Topeka RHID Summary

**I. "There is a shortage of quality housing of various price ranges in the city or county despite the best efforts of public and private housing developers."**

*Overview*

Topeka, Kansas has an estimated total of 55,844 housing units, out of which 32,592 (58.4 percent) are owner-occupied and 23,252 (41.6 percent) are renter-occupied, as indicated by the 2021 American Community Survey. Average household size for renters is 2.11 persons and for owners is 2.33 persons. According to 2022 Esri estimates, 72 percent of housing units are contained in single-family detached or attached housing. Of the 25 percent of housing units contained in multi-family developments, eight percent are in properties with three to nine units, 11 percent are in developments with ten to 49 units, and four percent are in properties with over 50 units, with the remaining three percent of housing units contained in mobile homes. Esri estimates the overall occupancy rate of housing units in the city at 89 percent, which is slightly lower than in Shawnee County (91 percent). Median household income among owners is $63,666—significantly higher than the median income among renters ($35,337). The median housing value in Topeka ($136,068) is low relative to that in the county ($175,489) and state ($198,275).

Data requested for RHID applications is summarized in the following table.

Housing Problems - Topeka, KS

| | Renter-Occupied | Owner-Occupied |
|---|---|---|
| **Total Housing Units** | **22,384** | **31,708** |
| Average Household Size | 2.11 | 2.33 |
| Median Housing Cost | $811 | $136,068 |
| Vacancy Rate | 11.6% | 1.3% |
| Overcrowding (over 1.5 persons/ room) | 1.3% | 0% |
| Overcrowding (over 1 person/ room) | 6% | 0.2% |
| Size Match (HH's with 6+ persons) | Does not Exceed | Does not Exceed |
| Incomplete Plumbing | 1.0% | 0.6% |
| Incomplete Kitchen | 3.6% | 0.4% |
| New Units (constructed since 2020) | 0.4% | 0.2% |
| Old Units (constructed before 1970) | 54.3% | 52.2% |
| Cost Burdened (over 30%income) | 42.9% | 16.5% |

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*Vacancy*

According to the 2021 American Community Survey, renter-occupied housing in Topeka has a vacancy rate of 11.3 percent, whereas owner-occupied units have a vacancy rate of 1.3 percent, indicating an undersupply of for-sale units. These figures do not account for the habitability of units and, therefore, may overestimate vacancy by including said units.

Affordable units in Topeka are in particularly short supply. According to data provided by the Topeka Housing Authority (THA), of the 744 units in nine public housing developments, occupancy is at full capacity. The current waiting list for public housing units is 195 names long, with the majority (roughly 85 percent) of households on the waitlist seeking one-bedroom apartments. Additionally, THA administers approximately 1,000 Housing Choice Vouchers, for which there is currently a waiting list of roughly 500 families. Hence, these figures indicate that affordable and PHA-managed units face shortages, necessitating the expansion of affordable development, particularly of one-bedroom units.

*Overcrowding*

ACS estimates indicate that 1.3 percent of renter-occupied households in Topeka are overcrowded—defined as containing 1.5 or more persons per room; in contrast, zero percent of owner-occupied households are overcrowded. When defined as more than one occupant per room, overcrowding is present in six percent of renter-occupied households and 0.2 percent of owner-occupied households. Thus, overcrowding is high for rental housing if the threshold is one occupant per room, indicating a housing shortage.

*Size Match*

In 2021, an estimated 293 (1.3 percent of) renter households contained six or more occupants, altogether served by 1,278 housing units containing four or more bedrooms. Of owner-occupied households, 535 (1.6 percent) have six or more occupants, with a total of 8,088 units containing four or more bedrooms. While these figures suggest that supply of larger units in Topeka is sufficient to house larger households, they do not take into account the cost nor the quality of said housing.

*Complete Plumbing*

The percentage of occupied units considered substandard is low: 99 percent and 99.4 percent of renter-occupied and owner-occupied units, respectively, have complete plumbing facilities, per ACS estimates.

*Complete Kitchen*

The percentage of occupied units lacking a complete kitchen is also low. Among rental units, 96.4 percent feature full kitchens, while 99.6 percent of owner-occupied units include full kitchen facilities.

*New Units*

Topeka has seen minimal housing development in the past decade. Since 2020, 234 rental units and 97 owner-occupied units have been developed, representing 0.4 percent and 0.2 percent of total units in each tenure group, respectively. Per HUD, as of August 2022, 446 housing units have been permitted in Topeka since 2021, out of which 61 percent are single-family and 39 percent are multi-family. Based on the proportion of new units, the city of Topeka has a housing shortage.

*Old Units*

According to the ACS, 54.3 percent of rental units and 52.2 percent of owner-occupied units were constructed prior to 1970. Based on the proportion of units that are 50 or more years old, the city of Topeka has a housing shortage.

*Income Match*

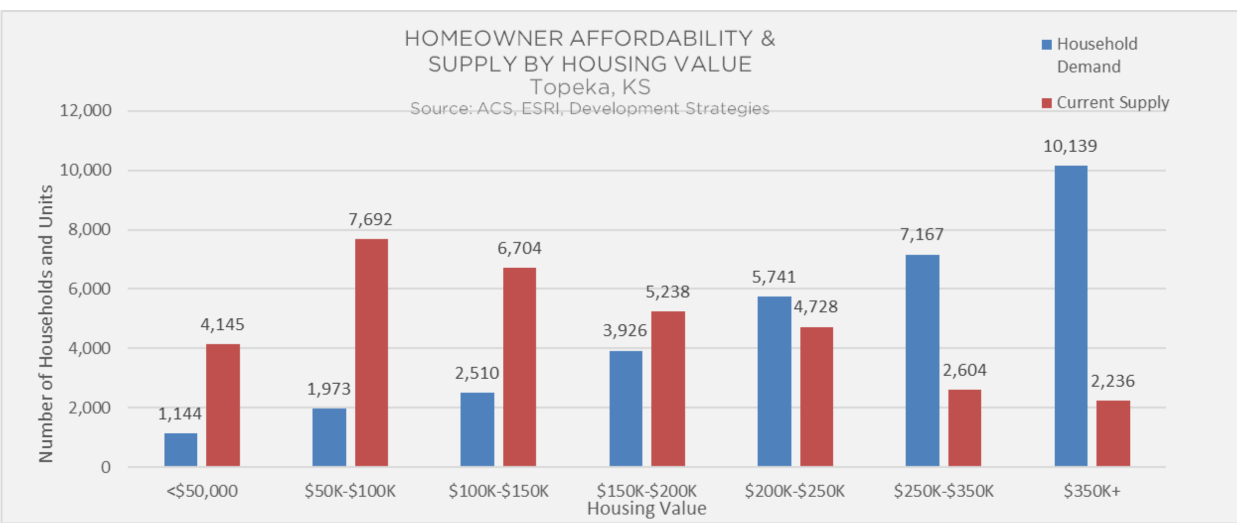
Income match was analyzed using data from Esri and the American Community Survey, including income by tenure, housing cost by income, and the distribution of housing values. Using Esri's income distribution data, affordable (under 30 percent of income) housing price points were calculated for renters and owners across the income spectrum. This analysis demonstrates gaps between the current housing supply at varying price points and the respective demand. However, missing from this analysis is information on suitability—namely, the condition and age of the housing stock, and the overall marketability based on quality, size, and layout.

The graph on the following page shows the difference in housing supply, based on Esri and ACS data, versus demand, based on household affordability. This data indicates that there are more units available than households demand for owner-occupied units in the lower half of the cost range (under $200,000). According to Esri estimates, Topeka's housing stock consists of 4,145 units valued under $50,000—while household demand assuming 30 percent of income would go toward housing costs of 1,144 households. The largest discrepancy between supply and demand exists in the $50,000 to $100,000 range, in which there are 7,692 units and a demand of 1,973 households.

However, this oversupply is largely due to the high percentage of substandard units in Topeka, which tend to have lower prices, yet need costly repairs to make habitable; consequently, housing units in these lower cost categories likely are not actually affordable because of their physical needs. For instance, the *Citywide Housing Market Study and Strategy* indicated that, while approximately 45 percent of homes in Topeka were valued at less than $110,000, the majority (55 percent) were classified as in "below average condition" or worse by the Shawnee County Appraiser's Office, thereby requiring significant additional investment to make them suitable for habitation. This means that much of the existing, low price, and typically older housing stock does not actually meet demand—most of the sub-$150,000 priced housing is more than 60 years old.

Further, this data does not factor in the fact that households will stay in, or purchase, a home that costs less than they *could* afford due to personal preferences, other financial considerations, or other factors. The *Citywide Housing Market Study and Strategy* estimated demand for nearly 3,000 for-sale units affordable to households earning less than 120 percent of AMI (priced under $200,000) over the next 20 years, or nearly 150 units a year, based on these factors.

The data indicates that there is modest excess demand vs. supply for the $200,000 to $250,000 range, and substantial undersupply for homes priced above $250,000.

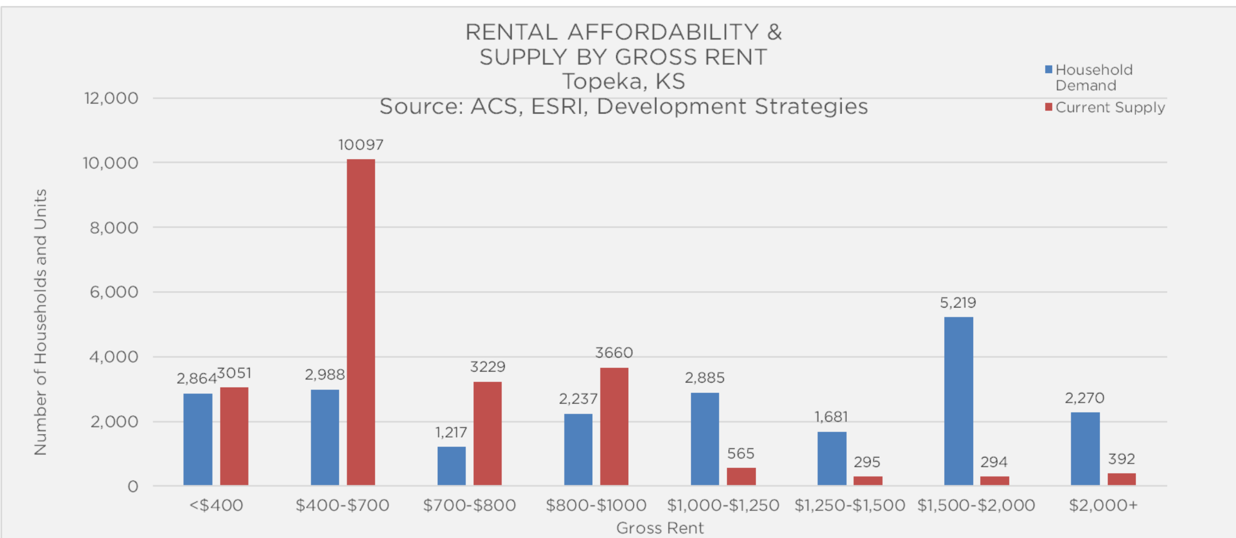



The following graph summarizes the same comparison for renter households. Per Esri estimates, the supply of rental units costing $400 to $700 monthly vastly exceeds demand based on affordability, with a supply of 10,097 units and demand of 2,988 households. However, the supply of units in the lowest price range (under $400 per month) just barely exceeds demand, at 3,051 units and 2,864 households. Similar to trends among owner-occupied households, housing at the lowest price ranges is likely to be in poor quality. Also, many households that could afford more expensive housing may choose to live in lower cost units because of what is available and other factors.

Household affordability exceeds supply in the ranges above $1,000 per month, suggesting the need for higher income and luxury housing development, so as to make high-quality, relatively low cost units more accessible to lower income households.

The *Citywide Housing Market Study and Strategy* estimates demand for nearly 3,500 rental units affordable at 120 percent AMI or lower, or less than $1,600 per month for a 2.5-person household, including utilities. About half of this demand is for rental units in the "workforce" range of 60 percent to 120 percent of AMI.

For the lowest earners, lacking access to often scarce affordable housing can result in homelessness, which is on the rise in Topeka. According to Shawnee County Point in Time data, the number of unhoused households more than doubled between 2021 and 2022, out of which the share that is unsheltered grew from 35 percent to 40 percent, while the proportion of persons in transitional housing increased only marginally, from 13 percent to 15 percent.




*Cost Burden*

Housing cost burden is defined as spending at least 30 percent of household income on housing costs. For renter households, nearly half (42.9 percent) spend over 30 percent of monthly household income on rent. The share of cost burdened renters increases with decreasing incomes: of the nearly 5,000 households earning under $20,000 annually, 92 percent are housing cost burdened, the share of which reduces to 66 percent among households earning $20,000 to $34,999. Owner-occupied households follow a similar pattern, with an overall rate of housing cost burden at 16.5 percent of households. Among owners earning under $20,000 annually, 81 percent spend over 30 percent of household income on housing, which diminishes to 38 percent among households earning $20,000 to $34,999. These figures suggest that housing cost burden is a city wide problem, felt most acutely by residents at the lowest incomes.

II. **"The shortage of quality housing can be expected to persist and that additional financial incentives are necessary in order to encourage the private sector to construct or renovate housing in such city or county."**

The *Citywide Housing Market Study and Strategy* was completed in Spring 2020 and indicated that current demand for new housing totaled 2,080 units (1,120 for-sale and 960 rental) at that time. Of the total, up to 1,230 (530 for-sale and 700 rental) units are needed to meet demand for housing affordable to households earning at or below 120 percent of AMI. At 80 percent of AMI or below, about 900 units are needed (350 for-sale and 550 rental). Demand projections for the next five years effectively doubled these numbers. The demand summary is on pages 53 and 54 of that report.

Housing Demand Summary

| | Median Income (2020) | 2020 Study Demand | | 2021 Market Demand | | 2022 Market Demand | | Actual Permitted Units 2020 - 2022* | | 2022 Net Demand | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Income Level** | | Rent | Sale | Rent | Sale | Rent | Sale | Rent | Sale | Rent | Sale |
| **Totals** | | **960** | **1,120** | **192** | **224** | **192** | **224** | ***264*** | ***281*** | **1,080** | **1,287** |
| 30% AMI | | 200 | 60 | 40 | 12 | 40 | 12 | - | - | 280 | 84 |
| 50% AMI | $16,560 | 170 | 100 | 34 | 20 | 34 | 20 | *30* | *10* | 208 | 130 |
| 80% AMI | $27,600 | 200 | 150 | 40 | 30 | 40 | 30 | *64* | *10* | 216 | 200 |
| 120% AMI | $44,160 | 130 | 220 | 26 | 44 | 26 | 44 | *80* | *76* | 102 | 232 |
| 150% AMI | $66,240 | 200 | 150 | 40 | 30 | 40 | 30 | *70* | *85* | 210 | 125 |
| > 150% AMI | $82,800 | 60 | 440 | 12 | 88 | 12 | 88 | *20* | *100* | 64 | 516 |

*Sources: 2020 Citywide Housing Market Study and Strategy; City of Topeka Building Statistics*

**Distribution of unit affordability estimated based on permit data*

***Net demand includes adds 2020, 2021, and 2022 demand and subtracts permitted units.*

According to City of Topeka's building statistics, building permits were issued for a total of 545 units since the study was completed (June 2020 through October 2022). Approximately 100 of these units are affordable to households at or below 120 percent AMI, and only represent 25 percent of the total estimated demand. Assuming demand would increase by 416 units per year (2,080 additional units needed every 5 years), the deficit of housing units actually increased since the study was completed.

The net demand in 2022 now totals **2,367 units** (1,287 for-sale and 1,080 rental) for a balanced market and lower cost burdens. In other words, even if the City of Topeka gains 416 new units annually moving forward they would still be short 2,367 units from past demand. In actuality, Topeka would need to average 889 new units annually over the next five years or 653 new units annually over the next ten years to have a balanced market.

The City averages 267 new units per year since 2019. Therefore, a target of up to **3,112 units** over the next 5-years is the substantiated need not being met by the market thus necessitating additional incentives.

Housing Demand Summary

| Description | 2020 Study Demand | | 2021 Market Demand | | 2022 Market Demand | | Actual Permitted Units 2020 - 2022* | | 2022 Net Demand | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rent | Sale | Rent | Sale | Rent | Sale | Rent | Sale | Rent | Sale |
| **Totals** | **960** | **1,120** | **192** | **224** | **192** | **224** | **264** | **281** | **1,080** | **1,287** |
| Affordable Units (<60% AMI) | 470 | 235 | 94 | 47 | 94 | 47 | 62 | 15 | 596 | 314 |
| Workforce Units (61% AMI to 120% | 230 | 295 | 46 | 59 | 46 | 59 | 112 | 81 | 210 | 332 |
| Market Rate Units (120% AMI to 15( | 200 | 150 | 40 | 30 | 40 | 30 | 70 | 85 | 210 | 125 |
| Upscale Units (> 150% AMI) | 60 | 440 | 12 | 88 | 12 | 88 | 20 | 100 | 64 | 516 |

*Sources: 2020 Citywide Housing Market Study and Strategy; City of Topeka Building Statistics*

**Distribution of unit affordability estimated based on permit data*

***Net demand includes adds 2020, 2021, and 2022 demand and subtracts permitted units.*

Another important component of the study is the feasibility analysis (pages 57 to 64), wherein development costs vs. value were compared. According to this analysis, there is a development gap for any type of new construction that would be affordable, ranging from an average of $100,000 per unit for multifamily units affordable at or below 60 percent of AMI to approximately $10,000 per unit for a modest single-family renovation that would be workforce affordable (80 to 100 percent of AMI, in this case). This is a primary reason that the development of affordable housing has been slow in Topeka—there are limited funds available to fill the development gap. Further, construction costs increased substantially since the study was completed, further challenging housing development. Additional financial incentives are needed to encourage the private sector to construct or renovate housing in the city.

**III. "The shortage of quality housing is a substantial deterrent to the future economic growth and development of such city or county."**

Companies looking to locate new facilities in a new market are, more and more, evaluating the housing stock and housing market so that they know that their employees will have access to attainable housing. As of October 2022, there are very few new construction homes for sale and, according to listings, they start at $300,000, which is not workforce-affordable. According to MLS data, new home prices increased by 50 percent from June 2020 to October 2022 and existing home prices increased by 30 percent. Existing homes do fall in the workforce-affordable range with an average sales price of $170,000; however, the market continues to be competitive for these homes and they may not meet current market preferences.

On the rental side, much of Topeka's rental housing stock is affordable. However, the higher quality properties continue to maintain strong occupancy and have limited availability. LIHTC and other affordable properties tend to maintain waiting lists. The newest multifamily property—Wheatfield Village—charges market rates starting at $875 for a studio unit.

Housing Demand Summary: RHID Overivew

| | Demand Summary | | |
|---|---|---|---|
| Description | Rent | Sale | Totals |
| Affordable Units (<60% AMI) | 596 | 314 | 910 |
| Workforce Units (61% AMI to 120% AMI) | 210 | 332 | 542 |
| Market Rate Units(120% AMI to 150% AMI) | 210 | 125 | 335 |
| Upscale Units (> 150% AMI) | 64 | 516 | 580 |
| Senior Units (all incomes)* | 365 | 130 | 495 |

*Sources: 2020 Citywide Housing Market Study and Strategy; City of Topeka Building Statistics*

**Senior units are a subset of each income group noted above*

**IV. The future economic well-being of the city depends on the governing body providing additional incentives for the construction or renovation of quality housing in such city.**

Housing is not an issue unique to Topeka-Shawnee County, there is a national crisis in housing availability that communities across the US are working to address. These shortages have caused a lack of affordable units, workforce units, market rate units, and upscale units alike.

As identified in Topeka's 2020 Citywide Housing Market Study and Strategy, the Downtown Master Plan, and the Momentum 2027 community wide strategy, equitable housing options are imperative for continued growth of our local economy and population. Local and State level incentives are key tools designed to help fill in the gaps on capital stack caused by an increased cost in various aspects of development such as materials, labor, and property acquisition. In order for our community to remain competitive and attract development and re-development residential projects, incentives like the RHID will need to be adopted as an available tool.