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Neutral Testimony on HB 2237
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Prepared for House Financial Institutions and Rural Development
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Thank you for allowing us to testify as neutral of HB 2237. This bill extends the sunset for the Rural Opportunity Zones program until the year 2023.

Last year, the Department of Commerce provided an in depth look into the ROZ program. In our report, we found mixed results with respect to the program. We found over 30 counties do not commit any resources to the program and for those that do, over 80 percent of student loan recipients in 2019 would have moved to the county regardless.

As Secretary Toland testified at the time, we have an inefficient incentive. However, that does not mean we have a program that failed. As promised last year when a similar bill came up before session ran out of time, we put together a working group to examine the issue further. We asked legislators, county commissioners and economic development professionals to examine how the program can achieve greater success and efficiency. Our work spanned six months of discussions. While our bill remains with the revisors office as of the time of this testimony, my goal is to walk you through our proposal with the hope that when the bill is ready, there will be an interest in taking up a different approach to ROZ.

First thing that is important we state from the onset, everyone who likes ROZ, should be able to keep ROZ as is. If it’s working for your county, we are not looking to change things up. For those that are seeking something different, we offer two tracks that counties can choose from. The first is a track similar to the one that currently exists. However, we wanted to add more options for the Counties:

1. **Homebuyer Down Payment Assistance.** ROZ currently only permits repayment of student loans. We propose providing the choice to participants to select either student loan repayment OR down payment assistance when purchasing a home in a ROZ county. This both helps support local housing markets and it increases the likelihood that a ROZ participant stays in the county when their commitment period ends. The payment would equal 3% of the closing cost, divided evenly between the State and the sponsor.

2. **Permit student loan repayment assistance for vocational and other certificates.** ROZ currently only permits holders of associates and bachelor's degrees to receive student loan repayment. The omission of certificate holders from accredited institutions—welders, plumbers, child care professionals, etc—makes little sense. Shortages of skilled tradespeople are a key impediment to growth statewide, but particularly in rural places. We propose including tuition costs for certificate and related programs as being eligible for student loan repayment.

3. **Supporting young grads who want to return home.** ROZ currently requires participants to have established residency outside of a ROZ county in order to qualify for income tax and/or student loan repayment. This effectively shuts out students who have maintained their home address while attending college—and who are also the ones that are most likely to stay in their hometown if we can get them back after college. We propose permitting participants to be eligible for ROZ when they choose to return to their home county.

4. **Counties must commit $10,000 towards sponsorships to be eligible.** We believe this is a starting point for the necessary conversation of making sure ROZ counties are contributing towards the program. Too many counties currently have relied on the State to carry the financial cost, while doing very little to help contribute to the program. We want to work as partners in finding the right path forward for all counties on this specific part of the proposal.

Track two focuses on a need we heard most about from the working group, housing. Community commits to a 5-year capacity building program to address the drivers of rural migration.

Rural communities across the state have remarkably different needs, opportunities and visions. Some want to simply manage the decline. Others are more ambitious and want to change their trajectory.

For those communities that aspire to do more, we have developed Track 2. This is a 5-year approach that addresses the key drivers of community development: image; placemaking; and housing.

This approach has "on and off ramps" that allow communities to pick areas that they need to focus on. For example, a community may have already addressed its image and would like to start with placemaking or housing. They can do that.

1. Y**ear One: Community Image.** An intensive 12-month effort to ensure that rural communities put their best face forward as they work to recruit new residents. Knowing that a google search is the first exposure a new resident will have to a community; it is vital that this first impression be a positive one. Communities will spend 12 months undergoing an assessment of their online presence, developing an inventory of assets that can be promoted through digital media; and building improved or new web and social media platforms that better promote the community. By the end of 12 months these communities will have attractive, functional, and leading-edge online presences.

2. **Year Two: Placemaking.** Year 2 will be spent designing and implementing small scale community improvement projects that improve the look and feel of communities and provide high quality places for people to gather. Matching grants will be provided for beautification projects on local main streets, park and playground equipment, and the development of attractive community gathering places that will aid in attracting new residents and retaining existing residents as they age.

3. **Year Three: Assessment of Conditions.** Conduct a comprehensive housing assessment that includes an evaluation of existing housing units; surveys of residents and employers about demand for new/improved housing units (and what type of units); and an evaluation of interest in raising local equity pool to assist in constructing or renovating housing.

4. **Year Four: Mobilizing For Action.** Based on the data learned in Year 3 communities will develop specific plans for renovating existing housing and/or building new units with specific goals for completion of these units by the end of Year 5. Teams from Commerce and KHRC will assist in identifying funding sources and in matching housing developers to communities with interest. Communities will be expected to "grow your own" development teams, however, by finding local tradespeople with the capacity to build/renovate these units. Communities will commit to developing units within the next 24-month period. Equity pools will be raised.

   Communities will also be expected to develop action teams in Year 4 to conduct large scale housing improvement to address existing housing stock in Year 5. These actions would include organizing volunteer teams to do repairs to housing. The goal is to improve both the physical conditions of housing units and to enhance the appearance of the community, hopefully creating a widespread desire for residents to fix up their homes. A specific number of housing units will be committed

5. **Year Five: Action.** Construction will begin on the units identified to be built or renovated, with completion to occur within 12 months. Volunteer teams will conduct their blitz to improve existing units.

We believe with this new approach, we could create a far more effective tool for rural communities, while affording communities multiple options in how they would like to utilize the resources provided to them.

Thank you for the opportunity to testify as a neutral on HB 2237 and I would be happy to stand for questions at the appropriate time.