TOPEKA
HOUSING MARKET STUDY

PREPARED FOR
CITY OF TOPEKA

FEBRUARY 2020

CHAPTER 2

UNDERSTAND: HOUSING TRENDS

NATIONAL TRENDS & CHALLENGES

Renting is becoming more popular nationwide due to changing preferences, but also rising costs of homes.

Downtowns nationwide are undergoing a renaissance due to changes in consumer and lifestyle preferences. Households are renting more, smaller units are becoming popular, and proximity to walkable environment and a mix of uses is becoming highly desirable. Higher-income households are renting more often than in the past: from 2009 to 2015, renter-occupied housing for households earning more than $50,000 increased by 31 percent and non-family households, which are likely renters, are expected to make up 72 percent of all households by 2025. Sixty-six percent of people said they preferred attached or small lot housing when it is within walking distance of work and amenities. These factors are increasing demand for urban-style living near amenities and employment centers.

Households across the nation also face many challenges. Housing prices in many markets across the U.S. have increased at a much faster rate than wages. As a result, 47 percent of renter households are burdened by housing cost and 85 percent of potential buyers cannot afford a 3.5 percent down payment on a median-priced home. Large investors have purchased 200,000 single-family homes worth $36 billion to turn them into rental property. This has constricted the amount of more affordable homes to first-time home buyers, and has driven competition and prices for the remaining for-sale stock.

RENTERS

Increase in renter-occupied housing for households earning more than $50,000 from 2009-2015

Source: American Community Survey

DEMOGRAPHICS

Non-family households by 2025

Source: Martha Farnsworth Riche

PREFERENCES

Prefer attached or small lot housing*

*If it puts them closer to work, mix of uses, etc.
Source: National Association of Realtors

COST BURDEN

of renter households are burdened by housing costs

Source: State of the Nation's Housing, 2019

SINGLE-FAMILY RENTAL

Spent by large investors 2010-2017 to acquire single-family homes as rental property

Source: The Atlantic, 2019 (200,00 properties in total)

BARRIERS

of potential buyers lack the savings for a 3.5% downpayment on a median-priced home

Source: State of the Nation's Housing, 2019

An oversupply of three-bedroom and four-bedroom single-family homes is largely at odds with changing household demographics.

While single-family homes comprise approximately 62 percent of the nation's current housing supply, demographic shifts are changing the complexion of the "traditional" household. Married couples with children comprise 19 percent of all households in the US, while average household size decreased from 2.76 to 2.54 persons between 1980 and 2017. Trends in Topeka suggest the same mismatch between housing supply and changing demographics. A greater percentage of the city's housing units—68 percent—are detached single-family homes. While married couples with children form a larger proportion of all households—26 percent—the average household size is smaller, at 2.29 persons.

Suburban three-bedroom and four-bedroom homes have been the dominant housing typology developed since the end of World War II. However, single-person households and roommates are increasingly common, while a range of factors such as marrying later, fewer children, and student debt has decreased the overall appetite for larger detached units.

The current undersupply of denser housing options exacerbates this mismatch, and pushes more households into the single-family market, creating scarcity and rising prices. Developing a greater number of urban housing typologies provides a marketable, more affordable option for these households, and can direct significant new investment into revitalizing neighborhoods.

SINGLE-FAMILY HOUSING & HOUSEHOLD TREND COMPARISON

USA, 1980-2017

Source: US Census, ACS 5-yr est.

	1980	2017	
Share of Single-Family Homes	62%	62%	The share of single-family homes remained the same from 1980 to 2017
Share of married HHs with children	31%	19%	Yet, the share of married households with children, a primary market for single-family homes, declined substantially
Avg. HH size	2.76	2.54	Household sizes also decreased, impacting consumer preferences about the size of housing units

TOPEKA OVERVIEW

Some major employers have stayed in Topeka, but the city has not shared the prosperity of the state in recent years.

The Topeka Metropolitan Statistical area includes Jackson, Jefferson, Osage, Shawnee, and Wabaunsee Counties. It is the third largest in Kansas with 234,000 residents, and 54 percent (127,000) live in the city. Interstate 70 passes through the city's downtown, heading east-west, while Interstate 470 curves around the southern edge of the city and connects with The Kansas Turnpike. The Kansas Turnpike goes east to Lawrence (27 miles) and Kansas City (64 miles), and south to Wichita (144 miles). Topeka's proximity to Lawrence, Kansas City, and Manhattan to the northeast give access to additional jobs. However, the cities, especially nearby Lawrence, also serve as competition for residents; many choose to commute from Lawrence to Topeka.

Topeka has struggled since Forbes Air Force Base effectively closed in 1973. The population only recently returned to near the 1970 level. Significant economic development efforts continue to retain such major employers as BNSF Railroad, Evergy, and Security Benefit, while some companies expand, like Advisors Excel, and improve the overall quality of life. As the state capital, government offices of all levels have offices in the city, and are another important asset.

Despite a recovery from the Great Recession, the unemployment rate in Topeka remains higher than the state and MSA. Much of the change in unemployment is due to a decrease in the labor force; actual employment increased 0.1 percent since 2010, and population and incomes are also stagnant. Only 30 percent of Topekans have a bachelor's degree or higher, compared to 35 percent statewide, which has broad implications regarding economic mobility and housing choice.

QUICK FACTS

Land Area
60.2 sq. mi.

Population
127,000

Households (HH)
53,300

Average HH Size
2.3

Median HH Income
$50,100

Median Age
37.6

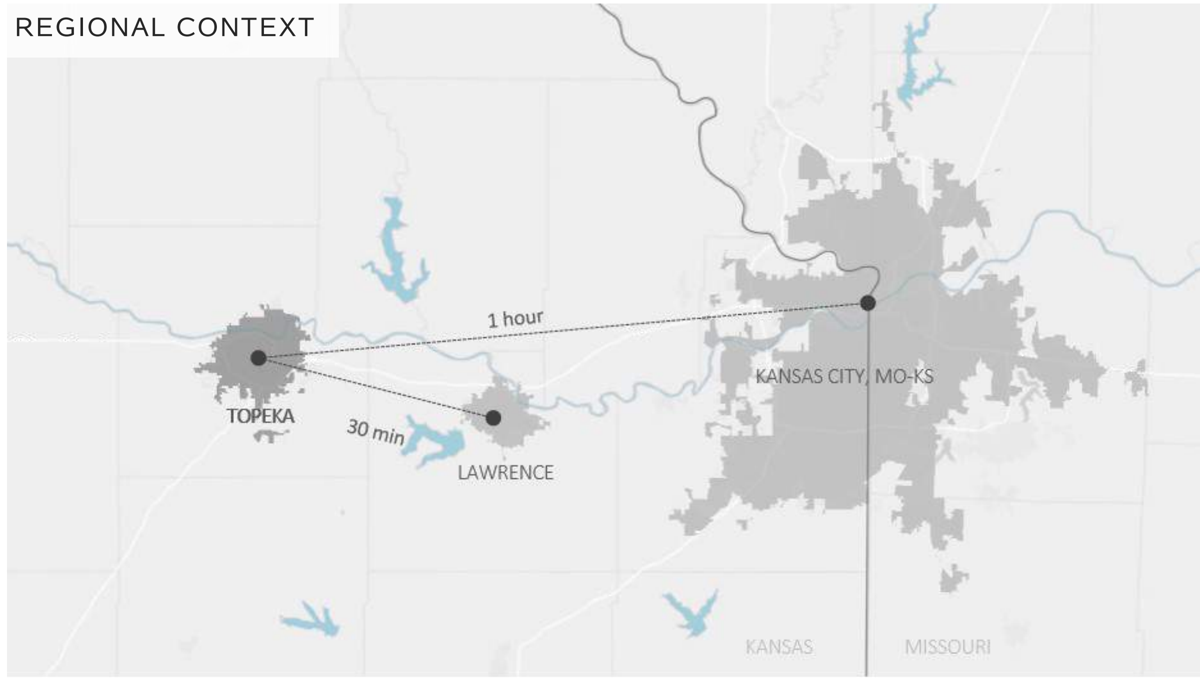
% Population Aged 0-17
23%

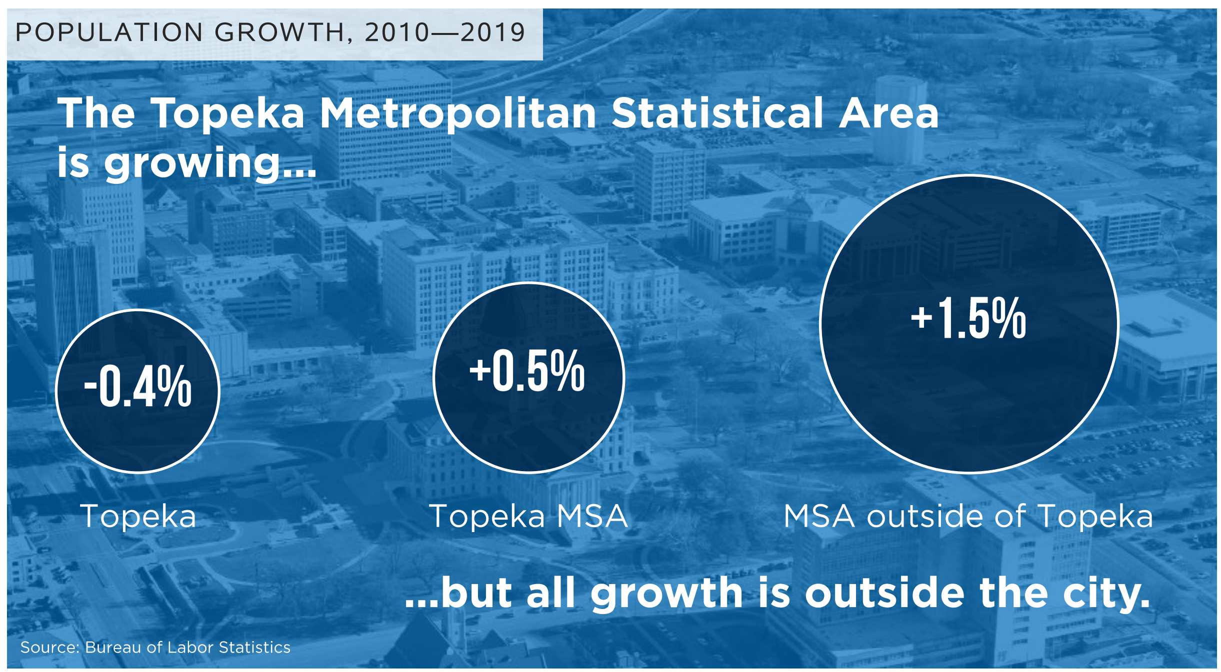
Source: ESRI, 2019

Regional Context

The Topeka MSA has grown slowly since 2010, but the city has captured none of that growth and is instead declining. Overall, the MSA grew 0.5 percent over the last nine years, while the city lost 0.4 percent of its population. Consequently, the MSA outside of the city grew 1.5 percent. Compared to the state, which grew by four percent, the entire region is falling behind.

A declining population means more vacant properties falling into disrepair and fewer opportunities for the residents who stay to improve their communities.





PEOPLE

Topeka is losing residents to nearby cities, and the remaining residents are increasingly older.

Population

Topeka's population slowly declined from 2010 to 2019 by 0.1 percent per year, decreasing by 550 people. The area in the MSA but outside the city added 1,600 people, most of which were still within Shawnee County. The rest of the state has fared better, as Kansas overall grew 0.4 percent annually in the same period.

Migration patterns show that the nearby Lawrence and Kansas City regions are popular areas for people moving out of Topeka. The two areas had a net gain in people moving to or from Topeka, which supports a key theme and concern from stakeholder interviews.

Households

Household sizes in the Topeka area are small relative to the state, which has around 2.50 persons per households. The city has the smallest households, with 2.29 people, while the MSA has 2.42. The number of households has increased at the same rate as population, leading to no change in household sizes since 2010. Smaller households allow for smaller, more affordable homes without overcrowding.

The city also has proportionally more households which are not families. Around 43 percent of households are non-family, compared to around 37 percent in the county and MSA. These non-family households are likely to be renters and are a growing group nationwide.

Age Distribution

The age distribution between Topeka, the county, and MSA are mostly similar. Topeka is younger overall (median age of 37.6) and has slightly larger Preschool (ages four and below) and Early Workforce (ages 25 to 34) cohorts, whereas the MSA (median age of 40.3) is older and has slightly larger Empty Nesters (ages 50 to 64) and Seniors (ages 65 to 74) cohorts.

Growth is projected in the Seniors and Elderly (ages 75 and up) cohorts, while much of the population loss is from the Early Workforce and Empty Nester cohorts. Consequently, the median age is projected to increase to 38.3.

The projections suggests that younger households are losing interest in the amenities and lifestyle of the city and the older cohorts are replacing them.

KEY METRICS
TOPEKA

549 population lost since 2010

-0.4% change in population since 2010 (compared to a 0.5 percent gain in the region)

1.8% projected annual median household income growth

30% of residents have college level education (same as in the region)

23% of the city's population is between 18 and 34 years old

25% of households with annual incomes of $25,000 or less (compared to 20% for the city)

Source: ESRI 2019

Median Income

Median household incomes are relatively low in Topeka at $50,066, eleven percent lower than the MSA at around $56,500. This translates to an affordable rent (assuming 30 percent of income goes toward housing costs) of $1,250 or a $227,000 mortgage for city residents. According to HUD, a decent two-bedroom market-rate apartment in the Topeka MSA costs $785 (with $200 in utilities), which would be unaffordable to the quarter of Topekans who earn less than $25,000. They can only afford a $625 apartment (with $200 in utilities) without being overburdened. Household incomes across the region are expected to grow 2.0 percent each year, keeping up with statewide growth, but not with nationwide growth at nearly 3.0 percent.

Seniors (65+)

The overall population in Topeka is declining; however, the senior (65+) population continues to grow. It has increased 2.4 percent every year since 2010 in the city and 2.8 percent in the MSA. The senior population in Topeka grew by 2,000 in that time. The median income for seniors is 29 percent less than the general population. However, senior incomes are increasing at a higher rate than for the general population.

An increasing senior population paired with a lack of new senior housing options suggest housing costs will be rising in the future.

Education

Educational attainment across the region is relatively similar, but Topeka has slightly more people who did not finish high school or only finished high school. While education and income are linked and the city, county, and MSA have similar educational attainment, incomes in the city are eleven percent less than in the MSA. However, most Topekans have not completed any education after college, which could limit their ability to get better paying jobs.

DEMOGRAPHIC SNAPSHOT

Household Income

Source: ESRI, 2019

25%

of households have incomes <$25K

20%

MSA average

Educational Attainment

Source: ESRI, 2019

30%

of population have bachelor's degrees

30%

MSA average

Senior Population

18%

of residents above the age of 65

19%

MSA average

Source: ESRI, 2019

RACE & EQUITY

Race and equity are important lenses through which to analyze housing challenges and opportunities. Historic policies such as redlining severely limited minority access to housing and financial tools and the long-term effects are still present today. Minorities and low-income households are more likely to be concentrated in areas with poor housing conditions.

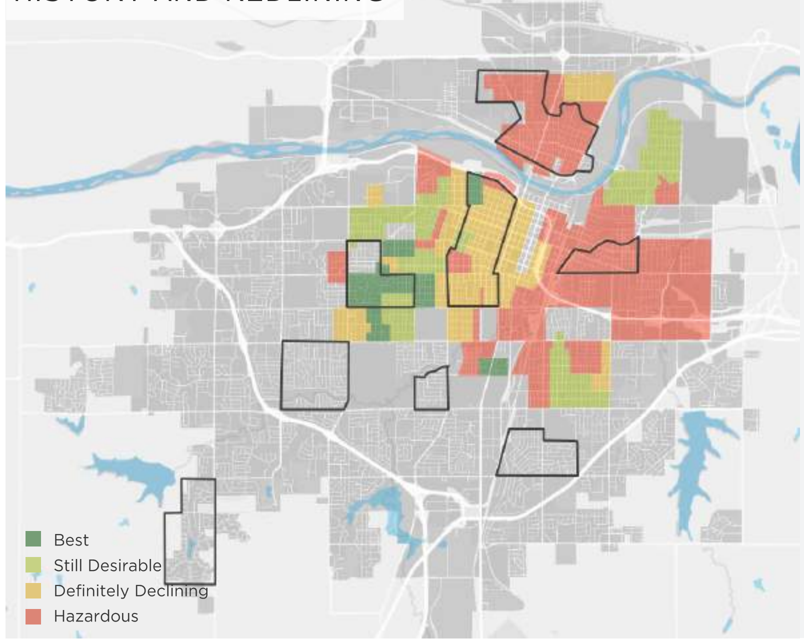
Redlining & Legacy thereof

Topeka's core neighborhoods continue to show the lasting impacts of historic policies like Redlining. Redlining systematically encouraged disinvestment in certain areas of cities on the basis of racial distribution. This practice restricted where residents could get a bank loan or buy a house by limiting access to insurance in "Declining" and "Hazardous" areas. This policy severely impacted the residents of these neighborhoods and their ability to acquire wealth. The resulting lack of investment in the housing stock in these areas contributes to many of the challenges present today.

Race Distribution

As of 2019, approximately 10 percent of the city's population is African-American, and 16 percent is of Hispanic origin. Minority households are concentrated in the older areas of the city, many of which were the historically redlined "declining" and "hazardous" areas.

HISTORY AND REDLINING

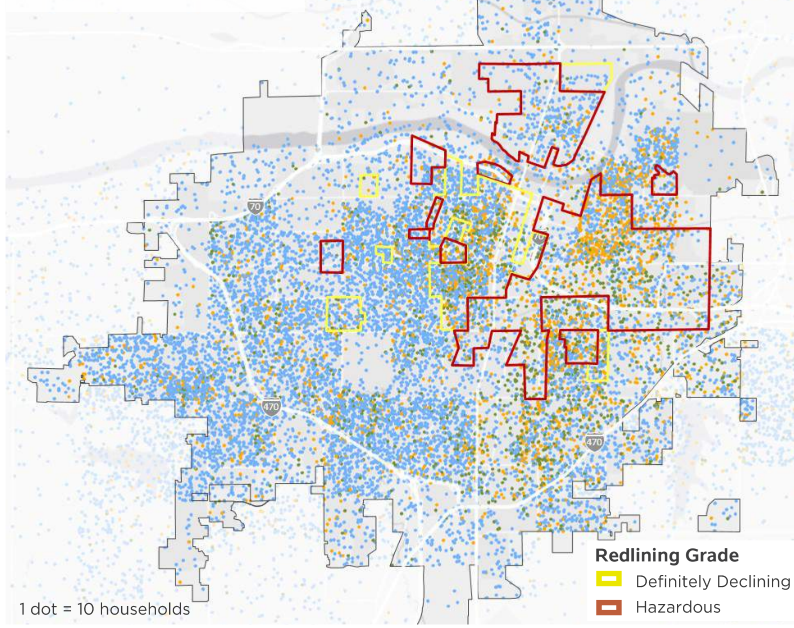


Historic policies, such as redlining, continue to impact our communities, including Topeka's core neighborhoods.

Map of City of Topeka dated February 1927, City Engineer's Office, City of Topeka for Home Owners' Loan Corporation (HOLC) – compiled by the University of Richmond for "Mapping Inequality" project.

GIS Shapefile Source: City of Topeka

RACE AND EQUITY



53,720 Total Households

75% White

16% Hispanic

11% African American

Source: ACS 2013—2017

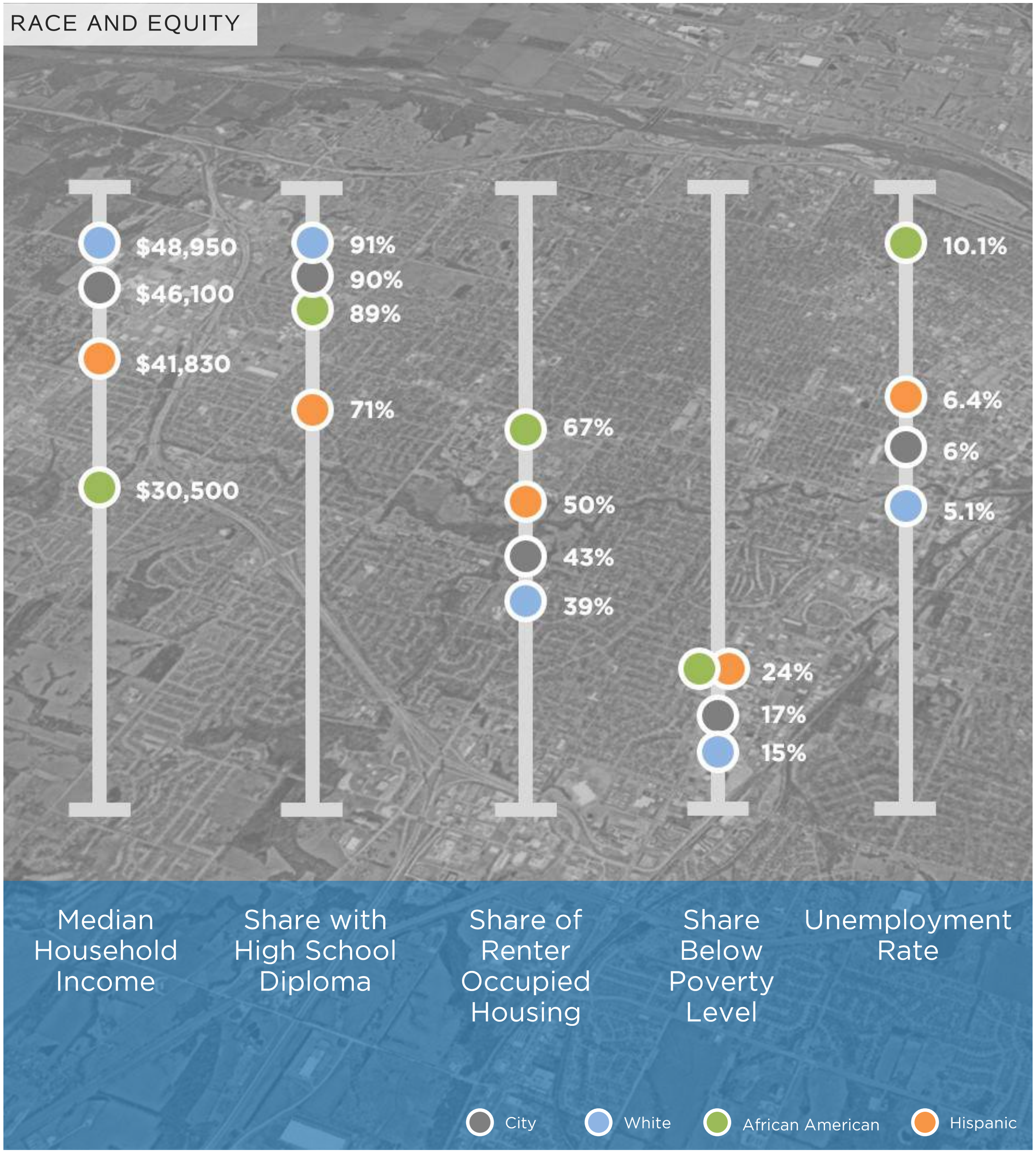
The median household income for African-American households in Topeka ($30,500) is approximately two-thirds of the citywide median ($46,100). This has broad implications regarding housing affordability and the need for equitable housing strategies.

Ninety percent of the population in Topeka has at least a high-school diploma with shares among white as well as Hispanic households being very close to the citywide share. At 70 percent, African-American households have the lowest share of high school diploma holders, 20 percent lower than the city average.

More than two-thirds of African-American households and half of all Hispanic households in the City of Topeka rent a home. This is higher than the citywide percentage for renter occupied housing (43 percent). Thus, providing access to quality rental housing options is very important.

Households belonging to minority groups in Topeka are experiencing poverty at a higher rate than White households (15 percent). Almost a quarter of both African-American and Hispanic households in Topeka are below poverty level, which significantly impacts access to quality housing.

In 2017, the City of Topeka registered an unemployment rate of 6 percent. During that time, African-American households in the city had the highest unemployment rate (10.1 percent), double the rate being experienced among White households (5 percent). Closer to the citywide rate, Hispanic households experienced an unemployment rate of 6.4 percent.



ECONOMY

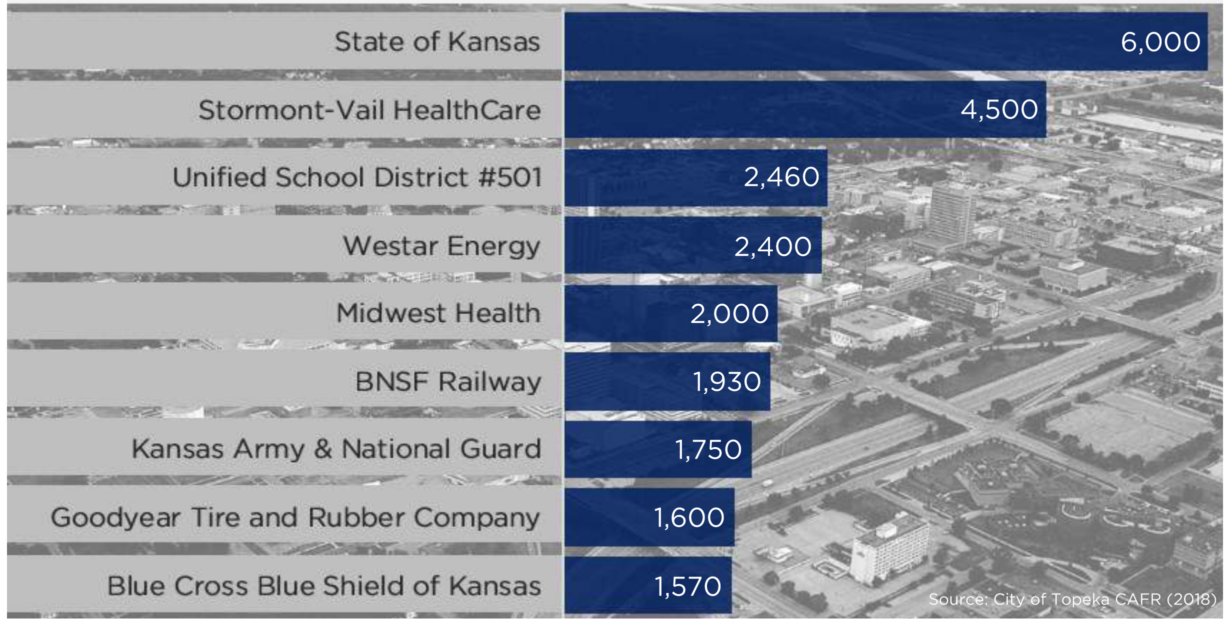
Job creation in Topeka is slow and many new jobs aren't well-paying. However, being a state capital and having multiple large companies provides it stability.

Momentum 2022

Topeka has struggled to gain back economic momentum since the closure of Forbes Air Force Base, and many efforts have been met with limited success. Momentum 2022 is a comprehensive plan to strengthen the Topeka community through improving education, creating a sense of place, and diversifying the economy.

The Kansas Department of Labor publishes projected job growth for the Northeast Region of Kansas, which includes Topeka. Projections indicate that more than half of new jobs will pay below $35,000 and nearly half of new jobs requiring a high school diploma will pay between $35,000 and $75,000. Consequently, affordable and workforce housing will continue to be needed.

TOPEKA TOP EMPLOYERS



EMPLOYMENT CHANGE BY INDUSTRY
Shawnee County, 2001-2018
Source: Bureau of Economic Analysis, 2018

Top Six Growing Sectors	Net Change	Percent Change	Top Six Contracting Sectors	Net Change	Percent Change
Admin & Support Services	2,300	39%	Retail Trade	-4,600	-29%
Finance & Insurance	2,000	27%	Information	-3,900	-4%
Healthcare & Social Assistance	1,100	7%	Government	-700	-3%
Accommodation & Food Service	900	13%	Manufacturing*	-700	-9%
Professional & Technical	800	13%	Construction	-600	-9%
Real Estate	600	16%	Other Services	-600	-8%

*Employment Net Change 2002-2018

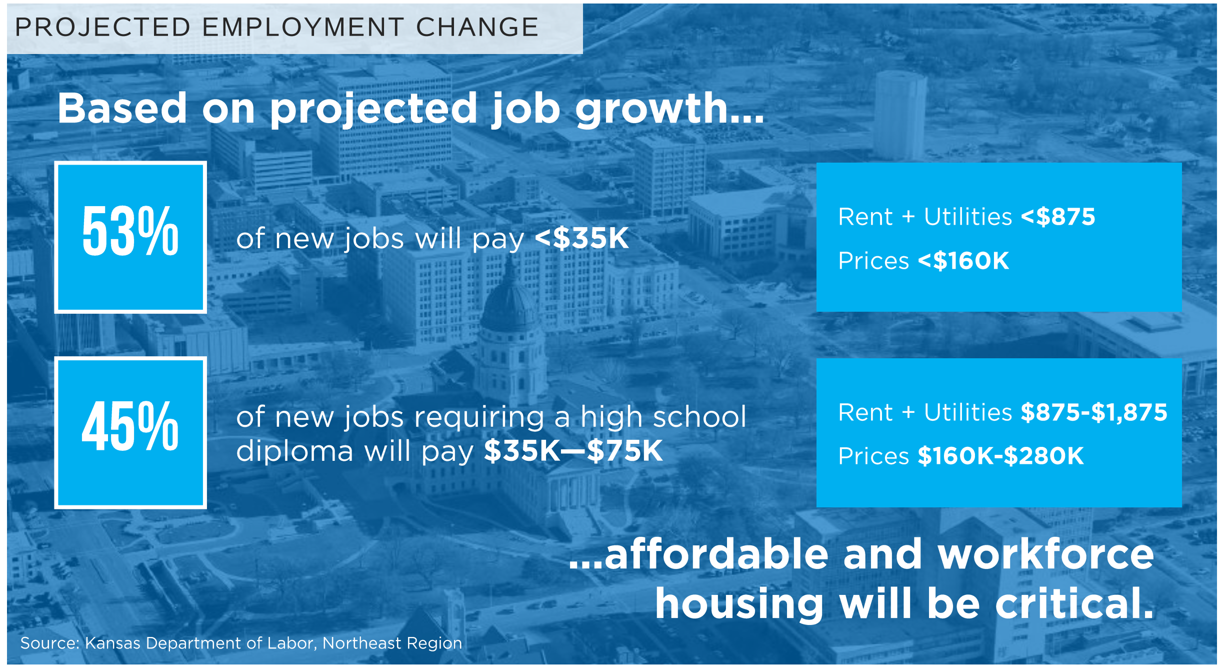
Employment

As the capital of Kansas, many Topekans are employed by the state government. Downtown Topeka still has large companies like BNSF Railroad, Evergy, Blue Cross Blue Shield, and several banks. Stormont Vail Hospital and Washburn University are both located east of Downtown, while Advisors Excel, a marketing consultant, and Security Benefit, an investment company, have offices along the highway. These are major employers which are important assets for the community.

The largest industry in Topeka by far is health care/social assistance. The industry employs 18 percent of workers. The next largest industry is retail trade, which employs eleven percent. Public administration, manufacturing and educational services make up around nine percent each. As the state capital, the city has a large public administration industry, but it has relatively small manufacturing and educational services industries.

Job Growth

While high paying jobs like registered nurses and software developers are seeing some job growth, the fastest growing occupation is expected to be food preparation, which has a median wage of $19,000. Many of the projected top growing jobs pay $20,000 to $30,000. According to HUD, a market-rate two-bedroom apartment of decent quality in Topeka would be $785 (including utilities), which would be a burden for these low-earning workers.



MEDIAN ANNUAL WAGES OF THE TOP GROWING OCCUPATIONS

Source: Kansas Department of Labor, KSNT

HOUSING

New development within the city is limited, particularly of multi-family buildings, but there are many opportunities for rehabilitation and redevelopment.

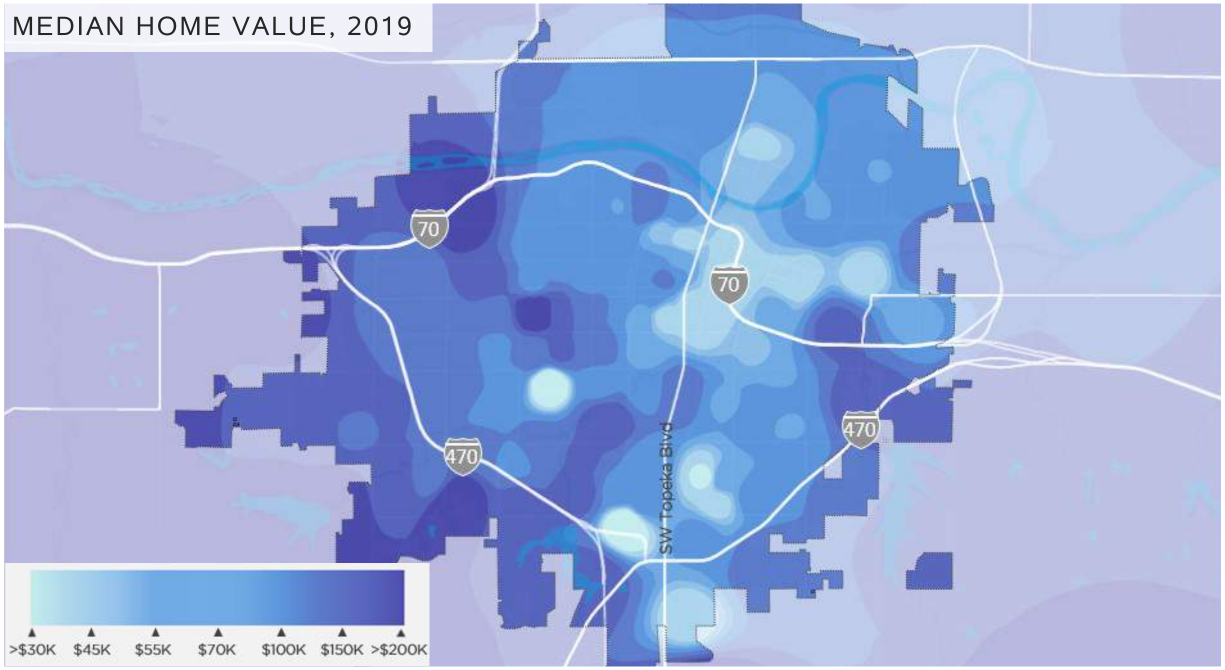
Character of Existing Stock

Much of the housing stock in Topeka was built before 1970 and contains less than 2,000 square feet. A scan of recent sales suggest that most homes contain between 1,300 to 1,800 square feet and were sold for $80,000 to $120,000, but there is some supply of homes over $250,000. Attached garages are common outside of the city's core in homes built after 1950. These houses tend to also be single-story, ranch-style homes. Many neighborhoods throughout the city have vacant lots that could be built on and poorly maintained houses that could be redeveloped.

There has been limited new multi-family construction in Topeka during the last decade. Due to age and a lack of modern amenities, many apartments are affordable, and quality varies considerably. Topeka has only a handful of large apartment properties. While many of them are affordable, none are new. Only one property, Echo Ridge managed by Topeka Housing Authority, has been built since 2010. Other apartment properties are garden-style with breezeways or townhomes.

Most households (70 percent) live in single-family structures, but a sizable portion (16 percent) live in large, ten unit or more buildings. The city, county, and MSA have vacancy rates of around ten percent, which is normal for areas in Kansas.

MEDIAN HOME VALUE, 2019



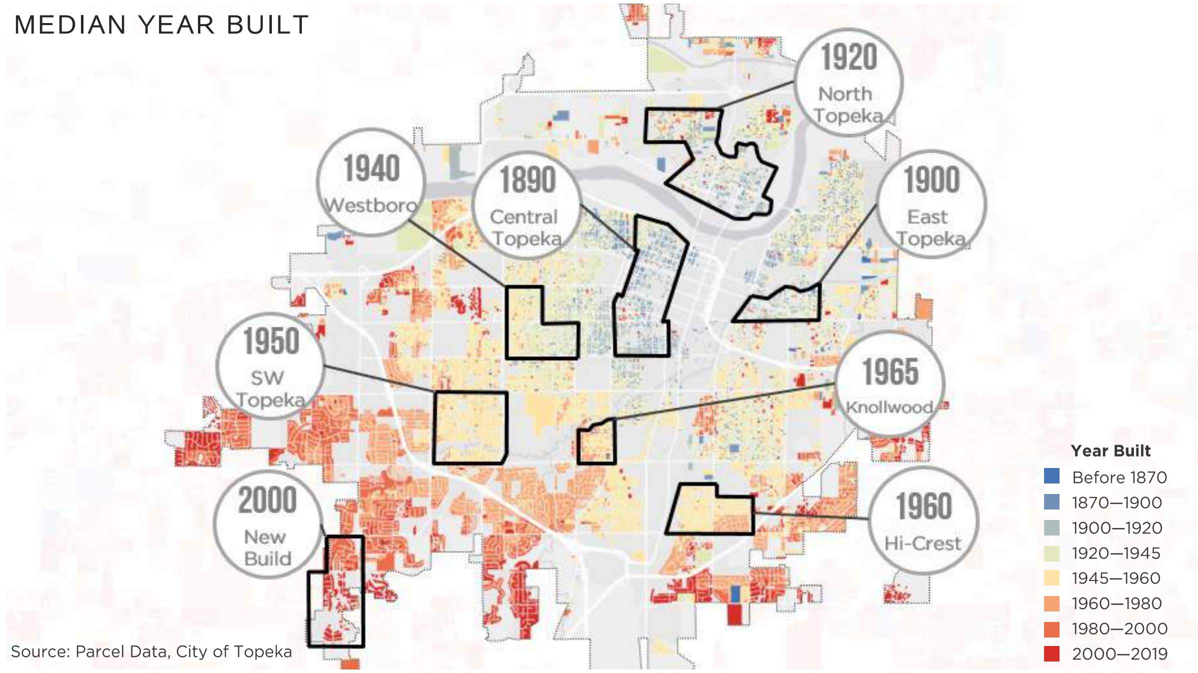
Year Built

Most of Downtown Topeka and North Topeka housing stock was built between 1890 and 1920. East Topeka, between Interstate 70 and the river, has a lot of age variability, with many buildings built before 1900 and many built after 1980. Most neighborhoods outside of the core but within Interstate 470 were built between 1940 and 1960, while the area south of Interstate 470 was developed after 1970.

Building Condition

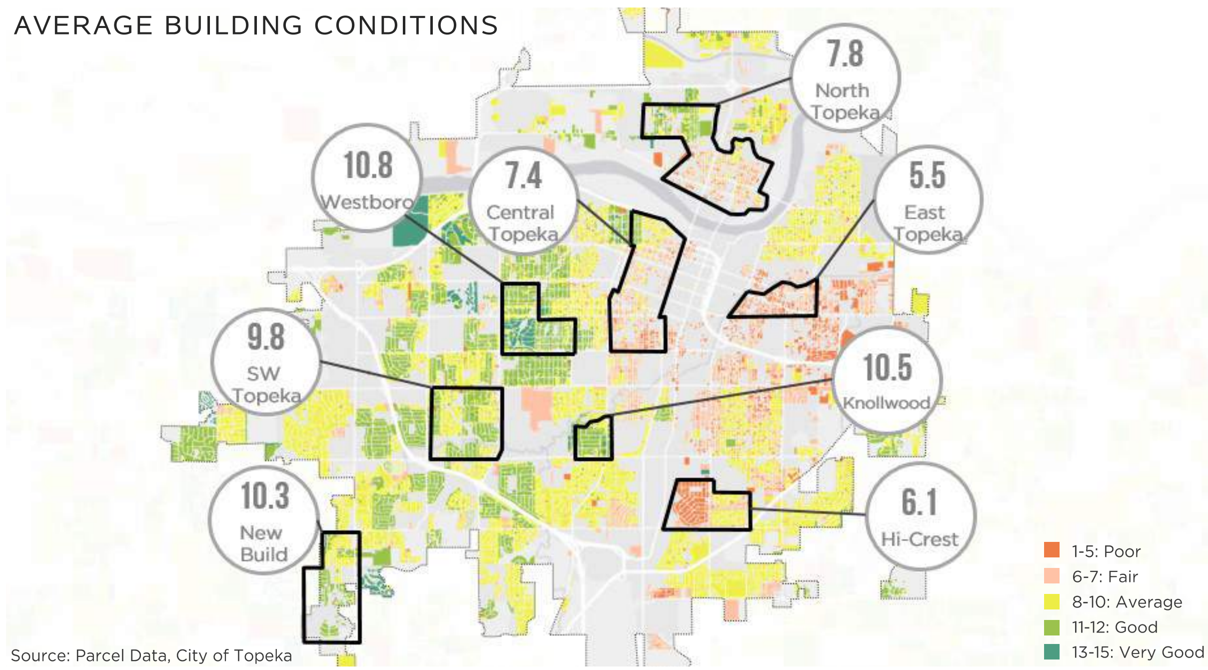
Downtown Topeka and North Topeka have the oldest housing stock and many buildings are in poor condition. East Topeka has very few buildings in above average condition, while the Southern Boundary has mostly average to good building conditions. The neighborhoods west of Downtown, the Westboro neighborhood in particular, are in the best condition citywide despite their age. Concentration of housing condition challenges require a strategic approach to maximize the impact of limited resources and to foster long-term neighborhood stabilization.

MEDIAN YEAR BUILT



Source: Parcel Data, City of Topeka

AVERAGE BUILDING CONDITIONS



Source: Parcel Data, City of Topeka

HOUSING AFFORDABILITY

Around 30 percent of households are overburdened by housing costs, and many are threatened by eviction.

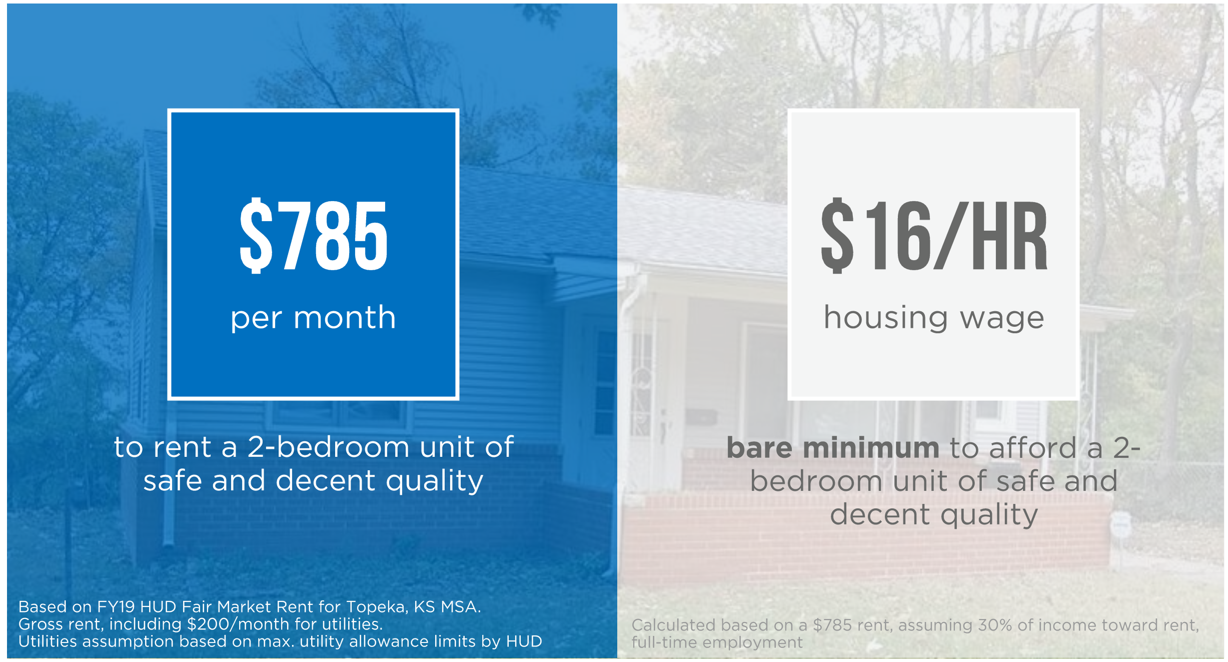
Definition

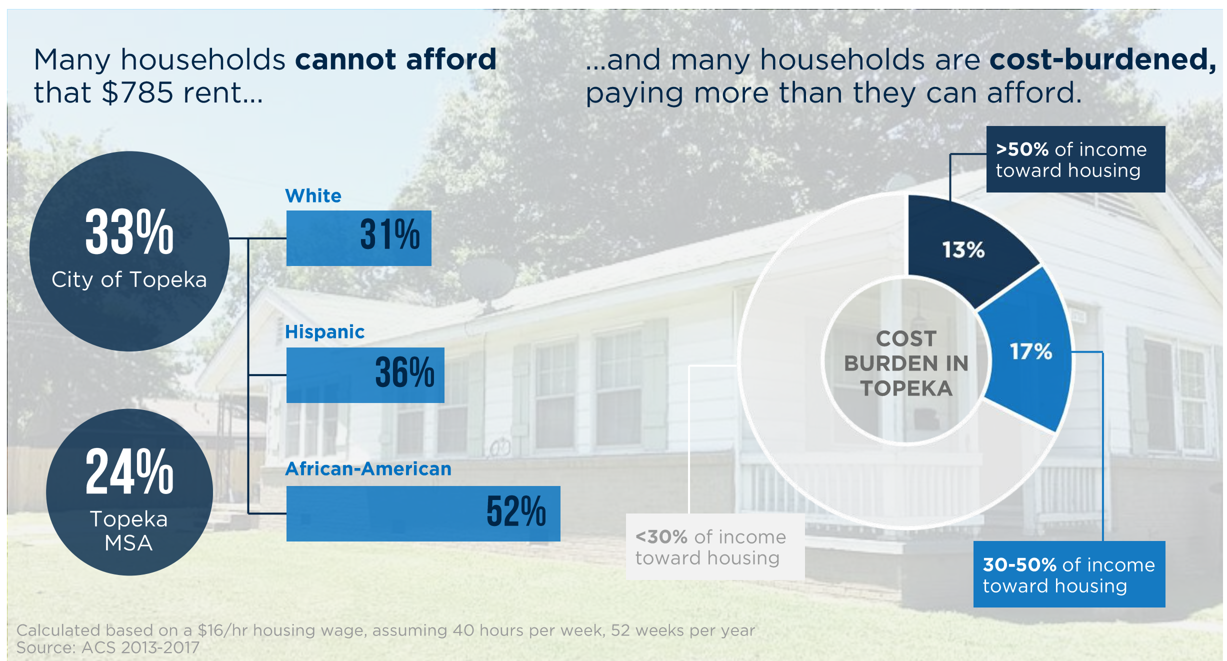
Housing is considered affordable if housing costs, including rent or mortgage payments and utility costs, are less than 30 percent of a household's income. Otherwise, a household is considered rent burdened.

Affordable Housing in Topeka

According to HUD, the fair market rent for a decent, safe 2-bedroom apartment is $785 per month (including $200 in utilities). A third of Topeka households do not earn the $16 per hour required to afford such a home and are cost-burdened. Seventeen percent of households spend 30 to 50 percent of their income on housing, and 13 percent spend more than 50 percent, posing a severe burden on 30 percent of the population. Low-income households may need to choose between spending a significant portion of their income on housing or living in substandard conditions—either way it is a difficult position to get out of without additional affordable housing options and supports.

African-Americans and Hispanics are more likely to be cost-burdened than the general population. More than a third of Hispanics and over half of African-Americans do not earn the $31,400 required to afford the $785/month apartment.





Evictions

Topeka has the 58th highest eviction rate in the nation, while being 220th in population. In 2016, one in every 23 renter households were evicted. Many landlords will not accept tenants with prior evictions, regardless of income, forcing many households into substandard housing or homelessness.

Homelessness

Shawnee County's has a higher rate of homelessness than its peers, with 23 homeless per 10,000 people, compared to 17 and 14 in Tulsa County and Sangamon County (Springfield, IL), respectively. In the U.S. the homelessness rate is 17, dropping to 8 in Kansas.

Each year a point-in-time count of homeless people in Topeka occurs. In 2019, the count was up five percent to 441, with 69 minors. Not having a permanent home disrupts the rest of a person's daily life: it is harder to find jobs and private landlords may not rent to prospective tenants who lack a rental history.

Data not available for Douglas County, KS and Linn County, IA.
Source: Eviction Lab (2016), Point-in-time counts of homelessness (01/23/2019)-topeka.org, endhomelessness.org (2018)

PEER CITIES

Topeka ‘s housing market and economy is generally weaker than similar cities.

Five peer and aspirational cities were selected based on housing and demographic conditions, as well as conversations with the client team. This allows for a comparison of the housing context in Topeka with other markets and helps to identify strategies that have been successfully implemented elsewhere. Topeka’s peers are other Midwestern cities like Cedar Rapids, Iowa; Springfield, Illinois; Tulsa, Oklahoma; and Lawrence, Kansas.

Home Prices

According to the Zillow’s Housing Value Index, home prices in Topeka are lower than all of its peers at $118,900. The next lowest is Springfield, with a value of $127,700, and Lawrence is the highest at $208,100. Even though home values are low, they are still unaffordable to a significant portion of Topekans. Low home values make new development or repair of existing homes difficult because costs can be higher than value.

Rents

Rents in Topeka are slightly higher than in Springfield and less than other cities. The Zillow Rent Index value for Topeka is $837, compared to $815 in Springfield. Cedar Rapids and Tulsa rents are around $915, while Lawrence has the highest rent at $1,004. Like home prices, the nationwide rent value is almost twice Topeka’s and low rents make new multi-family development economically challenging.

Trends

Most (63 percent) of Topekans own their homes rather than rent. Tulsa and Lawrence have around 51 percent home-owners, Springfield has 67 percent, and Cedar Rapids has the most with 73 percent. Most of the cities, including Topeka, have had increasing home-ownership. Topeka is up five percent since 2010, a larger increase than the other peer cities.

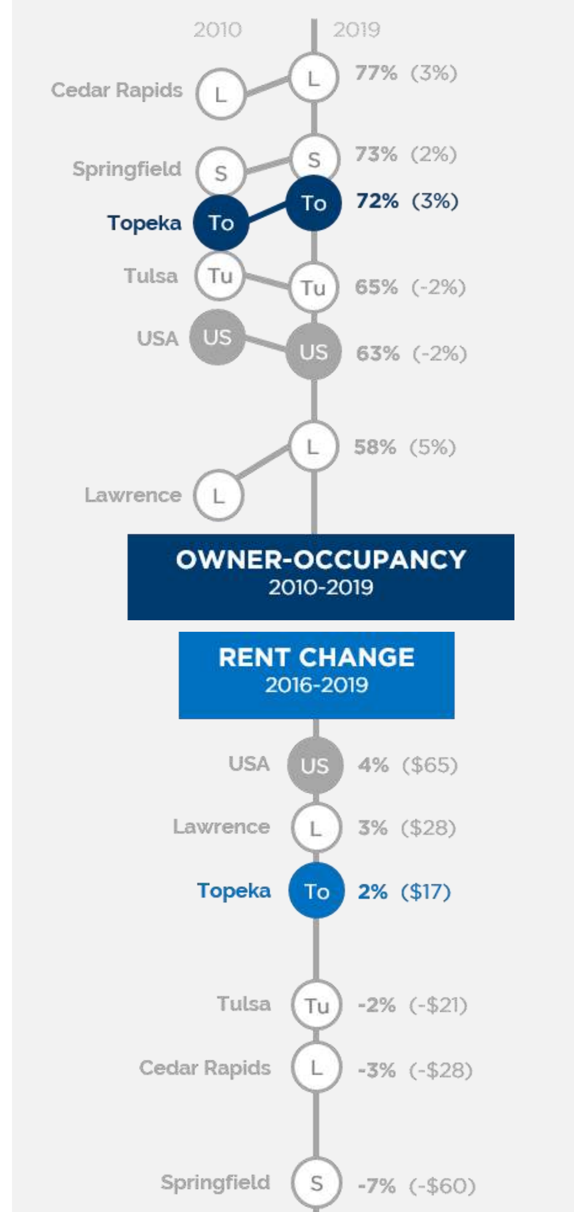
Unlike most of its peers, rents in Topeka have been growing—up 3.8 percent since 2016. The second highest is Lawrence, where rents grew 2.7 percent. The other peer cities have declining rents. Reasonable rent increases are both positive and negative for a community: they can make rehabs and new construction more feasible, but also strain cost-burdened households, especially if wages are not increasing.

Key Comparison Points

Tulsa has the lowest median household income ($46,000) of the peer cities. Topeka and neighboring Lawrence have median incomes around $51,000, with Springfield at $55,000 and Cedar Rapids at $58,500. Topeka has the lowest expected income growth of the cities, while Lawrence has the highest.

Having a relatively low median household income and slow growth can make the city less resilient to changing markets. Rents increasing without equivalent income growth can overburden more households. Low incomes also make the city less attractive to migrants.

REGIONAL RENT AND HOMEOWNERSHIP TRENDS



Source: ESRI, Zillow 2019

PEER CITY COMPARISON

Source: HUD LIHTC Database, ESRI, Zillow 2019

CITIES	TOTAL POPULATION 2017	ANNUAL POP. GROWTH SINCE 2010	HOUSEHOLDS 2017	ANNUAL HH GROWTH SINCE 2010	MEDIAN HOUSEHOLDS INCOME	MEDIAN HOUSING VALUE	PERCENT RENTER HOUSEHOLDS	CHANGE IN ZILLOW HOUSING VALUE INDEX SINCE 2010	SHARE OF LIHTC UNITS BUILT SINCE 2010
TOPEKA	**126,999**	**-0.05%**	**53,720**	**0.05%**	**$55,000**	**$117,300**	**37%**	**+11%**	**8%**
Tulsa	411,490	0.53%	169,819	0.38%	$46,000	$148,100	49%	+25%	8%
Cedar Rapids	137,904	0.95%	57,905	0.91%	$58,500	$148,700	27%	+12%	32%
Lawrence	97,582	1.16%	39,443	1.3%	$51,700	$204,300	48%	+15%	13%
Springfield	115,520	-0.09%	50,618	-0.05%	$55,200	$136,300	33%	+9%	6%
State of Kansas	2,966,501	0.42	1,154,432	0.40%	$56,300	$158,800	33%	+14%	-

CHAPTER 3

UNDERSTAND: NEIGHBORHOOD CONTEXT

INTRODUCTION

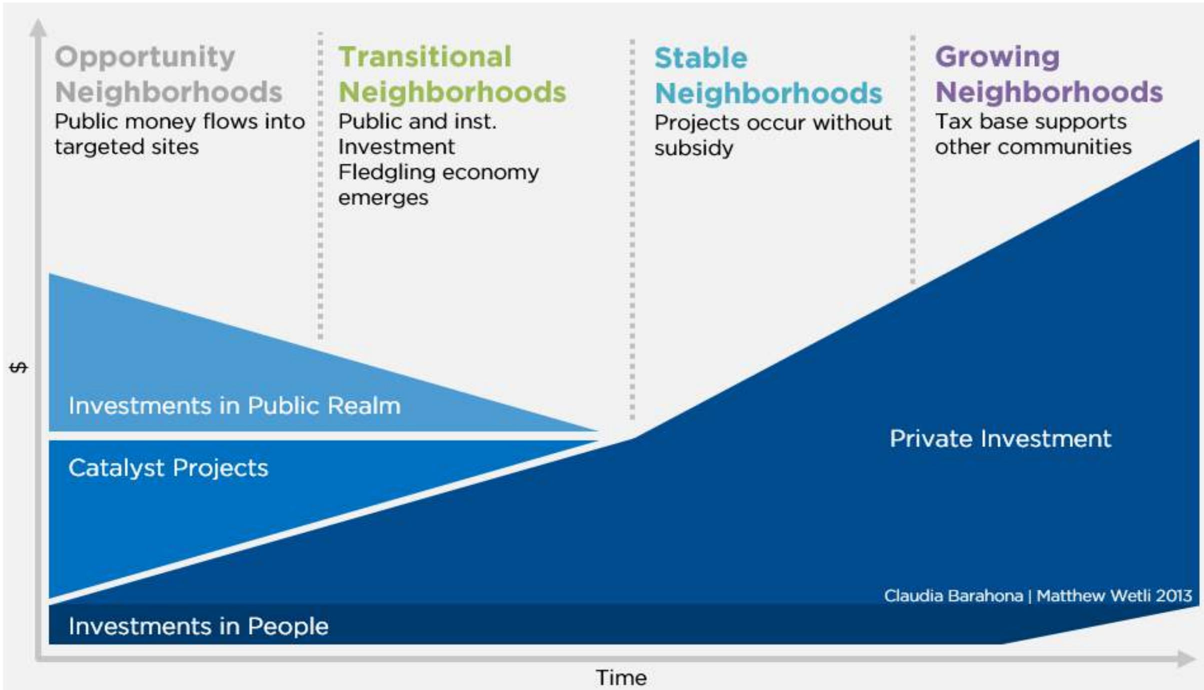
Understanding demographic, economic, and market trends in Topeka is important. However, given the scale and diversity of the city, it is equally critical to establish a framework that will enable the city and its partners to focus housing investments, programs, and interventions in a strategic and impactful way.

Neighborhood Cycles

Neighborhood Cycle Analysis is a tool to further our understanding of different geographical areas in a city and where they are in the development/ redevelopment cycle. This tool uses available demographic and market data to classify geographical areas into four different neighborhood cycles; opportunity, transitional, stable, and growing, each representing its own unique opportunities and challenges. Cycles are designated by clustering similar characteristics, with the help of indicators like household income, home value, tenure, poverty level, vacancy, and permitting activity.

Neighborhood and Housing Interventions

The neighborhood cycle classifications can be used to detail what level of intervention is needed to promote long-term sustainability. The graphic to the right details what level of interventions are needed and the impact of continued investment over time. Investments are broadly categorized as **people-based**, such as financial counseling and homebuyer education, social services, and other services provided directly to residents that promote stable lifestyles; **public realm**, which includes streets, sidewalks, parks, schools, and other public infrastructure; and, **privately-held**, or in this case, the housing stock,



As indicated, opportunity neighborhoods require extensive investments in all three components. These neighborhoods have experienced decades of disinvestment and multi-faceted stabilization efforts are needed to stabilize them and attract private investment. This involves aligning partners providing people-based interventions, coordinating public investments, and aligning resources to support catalyst projects. An example of a catalyst project at a neighborhood scale would be to leverage a Habitat for Humanity infill project with rehabs of salvageable housing units and supporting an LIHTC development on a nearby block. This would serve to stabilize a core area of a neighborhood in a manner, that, over time, would stabilize adjacent blocks.

Transitional neighborhoods have started to experience market-driven reinvestment, but still require people-based, public realm, and catalytic investments to fully stabilize. The focus in stable neighborhoods is to support the market with strategic investments and to prevent decline by maintaining public assets. Investment is primarily market-driven. Growing neighborhoods are market-driven and are contributors to the rest of the city—the tax base in these neighborhoods supports other neighborhoods

In each of these cases, the long-term goal is to create an environment where public investments stimulate private investments.

DEFINITION OF NEIGHBORHOOD CYCLES

OPPORTUNITY	TRANSITIONAL	STABLE	GROWING
Opportunity neighborhoods are the areas of the city that have experienced the most disinvestment and abandonment, or have a significant amount of obsolete housing stock. These areas include portions of East Topeka, Hi-Crest, North Topeka, and Central Topeka.	Transitional neighborhoods are those with more stability and investment than opportunity neighborhoods yet still face multiple challenges. Transitional neighborhoods could also be those where there is concern that conditions will deteriorate.	Stable neighborhoods are established neighborhoods that do not show signs of widespread disinvestment. Neighborhoods like Westboro, Quinton Heights, and many of the post-war neighborhoods in west Topeka and south Topeka are examples of this designation.	Growing neighborhoods are new subdivisions where new construction is underway, or existing neighborhoods where new development is replacing existing homes or densifying the area (i.e, redevelopment with new multi-family). Growing areas also include those with above average home price appreciation.
While these areas face complex challenges, there are multiple opportunities for reinvestment. City efforts should include consistent code enforcement, site assemblage, partnerships with community groups and nonprofits for community clean up and infill development opportunities, coordinated public improvements, and connecting residents to the broader housing ecosystem—partners focused on people-based interventions.	City efforts should include consistent code enforcement, partnerships with community groups and nonprofits for community clean-up and infill development opportunities, coordinated public improvements, and connecting residents to the broader housing ecosystem—to help residents who may need immediate repairs or assistance to stay in their homes.	City efforts in this area should include maintaining property standards by encouraging the continued investment in the homes—a more structure-based focus for interventions.	City efforts in this area include normal plan review and permitting.

Analysis Methodology

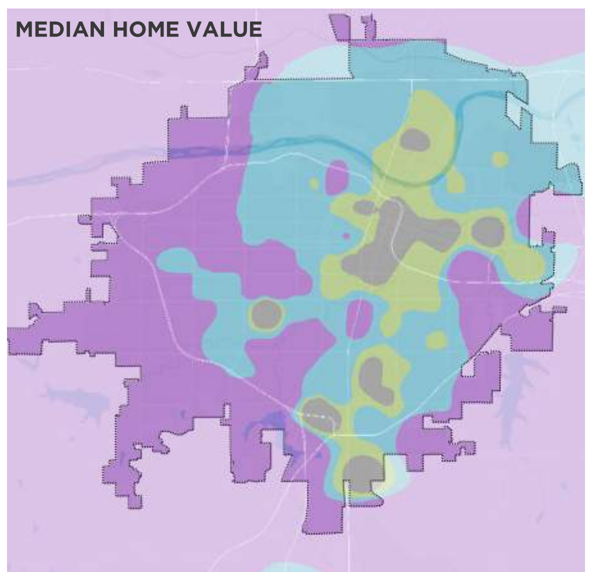
Median household income, projected home value growth, median home value, share of owner households, households below poverty level, vacancy, and permit activity are the indicators used to ascertain the prevailing housing and market conditions of neighborhoods in Topeka.

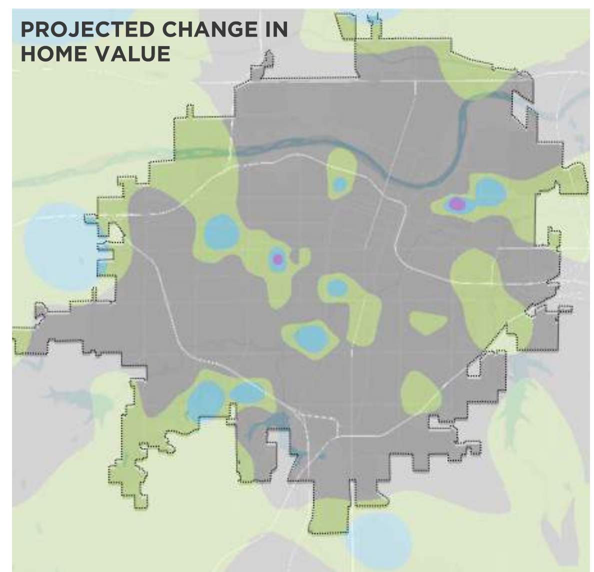
Values for each indicator have been categorized into four ranges, each range corresponding to one neighborhood cycle. Stable and Growing cycles correspond to stronger market characteristics— higher than average home values, more than 45 percent owner occupancy, high permit activity along with significantly lower vacancies and less than 20 percent poverty.

Opportunity and Transitional cycles showcase relatively weaker market characteristics— home values lower than $70k, low shares of owner occupancy, lower permit activity along with higher vacancy and poverty levels. The graphic to the right depicts these ranges across all the indicators for each of the neighborhood cycles.

Maps to the right spatially represent each of the seven indicators for the City of Topeka. All the indicators have a unique role to play in the overall makeup of a neighborhood's condition. Indicators like median home value, households below poverty, and share of owner households weigh heavily towards understanding the current housing and market conditions, The remaining indicators like vacant units and permit activity, although not weighted heavily, help complete the picture, providing key insights pertaining to the development momentum.

INDICATORS	OPPORTUNITY	TRANSITIONAL	STABLE	GROWING
Median Home Value	<$45K	$45K—$70K	$70K—$110K	>$110K
Projected Home Value Growth	<9%	9%—25%	25%—45%	>45%
Median HH Income	<$16K	$16K—$33K	$33K—$66K	>$66K
Owner HH	<30%	30%—45%	45%—70%	>70%
Poverty Level	>35%	20%—35%	10%—20%	<10%
Vacant Units	>25%	15%—25%	5%—15%	<5%
Permit Activity	Very Low	Low	Moderate	High



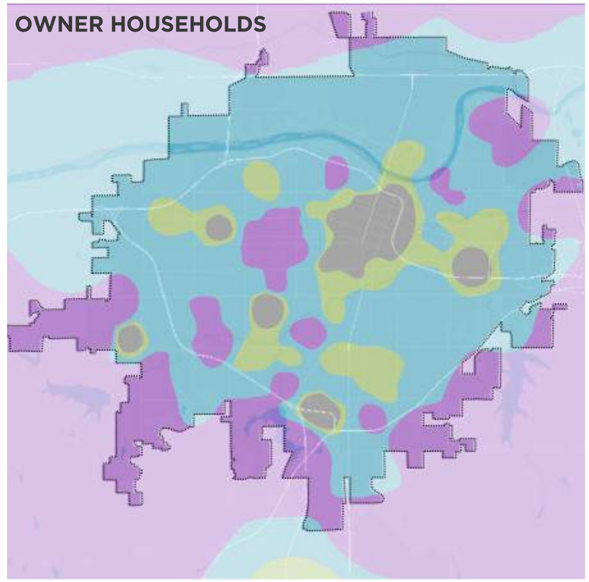


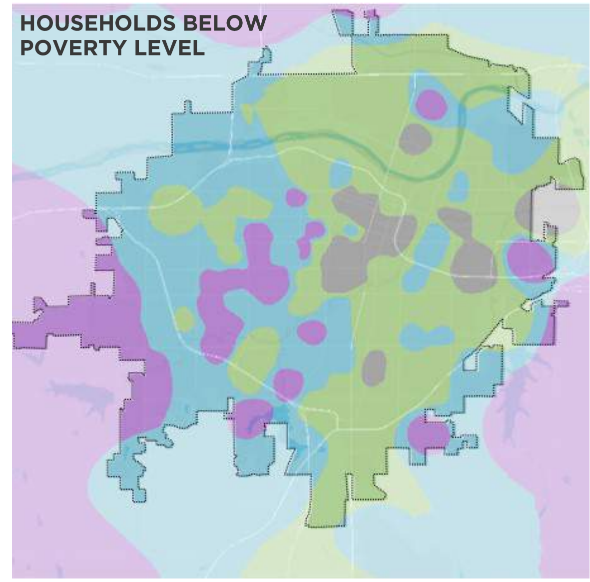
OPPORTUNITY TRANSITIONAL STABLE GROWING

To account for this varying influence, each indicator is assigned a particular weight, on a scale of 0 percent to 100 percent, reflecting its share towards determining the neighborhood cycles. This analysis has assigned the following weights to each of the indicators:

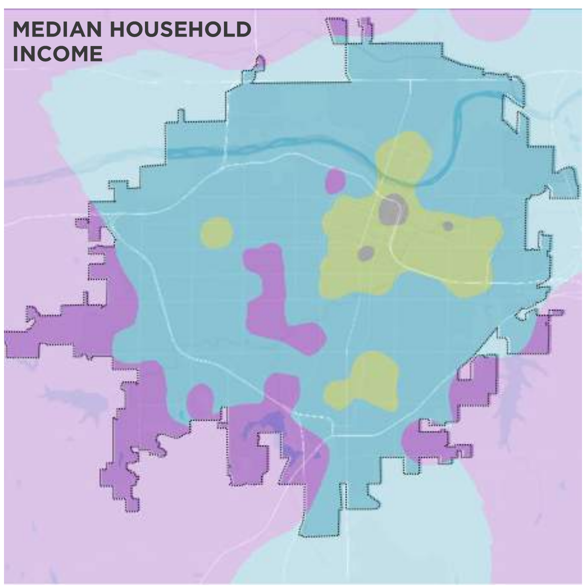
Median home value-35%, households below poverty-25%, share of owner households-20%, vacancy rate-10%, permit activity-10%, projected home value growth-0%, median household income-0%.

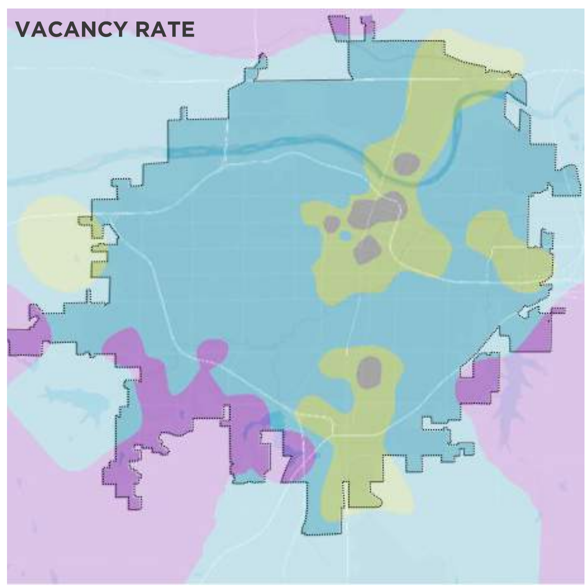
The weighted indicator maps are finally overlaid to produce the composite map (on the following page) showing the current neighborhood cycle classification for the City of Topeka.

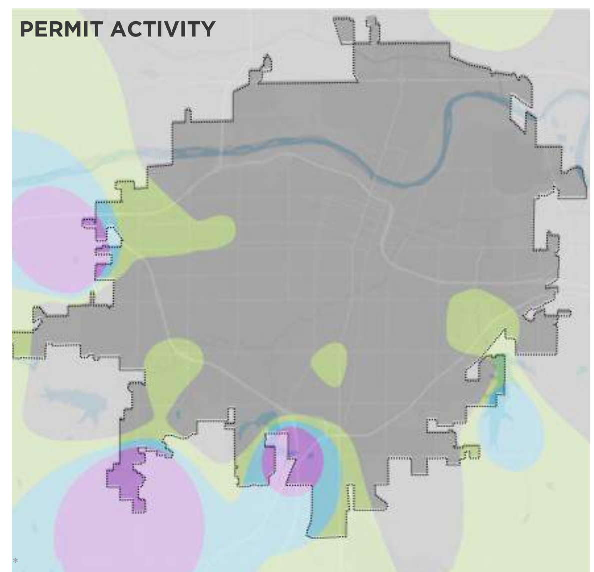




OPPORTUNITY TRANSITIONAL STABLE GROWING





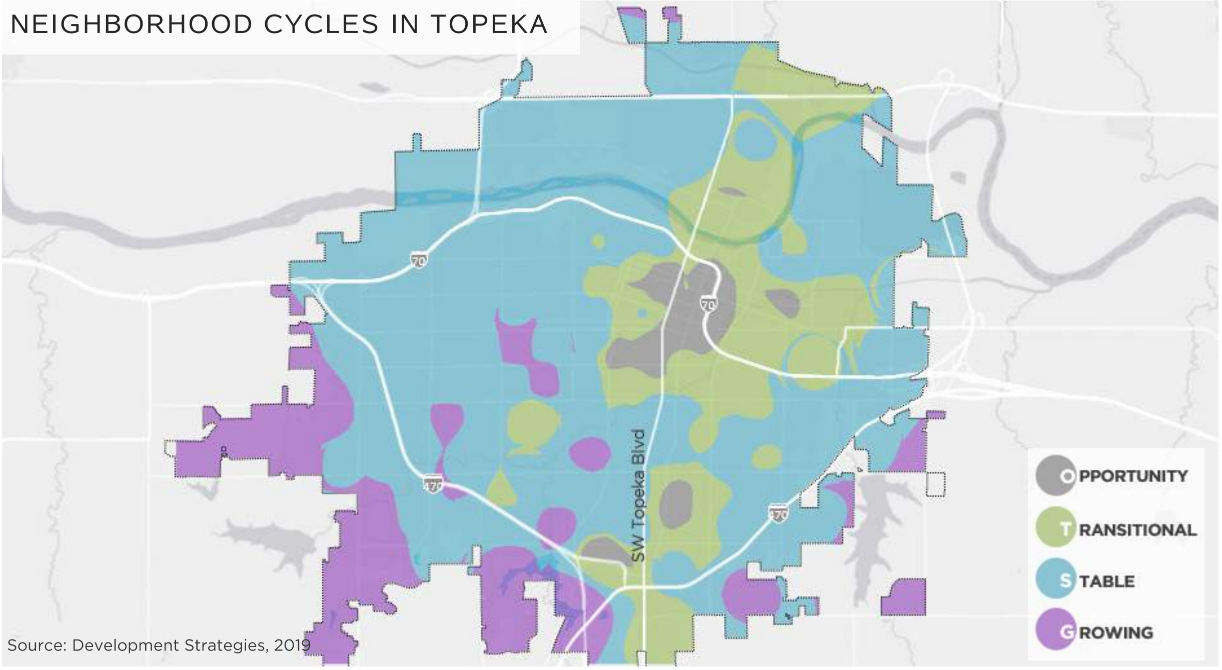


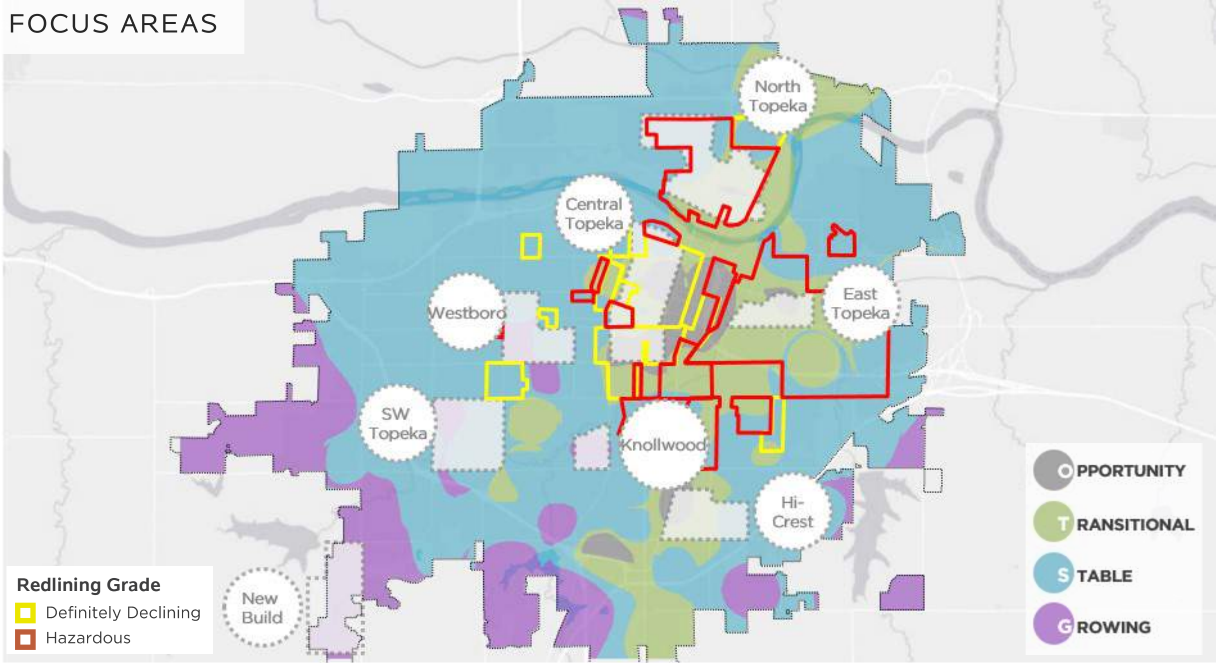
Neighborhood Cycles Map

Weighting demographic and development factors results in the neighborhood cycle classifications shown in the map to the right. Opportunity neighborhoods are concentrated in central Topeka and Hi-Crest, align with what stakeholders reported as the most challenged neighborhoods in the City. Transitional neighborhoods extend out from opportunity neighborhoods and make up approximately 20 percent of the city. Most of the city is classified as stable neighborhoods and efforts should continue to maintain the stability of these areas. Finally, most growing neighborhoods are located on or near the city boundaries, but also include strong older neighborhoods such as Westboro and Knollwood.

Eight focus areas, chosen based on discussions with City Planning department and several stakeholders, provide a sampling corresponding to different neighborhood cycle classifications within Topeka. While some of these completely fall under one cycle (Knollwood, New Build), others have a mix of two or more cycles (Central Topeka, North Topeka, East Topeka, Hi-Crest, Westboro, SW Topeka), which points to the challenge of classifying neighborhoods – they are dynamic places.

Policies like redlining that influenced access to capital and credit created long-lasting effects on residential patterns, neighborhoods' economic health and household accumulation of wealth. The map to the right shows that majority areas within Topeka that are in the "opportunity" and "transitional" cycles were also classified as "hazardous" and "declining" in the past.



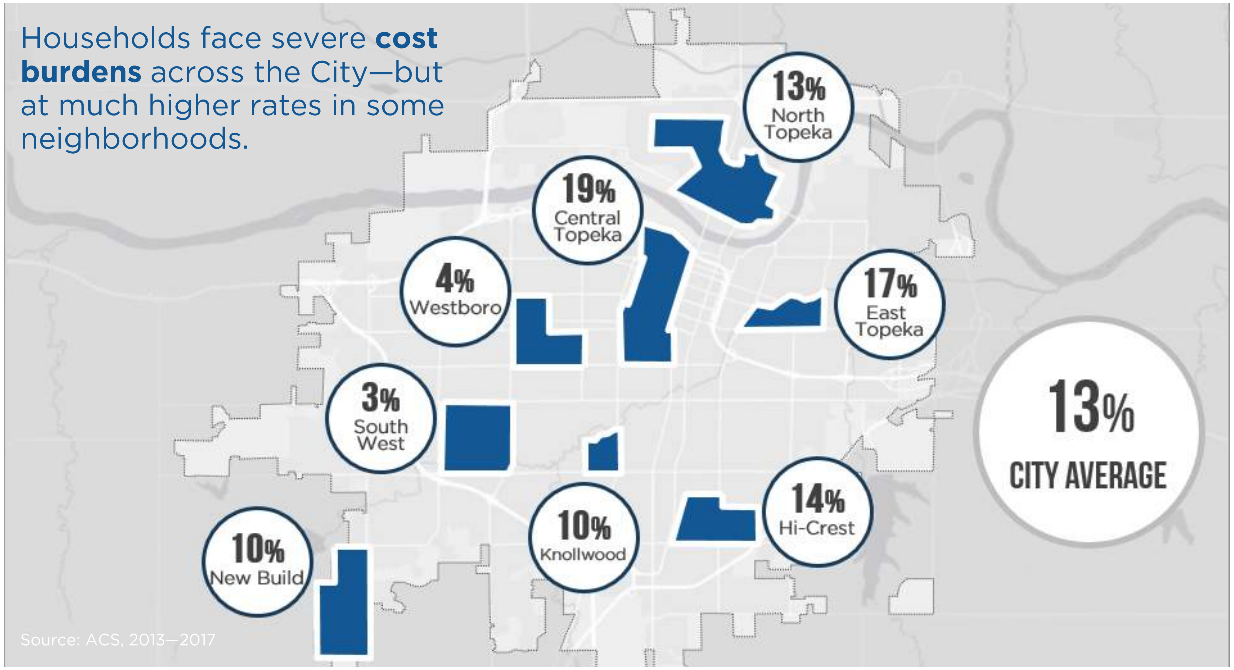


Cost Burden by Neighborhood

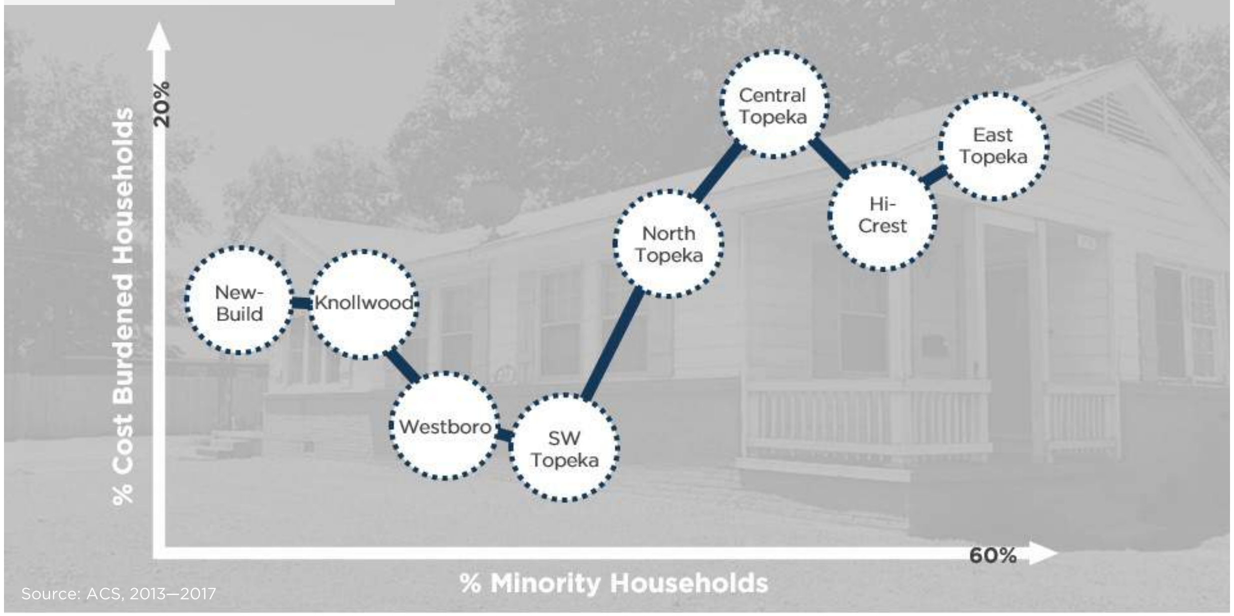
Housing cost burden is a real challenge across the City of Topeka. Thirteen percent of households in the city are severely cost-burdened, paying more than 50 percent of their income toward housing costs (rent and/or mortgage). When looking through the lens of focus areas, this challenge becomes more pressing for households in specific neighborhoods—facing cost-burdens at an even higher rate: Central Topeka (19 percent), East Topeka (17 percent), Hi-Crest (14 percent), and North Topeka (13 percent).

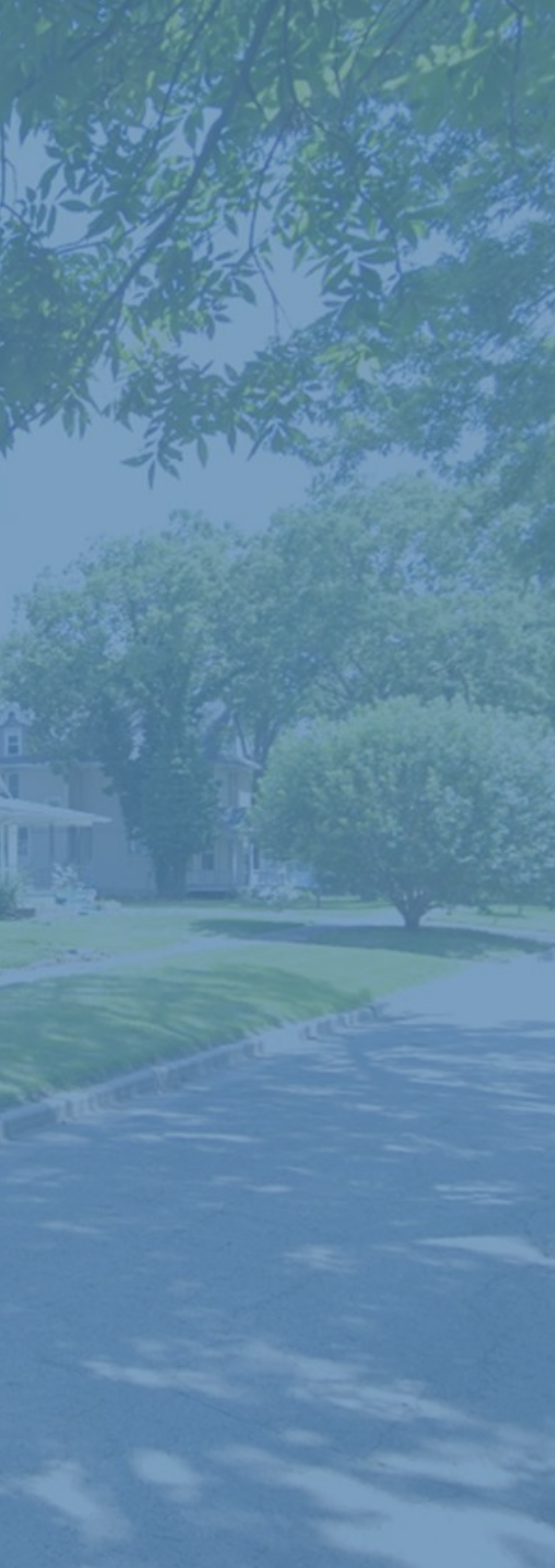
When analyzed through the lens of tenure, cost burden is a greater struggle for renters. As of 2017, 22 percent of the renters in the City of Topeka are severely cost-burdened. This strain experienced by renter households is intensified in neighborhoods like East Topeka (31 percent), Central Topeka (25 percent), North Topeka (20 percent), and Hi-Crest (18 percent).

Ranked based on share of minority households, housing cost burden is a greater hardship for focus areas with higher percentage of racial and ethnic minority households, as indicated by the graphic on the right. This has broad implications regarding the need for equitable housing strategies alongside affordable homeownership and rental assistance programs.



HOUSING COST BURDEN





CHAPTER 4

HOUSING MARKET ANALYSIS

MARKET ANALYSIS: A PROCESS OVERVIEW

Market analysis helps understand current conditions and opportunity—it identifies gaps that exist in the housing supply today and likely housing needs in the future, including the specific needs of different populations based on income, age, and physical ability.

Market analysis can essentially be divided into the study of people, product, and place:

Supply Analysis

The first step in housing market analysis is to document what exists today. This information tells us a great deal about what the market will support in terms of rents, sale prices, and lease rates. It indicates preferences for specific products or locations. Sometimes, analysis of the competitive market can reveal specific opportunities for types of housing that the city lacks by identifying newer, more competitive types of development that achieve product differentiation by focusing on quality, amenity, design, or service offerings. Supply analysis provides critical foundational information for market analysis and the strategic framework designed to meet critical housing needs.

Demand Analysis

Demand analysis is fundamentally about people: who lives in the community today? Where do they live? What are their needs? Who is moving into the community. How many? This requires analysis of standard demographic data like household income, age, and population. It is important to analyze housing demand from multiple angles and for multiple populations. Seniors prefer different housing products than young professionals or families. Workforce housing looks different than upscale housing or housing for at-risk people. Demand analysis allows us to quantify how many units are needed at different price points and income levels.

Housing Gap Analysis

Housing gap analysis is the comparison of supply and demand. It allows us to determine what is currently missing in the market and what is needed to provide the "right" kind of housing for all Topekans. This may mean more affordable units so that fewer households are cost burdened, more Downtown units to support talent recruitment and attraction, or encouraging the development of more upscale single-family homes to keep higher-paid professionals from moving to Lawrence or Kansas City.

MARKET ANALYSIS

Market Analysis identifies current conditions and quantifies opportunities.

PEOPLE

(WHO)

DEMAND

PRODUCT

(WHAT)

SUPPLY

PLACE

(WHERE)

LOCATION

MARKET STRATEGY

Market Strategy focuses on how to change the conditions and capitalize on opportunities.

HOW DO WE GET THEM HERE?

WHAT DO WE BUILD?

WHERE DO WE CREATE IT?

SUPPLY OVERVIEW

A community-wide supply overview provides the baseline for the housing market analysis, and highlights the gaps in the range of housing products currently available to Topeka residents.

Single-family homes remain the dominant housing typology in Topeka. Early 20th century properties are concentrated in and around the urban core, followed by rings of post-war bungalows and mid-century ranches continuing outward. Contemporary suburban development of the past two decades continues this outward migration, and is almost entirely on the edges of the city. The overall pace of multi-family development has remained slow.

While housing values in Topeka were not impacted as significantly during the recession as other parts of the country and region, values remain below nearby cities such as Wichita, Lawrence, and Kansas City. Part of the challenge with the existing stock is its age—the median year built for homes in Topeka is 1965, while about 20 percent of the overall housing stock was built before the 1940s—and many properties have considerable deferred maintenance or are no longer marketable. This includes a significant proportion of former military housing that has outlived its practical usefulness. This issue is especially challenging in low-income areas where owners do not have the incomes to adequately maintain their properties.

Single-Family (For-Sale)

Housing typologies and conditions vary considerably across the city, reflected by a wide range of recent sales prices. Move-in ready homes sold in the past 12 months had a median sales price of about $140,000, or roughly $75 to $90 per square foot. In contrast, numerous lower quality, low-cost homes are scattered throughout the community. More than 200 homes sold for less than $75,000, though most require substantial additional investment to return them to a marketable standard.

Single-Family (Rental)

Single-family homes also represent a significant portion of the current supply of rental units in Topeka. Though approximately 37 percent of all housing units are renter-occupied, only 27 percent of all housing units are contained within properties of two or more units. ACS data for housing tenure and occupancy indicates there are approximately 5,000 single-family homes for rent community-wide. These properties tend to be smaller, and older, with an average current asking rent of about $850 per month across 200 listings.

Multi-Family (Market Rate)

Topeka's current inventory of approximately 10,300 market rate multi-family units is primarily contained within older garden-style apartment communities built more than 30 years ago. Construction over the past decade has been limited to fewer than 100 units, though some momentum has begun to build within the Downtown submarket as scattered former commercial spaces are converted to residential lofts. The average rent among all units market-wide is $735, while overall vacancy is about eight percent.

Multi-Family (Affordable)

Topeka has a total supply of about 4,820 affordable units, including nearly 3,000 LIHTC units, 745 public housing units, and just over 1,000 additional units contained within scattered properties supported by Section 8 vouchers or other rental assistance programs. Affordable housing is an important component of a larger strategy to ensure demographic, economic, and housing diversity throughout Topeka. Modern affordable models are a distinct departure for the subsidized high rises common in the 1960s and 1970s, and offer attractive mid-rise construction and increasingly robust amenities that are similar to other contemporary market rate apartments.

Senior

There are currently 15 independent living and assisted living communities serving senior residents of Topeka, though only two were built in the past decade. While most properties offer a similar array of services and care options, they vary more broadly in terms of amenities, design, and finishes. The high cost of long-term care is a barrier for many seniors, and existing facilities are generally concentrated in more affluent areas of west Topeka.

EXISTING SUPPLY: FOR SALE

With an aging stock of homes available for-sale in and around the urban core, nearly all of the contemporary construction of the past two decades occurred near Topeka's boundaries, or outside the city limits. Further, a lack of diversity in housing typologies has limited this stock's overall marketability.

Though broad differences in age, condition, location, and quality are apparent in home sales across Topeka over the last year, options continue to consist almost entirely of single-family homes. Single-family units accounted for approximately 97 percent of all sales in the past twelve months, and single-family units account for about 70 percent of the total housing stock despite only approximately 63 percent of units being owner-occupied. The remaining three percent of non-single-family sales consist of scattered, generally dated, townhome and condo units, and no contemporary multi-family for-sale options have been added in many years.

Low-cost homes comprise a significant portion of Topeka's overall housing supply. According to ACS data, approximately 45 percent of all homes in the city have a value of less than $110,000. However, these units do little to address the shortage of affordable housing options in the community given their generally poor condition. Approximately 55 percent of these homes are classified as being in "below average" condition or worse by the Shawnee County Appraiser's Office, indicating significant additional investment and repairs would be needed to return them to a livable standard. Even well-maintained homes at these price points face marketability issues, including limited neighborhood amenities, underperforming local schools, and the poor condition of many nearby homes.

Differences in home quality and value largely manifest themselves along geographic lines. Homes built inside the Interstate 470/Highway 24 boundary have a median home value of approximately $95,000, and about twelve percent of all homes are vacant. In contrast, homes outside this boundary have a median value nearly twice this level--$181,000—and an overall vacancy rate of just six percent[1]. The lack of new construction within the innerbelt and absence of developable lots is also evident in median property age. Approximately 25 percent of all homes within the interstate were built before 1940, with a median year built of 1958. This trend reverses along Topeka's periphery, where nearly 20 percent of all housing units were constructed since 2000, with a median year built of 1987.

Conversations with real estate professionals and policymakers throughout the community highlighted several additional trends in the for-sale market. Though recent sale prices remain low relative to the national market, it is a reflection of the age and condition of the current housing stock, not a lack of demand. Most well-located properties in stable urban neighborhoods of Topeka sell within a short time of being listed. Finally, investors have purchased a significant number of single-family homes in and around the more affordable focus areas, marketing them as rentals. While this can, at times, be a benefit in diversifying residential uses community-wide, speculative buyers in struggling areas may have little incentive to renovate properties until the surrounding neighborhood improves.

[1] ESRI, 2019

EXISTING SUPPLY: MARKET RATE RENTAL

While a small number of historic loft units have been added Downtown in recent years, much of Topeka's existing rental supply consists of a mix of traditional suburban garden-style apartment communities.

The city has a current inventory of roughly 10,400 multi-family units, contained primarily within traditional garden-style apartment communities. There has been only nominal development in the multi-family market over the past decade, with fewer than 100 new units added since 2010. Overall vacancy has remained steady between seven and eight percent, while asking rents have increased about 18 percent.

The residential conversion of several commercial buildings along Kansas Avenue have been well-received by the market, and indicates unmet demand for upscale rental units in a walkable environment. However, these efforts have been undertaken by a small number of individual developers, and is not yet at a scale that is representative of a broad trend.

Though they vary widely in terms of condition and age, the large majority of the current rental supply is contained within suburban-style garden apartment communities. These are located on large development sites outside of the urban core, and most consist of 10 to 20 two-story and three-story buildings situated around ample surface parking with centralized community amenities.

The correlation between the age and quality of these properties is intuitive. Communities built after 2000 have rents that are 20 percent higher than the city-wide average for comparable unit types, while the overall vacancy rate is also slightly lower.

Average rents for upscale units range from $0.85 to $1.30 per square foot with overall occupancy rates above 95 percent. Typically, the development of new and upscale multifamily properties puts downward pressure on the midscale supply, but due to the lack of new construction in the market, midscale properties—communities that are more than 30 years old—have maintained rental rates around $1.00 per square foot despite their condition and age. The absence of new upscale products has impacts on the broader housing market as well. Affluent renter households have few options of sufficient quality, and therefore opt for lower-priced rentals, enter the for-sale market, or choose to live elsewhere.

Sherwood Apartments
Built 1988
300 units
Occupancy: 96%

Rents
1BR: $860
2BR: $924
3BR: $1,040
$1.05 Avg. PSF

101 N Kansas Ave
Built 1900
33 units
Occupancy: 92%

Rents
2BR: $1,150
$1.12 Avg. PSF

Woodland Park at Soldier Creek
Built 2004
236 units
Occupancy: 95%

Rents
1BR: $825
2BR: $950
3BR: $1,090
$1.05 Avg. PSF

The Overlook
Built 2001
318 units

Rents
1BR: $785
2BR: $860
3BR: $1,050
$0.77 Avg. PSF

EXISTING SUPPLY: AFFORDABLE

Topeka's supply of affordable rental options consists of a mix of public housing, contemporary LIHTC properties, and scattered, deeply-subsidized units.

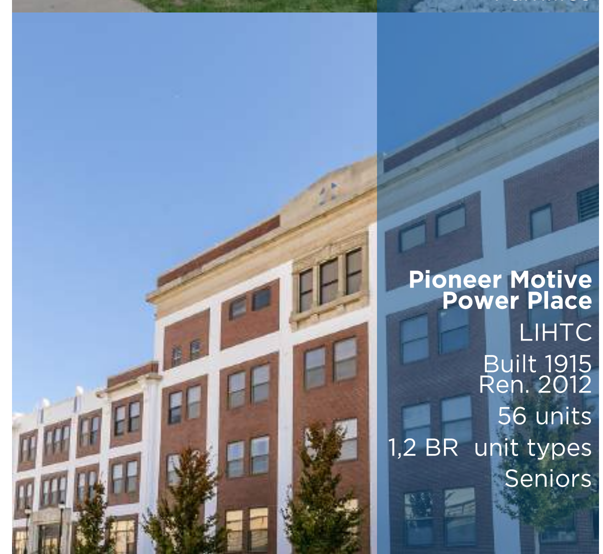
Topeka has a total supply of about 4,820 affordable units, including nearly 3,000 LIHTC units, 745 public housing units, and just over 1,000 additional units contained within scattered properties supported by Section 8 vouchers or other rental assistance programs. Similar to multi-family trends as a whole, relatively little has been constructed in the past few years. The most recently-developed properties have included a mix of family and senior units, including the rehab and conversion of the historic Santa Fe Railroad office building into Pioneer Motive Place Senior Apartments in 2012 and Pioneer's ongoing rehab of the Casson Building located along Topeka Boulevard near Downtown.

Affordable housing is an important component of a larger strategy to ensure demographic, economic, and housing diversity throughout Topeka. Modern affordable models are a departure for the subsidized high rises common in the 1960s and 1970s, and offer attractive mid-rise construction and increasingly robust amenities that are similar to other contemporary apartments. While a variety of affordable housing programs are available, LIHTC communities—affordable communities financed with low-income housing tax credits—Section 8 communities, and public housing are most common. Though all target households with incomes below the area median, there are key differences in how they operate and the tenants they serve.

LIHTC provide an incentive for private developers to build housing that would not otherwise generate a sufficient profit to warrant investment. These credits allow the developer to offer units at below-market rents to low-to-moderate-income households. Unlike Section 8 or public housing, LIHTC units are not rent-subsidized. In practical terms, this creates a minimum income requirement for tenants, as they must be able to pay the full monthly rent without additional assistance. This minimum income differentiates LIHTC properties from many other affordable housing options as it targets households that may be overburdened by current market rents, but often have incomes too high to qualify for traditional public housing or Section 8 options.

In contrast to LIHTC properties, traditional public housing and Section 8 properties provide project-based rental assistance to fill the payment gap between a unit's monthly rent and the ability of a tenant to pay. In most instances, tenants allocate 30 percent of their monthly income towards rent and utilities, with the balance covered through HUD or the local housing authority.

Demand for affordable housing is persistent in communities throughout the country. Though subsidies and incentives are finite, a combination of these programs can be used to ensure the long-term provision of affordable units in improving neighborhoods, or dramatically improve the overall quality of the rental stock in struggling areas. In many communities, new resources are being created, including affordable housing trust funds, to more broadly address the need for affordable housing.



EXISTING SUPPLY: SENIOR

A relatively small proportion of Topeka's overall housing supply is tailored to the unique needs of senior residents, and existing communities are generally concentrated west of Downtown.

The senior living market has steadily moved away from institutional, dated skilled care facilities and nursing homes over the past several decades. These have be replaced by contemporary independent living, assisted living, and memory care communities that provide greater degree of independence for residents while providing assistance with activities of daily living in a comfortable, attractive environment.

Much of Topeka's existing supply is representative of an earlier wave of senior living communities completed in the 1980s. Though somewhat dated, these properties offer nearly identical arrays of amenities and services, including all daily meals, on-site medical staff, numerous community and activity spaces, and regularly scheduled social activities. Monthly rates are generally comparable as well, and range from $1,650 to $2,500 for independent living and $3,000 to $3,500 for assisted living, depending on unit type and size.

The distinction between these older communities and the newest properties added to the market is clear. The Healthcare Resort of Topeka and Legend of Capital Ridge were completed in 2016 and 2010, respectively. They are representative of a growing number of "upscale" senior living communities that offer an even broader array of amenities as well as higher-end finishes and higher staffing ratios for a greater degree of personalized care.

The Healthcare Resort of Topeka includes unique amenities such as a multimedia room, restaurant-style dining, a complete fitness center, outdoor spaces—including a fire pit—and an on-site "pub" that position it near the top of the overall market. Legend at Capital Ridge is slightly less upscale, but features many of the same amenities in an attractive, contemporary environment. It is also one of very few Topeka properties that offers Memory Care for residents with dementia or Alzheimer's. Monthly rates at these properties are positioned well above other options in the city, and range from approximately $3,700 to $4,500, depending on care level, with dementia care units positioned even higher.

Both senior housing typologies serve a key purpose of providing quality housing options across several price points as Topeka residents age. However, the distribution of these properties within the city is uneven. Essentially all contemporary assisted living and independent living communities are located west of Topeka Boulevard, and approximately half are located outside the Interstate 470-70 boundary. While there are affordability concerns for a wide spectrum of senior households—an issue that is addressed at greater length in the demand section of this report—low-income seniors in the northern, eastern, and southeastern portions of the city currently have few, if any, contemporary long-term care options.

DEMAND

There is clearly demand for affordable housing of all types, senior housing options, mid to upscale for-sale homes, and upscale rental options. The current condition of Topeka's housing stock, particularly in older neighborhoods, is a key challenge in meeting demand.

Quantifying Demand

Demand for housing comes from a number of "demand segments," which consist of existing residents and new residents moving to the area. Generally, the needs of these segments are different—many existing residents need access to quality affordable housing, while attracting new residents will require improving the conditions and marketability of neighborhoods and the city as a whole. For Topeka to be successful and economically vibrant, it will need to address the housing needs of each of these segments.

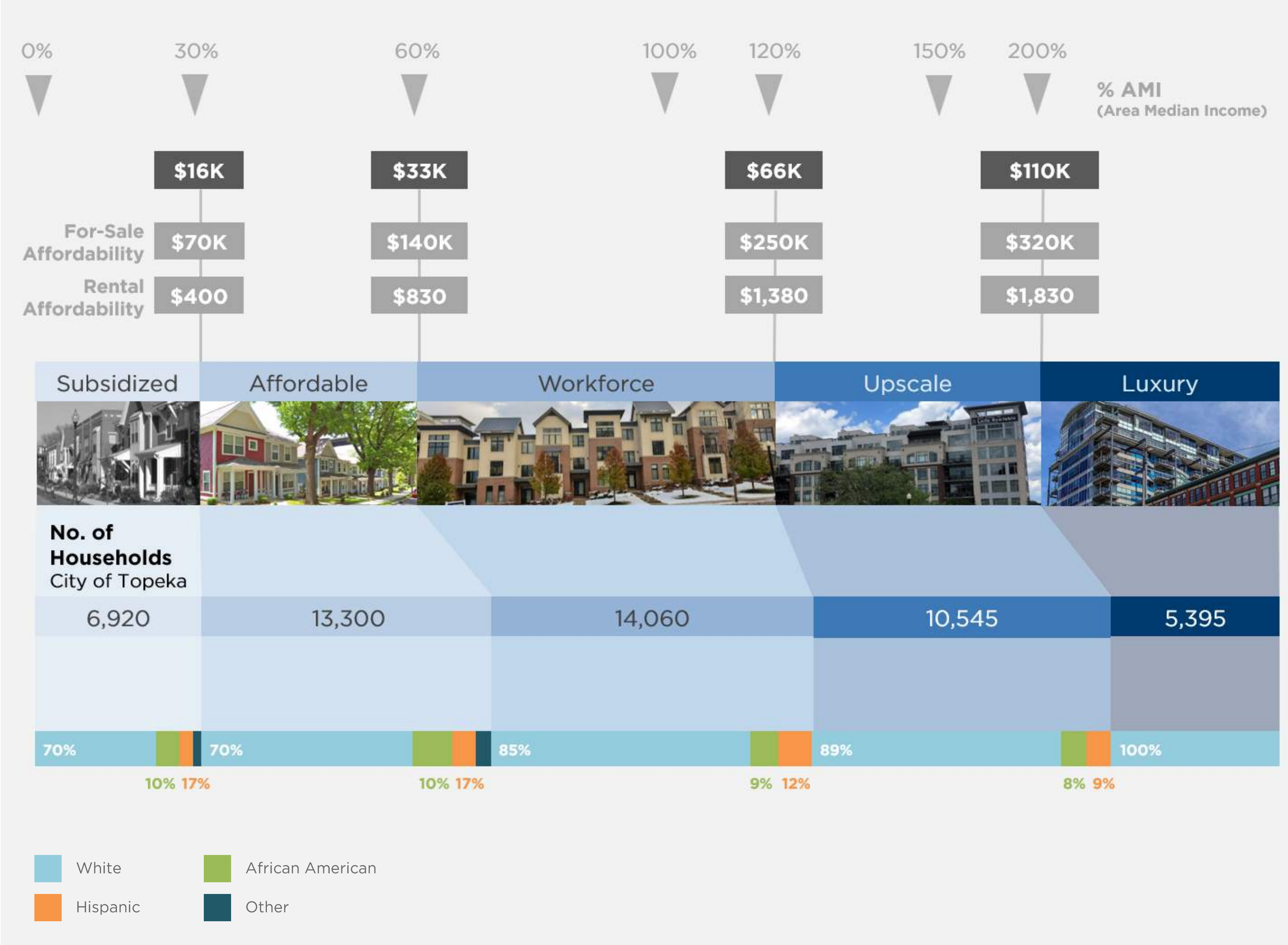
Existing Residents

The goal of any housing study is to address the needs of existing residents. Population loss and slow economic loss, along with suburban development focused outside the city limits, contributed to disinvestment in Topeka's core neighborhoods. From a sheer housing unit perspective, there is excess supply; however, this fact does not address housing conditions and neighborhood marketability. From a housing perspective, quantifying the number of households by affordability levels can inform the price and rent levels needed in the market to address existing demand. As presented previously, income levels are considerably lower in the many opportunity and transitional neighborhoods. Meeting demand for most households will require some level of subsidy, but understanding the number of households by affordability range can help inform the scale of the affordability challenge and amount of potential subsidy needed to provide adequate housing options.

Nearby Residents

With approximately 6,600 vacant units and dozens of vacant lots, there is capacity and a need to attract new residents; therefore, the next tier of the demand analysis was identifying potential households who, assuming an improvement to neighborhood and city marketability, would be interested in moving to the area rather than nearby markets.

INCOME DISTRIBUTION—STUDY AREA RESIDENTS AND THE REGION



DEMAND OVERVIEW

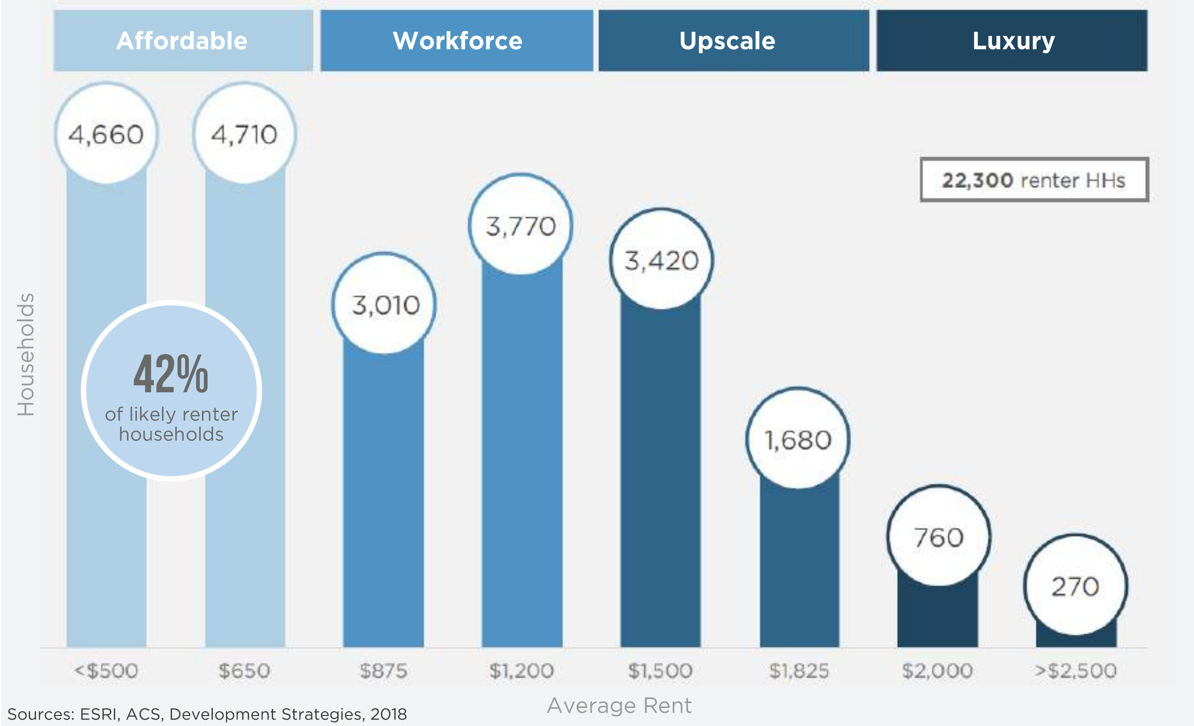
In the absence of population and household growth, quantifying demand for housing in the near term will be driven by the income and affordability levels of existing Topeka households. Additional demand will be generated by attracting households from the broader metro area with diverse housing products currently absent in the market.

Determining Housing Affordability

Conventional market demand analysis utilizes household income data to determine for-sale and rental price points with the greatest degree of potential market support. Such analysis highlights potential opportunities for development where gaps exist between the existing supply and household affordability. Given Topeka's weak population trends, a target market analysis provides a more nuanced look at how consumer preferences in the study area align with specific housing products.

The American Community Survey provides income distribution data as well as the proportion of income spent on housing for homeowners and renters in Topeka. The following graphs represent the number of households able to afford residential products at various price points. However, this does not represent the existing supply. In some cases, households are spending more than what they actually afford on housing, while others may spend significantly less due to diminishing relative housing costs at higher incomes or the absence of a desired housing typology.

EXISTING RENTER HOUSEHOLD AFFORDABILITY



Sources: ESRI, ACS, Development Strategies, 2018

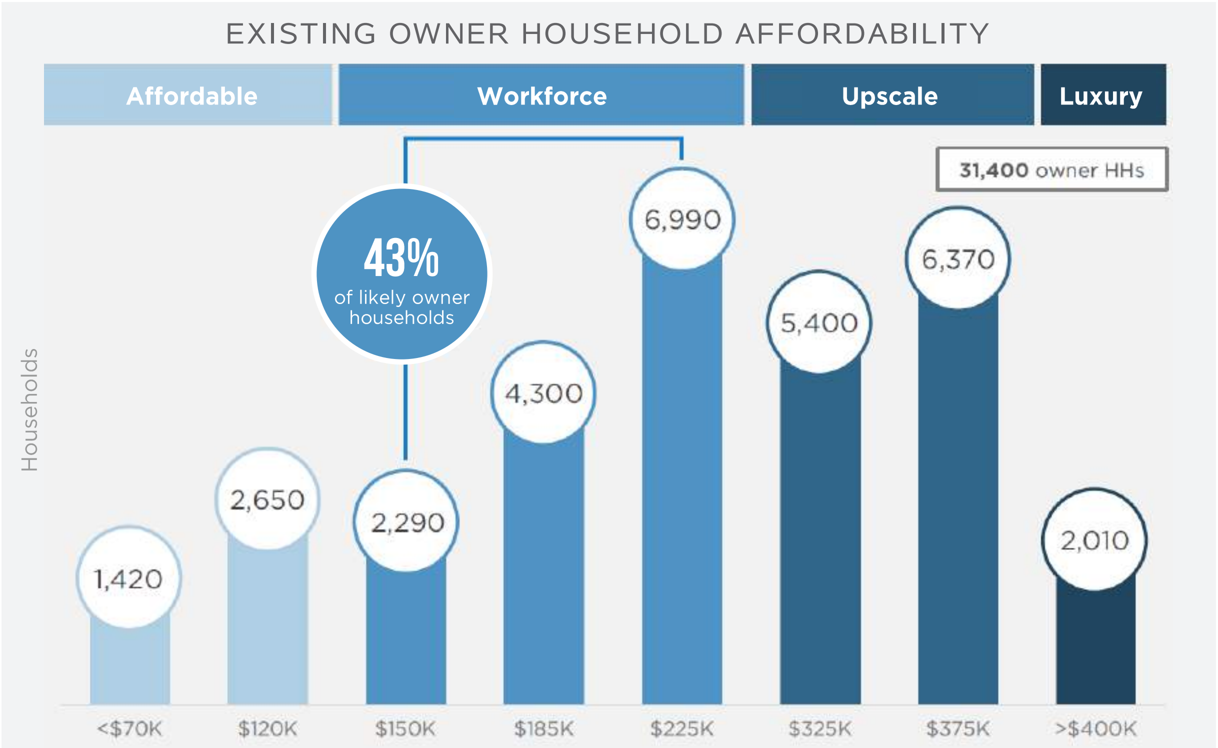
Each rent range is assigned to a housing type to pair product with affordability, ranging from subsidized units to high-end market rate products. The for-sale process is similar, with typologies ranging from substandard options to newly-constructed single-family homes.

Rental Market Demand

There are 22,400 renter households in Topeka and more than 4,600, or 20 percent, can only afford rents of up to $500 per month. Given the relatively limited supply of public housing, Section 8, and supportive rental units, many of these households are rent-burdened or are forced to choose substandard, low-rent options.

This creates a significant supply and demand issue, as there remains a need to invest in the existing housing stock while maintaining affordability.

Just under 30 percent of renter households fall in the affordability range of $500 to $850, which is the core affordable and workforce housing demographics. While there are a number of rental options in this range—including some contemporary LIHTC units—newly-constructed or recently renovated properties would achievable higher rents. There remains significant potential market support in this rent range, and approximately 9,000 Topeka households (40 percent) can afford rents at or



Sources: ESRI, ACS, Development Strategies, 2018

above $1,000. This is representative of a broader national trend of more affluent renters, though the existing supply of upscale units is extremely limited.

For-Sale Market Demand

The largest segment of Topeka homeowners can afford homes ranging from approximately $225,000 to $375,000, with market support decreasing sharply above this level. This range represents a diverse array of housing types. The vast majority of for-sale products are single-family homes—a nominal number of attached townhomes and condos are concentrated in southwest Topeka the Interstate 470 corridor—but quality and age of these homes vary. Properties in this range of affordability are concentrated outside the urban core, with only a handful of historic homes scattered in close-in urban neighborhoods west of downtown such as Westboro and Potwin.

Approximately 30 percent of area homeowners—just over 9,000—can afford homes in the $120,000 to $200,000 range. Homes at these price points are more widespread geographically, though properties at the lower end of this range tend to be older and may require renovations. A more significant obstacle is the limited supply of quality homes available to the 3,000 households with affordability levels below $120,000. This group is significantly smaller than the number of renter households in a comparable affordability range, as lower-income households are much more likely to rent. However, Topeka's relatively broad supply of homes at this level are generally low-quality or obsolete, and significant additional investment will be necessary at the individual property and neighborhood levels to make them marketable.

Conclusions

A community-wide demand analysis highlights gaps in the current housing stock for both renters and homeowners. A general shortage of quality affordable housing options is common in cities across the country, and Topeka is no exception. Many renter households, in particular are currently residing in substandard options, as the number of low-income renters far outpaces the existing supply of public housing, Section 8, and LIHTC units. While low-cost for-sale options are more abundant, they are also low-quality, and concentrated in neighborhoods with fewer services and amenities.

At the opposite end of the income spectrum, Topeka has relatively limited options to meet the demand of a growing number of affluent renter households. Approximately 40 percent of all renter households can affordable monthly rates above $1,000, though this comprises a relatively small proportion of the existing supply. Higher income households are taking advantage of the relative affordability of the community—that is, they could afford more expensive housing products than where they currently live. New single-family construction has been far more robust than multi-family, but nearly all homes have been priced below $300,000.

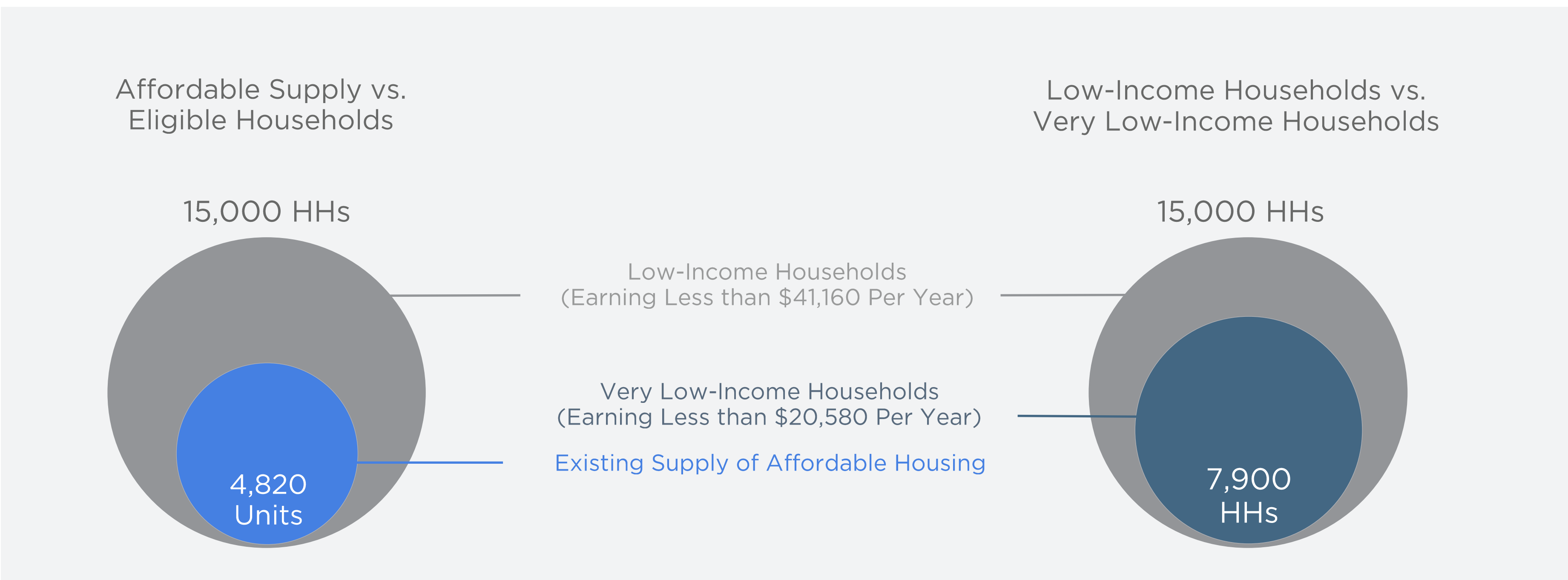
AFFORDABLE DEMAND

Affordable housing is typically developed with tax credits used as equity to help finance the development of a property, while subsidized housing is generally provided through federal programs that provide households a rent subsidy. Increased targeting and usage of these subsidies throughout Topeka could improve housing conditions for a large share of current residents.

The implications of the housing market analysis for affordable housing are significant. Low Income Housing Tax Credit and mixed-income properties help diversity the existing rental housing stock. Such properties provide quality residential options in neighborhoods that cannot support market rate development.

Housing affordability for Shawnee County is based on HUD-published household income limits for households, as well as tenure data from the ACS. Using this data, for a four-person household, there are roughly 15,000 renter households that would be income-eligible for units at 60 percent of Area Median Income (AMI). Of those, 7,900 households are very low-income households at or below 30 percent AMI. This far exceeds the existing supply of about 4,800 low-income affordable units in Topeka. Some portion of this excess demand could be met with a combination of federal programs that include LIHTC, Section 8 subsidies, and other development incentives.

At achievable LIHTC rents, roughly 4,600 renter households in Topeka would be income-qualified for affordable rental housing at 60 percent AMI without additional project-based rental assistance. Applying a capture rate of ten percent indicates that a series of affordable properties containing up to 450 additional units could be added to the market if appropriate sites are available. Section 8 vouchers or a similar form of rental subsidy would provide an additional demand pool of about 10,500 very low-income households.



SENIOR DEMAND

Seniors continue to live longer, yet many prefer to no longer care for a single-family home. New housing typologies will be necessary to allow seniors to remain in current neighborhoods.

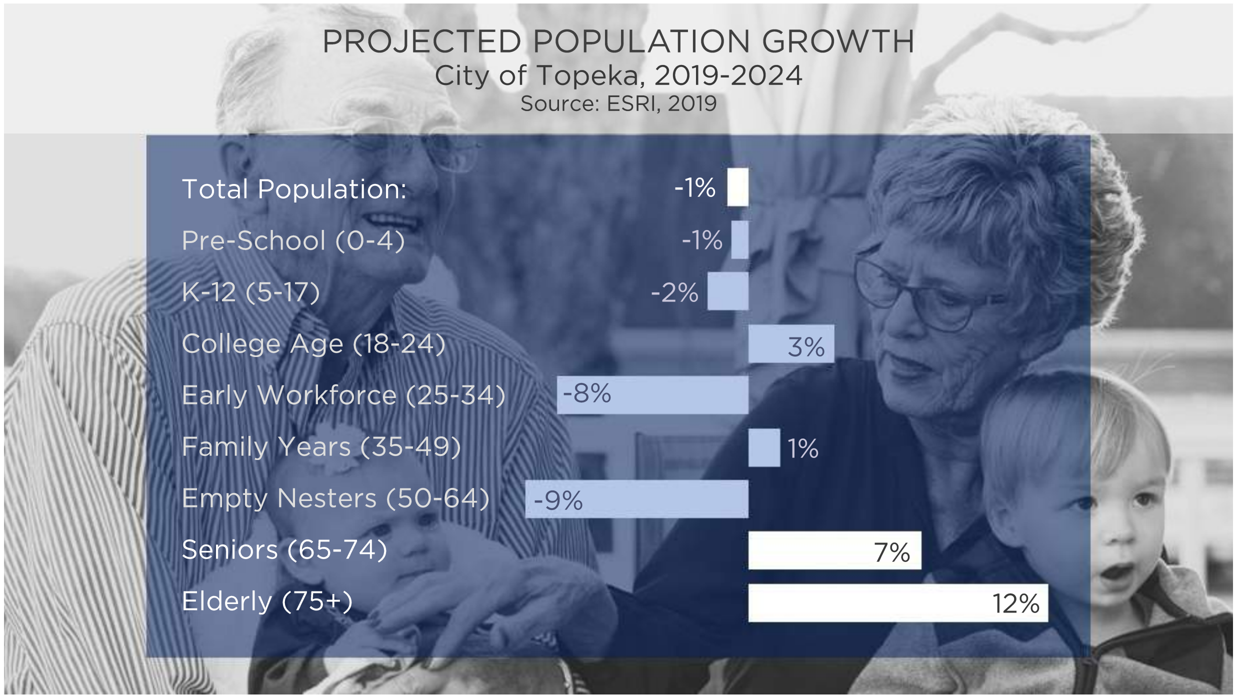
Like many cities in the Midwest—and across the country—the senior population in Topeka is expected to grow at a much faster rate than the population overall over the next several years. While many seniors will choose to stay in their homes as long as possible, alternative housing arrangements may be necessary as care needs change. This often presents a challenge in low-income areas due to the high costs of senior care. Additional senior housing options can accomplish at least two important goals: freeing up existing housing stock for first-time buyers, and providing seniors with a more suitable housing option to meet their lifestyle preferences.

The senior market has moved away from more institutional settings such as nursing and skilled care facilities over the past several decades, with contemporary assisted living, memory care, and independent living communities comprising the bulk of the current supply. However, costs for these properties are often prohibitively expensive for even moderate-income senior households, with monthly rates exceeding $3,000. This is amplified by relatively low housing values in more urban areas of the city, as seniors often rely on selling their home to cover a significant portion of these costs. This effect is apparent in the lack of contemporary senior care facilities near the core of Topeka, as they are simply not feasible without significant subsidy.

Overall, this market is relatively limited, totaling 1,100 senior households qualified for independent living units, and 550 qualified for assisted living units. Applying a somewhat aggressive capture rate of ten percent indicates a single continuum care community containing both typologies may be feasible, though additional market research would be required given the significant development costs associated with these facilities.

Senior-targeted affordable apartments can be an effective tool to bridge a portion of this supply gap. Though apartments do not provide the additional care services and meals associated with assisted or independent living, many offer senior-oriented amenities and programming, while the smaller units are easier to navigate—and can be made accessible—and require significantly less upkeep than a single-family home. Villa-style single-level duplexes and elevator-served buildings are both common, but the overall design is ultimately site-specific.

Assuming a mix of one-bedroom and two-bedroom layouts, there are approximately 3,200 senior households 55 and older in the market area that would be qualified for units restricted at 60 percent of AMI. Similar to the broader affordable housing analysis, a deep pool of approximately 4,000 additional senior households would be eligible with support from additional rental subsidies.



DEMAND GAP ANALYSIS AND CONCLUSIONS

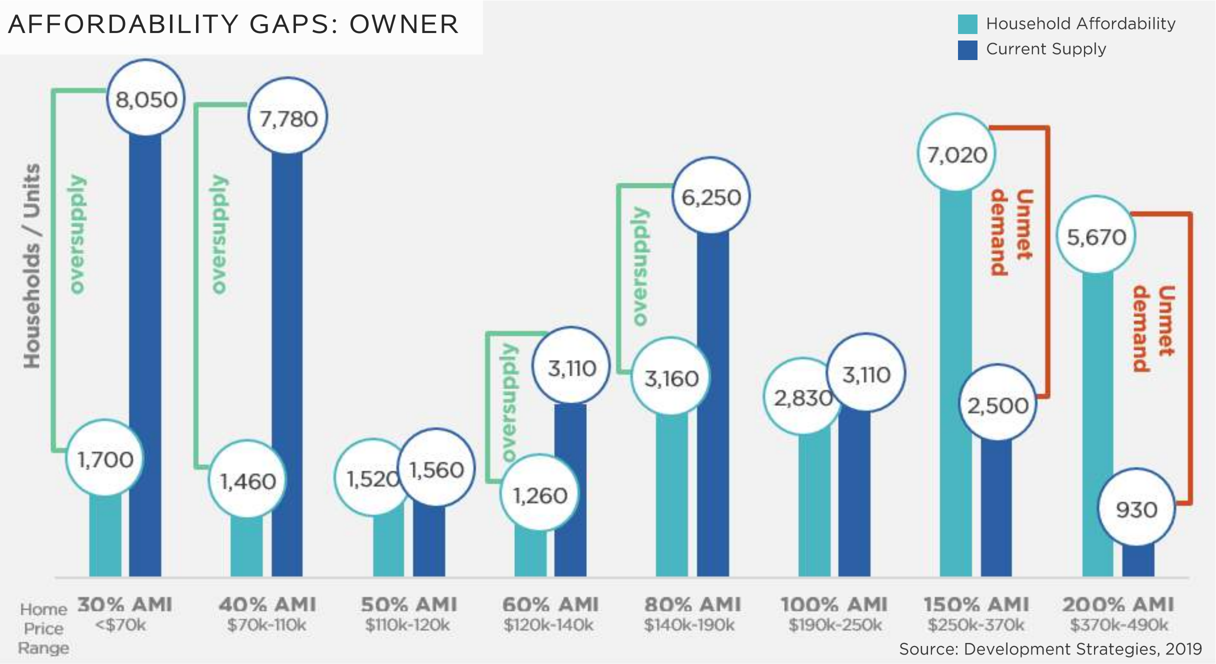
Affordability Gap Analysis: Owner

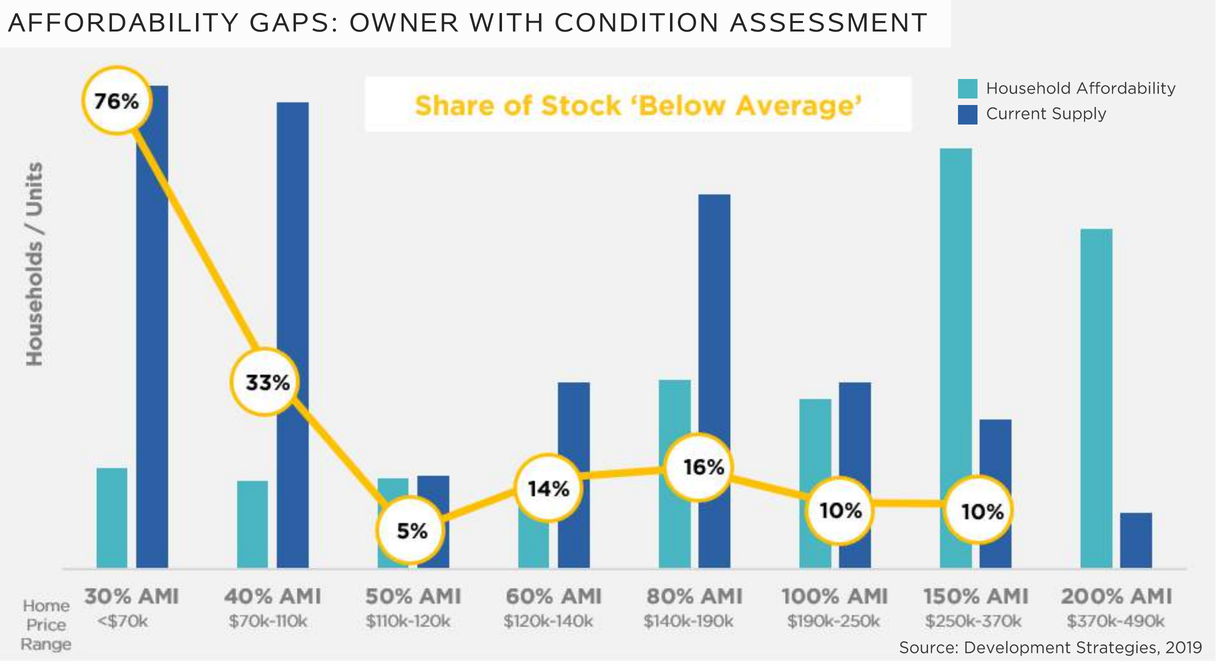
In the affordability gap analysis, “demand” refers to what existing households can afford assuming that **30 percent of income goes towards housing costs** (rent/mortgage payment plus utilities). The graphs to the right summarize this data at different affordability levels.

The demand gap analysis for owners shows that there are many households in Topeka that could afford more expensive homes than they currently live in, specifically homes $250,000 or higher. This data also shows a substantial oversupply of homes $110,000 and below. However, this data does not take into consideration what the current condition of the housing stock is, or the viability of homeownership for many of these households.

An oversupply for moderately priced homes is also shown—$120,000 to $190,000—yet, based on conversations with realtors and stakeholders, the housing available does not meet market preferences. Thus, a substantial portion of the existing supply is not marketable because of condition, style, location, or a number of other factors.

The graph at the bottom right adds property ratings from the Shawnee County Appraiser’s Office to the ownership gap analysis. As indicated, the vast majority (76 percent) of the housing priced $70,000 is in “below average” or worse condition, meaning that it requires significant upgrades and is not likely suitable for habitation. While inexpensive to purchase, this housing is typically unaffordable because of the



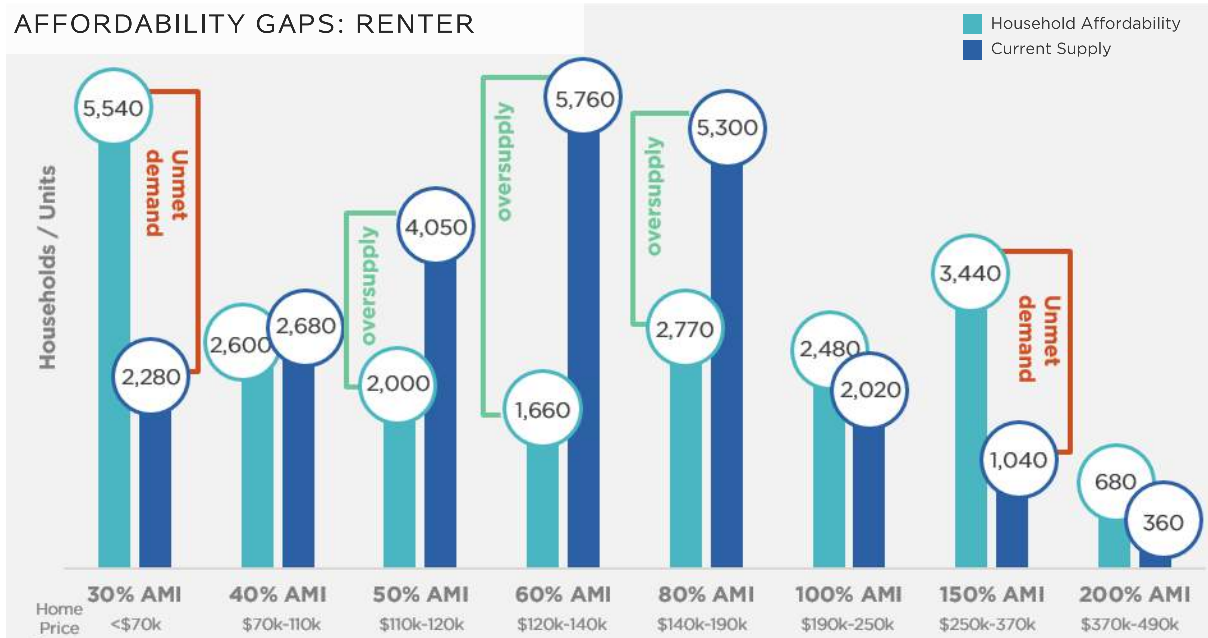


amount of work needed to stabilize it. A significant portion of the housing stock under $190,000 is also rated "below average"—much of this housing is not currently in the form or condition to meet housing needs.

Affordability Gap Analysis: Renter

The affordability gap analysis for renters looks significantly different than for owners. There is considerable unmet demand for very affordable housing—affordable to those earning at or below 30 percent of AMI—at rents $414 and below. There is an oversupply of moderately priced rental housing ($550 to $1,100 per month). However, as with the for-sale housing, a notable percentage of these units are substandard. It also reflects the fact that not much rental housing has been constructed over the past decade.

Finally, there is unmet demand for rental housing at the high end of the market, or $1,380 and up.



Source: Development Strategies, 2019

Conclusions

The affordability gap analysis provides a high-level overview of where there are clear mismatches between supply and demand. However, several other factors are important to consider. For instance, low-income households allocate a significantly greater proportion of income towards housing costs. Middle- and upper-income households may allocate less, creating an imbalance on both ends of the affordability spectrum.

Most low-income households in Topeka are housed, but rent burden is an issue. The "unmet demand" portion of the 30 percent AMI bracket are households burdened by housing costs in the 40% and 50% AMI levels. Housing quality is generally substandard at lower affordability levels. More than half of all units at or below 50 percent AMI are "below average" quality or worse. While these units are "affordable" their condition leads to higher utility bills and potential health and safety hazards.

This is compounded by uneven neighborhood cohesion. Lack of access to services and amenities in some parts of Topeka limits the potential buyer pool for many quality rehabs or well-maintained older homes.

Smaller for-sale units—condos, townhomes—can be positioned at a more accessible price point for moderate-income households than larger detached single-family homes. Diversity in housing stock can fill these gaps and create a pathway to homeownership for a broader range of households. At the same time, renovating and repurposing the existing housing stock will be key to meeting short- and long-term demand and can be used to address a wide range of housing needs.

There is an undersupply of rental units throughout the community. The absence of upscale rental properties—there is very little supply at 150 percent AMI and above—creates additional pressure as affluent households have fewer options of sufficient quality. These households opt for lower-priced rentals, enter the for-sale market, or choose to live elsewhere.