



REPORT TO THE LEGISLATURE

UPDATE: Housing Affordability and Missing Middle Report 2021

Authorizing legislation: LB 866

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EXECUTIVE SUMMARY

This report is to document efforts put forth towards addressing the availability of and incentives for affordable housing pursuant to the Legislature passing of LB 866, which adopted the Municipal Density and Missing Middle Housing Act.

The City of Hastings has been well aware of the community's issues surrounding the availability and condition of housing. This is one reason that the City, in partnership with the Community Redevelopment Authority (CRA), Hastings Economic Development Corporation (HEDC) and Hastings Chamber of Commerce pursued and were awarded a grant with the Nebraska Investment Finance Authority (NIFA) to help fund a Housing Study in 2019. The goal of the Housing Study was to assess the general health of the housing market, current conditions of the housing stock, assess and forecast current and future housing needs based on projected population and employment trends. The finalized Hastings Housing Needs Assessment for 2021 can be found at https://www.cityofhastings.org/assets/site/coh/documents/Administration/Studies/Hastings%20Housing%20Study_Final%202002.10.21.pdf and was a major step towards our affordable housing effort in the last two years. In January of 2020, as part of this housing study, a public engagement survey was undertaken to gather the local communities' opinion of the area housing. Our survey included a question about satisfaction with existing housing and had an open-ended response from anyone that was not satisfied. Thirty-nine percent of the 755 respondents were unsatisfied. Of this 39%, approximately 5% were unsatisfied with our City's middle-income or workforce housing options.

DATA

The City of Hastings Housing Needs Assessment Housing Study has been crucial in assisting Staff with a way to better determine a measurable parameter for our missing middle or workforce housing as it correlates to home valuation. According to Table 3.3 *Household Income Ranges-Hastings*, the largest Household income in the City of Hastings tends to fall between \$50K and \$75K; and it is this group of approximately 1935 people that represents 18.4% of the 2019 household by income base. Because we know that standard practice by most lending agencies is to take the household income and multiply this by 3 to figure an affordable home value, we have determined that the starting point for the City of Hastings "missing middle" income bracket is \$150K (50,000 x 3) and that the top portion of this bracket is \$225K. We have extended this range out further an additional \$25K to \$250K in order to accommodate for inflation and demand. This range is also in line with what 51.6% of the Housing Study survey respondents stated they could afford in Question 26, which asked what was the most they could afford for a home. Many of the focus groups interviewed as part of this study also expressed a need for homes valued in this same range (i.e., Mary Lanning, Young Professionals, Realtors, College students and School Administrators). These groups largely represent the types of professionals that we would consider seeking workforce housing.

Below we have included statistics of homes built over the last 2 years with a more specific data point of those that were valued in our communities “Missing Middle” residential valuation range and a percentage of how many of the new homes built during those years met the missing middle target.

During the period of January 1, 2019 — December 31, 2020, there were 120 new homes built and roughly 65% met our target valuation range for workforce or “missing middle” housing.

Table 1: City of Hastings Housing and Missing Middle Data

YEAR	TOTAL HOMES BUILT	HOMES VALUED BETWEEN \$150K-\$250K	% MET
2019	79	53	67%
2020	41	25	61%

STATUS UPDATE

Many of the recommendations provided in the City of Hastings Housing Needs Assessment 2021 are key to assisting us with the adoption of an affordable housing action plan as is also required with LB 866. Below is a table outlining recommendations made by this study that Staff has either already implemented to address housing availability or intends to pursue as part of this Affordable Housing Action Plan:

Table 2: City of Hastings Housing Needs Assessment 2021 Status Table

Recommendation	Actions Taken	Future Intentions	Timeline
Code Enforcement – more proactive approach to very poor structures and landlords. This accounts for 20% of housing stock.	Hired fulltime Code Enforcement Administrator. To this point had been an additional duty for our only FTE Building Inspector.	1) Explore and, if feasible, implement a Rental registration program. 2) Approach property maintenance proactively.	End of December 2022
Land Banking & Redevelopment – Vacant and abandoned property intervention	Researching & seeking interested parties to form a committee.	Hastings is a good candidate for this type of program. We have approx. 400 properties vacant that are likely vacant or abandoned due to property maintenance	End of December 2024

Recommendation	Actions Taken	Future Intentions	Timeline
		issues. Many of these may be undesirable to redevelop due to liens that this program could clear to encourage redevelop.	
<p>Inclusive Housing Requirements – inclusive housing ordinance requiring larger projects to set-aside a % of homes that fall into the missing middle</p>	<p>Researching & benchmarking similar communities housing requirements.</p>	<p>This may be something we explore as part of our zoning code updates. Housing study recommended this be for developments of 10 or more units; that 20% be at 80% AMI or below as rentals and 120% or below for ownership.</p>	<p>End of December 2024</p>
<p>Modular & Manufactured Housing – more affordable options</p>	<p>Researching & benchmarking. Also exploring alternative housing with regard to shipping container conversions and tiny homes.</p>	<p>Need to update zoning code to better address these options. Mobile home codes are also dated and need to be brought up to speed to the more modernized mobile homes and how that has changed our code requirements. Updates to these codes might relax requirements and encourage more of these types of homes being built. Our code does not address Tiny homes or shipping container homes</p>	<p>End of December 2024</p>

Recommendation	Actions Taken	Future Intentions	Timeline
		<p>which are more recent trends in the affordable housing realm. This is likely something to also address with our zoning code updates.</p>	
<p>Existing Comprehensive Plan and Zoning Code Updates</p>	<p>Staff has prepared the draft Request for Proposal.</p>	<p>Once this has been fully reviewed and approved for distribution by City Council we will hire consultant and start these important updates.</p>	<p>End of December 2024</p>
<p>Expansion of Finance Options, and continuation and expansion existing programs</p>	<p>The Community Redevelopment Authority (CRA), Business Improvement District, Hastings Economic Development Corporation and Habitat for Humanity have all contributed in the past 2 years to providing housing. Around 134 units have been added as part of several projects that these organizations have overseen and contributed towards (i.e., THOAR – Cameron Building, Luckke LLC, Osborne View Estates, Pioneer</p>	<p>In future we would like to see the CRA become more involved in redevelopment in areas with high concentrations of poor-quality housing. The consultants to our needs assessment will be providing a heat map of the areas that need more attention. Code Enforcement Administrator will maintain this once it is provided by the consultants and this tool will better assist us and CRA in targeting areas of need that can be revitalized to a greater middle-</p>	<p>End of December 2024</p>

Recommendation	Actions Taken	Future Intentions	Timeline
	<p>Trail Flats and Mesner North Project).</p> <p>In early 2018 Hastings received an award of \$850,000 from the Nebraska Department of Economic Development. The award we received was matched by the Hastings Utilities Economic Development Incentive Fund in the amount of \$850,000 as well as the Hastings Economic Development Corporation in the amount of \$100,000 to create an initial fund of \$1,800,000 to be used for housing projects in our community.</p> <p>Regular cleanup continues to sell off pieces of property acquired by the City when the owners can no longer care for it. City recently sold by way of sealed bids a residentially zoned property that Habitat for Humanity that will be developed for multi-family use.</p>	<p>income value. We also envision the CRA in taking a lead role in land banking as they can acquire, hold and sell the land.</p> <p>We would like to also focus on efforts, in coordination with lenders, to educate the public on loans that could encourage renovation and/or expansion of the 400 vacant properties in Hastings. The needs assessment talks specifically about the FHA Rehabilitation Loans.</p>	

Though the City of Hastings values the data they have acquired from the City of Hastings Housing Needs Assessment, not all of our efforts to addressing availability of housing and better incentivize housing for the missing middle comes from the recommendations found in the Housing Study. Below is a summary of additional efforts that will contribute to making housing more affordable to our missing middle:

1. **Better Tracking Software:** In mid-February of 2021 our department brought online a new outward facing online permit capability, along with an improved internal tracking system. We selected a software called iWorQ. Prior to this we utilized an Access database that did not communicate with the seamless document online permits that were available to pull. Our permit technician had to re-enter the permits. This software allows our staff to track things in the past we could not and to also then connect all the actions taken on a property (i.e., zoning, building and code enforcement) to a single address or parcel. From a Code Enforcement perspective this has better poised us to track homes in accordance to valuation and details we might not have been able to track previously. This also makes it easier to track property maintenance issues for our 400 vacant homes that have potential to redevelop into “missing middle” homes, as well as for us to implement a potential rental registration program when we add the licensing module this new budget year. Though these items don’t directly impact the “missing middle”, they do make tracking and administering programs towards addressing the availability of homes in this bracket much easier than it would have been in the past.
2. **Building Fee Restructuring:** Our existing fee schedule for residential building permit fees is based on a formula that is recommended by the International Code Council. These formulas calculate a fee based on a building’s valuation. Our fee schedule had not been re-evaluated in many years. This year, due to several bills introduced that would cap our operational costs at 3%, we realized we would need to reconsider gradually becoming more of a fee-based operation. As we evaluated those costs, we began to realize that our fees are currently structured to taper down our residential fee percentage when it comes to a home valuation exceeding \$500K. This means we give a break in overall fees to those homes being built that are over \$500K, but this spectrum represents a high-income level and exceeds our middle-income range. Therefore, in the next fiscal year and starting October 1, 2021 we have reversed this fee break to taper up. Our residential building valuation fee will not be increased and will remain the same for those homes valued up to \$250K. However, there will be an increase for those residential structures exceeding a valuation of \$250K on the percentage from .0036 to .0046 and then another increase to .0056 for those residential structures exceeding a valuation of \$500K. In this way, we are encouraging more affordable homes to be built within our fee schedule. Those that are built in our missing middle-income bracket of \$150K- \$250K will be a part of this fee break.

CONCLUSION & NEXT STEPS

The City of Hastings will update the City of Hastings Housing Needs Assessment 2021 Status Table found in our Status Update Section of this report moving forward every two years from the date of this report, as noted in your March 18, 2021 letter outlining our requirements. We will also prepare and submit the required Affordable Housing Action Plan on or before January 1, 2024. The City of Hastings has some new projects on the future horizon that are significant strides towards increasing the availability of workforce or “missing middle” income housing. We have just signed and filed the Theatre District Subdivision plat which will include 2 additional apartment structures that will each add 75 units. That will provide a total of 150 units targeted towards 55 years and older and these units are expected to fall into this valuation. There is another developer that we are in discussions with regarding a potential development directly to the north of our Walmart store, north of 42nd Street and south of our Lochland area. The amount of expected units for this development has yet to be determined but this developer is interested in targeting the housing he provides to meet the City’s greatest needs. Our future with affordable housing is positive and we expect this to continue into the future as we grow.