

RESOLUTION NO. 23-02

A RESOLUTION SETTING FORTH CERTAIN ASPIRATIONAL STANDARDS AND GOALS FOR HOUSING INCENTIVES IN THE CITY OF MCPHERSON, KANSAS.

WHEREAS, the City currently has the New Construction Housing Incentive Program (NCHIP) designed to stimulate construction for owner occupied affordable housing in the City of McPherson. The program incentive is directed primarily at owner-occupied structures and does not focus on rental properties; and

WHEREAS, the City established the Relocation Cash Assistance Program (RCAP) to encourage relocation of employees from area employers to locate their homes in McPherson. The program allows the City of McPherson to partner with local employers to incentivize employees relocating and purchasing or building a house within the McPherson City Limit;

WHEREAS, the 2020 the City of McPherson Housing Study and several other surveys and studies have identified a major need for affordable and market rate contemporary rental units and affordable workforce owner occupied units; and

WHEREAS, in 2013 the City of McPherson adopted policy setting aspirational goals and policies for establishing and allowing usage of Rural Housing Incentive District (RHID) as authorized by Kansas statutes;

WHEREAS, the State of Kansas has made several adjustments to the Rural Housing Incentive District (RHID) during the 2021 Legislative Session including allowance for the program to include renovation and conversion of upstairs spaces to residential in the Central Business District.

WHEREAS, the City intends to address its need for rental units and allow RHID state adjustments for second story residential renovations in the downtown district in accordance with relevant State Statute.

THEREFORE, BE IT RESOLVED by the Governing Body of the City of McPherson, Kansas, as follows:

1. Job Growth has increased the need for rental units and owner-occupied housing units in the City. Since the Study, issues of available rental housing have been compounded by the addition of new industry and expanding existing industry. The

addition of a new industrial plant and expansion of other industrial facilities have created more than 600 new jobs which has exacerbated an already tight rental market in the City. Owner-occupied housing has also been in high demand and short supply with limited available housing for purchase in the real estate market.

2. Future Job Growth will make the problem of people working in McPherson but living elsewhere worse. The need for high density multi-family living units continue to grow as industry continues to expand. In 2022, McPherson County's average labor force was 17,282. Of that number 13,155 lived in McPherson County and 4,127 or 24% commuted from outside of the County

3. In an effort to address this need, the City intends to create an updated Rural Housing Incentive District (“RHID”). The City intends to take the necessary steps to create RHID's within the City. To the extent reasonably possible, any RHID Project considered by the City will attempt to do the following:

a) The City's RHID program is focused on the following housing types which we are allowed to utilize the RHID incentive as provide for in Kansas Statutes:

1. Single family detached residential structures,
2. Single family attached residential structures,
3. Duplex residential structures,
4. Apartments
5. Townhouses,
6. Condominiums,
7. Garden/patio homes,
8. Senior living complexes and
9. Tiny homes and apartments
10. Any residential structure comparable in density to those outlined above and consistent with adopted building and zoning regulations.
11. New development of second story residential dwelling units in the downtown district which are designated as eligible and meet criteria as defined by Kansas Statutes.

4. Preference will be given to RHID projects in which development focuses on high density multi-family rental units (three or more attached units) with rents below 30% of McPherson's median monthly household income or owner-occupied units with prices points below the threshold for “workforce housing” price points as determined by the City. However, other consideration will be given to other type of units not meeting this priority. The City Commission reserves the right to set and adjust acceptable price limits for the category of “workforce housing.”

- a) In general, preference is given to any RHID development that adds at least thirty (30) total units per RHID district.
- b) All owner-occupied units constructed as part of RHID will be exempt from the benefits available in New Construction Housing Incentive Program (NCHIP) or Relocation Cash Assistance Program (RCAP)
- c) Recognizing that some development properties are more conducive to lower density rental housing and there is strong a need for affordable rental housing, consideration may be given to developments that have a lower density housing option (single-family/duplex) that take advantage of other programs or tools that require affordable rent structures. An example of an eligible project would be a project participating in the Low-Income Housing Tax Credit (LIHTC) Program offered through the Kansas Housing Corporation.
- d) RHID shall be considered for a period between twelve (12) and eighteen (18) years commencing with executions of a development agreement by both the City and a Developer. The number of years approved for the RHID are at the sole discretion of the governing body and will be dependent on how the potential project meets the housing needs of identified by the governing body. The start of the RHID period begins upon mutual execution of a development agreement:
 - 1) For RHID development with sixty-five percent (65%) of owner-occupied units shall be constructed at or below price limits that the McPherson City Commission determines is below the price point determined as acceptable to be consider workforce housing, up to eighteen (18) years of reimbursed qualified expenses will be considered for RHID incentives. The acceptable price point for “workforce housing” may be adjusted from time to time by resolution set by the City of McPherson Governing Body. The remaining thirty-five percent (35%) of the units can be above the City Commission defined price limit for units defined as “workforce housing”.
 - 2) For RHID development with sixty-five percent (65%) of rental units at or below 30% of McPherson’s monthly median household income in accordance with most current census data, up to eighteen (18) years will be considered for RHID incentives. The remaining thirty-five percent (35%) of units can have rents above 30% of McPherson citizens monthly median household income in accordance with most current census data.

- 3) For RHID development for all other owner-occupied units at other cost points and renter occupied with rents above 30% of median monthly income, up to twelve (12) years will be considered for RHID reimbursement.
- 4) The City Commission reserves the right to consider RHID year eligibility adjustments between twelve (12) and eighteen (18) years based for specific project based on the adjusted factors.

e) Eligible costs associated with an approved RHID for all projects will include expenses associated with design, construction, and inspection of public improvements including but not necessarily limited to publicly owned water, sanitary sewer, storm sewer, streets, drainage, electric extensions, street lighting, publicly located sidewalks, and in some cases limited flatwork including parking flatwork and private side sidewalks. Legal fees incurred by developer related to establishment of the district or other agreements associated with RHID, land acquisition, construction financing, landscaping, private utilities and other private improvements will not be eligible for reimbursement through RHID. For reimbursement purposes all receipts for eligible items must clearly indicate the purpose for expense being declared eligible with specific invoice support showing a differentiation between public and private improvements. The City Commission shall reserve the right to allow reimbursement for other priority community improvements associated with the development that meet eligibility for standard for reimbursement as in relevant State Statute.

f) Eligibility developments and structures for inclusion in the RHID Program must be built in accordance with all adopted city standards and codes.

g) A Housing Incentive Committee will review any request of inclusion of a development as part of an RHID and discuss the terms of the development agreement to be drafted by the City staff before being recommended for favorable consideration to the governing body. The Committee shall be comprised of the following individuals: the McPherson City Administrator, McPherson City Mayor, McPherson Commissioner of Public Lands, McPherson Commissioner of Public Works, USD 418 Superintendent or representative, McPherson County Administrator or representative, MIDC Executive Director or representative, and Go McPherson Community Recruiter or representative.

h) Pursuant to guidelines to be established from time to time, the developer of projects to be considered will perform a financial analysis for the project to determine if the rebates will cover estimated eligible costs of the project and

provide all reasonably requested supporting data. The analysis shall be calculated at a flat rate pegged to the initial estimated rebate increment.

i) For developments with a per home target market price as described in 4) d) 1) and 4) d) 2) of this policy, the minimum lot absorption schedule shall be the completion of fifty percent (50%) in the first three (3) years of the project following approval of the development agreement. For developments with a per home target market price in line with 4) d) 3) of this policy, the minimum lot absorption schedule shall be the completion of fifty percent (50%) in the first five (5) years of the project following approval of the development agreement. Lot absorption shall be defined as having completed residential structures with certificate of occupancy being issued by the City Building Inspector.

4. McPherson recognizes there is a great opportunity to incentivize downtown central business district second story residential development. Building owners in the Central Business District may apply for RHID in accordance with updates to the RHID legislation at the State Level. McPherson RHID Program shall allow for renovation of buildings or other structures more than 25 years of age primarily for residential use located in a central business district as approved by the Kansas Secretary of Commerce. Certification of the age of the building or other structure shall be submitted to the secretary by the governing body of the city with the resolution as provided by K.S.A. 12-5244, and amendments thereto. Eligible residential improvements shall include only improvements made to the second or higher floors of a building or other structure. Improvements for commercial purposes shall not be eligible. To the extent reasonably possible, any RHID Project in the Central Business District considered by the City will attempt to do the following:

- a) RHID for upper story residential properties shall generally be considered for a period of twenty-five (25) years commencing with designation of the RHID District. The number of years approved for the RHID on upper story residential structures are at the sole discretion of the governing body and will be dependent on how the potential project meets the housing needs identified by the governing body and may be reduced based on the City Commission's evaluation of the project.
- b) Eligible Upper story improvements for inclusion in the RHID Program must be built in accordance with all adopted city standards and codes.
- c) Incremental increases to property valuations as a result of development of new upstairs living units shall be eligible for reimbursement in accordance with KSA 12-5249, Section 1 (a)(10) et seq. Ground level commercial improvements are not eligible for reimbursement through RHID Program. Improvements

authorized as eligible for reimbursement shall include items such as: framing and finishing, modification to interior walls and exterior walls, electrical and plumbing improvements for the second floor, fire suppression and notification systems required to make the property compliant for upper story residential compliance, permanent fixtures in upper story, fire egress improvement required for residential units, and other improvements that city deems eligible.

- d) A Housing Incentive Committee will review any request of inclusion of a development as part of an RHID and discuss the terms of the development agreement to be drafted by the City staff before being recommended for favorable consideration to the governing body. The Committee shall be comprised of the following individuals: the McPherson City Administrator, McPherson City Mayor, McPherson Commissioner of Finance, McPherson Commissioner of Streets and Utilities, USD 418 Superintendent or representative, McPherson County Administrator or representative, and McPherson Chamber Executive Director or representative, or McPherson Main Street Director or representative.
- e) Property owner will be responsible for making the established improvements and submitting receipts for reimbursement. All receipts must specific the nature of completed improvements and the location of the improvements related to the project.
- f) Only improvements made after designation of RHID and approval by the Secretary of Commerce will be allowed in the plan.
- g) Failure to make ad valorem payments in the year taxes are due will result in removal of the approved building from the RHID Program.

4. Rules and Regulations. City Staff shall develop rules and regulations implementing this Resolution which shall be presented to the governing body for review and approval. The Final Rules and Regulations shall control the program.

5. Clawback Provisions: The City reserves the right to include any clawback provisions in development agreements that enforce the aspirational expectations associated with housing needs identified as a priority in this policy or those that may become priorities in the future.

6. Review. At least every three (3) years, City staff shall review the performance of the City's RHID program and recommend any changes, adjustments or termination of the program based upon past performance and current conditions.

7. No Third Party Beneficiary/Right to Interpret. This Resolution does not confer any rights to any third party. Any specific agreement with a third party shall be memorialized

in a developer's agreement. The rights to interpret this policy and alter this policy shall rest solely with the governing body.

Approved this 2nd day of May, 2023 and signed by the Mayor.

CITY OF MCPHERSON, KANSAS



Thomas A. Brown

Thomas A. Brown, Mayor

Attest:

Lisa Faust

Lisa Faust, City Clerk

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