

ONE HUNDRED FIFTH LEGISLATURE - FIRST SESSION - 2017
COMMITTEE STATEMENT (CORRECTED)
LB518

Hearing Date: Monday February 13, 2017
Committee On: Business and Labor
Introducer: Williams
One Liner: Adopt the Rural Workforce Housing Investment Act and transfer funds from the Affordable Housing Trust Fund

Roll Call Vote - Final Committee Action:
Advanced to General File with amendment(s)

Vote Results:

Aye: 7 Senators Albrecht, Chambers, Crawford, Halloran, Hansen, Howard, Lowe
Nay:
Absent:
Present Not Voting:

Verbal Testimony:

Proponents:

Matt Williams
Richard J. Baier
Mel McNea

John W. Madsen
Christy Abraham
Kent Thompson
Clifford Mesner
Joe Kohout
Dave Rippe

Sara Tichota

Opponents:

Thomas Judds

Neutral:

Representing:

Introducer
Nebraska Bankers Association (NBA)
Great Plains Health, Development Economic Association of North Platte
NBA, NICB, CNEDD, Village of Stuart
League of Nebraska Municipalities
Nebraska Realtors Association
Mesner Development Company
Nebraska Regional Officials Council
Hastings Economic Development Corporation,
Nebraska Economic Developers Association, Nebraska State Chambers
Nebraska Housing Developers Association

Representing:

Self, member of the public

Representing:

Summary of purpose and/or changes:

Sec. 1. creates the Rural Workforce Housing Investment Act.

Sec. 2. contains legislative findings: 1) that current economic conditions and limited availability of housing impact the ability of Nebraska's rural communities to recruit and retain a quality workforce, which in turn impacts the ability of communities to maintain and develop thriving economies and public employers; 2) there is a shortage of contractors willing to develop new housing in rural communities; and 3) in order to develop housing options in order to recruit workers in rural communities, it is the intent of the Legislature to use new and existing resources to support creation of

workforce housing investment funds.

Sec. 3. definitional section. Defines department as the Department of Economic Development, director, eligible activities of a workforce housing investment fund, HOME funds, matching funds, nonprofit development organization, qualified activities, qualified investment, rural community, workforce housing, and workforce housing investment fund.

Sec. 4. requires the director to establish a workforce housing investment grant program. A nonprofit development organization may apply for a grant. Through fiscal year 2019-20, grants will be awarded by the director on a competitive basis until grant funds are no longer available. Grant maximums shall not exceed \$2.5 million to any one nonprofit development organization over a two-year period, with no more than \$5 million cumulative for a single grantee through fiscal year 2019-20. Grants require a one-to-one matching fund. Unallocated funds will be rolled to the next program year, but unused funds as of June 30, 2021 will be returned to the Rural Workforce Housing Investment Fund.

Grants will be awarded based upon the following: 1) a demonstrated and ongoing housing need; 2) a community or region with low unemployment that is having difficulty attracting workers; 3) a community or region that exhibits commitment to housing growth; 4) projects that can reasonably be ready for occupancy in a two year period; and 5) a demonstrated ability to grow and manage a workforce housing investment fund.

A workforce investment fund shall be required to receive annual certification from the department, invest in workforce housing eligible activities, use any fees, interest, loan repayments, or other funds received by the organization as a result of the administration of the grant to support qualified activities, and have an active board of directors that meet quarterly. A nonprofit development organization shall have a formal plan to invest unused fund balances and shall conduct an annual audit.

Sec. 5. creates the Rural Workforce Housing Investment Fund to fund the grant program described in section 4. This fund may include revenue from appropriations from the Legislature, grants, private contributions, and other sources.

This fund shall receive a one-time transfer of \$12 million on or before July 1, 2017 from the Affordable Housing Trust Fund and a \$1 million transfer from the Affordable Housing Trust Fund on or before July 1, 2018, and a \$1 million transfer on or before July 1, 2019.

The department shall administer the fund and may seek additional private or nonstate funds to use in the grant program, including contributions from the Nebraska Investment Finance Authority. Interest earned by the department on grant funds shall be applied to the program.

If a fund fails to engage in a qualified activity within 24 months after receiving initial grant funding, the fund shall return the grant proceeds to the department for credit to the Affordable Housing Trust Fund. The director may ask a workforce housing investment fund that fails to make subsequent investments following the initial investment to repay any outstanding funds to the department for credit to the Affordable Housing Trust Fund.

Sec. 6. requires each workforce housing investment fund to submit an annual report to the director, certifying that it meets the requirements of the act and shall include a breakdown of program activities. The annual report shall include the name and location of the reporting workforce housing investment fund; the number, amount, and type of workforce housing investment funds invested in qualified activities; the number, location, type and amount of investments made; a summary of matching funds; and the results of the annual audit.

If a nonprofit organization ceases administration of a workforce housing investment fund, it shall file a final report. Any unallocated funds shall be returned for credit. If a workforce housing investment fund fails to file a complete annual report by February 15, the director may impose a civil penalty of not more than \$5,000, which must be remitted to the State Treasurer for distribution in accordance with Art. VII, Sec. 5 of the Nebraska Constitution.

Sec. 7. requires the director to assure that grant funds awarded to workforce housing investment funds are targeted to the communities with the most pressing economic and employment needs and that allocated funds provide equitable

access to the benefits provided by the act.

The director may contract with a statewide public or private nonprofit organization to serve as an agent for the department to carry out the purposes of the act. The department or its agent may only use for expenses that portion of the funds available for the workforce housing investment grant program through the Rural Workforce Housing Investment Fund necessary to cover the actual costs of administering the program.

Sec. 8. requires the department to submit a report to the Legislature and Governor. The report shall include, but not be limited to, the number and geographical location of workforce housing investment funds, the number, amount, and type of workforce housing investment funds invested in qualified activities, and the number, geographical location, type, and amount of investments made by each workforce housing investment fund.

Information received, developed, created, or otherwise maintained by the department in administering the act, other than information included in the report, may be deemed confidential by the department.

Sec. 9. permits the department to promulgate rules and regulations to administer and enforce the act.

Explanation of amendments:

Amendment (AM 424)

The amendment replaces the bill.

Details:

Sec. 1. remains unchanged from the introduced bill. It creates the Rural Workforce Housing Investment Act.

Sec. 2. contains legislative findings which are unchanged from the introduced bill: 1) that current economic conditions and limited availability of housing impact the ability of Nebraska's rural communities to recruit and retain a quality workforce, which in turn impacts the ability of communities to maintain and develop thriving economies and public employers; 2) there is a shortage of contractors willing to develop new housing in rural communities; and 3) in order to develop housing options in order to recruit workers in rural communities, it is the intent of the Legislature to use new and existing resources to support creation of workforce housing investment funds.

Sec. 3. of the amendment contains changes from the introduced copy. This is the definition section. It defines department as the Department of Economic Development, director, eligible activities of a workforce housing investment fund, HOME funds, matching funds, nonprofit development organization, qualified activities, qualified investment, rural community, workforce housing, and workforce housing investment fund.

The amendment changes numerous references in the original bill from workforce housing investment fund to nonprofit development organization. Section 3(7) expands the definition of qualified activities to include any other form of assistance designed to reduce the cost of workforce housing.

Under Section 3(9), the scope of the bill is limited to municipalities in counties with a population of fewer than 100,000 inhabitants and eliminates references in the original bill to unincorporated areas within such a county and designated census tracts.

Section 3(10)(c) removes minimum limits related to the costs of owner-occupied housing units and rental housing unit construction costs.

Sec. 4. requires the director to establish a workforce housing investment grant program. A nonprofit development organization may apply for a grant. The amendment pushes the grant awards to fiscal year 2020-21, and grants will be awarded by the director on a competitive basis until grant funds are no longer available. Another substantive change is

that grant maximums shall not exceed \$1 million to any one nonprofit development organization over a two-year period, with no more than \$2 million cumulative for a single grantee through fiscal year 2020-21. Grants require a one-to-one matching fund. Unallocated funds will be rolled to the next program year. The original bill required unused funds to be returned to the Rural Workforce Housing Investment Fund. That language is removed from the amendment.

Grants will be awarded based upon the following: 1) a demonstrated and ongoing housing need; 2) a community or region with low unemployment that is having difficulty attracting workers; 3) a community or region that exhibits commitment to housing growth; 4) projects that can reasonably be ready for occupancy in a two year period; and 5) a demonstrated ability to grow and manage a workforce housing investment fund.

A workforce investment fund shall invest in workforce housing eligible activities, use any fees, interest, loan repayments, or other funds received as a result of the administration of the grant to support qualified activities, and have an active board of directors that meet quarterly. A nonprofit development organization shall have a formal plan to invest unused fund balances and shall conduct an annual audit.

Sec. 5. creates the Rural Workforce Housing Investment Fund to fund the grant program described in section 4. This fund may include revenue from appropriations from the Legislature, grants, private contributions, and other sources.

The amendment contains a substantive change from the original bill. It reduces the original transfer to the Rural Workforce Housing Investment Fund from the Affordable Housing Trust Fund from \$12 million to \$10.3 million and eliminates the additional \$1 million transfers in the succeeding two years. The \$10.3 million transfer shall be on or before October 1, 2017.

The department shall administer the fund and may seek additional private or nonstate funds to use in the grant program, including contributions from the Nebraska Investment Finance Authority. Interest earned by the department on grant funds shall be applied to the program.

The amendment replaces language from the original bill's Section 5(4) granting the director the discretion to request repayment of outstanding grant funds in the event that a nonprofit development organization fails to make subsequent investments following the initial investment with provisions under new section 5(5). This new section requires that unallocated grant funds be returned by a nonprofit development organization that fails to engage in a subsequent qualified activity within twenty-four months of engaging in the initial qualified activity to the Rural Workforce Housing Investment Fund.

A new Section 5(6) directs the department, beginning July 1, 2022, to transfer any funds held in the Rural Workforce Housing Investment Fund to the Affordable Housing Trust Fund.

Sec. 6. requires each nonprofit development organization to submit an annual report to the director, certifying that it meets the requirements of the act and shall include a breakdown of program activities. The annual report shall include the name and location of the reporting workforce housing investment fund; the number, amount, and type of workforce housing investment funds invested in qualified activities; the number, location, type and amount of investments made; a summary of matching funds; and the results of the annual audit.

Section 6(3) contains a substantive change. The original bill required a nonprofit development organization ceasing administration of a workforce housing investment fund to return any unallocated grant funds for credit to the Rural Workforce Housing Investment Fund. The committee amendment would require any unallocated grant funds related to a nonprofit development organization ceasing administration of its fund before July 1, 2022, to be returned for credit to the Rural Workforce Housing Investment Fund. Any nonprofit development organization ceasing administration of its fund on or after July 1, 2022, shall return unallocated grant funds for credit to the Affordable Housing Trust Fund.

If a nonprofit organization ceases administration of a workforce housing investment fund, it shall file a final report with the director. If a workforce housing investment fund fails to file a complete annual report by February 15, the director may impose a civil penalty of not more than \$5,000, which must be remitted to the State Treasurer for distribution in

accordance with Art. VII, Sec. 5 of the Nebraska Constitution.

Sec. 7. requires the department to use its best efforts to assure that grant funds awarded to workforce housing investment funds are targeted to the communities with the most pressing economic and employment needs and that allocated funds provide equitable access to the benefits provided by the act.

The department may contract with a statewide public or private nonprofit organization to serve as an agent for the department to carry out the purposes of the act. The department or its agent may only use for expenses that portion of the funds available for the workforce housing investment grant program through the Rural Workforce Housing Investment Fund necessary to cover the actual costs of administering the program, including, but not limited to, the hiring of staff.

Sec. 8. requires the department to submit a report to the Legislature and Governor. The report shall include, but not be limited to, the number and geographical location of workforce housing investment funds, the number, amount, and type of workforce housing investment funds invested in qualified activities, and the number, geographical location, type, and amount of investments made by each workforce housing investment fund.

Information received, developed, created, or otherwise maintained by the department in administering the act, other than information included in the report, may be deemed confidential by the department.

Sec. 9. permits the department to promulgate rules and regulations to administer and enforce the act.

Sec. 10. includes the Rural Workforce Housing Investment Fund to the list of transfers allowed from the Affordable Housing Trust Fund at the direction of the Legislature, pursuant to LB 518 as amended.

Sec. 11. repealer.

Joni Albrecht, Chairperson