

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 2, 2005 in Room 519-S of the Capitol.

All members were present except:

Representative Lana Gordon- excused
Representative Bruce Larkin- excused

Committee staff present:

Chris Courtwright, Legislative Research Department
Martha Dorsey, Legislative Research Department
Gordon Self, Revisor of Statutes
Richard Cram, Department of Revenue
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:

Representative Morrison, Legislator
Representative Huff, Legislator
Allan Quigley, Executive Director, Johnson County Housing Coalition
Carol Smith, United Community Services of Johnson County
John Scott, Interfaith Housing Service, Hutchinson
Randall Hrabe, NW Kansas Housing
Brad Reiff, Kansas Housing Resources Corp.
Lou Hangle, NEK-CAP (written testimony only)
Delton Gilliland, Osage County Counselor (written testimony only)

Others attending:

See attached list.

The Chairman opened the floor for bill introductions.

Representative Morrison requested a bill introduction relating to a tax exemption for Dreams Work, Inc. Representative Huff made a motion that the bill be introduced. Representative Owen seconded the motion. The motion carried.

HB 2082 - Property tax exemption for property owned by community housing development organizations.

Staff stated that the bill is a property tax exemption that provides for property that is used for elderly persons, persons with disabilities, and persons with low income. Although there are many tax exemption laws for related housing, this particular property is not included under those exemptions. Community Housing Development Organizations (CHDOs) must meet four qualifying points: It must be a community housing organization that is not-for-profit. It must meet federal housing standards and provide low cost housing at or below fair market rent.

Representative Huff, a sponsor of the bill, stood to testify for **HB 2082**. He stated that this coalition provided non-profit housing and offers affordable housing to low income households such as the disabled, mentally impaired, elderly, persons with special needs and low income citizens (Attachment 1). Some nonprofit housing developers are already exempt, i.e. faith-based housing developers, and this organization should be treated the same.

Allan Quigley, Executive Director, Johnson County Housing Coalition rose in support of **HB 2082**. The CHDOs mission is to provide housing and housing assistance to homeless, low and very-low income households (Attachment 2). There are 26 CHDOs in Kansas. In addition to the direct relief to CHDOs, the dollar amount of taxes exempted would count as matching funds toward Federal Home Grants and other federal programs.

In response to questions, Mr. Quigley stated that each CHDO is a separate, private, non-profit organization and although each of their missions may vary, their overriding mission is to provide low income affordable

CONTINUATION SHEET

MINUTES OF THE House Taxation Committee at 9:00 A.M. on February 2, 2005 in Room 519-S of the Capitol.

housing. He described the process required to become a CHDO, and spoke of the compensation package for management. He described various scenarios where people had been helped by their CHDOs program. The fiscal note is approximately \$162,000 in property taxes. The CHDOs programs were tax exempt until 2001, at which time the Board of Tax Appeals changed the exemption.

Carol Smith, United Community Services of Johnson County, appeared in support of **HB2082**. She stated that property taxes for CHDOs are a significant burden and hinder their ability to address the unique housing challenges they are intended to serve (Attachment 3). Her testimony included housing facts related to national and statewide trends.

Randall Hrabe, NW Kansas Housing, rose in support of **HB 2082**. He stated that with the tax exemption they would be able to keep the rent very low for their income qualified individuals while allowing the NW Kansas Housing to be a viable organization (Attachment 4). He spoke about cooperative community efforts that resulted in building two new single family homes in Lucas, Kansas.

John Scott, Interfaith Housing Service stated that **HB 2082** if passed would open up new opportunities for the development of truly affordable and accessible housing across Kansas, especially in the harder to develop areas (Attachment 5). They could lower rents to their clients, and improve the quality of life for a great many people.

Brad Reiff appeared in support of **HB 2082** on behalf of the HOME Investment Partnerships Program, the entity that distributes the HOME funds to CHDOs. HOME is the largest Federal block grant designed exclusively for the creation of affordable housing opportunities (Attachment 6).

Lou Hangley, representing The Northeast Kansas Community Action Program (NEK-CAP) provided written testimony that supported **HB 2082**. (Attachment 7)

The public hearing was closed on **HB 2082**.

HB 2022 - Award of attorney fees to taxpayer in certain appeals by the county of orders of the board of tax appeals.

Staff stated that the bill would amend the statute relating to property tax valuation appeals that are at the Board of Tax Appeals. If the county wishes to appeal an order of the Board of Tax Appeals up to the next level, generally a District court, and the county loses at that level, the taxpayer may be awarded attorneys fees and costs occurred by the tax payer. The 2004 interim tax committee is a strong proponent of **HB 2022**, as stated in their interim report. The bill passed the house last session (**HB 2540**), however was left unworked by the conference committee at the conclusion of the 2004 session. The bill carries no fiscal note to the state's general fund, however the county would pay attorneys fees for taxpayer that prevailed at the district court level.

The Chairman opened the public hearing on **HB 2022**.

There being no conferees to speak to the bill it was noted that written testimony in opposition to **HB 2022** had been submitted by Delton M. Gilliland, Osage County Counselor & Administrator (Attachment 8).

The Chairman closed the hearing on **HB 2022**.

The Chairman stated that if time allowed the Kansas Housing Resource Corporation would be invited to present a briefing on housing policy to the Committee.

Representative Brunk made a motion to approve the January 21, 25, 26 & 27 minutes. Representative Thull seconded the motion. The motion carried.

The meeting was adjourned at 10:20 a.m. The next meeting is scheduled for February 3, 2005.

HOUSE TAXATION COMMITTEE GUEST LIST

DATE: Feb 2, 2005

NAME	REPRESENTING
RICHARD PRODEWALD	TAXPAYERS
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Steve Stott	KDOR
Richard Crum	KDOR
Mark Bump	PVA
Adam Azeltine	Intern Kasha Kelley-Rep
Collyn Hoffman	Intern Rep. O'Malley
Rev. John Tamilio III	Chaplain for the Day
Michelle L Peterson	KS Governmental Consulting
Danielle Hoe	Johnson County
Dan Hermes	MIRROR, Inc.
David Dick	KS Credit Union Assoc
LARRY R BAKER	LKM

HB 2082

Thank you. Chairman Wilk, Ranking member Thull, Vice chair in training Owens.

Last summer the United Community Services organization contacted me and ask me if I would talk with the Johnson County Housing Coalition located in Olathe about a Tax exemption. My first reaction was, have you talked with Rep. Siegfroid or Rep. Kinzer..... But seriously Mr. Chairman, I went to the coalition's offices and spent two hours with their executive director talking about their organization. I was overly impressed with this excellent organization. This housing coalition is a member of the Kansas housing coalition with membership all across Kansas in towns such as Topeka, Emporia, Manhattan, Lawrence, Hiawatha, Eudora, Wichita, and several other locations. What do these organizations do? This organization provides non-profit housing and offers affordable housing for low income households such as the

disabled, the mentally impaired, the elderly, persons with special needs and low income citizens. These coalitions operate with the minimum of personnel. The Johnson County Coalition has two people in their office, the director and a secretary. The day I met with the director he was on his way to do repairs on one of their units. The average price of their units is about \$40,000. Their renters do not live in luxury. The demand for this type housing is increasing in Kansas. These organizations try to keep their rents as low as possible.

Their organization is 501-C3 for taxing purposes, but unless they are faith based sponsored, they must pay property taxes. HB-2082 would give a tax exemption on property to the coalition. Faith based organizations already receive a property tax exemption.

Mr. Chairman, I would like to wave questions at this time and have experts in this field answer questions after their testimony.

I am Allan Quigley, Executive Director of the Johnson County Housing Coalition. The Johnson County Housing Coalition is a private, non-profit Community Housing Development Organization referred to as a CHDO.

CHDO's are community based non-profits with the mission of providing housing and housing assistance to homeless, low and very-low income households. The make up of a CHDO's board of directors is regulated by HUD and is monitored by the Kansas Housing Resource Corporation to ensure compliance with HUD regulations. The board configuration helps to make certain that CHDO goals support the needs of each unique community.

In order to be eligible for federal HOME funds a community must have a CHDO with a full time director. In Johnson County the Federal HOME program provides about \$1.5 million to the community to assist with various programs including housing assistance, rehab, weatherization and other assistance to low-income and elderly households. The Johnson County Housing Coalition focuses activities on providing affordable rental properties well below market rents for those that can't find a place to live through traditional sources. We assist families from shelters, persons with disabilities, homeless and other populations that are not served by traditional landlords. Other CHDOs across Kansas create home ownership opportunities that would otherwise not exist for many families. What we do is use the federal assistance to leverage private funding to meet community needs for affordable housing and housing assistance.

I am here to request that the state legislature provide real property tax exemption for properties owned by the 26 CHDOs across the state. Our efforts for exemption are supported by local county governments. In fact Johnson County has encouraged applications for exemption due to the nature of our work for the community. While exemptions already exist for housing provided to the elderly, facilities owned by faith based organizations and organizations such as Habitat for Humanity, our efforts to obtain similar relief are not possible without legislative action. The Board of Tax Appeals has determined that without specific mention of CHDOs in legislation we cannot be favorably considered for exemption. In 2002 the Johnson County Housing Coalition took this issue to the Kansas Supreme Court which found with the Board of Tax Appeals regardless of the fact that the populations served by CHDOs are already mentioned in existing legislation. House Bill 2082 will provide the legislative relief as required by the Kansas Board of Tax Appeals.

House Bill 2082 as written provides some oversight by the Kansas Housing Resources Corporation. In addition, the legislation helps to ensure that properties meet HUD standards, and finally, that the exemption doesn't create a loop hole through which for-profit companies benefit from the exemptions at the expense of the local community.

In the course of my work as executive director I have received comments from several individuals that the free market should determine cost of housing and where people live. The reality is that the free market does not accommodate those who are homeless or very low-income. Many low-income households are disenfranchised because they typically don't have choices when it comes to meeting their basic need for a place to live. These households are considered high risk and excluded from most of the modest, safe and decent affordable housing offered by for-profit owners. For many the alternative is housing offered at a higher cost and lower quality simply because they don't have choices. CHDOs on the other hand offer a product that meets the basic needs of many households that have been affected by lay-offs, change in family status or income such as divorce or loss of a parent or medical emergency. We offer an opportunity to get another start on life either through a safe, low cost place to live, or through other initiatives such as home ownership or housing rehabilitation. By keeping costs to the households as low as possible families are more able to emerge from crisis rather than continue to be overcome by it.

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Attachment 2

On a broader perspective, CHDOs and affordable housing programs are increasingly affected by HUD budget constraints and changes to funding formulas. As these changes ripple through communities CHDO's and non-profits will have to find ways to increase services at the local level while funding is reduced and needs for assistance increase. Grant programs are looking for increased leveraging and involvement by local and state governments to both demonstrate their support for housing initiatives as well as mitigate the high cost of housing programs.

In addition to the direct relief to CHDOs, the dollar amount of taxes exempted would count as Matching Funds toward federal HOME grants and other federal programs. This would benefit communities with limited ability to generate donations for housing projects. Over the past several years, the tax burden and matching funds requirement on some CHDOs has placed several housing programs at financial risk. While the local communities support these programs, they cannot obtain the local matching funds due to local economic conditions. The tax exemption will greatly help meet that requirement.

I'd like to thank you for the opportunity to address this issue with the Committee and hope that the Kansas legislature can assist us in working with those vulnerable populations in need of safe, decent, affordable housing.



UNITED COMMUNITY SERVICES OF JOHNSON COUNTY

Drug & Alcoholism Council of Johnson County • Johnson County Children's Coordinating Council

Mission: *To identify human service needs in Johnson County, Kansas and marshal public and private resources to meet those needs.*

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Testimony - House Tax Committee

February 2, 2005

Thank you, Mr. Chairman, for this opportunity to appear before you. My name is Carol Smith, Associate Director of United Community Services of Johnson County (UCS), a nonprofit human service research organization and planning partner of United Way in Johnson County. Throughout its 37-year history, UCS has been committed to monitoring and advocating on behalf of public policies that improve human services because we believe addressing human need contributes to the quality of life for everyone.

Proponent of HB 2082: UCS is here today in support of HB2082 which proposes property tax exemption for Kansas' Community Housing Development Organizations (CHDO). Property taxes for this group of nonprofit developers are a significant burden and hinder their ability to address the unique housing challenges they are intended to serve. At UCS, we value the role that CHDO's play in providing housing for those residents who often have a difficult time finding a place to live – low-income working families with children, seniors, persons with disabilities and the homeless. Most importantly, a stable place to live provides the foundation for better outcomes for these households in all areas of their lives.

State and national housing trends demonstrate that housing challenges need attention and action by policy makers. I have included a few housing facts at the end of this testimony that provide examples of those challenges. As an example for our discussion today, the number of low-to-moderate income working families nationally who spent more than half their income on housing jumped 67% between 1997 and 2001. Right here in Kansas, one out of every six renters (45,325) paid half or more of their household income for rent in 2000.

This testimony is not about housing problems. Rather, it is support for one of the solutions: Community Housing-Development Organizations. Every day, these nonprofit organizations are focused on the unique challenges and opportunities in their communities. Through their work, CHDO's leverage other private resources to create housing choices that makes sense for their renters and that contributes to the overall economic vitality and well-being of their communities. HB 2082 would remove one of the barriers to their ability to create positive change in addressing today's housing challenges.

Finally, in closing, it is a matter of fairness. Some nonprofit housing developers are already exempt (such as faith-based housing developers). Community Housing Development Organizations should be treated the same.

Thank you again for this opportunity to appear before you.

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Attachment 3



United Way's Planning Partner
in Johnson County

► **HOUSING FACTS:**

National Trends.....

- One in seven U.S. households spends more than half their income on housing. The number of working families who spend more than half their income on housing jumped 68% in just four years from 1997 - 2001. (1)
- 60% of Americans say that it would be *more difficult* to obtain their current home in today's housing market. (2)
- The shortage of workforce housing is particularly tough on families with annual household incomes in the \$20,000 to \$40,000 range – families that include medical technicians, retail salespeople, mail carriers, social workers, school teachers and other citizens who contribute to our communities. (3)
- There is not a single American city or rural county where a household with one full-time minimum wage earner can afford to rent a modest one-bedroom apartment. (4)

Kansas Trends..... (5)

- Three out of every ten Kansas (98,546) and Johnson County (14,504) renters paid 30% or more of their income for housing costs in 2000 – a percentage nationally recognized as cost-burdened or not affordable.
- Statewide, more than three out of every four (78%) renters paying over 30% for housing had household incomes under \$20,000. In Johnson County, roughly half of such cost-burdened renters had annual incomes under \$20,000.
- One out of every six Kansas (122,941) and Johnson County (18,863) homeowners paid 30% or more for housing in 2000.

Housing Facts Sources:

- 1) *America's Working Families and the Housing Landscape 1997 – 2001*, Center for Housing Policy, November 2002.
- 2) *Fannie Mae Foundation Affordable Housing Survey*, conducted by Peter D. Hart Research Associates and the Coldwater Corporation, May/June 2002.
- 3) *Facts about Housing Challenges for Working Families*, discussion paper by Fannie Mae Foundation, 2004.
- 4) *The State of the Nation's Housing 2003*, Joint Center for Housing Studies of Harvard University.
- 5) *U.S. Census Bureau*, 2000 Decennial Census.

Testimony in Favor of House Bill 2082

Presented by Randall J. Hrabe,
Treasurer of the Northwest Kansas Housing, Inc.

I am here this morning to speak in favor of House Bill 2082. As Executive Director of the Northwest Kansas Planning & Development Commission and Treasurer of the Northwest Kansas Housing, Inc., both covering the northwest 18 counties of Kansas, the passage of this bill would be of great benefit to these non-profit organizations. The best way to exemplify this is to give an example of properties our Community Housing Development Organization owns. In Lucas, a small town of approximately 500 people, we built two new single family homes using HOME Funds, State Housing Trust Funds and a conventional bank loan for approximately 50% of the construction cost. The city of Lucas donated the lots that were acquired from a previous demolition project and waived many of the utility hookup fees. Because of HOME requirements, these homes must be rented to Low to Moderate Income (LMI) individuals, most in the 50% of median income range. The maximum rent allowed to be charged is just under \$300 per month, which, as a general rule is at the upper end of what these families/individuals can afford to pay. The property taxes, just paid in December, amounted to \$1,853 on both homes or 29.3% of the total rental income generated from the property. Interest expense amounted to another \$5,173 or 81.9% of income. As you can see, these two expenses combined amounted to more than the gross income generated, allowing nothing for maintenance and upkeep or replacement reserves. By passing HB 2082, the non-profit housing organization would at least have a chance at breaking even, while providing needed affordable housing to low to moderate income individuals.

Even though the NWKHI is a non-profit organization, enough funds must be generated to pay for salaries to manage the property. For the past six years, the Northwest Kansas Planning & Development Commission has picked up the losses of the CHDO, but there is not an unlimited supply of reserves and at some point in time the CHDO must be a self supported organization. The passage of HB 2082 will make that possible.

The fiscal cost to governmental entities would only amount to approximately \$2,500 in all of northwest Kansas. Although the Northwest Kansas Housing, Inc. owns and manages 62 other housing units in northwest Kansas, they are federal tax credit properties owned in partnership with the tax credit syndicators for a limited compliance period. These properties would not be eligible for property tax exemption under this legislation.

Again, I want to thank you for allowing me to present this testimony in favor of the passage of HB 2082. If you have any questions about the Northwest Kansas Housing organization, please feel free to give me or Loyce Schamberger a call at 785-421-2151 or email at nwkpdc@ruraltel.net .



Interfaith Housing Services, Inc.
S e r v i n g i n F a i t h

January 31, 2005

Representative Kenny Wilk
300 SW 10th, Office 426-S
Topeka, KS 66612

Dear Honorable Representatives:

House Bill 2082, if passed will open up new opportunities for the development of truly affordable and accessible housing across Kansas. This will make it possible to develop housing in harder to develop areas, lower rents to our clients, and improve the quality of life for a great many people.

Interfaith Housing Services (IHS) is a private non-profit and a certified Community Housing Development Organization. Our mission is, "To develop, promote and implement housing programs which assist persons of low to moderate incomes in Reno County to meet their housing needs." To accomplish our mission we operate three housing programs. These include: Homeowner Occupied Repair and Rehabilitation, Low-income First Time Homeownership, and our Special Needs Rental Housing program, which will be affected the most by House Bill 2082.

Since 1993, IHS has developed 41 units of affordable housing that we rent to people who are not able to rent on the open market. Living in these 41 units are 43 people on disability income. Many of these clients share the same unit to access support services and keep expenses affordable. We also provide affordable housing to 11 single parents supporting 18 children, and 7 individuals transitioning out of homelessness. The average income of these tenants is less than \$8,000 per year. For many, the housing units that IHS has developed are their only alternative to homelessness, living with relatives, or institutionalization.

I can't speak for the other CHDO organizations across the State, but for Interfaith Housing Services we serve people who cannot even afford the "affordable housing" being developed through the Low-Income Housing Tax Credits. While these tax credit units fill a large need, their affordability range is outside the potential of many in our community. This is especially true for people with disabilities on fixed income, as well as many elderly.

When House Bill 20822082 is implemented, for IHS it will mean a savings of just under \$20,000 per year on our current housing. We estimate this will allow the program to break even, which it

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Attachment 5

currently does not, and prevent rent increases over the next several years. For our clients, the community, and the organization, this will be a major event.

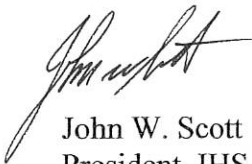
One of the issues we are facing is the interpretation of the current tax regulations. We are told that if a nonprofit organization provides both housing and support services to people with disabilities, they qualify for property tax exemption, but, if one organization does not fulfill both roles, then they do not. In Hutchinson, we work very closely with the Training and Evaluation Center of Hutchinson (TECH). TECH does an outstanding job of providing support services to people with developmental disabilities. They have found it to be more cost-effective to allow IHS to develop, own, manage and maintain the property than it is for them. By separating these responsibilities, TECH is able to maximize their service dollars, resulting in more clients served. We at IHS do housing very well and cost effectively. Now here's the catch: If TECH owned these homes, while at the same time providing support services, the properties would qualify for tax exemption. However, because IHS owns the property, and TECH provides services, we have been told these homes do not qualify. It is the same house, the same clients are being served, the same services are delivered, but because two organizations are specializing in what they do best, tax exemption doesn't apply. I question if that is the intent of the original regulations.

IHS has established a goal of developing 144 units of truly affordable housing in rural Reno County by the year 2020. Statistics from the Reno County Chamber of Commerce indicate that 42% of our population makes less than \$35,000 per year. When broken down, the weighted average is just over \$9.00 per hour; a household income less than \$19,000 per year. If we are going to succeed in keeping rents affordable to this segment of the population, we need every tool available, such as this Bill. We estimate this Tax Bill, when implemented, could save our clients up to \$70 per month in rent. This is a significant savings when your income is less than 50% of the area median.

I know that these are difficult times to be talking about tax incentives for affordable housing. However, the long-term effects of this legislation will actually increase the tax base for the State. Within CHDO program regulations is a provision that under certain circumstances allow a tenant to purchase the home. This is a valuable tool that we will use through our First Time Homeownership Program. As a result, much of the housing that we develop in the rural communities will ultimately be sold to qualifying first-time homebuyers. When this sale takes place the housing will then go on the tax rolls. This is a win-win situation for both the population as well as for the State.

On behalf of our Board of Directors and the clients we serve, we want to thank you for considering this important legislation.

Sincerely,



John W. Scott
President, IHS

House Bill 2082 Testimony
Offered to the Kansas House Taxation Committee on February 2, 2005
Presented by Bradley S. Reiff, CHDO Program Manager,
Kansas Housing Resources Corporation

CHDO Background

In 1990, Congress enacted the Cranston-Gonzalez National Affordable Housing Act, which created the HOME Investment Partnerships Program (HOME). HOME is the largest Federal block grant designed exclusively for the creation of affordable housing opportunities, through:

- Providing decent, safe, sanitary, affordable, and accessible housing to lower-income households
- Expanding the capacity of non-profit housing providers
- Strengthening the ability of state and local governments to provide housing, and
- Leveraging private sector participation

To address the second goal, Community Housing Development Organizations (CHDO) were established. A CHDO is a community-based non-profit corporation, which has the capacity to develop housing. A CHDO has the primary goal of providing affordable housing to Kansas citizens. These organizations strive to maintain the rents they charge in order to better assist the low-income families. The units are typically restricted to households at or below sixty (60) percent of area median income (approximately \$28,000 for a family of four in non-metropolitan areas) and have rents restricted at the fair market rent (\$418 per month for a two-bedroom unit in a non-metropolitan area).

States and local communities who receive a formula allocation of HOME funds each year are required to set-aside at least fifteen (15) percent of their funds for use by CHDOs. Since the inception of the program, the State of Kansas has allocated more than \$20 million dollars to 26 different CHDOs to create affordable rental housing that has generated in excess of \$83 million of investment in Kansas communities, creating 1,100 affordable rental units.

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House Bill 2082

In order to provide affordable, rental housing, operating costs must be kept to a minimum, while generating enough revenue to maintain the units at an appropriate level. This has become more difficult over time as operating expenses such as insurance, utilities, maintenance and taxes have increased.

Representative David Huff introduced a bill to the Kansas Legislature this session to exempt affordable rental properties owned solely by a CHDO from all property and ad valorem taxes. Kansas Housing Resources Corporation supports this legislation as it provides tax relief to CHDOs, therefore reducing operating expense and enhancing the financial stability of the properties.

It should be noted that prior to 2001, CHDO owned rental properties were exempt from property and ad valorem taxes under Kansas Statute 79-201 ninth. In 2001, the Kansas Board of Tax Appeal determined (and was subsequently affirmed by the Kansas Supreme Court) that CHDOs did not qualify as community organizations providing humanitarian services as required by the statute. These decisions placed a financial burden on CHDO properties that were originally structured with the tax exemption.

Benefits to the State

While the proposed legislation will result in the loss of tax dollars, the bill does have benefits for the State and local communities. By exempting these properties from ad valorem property taxes, the value of that exemption can be used by the State as a HOME Program Match. The HOME Program statute and federal regulations require the State to match equal to twenty-five (25) percent the HOME funds each year. As the State has not provided state-level funding for affordable housing, we have had to rely on CHDOs and other grantees to meet the HOME match requirement. The affordable housing developments CHDOs undertake are already difficult and the match requirement places a further burden on them.

There is also a potential benefit for rural communities as this may allow a CHDO to develop housing that it currently cannot. When structuring a development, it can be difficult for the CHDO to balance the operating expenses with the rents that are necessary to qualify as affordable housing. By exempting CHDO properties from taxes, the operating expenses would be reduced, improving cash flow. Thus, the community benefits with new and/or improved housing stock and local residents have better housing options.

Elderly and special needs houses are currently exempt from property taxes under KSA 79-201(b). The exemption for all other CHDO developments proposed in SB 2082 will provide CHDOs a better opportunity to develop affordable family rental housing. By exempting all CHDO owned rental properties, CHDO and local communities can partner together to address a wider range of housing needs.

NEK-CAP, INC.

Northeast Kansas Community Action Program, Inc.
P.O. Box 380; 1260 - 220th Street
Hiawatha, Kansas 66434-0380
(785) 742-2222 ~ (785) 742-2164 fax
(785) 742-3087 TDD ~ nekcap@nekcap.org

COMMENTS OF THE NORTHEAST KANSAS COMMUNITY ACTION PROGRAM IN SUPPORT OF KANSAS HOUSE BILL 2082

January 31, 2005

INTRODUCTION

The Northeast Kansas Community Action Program (NEK-CAP) supports Kansas House Bill 2082.

ABOUT NEK-CAP

NEK-CAP, services nine Kansas counties by empowering families to achieve their highest level of self-sufficiency. NEK-CAP services include analysis of the needs of families and matching of services to those needs. Analysis determines the level of need:

In crisis – immediate and physical or emotional safety is a concern. The family is unlikely to improve without outside intervention

At Risk – family relies on temporary or inappropriate solutions to pressing problems and relies heavily on public assistance.

Stable – the family does not face significant threats, but public assistance helps meet needs.

Safe – the family is generally secure and shows a commitment to improve.

Thriving - The family is strong and healthy. The family has achieved commonly accepted standards of well-being and is able to plan for the future. The family no longer requires any public assistance.

Based on the level of need, NEK-CAP provides services or referrals to encourage and support the family advancement to the next level. These services include:

Parent Education

Workshops for parents includes effective praise, preventive and corrective teaching and self-control. On-site childcare is provided.

Education for Children

Workshops for Youth that includes development stages and focuses on interpersonal and problem-solving skills such as self-esteem, self-discipline, empathy, cooperation, boundaries and peer pressure.

Head Start schools more than 584 children from infant to five years of age. Head Start is not just a childcare center. Its purpose is to provide children with five key services that will enable families living in poverty to thrive.

Education – a curriculum that provides for intellectual, social and emotional growth.

Health – emphasizes on early identification of health problems and needed medical dental

**NEK-CAP IS COMMITTED TO HELPING PEOPLE THRIVE NOW AND
ENDING POVERTY FOR FUTURE GENERATIONS**

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February 2, 2005

Serving Atchison, Brown, Doniphan, Jackson, Jefferson,
Leavenworth, Marshall, Nemaha, Pottawatomie, & Riley Cou Attachment 7

NEK-CAP, INC.

Northeast Kansas Community Action Program, Inc.
 P.O. Box 380; 1260 - 220th Street
 Hiawatha, Kansas 66434-0380
 (785) 742-2222 ~ (785) 742-2164 fax
 (785) 742-3087 TDD ~ nekcap@nekcap.org

mental health and nutrition services. Ensures that all children have access to health and dental services and current on immunizations. NEK-CAP collaborates with mental health care facilities to help children with emotional or psychological needs.

Parent Involvement – Home activities are provided to support classroom experiences.

Social services – self-sufficiency assessment that includes a review of the family's support system to determine what services are needed to get the family back on their feet for now and future generations.

Disabilities: At least 10% of Head Start children receive disability services.

According to The Children's Defense Fund, Head Start children are less likely to need special education services, drop out of high school, or have a teen pregnancy. Every dollar invested in Head Start saves the taxpayers \$7.00 in future taxes for additional services.

Nutrition

NEK-CAP uses funds from Child and Adult Care Food Program (CACFP). CACFP's primary goal is to serve nutritious meals to children attending childcare homes and centers, especially those from lower economic circumstances. The secondary goal is the establishment of lifelong, positive eating habits, reduction of future health care and education costs due to lack of proper early development, and training and support of local child care personnel. NEK-CAP assures that 115 childcare home providers (1,096 children) and 13 centers (538 children) benefit from the program.

Two NEK-CAP food banks in addition to eight food banks which NEK-CAP jointly manages with other organizations, provide assistance to more than 158 families in crisis. In addition, 465 food baskets provide aid to families in crisis.

Employment Related Services

Adult education designed to improve reading, writing, math and problem solving skills as well as GED programs serves 287 adults.

Job Readiness includes preparation and monitoring in an unsubsidized job and provides follow-up services.

Job Search includes assistance in writing job resumes, preparation for job interviews, administration of SACSI (Substance Abuse Subtle Screening) tests and CASAS (reading and math) competencies.

Job workshops include networking, employment applications, resume development, interview techniques and positive work habits.

Housing

Housing counseling provides landlord/tenant advocacy; help for homebuyers; and works with homeowners in crisis to avoid foreclosure and/or homelessness.

Section 8 HUD Housing Vouchers provides rental subsidy to 162 eligible families. According to *Living on the Edge, a report on the State of Low-Income Working Kansas Families* prepared by the Kansas Association of Community Action Programs, low income Kansans spend 30 % to 40% of their income on rent. While those on the Section 8 waiting list pay on average

**NEK-CAP IS COMMITTED TO HELPING PEOPLE THRIVE NOW AND
 ENDING POVERTY FOR FUTURE GENERATIONS**

Serving Atchison, Brown, Doniphan, Jackson, Jefferson,
 Leavenworth, Marshall, Nemaha, Pottawatomie, & Riley Counties.



NEK-CAP, INC.

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50% of their income on housing.

Through Emergency Food and Shelter Programs NEK-CAP provides short-term assistance to 259 families, preventing homelessness by providing assistance with past due rent, utilities bills, first month rent, utility/security deposits.

Each year NEK-CAP provides weatherization assistance to more than 100 homes. The service includes inspection and needed repairs of furnaces, water heaters, attic insulation, ceilings, walls, floors, ducts, water heaters, and pipes. By providing these services to homeowners and tenants, families spend less on utilities and more on other needs of life.

Provides low-income housing through 12 single-family homes, a 24-unit senior citizens complex and a 36-unit multi-family complex.

Special Projects

NEK-CAP prepares tax returns to assist more than 50 families through the Volunteer Income Tax Assistance program. Low-income and elderly take advantage of this service.

NEK-CAP works with the communities to provide holiday cheer that includes gifts and food for more than 1,000 disabled adults and 1,100 children.

Service Delivery

Services are delivered through 13 outreach centers, including four outreach centers that are housed with Head Start schools, two in community centers and one in courthouses. NEK-CAP delivers these services with 170 employees and more than 55,000 annual volunteer hours.

NEK-CAP's resources are based on federal and state grants, referrals to other agencies, coordination of services, local donations, collaborations and the hard work of its staff and volunteers.

THE ISSUE

NEK-CAP paid \$4,368 in real estate taxes on its CHDO single-family units, and incurred a tax debt of \$19,682 for its 24-unit elderly housing properties. House Bill 2082 would relieve this \$24,050 liability. Monies paid for taxes directly affect the number of families NEK-CAP serves.

In 2004, NEK-CAP's subsidized its single-family units by \$10,000, its 24-unit elderly housing properties by \$28,162 and its 36-unit multi-family housing project by \$43,618. Because of income eligibility requirements NEK-CAP's tenants are unable to pay higher rents. Paying the \$24,050 in taxes means NEK-CAP is forced to decide whether or not it can afford to maintain the properties to the quality of the neighborhood, have the available funds to renovate future abandoned properties, and/or abandon its commitment to its existing properties and the 34 families that will be affected.

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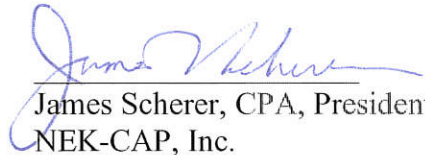


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THE CONCLUSION

While NEK-CAP is a non-profit corporation and does not strive to make a profit from its housing efforts, monies lost in its housing efforts prevent NEK-CAP from servicing the community in other areas listed above. It also prevents NEK-CAP from responding to future needs of communities for additional low-income housing.

Respectfully submitted:


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01 February 2005

CHAIRMAN AND MEMBERS
HOUSE TAXATION COMMITTEE

RE: H.B. 2022

Dear Chairman and Members:

Please consider this as testimony of the undersigned concerning H.B. 2022.

This bill if enacted will result in the possibility of unfair and burdensome obligations being placed on counties in Board of Tax Appeals proceedings which have been appealed to the District Court.

The draft of the bill which we reviewed only allows attorney's fees to taxpayers who prevail in District Court after a county appeal. The same benefit is not extended to counties. It seems unfair to allow this benefit to one party and not the other.

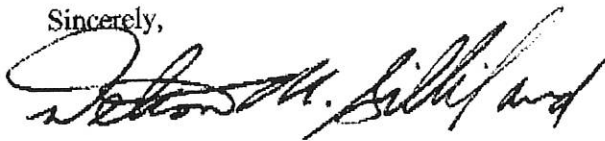
Funds available to counties have decreased, especially in the last two years. It is quite possible that counties will be faced by taxpayers in tax appeal matters whose resources far exceed those available to counties. In those situations counties, especially smaller counties, will be at a significant disadvantage and discouraged from pursuing meritorious tax appeals.

No means of quantifying or limiting attorneys' fees allowable is mentioned in the statute. It is conceivable that an attorney could legitimately accumulate a substantial amount of time in researching, preparing, and trying a case, possibly in excess of the realistic value of the tax matter at issue.

Also, I understand that some attorneys represent clients in tax appeal matters on a percentage contingency fee basis. Will that type of fee be allowable under the statute?

We are opposed to H.B. 2022 and urge the Committee to not recommend it for passage.

Sincerely,



Delton M. Gilliland
Osage County Counselor/Administrator

nm

cc: Board of County Commissioners

Hs Taxation Committee
February 2, 2005
Attachment 8