REGIONAL HOUSING PARTNERSHIP:

COMMUNITY DEVELOPMENT COPORATION AND FOR-PROFIT DEVELOPER ASSESSMENT AND PHASED RECOMMENDATIONS

October 2023

RHP
Greater Kansas City
Regional Housing Partnership

MARC
MID-AMERICA REGIONAL COUNCIL

LISC
GREATER KANSAS CITY

CSH

PROJECT PURPOSE

LISC Greater Kansas City, on behalf of the Regional Housing Partnership, commissioned CSH to develop an assessment report and recommendation plan to identify potential pilot projects that will break down barriers for Community Development Corporations (CDCs) and for-profit developers to develop housing capacity in the Kansas City region.

PROJECT OBJECTIVES

- Support Regional Housing Partnership's goal of creating affordable housing production capacity in the KC region
- Address development and resiliency opportunities and challenges in KC region
- Embed racial equity in regional affordable housing strategies

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Developer Assessment

Develop an assessment report and recommendation plan to identify potential pilot projects that will break down barriers for Community Development Corporations (CDCs) and for-profit developers to develop housing capacity in the KC region.

Desk Review	Stakeholder Interviews	Pilot Program Recommendations
❑ Reviewed previous developer assessments work by Kansas City LISC / MARC / other ❑ Reviewed current system and environmental barriers impacting housing development	❑ Developed and distributed survey to development community ❑ Conducted individual interviews with key identified stakeholders ❑ Facilitated focus groups with for profit / not-for-profit developers and housing authorities ❑ Held focus group with PLWE	❑ Analyzed findings from desk review, interviews, focus groups and surveys ❑ Developed recommendations for pilot projects that would address the identified issues inhibiting development of affordable housing

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Affordable Housing Landscape

Affordable Housing in Greater KC Region

Affordable Housing
Analysis by RHP and MARC's Housing Data Hub found a regional gap of 64,000 affordable units

Rental Burden
Largest affordable housing gap is for very and extremely low-income tenants looking to rent units for less than $650 per month – a gap of 45,449 units.

Lowest Income
At lowest income levels – VLI and ELI tenants making 30% or less than the KC Metro's AMI – there is a gap of 44,000 units

"Crowding Out" Makes the Affordable Deficit Worse

Affordable Deficit
There are more ELI households in region than units – deficit of 29,000 units

Crowding Out
People who could afford higher rents are occupying the affordable units, resulting in fewer affordable units for households who really need them

Bigger Deficit
40% of extremely affordable units are occupied by highest-income HHs

Results
2/3 of ELI and 1/3 of VLI renters live in homes unaffordable to them

TYPES OF STAKEHOLDER ENGAGEMENT

CSH engaged with over **100 stakeholders** through multiple types of engagement.

CSH was intentional on ensuring racial and gender diversity, range of development experience, and geographic representation across the Greater Kansas City region.

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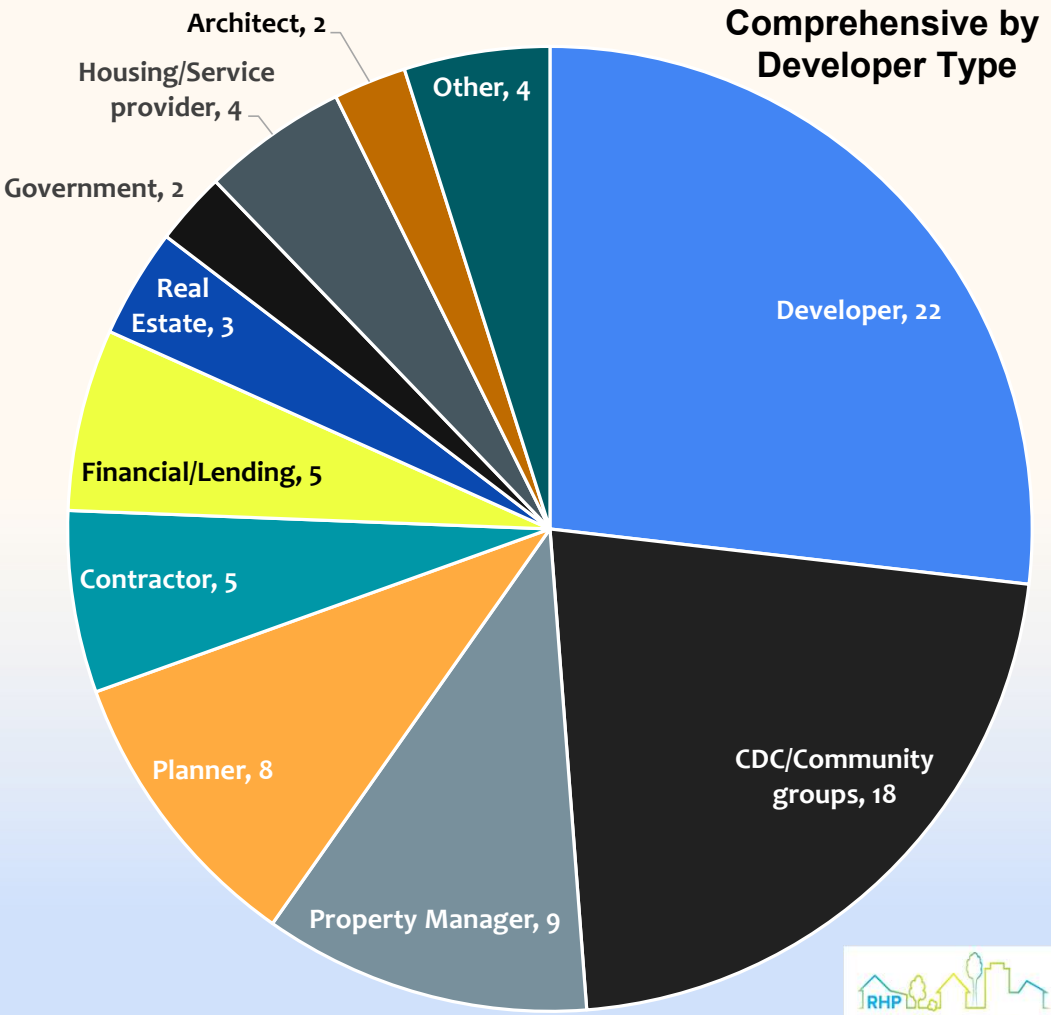
ONLINE DEVELOPER SURVEY

Respondent Experience and Geographic Information

County	Affordable Dev.	Market Rate Dev.	Both Types of Dev.
Johnson County, KS	3	4	1
Leavenworth County, KS	2	0	1
Miami County, KS	0	0	0
Wyandotte County, KS	5	2	3
Cass County, MO	0	0	0
Clay County, MO	4	0	0
Jackson County, MO	12	2	10
Platte County, MO	0	0	0
Ray County, MO	0	0	0

Some respondents had neither types of experience/didn't answer/left blank

- 39 respondents returned the online survey
- Many respondents had worked on affordable and/or market rate developments in counties.
- No respondents had experience working in Cass, Platte, or Ray Counties.



*Respondents could select multiple types

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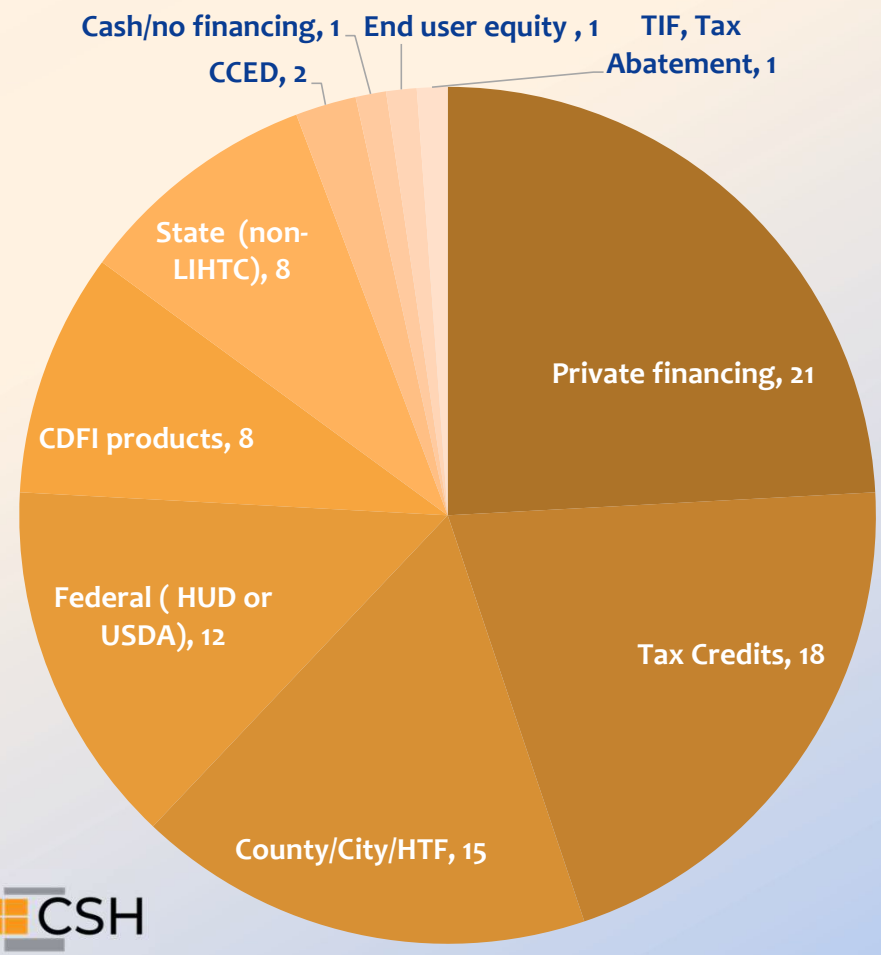
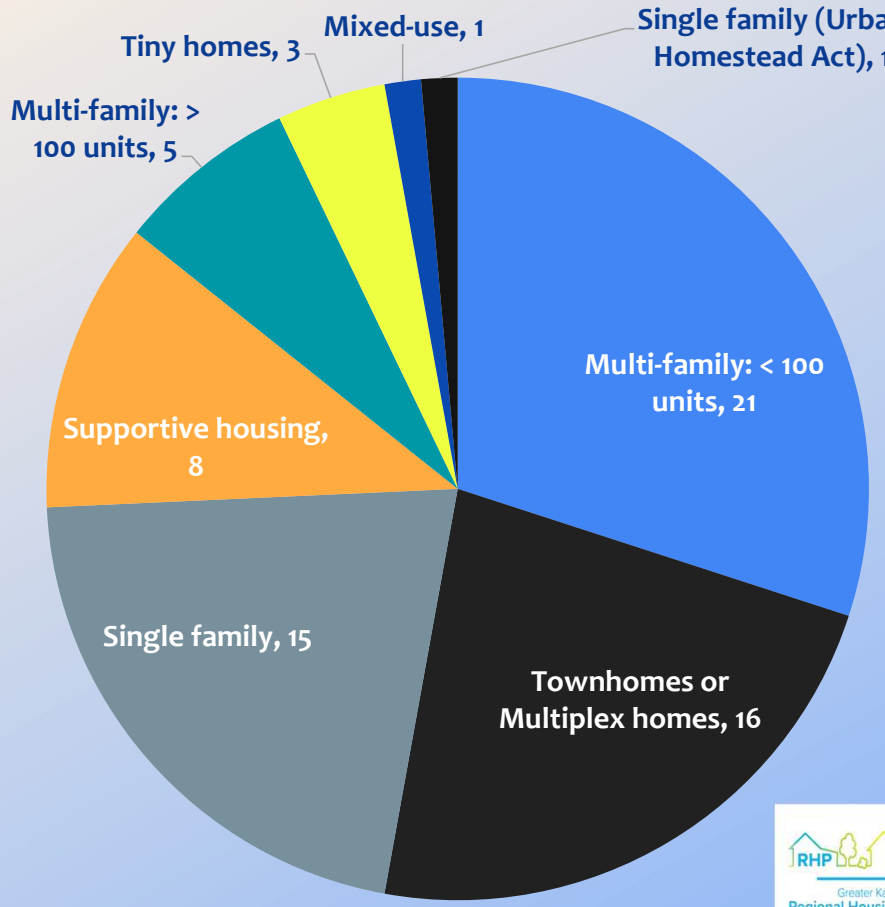
ONLINE DEVELOPER SURVEY

Respondent Experience by Development Type and Financing

BY FINANCING MECHANISM



BY TYPE OF DEVELOPMENT



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ONE ON ONE INTERVIEWS

CSH conducted one on one interviews with 10 prominent stakeholders with various touch points and experiences with the housing industry in the Greater Kansas City region. Interviewees represented the following types of firms:

- For-Profit Developers
- Housing Advocates
- Not-For-Profit Developers
- Housing Finance and Investment
- Community Development

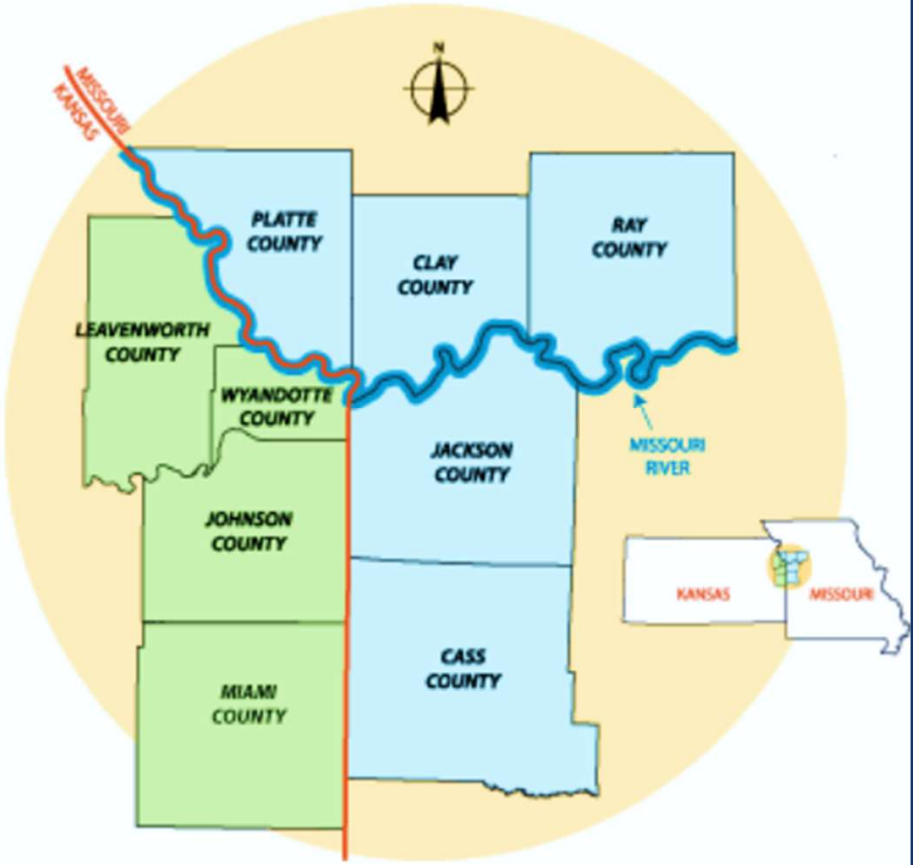
Geographic Representation
Interviewees represented the Greater Kansas City region footprint by either having offices in one of nine counties or doing housing development work in the region.

Experience
Interviewees had a wide array of development experience: new construction, rehabilitation, supportive housing, workforce and commercial real estate

Inclusive Representation
Three of 10 one on one interviewees identified as BIPOC developers, and two identified as women.

Interview Format
One hour one on one interviews held virtually. They were asked a series of guiding questions on various affordable housing topics.

Geographic Regions Included in Developer Assessment Report



COMMON BARRIER THEMES

FINANCIAL BARRIERS

- Lack of sufficient pre-development, capital, operating funding and access to funding for smaller/emerging developers and lack of flexible funding options to help keep operations afloat
- CDFI underwriting standards, esp capacity and experience, are not flexible enough for many developers
- Affordable housing rents are not realistic to many. For community-based builders, there is intentional focus on setting rents at levels people currently living in the area can afford. For that, operating/rental subsidies are needed to offer low rents.

GOVERNMENT & PROCESS

- Complicated government processes cause long delays, such as zoning, planning, design review, funding rounds, closings.
- Many municipalities are experiencing staff shortages leading to delayed closings
- To incentivize new buyers to buy in some neighborhoods, many municipalities offer tax abatements, which is seen as unfair/not equitable to existing owners.
- Difficult to get officials engaged in larger neighborhood development talks due to high cost.
- Crowding out – landlords renting units with lower rents to tenants able to pay more and lack of meaningful landlord outreach

COMMUNITY & PUBLIC OUTREACH

- Disconnect between for-profit and not-for-profit developers.
- NIMBYism is still prevalent in many areas
- Some minority communities lack of trust / apprehension about larger government plans and historical treatment
- Gentrification is forcing lower income residents out, higher impact for BIPOC
- Smaller, neighborhood-based developers are focused on more than developing units where they build – strong sense of pride and desire for neighborhood revitalization
- Lack of mentorship programs, particularly for prospective BIPOC developers/youth

EDUCATION AND TRAINING

- Lack of real estate education tools for BIPOC developers and practical / real life opportunities to learn the industry.
- Staff capacity for training – particularly for smaller developers
- Training beyond RE Development 101
- One location for consolidated information on funding and up-to-date info on funding

CONSTRUCTION COSTS

- Rising construction costs are major barrier. Prevailing wages add about 30% to a deal.
- Lack of skilled trade laborers is driving up costs due to supply, demand, capacity.
- Additional requirements for contractors, such as COVID certification or required MWBE participation, makes the pool to choose from even smaller and harder to find

MARKET FACTORS

- Non-local developers pay cash for sites
- Racial bias in appraisals lowers values in BIPOC areas and lack of comps in some areas lowering borrowing power
- High non-housing costs, such as food and transportation, impact ability to pay rent. **Housing issues are not siloed.**

COMMON THEME SUMMARY

MONEY

There is a lack of sufficient capital, operating and rental subsidy, and service funding. Pre-development costs are significant and increasing and access to pre-development funding is not guaranteed / available to all. Access to necessary funding is insufficient to make deals affordable and profitable.

Developers are interested in capital but also capacity building money to help grow their businesses.

TIMING

Affordable housing developments take significantly longer to secure funding and construct compared to market rate housing developments due in part to lengthy governmental processes and outdated/ duplicative/no-value added policies.

Policy updates are needed, and process protocols need to be overhauled to decrease the amount of time it takes to close and complete an affordable housing deal. The delayed closings add exponentially to carrying costs.

Staff shortages in local jurisdictions has made the problem much worse. It's these significant delays due to policy and process issues that limit their ability to produce more.

VISION

For community-based developers and smaller for-developers, particularly BIPOC developers, there is a vision for the economic development and improvement of areas.

Developers are more willing to develop in areas where other infrastructure and investment exists, and renters prefer a neighborhood with amenities.

While there is a deep understanding of the need for affordable housing, there is also a need and desire to create neighborhoods where people do not just survive but can thrive/succeed.

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PILOT PROGRAM RECOMMENDATIONS

Based on feedback from all stakeholders, review of previous surveys, and an environmental scan, CSH identified four common categories of barriers contributing to slower affordable housing production. CSH created pilot program recommendations with these categories in mind.

In addition to the pilot program recommendations, CSH has also created a list of other recommendations tied to the four common barrier categories, as well as some advocacy recommendations.

EDUCATION and TRAINING

RESOURCES

PARTNERSHIPS

FUNDING

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PILOT PROGRAM RECOMMENDATIONS

CONCEPT	DESCRIPTION OF PILOT PROGRAM RECOMMENDATION
Tiered Pre-Development Lending **Funding**	**Issue**: Emerging and smaller developers have less access to pre-development funds due to eligibility and underwriting standards weighted heavily on experience and balance sheets. **Goal:** Smaller and emerging developers have access to pre-development funding with more lenient standards to allow funding access for pricey third-party reports and other upfront due diligence items. **Recommendation:** Create a pre-development loan program created specifically for emerging and smaller developers that pairs funding with technical assistance. Using a tiered approach, provide developer's access to pre-development funding and support resources aligned with their level of development experience and financial strength. Focus on how to screen developers in and not out and create a pre-development loan program using this model.
Flexible Revolving Line of Credit **Funding**	**Issue:** Smaller and emerging developers often have less cash flow to keep operations moving forward while waiting for profits, equity and/or funding limiting their ability to operate at a higher level. **Goal:** Smaller and emerging developers have access to flexible funding source to help with timing issues related to when money needs to be paid out in relation to when it comes in. **Recommendation:** Create a flexible revolving line of credit for smaller and emerging developers, with more lenient underwriting and experience standards, to be used for day-to-day operations. A flexible revolving line of credit allows developers to cover payroll, cover project-related costs and keep the office and project operational while waiting on the release of payments or lulls in payments due to development delays.
Application Liaison **Partnerships**	**Issue:** Applications are taking longer to process and approve with many municipalities experiencing significant staffing shortages. Staff are also less available to assist developers with application and questions leading to more submissions with errors/incomplete. **Goal:** Reduce processing/approval times with agencies resulting in faster closings to save developers' time and money. **Recommendation:** Create Application Liaison position to review/proofread applications prior to submission to reduce errors, cut down on processing times and improve scores. Liaison could also check submissions against funding program's scoring criteria to ensure package is complete and provides all required supporting documentation. Liaison would establish relationship with cities..

PILOT PROGRAM RECOMMENDATIONS

CONCEPT	DESCRIPTION OF PILOT PROGRAM RECOMMENDATION
Affordable Housing Development Training Series **Education / Training**	**Issue**: Lack of educational and practical training for developers and staff – particularly smaller firms with capacity constraints and low to no training budget -- that includes flexible curriculum to fill participants' knowledge gaps. **Goal**: Couple fundamental development training with customizable sessions to provide participants with the necessary knowledge and skills to succeed in the affordable housing industry. **Recommendation**: Create a multi-session training program (at minimum eight sessions) with the first half focused on the stages of housing development in detail and the second half created after gaining input from participants on their knowledge gaps. The program can be customized to provide a deep dive on these gaps. Local professionals can be incorporated to ensure teachings have practical element to them as well as academic.
Affordable Housing Master Class **Education / Training**	**Issue**: Lack of applied training for developers and staff – particularly smaller firms with capacity constraints and low training budgets – that allows learned concepts to be applied to troubleshoot common development barriers. **Goal**: Couple critical thinking skills with applied knowledge to provide developers with skills needed to solve roadblocks quickly. **Recommendation**: Develop a master class / capstone training course that allows participants to apply learnings from prior Training Series to a case study that mirrors an actual troubled project through the site identification stag through to Year 1 operations. Typical roadblocks/challenges will be incorporated into the "project" and at the end, teams will share their project, process and challenges/triumphs/pain points/solutions. This gives participants an opportunity to troubleshoot and hear how others solved for same problems to learn multiple perspectives.
Comprehensive Funding Matrix and Interactive Calendar Resource	**Issue**: Funding information is often difficult to find, understand and coordinate. It is also difficult to determine the funding works well together and works best with particular project types. **Goal**: Increase developers' knowledge of funding program available in the region as well as provide them with relevant details to make informed decisions regarding funding options. A one stop shop for funding info. **Recommendation**: Create, and keep current, a comprehensive and detailed funding matrix of all federal, state, regional and local funding sources in the Greater Kansas City region. This resource should include relevant details to help them organize, determine appropriate programs for their project type/develop funding options for pre-dev, capital, operating and service dollars.

PILOT PROGRAM RECOMMENDATIONS

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Fresh Start Funding Funding	**Issue**: Properties with various costly arrears, title issues, and/or excessive site preparation are less likely to be acquired and, if acquired, presents a financial barrier for developers. **Goal**: Eliminate costs associated with clearing titles and arrears to allow developers to reduce overall costs and close sooner. **Two-fold Recommendation:** – First, create an advocacy initiative at the regional level to have municipalities clear titles and arrears for projects to be developed for affordable housing prior to developers taking ownership. Until then, create a "fresh start" flexible fund to assist developers in clearing title issues and arrears as well providing funding for unexpected buried site debris.
Grow With Us Grants Funding	**Issue**: Developers lack resources to expand their portfolio outside of their existing footprint. **Goal**: Increase production in areas with greater need by providing funding for developers interested in expanding their footprint.. **Recommendation**: Regional capacity building grants for developers interested in expanding their portfolio footprint within the region. The intent of this grant is to offset the costs associated with developing business in a geographic location outside the developer's existing portfolio. Recognizing that new relationships will need to be built with local jurisdictions and communities, this grant can also help offset the costs of doing business with new partners and helping grow capacity in this new area.
Troubleshooting Database Resource	**Issue**: Developers spend significant time researching (from scratch) how to solve for development barriers. **Goal**: Provide developers a learning and collaborative space to learn from each other how to navigate development. barriers. **Recommendation**: Develop a database of affordable housing projects with detailed data points with the intention of logging in pain points, challenges and solutions. Real life examples of how developers in the Greater Kansas City area were able to troubleshoot these issues that are holding up affordable housing developments. The Troubleshooting Database would be searchable by different data points but also by the challenge or issue.
Regional PHA Convenings and Workshops Partners	**Issue:** Lack of coordination between regional Public Housing Authorities. **Goal**: Increase communication and coordination between regional Public Housing Authorities. **Recommendation**: Create formalized working groups to develop relationships across PHAs in RHP to improve voucher utilization, reduce barriers to access housing for ELI/VLI voucher holders, strategize ways to match voucher holders with affordable units, etc. Create formalized "guidebook" as regional resource for PHA best practices.

PILOT PROGRAM RECOMMENDATIONS

CONCEPT	DESCRIPTION OF PILOT PROGRAM RECOMMENDATION
Young Developers Mentoring Program Training	**Issue**: Lack of young adults entering the affordable housing development industry. **Goal**: Increase the involvement of young adults in affordable housing development and increase developer capacity. **Recommendations**: Establish grant program to create an internship / mentorship program with young adults interested in development to help educate and give practical experience to the next generation. Use grant funds for two purposes: a) pay interns for working on all aspects of development depending on educational background and interest level and b) create capacity building in other areas.
Skilled Trade Connection Education/ Training	**Issue**: Lack of skilled trade workers are driving up the cost of affordable housing development **Goal:** Introduce young people to skilled trades as a career option and connect them with a professional in the trades. **Recommendation**: Create an education campaign marketing skilled trades as an alternative choice to traditional college education. Marketing materials, incl starting wage info and potential wage earnings over time as well as how in-demand the trade is, could be used to recruit high school seniors and other young adults. Also, establish network of skilled trade professionals willing to participate in multi-day shadowing program to see what the job entails before committing to formal program. Establish mentorship/apprenticeships with established contractors in the region. Bulk of grant funds can be used for capacity building in the other business areas (i.e. staffing, tech)
Local Jurisdiction Networking Groups Partnership	**Issue**: Common development issues and application errors delay the closings and cost developers time and money. **Goal**: Reduce processing time and closing delays by providing guidance on avoiding common errors. **Recommendation**: Create a guidebook – starting with larger jurisdictions – outlining challenges from local jurisdiction's perspective so developers can give extra attention to those areas. For example, if a planner reveals 50% of applications fail to submit certain documentation then developers can be sure to not make these errors and reduce the processing time.
Where We Live Grants Funding	**Issue**: Lack of beautification in some neighborhoods are missed opportunities to allow unique expressions tailored to neighborhood history and characteristics. **Goal:** Improve aesthetics in neighborhood through community beautification. **Recommendation**: Create neighborhood revitalization/empowerment grants for developers with a footprint contained within a smaller geographic area (neighborhood or specific section of locality). Grant could be issued for beautification w/community component to developers that collaborate with local business/community member to provide a program or service that would: a) foster a relationship between developer and business/community member, b) be complimentary to housing project and c) provide a service or benefit to the community. A portion of the grant pays for the beautification costs while the remaining grant is used for capacity building.

PILOT PROGRAM SUMMARY

Housing Application Liaison

- **Identify liaisons to streamline local housing application processes**.
  - Review / proofread submissions
  - Help with issues to ensure applications are complete/ consistent.
  - Check submission against program scoring criteria along with support documentation
- Provide feedback on submission / advise on how strengthen.

Affordable Housing Master Class

- **Focused Learning Series**
  - Eight sessions series on affordable housing development, with student-driven course content
- **Master Class**
  - Deep dive on developing a project with a case example developed during course

Pre-Dev. Funding/Flexible Credit

- **Pre-development loans**
  - 2-tiered loans with more flexibility to reduce barriers to entry for newer developers
- **Flexible line of credit** to help cover costs during the life cycle of development related to delays and unexpected issues

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Thank you!

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