

Approved: 2-11-93
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairperson Wanda Fuller at 3:30 p.m. on February 4, 1993 in Room 423-S of the Capitol.

All members were present except:
Representative George Dean

Committee staff present: Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Ellie Luthye, Committee Secretary

Conferees appearing before the committee:
Dennis Shockley, Undersecretary of Housing, Dept. of Commerce and Housing

Others attending: See attached list

Chairperson Fuller called on Dennis Shockley, Undersecretary of Housing for the Department of Commerce and Housing who presented a report on the status of Housing Needs Assessment. He stated CHAS (Comprehensive Housing Affordability Strategy) cannot attempt to address every issue dealing with housing and its primary focus is more narrow; attempting to profile the state's housing needs in the area of affordable housing for low income households. (Attachment 1)

Following this report Mr. Shockley stood for questions from the committee.

The Chair distributed a list of policy questions for the committee to consider in formulating recommendations on the EDIF to the House Appropriations Committee. (Attachment 2)

Following discussion the committee presented two recommendations: 1) the distribution formula for allocations from the State Gaming Revenues Fund should be retained at 90% for the EDIF and 10% for the Correctional Institutions Building Fund 2) all EDIF expenditures should correspond to, and be justified under, the 7 foundations for the state's economic development strategy: human capital; technology/innovation; capacity; business environment; financial capital; quality of life and infrastructure capital.

The meeting adjourned at 4:45 p.m.

The next meeting is scheduled for February 8, 1993.

GUEST LIST

COMMITTEE: Economic Development DATE: 2-4-93

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Executive Summary

This Comprehensive Housing Affordability Strategy (CHAS) has been prepared to assist the Kansas Department of Commerce & Housing in the design of its housing programs, in the allocation of scarce resources among alternative uses of those resources, and in the ongoing assessment of the impact of these programs. The issues raised in this CHAS cover many of the housing problems confronting Kansas. The issue of housing affordability among low income households is examined in detail. The housing needs of the elderly, the disabled, members of racial and ethnic minorities, and the homeless are all examined.

Certainly, this does not cover all of the housing problems confronting Kansas. The state is concerned with the proper growth and maintenance of the housing stock serving all Kansans. However, this CHAS cannot attempt to address every issue dealing with housing. Its primary focus is more narrow; it attempts to profile the state's housing needs in the area of affordable housing for low income households. These needs are studied among home owners, among renters, and among the many subpopulations requiring special assistance in their efforts to be well housed.

Summary of the Planning Process

A study team was created using faculty from the University of Kansas and Kansas State University to assess the affordable housing needs within the state. This housing needs study team gathered information on housing market conditions and on strategies to resolve housing problems through four different methods. These were:

1. Analysis of quantitative data gathered from the 1980 and 1990 U.S. Census, *Construction Review* of the U.S. Department of Commerce, and other sources.
2. A series of three focus group meetings held in each of 13 market areas statewide. These meetings covered the issues of:

Homeownership,

Rental housing and preservation of the existing stock of affordable housing,

Homelessness and the housing needs of special populations.

A broad cross-section of individuals representing various groups with a stake in the housing process attended these meetings. Over 350 individuals took part statewide.

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3. A telephone survey of 455 individuals from throughout the state representing a range of groups concerned with affordable housing.
4. A call for additional written comments was included with the public hearing notices sent to over 1,500 Kansans.

With each of these four sources, the selection of data was carefully designed to assist the state in the measurement of the state's many forms of need for housing assistance, as well as in the selection of the best policies to be employed in the alleviation of these needs.

Throughout the process of preparing the CHAS, the study team consulted the staff of the Kansas Department of Commerce & Housing.

Summary of the Needs Assessment

Many Kansans find themselves confronting severe hardships in terms of acquiring decent, safe, and affordable housing.

1. **Kansas has about 400,000 households whose income places them in the low or the very low income categories.** Low income is defined as household income falling between 51 to 80 percent of the area median income level. Very low income is defined as income falling at or below 50 percent of the area median income level. For this study using 1990 Census data, the upper limit for the very low income category was \$14,000 which approximates 50 percent of the statewide median income in 1990. It is estimated that about 180,000 households in the state have low income while about 220,000 households have very low income.
2. **Kansas has over 107,000 households who have very low income and who spend in excess of 30 percent of their income on housing.** Paying in excess of 30 percent of gross income on housing is defined by several government programs as the threshold for housing hardship. Any low income household spending more than 30 percent of income on housing is deemed to be suffering from housing costs that place an excessive burden upon the household's income and is in need of assistance.
3. **Of these 107,000 very low income households in Kansas, it is estimated that about 59,000 pay in excess of 50 percent of income on housing.** Clearly, these very low income households are compelled to allocate much too great a share of their income toward the cost of housing.

4. **Of the 107,000 very low income households paying in excess of 30 percent of income on housing, the problem is greatest among renters.** While renters comprise only about one-third of the households in Kansas, they make up over two-thirds of the very low income households paying an excessive share of income on housing. Over 72,000 very low income renter households suffer a housing cost burden while about 35,000 very low income home owners suffer from a housing cost burden.
5. **It is likely that this housing cost problem will worsen for many over the next few years.** The percentage of Kansas households below the poverty level is growing. In 1990, 10.3 percent of all households were in poverty; by 1991, this figure had risen to 12.3 percent. The rate of growth of poverty in Kansas is greater than the national rate of growth. With increased numbers among the ranks of those in poverty usually comes increased numbers of households suffering from a high housing cost burden. This is especially true among renter households, who are unable to insulate themselves from increases in housing costs as can many home owners through the fixed costs of homeownership.

These Kansas households confronting housing hardships come from the population as a whole. However, many special populations are present within the state; each of these special populations face severe housing problems that are unique. These populations include the frail elderly, the disabled, the homeless, as well as members of racial, ethnic, and other minorities.

1. **Kansas has a great many elderly households who will need special attention in order to help them maintain an independent household.** The "frail elderly" are those elderly households most likely to require such assistance. However, no single, accepted definition of "fail elderly" is available. The number of households headed by a person over 75 years old is used here as a proxy for the number of frail elderly households. This definition suggests that over 11 percent of the households in Kansas are among the "frail elderly" or about 107,000 households statewide. The problem is disproportionately greater in the rural areas of the state where all 99 non-metropolitan counties have more than 11 percent of their populations being among the "frail elderly."
2. **Many Kansans possessing developmental, physical, and other disabilities are cared for by institutions located throughout the state.** However, many more persons with these disabilities must depend upon the regular housing market to serve their housing needs. Statewide, over 35,000 persons who do not live in specialized housing for the disabled have an inability to move about without some form of assistance. Of these persons, over 23,000 are elderly, and about 12,000 are less than 65 years old. These large numbers provide an indication of the need for accessible housing.

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3. **Just under 70,000 individuals living throughout the state do not live in institutionalized housing but are in need of supportive services in order to maintain their household.** These services vary widely from simple assistance in shopping to intensive personal care throughout the day. Of these non-institutionalized individuals, just over one-half -- about 38,000 -- are under 65 years of age.
4. **A special needs population of particular concern is the homeless population.** Again, there exists no single, accepted definition of the "homeless." The most narrow of definitions includes only those individuals that are living in public places, on streets, or in shelters set up to assist the homeless. **Kansas is estimated to have just over 1,200 homeless persons using this definition.** These individuals are found almost entirely in shelters located in the metropolitan areas of the state. However, many more persons are without a home of their own but are living "doubled-up" in the home of another family. **The number of persons in this situation is not known with certainty, but the state's school systems have over 2,300 enrolled students whose families are living "doubled-up" with other families.** Clearly, some number of adults and other children not enrolled in school are part of these students' families, raising the total number of homeless persons living "doubled-up."
5. **Given the widespread level of discrimination against members of racial and ethnic minorities, the housing needs of minorities become a matter of special concern.** **Kansas as a whole has about 11.5 percent of its population made up of racial and ethnic minorities.** However, these minorities are not evenly distributed across the state. **Concentrations of these minorities often result from discriminatory practices in housing markets, from employment discrimination, or from a combination of the two.** For example, the minority population of Kansas City is 38 percent of the city's total population. In contrast, the suburban cities of Overland Park, Prairie Village, Leawood, and Mission in Johnson county all have a minority population that is less than 6 percent of the total population despite their very close proximity to Kansas City. Other significant concentrations of minorities are found in the in southwestern part of the state in the Garden City, Dodge City, and Liberal areas.
6. **Native Americans living on reservations in Kansas also confront many special housing problems.** Often the housing found on reservations is either substandard or located far from job opportunities. With very limited incomes and limited tribal resources, the residents of the reservations find themselves competing for scarce housing resources.

7. **Single-parent households are becoming an increasingly larger share of the total population with about 10.8 percent of all households being composed of single-parent families with dependent children.** These non-traditional households confront significant amounts of discrimination as they search for housing. Few areas of the state are without some number of these households, but the highest concentrations are found in the urban areas. Kansas City has the largest concentration in the state with over 20 percent of its households being single-parent households, but many other cities follow closely in the range of 10 to 15 percent of the population.
8. **Many other special populations exist statewide for which only limited data exist.** Such groups include AIDS or HIV-infected individuals. While the scale of these populations is not known with certainty, reports of housing discrimination are commonplace.

Summary of the Market and Inventory Conditions

To assist the many households in need of subsidized housing, the communities of Kansas and various state level government agencies have pursued funding through a wide variety of housing programs. While the efforts have brought resources from several different programs to the state, the total level of assistance obtained is capable of serving only a small portion of the housing needs found in Kansas. While Kansas has over 400,000 low income households statewide, it has fewer than 50,000 subsidized housing units with which to serve them.

1. **Statewide, over 41,000 housing units receive direct subsidy from the U.S. Department of Housing and Urban Development (HUD).** Of these units, about 6,700 are funded through the Section 8 Existing Housing Certificate program which permits the assisted household to rent a privately owned rental unit of their choice with the government helping to pay the rent. The remaining 34,000 units are funded through a lengthy list of programs, each of which attaches the subsidy to particular housing units. For a household to receive the benefit of the subsidy, the household must choose to live in one of the assisted units. The largest share of these units are in public housing. Other units are privately owned but occupied by low or moderate income households.
2. **Another 5,800 rental units are subsidized through the Farmers Home Administration (FmHA).** These units are split between two programs which target different populations. The larger share, 3,400 units, is subsidized for occupancy only by elderly households. The remainder, about 2,400 units, is for general occupancy.

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3. **These subsidized units total to about 47,000 assisted rental units statewide.** They certainly do not cover all of the assisted housing in the state. For example, many home owners are assisted through a variety of homebuyer assistance programs, and many households receive the benefits of a variety of rehabilitation programs funded from a range of sources. However these 47,000 HUD and FmHA units comprise the bulk of the stock that is available to help the low and very low income households that are in need of housing assistance. While this assistance is an important asset within the state, over 107,000 very low income households continue to suffer from a housing cost burden.
4. **In many Kansas communities, the waiting lists maintained by providers of assisted housing are closed to new applicants because of an inability to meet the needs of the households currently on the list. The waiting time to receive housing assistance is often measured in terms of years — not days or weeks.**

Clearly, the supply of assisted housing units in the state is inadequate to meet the needs of all of the state's low income households. As such, these households must rely upon the private, unassisted housing markets in order meet their housing needs. However, the private market is unable to provide them with good quality housing at affordable prices.

1. **Given that the vast majority of the low and very low income households confronting housing hardship in the state are renters, the ability of the private market to provide affordable rental units is of particular concern.** To meet the needs of very low income households, an apartment must have a gross rent set at or below \$250 per month in order to be affordable. Comparing the number of units offered in the state's housing markets to the number of very low income renter households finds that a serious shortfall exists. This problem appears to be greatest in the metropolitan areas of the state.
2. **The private rental market has been experiencing rapid increases in rents.** From 1980 to 1990, gross rents (the contract rents paid to landlords plus the costs of utilities paid by the tenants) have increased by 70 percent. However, during the same time period, inflation increased by about 59 percent indicating that, in inflation adjusted terms, the typical costs of rental housing have increased.
3. **The private market for owner occupied housing has actually become more affordable, but it has also become less good an investment. The value of owner occupied homes in Kansas appreciated by only 37 percent from 1980 to 1990 compared to the 59 percent increase in prices generally. This indicates that, in inflation adjusted terms, the typical Kansas owner occupied home lost value**

over the decade of the 1980's. This problem was especially severe in the northwestern region of the state.

Much of the private market housing is not of good quality or is occupied beyond its normal capacity. No single measure exists to assess the overall condition of the housing throughout the state. However, a set of indicators are available that, taken collectively, identify the housing markets of the state where housing condition problems exist.

1. One measure of the condition is the percentage of the housing that was built prior to 1940. **In Kansas, about 20 percent of the rental stock was built prior to 1940.** However, 33 counties in the state have over 40 percent of their stock dating from before 1940. None of the state's metropolitan counties are among this list indicating that the problem of an aging housing stock is greatest in the rural areas. Among owner occupied housing, this is a less reliable indicator of poor housing condition as it is more likely that an older, owner occupied home has received improvements over its life-span, maintaining its condition despite its age. Statewide, about 25 percent of owner occupied housing dates from before 1940, but nineteen of the state's 105 counties have over 50 percent of this housing being this old. Virtually all of these counties are located in the central part of the state with no metropolitan counties included.
2. Just as knowing the extent to which a housing stock is very old gives insights into the condition of the housing stock, knowing the level of investment in new housing also indicates the strength of a housing market. **In 1990, about 1.2 percent of the state's rental stock had been built during the previous year, but 68 of the state's 105 counties experienced less than 0.5 percent growth in their rental housing stocks.** All of these were non-metropolitan counties. Similarly, the owner occupied housing in the state grew by 1.4 percent during 1990, but 37 counties had growth rates of owner occupied housing of below 0.5 percent. Again all of these counties were non-metropolitan.
3. Whether the housing is of good condition or not, if a household is compelled to live in crowded conditions, it becomes apparent that the private housing market is not providing housing of adequate size within the price range of the consumer household. Overcrowded conditions are generally defined as a housing unit with more than one person per habitable room. The count of habitable rooms excludes kitchens and bathrooms. **In Kansas, about 4.3 percent of the rental units are overcrowded.** The areas where overcrowding of rental units is a significant problem are generally in the southwestern portion of the state. In owner occupied housing, only about 1.4 percent is overcrowded. Again the area where this problem is the most prevalent is the southwestern portion of the state.

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4. One of the few direct measures of housing condition available from the Census of Housing is the incidence of dwelling units without complete plumbing facilities. **In Kansas, slightly over 1 percent of rental units lack complete plumbing.** Nineteen of the state's counties have over 2 percent of their rental units lacking complete plumbing of which six have over 3 percent. All of these counties are non-metropolitan. Among owner occupied housing units across the state, only about 0.6 percent lack complete plumbing. Again this appears to be a problem almost exclusively found in the rural areas of the state.

This suggests that a significant share of the housing units in Kansas is in need of investment. Much of the stock is old and able to earn only very low rents or very low prices that are not keeping pace with inflation. In these circumstances, insufficient investment takes place to keep the housing in good condition.

Summary of the Strategy Selection Process

The selection of a set of program strategies to address the state's housing needs is a complex process. The state must seek that set of programs that will resolve as much of the housing need as is possible, will be cost effective in its operation, and will work within the existing system of federal regulations governing the use of subsidy dollars.

While many individual strategies are available to the state in terms of how it addresses the problems of providing affordable housing to needy Kansans, these strategies can be divided into two basic groups. The first group includes programs that award subsidy to households that are in need of assistance. This is often referred to as "demand" assistance. With this type of assistance, an eligible household is given some form of financial assistance for consumption of a housing unit that is offered in the private market. Generally, the housing unit is privately owned and operated. The dwelling unit does not receive any direct subsidy other than through the assistance given to the consumer. This demand assistance can be given to either renters or owners. The distinguishing characteristic of this type of assistance is that the subsidy is attached to the household and not to the housing unit.

The second group of programs involves some form of subsidy attached to the housing unit itself. The subsidy may assist in the financing or the development of the housing. The subsidy may reduce the construction costs, the operating expenses, or any of the other costs paid by the property owner. In exchange for this subsidy being attached to the unit, the dwelling unit must be set aside for occupancy by a program eligible household, one whose income is below a predetermined maximum. Similarly, this subsidy may go toward either rental units or units for owner occupancy. This form of subsidy is often referred to as "project based" or "supply" assistance.

The choice between these two types of strategies is generally based upon economic conditions that exist within the housing market. If a market has few units available, then a household given demand assistance will not be helped, as it is unlikely that it will find an acceptable unit in the very tight market. Supply assistance would be a better strategy for a tight housing market. If a market has many vacant units, then attaching subsidy to the housing units, causing more units to be built would be unwise. It would only further soften the market by adding to an already bloated supply. Demand assistance would be the preferred strategy for a soft market.

While the specifics vary, a very similar debate between alternative strategies goes on in the area of housing for special populations. While some advocate the development of specialized housing to meet the needs of a specific group of households, others favor full integration of these special populations into the community through the use of demand assistance.

Several measures of housing activity should be employed to determine which type of housing strategy should be used. Generally, demand assistance should be used where:

1. The market is soft with high vacancy rates,
2. Overcrowding is low,
3. The overall condition of the housing is good and the stock growing,
4. Household income is growing faster than inflation, and
5. Rents and home values are increasing at a rate less than the rate of inflation.

Where these conditions are not generally found to be true, supply assistance would be the preferred alternative.

Cost Effectiveness

The matter of cost effectiveness also enters into the decision between alternative program strategies. Given that the resources available to resolve housing needs are limited, the state should seek to adopt approaches that will serve the greatest need for the dollar invested. It is generally agreed by housing policy analysts that demand subsidies are more cost effective than supply subsidies. In the most simple terms, more households can be helped for a given amount of demand assistance dollars, than can be helped with the same amount of supply assistance. This cost effectiveness in favor of demand style assistance is not true for all markets. If a market is very tight and a recipient of demand assistance would be unable to find adequate housing within the program's requirements, then the assistance could actually become less cost effective relative to supply assistance. However, in market conditions where either type of assistance can be implemented, demand assistance will serve the most households for the resources available.

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Discretionary Subsidies

Yet another factor that must be entered into the analysis of subsidy selection involves the level of discretion granted to the state in the use of various housing programs. Many of the federally funded programs administered by the state grant the state a great deal of discretion in the use of the subsidy dollars. For example, the HOME program and the Community Development Block Grant Program (CDBG) both allow the state a broad range of strategies for dispersal of the funds. The HOME program permits the fullest range from demand based assistance to project based assistance for both renters and owners. The CDBG program has more constraints on the use of the dollars, for example, demand assistance is not permitted for renters but it is permitted for home owners. Several programs funded under the McKinney Act are quite narrow in their application. For example, Emergency Shelter Grants, as the name suggests, may be used only to subsidize shelters that provide emergency shelter for the homeless.

The state is confronted with a large array of federal housing assistance programs each having a different set of rules as to its applications. As such, the state's selection of strategies becomes more complex.

1. Those programs that have very strict rules on the application of the program provide that state with only a single choice, use the program within its existing rules or do not pursue funding under the program. Examples here would be such programs as Mortgage Revenue Bonds, Low Income Housing Tax Credits, or Emergency Shelter Grants.
2. Those programs that permit some discretion in their applications should be applied so as to best serve the needs of Kansas households as is permitted within the program's rules. An example here would be the CDBG program to the extent that it is applied to housing.
3. Those programs that permit wide discretion in their application should be administered so as to best serve the needs of Kansas households within the context of the needs remaining after the application of the non-discretionary programs. The HOME funds would fall into this category.

Selection of Strategies for Kansas

The selection of the appropriate housing strategies for Kansas should fit the market conditions generally found to exist throughout the state. Where possible, the strategies should seek to exploit the strengths of the Kansas housing markets in order to best serve those households that are in need of housing assistance.

Kansas has a housing supply that meets the needs of the large majority of Kansas households. At issue is how to expand the service obtained from that supply so that it can reach out to serve more households. The housing markets of Kansas possess many strengths. However, the housing markets in Kansas are not identical; many housing markets have unique characteristics that distinguish them from others in the state. In general, the strengths that the housing markets possess include:

1. The Kansas housing stock is gaining new units at a rate (1.2 percent per year) faster than the rate at which new households are being formed (0.9 percent per year). This indicates a healthy growth and replacement rate in the stock of housing for the state as a whole.
2. New households are forming at a rate (0.9 percent per year) that is much faster than the rate of population growth (0.4 percent per year). This indicates that sufficient housing units are available to permit individuals to form independent households of smaller size. This allows these individuals to enjoy more housing than would be the case in a market where the growth in the supply of housing lags behind the growth in population.
3. Rents and home prices in Kansas have generally risen at a pace that keeps these forms of housing affordable to most households. The price of owner occupied housing increased by only 37 percent from 1980 to 1990 while incomes of home owners rose by 78 percent over the same period. Rents rose by about 70 percent over the decade of the 1980's while the income of the average renter household rose by about 66 percent.
4. A good balance exists between the number of households in each income category and the number of housing units in the price and rent range that is affordable to that income level. No shortage of units exists in most price ranges of units for owner occupancy. While some shortage exists in the supply of rental units offered at very low rents, this shortage may result from an inability of the private market to supply good quality units with such a low revenue stream.
5. Generally, the housing markets of Kansas have sufficient vacancy rates that mobility is possible between market areas, across types of units, and among the various rent and price ranges of dwellings.
6. Overcrowding in housing units is a relatively small problem in most of Kansas, and to the extent that it is a problem, the source does not seem to be the lack of larger units being offered in the marketplace. The problem frequently results from large-families being unable to afford the price of the large units.

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7. Severely deteriorated units are a relatively small problem. Units lacking complete plumbing make up only about 1 percent of all units and these are predominantly found in non-metropolitan settings.

These conditions generally suggest that the state should adopt demand strategies rather than supply strategies where permitted. Certainly, this conclusion is broad and subject to many exceptions. What may be true for the state as a whole may not necessarily reflect the needs of an individual housing market. For example, a market may have such a shortage of large-family rental units that only a production program may resolve the overcrowding problem despite a general soft market for large-family units elsewhere in the state. What may be true for one type of need population may not be true for another. For example, some disabled persons may prefer to live in the conventional housing market through the use of demand assistance. However, other disabled individuals may not be capable of maintaining an independent household without personal care being readily available. This may dictate the use of supply assistance to develop units designed for occupancy by the disabled along with personal care attendants.

Telephone Survey Results Dealing with the Selection of Strategies

The selection of these types of housing strategies is supported by the results of the telephone survey made by the housing needs study team. This survey interviewed over 450 housing practitioners statewide. The individuals interviewed included elected officials, local administrators, housing officials, social service providers, and local business persons with an interest in housing.

Within the area of housing needs for home owners, the survey indicated that most of the respondents believe that the costs of a down payment and other closing expenses are a greater barrier to homeownership than is the availability of low priced housing. Further, the survey found that most respondents believe that having insufficient income to purchase a home is a greater problem than is the availability of affordable homes. These two findings suggest that demand based strategies should generally be employed when attempting to assist low income households become homebuyers. Even where the supply strategies are employed, the survey respondents favor minimal intervention. They indicated that priority should be given to programs that foster the repair or renovation of existing units rather than the development of new units.

Within the area of housing needs for renters, the survey indicated that most of the respondents believe that a lack of income is as great a problem, if not a greater problem, than is the availability of affordable rental units. The respondents were evenly split when asked if the state should provide assistance to low income renter households or to subsidize dwelling units. However, the respondents did indicate that where the state would subsidize dwelling units, it should focus attention on renovating units that need only minor repairs rather than on building new units or on rehabilitating existing units that require a larger amount of work. Here again, the respondents seem to favor minimal intervention by the state. They favor either a demand

style strategy or a supply strategy that assists units requiring only minor investments in order to be ready for occupancy.

Within the area of serving the housing needs of special populations, the survey respondents agreed that the problems of the many special populations included locating affordable housing. However, they also agreed that a great need exists to coordinate housing assistance with the provision of other social services. The respondents indicated that a wide range of groups have unmet housing needs including the elderly, single-parents, the disabled, the homeless, and members of racial and ethnic minorities. The appropriate strategies for resolving these unmet needs will vary from group to group.

The guidance provided from this telephone survey for the selection of policy strategies is a more mixed message than is found with the analysis of Census data. There is much agreement, however. The analysis of Census data suggests that insufficient income is the greater problem confronting most very low income households in their search for affordable housing. The survey results seem to follow a pattern that would be predicted from this market condition. However, some differences exist between the analysis of Census data and the survey results. For example, in terms of efforts to assist homebuyers, the analysis of Census data would suggest that the availability of affordable homes is not a severe problem. Rather, the problem is that the households have insufficient income and savings to meet the down payment and closing costs. Yet, over 40 percent of all respondents in the telephone survey rated lack of sufficient affordable homes as a very important or extremely important problem. This indicates that policies must be sufficiently flexible to adjust to varied market conditions.

Comments from Focus Groups and Interviews Dealing with the Selection of Strategies

The selection of these strategies also finds support from many of the comments made during the focus group meetings and the interviews with various public officials. However, diverse opinions were offered through these focus group meetings and interviews. Some supported the strategies selected in this CHAS; some supported alternative strategies. While advocates could be found for virtually every possible policy option, only a few could be satisfied. Each suggestion was considered, but only a limited array of suggestions could be adopted given the limited resources and the housing market conditions found within the state.

In terms of strategies for low income renters, there was agreement among focus group participants that many problems exist. Many cases of renter households suffering from some type of housing hardship were described. There was agreement that the limited income of these households is among the most important causes of their difficulties. Many stories were told of households struggling to make rent payments. However, there was less agreement on the extent to which the private market's supply of rental housing meets the needs of renter households, independent of the income of these households. First, some stated that rental units simply were not available in the housing markets around the state. Second, some stated that rental units are

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available, but at rents that are too expensive. Finally, others stated that the low rents in Kansas inhibit new investment in rental housing around the state. Given this wide range of opinions on the nature of the problems in the rental markets of the state, it is not surprising that there was little agreement on the appropriate strategies for the state to follow. While supply style subsidies were supported by many, concerns were expressed that too many assisted units had already been built in many markets. This suggests that only very limited supply subsidies should be pursued to serve the needs found in rental housing. Demand style subsidies were generally supported and were described as workable in most areas of the state. However, concerns were expressed as to the ability of program participants to find rental housing of good quality in some market areas.

In terms of strategies for low income home owners, widespread opinions were also received from the focus group meetings and from the interviews. There was general agreement that the single biggest problem confronting low and moderate income prospective homebuyers is not the price of the home. Many cases were described where households already pay in rent an amount equal to the monthly payments that would be made if purchasing a home. Rather, the problem is found in the difficulty that these households have in saving money to meet the down payment and closing costs of buying a home. It was suggested that an appropriate strategy for the state would be to make assistance available that reduces the down payments and closing costs. It was also suggested that the state should augment the supply of mortgage funds through the Mortgage Revenue Bond program where private lenders are reluctant to make loans.

In terms of strategies for the homeless and for special needs populations, the opinions raised through focus group meetings and through interviews range most widely. Advocates for each constituency told of cases where specialized housing assistance is needed. Little agreement was found among these advocates except to say that each case is unique. Among the homeless, some cases need immediate shelter, some need transitional housing, while others would benefit most from reintegration into the conventional housing market. Among the disabled, some activists supported a strategy to give the disabled access to conventional housing markets through the use of demand assistance; some activists argued that the disabled could only be served by supply programs providing housing specially developed to meet the needs of the disabled. Among various minorities, discrimination was found to be widespread. Cases of discrimination against the elderly and the disabled were also mentioned. Some activists believed that demand subsidies could help to break down the barriers of discrimination, while others felt that supply subsidies would better serve the needs of these households.

Summary of the Strategies Planned

The state of Kansas plans to address these many and varied needs for affordable housing through a variety of programs designed to take advantage of the strengths of the housing market while serving the most needy among those confronting a housing hardship. The selected strategies were chosen by examination of many measures of housing need developed for each of the 105 counties in the state and each of the largest 100 cities and towns of the state.

Strategies for rental housing include:

1. Expanded use of tenant-based assistance such that needy households can live in standard quality, privately owned and operated units with their contribution toward total housing costs being no more than 30 percent of income and with the program paying the difference between this contribution and the total housing costs. This assistance will come from HOME program funds. These funds would be targeted to households who have very low income and suffer from multiple housing problems including membership in racial or ethnic minorities, or being disabled.
2. Development of new procedures for awarding Low Income Housing Tax Credits. Allocation of credits to proposals from developers would continue, but efforts would be made to prepare proposals in cooperation with local planners. The proposals prepared in this manner would solicit developers through offering statements and competitive bidding. These selected projects would be offered with preliminary financing commitments already in place through coordination with the state's private use bond authority. This new procedure would serve to:
 - Improve coordination with units of local government so as to identify projects that are likely candidates for successful completion,
 - Bring more projects to successful completion as they would have the necessary financial commitments prior to receiving an award of credits, and
 - Better serve the state's needy population by giving the lead in project identification to state and local planners rather than to private developers.
3. Continued administration of existing contracts under the Section 8 New Construction program and the Rental Rehabilitation program.
4. Exploration of alternative methods to foster the rehabilitation of rental housing units requiring only a minimal investment to return them to standard condition.

Kansas Comprehensive Housing Affordability Strategy

Executive Summary

Strategies for homeownership include:

1. Working toward centralized administration within the Kansas Development Finance Authority of various programs designed to assist first-time low and moderate income households in acquiring a home. These programs include the Mortgage Revenue Bond and Mortgage Credit Certificate programs. The centralized administration of these programs will facilitate:

Better targeting of funds to the truly needy among eligible households,

Better allocations of funds across the state in proportion to need,

Better administration so as to minimize fees that are charged to participants, and

Improved allocation of funds between the Mortgage Revenue Bonds and Mortgage Credit Certificates to reflect the market conditions that exist, delivering more assistance to low and moderate income households.

2. Continued administration of, and seeking new funding for, the state's weatherization program.
3. Continued administration of the HOME funded home owner rehabilitation and first-time homebuyer programs with expansion of the range of funding uses to cover limited amounts of renovation work needed by the unit purchased for participation in the program.
4. Continued administration of the CDBG funded home owner rehabilitation and homebuyer assistance programs.

Strategies for homelessness and special needs include:

1. Continue the state's role in the use of tenant-based assistance to meet the needs of the homeless.
2. Continue efforts to assist the state's supply of emergency shelters, transitional housing facilities, and other housing for special populations through an increased role of the Division of Housing as the lead agency in preparing applications for funding under various programs serving these populations.
3. Continue efforts to expand the availability of accessible units for the disabled.

Strategies serving housing in general include:

1. Monitoring of county and local governments in their efforts to achieve a fair share of assisted housing units.
2. Working toward enhancing the funds flowing into the state's Housing Trust Fund.
3. Continued provision of support to non-profit and other organizations working to resolve housing problems within the state.
4. Continued provision of technical assistance toward enhancing the capabilities of Community Housing Development Organizations.
5. Working toward the development of the Division of Housing as a clearinghouse for information on housing resources.

Legislative Agenda

In order to implement the strategies selected above, some new legislation will need to be adopted at the state level. New legislative initiatives include:

1. The expansion of the Kansas Development Finance Authority giving it the power to issue bonds with the proceeds to be used to finance the development, renovation, or acquisition of housing for low or moderate income households. This housing could be for rental occupancy, owner occupancy, or cooperative ownership and would include single-family as well as multi-family housing. The bonds issued could be exempt from federal income taxes or could be taxable.
2. The creation of a new revenue stream to insure that funds will be flowing into the state's Housing Trust Fund. Among other uses, these funds will be used to meet the matching funds requirements that the federal government may from time to time require in order to release funds under the HOME, HOPE, or other programs.

MEMORANDUM

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February 4, 1993

To: House Committee on Economic Development

Re: Policy Questions on the Economic Development Initiatives Fund (EDIF)

The Committee might wish to consider the following policy questions in formulating recommendations on the EDIF to the House Appropriations Committee:

1. Should the Legislature continue to earmark revenues for economic development?
2. If the answer to No. 1 is affirmative, should the distribution formula for the State Gaming Revenues Fund be modified to reduce the percentage allotted to the EDIF from 90 percent to 65 percent, as recommended by the Governor?
3. If there should be a reduction, is 65 percent the appropriate percentage?
4. With respect to EDIF estimates for FY 1994, the proposed ending balance is \$424,860. Do you have any recommendations on the FY 1994 ending balance?
5. Do you want more information about the assumptions underlying projected transfers to the State Gaming Revenues Fund totaling almost \$38.2 million?
6. Should salaries and wages be financed from the EDIF?
7. Are there any agency programs that are proposed for EDIF funding in FY 1994 that would be more appropriately funded from the State General Fund?

93-4701/LH

February 4, 1993
Economic Development
Attachment 2