

THE LEE'S SUMMIT CHAT REPORT

A Housing Assessment and Strategy for
Lee's Summit, Missouri
by the
UtiliCorp United/Missouri Public Service
Community Housing Assessment Team

Team Members

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TABLE OF CONTENTS

Introduction	2
Population Characteristics and Housing Demand	3
A Housing Opportunity Program	12
Housing Resources	13
Strategic Housing Issues	16
Affordability Issues	20
Recommendations	22
Strategic Directions	22
Opportunity Housing Demonstration Contexts	23
Development Mechanisms	25
Participatory City Financing	27
Design and Quality Standards	30
Program for the Next Two Years	32

LEE'S SUMMIT COMMUNITY HOUSING ASSESSMENT TEAM

Introduction

The Lee's Summit Community Housing Assessment Team Report assesses housing conditions in the city and makes future strategy recommendations to address vital housing issues. The purpose of the CHAT process is to assess housing needs and strategies that will enable the community to increase overall production of housing and help to define future community development directions.

The CHAT report consists of several parts, including:

- An assessment of housing demands, affordability and development issues in the city. This assessment is guided by demographic and economic analysis and the proceedings of a program of five focus groups, conducted in Lee's Summit on December 3 and 4, 2001.
- A review of overall housing needs in the community.
- A presentation of strategies and recommendations that respond to the needs identified during the planning process.

In developing the report we are grateful to Jim Devine and Kelly Blomberg of the Lee's Summit CDC for their help and insight in organizing the CHAT process. We are also grateful to the Kansas City Homebuilders Association for their support of this process and to all the people who gave us their time and insights to help prepare this report.

THE LEE'S SUMMIT CHAT REPORT
POPULATION
CHARACTERISTICS
AND HOUSING
DEMAND

LEE'S SUMMIT

Population Change and Housing Demand

POPULATION AND HOUSING DEMAND

• **Lee's Summit has experienced phenomenal growth in the last forty years.** Lee's Summit's location within the Kansas City metro area and reputation as a community of high quality has led to exceptional growth since the 1960s. The city's population has nearly doubled each decade, sustaining its highest percentage growth rate during the 1960s and 1970s. Even with a much larger population base, the city continues to grow at a rate exceeding 4% annually. During the last decade, the city's population grew from 46,000 to over 70,000.

• **Based on the assumption that Lee's Summit will maintain its 1990s annual growth rate of about 4%, the city will reach a population of 104,653 by 2020.** Table 1 displays this population scenario in five-year increments. The experience of the 1990s indicates that Lee's Summit grew at approximately 4% annual. A continuation of this pattern would mean a 2005 population of 86,014 and a 2020 population of 104,653. This level of growth will support level of construction activity similar to that experienced during the 1990s.

Figure 1:
**Lee's Summit:
Population History
And Estimates,
1960-2010**

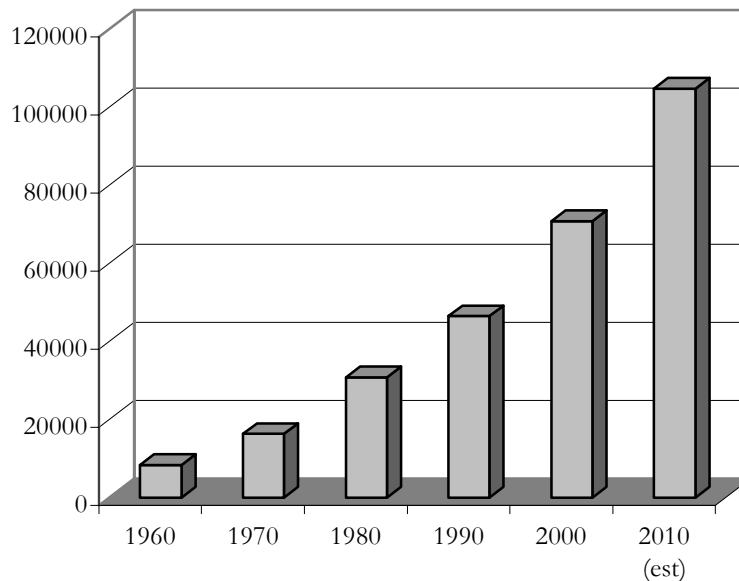


TABLE 1

Lee's Summit Projected Population, 2000-2010

Population Alternatives	2000	2005	2010
4.0% Annual Growth Rate	70,700	86,017	104,653

Source: US Bureau of the Census

RDG Crose Gardner Shukert

• **During the past 11 years Lee's Summit constructed 11,129 new housing units.** Despite this level of activity, the city's vacancy rate declined to 3.27%, from the 1990 rate of 5.99%. In contrast to prevailing national trends, the 2000 census indicated 2.65 people per household, up from 2.60 in 1990. Table 2 illustrates a steadily increasing pattern of construction during early 1990s and a more fluctuating pattern during the later half of the decade.

• **Based on probable population change, Lee's Summit will experience a cumulative demand for the period from 2001 to 2010 for 13,671 housing units..** Table 3 presents housing demands for Lee's Summit between 2000 and 2010. These demand projections are based on the following assumptions:

□ The city's vacancy rate should slightly increase from 3.27% to 4.27% by 2010.

□ The average size of a household will remain constant over the decade. In 2000, the average household size in Lee's Summit was 2.65 after increasing the last twenty years this level should remain fairly steady.

□ The city should factor in replacement of 15 units annually during the planning period. These units should leave the housing stock because of demolition or redevelopment to other uses.

LEE'S SUMMIT

Population Change and Housing Demand

TABLE 2
HOUSING CONSTRUCTION IN LEE'S SUMMIT, 1992-2000

Year	Single-Family	Duplex	Multifamily	Total New Units
1990	604	8	78	690
1991	717	12	20	749
1992	965	26	4	995
1993	994	14	34	1042
1994	1140	18	132	1290
1995	998	38	8	1044
1996	1114	42	40	1196
1997	727	114	64	905
1998	802	100	128	1030
1999	824	46	74	944
2000	680	40	524	1244
Total	9565	438	1106	11129

Source: City of Lee's Summit

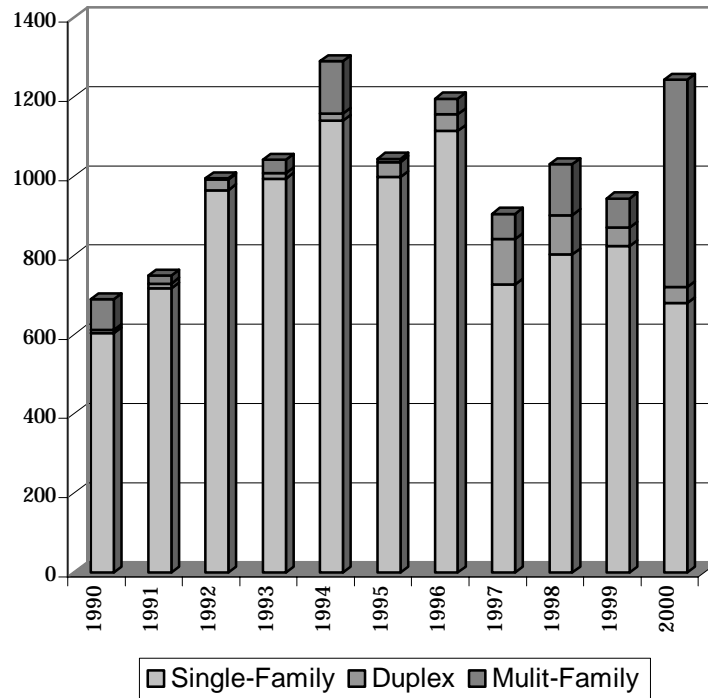


TABLE 3
HOUSING DEMAND FOR LEE'S SUMMIT, 2000-2010

	<u>2001-2005</u>	<u>2006-2010</u>	<u>Total, 2000-2010</u>
Population at End of Period	86,017	104,653	
Household Population at End of Period	85,069	103,500	
Average Persons per Household	2.65	2.65	
Household Demand at End of Period	32,102	39,057	
Projected Vacancy Rate	3.77	4.27	
Unit Needs at End of Period (Household Demand + Vacancy)	33,359	40,799	
Replacement Need	75	75	150
Cumulative Need during Period	6,157	7,514	13,671
Number of Units Constructed During Period	--	--	--
Net Need	6,157	7,514	13,671
Average Annual Construction	1,231	1,503	1,367

Source: RDG Crose Gardner Shukert

INCOME AND AFFORDABILITY ISSUES

• **Median household income in Lee's Summit has increased dramatically since 1980.** Median household income increased from \$20,243 in 1979 to an estimated \$62,080 in 2001, a growth of 207%. The city's median household income is projected to reach \$71,979 in 2006. (Estimates and projections provided by Claritas, Inc.)

• **Lee's Summit's housing supply is heavily weighed toward middle and lower cost units.** The Census Bureau has not yet released all the 2000 housing numbers therefore 1990 figures must be utilized. In 1990, the median value of an owner-occupied home in Lee's Summit was \$84,700 while median contract rent was \$417. About 62% of all owner-occupied units were valued between \$50,000 and \$100,000. The majority of rental units are priced between \$350 and \$650. Figures 3 and 4 display this value distribution for the city's 1990 housing stock.

Table 4 presents an Affordability Analysis, relating household income ranges with housing cost categories. A positive balance indicates a surplus of housing within the affordability range of each income group, while a negative balance indicates a shortage. The analysis indicates a shortage of lower cost units in Lee's Summit, with rents under \$350 in 1990. There was also a shortage of homes with values above \$100,000 in 1990. New construction over the last ten years has generally addressed the higher end home market. Lee's Summit did

LEE'S SUMMIT

Income and Affordability

experience a fluctuating multi-family development market during the 1990's.

Figure 2:
Distribution of Values of Owner-Occupied Housing: Lee's Summit, 1990

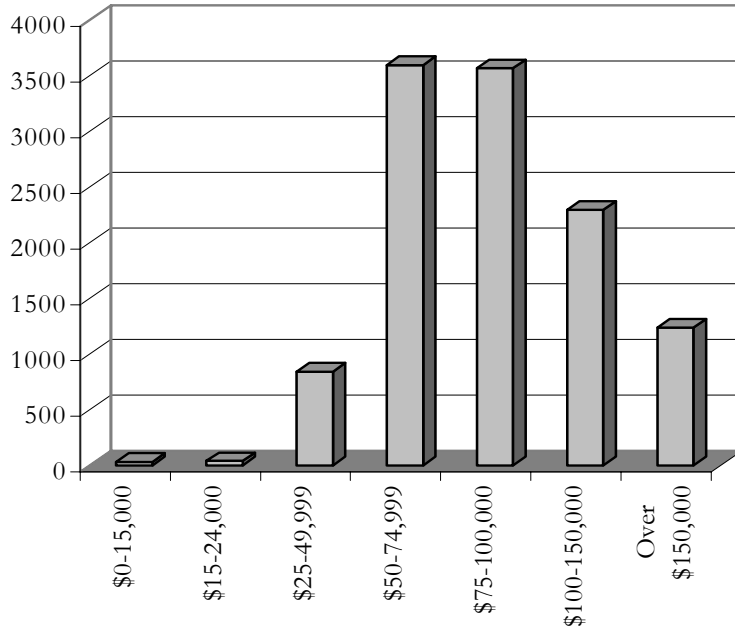


Figure 3:
Distribution of Gross rents in Renter-Occupied Housing: Lee's Summit, 1990

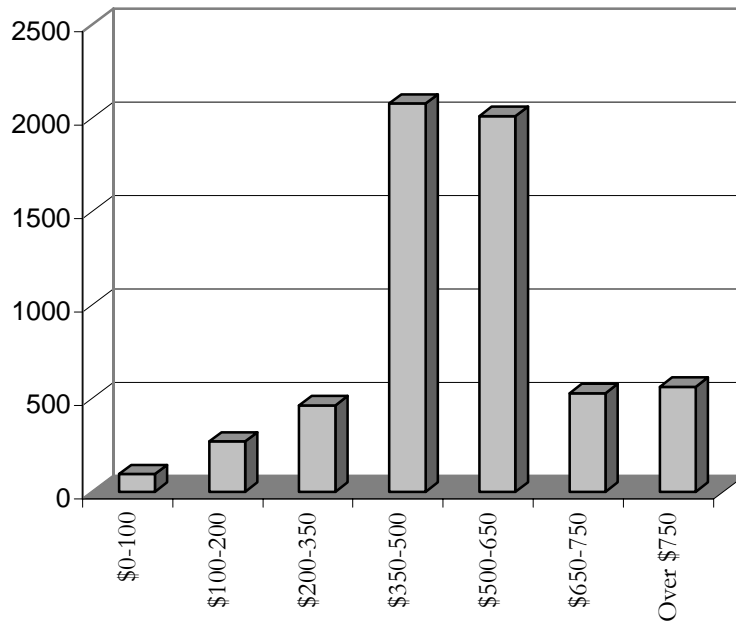


TABLE 4

HOUSING AFFORDABILITY FOR LEE'S SUMMIT, 1990

Income Range	% of County Median	% of Households	# Households in Each Range	Affordable Range for Owner Units	# of Owner Units	Affordable Range for Renter Units	# of Renter Units	Total Affordable Units	Balance
\$0-10,000	0-26%	8.88%	1,566.00	\$0-15,000	33	\$0-100	95	128	-1438
\$10,000-14,999	27-39%	5.64%	995.00	\$15-24,999	40	\$100-200	270	310	-685
\$15,000-24,999	40-64%	14.43%	2,544.00	\$25-49,999	843	\$200-350	464	1307	-1237
\$25,000-34,999	65-90%	14.69%	2,591.00	\$50-74,999	3598	\$350-500	2080	5678	3087
\$35,000-49,999	91-129%	22.83%	4,026.00	\$75-100,000	3569	\$500-650	2013	5582	1556
\$50,000-75,000	130-193%	22.43%	3,955.00	\$100-150,000	2298	\$650-750	528	2826	-1129
\$75,000 and over	Over 193	11.09%	1,955.00	\$150,000+	1238	\$750+	563	1801	-154

OVERALL HOUSING DEVELOPMENT PROGRAM

Table 6 presents the current estimated income distribution for housing, paired with affordable monthly housing costs for each income range. These costs are matched with housing development strategies that can be used to build housing in each category. For example, programs that are most appropriately suited to families earning between \$25,000 and \$35,000 will produce housing with monthly costs between \$625 and \$875, including utilities, corresponding to homes priced between \$50,000 and \$80,000. Strategies, which can deliver housing in these ranges, include rehabilitation of existing housing, manufactured home development, and affordable single-family development. These strategies are developed in detail in the Housing Strategy section of this plan.

Based on the city's income distribution, Table 7 presents a Ten Year Development and Pricing Program for Lee's Summit. The program provides production targets for various types of rental and owner-occupied units. The Development Program is based on the following assumptions:

- New development in Lee's Summit will be about 75% owner-occupied and 25% renter-occupied, resembling the mix of housing in 2000. The analysis indicates a demand between 2001 and 2005 for about 1,281 owner-occupied units with prices below \$135,000 and 892 rental units with monthly housing costs below \$500. Additionally, the city displays a demand for 1,363 units priced between \$125,000 and \$190,000 during the same period. Therefore, a housing program for Lee's Summit should establish an objective of developing about 434 affordable units per year during the next five years.

LEE'S SUMMIT

Housing Development Program

- Owner-occupied units will be distributed roughly in proportion to the income distribution of households for whom owner-occupancy is an appropriate strategy.
- Lower-income households will generally be accommodated in rental development.

TABLE 5

2000 INCOME AND PRICE MATRIX, LEE'S SUMMIT

Income Group	Number of Households 2000	% of Households	Affordable Monthly Housing Costs with utilities	Price Ranges for Owner-Occupied Housing	Appropriate Housing Types and Strategies
Under \$15,000	2,008	7.6	0-375	Less than \$30,000	<ul style="list-style-type: none"> • Section 8 certificates and vouchers • Section 42 tax credit rental development • Existing housing/rehabilitation
\$15,000-24,999	1,849	7.0	375-625	\$30,000-65,000	<ul style="list-style-type: none"> • Section 42 tax credit rental development • Mobile home/manufactured housing
\$25,000-34,999	2,800	10.6	625-875	\$65,000-90,000	<ul style="list-style-type: none"> • Market rate rental development • Affordable single-family development
\$35,000-49,999	3,461	13.1	875-1,250	\$90,000-135,000	<ul style="list-style-type: none"> • Market rate rental development • Affordable single-family development • Subdivision development with infrastructure finance
\$50,000-74,999	6,657	25.2	1,250-1,875	\$135,000-190,000	<ul style="list-style-type: none"> • Market-based single-family development. • Subdivision development with infrastructure finance
\$75,000 and Over	9,642	36.5	Above \$1,875	Over \$190,000	<ul style="list-style-type: none"> • Market-based single-family development. • Subdivision development
Total	26,417	100.0			

LEE'S SUMMIT

Housing Development Program

TABLE 6

TEN YEAR HOUSING DEVELOPMENT AND PRICING PROGRAM, 2000-2010

	<u>2000-2005</u>	<u>2006-2010</u>	<u>Total Program</u>
Total Units Needed	6,157	7,514	13,671
Total Owner Occupied Units	4,618	5,636	10,254
Affordable Units, \$65,000-90,000	573	700	1,273
Affordable Units, \$90,000-135,000	708	865	1,573
Moderate Market Rate Units, \$135,000-\$190,000	1,363	1,663	3,026
High Market Rate Units, \$200,000 and Over	1,974	2,409	4,383
Total Rental Units	1,539	1,878	3,417
Tax Credit or Assisted Units, Rents less than \$500	464	566	1,030
Tax Credit or Affordable Rental Units, Rents between \$500-\$750	427	522	949
Market Rate Units, Rents over \$750	647	790	1,437

THE LEE'S SUMMIT CHAT REPORT

A HOUSING OPPORTUNITY PROGRAM

HOUSING RESOURCES

Lee's Summit brings significant resources toward housing growth and development. These include:

A DYNAMIC HOUSING MARKET

Lee's Summit is an extremely popular and attractive community with a tremendously active housing industry, responsible during the 1990s for the production of about 11,000 housing units. Despite the current recession, this development market is showing little sign of slowing. Since 1960, Lee's Summit's population has approximately doubled every ten years, and continues to display an annual growth rate in excess of 4%. The bulk of this market is single-family, owner-occupied development, with minimum prices in the range of \$150,000. During 2001, the average valuation of a single-family permit was about \$141,000, an increase of about 45% since 1995. The local housing industry is made up of a number of medium-sized builders, and is not dominated by one single large business.

Lee's Summit has also experienced substantial subdivision development during this period. From 1995 to 2000, the city added an average of 877 residential lots annually, in comparison to an annual average of 852 single-family housing starts annually. This indicates that platting and construction in the city proceed together, and the city does not accumulate a large inventory of lots. The pace of platting appears to be slowing somewhat during 2001.

VALUE APPRECIATION

Housing values in Lee's Summit have increased at a rapid rate during the last ten years. In 1990, the median value of an owner-occupied house was \$84,700. Now, it is clear that this represents the bottom of the city's housing market. Sales of existing houses routinely bring \$100 per square foot and few homes, regardless of size, are available for less than \$100,000. Typical new construction costs range from \$170,000 to about \$400,000. Rental development also sustains high rents. In 1990, median contract rent was \$417. Now, Section 8 Fair Market Rents are about \$690 for a two-bedroom unit. New market rate development, most notably the Amlie development on Tudor Road, generate rents ranging from \$850 to \$1,150 monthly.

These high and growing values create significant affordability problems that are discussed later in this plan. But they nevertheless assure buyers that their equity in homes is an excellent investment. In addition, a high value market creates the strong housing industry that generates new growth and encourages private involvement in the city's market. This in turn creates conditions favorable to continued substantial development.

ECONOMIC BASE

Lee's Summit enjoys a large and diverse employment base, with employers that include health care, telecommunications, education, manufacturing, distribution, services to seniors, and technology. With the recent opening of Summit Woods, the city is also establishing itself as a significant retail center. This industrial and commercial base establishes substantial property tax support for city and school operations and makes Lee's Summit the largest employment center for the eastern part of the metropolitan area. Yet, the city's high housing values and costs make it a major importer of workers from the surrounding area.

Lee's Summit also has an aggressive and broad-based Economic Development Corporation. LSEDC has strong connections with its business constituency, and has helped bring about the creation of 4,500 new jobs within the city during the last five years.

COMMUNITY QUALITY AND REPUTATION

Lee's Summit is a complete community, with a full complement of activities and institutions. The city's school district has been a leading magnet, along with its array of churches and other community institutions. Despite its rapid growth, Lee's Summit retains the core of a strong and closely-knit community, exemplified by a strong downtown main street district. New lake neighborhoods, including Lakewood and Raintree, strong older areas, and historic districts, all contribute to the sense of quality that has encouraged additional growth in the city. Four major recreational lakes, and existing and planned parks and greenways add additional community amenities.

A COMMITTED AND INNOVATIVE LOCAL BUILDING COMMUNITY

Most of Lee's Summit's homebuilders are medium-sized, locally-based businesses, with an impressive commitment to the community and its quality. The building community builds both excellent conventional development and has a high awareness and openness to new design trends, such as new urbanism. While its builders tend to be medium-sized, Lee's Summit nevertheless has a tradition of large-scale, comprehensively planned developments, dating back to Lakewood. This tradition has continued with more recent projects like Winterset and Raintree; and may reach in apex in the exciting new urbanist development at the historic Longview Farm. The city's builders generally recognize a need for a diversified housing supply, including houses that provide young households with the opportunity

HOUSING RESOURCES

to become established in the city. This strong and obviously collegial community is an indispensable resource in addressing community housing needs.

The tradition of innovative development may continue in the long-term future as well. The Church of Latter Day Saints controls about six square miles of land in the southwest quadrant of the city. The church is currently developing the Shoal Creek project, an innovative mixed use development in the northern part of the metropolitan area. While few observers believe that development of the Lee's Summit property is imminent, the land and its owners are nevertheless long-term development resources for the city.

LAND DEVELOPMENT REGULATIONS

Lee's Summit previous zoning regulations were very much products of the 1950s, including requirements for rigid single-use zoning and large single-family lots. The new Unified Development Ordinance (UDO), on the other hand, is firmly rooted in contemporary development, and provides a variety of flexible tools. The UDO encourages small lot single-family development, mixed uses, and considerable flexibility in planned development. The UDO represents a commitment by the city to provide development tools that can engage the creativity of the city's builders and developers.

COMMUNITY DEVELOPMENT BLOCK GRANT

Lee's Summit achieved status as a Community Development Block Grant (CDBG) entitlement community during the 1990's. Cities that achieve a population of 50,000 receive an annual allocation of CDBG funds directly from HUD for the purposes of benefiting low and moderate income people or eliminating slums and blight. The city's current CDBG entitlement is about \$350,000 annually, but is likely to increase significantly with the Census 2000 population count. This young program is currently devoting its funds to moderate rehabilitation and home repairs, sidewalk construction, and curb cuts – typical focuses of new programs. But greater sophistication will allow investment in other types of projects.

LEE'S SUMMIT HOUSING NEEDS

Affordability and Overall Demand

STRATEGIC HOUSING ISSUES

A community housing and development program must provide a strategic focus. The following issues and common themes emerged from focus group discussions, field observations, and additional analysis.

• AFFORDABILITY AND BUILDING COMMUNITY EQUITY

Lee's Summit obviously has an extremely healthy housing market, one that is developing housing at an annual rate of well over 1,000 units and features strong growth in housing values. This strong housing economy is good for the city and its residents, and creates the foundation for continued strength in the housing industry.

However, high costs, even at entry levels, make it difficult for young and/or moderate-income working households to find an affordable home in the county. This prevents many households from establishing equity in the area. It is possible to look at Lee's Summit's enviable position with complacency. However, the investing of young or moderate income households in an area can be important to its long-term character and viability for several reasons:

- *Lee's Summit is a significant importer of commuters, drawing many of its workers from the eastern tier of suburbs in the metropolitan area. Indeed, some participants say that Raytown, Raymore, Greenwood, Blue Springs, and Independence are actually Lee's Summit's affordable housing supply. However, several companies believe that having workers who also live in Lee's Summit builds stability and allegiance to the company. In addition, it allows the city to remain competitive with other emerging job centers that are emerging in the eastern tier by virtue of having a resident workforce.*
- *Many people on whom Lee's Summit's citizens depend – teachers, police officers, firefighters, and others – are in the paradoxical position of not being able to afford to live in the community that they serve.*
- *Young households lack the ability to become established in the city. Buyers of starter homes become the market for move-up homes, helping to propel the continued strength of the local housing industry. Additionally, new households establishing roots send their children to schools, support a range of activities, and ultimately become the leaders of community organizations, churches, and other institutions. With its tremendous population growth during the 1990s, Lee's Summit's school age population continued to*

LEE'S SUMMIT HOUSING NEEDS

Affordability and Overall Demand

grow substantially. However, the median age of the city increased from 32.2 in 1990 to 35.1 in 2000; and the percentage of the population made up of children under age 5 dropped from 8.8% to 8.0% during the decade. This does not necessarily suggest a trend and the city continues to struggle to keep up with growing school enrollment.

• LACK OF CONSENSUS ABOUT HOUSING NEEDS

Lee's Summit has a surprisingly large need for housing below the cost of most present new construction, based on its existing estimated income distribution (and not considering those who work in town and might choose to live in the city if they could). This demand is evident from long waiting lists for the Housing Authority's excellent Duncan Estates senior development and for Section 8 vouchers; and in the rapid buy-out of affordable attached owner-occupied housing at Newberry Commons. There is little disagreement among community leaders about whether an "affordable" development would be rapidly absorbed. There is considerable disagreement, however, over whether public policy should encourage its development. Specific concerns can be placed in two categories: impact on services and attitudes based on concerns over property value and security.

Service Impacts. The additional growth that is destined to come to Lee's Summit creates pressures on transportation, infrastructure, and services, regardless of the relative wealth of residents. Concerns arise when providers perceive that one type of resident will create greater impact than another. For example, the R-7 District has struggled to keep up with the expanding enrollment created by the city's explosive growth. It appears unenthusiastic about "affordable" housing development, which it fears may bring more children per household than higher cost housing with presumably older householders.

Property value concerns. It is difficult for us to evaluate community attitudes. However, comments by CHAT participants indicate that neighborhood opposition to multi-family development has been pervasive and influential; in this, Lee's Summit is far from unique. People with large investments in houses are extremely sensitive about any perceived effects on their property values. All too often, we have also become very wary of diversity in income or background; indeed, this wariness has led many people to relatively homogeneous, predictable environments.

It is interesting to note, however, that at New Longview, neighbors supported a variety of types of housing development, because they perceived among other things that the quality of this comprehensively

LEE'S SUMMIT HOUSING NEEDS

Affordability and Overall Demand

planned development would ultimately be good for both their community and their individual interests.

Our purpose here is not to act the role of social critic, but rather to address an existing challenge that has policy implications. We conclude that if affordable housing is placed on the city's agenda, it must be done carefully and respond to these very powerful concerns in the city.

• **GEOGRAPHIC SEPARATION AND COMMUNITY**

Lee's Summit is effectively divided into three and possibly four geographic communities, posing important challenges for governance and community unification, as well as for housing policy. These subareas, separated by significant geographic barriers include the central part of the city east and west of 50 Highway; Lakewood; and the Raintree area. Development will gradually fill some of these geographic gaps. However, this separation creates difficulties for unified housing strategies.

• **LAND VALUES AND LOCAL DEVELOPMENT COSTS**

Builders in Lee's Summit are highly oriented to building high cost housing, which generally has higher profit margins and, because much of it is custom built, low risk. This is certainly understandable, although many also believe that there is a need for starter homes as well. However, CHAT participants state that this is impossible in Lee's Summit because of exceptional local development costs. These include:

- *Land cost.* Raw development land appears to fall in the range of \$20,000 to \$25,000 per acre, with some sites as low as \$15,000 or as high as \$35,000.
- *Tap fees and excise taxes.* The City uses a tap fee of about \$2,700 per unit as a capital fund for the municipal water system. The city also charges an excise tax, most of which is devoted to transportation system development; and a sewer charge. Together, these fees amount to about \$4,000 per unit.
- *Infrastructure cost.* Public improvements in subdivisions are privately financed and passed on in the price of a house. Typical public improvement costs appear to be about \$15,000 per lot.

These issues lead to the conclusion that housing below \$150,000 cannot be developed in the city. Indeed, lot costs in Lee's Summit range from \$30,000 upward. As a rule of thumb, house prices are a

LEE'S SUMMIT HOUSING NEEDS

Affordability and Overall Demand

multiple of five times the lot price. Thus, a \$30,000 lot produces a minimum house price of \$150,000.

• DOWNTOWN AND INFILL DEVELOPMENT OPPORTUNITIES

Lee's Summit is beginning the development a comprehensive downtown plan, a process begun with a "branding charrette" earlier in December, 2001. Housing in and around downtown, often making use of underutilized sites, is a potential part of a downtown development strategy, having the ability to reinforce the quality of downtown as a mixed use neighborhood as well as a retail district. Urban housing on these sites can help combine the value of affordability with the strengthening of a vital town center.

• PUBLIC DEVELOPMENT CAPACITY

Lee's Summit has been administering a local Community Development Block Grant program for about five years. Beyond that, the city lacks a redevelopment of housing development capacity. Projects that involve infill development may require land assembly, which must be accomplished through a redevelopment authority. In addition, many communities use Community Development Corporations (CDC's), private nonprofit developers who can complete desirable developments that for various reasons are not feasible through the private market. Lee's Summit lacks such a "deal-making" agency to develop housing.

LEE'S SUMMIT HOUSING NEEDS

Affordability and Overall Demand

Based on the analysis in the previous discussion, we believe that Lee's Summit's key housing issue is the development of housing that provides an opportunity for people of various incomes to built equity in the Lee's Summit community. "Affordable housing" has to many become a new codeword or euphemism for what was once referred to as low-cost, low-income, subsidized, or assisted. We consider a program for Lee's Summit to be the development of "opportunity housing."

But opening this opportunity through affordability is relative. This analysis reviews the issue of "affordability" by considering price ranges that are affordable to different types of earners.

In order to determine the nature of the problem, it is necessary to define "affordability." **Generally, an affordable housing unit is one which allows a household to pay 30% or less of its gross income for housing.**

This factor is variable, depending on the fixed obligations of a household. For example, older adults without children to support often are willing to pay a larger percentage of their income for housing. On the other hand, a low-income household with children may need to spend a smaller amount. However, the 30% factor is generally accepted as a measure of affordability.

Table 2 examines what affordability means for four possible household scenarios in the Lee's Summit market. These scenarios are based on typical situations and average wages within the region. They include:

- A single parent household, working at an entry level hourly wage of \$10.
- A two-earner household, accounting for 1.5 FTE's working at an average wage of \$12.
- A two-earner household, accounting for 1.5 FTE's, working at a "mature" wage of \$16.
- A two-earner household, accounting for 2.0 FTE's, working at a "mature" wage of \$16.

LEE'S SUMMIT HOUSING NEEDS

Affordability and Overall Demand

TABLE 7

OPPORTUNITY HOUSING AFFORDABILITY SCENARIOS

Scenario	Single Parent Entry level wage	Dual earner Average wage 1.5 FTE	Dual earner Mature wage 1.5 FTE	Dual earner Mature wage 2.0 FTE
Gross Annual Income	\$20,800	\$37,440	\$49,920	\$66,560
Affordability Factor	.30	.30	.30	.30
Affordable Monthly Payment	520	936	1,248	1,664
Utilities Cost	100	120	130	150
Available for PITI	420	816	1,148	1,514
Taxes and Insurance (25% of Payment)	105	204	287	378
Available for PI	315	612	861	1,136
Affordable Housing Price				
Missouri Housing Finance Agency First Time homebuyer (7.0%, 5% DP, 30-year fixed)	50,000	96,800	129,414	NA
FHA or Conventional (8.25%, 5% DP, 30-year fixed)	44,100	85,750	120,638	151,211

HOUSING STRATEGIES

Strategic Directions

A housing program for Lee's Summit should include the following strategic directions:

1. Establish a program, consistent with the community's sensitivities, political realities, and priorities, to demonstrate successful approaches to opportunity housing. Place an emphasis on housing types that build community equity – either ownership or rental housing that can transition to ownership.
2. Mobilize the city's private sector to deliver this housing with highly specific strategies.
3. Remove or mitigate obstacles that prevent the private sector from meeting these needs.
4. Create the structures and capacities necessary to meet the city's community development objectives.

LEE'S SUMMIT

Strategies: Opportunity Housing Demonstration Contexts

Lee's Summit should develop an opportunity housing program, designed to succeed with a minimum amount of community controversy. The program should develop in three specific contexts:

- **Small infill sites in the town center area.**
- **Medium-sized sites, in the range of 3 to 6 acres, in a supportive setting.**
- **A mixed-use subdivision, developing a variety of housing types in a planned environment.**

There is little doubt that, were a 200-unit tax credit housing development to open in an established neighborhood in Lee's Summit tomorrow, it would rent up very quickly. Similarly, if a 200-unit, small house subdivision were to gain all approvals and to come on line immediately, it too would build out quickly if constructed to reasonable standards. There also is the possibility that projects of this scale would generate substantial controversy and may well make it difficult to meet further affordable housing needs. We advocate a far more gradual, thoughtful approach that, over the long-term, can pave the way to helping the city provide a variety of housing opportunities.

This approach is based on demonstrating that equity-based housing, focusing primarily on owner-occupied development, can successfully complement the city's existing housing stock and provide opportunities for young or moderate-income families to invest in Lee's Summit. The strategy is based on three specific principles:

- Identifying and developing in three different contexts that demonstrate the role of opportunity housing in the city.
- Making the city's effective building community the prime mover in the development process.
- Enlisting the city as a partner in removing obstacles and helping to increase access to housing for moderate-income families.

We propose the following three demonstration contexts:

Town center infill sites. This setting uses underutilized sites in and around the traditional town center of Lee's Summit. Sites typically range from 1 to 3 acres and have multiple ownerships, requiring land assembly. Housing may be attached or small lot detached, with densities up to 8 units per acre.

Larger infill sites, in established neighborhoods within urban contexts, but outside of the town center area. Sites should be relatively convenient to services, and may be located in areas that can benefit from reinvestment. Properties in this intermediate range may range from 3 to 6 acres and

LEE'S SUMMIT

Strategies: Opportunity Housing Demonstration Contexts

can sustain densities in the range of 6 to 8 units per acre. Examples of sites include land at Main and Orchard and the city maintenance yard at 2nd and Independence.

Sites large enough to support a mixed-use subdivision, including a variety of housing types, including multi-family, attached, small-lot single-family, and conventional single-family construction. This subdivision would be developed cooperatively by builders in the community and would utilize flexibility and design standards identified by the city's UDO. The site may range from 20 to 40 acres. Location criteria should place it on developable sites near city services with good access, which are nevertheless out of the middle of developed new neighborhoods. The New Longview experience indicates that surrounding communities will accept new neighborhoods with excellent design standards and a mix of residential uses.

This development is most appropriately developed by a cooperative partnership of builders in Lee's Summit, and will require an umbrella mechanism to coordinate these efforts.

The following sections discuss the implementation of these concepts in more detail.

LEE'S SUMMIT

Strategies: Development Mechanisms

Lee's Summit should institute two development mechanisms necessary to implement the opportunity housing demonstration: a Redevelopment Authority and a contractor-based Community Development Corporation. In addition, the building community, the City, and the EDC should establish an ongoing Housing Council to coordinate implementation of the program and maintain communication on other development issues.

Lee's Summit's homebuilding community is able and, we believe, willing to address the issue of housing opportunities under the right conditions. The Opportunity Housing Program will require two fundamental capabilities, however, that do not currently exist in the city: a mechanism for land assembly and a non-profit, cooperative development entity.

Redevelopment Authority

The city should establish a Redevelopment Authority, an agency that has the ability to prepare redevelopment plans and assemble property consistent with the plan. The Authority can then establish development standards, and convey land to private developers or builders who submit the best proposals for reuse. The Redevelopment Authority may be the City Council, using staff within city government; or may be established as a semi-independent agency.

The Redevelopment Authority's role in the opportunity housing program is to:

- Identify redevelopment sites.
- Prepare redevelopment plans for site assembly and reuse.
- Assemble property through the redevelopment powers granted by state statute.
- Establish development standards and advertise the sites for proposals.
- Convey the site to a redeveloper whose proposal is most consistent with the redevelopment plan and development standards.
- Utilize tax increment financing or other public financing to assist with acquisition.

Community Development Corporation

A Community Development Corporation has the ability to develop or act as a catalyst for needed types of housing development. The proposed subdivision would be a cooperative venture of a group of associated local builders; the CDC, formed by these partners, would act as a nonprofit developer and umbrella group for the subdivision development. Ultimately, the CDC would be staffed and capitalized by development fees from the development project. The CDC may also be the developer of record for some types of projects in the master plan, such as rent-to-own development.

Lee's Summit Housing Council

Participating builders and developers, the City, and the EDC should form a Housing Council that meets on an ongoing basis. This group also includes the Redevelopment Authority and CDC. This body's primary purpose is to coordinate progress of the Opportunity Housing

LEE'S SUMMIT

Strategies: Development Mechanisms

Program. However, an important secondary purpose is to maintain communication between participants in the housing process on more routine issues. These include:

- Assuring that each party meet mutual responsibilities on development applications and processing. In a way, the development review process should be seen as a contract. The developer or builder's responsibility is to submit complete applications on time. The city's obligation is to process such applications expeditiously and seamlessly coordinate review by various agencies.
- Monitoring the operation of the new UDO.
- Addressing other issues as they emerge.

LEE'S SUMMIT

Strategies: Participatory Financing by City

The City of Lee's Summit should provide strategic financial help necessary to meet the cost objectives of the opportunity demonstration projects.

In order to identify the city's role in a development partnership, we must analyze the economics of housing production in Lee's Summit. While these examples are by no means exact, they provide an illustration of cost-related issues.

Conventional Development

The table below illustrates the cost to a buyer of a moderately-sized, 1,800 square foot house on a conventional subdivision lot in Lee's Summit. We assume a gross density of 3 units per acre, a land cost of \$25,000, and construction cost of \$80 per square foot. We also assume interest charges on the improved lot of one year at 8%.

Item	Cost	% of Total Cost
Land Cost	8,300	4.16
City Infrastructure Fees	4,000	2.00
Infrastructure Development	15,000	7.52
Interest Charges on Improved Land	2,184	1.09
Construction	144,000	72.18
Total Hard Cost	173,484	
Margin (15% of Total Hard Cost)	26,023	13.05
Sale Price	199,507	

Assuming a 5% downpayment, loan terms at 7%/30 years, and \$450 for taxes, insurance, and utilities, this house requires an annual income of about \$69,000.

UDO-Encouraged, Small Lot Single-Family

The UDO provides tools that permit the development of small lot, single-family development. The following scenario illustrates a project developed at a 6 unit/acre density, with small houses at 1,300 square feet. Infrastructure costs per unit are lower because of the greater efficiency of high densities.

Item	Cost	% of Total Cost
Land Cost	4,167	2.88
City Infrastructure Fees	4,000	2.77
Infrastructure Development	12,000	8.30
Interest Charges on Improved Land	1,613	1.12
Construction	104,000	71.90
Total Hard Cost	125,780	
Margin (15% of Total Hard Cost)	18,867	13.04
Sale Price	144,647	

LEE'S SUMMIT

Strategies: Participatory Financing by City

Assuming a 5% downpayment, loan terms at 7%/30 years, and \$400 for taxes and insurance, this house requires an annual income of about \$52,500. The higher densities permitted by the UDO can bring affordability near the city median income.

City Deferral of Infrastructure Costs

In the following scenario, the city becomes a financial partner in the development project by deferring payment of the capital facilities fees and financing 50% of infrastructure costs. Both of these deferrals would be considered subordinated mortgages, repaid at the sale of the house. The payment would be cast as a “participatory” mortgage; that is, the payment at sale represents the same percentage of value as in the initial purchase. This allows the city to participate in the probable appreciation of the house’s value.

Item	Cost	% of Total Cost
Land Cost	4,167	2.93
City Infrastructure Fees	4,000 Deferred	0
Infrastructure Development	6,000 6,000 Deferred	4.22
Interest Charges on Improved Land	813	0.57
Construction	104,000	73.12
Total Hard Cost	124,980	
Margin (15% of Total Hard Cost)	17,247	12.13
Sale Price	142,227	100.00
Infrastructure Deferrals	10,000	7.03
Sale Price for DP and Financing	134,647	

Assuming a 5% downpayment, loan terms at 7%/30 years, and \$400 for taxes and insurance, this house requires an annual income of about \$49,000. The higher densities permitted by the UDO can bring affordability near the city median income. The city deferral represents 7.03% of the sale price; thus, when the house sells, the city recovers 7.03% of the sale proceeds.

CDBG Soft-Second Mortgages

The final layer of assistance would utilize a portion of the city’s CDBG entitlement to provide subordinated second mortgages to reduce monthly payments. CDBG loans would be limited to families whose incomes qualify them for assistance. In the example above, the buyer is financing \$125,616; if the deferred payment loan were written for \$15,000, the amount to be financed drops to \$110,616. The house is now affordable to a family with an income of \$44,000. The DPL is also considered to be a participatory mortgage. Thus, the total city deferral represents 17.58% of the sale price; thus, when the house sells, the city recovers 17.58% of the sale proceeds. Proceeds from CDBG repayments become program income, which must then be used for the same purposes as the original CDBG entitlement.

LEE'S SUMMIT

Strategies: Participatory Financing by the City

Item	Cost	% of Total Cost
Land Cost	4,167	2.93
City Infrastructure Fees	4,000 Deferred	0
Infrastructure Development	6,000 6,000 Deferred	4.22
Interest Charges on Improved Land	813	0.57
Construction	104,000	73.12
Total Hard Cost	114,980	
Margin (15% of Total Hard Cost)	17,247	12.13
Sale Price	142,227	100.00
Infrastructure Deferrals	10,000	7.03
DPL	15,000	10.55
Sale Price for DP and Financing	117,227	

Summary

City financial participation in these sample examples includes deferrals with a total value of up to \$25,000, or about 17% of the total unit cost. These include:

- Deferral of infrastructure fees, with participatory repayment at sale.
- Deferred financing of half of local infrastructure costs, with participatory repayment at sale.
- Deferred payment mortgage using CDBG funds, with participatory repayment at sale.

LEE'S SUMMIT

Strategies: Participatory Financing by the City

The Opportunity Housing Program should achieve specific design and quality standards to create unique and timeless environments; and include housing types that satisfy equity-building objectives.

It is particularly important that housing built under this program has intrinsic value that maintains its distinctiveness as special environments. We know that “affordable” housing must not be scaled-back or no-frills versions of conventional housing. In fact, the design standards for planned residential development in the new UDO provide good guidance for small lot development.

Some general guides for the three development settings follow.

Town Center Infill

These developments will use existing urban infrastructure, but may have relatively high land acquisition and site preparation costs. Housing should be developed in styles consistent with the architecture of the surrounding neighborhood. Rear access garages are desirable in order to reduce lot widths, depending on the specific configuration of sites.

Medium-Sized Sites

These sites, which may include projects in scale from 15 to 40 single-family units, will generally require internal street systems. Streetscape details and intimate public spaces are particularly important in these developments, which are likely to include relatively small lots. Site design should strive for the sense of a neighborhood; establishing this sense of security and “critical mass” is particularly important. Houses may vary in size, with a typical range of 1,100 to 1,300 square feet.

Mixed-Use Subdivision

This project should incorporate a variety of housing types in a planned development, including:

Medium-density multi-family rental.

Medium-density rent-to-own rental. A rent-to-own concept combines housing affordability with an equity-building approach. Rent-to-own provides an opportunity for households of moderate income to rent a quality unit while building equity toward eventual purchase.

Rent-to-own units may be built with the assistance of the Section 42 tax credit, providing a significant incentive for equity investment. A portion of the family’s rent is placed in an escrow that is directed toward downpayment. At the end of a specific period, the residents can then use the accumulated escrow as a downpayment to purchase either a new house or an existing unit. Rent-to-own units also include homeowner training and counseling, preparing tenants to graduate to ownership.

Small-lot single-family.

Conventional-lot single-family.

The table below displays a sample unit mix on a theoretical 20-acre site.

LEE'S SUMMIT

Strategies: Participatory Financing by the City

Type	Allocated Acres	Du/acre	Units	% of Total Mix
Multi-family	2	12	24	18.2
Rent-to-Own	2	12	24	18.2
Small-Lot SF	10	6	60	45.4
Conventional SF	6	4	24	18.2
Total	20	6.6	132	100.00

LEE'S SUMMIT

A Strategic Program for the Next Two Years

2002

- Organize a Redevelopment Authority and a builder-based CDC.
- Identify and acquire Town Center infill redevelopment sites.
- Identify and acquire medium-sized development site. Plat the site through the CDC
- Advertise first infill sites for redevelopment; select developer and convey property.
- Through CDC, option subdivision site.

2003

Complete and market initial Town Center infill development projects.

Plat and begin construction on medium-sized site. Accomplish first housing sales by year's end.

Master plan and receive development approval of subdivision site.