

Development

As more people opt to rent, it's full-speed ahead with KC area apartment construction

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Most of us know downtown Kansas City is a hot spot for apartment development, but would you believe 40 percent of the residences in Overland Park are now multifamily?

The apartment, once considered the main option for young adults getting their first place or people who couldn't afford a house, has increasingly become home to what's called the renter by choice market.

It's a big reason why the metropolitan area is coming off its biggest apartment construction year since before the recession, with 2,900 units built in 2013, up 62 percent from the previous year. It's also why 7,000 more new apartment units are expected over the next couple of years.

And that growth doesn't include all the older buildings being converted to hundreds of apartments, still the major source of additional rental housing downtown. This year alone, the redevelopment of the historic Folgers, Pickwick, Argyle, Lucas Place and perhaps Kansas City Power & Light Building is expected to add almost 900 units.

The Cordish Co. also is expected to break ground this year on a 25-story apartment tower with 311 units at 13th and Walnut streets, the first high-rise residential building to be constructed downtown in a generation.

Many buyers, of course, still covet the traditional single-family house. The apartment boom is coming at the same time the local housing industry is coming off a robust year, with more than 4,000 permits issued for single-family homes and average sales prices up for new and existing homes.



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Many people who can afford to own a home are opting to rent instead, which is leading to growth in the apartment industry. Linda Welling sold her Lee's Summit home and moved to an apartment in the Richards & Conover Lofts in the River Market area of downtown. The art teacher said it was important to her that she could hang her artwork.

But there's plenty of room for new apartments, too, whether it's for launching 20-somethings or downsizing empty-nesters. Bob Frye estimated one-third of the 180 apartments he's building at his Founders at Union Hill development near Crown Center will be rented by people who could afford to buy.

"Often, the focus is on economics," Frye said. "People don't want their retirement money tied up in a house and want to keep their funds liquid.

"There's also the service side. If a faucet is broken, you don't have to fix it."

Linda Welling, a 57-year-old art teacher, could have easily afforded a house. But a year ago she sold her home in Lee's Summit and moved to an apartment in the Richards & Conover Lofts in the River Market area of downtown.

"I sold my four-bedroom house because the kids are gone, and I was tired of living there by myself," she said. "I had an estate sale, and it was the best thing I've done. I raised three boys, and you accumulate a lot of stuff. It was a mind change, and I took only the basics.

"Several people my age or older are doing the same thing. We like the no maintenance, not worrying about shoveling and all the things that go along with a house."

But it's not just downtown that's seeing a surge in apartments and occupancy rates approaching 97 percent. At a recent seminar sponsored by Integra Realty Resources, two dozen major apartment developments were cited as either being recently completed or planned for this year in all corners of the metropolitan area.

Rents are edging up, too. On average, they increased 2 percent in 2013 from the previous year, to \$711 per month.

"The Kansas City apartment vacancy has already bested its pre-recession level by a wide margin, encouraging developers to break ground on thousands of units," Tonya Caffrey, an associate director at Integra, told the audience.

Apartment construction slumped significantly from 2008 to 2011, averaging about 1,050 units a year, according to the Home Builders Association of Greater Kansas City.

"The historic average is between 1,500 and 1,800, so that leaves room to expand when you look at the market size and overall number of units," said Aaron Mesmer of Block Real Estate Services.

Early next month, the Overland Park City Council will consider the proposed City Place development near U.S. 69 and Interstate 435, a mixed-use project that calls for more than 1,800 apartments.

Jack Messer, Overland Park planning director, estimated 5,000 more multifamily residences are expected to be built by 2020. Most of them will be apartments, although the category includes condos and town houses, too.

“It’s been an important part of our development pattern for a number of years,” Messer said. “A large part is serving young professionals and empty-nesters, and then there’s the retired senior-living kind of thing.”

Steve Coon, a principal at Land Development Strategies, opened the 212-unit Village at Mission Farms luxury apartment development in Overland Park a year ago and recently started work on the adjoining 133-unit Mission 106 apartment project. Land Development also is part of the 51 Main development, a 176-unit luxury project near the Country Club Plaza.

Luxury projects that feature a host of amenities and upscale finishes such as hardwood floors, granite countertops and stainless steel appliances are particularly appealing to the renter by choice market, Coon said.

“When you compare living in a house to living in Mission Farms, where we have massages on-site, personal trainers, a pool and a lot of other amenities, that’s a lot to offer.”

One of the more ambitious stabs at all-encompassing apartment living is the planned redevelopment of the 30-story Commerce Tower office building at 911 Main St.

The \$70 million plan calls for converting the 50-year-old tower into a “vertical neighborhood” with 250 apartments, office space and an early childhood education center, plus retaining the downtown campus of Park University. Work is expected to begin this summer, with the first apartments ready by the middle of next year.

The development group includes architect Bob Berkebile, developer Michael Knight and FDP Acquisitions LLC of Davenport, Iowa. What they have in mind is a building where residents can live, work, play and if they want to, educate themselves and their children.

Knight said the project is being aimed not so much at a demographic, but a mindset.

“People who appreciate the access and connectivity of living in a downtown market,” he said. “I don’t know if you could have another building with so many people coming and going at all times.”

The building also is next to a planned streetcar stop, and the developers envision a restaurant and sidewalk cafe extending from the lobby out to the sidewalk. The rooftop of the adjoining garage serving the project will feature a pool, playground and pet exercise area.

Knight readily accepts the idea of people choosing to rent rather than own. He, his wife and 3-year-old plan to live in the development.

“I won’t buy a house; it scares me,” he said. “People’s living conditions change, and when you own a house, you don’t have the flexibility to respond to change.”

That need for “flexibility” is a powerful lure for young adults who rent rather than own, said George Birt, a downtown developer whose latest project is the 137-unit River Market West project expected to open early next year.

“We have a large population of Gen Y and millennials who are more interested in lifestyle, having jobs close to where they live and are more discerning,” Birt said. “For them, the idea of mobility and flexibility is paramount. Downtown caters to that variety.”

Messer said the Overland Park apartment market also is getting its share of young adults, as well as the increasing numbers of people who are living alone or couples without children.

And while his community is considered one of the crown suburbs of the region, Messer noted its population density is actually greater than Kansas City’s, which covers 316 square miles, because of the sprawling Northland. Overland Park is expected to grow from 175,000 to 200,000 residents by 2020.

Although many of those apartment dwellers have incomes as good as those of their home-owning neighbors, Messer acknowledged perceptions still exist that renters are a step down on the socioeconomic ladder. Planners have learned to listen closely to the concerns of homeowners when reviewing apartment proposals.

“We try to steer the discussion to maintaining the level of quality, making sure folks will be good neighbors,” he said.

“One common thing we hear is multifamily will destroy property values. The history in Overland Park has not been that. Multifamily has raised property values.”