

ADVANTAGE

CAPITAL

TO: House Committee on Taxation
FROM: Alex Johnson, Advantage Capital
DATE: March 16, 2022
RE: Senate Bill 282 Proponent Testimony

Chairman Smith and members of the Committee.

My name is Alex Johnson and I am testifying in support of Senate Bill 282 on behalf of Advantage Capital.

The Challenge

As you are aware, there are several components to this bill. However, I'd like to talk with you about SB 282's ability to address affordable housing, a problem that I've worked on across the country. Affordable housing is an issue that has risen to the forefront here and in other states recently. In fact, Kansas is currently surrounded by states that have programs similar to what we are supporting here today.

As many of you have seen through the news, the costs of new housing has exploded recently with lumber, carpet and other building materials escalating because of inflation and supply chain issues. The net result of that is less housing is being built because of these high costs.

In 1986 Ronald Reagan created the federal Low Income Housing Tax Credit program, pursuant to which each state is given authority to allocate federal tax credits to developers of housing to subsidize the construction of more housing to meet this need, but the federal program has not kept pace with the need for affordable housing in the states. As I mentioned, many states around Kansas including Missouri, Colorado, Nebraska and Oklahoma as well as other states including Arizona, South Carolina and Georgia have created a state program to help supplement the federal program.

How does the program work?

Senate Bill 282, among other things, creates a state Housing Tax Credit program.

What this really does is supercharge and supplement a program you already have in place. The good news is both the public and private infrastructure already exists. You have the Kansas Housing Resource Commission to administer the program and private developers and investors already in place. You don't even need to add a full time employee.

Developers apply, they are scored on objective measures, receive credits, raise money, build and then find occupants. The credits don't kick in until the units are occupied and are only paid if the units remain compliant with programmatic rules.

Units are mixed income. We blend the affordable with market rate.

Benefits

Stable housing has multiple benefits – stable families, better healthcare, better educational outcomes and it keeps Kansans in Kansas.

Of those in need who stand to benefit from this program -

- 38% are in the labor force and just not making enough to afford for stable housing
- 25% are for the disabled
- 25% are for seniors on a fixed income

State housing tax credits also serve as a powerful economic stimulus. An NAHB study based on these considerations estimates that the first-year economic impacts of building 100 apartments in a typical housing tax credit development include:

- \$8.7 million in income (wages for local workers and profits for proprietors, small businesses, and corporations)
- \$3.3 million in taxes for federal, state and local governments
- 116 jobs, about half of which are in the construction sector.

In Conclusion

Kansas has a shortage of high quality, affordable housing. Leveraging existing programs that are proven to work, Senate Bill 282 provides a powerful solution to this challenge facing Kansas. We appreciate your consideration of this important legislation.