

Approved February 5, 1992
Date

MINUTES OF THE Senate COMMITTEE ON Economic Development

The meeting was called to order by Senator Dave Kerr at
Chairperson

8:00 a.m. ~~XXX~~ on January 31, 1992 in room 123-S of the Capitol.

All members were present except:

Senator Alicia Salisbury

Committee staff present:

Lynne Holt, Legislative Research Department
Bill Edds, Revisor of Statutes' Office
LaVonne Mumert, Committee Secretary

Conferees appearing before the committee:

Representative Tom Bishop
Christopher Imming, Federal Home Loan Bank
Karen Hiller, Topeka Housing and Credit Council, Inc.
Janet Stubbs, Home Builders Association of Kansas

ERO 23 - An order which reorganizes various housing programs into a division of housing within a renamed department of commerce and housing

Representative Tom Bishop provided written testimony (Attachment 1). He noted that he is President and CEO of a non-profit community based housing organization and is involved in other housing-related entities. Representative Bishop said that ERO 23 is a good first step and that it is time to proceed with development of sound public policy and implementation of creative financing programs at the state level. He mentioned several factors which have contributed to the lack of affordable housing: the federal government has reduced expenditures related to housing by 84% since 1980, the 1986 Tax Act removed the deductibility of passive losses, deregulation of savings and loans, housing costs have risen in excess of income growth and increased regulation of production. These factors have resulted in a decline in the percentage of home ownership, no activity in the multi-family market, increase in the percentage of substantially substandard housing, explosion of homelessness and increasing institutionalization of the elderly. Representative Bishop stated that Kansas ranks fourth in the nation in the percentage of persons over 60 years of age who reside in nursing homes. He talked about "partnerships" of non-profits, federal government, state government, local government and businesses being the key to providing affordable housing during the last decade. He described some models in Kansas currently working at the local level.

Christopher Imming supplied written testimony (Attachment 2). The Federal Home Loan Bank (FHLB) has two programs for low and moderate income residents of the district comprised of Kansas, Colorado, Nebraska and Oklahoma. Mr. Imming described the Community Investment Program and the Affordable Housing Program. In response to questions from Committee members, Mr. Imming explained that the funds for these programs are provided out of earnings of the FHLB. He said that because their funds are not considered federal funds, they qualify as matching funds for federal programs.

Karen Hiller testified in support of ERO 23 (Attachment 3). She urged that the ERO be approved quickly, absent the creation of an independent Department of Housing, and that companion housing finance legislation be enacted as soon as possible. Ms. Hiller discussed the importance of "partnerships" and the vital role played by the FHLB. She said the priorities for a state housing entity are: high visibility, commitment to housing, coordinated programs, identified funding and qualified staff.

Janet Stubbs supplied written testimony (Attachment 4) and "Home Builders Association of Kansas Housing Task Force Report" (Attachment 5). She

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Economic Development,
room 123-S Statehouse, at 8:00 a.m./~~p.m.~~ on January 31, 1992.

expressed concern that increased housing efforts by the state will result in proliferation of government bureaucracy and concerns about funding of housing programs. Ms. Stubbs referred to the "Not in My Back Yard" report by the Advisory Commission on Regulatory Barriers to Affordable Housing (on file in the Kansas Legislative Research Department) in discussing government regulations which have increased the cost of housing. She urged that an impact analysis be required prior to revisions of statutes or regulations which affect housing.

Senator Winter moved that the minutes of the January 29 and 30, 1992 meetings be approved. Senator Feleciano seconded the motion, and the motion carried.

The meeting adjourned at 9:00. The next meeting of the Committee will be Tuesday, February 4, 1992.

Date 1/31/92

SENATE ECONOMIC DEVELOPMENT
VISITOR SHEET

(Please sign)

Name/Company	Name/Company
JEFFSONNICH KNLSI	George Dugger Aging
RUD (RANT) KCC	Cindy Losh Post Audit
Martha Hodgsmith KARF	John Petersen 4th Floor
Karen Hiller HCCI	
Paul Johnson PACC	
Noelle St. Clair NAHO	
Whitney Damm Pete McCall's Assoc	
Patricia Peterson "	
Brad Stuart HBKC	
Sheryl Sander KSAM	
Chris Tanning - FHB Topco	
Colleen Tanning	
Suzanne Frost KACAD	
MIKE MOSCICKI DOB	
Laura Nicholl KDOC	
ROBER SCHULTZ HBAK	
Jane Stubbbs HBAK	
Dennis Stockley KDOC	
Maitha Gabehair KDOC	
Laura Balpa	
Jill 14-Building	
Winnie Crapson LWV/Ks	
Margie Simpson D/Women's	
Allyn Pfeiffer SRS	
Norma Phillips, Weatherization Prog	
Chuck Jones KBA	



THOMAS A. BISHOP
"TOM"
REPRESENTATIVE, 91ST DISTRICT
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1500 W. 32ND N.
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COMMITTEE ASSIGNMENTS
MEMBER: ECONOMIC DEVELOPMENT
GOVERNMENTAL ORGANIZATION
PUBLIC HEALTH AND WELFARE
ADVISORY COUNCIL ON AGING

TOPEKA

HOUSE OF
REPRESENTATIVES

To: Senator Dave Kerr
Members of the Senate Economic Development Committee

From: Rep. Tom Bishop

Re: Testimony regarding Executive Reorganization Order #23

Date: January 31, 1991

Senator Kerr, members of the committee, I am pleased to be here this morning to support ERO #23 as a good first step in establishing a comprehensive housing function in state government.

Housing whether viewed as a component of economic development strategy and program, as an issue of public policy, or as an issue of social policy, has been a "homeless" issue in the state of Kansas. Over the past decade, housing has been a division in KDOC, a program in SRS, and an office in KDOC. As the three recent Legislative Post Audits reveal, Kansas falls far short of 49 other states in housing policy, program and finance.

ERO #23 indicates a recognition of housing;
as an economic development activity
as a subject of public policy
and a quality of life issue

Now is the time to proceed with the development of sound public policy. Options, opportunities and resources abound to the creative and entrepreneurial. Such policy formation should be built from the local level and be a component of the CHAS development.

Now is the time impliment creative finance products. Federal funds, creative credit enhancements, and the technical assistance to develop the packages will create affordable housing, both single and multi-family, while creating jobs and business expansion.

Now is the time to develop programs, developed by Kansans, for Kansans. As it was pointed out in yesterday's testimony, the National Affordable housing Act of 1990 gives states and localities the ability to design program and product to meet their specific needs.

Senator Kerr, you requested that I brief the committee on housing. I will do so by discussing trends, issues, and some local Kansas programs to add some concrete illustrations to Lynn Holt's able review of the policy implications.

Attachment 1
1/31/92
Sen. Eco. Dev.



Senate Committee on Economic Development
January 31, 1992

Christopher Imming, Community Investment Officer
Federal Home Loan Bank of Topeka

The purpose of this testimony is to provide information to the committee about the Federal Home Loan Bank of Topeka's affordable housing efforts and its involvement with various housing programs at the state level within its district.

The Financial Reform, Recovery and Enforcement Act of 1989 (FIRREA) required the Bank to establish and administer two housing programs targeted specifically for low- and moderate income residents of its district, which includes Kansas, Colorado, Nebraska and Oklahoma. These programs are offered through approximately 150 member financial institutions located in those states. In addition to funding low-income housing efforts in the district, the Bank also provides a wide range of credit products and correspondent banking services to assist lenders with their housing finance needs.

Community Investment Program

The first program is the Community Investment Program (CIP) which makes low-cost funds available to members involved in financing housing projects targeted to households with incomes at or below 115 percent of area median income. Since the establishment of the program in late 1989, the Bank has approved a total of \$225 million in CIP loans to assist in financing more

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Sen. Eco. Dev.

than 6,000 housing units for low- and moderate-income households.

The CIP has enabled members to provide financing through the Nebraska Mortgage Revenue Bond Program at lower than market rates to first-time home buyers in all parts of the State of Nebraska. A portion of these loans (\$18 million) were provided at an even lower rate (6 percent) than normal bond program rates (7.5-8.5 percent) to lower income first-time home buyers.

CIP financing has also been used to provide permanent financing for a group of townhomes in Omaha, Nebraska occupied primarily by low-income, female-headed households. This project also received a \$25,000 grant from the State of Nebraska for energy conservation-related components of the new units. CIP funds have been used to finance home loans made through FHA and VA as well as for other rental projects targeted to low-income households.

Affordable Housing Program

The second program administered by the Bank is the Affordable Housing Program (AHP), which provides below market-rate loans and direct subsidies for low-income housing projects. In the first two years of the program, the Bank has provided \$8.8 million in subsidy funds to 47 projects in its four-state district. The 47 projects involve 3,068 housing units with a total development cost of approximately \$56 million. Eight of those projects, utilizing approximately \$1.7 million in approved AHP subsidy, have been approved in Kansas.

Many of the approved projects involve various federal, state and local housing programs as components of the financing

package necessary to make them feasible for low-income housing. Each state in the district administers common programs related to housing such as low-income housing tax credits, Small Cities Community Development Block Grant, HUD Rental Rehab and Section 8 programs. Outside of these common programs, Colorado has exhibited the greatest involvement in the AHP at the state level compared to the other areas in the district. Eighteen of the 24 projects approved in the first two years of the program located in the State of Colorado have involved state agencies and programs.

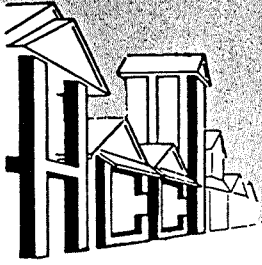
This involvement has taken several forms, including financing and other types of assistance from the Colorado Division of Housing and the Colorado Housing and Finance Authority (CHFA). The involvement of these agencies goes beyond the provision of state grant funds by the Division of Housing and permanent financing available from CHFA. In many instances, the staff of these agencies have been responsible for the development and implementation of projects involving AHP funds.

For example, CHFA has initiated and developed several low-income multi-family rental projects. The agency has undertaken the acquisition and rehabilitation of several hundred units of existing housing previously owned by the Resolution Trust Corporation. Upon completion the agency has transferred the ownership and management of these projects to local non-profit housing groups. Financing for these projects also involved significant levels of permanent, long-term, lower cost loans from CHFA to the local housing groups.

CHFA has also undertaken a project to construct a new

apartment project in a smaller community located near a newly constructed prison. The agency will construct the project on a turn key basis for the local housing authority.

The proactive involvement of the Colorado state agencies combined with the well-developed non-profit housing industry has resulted in Colorado receiving the greatest proportion of AHP funds approved in this district. This combination of public and private efforts has made that state a leader in this region in providing affordable housing for low-income residents.



Housing & Credit Counseling Inc

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TESTIMONY RE: EXECUTIVE REORGANIZATION ORDER 23

JANUARY 31, 1992

SENATE ECONOMIC DEVELOPMENT COMMITTEE

KAREN A. HILLER PRESENTING

I appear today in support of ERO 23. Unless you are prepared to create a full-fledged independent Department of Housing, the ERO MUST be allowed to go through, and quickly.

The governor's order does not do all that we have hoped, but it is sound, well thought out, and perhaps the best we can do in these times.

The housing activities and opportunities that were anticipated when the push for a housing department began are happening. The entity set up by earlier legislation has not been functioning. We MUST move forward with housing programs and readiness to receive and manage funds for housing activities in Kansas.

I am able to share testimony with you from a number of perspectives:

Executive Director of Housing and Credit Counseling Inc. in Topeka - Our Board of Directors has supported legislation to develop a fully empowered housing department in state government since the issue was raised in Kansas now almost three years ago. As a nonprofit counseling agency, we found it incredible a) that housing activities were not happening at the state level and b) that there was so little interest and activity that when there was a possibility for action (ie. when developers were looking for information about how to access the Low Income Housing Tax Credit), people were calling us! It was and is critical to us that there be a visible and knowledgeable division within state government that could, at a minimum, serve as a clearinghouse for information and dollars. That has not happened yet.

Facilitator for Statewide Ad Hoc Housing Coalition - This group (representative of all aspects of the housing industry) met recently at Merchants Bank here in Topeka to discuss how to respond to the governor's proposal.

*Attachment 3
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Sen. Eco. Dev.*



HUD Comprehensive
Counseling Agency



Consumer Credit
Counseling Service



United Way
of Greater Topeka

This group, over time and under the leadership of Kansas NAHRO, has identified 5 priorities for a state department of housing. Let me identify them and do a brief analysis in relation to the ERO.

- 1) High Visibility
- 2) Commitment to Housing
- 3) Coordinated Programs (Policy, Programs, Finance)
- 4) Identified Funding
- 5) Qualified Staff

Visibility will certainly be better under the ERO than before. As far as commitment, the governor is clearly committed, but the Secretary of Commerce still appears to be a reluctant host for housing. Some of you, too, have expressed mixed feelings about the partnership with Commerce; this must change to firm commitment if we are to progress. The ERO gathers appropriate programs together and links them with planning. However, finance, a critical element, is still separate. The legislation needed to put expanded financing capabilities at KDFA still needs to move; it must give the housing department sole decision-making authority and must be able to move quickly.

The attendance list at the January 14, 1992 meeting of the Ad Hoc Coalition is attached, as are the results of a "straw poll" regarding where housing should be to achieve the above objectives.

Mayor's Commission on Affordable Housing (Topeka) - I serve on this Commission, which is not 11 months old. Our commission is formed of a public/private mix of commerce and housing people, a mix which we all felt was critical and which has been very effective. Since the presentation of some basic data and options for our city at our Town Meeting on Affordable Housing in November of 1990, we have now put together a general 20-year plan and a detailed 3-year plan. (See copy of our summary matrix attached.) To do this, we raised \$13,000 from the private sector and \$20,000 from the government sector, leveraging another \$60,000 from a national source for our planning process alone. We are counting on being able to access federal funds through the state and are aware of how other states have gone far beyond that level in creative housing partnerships. Federal HOME monies will begin coming to the state as early as April of 1992 -- two months from now! We need the state department of housing, whatever it is to be, to be solidly supported and settled so that its staff can spend its time on progress rather than just on existence.

Thank you for your invitation and your time. Again, unless you are prepared to create a full-fledged independent Department of Housing, this ERO MUST be allowed to go through, with companion housing finance legislation, and quickly.

ATTENDANCE SHEET

Date: 1-14-92

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 Phone 296-2664

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Name THOMAS B. SMITH
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Name Noelle St. Clair
 Agency HCCI
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Name
 Agency
 Address
 City/State
 Zip
 Phone

WHERE



5 OPTIONS

- 1. Dept. Of Housing - \$\$ internal
- 2. Dept. Of Housing - \$\$ K DFA
- 3. Dept. Of Commerce & Housing - \$\$ internal
- 4. Dept. Of Commerce & Housing - \$\$ K DFA
- 5. K DFA

Informal Straw Poll

Short Term

Options:

		Votes:
1. Dept. Of Housing	- \$\$ internal	-0-
2. Dept. Of Housing	- \$\$ K DFA	-0-
3. Dept Of Commerce & Housing	- \$\$ internal	-0-
4. Dept. Of Commerce & Housing	- \$\$ K DFA	24
5. K DFA		-0-

Long Term

Options:

1. Dept. Of Housing	- \$\$ internal	13
2. Dept. Of Housing	- \$\$ K DFA	2
3. Dept. Of Commerce & Housing	- \$\$ internal	3
4. Dept. OF Commerce & Housing	- \$\$ K DFA	1
5. K DFA		0

TOPEKA STRATEGIC PLAN - PROPOSED THREE YEAR HOUSING EFFORT - SUMMARY MATRIX

PROGRAM	NEED	3 YEAR TARGET	TARGET POP.	COMPONENTS	COSTS PER UNIT	SCHEDULE & FUNDS NEEDED			TOTALS	SOURCES	
						YR ONE 1992	YR TWO 1993	YR THREE 1994			
1) Homeownership Acquisition/rehab for first time Homebuyers through: DECD HCCI NIA's Topeka Hous Par. Topeka Lender Con.	1,644 rehab-able' +2,000 (more costly rehab)	150	\$15-25,000	Acquisition	\$10-25,000	35	55	60	150	CIP, AHP, HOME Topeka Lender Consor. TLC, HOME City DECD City (NIA's) TCH	
				Rehab	\$5-20,000						
				Write-down	\$10,000	\$350,000	\$550,000	\$600,000	\$1,500,000		
				Mortgage	\$25,000	\$875,000	\$1,375,000	\$1,500,000	\$3,750,000		
				Homeownership Counseling		\$25,000	\$25,000	\$25,000	\$75,000		
				Construction supervision		In-Kind	In-Kind	In-Kind			
				Neighborhood promotion		In-Kind	In-Kind	In-Kind			
				Aquisition		In-Kind	In-Kind	In-Kind			
						10	20	20	50		
2) Lease-Purchase through: Cornerstone	1,644 +2000	50	\$10-25,000	Acqui/rehab	\$25,000	\$250,000	\$500,000	\$500,000	\$1,250,000	Topeka Lender Consor. CIP, CDBG, HOME, AHP HOME, Fees Topeka City Homes	
				Const./lease	\$10,000	\$100,000	\$200,000	\$200,000	\$500,000		
				Write-down	\$15,000	\$150,000	\$300,000	\$300,000	\$750,000		
				Staff: Project mgt		\$58,000	\$58,000	\$58,000	\$174,000		
				Acquisition		In-Kind	In-Kind	In-Kind			
						30	50	50	130		
3) Rental Acqui./Rehab through Topeka City Homes (TCH)	1,644 +2000	130	\$8-20,000	Acqui/rehab/soft	\$30,000	\$900,000	\$1,500,000	\$1,500,000	\$3,900,000	LIHTC (private placement) HOME, CIP Lender HOME, OCS	
				Equity @\$10,000/u	\$10,000	\$300,000	\$500,000	\$500,000	\$1,300,000		
				Write-down @\$13,0	\$13,000	\$390,000	\$650,000	\$650,000	\$1,690,000		
				Loan @\$7,000/u	\$7,000	\$210,000	\$350,000	\$350,000	\$910,000		
				Working capital		\$200,000					
4) Rental Rehab through: City DECD Landlords	1,644 +2000	90	\$8-15,000	Rehab loan	\$15,000	30	30	30	90	CDBG, HOME Lenders City DECD	
				Deferred loan	\$7,500	\$225,000	\$225,000	\$225,000	\$675,000		
				Market loan	\$7,500	\$225,000	\$225,000	\$225,000	\$675,000		
				Construction supervision		In-Kind	In-Kind	In-Kind			
5) Owner Rehab through: City DECD	1,118 +1,874	60	\$6-12,000	Rehab	\$15,000	20	20	20	60	CDBG, HOME City DECD	
				Defer. loan	\$15,000	\$300,000	\$300,000	\$300,000	\$900,000		
				Construction supervision		In-Kind	In-Kind	In-Kind			
6) Housing for Singles through (explore) Topeka City Homes	800	26/125	\$6-20,000	Rehab	Equity Loan	\$700,000			\$700,000	LIHTC Lender	
						\$1,250,000			\$1,250,000		
		30	Group Homes			10	10	10	30	HUD 202	
7) Infill new construction through: Habitat, ETAP Builders	13 lots (city-owned)	9	\$12-20,000	Habitat	\$28,000	3	3	3	9	CDBG	
				Land write-down	\$2,000	\$6,000	\$6,000	\$6,000	\$18,000		
		21	\$20-30,000	ETAP/Builders	\$45,000	7	7	7	21	TLC CIP, CDBG	
				Construction and Perm. Land write-down	\$8,000	\$315,000	\$315,000	\$315,000	\$945,000		
					\$54,000	\$54,000	\$54,000	\$162,000			
8) Manufactured Housing	1543		\$10-25,000	Needs further research							
Total:		566									

Note: In addition to groups identified, other organizations may be involved in program planning and implementation.

1/31/92
3-6

TESTIMONY

SENATE ECONOMIC DEVELOPMENT COMMITTEE
January 31, 1992

EXECUTIVE REORGANIZATION ORDER NO. 23

MR. CHAIRMAN 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 to this Committee yesterday which reported 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

Attachment 4
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Office should be only a "Social Shelter" 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 copies of "NIMBY", "Not In My Back Yard" 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 January 1, 1992, regulation implemented in Kansas which will add \$2,000 to the cost of a house built on a 10,000 square foot lot in one city in Kansas. 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, there are 100,000 fewer people who can afford to buy it.

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 yesterday 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.

I am still somewhat confused regarding the reorganization plan and the merit of it. 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. 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.

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. We continue to closely scrutinize and study the Plan set forth.

Thank you for the opportunity to appear today to express our views 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

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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.