



STATE HOUSING TRUST FUND SUMMARY OF ACTIVITIES

KANSAS HOUSING RESOURCES CORPORATION

OVERVIEW: A self-supporting, public corporation, Kansas Housing Resources Corporation (KHRC) serves as the primary administrator of federal housing programs for the State of Kansas. KHRC's mission is to increase the availability of affordable, safe and accessible housing for low- and moderate-income Kansans. Created as a "one-stop shop for housing," KHRC administers affordable housing programs with the following areas of emphasis: Homeownership, Energy Efficiency, Rental Assistance, Rental Housing Development, Emergency Housing, Community Services and Program Compliance.

Working statewide, KHRC:

- *Provides down payment assistance to qualifying first-time homebuyers.*
- *Offers rental assistance to low-income families and individuals.*
- *Promotes energy efficiency improvements for owner-occupied and rental housing.*
- *Offers incentives to developers that finance the construction of affordable rental housing.*
- *Educates multi-family property owners and managers about program compliance to ensure that renters have a safe and affordable place to live.*
- *Preserves existing housing through rehabilitation.*

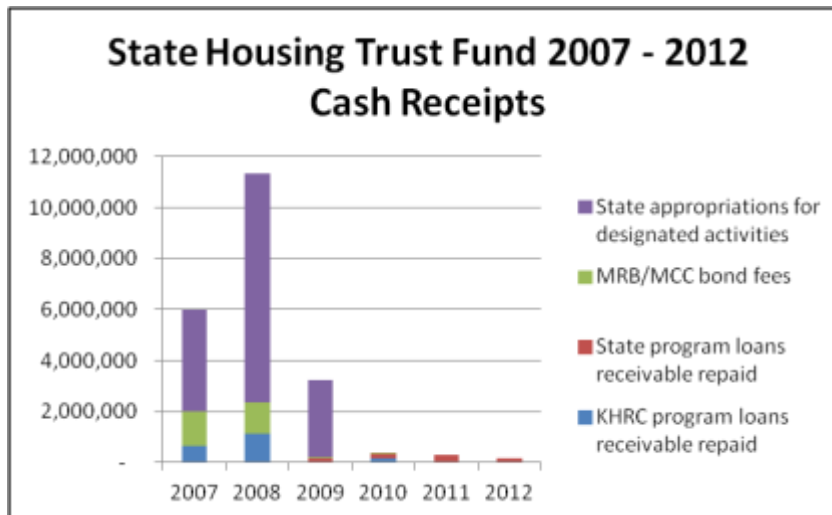
More information on KHRC programs and services, can be found in the Corporation's annual report and audited financial statements at www.kshousingcorp.org.

HISTORY & FUNDING: Formerly the Division of Housing within the Kansas Department of Commerce and Housing, Executive Reorganization Order No. 30 and 2003 Senate Bill No. 285 transferred the organization to become a division within the Kansas Development Finance Authority (KDFA). In 2003, KHRC became a subsidiary corporation of KDFA. Governed by a Board of Directors, KHRC does not receive operational revenue from the State of Kansas, but rather sustains itself through Federal contracts for service and program administration fees.

STATE HOUSING TRUST FUND

ESTABLISHMENT AND PURPOSE: Established in 1991, the *State Housing Trust Fund* (SHTF) was created by House Bill No. 2517 as a vehicle to deposit housing funds and provide necessary match for the Federal HOME Investment Partnerships Program. Now codified at K.S.A. 2011 Supp. 74-8959, the SHTF legislation contains no designated funding sources and is essentially a discretionary, interest-bearing trust account for the purpose of administering housing programs and services. The statute allows KHRC, as the administrator of this fund, to maintain and invest funds outside of the State Treasury and to apply for and receive grants, gifts and donations.

FUNDING: While many state housing trust funds around the country have robust designated revenue streams from taxes on real estate sales, development charges or recording fees, the Kansas SHTF does not have these traditional revenue streams in place. Instead, Kansas SHTF activities are funded from infrequent and diminishing MRB/MCC issuance fees, multi-family bond issuance fees from Private Activity Bonds, and other miscellaneous revenue streams. KHRC has also made contributions and donations to the SHTF from its fee for services activities as deemed appropriate by KHRC's Board of Directors. (Please see the following graph summarizing SHTF cash receipts.)

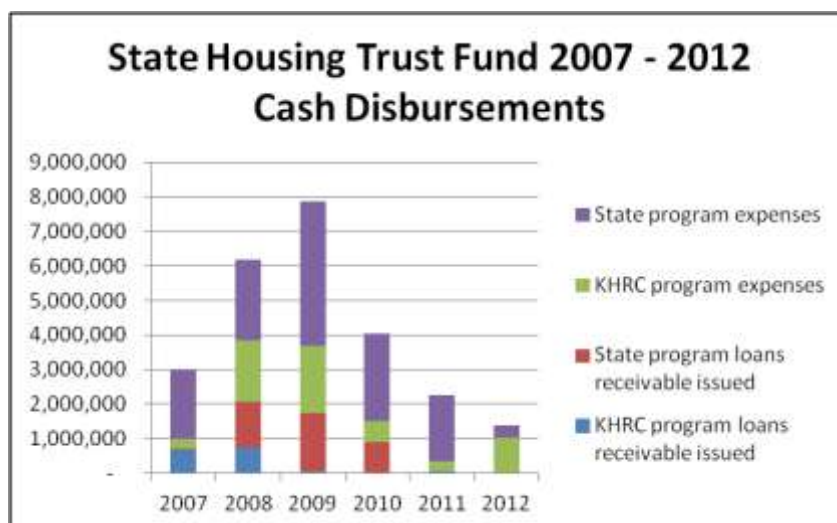


HISTORICAL USES: The SHTF has historically funded programs such as the Kansas Accessibility Modification Program (KAMP), Emergency Repair Program (ERP), Kansas Warm Homes Initiative, Housing Development Grant Program (HDGP) and the currently active Moderate Income Housing Program (MIH).

KAMP was a program that helped income-eligible persons with disabilities make accessibility-related modifications to their

residence. The Warm Homes Initiative provided interest-free loans to qualified homeowners to make energy-efficient improvements to their homes, distributed winterization kits to income-eligible households and financed additional weatherization services across the state. ERP offered financial assistance to income-eligible homeowners to make emergency home repairs that were necessary to ensure the occupant's continued safety. HDGP, a program approved by the Kansas Legislature in 2008, helped disaster-impacted communities build new housing and infrastructure, such as streets, water and sewer systems. The recently launched MIH program, approved by the Kansas Legislature in 2012, was created to help cities and counties develop moderate income housing and infrastructure in rural areas. (Details on this exciting new initiative follow on the next page.)

In addition to the previously mentioned programs, SHTF dollars have provided disaster relief funds to assist developers in building or reconstructing rental housing properties in disaster-impacted communities and help displaced families rebuild or remodel a damaged home. SHTF resources have also financed other housing community development, emergency loans and grants, and landlord-tenant counseling activities. (The following graphic below summarizes historical uses of SHTF funding.)



NOTE: The KAMP, Warm Homes Initiative, ERP and HDGP programs have been either eliminated or suspended due to funding cuts. However, KHRC remains ready to offer such programs again in the future should funding become available.

MODERATE INCOME HOUSING INITIATIVE

OVERVIEW: In 2012, the Kansas Legislature passed and the Governor signed House Sub. For SB No. 294 (Bill) which provided \$2 million to the SHTF for the purpose of administering and supporting housing programs. KHRC supplemented the new state funds with \$330,000 in existing SHTF resources. Recognizing the needs of moderate-income households - those who cannot afford market rate housing, but do not qualify for Federal housing assistance - KHRC utilized these funds to create the Moderate Income Housing (MIH) Program. MIH is a new initiative designed to help cities and counties develop moderate income housing and infrastructure in rural areas.



12/18/2012: State and local officials celebrate the ground-breaking of Martin Estates, the site of new moderate-income housing in Independence. Those attending included: Micky Webb, Independence City Manager; Marty Reichenberger, USD 446 Board President; Dennis L. Mesa, KHRC Executive Director; Chuck Schmidt, USD 446 Superintendent; Fred Bentley, KHRC Rental Housing Director; and Tom Carlson, President of Pointe Royale Development.

NOFA PROCESS: In June of 2012, KHRC issued a preliminary Request for Proposal (RFP), which outlined the MIH Notice of Funding Availability (NOFA), eligible applicants and activities, application procedures, grant/loan structuring, award criteria, compliance monitoring and reporting requirements. In an effort to allow citizens the opportunity to provide input on the proposed RFP, KHRC hosted five public hearings across the state. The hearings were held in the towns of Chanute, Elkhart, Lyons, Colby and Topeka. KHRC also accepted written public comments through July 13, 2012.

ELIGIBLE APPLICANTS: To be eligible to apply for MIH funding, applicants had to be either a city or county, defined as any city incorporated in Kansas or county with a population fewer than 60,000. Applicant cities and counties were allowed to partner or contract with outside entities or individuals, including but not limited to: public housing authorities, nonprofits, community housing development organizations, developers and local employers.



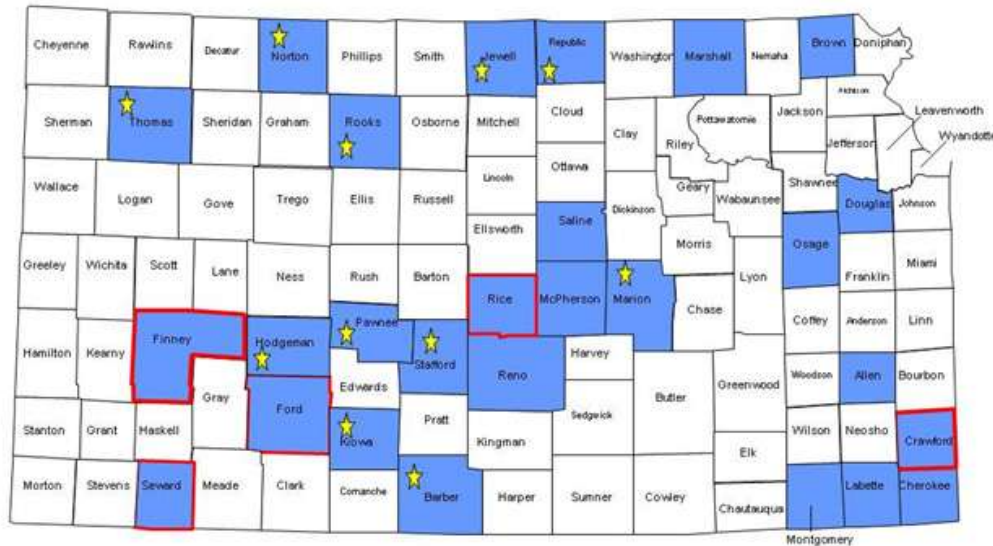
01/09/2013: State and local officials attend the ground-breaking of Norton Estates in Norton, Kansas. The development will consist of 12 duplexes serving moderate-income families.

ELIGIBLE ACTIVITIES: Housing development activities funded through the MIH program included (1) developing infrastructure necessary to support housing; or (2) housing development, including acquisition of real property, new construction, modular or manufactured housing and/or rehabilitation of existing housing. KHRC structured the MIH program to allow maximum flexibility to applicants in developing proposed activities within the definitions laid out above. Applicants were encouraged to apply for projects with ties to economic development that leveraged funds from both private and public sources. For maximum statewide impact, KHRC limited grants or loans to no more than \$400,000 per award.

APPLICATIONS RECEIVED: In total, KHRC received 32 applications from cities and counties requesting nearly \$11 million in MIH funding. A review team of KHRC rental and compliance staff evaluated the applications on several criteria, including housing need, readiness to proceed and the ability to leverage funds from other sources. The following map indicates the communities that applied for MIH funding in 2012.

2012 Moderate Income Housing Program Applications

RED border indicates multiple applications per County ★ Indicates Rural Opportunity Zone County



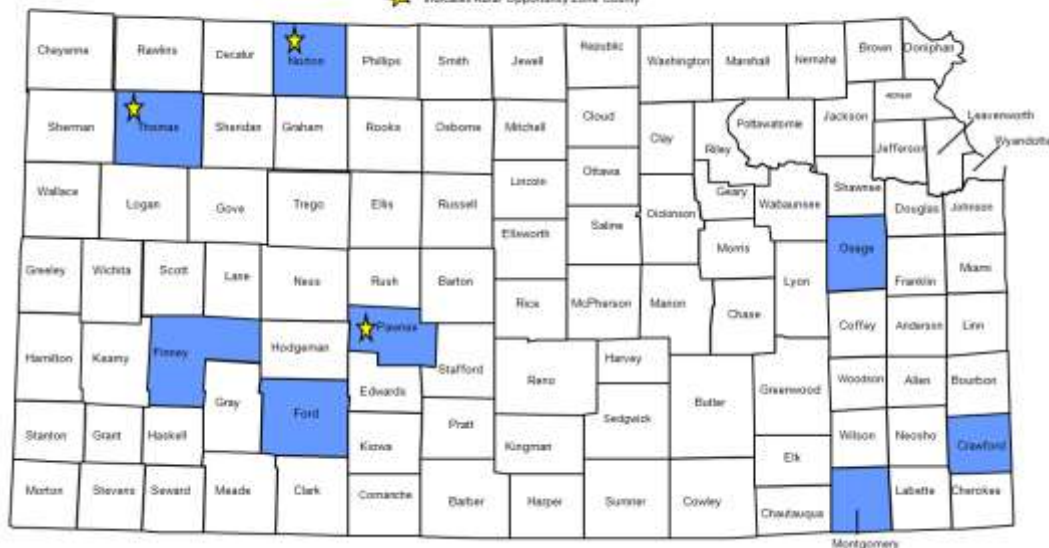
AWARDS GRANTED: KHRC awarded \$2.3 million in MIH funding to eight Kansas communities. The awards, which came in the form of grants and/or loans, will help to finance the development of multi-family rental units, single-family for-purchase homes, and water, sewer and street extensions. Some awards also provide funds to pay construction costs, rehabilitate unsafe or dilapidated housing, and offer down payment and closing cost assistance to homebuyers.

LEVERAGE FACTOR: The leverage factor the MIH program achieved is impressive. With only \$2.3 million in state funding, local municipalities leveraged an additional \$22.1 million in private investment, a rarely seen leverage ratio of \$9.60 for every \$1 in state resources.

MIH AWARD MAP: Eight Kansas communities received MIH awards in 2012. Three of the award recipients are located in Rural Opportunity Zones (ROZ). The ROZ program, administered by the Kansas Department of Commerce, facilitates the population growth of rural Kansas communities through the use of tax relief and student loan reimbursement.

2012 Moderate Income Housing Program Applications Funded Projects

★ Indicates Rural Opportunity Zone County



AWARD DESCRIPTIONS: The following list offers a brief summary of each MIH award and activities to be financed.

City of Dodge City/Ford County

Award Amount: \$100,000

Dodge City anticipates huge housing needs with 541 new jobs anticipated over the next 18 months. The community requested a \$100,000 grant to begin a housing rehabilitation program that will complete a minimum of two houses a year using labor for some of the work from students enrolled in the Building Construction Technology program at Dodge City Community College. Interfaith Housing Services (IHS) will coordinate the work and establish a revolving fund to acquire and renovate the homes with a goal of selling the houses when they are finished. In addition, IHS operates an Individual Development Account program wherein staff counsels homebuyers in both finance and homeownership. IHS also provides a matching grant for down payment and closing cost assistance. The Dodge City housing development is currently underway.

City of Garden City/Finney County

Award Amount: \$300,000

Garden City's Community Housing Assessment Team indicated that the community needs to develop 60 new housing units a year, but is not currently meeting the need. The city requested a \$400,000 grant to help build six duplexes, which will leverage another seven duplexes and 17 single-family homes. The duplexes will be two- and three-bedroom units on a slab with a two-car garage. The single-family homes will range in size from 1,090 square feet to 1,370 square feet with two-car garages and unfinished basements.

City of Larned/Pawnee County

Award Amount: \$400,000

Expansion of the state hospital in Larned is creating 202 new positions and a great need for housing. Doerr Metal Plant is also adding 40 to 50 new jobs. Forty-two percent of the state employees currently commute from outside the county. The City requested a \$400,000 grant to buy land and build rental housing. They plan to build up to 24 units. The city will provide up to \$150,000 matching funds for infrastructure improvements and construction, and will issue a waiver for hook up costs, fees, and permits. A tax rebate will also be provided through the Neighborhood Revitalization Program.

City of Norton/Norton County

Award Amount: \$400,000

Located in a ROZ county, the City of Norton expects to add 45 new jobs over the next one to five years, but lacks adequate housing to serve these needs. The city requested a \$400,000 grant to build infrastructure consisting of water/sewer extensions and streets into a new development area where a local contractor has agreed to build 12 duplexes for rent. The First State Bank of Hoxie has committed to providing a construction loan. The city will provide \$20,000 towards the infrastructure cost, plus in-kind labor in the amount of \$15,000. Midwest Energy will refund a portion for each meter connection for a period of five years. Rural Telephone/Nex-Tech will provide services at no cost. The Norton Lions Club will build a playground for the children who will be living in the new housing development. The development is currently underway.

City of Pittsburg/Crawford County

Award Amount: \$280,000

Numerous employers are expanding and adding jobs in the Pittsburg area, including Pittsburg State University, Via Christi Medical Center, Pitt Plastics, Sugar Creek Packing, Atkinson Industries, Pittsburg Community Schools, Wal-Mart Super Center and the Community Health Center of Southeast Kansas. The top priority for the City in its Vision 2030 strategic plan is housing. Pittsburg requested a \$280,000 grant to make infrastructure improvements that will leverage the construction of ten new single-family homes for sale on city owned land. The grant will also assist the homebuyers with down payment and closing cost assistance or a mortgage buy down. The city will donate the land and assist the homebuyers with additional down payment and closing cost assistance as well as a real estate tax rebate through the Neighborhood Revitalization Program. The development is expected to begin this month.

City of Rexford/Thomas County**Award Amount: \$400,000**

Located in a ROZ county, the City of Rexford is home to McCarty Family Farms, a large dairy that is planning to double in size over the next two years to fulfill a new contract with Dannon Company, Inc. Dannon, which produces approximately 100 different types of flavors, styles and sizes of cultured fresh dairy products, is the top-selling brand of yogurt products worldwide. Due to this exciting new partnership, McCarty Farms expects to hire 100 new employees. The city requested a \$400,000 grant as a gap filler to build five duplexes. The city will donate in-kind labor to build the necessary sewer and water infrastructure to the site. Northwest Kansas Housing, Inc. in Hill City is the developer. The Thomas County Economic Development Alliance will administer the grant. USDA funding has been approved. Construction is expected to begin within two months.

Montgomery County**Award Amount: \$140,000**

VT Hackney, an international company in Montgomery County that makes refrigerated trucks, is expecting to add 75 new jobs, and Cessna plans to add 50 new positions next year. John Deere, Amazon.com, Spear Manufacturing and others have also been adding jobs. Some new hires are living in Oklahoma. In addition, Montgomery County lost over four percent of its housing in the 2007 flood. The county requested a \$140,000 loan to help build a total of 14 single-family homes - six units in Independence, six in Coffeyville and two in Cherryvale. Matching funding is provided by Montgomery County (\$70,000), Independence (\$30,000), Coffeyville (\$30,000), and Cherryvale (\$10,000). The homes to be built are 1,536 square feet with 3 bedrooms, 2 bathrooms and 2 car attached garages. Montgomery County Action Council will administer the loan. The KHRC loan will be repaid from real estate tax revenue. The development is currently underway.

Osage County**Award Amount: \$310,000**

Impacted by economic development in Shawnee County, Osage County has indicated a need for both homeownership and rental housing. Housing stock in the county is old and deteriorating, but the population remains stable, although slightly decreasing. The county requested \$310,000 in the form of a grant and a loan to provide construction financing and assistance to build up to four single-family homes a year for five years. When completed, the houses will be sold and the sale proceeds will be used to build additional homes. Home buyers will be assisted with a \$10,000 soft second mortgage that will lower payments by \$50 a month and reduce the down payment. After five years the county will repay \$110,000 to KHRC with about \$19,240 of construction interest. Houses will be built in several communities, including: Burlingame, Carbondale, Lyndon, Melvern, Olivet, Osage City, Overbrook and Scranton. The Osage County Economic Development Corporation will administer the funds. The development is expected to begin this month.

TOTAL AWARDS: \$2,330,000**CONCLUSION**

For over 20 years, the SHTF has served Kansas families and communities, promoting affordable, quality housing and related services. In the past decade under KHRC's tenure, the SHTF has been the vehicle to respond to ever-changing housing needs. From natural disasters to economic downturns, the SHTF and KHRC have helped rebuild Kansas communities, allowed elderly and disabled persons to stay in their homes, and assisted individuals in obtaining the dream of homeownership. KHRC's corporate structure and the SHTF's broad flexibility allow rapid response to new challenges, as most recently demonstrated by the MIH initiative.

Looking forward, the mechanics of the SHTF and KHRC are in place to serve the State into the future. Addressing the growing need for quality, affordable housing and recognizing its ties to economic development remain at the forefront of KHRC's mission. Anticipated Federal funding cuts for housing programs only exasperate the situation. A dedicated, sustainable funding source for the SHTF is vital to serve Kansas families and communities. KHRC appreciates this opportunity to inform the Legislature and public about these recent successes and looks forward to working with the Legislature, the Administration and our housing partners on meeting the ever-changing needs of housing in the future.