 2020, the city has averaged 2,288 units per year.

This annual average represents an additional 712 units permitted annually compared to the previous five year period. From 2011 through 2015, the city permitted an average of 1,576 new units each year.

Over the five year period from 2016 through 2020, the city permitted 11,439 new housing units: 5,991 multifamily and duplex units and 5,448 single-family and townhouse units. This total excludes 293 manufactured homes that were also placed in the city, but which are generally assumed to be replacement units rather than a net gain in housing.

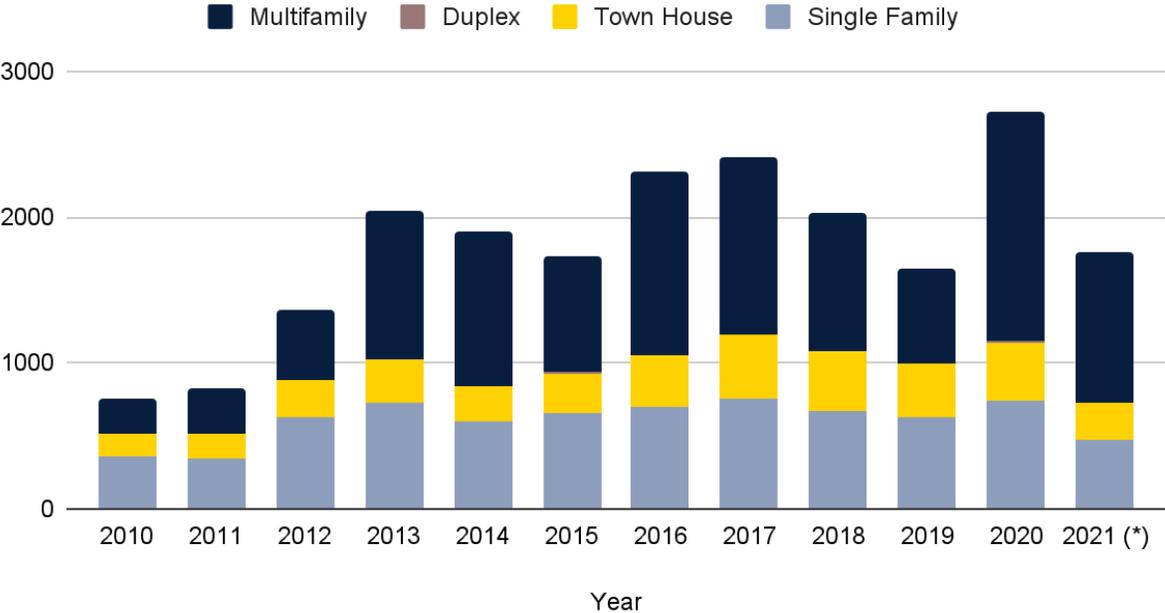
Housing unit construction (permits issued) by type, Sioux Falls, 2010 - June 2021

Year	Single Family	Town House	Duplex	Multifamily	Total Units Permitted	Manufactured Homes
2010	362	160	0	232	754	30
2011	348	169	0	310	827	50
2012	628	252	4	485	1,369	33
2013	731	292	0	1,016	2,039	42
2014	604	231	2	1,069	1,906	27
2015	663	269	2	804	1,738	103
2016	695	355	8	1,589	2,647	104
2017	750	441	4	1,215	2,410	61
2018	672	403	2	945	2,022	46
2019	635	363	2	643	1,643	35
2020	742	392	12	1,571	2,717	47
2021 (*)	475	247	4	1,031	1,757	28

* 2021 permits are through June only

Source: Sioux Falls Building Services, Planning and Development Department

Units Permitted by Type, Sioux Falls, 2010 - June 2021



* 2021 permits are through June only
 Source: Sioux Falls Building Services, Planning and Development Department

Construction of single family homes and townhouses has been fairly steady, averaging 1,090 units permitted annually from 2016 through 2020. During the previous five-year period, from 2011 through 2015, the city permitted an average of 837 single-family and townhouse units annually.

Over the same period, multifamily construction reached an all-time high. In both 2016 and 2020, over 1,500 multifamily units were permitted. On average, from 2016 through 2020, Sioux Falls permitted 1,193 new multifamily units each year. By comparison, from 2011 through 2015, the city permitted an average of 737 multifamily units annually.

Partial data for 2021 (through June) shows permitting on track to surpass previous years. If permitting continues at the same pace for the second half of the year, Sioux Falls can expect to see a total of about 3,500 new units permitted, including 950 single family, 494 townhouse units, and 2,070 duplex or multifamily units. If these totals are achieved, they would represent all-time permitting highs across all categories.

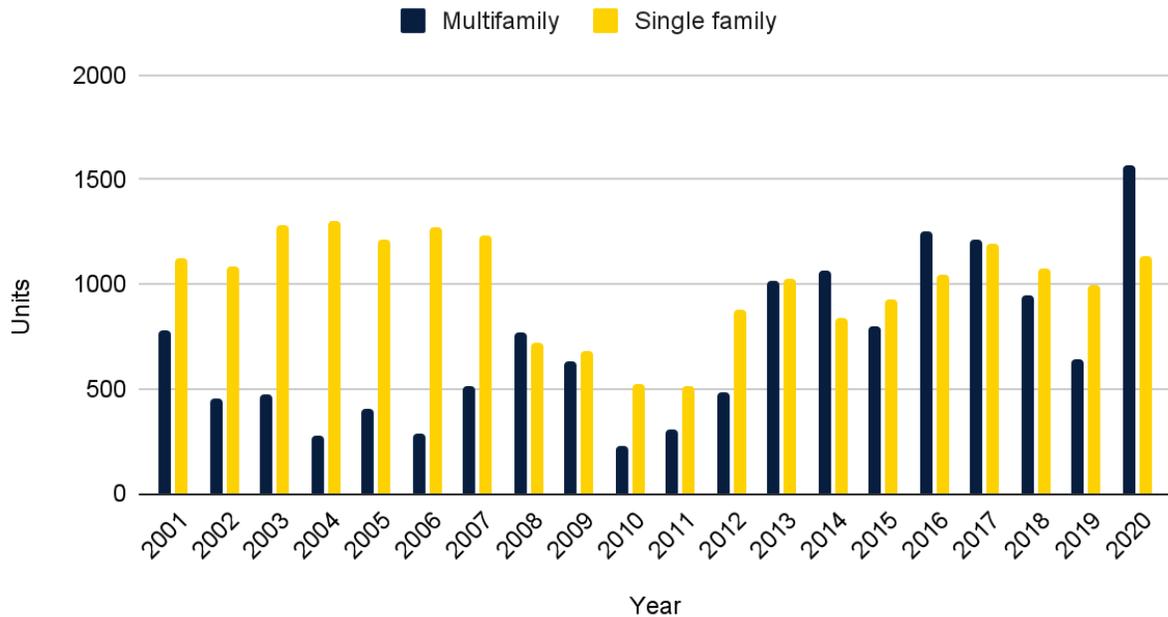
Residential building permits: Multifamily and single family residential units permitted, 2001 to 2020

Year	Multifamily	Single family*
2001	780	1,129
2002	451	1,085
2003	474	1,286
2004	281	1,298
2005	401	1,216
2006	290	1,278
2007	516	1,231
2008	772	722
2009	636	682
2010	232	522
2011	310	517
2012	485	880
2013	1,016	1,023
2014	1,069	837
2015	804	932
2016	1,589	1,050
2017	1,215	1,191
2018	945	1,075
2019	643	998
2020	1,571	1,134

*Single family totals in this table include both single family homes and townhouses.

Source: City of Sioux Falls Planning 2015 Development Summary and Sioux Falls Building Services, Planning and Development Department

Residential building permits: units permitted, 2001 to 2020

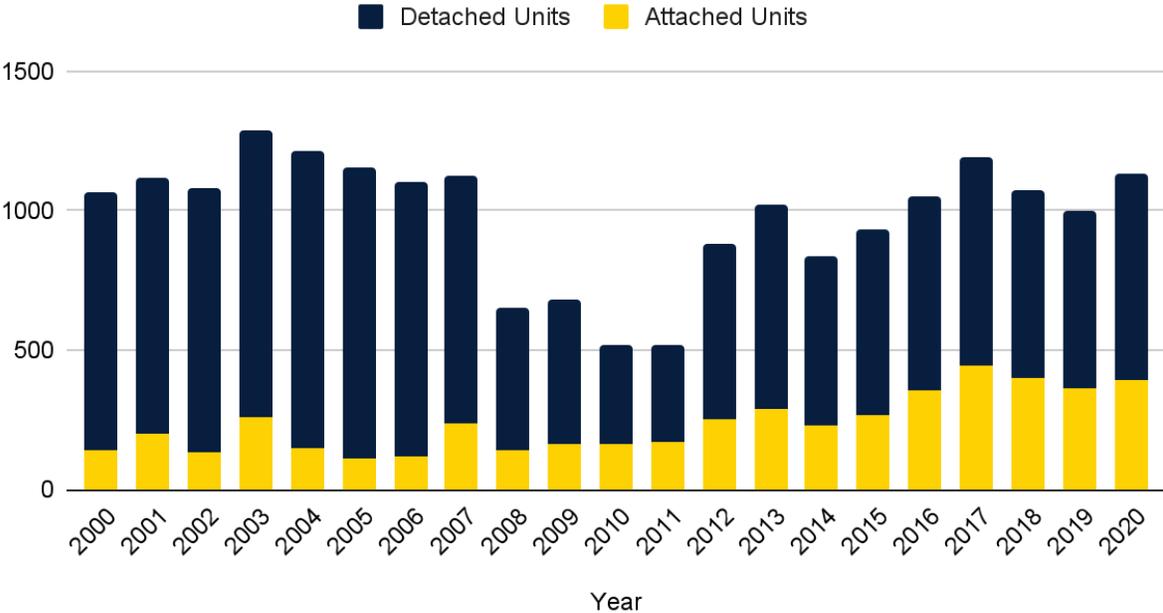


Source: City of Sioux Falls Planning 2015 Development Summary and Sioux Falls Building Services, Planning and Development Department

Since 2013, the balance of new construction activity has shifted toward multifamily. While both single-family and multifamily construction has picked up since the 2008 economic downturn, single-family construction totals from 2011 through 2020 are slightly below totals from the previous decade: between 2001 and 2010, 10,449 single-family units were permitted, compared to 9,637 in the following decade. Multifamily construction, on the other hand, took off during the recovery from the 2008 downturn and has remained elevated: from 2001 through 2010, 4,833 multifamily units were permitted, compared to 9,647--nearly double--in the following decade.

Within the single-family market, attached units are becoming more prevalent. In the past five years, from 2016 through 2020, Sioux Falls permitted 1,954 attached and 3,494 detached single-family units; attached units made up 36% of permitted single-family units. During the previous five year period, from 2011 through 2015, the city permitted 1,214 attached and 2,973 detached single-family units; attached units during that period made up 29% of single-family units.

Single family construction in Sioux Falls, 2000 to 2020



Source: City of Sioux Falls Planning 2015 Development Summary and Sioux Falls Building Services, Planning and Development Department

Across the four-county Sioux Falls MSA, new construction patterns mirror patterns within the city of Sioux Falls. Coming out of the 2008 economic downturn, new construction increased through 2013, declined slightly through 2015, then reached a new high in 2016. Following the high of 2016, construction activity tapered through 2019, then increased dramatically in 2020, surpassing the previous 2016 high.

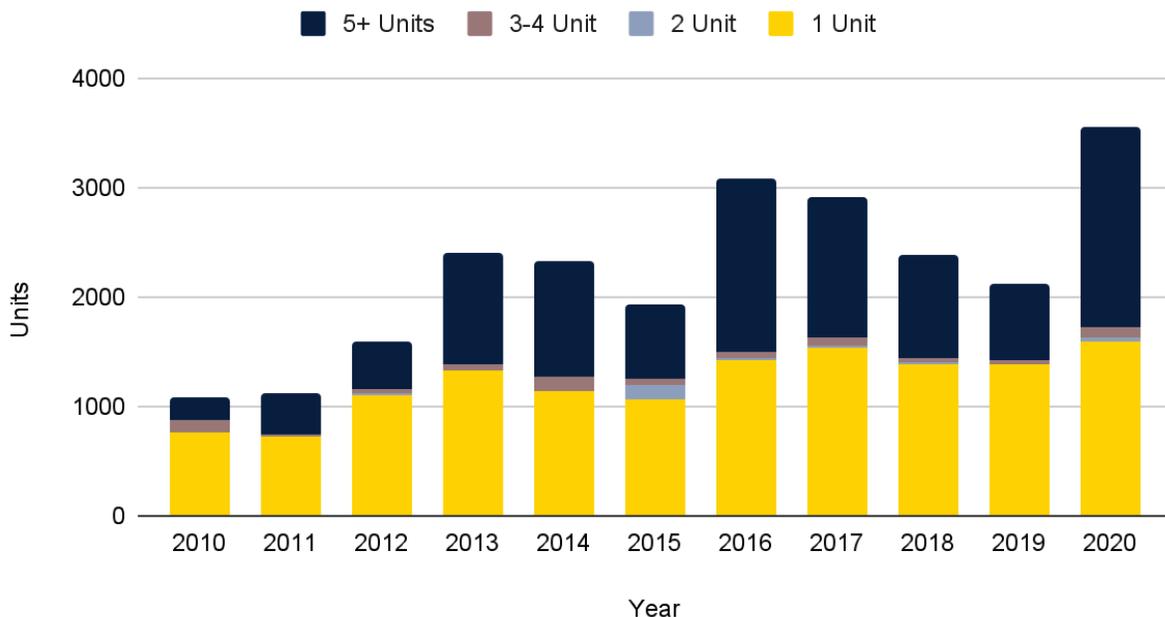
Sioux Falls and MSA housing construction activity, 2010 to 2020

Year	City of Sioux Falls					Metropolitan Statistical Area				
	1 Unit	2 Unit	3-4 Unit	5+ Units	Total	1 Unit	2 Unit	3-4 Unit	5+ Units	Total
2010	546	0	92	120	758	755	8	111	207	1,081
2011	515	4	8	297	824	716	16	19	378	1,129
2012	882	4	20	435	1,341	1,104	12	36	435	1,587
2013	1,025	0	16	970	2,011	1,330	6	52	1,021	2,409
2014	842	2	46	988	1,878	1,134	8	131	1,057	2,330
2015	738	116	56	652	1,562	1,069	120	67	670	1,926
2016	1,059	0	3	1,448	2,510	1,431	6	58	1,589	3,084
2017	1,192	6	4	1,192	2,394	1,533	22	67	1,292	2,914
2018	1,083	2	0	896	1,981	1,380	16	54	938	2,388
2019	1,013	2	0	641	1,656	1,376	10	28	705	2,119
2020	1,190	12	29	1,536	2,767	1,597	30	89	1,834	3,550
Total	10,085	148	274	9,175	19,682	13,425	254	712	10,126	24,517

Source: U.S. Census Bureau Building Permits Survey

Note: MSA permitting data are based on the Census Bureau's annual housing construction summary information. Census totals may differ from permitting totals, which were collected directly from the City of Sioux Falls. However, the Census reports provide some perspective on housing construction within the larger MSA. Census annual totals for the city of Sioux Falls are provided for comparison.

MSA housing construction activity, 2010 to 2020

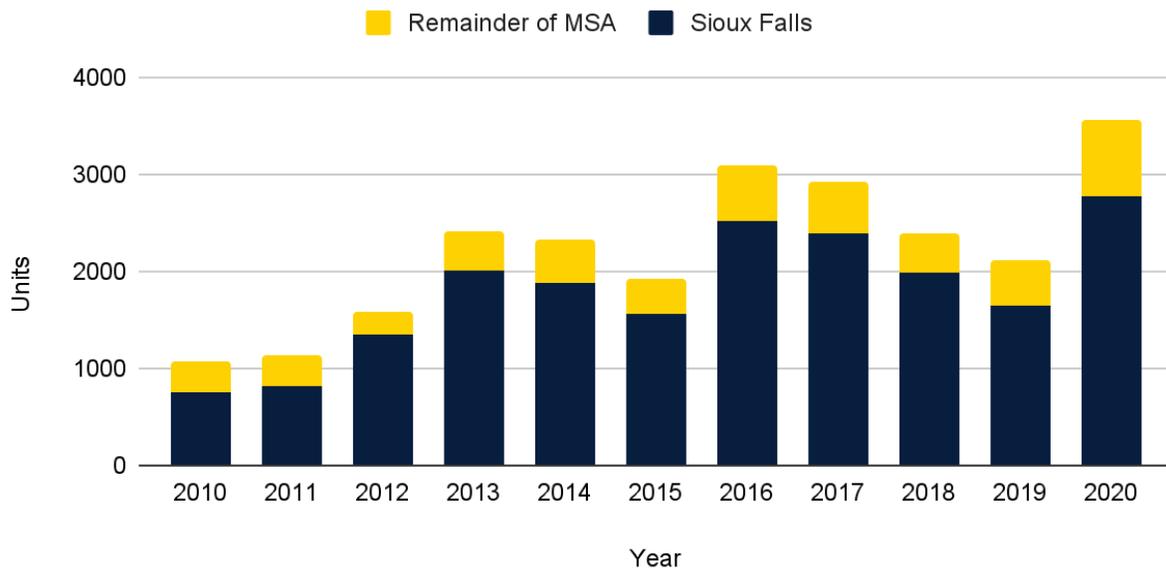


Source: U.S. Census Bureau Building Permits Survey

From 2016 through 2020, communities in the Sioux Falls MSA permitted an average of 2,811 new units every year. Most permitted projects were single-unit (average 1,463 annually) or larger multifamily projects with 5 or more units (average 1,272 annually), plus a few smaller projects with 2 to 4 units (average 76 units annually).

As the largest city in the MSA, Sioux Falls accounts for most of the units constructed each year. Since 2010, annual housing construction in the city of Sioux Falls has accounted for between 70% and 84% of all housing construction in the MSA.

Sioux Falls and MSA annual housing unit construction, 2010 - 2020



Source: U.S. Census Bureau Building Permits Survey

2.4 Owner-Occupied Housing Detail

As noted in the previous section, within the single-family market, the construction of attached single-family units is increasing. Nevertheless, of existing owner-occupied housing stock in the city of Sioux Falls, most (84.6% or 37,086 units) is made up of single-unit, detached homes, while 5% owner-occupied homes (about 2,193 units) are mobile homes.

Sioux Falls owner-occupied housing units by number of units in structure, 2019

	Estimate	Percent
1, detached	37,086	84.6
1, attached	3,135	7.2
2 apartments	350	0.8
3 or 4 apartments	252	0.6
5 to 9 apartments	143	0.3
10 or more apartments	673	1.5
Mobile home or other type of housing	2,193	5

Source: 2015-19 American Community Survey 5-year estimates, Table S2504

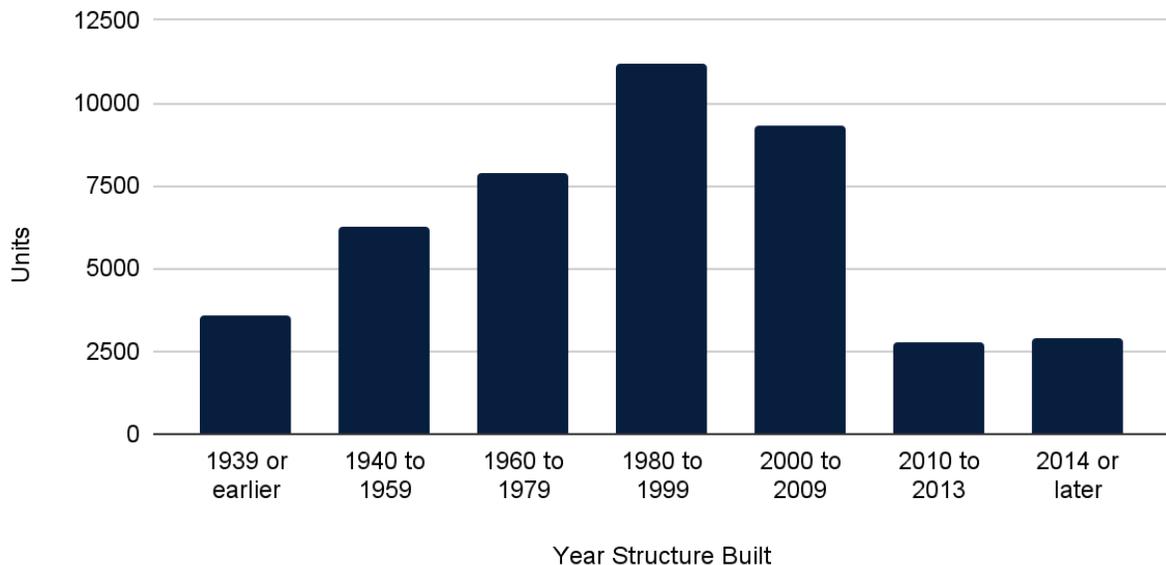
Nearly half of the existing owner-occupied housing units in Sioux Falls (46.7% or 20,490 units) were constructed between 1980 and 2009. About 12.9% (5,640 units) of existing owner-occupied housing units were constructed in 2010 or more recently, while 40.4% (17,702 units) were constructed before 1980.

Sioux Falls owner-occupied housing units by year structure built, 2019

	Estimate	Percent
2014 or later	2,896	6.6
2010 to 2013	2,744	6.3
2000 to 2009	9,314	21.2
1980 to 1999	11,176	25.5
1960 to 1979	7,871	18
1940 to 1959	6,275	14.3
1939 or earlier	3,556	8.1

Source: 2015-19 American Community Survey 5-year estimates, Table S2504

Owner-occupied housing units by year structure built, Sioux Falls, 2019



Source: 2015-19 American Community Survey 5-year estimates, Table S2504

Among existing owner-occupied housing units, an estimated 57.2% (25,057 units) have 2 or 3 bedrooms, while 41.8% (18,336 units) have 4 or more bedrooms.

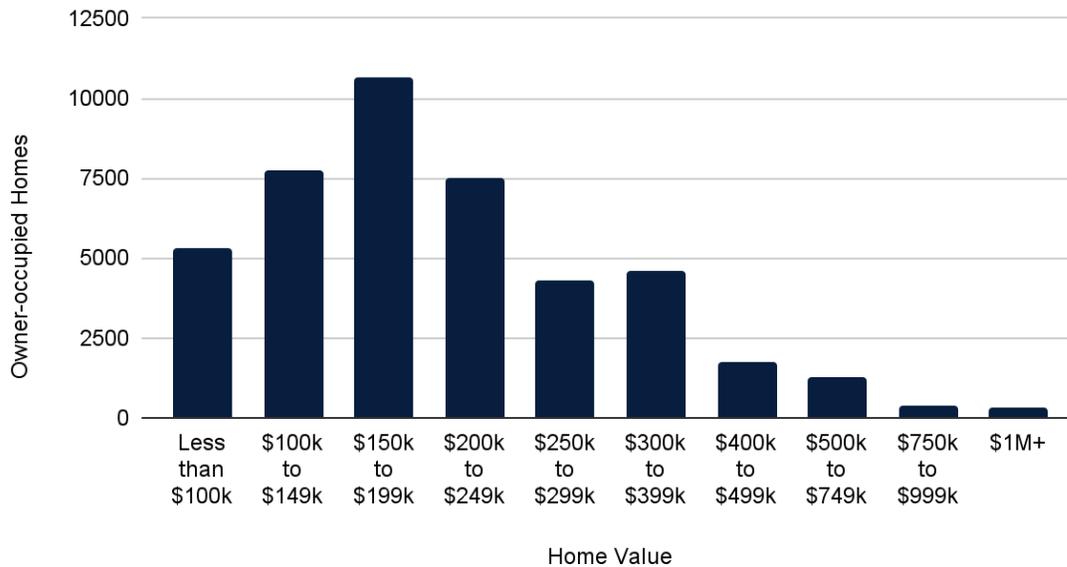
Sioux Falls owner-occupied housing units by number of bedrooms, 2019

	Estimate	Percent
No bedroom	7	0
1 bedroom	432	1
2 or 3 bedrooms	25,057	57.2
4 or more bedrooms	18,336	41.8

Source: 2015-19 American Community Survey 5-year estimates, Table S2504

In Sioux Falls, most existing homes are valued at under \$250,000, with the plurality falling in the range of \$150,000 to \$199,999. Following a general rule of thumb, a Sioux Falls household with an income at 80% of the 2021 HUD-calculated area median family income (AMI) could afford a home at around \$198,000. That would put many existing homes within reach. However, recent changes in home value since 2019 may have put more homes out of reach, as discussed below.

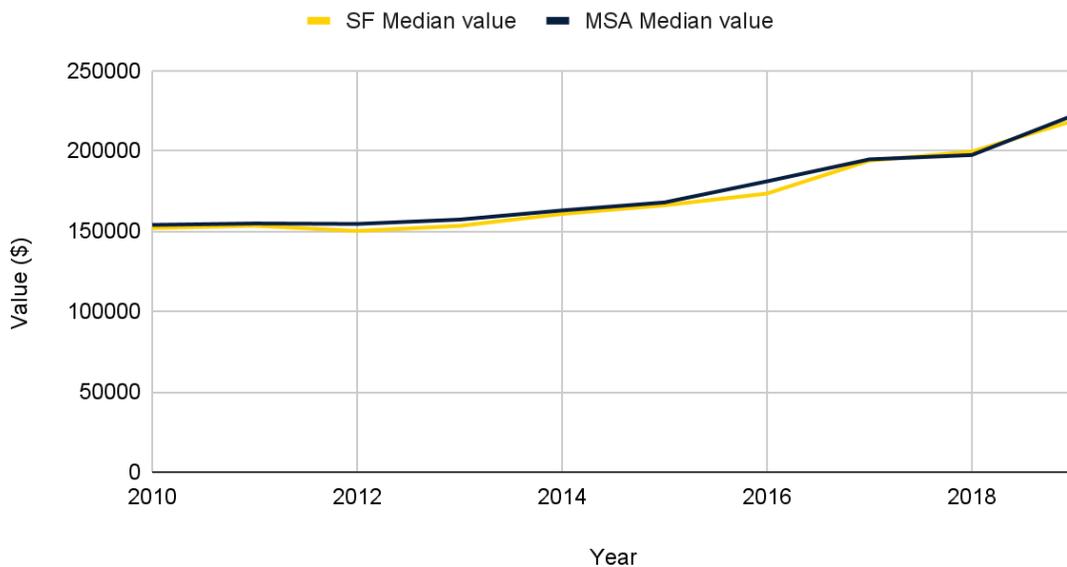
Home value for owner-occupied homes, Sioux Falls, 2019



Source: 2015-19 American Community Survey 5-year estimates, Table B25075

Over the last decade, median home value in Sioux Falls has increased at a modest pace, averaging about 2.25% per year through 2016. However, the rate of change has increased over the past few years. According to American Community Survey estimates, from 2018 to 2019, Sioux Falls home values jumped 9.7%. In 2019, the American Community Survey estimated median home value in Sioux Falls at between \$212,017 and \$225,783.

Median owner-occupied home value in Sioux Falls and MSA



Source: American Community Survey 1-year estimates, Table DP04

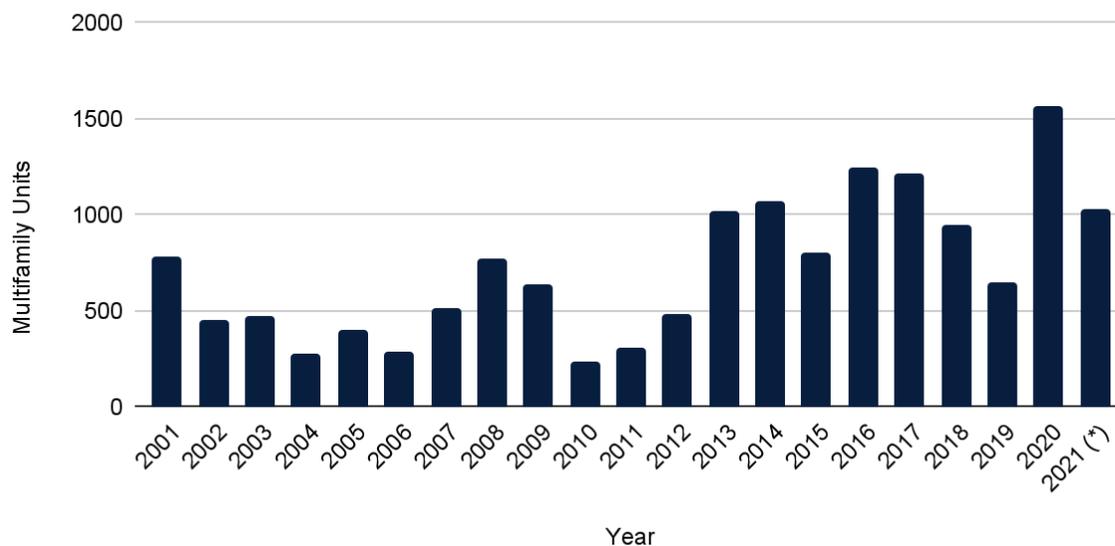
Whereas American Community Survey estimates cover home value for all existing homes, residential sales data reflect trends in sales price for houses on the market. Sales data reflect similar trends seen in home value overall: The REALTOR Association of the Sioux Empire estimates that from July 2020 to July 2021, the 12-month median sales price increased by 10.8%, from \$221,000 to \$244,990.⁴ In Minnehaha County, median sales price for residential sales between July 2020 and June 2021 (the most recent available) was \$225,000.⁵ In Lincoln County, median residential sales value between November 2020 and April 2021 was \$249,000.⁶

2.5 Rental Housing Detail

2.5.1 New Multifamily Construction

After 2010, as the Sioux Falls housing market pulled out of the 2008 economic downturn, multifamily construction ticked up, and that upward trend has continued through present. As noted previously, most of the recent housing construction in Sioux Falls has been in multifamily rental housing projects.

Rental housing construction in Sioux Falls (units permitted), 2000 - 2021 (June)



Source: City of Sioux Falls Planning 2020 Development Summary and Sioux Falls Building Services, Planning and Development Department

⁴ REALTOR Association of the Sioux Empire, Inc., Monthly Indicators Report, July 2021.

⁵ Minnehaha County Director of Equalization, Residential Sales, 7/1/2020 - 6/15/2021 (available online at https://www.minnehahacounty.org/dept/eq/sales/residential_sales/residential_sales.php; accessed 8/13/2021).

⁶ Lincoln County Assessor's Office, Current Residential Property Sales, 11/2/2020 - 4/30/2021 (available online at <https://lincolncountysd.org/167/Property-Sales>; accessed 8/13/2021).

Note: No adjustments have been made for condominiums or specialized use housing, which make up a small part of the multifamily sector. *2021 is partial through June.

During the 5-year period from 2016 through 2020, annual average construction of multifamily units was 1,193. This annual average is more than double the annual average from 2001 through 2015, and it is higher than annual construction totals for every year during that 15-year period. From 2001 through 2015, only two years (2013 and 2014) exceeded 1,000 units of multifamily construction, and on average, only 568 multifamily units were permitted per year. Multifamily housing in Sioux Falls is at record levels: three of the five years from 2016 through 2020 set new records for multifamily permitting.

Multifamily construction by market segment (units), 2010 - 2021 (June)

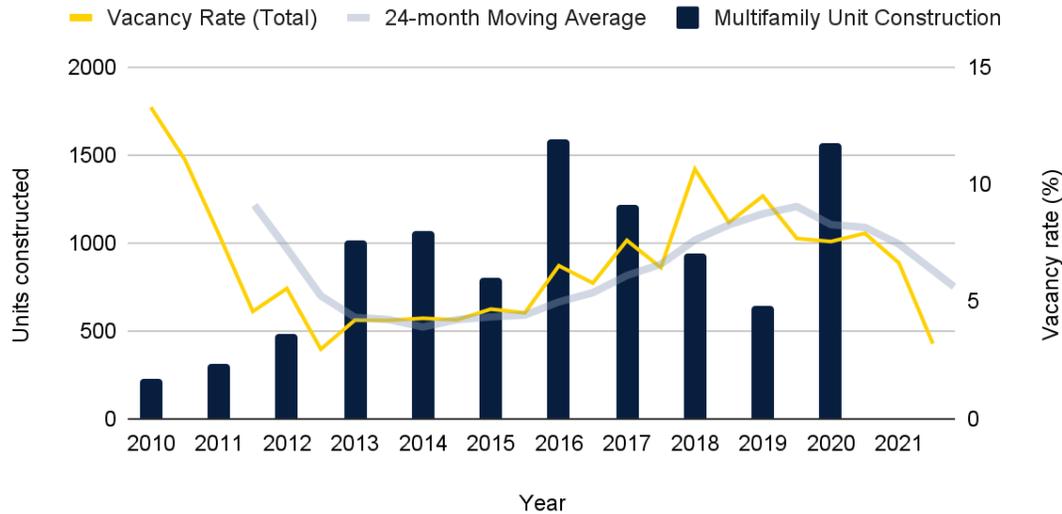
	Conventional market rate	Income-restricted tax credit	Senior	Income-restricted subsidized units for physically disabled	Special needs/group home	Condominium	Total
2010	136	16	32	15	33	0	232
2011	167	143	0	0	0	0	310
2012	410	75	0	0	0	0	485
2013	879	137	0	0	0	0	1,016
2014	962	54	150	0	53	0	1,069
2015	744	56	60	0	0	4	804
2016	1,080	149	62	0	0	21	1,250
2017	1,124	78	12	0	0	12	1,214
2018	831	99	0	0	0	0	930
2019	526	75	42	0	25	0	668
2020	1,365	81	122	0	0	0	1,568
2021 (*)	1,000	29	0	0	0	0	1,029

Source: Sioux Falls Building Services, Planning and Development Department and South Dakota Housing Development Authority Low Income Housing Tax Credit *2021 is partial through June.

Multifamily construction and rental vacancy rates typically have an inverse relationship: as new construction creates additional units, vacancy rates climb, which in turn sends economic signals to slow construction. As units are absorbed and vacancy rates drop, evidence of demand leads to increased construction.

Indeed, as vacancy rates dropped from 2010 to 2012, multifamily construction began to pick up. Strong construction activity through 2016 led to a gradual rise in vacancy rates. In turn, construction began to taper off, dropping year over year in 2017, 2018, and 2019. More recently, Sioux Falls has entered a growth phase of the cycle: as vacancy rates once again turned down in 2019, new construction increased in 2020.

Multifamily unit construction and vacancy rate (total), 2010 - 2021



Source: South Dakota Multi-Housing Association rental vacancy survey and Sioux Falls Building Services and Planning Department

Note: The South Dakota Multi-Housing Association’s rental vacancy survey is not restricted to the city of Sioux Falls; it includes units in Sioux Falls and surrounding communities.

2.5.2 Current Rental Stock

Most (54%) of the rental units in Sioux Falls are part of apartment buildings with 10 or more units. Another one-fifth (20.3%) of rental units are detached, single-family homes (13.9%) or attached single-family (6.4%). The remaining rental units (23%) are located in smaller multifamily structures of between 2 and 9 apartments or are mobile homes (2.6%).

Sioux Falls renter-occupied housing units by number of units in structure, 2019

	Estimate	Percent
1, detached	3,966	13.9
1, attached	1,827	6.4
2 apartments	1,162	4.1
3 or 4 apartments	2,234	7.8
5 to 9 apartments	3,170	11.1
10 or more apartments	15,361	54
Mobile home or other type of housing	739	2.6

Source: 2015-19 American Community Survey 5-year estimates, Table S2504

This is a shift from 2015, when more renter households were in detached, single-family homes (16.4%) and fewer were in large apartment buildings with 10 or more units (50.2%). This shift is likely the result of new construction of large, multifamily apartment complexes.

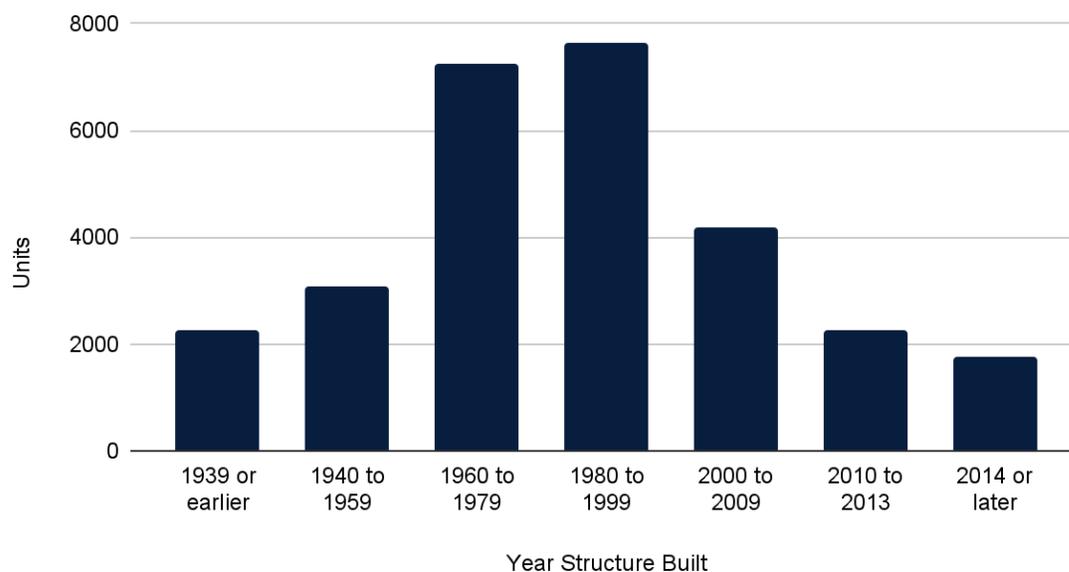
The existing rental stock in Sioux Falls was largely built during the 1960s and 1970s (25.5%) and the 1980s and 1990s (26.9%). Taken together, units built during these two periods account for over half of the existing rental units in the city. Compared to owner-occupied stock, the rental stock has a smaller proportion of units constructed before 1960 (18.7% of rental units versus 22.4% of owner-occupied units) or between 2000 and 2009 (14.7% of rental units versus 21.2% of owner-occupied units).

Sioux Falls renter-occupied housing units by year structure built, 2019

	Estimate	Percent
2014 or later	1,776	6.2
2010 to 2013	2,274	8
2000 to 2009	4,180	14.7
1980 to 1999	7,642	26.9
1960 to 1979	7,261	25.5
1940 to 1959	3,082	10.8
1939 or earlier	2,244	7.9

Source: 2015-19 American Community Survey 5-year estimates, Table S2504

Renter-occupied housing units by year structure built, 2019



Source: 2015-19 American Community Survey 5-year estimates, Table S2504

Renter-occupied units also tend to be smaller than owner-occupied units. Whereas 41.8% of the city’s owner-occupied units have 4 or more bedrooms, only 5.2% of rental units are that large. Most (62%) renter-occupied units are mid-size with 2 or 3 bedrooms, while about one-quarter (27.5%) have one bedroom, and 5.3% are efficiency or studio apartments with no bedrooms.

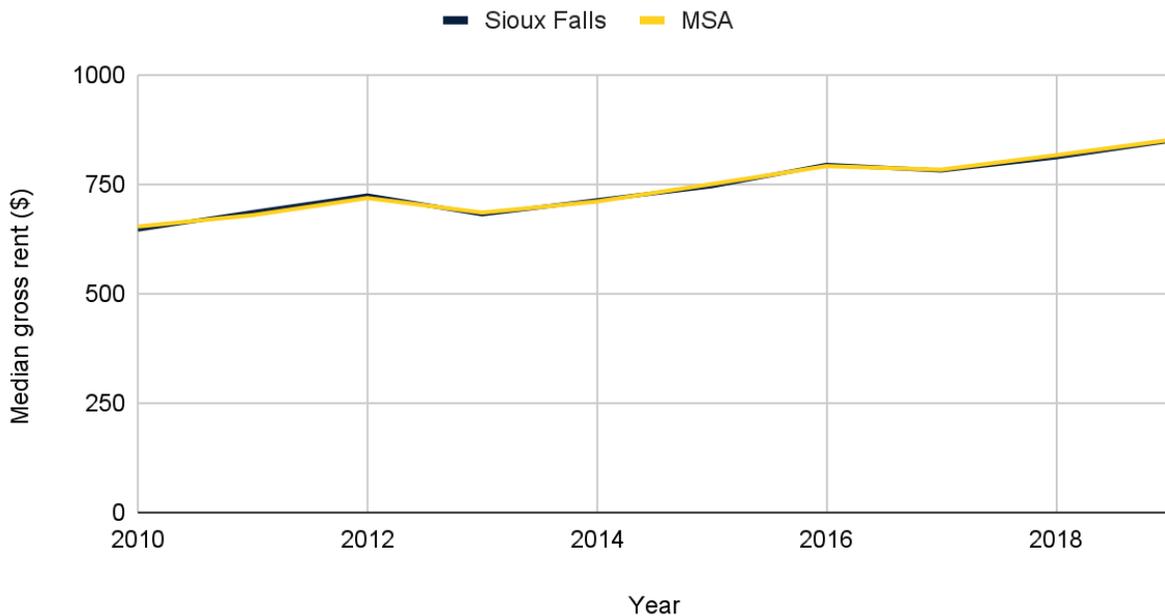
Sioux Falls renter-occupied housing units by number of bedrooms, 2019

	Estimate	Percent
No bedroom	1,511	5.3
1 bedroom	7,831	27.5
2 or 3 bedrooms	17,632	62
4 or more bedrooms	1,485	5.2

Source: 2015-19 American Community Survey 5-year estimates, Table S2504

Like home value, gross rent has tended to increase over time. From 2010 to 2019, median gross rent in Sioux Falls increased 31%, averaging an increase of about 3.2% annually. Trends for the MSA appear similar.

Median gross rent in Sioux Falls and MSA, 2010 - 2019



Source: American Community Survey 1-year estimates, Table DP04

2.5.3 Conventional Rentals

Most of the rental units in the city of Sioux Falls are conventional rental housing. Conventional rentals are multifamily housing units with market rate rents that serve the general population. Some conventional properties may be age-restricted (e.g., ages 55 and older), but do not have rent controls, income limits, or occupancy restrictions imposed by outside regulations or programs. This segment of the rental housing stock is market-driven and largely responds to normal supply and demand dynamics. Nearly all of the conventional rental housing in Sioux Falls is privately owned and operated on a for-profit basis.

Based on previous year estimates and recent permitting, the total number of rental units in Sioux Falls in 2021 is around 35,667. In 2019, the American Community Survey estimated Sioux Falls had 31,303 occupied rental units plus an additional 1,694 vacant units for rent

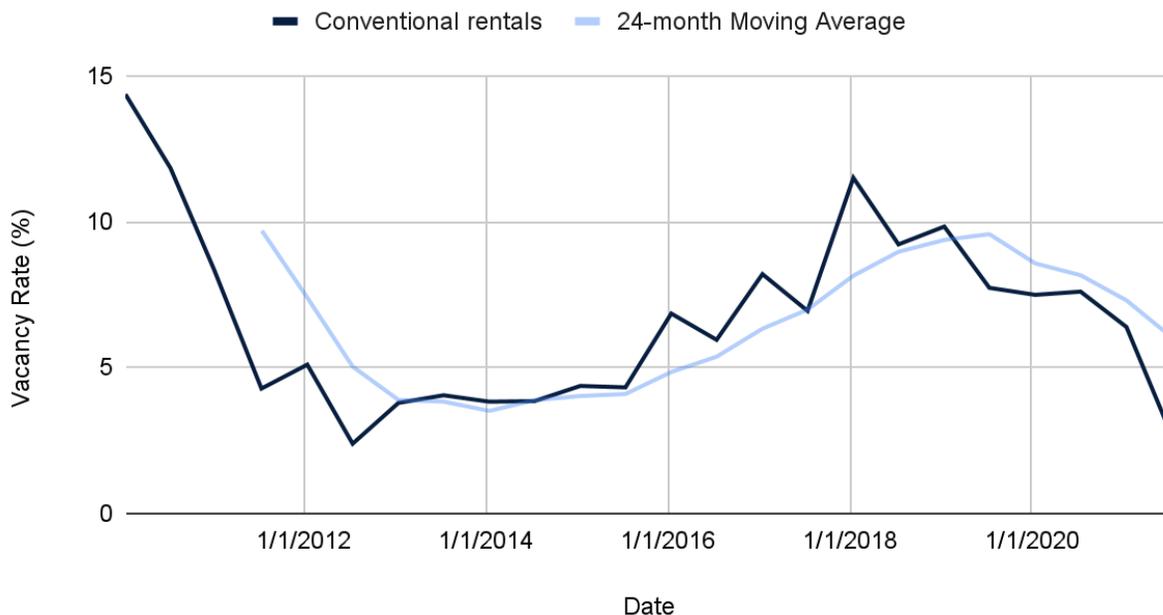
and 459 units that were rented but not occupied (1-year estimates Tables DP04 and B25004)--a total of 33,456 rental units. In 2019 and 2020, the city permitted an additional 2,211 multifamily units; upon their completion, the city would have a total of 35,667 rental units.

Not all of the estimated 35,667 rental units in existence in 2021 are conventional rentals. Some have affordability-related restrictions tied to funding or special programs, such as the Low Income Housing Tax Credit program, Section 8 Project-Based Rental Assistance, or HOME funds, for example. The National Housing Preservation Database has identified 4,950 rental units in Sioux Falls as having active or potentially active affordability-related restrictions (data retrieved May 21, 2021). After subtracting those units, Sioux Falls in 2021 has an estimated 30,717 conventional rental units--about 86% of the city's total rental inventory.

The vacancy rate for conventional rentals has been on a downward trend for the past couple years. In July 2021, the South Dakota Multi-Housing Association's rental vacancy survey recorded a 2.69% vacancy rate for conventional rentals in the Sioux Falls area, a continuation of a multi-year downward trend. It is also the lowest vacancy rate recorded by this survey since July 2012.

There are not yet indications of upward movement in conventional vacancy rates. Continued downward movement into 2021, combined with increased economic activity as the country emerges from the COVID-19 pandemic, may continue to encourage high levels of construction in the conventional rental market.

Conventional rental vacancy trends, 2010 - 2021



Source: South Dakota Multi-Housing Association rental vacancy survey

Between 2015 and 2019, despite rising vacancy rates, Sioux Falls rents increased. In 2015, the overall median gross rent level in the city of Sioux Falls was \$726. By 2019, the median rent had increased to \$827, a 14% increase over four years. This increase is significant,

even after adjusting for inflation, but does not exceed the increase in median household income among renters. From 2015 to 2019, median income among renters increased from \$31,712 to \$36,629, a 16% increase.⁷

Median gross rent by number of bedrooms, Sioux Falls, 2015 and 2019

	2015 Estimate	2019 Estimate
Total (all unit sizes):	\$726	\$827
No bedroom	\$539	\$638
1 bedroom	\$594	\$692
2 bedrooms	\$744	\$843
3 bedrooms	\$896	\$1,042
4 bedrooms	\$1,086	\$1,419
5 or more bedrooms	\$1,018	\$1,773

Source: 2015 and 2019 American Community Survey 5-year estimates, Table B25031
 Note: ACS figures include all market segments (conventional, subsidized, tax credit, and some specialized senior housing), though, given the overall composition of the Sioux Falls rental market, the vast majority of units surveyed are conventional rentals.

Based on the 2019 American Community Survey, rents increased across all unit sizes between 2015 and 2019; however, wider margins of error for rent estimates for studio/efficiency units make it difficult to draw firm conclusions about the significance of rent changes for that unit size.

The 2019 median gross rents reported by the American Community Survey are slightly lower than those recorded in the Multi-Housing Association survey from January 2021, which provides an updated look at rental rates by zip code. This suggests continued upward movement in rental rates.

Conventional housing average rental rates, January 2021

	57103	57104	57105	57106	57107	57108	57110
Studio	\$558	\$551	\$518	\$692	**	\$623	\$734
1 bedroom	\$661	\$705	\$747	\$770	\$800	\$883	\$898
2 bedroom	\$796	\$853	\$944	\$901	\$970	\$1,041	\$956
3 bedroom	\$984	\$932	\$1,129	\$1,062	\$1,418	\$1,223	\$1,242
4 bedroom	\$1,340	\$1,259	\$1,232	\$1,571	**	\$1,261	\$1,840
5 bedroom	\$2,795	\$1,550	\$1,495	**	**	\$2,200	\$1,600

** No units surveyed

Source: South Dakota Multi-Housing Association January 2021 rental vacancy survey

Median rent levels indicate typical prices but do not convey much information about the distribution of units across the entire range of available rent levels. By definition, half of the units in a given category will have rent levels above the median and half will have rent levels below.

⁷ 2015-19 American Community Survey 5-year Estimates, Table B25119

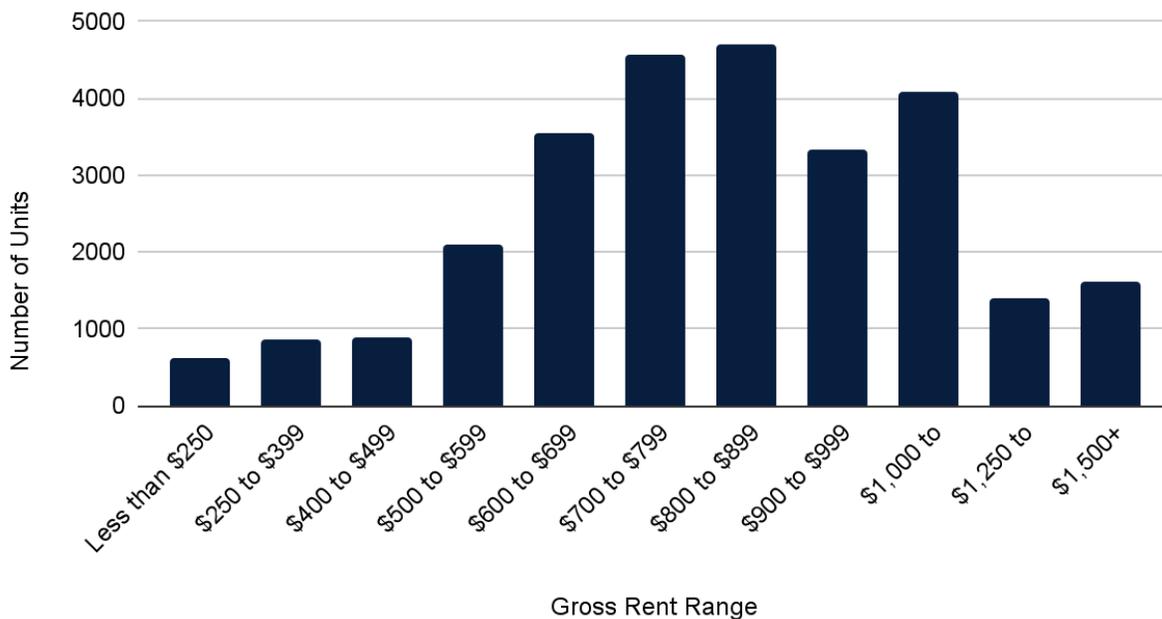
Taking units of all sizes together, in 2019, although half of the rental units in the city rent for less than \$827 (the overall median gross rent), only 29% rented for less than \$700, and only 16% rented for less than \$600.

Gross rental rates distribution, Sioux Falls, 2019

	Units	Percent of Units
Less than \$250	611	2%
\$250 to \$399	868	3%
\$400 to \$499	881	3%
\$500 to \$599	2,091	8%
\$600 to \$699	3,560	13%
\$700 to \$799	4,575	16%
\$800 to \$899	4,711	17%
\$900 to \$999	3,342	12%
\$1,000 to \$1,249	4,083	15%
\$1,250 to \$1,499	1,401	5%
\$1,500+	1,625	6%

Source: 2015-19 American Community Survey 5-year estimates, Table B25063

Rental unit distribution by rent range, Sioux Falls, 2019

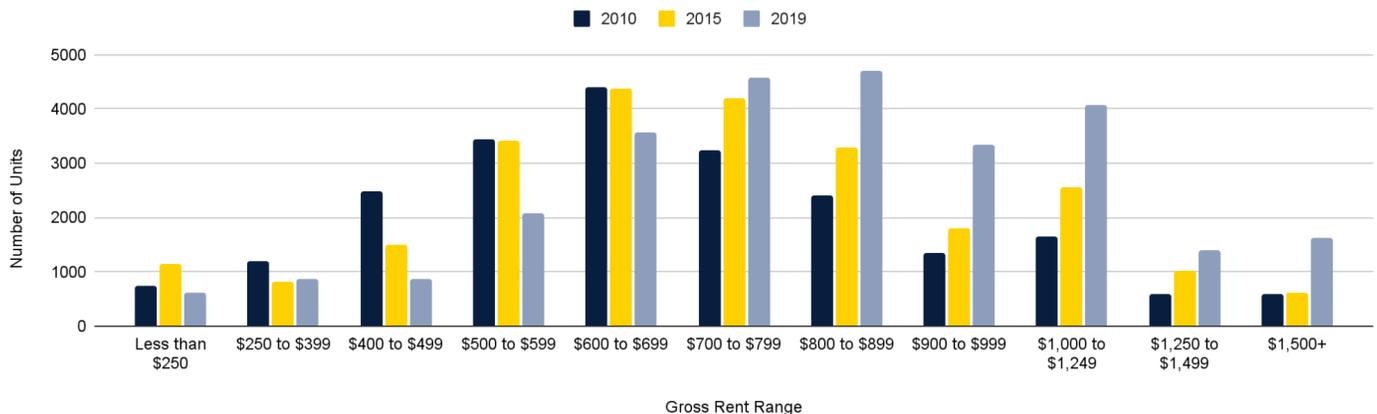


Source: 2015-19 American Community Survey 5-year estimates, Table B25063

Over the past decade, the number of units with monthly rent of less than \$700 has decreased, while the supply of units with rents above that level has increased. In 2010, more than half (55%) of the city’s rental units had rent levels below \$700. By 2015, that proportion had dropped to 45%, and by 2019, only 29% of units rented for less than \$700.

During that same period, the city has seen the most rapid increase in the number of units renting for between \$800 and \$1,250. In 2010, just 25% of units fell in that range. By 2015, the proportion had increased to 31%, and by 2019, the proportion of units with rents of \$800 to \$1,250 was 44%.

Rental unit distribution by rent range, Sioux Falls city, 2010 - 2019



Source: 2010, 2015, and 2019 American Community Survey 5-year estimates, Table B25063 (in 2010, 2015, and 2019 dollars, respectively)

As a result of the city’s robust household growth and a shift toward multifamily construction in recent years, the rental stock is composed of relatively newly constructed units. Over half (56%) of existing rental units were built since 1980, and only about one-fourth (26%) were constructed before 1970.

These figures do not yet represent recent rental construction permitted in 2017 or later. In recent years, annual construction totals have averaged over 1,000 rental units. When these recently constructed units are factored in, the 10-year period from 2010 to 2019 is likely to set a new record for rental housing construction, superseding the 1970s. Factoring in this new construction activity will also shift the median year of construction forward.

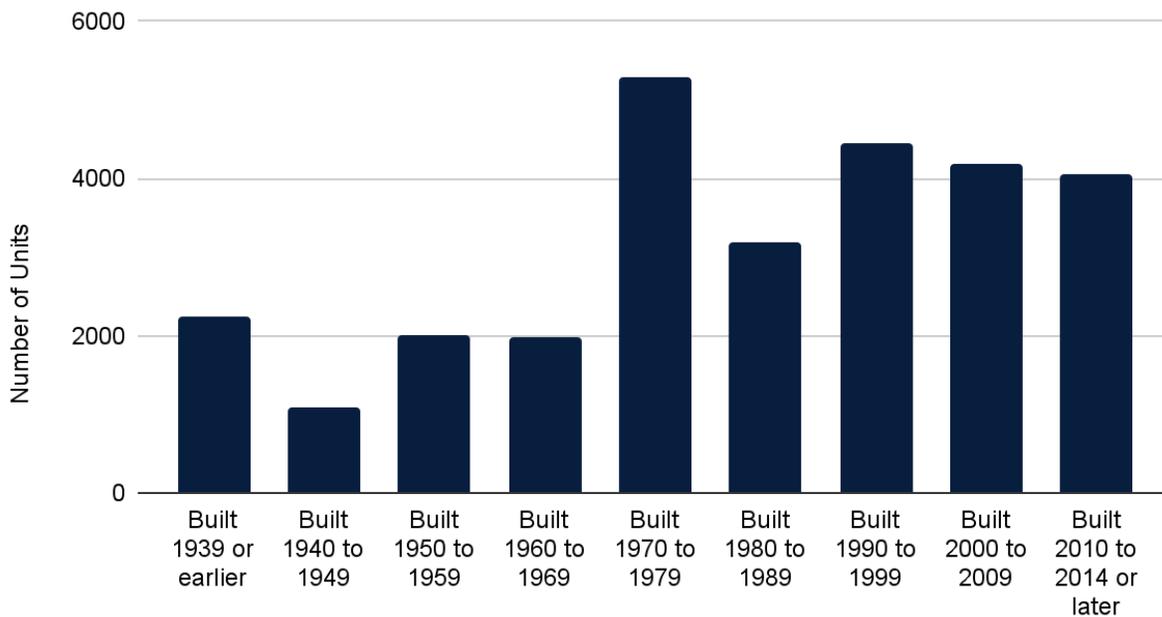
Older conventional rental units represent much of the moderate rent housing in the city; these older units are a type of naturally occurring affordable housing. As the balance of the rental inventory moves toward more recently constructed units, the supply of naturally occurring affordable rental housing can be expected to decline.

Sioux Falls rental units by year of construction, 2019

	Units	Percent of all units
Built 2010 to 2014 or later	4,050	14.23%
Built 2000 to 2009	4,180	14.69%
Built 1990 to 1999	4,442	15.61%
Built 1980 to 1989	3,200	11.24%
Built 1970 to 1979	5,277	18.54%
Built 1960 to 1969	1,984	6.97%
Built 1950 to 1959	1,997	7.02%
Built 1940 to 1949	1,085	3.81%
Built 1939 or earlier	2,244	7.89%
Total	28,459	

Source: 2015-19 American Community Survey 5-year estimates, Table B25036

Rental units by year of construction, Sioux Falls, 2019



Source: 2015-19 American Community Survey 5-year estimates, Table B25036

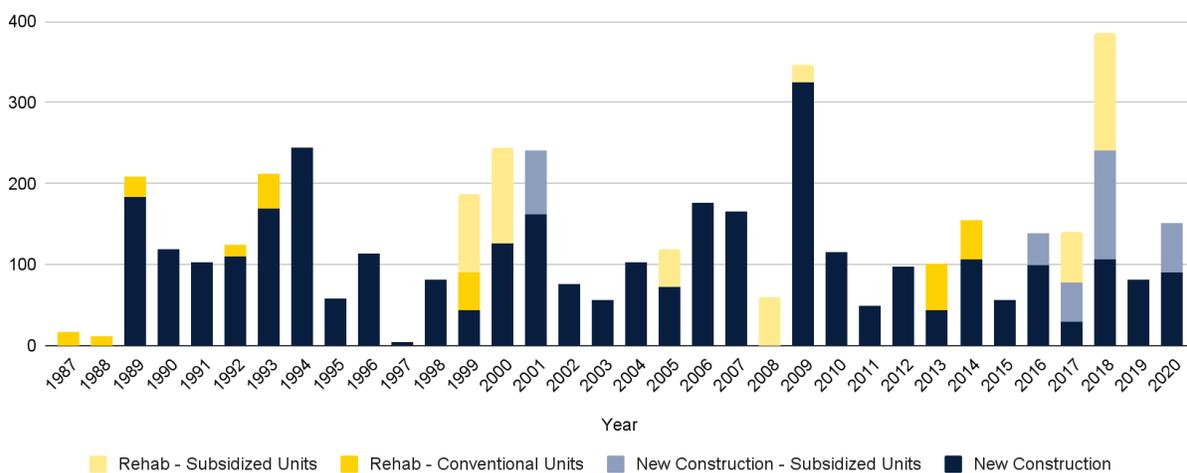
Figures on year of construction are inclusive of conventional, tax credit, and subsidized housing. Much of the subsidized housing was built during the 1960s and 1970s under programs that have been phased out and no longer provide subsidies for new developments. All of the city’s tax credit inventory was built after 1990. However, the vast majority of the rental housing inventory was and continues to be made up of conventional rentals.

2.5.4 Tax Credit Properties

Since the late 1980s, the federal low income housing tax credit program (abbreviated LIHTC and also referred to as Section 42) has been the federal government’s primary financial incentive for the production of more affordable rental housing. Tax credits and similar funding are awarded in an annual competition by the South Dakota Housing Development Authority (SDHDA).

Between 1987 and 2020, SDHDA awarded 100 tax credit projects in Sioux Falls, supporting the construction or rehabilitation of over 4,350 rental units.⁸ Of these units, about 750 were existing units that were rehabilitated or demolished and newly constructed, while the remaining 3,600 were new construction added to the rental inventory.

Sioux Falls LIHTC Units by Reservation Year



Source: HUD LIHTC Database and SDHDA HTC Cumulative Reservations List (November 2020)

While rehabilitation projects do not necessarily add additional units to the total rental inventory in the city, they typically do increase the number of units that must comply with the income, occupancy, and rent requirements of the tax credit program, effectively increasing the number of affordable rental units. The exception is the case of rehabilitation of older subsidized housing.

Prior to the development of the tax credit program, the federal government had prioritized public housing and subsidized housing that served extremely low-income households; these programs required deep subsidies, generally in the form of project-based assistance, and allowed tenants to pay rent based on 30% of their household income. The tax credit program marked a shift away from subsidized housing for extremely low-income people toward affordable rentals for a more moderate income renter population. Instead of deep

⁸ SDHDA HTC Cumulative Reservations List, as of November 2020. Most tax credit awards are for new construction. A few (estimated 10) have been for rehab projects. In some cases, a single rental complex might receive multiple awards over a period of several years as new buildings are added through phased development.

subsidies for renters, the tax credit program provides shallow financial assistance to developers.

Some HUD-subsidized housing developments, originally built in the 1970s and 1980s, have received tax credit awards for renovation, which may be associated with transfer of ownership or exit from a subsidy program. While the use of tax credits requires compliance with income and rent restrictions, those restrictions are typically intended to serve higher income households than those served by the original subsidy programs. In these cases, the tax credit requirements imposed by rehabilitation financing does not increase the availability of affordable housing and may actually signal a decrease in housing available to lower income groups.

Tax credit properties are typically subject to a 30-year affordability period (15 years for projects initiated in the 1980s and early 1990s). Some of the earliest tax credit properties developed in Sioux Falls are likely exiting their affordability period. An estimated 300 tax credit units are no longer subject to affordability requirements, leaving a supply of about 4,000 tax credit units.

The affordability requirements imposed by the tax credit program are not the same as deep subsidies provided by programs like public housing or Housing Choice Vouchers. Subsidy programs typically adjust individual households' rents based on their incomes. By contrast, tax credit properties restrict units so that they are only available to renters below certain income thresholds, and they must set rents below gross monthly rental rates that are set annually by HUD based on income level and unit size.

The maximum allowable income for tenants in tax credit properties is based on 60% MFI. However, to successfully compete for tax credit awards, developers may limit some units to an even lower income level, such as 30% to 50% MFI. Maximum gross monthly rents are set by HUD to be affordable to households at the top of an income bracket, given the expected number of people in the household for the unit size. In Sioux Falls, particularly for 60% MFI units, maximum gross rent for tax credit units tends to be similar to the moderate rent range within the conventional rental market, falling near or even slightly above the average rent charged in conventional properties. However, tax credit units may have rent set below the maximum, and some tax credit units have rents set based on lower MFI thresholds. As a result, the average rent for tax credit properties in Sioux Falls does tend to fall below conventional rent levels, offering an affordable housing option for low income households.

Tax credit property maximum gross monthly rent by income level, FY2021

	Efficiency	1 bedroom	2 bedrooms	3 bedrooms	4 bedrooms
SDMHA Conventional Average Rent	\$655	\$790	\$919	\$1,124	\$1,501
SDMHA Tax Credit Average Rent	\$625	\$631	\$729	\$852	\$931
HUD Fair Market Rent	\$642	\$714	\$874	\$1,150	\$1,435
60% MFI Max	\$867	\$928	\$1,114	\$1,287	\$1,435
40% MFI Max	\$578	\$619	\$743	\$858	\$957
30% MFI Max	\$433	\$464	\$557	\$643	\$717

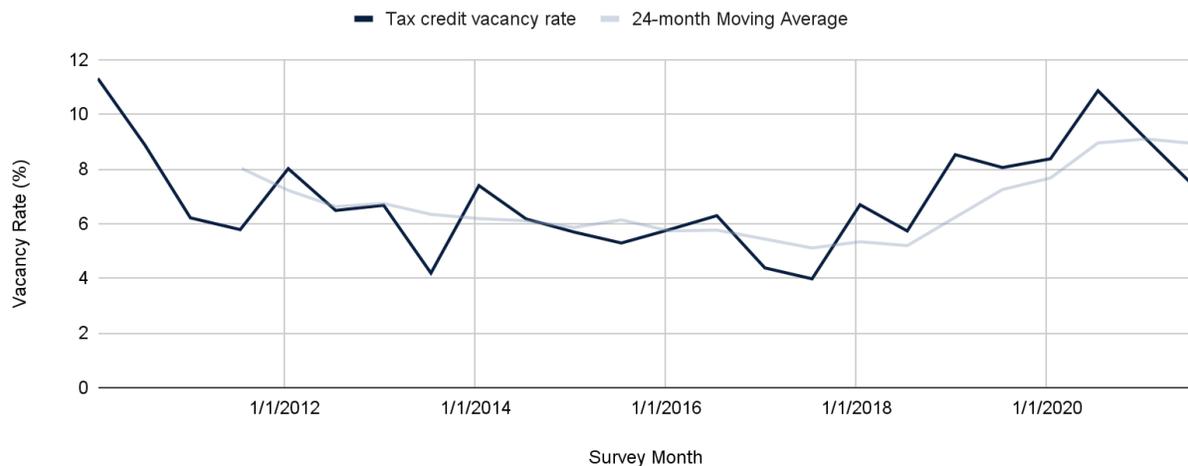
Source: Calculations based on FY2021 HUD fair market rents, MFI, and MTSP income limits. SDMHA average rents based on the South Dakota Multi-Housing Association's January 2021 survey of conventional and tax credit properties in the Sioux Falls area.

By restricting availability based on income, tax credit properties create a supply of affordable housing set aside for low income renters. They also create a stock of rental units whose rent levels typically meet payment standards for rental subsidy programs such as Housing Choice Vouchers, helping to ensure that voucher holders can find a suitable unit to rent. However, tax credit properties themselves do not directly subsidize tenants' rent, and households at the lower end of income ranges or with other major expenses may find the rents unaffordable without additional subsidy (e.g., Housing Choice Vouchers).

Because rent naturally decreases as projects age, the end of tax credit properties' compliance periods will not change most projects' affordability. What will change are the occupancy restrictions and guarantees imposed during the tax credit compliance period. When a project converts to conventional housing, it is no longer prevented from accepting higher income households.

According to the South Dakota Multi-Housing Association's vacancy survey, the tax credit vacancy rate in the Sioux Falls area has not dipped below 5% since July 2017. It has been trending upward since 2017, remaining above 8% since January 2019. In July 2021, the tax credit vacancy rate was 7.4%, down from 10.9% in July 2020. That downtick could be the leading edge of a new downward cycle for tax credit vacancy rates, which may begin to follow the slide seen among conventional vacancy rates. However, more data will be necessary to confirm.

Tax credit rental vacancy rates for Sioux Falls and surrounding areas, 2010 - 2021



Source: South Dakota Multi-Housing Association vacancy survey

Since the tax credit inventory was previously reported in the 2016 Affordable Housing Needs Assessment, a total of 727 units have received awards. Most of these have completed construction or are under construction in 2021. Based on a review of SDHDA records, the following projects have been awarded tax credits or tax exempt bond financing (where noted) since 2016:

- Horizon Place Apartments - 62 general occupancy units (rehab) (2017)
- Technology Heights II - 39 general occupancy units (2018)
- Trinity Point Apartments - 48 general occupancy units (2018)
- Copper Pass Apartments - 24 general occupancy units (2018)
- Majestic Ridge Apartments - 60 general occupancy units (2018)
- The Residence at Greenway - 42 senior / disabled units (demo and new construction) (2018)

- Midtown Heights / Cleveland Center - 39 general occupancy units (2018)
- Glory House Apartments - 25 general occupancy units (2018)
- Roseland Heights Apartments - 36 general occupancy units (2018)
- Meadowlands - 120 general occupancy units (rehab) (2019)
- Lacey Village Townhomes - 46 general occupancy units (2019)
- Irving Center Apartments - 35 general occupancy units (2019)
- Sunnycrest Village South - 60 senior units (tax exempt bond) (2020)
- Vineyard Heights Apartments - 62 general occupancy units (2020)
- Jefferson Village Apartments - 29 general occupancy units (2020)

Federal tax credits are the primary production and preservation program for moderate rent, affordable housing; however, other programs and resources do exist, though on a more limited scale--for example, HUD's HOME Program and special funding pools created by the South Dakota state legislature such as the Housing Opportunity Fund. In many cases, other affordable housing resources, such as HOME, are provided in conjunction with tax credits, and similar basic regulations apply, though specific rules differ program to program.

2.5.5 Subsidized rental housing

Subsidized housing refers to rental projects with federal or state subsidies that provide housing for very low-income and extremely low-income households. In the city of Sioux Falls, nearly all of the subsidized rental housing is supported by one or more of the programs available through HUD.

Generally, rent levels in subsidized housing are based on tenants' household income and vary as income changes. Typically, rent is set at 30% of a household's income. Most subsidized housing serves households below 50% MFI, referred to by HUD as very low-income (less than 50% MFI) or extremely low-income (less than 30% MFI) households.

In 2020, Sioux Falls had an estimated 1,256 subsidized housing units. These units were supported by a variety of federal programs, including Section 202 which serves very low-income seniors, Section 811 which serves very low income people with disabilities, and project-based subsidies that serve a more general population (Project Based Section 8, Mod Rehab, and Public Housing).

In January 2021, the South Dakota Multi-Housing Association's vacancy survey reported a 1.3% vacancy rate for subsidized properties in Sioux Falls. This is a historically low vacancy rate for subsidized properties in the area (the lowest vacancy rate recorded in 15 years), but in general, vacancy rates for subsidized properties do tend to be lower than for conventional or tax credit properties. Additionally, vacancies recorded during the survey are a snapshot; often, waiting lists exist for subsidized units, and vacancies are quickly filled.

Subsidized housing in Sioux Falls, 2020

Program	Units Available	Number of People	% with Children
Public Housing	25	83	73%
Mod Rehab	79	136	55%
Project Based Section 8	963	1,469	22%
202/PRAC	135	136	Missing
811/PRAC	54	58	Missing
Housing Choice Vouchers	1,857	3,952	42%
Summary of all HUD programs (total)	3,113	5,834	34%

Source: U.S. Department of Housing and Urban Development, A Picture of Subsidized Households, 2020 based on 2010 Census. "Units available" is defined as "Number of units under contract for federal subsidy and available for occupancy." Accessed 4/26/2021 at <https://www.huduser.gov/portal/datasets/assthsg.html>

In addition to project-based rental assistance, which is tied to particular units, tenant-based rental assistance is available for very and extremely low-income renters, primarily through the HUD Section 8 Housing Choice Voucher Program. Voucher holders pay a defined portion of their household income (typically 30%) for their rent, and the voucher covers the difference between the tenant's contribution and asking rent. Tenant-based assistance follows households when they move and can be used in conventional or tax credit units, provided a unit's rent is set below a defined threshold and the unit can pass a Housing Quality Standards inspection. In 2020, Sioux Falls had an estimated 1,857 Housing Choice Vouchers. On average in Sioux Falls, Housing Choice Vouchers provide housing assistant payments of around \$530 per month per unit.⁹

Taken together, project-based and tenant-based subsidies supported the rent of an estimated 3,113 households made up of 5,834 people in Sioux Falls. This number has been steady since 2015, when an estimated 3,019 households (5,750 people) had project-based or tenant-based subsidies. The 3,113 households currently receiving rental subsidies is equivalent to about 28% of the approximately 11,200 renter households with very low incomes (less than 50% MFI).

Individuals and families who manage to obtain subsidized housing or a housing voucher tend to hold onto it. On average in Sioux Falls, people living in subsidized housing have been there for 82 months, or about 7 years.

⁹ Sioux Falls Housing and Redevelopment Commission, July 2021 HCV Leasing Data

Subsidized housing in Sioux Falls: Average months since moved in, 2020

Program	Units Available	Number of People	Average Months Since Moved In
Public Housing	25	83	128
Housing Choice Vouchers	1,857	3,952	93
Mod Rehab	79	136	45
Project Based Section 8	963	1,469	67
202/PRAC	135	136	74
811/PRAC	54	58	66
Summary of all HUD programs (total)	3,113	5,834	82

Source: U.S. Department of Housing and Urban Development, A Picture of Subsidized Households, 2020 based on 2010 Census. "Units available" is defined as "Number of units under contract for federal subsidy and available for occupancy." Accessed 4/26/2021 at <https://www.huduser.gov/portal/datasets/assthsg.html>

The Sioux Falls Housing and Redevelopment Commission (SFHRC) maintains a detailed waiting list for its subsidized housing programs, the largest of which is the Housing Choice Vouchers program. To qualify for the waiting list, a household must generally have an income that is at or below 50% MFI, adjusted by household size. As of May 2021, the waiting list had 1,783 total households. On average, households at the top of the list in May 2021 had been on the list for 2 years.

Subsidy programs, along with the low income housing tax credit program, help boost the supply of affordable rental housing. However, as these programs are phased out, properties change ownership and elect to leave programs, and affordability periods expire, these units may shed income restrictions and affordability regulations, entering the conventional market.

Through 2025, an estimated 282 existing units are expected to lose all HUD subsidies or tax credit affordability requirements. Some of these units may remain affordable if owners renew subsidies or recapitalize using new subsidy programs, or they may remain affordable despite expiring restrictions due to their age, quality, and position in the rental market. However, without restrictions, these units are subject to rental increase, decreasing the city's supply of affordable housing.

The table below summarizes units at risk of loss by supporting program and program end date.

Subsidized units at risk of loss, Sioux Falls

	LIHTC	Section 8	HUD Insured	HOME	Section 202	Total units losing all HUD subsidies (latest end date)
2021	0	97	0	2	0	97
2022	0	0	0	0	0	0
2023	0	0	0	0	0	0
2024	0	67	0	11	48	130
2025	80	190	0	5	0	55
2026	0	55	0	32	24	28
2027	73	24	0	0	0	73
2028	0	0	0	40	0	0
2029	81	0	0	4	0	81
2030	44	0	0	44	0	44
2031	148	0	0	31	0	148
2032	162	0	0	20	0	172
2033	176	24	0	64	0	121
2034	36	0	0	9	0	45
≥ 2035	1,794	757	406	129	0	2,993
Total	2,594	1,214	406	391	72	3,987

Source: National Housing Preservation Database, access 4/26/2021

Note: Units per subsidy do not total to total units losing all subsidies because units may be covered by multiple programs.

As a caveat, the reported program status and end dates are based on records maintained by the National Housing Preservation Database, not direct examination of contracts; they may be subject to error. Owners may also choose to voluntarily maintain unit affordability even after the contract affordability period has expired, they may renew program participation or seek new program support with accompanying affordability requirements, or they may be subject to additional regulatory requirements that extend affordability based on state or local support received in addition to tax credits or HUD subsidies documented here.

Housing Choice Voucher Waiting List

The Sioux Falls Housing and Redevelopment Commission (SFHRC) maintains a detailed waiting list for its subsidized housing programs. To qualify for the waiting list, a household must generally have an income that is at or below 50% MFI, adjusted for household size. The length of the waiting list fluctuates as households are added and removed.

As of July 2021, there were 1,604 households on the waiting list. On average, households spend about 2 years on the waiting list before becoming eligible for a voucher.

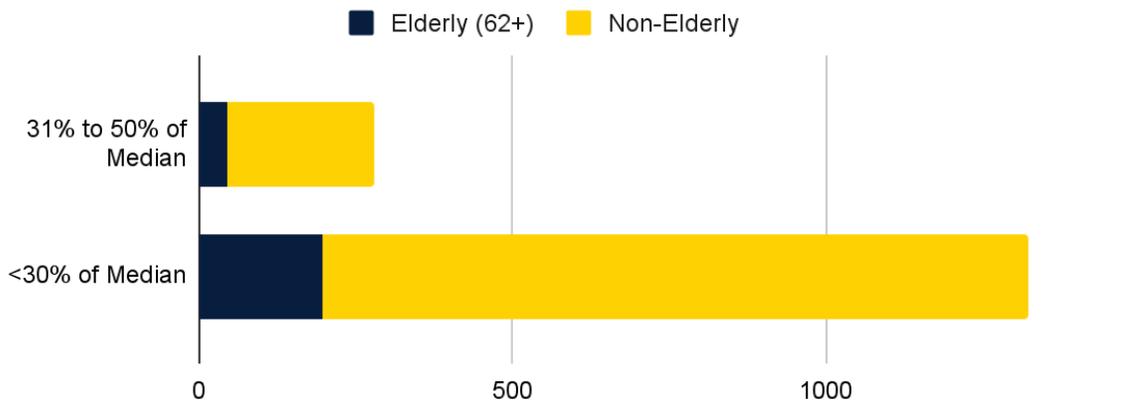
In Sioux Falls, most families on the waiting list are non-elderly (i.e., have a head-of-household under age 62). However, compared to previous snapshots, the July 2021 waiting list had a higher proportion of elderly households: As of July 2021, 15% of the households on the waiting list had a head-of-household 62 years old or older, compared to 11% in 2016 and 7% in 2010.¹⁰ This trend reflects overall demographic patterns and can be expected to continue as the population ages.

Waiting list characteristics: Income and household type, July 2021

	<30% of Median	31% to 50% of Median	Total
Elderly (62+)	197	46	243
Non-Elderly	1,127	234	1,361
Total - All Households	1,324	280	1,604

Source: SFHRC; calculations by author

Waiting list by income range and household type, July 2021



Source: SFHRC; calculations by author

The income distribution on the waiting list has remained similar over time, with about 83% of all households having extremely low income (i.e., have a household income that is below 30% MFI)--the same proportion seen in 2016 and 2010.

About 62% of elderly households also had a household member with a disability. Since most elderly households had only one member, in most cases the head of household was both elderly and disabled. Approximately 46% of the non-elderly households also had a household member with a disability. In total, about 54% of all households on the waiting list were either elderly or disabled, while 46% were neither.

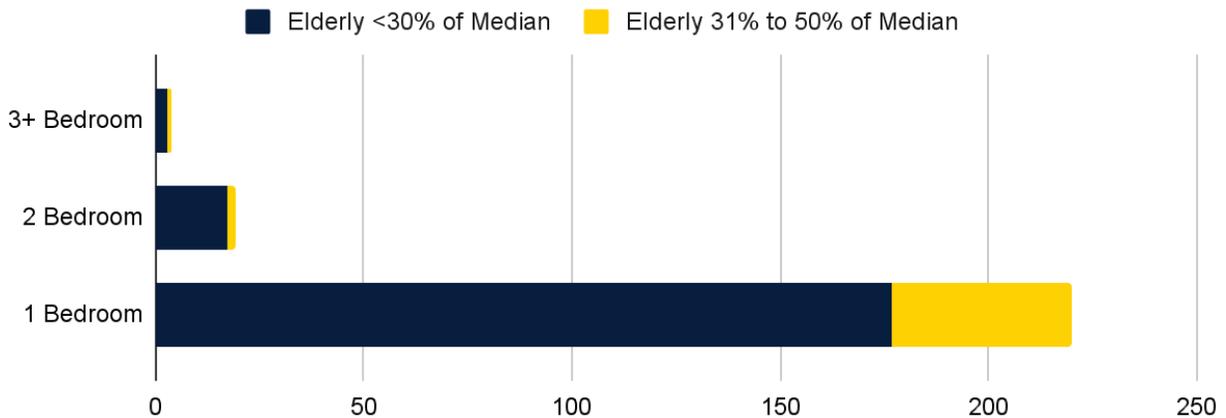
¹⁰ Sioux Falls Affordable Housing Needs Assessment 2016

Waiting list characteristics: Elderly by bedroom needs, July 2021

Household Type	1 Bedroom	2 Bedroom	3+ Bedroom	Total
Elderly <30% of Median	177	17	3	197
Elderly 31% to 50% of Median	43	2	1	46
Total-Elderly	220	19	4	243

Source: SFHRC; calculations by author

Elderly waiting list by number of bedrooms needed, July 2021



Source: SFHRC; calculations by author

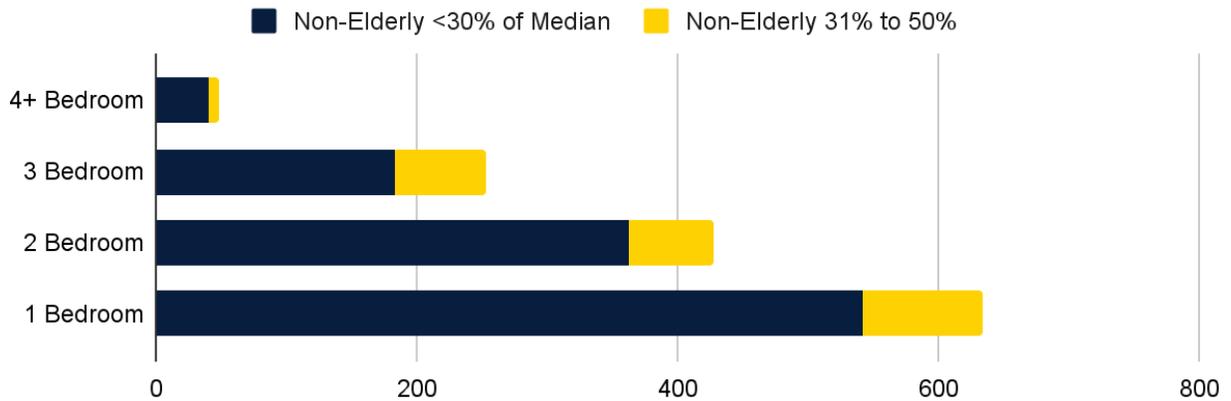
Approximately 91% (220) of elderly households and 47% (634) of non-elderly households need a one-bedroom apartment. About 31% (428) of non-elderly households need two bedrooms. The remaining 22% (299) of non-elderly households need three or more bedrooms.

Waiting list characteristics for non-elderly by bedrooms, July 2021

Household Type	1 Bedroom	2 Bedroom	3 Bedroom	4+ Bedroom	Total
Non-Elderly <30% of Median	542	363	182	40	1,127
Non-Elderly 31% to 50%	92	65	70	7	234
Total Non Elderly by Bedroom	634	428	252	47	1,361

Source: SFHRC; calculations by author

Waiting list characteristics for non-elderly by bedrooms, July 2021



Source: SFHRC; calculations by author

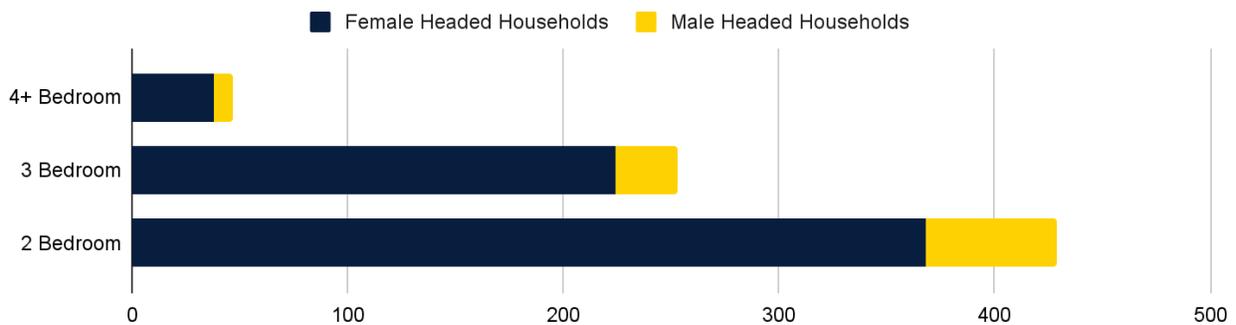
Non-elderly households with two or more members are likely families with children. In this category, about 86% of households are headed by women.

Waiting list: Non-elderly with two or more members, July 2021

Household Type	2 Bedroom	3 Bedroom	4+ Bedroom	Total
Female Headed Households	368	224	38	630
Male Headed Households	61	29	9	99
Total - Non-Elderly	429	253	47	729

Source: SFHRC; calculations by author

Non-elderly waiting list by gender of head-of-household by bedrooms, July 2021



Source: SFHRC; calculations by author

For all people on the waiting list, regardless of age or household composition, about 61% were white, 23% were Native American, 16% were Black, and less than 1% were other races.

Once families come off the waiting list and receive a voucher, they have a limited amount of time in which to find an available apartment that will accept the voucher. As of July 15,

2021, 119 families with vouchers were searching for an apartment where they could use the voucher. In an effort to help families find housing in order to use vouchers, SFHRC increased the payment standard to 100% of Fair Market Rent (FMR) across the board and implemented Small Area FMRs as of August 2021. Both measures are intended to make it easier for families with vouchers to find housing in higher cost areas, making more options available. These policies were implemented in response to new voucher recipients' increased difficulty finding a unit to rent.

2.6 Affordability Gaps and Cost Burden

2.6.1 Affordability Gaps

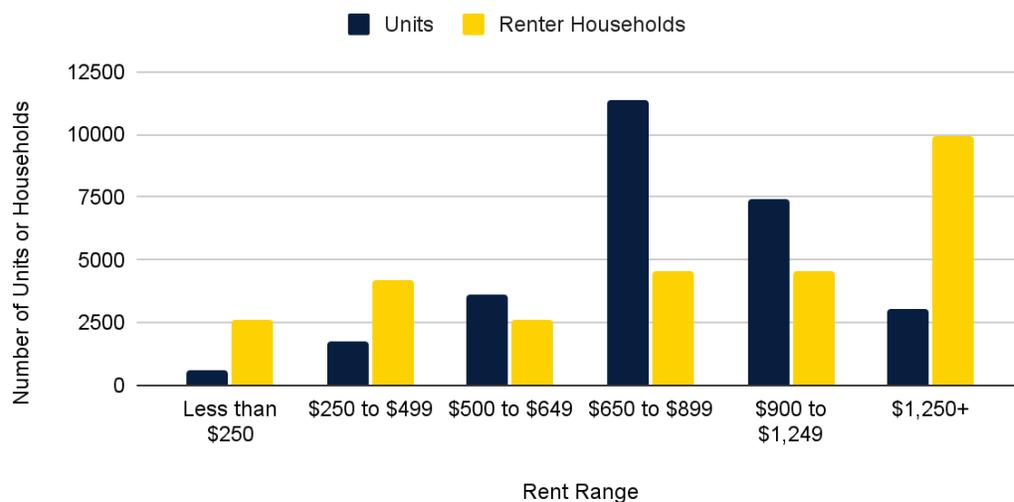
Comparing rent and income distributions for renter households reveals a housing gap for low-income households in Sioux Falls.

In this analysis, the calculation of ability to pay assumes a goal that no more than 30% of income is used for rent. For example, a household with an annual income of \$20,000 could afford monthly gross rent of up to \$500.

In Sioux Falls in 2019, there was an estimated unit gap of about 4,443 units for households with incomes below \$20,000. That is, there were an estimated 2,360 units with rent levels under \$500, compared to an estimated 6,803 renter households with annual incomes under \$20,000.

In 2019, there were more than four times as many households with annual incomes below \$10,000 as there were units with an affordable gross rent under \$250, a gap of about 2,014 units. Additionally, there was a gap of about 2,429 units with monthly rents between \$250 and \$499, affordable to households with incomes below \$20,000.

Households by affordable rent based on income versus units by rent range, Sioux Falls, 2019



Source: 2015-19 American Community Survey 5-year estimates, Tables B25063 and S2503, calculations by analyst

While low-income households face a unit shortage, moderate rent units are in abundance. There is a slight surplus of units in the \$500 to \$649 rent range compared to renter households with commensurate income levels. Units in this rent range likely reflect older, conventional rental stock along with some tax credit housing. Sioux Falls also has a large supply of rental units priced between \$650 and \$899, more than double the number of renter households with annual incomes that would put them in this range for affordable rents. This price range reflects a large volume of conventional rental housing, plus many of the moderate rent tax credit units built over the last decade.¹¹

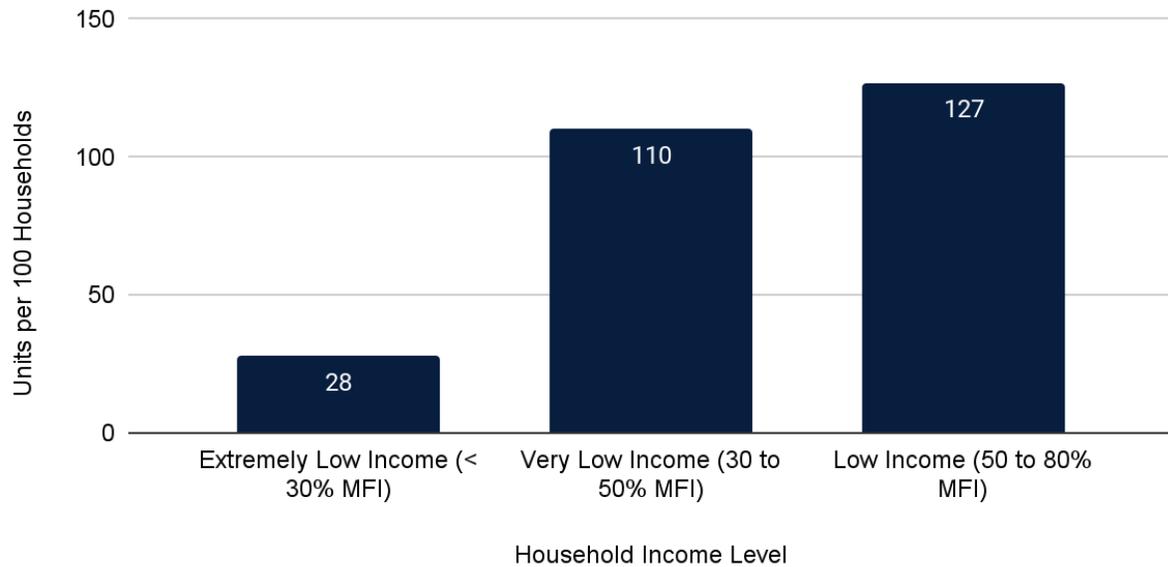
At higher rent ranges, Sioux Falls has a large and growing number of rental units with rents between \$900 and \$1,249--about 7,425 units in 2019 compared to 4,359 in 2015. Growth of units in this rent range has overtaken the number of households whose incomes would put them in that range for affordable rents: whereas the city has about 7,425 units in that rent range, there are about 4,532 households with commensurate incomes. The number of rental units that rent for \$1,250 or more has also increased since 2015, growing from an estimated 1,637 units to 3,026 in 2019. The number of households with incomes of \$50,000 or more who would find units in this range affordable has also grown, from 6,744 in 2015 to 9,906 in 2019, still outnumbering the units in this range by a good margin. Much of the new conventional rental housing constructed in Sioux Falls in recent years has been oriented to higher-income renters. This analysis suggests that higher-priced housing is well positioned to serve the growing market of higher income renters.

In Sioux Falls, the supply of units in the more moderate rent ranges exceeds the number of moderate income renter households. However, this does not necessarily imply that affordable units are readily available. Many affordable units are absorbed by renter households that could afford to pay more for housing but instead opt to pay less than 30% of their income for housing.

¹¹ A U.S. Census Bureau working paper finds that tenants who receive Housing Choice Vouchers or similar rental assistance typically report rents to the American Community Survey that are lower than the unit's contract rent, or market rate rent. This discrepancy is likely due to tenants either reporting contract rent less assistance they receive or reporting their out of pocket payment rather than the full contract rent. In either case, the result is that American Community Survey rent level data already take into account (to some extent) the effects of housing assistance on housing affordability. For the most part, the affordability gaps revealed by the data are those that remain even after available assistance has been taken into account. In Sioux Falls, for example, there are a recorded 3,113 HUD-subsidized units compared to 2,360 estimated units with rent below \$500. See W. Ward Kingkade. 2017. "What are Housing Assistance Support Recipients Reporting as Rent?" Social, Economic, and Housing Statistics Division (SEHSD) Working Paper 2017-44. U.S. Census Bureau. Available online at <https://www.census.gov/content/dam/Census/library/working-papers/2017/demo/SEHSD-WP2017-44.pdf>.

As moderate to higher income households elect to rent down and take a lower-rent unit, choices are narrowed for lower income households competing for the same affordable units. After accounting for units being rented by higher income households, it appears Sioux Falls has just 28 affordable and available units for every 100 renter households at or below 30% MFI.

Rental housing affordability gap (affordable and available units per 100 households), Sioux Falls, 2019

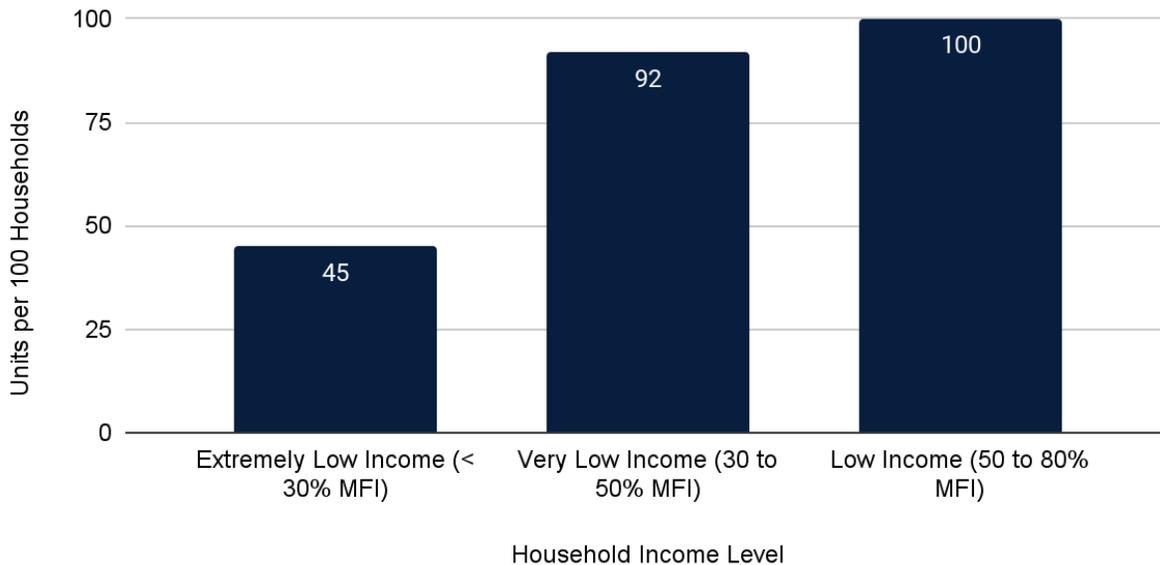


Source: 2015-19 American Community Survey 5-year Public Use Micro Sample (PUMS), calculations by analyst

Note: These figures include both conventional and subsidized rents.

A similar pattern is evident among homeowners. For extremely low income homeowners, there are an estimated 45 affordable and available units per 100 households.

Owner-occupied housing affordability gap (affordable and available units per 100 households), Sioux Falls, 2019



Source: 2015-19 American Community Survey 5-year Public Use Micro Sample (PUMS), calculations by analyst

For homeowners as for renters, affordability is defined as spending 30% or less of gross monthly income on housing. Monthly payments have been estimated based on reported home value and average rates for interest, insurance, and property tax.¹²

These results should be considered in context: overall, renters in Sioux Falls tend to have lower incomes than homeowners. Only about 5% (1,995) of homeowner households in the city have incomes below 30% MFI, compared to about 23% (6,070) renter households.¹³ Extremely low income households are more likely to be in the rental market than the homebuying market, and for the income levels where most homeowner households find themselves, Sioux Falls appears to have an adequate supply of affordable units.

However, there are indications that Sioux Falls may be facing declining housing affordability for homeowners. For homeowners and potential buyers, a widely used measure of affordability is the price-to-income ratio, sometimes referred to as the median multiple. The price-to-income ratio compares median sales price or home value to median annual household income in a market. Conventionally, ratios under 3.0 indicate relative affordability.

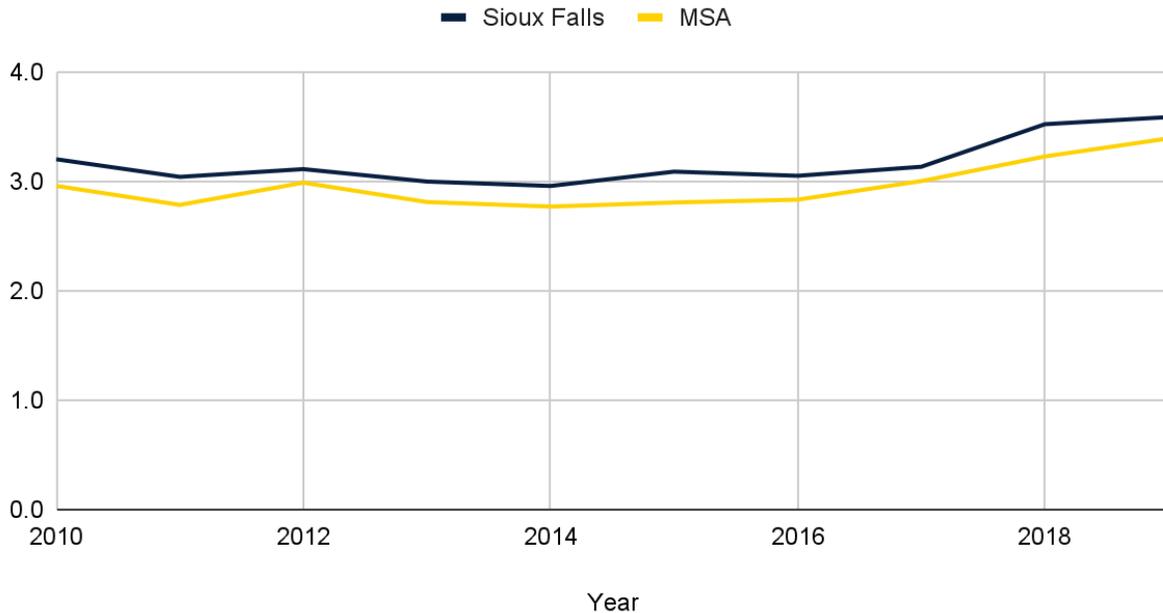
In the city of Sioux Falls, the home value-to-income ratio (calculated with median home value in lieu of median sales price) has hovered around 3.0 since 2010, but since 2018 has

¹² For complete methodology, see appendix.

¹³ Comprehensive Housing Affordability Strategy (CHAS) special tabulation of 2013-17 American Community Survey 5-year estimates

begun a gradual climb. In 2019, the home value-to-income ratio in Sioux Falls was 3.6, suggesting that owner-occupied housing is becoming less affordable.

Sioux Falls and MSA home value-to-income ratio, 2010 - 2019



Source: American Community Survey 1-year estimates, Table S1901

The pattern is similar whether calculated from median home value or median sales price. For 2014, the REALTOR Association of the Sioux Empire (RASE) reported a median sales price of \$159,900, for a price-to-income ratio of 2.9 (compared to 3.0 using home value). By 2019, RASE's reported median sales price was \$214,000, for a price-to-income ratio of 3.5 (compared to 3.6 using home value). Both methods show a trend toward declining affordability for homeowners.

In July 2021, RASE reported a Housing Affordability Index for Sioux Falls of 134, one of the lowest levels in nearly two decades of reporting, even lower than immediately prior to the 2008 economic downturn. The index measures affordability by comparing median household income to the income necessary to qualify for a median-priced home given prevailing interest rates. A higher index value indicates greater affordability. After falling from a high of over 240 in 2012, the index has hovered around 160 or below since 2018. The index has been below 150 since February 2021.¹⁴

2.6.2 Cost Burden

Households that cannot find affordable housing may crowd into housing without enough rooms, opt for substandard housing, or choose to incur a cost burden (that is, pay more than 30% of household income for housing).

¹⁴ REALTOR Association of the Sioux Empire, Inc. Monthly Indicators for July 2021 (current as of August 1, 2021)

In 2019, an estimated 3.8% of renter households and 0.9% of homeowners in Sioux Falls were crowded, with more than 1 occupant per room (2015-19 American Community Survey 5-year estimates, Table B25014).

Most Sioux Falls households live in homes with complete plumbing and kitchen facilities, a basic indicator of housing quality. In 2019, an estimated 99.9% of owner-occupied units and 99.7% of renter-occupied units had complete plumbing facilities; 99.7% of owner-occupied units and 98.2% of renter-occupied units had complete kitchen facilities. Among homeowners, 98.4% had telephone service, as did 95.6% of renter households (2015-19 American Community Survey 5-year estimates, Table S2504).

Compared to crowding and incomplete facilities, housing cost burden is much more prevalent in Sioux Falls. Overall, an estimated 37.4% of renters (10,014 households) and 14.3% of homeowners (6,060 households) are cost burdened, paying more than 30% of income toward housing costs. Some households direct more than half of their income toward housing costs: 18.3% of renters (4,910 households) and 5.0% of homeowners (2,135 households) have a housing cost burden over 50%.

Sioux Falls cost burdened households by % of median family income, renters

% of MFI	Cost burden > 30%		Cost burden > 50%		Total	
<= 30%	4,730	77.9%	4,030	66.4%	6,070	100.0%
30 to 50%	3,550	69.1%	640	12.5%	5,135	100.0%
50 to 80%	1,595	21.4%	215	2.9%	7,455	100.0%
80 to 100%	85	2.9%	10	0.3%	2,895	100.0%
> 100%	55	1.1%	15	0.3%	5,220	100.0%
Total	10,015	37.4%	4,910	18.3%	26,775	100.0%

Source: HUD Comprehensive Housing Affordability Strategy (CHAS), a special tabulation of 2013-17 American Community Survey 5-year estimates

Cost burden varies by income level. Households with lower incomes are more likely to incur a cost burden. About three-quarters of extremely low income renter and homeowner households (at or below 30% of MFI) are cost burdened. Among very low income households (30 to 50% MFI), about 69.1% of renters and 49.8% of homeowners are cost burdened. Low income households (50 to 80% MFI) are less likely to be cost burdened; nevertheless, 21.4% of renters and 30.3% of homeowners in this income range have a housing cost burden.

Above 80% MFI, renter households in Sioux Falls are unlikely to be cost burdened, indicating households in this income range are able to find affordable rental housing. But among homeowners, about 12.6% of households with incomes between 80 and 100% MFI are cost burdened. Above 100% MFI, nearly all homeowners are in housing with a cost they can afford.

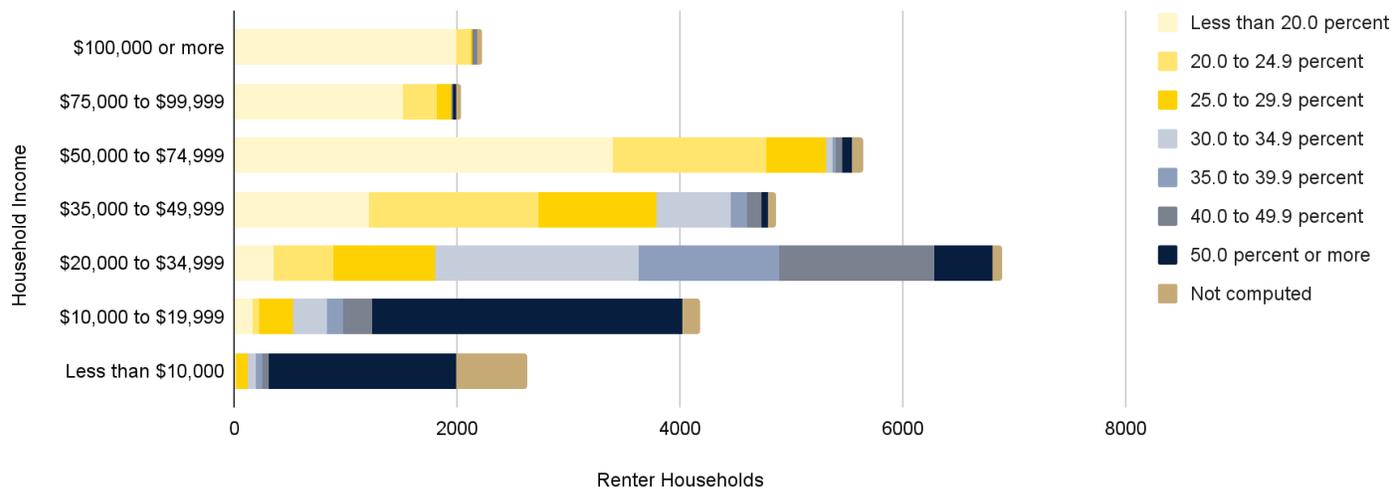
Sioux Falls cost burdened households by % of median family income, owners

% of MFI	Cost burden > 30%		Cost burden > 50%		Total	
<= 30%	1,535	76.9%	1,175	58.9%	1,995	100.0%
30 to 50%	1,440	49.8%	580	20.1%	2,890	100.0%
50 to 80%	1,930	30.3%	315	5.0%	6,360	100.0%
80 to 100%	595	12.6%	25	0.5%	4,705	100.0%
> 100%	560	2.1%	40	0.2%	26,330	100.0%
Total	6,060	14.3%	2,135	5.0%	42,280	100.0%

Source: HUD Comprehensive Housing Affordability Strategy (CHAS), a special tabulation of 2013-17 American Community Survey 5-year estimates

Lower income households pay a higher percentage of their income for housing, regardless of whether they rent or own their homes. However, because a larger proportion of renter households fall into lower income ranges, renters in Sioux Falls are more likely to be cost burdened. Most renter households with incomes of \$35,000 or more live in housing that they can afford; below \$35,000, the vast majority of renter households are in unaffordable housing and experience a cost burden. Median household income for renters in Sioux Falls is \$36,629, meaning that half of renter households have higher incomes and half have lower, putting them in an income range where they are very likely to experience a housing cost burden.

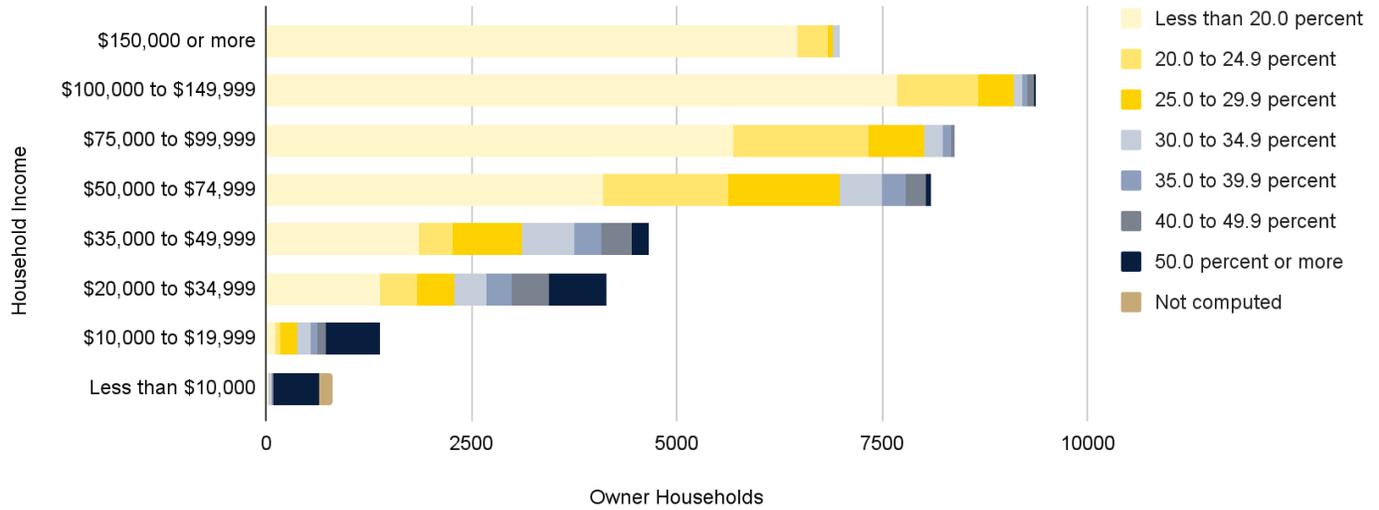
Gross rent as a percentage of household income, Sioux Falls, 2019



Source: 2015-19 American Community Survey 5-year estimates, Table B25074

Compared to renters, homeowners in Sioux Falls are better off, both in terms of income levels and housing cost burden. Most homeowners find themselves in higher income ranges and in housing that they can afford. Median household income for homeowners in Sioux Falls is \$59,912, meaning half of homeowners have higher incomes and half have lower. Homeowners with an income of \$50,000 are very unlikely to experience a housing cost burden. Although relatively few homeowners have incomes below \$35,000, those who do are more likely than other homeowners to experience a housing cost burden.

Selected monthly owner costs as a percentage of household income, Sioux Falls, 2019



Source: 2015-19 American Community Survey 5-year estimates, Table B25095

In large part, differences in cost burden patterns between renters and homeowners are due to selection effects: homebuyers must have the financial resources to secure a mortgage or the wealth to invest in a home. Households without those means find themselves in the rental market.

Housing costs as a percentage of household income, 2019

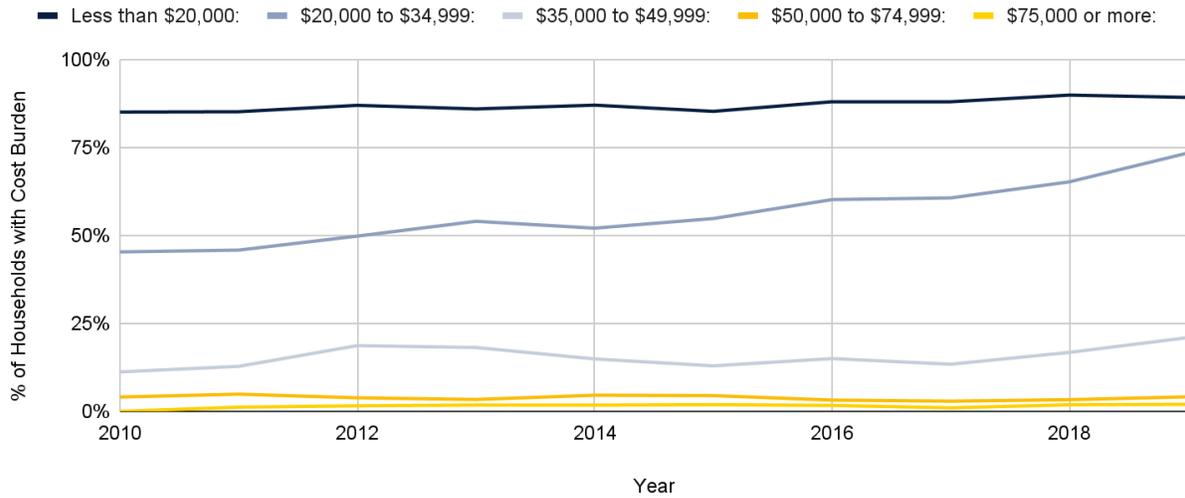
	All Occupied Housing Units	Owner-occupied housing units	Renter-occupied housing units
Less than \$20,000	8,047	2,039	6,008
Less than 20 percent	302	131	171
20 to 29 percent	763	284	479
30 percent or more	6,982	1,624	5,358
\$20,000 to \$34,999	10,934	4,138	6,796
Less than 20 percent	1,733	1,379	354
20 to 29 percent	2,365	911	1,454
30 percent or more	6,836	1,848	4,988
\$35,000 to \$49,999	9,456	4,668	4,788
Less than 20 percent	3,070	1,854	1,216
20 to 29 percent	3,830	1,261	2,569
30 percent or more	2,556	1,553	1,003
\$50,000 to \$74,999	13,627	8,092	5,535
Less than 20 percent	7,506	4,110	3,396
20 to 29 percent	4,777	2,866	1,911
30 percent or more	1,344	1,116	228
\$75,000 or more	28,909	24,741	4,168
Less than 20 percent	23,335	19,833	3,502
20 to 29 percent	4,771	4,188	583
30 percent or more	803	720	83
Zero or negative income	607	154	453
No cash rent	711	(X)	711

Source: 2015-19 American Community Survey 5-year estimates, Table S2503

Over the past decade, the proportion of renters experiencing a housing cost burden has remained fairly steady for those at the upper and lower ends of the income distribution. Since 2010, for renters with incomes under \$20,000, about 85% have been cost burdened. In 2019, an estimated 6,008 renter households fell into this income range, or about 21% of all renter households.

For renters with incomes of \$35,000 to \$49,999, the proportion experiencing a cost burden has varied over the past decade, ranging from 11% to 21% with an average of 15%. In 2019, an estimated 4,788 renter households fell into this income range, or about 16.8% of all renter households. Above this income range, renter households are unlikely to experience a cost burden: during the past decade, the proportion of renters with household incomes of \$50,000 who are cost burdened has not exceeded 5%. An estimated 9,703 renter households had incomes of \$50,000 or more in 2019, accounting for about 34% of renter households in Sioux Falls.

Cost burdened renter households by income, Sioux Falls, 2010 - 2019



Source: American Community Survey 5-year estimates, Table B25074

Note: Rates of cost burden are calculated across all renters, including those who live in subsidized housing or receive rental assistance. That assistance may reduce the percentage of renter households in the lowest income levels who are cost burdened. Income ranges are not adjusted for inflation.

While housing cost burden has stayed consistently higher for the lowest income renters and moderate to low for the highest income renters, for middle income renters--those with incomes between \$20,000 and \$35,000--housing cost burdens have climbed steadily. In 2010, about 45% of renters in this income range were cost burdened; by 2019, that proportion had risen to 73%. In 2019, an estimated 6,796 renters found themselves in this middle income range, representing about 24% of all renter households in Sioux Falls.

For Sioux Falls renters, household income of \$35,000 remains an important threshold: renter households with incomes above \$35,000 have an easier time finding housing they can afford, while those with incomes below \$35,000 have an increasingly difficult time finding housing that is affordable.

2.6.3 Housing Assistance

Households struggling to afford housing may reach out for assistance. One indicator of the community-wide need for affordable housing is requests for assistance with housing needs. Minnehaha County Human Services reports a fairly consistent level of need, with around 4,000 applications for rental assistance each year over the past 5 years.

Applications to Minnehaha County Human Services for Housing Assistance, 2016-2020

	2016	2017	2018	2019	2020
Rent requests	4,424	3,829	3,824	4,136	3,119
Utility requests	1,417	1,284	1,246	1,115	690
Deposit requests	1,041	1,283	1,246	969	575

Source: Minnehaha County Human Services, Annual Reports to the Minnehaha County Commission

Application numbers appear lower in 2020, but that may be due in part to disruptions caused by the COVID-19 pandemic.

The Helpline Center is a referral organization that helps connect people to resources in the community. Each year, the Helpline Center handles thousands of requests from community residents looking for resources and assistance. Each request is documented along with the caller's zip code. Those records provide another barometer of community needs.

In 2015, the Helpline Center reported that housing-related requests made up 14% of all calls from the Sioux Falls MSA from 2013 to 2015. In 2018, the Helpline Center reported that housing-related requests made up 9.2% of contacts, and in 2019, 8.75% of contacts. In 2020, housing-related needs made up as much as 20% of documented needs. That increase may have been driven by the COVID-19 pandemic.

Most housing-related requests documented by the Helpline Center were rent payment assistance.

Helpline Center Needs Requests (needs identified among Sioux Falls contacts)

	1/1-3/31 2020	4/1-6/30 2020	7/1-9/30 2020	10/1-12/31 2020	1/1-3/31 2021	4/1-6/30 2021
Rent Payment Assistance	1,573	4,005	2,075	3,251	3,002	2,388
Homeless Shelter	239	233	280	302	210	296
Low Income/Subsidized Rental Housing	154	179	247	213	137	183
Housing Related Coordinated Entry	82	124	119	209	101	175
Tenant Rights Information/Counseling	55	88	117	91	81	117
Rental Deposit Assistance	51	107	115	140	97	133
Mortgage Payment Assistance	40	83	70	164	70	57
Housing Search and Information	39	48	79	65	69	138
Moving Services	31	34	68	37	35	-
Homeless Permanent Supportive Housing	30	30	-	-	-	-
Transitional Housing/Shelter	-	-	49	-	-	40
Emergency Related Eviction/Foreclosure Moratoriums	-	-	-	56	85	60
Crisis Shelter	-	-	-	-	-	-

Source: Helpline Center dashboard and annual reports

Note: Contacts include calls, texts, and email. A single contact may have more than one documented need.

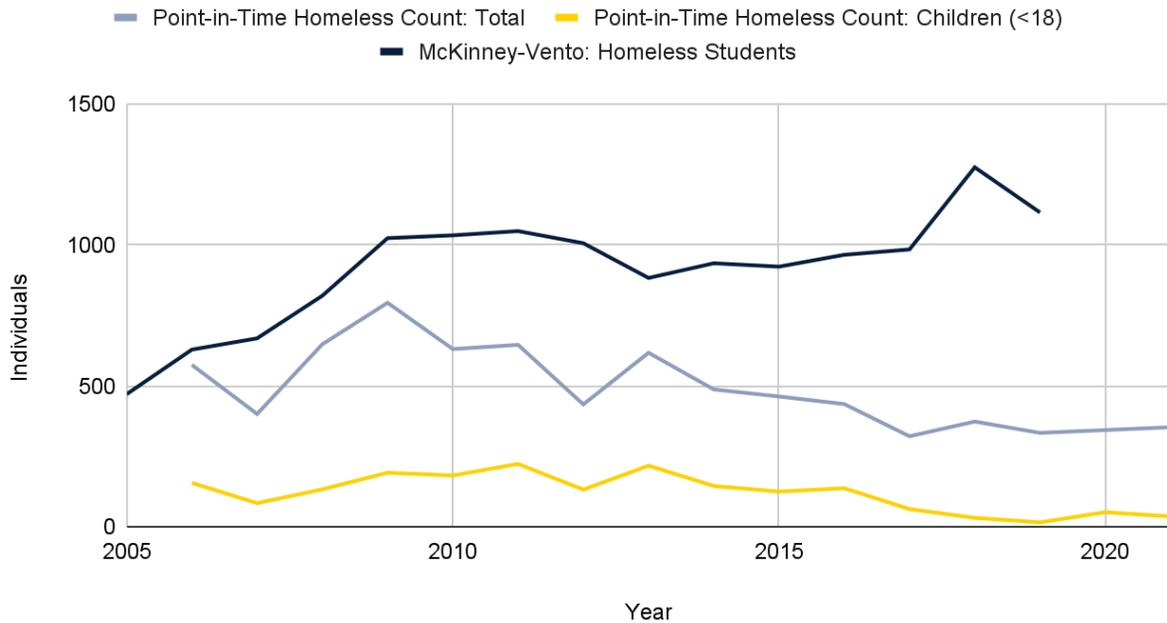
2.6.4 Homelessness

Individuals and families who are unable to find affordable housing are at increased risk of homelessness. Estimates of the number of people in Sioux Falls who are experiencing homelessness vary depending on methodology. Triangulating multiple counts with different methodologies gives some insight into possible trends in the number of people in Sioux Falls experiencing homelessness:

- The South Dakota Housing for the Homeless Consortium, the state’s designated Continuum of Care organization, administers an annual point-in-time count of people experiencing homelessness, as required by the U.S. Department of Housing and Urban Development (HUD). This count takes place on a single night in January and offers a snapshot of the number of people experiencing homelessness during a 24-hour period.
- The Sioux Falls School District’s McKinney-Vento count of students experiencing homelessness is also annual, but it is a cumulative count rather than a point-in-time. It counts all students who experience homelessness at any point during an academic year. This count includes students and families who are doubled up--that is, temporarily staying with another household. Doubled-up households are not included in the point-in-time count.

Both the point-in-time count and the McKinney-Vento count point to an increase in the number of people experiencing homelessness around the time of the 2008 economic downturn, followed by stability or a possible slight downward trend from 2010 through 2015. However, after 2015, the two counts diverge: while the point-in-time count appears to show a decrease in the number of people experiencing homelessness in Sioux Falls, the McKinney-Vento count shows an apparent increase in the number of students who experienced homelessness at some point during the year.

Homelessness in Sioux Falls, 2005 - 2021



Source: Minnehaha County/Sioux Falls Point-in-Time Count as reported in the 2025 Plan to Address Homelessness in the Sioux Falls Area, Minnehaha County January 2016 Homeless Count, South Dakota Housing for the Homeless Point-in-Time Count, and Sioux Falls School District

Another indicator of the number of people experiencing homelessness is applications to Minnehaha County made by unhoused households. Each year, Minnehaha County Human Services processes about 1,300 requests for assistance from applicants experiencing homelessness. That number has been fairly consistent over the past 5 years. However, the number of homeless families with children appears to be decreasing, from a high of 677 in 2016 to 369 in 2019 and 234 in 2020.

Applications to Minnehaha County Human Services by Households Experiencing Homelessness, 2016 - 2010

	2016	2017	2018	2019	2020
Homeless families with children	677	570	434	369	234
Homeless households without children	1,345	1,377	1,402	1,260	926

Source: Minnehaha County Human Services, Annual Reports to the Minnehaha County Commission

Taken together, these results may indicate a decrease in the number of households with children who are unhoused and unsheltered or staying in emergency shelters, while the McKinney-Veno results could suggest an uptick in unhoused children in other circumstances (e.g., doubled up).

Along with providing an estimate of the number of individuals and families experiencing homelessness, the annual point-in-time homeless count also asks about certain demographic and background characteristics. Results reveal that, in Sioux Falls, the risk of experiencing homelessness varies significantly by race. Whereas White residents made up an estimated 79% of the Sioux Falls population in 2020, among people experiencing homelessness counted in the 2020 point-in-time count, just 38% were White. By comparison, Black residents were 6.3% of the Sioux Falls population but made up 15.4% of people counted in the 2020 point-in-time count, and American Indian residents were 2.7% of the population but made up 42.2% of people experiencing homelessness counted in 2020. In terms of relative risk of experiencing homelessness, American Indians in Sioux Falls are 32.1 times as likely to experience homelessness as White residents (RR 32.1, 95% CI 28.3 - 36.0) , and Black residents are 5.1 times as likely (RR 5.1, 95% CI 1.2 - 9.0).¹⁵

Relative Risk of Experiencing Homelessness (compared to White population), 2020

	Population	People experiencing homelessness	Relative Risk (compared to White population)	95% Confidence Interval	
White	152,142	130	1.0	-2.8	4.8
Black or African American	12,190	53	5.1	1.2	9.0
American Indian and Alaska Native	5,279	145	32.1	28.3	36.0
Two or more races	11,838	16	1.6	-2.5	5.7

Source: South Dakota Continuum of Care Point-in-Time Count (2020, Sioux Falls detail) and 2020 Decennial Census Redistricting Data

The point-in-time count also includes detail about background characteristics relevant to program delivery, including the number of veterans, chronically homeless, victims of domestic violence, and adults with substance use disorders, serious mental illness, and HIV/AIDS. Results are based on self-report.

¹⁵ Relative risk calculations are based on the 2020 Census counts of population by race and the 2020 point-in-time count of people experiencing homelessness. The 2020 point-in-time count is used in place of the more recent 2021 count because the 2021 count only counted people in shelter, not unsheltered (due to the pandemic).

Selected characteristics of people experiencing homelessness, 2017 - 2021

	2017	2018	2019	2020	2021
Veteran household without children	30	0	14	15	12
Veteran household with children	2	23	16	0	0
Veterans (total)	32	23	30	15	12
Chronically homeless individuals	25	44	28	72	11
Chronically homeless households with children	1	6	4	8	0
Chronically homeless individuals (total)	27	50	32	80	11
Adults with a substance use disorder	39	51	28	52	29
Adult survivors of domestic violence	73	68	40	51	27
Adults with serious mental illness	50	47	41	35	20
Adults with HIV/AIDS	0	1	2	1	1
American Indian	132	136	100	145	119
White	142	165	158	130	172
Black	32	58	59	53	48
Asian	1	2	2	0	5
Native Hawaiian	5	0	0	0	4

Source: South Dakota Continuum of Care Point-in-Time Count (2017-21, Sioux Falls detail)

Note: Due to the COVID-19 pandemic, the 2021 Point-in-Time Count was a count of the sheltered population only.

Results suggest progress toward reducing the number of veterans experiencing homelessness, with 15 veterans identified during the 2020 point-in-time count compared to 32 in 2017. However, the number of chronically homeless individuals appears to have increased from 27 in 2017 to 80 in 2020.

Coordinated Entry

The Coordinated Entry System, or CES, operates statewide to assess and place families (or individuals) experiencing homelessness into housing programs. People experiencing homelessness can access the CES by calling a toll free number or by applying in person at designated access points across the state. As part of the intake process, families and individuals are assessed using the Vulnerability Index - Service Prioritization Decision Assistance Tool, or VISPDAT. Based on the results of that assessment, a household may be recommended for various levels of intervention.

During the second half of 2020, from June 1 through November 30, 2020, CES conducted 378 assessments. Of those, 194--just over 50%--had scores indicating a need for permanent supportive housing (PSH). However, of the 153 households referred to a program, only 10 were actually referred to PSH.¹⁶ These data indicate the lack of PSH, a crucial housing intervention for high-vulnerability individuals and families.

¹⁶ South Dakota Housing for the Homeless Quarterly Meeting Presentation, December 15, 2020. Available online at <https://www.sdhda.org/images/docu/Housing-for-the-Homeless/SDHHC/Dec-15-2020-SDHHC-Quarterly-Presentation.pdf>

Section 3: Populations of Special Concern

Key Findings

3.1 Families with Children

Families with children may be especially vulnerable to housing insecurity, and the effects of inadequate housing on children can be long-lasting. Housing problems facing families include overcrowding, cost burden, and eviction. In Sioux Falls, an estimated 3.8% of renter households (about 1,094 households) are in crowded housing, with more than one person per room. Lower income renters with larger families may face an especially difficult time finding an affordable rental unit of sufficient size. In Sioux Falls in 2019, the median gross rent for a unit with 3 or more bedrooms ranged from \$1,042 for a 3-bedroom unit to \$1,773 for a unit with 5 or more bedrooms. Only an estimated 13% of rental units with 3 or more bedrooms rent for less than \$750, an estimated 724 larger rental units citywide that could be affordable to households with incomes below \$30,000.

3.2 Formerly Incarcerated

People who have been formerly incarcerated in jail or prison have an especially difficult time securing affordable housing. Depending on the charges, a history of incarceration may not automatically disqualify a potential tenant, but most subsidized housing, including public housing and Housing Choice Vouchers, has strict eligibility guidelines and requires a criminal background check. Tax credit properties and many private landlords participate in the Crime-Free Housing program, which makes it more difficult for those with a history of incarceration to find housing.

In FY 2021, 3,566 state inmates were released and 133 federal and other state inmates were released, for a total of 3,699 inmates released from the Department of Corrections statewide.

As of July 2021, there were 3,222 people on parole or supervision. These are statewide totals, so it is assumed that not all of these former inmates will seek housing in Sioux Falls. However, because Sioux Falls is the largest population center in the state and has many reentry and social services unavailable in smaller communities, many former inmates may choose to live in Sioux Falls.

3.3 Refugees and Immigrants

Foreign-born newcomers to a community face a unique set of challenges when it comes to affordable housing. In addition to any economic barriers, many foreign-born residents must overcome language and cultural barriers to finding and maintaining affordable housing.

About 42% of Sioux Falls's foreign-born population, which includes both immigrants and refugees, are relatively recent newcomers, having entered the United States in 2010 or more recently. Refugees are a subset of the foreign-born population, defined by inability to return to their home country due to fear of persecution. The number of foreign-born residents who come to Sioux Falls as refugees has declined significantly over the past several years, a reflection of national trends.

Foreign-born residents tend to have larger families but smaller homes. In 2019, about two-thirds (67%) of foreign-born households were renters, compared to a little over one-third (37%) of native-born households. Whereas the average family size for native-born residents is 2.94, the average family size for foreign-born residents is 3.65. Along with larger average household sizes, foreign-born households in Sioux Falls live in homes with

fewer rooms, on average, than native-born households. In 2019, the median number of rooms for native-born households was 6, compared to a median of 4.3 rooms among foreign-born households.

Larger households among foreign-born residents could reflect larger families or might also be due to a strategy of pooling resources to make rent or homeownership more affordable. Consistent with this interpretation, housing cost burdens are less common among foreign-born households. Among homeowners, foreign-born residents are no more likely than native residents to experience a housing cost burden. Among renters, foreign-born residents are less likely to experience a housing cost burden.

Additionally, some foreign-born households face language barriers, which may affect their ability to find housing. In 2019, an estimated 42.5% of foreign-born Sioux Falls residents reported speaking English less than “very well.”

3.4 People with Disabilities

When it comes to finding affordable housing, people with disabilities face the added challenge of finding accessible housing. For people with disabilities, accessible housing may include features such as handrails, wider doorways, or bathrooms with easy-entry baths and showers. In Sioux Falls, an estimated 10.2% of the population has a disability, including about 4.4% of children age 5 to 17, 9% of adults age 18 to 64, and 30% of adults 65 and over.

In addition to accessibility challenges, people with disabilities may face material hardship that makes it difficult to find housing that is affordable. The poverty rate among people with a disability (24.7%) is more than 3 times the rate among people with no disability (7.6%). In Sioux Falls, people who have a disability are less likely to be in the labor force (i.e., employed or looking for work). In 2019, an estimated 59.4% of people with a disability were not in the labor force, compared to 20% of people with no disability.

3.1 Families with Children

Families with children may be especially vulnerable to housing insecurity, and the effects of inadequate housing on children can be long-lasting.¹⁷ Housing problems facing families include overcrowding, cost burden, and eviction.

In Sioux Falls, an estimated 3.8% of renter households (about 1,094 households) are in crowded housing, with more than one person per room.

Occupants per room among owner- and renter-occupied housing, Sioux Falls, 2019

	Owner occupied (estimate)	Renter occupied (estimate)
0.50 or less occupants per room	35,958	19,296
0.51 to 1.00 occupants per room	7,470	8,069
1.01 to 1.50 occupants per room	359	655
1.51 to 2.00 occupants per room	35	371
2.01 or more occupants per room	10	68
Total	43,832	28,459
<hr/>		
Overcrowded households (>1)	404	1,094
% overcrowded	0.92%	3.84%

Source: 2015-19 American Community Survey 5-year estimates, Table B25014

Homeowners are far less likely to experience crowding in Sioux Falls, with only an estimated 0.9% of homeowners (about 404 households) in crowded housing.

Lower rates of crowding among homeowners are likely due to the larger supply of housing units with 3 or more bedrooms, which make up about 79% of the owner-occupied housing stock compared to 20% of the rental stock. In 2019, Sioux Falls had an estimated 34,761 owner-occupied units with 3 or more bedrooms, compared to 5,759 renter-occupied units of that size (2015-19 American Community Survey 5-year estimates Table B25042).

¹⁷ Kathleen M. Ziol-Guest and Claire C. McKenna, "Early Childhood Housing Instability and School Readiness," *Child Development* 85, no. 1 (January 2014): 103-13; U.S. Department of Housing and Urban Development, "Housing's and Neighborhood's Role in Shaping Children's Future," *Evidence Matters*, Fall 2014; G.W. Evans, "Child Development and the Physical Environment," *Annual Review of Psychology* 57 (2006): 423-51; Matthew Desmond and Rachel Tolbert Kimbro, "Eviction's Fallout: Housing, Hardship, and Health," *Social Forces* 94, no. 1 (September 2015): 295-324; Irene Lew, "Addressing the Housing Insecurity of Low-Income Renters," *Housing Perspectives* (The Harvard Joint Center for Housing Studies, July 13, 2016).

Bedrooms in owner- and renter-occupied units

	Owner occupied (estimate)	Renter occupied (estimate)
No bedroom	7	1,511
1 bedroom	432	7,831
2 bedrooms	8,632	13,358
3 bedrooms	16,425	4,274
4 bedrooms	12,460	1,155
5 or more bedrooms	5,876	330
Total	43,832	28,459

Source: 2015-19 American Community Survey 5-year estimates, Table B25042

Higher average income among homeowners likely also contributes to lower rates of crowding. Lower income renters with larger families may face an especially difficult time finding an affordable rental unit of sufficient size. In Sioux Falls in 2019, the median gross rent for a unit with 3 or more bedrooms ranged from \$1,042 for a 3-bedroom unit to \$1,773 for a unit with 5 or more bedrooms (2015-19 American Community Survey 5-year estimates Table B25031). Only an estimated 13% of rental units with 3 or more bedrooms rent for less than \$750, an estimated 724 larger rental units citywide that could be affordable to households with incomes below \$30,000 (2015-19 American Community Survey 5-year estimates Table B25068).

Rent level by number of bedrooms

	No bedroom	1 bedroom	2 bedrooms	3 or more bedrooms
Less than \$300	0	568	272	138
\$300 to \$499	203	579	411	189
\$500 to \$749	824	3,657	3,183	397
\$750 to \$999	355	2,145	6,366	1,352
\$1,000 to \$1,499	62	643	2,511	2,268
\$1,500 or more	51	201	304	1,069
No cash rent	16	38	311	346
Total	1,511	7,831	13,358	5,759

Source: 2015-19 American Community Survey 5-year estimates, Table B25068

In order to secure housing of sufficient size or quality or in a neighborhood of choice--or simply due to a lack of affordable options--families may incur a cost burden, paying more than they can afford for a place to live.

3.2 Formerly Incarcerated

People who have been formerly incarcerated in jail or prison have an especially difficult time securing affordable housing.¹⁸ Most subsidized housing, including public housing and Housing Choice Vouchers, has strict eligibility guidelines and requires a criminal background check. Depending on the charges, a history of incarceration may not automatically disqualify a potential tenant. Tax credit properties and many private landlords participate in the Crime-Free Housing program, which makes it more difficult for those with a history of incarceration to find housing. For people who must register as sex offenders, housing options may be even more limited: in addition to facing criminal background checks, registered sex offenders in Sioux Falls are restricted to living in areas outside of Community Safe Zones, a 500-foot buffer around schools, playgrounds, parks, and pools.

Data is not readily available on how many Sioux Falls residents may have been formerly incarcerated. According to South Dakota Department of Corrections end-of-month population counts, in July 2021, there were 3,381 total state inmates, including 1,296 state inmates held in Minnehaha County. At that time, according to the Parole Services end of month caseload report, there were also 3,222 people on parole or supervision.

Each year, around 4,000 people are released from prison in South Dakota. In FY 2021, 3,566 state inmates were released and 133 federal and other state inmates were released, for a total of 3,699 inmates released from the Department of Corrections statewide.

SD DOC Adult Inmates Received and Release (FY 2015 - 2021)

Fiscal Year	SD State Inmates		Federal and Other State Inmates	
	Received	Released	Received	Released
2015	2,922	3,014	184	172
2016	3,310	3,151	239	232
2017	3,723	3,565	278	254
2018	4,354	4,294	220	210
2019	4,262	4,473	201	171
2020	4,196	4,575	224	227
2021	3,433	3,566	128	133

Source: South Dakota Department of Corrections report of Adult Inmates Received and Released, August 2021

These are statewide totals, so it is assumed that not all of these former inmates will seek housing in Sioux Falls. However, because Sioux Falls is the largest population center in the state and has many reentry and social services unavailable in smaller communities, many former inmates may choose to live in Sioux Falls.

¹⁸ Sara Wakefield and Christopher Uggen, "Incarceration and Stratification," *Annual Review of Sociology* 36, no. 1 (June 2010): 387-406.

3.3 Refugees and Immigrants

Foreign-born newcomers to a community face a unique set of challenges when it comes to affordable housing. In addition to any economic barriers, many foreign-born residents must overcome language and cultural barriers to finding and maintaining affordable housing.

Since 2010, international migration has accounted for about 18% of the Sioux Falls MSA’s net population growth. Of Sioux Falls’s approximately 177,117 residents in 2019, an estimated 162,145 (91.5%) were native-born citizens and 14,972 (8.5%) were foreign-born. About 42% of Sioux Falls’s foreign-born population, which includes both immigrants and refugees, are relatively recent newcomers, having entered the United States in 2010 or more recently (2015-19 American Community Survey 5-year estimates Table DP02).

Refugees are a subset of the foreign-born population, defined by inability to return to their home country due to fear of persecution. The number of foreign-born residents who come to Sioux Falls as refugees has declined significantly over the past several years. This trend reflects national trends that have been shaped by the annual presidential determination made by the President of the United States, which sets the maximum number of refugees who will be accepted into the country. For fiscal year 2016, the presidential determination was 85,000; it was reduced rapidly in coming years to 18,000 for 2020. Accordingly, the number of refugees coming to South Dakota plummeted: In 2016, Lutheran Social Services (LSS) reported resettling 439 refugees statewide; in 2020, that number was 50.

Compared to native-born households, foreign-born households in Sioux Falls are more likely to rent their homes. In 2019, about two-thirds (67%) of foreign-born households were renters, compared to a little over one-third (37%) of native-born households.

Housing tenure for native and foreign-born households, Sioux Falls, 2019

	Native	Foreign born
Owner-occupied	63.1%	33.30%
Renter-occupied	36.9%	66.70%
Total occupied housing units	66,254	6,037

Source: 2015-19 American Community Survey 5-year estimates, Table S0501

Compared to native-born residents of Sioux Falls, foreign-born residents also tend to have larger families.

Family and household size for native and foreign-born residents, Sioux Falls, 2019

	Native	Foreign born
Average household size	2.3	3.07
Average family size	2.94	3.65
Total population	162,145	14,972

Source: 2015-19 American Community Survey 5-year estimates, Table S0501

Whereas the average family size for native-born residents is 2.94, the average family size for foreign-born residents is 3.65.

This difference can be observed across both renter and homeowner households, and among both native- and foreign-born residents, homeowners tend to have larger households. The average household size among foreign-born homeowners is 3.92.

Household size by tenure for native and foreign-born households, Sioux Falls, 2019

	Native	Foreign born
Average household size of owner-occupied unit	2.53	3.92
Average household size of renter-occupied unit	1.92	2.65
Total occupied units	66,254	6,037

Source: 2015-19 American Community Survey 5-year estimates, Table S0501

Larger households among foreign-born residents could reflect larger families or might also be due to a strategy of pooling resources to make rent or homeownership more affordable.

Along with larger average household sizes, foreign-born households in Sioux Falls live in homes with fewer rooms, on average, than native-born households. In 2019, the median number of rooms for native-born households was 6, compared to a median of 4.3 rooms among foreign-born households.

Median number of rooms and rate of crowding (> 1 occupant per room) among native and foreign-born households, Sioux Falls, 2019

	Native	Foreign born
Median number of rooms	6.0	4.3
1.01 or more occupants per room	1.3%	10.7%
Total occupied units	66,254	6,037

Source: 2015-19 American Community Survey 5-year estimates, Table S0501

As a result, foreign-born residents in Sioux Falls are more likely to experience overcrowding. Whereas only about 1.3% of native-born households live in crowded housing, the proportion of foreign-born households with more than 1 occupant per room is 10.7%.

Among homeowners, foreign-born residents are no more likely than native residents to experience a housing cost burden. Among renters, foreign-born residents are *less* likely to experience a housing cost burden.

Cost burden among native and foreign-born homeowners, Sioux Falls, 2019

Selected monthly owner costs as a percentage of household income in the past 12 months	Native	Foreign born
Less than 30 percent	84.6%	79.4%
30 percent or more	15.4%	20.6%
Total owner-occupied housing units	41,822	2,010

Source: 2015-19 American Community Survey 5-year estimate, Table S0501

Note: The difference in percentage of households with selected monthly owner costs of 30 percent of income or more is not statistically significant, after accounting for the margin of error.

Cost burden among native and foreign-born renters, Sioux Falls, 0291

Gross rent as a percentage of household income in the past 12 months	Native	Foreign born
Less than 30 percent	57.8%	66.3%
30 percent or more	42.2%	33.7%
Total renter-occupied housing units	24,432	4,027

Source: 2015-19 American Community Survey 5-year estimate, Table S0501

Some foreign-born households face language and transportation barriers, which may affect their ability to find housing.

In 2019, an estimated 42.5% of foreign-born Sioux Falls residents spoke English less than "very well." This percentage is down from an estimated 54.3% in 2015, suggesting that the prevalence of language barriers may be declining over time.

Language spoken at home and ability to speak English, Sioux Falls, 2019

	Native	Foreign born
English only	96.4%	20.2%
Language other than English	3.6%	79.8%
Speak English less than "very well"	0.8%	42.5%
Population 5 years and over	149,156	14,596

Source: 2015-19 American Community Survey 5-year estimate, Table S0501

Similarly, disparities in transportation access appear to be declining over time. In 2015, an estimated 14.7% of foreign-born households had no vehicles available to them, but in 2019, that percentage was 6.8%--statistically equivalent to the percentage of native-born residents with no vehicles available.

Vehicle access for native and foreign-born households, Sioux Falls, 2019

	Native	Foreign born
No vehicles available	5.4%	6.8%
1 or more vehicles available	94.6%	93.2%
Total occupied housing units	66,254	6,037

Source: 2015-19 American Community Survey 5-year estimate, Table S0501

3.4 People with Disabilities

When it comes to finding affordable housing, people with disabilities face the added challenge of finding accessible housing. For people with disabilities, accessible housing may include features such as handrails, wider doorways, or bathrooms with easy-entry baths and showers. In Sioux Falls, an estimated 10.2% of the population has a disability, including about 4.4% of children age 5 to 17, 9% of adults age 18 to 64, and 30% of adults 65 and over.

Disability rates by age, Sioux Falls, 2019

	Total	With a disability	Percent with a disability
Under 5 years	13,357	100	0.7%
5 to 17 years	30,685	1,349	4.4%
18 to 34 years	45,055	2,520	5.6%
35 to 64 years	63,591	7,309	11.5%
65 to 74 years	13,307	2,897	21.8%
75 years and over	8,510	3,667	43.1%
Total civilian noninstitutionalized population	174,505	17,842	10.2%

Source: 2015-19 American Community Survey 5-year estimates, Table S1810

The most prevalent type of disability in Sioux Falls is ambulatory difficulty, which refers to serious difficulty walking or climbing stairs. An estimated 4.9% of Sioux Falls residents have an ambulatory difficulty (about 7,934 people), including 18.4% of people age 65 and over.

Ambulatory difficulty by age, Sioux Falls, 2019

	Total	With a disability	Percent with a disability
With an ambulatory difficulty	(X)	7,934	4.9%
Population under 18 years	30,685	64	0.2%
Population 18 to 64 years	108,646	3,851	3.5%
Population 18 to 34 years	45,055	264	0.6%
Population 35 to 64 years	63,591	3,587	5.6%
Population 65 years and over	21,817	4,019	18.4%
Population 65 to 74 years	13,307	1,880	14.1%
Population 75 years and over	8,510	2,139	25.1%

Source: 2015-19 American Community Survey 5-year estimates, Table S1810

Nearly as prevalent as ambulatory difficulty is independent living difficulty, which indicates that a person has difficulty doing errands alone (such as visiting a doctor's office or shopping) because of a physical, mental, or emotional problem. Overall, an estimated 4.5% of the adult population in Sioux Falls (about 5,907 people) has an independent living difficulty, including 11.4% of people age 65 and older.

Independent living difficulty by age, Sioux Falls, 2019

	Total	With a disability	Percent with a disability
With an independent living difficulty	(X)	5,907	4.5%
Population 18 to 64 years	108,646	3,421	3.1%
Population 18 to 34 years	45,055	771	1.7%
Population 35 to 64 years	63,591	2,650	4.2%
Population 65 years and over	21,817	2,486	11.4%
Population 65 to 74 years	13,307	619	4.7%
Population 75 years and over	8,510	1,867	21.9%

Source: 2015-19 American Community Survey 5-year estimates, Table S1810

Cognitive difficulty means that, because of a physical, mental, or emotional problem, a person has difficulty remembering, concentrating, or making decisions. In Sioux Falls, an estimated 4.4% of the adult population has a cognitive difficulty (about 7,016 people), including 6.4% of people age 65 and older. This disability is more evenly distributed across age groups than ambulatory and independent living difficulties, which are more common among older residents.

Cognitive difficulty by age, Sioux Falls, 2019

	Total	With a disability	Percent with a disability
With a cognitive difficulty	(X)	7,016	4.4%
Population under 18 years	30,685	1,234	4.0%
Population 18 to 64 years	108,646	4,377	4.0%
Population 18 to 34 years	45,055	1,545	3.4%
Population 35 to 64 years	63,591	2,832	4.5%
Population 65 years and over	21,817	1,405	6.4%
Population 65 to 74 years	13,307	642	4.8%
Population 75 years and over	8,510	763	9.0%

Source: 2015-19 American Community Survey 5-year estimates, Table S1810

Hearing difficulties are less prevalent overall: an estimated 2.8% of the Sioux Falls population has a hearing difficulty (about 4,822 people). Hearing difficulty means being deaf or having serious difficulty hearing. Hearing difficulty is more common among older adults: an estimated 11.4% of people age 65 and older have a hearing difficulty.

Hearing difficulty by age, Sioux Falls, 2019

	Total	With a disability	Percent with a disability
With a hearing difficulty	(X)	4,822	2.8%
Population under 18 years	44,042	79	0.2%
Population under 5 years	13,357	0	0.0%
Population 5 to 17 years	30,685	79	0.3%
Population 18 to 64 years	108,646	2,258	2.1%
Population 18 to 34 years	45,055	446	1.0%
Population 35 to 64 years	63,591	1,812	2.8%
Population 65 years and over	21,817	2,485	11.4%
Population 65 to 74 years	13,307	1,011	7.6%
Population 75 years and over	8,510	1,474	17.3%

Source: 2015-19 American Community Survey 5-year estimates, Table S1810

Self-care difficulty refers to difficulty bathing or dressing. Self-care difficulties also become more common with age. Overall, an estimated 1.8% of people (about 2,864 individuals) in Sioux Falls have a self-care difficulty, including about 5.3% of people age 65 and older and 9.1% of people age 75 and over.

Self-care difficulty by age, Sioux Falls, 2019

	Total	With a disability	Percent with a disability
With a self-care difficulty	(X)	2,864	1.8%
Population under 18 years	30,685	190	0.6%
Population 18 to 64 years	108,646	1,524	1.4%
Population 18 to 34 years	45,055	108	0.2%
Population 35 to 64 years	63,591	1,416	2.2%
Population 65 years and over	21,817	1,150	5.3%
Population 65 to 74 years	13,307	372	2.8%
Population 75 years and over	8,510	778	9.1%

Source: 2015-19 American Community Survey 5-year estimates, Table S1810

Vision difficulty indicates a person is blind or has serious difficulty seeing, even when wearing glasses. In Sioux Falls, an estimated 1.6% of the population (about 2,749 people) have a vision difficulty. Vision difficulties become more common with age: an estimated 5.1% of people age 65 and over have a vision difficulty.

Vision difficulty by age, Sioux Falls, 2019

	Total	With a disability	Percent with a disability
With a vision difficulty	(X)	2,749	1.6%
Population under 18 years	44,042	149	0.3%
Population under 5 years	13,357	100	0.7%
Population 5 to 17 years	30,685	49	0.2%
Population 18 to 64 years	108,646	1,494	1.4%
Population 18 to 34 years	45,055	328	0.7%
Population 35 to 64 years	63,591	1,166	1.8%
Population 65 years and over	21,817	1,106	5.1%
Population 65 to 74 years	13,307	489	3.7%
Population 75 years and over	8,510	617	7.3%

Source: 2015-19 American Community Survey 5-year estimates, Table S1810

It should be noted that estimates of the prevalence of disability are based on a survey of the civilian noninstitutionalized population. They exclude individuals living in nursing homes, mental hospitals, and other institutions. Therefore, they likely underestimate the total prevalence of disability in the population, but they do provide an indication of the number of people with a disability who are living in the community and therefore in the housing market.

In addition to accessibility challenges, people with disabilities may face material hardship that makes it difficult to find housing that is affordable. The poverty rate among people with a disability (24.7%) is more than 3 times the rate among people with no disability (7.6%).

Poverty level by disability status, Sioux Falls 2019

	Total	With a disability	No disability
Below 100 percent of the poverty level	9.7%	24.7%	7.6%
100 to 149 percent of the poverty level	6.6%	13.7%	5.6%
At or above 150 percent of the poverty level	83.7%	61.5%	86.8%
Population age 16 and over for whom poverty status is determined	132,597	16,485	116,112

Source: 2015-19 American Community Survey 5-year estimates, Table S1811

In Sioux Falls, people who have a disability are less likely to be in the labor force (i.e., employed or looking for work). In 2019, an estimated 59.4% of people with a disability were not in the labor force, compared to 20% of people with no disability.

Labor force participation by disability status, Sioux Falls 2019

	Total	With a disability	No disability
Employed	72.9%	37.3%	77.9%
Not in labor force	24.9%	59.4%	20.0%
Population age 16 and over for whom poverty status is determined	134,658	16,554	118,104

Source: 2015-19 American Community Survey 5-year estimates, Table S1811

In part, this lower labor force participation rate is due to the age distribution of people who have a disability: about 37% of people with a disability in Sioux Falls are age 65 or older; by comparison, among the total civilian noninstitutionalized population, about 13% are age 65 or older.

Among people who are working and have earnings, those who have a disability have lower median earnings: \$21,163 compared to \$36,710 among people with no disability. About 72% of people with a disability who have earnings earn less than \$35,000, compared to about 48% of people with no disability.

Earnings by disability status, Sioux Falls, 2019

	Total	With a disability	No disability
\$1 to \$4,999 or less	9.1%	21.3%	8.2%
\$5,000 to \$14,999	11.8%	20.3%	11.2%
\$15,000 to \$24,999	11.3%	13.2%	11.1%
\$25,000 to \$34,999	17.0%	16.9%	17.0%
\$35,000 to \$49,999	20.7%	14.1%	21.2%
\$50,000 to \$74,999	18.3%	7.5%	19.0%
\$75,000 or more	11.9%	6.8%	12.2%
Population Age 16 and over with earnings	105,911	7,135	98,776
Median Earnings	\$35,559	\$21,163	\$36,710

Source: 2015-19 American Community Survey 5-year estimates, Table S1811

Section 4: The Geography of Affordable Housing

Key Findings

4.1 The Geography of Affordable Housing

Income levels and housing opportunities vary across Sioux Falls neighborhoods. Southern neighborhoods and outlying areas of the city tend to have higher median household incomes than neighborhoods near the center or north of the city. Some tax credit properties are located in higher income southern and outlying areas, but for the most part, HUD-subsidized and tax credit housing is located in areas with lower median incomes. There are evident clusters in three areas: near downtown, east of downtown, and in the southwest part of the city.

In general, more affluent neighborhoods have higher rent levels. One consequence of this may be that, beyond HUD-subsidized and LIHTC units, more naturally affordable housing units are also concentrated in central neighborhoods.

Although rent levels tend to be lower in lower income areas, rent relative to income is nevertheless higher in lower income areas. In other words, although rentals may be less expensive, they are not more affordable to the residents who live there. As a result, central and eastern neighborhoods appear as concentrated areas of disadvantage, both in terms of income levels and housing cost burden.

4.2 Transportation

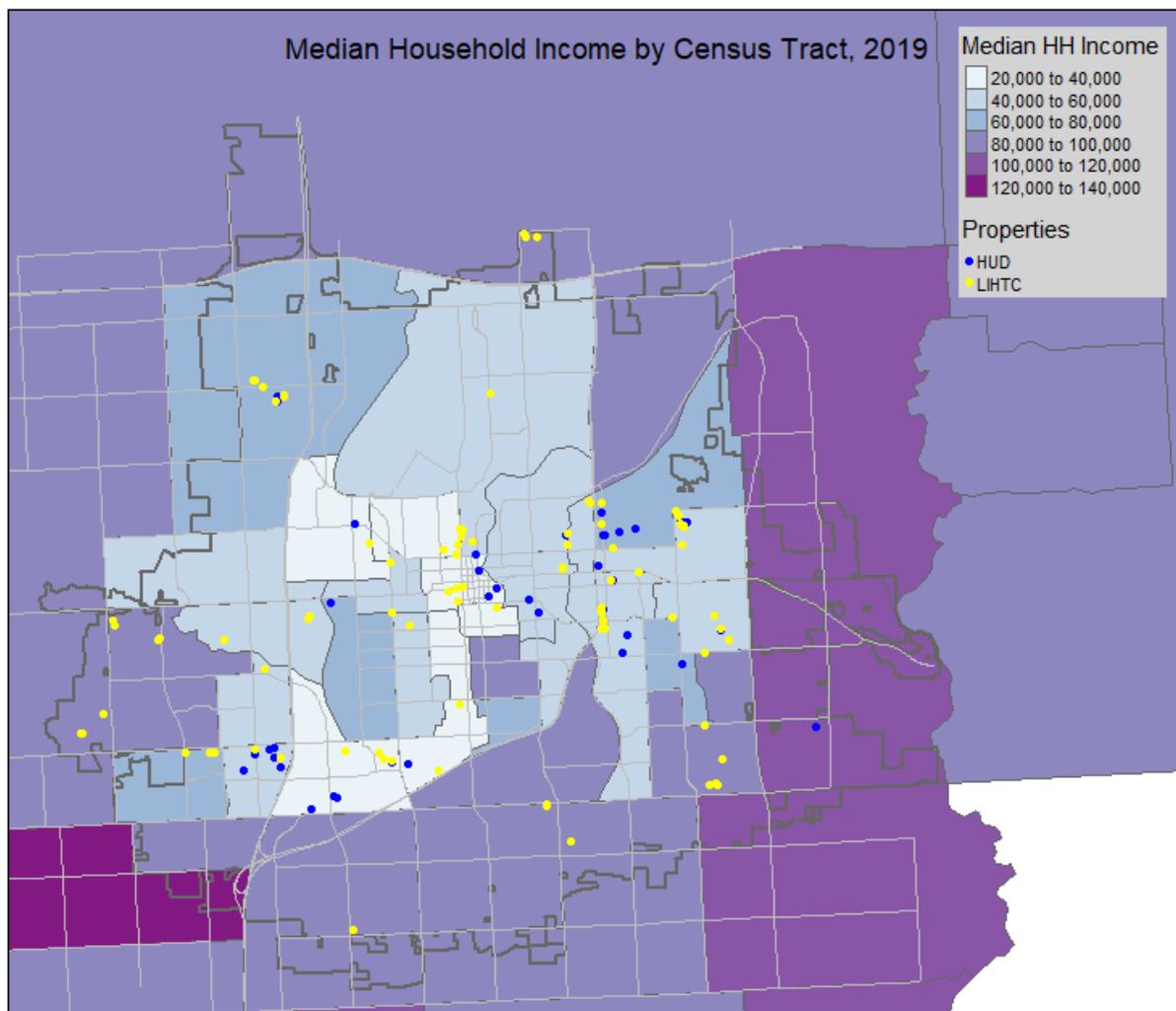
Compared to homeowners, renters are more likely to have no vehicle available or to have just 1 vehicle for the household. As a consequence, renters may be more reliant on alternative modes of transportation such as walking or public transportation. Nearly all owner households have at least 1 vehicle available, but an estimated 12.1% (3,451) of renter households do not. In addition, another 54.1% of renter households have only 1 vehicle available, which may be problematic if that vehicle is unreliable or shared among multiple members of the household.

Most HUD-subsidized and LIHTC properties that are located in central neighborhoods are near a bus route; these are the same areas where vehicle access is lowest. However, properties in outlying neighborhoods do not have bus access. Although the neighborhood level of vehicle access is high in those neighborhoods, available data do not indicate vehicle access specific to HUD-subsidized or LIHTC residents. The same properties that lack bus connectivity also have lower jobs proximity. In other words, residents there likely need to travel to a different area for work, and they cannot rely on public transportation to make that journey.

4.1 The Geography of Affordable Housing

The maps in this section show the locations of HUD-subsidized properties and tax credit (LIHTC) properties throughout the city of Sioux Falls, relative to a set of demographic indicators: median household income, poverty rate, median gross rent, and median gross rent as a percentage of household income. They are intended to provide a picture of the distribution of these particular types of affordable housing relative.

However, it is important to note that HUD-subsidized and LIHTC properties are not the only affordable housing units in the city. Residents may also find naturally occurring affordable housing in older, lower rent properties, and residents with tenant-based rental assistance could find affordable housing in market rate units by using that voucher.

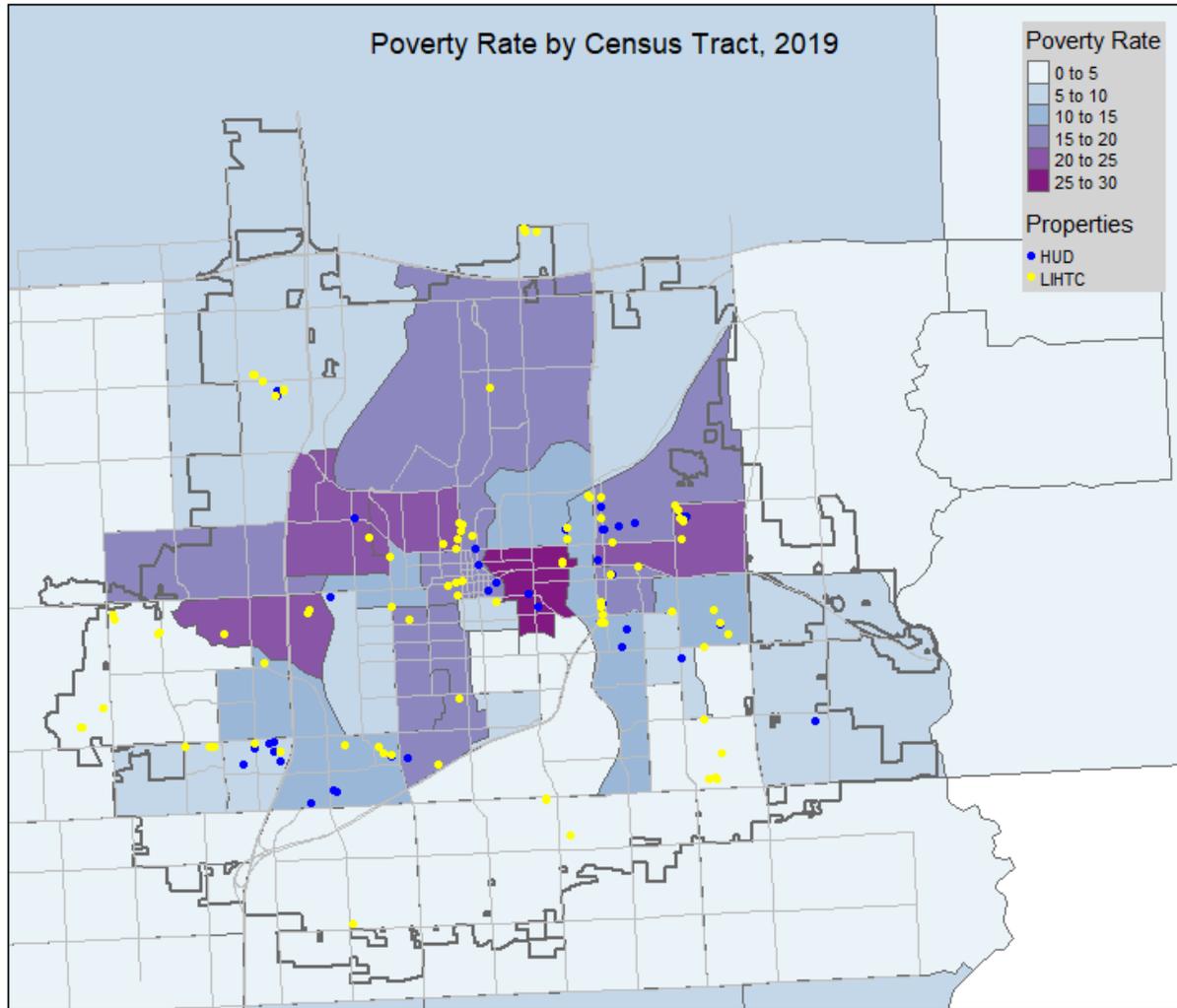


Source: 2015-19 American Community Survey 5-year estimates, Table B19013

With that caveat in mind, the map above shows that southern neighborhoods and outlying areas of the city tend to have higher median household incomes than neighborhoods near the center or north of the city. Some LIHTC properties are located in higher income southern and outlying areas, but for the most part, HUD-subsidized and LIHTC housing is located in areas with lower median incomes.

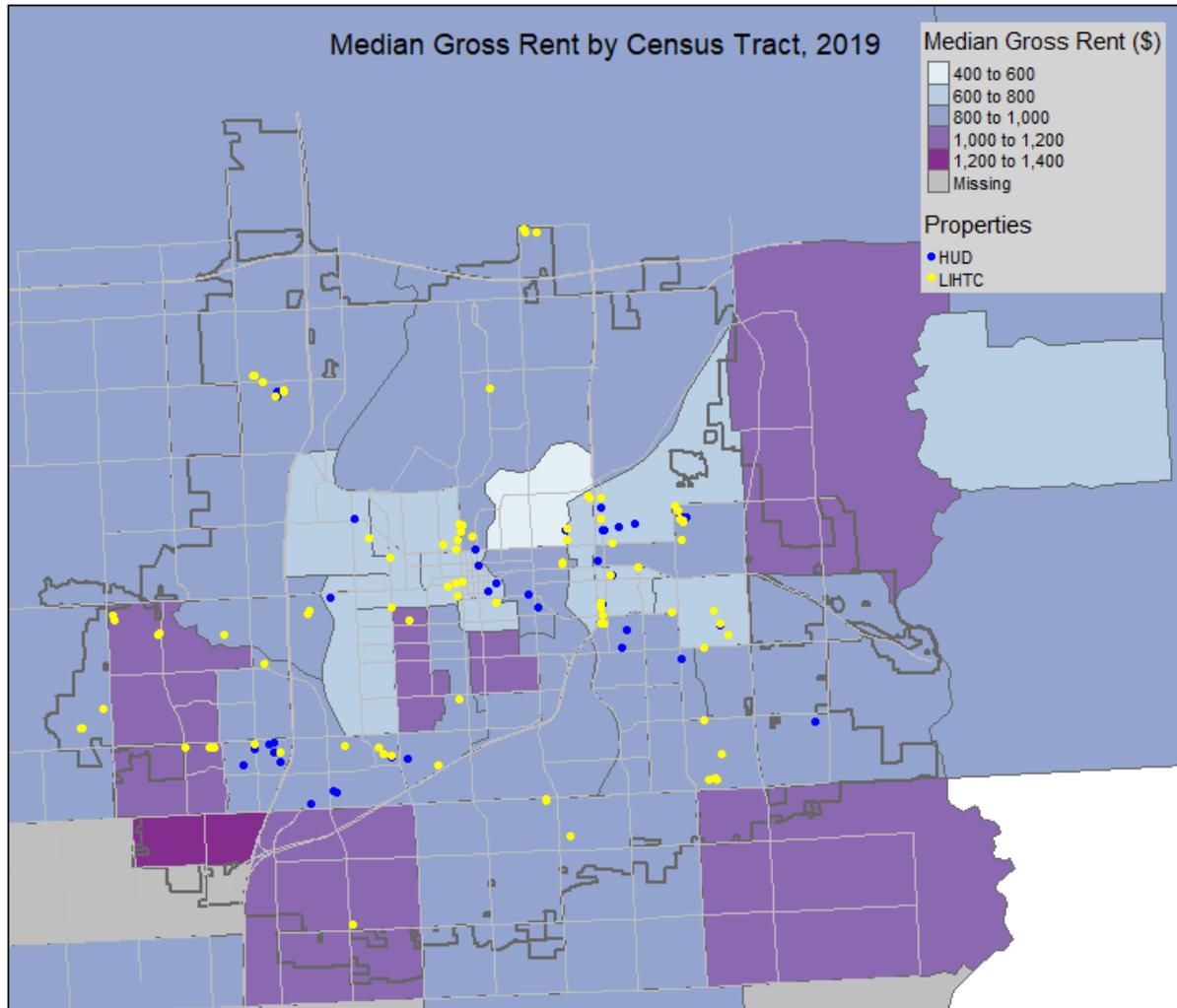
Some properties are dispersed across the city, but there are evident clusters in three areas: near downtown, east of downtown, and in the southwest part of the city.

The map below shows poverty rates across the city. The downtown and eastside neighborhoods, which have clusters of HUD-subsidized and LIHTC housing, have higher poverty rates relative to the rest of the city. The southwest cluster area has a moderate poverty rate compared to other areas.



Source: 2015-19 American Community Survey 5-year estimates, Table B17001

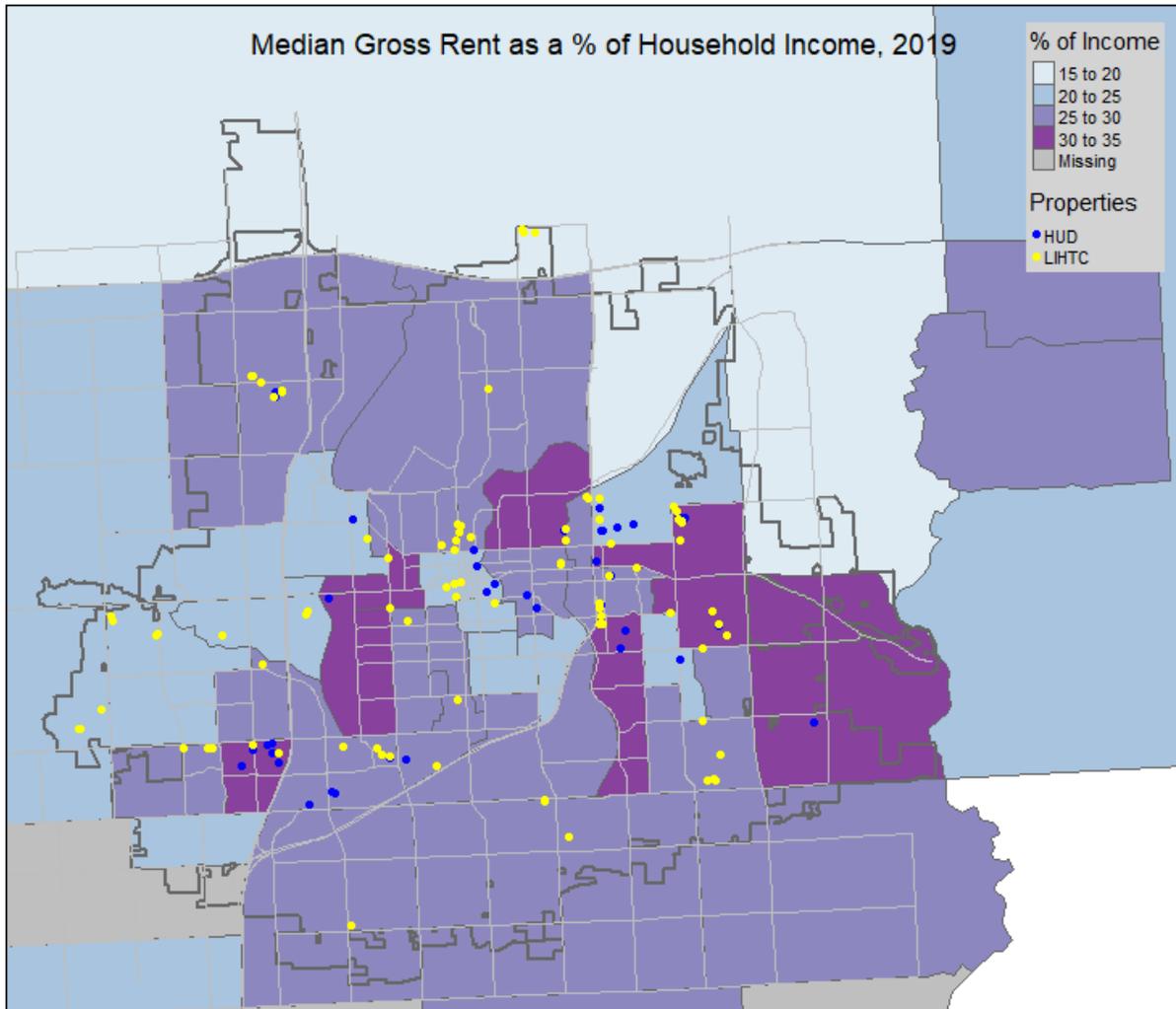
As the map below shows, median gross rent rates align to some degree with household income and poverty rates: in general, more affluent neighborhoods have higher rent levels. One consequence of this may be that, beyond HUD-subsidized and LIHTC units, more naturally affordable housing units are also concentrated in central neighborhoods.



Source: 2015-19 American Community Survey 5-year estimates, Table B25064

Although these maps do not show the locations of tenant-based rental assistance recipients, a recent change in the way that the Sioux Falls Housing and Redevelopment Commission administers the Housing Choice Voucher program is likely to increase deconcentration of voucher holders. In 2021, they implemented Small Area Fair Market Rent levels, which increase the payment standard in higher rent areas. That policy is intended to make higher rent neighborhoods more accessible for voucher holders.

The map below compares rent levels and income levels in each area. Although rent levels tend to be lower in lower income areas, rent relative to income is nevertheless higher in lower income areas. In other words, although rentals here may be less expensive, they are not more affordable to the residents who live there.



Source: 2015-19 American Community Survey 5-year estimates, Table B25071

4.2 Transportation

Compared to homeowners, renters are more likely to have no vehicle available or to have just 1 vehicle for the household. As a consequence, renters may be more reliant on alternative modes of transportation such as walking or public transportation.

Vehicle access among owners and renters, Sioux Falls city, 2019

	Owners	%	Renters	%
No vehicle available	550	1.3%	3,451	12.1%
1 vehicle available	10,035	22.9%	15,455	54.3%
2 vehicles available	21,173	48.3%	7,350	25.8%
3+ vehicles available	12,074	27.5%	2,203	7.7%
Total households	43,832		28,459	

Source: 2015-19 American Community Survey 5-year estimates, Table B25044

Nearly all owner households have at least 1 vehicle available, but an estimated 12.1% (3,451) of renter households do not. For those households, work and basic services must be within walking distance or accessible by public transportation. In addition, another 54.1% of renter households have only 1 vehicle available, which may be problematic if that vehicle is unreliable or shared among multiple members of the household.

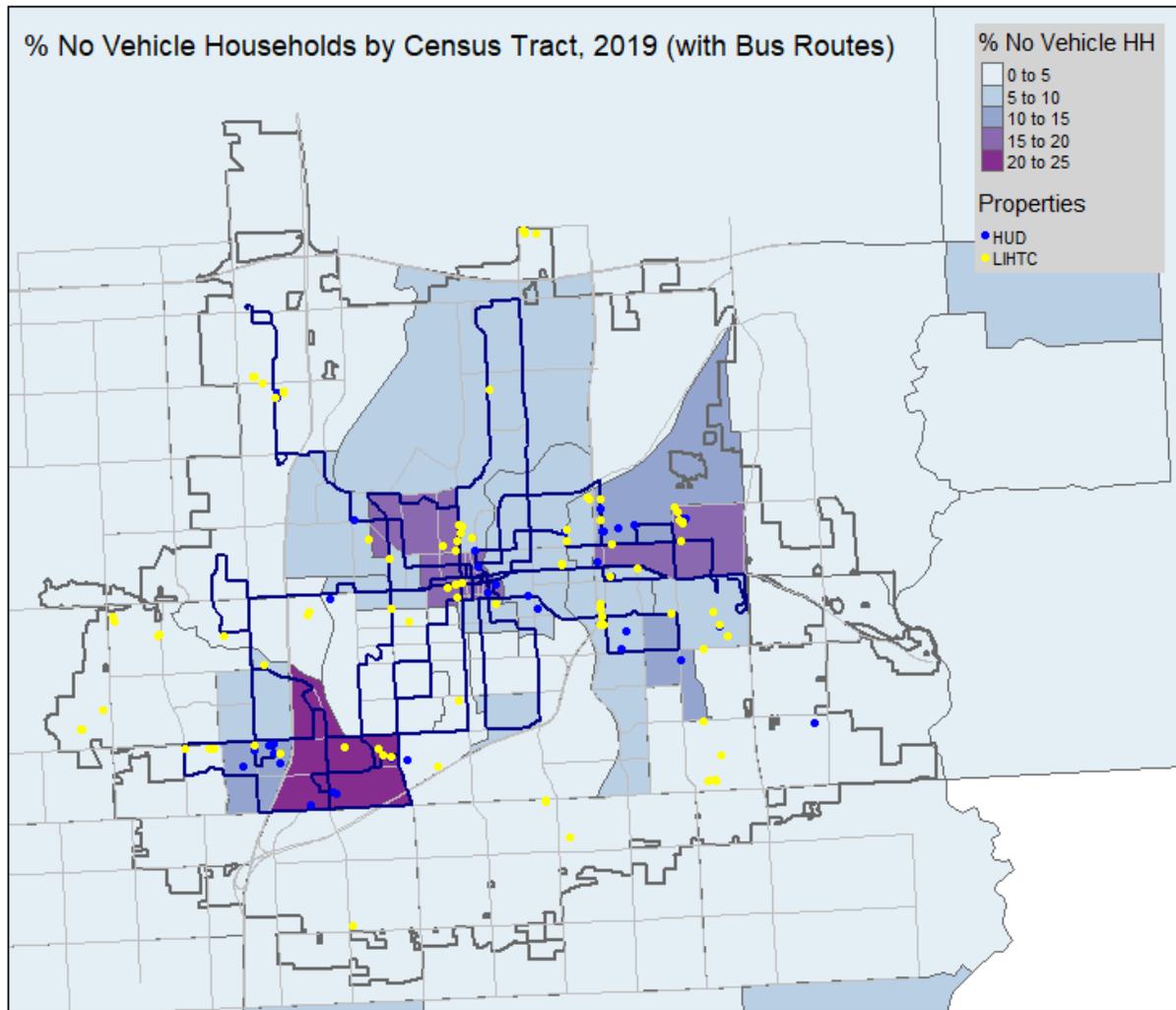
Many of the households with no vehicle available are headed by someone aged 65 or older. Still, among renters, more than half (55.4%) of the households without a vehicle--an estimated 1,912 renter households--are headed by someone of working age.

Vehicle access among owners and renters by householder age, Sioux Falls city, 2019

	Owners	%	Renters	%
Householder 15 to 34 years	110	20.0%	462	13.4%
Householder 35 to 64 years	209	38.0%	1,450	42.0%
Householder 65 years and over	231	42.0%	1,539	44.6%
Total households with no vehicle available	550		3,451	

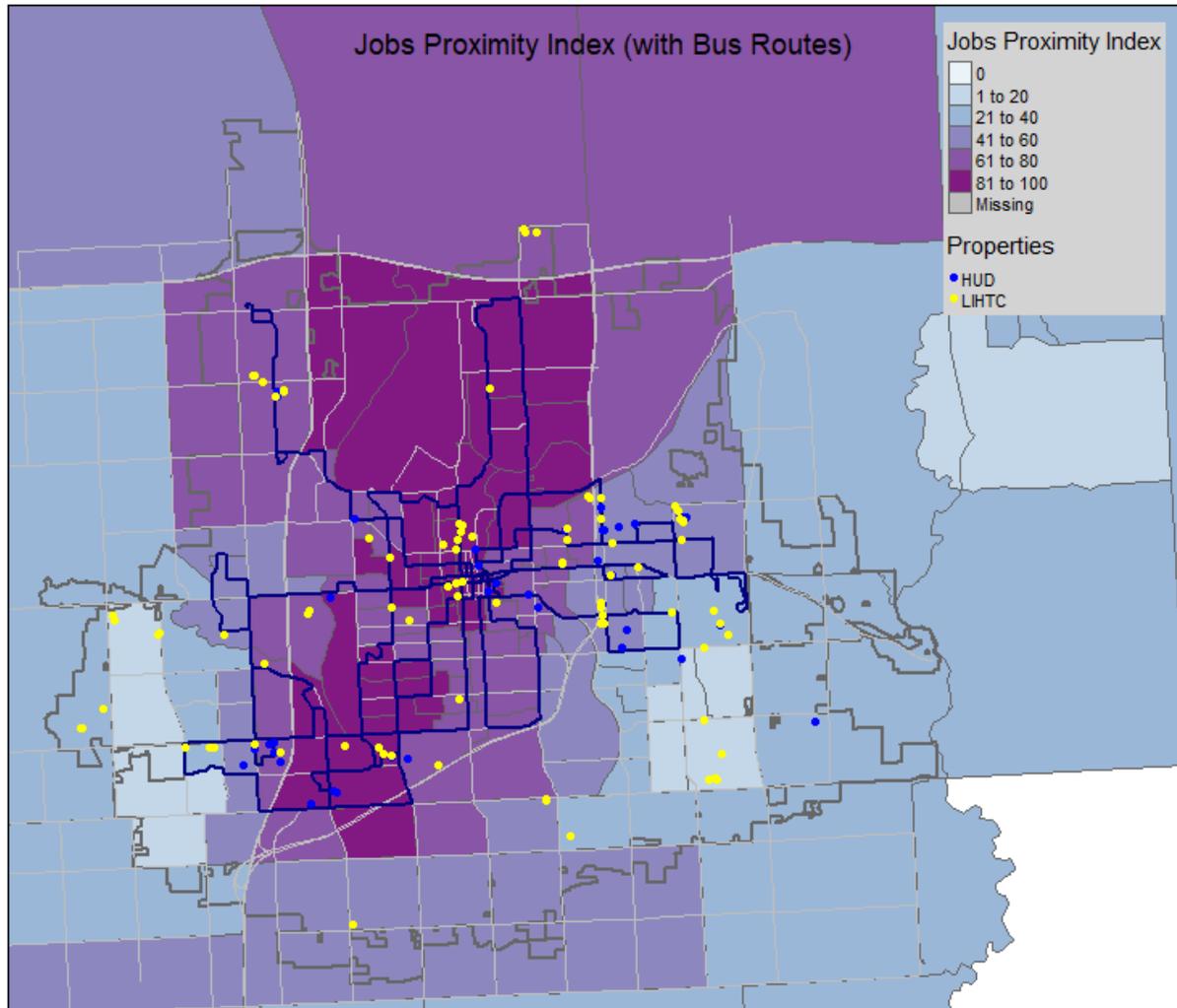
Source: 2015-19 American Community Survey 5-year estimates, Table B25045

The map below shows the percentage of households in each area that do not have access to a vehicle. The blue lines represent current city bus routes. Most HUD-subsidized and LIHTC properties that are located in central neighborhoods are near a bus route; these are the same areas where vehicle access is lowest. However, properties in outlying neighborhoods do not have bus access. Although the neighborhood level of vehicle access is high in those neighborhoods, the map data do not indicate vehicle access specific to HUD-subsidized or LIHTC residents.



Source: HUD Multifamily Assistance and Section 8 Database; HUD LIHTC Database; City of Sioux Falls GIS; 2015-19 American Community Survey 5-year estimates, Table B08201

Finally, the following map shows HUD-subsidized and LIHTC properties, bus routes, and a measure of jobs proximity. It shows that the same properties that lack bus connectivity also have lower jobs proximity. In other words, residents there likely need to travel to a different area for work, and they cannot rely on public transportation to make that journey.



Source: HUD Multifamily Assistance and Section 8 Database; HUD LIHTC Database; HUD eGIS Jobs Proximity Index; City of Sioux Falls GIS¹⁹

¹⁹ The jobs proximity index quantifies the accessibility of a given residential neighborhood as a function of its distance to all job locations with a CBSA, with distance to larger employment centers weighted more heavily. Values are percentile ranked with values ranging from 0 to 100. The higher the index value, the better the access to employment opportunities for residents in a neighborhood. Additional information and data access are available online at <https://hudgis-hud.opendata.arcgis.com/datasets/HUD::jobs-proximity-index/about>

Section 5: Focus Group Results

Key Findings

Across all focus groups and interviews, the most frequently mentioned concerns were neighborhood or property quality, transportation, low wages, concentration or lack of integration of low income residents, landlord accountability, vulnerable groups including felons and single parents, mental health and substance use issues that intersect housing, and incentives for affordable housing construction.

5.1 Methodology

In order to contextualize and enrich available housing data, focus groups were held with a range of stakeholders and community members. Focus groups were held during the COVID-19 pandemic. In order to accommodate participants' preferences regarding gathering in groups, and to maximize participation from potential participants whose schedules did not allow attendance at scheduled groups, individual in-depth interviews were offered in addition to focus groups. Individual interviews took place by phone or video conference. In total, seven focus groups took place during June, July, and August 2021: four with community members and three with stakeholders. Additionally, several individual interviews were completed with both community members and stakeholders.

5.2 Participant Profile

Across all seven focus groups, the number of participants ranged from 1 to 14. In total, including focus groups and individual interviews, input was received from 58 participants, of whom 19 were community members and 39 were stakeholders. Findings reflect over 12 and a half hours of recorded discussion.

5.3 The Search for Affordable Rentals

- Community members and stakeholders both perceive a shortage of available rentals.
- For low income households, application fees are a barrier to finding affordable rentals: in the current market, a household may need to apply at multiple sites before landing an apartment, and they incur a fee each time.
- Renters in the lower rent market expressed concern with what they see as a tradeoff between affordability and property and neighborhood quality: even if they can find a place that is affordable, it may not be a place they want to live.

5.4 Workforce Housing for a Low Wage Workforce

- Prevailing entry level and service sector wages make it difficult to afford housing on top of other expenses.
- A handful of participants called for employers to play a more active role in ensuring that wages are adequate to meet housing needs.
- Income eligibility thresholds for assistance programs are very low, which results in a segment of wage earners whose incomes are too high to qualify for assistance but too low to afford most market rate housing.
- Many other types of assistance are also tied to income, including food, healthcare, and transportation. The same households who find themselves just over the eligibility threshold for housing assistance may likewise be unable to qualify for those other assistance programs, putting the full weight of all expenses on their budget.

5.5 Interconnected Needs

- Housing is one of many interconnected needs, which include healthcare, transportation, childcare, food security, and safe neighborhoods. When these other needs are not met, it affects residents' ability to find and maintain housing.
- Transportation was far and away the most frequently mentioned need that intersects housing. Stakeholders and community members alike expressed concerns that the city's public transportation system is inadequate and contributes to residents' difficulties in accessing affordable housing.

5.6 Concentration and Quality Concerns

- Interconnected needs come together in conversation about neighborhoods, particularly the concentration of affordable housing in certain neighborhoods and concerns about the quality of those neighborhoods and properties.
- To promote community, stability, and economic mobility, participants urged the city to focus on integrating affordable housing in neighborhoods throughout the city and ensuring that all neighborhoods have access to transportation so that low income households can access that housing.
- A significant segment of affordable housing in Sioux Falls is made up of older units, concentrated in more central neighborhoods. These units may be more affordable and more accessible by public transit, but they tend to be lower quality or even unsafe.
- Stakeholders and community members shared the perception that affordable housing and low income residents are concentrated in central and eastside neighborhoods in Sioux Falls.
- Community members say housing options feel constrained by location, limiting their ability to choose housing near the schools they would like their children to attend, near family who could support them, or near the services they need for their health and wellbeing.
- Participants attributed concentration to NIMBYism and called on the city to stand up to neighborhood opposition to multifamily housing and affordable housing.
- Naturally occurring affordable housing, or NOAH, is an important part of the affordable housing stock in Sioux Falls, but in many cases, it is falling into disrepair; participants called for reinvestment in these properties to support rehabilitation of buildings and revitalization of neighborhoods in a way that preserves affordability while improving properties

5.7 Vulnerable Groups

- Participants generally agreed the city should focus on the highest need or most vulnerable residents. Stakeholders maintained that market forces would meet most housing needs for middle and upper income residents, but public action would be necessary to close market gaps at lower income levels.
- Single parents: It is challenging for single parents to get by on one income while also finding a safe neighborhood to raise children, dependable childcare, and transportation to work or school.
- Immigrants and people of color: Immigrants and people of color may face barriers due to discrimination. Those with limited English proficiency may also struggle to find materials and resources in their first language. Additionally, larger or multigenerational families find it difficult to locate housing units with enough bedrooms.
- Fixed income and people with disabilities: People on fixed income, including people who are retired or disabled, struggle to find affordable housing and balance that cost against competing expenses.

- Mental health: Stakeholders and community members both identified a need for supportive housing for people with mental health issues.
- Substance use: Participants also identified addiction or substance use problems as a barrier to finding and keeping housing. Substance abuse often overlaps other housing barriers, particularly mental health concerns (often co-occurring), felony records (often drug-related charges), and concentration (because environment plays a role in recovery).
- Felons: If people with a criminal background are able to find housing, it is often poor quality, sometimes more expensive than comparable units, and might be offered without a lease or other basic tenant protections. For people on parole, the lack of housing for felons imperils their ability to stay in the community.
- Credit: Poor credit--or a lack of credit--can impede residents' ability to qualify for rental housing. Many community members said that their credit, as much as or more than their incomes, has kept them from finding and qualifying for affordable housing.
- Doubled up, overcrowded, or unhoused: Several community members described doubling up with family or friends to make housing affordable, but this strategy can also jeopardize a family's housing status if it violates lease terms.

5.8 Section 8 and Housing Choice Vouchers

- Rental assistance is available to help low income households access housing. Both the voucher program and project-based programs have waiting lists.
- Community members shared a perception that the voucher waiting list is so long, applying may not even be worth the trouble.
- Additional challenges for the voucher program, including finding properties that can pass quality inspections and where landlords are willing to take on residents with vouchers so that households that receive a voucher are actually able to use it.
- Stakeholders observed more landlords are refusing to accept vouchers, effectively limiting the affordable housing supply by making it difficult to find housing for tenants with assistance; community members suggested this contributes to concentration of voucher holds in certain neighborhoods.
- Many project-based units are restricted to elderly or disabled households, with only a limited proportion available to families. Stakeholders observed that the longest waiting lists are at the properties with fewer eligibility restrictions.
- When it comes to subsidized housing--whether that means tenant-based or project-based rental assistance--larger families who need three bedroom units or larger struggle to find anything at all.

5.9 A Housing Hub Vision

- Community members said they are not sure where to go to find help with housing. Most said they would turn first to Facebook, online searches, 211, or Sioux Falls Housing.
- Several community members and stakeholders alike shared a vision they have for a housing hub, or a central resource to help with housing search, coordination of services, and referrals.
- Several stakeholders also landed on the need for a central clearinghouse that could help match tenants in need with vacant units, serving both residents and property owners.
- In describing their vision for a housing hub, community members pointed out that it would be important to couple its launch with a broad public awareness campaign.
- Participants also expressed a desire for more access to housing navigation and social work providers as well as a community office for landlord-tenant rights.

5.10 COVID Assistance

- The pandemic led to short-term crises but spurred unprecedented action to take care of vulnerable community members, including putting in place financial supports for renters and property owners as well as eviction moratoriums to keep renters housed.
- Community members said they hope these supports continue or bring about long-term solutions, while stakeholders said that the federal funding influx was a unique opportunity to invest in affordable housing that will pay long-term dividends for the community.

5.11 Home Buying: Prices and Demand

- Stakeholders praised the economic benefits of job growth in Sioux Falls, but shared concerns about the pressure this growth places on housing.
- Population growth is creating housing challenges across the income spectrum, which ripples throughout the market, eventually affecting low income renters who find fewer units available because they are competing with higher income households who were priced out of the homeowner market.
- Although stakeholders recognized that the pandemic had created short-term disruptions that contributed to rising house prices, most agreed that higher house prices and a short supply are long-term trends.
- Several stakeholders suggested it is no longer feasible to build detached, single family homes that can sell for under \$200,000 or even \$250,000.
- By and large, stakeholders and community members agreed that when it comes to affordable housing, most low income households are not in a position to purchase a home. Instead, the priority for increasing housing access at lower income levels should be expanding affordable rental options.

5.12 Homeowner Help

- Stakeholders focused most of their attention on ways to increase the affordability of rental housing, but there was some discussion of the prospects of homebuyer assistance and programs that could help homeowners keep up on maintenance and stay in their homes longer.
- Stakeholders argued direct support to homebuyers through downpayment assistance or other subsidies is not the best approach to make housing more widely accessible because it creates inflationary pressure on home prices; others said it distorts buyers' sense of what they can truly afford for later when they try to move.
- While participants were less than sanguine about homebuyer assistance, they did see a place for assistance that would help keep current homeowners in their homes, including assistance for rehabilitation and home improvement.

5.13 Closing Market Gaps

- Stakeholders described a spectrum of housing options: At the market rate end of the spectrum, the market will work things out. But toward the lower ends of the spectrum, the market will never fully meet the need for affordable housing. That market gap must be closed by public investment in incentives for builders and owners and assistance for residents.
- Numerous stakeholders explained that it is impossible to provide affordable housing at lower income levels without public investment, and federal subsidies are limited and lack flexibility.
- In order to maintain housing, some residents need additional supportive services. Stakeholders identified a need for additional permanent support housing in Sioux Falls that would help meet the needs of these residents, especially for people with mental health and substance abuse issues. Although it can be challenging to pay for

added services attached to housing, there are funding streams that can be tapped through collaboration with social service and healthcare providers.

5.14 Increasing Density

- At the middle and upper levels of the housing spectrum, stakeholders argued that rising prices are driven predominantly by market forces and should be solved by the market.
- Stakeholders asked that the city review unnecessary barriers to allowing the market to respond to price signals with increased production and supply--for example, by allowing increased density, either as a uniform change or as an incentive tied to affordability commitments.
- Several community members--including those who generally opposed multifamily development in their neighborhoods--said they would welcome a moderate increase in density in their neighborhoods (e.g., duplexes, small apartment buildings, or accessory dwelling units).
- Stakeholders urged more significant action, and several suggested the city focus on denser redevelopment of core neighborhoods. They pointed out this would take advantage of existing infrastructure, generate critical mass for public transportation, and (through mixed income developments) deconcentrate low income neighborhoods.

5.15 Incentives

- Stakeholders suggested the city pursue the development of incentives tied to affordability commitments in order to spur more affordable construction.
- They called for blanket incentives that apply to all affordable housing projects that meet a given set of criteria, and terms that are general and clear so that they would be easy to administer. Stakeholders expressed concern that excessively complex requirements would deter developers from taking advantage of any incentives that were offered.
- Stakeholders cited a range of regulations that could be adjusted to incentivize affordable housing construction, including engineering design standards and zoning.
- The city could also invest in land, lots, and infrastructure. Stakeholders said that on top of land being scarce and expensive, the added cost of infrastructure--especially for low density development--makes it impossible to build affordable housing.
- Stakeholders generally agreed that TIFs could be a powerful tool for incentivizing and enabling affordable housing construction. They could help expand supply for moderately low income households or be layered onto projects along with other incentives to reach extreme affordability levels. They suggested that the city pursue legislative changes at the state level as needed in order to maximally leverage TIFs for affordable housing.
- The city has established positive relationships with many in the development community, and can build on successful communication with those groups to continue consultation about effective ways to incentivize affordable housing construction.

5.16 Advocacy and Leadership

- Participants identified several ways for the city to take on a leadership role in the affordable housing conversation: by devoting local funding to affordable housing, leading state and regional conversations around affordable housing, actively seeking to change public opinion around affordable housing (especially by addressing NIMBYism), and engaging a more diverse spectrum of Sioux Falls's residents.

- Many stakeholders and community members alike felt that for all the talk around housing, there has been a lack of action. They felt the city had collected quite a bit of input but had not formulated a focused plan of action out of it.
- Stakeholders called on the city to create a dedicated local funding stream for affordable housing. Compared to federal funding, local funding can be nimble, flexible, and innovative, positioning the city better to respond to market conditions when it comes to housing. Additionally, city funding could be offered with fewer complex requirements, lower barriers for housing developers to access it and reducing administrative overhead costs.
- Stakeholders identified an opportunity for surrounding communities to help meet housing needs, but acknowledged there is work to be done on creating regional transportation networks. They suggested that the city could take a leadership role in working together with surrounding communities to integrate the metro area and build coalitions to influence state policy and funding for housing.
- Stakeholders identified public opinion and NIMBYism as a major impediment for developing more affordable housing. At the same time, community members reported a lack of public awareness and information about affordable housing. Together, these patterns suggest an opportunity for the city to raise public awareness around the importance of housing affordability and to shape public opinion.
- Stakeholders and community members said the city can do more to engage the public--both by seeking input from the community and also providing information, education, and awareness back to the community.

5.17 Building Workforce

- A few stakeholders, particularly those in the homebuilding sector, said that workforce development in the building trades is a major concern for them.
- Stakeholders traced the workforce shortage back to training pipelines and suggested that a focus on directing young people toward four year degrees has turned them away from the trades. Additionally, stakeholders described a lack of building trades programs in the Sioux Falls area.

5.18 Landlord Engagement and Education

- Having identified property maintenance and landlord-tenant conflict as housing needs, stakeholders suggested that there is an opportunity for the city to engage landlords and collaborate on extending educational and professional development opportunities.
- Landlord-tenant conflict around maintenance came to the fore as a need in focus groups with both stakeholders and community members. Tenants are generally not aware of any resources available in Sioux Falls for them to learn about their rights as tenants, to seek redress if a landlord is not performing requested maintenance, or to navigate the eviction process.
- Tenants are more vulnerable when their housing status is precarious or who fear they will not be able to find another unit if they lose their current housing; in situations like these, tenants do not have the power or inclination to hold landlords accountable.
- Stakeholders agreed that more landlord accountability is necessary, and they suggested that accountability be tied to incentives such as educational opportunities, professional development, or marketing and promotion.
- Several stakeholders spoke specifically to fair housing, and community members also shared their perception that some protected groups face housing discrimination in Sioux Falls.
- Smaller, independent landlords tend to be more flexible and exercise more discretion in qualifying tenants, which can work to tenants' advantage when landlords are

willing to consider their circumstances holistically rather than enforce uniform rules. However, stakeholders also pointed out that smaller, independent landlords may not have the same training in fair housing that property managers have. They saw an opportunity for the city to especially focus outreach and education efforts on this group.

5.1 Methodology

In order to contextualize and enrich available housing data, focus groups were held with a range of stakeholders and community members. Focus groups were divided into stakeholder groups and community member groups. By keeping groups more homogeneous in terms of participants' roles, the facilitator was able to encourage more candid and focused discussion. The two group types followed different recruitment protocols and discussion guides, as described below.

Instrument Development

Focus groups followed a standard format: The facilitator opened the group with introductions and an orientation to the subject matter, then guided discussion through a set of questions. The discussion guides, or instruments, were developed in consultation with staff from the city's Housing Division.

Stakeholders were asked to explain how they (or their organization) defines affordable housing, then to share their perspective on community strengths around housing as well as community needs. They were asked to think about the most significant housing needs right now as well as challenges they anticipate over the next five to ten years. Stakeholders were then asked about what they thought the city should prioritize when it comes to housing, how they would assess the city's overall success in making housing accessible to all Sioux Falls residents, and whether there are specific strategies they believe the city should pursue in order to meet housing needs. Finally, stakeholders were asked to think broadly about opportunities for the community as a whole to work toward meeting current needs and future housing challenges.

Community members were asked to describe what affordable housing means to them, assess the ease of finding affordable housing in Sioux Falls and describe search strategies, discuss barriers to finding or keeping affordable housing as well as other perceived problems with housing, then to suggest ways in which the community could better meet the needs around housing. Finally, community members were asked what they thought the city should prioritize when it comes to housing, assess how the city is doing when it comes to housing, and share any other observations or suggestions they had around housing.

Site Selection

Focus groups were held during the COVID-19 pandemic. In order to accommodate participants' preferences regarding gathering in groups, and to maximize participation from potential participants whose schedules did not allow attendance at scheduled groups, individual in-depth interviews were offered in addition to focus groups. Individual interviews took place by phone or video conference.

Focus groups with community members took place in a public meeting room at the Downtown Library. This site was selected because of its central location, access to public transportation, and familiarity to residents. Focus groups with stakeholders were held in a meeting room on Augustana University's campus.

In total, seven focus groups took place during June, July, and August 2021: four with community members and three with stakeholders. Additionally, several individual interviews were completed with both community members and stakeholders.

Participant Recruitment

For community members, recruitment posters were put up on public bulletin boards across the city, including at public libraries, shelters, and several large retail businesses. They were also posted in employee spaces with a few large employers as well as in union offices. Paper flyers were distributed at a large weekly food giveaway event. Digital flyers were posted in social media groups, including several local mutual aid or pay it forward groups, neighborhood groups, and rental groups. Additionally, email invitations were sent to registered neighborhood associations to share with members. Community members received \$10 gift cards as an incentive for participating.

For stakeholders, an initial list of prospective participants was compiled in collaboration with city Housing Division staff. Participants were selected because of their role in housing. Email invitations were sent to each of those individuals. Stakeholders were invited to share the invitation with colleagues who work with housing. Stakeholders did not receive an incentive.

5.2 Participant Profile

Across all seven focus groups, the number of participants ranged from 1 to 14. In total, including focus groups and individual interviews, input was received from 58 participants, of whom 19 were community members and 39 were stakeholders.

Focus groups and interviews ranged in length from 10 minutes to 90 minutes; the average length was 37 minutes. In total, findings reflect over 12 and a half hours of recorded discussion.

Community Members

Community members completed a brief demographic survey. Of the 19 community members who participated in focus groups or interviews, 58% were female, 37% were male, and 5% identified as gender nonconforming. Most participants (58%) were 40 to 64 years old; another 26% were 25 to 39, and 10% were 18 to 24. The remaining 5% were 65 or older.

The majority 68% of participants were White; 16% were Native American and another 16% were multiracial. Five percent of participants were Hispanic or Latino, and all spoke English as their primary language.

The average household size among participants was 2.1; it ranged from one to five. The majority (68%) of participants did not have any children under 18 living in their home. Of the 32% of households with children at home, the average number of children was two.

Most (74%) participants had annual household incomes of less than \$35,000, including 37% with incomes less than \$20,000 and 37% with incomes between \$20,000 and \$35,000. Another 11% of participants had annual incomes of \$35,000 to \$50,000, and 16% had incomes of \$75,000 or more. No participants reported incomes in the \$50,000 to \$75,000 range.

Stakeholders

The following stakeholders participated in focus groups or interviews and consented to have their names and affiliations appear in this report. Additional stakeholders who did not explicitly consent to have their names printed in the report are counted above but not listed here.

Clint Ackerman, Signature Companies LLC
Lisa Aymar, SD DSS
Lisa Bartell, Sioux Falls Housing & Redevelopment Commission
Jenny Basche, Sioux Falls Housing & Redevelopment Commission
Shauna Batcheller, Helpline Center
Julie Becker, St. Francis House
Cindy Dannenbring, Inter-Lakes Community Action Partnership
Tammie Denning, Inter-Lakes Community Action Partnership
Allison Deschepper, SD DSS
Mia Dummermuth, Sioux Falls Housing & Redevelopment Commission
Paul Fick, Paul Fick Homes
Joan Franken, Costello Property Management
Karl Fulmer, Sioux Falls Housing & Redevelopment Commission & Affordable Housing Solutions
Erica Gloor, Volunteers of America, Dakotas
Mike Gray, Sioux Falls Development Foundation
Brent Hamilion, Lloyd Companies
Denise Hanzlik, SD Multi Housing Association
Roger Jacobs, Housing and Urban Development
Brian Jans, Jans Corporation & Affordable Housing Solutions
Lynne Keller Forbes, South Eastern Development Foundation
Anny Libengood, Minnehaha County Human Services
Doug Nawrocki, Costello Property Management
Jeffrey Nelson, 605 Real Estate
Logan Penfield, RASE
Jacob Quasney, Lloyd Companies
Mark Quasney, Lloyd Companies
Shireen Ranschau, Sioux Falls Thrive Housing Action Team
Gayleen Riedemann, Sioux Falls Thrive Housing Action Team
Allan M. Saugstad, Glory House of Sioux Falls
Betsy Schuster, Helpline Center
Madeline Shields, Bishop Dudley Hospitality House
Shayla Sorensen, East River Legal Services
Julie Terrell, HBASE
Aspen Thorstenson, Stone Group Architects
Brent Tucker, Affordable Housing Solutions
Kate Walker, Stone Group Architects
Kayden Wittman, Bishop Dudley Hospitality House

5.3 The Search for Affordable Rentals

Community members and stakeholders agreed that the rental market is tight overall: vacancy rates have plummeted over the previous year, and especially for those seeking lower rent units, finding an opening is a struggle. For low income households, application fees are a barrier to finding affordable rentals: in the current market, a household may need to apply at multiple sites before landing an apartment, and they incur a fee each time. For some renters, coming up with a deposit is also a barrier to finding housing. Finally, renters in the lower rent market explained that there is a tradeoff between affordability and property and neighborhood quality: even if they can find a place that is affordable, it may not be a place they want to live.

Short Supply of Rentals on the Market

Several community members had recently been searching for a new apartment or were currently looking. They communicated a great deal of difficulty finding available units. "It's horrible around here," one reflected, "trying to find anything affordable is absolutely horrible here." One community member elaborated:

"It's extremely difficult. Apartments.com, those apartment websites, sometimes they're not even correct. So you'll call a place that's like, 'Oh, we don't even have that place available.'...I was really afraid that I was going to end up being homeless for a little bit, because we couldn't really find anything."

Stakeholders in property management corroborated these accounts, reporting that many of their properties--which include many of the larger apartment buildings in Sioux Falls--are 100% leased. Occupancy levels, they said, are at the highest levels they've seen in years. Stakeholders suggested that the supply shortage is not limited to affordable rentals; across the board, they reported, population growth is escalating demand:

"I don't know that it's necessarily even just low income housing. I think there's an influx of you know there's all homes for sale that even the renters, there's so many people coming into the state, the city they're taking the housing opportunities. So we're finding that not necessarily even just affordable housing, it's just tough in general to find rental units."

Several stakeholders speculated that the rental shortage will get worse as the population continues to grow, spurred on by economic growth and jobs creation. Continued pressure on the market will especially impact those in need of more affordable rentals, but that pressure is driven in large part, they thought, by overall demand. One developer put it this way:

"That part is simple economics, and it's affecting the affordable housing side. There is not enough housing, and the solution is going to get worse, because the costs are much worse....And I think what you're seeing then is housing that otherwise might have been available, that was somewhat affordable, is becoming out of reach for a lot of other people, and so that, everything is sort of trending upward. And the only real solution is to get a lot more housing stock, decompress the supply."

Other stakeholders reported that they had lost new hires who were unable to relocate to Sioux Falls because they could not find housing. Some speculated that inability to find homes to purchase is leading more newcomers into the rental market, further increasing pressure on the already short rental supply.

Application Fees and Deposits

Community members explained that searching for an affordable rental in a tight market is complicated by application fees and deposits. As tenants search, they find it necessary to submit multiple applications, pay a fee with each one. One community member said she struggled to get property managers to return her calls and ended up submitting many applications, paying fees she couldn't afford:

"We sent out applications where everybody wants an application fee. I don't have \$40, \$50, \$60, I can throw out every time I fill out an application. I just don't."

One stakeholder pointed out that submitting multiple applications has additional costs beyond application fees: tenants need to take the time and secure the transportation to technology to submit each of those applications:

"For our families to have to put their applications in for multiple places, that's transportation to get to these places, technology to submit those. They don't always have those things at their fingertips."

Another stakeholder said that, for more vulnerable tenants who may not pass a background check or credit screening, application fees deter them from applying in the first place, for fear they won't pass the screening and will lose that money:

"What I run into as well, is before we can even get into the screening process, my guests can't afford the application fee. So we don't even bother, because if they do scrape up the \$40, and then they do the screening and they don't pass, that's lost money."

Lower income tenants may not have the savings available to pay a deposit on top of rent. For those who have trouble coming up with a deposit, the delay between finding an available apartment and putting together money for a deposit can cost them the unit. One community member shared her experience:

"I viewed maybe six places and finally found one that would fit my needs with my kids. But other than that, they want the deposit, and the deposit is kind of like another issue. It's as much as the rent, or sometimes a little bit more than the rent."

Another community member reported, "by the time you get the deposit saved up and stuff, it's already rented out."

Affordable Quality Rentals

Several community members commented on rent affordability, saying that it's becoming unaffordable for them. One community member remarked, "everything is getting so stinkin' pricey here around town."

Stakeholders, too, are seeing rents increase, and also seeing more properties begin to charge back the cost of water, garbage, or other services that were previously included in the rent. "The rent itself may look pretty reasonable," she explained, "but then they've started charging for things like water, and you know, that always was included, and pest control, and there keeps to be additional fees on top of that base rent." One stakeholder who works in property management said he expects this trend to continue as property owners strive to be competitive in the face of rising rents.

Further, for many community members, finding an affordable rental trades off with finding a well-kept property in a safe neighborhood. Asked what would be an affordable apartment, one community member replied, "Around \$500, but that's not realistic. That would be a horrible place to live." Another community member talked about his daughter's attempts to find an affordable place to rent: "The daughter looking for something, the areas where she can afford, you don't want to live there. Sorry." Another shared a story about a friend who is stuck in a rundown property but unable to move because she cannot find anything else in her price range:

"I pay attention to rents. And there's nothing even available out there that's lower than her rent. So she really can't move. If she loses this apartment, I don't know where she'll go."

5.4 Workforce Housing for a Low Wage Workforce

The affordability of housing hinges on both the cost of housing and a household's income. Community members and stakeholders alike pointed out that finding affordable housing is a struggle for low-wage workers in Sioux Falls. Further, low income eligibility thresholds for assistance programs results in a segment of wage earners whose incomes are too high to qualify for assistance but too low to afford most market rate housing.

Low Wages

Community members reported that entry level and service sector wages make it difficult to afford housing on top of other expenses. One community member said that, at the \$12 an hour she's currently paid, "you can't survive on that." Asked what wage would make life easier, she responded, "about \$14 an hour." Another community member said she had moved back to South Dakota several years ago, hoping to save money, but instead had found that despite her professional experience, she could not find a position that paid a sustainable wage. "It's very difficult in South Dakota," she reported, "especially with the number of available positions that are not minimum wage positions. So I ended up in an affordable housing apartment."

Some community members explained that low wages are a bigger challenge for households with single earners--where one person is working but another is unemployed or disabled, for example, or for single parents. One community member put it like this:

"I think really, there has to be multiple people within that household to support what the cost of living is. There's no way one person or two people can afford on the average income within the city here, eleven or twelve hundred dollars rent for two or three bedrooms. There's no way! And if one of them has a child, I mean, it's very difficult."

Several participants believed that offering job training to help residents learn new skills could help them enter higher paying jobs. However, as a few stakeholders pointed out, even if those individuals benefited, low wage jobs will still need to be filled. Unless the minimum wage and wages universally go up relative to housing, they reflected, some low wage earners will always fall into that gap:

“Housing will always be an issue, and affordable: as the prices go up, is the income rate and the minimum wage, is that going to continue to go up at the same rate that the cost of housing is? That's the tough kind of issue to deal with.”

Another stakeholder pointed out that people who are already living paycheck to paycheck may not have the time or resources to pursue education and training. Providing affordable housing can actually be a prerequisite to upward mobility:

“So what is affordable, it's hopefully that you're giving them an affordable place to live so that they have that expendable income to enjoy some amenities and improve their quality of life.”

Many participants--stakeholders and community members alike--talked about the value of learning to budget and gaining money management skills; however, some pointed out, those skills are not a panacea when there's just not enough income to go around:

“When times were difficult for me, when I was told we should create a budget, I'm like, there's nothing else for me to do with my paycheck. It just goes to bills! So whatever's left over goes to food. I mean, creating a budget, it just seemed ridiculous to me. I didn't have any options when I was hurting that badly.”

A handful of participants called for employers to play a more active role in ensuring that wages are adequate to meeting housing needs:

Participant A: “Some of these some of these employment places that are coming in really do need to step up and provide some for organizations, whether it be direct builder subsidies or somebody to provide more housing, whether it be more affordable rentals or to be able to provide homeownership.”

Participant B: “Or higher wages. All in all, that's the easiest way to solve it.”

Income Limits and Eligibility Cliffs

Various assistance programs and subsidies are available to help low income households access housing. However, most have eligibility restrictions based on income. Community members and stakeholders agreed that those income limits can be difficult for households that find themselves just over the line, off the eligibility cliff so to speak. One community member shared her frustration:

“We're just kind of stuck in the middle, you know, where we don't make enough to feel relieved. And yet, we don't make too little where we qualify for all these other programs.”

Several other community members agreed. As one put it, income guidelines are so low that “People cannot realistically live and qualify for certain programs, according to what is the current guideline? I mean, basically, you're living on the street if you meet the guidelines.”

Stakeholders agreed, pointing out that housing affordability is a concern at a range of income levels, not only those who qualify for assistance programs. One stakeholder observed, "There's a point where housing jumps, and it becomes unaffordable to people above that or above a certain criteria. So therefore, you know, I think it extends even above that." The feeling of being on just the wrong side of the eligibility cliff can be frustrating. One community member lamented, "I make like \$100 too much for other assistance. I mean, it's a minimal amount, and they don't take into consideration your circumstance!"

In some cases, smaller, older apartment buildings help meet the needs of this segment of the population. However, the supply is limited. One stakeholder, a former landlord, said she still receives inquiries about properties she no longer owns because people in this middle income range struggle to find housing:

"It's really difficult to find housing that the average entry level worker in this community can find. Our apartments were, I always called it, for the working poor. They made more than--too much to qualify for any programs. But they couldn't--I mean, they drove old cars, they lived paycheck to paycheck. And it's really tough to see those folks struggle to find something. And even though we've sold our properties, I'm still getting phone calls from past tenants. They just can't find anything."

A handful of community members shared the perception that, because income limits are adjusted based on family size, single adults are less likely to qualify even given the same income level. "If you're a low income single person," one observed, "you're just kind of left to your own devices." Some of these community members pointed out that another group that struggles is older adults who haven't reached retirement age and don't qualify for disability but find themselves unable to work the same hours they might have in the past:

"The person who's 55 and has health issues, but doesn't quite qualify for disability or social security because they're still too young yet, may still have life left in them, just not to the regular standard of life....A lot of us are stuck and fall through the cracks."

Similarly, a few expressed worry for people with chronic medical conditions that have not yet progressed to the point of disability but make work challenging.

Additionally, many other types of assistance are also tied to income, including food, healthcare, and transportation. The same households who find themselves just over the eligibility threshold for housing assistance may likewise be unable to qualify for those other assistance programs, putting the full weight of all expenses on their budget. One stakeholder described this group as a group to prioritize when thinking about housing affordability:

"They might not be the extreme lowest of poverty, but they might be, or they're just barely making it. But then they don't qualify for Medicaid, they don't qualify for childcare assistance, they don't qualify for free bus passes, or all of those things and then, and I know that's not the issue here that we're talking about, but just all of the systemic stuff, I think just really plays into housing."

Stakeholders who work in the social services affirmed this, reflecting that South Dakota's Medicaid programs, for instance, primarily serve children and families, not single adults. "We don't have a lot of help for them," one said. This stakeholder added that, for older adults approaching retirement, "if they've spent their savings on their medical or whatever

it is, what are they going to do when they can't work? Are they forcing themselves to continue to work just to afford all of it?"

5.5 Interconnected Needs

In this vein, several stakeholders observed that housing is one of many interconnected needs. A person's ability to afford housing needs to be contextualized with their ability to meet all of their other needs. In one group of stakeholders, a participant introduced the idea of "whole person care" and social determinants of health, ways of thinking about these interconnected needs. She explained that housing is only one piece of the puzzle:

"You can't just bucket housing, because they have mental health...They have food insecurities, they have substance use issues, they have-- Even if you only look at their income, that doesn't count child support and debt and all of that.... Yes, housing is a piece of it. But we've also got to look at what's this whole person care to surround them, to keep them housed."

Another stakeholder picked up that thread, urging that the community not think of housing in a vacuum, but continue to move toward a holistic understanding of community needs and interventions:

"I really like the phrase whole person care. I hadn't heard that before. But I think what's going well is if we are, in fact, starting to look more broadly at all these connections that you mentioned, with the application of transportation plus addiction plus mental health. So many things contribute to the so-called housing crisis. If we try to approach it as a silo and merely a housing crisis, I think we won't get as far as if we use that whole person approach. So I'm glad it's being recognized."

Balancing a Budget

One way to think about interconnected needs is by trying to balance a household budget while meeting a family's diverse needs. Stakeholders say they most frequently see these expenses (needs) infringe on a household's ability to afford housing: medical expenses, childcare, and transportation, all of which are tougher to balance for households who are on a fixed income due to retirement or disability. Community members more often reported that, within the constraints of their budget, housing expenses trade off with food.

Some community members walked through their budgets, thinking about how they try to balance different needs. One described the balancing act like this:

"I'm a numbers person.... So say you're at \$10 or \$15 an hour, you're making \$1,600 to \$2,100 a month, take away taxes. So maybe say \$1,500 and then the average apartment, say you're single and you just want a one bedroom, that's what? Seven, \$800? And that's not even really the best one. And you take that out of it, and then you got several other bills, you know, between insurance and your car payment and all those things. You know, just add one kid in there, one daycare expense. One major hospital bill, or 'Whoops! I spent too much on that credit card!' mistake, because growing up we do that, we've all done that. Next thing you know we can't afford our apartment. And there's really no other place to go."

As this participant points out, the balance is precarious. Families may achieve stability, but that stability can be disrupted by chance events. One stakeholder explained how these

unexpected hardships don't only derail budgets temporarily; they can have long-term effects on a person's ability to access housing:

"The other challenge is people that are housed right now, but they're just barely hanging on. And so one thing happens, they have a car repair, which they've got to do so that they can get to work because if they don't have their job. And so then they pay for the car repair, and then they can't pay their rent.... Even before COVID, this was an issue, you have those that are at risk of being homeless, it just takes one thing to go wrong.... Your child gets sick, you have to take off work, your employer fires you because you're not supposed to leave work, whatever. And that's a tough one...because once you lose your housing because you don't pay rent, then you've got a black mark on your record, and then it makes it harder to find more housing."

Medical Expenses

Medical expenses were one of the most often mentioned causes of financial hardship, which can spill over to housing instability. Stakeholders explained that health problems and unplanned medical expenses may hit hardest the people who can least afford it. To begin with, lower paying jobs may be less likely to offer affordable health insurance; the premium might seem so high that employees choose not to take it, or the deductible is so high that families find themselves unable to cover it.

Beyond that, the people with the most medical expenses are often those who are least able to work, resulting in limited income. One stakeholder described the difficulty faced by elderly or disabled adults on fixed incomes:

"You know, in those situations when it's a fixed income, boy if they're only getting seven, eight hundred bucks a month--A lot of times they also have medical bills and things like that, so I mean a couple hundred dollars a month [for rent] is really all that they can afford."

Several community members shared their own stories of how they are trying to keep working in the face of health issues, or waiting for disability payments that will help them afford housing. One participant explained that he has struggled to pay his rent and fears being evicted, but is unable to work as much as he used to:

"For the last 20 years, I've worked 40-50 hours a week. it's only when my back started going out. I've got degenerative disc disease and arthritis, all these things that make it really hard to do the jobs.... My doctor wants to put me on a 20 pound weight restriction. And because he's right, I have four blown disks. I have bone spurs in my neck, my back. It is what it is. I've learned to kind of push through it and deal with it. But knowing that, how can you all expect me to pay?"

Another said that health problems made it difficult for her to maintain the home she owned, at the same time that her retirement savings "tanked" and she was hit with unexpected medical bills, leaving her to move into a friend's apartment to reduce her housing costs.

Transportation

Transportation was far and away the most frequently mentioned need that intersects housing. Stakeholders and community members alike expressed concerns that the city's public transportation system is inadequate and contributes to residents' difficulties in accessing affordable housing. "I think the transportation part is huge," one stakeholder said.

"I see that a lot with the clients that I have, it's a huge barrier. And I think the whole system needs to be re-looked at."

As one community member put it, "Some of the transportation routes, ain't real handy of where you can find affordable housing." Another community member shared her experience of overcoming transportation challenges in order to get to work, keep a job, and move from homelessness to housing:

"The bus route, that's really important. Because my first job here, I came here homeless. And I was six months pregnant, very obviously pregnant. I spent a whole month walking up and down 10th Street, just applying, applying, applying. Finally, Domino's on 57th Street hired me. And just, I was not late. One day, I begged and begged for rides every time just to get to work and stuff. But there's no buses that go that way."

Even for families who have cars, one stakeholder observed, they may not be able to afford gas or repairs. She reported that many of the families she works with rely on public transportation, even when they own a car.

Transportation is critical for people to visit prospective housing, submit applications, and connect to employment and human services. Lack of dependable transportation makes finding and keeping a job (and therefore housing) more difficult. One community member lamented that, "You can't depend on the buses here because it only goes by every hour. And you have to show up to work an hour early in order, you know, to make that feasible--if the bus actually gets there."

Several stakeholders argued that transportation is critical public infrastructure that requires public investment. They called for leadership from the city to make that happen:

Participant E: "I mean, part of it's a resources issue, but we have to resolve that. I think it's a lack of vision."

Participant F: "I think it's an excuse."

Participant G: "...I am sorry, it's all an excuse. We have the funds, we need to invest it and we need to do it."

Additional, more specific concerns were raised around transportation:

Paratransit. One community member, who uses a wheelchair, specifically mentioned paratransit. He said that after the paratransit budget was cut several years ago, the system has failed to keep pace with the city's growth.

Deconcentration and neighborhood choice. Several stakeholders pointed out that limited transportation options lead to concentration of low income households in certain neighborhoods. Those who work with clients seeking housing and employment said they often are restricted to properties in central neighborhoods where transportation access is better. One put it this way:

"I would love to have more of my guests be out of our area. But one problem I run into consistently is the bus routes. They can't get to the apartments to tour them to meet with the landlord. If they need to get to and from work from their apartment, they have no access to the bus routes system."

One stakeholder expressed frustration, explaining that the clients she works with would prefer to live in newer, nicer housing, but its distance from jobs and childcare, combined with the lack of public transportation, makes it difficult:

“Some have been very fortunate to get into some of...the nicer, newer areas.... But then sometimes with that, a challenge is the transportation, because we're right on the edge of the public transportation line, and they need to get to work from their house or they need to get to childcare. So you find this beautiful home, it's like, how do I get there now? How do I get my kids where they need to go?”

Community members reported they have tried to find affordable housing closer to downtown in order to be nearer to public transportation. One community member summed up the dilemma like this:

“There's nothing out there. You have to drive 20 minutes to get anywhere. And if you don't have a car, I can't imagine trying to get from even 57th Street to anywhere downtown. So yeah, all affordable housing is either downtown and it's not great, or on the city edge where it looks nicer, and probably a little more expensive, but it's far from everything”

Connecting to jobs. Transportation is so important for connecting people to jobs that, according to stakeholders, some employers are already operating their own transportation service to get employees to work. Stakeholders suggested the city appeal to more employers to help support transportation. After stakeholders talked about how people they serve often find themselves walking miles across town after a late shift that ends after buses stop running, another stakeholder responded:

“That's why I think employers need to probably take some responsibility too for transportation and housing of their people, especially if they're paying crappy wages.”

Limited hours. Related to the need to get to work, stakeholders and community members observed that the bus system's limited hours leaves many workers without a ride. Without access to transportation, they have to walk or bike to or from work:

“We haven't even addressed our own community being a 24/7, 24 hours a day. We have people that ride bikes in the winter, we have people that walk an immense amount of time, I'd love to put pedometers on them, they've clearly met the Mayor's challenge probably in a week.... I'm sorry, but I'm, I've been doing this in nonprofits for too many years. And I'm tired of talking about it because nothing's ever happened.”

On demand, Lyft, and other innovations aren't working. Although one stakeholder spoke positively of the bus system's Saturday On Demand pilot program, most stakeholders and community members who had direct experience said it is not working well. Stakeholders report that the on demand app is difficult to use, rides are hard to schedule, and the on demand buses are unreliable:

Participant H: “I have booked a ride multiple times on Saturdays. They don't show up.”

Participant I: “And it is one of the most difficult things. I even had an IT person do it. And he's like, this is--”

Participant J: "The mayor said he was giving them a C minus."

Participant H: "It should be an F."

Participant I: "They're lucky if they get a D. Because, I mean, if I've got an IT person who's trying to do it and schedule it, it's no wonder why I kind of sat there..."

A community member said it feels like low income residents are being left behind by the On Demand pilot:

"I just think people are forgetting that a lot of us are getting left behind. And that whole Saturday thing is nonsense where they're doing the app to make an appointment with the bus, that is complete nonsense. Just run the buses. Stop playing around."

Stakeholders wondered whether bus routes are updated routinely. They observed buses continuing to run through empty parking lots at offices where workers have been remote during the pandemic, and at the same time, they pointed out that clients who need to get to Avera Behavioral for evaluations, for example, have no bus route option. Meanwhile, while Lyft has introduced some flexibility, taxis that service providers had relied on are disappearing.

Inconvenience reduces ridership. Stakeholders speculated that the inconvenience and inadequacy of the current bus system reduces ridership. People who would otherwise take the bus decide to walk or bike instead. One stakeholder shared, "I've tried to use the bus and it's like, well, I'm gonna walk or bike!"

Density and transportation. While recognizing that this strategy might be counter to deconcentration efforts, several stakeholders and community members alike said they would prefer more affordable housing concentrated in central neighborhoods because that would make it more accessible. As one community member explained:

"It [affordable housing development] should be focusing on building or renovating housing, single family, duplexes, small apartment buildings in the center of the city. And by that I mean 41st up to Falls Park, so people are on your bus lines--if they're not going to do anything about city transportation, and it looks like you're not going to. It's just so frustrating. I would put transportation as number two [priority after housing]."

Several stakeholders again talked about the advantages of building up density in core neighborhoods, where transportation networks already exist and where density can further support ridership--especially in the absence of more investment into extending public transportation.

Regional approach to transportation. On the other hand, several stakeholders suggested the city spur on a regional approach to transportation, opening up surrounding communities for people to live and easily commute to work in Sioux Falls. They pointed out that housing is already available and often more affordable in those areas, that people would like to live there, but that lack of transportation makes it challenging:

"Transportation, they have to figure out some kind of transportation. So if people want to live in Lennox, or in Chancellor or in Parker, that it's easy for them to get,

you know--if you've got older people that still want the services in Sioux Falls, but they wouldn't mind living in a smaller place, but they have to have some kind of transportation to get back and forth. And what's 15 minutes, 20 minutes away?"

Childcare

The need for childcare is interconnected with the ability to maintain employment and afford housing. One stakeholder, who works in the social services, explained that the cost of childcare is often comparable to wages earned in lower paying jobs:

"If you've got three kids in daycare, it's almost not worth going to work for what you have to pay out in daycare expense. It's pretty much the same as your net pay, and if you're making lower income."

A few community members said they had experienced this situation themselves, facing the decision of whether to work full-time knowing nearly all earnings would go to childcare and housing expenses, or to reduce their hours and apply for assistance programs. They traced this dilemma back to low wages that did not make worth pay, in their perception. Another community member shared her frustration with this situation:

"Because if you're going to go to work, you need to have daycare. Or if you don't have daycare and your kids are going to school, they have to have aftercare. What if they have to have before school care? There's a lot of obstacles that are made for people. And some people wonder why some people don't work? Well, they can't afford to live and pay for the housing or childcare, aftercare, before care, whatever it takes. If you don't have family, or you don't have people at a unit to depend on, you can find yourself in real trouble just because of that."

Stakeholders who help clients apply for various assistance programs pointed out that families with multiple children struggle, even if they have stable income. They must balance childcare expenses on top of housing--and they typically must pay more for both because they have more children in care and need a larger housing unit:

"We also have a lot of families that have steady income, sometimes two parent income, but if you have four or five kids, even with \$3,000 a month income, it doesn't go very far... And then you get four kids plus two adults, you need a bigger unit."

The need for childcare is complicated not only by cost, but also by the need for transportation (discussed above) and available childcare slots. Other stakeholders noted that childcare is particularly limited on weekends and evenings and overnight, particularly for families who rely on state assistance. One stakeholder described this as part of a system that can be difficult for families to navigate:

"Evenings and weekend childcare. Evening and weekend bus routes. It's all just a big system, it's all so connected. You can have the housing, but yeah, if you can't get there or get where you need to go, it's not gonna help."

Safe Neighborhoods

When it comes to housing, neighborhood quality was a significant overlapping concern--especially for families with children. Community members said they struggled to find affordable housing in a neighborhood where they felt safe. One community member said she found housing she can afford but had to settle for a neighborhood where she is not comfortable letting her children play outside:

"I won't allow my kids to go outside. I have an 11 and a nine year old now and they don't want to be locked up in the house, and I can't clean the house and watch them outside at the same time. And they don't want to just stay in my yard either. They want to walk to the park. So yeah, my neighbors is a huge thing to me. And that park being safe and not having glass and not having beer bottles or something like that. Or stuff in the sand is another huge thing to me."

Another community member said that she had decided not to apply for housing assistance because she felt it would force her into a property or neighborhood where she would not be willing to live. She preferred to stretch her budget and work multiple jobs in order to stay in a place she felt comfortable:

"I had friends that did the government system. I took a look at these places, but they're typically ran down, they're not taken care of, you don't have management that cares about it. And the houses that are provided are typically in more shady areas where, as much as I talk about missing the time with my kids, it's still worth missing that time, just to give them a safe place."

5.6 Concentration and Quality Concerns

Many of the interconnected needs described above come together in conversation about neighborhoods, particularly the concentration or segregation of affordable housing in certain neighborhoods and concerns about the quality of those neighborhoods and properties. As stakeholders and community members talked about their concerns around concentration and quality, they urged the city to focus on integrating affordable housing in neighborhoods throughout the city and ensuring that all neighborhoods have access to transportation so that low income households can access that housing. This type of integration would promote community, stability, and economic mobility, they believed:

"The more we can integrate, I really think that would bring an opportunity for some of the other systemic change we're talking about, like if you keep putting people who are in poverty in the neighborhoods where they're going to keep being exposed to drugs and illegal activity and all that, we're going to see that continue, but if we can do more integrating and allow people opportunities to live in other neighborhoods, I think there's an opportunity to change some of that, too."

Property Maintenance and Landlord Accountability

A significant segment of affordable housing in Sioux Falls is made up of older units, concentrated in more central neighborhoods. These units may be more affordable and more accessible, but they tend to be lower quality or even unsafe. As one stakeholder put it, "there's a difference between affordable for individuals we serve, and also what is safe."

Stakeholders reported that quality and safety concerns tend to be more pronounced for the most vulnerable tenants, those whose housing options are limited by lack of transportation (putting newer developments out of reach) or personal characteristics that make it difficult to get into larger, professionally managed properties where tenant screenings are more common. Specific concerns include bedbugs, cockroaches, water damage and mold, broken lights or appliances, broken windows, and missing locks. One community member had previously worked as a painter in several apartment buildings across town and reported these problems are common. Another had worked for the Census and said she frequently encountered apartments with security doors that were broken or propped open because buzzers didn't work.

These lower rent, lower quality properties are important to keep, but they should be improved and brought up to code. If those properties are lost, that's affordable housing that's lost. One stakeholder explained the trouble:

"I think we see a lot of aging, smaller rental properties that are definitely supplying affordable housing stock, especially to households that have less than great credit, some criminal history issues. But it's a continuing struggle to keep those properties up to what are relatively simple, quality requirements for say like section eight...a lot of the aging properties--which are closer to downtown--that are certainly a key part of affordable housing stock in Sioux Falls, they're falling into disrepair, whether it be by landlord neglect or simple incapacity to collect enough rents to keep them up to a certain standard.... We're concerned about losing some of the older housing stock that serves as affordable housing presently."

Already, some community members say they have voluntarily chosen to incur a housing cost burden in order to get into a better property, even relying on food giveaways and food pantries to help balance their budgets.

Community members said that tenants feel disempowered and unable to hold landlords or property managers accountable. They feel they have no leverage to demand properties be maintained or improved. One community member shared this experience:

"I reported a flooding in my apartment several times to the apartment manager. She didn't take care of it. It got to the point where I just had to leave and break my lease because it was terrible."

Residents who are labeled "problem tenants" have an even more difficult time approaching landlords with quality or safety concerns. According to community members, the most vulnerable tenants--those with the most limited housing options--may find themselves in a unit without a lease agreement, subject to being kicked out without notice. But for stakeholders, these types of properties pose a dilemma: on the one hand, they are not safe or stable places for residents to live, but on the other hand, they may be the difference between being housed or homeless:

"We do have a list of those quote 'not so good tenants,' you know, we have felony friendly lists and things like that, and those landlords that we work with that they don't always keep up their properties...but they fill that gap too for some of those clients that we serve that are very hard to place."

Another community member said that, ultimately, these issues spill over to the entire neighborhood. She traces it back to a landlord accountability problem:

"People are living in horrible conditions. And if they complain, their landlord will kick them out and gets another section eight housing person. And to be a neighbor of a house that is filled with negative activity and is a negative house is not great. So then that neighbor, you know, it's not welcoming, and it really impacts the ability for a neighborhood to thrive.... You need to be a responsible neighbor. And if you're leasing, it starts with the landlord."

Concentration: "I know the east side is known for that"

Stakeholders and community members shared the perception that affordable housing and low income residents are concentrated in central and eastside neighborhoods in Sioux Falls.

Asked to think about where in the city they would expect to find affordable housing, many community members said "the east side" or "downtown"--which they typically explained meant the Whittier or Cleveland area. One participant gave a typical, quick answer: "I know the east side is known for that."

Granted, stakeholders who work in development say they try not to concentrate affordable housing, and a few community members did say they felt Sioux Falls had affordable housing spread across several neighborhoods, but most participants felt there were certain neighborhoods--especially the east side and downtown--where lower income residents were becoming concentrated. One put it this way:

"I've been told some places in town to avoid.... I mean, anybody that has played Sim City for five minutes knows that you don't just keep putting more and more apartment complexes in one one spot, you mix it up.... It's really interesting for me, because I've lived in big cities. So it's sort of like traveling back in time here. And I can see where the roots are of the ghetto and it's just such a shame.... What winds up happening here in town is these big companies just put us voucher people right next to each other. And that basically becomes a project."

Community members see those more affordable neighborhoods as lower quality, less safe, and less desirable. One shared this typical comment:

"A lot of the, when you're finding the lower income housing and stuff it's usually not the not the best places to live. A lot of it's, like, over on the east side in bad neighborhoods."

Stakeholders say they try to steer clients away from these core neighborhoods, but have difficulty finding alternatives. They say these concerns are longstanding, and they hope for revitalization and improvements to those neighborhoods:

"We've talked about these neighborhoods for longer than go and then that we have to do something with those neighborhoods. To be honest with you, we'd just as soon our families didn't live in those neighborhoods."

Property owners are seeing this aversion reflected in vacancy rates. In spite of record high occupancy rates across the city, stakeholders in property management reported they have trouble filling units in those concentrated neighborhoods--not because of lack of demand for affordable housing, but because people do not want to live in neighborhoods that are becoming economically segregated:

"Portfolio-wide, we've been over 98%. Now, going to where the real issues exist, the funny thing is like, affordable, I mean you go to the core where people maybe have a little better access to the transportation, our occupancy is terrible, like 80% of everything within the core on the affordable outlook side.... So it is interesting to see that, because then we put up an affordable housing project [farther out], 100% full all the time, you know, like you get out of the core, and it is places people want to live."

Describing those distressed neighborhoods, this stakeholder continued: "I could draw a circle around it. It's from Bahnson-ish, maybe a little further in from Bahnson, but Cleveland Avenue, we'll call it, in that area, to Grange. From 14th to--I could draw a box and I don't know what the northern boundary of it would be."

A community member pinpointed the same area, saying it is beginning to resemble mid-century affordable housing projects in large urban areas in its concentration of low income residents:

"But you don't want to make the mistake of the bigger cities who just had huge blocks of subsidized housing that you know, and North Cleveland is a little bit like that. You know, there's like two or three big apartment complexes in a row.... I'm just glad it's not more concentrated than it is there."

A fellow community member agreed and shared her experience with that neighborhood, shedding light on why families might avoid living there if possible, depressing demand:

"My mother in law actually lived there before this current apartment...she always wanted the kids to come over and stuff but, but my oldest girl's dad, he's like, I don't feel comfortable with you leaving the girls there because it is that one on Cleveland that was high in drug cases and stuff, but that's what she could afford."

One community member offered a vision of more integrated neighborhoods, saying that he would like to see Sioux Falls be more welcoming and hospitable for all residents, regardless of their income:

"You can go every other person, that's how we should be woven into Sioux Falls, not like, 'I'll put them here, I want them there, this is for my people not their people.' That needs to be over with.... Let's zipper [integrate] everybody.... If you don't want to be united, and be hospitable, then stop living in Sioux Falls, because that's what Sioux Falls is. Now we're going to be hospitable."

Lack of Choice in Location

Several community members shared that their housing options feel constrained by location. They have been forced to find housing outside of the neighborhoods where they would prefer to live due to affordability. This limits their ability to choose housing near the schools they would like their children to attend, near family who could support them, or near the services they need for their health and wellbeing. Community members shared stories about

trying to live closer to a child's school or college, wishing they could be nearer to grandparents, or moving closer to work--to no avail.

One community member described her situation as she struggled with limited neighborhood options:

"The sad part too is if you have children, and you want to live in a certain neighborhood, so that your child is going to a decent school, you don't have that choice, you're just basically trying to make a choice of having a roof over your head where you can pay the bills."

Another said she wished neighborhoods were more integrated so she and her family had more choices about where to live, rather than feeling stuck in central and east side neighborhoods:

"I wish it was more spread out. Because like I said...it only stays on the east side between the downtown and the eastside and stuff. And I feel like that's where a lot of the people that need affordable housing are kind of stuck in that area and stuff."

Particularly for residents in recovery with substance abuse issues, neighborhood choice can be important to staying sober. Concentration can work against recovery:

"I mean, being around other people having to be crowded in the same area, because they can all afford that.... It's hard to get away from that [drug activity] when your neighbors are all doing it as well, you know."

NIMBYism

Focus group participants made clear that NIMBYism (which stands for *not in my backyard*) contributes to the concentration of affordable housing in certain neighborhoods. From the development side, stakeholders explained it is difficult to place multifamily housing in general and especially affordable housing due to neighbors' resistance. Stakeholders in development said that they have foregone opportunities to build larger complexes that would house more people more affordably because of community pushback and their perception that the city would not support them:

"We could have gotten quite a few units on that land if we could have gone three stories in that neighborhood. We didn't even approach the city about that. And that would have provided a lot of housing."

Stakeholders very frankly pointed fingers at the city for failing to stand up to neighborhood opposition and NIMBYism:

"And even in the news, the market rate properties are running up against this because they're--its rentals, period. And the city has allowed this, I'm sorry, I'm just gonna say. They've got it set aside for multifamily land, and they have allowed neighborhoods to come to those meetings and kind of get them off track."

Stakeholders called on the community to come together, recognize that all residents are neighbors, and that it is important to welcome neighbors of diverse backgrounds into all neighborhoods:

"The other issue comes about is 'not in my neighborhood; I don't want it there.' The citizens of this community and every other community [have to] face it. We are all in this together... See, there's the problem, isn't it? 'Those people'--well, we're all 'those people' too. Those people in my neighborhood have to look at and say, that apartment building half a block down the street is okay. Because they're the people that are going to like this neighborhood, and they're the people that are going to buy my house, or your house, or their house. Because their kids have gone to school in the neighborhood. They play in the neighborhood. I see those kids playing around my neighborhood, or my house, or maybe I hire one of them to mow the lawn. It's about being neighborly. And we've lost that. We can no longer say 'not in my neighborhood.'"

They urged the city to take the lead in campaigning for neighborhood integration and welcome:

"And the city has to be able to stand up and make those decisions and say that, even if it's in my neighborhood, and I don't like it."

Community members shared that they see the city "protecting" certain neighborhoods, enabling NIMBYism in order to develop downtown commercial districts, for example:

"Sometimes don't you feel like, it's like halfway houses should maybe be next door to a city council member? Like, sometimes I feel like they like you're saying they do pick on certain areas of town like Whittier? Oh my goodness! Okay, we don't want to have any negative, anything downtown Sioux Falls. So we're gonna move it all to one neighborhood, and God be with them. And the thing is, is I understand, but you can't just turn a blind eye... You need to look at the people that are still like, this is their neighborhood and their home. And all of a sudden you change dynamics, big time, you need to not disappear. Now we've got a huge concentration of high needs folks, you need to have a much bigger concentration of police, etc."

Several community members offered justifications for NIMBYism, arguing that affordable housing--especially multifamily--would have a negative effect on their neighborhoods. One community member who lives in a core residential neighborhood said that neighborhood stability has improved over the last few years and she fears moving backward, which she believes multifamily affordable housing would do: "Long story short, our neighborhood needs to not gain more affordable housing. Unless it's single family housing, owned by people."

Yet other stakeholders pointed out that NIMBYism and economic segregation of neighborhoods creates a vicious circle that reinforces negative stereotypes about affordable housing and the people who live there. As more vulnerable residents--who have fewer supports or resources to draw on--are packed into the same neighborhoods, problems arise and reinforce stereotypes that keep neighborhoods segregated by income.

From community members' perspectives, it seems that once neighborhoods gain this reputation, crime and poorly maintained properties become expected, and the neighborhood suffers from neglect. One community member said it seemed that crime, for example, is ignored in their neighborhood:

"I see the reactions: 'Oh, where was it? Oh over there?' and then they wave it off. Like crime happening there isn't held to the same extent as crime happening, you know, in a historical district or something."

In that way, NIMBYism is connected to concentration: according to participants, neighborhoods with high concentrations of vulnerable, low income residents are distressed and neglected. They gain reputations as undesirable neighborhoods, which contributes to NIMBYism in other neighborhoods among residents who fear--as one community member put it--"riff-raff" moving in.

NIMBYism is also connected to concerns about property quality and landlord accountability. One community member explained that her apprehension about multifamily housing had more to do with the risk of "bad," inattentive landlords than with tenants, per se:

"I live in the Cathedral district. It's filled with four-plexes and six-plexes put in in the 70s. They knocked down historic homes, put these plexes in here, and there are only a few--the building itself, they're ugly--there's only a few that are actually maintained and cared for. And they kind of became just the--thing is, landlords have a ton of control over tenant behavior. Because, like, people want to live where they live."

NOAH, Rehab, and Revitalization

Focus group participants repeatedly returned to discussion of older, lower rent properties--those that lack the amenities of newer, larger apartment complexes, are located in core neighborhoods, and may be owned by smaller or independent landlords. They noted that this so-called naturally occurring affordable housing, or NOAH, is an important part of the affordable housing stock in Sioux Falls, but in many cases, it is falling into disrepair. They saw a need for reinvestment in these properties, capital or incentives to support rehabilitation of buildings and revitalization of neighborhoods in a way that preserves affordability while improving properties.

As one stakeholder explained, support for rehab would help property owners upgrade older properties while maintaining their affordability. Older properties can be harder to lease because they don't have the amenities people want, but property owners also struggle to find capital to upgrade them (and to keep them affordable afterwards):

"They've had the older properties that would be priced in that workforce housing area. And they can't lease them because they don't have a dishwasher, or washer and dryer. No central air conditioning. So, you know, they're older properties.... We're urging rehab dollars. I mean, some of those older properties need monies to make those updates and make them more marketable."

Another stakeholder, who had owned some NOAH properties, described the cost calculus from the owner's perspective:

"It is a dilemma because if you have an older building, like...a six-plex, there's no amenities. You don't charge \$800 a month for a one bedroom apartment. But it can be very costly to own. I think for newer people looking to get into the landlord

business, they have an expectation of what their return on investment is going to be, and it's not going to be there."

A few stakeholders saw the danger in losing NOAH as two-fold: first, that affordable housing units would be lost to disrepair or unaffordable redevelopment; second, that small, independent landlords would be replaced by larger, professional property management companies. One stakeholder explained why it is important to preserve NOAH and keep smaller landlords in business: these property owners are often more flexible and serve segments of the population that otherwise struggle to pass screenings and get into larger complexes. She described her experience as a small landlord:

"Whenever I list a property, if I have one available, I will get many, many, many people messaging me and asking me if I am a property manager or if I'm a small landlord, and what kinds of screening I do. And if I'm open to felons, or people will be telling you their whole story and their situation--they have bad credit, they have this and that. And because almost all the property managers, especially the larger ones, have a very strict process, anyone who doesn't meet this credit score, might have anything in their background, they're pre-screened out immediately. So they're looking for landlords like me, who might be more flexible."

Stakeholders suggested that the current rental rehabilitation program is one way to continue to help preserve NOAH. Another option would be to identify opportunities to make property improvements more affordable for older properties by revisiting the rehab, or existing building, code requirements. One specific issue they came across was adding washers and dryers in unit.

Additionally, stakeholders urged that any incentive or assistant programs for small landlords be streamlined and simple to access. Complicated programs with complex applications or requirements are not good options to preserve NOAH or support smaller landlords. Smaller landlords, who are often individuals, do not have the capacity to apply for or administer complex housing programs like the low income housing tax credit.

Finally, several stakeholders said they would like to see redevelopment of core neighborhoods, which they point out could raise values and diversify neighborhoods--but might also displace current residents, who would need to find new, affordable housing. They argued that this redevelopment would be good for the city as a whole, provided there is an adequate plan to preserve or integrate affordable housing in these neighborhoods as well as elsewhere in the city:

"You create a condo, higher tax base. Now you diversify the community. You know, a little more affluent people come in, and...then the neighborhood starts to change a little bit. I believe that's the best natural direction for any core city."

These pro-development stakeholders believed that natural market forces will lead to turnover in the core area, and simply asked that the city stay out of the way:

"Well it's naturally, itself starting to get torn down and rebuilt, right? But they're trying to fight against that and say you've gotta keep it affordable."

They argued that rather than focus on preserving NOAH, the city invest in affordable developments throughout the city, outside the core, deconcentrating low income households and promoting integration. At the same time, they pointed out, the city would need to confront NIMBYism and address transportation needs:

"And then that way your community isn't just separated by all the affordable people in one core, they're spread out. And those people live in those communities in the suburbs all of a sudden befriend the neighbor who has an education and says, 'Hey, you know, how do I get to where you're at?' You know, it's that whole community integration, and they just don't get that."

5.7 Vulnerable Groups

Asked what the city should prioritize around affordable housing, many focus group participants said they'd like to see the city focus on the highest need or most vulnerable residents. Stakeholders maintained that market forces would meet most housing needs for middle and upper income residents, but public action would be necessary to close market gaps at lower income levels. Community members suggested assistance be directed toward those who need it most. One stakeholder summed it up this way:

"From my perspective, what I'd like to see the city do is to truly find a focus area, and not try to solve the market issues that are out there, but to focus on the people that are the most in need. And then to try to help that subset group the most, and truly focus in on assisting those folks, rather than trying to solve every issue that comes out with housing conversations."

As one stakeholder explained, increasing access to housing is not only about affordability, but also about reducing barriers to getting into housing in the first place:

"You could build as much affordable housing as you wanted. However, the clientele that a lot of us work with, they can't access that because they can't get in because of credit, or criminal, or whatever it is. So I don't like to talk about it as affordable housing. I like to talk about it as accessible housing."

In terms of vulnerable groups, focus group participants identified single parents, immigrants and people of color, residents living on a fixed income, people with disabilities, people with mental health or substance use issues, felons, people with poor credit, and residents who are doubled up or living in overcrowded housing. Each is discussed in turn.

Single Parents

Many community members highlighted the struggle of single parents, either based on their own experiences or their perceptions of community needs. They explained that it is challenging for single parents to get by on one income while also finding a safe neighborhood to raise children, dependable childcare, and transportation to work or school. One community member, a single mother of three, said she was only able to do so by working three jobs:

"When my ex husband left, I had a lot of pride and I felt like I could work harder, I could provide a life for us--but that pride kind of came and bit me because just to afford a decent place to live where I didn't feel like my neighbors would try to break into it, and my kids could play on the playground, and there was no glass and it wasn't dirty. Just to have a okay place to live, I had to work two to three jobs and I sacrificed seeing my kids and raising my kids. I felt like my daycare and the babysitters raised my kids more than I did."

Another community member shared an experience that reveals another set of challenges single parents may face: those who have left toxic relationships may be left to untangle debts, legal issues, and trauma on top of simply trying to find housing and make ends meet. In this community member's case, she was left carrying debt, an eviction on her record, and poor credit, all of which kept her from getting into an apartment despite earning a good income.

Immigrants and People of Color

Immigrants and people of color may face barriers due to discrimination. Those with limited English proficiency may also struggle to find materials and resources in their first language. Additionally, larger or multigenerational families find it difficult to locate housing units with enough bedrooms.

One stakeholder said racial discrimination and fair housing violations occur. Although smaller, independent landlords may be more flexible in accepting some tenants, they might lack some of the fair housing training and professional development provided to property managers of larger properties:

"One thing that people don't like to talk about, but there are racial challenges for families, and it's not the large apartment buildings that are doing this, it's the small units where these families struggle to find places. I mean, it's--there's racial profiling that happens with them, because they're the ones that are now living in the core. They just get a bad rap."

As his comment reflects, racial discrimination is tied to negative stereotypes about certain neighborhoods.

Community members added that immigrants may be especially vulnerable to discrimination or mistreatment, especially if they are afraid to challenge a landlord because of their immigration status:

"I am in the Hispanic community, quite a bit more, and more with the immigrants. So I know more of landlords that would do more of a shady deal and stuff, and take in those people that don't have papers, they can't sign documents, they don't have anywhere else to go, kind of deal.... It's not any cheaper than anywhere else. Except those bedrooms are usually much more low quality than other places."

Other community members spoke to the lack of housing-related materials in other languages as well as what they perceived as a lack of education to property management about cultural differences, which may result in misunderstandings with tenants. "Whether it's a language barrier," one said, "there's just a lot of prejudicial stuff going on out there. And there's a lot of really unprofessional handling of people's life."

A few stakeholders returned to racial inequity in housing opportunities. Part of the problem, one pointed out, is a lack of diversity on decision making boards and groups. "And the problem is relevant here," she observed, "as we all look at each other. Right, who's in this room trying to influence what's happening?"

Fixed Income and People with Disabilities

A few stakeholders identified people on fixed incomes as a priority group. They pointed out that, at current levels, disability payments are inadequate to meet resident's needs, unless they are able to couple it with housing assistance:

"We have individuals that live on little to no income whatsoever, so they're really needing something that's basically rent free.... Individuals that are on a fixed income, a disability payment, they might only get the 794 or whatever in SSI every month. So how do you get housing covered out of that plus all your other needs throughout the course of the month?"

A few participants pointed out that residents are especially vulnerable while waiting for disability benefits to begin. The process, they explained, can take a long time:

"There's a gap time from when you apply, you really can't be working, because if you're working it shows you're not disabled. It takes a year or more to get approved for disability, so what do you do in that year's time? You can't work but you're not getting any assistance, so those individuals are very vulnerable as well."

A couple of community members, who have disabilities, said they have sometimes had trouble finding affordable and accessible units:

"I have a need for accessible parking. I have a need for being on the ground floor. These are reasonable things. I have a handicap plate on my car. It's not like something hard to understand. That is very difficult to find in town."

Mental Health

Stakeholders and community members both identified a need for supportive housing for people with mental health issues. One stakeholder observed that mental health needs have skyrocketed during the pandemic, but were prevalent even before. Others observed that mental health issues can make it difficult for people to navigate affordable housing options:

"Those are struggling with mental health issues, they have a hard time navigating even where to go.... For them, to keep a job when they're struggling with their mental health and substance abuse, I mean, how? They can't even get into housing from there, they've got so much else on their plate."

Several community members also raised concerns about people with mental health issues. One said he said a need for people with "mental health issues or PTSD" while another described his own struggle with mental illness:

"I was so depressed and so bad.... It's not that easy to just get a job when...you're so ill and lethargic you can't even get out of bed.... It's been a battle."

Stakeholders agreed that Sioux Falls needs more supportive housing options for people with mental health issues. A housing first model, like Safe Home, would give people a home and stability, taking one thing off their plates as they work to address their mental health needs. One stakeholder described Safe Home as "a huge benefit" but added "I think there needs to be more units...if there's any way to expand on that program, because of the addiction and mental health issues, there just aren't the resources for the people we're serving."

Several stakeholders shared their reflections that “when it comes to the mentally ill...it's just stabilize, return to the street, and that's, there's a void there that exists.” Two stakeholders, who work at a shelter, reported a significant proportion of guests at the shelter have mental health problems, but no suitable supportive housing is available for them:

Participant K: “They have absolutely no business being in a homeless shelter. We just let them be. They sit, they sit all day, their needs are met, they can take showers, they can eat.”

Participant L: “And they'll have a really bad episode and get brought to Avera Behavioral by law enforcement, and they'll be released less than 72 hours later, right back to our shelter. Because they're not hurting anyone. But it's just not a dignified way for them to lead their lives.”

A few stakeholders recalled a model from Minneapolis that they thought could be adapted for Sioux Falls. They described Higher Ground, a multi-level building with an emergency shelter on the ground floor and apartments with case management on the upper floors. These stakeholders saw case management and other supportive services as essential to keeping residents with mental illness housed:

“And case management. I know it costs money. But it is a crucial component of helping people, they have a go to, and being successful.... When they have those supportive services, it makes a difference.”

Substance Use

Many focus group participants also identified addiction or substance use problems as a barrier to finding and keeping housing. In many cases, substance abuse overlaps other housing barriers, particularly mental health concerns (often co-occurring) and felony records (discussed below).²⁰

Housing and substance abuse are also tied together in that a person's residential setting can contribute to their recovery or continued addiction. Several community members and stakeholders alike pointed out that it can be tough for people to get sober if they live with people who are using, but if they are struggling to access housing, they might not have any other good options. One community member shared his own story:

“I'm actually getting evicted from my apartment because me and my girlfriend split up. She was the reason I was on dope all the damn time. So I finally had enough of that. But a \$1,600 bill, and they said, 'Oh, I don't care if you have a job. Get the fuck out.'”

²⁰ In fact, the South Dakota Department of Corrections reports that 30% of offenders overall (the SD DOC FY21 Adult Dashboard records that for 30% of offenders overall, their primary crimes are drug-related; among women alone, that percentage is about 60%. See the South Dakota Department of Correction FY21 Adult Dashboard, available online at <https://doc.sd.gov/documents/AdultDashboardFiscalYear2021.pdf>

A stakeholder who works in the social services sector agreed that there is a need for more attention to substance abuse and addiction:

"The disabilities and the dependency, the chemical dependency issues, you know really inhibit people from maintaining employment, so that's that's a big need that we see."

Felons

Stakeholders and community members talked extensively about the difficulties faced by people with felony records when it comes to housing. Stakeholders report that if people with a criminal background are able to find housing, it is often poor quality, sometimes more expensive than comparable units, and might be offered without a lease or other basic tenant protections. As one stakeholder put it:

"We have a list of the felony friendly landlords. And to be honest, many times I cringe because some of them that are on there...I mean, I know that they're trying to do the right thing. But they're also at times taking advantage of people. If you're charging someone \$850 for an SRO, that's kind of ridiculous. It's the size of a hotel room."

Community members who had experience renting from some of the so-called "felon friendly landlords" said that these property owners make it possible to get into housing, but when it comes to maintenance, "if it costs him money, he don't worry about fixing stuff." Similarly, others shared that if they had a disagreement or the landlord felt there was a problem, they were kicked out of their home without notice, since they did not have a lease in place.

Another community member shared his frustration with not being able to find housing because of a past conviction:

"Now that I'm out, and now that I'm finally free of meth--because I get a lot of bullshit that I did for a long time was for the dope--here let me go get this get this now that I actually want the help in a positive direction, especially housing, especially these properties? All they see is a piece of paper right here that says you're a felon...no matter how you change your life around."

Stakeholders agreed that the properties available to felons are substandard, but there is a perception that, between fair housing and crime free housing guidelines, property manager's hands are tied. One put it this way:

"We do need to figure out the criminal, felon housing, whatever you want to call it. Because I know there's a huge need there. And I look at the places...when they showed us like the places where they were housing people, when they left [a reentry program], it's like, of course this is not conducive to a person's recovery. And we have to figure that out. But then the other side of it is, it's not like we can bend the rule because this person's story is really compelling, because...we have to follow fair housing guidelines."

Stakeholders in property management saw a dilemma with the crime free housing program. They said they want their properties to be safe, that they agree they have a responsibility, but the crime free housing program mandates sets limits on their ability to qualify people for rentals.

Other stakeholders suggested that a lack of awareness around fair housing and housing options for felons contributes to the problem. One stakeholder says she does not use the felon friendly landlord lists for this reason:

"I don't give them to people, because I feel like if you give them to people, then they're just calling dead ends. And I think there's misinformation about, you know, I'm a felon, so I have to only rent from these five landlords, which is not true at all. It depends on how long ago it was and what it was, and all the different things. And even then you can go through an appeal process if you are denied. So a lot of people don't understand the process. And so they give up pretty easily, and they're calling 211 frustrated and all the other things that happen."

For people on parole, the lack of housing for felons imperils their ability to stay in the community. One community member pointed out, "since I'm on parole, if I lose my place, it's an automatic violation, we'll send you back to prison."

A handful of community members and stakeholders said that felons may choose to buy a home since qualifying for a rental can be so difficult. However, overlapping disadvantages mean that many felons also have limited incomes or savings and struggle to afford a home, not to mention the additional maintenance and utilities costs.

Instead, according to community members, felons may end up homeless or doubled up. One community member shared his frustration:

"It's like, you go to prison, you pay your price, and heavily, and then you get out. And it's like, guess what, you're going to pay the price even harder now. Because you don't have a place to live. And if you do have a place to live, it's going to be in the worst part of town with the most violent, dangerous area where you're almost guaranteed to get back on drugs or selling drugs. And the chances of you doing well? Good luck."

Credit

Like criminal convictions, poor credit--or a lack of credit--can impede residents' ability to qualify for rental housing. Many community members said that their credit, as much as or more than their incomes, has kept them from finding and qualifying for affordable housing. One community member said that despite earning a comfortable income, she has been unable to secure housing; instead, she is staying in a transitional housing program as long as she can, hoping to improve her credit in time to get into rental housing before the program ends:

"I wasn't prepared for that. Like, okay, I know market housing, it goes off your credit, and who you owe, and everything like that. And here so does the affordable housing. So if there was any kind of past, any mistakes, or any bad situations you would have gotten in the past, they actually keep you from putting a roof over your kids' heads....Even though you got a great job, you got the work history, you have horrible credit? You don't deserve a home here."

One stakeholder said she has resorted to counseling tenants to offer to pay rent, deposit, and an extra two or three months of rent up front--which may work with smaller, independent landlords who have flexible policies, if not with larger property management companies.

A community member said her friend has been doubled up, staying with family until she is able to improve her credit and qualify for an apartment:

“She had to stay with some relatives, because they told her it was her credit, she had to pay this thing off or pay that off. She still needs a place to live in order for the money for her to make to go there. Luckily, she had relatives, she stayed with those relatives.”

Credit is a difficult barrier because it can take years to restore, and in the meantime, residents have to find housing that is stable and affordable, which allows them to keep working and earning money in order to pay off past debts and improve their credit.

A few community members speculated that it would be valuable to the community if credit counseling and financial education were more widely available. “With credit, one observed, “a lot of people don't understand financial literacy and credit and that in order to even have a credit score, you have to be in debt.”

Doubled Up, Overcrowded, or Unhoused

When people cannot access affordable housing, or when they cannot afford the housing they're in, they may double up--either taking in roommates or moving in with someone as a roommate in order to manage housing costs. Several community members said they have used this strategy, sometimes with friends, coworkers, strangers, or sometimes with extended family. In some cases, they said, the arrangements were temporary, like while someone waited to come off the waiting list for a Housing Choice Voucher, or while someone was paying off debt to improve their credit to pass a credit check to get into an apartment.

In other cases, stakeholders reported that some families end up overcrowded in apartments that are too small for the size of the family. They said this is particularly challenging for larger families that, given the current supply of apartments, can only find a two bedroom apartment to rent.

As one stakeholder pointed out, doubling up or overcrowding can make housing more affordable, but it can also jeopardize a family's housing status if it violates lease terms:

“They move a relative in to help, but then we're violating some of the rules of how many people you can have in your subsidized housing or whatever.”

Ultimately, people who cannot find housing end up unhoused. Some community members said that, while waiting for access to a voucher or other form of housing assistance, they had stayed at shelters or spent months camping. From the stakeholder perspective, those who work in shelters reported demand has been high since before the beginning of the pandemic, stretching at least one shelter past capacity for over a year.

5.8 Section 8 and Housing Choice Vouchers

Rental assistance is available to help low income households access housing. However, assistance is limited. In Sioux Falls, most rental assistance is delivered through the Housing Choice Voucher program or through project-based rental assistance tied to specific properties or units. Both the voucher program and project-based programs have waiting lists.

Housing Choice Vouchers

Community members shared a perception that the voucher waiting list is so long, applying may not even be worth the trouble. As one community member put it:

"I know when you can get on housing. But that's like a three to five year waitlist? So I mean, it's almost not even worth signing up for it. Because where am I going to be in three to five years? Am I even going to be here? You know, when I signed up for the housing list, it's because I need it now and not in three to five years!"

When asked how people manage the long wait, one community member listed several options, all of which amounted to surviving unhoused: "You're either homeless or you have to stay with relatives or sleep on the street, camp."

Stakeholders pointed out additional challenges for the voucher program, including finding properties that can pass quality inspections and where landlords are willing to take on residents with vouchers so that households that receive a voucher are actually able to use it. One stakeholder summed it up: "There's nowhere for people to move. We can issue all the vouchers we want, but if they don't have anywhere to go, they're not going to get housed."

A few stakeholders and community members alike observed that housing options have narrowed, and sometimes maintenance has declined, as out-of-state property owners have acquired buildings in Sioux Falls. One stakeholder said this has begun to impact the ability of tenants to use vouchers:

"Another issue we're seeing is, especially for a voucher type program, we have had ownership move in and buy some larger, older projects in the area who are now not taking vouchers at all. They're upping the rents and moving units out of the stock that we could even utilize some of our subsidy programs for."

Another observed more generally that more landlords are refusing to accept vouchers, effectively limiting the affordable housing supply by making it difficult to find housing for tenants with assistance:

"One thing we haven't really talked about is more and more landlords, not accepting third party payers, which means just because they're on housing, they're automatically turned down. It doesn't matter how good the references are, or it could be a little old lady."

One community member suggested that this trend toward limited acceptance of vouchers has resulted in concentration of voucher holders in properties that do accept them:

"People don't really get that a voucher is meant to mix people in with regular people to live with. And I think that that's a failure on the part of the housing authority. I think there really needs to have more events, really court the community and make it clear to them that the idea is to avoid having projects, avoid building ghettos."

Project-Based

Project-based rental assistance avoids problems related to finding a landlord who will accept vouchers, since the assistance is attached to the unit itself rather than following the tenant. But project-based housing has its own set of challenges, first of which is waiting lists and

eligibility restrictions. One community member described these programs as “next to impossible because they have such a long wait list.”

Stakeholders noted that these waiting lists tend to be shorter than the voucher waiting list, but may still be six months or a year, and the length of the waiting list tends to vary with the property, depending on its location and eligibility restrictions. Stakeholders explained that many project-based units are restricted to elderly or disabled households, with only a limited proportion available to families. The longest waiting lists, they observed, are at the properties with fewer eligibility restrictions: “If you’re a single elderly disabled person, your chances of getting housed are a lot quicker than if you have a family,” one stakeholder noted.

Larger Families

Stakeholders said that when it comes to subsidized housing--whether that means tenant-based or project-based rental assistance--larger families who need three bedroom units or larger struggle to find anything at all. One stakeholder reported, “our families are not able to find affordable, well just even housing period, especially those larger families that need the three, four bedroom units, it's very difficult.”

Another stakeholder agreed: “The feedback we're getting is three bedroom and larger units, they just can't find. They're not available. There's one to two bedroom units, typically they can find something in 30 to 40 days, three and four bedrooms or larger units are really at a shortage.”

A third stakeholder observed that this barrier is especially troublesome for many refugee or immigrant families, who are often multigenerational and need additional bedrooms. He explained:

“If you're working with the refugee communities, I talked with some last week, and they need four bedrooms. You know, they usually have some family members that are, you know, parents and live with them. They're being crammed into a three bedroom apartment, and they can't find property owners that will take those vouchers either.”

5.9 A Housing Hub Vision

Several community members and stakeholders alike shared a vision they have for a housing hub, or a central resource to help with housing search, coordination of services, and referrals.

Community members said they are not sure where to go to find help with housing. As one community member shared, “I only got here last year, and I am still on a search and I thought there would be some, I’m not sure I’ve got the correct avenues.”

When asked where they would go to look for affordable housing options, most community members simply said they didn't know. Several said they had been lucky to hear of an option through friends and family or word of mouth, or to stumble across a recommendation on Facebook. But as one community member observed, that sort of chance search is not systemic and may not land people in the best option for them:

"I mean, some people are in need and don't know where to look. And sometimes they don't have the time to take that time to research. The next step is just, you know, the next thing that comes your way is what they are going to jump at. Even if it's not the best thing for them. Who has time to keep researching something when they're working two jobs?"

Facebook and Online Search

Though most community members said they weren't aware of any one place to go to find affordable housing help, several said they have turned to social media or online searches--with varying measures of success.

One community member said she had searched Facebook Marketplace for available apartments, but "every apartment I applied to, they never called me back." Another community member had gotten a tip in a Facebook group to contact a particular bank about homebuying, and he was able to follow up on that tip and purchase a home through a Rural Development program. Another community member agreed that Facebook "is very informative." She said she relies on Facebook Marketplace as well as mutual aid or pay it forward groups.

Another community member said that the city website has resources, but acknowledged "you've got to be able to navigate that, you have to have the internet. And I know some young people think, oh, everybody has internet. But no, not everybody!"

211 and Sioux Falls Housing Are First Stops

Besides Facebook and online searches, community members most often suggested looking for housing information through the Helpline Center (211) or Sioux Falls Housing (the public housing agency). These two resources were top of mind for community members as first stops for housing information.

In general, community members said they would call 211 because they weren't sure where else to go. In a typical comment, one community member said, "211, just tell them 211, I don't know much of it."

Other community members thought first of Sioux Falls Housing but weren't sure about what information they might have, how to access it, or what might be involved. In a typical comment, one community member said, "Well there's that place on Minnesota Avenue [Sioux Falls Housing]? But then again, I don't know if you have to make an appointment?"

Housing Hub

Several community members and stakeholders shared a vision for what they described as a housing hub. One community member envisioned a housing hub as a solution to the lack of awareness around housing resources in the community:

"I can't see what they don't have. It's just hard to get like a more centralized way of getting information about housing because....there's no main hub. Like, there's a few websites but if you search, it's really hard to find a central location that can solely help you to find housing. A little bit here and there. And, you know, you got to be knowledgeable. Maybe you don't know, if you have never been in that situation? Because I don't know how to find it."

Stakeholders believed a housing hub could solve another problem they see, which is the coordination of services. One stakeholder explained, "There needs to be something that actually coordinates the various service providers in order to make it more efficient, because the inefficiencies make it impossible to navigate." Others agreed, saying that in their daily work, they often make referrals but have no feedback on what happens as a result of that referral.

Another stakeholder explained that the so-called "no wrong door" approach to housing access is good, but it needs to be backed by a central repository of information that is reliably maintained and made available. She pointed toward promising signs that such a hub could be possible, citing ongoing collaboration and community work toward shared housing solutions:

"I think what's also going really well is, look who's in the room. We're, we want to fix this, people are at the table trying to talk and trying to figure out, like, is there a way we could do a centralized application to not have to spend the money [on fees or background checks] until the person is ready to go? Is there a way to figure out how to search for [housing]?"

One community member shared her vision for a physical housing hub, an office where residents could go for help accessing housing:

"I know we have the housing office for subsidized housing, but...there should be an office where a person can go that's a housing hub for low income people. You know, if you make under \$40,000 a year, you should come to the housing hub. And they know landlords, they know buildings, they become experts...If you had a middle to lower income housing hub, actually populated with workers who developed relationships with landlords, that would help a lot I would think."

Several stakeholders also landed on the need for a central clearinghouse that could help match tenants in need with vacant units, serving both residents and property owners. One stakeholder, after discovering during the course of conversation that property owners in the room had vacant units and she had clients who needed housing, offered this observation:

Participant M: "Maybe part of it is that we have to work with some of the landlords, with the agencies. And we need to start creating better partnerships where we're doing case management..."

Participant N: "Or better finding those apartments, like, 'What's your deal breaker? Your deal breaker's not laundry? Okay, we've got five [units available] right now.' Like a centralized listing..."

Participant M: "And then we say that, you know what, maybe you're going to get in one that doesn't have the laundry in the unit. But once you build that relationship, and then you've been paying your rent on time, then when it does open, then you can move into that unit."

In describing their vision for a housing hub, community members pointed out that it would be important to couple its launch with a broad public awareness campaign:

"Even if you guys did create the hub, if nobody knows it's there, it won't do no good because--or, you know, make it easy, where they search South Dakota housing, the state search comes up. Sioux Falls, with the second largest city, should be one of the second largest in our--links should be up there, then researching doesn't have to take all day."

Another community member reiterated the importance of raising public awareness of affordable housing options. She said she sometimes hears announcements about new affordable developments when they're being built, but otherwise feels that residents have to proactively search out options; there is no public promotion:

"You have to do a lot of the hunting yourself...basically, you're on your own. I think if they did a lot more like, self promoting...whether it be brochures, or pamphlets or commercials or just anything to publicly promote it, where you don't have to be the one that's always searching. To take themselves out there. You know, this is what we got, this is what we have, this is who we are, you know, this is for the public. Because you only kind of hear about the affordable housing when they are in the making, you know, when they're building 'em."

Public Awareness

Across focus groups, community members shared the opinion that the city needs to do more to raise awareness of available affordable housing options. They called for a public information campaign or widespread public service announcements.

Asked for a general assessment of how the city is doing when it comes to affordable housing, one community member zeroed in on the lack of public awareness:

"I don't think they're doing a very good job. I don't think they're publicizing it or letting people know how to contact or who to contact. And like I said, I've heard a couple news stories about building this, it's supposed to be affordable housing, but they never say who to contact or..."

Others suggested the city or organizations providing affordable housing engage in more mass media advertising to raise awareness about where people can go to find help--whether that's 211, the city website, Sioux Falls Housing, a housing clinic, or other housing hub. One community member, who is not a regular internet user, said she does not come across information about housing in her daily life:

"Well, apparently, the internet is the place to go. But, I mean, you never see any advertising on like TV, or I've never seen a billboard or, 'Hey affordable housing here' unless I've just missed them."

Another community member reflected on his time in Chicago, where he said public information about affordable housing opportunities was more prevalent:

"Like Chicago, when I lived out here, you heard more advertisements or articles about housing or agencies to go to. I don't hear that around here. Yeah, I can't say in the last six months I've heard anything. Maybe one TV article about an apartment complex or something they were building that was supposed to be for..., but you never hear [about it].... Maybe I'm just listening to-- old man listening to the wrong radio stations!"

Housing Navigators and Social Workers

For residents who are trying to find affordable housing, help from a navigator or social work can make all the difference. One community member, while outlining her vision for a housing hub, suggested it house social workers. She said that in her experience, it can be difficult to find someone to help walk with people through the process of accessing housing:

"At least if they're homeless and go to Bishop Dudley, they have social workers there. I mean, they have professionals there who can help plug them in where they need to be plugged in. If they're on their own here, it's really hard. And I don't know what the new one stop shop is like at the Old School for the Deaf...I don't know if a person can actually go there and get social work help."

Another community member shared a story about the difference navigation or social work help can make: When he was on parole, he thought he had a place to stay, but was waiting for confirmation that he had gotten into the program. Worried that he had no bed for the night, he showed up at Bishop Dudley desperate, and a case worker there made phone calls to a housing program and his parole officer, worked out some miscommunications, and got him in for the night, avoiding a stay in emergency shelter and helping him on a long-term path to recovery--because she was familiar with all the parties involved and able to sort through a tangled situation. Several participants who had been formerly homeless shared similar stories, explaining how social workers at domestic violence shelters, veteran services, and other emergency shelters had helped them find housing.

Landlord - Tenant Rights

Many community members raised issues around landlord - tenant disagreements. They said they were unsure where to go if they had a problem with a landlord--example, an unaddressed maintenance issue or disagreement over a lease infraction. Several community members said that they feel disempowered as renters because they feel they have no outside recourse, and they are reluctant to confront a landlord for fear of eviction--which would not only mean losing their current housing, but jeopardize their ability to access housing in the future.

Stakeholders agreed that landlord-tenant conflict is a problem, and that there is a high degree of public awareness about where to go when issues arise. One stakeholder put it like this:

“The other big thing we see too is a lot of landlord-tenant issues where you know people are just struggling with getting something fixed in their unit or they're not sure what their rights are, as far as if they're in an eviction process. So those things will come up too.”

A few stakeholders mentioned the ongoing Housing Retention Specialist pilot program at East River Legal Services, which is just beginning, as a promising step in the right direction.

Referral Networks

Stakeholders had a slightly different perspective on the value of a housing hub--not just a site for navigators to help residents access housing, but also an information hub to share information about client needs or follow up on referrals and outcomes. Stakeholders said that this coordination of services would help improve efficiency and client outcomes.

As one stakeholder explained, right now, it can be difficult for service providers to follow up on referrals to know whether they're successful: “Sioux Falls has a tremendous resource pool of housing,” she said, “as well as other options, so we do a lot of referrals, but we don't always see the follow up to it.”

Another stakeholder elaborated on the opportunities from an information exchange to improve communication, build on trusted relationships, get people into housing, and get them housed. She believed this sort of information hub could help connect property managers and service providers to more quickly resolve tenant issues and avoid eviction:

“We have to have, whatever, it's a nonprofit, for profit, housing, tight communication, because if they're having struggles, or they have open units, let's talk. What do we need to do? Or if they're having trouble, where maybe one of us [service providers] has worked with that individual, then we can help problem solve, because a lot of it is trust. So it's better to keep people housed than to have to do housing all over again, and then they owe a landlord money.”

Another stakeholder referred to this type of network as “technology infrastructure to connect the dots between the landlords and the social service agencies.” She hoped that such a service could help prevent housing crises by allowing for earlier intervention:

“So we can identify people before it gets to be a crisis. If someone loses childcare, and they don't go to work, they're going to lose their apartment. How can we get them to childcare so they can keep going to work to stay in their apartment? And you can't take the people out of the equation, but if I could send a quick notice to [a service provider] without trying to play phone tag with [them] and not have informed consent, so the technology infrastructure to connect the dots between all the providers, keeping us autonomous, but connected.”

She extended this idea, saying it might be a way to avoid running multiple background checks and credit checks for low income residents seeking housing. This stakeholder believed that public investment in this infrastructure would benefit the community as a whole by better networking service providers and housing providers. One stakeholder pointed out that, in Sioux Falls, the Helpline Center Network of Care already serves this

function for those who participate, but it requires ongoing investment and would be even more powerful if it were integrated with parallel state systems, such as the Continuum of Care's Homeless Management Information System, or HMIS.

5.10 COVID Assistance

Focus groups were conducted during the ongoing COVID-19 pandemic. Several community members and stakeholders reflected on the pandemic's effect on renters, housing providers, and housing assistance. Most shared the opinion that the pandemic led to short-term crises but spurred unprecedented action to take care of vulnerable community members, including putting in place financial supports for renters and property owners as well as eviction moratoriums to keep renters housed.

Community members said they hope these supports continue or bring about long-term solutions, while stakeholders said that the federal funding influx was a unique opportunity to invest in affordable housing that will pay long-term dividends for the community.

COVID Support for Renters and Landlords

Stakeholders said that the availability of federal funding has successfully kept tenants housed; although disbursement is slow, this assistance is steadily making right unpaid rent for tenants and landlords alike:

"Right now, what's going well is people have access to rent assistance, and the guidelines just opened up more. Now it takes a little bit; it's not emergency. So if you call today and say 'I need money tomorrow,' you're not going to get it. But landlords are getting back pay."

From the community members' perspective, lower income residents said they felt the goodwill of the community during the pandemic as people pulled together to support one another, but they wondered whether that commitment to care for the community would last. One community member summarized this view, suggesting that the pandemic was a crisis that spurred action leaders had previously been reluctant to take, and that came about because they believed they were helping the community as a whole rather than just the lower income members:

"Because of COVID I think it's [the housing situation] a little better, but they had to look at it in a crisis. I think that means that [all] they're taking into consideration now, they wouldn't have if there wouldn't have been a major crisis of all proportions.... just everything from keeping everybody fed and trying to keep everybody afloat with finances, and all that.... How can I say it? I think it helps the ones that would be looking for affordable housing, and because the government helped everybody.... but it happened because of a mass, you know, it was a global thing...they did it on a mass level."

Several other community members expressed their wish that the attitude of unity and togetherness that was adopted in the face of the pandemic would continue into the future, specifically with regard to addressing housing needs.

COVID Support Is Temporary

While they hoped for long-term change, community members--and stakeholders--recognized that assistance tied to the pandemic is temporary.

Community members worried that, as things return to normal, there would be some resentment or misunderstanding of those who had received financial assistance during the pandemic. One community member worried that property owners and merchants in general would raise prices, assuming that households were afloat in COVID assistance money:

"I hope that things don't get jacked up. Because this is my thinking, is that some of the people who are like, 'Oh, well, the government did this and the government did that and the government did this, so because they did, we think that you can afford and raise the prices of everything,' because they think that a lot of people are sitting on this money... but then there's some of us who actually had to live off of that money. And I mean, really live off that money, I mean wasn't buying no extra, or that wasn't no extra. That was survival."

This participant continued that, although it may seem that the pandemic is coming to an end, her financial circumstances have not improved.

From the stakeholder perspective, several who worked in the social services expressed concern that some recipients of pandemic-related assistance have come to rely on that assistance and may not adjust easily when it ends. They signaled that, as pandemic-related assistance winds down, needs may escalate, especially with regard to housing. One put it this way:

"I think people are getting very reliant, not just on the CARES program but the extra funding that is available currently just because of the COVID situation.... They're getting extra benefits, right now, because that money is there, and they're getting very demanding about those resources.... So that's a tough thing because it will come to an end at some point in time. So we're trying to prepare people: this isn't always going to be available. I think that housing is going to be the same thing. They need to prepare that this isn't always going to be available to cover those rents, so long term, people need to think farther out and a lot of our clients don't; they're just in the moment trying to figure out how to survive today."

Another spoke directly to the eviction moratorium. She wondered what supports could be put in place now, anticipating the end of the moratorium and the end of financial assistance, in order to maintain gains that have been made in terms of housing stability:

"With this eviction moratorium being extended...it's kicking the can down the road. Now people are getting 18 months of rent potentially. What happens after 18 months when there's no requirements for them to learn budgeting? And so we've just now just kicked it down the road 18 months.... But I think how do we take this 18 months to build supportive programs, so we don't lose 18 months of working, getting the landlords caught up, and getting everyone caught back up?"

COVID Money Is an Opportunity to Invest in Housing

Several stakeholders argued that the city should take advantage of an unprecedented influx of federal money, using it as an opportunity to invest in housing. They urged the city to think innovatively about ways to direct that money toward housing, particularly toward

housing for lower income families. One stakeholder suggested that this might free up general funds that could be layered on top and made available to incentivize more market rate development.

Community members also saw an opportunity for the city to use this money to meet housing needs. One participant expressed her disappointment with what she saw as a lack of attention housing in the then-current draft of the city's plan:

"I will say as I think about what the city could do, I am outraged at the list of possible ways to spend COVID money that the city came out with. I wanted to say are you flipping kidding me? Buy up properties in the center of town, rehab them, hire people to manage them and move people into them. I mean, what could the city be thinking? It's just unbelievable to me.... The city obviously does not prioritize affordable housing, or they wouldn't have come up with this totally ludicrous list of possibilities. And COVID [funding] was for help at the household level. I mean, it was to help people.... But the idea that the city would not consider affordable housing, a number one or two priority for free money, it's just appalling to me."

5.11 Home Buying: Prices and Demand

By and large, stakeholders and community members agreed that when it comes to affordable housing, most low income households are not in a position to purchase a home. Instead, the priority for increasing housing access at lower income levels should be expanding affordable rental options. As one stakeholder described the situation, homeownership rates are unlikely to increase, so the priority should be housing people, regardless of the type of tenure entailed:

"Over the course of history, going back to probably 1990, the average number of people in the United States--the percentage was 60% homeownership, 40% never own.... And we saw what happened when everybody got a home through stated income and all of that back through 2012. The average probably will stay at 61 to 63% for the rest of all of our lives, because some people won't be able to buy a home.... So our problem becomes a resolution for what we have now, in this time, for people who truly need a place to live."

However, stakeholders and community members did speak to dynamics in the home buying market, including a shared awareness that prices are climbing and single family homeownership is becoming even more out of reach for lower income residents.

Population Growth Driven by Jobs

Stakeholders observed that robust economic growth and business development has attracted newcomers to Sioux Falls. While they praised the economic benefits of growth, they shared concerns about the pressure this growth places on housing. As one stakeholder summed things up, "We've done an amazing job bringing in those companies to be able to fill the homes, almost to the point where it's becoming the challenge."

They observed that population growth is creating housing challenges not only at the lower end of the income spectrum, but across the entire range. As one stakeholder pointed out, this ripples throughout the market, eventually affecting low income renters who find fewer units available because they are competing with higher income households who were priced out of the homeowner market:

"I don't know that it's necessarily even just low income housing. I think there's an influx of...so many people coming into the state, the city, they're taking the housing opportunities. So we're finding that not necessarily even just affordable housing, it's just tough in general to find rental units, let alone places for purchase Because it's such a bidding war... and then it makes even the rental units hard to find."

A handful of stakeholders shared stories of new hires who had turned down job offers because they were unable to find housing to move to Sioux Falls. Stakeholders repeatedly ran through the list of major new employers expected to add jobs over the next several years, including Amazon, CJ Foods, FedEx, and Wholystone Farms. Yet as one stakeholder pointed out, these jobs will need to be filled by newcomers, because local employment and labor participation rates are already very high: "you can only wring the rage so much," he said, "and we're to the point there's nothing more coming out. The two problems are intertwined. We don't have enough people in Sioux Falls to fill all the open jobs, and we don't have enough places in Sioux Falls to put all the people that we need to fill those open jobs, or the jobs that are coming." Another stakeholder said she feared what might happen if housing supply does not keep up with jobs-driven population growth:

"[I see] Sioux Falls going backwards, if we don't fix it. Yeah, people are gonna start leaving, they're gonna move to Illinois! Who cares what your job's paying, if you can't find a house? We're not going to be making those top lists for young professionals and..."

Some stakeholders said they have an increasing number of colleagues who commute from nearby towns, even across state lines, and wondered whether that would become more common with growing housing shortages.

Prices Climbing

When it came to home buying, both community members and stakeholders commented on the increase in prices driven by growing demand. One community member observed, "Housing is outrageous in Sioux Falls, because there's just--well, for a while there was no housing available. So prices skyrocketed, which is, good for sellers, but not good for buyers!" Another community member rated the accessibility of housing in Sioux Falls a 9.5 out of 10 with "10 being the hardest." He attributed that difficulty to the influx of newcomers, many of whom have higher incomes than current residents:

"What makes it tough is right now that you have a lot of people that are moving in from other states that had a better cost of living, the homes and everything were higher, and they're buying sight unseen within the state, and the people that are living within the state, they're having a hard time finding places to move to or buying other homes. Like my wife and I are looking eventually to move into a 55+ housing community, but you know, they're in the neighborhood of two to \$300,000. So I mean, the income in this general area definitely does not match the income that comes in with the majority of the jobs that are within the community."

As housing prices rise, he argued, newcomers with higher incomes may not feel the pinch, but long-time residents will.

Stakeholders described the market as “brutal” and “really scary.” Many shared accounts of houses selling well over list price, with multiple offers and escalator clauses. Those in real estate and home building said that they recognize more affordable houses for first-time homebuyers fall in the \$150,000 to \$250,000 price range, but there is extremely limited inventory in that range. In this context, first-time homebuyers are at a disadvantage because they are less likely to be able to offer cash; if they are relying on first-time homebuyer financing, they may not have the flexibility to waive inspections or go much over list price. One stakeholder summed up the situation:

“Home ownership is out of reach for many more people today than it was even six months ago. And affordable homeownership, if you want to get them in the lower level, lower dollar amounts, you are not finding quality housing. And the housing that was going for \$120 [thousand], \$150 [thousand] is now up in that \$200 [thousand range], and it's still not reaching the first time homebuyer level.”

In part, stakeholders acknowledged, rising prices have been influenced by the pandemic and supply chain disruptions. As one pointed out, “Material costs are up 30 to 50% right now. So how can you make housing affordable, if you're building at market rate, and then you're passing that on to your tenants and consumers?” They suggested that, though these problems are temporary, the effects of this disruption could be felt for several years as builders try to recover costs and catch up with demand.

Although stakeholders recognized that the pandemic had created short-term disruptions that contributed to rising house prices, most agreed that higher house prices and a short supply are long-term trends. As one stakeholder put it, Sioux Falls can expect continued population growth, and without a significant expansion of housing supply, prices will continue to climb:

“I see continued growth in Sioux Falls, I see people moving here because it's a great place to live. And especially with the pandemic, people started figuring that out real soon. I'm biased, to be here, obviously. But I think, realistically, it is a nice place to live, and place to raise a family. Period.... Prices are going to continue to escalate as long as demand is there. So I don't know what necessarily will change [after the pandemic], I think it'll just be a continuous upward trend of what we're going through right now.”

Will Single Family Be Affordable Again?

In focus groups, several stakeholders suggested it is no longer feasible to build detached, single family homes that can sell for under \$200,000 or even \$250,000. As one stakeholder put it:

“I don't think we're ever going to get below \$200,000 on a single family home ever again, I just don't think that's going to happen. But maybe we could get to two and a quarter, \$250, you know, something that doesn't start with a three?”

Developers and builders said they have squeezed down the square footage as much as possible under current market conditions, and now affordable housing in that price range will likely be higher density, attached single family units (e.g., townhomes or condos). They suggested that the city and affordable housing advocates should avoid fighting a losing

battle to make traditional, detached single family homes affordable, and instead focus where the greatest need is. The market, they argued, will solve the rest--homeowners will find housing, though it may be in a different product:

"The market will create its own direction if you have a huge need for affordable housing. Now you just need to redefine what those people thought they were going to get here. People come to Sioux Falls and think of affordable housing, we automatically go right to single family. That's not the case anymore. That's kind of exceeded that area of affordability, and not that they have to be subsidized, but just general workforce housing. So that's up here at \$275 [thousand], \$300 [thousand]. You're not going to see \$250 [thousand] houses again. Alright, so...they go to townhouses, or they go to condos. They just have to reduce their expectations of what they're going to get out of \$250 [thousand]. Because other communities are already there.... You go to Des Moines...all townhouses encapsulate everything between \$180 [thousand] and \$300 [thousand], you don't see many houses in that price category. So I think you just got to retool that into that direction and let the market dictate."

One stakeholder described this pattern as part of a natural progression, where eventually creating affordable housing will require public investment through TIFs or tax credits--which are more likely to be allocated to commercial multifamily projects than single family homes:

"I think we're kind of at a point where you're going to start--your single family housing will get to a point where it's no longer affordable. And then you're going to drop back down to the townhouses, because you can still build those for \$30 [or] \$40,000, less per unit. And then eventually, those are going to get kicked off in time, and it's going to be just rental complexes, because typically, in a given market or a given state, it's easier to give TIFs or tax credits to subsidize a commercial project than it is single family residential."

5.12 Homeowner Help

In light of the dynamic described above--namely, that homeownership is not a realistic path to housing those most in need--stakeholders focused most of their attention on ways to increase the affordability of rental housing. However, there was some discussion of the prospects of homebuyer assistance and programs that could help homeowners keep up on maintenance and stay in their homes longer.

Homebuyer Assistance

Several stakeholders spoke directly to homeownership programs, arguing that direct support to homebuyers through downpayment assistance or other subsidies is not the best approach to make housing more widely accessible. Some stakeholders speculated this type of assistance creates inflationary pressure on home prices; others said it distorts buyers' sense of what they can truly afford for later when they try to move. In general, stakeholders wanted to see building subsidies or incentives instead. One made the argument like this:

"There's a couple different tracks that we can go as far as solutions. One solution is we can try to address inventory, setbacks, development, the stuff that we're just talking about now. The other track is additional downpayment assistance. And personally and with the folks that I've been working with, the first track is the one that needs the most attention, because you can give out additional downpayment

assistance, but if you're looking at the average list price is going 2 to 3% above, all you're doing is increasing and pricing out more people. So I just want to put that out there. Inventory and new development is the focus from our point of view."

Another reinforced the point about sending misleading price signals to buyers by providing direct assistance to buyers:

"I don't really like the idea of just subsidizing it for homeowners because I think it gives them that false sense of reality as far as what they can afford. And, especially, then when they go to look into that next home, if they're not planning to stay there long term, we want to make sure that we're setting up those families for success, that their next home they're not going to go so far in debt that they end up losing it because their expectations are not realistic."

A few stakeholders pointed out that homeownership could increase affordability, since mortgage payments may be lower than rent payments, provided people have the financial means to attain a mortgage.

"It [homeownership] needs to be [part of the conversation around affordable housing]. It needs to be. There's a lot of families, when you when you talk with them, and you ask them about what they're paying in rent, most of them don't realize that they can actually buy a house for what they're paying, the only difference that you come across is you're going to run into people with the credit issues where they don't have high enough credit to be able to take out a loan."

Several community members, however, had misgivings about comparing mortgage payments to rent prices. They said that in their experiences, new homebuyers underestimate the added cost of maintenance on top of mortgage payments and may not understand the true cost of owning a home. One community member shared this reflection:

"It's really overwhelming to own a house.... A lot of people that I've talked to they're like, 'Oh, I want to buy a house, I want to buy a house,' and I'm like when you have a house, you're almost paying as much as an apartment, maybe less, but then you have the insurance and the taxes and all the utilities and trash and all that stuff and, but on top of that, you also have the lawn mower, you got to buy the gas, and you got to have that time to mow that lawn and weed whack, or money to pay somebody else to get in there and help take care of--your toilet stops functioning and all the YouTube videos don't make any sense. You know, it's 80 bucks an hour for a plumber. Just to maintain a house on its own is time consuming on top of the money!"

While most community members urged the city to prioritize increasing access to housing for those most in need, a handful of community members said they would like to see more homeownership because they believed it would increase neighbors' investments in maintaining property.

Keeping Homeowners in Their Homes

While participants were less than sanguine about homebuyer assistance, they did see a place for assistance that would help keep current homeowners in their homes.

One community member recalled using a city program that gave her a deferred loan to replace her furnace, which she said "was awesome." She said that type of assistance could

be valuable to expand or advertise more because it provides “more help for just regular people to...help maintain their house.” She explained that she recently had to sell her house and move into a rental because she “couldn’t do the upkeep anymore.” But if she had found support to either update her home or assistance with basic upkeep and handyman services, she might have stayed:

“I was just kind of stuck because I was, because I couldn't afford to revamp everything. So I thought oh, I'll just sell you know. And even like yard raking, shoveling, mowing the lawn, because I have a huge yard.... If there was other services where you wouldn't have to pay \$300 a month to maintain.”

Stakeholders agreed that the city should ensure that older neighborhoods and older homes remain livable. One stakeholder reflected back on discussion about incentivizing new multifamily development and added:

“I agree with what you guys have said, but I think we also need to keep existing housing maintained. And some of the older neighborhoods--Pettigrew, Whittier--because if they fall apart, I mean that, those neighborhoods are affordable.”

Another stakeholder acknowledged that for homeowners in these neighborhoods, it may be difficult even to find a contractor to work on a rehab project or home improvement.

5.13 Closing Market Gaps

Stakeholders described a spectrum of housing options, from subsidized units and tenant-based rental assistance through LIHTC multifamily developments to market rate rentals and homeownership. At the upper end of the spectrum, stakeholders maintained, the market will work things out. But toward the lower ends of the spectrum, the market will never fully meet the need for affordable housing. That market gap must be closed by public investment in incentives for builders and owners and assistance for residents.

To some extent, housing across the spectrum is connected by market dynamics and vacancy chains. Decompressing supply at the upper end of the spectrum can open vacancies for higher income households to move to, vacating existing units that might be affordable to lower income households. Several stakeholders made this point, arguing that even investment at the top of the spectrum will trickle down to increase supply and affordability for lower income households. One stakeholder put it this way:

“Everybody that I'm selling to, for first time homebuyer, they're vacating an apartment. So then maybe somebody that's coming out of one of your [subsidized] properties is gonna pick up that apartment, and then that's going to open up something for them that's more low [income]. So I mean, it's all very much connected.”

But investment at the upper end of the spectrum, stakeholders pointed out, does not need to look like cash investment. Instead, the city can review fees and regulations to minimize unnecessary costs and impediments, speeding up more affordable construction:

“The market rate apartments and market rate houses, I don't necessarily feel that they need to interject in there. I think they need to prioritize their time in making sure that they don't over impose fees against developers and just start stalling that

or trying to figure out how to reduce those in those areas and let the developers figure it out.”

But to provide housing for households at lower income levels will require public investment to close market gaps. As one stakeholder explained, moving down the spectrum, “you almost need a tiered subsidy, because those that are at the very low end need a deeper subsidy.”

Public Investment

Numerous stakeholders explained that it is impossible to provide affordable housing at lower income levels without public investment. As one person summed it up:

“When we think about affordable housing, we're trying to provide housing that somebody who makes that, you know, 60, 70%, of the area median income and below can afford to live in. Some of that's the people who are making \$12 an hour. And that's really hard to do without those programs.”

Another stakeholder gave the example of a nonprofit developer that is able to build new homes at under \$200,000, but only with financial support from the city, banks, corporations, and grantmakers.

Stakeholders explained that federal subsidies are limited. HUD is no longer funding new project-based rental assistance programs. HOME funds and Low Income Housing Tax Credits (LIHTC) are available to help build new units, but those programs are limited both in their support to developers and in their benefit to residents. And so, stakeholders concluded, additional investment will need to come from state and local sources. “I’m sorry,” one stakeholder proclaimed, “you do need to throw that money or give them money for housing, because that can help. It’s not going to solve, but it can help.”

LIHTC and HOME Aren’t Enough

Stakeholders explained that relying on LIHTC and HOME funds to incentivize affordable housing construction is not enough. For lower income households, the rent levels in these properties are often still unaffordable. Problematically, the way tenants are income qualified and the way rent levels are set result in rent levels that are barely affordable except to households whose incomes are too high to qualify. One stakeholder described the dilemma like this:

“A problem with the tax credit and the HOME program is that the rents are getting up there. They're creeping up there, like, you know, for a four bedroom or even a three bedroom, you're getting close to \$1,000...or something like that. So a household has to have two incomes to pay the rent. And sometimes you get to a two bedroom where the prices are \$900. That's still almost two incomes. But yet, two incomes are going to put them over income on the AMI. You get to the point where you've got that middle section, where the rents are high enough, you need two incomes, but two incomes is gonna put them over the income limit.”

But that same stakeholder went on to acknowledge that property owners cannot simply lower the rents: “To make those properties cash flow,” he said, “you’ve got to get the higher rents. I mean, it's just the way they're constructed. There's not a lot of money in the tax credit for cash flow.”

Stakeholders acknowledged that LIHTC units do help ensure a supply of units that meet payment standards for Housing Choice Voucher holders. They also could become a more significant component of the affordable housing market if market rate rent levels continue to rise. One stakeholder described the market dynamics:

“Where there was a small difference [before], and you got the amenities of the pool and the TV room and everything else and it was, you know, \$100 more to go to a market rate property with all those amenities and have this [small amount of] paperwork compared to a book this size? Like yeah, why not? And all the rules and regulations and restrictions and the recertifying incomes--and I'm talking to some of you that know the whole ballgame on that. So yep, then why not get into a market rate property? But I think the market rate rents are just going to keep ticking up. And they're still building right now, but they're just going to increase the rents on those, where [tax credit rents] are capped.”

However, LIHTC properties are unlikely to ever meet the needs of the lowest income renters. Another stakeholder who works with homeless clients reported, “We have a couple of tax credits that are affordable, but you know, for most of our...clients without a program at first, they would never be able to afford it.”

Additional public investment is necessary, beyond LIHTC and HOME funds, to make rentals affordable for the lowest income renters. One stakeholder said that the city had previously explored the idea of providing rental assistance, which would be one option for public investment, in addition to incentives to developers to build more affordable housing.

Permanent Supportive Housing

However, for some residents, housing access is not only about affordability. In order to maintain housing, some residents need additional supportive services. Stakeholders identified a need for additional permanent support housing in Sioux Falls that would help meet the needs of these residents. In particular, stakeholders said there is a significant need for permanent support housing for people with mental health and substance abuse issues.

Stakeholders maintained that permanent supportive housing should be low barrier, housing first programs. They suggested that such programs could help meet a need that is not met by existing transitional housing programs and halfway houses. These existing programs, they explained, serve an important role in the community and are good for those who are willing and able to meet program requirements. However, as several stakeholders and community members made clear, not all potential guests are ready or able to comply with rules. When they fail, they often end up back where they started--either incarcerated or homeless. One community member shared his experience:

“I got kicked out of there about three weeks later, which I was doing everything I could--yeah, I smoke my weed. I'll be the first to say it, I admit it. But uh, I got kicked out....And I literally had to go camping for almost a month.... They put you in a position to say that you're winning, but they're literally gonna end up making you fail in the end because again, all the drugs that go through that day, what happened? Like even these little rules that are petty, that they'll get rid of you and then it's like, hey, you're gone.”

Another community member had been through a similar program but had a very different experience. As she put it, “I agree with what they're doing here 100%, and I'm in that

mindset, but a lot of these guys...they're not ready to make these changes and to get serious."

A low barrier, housing first permanent supportive housing program would make housing available to people who need that level of support, assertively offering services but not requiring that residents take part or comply with strict rules. This approach, stakeholders reported, has been successfully implemented at Safe Home in Sioux Falls, and there are models from other communities (several stakeholders cited Higher Ground in Minneapolis) that offer a template. For residents, this type of program can "take some people off of the streets and out of bad situations and keep them safer," hopefully providing stability to begin addressing mental health and other needs. This can also benefit the community. As one stakeholder explained, investing in keeping people housed can reduce the cost of caring for them on the street:

"I remember when the whole concept of Safe Home was coming to be, and there's so many naysayers about having a wet house in Sioux Falls, and oh, my gosh, and then when they started talking about the top--what was it, 11, 12 people?--what it cost, just with that group, the substantial amount, then that got people's attention. So then they bought in and said, Yes, we may not agree with the concept. But if we keep them housed, then they're not taking officers away from an accident when they're taking them to detox. And so part of this has to be an education for the community, because I will tell you, this is probably one of the most giving, supportive, wealthy communities around, even during the pandemic. And I think that when people are educated and they learn, then they can open their eyes and they're more supportive with it."

Other stakeholders pointed out that conversations at the state and national level are happening about permanent supportive housing as a health intervention, including directing insurance or other healthcare funding sources toward housing. They suggested that, although it can be challenging to pay for added services attached to housing, there are funding streams that can be tapped through collaboration with social service and healthcare providers:

Participant O: "But where do you find the resources to fund that care? ...I don't know how to build \$300,000 into your operating budget. It's not there. I can't find it from the project. So somehow the money's got to come from somewhere."

Participant P: "There's a lot of discussions across the country.... By offering supportive care, how many are we keeping them out of health care? So is it an insurance pay? So trying to develop those outcomes, saying like, we can provide a case manager for \$50,000 a year or whatever that may be, and because of these 20 people being taken care of preventatively, we save this much on hospital bills."

Participant Q: "Yeah, that's the whole model behind Safe Home right? They're like, these are addicts who are such a drain on public resources like law enforcement, EMS, bringing them into the Link, the sobering center, that it saves us money just to house them."

Another stakeholder pointed out that HUD already provides funding for service coordinators at HUD-assisted properties, and the city could match those dollars in order to provide additional case management services.

5.14 Increasing Density

At the middle and upper levels of the housing spectrum, stakeholders argued that rising prices are driven predominantly by market forces and should be solved by the market. However, they encouraged the city to review unnecessary barriers to allowing the market to respond to price signals with increased production and supply. One way to do that would be to allow for increased density. Stakeholders at times talked about increasing density as a uniform change, and at other times suggested density bonuses be offered as incentives tied to affordability commitments. In either case, they maintained, the key outcome would be more efficient production of housing units. Asked what the city should prioritize when it comes to housing, one stakeholder summed up this view:

“Higher density rental units and higher density ownership units. So whether we're talking about being innovative with row houses in the core, or building apartment complexes that hold a couple 100 people, as opposed to a couple dozen, I think we have to look at that going forward.”

Several community members--including those who generally opposed multifamily development in their neighborhoods--said they would welcome a moderate increase in density in their neighborhoods. One suggested the city look at ways of “just making it easier to turn a single family into a duplex or adding, allowing like regular people to develop their own properties in the areas where it makes sense.” These community members indicated that, although they were generally resistant to the idea of increasing density or upzoning single family neighborhoods, they could tolerate well integrated, well maintained, smaller multifamily properties:

“That's why I say single family houses, duplexes, small apartment buildings, then you don't get huge concentrations in the same property. But you still have neighbors. It's good to have neighbors, right?”

A few community members and stakeholders alike specifically mentioned accessory dwelling units (ADUs) as a way to increase density in single family residential areas. Others questioned what is preventing homeowners from adding ADUs now, and one stakeholder explained that although ADUs are indeed allowed, restrictions on size and position make them difficult to actually put into place. Focus groups with community members also suggest that there is minimal awareness among residents about ADUs.

With respect to ADUs, a few stakeholders cautioned that use and quality could be concerns. “The challenge is,” one said, “done right, they're great.” But without attention to code, quality, and maintenance, ADUs, tiny homes, and similar housing structures can turn into what he called “housing that's like, people will literally look at it and say, I would rather go to the shelter, like, I don't want to live here. I don't want my family here.”

Whereas community members focused on incremental increases to density, stakeholders urged action on a larger scale. Several suggested the city make a more concerted effort to redevelop core neighborhoods with higher density rowhomes or multifamily housing. One stakeholder acknowledged that type of redevelopment can be controversial, but argued that it is necessary:

“It's sometimes seen as redevelopment, you know, you're trying to get rid of ‘these people’ or ‘that people’ or whatever, but we have to make some hard decisions on that.... How do we acquire full blocks, maybe a two block square area over the

course of five to 10 years, transform 10 to 15 to 20 blocks into highly dense areas that are affordable, that are livable, that are walkable, all of those things?"

Another stakeholder pointed out that redevelopment in core neighborhoods can take advantage of existing infrastructure, alleviating one of the barriers to affordable housing construction:

"Your infrastructure is already there. It may need to be upgraded a little bit, but your infrastructure is already there. Your transportation network is probably pretty close. They [residents] may be close to their jobs already. I think we need to look at it from a bigger perspective than just how do we build on the outskirts of town?"

Another stakeholder elaborated that, in addition to using existing infrastructure, adding density in core neighborhoods can generate critical mass for public transportation and reduce reliance on cars (and attendant expenses) created by sprawling single family developments:

"The city is really just going through urban sprawl of getting farther and farther away from the city. So in a way, that goes back to transportation when you're spending 20, 30 minutes to get to work, when a lot of--it almost seems city policy and zoning is restricting being able to densify and create more urban housing, and we're ending up just creating a very big sprawl, which makes it more unaffordable."

Further, stakeholders suggested, adding density through redevelopment could provide an opportunity to deconcentrate low income households and advance blight removal, particularly if efforts were focused on creating larger multifamily developments near the core that would include mixed income to diversify the area. A few stakeholders described the Pettigrew Heights apartments as an example of successfully implementing this strategy.

5.15 Incentives

While stakeholders called for an increase in density across the board, they also suggested that density bonuses--as well as other types of incentives--could be tied to affordability commitments in order to spur more affordable construction. As stakeholders explained, regardless of their good intentions and community-mindedness, developers cannot build properties that won't cash flow and keep their businesses afloat. One stakeholder stated quite frankly that developers and builders have to pay their employees, too:

"What can we give for incentives? Is that on the back end for the homeowner? Is it on the back end for the developer? And they've got to get over--Those of us that are in this business, we need to make money too. We need to pay our employees that we're responsible for. And we're not going to do it for free."

As outlined previously, stakeholders maintained that in the current economic environment, it is not possible to build housing that's affordable to low income households without a financial incentive or subsidy. Without intervention, they agreed, prices will continue to rise:

"We have a big need for affordable housing. But we also have a big need for more people. So that's only going to create more of an issue. And it's certainly going to be a bigger issue going forward, unless we can figure out a really good way to bring either the cost of construction down or repair down, or get more subsidy to help boost that, encourage and entice small to large groups that want to provide that

affordable housing. And there's got to be an incentive for them to do it, or they won't do it."

Stakeholders provided a range of examples of ways the city could help incentivize affordable housing and make it more financially sustainable for developers. As one put it:

"I think helping reduce upfront costs would help out tremendously. I think that rules, regulations, policies, whatever you want to talk about need to be closely examined and probably realigned to today's situation, whether it's with low income housing, subsidized housing, whatever you want to say, it just needs to be relooked at and the whole planning and zoning issue just needs to take a look and figure out how do we integrate more homes, into a neighborhood?"

But several made it clear that loan programs are not enough--it will take more than revolving funds and low interest loans to make affordable housing construction feasible. At least one stakeholder reported that capital is fairly easy to find, for example, as a zero interest loan from a bank that needs CRA (Community Reinvestment Act) credit. Instead, stakeholders would like to see the city pursue other forms of incentives.

Asked what the city should prioritize around housing, stakeholders explored the tools in the city's toolkit and how they could be used to incentivize affordability. One stakeholder concludes, "the only thing that they [the city] can do to contribute to getting more housing is some form of like a tax incentive program." Another stakeholder suggested that direct financial support to affordable housing projects could help offset costs to increase affordability: "A contractor can still receive the same amount of money he normally would, [while] not affecting the sales price."

For the most part, community members said they were unsure exactly what tools the city had at their disposal, but would like the city to do whatever is in its power to increase housing affordability. Several suggested direct funding or subsidies for affordable housing, while one community member described an incentive-based approach:

"I don't know what the city can do as far as, or has in its toolkit, where you can actually build affordable housing and still maintain, you know, like a profit margin on that, where it's gonna give somebody a little carrot to dangle. You know, like a little incentive to build this type of housing.... I don't think it's really on the high priority list of the city right now."

Targeted Incentives for Affordable Developments

Stakeholders proposed that incentives be specifically targeted toward affordable housing development, or even tied explicitly to affordability commitment. Several stakeholders suggested it would be more effective for the city to create blanket incentives that apply to all affordable housing projects that meet a given set of criteria, rather than handpicking a limited number of affordable housing developments to support:

"The city does provide some infrastructure, but they don't do it for all affordable housing. They pick and choose which one they think they should do it with, you know, setting aside whether it's a new zoning ordinance or just a new set of rules."

Instead, this stakeholder proposed, the city could "have two sets of rules. One if you're providing affordable housing where things can be done less expensive, with less restriction,

less regulation. And then there's market rate, you know, for those that are going to be a little higher, or more expensive housing.”

I don't think subsidizing is the entire answer. I do believe making or creating a more development friendly atmosphere, which includes reducing setbacks.... If there was a mechanism in place, if you develop affordable units, you'll get a easing of setback requirements or increased density boost. I think that's as important as a subsidy because we can increase our density by 35% if we have a setback.... Their cost to build [per unit] should go down with additional units, and they could still maintain returns and produce units at a lower price. There would have to be a mechanism in place, though too, to provide for some sort of commitment from the private sector if you get a density boost or relaxing of certain restrictions that you produce a certain percentage of units that are affordable.”

Other stakeholders identified city fees and regulations as mechanisms for structuring incentives for affordable housing. One stakeholder described ways in which reviewing engineering design standards, impact fees, and other regulations or costs could turn up opportunities to create incentives and cost savings for affordable housing development:

“Engineering design standards that the city has for developers are very pointed, they're not very flexible. And therefore, if your subdivision doesn't check all 50 of these boxes, they won't allow you to continue to move forward. Where, again, if you let us do our job, and maybe allow lots to be a little smaller, allow setbacks to be smaller, allow streets to be a little narrower, and not have to go to an HOA type of situation where the city still maintains it.... We're all part of a big group here and everything, so I think it's everybody's responsibility to try to get this to work out. Again, there's impact fees to developers...where it can save \$100 here, \$1,000 there, \$5,000 in some situations. But only apply that to people who are developers and builders in this example, who are really trying to maintain workforce housing.... But if everything is just every person for themselves, we're never going to get anywhere.”

Attach Strings, But Not Red Tape

Stakeholders agreed that incentives can and should be tied to affordability commitments, but they argued that the terms should be general and clear so that they would be easy to administer. Stakeholders expressed concern that excessively complex requirements would deter developers from taking advantage of any incentives that were offered.

In one focus group, stakeholders from the development community discussed the complexity of federal and state requirements tied to funding for affordable housing. They said they saw an opportunity for local funding to serve a similar purpose with with less complexity. As one stakeholder put it, “general terms are okay, it's just when you've got this litany of expectations and guidelines!” He elaborated on the importance of keeping any incentive programs simple, clear, and targeted:

“If you implement all these rules and regulations, then the affordability is gone, and you're into a product that's more expensive.... [Instead,]you've got to identify how many units that you want to try to achieve, then the city can just do the same thing, create a blanket, quick guideline.”

Regulations and Roadblocks

One form of incentive stakeholders suggested was a reduction of regulations. Stakeholders estimated the cost of what they considered unnecessary regulation at \$20,000 to \$40,000 per unit. While a few stakeholders cited building code as an example of regulation that increases costs, they also acknowledged that code was not their primary concern. Instead, they focused on a range of regulations, including building codes but also, for example, engineering design standards and zoning. As one stakeholder put it, "there's never one thing, but there's literally 100 things that could save anywhere from \$100 to \$5,000 each."

When it comes to code concerns, stakeholders said that, for older properties in particular, rehab can be expensive when projects require extensive updates to comply with code. A few stakeholders discussed this challenge and whether there was a way to make renovation more affordable by making allowances in code compliance:

"The other thing is the rehab.... Of course, if it's a life safety issue, then yes, they should comply with current code. But, you know, we've had even apartment buildings where they want to update the units and the fire department came in and said, 'Oh, well, you have to put in the.... Well, then that threw the whole project out, because that added too much expense to it."

Another stakeholder explained that superficial updates can refresh a unit, but the renovations that really matter to tenants--like putting laundry in units--require more extensive work:

"The biggest thing that hits that is the fact that everybody wants a washer and dryer in their unit. Because the rest of it, I mean, we can put new carpet in and we can put new cabinets in and it'll feel like a brand new unit. Once I tear apart the wall and put the plumbing in for a new washer and dryer, I've got to update everything to current code. And that's \$1,000 a unit!"

Ultimately, stakeholders said, they want the city to be open to not only listening to concerns about costs imposed by regulations, but also taking action to make changes that can reduce costs:

"Anytime you work with any type of municipality or government, it's your working with people who never make the decisions. And they're all good people in there. But collectively, they think they're looking out for the greater good of the general population.... And they have these meetings and all that comes out of these meetings is more standards. So they all sit there, they're gonna meet in the middle? Well, the city wants to do this, the developers want to do this, so you end up here. Well the middle class and the affordable people lose. Every time they have a meeting, there's a new standard that comes out of it. So I'm asking them to just stop having meetings!"

Land, Lots, and Infrastructure

Another category of incentive stakeholders identified was investment in land, lots, and infrastructure.

A few stakeholders identified a shortage of affordable land. One stakeholder described access to land as one of the rising challenges in developing affordable housing:

“Sure, there's land, you keep pushing out, you keep pushing out, but to find affordable, as we keep going, land is getting more and more expensive, trying to build affordable housing.”

Other stakeholders said that any available land is already held by developers, so there is no secondary market for lots. Those who work in development affirmed that they are following this strategy, holding lots because they are precious. One stakeholder summed up the situation like this:

“We're seeing now that those developers are holding onto those slots for their own builds instead of offering them up to other builders.... There's only a handful of builder developers in the city and it makes it even less when you go just developers that are selling lots to builders. Because of that, the lots are at a premium, I mean they've probably doubled in the last decade in cost. And a lot of that is because of supply and demand.”

Other stakeholders piggybacked off these observations to add that, on top of land being scarce and expensive, the added cost of infrastructure--especially for low density development--makes it impossible to build affordable housing. Others pointed out that more affordable land often requires more expensive correction before it's suitable for building. One stakeholder summed it up:

“You can find the land, I mean all you've gotta do is go out to the west side or the east side and look. But then it's expensive. And then you start to put the infrastructure into the land, which is going to cost at least as much as the land.”

Many stakeholders agreed that, regardless of the specific approach, attention must be paid to expanding infrastructure and increasing lot availability. One stakeholder described the lay of the land like this:

“We don't have enough lots right now, from a single family housing standpoint. And there's not enough infrastructure. You can't build any farther West because there's no infrastructure there. Harrisburg isn't growing quick enough to our south to be able to have any lots in the south. The only places that you can build a new home right now in Sioux Falls are on the east side of town or the northwest corridor. We're pushing homebuyers into an area that we want them to be instead of opening it up to where they want to be.”

One stakeholder suggested that the city explore using special assessments to finance infrastructure, reducing upfront costs by spreading them out over time. He explained his proposal like this:

“The city or the government puts all the infrastructure in and you build a property.... So you can afford to build it, and people can afford to buy it. And then the homeowner pays for that infrastructure over a 20 year period on an annualized basis.... [Instead, now,] everything's in the cost of the lot when the house is built, you buy this house, it's all there.... But it's a lot easier to pay \$75, \$80 a month, than it is to pay another \$40,000 for your lot on top of what you're paying already. Maybe it's less, I don't know, we have to look at alternatives.”

Indeed, several stakeholders said they would like to see the city make a significant investment in infrastructure, even buying the land for a new development, putting in infrastructure, then providing lots free and clear for affordable housing development. A few stakeholders saw an opportunity to invest pandemic-related relief funds in this type of effort.

Tax Increment Financing (TIFs)

Stakeholders generally agreed that TIFs could be a powerful tool for incentivizing and enabling affordable housing construction. They acknowledged that TIFs alone will not meet the need for housing that's affordable to extremely low income households, but it could help expand supply for moderately low income households or be layered onto projects along with other incentives to reach extreme affordability levels.

They suggested that the city pursue legislative changes at the state level as needed in order to maximally leverage TIFs for affordable housing--for example, by allowing a municipality to invest in an initial housing development, then use a TIF to roll incremental taxes forward to fund another project, and so on:

"The government, whoever it is, needs to come in and reduce or eliminate the price of land, reduce or eliminate the cost of infrastructure.... Then you TIF the whole area. And as they develop, you roll that TIF into the next housing development, right? The issue, now, legislation doesn't allow you to roll that money from one TIF to another one. So that's a legislative fix that could work, use the initial money to do all that, and then roll that into the next housing development.... It could work, there's a lot of kinks to work out."

Another stakeholder proposed using a TIF to layer additional financial incentives on top of an initial investment, while requiring the developer to commit to a given set of affordability standards:

"The city can then go in and cover all the utility costs in a development, they can cover the sitework, they can bond for that and let the base taxes come back and pay for that, or let other general taxes pay for that. And then they can give the developer a TIF and say, okay, we're gonna allow you an X TIF on this project--if it's multifamily--single family and townhouses get tougher. But we'll allow you to TIF up to 30% of the project. But then your rents would have to then be reflective of that, less market rate. And then you just create a contract between the developer and the city, and say it has to stay there for 10 years with normal incremental increases. So they can get properties at 30% less than what the normal AMI is."

Once again, stakeholders urged the city to consider the administrative burden of any incentives, including TIFs, for affordable housing. As one stakeholder put it, "I would love to see the City of Sioux Falls offer TIFs for residential projects. But do it in a way that you don't have to go incur 10s of thousands of dollars in legal fees to get it done." She would prefer to see a simple mechanism, such as ensuring that a given percentage of projects developed are priced at a given level.

Finally, stakeholders recognized that under current constraints, the city may not have the ability to use TIFs the way they proposed. However, rather than write off the idea of TIFs, they urged the city to take up the leadership challenge and work to change TIF law as needed to ensure the framework exists to meet housing needs in Sioux Falls. Several stakeholders advised following (and participating in) the state legislature's summer study,

and ensuring Sioux Falls voices are at the table as legislation is formulated coming out of that study. As one stakeholder pointed out in dialog with others, laws and regulations are not set in stone; they can be shaped to meet evolving needs:

Participant R: "The state legislature's actively talking about cleaning up TIF law as part of the summer study."

Participant S: "Not to our advantage!"

Participant T: "Well, it depends on how we influence it, right? If this housing becomes part of the TIF discussion, and we view that as, or we promote that as a potential solution to the housing crisis, and we're able to convince the legislators that TIF is not bad and TIF can be used to sell the housing, we need that initial push to get stuff rolling. And then we can TIF."

Continued Consultation with Developers and Builders

The city has established positive relationships with many in the development community, and can build on successful communication with those groups to continue consultation about effective ways to incentivize affordable housing construction. While stakeholders saw opportunities to reduce regulations and increase incentives for affordable housing development, they also agreed that the City of Sioux Falls is generally pro-growth and easier to work with than other municipal governments. One stakeholder from the development community offered this take:

The city being very pro expansion is always a good thing.... I can complain and say it's hard [to develop housing], but compared to other areas in the country, it's relatively easy. So it's always, be careful. Be careful what you complain about."

Other stakeholders affirmed that the city's existing channels for engaging developers and builders work well. They feel that they are involved in discussion about code changes and that the city is receptive to listening to their concerns. One stakeholder shared a very positive review of the city's current strategies for engaging these groups:

"The city...has really worked with us..to say okay, we're the government entity that enforces it, but what makes sense out there in the field? And is the cost return, and the reason for this new change, is it worth it? Is there something else that we could do in our area, to make it more cost affordable, you know and get that overall value out of that new code change?...That relationship with the city and their kind of common sense approach has been, I would say, the shining star that we have even nationwide.... Nothing better that our city can do in that area."

Additional stakeholders--even some who had been critical of what they saw as unnecessary regulation around building and development--praised the city's day-to-day performance relative to other cities:

"There isn't a whole lot that I can necessarily complain about...just little things. Go around the country, to get a building permit in some areas can take up to a year or more. Here, it's I'm gonna say certainly less than a day, and it might be a couple of hours. So those are the positives, just getting stuff done, being able to move forward, getting inspections done in a timely manner where we can keep moving forward on the houses, we've never really had any complaints on that.... In general, it's been a really good ride and an easier ride that way, so to speak."

5.16 Advocacy and Leadership

Several stakeholders reflected that, in the last five years, there has been increased attention to housing and collaboration around housing access--but others lamented their perception that much of that attention has taken the form of meetings and discussion rather than action. Overall, focus group participants identified several ways for the city to take on a leadership role in the affordable housing conversation: by devoting local funding to affordable housing, leading state and regional conversations around affordable housing, actively seeking to change public opinion around affordable housing (especially by addressing NIMBYism), and engaging a more diverse spectrum of Sioux Falls's residents.

Asked how things are going overall when it comes to affordable housing, one stakeholder praised continued work on collaboration around housing, citing specifically collective work on housing first (Safe Home) and the way the community had come together during the pandemic:

"We all had to do stuff out of our normal way during the pandemic, to serve our people and to survive...just everybody doing everything they possibly can for people. I think that's a huge thing for this community. I mean, doing the whole housing first, and kicking that off. Like I said, not a lot of other communities were doing that. So I mean, we do need to be proud for where we're at. There is a lot more that we can do. But we're at least moving forward and we're not standstill or being in the silo type approach."

Several stakeholders hoped to see continued collaboration, but called on the city to take a stronger leadership role in collaborative efforts in order to provide direction and momentum. One stakeholder put it like this:

"Collaboration. I mean, listening to this group, listening to nonprofits, listening to the for-profits, listening to the builders, listening to the management, and the experts in the community to come and then lead us out of this. Listen to the experts, and then take that information and lead us all out of this and hopefully into the future, and then also prepare for when the housing market starts to go down, because it will eventually."

Many stakeholders and community members alike felt that for all the talk around housing, there has been a lack of action. They felt the city had collected quite a bit of input but had not formulated a focused plan of action out of it. One stakeholder reflected on a summer full of housing-focused meetings that he felt had not led to change:

"How many of these [discussions] have we sat through in the last month? Three, four different ones held by different people? And the city sits on the other side of the aisle and smiles, and 'oh these are good ideas' and yet, and they can implement, like 70% of the ideas that I brought forth to reduce the cost in a matter of 60 days. But they don't, because they're afraid to offend somebody."

"I'm ok with the meetings," he added, "as long as it becomes directional and say ok, we're going to fix this." Another stakeholder echoed this sentiment:

"I just literally sit back and watch to see if anything happens. Because I've been doing this so many years, I realized that there's always a lot of *talk* and very little *do*... But as soon I sense something's gonna happen, I'll be the first one on board to get excited and do my part to try to make things more affordable."

Stakeholders expressed frustration with city staff who, they believed, do not or cannot implement change. Several said they want to see leadership from elected officials as well, who they characterized as the decisionmakers who could drive change forward. One stakeholder summed up a focus group's discussion of solutions by calling on the council to act: "How many units are we short? I mean for affordability? Because there's a way to get to it. But you've just got to convince the council and each community to help out with that." They pleaded for the city to execute action and take a lead: "Set a direction and create some programs that are development friendly. Otherwise, you're just gonna keep talking for the next two years."

Several called for bold action--not just expansions of existing programs or small, incremental changes, but more fundamental structural changes. This stakeholder captured that sentiment:

"I hope something comes out of this in the next year. They seem to always make little incremental changes and then create a new box to check.... I hope they look at some more structural, larger changes than just small, incremental changes."

A few stakeholders were optimistic that all of the meetings and talk about housing indicated attention to the issue and would eventually lead in a positive direction. They appreciated that the city is seeking input and seems receptive to trying new things. "There's a lot of recognition of the issue," one stakeholder observed, "How to solve it's the more difficult part. But recognition is the most important part, especially for policymakers."

Other stakeholders also pointed to examples of city leadership in the past. For example, member of one focus group reflected on the success of the Pettigrew Heights apartments, senior housing that stays full with a waitlist, is located near downtown, and replaced a blighted area. They pointed out that the city has tools at their disposal to take more action to incentivize affordable housing, and with leadership at the state level could even expand that toolkit. These stakeholders suggested the barrier appears to be the willingness to pursue action. As one stakeholder put it, they would like to see city leaders "look outside the box."

For their part, community members also shared a general sense that the city could do more to provide housing opportunities. When asked how the city is doing when it comes to making housing affordable and accessible for all, some said things seemed okay, but many community members responded similarly to these representative comments:

"I think the city could do a lot more than it is. So I'm not happy with it at all. Sioux Falls has so many resources and it's just not, doesn't seem to be interested."

"I don't think they're doing anything at all."

"It could use some focus. I love living in Sioux Falls. I like having my family here and I feel safe here. There's just areas that need some focus, I think."

"I think they're trying but they're not trying hard enough."

Flexible Local Housing Fund

Stakeholders argued that local funding for affordable housing is an invaluable resource. Compared to federal and even state actors, the city can be nimble, flexible, and innovative,

positioning them better to respond to market conditions when it comes to housing. Additionally, city funding could be offered with fewer complex requirements, lower barriers for housing developers to access it and reducing administrative overhead costs.

One stakeholder described the advantages of local funding sources over relying on federal money:

“If you can get away from the federal money, and I'm on the federal side, because they're stringent, there's not a lot of flexibilities--You said it great, is that the city can make changes in short time.... For the feds, it takes forever.”

The complexity of many existing programs means that only developers who are large enough to handle the administrative burden are able to access those funds. Simpler local programs that are easier to apply for open up the market to more actors. Several stakeholders spoke specifically about the LIHTC, program, which can be so complicated that only large organizations have the capacity to apply, and the application process itself adds to project costs due to that overhead

“What you have is too cumbersome...for the general developer who does not have that team, when I looked into it...we realized that, okay, they require this, this, this, this and this, okay, that's a million dollars on a project. And I'm like, I'm gonna go the direct route, I'm just gonna go develop or build from this day on.”

Following this comment, several participants in the focus group went back and forth to estimate the administrative cost of a tax credit project, concluding that a simpler, more streamlined program would pass cost savings on to renters:

“If you can reduce that administrative or that bureaucratic burden by 10, or 15%, hopefully that gets passed down to the renter, so all of a sudden your development cost is 10 or 15% lower, well then your cash flow is going to be, you know, you can cash flow at those lower rates.”

Stakeholders called on the city to create a dedicated local funding stream for affordable housing, outside of federal dollars received through CDBG or HOME. “I think we have to be looking at some kind of a dedicated revenue source that comes into the city,” one argued, “that that money will be used strictly for housing activities, so we aren't always depending on the federal government or the state to be giving us money.”

Regional Leadership

Stakeholders identified an opportunity for surrounding communities to help meet housing needs, but acknowledged there is work to be done on creating regional transportation networks. They suggested that the city could take a leadership role in working together with surrounding communities to integrate the metro area.

Additionally, stakeholders saw opportunity in regional collaboration to build coalitions to influence state policy or appeal to the state to invest more in housing in this region. One stakeholder framed it like this:

“Sioux Falls can't go in and ask for it, we all recognize that, it's got to be all the communities going in together to get that money. We probably won't get it anyway. But we need to show the solidarity that we have for this community and the jobs it's

going to provide because we know people are going to be driving from 30 and 40 miles away, people that are going to move to this town.”

Public Opinion

As described above, stakeholders identified public opinion and NIMBYism as a major impediment for developing more affordable housing. At the same time, community members reported a lack of public awareness and information about affordable housing. Together, these patterns suggest an opportunity for the city to raise public awareness around the importance of housing affordability and to shape public opinion.

Stakeholders described times when local leaders have successfully swayed public opinion in the past--for example, around Safe Home. They encouraged city leaders to take a stand now and make the case to the community for affordable housing. One stakeholder put it like this:

“I think there has to be some things that we all look at differently. It has to be the size of houses, for people, it has to be the size of the lots, it has to be--we're going to put these where we need to put them because that's where the jobs are. And you know what? If you like your neighborhood, that's great. But it's coming to your neighborhood. Because we're all in this together. And the city has to be able to stand up and make those decisions and say that, even if it's in my neighborhood and I don't like it.”

Community Engagement

Further, stakeholders and community members said the city can do more to engage the public. They suggested this engagement should go both ways, with the city seeking input from the community and also providing information, education, and awareness. As one stakeholder said, the city needs to do more outreach beyond meeting minimal public input requirements with poorly attended input sessions:

“When they do those unmet needs...invite the community in to talk about what the city should be doing, I think they actually need to listen to the two people that show up and do something with that information. And then obviously, increase the participation in that meeting. And those meetings are scary... I think people are scared to share their feedback. They maybe don't know what to share.... [But] we need their input.”

As described above, community members felt like the city needs to do more to communicate existing programs and opportunities, sharing information back to the community and raising public awareness around affordable housing opportunities.

5.17 Building Workforce

A few stakeholders, particularly those in the homebuilding sector, said that workforce development in the building trades is a major concern for them. Asked about the biggest challenges in building more housing, one replied:

“Workforce. We don't have enough people willing to be in the trades, so we're seeing significant delays when it comes to getting projects done because we'll be waiting on

a crew that is backed up, they just have too much work and not enough bodies to be able to do it.”

She said that while supply shortages experienced during the pandemic may lessen over time, she sees the workforce challenge as a longer term problem. She described shortages across the board, including skilled carpenters, plumbers, and electricians.

Stakeholders traced the workforce shortage back to training pipelines. They suggested that a focus on directing young people toward four year degrees has turned them away from the trades. One stakeholder described efforts to build a pipeline or career path into the trades, but said it has been difficult to get buy-in from the education community. In this stakeholder’s view, “we’re seeing the skilled trades are really taking a backseat to the four year education.”

Additionally, stakeholders described a lack of building trades programs in the Sioux Falls area. One stakeholder cited programs in Mitchell and Watertown but said there was nothing comparable in Sioux Falls, despite its being the biggest city. The certificate level programs at Southeast Tech, they argued, are not sufficient. They reported that formal apprenticeship programs have failed to enroll many students, and instead, contractors have decided “we’ll train them on the job ourselves without the bureaucratic red tape of you need to have this many hours in concrete and this many hours in, you know, this discipline.”

They argued that wages are high in the trades, but nevertheless, people are not going into training to be qualified to do the work. It’s not a funding problem or a pay problem, they reported, but a lack of labor. One stakeholder exclaimed, “It’s the bodies. It’s not the money. I think we’d all pay him. We just can’t find them!”

Exacerbating the workforce shortage, one stakeholder suggested, is the overall lack of contractors, which creates cartel-like dynamics in the construction market, where smaller developers cannot afford to enter the market:

“A lot of that cost increase for those one or two off projects is because a lot of the subcontractors are loyal to the five or six larger contractors in Sioux Falls, and they’re going to fit those projects first.... The one offs, what’s going to take a little more time, they’re going to charge 10% more.”

This situation can also make it more difficult for homeowners or smaller, independent landlords to find and hire a contractor for renovation and rehabilitation, as several stakeholders shared their difficulties finding someone to do smaller projects.

5.18 Landlord Engagement and Education

Having identified property maintenance and landlord-tenant conflict as housing needs, stakeholders suggested that there is an opportunity for the city to engage landlords and collaborate on extending educational and professional development opportunities. As stakeholders pointed out, there is currently no real regulation of independent rental owners, but, as one stakeholder put it, “all landlords should be responsible to their own professional organization, they should have education, and they should have all the things just like everybody else has to know.”

Accountability

Landlord-tenant conflict around maintenance came to the fore as a need in focus groups with both stakeholders and community members. Stakeholders reported that tenants may struggle to get repairs done in their unit, or have questions about their rights as tenants or how to navigate the eviction process. Community members, on the whole, said they were not aware of any resources available in Sioux Falls for them to learn about their rights as tenants or to seek redress if a landlord was not performing requested maintenance. Community members concerned about neighborhood quality said they likewise feel a lack of accountability for landlords. One community member, for example, said landlords should be accountable to neighbors for the upkeep of their property and for their tenants.

Community members shared the perception that landlord accountability and code enforcement are not priorities for the city--but, they pointed out, tenants are typically not in a tenable position to make demands of a landlord. Often, they feel powerless and worry that complaining could result in negative consequences for them, even losing their housing. Asked what a tenant could do if they had an unaddressed maintenance problem, community members answered along the lines of this typical response: "I didn't know. I just kind of put up with it."

One community member spoke to the disparities in property quality and upkeep that she had encountered as a service provider to multiple buildings. She attributed the problem in part to a lack of enforcement and lack of a clear resource for residents to seek help:

"I literally spent lots of time in many units...[and] I've seen them do it better. Like, there are some buildings around town that aren't infested with cockroaches. And I think that just a standard has to be applied. And it's hard if no one is getting those complaints to the right people and there isn't that resource...to be that helping hand."

Asked about what types of services are missing in Sioux Falls, another community member said she would like to see a "tenants rights sort of organization building itself up.... Maybe it takes like a collaboration between services." Another community member echoed this idea, saying she believed "a stronger and more educated tenants rights movement would help us here." Yet another community member said that, although she understands there are codes that property owners must meet, she believes they are not well known, and tenants are not aware or empowered to act on code violations. Like other community members, she suggested a need for a tenants rights advocate:

"But if there was an office of tenant rights, where there was actually outreach done, office hours you could go to, someone who'd pick up the phone and write up a complaint for you, that would change things a lot. If it was well publicized."

Some tenants are especially vulnerable, including those without a formal lease. Community members reported that residents with poor credit or a felony may be able to find housing on a month-to-month basis. Although that housing access is important, the lack of a lease agreement and tenuous housing situation leaves tenants without even the protection of the eviction process. One community member shared his story:

"Ok, so I had an apartment. And I basically was behind one month on rent...and they...literally said get out, stole five grand worth of my stuff right off the bat. So I start over again."

In general, tenants are more vulnerable when their housing status is precarious or who fear they will not be able to find another unit if they lose their current housing; in situations like these, tenants do not have the power or inclination to hold landlords accountable. One community member described her observation of this power imbalance in her neighborhood:

"They were uninhabitable, if you cared--and not that people don't care--But horrific, unlivable conditions, rats, and whatever... But if they complain, they'll lose their spot. So anyway...the city should hold the landlords accountable because tenants can't hold landlords accountable if they are at risk."

Another community member said he had experienced exactly the kind of retaliation that exerts a chilling effect on disempowered tenants and prevents their holding landlords accountable. He explained, "I'm trying not to get kicked out of lease...So this goes back to if I complain, I literally hear from my management something. They towed my only vehicle because I had a flat tire the day after I called them because they wouldn't fix my lock!"

As described above, community members shared the perception that certain areas of town are becoming concentrated areas of low income residents and poorly maintained properties. One community member connected that pattern to the disempowerment of tenants and lack of accountability for landlords:

"All the rugged areas downtown, nobody ever fixed them up. That's where the slumlords come in. Because they know they can get away with it, because nobody will complain."

Stakeholders agreed that more accountability is necessary, and they suggested that accountability be tied to incentives such as educational opportunities, professional development, or marketing and promotion. For example, one stakeholder suggested the city's landlord registry could be a tool both for accountability and for getting information out about programs to help with property maintenance:

"I'm not sure if everybody's aware, the City of Sioux Falls, it's a voluntary program for landlords to register their property. But if you don't register your property, there's no consequences. And how are they ever going to get their arms around the slumlords if you don't know who they are? So I think there needs to be more accountability for landlords, and if they can't afford maintaining their property there are programs out there to assist them. But you can't give them information when you don't know who they are!"

Another stakeholder envisioned a model that would couple accountability with benefits or incentives for landlords. She pointed out that, for all the complaints about slumlords or inattentive landlords, there are landlords who deserve recognition for all they do for tenants and the community:

"There are some amazing landlords that are bending over backwards to keep people housed, and they don't get the credit. And so is there a way that we could do like, a preferred landlords stamp of approval? Where they get elevated or something through the city? Because there is unsung heroes in this community... I think if there's a way we can bring landlords into the fold and like, if they're city registered, and they do this, let's give them a stamp of approval, so then we know they're going through inspections, or whatever that may be."

Other stakeholders pointed to the Housing Retention Specialist pilot program at East River Legal Services as a positive move toward improving landlord-tenant relationships and helping landlords to avoid the eviction process, work through problems together with tenants, and keep people housed.

One stakeholder said that, in her work helping clients find housing, she has found that landlords appreciate being able to call her for help resolving problems with tenants. Because she has an established relationship with that tenant, she can often help navigate the situation. This stakeholder suggested a similar approach could be expanded as a service to landlords that would also help keep tenants housed:

“I always go back to education: do providers such as Lloyd, Costello, Dunham, landlords, do they know who are the go-to people that they can reach out to for support? So if you have someone who's dealing with a difficult person, in a tenant, I mean, who is that go-to person, so they have the supports?”

Stakeholders suggested that rent or damage guarantees could also be offered as an incentive to encourage landlords to participate in accountability programs, as well as to encourage them to take in tenants they might consider higher risk.

Fair Housing

Several stakeholders spoke specifically to fair housing, and community members also shared their perception that some protected groups face housing discrimination in Sioux Falls. Stakeholders and community members both reported that smaller, independent landlords tend to be more flexible and exercise more discretion in qualifying tenants, which can work to tenants' advantage when landlords are willing to consider their circumstances holistically rather than enforce uniform rules. However, stakeholders also pointed out that smaller, independent landlords may not have the same training in fair housing that property managers have. They saw an opportunity for the city to especially focus outreach and education efforts on smaller, independent landlords.

As one stakeholder explained, it's important that both landlords and tenants “know what their rights and responsibilities are, because it's really scary what they feel that that they can ask people, which is against the law!”

Another stakeholder pointed out that professional organizations, such as the South Dakota Multi-Housing Association, and community based organizations, such as the Sioux Empire Housing Partnership, already provide landlord and tenant education. They suggested the city find opportunities to collaborate with them in promoting landlord accountability and furthering fair housing. As one stakeholder said, “I do think there needs to be a bigger bringing in private landlords. I don't think we're doing enough outreach, enough collaboration, enough outreach to the private landlords, so they're able to turn into slumlords without any recourse or incentive not to be.”

Section 6: Sioux Falls in Comparison

Key Findings

6.1 Sioux Falls in Comparison

For the purposes of this study, Sioux Falls was compared with nine communities in a multi-state region: Boise, ID; Cedar Rapids, IA; Des Moines, IA; Fargo, ND; Fort Collins, CO; Lincoln, NE; Madison, WI; Omaha, NE; and Rochester, MN.

6.2 Demographic Comparison

Among the comparison communities, Sioux Falls ranks near the middle in terms of population size but is first in the rate of population growth over the last decade. In Sioux Falls, population growth has been fairly even across the core city and MSA, with the city itself growing slightly faster than the surrounding MSA. By comparison, cities such as Boise and Des Moines have seen growth concentrated in the surrounding MSA rather than the core city. The Sioux Falls MSA ranked first in terms of growth due to both natural increase and international migration, and the MSA ranked fourth for growth due to domestic migration.

The city of Sioux Falls ranks near the middle among comparison communities for average household size in 2019, with 2.31 persons per household. Typically, a larger household size indicates the presence of children, while smaller household size may reflect an older population or a large student population. Sioux Falls ranked seventh for the oldest community, with a median age of 35.3 years. The four cities with the youngest median age are home to large universities and have significant student populations. Despite its higher median age, Sioux Falls ranked second among the communities for the percentage of the total population that was age 17 or younger in 2019, and first in terms of the percentage of households with children, with 32.5% of all households having a child present. These figures are consistent with the high rate of natural increase in Sioux Falls relative to the comparison communities.

6.3 Economic and Housing Comparison

In 2020, unemployment ticked up across the country in response to the COVID-19 pandemic. Still, across all of the comparison communities, annual average unemployment did not top 6.3%. All of the comparison communities have experienced economic recovery and falling unemployment rate through the first half of 2021, but Sioux Falls ranks among the top for lowest unemployment rate. As of June 2021, both the top-ranked Lincoln MSA and second-ranked Sioux Falls MSA had unemployment rates below 3%, at 2.5% and 2.9% respectively.

While Sioux Falls compares well in terms of unemployment, it ranks sixth for median household income. Commensurate with that lower income, Sioux Falls also ranks sixth for estimated median value of owner-occupied homes and third for lowest median gross rent, at \$849 per month.

For homeowners, Sioux Falls ranked sixth in affordability, behind Rochester, Fargo, Lincoln, Boise, and Fort Collins. In Sioux Falls, homeowners pay an estimated 17.2% of income toward ownership costs, compared to 15.2% in first-ranked Rochester.

For renters, Sioux Falls ranked first in affordability for renters. In Sioux Falls, renter households typically spend 25.5% of income on housing expenses, compared to 25.9% in

second-ranked Fargo. Among comparison communities, Fort Collins was the least affordable for renters; in Fort Collins, the typical renter spends 33.5% of income on housing.

Sioux Falls compares somewhat favorably when it comes to cost burden. The city ranks third among the 10 cities in terms of the lowest rate of cost burden among homeowners and renters overall. However, for moderately low income renters--those with a household income between \$20,000 and \$35,000--Sioux Falls ranks fifth among the 10 cities, behind Cedar Rapids, Fargo, Lincoln, and Rochester.

As a city, Sioux Falls has enough HUD-subsidized units or vouchers to assist about 10.9% of all renter households. This ranked fifth among the 10 communities for the largest supply relative to the number of renters. Des Moines, Rochester, Cedar Rapids, and Omaha all have relatively larger supplies of HUD-assisted units or vouchers. Though not considered HUD-subsidized housing, tax credit properties are another source of affordable housing for moderate income households. Among comparison cities, Sioux Falls ranks second in tax credit units as a percentage of renter households, at 14.7%.

6.1 Sioux Falls in Comparison

This section presents comparative profiles of demographic, economic, and housing information for a set of cities that share similarities with Sioux Falls in terms of geographic region and economic and population growth. This same set of cities has been used in market studies commissioned by the Sioux Falls Area Chamber of Commerce, Forward Sioux Falls, and the Sioux Falls Development Foundation, as well as in the 2016 Sioux Falls affordable housing needs assessment conducted by Augustana Research Institute. These communities are considered direct competitors for Sioux Falls in terms of growth:

- Boise, ID
- Cedar Rapids, IA
- Des Moines, IA
- Fargo, ND
- Fort Collins, CO
- Lincoln, NE
- Madison, WI
- Omaha, NE
- Rochester, MN

6.2 Demographic Comparison

Among the comparison communities, Sioux Falls ranks near the middle in population size but is first in the rate of population growth over the last decade. Between 2010 and 2020, the population of the city of Sioux Falls grew by 22.0%, compared to 18.6% in second-ranked Fargo.

At the MSA level, Sioux Falls ranks eighth in total population but third in rate of population growth, with a population increase of 19.8% since 2010. Over that period, only the Boise MSA and Fort Collins MSA saw faster population growth than the Sioux Falls MSA.

In Sioux Falls, population growth has been fairly even across the core city and MSA, with the city itself growing slightly faster than the surrounding MSA. This is in contrast to cities like Boise and Des Moines, where growth has been concentrated in the surrounding MSA rather than the core city. In Boise, for example, the city population grew 11.7% over the past decade compared to 24.9% for the MSA as a whole.

Population change, Core city and MSA, 2010 - 2020

City	City Population, 2020 (Rank)	Percent Population Change, 2010 - 2020 (Rank)	MSA Population, 2020 (Rank)	Percent Population Change, 2010-2020 (Rank)
Sioux Falls	187,809 (6)	22.0% (1)	273,566 (8)	19.8% (3)
Boise	229,776 (4)	11.7% (8)	770,353 (2)	24.9% (1)
Cedar Rapids	134,027 (8)	6.1% (9)	273,885 (7)	6.2% (10)
Des Moines	212,312 (5)	4.4% (10)	707,915 (3)	16.7% (5)
Fargo	125,209 (9)	18.6% (2)	248,594 (9)	19.1% (4)
Ft. Collins	168,234 (7)	16.8% (4)	360,428 (5)	20.3% (2)
Lincoln	290,505 (2)	12.4% (6)	337,836 (6)	11.8% (6)
Madison	263,094 (3)	12.8% (5)	670,447 (4)	10.7% (7)
Omaha	478,393 (1)	17.0% (3)	954,270 (1)	10.3% (8)
Rochester	119,862 (10)	12.3% (7)	223,062 (10)	7.8% (9)

Source: U.S. Census Bureau Population Estimates Vintage 2020

All of the MSAs saw positive population growth due to natural increase and net domestic and international migration, except for the Rochester MSA, which saw negative net domestic migration.

Contributing Components of Population Change, MSA, 2010 - 2020

City	% Total Population Change, 2010 - 2020 (Rank)	% Change from Domestic Migration, 2010 - 2020 (Rank)	% Change from International Migration, 2010 - 2020 (Rank)	% Change from Natural Increase, 2010 - 2020 (Rank)
Sioux Falls	19.8% (3)	6.8% (4)	3.6% (1)	9.3% (1)
Boise	24.9% (1)	17.4% (1)	1.2% (10)	6.3%(6T)
Cedar Rapids	6.2% (10)	0.4% (9)	1.6% (8T)	4.3% (9)
Des Moines	16.7% (5)	7.1% (3)	2.4% (6)	7.2% (4)
Fargo	19.1% (4)	6.6% (5)	3.5% (2)	8.8% (2)
Ft. Collins	20.3% (2)	14.5% (2)	1.6% (8T)	4.0% (10)
Lincoln	11.8% (6)	2.4% (7)	3.0% (3)	6.4% (5)
Madison	10.7% (7)	2.8% (6)	2.9% (4T)	5.0% (8)
Omaha	10.3% (8)	0.7% (8)	2.1% (7)	7.5% (3)
Rochester	7.8% (9)	-1.3% (10)	2.9% (4T)	6.3% (6T)

Source: U.S. Census Bureau Population Estimates Vintage 2020

Note: Components may not sum to total due to rounding. For each MSA, highlighting shows the component of population change that contributed the most to population growth between 2010 and 2015.

In nearly all MSAs, natural increase was the primary contributor to population growth over the previous decade. The exceptions are the Boise and Fort Collins MSA, which both saw significant growth due to domestic migration.

The Sioux Falls MSA ranked first in terms of growth due to both natural increase and international migration, and the MSA ranked fourth for growth due to domestic migration. Overall, in the Sioux Falls MSA, about half of population growth has been the result of natural increase, which accounted for population growth of 9.3% over the last decade. This is the highest rate of natural increase observed among comparison communities, followed by second-ranked Fargo MSA at 8.8% and third-ranked Omaha MSA at 7.5%.

During the same period, the Sioux Falls MSA population grew 3.6% due to net international migration, ranking first among comparison communities. The Fargo MSA ranked second, with 3.5% population growth due to international migration, followed by the Lincoln MSA with 3.0%.

Domestic migration accounted for population growth of 6.8% in the Sioux Falls MSA since 2010, as more people moved into the Sioux Falls area from other locations within the United States than moved out. While this makes domestic migration the second largest contributor

to population growth for the Sioux Falls MSA, it ranks near the middle among comparison communities: the Boise, Fort Collins, and Des Moines MSAs all saw more growth from domestic migration. While the Des Moines MSA's growth from domestic migration was similar to the Sioux Falls MSA, the Boise and Fort Collins MSA stand out for their very high rate of domestic migration, which contributed 17.4% and 14.5% respectively to their populations.

These population estimates are based on data through July 1, 2020, so they reflect the first few months of the COVID-19 pandemic. However, they do not take into account population change that may have occurred as the pandemic escalated or as economic recovery began.

The city of Sioux Falls ranks near the middle among comparison communities for average household size in 2019, with 2.31 persons per household. Typically, a larger household size indicates the presence of children, while smaller household size may reflect an older population or a large student population.

Selected Demographic Comparisons (core cities only), 2020

City	Persons per Household (Rank)	Median Age (Rank: lowest = 1)	% Enrolled in Post-Secondary Education (Rank)	% Age 17 and Younger (Rank)	% of Households with Children (Rank)
Sioux Falls	2.31 (4T)	35.3 (7)	5.3% (9)	25.2% (2)	32.5% (1)
Boise	2.36 (2)	37.6 (10)	9.7% (5)	19.4% (7)	26.5% (7)
Cedar Rapids	2.25 (8)	36.7 (9)	6.9% (7)	22.1% (5)	27.9% (5)
Des Moines	2.30 (6)	35.2 (6)	5.8% (8)	22.6% (4)	28.4% (4)
Fargo	2.09 (10)	33.4 (3)	14.0% (3)	19.1% (8)	23.5% (9)
Ft. Collins	2.28 (7)	30.6 (1)	20.8% (1)	16.3% (9)	24.0% (8)
Lincoln	2.34 (3)	33.5 (4)	13.1% (4)	21.9% (6)	28.8% (3)
Madison	2.17 (9)	31.7 (2)	19.2% (2)	15.5% (10)	20.3% (10)
Omaha	2.47 (1)	34.6 (5)	7.5% (6)	25.3% (1)	30.3% (2)
Rochester	2.31 (4T)	36.3 (8)	4.9% (10)	24.1% (3)	26.7% (6)

Source: 2019 ACS 1-year estimates

Sioux Falls ranked seventh for the oldest community, with a median age of 35.3 years. The four cities with the youngest median age are home to large universities and have significant student populations. Despite its higher median age, Sioux Falls ranked second among the communities for the percentage of the total population that was age 17 or younger in 2019, and first in terms of the percentage of households with children, with 32.5% of all households having a child present. These figures are consistent with the high rate of natural increase in Sioux Falls relative to the comparison communities.

6.3 Economic and Housing Comparison

In 2020, the average weekly wage paid for all reporting industries in the Sioux Falls MSA was \$1,059. This ranked seventh among the comparison MSAs. At full-time employment for 52 weeks, this weekly wage would yield an annual wage of approximately \$55,068.

Wages and Unemployment (MSAs)

City	Average Weekly Wage, 2020 annual average (Rank)	Unemployment Rate, 2020 annual average (Rank: lowest = 1)	Unemployment Rate, June 2021 (Rank: lowest = 1)
Sioux Falls	\$1,059 (7)	4.3% (2)	2.9% (2)
Boise	\$1,005 (9)	5.6% (8)	3.2% (3T)
Cedar Rapids	\$1,101 (5)	6.2% (9)	5.5% (9T)
Des Moines	\$1,199 (2)	5.5% (7)	4.6% (8)
Fargo	\$1,056 (8)	4.4% (3)	3.6% (5T)
Ft. Collins	\$1,124 (4)	6.3% (10)	5.5% (9T)
Lincoln	\$962 (10)	4.2% (1)	2.5% (1)
Madison	\$1,173 (3)	5.0% (5)	3.6% (5T)
Omaha	\$1,079 (6)	4.8% (4)	3.2% (3T)
Rochester	\$1,236 (1)	5.3% (6)	3.6% (5T)

Source: Bureau of Labor Statistics LAUS and QCEW 2020 annual averages

The highest average wage was paid in the Rochester MSA; at full-time employment, the Rochester MSA's average weekly wage of \$1,236 would yield an annual wage of approximately \$64,272, or nearly 17% higher than the average in the Sioux Falls MSA. The Lincoln MSA had the lowest average wage at \$962 per week, which as an annual wage would be approximately \$50,024, or about 9% lower than the average in the Sioux Falls MSA.

In 2020, unemployment ticked up across the country in response to the COVID-19 pandemic. Still, across all of the comparison communities, annual average unemployment did not top 6.3%. The highest annual unemployment rate was in the Fort Collins MSA, at 6.3%, while the lowest was in the Lincoln MSA at 4.2%. The Sioux Falls MSA ranked second, with an annual average unemployment rate in 2020 of 4.3%.

All of the comparison communities have experienced economic recovery and falling unemployment rate through the first half of 2021, though to varying degrees. Unemployment remains somewhat elevated in both the Fort Collins and Cedar Rapids MSAs (both at 5.5% as of June 2021), whereas other communities have returned to below-3% unemployment rates: both the top-ranked Lincoln MSA and second-ranked Sioux Falls MSA have unemployment rates below 3%, at 2.5% and 2.9% respectively.

In 2019, the estimated median household income in the city of Sioux Falls was \$61,058. This ranked sixth highest among the 10 communities compared here. Rochester and Fort Collins ranked first and second; both had median household incomes above \$70,000. Fargo had the lowest median household income at approximately \$52,810.

In Sioux Falls, the estimated median value of owner-occupied homes in 2019 was \$218,900. This ranked sixth among comparison communities. The highest median home value was in Fort Collins, at \$428,900, followed by Boise at \$310,900. The lowest median home value was in Cedar Rapids, at \$146,700. Although a lower home value can make home ownership more achievable for new buyers, a lower value can also indicate that the condition or quality of the houses is lower, or that less demand exists from potential home buyers.

Housing Affordability: Median Income and Housing Costs, Core cities, 2019

City	Median Household Income (Rank)	Median Owner Housing Value (Rank)	Median Owner Housing Costs as % of Income (Rank: lowest = 1)	Median Gross Rent (Rank: lowest = 1)	Median Gross Rent as % of Income (Rank: lowest = 1)
Sioux Falls	\$61,058 (6)	\$218,900 (6)	17.2% (6)	\$849 (3)	25.5% (1)
Boise	\$65,463 (4)	\$310,900 (2)	16.8% (4)	\$1,043 (8)	26.6% (3)
Cedar Rapids	\$56,774 (8)	\$146,700 (10)	17.6% (7)	\$758 (1)	27.8% (6T)
Des Moines	\$53,859 (9)	\$150,200 (9)	19.1% (10)	\$872 (5)	27.7% (5)
Fargo	\$52,810 (10)	\$236,800 (4)	15.3% (2)	\$787 (2)	25.9% (2)
Ft. Collins	\$70,474 (2)	\$428,900 (1)	17.1% (5)	\$1,403 (9)	33.5% (10)
Lincoln	\$59,228 (7)	\$189,400 (7)	16.7% (3)	\$857 (4)	27.5% (4)
Madison	\$66,847 (3)	\$275,900 (3)	17.8% (9)	\$1,155 (10)	28.5% (9)
Omaha	\$61,305 (5)	\$175,800 (8)	17.7% (8)	\$940 (6)	28.0% (8)
Rochester	\$74,527 (1)	\$229,800 (5)	15.2% (1)	\$1,030 (7)	27.8% (6T)

Source: 2019 ACS 1-year estimates

Note: Owner costs as percent of income is calculated among owner-occupied households (with or without a mortgage); rent as percent of income is calculated among renter-occupied households with cash rent.

Home ownership costs as a percentage of income depends both on the cost of housing among homeowners as well as income levels among homeowner households. The selected monthly owner costs reported here reflect the cost of mortgage payments or other debts on property, taxes, insurance, utilities, and fuels, and, where appropriate, condominium fees and mobile home costs such as lot rent. They are calculated as a percentage of household income among homeowners, who tend to have higher household incomes than renters.

Sioux Falls ranked sixth in affordability for home owners, behind Rochester, Fargo, Lincoln, Boise, and Fort Collins. In Sioux Falls, homeowners pay an estimated 17.2% of income toward ownership costs, compared to 15.2% in first-ranked Rochester. For homeowners, Des Moines ranked as the least affordable among the 10 comparison communities; in Des Moines, homeowners pay an estimated 19.1% of income for ownership costs.

Gross rent as a percentage of income depends on the cost of rental housing and income levels among renter households who pay rent. Gross rent includes contract rent plus the estimated average monthly cost of any utilities and fuels paid by the tenant.

Sioux Falls ranked third for lowest median gross rent, at \$849 per month. Only Cedar Rapids and Fargo had lower median gross rents, at \$758 and \$787 respectively. While, as with home values, a lower rent amount can indicate poorer condition or quality or lowered demand, most renter households have lower income levels than homeowners and need an affordable unit to avoid a cost burden (i.e., paying more than 30% of income for rent).

Considering rent relative to income, Sioux Falls ranked first in affordability for renters. In Sioux Falls, renter households typically spend 25.5% of income on housing expenses, compared to 25.9% in second-ranked Fargo. Among comparison communities, Fort Collins was the least affordable for renters; in Fort Collins, the typical renter spends 33.5% of income on housing.

Across all of the comparison communities, renters spend more on housing than homeowners, relative to their income. In Sioux Falls, for instance, renters spend 25.5% of income on housing compared to 17.2% for homeowners. This disparity is due primarily to differences in income between homeowners and renters; in most communities, rent is lower than owner costs in absolute terms, but renters have lower incomes than owners.

Disparities between owners and renters are also evident in rates of housing cost burden. Households that spend more than 30% of their income on housing are considered cost-burdened. Overall, Sioux Falls ranked third behind Rochester and Cedar Rapids for lowest overall rate of cost burden among all households, with about one-fourth (25.6%) of all households in the city experiencing a housing cost burden. The highest proportions of cost-burdened households were found in Madison (34.4%) and Fort Collins (37.4%), cities with comparatively high median home values and rents.

Housing Affordability: Cost Burdened Households

City	% of All Households with a Cost Burden (Rank: lowest = 1)	% Owner Households with a Cost Burden (Rank: lowest = 1)	% Renter Households with a Cost Burden (Rank: lowest = 1)	% Renter Households with Income <\$20,000 with a Cost Burden (Rank: lowest = 1)	% Renter Households with Income \$20,000 - \$35,000 with a Cost Burden (Rank: lowest = 1)
Sioux Falls	25.6% (3)	15.7% (3)	41.0% (3)	89.2% (3)	73.4% (5)
Boise	28.4% (5)	18.8% (6T)	43.2% (4)	94.8% (9T)	80.3% (8)
Cedar Rapids	24.5% (2)	17.4% (5)	40.4% (1)	88.9% (2)	55.7% (1)
Des Moines	31.1% (8)	21.8% (10)	45.1% (8)	92.3% (5)	74.9% (6)
Fargo	28.7% (6)	13.3% (1)	40.7% (2)	93.2% (6T)	64.8% (2)
Ft. Collins	37.4% (10)	19.6% (8)	57.6% (10)	94.8% (9T)	92.8% (10)
Lincoln	27.8% (4)	15.8% (4)	43.7% (6)	94.1% (8)	68.4% (3)
Madison	34.4% (9)	18.8% (6T)	48.2% (9)	93.2% (6T)	88.6% (9)
Omaha	30.2% (7)	20.3% (9)	44.2% (7)	91.2% (4)	79.0% (7)
Rochester	23.6% (1)	14.0% (2)	43.6% (5)	84.5% (1)	69.2% (4)

Source: 2019 ACS 5-year estimates, Table B25106

Renters, and especially lower income renters, are more likely to experience a cost burden. In all 10 comparison cities, renters are more likely to be cost burdened than homeowners--in most cities, rates of cost burden among renters are at least twice as high as among homeowners, approaching half of all renters. Among low income renters, rates of cost burden are very high: across all comparison cities, nearly all renters with incomes below \$20,000 face a housing cost burden, as do the vast majority of renters with incomes between \$20,000 and \$35,000.

Sioux Falls compares somewhat favorably when it comes to cost burden. The city ranks third among the 10 cities in terms of the lowest rate of cost burden among homeowners and renters. However, for moderately low income renters--those with a household income between \$20,000 and \$35,000--Sioux Falls ranks fifth among the 10 cities, behind Cedar Rapids, Fargo, Lincoln, and Rochester.

The U.S. Department of Housing and Urban Development is the primary funding source for rental assistance programs in larger cities, which can be compared based on the number of units available through Housing Choice Vouchers, Public Housing, Project-Based Section 8, and other HUD programs. To allow for direct comparison between communities, the total number of units assisted by HUD subsidies in 2020 are given as a percentage of all renter-occupied units as estimated by the 2019 American Community Survey (five-year estimates).

HUD-Subsidized Rental Units

City	Housing Vouchers	Public Housing	Project Section 8	Other	Total	Percent of Renters 2019
Sioux Falls	1,857	25	963	268	3,113	10.9%
MSA	2,007	97	1,012	269	3,385	5.0%
Boise	1,712	164	686	114	2,676	7.5%
MSA	2,973	250	1,122	193	4,538	5.8%
Cedar Rapids	1,087	0	909	70	2,066	12.2%
MSA	1,389	0	1,075	203	2,667	9.8%
Des Moines	2,848	424	1,438	118	4,828	14.1%
MSA	4,461	543	1,992	290	7,286	9.0%
Fargo	1,779	475	425	65	2,744	8.9%
MSA	2,924	818	801	65	4,608	10.4%
Ft. Collins	1,445	70	274	88	1,877	6.2%
MSA	2,321	112	471	176	3,080	6.4%
Lincoln	3,159	201	977	19	4,356	8.9%
MSA	3,160	201	1,081	19	4,461	8.6%
Madison	2,136	766	1,678	62	4,642	7.9%
MSA	3,561	1,002	2,687	211	7,461	7.1%
Omaha	5,411	2,746	952	340	9,449	12.2%
MSA	7,711	3,351	2,235	607	13,904	11.2%
Rochester	557	110	1,001	218	1,886	12.4%
MSA	740	244	1,373	218	2,575	11.8%

Source: Department of Housing and Urban Development, ACS 2019 5-year estimates

As a city, Sioux Falls has enough HUD-subsidized units or vouchers to assist about 10.9% of all renter households. This ranked fifth among the 10 communities for the largest supply relative to the number of renters. Des Moines, Rochester, Cedar Rapids, and Omaha all have relatively larger supplies of HUD-assisted units or vouchers. The individual cities with the smallest supply of subsidized options, relative to renter households, were Fort Collins and Boise, both below 8% of renter households potentially assisted by subsidized housing.

Availability of rental assistance in MSAs often reflects the impact of core cities, although several comparison communities have disparities in available rental subsidies throughout the MSA compared to the core city alone. Des Moines, Cedar Rapids, Boise, and Sioux Falls MSAs all have relatively less subsidized housing available compared to their core cities. Overall, the Sioux Falls MSA has the lowest availability of subsidized units of any comparison community MSA, at just 5% of renter households.

Sioux Falls has a very small inventory of public housing, at 25 units. Only Cedar Rapids, which had no public housing, was below Sioux Falls in this subsidized housing category. In contrast, Omaha had more than 2,700 public housing units.

Most of the subsidized housing in Sioux Falls was made available through the Housing Choice Voucher Program. This was generally consistent with the other communities; only Rochester and Madison had less than 50% of their subsidized units offered through the voucher program.

Though not considered HUD-subsidized housing, tax credit properties are another source of affordable housing for moderate income households. Among comparison cities, Sioux Falls ranks second in tax credit units as a percentage of renter households, at 14.7%. Des Moines ranks first, with 16.1% of renter households potentially in a tax credit unit. Cedar Rapid and Rochester also had enough tax credit units to house at least 10% of renter households. All other communities fell below 10%.

Tax Credit Units in Comparison Cities (core cities only)

City	Tax Credit Units	No Longer Monitored for Compliance	Tax Credit Units as % of Renters 2019
Sioux Falls	4,176	1,362	14.7%
Boise	2,121	250	5.9%
Cedar Rapids	1,950	427	11.5%
Des Moines	5,521	589	16.1%
Fargo	1,691	54	5.5%
Ft. Collins	2,598	284	8.6%
Lincoln	2,586	462	5.3%
Madison	4,281	931	7.3%
Omaha	6,136	1,579	7.9%
Rochester	1,887	0	12.4%

Source: HUD Low Income Housing Tax Credit database; 2019 ACS 5-year estimates. Includes units placed in service through 2019. Unit count includes all units in tax credit properties, so it may overestimate the number of affordable units in cases where tax credit properties also include market rate units. The count of units no longer monitored for compliance includes units that have exited their mandatory affordability period; it does not include properties whose compliance status is unknown. Tax credit units as a percentage of renters is calculated using the total number of tax credit units, inclusive of those that are no longer monitored for compliance.

Section 7: Summary of Key Findings and Projected Demand

1. Population Patterns and Projections

1.1 Demographic Patterns

In 2020, the city of Sioux Falls was home to an estimated 192,517 people and 78,405 households. Both population and household growth have been strong, outpacing national trends. Since 2010, on average, Sioux Falls has added about 3,863 people and 1,670 households each year. Within the four-count Sioux Falls Metropolitan Statistical Area (MSA), the jurisdictions outside the city of Sioux Falls have added about 985 people and 322 households annually.

Migration (both domestic and international combined) made up the largest component of population growth over the last decade, whereas just under half of net population growth was due to natural increase.

Although most age groups have increased in size, growth has been strongest among the 35 to 44 age range and 55 to 74 age range. Average household size has decreased in the city of Sioux Falls, from 2.40 in 2010 to an estimated 2.31 in 2019. At the same time, household composition in the city has changed: household growth has been driven by growth among families without children and single person households, which are now the largest and fastest growing household types in Sioux Falls.

Over the past decade, the rate of household growth in Sioux Falls has outpaced the rate of population growth. Nevertheless, in the city of Sioux Falls, overall housing vacancy rates fell from an already low 6.9% in 2010 to 6.1% by 2020, according to the decennial census. A lower vacancy rate can indicate tighter supply relative to demand.

Sioux Falls continues to grow more diverse. Between 2010 and 2020, the White population showed the largest growth in absolute terms, adding 18,570 people to reach a total of 152,142. However, in relative terms, this growth amounted to an increase of 13.9%, less than the citywide population growth rate of 25.1%. As a result, the proportion of Sioux Falls residents identifying as White decreased from 87% in 2010 to 79% in 2020. In 2020, the two largest racial groups, after White residents, were Black residents (12,190) and multiracial residents (11,838). Additionally, an estimated 12,269 residents (of any race) are Hispanic or Latino.

Current population estimates show strong population and household growth in the Sioux Falls area. Projections through 2026 estimate average annual household growth in Sioux Falls will remain strong, adding approximately 2,000 households per year. Household growth will remain strongest among Millennials (ages 35 to 44 by 2026) and Baby Boomers (ages 65+ by 2026).

1.2 Income and Employment Trends

Median income in Sioux Falls has remained steady over the last decade, but population growth has not been equally distributed across household income brackets. The number of households in upper income brackets (\$50,000 or more) has increased while the number of households in lower income brackets (less than \$50,000) has stayed relatively constant. This pattern is projected to continue through 2026.

Household income tends to be higher in the MSA than in the city of Sioux Falls, and it is higher among families than non-family households. In the city of Sioux Falls, median household income in 2019 was approximately \$59,912, compared to \$65,621 in the MSA as a whole. The estimated median family income was approximately \$79,533 in the city of Sioux Falls and slightly higher (\$82,404) in the MSA.

Income inequality is evident across different households and families in Sioux Falls. In general, income levels are higher among homeowners, families, and households headed by a working age adult (ages 25 to 64). Additionally, median household income varies significantly by race and ethnicity. In 2019, median income for White households was significantly higher than the overall median, whereas Black, American Indian, multiracial, and households headed by someone of some other race had median household income significantly below the overall median, as did Hispanic or Latino households.

In terms of unemployment and job growth, Sioux Falls continues to perform well, having returned to typical levels after a sharp rise in unemployment during the COVID-19 pandemic. Preliminary unemployment for June 2021 was reported at 2.9%. Until the pandemic, the Sioux Falls MSA had enjoyed a steady decline in the unemployment rate following the 2008 economic downturn, resulting in nearly half a decade of unemployment rates averaging less than 3%. Through 2026, projected job growth will be strongest in healthcare occupations but is not expected to change existing income dynamics. Income projections through the year 2026 continue to forecast stronger growth in the higher income ranges and a relatively static number of households in the lower income ranges. As a result, by 2026, households with incomes of \$100,000 or above are projected to increase from about 28% of Sioux Falls households to about 32%. Over the same period, the number of lower income households (less than \$50,000) is expected to decrease from about 39% of households in 2021 to about 35% in 2026.

1.3 Families and Children

Although the number of households without children is growing more rapidly than households with children, Sioux Falls is still home to a significant number of families with children. Approximately 30% of households (49% of family households) in Sioux Falls include one or more children under 18 years of age. In total, the city is home to about 44,005 children.

Families with children are more likely to experience financial hardship than families without children. In the city of Sioux Falls, an estimated 6.8% of families are below poverty: among those without children, the poverty rate is an estimated 3.3%, compared to a rate among families with children of 10.2%. Overall, about three-fourths of families below poverty in Sioux Falls have children living at home. Between 2010 and 2015, the poverty rate among children increased from 12.6% to 16.5%, but by 2019 it had returned to an estimated 12.3%.

Children's economic circumstances depend on a variety of factors, including family composition. In Sioux Falls, children living in a family headed by a single woman are about 8 times as likely to be below poverty as children living in a family headed by a married couple. In 2019, the median income for a married couple family with children was \$101,069, compared to \$31,019 for families with children headed by single women and \$42,680 for those headed by single men.

In Sioux Falls, 78% of the city's married couple families with children are dual earner families in which both parents work, and in nearly all (99%), at least one parent is

employed. Most single parents are also employed: an estimated 80% of single women and 95% of single men with children are employed. Nevertheless, with only one earner, single-parent families have lower incomes, on average, than married couples.

2. Housing Needs

2.1 Defining Affordability

The United States Department of Housing and Urban Development (HUD) defines affordability as paying 30% or less of gross monthly income for housing costs. HUD sets income limits relative to household size and an area's median family income (MFI). Eligibility for most affordable housing programs begins at or below 80% MFI.

Overall, in the city of Sioux Falls, 29,905 households (43% of all households) have incomes at or below 80% MFI, making them potentially eligible for affordable housing programs. Although homeowner households outnumber renter households overall (42,280 versus 26,775), more renter households fall into lower income brackets. Whereas about 27% (11,245) of homeowner households have incomes at or below 80% MFI, among renter households, 70% (18,660) do. Based on household income levels, there is demand for about 1,995 owner-occupied units and 8,065 renter-occupied units at costs affordable at or below 30% MFI (e.g., at or below about \$663 for a 4-person household or \$434 for a single-person household).

In the Sioux Falls MSA in 2020, the annual median wage across all occupations was \$39,050, lower than the 50% MFI income limit for a 4-person household, and well below the 80% MFI income limit even for a single-person household. In other words, typical wages in the Sioux Falls area fall below the eligibility threshold for income-based affordable housing programs.

For a 4-person household to exceed an annual income of \$66,000 (the 80% MFI income limit for a 4-person household), a single earner would need an hourly wage of \$31.73, or dual earners would need to average full-time hourly wages of \$15.87.

2.2 Housing Tenure: Owners and Renters

In Sioux Falls, homeowners outnumber renters: In 2019, 43,832 (61%) of the city's housing units were owner-occupied. The remaining 28,459 (39%) were renter-occupied. Although growth in absolute terms has been about equal, the proportion of renter-occupied households has been increasing relative to owner households. Between 2010 and 2019, the number of renter households grew from 22,553 to 28,459, a 26% increase. Over the same period, the number of owner-occupied households grew from 37,198 to 43,832, an 18% increase.

Between 2010 and 2019, growth in owner-occupied households has been driven by older households, especially those aged 60 or older. Over that 9-year period, the city saw an estimated increase of 1,470 homeowner householders aged 60 to 74 and an increase of 2,511 aged 65 to 74. This trend is due in part to the aging of the population.

Among renter-occupied households, growth has been driven by younger householders. Between 2010 and 2019, Sioux Falls saw an estimated increase of 1,875 renter households aged 25 to 34 and an increase of 1,202 aged 35 to 44. Among young adults, renting is common: most households headed by someone under 25 are renters. Between the ages of 25 to 34, households are evenly split between owners and renters. As householders

approach their late 30s and early 40s, homeownership becomes more common. Older householders--those age 35 or above--are more likely to be homeowners than renters.

Tenure and ownership also vary by race of the householder. In Sioux Falls, an estimated 64.6% of White householders own their own home, compared to 14.3% of Black householders and 18.9% of American Indian householders. Disparities in homeownership are partly due to economic differences (i.e., income and wealth gaps), as well as to legacies of discrimination, which fair housing efforts have been intended to rectify.

Although Sioux Falls has more homeowners than renters overall, renter households make up the majority of households in lower income ranges. About 63% of households with incomes below \$50,000 are renter-occupied.

Household composition also varies with housing tenure. Owner-occupied units are more likely to be home to a family (two or more related people living together), whereas renter-occupied units are more likely home to a nonfamily household (a single person living alone or unrelated people living together). In 2019, an estimated 73% of owner-occupied homes housed families, whereas 60% of renter-occupied homes housed nonfamily households. Owner-occupied homes are also more likely to be home to children. An estimated 34% of owner-occupied units are owned by households with children, compared to 25% of renter-occupied units.

2.3 New Housing Construction

Although the number of units permitted each year varies, from 2016 through 2020, the city has averaged 2,288 units per year.

Over the five year period from 2016 through 2020, the city permitted 11,439 new housing units: 5,991 multifamily and duplex units and 5,448 single-family and townhouse units. This total excludes 293 manufactured homes that were also placed in the city, but which are generally assumed to be replacement units rather than a net gain in housing.

Since 2013, the balance of new construction activity has shifted toward multifamily, and even within the single-family market, attached units are becoming more prevalent. Construction of single family homes and townhouses has been fairly steady, averaging 1,090 units permitted annually from 2016 through 2020; of those units, 36% have been attached units. Over the same period, multifamily construction reached an all-time high. In both 2016 and 2020, over 1,500 multifamily units were permitted. On average, from 2016 through 2020, Sioux Falls permitted 1,193 new multifamily units each year. By comparison, from 2011 through 2015, the city permitted an average of 737 multifamily units annually.

In 2021, Sioux Falls is on track to see a total of about 3,500 new units permitted, including 950 single family, 494 townhouse units, and 2,070 duplex or multifamily units. If these totals are achieved, they would represent all-time permitting highs across all categories.

2.4 Owner-Occupied Housing Detail

Within the single-family market, the construction of attached single-family units is increasing. Nevertheless, of existing owner-occupied housing stock in the city of Sioux Falls, most (84.6% or 37,086 units) is made up of single-unit, detached homes, while 5% owner-occupied homes (about 2,193 units) are mobile homes.

Over the last decade, median home value in Sioux Falls has increased at a modest pace, averaging about 2.25% per year through 2016. However, the rate of change has increased over the past few years. According to American Community Survey estimates, from 2018 to

2019, Sioux Falls home values jumped 9.7%. Sales data also reflect an upward trend: The REALTOR Association of the Sioux Empire estimates that from July 2020 to July 2021, the 12-month median sales price increased by 10.8%, from \$221,000 to \$244,990.

2.5 Rental Housing Detail

Most of the recent housing construction in Sioux Falls has been in multifamily rental housing projects. During the 5-year period from 2016 through 2020, annual average construction of multifamily units was 1,193. This annual average is more than double the annual average from 2001 through 2015, and it is higher than annual construction totals for every year during that 15-year period.

Strong construction activity through 2016 led to a gradual rise in vacancy rates. In turn, construction began to taper off, dropping year over year in 2017, 2018, and 2019. More recently, Sioux Falls has entered a growth phase of the cycle: as vacancy rates once again turned down in 2019, new construction increased in 2020.

As a result of the city's robust household growth and a shift toward multifamily construction in recent years, the rental stock is composed of relatively newly constructed units. Over half (56%) of existing rental units were built since 1980. Older conventional rental units represent much of the moderate rent housing in the city; these older units are a type of naturally occurring affordable housing. As the balance of the rental inventory moves toward more recently constructed units, the supply of naturally occurring affordable rental housing can be expected to decline.

From 2010 to 2019, median gross rent in Sioux Falls increased 31%, averaging an increase of about 3.2% annually. Trends for the MSA appear similar. Taking units of all sizes together, in 2019, although half of the rental units in the city rent for less than \$827 (the overall median gross rent), only 29% rented for less than \$700, and only 16% rented for less than \$600.

An estimated 86% of rental units in Sioux Falls are conventional rental housing. This segment of the rental housing stock is market-driven and largely responds to normal supply and demand dynamics. Despite high levels of new construction, the vacancy rate for conventional rentals has been on a downward trend for the past couple years. In July 2021, the South Dakota Multi-Housing Association's rental vacancy survey recorded a 2.69% vacancy rate for conventional rentals in the Sioux Falls area, a continuation of a multi-year downward trend. It is also the lowest vacancy rate recorded by this survey since July 2012.

Additionally, Sioux Falls has about 4,000 units in tax credit properties, which offer a moderate rate rental option for households at 60% or less of median income. Tax credit properties are typically subject to an affordability period of between 15 and 40 years; while new tax credit projects are built each year, the number of units has increased only gradually as projects leave the program. By restricting availability based on income, tax credit properties create a supply of affordable housing set aside for low income renters. They also create a stock of rental units whose rent levels typically meet payment standards for rental subsidy programs such as Housing Choice Vouchers, helping to ensure that voucher holders can find a suitable unit to rent. However, tax credit properties themselves do not directly subsidize tenants' rent, and households at the lower end of income ranges or with other major expenses may find the rents unaffordable without additional subsidy (e.g., Housing Choice Vouchers).

Sioux Falls also has an estimated 1,256 subsidized housing units, which are supported by a variety of federal programs, including Section 202 which serves very low-income seniors,

Section 811 which serves very low income people with disabilities, and project-based subsidies that serve a more general population (Project Based Section 8, Mod Rehab, and Public Housing). Additionally, Sioux Falls has between 1,800 and 1,900 households receiving tenant-based rental assistance, which can be used in conventional or tax credit housing. Renters with either a project-based or tenant-based rent subsidy made up about 3,113 households, or about 11% of all renter households. Very high demand exists for subsidized housing. As of July 2021, there were 1,604 households on the waiting list for a Housing Choice Voucher.

2.6 Affordability Gaps and Cost Burden

This study finds a significant affordability gap for extremely low-income households, estimated at about 4,500 units. In 2019, Sioux Falls had an estimated 2,360 units with rent levels under \$500, compared to an estimated 6,803 renter households with annual incomes under \$20,000.

The supply of units in the more moderate rent ranges exceeds the number of moderate income renter households. At higher rent ranges, Sioux Falls has a large and growing number of rental units with rents between \$900 and \$1,249--about 7,425 units in 2019 compared to 4,359 in 2015. Growth of units in this rent range has overtaken the number of households whose incomes would put them in that range for affordable rents: whereas the city has about 7,425 units in that rent range, there are about 4,532 households with commensurate incomes.

At any rent range, many affordable units are absorbed by renter households that could afford to pay more for housing but instead opt to pay less than 30% of their income for housing. After accounting for units being rented by higher income households, Sioux Falls has just 28 affordable and available units for every 100 renter households at or below 30% MFI.

Owner-occupied housing is also becoming less affordable. In the city of Sioux Falls, the home value-to-income ratio (calculated with median home value in lieu of median sales price) has hovered around 3.0 since 2010, but since 2018 has begun a gradual climb. In 2019, the home value-to-income ratio in Sioux Falls was 3.6.

Households that cannot find affordable housing may crowd into housing without enough rooms, opt for substandard housing, or choose to incur a cost burden (that is, pay more than 30% of household income for housing). In 2019, an estimated 3.8% of renter households and 0.9% of homeowners in Sioux Falls were crowded, with more than 1 occupant per room. Cost burdens are more common: An estimated 37.4% of renters (10,014 households) and 14.3% of homeowners (6,060 households) are cost burdened, paying more than 30% of income toward housing costs. Some households direct more than half of their income toward housing costs: 18.3% of renters (4,910 households) and 5.0% of homeowners (2,135 households) have a housing cost burden over 50%.

While housing cost burden has stayed consistently higher for the lowest income renters and moderate to low for the highest income renters, for middle income renters--those with incomes between \$20,000 and \$35,000--housing cost burdens have climbed steadily. In 2010, about 45% of renters in this income range were cost burdened; by 2019, that proportion had risen to 73%. In 2019, an estimated 6,796 renters found themselves in this middle income range, representing about 24% of all renter households in Sioux Falls.

For Sioux Falls renters, household income of \$35,000 remains an important threshold: renter households with incomes above \$35,000 have an easier time finding housing they

can afford, while those with incomes below \$35,000 have an increasingly difficult time finding housing that is affordable.

Applications for rental assistance are an indicator of need. Minnehaha County Human Services reports a fairly consistent level of need, with around 4,000 applications for rental assistance each year over the past 5 years. In 2018, the Helpline Center reported that housing-related requests made up 9.2% of contacts, and in 2019, 8.75% of contacts. In 2020, housing-related needs made up as much as 20% of documented needs. That increase may have been driven by the COVID-19 pandemic.

Individuals and families who are unable to find affordable housing are at increased risk of homelessness. For the past five years, the annual point in time count of people experiencing homelessness has recorded over 300 people who are unsheltered or in emergency shelters on a single night in January. Results also show that, in Sioux Falls, people of color have a disproportionate risk of homelessness: in 2020, American Indians in Sioux Falls were 45.6 times as likely to experience homelessness as White residents (RR 45.6, 95% CI 41.8 - 49.4), and Black residents were 5.5 times as likely (RR 5.5, 95% CI 1.6 - 9.4).

Results from Coordinated Entry System intake assessments indicate an unmet need for permanent supportive housing, a crucial intervention for highly vulnerable individuals and families.

3. Populations of Special Concern

3.1 Families with Children

Families with children may be especially vulnerable to housing insecurity, and the effects of inadequate housing on children can be long-lasting. Housing problems facing families include overcrowding, cost burden, and eviction. In Sioux Falls, an estimated 3.8% of renter households (about 1,094 households) are in crowded housing, with more than one person per room. Lower income renters with larger families may face an especially difficult time finding an affordable rental unit of sufficient size. In Sioux Falls in 2019, the median gross rent for a unit with 3 or more bedrooms ranged from \$1,042 for a 3-bedroom unit to \$1,773 for a unit with 5 or more bedrooms. Only an estimated 13% of rental units with 3 or more bedrooms rent for less than \$750, an estimated 724 larger rental units citywide that could be affordable to households with incomes below \$30,000.

3.2 Formerly Incarcerated

People who have been formerly incarcerated in jail or prison have an especially difficult time securing affordable housing. Depending on the charges, a history of incarceration may not automatically disqualify a potential tenant, but most subsidized housing, including public housing and Housing Choice Vouchers, has strict eligibility guidelines and requires a criminal background check. Tax credit properties and many private landlords participate in the Crime-Free Housing program, which makes it more difficult for those with a history of incarceration to find housing.

In FY 2021, 3,566 state inmates were released and 133 federal and other state inmates were released, for a total of 3,699 inmates released from the Department of Corrections statewide.

As of July 2021, there were 3,222 people on parole or supervision. These are statewide totals, so it is assumed that not all of these former inmates will seek housing in Sioux Falls. However, because Sioux Falls is the largest population center in the state and has many

reentry and social services unavailable in smaller communities, many former inmates may choose to live in Sioux Falls.

3.3 Refugees and Immigrants

Foreign-born newcomers to a community face a unique set of challenges when it comes to affordable housing. In addition to any economic barriers, many foreign-born residents must overcome language and cultural barriers to finding and maintaining affordable housing.

About 42% of Sioux Falls's foreign-born population, which includes both immigrants and refugees, are relatively recent newcomers, having entered the United States in 2010 or more recently. Refugees are a subset of the foreign-born population, defined by inability to return to their home country due to fear of persecution. The number of foreign-born residents who come to Sioux Falls as refugees has declined significantly over the past several years, a reflection of national trends.

Foreign-born residents tend to have larger families but smaller homes. In 2019, about two-thirds (67%) of foreign-born households were renters, compared to a little over one-third (37%) of native-born households. Whereas the average family size for native-born residents is 2.94, the average family size for foreign-born residents is 3.65. Along with larger average household sizes, foreign-born households in Sioux Falls live in homes with fewer rooms, on average, than native-born households. In 2019, the median number of rooms for native-born households was 6, compared to a median of 4.3 rooms among foreign-born households.

Larger households among foreign-born residents could reflect larger families or might also be due to a strategy of pooling resources to make rent or homeownership more affordable. Consistent with this interpretation, housing cost burdens are less common among foreign-born households. Among homeowners, foreign-born residents are no more likely than native residents to experience a housing cost burden. Among renters, foreign-born residents are less likely to experience a housing cost burden.

Additionally, some foreign-born households face language barriers, which may affect their ability to find housing. In 2019, an estimated 42.5% of foreign-born Sioux Falls residents reported speaking English less than "very well."

3.4 People with Disabilities

When it comes to finding affordable housing, people with disabilities face the added challenge of finding accessible housing. For people with disabilities, accessible housing may include features such as handrails, wider doorways, or bathrooms with easy-entry baths and showers. In Sioux Falls, an estimated 10.2% of the population has a disability, including about 4.4% of children age 5 to 17, 9% of adults age 18 to 64, and 30% of adults 65 and over.

In addition to accessibility challenges, people with disabilities may face material hardship that makes it difficult to find housing that is affordable. The poverty rate among people with a disability (24.7%) is more than 3 times the rate among people with no disability (7.6%). In Sioux Falls, people who have a disability are less likely to be in the labor force (i.e., employed or looking for work). In 2019, an estimated 59.4% of people with a disability were not in the labor force, compared to 20% of people with no disability.

4. The Geography of Affordable Housing

4.1 The Geography of Affordable Housing

Income levels and housing opportunities vary across Sioux Falls neighborhoods. Southern neighborhoods and outlying areas of the city tend to have higher median household incomes than neighborhoods near the center or north of the city. Some tax credit properties are located in higher income southern and outlying areas, but for the most part, HUD-subsidized and tax credit housing is located in areas with lower median incomes. There are evident clusters in three areas: near downtown, east of downtown, and in the southwest part of the city.

In general, more affluent neighborhoods have higher rent levels. One consequence of this may be that, beyond HUD-subsidized and LIHTC units, more naturally affordable housing units are also concentrated in central neighborhoods.

Although rent levels tend to be lower in lower income areas, rent relative to income is nevertheless higher in lower income areas. In other words, although rentals may be less expensive, they are not more affordable to the residents who live there. As a result, central and eastern neighborhoods appear as concentrated areas of disadvantage, both in terms of income levels and housing cost burden.

4.2 Transportation

Compared to homeowners, renters are more likely to have no vehicle available or to have just 1 vehicle for the household. As a consequence, renters may be more reliant on alternative modes of transportation such as walking or public transportation. Nearly all owner households have at least 1 vehicle available, but an estimated 12.1% (3,451) of renter households do not. In addition, another 54.1% of renter households have only 1 vehicle available, which may be problematic if that vehicle is unreliable or shared among multiple members of the household.

Most HUD-subsidized and LIHTC properties that are located in central neighborhoods are near a bus route; these are the same areas where vehicle access is lowest. However, properties in outlying neighborhoods do not have bus access. Although the neighborhood level of vehicle access is high in those neighborhoods, available data do not indicate vehicle access specific to HUD-subsidized or LIHTC residents. The same properties that lack bus connectivity also have lower jobs proximity. In other words, residents there likely need to travel to a different area for work, and they cannot rely on public transportation to make that journey.

5. Focus Group Results

Across all focus groups and interviews, the most frequently mentioned concerns were neighborhood or property quality, transportation, low wages, concentration or lack of integration of low income residents, landlord accountability, vulnerable groups including felons and single parents, mental health and substance use issues that intersect housing, and incentives for affordable housing construction.

5.1 Methodology

In order to contextualize and enrich available housing data, focus groups were held with a range of stakeholders and community members. Focus groups were held during the COVID-19 pandemic. In order to accommodate participants' preferences regarding gathering in groups, and to maximize participation from potential participants whose

schedules did not allow attendance at scheduled groups, individual in-depth interviews were offered in addition to focus groups. Individual interviews took place by phone or video conference. In total, seven focus groups took place during June, July, and August 2021: four with community members and three with stakeholders. Additionally, several individual interviews were completed with both community members and stakeholders.

5.2 Participant Profile

Across all seven focus groups, the number of participants ranged from 1 to 14. In total, including focus groups and individual interviews, input was received from 58 participants, of whom 19 were community members and 39 were stakeholders. Findings reflect over 12 and a half hours of recorded discussion.

5.3 The Search for Affordable Rentals

- Community members and stakeholders both perceive a shortage of available rentals.
- For low income households, application fees are a barrier to finding affordable rentals: in the current market, a household may need to apply at multiple sites before landing an apartment, and they incur a fee each time.
- Renters in the lower rent market expressed concern with what they see as a tradeoff between affordability and property and neighborhood quality: even if they can find a place that is affordable, it may not be a place they want to live.

5.4 Workforce Housing for a Low Wage Workforce

- Prevailing entry level and service sector wages make it difficult to afford housing on top of other expenses.
- A handful of participants called for employers to play a more active role in ensuring that wages are adequate to meet housing needs.
- Income eligibility thresholds for assistance programs are very low, which results in a segment of wage earners whose incomes are too high to qualify for assistance but too low to afford most market rate housing.
- Many other types of assistance are also tied to income, including food, healthcare, and transportation. The same households who find themselves just over the eligibility threshold for housing assistance may likewise be unable to qualify for those other assistance programs, putting the full weight of all expenses on their budget.

5.5 Interconnected Needs

- Housing is one of many interconnected needs, which include healthcare, transportation, childcare, food security, and safe neighborhoods. When these other needs are not met, it affects residents' ability to find and maintain housing.
- Transportation was far and away the most frequently mentioned need that intersects housing. Stakeholders and community members alike expressed concerns that the city's public transportation system is inadequate and contributes to residents' difficulties in accessing affordable housing.

5.6 Concentration and Quality Concerns

- Interconnected needs come together in conversation about neighborhoods, particularly the concentration of affordable housing in certain neighborhoods and concerns about the quality of those neighborhoods and properties.
- To promote community, stability, and economic mobility, participants urged the city to focus on integrating affordable housing in neighborhoods throughout the city and ensuring that all neighborhoods have access to transportation so that low income households can access that housing.
- A significant segment of affordable housing in Sioux Falls is made up of older units, concentrated in more central neighborhoods. These units may be more affordable

and more accessible by public transit, but they tend to be lower quality or even unsafe.

- Stakeholders and community members shared the perception that affordable housing and low income residents are concentrated in central and eastside neighborhoods in Sioux Falls.
- Community members say housing options feel constrained by location, limiting their ability to choose housing near the schools they would like their children to attend, near family who could support them, or near the services they need for their health and wellbeing.
- Participants attributed concentration to NIMBYism and called on the city to stand up to neighborhood opposition to multifamily housing and affordable housing.
- Naturally occurring affordable housing , or NOAH, is an important part of the affordable housing stock in Sioux Falls, but in many cases, it is falling into disrepair; participants called for reinvestment in these properties to support rehabilitation of buildings and revitalization of neighborhoods in a way that preserves affordability while improving properties

5.7 Vulnerable Groups

- Participants generally agreed the city should focus on the highest need or most vulnerable residents. Stakeholders maintained that market forces would meet most housing needs for middle and upper income residents, but public action would be necessary to close market gaps at lower income levels.
- Single parents: It is challenging for single parents to get by on one income while also finding a safe neighborhood to raise children, dependable childcare, and transportation to work or school.
- Immigrants and people of color: Immigrants and people of color may face barriers due to discrimination. Those with limited English proficiency may also struggle to find materials and resources in their first language. Additionally, larger or multigenerational families find it difficult to locate housing units with enough bedrooms.
- Fixed income and people with disabilities: People on fixed income, including people who are retired or disabled, struggle to find affordable housing and balance that cost against competing expenses.
- Mental health: Stakeholders and community members both identified a need for supportive housing for people with mental health issues.
- Substance use: Participants also identified addiction or substance use problems as a barrier to finding and keeping housing. Substance abuse often overlaps other housing barriers, particularly mental health concerns (often co-occurring), felony records (often drug-related charges), and concentration (because environment plays a role in recovery).
- Felons: If people with a criminal background are able to find housing, it is often poor quality, sometimes more expensive than comparable units, and might be offered without a lease or other basic tenant protections. For people on parole, the lack of housing for felons imperils their ability to stay in the community.
- Credit: Poor credit--or a lack of credit--can impede residents' ability to qualify for rental housing. Many community members said that their credit, as much as or more than their incomes, has kept them from finding and qualifying for affordable housing.
- Doubled up, overcrowded, or unhoused: Several community members described doubling up with family or friends to make housing affordable, but this strategy can also jeopardize a family's housing status if it violates lease terms.

5.8 Section 8 and Housing Choice Vouchers

- Rental assistance is available to help low income households access housing. Both the voucher program and project-based programs have waiting lists.
- Community members shared a perception that the voucher waiting list is so long, applying may not even be worth the trouble.
- Additional challenges for the voucher program, including finding properties that can pass quality inspections and where landlords are willing to take on residents with vouchers so that households that receive a voucher are actually able to use it.
- Stakeholders observed more landlords are refusing to accept vouchers, effectively limiting the affordable housing supply by making it difficult to find housing for tenants with assistance; community members suggested this contributes to concentration of voucher holds in certain neighborhoods.
- Many project-based units are restricted to elderly or disabled households, with only a limited proportion available to families. Stakeholders observed that the longest waiting lists are at the properties with fewer eligibility restrictions.
- When it comes to subsidized housing--whether that means tenant-based or project-based rental assistance--larger families who need three bedroom units or larger struggle to find anything at all.

5.9 A Housing Hub Vision

- Community members said they are not sure where to go to find help with housing. Most said they would turn first to Facebook, online searches, 211, or Sioux Falls Housing.
- Several community members and stakeholders alike shared a vision they have for a housing hub, or a central resource to help with housing search, coordination of services, and referrals.
- Several stakeholders also landed on the need for a central clearinghouse that could help match tenants in need with vacant units, serving both residents and property owners.
- In describing their vision for a housing hub, community members pointed out that it would be important to couple its launch with a broad public awareness campaign.
- Participants also expressed a desire for more access to housing navigation and social work providers as well as a community office for landlord-tenant rights.

5.10 COVID Assistance

- The pandemic led to short-term crises but spurred unprecedented action to take care of vulnerable community members, including putting in place financial supports for renters and property owners as well as eviction moratoriums to keep renters housed.
- Community members said they hope these supports continue or bring about long-term solutions, while stakeholders said that the federal funding influx was a unique opportunity to invest in affordable housing that will pay long-term dividends for the community.

5.11 Home Buying: Prices and Demand

- Stakeholders praised the economic benefits of job growth in Sioux Falls, but shared concerns about the pressure this growth places on housing.
- Population growth is creating housing challenges across the income spectrum, which ripples throughout the market, eventually affecting low income renters who find fewer units available because they are competing with higher income households who were priced out of the homeowner market.
- Although stakeholders recognized that the pandemic had created short-term disruptions that contributed to rising house prices, most agreed that higher house prices and a short supply are long-term trends.

- several stakeholders suggested it is no longer feasible to build detached, single family homes that can sell for under \$200,000 or even \$250,000.
- By and large, stakeholders and community members agreed that when it comes to affordable housing, most low income households are not in a position to purchase a home. Instead, the priority for increasing housing access at lower income levels should be expanding affordable rental options.

5.12 Homeowner Help

- Stakeholders focused most of their attention on ways to increase the affordability of rental housing, but there was some discussion of the prospects of homebuyer assistance and programs that could help homeowners keep up on maintenance and stay in their homes longer.
- Stakeholders argued direct support to homebuyers through downpayment assistance or other subsidies is not the best approach to make housing more widely accessible because it creates inflationary pressure on home prices; others said it distorts buyers' sense of what they can truly afford for later when they try to move.
- While participants were less than sanguine about homebuyer assistance, they did see a place for assistance that would help keep current homeowners in their homes, including assistance for rehabilitation and home improvement.

5.13 Closing Market Gaps

- Stakeholders described a spectrum of housing options: At the market rate end of the spectrum, the market will work things out. But toward the lower ends of the spectrum, the market will never fully meet the need for affordable housing. That market gap must be closed by public investment in incentives for builders and owners and assistance for residents.
- Numerous stakeholders explained that it is impossible to provide affordable housing at lower income levels without public investment, and federal subsidies are limited and lack flexibility.
- In order to maintain housing, some residents need additional supportive services. Stakeholders identified a need for additional permanent support housing in Sioux Falls that would help meet the needs of these residents, especially for people with mental health and substance abuse issues. Although it can be challenging to pay for added services attached to housing, there are funding streams that can be tapped through collaboration with social service and healthcare providers.

5.14 Increasing Density

- At the middle and upper levels of the housing spectrum, stakeholders argued that rising prices are driven predominantly by market forces and should be solved by the market.
- Stakeholders asked that the city review unnecessary barriers to allowing the market to respond to price signals with increased production and supply--for example, by allowing increased density, either as a uniform change or as an incentive tied to affordability commitments.
- Several community members--including those who generally opposed multifamily development in their neighborhoods--said they would welcome a moderate increase in density in their neighborhoods (e.g., duplexes, small apartment buildings, or accessory dwelling units).
- Stakeholders urged more significant action, and several suggested the city focus on denser redevelopment of core neighborhoods. They pointed out this would take advantage of existing infrastructure, generate critical mass for public transportation, and (through mixed income developments) deconcentrate low income neighborhoods.

5.15 Incentives

- Stakeholders suggested the city pursue the development of incentives tied to affordability commitments in order to spur more affordable construction.
- They called for blanket incentives that apply to all affordable housing projects that meet a given set of criteria, and terms that are general and clear so that they would be easy to administer. Stakeholders expressed concern that excessively complex requirements would deter developers from taking advantage of any incentives that were offered.
- Stakeholders cited a range of regulations that could be adjusted to incentivize affordable housing construction, including engineering design standards and zoning.
- The city could also invest in land, lots, and infrastructure. Stakeholders said that on top of land being scarce and expensive, the added cost of infrastructure--especially for low density development--makes it impossible to build affordable housing.
- Stakeholders generally agreed that TIFs could be a powerful tool for incentivizing and enabling affordable housing construction. They could help expand supply for moderately low income households or be layered onto projects along with other incentives to reach extreme affordability levels. They suggested that the city pursue legislative changes at the state level as needed in order to maximally leverage TIFs for affordable housing.
- The city has established positive relationships with many in the development community, and can build on successful communication with those groups to continue consultation about effective ways to incentivize affordable housing construction.

5.16 Advocacy and Leadership

- Participants identified several ways for the city to take on a leadership role in the affordable housing conversation: by devoting local funding to affordable housing, leading state and regional conversations around affordable housing, actively seeking to change public opinion around affordable housing (especially by addressing NIMBYism), and engaging a more diverse spectrum of Sioux Falls's residents.
- Many stakeholders and community members alike felt that for all the talk around housing, there has been a lack of action. They felt the city had collected quite a bit of input but had not formulated a focused plan of action out of it.
- Stakeholders called on the city to create a dedicated local funding stream for affordable housing. Compared to federal funding, local funding can be nimble, flexible, and innovative, positioning the city better to respond to market conditions when it comes to housing. Additionally, city funding could be offered with fewer complex requirements, lower barriers for housing developers to access it and reducing administrative overhead costs.
- Stakeholders identified an opportunity for surrounding communities to help meet housing needs, but acknowledged there is work to be done on creating regional transportation networks. They suggested that the city could take a leadership role in working together with surrounding communities to integrate the metro area and build coalitions to influence state policy and funding for housing.
- Stakeholders identified public opinion and NIMBYism as a major impediment for developing more affordable housing. At the same time, community members reported a lack of public awareness and information about affordable housing. Together, these patterns suggest an opportunity for the city to raise public awareness around the importance of housing affordability and to shape public opinion.
- Stakeholders and community members said the city can do more to engage the public--both by seeking input from the community and also providing information, education, and awareness back to the community.

5.17 Building Workforce

- A few stakeholders, particularly those in the homebuilding sector, said that workforce development in the building trades is a major concern for them.
- Stakeholders traced the workforce shortage back to training pipelines and suggested that a focus on directing young people toward four year degrees has turned them away from the trades. Additionally, stakeholders described a lack of building trades programs in the Sioux Falls area.

5.18 Landlord Engagement and Education

- Having identified property maintenance and landlord-tenant conflict as housing needs, stakeholders suggested that there is an opportunity for the city to engage landlords and collaborate on extending educational and professional development opportunities.
- Landlord-tenant conflict around maintenance came to the fore as a need in focus groups with both stakeholders and community members. Tenants are generally not aware of any resources available in Sioux Falls for them to learn about their rights as tenants, to seek redress if a landlord is not performing requested maintenance, or to navigate the eviction process.
- Tenants are more vulnerable when their housing status is precarious or who fear they will not be able to find another unit if they lose their current housing; in situations like these, tenants do not have the power or inclination to hold landlords accountable.
- Stakeholders agreed that more landlord accountability is necessary, and they suggested that accountability be tied to incentives such as educational opportunities, professional development, or marketing and promotion.
- Several stakeholders spoke specifically to fair housing, and community members also shared their perception that some protected groups face housing discrimination in Sioux Falls.
- Smaller, independent landlords tend to be more flexible and exercise more discretion in qualifying tenants, which can work to tenants' advantage when landlords are willing to consider their circumstances holistically rather than enforce uniform rules. However, stakeholders also pointed out that smaller, independent landlords may not have the same training in fair housing that property managers have. They saw an opportunity for the city to especially focus outreach and education efforts on this group.

6. Sioux Falls in Comparison

6.1 Sioux Falls in Comparison

For the purposes of this study, Sioux Falls was compared with nine communities in a multi-state region: Boise, ID; Cedar Rapids, IA; Des Moines, IA; Fargo, ND; Fort Collins, CO; Lincoln, NE; Madison, WI; Omaha, NE; and Rochester, MN.

6.2 Demographic Comparison

Among the comparison communities, Sioux Falls ranks near the middle in terms of population size but is first in the rate of population growth over the last decade. In Sioux Falls, population growth has been fairly even across the core city and MSA, with the city itself growing slightly faster than the surrounding MSA. By comparison, cities such as Boise and Des Moines have seen growth concentrated in the surrounding MSA rather than the core city. The Sioux Falls MSA ranked first in terms of growth due to both natural increase and international migration, and the MSA ranked fourth for growth due to domestic migration.

The city of Sioux Falls ranks near the middle among comparison communities for average household size in 2019, with 2.31 persons per household. Typically, a larger household size indicates the presence of children, while smaller household size may reflect an older population or a large student population. Sioux Falls ranked seventh for the oldest community, with a median age of 35.3 years. The four cities with the youngest median age are home to large universities and have significant student populations. Despite its higher median age, Sioux Falls ranked second among the communities for the percentage of the total population that was age 17 or younger in 2019, and first in terms of the percentage of households with children, with 32.5% of all households having a child present. These figures are consistent with the high rate of natural increase in Sioux Falls relative to the comparison communities.

6.3 Economic and Housing Comparison

In 2020, unemployment ticked up across the country in response to the COVID-19 pandemic. Still, across all of the comparison communities, annual average unemployment did not top 6.3%. All of the comparison communities have experienced economic recovery and falling unemployment rate through the first half of 2021, but Sioux Falls ranks among the top for lowest unemployment rate. As of June 2021, both the top-ranked Lincoln MSA and second-ranked Sioux Falls MSA had unemployment rates below 3%, at 2.5% and 2.9% respectively.

While Sioux Falls compares well in terms of unemployment, it ranks sixth for median household income. Commensurate with that lower income, Sioux Falls also ranks sixth for estimated median value of owner-occupied homes and third for lowest median gross rent, at \$849 per month.

For homeowners, Sioux Falls ranked sixth in affordability, behind Rochester, Fargo, Lincoln, Boise, and Fort Collins. In Sioux Falls, homeowners pay an estimated 17.2% of income toward ownership costs, compared to 15.2% in first-ranked Rochester.

For renters, Sioux Falls ranked first in affordability for renters. In Sioux Falls, renter households typically spend 25.5% of income on housing expenses, compared to 25.9% in second-ranked Fargo. Among comparison communities, Fort Collins was the least affordable for renters; in Fort Collins, the typical renter spends 33.5% of income on housing.

Sioux Falls compares somewhat favorably when it comes to cost burden. The city ranks third among the 10 cities in terms of the lowest rate of cost burden among homeowners and renters overall. However, for moderately low income renters--those with a household income between \$20,000 and \$35,000--Sioux Falls ranks fifth among the 10 cities, behind Cedar Rapids, Fargo, Lincoln, and Rochester.

As a city, Sioux Falls has enough HUD-subsidized units or vouchers to assist about 10.9% of all renter households. This ranked fifth among the 10 communities for the largest supply relative to the number of renters. Des Moines, Rochester, Cedar Rapids, and Omaha all have relatively larger supplies of HUD-assisted units or vouchers. Though not considered HUD-subsidized housing, tax credit properties are another source of affordable housing for moderate income households. Among comparison cities, Sioux Falls ranks second in tax credit units as a percentage of renter households, at 14.7%.

7.1 Projected Demand

Over the next five year, Sioux Falls can expect robust population and household growth, driven by strong jobs growth. In-migration driven by economic development will add to demand for housing. Further, if the trend toward smaller households continues, household growth may be even more rapid than population growth--provided that housing is available for new household formation.

Between 2010 and 2010, the city of Sioux Falls saw households grow by about 2.42% each year, while the four-county MSA as a whole saw household growth of about 2.03% each year. If current growth trends continue, the city of Sioux Falls can expect to add approximately 1,700 to 2,100 households per year. The MSA as a whole is expected to add 2,100 to 2,400 households per year. Household growth will result in growth-generated demand for ongoing housing construction activity, including both renter-occupancy and owner-occupancy units.

This study assumes that between 39% and 46% of the annual growth-generated demand in Sioux Falls will be for rental housing. Over the previous decades, the rate of rental housing has increased as a proportion of all housing. However, as the Millennial Generation ages into their 30s--the period in the life course when homebuying is most common--that trend may change. Counterbalancing that shift, aging Baby Boomers may move from ownership to renting as they age. Projections assume that, all things considered, over the next five years, rental demand will remain steady or increase slightly. Based on the expected growth of 1,700 to 2,100 households per year in the city, rental demand is expected to be 740 to 875 households annually. Owner-occupied housing demand from growth is projected at between 1,025 and 1,160 households per year.²¹

By 2026, Esri projects that 44.7% of households will have incomes at or above \$75,000, up from an estimated 40.4% in 2021. As a result, this segment of households will grow faster than the city's overall rate of household growth. For the most part, households at this income level do not qualify for housing assistance programs and will seek market-rate housing.

Esri forecasts a decline in the proportion of households with an income between \$35,000 and \$75,000, from 33.6% to 31.8%. The percentage of households with an annual income below \$35,000 is expected to decrease as well, from about 25.9% to 23.6%. Although the percentage of households in these lower income brackets is expected to decrease, overall household growth across the city means the absolute number will remain fairly constant.

Currently, Sioux Falls has pent-up demand for about 4,450 units of very affordable housing with a monthly rent below \$500. Presumably, tenant-based rental assistance vouchers meet part of this need, but even with 1,800 to 1,900 vouchers in circulation, at least 2,550 households with incomes below \$20,000 do not have access to rental housing they can afford.²²

²¹ Projected ranges for growth-generated demand may diverge from information presented elsewhere in this report, including Esri's projections. In the opinion of the authors, total population and household growth are likely to exceed Esri's projections, while income distribution patterns will not change as dramatically as indicated by Esri. The projections presented here reflect the assumption that income distribution changes will be more gradual and overall growth will be more rapid.

²² Assuming that vouchers fill part of this gap is a generous assumption. As described above, American Community Survey rent level data already take into account (to some

Although actual demand may fluctuate, annual growth-generated demand is expected to be distributed as follows:

Projected demand for rental housing to 2026, Sioux Falls

Market Segment (Household Income Range in 2026)	Calculated Annual Demand from Growth	Affordable Target Rent Structure	Level of Pent-Up Demand
Extremely Low Income Below \$25,000 or < 30% MFI	0 to 25 households	Less than \$625	Extensive
Very Low Income \$25,000-\$35,000 or 30-50% MFI	25 to 50 households	\$625 to \$875	Limited
Low Income \$35,000-\$50,000 or 50-80% MFI	150 to 200 households	\$875 to \$1,250	Limited
Middle or High Income > \$50,000 or > 80% MFI	550 to 600 households	\$1,250 or more	Limited
Total	740 to 875 households		

extent) the effects of housing assistance on housing affordability. Therefore, affordability gaps revealed by comparing rent levels to household income are those that remain even after available assistance has been taken into account.

Section 8: Recommendations

Successfully meeting housing demand will require a multifaceted housing policy framework. This section outlines four recommended areas in which the city can focus efforts around housing: (1) lead, advocate, and inform the community about efforts to make housing accessible to all; (2) offer incentives to create and preserve affordable housing in order to fill market gaps; (3) engage landlords to increase access to safe, quality housing and further fair housing goals; and (4) build programs to support housing stability and expand housing options.

Though different policies may directly benefit different segments of the population, these recommendations are mutually reinforcing. Likewise, many recommendations cross divisions of city government and will require internal collaboration of city staff. Cities that have successfully implemented recommendations like those made here have had leadership and support for affordable housing from elected officials as well as career staff; that support will be critical in meeting affordable housing needs.

1. Lead, Advocate, and Inform

In focus groups, community stakeholders identified a need for leadership and advocacy for housing-friendly policies at a local and state level. Additionally, they identified a need to make information about available housing programs and policies more widely known.

In addition to implementing housing-friendly policies and investing in affordable housing programs, the city can support the sector through leadership, advocacy, and information sharing. By taking a leadership role, city officials and elected representatives together can change the tenor of community conversations around housing.

Make the case for density to Sioux Falls residents.

In focus groups, stakeholders observed that neighborhood resistance to multifamily properties in general--and affordable housing in particular--has made it difficult to place more affordable units. Community members corroborated this, as several participants who believed the city needed to do more to increase access to housing noted that they would prefer their neighborhoods be restricted to single family homes.

The city can confront this challenge by proactively making the case for density to Sioux Falls residents. This might take the form of public statements or presentations explaining the benefits of multifamily housing (for example, increasing housing supply to reduce pressure on prices). Stakeholders suggested they would like to see the city take a stronger stance during public input sessions, as well. By providing public education and raising awareness around the value of affordable housing, the city can bolster community support, reduce opposition, dispel misunderstandings about affordable housing and its residents, and overall reduce challenges to affordable housing development.

Recent experiences in Minneapolis offer a roadmap. Proponents of the Minneapolis 2040 plan--which allows for duplex and triplex citywide--shifted focus away from multifamily development's impact on single family neighborhoods to instead emphasize the deleterious effects of exclusionary single family zoning on affordability and equity. Advocates adopted the slogan "Neighbors for More Neighbors," and city officials went to street fairs and festivals to speak directly with neighbors of diverse socioeconomic backgrounds about the housing options they would like to see, thereby gathering public input from a broader

cross-section of the community than the few individuals who typically might attend a planning or zoning meeting.²³

In Ontario, Canada, Bruce County and the city of Mississauga have undertaken similar efforts. In Bruce County, the YIMBY (Yes In My Backyard) Team raises awareness about the need for affordable housing. In Mississauga, public education efforts encouraged community acceptance of a second unit (accessory dwelling unit) policy that has led to the creation of 140 new housing units in its first couple years.²⁴

Certainly, neighbors have a right to be concerned about the effects of new developments, such as traffic, environmental impact, or capacity of public facilities such as schools. The city can encourage developers to proactively address these concerns, and also provide community education and awareness around the line between legitimate concerns and violations of Fair Housing Laws.

Engage employers in conversations about workforce housing.

Recent announcements of business developments have drawn praise for the city's robust job growth as well as concern about how to fill jobs given the already low unemployment rate and high labor force participation rate. Likely, new jobs will be filled by newcomers to the city, and these newcomers will need housing.

Together with the Chamber of Commerce, the Sioux Falls Development Foundation, and other growth-focused organizations, the city can celebrate job growth while encouraging employers to think about housing in connection with compensation and recruitment. Employer-assisted housing programs can be designed in a variety of ways, depending on the circumstances of an employer and their employees. For example, employers can provide rental assistance, down payment assistance, or homeownership education--or support to community organizations that already provide these services. Alternatively, employers could invest directly in the construction of new housing units, especially where there is limited housing available near a new job site.

The city's Sioux Falls For All plan already provides an example of an employer-assisted housing program. The Public Safety Home Ownership Program would provide down payment assistance to qualified public safety personnel purchasing homes in identified Qualified Census Tracts and core redevelopment neighborhoods.

The city can further promote the idea of employer-assisted housing programs by making the case to businesses that such programs can help recruitment and retention efforts in a tight labor market. The city could also incentivize employer-assisted housing programs with tax credits to the employer, by matching funds contributed by employers, or by investing in land or infrastructure for new housing construction, for example. Program participation can be tied to certain eligibility criteria for households or employers, such as committing to stay in Sioux Falls for a certain number of years, or granting employees at least a minimum amount in order to qualify for a city match.²⁵

²³ Richard D. Kahlenberg, "How Minneapolis Defeated NIMBYism: Minneapolis Saw That NIMBYism Has Victims," *The Atlantic*, October 24, 2019.

²⁴ City of Kawartha Lakes and County of Haliburton, Affordable Housing Framework: Technical Appendix, available online at <https://pub-kawarthalakes.escribemeetings.com/filestream.ashx?DocumentId=7863>

²⁵ For further examples and guidance on working with employers to establish employer-assisted housing programs, see the National Association of REALTOR's 2017

Become a regional and statewide leader and advocate for housing-friendly policies.

In focus groups, stakeholders expressed a need for stronger leadership at the regional and state level around housing. By working inclusively with neighboring communities, the city can simultaneously build a coalition to advocate for housing-friendly policies at the state level and problem solve around regional workforce, transportation, and housing challenges.

Regional collaboration on housing begins with informational meetings to discuss shared or divergent challenges and priorities but can expand to include regional planning or pooling resources. Among the primary objectives for regional collaboration on housing should be development of a regional transit system to connect affordable housing and job opportunities across the metro area.²⁶

Spread the word about available housing programs and policies.

In focus groups, community members were unaware of many available housing programs. This lack of awareness was common even among community members who were highly concerned about the availability of affordable housing or who had used one or more housing resources themselves. In focus groups, residents most commonly identified their first stop for housing information as the 211 Helpline, Minnehaha County Human Services, or the Sioux Falls Housing and Redevelopment Commission. Several participants wished for a housing hub where they could find housing information.

The city should not seek to duplicate or replace existing sources of housing information, but to augment them by investing in infrastructure and messaging to ensure authoritative and complete housing information is front and center for Sioux Falls residents. At a minimum, the city could direct visitors to the city's housing website to the Helpline Center for information about additional housing programs. Beyond that, the city can invest in human and technological infrastructure to provide housing-specific counseling and referral services--whether housed by the city or an existing organization such as the Helpline Center or Sioux Falls Housing and Redevelopment Commission.

The city could also lead a public awareness campaign around affordable housing options. This campaign could include widely broadcast messages about where to go to find information about housing (e.g., radio, television, and billboard spots). Many residents prefer to access information online, but information should also be available offline for residents without internet access or who prefer to access information offline (e.g., by phone or in person).

"Employer-Assisted Housing Initiative Guide for State and Local REALTOR Associations," available online at <http://realtorparty.realtor/wp-content/uploads/2017/08/EAH-Initiatives-Guide-1.pdf>, or the Greater Minnesota Housing Fund's 2016 "Employer-Assisted Housing Resource Guide," available online at <https://gmhf.com/wp-content/uploads/2016/08/gmhf-employer-assisted-housing-handbook.pdf>.

²⁶ For further reading on approaches to regional planning for affordable housing, see Stuart Meck, Rebecca Retzlaff, and James Schwab, "Regional Approaches to Affordable Housing," American Planning Association Planning Advisory Service Report, 2003, available online at https://www.huduser.gov/Publications/PDF/regional_app_aff_hsg.pdf

To help promote equitable access to information about housing and supportive services, the city should intentionally design an inclusive communication campaign. Consider working with community-based organizations and other trusted intermediaries for outreach. City staff or partners could also conduct outreach at relevant businesses or organizations or community events. In all cases, prepare outreach materials in multiple languages, and where possible, deploy earned and paid media in multiple languages and seek to employ multilingual staff fluent in Spanish, Nepali, Kunama, Swahili, Amharic, or other languages common in Sioux Falls.

2. Offer Incentives to Create and Preserve Supply

Available data on housing supply and demand demonstrate a need to produce additional housing units, especially units that are affordable to lower income households. As economic development and population growth continue to drive housing demand, Sioux Falls will see a growing need for housing on top of this existing gap. Market forces--rising demand and escalating prices--will spur construction, but not of units affordable to lower income households. Additional incentives, cost offsets, or supports will be necessary to increase production of affordable housing.

In focus groups, stakeholders were clear that they did not envision housing development or construction as a city role, but instead hoped the city would review policies to reduce barriers and incentivize production of affordable housing units. Cities have a variety of tools in their toolkits that can be used to encourage affordable housing construction and preservation. Among those tools are density bonuses or zoning changes to both allow and encourage unit production, financial incentives tied to affordability conditions, and direct support to homeowners or renters through tax abatement or assistance.

Remove unnecessary regulatory and zoning barriers to constructing housing affordably.

In focus groups, stakeholders observed that regulatory barriers, such as compliance with environmental regulations, inspection and review regulations, and building code and design standards, has increased the cost of construction. Further, they noted that current zoning and neighborhood opposition have stymied affordable multifamily projects.

Research on the impact of regulations and zoning on development have estimated that excessive regulations may add 20% to the cost of a home. Multiple reports conclude the cost effects of zoning restrictions and subdivision requirements are higher than costs due to code: zoning requirements exact an estimated premium of 10% of construction cost, while code-related cost increases have been found to be around 5%.²⁷

The city can work with housing developers and community stakeholders through existing channels to identify practical ways to update local ordinance and zoning to allow for increased density and make it affordable to construct affordable housing. Other communities provide a wealth of examples for specific changes, but the city should work

²⁷ Eli Noam, 1983, "The Interaction of Building Codes and Housing Prices," *Journal of American Real Estate and Urban Economics Association* 10 (4):394-403; Stephen Seidel, 1978, *Housing Costs and Government Regulations: Confronting the Regulatory Maze*. New Brunswick: Center for Urban Policy Research, Rutgers, The State University of New Jersey; State of Minnesota Office of the Legislative Auditor, 2001, *Affordable Housing: Program Evaluation Report*.

closely with local parties to understand which changes are best suited to the Sioux Falls environment.

For example, Pinellas County, Florida offers a package of incentives to certified Affordable Housing Developments, which are defined by the county as housing developments in which at least 20% of units are affordable at or below applicable income limits. The package of available incentives includes expedited permit processing and review fee relief, reduced parking requirements and setbacks, street design modifications, zero lots lines, accessory structures, density bonuses, housing in commercial zones, identifying qualified renters or buyers, and donation of public owned land.²⁸

In Sioux Falls, the city already adopts model building codes, which are regularly updated. The city reviews code changes with stakeholders and adapts them to local conditions. The city should continue to work with developers, specifically to ensure construction standards and building codes do not unduly restrict affordable development. Careful review of planning, engineering, and design standards can identify opportunities to amend standards to incentivize qualified affordable housing developments (e.g., reduced lot size and setbacks, street width, parking minimums). These changes can reduce the cost of construction and/or allow for increased density to reduce the per-unit cost.

In addition, the city could implement fast-track permitting or fee waivers for affordable housing projects that meet certain criteria--a service that may be bundled to enhance other incentives described below. This type of process moves affordable housing projects to the highest priority in application review; often, such programs also assign a designated staff person as a single point of contact and concierge to shepherd a project through the approval process. The city can also provide an initial review and assistance to identify approval requirements, coordinate across departments, flag and resolve anticipated issues, and ensure the approval process can proceed smoothly. Expedited permitting can move construction along faster, reducing financing costs and developer risk. In addition, waiving fees can further support affordable housing development.

As an example, the city of Austin, Texas adopted expedited permitting as part of a package of affordable housing incentives implemented through their S.M.A.R.T. Housing Initiative. That initiative also waives fees for developments that provide a minimum amount of affordable units, up to an annual cap: fees that can be waived include zoning, site plan, subdivision, building permit, construction inspection, and capital recovery fees. The initiative also shifted the burden of justifying proposed ordinance or rule changes by requiring staff to prepare an affordability impact statement for any proposed change that could impact housing affordability.²⁹

While careful review of development standards and expedited permitting may promote affordable housing development, zoning changes are likely to have a more significant impact. In Sioux Falls, 77% of residential area is zoned for single family development and only allows detached dwelling units (including manufactured housing).³⁰ "Upzoning" these

²⁸ For more information, see the Pinellas County Planning Department's guide to Affordable Housing Incentives offered through the Pinellas County Land Development Code, available online at <http://www.pinellascounty.org/community/pdf/AffordableHousingGuide.pdf>

²⁹ See Austin's Development Incentives and Agreements, available online at <https://www.austintexas.gov/page/development-incentives-and-agreements>

³⁰ Some office/institutional and mixed use areas also allow residential development. If those areas are included, 65.1% of the land area where residential development is possible are

areas would allow for the development of attached or multifamily dwellings, increasing housing choice and attainability. Increased density could also support public transit by building a critical mass of residents and increase housing affordability by reducing the per-unit cost to build by opening more land to multifamily developments.³¹ In recent years, several cities and states have considered proposals to upzone single family residential areas. Minneapolis's move to allow duplexes and triplexes as of right on single-family lots may be best known locally. But an alternative approach is to grant density bonuses conditional on the development of affordable units.

Currently in Sioux Falls, developers can apply to have a small area rezoned, or request a variance. However, upzoning--whether rezoning neighborhoods, amending allowable forms for all zoning districts of a given type, or granting density bonuses as of right to qualified affordable housing projects--would facilitate the development of housing by increasing certainty for developers. This approach could also allow community opposition to be addressed at the outset rather than on a case by case basis for each housing project, further streamlining the process for developers.

Density bonuses for affordable housing would allow denser development than zoning would usually permit, in exchange for a commitment to include a certain amount of affordable housing in a development. Density bonuses tend to work best in strong housing markets, but need to be carefully tailored to local conditions. Policies could take the form of allowing more units, relaxing height restrictions, reducing setbacks, or reducing parking requirements. They may be available citywide or restricted to certain neighborhoods where demand is most likely to support higher density. Specifications should be designed locally in collaboration with developers familiar with local market conditions in order to ensure that any bonuses awarded are enough to incentivize affordable housing construction.

For example, Iowa City offers a density and height bonus, plus reduced parking requirements, for affordable housing developments in the Central Business Zones and Riverfront Crossings District. To qualify for bonuses, developments must include a minimum percentage of affordable units (at levels set by the city) or commit units to designated affordable housing programs.³²

Accessory dwelling units (ADUs) are another strategy to incrementally increase density in single family residential neighborhoods. ADUs can increase housing supply, make existing housing more affordable for owners by providing additional income, integrate affordable housing throughout the community, and maintain neighborhood character. ADUs can also increase property tax revenues and allow caregivers or elderly parents to live near family--a need that is likely to grow as the population ages. In focus groups, several community members spoke in favor of allowing ADUs.

Of note, Sioux Falls ordinance does currently allow ADUs as permitted special use in single family residential zones--but with restrictions on location (rear yard only), size (40% of

zoned for single family detached dwellings only. Zoning figures are calculated from the City of Sioux Falls GIS Zoning dataset, accessed on 8/17/2021.

³¹ Upzoning may not be appropriate in all single family areas. Suitability will depend on the availability of infrastructure to support denser development, for example. Resulting housing is likely to be more in demand if placed in more walkable neighborhoods.

³² For more information, see Iowa City's Affordable Housing - Financial Incentives program description, online at <https://www.icgov.org/city-government/departments-and-divisions/neighborhood-and-development-services/neighborhood-8>.

primary dwelling), and parking minimums. Additionally, focus groups suggest there is a lack of awareness among Sioux Falls residents about the possibility of creating ADUs. If the city were to include ADUs as part of its approach to expanding housing supply, it would be necessary to explore the extent to which the location, size, and parking requirements restrict the possibility of placing ADUs, and to make a more concerted effort to provide public education and awareness among homeowners about ADUs.³³

Regression analysis across MSAs finds that, over the past decade, housing prices have risen faster for low-tier, or more affordable, homes. As a consequence, residual income inequality--or inequality in income that remains after subtracting a household's housing expenses--has increased. The trend has been most severe in MSAs with strong employment growth and stringent zoning and land-use regulations. Those two factors hit low-tier housing prices hardest, driving them up and decreasing affordability.³⁴

Sioux Falls can expect to continue to see robust job growth and high employment rates, which will put pressure on housing prices. Relaxed zoning or land use regulations could help soften the blow to housing affordability. Of course, making changes to regulations and zoning will require support from across the city--elected officials, planners, engineers, etc. Advocates for these changes, both internal and external to city government, need to clearly communicate the value of proposed changes and allay concerns about increased health or safety risks.

Create financial incentives for constructing affordable housing.

Beyond reducing regulatory or zoning barriers to affordable housing, the city can offer financial incentives. Potential mechanisms include direct grants or forgivable loans as well as tax increment financing (TIFs), tax abatement or application of the discretionary formula, or investment in infrastructure. All have been used to some extent in Sioux Falls but could be expanded.

TIFs for affordable housing can be a powerful tool when coupled with neighborhood revitalization. TIF districts designate a base tax rate before development (typically of a blighted area), then redirect additional tax revenues realized after development toward designated purposes--in this case, affordable housing. TIFs have been successfully used to

³³ For additional information on enabling or promoting ADUs, see the American Planning Association's Knowledgebase guide to Accessory Dwelling Units (online at <https://www.planning.org/knowledgebase/accessorydwellings/>), the National Association of Home Builders Ordinance and Code Analysis by Jurisdiction guide to ADUs (online at <https://www.nahb.org/-/media/NAHB/advocacy/docs/top-priorities/housing-affordability/ordinances-and-built-examples-of-adus.pdf>) and the National Association of Home Builders 2019 report on Diversifying Housing Options with Smaller Lots and Smaller Homes (online at <https://www.nahb.org/-/media/NAHB/advocacy/docs/top-priorities/housing-affordability/nahb-2019-small-homes-research-report.pdf>).

³⁴ Jung Hyun Choi, John Walsh, and Laurie Goodman. "Why the Most Affordable Homes Increased the Most in Price between 2000 and 2019," Urban Institute Research Report, May 2020. Available online at https://www.urban.org/sites/default/files/publication/102216/why-the-most-affordable-homes-increased-the-most-in-price_2.pdf

increase supply of quality, affordable housing, increase economic development, reduce blight, and improve neighborhoods.³⁵

In Sioux Falls, TIFs have been used to a limited extent to support the development of affordable housing. For example, in 2012 TIF District 16 was created to support site cleanup for construction of 80 affordable housing units (known as Whittier Heights, or Hidden Hills Apartments). South Dakota's current TIF authorization allows for TIF districts that invest TIF funds in affordable housing infrastructure improvements or developments with initial sale affordability restrictions on owner-occupied housing and five-year affordability restrictions on multifamily units. The outcome of the South Dakota state legislature's summer study on affordable housing may be relevant to future use of TIFs for affordable housing in Sioux Falls; state action could increase the flexibility of TIFs as a tool for increasing the supply of affordable housing.

The city should explore the possibility of leveraging TIF funds for additional affordable housing creation. The specific implementation of TIFs varies across communities: some require that housing built within TIF districts meet minimum affordability requirements (e.g., reserving a given proportion of units as affordable to certain income levels) or restrict possible uses of incremental tax revenue (e.g., homeownership or rental assistance, acquisition and rehabilitation, or gap financing for new development). In Maine, for example, the Affordable Housing Tax Increment Financing program uses incremental tax revenue to cover the cost of developing affordable housing and providing supportive services for families within TIF districts.³⁶

Another tool for creating financial incentives for affordable housing is offering tax abatements or exemptions. Property tax abatements can encourage the creation of additional affordable housing by directly reducing taxes owed for a set period of time. Property tax exemptions, which reduce (or delay an increase in) a property's assessed value or tax rate, can be an effective tool to encourage rehabilitation of older rental units.

Cities in South Dakota do already have some options when it comes to property tax exemptions because tax rates are primarily set by the state. Currently, counties and municipalities have the discretion to grant property tax reductions for up to five years to new industrial or commercial structures (including commercial residential buildings and affordable housing projects with rents below a 60% AMI threshold) worth more than \$30,000. Additionally, increased value from restoring historical properties is granted a tax abatement for eight years following the restoration. The city may need to explore options for working together with county and state lawmakers to increase flexibility in local taxation or to more widely apply the discretionary formula where it is already allowed.

In Sioux Falls, reduced taxation is available as an incentive for industrial development and downtown commercial development, as well as for commercial residential development in core downtown neighborhoods. However, the reduction is limited: it begins as an 80% reduction phased out over five years. Additionally, the reduction is not tied to any residential affordability commitments.

³⁵ Lubell J. Increasing the availability of affordable homes: A handbook of high-impact state and local solutions. Washington, DC: Homes for Working Families, Center for Housing Policy (CHP); 2007; Hicks MJ, Faulk D, Quirin P. Some economic effects of tax increment financing in Indiana. Muncie: Ball State University Center for Business and Economic Research; 2015.

³⁶ For more information, see <https://www.mainehousing.org/programs-services/housing-development/developmentdetails/affordable-housing-tax-increment-financing-program>

As far as state and country restrictions allow--and with an eye toward advocating for revising them if necessary--the city can build on the existing reduced taxation incentive program, conditioning reductions on affordability commitments and potentially increasing the scope of the reduction. The duration, amount, and qualifying affordability commitments for any abatements or exemptions should weigh the significance of affordable housing goals against foregone tax revenue. The effect on taxes owed must be enough to produce a genuine financial incentive for developers or property owners while providing an adequate tax base to the city.

For example, Iowa City uses tax exemption as an incentive for new affordable housing development. Developers are eligible for a 40% property tax exemption for 10 years in new residential developments that have at least six units, provided 15% to 20% of the total units are leased to households under 40% AMI. In Sioux Falls, the city's Rental Rehabilitation Program offers low interest loans to owners of rental property in order to make certain improvements. A tax exemption program could be layered on top of this loan program, but reserved only for rentals with affordability commitments for a given period of time and income level.

Finally, a local housing trust fund (like the proposed Sioux Falls Housing Fund) could be used to provide direct financial support to affordable housing development. Local funds are a flexible source of support, free of requirements and restrictions often tied to federal or state funding. These local funds can be a critical source of gap financing for affordable housing projects or provide a match to unlock federal or foundation grant funds. Because of their flexibility, local funds should also be considered for addressing housing-related goals that may not be covered by existing sources of financing--for example, supportive services for tenants or landlord incentives to increase Housing Choice Voucher acceptance--as well as layering to create deeper affordability in LIHTC developments.

Expand programs to preserve affordable housing for renters and homeowners.

Sioux Falls already has a slate of programs intended to preserve housing stability and quality for renters and homeowners: The city's Single Family Rehabilitation program provides zero-interest deferred payment loans to homeowners at or below 80% AMI. This assistance can be used for repair, painting, weatherizing, and accessibility modifications. The Emergency Mobile Home Repair program offers one-time assistance to income-eligible mobile home owners for emergency repair or replacement of faulty heating, electrical, or plumbing systems. The city's Neighborhood Revitalization is a partnership with nonprofit developers to acquire and rehabilitate vacant, dilapidated, or unsafe homes. Newly constructed single family homes and townhomes are required to be owner occupied by households at or below 80% AMI. Although the revitalization program does not preserve physical structures, it does help ensure that redevelopment preserves affordability. Finally, the city's Rental Rehabilitation Program provides low-interest (3%) loans to owners of rental properties. This assistance can be used for internal and external improvements. Unlike the other city housing assistance programs, the rental rehabilitation program has no income eligibility or affordability restrictions.

Additionally, several tax relief programs are available through the state--primarily for elderly and or disabled homeowners. Among these programs is a property tax reduction from municipal tax for the elderly and disabled, though the income eligibility levels are extremely restrictive (household income less than \$7,765). To date, however, this program is only

available in Rapid City. It could be expanded to Sioux Falls through ordinance.³⁷ The state also has in place existing--but limited--property tax circuit breakers for elderly or disabled homeowners. Property tax circuit breakers can keep housing affordable, but as currently defined, these programs are restricted to elderly or disabled homeowners with extremely low income levels, and they rely on annual appropriation by the state legislature to fund the benefit in the form of a refund to eligible homeowners. The state's assessment freeze for elderly and disabled homeowners extends to more people with higher income limits and less restrictive eligibility (anyone over 65 who meets income and property value limits can apply). However, it requires homeowners to reapply every year. As property values increase over time, climbing property tax bills can make homeownership unaffordable for long-time owners--even owners without a mortgage. Property tax circuit breakers cap property tax payments relative to income, while assessments limit the increase in a property's taxable value.

Expanding on the success of existing rehabilitation and revitalization programs can preserve quality, affordable housing for renters and homeowners. For rental properties, tax exemptions for value added by repairs and improvements could be tied to affordability commitments, simultaneously helping to preserve the supply of affordable housing and increase its quality. Zero-interest loans from a local Housing Fund could accomplish a similar purpose, helping rental property owners maintain or improve existing housing stock in return for affordability commitments.

For homeowners, the city should promote the existing Single Family Rehabilitation program to raise awareness. In addition, the city can expand this valuable program with Housing Fund dollars to help owner occupants who are income qualified to maintain their homes, preserving neighborhood quality and a home's future value.

Beyond providing financial assistance to homeowners, the city could also coordinate a handyman program or support the organization of volunteers to repair and rebuild homes. For example, Salt Lake City offers a handyman program for residents age 62 or older and people with disabilities who are at or below 80% AMI. Repairs are free to qualified homeowners, at a value of up to \$500 per household annually.³⁸ In a number of communities across the country, local affiliates of the nonprofit Rebuilding Together provide volunteer repair services to keep homeowners in safe, quality homes.³⁹ In the Twin Cities, Hearts and Hammers does similar work.⁴⁰

3. Engage Landlords to Increase Access to Safe, Quality Rental Housing

In focus groups, stakeholders and community members identified a need to engage landlords to ensure rental properties are maintained; to expand the pool of landlords who accept tenants regardless of source of income, criminal history, or poor credit; and to raise awareness of fair housing requirements. Focus group participants also shared a common perception that more affordable and accessible rental housing is becoming concentrated in certain areas, and that both property and neighborhood quality is deteriorating. A

³⁷ For more information on tax relief programs in South Dakota, see <https://dor.sd.gov/individuals/taxes/property-tax/relief-programs/>

³⁸ For additional details on Salt Lake City's handyman program, see <https://www.sl.gov/hand/city-housing-programs/handyman-program-2/>

³⁹ Learn more about Rebuilding Together at <https://rebuildingtogether.org/>. The nearest local affiliates are in Fremont, NE and Fargo, ND.

⁴⁰ See <https://heartsandhammers.org/>

multifaceted approach to increasing access to housing is important to ensure Sioux Falls remains a welcoming community of integrated neighborhoods. Integrated, mixed-income neighborhoods promote fair housing goals and long-term community development.⁴¹ By providing information, advocacy, and supportive services or financial incentives, the city can engage landlords to increase Sioux Falls residents' access to safe, quality rental housing.

In these efforts, the city should seek to collaborate with trade associations such as the South Dakota Multi-Housing Association, rental assistance providers such as the Sioux Falls Housing and Redevelopment Commission, nonprofit housing programs and homeless service providers, tenant education providers such as the Sioux Empire Housing Partnership, eviction prevention programs such as the Housing Retention Specialist Program at East River Legal Services, and other organizations that work directly with landlords and tenants.

Provide resources to support landlords in maintaining property.

Code enforcement focuses on identifying serious problems and punitively trying to bring about corrections. It's important to keep properties up to code for the safety of tenants, but a punitive approach can actually have a negative impact on affordable housing if it pushes landlords out of the market. Instead, landlord engagement and strategic incentives and support can encourage landlords to maintain properties in good condition.

Other communities have developed landlord incentive programs. For example, the Milwaukee Landlord Training Program is a free training program focused on proactive property management.⁴² The intent is to educate landlords about code compliance, applicant screening, and approaches to dealing with drug-related or other illegal activity. The city markets the program to landlords by explaining that proactive management can preserve property value, prevent property damage, improve relationships with tenants, and reduce tenant turnover. The program is funded through the city's CDBG grant. In St. Paul, the city requires that new landlords complete a Landlord 101 course before receiving their first fire certificate of occupancy.⁴³

Such programs can also reduce or rebate taxes or fees to landlords who participate in training, comply with regulations, or commit to making housing affordable and accessible. For example, the Utah Good Landlord Program offers financial incentives to landlords who comply with applicable housing codes. Participants receive a waiver for the state's Disproportionate Impact Fee. In Minneapolis, a pilot program works with property owners to help them take advantage of a special property tax classification (4d status), which grants a 40% reduction in property taxes. In addition, owners can receive free energy efficiency and healthy home assessments, plus rebates for improvements that lower maintenance and

⁴¹ On the potential consequences of de facto segregation that can arise from economic segregation of housing, see Megan Gallagher, Maya Brennan, Alyse D. Oneto, and Mica O'Brien, "Aligning Housing and Education: Evidence of Promising Practices and Structural Challenges," Urban Institute Brief, September 1, 2020. Available online at <https://www.urban.org/research/publication/aligning-housing-and-education-evidence-promising-practices-and-structural-challenges>

⁴² More information on Milwaukee's Landlord Training Program is available at <https://city.milwaukee.gov/DNSPrograms/lltp>

⁴³ An overview of St. Paul's Landlord 101 course is available online at <https://www.stpaul.gov/departments/safety-inspections/fire-inspections/landlord-101>

operating costs. As a condition of participation, property owners agree to maintain affordability on a certain percentage of units for 10 years.⁴⁴

In Sioux Falls, a multifaceted incentive program could combine education, training, or technical assistance with financial incentives and support in order to engage landlords and encourage them to proactively address property concerns.

Training and technical assistance could be offered in partnership with trade associations, professional organizations, or educational institutions. For example, the city might offer free training courses on code, tenant relations, fair housing and applicant screening, and navigating city services. Or, the city could provide one-on-one technical assistance, discounts or sponsorships for training programs offered by partner organizations, or free preventive inspections.

Financial incentives can both encourage landlords to maintain properties and provide the resources necessary to make repairs or improvements. A significant portion of the city's affordable housing stock is made up of so-called naturally occurring affordable housing, or NOAH. These rentals typically do not have any subsidies, but they charge affordable rents because they are typically older buildings that may sometimes be in poor condition. The city can support the rehabilitation of these units, to the benefit of low-income tenants and neighborhoods. Financial assistance could be provided through the existing rental rehabilitation program (as a low or zero interest loan), or as a grant or tax exemption to qualified properties. The city could make this assistance contingent on maintaining affordable rents for a certain period of time, and could couple receipt of assistance with technical assistance, education, or professional development--which may be especially valuable for smaller, "mom and pop" landlords.

To further entice landlords to participate in programs and maintain quality housing, support to enrolled landlords might include help finding tenants--for example, by creating a searchable listing of properties in the city's rental registry for prospective tenants to use. Landlords who participate in education programs or commit to maintaining properties and keeping housing affordable could also be included in a special directory or receive a special designation or badge that could be used in listings to signal their commitments to prospective tenants.

Taken together as a complete package, a full slate of programs could help create a community culture for safe, quality, accessible housing.

Expand the pool of landlords willing to accept tenants regardless of source of income, criminal history, or poor credit.

In focus groups, stakeholders and community members alike reported that it is increasingly difficult for certain renters to find housing: namely, tenants with housing vouchers, criminal history, or poor credit. The city can help ensure that housing is accessible to all Sioux Falls residents by expanding the pool of landlords who are willing to accept tenants regardless of source of income, criminal history, or poor credit. Landlord engagement and education, infrastructure to facilitate housing search, incentives or guarantees, and source of income laws are means to achieve this goal.

⁴⁴ Learn more about Minneapolis's 4d program at <https://www2.minneapolismn.gov/government/programs-initiatives/homes-development-assistance/4d-affordable-housing/>

Proactive outreach to landlords can help increase acceptance of Housing Choice Vouchers. This is important in order to increase the number of properties available to voucher holders, ensuring they are able to lease up in an appropriate unit and neighborhood. It can also increase economic integration across the city. Housing Choice Vouchers provide guaranteed payment of the part of rent that they cover, but landlords may hesitate to accept them if they are unfamiliar with the program, concerned about any obligations participation may place on them, or worried that voucher holders make challenging tenants.

To address these concerns, the city can support landlord education and engagement, providing information about the voucher program and benefits to landlords--whether through one-on-one conversations, prepared materials, or workshops. It may be most effective to conduct this outreach in partnership with the Sioux Falls Housing and Redevelopment Commission (Sioux Falls's public housing agency) or nonprofits and trade associations who already work closely with landlords.

Additional incentives can further encourage landlords to rent to voucher holders or other tenants they believe may be challenging. Three categories of incentives may be particularly relevant: assistance finding and working with tenants, mitigation funds or guarantees, or financial benefits granted per unit rented to a qualifying tenant.

The city--on its own or in partnership with community organizations--can facilitate tenant search for landlords (or properties) that agree to rent to tenants who may be perceived as challenging. For efficiency, the city might choose to invest in infrastructure hosted by another organization. For example, the Helpline Center (which is already known as a go-to for search services) could host a directory of properties with information about renter profiles they are willing to accept (e.g., voucher holders, felons, poor credit or no credit, prior eviction, etc.).

Search services could be bundled with additional support to encourage landlord participation--particularly landlord mitigation funds or guarantees. These funds can compensate landlords for missed rent payments or damage done by tenants, reducing risk to landlords in taking on potentially challenging tenants. In Sioux Falls, Rapid Rehousing programs administered by Interlakes Community Action Partnership have used this model to help secure housing for families experiencing homelessness.

The Seattle Housing Connector program is an example that combines search service with additional support: The program, developed in partnership with Zillow, hosts a listing platform where property owners can freely advertise available units. The program makes referrals to match residents to suitable properties. Additionally, the program partners with community organizations to provide case management and rental subsidy support for tenants; for landlords, the program offers damage mitigation funds, unit hold fees, and guaranteed rents, plus a single point of contact if issues arise, and assurance that tenants have case management to support them.⁴⁵

Some communities have begun to offer cash incentives to landlords for each unit rented to a qualified tenant or have conditioned fee waivers or tax abatements on a property owner's commitment to rent to tenants regardless of source of income. These incentives can be structured to increase rental opportunities in higher income neighborhoods in order to promote economic integration (e.g., signing bonuses to landlords who rent to voucher holders in property located in census tracts with a poverty rate below a set threshold).

⁴⁵ To learn more about Seattle Housing Connector, visit <https://www.housingconnector.com/>

Finally, for voucher holders specifically, some communities have passed source of income laws or ordinances. These regulations prohibit housing discrimination based on source of income (i.e., cash payment versus federal benefits like Social Security, Temporary ASsistance for Needy Families (TANF), or Housing Choice Vouchers). Already, properties that have HOME or LIHTC funding are prohibited under federal law from refusing to rent to someone because they have a housing voucher, but this law does not extend to properties without those funding sources.⁴⁶

Promote awareness of fair housing with educational opportunities.

Fair housing education is important to ensure that community members and property owners are aware of fair housing law, that community members understand their rights and protections under the law, and that property owners understand their obligations for compliance. Raising awareness of fair housing can help ensure compliance and enforcement, promoting equitable housing access for all members of the community.

Currently, the city makes fair housing materials available in print and online, and also offers free trainings--by request--through the City Attorneys and Human Relations department. At a minimum, the city should continue to offer these services, and also provide existing materials in multiple languages. Additionally, the city can take a more proactive approach to raising awareness of fair housing by conducting outreach and supporting community partners who provide fair housing education. Outreach should be tailored for various groups, including property owners (especially new landlords), the general public, and groups with protected status. The city can pursue innovative avenues for reaching these diverse constituencies.

For example, Montgomery County, Maryland developed a fair housing curriculum that is taught in all area high schools during 10th grade. To further leverage that outreach, part of the curriculum has students design posters for a contest, and winning posters are displayed on public buses during Fair Housing Month in April.

4. Build Programs to Support Housing Stability and Expand Housing Options

Housing does not exist in a vacuum, nor do social needs. In order to thrive, Sioux Falls residents need access to housing that is both stable and affordable when balanced against their other needs, which may include care for behavioral health problems, care for medical needs, transportation, food security, and childcare, among other things. More vulnerable residents will benefit from housing policies that put housing first, giving them a stable home from which to branch out to address other needs. Additionally, layering supportive services with assisted housing can help keep more vulnerable residents housed.

The city can support the development of supportive housing across a spectrum, from engaging landlords and offering landlord mitigation funds to increase access for more vulnerable tenants (discussed above), to expanding rental counseling and eviction prevention services, to developing permanent supportive housing programs that follow a housing first model.

⁴⁶ The Poverty & Race Research Action Council has compiled a list of state, local, and federal source of income laws, together with resources and sample languages for drafting local ordinances. It is available online at <https://www.prrac.org/pdf/AppendixB.pdf>

Expand rental counseling and eviction prevention services.

As a service, eviction prevention and rental counseling can help keep tenants housed. As COVID-19-related eviction moratoriums and rental assistance draw down, the need for rental counseling can be expected to rise. The city can plan ahead to support or expand existing rental counseling and eviction prevention programs in order to stave off a potential crisis. Rental counseling is in short supply, but a potentially valuable tool; it can help renters manage budgets and debt, reduce back rent owed, avoid eviction, or arrange for a mutual termination of a lease and a planned move as an alternative to eviction if they cannot afford current rent.⁴⁷

Nearby examples demonstrate the effectiveness of eviction prevention. In Ramsey County, Minnesota, an eviction prevention program combined legal and financial assistance with court-based mediators. The program measurably reduced eviction judgments and also increased eviction expungements, which can help tenants secure new rental housing. As further benefit to the community, such programs reduce burdens on the judicial system and increase stability in the rental market.⁴⁸

In Sioux Falls, East River Legal Services began a Housing Retention Specialist pilot program in 2021. The city should monitor outcomes of this pilot program and consider providing support to scale up if it is successful.

Encourage the development of permanent supportive housing, including options for people with mental health or substance use issues.

Supportive housing and housing first policies can help more vulnerable residents stay housed, giving them a stable home as they pursue treatment and recovery. Statewide trends from the Coordinated Entry System assessment and referral data indicate a significant gap between the need for permanent supportive housing and its availability. Focus group findings reinforce this conclusion: community stakeholders affirm the need for permanent supportive housing programs, especially for people with mental illness.

In Sioux Falls, Safe Home offers a successful example of permanent supportive housing. This 33-unit housing first program provides a home, together with case management and supportive services, for chronically homeless individuals with severe alcohol dependence. For residents, the program has successfully reduced visits to detox, hospital emergency departments, and jails, reducing public costs while benefiting residents.

⁴⁷ John Walsh, Gideon Berger, Janneke Ratcliffe, and Sarah Gerecke. "Increasing Rental Counseling Capacity and Awareness as a Prescription for COVID-19," a report from the Urban Institute and Mortgage Markets COVID-19 Collaborative, December 2020. Available online at https://www.urban.org/sites/default/files/publication/103402/increasing-rental-counseling-capacity-and-awareness-as-a-prescription-for-covid-19_0.pdf

⁴⁸ Mark Treskon, Solomon Greene, Olivia Fiol, and Anne Junod. "Eviction Prevention and Diversion Programs: Early Lessons from the Pandemic," a report from the Urban Institute and Housing Crisis Research Collaborative, April 2021. Available online at <https://www.urban.org/sites/default/files/publication/104148/eviction-prevention-and-diversion-programs-early-lessons-from-the-pandemic.pdf>

In general, successful permanent supportive housing programs share these characteristics: They are low-barrier, housing first programs where services are voluntary but assertive. In other words, the programs focus on housing stability, and residents will not lose their housing even if they choose not to participate in services. Nevertheless, service providers will assertively continue to invite residents to take part in case management, groups, treatment, employment counseling, or other services. A significant body of research demonstrates community cost savings from permanent supportive housing. By increasing housing stability, supportive housing programs can reduce the costs of healthcare, corrections, or homeless services.⁴⁹

This type of intervention is especially well suited to people with disabilities, mental illness, or substance use disorders; it can also benefit frail seniors and families with children. In the next decade, the population of seniors in Sioux Falls is expected to grow substantially, likely increasing the need for supportive housing for this population--on top of the current need for supportive housing for people with mental illness.

The city could help expand permanent supportive housing options by providing leadership to plan for a new program and apply for funding. Federal and grant funding is also available for permanent supportive housing and supportive services, including funding programs through HUD and through the Health Resources and Services Administration (HRSA), the Substance Abuse and Mental Health Services Administration (SAMHSA), CMS-Medicaid, and the Administration for Children and Families (ACF). This funding can be coupled with rental assistance available through project-based or tenant-based programs such as the Housing Choice Voucher program (which, in Sioux Falls as in most communities, primarily serves households in which at least one member is elderly or has a disability). Additionally, the city could help meet the need for additional permanent supportive housing by providing funding for start-up costs or operating subsidies for additional permanent supportive housing units.

Contextualize housing access among other social needs, including transportation, food security, healthcare, and childcare.

Housing is one piece of a bigger picture. For families, housing costs are part of a budget that may include transportation costs, childcare costs, food costs, medical costs, and other demands. By reducing the cost of these other pieces of the budget, the community can increase the proportion of income that families can comfortably direct toward housing. Discussions and planning around housing should be coupled with problem solving around transportation, childcare, food security, healthcare access, and other community needs. The city should work collaboratively--both internally and externally--to ensure equitable access to the gamut of services families need to thrive and to maintain their housing within their means. One approach is to package these services directly with housing--for example, providing subsidized childcare on-site in affordable housing developments. An alternative is to work citywide to ensure these needs are met.

⁴⁹ For a summary of current research on the value of permanent supportive housing for vulnerable populations, plus recommendations for implementation, see Ehren Dohler, Peggy Bailey, Douglas Rice, and Hannah Katch, "Supportive Housing Helps Vulnerable People Live and Thrive in the Community," Center on Budget and Policy Priorities, May 31, 2016. Available online at <https://www.cbpp.org/research/housing/supportive-housing-helps-vulnerable-people-live-and-thrive-in-the-community>

Appendix: Data and Methods

Many estimates in this report are based on data from the American Community Survey (ACS), the Census Bureau's ongoing survey that provides vital information on a yearly basis. Whereas the decennial census conducted every 10 years is intended to reach every person in the country, the ACS surveys a sample of the population, so reported figures are estimates.

ACS data are available in 1-year (12 months of collected data) and 5-year (60 months of collected data) estimates. Although 1-year estimates provide the most current data, they rely on a smaller sample size and are less reliable than the 5-year estimates, especially when analyzing small subpopulations. Where data quality allow, 1-year estimates have been used. Where 1-year estimates are unreliable, 5-year estimates have been used. ACS data are released on a lag, so the most recent estimates available for this report are from 2019 (or, for the 5-year estimates, the period from 2015 to 2019).

Typically, the Census Bureau releases updated ACS results every year--both 1-year estimates and 5-year estimates. However, the Census Bureau announced late in July 2021 that they would not make 2020 ACS 1-year estimates available and recommended relying on 2019 estimates instead; 5-year estimate may become available after this report's publication, but as of this writing, the Census Bureau is still working to determine COVID's impact on when or whether they will be available.

Limited data from the 2020 decennial census results were available for this report, and they have been integrated where possible.

ACS data are also used to create custom tabulations, such as the HUD Comprehensive Housing Affordability Strategy (CHAS), which is a dataset used to demonstrate the extent of housing problems and housing needs, particularly for low-income households. CHAS data are released with an additional lag behind ACS releases.

In addition to providing ACS tables, the Census Bureau makes available a set of untabulated records about individual people or housing units, called Public Use Microdata Samples, or PUMS. These PUMS files allow users to create custom tables not available through pre-tabulated ACS data products. PUMS records contain individual response information, but they do not contain names, addresses, or any information that can identify a specific housing unit or person.

For this report, PUMS data were used to estimate the housing gaps depicted in section 2.6.1. The housing gap analysis in this report is modeled off the methodology developed by the National Low Income Housing Coalition and Urban Institute, which they use to describe affordable housing needs nationally and in the 50 largest metropolitan areas in a periodic report called "The Gap: The Affordable Housing Gap Analysis."⁵⁰

Because housing and income values in the PUMS data do not account for household size, number of rooms, or utility costs, these were adjusted to allow for proper comparison. Reported household income was multiplied by a scaling coefficient based on a set of weights used by HUD to inflate or deflate income to reflect household size, using a four-person household as the vixen standard. Reported housing costs were also adjusted for households

⁵⁰ The 2021 report is available online at https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2021.pdf

that did not report utility costs and for vacant units, which have no utility costs. They were multiplied by the median percentage of difference between contract rent (cash rent) and gross rent (rent including utilities) for all households. Next, housing costs were adjusted for the number of bedrooms in the unit by using a set of weights published by HUD. To estimate the housing affordability gap, adjusted housing costs were compared to adjusted household income at the 30% and 50% MFI thresholds.

For owner-occupied homes, calculating the housing affordability gap requires an extra step. Although PUMS data includes a variable for selected monthly owner costs and selected monthly owner costs as a percentage of income, the analysis concerns affordability for potential buyers, not current owners, so these variables are not appropriate. Instead, the analysis uses median home value as a proxy for purchase price. The maximum affordable home value for a homebuyer at each MFI threshold was estimated based on current interest rates and property taxes.

Finally, the number of units that were affordable to households at various income thresholds was counted. A unit was considered affordable if the adjusted rent or adjusted housing value was equal to or below 30% of the designated income cutoff. A unit was counted as both affordable *and available* if the housing unit satisfied one of two additional criteria:

1. The unit was either listed as "vacant - for rent" (for available rental units) or "vacant - for sale" (for units available to purchase, *or*
2. The unit was already occupied by a household with a reported income at or below the income threshold in question.

Units that are affordable for a household within a given income threshold but occupied by a household above that threshold are affordable, but not available.

The housing affordability gap for each income threshold and tenure (renters or homeowners) was calculated by the ratio of affordable and available units to households.