



HOUSING MARKET STUDY FINDINGS & RECOMMENDATIONS

CITY OF LAWRENCE

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Presented by

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AGENDA

- Findings from Housing Market and Needs Analysis
- Recommendations
- Discussion & Next Steps

STUDY ELEMENTS

Assessment of Lawrence Housing Needs

- Housing availability
- Housing affordability
- Unmet needs

Assessment of Community Culture & Perceptions of Needs

- Resident surveys
- Employer survey
- Landlord survey
- Stakeholder focus groups

Recommendations and Strategic Plan

DEMOGRAPHIC PROFILE

Residents and Population

Household Characteristics

Income Trends

Poverty

SOCIOECONOMIC TRENDS

- ▶ 2017 Population = **99,496**
- ▶ Strongest period of growth in the last three decades occurred between 1990 and 2000 (**22%** growth, or 15,000 residents)
- ▶ Current decade is on track to reach **15%** growth, or a gain of 14,000 residents
- ▶ Share of owners (**46%**) and renters (**54%**) has remained relatively the same over the last 15 years
- ▶ Household and family composition in Lawrence has remained unchanged since 2010.
- ▶ The age distribution of residents is shifting due to decline in young adults (20 to 24 years old, down 2,100 from 2010) and increase older seniors (55+ years, up 2,800)

Source: 1990 and 2000 U.S. Census, Lawrence Planning and Development Services, 2016 1-year ACS.

SOCIOECONOMIC TRENDS

About 1 in 10 Lawrence residents have a disability **(10,200)**.
30%, or **3,000**, are seniors

Most common disabilities:

- ▶ Cognitive (5,200 residents)
- ▶ Ambulatory/physical (4,300)
- ▶ Independent living (2,300)

SOCIOECONOMIC TRENDS

City has substantially more owners earning **\$100,000+** in 2016 than in 2000 (**27 percentage point increase**)

...yet not many more renters earning **\$100,000+**
(4 percentage point increase)

...but **fewer** renters earning **less than \$25,000**
(17 percentage point decrease)

Poverty is about average after adjusting for students

Source: 2000 U.S. Census and 2016 1-year ACS.

SOCIOECONOMIC TRENDS

Lawrence Households	2000	2016	Percentage Point Change	Numerical Change
Owners				
Less than \$25,000	14%	8%	-6%	(638)
\$25,000-\$50,000	28%	10%	-19%	(2,506)
\$50,000-\$75,000	26%	24%	-1%	345
\$75,000-\$100,000	15%	13%	-1%	78
\$100,000+	17%	44%	27%	4,824
Total	100%	100%		2,103
Renters				
Less than \$25,000	56%	39%	-17%	(1,763)
\$25,000-\$50,000	31%	33%	2%	1,363
\$50,000-\$75,000	9%	16%	6%	1,547
\$75,000-\$100,000	3%	7%	5%	989
\$100,000+	1%	5%	4%	832
Total	100%	100%		2,968

Source: 2000 U.S. Census and 2016 1-year ACS.

HOUSING COSTS & AFFORDABILITY

Affordability Primer

Ownership Trends

Rental Trends

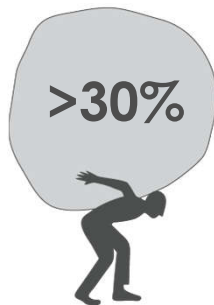
Housing Needs

WHAT IS AFFORDABLE HOUSING?

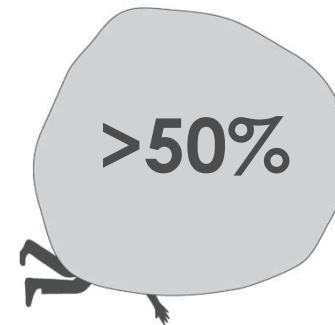
Federal definition of affordability:

- 1) Housing costs are “affordable” if they do not exceed 30% of household's gross monthly income
- 2) “Costs” include basic utilities, mortgage insurance, HOA fees and property taxes

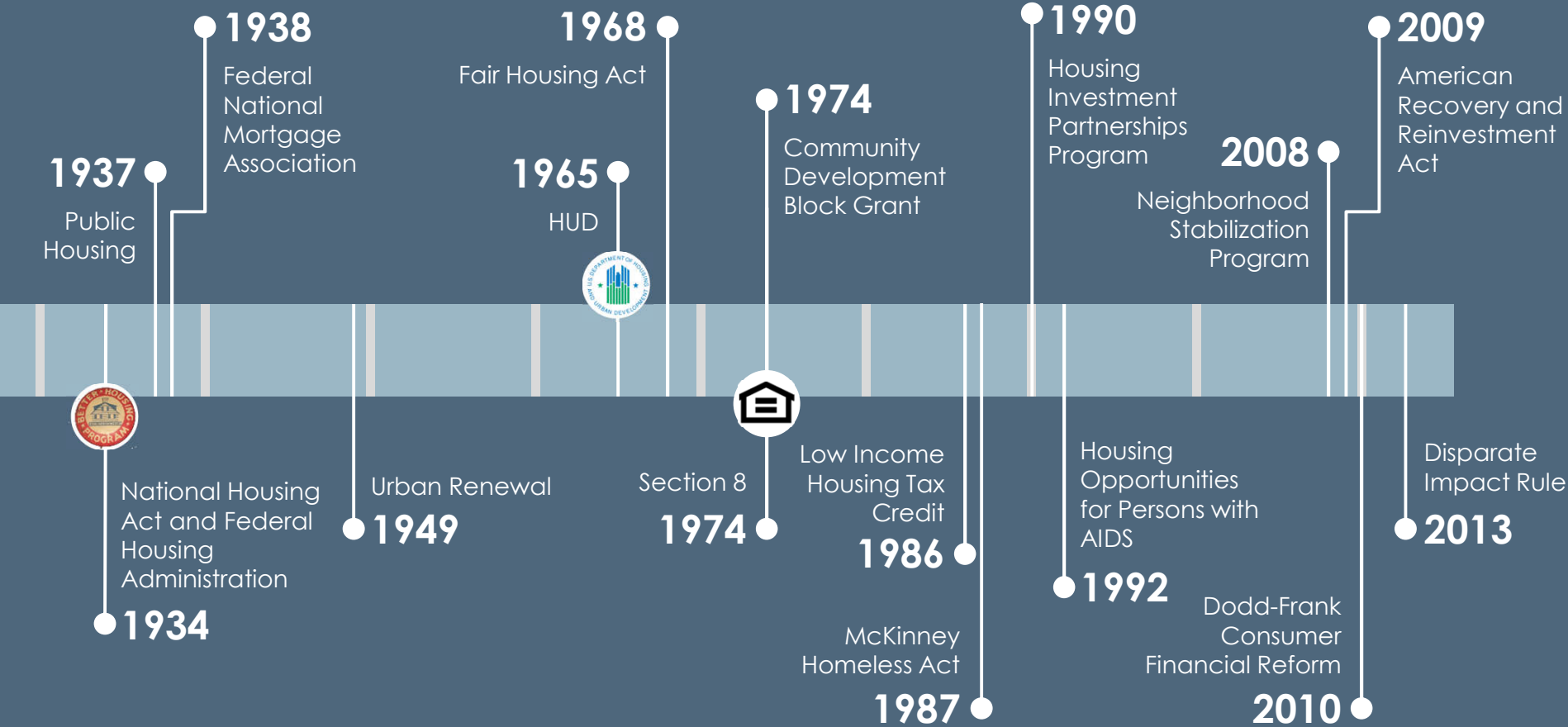
Households paying >30% for housing are **“cost burdened”**



Households paying >50% for housing are **“severely cost burdened”**



EVOLUTION OF AFFORDABLE HOUSING POLICIES AND PROGRAMS



PRIMARY PROGRAMS

Rental Programs

Provide direct subsidies to renters:

- ▶ Housing choice voucher/Section 8
- ▶ Other types of tenant based rental assistance (TBRA)

Create affordable rental housing:

- ▶ Public housing
- ▶ Low Income Housing Tax Credit (LIHTC)
- ▶ Home Investment Partnerships
- ▶ Local revenue streams

Homeownership Programs

Provide direct subsidies to owners:

- ▶ Home mortgage interest tax deduction
- ▶ Federally subsidized mortgage insurance
- ▶ Downpayment/low interest rate purchase assistance

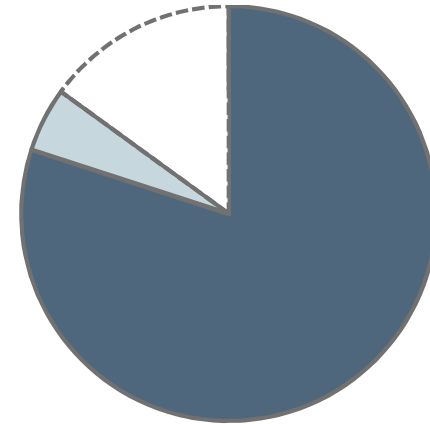
Create affordable ownership housing:

- ▶ Home Investment Partnerships
- ▶ Private sector incentives
- ▶ Land trusts
- ▶ Local revenue streams

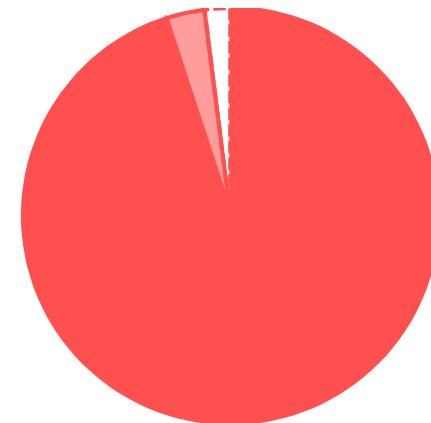
THE ROLE OF PRIVATE SECTOR IN PROVIDING HOUSING

It is **critical** that the private sector is part of affordable housing strategies

80-85%
Rental Units



95-98%
Homes



WHY DO WE HAVE AFFORDABLE HOUSING NEEDS?

- 1) Physical development of housing **lags behind the factors** that create demand (direct assistance more flexible)
- 2) **Inconsistent philosophies** if/how the government should address housing needs and poverty
- 3) Housing initiatives often driven by **other policy goals**
- 4) Housing is **very dynamic**, closely tied to many aspects of the economy: **interest rates, tax incentives, returns on capital, employment levels, demographic shifts, in-migration**

INCOME THRESHOLDS & TARGET HOUSING

Note: MFI = HUD Median Family Income, 3-person household

“extremely” low income
=< \$21,400 per year, poverty level

< 30% MFI



Public housing, Section 8, tenant-based rental assistance, transitional housing, other deeply subsidized rentals.

“very” low income
\$21,400-\$35,600 per year

30-50% MFI



Public housing, Section 8, rental tax credit developments, other rental products. Shared equity and land trust for homeownership.

“low” income
\$35,600-\$57,000 per year

50-80% MFI



Generally live in privately provided rental housing. Ownership with shared equity, land trust, other deed-restricted products, attached homes, homes in affordable areas.

“median” to “moderate” income
\$57,000-\$85,500 per year

80-120% MFI



Privately provided rental housing. General target for homeownership programs. At 120%, can often buy without assistance in affordable areas.

CURRENT HOUSING COSTS: LAWRENCE

MEDIAN MONTHLY RENT

= **\$850**

- ▶ Higher for students than non-student renter or seniors

MEDIAN MONTHLY MORTGAGE (+INSURANCE/TAXES)

▶ All homeowners = **\$1,500**

▶ Seniors = **\$865**

Median home price =
\$240,000 to \$260,000
depending on source

CURRENT HOUSING COSTS: **REGION**

GROSS RENT

(CENSUS, 2016)

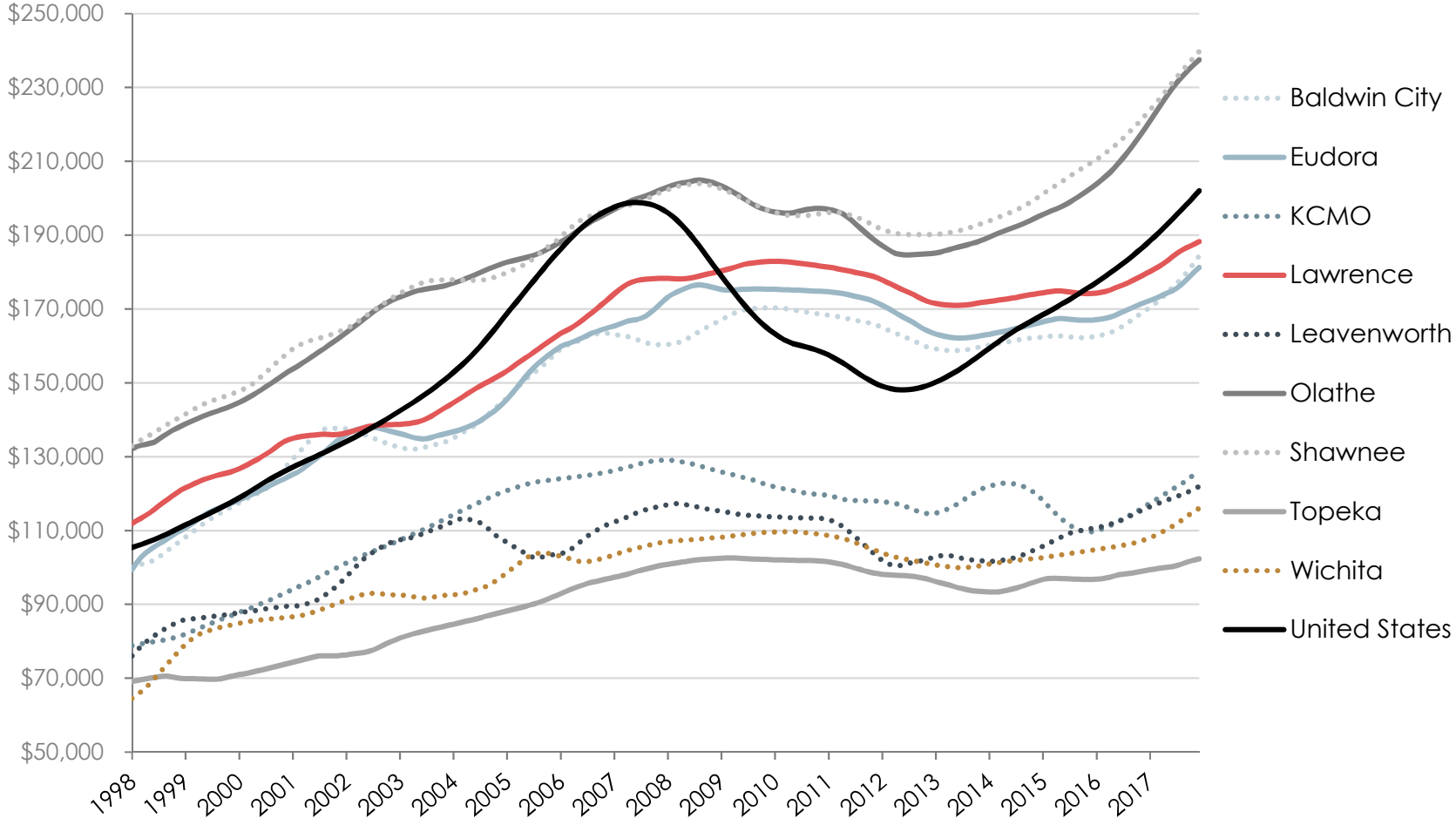
- ▶ Lawrence = \$850
- ▶ Topeka = \$724
- ▶ KCMO = \$826
- ▶ Manhattan = \$882

MEDIAN LIST PRICE

(ZILLOW, Q1 2018)

- ▶ Lawrence = \$260,000
- ▶ Topeka = \$108,950
- ▶ KCMO = \$180,000
- ▶ Manhattan = \$215,000

HOMEOWNERSHIP AFFORDABILITY TRENDS



HOMEOWNERSHIP AFFORDABILITY TODAY

Households can afford to buy more today due to interest rate declines. However, a higher priced home means a larger downpayment.

Household Income	Affordably Priced Home		
	<u>2001</u>	<u>2018</u>	<u>2019</u>
\$36,000 (50% MFI)	\$82,000	\$110,000	\$100,000
\$57,000 (80% MFI)	\$150,000	\$201,000	\$180,000
\$71,000 (100% MFI)	\$196,000	\$262,000	\$240,000
\$86,000 (120% MFI)	\$240,000	\$324,000	\$290,000

Note: Interest rates assumed = 8.0% in 2001, 4.625% in 2018. 2019 assumes interest rate of 5.5%. Adjusted for changes in property taxes.

HOMEOWNERSHIP AFFORDABILITY TRENDS

Median Price, Sold and Listed Homes

	2001	2006	2016	2017	2018	Change, 2001-2018
All	\$129,900	\$164,950	\$186,900	\$190,204	\$239,700	85%
Single Family Detached	\$134,700	\$174,900	\$199,900	\$215,000	\$259,900	93%
Condominium	\$74,000	\$82,000	\$83,000	\$84,400	\$88,950	20%
Townhome	\$110,000	\$138,750	\$135,000	\$141,750	\$167,000	52%
Rural Residential	\$196,700	\$274,500	\$275,000	\$336,500	\$330,000	68%
Rural Subdivision	\$204,900	\$305,000	\$369,000	\$279,900	\$427,250	109%

Source: MLS.

HOMEOWNERSHIP AFFORDABILITY TODAY

Market Demand Indicators

	2001	2016	2018
Sold homes, median amount over asking price	\$0	(\$1,000)	\$0
Sold homes, median % over asking price	0%	-1%	0%
No. sold for cash only	56	181	25
% sold for cash only	5%	17%	16%
Median days on the market	23	22	8
Range (low-high) days on the market	0-309	0-538	0-110

Source: MLS.

HOMEOWNERSHIP AFFORDABILITY TODAY

Current choices for ownership by type and price

HUD Income Category	Income Maximum	Affordable Home Price Maximum	No. of Homes Listed/ Sold	% Single Family Detached	% Condos	% Townhomes	% Rural
Very low income	\$35,600	\$110,000	38	31%	37%	32%	0%
Low income	\$57,000	\$201,000	214	70%	0%	27%	3%
Median income	\$71,250	\$262,000	88	89%	1%	8%	2%
Moderate income	\$85,500	\$324,000	86	77%	0%	16%	7%
High income	\$106,875	\$416,000	78	92%	3%	4%	1%
Highest income	\$107,000+	\$416,000+	95	82%	3%	0%	15%

WANT-TO-BE OWNERS AND WANT-TO-MOVERS

Want to own:

- ▶ 50% of non-student renters; 11% of student renters
- ▶ Incomes of **\$35,000** to **\$75,000**, affording homes between **\$110,000** and **\$262,000**
- ▶ Aged 35-44, employed full (**61%**) or part time (**10%**), do not have children, and have small household sizes (2.2 persons/hh)

Want to move

Young adults & students

v.

Want to stay

45-54 year olds

Families w/ children

HOMEOWNERSHIP AFFORDABILITY TODAY

Owner gaps:

72% of renters earn less than 80% of AMI. Units affordable:

All homes = 41%

Condos = 70%

Townhomes = 71%

Single family homes = 34%

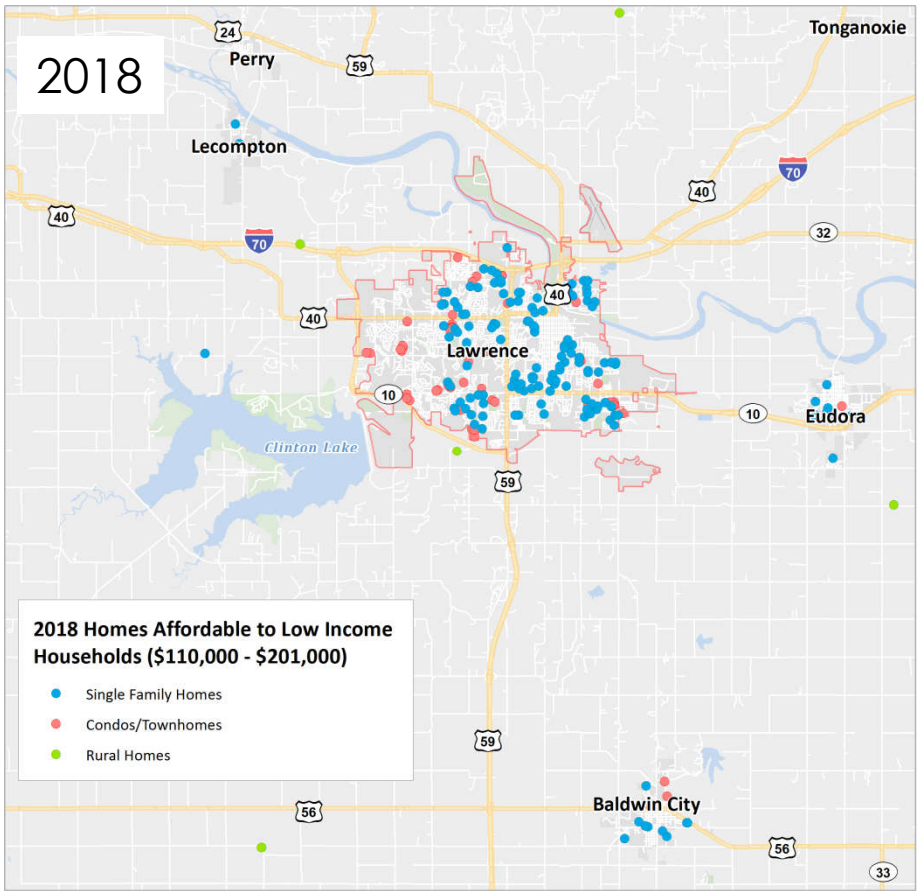
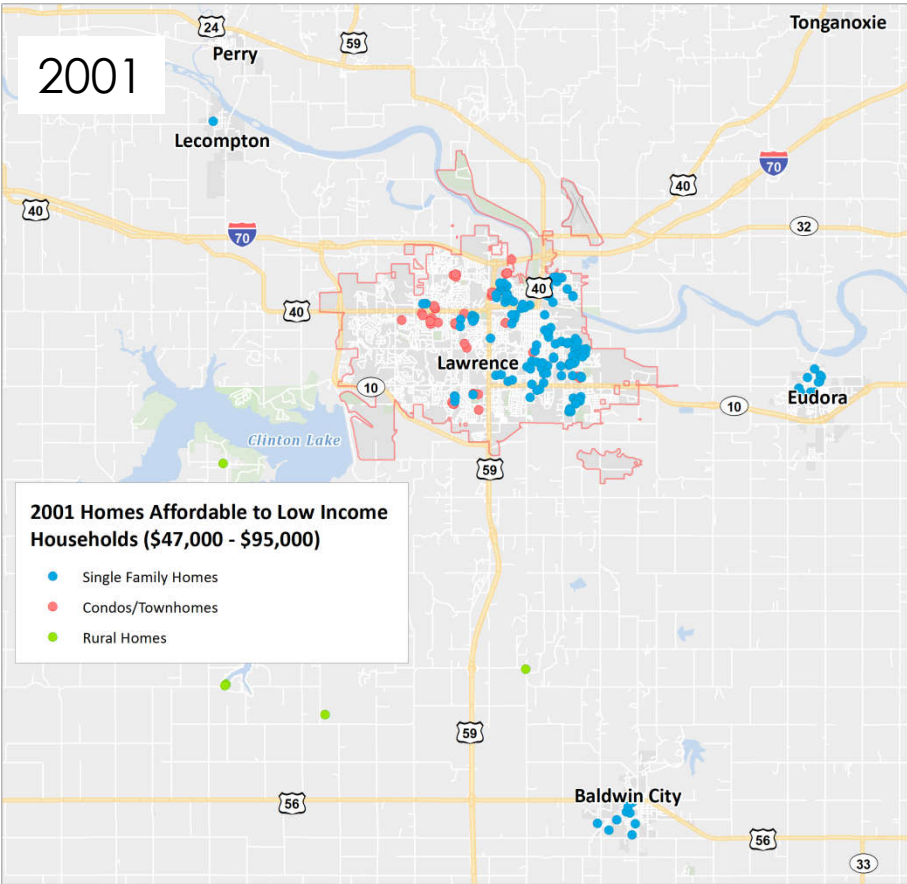
Projected to be 30% of inventory by 2028

Estimated **2,000 to 3,000 renters** who earn \$35,000-\$75,000, are employed and want to buy v. **250 affordable units** (sold and listed to date in 2018)

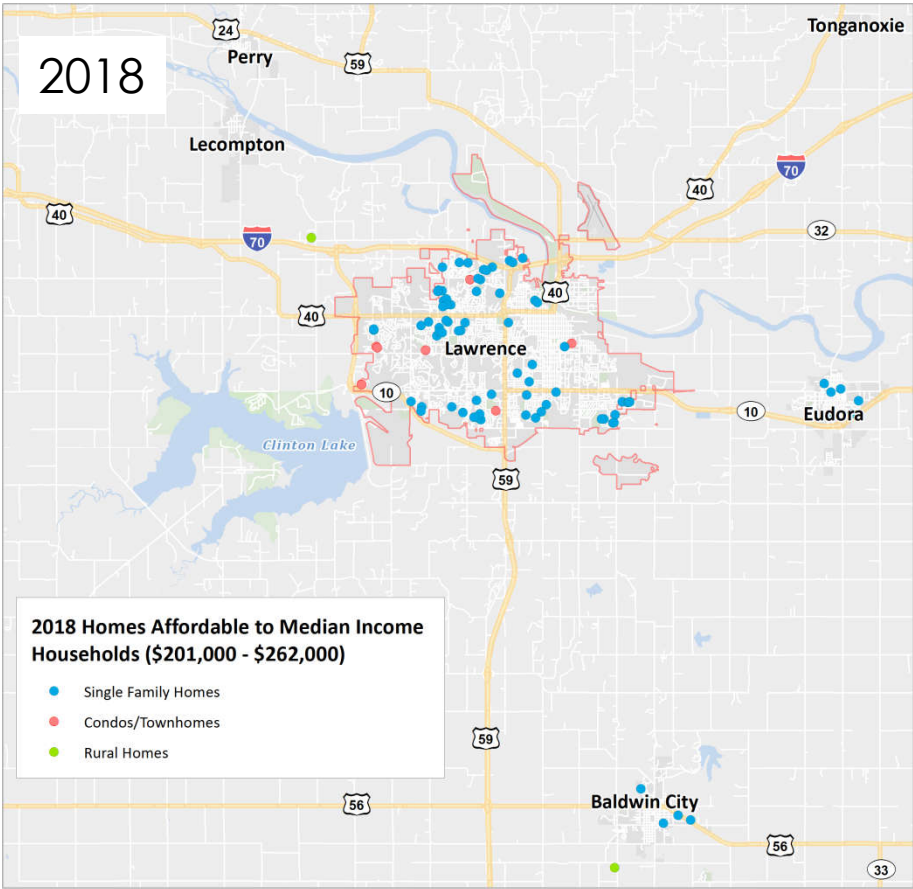
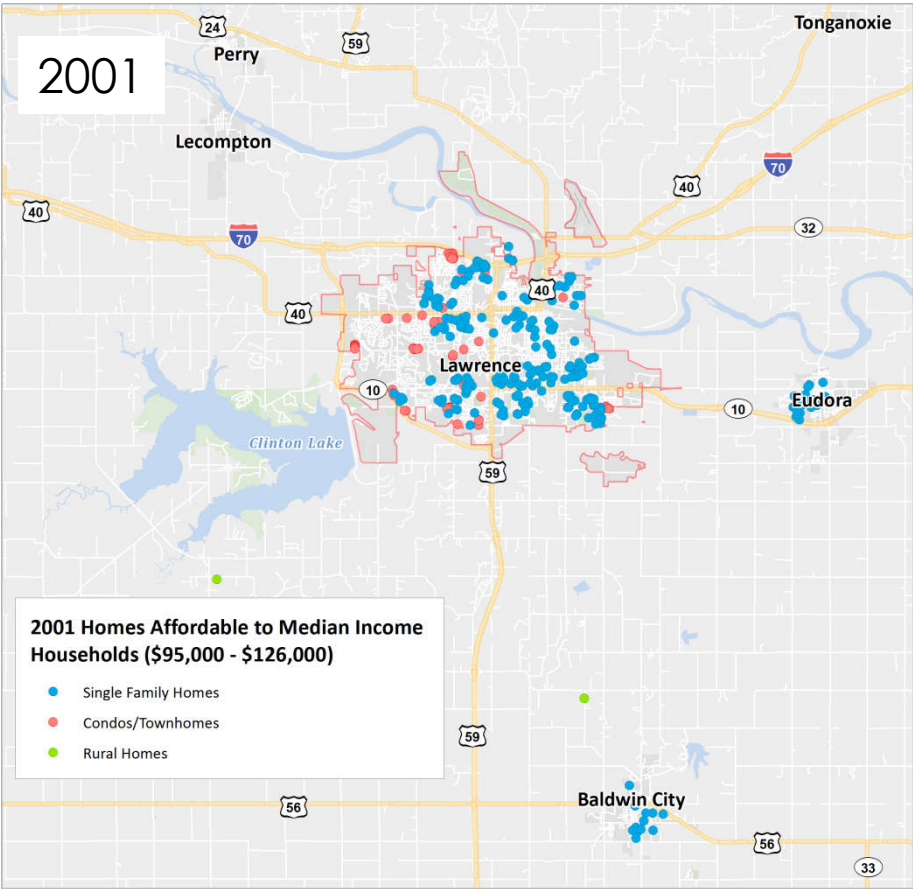
Future affordability:

By 2028, median single family home for sale will cost \$375,000; townhomes \$240,000; condos \$128,000

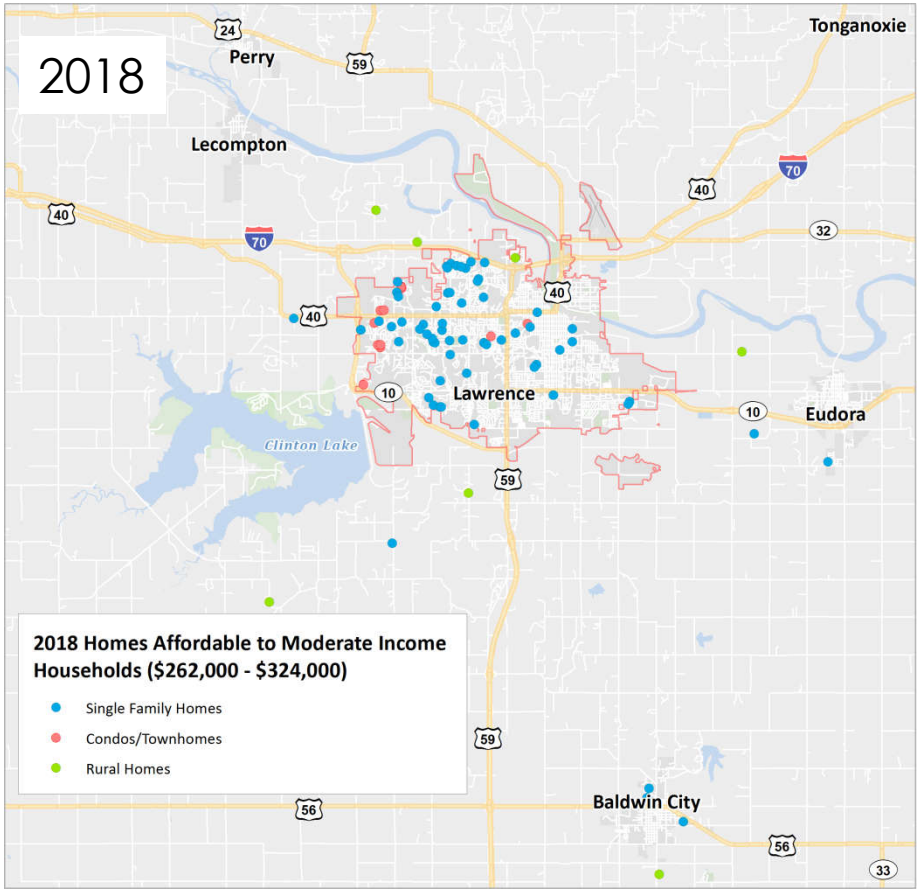
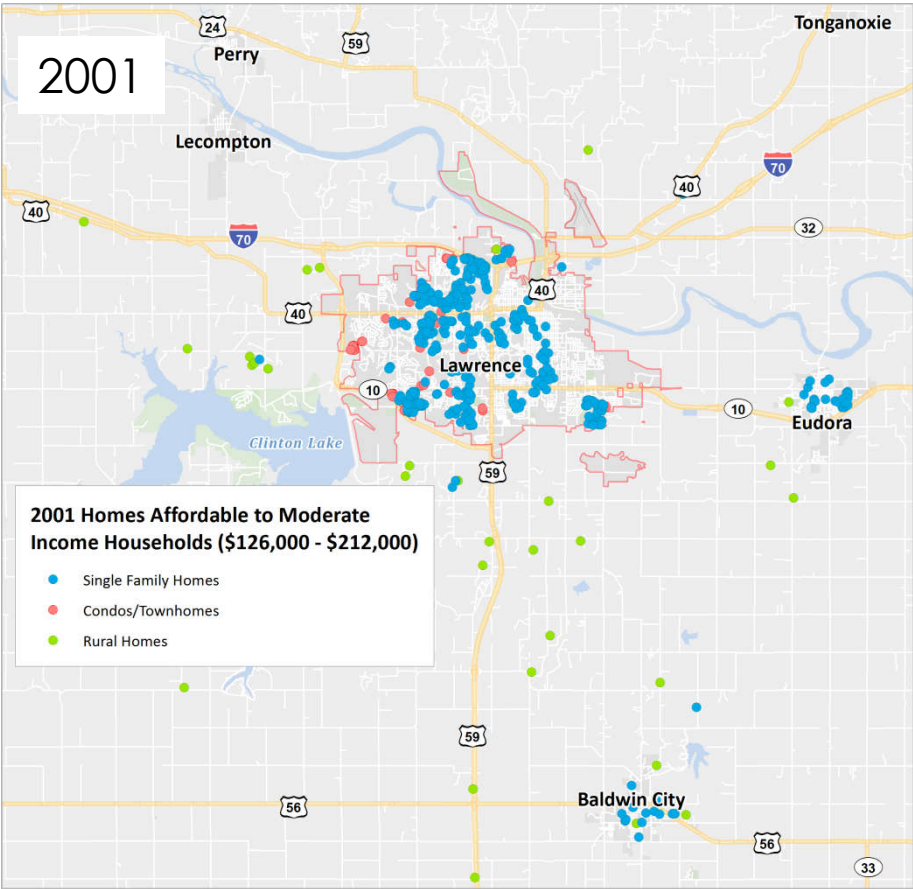
HOMEOWNERSHIP AFFORDABILITY: LOW INCOME



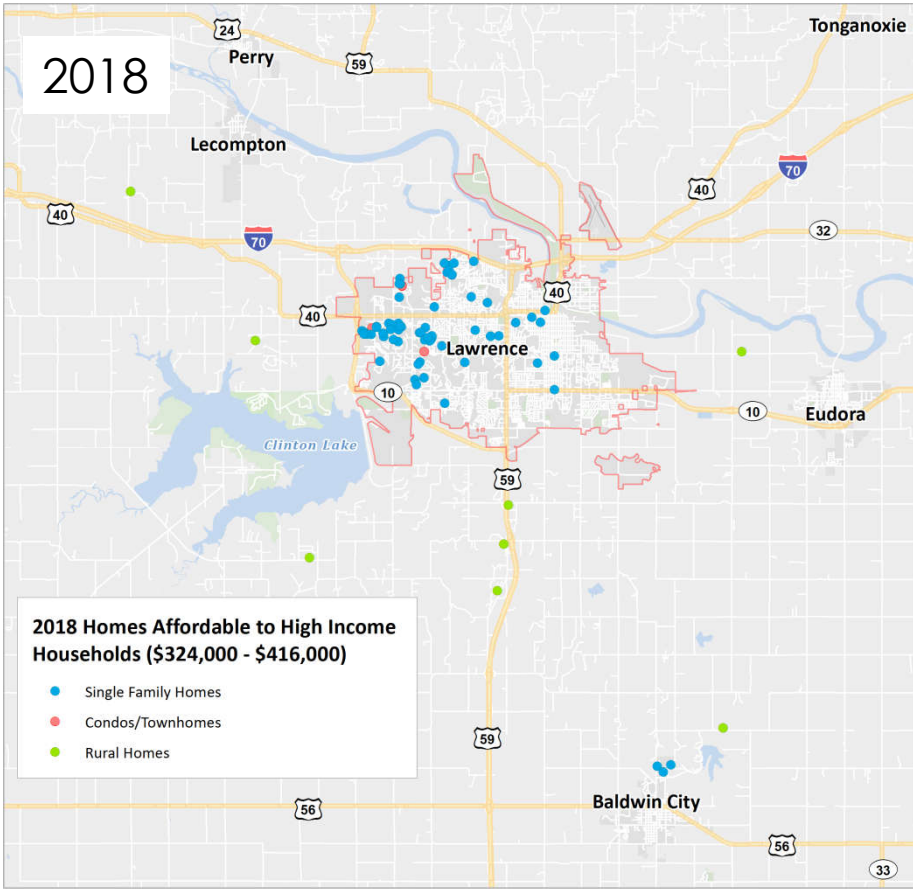
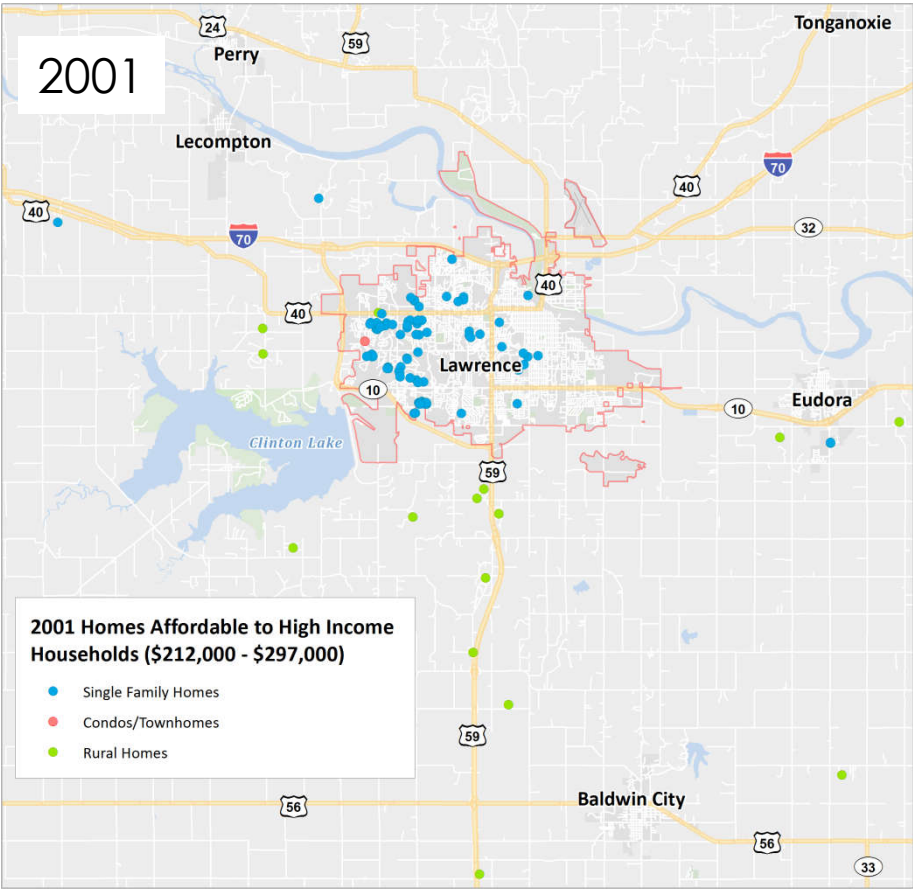
HOMEOWNERSHIP AFFORDABILITY: MEDIAN INCOME



HOMEOWNERSHIP AFFORDABILITY: MODERATE INCOME



HOMEOWNERSHIP AFFORDABILITY: HIGH INCOME



PAST AND CURRENT RENTAL GAPS

Renter Incomes	Maximum Rent and Utilities Monthly Payment	2000				2016				Change, 2000 to 2016		
		Renter Households	Rental Units	% of Rental Units	Gap	Renter Households	Rental Units	% of Rental Units	Gap	Renter Households	Rental Units	Gap
Less than \$5,000	\$125	1,757	351	0%	(1,407)	1,321	-	0%	(1,321)	(436)	(351)	86
\$5,000-\$9,999	\$250	2,021	1,188	7%	(834)	1,155	359	2%	(796)	(866)	(829)	38
\$10,000-\$14,999	\$375	2,012	3,035	18%	1,023	2,022	97	0%	(1,926)	10	(2,938)	(2,948)
\$15,000-\$19,999	\$500	1,869	5,122	31%	3,253	1,944	715	4%	(1,230)	75	(4,407)	(4,482)
\$20,000-\$24,999	\$625	1,853	3,038	18%	1,185	1,307	1,995	10%	688	(546)	(1,044)	(498)
\$25,000-\$34,999	\$875	2,762	2,910	17%	148	3,675	6,809	35%	3,134	913	3,900	2,987
\$35,000-\$49,999	\$1,250	2,482	847	5%	(1,636)	2,932	5,881	30%	2,949	450	5,034	4,584
\$50,000-\$74,999	\$1,875	1,591	97	1%	(1,494)	3,138	2,552	13%	(586)	1,547	2,455	908
\$75,000-\$99,999	\$2,500	454	13	0%	(441)	1,443	692	4%	(751)	989	679	(310)
\$100,000+	\$2,500+	222	42	0%	(180)	1,054	609	3%	(445)	832	567	(265)
		17,023	16,640	100%		19,991	19,707	100%		4,653	4,788	

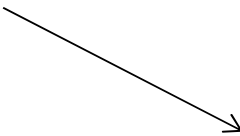
RENTAL GAPS: WHY DID THE GAP INCREASE?

Increase is largely due to a dramatic shift in the number of units priced at less than \$500/mo (affordable to renters earning < \$20,000/year)

Impact is partially offset by a decline in low income renters

Units affordable to:

	<u>2000</u>	<u>2016</u>
Renters earning < \$20,000	56%	6%
\$20,000 to \$25,000	18%	10%
\$25,000 to \$35,000	17%	35%



STAKEHOLDER PERSPECTIVES: FOCUS GROUPS, INTERVIEWS

- ▶ Affordable, accessible housing is **extremely** difficult to find. Many seniors are “over” housed in less than ideal homes. Accessibility requirements in the Fair Housing Act are inadequate to meet needs of persons with disabilities
- ▶ Transitional housing is needed for domestic violence survivors, youth aging out of foster care
- ▶ Housing+supportive services are needed for persons with mental illnesses. Property owners have no incentive to rent to populations perceived as “hard to house”

RENTAL AFFORDABILITY: STUDENT EFFECT

- ▶ According to the survey, students pay higher monthly rents than non-students, especially seniors
- ▶ **44%** of students receive help from their parents for rent
- ▶ Students are frequent movers, with **67%** moving in the past year
- ▶ **50%** live in apartments, **14%** live single family homes, **9%** live in attached housing (townhome, duplex)
- ▶ **Only 6%** of students had to move in the past three years against their wishes

ENGAGEMENT

Surveys

Interviews and Focus Groups

ASSESSMENT OF COMMUNITY CULTURE AND PERCEPTIONS OF NEEDS

Resident surveys (n=472 and n=1,978)

Employer surveys (n=57)

Landlord surveys (n=392)

Stakeholder focus groups

Supplemental interviews

Resident surveys include a statistically valid, random phone survey and a supplemental online survey open to all residents

TOP 3 MOST IMPORTANT FACTORS IN CHOOSING CURRENT HOME

Cost/I could afford it

All Lawrence residents
Homeowners
Renters
Families with children
Seniors
Students
Non-students
Non-student renters

Allows pets/dogs

Non-student renters

Close to college/ university

All Lawrence residents
Renters
Students
Non-student renters

Number of bedrooms

All Lawrence residents
Renters
Seniors
Students
Non-student renters

Like the neighborhood

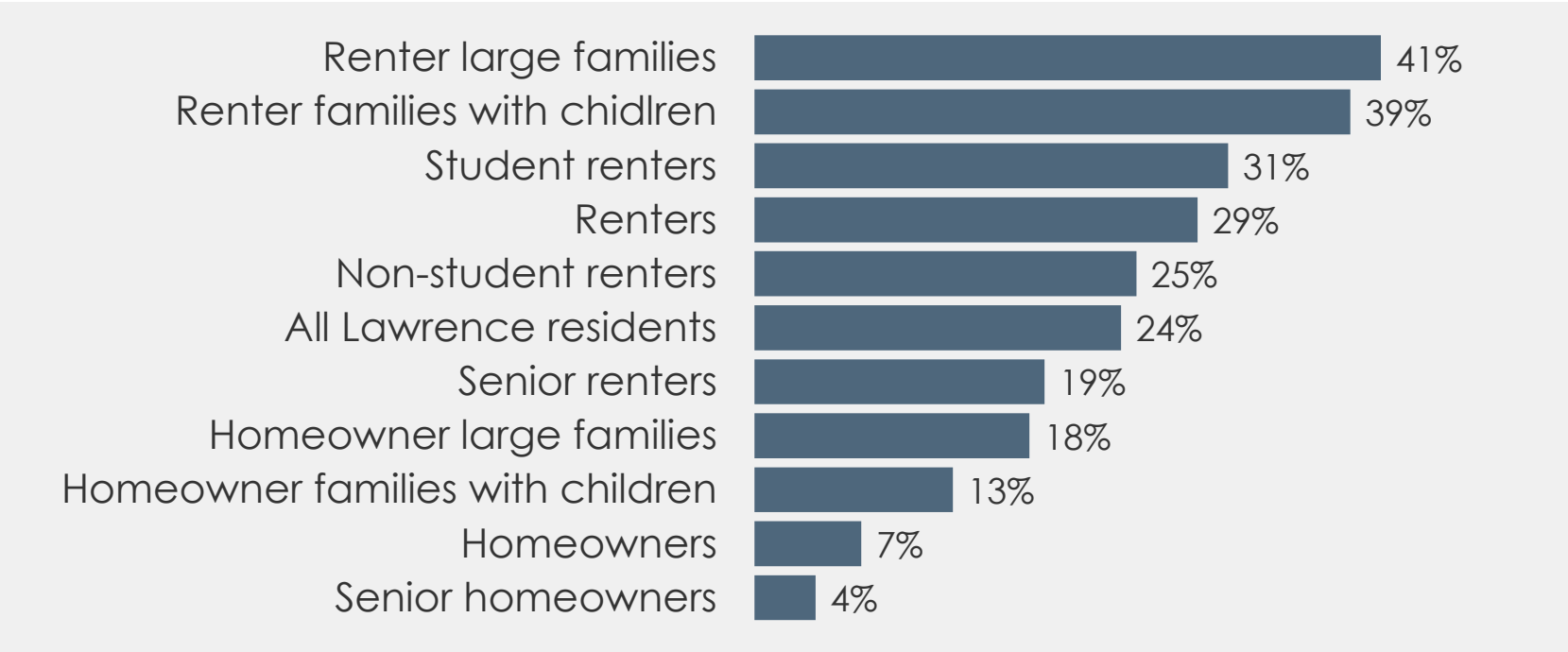
Homeowners
Families with children
Seniors
Non-students

Close to quality public schools/district

Homeowners
Families with children

HOME CONDITION

Percent with homes in *fair or poor* condition



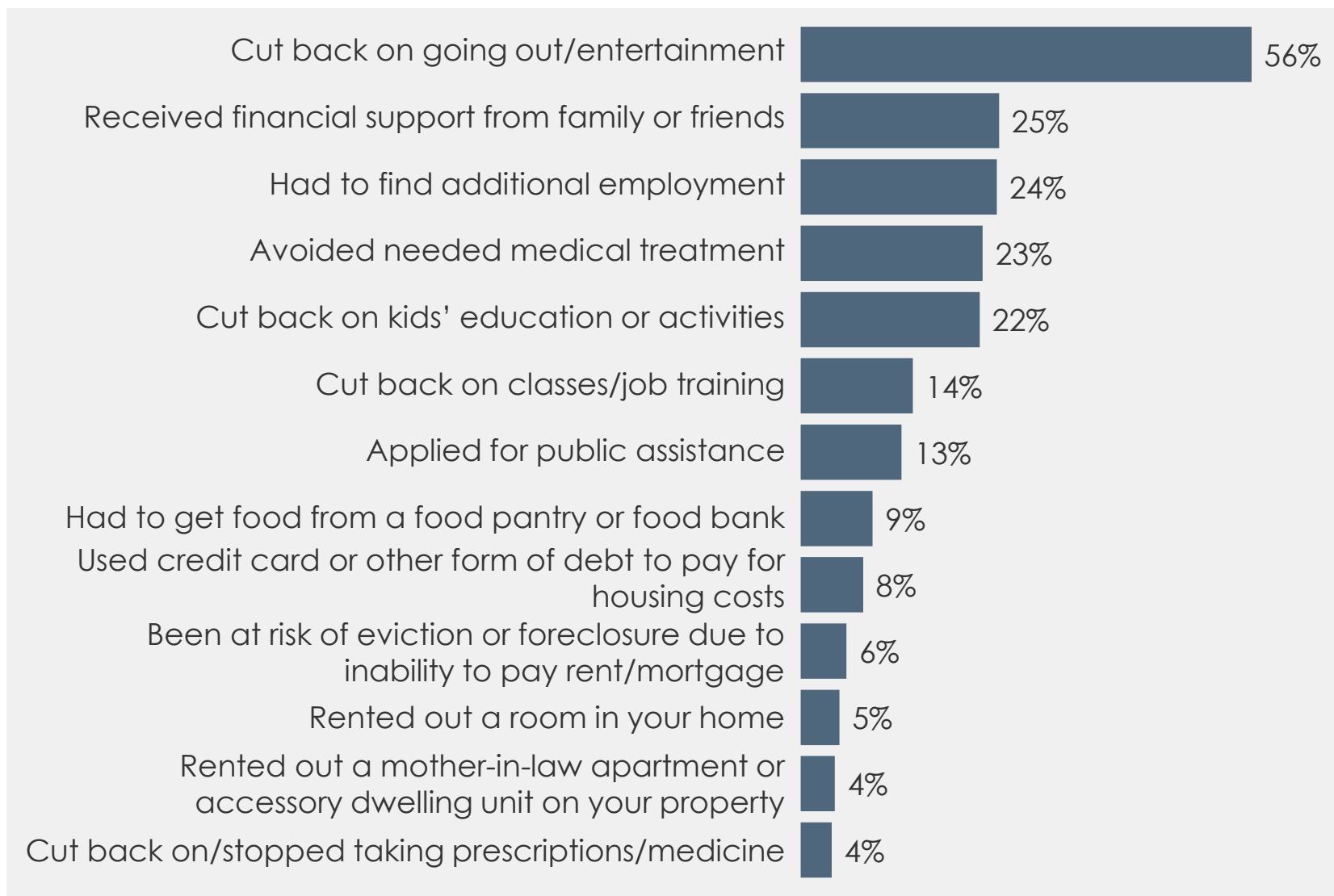
Overall, *weatherization is the top repair need* of Lawrence residents in fair/poor condition homes

75% of homeowners haven't made needed repairs because they cannot afford them

57% of renters have landlords who refuse to make needed repairs

STRATEGIES TO AFFORD HOUSING COSTS

In order to afford housing costs in the past year, have you...



STRATEGIES TO AFFORD HOUSING COSTS

STUDENTS

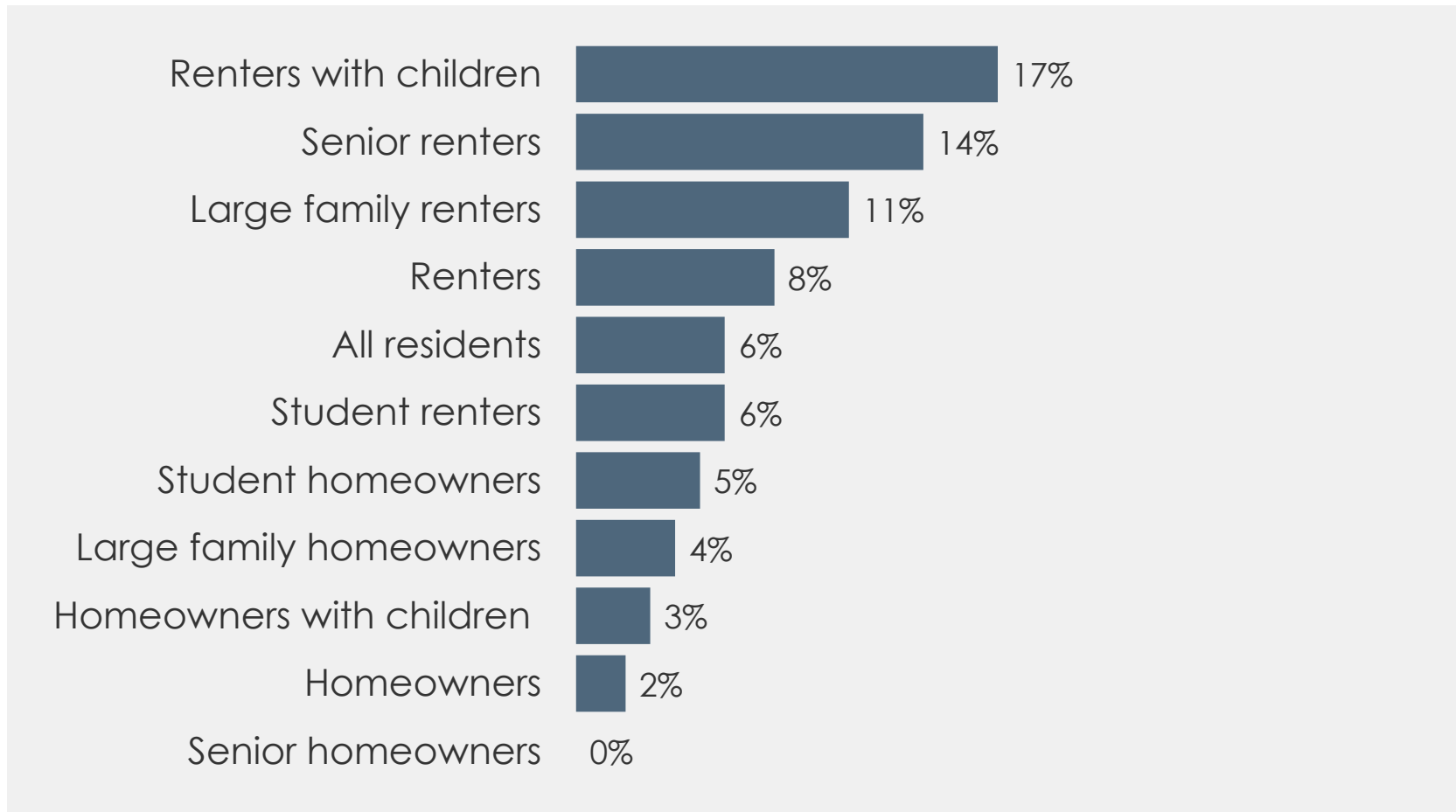
- ▶ **1 in 5** have sufficient resources to cover housing costs
- ▶ **1 in 5** sought additional employment
- ▶ More than **1 in 10** (13%) used a credit card or other debt
- ▶ **1 in 10** avoided needed medical treatment

SENIORS

- ▶ **1 in 2** have sufficient resources to cover housing costs
- ▶ **1 in 4** cut back on entertainment
- ▶ **1 in 10** avoided needed medical treatment

DISPLACEMENT

*In the past three years, have you had to move out of a home in Lawrence **when you didn't want to move?***



DISPLACEMENT

What is the **primary reason** you had to move?

ALL RESIDENTS

- ▶ 32% for personal reasons
- ▶ 16% owner sold rental unit
- ▶ 12% rent increased/couldn't afford to stay

FAMILIES WITH CHILDREN

- ▶ 42% rent increased/couldn't afford to stay
- ▶ 27% cost of utilities

LANDLORD PERSPECTIVES: SURVEY

Most participating landlords (76%) own 5 or fewer rental units.

- ▶ 52% of landlords rent available units in **less than 1 week**
- ▶ Median # of applications/unit = 3
- ▶ 33% increased rents in 2017; 36% plan 2018 increases
- ▶ Median 2018 increase expected to be 1% - 5%
- ▶ Many would like to see 3-unrelated rule increased to 4-unrelated
- ▶ Many are concerned rental market is being overbuilt

EMPLOYER PERSPECTIVES: SURVEY

How **easy or difficult** is it for your employees to find...

HOUSING TO RENT

- ▶ 10% very easy
- ▶ 52% easy
- ▶ 38% difficult
- ▶ 0% very difficult

HOUSING TO BUY

- ▶ 5% very easy
- ▶ 24% easy
- ▶ 43% difficult
- ▶ 29% very difficult

1 in 5 employers have had trouble recruiting employees due to housing conditions in Lawrence

SUMMARY FINDINGS

SUMMARY FINDINGS

- ▶ Growth 2010 to 2020 likely to replicate 1990 to 2000 in numbers (14,000 new residents)
- ▶ Most predictable future demographic change is aging of young seniors and consistency of middle age families. Uncertainty in out-migration of young adults
- ▶ Rising prices have been most burdensome on renters, including low and moderate income renters who want to buy. Students have greater ability to adjust to rising rents due to family help
- ▶ Owners have seen incomes rise faster than renters. Number of low income renters have declined, suggesting that renters have experienced slight income increases or left the city
- ▶ Renters who want to buy are younger workers without families, needing homes priced between \$100,000 and \$250,000. Condos and townhomes offer affordable options but are less likely to offer long term equity gains (condo and townhome market functioning like a land trust)

SUMMARY FINDINGS

- ▶ Ownership market is more strongly influenced by cash purchases today than in 2001. 2018 has lower inventory and homes spend far fewer days on the market before being sold
- ▶ An estimated 2,000 to 3,000 renters would like to buy but have few units to choose from (250 units), especially considering units that are bought with cash (non-cash affordable = just 100 units)
- ▶ Rental market is affected by parental contribution to rents, frequent moves by students, macro economic growth
- ▶ Private market does a good job responding to students' demands; is increasingly attractive to cash buyers and potential investors; and offers reasonable starter home options, although these are location-specific
- ▶ Market is weak in emerging trend products that accommodate special needs residents, younger workers, downsizers, larger families

AHAB DISCUSSION & RECOMMENDATIONS

AHAB DISCUSSION AND RECOMMENDATIONS

Successful outcomes from Affordable Housing Trust Fund investments:

- ▶ Workers in Lawrence can live in Lawrence
- ▶ Low and moderate income renters can become owners if they desire and are qualified. Ownership products include land trust homes, cooperative/shared housing, condos and townhomes, and single family detached homes
- ▶ The gap between affordable rentals and the number < \$25,000 households needing affordable rentals is reduced
- ▶ Lawrence has more housing and supportive service options for persons transitioning out of homelessness

AHAB DISCUSSION AND RECOMMENDATIONS

Successful outcomes from Affordable Housing Trust Fund investments (continued):

- ▶ Persons with disabilities have more options for housing that is accessible, affordable, and facilitates independent living
- ▶ Seniors can age in place

AHAB DISCUSSION AND RECOMMENDATIONS

How to measure success:

The (draft) Dashboard

- ▶ Reduction in rental gap
- ▶ Increase in the number of purchase options for low and moderate income renters who are candidates for ownership
- ▶ Increase in the number of transitional vouchers with supportive services
- ▶ Increase in number of units that are accessible for persons with disabilities (through new construction and rehabilitation)
- ▶ Facilitation of innovative partnerships with private sector housing providers (small landlords, private developers)

AHAB DISCUSSION AND RECOMMENDATIONS

How to measure success (continued):

The (draft) Dashboard

- ▶ Leveraging of other resources—federal funds, private contributions—to produce outcomes
- ▶ Investments make an impact—social and economic



NEXT STEPS

Draft report available in July

Refinement of AHAB recommendations, establish goals, staff implementation