

**HOUSING MARKET STUDY  
AND NEEDS ASSESSMENT  
Sterling, Kansas**

**For Sterling Housing Committee  
And The City of Sterling  
November 2011**

**VIRDEN ASSOCIATES**

## TABLE OF CONTENTS

	<u>Page Number</u>
.... EXECUTIVE SUMMARY .....	1
1..... INTRODUCTION .....	2
.... A. Possible Housing Projects .....	3
.... B. Possible Sites Description.....	4
.... Figure 1: Site Area Map .....	6
2..... MARKET AREA.....	7
.... Figure 2: Market Area Map.....	8
3..... ECONOMIC ANALYSIS.....	9
.... A. Employment Trends .....	9
.... B. Market Area Employers.....	11
.... C. Area Wages/Salaries.....	12
4..... DEMOGRAPHIC ANALYSIS .....	13
.... A. Population Trends .....	13
.... B. Household Profile.....	14
.... C. Household Income.....	12
5..... HOUSING ANALYSIS .....	17
.... A. Housing Tenure .....	17
.... B. Housing Construction Trends .....	19
.... C. Housing Stock Profile.....	19
.... D. Rents and Bedroom Mix.....	20
.... E. Existing Rental Housing .....	21
6..... HOUSING DEMAND FORECAST .....	23
.... A. Tax-Credit Units for 55+ .....	23
.... B. Market Rent Units for 55+.....	25
.... C. Tax-Credit Units for Families .....	26
.... D. Market Rent Units for Families .....	27

.... E. First-Time Home Buyers .....	28
.... F. Other Considerations.....	29
7..... CONCLUSIONS.....	29
.... APPENDIX 1: HOUSING FINANCING PROGRAMS ..	31
.... APPENDIX 2: SITE PHOTOS AND COMPARABLES .	32

## EXECUTIVE SUMMARY

The purpose of this housing study is to assess the market demand for various types of housing in Sterling, Kansas, resulting in a housing need assessment. The city has a housing committee which has been studying area housing needs and issues. This study is the first step in meeting area housing needs. It is funded by the City of Sterling.

This study included a site visit to the area, interviews with local and state officials, an analysis of area economic and demographic trends, compilation of a market area housing profile, and a housing demand analysis. This analysis focuses on four major housing markets: tax-credit multi-family housing for families, tax-credit multi-family housing for those age 55 and older, "market rent" multi-family housing for families and those 55 and older, and single-family housing for first-time home buyers through a Kansas state program.

The market area has a relatively high level of older rental and home owner stock. All the multi-family rentals are over 20 years old. Over time, this stock will need replacement. Sterling has been experiencing some local employer growth which could strengthen the housing market. At the same time, if new housing options are not pursued, the area could lose potential employment.

This analysis indicates a market for several types of new housing in Sterling.

### SUMMARY OF HOUSING MARKET ANALYSIS

<u>Housing Market</u>	<u>Potential Demand in Units</u>
55+ Tax Credit	6
55+ Market Rent	8 - 10
Family Tax Credit	3
Family Market Rent	4 - 6
First Time Home Buyer	3 - 17

There is a need for more rental units in the market area, particularly for older adults. However, new family housing, both rental and owner is needed to replace the aging stock. The market area for the project includes southwestern Rice and northwestern Reno Counties,

Virden Associates is of the opinion that a market exists for several types of small housing projects, given the waiting list for affordable rental housing in the area and the aging of the population along with some local manufacturing growth. The ultimate success in achieving high occupancy rates in new rental projects will be related to solid management and community support.

## 1. INTRODUCTION

The purpose of this housing study is to assess the demand for various types of housing in Sterling, Kansas, resulting in a housing need assessment. The city has a housing committee which has been studying area housing needs and issues. This study is the first step in meeting area housing needs. It is funded by the City of Sterling.

This study included a site visit to the area, interviews with local and state officials, an analysis of area economic and demographic trends, compilation of a market area housing profile, and a housing demand analysis. This analysis focuses on five major housing markets: tax-credit multi-family housing for families, tax-credit multi-family housing for those age 55 and older, "market rent" multi-family housing for families and those 55 and older, and single-family housing for first-time home buyers through a Kansas state program.

Virden Associates has twenty-five years experience in demographic analysis, market studies and housing demand studies. These studies have been completed for governmental agencies, private developers, health care providers and other organizations. They have focused on various age groups, the elderly, the handicapped, the developmentally disabled and others. A detailed description of the firm's experience and expertise can also be found at its web site: [virdenassociates.com](http://virdenassociates.com).

Mark Virden, President, has a Masters Degree specializing in retail trade studies, site analysis and demography. The firm has significant experience in researching Kansas housing trends and projections. He has served as an expert witness for the Kansas State Office of Rural Development's Rural Rental Housing Section (USDA) at appeal hearings and been under contract with this agency to complete independent market studies challenging those with questionable findings. He has completed housing studies in Kansas, Nebraska, Missouri, Oklahoma and South Dakota.

Virden Associates affirms that it will receive no fees or interests in any project that might result from this analysis. We have a signed contract for a specific fee to be paid regardless of the outcome of any potential funding.

All data presented in this study are documented as to source in the respective table. The majority of demographic data came directly from U.S. Census Bureau publications.

Knowledgeable individuals have been interviewed concerning the availability of housing in the area. Individuals interviewed in this market include:

Fred Bentley, Kansas Housing Resources Corporation  
Bob Booth, Mayor, City of Sterling  
Rod Willis, City Manager, City of Sterling

Vicky Dayton, Executive Director, Housing Opportunities, Inc.  
Scott Bush, Bush, Bush & Shanelec, Attorneys, Sterling, Kansas  
Ben Marshall, Editor, The Bulletin, Sterling newspaper  
Mike, Millikan, Executive Director, Main Street program, Sterling, Kansas  
Tina Wohler, Vice-President, Student Life, Sterling College  
Gene Zaid, CEO, JACAM Chemicals, major local employer  
Clelia McCrory, Educational Services and Staff Development Assoc. of Central Kansas  
Linda Reid, Sterling Housing Authority and Jefferson Plaza Housing  
Cheryl Buckman, Executive Director, Sterling Chamber of Commerce  
Jill Nichol, Director, Rice County Economic Development  
Jerry Minix, Minix Realty, Lyons, Kansas  
Clint Nelson, Interfaith Housing, Hutchinson, Kansas  
Sarah Galbreth, Director of Marketing, Presbyterian Manor, Sterling, Kansas

The Consultant also had direct input from attending members of the Housing Committee at a local meeting.

## **A. Possible Housing Projects**

The focus of this study is on five specific types of housing projects or markets:

- (1) A new, multi-family development for qualifying moderate-income households aged 55 or older who meet Housing Tax Credit guidelines. This project would have a number of amenities, including attached garages, kitchen appliances, washer and dryer, microwave, trash and snow removal, and interior and exterior maintenance. Units will probably be in the form of duplexes. This housing could be located on several sites in Sterling
- (2) A new multi-family development for qualifying moderate-income family households who meet Housing Tax Credit guidelines. Amenities would be similar to those above.
- (3) A new multi-family development for older adults, such as apartments or duplexes, with "market rents". Various sites are also available for this type of housing. These units could also be combined with a tax-credit development
- (4) A new multi-family development, such as apartments or duplexes, with "market rents" targeting families. Various sites are also available for this type of housing. These units could also be combined with a tax-credit development.
- (5) The development of single-family homes for first-time home buyers. These homes would be part of a Kansas Housing Resources Corporation program subject to house pricing restrictions and family income guidelines. Several sites are also available for this type of development.

Other types of housing may be needed (or could be developed) in the Sterling market area. Numerous programs are available through state and federal government to provide local organizations with housing financial and technical assistance. Some examples are presented in the Appendix 1.

## **B. Possible Sites Description**

A number of possible sites were reviewed and photographed (See Site Photos in Appendix). These sites were selected by the local Housing Committee with assistance from the City of Sterling to insure proper (or potential) zoning and flood plain guidelines. These sites vary in location and size throughout the city. Some may or may not be suitable depending on the specific type of housing developments that end up being proposed.

The nine sites are referred to by name for consistency with the Housing Committee's efforts.

### Site 1a: "Graves":

On the west side of North 6th Street. This site is vacant and consists of three lots. It is flat and in a residential area in the northern part of Sterling. To the north and south are houses. To the west are out-buildings and to the east is 6th Street and then a vacant lot (Site 1b).

### Site 1b: "Fisher":

On the east side of North 6th Street. This site is also vacant and consists of three lots. It is flat and in a residential area in the northern part of Sterling. To the north and south are houses. To the east is agricultural land and to the west is 6th Street and then Site 1a..

### Site 2: "Bennett":

On the east side of North 6th Street. This site is an agricultural field a little further south of Sites 1a and 1b. To the north is a house. To the west is 6th Street and then residential property. To the east is another field and to the south is commercial property.

### Site 3: "Bender":

On the west side of North 3rd Street in the eastern-central part of Sterling. This site consists of 2 to 3 older houses in poor condition. This site is flat with a newer house to the east across 3rd Street. To the north and west are residential properties. To the south is a dilapidated house.

### Site 4: Plett:

On the east side of South 3rd Street. This site is flat and includes vacant lots along with other structures. To the west is 3rd Street and then residential property. There is also a house to the

north. To the east is residential property and to the south is a house.

Site 5: "Fite":

On the west side of South 3rd Street just north of railroad tracks. It is flat and vacant. To the south are railroad tracks. To the north is an older house. To the west is residential property. Across 3rd street to the east is a new house.

Site 6: "Cosemea":

This site is actually several lots separated by a person's house on the north side of Garfield Avenue on the southeastern edge of Sterling. To the west is a house on the corner of Garfield and 3rd Street. To the north and east are residential properties. To the south, and currently outside the city limits, is an agricultural field.

Site 7: "The Triangle":

This site is located along West Main Street on the western edge of the city. Is triangular shaped and includes both vacant lots and some older residential structures. To the south are railroad tracks. To the west is a house. To the north and east are residential properties.

Site 8: South of Garfield

This site is south of site 6 across Garfield Avenue. It is outside Sterling City limits. It is a flat agricultural field. There are no structures on this site. To the north is Site #6. On the east and west sides are agricultural buildings. On the southern edge is more agricultural land.

General Vicinity

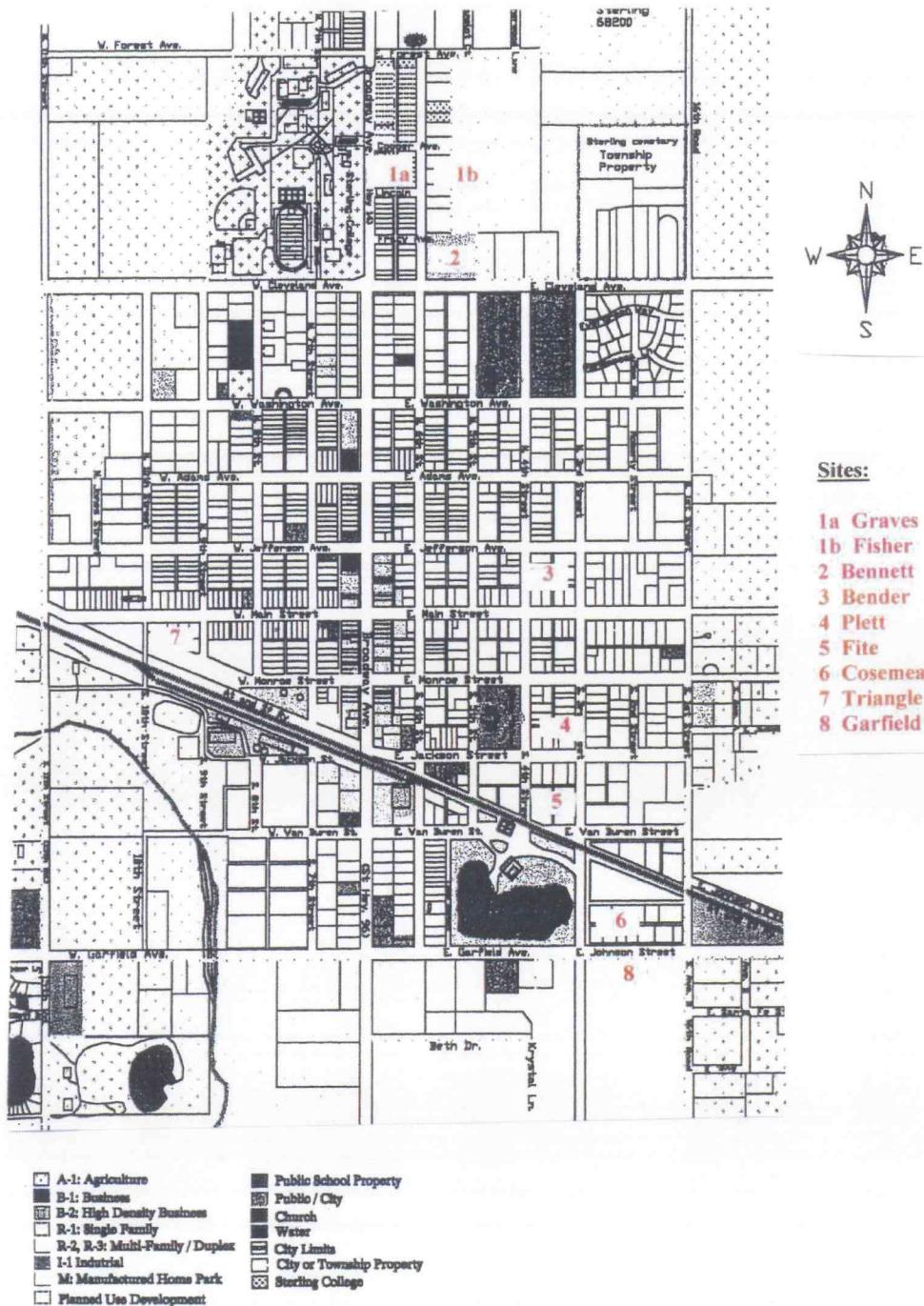
All city services are near to these sites, including restaurants, a Dillon's grocery store, Dollar General, and other retail services. Nearby services also include governmental services and retail functions in downtown Sterling: several banks, an appliance store, the city hall, hardware store, pharmacy, chiropractor, barber and hair salon, dentists, auto repair business, a beautiful city park, community center, post office and other services.

The city has a medical clinic with several physicians and Sterling College. It is a private college with some 540 students. The local public school district includes all grade levels, K-12.

Figure 1 depicts the site locations in Sterling.

# FIGURE 1

## SITE AREA MAP: STERLING



## 2. MARKET AREA

The primary market area for the proposed project includes southwestern Rice County and northwestern Reno County. It was defined based on sound principles of retail trade geography and central place theory. These theories indicate that individuals are more attracted to larger places than smaller ones when needing a service or product. Larger places have more alternatives. At the same time, individuals tend to travel to the closest place to minimize time or distance.

This analysis uses Reilly's break-point formula\* to determine the market area boundary for the Sterling area. This formula comes from Reilly's "laws of retail gravitation" which states that the trade area boundary between two towns A and B is determined by the formula:

$$\text{Miles from town B} = \frac{\text{Distance between A and B}}{1 + \frac{\text{Population of A}}{\text{Population of B}}}$$

\*A detailed explanation of this approach can be found in The Geography of Market Centers and Retail Distribution, Brian J.L. Berry, Prentice Hall, 1967. Distance is in road miles. Population is from the 2010 Census Bureau estimates.

The formula has been used over the years to define many types of service market areas, including housing. The results of this analysis define the market area depicted in Figure 2.

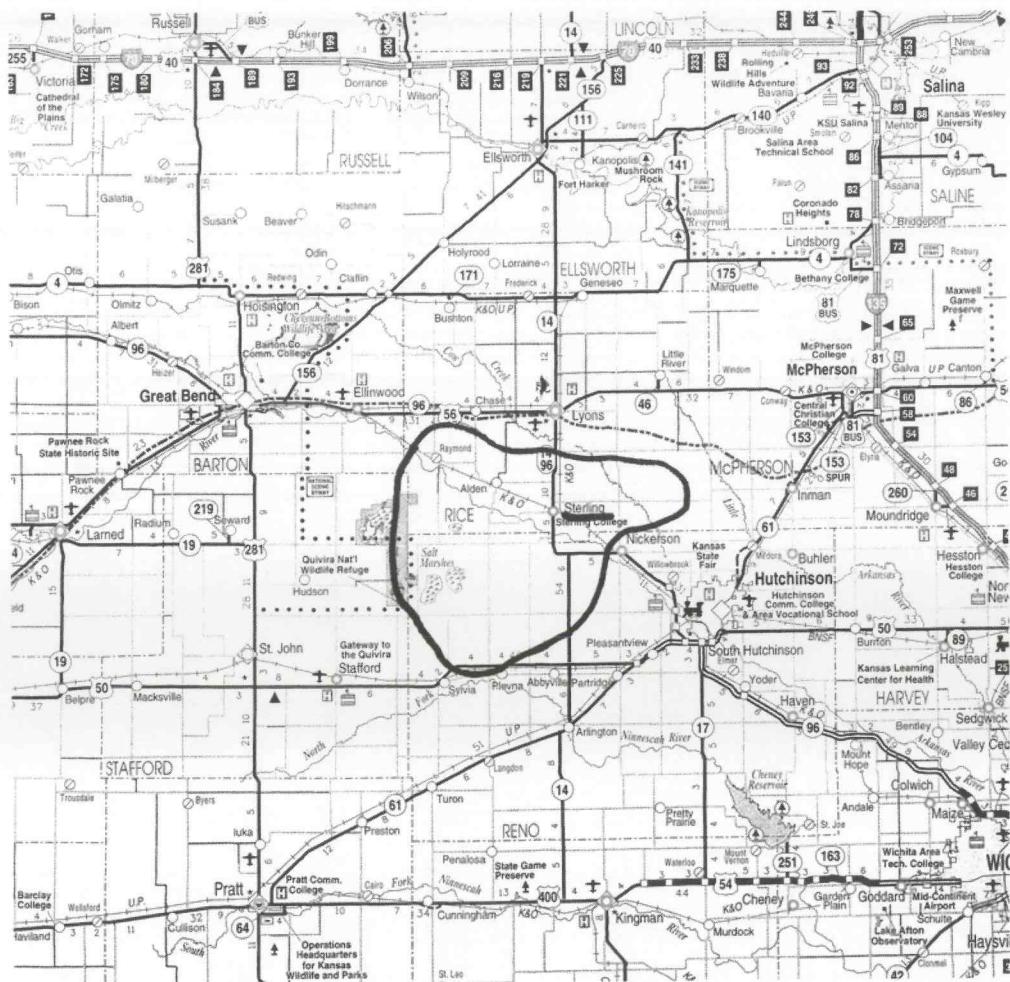
This study's data for the market area is approximated with statistics for townships (minor civil divisions) within Rice and Reno Counties. The market area had a 1990 population of 3,959. That population increased by 8.2% to 4,292 persons in 2000. In 2010, the area's population declined by 10.8% to 3,817.

There are three incorporated towns in the market area and all lost population between 2000 and 2010: Sterling (2,328, a loss of 11.9%), Alden (148, a loss of 11.9%) and Raymond (79, a loss of 16.9%). Other incorporated towns nearby but outside the market area showed mixed population trends. Lyons, the county seat, showed population stability between 2000 and 2010 with an estimated population of 3,739. McPherson, with a population of 13,155, had a loss of 4.5%. Hutchinson had a 3.2% gain to 40,080 and Great Bend also gained population to 15,995.

Rice County lost over 6% of its population to 10,003 in 2010. Reno County remained fairly stable with a loss of only 678 persons to a 2010 population of 64,511.

The City of Sterling is located in central Kansas, along Kansas Highway K-14/96. U.S. Highway 56 is 10 miles to the north. Hutchinson lies 21 miles to the southeast. The surrounding larger towns restrict the Sterling market area. Some local workers commute from these communities.

## FIGURE 2 MARKET AREA MAP



### 3. ECONOMIC ANALYSIS

#### A. Employment Trends

Rice County employment has grown over the last ten years with a net gain of 1,273 jobs. In 2010, total employment stood at 5,628 persons. Specific labor force and employment trends within the area are presented in Tables 1 and 2. Table 1 indicates that total employment has increased along with the overall size of the labor force. The unemployment rate in 2010 stood at 4.9% compared to 4.1% in 2000.

**TABLE 1**  
**EMPLOYMENT TRENDS IN RICE COUNTY**

	<u>2000</u>	<u>2010</u>	<u>Change</u>	<u>% Change</u>
Civ. Labor Force	4,541	5,917	1,376	30.3
Employment	4,355	5,628	1,273	29.2
Unemployment	186	289	103	55.4
Rate	4.1	4.9	.8	----

Source: Kansas Department of Labor. The method was changed in 2004 for calculating labor statistics so 2004 statistics may not be directly comparable to previous years.

**TABLE 2**  
**CHANGE IN EMPLOYMENT IN RICE COUNTY**

<u>Year</u>	<u>Employment</u>	<u>Change</u>	<u>Unemployment Rate</u>
2000	4,355	----	4.1
2001	4,501	146	3.5
2002	4,543	42	3.8
2003	4,466	-77	3.8
2004	5,217	751	4.7
2005	5,251	34	4.6
2006	5,193	-58	4.4
2007	5,324	131	3.8
2008	5,499	175	3.7
2009	5,666	167	5.0
2010	5,628	-339	4.9

Source: Kansas Department of Labor.

Employment fluctuated during the period, increasing in 7 years and decreasing in 3 years. In spite of the national economic downturn, county employment increased in 4 of the last 5 years..

Table 3 depicts a 2010 employment profile by major industrial category for Rice County. The importance of manufacturing can be seen as it is the largest employment sector. It accounts for 10% of workers in the area. Along with retail trade, health care, and accommodation and food services, these four sectors account for almost one-third of all employment.

**TABLE 3**  
**EMPLOYMENT BY INDUSTRY\***  
**(2010)**

<b>Industry</b>	<b>Average Establishments</b>	<b>Average Employment</b>
Agriculture, Forestry, Fishing & Hunting	20	214
Mining	15	74
Utilities	***	***
Construction	20	85
Manufacturing (31-33)	18	360
Wholesale Trade	24	147
Retail Trade (44-45)	39	286
Transportation and Warehousing (48-49)	14	122
Information	7	37
Finance and Insurance	16	139
Real Estate and Rental and Leasing	3	5
Professional and Technical Services	23	172
Management of Companies and Enterprises	N/A	N/A
Administrative	12	125
Educational Services	***	***
Health Care and Social Assistance	19	232

Arts, Entertainment, and Recreation	4	23
Accommodation and Food Services	20	243
Other Services, Ex. Public Admin	21	59
Total, All Industries	343	3,629

*Source: Kansas Department of Labor, Labor Market Information Services*

Note: Asterisks indicate non-disclosable data. Excludes "governmental" employment.

Most of those residing in the market area work in Rice County. According to 2009 Census estimates, 70% of all workers (16 years and older) who reside in the market area work in Rice County. However, 30% work in another county in Kansas, most in surrounding counties.

## **B. Market Area Employers**

There are sixteen employers with 25 or more employees in Rice County. Salt mining accounts for over 200 employees. The school districts, county government, and the Rice County Hospital are three relatively large employers. A new ethanol plant opened recently. In addition, a new Pamida store opened in 2009. Lyons and Sterling are the locations of most employers in the county.

**TABLE 4**  
**LARGE MARKET AREA EMPLOYERS**

<u>Employer</u>	<u>Product/Service</u>	<u>Employees</u>
USD #405	Education	254
Rice County Hospital Dist. 1	Health Care	200
Compass Minerals	Salt Mining	139
Sterling College	Higher Education	109
USD #376	Public Education	105
Rice County	Government	90
Cal-Maine	Poultry products	94
Good Samaritan Center	Long term care	55
Lyons Salt Co.	Salt Mining	66
JaCam Chemical	Chemicals and Proc.	99
City of Lyons	Government	30
Kansas Ethanol	Ethanol	38
KMW	Agric Equipment	41
Presbyterian Manor	Long term care	56
Sterling Services	Outsourcing products	35

Source: Rice County Economic Development, 2011.

## **C. Area Wages/Salaries**

Rice County average weekly salary data by major industrial category is presented in Table 5. The overall average weekly salary is \$551. Four industries have average salaries exceeding \$800 per week: Administrative, Wholesale Trade, Mining, and Transportation and Warehousing.

**TABLE 5**  
**AVERAGE WEEKLY SALARY BY INDUSTRY\***  
**(Rice County, 2010)**

<b>Industry</b>	<b>Average Weekly Wage</b>
Agriculture, Forestry, Fishing & Hunting	\$639
Mining	\$809
Utilities	***
Construction	\$649
Manufacturing (31-33)	\$725
Wholesale Trade	\$879
Retail Trade (44-45)	\$335
Transportation and Warehousing (48-49)	\$1,199
Information	\$747
Finance and Insurance	\$692
Real Estate and Rental and Leasing	\$131
Professional and Technical Services	\$321
Management of Companies and Enterprises	\$0
Administrative	\$805
Educational Services	***
Health Care and Social Assistance	\$482
Arts, Entertainment, and Recreation	\$180
Accommodation and Food Services	\$187
Other Services, Ex. Public Admin	\$441

Total, All Industries \$551

*Source: Kansas Department of Labor, Labor Market Information Services*

\*Excludes government, education and utilities (NA)

## **4. DEMOGRAPHIC ANALYSIS**

### **A. Population Trends**

Table 6 outlines population changes in the market area. Its population was 3,817 in 2010. This was a loss of 469 persons (-10.8%) since the year 2000. The area's population actually grew in the 1990's. The City of Sterling lost over 300 persons in the last decade with a 2010 population of 2,328.

**TABLE 6**  
**POPULATION TRENDS**  
**(Market Area)**

Year	Population	Total Change	% Chng	Ann. Chng	Ann. % Chng
1990	3,959	-----	----	----	----
2000	4,282	323	8.2	32	.8
2010	3,817	-469	-10.8	-47	-1.1

Source: U.S. Census Bureau, 1990, 2000, and 2010.

Table 7 profiles age trends in the market area between 2000 and 2010. The fastest growing age segment was the 55-64 group (almost 27%). Two other age groups also grew: the 85 and older group and the 45-54 age group. All other age groups declined, including the number of young adults and children. These groups are those typically needing "affordable family housing" of all types.

These trends indicate that future housing demand will grow for projects serving the oldest seniors (such as assisted-living and long term care) and "active" seniors desiring larger, maintenance free units with garages and amenities.

in the market area. The number of persons in "group quarters" grew significantly in the 1990's and then declined in the last decade, primarily due to a decline in nursing home admissions and other group living settings.

**TABLE 9**  
**HOUSEHOLD TRENDS**  
(Market Area)

<u>Year</u>	<u>Households</u>	<u>In Group Quarters</u>	<u>Persons per HH</u>
1990	1,443	332	2.51
2000	1,458	726	2.44
Change	15	394	-.07
% Change	1.0	118.6	----
2010	1,384	509	2.39
Change	-74	-217	-.05
% Change	-5.1	-29.9	---

Source: U.S. Census Bureau, 1990, 2000, 2010.

In 2010, 69% of the market area's households lived in "family" households. Thirty-eight percent of family households had children under age 18. At the same time, a noticeable number of persons in households live alone: 27%. In other words, households are getting smaller, a noticeable number live alone, and many families do not have children living at home.

These household trends indicate a demand for units geared to smaller, older families. In fact, the number of households with someone age 55 or older, grew by 8.3% over the last decade. Those with someone age 65 or older grew by 7%. There are currently an estimated 682 households with someone 55 or older in the market area.

Table 10 profiles renter households in the market area. In 2010, almost 73% of all renter households had two or fewer persons living in them. In fact, 44% have only one person. This is due to both the presence of Sterling College and the high number of older adults in the market area. Only 16% of rentals have four or more persons. This indicates a need for bedroom options in new housing units with the emphasis on two-bedroom units.

**TABLE 10**  
**PROFILE OF RENTER HOUSEHOLD SIZE**  
(Market Area)

Households By Size   % Of All Households

One Person	128	42.8
Two Persons	89	29.8
Three Persons	35	11.7
Four Persons	20	6.7
<u>Five Or More</u>	<u>27</u>	<u>9.0</u>
Total	299	100.0

Source: U.S. Census, 2010.

**C. Household Income**

Table 11 presents a year 2010 household income profile of both renter households and age 55+ households in the market area. This profile is based on 2010 Census households and income data from the American Community Survey, 2005-2009. The tables will be used to assist in determining the demand for the four housing markets in the last section of this report.

The table indicates that 51% of all households have incomes below \$15,000 and could not afford to live in a tax-credit project without rental assistance. Approximately 29% have incomes over \$35,000 and would exceed Housing Tax Credit income guidelines. Some households in the \$15,000 to \$34,999 income group would be able to afford typical tax-credit rents. Unfortunately, this number is relatively low at only 20%.

**TABLE 11**  
**RENTER HOUSEHOLD INCOMES**  
(Market Area, 2010)

<u>Household Income</u>	<u>No. Of Households</u>	<u>% Households</u>
Less than \$9,999	105	35.1
\$10,000 - \$14,999	48	16.1
\$15,000 - \$19,999	16	5.3
\$20,000 - \$24,999	19	6.5
\$25,000 - \$34,999	23	7.8
\$35,000 - \$49,999	36	12.1
<u>\$50,000+</u>	<u>52</u>	<u>17.1</u>
Total	299	100.0

**AGE 55+ HOUSEHOLD INCOMES  
(Market Area, 2010)**

<u>Household Income</u>	<u>No. Of Households</u>	<u>% Households</u>
Less than \$9,999	35	5.2
\$10,000 - \$14,999	88	12.9
\$15,000 - \$19,999	93	13.7
\$20,000 - \$24,999	75	11.0
\$25,000 - \$29,000	12	1.7
\$30,000 - \$34,999	58	8.5
\$35,000 - \$49,999	135	19.8
<u>\$50,000+</u>	<u>186</u>	<u>27.2</u>
Total	682	100.0

Source: U.S. Census, 2010 and American Community Survey, 2005-2009.

For older households, in the table above, over 18% have incomes under \$15,000 and would have trouble qualifying for tax-credit units without rental subsidies. Another 56% have incomes exceeding \$35,000 and would only qualify for "market rent" housing. Those in the middle, 26%, would potentially qualify for a tax-credit housing unit.

One area of concern is "rent-overburden". This is the number of renter households that pay more than 30% of their monthly incomes in rent. Those paying high percentages have less cash left over for other necessities. In the market area, this percentage was relatively high at 49%, probably due to the presence of the college students in the market area. For older households (in this case those 65 or older), 71% are paying more than 30% of their annual incomes for rent according to Census estimates in the American Community Survey, 2005-2009.

## **5. HOUSING ANALYSIS**

### **A. Housing Tenure**

Table 12 outlines a housing tenure profile for the market area based on U.S. Census data. Between 1990 and 2000, occupied rental units declined by over 13% with a loss of 45 units. Owner units actually increased by 6% with a gain of 64. In 2000, 22% of all units were rentals. This percentage has declined over time. Since 2000, total occupied units have declined by 5%, with rental units declining by over 7%, indicating potential demand for new single and multi-family housing to replace lost housing stock.

Table 13 profiles the market area's housing by age and tenure. The normal high level of home ownership among older age groups is evident. Home ownership increases directly with age until age 65. Almost 74% of households age 15-24 are renters compared to only 13% of those 55-64. Those age 25-34 also have very high rent levels, at 34.6%.

Overall, there are a total of 299 renter households in the market area. They represent almost 22% of all households. Of the 55 and older households, 17.8% are renters.

**TABLE 12**  
**OCCUPIED HOUSING UNITS BY TENURE**  
**(Market Area)**

<u>Year</u>	<u>Occ. Units</u>	<u>Owner</u>	<u>%</u>	<u>Renter</u>	<u>%</u>
1990	1,443	1,072	74.3	371	25.7
2000	1,458	1,136	77.9	322	22.1
Change	15	64	3.6	-45	-3.6
% Change	1.0	6.0	--.--	-13.2	--.--
2010	1,384	1,085	78.3	299	21.7
Change	-74	-51	.4	-23	-4.5
% Change	-5.1	-4.5	--.--	-7.4	--.--

Source: U.S. Census, 1990, 2000, 2010.

**TABLE 13**  
**TENURE BY AGE OF HOUSEHOLDER**  
**(Market Area, 2010)**

<u>Age of Householder</u>	<u>Owner</u>	<u>Renter</u>	<u>% Renter</u>	<u>Total</u>
15 – 24	16	45	73.8	61
25 – 34	102	54	34.6	156
35 – 44	139	35	20.1	174
45 – 54	248	63	20.3	311
55 – 64	246	37	13.1	283
65 – 74	176	30	14.5	206
75 – 84	119	25	17.4	144
85+	39	10	20.4	49
Total	1,085	299	21.6	1,384

Source: U.S. Census, 2010

## **B. Housing Construction Trends**

In the City of Sterling, 27 single family and no multi-family units have been constructed since 2000 (Table 14). Multi-family numbers do not include a Sterling College dormitory. Overall, little housing construction activity has occurred during this decade.

Part of the area's problem is an aging housing stock. Just since 2000, the city has demolished 33 houses. Sixty-eight percent of all market area housing units were built before 1960 while only 19% have been built since 1980. In fact, over one-half of all residential units in the market area were built before 1950.

**TABLE 14**  
**RESIDENTIAL BUILDING PERMIT TRENDS**  
**(City of Sterling)**

<u>Year</u>	<u>Single Family</u>	<u>Multi-Family</u>
2000	3	0
2001	3	0
2002	1	0
2003	3	0
2004	0	0
2005	1	0
2006	3	0
2007	3	0
2008	2	0
2009	4	0
2010	2	0
<u>2011</u>	<u>2</u>	<u>0</u>
Total	27	0

Source: City Building Permits, City of Sterling.

## **C. Housing Stock Profile**

A detailed housing stock inventory is presented in Table 15. The market area experienced a slight growth of 2% in the available housing stock between 1990 and 2000. However, the number of housing units decreased by almost 4% since 2000 (a loss of 64 units).

The overall estimated rental vacancy rate in 2010 was 9.4%. The Census tends to overstate vacancy rates and this was confirmed by local interviews that suggest a much tighter rental market. In addition, only 6% of all housing units were multi-family.

**TABLE 15**  
**HOUSING STOCK PROFILE**  
(Market Area)

Market Area

1990 Stock	1,644 Units
2000 Stock	1,677 Units
Total Change	33
% Change	2.0
2010 Stock	1,613 Units
Total Change	-64
% Change	-3.8
Rental Vac. Rate	9.4

Number of Units in Structures (2009)

1	1,580
2-9	99
10+	5
Mobile homes	89

Source: U.S. Census, 1990, 2000, 2010. "Units in structures" from 2009 estimates in the American Community Survey, 2005-09.

Typical measures of substandard housing are low for the market area. It had no units lacking complete plumbing facilities in 2009. It also had no units with more than 1 person per room. However, these measures do not reflect the overall physical condition of housing. Sterling has a large number of rental units and single family homes over 40 years sold.

**D. Rents and Bedroom Mix**

According to the American Community Survey, 2005-2009 by the U.S. Census Bureau, 36% of all market area rental units rented for less than \$200. Thirty-six percent rented for between \$200 and \$300. Only 28% rented for more than \$300. Any new housing constructed with tax credits should set its rents somewhat below the maximum allowable under the program to remain competitive with these relatively low rents.

Of all rental units in the market area:

- 38% have one-bedroom/studio
- 47% have two-bedrooms
- 12% have three-bedrooms

12% have four or more

New rental projects should emphasize two-bedroom units both for older adults and young families. Single-family units should emphasize three-bedroom designs.

## **E. Existing Rental Housing**

Existing multi-family rental housing opportunities in the market area were inventoried. Rental housing conditions were also assessed by a site visit and conversations with local housing project managers and knowledgeable officials, including members of the local housing committee.

Overall, those interviewed felt there was a need for more family housing, either "nice rentals" or affordable single-family homes for professionals coming to Sterling College or for local employees. A need for "two and three-bedroom" units was cited. A number of area employees work outside the market area in Hutchinson, Lyons, or McPherson.

Others did cite a need for more "elderly" housing to free up single-family houses for younger families. Local multi-family projects serving older adults are full and there are few two-bedroom units available for younger, active seniors who want more living space.

The rental market is very tight for well-maintained units, partially due to Sterling College student demand. No new rental units have been built since 1990. Rents in the area tend to range between \$350 to \$500 according to a local realtor. The "for-sale" market is slow with selling times up to one year. In addition, there are quite a few "for sale by owner" homes in the market area. Recent selling prices range widely from \$30,000 to \$140,000. Older, smaller homes that come on the market sell much slower than newer homes. Newer single-family homes are considered to be "in great demand".

The following table summarizes the multi-family projects in the market area. A total of 76 units were found. Forty-one percent were occupied by older households. Over 95% percent of all units are over twenty years old and 60% are over 30 years old. There were no vacancies at the time of the site visit and one project had a waiting list.

The market area has only three projects that are multi-family rentals. There are also two single-family rental homes in Nickerson funded by the tax credit program and operated by Interfaith Housing in Hutchinson. Just outside the market area, they were included below.

The first project is Sterling Apartments in Sterling, Kansas. It is a Rural Development project with 16 units. It was built in 1988 with 8 one-bedroom and 8 two-bedroom units. Fifteen of these have rental assistance and target those with very low incomes. This project was full.

The second project is Jefferson Plaza. It is operated by the Sterling Housing Authority. It is open to all ages but 26 of its 46 units are occupied by "elderly or disabled persons". Thirty units were

built in 1971 and 16 more were added in 1980. It is full with a waiting list. Eighty percent of its units have either one or two bedrooms.

There are other scattered single-family homes rented out to families and students.

Table 16 outlines a housing inventory of elderly and family multi-family projects in the market area (see Appendix for photos of example projects).

**TABLE 16**  
**HOUSING INVENTORY: RENTALS UNITS**

<u>Project</u>	<u>Units</u>	<u>Type</u>	<u>Bedrooms</u>	<u>Vacancies</u>	<u>Yr. Built</u>	<u>Rents</u>
Interfaith Hsg (Nickerson)	2	HTC (All 50%)	All 3 Bm Single-family houses	0	2005	\$460 plus utilities
Sterling Apts.	16	RD	8 1 Bm 8 2 Bm	0	1988	\$415-\$563 \$471-\$665 (15 - RA)
Jefferson Plaza (All ages)	46	HA	26 1 Bm 11 2 Bm 8 3 Bm 1 4 Bm	0	1971/1980	30% Adjusted inc. 29 residents are 62+ or disabled
Presbyterian Mn	12	Senior (Independent Living with amenities included in rent)	All 2 Bm	0	1980's	Market Rent \$648-\$790

Source: Site visit to Sterling, fall of 2011.

There is a noticeable lack of newer multi-family units with garages and larger living spaces, both for families and older adults. There is also a lack of availability of "affordable" rental units for older adults and families.

## **F. Barriers to Development**

Several major barriers are present that can stifle the development of new housing in rural communities. These are: lack of capital, the high costs associated with developing small projects, lack of market support, lack of creative support from the local community (especially lending institutions and city governments), and general inaction. Rural housing development requires vision, creativity and persistence.

There are numerous funding mechanisms in place to assist communities and organizations with new (and rehabilitation) housing construction. These exist for both single and multi-family development. A brief description of commonly used programs can be found in Appendix 1.

Kansas has many examples of innovative housing developments. The local housing committee should investigate these in more detail as well as exploring the Kansas Housing Resource Corporation's programs and other funding programs.

## 6. HOUSING DEMAND FORECAST

Housing demand models are presented below for several key housing markets: (A) Tax Credit rentals for 55 and older households (B) Market rent rentals for older adults (C) Tax Credit rentals for families (3) Market Rent rentals for families and (4) Single-family homes for first time home buyers. These housing markets are analyzed according to the Housing Tax Credit methodology and other acceptable techniques. The models incorporates household income levels, number of households in the market area, existing comparable multi-family rental units targeting families in comparable rent ranges, and an acceptable market penetration level for a new project.

The tax-credit demand model will be used with 30% of annual income being the maximum that a potential resident can pay for rent (including utilities). This model also uses the latest Sterling area income limits, Kansas HTC income-rent tables, and estimated project rents provided by an area developer and operator. The demand for tax-credit units at 50% and 60% levels will be analyzed along with "market rent".

### **A. Tax-Credit Units for 55+:**

**TABLE 17**  
**HOUSING DEMAND MODEL: 55+ TAX CREDIT**  
**(Market Area)**

#### Market Definition Steps:

	682	<u>50-2B</u>	<u>60%-2B</u>	<u>Total</u>
1. Year 2010 55+ households	682			
2. Qualifying HTC households	90	90	94	168
3. Existing comparable housing units		-11	-0	-11
4. Potential demand (in units)	75	75	94	157

	<u>50-2B</u>	<u>60%-2B</u>	<u>Total</u>
5. Probable demand with 3% market penetration	3	3	5
6. Example proposed unit mix	3	3	6
7. Proposed project <b>capture rate %</b> (with 6 units)		3.8%	
8. Maximum project size at <b>3.8% penetration rate</b>			<b>6 units</b>

Target market households include all 55 and older households that could afford the gross rents as set by an area developer (including estimated utility costs for the project of \$117 for a two-bedroom unit and \$150 for a three-bedroom house). These gross rents are:

\$417 two-bedroom at 50%  
\$492 two-bedroom at 60%

In this model, households can spend up to **30%** of their annual incomes on rent. Many qualifying market area renters already pay more than 30% of their annual incomes on rent based on the “rent overburden” in the market (@ 71% for 65+ households).

The number of current multi-family rental units (by bedroom type and rent) occupied or available to older adults was deducted from those able to afford the proposed project. This amounted to a total of 11 units: using only comparable units by rent and bedroom type.

These adjustments resulted in a total demand for: an additional 3 two-bedroom units at the 50% level and 3 at the 60% level.

Accounting for income overlap and using a 3.8% market penetration figure, the market area can support 6 tax-credit 55+ units. The 3.8% figure is conservative given the high occupancy levels in existing units serving older adults in the market area. Absorption rates should be strong given the small number of units. It is estimated that a six unit project should achieve 95% occupancy within nine months of opening.

## **B. Market Rent Units for 55+:**

**TABLE 18**  
**HOUSING DEMAND MODEL: 55+ MARKET RENT**  
**(Market Area)**

### Market Definition Steps:

1. Year 2010 55+ households	682
<u>2-Bm - \$600/month Rent</u>	
2. Qualifying households (30%)	391
3. Existing comparable housing units	-12
4. Potential demand (in units)	379
5. Probable demand with 3% market penetration	11
6. Example proposed unit mix	8
7. Proposed project <b>capture rate %</b> (with 8 units)	2.1%

Target market households include all 55 and older households that could afford a rent of \$600 a month. This would be an independent-living project with maintenance, garages, and two-bedroom units. Other services, like those provided by Presbyterian Manor such as meals and housekeeping, would not be included in the \$600 per month figure.

In this model, households can spend up to **30%** of their annual incomes on rent.

The number of current rental units geared to older adults was deducted from those able to afford the proposed project. This amounted to the 12 units at Presbyterian Manor.

These adjustments resulted in a total demand for up to 11 market rent units at a very conservative 3% market penetration rate. An example 8 unit project would require only a 2% capture rate to achieve 100% occupancy.

at the 50% level and 2 at the 60% level; an additional 1 three-bedroom unit at the 50% level and 1 at the 60% level. Using a 10% market penetration rate, the proposed project could support:

- 1 two-bedroom unit at the 50% level
- 2 two-bedroom units at the 60% level
- 1 three-bedroom unit or house at the 50% level
- 1 three-bedroom unit or house at the 60% level

These demand numbers are relatively low for a rural project and would probably require additional types of units added to the development to make it financial feasible.

Accounting for income overlap and using a 10% market penetration figure, the market area can support only 3 tax-credit family units. The 10% figure is conservative given the high occupancy levels in existing units serving moderate income families in the market area. To fill a 2 unit project would require a capture rate of 8%. This is moderate and indicates a high probability of project success (high occupancy and absorption rates).

Absorption rates should be strong given the small number of units. It is estimated that the project should achieve 100% occupancy within nine months of opening.

#### **D. Market Rent Units for Families:**

**TABLE 20**  
**HOUSING DEMAND MODEL: FAMILY MARKET RENT**  
**(Market Area)**

##### Market Definition Steps:

1. Year 2010 renter households	299		
		<u>2-Bm-\$725/mo.</u>	<u>3-Bm-\$850</u>
2. Qualifying households (30%)	26		39
3. Existing comparable housing units		-0	-0
4. Potential demand (in units)	26		39
5. Probable demand with 10% market penetration	3		4
6. Example proposed unit mix	2		2
7. Proposed project <b>capture rate %</b> (with 4 units)		8%	

8. Maximum project size at **10% penetration rate** **6 units**

Target market households include all rental households that could afford a two-bedroom rent of \$725 and a three-bedroom rent of \$850. This would be a project with maintenance, garages, and other amenities.

In this model, households can spend up to **30%** of their annual incomes on rent. This would require a minimum of \$29,000 a year for a two-bedroom unit and \$34,000 for a three-bedroom unit. It is also assumed that most households making over \$50,000 annually would be unlikely to rent.

There are no "family" rentals in the market place available at these rent levels nor are there any not tied to household income.

These adjustments resulted in a total demand for up to 3 two-bedroom units and 4 three-bedroom units. To fill a 4 unit project would require an 8% capture rate. This is reasonable based on the lack of availability of family housing in the area.

**E. First-time Home Buyers:**

**TABLE 21**  
**MARKET AREA SINGLE-FAMILY DEMAND**  
**(First-Time Home Buyers)**

1. Current Renter Households	299	
<u>New Home Cost:</u>	<u>\$110,000</u>	<u>\$125,000</u>
2. Qualifying Households Able to Afford New Home Cost (total monthly Mortgage Payment cannot exceed 30% of income).	8-17	3

Target market households include only renter households that qualify for the first-time home buyers program. Two potential new home costs were used: \$110,000 and \$125,000. Households can spend a maximum of 30% of their annual incomes on mortgage payment (including insurance, taxes, principle and interest. In addition they cannot make more than either \$38,700 as a 3-person household or \$42,950 as a 4-person household.

Other requirements also exist (such as a modest contribution to buying costs). The mortgage payment was determined using the Freddie Mac 30-year mortgage payment calculator at the time of this report. An addition .5% interest was added to this amount for a total rate of 4.61%

The model also used the local property tax valuation/rate (all taxing entities for a home in the City of Sterling) and assumed typical home-owner's hazard and mortgage insurance premiums (determined with local input).

An range of between 8 and 17 renter households would qualify for a \$110,000 home. A conservative approach would push the demand closer to 8. As the price of the home rises, the number of qualifying households drops rapidly. For a \$125,000 home, only 3 households would qualify (and these are 4-person households only).

First time home buyers are considered those that have not owned a home in the last 3 years.

## **F. Other Considerations**

The demand models assume continued stability within each of the target household groups. However, the Sterling and market area populations have been declining. At the same time, those over age 55 have been increasing (and are projected to continue increasing). Younger age households have been declining in number.

The market area has a relatively high level of older rental and home owner stock. All the multi-family rentals are over 20 years old. Over time, this stock will need replacement. Sterling has been experiencing some local employer growth which could strengthen the housing market. At the same time, if new housing options are not pursued, the area could lose potential employment.

The 2011 Kansas Housing Resource's Corporation Allocation Plan calls for units to be built at a rate that is below the Fair Market Rent for the area in which it is located. Most of the analyzed potential project rents are below the Fair Market Rents. Sterling also has a population of 2,328, under the 5,000 population criteria in the Plan.

With small projects in rural communities, an often used strategy to is develop a project in phases as units fill up.

## **7. CONCLUSIONS**

This analysis indicates a market for several types of new housing in Sterling. Table 22 summarizes the results of this research.

**TABLE 22**  
**SUMMARY OF HOUSING MARKET ANALYSIS**

<u>Housing Market</u>	<u>Potential Demand in Units</u>
55+ Tax Credit	6
55+ Market Rent	8 - 10
Family Tax Credit	3
Family Market Rent	4 - 6
First Time Home Buyer	3 - 17

There is a need for more rental units in the market area, particularly for older adults. However, new family housing, both rental and owner is needed to replace the aging stock. The market area for the project includes southwestern Rice and northwestern Reno Counties,

Virden Associates is of the opinion that a market exists for several types of small housing projects, given the waiting list for affordable rental housing in the area and the aging of the population along with some local manufacturing growth. The ultimate success in achieving high occupancy rates in new rental projects will be related to the ability of management to both successfully market and manage it.

## APPENDIX 1: EXAMPLE HOUSING FINANCING PROGRAMS

### Kansas Housing Resources Corporation

1. The Low Income Housing Tax Credit program: for equity to develop rental housing. For households at 40%, 50% or 60% of the area's median income. Income maximums apply but households must be able to afford the established rent. The annual credit is good for ten years for up to 9% of qualified project costs.
2. HOME Rental Development Program: for Community Housing Development Organizations (CHDO's) and developers to assist with financing of new projects.
3. Bond issuances to finance projects for acquisition, construction or rehabilitation of rental projects (subject to restrictions).
4. First time home buyers (last three years), single-family housing with various options. Provides low interest loans with minimum down payments to qualifying households, a maximum of \$150,000 home cost.
5. Various other programs such as homeowners rehabilitation, weatherization, home buyers education and tenant based rental assistance.

### Other Programs

Various federal programs such as HOME, Federal Home Loan Bank, Affordable Housing Trust Funds, Rural Developments NOFA Rural Rental Program, etc.

## APPENDIX 2: SITE PHOTOS AND COMPARABLES

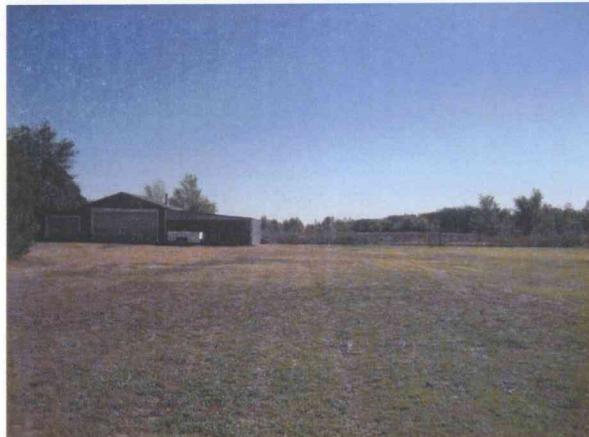
## POTENTIAL HOUSING SITE PHOTOS: STERLING, KANSAS



Site 1a: Graves: Looking north from site



Site 1a: Graves: Looking west across site



Site 1b: Fisher: Looking east across site



Site 1b: Fisher: looking north from site



Site 2: Bennett: looking east across site



Site 2: Bennett: looking west from site



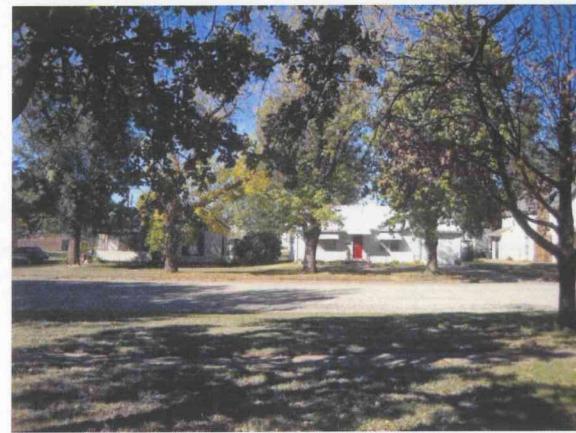
Site 3: Bender: looking east across site



Site 3: Bender: looking north from site



Site 4: Plett: looking east at site



Site 4: Plett: looking west from site



Site 5: Fite: looking west at site



Site 5: Fite: looking south across site



Site 6: Cosemea: looking north at site



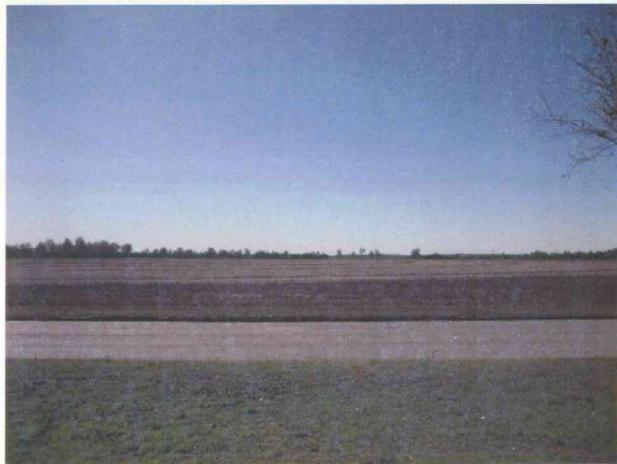
Site 6: Cosemea: looking east across site



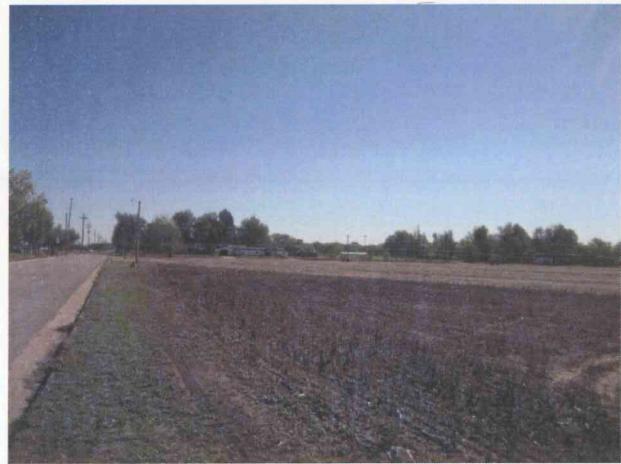
Site 7: Triangle: looking south at site



Site 7: Triangle: looking west from site



Site 8: Garfield St: looking south across site



Site 8: Garfield St.: looking east from site

## MARKET AREA RENTAL PROJECTS

### 1. Jefferson Plaza (Sterling Housing Authority): All ages but Senior emphasis



### 2. Sterling Apartments: Rural Development Age 62+



### 3. Presbyterian Manor: Market Rent Senior with services

