

KANSAS **HOUSING**
RESOURCES CORPORATION

January 12, 2015

Hon. Ty Masterson, Chairman
Senate Committee on Ways and Means
Capitol Building, Rm. 545-S
300 SW 10th St.
Topeka, KS 66612

RE: KHRC State Housing Trust Fund Activities Report

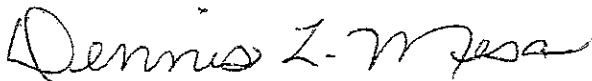
Dear Chairman Masterson and Members of the Committee:

Kansas Housing Resources Corporation (KHRC) is a public corporation that administers housing programs on behalf of the State. Pursuant to the requirements of 2013 K.S.A. Supp. 12-5256, KHRC is pleased to submit this Summary of Activities for the State Housing Trust Fund (SHTF). I am enclosing copies for distribution to members of the Committee.

As detailed in the Summary, KHRC is proud of its successes using the SHTF as a vehicle to make an impact on Kansas communities through the development of affordable housing. Highlighted in this Summary is the Moderate Income Housing (MIH) Program, KHRC's initiative using funds appropriated by the State during the past three Legislative sessions.

Please do not hesitate to call me at 785-217-2007 or at dmesa@kshousingcorp.org if you have questions or comments.

Sincerely,



DENNIS L. MESA
Executive Director

Enclosure



STATE HOUSING TRUST FUND

KANSAS HOUSING RESOURCES CORPORATION

OVERVIEW: Kansas Housing Resources Corporation (KHRC) is a self-supporting public corporation, which serves as the primary administrator of federal housing programs for the State of Kansas. KHRC's mission is to increase the availability of affordable, safe and accessible housing for low- and moderate-income Kansans. Created as a "one-stop shop for housing," KHRC administers affordable housing programs with the following areas of emphasis: Homeownership, Energy Efficiency, Rental Assistance, Rental Housing Development, Emergency Housing, Community Services and Program Compliance.

Working statewide, KHRC:

- Provides down-payment assistance to qualifying first-time homebuyers.
- Offers rental assistance to low-income families and individuals.
- Promotes energy efficiency improvements for owner-occupied and rental housing.
- Offers incentives to developers that finance the construction of affordable rental housing.
- Educates multi-family property owners and managers about program compliance to ensure that renters have a safe and affordable place to live.
- Preserves existing housing through rehabilitation.

More information on KHRC's programs and services, as well as its audited financial statements, can be found at www.kshousingcorp.org.

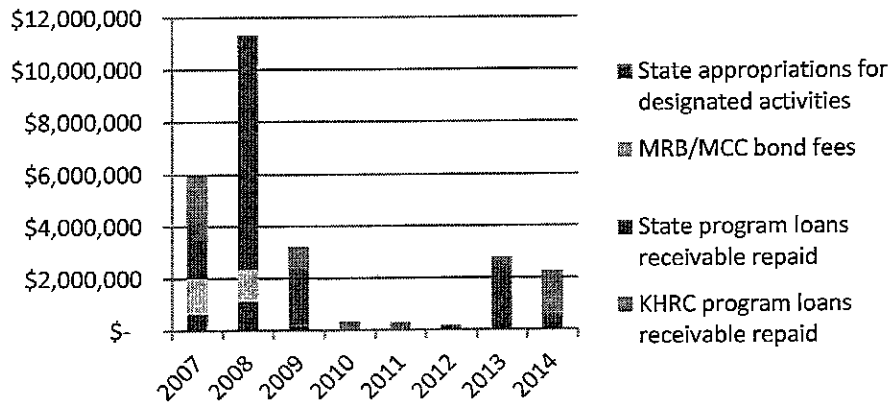
HISTORY & FUNDING: Formerly the Division of Housing within the Kansas Department of Commerce and Housing, Executive Reorganization Order No. 30 and 2003 Senate Bill No. 285 transferred the organization to become a division within the Kansas Development Finance Authority (KDFA). In 2003, KHRC became a subsidiary corporation of KDFA. Governed by a Board of Directors, KHRC does not receive operational revenue from the State of Kansas, but rather sustains itself through Federal contracts for service and program administration fees.

STATE HOUSING TRUST FUND

ESTABLISHMENT AND PURPOSE: Established in 1991, the State Housing Trust Fund (SHTF) was created by House Bill No. 2517 as a vehicle to deposit housing funds and provide necessary match for the Federal HOME Investment Partnerships Program. Now codified at K.S.A. 2013 Supp. 74-8959, the SHTF legislation contains no designated funding sources and is essentially a discretionary, interest-bearing trust account for the purpose of housing programs and services. The statute allows KHRC, as the administrator of this fund, to maintain and invest funds outside of the State Treasury and to apply for and receive grants, gifts and donations.

FUNDING: While many state housing trust funds around the country have robust designated revenue streams from taxes on real estate sales, development charges, or recording fees, the Kansas SHTF does not have these traditional revenue streams in place. Instead, Kansas SHTF activities are funded from diminishing MRB/MCC issuance fees (\$1,978 received since 2010), multi-family bond issuance fees from Private Activity Bonds (\$0 received since 2009), and other miscellaneous revenue streams. KHRC has also made contributions and donations to the SHTF from its fee-for-

State Housing Trust Fund 2007 - 2014 Cash Receipts

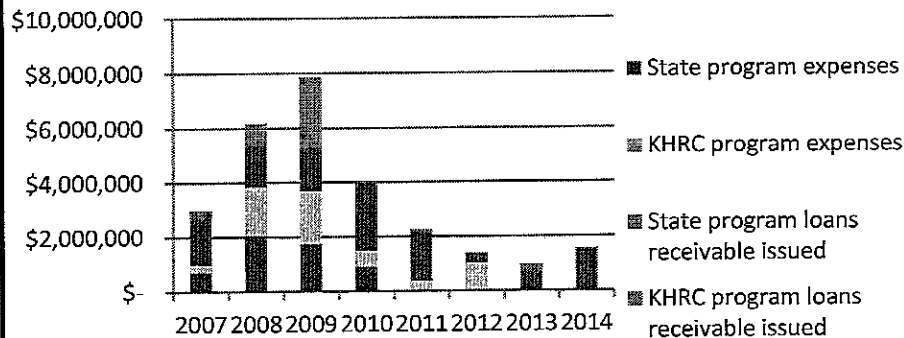


services activities as deemed appropriate by KHRC's Board of Directors. (Please see the graph summarizing SHTF revenue sources.)

HISTORICAL USES:

The SHTF has historically funded programs such as the Kansas Accessibility Modification Program (KAMP), Emergency Repair Program (ERP), Kansas Warm Homes Initiative, Housing Development Grant Program (HDGP) and the Moderate-Income Housing Program (MIH).

State Housing Trust Fund 2007 - 2014 Cash Disbursements



KAMP was a program that assisted eligible persons with disabilities with making accessibility-related modifications to their residence. The Warm Homes Initiative provided more than ten thousand winterization kits for distribution across the state. ERP offered financial assistance to income-eligible homeowners to make emergency home repairs that were necessary to ensure the occupant's continued safety. HDGP, a program approved by the Kansas Legislature in

2008, helped disaster-impacted communities across the state build new housing and infrastructure, such as streets, water and sewer systems.

The MIH program, approved by the Kansas Legislature in 2012, was designed to help cities and counties develop moderate-income housing and infrastructure in rural areas. Details on this initiative follow on the next page. Previously, SHTF dollars have also funded other housing community development, emergency loans and grants, and landlord-tenant counseling activities. (The graph above summarizes historical uses of SHTF funding.)

NOTE: The KAMP, Kansas Warm Homes Initiative, ERP and HDGP programs have been either eliminated or suspended due to funding cuts. However, KHRC remains ready to offer such programs again in the future should funding become available.

MODERATE-INCOME HOUSING PROGRAM

HISTORY: In 2012, KHRC created the Moderate-Income Housing (MIH) Program after the Kansas Legislature allocated \$2 million to the SHTF for the purpose of administering and supporting housing programs. KHRC supplemented the new state funding with \$330,000 in existing SHTF resources. In both 2013 and 2014, the Legislature allocated an additional \$2 million per year in continued support of MIH activities.

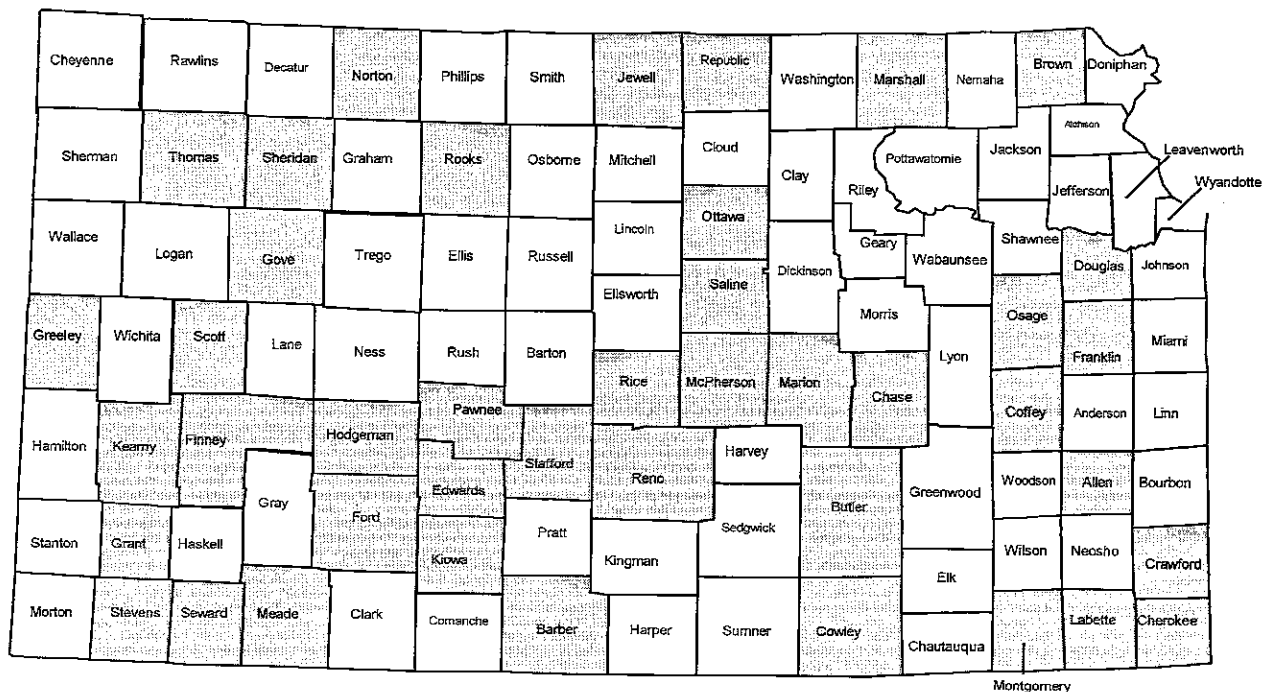
PROGRAM OVERVIEW: The MIH program serves the needs of moderate-income households, those families that cannot afford market-rate housing, yet don't qualify for federal housing assistance. MIH grants and/or loans are awarded to cities and counties to develop multi-family rental units, single-family for-purchase homes, and water, sewer and street extensions in communities with populations fewer than 60,000 people. MIH awards also help finance construction costs, rehabilitate unsafe or dilapidated housing, and offer down-payment and closing-cost assistance to homebuyers.

NOFA PROCESS: Each year, KHRC issues a Request for Proposal (RFP) for the MIH program, which details eligible applicants and activities, application procedures, grant/loan structuring, award criteria, compliance monitoring and reporting requirements. In addition, KHRC annually hosts several public hearings throughout the state, conducts online webinars and accepts written public comments in an effort to give citizens the opportunity to provide input on the proposed RFP.

APPLICATIONS RECEIVED: In the three years of the program, KHRC has received 65 applications from cities and counties requesting \$20,465,590 in MIH funding. A review team of KHRC staff evaluate the applications on several criteria, including housing need, readiness to proceed, and the ability to leverage funds from other sources.



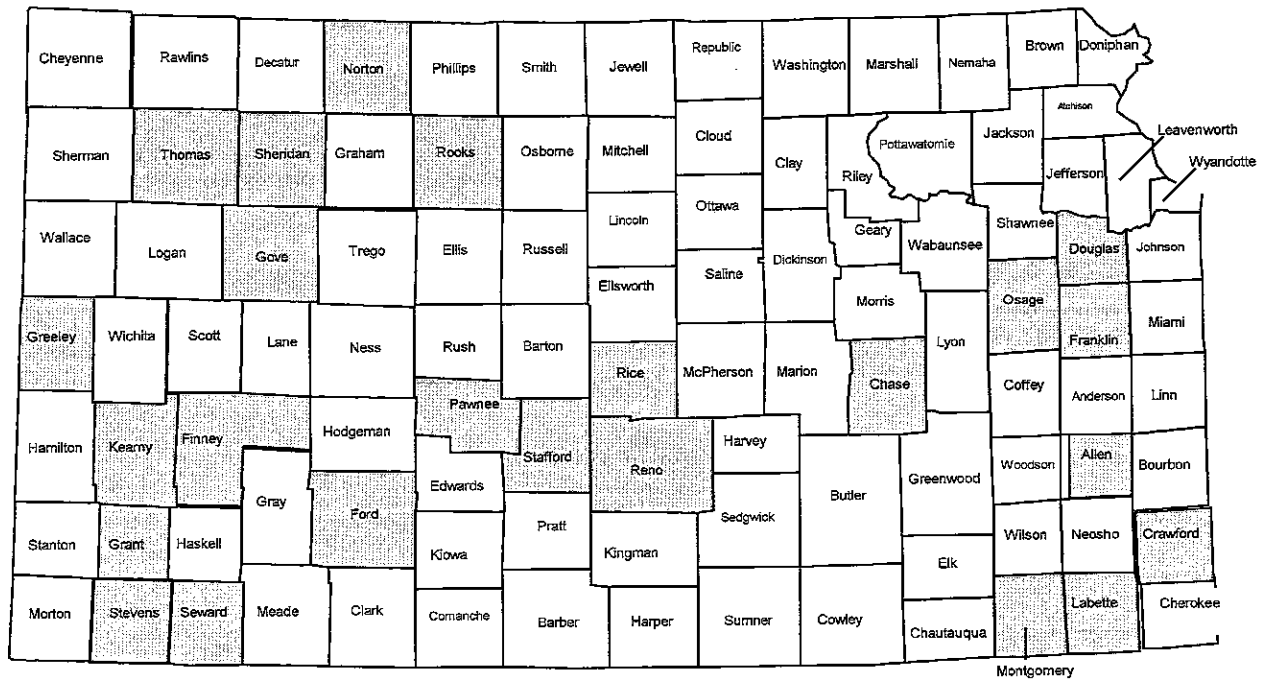
2012-2014 Moderate Income Housing Program Applications



AWARDS GRANTED: KHRC has awarded \$6,291,451 of funding to 28 communities. The funding helped finance the development of rental units, single family for-purchase homes, and infrastructure improvements. This includes construction costs, rehabilitation of existing housing and down payment and closing cost assistance to homebuyers.



2012-2014 Moderate Income Housing Program Awards



LEVERAGE FACTOR: The MIH program has achieved a leveraged factor of almost \$8 for every \$1 of state resources.

ELIGIBLE APPLICANTS: Cities and counties with a population fewer than 60,000 are eligible for MIH funding. Applicants are allowed to partner or contract with outside entities or individuals, including but not limited to public housing authorities, non-profits, community housing development organizations, developers and local employers.

ELIGIBLE ACTIVITIES: Housing development activities funded through the MIH program include (1) developing infrastructure necessary to support housing; or (2) housing development, including acquisition of real property, new construction, modular or manufactured housing and/or rehabilitation of existing housing. Applicants are encouraged to apply for projects with ties to economic development that leverage funds from both private and public sources. For maximum statewide impact, KHRC limits grants or loans to no more than \$400,000 per awardee.

Completed MIH Projects in 2014

Pioneer Estates - Garden City

Pioneer Road Estates was a collaborative partnership between all four taxing entities in the community—the City of Garden City, Finney County, Garden City Community College, and Garden City Schools USD 457. Innovative funding helped make the project a reality. In December 2012, the Garden City Commission passed an ordinance creating a Rural Housing Incentive District for Pioneer Road Estates. In addition to their support of the RHID, USD 457 donated 11 acres of land for the homes

to be built upon. The donated land increased the viability of the project. In return, the development created a much needed secondary access road for the recently constructed school. Other partners in the project were GC Residential Builders, LLC; Kansas Housing Resources Corporation; American Warrior Construction; and Rural Housing Partners.



Governor Sam Brownback speaks to the audience at the dedication for Pioneer Estates development, located in Garden City, Kansas.



Robert Pivonka, Mayor of Larned, cuts the ceremonial ribbon with KHRC Executive Director Dennis L. Mesa pictured to the right of him. Others attended the ribbon cutting to celebrate the Prairie Vista development.

Prairie Vista - Larned

KHRC provided the City of Larned with \$400,000 in 2012 as gap filler to help build 20 rental units on the west side of town. Expansion of the state hospital there has created a need for moderate income housing that could not be addressed with tax credits. The rental units are three bedroom duplexes built on a slab with a safe room and attached garage.

AWARD SUMMARIES: The following list offers a brief summary of the 2014 awards and the housing activities that are being assisted.

2014 MODERATE-INCOME HOUSING AWARDS

City of Baldwin City

Award Amount: \$200,000

A grant of \$200,000 will provide the homebuyer assistance of up to \$20,000 per home. Over the next 5 years, 10 homes will be developed in the price range of \$185,000 to \$220,000. The city will waive building permits and tap fees for each home. Mid-America Bank will provide financing for the construction and purchases of the homes. Located in Douglas County between Lawrence and Ottawa, the city, with a population of 4,600, has experienced a 33.1 percent population growth since 2000, and is located close to the Burlington Northern Railyard/Intermodal Yard between Gardner and Edgerton.

City of Dodge City

Award Amount: \$ 75,000

A \$75,000 grant is being provided to continue with a rehabilitation effort that began two years ago. The City is acquiring old, abandoned houses at tax sales, making improvements to the houses, and then selling or renting them, using the proceeds to acquire and rehabilitate additional houses. The City is also providing funding. Volunteer labor and students from the Dodge City Community College Trade Program are helping with the rehabilitation work. With a population of 34,819, Dodge City has experienced a 6.9 percent job growth over the last six years primarily from the beef industry and energy sector, which has increased employment at the schools, the hospital, and the retail businesses.

Grant County

Award Amount: \$350,000

Located in southwest Kansas in an agricultural and energy producing area, the county is receiving a \$350,000 grant as a gap filler to assist with the development of 16 rental housing units in Ulysses that will serve seniors who are current or retired farm workers. The development will be primarily financed through the USDA Section 514 Farm Housing Worker Program. With a population of 7,964, the county has job growth in the livestock production area.

Greeley County

Award Amount: \$115,000

The County was approved for a \$115,000 grant to provide a gap filler for the construction of four units of rental housing in Tribune. It is expected that another four to eight units will be leveraged from this grant. The city is donating the land and installation of water meters. Farmers State Bank in Oakley is the lender, and a real estate tax rebate will be provided by the county through the Neighborhood Revitalization Program. Greeley county has a population of 1,258, and is experiencing one of the highest growth rates in the state, with increased student enrollment of 25 percent and solid job growth in numerous business sectors.

City of Hutchinson

Award Amount: \$200,000

A \$200,000 grant is being provided as a gap filler to assist with the construction of 10 rental units and a total of 12 units in a deteriorated urban neighborhood, where two units have already been built. Financing is being provided by the First National Bank with contributions from Hutchinson Community Foundation, New Beginnings, Inc. and the City of Hutchinson. The City has a population of 42,142, and is expecting to add 77 new jobs in the next two years after experiencing job growth of 360 positions in the last two years.

Kearny County**Award Amount: \$300,000**

This western Kansas county with 3,987 people was approved for a \$300,000 grant as gap financing to build up to a total of ten units that will include up to four units financed by MIH funds. The housing will be built in Lakin, the county seat, and Deerfield. Additional financial support for the development is being provided by Kearny County Bank, the Deerfield school district and Kearny County, through the Neighborhood Revitalization Program. Job growth in the agricultural and energy sectors, as well as Kearny County Hospital, and on-going need in the school districts is driving the need for more housing.

City of Lyons**Award Amount: \$100,000**

The city is receiving a \$100,000 grant to complete a single family development started with MIH funds last year. The grant will provide homebuyer assistance for the purchase of four homes at a projected cost of \$147,000 for each home with financing provided by First Bank. The city will provide building lots, utility service line connections, energy code certification fees and will waive sales taxes, building permits and utility hook-up fees. Located in Rice County, Lyons has a population of 3,736, and has experienced solid job growth in several business sectors over the last ten years.

City of Plainville**Award Amount: \$362,000**

The city was approved for a \$362,000 grant that will support the development of six single family homes and two additional lots. The funding will be used to help demolish an old hospital, prepare the site for development and as down payment assistance for home buyers. Other funding is being provided by the developer, Ravason, LLC, the City of Plainville, and Rooks County. Plainville has a population of 1,903, with many of its employees are living outside the city and the county. Jobs are being lost, and available positions declined, because of a lack of adequate housing.

City of Sterling**Award Amount: \$198,000**

Located in a job growth area of Rice County, funding of \$198,000 is being provided for site acquisition and infrastructure improvement at three locations that will support the construction of 12 single family homes. The City will assist with funding and real estate tax rebates through the Neighborhood Revitalization Program. With a population of 2,326, Sterling is experiencing job growth at several local businesses including Jacam, Kansas Ethanol, and Cal Maine Foods. Sterling College is also experiencing job growth due to increased enrollment.

City of Wellsville**Award Amount: \$200,000**

A grant of \$200,000 will provide the homebuyer assistance of up to \$20,000 per home. Over the next 5 years, 10 homes will be developed in the price range of \$185,000 to \$220,000. The city will waive building permits and tap fees for each home. Mid-America Bank will provide financing for the construction and purchases of the homes. Located in Franklin County adjacent to I-35, the city, with a population of 1,850, has experienced a 14.9 percent population growth since 2000, and is located close to the Burlington Northern Railyard/Intermodel Yard between Gardner and Edgerton.

TOTAL 2014 MIH AWARDS: \$2,100,000

CONCLUSION

For over 20 years, the State Housing Trust Fund has served Kansas families and communities, promoting affordable, quality housing and related services. In the past decade under KHRC's tenure, the SHTF has been the vehicle to respond to ever-changing housing needs. From natural disasters to economic downturns, the SHTF and KHRC have helped rebuild Kansas communities, allowed elderly and disabled persons to stay in their homes, and assisted individuals obtain the dream of homeownership.

KHRC's corporate structure and the SHTF's broad flexibility allow rapid response to new challenges, as most recently demonstrated by the MIH initiative. Looking forward, the mechanics of the SHTF and KHRC are in place to serve the State into the future. Addressing the growing need for quality, affordable housing and recognizing its ties to economic development remain at the forefront of KHRC's mission. Anticipated and realized Federal funding cuts for housing programs only exasperate the situation. A dedicated, sustainable funding source for the SHTF is vital to serve Kansas families and communities. KHRC appreciates this opportunity to inform the Legislature and public about these recent successes and looks forward to working with the Kansas Legislature, the Administration, and our housing partners on meeting the ever-changing needs of housing in the future.