REGIONAL HOUSING PARTNERSHIP:

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

October 2023

Report Created by
Corporation for Supportive Housing

TABLE OF CONTENTS

EXECUTIVE SUMMARY

What Do We Need to Overcome

In the Greater Kansas City region, the number of affordable housing units available does not meet the regional need. The Regional Housing Partnership (RHP), convened and supported by the Mid-America Regional Council (MARC) and LISC Greater Kansas City, commissioned the Corporation for Supportive Housing (CSH) to engage with regional housing developers to understand the current barriers in the development process preventing them from taking on more affordable housing projects. Housing developers are interesting in affordable housing development but reluctant, at times, due to the barriers in the development process, such as lack of sufficient funding, access to funding, excessive time to close projects, and ability to connect with local jurisdictions for clarity and assistance through the development process. These barriers add considerable time to the development schedule for affordable housing developments and make the deals less financially attractive to developers. This Developer Assessment helped identify and understand the barriers through conversations and other methods with housing developers interested in developing more affordable housing in the Greater Kansas City Region.

What Can Be Done

Housing developers in the Greater Kansas City region are interested, and many are eager, in affordable housing development and being thought partners to find creative solutions to navigate the barriers that prevent afford about housing deals from being profitable or feasible. Several identified barriers require advocacy work to implement larger scale system and process changes while others can be overcome with intentional and direct support, region-specific resources available to developers to reduce time spent on administrative and research-related tasks and increased funding available to established, emerging and BIPOC-led housing developers with varying experience and financial profiles.

Conclusion

While there are many barriers to affordable housing production, local not-for-profit and for-profit developers have an appetite to develop more affordable units with some assistance navigating those barriers. The Developer Assessment Report offers a variety of recommendations that would offer direct support and helpful resources to housing developers to navigate these barriers and addresses the known challenges of affordable housing development.

INTRODUCTION AND PURPOSE

Introduction

Corporation for Supportive Housing (CSH) is pleased to present this report to the Regional Housing Partnership (RHP) of Greater Kansas City on affordable housing developer capacity and needs. The RHP is convened and supported by the Mid-America Regional Council (MARC) and LISC Greater Kansas City and seeks to foster a thriving housing system that sustains a sufficient supply of quality, diverse housing options to meet the challenge of a regional shortage of affordable housing. It is the goal of the Regional Housing Partnership to build an effective housing system that expands and sustains access to affordable housing and promotes regional prosperity to result in better economic and health outcomes[1]. The engagement began in April 2023 and is scheduled to end In November 2023 with CSH presenting the findings to stakeholders.

CSH is a national non-profit focused on the intersection of housing and services. CSH works to advance affordable housing aligned with services as an approach to help people thrive. We do this by advocating for effective policies and funding, equitably investing in communities, and strengthening the supportive housing field. As a Community Development Financial Institution CSH provides pre-development loans and other financial products to supportive and affordable housing developers. We also provide training and technical assistance to developers through our signature Supportive Housing Institute training program, which has been held in 15 states across the country, including in Kansas and Missouri. Beginning in 2021, CSH worked with KC LISC, the City of Kansas City, and the United Way of Greater Kansas City to hold two institute series that trained ten teams of developers, service providers, and property managers focused on creating more affordable and supportive housing in the metro region.

Statement of Purpose

LISC Greater Kansas City, on behalf of the Regional Housing Partnership (RHP), contracted with 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 knowledge and affordable housing capacity in the Kansas City region. The RHP seeks to foster a thriving housing system that produces and sustains a sufficient supply of quality, diverse housing options to meet the challenge.

The Kansas City region is experiencing a shortage of affordable housing units for households with lower incomes and those most vulnerable. To stimulate affordable housing production to address this critical gap in affordable units, it is key to identify barriers in the development process as well as identify incentives to bring additional developers into the affordable space to increase production.

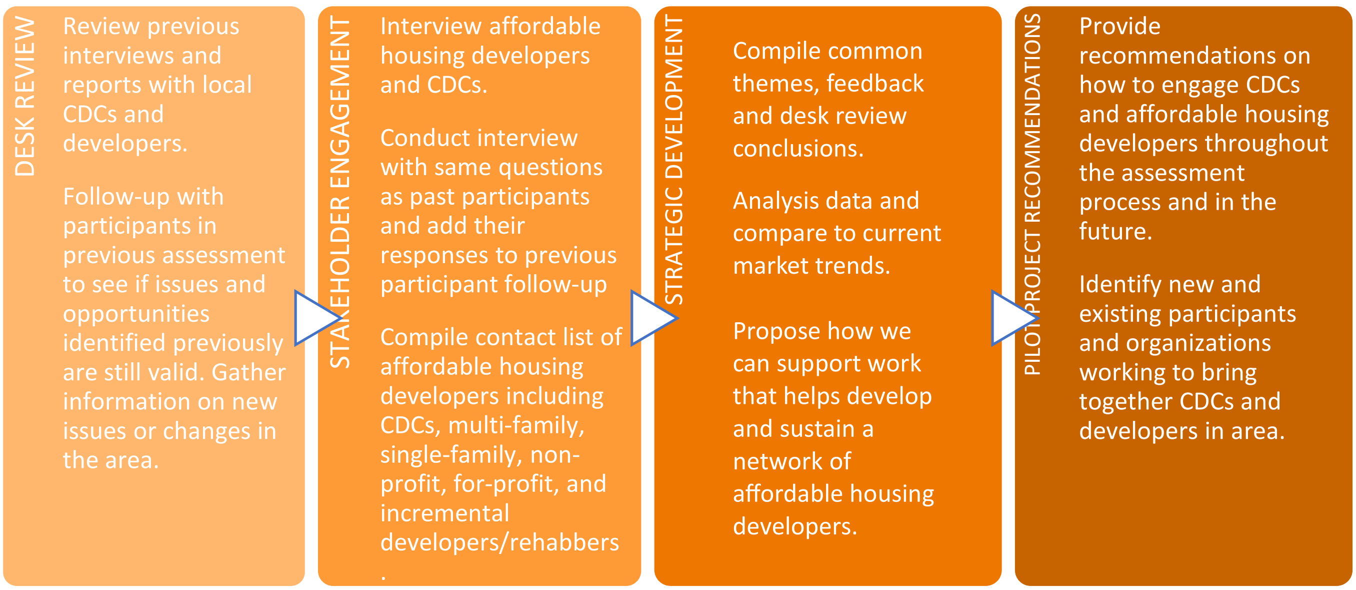
CSH supports the RHP's goal of increasing affordable housing production capacity in the Kansas City region. This report has been created to help address the development and resiliency opportunities and challenges with the region. Lastly, aligning with CSH's core organizational values, recommendations included in this report ensure that racial equity is embedded in regional affordable housing strategies and solutions.

[1] Housing | MARC

STUDY OVERVIEW

To do this work, CSH created four categories of tasks to be completed: desk review, stakeholder engagement, strategic development, and creation of pilot program recommendations. Components, as outlined in the scope, consisted of:

Each component included several high-level tasks to collect necessary quantitative and qualitative data to identify common themes regarding barriers to affordable housing productions to develop pilot project recommendations.



REVIEW OF AFFORDABLE HOUSING GAPS ACROSS THE RHP COUNTIES

Like many areas of the country, recent years have seen the Greater Kansas City region face a shortage of affordable housing. The Greater Kansas City region is no exception to this trend – local reporting in Kansas City points out that while the shortage of quality, affordable units in Kansas City existed prior to the COVID-19 pandemic, it was the pandemic that exposed the region's failure to act[2]. Since the pandemic, housing prices have increased in each of the nine counties that make up the RHP[3], and along with that rents have increased and wages have not kept up, which has tremendous impact on people's ability to save and maintain the financial ability to remain housed after a medical, familial, or other crisis.

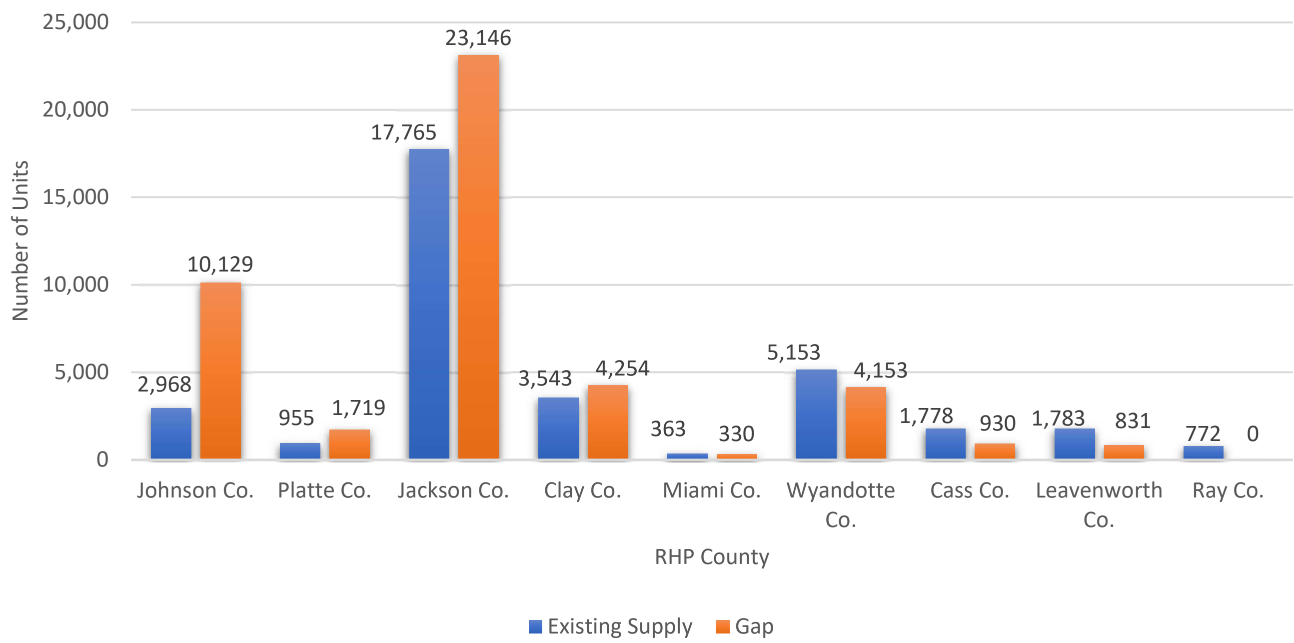
MARC, in partnership with RHP, launched the Housing Data Hub to provide data and analytics to inform strategies and frame policies and partnerships that come out of the RHP. In addition to the Housing Data Hub, which focuses on data across the nine counties comprising the RHP region, many of the areas have conducted their own assessments of affordable housing needs. These assessments contain much rich information that echoed themes CSH heard in the process of gathering feedback for this report, particularly those related to the slow pace of development, NIMBY-ism, and need for units at lower income levels.

- Johnson County's 2021 assessment cited population growth in younger people and families, particularly in the cities of Olathe, Gardner, Spring Hill, and Edgerton, and that incomes have not kept up with housing prices and rents. This assessment found the need for more housing across all housing and income types and categories.
- A 2022 report on trends in multifamily housing in Kansas City found that rents had increased at above average rates, but that development pace was lagging. In fact, almost 4,000 fewer units were completed in 2022 compared to 2021[4].
- A 2021 statewide assessment in Kansas cited Kansas City-Metro complexities related to NIMBY-ism in Johnson Co. and high need for social services and lack of proximate affordable housing to jobs in Wyandotte Co.
- A study conducted in 2021 for the Central City Economic Development district focused on the lack of small apartment buildings in the area, citing data that over the past 20 years 407 small apartment units were demolished and only 44 constructed.

In April 2023, the Housing Data Hub released a report on the affordable housing gap specific to the nine counties in the RHP region and found a lack of 64,000 affordable units across the entire region. The largest affordable housing gap is for very and extremely low-income households looking to rent units for less than $650 per month – a gap of 45,449 units. At the lowest income levels – Very Low Income (VLI) and Extremely Low Income (ELI) households earning 30% or less than the KC Metro's area median income – there is a gap of 44,000 units. Further, there is a differentiated need across counties, with the gap being largest in Jackson and Johnson Counties and smallest in Miami and Ray Counties. Figure 1 shows the renter housing gap for units less than $650. Units at this price are affordable to renters in the very and extremely low-income brackets, who earn 30% or less than the area median income.

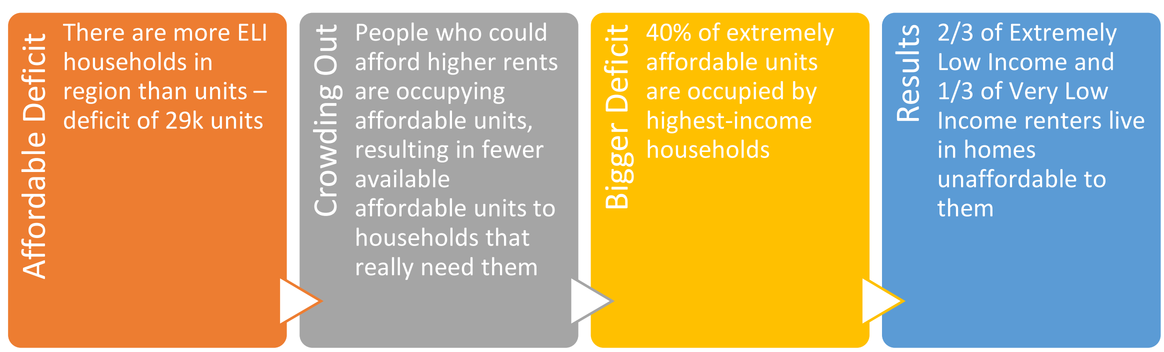
[2] Kansas City's Housing Crisis Forced This Couple Into An Extended Stay Hotel. And It's Only Getting Worse | KCUR - Kansas City news and NPR
[3] Market Statistics - Kansas City Regional Association of REALTORS® (kcrar.com)
[4] "Kansas City: Adjusting Metrics." Yardi Matrix Multifamily Report, 2022.

Figure 1: Renter Housing Gaps for Units Less Than $650 Per Month by County



The study documented other forces at play driving the affordable housing gap, such as "crowding out" - where people with higher incomes remain in affordable units, reducing the overall supply of affordable rental units. This phenomenon results in wider gaps for the lowest income households and means that two-thirds of extremely low income and one-third of very low-income renters live in homes unaffordable to them (Figure 2).

Figure 2: How "Crowding Out" Affects Affordable Unit Availability

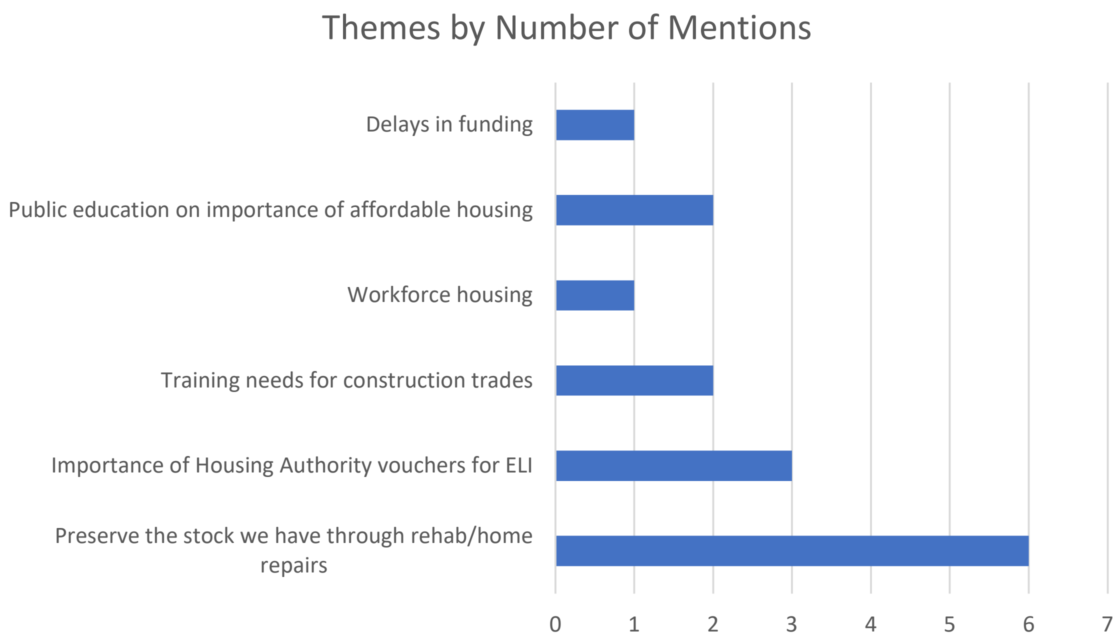


PRIOR AFFORDABLE HOUSING SURVEY AND INTERVIEW BACKGROUND

CSH reviewed the notes and previous work completed regarding affordable housing development and engagement with the affordable housing community in the Greater Kansas City area. While the interviews and research conducted are nearly three years old, the barriers for developing affordable housing remain consistent. The previous reports indicated that lack of developers/contractors/skilled trades, lack of funding, preserving neighborhood pride and history and serving Extremely Low Income (ELI) households were the common themes lifted during those interviews. We heard remarkably similar themes, reinforcing consistency in the gaps and needs of the industry to create more affordable units.

The prior interviews had a wider focus regarding the need for affordable housing, the tenancy served, who would provide services to ELI households and other much broader community conversations around affordable housing and service needs; because the surveys were conducted during the COVID pandemic, some of the themes related to issues relevant for that time. Figure 3 below shows some of the other, non-COVID related themes that stood out from the previous interviews. The scope of the 2023 study documented in this report focuses primarily on the barriers for developers/contractors/skilled trades and what type of incentives could be offered to help increase affordable housing production to developers.

Figure 3: Themes from Prior Affordable Housing Survey(s)



STAKEHOLDER ENGAGEMENT

CSH engaged with approximately 100 stakeholders during this process to ensure a wide variety of perspectives, experiences and voices were incorporated into this work. CSH was intentional to ensure a diverse – racial, gender, geographic, and experience – collection of voices was heard. This engagement was conducted through:

- One on one Interviews with key stakeholder in the Kansas City affordable housing industry
- Focus groups with developers and other housing industry professionals (not-for-profit developers, lenders, for-profit developers, Community Land Trust, Habitat, Community Development Corporations, architects)
- Focus group with Public Housing Authorities
- Focus group with People with Lived Expertise
- Short Affordable Housing Development Survey extended to larger stakeholder list.

ONE-ON-ONE INTERVIEWS

CSH engaged in one-on-one interviews with ten individuals identified by LISC and MARC as key figures in the affordable housing industry in the Greater Kansas City region. These conversations gleaned quality feedback on these common themes:

Access to Funding: All participants agreed there is a shortage of funding for affordable housing developments. Due to higher construction costs, labor and other increased costs, the amount of funding available through traditional routes is funding fewer developments than in previous years. Those deals are also taking longer to get done due to delayed closing on funding.

For Low Income Housing Tax Credit (LIHTC) properties allocated credits in 2018 through 2021, the IRS (Internal Revenue Service) allowed allocating agencies to extend Placed in Service date requirements by one year to give projects additional time to complete and not lose their credits. Participants expressed concern that some projects are still lagging and are in potential danger of losing their allocations.

There are concerns about there being a small pool of affordable housing developers and their ability, from a number's standpoint, to be able to produce the number of affordable units needed even if enough funding were available. The pool of developers needs to increase to produce sufficient units as existing affordable housing developers are also up against capacity issues. By increasing the pool of developers to include for-profit developers, some expressed concern over for-profit developers competing with Community Development Corporations and other not-for-profit developers for funding. From their perspective, for-profit developers may be able to produce the units but there is a concern about the commitment to operate the units as affordable for the long term.

Lastly regarding funding, concerns were shared about equal access to funding. With more BIPOC developers interested in affordable housing development, more flexible funding requirements would allow them to gain the experience needed to then qualify for more traditional funding. Even seasoned BIPOC developers of market rate housing are experiencing barriers accessing funding for affordable housing funding due to the experience requirements imposed in most funding applications.

High Costs: The increase in overall costs to complete affordable housing developments is a barrier without a singular solution. Skilled trade shortages, material costs, financing costs, labor costs and delays in the closing process are all major contributing factors to higher costs.

Several interviewees mentioned the challenges with local jurisdiction staff shortages and the feelings of helplessness to solve this issue. In some cases, municipalities that had three of four planners prior to COVID are now down to one, despite their efforts to hire. This leaves an impossible workload for the one planner, and developers are then seeing the prioritization of that workload being shifted to larger, more politically connected developers.

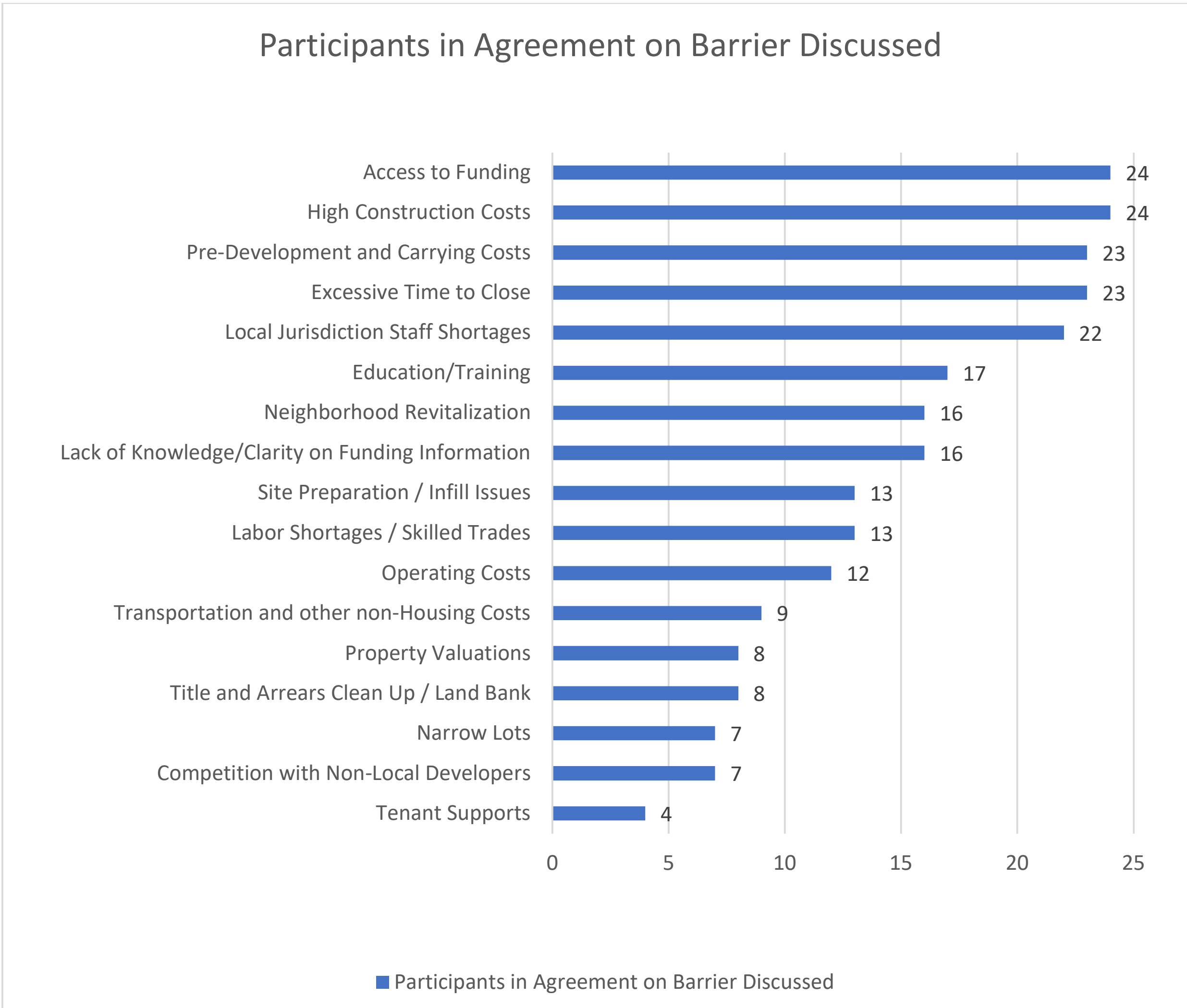
Education and Training: There is a need for more training and education related to development in general, technical aspects of accessing funding, such as filling out successful funding applications and how to maneuver through the process for federal/state/local funding and other administrative requirements like zoning, permits, etc., as well as skilled trade training.

Labor Shortages: Labor shortages have a significant impact on affordable housing development in several ways.

- *Skilled Labor*: Shortage of skilled laborers limits the number of housing development projects that can be in construction at a time and drives up the cost of affordable housing developments (supply and demand).
- *Local Jurisdiction Staff*: Post COVID, many local jurisdictions have experienced staff shortages that have caused significant backlogs and delays in many of the processes each project is required to go through. If a project experiences delays in multiple steps along the development process, it adds significant amount of time a project is in pre-development and construction. Examples include permit issuance, plan and design review, inspections, funding applications, and loan closings.
- *Manufacturing*: Labor shortages in construction material manufacturing are still causing delays due to materials being on back order. These material delays are delaying work on site if general contractors and subs are not extremely proactive in ordering materials.

DEVELOPER FOCUS GROUPS

CSH recruited focus group participants with a variety of touch points in affordable housing to share their experiences and their own barriers to affordable housing development. Each of the participants expressed interest in developing affordable units if these barriers were removed and if the financing proved profitable.



Access to Funding: Access to funding was raised as the primary barrier to affordable housing development. Access was discussed in two ways: 1) insufficient funding available and 2) access to the limited available funding. 96% of participants felt there were insufficient funds available – including pre-development, acquisition, capital, operating and services.

Additionally, participants felt that access to funding for emerging developers is severely limited due to many competitive funding programs using scoring criteria, such as development and/or management experience, to rank applicants against one another. To have an opportunity at funding, small and emerging developers enter joint ventures with more experienced developers, so they can rely on the experience of that developer for points. While partnering assists with access issues, shared responsibility reduces the profits earned by each developer since developer fees are split (and often the more experienced developer negotiates a higher percentage of that fee).

BIPOC developers expressed strong interest in guaranteed pools of incentive funds set aside to support BIPOC-led developments to help create more equitable lending opportunities. Additionally, they felt eligibility criteria and underwriting standards needs to be more flexible to allow more BIPOC developers to be able enter the industry. Developers are interested in further conversations on collectively redefining "risk ratings" for BIPOC-led projects or projects in majority BIPOC neighborhoods.

Participants have experienced funding challenges with some CDFIs when it comes to alignment of underwriting and eligibility standards. Some BIPOC developers shared their experiences with national and local CDFI offices having different standards and explained that they worked with the local office to meet the eligibility requirements, received assurances from the local office but were denied by the national office. There needs to be better alignment.

High Construction Costs: Developers spent a significant amount of time discussing the prohibitive costs associated with affordable housing. All agreed that the costs of materials and labor were challenging to overcome and that obtaining federal funding added prevailing wage requirements, making profitable deals difficult.

Pre-development and carrying costs: Pre-development and carrying costs were also identified as significant barriers to production. The costs of due diligence studies, such as Phase I Environmental, market studies and appraisals, are costly and done well in advance of any loan closing. Developers, particularly smaller and emerging developers, have difficulties covering and carrying these costs for prolonged periods of time. Access to pre-development funding is also limited, and often unattainable, for developers with limited to no experience and/or less robust financials. To increase production by existing affordable housing developers and to recruit new developers, participants expressed a need for a pre-development funding source accessible to those unable to access traditional financing.

Excessive Time to Close: 92% of participants shared that the excessive time it takes to close on construction financing for affordable housing developments is a significant barrier. The longer a developer must carry a project, the less profit is made and less equity available to invest in other projects in their pipeline. All participants agreed that if the amount of time if takes to close affordable housing deals was significantly reduced to a time frame that more closely mirrors market rate development closings, they would be open to develop more affordable housing.

Local Jurisdiction Staff Shortage: Local jurisdiction staff shortages lead to closing delays. Participants feel there is no sense of urgency to close on loans as quickly as possible.

Education/Training: Participants felt there was a lack of education/training opportunities available that are affordable, flexible and include relevant and appropriate training materials for real life application. 68% of participants expressed interest in a training program that allowed them to provide feedback on the curriculum to ensure they were filling in existing knowledge gaps. Participants also expressed concern about having limited staff and how that impacts the amount of time staff can be out of the office for training without it impacting workflow.

Neighborhood Revitalization: While acknowledging that affordable housing development is critical, 64% of participants expressed unease that this development is not happening with a larger neighborhood revitalization lens. In particular, BIPOC developers shared frustration and concern that predominately BIPOC neighborhoods did not have larger neighborhood revitalization plans that included investment in businesses, infrastructure, and community involvement.

Participants expressed a strong desire to have "right of first refusal" for development opportunities on the East side of KCMO to ensure units created as affordable stay in ownership that is committed to keep units affordable.

Lack of Knowledge/Clarity on Funding Sources: 64% of participants expressed frustration with finding information, clarity, and answers around funding sources. They expressed frustration that one has to know what is available before they can search for the information and that having a list of available funding in one place would be extremely helpful. Additionally, participants expressed that it is difficult to get in contact with a local person to ask questions or get clarity on funding programs. With many programs having only one annual funding round, it is imperative that affordable housing developers are successful on the first try to make the numbers work.

85% of participants preferred working with local community banks over larger national banks but agreed they would use any financial institute that made the best offer for the project. Developers also acknowledged that traditional funding routes are getting harder and harder to access and that thinking outside the traditional box is important. Several (5) expressed interest in learning about less common capital sources, such as New Markets Tax Credits, Energy-Efficient Tax Credits, etc.

Site Preparation: Just over half (52%) of participants shared frustration with costs associated with site preparation when unexpected debris is found buried deep on the land. Developers shared that it was common for those historically developing properties to dig deep and bury debris rather than haul it away. One developer reported finding a car buried on site, while another reported finding pieces of a bridge.

Labor Shortages: There is a strong need to have more skilled trades training and development leading to liveable wage employment. Not only does this help the local economy but having more skilled trades people available lowers (or can lower) the cost of construction contracts. 52% of participants reported labor shortages as a contributing factor to their reluctance to develop more affordable housing.

Transportation and other Non-Housing Costs: Housing challenges are not created in a silo. Participants discussed the impact that increasing transportation and other non-housing related costs have on a household's ability to meet housing cost needs. 36% of participants identified this as a concern impacting affordable housing.

Property Valuations: With the property value being part of the formula determining the amount of loan a project is eligible to receive, developers expressed concerns over the lack of comparables in some areas. Lack of comps often results in undervaluing a property, which leads to the property having access to less capital funding due to rigid Loan-to-Value (LTV) standards. 32% of participants agreed this is a concern for them.

Narrow Lots: Developers also expressed challenges with developing narrow lots and expressed interest in learning about creative design or would like help finding adjacent or contiguous lots for development.

Competition with Non-Local Developers: Participants expressed concerns with non-local developers purchasing properties and not developing the properties for prolonged periods of time. Non-local developers, generally larger firms, can provide cash offers to sellers and undercut local developers.

Tenant Supports: Even developers of non-supportive housing developments expressed concerns about growing tenant relation challenges and the impact it may have on landlords' willingness to rent to low-income tenants, as well as community relations and perceptions of low-income housing developments.

Operating Costs: Building operating costs are rising and are a major concern when it comes to the long-term financial viability of affordable housing projects. Developers expressed the need for more access to funding sources that would specifically allow for installation of more energy efficient components, like solar panels, high-efficiency Energy Star-rated windows, rainwater harvesting, etc. While the upfront capital investment is greater, the longer-term operating costs are reduced and help owners keep their asset in better physical condition in the long term.

Land Bank/Title Clean Up: Participants report that over 4,000 lots are in area land banks. Properties in the land bank often have a variety of arrears and title issues. They can be timely and costly to clear and are most often the responsibility of the party acquiring the land. 32% of participants identified this as a barrier to affordable housing development and said that if this barrier did not exist, it would increase their ability and interest in developing more affordable housing. The longer land is banked, the more overall loss to the area as illustrated below.

COMMUNITY - LOSS OF HOUSING

With the area in need of about 175k units, lots held in land bank could be developed for to fill housing gap or other productive community use.

DEVELOPERS - LOSS OF PROFIT

Housing developers are unable to make profits when they cannot gain access to land bank lots.

Smaller / emerging developers are losing opportunities to grow their portfolios and begin the cycle of building generational wealth.

LOCAL JURISDICTIONS

Property lots are not generating property taxes while parked in the land bank and is a loss of revenue for municipalities.

Vacant lots/lots with abandoned buildings negatively contribute to the overall feel of a neighborhood/ community.

COMMUNITY - ECONOMY

Millions in lost salaries / jobs to construction industry. Lost taxes from salaries and sales for the municipalities. Additional loss to local businesses providing services and materials.

FOCUS GROUP WITH PUBLIC HOUSING AUTHORITIES

CSH met with public housing authorities for this focus group. Participants shared their experiences and their own barriers to affordable housing production. More specifically, we were able to group their feedback into the following common themes:

Funding: Developers need additional funding to make affordable development work. Johnson County is considering offering developers a funding shortfall loan or grants to get affordable units built. In particular, tying funding to units designated for Section 8 would assist with improving voucher utilization, which have been decreasing.

Housing Vouchers: Project-based vouchers are an effective tool to maintain affordable rents in building for special populations (such as seniors living with grandkids, homeless families, etc.). It is one of the few resources that allows for keeping entire buildings affordable. Tenant-based vouchers are an effective tool to match people with existing vouchers to units. Housing authorities are now pushing the conversion of public housing units to Rental Assistance Demonstration (RAD) vouchers, which will operate similarly to project-based programs. The preservation of LIHTC properties aging out of their compliance period is critical and collective planning and programming would benefit the community.

Johnson County has started a landlord incentive program that also includes a fund to access for damages – this might be a model for other counties. This program can help grow the affordable program in the area.

FOCUS GROUP WITH PEOPLE WITH LIVED EXPERTISE

In its work, CSH believes there is significant value in raising the voices of people with lived expertise. This focus group included four participants that have experienced homelessness but are now living in low-income housing with the assistance of housing vouchers.

Participants stressed the importance of having access to affordable housing in areas with essential businesses/ services nearby, such as grocery stores (with fresh foods, not corner stores), pharmacies, schools, health clinics and dental offices. Parks and green spaces were also flagged as important.

While grateful for affordable housing, participants felt frustrated with the rental process and were sometimes made to feel as though "they shouldn't be picky or be grateful for anything" by landlords and/or property management companies. Some felt landlords treated them differently after learning they had a housing voucher. Also, participants shared that in some buildings the low-income units do not have the same unit amenities as the market rate units in the same building, for example appliances are older; additionally, the low-income units are clustered together.

Participants reported it is difficult to find safe, quality affordable housing. Larger units (3+ bedrooms) are very challenging to find, and some felt pressure to "just take anything" because there are so few larger unit options. Finding affordable housing in a neighborhood with strong school ratings, reliable public transportation and neighborhood amenities were described as "finding a unicorn."

DEVELOPER SURVEY RESULTS

CSH conducted a survey of developers and other stakeholders in the metro region to gauge interest in participating in this study as well as gather baseline data on both affordable and market rate development activity. The following charts present data from the survey, which queried a mix of 39 non- and for-profit developers as well as service/housing providers, Community Development Corporations, local housing finance agencies, and government planners, among others. Some highlighted results were:

- Far more developers had operated in Jackson and Wyandotte Counties than the other locations.
- Developers had worked on a range of types of affordable developments, the top four most common were: 21 had developed smaller affordable housing (less than 100 units); 16 had developed single family homes; 17 had developed townhomes/multiplex style housing; and nine had developed supportive housing (respondents could choose more than one type).
- 25 respondents in total had developed some type of affordable housing. While most had only a few developments under their belt, 10 had more than six developments.
- Respondents had accessed many types of financing to fund their developments, with each reporting several types of financing utilized. The most common types were private financing (21), tax credits (18), city or county funds such as housing trust funds (15), and tax credits (12).

Open-ended responses are included in full as an appendix to this report. Analysis of the responses is included in the overall themes brought up throughout the various information gathering methods in this report.

Figure 4: Survey Results Showing Types of Developments by County

County	Affordable Development	Market Development	Both Development Types[5]
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

[5] Many respondents had not participated in either type of development (data not shown)

Figure 5. Types of Affordable Developments from Survey Respondents

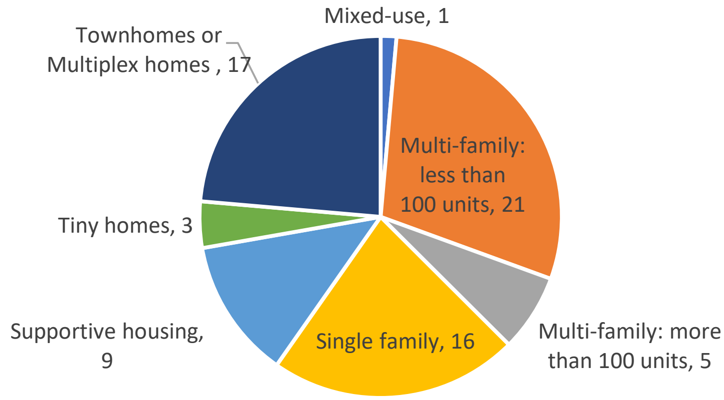


Figure 6: Types of Financing Accessed to Build Affordable Housing

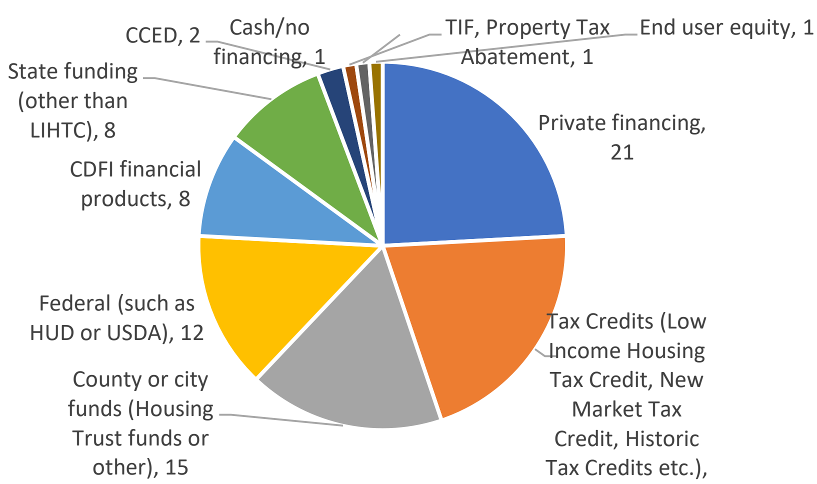


Figure 7: Number of Developed Properties by Type

# of Developments	Affordable	Market Rate	Other
1-5 Developments	17	9	1
6-10 Developments	8	4	0
10+ Developments	2	5	1
None	12	21	37

Figure 8: Affordable Developer Experience

Of the 25 respondents who had developed affordable properties in any of the nine RHP communities…
19 identified as developers
76% had developed multi-unit properties; 48% had developed single-family homes
36% had developed properties for high need ELI populations (supportive housing and tiny homes)
56% used tax credits
Government funding was the most-used type of funding (local, state, federal) with 32 mentions by 16 developers
76% of developers had accessed private financing to complete capital stack
10 developers reported having worked on more than six developments

KEY PILOT PROGRAM RECOMMENDATIONS

CSH collected housing data from various data sources and pair it with the qualitative data collected during the stakeholder engagements to glean common themes, barriers, incentives, and began to formulate strategies to mitigate barriers, create ideas for incentives programs and envision strategy solutions around the common themes. CSH also reviewed the interviews and focus group notes and created common themes and set out to develop ideas to pair the themes with actionable project ideas. All recommendations are implementable programming ideas, with some requiring coordination with other partners and others being within complete control of RHP, LISC, and/or MARC to create and implement.

There are many barriers that exist that require action by outside partners, such as local jurisdictions hiring more staff to cut down on processing times and allow developers to get to the closing table more quickly. While we strongly encourage advocacy around these types of barriers, recommendations included in this report are pilot project ideas that assume no action by outside partners and are actionable projects that can be created in the current environment. In a perfect world, we can solve for these issues. However, these recommendations are workarounds to run a parallel track until more permanent solutions are created to reduce the barriers to building more affordable housing units.

After compiling all the common themes, feedback, and research, CSH developed three pilot project recommendations to help reduce barriers and incentivize developers to create more affordable housing in the area. While we selected the below three pilot program ideas for both their urgent need and low barriers to implementation, there were other ideas that RHP leaders should consider, which are summarized in Figure 6.

Pilot Project Recommendation #1: Partnerships - Application Liaison

The first pilot project recommendation builds on the common theme of partnerships and helps address the barriers of access to funding and timing delays. Excessive processing times for applications and other housing development forms result in delayed closings. Delays closing result in higher costs, lost profits and other situations that make affordable housing deals less appealing to developers.

The recommendation is to identify a liaison or consultant to review and proofread applications prior to submittal to local jurisdictions to reduce errors, improve scores and cut down on processing times. The liaison would not be a project consultant nor compile the applications. Rather, the liaison would be able to talk through development issues with developers to ensure applications are complete and consistent throughout. This liaison can also check the submission against the funding program's scoring criteria to ensure the developer has included complete and thorough answers for scoring questions and provided all necessary supporting documentation. The liaison would provide feedback to developers on completeness, threshold, scoring and overall quality of submissions, as well as provide suggestions on how to strengthen the application and increase the chances of being funded.

For local jurisdictions open to assistance, the liaison could also provide a completeness check and checklist that local jurisdictions could rely on. This would take additional coordination and establishing a relationship, training, and criteria but it would provide a significant benefit to local jurisdictions that are understaffed and have backlogged applications. If the liaison can become "certified" with that locality to perform specific quality and completeness checks prior to submission that the jurisdiction will rely on, it should help speed up processing times and eliminate as much back and forth between the developer and locality.

The expected outcome is to have more applications submitted with few errors that can be processed more quickly. This will require less back and forth between the developer and local jurisdictions. Reduced processing time should help developers get to the closing table sooner and reduce the amount of time (and carrying costs). This will also (potentially) help local jurisdictions get caught up on backlogs if less time is spent processing each application.

Pilot Project Recommendation #2: Funding: Pre-Development Funding and Flexible Development Line of Credit

The second pilot project recommendation builds on the common theme of funding and helps address the barriers of access to funding, timing delays, and capacity issues. Accessing funding for pre-development activities as well as access to a flexible line of credit to keep the business operational while waiting for funding or payments to be made. Developers with limited affordable housing development experience and/or less robust financials often struggle to access funding for essential and required due diligence items, such as Phase I Environmental, market studies and appraisals, as well as professional services. BIPOC developers expressed frustration with not being able to access pre-development funding.

Pre-Development Loans: Create a pre-development funding program with tiered approach for lending flexible funds to assist developers with a wide variety of pre-development activities. With a tiered approach, developers with the least experience would have access to more intense technical assistance as they learn the development process. Underwriting standards should be flexible and eligibility criteria should be set to reach those with little to no experience. A sample tiered approach could include:

- Tier I: Developers with some experience that need more flexible eligibility requirements to access funds.
- Tier II: Developers with little to no experience, less robust balance sheets and limited capacity. These loans are potentially riskier but would help new developers gain access to the affordable housing industry. Trainings on development process and best practices, as well as technical assistance and help navigating local jurisdictions would be requirements for Tier II.

Line of Credit during Development: For many emerging developers, the timing of when profits, equity and/or funding are injected into a project can significantly impact a developer's ability to move forward. Having a revolving line of credit allows developers to cover payroll, cover project-related costs and keep the office and project operational while waiting on release of payments or lulls in payments due to development delays.

Emerging developers and those attempting to emerge would have access to essential start-up funding to gain experience in affordable housing development. Access to these funds will allow new developers to enter the market and produce more affordable units.

Pilot Project Recommendation #3: Education and Training: Affordable Housing Development Focused Learning Series and Master Class

A common theme in developer discussions was a lack of meaningful training for staff with appropriate level skills learning modules and practical application. We also heard from many that staff capacity is an issue and having staff out of the office for multi-day, consecutive days is not possible. Lastly, developers shared that one-size-fits all training programs are not as helpful because it does not allow for student feedback on where their learning gaps are and what they feel they need to learn.

Focused Learning Series: Students attend eight sessions (combination of virtual and in person). The first four sessions focus primarily on stages of the development process. Students learn how to identify a site, trauma-informed design, creating a capital, operating and service budgets and proformas, and more. Local professionals will be invited to sessions, where appropriate, to help provide real world as a supplemental learning tool. The last four sessions will be created after a group survey at the first class to determine what areas students would like to dive into deeper. This allows student to drive the half of the curriculum ensures the class is geared towards areas where they need assistance.

Master Class: Students attend a master class / capstone training course created to take the students through the entire development process (building on previous training). A case study will be created, proformas and other development tools will be used, and students will be "developing" a project to get experience. The case study project will be created to mirror a typical development process from identifying a site to leasing up the project. Typical roadblocks and challenges will be incorporated into the "project" as well. To end the class, teams will present their project, process, and challenges/triumphs/pain points/solutions.

Students will have access to a flexible, affordable housing development training that allows flexibility to address capacity concerns, allows content to be created specifically by students to ensure relevant topics are covered and provides a second component that allows students to apply what they learned to a project for practical application of skills learned.

ADDITIONAL RECOMMENDATIONS

Comprehensive Funding Matrix and Interactive Calendar

- 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 programs 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.

Fresh Start 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

- 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

- Issue: Developers spend considerable time researching (from scratch) how to solve for 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 Public Housing Authority Convenings and Workshops

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.

Young Developers Mentoring Program

- 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

- 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 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 a 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

- 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

- 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.

SUMMARY OF PILOT PROGRAM RECOMMENDATIONS

Below is a summary of the pilot program recommendations to reduce barriers to pre-development funding for developers of all experience levels, help reduce timing issues related to application processing and closing delays and provide multi-level, student-driven educational series to help those new to the industry learn about the affordable housing development process. It is important to note these are pilot program concepts with the understanding that creation and implementation of the pilot project would be the next step in this important journey. Here is a summary of our three pilot program recommendations:

Pre-Development Funding and Flexible Lines of Credit

Create a pre-development loan program specifically for emerging developers and developers with little experience and/or robust balance sheet. The focus on this program is extending access to developers unable to access funding from other institutions to begin building their portfolio. Technical assistance and training would be a requirement of the funding program to help developers learn the process. Offering multiple tiers of funding and programming allows RHP to cater the offerings to the developer. Additionally, offering a line of credit in a comparable way to help cover costs during the life cycle of development related to delays and unexpected issues.

Housing Application Liaison

Identify liaisons to streamline local housing application processes, review/proofread applications prior to submittal, help with development issues to ensure applications are complete/consistent, check submission against funding program's scoring criteria along with supporting documentation and provide feedback to developers on applications and recommendations on how to strengthen them.

Affordable Housing Focused Learning Series and Master Class

Create a Focused Learning Series inclusive of eight sessions series on affordable housing development, with student-driven course content. This series should be supplemented with a Master Class to take a deeper dive and give participants an opportunity to develop a project with a case study example developer during the course.

There is significant room for affordable housing development growth and a local housing development community eager to help be part of the solution for the current affordable housing shortage. Starting the process of reducing barriers using these pilot project recommendations, implementing other recommendations made in this report, continuing to be vocal for more funding, being even more vocal about equal access to funding, advocacy for changes to scoring and eligibility criteria for funding that screens developers out rather than helps to screen them in, and holding regular listening session with the affordable housing development community to keep a pulse on what their needs are will better position RHP, LISC, MARC, developers and other affordable housing partners to bring safe, quality, affordable housing to the Greater Kansas City area.

EXHIBITS

A. Open-ended Responses from Developer Survey – Full Text

In your experience, what are the barriers to developing more affordable housing in the greater Kansas City region?
- Permitting processes, city politics/lack of political will, lack of local resources for affordable.
- Now it is higher interest rates, higher cost of materials and labor, trying to deliver rents and units below 60% AMI without government subsidy.
- Funding and limited opportunity for smaller developers.
- Constrained contractor and subcontractor market; limited sources of subsidy
- Large companies developing in areas where we typically gain deeds in using Urban Homestead Act. Affordability is not truly affordable for all. Actual developers willing to produce the kind of housing we truly need for those that are at or below the poverty line.
- Developers need a financial incentive.
- Approval processes, unknown risk factors in urban development (outdated infrastructure, remediation, building code issues for rehab), cost of materials (buildings cost the same in KC as they do in other regions, but market rate is relatively low), zoning laws limiting density, cost of labor, financing constraints, lack of public support
- Capital support for Black-led real estate development, capacity requirements that are not regarded equally among white developers who do not use their capital. lack of governmental recognition on the need to subsidize rising construction costs, few requirements and insignificant enforcement of Black developer utilization, and improper development education tools for Black and Brown developers.
- Zoning, taxes, perceived difficulty in getting through inspections, financing rates
- The specifications to develop are not consistent with the needs. The funding is not freely used to ensure housing is available. Requirements should be different than what may be used in state funding.
- Unreasonable city codes and zoning processes; supply chain problems post 2008 housing crisis; resistance from debt financiers; dearth of private equity partners; red tape at the federal level; intransigence of contractors; a system that favors developers taking their profits at the front end of the housing cycle; obstructionist neighborhood associations; in short an entire ecosystem arrayed against attainable housing that discourages anything but the development of large capital intensive projects.
- All the hoops you must jump through, lengthy process, and just a lot of people who talk about various economic development incentives and programs but entry to barrier seems expensive and drawn out instead of a straightforward streamlined process or centralized agency to assist with turnkey or one-stop services. Also, application cost and to my knowledge zero financial assistance to get projects through the pre-development phase.
- Creating the right capital stack that provides contractors at various stages of their business with the ability to participate with the right wages for the work performed.
- There is a gap in financing - plain and simple. We do not fund housing initiatives at the rate we need to - not since the 1970's. Hurdles for approvals at the State and local level (for example - by the City legal review process) also preclude a more diverse mix of developers from engaging in the process by delaying contracts and making it more expensive and challenging to get deals done. We are missing a huge opportunity to build equity, both socially and financially, in our community through the vehicle of real estate. Affordable housing needs to be addressed at the various levels of need - emergency shelter, extremely affordable with supportive services, rental and for sale/80% AMI opportunities. A stratified approach that builds bridges for people to move upward through the housing system, gaining stability.

-	Cost for labor/prevailing wage and materials prohibit what is considered affordable. There must be seed money/grants available to developers to bridge this gap.
-	The development cost of new construction of affordable housing without significant incentives and subsidies are too difficult to produce without sizable gaps. It renders the proposed project unable to succeed as rents do not cover the gap necessary to build the project. There are many barriers to numerous to mention in this short survey format.
-	Kansas City, MO has done a fairly good job incentivizing affordable housing development by providing property tax abatements through entities like the PIEA. With that said, it is possible that the reason these incentives are necessary is due to restrictions previously put in place throughout the city. City requirements such as M/WBE initiatives as well as prevailing wage requirements are incredibly expensive from a cost and time perspective.
-	Local government
-	Most developers want more concessions than should be given.
-	Availability of funding for non-commercial developers
-	Lack of participation by major employers, health care institutions, and philanthropy. This issue impacts everyone and must have all hands-on deck to bridge the gap between construction costs and affordability of quality homes for all.
-	Existing large development company competition, financing for redevelopment for small firms.
-	lack of funding, city inspections, inactive land bank - My org has not developed in KC but would like to do so. We have developed in mostly rural areas in KS, IA, OK, NE, and WI.
-	Many do not include for-profit, small-medium independent investors in conversations when we provide most housing units. Many conversations (and surveys like this one are biased, unfortunately). Why is that the case? All housing creators are needed (for profit & not for profit) & should be at the same table. One day when we are, we will get closer to truly solving the housing problem.
-	One of the issues is that it is entirely too difficult to get any help from City officials. I have sought to work in Wyandotte County, for instance, because they respond. But government officials in KCMO are known for being difficult to work with. The second issue is that affordable rates are just not conducive to making the profits needed to pull investors into the deal to make it work. You essentially have to work for 2 years to pull together a ton of incentives to POTENTIALLY make a deal happen. All the while, investors are waiting for returns that are at risk of not coming if the City does not approve the work. Overall, the risks are too great to do anything affordable. I have been wanting to do interesting work on Land Bank properties but have given up because of these reasons.
-	Pre-development financing.
-	Lack of engagement among partners capable of carrying projects to implementation.
-	Political support to get your MHDC application on the "Mayors List". It has been our experience that any deal not on the mayor's lists will not get awarded in the Kansas City MSA.
-	Access to funding and application process for funding
-	Gap funding / financing
-	Land and rehab costs. Securing long term funding / fundraising for operations of units and programs. Difficulty understanding complexity of various financial mechanisms.
-	Access to funding and capital

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