



City of Newton,
Kansas

HOUSING STUDY AND NEEDS ASSESSMENT



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May 2019

CANYON RESEARCH SOUTHWEST, INC.

COMMERCIAL REAL ESTATE RESEARCH AND ANALYSIS

HOUSING STUDY AND NEEDS ASSESSMENT CITY OF NEWTON, KANSAS

May 2019

Prepared for:

City of Newton, Kansas
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Prepared by:

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CANYON RESEARCH SOUTHWEST, INC.

COMMERCIAL REAL ESTATE RESEARCH AND ANALYSIS

May 31, 2019

Robert D. Myers
City Manager
City of Newton
201 E. 6th
Newton, KS 67114-2215

Re: Housing Study and Needs Assessment Update
City of Newton, Kansas

Mr. Myers;

In August 2011, Canyon Research Southwest, Inc. prepared a *Housing Demand Market Analysis* to assist the City of Newton in evaluating the potential impact the addition of up to 880 new jobs would have on the local housing market. At the City's request Canyon Research Southwest, Inc. has prepared the enclosed *Housing Study and Needs Assessment*. The objective of the housing study update is to quantify both near-term owner-occupied and renter-occupied housing demand for Newton and provide strategic plan recommendations to support a sustainable and diverse housing stock.

The updated housing study provides a demographic analysis of the Newton market area, identification of the City's housing stock characteristics (both for-sale and rental), and future housing demand projections. Based on the study findings housing demand forecasts by product type were quantified for the City of Newton and marketing and housing strategies outlined designed to attract and support new housing construction.

Upon review of the report, should any questions arise or additional information requested, contact me directly at (716) 551-0655.

Respectfully submitted,

CANYON RESEARCH SOUTHWEST, INC.

Eric S. Lander, Principal

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SUMMARY OF MAJOR FINDINGS

Of behalf of the City of Newton, Canyon Research Southwest, Inc. has prepared a *Housing Study and Needs Assessment* that evaluates the City's current for-sale and rental housing markets, quantifies near-term housing demand, and identifies strategic plan recommendations designed to support the City's housing needs. The report's major findings are summarized in the text below.

Demographic Overview

The City of Newton is a rural community located at the northern edge of the Wichita MSA. A community's changing demographic trends have a significant impact on the local housing market. Those population demographics playing a role in shaping the composition of a local housing market include population growth, age distribution, household composition, educational attainment, and household income.

A slight decline in population since 2010 has placed a constraint on the ability of Newton to support new home construction. Future employment and population growth are necessary to foster a healthy new housing market for both for-sale and rental product. Principal constraints in Newton's historically modest population growth have been the difficulty in attracting homebuilders, modest levels of new home construction, and high construction costs.

The age composition of a community's population plays a significant role in the demand for various housing types. As a person ages their housing needs change. Over the next five years family/working adults (35-44 years) and the elderly (65+ years) are forecast to support the largest gains in population. Newton's future age demographics suggest a need for affordable rental housing, entry-level and move-up for-sale housing, and senior housing.

Compared to state-wide averages, Newton has a higher percentage of family households and married-couple households, though both household types have a lower rate of children at home. Newton also supports lower than average rates of single-parent and non-family households. These household composition characteristics suggest an above average need for single-family housing.

Because income increases with advancing educational attainment, communities with high education levels generally support higher rates of homeownership and housing values. The below average educational attainment levels of Newton residents place constraints on achievable income levels and housing values with just 24.5 percent of residents possessing a bachelor's degree or better. The rental housing market is supported by the fact that the highest level of education for 39 percent of residents is a high school degree or less.

Nearly one-third of households in Newton earn less than \$35,000 annually. These households tend to be renters with the 22.1 percent of households earning less than \$25,000 potential candidates for some form of housing assistance. The 16.4 percent of Newton's households earning \$35,000 to \$49,999 represent the primary demand for market-rate rental housing and entry-level for-sale housing. The 26.9 percent of Newton households with incomes of \$75,000 or more support demand for upscale housing. Despite the below average household income levels the homeownership rate for Newton exceeds the national average.

Income levels generally rise with age. The *American Community Survey 2017* reported that for householders in Newton under the age of 25 years the median household income was \$33,425, suggesting these residents are more likely to be renters. The median household income for those householders 25 to 44 years of age was estimated at \$55,528, suggesting renters and entry-level and move-up homeowners. The median household income for those householders 45 to 65 years of age was estimated at \$60,684, suggesting homeowners of more upscale single-family housing.

Employment growth and composition is a principal driver for population growth within a community. After reaching a low in 2010, employment in Harvey County increased steadily through 2016, adding 901 jobs. Since peaking in 2016, employment declined steadily throughout 2017, losing 264 jobs or 2.2 percent of the county employment base. When compared to statewide averages Harvey County supports above average concentrations of jobs in construction; manufacturing; and education and health care services. Harvey County's employment composition suggests an above average need for rental housing.

From 2018 to 2023, Newton's median household income is forecast to increase by 10.2 percent to \$53,809 annually. By 2023, 27.5 percent of the city's households are estimated to earn less than \$35,000 annually, suggesting a continued need for affordable housing. Over 18 percent of all households earning \$35,000 to \$49,999 suggests a steady demand for market-rate rental housing and entry-level, for-sale housing. By 2023, 34.0 percent of all Newton households are estimated to possess median incomes of \$75,000 or more, an increase of 473 households from 2018. The growth in high-income households suggest a growing market for upscale housing.

Housing Market Overview

From 2010 to 2017, the Newton's housing stock increased by 250 dwelling units to a total inventory of 8,487 dwelling units. Detached single-family homes now comprise 80.8 percent of Newton's housing stock which is well above the statewide average of 72.7 percent. Multi-family housing with a minimum of two dwelling units accounts for just 14.1 percent of Newton's housing stock, with structures housing 2- to 9-units the predominant product type.

In 2000 a reported 426 housing units were vacant in Newton equating to an overall vacancy rate of 5.9 percent. By 2010 the inventory of vacant housing units increased to 653, escalating the vacancy rate to 7.9 percent. The vacancy rate in Newton peaked in 2012 at 10.8 percent. After several years of improving market conditions vacancies again trended upward, reported at 8.6 percent in 2016 and 9.9 percent in 2017.

Newton's housing stock is relatively old with 46.6 percent of the city's total housing stock built prior to 1959, compared to 35.4 percent statewide. Just 31.1 percent of Newton's existing inventory was built since 1980, compared to 38.9 percent of the state's housing stock. The large inventory of housing units in Newton constructed prior to 1959 provides the potential opportunity to foster entry-level for-sale housing through property investment and renovation efforts.

The median household income in Newton is \$49,874, with homeowners possessing a median household income of \$59,057 and renters of \$27,820. The disparity in income levels of homeowners and renters is evident by housing affordability measured by housing costs as a percentage of income. A reported 59 percent of homeowners and 27 percent of renters in Newton pay less than 20 percent of their household incomes on housing expenses. The big differential is

that just 10.9 percent of homeowners expend more than 35 percent of household income on housing expenses compared to 40.1 percent of renters.

For-Sale Housing Market

From 2010 to 2016 the number of owner-occupied housing units in Newton declined from 5,293 units to 4,979 units while the inventory of renter-occupied housing units increased from 2,219 units to 2,776 units. During 2017 the trend in occupancy reversed posting a 5.3 percent gain in owner-occupied housing units and a 13.3 percent decline in rent-occupied housing units.

According to the *American Community Survey 2017*, detached single-family homes account for 93.9 percent of Newton's owner-occupied housing stock, compared to 91.9 percent for the State of Kansas. The predominance of owner-occupied detached single-family housing is common within rural communities. Despite the preference for single-family, owner-occupied housing the number of owner-occupied housing units in Newton declined from 5,293 units in 2010 to 5,242 units by 2017.

During 2010 Newton's median housing value of \$94,700 lagged well below the statewide median of \$122,600. From 2010 to 2017 the median home value in Newton escalated by just 4.4 percent to \$98,900 compared to 13.5 percent for the State of Kansas. The strength on Newton's owner-occupied housing market is entry-level housing priced under \$100,000 and move-up housing priced from \$100,000 to \$199,999.

From 2016 through 2018 a total of 1,281 homes sold in Harvey County. Total sales proceeds peaked in 2018 at \$60.7 million, including \$57.0 million in existing homes and \$3.65 million in new home sales. Since 2016 new home sales in Harvey County have represented just 6.7 percent of all home sales proceeds.

A healthy for-sale housing market generally operates at home sales averaging 90 days on the market or less. From 2016 to 2019Q1 the Harvey County for-sale housing market operated at a healthy inventory versus demand equilibrium with average days on the market ranging from just 60 days to 81 days.

Despite the strong overall market in Harvey County, since 2016 there has been a significant disparity in days on the market for existing homes versus new homes. Existing homes have sold on average within 56 to 80 days while new homes required on average 73 to 207 days to sell. The reasons for the disparity may include the limited inventory of new housing and much high prices when compared to existing homes. The higher sales prices for new homes may also translate into higher property taxes than for a comparable existing home.

The Multiple Listing Service reported that 53 homes sold in Newton during the first quarter 2019. As of April 2019, just 66 homes were on the market for sale in Newton at an average list price of \$145,982. Of this active inventory, half was under contract at an average price of \$144,417. The active listings are spread evenly throughout Newton with the southwest (\$207,186) and southeast (\$156,208) quadrants supporting the highest average listing prices. This limited inventory of homes available for sale places a significant constraint on the ability of buyers to purchase a home in Newton and has led to sales prices close to the listing price.

Five active, for-sale residential subdivisions in Newton offer homes priced from \$170,000 to \$273,000. Builders are reluctant to build spec homes in Newton with just one home currently under construction within the active subdivisions. The active subdivisions offer an ample supply of available lot inventory totaling an estimated 62 fully-improved lots and 758 platted lots. The available supply of lots and modest sales velocity places a constraint on the potential of supporting near-term market entry of additional for-sale residential subdivisions.

Interviews were conducted with several realtors and builders active in Newton to gain a deeper understanding of the for-sale housing market. The comments received are summarized below.

- The residential neighborhoods south of Highway 50 are the most desirable areas of Newton for-sale, single-family housing. These neighborhoods benefit from closer proximity to Wichita and the presence of Newton Medical Center, YMCA and shopping.
- Newton's most active for-sale housing product is priced from \$150,000 to \$175,000. Most of the housing in this price range is existing product not new builds.
- For-sale housing priced from \$180,000 to \$200,000 has the greatest opportunity for growth, but there is little inventory.
- Newton's average household income level limits the opportunity to support move-up housing product.
- The primary constraints of Newton's new housing market are the low supply of homes on the market, housing affordability, and limited inventory of entry-level product.
- Newton supports a limited supply of upscale housing targeting middle and upper management of the Newton's major employers. Higher-income employees tend to live in Wichita due to desirable housing product and lifestyle.
- From 2009 to 2015 existing home values in Newton declined, increasing the gap in pricing between existing and new homes, and creating increased competition for new homes. Over the past three years existing home prices have escalated and the inventory of resale homes has declined, improving the market positioning of new homes.
- Comparable new homes in Wichita are less expensive and many subdivisions offer such family-friendly amenities as walking trails, swimming pools and playgrounds.
- Special assessments for infrastructure and cost of construction are the principal constraints in supporting the construction of entry-level single-family homes in Newton.
- Favorable qualities of Newton for homebuyers include a high quality of life, family-friendly community, small town atmosphere, low crime, proximity to Wichita, and quality recreational amenities. Constraints include a shortage of available housing inventory and lack of retail businesses, restaurants, and entertainment.
- Buyers get more home for their money in existing homes. Property taxes and special assessments for infrastructure drive up the price and monthly expense of new homes.

- Profit margins for new homes is small. If a home doesn't sell in six months the profit margin evaporates.
- Newton has a glut of platted single-family lots. Not many fully improved lots have come on the market in recent years.
- Newton schools don't rate high on Zillow which is a detriment when marketing to families.
- Wichita builders are hesitant to enter the Newton market given the distance, slow sales velocity and limited profit margins.
- A market exists in Newton for 65+ retirees to sell their existing home and buy a smaller, maintenance-free home.

Rental Housing Market

By 2017 Newton's housing stock totaled 8,487 dwelling units, of which 14.1 percent, or 1,201 dwelling units were in multi-unit structures. By comparison, multi-family housing accounts for just 18.1 percent for the State of Kansas housing stock. When compared to Kansas as a whole, Newton's mix of multi-family housing is disproportionately higher for 2- to 9-unit structures and low for structures with 20 or more dwelling units. This predominance of smaller multi-family structures and small number of large-scale apartment properties is common among rural communities the size of Newton.

From 2010 to 2017 the number of renter-occupied housing units in Newton rose from 2,219 units to 2,408 units. Detached and attached single-family homes in Newton account for 62.3 percent of the occupied rental housing stock. Structures with 2 to 4 dwelling units accommodate 13.9 percent of all occupied rental housing while structures with ten or more dwelling units account for 16.2 percent.

Only 1.9 percent of Newton's rental housing has been constructed since 2010, compared to 3.5 percent for the State of Kansas. Over two-thirds of Newton's rental housing was built prior to 1980. As a result, most of Newton's rental housing is old and lacks the modern design and amenities of new properties.

In 2017, the median rent in Newton of \$724 per month was 9.6 percent below the statewide average. Of Newton's occupied rental housing units, 16.2 percent rented for less than \$500 per month compared to just 14.5 percent statewide. Two-thirds of Newton's rental stock support rents of \$500 to \$999 per month. Just 13.9 percent of housing units rent for \$1,000 to \$1,499 per month with only 3.3 percent of the housing stock renting for excess of \$1,500 per month. Since 2010, the median rent in Newton rose by 20.1 percent compared to an increase of 19.4 percent statewide. The disparity in median rents may be linked to Newton's older housing stock.

Due to the modest household income levels, for 41.9 percent of renter households in Newton the gross rent accounts for 35 percent or more of total income compared to 35.3 percent statewide. By comparison, for 13.2 percent of Newton households the gross rent accounts for 15 percent or less of total household income is just slightly below the statewide average. These rent to household income percentages suggest Newton supports an above average need for affordable rental housing.

For 39 percent of renter households in Newton the gross rent accounts for less than 20 percent or more of total income compared to about 30 percent statewide. The just over one-third of Newton households where the gross rent accounts for 35 percent or more of total household income is just slightly below the statewide average. These rent to household income percentages suggest Newton supports a healthy demand for both market-rate and income-based rental housing.

From 2013 to 2017 the *American Community Survey* estimated that Newton's rental housing operated at healthy annual vacancies of 3.1 percent to 5.1 percent.

Seven market-rate rental apartment properties totaling 214 dwelling units were surveyed in Newton. Despite the age and lower quality of the surveyed market-rate properties, collectively they are currently operating at a healthy occupancy rate of 97.7 percent. The above market equilibrium occupancy rate suggests pent-up demand for market-rate rental housing currently exists in Newton. The principal barriers to the financially feasible construction of additional market-rate apartments include high development costs, low rents, and the presence of a larger stock of older rental properties offering more affordable rents.

An estimated 825 households in Newton earn less than \$15,000 per year with another 867 households earning \$15,000 to \$24,999, creating a need for income-based rental assistance. Seniors 65+ years of age account for 17.6 percent of Newton's total population, fueling demand for senior housing. Ten income-based apartment properties operate in Newton including six properties totaling 292 dwelling units targeting families and singles and four senior housing properties totaling 218 units. Both properties types are operating at well above market equilibrium occupancy rates. Newton's demographics suggest a need for additional affordable rental housing and senior housing.

The primary barrier for prospective renters in Newton is the limited availability of quality market-rate and rental assistance housing units. A quality rental housing stock is an important component of fostering a healthy for-sale housing market by offering prospective residents the opportunity to live in the community before buying a home.

Study Conclusions

Based on the findings the *Housing Demand Market Analysis* housing market opportunities were identified and housing strategies identified to assist the City of Newton foster the construction of new entry-level, for-sale housing, market-rate rental housing and income-based rental housing.

Forecast Housing Demand

New housing demand from 2018 through 2023 in Newton is estimated at 175 to 270 dwelling units. The segmentation of new housing demand is estimated at 55 percent owner-occupied and 45 percent renter-occupied. Therefore, through 2023 the mix of new housing demand is estimated at 96 to 148 owner-occupied units and 79 to 122 rental units.

Through 2023 demand for new for-sale housing in Newton is estimated at 34 to 52 housing units priced from \$150,000 to \$199,999. Owner-occupied demand is further estimated at 43 to 66 housing units for housing priced from \$200,000 to \$249,999 and 19 to 29 upscale housing priced at \$250,000 and more.

The breakdown of new rental housing demand through 2023 is estimated at 32 to 49 dwelling units at a monthly rent under \$650 and 16 to 24 units at \$650 to \$799 per month, much of which may consist of income-based housing. Market-rate rental housing demand is estimated at 12 to 19 units at \$800 to \$999 per month and 19 to 30 units renting at \$1,000 or more per month.

Forecast Absorption of New Housing by Product Type City of Newton, Kansas; 2018-2023

Housing Type	Affordability Factor % of Households	Total Housing Units	
		Low	High
New Owner-Occupied Housing (\$ Value)			
Under \$100,000	0%	0	0
\$100,000 to \$149,999	0%	0	0
\$150,000 to \$199,999	35%	34	52
\$200,000 to \$249,999	45%	43	66
\$250,000+	20%	19	29
Total New Owner-Occupied Housing Demand		96	148
New Renter-Occupied Housing (Monthly Rent)			
Under \$650	40%	32	49
\$650 to \$799	20%	16	24
\$800 to \$999	15%	12	19
\$1,000 to \$1,499	15%	11	18
\$1,500+	10%	8	12
Total New Renter-Occupied Housing Demand		79	122
Total New Housing Demand		175	270

Source: Canyon Research Southwest, Inc.

Income-Based Housing Need

The inventory of income-based rental housing in Newton totals just 292 dwelling units targeting families and singles and 218 dwelling units designated exclusively for seniors. An estimated 825 households in Newton earn less than \$15,000 annually, many of which may be candidates for income-based rental housing. Newton’s senior population 75+ years old totals 1,684 residents.

Given Newton’s modest inventory of income-based rental units coupled with large low-income and senior populations the need will arise over the next five years for additional income-based family and senior rental housing. Based on household income levels, income-based rental housing is estimated to account for 60 percent of the forecast rental housing absorption over the next five years, or 48 to 73 housing units.

Rental housing in Newton garners well below average rents. In 2017, the median rent in Newton of \$724 per month was approximately 9.6 percent below the statewide average. Of Newton’s occupied rental housing units, 16.2 percent rented for less than \$500 per month compared to just

14.5 percent statewide. Factors influencing the low rents include Newton's below average household incomes, lack of quality rental housing, and the predominance of 2- to 9-unit properties. Based on these market dynamics and the current fair market rents established by HUD, new construction of income-based housing in Newton is not anticipated to adversely impact current rents for market-rate rental housing.

Potential Development Sites

All five active for-sale residential subdivisions in Newton are located in the far southern portion of the city offering a remaining lot inventory estimated at 62 lots available for new home construction. In addition, a total of 758 platted lots are available for future development within Newton's active subdivisions. This available supply of lots and forecast absorption of 82 to 148 single-family homes over the next five years places a constraint on the needed inventory of new lots coming on the market to meet demand. The future new lot inventory would best be accommodated within Newton's active subdivisions.

The City of Newton owns a parcel of land located at the southeast corner of First Street and Columbus Avenue. The land fronting First Street is zoned for commercial use with the south half zoned for multi-family residential use. The parcel is an excellent prospective residential development site featuring utilities, good access and visibility, and frontage onto a major arterial street.

The City-owned parcel is ideal for the construction of both affordable rental and for-sale housing. Rental apartments are suitable along the First Street frontage with entry-level, for-sale housing featuring small lots and small homes on the south half. To offer attractive price points modular housing could be considered. Discussions with local realtors and builders suggest considerable demand exists for housing priced \$150,000 to \$175,000. The housing would be targeted towards singles, married couples without children, and young families.

The City of Newton could offer incentives to attract single-family builders to the City-owned property. Examples of incentives include: 1) reduced purchase price for the land and infrastructure; 2) establish a Rural Housing Incentive District (RHID) to assist in the cost of infrastructure improvements; 3) waiving building permit fees; 4) waiving municipal water, sewer and trash fees until a new home is sold and occupied; and 5) property tax abatement.

Over the next five years the demand for rental housing will create development opportunities. Potential sites for multi-family housing development should afford sufficient access and visibility. The southern portion of Newton is suitable for market-rate rental housing. The City-owned property at First Street and Columbus Avenue is ideal for income-based rental housing as are infill parcels in and surrounding the downtown for both family and senior housing.

Barriers to New Home Construction

Newton's large inventory of older, modest-priced single-family homes suitable for first-time homebuyers compete directly with new home construction, offering more house for the money, lower property taxes, and no special assessments for infrastructure. The gap in values between existing and new housing in Newton is substantial. During 2018 the median sales price for homes in Newton was \$127,450 for existing homes and \$232,585 for newly constructed homes.

Constraints in providing new construction at price-points catering to first-time, entry-level homebuyers include the cost of land, infrastructure, and vertical construction. It is difficult for builders to construct new single-family homes for a sales price under \$200,000. The viability of smaller homes targeting singles, young couples and empty nesters should be evaluated.

New homes in Newton generally remain on the market for a much longer period of time than lower priced existing homes. The extended time on the market erodes a builder's profit market. Coupled with low overall sales velocity, higher profit margins in Wichita, and distance from Wichita are principal limitations in attracting Wichita homebuilders to construct new housing in Newton.

Collaborative Marketing Strategy

It is common practice among developers and homebuilders in Newton to hire realtors to market lots and new homes, with modest marketing budgets. This approach results in limited market coverage and penetration. A more aggressive and collaborative marketing strategy is needed to drive Newton's new housing market. Developers and homebuilders need to implement a coordinated marketing effort to sell lots and new homes. A single source web site marketing all of Newton's active new home subdivisions should be established that not only promotes the available lots and new homes, but provides a central buyer's resource for community information on such quality of life issues as education and school activities, cost of living, list of major employers, employment opportunities, places of worship, recreational facilities, entertainment venues, shopping, dining, event calendar, family friendly activities, and more. An example of a similar collaborative market effort is the "Choose Wichita" web page, the link being www.choosewichita.com.

Housing Strategies

The City of Newton's housing strategy must be multi-pronged featuring an array of programs and incentives aimed at a variety of price points for both for-sale and rental housing. Partnerships should be considered with developers and non-profits to assist in achieve the goal of creating additional affordable for-sale housing, market-rate rental housing, and income-based rental housing.

Efforts by the City of Newton to implement a city-wide housing strategy designed to improving the housing stock should include:

- Revitalizing of property in established neighborhoods;
- Engaging a developer to build maintenance-free smaller homes targeting singles, young couples, and empty nesters. Amazon is now marketing well design, affordable small homes;
- Supporting the building of both income-based and market-rate rental housing; and
- Seeking partners to develop city-owned property for new neighborhoods of entry-level for-sale homes priced in the mid- to high-\$100,000's.

The City of Newton should actively work with homebuilders and realtors to promote residential housing construction. Possible ways the City could assist include:

- Providing city-owned land at little or no cost and sell lots on a rolling option basis so that homebuilders are not responsible for special assessments while lots remain vacant
- Coordinate federal and state incentive programs
- Reduce water, sewer and trash fees until a new home is sold and occupied
- Facilitate relationships with local property owners and real estate agents
- Consider new approaches for providing site infrastructure such as extending specials over a longer temp-note period before bonding or the developer paying the specials upfront through RHIDs
- Partner in consumer marketing of new homes
- Reduce special assessments on infill parcels

The City of Newton currently utilizing a variety of programs and incentives to support and stimulate the local housing market. Additional housing programs and incentives that could be offered to developers, homebuilders, and homeowners by the City of Newton include:

1. Land banking for the purpose of constructing income-based rental housing. Land banks are governmental entities or nonprofit corporations that are focused on the conversion of vacant, abandoned, and tax delinquent properties into productive use. Land Banks strategically acquire problem properties, eliminate the liabilities, and transfer the properties to new, responsible owners in a transparent manner that results in outcomes consistent with community-based plans;
2. USDA's Rural Rental Housing Program provides loans and guaranteed loans to increase the supply of affordable rural rental housing for income eligible tenants. Loans can be combined with housing tax credits and other affordable housing products to help offset development costs;
3. USDA's Housing Preservation Grants provide qualified, public, non-profit organizations and public agencies funding to assist very-low and low-income homeowners to repair and rehabilitate their homes in rural areas;
4. Tax-Exempt Bond financing for multifamily housing is available through the State's Private Activity Bond (PAB) authority. PAB is designed to provide local units of government the ability to issue tax-exempt bonds;
5. The Federal Home Loan Bank (FHLBank) systems' Affordable Housing Program (AHP) is a privately funded housing grant program whereby FHLBank Topeka partners with its member financial institutions and public and private housing development organizations to provide grants to help fill financing gaps on income-eligible owner and rental housing initiatives;
6. The HOME Rental Development Program, funded through the Federal HOME Investment Partnerships program, assists communities and developers with increasing the supply of affordable rental housing. Nonprofit organizations must meet certain criteria to be considered a Community Housing Development Organization (CHDO), as defined by HOME program regulations;

7. Tax-Exempt Bond financing for multifamily housing is available through the State's Private Activity Bond (PAB) authority. The PAB is designed to provide local units of government the ability to issue tax-exempt bonds for a number of purposes including, but not limited to: facility and equipment financing for qualified manufacturers and processors, Beginning Farmers Program, waste treatment facilities, Mortgage Credit Certificates (MCC), Mortgage Revenue Bonds (MRB), and financing for residential rental developments; and
8. The Neighborhood Revitalization Program (NRP) is intended to promote revitalization and development by focusing rehabilitation, conservation, and redevelopment within the NRP area by offering property tax rebates to owners who complete certain improvements or renovations of property. There must be a minimum investment of \$5,000 on residential properties and \$10,000 on commercial/industrial properties to receive a tax rebate incentive.

**HOUSING STUDY AND NEEDS ASSESSMENT
CITY OF NEWTON, KANSAS**

May 2019

INTRODUCTION

Canyon Research Southwest, Inc. was commissioned by the City of Newton, Kansas to prepare the enclosed *Housing Study and Needs Assessment* for the City. The study results will assist elected officials, City staff, stakeholders and community members to develop a meaningful sense of the housing market, as well as an understanding of key housing issues and how they impact the City. The objective of the study is to quantify both owner-occupied and renter-occupied housing demand for Newton and provide a strategic plan to support a sustainable and diverse housing stock.

The *Housing Study and Needs Assessment* is segmented into five sections, including: 1) a community-wide demographic and economic analysis, 2) define the characteristics of existing housing stock, 3) for-sale housing analysis, 4) rental housing analysis and 5) near-term housing demand projections. The study involved both primary and secondary sources of data gathering. An online housing survey was conducted to determine the housing needs of both Newton residents and non-residents working in the city.

The Demographic and Economic Analysis section identifies the City's demographic and economic characteristics impacting the local housing market including population and household growth trends, household types, household income, educational attainment, and historical employment growth trends. This section of the report provides the baseline data necessary in forecasting future demand for for-sale and rental housing in Newton. The demographic profile of a community affects housing demand and the types of housing that are needed. The housing life-cycle stages are: entry-level households, first-time homebuyers and move-up renters, move-up homebuyers, empty-nesters, younger independent seniors and older seniors. The *American Community Survey* by the U.S. Census Bureau provided historical demographic data while demographic projections were supported by data published by Esri Business Analyst, a national demographic research firm. Quantifying these demographic and economic characteristics assisted in projecting the future demand for various housing types in Newton.

The Housing Stock Characteristics section of the report assessed the status of Newton's existing housing stock by identify the inventory, age and composition of the City's existing housing, housing tenure and occupancies, inventory of for-sale and rental housing, and recent new home construction trends. The issues of barriers to new housing construction and housing affordability relative to household income levels were addressed. The goal was to identify current and future opportunities to support new housing in Newton. Historical housing data for the City of Newton was provided by the *American Community Survey* by the U.S. Census Bureau.

The For-Sale Housing Analysis section addressed recent trends in the sale of existing single-family homes, current inventory of homes actively on the market, and a survey of active residential subdivisions. The Multiple Listing Service (MLS) provided data on these market trends.

The Rental Housing Market Analysis section of the report surveyed market-rate and income-based housing communities in Newton to gauge the inventory, quality and occupancies of the current rental housing stock.

The Housing Demand section of the study provides current and 5-year housing demand forecasts by product type for the City of Newton. Demand for additional housing was further provided by sales price range for both for-sale housing and by rental rate range for rental housing.

Based on the study findings housing demand forecasts by product type will be quantified for the City of Newton and marketing and housing strategies outlined designed to attract and support new housing construction. A city-wide housing strategy will address the following issues:

1. Future housing demand forecasts by product type, value, and rent;
2. Impact of new single-family and multi-family construction on the City's existing housing stock;
3. Need for income-based and senior housing and the impact of new income-based housing stock on existing rents of the city's market-rate rental housing;
4. Prospective site locations for the construction of new market-rate single-family and multi-family housing as well as income-based housing;
5. Identify perceived barriers in the ability of the city to support new home construction and persuade homebuilders to construct new housing;
6. Collaborative marketing strategy; and
7. Municipal and private sector involvement in the process of implementing a city-wide housing strategy that may involve rehabilitating existing housing, development of city-owned property (land banking), homeownership programs, economic incentives to attract homebuilders and developers, and development partnerships.

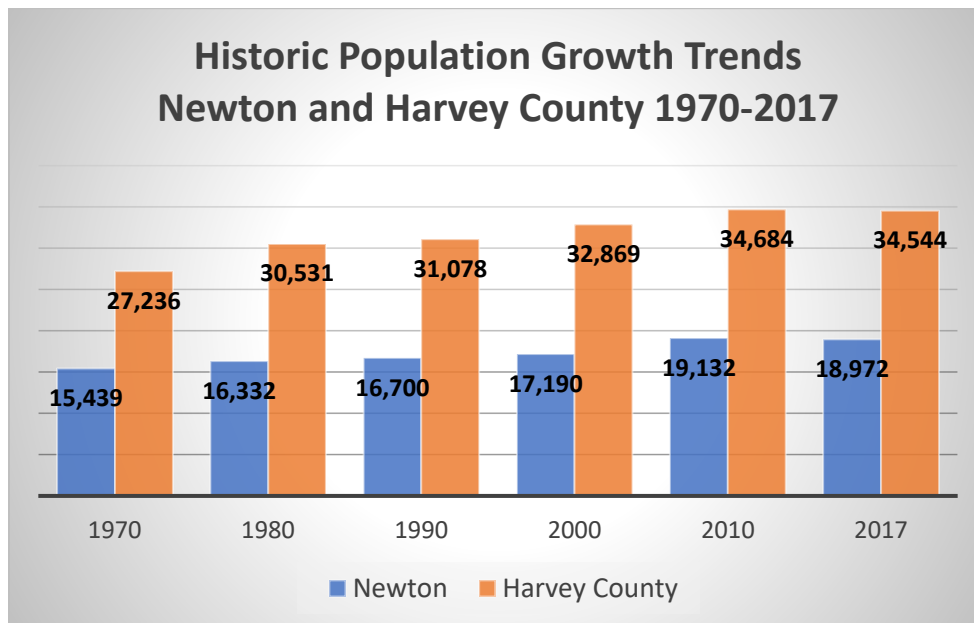
DEMOGRAPHIC AND ECONOMIC ANALYSIS

This section of the report examines housing-related demographic and economic factors impacting Harvey County and the City of Newton, including population and household growth trends, age distribution, educational attainment, household income, and employment trends. Demographic data was provided by the U.S. Census Bureau with employment statistics provided by the U.S. Bureau of Labor Statistics. Five-year demographic projections were provided by Esri Business Analyst, a national demographic research firm. Quantifying these demographic and economic characteristics will assist in projecting the future demand for housing in the City of Newton.

Population and Household Growth Trends

Population and household growth are key components for quantifying the current housing market size and forecasting future demand. Over the past five decades the City of Newton has experienced steady though modest population growth, increasing by 22.9 percent from 15,439 residents in 1970 to 18,972 residents by 2017. Harvey County too has recorded population gains, increasing by 13.7 percent from 1970 to 2017 adding 7,308 residents.

Following moderate population growth during the 1970's, during the decade of the 1980s the population levels for Newton and Harvey County remained relatively flat supporting growth rates of 2.25 percent and 1.79 percent, respectively. Over the next twenty years population growth for both Newton and Harvey County accelerated. From 1990 to 2010 both Newton and Harvey County recorded an uptick in population growth increasing by 14.6 percent and 11.6 percent, respectively. From 2010 to 2017 the Newton population declined 0.84 percent to 18,972 residents and the Harvey County population declined by 0.4 percent to 34,544 residents. By 2023, Esri projects the Newton population to reach 3,970.



A community's population demographics play a significant role in the demand for housing. Of specific importance to the level and composition of a community's future housing demand are population growth, age distribution, household composition, and household income. Future employment and population growth are necessary to foster a healthy new housing market for both for-sale and rental product. Newton serves as Harvey County's principal economic and population center supporting over half the county population.

Historical Population Trends for the City of Newton and Harvey County

Year	Newton			Harvey County			Newton % of County
	Population	Change	Growth Rate	Population	Change	Growth Rate	
1970	15,439	568	3.78%	27,336	1,471	5.69%	56.48%
1980	16,332	893	5.78%	30,531	3,195	11.69%	53.49%
1990	16,700	368	2.25%	31,078	547	1.79%	53.74%
2000	17,190	490	2.93%	32,869	1,791	5.76%	52.30%
2010	19,132	1,972	11.30%	34,684	1,815	5.52%	55.16%
2017	18,972	-160	-0.84%	34,544	-140	-0.40%	54.92%

Source: U.S. Census Bureau.

A possible source of housing demand for Newton is the continued population growth and urban expansion of the Wichita MSA that includes the counties of Butler, Harvey, Sedgwick, and Sumner. As the table below illustrates, from 1980 through 2017 the Wichita MSA population increased by 36.7 percent, adding 171,496 new residents. The decade of the 1990s represented the strongest period for population growth at 11.75 percent. From 2010 to 2017 the growth rate slowed to just 2.44 percent. This steady population growth has fueled continued new home construction at the edges of the metropolitan urban area.

Wichita MSA Population Trends by County

County	Population					Change 1980-2017
	1980	1990	2000	2010	2017	
Butler County	44,782	50,580	59,482	65,880	66,878	22,096
Harvey County	30,531	31,028	32,869	34,684	34,544	4,013
Sedgwick County	366,531	403,662	452,869	498,365	513,687	147,156
Sumner County	24,928	25,841	25,946	24,132	23,159	-1,769
Totals	466,772	511,111	571,166	623,061	638,268	171,496
Growth Rate		9.50%	11.75%	9.09%	2.44%	36.74%

Source: U.S. Census Bureau.

Trends in household types for the City of Newton are depicted in the table below. From 2010 to 2017, the composition of households in Newton shifted slightly with family, male householder with no wife present, and senior householders comprising larger market shares. Family households in Newton as a percentage of total households rose from 62.9 percent in 2010 to 65.6 percent by 2017, while the share of non-family households declined from 37.1 percent in 2010 to 34.4 percent by 2017. From 2010 to 2017, the number of married-couple family households increased by 294 households, or 6.2 percent. The number of married-couple families with children under 18 years old also increased from 1,420 in 2010 to 1,598 by 2017. The percentage of householders living alone declined from 30.6 percent 2010 to 30.2 percent in 2017.

The number of households with one or more people 65 years and older rose from 1,961 in 2010 to 2,216 by 2017. By 2017 households with one or more people over 65 years and older accounted for 29.0 percent of all households in Newton, compared to 26.4 percent state-wide. Single person households accounted for 41.6 percent of the senior households. Senior households are expected to have a growing impact on the Newton housing market including an increased demand for independent and assisted living facilities.

Compared to state-wide averages, Newton has a similar percentage of family households and married-couple households, with both household types having a comparable rate of children at home. Newton also supports average rates of single-parent and non-family households. These household composition characteristics suggest average demand for single-family housing.

City of Newton Trends in Household Types

Household Type	Newton 2010	% of Total	Newton 2017	% of Total	Kansas 2017	% of Total
Total Households	7,512		7,650		1,121,943	
Family Households	4,726	62.9%	5,020	65.6%	735,106	65.5%
With Children Under 18 Years	2,042	27.2%	2,286	29.9%	330,761	29.5%
Married-Couple Family	3,872	51.5%	3,967	51.9%	572,697	51.0%
With Children Under 18 Years	1,420	18.9%	1,598	20.9%	233,769	20.8%
Male Householder, No Wife Present	150	2.0%	386	5.0%	49,591	4.4%
With Children Under 18	91	1.2%	325	4.2%	27,725	2.5%
Female Householder, No Husband Present	704	9.4%	667	8.7%	112,818	10.1%
With Children Under 18	531	7.1%	363	4.7%	69,267	6.2%
Non-Family Households	2,786	37.1%	2,630	34.4%	386,837	34.5%
Householder Living Alone	2,299	30.6%	2,313	30.2%	322,256	28.7%
Householder 65 Years and Older	957	12.7%	811	10.6%	121,995	10.9%
Households with one or more people under 18	2,171	28.9%	2,434	31.8%	360,415	32.1%
Households with one or more people 65 and over	1,961	26.1%	2,216	29.0%	295,841	26.4%

Source: U.S. Census Bureau.

Population Age Distribution Trends

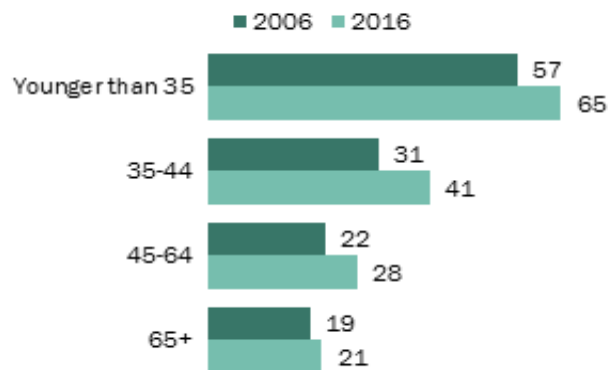
The age composition of a community's population plays a significant role in the demand for various housing types. As a person ages their housing needs change. Each age group is at a different stage in life and possesses differing housing needs that includes renting versus homeownership as well as the type of housing product (i.e., detached single family, attached townhouse/condominium, apartment, etc.).

The total number of households in the United States grew by 7.6 million between 2006 and 2016. But over the same period, the number of households headed by owners remained relatively flat, in part because of the lingering effects of the housing crisis. Meanwhile, the number of households residing in rental housing increased significantly during that span, as did the share, which rose from 31.2 percent of households in 2006 to 36.6 percent by 2016. The current renting level exceeds the recent high of 36.2 percent set in 1986 and 1988 and approaches the rate of 37.0 percent reported in 1965.

Certain demographic groups – such as young adults and the lesser educated – have historically been more likely to rent than others. Young adults – those younger than 35 – continue to be the most likely of all age groups to rent. In 2016, 65 percent of households headed by people younger than 35 were renting, up from 57 percent in 2006. In 2016, about 41 percent of households headed by someone ages 35 to 44 were renting, up from 31 percent in 2006.

About two-thirds of households headed by young adults are rentals

% of household heads who rent their home, by householder's age



Note: Based on revised estimates.

Source: Pew Research Center analysis of Census Bureau estimates of housing inventory.

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The Home Ownership Rate in the United States was reported at 64.40 percent in the third quarter of 2018 up from 64.30 percent in the second quarter of 2018. Home Ownership Rate in the United States averaged 65.23 percent from 1965 until 2018, reaching an all-time high of 69.20 percent in the second quarter of 2004 and a record low of 62.90 percent in the second quarter of 1965.

Estimates published by the *American Housing Survey* are that 87.9 percent of owner-occupied housing units are single family homes or townhouses while approximately 80.5 percent of renter-occupied dwellings are apartments or condominiums.

In the United States there is a strong correlation between the age of a household's family structure and homeownership. The rate of homeownership increases with the age of the householder up until age 65, when a slight decrease becomes visible. Only 21.9 percent of households with a householder under the age of 25 years owns a home, increasing to 32.6 percent for householders under the age of 30 years and 43.0 percent for householders under the age of 35 years. By comparison, 81.6 percent of those households with a householder between the ages of 55 and 64 are homeowners.

Newton's population for 2010 and 2017 is summarized in the table below by seven primary age groups, including adolescent (0-19 years), college age adults (20 to 24 years), young adults (25 to 34 years), family/working adults (35-44 years); empty nesters (45-54 years and 55-64 years) and elderly (65+ years).

City of Newton Population Age Distribution Trends; 2010-2017

Age Group	2010 Census	% of Total	2017 Estimate	% of Total	2010-2017 Change	% Change	Kansas Age Distribution
0-19 Years	5,112	27.2%	5,116	27.0%	4	0.08%	27.5%
20-24 Years	1,307	7.0%	1,259	6.6%	-48	-3.67%	7.5%
25-34 Years	2,385	12.7%	2,430	12.8%	45	1.89%	13.2%
35-44 Years	2,271	12.1%	2,190	11.5%	-81	-3.57%	12.0%
45-54 Years	2,927	15.6%	2,201	11.6%	-726	-24.80%	12.4%
55-64 Years	1,840	9.8%	2,420	12.8%	580	31.52%	12.6%
65+ Years	2,927	15.6%	3,256	17.6%	329	11.24%	14.6%
Totals	18,769	100.0%	18,972	100.0%	203	1.1%	100.0%
Median Age	37.4		38.9				36.3

Source: U.S. Census Bureau.

From 2010 through 2017, the *American Community Survey* published by the U.S. Census Bureau estimated the number of college age adults (20 to 24 years) and young adults (25 to 34 years) in Newton declined by 3 residents. In addition, these two age cohorts accounted for 19.1 percent of the City's population compared to 20.8 percent for the State of Kansas. These age demographics support the need for rental housing in Newton.

Family/working adults (35-44 years) account for 11.5 percent of the City’s population compared to 12.0 percent for the State of Kansas. This age bracket generates a need for entry-level, for-sale housing in Newton.

Newton’s large empty-nester population (45-64 years) suggests a strong demand for move-up, for-sale housing and the downsizing of housing.

From 2010 to 2017 the elderly (65+ years) population residing in Newton increased by 11.24 percent. The continued growth of Newton’s senior population is expected to drive increased demand for independent and assisted living housing.

Esri Business Analyst provided 5-year population age distribution forecasts for the City of Newton that are helpful in identifying possible trends in the demand for various housing types.

From 2018 to 2023 Esri Business Analyst forecast the Newton population to gain a modest 150 new residents. Absolute population gains from 2018 to 2023 in Newton are forecast to the largest for family/working adults ages 35 to 44 years (115 residents); seniors ages 65+ years (299 residents) and adolescent/college ages 15 to 24 years (57 residents). These age cohorts suggest a future growing demand for entry-level single-family homes and senior housing.

City of Newton Population Age Distribution Projections; 2018-2023

Age Group	2018 Estimate	% of Total	2023 Projection	% of Total	2018-2023 Change	% Change
0-14 Years	4,175	21.6%	4,207	21.6%	32	0.8%
15-24 Years	2,261	11.7%	2,318	11.9%	57	2.5%
25-34 Years	2,513	13.0%	2,396	12.3%	-117	-4.7%
35-44 Years	2,319	12.0%	2,435	12.5%	115	5.0%
45-54 Years	2,203	11.4%	2,104	10.8%	-100	-4.5%
55-64 Years	2,435	12.6%	2,298	11.8%	-137	-5.6%
65+ Years	3,421	17.7%	3,720	19.1%	299	8.7%
Totals	19,327	100.0%	19,477	100.0%	150	0.8%
Median Age	37.9		38.3			

Source: Esri Business Analyst.

Educational Attainment

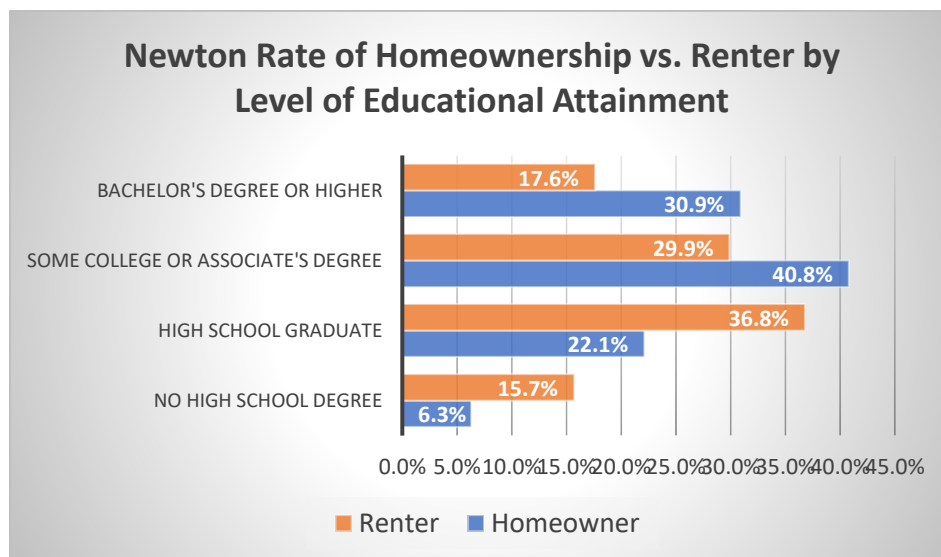
Because income increases with advancing educational attainment, communities with high education levels generally support higher levels of homeownership and housing values. According to the *American Community Survey* Newton residents on average are less educated than the norms for Harvey County, Kansas, and the United States. A reported 15.2 percent of Newton residents 25 years and over possess a Bachelor’s, compared to 18.1 percent for Harvey County, 20.6 percent for Kansas and 19.1 percent for the United States. Furthermore, 9.3 percent of Newton residents have attained an advanced degree which is well below the 11.7 percent for both Harvey County and Kansas residents and 11.8 percent of U.S. residents. An estimated 44.1 percent of the Newton population has a high school diploma or hasn’t graduated.

Educational Attainment Levels – Newton, KS For Residents 25 Years and Over

Highest Education Level Obtained	City of Newton	Harvey County	State of Kansas	United States
Less than 9th Grade	4.5%	3.6%	3.7%	5.4%
9th - 12th Grade, No Diploma	5.7%	5.2%	5.8%	7.2%
High School Graduate / GED	33.9%	26.3%	26.2%	27.1%
Some College, No Degree	23.4%	26.6%	23.6%	20.8%
Associate Degree	8.0%	8.3%	8.3%	8.3%
Bachelor's Degree	15.2%	18.1%	20.6%	19.1%
Graduate / Professional Degree	9.3%	11.7%	11.7%	11.8%

Source: American Community Survey, U.S. Census Bureau.

The rate of homeownership in Newton increases from 6.3 percent for those residents with less than a high school degree or less to 30.9 percent with a bachelor’s degree or better. Conversely, 42.5 percent of residents with a high school degree or less are renters.



The educational attainment levels of Newton residents favor renting over homeownership. Demand for rental housing is supported by the fact that the highest level of education for with 39 percent of residents is a high school degree. Highly-educated residents are most likely to be homeowners; but, only one-quarter of Newton residents possess a bachelor’s degree or better.

Household Income

Generally, as household incomes rise higher housing costs can be supported for both for-sale and rental housing. The table below summarizes 2017 household income comparisons for the City of Newton and State of Kansas provided by the *American Community Survey*.

Trends in Households by Income for 2017 City of Newton vs. State of Kansas

Income Bracket	City of Newton	% of Total	State of Kansas	% of Total
Less than \$15,000	825	10.8%	119,657	10.7%
\$15,000 - \$24,999	867	11.3%	109,643	9.8%
\$25,000 - \$34,999	732	9.6%	117,212	10.4%
\$35,000 - \$49,999	1,411	16.4%	159,626	14.2%
\$50,000 - \$74,999	1,758	23.0%	215,465	19.2%
\$75,000 - \$99,999	751	9.8%	144,503	12.9%
\$100,000 - \$149,999	893	11.7%	153,831	13.7%
\$150,000 - \$199,999	242	3.2%	52,861	4.7%
\$200,000+	171	2.2%	49,145	4.4%
Totals	7,650		1,121,943	
Median Income	\$49,874		\$55,477	

Source: U.S. Census.

The *American Community Survey* published by the U.S. Census Bureau estimated the 2017 median household income for Kansas of \$55,477 and the United States of \$57,652. Newton’s 2017 median household income of \$49,874 lagged well behind the national and statewide averages due in large part to the resident’s below average educational attainment. As a result of the above average household income levels the homeownership rate for Newton closely mirrors that for Kansas and exceeds the national average.

An estimated 31.7 percent of households in Newton earned less than \$35,000 annually compared to 30.9 percent for the State of Kansas. These households tend to be perpetual renters with the lowest income households potentially qualifying for some form of housing assistance. The above average share of households in Newton with incomes of less than \$25,000 suggests a need for some form of housing assistance. The 16.4 percent of households earning \$35,000 to \$49,999 represent the majority of the city’s market-rate rental market.

As it relates to owner-occupied housing demand the estimated 26.9 percent of households earning \$75,000 or more create a market for move-up and upscale housing. The 39.4 percent of Newton households earning \$35,000 to \$74,999 create a need for entry-level, for-sale housing.

Income levels generally rise with age. The *American Community Survey 2017* reported that for householders in Newton under the age of 25 years the median household income was \$33,425, suggesting these residents are more likely to be renters. The median household income for those householders 25 to 44 years of age was estimated at \$55,528, suggesting renters and entry-level and move-up homeowners. The median household income for those householders 45 to 65 years of age was estimated at \$60,684, suggesting homeowners of more upscale single-family housing.

Newton Median Income by Age, 2017

Age Bracket	Median Income
Under 25 Years	\$33,425
25 to 44 years	\$55,528
45 to 64 Years	\$60,684
65+ Years	\$41,485
Median Household Income	\$49,874

Source: U.S. Census Bureau.

The table on the following page summarizes 2018 household income estimates and 2023 projections for the City of Newton provided by Esri Business Analyst. For 2018 an estimated one-third of households in Newton earn less than \$35,000 annually. These households tend to be renters with a portion qualifying for some sort of housing assistance. The 18.5 percent of all households earning \$35,000 to \$49,999 represents the demand for entry-level, for-sale housing. Meanwhile, the estimated 28.0 percent of households earning \$75,000 or more, fuel demand for upscale housing.

From 2018 to 2023, the median household income for Newton is forecast to increase by 10.2 percent to \$53,809 annually. By 2023, 27.5 percent of the city’s households are estimated to earn less than \$35,000 annually, suggesting a continued need for affordable housing. Over 18 percent of all households earning \$35,000 to \$49,999 suggests a steady demand for entry-level, for-sale housing. By 2023, 34.0 percent of all Newton households are estimated to possess median incomes of \$75,000 or more, an increase of 476 households from 2018. The growth in high-income households over the next five years suggests an increasing market for upscale housing.

City of Newton Projected Trends in Households by Income; 2018-2023

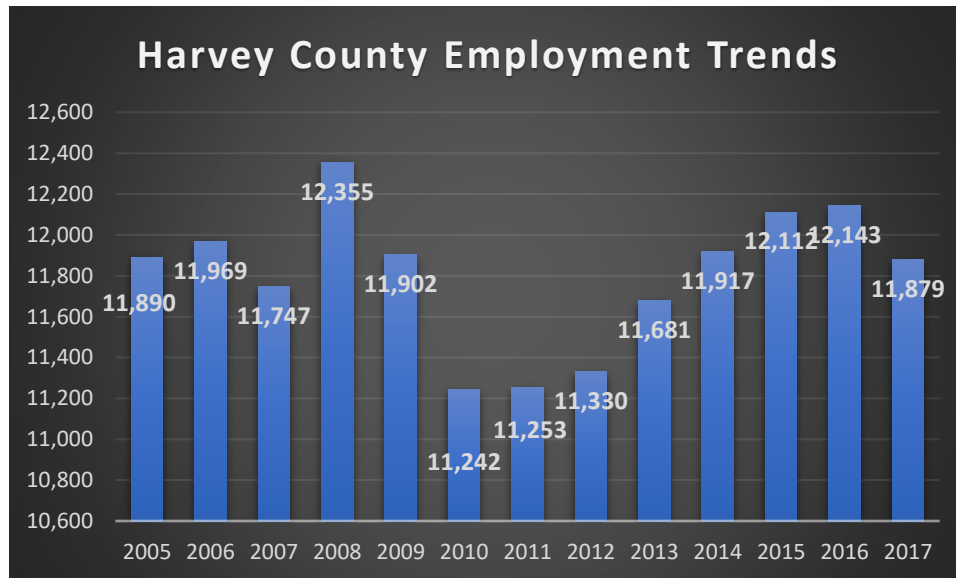
Income Bracket	2018 Estimate	% of Total	2023 Projection	% of Total	2018-2023 Change	% Change
Less than \$15,000	762	10.0%	606	7.9%	-156	-20.5%
\$15,000 to \$24,999	770	10.1%	621	8.1%	-149	-19.3%
\$25,000 to \$34,999	953	12.5%	882	11.5%	-71	-7.4%
\$35,000 to \$49,999	1,403	18.4%	1,381	18.0%	-22	-1.6%
\$50,000 to \$74,999	1,601	21.0%	1,572	20.5%	-29	-1.8%
\$75,000 to \$99,999	961	12.6%	1,035	13.5%	75	7.8%
\$100,000 to \$149,999	755	9.9%	989	12.9%	235	31.1%
\$150,000 to \$199,999	259	3.4%	345	4.5%	86	33.2%
\$200,000+	160	2.1%	238	3.1%	78	48.5%
Totals	7,624	100.0%	7,670	100.0%	46	0.6%
Median HH Income	\$48,817		\$53,809		\$4,992	10.2%

Source: Esri Business Analyst.

Employment Trends

Since gains in employment generally fuels population, income and housing market growth, employment trends are a reliable indicator of general economic conditions and housing demand. Typically, households prefer to live near work for convenience.

The bar chart below illustrates annualized employment trends for Harvey County since 2005 published by the U.S. Bureau of Labor Statistics. Throughout the 2008-2010 national recession, like most areas of the country, Harvey County suffered a decline in employment. After peaking in 2008 at total employment of 12,355 jobs employment levels dropped by 9.0 percent through 2010. Beginning in May 2011 monthly employment in Harvey County began to grow to levels exceeding the same month for the prior year. This employment growth trend continued throughout 2016 but total annualized employment never returned to the pre-recession level peaking at 12,143 jobs. Employment declined steadily throughout 2017, losing 264 jobs or 2.2 percent of the county employment base.



According to the U.S. Bureau of Labor Statistics, for the second quarter 2017 Harvey County supported an average weekly wage of \$708. By comparison, the average weekly wage was \$829 for Kansas and \$862 for the United States. Harvey County's well below average wages are indicative of its rural location and below average educational attainment levels.

The local wages place a constraint on housing values and rents. To illustrate, median housing value of \$120,600 in Harvey County lags below \$135,300 for the State of Kansas and \$184,700 for the United States. The median monthly rent in Harvey County of \$674 compares to \$775 for the State of Kansas and \$949 for the United States.

The composition of an area's employment base helps dictate income levels and the composition of housing demand. High levels of such white-collar occupations as professional, management and administrative; information; and financial, insurance and real estate generate demand for

owner-occupied housing. Meanwhile, employment sectors more likely to create a need for rental housing typically include construction, manufacturing, wholesale trade, retail trade, and transportation and warehousing. The table below provides a comparison of civilian employment levels by industry for Harvey County and Kansas as published in the *American Community Survey*.

Civilian Employment by Sector Comparison Harvey County vs. State of Kansas; 2016

Industry Classification	Harvey County Total	% of Total	Kansas Total	% of Total
Total Civilian Employment	16,628	100.0%	1,408,918	100.0%
Agriculture	353	2.1%	48,146	3.4%
Construction	1,309	7.9%	88,942	6.3%
Manufacturing	3,468	20.9%	178,621	12.7%
Wholesale Trade	325	2.0%	39,174	2.8%
Retail Trade	1,190	7.2%	153,234	10.9%
Transportation, Warehousing & Utilities	630	3.8%	66,217	4.7%
Information	196	1.2%	30,121	2.1%
Finance, Insurance & Real Estate	676	4.1%	85,771	6.1%
Professional, Management & Admin.	990	6.0%	129,518	9.2%
Education & Health Care Services	4,864	29.3%	346,660	24.6%
Arts, Entertainment, Accommodations & Food	1,035	6.2%	114,526	8.1%
Other Services, Except Public Administration	830	5.0%	64,342	4.6%
Public Administration	762	4.0%	63,646	4.5%

Source: U.S. Census Bureau.

As of 2016 the leading employment sectors in Harvey County included education & health services (4,864 jobs); manufacturing (3,468 jobs); construction (1,309 jobs); retail trade (1,190 jobs); and arts, entertainment, accommodations, and food (1,035 jobs).

When compared to statewide averages Harvey County supports above average concentrations of jobs in construction; manufacturing; and education and health care services. Conversely, Harvey County lags below the statewide norms in agriculture; wholesale trade; transportation, warehousing and utilities; information; finance, insurance and real estate; professional, management and administrative; arts, entertainment, accommodations and food; and public administration. Harvey County's employment composition suggests an above average need for rental housing.

Business Location Factors

Interviews conducted with several local real estate agents, business owners, and government and economic development staff identified assets/opportunities and constraints/limitations of Newton as a business location. The bullet points below summarize the content of those interviews.

Assets / Opportunities

- Central location offering good highway access that affords convenient overnight trucking to a large geographic area and major metropolitan areas;
- Low housing costs for both owner-occupied and rental housing;
- Access to a large and skilled workforce and draws from a large geographic area that includes Wichita;
- A high quality of life featuring a small-town atmosphere, affordable cost of living, highest school district rating in Harvey County, a 2-year college, excellent park system and a low crime rate;
- Presence of several industrial-based employers;
- Newton is located within 45 minutes of two airports; and
- Newton and Harvey County offer excellent short-line and regional rail service as well as proximity to the Port of Catoosa;

Constraints / Limitations

- Limited inventory of available for-sale housing and quality rental housing;
- Limited selection of restaurants and a small and narrow retail base;
- A large elderly population and the need to attract younger residents;
- Wichita's boom and bust aviation industry makes employee recruitment more difficult;
- Lack of industrial and commercial building inventory;
- Poorly-rated public school district;
- Cost of electricity for industrial users is high; and
- Climate and natural disasters.

Newton possesses ample advantages for attracting businesses, jobs and development activity. The presence of two large manufacturers is a favorable asset for attracting additional industry. Challenges facing future economic development of Newton include a limited stock of available for-sale housing and quality rental housing, lack of available industrial building inventory, peripheral metropolitan location, difficulty in attracting young residents, and limited support goods and service.

Conclusions

The City of Newton is a rural community located at the northern edge of the Wichita MSA. A community's changing demographic trends have a significant impact on the local housing market. Those population demographics playing a role in shaping the composition of a local housing market include population growth, age distribution, household composition, educational attainment, and household income.

A slight decline in population since 2010 has placed a constraint on the ability of Newton to support new home construction. Future employment and population growth are necessary to foster a healthy new housing market for both for-sale and rental product. Principal constraints in Newton's historically modest population growth have been the difficulty in attracting homebuilders, modest levels of new home construction, and high construction costs.

The age composition of a community's population plays a significant role in the demand for various housing types. As a person ages their housing needs change. Over the next five years family/working adults (35-44 years) and the elderly (65+ years) are forecast to support the largest gains in population. Newton's future age demographics suggest a need for affordable rental housing, entry-level and move-up for-sale housing, and senior housing.

Compared to state-wide averages, Newton has a higher percentage of family households and married-couple households, though both household types have a lower rate of children at home. Newton also supports lower than average rates of single-parent and non-family households. These household composition characteristics suggest an above average need for single-family housing.

Because income increases with advancing educational attainment, communities with high education levels generally support higher rates of homeownership and housing values. The below average educational attainment levels of Newton residents place constraints on achievable income levels and housing values with just 24.5 percent of residents possessing a bachelor's degree or better. The rental housing market is supported by the fact that the highest level of education for 39 percent of residents is a high school degree or less.

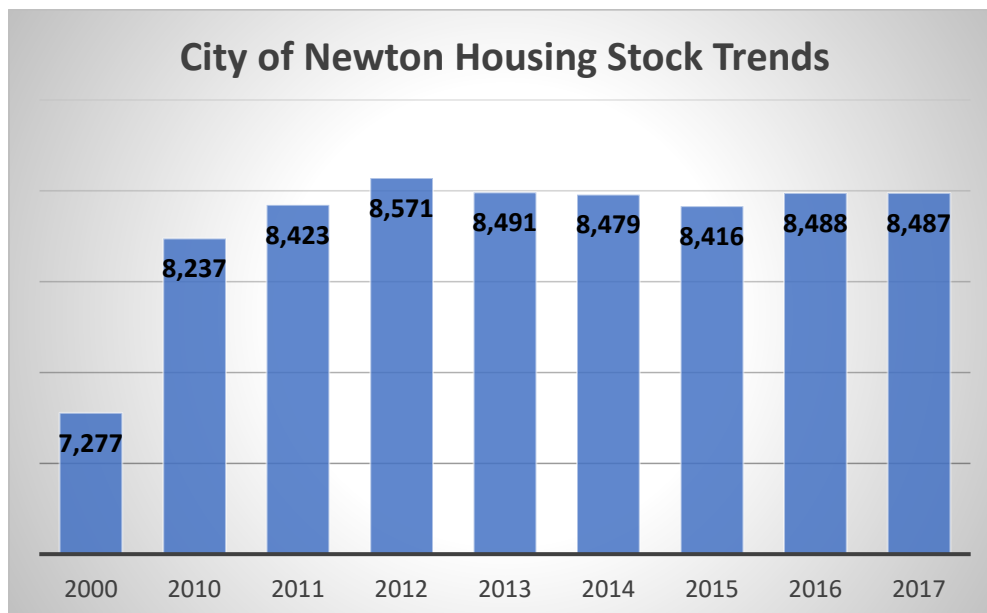
Nearly one-third of households in Newton earn less than \$35,000 annually. These households tend to be renters with the 22.1 percent of households earning less than \$25,000 potential candidates for some form of housing assistance. The 16.4 percent of Newton's households earning \$35,000 to \$49,999 represent the primary demand for market-rate rental housing and entry-level for-sale housing. The 26.9 percent of Newton households with incomes of \$75,000 or more support demand for upscale housing. Despite the below average household income levels the homeownership rate for Newton exceeds the national average.

HOUSING STOCK CHARACTERISTICS

This section of the report evaluates the City of Newton’s existing housing stock by identifying such characteristics as total inventory of dwelling units, housing types, occupancies, and age of housing stock. The goal is to identify current and future opportunities to support new housing stock in Newton.

Housing Stock Inventory and Occupancies

The 2000 Census reported the Newton, Kansas housing stock at 7,277 dwelling units. By the 2010 Census the Newton housing stock increased by 13.2 percent to 8,237 dwelling units. According to the *American Community Survey*, from the 2010 Census through 2017 Newton’s housing stock increased by 250 dwelling units to an adjusted inventory of 8,487 dwelling units.



The 2000 Census reported that 6,851 housing units were occupied in Newton, including 4,652 owner-occupied units and 2,199 renter-occupied units. By the 2010 Census the occupied inventory had increased to 8,237 housing units. From 2000 to 2010 the number of owner-occupied housing units in Newton increased 8.3 percent to 5,040 units. Meanwhile, over the decade Newton’s inventory of renter-occupied housing units rose 15.7 percent from 2,199 housing units in 2000 to 2,544 housing units by 2010.

The U.S. Census reported the overall occupancy rate for existing housing in Newton declined slightly from 94.1 percent in 2000 to 92.1 percent by 2010. The net gain in occupied housing units over the decade totaled 733 dwelling units. Of the occupied housing inventory, 66.5 percent were owner-occupied, compared to 66.7 percent for Kansas. The table on the following page identifies 2000 and 2010 Census inventory and occupancy data for Newton’s housing stock.

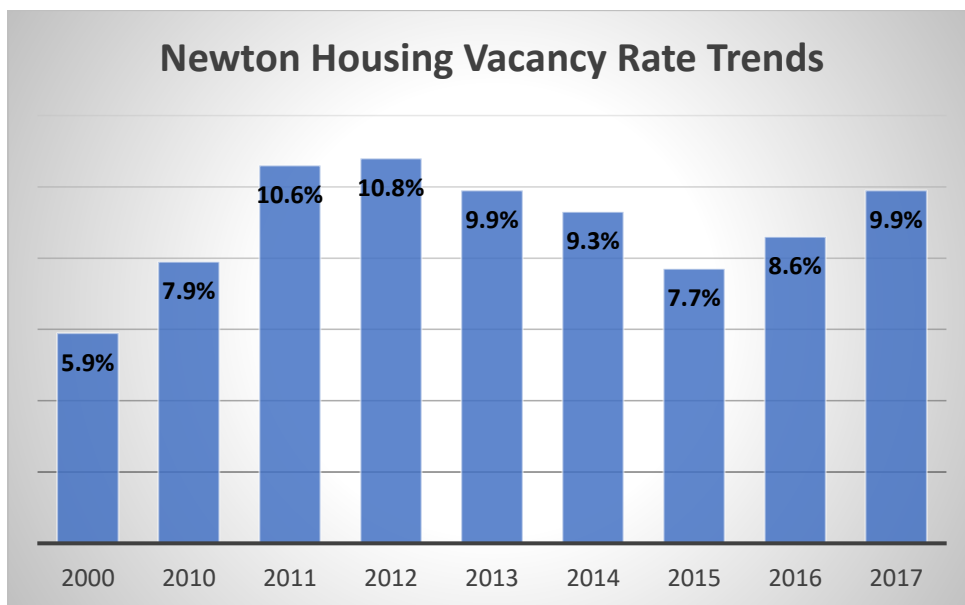
Newton, Kansas Housing Stock and Occupancies

	2010 Census		2000 Census	
	Units	%	Units	%
Total Housing Units	8,237	100.0%	7,277	100.0%
Occupied Housing Units	7,584	92.1%	6,851	94.1%
Owner-Occupied Housing Units	5,040	61.2%	4,652	63.9%
Renter-Occupied Housing Units	2,544	30.9%	2,199	30.2%
Vacant Housing Units	653	7.9%	426	5.9%
For Rent	257	3.1%	165	2.3%
Rented, Not Occupied	14	0.2%	31	0.4%
For Sale Only	112	1.4%	79	1.1%
Sold, Not Occupied	44	0.5%	15	0.2%
For Seasonal, Recreational or Occasional Use	17	0.2%	19	0.3%
All Other Vacant Units	209	2.5%	117	1.6%

Source: U.S. Census Bureau.

The 2010 Census reported the inventory of occupied housing units in Newton at 5,040 owner-occupied and 2,544 renter-occupied. According to the *American Community Survey* by 2017, owner-occupied housing totaled 5,242 units, a 4.0 percent increase from 2010 while the 2,408 renter-occupied housing units represented a 5.3 percent decline.

In 2000 a reported 426 housing units were vacant in Newton equating to an overall vacancy rate of 5.9 percent. By 2010 the inventory of vacant housing units increased to 653, escalating the vacancy rate to 7.9 percent. The vacancy rate in Newton peaked in 2012 at 10.8 percent. After several years of improving market conditions vacancies again trended upward, reported at 8.6 percent in 2016 and 9.9 percent in 2017.



Age of Housing Stock

The table below compares the age of Newton’s housing stock with that of the State of Kansas as reported by the *2017 American Community Survey* published by the U.S. Census Bureau. Newton’s housing stock is relatively old with just 31.1 percent of the existing inventory built since 1980. By comparison, 38.9 percent of the state’s housing stock was built since 1980. Newer housing built since 2000 represents just 10.3 percent of Newton’s total inventory, compared 13.8 percent statewide. New home construction in Newton totaled 734 dwelling units from 2000 to 2009 and just 142 housing units built since 2010.

Housing built prior to 1959 accounts for 46.6 percent of the city’s total housing stock, compared to 35.4 percent statewide. The oldest housing built prior to 1940 accounts for nearly one-quarter of Newton’s existing housing stock compared to 16.7 percent state-wide. These older housing units are generally smaller in size and lack the modern amenities of newer housing. Older housing stock is generally less expensive than new housing and is ideally suited for renovation/investment catering to entry-level buyers. The large inventory of housing units in Newton constructed prior to 1950 provides the potential opportunity to foster entry-level for-sale housing through property investment and renovation efforts. Given the large stock of older housing, Newton could also benefit from a small home repair program offering low interest loans or grants to income-qualifying households.

Newton, Kansas Housing Stock by Year Built; 2017

Year Structure Built	# of Units	% of Total	% of Kansas
Total Housing Units	8,487		1,259,647
Built 2014 or Later	15	0.2%	0.7%
Built 2010 to 2013	127	1.5%	2.0%
Built 2000 to 2009	734	8.6%	11.7%
Built 1990 to 1999	986	11.6%	12.9%
Built 1980 to 1989	780	9.2%	11.6%
Built 1970 to 1979	1,162	13.7%	15.3%
Built 1960 to 1969	731	8.6%	10.4%
Built 1950 to 1959	1,396	16.4%	12.9%
Built 1940 to 1949	540	6.4%	5.8%
Built 1939 or Earlier	2,016	23.8%	16.7%

Source: U.S. Census.

Housing Stock by Structure Type

The table below identifies Newton’s housing stock by unit type as reported by the *2017 American Community Survey*.

Newton, Kansas Housing Stock by Type – 2017

Units in Structure	# of Units	% of Total	Kansas %
1-Unit, Detached	6,858	80.8%	72.7%
1-Unit, Attached	181	2.1%	4.6%
2 Units	381	4.5%	2.5%
3 or 4 Units	88	1.0%	3.5%
5 to 9 Units	231	2.7%	3.8%
10 to 19 Units	211	2.5%	3.7%
20+ Units	290	3.4%	4.6%
Mobile Home	247	2.9%	4.5%
Boat, RV, Van, etc.	0	0.0%	0.0%
Total Housing Units	8,487	100.0%	100.0%

Source: U.S. Census Bureau.

Newton’s housing stock is dominated by detached single family homes, accounting for 80.8 percent of the total inventory. By comparison, detached single family housing accounts for 72.7 percent of Kansas’ housing units.

A common characteristic of outlying and rural area’s housing mix is a modest inventory of multi-family housing units. In Newton multi-family structures with 10 or more dwelling units account for just 5.9 percent of the total housing stock, compared to 8.3 percent for all of Kansas. The below average rate for multi-family properties with 10 or more dwelling units is due to the apprehension of major apartment builders to construct large market-rate apartment communities in rural areas. Multi-family housing in Newton is instead dominated by 2- to 9-unit buildings.

As indicated by the table on the following page, homeowners in Newton are more likely to occupy detached single-family housing while renters generally occupy multi-family housing. For 2017, the U.S. Census Bureau estimated that 5,242 owner-occupied housing units in Newton were occupied. Detached single family homes accounted for 93.6 percent of all occupied owner-occupied housing units. Meanwhile, an estimated 2,408 rental housing units were occupied. Renters were much less likely to occupy detached single-family homes accounting for 56.4 percent of all occupied rental units.

Multi-family housing with 2 or more units account for 36.7 percent of all renter-occupied units in Newton and just 2.4 percent of all owner-occupied housing units. Properties with 3 to 4 rental units account for 3.1 percent of all renter-occupied units while properties with 5 to 9 dwelling units account for 6.6 percent. Meanwhile, structures with ten or more rental units account for 16.2 percent of all renter-occupied units. The dominance of 2- to 9-unit rental properties might originate from Newton’s small-town character and the dominance of detached single-family housing.

**Newton, Kansas Occupied Housing Stock by Type – 2017
Owner-Occupied vs. Renter-Occupied Housing**

Housing Type	City Total	Owner-Occupied	Renter-Occupied
Occupied Housing Units	7,650	5,242	2,408
Units in Structure			
1-Unit, Detached	82.2%	93.6%	56.4%
1-Unit, Attached	2.4%	0.7%	5.9%
2 Units	3.6%	0.2%	10.8%
3 to 4 Units	1.2%	0.2%	3.1%
5 to 9 Units	2.1%	0.0%	6.6%
10+ Units	6.0%	1.3%	16.2%
Mobile Home or Other	2.8%	3.0%	1.0%

Source: U.S. Census Bureau.

A person’s propensity to rent versus homeownership changes as they age. According to *American Community Survey* in 2017 younger householders in Newton tended to be renters while older householders were more likely to be homeowners. A reported 18.7 percent of households under the age of 35 years were renters, declining to just 9.6 percent for householders ages 45 to 54 years.

**Newton, Kansas Occupied Housing Stock
by Age of Householder – 2017**

Housing Type	City Total	Owner-Occupied	Renter-Occupied
Occupied Housing Units	7,650	5,242	582
Under 35 Years	21.3%	12.5%	38.2%
35 to 44 Years	17.4%	17.9%	23.5%
45 to 54 Years	17.2%	17.4%	13.7%
55 to 64 Years	18.6%	23.9%	9.2%
65 to 74 Years	11.5%	11.0%	7.9%
75 to 84 Years	9.5%	13.0%	3.1%
85 Years and Over	4.5%	4.2%	4.3%

Source: U.S. Census Bureau.

Up until retirement age the rate of homeownership in Newton increases as a householder ages, peaking at 18.6 percent for those householders 55 to 64 years of age. Therefore, the future age distribution of Newton’s population will play a role in the housing composition.

The median household income in Newton is \$49,874. Homeowners in Newton possess a median household income of \$59,057. By comparison the median household income for renters in Newton is \$27,820.

Nearly 80 percent of homeowner households have a median income of \$50,000 or more, with 31.3 percent of households with median incomes of \$100,000 or more. Just 6.6 percent of homeowner households have a median income of less than \$25,000. These above average income levels support demand for single family homes and strong housing values.

By comparison, just 21.9 percent of renter households possess a median income of \$50,000 or more. A reported 44 percent of renter households, or a total of 256 households, have median incomes of less than \$15,000 and may qualify for rental assistance. Over 48 percent of renter households possess a median income of \$25,000 to \$74,999 and represent the market-rate rental market.

Owner vs. Renter Households Median Income Comparison Newton, Kansas 2017

Median Household Income	Owner-Occupied	Renter-Occupied
Less than \$5,000	0.8%	5.1%
\$5,000 to \$9,999	0.9%	8.4%
\$10,000 to \$14,999	2.0%	12.8%
\$15,000 to \$19,999	3.2%	5.7%
\$20,000 to \$24,999	4.2%	14.3%
\$25,000 to \$34,999	7.4%	14.3%
\$35,000 to \$49,999	21.5%	11.8%
\$50,000 to \$74,999	26.0%	16.3%
\$75,000 to \$99,999	12.1%	4.9%
\$100,000 to \$149,999	14.3%	6.0%
\$150,000 or more	7.7%	0.3%
Median Household Income	\$59,057	\$27,829

Source: American Community Survey, 2017.

The disparity in income levels of homeowners and renters in Newton is further evident by housing affordability measured by housing costs as a percentage of income. A reported 59 percent of homeowners and 27 percent of renters in Newton pay less than 20 percent of their household incomes on housing expenses. The big differential is that just 10.9 percent of homeowners expend more than 35 percent of household income on housing expenses compared to 40.1 percent of renters, suggesting a strong need for affordable and subsidized rental housing in Newton. The table on the following page provides a comparison of housing costs as a percentage of income for Newton homeowners and rents as provided by the *American Community Survey 2017*.

Housing Costs as a Percentage of Household Income Newton, Kansas 2017

% of Household Income	Owner- Occupied	Renter- Occupied
Less than 20%	59.0%	27.2%
20.0% to 24.9%	14.5%	14.2%
25.0% to 29.9%	12.1%	4.7%
30.0% to 34.9%	4.0%	9.6%
35.0%+	10.9%	40.1%

Source: American Community Survey.

Conclusions

From 2010 to 2017, the Newton’s housing stock increased by 250 dwelling units to a total inventory of 8,487 dwelling units. Detached single-family homes now comprise 80.8 percent of Newton’s housing stock which is well above the statewide average of 72.7 percent. Multi-family housing with a minimum of two dwelling units accounts for just 14.1 percent of Newton’s housing stock, with structures housing 2- to 9-units the predominant product type.

In 2000 a reported 426 housing units were vacant in Newton equating to an overall vacancy rate of 5.9 percent. By 2010 the inventory of vacant housing units increased to 653, escalating the vacancy rate to 7.9 percent. The vacancy rate in Newton peaked in 2012 at 10.8 percent. After several years of improving market conditions vacancies again trended upward, reported at 8.6 percent in 2016 and 9.9 percent in 2017.

Newton’s housing stock is relatively old with 46.6 percent of the city’s total housing stock built prior to 1959, compared to 35.4 percent statewide. Just 31.1 percent of Newton’s existing inventory was built since 1980, compared to 38.9 percent of the state’s housing stock. The large inventory of housing units in Newton constructed prior to 1959 provides the potential opportunity to foster entry-level for-sale housing through property investment and renovation efforts.

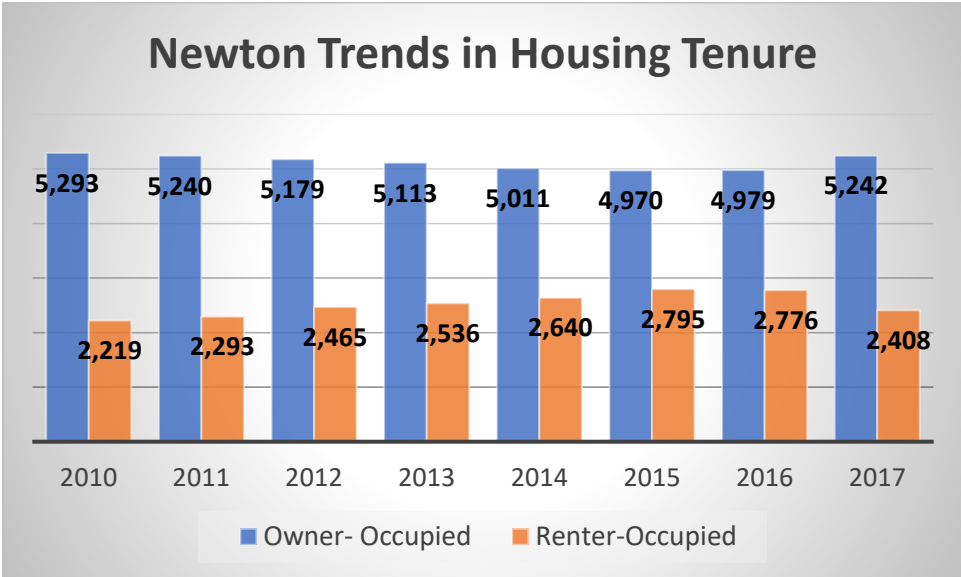
The median household income in Newton is \$49,874, with homeowners possessing a median household income of \$59,057 and renters of \$27,820. The disparity in income levels of homeowners and renters is evident by housing affordability measured by housing costs as a percentage of income. A reported 59 percent of homeowners and 27 percent of renters in Newton pay less than 20 percent of their household incomes on housing expenses. The big differential is that just 10.9 percent of homeowners expend more than 35 percent of household income on housing expenses compared to 40.1 percent of renters.

FOR-SALE HOUSING MARKET ANALYSIS

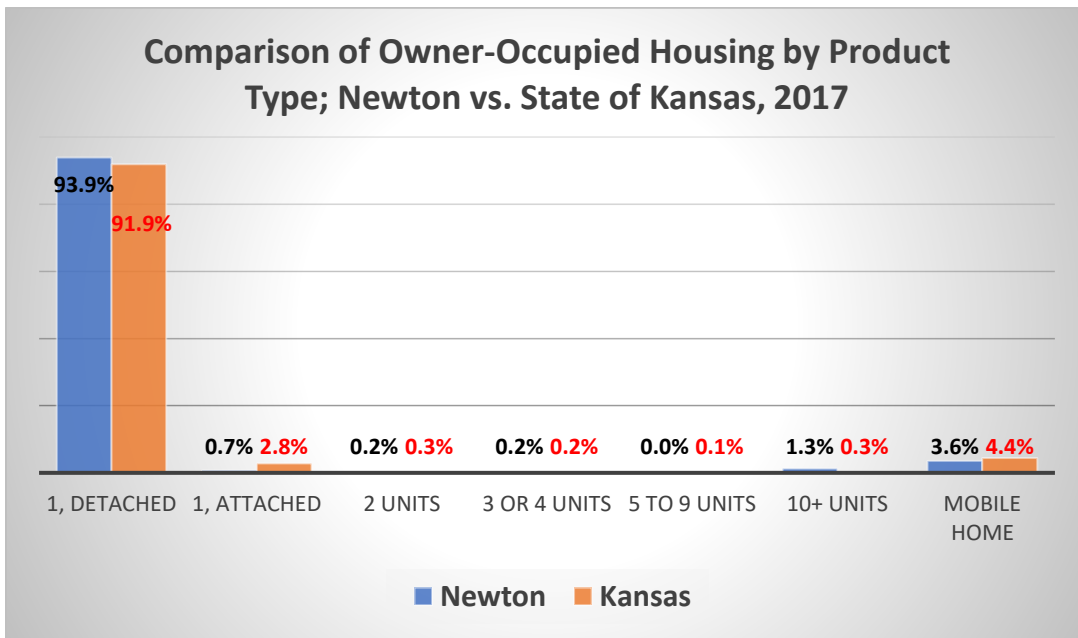
This section of the report evaluates the City of Newton’s for-sale housing market by identifying: 1) new and existing home sale trends; 2) current supply of for-sale homes on the market; and 3) active for-sale residential subdivisions. Stakeholder interviews were also conducted with the purpose of identifying current housing trends and future for-sale housing opportunities in Newton. The goal was to determine the Newton for-sale housing market’s ability to support near-term new housing construction as well as pricing opportunities.

Market Overview

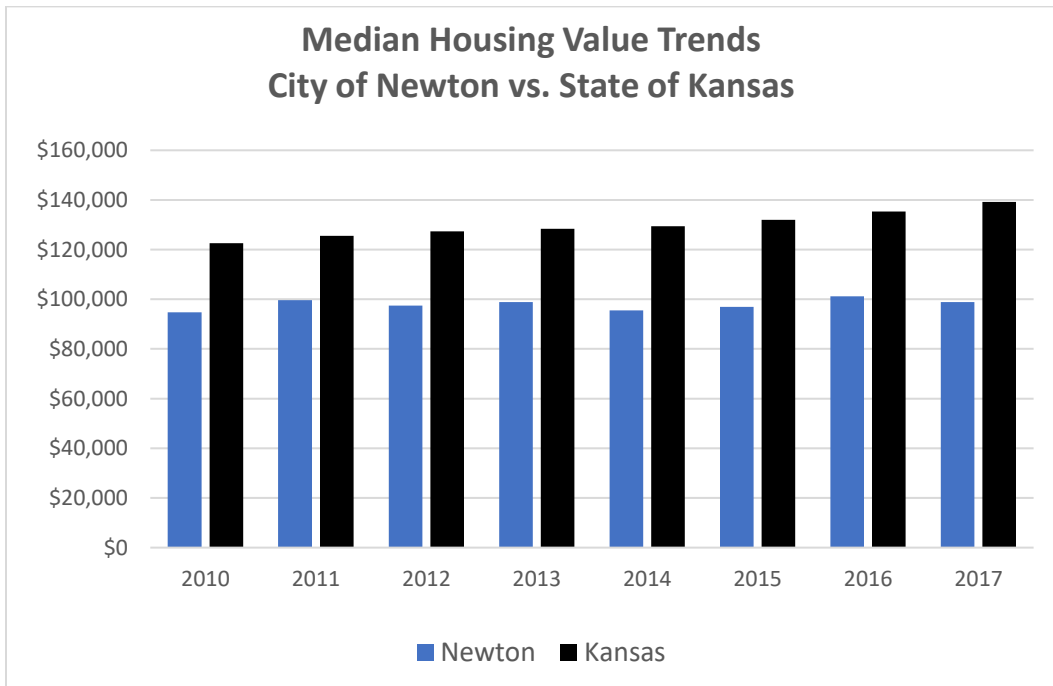
According to the *American Community Survey* by 2017 Newton’s inventory of housing units totaled 7,650 dwelling units. From 2010 to 2016 the Newton housing market experienced a downward trend in the inventory of owner-occupied housing units while the number of renter-occupied housing units rose steadily. Specifically, from 2010 to 2016 the number of owner-occupied housing units declined from 5,293 units to 4,979 units while the inventory of renter-occupied housing units increased from 2,219 units to 2,776 units. During 2017 the trend in occupancy reversed posting a 5.3 percent gain in owner-occupied housing units and a 13.3 percent decline in rent-occupied housing units.



According to the *American Community Survey 2017*, detached single-family homes account for 93.9 percent of Newton’s owner-occupied housing stock, compared to 91.9 percent for the State of Kansas. The predominance of owner-occupied detached single-family housing is common within rural communities. Meanwhile, multi-family housing account for 2.4 percent of Newton’s owner-occupied housing stock, compared to just 0.9 percent statewide. Mobile homes account for 3.6 percent of Newton’s owner-occupied housing and 4.4 percent of the statewide total.



According to the *American Community Survey*, during 2010 Newton’s median housing value of \$94,700 lagged below the statewide median of \$122,600. From 2010 to 2017 the median home value in Newton escalated by just 4.4 percent to \$98,900 compared to 13.5 percent for the State of Kansas. The bar chart below provides a comparison of median housing values between Newton and the State of Kansas from 2010 to 2017.



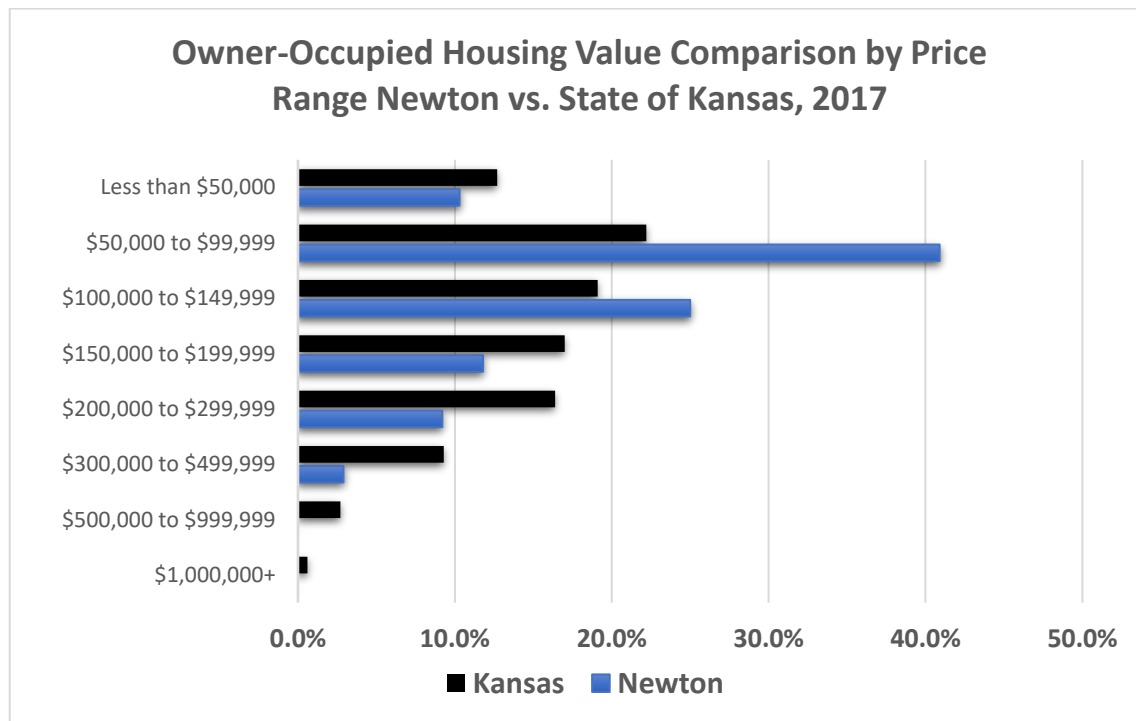
As reported by the *American Community Survey*, during 2017, 51.2 percent of Newton’s owner-occupied housing stock was valued under \$100,000 compared to 34.9 percent for the state of Kansas. This abundance of entry-level for-sale housing has created the opportunity for the Newton housing market to cater to a large segment of the population.

Newton maintains a large inventory of moderately priced homes. A reported 36.8 percent of Newton’s owner-occupied housing stock was valued at \$100,000 to \$199,999 compared to 36.1 percent statewide.

Homes valued at \$200,000 to \$299,999 account for 9.2 percent of Newton’s owner-occupied housing stock which compares to 10.4 percent of the statewide housing stock.

Move-up housing priced from \$300,000 to \$499,999 accounts for 2.9 percent of Newton’s owner-occupied housing stock which compares to 9.3 percent statewide. No housing in Newton is valued over \$500,000.

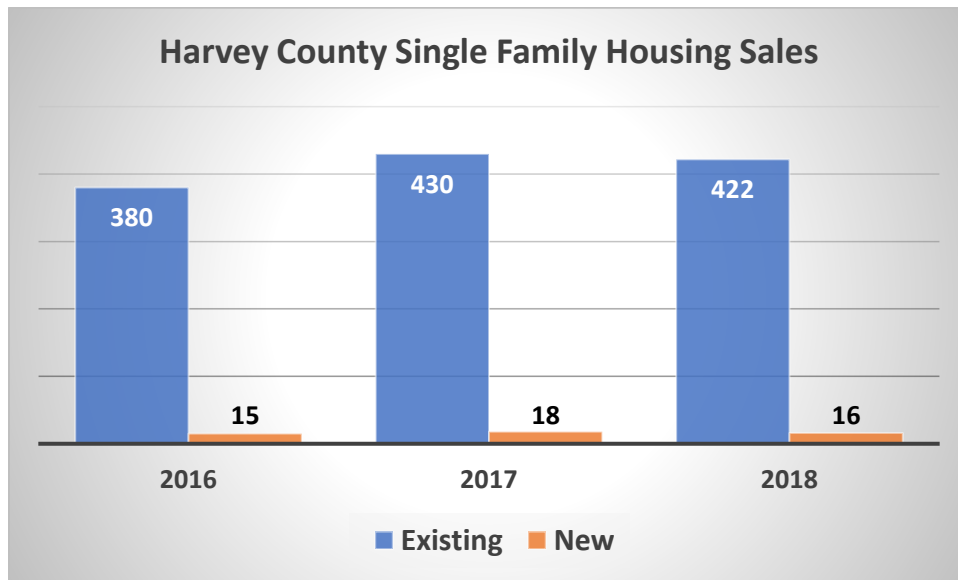
These housing value trends indicate the strength on Newton’s owner-occupied housing market is entry-level housing priced under \$100,000 and move-up housing priced from \$100,000 to \$199,999.



Home Sale Trends

Newton is Harvey County’s largest city. Data published by the South-Central Kansas MLS was consulted to ascertain recent single-family home sales trends for Harvey County.

Single-family home sales in Harvey County were reported at 395 sales in 2016, 448 sales in 2017 and 438 sales in 2018. Sales were dominated by existing homes that accounted for 96.2 percent of all sales from 2016 through 2018. Existing home sales ranged from just 15 to 18 homes annually over the three-year period. The peak sales season occurred over the months from March through August. Time on the market in 2018 averaged just 60 days, down from 69 days in 2017. The sales price in 2018 averaged 96.7 percent of the listing price, up from 96.3 percent in 2017.



Through March 2019 a total of 93 single-family home sales were reported, up from 85 sales over the same time period in 2018. The trend in escalating home sales was attributed to an improving national and local economy and attractive mortgage rates. In March 2019 active listings in Harvey County were reported at 86 homes, representing just a 2.3-month supply. The median sales price through the first quarter 2019 of \$119,500 represented a healthy 3.9 percent increase over \$115,000 reported for the first quarter 2018. These market indicators suggest healthy market demand with the declining inventory of available homes on the market likely to drive sales prices higher over the remainder of 2019.

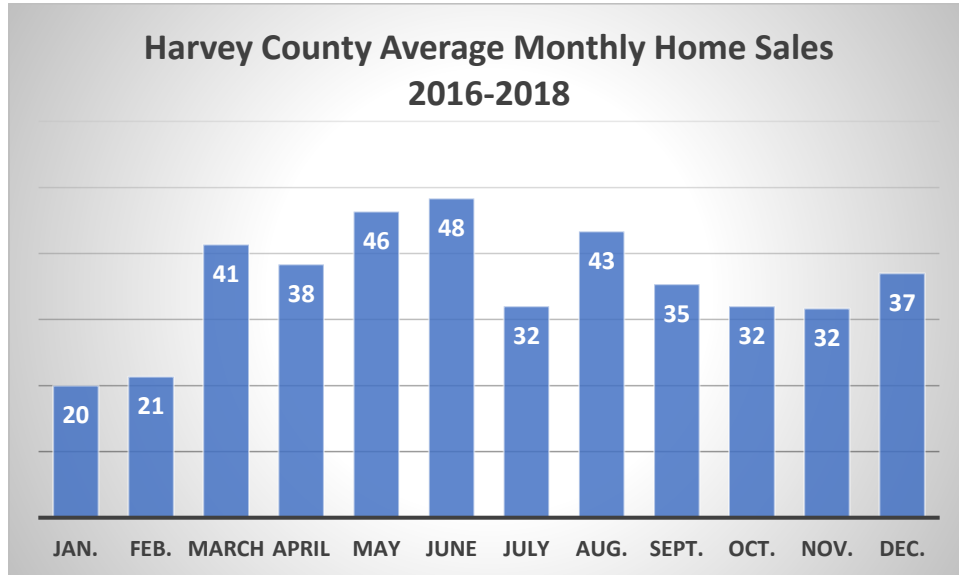
The table on the following page summarizes single-family home sales activity for Harvey County from 2016 through 2018.

Harvey County Single-Family Home Market Indicators

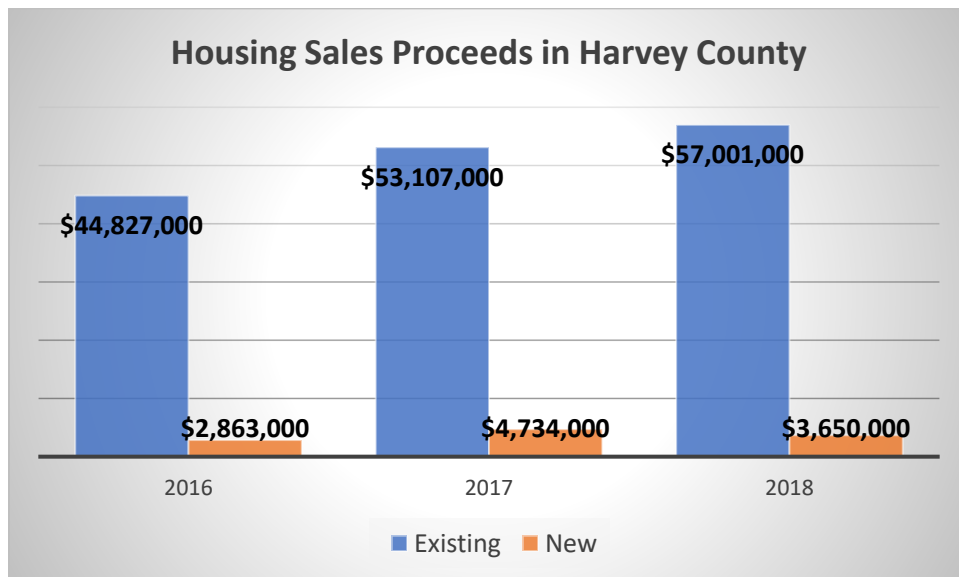
Market Indicator	2018			2017			2016		
	Total	Existing	New	Total	Existing	New	Total	Existing	New
Home Sales	438	422	16	448	430	18	395	380	15
Change from Prior Year	-2.2%	-1.9%	-11.1%	13.4%	13.2%	20.0%	4.8%	7.0%	-31.8%
New Listings	590	572	18	549	521	28	551	531	20
Change from Prior Year	7.5%	9.8%	-35.7%	-0.4%	-1.9%	40.0%	1.1%	1.5%	-4.8%
Contracts Written	451	433	18	423	405	18	413	400	13
Change from Prior Year	6.6%	6.9%	0.0%	2.4%	1.1%	38.5%	12.2%	14.9%	-35.0%
Sales Volume (\$000)	\$60,651	\$57,001	\$3,650	\$57,841	\$53,107	\$4,734	\$47,690	\$44,827	\$2,863
Change from Prior Year	4.9%	7.3%	-22.9%	21.3%	18.5%	65.4%	3.2%	7.9%	-38.9%
Median Sale Price	\$133,000	\$127,450	\$232,585	\$115,000	\$112,000	\$226,123	\$114,000	\$111,850	\$176,671
Change from Prior Year	15.7%	13.8%	2.9%	0.9%	0.1%	28.0%	3.6%	4.5%	-12.6%
Median Days on the Market	27	27	86	33	33	4	38	38	34
Change from Prior Year	-16.9%	-18.2%	2050.0%	-14.5%	-13.2%	-88.2%	-13.6%	-13.6%	-9.3%
Percent of List Price	98.2%	98.0%	100.0%	97.8%	97.7%	100.0%	97.7%	97.6%	100.0%
Change from Prior Year	0.3%	0.1%	0.0%	0.1%	0.1%	0.0%	0.8%	0.9%	0.0%
Percent of Original Price	96.6%	96.4%	100.0%	96.2%	95.9%	100.0%	96.1%	96.0%	100.0%
Change from Prior Year	0.4%	0.5%	0.0%	0.1%	0.0%	0.0%	0.9%	1.3%	0.0%

Source: South Central Kansas MLS.

As the bar chart below illustrates, from 2016 through 2018 average monthly sales in Harvey County ranged from a low of 20 sales in January to a high of 46 to 48 sales in May and June. Home sales were the most active during the spring and summer months (58.5% of sales occurred from March through August) prior to the start of the new school year and lowest during the winter months.



From 2016 through 2018 a total of 1,281 homes sold in Harvey County. Total sales proceeds peaked in 2018 at \$60.7 million, including \$57.0 million in existing homes and \$3.65 million in new home sales. Since 2016 new home sales in Harvey County have represented just 6.7 percent of all home sales proceeds.



Key indicators that are reflective of the health of a local for-sale housing market include annual sales velocity, average sales price, average days on the market (“DOM”) and average sales price as a percentage of the average list price. Each of these market indicators are identified in the table below from 2016 to 2019Q1 for Harvey County.

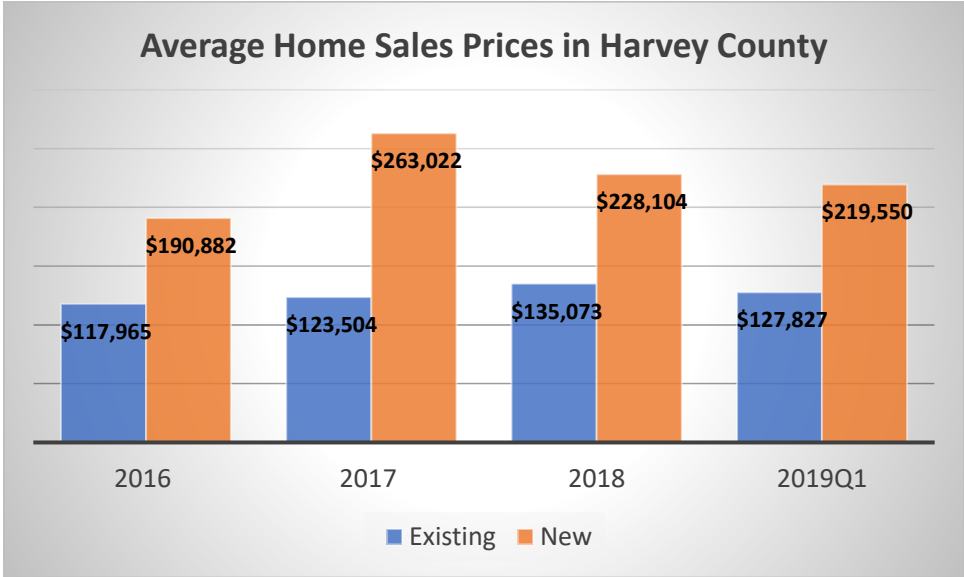
**Sales Velocity and Average Home Sales Prices
Harvey County, Kansas from 2016 to 2019Q1**

Year	Home Sales	Total Sales Proceeds	Average Sales Price	Average Days on Market	Sales Price as % of List Price
2016	395	\$47,690,000	\$120,734	81	96.7%
2017	448	\$57,841,000	\$129,110	69	96.3%
2018	438	\$60,651,000	\$138,472	60	96.7%
2019Q1	47	\$6,191,000	\$131,730	81	96.8%

Source: Multiple Listing Service.

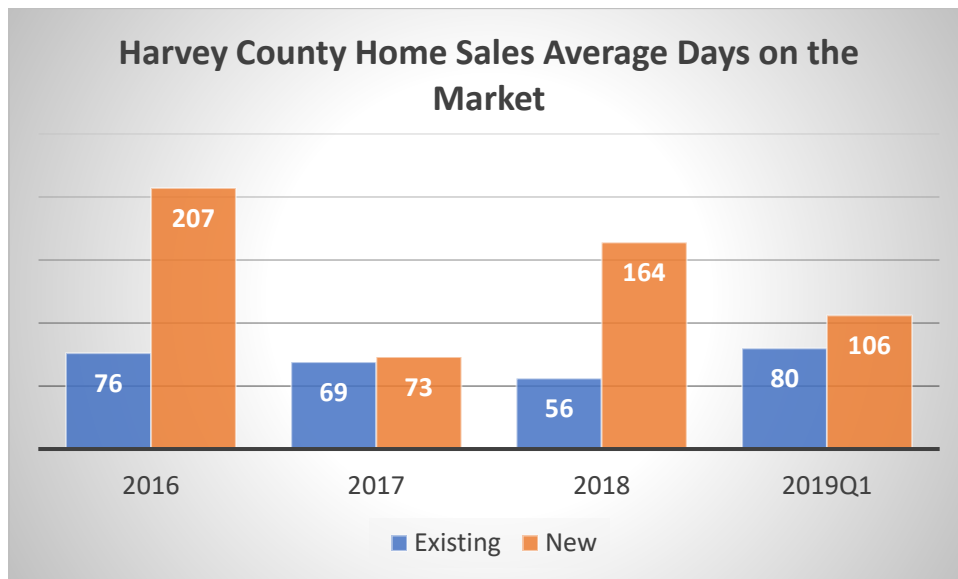
The average home sale price in Harvey County increased from \$120,734 in 2016 to \$138,472 by 2018. While the average sales price declined to \$131,730 during the first quarter 2019 it was up 11.7 percent from \$117,929 reported during the first quarter 2018.

Since 2016 the average sales price for new homes has considerably outpaced that of existing homes. For 2018 the average sales price for new homes in Harvey County was reported at \$228,104, compared to \$135,073 for existing homes. This wide gap in pricing may be a favor in the slow sales velocity of new housing in Harvey County.



A healthy for-sale housing market generally operates at home sales averaging 90 days on the market or less. From 2016 to 2019Q1 the Harvey County for-sale housing market has operating at a healthy inventory versus demand equilibrium with average days on the market ranging from just 60 days to 81 days. The strong homebuyer demand and attractive mortgage rates have assisted in generating healthy home value appreciation over the past three years.

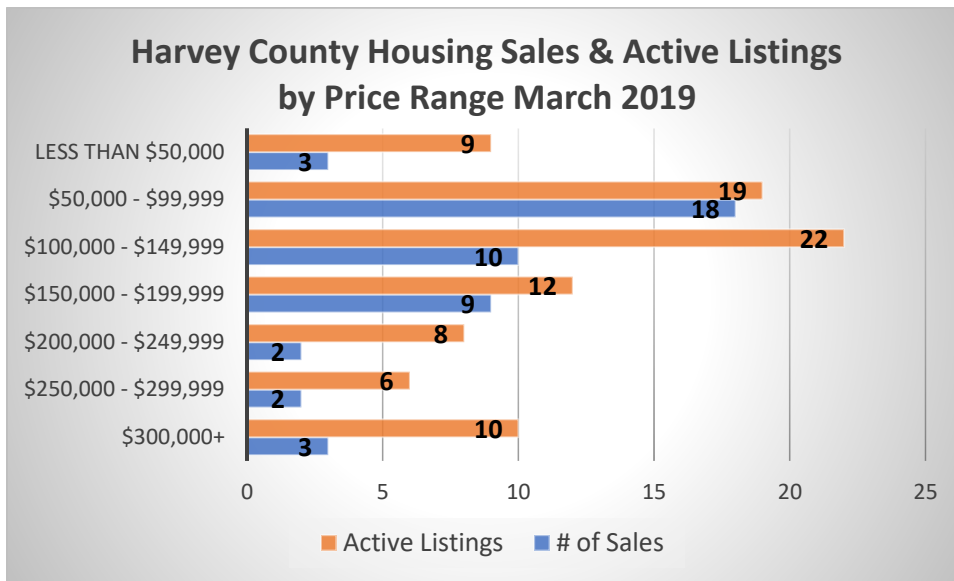
Despite the strong overall market in Harvey County, since 2016 there has been a significant disparity in sales on the market for existing versus new homes. Existing homes have sold on average within 56 to 80 days while new homes required on average 73 to 207 days to sell. The reasons for the disparity may include the limited inventory of new housing and much high prices when compared to existing homes. The higher sales prices for new homes may also translate into higher property taxes than for a comparable existing home.



Except for red-hot housing markets homes generally sell for less than the listing price. A healthy for-sale housing market generally garners a sale price of 95 percent or better of the listing price. Since 2016 Harvey County supported an impressive average sales price equating to 96.3 percent to 96.8 percent of the average list price.

Based on home sales data published by the Multiple Listing Service, Harvey County’s for-sale housing market is heavily skewed towards low to moderate priced product with very little high-priced housing. During March 2019, a total of 47 homes sold in Harvey County with 44.7 percent priced under \$100,000. Homes priced from \$100,000 to \$199,999 accounted for 40.4 percent of all sales. Move-up housing priced at \$200,000 and above accounted for just 14.9 percent of all home sales during March 2019.

During March 2019, a total of 86 homes were actively listed for sale in Harvey County with approximately one-third priced under \$100,000. Homes priced from \$100,000 to \$199,999 accounted for 39.5 percent of all active listings. Move-up housing priced at \$200,000 and above accounted for 27.9 percent of all active listings during March 2019.



The primary complaints of area employers and realtors regarding Newton’s for-sale housing market include housing affordability and limited availability of supply. Older, smaller homes are generally affordable and are suitably priced for first-time buyers and empty nesters seeking to down-size. Newton’s housing stock of older homes is large with 3,952 housing units built prior to 1960.

Newton’s housing market is led by housing priced under \$175,000. The *American Community Survey* estimated that 2,681 owner-occupied housing units, or over half the housing stock, is valued under \$100,000. Another 1,309 owner-occupied homes are valued at \$100,000 to \$149,999. The large inventory of moderately-priced housing provides the opportunity for first-time and entry-level buyers to purchase a home in Newton.

Newton’s active single-family subdivisions are suitable for move-up buyers and individuals relocating from outside the area. The *American Community Survey* estimated that just 643 homes, or 12.3 percent of the total stock of owner-occupied housing, are valued at \$200,000 and above. The constrained inventory of upscale for-sale housing poses a major barrier of entry for many high-income households to purchase a home in Newton. Area employers indicated that much of the middle and upper management employees purchased homes in Wichita or elsewhere because these communities offer the housing product and community amenities/lifestyle they desire.

Current Supply of Homes on the Market

According to the Multiple Listing Service, as of March 2019 just 86 single family homes in Harvey County were on the market for sale, representing just a 2.3-month supply of available homes. The average sales price was reported at \$177,375, representing 97.3 percent of the listing price. By comparison, in March 2018 Harvey County had 98 listings and a 2.7-month supply. A total of 47 pending homes sales were reported for March 2019 at an average price of \$144,836 and 62 days on the market.

For-Sale Homes Active Listings Harvey County, Kansas (March 2019)

	# of Homes	Average Price	Months Supply	Average Days On the Market
Active Listings	86	\$177,375	2.3	98
Pending Sales	47	\$144,836	1.3	62

Source: Multiple Listing Service.

The Multiple Listing Service reported that 53 homes sold in Newton during the first quarter 2019. As of April 2019, just 66 homes were on the market for sale in Newton at an average list price of \$145,982. Of this active inventory, half was under contract at an average price of \$144,417. The active listings are spread evenly throughout Newton with the southwest (\$207,186) and southeast (\$156,208) supporting the highest average listing prices. This limited inventory of homes available for sale places a significant constraint on the ability of buyers to purchase a home in Newton and has led to sales prices close to the listing price.

Active Home Listings for Sale Newton, Kansas April 2019

Submarket	# of Listings	Average Price	Median Price	Average DOM
NW Newton	18	\$115,661	\$111,888	89
NE Newton	15	\$101,980	\$90,500	104
SW Newton	13	\$207,186	\$213,360	129
SE Newton	13	\$156,208	\$128,000	57
North Newton	7	\$185,581	\$152,000	47
Totals	66	\$145,982	\$131,500	89

Source: Multiple Listing Service.

Active Residential Subdivisions

Active for-sale housing subdivisions were surveyed to gauge the product type, pricing and inventory of new housing product available in Newton. Survey of the market identified five actively developing single-family subdivisions, all of which are located in the southern portion of Newton south of Highway 50.

As the table below indicates, the five active subdivisions in Newton are platted for a total of 1,112 single family lots. To date, 354 lots have been full-improved with 291 homes built and one home under construction. Future phases call for the development of 758 additional lots.

Active Residential Subdivisions – Newton, Kansas

Subdivision	Improved Lots	Homes Built	Homes U/C	Future Lots
Sand Creek Station				
Iron Horse	33	32	0	
Gateway Crossing	21	3	0	
Coachman	85	62	1	
Future Phases				426
Spring Lake	49	37	0	
Future Phases				114
Autumn Glen	74	74	0	
Phase 3				46
Summer Crossing	37	33	0	
Future Phases				152
Stone Creek Estates	55	50	0	
Future Phases				20
Totals	354	291	1	758

Source: Canyon Research Southwest, Inc.; April 2019.

Sand Creek Station

The Sand Creek Station Golf Course opened on July 1, 2006 located on Anderson one-half mile south of Highway 50. The Jeff Brauer-designed 18-hole links-style course has received much acclaim. Shortly following the opening of the golf course J. Russell Communities commenced construction on 140 single family lots in two single family subdivisions, Iron Horse and Coach Crossing. Improved lots were sold to 3 or 4 selected builders. Infrastructure constructed within the residential subdivisions include streets, curb and gutter, sidewalks and street lights.

During the first several years new home sales were attributed largely to pent-up demand for move-up housing among Newton residents with annual sales of 10 to 12 homes at an average price of approximately \$225,000. Housing demand has tapered off with just 44 homes sold since 2011. To date 56 homes have sold at Sand Creek Station with one home under construction. Despite being located on a quality golf course the residential subdivisions lack a golf course community feel, lacking in social amenities.

Iron Horse is a 33-lot upscale subdivision with lots fronting onto the golf course. Only one lot remains available for new home construction. Coach Crossing is an 85-lot subdivision offering more affordable housing. To date, 62 homes have been constructed with one home under construction. Single family models available for construction are priced from \$195,000 to \$287,500. Harmon Homes offers six home models priced from \$185,000 to \$249,900. Gateway Crossing is a new twin home concept offering golf course living.

Sand Creek Station boasts a quality golf course and more can be done to promote more of a golf course community environment the homebuyers expect. To improve the perception of Sand Creek Station the course could offer preferred tee times for residents, the clubhouse can host community events, and additional family friendly amenities added to the clubhouse complex for use by residents such as a park, playground, tennis courts, swimming pool, and more.

Spring Lake

Ron Harder is developing Spring Lake located at the northwest corner of 24th Street and Old Main Street. Spring Lake is a continuation of Stratford Place to the immediate east which is now built-out. The community's primary features include a man-made lake, Springlake Park and walking paths. Spring Lake is platted for 163 lots with Phase 1 consisting of 49 single family lots and two lots dedicated for the construction of Springlake Park. Constructed infrastructure includes streets, curb and gutter, street lights and a park. To date, 49 homes built with no new construction underway. Homes now for Spring Lake are priced from \$240,000 to \$259,900. Improved lots are priced from \$15,000 to \$20,000 plus the cost of the special assessment. The standard lot size is 75 to 85 feet wide and 120 to 130 feet deep.

Autumn Glen

Ron Harder is developing Autumn Glen located on the east side of South Kansas Avenue south of 24th Street. Phases 1 and 2 totaling 74 lots have achieved build-out with homes currently on the market priced from \$216,000 to \$265,000. Constructed infrastructure includes streets, curb and

gutter, and street lights. Phase 3 is platted for 46 lots with development on hold. Eight waterfront lots are currently under construction and priced at \$35,000 to \$40,000.

Summer Crossing

Summer Crossing located immediately north of Spring Lake on the west side of Old Main Street is platted for 289 single family lots. Ron Harder is currently under construction on Phase 1 platted for 37 lots. Finished lots are available for \$11,000 to \$15,000 plus the special assessment. Homes currently on the market at Summer Crossing are priced from \$170,000 to \$191,720. Approximately 6.5 acres have been redesigned as a senior housing community featuring a clubhouse and 80 attached unit in duplexes and triplexes designed as rentals.

Stone Creek Estates

Stone Creek Estates is a 75-lot single family home subdivision located on the northeast corner of South Kansas Avenue and 24th Street. Phase 1 totals 55 lots with 50 homes now constructed. Installed infrastructure includes streets, curbing, and street lights. The Stone Creek Estates are designed as an upscale community with homes currently on the market priced from \$242,900 to \$273,000.

Of the five active new housing subdivisions in Newton, Sand Creek Station and Stone Creek Estates the most upscale targeting move-up home buyers. Spring Lake is positioned as a slightly more affordable residential community with Summer Crossing targeting entry-level home buyers.

To conclude, the five active for-sale residential subdivisions in Newton offer a wide range of housing product with homes priced from \$170,000 to \$260,000. The active subdivisions offer an ample supply of available inventory totaling an estimated 114 lots. Many prospective homebuyers to Newton relocating from outside of the area as well as those currently residing in Wichita expect master planned communities and residential subdivisions to offer a higher level of community amenities that are now being provided by active subdivisions in Newton. While Sand Creek Station features a quality golf course not enough from an amenity and social programming perspective is provided to consider it a true golf course community. Spring Lake offers a man-made lake and playground that are desirable amenities for families. To be more competitive and attract more homebuyers, future subdivisions in Newton should incorporate such community amenities as water features, open space, trails, playgrounds, splashpads and dog parks that are attractive to buyers and create a community identity.

Realtor and Builder Interviews

Interviews were conducted with several realtors and builders to gain a deeper understanding of Newton's for-sale housing market. The comments received are summarized below.

- The residential neighborhoods south of Highway 50 are the most desirable areas of Newton for for-sale, single-family housing. These neighborhoods benefit from closer proximity to Wichita and the presence of Newton Medical Center, YMCA and shopping.

- Newton's most active for-sale housing product is priced from \$150,000 to \$175,000. Most of the housing in this price range is existing product not new builds.
- For-sale housing priced from \$180,000 to \$200,000 has the greatest opportunity for growth, but there is little inventory.
- Newton's average household income level limits the opportunity to support move-up housing product.
- Limited market for attached for-sale housing product in Newton unless newer product is of higher quality. Existing duplexes do sell quick and new product could assist in filling the need for affordable housing.
- Homes located outside the city limits in the unincorporated county are generally more expensive than homes in Newton.
- The primary constraints of Newton's new housing market are the low supply of homes on the market, housing affordability, and limited inventory of entry-level product.
- Newton supports a limited supply of upscale housing targeting middle and upper management of the Newton's major employers. Higher-income employees tend to live in Wichita due to desirable housing product and lifestyle.
- From 2009 to 2015 existing home values in Newton declined, increasing the gap in pricing between existing and new homes, and creating increased competition for new homes. Over the past three years existing home prices have escalated and the inventory of resale homes has declined, improving the market positioning of new homes.
- Given the need for quality affordable housing there may be a market for modular housing. The modular housing would have to be quality constructed with a nice appearance to gain market acceptance.
- North Newton, Hesston, McPherson, Mount Ridge, Park City, and Wichita are the most popular alternative destinations for homebuyers.
- Comparable new homes in Wichita are less expensive and many subdivisions offer such family-friendly amenities as walking trails, swimming pools and playgrounds.
- Special assessments for infrastructure and cost of construction are the principal constraints in supporting the construction of entry-level single-family homes in Newton.
- Favorable qualities of Newton for homebuyers include a high quality of life, family-friendly community, small town atmosphere, low crime, close proximity to Wichita, and quality recreational amenities. Constraints include a shortage of available housing inventory and lack of retail businesses, restaurants, and entertainment.
- Buyers get more home for their money in existing homes. Property taxes and special assessments for infrastructure drive up the price and monthly expense of new homes.

- Profit margin for new homes is small. If a home doesn't sell in six months the profit margin evaporates.
- In the housing boom of the 2000's builders constructed 10 or more spec homes at a time. Today builders construct only one spec home at a time which greatly reduces the selection for homebuyers and has dramatically dropped new construction and sales volumes.
- Newton has a glut of platted single-family lots. Not many fully improved lots have come on the market in recent years.
- Newton schools don't rate high on Zillow which is a detriment when marketing to families.
- Builders generally retain realtors to market spec homes. Marketing efforts generally involve listing on the MLS, Facebook, website, and some print media. In some case a realtor is retained to market an entire subdivision.
- Wichita builders are hesitant to entire the Newton market given the distance, slow sales velocity and limited profit margins.
- A market exists in Newton for 65+ retirees to sell their existing home and buy a smaller, maintenance-free home.
- The sales velocity at Sand Creek Station has been hampered by the absence of a staffed sales center, exclusive builder concept, and lack of a golf course community within the residential neighborhoods. Sales staff should operate out of the golf course's clubhouse on peak sales days, an open builder policy instituted, and community events should be held at the clubhouse.

Conclusions

By 2017 Newton's inventory of owner-occupied housing units totaled 5,242 dwelling units. Detached single-family homes comprise 93.9 percent of Newton's owner-occupied housing stock which is well below the statewide average of 72.7 percent. Multi-family housing with a minimum of two swelling units accounts for just 12.9 percent of Newton's housing stock, or 976 dwelling units.

From 2010 to 2016 the number of owner-occupied housing units in Newton declined from 5,293 units to 4,979 units while the inventory of renter-occupied housing units increased from 2,219 units to 2,776 units. During 2017 the trend in occupancy reversed posting a 5.3 percent gain in owner-occupied housing units and a 13.3 percent decline in rent-occupied housing units.

According to the *American Community Survey 2017*, detached single-family homes account for 93.9 percent of Newton's owner-occupied housing stock, compared to 91.9 percent for the State of Kansas. The predominance of owner-occupied detached single-family housing is common within rural communities. Despite the preference for single-family, owner-occupied housing the

number of owner-occupied housing units in Newton declined from 5,293 units in 2010 to 5,242 units by 2017.

During 2010 Newton's median housing value of \$94,700 lagged well below the statewide median of \$122,600. From 2010 to 2017 the median home value in Newton escalated by just 4.4 percent to \$98,900 compared to 13.5 percent for the State of Kansas. The strength on Newton's owner-occupied housing market is entry-level housing priced under \$100,000 and move-up housing priced from \$100,000 to \$199,999.

From 2016 through 2018 a total of 1,281 homes sold in Harvey County. Total sales proceeds peaked in 2018 at \$60.7 million, including \$57.0 million in existing homes and \$3.65 million in new home sales. Since 2016 new home sales in Harvey County have represented just 6.7 percent of all home sales proceeds.

A healthy for-sale housing market generally operates at home sales averaging 90 days on the market or less. From 2016 to 2019Q1 the Harvey County for-sale housing market operated at a healthy inventory versus demand equilibrium with average days on the market ranging from just 60 days to 81 days.

Despite the strong overall market in Harvey County, since 2016 there has been a significant disparity in days on the market for existing homes versus new homes. Existing homes have sold on average within 56 to 80 days while new homes required on average 73 to 207 days to sell. The reasons for the disparity may include the limited inventory of new housing and much high prices when compared to existing homes. The higher sales prices for new homes may also translate into higher property taxes than for a comparable existing home.

The Multiple Listing Service reported that 53 homes sold in Newton during the first quarter 2019. As of April 2019, just 66 homes were on the market for sale in Newton at an average list price of \$145,982. Of this active inventory, half was under contract at an average price of \$144,417. The active listings are spread evenly throughout Newton with the southwest (\$207,186) and southeast (\$156,208) quadrants supporting the highest average listing prices. This limited inventory of homes available for sale places a significant constraint on the ability of buyers to purchase a home in Newton and has led to sales prices close to the listing price.

Five active for-sale residential subdivisions in Newton offer homes priced from \$170,000 to \$273,000. Builders are reluctant to build spec homes in Newton with just one home currently under construction within the active subdivisions. The active subdivisions offer an ample supply of available lot inventory totaling an estimated 62 fully-improved lots and 758 platted lots. The available supply of lots and modest sales velocity places a constraint on the potential of supporting near-term market entry of additional for-sale residential subdivisions.

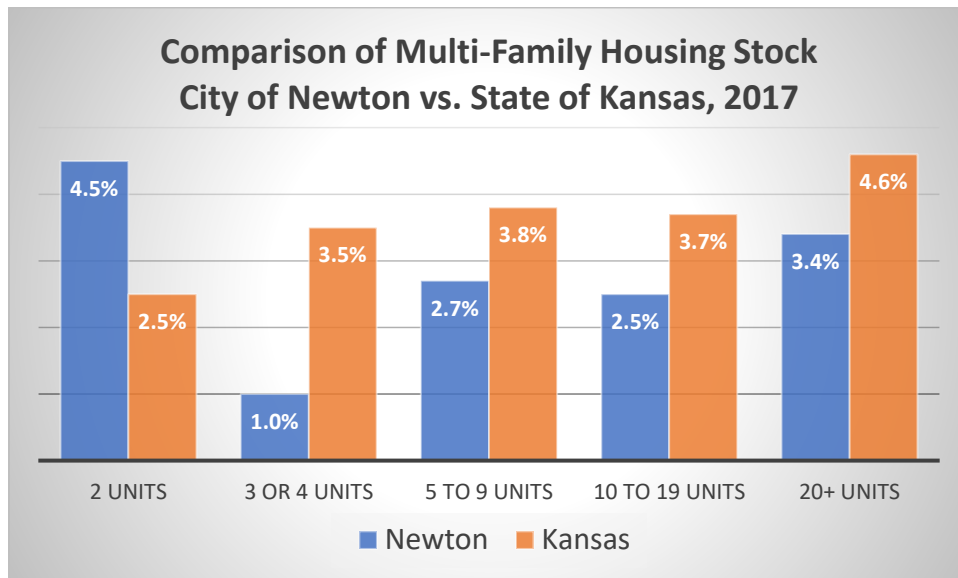
RENTAL HOUSING MARKET ANALYSIS

This section of the report evaluates the City of Newton’s rental housing market. Three rental housing products were surveyed, including: 1) market-rate apartments; 2) income-based apartments; and 3) income-based senior housing.

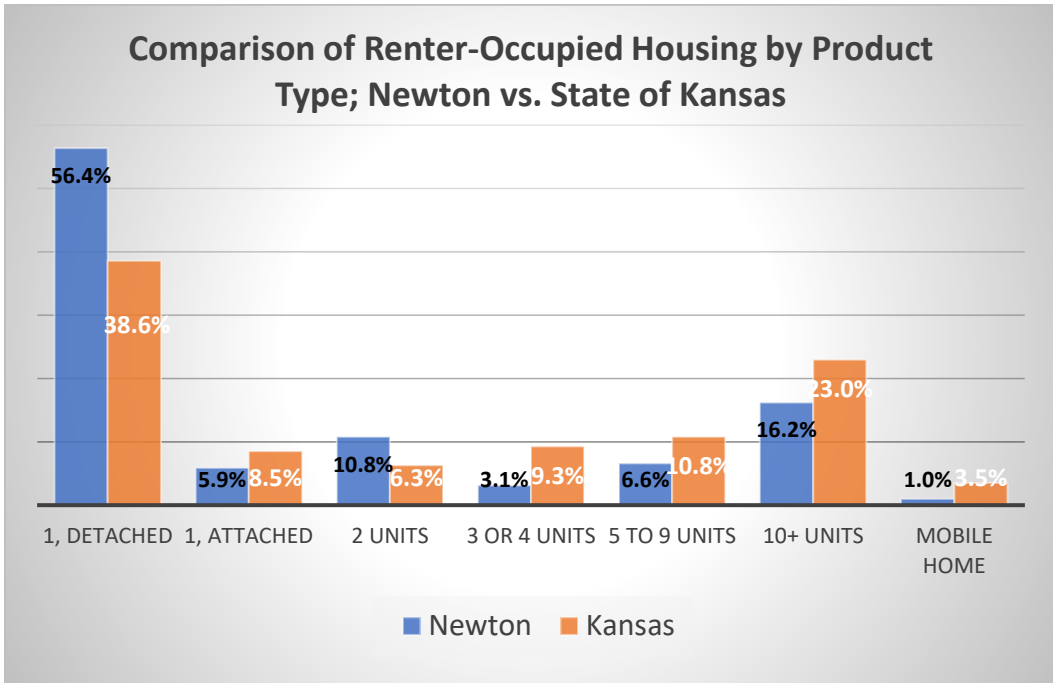
Newton Rental Market

According to the *American Community Survey* in 2017 Newton’s housing stock totaled 8,487 dwelling units, of which 14.1 percent, or 1,201 dwelling units were in multi-unit structures. By comparison, multi-family housing accounts for 18.1 percent for the statewide housing stock.

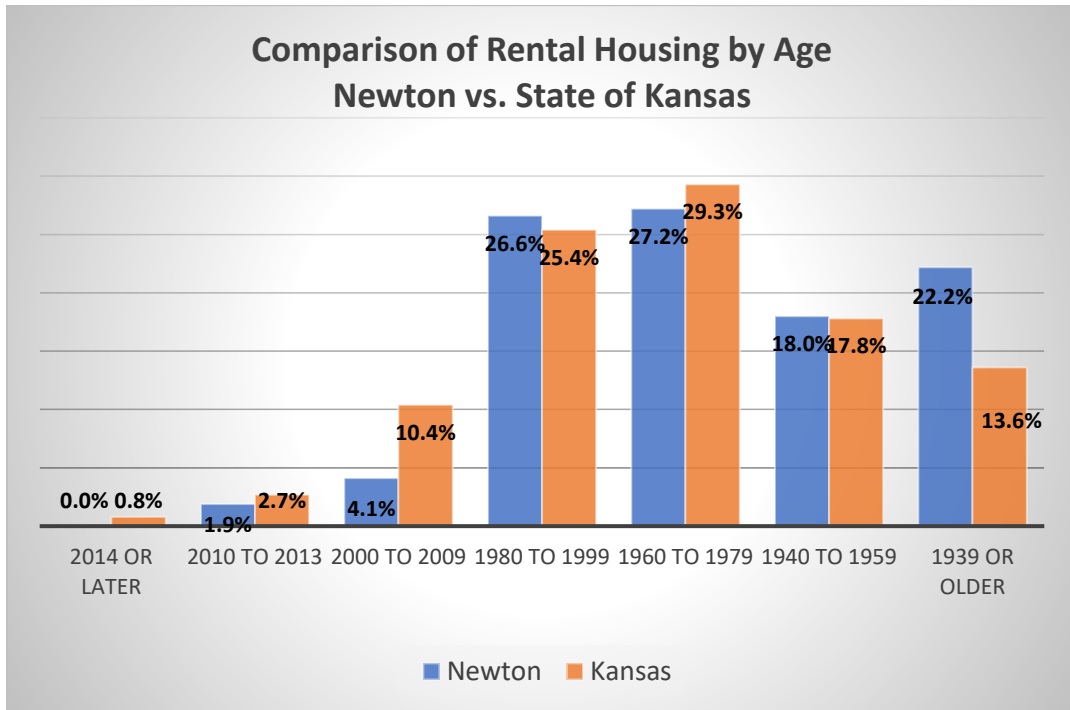
Multi-family structures with two dwelling units account for the bulk of Newton’s multi-family housing product with 4.5 percent of the total housing stock, compared to just 2.5 percent for all of Kansas. Conversely, multi-family structures with 3 or 4 dwelling units account for just 1.0 percent of Newton’s housing stock compared to 3.5 percent statewide. Large apartment properties with 20 or more dwelling units represent 3.4 percent of Newton’s housing stock compared to 4.6 percent statewide. The predominance of smaller multi-family properties is common among rural communities.



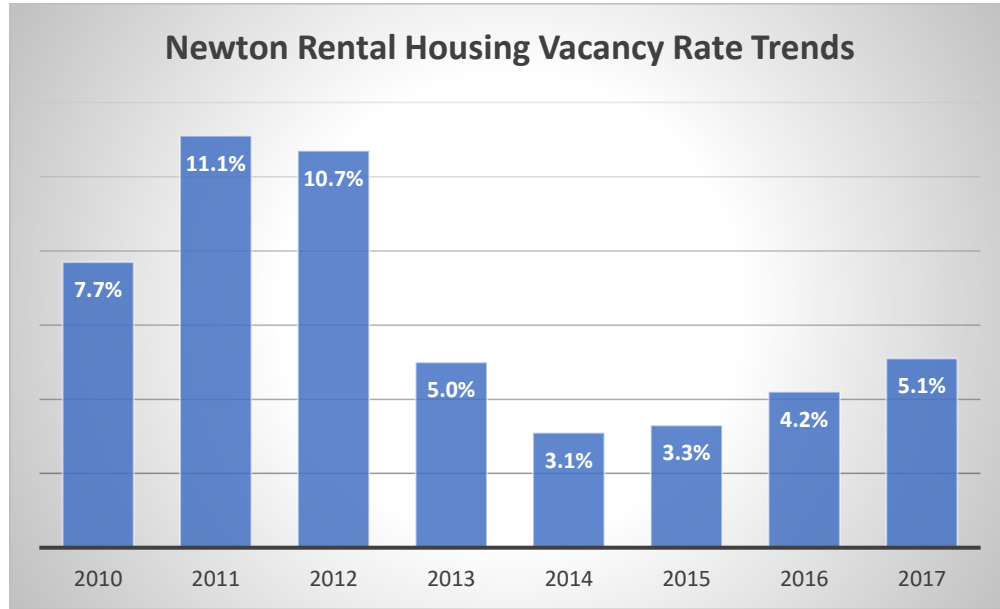
According to the *American Community Survey 2017*, rental housing accounted for 38.3 percent of Newton’s occupied housing stock which exceeds the statewide average of 33.6 percent. From 2010 to 2017 the inventory of renter-occupied housing units in Newton increased from 2,219 units to 2,408 units. One-unit detached and attached housing supports 62.3 percent of the occupied rental housing stock. Structures with ten or more dwelling units accommodate 16.2 percent of all occupied rental housing in Newton, followed by structures with 3 or 4 dwelling units at 10.8 percent. By comparison, the State of Kansas’ rental housing market consists of 47.1 percent in one unit detached and attached housing and 23.0 percent in structures with 10 or more dwelling units.



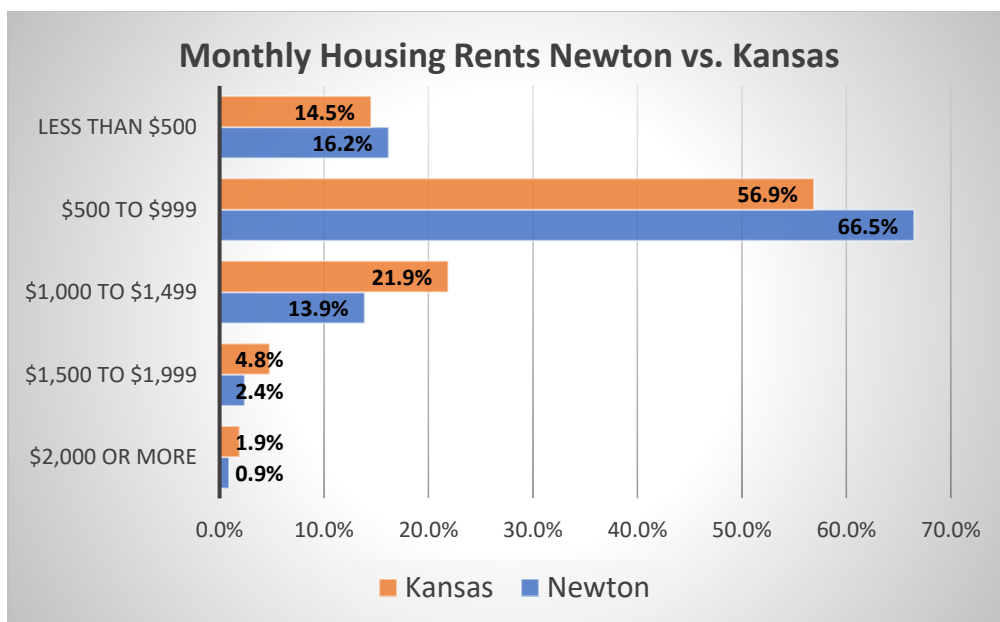
Realtors interviewed indicated a shortage of quality rental properties exists in Newton with single family homes accounting for much of the market-rate stock. Newton’s stock of rental housing is older than that of the State of Kansas. Only 1.9 percent of Newton’s rental housing has been constructed since 2010, compared to 3.5 percent for the State of Kansas. Over two-thirds of Newton’s rental housing was built prior to 1980. As a result, most of Newton’s rental housing is old and lacks the modern design and amenities of new properties.



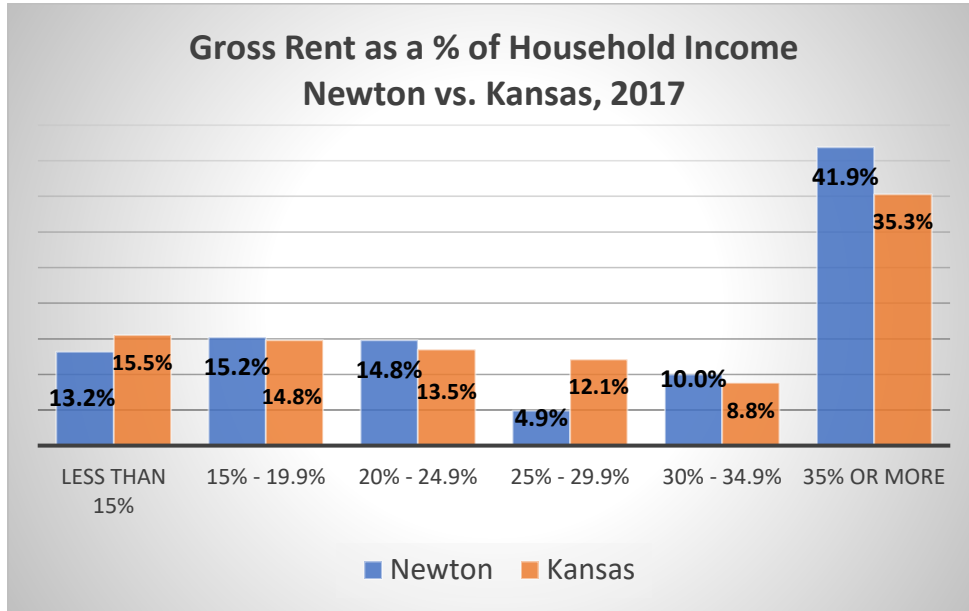
According to the *American Community Survey* from a peak of 11.1 percent in 2011 the Newton rental housing market has supported strong net absorption resulting in a steady decline to a low of 3.1 percent by 2014. Since 2015 the Newton rental housing market has supported a well below market equilibrium vacancy rate ranging from 3.3 percent to 5.1 percent. These healthy vacancies suggest Newton can support additional new rental unit stock.



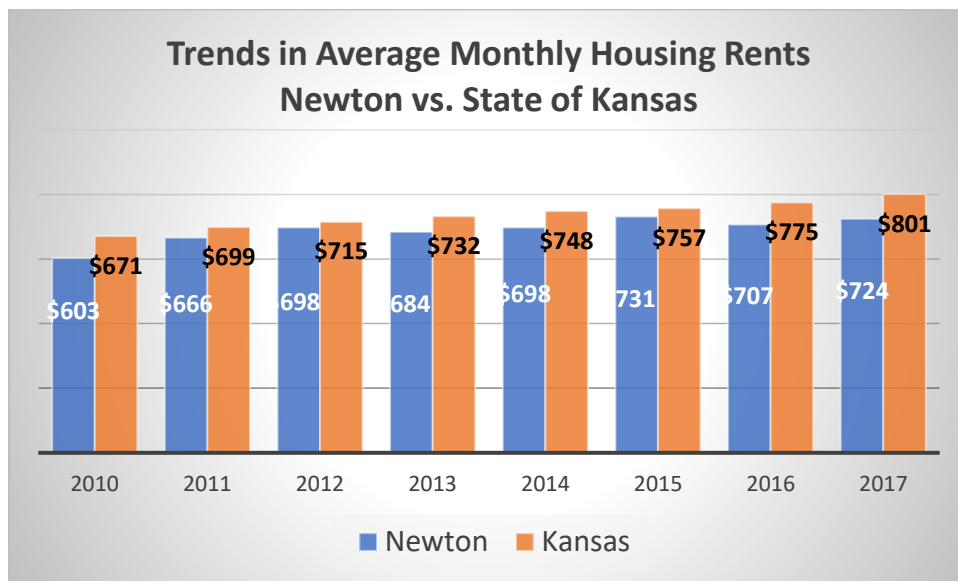
According to the *American Community Survey 2017* the median rent in Newton of \$724 per month compared to the statewide average of \$801. Of the occupied rental housing units, 16.2 percent rented for less than \$500 per month compared to 14.5 percent statewide. Most of these low-cost rental units were income-based. Two-thirds of Newton’s rental stock support rents of \$500 to \$999 per month. Just 13.9 percent of housing units rent for \$1,000 to \$1,499 per month with only 3.3 percent of the housing stock renting for excess of \$1,500 per month.



Due to the modest household income levels, for 41.9 percent of renter households in Newton the gross rent accounts for 35 percent or more of total income compared to 35.3 percent statewide. By comparison, for 13.2 percent of Newton households the gross rent accounts for 15 percent or less of total household income is just slightly below the statewide average. These rent to household income percentages suggest Newton supports an above average need for affordable rental housing.



According to the *American Community Survey 2017*, the median rent in Newton of \$724 per month was 9.6 percent below the statewide average of \$801 per month. Since 2010, the median rent in Newton rose by 20.1 percent compared to 19.4 percent statewide. The disparity in median rents may be linked to Newton’s older housing stock and large inventory of income-based housing.



The U.S. Department of Housing and Urban Development (“HUD”) publishes fair market rents (“FMRs”) that are primarily used to determine payment standard amounts for the Housing Choice Voucher program, to determine initial renewal rents for some expiring project-based Section 8 contracts, to determine initial rents for housing assistance payment (“HAP”) contracts in the Moderate Rehabilitation Single Room Occupancy program (Mod Rehab), and to serve as a rent ceiling in the HOME rental assistance program. HUD annually estimates FMRs for 530 metropolitan areas and 2,045 nonmetropolitan county areas. The table below outlines historical trends in FMRs for Harvey County, Kansas by the number of bedrooms.

Fair Market Rents for All Bedroom Sizes Harvey County, Kansas

Fiscal Year	Efficiency	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom
2011	\$424	\$475	\$624	\$798	\$897
2012	\$437	\$489	\$643	\$822	\$925
2013	\$428	\$529	\$704	\$971	\$1,070
2014	\$450	\$556	\$740	\$1,021	\$1,125
2015	\$439	\$544	\$723	\$997	\$1,099
2016	\$458	\$557	\$742	\$1,021	\$1,144
2017	\$485	\$575	\$764	\$1,041	\$1,206
2018	\$515	\$609	\$807	\$1,103	\$1,302
% Increase	21.5%	28.2%	29.3%	38.2%	45.2%

Source: U.S. Department of Housing and Urban Development.

For FY 2018 FMRs for Harvey County equal \$515 for efficiency units, \$609 for one-bedroom units, \$807 for two-bedroom units, \$1,103 for three-bedroom units, and \$1,302 for four-bedroom units. Since 2011, monthly rents have increased significantly for each bedroom type ranging from 21.5 percent for efficiency units to 45.2 percent for 4-bedroom units. These well above inflationary rent increases have placed a growing financial stress on Harvey County renters, particularly for lower-income households. As reported early, 41.9 percent of renter households in Newton spend 35 percent or more of their income on rent.

Rental Housing Survey

To identify current rental housing market conditions in Newton, Kansas a survey was conducted of larger rental properties. In addition, interviews were conducted with real estate agents and rental housing management firms. For purposes of the analysis, rental properties were classified into three groups, including: 1) market-rate apartments; 2) income-based apartments; and 3) income-based senior housing. Independent and assisted living senior communities were excluded from the survey. The property data was compiled via the Harvey County parcel search and by contacting property managers and leasing agents. Findings of the competitive apartment survey are summarized in the table on page 48.

Seventeen (17) rental properties were surveyed in Newton totaling 724 dwelling units. Of the surveyed apartment properties, a reported 13 units are currently unoccupied and available for rent, translating to a healthy average occupancy rate of 98.2 percent. Interviews with apartment managers suggested that the Newton rental market is generally considered tight with limited vacancies available.

Market-Rate Apartments

The housing survey identified seven larger market-rate apartment properties in Newton maintaining a total inventory of 214 dwelling units. Properties range in size from 12 units to 57 units. The surveyed properties are old with most built from 1965 to 1984. Furthermore, all but one of surveyed properties are considered Class “C” product, lacking in unit features (i.e., upgraded appliances, washer/dryer, security system, walk-in closet, etc.) and community amenities (i.e., clubhouse, swimming pool, recreational amenities, etc.). One-, two- and three-bedroom models are available with monthly rents for the older properties range from \$499 to \$825 per month. Despite the age and lower quality of the surveyed market-rate properties, collectively they are currently operating at a healthy occupancy rate of 97.7 percent. The above market equilibrium occupancy rate suggests pent-up demand for market-rate rental housing currently exists in Newton.

The absence of quality rental properties in Newton results in higher income households seeking housing to look elsewhere. A quality rental housing stock is an important component of fostering a healthy for-sale housing market by offering prospective residents the opportunity to live in the community before buying a home.

In January 2018, Cottonwood Crossing opened on the south side of 24th Street east of South Kansas Avenue, featuring two apartment buildings totaling 32 units and six twin homes totaling 12 units. The property achieved full occupancy by September 2018 and currently just three, 2-bedroom apartments are available for rent. The apartments include 750 square foot one bedroom/one bath units renting for \$699 per month and 1,000 square foot two bedroom/two bath units renting for \$850 per month. The 2- and 3-bedroom twin homes rent for \$1,100 to \$1,200 per month. The high rents and quick lease-up of Cottonwood Crossing illustrates the pent-up demand for quality rental housing in Newton.

To conclude, most of the existing market-rate apartment properties in Newton are classified as Class “C” offering dated design and modest community amenities and unit features. Despite the offering of lower grade product the surveyed properties are currently operating at a very healthy cumulative occupancy rate. The low vacancy rates despite inferior, older product and quick lease-

up of Cottonwood Crossing bodes well for the opportunity to support construction of additional market-rate apartment properties in Newton.

Income-Base Rental Apartments

An estimated 825 households in Newton earn less than \$15,000 per year which creates demand for income-based rental assistance. Affordable housing assistance in Newton takes the form of a Tax Credit Program, the Department of Housing and Urban Development's ("HUD") subsidized housing through its Section 8 Housing Choice Voucher Program, and the Newton Housing Authority.

Eligibility for the Section 8 Choice Voucher Program is determined based on the total annual gross income and family size and is limited to U.S. citizens and specified categories of non-citizens who have eligible immigration status. All Section 8 programs use the very low-income or low-income standards of the median income for the county or metropolitan area in which the eligible household chooses to live. Based on the Wichita HUD Metro FMR Area median household income of \$69,400, for FY 2018 the maximum very low-income limit (50% of median income) ranges from \$24,300 annually for a one-person household to \$45,850 annually for an 8-person household. The low-income limit (80% of median income) ranges from \$38,850 annually for a one-person household to \$73,300 annually for an 8-person household.

The Multifamily Tax Subsidy Projects income limits are used to determine qualification levels and to set rental rates for low-income housing tax credit or tax-exempt bond projects. Section 42 of the Internal Revenue Service's tax code, also known as the Low-Income Housing Tax Credit (LIHTC), exists to serve high-need households in qualified Census Tracts with an income level at 60 percent of the local median income in distressed housing areas, both for residential purposes and through other community services. Eligibility for the Section 42 Tax Credit Program is determined based on maximum income limits set annually by HUD as a percentage of area median income adjusted for household size. The FY 2018 maximum 50% HERA special annual income limits for Wichita HUD Metro FMR Area range from \$25,100 for a one-person household to \$47,300 for an 8-person household. The 60% HERA special annual income limits for Wichita HUD Metro FMR Area range from \$30,120 for a one-person household to \$56,760 for an 8-person household.

Six (6) income-based apartment properties operate in Newton totaling 292 rental units. The apartments target singles and families by offer one-, two- and three-bedroom models. Conversations with managers and leasing agents indicated that demand for affordable rental housing is strong marked by low vacancies. Collectively the six surveyed properties currently operate at a healthy occupancy rate of 97.3 percent.

The 68-unit Prairie Fire Residences is the latest income-based, tax credit rental community to be built in Newton, opening in April 2018. Nine units operate at market-rate rents. The 2 bedroom/1 bath units are in single-story buildings with the 3 bedroom/2.5 bath units are located in two-story buildings. Monthly rents are \$795 for two-bedroom models and \$880 for 3-bedroom models. As of the date of this report three apartment units were available for rent. The quick lease-up of this property illustrates the strong demand for quality income-based rental properties in Newton.

The Newton Housing Authority manages the City's public housing units and administers Section 8 federally subsidized housing vouchers for privately owned housing. The authority owns and operates two income-based rental properties totaling 36 dwelling units. These properties include the 16-unit Roanoke Court and 20-unit Parkview Villas, offering duplexes with 1-, 2-, 3- and 4-bedroom apartments.

The largest income-based rental property in Newton is the 128-unit South Park Apartments which 104 units operate under the Section 42 Tax Credit Program with the remaining 24 units leased at market-rate. Phase 1 consisting of 60 dwelling units was built in 1994 with the 68-unit Phase 2 completed in 2001. South Park offers 1-, 2- and 3-bedroom units with tax credit apartments renting for \$470 to \$780 per month. All of the 1-bedroom units are offered under the Section 42 Tax Credit Program.

The 50-unit Sunset Townhomes also operate under the Section 42 Tax Credit Program. Built in 1972, in 2004 the property's 2- and 3-bedroom apartments were remodeled and now include fully-equipped kitchens, spacious closets and storage space, full basements, private patios and washer/dryer connections. As of the date of this report the on-site manager indicated just two apartments are vacant and available for rent.

Income-Based Senior Housing

Four income-based senior apartment properties operate in Newton totaling 218 dwelling units. Midtown Towers operated by the Newton Housing Authority is the largest senior property with 98 dwelling units, all of which are one bedroom. The 24-unit Lincoln Park is a former school converted to senior housing in 2002. The four existing income restricted senior apartment properties in Newton are currently fully occupied.

Three continuing care retirement communities operated by non-profit organizations are also located in Newton offering independent living, assisted living and skilled nursing options. These senior communities include Kansas Christian Home, Presbyterian Manor and Asbury Park. Kansas Christian Manor offers 89 duplex, patio home, single family homes and apartments for sale or rent as well as 98 skilled nursing beds. Presbyterian Manor offers townhomes, cottages and apartments for sale and rent as well as a 60-bed skilled nursing facility. The 34-acre Asbury Park campus offers for sale and rental housing as well as a 99-bed skilled nursing facility.

Kidron Bethel Village is a continuing care retirement community located in North Newton. Independent and assisted living is provided in single family homes, townhomes and apartments. A 60-bed skilled nursing facility is also located at Kidron Bethel Village.

Survey of Newton Market-Rate and Income-Based Rental Apartment Properties

Apartment Community	Year Built	Tax Credit Project	# Of Units	1 Bedroom 1 Bath	2 Bedroom 1 Bath	2 Bedroom 2 Bath	3 Bedroom 2 Bath	Vacant Units
Market-Rate								
Cotton Crossing Apartments	2018		32	\$699		\$850		3
Twin Homes			12		\$1,100		\$1,200	0
Sky View Apartments	1971		12		\$499	\$650		2
Studios at 501	1915		47					0
Moorlands	2010		23					0
Bethel Apartments	1965		22	\$550			\$825	0
Fox Meadows	1974		54					0
Walnut Meadows	1986		12					0
Total Market Rate Units			214					5
Income-Based								
South Park Apartments	1994/2001	Section 42	136	\$470-\$520	\$550-\$625		\$640-\$780	2
Garden Walk	1982	Section 515	20		\$530			1
Sunset Townhouses	1970	Section 8/42	50		\$504		\$550	2
Northview Housing	1993	Section 811	14					0
Northview Residences	1993	Section 811	12					0
Prairie Fire Residences	2018	Section 42	68		\$795		\$880	3
Total Income-Based Units			292					8
Senior Housing								
Midtown Towers	1974	Public Housing	136					0
Newton Plaza	1975	Section 8	46					0
Lincoln Park	1917/2002	Section 42	24	\$405-\$475	\$530			0
Meadowlark Housing	1989	Section 202	12					0
Total Senior Housing Units			218					0
Grand Total Units			724					13

Source: Harvey County Assessor and Canyon Research Southwest, Inc.

Conclusions

By 2017 Newton's housing stock totaled 8,487 dwelling units, of which 14.1 percent, or 1,201 dwelling units were in multi-unit structures. By comparison, multi-family housing accounts for just 18.1 percent for the State of Kansas housing stock. When compared to Kansas as a whole, Newton's mix of multi-family housing is disproportionately higher for 2- to 9-unit structures and low for structures with 20 or more dwelling units.

This predominance of smaller multi-family structures and small number of large-scale apartment properties is common among rural communities the size of Newton. By comparison, the smaller neighboring community of Hesston has 1,484 housing units, of which 28.8 percent are in multi-family structures including 20.0 percent in 2- to 4-unit structures and 2.9 percent for structures of 20 or more dwelling units.

From 2010 to 2017 the number of renter-occupied housing units in Newton rose from 2,219 units to 2,408 units. Detached and attached single-family homes in Newton account for 62.3 percent of the occupied rental housing stock. Structures with 2 to 4 dwelling units accommodate 13.9 percent of all occupied rental housing in Newton while structures with ten or more dwelling units account for 16.2 percent.

Only 1.9 percent of Newton's rental housing has been constructed since 2010, compared to 3.5 percent for the State of Kansas. Over two-thirds of Newton's rental housing was built prior to 1980. As a result, most of Newton's rental housing is old and lacks the modern design and amenities of new properties.

In 2017, the median rent in Newton of \$724 per month was 9.6 percent below the statewide average. Of Newton's occupied rental housing units, 16.2 percent rented for less than \$500 per month compared to just 14.5 percent statewide. Two-thirds of Newton's rental stock support rents of \$500 to \$999 per month. Just 13.9 percent of housing units rent for \$1,000 to \$1,499 per month with only 3.3 percent of the housing stock renting for excess of \$1,500 per month. Since 2010, the median rent in Newton rose by 20.1 percent compared to an increase of 19.4 percent statewide. The disparity in median rents may be linked to Newton's older housing stock.

Due to the modest household income levels, for 41.9 percent of renter households in Newton the gross rent accounts for 35 percent or more of total income compared to 35.3 percent statewide. By comparison, for 13.2 percent of Newton households the gross rent accounts for 15 percent or less of total household income is just slightly below the statewide average. These rent to household income percentages suggest Newton supports an above average need for affordable rental housing.

For 39 percent of renter households in Newton the gross rent accounts for less than 20 percent of more of total income compared to about 30 percent statewide. The just over one-third of Newton households where the gross rent accounts for 35 percent or more of total household income is just slightly below the statewide average. These rent to household income percentages suggest Newton supports a healthy demand for market-rate and income-based rental housing.

From 2013 to 2017 the *American Community Survey* estimated that Newton's rental housing operated at healthy annual vacancies of 3.1 percent to 5.1 percent.

Seven market-rate rental apartment properties totaling 214 dwelling units were identified in Newton. Despite the age and lower quality of the surveyed market-rate properties, collectively they are currently operating at a healthy occupancy rate of 97.7 percent. The above market equilibrium occupancy rate suggests pent-up demand for market-rate rental housing currently exists in Newton. The principal barriers to the financially feasible construction of additional market-rate apartments include high development costs, low rents, and the presence of a larger stock of older rental properties offering more affordable rents.

An estimated 825 households in Newton earn less than \$15,000 per year with another 867 households earning \$15,000 to \$24,999, creating a need for income-based rental assistance. Seniors 65+ years of age account for 17.6 percent of Newton's total population, fueling demand for senior housing. Ten income-based apartment properties operate in Newton including six properties totaling 292 dwelling units targeting families and singles and four senior housing properties totaling 218 units. Both properties types are operating at well above market equilibrium occupancy rates. Newton's demographics suggest a need for additional affordable rental housing and senior housing.

The primary barrier for prospective renters in Newton is the limited availability of quality market-rate and rental assistance housing units. A quality rental housing stock is an important component of fostering a healthy for-sale housing market by offering prospective residents the opportunity to live in the community before buying a home.

FORECAST HOUSING DEMAND

The previous sections of this study analyzed the existing housing supply and the growth and demographic characteristics of the population and households in Newton, Kansas. This section of the report provides 5-year housing absorption estimates for the City of Newton.

Demographic Profile and Housing Demand

The demographic profile of a community affects housing demand and the types of housing that is needed and supportable. The various housing life-cycle stages are defined in the text below.

Entry-Level Householders

- Often prefer to rent basic, inexpensive apartments
- Usually singles or couples without children in their early 20's
- Will often "double-up" with roommates in an apartment setting

First-Time Homebuyers and Move-Up Renters

- Often prefer to purchase modestly-priced single family homes or rent more upscale apartments
- Usually married or cohabitating couples, in their mid-20's or 30's, some with children, but most are without children

Move-up Homebuyers

- Typically prefer to purchase newer, larger, and more expensive single family homes
- Typically families with children where householders are in their late 30's to 40's

Empty-Nesters and Never-Nesters

- Empty-nesters are persons whose children have grown and left home while never-nesters are persons who never had children
- Prefer owning but will consider renting their housing
- Some will move to alternative lower-maintenance housing products such as patio homes, garden homes and condominiums
- Generally couples in their 50's or 60's

Younger Independent Seniors

- Prefer owning but will consider renting their housing
- Will often move (at least part of the year) to retirement havens in the Sunbelt and desire to reduce their responsibilities for upkeep and maintenance
- Generally in their late 60's or 70's

Older Seniors

- May need to move out of their single family home due to physical and/or health constraints or a desire to reduce their responsibilities for upkeep and maintenance
- Generally single females (widows) in their mid-70's or older

Smaller rural communities such as Newton, Kansas tend to have higher proportions of younger households that own their housing than in larger growth centers or metropolitan areas. In addition, senior households tend to move to alternative housing at an older age. These conditions are a result of housing market dynamics, which typically provide more affordable single-family housing for young households and a scarcity of senior housing alternatives for older households.

Over the next five years residents 35 to 44 years of age and senior 65+ years of age will have the biggest effect on the housing market in Newton with these age cohorts accounting 12.5 percent and 19.1 percent respectively of the city's population. Some of those residents ages 35 to 44 years will prefer move-up single-family homes. Seniors will also have a significant impact on the local housing market as the number of residents 65+ years of age is estimated to increase over the coming five years. Some of these residents will move out of their single-family homes into independent or assisted living communities. Newton's population 15 to 24 years of age is forecast to represent 11.9 percent of the population by 2023. Many of these residents will be entering the housing market over the next five years with demand primarily for rental housing.

Housing Demand Calculations

Residential housing absorption estimates for the City of Newton, Kansas through the year 2023 were forecast based on a demographic and economic model of the new housing market. Key input to the model includes historical patterns in annual residential building permit activity; projected population growth; household composition; average household formation rates; age distribution; and income levels. Demographic and economic characteristics for Newton were provided by the U.S. Census and Esri Business Analyst.

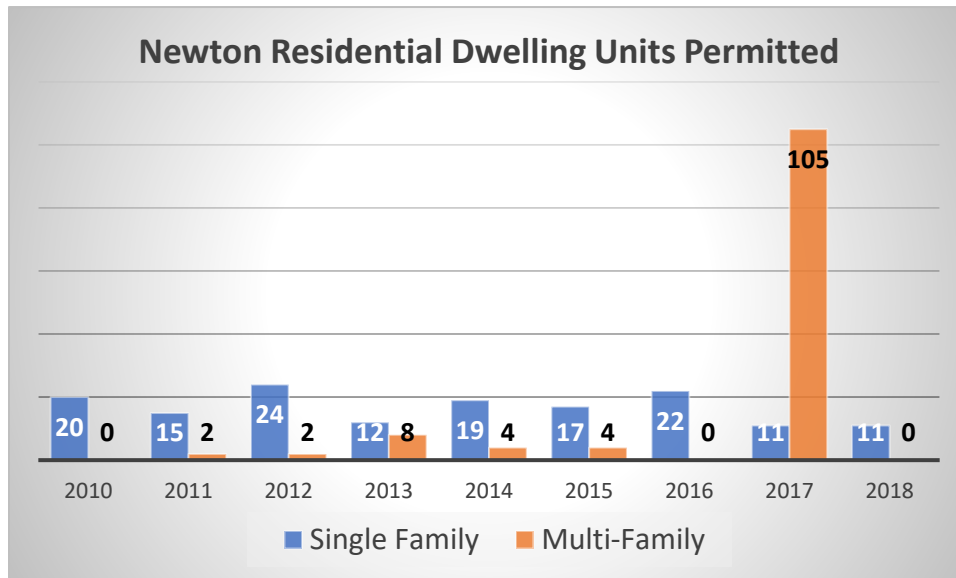
Rental Housing – The demand components for new rental housing units in Newton included renter household growth, latent demand for rental housing, and the number of units required for a balanced market. The analysis providing the number of units that the market can support by four monthly rent segments (less than \$500, \$500 to \$749, \$750 to \$999, and \$1,000 and higher).

For-Sale Housing – The analysis considered potential demand from new owner-occupied household growth, latent demand for owner-occupied housing, and the number of units required for a balanced market. Demand estimates were provided for five price points (less than \$100,000, \$100,000 to \$149,999, \$150,000 to \$199,999, \$200,000 to \$249,999, and \$250,000 and higher).

This section of the study forecasts: 1) total new housing demand from 2018 to 2023; 2) the mix of housing demand; and 3) the pricing segmentation of for-sale housing and rental housing.

Housing Demand Forecasts

According to the City of Newton, from 2010 to 2018 a total of 276 building permits were issued for new residential housing units, including 151 single family homes and 125 multi-family dwelling units. Since 2010 annual new residential permitting activity has ranged from 11 to 116 housing units, averaging over 30 units annually. Supportable residential housing absorption over the next five years will be a function of resident population growth and latent demand while income levels and age composition will dictate the type and mix of housing product. As of 2017, Newton's housing supply included 5,242 owner-occupied housing units and 2,408 renter-occupied units.



Housing Demand from Population Growth

According to the U.S. Census Bureau, from 2010 to 2017 the City of Newton population increased by 203 residents. From 2018 through 2023, Esri Business Analyst forecasts the Newton population to increase by 0.8 percent, equating to 149 new residents by 2023. Consistent with national trends the senior (65+ years) and family/working adult (35 to 44 years) populations are expected to continue to grow. According to the *American Community Survey* by the U.S. Census Bureau, the City of Newton's average household size is 2.42 persons. Therefore, Newton's forecast population growth through 2023 as published by Esri Business Analyst will yield an estimated 60 new households and occupied housing units.

The Wichita State University Center of Economic Development & Business Research forecast the Harvey County population to increase by 277 residents from 2019 to 2024. Newton accounts for approximately 55 percent of the Harvey County population. Therefore, for the purpose of this analysis through 2023 the Newton population is forecast to increase by 194 residents, generating the demand for 80 occupied housing units.

To conclude, population growth within the City of Newton through 2023 is forecast to generate the net demand for an estimated 60 to 80 occupied housing units.

Latent Housing Demand

Latent demand occurs when the inventory of available housing is severely constrained. As of April 2019, only 66 homes were actively on the market for sale in Newton, of which half were under contract. The survey of 724 rental units in Newton identified just 13 dwelling units available for lease. The constrained supply of available housing serves as a barrier of entry for those individuals and households interested in moving to Newton.

A principal source of future latent housing demand in Newton is the capture of employees of local businesses that are either expanding or new companies planning to build a new facility in Newton. Three recently announced industry relocations or expansions in Newton include:

- Future Foam: seven to 10 new employees in 2019
- Park Aerospace: 75 full-time jobs over the next three to five years beginning in 2019
- Weatherly Aircraft Company: 70 jobs over the next five to seven years (began hiring and opened in March 2019)

According to the *American Community Survey* an estimated 9,116 Newton residents are employed with 24.9 percent of the workers, or approximately 2,270 workers, having a commute of less than ten minutes from their place of work. Another 44.3 percent of workers resided within a 10- to 29-minute commute from Newton and 28.8 percent reside within 30 to 59 minutes. According to the Harvey County Economic Development Council approximately 7,500 Newton residents work outside of the city and approximately 6,000 non-residents commute into Newton for work. This large influx of workers commuting into Newton represents a source of prospective future residents.

Realtors cited the lack of affordable quality housing as a principal reason why local employees live elsewhere. Interviews with Future Foam and Park Aerospace were conducted to determine if their existing and future employees would be logical candidates for relocation to Newton. Some of the major findings of these interviews are summarized below.

Future Foam

The Future Foam facility in Newton manufactures low- to high-density foam cushioning products. The company employs approximately 70 workers at its Newton facility. The company's 77,000 square foot expansion is scheduled for completion by September 2019 resulting in increasing its workforce by 7 to 10 employees. An estimated 75 percent of the company's workforce resides in Newton.

Park Aerospace

Park Aerospace Technologies Corporation employs approximately 110 workers at its Newton facility. The Melville, NY-based company develops and manufactures advanced composite materials for the aerospace industry. Park's principal manufacturing site has operated at the Newton City/County Airport since 2008. The company is investing \$19 million to expand its facility in Newton. The expansion will allow Park Aerospace to increase its workforce by 75 employees in the next five years. The company intends to build a new 90,000-square-foot facility in order to accommodate the increased workforce, as well as to create more production space.

Approximately 40 percent of Park Aerospace’s workforce resides in Newton with most employees residing within 5- to 10-miles from town. In the past most new hires were presently residents of Newton or the Wichita MSA. Due to the lack of available affordable for-sale housing many employees rent rather than buy a home. Not a lot of quality for-sale or rental housing in Newton within the \$800 to \$900 per month price range.

In summary, the three announced company expansions and openings in Newton are expected to employ approximately 155 workers. The future employees who currently reside outside of Newton represent potential new residents should additional quality and affordable for-sale and rental housing become available. The greatest opportunity to attract new residents to Newton may originate from new hires to the city’s expanding employers.

Newton Major Employer Expansions Estimated Workforce Place of Residence

Company	# of New Employees	Live in Newton	Live Outside of Newton
Future Foam	10	7	3
Park Aerospace	75	30	45
Weatherly Aircraft Company	70	35	35
Totals	155	72	83

Source: Canyon Research Southwest, Inc.

Favorable qualities of Newton as a place to live identified by the major employers include high quality of life, small-town atmosphere, safe community, good park facilities, presence of a 2-year college, active high school sports programs, healthy downtown, and proximity to Wichita.

Constraints cited for Newton as a place to live include a poorly-rated public school district, lack of retail businesses and restaurants, not attractive place for single people, and lack of quality affordable housing.

Based on conversations with Human Resources staff with each employer it has been estimated that up to an estimated 72 new hires would reside in Newton. Assuming approximately 40 to 50 percent of the new hires are current residents of Newton, assuming adequate housing was available an estimated 35 to 43 new hires would relocate to Newton over the next five years.

Units Required for a Balanced Market

Another housing needs component considers the number of units a market requires to offer balanced market conditions, which is usually a market supporting a 92 percent to 95 percent occupancy rate with 5 percent to 8 percent of the housing stock vacant and available for sale or rent. Healthy markets require approximately 5 percent to 8 percent of the housing stock to be available in order to allow for inner-market mobility and encourage competitive housing prices and rental rates. Markets with vacancy rates below a healthy rate often suffer from escalating home values and rents, minimal tenant turnover, residents being forced into housing situations that do not meet their housing needs, and the inability of nonresidents to enter the market.

The *American Community Survey 2017* reported that Newton’s entire inventory of 8,487 housing units was operating at a vacancy rate of 9.9 percent. Applying the margin of error reduces Newton’s overall vacancy rate to approximately 7.2 percent.

As of April 2019, just 66 for-sale housing units were available for sale in Newton and just 13 rental units were vacant and available for rent among the 724 rental units surveyed. At the time of this study just 14 single-family homes were on the market for rent in Newton ranging from \$500 to \$1,195 per month. These market dynamics suggest that Newton’s true vacancy/availability rate is much lower than reported by the U.S. Census, and to achieve a balanced housing market, additional new housing units could be constructed over the next five years.

Based on the current inventory of housing, current availability of for-sale and rental housing, a current estimated vacancy rate of 5 percent and a balanced housing market vacancy rate of 5 to 8 percent, over the next five years Newton can support an estimated 80 to 150 additional housing units. Given Newton’s large stock of older housing these market balance needs also incorporate replacement housing.

Total Housing Demand 2018-2023

To conclude, through population growth, latent housing demand, and achieving a balanced housing market, new housing demand from 2018 through 2023 in Newton is estimated at 175 to 270 dwelling units.

Newton Forecast Housing Demand; 2018-2023

Housing Demand Component	Conservative Scenario	Optimistic Scenario
Population Growth	60	80
Latent Demand	35	40
Market Balance Needs	80	150
Total Housing Demand	175	270

Source: Canyon Research Southwest, Inc.

Housing Mix

The table on page 58 provides a comparison of Newton's housing stock by dwelling unit type against the statewide averages and that of cities surrounding Wichita. The comparable cities include Hesston, Park City, Bel Aire, Maize, Goddard, and Derby. The housing data was provided by the *American Community Survey*.

Newton's housing stock is dominated by detached single-family homes that account for 80 percent of the total inventory. By comparison, detached single-family housing units account for 72.7 percent of Kansas' housing stock. For the six comparable cities, single-family housing accounts for 61.7 percent to 89.4 percent of the total housing stock, averaging 75.9 percent. Derby, which is the most comparable in population to Newton, supports a housing stock consisting of 77.5 percent detached single-family. This analysis suggests that Newton supports an above average proportion detached single-family housing units.

Small multi-family properties with 2 to 9 dwelling units comprise 8.2 percent of Newton's housing stock. By comparison, 2 to 9 dwelling unit structures account for 9.8 percent of Kansas' housing units. For the six comparable cities 2 to 9 dwelling unit structures account for 1.8 percent to 23.7 percent of the total housing stock, averaging 11.6 percent. This analysis suggests that Newton supports a disproportionately low percentage of multi-family properties with 2 to 9 dwelling units.

Multi-family properties with 10 or more dwelling units comprise 5.9 percent of Newton's housing stock, compared to 8.3 percent of Kansas' housing stock. For the six comparable cities structures with 10 or more dwelling units account for 1.7 percent to 7.4 percent of the total housing stock, averaging 5.0 percent. This analysis suggests that Newton supports an about average percentage of multi-family properties with 10 or more dwelling units.

The mix of future housing demand is best determined by evaluating Newton's population demographics with that of the various housing life-cycle stages. Emphasis is placed on age, education, and income.

Entry-level householders are generally single or couples without children in their early 20's and often prefer to rent basic, inexpensive apartments. Newton's population 15 to 24 years of age is currently estimated at 2,261 residents and forecast to reach 2,261 residents by 2023. Individuals with high school degrees or less are more likely to be renters than homeowners. An estimated 8,367 Newton residents, or 44.1 percent of the total population, are high school graduates or less.

Residents 65 years and old are more likely to require some form of assisted living. Newton's population 65+ years of age is currently estimated at 3,421 residents and forecast to increase 8.7 percent by 2023 reaching 3,720 residents. With 997 residents between the ages of 65 and 74 years creates a need for independent living and maintenance-free patio home or twin home housing. Newton's population of residents 75+ years is estimated at 1,684 residents. This large and growing senior population suggests a need for independent and continuum care housing.

Housing Stock Mix Comparison Newton vs. State of Kansas and Comparable Cities

Units in Structure	Housing Mix as % of Total Housing Stock								City
	Newton	Kansas	Hesston	Park City	Bel Aire	Maize	Goddard	Derby	Averages
Population	18,972	2,903,820	3,723	7,512	7,422	4,490	4,530	23,712	8,565
Median Household Income	\$49,874	\$55,471	\$60,047	\$61,788	\$77,242	\$65,697	\$52,538	\$70,678	\$64,665
Housing Units	8,487	1,259,647	1,494	2,937	3,021	1,493	2,308	9,708	3,494
1-Unit, Detached	80.0%	72.7%	65.8%	89.4%	88.1%	61.7%	73.0%	77.5%	75.9%
1-Unit, Attached	2.1%	4.6%	4.6%	0.0%	4.8%	8.0%	1.2%	6.0%	4.1%
2 Units	4.5%	2.5%	3.7%	0.5%	0.0%	6.1%	7.0%	2.1%	3.2%
3 or 4 Units	1.0%	3.5%	16.3%	1.0%	1.2%	10.9%	5.8%	0.9%	6.0%
5 to 9 Units	2.7%	3.8%	3.7%	0.7%	0.6%	0.0%	4.6%	4.8%	2.4%
10 to 19 Units	2.5%	3.7%	2.2%	1.7%	0.0%	6.3%	0.0%	5.1%	2.6%
20+ Units	3.4%	4.6%	2.9%	0.0%	5.4%	0.8%	2.7%	2.3%	2.4%
Mobile Home	2.9%	4.5%	0.8%	6.5%	0.0%	6.2%	4.9%	1.3%	3.3%

Source: American Community Survey 2017.

Newton's large and growing senior population has resulted in the opening of four major retirement communities offering a continuum of care. Many seniors are choosing to age in place rather than reside in a retirement community. Over the coming five years Newton's senior population is forecast to increase by 299 residents, creating increased demand for both affordable rental and attached for-sale housing such as patio homes and duplexes. There are currently three income restricted rental properties in Newton totaling 167 units. No new inventory has been built since 2002. To be attractive to seniors attached for-sale housing should offer a unique living environment adjacent to a golf course, lake or natural open space as well as close proximity to shopping, places of worship and health care facilities.

An estimated 2,424 households in Newton earn less than \$35,000 annually with 825 households earning less than \$15,000. These households tend to be perpetual renters with the lowest income households potentially qualifying for some form of housing assistance. There are 2,408 occupied rental units in Newton and just 292 income-based rental units and 218 income-based senior rental units. Newton's resident profile suggests an additional need for rental housing with an emphasis on income-based product.

First-time homebuyers and move-up renters are usually married or cohabitating couples in their mid-20's or 30's, some with children, but most are without children. These individuals prefer to purchase modestly-priced single-family homes or rent more upscale apartments. As of 2017 an estimated 2,430 residents of Newton are 25 to 34 years of age with 8.0 percent of residents 25 years and older attaining an associate degree and 15.2 percent of residents possessing a bachelor's degree. An estimated 1,411 households earn \$35,000 to \$49,999 annually and 1,758 households earn \$50,000 to \$74,999 annually. Newton possesses a sizable potential market for first-time homebuyers and move-up renters.

Move-up homebuyers are typically in their late 30's to 40's, married with children. There are reported 2,434 households in Newton with children. As of 2017 an estimated 2,190 residents of Newton were 35 to 44 years of age with 15.2 percent of residents 25 years and older attaining a bachelor's degree and 9.3 percent of residents possessing a graduate or professional degree. An estimated 751 households earn \$75,000 to \$99,999 annually; 893 households earn \$100,000 to \$149,999 annually; and 413 households earn \$150,000 or more annually. Newton possesses a sizable potential move-up market for housing priced at \$250,000 and more.

Through latent demand and population growth new housing demand from 2018 through 2023 in Newton is estimated at approximately 175 to 270 dwelling units. Newton's mix of occupied housing units is approximately 68.5 percent owner-occupied and 31.5 percent renter occupied. Given Newton's demographic profile and latent demand for affordable housing this report estimates that through 2023, owner-occupied housing is estimated to account for 55 percent of all **new** housing units with renter-occupied housing accounting for the remaining 45 percent. Therefore, through 2023 the mix of new housing demand is estimated at 96 to 148 owner-occupied units and 79 to 122 rental units.

Pricing Segmentation

Household income levels directly influence housing values and rents. Communities with above average household income levels generally support higher for-sale housing values and rents that exceed those of lower income communities.

Supportable for-sale values for new housing in Newton were calculated based on historic homes sales velocity by price range, the household composition and income levels of its residents, and current lending practices and interest rates. Standard down payments for qualified applicants are 3.5 percent for FHA and 10 percent for conventional home loans. Future for-sale housing absorption in Newton by price range was based on a 30-year loan and a housing expense-to-income ratio of 28 percent for conventional loans and 31 percent for FHA insured loans. The maximum FHA loan in Harvey County for a single-family home is \$294,515.

Housing expenses include principal, interest, property taxes and insurance payments. Property taxes, insurance, and PMI payments are estimated to average approximately 25 percent of total housing costs. As of the date of this study the average mortgage rate for a 30-year conventional home loan was 4.3 percent. Though mortgage rates are expected to remain low in 2019, this analysis used a conservative range of 4.75 to 5.0 percent. The interest rate for FHA loans was set at 4.5 to 5.0 percent.

The table on the following page provides for-sale housing affordability estimates at various household income levels for both conventional and FHA financing.

Approximately 16.4 percent of Newton households earn from \$35,000 to \$49,999 per year. At current FHA and conventional financing standards this household income range can support an estimated home purchase of approximately \$125,000 to \$190,000. Current new home construction in Newton only caters to only the very highest end of this market.

Approximately 23.0 percent of Newton households earn from \$50,000 to \$74,999 per year. At current FHA and conventional financing standards this income range can current support a home purchase price estimated at \$183,000 to \$268,000. It is these income households that most of the new home construction in Newton targets.

Approximately 9.8 percent of Newton households earn from \$75,000 to \$99,999 per year. At current FHA and conventional financing standards this income range can current support a home purchase price estimated at \$256,000 to \$376,000.

Based on current and estimated future household income growth in Newton, through the year 2023 **new** demand for housing priced from \$150,000 to \$199,999 are estimated to account for 35 percent of new housing demand. To achieve the lower end of this price range modular housing might be implemented. New homes priced from \$200,000 to \$249,999 are anticipated to account for 45 percent. Upscale housing priced at \$250,000 and more is forecast to account for 20 percent of owner-occupied absorption in Newton through 2023.

For-Sale Housing Affordability Estimates

Household Income	Down Payment	Monthly Housing Costs	Principal & Interest	Supportable Housing Value		
				4.50%	4.75%	5.00%
\$35,000						
Conventional	10%	\$817	\$610		\$100,000	\$125,000
FHA	3.5%	\$904	\$636	\$130,000	\$126,000	
\$50,000						
Conventional	10%	\$1,167	\$869		\$185,000	\$175,000
FHA	3.5%	\$1,292	\$929	\$190,000	\$183,000	
\$70,000						
Conventional	10%	\$1,633	\$1,230		\$262,000	\$256,000
FHA	3.5%	\$1,808	\$1,310	\$268,000	\$259,000	
\$100,000						
Conventional	10%	\$2,333	\$1,765		\$376,000	\$365,000
\$150,000						
Conventional	10%	\$3,500	\$2,676		\$570,000	\$555,000

Household income levels for Newton suggest considerable new demand for income-based and affordable rental housing will materialize through the year 2023. An estimated 1,532 households in Newton earn less than \$25,000 annually with 953 households earning \$25,000 to \$34,999 annually. These households tend to be renters. Through 2023, rental housing at rents of less than \$650 (2018 dollars) in the City of Newton is forecast to account for 25 percent of total new rental housing absorption. An estimated 50 percent of new rental housing absorption will originate at rents of \$650 to \$799 per month, 10 percent at monthly rents of \$800 to \$999, 20 percent at monthly rents of \$1,000 to \$1,499, and 10 percent at monthly rents of \$1,500 or more. Quality single-family housing is expected to capture the highest rents.

Given the large number of lower-income households and the current inventory of income-based rental housing in Newton there appears to be a market for additional income-based rental units. The low rents place a constraint on supporting the construction of financially feasible market rate rental housing.

The table on the following page outlines our calculations of general-occupancy new housing absorption in Newton, Kansas from 2018 through 2023.

Forecast Absorption of New Housing by Product Type City of Newton, Kansas; 2018-2023

Housing Type	Affordability Factor % of Households	Total Housing Units	
		Low	High
New Owner-Occupied Housing (\$ Value)			
Under \$100,000	0%	0	0
\$100,000 to \$149,999	0%	0	0
\$150,000 to \$199,999	35%	34	52
\$200,000 to \$249,999	45%	43	66
\$250,000+	20%	19	29
Total New Owner-Occupied Housing Demand		96	148
New Renter-Occupied Housing (Monthly Rent)			
Under \$650	40%	32	49
\$650 to \$799	20%	16	24
\$800 to \$999	15%	12	19
\$1,000 to \$1,499	15%	11	18
\$1,500+	10%	8	12
Total New Renter-Occupied Housing Demand		79	122
Total New Housing Demand		175	270

Source: Canyon Research Southwest, Inc.

To conclude, through latent demand and population growth new housing demand from 2018 through 2023 in Newton is estimated at 175 to 270 dwelling units. This report estimates that through 2023, owner-occupied housing will account for 55 percent of all **new** housing units with renter-occupied housing accounting for the remaining 45 percent. Therefore, through 2023 the mix of new housing demand is estimated at 96 to 148 owner-occupied units and 79 to 122 rental units.

Through 2023 demand for new for-sale housing in Newton is estimated at 34 to 52 housing units priced from \$150,000 to \$199,999. Owner-occupied demand is further estimated at 43 to 66 housing units for housing priced from \$200,000 to \$249,999 and 19 to 29 upscale housing priced at \$250,000 and more.

The breakdown of new rental housing demand through 2023 is estimated at 32 to 49 dwelling units at a monthly rent under \$650 and 16 to 24 units at \$650 to \$799 per month, much of which may consist of income-based housing. Market-rate rental housing demand is estimated at 12 to 19 units at \$800 to \$999 per month and 19 to 30 units renting at \$1,000 or more per month.

STUDY CONCLUSIONS

Based on the findings of the *Housing Study and Needs Assessment* a city-wide housing strategy has been recommended addressing the following issues:

1. Future housing demand forecasts by product type, value, and rent;
2. Impact of new single-family and multi-family construction on the City's existing housing stock;
3. Need for income-based and senior housing and the impact of new income-based housing stock on existing rents of the city's market-rate rental housing;
4. Prospective site locations for the construction of new market-rate single-family and multi-family housing as well as income-based housing;
5. Identify perceived barriers in the ability of the city to support new home construction and persuade homebuilders to construct new housing;
6. Collaborative marketing strategy; and
7. Municipal and private sector involvement in the process of implementing a city-wide housing strategy that may involve rehabilitating existing housing, development of city-owned property (land banking), homeownership programs, economic incentives to attract homebuilders and developers, and development partnerships.

Future Housing Demand

A greater mix and stock of quality market-rate rental properties and new for-sale housing priced at \$150,000 to \$200,000 aimed at entry-level buyers and \$200,000+ targeting professionals and management positions. The limited inventory of quality market-rate rental properties in Newton results in higher income households seeking housing to look elsewhere. A quality rental housing stock is an important component of fostering a healthy for-sale housing market by offering prospective residents the opportunity to live in the community before buying a home.

Through population growth, latent demand, and accounting for a market balance net new housing demand over the next five years in Newton is estimated at 175 to 270 dwelling units. Through 2023, owner-occupied housing is estimated to account for 55 percent of all **new** housing units with renter-occupied housing accounting for the remaining 45 percent. Therefore, through 2023 the mix of new housing demand is estimated at 82 to 148 owner-occupied units and 68 to 122 rental units. Detached single-family housing will be the predominant owner-occupied housing product with

During 2018 the median sales price for homes in Newton was \$127,450 for existing homes and \$232,585 for newly constructed homes. Over the next five years the differential in the median value of existing and new owner-occupied homes in Newton will remain substantial, due primarily to the large inventory of older homes and the high cost to construct new housing. Through 2023, new owner-occupied housing demand by price range is forecast to be led by product priced from \$150,000 to \$199,999 with a 35 percent capture rate, followed by housing priced at \$100,000 to \$149,999 at a 30 percent capture and \$250,000 and more at 15 percent. Starter housing priced under \$100,000 is forecast to capture just 10 percent of the new market demand due primarily to the lack of available housing stock and the difficulty in constructing new housing at that price point.

Through 2023, given the large number of low-income households in Newton rental housing at rents of less than \$500 (2018 dollars) is forecast to account for 40 percent of total new rental housing absorption. An estimated 35 percent of new rental housing absorption will originate at rents of \$500 to \$749 per month, 15 percent at monthly rents of \$750 to \$999, and 10 percent at monthly rents of \$1,000 or more. Single-family housing is expected to capture the highest rental income.

Over the next five years the forecast new housing demand in Newton will amount to just a 2.1 percent to 3.2 percent increase in the overall housing stock. The price differential of new housing versus existing housing in Newton and the modest increase in the inventory of new single-family and multi-family housing is not expected to adversely impact the demand, housing values, and rents of the existing housing stock. The new housing stock will assist in creating a balanced housing market in Newton for both owner-occupied and renter-occupied housing product.

Newton's mix of occupied housing units is approximately 68.5 percent owner-occupied and 31.5 percent renter occupied. When compared to the statewide average and similar cities in the Wichita MSA, Newton supports a slightly above average share of owner-occupied housing and a slightly below average share of rental housing.

These market forces place an increased emphasis on renter-occupied housing and has resulted in a growing trend of the conversion of single-family homes into rental properties. Given the demographic composition of the city's population and the fact that both owner-occupied and renter-occupied housing in Newton support healthy occupancy rates, a significant shift in the composition of housing stock does not appear necessary. New multi-family housing construction should assist in satisfying the latent demand for rental housing and potentially return some single-family homes back to owner-occupied.

Income-Based Housing Need

The inventory of income-based rental housing in Newton totals just 292 dwelling units targeting families and singles and 218 dwelling units designated exclusively for seniors. An estimated 825 households in Newton earn less than \$15,000 annually, many of which may be candidates for income-based rental housing. Newton's senior population 75 years and older totals 1,684 residents.

Given Newton's modest inventory of income-based rental units coupled with large low-income and senior populations the need will arise over the next five years for additional income-based family and senior rental housing. Based on household income levels, income-based rental housing is estimated to account for 60 percent of the forecast rental housing absorption over the next five years, or 48 to 73 housing units.

Rental housing in Newton garners well below average rents. In 2017, the median rent in Newton of \$724 per month was approximately 9.6 percent below the statewide average. Of Newton's occupied rental housing units, 16.2 percent rented for less than \$500 per month compared to just 14.5 percent statewide. Factors influencing the low rents include Newton's below average household incomes, lack of quality rental housing, and the predominance of 2- to 9-unit properties. Based on these market dynamics and the current fair market rents established by HUD, new construction of income-based housing in Newton is not anticipated to adversely impact current rents for market-rate rental housing.

Potential Development Sites

Over the coming five years Newton's southern quadrant south of Highway 50 will continue to be the preferred location for new home construction. This portion of Newton boasts shopping, recreation, health services, employment, convenient freeway access and close proximity to Wichita. One lacking community service is the absence of an elementary school.

All five active for-sale residential subdivisions in Newton are located in the far southern portion of the city offering a remaining lot inventory estimated at 62 lots available for new home construction. In addition, a total of 758 platted lots are available for future development within Newton's active subdivisions. This available supply of lots and forecast absorption of 82 to 148 single family homes over the next five years places a constraint on the needed inventory of new lots coming on the market to meet demand. The future new lot inventory would best be accommodated within Newton's active subdivisions.

The City of Newton owns a parcel of land located at the southeast corner of First Street and Columbus Avenue. The land fronting First Street is zoned for commercial use with the south half zoned for multi-family residential use. The parcel is an excellent prospective residential

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development site featuring utilities, good access and visibility, and frontage onto a major arterial street.

The City-owned parcel is ideal for the construction of both affordable rental and for-sale housing. Rental apartments are suitable along the First Street frontage with entry-level, for-sale housing featuring small lots and small homes on the south half. To offer attractive price points modular housing could be considered. Discussions with local realtors and builders suggests considerable demand exists for housing priced \$150,000 to \$175,000. The housing would be targeted towards singles, married couples without children, and young families.

The City of Newton could offer incentives to attract single-family builders to the City-owned property. Examples of incentives include: 1) reduced purchase price for the land and infrastructure; 2) establish a Rural Housing Incentive District (RHID) to assist in the cost of infrastructure improvements; 3) waiving building permit fees; 4) waiving municipal water, sewer and trash fees until a new home is sold and occupied; and 5) property tax abatement.

Over the next five years the demand for rental housing will create development opportunities. Potential sites for multi-family housing development should afford sufficient access and visibility. The southern portion of Newton is suitable for market-rate rental housing. The City-owned property at First Street and Columbus Avenue is idea for income-based rental housing as are infill parcels in and surrounding the downtown for both family and senior housing.

Barriers to New Home Construction

Newton's large inventory of older, modest-priced single-family homes suitable for first-time homebuyers compete directly with new home construction, offering more house for the money, lower property taxes and no special assessments for infrastructure. The gap in values between existing and new housing in Newton is substantial. During 2018 the median sales price for homes in Newton was \$127,450 for existing homes and \$232,585 for newly constructed homes.

Constraints in providing new construction at price-points catering to first-time, entry-level homebuyers include the cost of land, infrastructure and vertical construction. It is difficult for builders to construct new single-family homes for a sales price under \$200,000. The viability of smaller homes targeting singles, young couples and empty nesters should be evaluated.

New homes in Newton generally remain on the market for a much longer period of time than lower priced existing homes. The extended time on the market erodes a builder's profit market. Coupled with low overall sales velocity, higher profit margins in Wichita, and distance from Wichita are principal limitations in attracting Wichita homebuilders to construct new housing in Newton.

Collaborative Marketing Strategy

It is common practice among developers and homebuilders in Newton to hire realtors to market lots and new homes, with modest marketing budgets. This approach results in limited market coverage and penetration. A more aggressive and collaborative marketing strategy is needed to drive Newton's new housing market. Developers and homebuilders need to implement a coordinated marketing effort to sell lots and new homes. A single source web site marketing all of Newton's active new home subdivisions should be established that not only promotes the

available lots and new homes, but provides a central buyer's resource for community information on such quality of life issues as education and school activities, cost of living, list of major employers, employment opportunities, places of worship, recreational facilities, entertainment venues, shopping, dining, event calendar, family friendly activities, and more. An example of a similar collaborative market effort is the "Choose Wichita" web page, the link being www.choosewichita.com.

Housing Strategies

The City of Newton's housing strategy must be multi-pronged featuring an array of programs and incentives aimed at a variety of price points for both for-sale and rental housing. Development partnerships should be considered with developers and non-profits to assist in achieve the goal of creating additional affordable for-sale housing, market-rate rental housing, and income-based rental housing.

Efforts by the City of Newton to implement a city-wide housing strategy designed to improving the housing stock should include:

- Revitalizing of property in established neighborhoods;
- Engaging a developer to build maintenance-free smaller homes targeting, singles, young couples, and empty nesters. Amazon is now marketing well designed, affordable smaller homes;
- Supporting the building of both income-based and market-rate rental housing; and
- Seeking partners to develop city-owned property for new neighborhoods of entry-level for-sale homes priced in the mid- to high-\$100,000's.

The City of Newton should actively work with homebuilders and realtors to promote residential housing construction. Possible ways the City could assist include:

- Providing city-owned land at little or no cost and sell lots on a rolling option basis so that homebuilders are not responsible for special assessments while lots remain vacant
- Coordinate federal and state incentive programs
- Reduce water, sewer and trash fees until a new home is sold and occupied
- Facilitate relationships with local property owners and real estate agents
- Consider new approaches for providing site infrastructure such as extending specials over a longer temp-note period before bonding or the developer paying the specials upfront through RHIDs
- Partner in consumer marketing of new homes
- Reduce special assessments on infill parcels

Programs and incentives the City of Newton is currently utilizing or has utilized in the recent past that should continue to be applied to support and stimulate the local housing market include the following:

1. The Rural Housing Incentive District (RHID) Act provides cities and counties a program to assist developers to build new, moderate-income housing in rural communities by assisting in the financing of public improvements. The RHID will capture 100 percent of the incremental increase in real property taxes and reimburse those funds to the developer

over a 15-year period. RHID reimbursements can offset eligible land acquisition and infrastructure costs. The homebuilders are reimbursed once the home is sold;

2. The Low-Income Housing Tax Credit (LIHTC) Program promotes the development of affordable rental housing for low-income individuals and families;
3. The Moderate Income Housing Program (MIH) aims to help cities and counties develop new infrastructure and housing in rural areas;
4. Industrial Revenue Bonds (IRBs);
5. Section 8 Rental Assistance. The Newton Housing Authority manages the City's public housing stock and Section 8 federally subsidized, privately-owned housing. This program pays a portion of an eligible household monthly rent. Eligibility and benefits are determined based on income and family size. The program's median income limits are based on 50 percent of the area median income;
6. Small home repair and housing rehabilitation programs offering low interest loans or grants to income-qualifying households. The City of Newton utilizes HOPE Home Repair program and Emergency Repair Loan through the South Central Kansas Economic Development District;
7. Housing Assessment Tool and CDBG Housing Program through the South Central Kansas Economic Development District. The Housing Assessment Tool (HAT) was designed as a tool to assist communities to become more aware and informed of their current housing inventory in order to develop relevant strategies for housing improvement;
8. The First Time Homebuyer Program (FTHB) provides a forgivable loan to greatly reduce the out-of-pocket expenses associated with buying a home. Income-eligible households that have not owned a home in the past three years may apply for the FTHB;
9. USDA Rural Development's Direct Home Loan Program is used to help low-income individuals or households purchase homes in rural areas. Funds can be used to build, repair, renovate or relocate a home, or to purchase and prepare sites, including providing water and sewage facilities;
10. USDA Rural Development partners with locally approved lenders to help them extend financing to individuals and families wishing to purchase in rural communities. The program is available for the purchase of existing and newly constructed homes;
11. USDA's Home Repair Program provides loans and grants to very low-income homeowners to repair, improve, or modernize their dwellings; to remove health and safety hazards; or to install a storm shelter. Homeowners 62 years and older may qualify for a grant if they are unable to repay a loan; and
12. The Weatherization Assistance Program provides housing improvements that increase energy efficiency in eligible single-or multi-family dwellings, including manufactured homes. Eligible participants are residents of households with income at or below 200 percent of the federal poverty guidelines.

The State of Kansas and the Federal Government have various programs available to assist individuals, developers, cities, counties, and non-profits to meet their housing needs. Additional housing programs and incentives that could be offered to developers, homebuilders, and homeowners by the City of Newton include:

1. Land banking for the purpose of constructing income-based rental housing. Land banks are governmental entities or nonprofit corporations that are focused on the conversion of vacant, abandoned, and tax delinquent properties into productive use. Land Banks strategically acquire problem properties, eliminate the liabilities, and transfer the properties to new, responsible owners in a transparent manner that results in outcomes consistent with community-based plans;
2. USDA's Rural Rental Housing Program provides loans and guaranteed loans to increase the supply of affordable rural rental housing for income eligible tenants. Loans can be combined with housing tax credits and other affordable housing products to help offset development costs;
3. USDA's Housing Preservation Grants provide qualified, public, non-profit organizations and public agencies funding to assist very-low and low-income homeowners to repair and rehabilitate their homes in rural areas;
4. Tax-Exempt Bond financing for multifamily housing is available through the State's Private Activity Bond (PAB) authority. PAB is designed to provide local units of government the ability to issue tax-exempt bonds;
5. The Federal Home Loan Bank (FHLBank) systems' Affordable Housing Program (AHP) is a privately funded housing grant program whereby FHLBank Topeka partners with its member financial institutions and public and private housing development organizations to provide grants to help fill financing gaps on income-eligible owner and rental housing initiatives;
6. The HOME Rental Development Program, funded through the Federal HOME Investment Partnerships program, assists communities and developers with increasing the supply of affordable rental housing. Nonprofit organizations must meet certain criteria to be considered a Community Housing Development Organization (CHDO), as defined by HOME program regulations;
7. Tax-Exempt Bond financing for multifamily housing is available through the State's Private Activity Bond (PAB) authority. The PAB is designed to provide local units of government the ability to issue tax-exempt bonds for a number of purposes including, but not limited to: facility and equipment financing for qualified manufacturers and processors, Beginning Farmers Program, waste treatment facilities, Mortgage Credit Certificates (MCC), Mortgage Revenue Bonds (MRB), and financing for residential rental developments; and
8. The Neighborhood Revitalization Program (NRP) is intended to promote revitalization and development by focusing rehabilitation, conservation, and redevelopment within the NRP area by offering property tax rebates to owners who complete certain improvements or

renovations of property. There must be a minimum investment of \$5,000 on residential properties and \$10,000 on commercial/industrial properties to receive a tax rebate incentive.

To conclude, the City of Newton's housing strategy must be multi-pronged featuring a variety of programs and incentives aimed attracting developers and homebuilders to the community and stimulating feasible development of a variety of price points for both for-sale and rental housing. With approximately 7,000 residents commuting to work outside of the city and approximately 6,000 nonresidents commuting into the city for work attracting new developments are essential steps towards addressing the City's housing shortage.

ADDENDA

EXHIBIT A

Canyon Research Southwest, Inc., Client Roster

CLIENT ROSTER

During its period of operation, Canyon Research Southwest, Inc. has provided real estate consulting services for a number of leading organizations including:

Appraisal Technology, Inc.
Arizona State Land Department
Bain & Company, Inc. (Boston, Massachusetts)
Bashas' Markets
Belz-Burrow (Jonesboro, Arkansas)
Biskind, Hunt & Taylor, PLC
Bridgeview Bank Group
Browning-Ferris Industries
Cameron Group (Syracuse, New York)
Cass County, Missouri
Cavan Real Estate Investments
D.J. Christie, Inc. (Overland Park, Kansas)
Church of Jesus Christ of Latter Day Saints
Circle G Development
City of Belton, Missouri
City of St. Charles, Missouri
City of Coffeyville, Kansas
City of Dodge City, Kansas
City of Duncan, Oklahoma
City of Fenton, Missouri
City of Glendale Economic Development Department
City of Independence, Missouri
City of Kewanee, Illinois
City of Lee's Summit, Missouri
City of Liberty, Missouri
City of Loveland, Colorado
City of Newton, Kansas
City of Osage Beach, Missouri
City of Mesa Economic Development Department
City of Mesa Real Estate Services
City of Phoenix Economic Development Department
City of Phoenix Real Estate Department
City of St. Charles, Missouri
City of Tucson Community Services Department
City of Warsaw, Missouri
Dial Realty (Omaha, Nebraska and Overland Park, Kansas)
Danny's Family Car Wash
DMB Associates
DMJM Arizona Inc.
EDAW, Inc. (Denver, Colorado)
Frontera Development, Inc.
Gilded Age (St. Louis, Missouri)
W.M. Grace Development
Greystone Group (Newport Beach, California)

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Hanford/Healy Advisory Company
Heritage Bank (Louisville, Colorado)
Holiday Hospitality Corporation (Atlanta, Georgia)
Jorden & Bischoff, PLC
Kaiser Permanente (Oakland, California)
Landmark Organization (Austin, Texas)
Lee's Summit Economic Development Council (Lee's Summit, Missouri)
Lewis and Roca
Lowe's Companies, Inc. (West Bloomfield, MI)
Lund Cadillac
Marriott International, Inc. (Washington, D.C.)
MCO Properties
Meritage Homes
Metropolitan Housing Corporation (Tucson, Arizona)
Monterey Homes
Mountain Funding (Charlotte, North Carolina)
Navajo Nation Division of Economic Development
Opus Northwest Corporation
Opus West Corporation
Pederson Group, Inc.
Phelps Dodge Corporation
Piper Jaffray (Kansas City, Missouri)
Pivotal Group
Platte County Economic Development Council
Prieb Homes (Olathe, Kansas)
Pulte Home Corporation
Pulte Homes of Greater Kansas City
Pyramid Development (St. Louis, Missouri)
Ralph J. Brekan & Company
RED Development (Kansas City, Missouri)
R.H. Johnson & Company (Kansas City, Missouri)
Richmond American Homes
Royal Properties (Champaign, Illinois)
Salt River Project
Steiner + Associates, Inc. (Columbus, Ohio)
Summit Development Group (St. Louis, Missouri)
SWD Holdings (San Francisco, California)
The Innova Group Tucson (Tucson, Arizona)
The University of Arizona Department of Economic Development (Tucson, Arizona)
The University of Arizona Medical Center (Tucson, Arizona)
Trammell Crow Residential
Union Homes (Salt Lake City, Utah)
Unified Government of Wyandotte County and City of Kansas City, Kansas
Wal-Mart, Inc. (Bentonville, Arkansas)
Waste Management
Wells Fargo Bank NA
Weststone Properties
Widewaters (Syracuse, NY)
Yavapai-Apache Nation (Camp Verde, Arizona)

Canyon Research Southwest, Inc.

EXHIBIT B

Resume of Eric S. Lander, Principal
Canyon Research Southwest, Inc.

EDUCATION

In May, 1981, Mr. Lander received a B.S. in Marketing from the Arizona State University College of Business Administration. He attended Arizona State University from September 1977 to May 1981, and received honors status for his superior cumulative grade point average. During this time, he was an active member of the Marketing Club and National AMA as well as a participant in several research projects involving both local and national firms. In May 1992, Mr. Lander received a Master's in Real Estate Development and Investment from New York University, graduating with honors.

BUSINESS EXPERIENCE

Canyon Research Southwest, Inc.

President (October 1984 to Present)

Established Canyon Research Southwest, Inc. as a multi-disciplined real estate consulting firm designed to provide comprehensive research and analysis to the development, financial, investment, and municipal communities. Responsibilities include direct marketing, project management, staffing, and client relations. The firm has performed in excess of 400 major consulting assignments with over 75 local and national clients. Fields of expertise include market and feasibility analysis of large-scale master planned communities, freeway oriented mixed-use projects, retail centers, office complexes, business parks, and hotels. Additional services include fiscal impact studies, property valuation, and development plan analysis.

Mountain West Research

Associate (December 1988 to January 1990)

Senior Consultant (October 1983 to October 1984)

Mr. Lander managed the company's Commercial Real Estate Services Division. Responsibilities included direct marketing, personnel management, client relations, and consulting on large-scale commercial, office, industrial, and hotel projects. Also contributed to several real estate publications and assisted in the management and marketing of the firm's commercial, office, and industrial (COI) data base.

Iliff, Thorn & Company

Marketing Assistant (January 1982 to December 1983)

Joined Iliff, Thorn & Company during its infancy and became solely responsible for providing in-house marketing support services to its commercial real estate brokers. These services included demographic research, office/industrial/retail market studies, raw land sales packages, site selection analysis, client relations, and property research. Major accomplishments included establishing and implementing office and industrial absorption studies, devised central office market and available raw land files, and organized the development of an industrial/retail map. Also, during this time, Mr. Lander obtained a real estate sales license and became involved in commercial brokerage activities.

RANGE OF EXPERIENCE

For two years Mr. Lander was an instructor with the Commercial Real Estate Institute, teaching classes in Market Analysis, Commercial Property Valuation and Land Valuation.

Mr. Lander is Vice Chairman of the City of Buffalo Preservation Board and a board member for the Campaign for Greater Buffalo History, Architecture & Culture.

For public financing offerings has prepared revenue forecasts for a large number of mixed-use developments throughout the United States.

Mr. Lander, in cooperation with the Drachman Institute of Regional Land Planning, published a working paper titled "Land Development as Value Added in the Development Process and Appropriate Criteria to Rank Sites for Selection of Master Planned Satellite Communities." Since the publication of this working paper, Mr. Lander has conducted numerous market feasibility studies on large-scale, master planned communities throughout the United States. The working paper was also evaluated and utilized by such prestigious universities as Harvard, M.I.T. and the University of North Carolina as part of their Master's program in Real Estate, City and Regional Planning, and Business.

Mr. Lander has provided consulting services on downtown redevelopment projects and historic preservation efforts. Examples include a heritage tourism study for the Erie Canal terminus in Buffalo, New York; evaluation of potential office, retail, hotel and arena development in the downtown areas of Glendale and Mesa, Arizona; retail market evaluation and redevelopment plan for downtown Warsaw, Missouri; a downtown master plan for downtown Lee's Summit, Missouri; and a redevelopment plans for the 24 Highway Corridor in Independence, Missouri and Porter Avenue Corridor in Norman, Oklahoma.

Mr. Lander has conducted *TIF and TDD Revenue Projections* for a variety of large-scale retail projects in Missouri and Kansas. Tax Increment Financing and Transportation Development Districts are government-backed funding mechanisms designed to finance project-specific public infrastructure improvement. Funded is provided via the issue and sale of bonds. In the case of Tax Increment Financing the bonds are repaid with incremental increases in property tax and sales tax revenue generated by the designated redevelopment area. Transportation Development Districts involve the levy of an additional sales tax on businesses operating within the redevelopment area.

Mr. Lander has conducted *STAR Bond Feasibility and Market Studies* on several major tourism-related developments in Kansas. Projects in the Kansas City area include the Kansas City Tourism District, Legends at Village West, Kansas City Research & Medical Campus, Rosedale Station Shopping Center, Prairiefire at LionsGate and The Gateway. Elsewhere in Kansas studies have been prepared for RiverWalk in Wichita and downtown Manhattan, Kansas. The *Market Study* evaluates the market positioning, market demand, short-term development potential and economic impact for the proposed Redevelopment District. Meanwhile, the *Feasibility Study* provides a STAR Bond revenue vs. costs comparison to determine the ability of the Redevelopment District to cover debt service for the projected STAR Bond obligations throughout the bond maturity period