

KANSAS HOUSING RESOURCES CORPORATION



FY 2013 State Housing Trust Fund Allocation

A. *KHRC Background & Moderate Income Housing Needs*

Kansas Housing Resources Corporation (KHRC) is a public corporation that administers housing programs on behalf of the State of Kansas. While KHRC primarily administers Federal programs, it has on occasion, administered limited State-funded programs for weatherization and energy efficiency activities. Also, following the devastating tornado in Greensburg and widespread flooding of Southeast Kansas, the 2008 Legislature passed Senate Bill No. 417 which created the Housing Development Grant (HDG) Program to be administered by KHRC. Under the HDG Program, KHRC was to receive \$4 million annually through 2015 to fund housing development activities in Kansas communities. However, due to the recession, the HDG Program has not been funded in several years.

As Kansas' economy and employment numbers rebound, Kansas communities increasingly communicate the need for affordable housing for moderate income families. These moderate income households make too much income to qualify for Federal housing programs, but do not make enough to be served by the market, particularly in rural and difficult to develop areas. Communities across the state describe challenges including aging housing stock, rising construction costs, tight lending conditions, and property valuation issues. Taken together, these challenges, particularly for this moderate income housing, can seem insurmountable.

Coupled with this need, the current resources KHRC can utilize are limited in use and impact. All current Federal housing funding, mostly through HUD, focuses on helping low-income households at 80% area median income or lower. The problem that communities face revolves around existing business not having the capacity to expand due to a lack of housing for its labor force. Most companies looking to either locate or expand in communities in Kansas are offering wages above the low-income bracket established by the current Federal programs.

Accordingly, KHRC went to the communities and employers to determine what the appropriate response would be. Although still a work in progress, KHRC has forged partnerships with private entities and employers to provide leveraged funding towards housing in a number of communities. Meetings, conference calls, and trainings to both urban and rural communities netted many housing assessments indicating an ever increasing need for moderate income housing. Most of those communities will be adding new jobs in the next 1 to 5 years. Others need to replace aging or substandard housing stock in order to retain residents and work force.

The discovery of oil in South-Central Kansas also brings to light the increased need to provide support to communities experiencing economic growth. Many of these communities have both low-income and moderate income housing needs that will be present during the exploratory phase of drilling and the post-exploratory phase for years to come. This situation specifically, and other natural disaster issues in the past, holds true to fact that the State of Kansas needs a flexible funding source to be able to respond to the needs of the Kansas communities and the citizens we serve.

B. \$2 Million for Housing Trust Fund

With this backdrop in mind, KHRC has worked with the Administration to identify \$2 million in resources that are already accounted for in the budget that can be used to start addressing the needs of wage appropriate housing. The budget bills, SB No. 433 and HB No. 2760, include the \$2 million previously set aside for the HDG Program and allows KHRC to use the money for Housing Trust Fund programs to address the needs of moderate income housing.

The funding utilizes the \$2 million already allocated under the HDG Program which originates from the Economic Development Initiatives Fund (EDIF). The \$2 million will be deposited into the State Housing Trust Fund administered by KHRC. From there, KHRC envisions releasing a Notice of Funding Availability (NOFA) within 60 days of receiving the funds to its network of communities, nonprofits, housing developers and other housing partners. Under the NOFA, applicants will compete for both construction and permanent below market financing of both single and multifamily housing developments. The NOFA will be based on similar successful programs administered by other state housing finance agencies.

KHRC would structure the NOFA to encourage applicants to address moderate income housing needs (generally incomes ranging from 80% to 140% of area median income). KHRC would also score and award applicants for leveraging resources, both private and public, to achieve maximum impact with the limited amount of funding.

KHRC is well suited for administering these funds. KHRC already has a large network of housing partners with experience addressing affordable housing needs. KHRC also has experience in underwriting financing, monitoring development and ensuring quality housing is ultimately built. The unique corporate structure of KHRC allows maximum flexibility to quickly and efficiently set up a program without bureaucracy or burdensome administrative expense, as was demonstrated by KHRC's effective administration of the HDG Program.

C. Summary

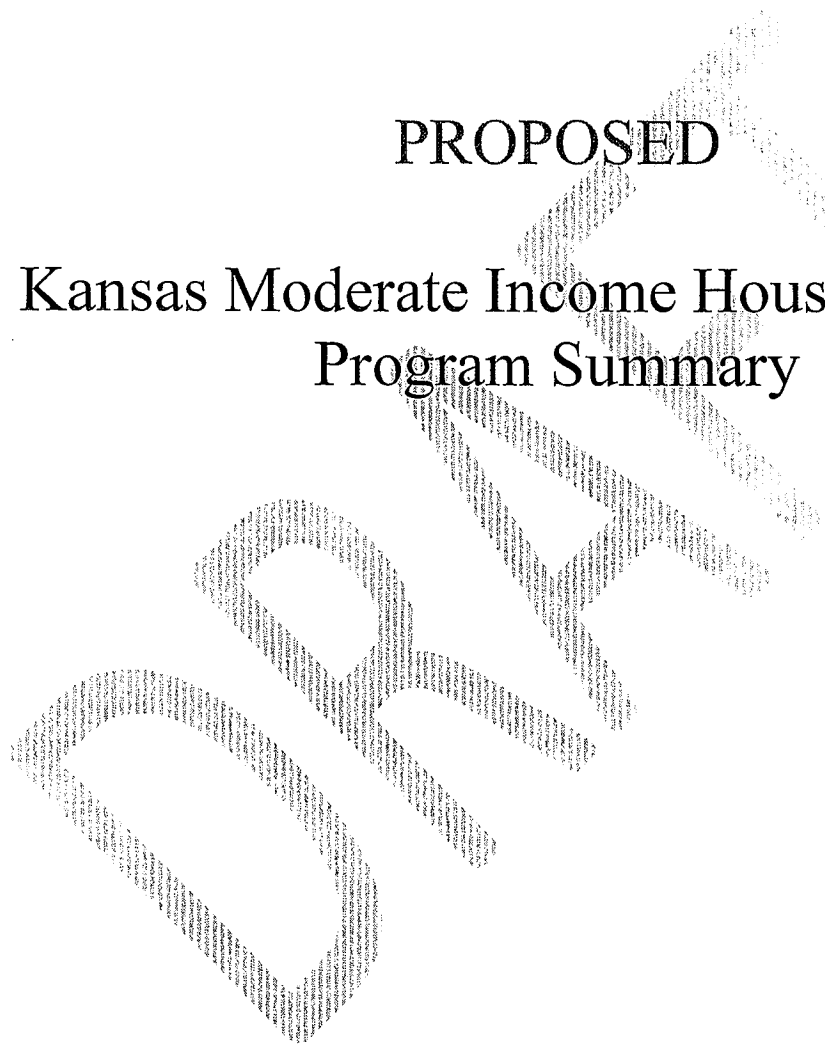
KHRC is proud of its success in administering affordable housing programs for low income Kansans, as well as the HDG Program funded by the State. Hearing the concerns of Kansas' communities and employers, KHRC hopes to expand its services to addressing the needs of moderate income housing. The Legislature has already recognized the value of KHRC's unique status as a public corporation and its

ability to quickly and effectively implement a new housing program for communities that would put housing dollars into action. While \$2 million is a limited resource in addressing a great housing need, the funding is a vital first step towards building economic development into Kansas communities.



PROPOSED

Kansas Moderate Income Housing (MIH)
Program Summary



Background

Kansas Housing Resources Corporation (KHRC) is a public corporation that administers primarily Federal housing programs on behalf of the State. KHRC's website at www.kshousingcorp.org summarizes its proven experience administering programs that address single and multifamily housing development, homeowner rehabilitation and down payment assistance, and housing with supportive services.

KHRC is also the administrator of the State Housing Trust Fund (SHTF), a statutorily created fund with the stated purpose of supporting housing programs and services. While limited in resources, KHRC has historically utilized the SHTF to provide loans and grants for affordable housing development.

This year, the Appropriations bill (Senate Bill No. 433 and House Bill No. 2760) provide \$2 million for Fiscal Year 2013 for the SHTF. The funding is intended for the purposes of administering and supporting housing programs of KHRC.

In response to the growing demand in Kansas communities for affordable, quality housing for households of moderate income (generally defined as incomes ranging from 80 to 140% of area median income), KHRC intends to use the \$2 million for a targeted new initiative called the Moderate Income Housing ("MIH") Program.

Administration of Program

The MIH Program would be jointly administered by KHRC's Rental and HOME Divisions. Both Divisions at KHRC have expertise in underwriting the financing,

monitoring the construction, and ensuring compliance with applicable laws and rules of both single- and multi-family housing developments.

KHRC has an established network of partners including lenders, developers, community housing development organizations, nonprofits, and units of local and state government.

Program Overview

Under the MIH Program, KHRC expects to issue a Notice of Funds Availability (NOFA) to its network of housing partners to announce the availability of the \$2 million to provide hard and soft loans for the purposes of constructing and/or rehabilitating MIH in Kansas communities.

Applicants under the NOFA may be any of KHRC's existing partners or other entities with proven experience in delivering quality housing products. The NOFA will be structured to allow maximum flexibility to applicants in how they use the funds; this allows applicants to tailor their applications to the particular needs of their community.

While the particulars of the NOFA will be developed by KHRC with public input (see Application Process below), KHRC will set up the NOFA to encourage:

- The construction and/or rehabilitation of MIH, particularly with ties to economic development;
- Leveraging other sources of funds to ensure the maximum impact of the resources; and
- Utilizing the funds in the form of hard debt rather than soft debt to

eventually establish revolving loan funds for future developments.

KHRC intends to provide most of the funding through the NOFA in the form of hard loans, either construction or permanent. The loans would offer below market or even zero percent interest rates, saving the borrower capital that can then be used to develop the MIH at affordable cost.

Application Process

KHRC's goal is to issue the NOFA within 60 days of receiving the funds from the State. This 60 day period would include issuance of preliminary MIH Program rules and procedures with a public comment period, as well as a public hearing on the proposed rules and procedures. KHRC will utilize its website and press releases, as well as its network of housing partners to ensure public awareness of the NOFA.

KHRC envisions a simple application that includes a:

- description of the community's housing needs;
- summary of the applicant's capacity and experience;
- proposal for how the applicant would use the funds;
- demonstration of community support for the proposed activity;
- pro forma estimating sources and uses of the funds; and
- list identifying sources of matching funds.

KHRC reserves the right to add additional criteria and considerations as the

MIH Program is developed with the public's input.

NOFA Award Process

Applications will be collected and evaluated by a review team of experienced KHRC program staff. The review team will make a recommendation for awards to KHRC's Loans & Grants Committee for approval.

KHRC's goal would be to notify applicants on the results of their applications within 60 days. Unsuccessful applicants would be able to appeal the decision to KHRC's Executive Director.

Successful applicants would then receive an award letter specifying any additional requirements deemed necessary by KHRC prior to receiving funds. Additional requirements may include designs, evidence of site control, a Phase I Environmental Report, and/or a site visit by Program staff.

Award recipients would be required to sign an Agreement prior to beginning any work, detailing the procedures and requirements for proceeding with the approved project, requesting award funds, and reporting the use of awarded funds. The Agreement will require that recipients use any income derived now or at a later time from their approved activities solely for housing purposes.

KHRC will monitor all recipients' compliance with MIH Program requirements through development of the approved activity and will periodically update the Legislature and Administration on the progress and outcomes.