

SESSION OF 2023

SUPPLEMENTAL NOTE ON SENATE BILL NO. 34

As Recommended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 34 would expand the Kansas Rural Housing Incentive District Act (Act) to allow for certain housing projects in cities with a population of 60,000 or more.

Cities establishing a Rural Housing Incentive District (RHID) would not be able to, within the district:

- Designate more than 100 units as for-sale units in one year;
- Designate more than 100 units as for-rent units in one year;
- Designate more than 50 units associated with a single project as for-sale units within one year; or
- Designate more than 50 units associated with a single project as for-rent units within one year.

For-sale units not sold within six months after the certificate of occupancy is granted would be eligible to be redesignated as for-rent units. The bill also indicates that the governing body would be able to designate for-sale and for-rent units for succeeding years as part of a proposed multi-phased, multi-year development plan.

The bill would require the average size of each residence constructed within an RHID to be no larger than

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

1,650 square feet, excluding any garage or other exterior area, such as a porch, patio, or unattached storage building.

The bill would also expand the list of costs that may be paid for by proceeds of special obligations bonds, adding renovation or construction of residential dwellings, multi-family units or buildings or other structures exclusively for residential use located on existing lots if either:

- The infrastructure, including streets, sewer, water, and utilities, has been in existence for at least ten years; or
- The lots on which the residential units are located have been subject to an improvement district tax assessment because the land is located in an improvement district already established by a city or county.

Background

The bill was introduced in the Senate Committee on Financial Institutions and Insurance at the request of Senator Olson.

Senate Committee on Financial Institutions and Insurance

In the Senate Committee hearing, **proponent** testimony was provided by Senator Olson; representatives of Heartland Housing Partners, the League of Kansas Municipalities, and the Kansas Association of Realtors; and a representative of Kansas Corn Growers Association, Kansas Farm Bureau, Northwest Kansas Economic Innovation Center, and Sunflower Electric Power Corporation. Proponents generally stated the bill would help address ongoing shortages of affordable housing, and this bill would provide another tool for cities to as they look for housing solutions.

Written-only proponent testimony was provided by representatives of The Chamber of Lawrence, Kansas; the city of Lawrence, Kansas; the city of Overland Park, Kansas; Haag Development Company; Kansas Bankers Association; Kansas Department of Commerce; Kansas Manufactured Housing Association; METL (Manhattan, Emporia, Topeka, and Lawrence Chambers of Commerce); Overland Park Chamber of Commerce; Sugar Creek Capital; and United Community Services of Johnson County, Inc.

No other testimony was provided.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, the Kansas Development Finance Authority indicates the bill could reduce state tax revenues as the tax increment revenues would be pledged to pay debt service on bonds. The agency also indicates local governments could experience an increase in debt liabilities.

The Kansas Department of Revenue indicates because revenues under the bill would come from future real property developments, the agency is unable to estimate what the fiscal effect would be.

The League of Kansas Municipalities indicates the bill could increase revenue to the cities because of the increased property taxes and sales taxes from the constructions and renovations of property proposed by the bill.

The Kansas Department of Commerce and the Kansas Association of Counties indicate the bill would not have a fiscal effect. Any fiscal effect associated with the bill is not reflected in *The FY 2024 Governor's Budget Report*.

Housing; residential housing; Kansas Rural Housing Incentive District