House Bill 2237 and Governor Kelly Budget Enhancement Summary

Housing Legislation Overview 2022

Kansas Department of Commerce

Kansas Office of Rural Prosperity

Kansas Department of Commerce

Governor Kelly's MIH Housing Budget Enhancement and ARPA Enhancement

- **$20M (from State General Fund) for the Moderate-Income Housing program for FY 22**
  - One time allocation – will be part of the annual budget request to the legislature
- **$20M (from ARPA) for the Moderate-Income Housing program for FY 23**
  - One time allocation
- **$2M (from SGF) for the Moderate-Income Housing program FY 23**
  - Standard allocation per the legislation creating the MIH program
- **$20M (from SGF) for the Rural Housing Revolving Loan Program (trust fund) for FY 23**

- **These funds will be administered by KHRC.**
- **KHRC anticipates creating 3 funding cycles per year for MIH with this new funding (every 4 months).**

HB 2237 – Bi-partisan Housing Bill

Bills Included in Conference Committee Report:

- HB 2701 – Expands RHID to Economically Distressed Urban Areas and Topeka
- SB 375 – Housing Investor Tax Credit Act (HITCA)
- SB 369 – Affordable Housing Tax Credit Act (matches the Fed LIHTC)
- HB 2268 – Rural Home Loan Guarantee Act
- HB 2236 – Authorizes appraisers to exclude sale approach for very rural areas
- HB 2569 – Historic Kansas Act

HB 2701 – RHID Expansion

Expands the KS Rural Housing Incentive District Act (RHID) to include economically distressed urban areas regardless of population as well as the City of Topeka.

1. Expands the use of bond proceeds and other funds under the Act to include residential renovation of the second or higher floors of buildings more than 25 years old within economically distressed urban areas, regardless of the population of the city or county containing the economically distressed urban area.
2. "Economically distressed urban areas" under the RHID Act would be as defined and designated by the U.S. Department of Housing and Urban Development. 14 - 2237.
3. Under current law, the RHID Act authorizes cities and counties under certain population thresholds to issue special obligation bonds to finance infrastructure and renovation costs for housing projects. The bill would add the City of Topeka, regardless of population, to the definition of "city" in the RHID Act.
4. Commerce will administer this program.

SB375 – Housing Investor Tax Credit Act

Facilitates investment in suitable housing that will support the growth of communities lacking housing, especially those that have housing shortages due to new economic development announcements or existing business expansions.

- Tax credits for Housing Investors (or their partners):
    - Up to $35,000 per residential unit for qualified housing projects for counties with a population of 8,000 or less.
    - Up to $32,000/residential unit for qualified housing projects for counties with populations of more than 8,000 up to 25,000.
    - Up to $30,000/residential unit for qualified housing projects for counties more than 25,000 but less than 75,000.
- Must be used for construction of new housing, including single family, manufactured housing, modular housing, or multi-family residential dwellings.
- These tax credits can be transferred to other partners

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SB375 – Housing Investor Tax Credit Act (continued)

Capped at $13 Million annually

- Not less than $2.5M in tax credits in counties with a population of not more than 8,000;
- Not less than $2.5M in tax credits in counties with a population of more than 8,000, but not more than 25,000;
- $8M in tax credits in counties with a population of more than 25,000, but no more than 75,000.

- Cannot be used for low-income housing projects.
- KHRC and the KS Dept. of Revenue will administer this program.

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SB 369 – Affordable Housing Tax Credit Act

This tax credit would match the Federal Low Income Housing Tax Credit (LIHTC) with State tax credits.

- The tax credit would be for each qualified development for each year in an amount equal to the federal tax credit allocated by KHRC to the developer.
- The owner can pass along this credit to their partners or members of the Corporation, LLC, Partnership, etc.
- Units must remain low-income units for no less than 15 years.
- Tax credits can be carried forward as a credit up to 11 years following the first year of the project.

HB 2268 – Rural Home Loan Guarantee Act

This program will guarantee loans made by banks, or other financial institutions for the construction or renovation of a single-family home in a rural county.

- Eligible costs may include land and building purchases, renovation and new construction costs, equipment and installation costs, pre-development costs, financing, interest, and consultant fees.
- **ONLY projects in counties with a population with less than 10,000 are eligible.**
- The total amount of loans guaranteed under the Act would be limited to $2M annually.
- The portion of the guarantee shall be for the amount of the loan that exceeds 80% of the appraised value of the home.
- The loan amount to be guaranteed cannot exceed $100,000 per unit.

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HB 2236 – Appraisers Sale Approach Exclusion

The bill would authorize appraisers to exclude the sales comparison approach in rural county mortgage financing appraisals if the property is unique in style or square footage, or both, and if there exists a lack of available comparable sales within 30 miles of the property.

- The bill would require the appraiser, in the appraisal report, to provide an explanation of the reasons for exclusion of the sales comparison approach and require the appraiser to document the appraiser's efforts to obtain comparable sales or market data.
- The bill would prohibit a financial institution from declining to proceed with a mortgage finance transaction due to exclusion of the sales comparison approach, unless the approach is required for such mortgage finance transaction loan to be guaranteed or sold in the secondary market.
- **<u>This is limited to COUNTIES with a population of less than 10,000</u>**

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HB 2569 – Historic Kansas Act

The bill would amend the Historic Preservation Tax Credit by adding two tax credits, pursuant to a qualified rehabilitation plan by a qualified taxpayer if the total amount of expenditures equals $5,000 or more.

The credits would equal:

- 30 percent of qualified expenditures incurred in the restoration and preservation of a qualified historic structure located in a city with a population between 9,500 and 50,000; and
- 40 percent of qualified expenditures incurred in the restoration and preservation of a qualified historic structure located in a city with a population of less than 9,500.
- Under continuing law, a historic structures tax credit is permitted for 25 percent of qualified expenditures for restoration and preservation if the total amount of expenditures equals $5,000 or more.

HB 2569 – Historic Kansas Act (continued)

50-Year-Old Building Rule:

- Building owners can get a tax credit against a tax liability of 10% of costs and expenses incurred for the restoration and preservation of a commercial structure at least 50 years old that does not receive the continuing Historic Structures Tax Credit (KSA 79-32,211).

- This tax credit for costs and expenses would be limited to $10M annually statewide.

- An additional 10% tax credit of costs and expenses would be allowed for the installation of <u>fire suppression materials or equipment</u> by a taxpayer.

- The bill would require financial institutions subject to the privilege tax (e.g., banks, savings and loan associations, and savings banks) to pay taxes on 50% of the interest earned on loans to taxpayers used for costs and expenses for the restoration and preservation of a commercial structure at least 50 years old or for the installation of fire suppression materials or equipment.

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Additional Kansas Housing Resources

Existing Programs for Housing Development, Rehabilitation, demolition, financing, etc. can be found on the Commerce Website:

www.kansascommerce.gov/Housing/

LET'S TALK!

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