

# 20 Year Special Assessments



City Manager's Office  
Development Services

June 7, 2022



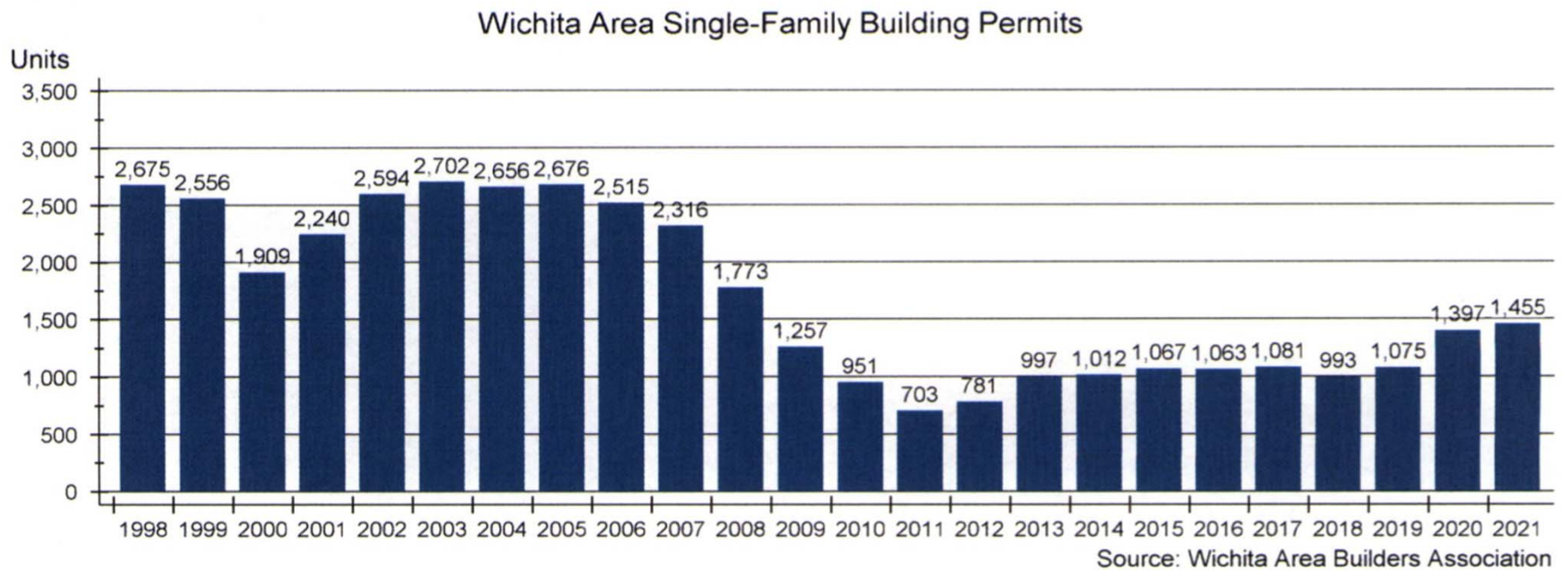
# Background



- Challenges of the current housing market:
  - Low supply
  - Rapid price appreciation
  - Supply chain disruptions
- Less construction since 2009



# Background



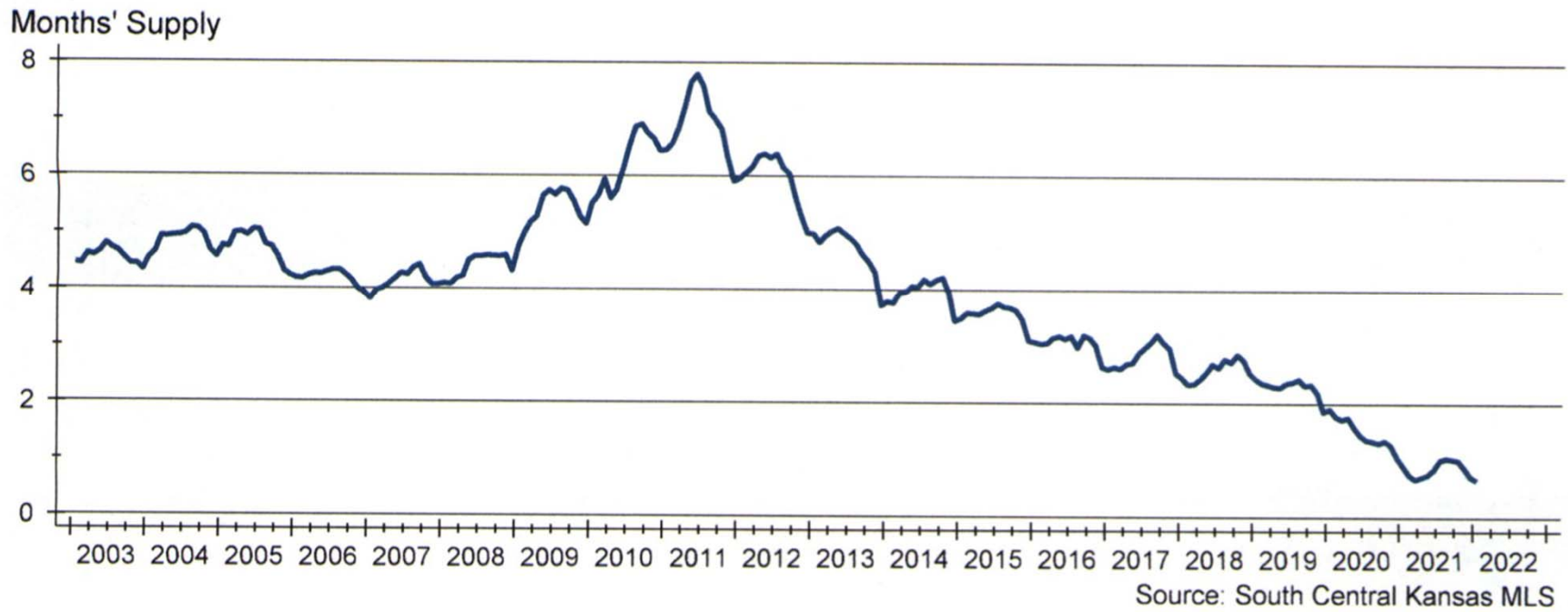
# Background



- Very short supply of all homes available for sale
  - Desirable: 6 months of supply
  - Reality: Less than 6 months since 2012
  - Now: Unprecedented low



# Background



# Background



- Low supply = major contributor to price appreciation
- Supply chain disruptions also causing unprecedented increase in construction materials.



# Background



Producer Price Index: Construction Materials



# Background



- Historically rapid appreciation in home prices
  - 7.6% increase in 2020 (largest in 30+ years)
  - 14.2% increase in 2021 (largest year-over-year on record)

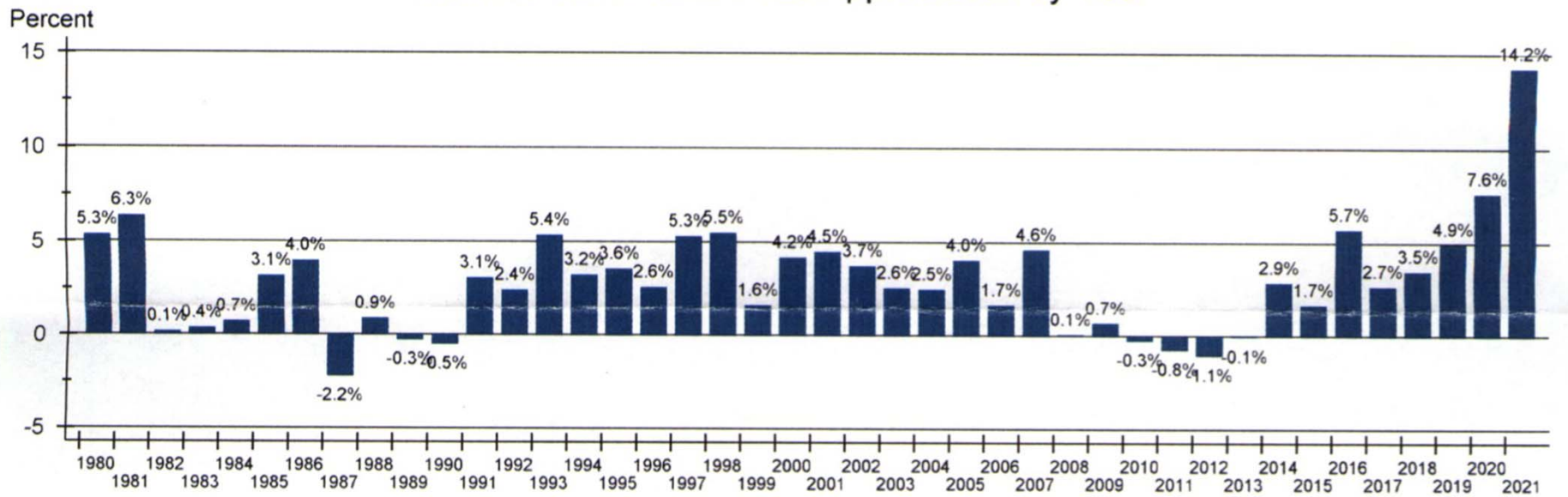




# Background



Wichita MSA Home Price Appreciation by Year



Source: Federal Housing Finance Agency

Appreciation calculated using 4<sup>th</sup> quarter values of the FHFA all-transactions house price index

# Analysis



- These challenges require efforts on MANY fronts to improve access to housing at all income levels.
- This proposal would enhance affordability of single-family homes in new developments by increasing the time for financing infrastructure from 15 to 20 years.
  - 2-year program then analyze outcomes
  - Special assessments



# Analysis



- Special assessment financing of infrastructure is a tool used in some Kansas communities to keep housing costs lower than comparable markets.
- Buyers of new homes benefit from specials by financing infrastructure costs at the City's lower interest rate rather than in their mortgage.



# Financial Considerations



- Effects on the City's financial status:
  - Marginally higher interest rate likely
  - Extends the time this debt is carried by the City
  - City at large is at risk if specials are delinquent
    - Require participating developers to be current on taxes & specials



# Financial Considerations



- Effects on home buyers:
  - Marginally lower total monthly payment
- Effects on builders of new homes:
  - Assists in making as affordable as possible



# Legal Considerations



- State law allows no more than 20 years for repayment of special assessments.



## Recommendation



- It is recommended the City Council approve a two-year program of 20-year special assessments for developers who (together with all affiliates) are current on all real estate taxes and outstanding special assessments, and direct staff to meet with industry representatives to develop implementation timelines and program details.





# 20-year Special Assessments

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