

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 February 4, 1992 in room 123-S of the Capitol.

All members were present except:

Senator Wint Winter (Excused)

Committee staff present:

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

Conferees appearing before the committee:

Lana Balka, Topeka Housing Authority  
Dr. Betty Jo White, Kansas State University  
Karen Herrman, Rural Rental Housing Association of Kansas  
Noelle St. Clair, Kansas Chapter of Housing and Redevelopment Officials  
Tawny Thome, Community Action, Inc.  
Jeffrey Sonnich, Kansas-Nebraska League of Savings Institutions  
Marvin Webb, Topeka Home Builders Association

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

Lana Balka spoke in favor of the ERO (Attachment 1). She said that restructuring the housing office to a department-level agency would provide the high priority, policy direction, coordination and financial negotiating ability needed. Ms. Balka feels that the ideal solution would be to make the department of housing an independent agency, but the incremental step is to combine it with the Department of Commerce. She referred to the examples (attached to her testimony) of several states where housing and economic development agencies are linked. Ms. Balka said that the state housing agency should be a strong participating partner in community housing efforts.

Betty Jo White testified in support of ERO 23 (Attachment 2). She stated that economic development, housing and community development efforts complement one another. Dr. White discussed the multiplier effect of new housing construction and said that Kansas housing is economic development.

Karen Herrman supplied written testimony (Attachment 3). She talked about the economic impact of affordable housing in rural communities. Answering questions from Committee members, Ms. Herrman said rural communities tend to seek assistance from the state because they don't have their own resources. She said that when communities seek assistance with economic development efforts, it will follow that assistance with housing will be provided as well.

Noelle St. Clair testified in favor of the ERO (Attachment 4). She said that a housing office should: be a highly visible organizational structure responsive to needs of Kansans, be committed to affordable housing, coordinate programs and policy formation and identify new sources of funding. Responding to questions from Senator Petty, Ms. St. Clair said that a majority of the members of her organization would like to see a separate agency for housing with financing capabilities. She went on to say that, because of budget constraints, they feel the structure contained in ERO 23 is the best use of funds.

Thomas Kilbride spoke in support of the ERO. He explained that he was formerly Director of the Regional HUD Office, was manager of the Kansas City Chamber of Commerce and is a resident of Overland Park. He discussed the link between economic development and affordable, available housing. Mr.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Economic Development,  
room 123-S, Statehouse, at 8:00 a.m./~~XXX~~ on February 4, 1992

Kilbride stated that affordability of housing is one of Kansas' strong points, but noted that problems of housing relate to the middle- and lower-income population as well as the needs of the elderly. He said that, in order to attract industry to the state, a vehicle is needed to accommodate the housing needs of a broad spectrum of the population. He discussed the trend to transfer responsibility from the federal level to the state level. Chairman Kerr asked about transferring responsibility to the community level. Mr. Kilbride mentioned "partnerships" and said there needs to be a body of professionals whose expertise is available to local officials.

Tawny Thome testified in support of the ERO (Attachment 5). She stressed the importance of transferring the Kansas Weatherization Assistance, Community Services Block Grant and Emergency Homeless Grant programs to the housing office.

Jeffrey Sonnich spoke in favor of ERO 23 (Attachment 6). He said the order would provide the missing link between lenders and non-profit housing organizations. He urged that the Kansas Development Finance Authority be allowed to issue mortgage revenue bonds for moderate income financing.

Marvin Webb recommended that consideration be given to combining the housing office with the Kansas Development Finance Authority, similar to what exists in Arkansas (Attachment 7). Senator Feleciano asked if Mr. Webb was recommending that the state be authorized to float bonds, and Mr. Webb answered that he is.

The meeting adjourned at 9:00. The next meeting of the Committee will be Wednesday, February 5, 1992.





# CITY OF TOPEKA

Topeka Housing Authority  
1312 Polk  
Topeka, Kansas 66612  
Phone 913-233-4176

Testimony Before the Senate Economic Development Committee  
on the Executive Reorganization Order No. 23  
By Lana Balka, Executive Director of the  
Topeka Housing Authority

January 31, 1992

Senator Kerr, Senator Moran, and members of the committee; I am Lana Balka, Executive Director of the Topeka, Kansas, Housing Authority. I am responsible for the operation of seven hundred thirty-three (733) public housing and seven hundred twenty-six (726) units of Section 8, housing a total of 1,459 families.

I appreciate the opportunity to present testimony on Governor Finney's Executive Reorganization Order No. 23.

**Why should there be a reorganization to carry out the state's housing functions?**

1. Housing Deserves High Priority

The extent of devastation that exists for Kansas families that do not have affordable, safe and decent housing, prescribes the basis for elevating housing functions within state government to a Departmental level. A non-visible, fourth from the top division of housing, buried and appearing to have a minor role in a large department, does not give the priority to housing that is demanded in this day and time.

2. Policy Direction Needed

Leadership and direction must come from a cabinet level position to ensure that Kansas avails itself of all available resources necessary to achieve the defined housing and economic goals of Kansas.

3. Coordinating Power Necessary

A dwelling structure, an apartment unit or sleeping room does not a home make. Viable housing accommodations require coordinated community and economic support systems.

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#### 4. Financial Prestige and Muscle Essential

Whether its creating new, affordable housing or preserving existing housing stock, mobilizing, maximizing and mastering financial vehicles is required. Such activity needs to be carried out at a high level with prominent visibility.

#### **What Should Be the State's Role in Housing?**

In addition to what has already been spelled out in state statutes for the current housing division, there needs to be a financing role and function.

Examples of states' effective use of bond financing for housing and funding housing office operations have been presented. It is the City of Topeka's position that it would be a benefit to Topeka and other communities for the state to issue bonds to finance housing.

To augment the state's financing role, the potential of the Housing Trust fund should be maximized. Under the proposed Reorganization Plan, I would recommend a Board of Trustees comprised of real estate, financial and housing need experts just for the Trust Fund. Their function would be to develop a dedicated, on-going source of revenue to build the fund, establish guidelines for the funds' use, and approve Trust Fund Allocations.

Attached to this testimony is a list of states and cities with Trust Funds and sources used to fund them.

Developing sources of revenue to match federal housing dollars is critical to accessing new sources of housing money. The bottom line is that funds are needed from both public and private sources if Kansas is to be effective in meeting housing needs. Accordingly, the **financing** role of the housing office is deemed to be essential.

#### **Should Housing Be Combined With the Department of Commerce?**

Ideally, housing should be a department of its own. The most logical, incremental step is for housing to be combined with the Department of Commerce. Within this Department, housing, economic and community development funds and programs can be linked for maximum benefit.

Affordable housing, especially for lower income families, may be prejudicially viewed as a welfare program. In an article published in the January 13, 1992 issue of the Nation's Cities Weekly, entitled "America's Upside Down Housing Policy", a Low Income Housing Information Service report is cited giving this information: 58% of combined federal housing benefits go to families earning above \$53,000 per year. The poorest families receive just 13%. If subsidized housing is viewed as a welfare program then it is a welfare program for just about everyone.

Of the \$113 billion federal housing benefits, \$40 billion a year goes to mortgage interest deduction, \$14 billion is from deferred capital gains on home sales, \$11.5 billion from property tax deductions and more than \$12 billion in other federal subsidies go to homeowners. Subsidized rental housing for the poor uses \$16 billion and public housing receives 2 billion.

When the strength of the economy is measured, housing activity is used as an index. When the economy needed a boost in the 1930's housing was used as one of the boosters. The economy needs a boost now. To "jump start" the economy a supplemental appropriation of Community Development Block Grant funds is being considered by congress specifically to fund projects that will provide jobs and at the same time address infrastructure needs. Fixing up and building housing will provide jobs and contribute positively to the Kansas economy.

I am hopeful that the proposed reorganization will produce a collaboration of economic and community improvement efforts with mutually beneficial results.

Included with this testimony are five (5) examples where states have linked housing and economic development. These are Missouri, New Mexico, Virginia, Vermont and Wisconsin. The names of contact persons are identified on the attached examples should you wish to pursue additional information from these states.

There are many fine examples where this has occurred. (Insert information received from NAHRO on Florida and others)

#### **How Do the Community Services Block Grant and Weatherization Programs Fit With a Department of Commerce and Housing?**

It is logical for these programs to be tied to housing and economic opportunities. Community Services Block Grant funds are used to assist people to move off welfare rolls and other forms of assistance through education, training and employment. This department should work to assure that economic opportunities are in place. The Weatherization program makes housing more affordable. with housing.

#### **How Should the Department of Commerce and Housing Impact Local Housing Authority?**

Policy coordination is essential for persons to move on up and out of public housing. Policy and budget decisions affecting services determines who can be adequately housed in our programs. The current trend of high rises built for elderly turning into warehouses for the chronically mentally ill without the necessary support services is causing harm to both the elderly and mentally ill.

If housing authorities are to continue to meet housing needs the

traditional sources of revenue to expand are no longer available. Therefore, these new and expanding sources with new and different roles and relationships and new partnerships with the state and within our communities will be fundamental to addressing the housing challenges of today.

## Revenue Sources

*Development Ordinances, Fees or Taxes*

*Linkage Programs*

Boston  
 Cambridge  
 Cherry Hill  
 Jersey City  
 Miami  
 Palo Alto  
 San Francisco  
 Santa Monica  
 Seattle

*Preservation Programs*

Burlington  
 Hartford  
 Montgomery County

*Real Estate or Development Activity*

*Real Estate Transfer Taxes or Fees*

Dade County  
 Delaware  
 Howard County  
 Maine  
 New Jersey  
 Tennessee  
 Vermont  
 Washington

*City-Owned Property*

Denver  
 Montgomery County  
 New York  
 Tennessee

*Real Estate Property Tax*

Seattle

*Hotel/Motel Taxes*

San Francisco

*Government Programs*

*Loan Repayments*

Pittsburgh

*Bond Programs*

Kentucky, Phoenix and Tennessee

*Unclaimed Property Funds*

Arizona

*Market-Based Revenue*

*Interest from Real Estate Escrow Accounts*

Maryland, Minnesota and  
 Washington

*Miscellaneous*

*Extraction Revenue*

California and North Carolina



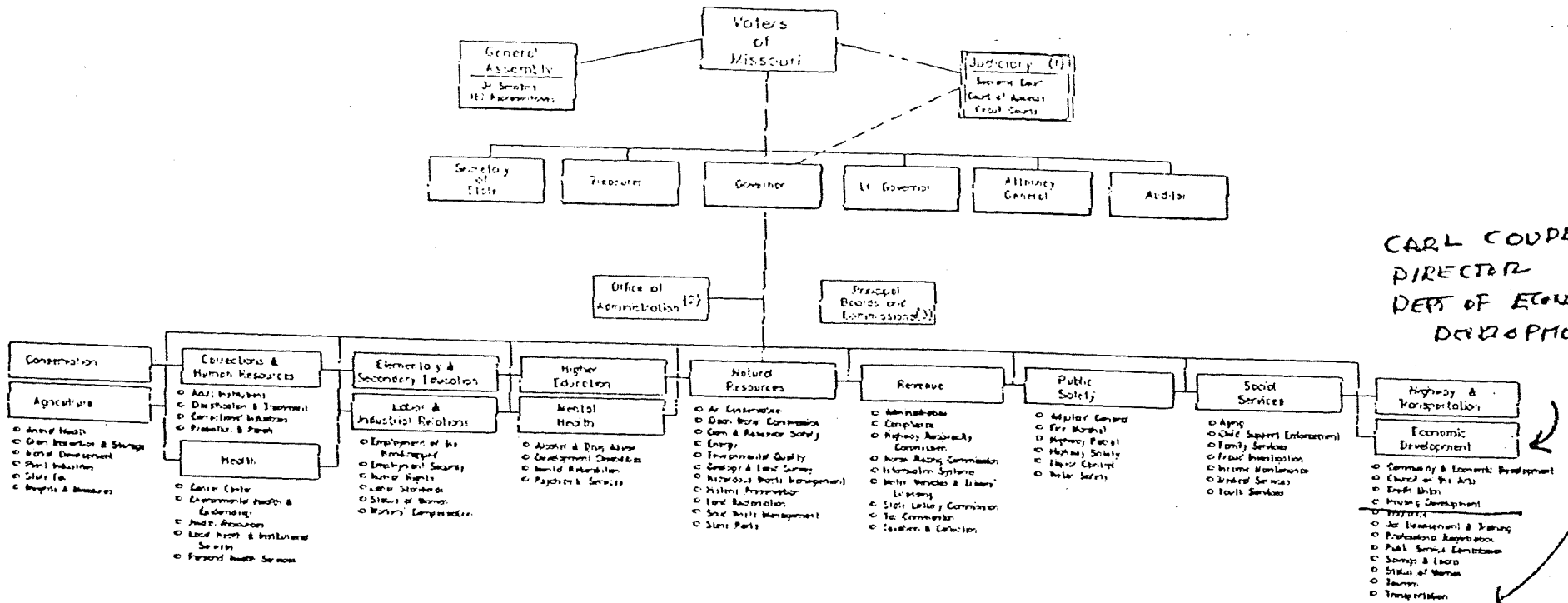
## How Long Have Trust Funds Existed?

Nearly all Trust Funds have been established in the mid-1980's. Delaware's Housing Development Fund was established in 1968 through an allocation of general revenues. The first alternative revenue fund was Dade County, Florida which was established in 1983.

## Where are Trust Funds Located?

<u>City</u>	<u>County</u>
Boston	Dade Cnty
Berkeley	Howard Cnty
Burlington	King Cnty,
Cambridge	Montgomery Cnty
Cherry Hill	Sacramento, Cnty
Chicago	
Denver	<u>State</u>
Hartford	
Jersey City	Arizona
Miami	California
New York City	Delaware
Palo Alto	Georgia
Phoenix	Illinois
Pittsburgh	Kentucky
Sacramento	Maine
San Antonio	Maryland
San Diego	Minnesota
Santa Monica	New Jersey
San Francisco (2)	North Carolina
Seattle (2)	Tennessee
	Vermont
	Washington

In addition four states, New York, Wisconsin, Virginia and Ohio have trust funds which are financed from general revenues. Michigan has a trust fund capitalized by charitable contributions.



CARL COUPEL  
DIRECTOR  
DEPT OF ECONOMIC  
DEVELOPMENT

Housing and Economic Development Combined p. 1

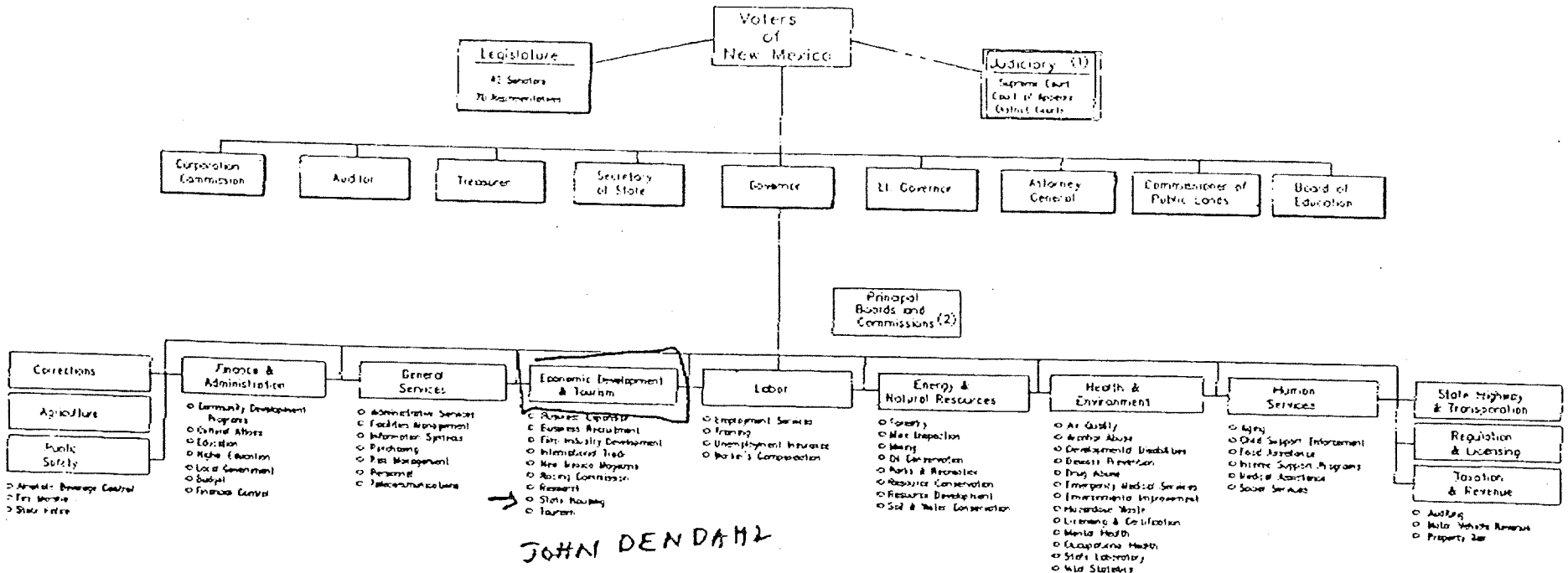
(1) Judiciary  
Supreme Court, appeals and a number of circuit judges are appointed by governor after being nominated by judicial selection commissions. Judges run for reelection after one year in office.

(2) Office of Administration  
 - Accounting & Fiscal Services  
 - Budget & Planning  
 - Data Processing & Telecommunications  
 - Design, Construction & Facilities Management  
 - Employee Assistance  
 - Employee Wellness  
 - Forms Management  
 - Health Safety Program  
 - Informational Relations  
 - Personnel  
 - Personnel Advisory Board  
 - Printing  
 - Productivity Analysis  
 - Purchasing & Surplus Property  
 - Real Management  
 - State Aircraft and Air Transportation  
 - State Vehicle Maintenance

(3) Practical Boards and Commissions  
 - Agricultural & Small Business  
 - Board of Medicine  
 - Education  
 - Labor & Industrial Relations  
 - Bill  
 - Probation & Parole  
 - Professional Licensing Boards

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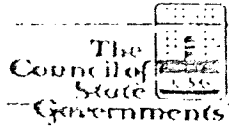
JOHN DENDAHZ  
 SETY  
 DEPT. OF  
 ECONOMIC DEVELOPMENT  
 (505) 827-6204

(1) Judiciary  
 Judges for all three courts are elected on partisan ballots.

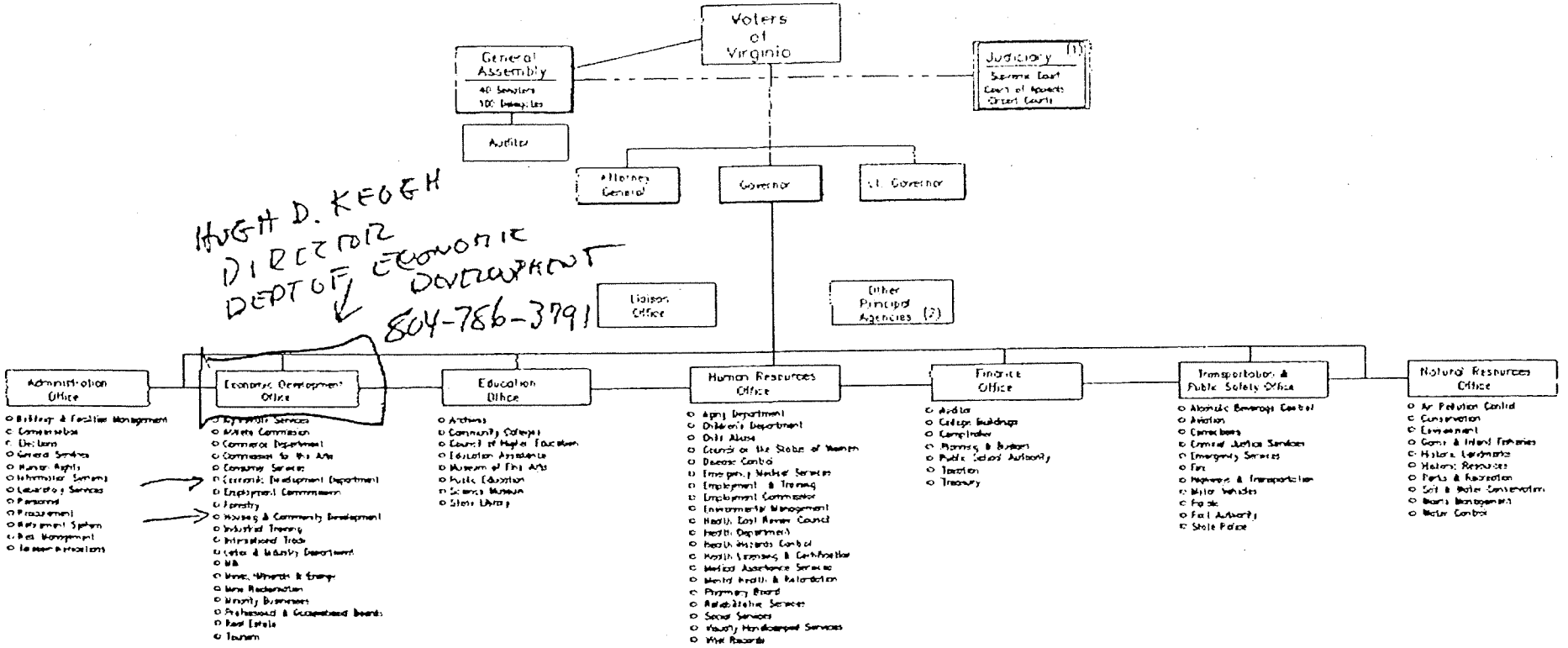
(2) Principal Boards and Commissions  
 - Human Rights  
 - Indian Affairs  
 - Investment Council  
 - Wildlife Police  
 - Labor & Industrial  
 - Police  
 - Public Employees Retirement  
 - Public Service  
 - State Records & Archives  
 - Status of Women  
 - Veterans

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... AND ECONOMIC DEVELOPMENT Combined p. 2



The Council of State Governments



**HUGH D. KEOGH**  
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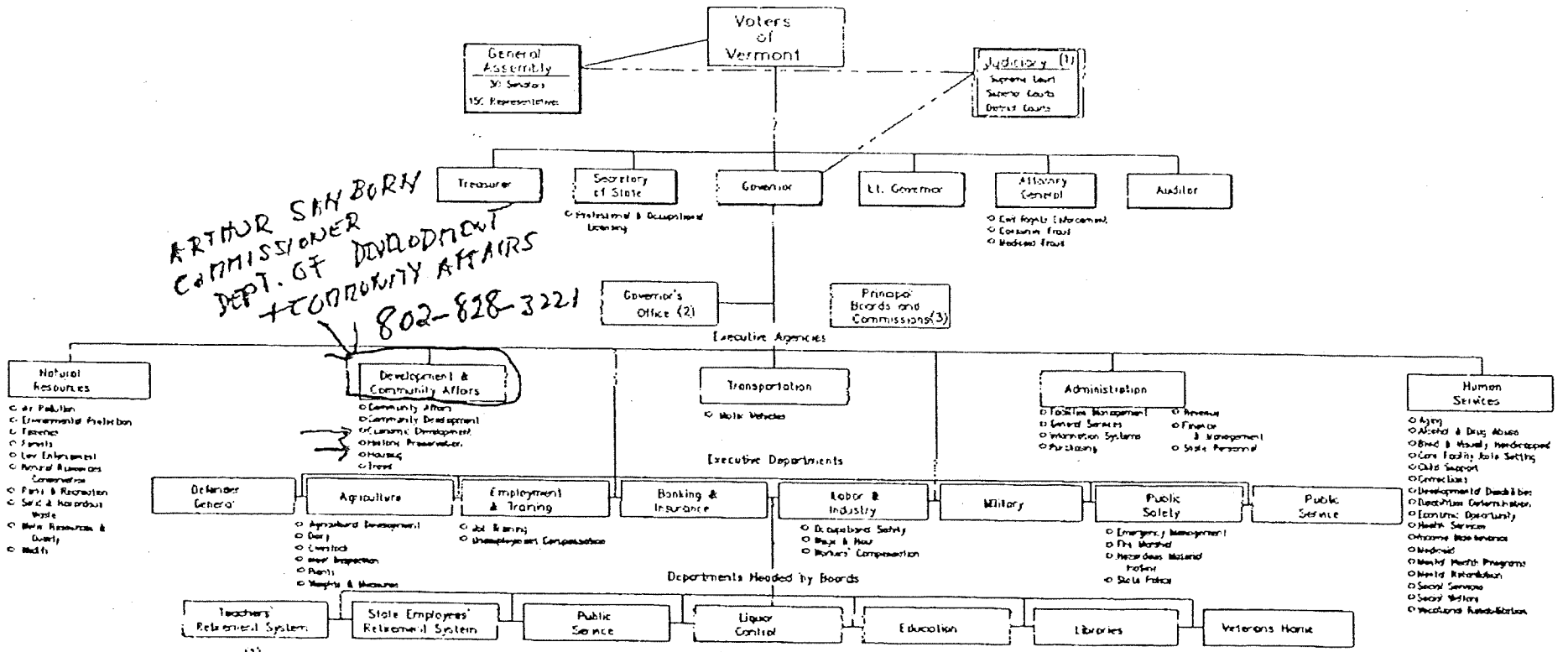
(1) Auditor

(2) Other Principal Agencies

2/4/92  
1-9



**ARTHUR SANBORN**  
**COMMISSIONER**  
**DEPT. OF DEVELOPMENT**  
**& ECONOMIC AFFAIRS**  
**802-828-3221**

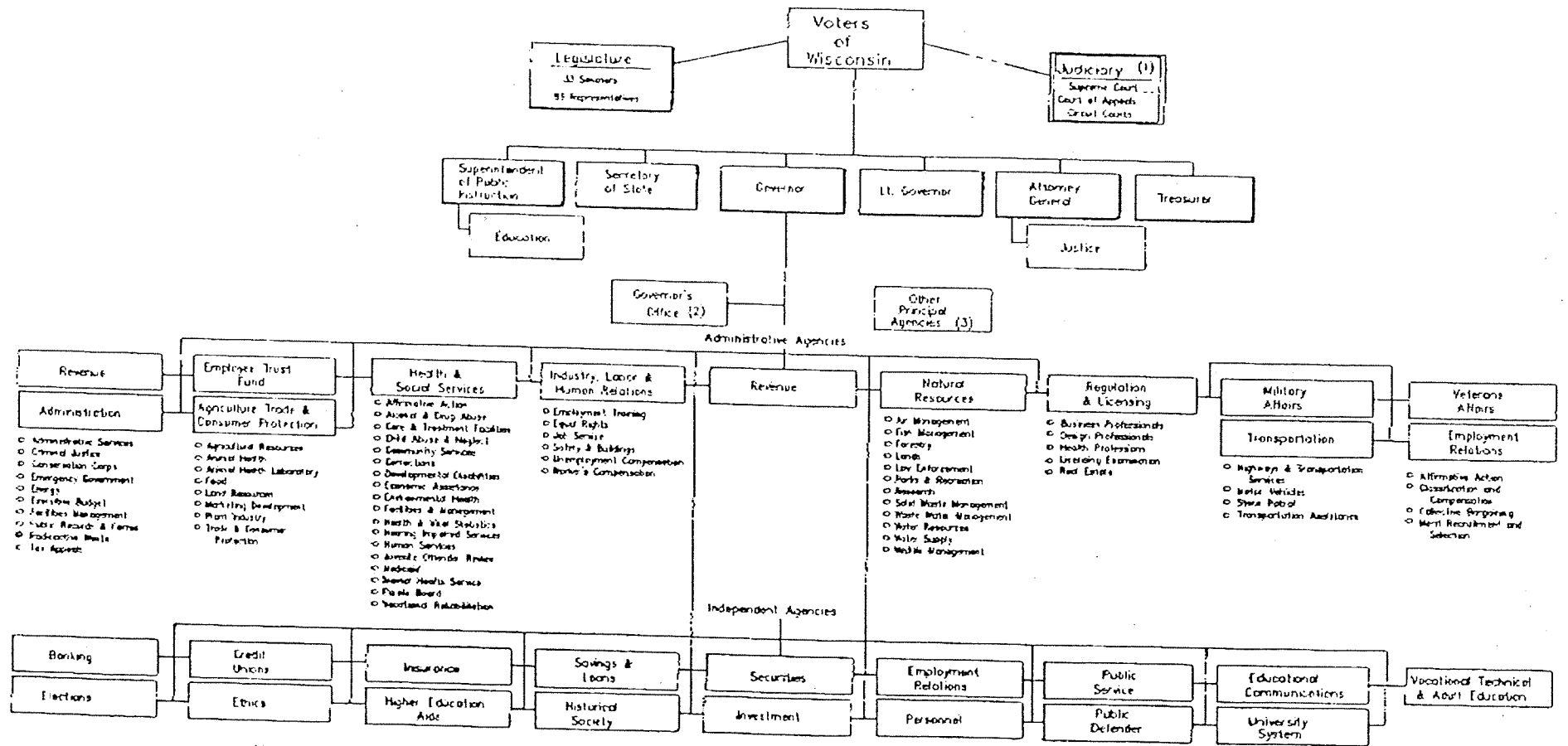


**(1) JUDICIARY**  
 Judges are appointed by the governor with the advice and consent of the senate. Appointees are nominated by the Judicial Nominating Board. Judges retain their office unless the General Assembly votes for removal.

**(2) GOVERNOR'S OFFICE**  
 - Child Support  
 - Education  
 - French Culture  
 - Higher Education Facilities  
 - Physical Fitness  
 - Women

**(3) PRINCIPAL BOARDS AND COMMISSIONS**  
 - Arts  
 - Criminal Justice, Training Council  
 - Environmental  
 - Labor Relations  
 - Public Service  
 - State Lottery  
 - Transportation  
 - Water Resources

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1-10



(1) Judges  
Judges for the three courts are elected on non-partisan ballots

(2) Governor's Office  
- Agency Liaison  
- Intergovernmental Relations  
- Women's Policy

(3) Other Principal Agencies  
- Aging & Long-Term Care  
- Arts  
- Building  
- Community Development Finance Authority  
- Health Facilities Authority  
- Housing & Economic Development Authority  
- Labor & Industrial Relations

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for us," Vermeer said. "The tight deadlines created more difficulty, because (45 days) is much shorter than we are used to for closing loans."

She added that the sale was difficult to negotiate because the owner, a California-based private trust that had raised rents above normal market levels, was basically trying to sell the property to itself in a reorganized form.

"They didn't really want the cash, so they weren't about to give us any extensions to complete the financing," Vermeer said.

**Local Assistance**

To match the initial \$3.7 million offer, the tenant association, which will run the mobile home park as a cooperative, added \$175,000 in community development block grant funds, a \$50,000 loan from a Massachusetts-based foundation, and \$95,000 in tenant equity to the mortgage funds.

Each existing tenant of the park was asked to contribute a down payment of approximately \$800 to the buy-out effort. RIHMC's Christopher Barnett said. The mortgage loan will be paid down gradually with funds from the tenants' monthly rent payments.

"This agreement is the result of an extraordinary partnership among the legal community, Rhode Island Housing, and state and local government," said Melvin F. Feldman, chairman of RIHMC's board of commissioners. "As a result we have helped tenants achieve their goal of ownership."

Although the real estate market in Rhode Island currently is weak, Barnett explained, state officials recognized the need to protect mobile home park residents during the last real estate boom. The right-of-first-refusal law grew from concerns that mobile home parks represented some of the largest developable tracts of land in Rhode Island, creating the possibility that many tenants would become displaced and unable to find alternative housing if their parks were sold, he said.

"This puts a restriction on the amount the rent can rise," Barnett said. "Usually, upon the sale of one of these parks, the owner raises the rents to reflect the acquisition costs."

With the tenant association in control of the park, he said, that will not occur. In addition, the tax-exempt financing carries with it an income restriction that requires at least 20 percent of the tenants to be below 50 percent of median state income or 40 percent of the tenants to be below 60 percent of state median.

**ECONOMIC DEVELOPMENT**

**State Efforts Seen as Key to Fighting Poverty**

Neighborhood revitalization efforts may not be as effective as statewide economic opportunity strategies in fighting poverty, says John Sidor of the Council of State Community Development Agencies (COSCA), in a report funded by the Ford Foundation.

Economic opportunity strategies provide earnings and assets to poor people as their major objective, Sidor says, while neighborhood revitalization is aimed at alleviating the physical and socioeconomic conditions of poor neighborhoods.

"Economic opportunity requires a regional or metropolitan-wide delivery system rather than a community-based delivery system," Sidor says, "which makes state governments an especially important participant in antipoverty strategies."

**Location of Jobs**

The geography of job creation means that inner-city neighborhoods, especially those in decline, will be hard pressed to create employment and business opportunities for their residents, Sidor says.

For the past couple of decades, most urban areas have experienced both deindustrialization and deconcentration of economic activity, says Sidor. High-wage manufacturing jobs that do not require high education and training levels are increasingly located in suburban and metropolitan fringe areas, while most central cities have experienced a decline in the number of these jobs, replacing them with jobs that increasingly require high skills or high levels of education.

Accordingly, he says, most successes in inner-city areas will be minimal and short-term, and perhaps ineffective exercises in frustration in the long term.

**State-Based Strategies**

The core of any state-based economic opportunity strategy will be assistance to small business, according to Sidor.

He says a state strategy should incorporate the most visible and key state development activity - the provision of subsidized financing to businesses - and it should also include management and technological assistance, and workplace education for both entry level and production workers.

This packaged assistance should be targeted to small firms, especially those in the manufacturing and producer services industries, and should be provided only to firms that agree to hire a negotiated number of low-income persons, Sidor says.

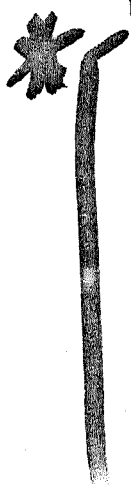
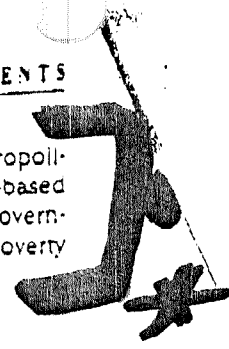
To help small businesses overcome some of the problems associated with being small and underfunded, states should facilitate the creation of small business networks, Sidor says. Clusters of related firms should be developed that can provide a wide array of shared services and equipment. The networks can also act as intermediaries in the planning and delivery of a state economic opportunity strategy.

States should pursue a strong minority business development program, says Sidor, but it should not be targeted to low-income entrepreneurs and should emphasize the types of business that stand a chance of having long-term success.

"This orientation is contrary to that of most minority business programs today because these give primary attention to creating minority businesses in poor areas, or to those businesses that serve a predominantly minority clientele," Sidor says.

A state-sponsored minority business program should not contain a low-income hiring standard, says Sidor, because most minority businesses tend to hire minority employees even when they are located in predominantly non-minority areas, while white-owned businesses often have predominantly white employees even when they are located in minority areas.

To help low-income minority entrepreneurs, states should consider creating a self-employment and microenterprise



**TESTIMONY IN SUPPORT OF EXECUTIVE REORGANIZATION ORDER NO. 23**  
**Kansas Senate Economic Development Committee**  
**February 4, 1992**

Betty Jo White, Ph. D., Associate Professor of Housing  
College of Human Ecology, Kansas State University

The U. S. has a history of separating the administration of housing, community development, and commerce programs, especially in terms of subsidized housing, much of which has been decommodified. Housing is a commodity whose production and distribution collectively represent one of the nation's largest (bell-wether) industries and a major economic indicator.

During the Reagan Era, we entered a "New Age" in U. S. housing policy of de-emphasizing federal assistance and decentralizing the responsibility for housing solutions to the states. Moreover, the 1986 Tax Reform Act placed a large damper on rental housing investment. The current realities are state and local, public-private partnerships to produce affordable housing with little or no federal funding and minimal tax shelters. Thus, local governments seeking housing need access to the people with money.

Traditionally, economists have viewed housing as a subordinate requirement--calling for a large input and yielding little output. I'm reminded of the two schools of economists described by Abrams (1964). The "devil take housing" theory asserts that housing is a durable form of investment requiring a substantial outlay to create it but paying off little per year--and therefore deserves a low spending priority. The more important thing is to help people obtain the facilities to increase production, and allow them to solve the problem of housing in their own way.

The "modified devil take housing" theory, which applies in Kansas, states that there may be a case for some, but not much, housing. If housing is built, it must be confined to the "musts," i.e., where plants are built in remote locations or where an excessive journey to work produces labor problems--an economic development fact of life across rural Kansas. Also, both theories assume a sharp distinction between "economic" and "social" change and between "production" and "consumption" standards. My point is that economic and social change are integral parts of one process--the process of development.

Economic development, housing, and community development efforts complement one another and share common infrastructure needs--neither housing nor economic development can happen without water and sewer lines, streets, utilities, and money. They also involve similar financing tools and technical expertise (e.g., bond financing and property taxes). In fact, employer-assisted housing and other new mechanisms for providing housing without federal aid combine key elements of all three: commerce, economic development, and housing.

Economic development and housing are inextricably tied in Kansas. In declining counties, a large percentage of the population commutes to work outside their community of residence. Many small towns have become sources of "cheap" housing and serve as bedrooms for viable communities nearby. Other communities seek to attract retirees as a form of "free" economic development, promoting

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their housing as a major part of the quality of life. Also, a relationship between housing affordability problems and minimum wage jobs seems evident in Kansas. Is a local economy really "booming" (e.g., 4.3% unemployment rate) if its rental vacancy rate is barely above 5%? (White, 1991)

Kansas housing is "economic development" in that commerce will be hampered unless workers are sheltered. Right after jobs, people look for nearby places to live. For example, the City of Osborne and its surrounding area is facing "a severe housing shortage. With four existing industries currently working on expansions, approximately 130 new jobs will be available by early next year. The immediate need is for single-family housing (in the \$40,000 -\$60,000 range) and rental properties. Yet private builders do not target that market and none of the existing federal or state low income housing programs fit the City's need" (NeuPoth, 1991).

As part of the local economic base, new-housing construction stimulates job growth directly and indirectly--its multiplier effect adding to local purchasing power. Further, that housing may shelter cottage industries such as home-based entrepreneurs (e.g., home maintenance/repair service providers for rural and small town older people). Finally, housing production and occupancy also maintain the demand for building materials (e.g., Kansas gypsum and limestone), household furnishings, and equipment.

Now, more than ever, housing and economic development advocates need to work together in the same agency--cooperating, not competing to meet the needs of all Kansans. Support for state housing efforts should not be provided at the expense of economic development activities. Despite budgetary concerns, however, I do urge that adequate funds be allocated to enable the state to do a good job in housing activities. Our state's future quality of life and housing depend on the strong state-local partnership that this reorganization can foster.

### References

- Abrams, C. 1964. Man's struggle for shelter in an urbanizing world. Cambridge, MA: MIT Press.
- NeuPoth, S. (Director of Economic Development, City of Osborne). September 5, 1991. Private correspondence to Dr. David Darling, K-State Extension Community Development Specialist.
- White, B. J. 1991. Salina housing needs assessment. Salina, KS: Department of Planning and Community Development.

To The Senate Economic Development Committee

Re: Governor's Housing Proposal

Comments of Karen Herrman, Hays, Kansas  
Legislative Chairman  
Rural Rental Housing Association of Kansas

My comments will be brief, to spare your valuable time, and to allow other important thoughts to be heard.

My perspective is rural. I work in communities as small as 200 and as large as 30,000, but my work is west of Salina and we are rural. I have also been asked to convey the concerns of the Rural Rental Housing Association, whose membership represents the management of 2000 rental units which have been built with funds borrowed from the Farmers Home Administration. FmHA rental units cannot be built in larger cities. Although we are familiar with the a myriad of urban housing issues which need to be resolved, I would like to talk about the rural concerns.

We in the rural areas look to the state for leadership in economic development. Those of us who manage real estate investments are concerned with local economies. If federal funding is available for housing programs, that too becomes an economic issue -- even for a rural community. Many times the urban areas have the resources to coordinate commerce and housing needs through both private and governmental resources. Rural communities often discover housing problems as an afterthought. Perhaps they have attracted and industry and everything was in place except adequate housing. Perhaps they have lost an industry, their housing has devalued and they have lost their tax base. Suddenly housing is effected everything for people who once thought a housing problem only applied to the homeless. The community of Larned just found out a new prison would bring them full employment but there is not enough housing. If people must drive somewhere else to live, then they may very well buy their groceries there, go to the dentist, buy their automobiles, etc., etc. Housing is a "commerce" issue of great enormity.

A grocer in one small western Kansas town talked to me one day about the impact of an affordable housing program in his town. He had just hired an employee for a 20-hour per week job. Most of the young people were moving to larger towns because they needed more income. The grocer was worried because he could not do all of the work himself and there were no young, energetic people to work part time. A young mother and her school-aged son moved into a subsidized apartment. The mother went to work for the grocer. Because she had affordable housing, she could work part time without moving to the city. Her parents and other family members lived in that town and helped with babysitting, shared meals, worshipped together and went to the little boy's ball games. The mother avoided a welfare lifestyle and the family support system was nurturing. The grocer kept his store open with a balanced operation. The grade school even had another student in the school system. All of this was possible because there was an affordable housing program in a rural community.

Attachment 3  
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Sen. Eco. Dev.

It is time that the rural communities in our state had a place to turn with housing concerns -- a place knowledgeable of the resources needed to coordinate housing and economic conditions.

I see a new direction in the office of housing. The next need is to focus on the reorganization plan to bring all of our resources together.



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

Testimony

Before The Senate Economic Development Committee

On Executive Reorganization Order # 23

By Noelle St.Clair

For Kansas NAHRO

February 4, 1992

Senator Kerr, 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 echos the testimony of those who have already testified 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 financing .

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.

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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.

ERO 23  
TESTIMONY OF  
Tawny Thome  
COMMUNITY ACTION, INC.

1. **HOUSING IS A VITAL POVERTY ISSUE** - The lack of affordable, adequate housing is a major problem - if not THE largest problem, we face in our nation and our state. The fact of the matter is, that before we can adequately address poverty related issues such as the lack of education, drug abuse, crime prevention, and teen pregnancy - we must address the underlying conditions of poverty - and *that* is where we find the lack of affordable, adequate housing.

2. **THE GOAL OF COMMUNITY ACTION AGENCIES IS TO ADDRESS POVERTY PROBLEMS** - There are eight (8) CAA's in Kansas. Although we are autonomous, we have an common thread - to help people get out of poverty. We operate programs and services under CSBG, ECSHG, and K-WAP - all of which address poverty, and all of which are impacted by housing issues.

- A. Three (3) CAA's in KS actually operate Section 8 Housing Programs.
- B. Others, like CA in Topeka , work hand in hand with the Housing Authority in our area.
- C. We operate homeless programs, homelessness prevention programs, and self-reliance programs targeted to keep people in their homes after we get them off the streets or out of deplorable housing situations.

3. **THE FOCUS OF CSBG, ECSHG, AND K-WAP IS NOT TO PROVIDE A WELFARE HAND-OUT** - It is to provide the means necessary to get people out of poverty. Under the Dept. of Social and Rehabilitation Services, CSBG was lost in the shuffle - the program has gone for well over a year and a half without a state staff person to administer the program. We support the removal of these programs out of the welfare program shuffle and into a department where they can be recognized and effective at addressing the underlying poverty issue of housing.

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Jeffrey D. Sonnich, Vice-President

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

February 4, 1992

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

Mr. Chairman. Members of the Committee. The Kansas-Nebraska League of Savings Institutions appreciates the opportunity to appear before the Senate 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 underutilized primarily because there exists no informational link between lender and non-profit housing organization. The Governor's ERO 23 would provide for the first time the necessary commitment and staffing for an effective housing

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department. The technical assistance is needed to help local housing groups put together financing packages that utilize different sources. You will recall that Chris Imming, in his testimony last Friday, indicated that Colorado has been receiving the majority of AHP fund subsidies. 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 have been told that legislation will be introduced that will 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 individual. 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



Remarks Prepared for Senate Economic Committee, February 4, 1992--8:00 a.m.

Good morning Mr. Chairman and ladies and gentlemen of the committee:

I am Marvin Webb, Secretary of the Topeka Home Builders Association. I am here today to testify concerning our position on Governor Finney's Executive Order #23. Governor Finney is to be commended for her action in trying to bring Kansas up-to-date in the area of housing. Kansas is many years behind most other states in delivering the kind of housing services that are needed in the state.

We also wish to express our appreciation to Representative Tom Bishop for his active support of this housing department/division.

The Topeka Home Builders Association recognizes the need to strengthen the present state housing office. Compared with other states, Kansas offers a limited number of housing programs. Most states participate in the same federal programs as Kansas, but many states operate state-financed programs funded by the sale of bonds or general state revenues. Some of the benefits of having a state-financed program include greater control of funds used for mortgage revenue bonds, as well as the potential to fund additional housing services from bond proceeds.

It is my understanding that The Kansas Development Finance Authority (KDFA) was originated and patterned after the successful Arkansas DFA plan. I have requested and received annual reports from the Arkansas Development Finance Authority. I chose Arkansas after having been told of KDFA's original interest in their program and because Larry Davis, former Director of the Farmers Home Administration told me Arkansas has the best Development Finance Authority Agency in the nation. In 1985, as part of the Arkansas Governor's Economic Development Initiative, the Arkansas Development Finance Authority (ADFA) was created in order to provide a source of long term, fixed rate financing for economic development projects in: housing, industrial and agricultural processing, public facilities and equipment, and export trade. This approach to financing freed scarce capital at the local level and brought out-of-state money into Arkansas. ADFA works in partnership with Arkansas financial institutions. ADFA is a self-funded state agency governed and controlled by state law. In the most recent annual report received, Arkansas' Governor states: "The Arkansas Development Finance Authority (ADFA) has created 300,000 temporary jobs and an additional 1,191 permanent jobs through the issuance of \$2,086,492,184.00 in revenue bonds. These financial resources have made a significant contribution to growth and development of our state. Approximately 85% of these revenue bonds were sold outside the State of Arkansas. ADFA's mission is to provide a source of long-term fixed rate and low interest rate financing for economic development, housing, and public facilities. ADFA has provided safe, sanitary, and affordable housing for over 20,000 families whose average income totals \$24,776. Nine percent of these loans were made to families with an income of no more than \$16,500. ADFA's Low Income Housing Credit Program has provided 82 multi-family projects producing 2,486 units for low-to-moderate income families."

The Development Finance Authority in Kansas has been underutilized. KDFA should be an integral part of the Kansas housing department/division--KDFA should be a major financial resource for housing. The funds that KDFA could provide would be generated through the issuance of revenue bonds. In nearly all other states of the nation, issuance of bonds is handled by the DFA.

I have passed out copies of the summaries taken from "Performance Audit Report"(s): "Examining Issues Relating to Selected Housing Programs at the Department of Commerce" August 1991, and "Examining Mortgage Assistance Programs At the Department of Commerce" December 1991. A Report to the Legislative Post Audit Committee, By the Legislative Division of Post Audit State of Kansas. These summaries clearly define concerns that need attention in our current housing office.

I want to close by urging that we put aside partisan politics and vote this executive order out of committee. Kansas needs--**Kansans deserve** an effective, progressive housing department/division--**A housing department/division that contributes to growth and development of our state.** A housing department/division **that is sensitive to Kansans needs for improved/suitable housing**--in some individual cases the need for a roof overhead. A housing department/division **that can help many Kansans make a home of their own a reality** because of innovative construction programs and affordable financial assistance.

To support the continuation of our present inadequate housing office because we are concerned about an increase in the bureaucracy and red-tape; or because we are uncertain as to how the sale of bonds will be conducted--is not a valid response. Let's look at what can be done for Kansas with a strong, accountable housing department/division. Let's transform our housing office into a housing department/division that has the potential to be the best in the nation.

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# EXAMINING MORTGAGE ASSISTANCE PROGRAMS AT THE DEPARTMENT OF COMMERCE

## Summary of Legislative Post Audit's Findings

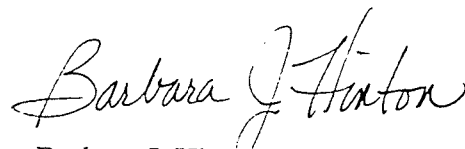
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**Could the mortgage revenue bond program be effectively administered by the State, rather than by bond underwriters?** The State could effectively administer the mortgage revenue bond program. In all other states, the program is administered either by a state housing finance authority or by a state agency. In most cases, however, these state programs still contract with bond underwriters, bond counsel, and sometimes loan servicing companies to carry out certain aspects of the program.

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**Would it be more beneficial to homebuyers if the mortgage credit certificate program were operated by the State, rather than by a bond underwriter?** It would be more beneficial to homebuyers if the mortgage credit certificate program were operated by the State. Most states we contacted operated the program with in-house staff, and charged homebuyers far lower fees than are charged in Kansas.

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As with the mortgage revenue bond program, State operation of the mortgage credit certificate program also could help ensure that certificates are available Statewide, fees are reduced, program information is readily available, and oversight is increased.

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During the audit, we encountered difficulty with underwriters or localities who were slow in providing basic information, or who refused to provide identifiable information that would allow us to independently verify data they provided on program participants. With greater State involvement in the administration and operation of the programs, these problems would not arise, and policymakers would have ready access to verifiable information about the programs.

This audit includes recommendations for improving homebuyer access to the programs, reducing fees and increasing oversight through greater State involvement with the programs. We would be happy to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other State officials.



Barbara J. Hinton  
Legislative Post Auditor

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**EXAMINING ISSUES RELATING TO SELECTED  
HOUSING PROGRAMS AT THE DEPARTMENT OF COMMERCE**

**Summary of Legislative Post Audit's Findings**

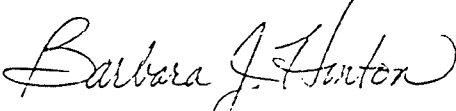
**Has the Department of Commerce carried out its responsibilities for administering the State's housing assistance program over the years?** Although the number of housing assistance programs gradually has increased over the years, the programs have been shifted between agencies repeatedly, and reportedly have received limited support. The Department of Commerce has not carried out all the activities authorized by the 1990 Legislature, and has had delays in carrying out activities that were mandated. Compared with surrounding states and other states with exemplary programs, Kansas has relatively few housing programs and devotes limited staff resources to housing issues.

**Did the Department of Commerce follow its established procedures in allocating tax credits under the Low Income Housing Tax Credit Program?** The program, first offered in Kansas in 1987, provides a financial incentive for developers to build low-income housing. Several aspects of the program have not been well-managed. For example, the Department did not always record and maintain information critical to evaluating applications and awarding tax credits. As a result, the Department cannot show how tax credits were awarded, whether the people who got credits should have, and whether its actions complied with established procedures.

Further, the Department's failure to comply with a 1990 federal requirement may result in some developers receiving excessive tax credits. The law states that tax credits should not exceed the amount needed for the financial viability of a project. Yet tax credits were reserved for one project that was projected to earn \$1.5 million in net profits over a 15-year period, before the tax credits. Thus, the Department's actions may have resulted in fewer projects receiving credits than if the credits had been distributed more sparingly among projects with greater financial needs.

Finally, the Department did not deposit fees received for the program for up to seven months after they were received. As a result, Department staff accumulated checks totaling as much as \$84,000 between deposits to the State Treasurer.

The report makes a series of recommendations for strengthening the role of the Office of Housing, and for improving the operations of the Low Income Housing Tax Credit Program. We would be happy to discuss the findings presented in this report with any legislative committees, individual legislators, or other State officials.



Barbara J. Hinton  
Acting Legislative Post Auditor

# SUPPLEMENT TO THE AUDIT OF SELECTED HOUSING PROGRAMS AT THE DEPARTMENT OF COMMERCE

## Summary of Legislative Post Audit's Findings

This audit provides descriptive information about two housing-related programs not covered in our earlier performance audit, Examining Issues Relating to Selected Housing Programs at the Department of Commerce. Those programs are the Small Cities Community Development Block Grant program and the Rental Rehabilitation program.

**Has the Department of Commerce carried out its responsibilities for administering housing-related programs over the years?** The Small Cities Community Development Block Grant program was instituted in Kansas in late 1983. The Department appears to have adequately supported the program, which provides funds for a wide range of local projects. Overall, localities' grant requests for housing projects have accounted for about six percent of all grant applications, and about six percent of the funds awarded. Nationally, states reported that for one recent year they spent 26 percent of their Small Cities grant funds for housing-related activities. Nationally, a total of 17 states set aside some portion of their Small Cities grant funds specifically for housing activities. Kansas officials said that they have considered such a set-aside in past years, but have never instituted one. Since 1984, the program has awarded an average of about \$14.2 million annually for projects; on average, about \$831,000 of that total went to housing activities each year.

The Rental Rehabilitation program provides funds to localities to upgrade rental housing. Localities receive funds from the Department, who in turn commit the funds to specific projects. The program appears to have received adequate support from the Department since its introduction in 1988. Since then, it has awarded an average of about \$557,000 a year to Kansas cities.

This audit also provides some additional information on the Department's Low-Income Housing Tax Credit program, a program reviewed in depth in the earlier audit.

The report recommends that if the Legislature would like additional resources directed toward low income housing in the communities eligible for the Small Cities Community Development Block Grant program, it could consider directing the Department to institute a set-aside for housing projects. We would be happy to discuss this recommendation or any other items in the report with legislative committees, individual legislators, or other State officials.



Barbara J. Hinton  
Acting Legislative Post Auditor