



Statement in Support of SB 34

Wednesday, March 15, 2023

House Committee on Financial Institutions and Insurance

Chairman Hohiesel and Members of the Committee:

On behalf of approximately 800 member businesses, The Chamber of Lawrence, Kansas is pleased to voice its support for the passage of Senate Bill 34, which would expand the availability of rural housing incentive districts.

The Rural Housing Incentive District (RHID) is a tool that virtually every Kansas community needs to have at its disposal if we are to meet our state's workforce housing needs. Similar to Tax Increment Financing (TIF), this program would assist in financing public improvements like site preparation, sanitary and storm sewers, street grading, drainage conduits, curbs, gutters, street lighting, public utilities, sidewalks, and water mains. While this program is currently only available in cities with a population of 60,000 or less and counties with populations under 80,000, Senate Bill 34 would make this program available to communities like Lawrence, greatly expanding its positive impact on housing in our state.

A shortage of quality housing of all types is a crisis in most communities. New housing development in Lawrence, for example, is at a 66-year low at a time when we have the Panasonic project ramping up in Douglas County and potential Panasonic supplier relocations coming soon. This disconnect is similar to the challenges faced in rural communities prior to the development of the RHID program. Building quality homes priced within the reach of hard working Kansans is more challenging today than at any point in our state's history. Simply put, the communities of Kansas that need additional housing to grow and thrive can spur development only if there is adequate assistance to bring prices in line with the market.

In 2015, the Lawrence Homebuilders Association studied the ten-year cost increase related to code compliance to build a 2,000 sf single-family home to be \$32,000. Those costs are related to things like additional insulation, increased safety features, better materials, energy efficient features, and other building code updates that truly make for better quality homes. However, those costs are real and they have accelerated in the eight years since this study was completed. Inflation, labor shortages, rising wages, supply-chain issues, etc. have driven costs significantly higher in recent years. This means that the cost to build entry level homes of 1,650 sf and smaller has risen to a point that there simply are not adequate margins for a builder to bring these homes to market. In fact, with margins of 4% or less, building 1,650 sf and smaller homes is a risky endeavor and probably not a sustainable business model. It is not greed that keeps builders out of the workforce housing market, it is economics.

Homebuilders can make a 10-15% margin on a \$700K+ home. This is not an exorbitant or unreasonable amount of profit. If a homebuilder could utilize a RHID to bring their margins on 1,650 f homes to 10%+, they will build this much-needed inventory. Expanding the RHID program is an excellent way to serve additional Kansas communities in need of housing and we urge you to support Senate Bill 34.

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