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Kansas Housing Investor Tax Credit

Proponent

ORAL in-person Testimony

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Heartland Housing Partners

Dear Chairman Smith and House Committee on Taxation,

Please accept this testimony in support of the Kansas Housing Investor Tax Credit on behalf of Heartland Housing Partners. Our company has developed over \$175M in residential projects in the last 10 years in underserved locations across the state. We've acted as developer, investor or consultant on 24 Rural Housing Incentive District (RHID) and 9 Moderate Income Housing (MIH) Grant projects. Our company is very proud of our accomplishments developing housing across Kansas; however, we recognize we could do much more. The reality is all those projects began with a conversation about the economics of the project not being feasible and the need for government programs to assist in feasibility.

For most of 2021, we met with elected officials and housing stakeholders to consider housing legislation. Ultimately our process came to developing legislative ideas which could turn into potential bills. We started off with 10 - 12 ideas for legislation and ultimately decided the best ideas that offered the highest expectation to have a profound effect on housing were a Housing Investment Tax Credit and expansion of RHID and MIH Grant programs.

The vision for the housing tax credit is a market driven solution which creates an environment where contractors, non-profits, company owners, developers, investors, civic organizations, lenders and community development groups have their risk mitigated through producing much needed housing units of all types, across all geographies in the state, based on timelines that work for the individual project. The legislation creates a flexible and nimble environment for housing across the state to flourish.

Although the issues in housing are robust and complicated, we really have a supply issue. There aren't enough people/companies swinging hammers and building homes. One of the major goals of passage of this legislation would be to create more companies building homes and more subcontractors serving those builders. One more item of concern for the future of Kansas housing, our current builders/subcontractors across the state are aging. One of the key benefits (beyond creating much needed housing) of this legislation is that it would usher in that next generation of home building service providers.

Several points that should be noted, Coffeyville a community with 9,000 residents doesn't have a new home builder and only had two housing starts in 2021. The starts were (on donated land) funded by a local (bank) who recruited a builder from Tulsa (which is over an hour away). Iola with a population of

7,500 has 4 housing starts in the last 5 years (while tearing down 20 blighted structures), those types of anecdotes could be repeated by communities across the state.

With the passage of the housing investor tax credit there are projects across the state that could start immediately. There are builders, city officials, company owners, economic development officials waiting for legislation to pass so projects become feasible.

Let's not forget, this is not an investment never to be seen again. The tax credit will produce \$150 Million per year in housing activity which has tremendous ancillary effect, for instance that results in \$5M + in sales tax on materials and countless jobs and opportunities for Kansans. All of this while creating rooftops which employers consistently discuss as one of their biggest challenges in retaining employees.

There is some hesitancy to offer examples because the variables of residential development vary across the state, for instance extreme Southeast Kansas is much less expensive to build than extreme SW Kansas. Nonetheless, below are examples of how the Tax Credit could assist in creating housing feasibility -

Newly constructed home 1,600 sf home in a community of 2,500: \$280,000
Market price for that home: \$265,000
Investor Builder Loss: \$15,000
Tax credit requested: 30,000
Resulting in \$15,000 profit

Newly constructed home 1,150 sf on in existing infill lot developed by a nonprofit: \$145,000
Market price for that home: \$125,000
Potential loss for nonprofit: \$20,000
Tax credit request: \$20,000
Results in \$0 loss for the nonprofit

Please accept this testimony as support of the Kansas Investor Housing Tax Credit.

Sincerely,

Ross Vogel
Heartland Housing Partners