

Approved February 20, 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./~~p.m.~~ on February 19, 1992 in room 123-S of the Capitol.

All members were present except:

Senator Jerry Moran (Excused)  
Senator Janice McClure (Excused)

Committee staff present:

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

Conferees appearing before the committee:

Lynne Holt, Legislative Research Department

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

Lynne Holt presented a memorandum detailing housing information on several states (Attachment 1). She described the organizational structures of agencies which administer housing programs in Nebraska, Missouri, North Carolina, Delaware, Colorado and Vermont as well as the housing programs in each of those states and the needs assessment done by them. Chairman Kerr asked Ms. Holt to obtain information on the cost of the needs assessment done by each of the six states. Ms. Holt pointed out several innovative programs in the various states involving sophisticated leveraging or commingling of funds. She emphasized that the profile of the six states is only a microcosm of the variety of state housing programs and organizational structures which exist.

Senator Oleen noted the references to programs linked with Habitat for Humanity and mentioned that the Kansas Department of Human Resources has a program associated with Habitat.

Chairman Kerr said there seems to be some concensus on several points related to ERO 23. He said there is no widespread intention to reject the ERO because of the general feeling that the Governor is correct in placing more emphasis on housing issues. He expressed concern about adding eight new positions to the division of housing before completion of a comprehensive needs assessment. There was some discussion about a need to have staff in place to oversee the assessment. Chairman Kerr stated he feels there is agreement that the state would probably be well served to hire a finance expert away from another state which is successful in assessing federal competitive grants and other complex financing.

Chairman Kerr noted that the constitution provides that executive reorganization orders become effective in 60 days if no action is taken but Senate rules require that action be taken by the Senate if no action is taken by the House. The House also has a rule requiring action if no action is taken by the Senate.

Chairman Kerr read a draft of a proposed resolution which includes the items he discussed. Senator Salisbury moved that a resolution (similar to Draft No. 1 RS 2654) relating to ERO 23 be introduced by the Committee. Senator Oleen seconded the motion, and the motion carried.

Senator Salisbury moved that the minutes of the February 18, 1992 meeting be approved. Senator Oleen seconded the motion, and the motion carried.

The meeting adjourned at 9:00. The next meeting of the Committee will be Thursday, February 20, 1992.

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.

Date 2/19/92

SENATE ECONOMIC DEVELOPMENT  
VISITOR SHEET

(Please sign) Name/Company	Name/Company
Bill Grant / KCC	
Caren Seltzer / DOC	
Noelle St. Clair / KSNAHRC	
Sharon Huffinan / KCDC	
Winnie Chapman / LWVaters	
Dennis Stock / KDOC	
Laura / KDOC	
Carol Morgan / KDOC	
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SHERYL SANDERS / KSAMI	
Art Brown / KS LDR Dealer	
George Grabel / AARP-SLC CCFE	
Jill / MS side observer	
J. Mendenhall / SRS	
(unintelligible)	
Janet Stubbins / HRAK	
Martha Jenkins / AIA	
KAREN France / KAR	
Doger / Friends / KS Gov. Com.	
Paul Johnson / PACK	
Suzanne Frost / KACAD	
Mentor / American Pet. Med. Bill / Assn.	
JEFF SORWICH / KNLSI	

# MEMORANDUM

## Kansas Legislative Research Department

Room 545-N – Statehouse  
Topeka, Kansas 66612-1586  
(913) 296-3181

February 18, 1992

**To:** Senate Economic Development Committee  
**From:** Lynne Holt, Principal Analyst  
**Re:** Housing -- Organizational Structures, Programs, and  
Needs Assessments

### BACKGROUND

This memorandum examines the administration of housing programs at the state level in six states: Nebraska, Missouri, North Carolina, Delaware, Colorado, and Vermont. For each state, the following information is included:

1. a brief description of the organizational structures of agencies which administer housing programs;
2. a brief narrative of housing programs; and
3. a short description of the needs assessment undertaken at the state level to identify housing needs.

Asterisks next to programs indicate federally-funded programs or federally-subsidized programs. This memorandum concludes with a section summarizing the state profiles with observations on possible applications for housing programs in Kansas.

Most profiled states offer, at a minimum, certain housing-related programs which are funded or subsidized by the federal government: the Single-Family Mortgage Revenue Bond (MRB) Program; the Section 8 Existing Certificate and Voucher Program; Emergency Shelter Grants Program; Rental Rehabilitation Program (to be superseded by the federal HOME Program); Low Income Housing Tax Credit Program; Small Cities Community Development Block Grant Program; and the Weatherization Program. These programs are summarized below, thus eliminating the need for narratives of those programs by state.

The **Single-Family MRB Program** provides mortgage financing at below-market rates to low- and moderate-income first-time homebuyers. **Section 8 – Existing Certificates and Vouchers Programs** provide housing subsidies to eligible low-income individuals to rent existing, privately-

Attachment 1  
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Sen. Eco. Dev.

owned dwelling units from participating landlords. The **Emergency Shelter Grants Program** assists emergency housing shelters which provide beds or services for homeless individuals or families. The **Rental Rehabilitation Program** provides assistance in rehabilitating substandard rental properties occupied by low- and moderate-income families. The **Low Income Housing Tax Credit Program** stimulates, through the provision of federal income tax credits, private investment in the construction and preservation of low-income housing. Funding from the **Small Cities Community Development Block Grant Program** could be used for, among other purposes, the maintenance and improvement of existing housing and the demolition of deteriorated housing. The **Weatherization Program** provides grants of financial assistance to projects designed to weatherize dwelling units, particularly those inhabited by handicapped individuals or those with low incomes.

## STATE PROFILES

### Nebraska

#### 1. Organizational Structures

- a. **Nebraska Investment Finance Authority.** The Nebraska Investment Finance Authority (NIFA) was established in 1983 by the Nebraska Investment Finance Authority Act. The Authority administers several housing programs involving the issuance of MRBs. The Authority's bond issues encompass four discrete areas: housing, health care, business, and agriculture. The Authority is a quasi-public entity composed of nine members. Three members serve in an ex-officio capacity: the Director of Economic Development, the Chairperson of the Nebraska Investment Council, and the Director of Agriculture. Six public members are appointed by the Governor. Each of the following areas must be represented by a board member with expertise in that area: real estate development; industrial mortgage, commercial, agricultural, or housing mortgage credit; banking or investment banking; home building or licensed real estate brokerage; and agricultural production. Of the public members, two must be appointed from each of the three Congressional districts in the state. In compliance with statutory provisions, the NIFA appointed an executive director who is an employee of NIFA but not a member of the board and who serves at the pleasure of the board.

Nebraska's statutes broadly define the types of housing projects which may be financed by NIFA, although a provision in the law specifically authorizes loans to be made available to people who, due to low income, would not otherwise qualify for loans under normal practices of the lender and the Authority. The NIFA is required to adopt rules and regulations relating to the terms of financing housing projects.



- b. **Nebraska Department of Economic Development.** Two housing programs are administered by the Division of Rural and Community Development within the Department. There are 2.5 F.T.E. positions working in some capacity with these programs. Federal HOME funds will be administered by the Department.
- c. **Nebraska Energy Office.** This Office administers the state's weatherization programs. Six F.T.E. positions implement the programs.
- d. **Department of Social Services.** The Department administers the Emergency Shelter Grants Program, the Community Services Block Grant Program, and the Emergency Community Services Homeless Grant Program.

## 2. Programs

- a. **Single-Family MRBs.\*** In Nebraska, as in Kansas, the limitation for private activity bonds is \$150 million. Almost \$100 million was available from the private activity bond allocation (including carry forwards) for single-family housing purposes. In 1991, NIFA loans had an average interest rate of 7.69 percent. In FY 1991, these loans assisted 4,052 low- to moderate-income individuals and families in purchasing their first homes.
- b. **Multifamily Revenue Bonds.\*** Through the multifamily tax exempt program and multifamily tax credit programs, the NIFA has participated in past years in the development of rental units although no bonds were issued for that purpose in 1991.
- c. **Rehabilitation Loans.** NIFA also has provided funding in past years for repairs and energy efficiency improvements to homeowners. Loans with interest rates of as low as 1 percent have been made available through leveraging involving NIFA bond proceeds, funding from local government, and federal Community Development Block Grant moneys. No moneys for such projects were provided by NIFA in FY 1991. However, NIFA is currently working with the City of Lincoln on a rehabilitation loan involving \$2 million of NIFA funds.
- d. **Low Income Housing Tax Credit Program.\*** Tax credits totaling approximately \$2.5 million were made available in 1991 to investors in eligible low-income housing projects.
- e. **Small Cities Community Development Block Grant Program.\*** This program is administered by the Nebraska Department of Economic Development. A portion of Community Development Block Grant moneys (approximately 30-40 percent of total program moneys annually) are committed to housing projects. In past years the total amount for such projects was approximately \$3 million.

- f. **Community Development Assistance Program.** The Nebraska Department of Economic Development also administers the Community Development Assistance Act Program, for which some funding for home improvement services is available. The Department is authorized to distribute to corporations and insurance companies tax credits of 40 percent of the contributions made by business firms to approved projects of community betterment organizations. No more than \$250,000 of tax credits may be authorized in any fiscal year and no more than \$25,000 of tax credits may be authorized to a given project. All projects funded under this program must be located in an area of chronic economic distress, as defined statutorily. In FY 1992, two nonprofit housing corporations received \$25,000 each in tax credit allocations.
- g. **Weatherization Programs.\*** The Nebraska Energy Office administers the weatherization programs with an annual budget of approximately \$4.5 million in federal and oil overcharge moneys.
- h. **Emergency Shelter Grants Program.\*** The Department of Social Services administers this program. In FY 1991, \$295,000 was awarded to the Department which allocated those funds among six governmental units. These units, in turn, subcontracted with nonprofits.
- i. **Section 8 – Existing Certificate and Voucher Program.\*** HUD provides federal funding to the public housing authorities in Nebraska. As in Kansas, this program is not implemented at the state level.

### 3. Needs Assessment

In past years, Nebraska has encouraged housing needs assessments from communities which applied for Small Cities Community Development Block Grants for housing projects. In addition to having access to numerous community studies, the Department of Economic Development also has access to housing studies done by university extension services. Therefore, the Department intends to rely on those local and university linkages in developing a comprehensive housing needs assessment. A steering committee which was created through the process of developing the Comprehensive Housing Affordability Strategy (CHAS) recommended that the Nebraska Affordable Housing Commission be established as a vehicle to represent private-sector housing groups in policy planning. This recommendation is currently under consideration. The staff contact person at the Department noted that the service or outreach component of its housing programs was critically lacking although options are currently under consideration to address this deficiency.

## Missouri

### 1. Organizational Structures

- a. **The Missouri Housing Development Commission.** The Commission is a governmental instrumentality established by statute. It administers federal housing programs and other housing programs financed from proceeds of tax-exempt and taxable bonds and from private contributions. No state tax funds are used by the agency. The Commission is the central housing assistance agency in the state.

The Commission is composed of nine members: the Governor, the State Treasurer, the Attorney General, and six members appointed by the Governor who are knowledgeable in the areas of housing, finance, or construction. The Commission has a staff of 75.0 F.T.E. positions.

- b. **Missouri Economic Development Department.** The Department administers two housing-related programs with 1.5 F.T.E. positions.

### 2. Programs

The Missouri Housing Development Commission administers the following programs:

- a. **Multifamily Program.\*** This program used tax-exempt bond proceeds to finance below-market interest rate construction and permanent loans. Loan recipients were nonprofit and limited dividend corporations which pass on the savings realized by lower-interest loans in the form of affordable rents to low- and moderate-income persons. Funding from local governments and private sources were employed in conjunction with the Commission's moneys. HUD insured loans secured under this program. No bonds were issued for this purpose in 1991, although approximately \$6 million from Commission fund balances were made in program loans in that year.
- b. **Single-Family MRB Program.\*** In addition to administering the Single-Family MRB Program, the Commission has an Inventory Recycling Program with the Farmers Home Administration, an agreement with the Resolution Trust Corporation, and an agreement with the Federal Housing Administration. The intent of all these agreements is to make homes available to homebuyers with very low incomes. In FY 1991, approximately 3,000 homes had been financed with MRBs. Also in FY 1991, 77 loans were guaranteed under the Inventory Recycling Program, and \$1 million from Commission fund balances was set aside to purchase homes under the Resolution Trust Corporation and Federal Housing Administration Programs.

- c. **Home Improvement and Weatherization Program.\*** Low- and moderate-income families may apply for low-interest loans of \$1,000 to up to \$15,000. These moneys may be used for home repairs and the installation of energy conservation improvements. In FY 1991, \$4 million was allocated to this program.
- d. **Neighborhood Loan Program.** This program is offered in cooperation with neighborhood organizations to help provide housing in older established neighborhoods. Interim loans were (but apparently are no longer) provided to neighborhood groups and neighborhood-approved builders for the acquisition and rehabilitation of existing structures and new construction infill. Neighborhood organizations identified the housing needs in their neighborhoods, and solicited resources from the Commission and private lenders. The Commission also provided, and continues to provide, subsidies to private lenders who make qualified neighborhood loans.
- e. **Low Income Housing Tax Credits.\*** This federal tax credit program reserves over \$23 million in tax credits annually. These credits were used to help build 3,000 rental units in 1991.
- f. **Missouri Low Income Housing Tax Credit.** Two types of state housing credits -- Affordable Housing Assistance Program credits and Missouri Low Income Housing tax credits -- were recently instituted as a result of legislation enacted in 1991. The intent of these tax credits is to support the construction and rehabilitation of low- and moderate-income housing. Tax credits of \$2 million will be allowed for the first year of housing assisted through the Affordable Housing Assistance Program, to increase by \$2 million per year over the ensuing four years. (The maximum amount allowable for tax credits will be \$10 million.) The Missouri Low Income Housing credit supplements the federal credit and is limited to 20 percent of the federal credit.
- g. **Housing Trust Fund Program.** This program is designed to provide affordable housing units to low-income families through use of existing housing supply. Rental assistance is paid directly to the property owner. That assistance is essentially the difference between the tenant's ability to pay and the published fair market rent for the tenant's unit. Trust Fund moneys also are expended to address rural housing problems through cooperative efforts with a Farmers Home Administration program. The Trust Fund is capitalized primarily through Commission fund balances.
- h. **Section 8 Certificate and Voucher Program.\*** Certificates and vouchers can be used in Jackson, Platte, Clay, and Ray counties.
- i. **Section 8 Existing Housing -- Operation Homeless.\*** This program, like its counterpart in Kansas, provides rental subsidies to homeless individuals and families in privately-owned dwellings.



- j. **Tenant-Based Assistance Program.\*** The Commission plans to designate \$4 million from HOME moneys for rental subsidies (operates like Section 8 Certificate and Voucher Program; see item h).
- k. **Rental Rehabilitation Program.\*** This program is administered by Missouri's Economic Development Department. In FY 1991 (the last year of program funding) federal funding of \$400,000 was allocated for rental rehabilitation projects. The Missouri Housing Development Commission plans to transfer to the Economic Development Department \$600,000 of federal HOME moneys to continue the program in FY 1992.
- l. **Small Cities Community Development Block Grant Program.\*** Approximately \$3.5 million of Community Development Block Grant moneys was expended by the Economic Development Department for housing-related projects in FY 1991.
- m. **Weatherization Program.\*** This program is administered by the Division of Energy, Department of Natural Resources.

3. **Needs Assessment**

The Missouri Housing Development Commission initiated a comprehensive housing needs assessment prior to the enactment of the 1990 National Affordable Housing Act and the CHAS requirement. The Commission hired a consultant to compile statistical data. The needs assessment catalogued every subsidized housing project in the state, the waiting lists for each project, and the number of available units. The Commission's intent is to develop a more detailed assessment once the 1990 census data on housing become available.

**North Carolina**

1. **Organizational Structures**

- a. **The North Carolina Housing Finance Authority (NCHFA).** The NCHFA was established by the General Assembly in 1973, and administers ten housing programs plus a trust fund. The NCHFA is composed of 13 Board members: eight appointed by the General Assembly (four recommended by the Senate; four recommended by the House) and five appointed by the Governor. Qualifications of members are specified in statute. The Board of Directors is authorized to appoint an executive director who, in turn, may hire the NCHFA staff. There are currently 55 F.T.E. positions on staff.
- b. **The Division of Community Assistance in the Department of Community and Economic Development.** The Division of Community Assistance administers the Small Cities Community Development

Block Grant program with 17 staff positions. In addition, the Division is responsible for the federal HOME program and it coordinates housing-related homeless assistance services. The Energy Division of the Department of Economic and Community Development administers the federal Weatherization Program with eight staff positions.

## 2. Programs

The North Carolina Housing Finance Authority administers the following programs:

- a. **Single-Family MRBs.\*** In FY 1991 the NCHFA issued \$107,045,000 in bonds to help finance 1,820 home mortgages. Borrowers in FY 1991 had an average income of \$25,638, or approximately 75 percent of the state median income.
- b. **Mortgage Credit Certificate (MCC) Program.\*** Since 1987, the NCHFA converted part of its MRB authority to allow first-time homebuyers to claim part of the mortgage interest they pay as federal tax credit. The MCC Program targets homebuyers with the same income levels as the bond program. In FY 1991, \$25 million in MCCs benefitted 415 first-time homebuyers.
- c. **Home Ownership Challenge Fund.** This Fund consolidates earnings on a state appropriation, NCHFA revenues, recycled mortgage prepayments, and targeted area bond moneys into financing packages. Local governments, nonprofit organizations, and private developers have access through those funds to low-interest mortgage money, downpayment assistance, monthly housing subsidies, and mortgage tax credits. Local sponsors must invest their own funds and make nonfinancial contributions to reduce the cost of housing. The Challenge Fund has outstanding commitments of approximately \$2.4 million for mortgages, \$80,000 for down payment assistance, and \$375,000 for mortgage tax credits.
- d. **Maxwell-Fuller Fund.** The NCHFA created this revolving loan fund in 1989 to support self-help housing programs. To raise the initial \$150,000 in funding, the agency solicited investments from 12 corporations and matched them with its own earnings from the House Trust Fund (see item k) A subsequent fund raising effort resulted in an additional \$39 million in corporate support, matched dollar-for-dollar by the NCHFA. The Fund awarded 15 loans to housing groups in FY 1991, averaging \$5,000 per loan. In addition, loans from this Fund and the House Trust Fund have been used to assist Habitat for Humanity housing projects.
- e. **Home-Improvement Loan Program.** This program provides low-interest loans to help home owners repair substandard housing. The

program uses bond proceeds, local funds, and agency subsidies to provide loans of up to \$15,000 at rates from 3 percent to 8 percent. Local governments and nonprofit organizations, cooperating with lenders, distribute loans to borrowers. In FY 1991, 47 households received funding, averaging \$9,540 per household.

- f. **Low Income Housing Tax Credit Program.\*** In 1991, over \$5 million in federal tax credits was awarded to help build 1,700 apartments.
- g. **Catalyst Program.** This program enables nonprofit organizations to develop rental housing for low-income tenants. The program provides nonprofits (which typically lack money upfront) with deferred loans for market studies, preliminary architectural plans, financing costs, and similar expenses. The agency finances program loans using fees it earns for operating the Low Income Housing Tax Credit Program and interest on a state appropriation. In FY 1991 the program provided \$40,000 in loans to two nonprofits.
- h. **Rental Rehabilitation Program.\*** Using federal HUD rental rehabilitation moneys, the agency distributed in 1991 \$1.23 million in grants and loans to local units of government to rehabilitate 200 units.
- i. **Project Management.\*** The NCHFA monitors 7,918 rental apartments financed with tax-exempt multifamily revenue bonds. It also monitors 3,445 rental units as the administrator for HUD rental subsidy contracts; rental subsidies for those units totaled \$18.66 million in 1991.
- j. **Employer-Assisted Housing Program.\*** This program assists employers in providing housing benefits to their employees, if these employees are first-time homebuyers with incomes not exceeding \$25,000. Under the program, the employee pays half of the down payment for a new home and the employer and the NCHFA pay the other half. Using bond proceeds, the NCHFA provides a 30-year, fixed mortgage at less than the market rate of interest. The NCHFA has committed \$1 million to initiate the program. Three companies in a rural county are participating in the program. In FY 1991, the NCHFA closed on its first loan.
- k. **Housing Trust Fund.** Capitalized initially by oil overcharge funds and other appropriations by the General Assembly, the Housing Trust Fund provides gap financing from the NCHFA to local governments, nonprofit organizations, and private developers. Through low-interest loans, forgivable loans, and grants provided to these local housing sponsors, the NCHFA subsidizes costs of building or rehabilitating homes and rental units for very low-income households. To assist people with very low incomes, the NCHFA combines Trust Fund loans with other agency resources, such as the Home Ownership Challenge Fund (item c), the federal Low Income Housing Tax Credit Program (item f), and the Catalyst Program (item g). In 1991,

the Trust Fund awarded \$7.6 million in deferred-payment loans and grants: \$5.3 million to help finance 760 new units (single family and rental) and \$2.3 million to rehabilitate substandard homes and rental units.

- l. **Bonus Program.** This demonstration program assists builders in financing new construction in two counties. The NCHFA has made \$1.9 million from proceeds of an old bond issue available for the financing of ten homes.
  - m. **Small Cities Community Development Block Grant Program.\*** This program is administered by the Division of Community Assistance in the Department of Economic and Community Development. As one of the largest Small Cities Community Development Block Grant programs in the country, this program has a staffing complement of 17 positions and an annual budget of approximately \$40 million. Of that total, roughly \$33 million has been applied in past years to housing-related projects.
  - n. **Weatherization Program.\*** This program is administered by the Energy Division of the Department of Economic and Community Development. In FY 1991, \$7,323,691 was expended to weatherize 5,065 housing units.
  - o. **Section 8 – Existing Housing.\*** The regional HUD office in Greensboro provides funding to each public housing authority; no state agency appears to have oversight.
3. **Needs Assessment**

The state does not have a comprehensive housing needs assessment. However, different state agencies had conducted housing-related needs assessments over the past ten years and these studies were compiled in preparing the state's CHAS for the HOME program. In formulating the state's CHAS, five regional workshops were held involving hundreds of people. There were three focus groups per region which addressed home ownership, rental housing, and factors affecting affordable housing. Although applicants for housing-related Community Development Block Grant moneys do community needs assessments, a staff contact noted that these are generally informal endeavors in North Carolina.

## Delaware

### 1. Organizational Structures

The Delaware State Housing Authority was established as a public corporation within the Delaware Development Office. The Authority is a combination public housing authority for the counties of Kent and Sussex (New Castle County and the City of Wilmington have their own authorities) and state housing agency with bond issuance authority. The staff of 95 positions are either state employees or employees of the public housing authority component (with comparable salaries and benefits). The Authority is governed by a Council on Housing composed of seven members appointed by the Governor. The Council meets monthly to approve loans and grants to be financed from the Housing Development Fund. (See item a below.) The Delaware State Housing Authority is the central site for all housing programs except the federal Weatherization Program (item o below). In addition, the public housing authorities in New Castle County and the City of Wilmington administer their portions of the federal Community Development Block Grant Program, the Emergency Shelter Grants Program, and the Rental Rehabilitation Program. Moreover, these two authorities will share with the Delaware State Housing Authority allocation responsibilities for the federal HOME moneys.

### 2. Programs

The Delaware State Housing Authority currently administers 14 funded housing programs:

- a. **Housing Development Fund.** This is a revolving fund which makes loans and grants to support all types of affordable housing. This fund is capitalized by state appropriations and a dedicated document recording surcharge and interest income. Most of the financing from this fund is used for predevelopment expenses and construction costs, as well as for permanent financing. Priority is given to projects which leverage moneys from other revenue sources. Developers who receive loans from this fund must rent or sell an agreed-upon percentage of their units to low- or moderate-income persons. Rental projects must remain committed to low-income purposes for 15 years or the term of the loan, whichever is longer. Projects eligible for funding include: new construction, the acquisition and rehabilitation of existing housing, and the adaptive reuse of non-residential buildings, in addition to rental, transitional, and for-sale housing. In FY 1991, over \$12.4 million was applied to 631 units.
- b. **Low Income Housing Tax Credits.\*** Federal tax credits totaling almost \$1.2 million were awarded to housing sponsors in 1991, to subsidize investments in 421 rental units.
- c. **Single-Family MRBs.\*** The Authority issued almost \$66.6 million in federal tax-exempt bonds in FY 1991. MRB proceeds enabled the financing of 930 housing units in that fiscal year.

- d. **Family Assisted Interest Rate (FAIR) Loans.\*** This program targets very low-income families who intend to purchase homes. A portion of the MRBs are issued at a rate approximately 2 percent lower than that of the remaining MRBs. Local lenders agree to purchase subordinated bonds in single-family MRB issues in order to lower the rate on FAIR loans. Downpayment requirements vary but may be as low as 0-5 percent of the price of the loan. Almost \$8.6 million in FAIR loans was provided for the purchase of 132 houses in FY 1991.
- e. **Second Mortgage Assistance Loans.** These loans are frequently provided in conjunction with FAIR loans. The Authority provides up to \$5,000 in downpayment and closing cost assistance to qualified first-time homebuyers. A loan under this program is provided at the same interest rate as the first loan and is payable in full, with the accrued interest, when the house is sold, refinanced, the title is transferred, or when the first mortgage is satisfied. In FY 1991, a total of \$322,634 was lent for second mortgages on 103 housing units.
- f. **Housing Rehabilitation Loan Program.** This program provides loans with interest rates of 3.0 percent to help owners repair heating, electrical, plumbing, roofing, and structural problems, in addition to other safety and health hazards. Loans are made to investors and low- and moderate-income owner-occupants who are credit worthy. In FY 1991, loans were applied to 122 housing units.
- g. **Small Cities Community Development Block Grants.\*** In FY 1991, over \$1.5 million was available for 150 housing-related projects.
- h. **Emergency Shelter Grants Program.\*** In FY 1991, shelters with capacities of 56 beds were assisted by \$37,000.
- i. **Rental Rehabilitation Program.\*** This federal program is used to complement the Community Development Block Grant Program (item g) and the Housing Rehabilitation Loan Program (item f). In FY 1991, \$66,000 in loans was provided for the rehabilitation of eight rental properties.
- j. **Public Housing.\*** The Delaware State Housing Authority receives funding from HUD to construct public housing and oversees construction, selects tenants, and directly manages the properties. In general, families, handicapped and disabled persons, and elderly persons with incomes of not more than 50-80 percent of the median income are eligible to live in public housing. The Authority's FY 1991 operating budget totaled almost \$1.1 million to oversee 302 existing units and 165 units in development.
- k. **Public Housing Home Ownership.\*** This program, funded from a combination of state and federal funds, rents homes to families for up to three years and then provides them the opportunity to purchase

those homes. The Authority purchased 15 single-family homes for that purpose.

- l. **Section 8 Certificate and Voucher Program.\*** In FY 1991, 511 certificates and 277 vouchers were available to eligible families. The FY 1991 operating subsidy totaled almost \$3.6 million.
- m. **Section 8 New Construction Program.\*** The Authority manages ongoing rental subsidies for 2,700 units in 30 apartment complexes statewide. In FY 1991, operating subsidies totaled over \$18.1 million.
- n. **State Housing Code.\*** In 1985, the Delaware State Housing Code was signed into law. This code establishes minimum property maintenance standards for existing residential structures and premises for the purpose of protecting public safety, health, and welfare. The focus of the code, which is used by six communities, is on rental housing.
- o. **Weatherization Program.\*** This program is administered by the Office of Community Services in the Department of Health and Social Services. Funded partially by federal and oil overcharge moneys, the FY 1992 budget for the program is approximately \$1 million.

### 3. Needs Assessment

The state began development of a comprehensive housing needs assessment in 1987. A consultant was hired for approximately \$50,000 to prepare the assessment which was published in 1989. Large segments of the assessment were incorporated into the state's CHAS. The assessment included an analysis of housing needs at the county level (there are three counties). According to the staff contact person for the assessment, the assessment is not sufficiently detailed for planning purposes. The assessment includes demographic data, employment trends, and waiting lists for public housing authorities. Data on housing needs at the community level are only acquired through application submittals for Community Development Block Grants for housing projects.

## Colorado

### 1. Organizational Structures

- a. **The Colorado Housing and Finance Authority.\*** The Colorado Housing and Finance Authority (CHFA) was established as a quasi-public entity by the General Assembly in 1973 and began operations in 1974. Although initially intended as a financing entity for housing programs, the CHFA's role has been expanded statutorily to include financing programs for small business assistance, exporter assistance, and for other economic development purposes.

The CHFA is governed by an 11-member Board of Directors: a member of the General Assembly appointed by the Speaker of the House and the President of the Senate; the State Auditor; a member of the Governor's cabinet; and eight other gubernatorial appointees confirmed by the Senate. Of the eight members appointed by the Governor, one must have experience in mortgage banking and another in real estate transactions.

- b. **Colorado Division of Housing, Department of Local Affairs.** The Division has a staff of 32 positions and was recently reorganized. Approximately half of the positions (16) were divided into four teams and each team is responsible for providing certain housing program services to a specified part of the state. Each team is staffed by four persons with expertise in each of the following areas: weatherization, building construction, federal grant provisions, and technical assistance.

## 2. Programs

The Colorado Housing and Finance Authority administers the following programs; funding for these programs is monitored by calendar year:

- a. **Single-Family MRBs.\*** In 1991, the CHFA issued \$119,714,000 in MRBs to provide single-family home loans.
- b. **Mortgage Credit Certificates (MCCs).\*** In 1991, the CHFA elected to convert almost \$45 million of its bond issuing authority to the MCC program.
- c. **Rental Acquisition Program.** Several Rental Acquisition Program (RAP) properties were purchased by CHFA with financing from the sellers. In order to raise funds for their rehabilitation and purchase other multifamily dwellings, the CHFA issued over \$21.4 million in bonds during 1991 for 1,299 units.
- d. **Nonprofit Housing Groups.** The CHFA provided long-term financing on favorable terms to nonprofit groups in 1991 for 166 units. Almost \$5.6 million in bond proceeds was available for that purpose. In addition, \$190,000 was allocated to special housing needs (18 units) in 1991.
- e. **Low Income Housing Tax Credits.\*** The CHFA committed approximately \$3.1 million to 862 low-income housing units in 1991.
- f. **Resolution Trust Corporation.\*** The CHFA sold to nonprofit corporations and local public housing authorities multifamily rental properties containing 71 units for a total of \$2,856,000. These units are intended to serve low-income households and households with



special needs. The CHFA had originally purchased the properties from the RTC. Part of the funding for that purchase came from a grant from the Department of Local Affairs.

- g. **Housing Opportunity Fund.** Gap financing is provided through the CHFA to nonprofits and public housing authorities to meet the housing needs of very low-income households. The funding recipients determine the funding terms and needs to be served.

The following programs are administered by the Colorado Division of Housing, Department of Local Affairs:

- a. **Housing Development Grant Program.** Since 1972, the program has provided direct financial assistance in the form of short-term loans, long-term loans, and grants to public and private nonprofit corporations. This funding is used to acquire, rehabilitate, or develop low-income housing. Funding comes from general fund appropriations but must be matched by nonstate funds. In FY 1991, eight grants were made totaling approximately \$600,000. Seven grants were applied to the funding of 388 units. An eighth grant financed the painting of 524 homes. Appropriations for FY 1992 total \$600,000.
- b. **Revolving Loan Fund.** Since 1984, low-interest loans have been provided to private and public nonprofits for predevelopment or pre-occupancy expenses from this fund, which was originally capitalized with \$1 million. The intended beneficiaries are low- and moderate-income households. Federal funding is used in approximately one-fourth of the projects. In FY 1991, six loans were made for a total of \$1,170,018.
- c. **Coordinating Council on Housing and the Homeless.** This Council was established by Executive Order of the Governor. The Council has 23 members: nine state agency representatives; one member from the CHFA; and 13 members representing nonstate housing service providers, the private sector, philanthropists, and municipalities. The Council's operations are funded by contributions from state agencies and some external funding. The Council convenes monthly and is staffed by one state-funded full-time position in the Governor's Office. According to the Council's staff, the Council is divided into seven work groups and is very active; participation from representatives outside state agencies, particularly from housing advocacy groups, has made a significant difference in Council output.
- d. **Rental Rehabilitation.\*** Although federal funding for this program was terminated in FY 1991, approximately \$80,000 was carried forward to FY 1992.
- e. **Emergency Shelter Grants Program.\*** FY 1992 appropriations are \$358,000 for program funding.

- f. **Section 8 Certificate and Voucher Program.\*** In FY 1991, between \$3-\$4 million financed approximately 900 certificates statewide.
- g. **Small Cities Community Development Block Grant Program.\*** Fifty percent or over \$4 million of total program funding was applied in FY 1991 to housing projects. The percentage allotted for housing was reduced in FY 1992 to 30 percent of total funding (over \$2 million) because the proceeds from the severance (impact) tax, which had funded community infrastructure projects in past years, had decreased significantly. This reduction resulted in a partial funding shift of Community Development Block Grant funds from housing to infrastructure support.
- h. **Permanent Housing for the Handicapped Homeless.\*** Funding from the McKinney Act enabled the Department to finance three projects for \$500,000 in FY 1991.
- i. **Weatherization.\*** This program designates approximately \$8 million for weatherization programs staffed by 11 positions.

### 3. Needs Assessment

There was no comprehensive housing needs assessment prior to the state's CHAS. Periodically, housing needs assessments were conducted in resort communities where housing shortages were critical. In developing the CHAS, the Division of Housing divided the 63 counties into 14 planning districts and conducted one meeting in each district (25-30 people representing banking, housing providers, real estate, etc., per meeting). At these meetings, work sessions on the CHAS focused on special population needs, barriers to affordable housing, and local resources, among other issues. A 3-7 page report resulted from each meeting. This report was written by Division staff; people at the meetings received meeting notes. The reports from the 14 planning districts constitute the basis for much of the state's CHAS.

## Vermont

### 1. Organizational Structures

- a. **Vermont Housing and Conservation Board.** This Board was established by the Vermont General Assembly in 1987. The Board is composed of nine members: the Commissioner of Agriculture; the Secretary of Development and Community Affairs; the Secretary of Natural Resources; and the Executive Director of the Vermont Housing Finance Agency, or their designees; and five public members appointed by the Governor. At least one member must be a low-income Vermonter and one must be a farmer. Two concerns were instrumental in the creation of the Board: (1) housing affordability and (2) the impending disappearance of agriculturally significant land

and natural areas. The Board's enabling legislation mandates the dual goal of ". . . creating affordable housing for Vermonters, and conserving and protecting Vermont's agricultural land, historical properties, important natural areas, and recreational lands." The Board administers the statutorily-established Housing and Conservation Trust Fund. (See a -- Programs.) The Board is staffed by nine positions, including an Executive Director.

- b. **Vermont Housing Finance Agency.** This agency is a statutorily-created quasi-public entity, composed of seven commissioners: the Commissioner of Banking, Insurance, and Securities; the State Treasurer; the Secretary of Development and Community Affairs; and four commissioners who are appointed by the Governor and have expertise in housing, finance and financial planning, or other related areas. The agency is statutorily authorized to issue MRBs and MCCs. There are 40 positions on staff.
- c. **Vermont State Housing Authority.** Established by the Legislature, this quasi-public entity of 42 positions administers several federal programs, including Section 8 programs. Seven commissioners appointed by the Governor oversee the Authority's operations. To expand its services in providing affordable housing for low-income families and gain access to state funding, the Authority created the Housing Foundation, Inc., a statewide nonprofit entity now in its fifth year of operation. Since its inception, the Foundation has preserved a total of 152 units. The Foundation is staffed under contract by the Authority staff.
- d. **Department of Housing and Community Affairs.** Four positions are assigned to housing programs in this state agency which administers the Small Cities Community Development Block Grant Program, the Emergency Shelter Grant Program, and the McKinney Permanent Housing for the Handicapped Homeless Program. The Department contracts with the Vermont Housing Finance Agency to implement the Low Income Housing Tax Credit Program.
- e. **Housing Vermont.** This independent nonprofit organization was created by the Vermont Housing Finance Agency four years ago to address a need resulting from changes to the 1986 tax laws. The agency gave Housing Vermont \$2 million in seed funds for its initial operations and expenses. Housing Vermont both raises equity and is responsible for all the development work associated with housing projects. To raise equity, it "sells" tax benefits (tax credits and write-offs and depreciation on projects) to qualified investors. After 15 years, nonprofit organizations which administer the housing projects will own them. All the projects developed by Housing Vermont are rental with a mixture of low-income and market-rate units. The total portfolio value of the rental units is currently \$66 million, of which \$25 million is equity. Housing Vermont has a staffing complement

of seven positions and a Board of nine members, including one gubernatorial appointee.

## 2. Programs

- a. **The Vermont Housing and Conservation Trust Fund.** This Fund, which is administered by the Vermont Housing and Conservation Board, was created in 1987. The General Assembly initially appropriated \$3 million to the Fund in FY 1988. In FY 1989, the General Assembly appropriated an additional \$20 million along with an annual commitment of a portion of property transfer taxes. Property tax proceeds available to the Fund have been declining but the Fund was subsequently recapitalized in FY 1991 with \$7.25 million in general obligation bond proceeds and in FY 1992 with \$5 million from that revenue source. Roughly 55 percent of expenditures from the Fund is applied to housing. Awards are made to municipalities, nonprofit organizations, housing cooperatives, and qualifying state agencies. Emphasis has been placed in recent years on funding affordable housing through nonprofits and municipalities in high unemployment and low per capita income regions of the state. In FY 1991 the Housing and Conservation Board committed \$10.1 million to 94 projects throughout the state. Moneys from the Fund for housing projects are generally leveraged with bond proceeds from the Vermont Housing Finance Agency, Community Development Block Grants, tax credits, and other revenue sources. In addition to grants and loans for housing acquisition and rehabilitation projects, funding is provided for the following purposes:
  - i. **Feasibility Funds.** This program supports appraisals, engineering and environmental studies, options, energy assessments, and marketing analyses to bring housing projects to the developmental stage.
  - ii. **Single-Family Assistance.** Up to \$2,000 is provided for downpayment assistance, closing costs, or interest write-downs for home ownership on limited equity homes. This program is coordinated with the Single-Family MRB Program administered by the Vermont Housing Finance Agency.
  - iii. **Project Specific Capacity.** Funding is provided for predevelopment work required prior to the actual purchase and renovation of very complex projects.
  - iv. **Habitat/Vocational Education.** Funding is provided to projects that develop working relationships between the housing nonprofits and Habitat for Humanity chapters and vocational education programs throughout the state.

The intent is to lower construction costs in affordable housing projects by encouraging this coordination.

- v. **Organizational Capacity Grants.** Capacity grants are awarded annually to nonprofits for some of the staffing costs associated with affordable housing and conservation projects.
  
- b. **Vermont Community Loan Fund.** This Fund is administered by a private, nonprofit organization with a staffing complement of 2.6 F.T.E. positions. Capitalized by private moneys, this fund provides short-term housing loans to municipalities and nonprofits at below-market rates, typically for gap financing for housing projects that will be perpetually affordable. Households with incomes of less than 80 percent of the median are targeted end-users of this program. Since its inception in June, 1988, the Fund has supported 35 projects and assisted construction of 300 single-family and rental units for a total of \$1.3 million in loans. Although no state appropriations have been made to the Fund, investments in the Fund have been encouraged by the availability of state tax credits for that purpose.
  
- c. **Enable.** This is a low-interest revolving loan fund administered by the Vermont State Housing Authority. Loans from this Fund may be used to rehabilitate units that are occupied by handicapped or elderly persons who earn at or below 50 percent of median income. In 1991, a total of \$17,668 was loaned for projects such as modifying an entrance door to a private home to make it wheelchair accessible.
  
- d. **Farmers Home 515 Program.\*** Administered by the Vermont State Housing Authority, this program provides subsidies on some or all units to reduce rents to no more than 30 percent of a tenant's adjusted income. By assuming an existing mortgage and borrowing additional equity, the Vermont State Housing Authority can purchase or rehabilitate housing projects which would otherwise be converted to market rent. This program also provides loans to nonprofits to assist them with building development in rural areas.
  
- e. **Section 8 Programs.\*** The Vermont State Housing Authority operates several Section 8 programs. In FY 1991, a total of \$18,767,982 was provided in subsidies for: the Existing Certificate and Voucher Program (2,087 units in 120 communities); the Project-Based Certificate Program; the New Construction Program (1,589 properties created in 1991); and the Moderate Rehabilitation Program which subsidizes 158 limited-income families.
  
- f. **Small Cities Community Development Block Grant Program.\*** This program is administered by the Department of Housing and Community Affairs. Historically, 50 percent or approximately \$2.5 million has been applied to housing-related projects.

- g. **Low Income Housing Tax Credit Program.\*** This program is implemented by the Vermont Housing Finance Agency under contract with the Department of Housing and Community Affairs. In 1991, federal tax credits totaled \$708,000.
- h. **Emergency Shelter Grants Program.\*** Administered by the Department of Housing and Community Affairs, this program provided shelter assistance totaling \$141,000 in FY 1991.
- i. **Mortgages for Vermonters (Single-Family MRB Program).\*** MRBs are issued by the Vermont Housing Finance Agency for loans to families with incomes of up to \$39,500 at a current interest rate of 8.15 percent. A feature of this and other mortgage assistance programs offered through the agency or elsewhere in the state is the availability of Energy Efficient Properties services. An independent organization -- Energy Rated Homes of Vermont -- trains bank appraisers to conduct energy evaluations and make recommendations to homebuyers on improving energy efficiencies. A homebuyer who purchases a home with a high energy efficiency rate will qualify for a larger mortgage than would be provided if the home were given a low rating.
- j. **HOUSE.\*** A portion of the MRB proceeds are provided by the Vermont Housing Finance Agency to local nonprofits for construction of perpetually affordable housing. The intended beneficiaries have family incomes of 60-80 percent of state median. Interest rates on HOUSE loans escalate over a period of years beginning with 6.2 percent for the first year of the loan and reaching a maximum of 7.7 percent.
- k. **Mortgage Credit Certificates.\*** A portion of the Vermont Finance Housing Agency's MRB allocation is converted to MCCs.
- l. **Weatherization.\*** This program is contracted out by the State Office of Economic Opportunity.

### 3. Needs Assessment

A housing needs assessment study was conducted on labor market areas by a consultant in 1987. Although the assessment itself was not particularly useful for the development of the CHAS, the recommendations in the study have proven useful. According to a staff contact person, there is no comprehensive housing needs assessment for the state. In the CHAS, housing needs were assessed by county and there was considerable criticism of the methodology used in that assessment.

## CONCLUSION

This profile of six states is only a microcosm of the variety of organizational structures which administer housing programs and the types of housing programs offered at the state level. Of the states profiled, Missouri and Delaware had the most consolidated system for providing housing assistance, followed by North Carolina. Vermont's program delivery system was most fragmented. Colorado essentially divided its housing programs between its housing finance authority and its Department of Local Affairs. Nebraska's service delivery system involved four entities; the state finance authority issued MRBs and three state agencies administered federal and state housing programs. In contrast to Kansas, all six states issued MRBs through their respective state finance authorities for loans to low- and moderate-income first-time homebuyers.

Whereas consolidation of housing programs appears to assist end-users and housing service providers in such states as Missouri and Delaware, active coordination among providers might reap similar results. Although Vermont has a fragmented system, staff contact persons from every agency and organization involved in state housing programs appeared to have a working familiarity with housing services provided by others and, to some extent, housing agencies and organizations coordinated efforts with others. The lack of coordination or a central clearinghouse can prove frustrating -- a point to which this writer can attest after having received several incorrect referrals to the appropriate housing agency in North Carolina charged with administering a certain federal housing program.

The most aggressive and innovative housing efforts were found in Vermont, Delaware, and North Carolina, probably because housing affordability for moderate-income households has been such a dominant issue in the eastern part of the country for so many years. Vermont has been particularly aggressive in enhancing linkages between environmental preservation, energy efficiency, and housing construction and rehabilitation and in creating nonprofit "spin-offs" to address gaps in the housing service delivery system. North Carolina has demonstrated considerable initiative in creating programs that require active participation from the private sector and nonprofit organizations. Of the states profiled in this report, Nebraska appears to be the least aggressive in its approach to housing needs. Again, the correlation with program development and housing affordability for moderate-income families might provide part of the explanation. Housing affordability for that income group has not been historically as severe a problem in the heartland as on the East Coast.

Most states do not have detailed comprehensive housing needs assessments at the state level. Several individuals involved in such endeavors admitted the desirability of such assessments for planning purposes but recognized the difficulties associated with developing them, particularly for rural areas. Perhaps the most enterprising and consumer-driven approach stems from Colorado where the staff was divided into teams and capitalized heavily on input from planning district work shops to develop the state's CHAS.

Finally, all the profiled states have implemented housing programs which involve sophisticated leveraging or commingling of funds. Examples include: North Carolina's Home Ownership Challenge Fund, Maxwell-Fuller Fund, and Housing Trust Fund; Nebraska's Rehabilitation Loan Program; Missouri's Housing Trust Fund; Delaware's Housing Development Fund; Colorado's Housing Development Grant Program; and Vermont's Housing and Conservation Trust Fund. The MRB programs in Vermont and Delaware are examples of sophisticated bond issues for

mortgage assistance. These types of finance programs underscore the need for financial and policy expertise at the state level.