BARRIERS to APARTMENT CONSTRUCTION

SIOUX FALLS

BARRIERS RANKING[1]	NEW MF DEMAND[2]	HIGH RENT BURDEN[3]	STAR SHARE[4]
22	3.9k	34%	23%

MEDIAN RENTAL HOUSEHOLD INCOME — $32,640

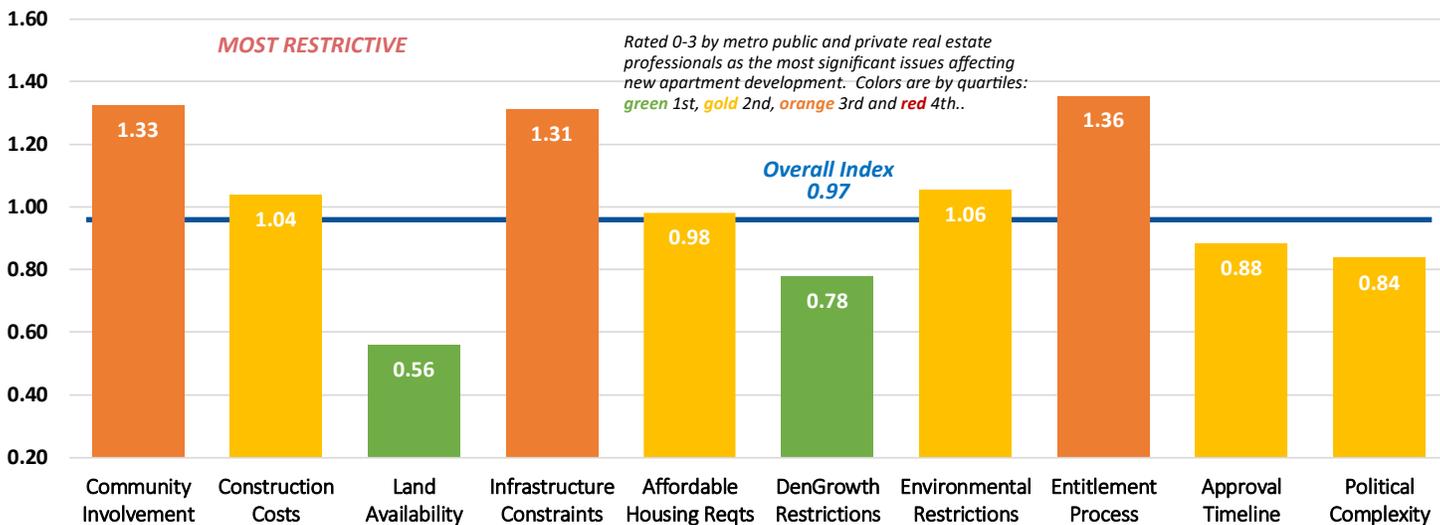**INCOME REQUIRED FOR AVERAGE RENT[5]** — $34,480

MOST RESTRICTIVE APARTMENT CATEGORIES:

➤ **ENTITLEMENT PROCESS**
➤ **COMMUNITY INVOLVEMENT**
➤ **INFRASTRUCTURE CONSTRAINTS**

The smaller Sioux Falls metro ranks above median of major markets as least restrictive to new apartment development with an overall index of 0.97, similar to much larger metros like St. Louis, Seattle and Austin. Respondents cite community involvement as the top local barrier, mostly from local opposition. Infrastructure constraints are tied to availability and impact fees. The entitlement process is also cited, driven by unsupportive land use regulations; City Council is considering doubling D2 zoning setbacks to 30 feet, impacting both land use and new housing counts. Interestingly, the barrier of land availability scored high in most every other market is seen as least restrictive in Sioux Falls. Median renter incomes rank near the bottom of major markets, yet just 5.0% below the requirements for average Sioux Falls market rents of $865. Over a third of renters are paying more then 35% of income for their lease. Local advocates see a significant need for affordable and workforce housing often held in check by overall rising costs of development.

Barriers to Apartment Construction Subindices

MOST RESTRICTIVE

Rated 0-3 by metro public and private real estate professionals as the most significant issues affecting new apartment development. Colors are by quartiles: green 1st, gold 2nd, orange 3rd and red 4th..

Overall Index 0.97

Category	Value
Community Involvement	1.33
Construction Costs	1.04
Land Availability	0.56
Infrastructure Constraints	1.31
Affordable Housing Reqts	0.98
DenGrowth Restrictions	0.78
Environmental Restrictions	1.06
Entitlement Process	1.36
Approval Timeline	0.88
Political Complexity	0.84

BARRIERS INDEX METHODOLOGY:

These NAA HAS Barriers to Apartment Construction indices were created from over 90 apartment development, process and timing questions in ten categories and sourced digitally from real estate professionals in both the public and private realms. An initial overall metro **Barriers to Apartment Construction** *Index* is also plotted above.

DEFINITIONS and NOTES:

[1]**BARRIERS RANKING** is the relative ranking among 58 major metro apartment markets based upon the average index of each metro from the least restricted to the most; ranges from 1 (Albuquerque) to 58 (San Jose). Rankings consider expert responses from throughout the extended metro that includes but not isolates the urban core.

[2]**NEW MF DEMAND** is the updated total demand for new multifamily units (in thousands) through 2030 based upon the forecasted total rental housing demand 2017-2030 from the NAA-NMHC demand study by HAS: *U.S. Apartment Demand—A Forward Look (2017)*; ranges from 3,890 (Sioux Falls) to 222,589 (New York).

[3]**HIGH RENT BURDEN** refers to that share of 2017 households spending over 35% of combined household income on rent; major metro ranges from 56% and rents of $1,370 (Miami) to 38% and rents of $865 (Sioux Falls) with a major metro average of 43%.

[4]**STAR SHARE** is that share of metro rental housing stock with five or more units HAS qualified as *Second-Tier Affordable Rentals or those non-institutional sites of typically lower unit count, lower quality and greater age, often overlooked as crucial affordable housing already in place. Using CoStar® ratings of 1-5 for sites of five units or more, STAR is the lower ratings of 1-2. This share ranges from 61% (Los Angeles) to 17% (Austin) with a major metro average of 36%.

[5]**INCOME REQUIRED FOR AVERAGE RENT** assumes a more conservative 30% of rental household income needed for the average metro contract rent.

NAA NATIONAL APARTMENT ASSOCIATION   HAS