



**To:** Committees: House Appropriations, Senate Ways and Means  
**From:** Ryan Vincent, Executive Director, [Kansas Housing Resources Corporation \(KHRC\)](#)  
**Date:** January 9, 2023  
**Subject:** KHRC Annual Reporting Requirements: Home Loan Guarantee for Rural Kansas (HLG), Moderate Income Housing (MIH) programs

Home has never been more important than it is right now. From economic development to healthy communities and vibrant neighborhoods, Kansas Housing Resources Corporation (“KHRC”)’s work Unlocking Home is essential for Kansas and the people we serve. KHRC is pleased to present its annual report detailing our program activities and awards for 2022. This memorandum is intended to accompany the [2022 annual report](#), as it notes program activities and awards made late in the year, after the annual report was compiled. In accordance with the Legislature’s reporting requirements, supplemental memoranda will be submitted by January 31, 2023, detailing activities supported by the Kansas Housing Investor Act, and by December 31, 2023, detailing activities supported by the Kansas Affordable Housing Tax Credit Act.

In December 2021, KHRC delivered a statewide [Kansas Housing Needs Assessment \(“Needs Assessment”\)](#), which included a survey of the housing and housing-related needs of Kansas households. This was the first comprehensive statewide housing assessment conducted in nearly thirty (30) years.

The information obtained from the assessment continues to help leaders make more informed policy decisions and better address the housing needs of the State.

The Needs Assessment revealed several key findings:

- The state is facing a shortage of quality, affordable housing—particularly for middle-income families.
- The state’s population is getting older.
- Rural areas are facing depressed housing values.
- Renters are seeing even higher cost-burdens, preventing them from accessing the wealth-building opportunities of homeownership.

- There is a severe shortage of skilled labor, making construction of new homes and rehabilitation of aging ones difficult.

Building on these findings, the study identified several goals to address the State's housing needs:

- Diversify housing stock to match local demographics and employees' needs.
- Reinvest in older units to ensure existing affordable housing stock is preserved.
- Increase production of new units of affordable housing.

In short, our state needs more affordable housing, in all of its varieties. This includes single and multi-family rental housing, manufactured housing, modular housing, and expanded homeownership opportunities for Kansans.

KHRC is grateful to the State Legislature for its 2022 funding allocation to address many of the gaps highlighted by the Needs Assessment, including:

- \$62 million for moderate income housing development;
- Establishment of a state tax credit program to develop more affordable and moderate-income housing;
- A new Rural Home Loan Guarantee Program to address the financing gap between the cost to build a new home and the appraised value of the home.

### **Home Loan Guarantee for Rural Kansas (HLG)**

The purchase of a house is one of the most important acquisitions an individual will make. It fulfills the critical need for shelter and provides a wealth-building opportunity for the family. Before a home or any other asset can build wealth, its value must be established. The residential appraisal process is especially important, as it establishes that value. This process must be done on a level playing field, free of bias, so that all Kansans have access to the wealth-building opportunities of homeownership.

Appraisal bias can be geographic in nature and appears to exist in both rural and urban areas. In each of these areas, there is sometimes an inability to obtain an appraisal that adequately supports the cost required to develop new housing. As a result, lenders are unable to provide loans for the cost to construct or rehabilitate housing in these areas. Without new housing to serve as a comparable property, appraisers are limited to using existing properties to establish values, many of which are old and economically obsolete.

The state of Kansas has addressed this issue for rural communities through its Home Loan Guarantee program, which helps fill the gap between the actual cost to build and the ultimate appraised value. By filling the gap, the state eliminates the financing

risk to the lender and enables construction or rehabilitation of the property. As more structures are developed through this program, better comparables will be established, which will justify market values equal to or greater than development costs. This program will assist in the achievement of our mutual goal of the development of more affordable housing.

**Program Summary.** The [Home Loan Guarantee \(HLG\) for Rural Kansas](#) program assists lenders and homeowners by providing guarantees against risk of default for rural housing loans through the State Housing Trust Fund administered by Kansas Housing Resources Corporation (KHRC). The HLG was established through the Kansas Rural Home Loan Guarantee Act (the “Act”), Kansas House Bill 2237, Sections 15 to 19, enrolled effective July 1, 2022.

In accordance with the Act, the portion of the loan guaranteed by KHRC shall be for the amount of the loan that exceeds 80% of the appraised value of the home. No loan amount above 125% of the appraised value of the home shall be guaranteed by KHRC. The loan amount guaranteed by KHRC shall not exceed \$100,000 per home. The total amount of loans guaranteed by KHRC, under this act, shall not exceed \$2,000,000. Of the 105 Kansas counties, 67 have a population of less than 10,000, rendering them eligible for participation in the program.

**Program Design and Input.** KHRC developed an Ad Hoc Committee of 19 members to spearhead program development. These included representatives from the Kansas Bankers Association, USDA Rural Development, Capitol Federal, GN Bank, State Treasurer’s Office, FHL Bank Topeka, Heartland Credit Union, Kansas Department of Commerce, Kansas Development Finance Authority, and KHRC. Program planning meetings began in June of 2022 and concluded in November 2022. The goals of the committee were to design the program to be simple to use for both lenders and homeowners, maximize the usage of funds, and ensure good stewardship of the funds by minimizing risk.

KHRC publicized its work throughout the program design phase. Ryan Vincent, KHRC’s Executive Director, provided multiple public presentations mentioning the upcoming HLG program, among other new and existing KHRC programs. The Kansas Bankers Association (KBA) hosted a listening and public comment session on November 8. KHRC hosted a public listening and comment session on November 14. Public comment for the program was accepted between November 8 and November 30.

**Program Launch.** KHRC launched the HLG program to the public on January 3, 2023, by press release, email, and social media. As the program progresses to the awards phase, KHRC will prepare and submit a progress report to the Legislature each year.

### Moderate Income Housing (MIH)

In accordance with KSA 12-5256(b)(2), this report includes the activities of the State Housing Trust Fund (SHTF)—specifically the MIH program. KHRC issued two rounds of MIH awards in 2022.

On November 22, KHRC announced that five Kansas communities would receive a combined total of \$2.4 million to develop affordable housing for moderate-income families in rural areas of the state. The funding provides grants or loans to develop housing and support homeownership programs in cities or counties with populations of less than 60,000.

Combined with the amount leveraged by each community to support the proposed initiatives, the awards represent a total investment of \$4.3 million and a net gain of 32 affordable, quality housing units, primarily in the southwest region of the state.

These awards will:

- renovate three dilapidated Bucklin (population: 727) homes into rental units;
- help construct four duplex units in Greensburg (778) and Kinsley (1,467);
- provide gap financing for the construction of 16 single-family homes in Liberal (19,025); and
- convert a historic building in downtown Moundridge (2,121) into five rental apartments.

View the complete [November 2022 MIH award list online](#).

On December 16, KHRC announced a second round of MIH awards in conjunction with its first-ever round of Kansas Housing Investor Tax Credit (KHITC) awards. Eleven Kansas communities will receive a combined total of \$4,998,936 in Moderate Income Housing (MIH) funds and 7,593,000 in Kansas Housing Investor Tax Credits (KHITC). The awards will provide resources to develop moderate income housing for families in rural communities.

Combined with the amount leveraged by each community to support the proposed initiatives, the awards represent a total investment of \$33,845,101 and a net gain of 175 affordable, quality housing units.

This round of awards will help with:

- Development of 10 rental units in Ellinwood;
- Development of 5 single-family homes in Hoxie;

- Construction of 15 single-family homes in Concordia;
- Construction of 10 single-family homes in McPherson;
- Construction of 20 single-family homes in Carbondale;
- Construction of 4 single-family homes and 2 units in Ottawa;
- Construction of 14 single-family homes in Coffeyville;
- Construction of 24 units in Emporia;
- Construction of 48 units in a multifamily development in Winfield;
- Construction of 1 single-family home and 16 units in Dodge City, and
- Construction of 6 units in Montezuma.

Additionally, KHRC is able to allocate KHITC to MIH projects in progress in Augusta, Neodesha, Lindsborg, Holton, and Chanute.

View the complete [2022 MIH and KHITC award list online](#).

KHRC is prioritizing larger scale development projects to utilize ARPA funds. The 2023 MIH, KHITC, and MIH-ARPA application and RFP was released on December 14, 2022. Applications are due February 17, 2023.

Home has never been important for Kansas. KHRC and our partners are utilizing the State's recent investment in housing resources to Unlock Home for those we serve.

