

Approved: February 13, 1997  
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairman Bill Mason at 3:30 p.m. on February 4, 1997 in Room 423-S of the Capitol.

All members were present except: Barbara Allen (Excused)  
Annie Kuether (Excused)  
Lisa Benlon (Excused)

Committee staff present: Lynne Holt, Legislative Research Department  
Renaë Jefferies, Revisor of Statutes  
Beverly Renner, Committee Secretary

Conferees appearing before the committee: Randy Speaker, Director of Housing, Kansas Department of Commerce & Housing

Others attending: See attached list

Randy Speaker, Director of Housing presented an overview of the Division of Housing (Attachment 1). Housing is an important component of economic development. More and more businesses are asking questions related to housing opportunities and options, and are showing a concern for how housing affects the quality of life for their employees. Mr. Speaker reviewed the Division's FY96 goals and objectives results (Attachment 2).

Chairman Mason adjourned the meeting at 4:10 p.m.

The next meeting is scheduled for February 5, 1997.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE  
COMMITTEE GUEST LIST

DATE: February 4, 1997

NAME	REPRESENTING
Arthur Lindahl	Whitney Samson, PA
Don Brake	KS Commerce & Housing
Barbara Cowden	KS Dept Commerce & Housing
Jane Proctor	KS Dept. Commerce & Housing
Ranch Speaker	K-DOCH
Susan Paxson	American Environmental

**TESTIMONY**  
**BEFORE THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE**  
**THE KANSAS DEPARTMENT OF COMMERCE & HOUSING**  
**DIVISION OF HOUSING**  
**RANDY L. SPEAKER, DIRECTOR OF HOUSING**  
**FEBRUARY 4, 1997**

Mr. Chairperson and members of the Committee, I am honored to be here today to provide you with an overview of past activities and accomplishments of the Division of Housing and to discuss what lies ahead for housing in Kansas. After my brief presentation, I would welcome any questions and/or comments you might have for me.

**I. Introduction**

Kansas was the 49th state to create a state housing office. Although this has limited our abilities to create state-based housing resources, we are able to learn lessons from other states as to how to effectively address housing issues on a statewide basis. Today, with the use of the "Governor's Commission on Housing Report", I will outline some of these issues for you.

As evidenced by inclusion in the Kansas, Inc. document, "A Kansas Vision for the 21st Century: The Strategic Plan for Economic Development," housing is recognized as an important component of economic development. Today, more and more businesses are asking questions related to housing opportunities and options, and are showing a concern for how housing affects the quality of life for their employees. These inquiries are directed not only toward the needs of their front line workers, but toward their middle and upper management employees as well.

## II. Division of Housing

The mission of the Division of Housing is "to provide housing opportunities to Kansans through the development of resources, partnerships and technical assistance." The Division carries out its activities with 22 persons and an operating budget just slightly over \$1,400,000. Perhaps one reason that housing is becoming more widely recognized as a piece to the economic development puzzle is that it has a direct impact on communities. In State Fiscal Year 1996, the Division, through its leveraging of public and private funds, was responsible for over \$140,000,000 of new economic activity. When compared to the small investment in salaries and operating expenses, this is a return seldom found, even in the private sector.

In Fiscal Year 1996 the Division granted \$1,800,000 to first-time homebuyers, leveraging \$5,900,000 in private mortgage funds through local lenders; increased lender participation from 115 lenders in FY95 to 153 in FY96; weatherized 1,049 homes and 745 rental units; and implemented a voluntary home energy rating system, setting the tone for more competitive mortgages. A complete breakout of the Division's FY96 results can be found in the "Commerce & Housing Annual Report" and the "Governor's Commission on Housing Report".

Through the Consolidated Plan, and in conjunction with the Community Development and Business Development Divisions, the Housing Division has been able to enhance its effect upon communities. Introduction of comprehensive development techniques has enabled communities to view their issues in a broader, more holistic approach. This has allowed for greater efficiency in policy and funding decisions.

Accountability for the Division is based on the 1996 Strategic Plan for the Budget which spells out our goals, objectives and strategies. It identifies outcome and output measures for all of the Division's activities which form the basis for our quantifiable performance measures. To consolidate our efforts, we use this document as the basis for our budget request. A copy of the 1996 Strategic Plan is attached to this testimony for your review.

### **III. Governor's Commission on Housing**

Governor Graves reorganized the Governor's Commission on Housing in January of 1996. Like any new organization, much of its initial effort was devoted to establishing operating procedures and identifying how best to provide feedback to the Governor's office, the Secretary of Commerce & Housing and the Director of Housing. Attached is the Commission's report to Governor Graves outlining the first year of operation.

### **IV. Conclusion**

As the market continues to identify the important role housing plays in economic development, we will continue aggressive pursuit of financing options which do not increase tax dollars or redirect funds away from other worthwhile activities. Furthermore as the devolution of authority and funding from the federal government evolves over the next several years, we will be prepared to address housing issues in a manner which benefits all Kansans. I will gladly entertain any questions or comments.

# **Kansas Department of Commerce & Housing**

**Division of Housing**

**1996 Results**

**Goals & Objectives**

**SFY 1996**

**GOAL:**

To provide housing opportunities for all Kansans through the development of resources, partnerships, and technical assistance.

**OBJECTIVE #1:**

To increase the number of homeownership opportunities.

**Strategies for Objective #1:**

1. Leverage conventional mortgage lending, using grants for downpayments and closing costs from the HOME program.
2. Promote issuance of Mortgage Revenue Bonds and Mortgage Credit Certificates and establish a statewide mechanism for distribution.
3. Obtain "approved lender" status from HUD to utilize Fannie Mae (FNMA), Ginny Mae (GNMA), and Federal Home Loan Bank.
4. Expand the target market of eligible households to 115% of median income and direct resources to overcome limitations created by Federal restrictions. Create a Homeownership Enhancement Program (HEP) for this purpose.
5. Promote the Home Energy Rating System concept, Energy Efficient Mortgage and associated energy improving financing.

**Performance Measures for Objective #1:**

**OUTCOME MEASURES:**

	<u>SFY 1995 Actual</u>	<u>SFY 1996 Goal</u>	<u>1996 Results</u>
- Homebuyers assisted	125	160	161
- Minority families served	15	20	21
- Public funds (Private Activity Bonds)			

**OUTPUT MEASURES:**

				<u>With Match \$:</u>
- Grants with private lenders	1,200,000	1,500,000	1,545,702	1,848,814
- Leveraged private funds	3,900,000	4,900,000	6,149,009	
- Private funds (Private Activity Bonds)				
- Participating lenders	115	125	153	
- Counties served	30	40	31	

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**OBJECTIVE #2:**

To facilitate and improve rental housing opportunities.

**Strategies for Objective #2:**

1. Make housing affordable for low income families using rent supplement grants from the HOME, Section 8, Community Services Block Grant (CSBG) programs, and through LIHTC set-a-side.
2. Prevent homelessness and obtain permanent housing for low income families, using rent supplement grants from the Emergency Shelter Grant (ESG), Permanent Public Housing for the Handicapped Homeless (PHHH), Section 8, and CSBG programs.

**Performance Measures for Objective #2:**

**OUTCOME MEASURES: \***

	<b>SFY 1995 Actual</b>	<b>SFY 1996 Goal</b>	<b>1996 Results</b>
- Low income families assisted	1,080	1,080	6,682
- Homeless family situations prevented	250	57	94
- Homeless families placed in permanent housing	200	200	159
- Minority families served	165	165	543

**OUTPUT MEASURES:**

- Grants to local governments, public housing authorities, private owners, and nonprofit agencies	4,300,000	4,300,000	5,493,657
- Participating providers	40	45	65
- Counties selected by rents	60	75	75

\* These are federally funded programs which will most likely have a reduction in funds. Furthermore, the construction costs will be expected to increase approximately 3%. In spite of these, the Division of Housing believes it will be able to maintain its current level of consumer participation.

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**OBJECTIVE #3:**

To assist in the new construction of affordable rental units.

**Strategies for Objective #3:**

1. Replace dilapidated housing stock, and ease tight housing markets, using tax credit incentives from the Low Income Housing Tax Credit and HOME programs, and private activity bonds.
2. Administer a Revolving Loan Fund for developers of rental housing.
3. Coordinate targeted Community Development Block Grant funds for infrastructure development and building demolition in conjunction with housing development.

**Performance Measures for Objective #3:**

**OUTCOME MEASURES:**

	<u>SFY 1995 Actual</u>	<u>SFY 1996 Goal</u>	<u>1996 Results</u>
** - Rental units developed	740	825	1,027
** - Total development costs added to local economies	24,400,000	26,850,000	47,984,092

**OUTPUT MEASURES:**

- Federal tax incentives allocated *	25,000,000	27,500,000	27,521,158
- Leveraged private funds	16,900,000	18,600,000	26,481,248
- CDBG Targeted funds	0	427,300	270,000
- Participating developers	15	25	15
- Counties served	15	40	30

\* 10 year Allocation

\*\* The LIHTC Program reports actual allocations on a calendar year basis, rather than fund reservations.

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**OBJECTIVE #4:**

To assist in the rehabilitation of existing housing units.

**Strategies for Objective #4:**

1. Make home repairs and accessibility modifications, using loans and grants from the HOME program.
2. Rehabilitate substandard rental housing, using tax credit incentives and grants from the Low Income Housing Tax Credit and HOME programs, and Private Activity Bonds.
3. Obtain tax relief for rehabilitation costs of lower income persons in targeted areas.

**Performance Measures for Objective #4:**

**OUTCOME MEASURES:**

	<u>SFY 1995 Actual</u>	<u>SFY 1996 Goal</u>	<u>1996 Results</u>
- Homes restored or adapted	60	90	224
- Rental units restored*	1,025	1,025	750
- Total rehabilitation costs added to local economies	31,800,000	32,000,000	19,415,730

**OUTPUT MEASURES:**

- Grants to local governments and non-profit organizations	1,700,000	1,700,000	1,391,526
- Federal tax incentives allocated	1,900,000	1,900,000	844,504
- Leveraged private funds	43,100,000	45,000,000	5,301,598
- Participating providers and developers	90	95	34
- Counties served	45	55	44

\* Even though construction costs are increasing approximately 3%, the Division plans to maintain its current level of consumer participation.

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**OBJECTIVE #5:**

To improve energy efficiency in housing.

**Strategies for Objective #5:**

1. Administer Home Rating System voluntary energy standards, train and certify inspectors to perform Home Energy Rating Systems (HERS) reviews.
2. Make energy efficiency improvements on homes and rental units, using technical assistance and grants from Department of Energy and other sources.

**Performance Measures for Objective #5:****OUTCOME MEASURES:**

	<u>SFY 1995 Actual</u>	<u>SFY 1996 Goal</u>	<u>1996 Results</u>
- Homeowner units weatherized	1,249	807	981
- Rental units weatherized	737	1,115	717
- Savings in fuel costs	300,000	330,000	403,445

**OUTPUT MEASURES:\***

- Grants to nonprofit and public agencies	4,000,000	4,000,000	4,048,001
- Training and technical assistance hours	1,260	1,260	1,024
- Participating providers	12	12	12
- Counties served	105	105	99
- Leverage funds			

\*This federally funded program will most likely have a reduction in funds. Furthermore, the construction costs will be expected to increase approximately 3%. In spite of these the Division of Housing believes it will be able to maintain its current level of consumer participation.

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**OBJECTIVE #6:**

To improve the availability and efficiency of operations of emergency shelters and transitional housing.

**Strategies for Objective #6:**

1. Make grants for rehabilitation of shelter facilities, operating costs, and essential services from the Emergency Shelter.
2. Provide opportunities for developers to set aside transitional housing units in Low Income Housing Tax Credit projects.
3. Provide assistance to service providers on the use of leveraging techniques.
4. Promote partnerships and joint ventures between service providers.

**Performance Measures for Objective #6:**

**OUTCOME MEASURES:**

	<u>SFY 1995 Actual</u>	<u>SFY 1996 Goal</u>	<u>1996 Result</u>
- Homeless families assisted	1,825	2,000	2,611
- Shelter beds	35	40	8
- Transitional units set aside	20	25	19

**OUTPUT MEASURES:**

- Grants to local governments and nonprofit agencies	665,000	750,000	1,258,784
- Leveraged public and private funds	630,000	700,000	1,154,770
- Participating providers	40	50	57
- Counties served	15	20	68

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**OBJECTIVE #7:**

To increase the capacity of communities and organizations to provide housing related services.

**Strategies for Objective #7:**

1. Grant capacity building and operating expense funds to community organizations which provide supportive services to assure housing stability through Community Services Block Grant and Emergency Community Services Homeless programs.
2. Provide technical assistance and grants to communities to explore alternative means to increase housing availability using the Low Income Housing Tax Credit program.
3. Pursue subcontract agreements with community based organizations allowing the Housing Division to more efficiently allocate resources.

**Performance Measures for Objective #7:**

**OUTCOME MEASURES:**

	<u>SFY 1995 Actual</u>	<u>FY 1996 Goal</u>	<u>1996 Results</u>
- Community service workers assisted	75	75	94
- Housing units enhanced by services *	350	350	Program Discontinued
- Savings institutional Costs *	110,000	110,000	Program Discontinued

**OUTPUT MEASURES:**

- Grants with nonprofit and public agencies	2,200,000	2,200,000	1,515,570
- Training and technical assistance hours	3,700	3,700	6,408
- Participating providers	25	30	44
- Counties served	75	80	58

\* These outcome measures represented the Sunflower Supportive Services demonstration program. This program provided funding for site service coordinators in elderly housing projects. It was privately funded until July 1, 1995; continuation of this program has been proposed to the Department of Aging.

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**OBJECTIVE #8:**

To develop additional resources to increase affordable housing.

**Strategies for Objective #8:**

1. Redevelop and implement a comprehensive strategy for affordable housing, community and economic development; i.e., the Consolidated Plan (CP).
2. Develop additional and permanent revenue sources for the State Housing Trust Fund (SHTF).
3. Fund and facilitate use of the Tax Credit Equity Fund (TCEF) in conjunction with Kansas Development Finance Authority (KDFFA).
4. Facilitate accessibility to foreclosed, repossessed, and tax delinquent housing controlled by private lenders and government agencies.
5. Create a Neighborhood Value Enhancement Program (NVEP) to stabilize property values in targeted declining neighborhoods.
6. Serve as an intermediary developer to receive troubled projects and prepare a plan of action, including financing, whereby local developers and community based organizations become the ultimate owners.
7. Expand the use of Tax Increment Financing (TIF).
8. Search for, and obtain, sources of credit enhancement.
9. Assist local communities to identify matching funds.

**Performance Measures for Objective #8:**

**OUTCOME MEASURES:**

	<u>SFY 1995 Actual</u>	<u>SFY 1996 Goal</u>	<u>1996 Results</u>
- Revenues added to SHTF	590,000	600,000	727,143
- Private investment in TCEF	0	750,000	0
- Neighborhoods stabilized in tax valuation via NVEP	0	3	0
- New local project owners	0	10	0
- Additional communities using TIF	0	5	0

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**OUTPUT MEASURES:**

	<u>SFY 1995 Actual</u>	<u>SFY 1996 Goal</u>	<u>1996 Results</u>
- Revenue sources dedicated to State Housing Trust Fund	0	2	4
- Start up capital assigned to Tax Credit Equity Fund	50,000	50,000	0
- Federal Deposit Insurance Corporation units monitored for compliance	60	266	82
- Neighborhood Value Enhancement Program investment	0	100,000	0
- Credit enhancement sources identified	0	5	2
- Matching funds sources identified	0	25	29

**OBJECTIVE #9:**

To increase awareness of access to affordable housing resources.

**Strategies for Objective #9:**

1. Operate an "800 Housing Information hotline; track incoming inquiries, categorize and provide follow-up with clients.
2. Maintain and update the State Housing Directory.
3. Publish and distribute a housing newsletter.
4. Present workshops on housing programs, emphasizing housing as an integral part of community and economic development.
5. Encourage citizen input in the methods of establishing Kansas housing policy.

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**Performance Measures for Objective #9:**

**OUTCOME MEASURES:**

	<u>SFY 1995 Actual</u>	<u>SFY 1996 Goal</u>	<u>1996 Results</u>
- Hotline callers assisted	890	1,100	1,346

**OUTPUT MEASURES:**

- Directory updates published	1	1	0
- Newsletter editions distributed	4	4	3
- Application and grantee workshops conducted	35	35	33
- Participants in Kansas housing policy development	50	500	2,244
- Public hearings conducted for Consolidated Plan	6	6	13

**OBJECTIVE #10:**

To decrease dependency on the State General Fund for Financial support.

**Strategies for Objective #10:**

1. Reorganize division to create a financially self-supporting Asset Management Section to perform financial and compliance activities on a fee for service basis.
2. Pursue participation in the defeasance and/or refunding of existing bond financed projects.
3. Identify activities which can be subcontracted to community based organizations (CBO's).
4. Restructure the Housing Division to be function-based rather than program-based.
5. Restructure the Governor's Commission on Housing and Homelessness.

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Performance Measures for Objective #10:

**OUTCOME MEASURES:**

	<u>SFY 1995 Actual</u>	<u>SFY 1996 Goal</u>	<u>1996 Results</u>
- Division income generated	0	600,000	570,837
- Community reinvestment generated	0	325,000	129,283 *
- Division savings generated	0	75,000	93,820
- Percent cost reduction of Governor's Commission	0	50%	67%

**OUTPUT MEASURES:**

- Projects managed	0	30	35
- Projects refinanced	0	10	0
- Community-Based organization subcontracts	0	10	12

\* 3 quarters only

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