

LEGISLATIVE BILL 768

Approved by the Governor April 14, 2026

Introduced by Dover, 19.

A BILL FOR AN ACT relating to grants and other financial assistance; to amend sections 58-709, 81-1228, 81-1229, 81-1230, 81-1231, 81-1232, and 81-1241, Reissue Revised Statutes of Nebraska, sections 58-201 and 58-703, Revised Statutes Cumulative Supplement, 2024, and sections 58-701, 58-708, 72-804, 72-805, 81-1237, 81-1238, 81-1239, and 81-1240, Revised Statutes Supplement, 2025; to provide powers for the Nebraska Investment Finance Authority; to change and eliminate provisions of the Nebraska Affordable Housing Act; to change provisions relating to new state buildings and buildings constructed with state funds; to authorize certain contracts under the Nebraska Affordable Housing Act, the Rural Workforce Housing Investment Act, and the Middle Income Workforce Housing Investment Act; to eliminate a housing advisory committee; to harmonize provisions; to repeal the original sections; and to outright repeal section 58-704, Reissue Revised Statutes of Nebraska, and section 58-712, Revised Statutes Supplement, 2025.

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

Section 1. Section 58-201, Revised Statutes Cumulative Supplement, 2024, is amended to read:

58-201 Sections 58-201 to 58-273 and sections 2 and 3 of this act shall be known and may be cited as the Nebraska Investment Finance Authority Act.

Sec. 2. (1) In addition to the powers granted under section 58-239, the authority may:

(a) Support, establish, operate, manage, invest in, participate in, and own nonprofit entities, nonprofit subsidiaries, or other nonprofit consortia, in each case to further carry out the purposes of the Nebraska Investment Finance Authority Act, including with respect to projects for which financing or other resources are provided pursuant to the act; and

(b) Transfer assets of the authority to an entity created pursuant to this section.

(2) Unless otherwise provided by the authority, the debts, liabilities, and obligations of any such entity, subsidiary, or other consortium shall not be debts, liabilities, or obligations of the authority.

Sec. 3. (1) For purposes of this section, public funds has the same meaning as in section 81-11,106.

(2) If the authority administers any grant or loan program involving public funds pursuant to an agreement with a state agency, the following requirements shall apply:

(a) The authority shall provide information regarding such grant or loan program and the public funds involved in such program to such state agency, upon such agency's request, in order to allow the state agency to comply with its responsibilities under section 81-1113;

(b) The authority shall record information regarding such grant or loan program and the public funds involved in such program in an accounting system. The information to be recorded in the accounting system shall include:

(i) All revenue and fund balances relating to such public funds;

(ii) All expenditures of such public funds, including the amount of all grant and loan awards; and

(iii) All schedules of uses of funds, including all invoices and other supporting documentation, that are submitted by grant or loan recipients under such grant or loan program, except that the requirement to include such schedules and documentation shall apply only to the extent such information is in the possession of the authority; and

(c) The authority shall allow such state agency, the Legislative Fiscal Analyst, and the budget administrator of the budget division of the Department of Administrative Services to have access to the accounting system described in subdivision (2)(b) of this section, upon request.

Sec. 4. Section 58-701, Revised Statutes Supplement, 2025, is amended to read:

58-701 Sections 58-701 to 58-711 and section 8 of this act 58-712 shall be known and may be cited as the Nebraska Affordable Housing Act.

Sec. 5. Section 58-703, Revised Statutes Cumulative Supplement, 2024, 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 funds from 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 Lead-Based Paint Hazard

Control Cash Fund, the Middle Income Workforce Housing Investment Fund, the Rural Workforce Housing Investment Fund, and the Site and Building Development Fund at the direction of the Legislature.

Sec. 6. Section 58-708, Revised Statutes Supplement, 2025, is amended to read:

58-708 (1) During each calendar year in which funds are available from the Affordable Housing Trust Fund for use by the Department of Economic Development, the department shall make its best efforts to allocate not less than thirty percent of such funds to each congressional district. The department shall announce a grant and loan application period of at least ~~sixty~~ ninety days duration for all projects. Before ~~an~~ a grant application for any new construction project can be submitted to the department, the land for the project shall be identified. In selecting projects to receive trust fund assistance, the department shall develop a qualified allocation plan and give first priority to financially viable projects that serve the lowest income occupants for the longest period of time. The qualified allocation plan shall:

(a) Set forth selection criteria to be used to determine housing priorities of the housing trust fund which are appropriate to local conditions, including the community's immediate need for affordable housing, proposed increases in home ownership, private dollars leveraged, level of local government support and participation, and repayment, in part or in whole, of financial assistance awarded by the fund; and

(b) Give first priority in allocating trust fund assistance among selected projects to those projects which are located in whole or in part within an enterprise zone designated pursuant to the Enterprise Zone Act or an opportunity zone designated pursuant to the federal Tax Cuts and Jobs Act, Public Law 115-97, serve the lowest income occupant, are located in an area that has been declared an extremely blighted area under section 18-2101.02, and are obligated to serve qualified occupants for the longest period of time.

~~(2) Beginning on July 1, 2026:~~

~~(2) (a) The Department of Economic Development shall disburse grant funds to a qualified recipient equal to eighty percent of the amount awarded to a qualified recipient housing development costs of such recipient, excluding general administration costs, housing management fees, lead-based paint test costs, and technical assistance costs, once the department approves such recipient for funding and shall disburse the remaining twenty percent of such amount, excluding general administration costs, housing management fees, lead-based paint test costs, and technical assistance costs, upon the completion of the project. The funds shall be held in an interest-bearing construction disbursement escrow account and shall be disbursed for qualified expenses upon sufficient presentation of partial lien releases and supporting invoices or receipts, as determined by the escrow company in the exercise of its duties. The escrow company shall be a licensed title insurance company, financial institution, or third-party law firm. Interest received from the funds while in escrow may be used to pay for the escrow company fees. The use of any additional interest shall be determined by the department. Any funds remaining in the escrow account after qualified expenses are paid shall be returned to the department. grant funds; and~~

~~(b) The department shall disburse grant funds to a qualified recipient equal to twenty percent of the housing development costs of such recipient, excluding general administration costs, housing management fees, lead-based paint test costs, and technical assistance costs, upon the completion of the project.~~

(3)(a) Beginning on October 1, 2025, a qualified recipient shall submit to the Department of Economic Development a schedule of uses of funds for eligible activities on a quarterly basis, no later than thirty days after the end of each calendar quarter, during the time of performance under the award agreement.

(b) The schedule of uses of funds for eligible activities shall include an itemization of costs for eligible activities. If reasonable, the department may require source documentation and proof of payment, including, but not limited to, a paid invoice, completed payment, or cleared check, to be submitted with the schedule as evidence of appropriate use of funds. Qualified recipients shall ensure proper use of funds. The department is not responsible for the audit or approval of each of the qualified recipient's transactions involving funds.

(c) The department may initiate any of the following actions if a qualified recipient does not submit a schedule of uses of funds for eligible activities:

(i) Disqualification of the qualified recipient in pending applications for the Affordable Housing Trust Fund;

(ii) Disqualification of the qualified recipient in pending applications for other department programs;

(iii) Disqualification of the qualified recipient as an eligible applicant for Affordable Housing Trust Fund applications for up to twenty-four months from the date of the department action; or

(iv) Other actions deemed necessary by the department to meet the department's responsibility to ensure proper use of funds, ~~so long as such actions do not unduly harm a qualified recipient's reputation and ability to successfully operate in Nebraska. This subdivision does not prohibit the department from taking appropriate actions against qualified recipients that have committed illegal actions, such as fraud and theft.~~

(4) Beginning July 1, 2027, the Department of Economic Development shall

prescribe annual reporting requirements to collect sufficient information from qualified recipients to determine the amount of funds obligated to projects, the repayment terms of such funds, and the current balance of funds unspent or repaid. The reporting requirements shall also require qualified recipients to provide an accounting of awards granted for the purpose described in subdivision (10) of section 58-706, including the award amount and estimates related to equity earned on homes purchased with such awards. If a qualified recipient fails to meet the reporting requirements of this subsection, such qualified recipient may be required to return all awarded funds and transfer equity positions of recoverable housing assistance funds to the satisfaction of the department.

(5) (4) The Department of Economic Development shall fund in order of priority as many applications as will utilize available funds less actual administrative costs of the department in administering the program. In administering the program, the department may contract for services or directly provide funds to other governmental entities or instrumentalities.

(6)(a) (5)(a) The Department of Economic Development may recapture any funds, including interest accrued in any escrow account, which were allocated to a qualified recipient for an eligible project through an award agreement if such funds were not utilized for eligible costs within the time of performance under the agreement and are therefore ~~therefor~~ no longer obligated to the project.

(b) Upon completion of a project, the department shall recapture a percentage of the funds which were allocated to a qualified recipient for an eligible project through an award agreement equal to the percentage of the housing development the qualified recipient agreed to construct under the award agreement but failed to complete, along with any interest accrued on the funds. Any funds recaptured under this subdivision shall be credited to the Affordable Housing Trust Fund.

(c) A qualified recipient shall recapture any funds allocated to such recipient from the Affordable Housing Trust Fund that are provided to a homebuyer by the recipient as financial assistance for the purchase of a home upon sale of such home from the net proceeds of such sale, if any.

Sec. 7. Section 58-709, Reissue Revised Statutes of Nebraska, is amended to read:

58-709 The Department of Economic Development, in consultation with the Nebraska Investment Finance Authority ~~and the housing advisory committee established in section 58-704,~~ shall adopt and promulgate rules and regulations to carry out the Nebraska Affordable Housing Act. The department shall monitor programs to see that only qualified individuals and families are occupying projects funded by the Affordable Housing Trust Fund.

Sec. 8. (1) The Department of Economic Development may contract with a statewide public or private nonprofit organization or a state instrumentality which shall serve as agent for the department to help carry out the purposes and requirements of the Nebraska Affordable Housing Act.

(2) If the department utilizes an agent pursuant to this section, then any reference to the department in relationship to duties under the Nebraska Affordable Housing Act shall include such agent to the extent that the agreement between the department and the agent so specifies.

Sec. 9. Section 72-804, Revised Statutes Supplement, 2025, is amended to read:

72-804 (1) Any new state building shall meet or exceed the requirements of the 2018 International Energy Conservation Code published by the International Code Council. For purposes of this subsection, new state building does not include any building that (a) is constructed or repaired using state funds received in the form of a grant or loan from the state and (b) will not be owned or managed by the state upon the completion of such construction or repair.

(2) Any new lighting, heating, cooling, ventilating, or water heating equipment or controls in a state-owned building and any new building envelope components installed in a state-owned building shall meet or exceed the requirements of the 2018 International Energy Conservation Code.

(3) The State Building Administrator of the Department of Administrative Services, in consultation with the Department of Water, Energy, and Environment, may specify:

(a) A more recent edition of the International Energy Conservation Code;
(b) Additional energy efficiency or renewable energy requirements for buildings; and

(c) Waivers of specific requirements which are demonstrated through life-cycle cost analysis to not be in the state's best interest. The agency receiving the funding shall be required to provide a life-cycle cost analysis to the State Building Administrator.

Sec. 10. Section 72-805, Revised Statutes Supplement, 2025, is amended to read:

72-805 (1) Except as provided in subsection (2) of this section 58-712 for certain projects funded by the Affordable Housing Trust Fund, the 2018 International Energy Conservation Code, published by the International Code Council, applies to all new buildings constructed in whole or in part with state funds after July 1, 2020. The Department of Water, Energy, and Environment shall review building plans and specifications necessary to determine whether a building will meet the requirements of this subsection section, except that the department shall not be required to review building plans and specifications upon evidence that the building plans and

specifications have previously been reviewed by a county, city, or village enforcing a local building or construction code adopted pursuant to section 71-6406 if such local building or construction code includes the requirements of the 2018 International Energy Conservation Code. The department shall provide a copy of any review to the agency receiving funding. The agency receiving the funding shall verify that the building as constructed meets or exceeds the code. The verification shall be provided to the department.

(2) This section does not apply to any building that (a) is constructed or repaired using state funds received in the form of a grant or loan from the state and (b) will not be owned or managed by the state upon the completion of such construction or repair.

(3) The Director of Water, Energy, and Environment may, in consultation with the State Building Administrator of the Department of Administrative Services, adopt and promulgate rules and regulations to carry out this section.

Sec. 11. Section 81-1228, Reissue Revised Statutes of Nebraska, is amended to read:

81-1228 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;
 - (c) Upper-story housing development; or
 - (d) Extension of sewer or water service in support of workforce housing;
- (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, regional, and statewide political subdivisions, or other nonprofit organizations to a workforce housing investment fund administered by a nonprofit development organization;
- (6) Nonprofit development organization means a local, 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 three hundred ~~seventy-five~~ ~~twenty-five~~ thousand dollars to construct or rental housing units that cost not more than ~~three~~ ~~two~~ hundred ~~fifty~~ 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 units that do not receive federal or state low-income housing tax credits, community development block grants, HOME funds, or funds from the National Housing Trust Fund, which would impose individual or household income limitations or restrictions on such housing units, or funding from the Affordable Housing Trust Fund restricting the level of individual or household income to anything less than one hundred percent of area median income as calculated by the United States Department of Housing and Urban Development; 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. 12. Section 81-1229, Reissue Revised Statutes of Nebraska, is amended to read:

81-1229 (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 2031-32 ~~2026-27~~, grants shall be awarded by the director on a competitive basis until grant funds are no longer available. A nonprofit development organization may apply for more than one grant, subject to the following limits:

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

dollars; and

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

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

(4) 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.

(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 review of all financial records conducted by an independent certified public accountant.

Sec. 13. Section 81-1230, Reissue Revised Statutes of Nebraska, is amended to read:

81-1230 (1) The Rural Workforce Housing Investment Fund is created. Funding for the grant program described in section 81-1229 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 General 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, ~~2032~~ 2027, any funds held by the department in the Rural Workforce Housing Investment Fund shall be transferred to the General Fund.

Sec. 14. Section 81-1231, Reissue Revised Statutes of Nebraska, is amended to read:

81-1231 (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 review of all financial records required under subsection (5) of section 81-1229.

(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, 2032 ~~2027~~, any unallocated grant funds shall be returned to the department for credit to the Rural Workforce Housing Investment Fund. On and after July 1, 2032 ~~2027~~, any unallocated grant funds shall be returned to the department for transfer to the General 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. 15. Section 81-1232, Reissue Revised Statutes of Nebraska, is amended to read:

81-1232 (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 or a state instrumentality 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. 16. Section 81-1237, Revised Statutes Supplement, 2025, is amended to read:

81-1237 For purposes of the Middle Income 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 workforce housing investment fund means:
 - (a) New construction of owner-occupied or rent-to-own housing in a neighborhood and community with a demonstrated need for housing that is affordable and attractive to first-time homebuyers, middle-income families, and the emerging workforce;
 - (b) Substantial repair or rehabilitation of dilapidated housing stock; or
 - (c) Upper-story housing development for occupation by a homeowner or rent-to-own tenant;
- (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) Homeownership incentive reserve account means an interest-bearing, deposit-insured account maintained by the owner of a housing unit for future use by the unit's tenant to purchase a home;
- (6) 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;
- (7) Nonprofit development organization means a regional or statewide nonprofit development organization approved by the director;
- (8) Owner means one or more persons, jointly or severally, in whom is vested all or part of the legal title to, or beneficial ownership of, the subject housing unit;
- (9) Project reserve account means an interest-bearing, deposit-insured account maintained by the owner of a housing unit for unexpected expenses, routine maintenance, and other operational costs associated with managing rental properties;
- (10) Qualified activities include purchase guarantees, loan guarantees, loan participations, and other credit enhancements related to eligible activities of the workforce housing investment fund;
- (11) Qualified investment means a cash investment in a workforce housing investment fund administered by a nonprofit development organization;
- (12) Rent-to-own housing means housing units that:
 - (a) Are located within a development of single-family housing, duplexes, townhouses, or multifamily housing in which there are no more than ten units on a parcel of land; and
 - (b) Meet the following requirements until the housing unit is owner occupied:
 - (i) The housing unit is occupied by a tenant as the tenant's primary residence;
 - (ii) The tenant does not own a home or other residential real estate;
 - (iii) The lease for the housing unit provides that:
 - (A) Not less than fifty dollars of the tenant's monthly rent shall be set aside in a homeownership incentive reserve account prior to any cash flow distributions to the owner. Such homeownership incentive reserve account shall be maintained by the owner in an interest-bearing account as long as the tenant resides in the unit. When the lease ends, the owner shall liquidate the homeownership incentive reserve account and distribute the money to the tenant for downpayment and closing costs on the purchase of a home that will be the

tenant's new primary residence. If the tenant does not purchase a home at the end of the lease, the money in the homeownership incentive reserve account shall be transferred to a project reserve account; and

(B) The tenant may end the lease without penalty if the tenant provides the owner with thirty days' written notice and purchases a home that will be the tenant's new primary residence; and

(iv) The housing unit is the subject of a legally binding agreement granting the tenant the option to purchase the unit from the owner at fair market value not less than one year after the lease begins. Such agreement shall give the tenant the ability to apply homeownership incentive reserve account funds to downpayment and closing costs;

(13) Urban community means any area that is:

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

(ii) Within or adjacent to a qualified census tract as described in 26 U.S.C. 42(d)(5)(B), as such section existed on January 1, 2022;

(b) Within a city of the primary class or within a county in which a city of the primary class is located; or

(c) In a county with a population greater than one hundred thousand inhabitants, as determined by the most recent federal decennial census, that does not contain a city of the metropolitan class or a city of the primary class;

(14) Workforce housing means:

(a) Owner-occupied or rent-to-own housing units that have an after-construction appraised value or construction cost of at least one hundred twenty-five thousand dollars but not more than three hundred seventy-five ~~thirty~~ thousand dollars. For purposes of this subdivision, housing unit after-construction appraised value and construction cost 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;

(b) Owner-occupied or rent-to-own housing that meets the following requirements:

(i) The cost to substantially rehabilitate such housing exceeds twenty-five ~~five~~ fifty percent of its before-construction assessed value; and

(ii) The after-construction appraised value of the building alone is at least one hundred twenty-five thousand dollars but not more than three ~~two~~ hundred seventy-five thousand dollars. For purposes of this subdivision, housing unit after-construction appraised value 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;

(c) Upper-story housing for occupation by a homeowner or rent-to-own tenant; and

(d) Housing units that do not receive federal or state low-income housing tax credits, community development block grants, HOME funds, or funds from the Affordable Housing Trust Fund. Notwithstanding the foregoing, the department shall not restrict the construction of housing units on land parcels prepared using funds from the sources described in this subdivision and shall not restrict the sale of housing units to homebuyers that receive homebuyer assistance funds from the sources described in this subdivision; and

(15) 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 urban communities.

Sec. 17. Section 81-1238, Revised Statutes Supplement, 2025, is amended to read:

81-1238 (1) The director shall establish a workforce housing investment grant program to foster and support the development of workforce housing in urban 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 2031-32 ~~2026-27~~, grants shall be awarded by the director on a competitive basis until grant funds are no longer available. Grant maximums shall not exceed ten million dollars to any one nonprofit development organization over a two-year period, with the cumulative amount for any single grantee to be determined by the department at the discretion of the director. An applicant shall provide matching funds for workforce housing grant funds awarded. For grant funds awarded prior to July 19, 2024, an applicant shall provide matching funds of at least fifty percent of the amount of such grant funds awarded. For grant funds awarded on or after July 19, 2024, an applicant shall provide matching funds of at least twenty-five percent of the amount of such grant funds awarded. Unallocated funds held by the department shall be rolled to the next program year.

(3) Grants shall be awarded based upon:

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

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

(c) A neighborhood or community that exhibits a demonstrated commitment to

growing its housing stock;

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

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

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

(4) A workforce housing investment fund shall:

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

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

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

(d) 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 conduct an annual audit of all financial records by an independent certified public accountant.

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

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

81-1239 (1) The Middle Income Workforce Housing Investment Fund is created. Funding for the grant program described in section 81-1238 shall come from the Middle Income Workforce Housing Investment Fund. The Middle Income Workforce Housing Investment Fund may include revenue transferred at the direction of the Legislature, grants, private contributions, and other sources. Any money in the Middle Income 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 establish a subaccount within the Middle Income Workforce Housing Investment Fund that shall be used to fund affordable housing and related land parcel preparation activities under the Economic Recovery Act as described in subdivisions (4)(d) and (e) of section 81-12,241.

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

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

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

(6) Beginning July 1, ~~2032~~ 2029, any funds held by the department in the Middle Income Workforce Housing Investment Fund shall be transferred to the General Fund.

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

81-1240 (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 workforce housing investment fund meets the requirements of the Middle Income Workforce Housing Investment Act and shall include a breakdown of program activities.

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

(a) The name and geographical location of the 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;

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

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

(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, ~~2032~~ 2029, any unallocated workforce housing investment fund grant funds shall be returned for credit to the Middle Income Workforce Housing Investment Fund. On

and after July 1, ~~2032~~ 2029, any unallocated workforce housing investment fund grant funds shall be returned to the department for transfer to the General Fund.

(4) If a workforce housing investment fund 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.

(5) This section does not apply to the subaccount of the Middle Income Workforce Housing Investment Fund described in subsection (2) of section 81-1239.

Sec. 20. Section 81-1241, Reissue Revised Statutes of Nebraska, is amended to read:

81-1241 (1) The department shall use its best efforts to assure that any grant funds awarded to a nonprofit development organization are targeted to the geographic communities or regions with the most pressing housing, 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 Middle Income Workforce Housing Investment Act to all eligible neighborhoods and communities.

(3) The director may contract with a statewide public or private nonprofit organization or a state instrumentality which shall serve as agent for the department to help carry out the purposes and requirements of the Middle Income Workforce Housing Investment 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 Middle Income Workforce Housing Investment Fund necessary to cover the actual costs of administering the program.

Sec. 21. Original sections 58-709, 81-1228, 81-1229, 81-1230, 81-1231, 81-1232, and 81-1241, Reissue Revised Statutes of Nebraska, sections 58-201 and 58-703, Revised Statutes Cumulative Supplement, 2024, and sections 58-701, 58-708, 72-804, 72-805, 81-1237, 81-1238, 81-1239, and 81-1240, Revised Statutes Supplement, 2025, are repealed.

Sec. 22. The following sections are outright repealed: Section 58-704, Reissue Revised Statutes of Nebraska, and section 58-712, Revised Statutes Supplement, 2025.