



CHAPTER

6

## HOUSING AND NEIGHBORHOODS

All neighborhoods in Excelsior Springs should provide a positive housing environment for its citizens. The city's housing supply should offer all residents of Excelsior Springs the opportunity to live in a decent house that is within their means.



## HOUSING AND NEIGHBORHOODS

Excelsior Springs’ existing and future housing stock is critical to the city’s growth and development. Neighborhoods are one of Excelsior Springs’ most important economic development amenities, and the city’s housing supply represents its single largest cumulative capital investment. This chapter considers housing conditions and establishes a program to meet the city’s housing needs. The purpose of the chapter is to assess housing needs and strategies that will enable the city to increase overall production of housing and help to define future housing and community development directions.

### HOUSING CHARACTERISTICS

This discussion will examine housing value and physical characteristics of Excelsior Springs’ housing stock.

#### Housing Occupancy and Tenure

Table 6.1 compares changes in housing occupancy for Excelsior Springs and indicates:

- » Home ownership in the community increased while the number of rental units decreased during the 1990s.
- » Some poorer quality units left the market slightly lowering the city’s vacancy rate.
- » Home values increased at a faster rate than rental rates.

#### Housing Values and Rental Rates

Table 6.2 provides a comparison between the Excelsior Springs’ median home value

	1990	2000	Change 1990-2000	% Change 1990-2000
Total Housing Units	4,229	4,426	197	4.7%
Owner Occupied Units	2,450	2,707	257	10.5%
% Owner Occupied	64%	66%		
Renter Occupied Units	1,404	1,372	-32	-2.3%
% Renter Occupied	36%	34%		
Vacant Units	375	347	-28	-7.5%
Vacancy Rate	8.9%	7.8%		
Median Value	\$49,300	\$82,900	\$33,600	68.2%
Median Contract Rent	\$322	\$390	\$68	21.1%

Source: U.S. Census Bureau

and contract rent with other Missouri cities. The analysis indicates that:

- » Excelsior Springs has the lowest median home value but the largest change over the ten year period.
- » Although Excelsior Springs' home value is just over \$20,000 less than Clay County's, the city is more comparable to the state wide average, which was \$89,900 in 2000.
- » Overall, Excelsior Springs provides affordable housing for its residents with rents lower than Clay County and Kearney. Only Maryville, a college city, had lower rent levels in 2000.



### Construction Activity in Excelsior Springs

Chart 6.1 (also displayed in Chapter 2) illustrates the city's building permit activity between 2000 and 2008. After peaking in 2003 and 2004 Excelsior Springs has seen a steady decline in the number of residential building permits. The city built nearly 60 units in both 2003 and 2004. The national downturn in the housing market also impacted Excelsior Springs in 2008 with the lowest number of building permits issued over the eight year period.

**Table 6.2: Housing Cost Excelsior Springs and Comparable Communities (in \$)**

	Median Value			Median Rent		
	1990	2000	% change	1990	2000	% Change
Excelsior Springs	49,300	82,900	68.2%	322	390	21.1%
Maryville	47,400	86,500	82.5%	290	343	18.3%
Warrensburg	62,600	91,600	46.3%	350	405	15.7%
Kearney	72,100	114,000	58.1%	428	469	9.6%
Platte City	70,700	111,500	57.7%	414	480	15.9%
Clay County	68,200	104,900	53.8%	429	488	13.8%

### Housing Costs and Affordability

Table 6.3 presents an Affordability Analysis, relating household income ranges with housing cost categories. This affordability analysis is based on owner occupied units value being two to two and a half times a household's total income and affordable rental units accounting for about 30% of a household's monthly income including utilities. In this analysis, a positive balance indicates a surplus of housing within the affordability range of each income group, while a negative balance indicates a shortage.

The analysis indicates that:

- › Excelsior Springs is experiencing a shortage of housing for those households earning less than 68% of the city's median income of \$36,657 in 2000.
- › The greatest negative balance in 2000 was for households earning between \$50,000 and \$100,000 a year. This indication of a backlog in housing in excess of \$100,000 in cost, combined with low interest rates, may have fueled the construction surge in 2003 and 2004. As a result, most recent construction has focused on market rate units.
- › The shortage of units affordable to higher-income households also suggests



**Table 6.3: Housing Affordability Analysis, 2000**

Income Range	% of City Median Income	% of Households	Number of Households in Each Range	Affordable Range of Owner Units	Number of Units	Affordable Range for Renters	Number of Renter Units	Total Affordable Units	Balance
\$0-24,999	0-68%	32.83%	1,339	\$0-49,999	452	\$0-399	736	1188	-151
\$25,000-49,999	69-136%	30.40%	1,240	\$50,000-99,999	1473	\$400-799	614	2087	847
\$50,000-74,999	137-205%	21.08%	860	\$100,000-149,999	570	\$800-1,249	15	585	-275
\$75,000-99,999	206-273%	10.20%	416	\$150,000-199,999	164	\$1250-1,499	7	171	-245
\$100,000-150,000	274-409%	3.02%	123	\$200-\$299,999	48	\$1500-2,499	0	48	-75
\$150,000+	Over 409%	2.48%	101	\$300,000+	0	\$2500+	0	0	-101

Source: U.S. Census Bureau; RDG Planning & Design, 2009



a continuing market for “move-up” housing. Occupancy by high-income households in relatively low-cost housing creates competition that may make it more difficult for moderate-income families to find affordable housing. It is likely that the limitations on the credit market in 2008 only further strained housing choices for these households.

- › Excelsior Springs, like many communities, already has a significant supply of affordable housing within its existing housing stock. The challenge will be identifying ways to capitalize on this supply.

### Housing Development Needs

Table 6.4 presents the current estimated income distribution (by percent of households) of Excelsior Springs, paired with affordable monthly housing costs for each income range. In this table, affordable monthly housing costs include utilities and represent about 30% of a household’s monthly income. These target costs are matched to strategies that can deliver housing affordable to each income range. For example:

- › Programs that are most appropriate to families earning between \$25,000 and \$35,000 can produce housing with monthly costs between \$625 and \$875, including utilities, corresponding to houses with mortgages in the range of \$50,000 to \$80,000. Strategies that can deliver housing in this price range include rehabilitation of existing housing, manufactured housing, and affordable single-family development using financing devices such as deferred second mortgages.

These strategies are considered in more detail in the Housing and Development Policies portion of this plan.

Table 6.5 presents a ten-year housing development and pricing program for Excelsior Springs, based on the city’s relative income distribution. The program provides production targets for various cost ranges of rental and owner-occupied units. The development program is based on the following assumptions:

- › New development in Excelsior Springs will be about 65% owner-occupied and 35% renter-occupied housing. This is comparable to the 2000 owner/renter distribution of occupied housing.
- › Owner-occupied housing will be distributed generally in proportion to the

**Table 6.4: Household Income and Recommended Housing Strategies, 2009**

Income Target	Number of Households 2009	% of Households	Affordable Monthly Housing Costs (including utilities)	Price Ranges for Ownership Housing	Appropriate Housing Types and Strategies
Under \$15,000	748	16.2	\$0-374	Less than \$27,500	<ul style="list-style-type: none"> <li>•Public housing</li> <li>•Section 8 certificates</li> <li>•Section 42 tax credit rentals</li> <li>•Existing housing rehab grants</li> </ul>
\$15,000-24,999	546	11.8	\$375-624	\$27,500-49,999	<ul style="list-style-type: none"> <li>•Section 42 tax credit rentals</li> <li>•Mobile home/manufactured housing</li> <li>•Existing housing rehab grants</li> <li>•Acquisition with rehab grants/loans.</li> </ul>
\$25,000-34,999	640	13.9	\$625-874	\$50,000-79,999	<ul style="list-style-type: none"> <li>•Existing housing rehab</li> <li>•Market rate rentals</li> <li>•Affordable single-family development</li> </ul>
\$35,000-49,999	734	15.9	\$875-1,249	\$80,000-109,999	<ul style="list-style-type: none"> <li>•Market rate rentals</li> <li>•Affordable single-family development</li> <li>•Subdivision development with infrastructure assistance</li> </ul>
\$50,000-74,999	863	18.7	\$1,250-1,874	\$110,000-169,999	<ul style="list-style-type: none"> <li>•Market-based single-family</li> <li>•Subdivision development with infrastructure assistance</li> </ul>
\$75,000+	972	23.5	\$1,875+	Over \$170,000	<ul style="list-style-type: none"> <li>•Market-based single-family</li> <li>•Subdivision development through special assessments</li> </ul>
<b>Total</b>	<b>4,623</b>	<b>100.00</b>			

Source: Claritas, Inc.; RDG Planning & Design, 2009

income distribution of households for whom ownership is a realistic strategy. Some of the market for lower-cost owner-occupancy may be shifted toward market rate rentals.

- › Lower-income households will generally be accommodated in rental development.

The analysis indicates a need for about 186 owner-occupied units with prices below \$125,000 and 143 units with effective rents below \$625 in current dollars, a total of 329 “affordable” units. Therefore, to meet half this projected need, a housing program for Excelsior Springs should establish an average annual production target of about 33 affordable units.

It is important to note that affordable housing can be produced indirectly through a filtering process. Thus, a unit that meets the needs of a high-income, empty-nester household may encourage that household to sell their current home to a moderate-



**Table 6.5: Ten Year Housing Development and Pricing Program, 2010-2020**

	2010-2015	2015-2020	Total
Total Need	363	277	640
Total Owner Occupied	236	180	416
Affordable Low: \$60-100,000	47	36	83
Affordable Moderate: \$100-130,000	54	41	95
Moderate Market: \$130-200,000	63	48	112
High Market: \$250,000+	71	55	126
Total Renter Occupied	127	97	224
Assisted: Less than \$400	49	37	87
Affordable: \$400-625	36	27	63
Market: Over \$625	42	32	74

Source: Claritas, Inc.; RDG Planning & Design, 2009

income family. Filtering processes rarely satisfy an affordable need on a one-to-one basis, but they do realistically address part of the market demand. The easy credit of the last 10 years could have also created a back log of demand for rental housing, as many households will no longer qualify for the once easy credit.

## HOUSING AND DEVELOPMENT POLICIES

*Preservation of existing housing and development of new housing to support new growth are vital elements of Excelsior Springs' community development strategy. While land use and community investment strategies are important to housing planning, specific efforts are needed to address housing priorities. This section considers initiatives, which, if combined with existing programs, can help address, these major priorities.*

The city's primary housing challenges include:

- › Developing an effective, multi-faceted neighborhood conservation and rehabilitation program.
- › Maintaining the structural integrity of older homes and the quality of Excelsior Springs' existing housing supply.
- › Establishing a cooperative, community-wide system for the development of affordable housing.
- › Increasing the quantity and quality of rental housing available to Excelsior Springs' present and prospective residents.

Excelsior Springs should consider policies that include:

**NEIGHBORHOOD CONSERVATION**  
**A VARIETY OF HOUSING TYPES**  
**CENTRAL DISTRICT HOUSING**  
**SENIOR HOUSING**

### Neighborhood Conservation

*Excelsior Springs should implement neighborhood conservation programs, including an aggressive residential rehabilitation program.*

The preservation of existing neighborhoods and housing stock is important to any city but has become even more important as new construction has dropped and demand for affordable units has risen. Much of Excelsior Springs' affordable housing stock is already in place. Indeed, rehabilitation and preventive maintenance are the city's most cost-effective way to assure a continued supply of good housing. At the same time the city has an opportunity for both larger and smaller scale redevelopment opportunities. These range from the redevelopment of Excelsior Street to more scattered city owned lots around the older parts of the city.

Despite a demand for redevelopment of these lots with affordable housing, Excelsior Springs lacks the developers willing to take on the risk of these sorts of projects. Often in redevelopment areas this role is filled by nonprofit community development corporations (CDC's) – private, nonprofit developers who build housing or other community development projects that normal, profit-making businesses are not yet ready to enter. In some cases, CDC's are organized as Community Housing Development Organizations or CHDO's, having a specific number of community representatives on their boards of directors with access to low-income housing tax credits and other development incentives.

Community development corporations often grow out of established organizations that have identified housing as vital to their work, or of other community organizations (such as churches, human services groups, or community action agencies) that identify housing as a critical need. These could include faith based organizations for





economic development groups. Increasingly, housing development has become vital to economic development. Without sufficient new available housing, recruiting new employers to Excelsior Springs will be significantly more difficult.

The nonprofit development corporation's housing role may change over the years as interest by the private market changes or there are changes in the overall housing market. Additionally, the nonprofit should not function as a contractor, but rather work through existing contractors or even manufactured home suppliers.

### **Neighborhood Conservation Strategies**

Excelsior Springs should institute measures to repair existing housing units in poor and fair condition and carry out programs to protect existing good housing stock. Neighborhood conservation strategies could be a joint effort between the city and a CHDO. These strategies include:

- » *Land Use Policies.* Excelsior Springs should maintain zoning and land use policies that protect the integrity of its neighborhoods. New zoning proposals should be evaluated with a view toward their effect on surrounding neighborhoods. The zoning ordinance should encourage project design that reduces land use conflicts between residential and other uses; and should establish buffering and screening standards to minimize external effects on neighborhoods.
- » *Rehabilitation.* Excelsior Springs should develop rehabilitation programs (including the use of private loans leveraged by Community Development Block Grant and HOME funds) to promote the stabilization of housing stock that is in need of significant rehabilitation. These programs should emphasize the leveraging of private funds to extend the use of scarce public resources.

In addition to conventional rehabilitation programs, Excelsior Springs should promote the use of programs, which help to convert existing rental housing stock to owner-occupancy. These programs include the FHA 203(K) program, an FHA mortgage insurance program, which combines loans for purchase and rehabilitation of property into a single, unified loan.

Of particular concern is the deteriorating condition of some of the city's rental stock. Conditions are particularly difficult in the concentrated multi-family areas around downtown. Development and enforcement of a strong housing standards ordinance, together with upgrading the housing stock through new affordable construction, can put significant competitive pressure on these units to upgrade or leave the market.

- » *Purchase and Resale.* In this approach, the city's CHDO/CDC would purchase and rehabilitate suitable houses for resale to new owners. The CHDO and/or private lenders finance the acquisition and rehabilitation, with a take-out on the interim financing funded as the FHA or conventional mortgage. Houses are marketed through the normal real estate sales process, or by the development group. A purchase and resale program can be combined with an effort to build affordable housing for seniors, described above.
- » *Infill Development.* Several sites in Excelsior Springs within the built-up city provide good opportunities for residential development. These include open lots scattered around the city and larger clusters in the northeast quadrant of the city. A Housing Partnership can be helpful in packaging and financing appropriate projects on these sites.
- » *Rent-to-own.* The traditional approach of developing multi-family developments

for low-income households is frequently difficult to locate in small communities. A new type of development, called “rent-to-own” combines affordable housing with future opportunities for homeownership.

This new approach provides an opportunity for households of moderate income establishing themselves in Excelsior Springs to rent a home while building equity toward eventual purchase. In this program, the Excelsior Springs’ housing partnership would build new rental housing in single-family, duplex, townhouse, or four-plex configurations. These units would be built with the assistance of the Section 42 tax credit, providing a significant incentive for equity investment. A portion of the family’s rent is placed in an escrow that is directed toward a downpayment. At the end of a specific period, the residents can then use the accumulated escrow as a downpayment to purchase either a new house or an existing unit. Rent-to-own units also include homeowner training and counseling, preparing tenants to graduate to ownership after expiration of the tax credit recapture period.

### A Variety of Housing Types

*Excelsior Springs’ new growth areas, along with land development regulations, should encourage a variety of housing types.*

Excelsior Springs should continue to integrate a variety of housing types in new growth areas. Land development ordinances should provide adequate flexibility to accommodate innovative or economical designs within traditional town patterns. Some of these configurations may include:

- » *Cluster Subdivisions.* In clusters, the overall density of a single-family project, including open space, must comply with the maximum density requirement of the zoning district. However, individual lots have smaller area and setback requirements. Clusters are useful when infrastructure cost should be minimized or environmental features exist which should be protected.
- » *Single-Family Attached Development.* Here, single-family units comply with the minimum lot sizes of the zoning district, but have a common wall. The opposite side yard is ordinarily larger than normal. This housing type provides construction economies and more useful side yards.
- » *Townhouses.* Townhouses, which are three or more attached units, can be developed as owner-occupied or rental housing. They provide construction and land use efficiencies, while continuing the sense of a single-family neighborhood.
- » *Multi-Family Development.* Multi-family development should be integrated into the structure of new neighborhoods, rather than developed on peripheral sites. Design standards should provide a residential scale and prevent creating a “project” look.

### Central District Housing

*Excelsior Springs’ central district offers innovative, amenity-rich housing opportunities that could appeal to significant market groups. Housing development in this area should be a special community priority.*

Communities of all sizes have proven the popularity of downtown housing and its ability to play an important role in business district reinvestment. Excelsior Springs has several opportunities in its central district, including both adaptive reuse and redevelopment of sites in marginal use. Downtown housing can also take advantage of specific incentives such as historic tax credits to inject additional equity into projects. Such projects can take advantage of programs such as:





- » *Community Development Block Grant (CDBG) or HOME funds.* These funds can provide gap financing for low and moderate-income housing in downtown districts. They are typically used to reduce private capital needs, producing housing costs affordable to the target population. CDBG funds are administered by the State of Missouri and are restricted to projects that principally benefit low and moderate-income households or eliminate slums and blight.
- » *Section 42 (Low-Income Housing Tax Credit).* This is an investment tax credit to investors in projects that reserve a specific percentage of units for low-income residents. The Section 42 credit, administered by the State, offers 4% or 9% annual investment tax credit for ten years, depending on the level of low-income occupancy.
- » *Historic Tax Credits.* This program offers an investment tax credit of up to 20% to qualified investors for rehabilitation of buildings on or eligible for listing on the National Register of Historic Places. Rehabilitation must be consistent with the Secretary of the Interior's Standards for Historic Rehabilitation.

The Oaks is an example of a project that mixed Low Income Housing Tax Credits and Historic Tax Credits. A more detailed description of the redevelopment of Excelsior Street into an urban residential street is provided in Chapter 7: Downtown Excelsior Springs.

### **Senior Housing**

*Excelsior Springs should encourage construction of independent living residential development for seniors.*

Excelsior Springs' many natural amenities, senior services and excellent health services make Excelsior Springs a very attractive community for retirement age residents from the surrounding region. The city should encourage more new market-rate senior housing developments, within the constraints of the market.

Affordability problems are often most severe among low-income elderly renters. Developments in Excelsior Springs currently provide housing assistance to low-income seniors. Excelsior Springs' development regulations should continue to permit flexibility in permitting these facilities in a variety of urban settings, including residential neighborhoods. The city should also continue to monitor needs for additional moderate cost senior housing.

#### *Senior Housing with Ownership Transition Program*

Development of moderately-priced housing may be combined with efforts under a CHDO to create a Senior Housing with Ownership Transition Program. Here, the CDC/CHDO would partner with the City of Excelsior Springs to build one or two-bedroom attached units, with a target cost of \$80,000 per unit (for example). The CHDO agrees to purchase the senior resident's current home at \$50,000. That home is then rehabilitated and resold. If the rehabilitation cost of the house is an additional \$25,000, total sale price for a substantially new house may be \$80,000. The senior purchases the new attached unit, using the sale proceeds of the house as a substantial downpayment. The balance is amortized with an approximate monthly cost of \$300. Assuming that additional costs for maintenance and utilities is \$125 per month, the new housing setting costs the senior household \$425 per month, a moderate price for an appropriate new ownership unit.