CHAPTER 1

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

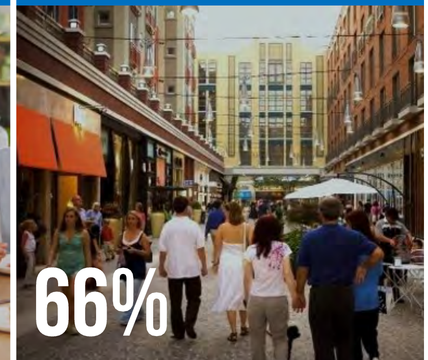
Source: American Community Survey

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 Households with Children	31%	19%	Yet, the share of married households with children, a primary market for single-family homes, declined substantially
Average Household 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%

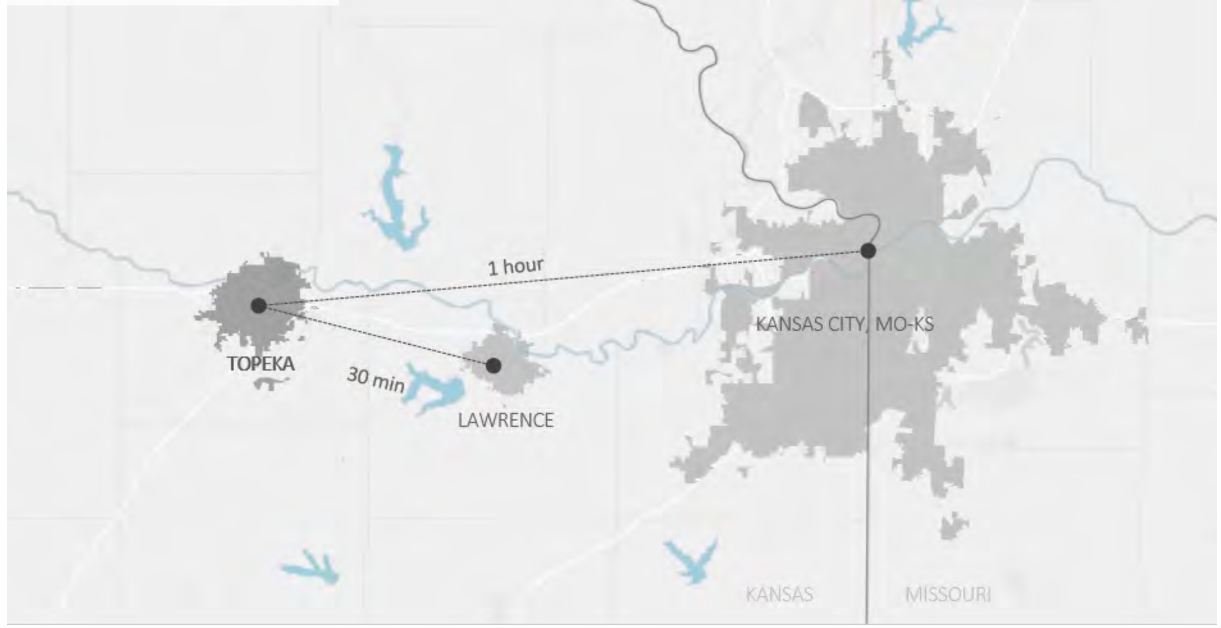
Source: ESRI, 2019

Regional Context

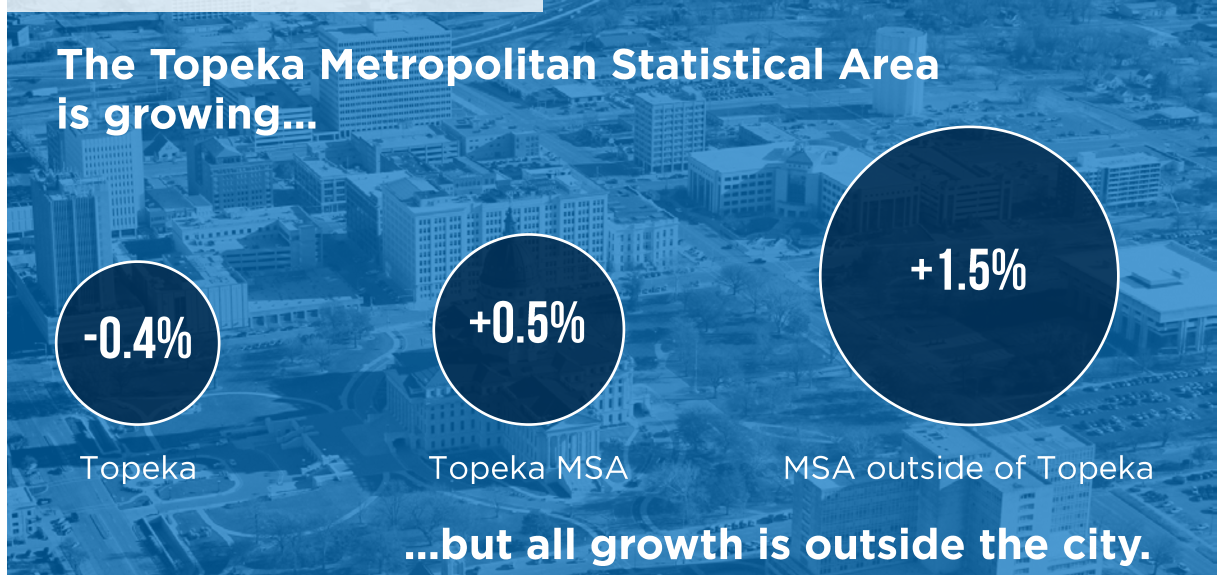
The Topeka MSA has grown slowly since 2010, but the city has captured none of that growth and is instead declining. Overall, the MSA grew 0.5 percent over the last nine years, while the city lost 0.4 percent of its population. Consequently, the MSA outside of the city grew 1.5 percent. Compared to the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

REGIONAL CONTEXT



POPULATION GROWTH, 2010—2019



Source: Bureau of Labor Statistics

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 region)

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.

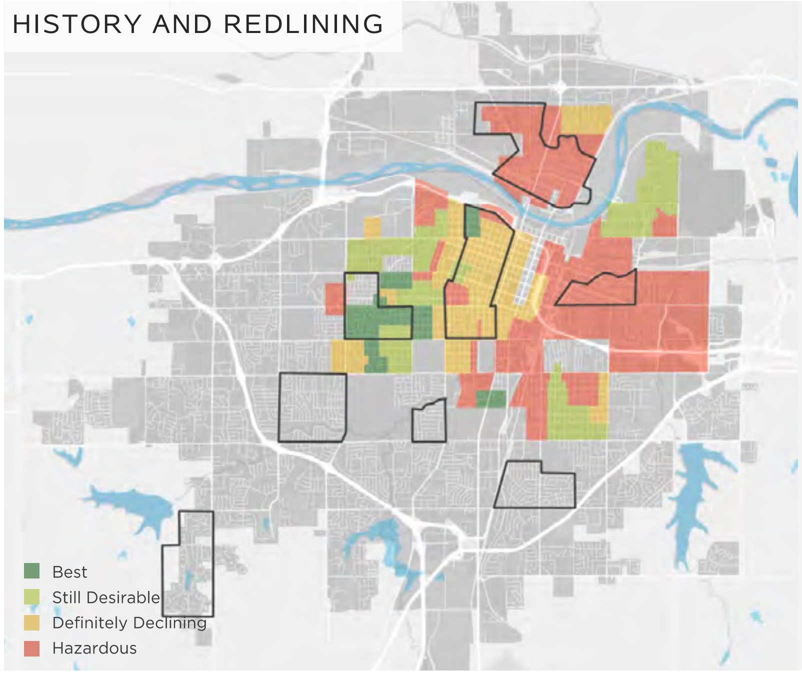
Redlining & Legacy thereof

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

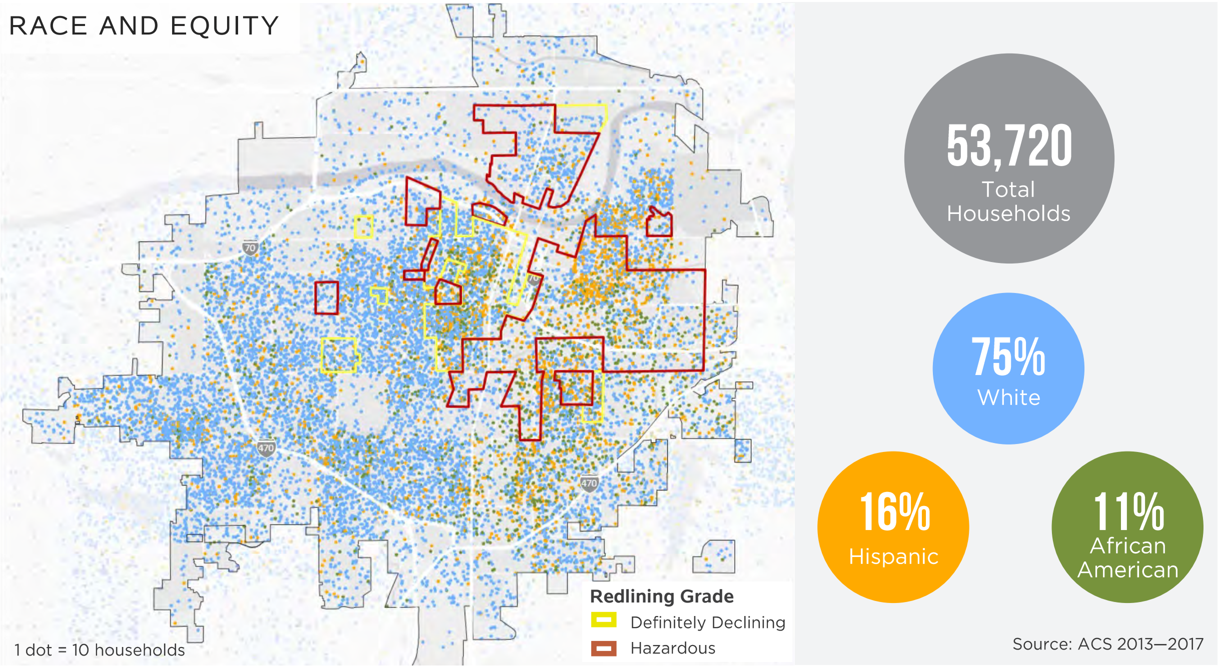


Historic policies, such as redlining, continue to impact our communities, including Topeka's core neighborhoods.

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



Source: ACS 2013—2017

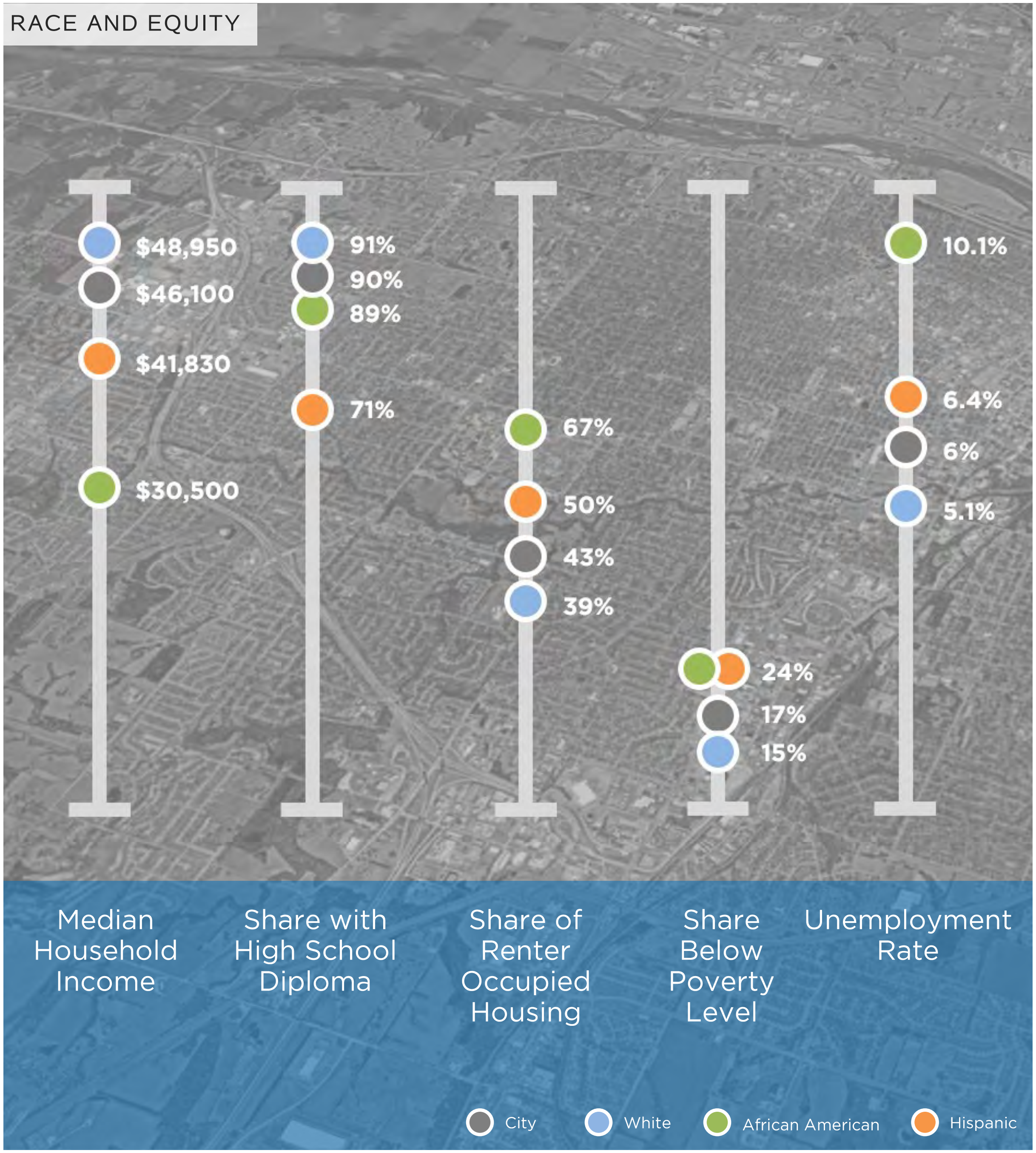
The median household income for African-American households in Topeka ($30,500) is approximately two-thirds of the citywide median ($46,100). This has broad implications regarding housing affordability and the need for equitable housing strategies.

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

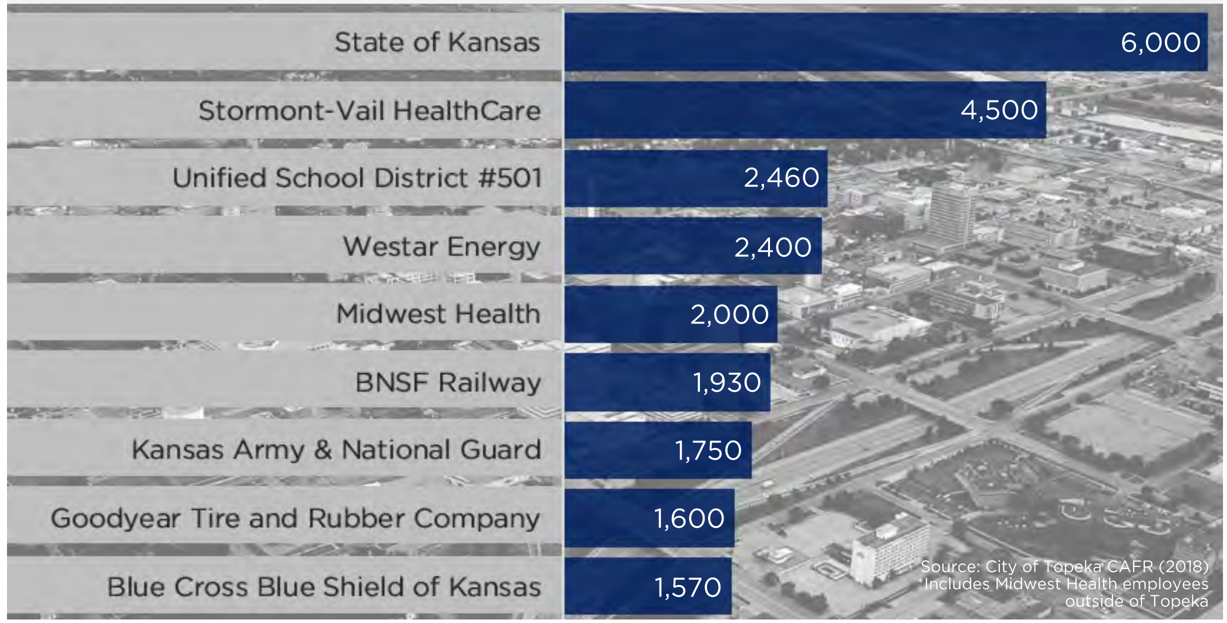
Job creation in Topeka is slow and many new jobs aren't well-paying. However, being a state capital and having multiple large companies provides it stability.

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

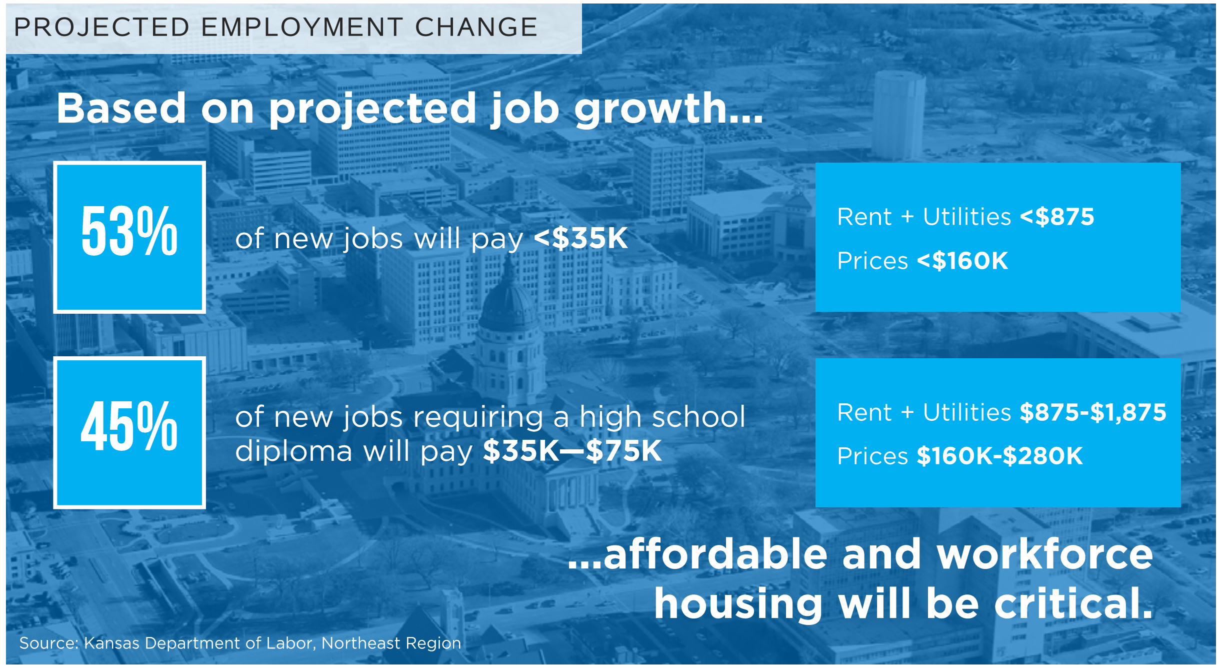
Employment

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.

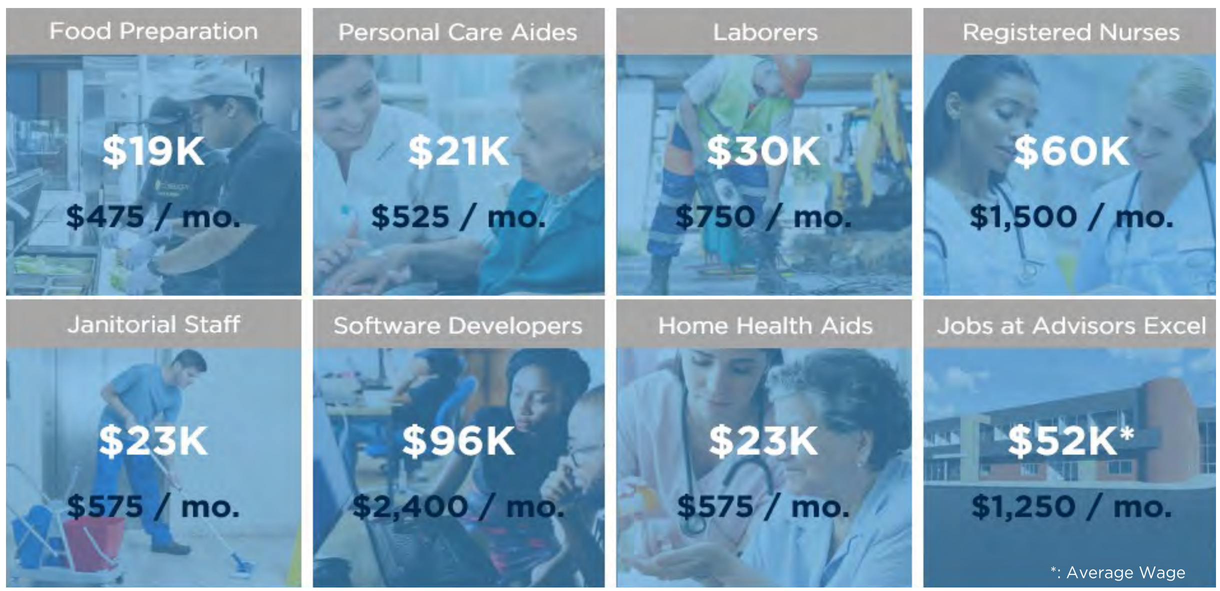
The largest industry in Topeka by far is health care/social assistance. The industry employs 18 percent of workers. The next largest industry is retail trade, which employs eleven percent. Public administration, manufacturing and educational services make up around nine percent each. As the state capital,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

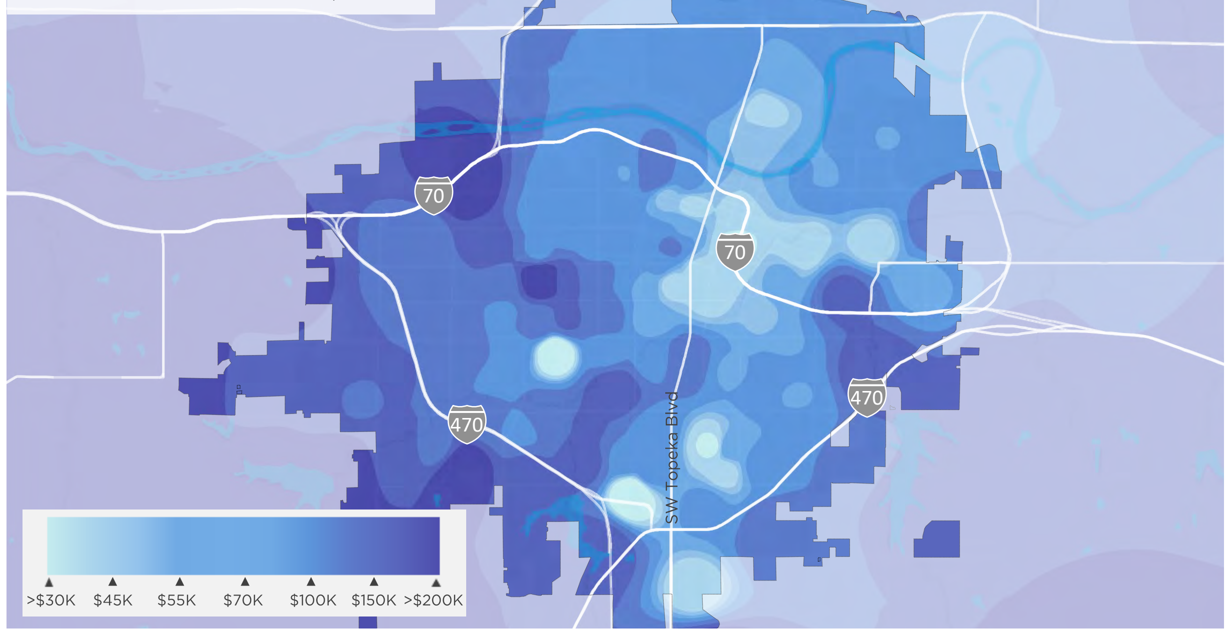
There has been limited new multi-family construction in Topeka during the last decade. Due to age and a lack of modern amenities, many apartments are affordable, and quality varies considerably. Topeka has only a handful of large apartment properties. While many of them are affordable, none are new. 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

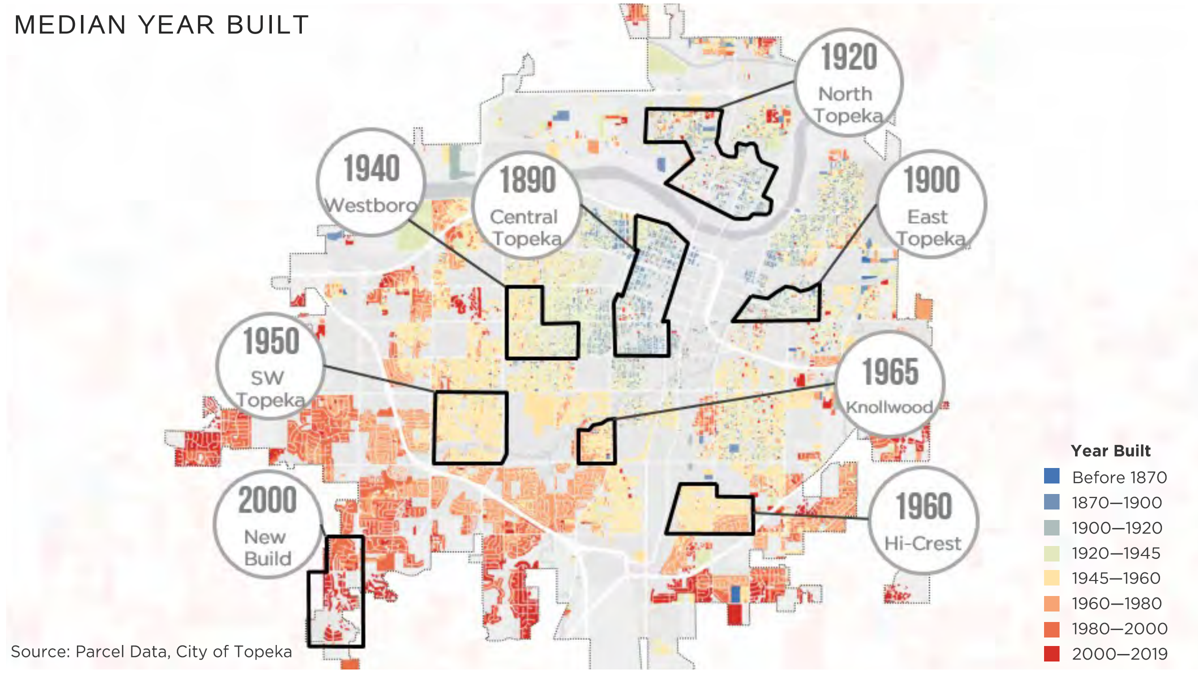


Year Built

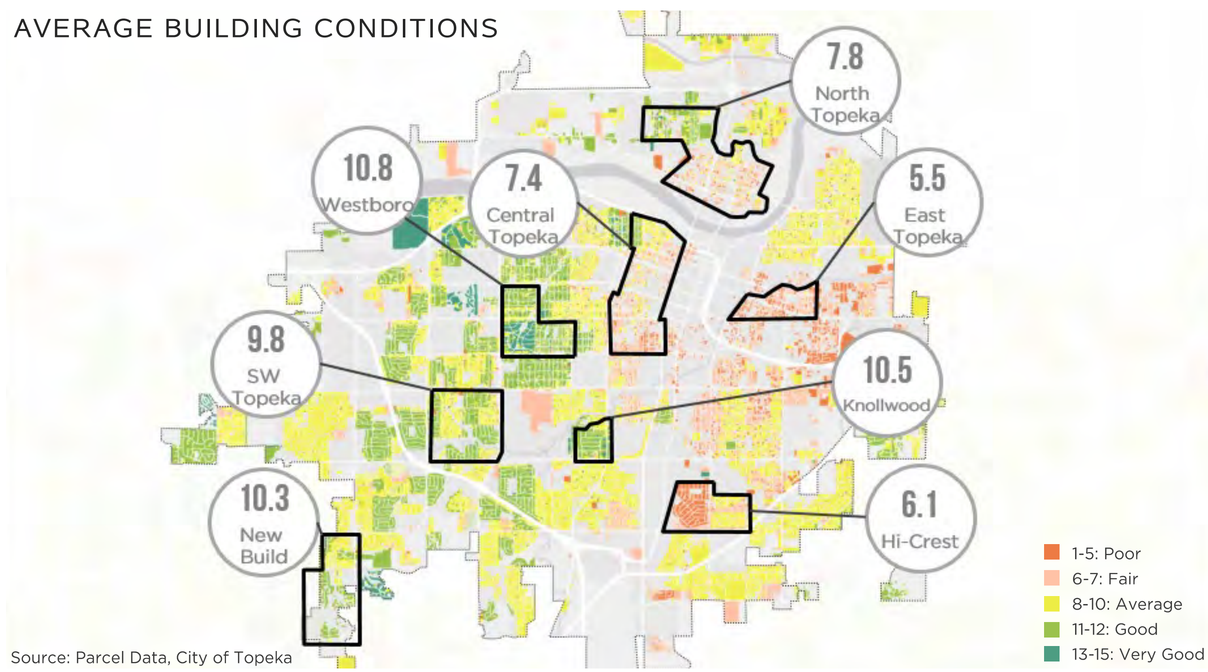
Most of Downtown Topeka and North Topeka housing stock was built between 1890 and 1920. East Topeka, between Interstate 70 and the river, has a lot of age variability, with many buildings built before 1900 and many built after 1980. Most neighborhoods outside of the core but within Interstate 470 were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



Source: Parcel Data, City of Topeka



Source: Parcel Data, City of Topeka

HOUSING AFFORDABILITY

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

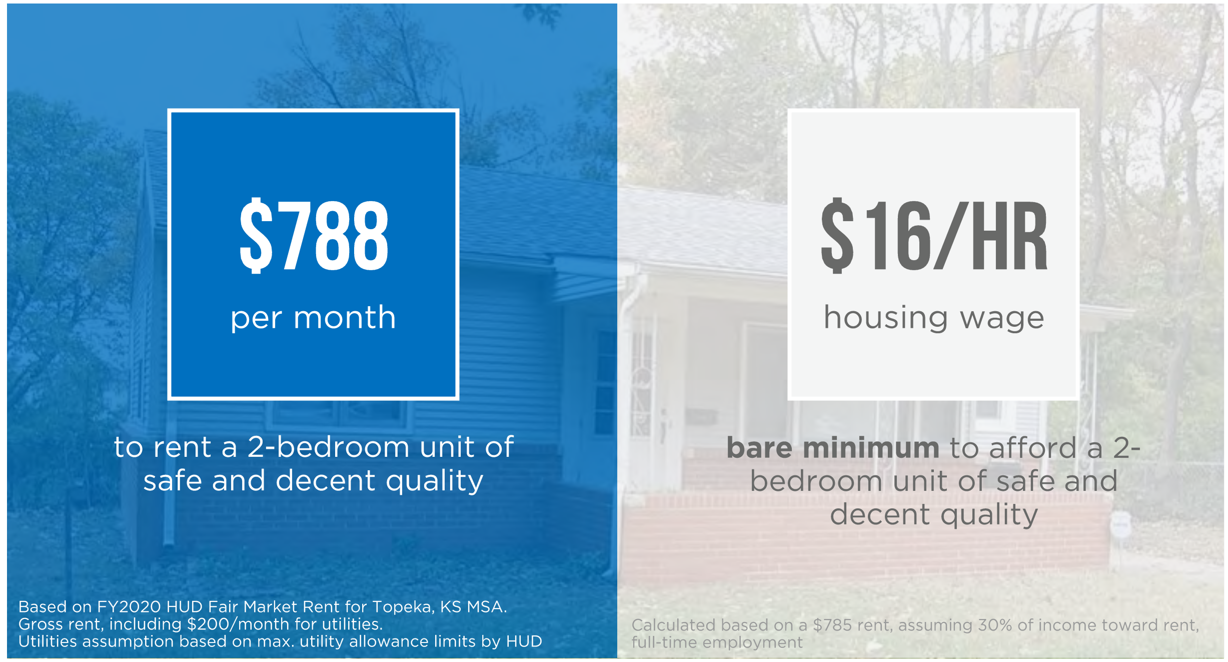
Definition

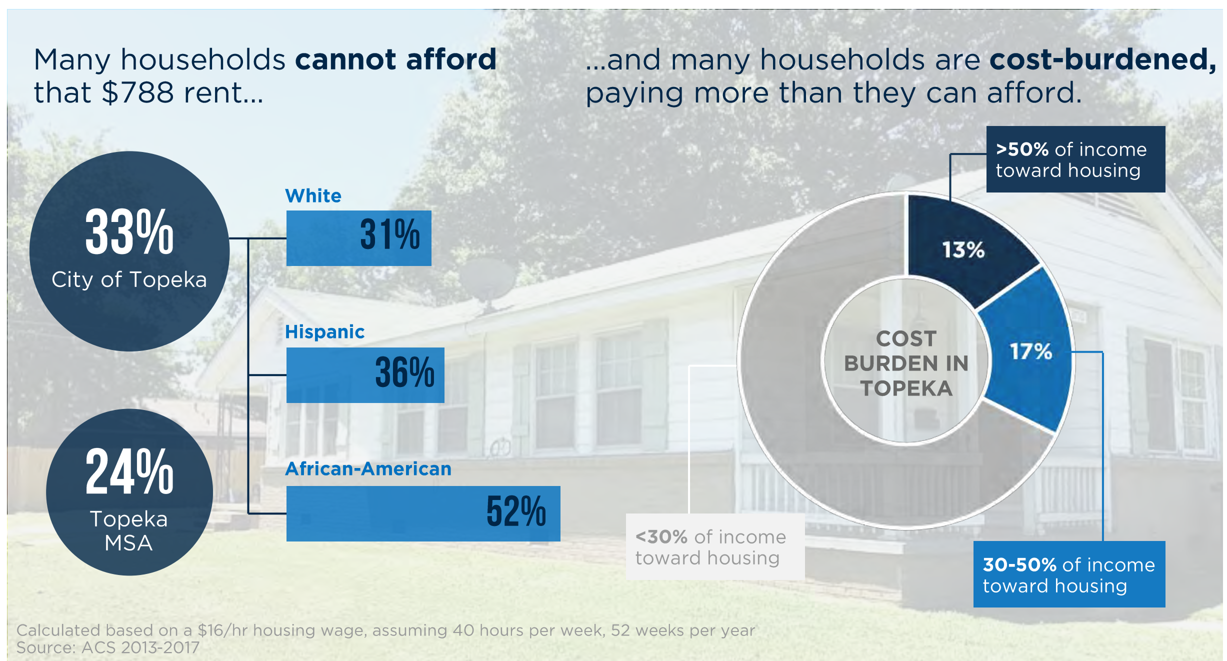
Housing is considered affordable if housing costs, including rent or mortgage payments and utility costs, are less than 30 percent of a household's income. Otherwise, a household is considered rent burdened.

Affordable Housing in Topeka

According to HUD, the fair market rent for a decent, safe 2-bedroom apartment is $788 per month (including approximately $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.

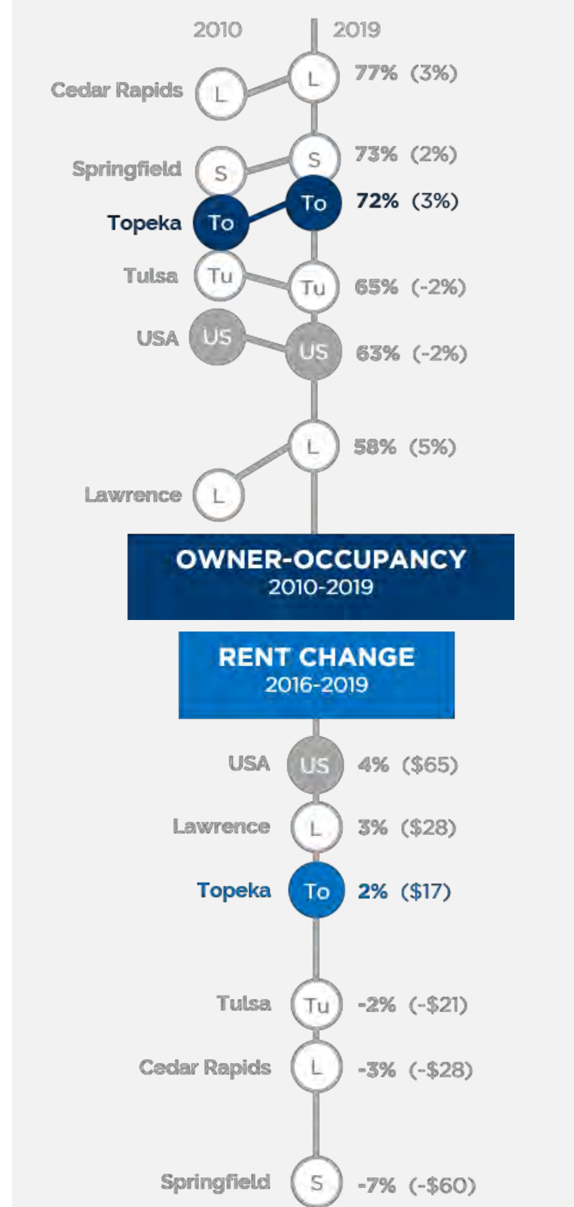
Unlike most of its peers, rents in Topeka have been growing—up 3.8 percent since 2016. The second highest is Lawrence, where rents grew 2.7 percent. The other peer cities have declining rents. Reasonable rent increases are both positive and negative for a community: they can make rehabs and new construction 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	**127,000**	**-0.1%**	**53,700**	**0.1%**	**$55,000**	**$117,300**	**37%**	**+11%**	**8%**
Lawrence	97,600	1.2%	39,400	1.3%	$51,700	$204,300	48%	+15%	13%
Springfield	115,500	-0.1%	50,600	-0.1%	$55,200	$136,300	33%	+9%	6%
Cedar Rapids	137,900	1.0%	57,900	0.9%	$58,500	$148,700	27%	+12%	32%
Tulsa	411,500	0.5%	169,800	0.4%	$46,000	$148,100	49%	+25%	8%
State of Kansas	2,966,500	0.4%	1,154,400	0.4%	$56,300	$158,800	33%	+14%	-