

SECTION 5 - HOUSING PROGRAM PLAN

INTRODUCTION

The final component of this Housing Study, for the City of Manhattan, Kansas, is a **housing program plan**, consisting of information useful to developing new, modern and appropriate housing stock in the community. Included is *a housing finance profile and five-year housing action plan for Manhattan*.

HOUSING FINANCE PROFILE

To produce new and upgrade existing renter and owner occupied housing in Manhattan, a public/private partnership must occur to access affordable housing programs to reduce the cost of development and/or long-term operations. The following information identifies various funding sources, programs and strategies available to assist in financing future housing activities in Manhattan, Kansas. The (strategic) combination of two or more sources can assist in reducing development and/or operational costs of proposed affordable housing projects.

Local Funding Options

Local funding for use in housing development and improvement programs are limited to two primary sources: (1) local tax base and (2) dollars secured via state and federal grant and loan programs, which are typically, only available to local units of government (village, city or county).

Local tax base

Tax Increment Financing (TIF) - The City of Manhattan currently administers two TIF districts. The City should consider partnering with the private sector to create other TIF districts in areas of greatest housing development and rehabilitation need.

Statewide federal grants to the local unit of government

The primary funding grants available to local municipalities is the Community Development Block Grant (CDBG), administered by the Kansas Department of Commerce and Housing. The CDBG provides funding for both community development and housing development programs to assist in financing both owner and renter occupied rehabilitation.

Other local options

Neighborhood Revitalization Program - The neighborhood revitalization program utilized by Kansas communities is a result of the Neighborhood Revitalization Act, established in 1994. A revitalization area means an area in which there is a predominance of buildings that are detrimental to the health, safety and welfare by reason of:

- < *dilapidation;*
- < *deterioration;*
- < *obsolescence;*
- < *inadequate provision of ventilation of light, air, sanitation, or open spaces;*
- < *high density of population and overcrowding;*
- < *the existence of conditions which endanger life or property by fire;*
- < *other factors that are conducive to ill health, transmission of disease, infant mortality, juvenile delinquency or crime; or*
- < *an area in which there is a predominance of buildings or improvements which by reason of age, history, architecture, or significance should be preserved or restored to productive use.*

The program provides a tax rebate for new construction and rehabilitation of housing and commercial properties in a revitalization area. Qualified improvements include new construction, rehabilitation and additions. The rebate only applies to the additional taxes resulting from the increased value of the property due to the improvement. Tax rebates are for 10 years.

Local Major Employers and/or Community Foundation Assistance - This is a common occurrence today within many cities and counties nationwide, in an effort to provide housing opportunities to low- and moderate-income persons and families. Major local employers and community foundations are becoming directly involved in housing developments and improvements. These major employers could provide the following:

- a) **Direct grants.**
- b) **Low interest loans.**
- c) **Letter of Credit**, for all or a percentage of loans to persons with disabilities.
- d) **GAP Financing** - provides financing to cover the unfunded portion of development costs, as a deferred or less than market rate loan to the developer.
- e) **Mortgage Interest Rate Subsidy** - provides a buy down of a conventional loan.
- f) **Purchase Bonds/Tax Credits** - make a commitment to purchase either/both taxable/tax exempt bonds and/or low-income tax credits utilized to finance housing development.

Local Lending Pool - Manhattan lending institutions could participate in and set-aside a pool of monies to assist in financing new construction or rehabilitation housing activities. The "pooling" of funds for either construction or permanent loans would increase local financing capacity as well as place lenders in a shared-risk position.

The previously described local funding options could be used separately or "pooled" together and utilized in equal proportions for the implementation of Manhattan housing programs.

Other funding initiatives

The City of Manhattan should consider the creation of a **housing trust fund**, created with local resources, to assist in funding needed housing programs. Local resources might include, but not be limited to, a tax, corporate donations and private foundation dollars.

The community of Manhattan financial leadership should create a private **reinvestment fund** to assist in funding financially difficult housing activities, associated with new and existing housing programs.

State programs

State programs available to assist in funding a housing initiative include resources available from the **Kansas Department of Commerce and Housing**. The Kansas Department of Commerce and Housing has produced a Housing Resources handbook that outlines all of the programs for housing. The following describes some of the funding programs provided by the Kansas Department of Commerce and Housing.

The **First Time Homebuyers Downpayment Assistance Program** provides funds to assist qualified buyers with the purchase of their first home. The assistance is to be used for downpayments, closing costs, and legal fees associated with a purchase. The potential homeowner must meet income guidelines and be a first time homebuyer.

Assistance to homeowners with repairing and rehabilitating the property that they own is available through the **Homeowner Rehabilitation of Existing Property** program. Priority is given to elderly homeowners and families with school age children. Units rehabilitated with Homeowner Rehabilitation funds must be owned and occupied by income - eligible occupants.

The **Low Income Housing Tax Credit** is a feature of the 1986 Tax Reform Act. The credit is designed to stimulate private investment into the development of affordable rental housing. The State is in the process of creating an **equity fund** to assist in purchasing tax credits.

The **Community Housing Development Organizations (CHDO)** program assists non-profit developers with increasing the supply of rental housing. Non-profit organizations may apply for a loan in an amount of up to \$300,000. The loan may be used to acquire, rehabilitate, or newly construct rental housing. ***The community of Manhattan needs to create its own CHDO.***

Low-Income Weatherization Assistance Program - Federally funded program assists people with low incomes by making energy improvements to their homes. This program is administered by local community action agencies.

The weatherization program concentrates on those energy improvements which have the greatest impact on making recipients' homes more energy efficient, thereby lowering their energy consumption. The program is to provide housing improvements that increase energy efficiency in income-eligible single or multifamily dwellings or mobile homes.

Federal Funding

The primary provider of federal funding to Kansas for housing development, both new construction and rehabilitation, is HUD. Housing programs provided by HUD groups are typically available for local base nonprofit developers. Funds from these programs are commonly mixed or pooled with other public funding sources, as well as conventional financing.

- a) **Section 202 Program** - Provides a capital advance to nonprofit developers for development of elderly rental housing for either independent living or congregate (frail elderly) living. The program provides 100 percent financing, with a capital advance (no repayment loan) and operational subsidy.
- b) **Section 811 Program** - Provides a capital advance to nonprofit developers for development of renter housing **for persons with disabilities**. The program provides 100 percent financing with an operational subsidy; and.
- c) **Mortgage Insurance** - The HUD 221(d)(3) provides up to 100 percent mortgage insurance for nonprofit developers and 90 percent mortgage insurance coverage for profit-motivated developers 221(d)(4). Permanent financing can be provided via the public funds (i.e., CDBG, HOME) and/or conventional financing.
- d) **Section 8 Program** - The HUD Section 8 program is for rental assistance to income eligible tenants. The Manhattan Public Housing Authority administers the Section 8 program for Manhattan.

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Financial "Partnerships"

Financial partnerships, or "pooling," of funding sources is defined as the mixing of two or more program resources to obtain a total operating fund capable of meeting a specific housing program budget. Previously described were local, state and federal funding sources, all suitable to meet the safe, affordable and accessible housing needs of low/moderate income persons and families. Each of these funding sources have "rules" of allocation, as it relates to the use of dollars for housing development and recipient qualifications. The mixing of funds results in the mixing of rules, thus more time attributed to administration.

The majority of funding sources discussed are only available to nonprofit organizations, typically local, community based groups having a well-defined mission statement and plan for housing low/moderate income persons. These organizations are typically of a 501(c)(3) tax-exempt status.

The securement and eventual "pooling" of public funding sources is enhanced by the use of private, conventional financing. This informs public providers that a good faith effort is being made by an organization to create a **workable public/private partnership**. This partnership not only creates a greater amount of dollars for a specific housing program but relays a message to the community that the private sector is in support of the program.

The following **Five-Year Action Plan** identifies the most critical housing activities to be addressed by the community of Manhattan by 2005. These activities are not prioritized based on need, and should be selected for implementation by those groups most appropriate.