

Approved

March 18, 1992  
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Representative Diane Gjerstad at  
Chairperson

3:35 ~~am~~/p.m. on Monday, March 2, 1992 in room 423-S of the Capitol.

All members were present except:

Representatives Baker, Dean, Edlund, Love, Wagnon and Wisdom. Excused.

Committee staff present:

Lynne Holt, Legislative Research  
Jim Wilson, Legislative Revisor  
Betty Manning, Secretary

Conferees appearing before the committee:

Dennis Shockley, Chief of Housing, KDOC  
Noelle St. Clair, Kansas NAHRO  
Jeffery Sonnich, KS-NE League of Savings Inst.  
Paul Johnson, Children's Coalition  
Karen France, KS Assn of Realtors  
Janet Stubbs, Exec. Dir., Home Builders Assn. of Kansas

Chairperson Gjerstad opened the meeting at 3:35 p.m.

Chairperson Gjerstad opened continuation of discussion of **ERO-23**, which reorganizes Division of Housing into the Department of Commerce.

Chairperson Gjerstad called on Dennis Shockley, Chief of Housing, KDOC, to explain the staffing of the new division of housing. Mr. Shockley also distributed copies of the five new positions in the division, listing salaries for each. Attachment 1.

Mr. Shockley responded to questions from committee members. When asked for short and long term plans, Mr. Shockley stated it is hoped to have a division in place and new federal loan program in place and running. The three year goal would be to get into some comparability with other states but need financial mechanisms to accomplish. He further stated the needs assessment would have to be contracted out.

It was requested Mr. Shockley provide the committee a complete organizational chart with salaries. The Chair thanked Mr. Shockley for appearing before the committee.

First proponent called was Noelle St. Clair, Kansas NAHRO. She cited four recommendations as to what a housing office should be. In addition it is through partnerships that begin to address the needs of citizens and at same time utilizes the limited resources in the best possible manner. She encouraged the committee to enhance the state's economic growth by implementing this legislation. Attachment 2.

Second conferee was Jeffrey Sonnich, Vice President of KNLSI who suggested this legislation is a valuable step forward in providing statewide affordable housing and if provided with companion legislation would provide framework for a more equitable distribution of mortgage revenue bond money. Attachment 3.

Next conferee, Paul Johnson, Children's Coalition director, said Kansas needs a stable operation for the necessary planning

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT,  
room 423-S, Statehouse, at 3:35 ~~am~~ p.m. on Monday, March 2, 1992

and accessing of available federal/private housing dollars. This legislation would provide the first necessary step in stabilizing energy expenditures and save consumer dollars for local community economic development. Attachment 4.

Final proponent, Karen France, Director, Governmental Affairs, stated this legislation is a good start for creating an entity which will promote decent and affordable housing for all Kansans. One of the first projects performed by the new division should be a needs assessment for affordable housing. She urged the passage of this legislation to get Kansas on the road to developing a solid housing policy. Attachment 5.

The only opponent appearing before the committee was Janet Stubbs, Executive Director of the Home Builders Association of Kansas. She had several concerns about this proposed legislation. Some concerns were the method of operation to be utilized by the state, the focus of the move is being placed only on the low income and homeless and believe that many improvements could be made to make housing more affordable for all citizens of Kansas. She asked for support of the legislature to mandate an impact analysis at every level of government prior to the passage of this legislation or promulgation of any rule or rule revision in order to determine the effect on the cost of housing. Attachment 6.

Mrs. Stubbs responded to questions by committee members.

Chairperson Gjerstad closed the hearings on **ERO-23.**

The meeting was adjourned at 5:15 p.m.

Mar 2, 1992

GUEST REGISTER

HOUSE

Committee on Economic Development

<u>NAME</u>	<u>ORGANIZATION</u>	<u>ADDRESS</u>
Paul Johnson	PACK	Topeka
George Goebel	AARP-SLC-OCTF	Topeka
Jim McBride	ok security	Topeka
Noelle St. Clair	KS NAHRO	Topeka
JEFF SONNUSCH	KNLSI	TOPEKA
KAREN FRANCE	KAR	TOPEKA
JANET STUBBS	HBAK	Topeka
Sharon Huffman	KCDC	Topeka
Rene Gardner	Gowen's Office	Topeka
Quita J. Wolf	SRS	Topeka
Art Brown	KS USA Dealer	KC
M.S. MITCHELL	Wichita Area Builders	Wichita
Evo Grant	KCCI	TOPEKA
Bob Skelheim	Self	Wichita
Mike Stiebel	Harris	Topeka

**DRAFT**

*Eco-Devo  
Attach 1  
03-02-92*

Undersecretary for  
Housing

Sec. II

Policy Consultant  
& Staff Asst.  
Grantsmanship, Policy,  
CHAS, prog design

EDR II  
Clearinghouse/Training  
Publication

Mgmt Anal III  
Financial Devel/  
Housing Trust Fund

Weatherization

CSBG

Housing Ass't Prog.

HOMES

Mgmt Anal IV

CPC II

Low Inc. Housing  
Tax Credit

Mgmt Anal

Comm. Prog.  
Consult. II

Sec. 8  
Rental Rehab.

Admin Off.

Comm. Prog.  
Consult. II

New Hsng. Constr/  
Homeless CPC II

Acct. II

Comm. Prog.  
Consult. II

OA III

Accountant II

CPC II  
Outreach

Sec. I

CPC II  
Outreach



# KANSAS

## DEPARTMENT OF COMMERCE

Joan Finney  
Governor

Laura E. Nicholl  
Secretary

### MANAGEMENT ANALYST III - UNCLASSIFIED SPECIAL PROJECTS

The Department of Commerce will be accepting applications for the position of Management Analyst III - Unclassified Special Projects the Office of Housing until 5:00 p.m., February 14, 1992.

This position is responsible for developing the Housing Office's budget; providing fiscal oversight for all revenue sources; developing records and reporting system; managing forms control programs; writing formal policies and procedures; coordinating the implementation of new and revised work methods; and developing innovative methods of leveraging federal monies.

Minimum Qualifications:

Education: Graduation from an accredited four year college or university with at least 20 semesters hours in public or business administration, accounting, or related field.

Experience: At least two years of varied organizational and management evaluation and improvement activities, or budgeting, or related administrative experience.

Special necessary qualifications: Knowledge and experience in the principles of community development, responsibilities and requirements of the units of local government, creative financing techniques, and the programmatic objectives and requirements of state and/or federal grant programs are deemed necessary for successful performance.

For consideration submit a letter of interest, resume, and college transcripts to: Errol V. Williams, Kansas Department of Commerce, 400 SW 8th Street, Suite 500, Topeka, KS 66603.

**THE KANSAS DEPARTMENT OF COMMERCE IS AN EQUAL OPPORTUNITY EMPLOYER**



KS DEPT OF COMMERCE  
PERSONNEL OFFICE

DEC 12 1991

RECEIVED

# KANSAS

DEPARTMENT OF COMMERCE

Joan Finney  
Governor

Laura E. Nicholl  
Secretary

## ECONOMIC DEVELOPMENT REPRESENTATIVE II - UNCLASSIFIED SPECIAL PROJECTS

The Department of Commerce will be accepting applications for the position of Economic Development Representative II -Unclassified Special Projects in our Office of Housing, until 5:00 p.m., December 30, 1991.

The incumbent will serve as the clearinghouse for information about housing programs; provide technical assistance to local units, sub-contractors, and other housing groups; assist with developing the Comprehensive Housing Affordability Strategy (CHAS); develop, write, and publish a newsletter; conduct training regarding the availability of housing programs; and write grants.

### Minimum Qualifications:

**Education:** Graduation from an accredited four year college or university preferable with major course work in the social sciences, public administration, public relations , or related field. Graduate study may be substituted for training.

**Experience:** At least two years in a governmental or quasi-governmental setting performing public relations or grantsmanship work.

**Special necessary qualifications:** Knowledge and skills in the principles of community development, responsibilities and requirements of the units of local government , and the programmatic objectives and requirements of state and/or federal grant programs are deemed necessary for successful performance.

For consideration submit a letter of interest, resume, and college transcripts to: Errol V. Williams, Kansas Department of Commerce, 400 SW 8th Street, Suite 500, Topeka, KS 66603.

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## DEPARTMENT OF COMMERCE

Joan Finney  
Governor

Laura E. Nicholl  
Secretary

### POLICY CONSULTANT AND STAFF ASSISTANT - UNCLASSIFIED SPECIAL PROJECTS

The Department of Commerce will be accepting applications for the position of (Policy Consultant and Staff Assistant - Unclassified Special Projects) for the Office of Housing until 5:00 p.m., December 30, 1991.

The incumbent will administer the Housing Assistance Programs; serve as a member of the housing policy group and assist in developing housing policies and program design; develop the Comprehensive Housing Affordability Strategy (CHAS); plan, organize, and direct reviews of systems and methods; supervise professional staff of systems and management analysts; and performs special projects for the Chief of Housing.

#### Minimum Qualifications:

**Education:** Graduation from an accredited four year college or university with major course work in the social sciences, public administration, or related field.

**Experience:** At least two years in a governmental or quasi-governmental setting, or non-profit organization, or the housing industry including real estate.

**Special necessary qualifications:** Demonstrated knowledge and skills in the principles of community development, responsibilities and requirements of the units of local government, and the programmatic objectives and requirements of state and/or federal grant programs are deemed necessary for successful performance.

For consideration submit a letter of interest, resume, and college transcripts to: Errol V. Williams, Kansas Department of Commerce, 400 SW 8th Street, Suite 500, Topeka, KS 66603.

THE KANSAS DEPARTMENT OF COMMERCE IS AN EQUAL OPPORTUNITY EMPLOYER



# KANSAS

## DEPARTMENT OF COMMERCE

Joan Finney  
Governor

Laura E. Nicholl  
Secretary

### MANAGEMENT ANALYST IV - UNCLASSIFIED SPECIAL PROJECTS

The Department of Commerce will be accepting applications for the position of Management Analyst IV - Unclassified Special Projects for the Office of Housing, until 5:00 p.m., December 30, 1991.

The incumbent will direct all phases of the HOME and HOPE programs; organize, and direct a major program area; develop and implement various policy options in the major program areas; rate staff efficiency and program objectives; and supervise a professional staff of system and management analysts.

Minimum Qualifications:

**Education:** Graduation from an accredited four year college or university with major course work in the social sciences, public administration, or related field.

**Experience:** At least two years in a governmental or quasi-governmental setting, or non-profit organization, or the housing industry including real estate.

**Special necessary qualifications:** Knowledge and skills in the principles of community development, responsibilities and requirements of the units of local government, and the programmatic objectives and requirements of state and/or federal grant programs are deemed necessary for successful performance.

For consideration submit a letter of interest, resume, and college transcripts to: Errol V. Williams, Kansas Department of Commerce, 400 SW 8th Street, Suite 500, Topeka, KS 66603.

**THE KANSAS DEPARTMENT OF COMMERCE IS AN EQUAL OPPORTUNITY EMPLOYER**





# KANSAS

DEPARTMENT OF COMMERCE

Joan Finney  
Governor

Laura E. Nicholl  
Secretary

February 20, 1992

The Honorable Tom A. Bishop  
House of Representatives  
State House, Room 284 West  
Topeka, Kansas 66612

Dear Representative Bishop,

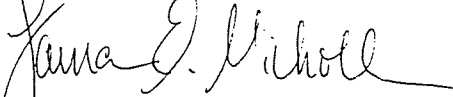
Thank you for your letter regarding our recent hiring of staff for Housing. The three staff persons hired to date for the new Housing Division have excellent credentials. One is the former Director of Planning, Research and Development for a major metropolitan Housing Authority, a member of the National Association of Housing and Development Officials, and holds a Master of Urban Planning degree from the University of Kansas. A second holds a bachelor's degree from Washburn University, has extensive supervisory and managerial experience (needed to administer the HOME program area), has been a housing developer and contractor with experience in both new construction and rehabilitation, and is a volunteer with Habitat for Humanity. The third holds a Master's degree from Wichita State University, has a variety of capabilities in publications, preparing and reviewing grants, and dealing with special needs groups, all skills needed for the clearinghouse/grant-writing position. I feel these are all fine additions to the new Housing Division.

The fourth position mentioned in your letter is the fiscal/financial position, which has not as yet been filled. We advertised twice for the position, and in addition to the Kansas City newspaper, we also ran ads in the Topeka and Wichita paper. Also, a special mailing was sent to all of the state housing finance agencies. At \$29,000, this fiscal position may or may not be attractive to potential applicants, but the Department does have the flexibility to hire somewhat above the starting salary.

Regarding the qualifications of Dennis Shockley, Dennis coordinated, as a city staff person, seven mortgage revenue bond issuances for the City of Kansas City, Kansas, expertise that will prove valuable whether or not the KDFA bill passes. In addition, Dennis has experience from Kansas City, Kansas in a variety of other housing programs, including the HUD 312 program and urban homesteading.

Tom, I will be happy to meet with you to discuss these matters further. Please contact me for a mutually agreeable time. Your input is appreciated and valuable.

Sincerely,



Laura E. Nicholl  
Secretary of Commerce

LEN/mok

cc: Henry Helgersen



**KANSAS NATIONAL  
ASSOCIATION OF  
HOUSING AND  
REDEVELOPMENT  
OFFICIALS**

Testimony

Before the House Economic Development Committee  
On Executive Reorganization Order # 23

By Noelle St.Clair

For Kansas NAHRO

February 20, 1992

Representative Gjerstad, members of the committee: I am Noelle St.Clair the Legislative Co chair for the Kansas Chapter of Housing and Redevelopment Officials. I appreciate the opportunity to speak in support of ERO # 23 as a good first step in establishing a comprehensive housing function in state government. NAHRO echoes the testimony of those who have already testified on the Senate side that action needs to occur NOW to strengthen the states role in housing, and that more study and analysis needs to occur.

Kansas NAHRO members have been leaders in the housing movement here in Kansas for the last 3 years. Even though we are encouraged by the governor's recommendations members felt it was important to identify what we thought a housing office should be. They are as follows:

- 1) Develop within state government a highly visible organizational structure and decision making process that effectively responds to Kansan's ever changing housing needs.
- 2) Be committed to affordable housing by continuing to develop and strengthen the Housing Office with qualified staff who have expertise in government programs and finance packaging.
- 3) Coordinate programs and policy formation that will have a clear and unified direction and focus on housing issues
- 4) Identify new and enhanced sources of funding.

In addition to these things Kansas NAHRO sees the importance of securing a new commitment of resources that will encourage community support. The federal government is calling this public private partnerships. It is through partnerships that we will begin to address the many needs of our citizens and at the same time utilize our limited resources in the best possible manner.

Now is the time to realize that housing is a major indicator in our economy and therefore must be a part of our states economic development strategy. It would be sad if our state chose not to make housing a major component in our future economic growth

*Eco-Devo  
Attach 2  
03-02-92*

The name change for the Kansas Department of Commerce to the Department of Commerce and Housing is a good first step to ensuring that housing will have a role in our economic development strategy.

Armed with new federal funds, creative credit enhancements, and technical assistance Kansas can implement creative finance products that will create affordable housing, new jobs and business expansion.

The federal government has given us an opportunity to enhance our economic growth, let us take this gift and empower our Kansas Communities to thrive. I urge you to support the Governor's Executive Order # 23.



**Kansas-Nebraska  
League of  
Savings  
Institutions**

Jeffrey D. Sonnich, Vice-President

Suite 512  
700 Kansas Avenue  
Topeka, Kansas 66603  
(913) 232-8215

February 20, 1992

TO: HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT  
FROM: JEFFREY SONNICH, VICE PRESIDENT OF KNLSI  
RE: EXECUTIVE REORGANIZATION ORDER NO. 23

Madam Chairman. Members of the Committee. The Kansas-Nebraska League of Savings Institutions appreciates the opportunity to appear before the House Committee on Economic Development in support of the Governor's Reorganization Order No. 23.

Kansas savings institutions have been providing financing for home ownership for almost 100 years. While the number of institutions may have diminished in the last few years our commitment to housing has not. Historically, private and public housing endeavors have been separate. Private housing for those who could afford it...and public for those who could not. While this still holds true, the lines have been blurred in the past few years. With the enactment of the Financial Institutions Reform and Recovery and Enforcement Act of 1989, new regulatory emphasis was placed on financial institutions through the Community Reinvestment Act. Financial Institutions are now expected to have director approved community investment procedures in place designed to assess and meet the financial needs of the community in which they are located. In addition, financial regulatory agencies now require, as a part of the assessment, that the financial institutions attempt to meet the credit needs of low and moderate income neighborhoods.

One of the problems that financial institutions find is that, while they are regulatorily mandated, they do not have either the time or expertise to plan low income housing projects. Federal Home Loan Bank member institutions have at their disposal a direct funding source for low income housing projects....the Affordable Housing Program and Community Investment Program. In Kansas these funds are under-utilized primarily because there exists no informational link between lender and non-profit housing organizations. The Governor's ERO 23 would provide for the first time the necessary commitment and

*Eco-Devo  
Attach 3  
03-02-92*





House Committee on Economic Development  
February 20, 1992  
Page 2

staffing for an effective housing department. The technical assistance is needed to help local housing groups put together financing packages that utilize different sources. The importance of having a good local/state partnership is shown by the fact that Colorado has been receiving the majority of AHP fund subsidies in this district. This is due in part to the involvement of the Colorado Division of Housing in developing and implementing projects where AHP funds are used.

Although not included in the ERO we feel that the financing issue must also be addressed when looking at a complete housing effort. H.B. 2918, recently introduced and referred to this committee, would amend the authority of the Kansas Development Finance Authority to allow the issuance of Mortgage Revenue Bonds for moderate income financing. This would provide an additional funding source for the Department while keeping the necessary governmental checks and balances. The state administered mortgage revenue bond program has worked well in Nebraska. Mortgage Revenue Bonds are issued by the Nebraska Investment Finance Authority (NIFA) and filtered through lenders to low and moderate income individuals. The lenders benefit by providing CRA support and the NIFA benefits through a retention of interest income.

In closing we would suggest that the Governor's ERO is a valuable step forward in providing statewide affordable housing. It would provide staff to administer any new federal programs as well as provide technical support for housing groups. And if accompanied by the appropriate companion legislation it would provide the framework for a more equitable distribution of mortgage revenue bonds money.

Jeffrey Sonnich  
Vice President

To: House Economic Development Committee

Re: Testimony on Executive Reorganization Order No. 23

Date: February 20, 1992

From: Paul Johnson - 1992 Chairman, Children's Coalition  
Director - Public Assistance Coalition of Ks

I come here to support ERO 23. While it may not be the perfect vehicle this order gives Kansas more direction in housing. Kansas needs a stable operation to do the necessary planning and accessing of available federal/private housing dollars. This order along with the proposed legislation to increase the housing focus in the Kansas Development Finance Authority will improve the present uncertain situation. There are very real housing problems in Kansas as documented by the accompanying material. The silver lining is that a bolstered housing effort will mean many jobs and more economic development for the entire state.

Housing must be considered basic infrastructure. One that needs to be improved. If Kansans are paying too much for housing, this cuts into their spending power. Many Kansans are living in substandard housing units which means excessive utility bills thus undercutting their ability to support their families. As the population continues to leave rural Kansas what is happening to that housing stock as a resource? Older Kansans seem to have few options between their own homes and going to a nursing home. The business sense and planning capabilities of Commerce can help bring some order to this chaos. Being last in establishing a housing office, Kansas can at least learn from other states and draw from their experiences.

Economic development and housing are merely different sides of the same coin. An affordable and quality housing stock would be a great help as an employee benefit in getting industries to relocate or expand. Skills learned in housing construction or rehab are always in demand which should be highly considered in our training programs. Most of the housing stock in Kansas was built with little concern for the cost of utilities so there is great opportunity to insulate and replace furnaces & air conditioners. This will stabilize energy expenditures and save those consumer dollars for local community economic development. There is so much interconnectedness between economic development and housing that Commerce must play a role in planning out the connections. ERO#23 is a first necessary step.

*Eco-Devo*  
*Attach 4*  
*03-02-92*

## KANSAS HOUSING STATISTICS

- In 1980, 21.80% of all renters and 6.75% of all homeowners paid more than 35% of their income for housing costs. While the income data is not available for 1990, the median cash rent went from \$168.00 in 1980 to \$285.00 in 1990 an increase of 70% while family income stayed virtually flat.
- Government assisted housing can only accommodate one-third of the households in need. There are 31,672 HUD assisted housing units in Kansas. If only 22% of the renter households need assistance for 1990 that would be (22% x 302,964) 66,652. If only 6.75% of the owner occupied units need assistance for 1990 that would be 43,319 units. The total is 109,971 units if trends stayed the same from 1980 to 1990.
- Kansas weatherization program does 2-3,000 units a year. There are 48,000 units in need. As oil overcharge funds are exhausted the program will decline by at least one-third. If federal funds hold level and there is no more oil overcharge funds, the Low Income Home Energy Assistance Program will decline from \$12.8 million in 1991 to \$6.4 million in 1994. Kansas cannot reduce the eligibility any lower so benefits will have to give.
- The 1990 census identified 99,395 vacant units, a 27.6% increase over 1980. The vacancy rate for owner-occupied units and renter-occupied units is 2.3% and 11.1% respectively.
- The Kansas Department of Education surveyed unified school districts and found 1098 homeless children in 1988 and 2142 homeless children in 1990.
- In 1991, housing rehabilitation was the top priority at the Kansas Annual Governor's Conference on Aging.
- 33 counties reported an increase in the number of households between 1980-1990 while the remaining 72 showed a decrease.
- The current number of shelters and beds for the homeless has increased considerably over the last three years from 20 shelters to 47 and from 240 beds to over 900 beds. 21 counties in Kansas have no known emergency providers.
- 29 states have state-funded emergency assistance programs for the homeless. 26 states fund housing programs that assist low and moderate income housing. Kansas spends no state funds in such programs.





Executive Offices:  
3644 S. W. Burlingame Road  
Topeka, Kansas 66611  
Telephone 913/267-3610

TO: THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE  
FROM: KAREN FRANCE, DIRECTOR, GOVERNMENTAL AFFAIRS  
DATE: FEBRUARY 24, 1992  
SUBJECT: EXECUTIVE REORGANIZATION ORDER #23

Thank you for this opportunity to testify. On behalf of the Kansas Association of REALTORS®, I appear today to offer general support for ERO #23 and to offer some comments concerning the role of the new Division of Housing.

First, I want to say that I have represented our association at a variety of meetings of groups trying to establish some sort of state housing structure. We are always looking for ways to help people achieve the American dream of homeownership.

We believe that this ERO is a good start for creating an entity which will promote decent and affordable housing for all Kansans. We believe it is beneficial to combine all of the state housing related programs under one roof so that the left hand will know what the right hand is doing when it comes to administering the programs. However, we believe great care should be taken to avoid creating a self-defeating bureaucracy.

The success of this new division lies in its ability to take on the role of facilitating housing activities between the public and private sectors, putting all of the housing participants in communication with each other. Many of the possibilities described for this division indicate that success has occurred in other states because a state office acted as a coordinator between

*Eco-Devo  
Attach 5  
03-02-92*

the state, local communities, lenders, the Federal Home Loan Bank, federal agencies, private contractors and non-profit groups in order to produce a product. This kind of facilitator will help insure that we are truly only filling in the gaps in the housing arena, rather than duplicating projects or putting government projects in competition with the private sector.

One of the first projects for the new division should be to perform the needs assessment. Without a real understanding of where the housing gaps are in the state, it will be hard to direct the new money to fill the gaps. This is not to say that the creation of the new Housing Division be put on hold until the needs assessment is complete, but that, once created, the needs assessment should be its first priority.

We also urge that, where it is possible, any housing activity be structured so as to create incentive for the beneficiaries of these programs to participate in the creation and maintenance of the housing projects, rather than establishing a system permitting them to be passive recipients with no real stake in the project. We have seen many government programs which have made this mistake.

Since the Federal HOME Program rules and regs are only now becoming available, there are still many questions concerning the restrictions on its use. We will be watching very closely to see how the matching money requirements will be met by the state. We urge you not to fall back on transfer taxes, increased mortgage registration fees or interest earned on escrow money to match the Federal money as other states have done. These methods of financing affordable housing actually punish those persons who are able to buy a home by making them put up even more money to pay for those who cannot. This concept seems to be inconsistent policy making.

Last, we urge that any government programs which impact housing by this new division or other agencies, be researched to make sure that statutes, rules and regulations and ordinances do not unnecessarily increase the cost of building and homeownership.

In conclusion, we believe the ERO is a good start to get Kansas on the road to developing solid housing policy. We cannot predict how many people will be required to accomplish its goals. We hope the new division will be used to bring together the private and public sector for program development which will encourage entrepreneurship and success stories for participants at all levels.

TESTIMONY

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT  
March 2, 1992

EXECUTIVE REORGANIZATION ORDER NO. 23

MADAM CHAIR AND MEMBERS OF THE COMMITTEE:

My name is Janet Stubbs, Executive Director of the Home Builders Association of Kansas, appearing today to discuss with you our concerns regarding housing for all citizens of Kansas.

The Home Builder Associations at the state and local levels work closely with a large staff of extremely knowledgeable individuals at the National Association of Home Builders to make housing affordable for all citizens. It has been the concern of this organization that the focus of the movement to enhance the housing effort in Kansas is being placed on only the low income and the homeless. Although we acknowledge the importance of these individuals, we also believe that many improvements could be made to make housing more affordable for ALL citizens of Kansas.

In the Spring of 1991, HBAK formed a Housing Task Force to obtain information for the purpose of formulating an Association position on this issue. I have included the report of the process followed and the conclusions reached by this group for your review.

The Task Force met with Representative Bishop and David Bossemeyer, the person in charge of the Housing Office at that time. We reviewed the available programs with Mr. Bossemeyer and concluded that the available programs could be utilized by Kansas, as it was operating at that time, but were not operating because matching state funds were required. You will note that the information obtained indicated that HOME and HOPE were not federally funded at the time of our study and the other programs addressed by CHAS required a 25% match.

The leadership of HBAK continues to be concerned that any effort made to make housing more visible will lead to an increase in state personnel. They continue to express opposition to a proliferation of government bureaucracy. Therefore, we support affordable housing at all levels and urge the support of elected officials to assist us in our efforts.

In line with the concern regarding the method of operation to be utilized by the State, I would refer you to Research staff's report which indicates that some states use mortgage registration fees and real estate transfer taxes to obtain funds to be used to finance the effort. We strongly oppose this option believing that those who have saved a down payment to invest in shelter for their family should not be expected to pay an additional amount to support this effort. We do not believe that the Office should be only a "Social Shelter"

*Eco-Devo  
Attach 6  
03-02-92*

agency but should also assist in the effort to reduce housing construction costs.

The 1991 President of the HBAK was appointed to serve on the Housing Advisory Committee. On two occasions he was unable to attend the meetings and asked me to attend on his behalf. It was at the last meeting of the group when, after discussing the topic with Secretary Nicholl, we recommended that a study be made to determine housing needs in Kansas in order to develop the plan suitable for Kansas.

Many factors enter into the cost of housing. I have brought you a copy of "NIMBY", "Not In My Back Yard" the report to President Bush and Secretary Kemp by the Advisory Commission on Regulatory Barriers to Affordable Housing. This report was published in 1991 and the opening statement of the Executive Summary states that "Millions of Americans are being priced out of buying or renting the kind of housing they otherwise could afford were it not for a web of government regulations. For them, America--the land of opportunity--has become the land of a frustrating and often unrewarded search for an affordable home".

The summary continues to state, "In community after community across the country, local governments employ zoning and subdivision ordinances, building codes, and permitting procedures to prevent development of affordable housing." People are caught in an "affordability squeeze contributed to by a maze of Federal, State, and local codes, processes, and controls which delay and drive up the cost of new construction and rehabilitation".

The Commission proposes 31 recommendations for Federal, State, and local government and private action. These recommendations are intended to be a total package of actions and, if implemented will provide the legislative and administrative tools for a comprehensive program directed at reducing regulatory impediments to affordable housing. Recommendation number one is for Congress to amend the National Affordable Housing Act of 1990 to authorize HUD to condition assistance to state & local governments based upon their barrier removal strategies.

We find government entities seeking to generate revenue through "inconspicuous" fees or taxes. We ask for the support of the Legislature to mandate an impact analysis at every level of government prior to the passage of legislation or promulgation of any rule or rule revision in order to determine the effect on the cost of housing. This is also a recommendation of "NIMBY".

The most recent example of this problem is a regulation proposed by a Kansas agency which, if it had been implemented, would have added \$2,000 to the cost of a house built on a 10,000 square foot lot in one city in Kansas which did an impact analysis. It is a regulation over and above that required by the Federal agency and unnecessary, in our opinion. If that agency had been required to develop an impact analysis, I doubt that it would have occurred.

Kansas single family housing starts in 1990 were reported at 6,323 for a total dollar value of 582,264,651 averaging \$93,500 per structure. An additional 493 multifamily units were reportedly constructed during 1990. Data for 1991 has not been received by the Department of Commerce from the U.S. Census Bureau. (I would say that this is statistical information which could be gathered by the Department at very little expense and which is requested by businesses wanting to operate in Kansas.)

The National Association of Home Builders Economics Division estimates that, based upon a cost of \$120,000 per single family structure, a total economic impact of \$207,600,000 for every 1,000 units constructed. They also estimate that each time a house increases \$1,000 in price, 1% of the home buying public is removed from the market because they cannot afford to buy.

The HOME program will be of very little, if any, benefit to the new construction field. If it is used primarily for rental assistance, it will not have the economic impact that would be felt by utilizing it for remodeling or new construction.

Secretary Nicholl stated in her remarks that a company failed to locate in Western Kansas due to a lack of suitable housing. I must believe that a closer communication with the construction industry could avoid that problem. In addition, there are changes which could be made to make speculative residential construction more attractive and remodeling more affordable.

The leadership of HBAK does not believe that locating all housing related departments in one agency is an absolute necessity for an efficient operation. You have already been advised that other states operate in a similar manner as was Kansas prior to implementation of ERO 23. If the Legislature approves ERO 23, we urge a cautious approach and restraint in hiring practices. It should be determined whether monies from the general fund should be used in this manner and, if not, then how will the plan be funded. It is urgent that well qualified people be placed in charge of the activities of the department.

We do not believe in expansion of the public sector to compete with the private sector and, are still skeptical that issuance of bonds by the State will have a bottom line savings to the consumer.

We have visited with the Administration and Dennis Shockley and have pledged our support to work for "affordable housing" for all citizens in Kansas and have asked their support in our efforts.

Thank you for the opportunity to appear today to express our views and concerns on Housing for all Kansans.

HOME BUILDERS ASSOCIATION OF KANSAS  
HOUSING TASK FORCE REPORT

In April 1991, the Board of Directors of the Home Builders Association of Kansas formed a Task Force for the purpose of determining the validity of allegations that Kansas citizens were being denied access to federal government subsidies which would broaden the availability of housing to Kansans considered in the lower 80% of the median income level. In light of the pending legislation, the Task Force was also charged with formulation of a formal Association policy on the need for the establishment of a traditional Housing Department for the State of Kansas.

The following individuals served on the Task Force: M. S. Mitchell, HBAK Legislative Chairman served as Chair of the Task Force; Vern Weis, President-elect of HBAK, Salina; Gil Bristow, HBAK Treasurer, Manhattan; John McKay, Wichita builder; Phil Wolfe, Nichols and Wolfe, Topeka; Nancy Seitz, Midland Residential Ventures, Topeka; Bob Dalton, Geo. K. Baum, Wichita; Bob Roth, Johnson County Builder-Developer; Wess Galyon, Wichita Area Builders Association; Janet Stubbs, Home Builders Association of Kansas.

The Task Force obtained and reviewed the following publications, reports and documents to determine the current status of the subsidized housing programs made reference to by proponents of proposed legislation.

1. Roles for Housing Finance Agencies in Major Programs published by the National Association of Home Builders on April 11, 1991.

This paper outlines possible roles for housing finance agency participation in the major programs created by the Cranston-Gonzalez National Affordable Housing Act.

2. Program Descriptions for Existing Housing Finance Agency Programs by the National Association of Home Builders dated January 9, 1991.

This document lists the programs available, the type of housing benefitting from the program, the type households served, funding sources and a brief description of how the program works.

3. HFA Program Sampling published by the National Council of State Housing Agencies.

This 22 page document describes the various programs and how they are utilized by the individual state housing finance agencies.

4. Programs of HUD published by the U. S. Department of Housing and Urban Development. The 1989-1990 edition is the

most recent publication.

As the name implies, it lists the programs, the nature of the programs, discusses applicant eligibility, legal authority for the program, the administering office and the scope of the program.

5. Kansas Comprehensive Housing Affordability Strategy developed by the Kansas Department of Commerce State Housing Office for the U.S. Department of Housing and Urban Development in compliance with the Cranston-Gonzalez National Affordable Housing Act of 1990. October 31, 1991.

Under CHAS, all of the federal programs applicable to Kansas would require 25% state contribution and two of the programs outlined in the CHAS, HOME and HOPE are not currently funded by the federal government.

Leverage will continue to be a problem. The major priorities for the state are in the area of Tenant Assistance and Moderate Rehabilitation/Acquisition where there is little to no available leverage. These matches would have to come from developers, local municipalities, and local lenders. The Home Investment Partnership (HOME) funds for which the CHAS was written must be matched. If there is no match, the state will receive no HOME funds.

6. Office of Housing Programs prepared by the Kansas Department of Commerce. 1991.

This is a brief 3 page summary of the programs administered by the State of Kansas Office of Housing.

7. Government Assistance to Rental Housing prepared by the National Association of Home Builders in May 1991.

The primary purpose of this report is to identify and describe the role of government programs in the production of multifamily rental housing.

In reviewing the available Federal programs, the Task Force found that although Kansas was not currently promoting these programs, they could be utilized under the current system, but are not in place because they are not cost effective.

Kansas law currently permits Kansas cities and counties to issue tax exempt obligations to finance the construction of various types of housing to serve the needs of the State's citizenry. For example, multifamily housing revenue bonds are issued by cities and counties to finance the construction of rental housing to serve the needs of low and moderate income Kansans. In addition, single family mortgage revenue bonds have regularly been issued by Kansas communities to finance construction of homes being purchased by such Kansans. Furthermore, Kansas communities have the capacity to participate in mortgage credit certificate programs the Kansas



Development Finance Authority appears to have sufficient power to issue bonds to finance multifamily rental projects.

As an alternative to the authority described in the preceding paragraph, Kansas could create a separate stand alone housing finance authority as a number of other states have previously established. However, many of these authorities were established years ago and prior to much more severe arbitrage restrictions contained in present federal tax law. Accordingly, it is highly likely that the "profits" typically mentioned in the context of existing housing authorities in other states would not be available to a housing authority established today in the current legal environment. Most analyses of housing finance authorities in other states point out that such states typically employ a far larger number of people to administer their housing programs than is currently the case in Kansas. Unless the State of Kansas appropriates funds to finance these housing authority expenditures, such costs would be absorbed as program costs for the housing authority which would clearly drive up the cost of services to persons intended to benefit from the housing authority.

"Millions of Americans are being priced out of buying or renting the kind of housing they otherwise could afford were it not for a web of government regulations. For them, America--the land of opportunity--has become the land of a frustrating and often unrewarded search for an affordable home." This conclusion was reported earlier this summer by a special commission appointed by Secretary of the U.S. Department of Housing and Urban Development, at the request of President Bush. Its charge was to identify regulatory barriers to housing affordability and recommend ways to ease the situation.

Throughout the years, Kansans have believed that over-regulation of the housing industry is the chief enemy of affordability and that the effective way to make housing available to low and moderate income families is through reforms such as those now recommended by the Advisory Commission.

NAHB estimates that every time the cost of a home increases \$1,000, there are 100,000 fewer people who can afford a home. The Advisory Commission made 31 recommendations for reducing regulatory costs which, depending upon individual market conditions, could reduce the cost of building new housing by 10 to 20 percent.

One example of how government programs can work to the detriment of affordable housing is the provision under the Home Investment Partnership (HOME) program which states "Funds can be used for new construction only if HUD determines that the market area has a shortage of housing at rentals below Section 8 Fair Market Rents and a shortage of substandard housing suitable for rehabilitation." The HBAK Task Force recommends that the Kansas CHAS give greater emphasis to new

construction.

Two types of Housing Departments have been discussed for Kansas. The first is envisioned as a clearing house with information assembled and disseminated to the public. The second type discussed was an office where the public could call to obtain a solution to their problem.

The Task Force was concerned about the prospect of government assuming the business of the private sector. An example of that given the Task Force was the Department's exploration of the feasibility of assuming the responsibility for the sale of Resolution Trust Corporation property.

The HBAK does not want to see a State of Kansas Office of Housing evolving into a "Social Shelter" agency developing programs which are funded by fees charged to those individuals who are working diligently to provide shelter for their families through the purchase of their own homes.

Home Builders Associations, both Local and State, across the United States, and the National Association of Home Builders, aggressively pursue the cooperation of government regulators to streamline permitting processes, implement reasonable building code and zoning amendments which consider and justify the economic impact on housing, adoption of environmental standards which do not conflict and duplicate the requirements of other agencies and unnecessarily increase the cost of housing, obtain proper methods of taxation on all real estate, and prevent the utilization of impact/development fees/taxes as a method of generating revenue for units of government to the detriment of housing affordability.

The Home Builders Association of Kansas recommends implementation of policy requiring a housing impact analysis at all levels of government prior to passage of legislation or promulgation of any major rule or rule revision and strongly urges increased communication and cooperation between the Kansas Office of Housing and the Associations which represent members of the private sector who also work to provide safe and affordable shelter for the citizens of Kansas.