

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS COMMITTEE

The meeting was called to order by Chairman Anthony Brown at 3:30 p.m. on March 15, 2010, in Room 784 of the Docking State Office Building.

All members were present except:

Representative Tom Burroughs- absent
Representative Bob Grant- excused
Representative Virgil Peck- excused
Representative Richard Proehl- excused
Representative Clark Shultz- excused
Representative Dale Swenson- absent

Committee staff present:

Bruce Kinzie, Office of the Revisor of Statutes
Sean Ostrow, Office of the Revisor of Statutes
Melissa Calderwood, Kansas Legislative Research Department
Amanda Nguyen, Kansas Legislative Research Department
Joyce Bishop, Committee Assistant

Conferees appearing before the Committee:

Mike Michaelis, Executive Director, Ellis County Coalition for Economic Development (Written testimony only)
Dennis Lauver, President & CEO, Salina Area Chamber of Commerce (Written testimony only)

Others attending:

See attached list.

Chairperson Brown explained that each committee member has been provided copies of written testimony received after the March 10th committee hearing regarding **SB 382 - Housing loan deposit program, eligibility of certain dwellings, outstanding loan amount limit**, provided by Mike Michaelis, Executive Director, Ellis County Coalition for Economic Development (Attachment 1) and Dennis Lauver, President & CEO, Salina Area Chamber of Commerce (Attachment 2).

Chairperson Brown opened the floor for discussion of **SB 382 - Housing loan deposit program, eligibility of certain dwellings, outstanding loan amount limit**.

Peter DeGraaf made a motion to pass SB 382 favorably from committee. Robert Olson seconded the motion. The motion passed unanimously.

Chairperson Brown closed discussion on **SB 382** and opened discussion on **SB 415 - Municipalities; bond investments**.

Doug Wareham, Kansas Bankers Association, offered a balloon amendment to **SB 415** (Attachment 3). Doug explained the balloon deals with Promentory Interfinancial and allows municipalities and financial institutions to use Promentory's cash sweep program.

Phil Hermanson made a motion to accept the amendment. Nile Dillmore seconded the motion. The motion passed unanimously.

Rob Olson made a motion to pass SB 415 as amended favorably from committee. Phil Hermanson seconded the motion. The motion passed unanimously.

This was the last meeting of the House Financial Institutions Committee for the 2010 legislative session.

The meeting was adjourned at 4:00 p.m.

HOUSE FINANCIAL INSTITUTIONS COMMITTEE

3:30pm,

Room 784

Docking State Office Building

GUEST LIST

DATE: March 15, 2010

NAME	REPRESENTING
Haley Davis	KCUA
Doug Wareham	KBA

Testimony in Support of SB382

House Committee on Financial Institutions – Anthony Brown, Chair

March 11, 2010

Chairman Brown and Members of the Financial Institutions Committee:

My name is Mike Michaelis. I am the Executive Director of the Ellis County Coalition for Economic Development, based in Hays, and I support SB 382 and the changes it makes to Housing Loan Deposit Program.

During the several months, State Treasurer Dennis McKinney and I have discussed the Housing Loan Deposit Program. We reviewed the attributes and the shortcomings of the program.

I believe the intent of the initial program was to incent a developer to build an affordable home. In its current form, the impact of this legislation is limited because a developer is limited to one home per application and then must reapply for the next project. Most developers, even in a rural community, don't build just one home at a time, but rather several at a time or in a series.

Compounding the limits of the current program is the fact that building affordable homes, those defined by the Housing Loan Deposit Program that are valued at less than \$165,694 as of July 1, 2009, are not profitable for a developer. Much like the car industry, the "extras" that home owners demand today are the most profitable components of the home. An affordable home may not have oak trim or even trim at all, but that is where the margins are for developers and why developers build higher priced homes and affordable homes become more and more obsolete.

In today's financial environment, finding lenders that will back these low margin projects that have any risk is not easy. By allowing a developer to borrow enough money at the right interest rate to build multiple homes, developers will have the incentive to build homes that will help more families get started with the American dream of owning a home. The developers will build "affordable homes."

I also believe that by expanding the definition of what is eligible from single family home to include multi-family dwellings, this bill will also make quality living possible for more Kansans.

Developers in and around Hays America have used or will use TIF (tax increment financing) District, the Rural Housing Incentive District, and the tax credit programs to build affordable homes and apartments for working families. By expanding Housing Loan Deposit Program, you add another tool for developers to help Kansans.

This program will help in small, medium, or large communities, but I believe will have a special impact on rural Kansas. Please vote in favor of SB 382.

Thank you in advance for your time and consideration.



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**Testimony re: Senate Bill 382
Kansas House Financial Institutions Committee**

We salute the legislature for its 2008 creation of the Kansas Housing Loan Deposit Program. This program provides a loan fund to reduce the cost of development affordable workforce housing.

The availability and affordability of Workforce Housing continues to be an impediment to the economic and community development of Kansas.

Senate Bill 382 will make several adjustments to the Kansas Housing Loan Deposit Program. These changes will increase utility of the program:

- Allow the program to be used for construction of multi-family housing
- Ties the use of the program to the price of a home via federal mortgage revenue bond regulations
- Increases the ability of developers to use the program by allowing them to finance more than one project at a time, with a \$2,000,000 cap on outstanding loans

The Kansas Housing Loan Deposit Program is a great program and the proposed changes will increase the effectiveness of the initiative.

Furthermore, the impact on the State of Kansas is minimal. However, the effect on developers and contractors can be significant at improving margins and encouraging development of needed housing. Increasing the use of the program keeps these dollars working within state borders.

We strongly believe these changes merit approval and we encourage the legislature to approve SB 382 and advance it to the Governor.

A handwritten signature in black ink that reads "Dennis W. Lauver".

Dennis W. Lauver
President & CEO

Right place. Right reason. Right now.

HOUSE FINANCIAL INSTITUTIONS
DATE: 3/15/2010
ATTACHMENT: 2

SENATE BILL No. 415

By Committee on Financial Institutions and Insurance

1-21

10 AN ACT concerning certain municipalities; pertaining to investment in
11 certain bonds; pertaining to investment of certain bond income;
12 amending K.S.A. 10-131 and K.S.A. 2009 Supp. 10-1009 and 12-1675
13 and repealing the existing sections.

14
15 *Be it enacted by the Legislature of the State of Kansas:*

16 Section 1. K.S.A. 10-131 is hereby amended to read as follows: 10-
17 131. (a) The governing body of any municipality, as defined in K.S.A. 10-
18 101, and amendments thereto, which has issued or may issue bonds or
19 temporary notes for any purpose, is hereby authorized and empowered
20 to invest any portion of the proceeds of such bonds, notes or funds held
21 pursuant to the resolution or ordinance authorizing the issuance of such
22 bonds or notes, which is not currently needed, in: (1) Investments au-
23 thorized by K.S.A. 12-1675, and amendments thereto, in the manner
24 prescribed therein; (2) the municipal investment pool established pur-
25 suant to K.S.A. 12-1677a, and amendments thereto; (3) direct obligations
26 of the United States government or any agency thereof ~~or any obligation~~
27 ~~unconditionally guaranteed by the United States government~~; (4) the mu-
28 nicipality's temporary notes issued pursuant to K.S.A. 10-123, and amend-
29 ments thereto; (5) interest-bearing time deposits in commercial banks
30 located in the county or counties in which the municipality is located; (6)
31 subject to the limitations provided in subsection (b), obligations of the
32 federal national mortgage association, federal home loan banks ~~or the~~
33 ~~federal home loan mortgage corporation~~, **the federal home loan mort-**
34 **gage corporation or the government national mortgage association**;
35 (7) repurchase agreements for securities described in (3) or (6); (8) in-
36 vestment agreements with or other obligations of a financial institution
37 the obligations of which at the time of investment are rated in either of
38 the three highest rating categories by Moody's investors service or Stan-
39 dard and Poor's corporation; (9) investments in shares or units of a money
40 market fund or trust the portfolio of which is comprised entirely of se-
41 curities described in (3) or (6); (10) receipts evidencing ownership inter-
42 ests in securities or portions thereof described in (3) or (6); (11) municipal
43 bonds or other obligations issued by any municipality of the state of Kan-

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1 variable rate bonds specified in the documents authorizing the issuance
2 thereof.

3 (d) Notwithstanding the foregoing, for the period from the effective
4 date of this act until and including June 30, ~~2010~~ 2012, the maximum
5 stated rate of interest which may be fixed on fixed-rate or variable-rate
6 bonds issued by a municipality or taxing subdivision of the state of Kansas
7 shall be determined on the day the bonds are sold and shall not exceed
8 the daily yield for the ten-year treasury bonds published by The Bond
9 Buyer, in New York, New York, on the Monday next preceding the day
10 on which the bonds are sold, plus (1) ~~5%~~ 6%, if the interest on the bonds
11 is excluded from gross income for federal income tax purposes or (2) ~~6%~~
12 7%, if the interest on the bonds is included in gross income for federal
13 income tax purposes.

14 Sec. 3. K.S.A. 2009 Supp. 12-1675 is hereby amended to read as
15 follows: 12-1675. (a) The governing body of any county, city, township,
16 school district, area vocational-technical school, community college, fire-
17 men's relief association, community mental health center, community fa-
18 cility for the mentally retarded or any other governmental entity, unit or
19 subdivision in the state of Kansas having authority to receive, hold and
20 expend public moneys or funds may invest any moneys which are not
21 immediately required for the purposes for which the moneys were col-
22 lected or received, and the investment of which is not subject to or reg-
23 ulated by any other statute.

24 (b) Such moneys shall be invested only:

25 (1) In temporary notes or no-fund warrants issued by such investing
26 governmental unit;

27 (2) ~~in time deposit~~, open accounts, certificates of deposit or time cer-
28 tificates of deposit with maturities of not more than two years: (A) In
29 banks, savings and loan associations and savings banks, which have main
30 or branch offices located in such investing governmental unit; or (B) if
31 no main or branch office of a bank, savings and loan association or savings
32 bank is located in such investing governmental unit, then in banks, savings
33 and loan associations and savings banks, which have main or branch of-
34 fices in the county or counties in which all or part of such investing gov-
35 ernmental unit is located;

36 (3) in repurchase agreements with: (A) Banks, savings and loan as-
37 sociations and savings banks, which have main or branch offices located
38 in such investing governmental unit, for direct obligations of, or obliga-
39 tions that are insured as to principal and interest by, the United States
40 government or any agency thereof; or (B)(i) if no main or branch office
41 of a bank, savings and loan association or savings bank, is located in such
42 investing governmental unit; or (ii) if no such bank, savings and loan
43 association or savings bank having a main or branch office located in such

in savings deposits, time deposits