

**KANSAS RURAL HOUSING INCENTIVE DISTRICT GUIDELINES**  
**(Revised June 2021)**

Set forth below is a summary/outline of the essential components which should be included in a “housing needs analysis” submitted to the Secretary of Commerce (the “Secretary”) for approval under the Kansas Rural Housing Incentive District Act (the “Act”) found at K.S.A. 12-5241 *et seq.*

Part of the process of establishing a Rural Housing Incentive District under K.S.A. 12-5244(a) requires the governing body of the city or county to conduct a “housing needs analysis” (HNA) to determine what, if any, housing needs exist within the community. That HNA must then be adopted by the governing body and is subject to the review and approval of the Secretary. The Act, in K.S.A. 12-5244(a), provides a series of four findings and determinations, which must be included in the housing needs analysis, adopted by the city or county and then approved by the Secretary. These particular criteria form the primary basis upon which the Secretary will review the housing needs analysis and consider its approval. General guidance with respect to those four (4) findings is set forth below.

**I. “(1) There is a shortage of quality housing of various price ranges in the city or county despite the best efforts of public and private housing developers;”**

In order to support this finding, the Kansas Department of Commerce (“Commerce”) defines the terms “shortage” and “quality housing” as set forth below and requires information on the “various price ranges” for different types of housing in the community. Additionally, the HNA should contain a narrative explanation fully describing the existing efforts of public and private housing developers to provide additional housing in the community.

*Quality Housing*

Commerce defines “quality housing” under either of the following definitions:

1. Housing units that pass inspection under the Section VIII Housing Quality Standards (HQS) of the US Department of Housing and Urban Development, as determined by the State.
2. Households that do not have housing problems as determined by the US Census Bureau. Housing problems of households include:
  - (a) occupying units with physical defects, i.e., lacking complete kitchen or bathroom;
  - (b) occupying overcrowded units, i.e., more than one person per room; and
  - (c) carrying a cost burden of greater than 30%, i.e., housing costs, including utilities, exceed 30% of gross income.

Price Range Data

With respect to establishing price range metrics, housing price ranges may be those established by the US Census Bureau for the categories of value of owner-occupied units and the categories of gross rent for renter occupied units. As an alternative, housing price ranges may be locally established for the categories of current selling prices of owner-occupied units and the categories of current contract rents for rental units.

Housing Shortage

The following information may be used by Commerce to determine the existence of a housing shortage. One or more of the following housing market indicators may be used by Commerce for the determination of whether a housing shortage exists in the community. The Secretary retains discretion to rely on comparable alternative information that demonstrates the need for certain types of housing.

**OWNER-OCCUPIED HOUSING**

**Housing Supply / Demand**

**Housing Shortage Indicator**

Vacancy rate	Low (3% of stock or less)
Overcrowding	High (6% of stock or more)
Size match	Count of large households (6 or more persons) exceeds count of large units (4 or more bedrooms)
Complete plumbing	Low (96% of stock or less)
New units (1 year old or less)	Low (1.5% of stock or less)
Old units (50 years old or more)	High (40% of stock or more)
Price: income match	Count of households in income category exceeds count of units in price category (units not to exceed 30% of gross income)

## RENTAL HOUSING

<u>Housing Supply / Demand</u>	<u>Housing Shortage Indicator</u>
Vacancy rate	Low (under 5% of stock)
Size match	Count of large households (6 or more persons) exceeds count of large units (4 or more bedrooms)
Complete plumbing	Low (95% of stock or less)
New units (1 year old or less)	Low (1.0% of stock or less)
Old units (50 years old or more)	High (40% of stock or more)
Rent: income match	Count of households in income category exceeds count of units in rent category (units not to exceed 30% of gross income)

U.S. Census data may be used to establish the above indicators of housing shortages. As an alternative, current housing market information may be collected and used for this purpose.

Beyond the present, five-year projections of population, housing supply, and housing demand may be used to anticipate future market conditions. Also, changing housing needs – trends toward an aging population, smaller households, etc. – may alter the housing market of the future and may be considered.

As required by the Act, the “best efforts of public and private housing developers” may be documented by the difficulty of the city or county in attracting new businesses and/or the difficulty of investors and lenders in financing new construction or renovation of housing. A narrative addressing these difficulties should be included in the housing needs analysis.

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**II. “(2) The shortage of quality housing can be expected to persist and that additional financial incentives are necessary in order to encourage the private sector to construct or renovate housing in such city or county;”**

### Shortage of Quality Housing

The persistence of a shortage in quality housing may be indicated by relatively low development activity in the housing market. One or more of the following factors may demonstrate low housing development activity:

1. The formula of new housing units constructed, minus existing housing units demolished, results in a low net gain (or loss) of residential units.
2. Existing housing units, suitable for rehabilitation, are present, but little or no rehabilitation activity is occurring.
3. Residential land is available. However, buildable lots or subdivisions have few or no new housing units in the planning or development process, i.e., units planned or approved, but without building permits.

### Additional Financial Incentives Necessary

The necessity of additional financial incentives for the private sector may be documented by the current shortage of quality housing, the past (best) efforts of housing developers, and/or proformas showing that future housing projects are not financially feasible.

### **III. “(3) The shortage of quality housing is a substantial deterrent to the future economic growth and development of such city or county;”**

The key phrases in this finding are “substantial deterrent” and “economic growth and development.” Commerce has adopted the following general definitions for these terms to allow applicant communities to provide information necessary to satisfy this requirement. Generally speaking, the term “economic growth” could be defined as an increase in the city or county of the number of jobs, per capita, or median income, employment rates, retail sales levels, etc. “Economic development” is generally defined as the formation of a public/private partnership between local government community-based organizations to improve the local economy. Economic growth and development produce employment and income gains, population and household gains. An ongoing shortage of quality housing will not accommodate the corresponding increase in volume and/or level of housing demand. If persuasive, the preceding documentation will attest that the shortage of quality housing is a substantial deterrent to future economic growth and development.

### **IV. “(4) The future economic well being of the city or county depends on the governing body providing additional incentives for the construction or renovation of quality housing in such city or county.”**

### Future Economic Well Being

In many, if not all cases, this finding requires a demonstration that a specific future project is already being planned. This requires satisfactory information establishing that, absent the potential project, the future needs will not be met. For additional construction or renovation of quality housing.

The economic well being of a city or county is defined as its ability to achieve and sustain a favorable rate of economic growth. Therefore, the city or county must provide attractive business, education, recreation and other opportunities. Economic growth brings employment growth. Quality housing attracts employees and fulfills their lifestyle needs. If persuasive, documentation satisfying the above requirements will attest that the future economic well being of the city or county depends on the governing body providing additional incentives for the construction or renovation of quality housing.

### Conclusion

This is intended to provide a basic structure for cities and counties to use in preparing and submitting a “housing needs analysis” to the Secretary for review. The Secretary retains discretion to consider additional information in the review process and believes local units of government are best equipped to determine the housing needs of their community. Approval of a “housing needs analysis” under the Act will be predicated solely upon the information and data received by the Secretary for review.

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