

January 11, 2016

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 and rehabilitation 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.*

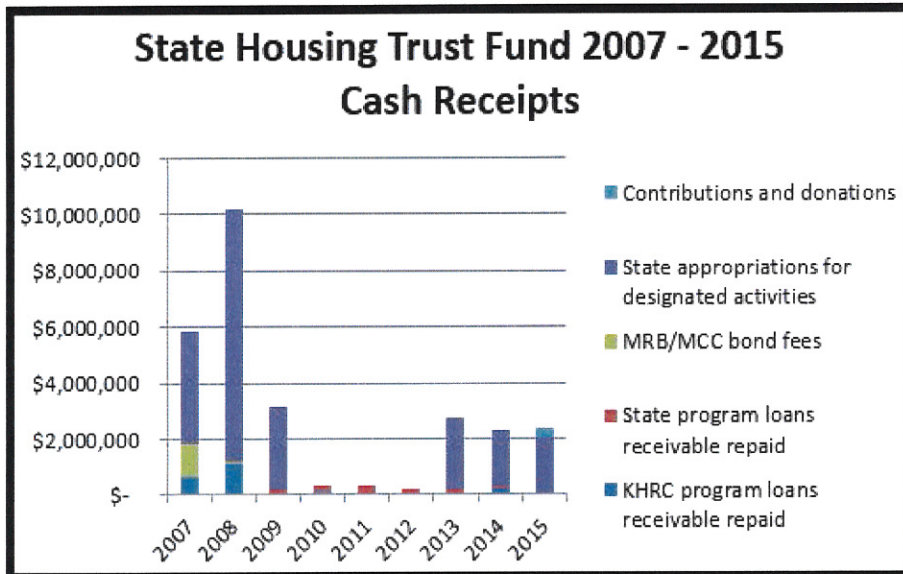
More information on KHRC's programs and services, as well as its audited financial statements, can be found at www.kshousingcorp.org.

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

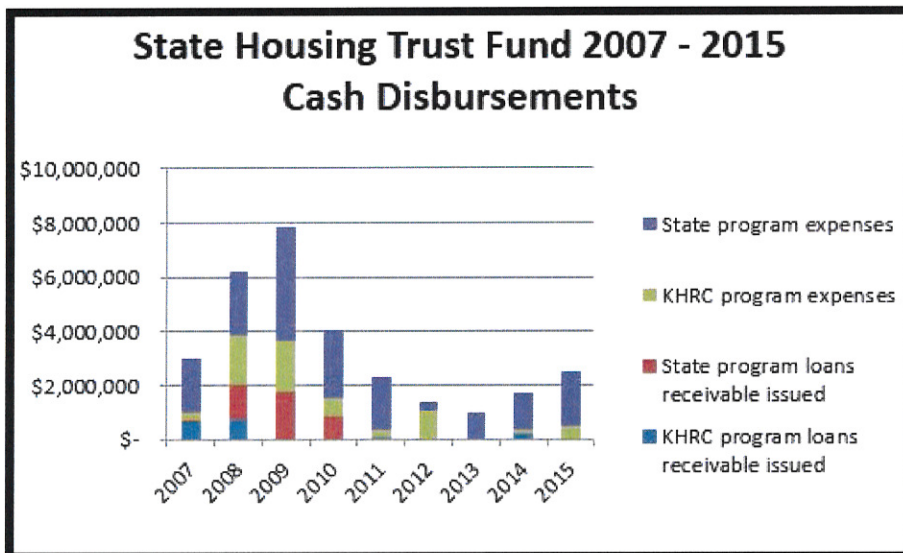
ESTABLISHMENT AND PURPOSE: Established in 1991, the State Housing Trust Fund (SHTF) was created by House Bill No. 2517 as a vehicle to deposit housing funds and provide necessary match for the Federal HOME Investment Partnerships Program. Now codified at K.S.A. 2013 Supp. 74-8959, the SHTF legislation contains no designated funding sources and is essentially a discretionary, interest-bearing trust account for 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-services activities as deemed appropriate by KHRC's Board of Directors. (Please see the graph summarizing SHTF revenue sources on page 2.)



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).

KAMP/ERP is the Kansas Accessibility Modification and Emergency Repair Program, a three-year program that will be awarded to existing weatherization agencies to facilitate weatherization client repairs with a traditional grant rather than a savings and education program. KAMP/ERP funding allows the federally funded weatherization measures to move forward. The program was launched in fall of 2015. Funding is provided by a \$1,150,000 transfer from KHRC Operations to the SHTF.



KGS-WAP is the Kansas Gas Service Program that provides weatherization services to KGS customers over a two-year period (August 20, 2014 through August 20, 2016). Funding was provided by agreement between KHRC and KGS for a one-time \$1.2 million donation. \$60,000 was for KHRC administrative costs and \$1,140,000 was for KHRC weatherization partner agencies to provide weatherization services. While the revenue is recognized upon receipt, expenses are expected to be recognized over multiple fiscal years resulting in timing differences for program revenues and expenses.

IDA is the Kansas Individual Development Account Program, a three-year savings and education program effective July 1, 2015. The program will award \$450,000 to a partner with an existing IDA program. The program assists clients who are saving for housing repairs/rehabilitation, which cannot be funded by federal dollars, and matches client savings in a 2:1 ratio. Funding is provided by a \$450,000 transfer from KHRC Operations to the SHTF. KHRC also partners with Interfaith Housing's IDA program.

MIH is the Moderate Income Housing 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.)

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.

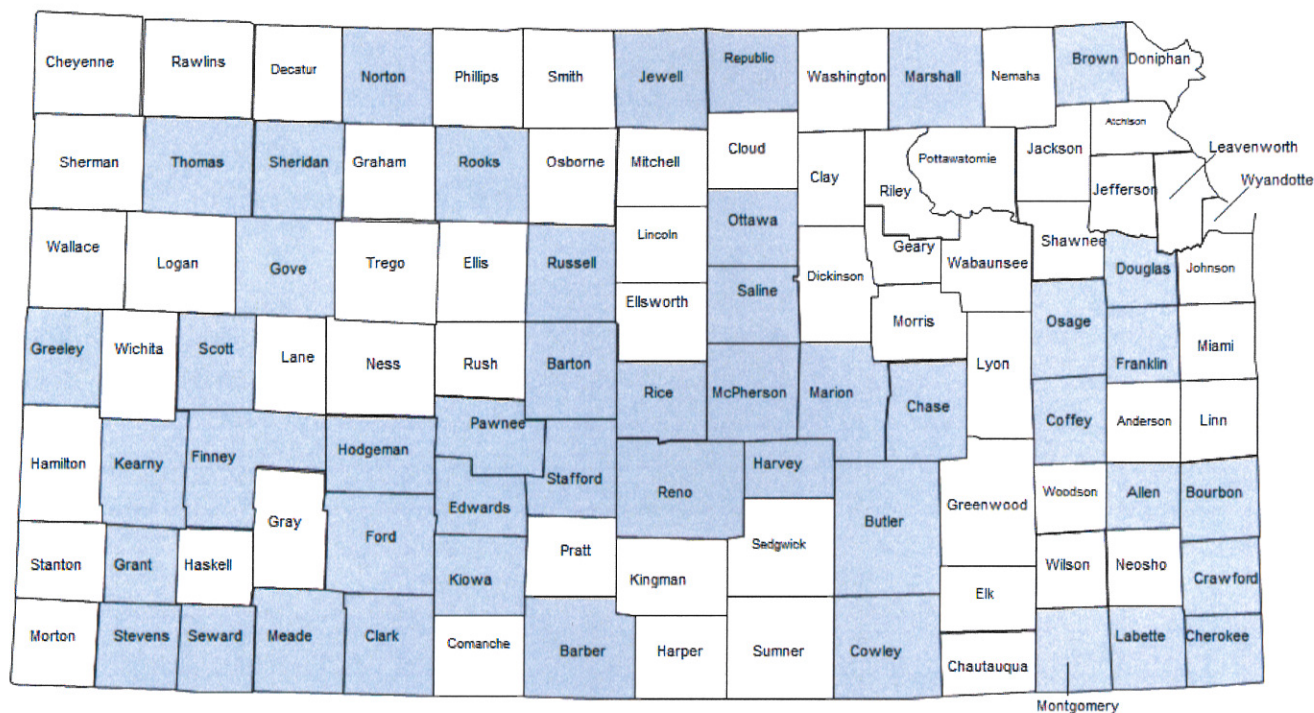
PROGRAM OVERVIEW: The MIH program serves the needs of moderate income households that cannot afford market-rate housing, yet do not qualify for federal housing assistance. MIH grants and/or loans are awarded to cities and counties to develop multi-family rental units, single-family for-purchase homes, 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 79 applications from cities and counties requesting \$23,087,212 in MIH funding. A review team of KHRC staff evaluates the applications on several criteria, including housing need, readiness to proceed, and the ability to leverage funds from other sources.



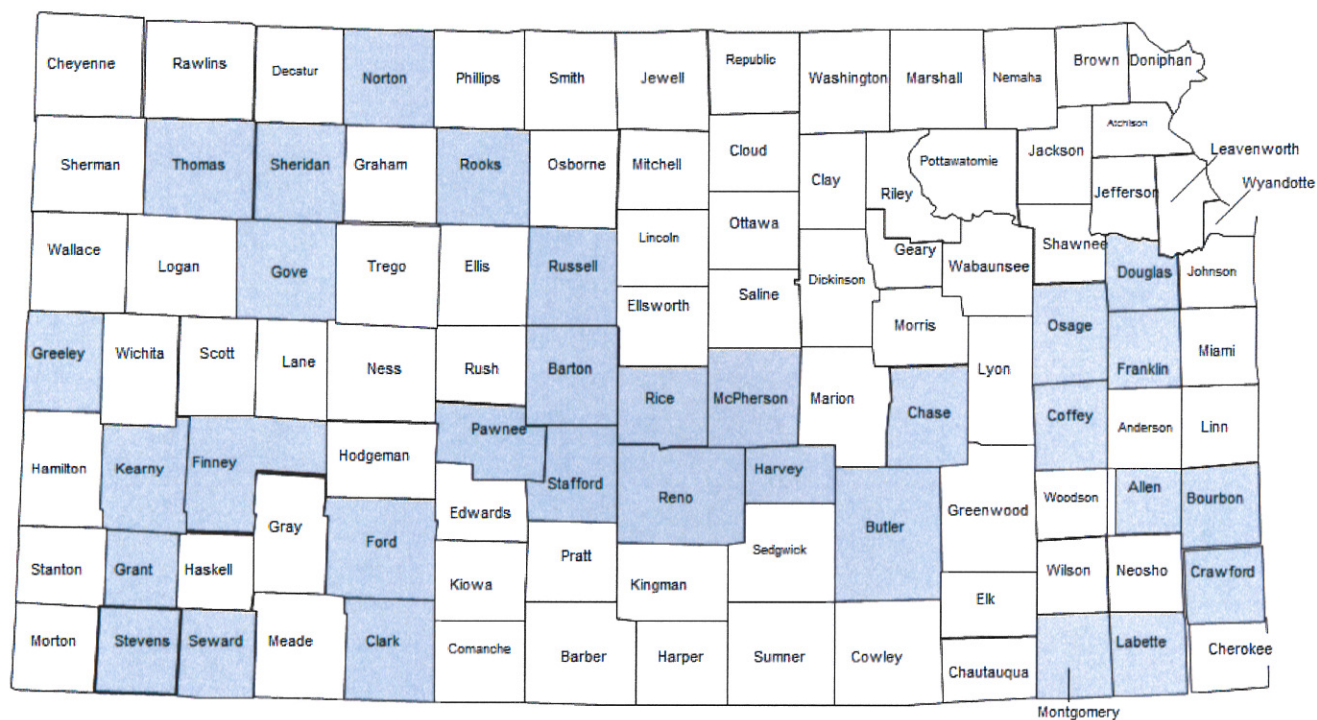
2012-2015 Moderate Income Housing Program Applications



AWARDS GRANTED: KHRC has awarded \$8,497,951 of funding to 37 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.



2012-2015 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 2015



Pictured above: Groundbreaking event in Liberal, KS October 2015

City of Liberal

The City of Liberal received \$350,000 in MIH funding to help build 48 rental units. There are nearly 250 open positions at National Beef Packing and local officials anticipate two meat processing companies could add another 100 jobs. The school district also hired several new teachers in 2013.

Pictured below: Duplex in Tribune, KS



Greeley County

Greeley County was approved for a \$115,000 grant to provide a gap filler for the construction of four units of rental housing in Tribune. Two duplexes will be completed by the end of January, 2016 and one has already been rented.

AWARD SUMMARIES: The following list offers a brief summary of the 2015 awards and the housing activities that are being assisted.

2015 Moderate Income Housing Awards:

City of Ashland

Award Amount: \$125,000

The City has requested \$125,000 to be used as a gap financing to build 2 duplexes (4 units) that will be managed by Ashland 2020, a 501 (c) 3 organization. The city owns the land and is contributing \$8,500 in demolition costs, water meters and tap fees. They have also been awarded \$125,000 of Community Service Tax Credits.

City of Bronson

Award Amount: \$18,000

The City has applied for \$18,000 to be used for down payment assistance for one single family house. They have completed a Housing Assessment Tool (HAT) and have applied for other housing type grants but have been unsuccessful. Bronson has numerous homes that are appraised so low that they do not qualify or the amount of a grant to rehabilitate the home would not cover the cost. The city is providing \$2,700 for utility connections and a drainage culvert.

Coffey County

Award Amount: \$150,000

Home to Wolf Creek Power Plant, Coffey County has applied for \$150,000 to build one tri-plex in Burlington. Each unit will be 2 bedroom, 1 bathroom with their own laundry. The Coffey County Housing Authority will maintain and manage the units.

City of El Dorado

Award Amount: \$90,000

The City of El Dorado, located in South-central Kansas has applied for \$90,000 to be used for acquisition and demolition of some dilapidated structures and then build three rental units.

City of Great Bend

Award Amount: \$175,000

Located in central Kansas, the City of Great Bend has applied for \$175,000 to provide down payment assistance to seven homebuyers. The City is partnering with Housing Opportunities, Inc. (HOI) who will serve as the general contractor. The City is waiving building permit fees, tap fees and has approved an area for a Neighborhood Revitalization tax rebate and donated approximately \$90,000 in engineering fees.

City of Holcomb

Award Amount: \$400,000

The City of Holcomb, located in Southwest Kansas, has applied for a grant in the amount of \$400,000 for infrastructure where eight duplexes and one triplex for a total of 19 units will be built. The City has a Neighborhood Revitalization Program (NRP) in place and will leverage \$60,254 in tax rebates. A Community Housing Assessment Team (CHAT) Report on Holcomb updated in 2014 charts the housing need. The infrastructure improvements will be an extension of sewer and water lines with water taps as well as asphalt streets with curbs and gutters.

City of Minneola**Award Amount: \$173,500**

The City of Minneola has applied for a grant in the amount of \$173,500 to clear dilapidated structures and prepare a lot to build three duplexes. Minneola District Hospital as well as a new alternative energy business is expanding. The City has conducted a housing assessment.

City of Moundridge**Award Amount: \$275,000**

The City of Moundridge, located in McPherson County, has applied for an award in the amount of \$275,000 to cover the cost of gap financing to build six duplexes (12 units). The proposed development site is located in an Rural Housing Incentive District (RHID). The city has conducted a HAT to assess housing needs. The developer is building 30 tax credit units at the same site which will provide costs benefits. The City is paying for extension of utilities.

City of Newton**Award Amount: \$400,000**

The City of Newton, located in Harvey County, has applied for a grant in the amount of \$400,000 for gap financing to build 44 units (10 MIH) consisting of 16 – one bedroom/bath; 16 – two bedroom/two bath and 12 three bedroom/two bath duplex units. The duplex units will include two car garages. An RHID is planned. A city wide market analysis from August of 2011 by Canyon Research Southwest, Inc. is provided to establish the need.

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

The City of Russell, located in Russell County, has applied for a grant of \$200,000 to build three MIH duplexes. The city has obtained an allocation of Community Service Tax Credits and a grant from the Dane G. Hansen Foundation. The city is assisting with installation of utilities and land purchase. There is a NRP that will provide a tax rebate. The need has been established through a community planning process that began in 2013 with Russell County Economic Development and RDG Planning in Omaha.

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

The City of Pittsburg has applied for \$200,000 to be used to cover the cost of a fire suppression system in two buildings located in downtown Pittsburg. After the buildings meet these city codes for fire suppression the property owner will contribute \$200,000 of his own funds to renovate the buildings and create five 2-bedroom units and a single bedroom unit that will be located above the existing businesses.

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.