SESSION OF 2010

SUPPLEMENTAL NOTE ON SENATE BILL NO. 382

As Amended by House Committee of the Whole

Brief*

SB 382, as amended, would amend statutes governing the Kansas Housing Loan Deposit Program. The Program was established to provide incentives for housing construction development loans to qualified builders and developers. Under the law, from July 1, 2008, through July 1, 2011, one half of the total available amount is designated for housing loans to eligible developer borrowers building houses in the cities of Chanute, Coffeyville, Erie, Fredonia, Greensburg, Independence, Iola, Neodesha, or Osawatomie. The total loans rewarded under the Program are not to exceed $60.0 million.

The bill would make amendments to the Program requirements to:

- Expand the definition of "house" to include multi-family dwellings.

- Expand the definition of "eligible developer borrower" to include not only the building of homes [new construction] but also the rehabilitation of existing homes.

- Change the limit on the value of the eligible housing from a sale at or below 350 percent of the Kansas median household for the previous year (current law) to a sale or appraisal at or below the average purchase price safe harbor for the state as established by the State Treasurer through rules and regulations based on the requirements of specified in Section 143(e) of the Internal Revenue

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*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org

Code of 1986 for homes eligible for mortgage revenue bonds.

- Delete the limit of the one outstanding housing loan per borrower and instead specify that no more than $2.0 million in total loans can be outstanding at any one time to a developer borrower.

- Move forward the ending date for the loan requirement to designated cities from July 1, 2011, to December 31, 2010. Loans made under the program would be made available statewide, January 1, 2011.

The bill will become effective upon publication in the *Kansas Register*.

Background

The bill was introduced by the Senate Committee on Ways and Means. The State Treasurer testified in support of the bill indicating that the loan fund has been underutilized (less than $500,000 had been loaned out) and some elements of the loan program had created obstacles making the loan program unattractive for both lending institutions and housing developers. A representative of the Kansas Association of Realtors stated that the requested changes to the Program will help expand the availability of the program to more home builders and developers in Kansas and thus, help create new affordable housing options for Kansas families and workers. A representative of the Heartland Community Bankers Association also appeared before the Committee as a proponent to the bill. Written testimony in support of the bill was provided by the Ellis County Coalition for Economic Development; the Greater Kansas City LISC (Local Initiatives Support Coalition); the Home Builders Association of Greater Kansas City; the Kansas Bankers Association; and the Kansas Manufactured Housing Association. There were no opponents to the bill at the Committee hearing.

The Senate Committee on Financial Institutions and Insurance recommended an amendment to the bill to expand the program scope to include the rehabilitation of existing homes. The amendment is reflected in the definition of an "eligible developer borrower."

The Senate Committee of the Whole recommended an amendment to the bill to clarify the limit on the value of the eligible housing.

The House Committee of the Whole recommended an amendment to the bill to delete the limitation (percentage) on the average purchase price safe harbor.

The fiscal note prepared by the Division of the Budget on the original bill states the bill would have little effect on the responsibilities of the State Treasurer's Office. The proposed changes would, according to the fiscal note, entail negligible staff time to draft amendments to the Program regulations and to revise promotional materials. The changes, however, could lead to additional lending under the Program, but it is expected that this could be covered with existing staff. Higher utilization rates by lending institutions, the note continues, could lead to some reduction in the State General Fund interest income in the future. With current interest rates below 0.5 percent, the State Treasurer's Office anticipates no measurable effect on State General Fund interest revenue for FY 2011. Any fiscal effect associated with passage of the bill is not reflected in *The FY 2011 Governor's Budget Report*.