

LEGISLATURE OF NEBRASKA
ONE HUNDRED SIXTH LEGISLATURE
SECOND SESSION

LEGISLATIVE BILL 1155

Introduced by Vargas, 7.

Read first time January 22, 2020

Committee: Urban Affairs

- 1 A BILL FOR AN ACT relating to economic development; to adopt the Middle
- 2 Income Workforce Housing Investment Act; to create a fund; to
- 3 provide for a transfer of funds from the General Fund; to provide a
- 4 civil penalty; and to declare an emergency.
- 5 Be it enacted by the people of the State of Nebraska,

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

3 Sec. 2. (1) Current economic conditions and limited availability of
4 modern housing units impact the ability of Nebraska's older urban
5 neighborhoods and majority minority communities to maintain residential
6 stability. Low rates of homeownership and a lack of high-quality, non-
7 income restricted rental housing negatively affects the ability of
8 residents of such neighborhoods and communities to achieve housing
9 stability and invest in their neighborhoods and communities. A lack of
10 workforce housing affects the ability of neighborhoods and communities to
11 maintain and develop viable, stable, and thriving economies. A shortage
12 of quality housing in such areas also impacts the ability of local
13 private, nonprofit, and public employers to grow and prosper;

14 (2) Impediments exist to the construction, rehabilitation, and
15 financing of urban workforce housing. Comparable home sale and appraisal
16 prices do not justify the cost of new construction homes. There is a lack
17 of space that would be large enough for development to achieve cost
18 efficiencies. Due to generations of disinvestment, these neighborhoods
19 and communities frequently receive a stigma that negatively impacts the
20 residential real estate market.

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

28 Sec. 3. For purposes of the Middle Income Workforce Housing
29 Investment Act:

30 (1) Department means the Department of Economic Development;

31 (2) Director means the Director of Economic Development;

1 (3) Eligible activities of a workforce housing investment fund
2 means:

3 (a) New construction of owner-occupied housing in a neighborhood and
4 community with a demonstrated need for housing that is affordable and
5 attractive to first time homebuyers, middle-income families, and the
6 emerging workforce;

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

9 (c) Upper-story housing development for occupation by a homeowner;

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

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

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

19 (7) Qualified activities include purchase guarantees, loan
20 guarantees, loan participations, and other credit enhancements related to
21 eligible activities of the workforce housing investment fund;

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

25 (9) Urban community means any area that is:

26 (a) In a county with a population greater than one hundred thousand
27 inhabitants as determined by the most recent federal decennial census;
28 and

29 (b) Within a qualified census tract as of January 1, 2020.

30 (10) Workforce housing means:

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

1 (b) Housing that is attractive to residents considering purchasing a
2 home in an urban community;

3 (c) Owner-occupied housing units that cost at least one hundred
4 fifty thousand dollars but not more than two hundred fifty thousand
5 dollars to construct. For purposes of this subdivision (c), housing unit
6 costs shall be updated annually by the department based upon the most
7 recent increase or decrease in the Producer Price Index;

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

10 (e) Upper-story housing for occupation by a homeowner; and

11 (f) Housing that does not receive federal or state low-income
12 housing tax credits, community development block grants, HOME funds, or
13 funds from the Affordable Housing Trust Fund; and

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

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

21 (2) A nonprofit development organization may apply to the director
22 for approval of a workforce housing grant for a workforce housing
23 investment fund. The application shall be in a form and manner prescribed
24 by the director. Through fiscal year 2022-2023, grants shall be awarded
25 by the director on a competitive basis until grant funds are no longer
26 available. Grant maximums shall not exceed two and one-half million
27 dollars to any one nonprofit development organization over a two-year
28 period, with no more than five million dollars cumulative for any single
29 grantee through fiscal year 2022-2023. Grants shall require a minimum
30 one-to-one in matching funds to be considered a qualified grant
31 application. Unallocated funds shall be rolled to the next program year.

1 Unallocated funds on June 30, 2025, shall be returned to the Middle
2 Income Workforce Housing Investment Fund.

3 (3) Grants shall be awarded based upon:

4 (a) A demonstrated need for additional owner-occupied housing. Need
5 can be demonstrated with a recent housing study or a letter from the
6 planning department of the city in which the fund is intending to operate
7 stating that the proposal is in line with the city's consolidated plan;

8 (b) A neighborhood or community that has a higher-than-state average
9 unemployment rate;

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

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

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

16 (4) A workforce housing investment fund shall:

17 (a) Be required to receive annual certification from the department;

18 (b) Invest or intend to invest in eligible activities for a
19 workforce housing investment fund;

20 (c) Use any fees, interest, loan repayments, or other funds received
21 by the nonprofit development organization as a result of the
22 administration of the grant to support qualified activities; and

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

30 Sec. 5. (1) The Middle Income Workforce Housing Investment Fund is
31 created. Funding for the grant program described in section 4 of this act

1 shall come from the Middle Income Workforce Housing Investment Fund. The
2 Middle Income Workforce Housing Investment Fund may include revenue from
3 appropriations from the Legislature, grants, private contributions, and
4 other sources. In addition, the Middle Income Workforce Housing
5 Investment Fund shall receive a one-time transfer of ten million dollars
6 on or before July 1, 2020, from the General Fund. Any money in the Middle
7 Income Workforce Housing Investment Fund available for investment shall
8 be invested by the state investment officer pursuant to the Nebraska
9 Capital Expansion Act and the Nebraska State Funds Investment Act.

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

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

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

22 (5) Beginning July 1, 2025, any funds held by the department in the
23 Middle Income Workforce Housing Investment Fund shall be transferred to
24 the Affordable Housing Trust Fund.

25 Sec. 6. (1) Each nonprofit development organization shall submit an
26 annual report to the director to be included as a part of the
27 department's annual status report required under section 81-1201.11. The
28 report shall certify that the workforce housing investment fund meets the
29 requirements of the Middle Income Workforce Housing Investment Act and
30 shall include a breakdown of program activities.

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

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

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

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

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

9 (e) The results of the annual audit required under subdivision (4)
10 (d) of section 4 of this act.

11 (3) If a nonprofit development organization ceases administration of
12 a workforce housing investment fund, it shall file a final report with
13 the director in a form and manner required by the director. Before July
14 1, 2025, any unallocated workforce housing investment fund grant funds
15 shall be returned for credit to the Middle Income Workforce Housing
16 Investment Fund.

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

23 Sec. 7. (1) The department shall use its best efforts to assure
24 that any grant funds awarded to a nonprofit development organization are
25 targeted to the geographic communities or regions with the most pressing
26 housing, economic, and employment needs.

27 (2) The department shall use its best efforts to assure that the
28 allocation of grant funds provides equitable access to the benefits
29 provided by the Middle Income Workforce Housing Investment Act to all
30 eligible neighborhoods and communities.

31 (3) The director may contract with a statewide public or private

1 nonprofit organization which shall serve as agent for the department to
2 help carry out the purposes and requirements of the Middle Income
3 Workforce Housing Investment Act. The department or its agent may only
4 use for expenses that portion of the funds available for the workforce
5 housing investment grant program through the Middle Income Workforce
6 Housing Investment Fund necessary to cover the actual costs of
7 administering the program.

8 Sec. 8. (1) As part of the department's annual status report
9 required under section 81-1201.11, the department shall submit a report
10 to the Legislature and the Governor that includes, but is not necessarily
11 limited to:

12 (a) The number and geographical location of workforce housing
13 investment funds;

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

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

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

19 (3) Information received, developed, created, or otherwise
20 maintained by the department in administering and enforcing the Middle
21 Income Workforce Housing Investment Act, other than information required
22 to be included in the report to be submitted by the department to the
23 Governor and Legislature pursuant to this section, may be deemed
24 confidential by the department and not considered a public record subject
25 to disclosure pursuant to sections 84-712 to 84-712.09.

26 Sec. 9. The department may adopt and promulgate rules and
27 regulations to administer and enforce the Middle Income Workforce Housing
28 Investment Act.

29 Sec. 10. Since an emergency exists, this act takes effect when
30 passed and approved according to law.