

SESSION OF 2022

SUPPLEMENTAL NOTE ON SENATE BILL NO. 376

As Amended by Senate Committee on Federal
and State Affairs

Brief*

SB 376 as amended, would amend the Rural Housing Incentive District Act (Act) to expand the use of bond proceeds and expand availability of loans or grants for moderate income housing.

Under current law, the Act authorizes cities and counties under certain population thresholds to issue special obligation bonds to finance infrastructure and renovation costs for housing projects.

Definitions

The bill would add the City of Topeka, regardless of population, to the definition of “city” in the Act.

The bill would also define “secretary” to mean the Secretary of Commerce.

Special Obligation Bonds

The bill would amend the Act to authorize the issuance of special obligation bonds to fund renovation or construction of single-family residential dwellings, multi-family residential dwellings, or buildings or other structures exclusively for residential use in any city or county with an established Rural Housing Incentive District. Such projects would have to be

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

located on existing lots with infrastructure including, at a minimum, streets and sewer, water and electrical utilities, and such infrastructure has been in place for at least ten years.

Transfer of Funds

The bill would require the Director of Accounts and Reports (Director) to transfer \$20.0 million from the State Economic Development Initiatives Fund (EDIF) to the State Housing Trust Fund (Fund) on July 1, 2022, and July 1, 2023.

The bill would provide that, if the transfer of \$20.0 million is made by the Director to the Fund on July 1, 2022, for fiscal year 2023, or on July 1 of any successive fiscal year for such successive fiscal year, then during such fiscal year the President of the Kansas Housing Resources Corporation (KHRC) would provide grants or loans to awardees for housing development in rural areas and for urban housing development in cities or counties with a population of 60,000 or more, in the amount of up to \$900,000 per awardee.

Allocation Requirements

The bill would provide that during the 2023 and 2024 fiscal years, 75 percent of the moneys in the Fund would be used solely for the purpose of loans or grants to cities or counties for infrastructure or housing development in rural areas, and 25 percent of the moneys in the Fund would be used solely for the purpose of loans or grants to cities and counties with a population of 60,000 or more for infrastructure or housing development in urban areas.

The bill would require the Director to allocate the following for infrastructure and housing development in rural areas:

- Not less than \$3.0 million for loans and grants to counties with a population of not more than 8,000 and to cities located in such counties; and
- Not less than \$3.0 million for loans and grants to counties with a population of more than 8,000, but not more than 25,000, and to cities located in such counties.

The bill would add January 13, 2025, to the list of dates in which the President of KHRC is required to submit a report concerning the activities of the Fund to the House Committee on Appropriations and the Senate Committee on Ways and Means.

The bill would also make technical amendments.

Background

The bill was introduced by the Senate Committee on Federal and State Affairs at the request of Senator Olson.

Senate Committee on Federal and State Affairs

In the Senate Committee hearing, representatives of Building Kansas, Farm Bureau, Heartland Housing Partners, Kansas Association of Realtors, Kansas Bankers Association, Kansas Manufactured Housing Association, and League of Kansas Municipalities provided **proponent** testimony, stating the Act has had a positive impact on the population of rural areas, assisted renters and home buyers with affordable housing, and created additional funding streams for needed renovation and construction on residential dwellings. Proponents expressed support for expanding the program as described in the bill.

Written-only proponent testimony was provided by the Housing Development Corporation of Central Kansas,

Kansas Building Industry Association, and Thrive Allen County.

Neutral testimony was provided by Kansas Housing Resource Corporation.

No **opponent** testimony was provided.

The Senate Committee amended the bill to specify the amount of funds allocated for infrastructure and housing development in rural areas, providing not less than \$3.0 million in loans and grants for counties with a population less than 8,000 and not less than \$3.0 million in loans and grants for counties with populations of more than 8,000, but not more than 25,000.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Kansas Department of Commerce and the Department of Revenue (KDOR) state that enactment of the bill would not have any fiscal effect on operations of either agency. KDOR could not determine a fiscal effect on revenue as that would come from future real property developments. KDOR also notes that statute indicates property located within a district shall be assessed and taxed as if located outside such district, and all property taxes are paid and collected the same as other property. Any taxes collected in excess of that generated by the assessed value at the date of the establishment of the district are deposited to a special fund for payment of special obligation bonds. Once bonds are paid and projects are completed, the funds are distributed in the same manner as all other property tax.

The Kansas Association of Counties indicates enactment of the bill could result in growth if individuals were to move to communities using the program, resulting in higher property tax collections and higher sales tax receipts. There

is the risk that if the program did not attract new residents, there could be an increased property tax burden on current residents to repay bonds.

Any fiscal effect associated with the bill is not reflected in *The FY 2023 Governor's Budget Report*.

Economic development; housing; rural development; urban development; Kansas Rural Housing Incentive District Act