

SECTION 7



**HOUSING DEVELOPMENT IMPLEMENTATION,
CONCEPTS & FUNDING SOURCES/
PARTNERSHIPS.**

SECTION 7: ***HOUSING DEVELOPMENT CONCEPTS & FUNDING SOURCES/PARTNERS.***

INTRODUCTION.

Section 7 of this **Housing Study** provides a discussion of **housing development concepts** and **funding sources/partners** for the City of Grand Island. This includes a discussion of various affordable housing development options, successfully being implemented in Nebraska, today. The Community of Grand Island can consider these and other successful affordable housing models in the development of needed housing types, during the next five years.

This **Section** also provides a discussion of funding sources and partners available to assist in both the financing and development of housing in Grand Island. Emphasis is directed at both public and private funding sources utilizing Local, State and Federal funding partners.

HOUSING DEVELOPMENT IMPLEMENTATION & CONCEPTS.

The successful implementation of housing target demand in Grand Island will depend on a firm understanding of the local housing industry and available housing funding resources. Solutions to housing opportunities in the Community can be achieved with a pro-active approach via collective partnerships among housing developers, funders, non-profit organizations, local elected officials and Grand Island citizenry.

The development of affordable housing throughout Grand Island will require the strategic application of a variety of both public and private funding sources. Typical private funding is secured from banks, foundations, major employers and individuals with a passion for financing housing and sustaining the livability of their Community.

“Affordable housing” applies to persons and households of all income sectors of the Community. Affordable independent living housing requires no more than 35 percent of the occupant's annual income for the cost of rent and utilities, or mortgage and associated mortgage interest payment, insurance and utilities for owner housing.

“Traditional “low-income housing” is for persons and families at 0 percent to 80 percent of the Area Median Income, commonly referred to as "Very-Low to Moderate Income". Housing for households within this income range, typically requires one or more public programs of financial intervention or support for buying down either or both the cost of development and/or operation, allowing the housing to be affordable (see above). The use of public programs of financial support will, typically, require income and rent or purchase limits.”

“Market-Rate Housing”, as it is typically referred to, is housing, both owner and rental, that typically meets or exceeds the current "street cost", utilizing no programs of public intervention or support, but, yet, is affordable (see above) to the tenant.”

“Section 8 Rental Housing (Project-Based)” is a government-funded program that provides rental housing to low-income households in privately owned and managed rental units. The subsidy stays with the building; when you move out, you no longer have the rental assistance. Most units rental cost will be 30 percent of your household adjusted gross income. There may be a variety of housing types available through this program including single-family homes, townhomes, or apartments.

“Section 8 Rental Housing (Tenant-Based).” Families with a tenant-based voucher choose and lease safe, decent, and affordable privately-owned rental housing.

Single family and townhomes are being developed as **Credit-, or Lease-To-Own (CROWN)**, affordable housing options in Nebraska Communities, including Grand Island. This housing option is typically funded with Low-Income Housing Tax Credits, awarded by the Nebraska Investment Finance Authority, with the CROWN or Credit-To-Own Program, HOME Funds and/or Nebraska Affordable Housing Trust Funds, available through the Nebraska Department of Economic Development (NDED) and/or Affordable Housing Program funds, provided by the Federal Home Loan Bank. Also included in funding affordable single family homes is conventional financing and Tax Increment Financing.

Although reasonably modest by design, all in an effort to maximize the use of tax dollars, **single family home CROWN units** provide all necessary living space for medium to large families. This includes three-bedrooms on the first floor, with the opportunity of an additional bedroom(s) in an egress basement, one bath, on the upper level, with the potential for another in the lower level, a great or family room, with additional space in the basement for family activities, a kitchen and dining area and, at least, a single stall garage. The square footage of these affordable single family homes typically ranges from 1,200 to 1,600 square feet. These homes are usually constructed on lots of 8,000 to 10,000 square feet, allowing for ample yard space.

Duplex/triplex rental housing is a popular affordable housing program in Nebraska for both, older adults, 55+ years of age, as well as singles, couples, and two-, three- and four-person family households. Financing similar to that available for the lease-to-own single family homes is also available for affordable duplex/triplex rental housing. This type of affordable housing can be made available for households ranging from 0 to 80 percent AMI, depending upon the selected funding subsidy. Net monthly rents for duplex/triplex rental housing have traditionally ranged from \$575 to \$865, depending upon the local housing economics of the subject community.

Affordable duplex and triplex rental housing provides an excellent low-density housing option for Nebraska communities, while maintaining a cost containment approach to building living space and maximizing the use of tax dollars. Duplex and triplex rental housing units range from 1,100 to 1,400 square feet, contain either two- or three-bedrooms, include a kitchen and dining area, a family room, at least one bath and a garage. Basements can be included in the development process, to provide additional living space, if necessary. **Affordable housing programs with supportive services for the subject tenant are the most successful programs.**

The availability and use of tenant- or project-based “**Section 8 Rental Assistance,**” with either single family or duplex/triplex affordable housing options, proves to be an “*economic enhancement*” to any housing program, allowing more households to be income eligible and, thus, allowing more local households access to affordable housing options.

Immediate housing alternatives are needed in the City of Grand Island as a solution to the Community’s growing population, especially workforce employees. Participants of the Housing Listening Sessions and Survey respondents identified a large number of employees are seeking affordable housing in Grand Island, but due to a lack of available and appropriate housing, are moving into homes and apartments that do not meet their needs and/or are not affordable.

The following immediate housing alternatives would create additional housing choices in Grand Island for persons and families of all income sectors. **It is recommended that the Community support this type of housing development through the identification of suitable lots, the approval of infill ordinances and design guideline review.**

Infill Housing.

Infill housing serves the purpose of creating housing units on vacant lots, generally located in or near the center of the Community, that would otherwise be considered too small for today's development standards. An advantage to this housing type is to make use of existing water, sewer and electrical utilities, already in place. Infill housing is widely considered to be a “**smart growth**” technique for Communities, with an average sale price, generally, lower than that of new residential subdivision development.

“Accessory” Housing.

Also known as “**In-Law Suites**” or “**Granny Flats,**” accessory housing can create additional housing opportunities in urban and suburban neighborhoods from surplus space, such as a second story of an existing housing unit or a detached structure. Accessory housing structures are growing in popularity in Communities dealing with issues pertaining to the displacement of low- to moderate-income residents. Advantages to this housing unit type include, but are not limited to, property owners living on-site, construction not consuming additional land, an alternative to traditional apartment life and a reduced cost of construction when compared to conventional apartment development.



Example of Infill Housing.

Conversion Housing.

Families meeting required guidelines established by the U.S. Department of Housing and Urban Development can apply for “**conversion vouchers**” that support families in public housing units being displaced due to demolition, transfer of ownership or unacceptable living conditions. Families are allowed to find a housing unit that is suitable for their needs and income, whereby 30 percent of the family’s income and Housing Authority payment standard, or the gross rent, whichever is lower, is covered through a Housing Assistance Payments contract with the owner. It is important for the Community of Grand Island to provide a variety of safe, decent housing alternatives in the event a public housing complex falls victim to the previously mentioned scenarios of substandard housing.

Single Room Occupancy (SRO) Housing.

This housing type is typically developed as expanded dormitory-style housing and consisting of six, eight or more units per building. **SRO housing** is a suitable housing type for young professionals entering the workforce and serves as a type of transitional housing for young families. Major employers should see this housing type as an advantage to reduce the commute times of their employees and become active in its production through partnerships with local development corporations and developers.

FUNDING SOURCES/PARTNERS.

To produce new and upgrade existing renter and owner occupied housing in Grand Island, Nebraska, **public/private partnerships** must occur to access affordable housing programs, which will reduce the cost of development and/or long-term operations. The following information identifies various funding sources, programs and strategies available to assist in financing future housing activities in Grand Island. The (strategic) combination of two or more sources can assist in reducing development and/or operational costs of proposed affordable housing projects.

LOCAL FUNDING OPTIONS.

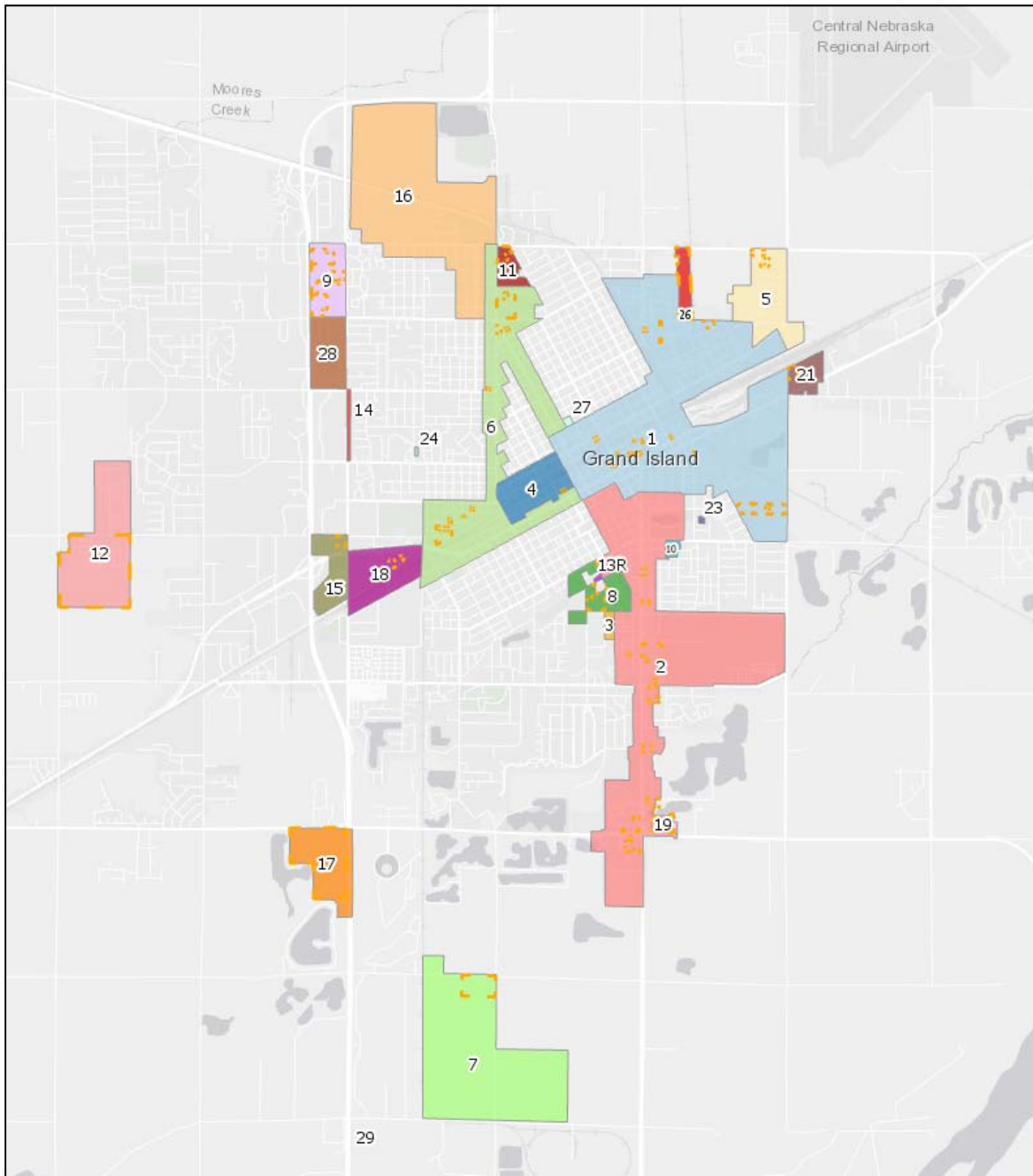
Local funding for use in housing development and improvement programs are limited to two primary sources: (1) local tax base and (2) dollars secured via state and federal grant and loan programs, which are typically only available to local units of government (Village, City or County).

Local Tax Base Options.

Tax Increment Financing (TIF) can use added property tax revenues, created by growth and development in a specific area, to finance improvements within the boundaries of a designated Redevelopment Area. Utilizing the Nebraska Community Development Law, each community in Nebraska has the authority to create a Community Redevelopment Authority (CRA) or Community Development Agency (CDA).

A City or Village with a CRA or CDA has the authority to use TIF for commercial, industrial and residential redevelopment activities. The CRA/CDA can utilize TIF for public improvements and gain the revenue associated with these improvements. The tax increment is the difference between the taxes generated on an existing piece of property and the taxes generated after the redevelopment occurs. One hundred percent (100%) of the increment can be captured for up to 15 years, by the CRA, and used for public improvements in a designated Redevelopment Area. Every Community in Nebraska is eligible to utilize TIF, after a CRA or CDA has been established and a Blight and Substandard Determination Study has been completed by the Community. TIF may be used for infrastructure improvements, public façade improvements in the Downtown and to purchase land for commercial or industrial development.

The City of Grand Island has designated “Redevelopment Areas,” identified in the Illustration, below. Housing, Commercial and Industrial programs are eligible for TIF in these areas.



Local Housing Authority.

Public Housing Authorities or Agencies can sponsor affordable housing programs. The Housing Authority is empowered by existing legislation to become involved in all aspects of affordable housing in the Community. The Housing Authority has access to a variety of sources of funding, as well as the ability to secure tax exempt bond financing for local based housing projects.

The City of Grand Island is served by the Hall County Housing Authority.

Local Major Employers and/or Community Foundation Assistance.

This is a common occurrence today within many cities and counties nationwide, in an effort to provide housing opportunities to low- and moderate-income persons and families. Major local employers and community foundations are becoming directly involved in housing developments and improvements. These Foundations and/or major Employers could provide the following:

- a) Direct grants;
- b) Low interest loans;
- c) Letter of Credit, for all or a percentage of loans;
- d) GAP Financing – provides financing to cover the unfunded portion of development costs, as a deferred or less than market rate loan to the development;
- e) Mortgage Interest Rate Subsidy – provides buy down of a conventional loan;
- f) Purchase Bonds/Tax Credits – make a commitment to purchase either/both taxable/tax exempt bonds and/or low-income tax credits utilized to Finance housing development; and
- g) Single-Room Occupancy housing for new employees of major employers.

Local and regional lending institutions serving a particular community or county should create a partnership to provide technical assistance to housing developers and share bridge- and permanent financing of local housing programs.

The previously described local funding options could be used separately or “pooled” together and utilized in equal proportions for the implementation of community-wide housing programs.

STATE PROGRAMS.

State programs available to assist in funding a community housing initiative include resources available from the **Nebraska Department of Economic Development (NDED)**, **Nebraska Investment Finance Authority (NIFA)**, **Nebraska Affordable Housing Trust Fund (NAHTF)**, **Nebraska Energy Office (NEO)** and **Nebraska Department of Health and Human Services (NDHHS)**. The following describes primary housing funding programs provided by these agencies.

Nebraska Department of Economic Development (NDED).

The proposed **2019 Annual Action Plan**, prepared and administered by the NDED, has the following, approximate allocations of State and Federal funds available for housing activities.

- \$23.9 Million - Community Development Block Grant.
- \$4.8 Million - HOME Investment Partnership Fund.
- \$871,000 - Emergency Solutions Grant Program.
- \$4.0 Million - Homeless Shelter Assistance Trust Funds.
- \$10.6 Million - Nebraska Affordable Housing Trust Fund.
- \$507,000 - Housing Opportunities for Persons with AIDS.
- \$4.5 Million - Federal Housing Trust Fund.

NDED administers the non-entitlement **Community Development Block Grant (CDBG)** program, available to Nebraska Community and County municipalities for financing housing, planning and public works projects. All Nebraska Counties and Communities are an eligible applicant for CDBG funds. **The City of Grand Island, as well as Lincoln and Omaha, receive an annual allocation of CDBG funds, from the Department of Housing and Urban Development, as entitlement communities.** The remaining Nebraska Communities are classified as non-entitlement Communities and compete annually for CDBG funds for various community and economic development programs, including housing. Nebraska Communities, with a population of 5,000+ are eligible for multi-year CDBG funding from the Comprehensive Revitalization Category of funding.

NDED also administers the **HOME** funds. HOME funds are available to authorized, local or regional based Community Housing Development Organizations (CHDOs) for affordable housing repair and/or new construction, both rental and owner. An annual allocation of HOME funds is established for CHDOs based on individual housing programs. HOME funds are also available to private developers, via a local non-profit as gap financing on affordable housing projects.

Two CHDO serves the Grand Island area: Central Nebraska Community Action Partnership and the Housing Development Corporation. These CHDOs provide housing services such as weatherization and rent and utility assistance. South Central Economic Development District is available to provide community and economic development grant preparation, implementation activities and services. Grant administration is also provided by South Central Economic Development District.

The City of Grand Island is currently organizing a Housing Improvement Partnership (HIP) to serve as a Community Housing Development Organization, or CHDO for the City. HIP, in addition to conducting standard, common CHDO activities, could administer local State and Federal grant opportunities for housing development, redevelopment and rehabilitation in Grand Island.

Nebraska Affordable Housing Trust Fund (NAHTF).

The NAHTF is available to assist in funding affordable housing programs. The Trust Fund is administered by the NDED and is used to match with Low-Income Housing Tax Credit allocations, for new affordable rental housing, funding of non-profit operating assistance, financing distressed rental properties and the acquisition/ rehabilitation of existing rental programs.

LB 518-Rural Workforce Housing Investment Act/Rural Workforce Housing Fund (RWHF).

In 2017, the “**Rural Workforce Housing Investment Act**” (Legislative Bill 518) was adopted to allow non-profit housing developers to allocate funds from the NAHTF into a **Rural Workforce Housing Fund (RWHF)**. This allows the non-profit developer to apply for grant dollars for housing development and/or rehabilitation for the purpose of creating housing opportunities for workforce populations. Projects must be within municipalities in Counties with populations less than 100,000. An amount of up to \$1 Million can be applied for by rural Communities throughout Nebraska. Grants must document a “one-to-one” match fund.

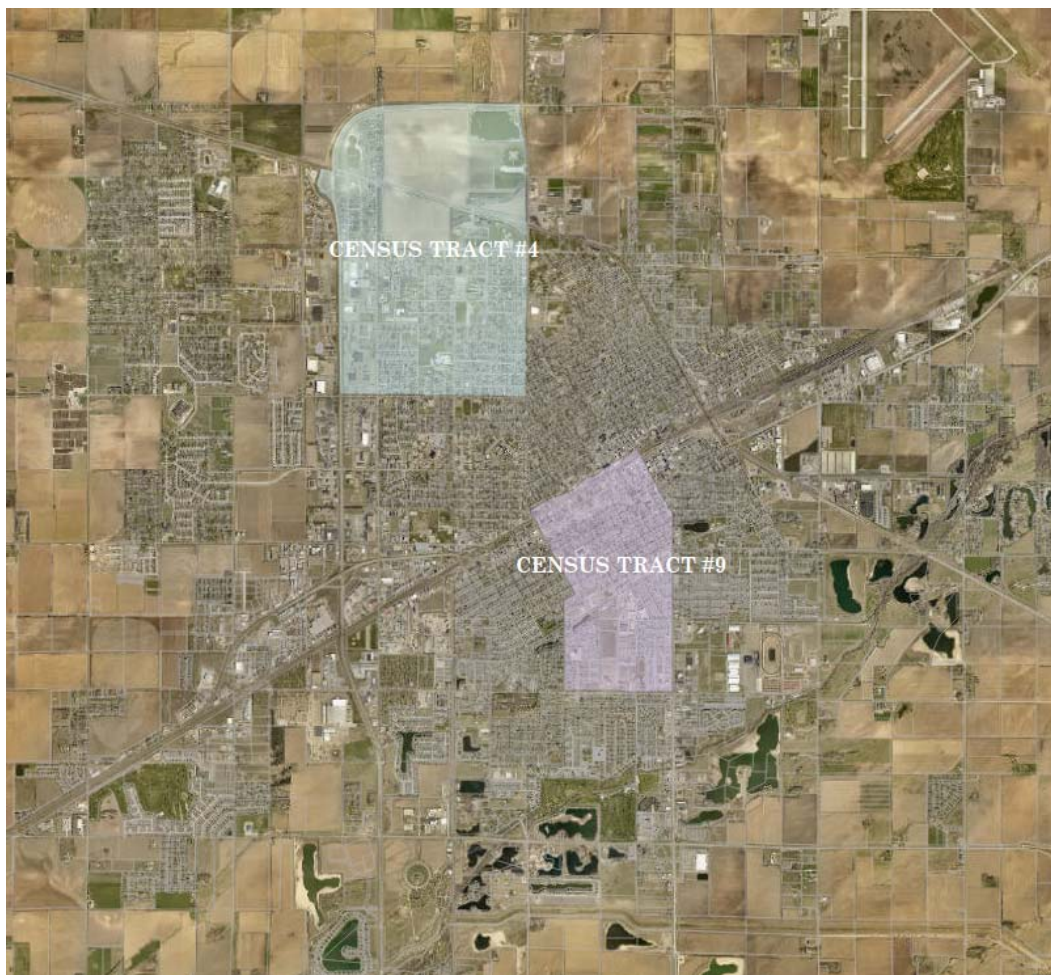
Opportunity Zones.

The **Tax Cuts and Jobs Act of 2017** allowed for all state Governors to designate Census Tracts as “**Opportunity Zones**” to promote investment and economic development activities in areas deemed “low income and/or economically disadvantaged.” Developers choosing to construct facilities and buildings on sites in an opportunity zone can take advantage of various tax incentives and deferrals as a means of creating economic opportunities in these areas.

As per the Nebraska Department of Economic Development, and approved by the Nebraska State Governor, a Census Tract can qualify as an opportunity zone if it meets the following criteria:

- a) The tract poverty rate was at least 20%, or;
- b) If located in a metropolitan area, the tract's median family income did not exceed 80% of the greater of (i) the median family income in the metropolitan area or (ii) the statewide median family income, or;
- c) If located in a non-metropolitan area, the median family income for such tract did not exceed 80% of the statewide median family income.

Currently, two Opportunity Zones have been designated by the Nebraska State Governor in the City of Grand Island. These include Census Tracts #4 and #9. Tract #4 is located in north central Grand Island, while Tract #9 is located in central and southern Grand Island. The Illustration, below, identifies the location of these two opportunity zones.



Nebraska Historic Tax Credit (NHTC).

On April 16, 2014, Legislative Bill 191 was signed into law, which created the Nebraska Historic Tax Credit. This new historic tax credit will serve as a valuable incentive to allow Nebraska real property owners to offset Nebraska income, deposit or premium tax amounts equal to twenty percent of "eligible expenditures" on "improvements" made to "historically significant real property." Nebraska is now the 36th state to provide a historic tax credit at the state level, which is a tax credit that is separate and distinct from the federal historic tax credit.

The Nebraska State Historic Tax Credit establishes a \$15,000,000 tax credit pool, and the Nebraska State Historical Society (SHPO) will handle the annual allocation of the credits for the 2015, 2016, 2017 and 2018 tax years.

The program encourages the preservation of the State's historic buildings for the following important outcomes:

- ◆ Incentives for redevelopment of historic properties and districts across the State.
- ◆ Private investment in historic buildings, downtowns and neighborhoods.
- ◆ New uses for underutilized and substandard buildings.
- ◆ Jobs and economic development in Nebraska communities, both rural and urban.
- ◆ Creation of housing units.
- ◆ Revitalized communities through preservation of historically significant buildings and districts.
- ◆ More heritage tourism in communities.

Basic provisions of the NHTC:

- ◆ Twenty percent (20%) Nebraska tax credit for eligible expenditures made to rehabilitate, restore or preserve historic buildings.
- ◆ Maximum of \$1 million in credits for a project, a dollar-for-dollar reduction in state tax liability.
- ◆ Tax credits can be transferred with limitations.
- ◆ Rehabilitation work must meet generally accepted preservation standards.
- ◆ Detached, single-family residences do not qualify.

To qualify, a historic property must be:

- ◆ Listed individually in the National Register of Historic Places or
- ◆ Located within a district listed in the National Register of Historic Places or
- ◆ Listed individually under a certified local preservation ordinance or
- ◆ Located within a historic district designated under a certified local preservation ordinance.

The minimum project investment must equal or exceed:

- ◆ The greater of \$25,000 or 25% of the property's assessed value (for properties in Omaha and Lincoln). \$25,000 (for properties located elsewhere).

Nebraska Investment Finance Authority (NIFA).

NIFA is a major provider of funding for affordable housing development in Nebraska. The primary program is the **Section 42 Low Income Housing Tax Credits (LIHTC)** utilized to help finance both new construction and rehabilitation of existing rental projects.

LB 884-State Low-Income Housing Tax Credit is another source of funding for affordable housing.

A popular LIHTC Program is the CROWN (Credit-to-Own). CROWN is a lease-to-own housing program developed to bring home ownership within reach of very low-income households while assisting local governments in revitalizing their neighborhoods. The objectives of the program are to:

1. Construct housing that is decent, safe and permanently affordable for low-income residents;
2. Develop strong public/private partnerships to solve housing problems;
3. Offer renters a real plan to own a home; and
4. Restore unused, vacant in-fill lots to become a neighborhood asset.

CROWN utilizes the LIHTC program as one financing tool. Other sources of financing may be HOME funds, NAHTF, Federal Home Loan Bank funding, local government grants and loans and traditional development financing sources.

CRANE (Collaborative Resources Alliance for Nebraska) is a LIHTC set-a-side program for targeted resources, for community development and housing programs.

NIFA also provides the Single Family Mortgage Program – This program provides a less than current market interest rate for First-time Homebuyers in Nebraska. Local lender participation is encouraged in this Program.

NIFA is also a funding participant in the **Rural Workforce Housing Fund**.

NIFA provides funding for the **Housing Study Grant Program** to assist in financing community, county and regional housing studies and related planning projects.

Midwest Housing Equity Group (MHEG).

MHEG was created in 1993 to secure equity capital to invest into affordable rental housing throughout Nebraska, Kansas, Iowa and Oklahoma. **MHEG** is a privately-owned non-profit corporation with a seven-member board of Directors and receives no federal or state dollars. **MHEG's** income is derived from its ability to obtain equity capital and investing into affordable housing properties. **MHEG** provides equity financing for the federal low income housing tax credit program, as defined in Section 42 of the Internal Revenue Code. In addition to tax credit syndication, **MHEG** staff provides technical assistance to developers, owners and management companies on the development/management of tax credit properties.

Midwest Housing Development Fund (MHDF).

Founded in 2000, **MHDF** is a non-profit community development financial institution whose main goal is to provide “nontraditional financing needs” for affordable rental housing development, redevelopment and rehabilitation. As per the **MHDF** website, “The primary financing product of **MHDF** is predevelopment loans that are provided to borrowers prior to them having access to traditional construction and permanent financing.” Types of loans available through **MHDF** include predevelopment, construction, gap financing, land/infrastructure and permanent (post construction) loans.

Community Housing Development Corporation (CHDO)/Community Action Partnership/Economic Development District.

The **Community Action Partnership** serving a particular Community or County can provide housing and weatherization programs in a specified service area. A Community Action Partnership also provides community social services, emergency services, family development and nutrition programs. Nebraska Communities and Counties should work with their Community Action Partnership to provide safe, accessible, affordable housing to its residents.

Central Nebraska Community Action Partnership and the **Housing Development Corporation** serves as the **CHDOs** for the **City of Grand Island** regarding the provision of affordable housing. The **Nebraska Housing Developers Association** is a State-wide organization providing important housing capacity building and support for local housing development corporations. Community, economic and housing development grant writing administration is available with **South Central Economic Development District**.

Two CHDOs serve the Grand Island area: the **Housing Development Corporation** and **Central Nebraska Community Action Partnership**. These **CHDOs** provide housing services such as weatherization and rent and utility assistance. **South Central Economic Development District** is available to provide community and economic development grant preparation, implementation activities and services.

Nebraska Energy Office (NEO).

Low-Income Weatherization Assistance Program – This Federally funded program assists people with low-incomes by making energy improvements to their homes. The program is a State-wide effort carried out primarily by Nebraska Community Action Partnerships. The weatherization program concentrates on energy improvements which have the greatest impact on making recipient’s homes more energy efficient, thereby lowering their energy consumption. Eligible weatherization measures include caulking, weather stripping, ceiling, wall and floor insulation and furnace repair.

Nebraska Department of Health and Human Services (NDHHS).

NDHHS administers the **Nebraska Homeless Shelter Assistance Trust Fund** and **Emergency Solutions Grant** to assist local or regional based groups in the provision of housing improvements for homeless and “at risk of homeless” persons and families.

REGIONAL FUNDING.

Federal Home Loan Bank.

Affordable Housing Program – This program makes low-interest loans to Finance home ownership for families with incomes at or below 80 percent of the median income for the area. The program can also Finance the purchase, construction or rehabilitation of rental housing in which 20 percent of the units are occupied by and affordable to very low-income households. These funds are available through the Federal Home Loan Bank member institutions in Nebraska and are loaned on a competitive basis, with semi-annual application dates. This program can be combined with other programs (i.e., State CDBG, Low-Income Housing Tax Credit, etc.) to absorb the development subsidy requirements for both rental and owner occupied housing projects.

FEDERAL FUNDING

A primary provider of Federal funding to Nebraska Communities and Counties for housing development, both new construction and rehabilitation, is the **Department of Housing and Urban Development (HUD)**. Housing programs provided by HUD are available for both profit and non-profit developers. Funds from these programs are commonly pooled with other public funding sources, as well as conventional financing.

U.S. Department of Housing and Urban Development (HUD).

- **Section 8 Moderate Rehabilitation SRO’s** – Available to Public Housing Authorities to provide rental assistance for homeless individuals in rehabilitated single-room occupancy housing.

- **Shelter Plus Care** – Provides rental assistance and supportive services on a long-term basis for homeless individuals with disabilities.
- **Mortgage Insurance** – The HUD 221(d)(4) provides up to 100 percent mortgage insurance for non-profit developers and 90 percent mortgage insurance coverage for profit-motivated developers 221(d)(4). Permanent financing can be provided via the public funds (i.e., CDBG, HOME) and/or conventional financing.

Other Federal Funding.

Other funding products that may serve to be useful in the development of affordable housing for persons with a serious mental illness are the HUD Rural Housing and Economic Development Fund, the Native American Housing and Self-Determination Act and CDBG funds and the Rehabilitation Tax Credit, available via the Historic Preservation Act.