Approved: March 9, 2004

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 3:30 p.m. on February 24, 2004, in Room 526-S of the Capitol.

All members were present.

Committee staff present:
Kathie Sparks, Legislative Research Department
Susan Kannarr, Legislative Research Department
Renae Jefferies, Office of Revisor of Statutes
Helen Pedigo, Office of Revisor of Statutes
Fulva Seufert, Secretary

Conferees appearing before the committee: Representative Doug Patterson

Others attending:
See Attached List.

Chairman Wilk announced the first order of business would be a briefing by Ms. Kathie Sparks, Legislative Research Department, on the following bill:

HB 2801 - Tax increment financing definition on special bond projects

Ms. Sparks reviewed the new language on page 5 before Chairman Wilk opened up the Public Hearing on **HB 2801.**

The Chair welcomed Representative Doug Patterson who spoke in support of **HB 2801.** Rep. Patterson said that this was somewhat related to **SB 235** which the legislature passed last year authorizing STAR bonds pursuant to a TIF Plan for the large retail redevelopment project in Wichita and the River Walk Canal facility. He said this special bond project was defined in his written testimony, and that he had reviewed it and thought it was unfortunate that other communities could not take advantage of TIF STAR bonds for smaller projects. Rep. Patterson proposed two amendments. The first he called a "But For" test and the second said that only 50% of state increment should go to STAR bond debt service. His testimony included a copy of his only changes to the existing law. (Attachment 1)

During discussion and questions, Representative O'Malley explained that the original intent was to promote tourism. Representative Brunk asked if it was a business location or expansion and if it meant relocating. Rep. Patterson said that it adds one additional criteria category to the STAR Bonds criteria. When asked if destination taxing affected this bill, the answer was that there would be taxing on delivery charges, etc. Rep. Loganbill asked about new jobs and how these depended upon growth annual sales and how we could ensure that we would not get the low paying jobs. A question came up about how this could tag on to the bioscience bill, and it was determined it is independent, but can tag on. Rep. Patterson said that it was somewhat a rural development plan, too.

Chairman Wilk thanked Representative Patterson and closed the Public Hearing on **HB 2801**.

The Chair directed the committee's attention to Rep. Sloan's bill,

HB 2539 - Kansas development finance authority; authorizing bonds for research facilities.

Representative O'Malley made a motion to move out **HB 2539** marked favorable for passage. Representative Boyer seconded. Motion passed.

Chairman Wilk told the committee that the following bill would be worked:

SB 222 - Authorizing the Kansas Development Finance Authority to issue mortgage revenue bonds

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE at 3:30 p.m. on February 24, 2004, in Room 526-S of the Capitol.

Chairman Wilk asked Kathie Sparks, Legislative Research, to brief the committee on **SB 222**.

Ms. Sparks shared a handout she had prepared comparing the following bills: **HB 2393, HB 2395, and SB 222.** (Attachment 2)

The Chairman thanked Ms. Sparks, and recognized Representative Gordon who handed out three handouts. One was entitled, "Don't Expand State Housing Program," the second was, "Privatizing the Poor: How to Expand Low-Income Housing in Michigan," and the third was the balloon. (Attachment 3)

Representative O'Malley made a motion to amend page 1, line 14 to read amending K.S.A. 74-8902, 7408903, 74-8904, 7408905 and. Representative Boyer seconded. Motion passed.

Representative O'Malley made a motion to amend **SB 222** to clarify that notifications related to bonds issued pursuant to **SB 222** will be published in the Kansas Register. Representative Kuether seconded. Motion passed. (Attachment 4)

Discussion followed concerning Representative O'Malley's proposed amendment to restrict KDFA to no more than 10% of the home mortgage loans purchased or financed with bond proceeds in metropolitan statistical areas may be conventional home mortgage loans. There was a question regarding the definition of metropolitan which is defined under rules and regulations. Mr. Matt Goddard clarified that it was discriminatory language against a conventional lender.

Representative O'Malley made a motion to amend in Section 2, Page 7, lines 20 through 24 to read 10% of bond proceeds. Representative Boyer seconded. Motion failed.

Representative O'Malley made a motion to amend Section 2, page 7, lines 16 through 19 to read "provided that a lending institution shall have the option to retain servicing on conventional home mortgage loans originated by such lending institution." Representative Burroughs seconded. Motion passed.

Chairman Wilk announced that the committee was back on the bill as amended.

Representative Hill made a motion to insert "private activity" after the word "issue" on page 10, line 21 (h), and Representative Gordon seconded. Motion passed.

Representative Hill made a motion to add a sunset provision of January 1, 2008 or three years after its effective date to be inserted on page 10, line 27. Representative Gordon seconded. Motion failed 7 to 7. (Attachment 5)

Representative Krehbiel made a motion to add a new section to include auditing of the books and accounts and for the revisor to make the necessary technical corrections. Representative Gordon seconded. Motion failed.

Representative Krehbiel moved that on page 7, at the end of line 24 the following be inserted: Such standards and requirements shall be consistent with standards and requirements with which nongovernmental entities engaged in the purchase or home mortgage loans or the origination of home mortgage loans must comply, and shall not confer a competitive advantage on the authority. Representative Gordon seconded. Motion passed.

Representative Krehbiel made a motion for New Sub Section, page 7 to limit ability of KDFA to compete with the private sector. Representative Huntington seconded. Motion failed. (Attachment 6)

Chairman Wilk said the committee was back on the bill.

Representative Burroughs made a motion for the revisor to amend all the technical amendments, and Representative Boyer seconded. Motion passed.

Representative Craft made a motion to add a new section inserting that no mortgagor shall receive financing or other assistance from the authority in the purchase of a home without first satisfactorily completing a homebuyer education course. Representative Novascone seconded. Motion failed. (Attachment 7)

The Chairman announced the committee was back on the bill.

Representative Gordon made a motion for a change in the board membership structure of the Kansas House Resource Corporation Board, and Representative Krehbiel seconded. Motion failed.

Representative Gordon made a motion to limit the duration of the contract and that the KDFA should not be a master servicer. Representative Krehbiel seconded. Motion passed.

Representative Gordon moved that the authority and any subsidiary and any agency or political subdivision of the state shall be prohibited from acting as a master servicer. Representative Krehbiel seconded. Motion failed 6 to 8.

Representative Gordon moved that no contract for a master servicer shall be in effect for a period of three years or $350 million in mortgage loan servicing, whichever period of time is greater. Representative Krehbiel seconded. After discussion, Representative Gordon withdrew the motion with Representative Krehbiel's consent.

A handout from the George K. Baum & Company in reference to **SB 222** was distributed to committee members. (Attachment 8)

A handout from W. A. Fitzgerald, Commercial Federal Bank was also distributed. (Attachment 9)

Representative Krehbiel moved that the minutes of the February 17, 2004 meeting be approved, and Representative Hill seconded. Motion passed.

The Chair announced that the next meeting would be March 4, 2004. The meeting adjourned at 6:00 p.m.

The meeting adjourned at 6:00 p.m.

HOUSE ECONOMIC DEVELOPMENT COMMITTEE
GUEST LIST
DATE: Tuesday, February 24, 2004

NAME	REPRESENTING
Rod Gaches	GBBA
Bud Burke	ISSUES MGMT GROUP
Whitney Damron	KS Securities Industry Assn.
LARRY R BAER	LKM
Matt Jordan	Commerce
BILL YANEK	Ks Assn of REALTORS
ED JASKINIA	THE ASSOCIATED LANDLORDS OF KANSAS

STATE OF KANSAS

HOUSE OF REPRESENTATIVES

REPRESENTATIVE, 28TH DISTRICT
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TOPEKA, KANSAS 66612-1504
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VICE-CHAIR: JUDICIARY
MEMBER: COMMERCE AND LABOR
HEALTH AND HUMAN SERVICES
JT. COMMITTEE ON STATE INDIAN AFFAIRS
HOUSE RULES COMMITTEE

DOUG PATTERSON
MAJORITY WHIP

February 24, 2004

Chairman Kenny Wilk
and
Members of the House Economic Development Committee

Re: Support for HB 2801

Dear Chairman Wilk and Committee Members:

Last year the Legislature passed SB 235, which, for the most part, authorized STAR bonds pursuant to a TIF Plan for the large retail redevelopment project in Wichita for the River Walk Canal facility. You did this by adding a new type of TIF Project described as "Special bond project" defined as follows:

> KSA Sec. 12-1771(z) "Special bond project" means a redevelopment project with at least a $50,000,000 capital investment and $50,000,000 in projected gross annual sales revenues or for areas outside of metropolitan statistical areas, as defined by the federal office of management and budget the secretary finds the project meets the requirements of subsection (g) and would be of regional or statewide importance, but a "special bond project" shall not include a project for a gambling casino.

In reviewing this tool, it seems unfortunate that the rest our communities cannot take advantage of TIF STAR bonds for smaller projects, so long as there are limitations on such projects to be sure they are significant to our areas and develop jobs and rehabilitate property. In an effort to develop such a tool, it seemed a relative measure of size would be established as follows (Missouri has done this):

Population of Municipality:	**Estimated Project Cost:**	**New Jobs Created:**
300,000 or more	$10,000,000	at least 100
100,000 to 299,999	$5,000,000	at least 50
50,001 to 99,999	$1,000,000	at least 10
50,000 or less	$500,000	at least 5

House Economic Development
2-24-04
Attachment 1

Such a standard would assure that an objective measurement must be met before STAR bonds could be used.

PROPOSED AMENDMENTS

A. "BUT FOR" TEST:

In addition, it seems that before a city or county could utilize STAR bonds for such TIF projects, a "But For" test should be applied, i.e. "But For" the TIF STAR bonds, the project could not be done. This "But For" finding should be certified to by a responsible person, and a "Cost-Benefit" analysis should be prepared for the municipality, county and school board to review before the District is created and/or before the County or school board considers a veto of it.

B. ONLY 50% OF STATE INCREMENT SHOULD TO GO TO STAR BOND DEBT SERVICE:

Given the extraordinary circumstances of a sales tax TIF, it would seem fair that only 50% of State Sales Tax Revenues would be pledged for Star Bond Debt Service.

Even with this 50%, these local Star Bond TIF projects would make a significant contribution to projects which would not be feasible without this development assistance.

Size:	TIF Bond Assistance (up to a max.)	State Sales Tax Paid
300,000 +	$3,375,000.00	$337,500.00
299,000 - 100,000	$1,687,500.00	$168,750.00
99,999 - 50,001	$377,500.00	$337,500.00
50,000 - less	$168,750.00	$168,750.00

...on a project that would not have occurred "But For" STAR bonds.

CONCLUSION

An entire copy of my only changes to the existing law is attached. I know time is short, but I would appreciate your consideration of this bill. Thank you for your consideration of HB 2801.

Respectfully,

Doug Patterson

PROPOSED CONCEPTUAL AMENDMENTS FOR HB 2801
(2/24/04)

(2) a project that promotes business location or expansion, the estimated cost of which is in excess of the amount set forth below for the municipality, and is estimated to create at least as many new jobs as set forth below within three years of such location or expansion:

Population of Municipality:	Estimated Project Cost:	New Jobs Created:
300,000 or more	$10,000,000	at least 100
100,000 to 299,999	$5,000,000	at least 50
50,001 to 99,999	$1,000,000	at least 10
50,000 or less	$500,000	at least 5

only following a finding that the redevelopment district on the whole is an eligible area, has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of tax increment financing. **A maximum of 50% of the State Sales Tax shall be allocated to such STAR bonds.** Such a finding shall include, but not be limited to, a detailed description of the factors that qualify the redevelopment district or project pursuant to this subdivision and an affidavit, signed by the developer or developers and submitted with the redevelopment plan, attesting that the provisions of this subdivision have been met accompanied with a cost-benefit analysis showing the economic impact of the plan on each taxing district which is at least partially within the boundaries of the redevelopment district. The analysis shall show the impact on the economy if the project is not built, and is built pursuant to the redevelopment plan under consideration. The cost-benefit analysis shall include a fiscal impact study on every affected political subdivision, and sufficient information from the developer for the municipality to evaluate whether the project as proposed is financially feasible and complies with the requirement of this section;
but

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February 2, 2004

To: House Committee on Economic Development

From: Kathie Sparks, Principal Analyst

Re: Comparison of HB 2393, HB 2395, and SB 222

The following is a comparison of the following three bills, HB 2393, HB 2395, and SB 222 all from the 2003 Legislative Session. As the provisions are explained, when the provisions appear in one of the other bills it will be noted with the bill number after the explanation of the provision.

HB 2373

- HB 2373 would authorize the Kansas Development Finance Authority (KDFA) to issue bonds to finance low to moderate income multi-family and single-family housing developments (HB 2395 and SB 222).

- The bill would also authorize the issuance of bonds to finance a statewide single-family mortgage revenue bond program to assist Kansans with the purchase of their first home (HB 2395 and SB 222).

HB 2395

- HB 2395 would authorize KDFA to issue bonds to finance low to moderate income multi-family and single-family housing developments (HB 2373 and SB 222).

- The bill would also authorize the issuance of bonds to finance a statewide single-family mortgage revenue bond program to assist Kansans with the purchase of their first home (HB 2373 and SB 222).

- The bill would allow KDFA to participate in and administer any state or federal tax credit programs (SB 222).

- The bill would also expand the powers of KDFA to include the following powers relative to home mortgage loans:

    - Acquire home mortgage loans owned by lending institutions at such prices, terms, and conditions determined by KDFA or its agent.

    - Make and execute contracts with lending institutions for the origination and servicing of home mortgage loans on behalf of the authority and to pay the reasonable value of services rendered relative to the contracts.

    - Establish standards and requirements applicable to the purchase of home mortgage loans or the origination of home mortgage loans as may be necessary.

House Economic Development
2-24-04
Attachment 2

- Authorize the sale or other disposition of any home mortgage loan, in whole or in part, at prices, terms, and times deemed necessary.

- Pledge any revenues and receipts to be received from or in connection with any home mortgage loans to the punctual payment of mortgage revenue bonds, interest, and redemption premiums.

- Pledge or grant security interests in any home mortgage loans, notes, revenues, or other property in favor of the holder or holders of mortgage revenue bonds (all the above ○ are also included in SB 222).

- The bill would allow for KDFA to issue bonds to refund mortgage revenue bonds previously issued by a local government (SB 222).

- Under provisions of the bill, KDFA would not have to follow the same notice requirements for mortgage revenue bonds as for other private activity bonds issuances (SB 222).

SB 222

- SB 222 would authorize KDFA to issue bonds to finance low to moderate income multi-family and single-family housing developments (HB 2373 and HB 2395).

- The bill also would authorize the issuance of bonds to finance a statewide single-family mortgage revenue bond program to assist Kansans with the purchase of their first home (HB 2373 and HB 2395).

- The bill would allow KDFA to participate in and administer any state or federal tax credit programs (HB 2395).

- The bill states that KDFA would not be authorized to make loans directly to individuals to originate home mortgage loans secured by a first lien in competition with private lending institutions or to originate home mortgage loans secured by a junior lien in competition with private lending institutions unless the mortgage secured by a junior lien is made only to pay for down-payment or closing costs in connection with the acquisition of a home.

- The bill also would expand the powers of KDFA to include the following powers relative to home mortgage loans:

  - Acquire home mortgage loans owned by lending institutions at such prices, terms, and conditions determined by KDFA or its agent.

  - Make and execute contracts with lending institutions for the origination and servicing of home mortgage loans on behalf of the authority and to pay the reasonable value of services rendered relative to the contracts.

  - Establish standards and requirements applicable to the purchase of home mortgage loans or the origination of home mortgage loans as may be necessary.

  - Authorize the sale or other disposition of any home mortgage loan, in whole or in part, at prices, terms, and times deemed necessary.

- Pledge any revenues and receipts to be received from or in connection with any home mortgage loans to the punctual payment of mortgage revenue bonds, interest, and redemption premiums.

- Pledge or grant security interests in any home mortgage loans, notes, revenues, or other property in favor of the holder or holders of mortgage revenue bonds (all the above ○ are also included in HB 2395).

- The bill would allow for KDFA to issue bonds to refund mortgage revenue bonds previously issued by a local government (HB 2395).

- Under provisions of the bill, KDFA would not have to follow the same notice requirements for mortgage revenue bonds as for other private activity bonds issuances (HB 2395).

- The bill states that any moneys derived from the issuance of mortgage revenue bonds and not used directly to finance, acquire, or originate home mortgage loans would be required to be used to support programs or activities related to low or moderate income housing.

- The bill requires the Secretary of Commerce and Housing to create an objective scoring matrix for the allocation of housing tax credits. This matrix would be established through the Joint Committee on Administrative Rules and Regulations.

- The bill would provide a rule set aside which would ensure that for at least 90 days after the issuance of mortgage revenue bonds, KDFA would be required to reserve a minimum of 20 percent of the amount of the bond proceeds available to finance home mortgage loans for use in financing home mortgage loans in those areas of the state which are not included in any metropolitan statistical area.

- Under the bill, the provisions of the Kansas Governmental Operations Accountability Law (KGOAL) would apply to KDFA. The bill would require that KDFA be subject to a KGOAL audit during the 2004 Legislative Session or during a legislative session designated by the Committee on Legislative Post Audit.

- The bill would expand KDFA board of directors from five to seven members, two of which would be individuals with housing expertise as determined by the Governor.

KS/dg

Thursday, May 4, 2000
The Detroit News
Editorials & Opinions

Don't expand state housing program

By Lawrence W. Reed

Imagine a situation in which an existing state agency is both unnecessary and relatively ineffective. It maintains a bureaucracy at public expense and, in the name of aiding the poor, it actually spends considerable resources helping those who are not poor. Taxpayers are on the hook if any of its projects turn sour. And all the while, what little good it does is done in direct competition with private-sector firms that employ real people with real families.

What should legislators do about this? Expand the program? Scale it back or fix its deficiencies? Eliminate the program?

While expanding the program would seem nonsensical to most people who have to pay government's bills, it's all too often the preferred course of action for the legislators who run those bills up. A classic example is playing itself out in Lansing.

The Michigan State Housing Development Authority is a state agency that sells bonds and uses the proceeds to provide loans to developers who erect low-income housing and subsidies in the form of loans and mortgage credit certificates to individuals who buy houses. That may be a laudable purpose on its face. But as former housing development authority board member Gary Wolfram has pointed out, the state authority protects its bond rating by essentially lending its money for low-income housing projects that the private sector would finance anyway. It uses its tax-free government status to compete with standard, taxpaying for-profit lenders and subsidizes well-off developers with loans at artificially low rates of interest.

But does it substantially increase the stock of low-income housing? Wolfram says no — the private sector provides about 93 percent of the low-income housing in Detroit, for example, which suggests that the state authority would hardly be missed if it simply disappeared.

Now comes House Bill 5538, sponsored by state Rep. Paul DeWeese, R-Williamston. Of all the options mentioned above, the DeWeese bill expands the program by increasing the income and purchase price limits of the single-family housing portion of the program and requiring that those limits be raised every year hereafter.

House Economic Development
2-24-04

Under current law, to qualify for a MSHDA-subsidized single-family home, family income cannot exceed $43,575; the DeWeese bill would raise that to

Attachment 3

"100 percent of the statewide median family income," the practical effect of which means that nearly half of Michigan families would ultimately qualify for this "low-income" assistance.

Under current law, the purchase price of the unit cannot exceed $80,000 for an existing home or $100,000 for a newly constructed one; the DeWeese bill would raise those limits to $99,000 and $120,000, respectively. These purchase price limits would then rise automatically in the future "at a rate of five percent compounded annually." 5 percent is roughly double the rate of inflation in recent years.

In the past when MSHDA collected the proceeds from its bond sales, priority was given for low-income applicants for 120 days. This bill would strike that prioritizing custom, which would direct more of state housing authority's limited pool of funds toward higher-income families.

All these changes embraced in the DeWeese bill would not only expand MSHDA's activity in direct competition with private, taxpaying lenders, but would expand the agency's original mission. Originally intended to spur the development of housing for low-income people, the state authority would now be in the business of subsidizing housing for people who, arguably, are hardly destitute and, indeed, would be regarded as middle-class.

Does anyone really believe nearly half of the families in Michigan need government assistance to get into a home, or that only low-income people live in $120,000 houses?

Helping Michigan families is a worthy objective, but that goal is eviscerated if the route to achieving it involves redistributing wealth, expanding government and leaving more people in a state of dependency. The objective is further undermined if the families that are "helped" by subsidies are offset by families that pay the bill or who must be concerned about their future because they work for a private firm against which the government program competes.

Families — and, by extension, society — are strengthened when we remove obstacles to self-reliance without creating new ones. Before we expand the reach of public bureaucracies, shouldn't we do more to address the many ways existing government activities make life difficult for low-income people — from high taxes to costly zoning and building codes to poor schools that fail to provide students with the education they need to earn a good income?

HB 5538 is one more reason to remember what Henry David Thoreau once put so cogently when he said, "If I knew for certain that a man was coming to my house to do me good, I would run for my life."

Lawrence W. Reed is president of the Mackinac Center for Public Policy in Midland. Write letters to The Detroit News, 615 W. Lafayette, Detroit, Mich. 48226, or fax to (313) 222-6417 or send messages to letters@detnews.com

Mackinac Center for Public Policy

Posted: Tuesday, February 01, 2000

Privatizing the Poor: How to Expand Low-Income Housing in Michigan

By Gary L. Wolfram

Privatization, in its broadest sense, is the transfer of assets or services from the tax-supported and politicized public sector to the entrepreneurial initiative and competitive markets of the private sector. Privatization takes on many forms including, but not limited to contracting out, public-private partnerships, and "asset shedding," or ending government involvement in a particular endeavor altogether. Low-income housing is an area where state policy makers should consider this latter form of privatization.

The Michigan State Housing Development Authority (MSHDA) is the primary vehicle for setting low-income housing policy in Michigan. While MSHDA does not directly own or rent low-income housing, it does act as a "bank" by selling bonds and using the proceeds to provide loans to developers and individuals who promise to erect low-income housing.

MSHDA has more than $2.3 billion in bonds outstanding at this time. The proceeds from the bonds are lent to developers and homeowners, sometimes through private lending agencies. These bonds are limited obligations, and the mortgage payments from each MSHDA-financed project are the backing for the bonds. However, should any of MSHDA's projects turn sour, the state government would not allow MSHDA to default on its bonds: Taxpayers would be forced to make the payments.

So what is wrong with government-backed low-income housing loans? For one thing, they are unnecessary. In order to keep its bond rating high and avoid defaults, MSHDA tends to lend for the sort of low-income housing projects that are most likely to be financed by the private sector, anyway. In other words, MSHDA uses its status as a tax-free government entity to compete with standard, for-profit lenders. The main beneficiaries of this arrangement are developers, not low-income renters. To the extent that rents are kept low to benefit the poor, the bonds become riskier, and MSHDA must put the taxpayer in a vulnerable situation.

Has MSHDA ever defaulted? No. MSHDA-financed housing projects are generally well managed; however, the real problem is that MSHDA encourages the misuse of scarce resources by providing developers with artificially low loans. How? The housing market naturally provides low-income housing through an efficient mechanism. Housing typically filters down naturally through the distribution of income. As the market produces new higher-income housing, and as higher-income families move into the new housing, the older housing stock becomes available for low-income tenants.

Economies make the most efficient use of resources when the amount that consumers will pay for a product is at least equal to the value of the resources that get used up in producing the product. The fact that the market typically produces low-income housing through the passing on of former high-income housing, indicates that this is the best use of resources. MSHDA distorts this economic process by encouraging developers to do something that ultimately does not make the most efficient use of resources: that is, build new low-income housing. This results in fewer resources available for all citizens, both poor and nonpoor.

Despite the enormous amount of money MSHDA lends, the resulting amount of housing built is actually quite small relative to the available housing stock. For example, the city of Detroit has slightly under one million people, about 32 percent of whom are below poverty level. This means more then 300,000 residents are in need of, on average, 100,000 low-income housing units. MSHDA currently provides financing for only 8,123 housing units in Detroit, and not even all of those are low-income. In other words, the private sector provides an estimated 92.9% of low-income housing in Detroit, while MSHDA's loans have resulted in less than 8.1% of that housing.

If MSHDA is unnecessary and ineffective, why have it? Part of the reason for the existence of MSHDA is that several federal programs that also distort the housing market require a state agency to administer. For example, there are federal tax credit programs available for developers of low-income housing and for first-time homebuyers. MSHDA is the agency through which these credits are administered.

Such federal programs are not directly under the control of state officials; however, Lansing policy makers could do two things to encourage an increase in the availability of low-income housing while removing bond default risks to taxpayers and minimizing public debt.

The first is loosening up zoning laws and building regulations. More new low-income housing would be produced in Michigan if state and local requirements for certain square footages or certain types of building materials did not drive up the price of housing beyond means of low-income families. Policy makers should re-examine the wisdom and necessity of such regulations.

Secondly, state lawmakers should end the government's involvement in new low-income housing and let the competitive private sector provide this housing in the most efficient manner. Indeed, as has been shown, the truth is that the private sector is already providing the vast majority of low-income housing units and could do even more if MSHDA were abolished.

As the MSHDA mortgages become due, policy makers should retire the existing bonds and eliminate the vast expansion of state debt that is used to construct housing whose value is less than the value of the resources being used to construct it.

More low-income families would benefit if the government retained MSHDA solely as the agency that administers federal tax credits and ended the state's involvement in the housing business altogether.

Gary Wolfram is George Munson professor of political economy at Hillsdale College.

This text is part of the larger publication:
Shining a Light on Privatization

Return to standard version.

thereto.

(f) After receiving and approving the feasibility study required pursuant to K.S.A. 74-8936, and amendments thereto, the authority may issue bonds in one or more series for the purpose of financing a multisport athletic project in accordance with K.S.A. 74-8936 through 74-8938, and amendments thereto. If the project is to be constructed in phases, a similar feasibility study shall be performed prior to issuing bonds for the purpose of financing each subsequent phase.

(g) The authority may issue bonds for the purpose of financing resort facilities, as defined in subsection (a) of K.S.A. 32-867, and amendments thereto, in an amount or amounts not to exceed $30,000,000 for any one resort. The bonds and the interest thereon shall be payable solely from revenues of the resort and shall not be deemed to be an obligation or indebtedness of the state within the meaning of section 6 of article 11 of the constitution of the state of Kansas. The authority may contract with a subsidiary corporation formed pursuant to subsection (v) of K.S.A. 74-8904, and amendments thereto, or others to lease or operate such resort. The provisions of K.S.A. 32-867, 32-868, 32-870 through 32-873 and 32-874a through 32-874d, and amendments thereto, shall apply to resorts and bonds issued pursuant to this subsection.

(h) The authority may issue bonds for the purpose of financing, acquiring or originating home mortgage loans. ***Except as provided in K.S.A. 74-8904, and amendments thereto, any moneys derived by the authority from the issuance of bonds under this subsection (h) and not used directly to finance, acquire or originate home mortgage loans shall be used by the authority to support programs or activities related to low or moderate income housing.***

This subsection and all other authority in this act for the financing, acquiring and originating of home morgage loans shall expire the later of January 1, 2008 or three years after its effective date.

~~(h)~~ *(i)* The authority may use the proceeds of any bond issues herein authorized, together with any other available funds, for venture capital investments or for purchasing, leasing, constructing, restoring, renovating, altering or repairing facilities as herein authorized, for making loans, purchasing mortgages or security interests in loan participations and paying all incidental expenses therewith, paying expenses of authorizing and issuing the bonds, paying interest on the bonds until revenues thereof are available in sufficient amounts, purchasing bond insurance or other credit enhancements on the bonds, and funding such reserves as the authority deems necessary and desirable. All moneys received by the authority, other than moneys received by virtue of an appropriation, are hereby specifically declared to be cash funds, restricted in their use and to be used solely as provided herein. No moneys of the authority other than moneys received by appropriation shall be deposited with the state treasurer.

~~(i)~~ *(j)* Any time the authority is required to publish a notification pur-

D'Malley

Proposed Amendments to
Senate Bill 222, As Amended by the Senate Committee of the Whole

Subject of Amendment: **No Direct Lending**

Explanation: This language attempts to confirm that KDFA will do no direct lending to the borrower. It is the intent of KDFA to purchase mortgages originated by participating lenders.

Section 1. Amendments to K.S.A. 74-8902

(Page 3, Lines 27 through 30.) – (u) ''Home mortgage loan'' means a loan to a mortgagor evidenced by a promissory note and secured by a mortgage~~,~~ purchased or ~~**originated**~~ **financed** by the authority made for the purpose of acquiring, constructing or improving a home.

Section 2. Amendments to K.S.A. 74-8904

(Page 4 and 5, lines 28 through 2) – (i) make secured or unsecured loans for any of the purposes for which bonds of the authority may be issued under this act or to low and moderate income multifamily rental housing projects participating in programs established in section 42 of the federal internal revenue code, and provide financing for housing projects and programs in participation with programs established by the United States department of housing and urban development or the Kansas department of commerce and housing**;** ~~**except as otherwise provided in this subsection, the authority shall not be authorized to make loans directly to individuals to (1) originate home mortgage loans secured by a first lien in competition with private lending institutions or (2) originate home mortgage loans secured by a junior lien in competition with private lending institutions unless such home mortgage loans secured by junior lien are made only to pay all or a portion of a mortgagor's required down payment or payment or closing costs in connection with the acquisition of a home;**~~ **provided that nothing in this act shall be construed to authorize the authority to make loans directly to individuals to finance housing developments or home mortgage loans except that the authority is authorized to contract with lending institutions to originate, on behalf of or in the name of the authority,** home mortgage loans secured by a junior lien made only to pay all or a portion of a mortgagor's required down payment or closing costs in connection with the acquisition of a home;

Section 3. Amendments to K.S.A. 74-8905

(Page 10, lines 21 through 27) – (h) The authority may issue bonds for the purpose of financing or acquiring ~~**or originating**~~ home mortgage loans. Except as provided in K.S.A. 74-8904, and amendments thereto, any moneys derived by the authority from the issuance of bonds under this subsection (h) and not used directly to finance~~,~~ **or** acquire ~~**or originate**~~ home mortgage loans shall be used by the authority to support programs or activities related to low or moderate income housing.

House Economic Development

 2-24-04 February 24, 2004

Attachment 4

Proposed Amendments to
Senate Bill 222, As Amended by the Senate Committee of the Whole

Subject of Amendment: **Publication of Notice in Kansas Register**

Explanation: This amendment clarifies that notifications related to bonds issued pursuant to this bill will be published in the Kansas Register.

Section 3. Amendments to K.S.A. 74-8905

> **(Page 10, Line 43, Page 11, Lines 1 through 2)** – (j) Any time the authority is required to publish a notification pursuant to the tax equity and fiscal responsibility act of 1982 **or any time that the authority issues bonds pursuant to subsection (h),** the authority shall further publish such notification in the Kansas register.

Proposed Amendments to
Senate Bill 222, As Amended by the Senate Committee of the Whole

Subject of Amendment: **Limitation on Conventional Loans to 10 Percent in Metropolitan Statistical Areas and No Direct Lending**

Explanation: It is the intent of KDFA to primarily purchase first lien mortgages that are insured or guaranteed by the Federal Housing Administration, the Department of Veterans Affairs or United States Department of Agriculture Rural Development.

Section 1. Amendments to K.S.A. 74-8902

(Page 4, Following line 7) – **(z) "Conventional home mortgage loan" means a home mortgage loan not insured or guaranteed by the Federal Housing Administration, the Department of Veterans Affairs, the United States Department of Agriculture Rural Development or their successors.**

Section 2. Amendments to K.S.A. 74-8904

(Page 7, Lines 20 through 24) – (x) (3) to establish, by rules and regulations, by resolution relating to any issuance of bonds or in any financing documents relating to such issuance, such standards and requirements applicable to the purchase of home mortgage loans ~~**or the origination of home mortgage loans**~~ **or the origination of home mortgage loans by lending institutions** as the authority deems necessary or desirable to effectuate the public purposes of this act**, provided that no more that 10% of the home mortgage loans purchased or financed with ~~bonds~~ in metropolitan statistical areas may be conventional home mortgage loans;** proceeds.

Proposed Amendments to
Senate Bill 222, As Amended by the Senate Committee of the Whole

Subject of Amendment: **Right to Retain Servicing of Conventional Loans**

Explanation: This language allows the originator of a conventional mortgage to retain the servicing of that conventional mortgage.

Section 2. Amendments to K.S.A. 74-8904

(Page 7, Lines 16 through 19) – (2) to make and execute contracts with lending institutions for the origination and servicing of home mortgage loans on behalf of the authority and to pay the reasonable value of services rendered in accordance with such contracts**, provided that a lending institution shall have the option to retain servicing on conventional home mortgage loans originated by such lending institution;**

thereto.

(f) After receiving and approving the feasibility study required pursuant to K.S.A. 74-8936, and amendments thereto, the authority may issue bonds in one or more series for the purpose of financing a multi-sport athletic project in accordance with K.S.A. 74-8936 through 74-8938, and amendments thereto. If the project is to be constructed in phases, a similar feasibility study shall be performed prior to issuing bonds for the purpose of financing each subsequent phase.

(g) The authority may issue bonds for the purpose of financing resort facilities, as defined in subsection (a) of K.S.A. 32-867, and amendments thereto, in an amount or amounts not to exceed $30,000,000 for any one resort. The bonds and the interest thereon shall be payable solely from revenues of the resort and shall not be deemed to be an obligation or indebtedness of the state within the meaning of section 6 of article 11 of the constitution of the state of Kansas. The authority may contract with a subsidiary corporation formed pursuant to subsection (v) of K.S.A. 74-8904, and amendments thereto, or others to lease or operate such resort. The provisions of K.S.A. 32-867, 32-868, 32-870 through 32-873 and 32-874a through 32-874d, and amendments thereto, shall apply to resorts and bonds issued pursuant to this subsection.

(h) The authority may issue bonds for the purpose of financing, acquiring or originating home mortgage loans. ***Except as provided in K.S.A. 74-8904, and amendments thereto, any moneys derived by the authority from the issuance of bonds under this subsection (h) and not used directly to finance, acquire or originate home mortgage loans shall be used by the authority to support programs or activities related to low or moderate income housing.***

private activity

~~(h)~~ *(i)* The authority may use the proceeds of any bond issues herein authorized, together with any other available funds, for venture capital investments or for purchasing, leasing, constructing, restoring, renovating, altering or repairing facilities as herein authorized, for making loans, purchasing mortgages or security interests in loan participations and paying all incidental expenses therewith, paying expenses of authorizing and issuing the bonds, paying interest on the bonds until revenues thereof are available in sufficient amounts, purchasing bond insurance or other credit enhancements on the bonds, and funding such reserves as the authority deems necessary and desirable. All moneys received by the authority, other than moneys received by virtue of an appropriation, are hereby specifically declared to be cash funds, restricted in their use and to be used solely as provided herein. No moneys of the authority other than moneys received by appropriation shall be deposited with the state treasurer.

~~(i)~~ *(j)* Any time the authority is required to publish a notification pur-

1st amendment

House Economic Development
Hill
2-24-04
Attachment 5

thereto.

(f) After receiving and approving the feasibility study required pursuant to K.S.A. 74-8936, and amendments thereto, the authority may issue bonds in one or more series for the purpose of financing a multi-sport athletic project in accordance with K.S.A. 74-8936 through 74-8938, and amendments thereto. If the project is to be constructed in phases, a similar feasibility study shall be performed prior to issuing bonds for the purpose of financing each subsequent phase.

(g) The authority may issue bonds for the purpose of financing resort facilities, as defined in subsection (a) of K.S.A. 32-867, and amendments thereto, in an amount or amounts not to exceed $30,000,000 for any one resort. The bonds and the interest thereon shall be payable solely from revenues of the resort and shall not be deemed to be an obligation or indebtedness of the state within the meaning of section 6 of article 11 of the constitution of the state of Kansas. The authority may contract with a subsidiary corporation formed pursuant to subsection (v) of K.S.A. 74-8904, and amendments thereto, or others to lease or operate such resort. The provisions of K.S.A. 32-867, 32-868, 32-870 through 32-873 and 32-874a through 32-874d, and amendments thereto, shall apply to resorts and bonds issued pursuant to this subsection.

(h) The authority may issue bonds for the purpose of financing, acquiring or originating home mortgage loans. ***Except as provided in K.S.A. 74-8904, and amendments thereto, any moneys derived by the authority from the issuance of bonds under this subsection (h) and not used directly to finance, acquire or originate home mortgage loans shall be used by the authority to support programs or activities related to low or moderate income housing.***

This subsection and all other authority in this act for the financing, acquiring and originating of home morgage loans shall expire the later of January 1, 2008 or three years after its effective date.

~~(h)~~ *(i)* The authority may use the proceeds of any bond issues herein authorized, together with any other available funds, for venture capital investments or for purchasing, leasing, constructing, restoring, renovating, altering or repairing facilities as herein authorized, for making loans, purchasing mortgages or security interests in loan participations and paying all incidental expenses therewith, paying expenses of authorizing and issuing the bonds, paying interest on the bonds until revenues thereof are available in sufficient amounts, purchasing bond insurance or other credit enhancements on the bonds, and funding such reserves as the authority deems necessary and desirable. All moneys received by the authority, other than moneys received by virtue of an appropriation, are hereby specifically declared to be cash funds, restricted in their use and to be used solely as provided herein. No moneys of the authority other than moneys received by appropriation shall be deposited with the state treasurer.

~~(i)~~ *(j)* Any time the authority is required to publish a notification pur-

2nd amendment

5-3

of the state pursuant to this act to finance a project of statewide as well as local importance or otherwise financing on behalf of the state pursuant to this act a project of statewide as well as local importance. The Kansas statewide projects development corporation is hereby created in accordance with this section~~.~~;

(w) participate in, administer, coordinate and enter into any agreements to facilitate or to provide any financings as may be related to any tax credit programs which from time to time may be authorized by the federal or state government; and

(x) with respect to home mortgage loans, in addition to other powers of the authority pursuant to this act:

(1) to acquire, and to contract and enter into advance commitments to acquire, home mortgage loans owned by lending institutions at such prices and upon such other terms and conditions determined by the authority or such other person as it may designate as its agent;

(2) to make and execute contracts with lending institutions for the origination and servicing of home mortgage loans on behalf of the authority and to pay the reasonable value of services rendered in accordance with such contracts;

(3) to establish, by rules and regulations, by resolution relating to any issuance of bonds or in any financing documents relating to such issuance, such standards and requirements applicable to the purchase of home mortgage loans or the origination of home mortgage loans as the authority deems necessary or desirable to effectuate the public purposes of this act;

Such standards and requirements shall be consistent with standards and requirements with which nongovernmental entities engaged in the purchase or home mortgage loans or the origination of home mortgage loans must comply, and shall not confer a competitive advantage on the authority.

(4) to authorize the sale or other disposition of any home mortgage loan, in whole or in part, upon such terms, at such prices and times, and from time to time, as may be deemed appropriate and necessary;

(5) to pledge any revenues and receipts to be received from or in connection with any home mortgage loans to the punctual payment of bonds therefore, and the interest and redemption premiums, if any, thereon; and

(6) to pledge or grant security interests in any home mortgage loans, notes, revenues therefrom or other property in favor of the holder or holders of bonds issued therefore.

Sec. 3. K.S.A. 74-8905 is hereby amended to read as follows: 74-8905. (a) The authority may issue bonds, either for a specific activity or on a pooled basis for a series of related or unrelated activities or projects duly authorized by a political subdivision or group of political subdivisions of the state in amounts determined by the authority for the purpose of financing projects of statewide as well as local importance as defined pursuant to K.S.A. ~~12-1744~~ 74-8902, and amendments thereto, capital improvement facilities, educational facilities, health care facilities and

Carl Krehbiel

8-7 passed

Carl Krehbiel

New Section - (a) The Kansas development finance authority shall compile a report and deliver it on or before February 1 of each calendar year to the governor, president of the senate and speaker of the house of representatives containing the following information for the preceding calendar year:

authority?

(1) The number and total dollar amount of loans the corporation ? has made or participated in for each census tract in the state;

(2) the name of each mortgage lender, the number and total dollar amount of loans made to each mortgage lender by the authority in each census tract in the state;

(3) the number of mortgage loans, the average sale price of homes purchased, the average size of mortgage loans made for the purchase of homes, the average household income of borrowers, the average loan to value ratio, and the total number of new and existing homes, respectively, purchased with loans involving the authority in each census tract in the state; and

(4) a comparison of the loan interest rates for mortgagors with and without the agency's activities.

(b) An audit of the books and accounts of the authority shall be made at least once each year. An independent certified public accountant may be employed to perform the audit and the cost thereof may be paid from available moneys of the authority. A copy of the audit shall be submitted to the governor, president of the senate and speaker of the house of representatives.

(c) The authority shall make available to the public for inspection and copying at the authority's office and on the internet all reports compiled by the authority pursuant to this section.

intent - to review only the loans associated with housing (incl. Housing Resources Corp.)

Strike (b), p. 12 lines 35-38

Insert amendment

6-7 failed

House Economic Development

2-24-04

Attachment 6

6-2

of the state pursuant to this act to finance a project of statewide as well as local importance or otherwise financing on behalf of the state pursuant to this act a project of statewide as well as local importance. The Kansas statewide projects development corporation is hereby created in accordance with this section~~.~~;

(w) participate in, administer, coordinate and enter into any agreements to facilitate or to provide any financings as may be related to any tax credit programs which from time to time may be authorized by the federal or state government; and

(x) with respect to home mortgage loans, in addition to other powers of the authority pursuant to this act:

(1) to acquire, and to contract and enter into advance commitments to acquire, home mortgage loans owned by lending institutions at such prices and upon such other terms and conditions determined by the authority or such other person as it may designate as its agent;

(2) to make and execute contracts with lending institutions for the origination and servicing of home mortgage loans on behalf of the authority and to pay the reasonable value of services rendered in accordance with such contracts;

(3) to establish, by rules and regulations, by resolution relating to any issuance of bonds or in any financing documents relating to such issuance, such standards and requirements applicable to the purchase of home mortgage loans or the origination of home mortgage loans as the authority deems necessary or desirable to effectuate the public purposes of this act;

Such standards and requirements shall be consistent with standards and requirements with which nongovernmental entities engaged in the purchase or home mortgage loans or the origination of home mortgage loans must comply, and shall not confer a competitive advantage on the authority.

(4) to authorize the sale or other disposition of any home mortgage loan, in whole or in part, upon such terms, at such prices and times, and from time to time, as may be deemed appropriate and necessary;

(5) to pledge any revenues and receipts to be received from or in connection with any home mortgage loans to the punctual payment of bonds therefore, and the interest and redemption premiums, if any, thereon; and

(6) to pledge or grant security interests in any home mortgage loans, notes, revenues therefrom or other property in favor of the holder or holders of bonds issued therefore.

Sec. 3. K.S.A. 74-8905 is hereby amended to read as follows: 74-8905. (a) The authority may issue bonds, either for a specific activity or on a pooled basis for a series of related or unrelated activities or projects duly authorized by a political subdivision or group of political subdivisions of the state in amounts determined by the authority for the purpose of financing projects of statewide as well as local importance as defined pursuant to K.S.A. ~~12-1744~~ 74-8902, and amendments thereto, capital improvement facilities, educational facilities, health care facilities and

Krehbiel

A2

of the state pursuant to this act to finance a project of statewide as well as local importance or otherwise financing on behalf of the state pursuant to this act a project of statewide as well as local importance. The Kansas statewide projects development corporation is hereby created in accordance with this section~~.~~*;*

(w) participate in, administer, coordinate and enter into any agreements to facilitate or to provide any financings as may be related to any tax credit programs which from time to time may be authorized by the federal or state government; and

(x) with respect to home mortgage loans, in addition to other powers of the authority pursuant to this act:

(1) to acquire, and to contract and enter into advance commitments to acquire, home mortgage loans owned by lending institutions at such prices and upon such other terms and conditions determined by the authority or such other person as it may designate as its agent;

(2) to make and execute contracts with lending institutions for the origination and servicing of home mortgage loans on behalf of the authority and to pay the reasonable value of services rendered in accordance with such contracts;

(3) to establish, by rules and regulations, by resolution relating to any issuance of bonds or in any financing documents relating to such issuance, such standards and requirements applicable to the purchase of home mortgage loans or the origination of home mortgage loans as the authority deems necessary or desirable to effectuate the public purposes of this act;

(4) to authorize the sale or other disposition of any home mortgage loan, in whole or in part, upon such terms, at such prices and times, and from time to time, as may be deemed appropriate and necessary;

(5) to pledge any revenues and receipts to be received from or in connection with any home mortgage loans to the punctual payment of bonds therefore, and the interest and redemption premiums, if any, thereon; ~~*and*~~

(6) to pledge or grant security interests in any home mortgage loans, notes, revenues therefrom or other property in favor of the holder or holders of bonds issued therefore~~.~~

; and

(7) no assistance shall be provided by the authority or any authority program unless the mortgagor can provide evidence of two or more denied home mortgage loan applications from two different lending institutions, at least one of which must have a physical office in the state of Kansas.

Sec. 3. K.S.A. 74-8905 is hereby amended to read as follows: 74-8905. (a) The authority may issue bonds, either for a specific activity or on a pooled basis for a series of related or unrelated activities or projects duly authorized by a political subdivision or group of political subdivisions of the state in amounts determined by the authority for the purpose of financing projects of statewide as well as local importance as defined pursuant to K.S.A. ~~12-1744~~ 74-8902, and amendments thereto, capital improvement facilities, educational facilities, health care facilities and housing developments. Nothing in this act shall be construed to authorize

Audit and Reports Amendment

This amendment requires an annual report and audit of KDFA. The content of the reports are designed to allow an easy way to monitor and track the effectiveness and impact of the statewide mortgage revenue bond program.

The amendment also requires an annual audit. Lending institutions are regularly examined by regulators and independent auditors. This amendment simply attempts to apply some of those same standards and practices to KDFA since they now want to function as a lending institution.

Lender of Last Resort Amendment

This amendment requires that a borrower be turned down by two lending institutions before they receive assistance from KDFA. This is meant to insure that only people who are unable to receive financing from private business are able to participate in the state program.

New Section No mortgagor shall receive financing or other assistance from the authority in the purchase of a home without first satisfactorily completing a homebuyer education course.

(a) The authority shall establish by rules and regulations the criteria of such a course. The course shall be no less than six hours in duration and curriculum shall include, but not be limited to:
(1) Household budgeting;
(2) basics of mortgage finance; and
(3) provisions of the federal recapture tax.

(b) Nothing in this section shall be construed to prohibit the authority from contracting with another party to provide homebuyer education courses in accordance with the requirements of subsection (a).

House Economic Development
2-24-04
Attachment 7
Craft

of the state pursuant to this act to finance a project of statewide as well as local importance or otherwise financing on behalf of the state pursuant to this act a project of statewide as well as local importance. The Kansas statewide projects development corporation is hereby created in accordance with this section~~.~~*;*

(w) participate in, administer, coordinate and enter into any agreements to facilitate or to provide any financings as may be related to any tax credit programs which from time to time may be authorized by the federal or state government; and

(x) with respect to home mortgage loans, in addition to other powers of the authority pursuant to this act:

(1) to acquire, and to contract and enter into advance commitments to acquire, home mortgage loans owned by lending institutions at such prices and upon such other terms and conditions determined by the authority or such other person as it may designate as its agent;

(2) to make and execute contracts with lending institutions for the origination and servicing of home mortgage loans on behalf of the authority and to pay the reasonable value of services rendered in accordance with such contracts;

(A) The authority shall not select an out-of-state master servicer who does not originate a minimum of fifty home mortgage loans for the authority each year.

(B) The authority and any subsidiary and any agency or political subdivisionof the state shall be prohibited from acting as a master servicer.

(C) No contract for a master servicer shall be in effect for a period of three years or $350 million in mortgage loan servicing, whichever period of time is greater.

(3) to establish, by rules and regulations, by resolution relating to any issuance of bonds or in any financing documents relating to such issuance, such standards and requirements applicable to the purchase of home mortgage loans or the origination of home mortgage loans as the authority deems necessary or desirable to effectuate the public purposes of this act;

(4) to authorize the sale or other disposition of any home mortgage loan, in whole or in part, upon such terms, at such prices and times, and from time to time, as may be deemed appropriate and necessary;

(5) to pledge any revenues and receipts to be received from or in connection with any home mortgage loans to the punctual payment of bonds therefore, and the interest and redemption premiums, if any, thereon; and

(6) to pledge or grant security interests in any home mortgage loans, notes, revenues therefrom or other property in favor of the holder or holders of bonds issued therefore.

Sec. 3. K.S.A. 74-8905 is hereby amended to read as follows: 74-8905. (a) The authority may issue bonds, either for a specific activity or on a pooled basis for a series of related or unrelated activities or projects duly authorized by a political subdivision or group of political subdivisions of the state in amounts determined by the authority for the purpose of financing projects of statewide as well as local importance as defined pursuant to K.S.A. ~~12-1744~~ 74-8902, and amendments thereto, capital improvement facilities, educational facilities, health care facilities and housing developments. Nothing in this act shall be construed to authorize

Gordon #2 3 parts A, B, C

George K. Baum & Company

INVESTMENT BANKERS SINCE 1928

February 23, 2004

Representative Terrie Huntington
Capitol Office
Room 182-W
10th and Jackson
Topeka, KS 66612

Ref: SB 222 – KDFA Housing Bill

Representative Huntington:

The purpose of this letter is to respond to several questions you have asked me regarding the existing statewide single family program sponsored by Sedgwick and Shawnee Counties (Kansas Local Government Program) and questions about state housing finance agency single-family programs. Below is a response to these questions.

1.) Will SB 222 duplicate services already provided by the Kansas Local Government Program?

Yes, in every manner. There are federally mandated income and purchase price limits and a first-time homebuyer requirement which determine eligibility for these single-family programs. These limits would be the same for both programs and the exact same potential borrowers would be served. Additionally, the bond structures used by either program would be rated "AAA" and the types of mortgage loans provided would be the same. **Example**: State Housing Agencies in Missouri, Oklahoma, New Mexico and Louisiana use exactly the same bond structure and loan types as the Kansas Local Government Program.

2.) Does the Kansas Local Government Program cost the State money to operate?

No. In fact, since 1998 the Kansas Local Government Program has actually paid \$1,300,427 directly ***to*** the Kansas Department of Commerce to be used to fund additional housing programs. Additionally, no County or State dollars are used to fund their bond issue's costs of issuance or capitalized interest.

House Economic Development
2-24-04
Attachment 8

3.) Will the KDFA Program proposed in SB 222 require State money to operate?

Based on how most state housing agencies operate, the costs of issuance and capitalized interest associated with the issuance of bonds will need to be funded with KDFA/State dollars. The amount of funding will likely be about 2.75% of the amount of bonds issued. On a $20,000,000 bond issue, the up front amount would be approximately $550,000. KDFA could get all or a part of this up-front money back over time, if loans are originated. If loans don't originate, the cost is borne by KDFA. Additionally, it is likely KDFA will need to hire additional staff to administer their program.

4.) Does the Kansas Local Government Program encourage statewide lending?

Yes. In the past six years, more than $457,000,000 in new loans have been made to over 7,600 first-time homebuyers. Through "Inter-Local Cooperation Agreements" with 103 counties and 280 cities, the Kansas Local Government Program originates mortgage loans statewide. Additionally, every year invitations are sent out to more than 150 mortgage lenders in the State to request their participation in the Kansas Local Government Program.

5.) Does the Kansas Local Government Program encourage rural lending?

Yes. Over 150 mortgage lenders statewide, including rural lenders, are invited to participate each year. ***Additionally, originating lenders are paid an additional 1% incentive fee for loans made in designated rural counties.***

6.) What efforts are being made by the Kansas Local Government Program to make loans in Johnson County?

Prior to February 10, 2004, it was difficult to find eligible first-time homebuyers in Johnson County because the purchase price limits, as established by federal law, were well below what most first-time homebuyers were looking for ($124,900 existing home/$182,900 new home). On February 10, 2004, the IRS came out with new purchase limits for all of Kansas including Johnson County. The new limits are <u>$230,625</u> for new and existing homes in Johnson County.

I hope I have answered all of the questions you have asked. If you need further clarification, please do not hesitate to contact me.

Sincerely,

J. Keith Tully

J. Keith Tully
Executive Vice President
Manager- Housing Finance Group

Commercial Federal Bank

William A. Fitzgerald
Chairman of the Board
and Chief Executive Officer

VIA EMAIL [original via overnight mail]

February 23, 2004

Representative Todd Novascone
House Economic Development Committee
State Capitol Building
Room 115-S
300 S.W. Tenth
Topeka, KS 66612-1504

Dear Representative Novascone:

Commercial Federal Savings Bank ("Commercial Federal") has reviewed SB 222, the bill to empower the Kansas Development Finance Authority to issue single family mortgage revenue bonds for a program that would include all areas of the State of Kansas. Mortgage revenue bond programs offer low and moderate income families who otherwise might not be able to afford a home, the chance to become homeowners, either through the lower mortgage rates offered by such programs or through down payment and closing cost assistance.

Commercial Federal works extensively with state housing agencies in other states and thus understands the differing points of view that have been expressed on the bill. Commercial Federal has decided to take a neutral position with respect to SB 222.

Commercial Federal is one of the largest mortgage originators in the State of Kansas, and thus is very familiar with the mortgage revenue bond programs through its role as a major mortgage originator in the Sedgwick/Shawnee bond program. It also serves as the Master Servicer for Nebraska's statewide housing finance program. If SB 222 passes and signed into law by the Governor, we would likely seek to participate in the KDFA bond program.

Thank you for your consideration and acknowledgment of our position on SB 222.

Sincerely,

Bill

W. A. Fitzgerald

WAF:ks

13220 California Street
Omaha, Nebraska 68154
(402) 514-5360
Fax: (402) 514-5304

House Economic Development
2-24-04
Attachment 9