City of Lawrence Douglas County
PLANNING & DEVELOPMENT SERVICES

Horizon 2020 Steering Committee
City Commission Room
4:00 – 6:00pm
September 22, 2014

AGENDA

1) **Approve September 8, 2014 Meeting Notes**

2) **Receive additional information from Tenants to Homeowners**

3) **Receive additional petition from Lawrence Affordable Housing Coalition**

4) **Receive memorandum from Kirk McClure on Housing Issues in Lawrence**

5) **Receive communication from John Gascon**

6) **Presentation by Planning Staff on Demographics**

7) **Discussion on Amendment Process**

Upcoming Items

Public Forums

- **Wednesday, November 5th, 2014, 6pm to 8pm – Lawrence High School Cafeteria**
- **Thursday, November 13th, 2014, 6pm to 8pm – Lawrence High School Cafeteria**

November 10th, 2014 – Meeting Cancelled

Horizon 2020 Steering Committee
September 8, 2014
Meeting Notes

Members Present: Comm. Thellman, Mayor Amyx, Clay Britton; Clay Britton, Kyra Martinez, Dr. Rick Doll, John Gascon, Bill Ackerly, Charlie Bryan (ex officio)

Members Absent: Lisa Harris, Stan Rasmussen, Scott Zaremba

Staff Present: Scott McCullough, Jeff Crick

Others Present: Several members of the public were present.

Comm. Thellman welcomed everyone.

The meeting notes from the August 25, 2014 meeting were discussed. Motioned by Martinez and seconded by Doll to approve the August 25, 2014 notes. Motion passed 6-0.

(Mayor Amyx and Charlie Bryan joined the meeting)

Comm. Thellman introduced the next item which was to receive the communication and petition from the Lawrence Affordable Housing Coalition. Motioned by Thellman and seconded by Britton to receive the communication. Motion passed 7-0.

Rebecca Buford, Executive Director of Tenants to Homeowners, Inc., gave a presentation to the group regarding affordable housing issues. Shannon Oury, Executive Director of the Lawrence-Douglas County Housing Authority also contributed to the presentation.

Rob Hulse, Executive Vice-President of the Lawrence Board of Realtors, gave a presentation to the group regarding the real estate market. Thomas Howe, realtor, also contributed to the presentation.

(Comm. Thellman left the meeting)

Meeting adjourned.

Jeff,

Can you please assist me in passing this along to the Horizon 20/20 Steering Committee as a follow up to our excellent affordable housing discussion.

The Steering Committee asked for some examples of communities that address their affordable housing goals in their consolidated plan and TTH with the help of Shannon Oury at LDCHA have provided several of those (Cambridge and Raleigh) and several examples of performance based zoning (Fremont, CA) and inclusionary zoning examples (Chapel Hill, Ft. Collins and Montgomery County). We also added some requested statistics on how Lawrence fares comparing it directly to other college communities and we clearly have a larger gap between incomes and housing costs than other college communities in the region. We would argue that the lack of affordable housing is not just something a college community has to live with. I have included response information in the e-mail text below as well as an attached word document.

Example of City of Cambridge Master Plan that incorporates affordable housing benchmarks using an Inclusionary Zoning Policy

The Master Plan is Cambridge's comprehensive plan. The Housing Policy section is contained in pages 37- 48 of the document linked below. Most of it outlines City of Cambridge efforts to create more affordable housing & steward existing affordability through Inclusionary Zoning, reclaiming expired tax credit properties and placing them in trust with housing nonprofits, and redeveloping industrial areas with an emphasis on creating certain types of development including affordable housing. The exact details of the zoning policies that dictate a minimum percentage of affordable housing (10% for residential projects of 10 or more homes) are contained in separate residential and retail zoning documents that could also be provided if some form of inclusionary zoning, including a voluntary policy were to be seriously considered by the subcommittee.
http://www.cambridgema.gov/~/media/Files/CDD/Planning/GrowthPolicy/growth_policy_2007.ashx

City of Raleigh, North Carolina's consolidated plan's affordable housing section Although Raleigh does not have the widening income and housing cost gap that Lawrence struggles with, they have addressed their affordable housing goals in their consolidated plan and this provides a good example of how goals can be outlined in an Affordable Housing Section of the plan. This example was mentioned by Shannon Oury, Executive Director of the Lawrence Douglas County Housing Authority. See

2030 Comprehensive Plan | raleighnc.gov

2030 Comprehensive Plan | raleighnc.gov

2030 Comprehensive Plan Browse Online | Download High Resolution copies of the individual chapters of the 2030 Comprehensive Plan can be found under 2030 Plan Chapters. Printed Copies

View on **www.raleighnc.gov** Preview by Yahoo

Current Performance Based project approved July 2014 for Warm Springs neighborhood of South Fremont, California

The Fremont city council chose a new path for a nearly 900-acre parcel anchored by a future BART station, set for massive redevelopment. Planners started with a set of goals—a certain number of jobs, a certain number of homes including affordable homes, and critically, strict standards for a low carbon footprint. Developers can achieve those goals however they wish. The former Toyota plant site, a regional hub soon to be strategically accessible, is envisioned as a "workplace TOD," including 9.6 million square feet of light industrial, research and development, office, convention, retail, entertainment, hotel and residential development. The targeted 19,390 jobs and 4,000 homes can be phased in over time. The first 24 pages of the community planning document accessed in the link below outlines the basic mixed use goals, including a mix of all housing types. Unlike the Cambridge Master Plan, it does not define affordable housing or set a minimum percentage of affordable housing units that must be built. It's possible that a nonprofit could fulfill a section of the phased in residential, particularly since the incentive of land and infrastructure perks would apply to any accepted proposal.
https://www.fremont.gov/DocumentCenter/View/24622

More than 200 US Cities have inclusionary zoning policies including university towns such as Boulder, Burlington (Vermont), and Chapel Hill N.C. Chapel Hill did not give policy details in their 2012 comprehensive plan update. Here is a link to the Chapel Hill Inclusionary Zoning Ordinance:
http://www.townofchapelhill.org/index.aspx?page=1298

40 Years Ago: Montgomery County, Maryland Pioneers Inclusionary Zoning

In 1974, Montgomery County, Maryland pioneered inclusionary zoning practices when its County Council enacted a law establishing the Moderately Priced Dwelling Unit (MPDU) program. The MPDU law required any developer applying for subdivision approval, site plan approval, or building permits to construct of 50 or more dwelling units per location to ensure that 15% of the units were MPDUs. In exchange, developers were offered density bonuses of up to 20%, allowing them to develop a greater number of units than zoning ordinances permitted.
The MPDU law has been in effect in Montgomery County since its enactment in 1974, and has never been challenged in court. It has been amended several times; it currently requires that between 12.5% and 15% of homes in new developments of 20 units or more must be MPDUs. When the program was established, affordability of both rental and homeownership MPDUs was controlled for five years. Today, the control period is 30 years for homeownership MPDUs and 99 years for rental MPDUs. In 2014, a household must earn between a minimum of $30,000 and a maximum of $81,000 to rent an MPDU (the maximum income limit is based on household size and unit type; median income is substantially higher than Lawrence in this suburban D.C. area). To purchase an MPDU, household income must be between $35,000 and $81,000. Income limits for the program are updated annually.
Each community in Montgomery County has their own Master Plan but each incorporates the IZ (inclusionary zoning) benchmarks for creating affordable housing.

City of Fort Collins, CO zoning incentives for affordable housing (see attached document). This was mentioned by Shannon Oury of LDCHA at the meeting.

How does Lawrence compare to other regional university towns?

Also attached as a three page WORD document is a Lawrence Journal World article published April 29, 2014. Using 2012 Bureau of Economic Analysis data that compares Lawrence to 12 other regional communities, including several “apple to apple” college communities such as Iowa State (Ames), University of Missouri (Columbia), and K-State, Lawrence has the fourth highest cost of living (surpassed only by Fort Collins, Boulder and Iowa City) but the lowest per capita income. Ames, Iowa has the second lowest cost of living and the highest per capita income.

TTH, the Lawrence Douglas County Housing Authority, and the Affordable Housing Coalition would be happy to assist in the creation of an affordable housing section for this planning process in any capacity that may be helpful as we feel strongly that it is something that needs to be addressed to insure the stability and economic development of our community. Thank you all for your time and consideration in this process to plan for our community's future. Please let us know if there is anything else we can do to assist you.

Rebecca

Rebecca Buford
Executive Director
Tenants to Homeowners, Inc.
The Lawrence Community Housing Trust
Creating Permanently Affordable Housing in Lawrence!
785-760-2058

Latest federal numbers show low incomes, high prices make Lawrence most expensive in the state

By Chad Lawhorn - April 29, 2014

Maybe your wallet has been telling you for some time, but now there are government numbers saying it as well: Lawrence is the most expensive metro area in the state.

The latest figures from the federal Bureau of Economic Analysis show Lawrence residents are feeling the pinch in two areas. The city's cost of living, although lower than the national average, is higher than in any other metro area in Kansas. To make Lawrence's predicament worse, residents also earn far less than those in other Kansas communities.

How big is the difference, you ask? Well, take Manhattan for example. The college community just west of us on Interstate 70 has a cost of living that is about 3.6 percent cheaper than Lawrence's. The per capita, inflation-adjusted income for a Manhattan resident, though, is about $7,700 more than what Lawrence residents earn.

In other words, not only are there more dollars per person in Manhattan, but they buy more as well.

It is an equation that is true in the three other Kansas metro areas of Topeka, Kansas City and Wichita as well. The numbers also show Lawrence doesn't fare well on a regional basis, either.

Local reaction

Community leaders said they weren't pleased to hear the new numbers, but also weren't shocked.

"I guess I can't say it is real surprising," said City Commissioner Jeremy Farmer, who also is the executive director for the local food bank Just Food. "We are kind of an entertainment and service-oriented community right now. That is who we have grown to become. This speaks to the need for more primary jobs."

City Commissioner Mike Dever said the cost-of-living issue is one that he does hear about as he travels.

"I hear from people that Lawrence is a great town, but the cost of living seems higher than other places in the state," Dever said. "But I think some of that is outweighed by the quality of life. It is a community with a vibrant downtown, a lot of amenities and a lot of options for things to do outside of work."

Mike McGrew, chairman of the Lawrence Chamber of Commerce and also the leader of Lawrence-based McGrew Real Estate, said he's seen through his industry that real estate prices in Lawrence generally are higher than anywhere in the state other than Johnson County.

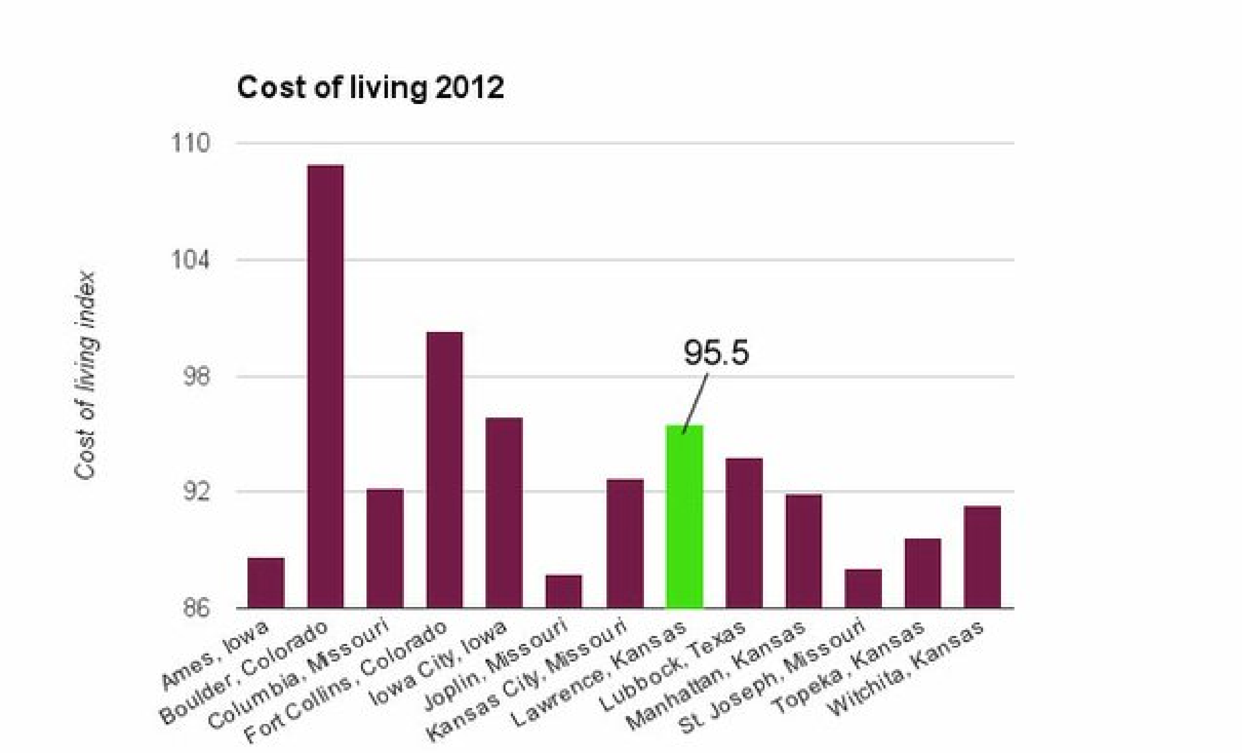
He said Lawrence's quality of life may support those prices, but he said the lower than average incomes highlight why Lawrence must have better success in attracting jobs.

"I think we already may be seeing the early signs of people saying, I would love to live in Lawrence, but I have to go where the jobs are," McGrew said. "We don't want that to be the answer. We have to have the jobs here."

The numbers

The new figures are part of a project by the Bureau of Economic Analysis designed to give people a better idea of how much it costs to live in various metro areas. It measured both income levels and how much it costs for goods and services such as transportation, education, household staples, entertainment and other categories based on 2012 data.

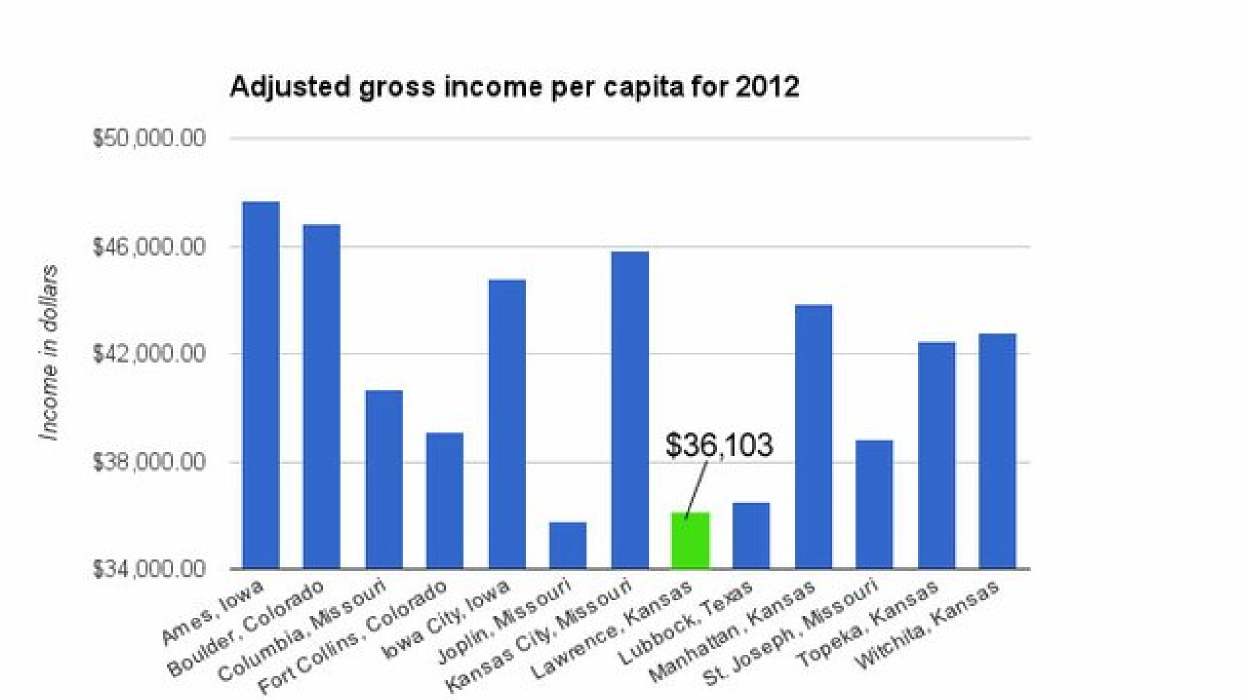
The cost-of-living component assigns every metro area in the country a score. A score of 100 is equal to the national average. Lawrence checked in with a score of 95.5, so its price index is 4.5 percent less than the national average. But most communities in the Midwest have prices less than the national average. Click on the chart below for details.



Source: Bureau of Economic Analysis

The BEA then used the price indexes for each metro area, along with national inflation numbers, to create an inflation-adjusted per capita income number for each metro area.

Lawrence checked in with an adjusted number of $36,103, which left it behind a host of communities, including several university communities that also have to contend with high numbers of students who typically bring the per capita numbers down. Click on the chart below for details.



Source: Bureau of Economic Analysis

The figures also measured growth rates of per-capita incomes in the metro areas. Lawrence fared slightly better in that category. From 2011 to 2012, Lawrence's adjusted per capita income grew by 1.38 percent.

That was still only good for the ninth fastest growth rate among the 13 regional communities examined by the Journal-World. But Lawrence wasn't ranked last in the state in that category. Manhattan, after several solid years of income growth, saw its per capita income totals drop by 3.96 percent, which was the biggest drop of any of the 13 communities. Joplin had the largest per capita growth rate on the list at 5.58 percent.

Development Incentives for Affordable Housing

WHO'S ELIGIBLE?

In order to encourage the building of affordable housing units, Fort Collins offers a variety of development incentives that are intended to reduce the costs to developers. For complete definitions, see Section 5.1.2 of the Fort Collins Land Use Code (http://www.colocode.com/ftcollins/landuse/article5.htm) . In order to receive affordable housing development incentives, a project must meet certain criteria as defined in the Land Use Code:

- A housing development is considered affordable if at least 10 % of the total dwelling units are affordable to rent or own by households earning 80% or less of Area Median Income (AMI).
- A unit is considered affordable to rent if a household earning 80% or less of AMI pays no more than 30% of their gross monthly income towards rent, including utilities.
- A unit is considered affordable to own if a household earning 80% or less of AMI pays no more than 38% of their gross monthly income towards their mortgage, including principal, interest, and insurance.

HUD INCOME LIMITS

Each year HUD determines Area Median Income (AMI) for the Fort Collins/Loveland Metropolitan Statistic Area (MSA), broken down by household size and percentage of AMI.

Fort Collins - Loveland MSA Family Median Income, 2014
Source: City of Fort Collins, based on info from U.S. Housing and Urban Development

Number of People/Household	Median (100%)	80% AMI	60% AMI	50% AMI	30% AMI
1	$51,500	$41,200	$30,900	$25,750	$15,450
2	$58,800	$47,050	$35,250	$29,400	$17,650
3	$66,200	$52,950	$39,700	$33,100	$19,850
4	$73,500	$58,800	$44,100	$36,750	$22,050
5	$79,400	$63,550	$47,600	$39,700	$23,850
6	$85,300	$68,250	$51,150	$42,650	$25,600
7	$91,200	$72,950	$54,700	$45,600	$27,350
8	$97,100	$77,650	$58,250	$48,550	$29,150

IMPACT FEE DELAY

Impact fees are typically paid at the time that building permits are issued. This incentive allows the developer to delay the payment of those impact fees until a certificate of occupancy is issued, or December 1 of that year, whichever happens first. See Section 7.5-26 of the Fort Collins Municipal Code & Charter for full detail.

FEE WAIVER

Affordable housing projects of the Fort Collins Housing Authority may qualify if providing housing for formerly homeless individuals, housing for people with disabilities or people earning 30 percent of the AMI or less.

PRIORITY PROCESSING

Affordable housing projects are eligible to receive an expedited development review and permitting process.

DENSITY BONUS

Affordable housing projects proposed in the Low-Density Mixed-Use Housing (LMN) zone are eligible to increase the maximum allowed density from 8 to 12 dwelling units per acre. See Section of the Land Use Code for full detail.

Example of City of Cambridge Master Plan that incorporates affordable housing benchmarks using an Inclusionary Zoning Policy

The Master Plan is Cambridge's comprehensive plan. The Housing Policy section is contained in pages 37- 48 of the document linked below. Most of it outlines City of Cambridge efforts to create more affordable housing & steward existing affordability through Inclusionary Zoning, reclaiming expired tax credit properties and placing them in trust with housing nonprofits, and redeveloping industrial areas with an emphasis on creating certain types of development including affordable housing. The exact details of the zoning policies that dictate a minimum percentage of affordable housing (10% for residential projects of 10 or more homes) are contained in separate residential and retail zoning documents that could also be provided if some form of inclusionary zoning, including a voluntary policy were to be seriously considered by the subcommittee.

http://www.cambridgema.gov/~/media/Files/CDD/Planning/GrowthPolicy/growth_policy_2007.ashx

City of Raleigh, North Carolina's consolidated plan's affordable housing section — Although Raleigh does not have the widening income and housing cost gap that Lawrence struggles with, they have addressed their affordable housing goals in their consolidated plan and this provides a good example of how goals can be outlined in an Affordable Housing Section of the plan. (See attached plan or find it at http://www.raleighnc.gov/business/content/PlanDev/Articles/LongRange/2030ComprehensivePlan.html

Current Performance Based project approved July 2014 for Warm Springs neighborhood of South Fremont, California

The Fremont city council chose a new path for a nearly 900-acre parcel anchored by a future BART station, set for massive redevelopment. Planners started with a set of goals—a certain number of jobs, a certain number of homes including affordable homes, and critically, strict standards for a low carbon footprint. Developers can achieve those goals however they wish. The former Toyota plant site, a regional hub soon to be strategically accessible, is envisioned as a "workplace TOD," including 9.6 million square feet of light industrial, research and development, office, convention, retail, entertainment, hotel and residential development. The targeted 19,390 jobs and 4,000 homes can be phased in over time. The first 24 pages of the community planning document accessed in the link below outlines the basic mixed use goals, including a mix of all housing types. Unlike the Cambridge Master Plan, it does not define affordable housing or set a minimum percentage of affordable housing units that must be built. It's possible that a nonprofit could fulfill a section of the phased in residential, particularly since the incentive of land and infrastructure perks would apply to any accepted proposal.

https://www.fremont.gov/DocumentCenter/View/24622

More than 200 US Cities have inclusionary zoning policies including university towns such as Boulder, Burlington (Vermont), and Chapel Hill N.C. Chapel Hill did not give policy details in their 2012 comprehensive plan update. Here is a link to the Chapel Hill Inclusionary Zoning Ordinance:

http://www.townofchapelhill.org/index.aspx?page=1298

40 Years Ago: Montgomery County, Maryland Pioneers Inclusionary Zoning

In 1974, Montgomery County, Maryland pioneered inclusionary zoning practices when its County Council enacted a law establishing the Moderately Priced Dwelling Unit (MPDU) program. The MPDU law required any developer applying for subdivision approval, site plan approval, or building permits to construct of 50 or more dwelling units per location to ensure that 15% of the units were MPDUs. In exchange, developers were offered density bonuses of up to 20%, allowing them to develop a greater number of units than zoning ordinances permitted.

The MPDU law has been in effect in Montgomery County since its enactment in 1974, and has never been challenged in court. It has been amended several times; it currently requires that between 12.5% and 15% of homes in new developments of 20 units or more must be MPDUs. When the program was established, affordability of both rental and homeownership MPDUs was controlled for five years. Today, the control period is 30 years for homeownership MPDUs and 99 years for rental MPDUs. In 2014, a household must earn between a minimum of $30,000 and a maximum of $81,000 to rent an MPDU (the maximum income limit is based on household size and unit type; median income is substantially higher than Lawrence in this suburban D.C. area). To purchase an MPDU, household income must be between $35,000 and $81,000. Income limits for the program are updated annually.

Each community in Montgomery County has their own Master Plan but each incorporates the IZ (inclusionary zoning) benchmarks for creating affordable housing.

City of Fort Collins, CO zoning incentives for affordable housing (see attached document).

How does Lawrence compare to other regional university towns?

Also attached as a three page WORD document is a Lawrence Journal World article published April 29, 2014. Using 2012 Bureau of Economic Analysis data that compares Lawrence to 12 other regional communities, including several “apple to apple” college communities such as Iowa State (Ames), University of Missouri (Columbia), and K-State, Lawrence has the fourth highest cost of living (surpassed only by Fort Collins, Boulder and Iowa City) but the lowest per capita income. Ames, Iowa has the second lowest cost of living and the highest per capita income.

AFFORDABLE HOUSING PETITION

Lawrence is one of the most expensive places to live in Kansas, and we also earn less than most other Kansas communities. We the undersigned ask the Horizon 2020 Steering Committee to add affordable housing goals and solutions to the updated Horizon 2020 plan, as well as to its mission statement. An affordable housing chapter would include topics such as limiting gentrification of older neighborhoods, ensuring greater variety in housing types built, and addressing transitional housing and "aging in place" issues. Lawrence is a city that cares about ALL of its citizens, and we have a unique opportunity to take action to ensure that progressive spirit continues into the future. Thank you!

SIGNATURE	PRINT NAME	ADDRESS
1. Joseph E Spradlin	Joseph E Spradlin	3144 CAMPFIRE DRIVE
2. Jacob W Kipp	JACOB W. KIPP	3208 W. 24Th TER.
3. Susan Cooper	Susan Cooper	524 Lyon St. Lawrence
4. Daniel Bontempo	DANIEL BONTEMPO	116 CONCORD RD, 66049
5. Rita Spradlin	Rita Spradlin	3144 Campfire Dr. 66049
6. Janet		
7. Ben P. MacConnell	Benjamin MacConnell	820 New York, Lawrence 66044
8. Lisa M Braun	Lisa M Braun	524 Lyon St, Lawrence KS 66044
9. Bridget O'Connor	Bridget O'Connor	1541 Kentucky St. Lawrence KS 66044
10. Karen Connor	Karen Connor	1536 B Legend Trail Dr. Lawrence 66047
11. Douglas Connor	Douglas Connor	" "
12. J Bodle	John Bodle	928 Rhode Island St Lawrence 66044-3056
13. Barbara Thompson	Barbara Thompson	2012 Inverness Drive Lawrence KS, 66047
14. Martha H. Burbank	Martha H. Burbank	1065 E 1479 Rd Lawrence KS 66046
15. Nancy Walker Wilson	Nancy Walker Wilson	1608 W 9th ST, ApT 5 Lawrence 66044

Signature	Print Name	Address
16. Rebecca Gant	Rebecca Gant	104 Lawrence Ave Lawrence, KS 66049
17. J. Gant	Joe Gant	104 Lawrence Ave Lawrence KS 66049
18. Thomas Miller	Thomas (Tom) L. Miller	3323 Iowa St. Lot 504 Lawrence, KS 66046
19. Earl Nehring	EARL NEHRING	4022 Parkway Circle, Law. 66047
20. G. H. Kreicker	Graham Kreicker	1421 W. 2nd St, 66044
21. K. B. Schowen	[illegible]	962 E. 1338 Rd 66046
22. Brian Vancil	Brian Vancil	3116 W 23rd Ter 66047
23. Sara Vancil	Sara Vancil	3116 W 23rd Ter 66047
24. Joyce Pearl Jones	Joyce Jones	5121 Congressional Circle E 208 E 66049
25. Rita R Spradlin	Rita R. Spradlin	3144 Campfire Dr. 66049
26. Susan Cooper	Susan Cooper	524 [illegible] Lawrence 66044
27. Janet FitzGerald	Janet FitzGerald	433 Pleasant, 66044
28. Lynne Bodle	Lynne Bodle	1218 Tennessee Lawrence 66044
29. Michele Casavant	Michele Casavant	1717 East 30th Lawrence KS 66046
30. M. Hjersted	MARYAM HJERSTED	13080 230 ST LINWOOD, KS 66052
31. Betty J Baron	Betty J. Baron	1008 Sunset Dr 66044
32. Chris L Gehringer	Chris L Gehringer	402 Yorkshire Dr 66049
33. Ellen Reid Good	Ellen Reid Good	506 Pioneer R 66049
34. E. Jay Hilty	E. Jay Hilty Jr.	2002 Stratford Rd 66044
35. Eleanor Unruh	Eleanor Unruh	4003 Pkwy. Circle
36. Martha Burbank	Martha Burbank	1065 E 1479 Rd Law 66046
37. Brian Cannon ~~Brian Cannon~~	Brian Cannon	843 Connecticut St. Lawrence, KS 66046

38 Pam Slawson Pam Slawson 2303 Manchester Rd. Lawrence 66049

Memorandum

To: Horizon 2020 Update Commission

From: Kirk McClure

Date: September 17, 2014

Re: **Housing Issues in Lawrence**

This memorandum is designed to provide a few basic statistics to help you frame the housing issues, especially the housing affordability issues, in Lawrence and Douglas County, Kansas. All of the data are taken from the U.S. Bureau of the Census.

Any comprehensive plan is guided by how well the private housing market handles growth and change. If the market is doing a good job, then the plan can be less specific. If the market is failing to do a good job, the plan needs to be more detailed and the level of planning intervention more focused. The pace of housing production and the problems of housing affordability are all part of this concern.

Question: *How has the population of Douglas County grown?*
How has the housing market responded?

Standard: The pace of housing growth should closely correspond to the pace of household growth.

Table 1: Growth of household and housing units

	2012	*2007*	*2000*
Households	43,422	43,967	38,486
Change in households	-545	5,481	
Growth rate of households	-0.2%	1.9%	
Housing units	46,746	46,494	40,250
Change in housing units	252	6,244	
Growth rate of units	0.1%	2.1%	
Surplus (Units - (1.03*Households))	813	599	

In general, the market has adjusted relatively well, but it has created an unnecessary surplus. During the housing bubble years of 2000 to 2007, Douglas County added 5,481 households. In a well-functioning market, the housing supply would increase by about 103 percent of that figure. The extra 3 percent would maintain the inventory of vacant units. Had the market shown this level of discipline, the supply should have grown by 5,645 units. However, home builders added 6,244 units. The supply grew by 114 percent of the amount of new households for a surplus of about 600 units. To give scale to this figure, in Douglas County the surplus translates into about 3 apartment buildings (at 50 units each) more than we needed and about three single-family subdivisions (at 50 units each) more than we needed. This level of overbuilding is harmful to older, existing neighborhoods because, without enough households to fill all of the housing, the newer units will fill first and older units will empty creating a loss of both public and private investment.

There is one positive note. While this is a large surplus for a community as small as Douglas County, the rate of overbuilding here is smaller than was true for the rest of the nation during this bubble period.

During the recovery years of 2007 to 2012, the housing market responded in the correct direction, but the scale of the response was poor. The number of households actually fell over the five-year period, but the housing industry did not stop production. Rather, it slowed the pace of overbuilding. There was a net gain of about 250 units. There 250 units were not needed in the market, adding to the surplus that we built during the bubble years.

Conclusion: The private market is doing a fair job of pacing the supply of housing growth, but it needs help to prevent it from adding to the surplus which harms older neighborhoods.

Question: *What is the vacancy rate of the housing stock?*

Standard: A healthy rental market should have a vacancy rate of 5 percent and a healthy market of owner-occupied housing should have a vacancy rate of about 1.75 to 2.0 percent.

Table 2: Housing market vacancy rates

	2012	*2007*	*2000*
Homeowner vacancy rate	3.2%	1.5%	1.7%
Rental vacancy rate	5.7%	6.1%	3.8%

The housing market in the Lawrence metropolitan area is soft. Vacancy rates are a higher than is optimal. The housing market was about normal in 2000. The rental market became soft by 2007 with the overbuilding during the bubble years. By 2012, the rental market improved, but it is poised to worsen with all the proposed rental developments approved by the Planning Commission. The ownership market is very soft with a vacancy rate that is much higher than the healthy 2 percent level.

It is important to note that these are the vacancy rates provided by the Census. The Census does not include units taken off the market. If a unit is vacant but not actively listed as for rent or for sale, it is not included in the counts. Thus, these empty units are not included in the vacancy calculations biasing the vacancy rates to lower numbers than is actually the case.

Conclusion: The private market is soft, and the development industry is failing to respond fully to market signals, delaying further production until the market returns to a healthier condition.

Question: *Do we have a shortage of affordable housing in Lawrence?*

Standard: Households should be able to find housing costing no more than 30 percent of income. The housing stock should be adequate to provide affordable housing to all but the poorest households.

Table 3: Housing Affordability

	Douglas County	*Kansas*	*United States*
Owner households	22,287	746,325	75,484,661
Owner households paying 30%+	5,357	156,160	22,332,180
Percent pay 30%+	24%	21%	30%
Renter households	20,094	360,635	39,742,141
Renter households paying 30%+	10,553	151,692	19,122,981
Percent pay 30%+	53%	42%	48%

Housing affordability issues differ in Douglas County between owners and renters.

For owners, a lower percentage of households suffer from high housing costs than is true nationally, but this percentage is higher than is true for Kansas. It is worth noting that one-half of the counties in Kansas have suffered stagnant or declining populations, which leads to low housing costs. Douglas County is lucky to be one of the few counties in Kansas that is growing.

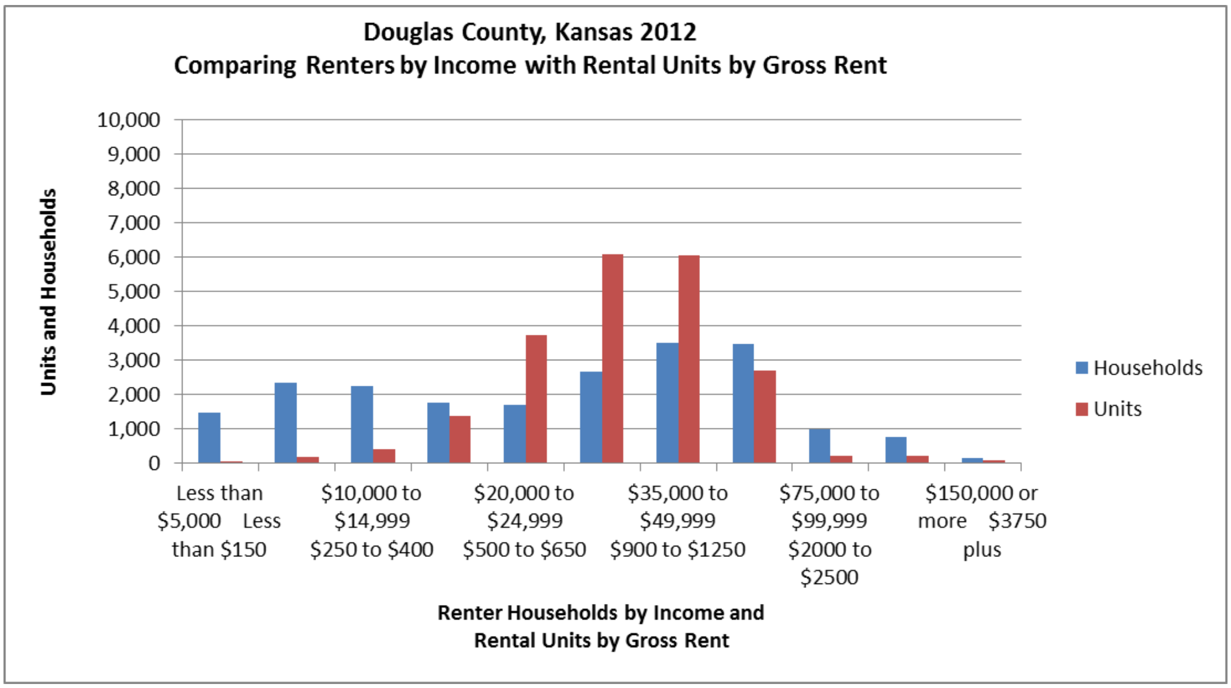
For renters, the percentage of households paying more than 30 percent of income on housing is high. This is common for college towns. With a high incidence of young renter households with low income and/or unreported financial support, it would be expected that the incidence of high housing costs would be above normal.

Conclusion: The affordability problems in Douglas County differ between owners and renters. Owners generally have below average affordability problems while renters have above average affordability problems.

Question: Are the affordability problems the result of having too little housing in the right price range or too many households with low income?

Standard: In a well-balanced housing market, there would close correspondence between households by income category and homes by rent or value category.

Figure 1:



The distribution of renters by income is "bimodal", which means it has two "humps." One part of the renter population is well positioned within the middle class with incomes from $35,000 to $75,000. Another part of the renter population is poor with incomes below $20,000.

The distribution of rental units by gross rents (contract rent plus tenant-paid utilities) is normal with a single peak in the rent ranges of $650 to $1,250.

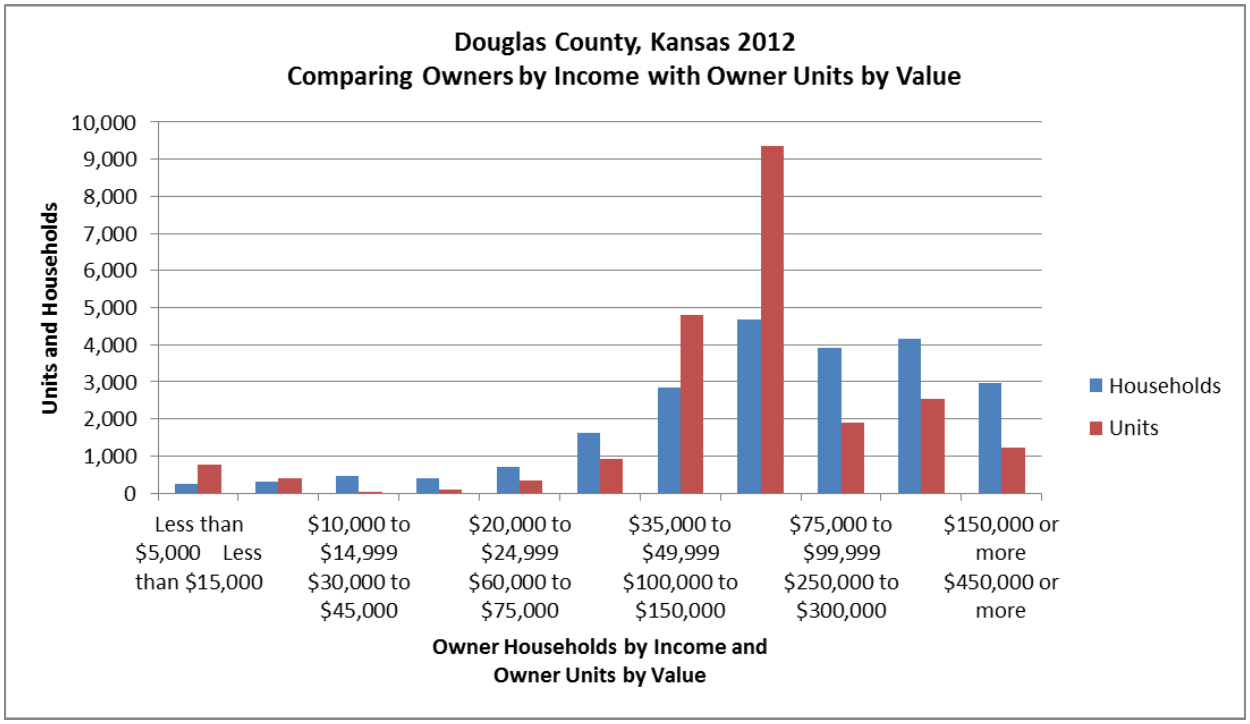
Comparing the distribution of renters by income and units by rents identifies two basic mismatches. First, there are more units than households in the rent categories from $500 per month all the way up to $1,250 per month. Clearly there is no shortage of housing in this category. Second, there is a shortage of unis in the rent categories below $400 per month. Unfortunately, it is extremely difficult for landlords to own and operate good quality rental properties with rents below $400 per month. This suggests that the housing affordability problems among low-income renters in Douglas County are more a function of the low incomes of poor renter households than they are of high priced rental housing.

The distribution of owner-occupants by income is a more normal distribution. Most home owners are within the middle class or higher. Very few home owners are poor.

The distribution of owner-occupied homes by value is normal, peaking at the $150,000 to $250,000 category.

The housing market for owner-occupants is generally well balanced.

Figure 2:



Further comparison of the costs housing to the incomes of households can be made with other geographic areas. Table 4 compares Douglas County to the State of Kansas and to the Unites States as a whole.

Rents are low in Douglas County compared to the nation, 5 percent lower. However, rents are higher in Lawrence than is true of the rest of Kansas. Again it is worth remembering that rents are depressed in most of Kansas because most counties suffer from declining populations.

Renter incomes are low in Douglas County with results in the ratio of annual gross rent to household income being higher than is found in the nation or in Kansas.

Home values are about 2 percent below the national level and 40 percent above the Kansas level. However, owner incomes are typically 10 percent above the national level and 15 percent above the Kansas level. This results in owner-occupied homes in Douglas County placing less of a burden on incomes than is found nationwide. Thus, by national standards, Douglas County would be considered a very affordable market of owner-occupied housing.

Table 4: Rents and Home Values 2012

	Douglas County	*Kansas*	*United States*
Median gross rent	826	715	869
Median renter household income	28,396	30,395	32,212
Annual rent as percent income	35%	28%	32%
Median home value	178,700	127,400	181,400
Median owner household income	73,873	64,317	67,062
Ratio of value to income	2.42	1.98	2.70

Conclusion: Housing in Douglas County is ample in supply and, by many standards, very affordable.

The strengths of the housing market are numerous:

- The cost of housing here in Douglas County is lower than comparable housing elsewhere in the nation both for renters and for owners.
- The incomes of owners are high by comparison with the nation.
- The market is soft with more than enough units in both the rental and owner markets.

The market for housing also has it weaknesses:

- The market has shown that it is prone to over building by failing to fully respond to the changes in household demand.
- Despite the affordable housing in Douglas County, many households have incomes so low that they cannot afford housing without suffering a high housing cost burden.
- The private market for rental housing in Douglas County, as is true nationwide, cannot provide sufficient good quality housing affordable to the poor.

Implications for an updated comprehensive plan:

- The housing development industry is prone to overbuilding, not for just short periods of time, but for extended periods. This suggests that the community should plan for itself the amount of housing that needs to be added to the market through growth management. If Douglas County adopted growth management, it could determine the pace of growth that would best serve the needs of the community and could force the developers to compete for designation as the preferred developer who would be permitted to build for that need.

- When developers compete for the status of designated developer, they will bring increasingly better proposals to the community in order to win the approval. This competition can exact greater public benefits in the designs (e.g.: parks, trails, etc.) and services (e.g.: contributions to schools, etc.)
- The competition also makes it possible for the community to enforce inclusionary zoning which ensures that developments serve a mix of income levels rather than just the highest income levels.
- Overbuilding harms older neighborhoods. If more houses are added to the supply than there are households to fill them, the new units tend to fill up by attracting households away from older neighborhoods. If the management of supply growth is performed carefully, the community can direct some of the growth in households back into older neighborhoods, preserving and protecting these important assets and community investments.

From: Gascon,John A [mailto:John.Gascon@edwardjones.com]
Sent: Friday, September 19, 2014 4:53 PM
To: Jeff Crick
Subject: Horizon 2020 Agenda Items

Jeff,

This is worth mentioning or sharing at the next meeting:

http://cjonline.com/news/2014-09-18/topeka-prepares-population-growth-annexation-plays-smaller-role

http://www.topeka.org/planning/landuse.shtml

Best,

John