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Housing Situation

WRITTEN BY KEVIN KUZMA PHOTOGRAPHED BY JONATHAN HOKE

The lack of affordable residential housing is impacting retail business and preventing the core from thriving.

Around the window edges, finely shaped molding helps frame the mannequins and shoe displays inside the Habitat shoe store in the Crossroads District. Kristen and John McClain have owned the retail shop on the corner of 18th and Baltimore since November 2005. The store has become a fixture here—not just for shoes, but for apparel too—and at times, it has been a destination on First Friday for live music and art openings.

On the inside, the store is modern and cleanly designed—as attractive and hip as its shoppers hope to be after purchasing, say, Farylrobin wedges or Tretorn hockey boots. Even the retail shop's website is as well organized and modern

as its storefront counterpart. And viral marketing couldn't be any stronger.

Several blogs and websites that allow users to rate shopping experiences, such as *openlist.com* and *cityvoter.com*, consistently give the shop top scores. One user goes so far as to claim that Habitat fulfills the need for a freestanding chic shoe store that the metropolitan area "desperately needs."

Buried among the raving postings, though, is an entry on KCRag Forum from last May. A disappointed blogger reported then that a "for lease" sign had been placed in the familiar window where shoes are displayed on pedestals. "Another disappointment for The Crossroads ... Habitat is moving," the post reads.

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right: Kristen and John McClain have owned the Habitat shoe store on the corner of 18th and Baltimore since November 2005. Now, the Crossroads District and the store's loyal followers have lost Habitat to Leawood, Kan., where the McClains say it will reopen in September.

opposite: Old Town Partners has completed 13 affordable housing projects in Kansas City since 1994—including the Star Lofts at 18th and Oak, which will be completed in February.

“We came downtown because we wanted to support Kansas City, but the reality is you have to sell things, too,” says Kristen McClain, owner of Habitat.

Now, three months later, The Crossroads and the store's loyal followers have indeed lost Habitat to Kansas, where owners John and Kristen McClain say it will reopen in September. In Leawood, the McClains say, foot traffic will significantly increase.

“One of the main reasons we're leaving is that there isn't enough foot traffic to support our business,” Kristen says. “We came downtown because we wanted to support Kansas City, but the reality is you have to sell things, too. You have to have more residents here to be able to do that.”

Habitat's story is becoming all too common in the urban core. Retail shop owners who have created sound business models and experienced moderate success are pulling out. Major new entertainment attractions such as Sprint Center and the Kansas City Power & Light District are attracting impressive numbers of visitors to the urban core, but the traffic isn't necessarily translating into retail sales.

According to local real-estate experts and developers, Kansas City is facing a significant shortage in affordable housing that is beginning to undermine its retail base. They say the cost to build in Kansas City doesn't justify the risk developers would take to create affordable living spaces. And with so few people actually living downtown, there isn't enough population to support the retail growth needed for a thriving urban core.

The vicious circle is evident in storefronts along the city streets. Retail shops such as dry cleaners, grocery stores, florists, and tailors are few and far between. Those types of stores necessitate a large number of regular customers who typically live nearby, but Kansas City's downtown residents are sparse. To date, the majority of the loft and condo developments in the urban core have been higher-end, which excludes a large portion of buyers who want to live in urban areas.

More foot traffic than ever is striding along downtown sidewalks, but it belongs to visitors who are generally passing by after retail business hours. Given the testimony of the McClains and others, many visitors never make it off the beaten path into districts where shops await with open doors. Being a visitor, though, means there is an eventual departure. Visitors come and go from the city as they please after seeing a concert or tossing back a few.

So as retail business contemplate shutting down or moving to new locations, developers remain hesitant to build in what's become the very definition of a vicious circle. Only three affordable projects for the downtown area are on the books at City Hall—and those are in the proposal stages. The East Village project on Grand Boulevard and another project underway in the Federal Courthouse Building are among those glimmers of hope for residents awaiting affordable living arrangements.

“If those projects started construction today, it would be at least a year or possibly two years out before they were completed,” says Dale Schulte, owner of Old Town Partners, who has developed affordable housing downtown for more than 15 years.

Schulte's company has completed 13 affordable housing projects in Kansas City since 1994—including the Askew Saddlery Building in the River Market in 1994 and, most recently, the Star Lofts at 18th and Oak, which will be completed in February. He says there is more than one obstacle preventing developers from creating affordable housing options, the first of which is the current market for building such projects in Kansas City.

“Like anything else, it comes down to funding,” Schulte says. “There has to be some sort of funding to provide housing. The cost of [construction] compared to mortgage rates and rent is not economically feasible now without tax credits or subsidies. With all the restrictions and limitations in acquiring those subsidies, it's hard to meet the demand. The market isn't just going to make it happen.”

What's increasingly frustrating for developers such as Schulte is that the process to apply for financial breaks on affordable housing projects, at present, is confusing at best.

“It's very hard,” Schulte says. “There's not much of an organized or defined strategy at City Hall at this time.”

While developers are struggling to make the math work on bringing affordable projects online, local real-estate brokers are turning away renters every day. These renters, who want to live and work downtown, are finding that their salaries are still not enough to afford \$200,000 to \$300,000 lofts and condos. The majority are looking to lease for \$600 to \$900 a month, says Greg Ahnermann, leasing manager and marketing director for Boveri Realty Group. Although sales are strengthening, many of the people who can afford living spaces at those going rates are leasing properties first before making a decision to buy.

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In the last six months, Ahnermann says, the Kansas City market has taken a new twist. Property owners who have invested hundreds of thousands of dollars in the revitalized downtown are beginning to face difficulties in selling their lofts and condos for prices comparable to what they paid a year ago.

“Rather than taking a loss, they are renting them out and waiting for the market to rebound so they can regain some equity,” Ahnermann says. “We've been approached a number of times about helping them find renters. People who were once selling their properties are now becoming landlords.”

For such a negative trend to start now does not bode well for the Downtown Council's recent proclamation to double Kansas City's urban population in five years. About 17,000 people live downtown now, so to accommodate twice that number will require an estimated 10,000

new dwellings, says Tom Trabon, chairman of the downtown council and former chair of the housing taskforce.

“At this point, it's going to take a strategy from the city that can focus on our affordable housing needs to meet that goal,” Trabon says. “Right now, we have under construction maybe 400 rental units—maybe another 400 to 500 that a reasonable possibility of getting done. That leaves us 9,000 short. We have to develop a plan to address those 9,000.”

Continuing the momentum from our urban renaissance, in many ways, is heavily reliant on residential housing. Strategies crafted by elected officials might help bring it about. So might common sense. Creating an influx of residents and then keeping that foot traffic on the streets is key. For now, though, urban dwellers are going to have to do their shoe shopping someplace else. **UT**