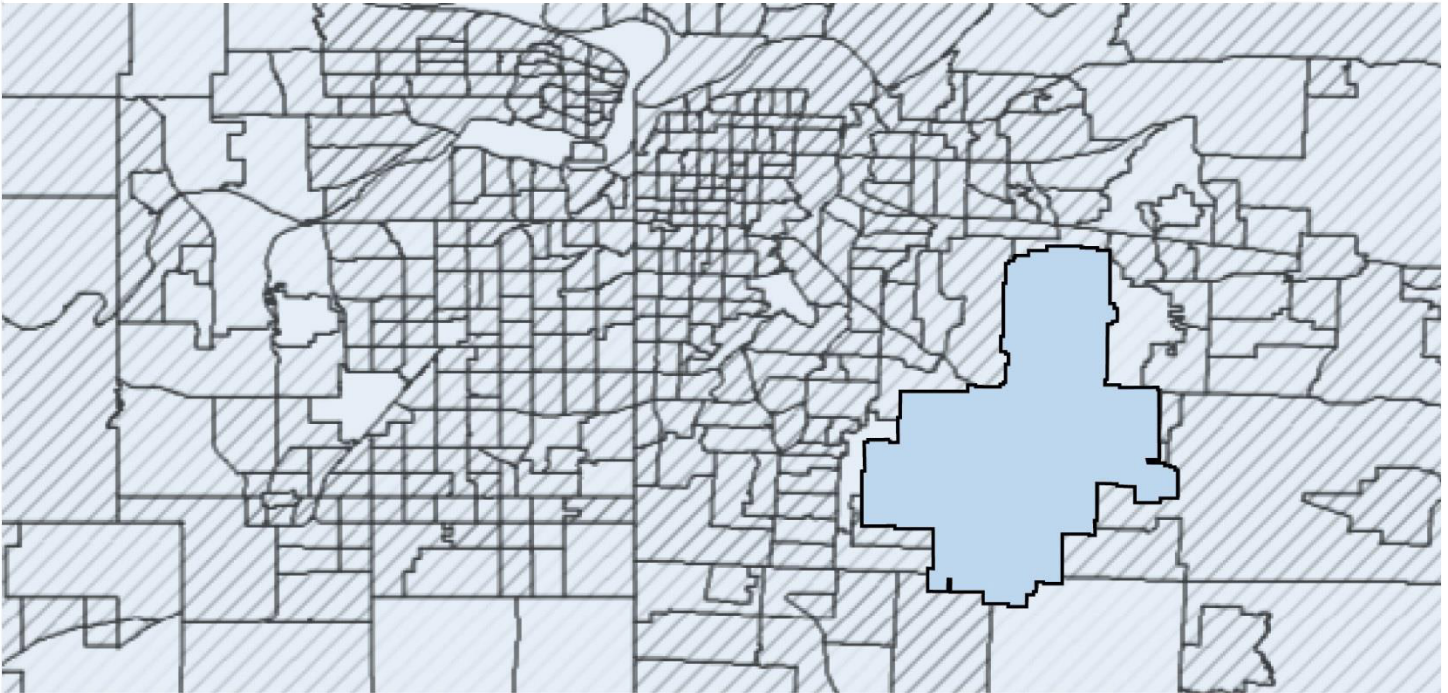


# Lee's Summit

## Affordable Housing Needs Assessment



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# Lee's Summit Affordable Housing Needs Assessment

## Executive Summary

*Research question:* What are the affordable housing needs of Lee's Summit?

### Demand

In the period from 2000 to 2015, the population of Lee's Summit grew at a rate slightly faster than the rate for the Kansas City Metropolitan Statistical Area (MSA), but the rate of growth has slowed since the housing bubble. As population growth has slowed, rates of household formation have slowed as well, for both owner-occupants and renter households.

Lee's Summit is expected to grow slowly over the next decade. The need for additional housing units for renter households is projected to be about 2,700 with about 400 of these for low-income occupancy.

Income in Lee's Summit is barely growing as fast as inflation. Renter households in particular are not seeing incomes rise as fast as inflation, although the last few years have offered some improvement. Renter households tend to have less income than owner-occupants, with incomes of less than one-half of those of owner-occupants. With lower incomes and income growth falling below the inflation of prices generally, renter households confront a greater problem with housing affordability than do owner-occupants.

### Supply

The housing stock of Lee's Summit is growing slowly, especially during the recent years following the Great Recession. Vacancy rates were high in the past, but the slowdown in the growth of the stock has helped these vacancy rates return to more healthy levels. The condition of housing in Lee's Summit is generally good, but there are troubling signs in the rental stock. Although overcrowding is rare, it is growing in the rental market. The costs of owning a home are rising slower than inflation, which is a healthy sign.

However, rents are rising faster than inflation, creating pressure on the incomes of renter households.

### How supply and demand match up

There are more low-income renter households than there are low-cost rental units affordable to these households. While there are enough rental units in total, the distribution of prices is such that there are too many poor households for the small number of affordable units.

### Households by high housing cost burden

In Lee's Summit, 47 percent of renters pay more than 30 percent of their income on housing, which is considered a threshold for high housing cost hardship. Those earning the lowest incomes face the greatest burden with 95 percent of those renter households making less than \$20,000 paying more than 30 percent. Households making \$20,000 to \$34,999 also face high housing cost burden with 80 percent paying more than 30 percent.

### Assisted housing

The largest share of the assisted units in Lee's Summit are in low-income housing tax credit (LIHTC) developments, with 500 units in 5 developments subsidized through this program. With only 15 percent of the rental stock subsidized, Lee's Summit can absorb additional assisted housing comfortably.

### Conclusion and recommendation

The current focus of Lee's Summit should be on ensuring that the City does not exacerbate these problems by addressing the community's most urgent housing needs.

*We recommend that:*

- Additional affordable housing units are needed to serve the very large population of low-income renter households who cannot afford the high and rising cost of rent in Lee's Summit.

- Additional affordable housing is needed in the growth areas of the city so as to provide affordable options throughout the community rather than continue the pattern of concentrating the poor.
- Inclusionary zoning is the recommended policy to meet the community's housing needs. Inclusionary zoning is a mechanism that can help guide future development in the construction of spatially-dispersed mixed-income housing.

## Introduction

*Research question:* What are the affordable housing needs of Lee's Summit?

### Demand

Changes in demand for housing are based upon growth in population and household formation. Change in demand for housing is also a function of growth in the incomes of households. This income needs to grow faster than both inflation and the growth of housing costs in order for housing affordability problems to subside.

Changes in the population and households of Lee's Summit will be examined over time. The time periods will be 2000 (a time period of stability in housing markets), 2010 (a point in time following the housing bubble and its crash), and 2015 (the most recent point in time for which data are available and years into a housing market recovery after the crash).

### Supply

Household formation requires housing. This housing can come from filling in the inventory of vacant units if that inventory is especially high. Most household formation is accommodated by the development of new housing units.

Changes in the stock of housing will be examined over the same time period to determine whether the housing market has been capable to meeting growth in demand.

### Matchup

The housing market is not one market, but many submarkets defined by quality and price level. Each submarket has its own demand and supply conditions. These individual submarkets will be examined to determine which markets have adequate supplies of units relative to the number of households at the income level that can afford those units.

This analysis will determine whether or not Lee's Summit has adequate numbers of units affordable to all income strata of households.

## Solutions

Where shortages of units are found, especially for low-income renter households, this report examines the potential for the adoption of inclusionary zoning (IZ) to accommodate growth.

Inclusionary zoning is a local land use policy that encourages (or requires) developers who are building market-rate projects to make a specific number of units affordable to low- to moderate-income households (Kontokosta 2013; Schuetz et al. 2011). In exchange for producing affordable units, developers are often presented with incentives to offset costs, such as density bonuses, expedited permits, or fee waivers. It has advantages for the community including:

- Dispersal of low- to moderate-income households (LMI), and
- Another means to support cost burdened renters.

Inclusionary zoning can help Lee's Summit accommodate its future growth. Based on current conditions, Lee's Summit will be better served by incorporating well-dispersed, mixed-income housing into plans for future growth, and IZ can help the City achieve this outcome. As a high-opportunity area experiencing a considerable amount of growth, IZ is a strategy that can disperse LMI households throughout the community and assist cost-burdened renters with the current shortage of affordable housing.

## Analysis

### Demand for Housing

#### Growth in population and households

##### *Population total*

Population growth and decline drives the demand for housing in any city. The population of Lee's Summit grew by 0.5 percent per year from 2010 to 2015. This pace of growth is slightly faster than for the Kansas City Metropolitan Statistical Area (MSA) which grew at 0.4 percent per year over the same time period.

The rate of growth during this recent time period is down from the rate of 2.6 percent per year experienced from 2000 to 2010, which is significantly higher than the growth rate in the metropolitan area of 1.0 percent. (See Table A1.)

**Table 1. Lee's Summit Population Growth**

Lee's Summit	Year			Annual Percent Change		
	2000	2010	2015	2000-2010	2010-2015	2000-2015
Population Total	70,700	91,364	93,618	2.6%	0.5%	1.9%
Households	26,417	34,429	34,056	2.7%	-0.2%	1.7%
Renter households	6,441	8,116	8,121	2.3%	0.0%	1.6%
Owner households	19,976	26,313	25,935	2.8%	-0.3%	1.8%

##### *Population by race*

The racial composition of Lee's Summit population is changing. The share of the city's population that is non-Hispanic white fell from 92 percent in 2000 to 84 percent in 2010 and fell further to 81 percent in 2015. The MSA fell also from 79 percent in 2000 to 74 percent in 2010 and remained at 74 percent in 2015. (See Table A1.)

##### *Household formation*

The population forms into households with each household consuming a housing unit. In a well-functioning housing market, the rate of household formation will be the same as the rate of population growth. However, if the housing stock fails to grow fast enough, fewer households can form. If the housing stock grows too fast, household formation can outpace population growth as the population forms into more and



smaller households. From 2000 to 2010, the rate of household formation for Lee's Summit was very similar to the rate of population growth at 2.7 percent, however from 2010 to 2015, the household formation rate contracted to -0.2 percent. (See Table A1.)

The population of Lee's Summit is set to grow in the future, but the projected growth varies depending on the source. The City of Lee's Summit uses data collected by Vogt Strategic Insights (VSI) to predict a population growth of 5,232 from 2017 to 2027 (Lee's Summit Development Services, 2017; Vogt Strategic Insight, 2016). This population growth will generate a need for about 2,700 new units of which about 400 need to be affordable. VSI makes their estimations based upon estimated economic development in Lee's Summit and Jackson County. However, this population growth may be a conservative estimate as the Mid-America Regional Council projects a population growth for Lee's Summit of 8,558 from 2020-2030 and a household growth of 4,752 during the same time period (Mid-America Regional Council, 2014).

#### *Households by tenure*

Overall, renter households in Lee's Summit grew from 2000 to 2010 by 2.3 percent per year. From 2010 to 2015 the pace of growth plateaued after the recession, growing by only 0.01 percent per year. Owner-occupied households followed a similar pattern growing by 2.8 percent per year from 2000 to 2010 but contracting slightly after the housing bubble burst. (See Table A1.)

#### *Households by age and family composition*

The elderly make up 21 percent of Lee's Summit population, which is the same share found in the Kansas City MSA. However, the pace of growth of the elderly demographic is greater in Lee's Summit than it is for the MSA. The elderly grew at an average rate of 3 percent since 2000, while the MSA grew at an average of 1.4 percent in the same timeframe.

Family households are those households formed by two or more people who are relative or are married. The number of family households plateaued from 2010 to 2015 in Lee's Summit which corresponds with what has occurred in the MSA. Female-headed families in Lee's Summit grew by 1.1 percent per year since 2000. These female-headed

families form 15 percent of the total number of families, but is still less than the KC metro's proportion of female-headed families. Nineteen percent of family households in the KC MSA are female-headed households. (See Table A2.)

#### *Household size by tenure*

Household size has remained very stable in the metropolitan area at about 2.5 persons per household. In Lee's Summit, household size increased slightly from 2000 to 2015, from 2.65 persons per household to 2.73 persons per household. (See Table A3.)

#### *Households by length of residency*

In Lee's Summit in 2015, 6.5 percent of all households moved to the city in the prior year. In 2015, 8.1 percent of the MSA households moved to the metro. Thus, there is a lower rate of move-ins in Lee's Summit than in the metropolitan area, probably due to a slowdown after the recession.

A greater percentage of Lee's Summit's residents are choosing to stay in the city for longer than 20 years. Thirteen percent of the population lived in the same home for 20 years or more, while a slightly smaller 11 percent did so in the MSA. The population of Lee's Summit with residency 20 years or more is increasing, even while it is decreasing in the MSA. (See Table A3.)

#### *Conclusion on demand measured by growth of population*

In the period from 2000 to 2015, the population of Lee's Summit grew at a rate slightly faster than the rate for the MSA, but the rate of growth has slowed since the housing bubble. With the slowing of the population growth, the rates of household formation slowed as well, for both owner-occupants and renter households.

The elderly population is growing, but the elderly population as a share of the total is comparable to that of the metropolitan area.

Lee's Summit is expected to grow slowly over the next decade. The need for additional housing units for renter households is about 2,700 with about 400 of these set aside for low-income occupancy.

## Growth in incomes

### *Income by tenure*

Household incomes differ between renter households and owner-occupant households. In Lee's Summit, median renter household income is about 40 percent of the median income of owner-occupants. This differential suggests that the poor are heavily concentrated among renter households, and that they are the households who confront the greatest household affordability problems.

Household incomes in Lee's Summit are generally higher than those in the Kansas City MSA. Median household incomes for renters in Lee's Summit are 25 percent higher than their counterparts in the MSA, and for owner-occupants, incomes are over 40 percent higher in Lee's Summit. (See Table A4.)

Higher income does not mean that poverty is absent from Lee's Summit. About 4.5 percent of the population in Lee's Summit lives below poverty, down from 7.1 percent at the peak of the recession. In the MSA, 12.6 percent of the population live below poverty, effectively the same as the 12.4 percent at the peak of the recession.

### *Income by tenure compared to Consumer Price Index*

Incomes are growing in Lee's Summit, but they are not growing equally between renter households and households who are owner-occupants. The Consumer Price Index (CPI) is used to assess the pace inflation of prices generally in the economy. Over the entire study period of this report (2000 to 2015), the CPI rose at a pace of 1.94 percent per year. However, this pace reflects the full 15 years of the housing bubble, the Great Recession that followed as well as the recent period of recovery. During most recent recovery period, 2010 to 2015, inflation rose by a slightly lower 1.59 percent per year.

**Table 2. Household Income in Lee's Summit by Tenure**

Lee's Summit	Year			Annual Percent Change		
	2000	2010	2015	2000-2010	2010-2015	2000-2015
<i>Median Household Income</i>						
Renters	31,146	35,876	39,673	1.42%	2.03%	1.63%
Owners	71,279	86,331	93,616	1.93%	1.63%	1.83%
<i>Consumer Price Index (CPI)</i>	166.6	205.378	222.278	2.11%	1.59%	1.94%

Overall, income growth barely kept pace with inflation, and in some cases, has fallen behind. For owner-occupant households in Lee's Summit, the median household income grew by 1.83 percent. This pace of growth falls slightly behind the pace of growth of inflation which suggests that their standard of living has been about stable over the period from 2000 to 2015. For renter households, the outcomes were not as good. Renter households saw their incomes rise by 1.63 percent. While this pace of growth is greater than found for renter households in the MSA, it falls below the pace of growth of inflation. Falling behind inflation means that the buying power of renter income declined over the study period, leaving renter households with an increasingly lower standard of living. There is some good news in the most recent few years, 2010 to 2015. During this period, median renter incomes in Lee's Summit rose by 2.03 percent per year while inflation rose by a smaller 1.59 percent. This result indicates that renters are regaining some lost ground in their standard of living, but their median incomes continue to be use 42 percent of the median incomes of owner-occupants.

### Conclusion on demand measured by growth of income

Income growth in Lee's Summit is barely growing as fast as inflation. Renter households in particular are not seeing incomes rise as fast as inflation, although the last few years have offered some improvement. Renter households tend to have less income than owner-occupants, with incomes of less than one-half of those of owner-occupants. With lower incomes and income growth falling below the inflation of prices generally, renter households confront a greater problem with housing affordability than do owner-occupants.

## Supply of Housing

### *Growth in housing stock by tenure*

The 2015 American Community Survey (ACS) shows that the total housing stock in Lee's Summit contracted slightly since the decennial census of 2010. Though unlikely on its face, the slowdown in the housing market growth helps the stock return to more healthy rates of vacancy. (See Table A5.)

The MSA's housing stock is still growing, though the rate of growth is slower in the 2010 to 2015 period than it was in the 2000 to 2010 period. The metropolitan area's stock grew by only 0.2 percent per year during the period of 2010 to 2015, and the stock in Lee's Summit declined by about 0.2 percent per year during the same period. However, the ACS data are subject to some error due to the small sample size. Preliminary data from the 2016 ACS indicate that the number of households in Lee's Summit grew by over 3 percent over 2015 suggesting that the 2015 count of housing units may have been a low estimate and that the city is in growth mode.

### *Vacancy rate by tenure*

Vacancy rates tells a great deal about the health of a housing market. If the vacancy rates are too low, the market is not providing enough housing. If the vacancy rates are too high, the market is providing more than is needed. In a healthy market, the rental vacancy rate is usually between 5.0 and 7.0 percent. In the market for owner-occupied housing, the vacancy rate is usually between 1.75 and 2.0 percent. According to the ACS estimates, as of 2015, the Lee's Summit vacancy rate is about 7.0 percent for renters and 2.0 percent for owners. In the MSA, by contrast, 2015 vacancy rates are at 8.0 percent for renters and 2.2 percent for owners.

Lee's Summit is experiencing lower vacancy rates since 2010. The rental vacancy rate was 11.2 percent in 2010 but fell to 7.0 percent by 2015. The MSA increased its rental housing stock during the same period, but its rental vacancy rate also fell from 12.1 percent to 8.0 percent.

Adding to the complexity of any analysis of the inventory of vacant units is the so-called “other vacant” category. The “other” category includes housing units in foreclosure, in probate and other similar states, all of which take the unit out of the active market. The housing markets in both Lee’s Summit and the MSA are experiencing significant increases in the “other vacant” category. What is unclear is the cause of the dramatic increase in this category.

#### *Condition of the housing stock*

The ACS provides little information on the physical condition of the housing stock. As a result, the condition of housing is estimated crudely from the age of the stock and a few indicators of housing quality such as the presence of a complete kitchen and complete plumbing.

#### *Stock by age*

The percentage of homes built before 1940 is often used as an indicator of the share of the housing stock that is old. In Lee’s Summit, only about 2 percent of the housing stock is that old, which is much lower than the 12 percent for the MSA. The percentage of homes added during the prior year is often used as an indicator of the health of the housing market. Lee’s Summit housing stock is growing slowly, at about the same pace of growth as the MSA. The rates of growth have slowed considerably in the last few years to less than 1 percent per year. This is much lower than the 3 percent growth experienced during the housing bubble, but this period was a period of growth of supply greater than growth in demand. It is helpful that stock expansion is slowing so as to absorb the very large inventory of vacant units. As vacancy rates return to normal levels and as new households form, it is expected that the additions to the stock will increase to match the household formation rates. (See Table A6.)

#### *Stock by plumbing and kitchen conditions*

Lee’s Summit and the MSA perform well with very small percentages of units lacking complete plumbing and complete kitchens. In 2000 through 2015, only 0.2 to .4 percent of housing units in Lee’s Summit lacked complete plumbing facilities. During the same

period, only 0.5 to 1.4 percent of units in Lee's Summit lacked complete kitchens. (See Table A6.)

### *Stock by overcrowding*

Another measure of housing stock adequacy is the incidence of overcrowded units. A unit is considered overcrowded if the household contains more than one person per habitable room. The count of habitable rooms in a housing unit is the count of all rooms net the kitchen and bathrooms. The incidence of overcrowding in owner-occupied units in Lee's Summit varied from 0.2 to 0.8 percent over the study period. Overcrowding is higher in the rental market, rising to 4.2 percent in 2015 (See Table A6.)

## Growth in prices

### *Growth in rents compared to incomes and CPI*

Gross rent is the rent paid to a landlord plus any utilities paid by the tenant. Between 2000 and 2010, gross rents in Lee's Summit increased by 3.4 percent, over one percentage point faster than the rate of inflation. However, median gross rents also increased more slowly than inflation during the post-housing bubble years of 2010 to 2015 growing by 0.9 percent per year compared to inflation which grew by 1.6 percent per year. While the correction in rent growth is helpful to renters, the net result is that growth in rents has outpaced inflation by 1.0 percent per year over the 15-year period of 2000 to 2015. The same pattern of growth was found for the MSA.

### *Growth in value and costs of owning compared to incomes and CPI*

If a household already owns a home, growth in the value of that home adds to the net worth of that household, but the growth makes it harder for household purchase a home for the first time. The median value of owner-occupied housing rose faster than inflation from 2000 to 2015. However, if a household already owns the home, the costs of owning tend to be less subject to inflation because the mortgage payments tend to be fixed. The result is that, while home values in Lee's Summit rose faster than inflation, the median costs of owning rose less than inflation. (See Table A7.)

**Table 3. Growth in Rents and Home Values**

Lee's Summit	Year			Annual Percent Change		
	2000	2010	2015	2000-2010	2010-2015	2000-2015
<i>Rental Costs</i>						
Median gross rent	654	912	1001	3.4%	0.9%	2.9%
<i>Owner Value and Costs with Mortgage</i>						
Median value owner occupied	131,500	185,500	191,300	3.5%	0.3%	2.5%
Median housing costs	1,040	1,271	1,278	2.0%	0.1%	1.4%
<i>Consumer Price Index (CPI)</i>						
	166.6	205.4	222.3	2.1%	1.6%	1.9%

### Wages and Rents

Many workers depend upon the rental housing market to provide affordable housing. Table 4 lists the mean hourly wages for Kansas City area workers in various occupations. They range from the minimum wage of \$7.76 per hour, to an average of \$22.50 for all occupations. A worker at the area average should not have trouble finding affordable housing; over two-thirds of the rental housing is affordable to that worker. However, many workers confront a very different problem. Office support workers earn about \$17 per hour and can afford rents and utilities of up to \$892 per month. Only about one-third of rental units are affordable to these workers. Healthcare support workers can afford only about 1 in 5 rental units. Food service workers can afford only 1 in 10 units, and minimum wage workers can afford only about 1 in 16 rental units. This indicates a scarcity of units for these workers with modest wages.

**Table 4. Wages by Occupation and Percent of Lee's Summit Rental Units Affordable**

KC Metro Wages and Rents 2015	Mean Hourly Wage	Affordable Rent	Percent of Lee's Summit Rentals Affordable
<i>Occupations</i>			
All occupations	\$ 22.90	\$ 1,174	67%
Office Administrative Support	\$ 17.41	\$ 892	37%
Healthcare Support	\$ 14.00	\$ 718	22%
Food Service	\$ 10.13	\$ 519	10%
Missouri Minimum Wage	\$ 7.76	\$ 398	6%



## Conclusion on the growth, condition and price of the supply

The housing stock of Lee's Summit is growing slowly, especially during the recent years following the Great Recession. Vacancy rates were high in the past, but the slowdown in the growth of the stock has helped these vacancy rates return to more healthy levels. The condition of housing in Lee's Summit is generally good, but there is a troubling sign in the rental stock. Although overcrowding is rare, it is growing in the rental market. The costs of owning a home are rising slower than inflation which is a healthy sign. However, since rents are growing faster than inflation, greater pressure is placed on the incomes of renter households.

## How housing supply and demand match

The housing market is not one market, but many markets distinguished by the quality or price level of the housing.

The housing market of Lee's Summit is divided into separate submarkets by price levels for both renters and owner-occupants. The standard assumption is that renters should spend no more than 30 percent of their income on housing. Similarly, it is assumed that homeowners cannot afford to borrow more than 90 percent of the value of the home and cannot pay more than 28 percent of income toward repayment of this borrowing. Using these constraints, it is possible to divide the housing stock into categories affordable to households in different income categories. With the data on the individual submarkets, it is possible to determine which submarkets contain adequate supplies of housing for the households and which submarkets have shortages. (See Table A8.)

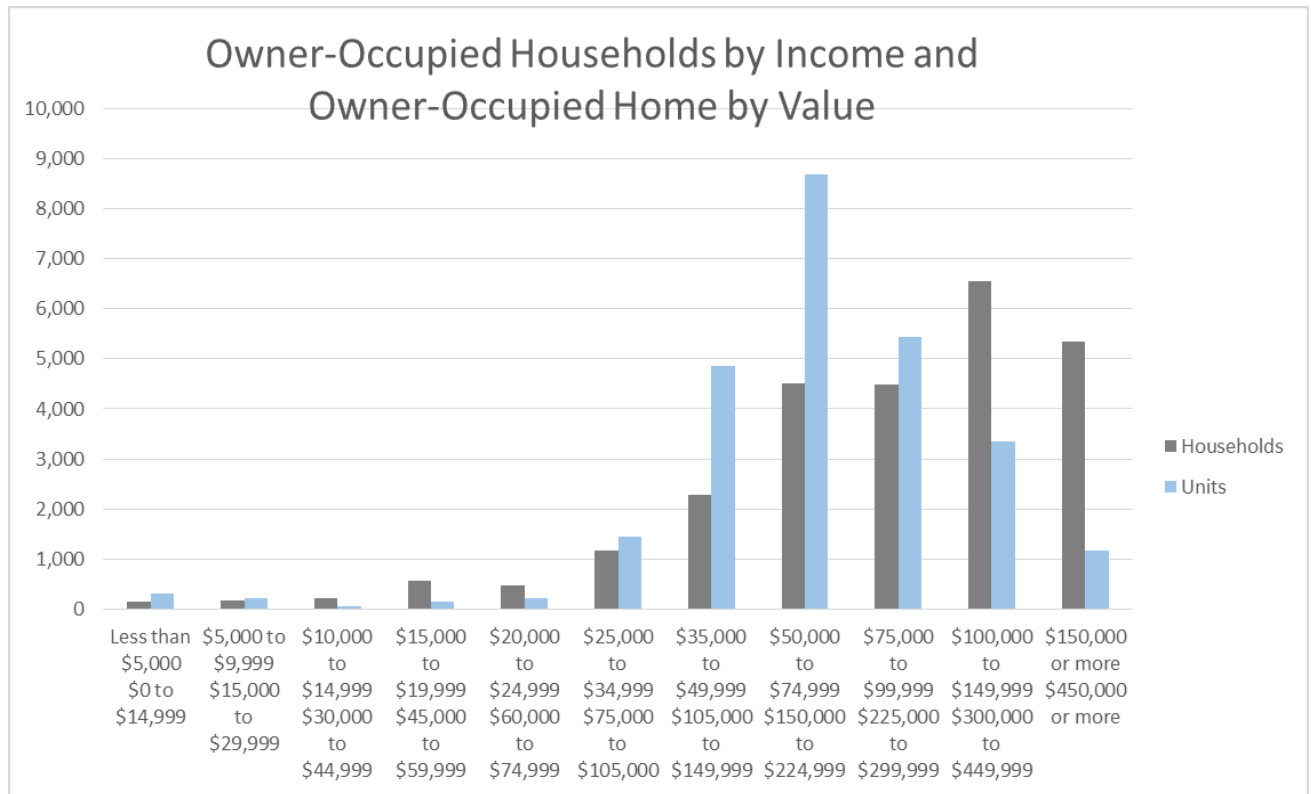
## Submarkets by income and price

### Matchup for owner-occupants

For owner-occupant markets, the distribution of both households by income and units by value is normal. However, these distributions peak at different points. The modal submarket of households by income is in the range of \$100,000 to \$150,000 with few households in the categories above and below this one. The modal category of homes by value contains with the value \$150,000 to \$225,000. Because the distribution of

homes by values is distributed at values below what the middle-income households can afford, Lee's Summit is generally an affordable housing market of owner-occupant households. Shortages of units exist for the low-priced homes, but the shortfalls are not significant.

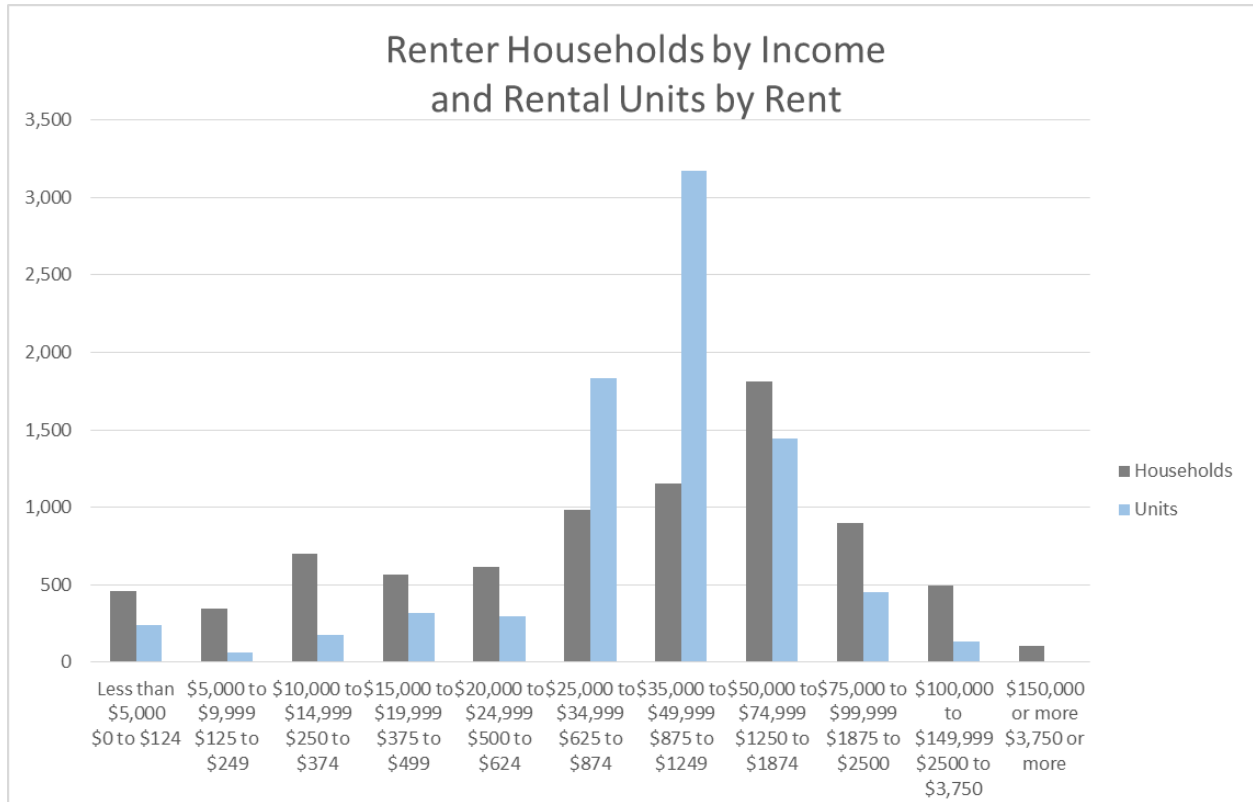
**Figure 1. Matchup of Owner-Occupied Units by Value and Households by Income**



### Matchup for renters

For submarkets for rental units and renter households are also normally distributed. The largest category of renter households is the submarket for households with income of \$50,000 to \$75,000, with smaller categories above and below this one. The largest category of units by rents is the submarket for units with rents between \$875 and \$1,250. What is very different in the renter markets is the shortage of units with rents below \$625 per month. For each of these categories, there are more low-income renter households than there are low-cost rental units affordable to these households. While there are enough rental units in total, they distribution of prices is such that there are too many poor households for the small number of affordable units.

**Figure 2. Matchup of Rental Units by Rent and Renter Households by Income**



### Households by high housing cost burden

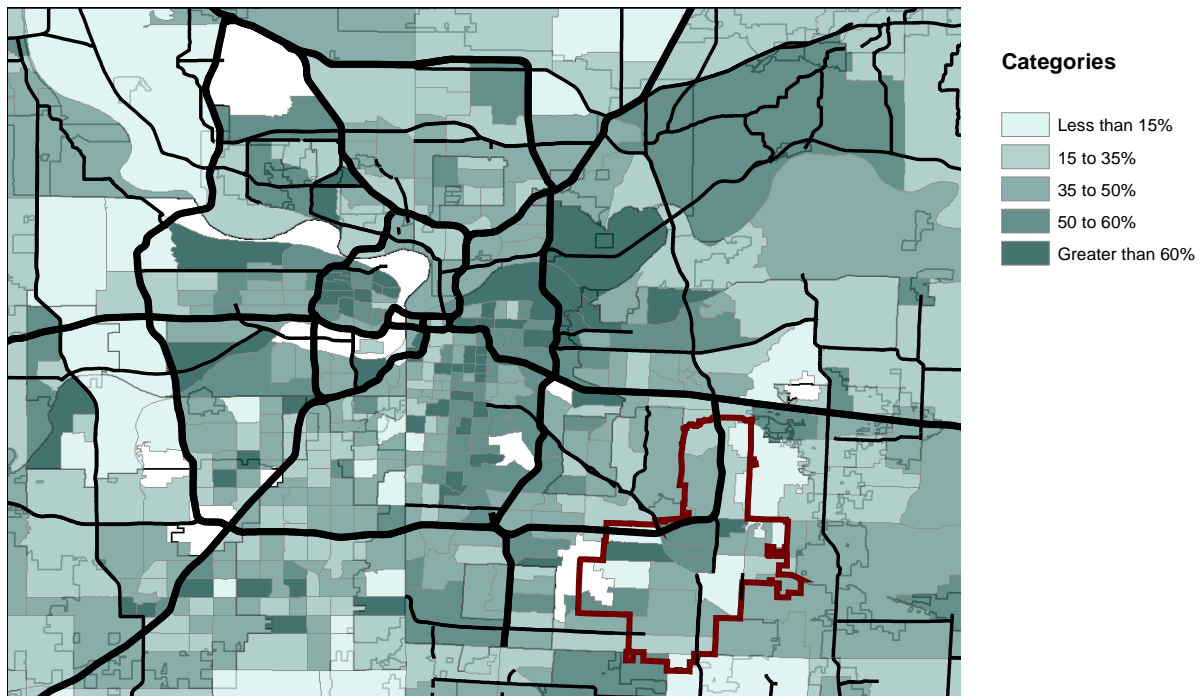
Currently, in Lee's Summit, 47 percent of renters are paying more than 30 percent of their income towards housing. While this is down from 49 percent in 2010 the rate is still higher than that of the Kansas City Metropolitan Area, and significantly higher than the 21 percent of owner occupied units who pay more than 30 percent. Those making less than \$35,000 face the highest burden, with 95 percent of households making less than \$20,000 paying more than 30 percent, and 80 percent of households who make between \$20,000 and \$34,999 paying more than 30 percent. These numbers show that a higher percentage of renters in Lee's Summit pay proportionately more, as 89 percent of renters making less than \$20,000 pay more than 30 percent in the Kansas City Metropolitan Area. In the MSA, 69 percent of those who fall in the \$20,000-\$34,999 range pay more than 30 percent. (See Table A9.)

**Table 5. Renter Household Suffering a High Housing Cost Burden by Income Category**

2015	Renters making less than \$20,000 paying more than 30%	Renters making \$20,000-\$34,999 paying more than 30%	Renters making more than \$35,000 paying more than 30%	Total paying more than 30%
Lee's Summit	95%	80%	19%	47%
KC Metro	90%	69%	13%	44%

The spatial distribution of high housing cost burden among renters parallels the distribution of poverty. The greatest incidence of high housing cost burden in the Kansas City area is the east of the downtown area and to the south between Troost Avenue and the Blue River. Within Lee's Summit the highest incidence of this problem is in those tracts in the center of the city, south of I-435.

**Map 1. Tracts by Percent of Renter Households Suffering from a High Housing Cost Burden**



## Assisted housing

### Quantity of assisted housing

The federal government subsidizes affordable housing under the public housing program, the Housing Choice Voucher program, the Section 8 project-based housing program, the Low-Income Housing Tax Credit (LIHTC) program plus a variety of smaller programs.

There are about 65,000 federally subsidized affordable rental units in the Kansas City MSA. This total includes about 17,000 vouchers plus 48,000 project-based units. These units make up 21 percent of the total rental stock. Lee's Summit contains about 1,300 subsidized units, including about 400 vouchers plus 900 project-based units. These subsidized units comprise about 15 percent of the rental stock.

The largest share of the assisted units in Lee's Summit are in LIHTC developments with 500 units in 5 developments subsidized through this program. With only 15 percent of the rental stock subsidized, Lee's Summit can absorb additional assisted housing comfortably.

**Table 6. Federally Assisted Housing as a Percent of all Rental Housing**

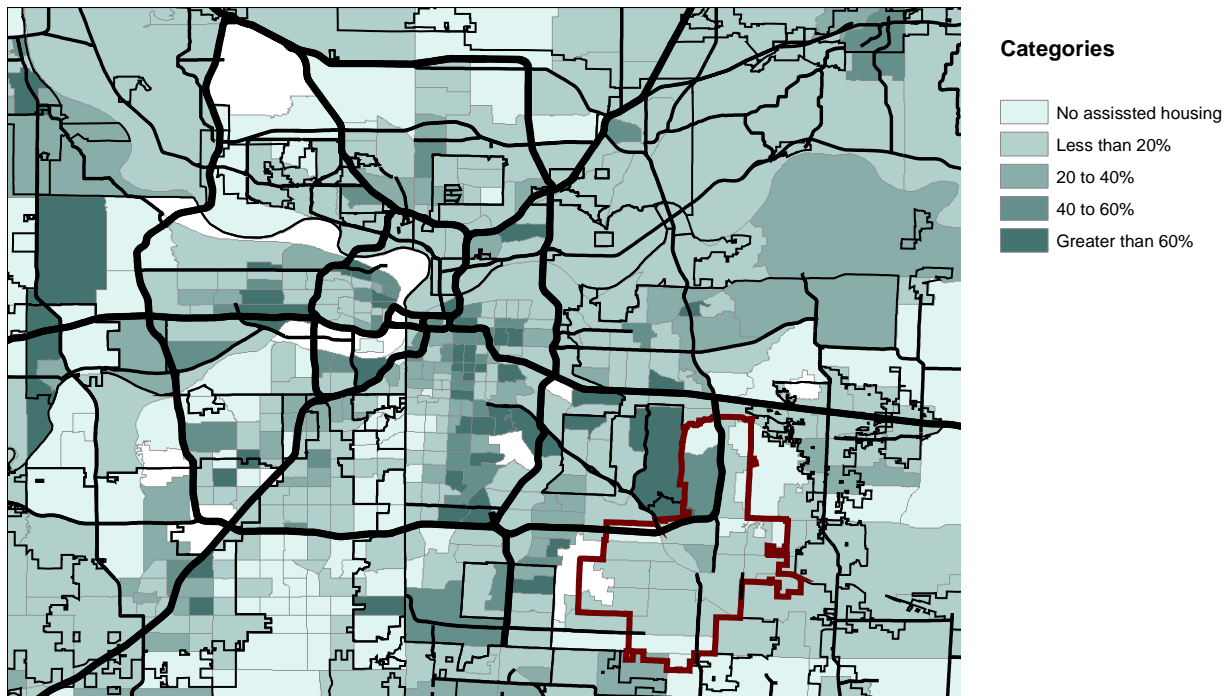
2015		Vouchers	Public Housing	Section 8 Project-based	Other Programs	Low-Income Housing Tax Credit	Total Subsidized
Lee's Summit	Units	392	116	307	-	500	1,315
	Percent of Rental Stock	4.5%	1.3%	3.5%	0.0%	5.7%	15.1%
Kansas City MSA	Units	17,082	5,623	11,082	2,029	28,867	64,683
	Percent of Rental Stock	5.7%	1.9%	3.7%	3.1%	9.6%	21.4%

### Spatial distribution of assisted housing

Within the Kansas City metropolitan area, assisted housing is dispersed to nearly all areas. However, there are significant concentrations in the census tracts in the east side of Kansas City Missouri and in the older portions of Kansas City, Kansas.

Lee's Summit has its share of assisted housing, but its share is smaller than found in the MSA. The city has five LIHTC developments. The potential to disperse future housing exists.

**Map 2. Tracts of Metropolitan Kansas City by Percent of Rental Units Subsidized Housing**



## Conclusion and Policy Recommendations

**Demand** Overall, Lee's Summit is experiencing slow population growth. However, the community's population is growing faster than the rest of the Kansas City MSA.

**Stock** Similar to its population growth, Lee's Summit is experiencing a slow increase in its housing stock.

### Matchup of Demand and Supply

Nearly one-half of all renter households in Lee's Summit are confronting hardship from high housing costs. With increases in rent outpacing inflation and renter incomes lagging behind inflation, the challenges faced by renter households are expected to worsen.

**Need** The current focus of Lee's Summit should be on ensuring that the City does not exacerbate these problems by addressing the community's most urgent housing needs.

### Recommendations

- Additional affordable housing units are needed to serve the very large population of low-income renter households who cannot afford the high and rising cost of rent in Lee's Summit.
- Additional affordable housing is needed in the growth areas of the city so as to provide affordable options throughout the community rather than continue the pattern of concentrating the poor.

**Policy** Inclusionary zoning is the recommended policy to meet the community's housing needs. Inclusionary zoning is a mechanism that can help guide future development in the construction of spatially dispersed mixed-income housing.

## Appendix

Tables:

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Table A1. Population and Households by Race and Ethnicity

Lee's Summit	Year			Annual Percent Change		
	2000	2010	2015	2000-2010	2010-2015	2000-2015
<b>Population Total</b>	70,700	91,364	93,618	2.6%	0.5%	1.9%
White, non-Hispanic	64,991	76,502	75,887	1.6%	-0.2%	1.0%
Black, non-Hispanic	2,437	7,508	8,397	11.9%	2.3%	8.6%
Other race, non-Hispanic	1,878	3,825	5,099	7.4%	5.9%	6.9%
Hispanic	1,394	3,529	4,235	9.7%	3.7%	7.7%
<b>Share of Population Total</b>						
Percent white, non-Hispanic	91.9%	83.7%	81.1%			
Percent black, non-Hispanic	3.4%	8.2%	9.0%			
Percent other race, non-Hispanic	2.7%	4.2%	5.4%			
Percent Hispanic	2.0%	3.9%	4.5%			
<b>Households</b>						
	26,417	34,429	34,056	2.7%	-0.2%	1.7%
<b>Tenure</b>						
Renter households	6,441	8,116	8,121	2.3%	0.0%	1.6%
Percent renters	24.4%	23.6%	23.8%			
Owner households	19,976	26,313	25,935	2.8%	-0.3%	1.8%
Percent owner occupants	75.6%	76.4%	76.2%			

KC Metro	Year			Annual Percent Change		
	2000	2010	2015	2000-2010	2010-2015	2000-2015
<b>Population Total</b>	1,836,038	2,035,334	2,081,428	1.0%	0.4%	
White, non-Hispanic	1,448,859	1,514,888	1,533,189	0.4%	0.2%	-0.5%
Black, non-Hispanic	224,985	250,563	250,563	1.1%	0.0%	0.7%
Other race, non-Hispanic	68,301	103,200	116,149	4.2%	2.4%	2.7%
Hispanic	93,893	166,683	177,865	5.9%	1.3%	4.4%
<b>Share of Population Total</b>						
Percent white, non-Hispanic	78.9%	74.4%	73.7%			
Percent black, non-Hispanic	12.3%	12.3%	12.0%			
Percent other race, non-Hispanic	3.7%	5.1%	5.6%			
Percent Hispanic	5.1%	8.2%	8.5%			
<b>Households</b>						
	717,761	799,637	809,901	1.1%	0.3%	0.8%
<b>Tenure</b>						
Renter households	228,218	262,175	277,576	1.4%	1.1%	1.3%
Percent renters	31.8%	32.8%	34.3%			
Owner households	489,543	537,462	532,325	0.9%	-0.2%	0.6%
Percent owner occupants	68.2%	67.2%	65.7%			

Table A2. Population by Age

Lee's Summit	Year			Annual Percent Change		
	2000	2010	2015	2000-2010	2010-2015	2000-2015
<i>Age of Householder</i>						
Non-elderly renters	4,488	5,621	6,062	2.3%	1.5%	2.0%
Non-elderly owners	17,328	21,225	20,801	2.0%	-0.4%	1.2%
Total non-elderly	21,816	26,846	26,863	2.1%	0.0%	1.4%
Age 65-74 renters	435	548	515	2.3%	-1.2%	1.1%
Age 65-74 owners	1,655	2,404	3,320	3.8%	6.7%	4.8%
Age 65-74	2,090	2,952	3,835	3.5%	5.4%	4.1%
Age 75+ renters	1,518	1,601	1,544	0.5%	-0.7%	0.1%
Age 75+ owners	993	1,655	1,814	5.2%	1.9%	4.1%
Age 75+	2,511	3,256	3,358	2.6%	0.6%	2.0%
Total elderly	4,601	6,208	7,193	3.0%	3.0%	3.0%
Elderly as % of total	17.4%	18.8%	21.1%			

KC Metro	Year			Annual Percent Change		
	2000	2010	2015	2000-2010	2010-2015	2000-2015
<i>Age of Householder</i>						
Non-elderly renters	195,644	211,889	229,593	0.8%	1.6%	1.1%
Non-elderly owners	382,104	425,932	379,878	1.1%	-2.3%	0.0%
Total non-elderly	577,748	637,821	609,471	1.0%	-0.9%	0.4%
Age 65-74 renters	12,652	14,230	17,196	1.2%	3.9%	2.1%
Age 65-74 owners	60,151	63,717	76,884	0.6%	3.8%	1.6%
Age 65-74	72,803	77,947	94,080	0.7%	3.8%	1.7%
Age 75+ renters	19,876	19,864	20,479	0.0%	0.6%	0.2%
Age 75+ owners	47,334	53,800	56,700	1.3%	1.1%	1.2%
Age 75+	67,210	73,664	77,179	0.9%	0.9%	0.9%
Total elderly	140,013	151,611	171,259	0.8%	2.5%	1.4%
Elderly as % of total	19.5%	19.2%	21.1%			

Table A3. Household Composition and Length of Residency

Lee's Summit	Year			Annual Percent Change		
	2000	2010	2015	2000-2010	2010-2015	2000-2015
<i>Family Composition</i>						
Family Households	19,488	25,126	25,326	2.6%	0.2%	1.8%
Married couple	16,402	20,080	20,609	2.0%	0.5%	1.5%
Female-headed family	2,345	3,754	3,712	4.8%	-0.2%	3.1%
Other	741	1,292	1,005	5.7%	-4.9%	2.1%
<i>Average Household Size</i>						
Owners	2.86	2.86	2.84	0.0%	-0.1%	0.0%
Renters	1.99	2.08	2.37	0.4%	2.6%	1.2%
All households	2.65	2.62	2.73	-0.1%	0.8%	0.2%
<i>Length of Residency</i>						
Moved previous year	5,073	2,417	2,228	-7.1%	-1.6%	-5.3%
Moved previous year as % of total	19.1%	7.3%	6.5%			
Move in 20+ years ago	2,241	3,678	4,283	5.1%	3.1%	4.4%
Move in 20+ years ago as % of total	8.5%	11.1%	12.6%			

KC Metro	Year			Annual Percent Change		
	2000	2010	2015	2000-2010	2010-2015	2000-2015
<i>Family Composition</i>						
Family Households	482,705	527,887	527,526	0.9%	0.0%	0.6%
Married couple	371,970	392,045	392,816	0.5%	0.0%	0.4%
Female-headed family	83,608	99,015	99,031	1.7%	0.0%	1.1%
Other	27,127	36,827	35,679	3.1%	-0.6%	1.8%
<i>Average Household Size</i>						
Owners	2.57	2.60	2.60	0.1%	0.0%	0.1%
Renters	2.31	2.40	2.46	0.4%	0.5%	0.4%
All households	2.50	2.51	2.53	0.1%	0.2%	0.1%
<i>Length of Residency</i>						
Moved previous year	153,356	58,794	65,895	-9.1%	2.3%	-5.5%
Moved previous year as % of total	21.4%	7.4%	8.1%			
Move in 20+ years ago	125,753	144,391	86,599	1.4%	-9.7%	-2.5%
Move in 20+ years ago as % of total	17.5%	18.3%	10.7%			

Table A4. Income and Poverty

Lee's Summit	Year			Annual Percent Change		
	2000	2010	2015	2000-2010	2010-2015	2000-2015
<b>Median Household Income</b>						
Renters	31,146	35,876	39,673	1.42%	2.03%	1.63%
Owners	71,279	86,331	93,616	1.93%	1.63%	1.83%
<b>Consumer Price Index (CPI)</b>						
	166.6	205.4	222.3	2.11%	1.59%	1.94%
<b>Estimated Households Below Poverty</b>						
Poverty threshold for household	\$ 12,000	\$ 15,000	\$ 16,000			
Total Population	70,124	94,976	90,029	3.08%	-1.06%	1.68%
Above Poverty	67,432	88,201	85,903	2.72%	-0.53%	1.63%
Percent Above Poverty	96.17%	92.87%	95.50%			
Below Poverty	2,692	6,775	4,103	9.67%	-9.54%	2.85%
Percent Below Poverty	3.83%	7.13%	4.50%			

KC Metro	Year			Annual Percent Change		
	2000	2010	2015	2000-2010	2010-2015	2000-2015
<b>Median Household Income</b>						
Renters	26,990	30,167	31,788	1.12%	1.05%	1.10%
Owners	49,546	63,141	66,318	2.45%	0.99%	1.96%
<b>Consumer Price Index (CPI)</b>						
	166.6	205.378	222.278	2.11%	1.59%	1.94%
<b>Estimated Households Below Poverty</b>						
Poverty threshold for household	12,000	15,000	16,000			
Total Population	1,802,649	1,967,280	2,047,365	0.88%	0.80%	0.85%
Above Poverty	1,648,628	1,749,674	1,789,096	0.60%	0.45%	0.55%
Percent Above Poverty	91.46%	87.57%	87.39%			
Below Poverty	154,021	217,606	258,269	3.52%	3.49%	3.51%
Percent Below Poverty	8.54%	12.43%	12.61%			

Table A5. Housing Stock by Occupancy

Lee's Summit	Year			Annual Percent Change		
	2000	2010	2015	2000-2010	2010-2015	2000-2015
<b>Total Housing Units</b>						
Owner occupied	19,976	26,313	25,935	2.8%	-0.3%	1.8%
Renter occupied	6,441	8,116	8,121	2.3%	0.0%	1.6%
Total occupied units	26,417	34,429	34,056	2.7%	-0.2%	1.7%
Vacant for sale	297	717	538	9.2%	-5.6%	4.1%
Vacant for rent	417	1,019	611	9.4%	-9.7%	2.6%
Total vacant	713	1,736	1,149	9.3%	-7.9%	3.2%
Total owner stock	20,273	27,030	26,473	2.9%	-0.4%	1.8%
Total renter stock	6,858	9,135	8,732	2.9%	-0.9%	1.6%
Other vacant	128	373	749	11.3%	15.0%	12.5%
Total owner, renter, and other stock	27,258	36,538	35,954	3.0%	-0.3%	1.9%
Vacancy rate - owners	1.5%	2.7%	2.0%			
Vacancy rate - renters	6.1%	11.2%	7.0%			
Vacancy rate - all housing	2.6%	4.8%	3.2%			
Percent of units owner tenure	74.4%	74.0%	73.6%			
Percent of units rental tenure	25.2%	25.0%	24.3%			

KC Metro	Year			Annual Percent Change		
	2000	2010	2015	2000-2010	2010-2015	2000-2015
<b>Total Housing Units</b>						
Owner occupied	489,543	537,462	532,325	0.9%	-0.2%	0.6%
Renter occupied	228,218	262,175	277,576	1.4%	1.1%	1.3%
Total occupied units	717,761	799,637	809,901	1.1%	0.3%	0.8%
Vacant for sale	9,822	17,509	11,837	6.0%	-7.5%	1.3%
Vacant for rent	21,287	36,082	24,228	5.4%	-7.7%	0.9%
Total vacant	31,108	53,591	36,065	5.6%	-7.6%	1.0%
Total owner stock	499,365	554,971	544,162	1.1%	-0.4%	0.6%
Total renter stock	249,505	298,257	301,804	1.8%	0.2%	1.3%
Other vacant	14,473	24,300	40,457	5.3%	10.7%	7.1%
Total owner and renter stock	763,342	877,528	886,423	1.4%	0.2%	1.0%
Vacancy rate - owners	2.0%	3.2%	2.2%			
Vacancy rate - renters	8.5%	12.1%	8.0%			
Vacancy rate - all housing	4.1%	6.1%	4.1%			
Percent of units owner tenure	65.4%	63.2%	61.4%			
Percent of units rental tenure	32.7%	34.0%	34.0%			

Table A6. Housing Stock by Age and Condition

Lee's Summit	Year			Annual Percent Change		
	2000	2010	2015	2000-2010	2010-2015	2000-2015
<b>Age of Structure</b>						
Built previous year	859	455	18	-6.2%	-47.6%	-22.7%
Built previous year as % stock	3.2%	1.2%	0.1%			
Built prior to 1940	630	847	705	3.0%	-3.6%	0.8%
Built prior to 1940 as % stock	2.3%	2.3%	2.0%			
<b>Incomplete Units</b>						
Lacking complete plumbing	43	159	93	14.0%	-10.2%	5.3%
% of units lacking complete plumbing	0.2%	0.4%	0.3%			
Lacking complete kitchen	139	506	440	13.8%	-2.8%	8.0%
% of units lacking complete kitchen	0.5%	1.4%	1.2%			
<b>Overcrowding in Persons per Unit</b>						
Owner units less than 1.0	19,881	25,246	25,791	2.4%	0.4%	1.8%
Owner units 1.0+	169	38	144	-13.9%	30.5%	-1.1%
Overcrowded owners as % of total	0.8%	0.2%	0.6%			
Renter units less than 1.0	6,306	7,649	7,781	1.9%	0.3%	1.4%
Renter units 1.0+	116	121	340	0.4%	23.0%	7.4%
Overcrowded renters as % of total	1.8%	1.6%	4.2%			
<b>Total units less than 1.0</b>	<b>26,187</b>	<b>32,895</b>	<b>33,572</b>	<b>2.3%</b>	<b>0.4%</b>	<b>1.7%</b>
<b>Total units 1.0+</b>	<b>285</b>	<b>159</b>	<b>484</b>	<b>-5.7%</b>	<b>24.9%</b>	<b>3.6%</b>
<b>Total overcrowded as % of total</b>	<b>1.1%</b>	<b>0.5%</b>	<b>1.4%</b>			
<b>KC Metro</b>						
KC Metro	Year			Annual Percent Change		
	2000	2010	2015	2000-2010	2010-2015	2000-2015
<b>Age of Structure</b>						
Built previous year	18,705	7,236	895	-9.1%	-34.2%	-18.3%
Built previous year as % stock	2.5%	0.8%	0.1%			
Built prior to 1940	95,739	114,762	103,667	1.8%	-2.0%	0.5%
Built prior to 1940 as % stock	12.9%	13.1%	11.7%			
<b>Incomplete Units</b>						
Lacking complete plumbing	4,573	2,722	2,949	-5.1%	1.6%	-2.9%
% of units lacking complete plumbing	0.7%	0.3%	0.4%			
Lacking complete kitchen	6,381	4,696	6,451	-3.0%	6.6%	0.1%
% of units lacking complete kitchen	0.9%	0.6%	0.8%			
<b>Overcrowding by Persons per Unit</b>						
Owner units less than 1.0	464,693	539,162	520,024	1.5%	-0.7%	0.8%
Owner units 1.0+	7,198	4,287	5,423	-5.1%	4.8%	-1.9%
Overcrowded owners as % of total	1.5%	0.8%	1.0%			
Renter units less than 1.0	210,288	238,350	266,209	1.3%	2.2%	1.6%
Renter units 1.0+	12,289	7,633	8,595	-4.7%	2.4%	-2.4%
Overcrowded renters as % of total	5.5%	3.1%	3.1%			
<b>Total units less than 1.0</b>	<b>674,981</b>	<b>777,512</b>	<b>786,233</b>	<b>1.4%</b>	<b>0.2%</b>	<b>1.0%</b>
<b>Total units 1.0+</b>	<b>19,487</b>	<b>11,920</b>	<b>13,838</b>	<b>-4.8%</b>	<b>3.0%</b>	<b>-2.3%</b>
<b>Total overcrowded as % of total</b>	<b>2.6%</b>	<b>1.4%</b>	<b>1.6%</b>			

Table A7. **Rents and Value**

Lee's Summit	Year			Annual Percent Change		
	2000	2010	2015	2000-2010	2010-2015	2000-2015
<i>Rental Costs</i>						
Median gross rent	654	912	1001	3.4%	0.9%	2.9%
<i>Owner Value and Costs with Mortgage</i>						
Median value owner occupied	131,500	185,500	191,300	3.5%	0.3%	2.5%
Median housing costs	1,040	1,271	1,278	2.0%	0.1%	1.4%
<i>Consumer Price Index (CPI)</i>						
	166.6	205.4	222.3	2.1%	1.6%	1.9%

KC Metro	Year			Annual Percent Change		
	2000	2010	2015	2000-2010	2010-2015	2000-2015
<i>Rental Costs</i>						
Median gross rent	575	759	845	2.8%	1.1%	2.6%
<i>Owner Value and Costs with Mortgage</i>						
Median value owner occupied	104700	158000	159500	4.2%	0.1%	2.8%
Median housing costs	802	970	980	1.9%	0.1%	1.3%
<i>Consumer Price Index (CPI)</i>						
	166.6	205.4	222.3	2.1%	1.6%	1.9%

Table A8. Units by Cost and Households by Income Comparisons

Lee's Summit			
2015		2015	
Rental Household Income	Households	Units	Rent
Less than \$5,000	461	241	\$0 to \$124
\$5,000 to \$9,999	345	63	\$125 to \$249
\$10,000 to \$14,999	696	173	\$250 to \$374
\$15,000 to \$19,999	563	320	\$375 to \$499
\$20,000 to \$24,999	613	294	\$500 to \$624
\$25,000 to \$34,999	983	1,834	\$625 to \$874
\$35,000 to \$49,999	1,152	3,171	\$875 to \$1249
\$50,000 to \$74,999	1,809	1,446	\$1250 to \$1874
\$75,000 to \$99,999	897	449	\$1875 to \$2500
\$100,000 to \$149,999	496	131	\$2500 to \$3,750
\$150,000 or more	106	-	\$3,750 or more
Total	8,121	8,121	

Lee's Summit			
2015		2015	
Owner Household Income	Households	Units	Rent
Less than \$5,000	157	312	\$0 to \$14,999
\$5,000 to \$9,999	161	225	\$15,000 to \$29,999
\$10,000 to \$14,999	224	56	\$30,000 to \$44,999
\$15,000 to \$19,999	577	154	\$45,000 to \$59,999
\$20,000 to \$24,999	474	216	\$60,000 to \$74,999
\$25,000 to \$34,999	1,169	1,458	\$75,000 to \$105,000
\$35,000 to \$49,999	2,291	4,864	\$105,000 to \$149,999
\$50,000 to \$74,999	4,499	8,689	\$150,000 to \$224,999
\$75,000 to \$99,999	4,486	5,435	\$225,000 to \$299,999
\$100,000 to \$149,999	6,548	3,355	\$300,000 to \$449,999
\$150,000 or more	5,349	1,171	\$450,000 or more
Total	25,935	25,935	



Table A9. Housing Cost Burden

Lee's Summit	Year			Annual Percent Change		
	2000	2010	2015	2000-2010	2010-2015	2000-2015
<i>Households with high housing cost burden paying more than 30% of income on housing</i>						
Renters	2,478	3,844	3,838	4.5%	0.0%	3.0%
Percent of renter households	38.70%	49%	47%			
Renters making less than \$20,000			1,710			
Percent of renters paying more than 30%			95%			
Renters making \$20,000-\$34,999			1,283			
Percent of renters paying more than 30%			80%			
Renters making more than \$35,000			845			
Percent of renters paying more than 30%			19%			
Owners	3,034	5,798	5,252	6.7%	-2.0%	3.7%
Percent of owner households	16.20%	23%	20%			
<b>Total</b>	<b>5,512</b>	<b>9,642</b>	<b>9,090</b>	<b>5.8%</b>	<b>-1.2%</b>	<b>3.4%</b>
<b>Percent of all households</b>	<b>22%</b>	<b>29%</b>	<b>27%</b>			

KC Metro	Year			Annual Percent Change		
	2000	2010	2015	2000-2010	2010-2015	2000-2015
<i>Households with high housing cost burden paying more than 30% of income on housing</i>						
Renters	69,752	104,702	119,964	4.1%	2.8%	3.7%
Percent of renter households	32%	43%	44%			
Renters making less than \$20,000			63,265			
Percent of renters paying more than 30%			90%			
Renters making \$20,000-\$34,999			39,667			
Percent of renters paying more than 30%			69%			
Renters making more than \$35,000			17,032			
Percent of renters paying more than 30%			13%			
Owners	92,856	131,929	112,562	3.6%	-3.1%	1.3%
Percent of owner households	22%	24%	21%			
<b>Total</b>	<b>162,608</b>	<b>236,631</b>	<b>232,526</b>	<b>3.8%</b>	<b>-0.4%</b>	<b>2.4%</b>
<b>Percent of all households</b>	<b>25%</b>	<b>30%</b>	<b>29%</b>			

## Literature Review of Inclusionary Zoning

### Introduction

Inclusionary zoning (IZ) emerged in the 1970s when federal funds to develop low- to moderate- income (LMI) housing declined. In response to decreased federal funding, local governments began utilizing IZ policies as a means to provide affordable housing (Benson, 2010). Since the 1970s, more than five hundred local governments across the country have begun using IZ and together have constructed more than 150,000 affordable units (Schwartz et al. 2012). Inclusionary zoning allows local governments to provide affordable housing by encouraging (or mandating) residential developers to make a specific percentage of units affordable to LMI residents (Kontokosta 2013; Schuetz et al. 2011). In exchange for producing affordable units, developers are often presented with incentives to offset costs, such as density bonuses, expedited permits, or fee waivers. Some municipalities also provide developers with other options to support affordable housing if they are uninterested building a mixed-income development, “such as developing affordable units off site or paying a fee in lieu of such development” (Urban Institute 2012, p. 1) While inclusionary zoning has become a common practice in localities throughout the country, many scholars and practitioners still question its utility as a means to provide a substantial amount of affordable housing, enhance local housing markets, and actual integrate neighborhoods.

### Market Impacts

Market impacts are a critical factor when determining whether a community should formulate and adopt IZ policies. Several critical analyses and empirical studies have been conducted in an attempt to understand the relationship between inclusionary zoning and local housing markets (Bento, Lowe, Knapp, & Chakraborty 2009; Brunick 2003; Clapp 1981; Ellickson 1981; Powell & Stringham 2004; Schuetz, Meltzer, and Been 2011). Mallach and Calavita (2010) suggest that for inclusionary zoning to be effective there must be ample demand for market-rate housing coordinated by the private market and incentives given to residential developers. However, a study on

the impacts of IZ in Montgomery County and Fairfax County argues that incentives are not particularly effective at encouraging the production of affordable units.

Developers are more concerned about whether or not IZ is mandatory. Contrary to theory, a mandatory policy did not discourage development, but “was considered merely another matter that had to be factored into planning and performance calculations” (Urban Institute 2012, p. 49).

Providing specifics on the economic theory guiding inclusionary zoning policies, critics of inclusionary zoning often claim that mandating the production of affordable units will lead developers to raise market-rate housing prices, produce less housing, reduce profits, or negotiate to pay less for “inputs” such as land (Brunick, 2003). While various studies have attempted to determine the merit of these claims, the results have provided little clarity. More specifically, Knapp et al. (2008) found that house prices in localities with inclusionary zoning increased (on average) 2.2% more than those in localities without inclusionary zoning. However, a study conducted by Mukhija, Regus, Slovin, and Das (2010) found no significant adverse impacts on the housing market in relation to inclusionary zoning, implying that negative effects can be reduced through incentives and cost offsets. Another study from Schuetz et al. (2011) produced conflicting results—home prices in Boston have a significant positive relationship with inclusionary zoning, but no relationship was found in the San Francisco market. Because current inclusionary zoning policies possess a variety of structures (Jacobus 2015) and mixed results among scholarship, it remains uncertain how inclusionary zoning effects local markets.

### Neighborhood Impacts

Initially, one of the central purposes of inclusionary zoning was to develop affordable housing in areas considered exclusive or affluent (Calavita & Mallach 2010). To determine if inclusionary zoning actually created integrated neighborhoods, Kontokosta (2013) conducted a study taking place in Montgomery County, Maryland and Suffolk County, New York. His findings indicate that, “IZ units increase the level of both racial and income integration above that experience by neighborhoods without IZ units” (p. 736). Another study from Owens (2015) examined 331 metropolitan

statistical areas (MSAs) in the U.S. to determine if deconcentrated public housing creates integrated neighborhoods. His results show that deconcentrating of public housing “reduced the segregation of very-low income residents from higher income residents among neighborhoods” (Owens 2015, p. 99). Together these studies show that mixed-income policies, such as inclusionary zoning, do have the ability to integrate neighborhoods.

According to Kontokosta (2013), “racial residential segregation and concentrations of poverty are associated with social, political, and economic isolation that produces negative pathologies and constrained opportunities” (p. 718). For these reasons, dispersing low-incoming housing into mix-income neighborhoods is an important concern for many local governments. While the data needed to examine the effects of IZ on low-income households is lacking (Mallach and Calavita 2010), if inclusionary zoning can disperse poverty within a community the assumed impacts are positive. Notably, living in low-poverty areas is found to improve both the physical and mental health of low-income households (Ludwig et al. 2012).

#### Note of Caution

Each study referenced so far has taken place in either a large metropolitan area, on the coasts, or in a community that (at least on the surface) seems more responsive to IZ than Lee's Summit.

For these reasons, I question whether the data is generalizable to the Midwest and more specifically a community like Lee's Summit.

#### Inclusionary Zoning Case Studies

Case studies are considered one of the most effective ways to understand the development and impact of inclusionary zoning policies because of the variation in tactics used by local governments and difficulties generalizing information. Through this method, municipalities can identify specific practices used in similar communities and determine what tactics should be transferred to their own communities. Two case studies are provided below. These cases were selected because of the similarities they hold with Lee's Summit: midsized suburban areas located outside large MSAs.

#### NEWTON, MASSACHUSETTS

Newton, a town located immediately west of Boston with a population of 85,000 residents, began practicing inclusionary zoning in 1977 through a local ordinance. The ordinance required all developers obtaining a special permit to make ten percent of the units affordable (Engler 2002). Since 1977, the inclusionary zoning ordinance has provided around 216 new affordable units (approximate 5.4 units per year), 82 of which have been lost through the conversion to market-rate units. The ordinance requires that all affordable units be of the same size and quality of market units. While this requirement was added to prevent affordable units from being of lesser quality and stigmatized, critics argue there could be more units of a smaller scale (creating more housing) had the Board of Alderman written the requirement differently. While the inclusionary zoning program in Newton is generally considered a success, there are still lessons to be learned. Notably, “the city’s zoning allows for multifamily development in relatively few areas of the city and at densities which are not conducive to producing much affordability” (Engler 2002, p. 21). In addition, Newton has also been criticized for only making units available to low-income households, unlike other communities which also allow moderate-income households to obtain units. The concern is that restricting the program solely to low-income households creates a stigma on developments.

#### HIGHLAND PARK, ILLINOIS

Recognizing that much of its housing was out of reach to LMI households, Highland Park, a town located north of Chicago with a population of 30,000 residents, initiated a mandatory inclusionary zoning policy through its Affordable Housing Plan in 2001 (Court 2005). The policy requires developers completing projects with five or more units to make twenty percent of the units affordable to income-qualified households. In exchange for their cooperation, developers are provided with a density bonus and waiver of development related fees to offset their costs. Rental units must remain affordable for 25 years and then can increase to the market rate. Units are made available to both low- and moderate-income households. While affordable units must be dispersed throughout the development, affordable units are allowed to differ from the market-rate units in regard to interior amenities and floor area. Since Highland

Park began practicing inclusionary zoning, it has generated 2-3 affordable units on average per year with no adverse impact on property values (Court 2005). However, complaints from developers have led the City to discuss reevaluating the current policy (Berkowitz, 2015).

#### CONSIDERATIONS FROM CASE STUDY INFORMATION

While both of these IZ programs are considered successful, there are still aspects of each that should be taken into consideration when addressing affordable housing in Lee's Summit. First is the difficulty in initiating and maintaining an IZ policy. Although Highland, IL had an effective program that provided developers with incentives, there was still enough pushback 14 years after the policy was created that local officials were questioning its utility. Another concern is the small amount of affordable housing built through IZ policies. Newton is perceived as having a progressive IZ program, but was still only able to average just over five units per year. With the Lee's Summit Housing Authority's goal of constructing 100 affordable units (in a community that is unwelcoming of mixed-income developments), it can be assumed that it will take an exceptionally long period of time to reach their goal.

#### Inclusionary Zoning and Lee's Summit

Combining information from the American Community Survey, the Lee's Summit Housing Authority 5-Year Strategic Plan, and the Lee's Summit Consolidated Plan, highlights of Lee's Summit housing market conditions provided. First, 47% of renters in Lee's Summit are cost burdened. A cost burdened household is defined as paying more than 30% of its income toward housing (Schwartz 2015). This problem is even greater amongst low-income renter households. Looking ahead, Lee's Summit's rental costs as a percentage of income are expected to both increase and transcend those of Kansas City and Independence by 2020, exacerbating the current problems faced by renters. Second, while the City's older homes are in many cases affordable to low- and moderate-income households, new developments remain out of reach. With older housing in Lee's Summit primarily concentrated in the central city, the location of LMI households tend to follow this pattern and are commonly found in the central city. Lastly, Lee's Summit is growing at a faster rate than previously expected. Continuing to

build new developments without an explicit effort provide dispersed mixed-income housing could indirectly create pockets of LMI households in the Lee's Summit community.

Based on current conditions, Lee's Summit will be better served by incorporating well dispersed, mixed-income housing into plans for future growth. Inclusionary zoning (IZ) is the recommended means to achieve this outcome. IZ is a method used to alleviate various housing market conditions, similar to those currently faced in Lee's Summit. This method typically takes form in local land use policies that encourage residential developers building market rate projects to make a specified amount of units affordable to LMI households. As a high opportunity area experiencing a considerable amount of growth, IZ is a strategy that can disperse LMI households throughout the community and assist cost burdened renters with the current shortage of affordable housing.

Lee's Summit Housing Market Conditions Alleviated by IZ:

- Concentration of low- to moderate-income households
- Substantial amount of cost burdened renters
- Significant growth

As an Entitlement Community of the Community Development Block Grant program, Lee's Summit is expected to achieve three core objectives: benefit low- to moderate-income households, attend to blighted areas, and meet urgent community needs. The three market conditions outlined above in one way connect to the objectives put forth by the CBDG program, providing Lee's Summit the opportunity to address both. The formation and execution of inclusionary zoning policies can assist Lee's Summit in achieving these ends.

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