

LEGISLATURE OF NEBRASKA
ONE HUNDRED NINTH LEGISLATURE
SECOND SESSION

LEGISLATIVE BILL 819

Introduced by Hallstrom, 1; McKinney, 11.

Read first time January 07, 2026

Committee: Business and Labor

- 1 A BILL FOR AN ACT relating to housing; to amend sections 81-1228,
- 2 81-1229, 81-1230, and 81-1231, Reissue Revised Statutes of Nebraska,
- 3 and sections 81-1238, 81-1239, and 81-1240, Revised Statutes
- 4 Supplement, 2025; to change provisions relating to the Rural
- 5 Workforce Housing Investment Act and the Middle Income Workforce
- 6 Housing Investment Act; and to repeal the original sections.
- 7 Be it enacted by the people of the State of Nebraska,

1 **Section 1.** Section 81-1228, Reissue Revised Statutes of Nebraska, is
2 amended to read:

3 81-1228 For purposes of the Rural Workforce Housing Investment Act:

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

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

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

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

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

12 (c) Upper-story housing development; or

13 (d) Extension of sewer or water service in support of workforce
14 housing;

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

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

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

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

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

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

4 (10) Workforce housing means:

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

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

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

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

19 (e) Upper-story housing; and

20 (f) Housing units that do not receive federal or state low-income
21 housing tax credits, community development block grants, HOME funds, or
22 funds from the National Housing Trust Fund, which would impose individual
23 or household income limitations or restrictions on such housing units, or
24 funding from the Affordable Housing Trust Fund restricting the level of
25 individual or household income to anything less than one hundred percent
26 of area median income as calculated by the United States Department of
27 Housing and Urban Development; and

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

1 **Sec. 2.** Section 81-1229, Reissue Revised Statutes of Nebraska, is
2 amended to read:

3 81-1229 (1) The director shall establish a workforce housing grant
4 program to foster and support the development of workforce housing in
5 rural communities.

6 (2) A nonprofit development organization may apply to the director
7 for approval of a workforce housing grant for a workforce housing
8 investment fund. The application shall be in a form and manner prescribed
9 by the director. Through fiscal year 2036-37 ~~2026-27~~, grants shall be
10 awarded by the director on a competitive basis until grant funds are no
11 longer available. A nonprofit development organization may apply for more
12 than one grant, subject to the following limits:

13 (a) The maximum amount of grant funds awarded to any one nonprofit
14 development organization over a two-year period shall not exceed five
15 million dollars; and

16 (b) The maximum amount of grant funds awarded to any one nonprofit
17 development organization for all program years shall not exceed an
18 aggregate limit determined by the department at the discretion of the
19 director.

20 (3) An applicant shall provide matching funds of at least one-
21 quarter of the amount of workforce housing grant funds awarded.
22 Unallocated workforce housing grant funds held by the department shall be
23 rolled to the next program year.

24 (4) Grants shall be awarded based upon:

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

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

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

31 (d) Projects that can reasonably be ready for occupancy in a period

1 of twenty-four months; and

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

4 (5) A nonprofit development organization shall:

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

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

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

17 **Sec. 3.** Section 81-1230, Reissue Revised Statutes of Nebraska, is
18 amended to read:

19 81-1230 (1) The Rural Workforce Housing Investment Fund is created.
20 Funding for the grant program described in section 81-1229 shall come
21 from the Rural Workforce Housing Investment Fund. The Rural Workforce
22 Housing Investment Fund may include revenue from appropriations from the
23 Legislature, grants, private contributions, and other sources. In
24 addition, the State Treasurer shall make a one-time transfer of seven
25 million three hundred thousand dollars on or before October 1, 2017, from
26 the Affordable Housing Trust Fund to the Rural Workforce Housing
27 Investment Fund. Any money in the Rural Workforce Housing Investment Fund
28 available for investment shall be invested by the state investment
29 officer pursuant to the Nebraska Capital Expansion Act and the Nebraska
30 State Funds Investment Act.

31 (2) The department shall administer the Rural Workforce Housing

1 Investment Fund and may seek additional private or nonstate funds to use
2 in the grant program, including, but not limited to, contributions from
3 the Nebraska Investment Finance Authority and other interested parties.

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

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

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

16 (6) Beginning July 1, 2037 ~~2027~~, any funds held by the department in
17 the Rural Workforce Housing Investment Fund shall be transferred to the
18 General Fund.

19 **Sec. 4.** Section 81-1231, Reissue Revised Statutes of Nebraska, is
20 amended to read:

21 81-1231 (1) Each nonprofit development organization shall submit an
22 annual report to the director to be included as a part of the
23 department's annual status report required under section 81-1201.11. The
24 report shall certify that the nonprofit development organization meets
25 the requirements of the Rural Workforce Housing Investment Act and shall
26 include a breakdown of program activities.

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

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

31 (b) The number, amount, and type of workforce housing investment

1 funds invested in qualified activities;

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

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

6 (e) The results of the annual review of all financial records
7 required under subsection (5) of section 81-1229.

8 (3) If a nonprofit development organization ceases administration of
9 a workforce housing investment fund, it shall file a final report with
10 the director in a form and manner required by the director. Before July
11 1, 2037 ~~2027~~, any unallocated grant funds shall be returned to the
12 department for credit to the Rural Workforce Housing Investment Fund. On
13 and after July 1, 2037 ~~2027~~, any unallocated grant funds shall be
14 returned to the department for transfer to the General Fund.

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

21 **Sec. 5.** Section 81-1238, Revised Statutes Supplement, 2025, is
22 amended to read:

23 81-1238 (1) The director shall establish a workforce housing
24 investment grant program to foster and support the development of
25 workforce housing in urban communities.

26 (2) A nonprofit development organization may apply to the director
27 for approval of a workforce housing grant for a workforce housing
28 investment fund. The application shall be in a form and manner prescribed
29 by the director. Through fiscal year 2036-37 ~~2026-27~~, grants shall be
30 awarded by the director on a competitive basis until grant funds are no
31 longer available. Grant maximums shall not exceed ten million dollars to

1 any one nonprofit development organization over a two-year period, with
2 the cumulative amount for any single grantee to be determined by the
3 department at the discretion of the director. An applicant shall provide
4 matching funds for workforce housing grant funds awarded. For grant funds
5 awarded prior to July 19, 2024, an applicant shall provide matching funds
6 of at least fifty percent of the amount of such grant funds awarded. For
7 grant funds awarded on or after July 19, 2024, an applicant shall provide
8 matching funds of at least twenty-five percent of the amount of such
9 grant funds awarded. Unallocated funds held by the department shall be
10 rolled to the next program year.

11 (3) Grants shall be awarded based upon:

12 (a) A demonstrated need for additional housing. Need can be
13 demonstrated with a recent housing study or a letter from the planning
14 department of the city in which the fund is intending to operate stating
15 that the proposal is in line with the city's most recent consolidated
16 plan submitted under 24 C.F.R. part 91, subpart D, as such subpart
17 existed on January 1, 2020;

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

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

22 (d) Reducing barriers to the development and purchase of owner-
23 occupied housing with flexible forms of assistance, including grants,
24 forgivable loans, homeownership incentive reserve accounts, purchase
25 option agreements, and other forms of long-term, patient financing;

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

28 (f) A demonstrated ability to grow and manage a workforce housing
29 investment fund.

30 (4) A workforce housing investment fund shall:

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

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

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

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

13 (5) A nonprofit development organization that has previously
14 received a grant or grants under the Middle Income Workforce Housing
15 Investment Act shall not be eligible for an additional grant under this
16 section unless the organization has expended at least fifty percent of
17 the funds from such previous grant or grants.

18 **Sec. 6.** Section 81-1239, Revised Statutes Supplement, 2025, is
19 amended to read:

20 81-1239 (1) The Middle Income Workforce Housing Investment Fund is
21 created. Funding for the grant program described in section 81-1238 shall
22 come from the Middle Income Workforce Housing Investment Fund. The Middle
23 Income Workforce Housing Investment Fund may include revenue transferred
24 at the direction of the Legislature, grants, private contributions, and
25 other sources. Any money in the Middle Income Workforce Housing
26 Investment Fund available for investment shall be invested by the state
27 investment officer pursuant to the Nebraska Capital Expansion Act and the
28 Nebraska State Funds Investment Act.

29 (2) The department shall establish a subaccount within the Middle
30 Income Workforce Housing Investment Fund that shall be used to fund
31 affordable housing and related land parcel preparation activities under

1 the Economic Recovery Act as described in subdivisions (4)(d) and (e) of
2 section 81-12,241.

3 (3) The department shall administer the Middle Income Workforce
4 Housing Investment Fund and may seek additional private or nonstate funds
5 to use in the grant program under the Middle Income Workforce Housing
6 Investment Act, including, but not limited to, contributions from the
7 Nebraska Investment Finance Authority and other interested parties.

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

10 (5) If a nonprofit development organization, or a recipient of
11 subaccount funds described in subsection (2) of this section, fails to
12 engage in a qualified activity within twenty-four months after receiving
13 initial grant funding, the nonprofit development organization or
14 recipient of subaccount funds shall return the grant proceeds to the
15 department for credit to the General Fund.

16 (6) Beginning July 1, 2037 ~~2029~~, any funds held by the department in
17 the Middle Income Workforce Housing Investment Fund shall be transferred
18 to the General Fund.

19 **Sec. 7.** Section 81-1240, Revised Statutes Supplement, 2025, is
20 amended to read:

21 81-1240 (1) Each nonprofit development organization shall submit an
22 annual report to the director to be included as a part of the
23 department's annual status report required under section 81-1201.11. The
24 report shall certify that the workforce housing investment fund meets the
25 requirements of the Middle Income Workforce Housing Investment Act and
26 shall include a breakdown of program activities.

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

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

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

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

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

5 (e) The results of the annual audit required under subdivision (4)
6 (d) of section 81-1238; and

7 (f) The number of tenants assisted into homeownership, if
8 applicable.

9 (3) If a nonprofit development organization ceases administration of
10 a workforce housing investment fund, it shall file a final report with
11 the director in a form and manner required by the director. Before July
12 1, 2037 ~~2029~~, any unallocated workforce housing investment fund grant
13 funds shall be returned for credit to the Middle Income Workforce Housing
14 Investment Fund. On and after July 1, 2037 ~~2029~~, any unallocated
15 workforce housing investment fund grant funds shall be returned to the
16 department for transfer to the General 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 (5) This section does not apply to the subaccount of the Middle
24 Income Workforce Housing Investment Fund described in subsection (2) of
25 section 81-1239.

26 **Sec. 8.** Original sections 81-1228, 81-1229, 81-1230, and 81-1231,
27 Reissue Revised Statutes of Nebraska, and sections 81-1238, 81-1239, and
28 81-1240, Revised Statutes Supplement, 2025, are repealed.