

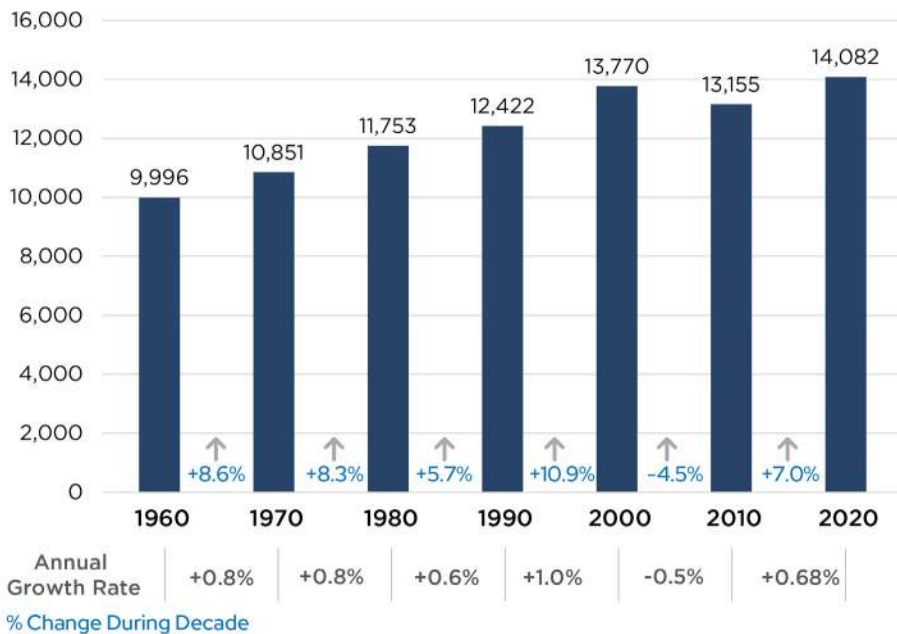
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DEMOGRAPHIC SNAPSHOT

In April, 2020, RDG Planning & Design completed work and a comprehensive housing study for the City of McPherson. Population calculations were based on 2018 ACS estimate of 13,041, continuing the population decline of the 2000 to 2010 decade. This ACS estimate was inaccurate, as the city's population grew by about 7%, an annual growth rate of 0.68%. This growth was probably the result of increasing employment in the city's substantial industrial, educational, and service sectors and significant housing production to accommodate increased demand. The 2020 RDG study was somewhat skeptical of the ACS estimate and developed a model based on a 1% average annual growth rate.

The city itself has placed a high priority on housing development as well as continued investments in community quality. It is likely that these and other initiatives will help to sustain steady and moderate population growth.

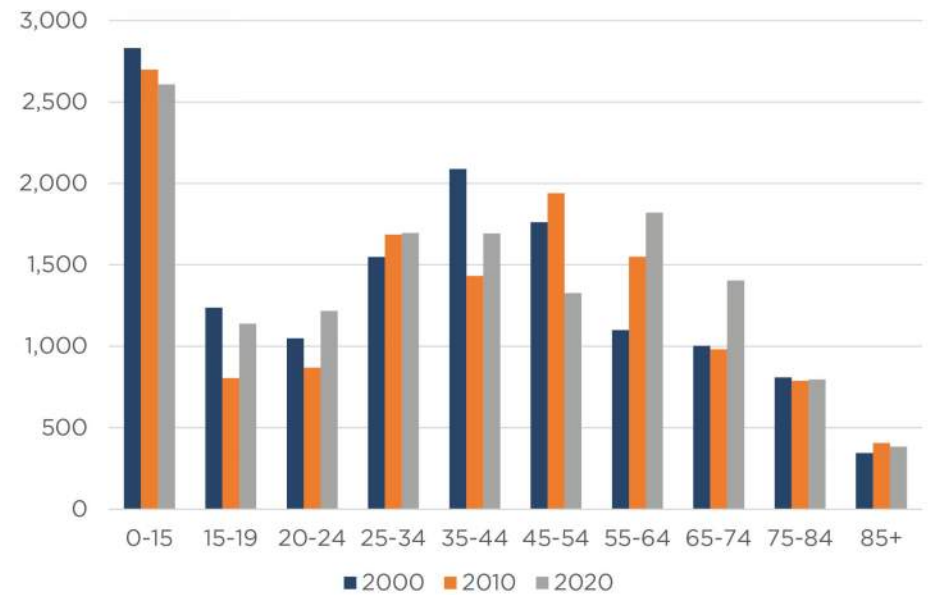
Figure 4.1: McPherson City Historic Population Change



Age Distribution

McPherson's median age in 2020 was about 37.2 and the 2022 ACE estimates currently show it at 36.2, somewhat younger than the county as a whole and considerably younger than other county communities. Between 2010 and 2020, the population of most of McPherson's age groups increased. Greatest increases occurred in the 55 to 74 cohorts, but young groups, specifically the 15 through 24 groups, also grew significantly. Some of this change may reflect expansions and programming at the city's two colleges. The only group to register a large percentage drop was the 45 to 54 cohort.

Figure 4.2: Age Cohort Growth, 2000-2020



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DEMOGRAPHIC SNAPSHOT

Migration Analysis

The migration analysis compares predicted population for a specific period with the actual population account. The predicted population uses cohort survival rates to project the number of people in a specific age group in 2010 who will survive to be counted in 2020. For example, natural population change predicted that McPherson would have 1,318 residents between ages 65 and 74. The actual 2020 population count in that age group was 1,404, indicating significant if not dramatic in-migration of those groups. Some out-migration took place among people in their late 30's and early 40's, and in the oldest age group. Of real note is the fact that many cities with colleges show high in-migration of college age groups (15 to 24) and high out-migration in the 25 to 34 group as they graduate. McPherson does not show that pattern, indicating that an unusual number of younger people, including students, stay in town or move in – a real sign of community health. Taken together, McPherson's population was about 8.2% higher than predicted by natural population change.

Figure 4.3: 2020 Predicted versus Actual Population

	AGE	PREDICTED 2020	ACTUAL 2020	DIFFERENCE
Retirees Established Emerging	0-15	2,265	2,607	342
	15-19	907	1,138	231
	20-24	874	1,217	343
	25-34	1,658	1,696	38
	35-44	1,667	1,693	26
	45-54	1,399	1,326	-73
	55-64	1,816	1,821	5
	65-74	1,318	1,404	86
	75-84	672	796	124
	85+	443	384	-59
	Total	13,018	14,082	1,064

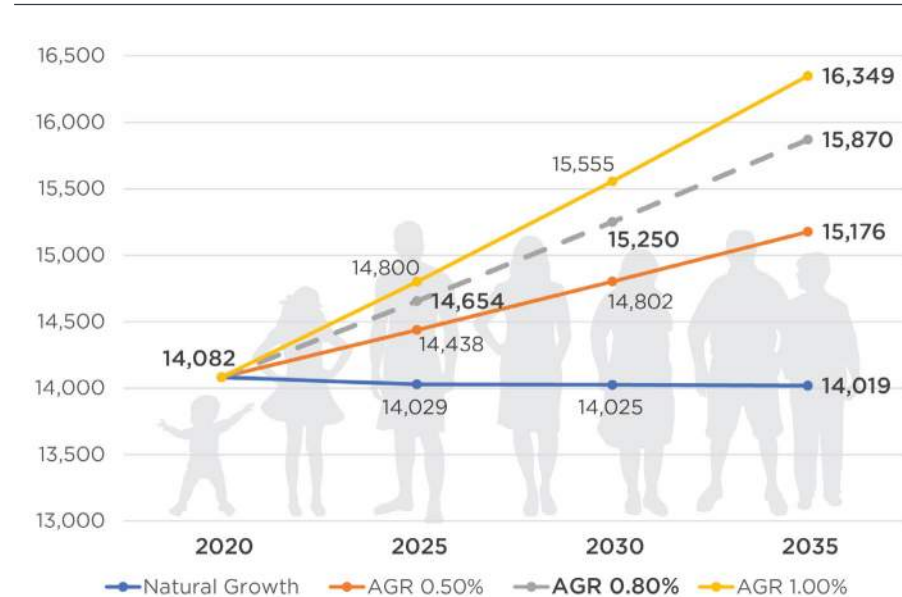
Source: U.S. Census Bureau; RDG Planning & Design

Population Projection

Housing demand projections are largely based on population trends. Figure 4.4 below display potential population scenarios for McPherson between now and 2035. Natural population change in the city projects a plateau, with a projected 2035 population of 14,019. For planning purposes, our proposed scenario suggests a continuation of a moderate growth rate of 0.8%, slightly higher than experienced during the past decade. This produces a 2030 population of 15,250 and a 2035 population of 15,870. This compares with a 2030 population forecast of 14,549 in the 2020 study, which used a smaller base population derived from the ACS estimate.

This planning projection is a statement of potential and depends on specific factors, most notably successfully addressing infrastructure issues that are essentially preventing new construction from taking place.

Figure 4.4: 2020 Predicted versus Actual Population



Source: RDG Planning & Design

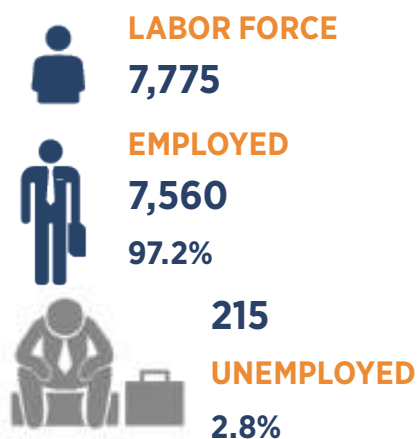
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ECONOMIC SNAPSHOT

Labor Force Participation

McPherson has very high labor force participation and a very low unemployment rate of 2.8%. Inflow/outflow analysis is difficult because the five year period encompassed during this ACS survey period encompassed the pandemic, when place of work behaviors were radically different. Nevertheless, the largest group of employees are commuters into McPherson.

Figure 4.5: Employment Characteristics, 2022



Source: 2022 American Community Survey (5-Year Estimates)

Commuting Patterns

Figure 4.51: Inflow and Outflow McPherson City, 2021

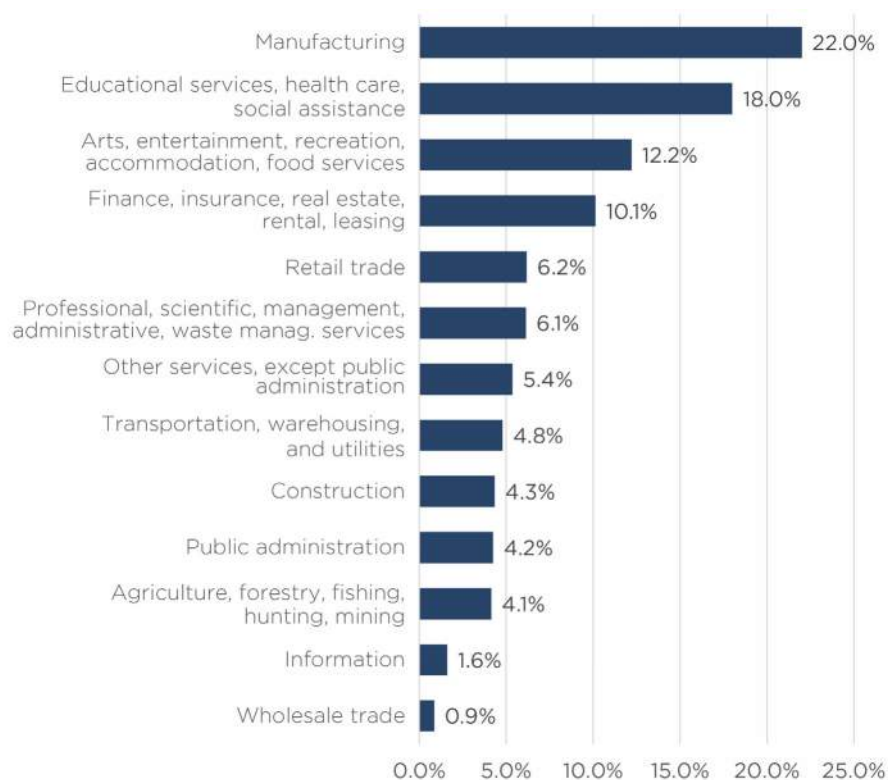


Source: U.S. Census Bureau, OnTheMap 2021

Employment Sector Distribution

In the current ACS, manufacturing overtook educational services and health care as the city's largest single employment sector. However, McPherson's employment picture is very diversified, with arts and services, FIRE, retail, and professionals also accounting for a substantial share of total employment.

Figure 4.6: Employment by Industry, 2022



Source: 2022 American Community Survey (5-Year Estimates)

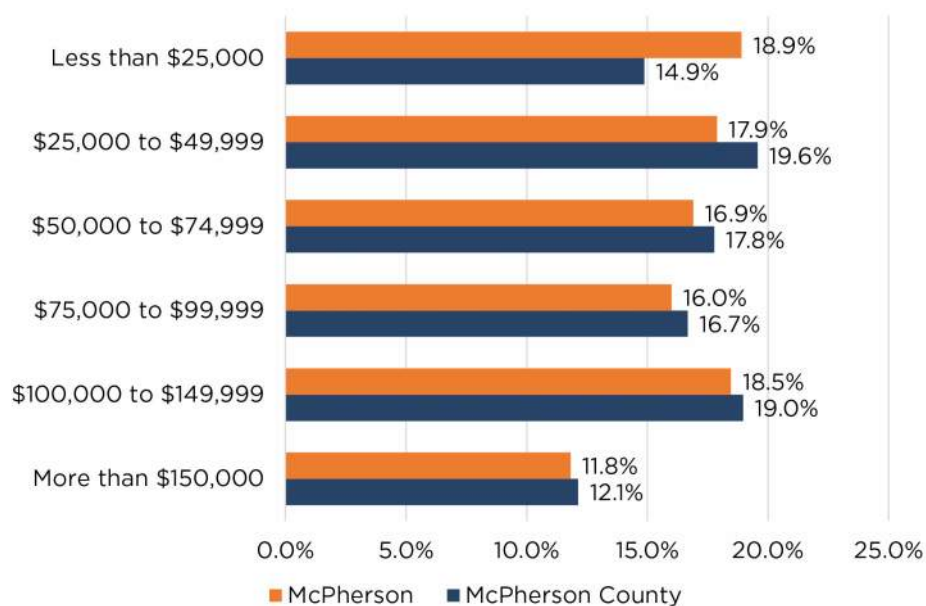
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ECONOMIC SNAPSHOT

Income Distribution

McPherson's median household income is \$69,807, is just below the countywide median of \$71,000. The city, as the region's primary service center, has a significantly higher percentage of very low income households that the county (19% to 15%) but is generally aligned with or slightly exceeds county averages for all other income groups.

Figure 4.7: Household Income Distribution, 2022



Source: 2022 American Community Survey (5-Year Estimates)



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HOUSING SNAPSHOT

Housing Occupancy

The majority of the city's housing supply, like that of McPherson County as a whole, is predominantly owner-occupied, and that percentage appears to have increased after 2020. A variety of new projects are in the pipeline, the bulk of which are ownership units across a variety of price points and unit configurations. New rental projects include a new increment of units at Terra Nova and senior duplexes in the southeast edge of the city using Low Income Housing Tax Credits (LIHTC). With absorption of rental units in Terra Nova and overall housing demand, the city's vacancy rate has dropped to 5.7%, generally considered to be in optimal range.

Figure 4.8: Percent Occupied Units, 2010-2022

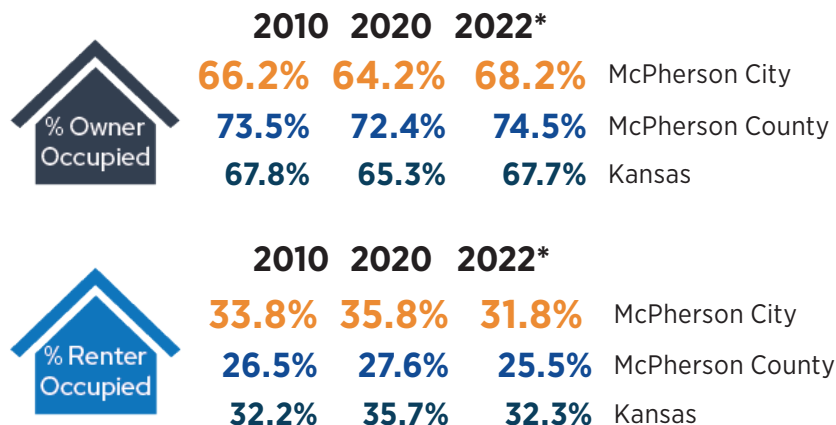
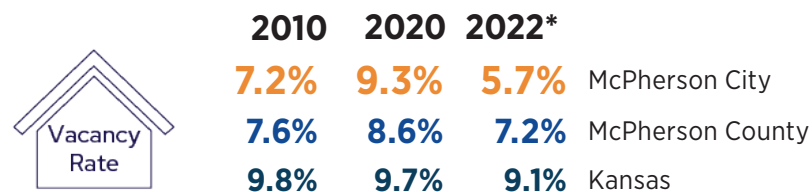


Figure 4.9: Vacancy Rate, 2010-2022



Source: U.S. Census Bureau & *American Community Survey Estimate

Construction Activity

Rental unit building permits spiked in 2015 and 2016, resulting in the subsequent construction of Terra Nova and other development projects with a focus in the southeast development area. Since then, new multifamily permitting seems to have dropped off, but some projects are pending. Single-family permits tailed off moderately between 2015 and 2020, but returned to previous levels after 2020 despite high interest rates. A number of large equity developments are pending, ranging in cost from moderate income units south of Autumnwood Drive to very high-end homes at Veranda. McPherson is doing a notable job of building for a variety of groups, from the unhoused to the wealthy.

Figure 4.10: Building Permits Issued 2010-2023

PERMIT TYPE	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20	'21	'22	'23	TOTAL
1-Family	17	9	37	27	22	23	23	16	16	13	15	25	26	24	302
Duplex	4	8	4	0	4	6	4	0	0	12	2	0	2	32	78
Multifamily	0	0	0	12	74	96	103	0	0	0	0	0	0	0	285
Total	21	17	41	39	100	125	130	16	16	25	17	25	28	56	665

Source: U.S. Census Bureau

Figure 4.11: Average Household Size, 2022



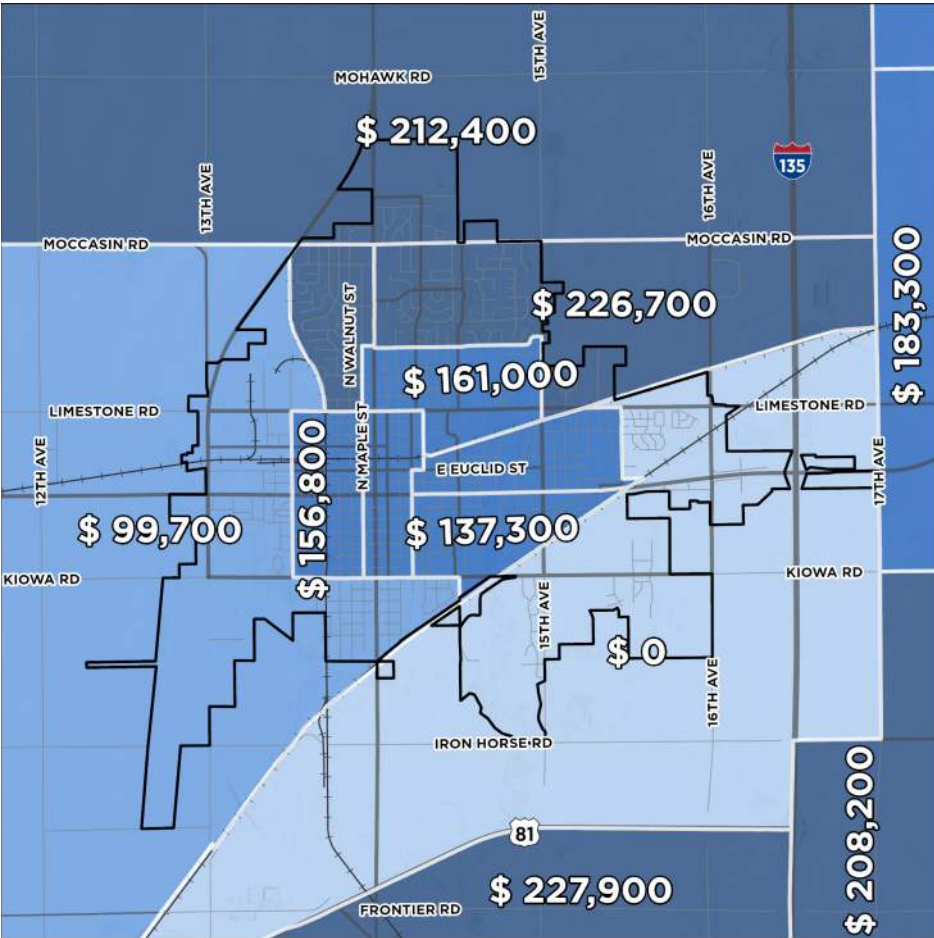
30.3% of people live alone in McPherson, KS



Source: 2022 American Community Survey (5-Year Estimates)

MCPHERSON HOUSING SNAPSHOT

Figure 4.12: House Assessed Values, 2024



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HOUSING SNAPSHOT

Affordability

As the county's largest city, McPherson contributes heavily to overall county averages, making its housing values are similar to those of the county as a whole. Value to Income ratio is a gross but useful measure of the overall fit between housing cost and community income. A ratio between 2.5 and 3.0 is a desirable target range. McPherson's V/I ratio is 2.64, well within this desirable range, with a median home value of \$184,400. About 16% of homeowners are considered cost-burdened (paying more than 30% of income for housing) identical to the countywide average of 16%. A slightly larger percentage of McPherson renters are cost burdened compared to the county as a whole (49% to 47%), both relatively high percentages reflecting the relatively low income of renters more than high rents.

The affordability analysis included in the 2020 study indicated a very high deficit in housing units for very low income residents of McPherson, translating to the high rental housing burdens displayed in Figure 4.13. The community has taken some significant actions to address this, including the work of the McPherson County Housing Coalition in developing exemplary tiny house developments for unhoused people and permanent assistive housing and Habitat for Humanity. The city is also using LIHTC to assist with development of low-income units for seniors and a Moderate Income Housing grant for 40 units currently under construction. These are major community initiatives that are addressing some of these needs. Additionally, the 2020 study quantified a market for high-end units, being addressed by the Veranda and other developments.

Figure 4.12a: Housing Costs and Affordability, 2022

	VALUE TO INCOME RATIO	MEDIAN HOUSEHOLD INCOME	MEDIAN HOME VALUE	MEDIAN CONTRACT RENT	% COST BURDENED
McPherson County	2.54	\$71,250	\$180,900	\$680	Owner: 16% Renter: 47%
McPherson city	2.64	\$69,807	\$184,400	\$724	Owner: 16% Renter: 49%

Source: 2022 American Community Survey (5-Year Estimates); RDG Planning & Design

Figure 4.13: Housing Costs and Affordability, 2020 Study

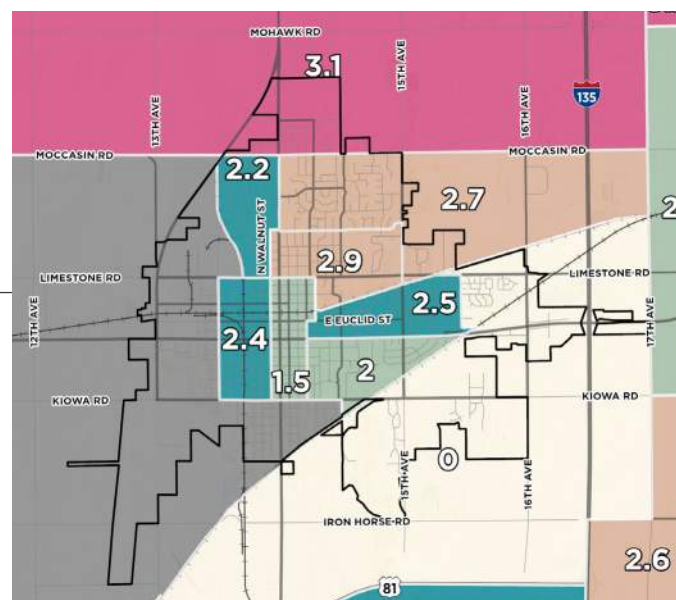
FIGURE 2.15

McPherson Affordability Analysis

Income Range	Number of HH	Affordable Range for Owner Units	# Units	Affordable Rental Range	# of Units	Total Affordable Units	Balance
\$0-25,000	1,099	\$0-50,000	240	\$0-400	282	522	-577
\$25,000-49,999	1,444	\$50,000-99,999	653	\$400-800	1,441	2,094	650
\$50,000-74,999	1,181	\$100,000-149,999	1,103	\$800-1250	273	1,376	195
\$74,000-99,999	662	\$150,000-199,999	602	\$1,250-1,500	0	602	-60
\$100-149,999	713	\$200,000-\$300,000	664	\$1,500-2,000	17	681	-32
\$150,000+	548	\$300,000+	315	\$2,000+	57	372	-176
Total	5,647		3,577		2,070	5,647	

Source: 2014-2018 American Community Survey

Figure 4.14: Value to Income Ratio by Census Block Group, 2022



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COMMUNITY SNAPSHOT

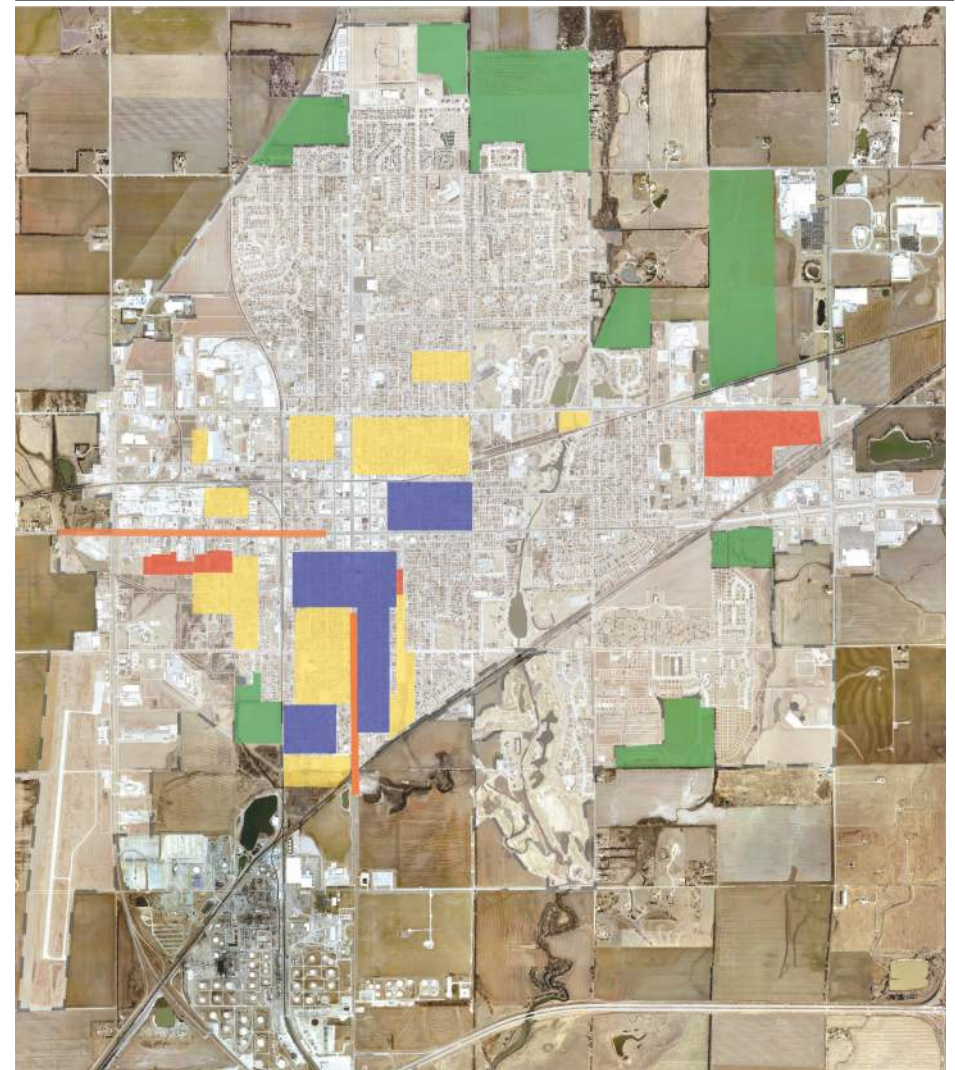
Observations and Opportunities

Figure X at right is the Opportunity Map from the 2020 plan. The map includes areas for neighborhood conservation, rehabilitation, and new development. Many of the policy recommendations of that plan remain pertinent to McPherson, but the city has made housing development and rehabilitation a priority and has made significant progress through public and private partnerships. Some more recent observations include the following:

- McPherson remains a community of choice in central Kansas with strong community institutions, quality of life assets, an active Downtown, two colleges, economic opportunities, and a full range of commercial services.
- Major progress has been made in housing development with many important projects either in the ground or pending. These address a variety of income groups and housing needs.
- City is committed and able to finance necessary infrastructure projects.
- City has identified a rehabilitation need for about 370 homes.
- Colleges can be a partner in neighborhood rehabilitation in their respective areas. Central Christian College has been especially active in neighborhood stabilization efforts.
- New development areas are likely to continue to the southeast and north.



Figure 4.15: Opportunity Map from 2020 Plan



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DEMAND PROJECTIONS

Forecasting Overall Demand

Table 4.16 projects the overall amount of housing that McPherson should produce over the next ten years to achieve an average annual growth rate of 0.8% with a target 2035 population of about 15,870. The method of calculating this demand includes the following steps:

1. Start with the projected population at the end of each 5 year period.
2. Using census data, calculate the number of people who live in households (outside of group quarters like college dorms and care facilities). One household equals one housing unit. In Galva, the entire population lives in households.
3. Compute the number of units needed by dividing the household population by the average number of people per household.
4. Adjust that number to account for a reasonable vacancy rate (in this table using a vacancy rate of 6.8%) and replacement need, here estimated at the equivalent of 5 units annually. Given the disparity between 2020 Census and 2022 ACS and actual production since 2020, this appears to be a reasonable target vacancy rate for the city.

These numbers yield the number of units needed for each 5 year period. To test current status, we look back to using 2020 as a base. The projection anticipates production of 128 units between 2021 and 2025. Actual construction permits account for 101 units, putting the city on that pace. Production should increase after 2025 with substantial increases in multifamily development.

Table 4.16: Housing Demand Forecast

Average Growth Rate at 1.0% 60% Owner-Occupied 40% Owner-Occupied	2020	2025	2030	2035	TOTAL
Population at End of Period	14,082	14,654	15,250	15,870	
HH Population at End of Period	13,908	14,473	15,061	15,673	
Average PPH	2.24	2.24	2.23	2.23	
HH Demand at End of Period	6,209	6,476	6,754	7,028	
Projected Vacancy Rate	9.3%	6.8%	6.8%	6.8%	
Unit Needs at End of Period	6,845	6,948	7,247	7,541	
Incremental Demand before Replacement		103	299	295	696
Replacement Need (total lost units)		25	25	25	75
Cumulative Need During Period		128	324	320	771
Annual Need		26	57	64	51

Source: RDG Planning & Design

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TEN YEAR DEVELOPMENT PROGRAM BY TENURE AND PRICE

Distributing Demand

To create a complete projected development program, the overall demand is then distributed by two factors: tenure (whether the unit is owner- or renter-occupied) and price point (sale price for ownership units, contract rents for rental units).

Tenure. Currently McPherson's tenure split is estimated at 68% owner, 32% renter. The distribution used here is moderately different, anticipating a 60%/40% split. This is the result of increased demand for rental units caused by the need for workforce housing for area industries, delayed home purchase, mobility among younger population groups, lack of resources for a downpayment, the increasing preference among older adults to rent rather than own a unit, and other factors.

Price Points. The demand is then distributed among income groups that can afford units in each range, based on the existing distribution of incomes in Inman. To a degree, these are aspirational or require some form of subsidy. For example, the demand model shows a demand for a wide range of owner-occupied units, including units below \$200,000. The private market can typically deliver units over \$400,000 if builders and buyers are convinced that appraisals will support that price. For lower cost units, various types of incentives that include Rural Housing Incentive Districts (RHIDs), Kansas' Moderate Income Housing Program, and downpayment or blended mortgages can generate assistance to buyers to achieve affordability.

Figure 4.17: Housing Development Program

	2020-2025	2026-2030	2031-2035	2020-2035
Owner Occupied				
Affordable Low: <\$200,000	33	83	82	198
Affordable Moderate: \$200,000 - \$250,000	15	38	38	91
Market: \$250-350,000	17	44	44	105
High Market: Over \$350,000	11	28	28	68
	77	194	192	462
Renter Occupied				
Low: Less than \$500	14	35	35	84
Affordable: <\$1,000	13	33	33	79
Market: \$1,000-1,500	12	31	31	74
High Market: \$1,500+	12	30	30	72
	51	129	128	308
Total Need	128	324	320	771

Source: RDG Planning & Design

MOVING AHEAD

ASSETS AND ISSUES

The community engagement process, information, analysis, and individual community profiles and demand forecasts presented in the previous chapters indicate several key issues and opportunities as McPherson County moves forward to meet its housing needs during the next ten years. The conclusions in this section summarize assets and issues that will frame strategies to meet housing goals.

ASSETS

Steady Population Growth

Contrary to stereotypes about Midwestern rural areas, McPherson County has grown steadily over both the long and short-terms. In addition, all of its cities with populations over 1,000 have also grown, and housing demand appears likely to increase if production can keep pace.

Diverse and Growing Employment Base

While the energy industry has been a significant factor in the county's economic growth, the county's manufacturing base goes well beyond that sector, with particular focuses in plastics and pharmaceuticals. In addition, the county's adjacency to other major employment centers in Salina, Hutchinson, and Wichita, further expands regional job opportunities, and by extension future housing demand.

Generally Sound Housing Inventory

A field inspection of each of McPherson County's municipalities indicates a housing inventory in generally good condition. Rehabilitation needs exist in each city, but with few exceptions tend to be limited at most to one or two structures on a block. Large areas of housing deterioration do not exist. This makes rehabilitation programs both manageable in size and strategic in character – a single rehabilitation project can inoculate a block from continued decline and tends to encourage other investments by neighbors.

New Construction Activity

The City of McPherson has experienced significant new housing development in recent years on both its north and southeast edges. In addition, it has major new residential projects in the pipeline as of 2024. However, new construction activity has not been limited to the county's largest city. At Stockholm Estates, Lindsborg is developing a substantial subdivision of moderately price homes. Moundridge and Galva also have major new development areas that include both rental and owner-occupied units. Developers and builders are active in McPherson County and builder capacity exists both in the county and in surrounding cities.

McPherson Housing Coalition and Regional Approaches

At Oak Harbor Cottages, the McPherson Housing Coalition has developed an innovative solution to emergency housing for unhoused people and families, marshalling both public funding and private volunteerism. At Sutherland Estates, MHC has applied that formula to filling the need for permanent assistive housing. But perhaps even more important, MHC has been an “impresario” of housing initiatives large and small, from sponsorship of major rental projects to getting a ramps built that help households with disabilities remain in their homes. This regional approach and MHC's credibility position it both to continue and expand its mission.

Creative Development

Issues of housing affordability and construction costs make new approaches to development increasingly important, and some developers active in the region have responded. In Lindsborg, Stockholm Estates has developed owner-occupied attached units, a form new to the market. McPherson has developed modular duplexes and Moundridge has complete a significant group of rental duplexes, using Low Income Housing Tax Credits (LIHTC) to keep units affordable. County projects have used a variety of production assistance programs such as LIHTC, the State's Moderate Income Housing investment program, and Rural Housing Incentive District (RHID) financing.

Community Quality of Life

Community support, investments, and attractions have helped McPherson County communities offer current and prospective residents an excellent quality of life.



These assets include high quality community parks, three colleges, active arts communities, museums and historical features, recreational resources, and other features. In addition, Lindsborg has developed a strong visitor and hospitality industry based on its Swedish heritage that also enriches the experience of residents.

ISSUES

Infrastructure

Galva, Canton, and Inman all reported significant problems with infrastructure, specifically water quality and supply and wastewater management. Infrastructure, while hidden, is a critical requirement for meaningful new development. However, it will be very difficult for either of these three relatively small

communities to fund these necessary improvements.

Vacant Unit Transitions

As older adults continue to age and either die or move to care facilities, their houses often remain vacant. Heirs who live out of town either do not want to deal with these properties or are eager to sell them to investors. Lindsborg reports this to be a significant community problem that converts owner-occupied homes to high cost rentals, often with only cosmetic repairs. We suspect that this phenomenon is not just limited to Lindsborg however, based on the high number of “other vacancy” units in Census tabulations.

Rehabilitation Needs

Housing in McPherson County communities is in relatively good condition, and towns have very few concentrated areas of deteriorating structures. However, while structures requiring rehabilitation or demolition are scattered, even one or two such buildings can have an impact on an entire block. Efforts to stabilize or rehabilitate building envelopes and remove very deteriorated structures can help preserve the quality of residential areas.

Development Cost vs. Market Value

The gap between the cost of new construction and the typical appraised or market value of homes is a common problem in small communities and rural counties. This is a less serious problem in the city of McPherson or Moundridge, where the market supports higher cost homes, but remains a challenge in most other municipalities. Compounding this is perceptions of rents, where rent levels about \$1,000 per month

	 OBJECTIVE	 RESPONSIBILITY	 FINANCE TOOLS
RISK SHARING	Help builders and developers feel more comfortable to pursue housing projects.	City/County, MHC, Financial Community	<ul style="list-style-type: none"> › State/Federal Programs › Lending Consortium (gap financing for market rate units) › Housing Trust Fund › Land Bank
INCREASE THE VARIETY OF HOUSING	Providing housing options for individuals at all income levels and ages of life.	City, MHC, Developers, Employers	<ul style="list-style-type: none"> › State/Federal Programs › Housing Trust Fund › Lending Consortium (gap financing for market rate units) › Municipal Funds
Preserve the Existing Housing Stock	Capturing the benefits of the existing housing stock while providing updated, affordable, and/or needs for specific housing.	City, Financial Community, Housing Partnerships, Realtors	<ul style="list-style-type: none"> › State/Federal Programs › Acquisition/rehab/resale › Tax Abatement › Municipal Funds
LEVERAGE EXISTING LOTS AND ADD NEW LOTS	Infill and new lot development to provide for economic development and community growth.	City, Financial Community, MHC, Other Developers	<ul style="list-style-type: none"> › State/Federal Programs › Lending Consortium › Housing Trust Fund › Municipal Funds, Loans
EDUCATION PROGRAMS	Making sure people and developers understand the process and ways to maintain housing.	City/County, Lenders, MHC Realtors	<ul style="list-style-type: none"> › Municipal and County Funds and Resources
INVEST FOR SUCCESS	Economic development will affect housing demand based on proximity to nice parks, good schools, community events, safe streets and neighborhoods, commercial activity, and clear pride in the community.	City/County, Employers, School Districts	<ul style="list-style-type: none"> › Municipal Funds › State/Federal Programs



are considered extremely high, given existing rental units. This discourages new development, even when incomes support higher rents without excessive burden.

Limited Rental Production

As noted earlier in this report, tenure preferences are changing and younger households are deferring homeownership or generally preferring to rent. A number of reasons for this exist – lack of resources for downpayments, college or other debt, mobility in younger years and desire to try a place out before investing in a house, deferred childbirth, and others. Most of the existing rental housing in McPherson communities is in houses, but new home construction for rent is economically unfeasible without assistance. McPherson has built some new apartments and Moundridge has developed rental duplexes, but in general new rental production remains scarce in the region.

Assumptions and Expectations

In addition to the issues stated above, many proponents



of housing development and consumers remain tied to a traditional single-family home on a large urban lot. However, the per unit cost of infrastructure and land added to construction cost places this desired product out of reach of many consumers. Products that were once considered good starter homes lack the features and size that contemporary buyers seek. Buyer preferences must gradually shift to new, more efficient configurations and development regulations must follow suit.



Top row: Affordable Single-Family. From left, Garden Cottages in Grinnell, IA; Towns at Little Italy in Omaha; Excelsior Street in Excelsior Springs, MO. These units achieve density by putting garages in back.

Above: Single-family attached units at Stockholm Estates in Lindsborg; Terra Nova Apartments in McPherson.

DIRECTIONS FORWARD

Housing-related initiatives for McPherson County fall within six overall categories:

- **Infrastructure**, addressing water and sewer issues in communities with significant needs.
- **Housing preservation**, addressing the conservation of existing housing inventories and ensuring that they provide affordable opportunities for future residents.
- **Production**, establishing pathways for the development of new housing that the current unassisted market is not building.
- **Finance**, creating the financing structure necessary to support preservation and production related programs.
- **Assumptions and regulations**, changing consumers' expectations of good housing solutions that they can afford, using materials and design creatives, and making regulatory changes necessary to remove obstacles.
- **Community**, continuing quality of life investments that make McPherson County communities attractive to new and existing residents.

These initiatives will require overall coordination to keep them moving forward in a unified way. One organization has demonstrated the capacity to act in this role - the McPherson County Housing Coalition.



Organization and Coordination

McPherson County and its communities lack a regional agency with the capacity to execute a cohesive housing program. Some counties have developed this capability as a separate department or through the mechanism of a regional council of governments. But in McPherson, there is no need to start over – the MHC has clearly demonstrated the level of sophistication, knowledge of programs, and credibility to fulfill this role. However, it depends on the efforts of limited staff and highly dedicated volunteers, and will need to assume expanded functions that evolve beyond this core group.

These functions include:

- Continuing to act as the “impresario” of housing policy and programs for the County. This combines persuasion, advocacy, grant writing, technical assistance, and initiating projects. Individual cities should ultimately carry the ball on implementation, but will need help in building their own capabilities.

- Developing projects and deriving operating income from them. An MHC with CHDO (Community Housing Development Organization) status will have enhanced access to Low Income Housing Tax Credits for affordable rental and ownership transition projects. As a community development corporation, it can serve as a general partner or with access to capital, develop its own projects.
- Advocacy for housing legislation and investment. The State of Kansas has placed a significant priority on providing affordable housing and projects in the County have benefited for Department of Commerce initiatives. But continued and improved work require political support and legislative action. MHC has already proven to be an effective voice for housing concerns and issues in the State, a role that is likely to continue.

Financial Support

Expanded roles for MHC will require staff, working

capital, and operating support. This should come from several directions:

- County and constituent communities. This cooperative funding for this study established a precedent that should continue into supporting operating costs.
- Employer and lender participation. The private sector has a major stake in providing affordable housing for employee recruitment and retention. Additionally, the large number of commuters into the county provide a substantial potential market for businesses if housing opportunities exist in the county.
- Philanthropy. Incorporated as a 501 c)3 corporation, MHC could attract significant private charitable support.
- Project income. Ultimately, housing development projects should be structured to provide income to the organization,

Governance

The governance structure for an expanded MHC is likely to change. A CHDO carries with it certain community representation requirements for its Board of Directors and a variety of stakeholders -- but especially those who are participating in funding the organization -- should be included. There may be a point when a development entity might separate from the main organization for legal or liability reasons.

Infrastructure

Infrastructure is a critical priority for several of the County's communities and these towns lack the

INFRASTRUCTURE



- **Infrastructure bank**
- **County, City, State Partnerships**
- **Section 108 loan possibility**
- **Bonding with regional security**

resources to address it on their own. As a result, they appear unable to solve this key issue. Housing needs in McPherson County are regional and in a real sense, the health of each community affects the health of all. We suggest a regional approach that involves different levels of government to address this need for basic urban services in order for every community to add to its housing supply. Some approaches include:

- Creation of an "infrastructure bank" funded cooperatively, with the capacity to make loans to the cities that needs to draw on it for capital improvements. This capital pool could be used as a match for more traditional funding sources like Community Development Block Grants or rural development funds.
- Section 108 loans. CDBG entitlement communities can draw advances on their annual entitlements for immediate needs, with repayment coming from future expected entitlements. None of McPherson County's communities are large enough to be entitlements, but the State of Kansas receives these funds on a formula basis. In theory, the state could commit a multi-year CDBG allocation to the three towns in critical need, and through 108, commit to paying back that advance

through a part of the future entitlement.

- Build Kansas Fund. The State's Build Kansas Fund provides matching funds for infrastructure development. Matching funds could be provided through the infrastructure bank or another regional consortium mentioned above.
- Bonding with regional security. The County or State could issue bonds to assist with infrastructure financing. STAR bonds may have some potential if regional increases in sales tax can be used to assist specific communities. The problem is that these projects do not have significant impact on sales taxes.

Housing Preservation

Existing housing is the most likely continuing source of affordable housing and, in any case, represents each city's largest capital resource. Fortunately, there are relatively few areas of concentrated deterioration. Nevertheless, there are strategic issues that should be addressed to counter negative trends. Focused ideas are considered below, and in most cases, assume the evolution of MHC as a capitalized entity.

Acquisition/Rehab/Resale

Lindsborg in particular but overall numbers from other parts the County suggest a substantial number

HOUSING PRESERVATION



- **Acquisition/rehab/resale**
 - **Contact with older adults, out-of-town heirs**
- **Targeted rehab where most needed**
- **Demolition/infill**

of houses that are vacant or likely to become vacant as their owners age, and either move to another setting or pass away. Older adult owners may have trouble addressing real estate sales or out-of-town heirs may be disinterested. As a result, these houses which could provide affordable opportunities for younger households often remain vacant or are acquired by investors as rental property. Acquisition/rehab/resale is a proven method of using this resources for affordable homeownership. A nonprofit development corporation acquires a vacant house or the house of an owner in transition, rehabilitates the house to contemporary standards, and resells to a new owner-occupant household. In the case of McPherson County, in addition to acting as the agency executing the project, MHC could provide assistance to older adult owners who fear the process of selling a house or can contact heirs to negotiate a potential sale.

Targeted Rehabilitation

Most rehabilitation needs in County communities involve one or two houses on a block rather than large areas of structural deterioration. However, one or two structures on an otherwise sound block can affect overall property values and cause other owners to defer improvements or needed repairs. A rehabilitation program focused on life-safety needs,

lead paint removal, foundation issues, and the building envelope can both improve the structure for the existing owner and preserve it for a future owner. These programs often use deferred payment loans, due on sale of the property.

Demolition and Infill

In a few cases, vacant houses are so deteriorated and obsolete that rehabilitation is not feasible. In these cases, the structure should be demolished and replaced by a new house. Some sites are in very good locations near the center of towns and a new structure would be highly marketable if available at an affordable price. In several situations, a large enough site can be assembled to allow a small townhome development.

Production

In most cases, the actual construction of homes will involve private builders. An organization like an expanded MHC will generally will not establish its own construction company, although precedents for that strategy do exist. Several techniques may be considered to help build partnerships with contractors for new home development. These include:

Limited Partnerships.

An MHC type corporation with CHDO status as mentioned above can form partnerships with private entities, using Low-Income Housing Tax Credits to build affordable housing. In these partnerships, the CHDO acts as a general partner and assembles limited equity partners who can use the credits to reduce their tax liability. This important equity raising tool has been used in McPherson County in the past. A multi-community project can help improve the competitive position of a LIHTC application and can create a critical mass that achieves economies of scale and provides the small but important number of rental units needed in the county's smaller municipalities.

Innovative Materials.

A basic impediment to affordable housing is simply the cost of conventional construction. Attempts at modular housing, new materials, factory-built structures or large components, and others have not effectively replaced the old ways of building. New technologies are emerging. 3-D printing, in its infancy for home construction, is being used to develop a 100 unit neighborhood in Georgetown, Texas. These houses are being built with a poured concrete material using a giant printer. The use of this type of technique should be monitored and can both improve energy efficiency and speed of construction. Structural insulated panels (SIP) are a more immediately attainable technology that has high energy efficiency and relative flexibility.

Inter-community Joint Applications

Joint applications for state and federal funding can be especially appropriate for small communities

PRODUCTION

- LIHTC Partnerships
 - Innovative materials (SIP) and products
 - Inter-community joint applications
- Limited profit development

under a population of 2,000 with small but real housing demands. Three Nebraska towns executed this model, using a grant for the state's Housing Trust Fund. The towns take turns, using the grant funds for construction financing. In this concept, the first town builds one or more houses. When that house sells, the second town uses the sale proceeds to do the same, and the turn-taking continues. It is an interesting way of keeping housing activity going in several towns at once, and gradually increasing sales values can accelerate production.

Limited Profit Builders/Developers

We have previously talked about the possibility of MHC's evolution into a nonprofit developer sometimes willing or able to undertake projects that the private market will avoid for various reasons. But a limited profit private development company could present possibilities. The idea is old, extending back to the 1920s in New York City with an organization called the City Housing Corporation. CHC was an association of very civic-minded designers and capitalists who did innovative projects that are landmarks of housing development and combined great design with supporting services. Unfortunately, the model did not survive the Great Depression, although the developments did and remain in productive use to this day. A more relevant example is

in Sioux Center, Iowa, where major employers created a for-profit development company with limits on profit to build affordable ownership homes for their workforce. A similar, employer-based entity may be a consideration for McPherson County.

Finance

We discussed financing operation of the coordinating organization earlier. Ideas here address two different types of financing assistance – the production side and the resident side.

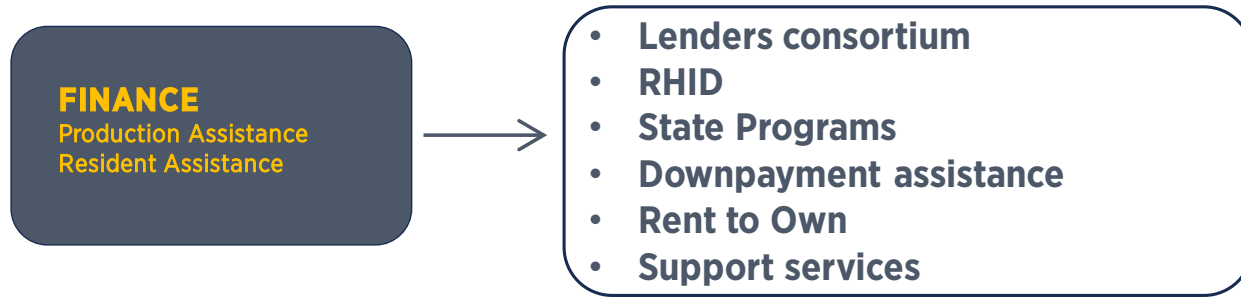
Production Financing

A wide variety of state and federal programs exist to help finance the actual development of lots and housing units. Some approaches include:

A Lenders Consortium. A consortium is a shared risk arrangement where lenders active in a region dedicate resources to a fund that makes loans that may be perceived as too risky for any one lender to make. We tend to favor construction financing as a good approach for a lenders consortium because the funds will be tied up for relatively short periods. One logical use is for construction loans to builders of multiple speculative houses who could not handle the exposure privately. Another is funding an acquisition/rehab/resale program, providing working for purchase



New Technologies: Top two images: 3-D printed neighborhood in Georgetown, TX; Above: Nehemiah Project using structural insulated panels (SIP) in Bartlesville, OK



and rehabilitation of existing housing units by the nonprofit.

Rural Housing Incentive Districts. RHIDs are a form of tax increment financing, focused on building infrastructure to support new housing development. The added property taxes created by the development are used to finance necessary infrastructure and public improvements. RHIDs, which grew out of critical lack of improved building lots in Dodge City, have been used effectively in McPherson County and in other places throughout Kansas. However, the application and approval process is rather complex. Helping cities and developers through it can be a valuable service provided by an expanded MHC.

State and Federal Programs. The Kansas Department of Commerce maintains an array of housing development assistance programs. This list, together with additional explanation and information is available at:

<https://www.kansascommerce.gov/housing>.

Resident Financing and Assistance

One of the most significant impediments to attainable owner occupancy is ability to afford a down payment on a home. Households dealing with student debt,

credit issues, and other costs do not have the savings or other resources. Some approaches to this problem include:

Rent to Own. Rent to own is a path to ownership most effectively carried out by a nonprofit, community-based development corporation. In this program, a portion of a household's rent is placed in escrow, accumulating over a period of time to fund a downpayment on a mortgage. Some programs have combined rent-to-own with rental development through Low Income Housing Tax Credits, although recapture provisions in the LIHTC law mean that the household may not always buy the house that they rent.

Downpayment Assistance. While not offered on a federal level, attainable housing has been a key issue in the 2024 presidential campaign and a Federal initiative addressing this problem could emerge in future years.

State of Kansas Programs. The First Time Home Buyer program provides forgivable subordinated loans to low and moderate income buyers to cover downpayment and closing costs. Its Home Loan Guarantee for Rural Kansas program provides loan guarantee gap coverage for residential construction and rehabilitation. The program is applicable to all McPherson County communities except the City of

McPherson.

Support Services. Programs that offer technical assistance, debt and financial counseling, and overall advice and guidance on homeownership issues can be very helpful in providing new owners with the necessary knowledge. These programs have been shown to reduce potential defaults, deferred maintenance, and other issues.

Assumptions and Regulations

Ordinance and Code Review and Modification

Changing preferences, affordability issues, and construction cost efficiencies are challenging assumptions about the kind of housing that the market can produce. Many (and arguably most) households have great difficulty affording the traditional single-family detached house on a quarter acre lot. New forms include single-family homes on small lots, attached units, townhomes, auxiliary dwelling units (ADU's), and small structure multi-family units. Yet many older zoning and subdivision ordinances put obstacles that discourage production of these housing types. Examples of these obsolete obstacles can include large minimum lot sizes, minimum home size, single use zoning districts, limitations on construction techniques, and excessive street width. Often, communities no longer remember the reason for these requirements, other than they've been in place for decades.

It was not the intention of this study to review each community's zoning and subdivision ordinances. But we recommend such a review on a countywide scale should be completed. The Regional Planning Commission that serves McPherson County may

ASSUMPTIONS REGULATIONS



- **Zoning and subdivision regulation review**
 - Lot size
 - Setbacks
 - Street width
- **New products**
- **Research and education**
- **Building codes**

have the ability to perform this review and make recommendations for changes.

Building codes sometimes can present obstacles because they tend to resist new ways of building in favor of traditional practices. Even with more conventional construction, requirements that increase cost without serving the interests of life safety, durability, or construction quality. While McPherson County communities should not be in the forefront of experimental codes and techniques, it should also monitor best practices around the country and incorporate desirable changes into its own codes.

Research and Education

Zoning code, subdivision regulations, and building code revisions ultimately require the approval of governing bodies. It is important to bring these approving agencies along through the review process. An organization like MHC, potentially in cooperation with academic planning programs at Kansas State and KU, could lead this kind of research effort and help build credibility and approving agencies support for ordinance change.

Community Projects

While not specifically housing related, strategic community improvements that relate to safety and quality of life can make McPherson County communities more attractive to prospective residents and, consequently, housing developers. Sidewalks and trails are examples of community improvements that have a variety of benefits and funding is available through some provisions of the Bi-Partisan Infrastructure Act and the continuing Transportation Alternatives Program (TAP). Several towns could implement voluntary landscaping and community entrance programs to enhance first impressions. As an example, Marquette, with a relatively indirect entrance route to the center of town, attractive signage could help secure a stronger connection to K-4.

Additionally, countywide community promotions and marketing efforts both on-line and using traditional media could help support overall housing development, including building awareness of available housing incentives. This was a recommendation of the previous City of McPherson housing study.



Small lot single-family: Top two images: Garden Cottages in Grinnell, IA; Aove: Excelsior Street in Excelsior Springs, MO