

**Kansas Department of Commerce
Proponent Testimony on SB 90
David Soffer, Legislative & Policy Director
Prepared for House Commerce, Labor & Economic Development
March 17, 2021, 1:30 p.m.**

The Department of Commerce stands in support of SB 90, which would expand the types of projects allowable under the Rural Housing Incentive District statute.

It is no secret that Kansas faces a housing shortage. There are a variety of reasons for why this shortage exists in our State. It will take multiple solutions to help address this shortage both short and long term. This especially holds true in Rural Kansas. For example, one of the main findings in the Framework for Growth is that millennials and younger individuals are looking for a more urban/downtown feel, while not necessarily needing to be in a big city. We should be diversifying our efforts to meet the needs of all Kansans.

We know that the cost to build housing units is proportionally higher in rural communities where there is no economy of scale. This is one of the biggest hinderances to expanding housing in our rural communities. Rather than continue to attack this issue in the same manner, a more creative approach is needed. One of the things we know about millennials is that home ownership is not nearly as important as it was to previous generations. We also know that many cities have vacant buildings and have remained vacant for an extended period.

What is RHID

Rural Housing Incentive Districts (RHID) are a tool designed to aid developers and rural communities in building housing by assisting in the financing of public improvements. It functions essentially as a housing specific TIF. RHID captures up to 100% of the incremental increase in real property taxes created by a housing development project for up to 25 years. In order to take advantage of the incentive, property must be within an established RHID district. Districts are defined by the City or County and must be based on a Housing Needs Analysis. RHID is authorized for any city in Kansas with a population less than 60,000 in a county with a population of less than 80,000 or for any county with a population of less than 60,000.

RHID Proposal

- I. Allow for the renovation, including vertical construction, of buildings and structures over 25 years old for residential use. Structures must be located in a central business district

as approved by the Secretary of Commerce. Certification of building age must be submitted to Secretary when applying for district.

- ii. The eligible residential improvements shall include only those made to the second floor and above of a structure located in an approved incentive district.

Why build on Main Street?

A 2019 National Governors Association report titled *Rural Prosperity through the Arts & Creative Sector*¹, illustrates a creative, out of the box program in Colorado that provided affordable housing to young artists by utilizing vacant buildings. The goal of the program was to stimulate economic development in rural and small towns by merging housing and workspace.

Similarly, in Kansas we have an abundance of rural communities with main streets lined with buildings that could be renovated into upper floor housing and ground floor retail/restaurant/office. However, RHID currently does not permit these types of projects. Simply put, our proposal would permit the renovation of buildings into mixed use housing for individuals and families in rural parts of the state.

This proposal could have a significant impact by allowing communities to take advantage of property that is vacant or blighted and allow for a new method to address housing needs. The proposal would also allow for housing to be built in a business district, which in turn helps support ground floor retail. And finally, reinvesting in housing in areas that already have infrastructure in place reflects both “smart growth” principles and helps keep development costs in line.

List of Rural Housing Incentive District Approvals updated 2/5/2021.

1. City of Augusta- February 5, 2021
2. City of Cimarron- February 11, 2015
3. City of Colby- January 9,2014
4. City of Dodge City- September 1, 2017
5. City of Emporia- February 10, 2020
6. City of Galena- March 4, 2014
7. City of Garden City- November 8, 2019
8. City of Great Bend- June 19, 2015
9. City of Haven- October 29, 2020
10. City of Hays- April 3, 2020
11. City of Hutchinson- May 27, 2016
12. City of Inman- November 9, 2016
13. City of Junction City- October 22, 2008
14. City of Liberal- June 3, 2014
15. City of McPherson- January 15, 2013
16. City of Moundridge- March 4, 2015

17. City of Newton- June 25, 2016
18. City of Olsburg- November 21, 2019
19. City of Ottawa- January 3, 2018
20. City of Pittsburg- October 29, 2020
21. City of Tonganoxie- June 9, 2017
22. City of Valley Falls- July 25, 2016
23. City of Victoria- March 24, 2010

The Kansas Department of Commerce urges the Senate Commerce Committee report SB 90 favorable for passage.