

LEGISLATIVE BILL 518

Approved by the Governor April 27, 2017

Introduced by Williams, 36; Briese, 41.

A BILL FOR AN ACT relating to economic development; to amend section 58-703, Revised Statutes Cumulative Supplement, 2016; to adopt the Rural Workforce Housing Investment Act; to provide for a transfer of funds from the Affordable Housing Trust Fund; to harmonize provisions; and to repeal the original section.

Be it enacted by the people of the State of Nebraska,

Section 1. Sections 1 to 9 of this act shall be known and may be cited as the Rural Workforce Housing Investment Act.

Sec. 2. The Legislature finds that:

(1) Current economic conditions and limited availability of modern housing units impact the ability of Nebraska's rural communities to recruit and retain a world-class workforce. A lack of workforce housing affects the ability of communities to maintain and develop viable, stable, and thriving economies. A housing shortage in rural areas also impacts the ability of local private, nonprofit, and public employers to grow and prosper;

(2) Impediments exist to the construction, rehabilitation, and financing of rural workforce housing. There is a shortage of contractors willing to develop new housing units in rural communities. Developers and contractors perceive increased risk associated with housing development in rural areas. Today's worker who is considering a job in a rural area has different expectations about the type and style of housing he or she desires. Costs for new housing in rural areas generally continue to grow faster than Nebraska incomes and the cost of living; and

(3) In order to develop attractive housing options that lead to the recruitment and retention of a world-class workforce in Nebraska's rural communities, it is the intent of the Legislature to use new and existing resources to support creation of workforce housing investment funds. Such funds will be used to encourage development of workforce housing in Nebraska's rural and underserved regions.

Sec. 3. For purposes of the Rural Workforce Housing Investment Act:

(1) Department means the Department of Economic Development;

(2) Director means the Director of Economic Development;

(3) Eligible activities of a nonprofit development organization means:

(a) New construction of owner-occupied or rental housing in a community with demonstrated workforce housing needs;

(b) Substantial repair or rehabilitation of dilapidated housing stock; or

(c) Upper-story housing development;

(4) HOME funds means funds awarded as formula grants under the HOME Investment Partnerships Program administered by the United States Department of Housing and Urban Development;

(5) Matching funds means dollars contributed by individuals, businesses, foundations, local and regional political subdivisions, or other nonprofit organizations to a workforce housing investment fund administered by a nonprofit development organization;

(6) Nonprofit development organization means a regional or statewide nonprofit development organization approved by the director;

(7) Qualified activities include, but are not limited to, purchase and rental guarantees, loan guarantees, loan participations, and other credit enhancements or any other form of assistance designed to reduce the cost of workforce housing related to eligible activities of the nonprofit development organization;

(8) Qualified investment means a cash investment in a workforce housing investment fund administered by a nonprofit development organization;

(9) Rural community means any municipality in a county with a population of fewer than one hundred thousand inhabitants as determined by the most recent federal decennial census;

(10) Workforce housing means:

(a) Housing that meets the needs of today's working families;

(b) Housing that is attractive to new residents considering relocation to a rural community;

(c) Owner-occupied housing units that cost not more than two hundred seventy-five thousand dollars to construct or rental housing units that cost not more than two hundred thousand dollars per unit to construct. For purposes of this subdivision (c), housing unit costs shall be updated annually by the department based upon the most recent increase or decrease in the Producer Price Index for all commodities, published by the United States Department of Labor, Bureau of Labor Statistics;

(d) Owner-occupied and rental housing units for which the cost to substantially rehabilitate exceeds fifty percent of a unit's assessed value;

(e) Upper-story housing; and

(f) Housing that does not receive federal or state low-income housing tax credits, community development block grants, HOME funds, or funds from the

Affordable Housing Trust Fund; and

(11) Workforce housing investment fund means a fund that has been created by a nonprofit development organization and certified by the director to encourage development of workforce housing in rural communities.

Sec. 4. (1) The director shall establish a workforce housing grant program to foster and support the development of workforce housing in rural communities.

(2) A nonprofit development organization may apply to the director for approval of a workforce housing grant for a workforce housing investment fund. The application shall be in a form and manner prescribed by the director. Through fiscal year 2020-21, grants shall be awarded by the director on a competitive basis until grant funds are no longer available. Grant maximums shall not exceed one million dollars to any one nonprofit development organization over a two-year period, with no more than two million dollars cumulative for any single grantee through fiscal year 2020-21. Grants shall require a minimum one-to-one in matching funds to be considered a qualified grant application. Unallocated workforce housing grant funds held by the department shall be rolled to the next program year.

(3) Grants shall be awarded based upon:

(a) A demonstrated and ongoing housing need as identified by a recent housing study;

(b) A community or region that has a low unemployment rate and is having difficulty attracting workers and filling employment positions;

(c) A community or region that exhibits a demonstrated commitment to growing its housing stock;

(d) Projects that can reasonably be ready for occupancy in a period of twenty-four months; and

(e) A demonstrated ability to grow and manage a workforce housing investment fund.

(4) A workforce housing investment fund shall be required to receive annual certification from the department.

(5) A nonprofit development organization shall:

(a) Invest or intend to invest in workforce housing eligible activities;

(b) Use any fees, interest, loan repayments, or other funds it received as a result of the administration of the grant to support qualified activities; and

(c) Have an active board of directors with expertise in development, construction, and finance that meets at least quarterly to approve all qualified investments made by the nonprofit development organization. A nonprofit development organization shall have a formal plan and proven expertise to invest unused workforce housing investment fund balances and shall have an annual audit of all financial records conducted by an independent certified public accountant.

Sec. 5. (1) The Rural Workforce Housing Investment Fund is created. Funding for the grant program described in section 4 of this act shall come from the Rural Workforce Housing Investment Fund. The Rural Workforce Housing Investment Fund may include revenue from appropriations from the Legislature, grants, private contributions, and other sources. In addition, the State Treasurer shall make a one-time transfer of seven million three hundred thousand dollars on or before October 1, 2017, from the Affordable Housing Trust Fund to the Rural Workforce Housing Investment Fund. Any money in the Rural Workforce Housing Investment Fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

(2) The department shall administer the Rural Workforce Housing Investment Fund and may seek additional private or nonstate funds to use in the grant program, including, but not limited to, contributions from the Nebraska Investment Finance Authority and other interested parties.

(3) Interest earned by the department on grant funds shall be applied to the grant program.

(4) If a nonprofit development organization fails to engage in the initial qualified activity within twenty-four months after receiving initial grant funding, the nonprofit development organization shall return the grant funds to the department for credit to the Affordable Housing Trust Fund.

(5) If a nonprofit development organization fails to allocate any remaining initial grant funding on a qualified activity within twenty-four months after engaging in the initial qualified activity, the nonprofit development organization shall return such unallocated grant funds to the department for credit to the Rural Workforce Housing Investment Fund.

(6) Beginning July 1, 2022, any funds held by the department in the Rural Workforce Housing Investment Fund shall be transferred to the Affordable Housing Trust Fund.

Sec. 6. (1) Each nonprofit development organization shall submit an annual report to the director to be included as a part of the department's annual status report required under section 81-1201.11. The report shall certify that the nonprofit development organization meets the requirements of the Rural Workforce Housing Investment Act and shall include a breakdown of program activities.

(2) The annual report shall include, but not necessarily be limited to:

(a) The name and geographical location of the reporting nonprofit development organization;

(b) The number, amount, and type of workforce housing investment funds invested in qualified activities;

(c) The number, geographical location, type, and amount of investments made;

(d) A summary of matching funds and where such matching funds were generated; and

(e) The results of the annual audit required under subsection (5) of section 4 of this act.

(3) If a nonprofit development organization ceases administration of a workforce housing investment fund, it shall file a final report with the director in a form and manner required by the director. Before July 1, 2022, any unallocated grant funds shall be returned to the department for credit to the Rural Workforce Housing Investment Fund. On and after July 1, 2022, any unallocated grant funds shall be returned to the department for credit to the Affordable Housing Trust Fund.

(4) If a nonprofit development organization fails to file a complete annual report by February 15, the director may, in his or her discretion, impose a civil penalty of not more than five thousand dollars for such violation. All money collected by the department pursuant to this subsection shall be remitted to the State Treasurer for distribution in accordance with Article VII, section 5, of the Constitution of Nebraska.

Sec. 7. (1) The department shall use its best efforts to assure that grant funds awarded to nonprofit development organizations are targeted to the geographic communities or regions with the most pressing economic and employment needs.

(2) The department shall use its best efforts to assure that the allocation of grant funds provides equitable access to the benefits provided by the Rural Workforce Housing Investment Act to all eligible geographical areas.

(3) The department may contract with a statewide public or private nonprofit organization which shall serve as agent for the department to help carry out the purposes and requirements of the Rural Workforce Housing Investment Act. The department or its agent may only use for expenses that portion of the funds available for the workforce housing 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. (1) As part of the department's annual status report required under section 81-1201.11, the department shall submit a report to the Legislature and the Governor that includes, but is not necessarily limited to:

(a) The number and geographical location of nonprofit development organizations establishing workforce housing investment funds;

(b) The number, amount, and type of workforce housing investment funds invested in qualified activities; and

(c) The number, geographical location, type, and amount of investments made by each nonprofit development organization.

(2) The report to the Legislature shall be submitted electronically.

(3) Information received, developed, created, or otherwise maintained by the department in administering and enforcing the Rural Workforce Housing Investment Act, other than information required to be included in the report to be submitted by the department to the Governor and Legislature pursuant to this section, may be deemed confidential by the department and not considered public records subject to disclosure pursuant to sections 84-712 to 84-712.09.

Sec. 9. The department may adopt and promulgate rules and regulations to administer and enforce the Rural Workforce Housing Investment Act.

Sec. 10. Section 58-703, Revised Statutes Cumulative Supplement, 2016, is amended to read:

58-703 The Affordable Housing Trust Fund is created. The fund shall receive money pursuant to section 76-903 and may include revenue from sources recommended by the housing advisory committee established in section 58-704, appropriations from the Legislature, transfers authorized by the Legislature, grants, private contributions, repayment of loans, and all other sources. The Department of Economic Development as part of its comprehensive housing affordability strategy shall administer the Affordable Housing Trust Fund.

Transfers may be made from the Affordable Housing Trust Fund to the General Fund, the Behavioral Health Services Fund, the Rural Workforce Housing Investment Fund, and the Site and Building Development Fund at the direction of the Legislature.

Sec. 11. Original section 58-703, Revised Statutes Cumulative Supplement, 2016, is repealed.