

Planning Commission Research Topic No. 5 (2000)

Research Question: Should we be concerned about the current boom in multifamily construction in Overland Park?

Purpose

Staff was directed to research this question by the Planning Commission because of the duration of the current boom in apartment development. In addition to the number of apartments being built, staff was asked to look at the concentration of new multifamily development in only a few locations.

Background

Over a five-year period of time from 1995 to the present, permits for multifamily housing have represented a substantial percentage of all permits in the City for new residential construction (Table 5-1). Most of this growth has occurred south of I-435. In the last couple of years, the growth appears to have concentrated in two areas - along Metcalf Avenue, from 123rd Street to approximately 146th Street and along 135th Street.

Table 5-1
Number of Single and Multifamily Dwelling Units
For Which Building Permits Were Issued

Year	Single-Family		Multifamily		Total Number
	Number	Percent	Number	Percent	
1995	932	51.21%	888	48.79%	1,820
1996	1,142	58.32%	816	41.68%	1,958
1997	1,178	47.14%	1,321	52.86%	2,499
1998	1,273	75.91%	404	24.09%	1,677
1999	1,172	42.66%	1,575	57.34%	2,747

Analysis

Historic Trends

The current boom in multifamily construction represents a departure from the trend over the previous five years (1990-1994). In 1990, single-family permits were 66.05% of all permits issued. Over the next four years, however, permits issued for single-family units accounted for more than 90% of all residential building permits.

It isn't unusual to see this type of swing between single-family and multifamily housing development, as the multifamily housing market tends to be cyclical in nature. The City has a record of annual residential building permits dating back to 1945, before the City was even incorporated. Since 1945, there have been three periods where multifamily development accounted for more than or almost 50% of all permits issued for several years in a row. The first boom in multifamily construction occurred from 1968 to 1972. The second boom occurred from 1983 to 1987. The third boom cycle started in 1995 and may continue through 2000. This last boom is less significant than the boom in the mid-1980s in terms of both numbers of units built and percentage of all units permitted, however. It is also less significant than the boom from 1968 to 1972 in terms of the percentage of all units built (Table 5-2).

Table 5-2
Number of Single and Multifamily Dwelling Units
For Which Building Permits Were Issued
By Development Cycles

Year	Single-Family		Multifamily		Total Number
	Number	Percent	Number	Percent	
1968-1972	2,044	32.2%	4,306	67.8%	6,350
1983-1987	4,191	32.2%	8,822	67.8%	13,013
1995-1999	5,697	53.2%	5,004	46.8%	10,701

The present boom also differs from the boom in the mid-1980s in that the current boom is market driven. Developers are responding to a perceived need for rental housing as a result of commercial and office development, such as Sprint, in particular and population and employment growth in general. The boom in the mid-1980s, on the other hand, was also tax incentive based. In the early 1980s, tax laws made rental properties an appealing investment. A combination of the change in the tax law and an excess in supply brought the mid-1980s boom cycle to an end in 1987. The degree of excess in the supply of multifamily housing after the mid-1980s boom is evident when multifamily permits are examined for the years 1988 through 1994 (Table 5-3). In that 7-year time frame, less than 1,000 multifamily units were permitted whereas during the mid 1980s boom, an average of 1,764 units were permitted each year.

Table 5-3
Number of Multifamily Units Permitted
1983-1994

Year	Number of Permits
1983	1,822
1984	1,992
1985	2,161
1986	1,131
1987	1,716
1988	221
1989	53
1990	425
1991	36
1992	47
1993	80
1994	122

Source: City of Overland Park, Kansas, Building Permit Records

If the number of requests for new multifamily developments is any indication, this boom cycle may, in fact, be slowing. Through May 2000, no permits have been issued for construction of multifamily units in newly started projects and no zoning changes have been approved for new multifamily developments.

Through the first six months of this year, permits have been issued for construction of buildings in Quincy Court, Park Village Apartments, Sandstone Creek Apartments, and the Lakes at Lionsgate but the development of all these projects began in 1999. There is a possibility, however, that several approved projects will be seeking permits before the end of the year.

The balance of multifamily units and single-family units in the City has changed considerably since the first census after the City's incorporation (Table 5-4).

Table 5-4
Number and Percentage of Housing Units by Type
By Decade

Year	Single-Family		Multifamily		Total Units
	Number	Percent	Number	Percent	
1970	18,280	79.2%	4,802	20.8%	23,082
1980	23,461	75.1%	7,772	24.9%	31,233
1990	28,099	58.5%	19,944	41.5%	48,043

Source: U.S. Census

The near doubling of the number of multifamily units as a percentage of all units between 1980 and 1990 is indicative of the strength of the apartment boom in the mid-1980s, without a corresponding boom in single-family construction. During the 1990s, multifamily units as a percentage of all units fluctuated somewhat but at the end of 2000, despite the present boom in apartment construction, multifamily units represent a smaller percentage of all units in the City than they did in 1990 (Table 5-5). The difference between the 1980s and the 1990s is that the 1990s boom in apartment construction has been accompanied by an equally strong boom in single-family construction.

Table 5-5
Number and Percentage of Housing Units by Type
1990 - 1999

Year	Single-Family		Multifamily		Total Units
	Number	Percent	Number	Percent	
1990*	28,099	58.5%	19,944	41.5%	48,043
1991	29,125	59.3%	19,980	40.7%	49,105
1992	30,430	60.3%	20,022	39.7%	50,452
1993	31,778	61.3%	20,042	38.7%	51,820
1994*	32,604	61.4%	20,467	38.6%	53,071
1995*	33,148	61.7%	20,551	38.3%	53,699
1996**	34,232	62.4%	20,616	37.6%	54,848
1997**	35,257	61.6%	21,939	38.4%	57,196
1998**	36,415	62.1%	22,253	37.9%	58,668
1999**	37,325	61.6%	23,302	38.4%	60,627

* As of April 1

**As of July 1

Source: Johnson County Parcel Data and City of Overland Park

Compliance with the Comprehensive Plan

Medium- and Higher-Density Residential land use goals and policies were first adopted as part of the 1992 update of the City's Comprehensive Plan. The goals address:

- Creating a functional and aesthetic living environment
- Criteria for the location of multifamily developments
- How to transition between multifamily developments and both more and less intensive land uses
- Transportation considerations in the location and design of multifamily developments, and

- Compliance with other City land use policy documents

For the purpose of this study, the most important goals are the ones relating to where medium- and higher-density residential developments should locate, how to ensure a compatible transition from these developments to other land uses, and creating a functional and aesthetic living environment.

According to Policy 2.4, medium- and higher-density residential development should be near or adjacent to employment centers:

Policy 2.4: Reserve Suitable Sites -

Reserve suitable land areas of adequate size to accommodate medium- and higher-density residential development near or adjacent to employment centers.

The multifamily developments along Metcalf south of 123rd Street are in close proximity to Southcreek Office Park and the Sprint campus. Corporate Woods and other office developments in the College Blvd. corridor are readily accessible. Similarly, the multifamily developments along the 135th Street corridor have good access to jobs in Southcreek, Corporate Woods, along College Blvd., and at the Sprint campus. The 135th Street corridor also provides access to Olathe to the west and Kansas City to the east.

Goal 3 of the Medium- and Higher-Density Residential Land Use Goals addresses the transition between land uses. According to “Policy 3.1: Use Appropriate Transitional Methods,” site access should be off of collector or thoroughfare streets. All of the multifamily developments that have been constructed during the boom cycle of the 1990s comply with this policy, as well as another policy of Goal 3 that states:

Policy 3.4: Allow the Option of Medium-Density Residential as a Transitional Use -

Allow the use of medium-density residential as a transitional land use between low-density residential and other more intensive uses.

The concentration of recent multifamily developments in, seemingly, few locations is not a departure from the pattern of multifamily development in Overland Park. Though there are some exceptions, an examination of the multifamily development map that is part of the Annual Development Report shows that throughout the City multifamily developments have tended to cluster together. The total number of units in each cluster varies considerably, however, as can be seen in Table 5-6 and on Maps 5-1 and 5-2.

Table 5-6
Clusters of Multifamily Development

Approximate Location	Number of Units*	
	All Multifamily Units	Apartments Only
79 th to 87 th , west of Grant	2,290	1,757
87 th to 95 th , east of Metcalf	1,317	1,236
435 to College, west of Quivira	936	335
119 th to 127 th , west of Quivira	1,406	1,124
115 th to 127 th , along Overland Parkway	3,122	2,300
135 th west of Switzer	1,357	1,357
135 th east of Metcalf	725	588
123 rd to 135 th , adjacent to Metcalf	999	821
135 th to 143 rd , adjacent to Metcalf	1,902	1,902
143 rd to 151 st , along Metcalf	575	360
151 st to 159 th , along Metcalf	498	296

*Existing and Proposed

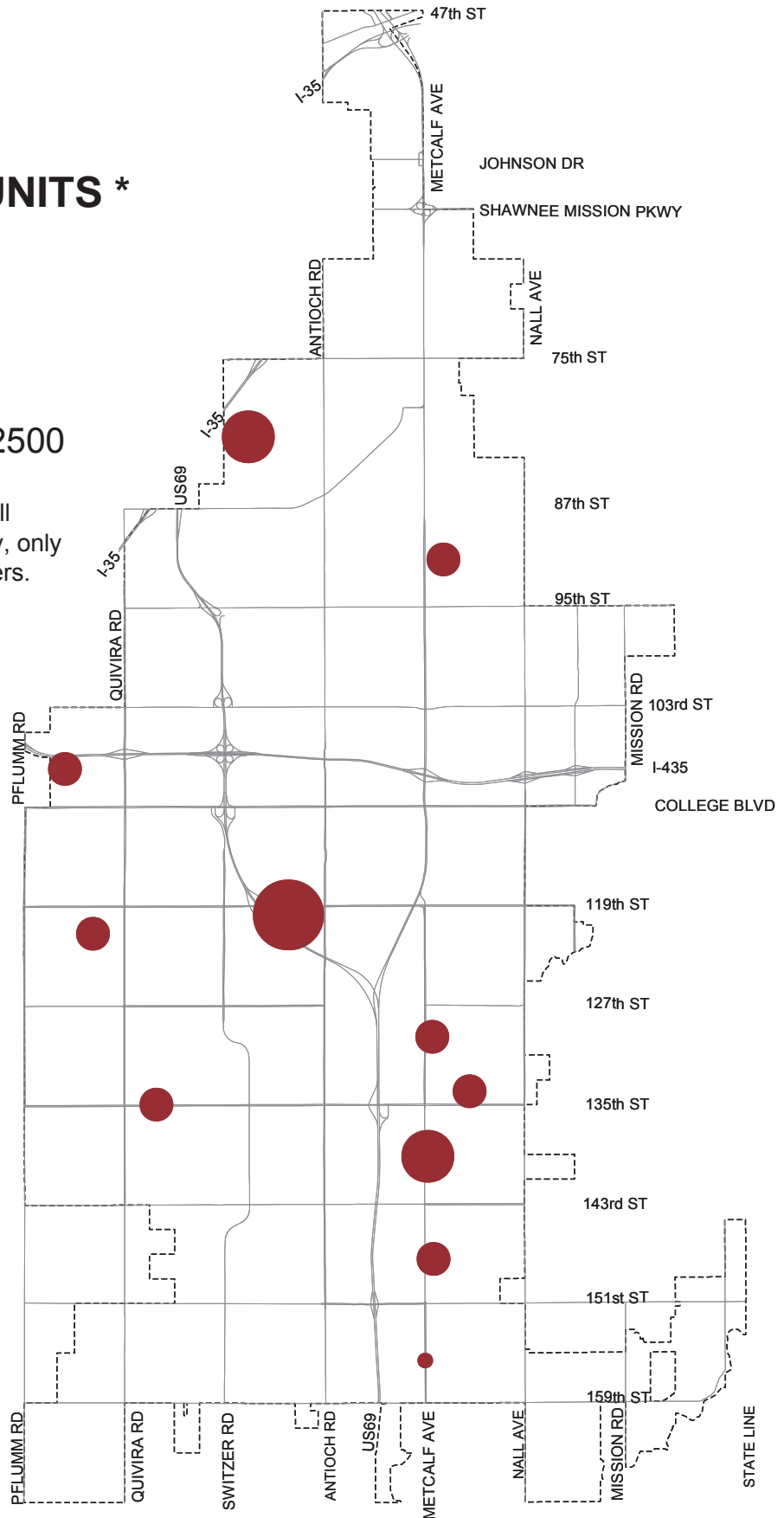
Source: City of Overland Park, Kansas, Annual Development Report

Map 1

MULTIFAMILY UNITS *

- Less than 500
- 500 - 1500
- 1501 - 2500
- Greater than 2500

* This does not represent all multifamily units in the city, only selected multifamily clusters.

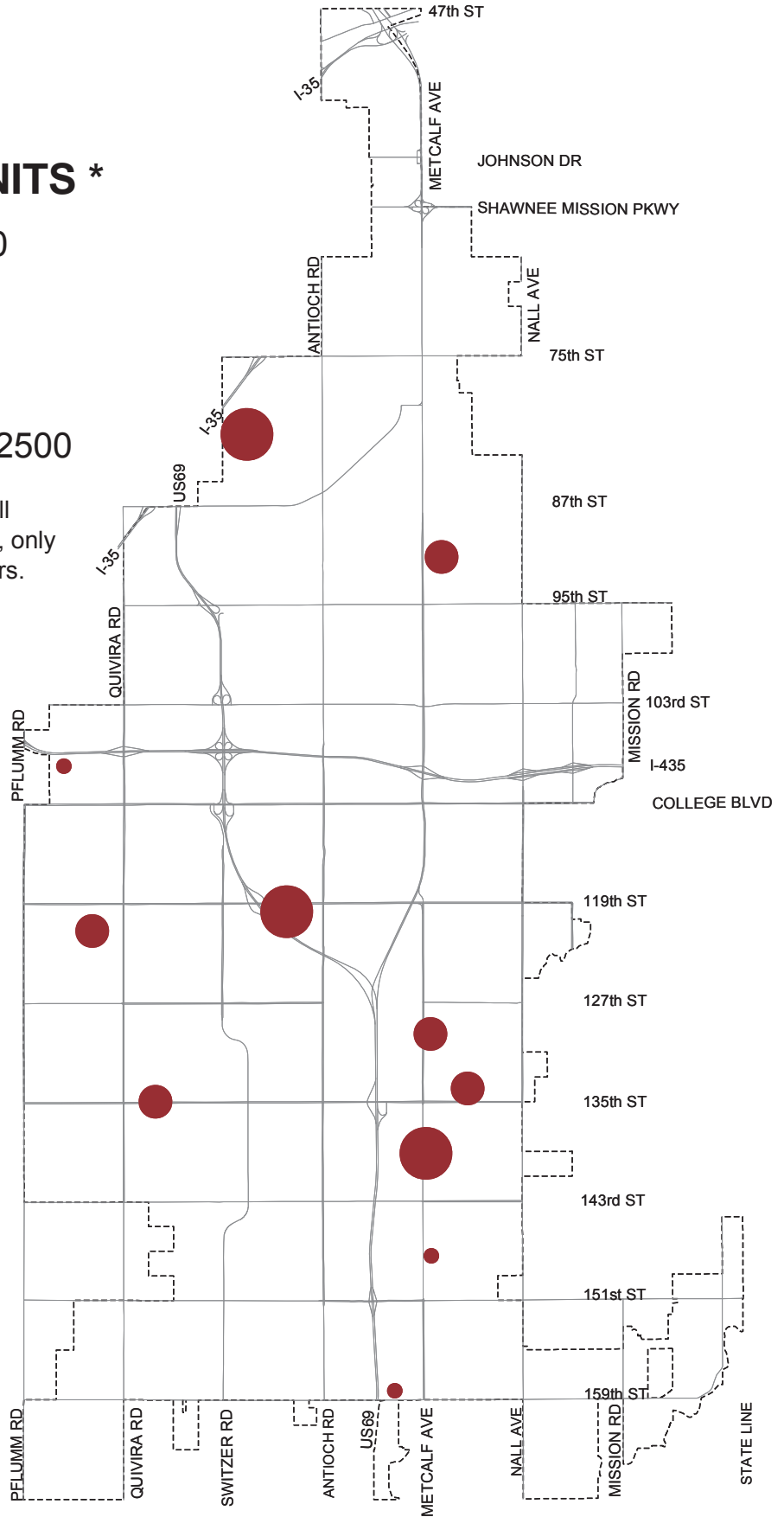


Map 2

APARTMENT UNITS *

- Less than 500
- 500 - 1500
- 1501 - 2500
- Greater than 2500

* This does not represent all apartment units in the city, only selected apartment clusters.



Policy 1.8 addresses creating a functional and aesthetic living environment by providing for a variety of housing types:

Policy 1.8: Provide for Variety in Housing Types -

Encourage the use of a variety of housing types, including townhomes, patio homes, duplexes, zero lot line homes, cluster housing, garden apartments and retirement housing.

As can be seen in Table 5-6, however, in many of the clusters of multifamily development south of I-435 most, if not all, of the units are in apartment projects. The variety of housing types called for in Policy 1.8 is clearly lacking.

If the perception is that multifamily developments are starting to dominate the Metcalf corridor, south of 123rd Street, perhaps the reason is not the number of units that have been permitted. Since much of this area of Metcalf is yet to be developed, the multifamily developments tend to stand out at this time. Another factor in their visual impact may be the architecture of the units that are being built. Three-story units or the downhill side of a 2/3 split have more visual impact than 2-story units. Also, the rooflines are taller today than in the past and as a result the buildings are higher overall. Finally, one factor contributing to the perceived dominance of multifamily developments may be the density of those developments.

The Apartment Market Overall

In its report "Kansas City Apartment Market 2000" Cohen-Esrey Real Estate Services, Inc. notes that in 1999 apartment occupancy rates remained stable overall at nearly 95% occupancy. The market was strong for all types of properties, not just the high-end luxury properties. In Johnson County, new construction was particularly strong in south Johnson County, mostly south of 135th and near Metcalf. Western Johnson County, however, also experienced a boom in apartment construction. The report attributes much of the growth in apartment construction in the 1990s to a perceived need to accommodate relocating and new Sprint employees. The report also forecasts that new construction in south Johnson County will continue in 2000 but will begin to slow and rental incentives for high-end luxury properties are possible. The

need to offer rental incentives is an indication that there are multiple market choices for the consumer and may indicate a softening of the market.

A comparison of average rental rates in Johnson County and the Kansas City metro area in 2000 shows that rates have not suffered as a result of all of the new construction in south Johnson County. According to a comparison published on the Internet by KCAPT.COM, the average rent on a 1-bedroom apartment in Overland Park, south of I-435, is \$658 per month. This is the highest rate reported, as seen in Table 5-7, which compares Overland Park to other areas in Johnson County. Rental rates in south Overland Park for a 2-bedroom apartment are the second highest in the county and in the top 3 for 3-bedroom apartments.

Table 5-7
Average Rental Rates in Johnson County 2000

Location	1 Bedroom	2 Bedroom	3 Bedroom
Lenexa	\$573	\$687	\$903
Merriam - East of I-35	\$635	\$891	\$1,310
Merriam - West of I-35	\$528	\$658	\$572
Mission/Roeland Park	\$577	\$666	\$763
Olathe	\$481	\$574	\$770
Overland Park - North of I-435	\$593	\$725	\$932
Overland Park - South of I-435	\$658	\$824	\$1,067
Prairie Village	\$621	\$775	\$1,240
Shawnee	\$549	\$609	\$767

Source: <http://www.kcapt.com/rates.htm>

Table 5-8
Average Rental Rates in the Kansas City Metro Area 2000

Location	1 Bedroom	2 Bedroom	3 Bedroom
Blue Springs	\$403	\$550	\$586
Gladstone	\$511	\$568	\$692
Grandview/Belton/Raymore	\$411	\$477	\$552
Independence	\$436	\$508	\$570
Kansas City - East	\$424	\$550	\$586
Kansas City - Midtown	\$467	\$637	\$777
Kansas City - North	\$550	\$691	\$884
Kansas City - Plaza	\$543	\$662	\$950
Kansas City - South	\$520	\$604	\$819
Kansas City - Southeast	\$443	\$521	\$734
Kansas City - Kansas	\$449	\$534	\$600
Lee's Summit	\$419	\$537	\$821
Lenexa	\$573	\$687	\$903
Liberty	\$456	\$536	\$560
Longview	\$468	\$555	\$659
Merriam - East of I-35	\$635	\$891	\$1,310
Merriam - West of I-35	\$528	\$658	\$572
Mission/Roeland Park	\$577	\$666	\$763
North Kansas City	\$512	\$596	\$769
Olathe	\$481	\$574	\$770
Overland Park - North of I-435	\$593	\$725	\$932
Overland Park - South of I-435	\$658	\$824	\$1,067
Parkville/Platte City	\$462	\$532	\$743
Prairie Village	\$621	\$775	\$1,240
Raytown	\$437	\$485	\$800
Redbridge Area	\$581	\$727	\$1,091
Riverside	\$449	\$498	\$406
Shawnee	\$549	\$609	\$767
Swope Park	\$435	\$544	\$715

Source: <http://www.kcapt.com/rates.htm>

Overland Park's ranking in the metro area, as a whole, is the same for 1- and 2-bedroom units as seen in Table 5-8 on the previous page. In the metro area, Merriam, east of I-35, Prairie Village, and the Redbridge area have higher average rates for 3-bedroom apartments.

Summary

There is no doubt that the City has seen a boom in multifamily construction over the last five years. When examined in a historical context and in the context of the development pattern of the City as a whole, however, it should not be viewed as a cause for alarm. Market conditions also indicate we should not be alarmed by multifamily development

- Between 1990 and 1999, the number of multifamily units declined as a percentage of the total housing stock.
- Based on the Future Development Plan, at ultimate build out, multifamily units would be an even smaller percentage of the total housing stock.
- The pattern of multifamily development in the City is basically the same as the pattern that has been followed in the past and complies with the goals of the Comprehensive Plan.
- The apartment market and rents are stable.

At the time of the 1990 U.S. Census, 58.5% of the City's housing stock was single-family and 41.5% was multifamily. Since 1995, there has been a boom in multifamily construction, but a boom in single-family construction has accompanied it as well. In fact, single-family development has out-paced multifamily development overall. As a result, it is estimated that as of July 1, 1999, multifamily dwellings share of the overall housing stock has declined to only 38.4%. From 1990 to 1999, there was almost twice the number of permits for single-family units (11,424) as for multifamily units (5,714).

Planning Commission Research Topic No. 3 (1999) shows in Table 14 that based on the current Future Development Plan there is a potential for another 3,180 to 3,816 multifamily units to be developed in the City. In comparison,

another 6,394 single-family units could be built. Thus, at ultimate build out, multifamily units would be an even smaller percentage of the total housing stock than currently.

As noted above in the analysis of the Kansas City metro area apartment market, the market is steady with high occupancy levels and stable rents. Because the recent apartment boom is market driven, the pace of development should slow before there is a marked over-development as happened in the late 1980s.

The City has at its disposal tools that can be used to lessen the visual impact of multifamily development. The Future Development Plan does not guarantee a landowner the maximum density shown for a land use category. The Multifamily Design Guidelines, which is currently undergoing revision, address site design and architecture which both affect the impact of a development. Providing for a greater variety of housing types, as is called for in Policy 1.8, would also help to lessen the visual impact of multifamily development.

The results of the analysis in Planning Commission Research Topic No. 3 (1999) appear to indicate that the City should hold the line on areas shown on the Future Development Plan for Low-Density Residential and not succumb to pressure for changes to accommodate a currently “hot” market. In the past, typically when a developer has requested a Comprehensive Plan change to accommodate a new multifamily development, the land was shown on the Future Development Plan for Low-Density Residential. Usually, a potential nonresidential property is considered too valuable to develop for residential purposes, at any density.

There is a policy included in the Comprehensive Plan’s Medium- and Higher-Density Residential Land Use Goals which has, up to this point, not been brought into play but might be used in the future. According to Policy 2.7 of Goal 2 regarding criteria for the location of these developments:

- Policy 2.7: Adhere to Future Development Plan -**
A feasibility study for developments increasing the amount of medium- and higher-density residential areas beyond what is shown on the Future Development Plan

may be required by the Planning Staff to assist in the evaluation of a proposed project.

a. The feasibility study will include:

- (1) Explanation of why the area is not adequately served by the medium- and higher-density residential development shown on the Future Development Plan.
- (2) An analysis of the impact of traffic generated by the development on adjacent streets.

If a feasibility study shows that, in fact, an area is not adequately served by the medium- and higher-density residential development shown on the Future Development Plan, then adding new areas of medium- and higher-density residential development does not seem unreasonable. Changing the Future Development Plan to accommodate a new multifamily development in an area where there are vacant properties that are already shown on the Future Development Plan for multifamily uses, however, is probably not necessary.

This brief analysis of multifamily development in Overland Park raises several possible policy issues:

- What does the City consider to be an appropriate ratio of single-family to multifamily housing?
- Should we be making Future Development Plan changes to accommodate more multifamily housing than is presently planned for?
- How much of a concentration of multifamily housing in one area is too much?
- Should we be encouraging a greater mix of unit types?

The City cannot look solely to the experience of others for answers to these questions; as, what is right for one community is not necessarily right for another.