



To: Kansas Legislature
From: Ryan Vincent, Executive Director,
[*Kansas Housing Resources Corporation \(KHRC\)*](#)
Date: Dec. 29, 2023
Subject: KHRC Annual Reporting Requirements:
Kansas Affordable Housing Tax Credit Act

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 program activities and awards for 2023. This memorandum is intended to accompany the annual report, as it notes program activities and awards made late in the year after the report was compiled and addresses individual program reporting requirements not included in the overall report. An additional memorandum will be submitted by Jan. 31, 2024, detailing activities supported by the Kansas Housing Investor Act.

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 study 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 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 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 Affordable Housing Tax Credit Act

Program Overview

Among the state's 2022 housing development initiatives, the Kansas Affordable Housing Tax Credit Act (K.S.A. 79-32,304 et seq.) established a state tax credit offered in addition to the federal Low Income Housing Tax Credit (LIHTC) to incentivize affordable housing development. If a housing project receives federal LIHTCs, then that project also gets an equal amount of Kansas Affordable Housing tax credits, increasing the affordability and production of units. Both credits subsidize the creation of affordable rental housing.

KHRC administers both the state and federal tax credit programs. KHRC awards credits to projects based on competitive application processes. Owners of the housing projects to which KHRC awards credits can sell the state and federal tax credits to investors in exchange for investment in their housing projects. This helps the owners reduce project costs, which in turn allows them to offer lower rents. Investors who purchase the state tax credit can use it to reduce their state income, privilege, or premium tax liabilities.

Reporting Requirements

In accordance with the provisions of the Act, KHRC submits this written report to the legislature on or before Dec. 31 of each year and makes such [report available online to the public](#). Attached please find a spreadsheet detailing each state tax credit awards made in 2023, including property location, funding source, target population, household income levels, and units created. This **\$25 million** investment represents **2,138** new homes added to the state's housing stock to serve seniors and households earning between 30 and 80 percent of an area's median income.

As part of its underwriting and application review process, KHRC uses housing market data to ensure that the average rent for an LIHTC-funded property is below market rate. Analysis of this data reveals that LIHTC-funded properties in Kansas have a rent range between 27 and 59 percent of market rate, with the average falling at 43 percent. Additionally, KHRC requires that 30 percent of new construction units be affordable to households with even lower incomes than the LIHTC program requires. Market rate homes are not attainable for Kansans with low incomes. The LIHTC and state tax credit programs are addressing a critical housing need, serving households that cannot afford market rate housing.

Conclusion

The Legislature's historic 2022 housing investments represent an important step forward in addressing our state's growing and long-neglected housing shortage. The 2,138 homes created in the Kansas Affordable Housing Tax Credit's first year mark a turning point, and an opportunity to launch a new chapter of economic growth and prosperity through addressing underlying housing needs. KHRC is pleased to administer these vital resources, unlocking home for families across the state.

