

There is a significant gap between households earning less than 30% of the median household income and availability of affordable non-standard housing stock. Public Housing, Section 8 and the private market all provide options, but there is unmet demand. Current programs are leveraged to build, renovate, and repair housing units, but only an equivalent of 1% are built, renovated, or repaired each year.

## **Background**

According to the 2006-2010 Comprehensive Housing Strategy data, there are 19,140 households with incomes less than 30% of area median family income; and 83% of those households face housing stress, which is defined as a housing cost burden of greater than 30% of household income. Furthermore, 84% of low income households face at least one housing problem, which is defined by HUD as incomplete kitchen facilities, incomplete plumbing facilities, more than one person per room, and cost burden greater than 30%. Nine percent of low income households face all four housing problems.

Factors that contribute to this gap include poor housing conditions and low property standards in the sub-prime rental market for renters with poor credit and rental histories. Of a total 166,470 housing units, 46,117 (28%) have one or more sub-standard housing conditions according to the 2006-2010 US Census American Community Survey data. Of those sub-standard units, 20,017 (21%) are owner occupied and 26,100 (47%) are renter occupied. Poor job market conditions and low incomes also contribute to housing stress and limit housing choices.

To address housing affordability, the City of Wichita administers two federally-funded rental programs in which tenants pay monthly rent equal to no more than 30% of their adjusted gross monthly household income. Public Housing is provided through a combination of apartments and single family homes located throughout the community. There are 578 units, of which 532 (92%) are occupied; there is a waiting list of 1,100 households. Of those units, 226 high rise and garden units are for seniors and persons with Social Security-recognized disabilities. Section 8 provides vouchers for eligible families to use to rent privately owned rental housing in Wichita; there are 2,648 vouchers, of which 2,462 (93%) are in use; there is a waiting list of 2,675 households as of March 31, 2014.

There are other strategies in place to address the issue of affordable housing. The Housing and Community Services Department leverages federal funding to fully renovate or build low-to-moderate income housing. Since 2009, 121 owner-occupied units and 208 renter occupied units have been completed with public assistance, for a total of 329 units. The home improvement program provided assistance for repairs for 1,466 low income or low-to-moderate income housing units from 2009-2013. Housing tax credits financed 218 units during this period, of which 50 were for seniors. During this period, a total of 2,013 housing units were built, fully renovated, or repaired, amounting to 403 units per year. Compared to the total inventory of sub-standard units, this represents 4.4% of the total.

An alternate approach employed is to provide down-payment and closing costs assistance to low-to-moderate income households to purchase homes. Since 2009, 178 households have participated in this program.

## **Short-Term Priorities**

There are three short-term options which could be implemented with less start-up time, and therefore have a greater impact on the current need for affordable housing. These three programs are: expanding the rental assistance program, implementing a rental registration program, and expanding the home repair program.

The top short-term priority is to use local funds to expand the rental assistance (Section 8) program.

The second short-term priority is to implement a rental registration program as an additional approach to ensure safe and sanitary housing in Wichita. Furthermore, if the rental assistance program is expanded, the additional holders of vouchers will need to have safe housing options. There are a variety of options for a rental registration program, such as a phased implementation starting with large multi-unit sites in the first year and finishing implementation of the program with scattered units. Re-registration could occur annually if a property had re-inspections the prior year, or less often if a property passed the previous year without exceptions.

The third short-term priority is to expand the home repair program in order to have existing units repaired, rather than the alternative, which is condemnation of sub-standard units, further exacerbating the demand for affordable housing.

## **Long-Term Priorities**

The remaining four priorities will require more planning and preparation to implement. These priorities are components of a long-term strategy for affordable housing in Wichita.

The top long-term priority is to establish a freestanding housing trust fund and renewal agency that would be partially funded by the City of Wichita, but would have its own governance structure. The organization could perform a variety of functions that are not currently provided by the City of Wichita Housing and Community Services Department. The housing trust fund component of the agency could address housing for special needs populations, new housing construction for rental or homeownership, and home repair and energy efficiency improvements. It could be used as a pool to purchase and redevelop housing that is in foreclosure or distressed status. The renewal agency component is allowed by Kansas law under Chapter 17, Article 47. Under the law, if a city has an urban renewal plan, blighted areas can be acquired to improve conditions, eliminate blight, and raise property values.

The second long-term priority would be partnering with a new community development corporation. This would be in addition to a housing trust fund and renewal agency, or as a complement to that organization. The City of Wichita could encourage stakeholders to start a community development corporation, for which the City of Wichita would be a funding partner. The City Vision KCK initiative is an example of this approach. It has targeted four particular neighborhoods, renovating commercial properties and building or renovating homes. In the Strawberry Hill neighborhood, City Vision KCK redeveloped an eight block area, which involved blight removal, new home construction, and renovation of commercial buildings. As a non-profit agency, community development corporations have access to different resources

than local governments, such as funding partners and lending partners. In the case of City Vision KCK, the Unified Government of Wyandotte County/Kansas City, KS is a funding partner.

The third long-term priority would be an Adult Build or Youth Build program to provide labor for these projects while training individuals in construction skills. This program would pair with self-sufficiency models for low-income individuals. The idea is similar to Habitat for Humanity's sweat equity requirements. However, instead of people working on just one house, they earn more skills in the program until they are able to secure employment with a for-profit construction company.

The fourth long-term priority is to expand the public housing program. Experience with managing HUD public housing units suggests that this effort would require extensive funding and would be tightly regulated by HUD. Local funding would be required to acquire or construct housing, and most likely HUD would direct that such housing be scattered throughout Wichita, resulting in possible battles for siting. Assuming the sites would be primarily single-family, the maintenance costs would be considerably higher than in multi-family units. Additionally, there would be a need for staff to certify eligibility and process payments.

An alternative approach would be to establish a public housing program separate and distinct from the HUD model. This would eliminate some of the HUD oversight and regulatory requirements, but would not reduce other costs.

### **Funding Gap Summary**

There is clearly a funding gap between current programs (which are mostly federally funded) and affordable housing needs. In response to the Strategic Planning process, a more detailed white paper is being prepared by Housing and Community Services, which will be completed this fall. This report will provide more detailed and specific recommendations to address affordable housing issues. Preliminary observations are included below.

Even if the City of Wichita were to employ no new strategies or add no new programs, there is a funding gap for affordable housing, as federal funding for housing programs declines. Because of decreases in federal funding, there have been challenges administering the Section 8 and Public Housing programs at 100% capacity. The response to decreased funding has been position vacancies, which is unsustainable in the long run, as maintenance of housing units declines. Local funding for vacant positions would result in faster applicant processing, Section 8 rental inspections, and public housing make-readies and better ongoing maintenance. All of these actions would improve program outcomes and allow the programs to operate at capacity. Until the existing programs reach capacity, it would be unadvisable to add public housing units or rental vouchers. It is estimated that \$400,000 annually would offset deficiencies in federal administrative funding to allow these programs to reach capacity.

When Section 8 and Public Housing programs are operating at capacity, an evaluation of adding rental vouchers should occur. Adding Section 8 vouchers has administrative start-up costs, which are increasing. Staff work includes verification of all information the applicants provide as well as background checks. These reviews are performed by third parties and are provided at a cost to the program. If the

tenant is not approved following the time and money spent on these verifications, the Section 8 program is not reimbursed for those costs. There are 2,675 households on the waiting list; if the program were expanded to provide all households on the waiting list with rental vouchers, the annual City of Wichita net cost for additional vouchers would be \$13.6 million per year after tenants pay their share of rental costs, plus \$1.7 million for administering the program.

The rental registration program would have significant staffing needs to administer the program and inspect units. However, depending on the model, it could result in 100% direct cost recovery with modest annual inspection fees. There would be significant administrative challenges to initiate the program, from ordinance development to program implementation. The program would likely have a net loss in the first year as staff begin the program without a full year of revenue. A broad-based program with an estimated 58,022 rental units would require at least ten inspectors and could cost recover with an annual per unit registration fee of \$20 and a re-inspection fee of \$10 for each non-compliant unit. Alternatively, a complaint-driven program could focus on units with active housing cases or tenant complaints, but the cost per registration would be higher since the program would have less participation. Total program costs would be around \$1 million annually.

To reduce the number of sub-standard housing units, the existing home repair program could be expanded to include assistance to landlords with a larger pool of funding. As the current program is administered, the cost per repair or renovation has an average cost of \$2,500. Most of the expenditures are for major repairs, like water heaters, roofs, or sewer lines. The cost for a major renovation would be much higher. Expansion of the program would require additional funds of approximately \$150,000 for program administration staffing. If the program were tripled, potentially 1,100 additional units could be repaired per year. The administrative and program costs would be \$1.65 million per year; the size and scope of the program could be adjusted. An unknown factor is the property owner's willingness to participate in the program.

Funding to implement the housing trust fund and renewal authority concept would depend on the program scope. Those factors include: the number of properties purchased (and the price); housing units built or renovated; whether the units are single-family, two-family, or apartments; and the availability of outside funding from the private sector, tenants or buyers, or federal grants. Administrative costs for five to six agency employees would be approximately \$500,000 per year. Additional ongoing funding would be required to purchase properties and implement programs. A funding source for administration and programming has not been identified.

Providing partnership funding to community development agencies is scalable. However, for the agencies to be sustainable during the start-up years, more than nominal funding would be required.

A Youth Build and/or Adult Build program would cost around \$700,000 per year. It is possible that revenue might be available from the sale of housing units that the program built, but that would be unknown until the program were underway. Program costs would be offset by the proceeds from the sale of the housing, or from grants, private funds, or agency funding for the renovation, repair, or housing build. This program has been successful in other communities, such as Milwaukee.

To expand public housing units there would be an initial high capital cost to acquire, construct or renovate units. Tenant rents would offset some of the operational costs. Although the program is designed to house low income tenants, that revenue source alone is not sufficient to cover operations. HUD subsidies have also proven to be insufficient to totally fund an optimal operational structure for these units. Annually, there would be operating costs, which would be partially offset by tenant rent, with a net cost to the City of about \$10,000 per unit. If the waiting list of 1,100 households were placed in public housing, the annual net cost would be \$11 million per year.

Targeting these public housing strategies toward the population for whom housing insecurity is most acute—special populations such as homeless individuals, homeless youth, and victims of domestic violence—further exacerbates the operational funding gap. Adding permanent, supportive housing for special populations similar to the current Housing First program could be accomplished through scattered rental units or by units owned by the Public Housing Authority; however, there is relatively high administrative overhead for management of such units since they require frequent monitoring and service follow-up.