



To: Governor Laura Kelly
Senate Commerce Committee
House Committee on Commerce, Labor and Economic Development

From: Ryan Vincent, Executive Director,
[Kansas Housing Resources Corporation \(KHRC\)](#)
Rebecca Floyd, Director of Housing
Kansas Development Finance Authority

Date: January 31, 2024

Subject: KHRC Annual Reporting Requirements:
Kansas Housing Investor Tax Credit Program (KHITC)

Currently in its 20th year, [Kansas Housing Resources Corporation \(KHRC\)](#) is a self supporting, nonprofit, public corporation committed to helping Kansans access the safe, affordable housing they need and the dignity they deserve. KHRC serves as the state's housing finance agency, administering housing and community programs for Kansans.

KHRC is pleased to present its annual report detailing our KHITC program for 2023. Complete lists of approvals are detailed on the [KHRC website](#).

Background

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

The 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:

- Add or free up more middle-income housing.
- Diversify the housing stock to match local demographic and employee needs.
- Extend housing security by preserving and reinvesting in older units.
- Increase reinvestment in older housing stock, including vacant units.
- Address the building trades labor shortage.
- Extend existing human capital resources.

In short, our state needs more affordable housing, in all 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 (MIH) development;
- Establishment of state tax credit programs to develop more affordable and moderate-income housing; and
- A new Rural Home Loan Guarantee Program to address the financing gap between the cost to build a new home and its appraised value.

Kansas Housing Investor Tax Credit (KHITC)

In accordance with K.S.A. 79-32,315, this report details activities of the KHITC Program.

Program Summary. The purpose of the KHITC Program is to bring housing investment dollars to communities that lack adequate housing. Development of suitable residential housing will complement economic development of rural and urban areas that lack adequate housing resources and enable such communities to attract businesses, employees, and new residents. The KHITC Program was established under K.S.A. 79-32,310, *et seq.*, becoming effective July 1, 2022, and revised in 2023.

Program Implementation. KHRC conducted one competitive KHITC application round in 2022, and three competitive rounds in 2023. A KHITC Request for Proposal (RFP) was published specific to each application round. The following table reflects the dates the RFPs were published, the due date for the corresponding applications, and the award approval dates.

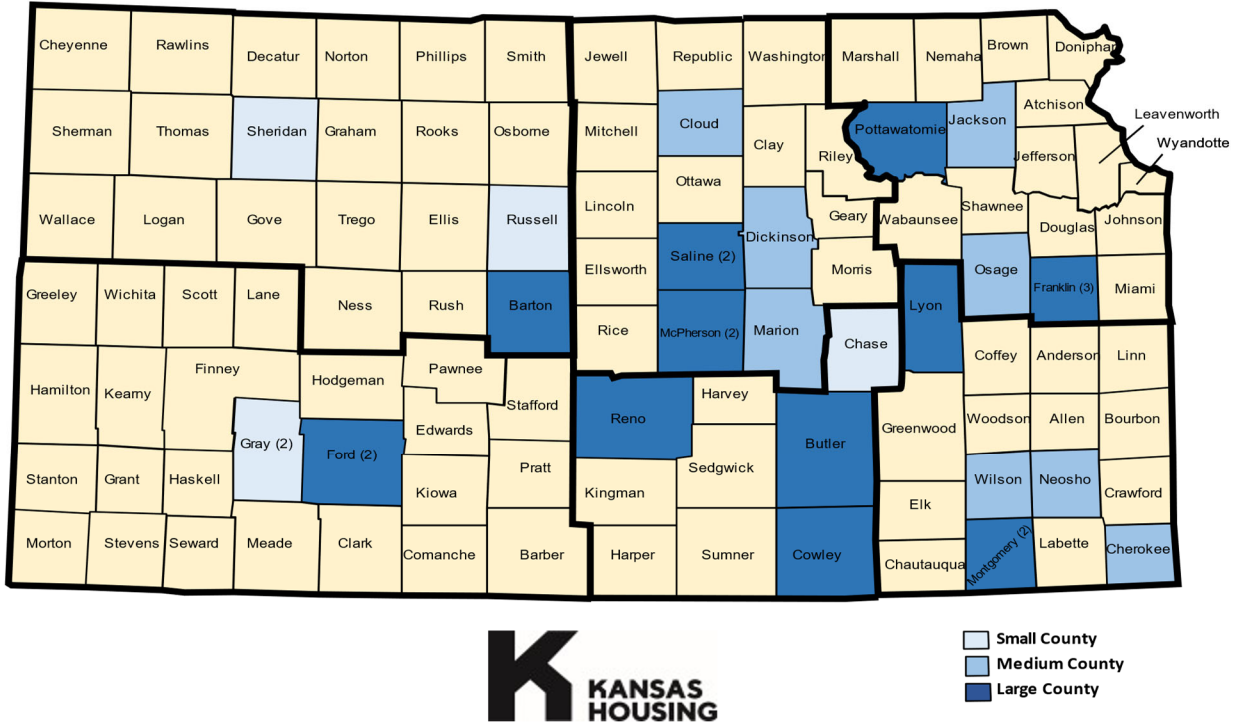
<u>RFP Publication Dates</u>	<u>Application Due Dates</u>	<u>Award Approval Dates</u>
September 9, 2022	October 28, 2022	December 12, 2022
November 30, 2022	February 17, 2023	April 5, 2023
April 17, 2023	June 2, 2023	August 9, 2023
September 11, 2023	November 15, 2023	1 st Quarter 2024

KHRC also posted a KHITC Frequently Asked Questions document on its website as a resource for applicants. Additionally, KHITC staff conducted virtual office hours, which provided an opportunity for applicants to ask questions related to the KHITC Program as well as the KHITC application and RFP. Finally, in an effort to increase the number of competitive applications submitted, KHITC staff offered technical assistance sessions to any applicant that did not receive a KHITC award.

Applications received by KHRC were reviewed by Housing Development staff. An evaluation matrix, inclusive of all required components outlined in the KHITC statute and RFP, was utilized to determine the thoroughness of each application during the review process. Recommendations for KHITC awards were determined by the outcome of the review process as well as the statutory requirement establishing KHITC allocation thresholds for small, medium, and large counties. KHITC awards were recommended to the Director of Housing of the Kansas Development Finance Authority as well as KHRC's Loans and Grants Committee for approval. As a result, \$12,043,000 in KHITCs were awarded between 2023 Rounds 1 and 2, which will support the development of 454 housing units in 22 different counties. Due to the fact that the majority of approved qualified housing projects under the KHITC Program are part of larger projects that also receive an MIH grant, the overall number of units developed under KHRC's MIH Program is larger than reflected in the KHITC-only statistics.



2023 Rounds 1 and 2 KHITC Awards



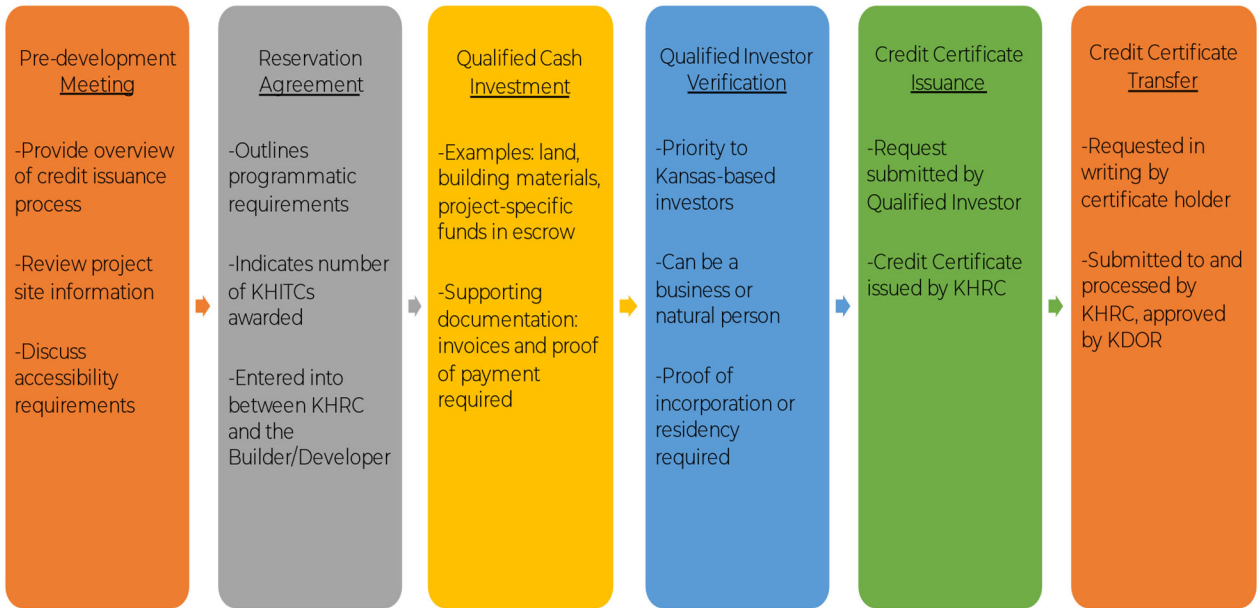
View the complete 2023 Rounds 1 and 2 KHITC award lists [online](#).

At the time of this report, applications received during 2023 Round 3 are under review. In the final application round of 2023 KHRC received 39 KHITC applications, totaling 19,719,000 in requests for the development of 805 units.

After KHITC awards are announced, the process of issuing KHITC Program Certificates begins. The KHITC Certificate issuance cycle is as follows:



KHITC Certificate Issuance Cycle



Cash Investments for Qualified Securities

The table below reflects the total cash investments made in qualified housing projects. These figures represent confirmed cash investments made as of December 31, 2023. Due to the timing of qualified cash investment dates, submission of KHITC requests, and 2023 Round 3 award announcements, the actual total of 2023 Cash Investments may realize an increase.

As required by statute, the table includes cash investments made in the preceding year as well as cumulative cash investments since the enactment of the KHITC Act.

	<u>2023 Cash Investments</u>	<u>Cumulative Cash Investments</u>
Small Counties	\$1,644,702	\$1,644,702
Medium Counties	\$ 3,146,110	\$3,161,110
Large Counties	\$9,320,238	\$9,748,420
Totals	\$14,111,050	\$14,554,232

In addition to cash investments being made into qualified housing projects, 48% of the KHITC Certificates issued have been transferred to other investors who will utilize

the KHITCs to offset their state tax liability. The price per credit of these transfers ranges between \$0.83 - \$0.95, with the average price per credit at \$0.88.

Jobs Estimate

KHITC allocations under the 2023 Round 1 and Round 2 RFPs were awarded to 26 projects located in counties across the state. Regardless of location, the following common themes were reflected in applications received:

- Lack of moderate-income housing stock,
- Major employers with job vacancies, and
- Unemployment rate between two percent and three percent.

Applicants reported job vacancies across many different employment sectors, from retail to corrections and construction to pharmaceuticals. The top four employment sectors with the highest number of job vacancies consistent across communities that received KHITC awards under the 2023 Round 1 and Round 2 RFPs are:

- Manufacturing
- Education
- Healthcare
- Local Government

KHRC relies on data provided by applicants to determine an estimate of jobs facilitated by housing developed through KHITC investments in communities across the state. Based on the information provided by awardees of KHITCs under the 2023 Round 1 and Round 2 RFPs, more than 5,300 positions are either currently vacant or will be coming online within the next two to three years. As reflected in the local needs assessments provided with applications for this resource, the shortage of moderate-income housing stock across the state directly relates to the difficulty employers face in filling vacant positions. Developing 454 units of housing will help to address this issue. It is anticipated that this new housing will provide at least a 10% increase in the number of jobs filled statewide.

Jobs Estimate information above is derived from details provided by KHITC applicants. The reliability and validity of the information provided relies on the due diligence conducted by the applicants.

Effect on Kansas Economy

Along with our partners, KHRC is actively working on collecting data to reliably report on the multiplier effect of the housing investments made through the KHITC Program. At this time, given that the program is still new, data is limited. Research generally shows that there are three types of impacts:

1. Direct impacts: the jobs and spending that occur during construction,
2. Indirect impacts: the jobs and spending created from businesses that are suppliers to the construction operations, and
3. Induced impacts: results when the workers and tenants/homeowners spend their income in the region.

As the KHITC Program continues, KHRC anticipates being able to report the positive impacts the KHITC Program has had on the Kansas economy in the future.

Prior to December 31st, 2023, KHRC issued more than \$12,000,000 in KHITCs from its 2022 and 2023 annual allocations. However, according to information provided by the Kansas Department of Revenue, zero KHITCs were claimed in Fiscal Year 2022. KHITCs are eligible to be carried forward for four years, therefore KHRC anticipates that next year's report will reflect the amount of KHITCs claimed.

In 2023, KHRC issued 34 KHITC Certificates to original qualified investors who made eligible cash investments into qualified housing projects. Of the 34 investors, 82% were the builder and/or developer of a qualified housing project, 15% were natural persons associated with or investing in the qualified housing projects, and 3% were businesses associated with the qualified housing project. Additionally (as permitted by amending legislation of the 2023 Kansas Legislature), 11 investors transferred or sold KHITCs to 17 unique persons/entities. The largest number of transferees were financial institutions (59%) followed by natural persons (29%), and businesses (12%).

Due to the fact that 2023 was the first year the KHITC Program completed a full cycle from application to credit issuance, aggregate job creation and capital investment that resulted from the tax credits for a period of five years is not available. KHRC looks forward to being able to report in the future about the positive impact of the KHITC Program on aggregate job creation and capital investments statewide.

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

