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To: Senate Commerce Committee
From: Patrick Vogelsberg
Date: March 14th, 2109
Subject: Proponent Testimony on HB 2147

Honorable Chairwoman Lynn and Members of the Senate Commerce Committee:

Thank you for the opportunity to appear in front of you today on behalf of the Kansas Association of REALTORS® (KAR) and provide testimony in support of HB 2147 which would amend the Kansas rural housing incentive district act. Through the comments provided in our testimony, we hope to provide some additional legal and public policy context on this issue.

KAR represents nearly 10,000 members involved in residential, commercial and agricultural real estate and has advocated on behalf of the state's property owners for over 95 years. REALTORS® serve an important role in the state's economy and are dedicated to working with our elected officials to create better communities by supporting economic development, a high quality of life and providing affordable housing opportunities while protecting the rights of private property owners.

Background on Rural Housing Incentive District Act

The Rural Housing Incentive District (RHID) Act was first enacted in 1998 and provides cities and counties a program to assist developers to build housing in rural communities by assisting in the financing of public improvements. At K.S.A. 12-5243, the Legislature provided that, "...the purpose of this act to encourage the development and renovation of housing in the rural cities and counties of Kansas by authorizing cities and counties to assist directly in the financing of public improvements that will support such housing in rural areas of Kansas which experience a shortage of housing."

RHID's are authorized for cities with less than 60,000 in population, located in a county of less than 80,000 OR any county with a population of less than 60,000. The district is defined by the city or county that is establishing the district and based upon a housing needs analysis.

An RHID is formed in the following way:

1. Preparation by local government of housing needs analysis;
2. Governing body passes resolution finding shortage of quality housing;
3. Secretary of Commerce reviews and approves housing needs analysis;
4. Governing body negotiates development agreement;
5. District boundaries are identified and development plan is prepared;

6. Governing body passes resolution calling for public hearing on district and adoption of redevelopment plan.
7. Notices are provided to local planning commission, school district, and county/city.
8. Notices are published;
9. Public hearing;
10. Governing body passes ordinance/resolution creating the RHID and adopting the redevelopment plan; and
11. 30-day protest period for school district or city/county finding the RHID will have adverse effect which would nullify the ordinance and resolution.

The housing needs analysis needs to show¹:

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;
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;
3. The shortage of quality housing is a substantial deterrent to the future economic growth and development of such city or county; and
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.

Once the RHID has been established, the governing body may proceed with issuing special obligation bonds (general obligation bonds prohibited).

K.S.A. 12-5249 strictly states that the proceeds of the special obligation bonds, can be used only for:

1. Acquisition of property within the specific project area²;
2. Payment of relocation assistance;
3. Site preparation;
4. Sanitary and storm sewers and lift stations;
5. Drainage conduits, channels and levees;
6. Street grading, paving, graveling, macadamizing, curbing, guttering and surfacing;
7. Street lighting fixtures, connection and facilities;
8. Underground gas, water, heating, and electrical services and connections located within the public right-of-way;
9. Sidewalks; and
10. Water mains and extensions.

The bond proceeds may not be used for buildings or structures owned by or leased to any developer. The maximum maturity on bonds issued to finance RHID projects cannot exceed 15 years.

The RHID works by taking the incremental increases in property taxes paid over the base amount previously collected and using that property tax revenue for repayment of the bonds.

¹ K.S.A. 12-5244

² Eminent domain is prohibited by K.S.A. 12-5247(a).

For example:

Pre-RHID the property classification has an *assessed value* of \$50,000 and is subject to 150 mills. The total property tax revenue is \$7,500. This base amount of property tax revenue remains constant and is distributed to local taxing jurisdictions as it was prior to the RHID.

After the development, the property has an assessed value of \$1 million and subject to the same 150 mills produces \$150,000 in property tax revenue.

The incremental increase is \$142,500 (\$150,000 - \$7,500). This \$142,500 can be used to pay for the authorized cost (1-10 above), until the project cost are paid. Once the project has paid for itself

HB 2147

HB 2147 would make a simple amendment to K.S.A. 12-5248(a)(2)(4) that would change the maximum maturity on bonds to finance projects from 15 years to 25 years. The purpose for this change is simply to spread the financing of such projects over a greater period of time. It is our hope that an expanded payback period would make more projects financially viable in our rural communities. Furthermore, we hope that this change would help with the affordability of new housing in rural communities, while also freeing up existing inventory.

Upon further review of the RHID act, we felt that it was necessary to make similar amendments (changing 15 to 25 years) to K.S.A. 12-5245(a)³ and K.S.A. 12-5250(b)(2)(B).⁴ KAR requested floor amendments be offered to make the necessary changes. The House adopted the requested floor amendments on a voice vote and **passed HB 2147, as amended, 123-0 on February 27th, 2019.**

Thank you for the opportunity to provide testimony on HB 2147. KAR feels that with these changes more housing opportunities can occur in our rural communities. We would ask that the committee act favorably on this legislation. Thank you for your time and consideration to this very important matter.

Respectfully submitted,



Patrick Vogelsberg

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³KSA 12-5245(a) provides that the overall length of any RHID plan is limited to 15 years. A House floor amendment was added to expand to 25 years to be consistent.

⁴ KSA 12-5250(b)(2)(B) covers how revenue generated from the RHID is to be spent, which is only authorized for the duration of the district – currently, 15 years. A House floor amendment was added to expand to 25 years to be consistent.