Kansas City Market Summit
National Trends & Demand for Smart Growth in Kansas City

MARC | November 7 & 8, 2012
Melina Duggal, AICP and Patrick Lynch
AGENDA

- Overview of Smart Growth
- National Trends Impacting Demand for Smart Growth
- Demand in Kansas City
- Thoughts on Policy Trends & Case Studies
Overview of Smart Growth
HOUSING PURCHASE DECISIONS ARE COMPLICATED

- Consumers make “trade-offs” when choosing housing
  - Larger lot, privacy and seclusion or a shorter commute to work
  - Larger home or a better quality home
  - Closer to shopping and services or more property, privacy

- Rather than a single dominant housing preference, there is a significant market for a variety of housing alternatives

SOURCE: Dowell Myers and Elizabeth Gearin, Current Preferences and Future Demand for Denser Residential Environments; University of California, 2001
SMART GROWTH VERSUS CONVENTIONAL DEVELOPMENTS

- Smart Growth developments differ from conventional suburban developments
  - Great range of housing choices
  - Viable alternatives to driving
  - Greater emphasis on a sense of place

SOURCE: United States Environmental Protection Agency
SMART GROWTH PRINCIPLES

- **Mix land uses**
- Take advantage of *compact* building design
- Create a range of housing opportunities and choices
- Create *walkable* neighborhoods
- Foster distinctive, attractive communities with a strong *sense of place*
- Preserve open space, farmland, natural beauty, and critical *environmental areas*
- Strengthen and direct development towards existing communities
- Provide a variety of *transportation choices*
- Make development decisions predictable, fair, and cost effective
- Encourage community and stakeholder collaboration in development decisions

SOURCE: United States Environmental Protection Agency
BENEFITS OF WALKABLE URBANITY

- Increases property values – “upward spiral”
- Promotes a high quality of life
- Promotes travel independence and choice
- Creates more interesting places
- Brings places to life (not just 8-hour job destinations for example)
- Promotes a human-scaled environment – less auto emphasis
- Increases citizen surveillance and public safety

Better Block KC, Grand Boulevard between 16th and 17th Street, October 6, 2012; Source: grandblvdkc.com
Community A – 45% (2004), 43% (2011)
Single-family homes, large lots
No sidewalks
Drive to shopping and schools within a few miles
Commute to work in 45 minutes or less (2004)
Enough parking
Public transportation distant or unavailable

Community B – 55% (2004), 56% (2011)
Mix of single-family and other housing
Sidewalks
Shopping and schools are close, walkable
Commutes less than 45 min (2004)
Not enough parking
Public transportation is available

Source: National Association of Realtors, March 2011 and October 2004
RCLCO TND CONSUMER RESEARCH
FINDINGS: 1/3 WANT SMART GROWTH PRODUCTS

- Studies for builders and developers as input to planning new communities
  - Consumer surveys in Albuquerque, Atlanta, Boise, Charlotte, Chattanooga, Denver, Orlando, Phoenix, Provo, Savannah, and Tampa
  - Both urban and suburban locations

- Surveys measuring the interest in new urbanism communities
  - Indicate the market for Smart Growth
  - Demand increases with shorter commute
CONCEPT OF IDEAL WORKPLACE IS CHANGING

- From single use to multiuse or mixed-use environments
- Live closer to work
- Spend less time driving – more transportation options
- Useable open spaces
- Walkable environments
- More retail “amenities”
National Trends Impacting Demand for Smart Growth
LONG-TERM DEMOGRAPHIC TRENDS INFLUENCING HOW WE LIVE

Key Demographic/Demand Drivers:

1. Generational shifts
2. Rise of non-traditional households
3. Growth in minority households
4. Domestic migration and foreign Immigration
5. Income and wealth
### AGE DRIVES HOUSING CHOICE
THE ACTIVE MARKET

<table>
<thead>
<tr>
<th>Generation</th>
<th>2010 Age</th>
<th>US 2010 % Over 10 Population</th>
<th>% of US Buyers in 2011</th>
<th>% Prefer Smart Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eisenhowers</td>
<td>65+</td>
<td>15%</td>
<td>13%</td>
<td>38%</td>
</tr>
<tr>
<td>Baby Boomers</td>
<td>46 – 64</td>
<td>29%</td>
<td>37%</td>
<td>32%</td>
</tr>
<tr>
<td>Gen X</td>
<td>30 – 45</td>
<td>25%</td>
<td>29%</td>
<td>30%</td>
</tr>
<tr>
<td>Gen Y</td>
<td>11 – 29</td>
<td>31%</td>
<td>22%</td>
<td>43%</td>
</tr>
<tr>
<td>Gen Z (?)</td>
<td>0 – 10</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
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</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Student Housing</th>
<th>Rental Housing</th>
<th>Rent as Couple / 1st Home</th>
<th>Young Family Own</th>
<th>Mature Family Own</th>
<th>Empty Nester Downsize Own</th>
<th>Buy/Rent Retirement Home</th>
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</thead>
<tbody>
<tr>
<td>2010</td>
<td>Gen Y</td>
<td>Gen Y</td>
<td>Gen X Gen Y</td>
<td>Gen X</td>
<td>Baby B</td>
<td>Baby B</td>
<td>Eisen Baby B</td>
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<tr>
<td>2015</td>
<td>Gen Y</td>
<td>Gen Y</td>
<td>Gen Y</td>
<td>Gen X Gen Y</td>
<td>Baby B Gen X</td>
<td>Baby B</td>
<td>Eisen Baby B</td>
</tr>
<tr>
<td>2020</td>
<td>Gen Y Gen Z</td>
<td>Gen Y</td>
<td>Gen Y</td>
<td>Gen Y Gen X</td>
<td>Baby B Gen X</td>
<td>Baby B</td>
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<tr>
<td>2025</td>
<td>Gen Z</td>
<td>Gen Y Gen Z</td>
<td>Gen Y</td>
<td>Gen Y Gen Y</td>
<td>Gen X Baby B</td>
<td>Baby B</td>
<td></td>
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<tr>
<td>2030</td>
<td>Gen Z</td>
<td>Gen Z</td>
<td>Gen Z</td>
<td>Gen Y Gen X</td>
<td>Gen X Baby B</td>
<td>Baby B</td>
<td></td>
</tr>
</tbody>
</table>
Potential Demand in Kansas City
Psychographic analysis describes categorization driven by personality, values, attitudes, interests, or lifestyles.
65 “TAPESTRIES” GROUPED INTO 12 “LIFEMODES”
UNDERSTANDING THE PEOPLE BEHIND THE NUMBERS

High Society:
Affluent, well-educated, married-couple homeowners

Upscale Avenues:
Prosperous, married-couple homeowners in different housing

Metropolis:
City dwellers in older homes reflecting diversity of urban culture

Solo Acts:
Urban young singles on the move

Senior Styles:
Senior lifestyles by income, age, and housing type

Scholars and Patriots:
College, military, environments

High Hopes:
Young households striving for the American Dream

Global Roots:
Ethnic and culturally diverse families

Family Portrait:
Youth, family-life, and children

Traditional Living:
Middle-aged, middle income – Middle America

Factories and Farms:
Hardworking families in small communities, settled near jobs

American Quilt:
Households in small towns and rural areas

SOURCE: ESRI
DIFFERENT CHARACTER OF METRO AREAS REPRESENTED BY LIFEMODE COMPOSITION

Distribution of Households by LifeMode, 2010

- USA
- Kansas City
- New York
- Atlanta
Question 8:
Community A – Houses are built far apart on larger lots, and you have to drive to get to schools, stores and restaurants, park/playgrounds, and recreation areas,

or

Community B – Houses are built close together on smaller lots, and it is easy to walk to schools, stores and restaurants, parks/playgrounds, and recreation areas.

SOURCES: NAR Survey; RCLCO; ESRI
Q. 9: SMALLER HOME AND SHORTER COMMUTE?
NAR SURVEY RESPONSES BY LIFEMODE

Question 9:
Community A – Houses are smaller on smaller lots, and you would have a shorter commute to work, 20 minutes or less,

or

Community B – Houses are larger on larger lots, and you would have a longer commute to work, 40 minutes or more

% Prefer Community A

- Solo Acts
- Metropolis
- Upscale Avenues
- Scholars and Patriots
- Global Roots
- Traditional Living
- High Hopes
- Senior Styles
- High Society
- Factories and Farms
- American Quilt
- Family Portrait

SOURCES: NAR Survey; RCLCO; ESRI
Q. 10: MIXED-USE OR RESIDENTIAL ONLY
NAR SURVEY RESPONSES BY LIFEMODE

Question 10:
Community A – The neighborhood has a mix of houses and stores and other businesses that are easy to walk to,

or

Community B – The neighborhood has houses only, and you have to drive to stores and other businesses

SOURCES: NAR Survey; RCLCO; ESRI
Q. 11: ATTACHED HOUSING AND WALKABILITY
NAR SURVEY RESPONSES BY LIFEMODE

Question 11:
Community A – Own or rent an apartment or townhouse, and have an easy walk to shops and restaurants and a shorter commute to work,

or

Community B – Own or rent a detached, single-family house, and have to drive to shops and restaurants and have a longer commute to work.

% Prefer Community A

Solo Acts
Metropolis
Global Roots
Scholars and Patriots
High Hopes
Senior Styles
Upscale Avenues
Traditional Living
Family Portrait
High Society
Factories and Farms
American Quilt

SOURCES: NAR Survey; RCLCO; ESRI
PREFERENCE FOR SMART GROWTH IN KANSAS CITY IN-LINE WITH NATIONAL AVERAGE

Average Preference Rate for “Smart Growth” Housing

Question 8
Small and Walkable vs. Large Lot

Question 9
Smaller Lot vs. Longer Commute

Question 10
Mixed-Uses vs. Residential Only

Question 11
Attached/Rental Housing vs. SFD and Longer Commute

20% 30% 40% 50% 60% 70%

SOURCES: NAR Survey; RCLCO; ESRI
SMART GROWTH NOT JUST FOR SINGLES
SOURCES OF DEMAND FOR SMART GROWTH IN KANSAS CITY

Solo Acts 9%
Metropolis 8%
High Hopes 13%
Upscale Avenues 11%
Traditional Living 8%
High Society 16%
Senior Styles 12%
Family Portrait 12%
Factories and Farms 4%
American Quilt 3%
Global Roots 3%
Scholars and Patriots 1%

SOURCES: NAR Survey; RCLCO; ESRI
STRONG SMART GROWTH PREFERENCE EXTENDS INTO THE SUBURBS OF KANSAS CITY

Estimated Preference Rate for “Smart Growth” by Block Group
## APPLICATION IN OCALA, FLORIDA
### CASE STUDY EXAMPLE

<table>
<thead>
<tr>
<th>Generation</th>
<th>2010 Age</th>
<th>% Prefer Smart Growth</th>
<th>% Prefer Rural Area/Small Town &amp; Prefer Smart Growth</th>
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Compared demand for walkable products (4,200 to 5,200 units) to current supply (3,800 units)

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RCLCO NATIONAL RESEARCH CONFIRMS CONSUMERS WILL PAY FOR WALKABLE ENVIRONMENTS

1/3 will pay more to walk to shops, work, and entertainment

2/3 say that living in a walkable community is important

More than 1/2 of Gen Y would trade density for proximity to shopping or to work

Even among families with children, 1/3 or more are willing to trade lot size and “ideal home” for walkable, diverse communities

Implication for Kansas City:
Even though it may be more expensive to develop walkable areas, there is a “sweet spot” where consumers will pay a bit more for the opportunity

In most metro areas, only 10% to 15% of the supply is delivered in these type of environments. Result is strong pent up demand for walkable urbanity that will take decades to satisfy at the current pace of delivery.
TRENDS
BABY BOOMERS

• Leading edge (56-65 years old) – starting to hit retirement age
• Trailing edge (47-55 years old) – mature families, second homes
• Themes:
  – Work as part of their retirement (home office)
  – Downsize
  – Acceptance of two level homes – master down
  – Space for dining table
  – Natural light
  – Entertaining space
• Seeking:
  – Recreation
  – Enriching experiences
  – Ideal lifestyle
  – Original and authentic places

C. 2011 James F. Wilson/Courtesy Builder magazine
TRENDS
GEN X

• 31-46 years old – prime home buying and family stage
• Large impact on new home communities
• Themes:
  – Single-family detached
  – Suburbs
  – Larger lots
  – In the market for 2nd homes
  – Big kitchens
  – Family spaces
• Seeking:
  – Kid and pet friendly
  – Healthy, active lifestyle
TRENDS
GEN Y

• 12-30 years old – first time home buyers and renters
• Diverse group
• Themes:
  – More open to urban areas than other generations (likely age-related)
  – More accepting of attached product, but still prefer SFD
  – Community space important
  – Walkable neighborhoods
  – Affordability
  – Flexible spaces to accommodate future lifestyle
• Seeking:
  – Places to connect (party spaces)
  – Sustainability
  – Technology

C. 2011 James F. Wilson/Courtesy Builder magazine
BUILDING A 21ST CENTURY CITY

1. Well Managed
2. Vibrant
3. Educated
4. “Raw Materials”
5. Entrepreneurial
   • Public-Private Partnerships
6. Capital Availability

SOURCE: Tom Murphy, ULI
Challenges

1. Policy-Market Mismatch
2. Timing of Real Estate Cycle
3. Consumer Preferences
4. Cost Implications
5. Regulatory Complexity – Closing the Gap
6. Aligning Policy and Incentives to Produce Results

Source: McGraw-Hill Construction
## Key Questions for the Industry and Policy Makers

<table>
<thead>
<tr>
<th>Demographic and Consumer Preferences</th>
<th>How do end users relate and respond to innovations such as green building, transit-oriented development, mixed-use, conservation, placemaking, etc.?</th>
</tr>
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<tbody>
<tr>
<td>Development Feasibility</td>
<td>Do proposed projects meet financial, regulatory, and community objectives? If not, how do you overcome these barriers?</td>
</tr>
<tr>
<td>Financing Strategies</td>
<td>How can new and innovative sources of capital, and the structuring of public/private partnerships, be mobilized to support development?</td>
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<tr>
<td>Fiscal and Economic Impact Analysis</td>
<td>What are the potential revenue and cost implications of development to the relevant jurisdictions?</td>
</tr>
<tr>
<td>Performance Benchmarking</td>
<td>Can we quantify the impact of key differentiators, such as sustainability practices, on the performance of real estate?</td>
</tr>
<tr>
<td>Strategy</td>
<td>How can development firms adapt their business models and vendor relationships to take advantage of emerging trends in sustainable design and development?</td>
</tr>
<tr>
<td>Metropolitan Trends Analysis</td>
<td>How do we better plan for and invest in evolving metropolitan centers to create viable, walkable, and amenity-rich communities?</td>
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