

Housing Trends and Challenges for Low- and Moderate-Income Populations in Kansas

August 20, 2024 – Kansas Housing Conference

Elior Cohen and Steven Howland

The views herein are those of the presenter and do not necessarily reflect those of the Federal Reserve Bank of Kansas City or the Federal Reserve System



Federal Reserve Bank of Kansas City

- **Dual mandate**
 - Maximum employment and stable prices
- **Economic research**
 - Conducting innovative research on monetary policy, the payments system, and regional and community issues, and participating in conversations with the public, policymakers, and academics.
- **Community development**
 - Engaging, convening, and informing key stakeholders to advance effective community reinvestment for lower-income individuals and communities



Overview

- Introduction to Affordable Housing
 - Low to Moderate Income (LMI)
 - Affordable Housing and Importance for LMI Populations
- Challenges and Housing Needs
 - Housing Cost Burdens
 - Supply and Demand
 - Existing Affordable Housing Stock
- Factors Contributing to Affordable Housing Challenges



Introduction to Affordable Housing



Low- and Moderate-Income (LMI)

- **LMI Individuals:**
 - Individual/Family household income not greater than 80% of the Area Median Income (AMI) for the area where they reside
 - **Extremely Low Income – 30 percent or under AMI**
 - **Very Low Income – 30 to 50 percent of AMI**
 - **Low (Moderate) Income – 50 to 80 percent of AMI**
- **Area Median Income (AMI):**
 - Midpoint of a region's family income distribution: metropolitan areas and non-metropolitan areas
 - Calculated annually by HUD to determine eligibility for public services
 - AMI is adjusted by household size



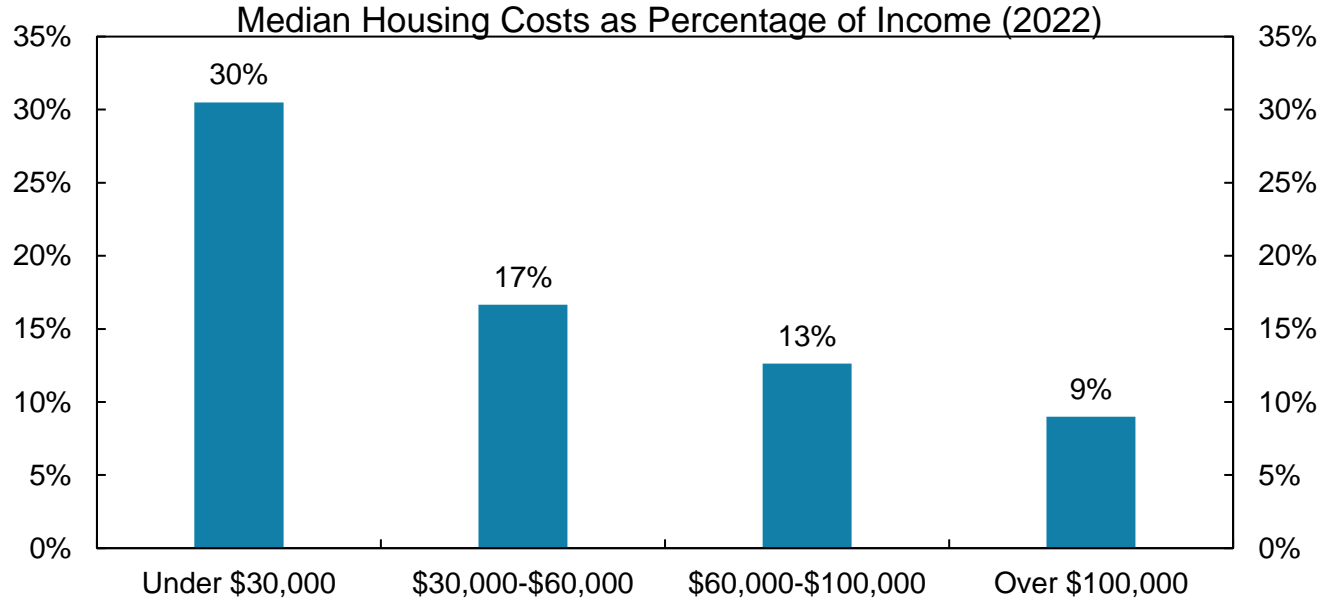
AMI Income Limits in Kansas (2024)

FY 2024 Income Limits (4 persons in family)				
Area Name	Median Family Income (1)	Extremely Low (30%) Income (2)	Low (50%) Income (3)	Moderate (80%) Income (4)
Kansas City Metro	\$103,100	\$31,200	\$51,550	\$82,500
Wichita	\$91,500	\$31,200	\$45,750	\$73,200
Topeka	\$87,300	\$31,200	\$43,650	\$69,850
Lawrence	\$102,000	\$31,200	\$51,000	\$81,600
Manhattan	\$91,900	\$31,200	\$45,950	\$73,500
Salina (Saline County)	\$85,200	\$31,200	\$42,600	\$68,150
Dodge City (Ford County)	\$83,300	\$31,200	\$41,650	\$66,650
Hutchinson (Reno County)	\$79,100	\$31,200	\$41,350	\$66,150



Affordable Housing and Importance for LMI Populations

- **Affordable Housing (Definition):** Housing on which the occupant is paying no more than 30 percent of gross income for housing costs (including utilities)



Note: Housing costs are computed as either the mortgage amount on primary residence or the monthly gross rent.

Source: Census Bureau (American Community Survey, 2022).

Affordable Housing and Importance for LMI

- **Why is affordable housing important for LMI populations?**
 - Eases the burden on households budgets, allows more spending on important things like health care, food, and education.
 - Psychological: increases sense of security and stability, improved mental health
 - Easier to keep housing in times of economic hardships such as job loss or illness.
 - Keeps people out of homelessness.
 - Reduces intergenerational poverty and increasing economic mobility



LMI Population Characteristics

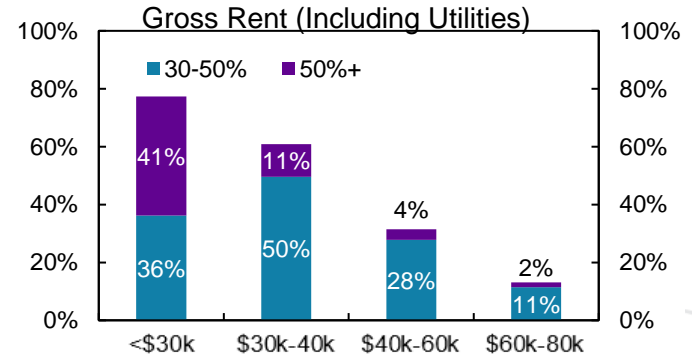
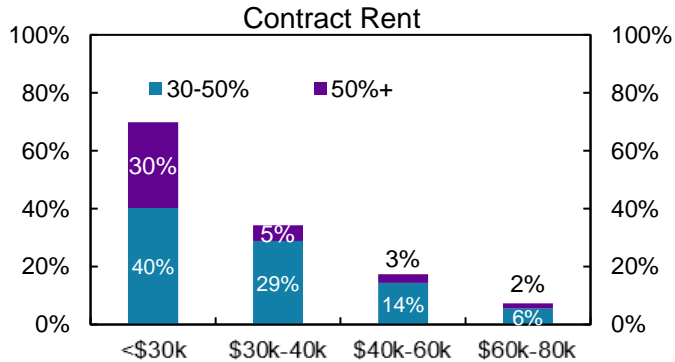
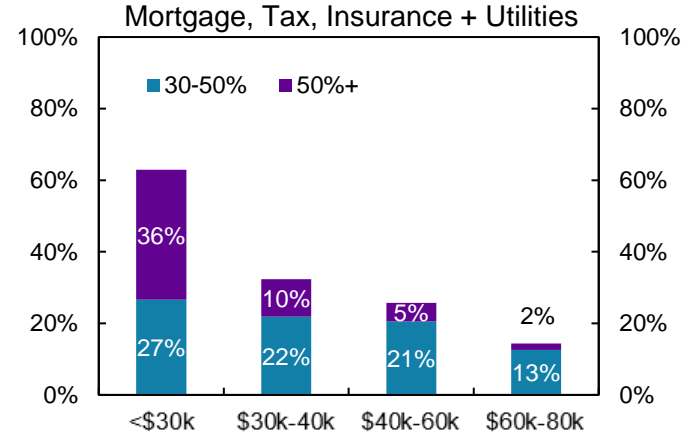
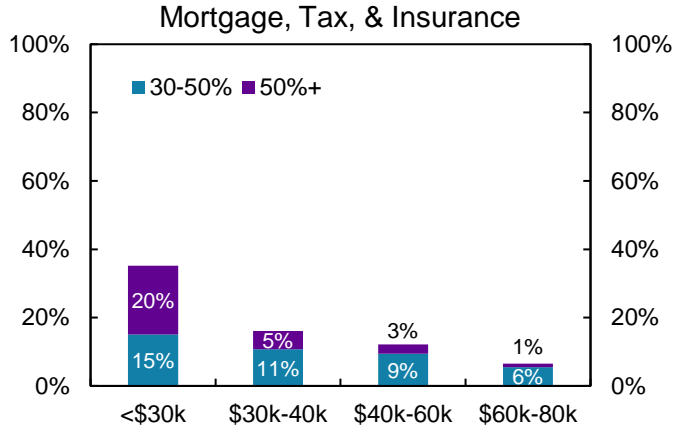
- Older on average
- Young adults in KS more likely LMI
- More likely female
- Black and Hispanic populations more likely LMI
- Higher unemployment
- Higher share in the labor force than the US
- Lower education on average
 - KS higher share with some college
- Lower rates of homeownership

	Kansas		U.S.	
	LMI	Non-LMI	LMI	Non-LMI
Age				
Under 18	20.6%	24.8%	21.5%	21.7%
18-30	19.9%	15.2%	15.7%	16.1%
30-65	35.3%	46.4%	38.1%	48.3%
65+	24.2%	13.7%	24.7%	13.8%
Sex				
Female	52.8%	48.4%	53.9%	48.8%
Race/Ethnicity				
Hispanic	16.2%	11.3%	22.1%	17.6%
Non-Hispanic	83.8%	88.7%	77.9%	82.4%
White	69.0%	75.2%	51.2%	60.8%
Black	6.8%	4.0%	16.9%	9.4%
Native American	0.4%	0.4%	0.7%	0.4%
Asian	1.8%	3.7%	4.2%	6.8%
Other	5.8%	5.4%	4.9%	5.0%
Employment status (age 15-64)				
Employed	65.4%	79.8%	58.2%	78.3%
Unemployed	5.2%	1.7%	5.5%	2.4%
Not in labor force	29.4%	18.4%	36.3%	19.3%
Education				
Less than High school	11.7%	5.7%	16.4%	7.4%
High school	32.9%	21.1%	34.6%	21.9%
Some college	25.6%	21.0%	21.4%	18.0%
College degree	29.9%	52.1%	27.5%	52.7%
Homeowner				
	54.0%	78.5%	49.7%	74.9%

Housing Cost Burdens



Housing Cost Burden Higher for LMI renters, Worse with Utilities



Source: American Community Survey, 2022, 1-year estimates, public-use microdata, IPUMS-USA.com

Utilities have increased cost substantially

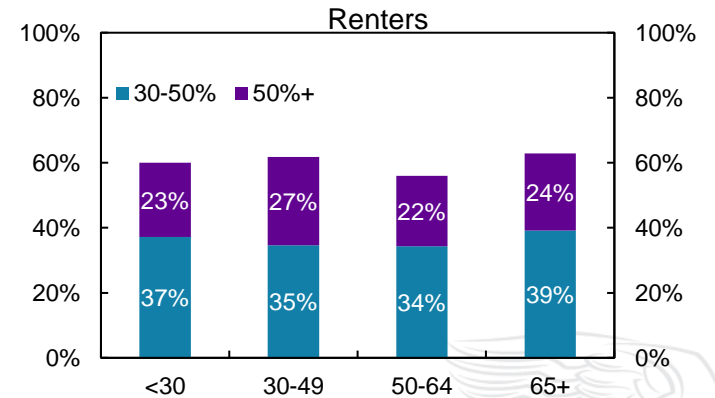
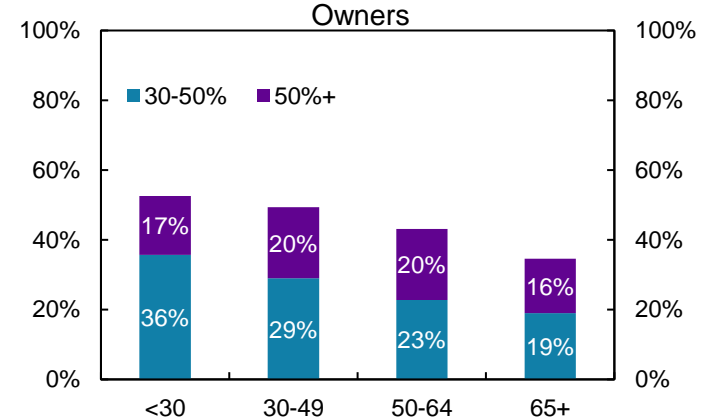
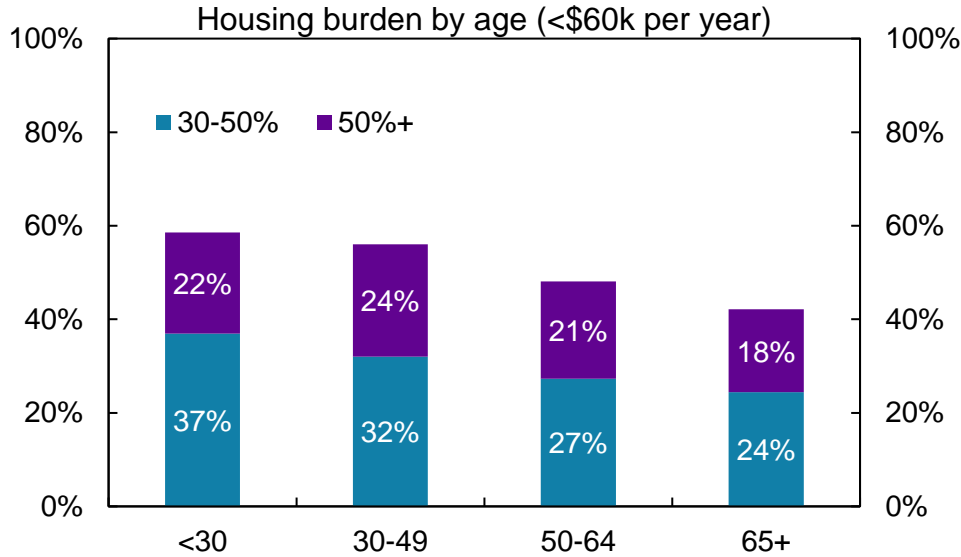
Average cost of renter utilities 2012-2022

	Electric	Gas	Water	Total Utilities		
	Change	Change	Change	2012	2022	Change
<\$60,000	22%	30%	6%	\$245	\$297	21%
\$60,000+	19%	25%	6%	\$264	\$312	18%

	Rent			Rent + utilities		
	2012	2022	Change	2012	2022	Change
<\$60,000	\$775	\$1073	38%	\$1020	\$1370	34%
\$60,000+	\$1247	\$1675	34%	\$1511	\$1987	32%

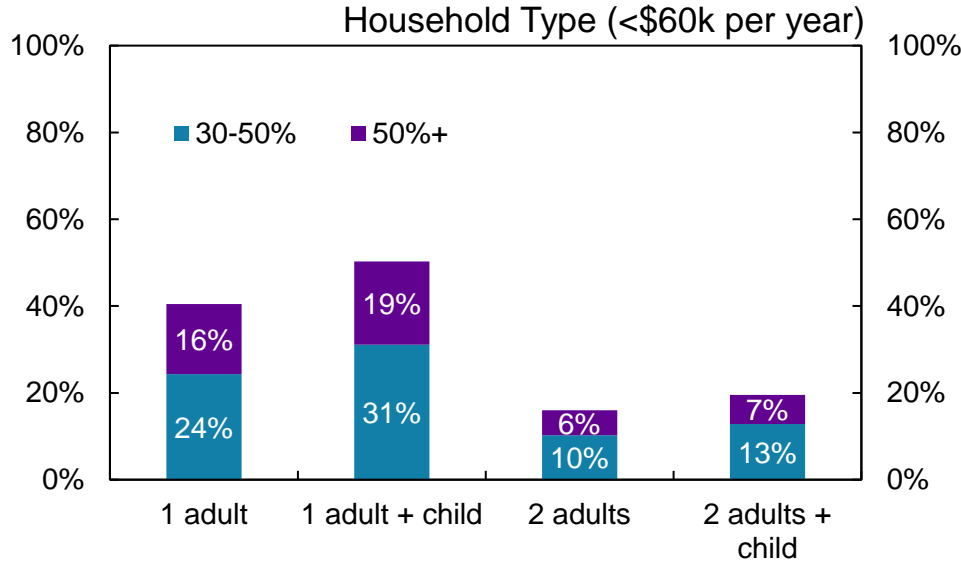
Source: American Community Survey, 2022, 1-year estimates, public-use microdata, IPUMS-USA.com

Younger Households Struggle More, All Renters Struggle

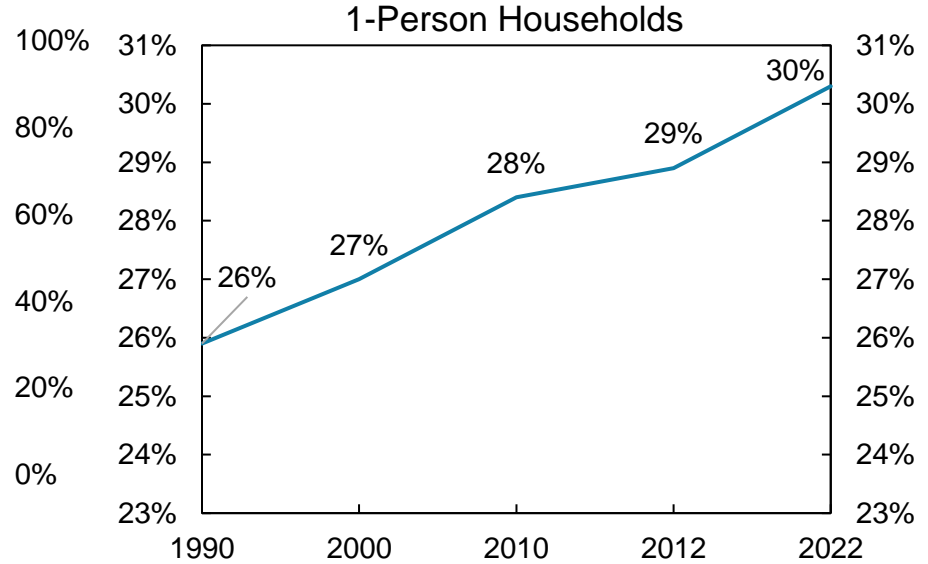


Source: American Community Survey, 2022, 1-year estimates, public-use microdata, IPUMS-USA.com

Single Adult Households Have Higher Housing Cost Burden



Source: American Community Survey, 2022, 1-year estimates, public-use microdata, IPUMS-USA.com

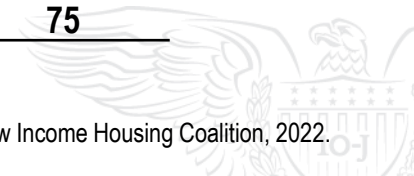


Source: U.S. Census Bureau, Decennial Census; American Community Survey, 1-year estimates.



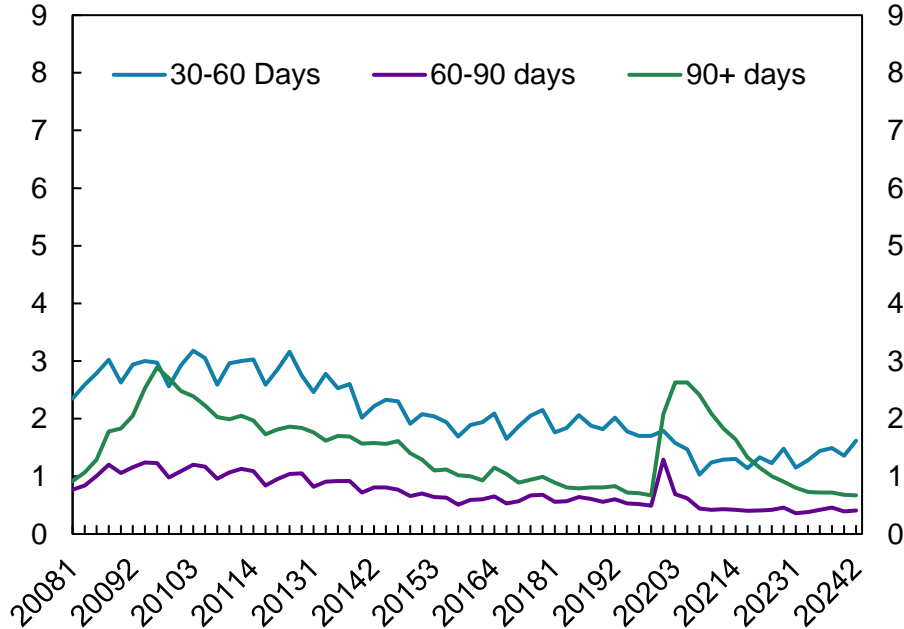
Rent Burden Across Kansas Metros

Regional Rental Affordability Statistics					
Area Name	Total Renter Households	Two Bedroom FMR	Two Bedroom Housing Wage	Average Renter Wage	Hours Work Required at Average Renter Wage
	(1)	(2)	(3)	(4)	(5)
Kansas City	112,164	\$1,258	\$24.19	\$21.30	59
Wichita	85,039	\$1,017	\$19.56	\$17.78	57
Topeka	28,749	\$960	\$18.46	\$17.20	56
Lawrence	24,601	\$1,054	\$20.27	\$14.29	74
Manhattan	16,813	\$1,009	\$19.40	\$14.68	69
Hutchinson (Reno County)	7,467	\$974	\$18.73	\$15.09	65
Salina (Saline County)	7,303	\$1,025	\$19.71	\$13.59	75

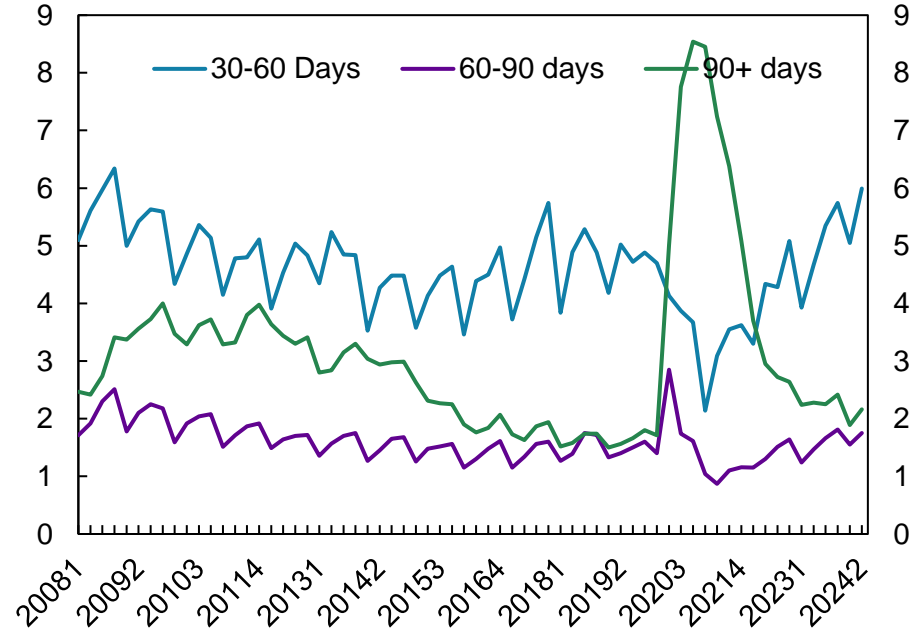


FHA loan delinquencies exceeding pre-pandemic trend

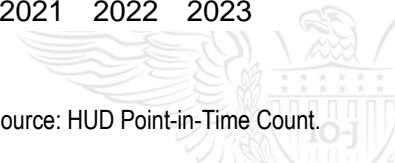
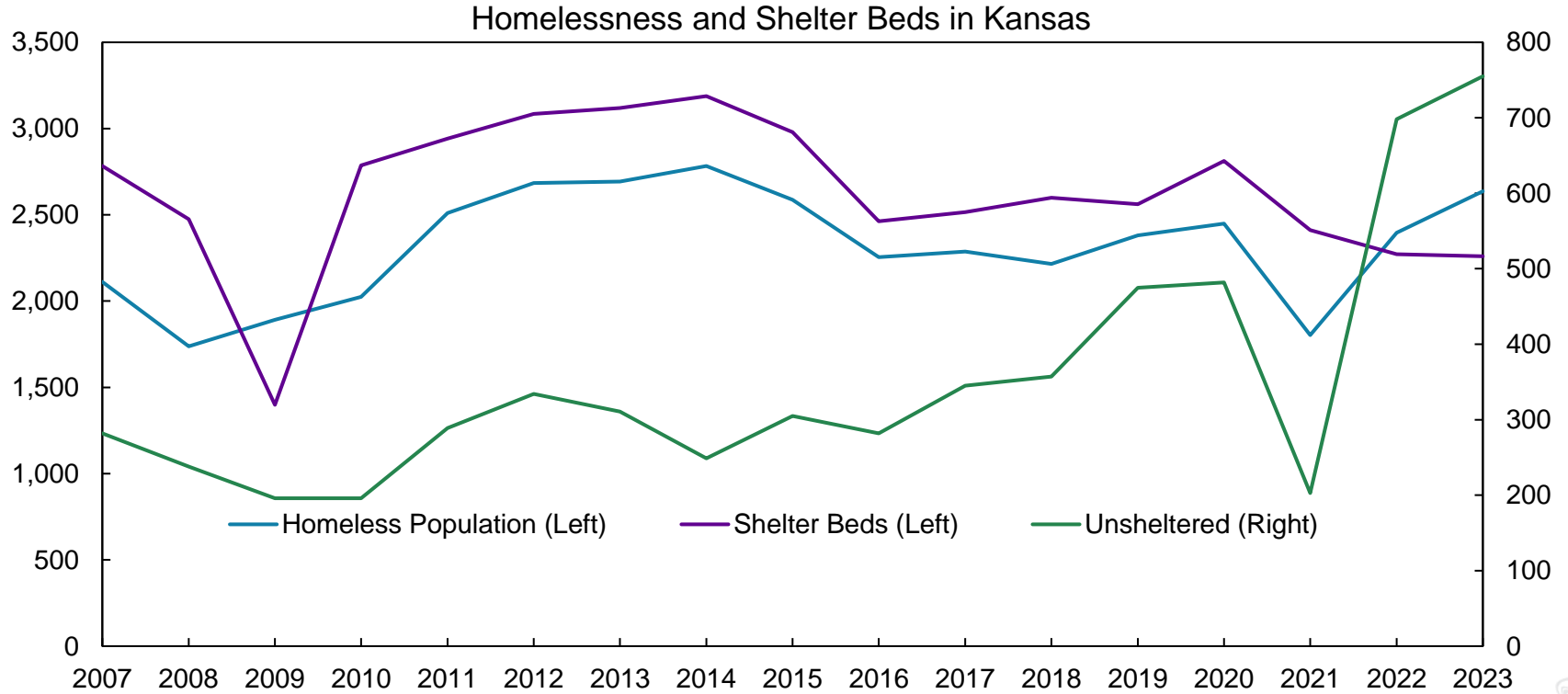
Conventional



FHA



Extreme Case of Housing Cost Burden: Rising Homelessness

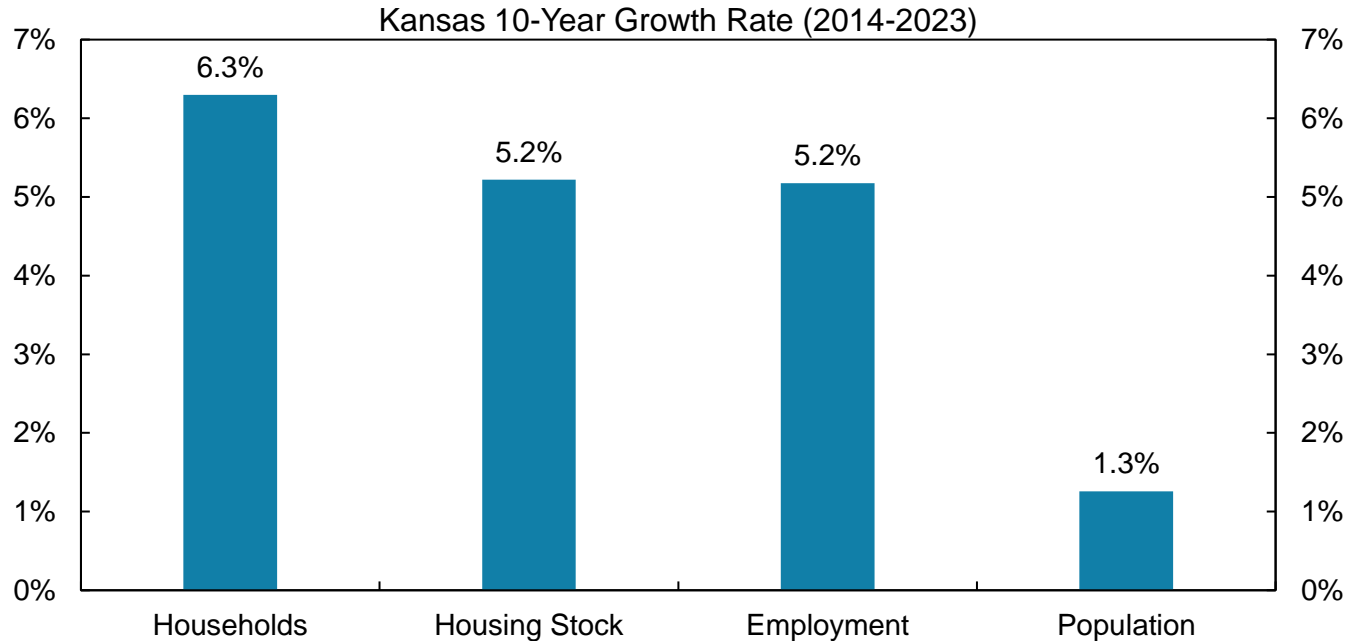


What's leading to increasing housing price pressures?



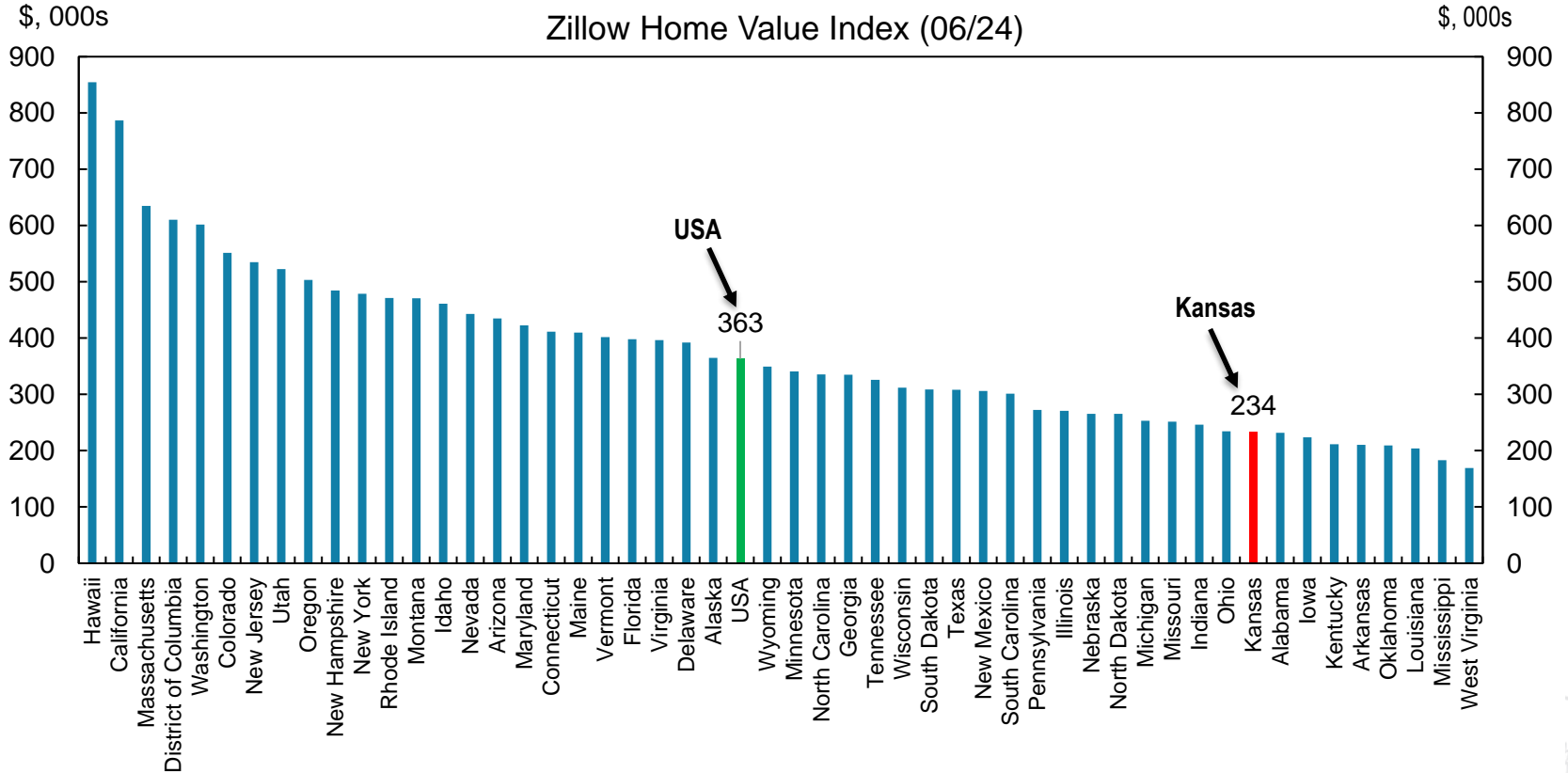
The Number of Household in Kansas is Growing Faster than Housing

- 2023 Kansas Housing Statistics:
 - Housing Units: 1,318,695
 - Population: 2,940,546
 - Households: 1,263,245

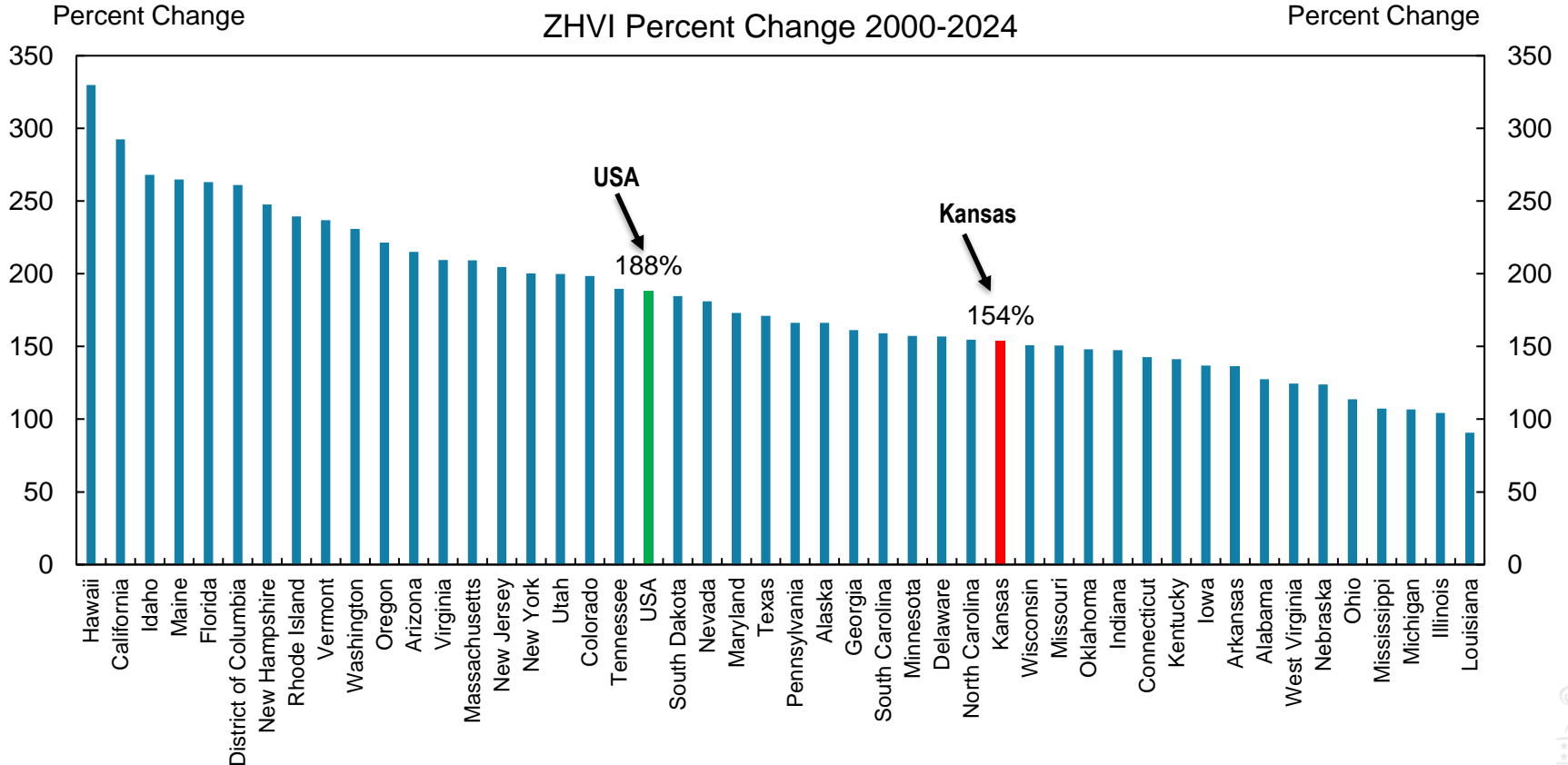


Source: Census Bureau (American Community Survey, 2022).

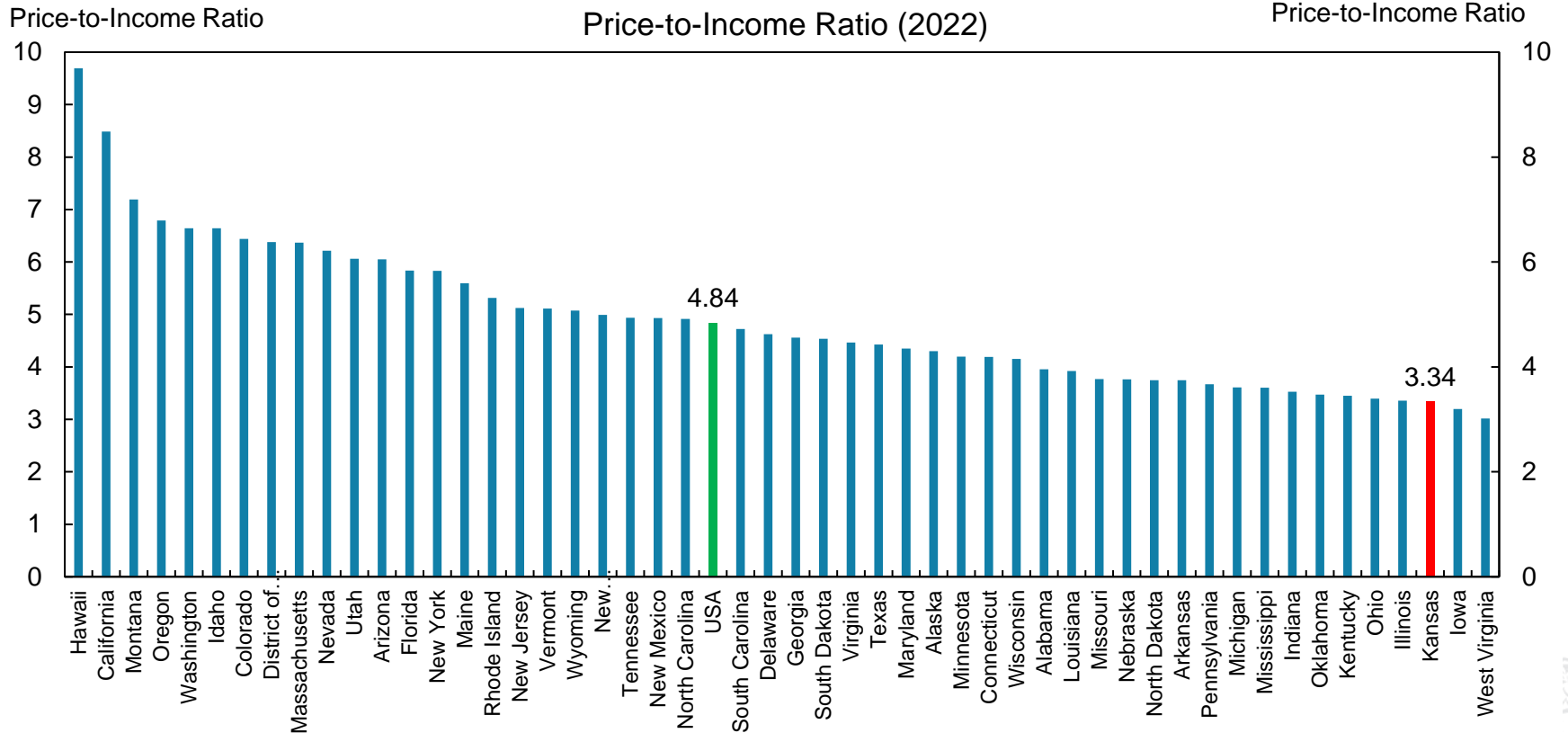
Home Prices in Kansas are Generally Lower than other States



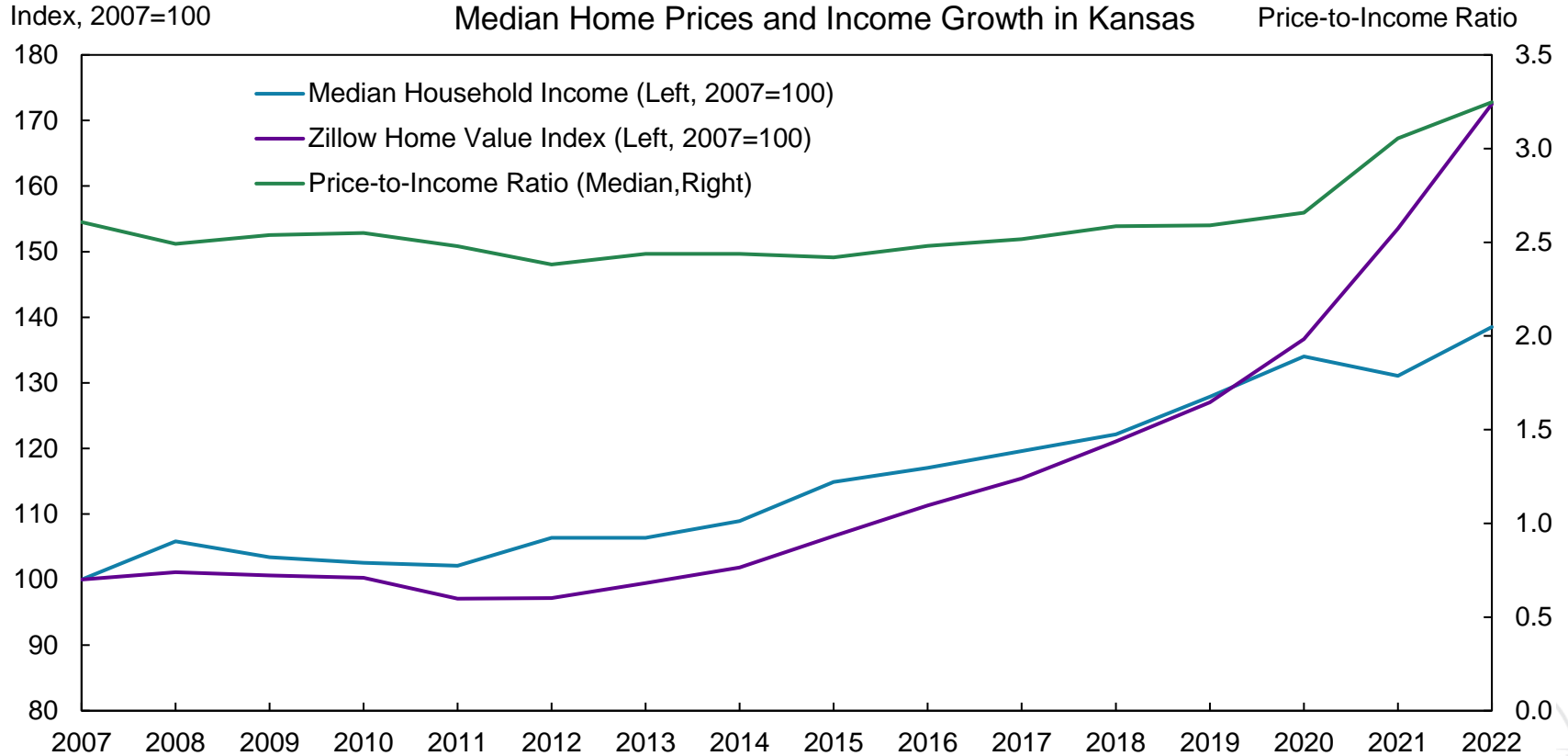
Home Prices Growth Rate Has Been Generally Slower for Kansas



Kansas is one of the Most Affordable States for Housing

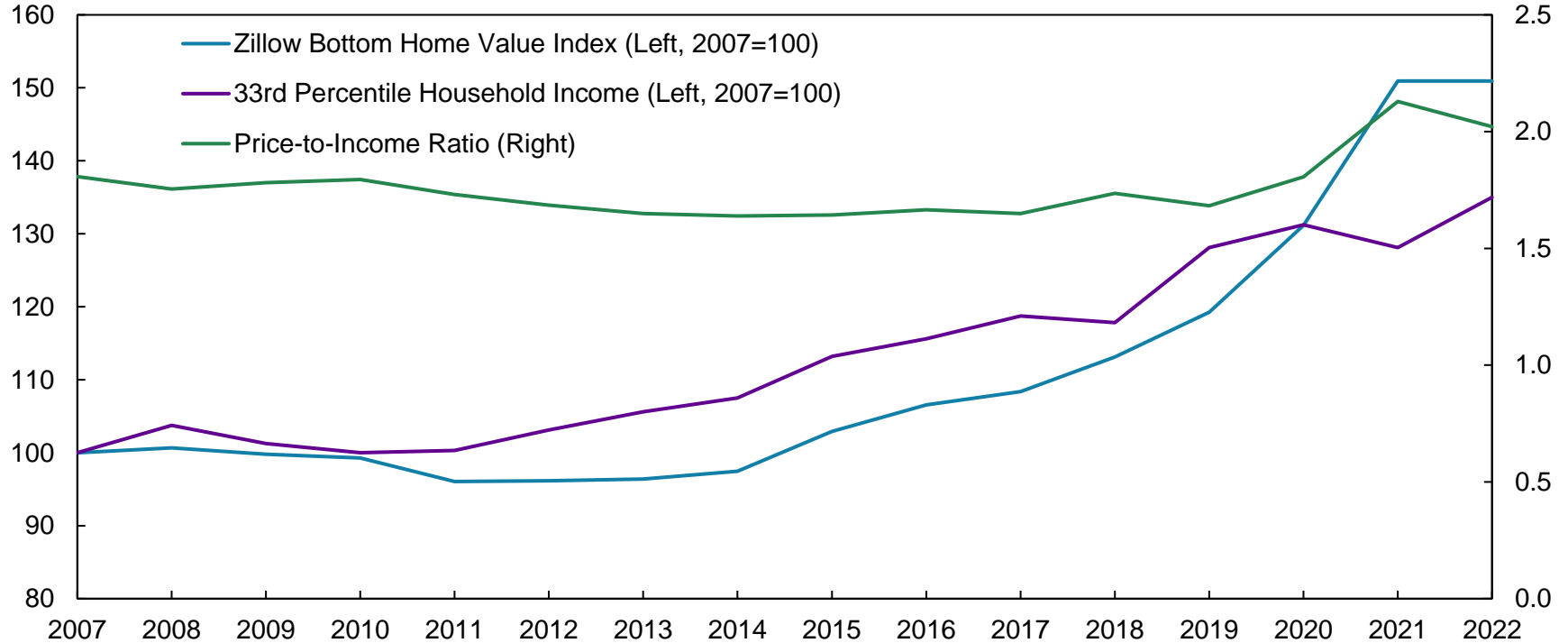


Post-Pandemic Home Prices Are Outpacing Income Growth



Home Prices Have Risen More Rapidly than Incomes at the Bottom

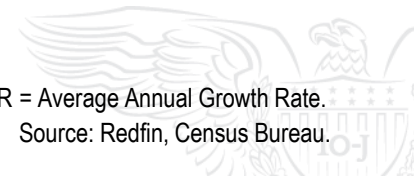
33rd Percentile Home Prices and Income Growth



Housing Prices and Income Growth in Kansas

Housing Affordability in Kansas				
Area Name	2012 (\$, 000s)	2022 (\$, 000s)	Percent Change	AAGR
	(1)	(2)	(3)	(4)
Median Sale Price (SFH)	149	255	71%	5.3%
Median Household Income	50	65	30%	2.7%
Price-to-Income Ratio	2.98	3.92		

Note: AAGR = Average Annual Growth Rate.
Source: Redfin, Census Bureau.



Home Prices Growth Across Metro Areas

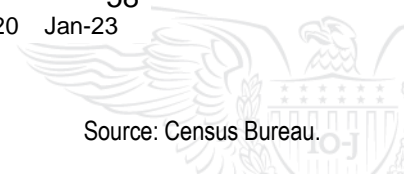
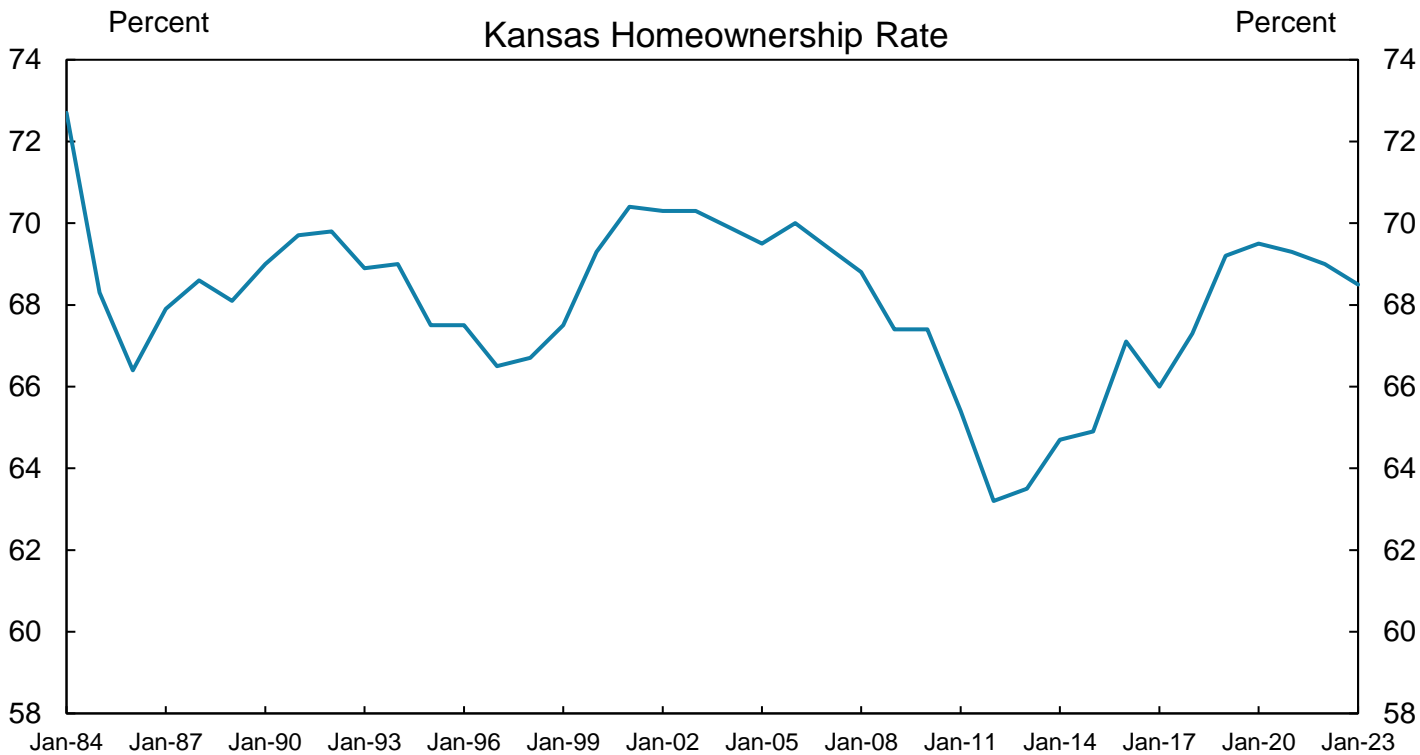
Zillow Home Value Index (ZHVI) – Single Family Home

Area Name	June 2014 (\$, 000s)	June 2024 (\$, 000s)	Percent Change	AAGR	Employment Percent Change	Employment AAGR
	(1)	(2)	(3)	(4)	(5)	
United States	184	365	98%	7.2%	10.1%	1.1%
Kansas	125	234	88%	6.6%	3.1%	0.3%
Atchison, KS	78	167	113%	8.0%	-9.7%	-1.0%
Hutchinson, KS	81	145	79%	6.1%	-6.0%	-0.7%
Kansas City, MO	149	311	109%	7.8%	9.3%	1.0%
Lawrence, KS	174	318	83%	6.3%	4.5%	0.5%
Manhattan, KS	163	244	50%	4.1%	-0.6%	-0.1%
Ottawa, KS	102	236	133%	8.9%	9.0%	1.0%
Salina, KS	106	174	64%	5.2%	-0.9%	-0.1%
Topeka, KS	111	208	88%	6.6%	3.0%	0.3%
Wichita, KS	116	218	88%	6.6%	6.3%	0.7%

Note: AAGR = Average Annual Growth Rate.

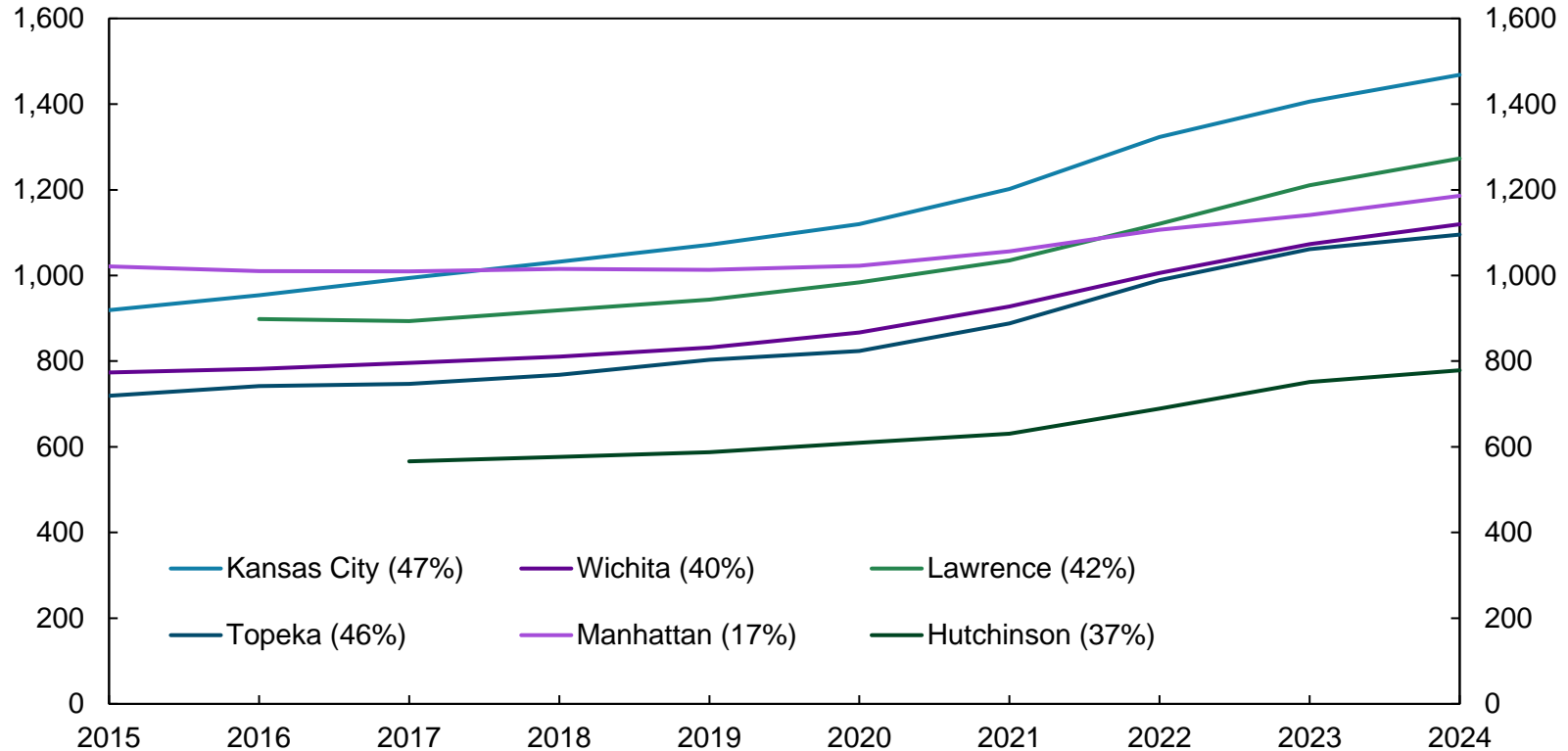
Source: Bureau of Labor Statistics, Zillow.

Recent Rise in House Prices is Lowering Homeownership Rates



Rents Are Rapidly Increasing As A Result in Kansas Metros

Zillow Observed Rent Index



Rent Growth Across Metro Areas Accelerated Post-Pandemic

Zillow Observed Rent Index (ZORI) – All houses						
Area Name	2017	2024	Percent Change	AAGR	AAGR 2017-2020	AAGR 2021-2024
	(1)	(2)	(3)	(4)	(5)	(6)
United States	1403	2041	45%	5.6%	3.5%	7.3%
Hutchinson, KS	566	779	38%	4.7%	2.6%	6.9%
Kansas City, MO	994	1468	48%	5.7%	3.8%	7.4%
Lawrence, KS	894	1273	42%	5.2%	3.4%	6.9%
Manhattan, KS	1015	1186	17%	2.3%	0.4%	4.0%
Salina, KS	747	1095	47%	5.2%		
Topeka, KS	111	208	88%	5.7%	2.8%	8.1%
Wichita, KS	796	1120	41%	5.0%	2.6%	7.0%

Note: AAGR = Average Annual Growth Rate.

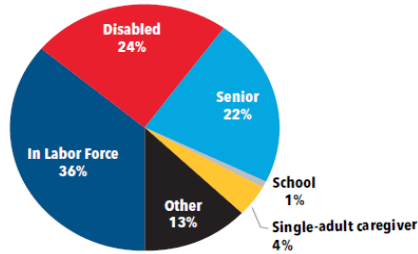
Source: Zillow.

Rising Prices Create Shortage of Affordable Rental Units for Low-Income Households (2022)

KEY FACTS

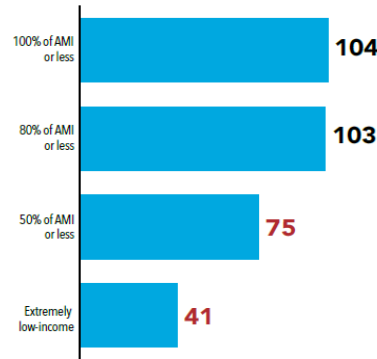
- 87,991 OR 23%**
Renter Households with extremely low incomes
- 52,340**
Shortage of rental homes affordable and available for extremely low income renters
- \$28,250**
Average income limit for 4-person extremely low-income households (state level)
- \$42,390**
Annual household income needed to afford a two-bedroom rental home at HUD's Fair Market Rent.
- 73%**
Percent of extremely low income renter households with severe cost burden

EXTREMELY LOW INCOME RENTER HOUSEHOLDS



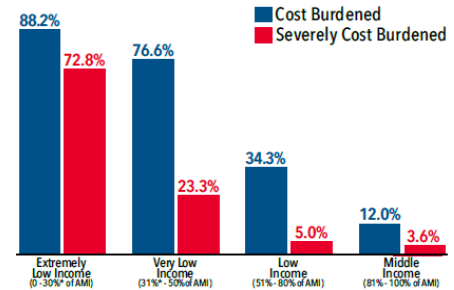
Note: Mutually exclusive categories applied in the following order: senior, disabled, in labor force, enrolled in school, single adult caregiver of a child under 7 or of a household member with a disability, and other. Nationally, 13% of extremely low-income renter households are single adult caregivers, 53% of whom usually work more than 20 hours per week. Source: 2022 ACS PUMS.

AFFORDABLE AND AVAILABLE HOMES PER 100 RENTER HOUSEHOLDS



Source: NLIHC tabulations of 2022 ACS PUMS

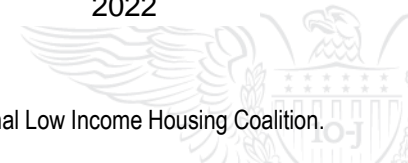
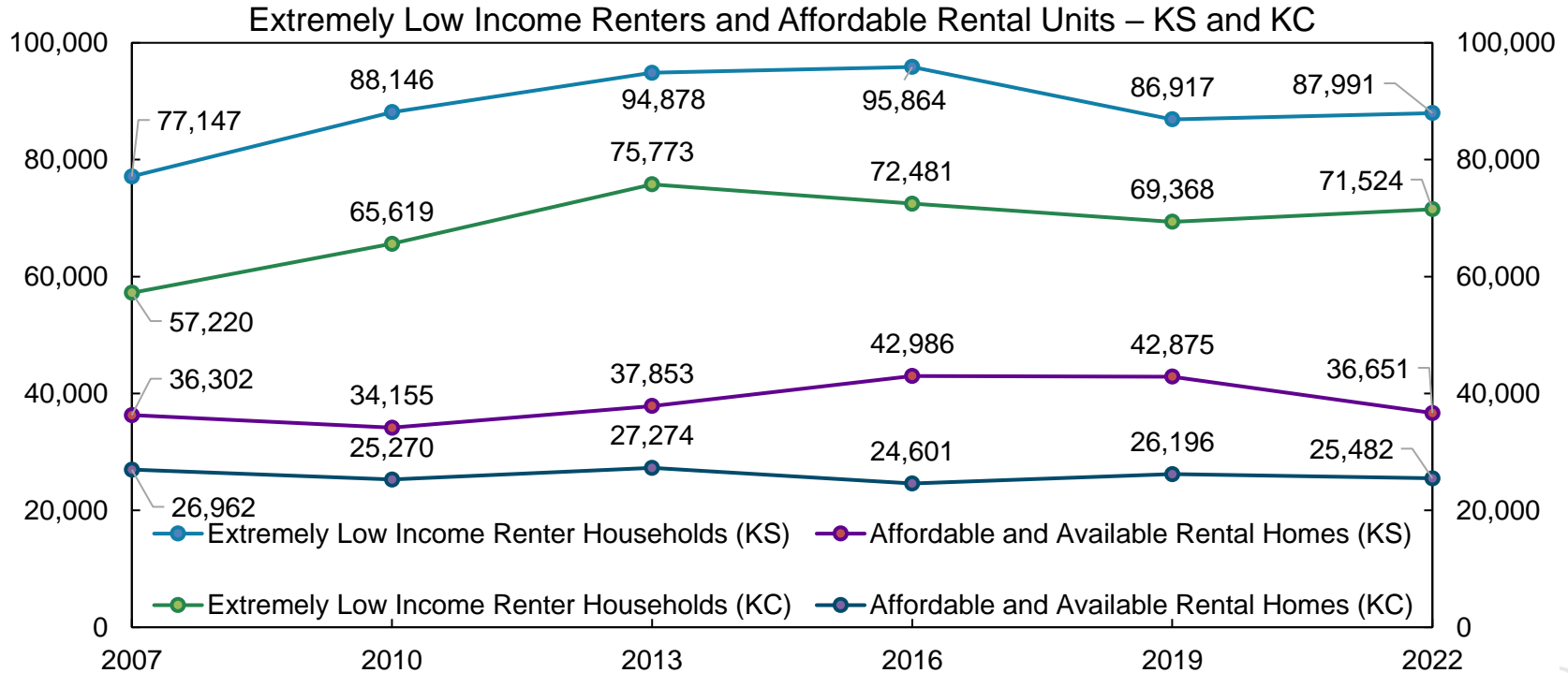
HOUSING COST BURDEN BY INCOME GROUP



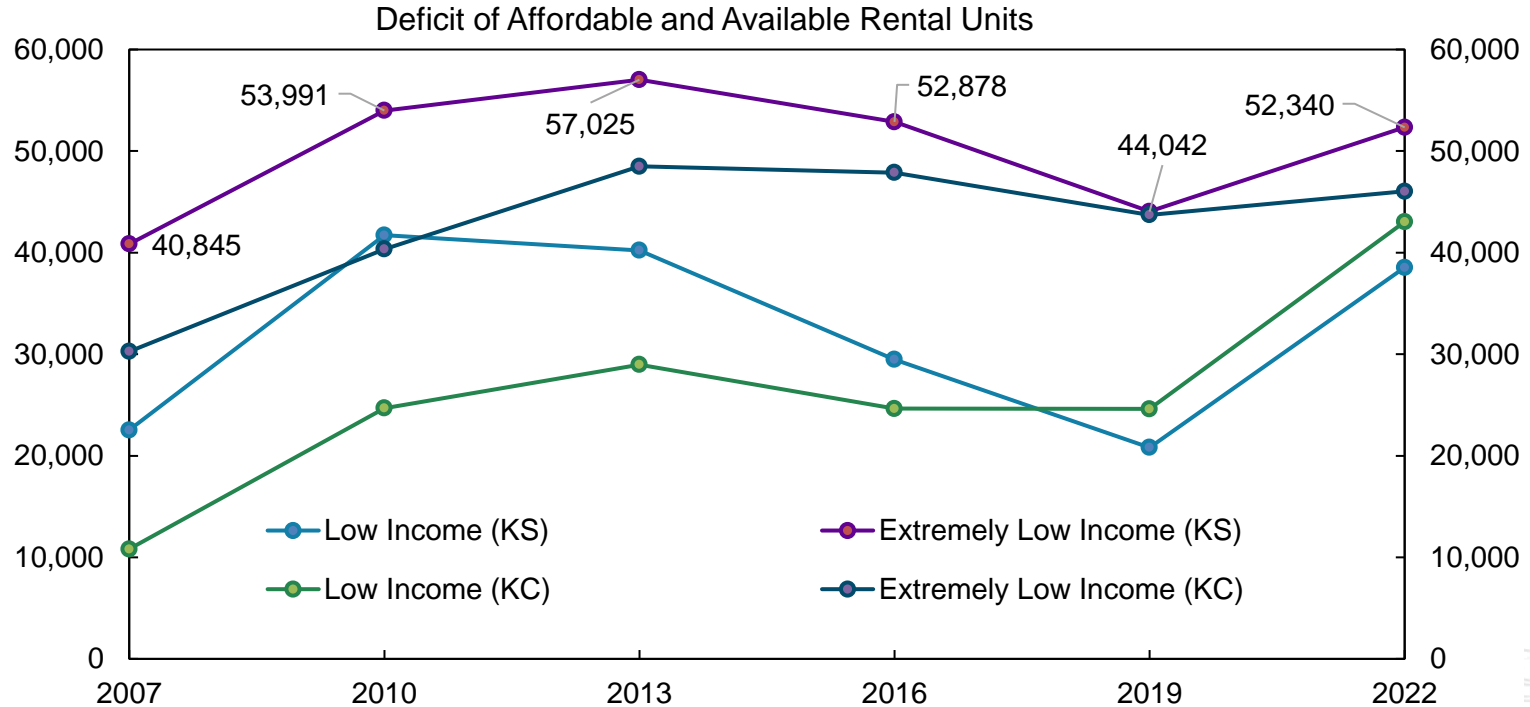
Note: Renter households spending more than 30% of their income on housing costs and utilities are cost burdened; those spending more than half of their income are severely cost burdened. Source: NLIHC tabulations of 2022 ACS PUMS



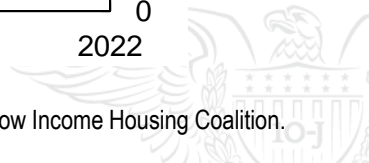
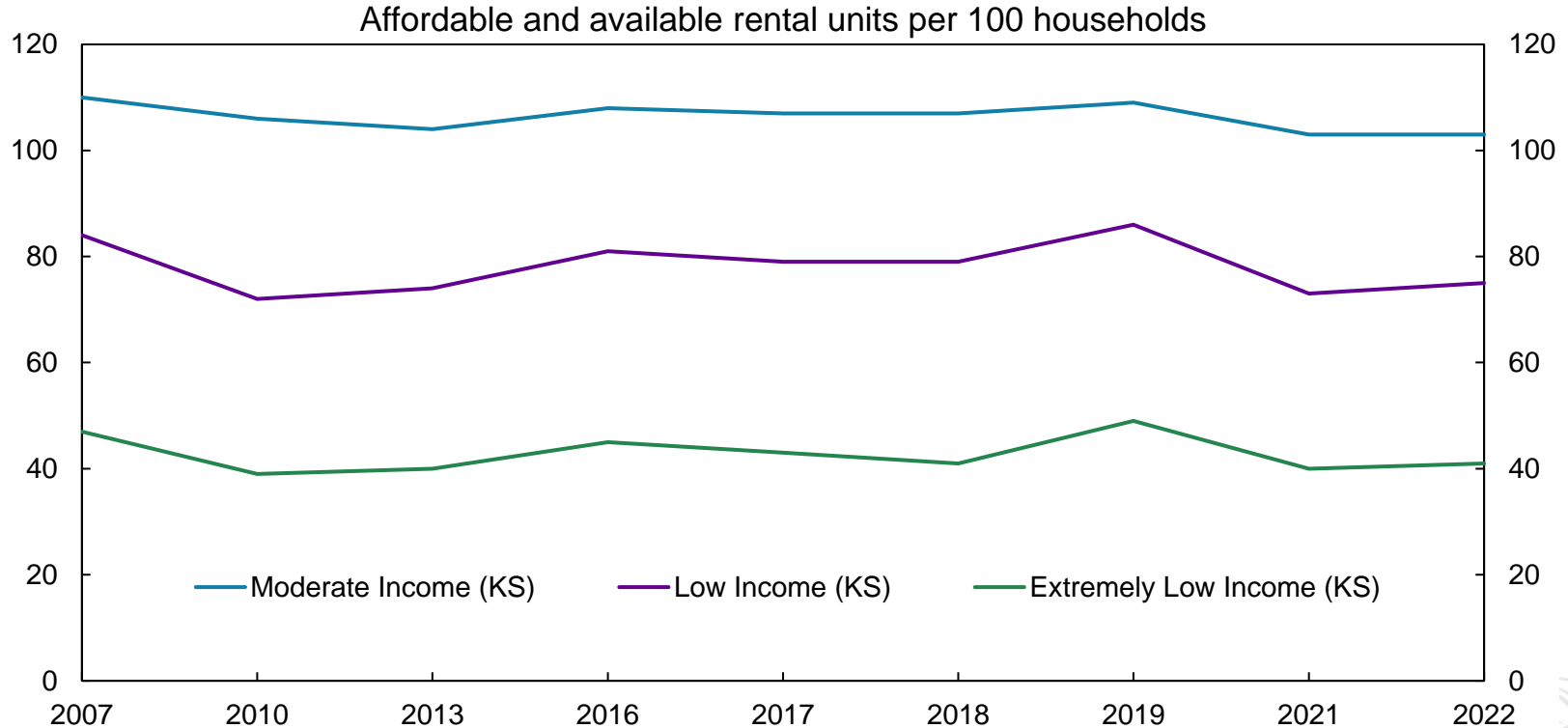
How Many Low-Income Renters and Affordable Rentals Are There?



How Many Affordable Housing Units Are Needed?



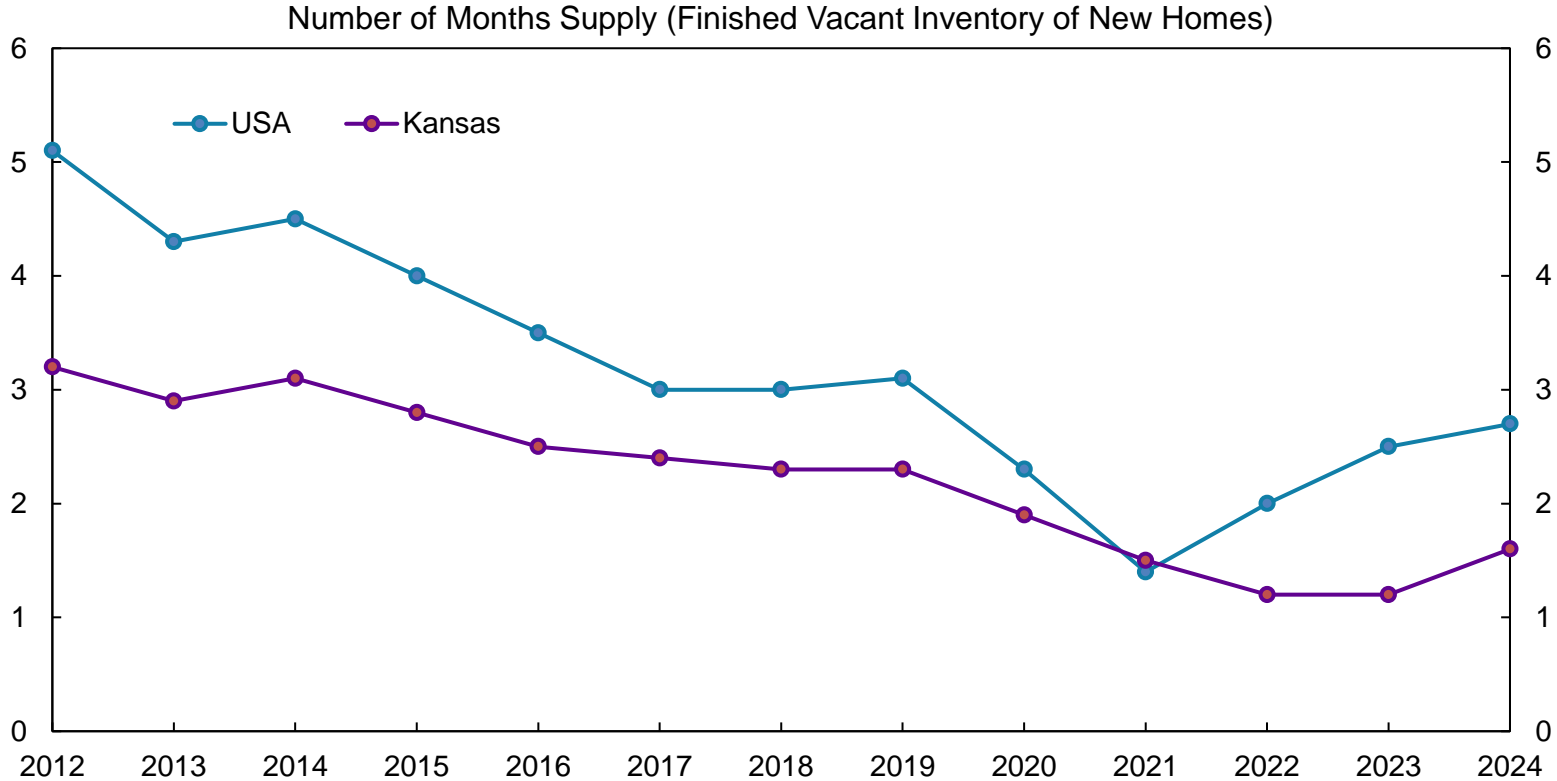
Chronic Shortage of Affordable Rentals for LMI Populations



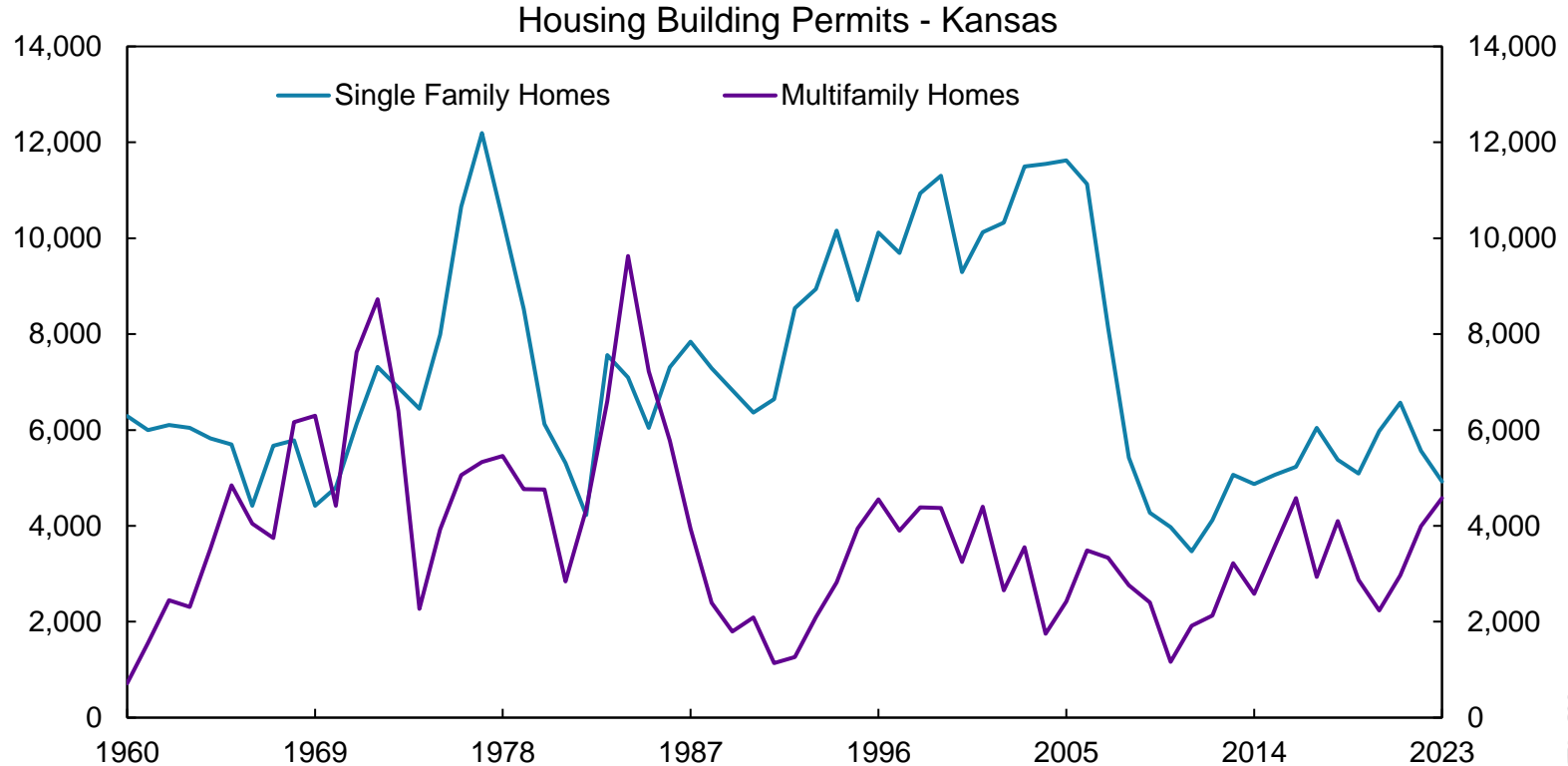
What is going on with housing supply?



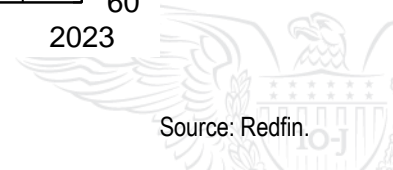
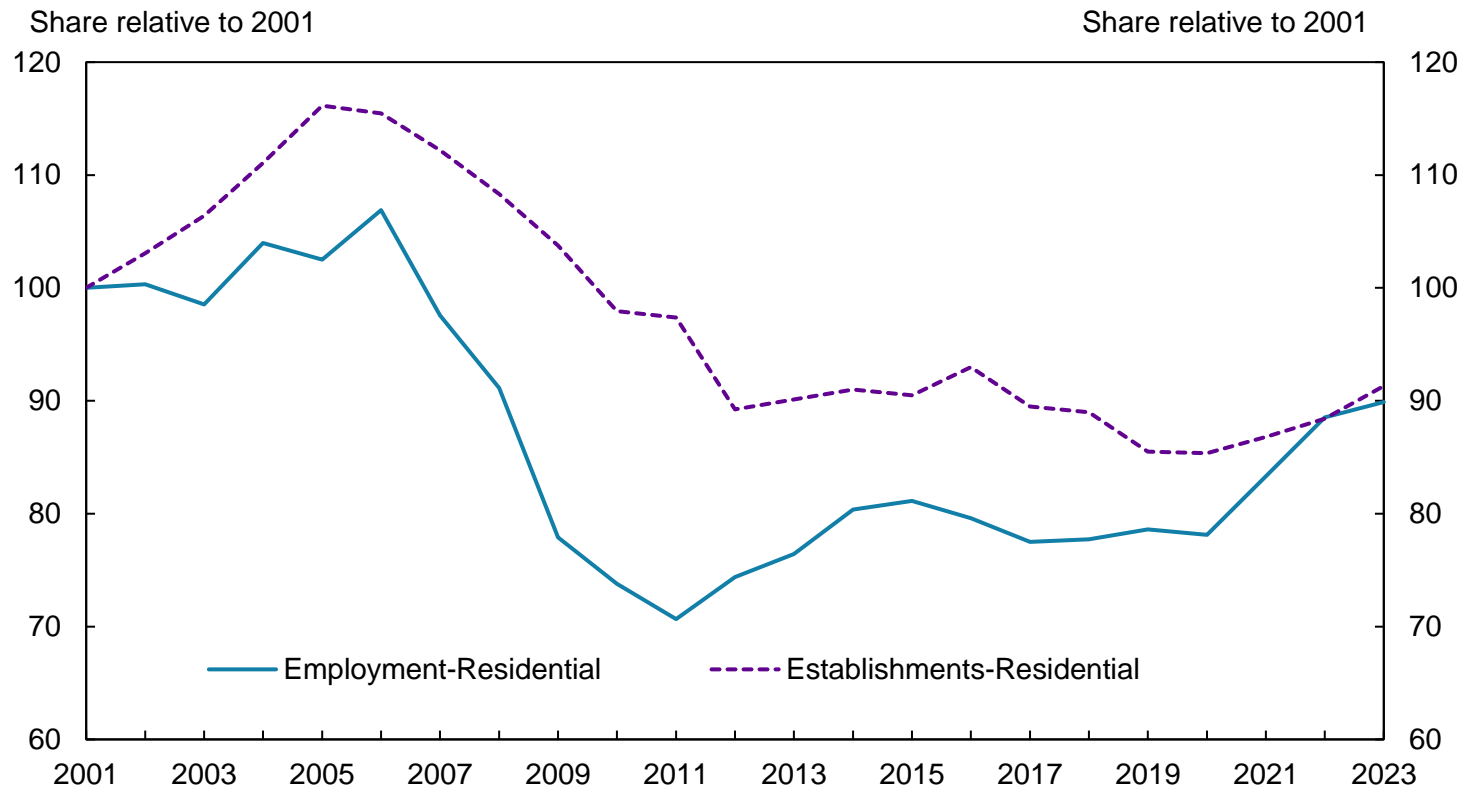
Low Inventory is Driving the Increase in House Prices



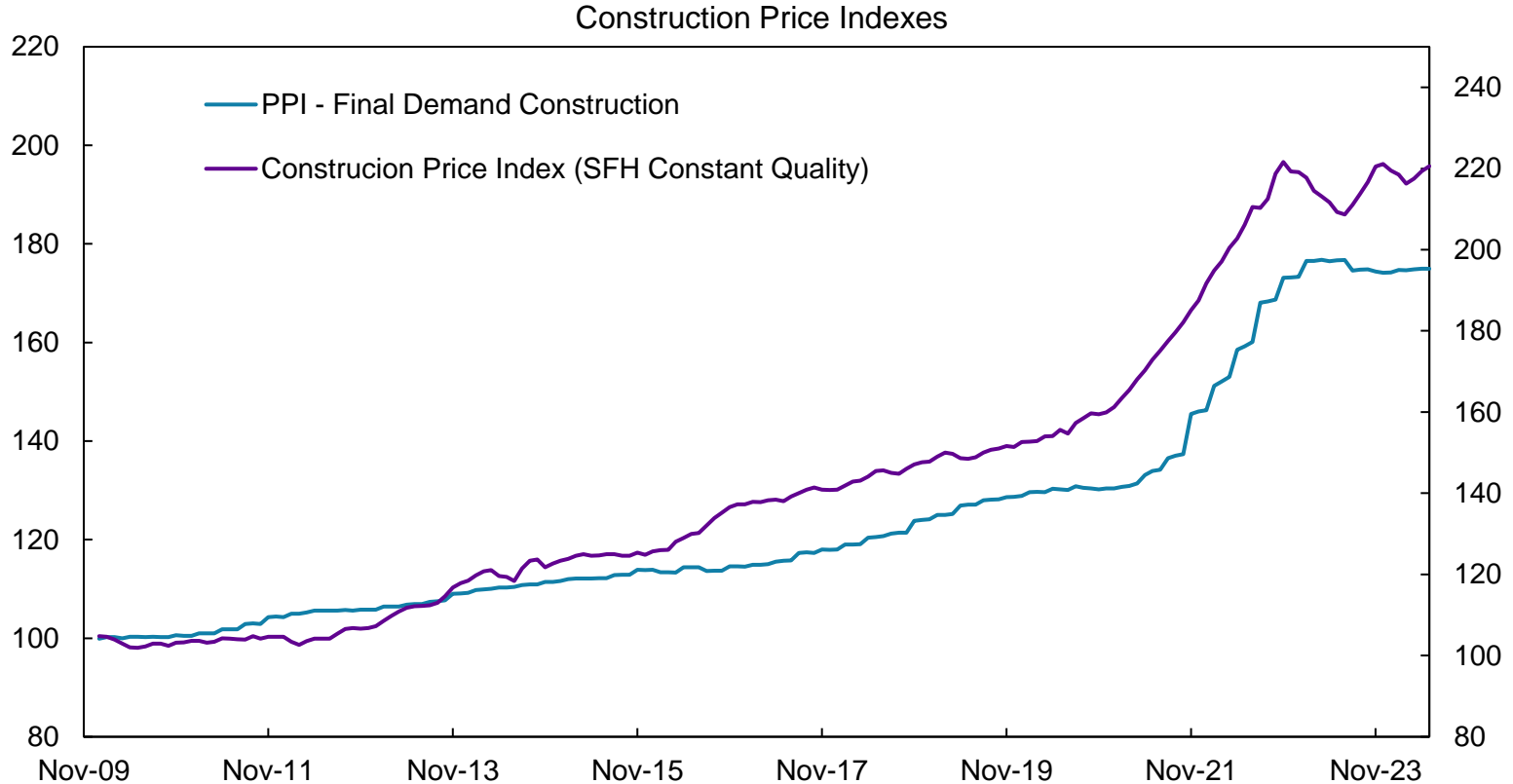
Slow Recovery in Construction since GFC



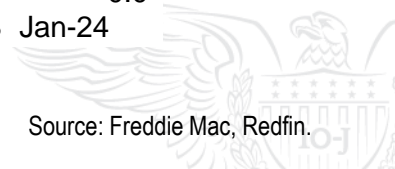
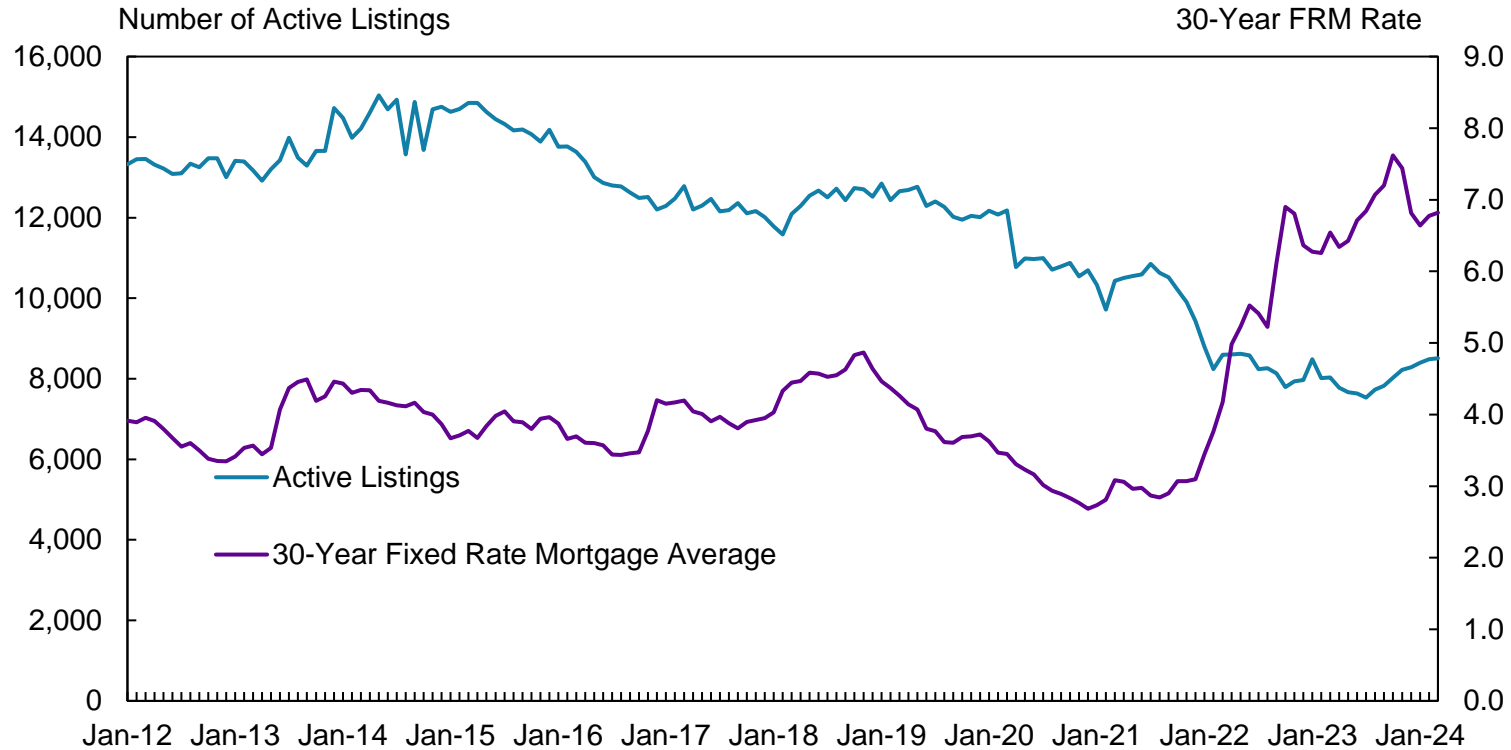
Residential Construction Employment not Recovered from GFC



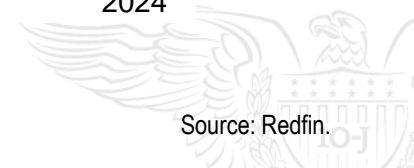
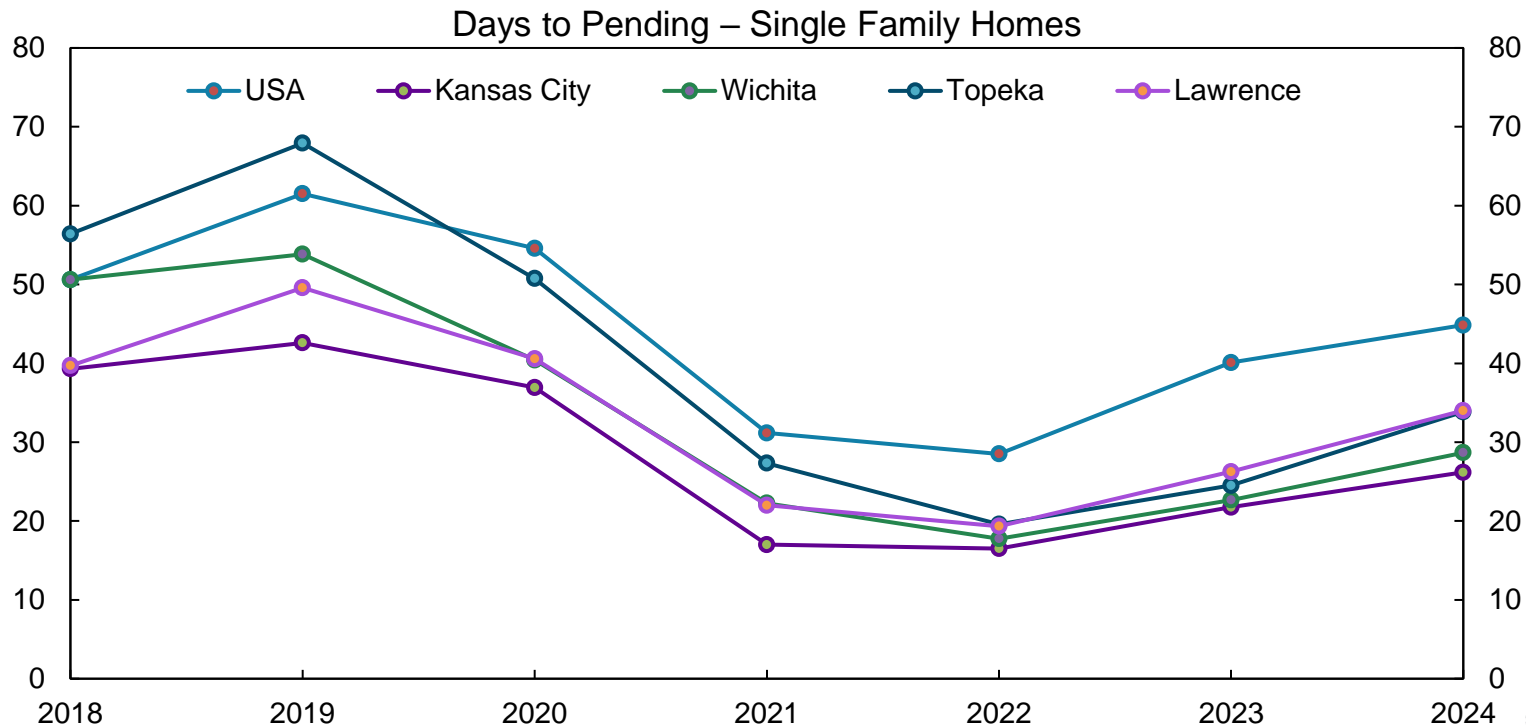
Construction Costs Increased Dramatically in Post-Pandemic Era



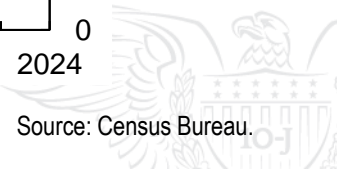
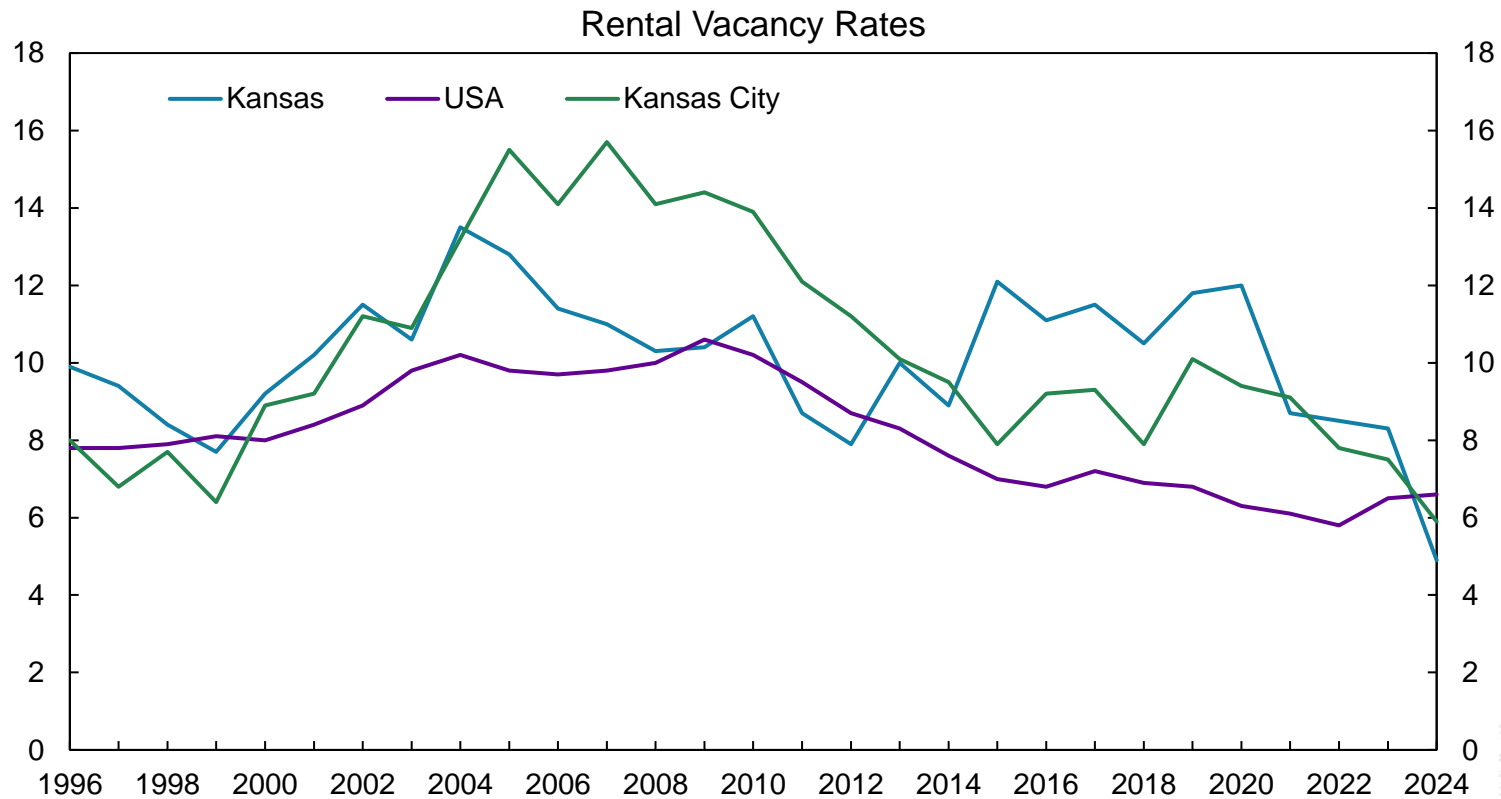
Low Inventory in the Housing Market due to “Lock-In” Effect



Low Housing Supply Leads to Increased Competition for Housing

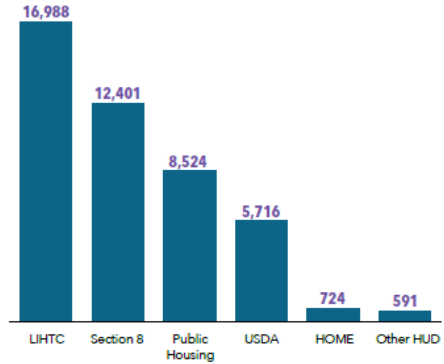


Lack of New Housing Contributes to Lower Rental Vacancy Rates



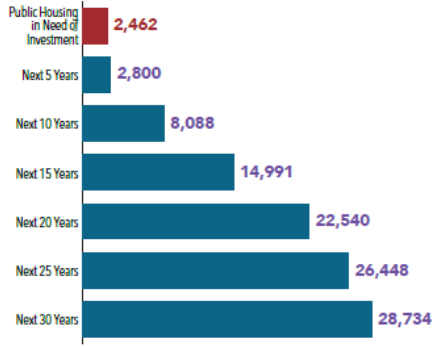
Existing Affordable Housing Stock

NUMBER OF PUBLICLY SUPPORTED RENTAL HOMES BY PROGRAM



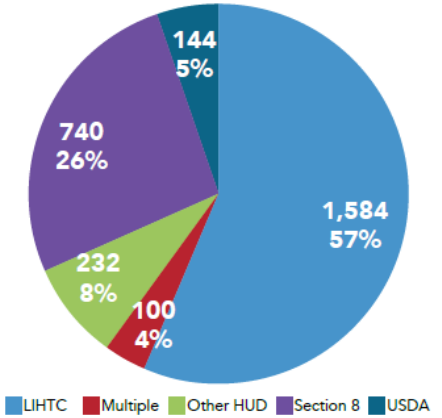
43% publicly supported rental homes across the state receive Low Income Housing Tax Credits.
 *Other includes Section 236 HUD Insured Mortgages, Section 202 Direct Loans, Mod Rehab, and Project Based Vouchers.
 Note: Rental units can be supported by multiple programs.

PUBLICLY SUPPORTED RENTAL HOMES AT RISK OF LOSS



7% publicly supported rental homes face an expiring affordability restriction in the next five years and 2,462 public housing units are in need of immediate investment*.
 *indicated by a REAC score less than 60.

PUBLICLY SUPPORTED RENTAL HOMES WITH EXPIRING AFFORDABILITY RESTRICTIONS WITHIN FIVE YEARS BY FUNDING STREAM

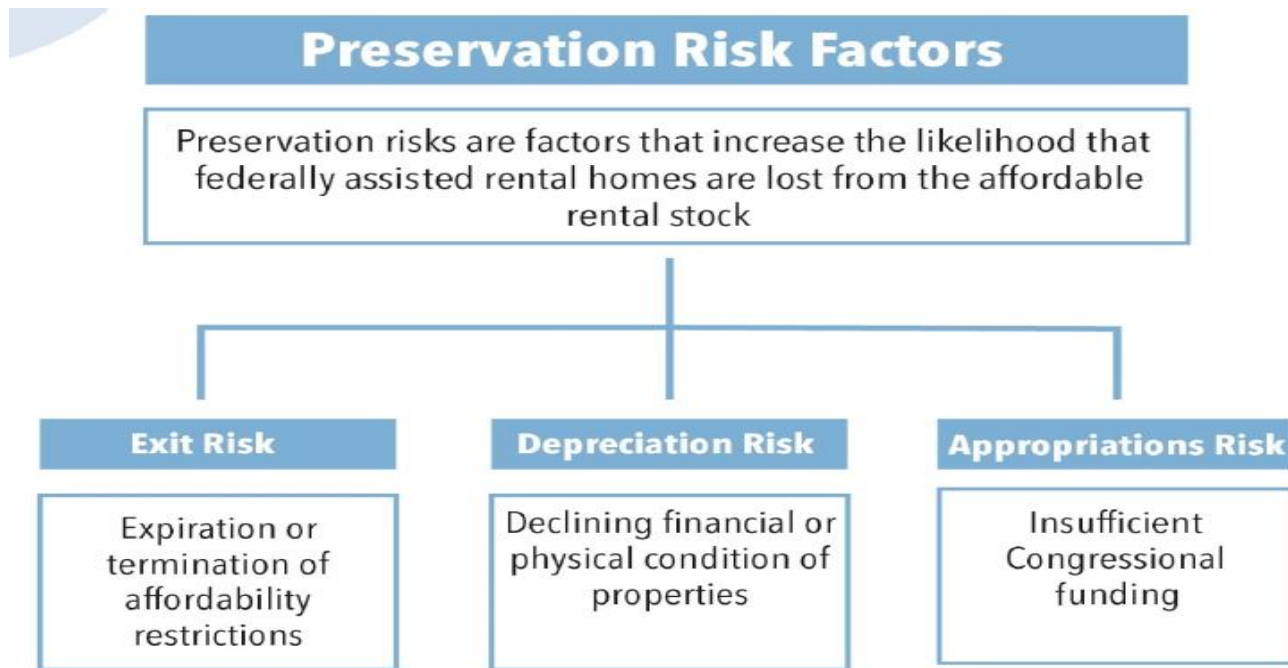


57% publicly supported rental homes with expiring affordability restrictions in the next five years are assisted by Low Income Housing Tax Credits.

KEY FACTS	-55,383	87%	39,071	2,800
	Shortage of rental homes affordable and available for ELI renters	Percent of ELI households spending more than half of their income on rent	Number of publicly supported rental homes	Number of publicly supported rental homes with affordability restrictions expiring in next five years

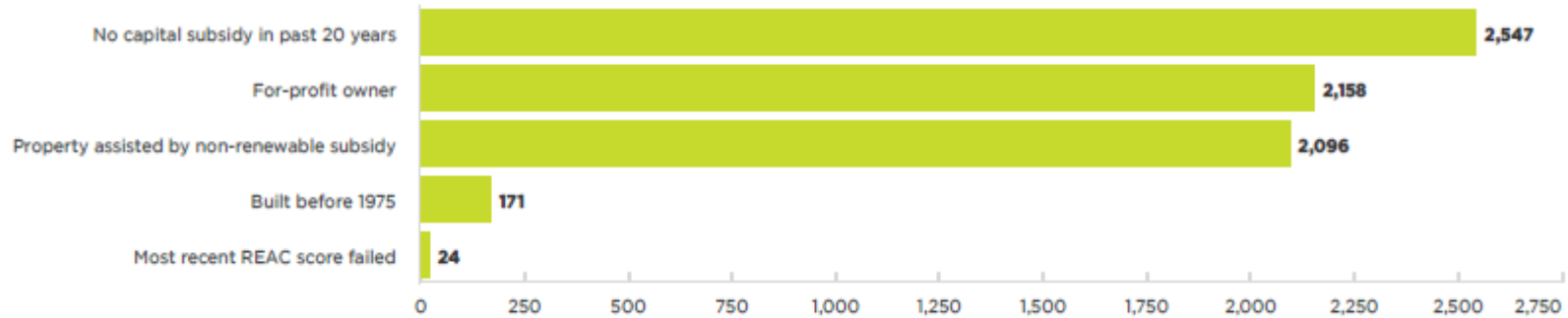


Affordable Housing Preservations Risks



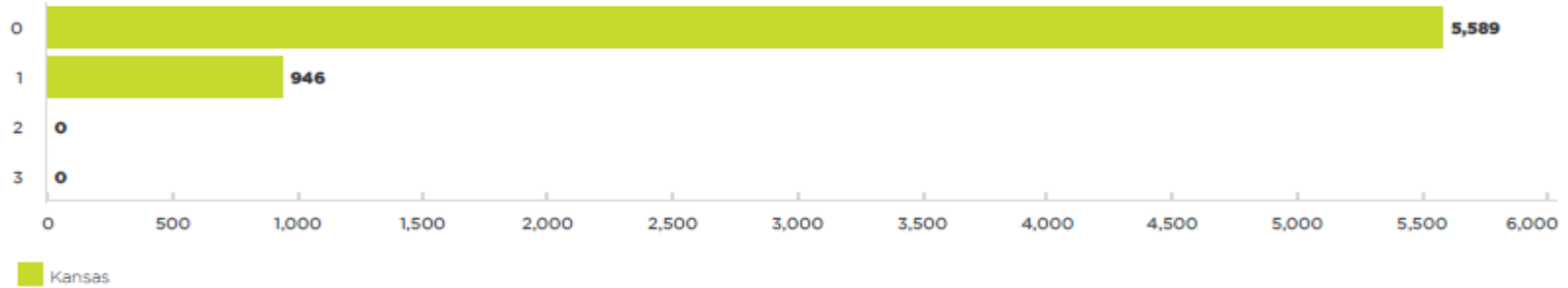
Exit Risk

Exit risk factors for federally assisted homes with affordability restrictions expiring in the next five years



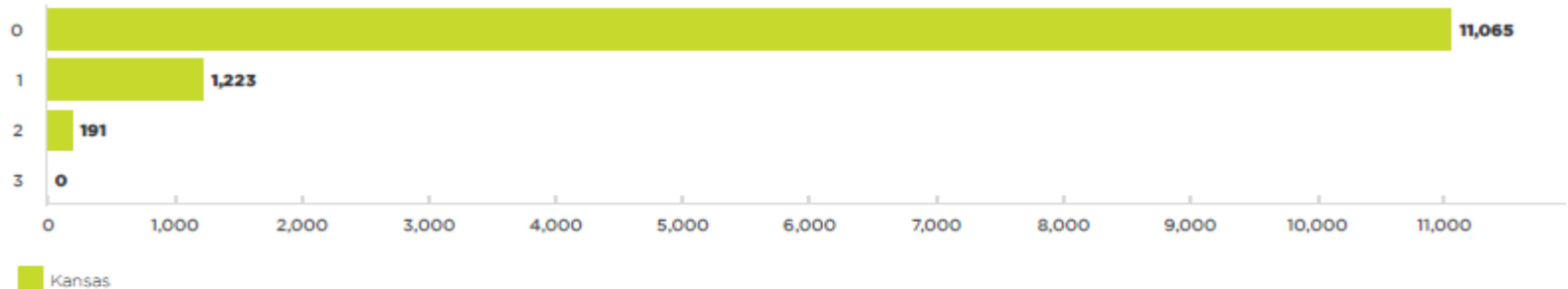
Depreciation Risk

Number of failed recent (last three) REAC Scores - Public Housing.



Source: NHPD 2021. Excludes Public housing homes with less than three recent REAC scores.

Number of failed recent (last three) REAC Scores - Section 8 PBRA.



Federal Funding for Affordable Housing

