Approved Date: March 6, 2001

MINUTES OF THE HOUSE COMMITTEE ON NEW ECONOMY.

The meeting was called to order by Chairperson William Mason at 3:30 p.m. on February15, 2001 in Room 522-S of the Capitol.

All members were present except: All present

Committee staff present:
Bob Nugent, Revisor of Statutes
Renae Jefferies, Revisor of Statutes
April Holman, Legislative Research Department
Lynne Holt, Legislative Research Department
Rose Marie Glatt, Secretary

Conferees appearing before the committee:
Lt. Gov. Gary Sherrer, Secretary of Commerce
Matt Goddard, Heatland Community Bankers
Martha Neu Smith, Executive Director, KS Manufactured Housing
Written Testimony Only
Becca Vaughn, Topeka Independent Living
Erik Sartorius, KS City Regional Assn. of Realtors
Kathleen Taylor Olsen, KS Bankers Assn.

Others attending: See Attached List

The Chairman opened the hearing on **HB 2205**.

Ms. Holt briefed the committee on the background of the bill leading up to the 1999 Interim Joint Economic Development Meeting. The Committee's consensus was to delay any decisions until the Task Force for the Governor's Commission on Housing had completed and sent their report, including recommendations, to the Governor, December, 1999. From that report **HB 2971** was created, passed overwhelmingly in the House but stalled in the Senate Commerce Committee during the 2000 session. **HB 2205** is a substitute for that bill.

The purpose of the bill was to create the Kansas Housing Development Corporation, (KHDC) functioning as a quasi governmental housing finance agency. KHDC would administer the housing program currently administered by KDOC&H. She outlined the structure, responsibilities, functions and prohibitions of said agency. If the bill passed it would take effect July 1, 2001.

Discussion followed clarifying tax issues and responsibilities of a housing development department. Representative Aday explained the genesis of the bill, reviewed the details and history of the current bill and described some of the programs not available in Kansas due to the current structure.

Matt Goddard spoke to the committee as a party with concerns (Attachment 1). Although HCBA does not oppose the bill, Mr. Goddard expressed three concerns: (1)unlimited power given to the agency, (2) perceived need for the bill, and (3) possibility of the state agency competing directly with existing lenders. He offered balloon amendments to **HB 2205** that would address those issues. Representative Aday responded that Mr. Goddard's concerns addressed one small part of the bill. Discussion followed regarding the issuance of bonds for the Housing Department.

Lt. Governor Sherrer spoke in opposition to **HB 2205** (Attachment 2). He gave seven reasons for his position: (1) current structure is effective, (2) state policy would be carried out, but outside state rules, (3) power of the proposed agency to buy, sell or trade securities, (4) competition with the private sector, (5) bonding authority issues, (6) unlimited power to invest funds, and (7) risk involved in borrowing money and guaranteeing loans. He stated that KDOC&H has added new programs, made policy changes that financially support more local housing organizations and that the issues addressed in the bill can be accomplished through his agency. His testimony included data on the Housing Tax Credit Programs from 1987-2001.

Discussion followed regarding the fiscal impact of the bill, tasks not currently being performed by KDOC&H compared to those outlined under the proposed bill and duplication of services by other agencies.

Martha Neu Smith, Executive Director, Kansas Manufactured Housing, expressed two areas of concerns; (1) scope of authority of the new Housing Corporation and (2) lack of legislative oversight or limits on the outstanding debt allowed at any one time (Attachment 3). She encouraged the committee to adopt the amendments suggested by Heartland Community Bankers Assn.

Written testimony was distributed for the following conferees:

Proponent: Becca Vaughn, Topeka Independent Living Resource Center, (Attachment 4)

Parties with Concerns:

Erik Sartorius, Kansas City Regional Assn. of Realtors, (Attachment 5)
Kathleen Taylor Olsen, Kansas Bankers Assn. (Attachment 6)

Representative Aday distributed copies of excerpts outlining the recommendations from the Governor's Housing Report (Attachment 7). He encouraged them to review those recommendations and clarified the duplication issue previously discussed.

The Chairman closed the hearing on **HB 2205.**

Next meeting February 20

The Chairman adjourned the meeting at 5:00 p.m.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE
COMMITTEE GUEST LIST

DATE: Feb 15, 2001

NAME	REPRESENTING
Whitney Damron	FS Securities Industry Assn.
Stephane Buchanan	DOB
Norma Phillips	KDOC&H
Randy Speaker	KDOC&H
Fred M. Schwien	KDOC&H
Paul Johnson	PACK
Allen Walkinshaw	TALK
Roger Franzke	KGC
Matt Goddard	HCBA
Erik Sartorius	K.C. Regional Assoc. of Realtors
[illegible]	Gr K.C. Bus. Assoc.
Daniel L. Eklund	SCLA
Janet Stubbs	KBIA
Sherry Brown	KDOC&H

HEARTLAND COMMUNITY BANKERS ASSOCIATION

Matthew S. Goddard, Vice President

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mgoddard@hcbankers.com

To: House Committee on New Economy

From: Matt Goddard
Heartland Community Bankers Association

Date: February 15, 2001

Re: House Bill 2205

The Heartland Community Bankers Association appreciates the opportunity to appear before the House Committee on New Economy to share our thoughts on House Bill 2205.

The Heartland Community Bankers Association represents thrifts in Kansas, Colorado, Nebraska and Oklahoma. Our members specialize in residential mortgage lending. In 1999, Kansas thrifts made more than \$2 billion in residential mortgage loans. For the first nine months of 2000, Kansas savings associations made more than \$1.3 billion in residential mortgage loans.

House Bill 2205 creates a new state agency to be known as the Kansas Housing Development Corporation. Like many bills, House Bill 2205 is based on existing law in other states. The corporation is similar to the housing finance agencies that exist in every state but Kansas and Arizona.

While HCBA does not oppose HB 2205, we do have concerns with the bill. HCBA does not deny that safe, affordable housing is a concern for many Kansans. However, as HB 2205 is drafted, the Corporation is empowered to do whatever it deems necessary to solve housing problems in Kansas. The bill prohibits certain activities, but unless a specific prohibition is contained in HB 2205, the new state agency has free reign to undertake whatever programs it sees fit. HCBA is concerned with the creation of a government agency that has little legislative oversight and the ability to make its own rules. In other states, housing agencies like the Corporation have become large and powerful bureaucracies.

HCBA is also concerned that the public policy rationales for creating finance agencies over two decades ago lack the same validity in 2001. Two-thirds of the states that have created housing agencies did so more than 20 years ago. The 48th housing finance agency was created in the late 1980's. These agencies were created when funding for loans was limited, interest rates were higher than they are now and the secondary mortgage market had not yet fully developed.

The financing mechanisms available to the public for home buying are much different today than they were when most state finance agencies were created. Commercial banks were not allowed to become members of the Federal Home Loan Bank system until 1990. As members, institutions are eligible for advances that provide an affordable source of funding for lenders to make loans. As of February 11, 2001, the Topeka bank had over \$6.3 **billion** in outstanding advances to Kansas lenders. In

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Attachment 1

addition, Freddie Mac and Fannie Mae, government-sponsored enterprises involved with the secondary mortgage market, have provided billions of dollars in funding in recent years. For example, in 1998, Fannie provided $1.896 billion in funding for Kansas mortgages. According to testimony provided to a 1999 interim committee, Fannie's total Kansas investment through May 1999 was just over $5 billion.

HCBA would respectfully suggest that a housing finance agency as contained in HB 2205 may not be the best solution for housing needs in Kansas. An agency like the Corporation is not a panacea for every housing ill. If it were, then Kansas and Arizona would be the only states in the Union with housing problems.

The Corporation has been promoted as a tool for providing housing in non-urban areas. In Oklahoma, where the state's finance agency is celebrating it's 25th anniversary in 2001, state Rep. Dale Turner recently told the *Journal Record* that lack of adequate housing is a major problem for rural Oklahoma. "Housing is a big issue. It's a real problem," he recently told the paper. The following comes from a 1998 background memorandum for an affordable housing study prepared by the North Dakota Legislative Council staff for the Commerce and Agriculture Committee:

> *Testimony received during the hearings on House Concurrent Resolution No. 3046 indicated that the resolution was introduced to address concerns regarding the availability of housing in cities that have experienced increased job growth but lack housing. The testimony indicated that state and federal housing assistance programs have generally focused on the larger cities in the state and rural areas and the smaller cities have experienced housing shortages. The resolution states that the ability of rural communities to attract private home construction at an affordable price is hampered by the differential between the construction cost and the appraised value.*

It is very low- and low-income Kansans who need the most help from the Corporation. They are more likely to have a bad financial experience that reflects negatively on their credit worthiness than other potential borrowers. With a bad credit history for the applicant, a traditional lender is less likely to be able to make a mortgage loan. Based on 1999 HMDA data for Kansas, approximately 38 percent of all loan applications by very low-income households were denied. Applications from low-income households were denied 27 percent of the time. By contrast, loan applicants making more than 120 percent of the area's median income were denied their loan just 12 percent of the time.

Finally, HCBA is concerned with the possibility of the state creating a new bureaucracy in the Corporation that will compete directly with existing lenders for existing markets rather than focusing on those Kansans who are currently underserved by traditional mortgage lenders. Finance agencies must repay the bonds that provide them their funding. Due to credit and bond rating concerns, an agency must employ underwriting standards that naturally give preference to the upper income echelon of moderate-income applicants. While less well off moderate- and lower-income applicants may still benefit from a finance agency, they are not the primary beneficiaries.

To address some of our concerns, HCBA has prepared several balloon amendments. These do not eliminate every concern HCBA has with HB 2205 and the Corporation. These amendments are intended to improve the bill, but they do not address underlying concerns with a state bureaucracy becoming involved with residential mortgage lending and the issue of whether or not the Corporation will be effective in solving the housing dilemmas confronting the people of Kansas.

The first amendment is on page 2 of the bill and simply includes single-family home loans and home-improvement loans in the definition of "housing related function." Later in the bill, the Corporation is prohibited from participating in any housing related function in a community which has not conducted a housing needs study.

The balloon amendment on page 4 subjects the Corporation to a sunset provision. A sunset will require the Corporation to participate in the legislative process and provide the legislative branch a means by which to review its activities. The amendment contains a five-year sunset provision. In Michigan, it is a three-year sunset.

Two balloons are added to page 8 of the bill. The first authorizes the Corporation to contract with a master servicer for the servicing of mortgages acquired by the Corporation. The amendment also gives the originating institution the right to retain any loans it originates on behalf of the Corporation. This will help Kansas lenders who wish to keep a loan in their portfolio and it helps consumers by keeping their loan servicing with a local company. The second amendment limits the single-family home loan and home-improvement loan programs of the Corporation to those who need help the most, low and very-low income Kansans.

Finally, the amendment for page 9 puts a cap on the bonding authority of the Corporation. As the bill is written, the Corporation can assume unlimited indebtedness. Other states have caps on the bonding authority of the finance agency.

The Heartland Community Bankers Association appreciates the opportunity to share these concerns and amendments with the House Committee on New Economy.

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priority position over other commitments;

(2) "corporation" means the Kansas housing development corporation;

(3) "distressed community" means:

(A) A municipality within a metropolitan statistical area which has a median household income of under 80% of the median household income for the metropolitan statistical area, according to the latest decennial census or a United States census block group or contiguous group of block groups within a metropolitan statistical area which has a population of at least 2,500, and each block group having a median household income of under 80% of the median household income for the metropolitan area in Kansas, according to the latest decennial census; or

(B) regarding municipalities not in a metropolitan statistical area, distressed community means a municipality with a median household income of under 80% of the median household income for the nonmetropolitan counties of Kansas according to the last decennial census or a census block group or contiguous group of block groups which has a population of at least 2,500 each block group having a median household income of under 80% of the median household income for the nonmetropolitan counties of Kansas, according to the latest decennial census;

(4) "land development" means the process of acquiring land for residential housing construction, and of making, installing or constructing nonresidential housing improvements, including waterlines and water supply installations, sewer lines and sewage disposal installations, steam, gas and electric lines and installations, telephone and other communications lines and installations, roads, streets, curbs, gutters, sidewalks, whether on or off the site, which the corporation deems necessary or desirable to prepare such land for residential housing construction within this state;

(4) "housing related function" includes the purchase or participation in the purchase of single-family home loans and the making of, purchasing of or participation in the purchasing of home-improvement loans.

(5) "low income, very low income and moderate income persons and families" have the meanings ascribed to them by rules and regulations of the federal department of housing and urban development and as adopted by the corporation;

(6) "residential housing" or "development" means a specific facility, work or improvement within this state, undertaken primarily to provide dwelling accommodations for persons and families, including the acquisition, construction or rehabilitation of land, buildings and improvements thereto;

(7) "weatherization" means the retrofitting which is identified by an energy audit and meets standards as established by the corporation for single or multifamily dwelling and includes one or more of the following:

(A) Insulation of walls, ceiling, floors, pipes or water heaters;

(B) storm or insulated doors and windows;

6-1

by the corporation.

(d) Notwithstanding any other law to the contrary it shall not be or constitute a conflict of interest for a director, officer or employee of any financial institution, investment banking firm, brokerage firm, commercial bank or trust company, architecture firm, insurance company or any other firm, person or corporation to serve as a member of the corporation, provided such trustee, director, officer or employee shall abstain from deliberation, action and vote by the corporation in each instance where the business affiliation of any such trustee, director, officer or employee is involved.

(e) The board of directors shall conduct a national search and select a corporate president who meets a national standard of experience, ability and initiative for similar positions. The corporate president shall not be a member of the board.

(f) The board of directors shall hold all board meetings within the state of Kansas.

(g) Members of the board of directors are entitled to compensation and expenses as provided in K.S.A. 75-3223, and amendments thereto.

(h) The board shall annually elect from the membership one member as chairperson and one member as vice-chairperson.

(i) The board of directors shall meet at least once during each calendar quarter, and at such other times as may be provided in the rules of the corporation, upon call by the president, the chairperson or upon written request of a majority of the directors.

(j) A majority of the board of directors shall be necessary to transact corporation business, and all actions of the directors shall be by a majority vote of the full number of corporate directors.

(k) A member appointed to the board of directors by the governor may be removed by the governor for cause, stated in writing, after a hearing thereon.

(l) The Kansas housing development corporation shall be and hereby is abolished on July 1, 2006.

New Sec. 4. (a) The corporation shall have all the powers necessary to achieve the purposes, specified in section 1, and amendments thereto, including the power to:

(1) Make, amend and repeal bylaws, rules and regulations for the management of its affairs;

(2) sue and be sued;

(3) make contracts and execute all instruments necessary or convenient for carrying out its business;

(4) acquire, own, hold, dispose of and encumber real or personal property of any nature, both tangible and intangible, or any interest therein;

(5) enter into agreements or other transactions with any federal, state, county or municipal agency and with any individual, corporation, enter-

(c) In addition to the corporate powers described in subsection (a), subject to and in accordance with appropriations acts, the corporation is hereby authorized to perform the functions formerly directed by the office of housing within the department of commerce and housing as follows:

(1) Prepare, from time to time amend, and administer the state housing plan in accordance with criteria of the federal department of housing and urban development;

(2) serve as a clearinghouse and single point of contact for the state regarding information, programs, and resources related to affordable and accessible housing;

(3) provide access and management of federal housing programs for delivery to the citizens and businesses of Kansas;

(4) work with existing agencies, organizations, and social programs to assist in the development of affordable and accessible housing; and

(5) within 90 days of the close of its fiscal year, the corporation shall submit to the secretary of commerce and housing, for inclusion in the secretary's annual report to the legislature, a complete and detailed report setting forth:

(A) Its operations and accomplishments;

(B) its receipts and expenditures during such fiscal year in accordance with the categories or classifications established by the authority for its operating and capital outlay purposes;

(C) its assets and liabilities at the end of its fiscal year, including a schedule of its mortgage loans and commitments and the status of reserve, special or other funds; and

(D) a schedule of its notes and bonds outstanding at the end of its fiscal year, together with a statement of the amounts redeemed and incurred during such fiscal year.

(d) In the performance of its duties and functions pursuant to this act, the corporation shall not:

(1) Originate single family home loans, except as specifically provided in this act;

(2) purchase or participate in the purchase of single-family home loans or make, purchase or participate in the purchase of home-improvement loans when the mortgagor or borrower does not meet the definitions of low-income, very-low income ~~or moderate income~~ as defined in this act; or delete

(3) originate multifamily first mortgages, except when no other lender will provide financing as documented to the corporation by the presentation of written denials of applications for such mortgages from two financial institutions. The corporation shall encourage the restructuring of the debt for such developments for the betterment of the residents

(c) (1) The corporation shall have the power to make and execute contracts with mortgage bankers or other financial institutions in this state for the servicing of mortgages acquired by the corporation pursuant to this act, and to pay the reasonable value of services rendered to the corporation pursuant to those contracts.

(2) Each mortgage banker, financial institution or other mortgage lender making loans on behalf of or with the involvement of the corporation shall have the right to retain the mortgage servicing rights for those loans made on the behalf of or with the involvement of the corporation.

and the community in which it is located;

(4) participate in lending activities for nonresidential purposes.

(5) own real property for long periods of time. Such property that has been acquired for the purpose of debt restructuring or otherwise providing financial stability should be returned to private ownership within 18 months or as quickly thereafter as possible;

(6) have outstanding at any time bonds and notes for any of its corporate purposes in an aggregate principal amount exceeding $1,000,000,000;

(6) participate in any housing related function in a community which has not conducted a housing needs study;

(7) participate in housing construction as a general contractor or subcontractor; and

(8) participate in any housing function which can be handled economically or efficiently by private industry.

(e) The corporation shall be exempt from all franchise, corporate business and income taxes levied by the state.

(f) The corporation shall not be subject to state purchasing laws.

(g) The corporation is an agency of the state to the extent that it's an issuing authority within the meaning of § 146 of the internal revenue code of 1986 and the state housing credit agency within the meaning of § 42(h)(7)(A) of the internal revenue code of 1986. The corporation is authorized to administer the provisions of § 42 of the internal revenue code of 1986, and may issue qualified private activity bonds to carry out the provisions of this chapter, to the extent the corporation is allocated a portion of the state ceiling of qualified private activity bonds applicable to the state. Any such allocation shall not affect the powers relating to the issuance of bonds or notes in by the corporation as provided in paragraph (9). No provision of this section affects the validity of bonds or notes issued as provided in this act, regardless of whether the obligations are issued in the manner required by federal law for the exemption of the interest thereon from federal income taxation. The corporation may enter into all agreements and take any actions necessary to comply with all conditions set forth in section 103A of the internal revenue code of 1954, as amended, and section 143 of the internal revenue code of 1986, as appropriate, for the issuance of qualified mortgage bonds as therein defined.

New Sec. 5. (a) The governor's commission on housing shall have and perform the following functions:

(1) Assist the corporation in the continued development of the state housing plan;

(2) address the special populations in need of housing availability and affordability;

(3) provide advice and counsel to the corporation concerning Kansas community housing needs to facilitate economic development; and

(4) work with existing agencies, organizations and social programs to

New Economy Committee
February 15, 2001
Testimony of Lt. Governor/Secretary of Commerce & Housing
Gary Sherrer

H.B. 2205

Mr. Chairman and members of the committee, thank you for the opportunity to present remarks regarding H.B. 2205.

First, I want to thank Representative Aday for his deep interest and strong support of housing issues. He has done a service to Kansas by raising the issue of housing to a higher level of discussion.

With that admiration comes my regret that I cannot support this legislation. The following are my concerns.

- I am opposed to the creation of a new state agency. The current structure is effective and while we may need to enhance it, we do not need to replace it with an organization that will have less accountability to the Governor, the legislature and the budget process.

- I am opposed to creating an organization that carries out state public policy but operates outside state rules. I am concerned when we allow these organizations to pay their employees more money for work that is done as well and for less by traditional state employees. Either state bidding and contracting regulations are effective and needed or we need to remove them for all agencies not a select few.

- The risk associated with the power this bill gives to buy, sell or trade securities is significant. Why is it needed, why is it given?

- Where are the written "firewalls" in this bill that will keep the new organization from competing with the private sector in a number of areas?

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Attachment 2

- If we need to issue bonds, cannot we write legislation that allows my agency to contract with Kansas Development Finance Authority to do so? We already have a state bonding agency – why not use it?

- The power to invest funds seems open ended and unlimited, is this good public policy?

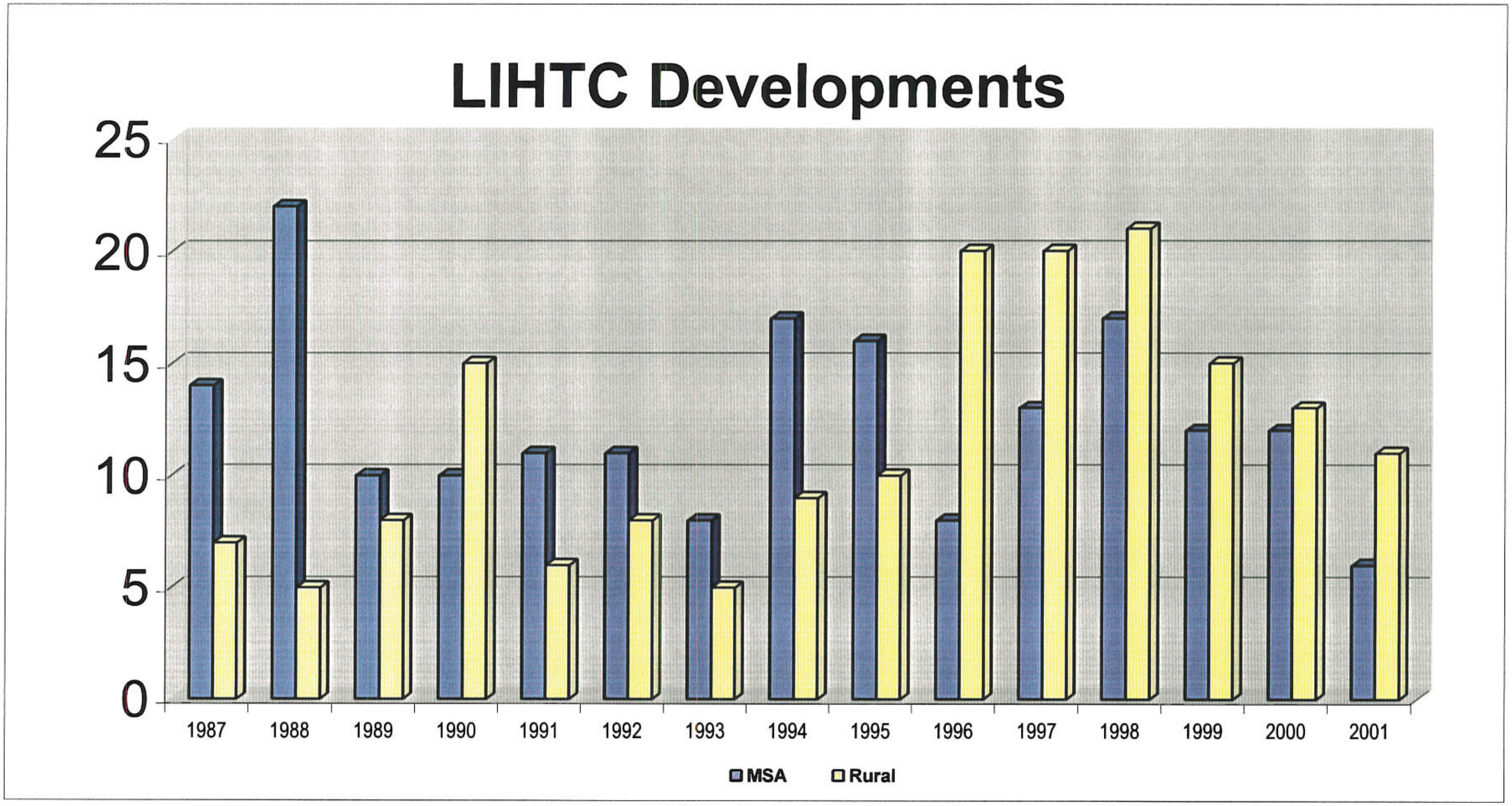
- The power to borrow money and guarantee loans carries with it the responsibility to repay them, how much risk are you willing to let this agency assume, as the bill does not appear to set limits?

These are some of the concerns that prohibit me from supporting this bill. We have added new programs and new funding sources the past six years while Housing was under my direction as Secretary of Commerce and Housing. We have made policy changes that ensured more equitable distribution of resources. We have worked to develop and financially support more local housing organizations. We have created the Kansas Housing Development Corporation that can do many of the items proposed in this bill.

There is no doubt we can do more, but I would urge we do it within the structure we have.

2.3

Housing Tax Credit Program - Urban and Rural Comparison



Developments

Year	MSA	%	Rural	%	Total		Year	MSA	%	Rural	%	Total
1987	14	67%	7	33%	21		**1995**	16	62%	10	38%	26
1988	22	81%	5	19%	27		**1996**	8	29%	20	71%	28
1989	10	56%	8	44%	18		**1997**	13	39%	20	61%	33
1990	10	40%	15	60%	25		**1998**	17	45%	21	55%	38
1991	11	65%	6	35%	17		**1999**	12	44%	15	56%	27
1992	11	58%	8	42%	19		**2000**	12	48%	13	52%	25
1993	8	62%	5	38%	13		**2001**	6	35%	11	65%	17
1994	17	65%	9	35%	26							

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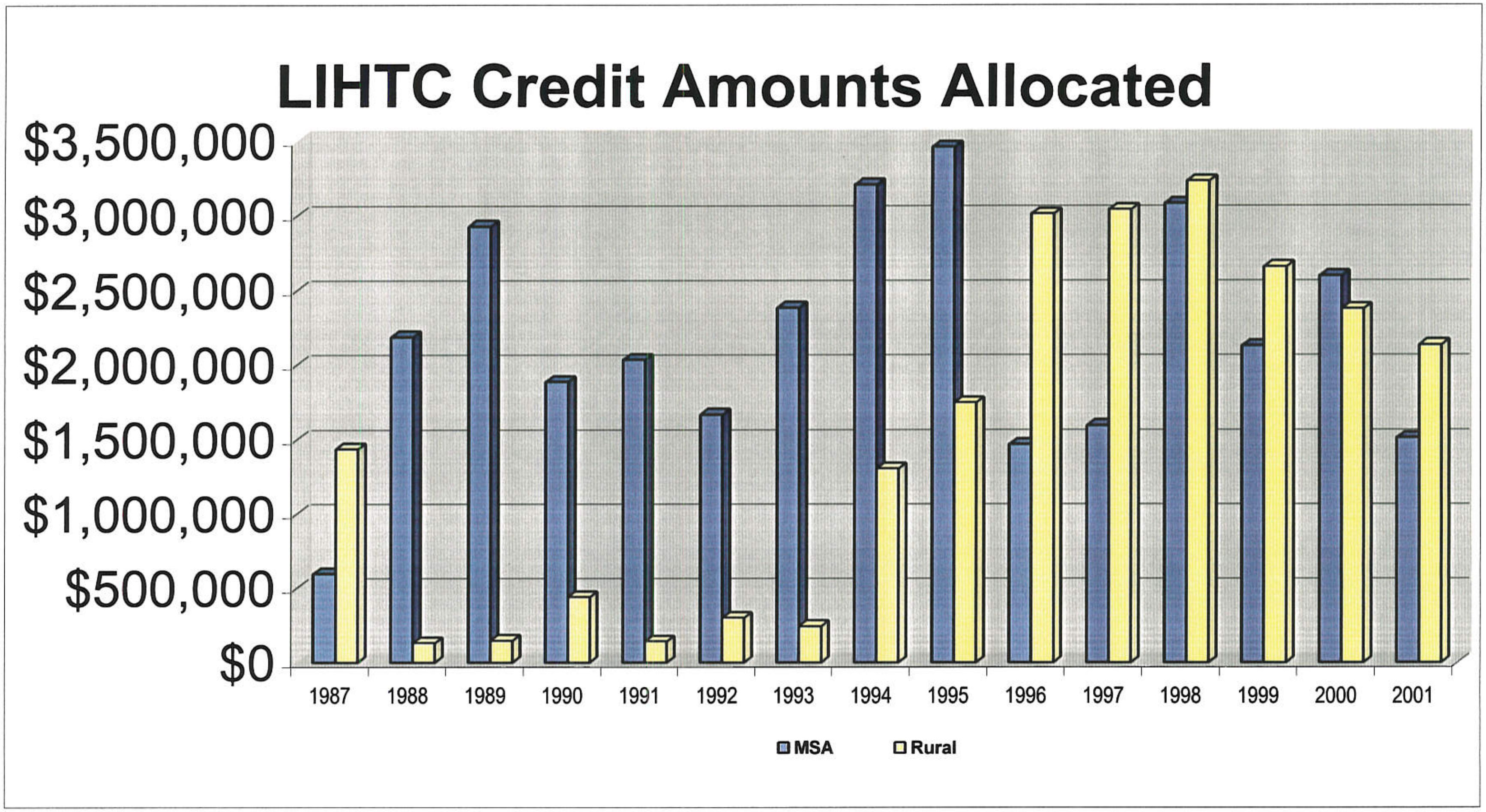
Housing Tax Credit Program - Urban and Rural Comparison

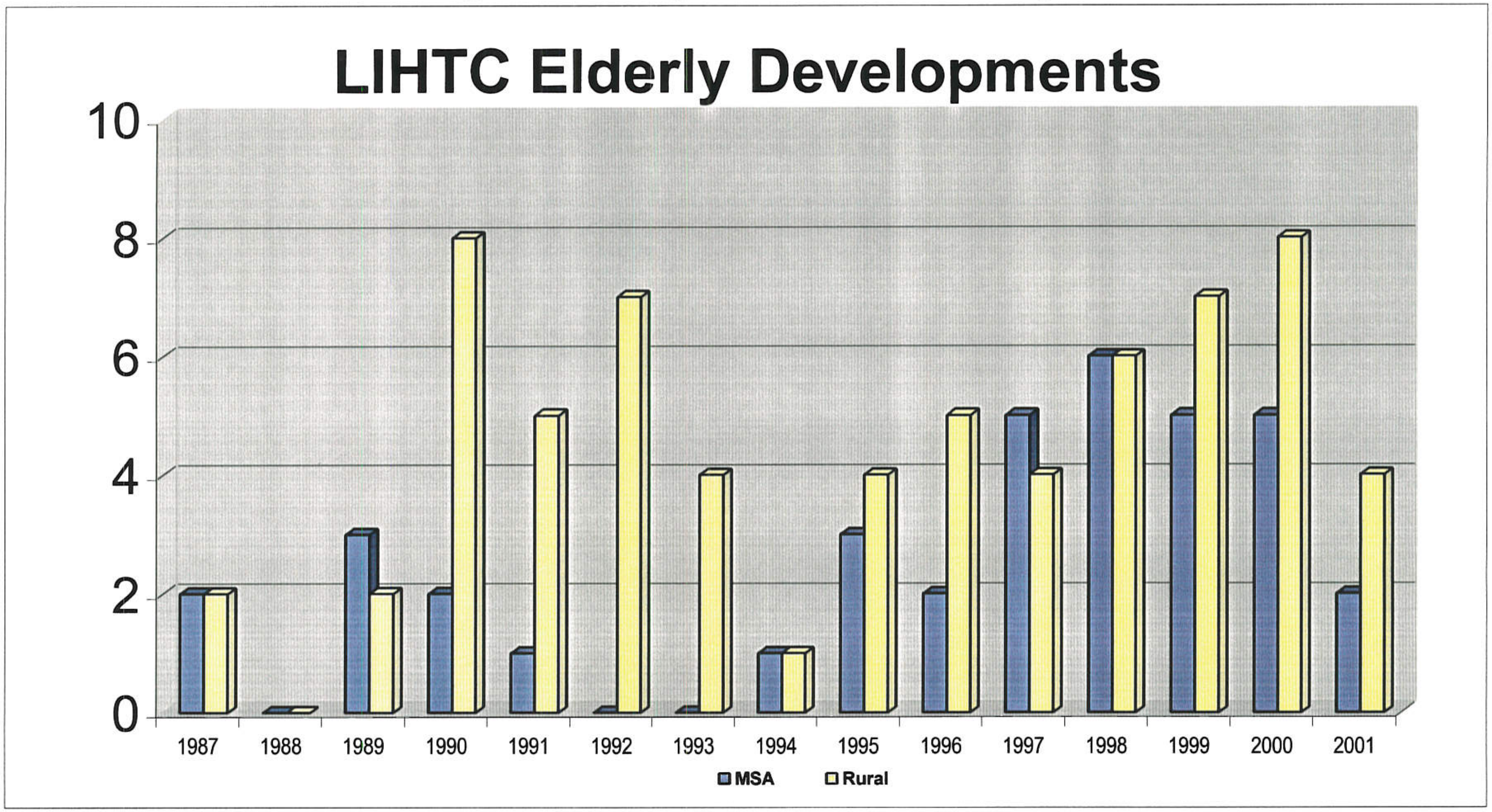


Credit Amount

Year	MSA	%	Rural	%	Total		Year	MSA	%	Rural	%	Total
1987	$595,603	29%	$1,436,605	71%	$2,032,208		**1995**	$3,461,206	66%	$1,746,453	34%	$5,207,659
1988	$2,187,133	94%	$131,249	6%	$2,318,382		**1996**	$1,466,716	33%	$3,011,084	67%	$4,477,800
1989	$2,927,511	95%	$148,267	5%	$3,075,778		**1997**	$1,592,983	34%	$3,041,507	66%	$4,634,490
1990	$1,886,766	81%	$441,475	19%	$2,328,241		**1998**	$3,080,793	49%	$3,232,178	51%	$6,312,971
1991	$2,034,288	93%	$143,417	7%	$2,177,705		**1999**	$2,126,663	44%	$2,655,104	56%	$4,781,767
1992	$1,666,452	85%	$301,063	15%	$1,967,515		**2000**	$2,595,142	52%	$2,372,409	48%	$4,967,551
1993	$2,381,631	91%	$243,933	9%	$2,625,564		**2001**	$1,511,007	41%	$2,131,678	59%	$3,642,685
1994	$3,208,472	71%	$1,303,927	29%	$4,512,399							

2-5

Housing Tax Credit Program - Urban and Rural Comparison



Elderly

Year	MSA	%	Rural	%	Total		Year	MSA	%	Rural	%	Total
1987	2	50%	2	50%	4		**1995**	3	43%	4	57%	7
1988	0	0%	0	0%	0		**1996**	2	29%	5	71%	7
1989	3	60%	2	40%	5		**1997**	5	56%	4	44%	9
1990	2	20%	8	80%	10		**1998**	6	50%	6	50%	12
1991	1	17%	5	83%	6		**1999**	5	42%	7	58%	12
1992	0	0%	7	100%	7		**2000**	5	38%	8	62%	13
1993	0	0%	4	100%	4		**2001**	2	33%	4	67%	6
1994	1	50%	1	50%	2							

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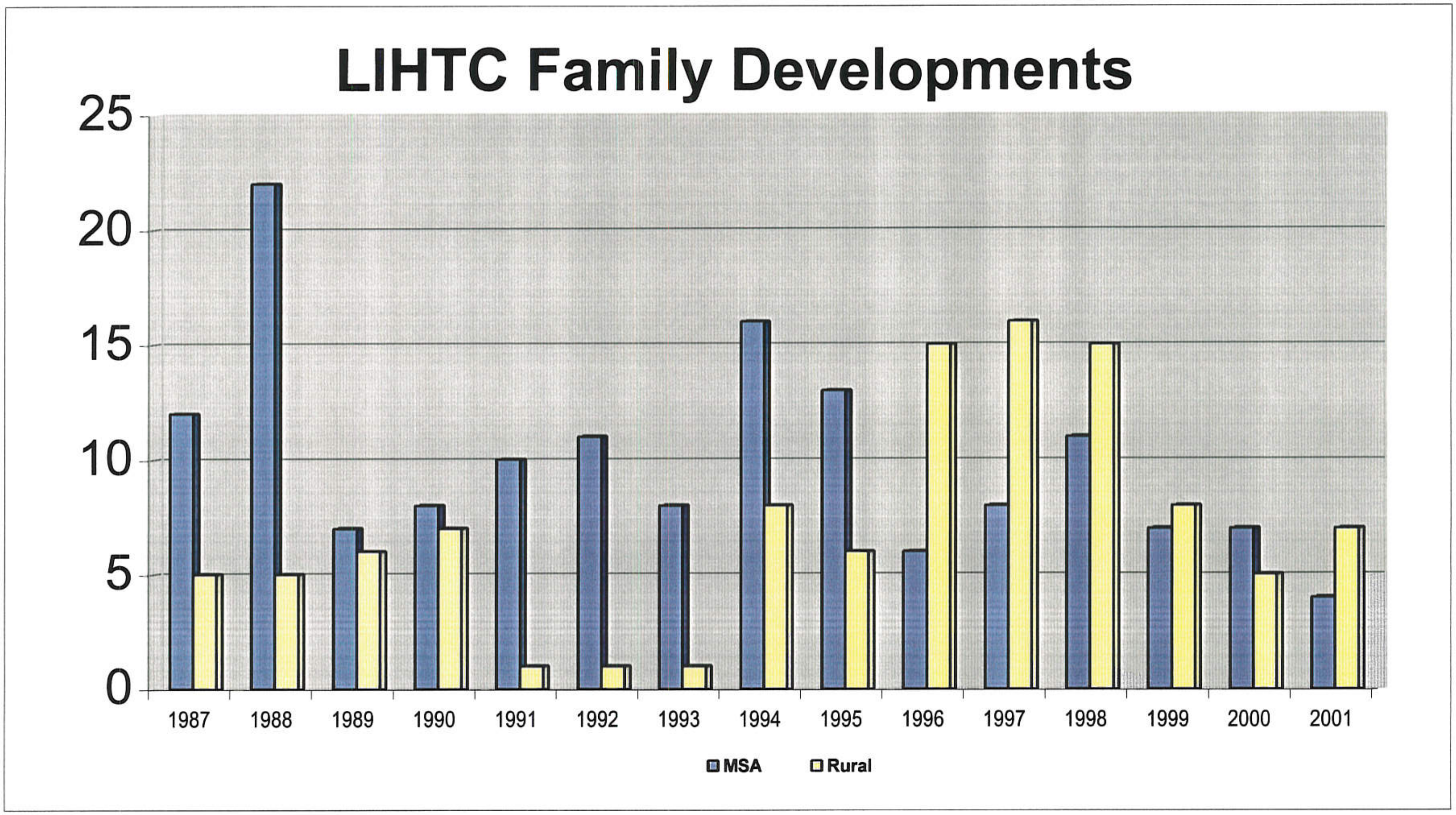
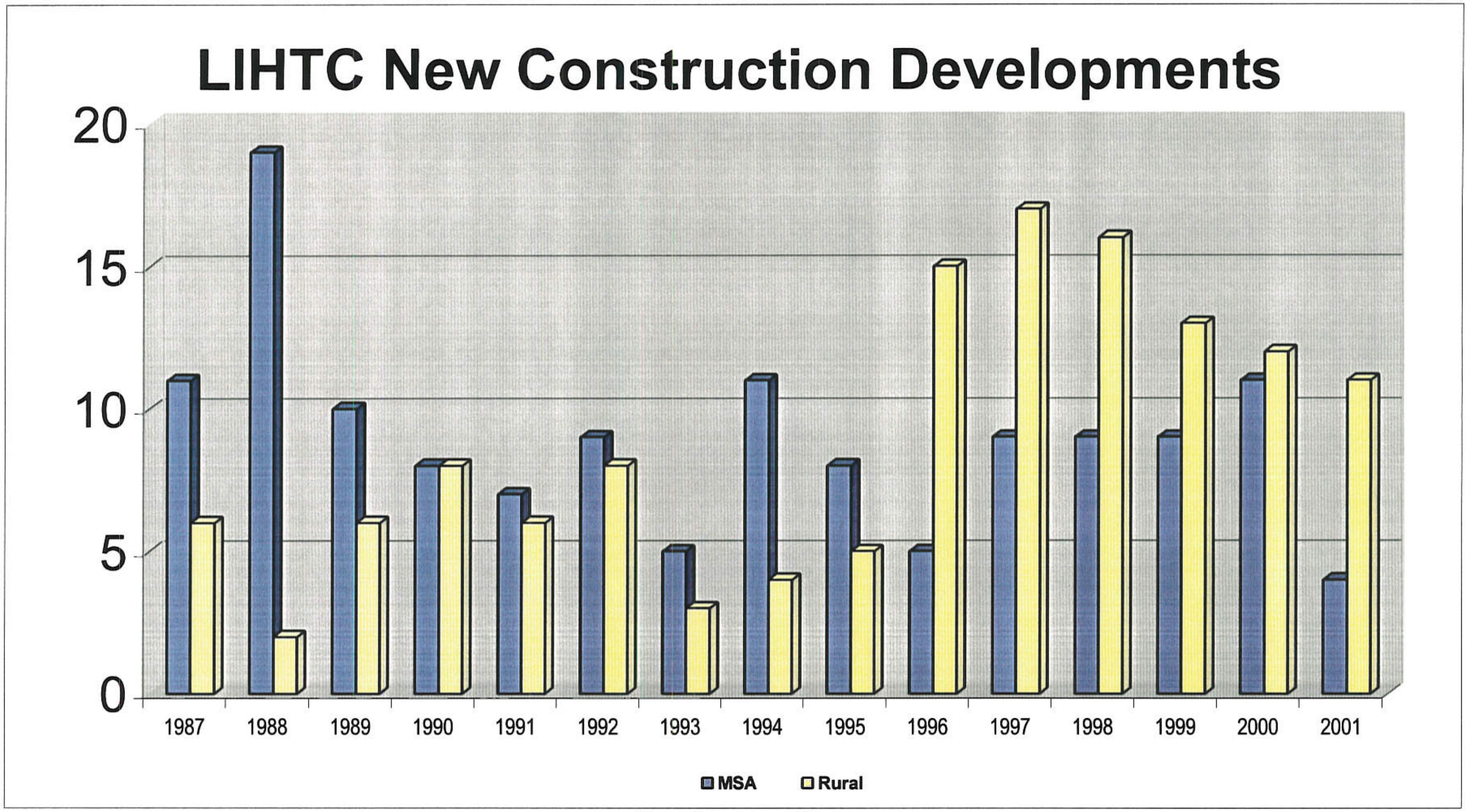
Housing Tax Credit Program - Urban and Rural Comparison



Family

Year	MSA	%	Rural	%	Total		Year	MSA	%	Rural	%	Total
1987	12	71%	5	29%	17		1995	13	68%	6	32%	19
1988	22	81%	5	19%	27		1996	6	29%	15	71%	21
1989	7	54%	6	46%	13		1997	8	33%	16	67%	24
1990	8	53%	7	47%	15		1998	11	42%	15	58%	26
1991	10	91%	1	9%	11		1999	7	47%	8	53%	15
1992	11	92%	1	8%	12		2000	7	58%	5	42%	12
1993	8	89%	1	11%	9		2001	4	36%	7	64%	11
1994	16	67%	8	33%	24							

Housing Tax Credit Program - Urban and Rural Comparison



New Construction

Year	MSA	%	Rural	%	Total		Year	MSA	%	Rural	%	Total
1987	11	65%	6	35%	17		**1995**	8	62%	5	38%	13
1988	19	90%	2	10%	21		**1996**	5	25%	15	75%	20
1989	10	63%	6	38%	16		**1997**	9	35%	17	65%	26
1990	8	50%	8	50%	16		**1998**	9	36%	16	64%	25
1991	7	54%	6	46%	13		**1999**	9	41%	13	59%	22
1992	9	53%	8	47%	17		**2000**	11	48%	12	52%	23
1993	5	63%	3	38%	8		**2001**	4	27%	11	73%	15
1994	11	73%	4	27%	15							

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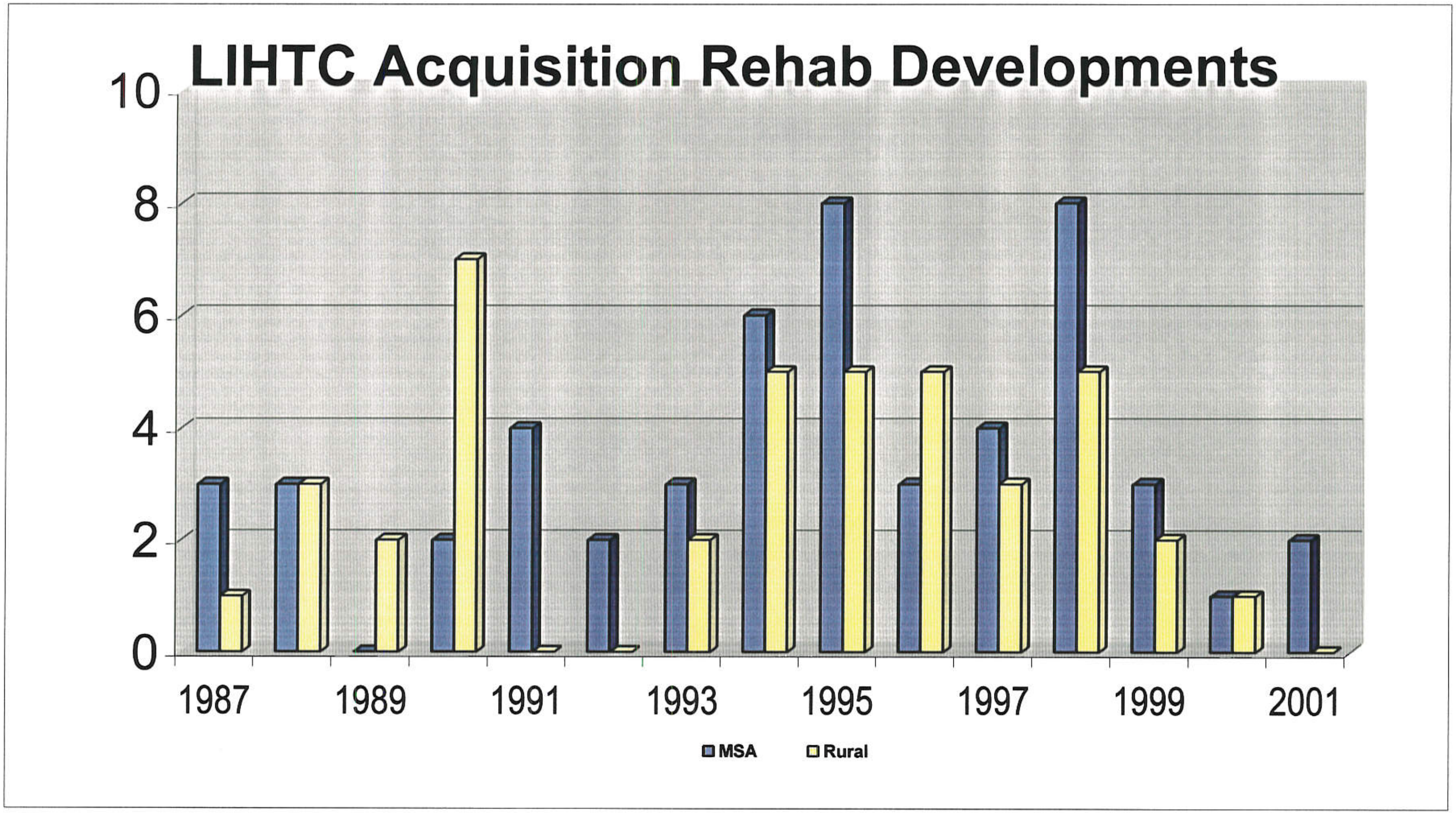
Housing Tax Credit Program - Urban and Rural Comparison



Acquisition Rehab

Year	MSA	%	Rural	%	Total		Year	MSA	%	Rural	%	Total
1987	3	75%	1	25%	4		**1995**	8	62%	5	38%	13
1988	3	50%	3	50%	6		**1996**	3	38%	5	63%	8
1989	0	0%	2	100%	2		**1997**	4	57%	3	43%	7
1990	2	22%	7	78%	9		**1998**	8	62%	5	38%	13
1991	4	100%	0	0%	4		**1999**	3	60%	2	40%	5
1992	2	100%	0	0%	2		**2000**	1	50%	1	50%	2
1993	3	60%	2	40%	5		**2001**	2	0%	0	0%	2
1994	6	55%	5	45%	11							

KANSAS
MANUFACTURED HOUSING
ASSOCIATION

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TESTIMONY

BEFORE THE

HOUSE COMMITTEE ON NEW ECONOMY

TO: Representative William Mason, Chairman
And Members of the Committee

FROM: Martha Neu Smith, Executive Director

DATE: February 15, 2001

RE: HB 2205

Chairman Mason and members of the Committee, my name is Martha Neu Smith and I am the executive director of the Kansas Manufactured Housing Association (KMHA) and I appreciate the opportunity to comment. KMHA is a statewide trade association that represents all facets of the manufactured housing industry including manufacturers, retailers, land lease communities, suppliers, finance and insurance companies and transporters.

KMHA has two areas of concern with HB 2205. Our first concern is with the scope of authority the Housing Corporation has. The way the bill is currently written the Corporation would provide lending and housing services to low, very low and moderate-income families. We understand the need and agree with the inclusion of low and very low-income families, however, KMHA does not agree that HB 2205 should include families of moderate income.

To expand on the concept of moderate-income families and the role manufactured housing plays in this market let me review some of our industry statistics for 1999. In 1999, the national average sales price for a single section manufactured home was $31,800 (without land), and average square footage was 1,245. For a multisectional home the national average sales price was $50,200 (without land), average square footage was 1,605. In Kansas, the overall average sales price of a manufactured home was $43,500 (without land).

Over 3400 consumers purchased manufactured homes in Kansas in 1999. We have over 60 licensed manufactured home retailers located across the state that have the capability of providing homes to all 105 counties. There are over 15 finance companies that provide lending services to our customers, not to mention local banks that work with their local retailer to provide lending services on land/home purchases. Manufactured housing also qualifies for FHA, VA and Rural Housing Service (formerly the Farmers Home Administration) programs and Freddie Mac and Fannie Mae will purchase manufactured home mortgage loans.

With this type of affordable housing and financing availability, KMHA questions the need to include "moderate income". We feel the amendment offered by the Heartland Community Bankers Association (HCBA) eliminating "moderate" income from the bill is appropriate.

The second area of concern with HB 2205 is that the bill contains no legislative oversight or any limits on the amount of outstanding debt the Corporation can have at any one time. Again, we feel that the amendments offered by the HCBA appropriately address these concerns. The amendments provide a sunset provision and a cap on the outstanding debt, both reasonable approaches to providing accountability.

In closing, I would respectfully request your support of the HCBA amendments before considering passage of HB 2205. If we are going to create a Housing Corporation in Kansas, let's focus our attention on Kansans that need help the most and let's provide accountability guidelines for this Corporation that all Kansans expect and deserve.

Again, thank you Mr. Chairman for the opportunity to comment.

Topeka Independent Living Resource Center

Offices located in the Historic Crawford Building

785-233-4572 V/TTY • FAX 785-233-1561 • TOLL FREE 1-800-443-2207
501 SW Jackson Street • Suite 100 • Topeka, KS 66603-3300

Written Testimony in Support of HB 2205
Presented To The Committee on the New Economy
By Becca Vaughn of the
Topeka Independent Living Resource Center

February 15, 2001

Dear Honorable Chairperson Masson and Committee Members,

The Topeka Independent Living Resource Center (TILRC), is a not for profit 501 c 3, disability advocacy organization. We provide an array of advocacy and self directed services for people with all types of disabilities. TILRC serves people with disabilities throughout the state and provides national leadership on issues effecting disability rights, particularly in the housing justice movement, and HCBS (home and community based services) arenas.

We support HB 2205 in its present form and would ask that no amendments be made. We believe the creation of a state housing corporation would benefit all Kansans. We particularly believe that the bill, if passed in it's current form, would also expand affordable, accessible and integrated housing, which would benefit our community members with disabilities, of all ages.

Thank you for attention to this issue.

REALTOR®

Kansas City Regional Association of REALTORS®

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Testimony of Erik Sartorius
Governmental Affairs Director
for the
House New Economy Committee
Regarding
House Bill 2205 Establishing a State Housing Corporation

February 15, 2001

The Kansas City Regional Association of REALTORS® appreciates the opportunity to offer comments regarding House Bill 2205. While we applaud the sentiment behind the bill, we want to make certain that the ramifications of creating a new state agency are fully understood.

For us, helping people attain the American Dream of owning their own home is not just an admirable goal, it is our way of life. The hard work and savings of individuals, buoyed by partnerships with REALTORS, lenders, government agencies and many other interests, have helped raise the rate of homeownership nationwide to an all-time high of over seventy percent.

Obviously, though, there are still people who want to own homes who have special circumstances preventing them from doing so. As this committee considers taking steps to help these individuals, we believe the focus should be on those whose barriers to home ownership are in most need of attention.

The bill appears to allow the new agency broad, sweeping powers. In addition to the close scrutiny this committee will certainly give to this bill, amendments offered by the Heartland Community Bankers Association are positive steps in improving this legislation and focusing the charge of the proposed agency. Furthermore, provisions such as the sunset would ensure the Legislature an opportunity to assess the agency and its mission, and determine whether any revisions are necessary.

At this time, the Kansas City Regional Association of REALTORS® has no official position on House Bill 2205. We do hope, however, that any legislation passed out of this committee will provide for a workable mechanism to help consumers in their quest for home ownership.

The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

February 15, 2001

TO: House Committee on the New Economy

FROM: Kathleen Taylor Olsen, Kansas Bankers Association

RE: HB 2205: State Housing Program

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to submit testimony regarding **HB 2205** and the administration of a new state housing program. We are respectfully asking to make a few suggestions for your consideration.

We recognize that a lot of time and thought has gone into the creation of **HB 2205** in an effort to address housing problems in Kansas. Therefore, we offer just a few comments that are intended to help assure that the program is accessible to the people who truly need it the most.

Beneficiaries of the Program. One of the stated purposes of the Program is to assist Kansas families of low, very low and moderate income in obtaining housing. It is true that there are some people who "fall in the cracks" and for various reasons, do not qualify for home loans with traditional lenders. It is our understanding that it is these people who this program is really designed to benefit – people who need help with a down payment, who need a low interest rate to make monthly payments affordable and who need help with the additional financial burdens that go along with home ownership.

It is our belief that moderate income families are not falling through the cracks. They are families who are financially able to control their own destiny and who are being serviced by traditional means. Our concern is that by including moderate-income families as being eligible for the program, the needs of the low and very low income families will not be adequately addressed. It will be much easier for those in charge of administering the Program to work with moderate income families. Their ability to repay will be much more appealing than the low or very low income families. If we truly want to help those people who are having trouble financing a home on their own, we need to seriously consider limiting the scope of this bill to low and very low income families.

Partnership with Private Enterprise. Another of the stated purposes of the Program is to encourage partnership with private enterprise in accomplishing the goals set forth in the bill. Kansas bankers have traditionally been very supportive of the state's efforts to provide opportunities to partner with the state in the interest of economic development. To that end, we would encourage you to look favorably at an amendment suggested by the Heartland Community Bankers Association to page 8 of the bill. Let the industry lend their expertise to the Program where they are able.

We are also supportive of the other amendments suggested by the HCBA and would urge their adoption.

800 SW Jackson Suite 1500 • Topeka, Kansas 66612-1265 • (785) 232-3444 F/
email kbaoffice@ink.org

NEW ECONOMY COMMITTEE
2-15-01
Attachment 6

Again, we wish to thank you for the opportunity to make a few suggestions that we believe will help the loans get matched up with the people most needy. Should this bill pass, Kansas bankers will be looking for opportunities to partner with the Kansas Housing Development Corporation in a cooperative effort to help resolve the housing needs of our state.

BACKGROUND

The Governor's Commission on Housing was restructured in 1996. Today, there are nine members who serve as a sounding board for new ideas and provide input on the effects Kansas housing policy has upon local communities, private sector businesses and the residents of Kansas. The members of the Commission represent a good cross-section of Kansas views since their diversity provides a variety of housing disciplines as well as a geographic balance.

Housing needs throughout Kansas are as diverse as the people who possess those needs. In Kansas, housing needs occur as a result of prosperous economic development. As new businesses locate and existing ones expand, housing resources receive added attention and pressure. However, in some communities, housing needs are a deterrent to prosperous economic or community development. Businesses do not locate or expand in these communities because the cost of transporting workers to their location affects the feasibility of future development plans. In many communities, housing development itself is a major economic activity that helps maintain and create jobs. Consequently, as the linkages of housing to economic development and community development continue to be evident in Kansas, so does the need to improve upon how Kansas housing policy is established and implemented.

PURPOSE OF THIS REPORT

This report is the culmination of several activities, actions and events. All of these adhere to a few basic principles that form the following purposes as they relate to Kansas housing policy in its present state.

- **Identify what housing resources Kansas is not accessing as compared to other states.**
- **Compare the structure and authorities of the Housing Development Division with those of other states.**
- **Recommend the approach that will help Kansas be best prepared to address future housing needs such as the restructuring of elderly and family rental housing developments previously financed by HUD, Rural Development and Housing Tax Credits.**
- **Design a mechanism to increase housing resources while eliminating the need for the use of state tax dollars.**

NEW ECONOMY COMMITTEE
2-15-01
Attachment 7

leadership's vision is needed by local communities and private businesses to realize how the benefits of affordable housing can be directed for the good of all residents.

POTENTIAL SOLUTIONS

The main purpose for having the Governor's Commission on Housing review the organizational structure and programs of the housing finance agencies in other states was to identify which components would best fit Kansas. The method chosen was to review several potential options. In order to do that, the Commission asked the Director of Housing, Randy Speaker, to prepare a comparison of potential models that he offered before the Joint Committee on Economic Development in Pittsburg, Kansas, on September 28, 1999. To better grasp the full impact of the potential models, he also prepared a chart that analyzed the current housing functions and some of those typically performed by state housing finance agencies. The charts demonstrate how housing activities can be broken down into several functions – Policy, Program Development, Implementation, Compliance and Residual Income Investment. Both the models and the program comparison charts are in the appendix as Attachment B and Attachment C, respectively.

Model #1 – Create a new housing finance agency. – This model represents a classic state housing finance agency. It is a separate, free-standing, quasi-public entity which receives its charter and authorities from the state legislature. The Governor appoints a majority of the board of directors with the consent of the Senate. The Governor appoints the Executive Director without any further consent. In addition, there can be several board positions held by elected officials with ex-officio designations but with full voting powers. The types of elected officials added to the governing boards vary from state to state. Their participation is usually sought to offer some form of technical guidance or to provide for elected representation.

Model #2 – Utilize the Kansas Department of Commerce & Housing (KDOC&H) in its current status. – In this model there would be no structural changes to the KDOC&H. However, it would need to receive additional authority from the Kansas Legislature if it were to perform the duties typically performed by a state housing finance agency.

Model #3 – Utilize the Kansas Development Finance Authority (KDFA) – KDFA currently issues housing bonds for multifamily housing developments. However, it does not have authority to issue bonds for Mortgage Credit Certificates or single-family Mortgage Revenue Bonds. If it were to be given authority to issue single-family Mortgage Revenue Bonds, it would probably add two new positions. In the model depicted, the other housing programs would remain with the Kansas Department of Commerce & Housing.

Model #4 – Utilize the Kansas Housing Development Corporation (KHDC) – KHDC is a 501(c)3 corporation that received the designation as a statewide housing authority by HUD in the early 1980s. It was the conduit for an 11b bond issue that helped finance seven small elderly and multifamily housing developments. Currently, it is governed by a board of directors consisting of three employees of KDOC&H and four members of the Governor's Commission on Housing. In addition to financing the housing developments, it has also been the vehicle for the Kansas Housing Cost Analysis Program. With this model, there would be some minor internal changes to KDOC&H. However, policy approval would remain with the Secretary of Commerce & Housing and the Governor's Commission on Housing would continue to act in an advisory role. The Undersecretary for Housing would remain as an appointment of the Governor. Also, there would be some intergovernmental agreements between KHDC, KDFA and the existing local issuers of Mortgage Revenue Bonds.

Model #5 – Take no action – The Governor's Commission on Housing feels that taking no action would simply stagnate the efforts to maximize the impacts housing has on local economies. As the affordability gap continues to widen for Kansans desiring their first home, it becomes apparent that efforts must continue to enhance and distribute resources in an equitable fashion. Without a proactive approach to affordable housing, the effectiveness of existing programs and resources will diminish. This is especially true considering the fact that the federal government is diminishing its role in housing. This in turn makes it imperative that the states prepare now for the future.

RECOMMENDED SOLUTION & RELATED ISSUES

Background

The Governor's Commission on Housing has pursued the development of a conservative solution to the complex issue of affordable housing. While Model #1 has a great deal of merit, the creation of a totally separate entity may not be politically feasible. Second, it may erode some of the synergy that has been created by the ability of the Kansas Department of Commerce & Housing (KDOC&H) to promote linkages between housing, community development and economic development. Third, it would not be utilizing some of the resources and expertise that are a part of the Kansas Development Finance Authority or the local issuers. Model #2 does not offer the degree of flexibility needed for the housing finance agency to operate at peak performance. Furthermore, there may be some legal problems with some of the authorities being placed with the KDOC&H. Model #3 does not address the fragmentation of housing programs that would remain. While KDFA is very capable of providing the financial expertise for structuring a bond issue, neither the staff nor their board possesses the overall housing backgrounds or underwriting experience to administer all housing programs.