

**Establishing a Rural Housing Incentive District
Based on a City or County Housing Needs Analysis**

**Guide for the Certification of Findings and Determinations
by the Secretary of the Department of Commerce ,**

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The Legislation

In the 1998 session, the Kansas Legislature passed, and the Governor signed into law, House Bill No. 2590, the Kansas Rural Housing Incentive District Act. The act encourages housing development in rural cities and counties, where housing shortages exist, by authorizing tax increment financing for public improvements in support of housing development.

A rural city is defined as having a population of less than 40,000 in a county of less than 60,000. A rural county is defined as having a population of less than 40,000.

Before utilizing this incentive, the governing body of the city or county must conduct a housing needs analysis. The Secretary of the Department of Commerce must certify that the findings and determinations of the housing needs analysis justify the use of this incentive. (See K.S.A. 12-5241 – 12-5251. Note Chapter 12-5244.)

The following guidance is offered regarding the findings and determinations necessary to establish a rural housing incentive district.

Shortage of Quality Housing

The governing body of the city or county must find and determine, and the Secretary of the Department of Commerce must agree, that **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.**

Quality housing may be established under either or both of the following definitions:

1. Housing units pass inspection under the Section 8 Housing Quality Standards (HQS) of the U.S. Department of Housing and Urban Development, as determined by State certified local housing inspectors.
2. Households do not have housing problems as determined by the U. S. Census Bureau. Housing problems of households include:
 - (a) Occupying units with physical defects, i.e., lacking complete kitchen or bathroom;
 - (b) Occupying overcrowded units, i.e., more than one person per room; and
 - (c) Carrying a cost burden greater than 30%, i.e., housing costs, including utilities, exceed 30% of gross income.

Housing price ranges may be those established by the U.S. Census Bureau for the categories of value of owner-occupied units and the categories of gross rent for renter-occupied units. As an alternative, housing price ranges may be locally established for the categories of current selling prices of owner-occupied units and the categories of current contract rents for rental units.

One or more of the following housing market indicators may be used for the determination of housing shortages.

OWNER-OCCUPIED HOUSING

Housing Supply / Demand	Housing Shortage Indicator
Vacancy rate	Low (1.5 % of stock or less)
Overcrowding	High (6 % of stock or more)
Size match	Count of large households (6 or more persons) exceeds count of large units (4 or more bedrooms)
Complete plumbing	Low (96 % of stock or less)
New units (1 year old or less)	Low (1.5% of stock or less)
Old units (50 years old or more)	High (40 % of stock or more)
Price: income match	Count of households in income category exceeds count of units in price category (units not to exceed 30 % of gross income)

RENTAL HOUSING

Housing Supply / Demand	Housing Shortage Indicator
Vacancy rate	Low (7.5 % of stock or less)
Size match	Count of large households (6 or more persons) exceeds count of large units (4 or more bedrooms)
Complete plumbing	Low (95 % of stock or less)
New units (1 year old or less)	Low (1.0 % of stock or less)
Old units (50 years old or more)	High (40 % of stock or more)
Rent: income match	Count of households in income category exceeds count of units in rent category (units not to exceed 30 % of gross income)

U. S. Census data may be used to establish the above indicators of housing shortages. As an alternative, current housing market information may be collected and used for this purpose.

Beyond the present, five year projections of population, housing supply, and housing demand may be used to anticipate future market conditions. Also, changing housing needs - trends toward an aging population, smaller households, etc. - may alter the housing market of the future.

In the past, the best efforts of public and private housing developers may be documented by the difficulty of the city or county in attracting new businesses and / or the difficulty of investors and lenders in financing new construction or renovation of housing.

Persistence of Housing Shortage

The governing body of the city or county must find and determine, and the Secretary of the Department of Commerce must agree, that **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.**

The persistence of a shortage in quality housing may be indicated by relatively low development activity in the housing market. One or more of the following factors may demonstrate low housing development activity:

1. The formula of new housing units constructed, minus existing housing units demolished, results in a low net gain (or loss) of residential units.
2. Existing housing units, suitable for rehabilitation, are present, but little or no rehabilitation activity is occurring.
3. Residential land is available. However, buildable lots or subdivisions have few or no new housing units in the pipeline, i.e., units planned or approved, but without building permits.

The necessity of additional financial incentives for the private sector may be documented by the current shortage of quality housing, the past (best) efforts of housing developers, and/or pro formas showing future housing projects are not financially feasible.

Deterrent to Economic Growth

The governing body of the city or county must find and determine, and the Secretary of the Department of Commerce must agree, that **the shortage of quality housing is a substantial deterrent to the future economic growth and development of such city or county.**

Economic growth is an increase in the city or county of number of jobs, per capita or median income, employment rate, sales levels, etc. Economic development is the formation of a public / private partnership between local government and community based organizations to improve the local economy. The partners cooperate to pursue effective strategies of linking public and private investment, supporting the local economy in the regional, national, and global economies.

Economic growth and development produce employment and income gains, population and household gains. An ongoing shortage of quality housing will not accommodate the corresponding increase in volume and / or level of housing demand. If persuasive, the preceding documentation, ipso facto, will attest that the shortage of quality housing is a substantial deterrent to future economic growth and development.

City or County Incentives

The governing body of the city or county must find and determine, and the Secretary of the Department of Commerce must agree, that **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.**

Economic well-being is the ability of the city or county to achieve, and sustain, a favorable rate of economic growth. Therefore, the city or county must provide attractive business, education, recreation, and other opportunities. Economic growth brings employment growth. Quality housing attracts employees and fulfills their needs.

If persuasive, the preceding documentation, ipso facto, will attest that 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.

As a word of caution, a rural housing incentive district, by itself, will not generate economic well-being. Community leadership and non-housing resources, also, will be needed.