



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

From: Ryan Vincent, Executive Director,
[*Kansas Housing Resources Corporation \(KHRC\)*](#)

Date: January 25, 2023

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

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 this report on the Kansas Housing Investor Tax Credit (KHITC) Program to supplement its [2022 annual report](#).

As 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 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.

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;
- 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.

Kansas Housing Investor Tax Credit (KHITC)

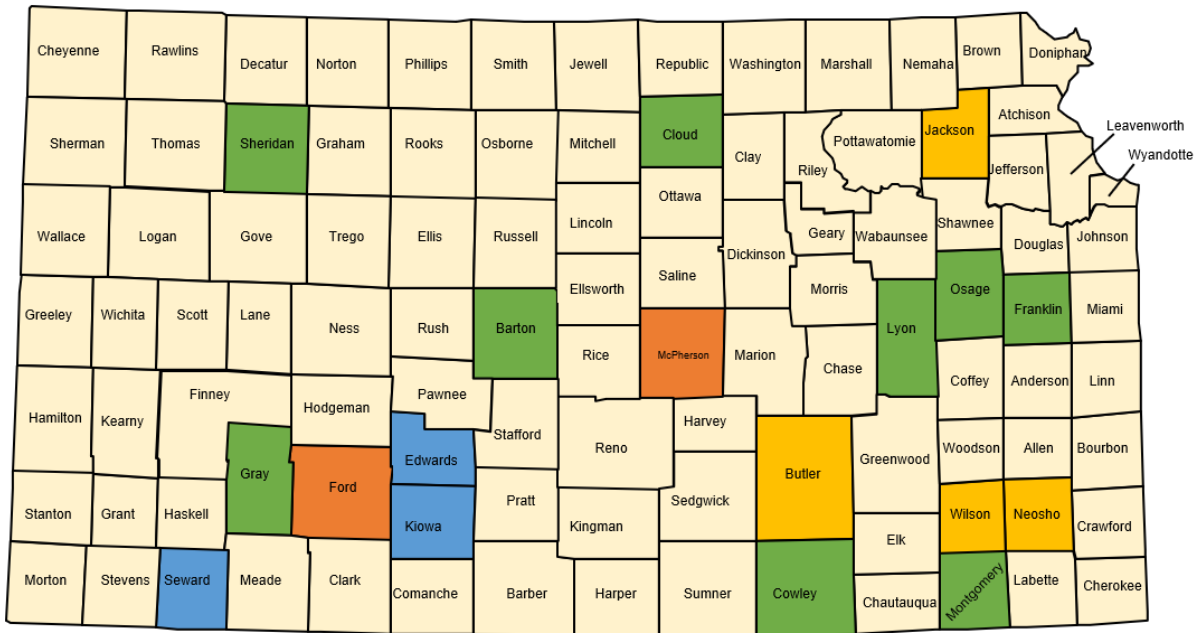
In accordance with Section 12(a) of House Bill No. 2237, this report details activities of the KHITC Program.

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 through Sections 7 to 12 of House Bill No. 2237, enrolled effective July 1, 2022.

Program Implementation. On September 9, 2022, KHRC published a KHITC Request for Proposal for the first tax credit allocation round, with an application due date of October 28, 2022. 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.

On December 16, 2022, KHRC announced its first-ever round of KHITC awards in conjunction with the popular KHRC [Moderate Income Housing \(MIH\) Program](#). Eleven Kansas communities will receive a combined total of 7,593,000 in KHITC and \$4,998,936 in MIH funds. The awards will provide resources to develop moderate income housing for families in rural communities.

2022 MIH and KHITC Awards



- KHITC resources awarded to open MIH projects
- New MIH funds awarded to new projects w/o KHITC
- MIH + KHITC award
- Counties with 2 or More Awards

This round of awards will finance the:

- 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 allocated KHITC resources to supplement projects which were previously awarded MIH funds but were experiencing inflationary pressures in Augusta, Neodesha, Lindsborg, Holton, and Chanute.

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

The total cash investments made for qualified securities in qualified housing projects is unknown at the time of this report due to the timing of award announcement and credit allocation. However, KHRC can report that KHITC awardees indicated a per credit price in the range of \$0.85 - \$1.00. Using this indicator, KHRC projects the KHITC Program will generate more than \$13,000,000 in initial investment in rural communities across the state. The anticipated long-term benefits of job growth and new residents to the communities and state are even greater.

Similarly, data related to the amount of tax credits claimed and general description of investors is unknown at this time. Based on information provided in the most recent KHITC applications, interested investors include builders/developers, local banks, and individuals in the applicant's community.

KHITC allocations under the 2022 RFP were awarded to projects located in communities ranging from approximately 2,500 to 70,000 in population. Regardless of population size, the following common themes were present in applications received for projects statewide:

- Housing crisis in the community.
- Lack of moderate-income housing stock.
- Major employers with job vacancies.
- Unemployment rate between two percent and five percent.

As mentioned previously, due to the timing of award announcement and credit allocation, KHRC is unable to report an estimate of jobs facilitated by housing developed through investments under the KHITC Program. Based on the common themes listed above, and the projects that have been awarded an allocation of KHITC, KHRC anticipates being able to report in the future about the positive impact of the KHITC Program on the intersection of housing and jobs.

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.

