

Existing Supply: Affordable

Independence's supply of affordable rental options consists of a mix of LIHTC properties, public housing, and scattered, deeply-subsidized units.

Independence has a total supply of about 4,860 affordable units, including nearly 1,830 LIHTC units, 525 public housing units, around 2,360 units contained within scattered properties supported by housing choice vouchers and project-based section 8, and around 145 units supported through other rental assistance programs such as Section 202 (supportive housing for the elderly) and Section 811 (supportive housing for very low-income persons with disabilities). Independence is also home to Hawthorne Place Apartments, which is the largest affordable housing community in Missouri comprising of 745 units across 72 acres.

Affordable housing is an important component of a larger strategy to ensure demographic, economic, and housing diversity throughout Independence. Modern affordable models are a departure from the subsidized high rises common in the 1960s and 1970s, and offer attractive mid-rise construction and increasingly robust amenities that are similar to other contemporary apartments. Though subsidies and incentives are finite, a combination of these programs can be used to ensure the long-term provision of affordable units in improving neighborhoods, or dramatically improve the overall quality of the rental stock in struggling areas. In many communities, new resources are being created, including affordable housing trust funds, to more broadly address the need for affordable housing.



Source: CoStar 2021, Development Strategies 2021

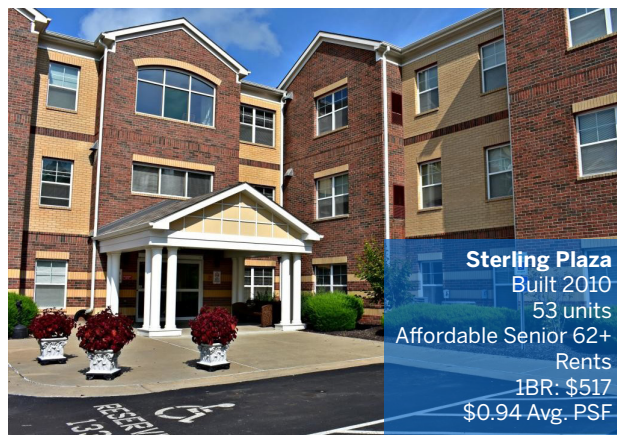
Existing Supply: Senior

A relatively small proportion of Independence's overall housing supply is tailored to the unique needs of senior residents.

The senior living market has steadily moved towards contemporary independent living, assisted living, and memory care communities that provide greater degree of independence for residents while providing assistance with activities of daily living in a comfortable, attractive environment. Independence has around 970 units dedicated to senior living, with a nearly equal split between affordable and market-rate units.

According to Genworth's 2020 Cost of Care Survey, the average monthly cost for a semiprivate room in a nursing home in Independence is \$6,844 compared to the national average of \$7,756. The median cost of assisted living in Independence is \$4,460 per month, which is slightly higher than the national average and significantly higher than other parts of the state. However, the average cost of independent living in Independence is \$1,000 per month. This is lower than the national median of \$2,550.

Both affordable and market-rate senior housing typologies serve a key purpose of providing quality housing options across several price points as Independence residents age. However, the distribution of these properties within the city is uneven with much of the market-rate options concentrated around the I-70/Route 291 interchange, in close proximity to CenterPoint Medical Center, while the affordable options are scattered across the city.



Source: CoStar 2021, Development Strategies 2021



Demand

There is demand for mid to upscale for-sale and rental options, senior housing options, and affordable housing of all types. The current condition of Independence's housing stock, particularly in older neighborhoods, is a key challenge in meeting demand.

Quantifying Demand

Demand for housing comes from a number of “demand segments,” which consist of existing residents and new residents moving to the city. Generally, the needs of these segments are different—many existing residents need access to quality affordable housing, while attracting new residents will require improving the conditions and marketability of neighborhoods and the city as a whole. For Independence to be successful and economically vibrant, it will need to address the housing needs of both segments.

Existing Residents

One primary goal of a housing study is to address the needs of existing residents. The existing housing stock is a result of a number of compounding factors such as historic housing policies, economic trends, and preferences of residents at various points in history. Slow growth over the past four decades has left much of the housing stock in Independence less competitive in today's housing market. While this is a major challenge citywide, housing needs vary significantly by neighborhood and resident income. Thus, a variety of approaches is required to address diverse needs. Some residents will

need help in upgrading their homes and public assistance in making housing payments, while others will benefit from investments in public amenities and efforts to improve desirability of the city and its neighborhoods.

New Residents

With approximately 18 percent of developable residential land in the city vacant, and potential to expand eastward in the future, there is capacity and to accommodate new residents. Therefore, the next tier of the demand analysis was identifying potential households who, assuming neighborhood and citywide improvements, would be interested in moving to Independence over other nearby cities. Understanding potential groups of new residents that the city can actively orient and market itself to is important to compete effectively within region for new residents. The city can take strategic actions to attract new residents to both fill its current vacancies and drive demand for new construction and renovations.

Demand Analysis

Determining market demand for the different needs and aspirations of existing and potential future residents requires a multi-faceted approach. To arrive at an overall housing demand for the city and project the scale of the city's future need, five different approaches were undertaken that contributes in different ways:

Conventional Demand Analysis

- Assesses income variables within the city to determine the amount and types of units that are affordable to existing residents.

Target Market Analysis

- Considers consumer profiles of residents within the market area to determine desirable housing products that can attract them to Independence.

Affordable Housing Demand

- Uses household income levels and projected population growth to determine future demand.

Senior Housing Demand

- Uses age group projections, senior demographic data, and supply information from the market to determine future demand.

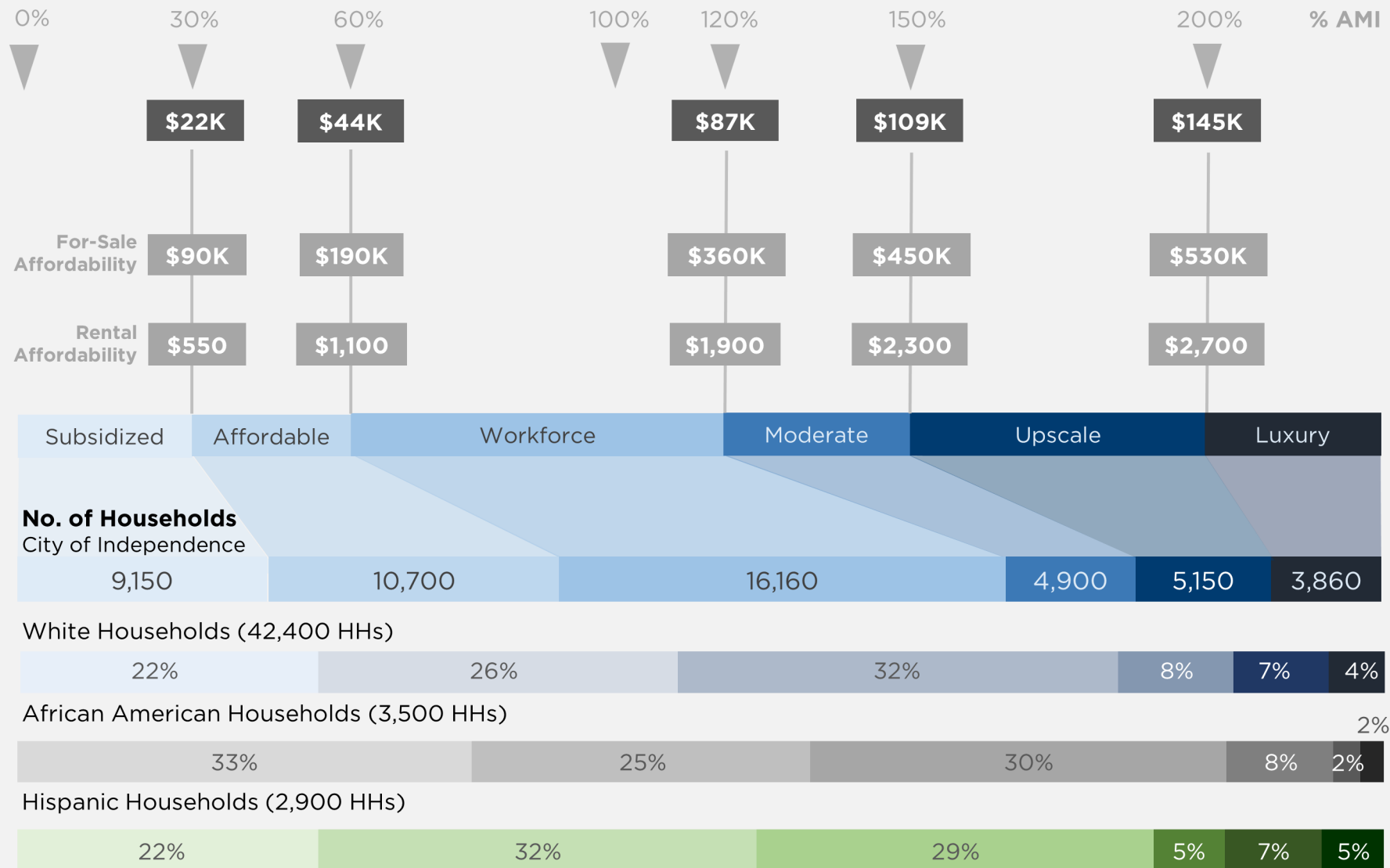
Migration

- Uses county to county migration data to understand inter and intra regional flow of population to compute demand.

Quantifying the number of households by affordability levels and product segments can inform the price and rent levels required, as well as inform the scale of the need in the market to address demand. The graphic on the right, distills the HUD-determined Area Median Income (AMI) of the region, adjusted for Independence's average household size, into various affordability levels defined in terms of the AMI. At each affordability level, ideal equivalent housing prices are set, so that no resident is cost-burdened. This allows us to break up the market into different segments, which corresponds to different types of housing products. Using American Community Survey data, the number of households in Independence that fall within each price bracket is also shown, with a further breakdown by race and ethnicity.

AFFORDABILITY METRICS AND INCOME DISTRIBUTION

\$72,432
HUD Median Family Income
Adjusted for Independence



Source: Income Limits 2021 - HUD, ESRI 2021, ACS 2019, Development Strategies 2021

Conventional Demand Analysis

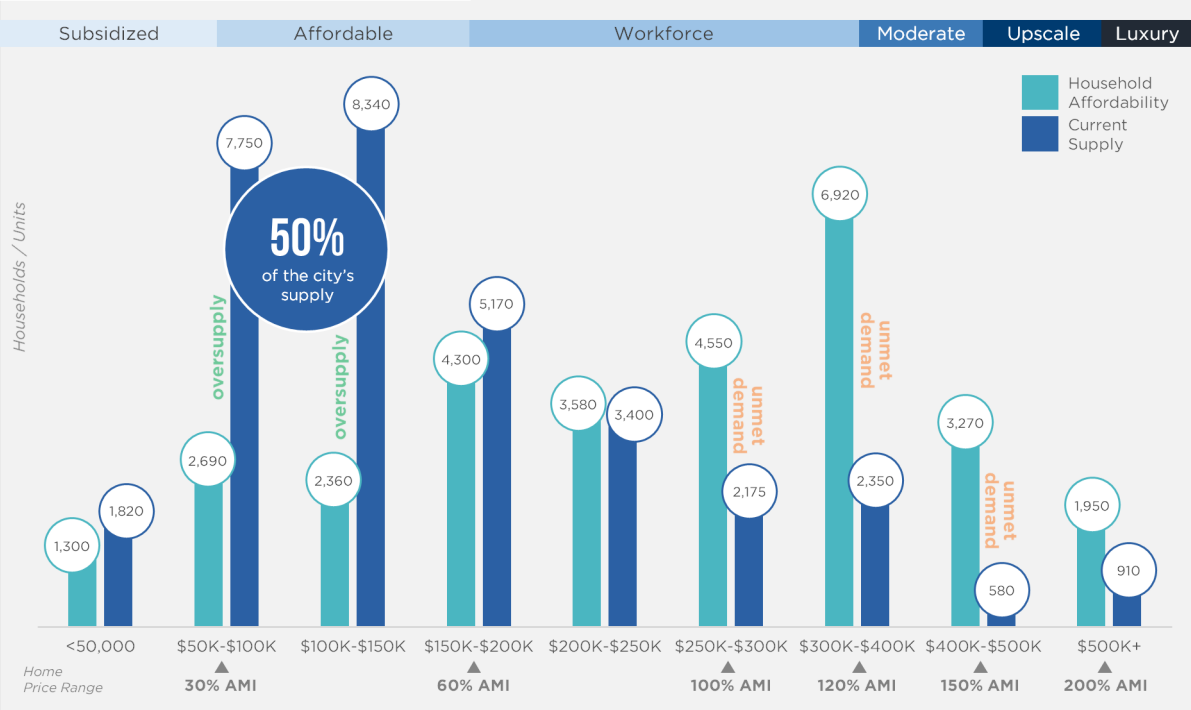
With slow population and household growth, quantifying demand for housing in the near term will be driven by the income and affordability levels of existing Independence households. Additional demand will be generated by attracting households from the broader metro area with diverse housing products currently absent in the market.

Quantifying Demand-Supply

Conventional market demand analysis uses household income data to determine for-sale and rental price points with the greatest degree of potential market support. Such analysis highlights potential opportunities for development where gaps exist between the existing supply and household affordability. This analysis can provide a more nuanced look at how an idealized spending for housing (without being cost-burdened) by households in the city line up with supply currently available in Independence.

The American Community Survey provides income distribution data by housing tenure, as well as the share of owner and renter households in Independence. The 'household affordability' bars represent the number of households able to afford residential products at various price points, taking into account appropriate housing spending patterns at various income levels, while remaining not cost-burdened. However, this does not represent their existing spending on housing. In some cases, households are spending more than what they actually afford on housing, while

AFFORDABILITY GAPS: OWNER



others may spend significantly less due to higher saving levels, or the absence of a desired housing typology, or any other factors.

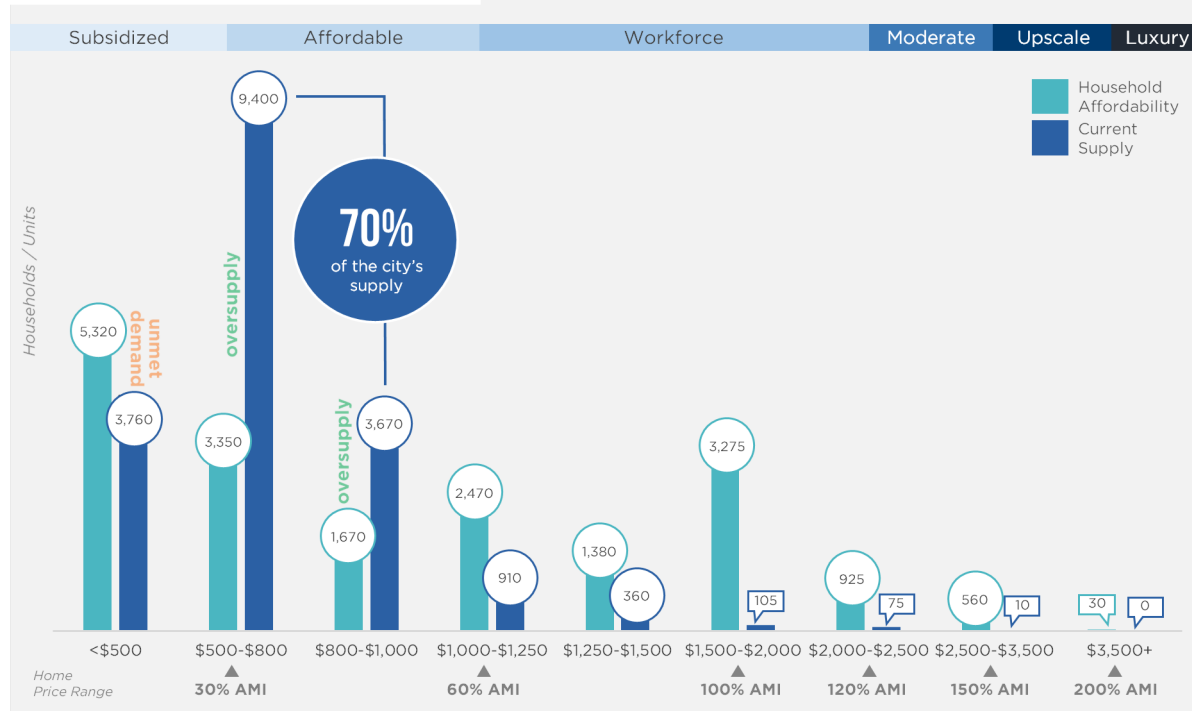
Each housing cost range (mortgage or rent) is assigned to a housing type to pair product with affordability, ranging from subsidized units to luxury housing products.

Affordability Gap Analysis: Owner

The affordability gap analysis graph shows a substantial oversupply of homes priced between \$50K and \$150K (within range of the Median Home Value of the city of \$140K), which is half of the supply in Independence. Note that the viability

of homeownership for many of the households in the lower AMI levels will vary in the real world. In an ideal case, an income at 100 percent Area Median Income allows for affording a home priced between \$250K and \$300K without being cost-burdened. This implies that the mismatch exists because a significant portion of the supply in Independence is of low value (likely because of its lower quality). Additionally, based on conversations with realtors and stakeholders, the oversupply of 'affordable' priced homes below \$150K, does not meet market preferences. Thus, a substantial portion of the existing supply is not marketable because of condition, style, location, or a number of other factors. A significant

AFFORDABILITY GAPS: RENTER



portion of the housing stock under \$100K can be rated “below average” condition, meaning that it requires significant upgrades and may not be suitable for habitation. While inexpensive to purchase, this housing is typically unaffordable because of the amount of work needed to stabilize it and therefore, much of this housing stock is not currently in the condition to meet housing needs. We arrive at this conclusion without using a housing stock quality input, as Independence does not currently have a parcel-level quality assessment of its stock. However, this type of mismatch in the results is common for older cities with low growth rates and older housing stock and therefore, can be established with a reasonable degree of certainty.

The affordability gap analysis for owners also shows that there are many households in Independence that could afford more expensive homes than they currently live in, specifically homes \$250K or higher. Prices within this range shows opportunity for new construction of single-family developments from moderate to luxury levels, while houses between \$100K and \$200K can see significant improvements in supply through renovations and rehabilitations.

Affordability Gap Analysis: Renter

The affordability gap analysis for renters takes the mismatch between idealized demand and supply even further. The oversupply in the ‘affordable’

segment, representing 70 percent of the city’s rental supply, points largely to low quality of the rental housing stock, especially in the private rental market. The high demand for publicly funded assisted housing, the low addition of newer affordable housing units, and the level of cost-burdened households in the city suggests the need for significant quality upgrades to the rental housing stock.

There is considerable unmet demand for very affordable housing—affordable to those earning at or below 30 percent of AMI—at rents \$500 and below. Additionally, there is substantial unmet demand for rental housing at workforce segment and above, or \$1,000 and up, which can be met with new construction, renovations and natural ageing of existing quality market-rate units.

Conclusions

The affordability gap analysis provides a high-level overview of where there are clear mismatches between supply and demand. However, several other factors are important to consider. Housing quality is generally substandard at lower affordability levels. While these units are “affordable” their condition leads to higher utility bills and potential health and safety hazards.

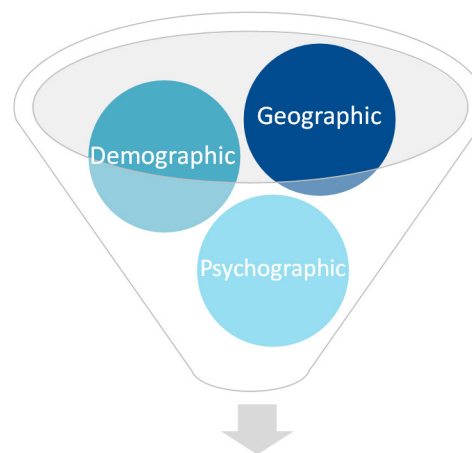
Smaller for-sale units—condos, townhomes—can be positioned at a more accessible price point for workforce and moderate-income households than larger detached single-family homes. Diversity in housing stock can fill these gaps and create a pathway to homeownership for a broader range of households. At the same time, renovating and repurposing the existing housing stock will be key to meeting short- and long-term demand and can be used to address a wide range of housing needs.

Target Market Analysis

Target market analysis is used to determine demand in the market based on consumer preferences, geography and demographic traits. These insights allow us to position the city to attract new residents with desired products.

Just as market segmentation is used to determine tendencies to buy different types of consumer products—including products as diverse as cars, computers, and dish soap—data on market segments can be used to identify demand for different types of housing products at a particular location. The segments present in Independence are identified using ESRI's Tapestry Segmentation™ data, which uses algorithms to link demographic, geographic, and psychographic data to create 67 unique geodemographic segments categorized in 12 “lifemode” groups. In other words, these “segments” are essentially 65 household groupings, each with their own unique combination of demographic (income, age, etc.), geographic, and psychographic (values, culture, etc.) characteristics.

According to ESRI, 20 distinct tapestry groups or household types exist in the city today, with varying demographics and consumer preferences distributed across the city. The graphic on the facing page shows the top four existing tapestry groups in Independence. Together, they represent the majority of around 59 percent, or 29,500 households in the city. The demographic, geographic location, and “Implied Affordability” - which shows the dominant price points for housing products - largely fit well within the



GEODEMOGRAPHIC SEGMENTATION

PSYCHOGRAPHIC

- Attitudes
- Values
- Culture
- Buying Patterns

DEMOGRAPHIC

- Age
- Gender
- Income
- Home Value
- Ethnicity
- Family Type
- Education

GEOGRAPHIC

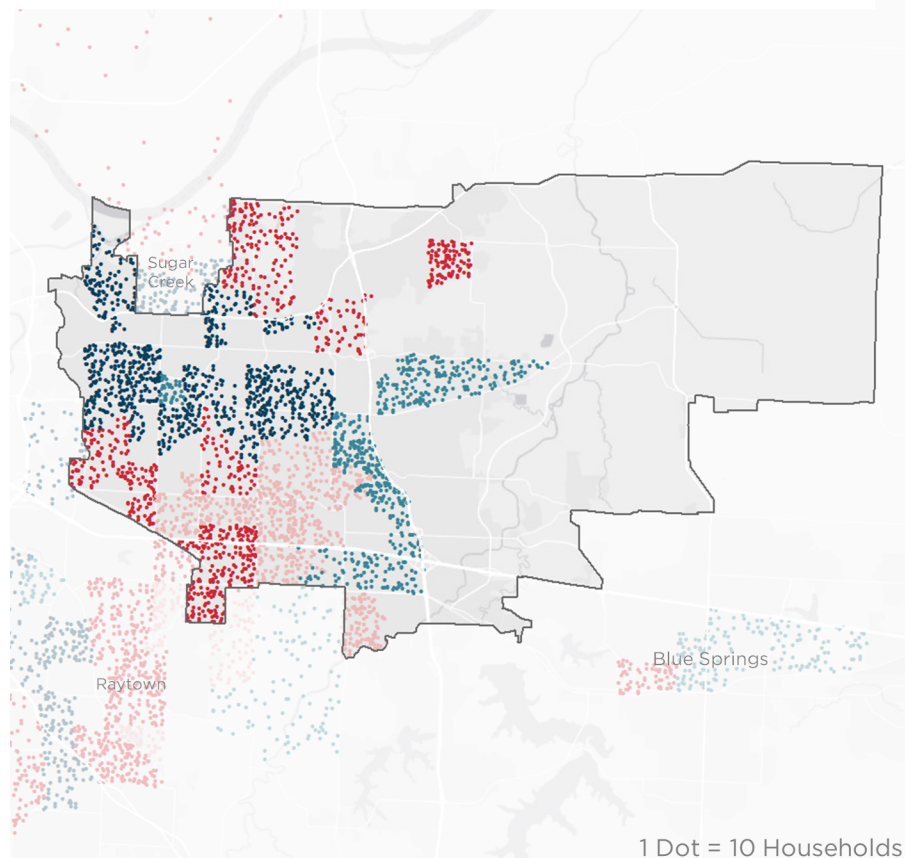
- Market Areas
- Cities
- Counties
- MSA's
- Neighborhoods
- Census Tracts

demographics and the housing supply of the city we see today.

Independence is competing in a regional market to attract new residents. In order for the city to compete effectively with its neighboring peers, the housing products available for rent and purchase in the city need to align more closely with dominant tapestry groups found in Jackson County, within the price points that the city has a mismatch with demand and supply. The graphics on the following pages illustrate the different tapestry groups that were identified - organized under three different lifemodes namely, “Affluent Estates”, “Family Landscapes”, and “Midtown

Singles” - so that the city can compete well in the regional housing market. “Affluent Estates” constitutes generally of tapestry groups that can afford products at the higher end of the market - mostly older married couples and young families with children, with high rates of homeownership. The set of “Family Landscapes” tapestry groups will best serve the need at the workforce to moderate housing price points for both new and upgraded for-sale and rental options, while the set of “Midtown Singles” tapestry groups will support housing in the workforce, affordable and subsidized housing segments of the market.

EXISTING TAPESTRY GROUPS IN INDEPENDENCE



IMPLIED AFFORDABILITY

TAPESTRY GROUP	HOME PRICE	RENT
Traditional Living	\$150k	\$610/mo
Rustbelt Traditions	\$200k	\$810/mo
Midlife Constants	\$210k	\$840/mo
Old and Newcomers	\$170k	\$710/mo



Traditional Living

Median Household Income
\$32,000

Median Age
36

Percentage of Ownership
59%

Average Household Size
2.5

Predominant Household Type
Couples, Small Families

Common Occupations
Production, Sales, Office and Administration



Rustbelt Traditions

Median Household Income
\$42,000

Median Age
39

Percentage of Ownership
71%

Average Household Size
2.5

Predominant Household Type
Couples w/o children

Common Occupations
Management, Office and Administration, Production



Midlife Constants

Median Household Income
\$44,000

Median Age
47

Percentage of Ownership
73%

Average Household Size
2.3

Predominant Household Type
Married Couples

Common Occupations
Management, Healthcare, Education



Old and Newcomers

Median Household Income
\$37,000

Median Age
39

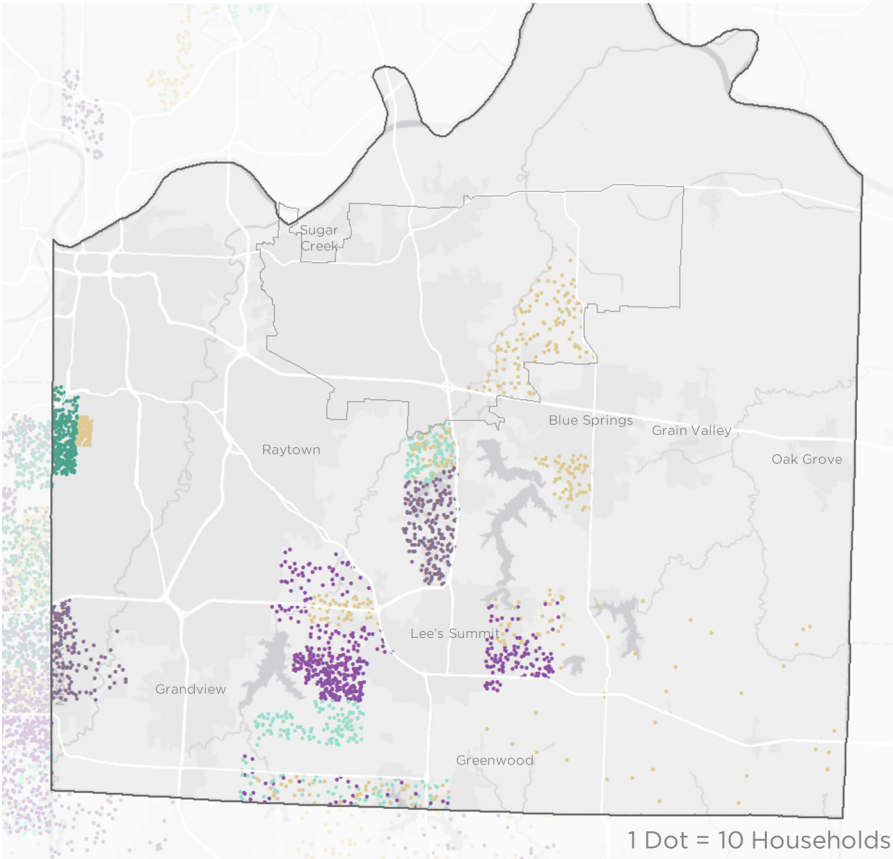
Percentage of Ownership
45%

Average Household Size
2.1

Predominant Household Type
Singles, Couples w/o children

Common Occupations
Management, Education

NEARBY TAPESTRY GROUPS: AFFLUENT ESTATES



IMPLIED AFFORDABILITY

TAPESTRY GROUP	HOME PRICE	RENT
Top Tier	\$670k	\$2,720/mo
Professional Pride	\$530k	\$2,170/mo
Boomburbs	\$430k	\$1,780/mo
Savvy Suburbanites	\$410k	\$1,710/mo
Exurbanites	\$400k	\$1,630/mo



Top Tier

Median Household Income
\$142,000

Median Age
47

Percentage of Ownership
90%

Average Household Size
2.8

Predominant Household Type
Married couples w/o children

Common Occupations
Management, Healthcare



Professional Pride

Median Household Income
\$113,000

Median Age
41

Percentage of Ownership
92%

Average Household Size
3.1

Predominant Household Type
Couples with children

Common Occupations
Management, Business and Finance



Boomburbs

Median Household Income
\$93,000

Median Age
34

Percentage of Ownership
84%

Average Household Size
3.3

Predominant Household Type
Couples with children

Common Occupations
Management, Healthcare, Business



Savvy Suburbanites

Median Household Income
\$89,000

Median Age
45

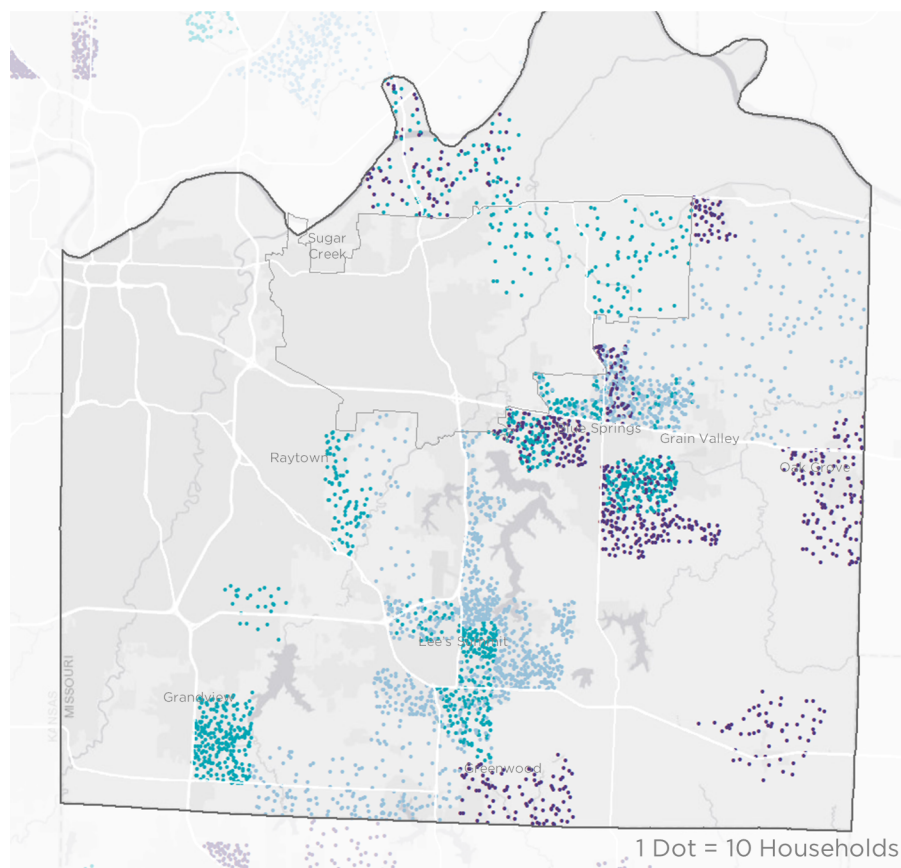
Percentage of Ownership
91%

Average Household Size
2.9

Predominant Household Type
Couples w/o children or with older children

Common Occupations
Management, Healthcare

NEARBY TAPESTRY GROUPS: FAMILY LANDSCAPES



IMPLIED AFFORDABILITY

TAPESTRY GROUP	HOME PRICE	RENT
Workday Drive	\$340k	\$1,850/mo
Home Improvement	\$280k	\$1,500/mo
Middleburg	\$230k	\$1,230/mo



Workday Drive

Median Household Income
\$74,000

Median Age
37

Percentage of Ownership
85%

Average Household Size
3.0

Predominant Household Type
Couples with children

Common Occupations
Management, Healthcare, Education



Home Improvement

Median Household Income
\$60,000

Median Age
38

Percentage of Ownership
79%

Average Household Size
2.9

Predominant Household Type
Couples with children, Singles

Common Occupations
Education, Sales, Management



Middleburg

Median Household Income
\$49,000

Median Age
36

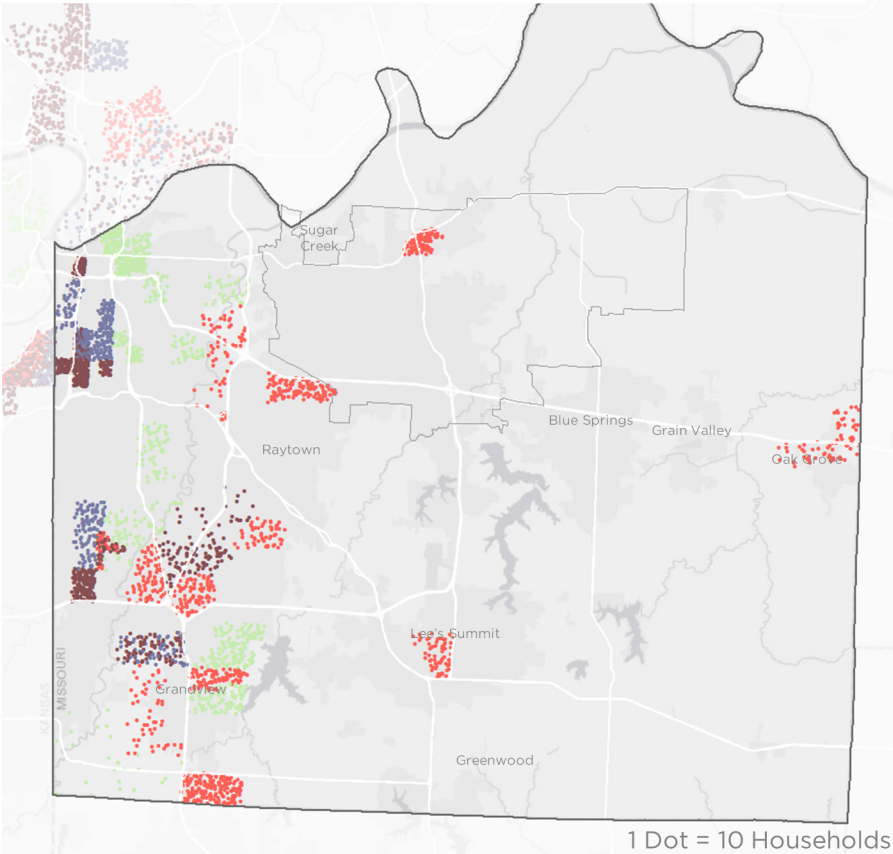
Percentage of Ownership
73%

Average Household Size
2.8

Predominant Household Type
Couples with children

Common Occupations
Management, Production, Office

NEARBY TAPESTRY GROUPS: MIDTOWN SINGLES



IMPLIED AFFORDABILITY		
TAPESTRY GROUP	HOME PRICE	RENT
Young and Restless	\$150k	\$830/mo
Metro Fusion	\$140k	\$730/mo
Set to Impress	\$130k	\$680/mo
City Commons	\$70k	\$380/mo



Young and Restless

Median Household Income
\$33,000

Median Age
30

Percentage of Ownership
13%

Average Household Size
2.0

Predominant Household Type
Singles

Common Occupations
**Management, Office,
Transportation**



Metro Fusion

Median Household Income
\$29,000

Median Age
29

Percentage of Ownership
24%

Average Household Size
2.7

Predominant Household Type
Singles, Single-parent Households

Common Occupations
Office, Transportation



Set to Impress

Median Household Income
\$27,000

Median Age
34

Percentage of Ownership
28%

Average Household Size
2.1

Predominant Household Type
Married couples with children

Common Occupations
**Office and Administration,
Sales**



City Commons

Median Household Income
\$15,000

Median Age
29

Percentage of Ownership
23%

Average Household Size
2.7

Predominant Household Type
Single-Parent Households

Common Occupations
**Office and Administration,
Sales, Services**

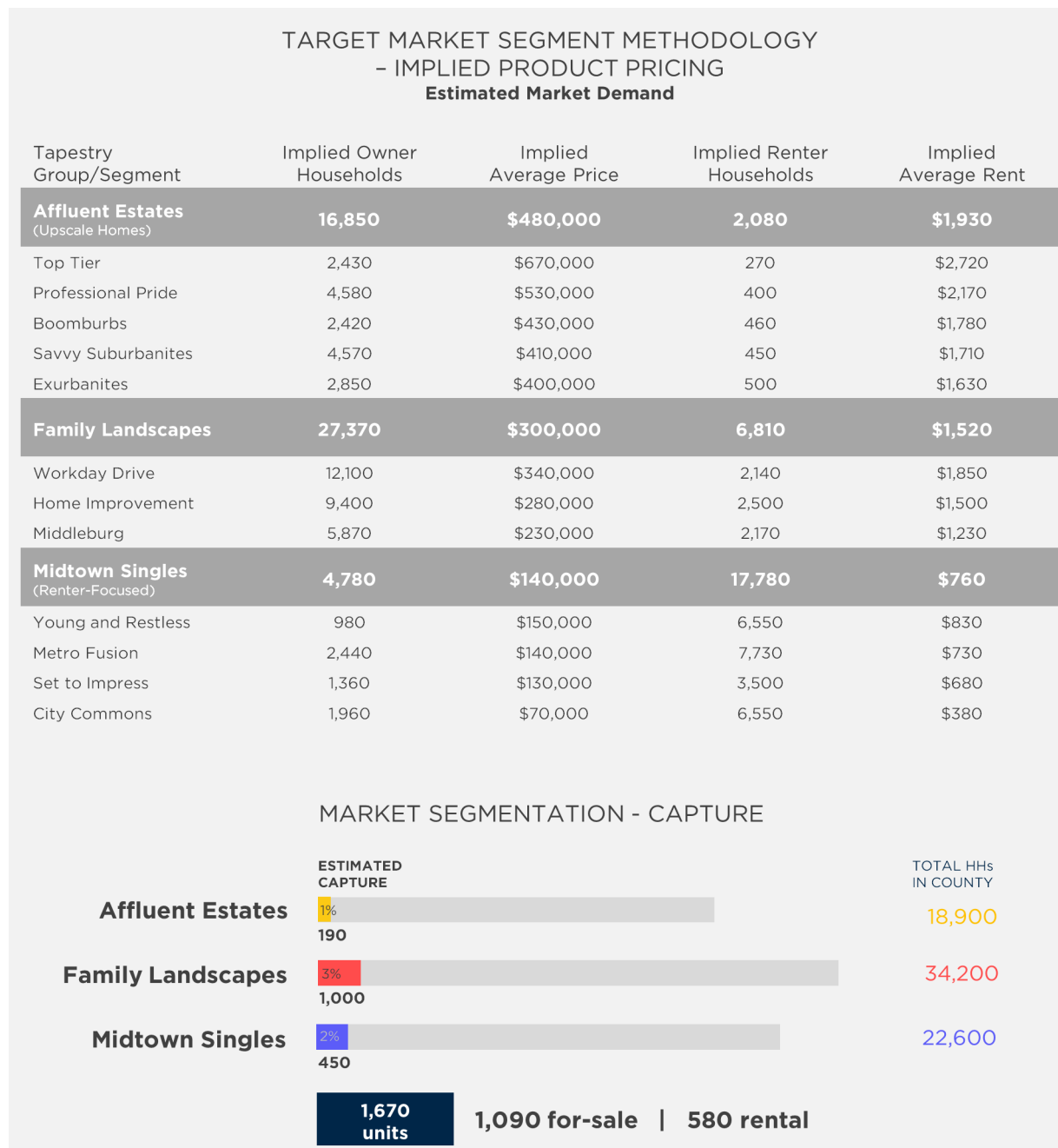
Conclusion

Target market analysis yields theoretical demand for just under 1,700 housing units in Independence today.

By applying a mathematical model to ESRI Tapestry Segmentation™ data on market segmentation, demand analysis of target market households with market-appropriate capture rates indicated support for about 580 rental units and 1,090 for-sale units in Independence from identified tapestry groups found in the county.

The graphic on the right shows the summary of existing owner and renter households of each tapestry group, and their implied housing product price point. Offering housing products within this range with architectural style, size, layouts, finishes and other consumer preferences can attract these new household groups to Independence.

New construction upscale and luxury for-sale and rental developments will be primarily driven by the “Affluent Estates” lifemode set of tapestry groups, while mostly rental housing products in the subsidized, affordable and workforce price points will attract tapestry groups in the “Midtown Singles” lifemode. The tapestry groups under the “Family Landscapes” lifemode, composed of mostly young families with children, will be in search of homes priced within the workforce to moderate price points, and are attracted by good performing schools, amenities oriented towards children, community recreational facilities and walkable, safe neighborhoods. Their demand will be met by moderately priced new homes and renovated homes upgraded with modern features.



Affordable Housing Demand

Affordable housing is typically developed with tax credits used as equity to help finance the development of a property, while subsidized housing is generally provided through federal programs that provide a rent subsidy. Increased targeting and usage of these subsidies throughout Independence could improve housing conditions for a large share of current residents.

The implications of the housing market analysis for affordable housing are significant. Low Income Housing Tax Credit and mixed-income properties help diversity the existing rental housing stock. Such properties provide quality residential options

in neighborhoods that cannot support market rate development.

Housing affordability for Jackson County is based on HUD-published household income limits for households, as well as tenure data from the ACS. Using this data, adjusted for Independence, there are roughly 19,850 households that would be income-eligible for units at 60 percent AMI. Of those, 9,150 households are very low-income households at or below 30 percent AMI. This far exceeds the existing supply of about 4,860 low-income affordable units in Independence. Some portion of this excess demand could be met with a combination of federal programs that include LIHTC, Section 8 subsidies, and other development incentives.

At achievable LIHTC rents, roughly 6,400 renter households in Independence would be income-qualified for affordable rental housing at 60 percent AMI without additional project-based rental assistance. Applying a capture rate of ten percent indicates that a series of affordable properties containing up to 640 additional units could be added to the market if appropriate sites are available. Section 8 vouchers or a similar form of rental subsidy would provide an additional demand pool of about 6,100 very low-income households.

