



Community Research

Kansas LMI Housing Trends and Challenges

by: Steven Howland and Elior Cohen

December 20, 2024

This article is based on a presentation given at the 2024 Kansas Housing Conference with some information appearing different than the presentation. The presentation is downloadable [here](#).

The housing situation for low- and moderate-income households in Kansas follows many of the national trends:

- Most lower-income households are highly burdened by housing costs.
- Housing is getting more expensive.
- Housing production is low.

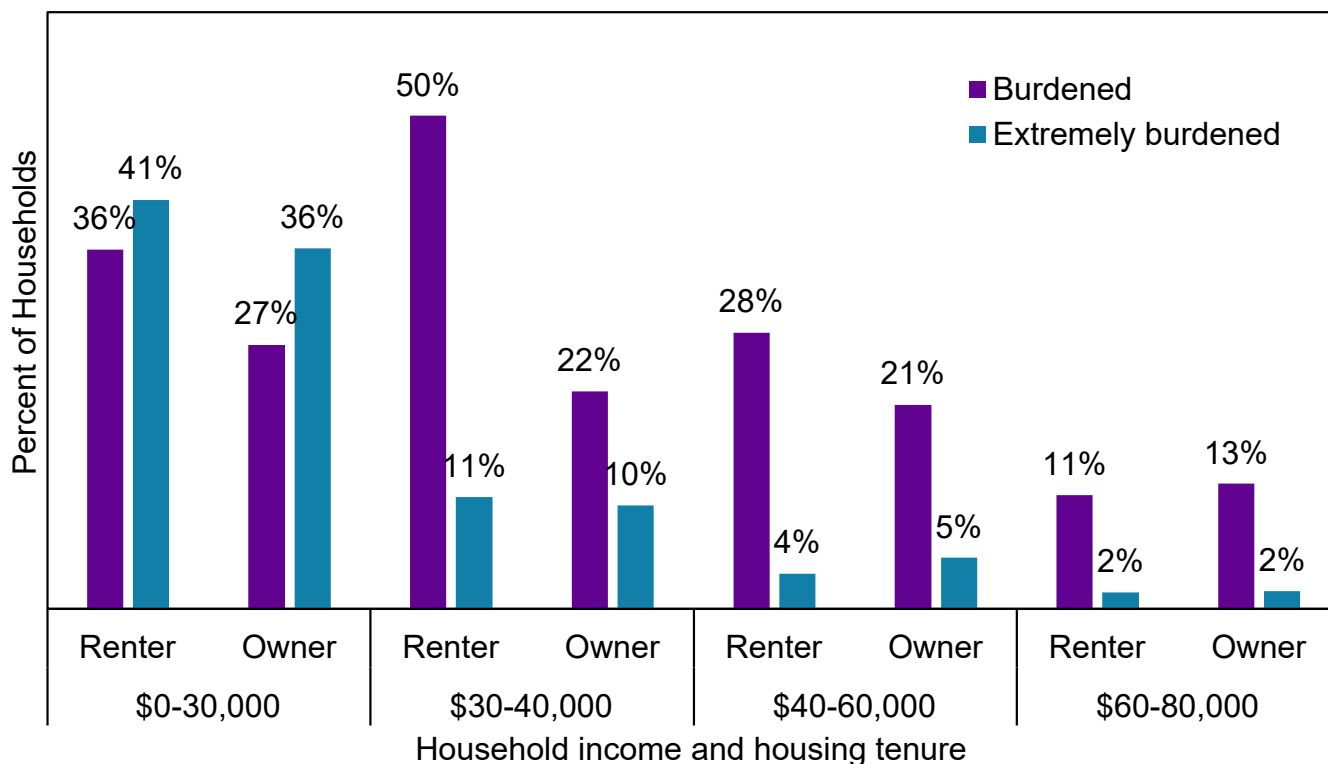
This article provides details of those trends and challenges as they pertain to Kansas.

Housing Cost Burdens

Higher housing costs have especially been a challenge for renters, as nearly 80% of low-income (<\$30,000) renters in Kansas were burdened^[1] by housing costs in 2022, compared to over 60% of low-income homeowners (Chart 1). While over half of low-income homeowners were also burdened by housing costs, a significant share of them were burdened by utilities. When excluding utilities, only 35% were burdened by housing costs (see presentation). Homeowners likely experienced less burden from their mortgage, taxes, and insurance since debt-to-income ratios limit how much mortgage someone can take out. Such limitations do not exist for rental housing.

Chart 1: High percentage of lower-income renters and owners are burdened by housing costs

Housing cost burden by income and housing tenure



Notes: Burdened = housing costs are 30-50% of household income; extremely burdened= housing costs are 50%+ of household income. Renter housing costs include utilities. Owner housing costs include mortgages, taxes, insurance, and utilities.

Source: American Community Survey, 1-year estimates; IPUMS-USA, University of Minnesota; staff calculations.

There is significant variation in the ability of the average renter to afford rent across regions of Kansas. Wages in smaller regions of Kansas like Salina and Lawrence put the average renter in a difficult position to afford rent (Table 1). Meanwhile, the Kansas City area has the highest fair market rent in Kansas, but wages for the average renter are just high enough to afford rent. However, the use of average wages in the calculation may underestimate the number of work hours needed for most renters to be able to afford rent.

Table 1: The average single-earner renter household can afford the fair market rent in most regions of Kansas

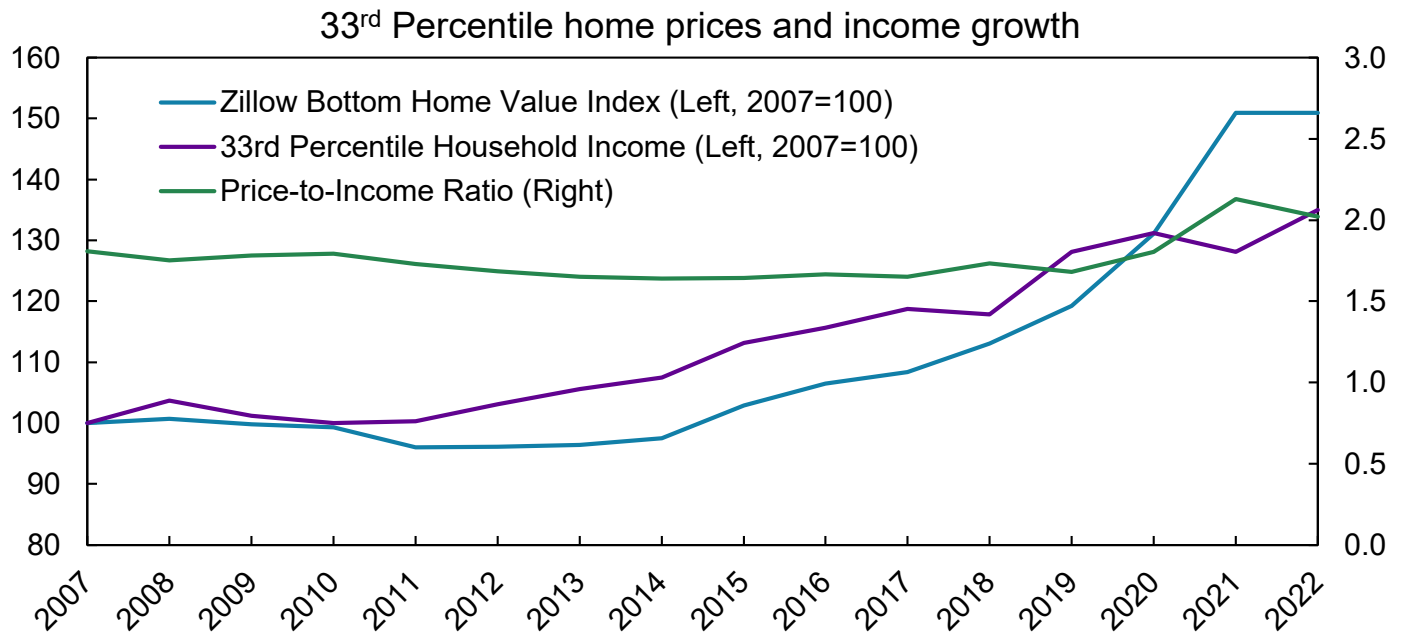
Notes: (2) HUD 2023 Fair Market Rent. (3) Calculated as the average wage needed so (2) Does not exceed 30% of income for a 40 hr. workweek 52 weeks a year. (4) Calculated as the weekly earnings in 2023 from QCEW adjusted for the 2022 ratio of median renter household income to median household income. (5) Calculated as the number of hours needed so (2) does not exceed 30% of earnings.

Source: U.S. Housing and Urban Development; American Community Survey, 2023, 1-year estimates; Quarterly Census of Employment and Wages, 2023; National Low Income Housing Coalition

Housing Prices

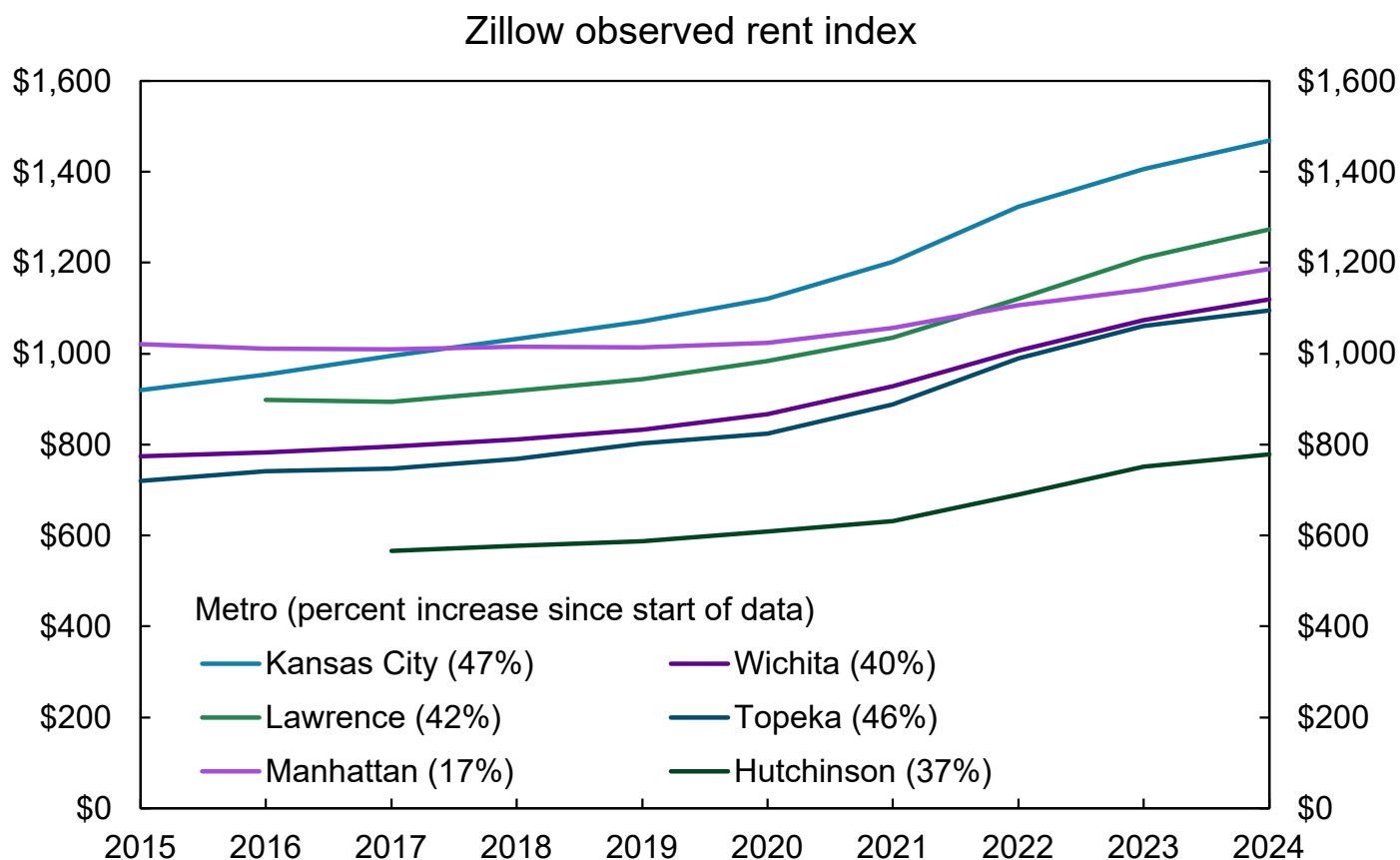
Lower-end housing prices have increased more than lower-end wages in recent years in Kansas (Chart 2). Purchase prices for homes in the lowest third of home prices increased nearly 20% between 2020 and 2021. That was about equal to the total increase over the prior three years. The concern with prices rising that fast in such a short time span is the potential for homeowners to experience price shocks from higher insurance and taxes. Since 2021, wages for the lowest third of homeowners have continued to increase whereas home price increases have slowed, potentially relieving some of the extreme pressures during the pandemic.

Chart 2: Home prices in Kansas have risen more rapidly than incomes at the bottom



Source: Census Bureau, Zillow

Chart 3: Rents are rapidly increasing in Kansas metros

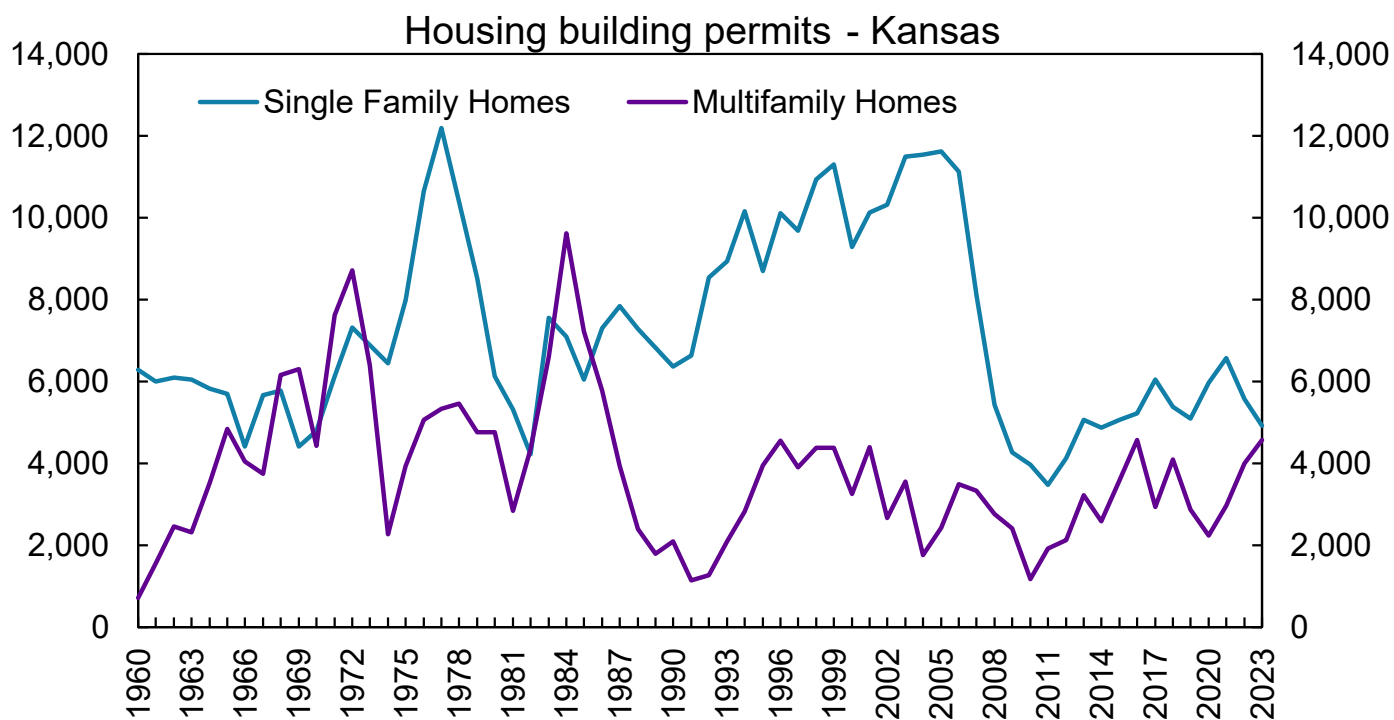


Note: Percentage increase between 2015 and 2024 in parentheses.
 Source: Zillow

Causes for Price Increases

Home prices and rents have risen for several reasons, and one of the biggest reasons is a lack of new home construction. Without an adequate supply of new homes, households find it difficult to move on from starter homes and aspiring homeowners experience higher competition for existing homes. Since the Great Financial Crisis (GFC) in 2007, single-family home construction has not returned to historical levels (Chart 4). That is before taking into account the natural increase of the baseline number of new homes needed as the population increases. Multi-family construction was not as severely impacted by the GFC, but there have also been historically low numbers of multi-family units constructed since 1990. While multi-family construction increased during the pandemic, the increase does not offset the low level of single-family home construction. Thus, the growing competition for single-family and multi-family housing is pushing up prices and rents.

Chart 4: Building permits have not recovered since the Great Financial Crisis

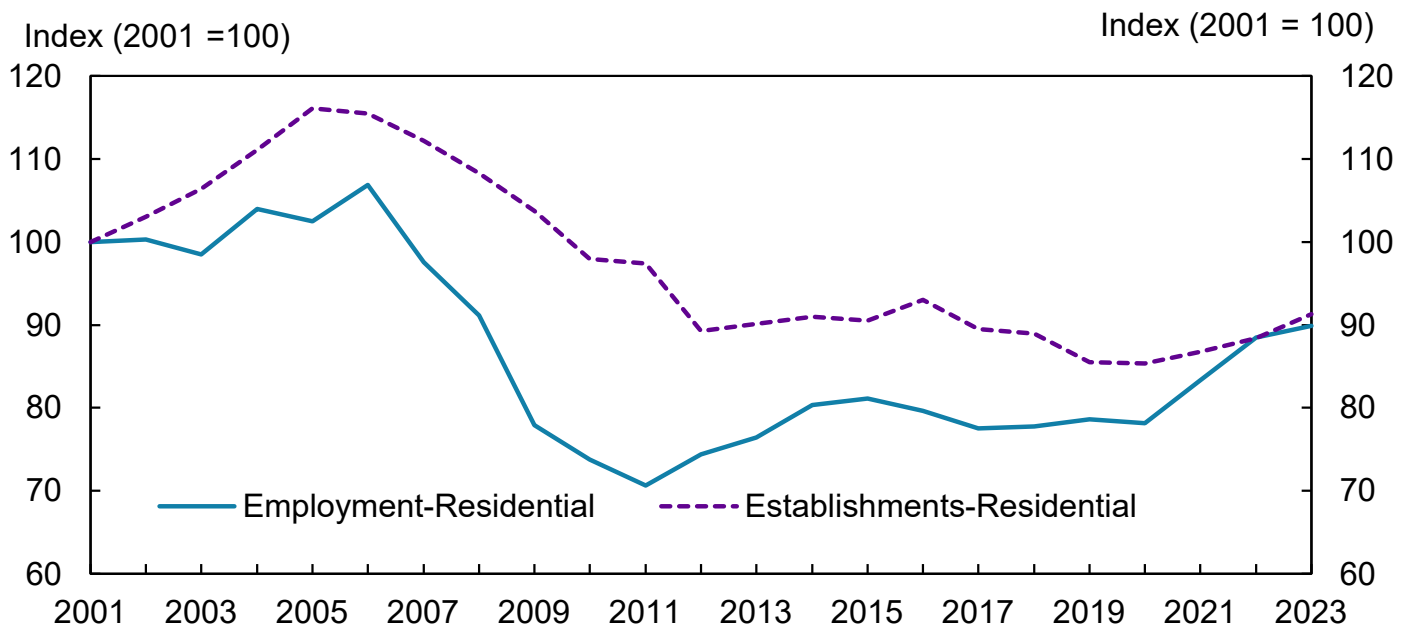


Source: Redfin; Haver

Part of the difficulty of constructing more homes is that since the GFC, the number of construction jobs and firms have not recovered. Both the number of residential construction firms and workers are down about 10% from where they were in 2001 (Chart 5). Without an adequate number of firms and workers, there are only so many homes that can be built. The construction field has also had little productivity growth over the last thirty years, meaning the construction field needs more firms and workers to increase the number of units produced.

Chart 5: Residential construction employment and establishments have not recovered since the Great Financial Crisis

Residential construction firms and employment - Kansas

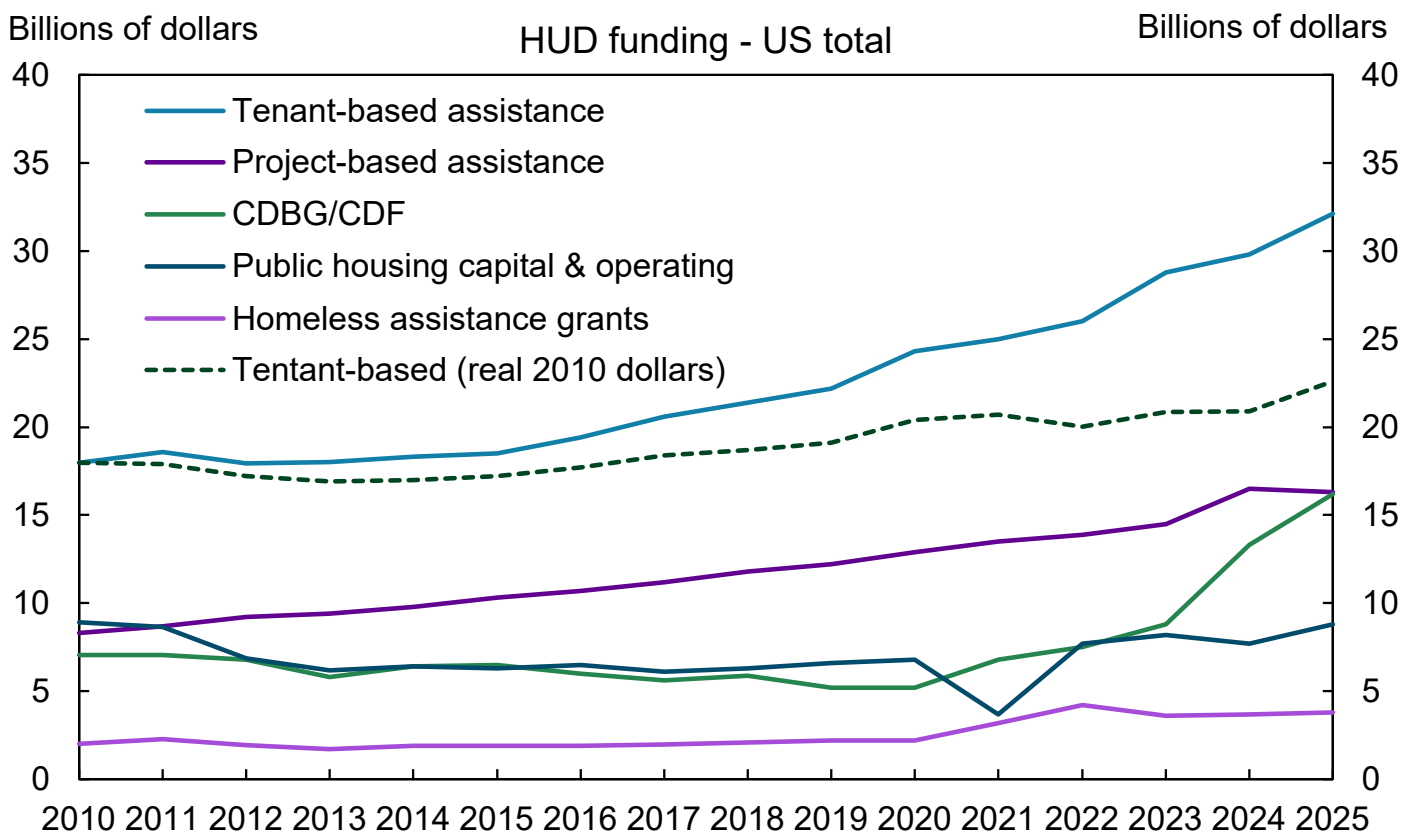


Source: BLS

Conclusion

The charts and presentation shared here focus on the challenging housing situation in Kansas. However, what is happening in Kansas is largely reflected at the national level as well. Structural issues in housing finance and construction have led to lagging construction compared with historical norms. This has pushed up housing prices for both owners and renters. Compounding the issue for lower-income households is that it is exceedingly difficult to provide new housing at affordable prices. As such, there has long been government investment into housing as well as housing supports for lower-income households. However, government funding for tenant-based assistance has largely only kept pace with inflation and most other housing supports have largely not grown at all (Chart 6).

Chart 6: HUD funding for low-income households has largely been stagnant when adjusted for inflation



Source: HUD

Authors



Steven Howland

Senior Researcher, Community Development

Steven Howland is senior researcher in the community development department of the Federal Reserve Bank of Kansas City. Howland performs analyses on various surveys, such as the Community Conditions Survey, and those at the System level to provide insight on the conditions of LMI communities in the Kansas City District. He also conducts independent research that gives more insight into issues affecting LMI communities. Howland joined the Kansas City Fed in August 2020 after a career as a college instructor and researcher. Howland has undergraduate and graduate degrees in urban and environmental planning from Arizona State University and has a doctorate in urban studies from Portland State University. Howland enjoys reading both academic works and sci-fi/fantasy novels as well as playing video and board games. Highlights of his work include: [“I should have moved somewhere else’: The impacts of gentrification on transportation and social support for Black working-poor families in Portland, Oregon”](#) [“Evictions and the pandemic economy in the Tenth District”](#) To learn more about Steven: [Howland researches issues facing disadvantaged populations](#) - Federal Reserve Bank of Kansas City **About the Federal Reserve Bank of Kansas City** The Federal Reserve Bank of Kansas City is one of 12 regional Reserve Banks that, along with the Board of Governors in Washington, D.C., make up our nation's central bank. We work in the public's interest by supporting economic and financial stability. The Kansas City Fed's territory includes Colorado, Kansas, western Missouri, Nebraska, northern New Mexico, Oklahoma and Wyoming. Our headquarters is in Kansas City, with branch offices in Denver, Omaha and Oklahoma City. The Kansas City Fed Community Development Department promotes economic development and public understanding that leads to progress for lower-income individuals and communities. Our focus areas include community development investments, digital inclusion, small business / entrepreneurship, and workforce development.



Elior Cohen

Senior Economist

Elior Cohen is a senior economist at the Economic Research Department of the Federal Reserve Bank of Kansas City. His research interests lie at the intersection of labor and public economics. His research applies empirical methods to study various topics, including homelessness, housing, immigration and innovation. Elior joined the Bank in 2021 after completing his Ph.D. in Economics at UCLA.