

The Kansas Affordable Housing Tax Credit: Leveraging a New Resource to Meet Development Needs Across the State

Kansas Housing Resources Corporation
Rental Housing: Encouraging New Construction

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Summary

In 2021, Kansas Housing Resources Corporation commissioned the [state's first comprehensive housing needs assessment](#) in almost 30 years. The assessment detailed our need for more housing of all types and price points. In response to the assessment and stakeholder advocacy, in 2022 our state legislature made a historic investment in housing development, including the establishment of a new Affordable Housing Tax Credit. Launching a state tax credit program prompted our team to reassess how we allocate our LIHTC and leverage the Private Activity Bond in new ways.

Identifying the Need

Kansas has just nine communities larger than 50,000 residents, and they make up a collective 44 percent of the state's population. The housing solutions in these communities look different than those in our smaller communities.

The number of cost-burdened households is increasing across the state. More than 40 percent of renters are cost-burdened in 16 percent of our counties.

The HNA identified that the state should be building between 3,900 and 4,800 units annually. This number is for all price points, but paired with the number of households that are below the statewide 60 percent AMI level (38.6 percent = approx. 450,000), there is undeniably a need for a significant number of LIHTC units across the state.

In Kansas, 9% LIHTC is significantly over-subscribed, but our state has never been bond cap-constrained. PAB is an underutilized resource, but without a gap funding resource, new construction 4% LIHTC proposals had largely been impossible.

Resources Available

The new credit is a 100 percent match of the federal 9% and 4% LIHTC. Kansas receives approximately 8.2M in federal LIHTC, and we receive the small-state minimum of approximately 358,000,000 for PABs. Outside of 4% LIHTC projects, the state uses PABs for agriculture and single-family mortgage revenue bonds. We have to balance other uses while recognizing that we are not a bond cap-constrained state. Additionally, there are a limited number of communities that can support a large 4% new construction project.

Innovation

Kansas is in a unique position in that we were able to balance the considerations involved with allocating an exciting new resource, utilizing a recent statewide assessment to determine allocation priorities, and building a new program with staff time and expertise in mind. We learned from our HFA counterparts that had recently built similar programs, listened to our local developers and communities to support their work, and engaged with our service providers to explore how we can better meet the needs of our extremely low-income households.

Replicability

Implementing the new credit involved making simple changes to our QAP.

- Moved from a rolling 4% application period to three hard deadlines. Each round our goal is to approve LIHTC for \$75 Million in PABs. We will be utilizing approximately \$225 Million to \$250 Million of the state’s annual bond authority.
- Increased our minimum percentage of deeper affordable units required from 20 percent to 30 percent and made it a requirement on the 4% proposals. These units must be at or below the Housing Choice Voucher payment standard.
- Added a 1.5 mile for two years radius restriction for new 4% LIHTC projects.
- 4% projects will utilize the selection criteria and scoring of the 9% with a few additional considerations, including developer capacity and best site as determined by staff.

Response to important housing needs

- Our Housing Needs Assessment identified a need for thousands of new units each year across the state. We are on track to approve more than 1,000 new units in 2023 alone.
- Deke Clayborn, Regional Administrator of the HUD Great Plains office, identified a [large number of unused HCV vouchers](#) because landlords won’t accept them. By increasing the number of deeper income targeted units, more units will be at or below the voucher rent limits.
- In our most populous and affluent county, we have lost 680 units to Qualified Contract in the last five years. We have added penalties for those that go through the QC process, and new projects must waive their QC ability, but we need to replace these units. As of this writing, we have approved 224 new construction units in this county in 2023.

Measurable benefits to HFA targeted customers

Prior to 2023, KHRC had three new construction PAB projects in the last four years, totaling 480 affordable units. In the first of three rounds in 2023, we approved 436 new construction units. If this trend continues, we are on track to approve more than 1,000 new affordable units this year alone. With the increased affordability requirements, we will be guaranteeing that 30 percent of these units are affordable to voucher holders--at least 300 new HCV-eligible units.

Proven track record of success

The increased applications alone show our success. Between 2019 and 2022, staff reviewed 14 4% applications. At this writing, we have received 22 4% applications in 2023, and we will have another round in the third quarter.

Benefits outweigh costs

- Our new application timeline allows us to significantly increase development across the state while also recognizing staff capacity. Spreading the selection process between three application rounds allow staff to balance the workload.
- Multiple application rounds force competition. In the first round, KHRC received two PAB applications within one mile of each other. We were able to award the better of the two rather than funding the first one submitted.

Effective use of resources

- By creating application rounds, staff can identify the best project proposals rather than funding on a first-come, first-served basis.

- Multiple rounds also allow applicants to revise and improve unfunded proposals, re-submitting them in later rounds.

Effective partnerships

The Kansas Housing Association, a group of for-profit and nonprofit housing developers and stakeholders, was key in balancing our goals and those of the developer community. We worked closely with state syndicators, particularly Sugar Creek and Advantage Capital. The Kansas Development Finance Agency and Department of Commerce were instrumental in implementing this process, as were our HFA colleagues.

Strategic objectives

When we embarked upon our first statewide housing needs assessment in nearly three decades, our hope was that we could leverage the data revealed to advance state housing policy and secure new resources. Following the study's release, our state's annual housing allocation grew from \$2 Million annually for the past decade, to \$62 Million in 2022. New programs including the state tax credit are already expanding housing opportunities for our state's cost-burdened renters. We've also increased the use of PABs, which we identified as an untapped resource to meet housing needs.

Lessons learned and future considerations

We've already learned valuable lessons, which will shape the future administration of the program.

- *Three rounds are too many.* For the next QAP we will propose reducing the 4% rounds from three to two. Staff time to intake and review the applications is too great for the multiple rounds of \$75 Million in PAB.
- *Rehabilitation is not new construction.* Our goal was to allocate at least 40 percent in both rehabilitation and new construction, but a 100-unit rehabilitation proposal does not utilize as much PAB as a 100-unit new construction proposal. We will continue to find ways to meet the rehabilitation needs we have across the state but use a different way to track that progress.
- *Consider readiness to proceed.* Other states are exploring how to better account for a development's readiness. We will explore ways to ensure developer teams are using the limited PAB resource in a timely and effective way.

Appendix and Visual Aids

KHRC partnered with the state's Office of Rural Prosperity to commission the [2021 statewide Housing Needs Assessment](#), the first comprehensive housing study done in the state in nearly 30 years. The assessment identified a need for more quality, affordable housing to support growth and economic development. This data and advocacy from housing stakeholders set the stage for the Kansas Legislature's historic 2022 investment in affordable housing, including the establishment of the state tax credit.

News Releases and Earned Media:

[State Designates \\$62 million for Affordable Housing Development, May 13, 2022](#)



State designates \$62 million for affordable housing development

Funding to support moderate income, rural housing; create tax incentives for affordable housing developers

Governor Kelly capped off the legislative session by signing two major bipartisan housing bills into law, representing a significant expansion of resources to support statewide housing development. The measures represent a combined \$62 million in new housing resources, as well as initiatives to incentivize housing development.

“We’ve long known that Kansas has a shortage of quality, affordable housing, but the COVID pandemic turned our state’s housing problem into a crisis,” said Ryan Vincent, KHRC’s Executive Director. “Our [2021 statewide housing needs assessment](#)—the first undertaken in nearly 30 years—illustrated the need for more quality, affordable housing in all regions of the state. We are grateful to state leaders, housing partners, and advocates for prioritizing this historic investment to make that housing a reality.”

The measures include a suite of provisions to expand current housing development initiatives and establish new resources:

- House Sub. For Sub. For [SB267](#), signed April 20, 2022:
 - Designates an additional \$20 million for the 2022 fiscal year from the State General Fund for KHRC's [Moderate Income Housing \(MIH\) program](#), to be awarded to cities and counties to develop multi-family rental units and single-family for-purchase homes in communities with populations less than 60,000. Previously, the MIH program had been funded at a rate of \$2 million annually since its inception in 2012.
 - Designates \$20 million from the State General Fund for fiscal year 2023 to the State Housing Trust Fund to establish a Rural Housing Revolving Loan Program to provide loans or grants to rural communities for moderate- and low-income housing development or related infrastructure.
 - Provides \$20 million in ARPA funds for the state's [MIH program](#), to be awarded to cities and counties to develop multi-family rental units and single-family for-purchase homes in communities with populations less than 60,000.
- [HB2237](#), signed May 5, 2022:
 - Provides \$13 million annually to establish a Housing Investor Credit for qualified investors who make cash investments in qualified housing developments in counties ranging from 8,000 – 75,000 residents (SB375).
 - Establishes the Kansas Affordable Housing Tax Credit Act, a state tax credit offered in addition to the federal Low Income Housing Tax Credit, to incentivize affordable housing development (SB369).
 - Establishes the Kansas Rural Home Loan Guarantee Act allowing KHRC to provide loan guarantees to help address the difference between the cost of construction and the appraised value of single-family homes in counties with populations of less than 10,000.

Kansas Housing hosted a series of regional meetings and webinars in April and May to share information about the new resources and solicit feedback on proposed plans. An additional [public webinar](#) is scheduled on **Thursday, May 19 from 11 – 12:30**. Attendees will learn about existing housing development programs and new initiatives, as well as proposed rules, processes, and timelines for awarding funds. Participants must [register online](#) to attend. Public feedback is welcome and may be sent to housingdevelopment@kshousingcorp.org.

[REGISTER NOW](#)

###

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 (HFA), administering essential housing and community programs to serve Kansans.

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[Kansas Housing awards the first State Affordable Housing Tax Credits, March 20, 2023](#)



Kansas Housing awards the first State Affordable Housing Tax Credits

The first [Kansas Affordable Housing Tax Credits](#) have been awarded to four 4% Low Income Housing Tax Credit (LIHTC) and Private Activity Bond (PAB) projects. In January, Kansas Housing received **11** applications equating to over **\$250 million** in Private Activity Bonds for the first of three application rounds. Of the four applications awarded, the approved LIHTCs and PABs will build **436** new units and rehabilitate **181** affordable units.

The Kansas Affordable Housing Tax Credit was enacted by HB2237 in 2022. All 4% and 9% LIHTC projects awarded in 2023 will receive Kansas Affordable Housing Tax Credits in addition to the federal LIHTCs as an equal match. With the additional funding provided by the state credit, Kansas Housing saw an increase in 4% LIHTC applications, particularly in the new construction set-aside.

Kansas Housing will host two more 4% LIHTC and PAB application rounds for 2023. Each round will have approximately **\$75 million** in bond capacity to award. The deadlines for rounds two and three are:

Round Two: April 14, 2023
Round Three: July 14, 2023

For more information on how federal and state LIHTCs are allocated, please reference our [Qualified Allocation Plan](#).

The updated 4% LIHTC and PAB project list is available [online](#).

Kansas Housing administers the state's housing development programs and oversees the competitive application process.

###

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KANSAS HOUSING

PRIVATE ACTIVITY BOND ALLOCATION LIST

2023 ALLOCATIONS

Canyon Creek East

East of Canyon Creek Blvd., North of K-10, West of K-7, and South of 9882 Belmont Dr.
Lenexa, KS 66227

MRE Capital, LLC

Type: New Construction
Target Population: General
Total Units: 224
Awarded: 03/17/2023

City Hall Place

805 N. 6th Street
Kansas City, KS 66101

Eagle Point Development-Series 2, LLC

Type: New Construction/Rehabilitation
Target Population: General
Total Units: 104
Awarded: 03/17/2023

Oakdale Senior Village

623 Johnstown Avenue and 125 S. Oakdale Avenue
Salina, KS 67401

Overland Property Group, LLC

Type: Rehabilitation
Target Population: General
Total Units: 137
Awarded: 03/17/2023

Residences at Victory Hills

745 N. 78th Street
Kansas City, KS 66112

TWG Victory Hills GP, LLC

Type: New Construction
Target Population: General
Total Units: 152
Awarded: 03/17/2023

2022 ALLOCATIONS

Almond Tree Apartments

339 North Country Acres
Wichita, KS 67212

Steele Almond Tree, LP
6875 East Evans Avenue
Denver, CO 80224

Type: Acquisition/Rehabilitation
Target Population: Seniors
Number of Units: 50
Awarded: 05/16/2022

2021 ALLOCATIONS

Greenway Park

404 West Pawnee Street
Wichita, KS 67213

Steele Greenway, LLC
6875 East Evans Avenue
Denver, CO 80224

Type: Acquisition/Rehabilitation
Target Population: Seniors
Number of Units: 91
Awarded: 06/7/2021

Hedge Lane Apartments 7405 Hedge Lane Shawnee, KS 66227	Hedge Land Developers, LP 1125 Grand Blvd, Suite 202 Kansas City, MO 64106	Type: New Construction Target Population: Family Number of Units: 144 Awarded: 9/15/2021
Salina RAD Homes 469 South 5 th Street Salina, KS 67401	Salina RAD Homes, LP 1910 Farmerville Hwy Ruston, LA 71270	Type: Acquisition/Rehabilitation Target Population: Family Number of Units: 119 Awarded: 11/09/2021
Santa Fe Trail Apartments 308 Dakota Leavenworth, KS 66048	Santa Fe Developers, LLC 12220 State Line Road Leawood, KS 66209	Type: Acquisition/Rehabilitation Target Population: Family Number of Units: 48 Awarded: 10/31/2021

2020 ALLOCATIONS

Shadyway Plaza Tower 1421 North Spruce Avenue Wichita, KS 67214	Steele Properties III LLC 6875 East Evans Avenue Denver, CO 80224	Type: Acquisition/Rehabilitation Target Population: Family Number of Units: 100 Awarded: 02/12/2020
Silver City Apartments* 2208A Birch Drive Kansas City, KS 66106	Skyline, LLC & ND Consulting Group, LLC 7000 Orkney Parkway, Suite 100 Bethesda, MD 20817	Type: Acquisition/Rehabilitation Target Population: Family Number of Units: 160 Awarded: 07/24/2020
Somerset Plaza Tower 2395 Somerset Street Wichita, KS 67204	Steele Properties IV LLC 6875 East Evans Avenue Denver, CO 80224	Type: Acquisition/Rehabilitation Target Population: Family Number of Units: 100 Awarded: 06/19/2020
Sunrise Tower 15 North 10 th Street Kansas City, KS 66102	Steele Properties IV LLC 6875 East Evans Avenue Denver, CO 80224	Type: Acquisition/Rehabilitation Target Population: Family Number of Units: 193 Awarded: 02/19/2021
Union at the Loop NEC of Michigan Street & KS Hwy 10 Lawrence, KS 66046	Union Development Holdings, LLC 409 Massachusetts Avenue, Suite 300 Indianapolis, IN 46204	Type: New Construction Target Population: Family Number of Units: 248 Awarded: 07/28/2021

* National Housing Trust Fund or HOME recipient

Updated 03/17/2023