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CLEMENTS: Thank you. Good afternoon, welcome to the Appropriations Committee hearing. My name is Rob Clements, I'm from Elmwood. I represent Legislative District 2, which is Cass County and eastern Lancaster County. I serve as Chair of this committee. We will start off by having members do self-introductions, starting with my far right.

DORN: Armendariz, introduction.

ARMENDARIZ: Christy Armendariz from District 18.

DORN: Myron Dorn from District 30.

DOVER: Robert Dover, District 19.

ERDMAN: Steve Erdman, District 47.

CLEMENTS: There are senators absent at the time. Some are presenting at other committees and some of these could have to leave, but it has no reflection on the bills today here. Assisting the committee today is Tamara Hunt, our committee clerk. To my left is our fiscal analyst, Clint Verner. Our pages today are Malcolm from Omaha, a UNL student, and Cait [PHONETIC] from Kansas, a UNL student. At each entrance you will find green testifiers sheets. If you're planning on testifying today, please fill out a green testifier sheet and hand it to the committee clerk when you come up to testify. If you will not be testifying but want to go on record as having a position on a bill being heard today, there are white sign-in sheets at each entrance where you may leave your name and other pertinent information. These sign-in sheets will become exhibits in the permanent record after today's hearing. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please silence your cell phones and electronic devices. Move to the front chairs when you're ready to testify. The order of testimony will be introducer, proponents, opponents, neutral and closing. When you come to testify, spell your first and last name for the record before you testify. Be concise. We request that you limit your testimony to 5 minutes or less. Written materials may be distributed to the committee members as exhibits only while testimony is being offered. Hand them to the page for distribution when you come up to testify. If you have written testimony, but do not have 12 copies, please raise your hand now so the page can make copies for you. Now we will begin today's hearing with LB786, Senator McKinney. Welcome, Senator.

McKINNEY: Thank you. Good afternoon, Chairman Clements and members of the Appropriations Committee. My name is Terrell McKinney, T-e-r-r-e-l-l M-c-K-i-n-n-e-y. I represent District 11 in the Legislature, which is north Omaha, and I'm presenting LB786 today. LB786 appropriates $100 million over two years to the, to the Department of Economic Development for the Community and Rural Develop-- Development aid program to contract with the Nebraska Investment Finance Authority for housing developed in Omaha-- development in Omaha, also known as NIFA. And they would have to prioritize the development of housing units in, in the area close to the airport and qualified census tracts and focus on mixed-use housing units. It's no secret that our state has a housing access and affordability crisis on our hands, especially in areas of high poverty. Residents are paying too much for housing and other, and others need help to own homes. The "American dream" is not a real reality for many Nebraskans, contrary to popular belief. Investing in housing in these areas is commonsense legislation to address our housing crisis. We are, we are in need of diversity in our housing stock. We shouldn't just be building apartments. We need single-family homes and mixed-use housing developments. In a recent article by the World-Herald titled Omaha Affordable Housing Puzzle: High Prices, Short Supply Spark Growing Statewide Crisis, it mentioned that despite the clear demand for new housing, the law of supply-- the law of supply and demand doesn't seem to be working to fill the need. The number of single-family dwellings being built in Omaha, in the Omaha metro area remains well below levels seen more than a decade ago. Annual construction has generally been flat and actually fell in 2022. The lag in homebuilding represents lingering fallout from the Great Recession, a downturn that cost Omaha one of its largest builders of affordable housing. For a variety of reasons, other builders have been slow to pick that up. Most of the new homes going up today are well out of reach for most first-time buyers. Builders say average price for a newly built home in Omaha last fall was nearly $470,000. Most homes being built today cost at least $300,000, typically require mortgages that are unaffordable for families making less than $80,000 a year. The lack of newly built homes and affordable hous-- in affordable price ranges has increased competition for existing homes that further drives up prices, not to mention the property valuations and taxes for everyone who owns a home. A lack, a lack of housing is an issue for workforce development. If we don't figure this out, growing our state will be very difficult. And it doesn't matter where you live. As a body, we cannot afford to sit out on this issue. And I strongly believe we must invest in housing in a smart way. Thank you.

CLEMENTS: Are there questions from the committee? Senator Armendariz.

ARMENDARIZ: Thank you. Thank you, Senator, for being here. And I have a, I still have a hard time really wrapping my head around affordable housing and how it works. So obviously, I have moved-- I grew up in your, in your district, but I have moved farther west. And in that area, there's just houses building-- being built everywhere. And I agree with you there probably three, $300,000 and up just to build a new home. How, how would affordable housing work so the builders can get 3 to, you know, no limit for the build of a home? So are we subsidizing the builder or are we giving low-interest loans? Or how does, how does it play out to get people into homeownership in an affordable way?

McKINNEY: I think it's a, it's a combination of probably both, because I think that builders are hesitant to build homes that price lower because of the cost of supplies and things like that. And if they do build a home that's maybe $150,000 or less, they're probably losing. So I think we have to figure out the happy medium to allow for people to be able to purchase homes and own homes, but also not bankrupt our developers as well.

ARMENDARIZ: OK.

McKINNEY: Yep.

CLEMENTS: Other questions from the committee? Seeing none, are there proponents for LB786? Seeing none, is there anyone here in opposition?

WISHART: They are proponents.

CLEMENTS: Pardon? Oh, are you a proponent?

ROBIN AMBROZ: Proponent.

CLEMENTS: Thank you.

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ROBIN AMBROZ: Sorry about that, sir.

CLEMENTS: It's OK. Welcome.

ROBIN AMBROZ: Thank you. Good afternoon, Chairman Clements and members of the committee. My name is Robin Ambroz, R-o-b-i-n A-m-b-r-o-z, and I'm the deputy director of programs and marketing at Nebraska Investment Finance Authority. I'm pleased to testify in support of allocating funds to the Department of Economic Development, which will in turn contract with NIFA to develop housing units as outlined by LB786. As you know, outlined in our strategic housing framework, we are striving to develop and rehabilitate 35,000 affordable and attainable low- to middle-income rental and ownership units by 2028. These funds will provide a flexible source to help us attain that goal. The need for safe, affordable and workforce housing in our metropolitan class cities qualified census tracts is a great need. Many of these areas have suffered a disinvestment of resources that has created a great need for housing and other resources. NIFA stands ready to accept these funds and administer a program that will provide a much-needed resource for the creation of housing units. Thank you for your time this afternoon and I'm happy to answer any questions.

CLEMENTS: Are there questions from-- Senator Erdman.

ERDMAN: Thank you, Senator Clements. Thank you for coming. Can you define affordable housing? What do you mean by affordable housing?

ROBIN AMBROZ: Well, that means many different things depending on the types of programs that you're talking about. To most people, it's generally 80 percent of the area median income and below. But these days, we strive to also go up to at least 120 percent, so that we're hitting those that are at that workforce housing income.

ERDMAN: OK. So the state makes this contribution and we give it to DED and they're going to distribute that. How does that work? Do they lower the price of the home to the person who's buying it or do they subsidize the contractor? How does that works so they can lower the price of the house so they can buy it?

ROBIN AMBROZ: Well, I'm sure we would create the program if the funds were awarded in partnership with the Department of Economic Development. But there are several different ways, since this is state funding and it provides a much more flexible resource than some federal funds. So things like downpayment assistance can be used or low-interest loans. So buying down the cost of that home to help someone get into homeownership.

ERDMAN: OK.

CLEMENTS: Senator Armendariz.

ARMENDARIZ: Thank you. Thank you. And I'm going to apologize early because you aren't used to me yet, but I will push everybody that comes here without a plan. How do you know you need $100 million if you haven't really figured out how you're going to spend it? So that's going to be my pushback from anybody that comes here. Give me a well-thought-out plan, know exactly how much it costs and then come to us saying, this is what we're going to do. This is how it's going to work and this is the investment we're making in the state. And this is how the state is going to get paid back to that investment. I know you're not prepared to do that now, but maybe you can gather that information and bring it to us before that we would exec on this dollar amount.

ROBIN AMBROZ: And absolutely. And, and I will say, since these funds are technically going to the Department of Economic Development and then contracting with NIFA, we would definitely want to create that plan in conjunction with them--

ARMENDARIZ: For sure.

ROBIN AMBROZ: --and with the constituents, you know, in this area as well.

ARMENDARIZ: Yeah, and I would, I would have wanted to NIFA here, so we could ask them questions of what the, what the plan was.

DOVER: No, they're--

ROBIN AMBROZ: Yeah, I'm NIFA.

ARMENDARIZ: That is--

ROBIN AMBROZ: Yeah.

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ARMENDARIZ: That is you. OK.

ROBIN AMBROZ: Yeah.

ARMENDARIZ: OK. So I'm trying, but--

ROBIN AMBROZ: No, that's OK.

ARMENDARIZ: OK. I appreciate that.

CLEMENTS: Senator Dover.

DOVER: Yeah. So this is just an appropriation? There isn't any set plan that you're aware of?

ROBIN AMBROZ: Not that is memorialized that I'm aware of.

DOVER: OK.

ROBIN AMBROZ: But I would, I guess, defer to the senator.

DOVER: OK. I can ask when he-- and my other question was, so you mentioned you could go as high as 100-- when Senator Erdman asked the question, as high as 120 percent of the median income. What-- if that was, if that was considered what they could afford for housing, what would that equate to as far as a mortgage or a loan?

ROBIN AMBROZ: Right. Well, and I guess I should say what is considered affordable, I mean, industry standard is that nobody is paying more than 30 percent of their income for their housing costs. So I'm going to turn to anyone-- to my coworker in the audience to give you an example of what 120 of AMI is. I don't have that off the top of my head, I apologize.

DOVER: OK. Thank you.

ROBIN AMBROZ: But again, since these are state funds, I mean, currently there's not an AMI limit, you know, assigned to these funds. So that can be flexible. That's the great thing about having these types of funds, because you can kind of create those income tranches and target what is needed in that community so.

DOVER: I guess I just, I was aware there was a DED program at one time that basically gave any person purchasing a new home $70,000. And I was kind of wondering, well, how did you end up giving anybody that wanted to buy a house $70,000 if they qualified? And what the way it was was based on their, the income restrictions, the could only afford $100,000. And a house cost at the time $170,000. And therefore they gave them $70,000 to buy $170,000 house because they only qualified for a $100,000 loan. And I was trying to get an idea what the updated numbers are today because that was a number of years ago. Thank you.

ROBIN AMBROZ: Yep. Certainly happy to get those to you.

DOVER: Thank you.

CLEMENTS: Senator Armendariz.

ARMENDARIZ: Thank you. One more question just, just to clarify, the 120 percent or 130 percent?

ROBIN AMBROZ: Earlier, Senator Erdman asked, you know, what are we talking about when we're talking about affordable housing.

ARMENDARIZ: Right.

ROBIN AMBROZ: And my response was, you know, that really depends on for if you're using federal money, it's pretty much defined by the program. But when we're talking about what is affordable in our state, a lot of our programs do target like 60 percent of the area median income or up to 80 or up to 120 percent, which would be considered hopefully affordable housing. You know, that would be affordable to the person that's living there. But again, it's completely, you know, this, this program can be structured that would make sense what is needed in the community.

ARMENDARIZ: I guess just to clarify that, that it's the qualifying census tract median income, not the whole city or the whole--

ROBIN AMBROZ: So income limits are generally by county, or in this case it would be by the Omaha MSA.

ARMENDARIZ: So the entire Omaha, you would go by that median income?

ROBIN AMBROZ: Yes.

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ARMENDARIZ: And then wanted to be 120 percent of that or 80 percent of that or--

ROBIN AMBROZ: It could, yeah. If we're talking affordable.

ARMENDARIZ: You don't know what number yet?

ROBIN AMBROZ: Yeah.

ARMENDARIZ: OK.

CLEMENTS: Senator Dover.

DOVER: If you could clarify, I think there's a confusion as far as the question that you was asked about what we would consider affordable housing, which has nothing to do necessarily with this appropriation. Is that correct?

ROBIN AMBROZ: Correct, yeah. I mean, when-- but I mean, affordable housing can mean many things to many people. But what we're really talking about is making it affordable to that person so that they're not spending more than 30 percent of their income for their housing expenses.

DOVER: I guess, though, your, your, your income restrictions, wasn't that based on what federal moneys would require for affordable housing?

ROBIN AMBROZ: Correct.

DOVER: So it really has nothing to do whatsoever with how this money would be allocated, is that correct?

ROBIN AMBROZ: Correct, yeah. I mean, to my knowledge, this does not have any income limits associated with it.

DOVER: Thank you.

CLEMENTS: Senator Erdman.

ERDMAN: Thank you, Senator Clements. So have we not appropriated money for this fund in the past?

ROBIN AMBROZ: Not to this particular--

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ERDMAN: This is a new program?

ROBIN AMBROZ: I believe so, Senator. Yes.

____________________: [INAUDIBLE]

ERDMAN: OK. Maybe someone else might know the answer to that. Thank you.

CLEMENTS: Other questions? Seeing none, thank you for your testimony. Are there additional proponents for LB786? Seeing none, is there anyone here in opposition? Seeing none, is there anyone wanting to testify in the neutral capacity? Seeing none, you're welcome to close, Senator.

McKINNEY: Thank you and thank you for the individual that came to speak from NIFA. Kind of clarify a little better. This bill isn't just for affordable housing. I think affordable housing is needed. But we also need a mixed stock of housing in, in north Omaha or in the city of Omaha. The city of Omaha has put together a affordable housing action plan. I think also-- I understand your need for to see a plan. I probably could have tried to put that together, but also time hasn't been the best lately with so, so many moving parts coming along. And I at least felt as though I would be remiss if I didn't try to get some resources to do some type of housing. And yes, we have allocated resources to housing. But when you look at the crisis that we have, what we allocated already probably isn't enough. And it shouldn't just be for affordable housing. It should be for single-family homes as well and things like that, to make it easier for people to own homes. Because, for example, in my community it's has a huge renter base and less home ownership and I would like to change that. And also homeownership is another vehicle to lift people out of poverty. And I think that's something we should focus on, too. Thank you.

CLEMENTS: Just a minute. Senator Erdman.

ERDMAN: Thank you, Senator Clements. Thank you, Senator McKinney. I appreciate that. Is it possible for us to see a report on what has happened with these programs before, what the success rate was and what happened there?

McKINNEY: Yeah, I could try to find that. I could reach out to the Department of Economic Development and try to get that shared to you.

ERDMAN: Thank you.

McKINNEY: Yep.

CLEMENTS: Senator Armendariz.

ARMENDARIZ: Thank you. Thanks. So to-- a little bit deeper. You said it's not just affordable housing, but it would be homeownership in general that qualify?

McKINNEY: Yes. Yeah, because as much as people love affordable housing, or they like to say low-income housing, I don't think my community deserves just to have low-income housing, affordable housing.

ARMENDARIZ: OK.

McKINNEY: We also need, you know, good homes as well. Shouldn't just be low-income.

ARMENDARIZ: Even in when they can afford to--

McKINNEY: Yes.

ARMENDARIZ: --pay full price for a home.

McKINNEY: Yeah.

ARMENDARIZ: So then where would the limitation be on, say, if I wanted to buy an $800,000 home and didn't want to spend more than 30 percent of my income on that, would I be able to use some of these funds to make up the difference?

McKINNEY: You could figure it out.

ARMENDARIZ: Or do we want to--

McKINNEY: Try to make it work.

ARMENDARIZ: --tighten that up a little bit?

McKINNEY: Yeah, for sure.

ARMENDARIZ: OK.

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McKINNEY: Yep.

CLEMENTS: Other questions? Seeing none, thank you, Senator McKinney.

McKINNEY: Thank you.

CLEMENTS: We have position comments on LB786. We have two proponents, no opponents, one neutral comment. That closes LB786. We will now open a hearing for LB789, Senator Wayne. Welcome.

WAYNE: Welcome. Thank you, Chairman Clements and the Appropriations Committee. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, I represent Legislative District 13, which is North Omaha and northeast Douglas County. I will keep this very short in a sense that to Senator Erdman's question on the last bill that was before you, I think part of the problem we have in rural and urban is we continue to build homes the same way. When you look around the rest of the world, they are going more to a modular or manufactured-style home and there is innovation around homes. So while I asked for $50 million, it isn't a dollar amount. And the more I looked into our middle-income housing fund and other funds and even a NIFA, maybe it's not such a, a big ask for $50 million, although I think it's needed. I would like to see at least part of those funds when you start having conversations about reappropriating funds, that we do set aside a, a percentage to go to affordable-- not affordable housing, innovative housing, innovative housing solutions. I just feel like if we can get more manufacturers here, different ways to build, maybe different, different actual materials to build. I think we got to figure out how to do something differently because what we're doing right now isn't working. It's working in the sense that we're building them, but it's a, it's a-- it's the costs are, are going crazy. And if we're going afford-- solve this affordable housing and housing crisis, we have to do it quicker, better or more efficient. And one of the ways to do that, at least in Europe, it seems like if you asked in Europe and other countries, how do they build their homes and even their multi mixed-used homes to have apartments and even commercial space? When I talk about having stick figures done at the site, they looked at me like I was crazy on a Zoom call. Almost everything is built off site everywhere else in the world except for the U.S. And so I'm not saying that's the answer. I'm just saying we have to figure out some innovation around housing or we're never going to be able to solve this problem. And so, again, I asked for $50 million. I might make it a little easier on you saying

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it doesn't necessarily have to be $50 million, but we do have funds and housing funds right now where we need to think about setting aside some type of innovative housing for people to start figuring out how to innovate and solve this solution-- or solve this problem. So that's my thought behind this bill. I thought $50 million was a good, solid number. That's why I went with it.

CLEMENTS: Are there questions from the committee? Senator Armendariz.

ARMENDARIZ: You act surprised. Thanks, Senator Wayne, for being here. So if I can differentiate yours and McKinney's. His is for all housing and yours is for innovative types of housing development?

WAYNE: Yes.

ARMENDARIZ: So what, what prevents a business that does this already from coming in and just cornering that market and building those homes? Why would they need $50 million from us?

WAYNE: Well, we don't have to necessarily use the $50 million. But I mean, I would love that. I would love if we had eight or nine companies come in and say, we're going to do manufacturing. Might-- we might use hemp bricks, we might use 3D printing, we might-- whatever it is. I would love to drive that market and bring in as much innovation to solve this problem. So what the difference is from McKinney's bill and my bill is I think his bill laid out three priorities for NIFA, which would be a certain area of qualified census tracts and then mixed housing. And it is true, affordable housing is a double-edged sword. And this is the only time I get to say this, so I'm gonna use it. We want affordable housing, but when we talk about federal programs, you lock people into a cap. And you have people in my district who are turning down promotions because they could potentially lose their house or lose their apartment because they get kicked out of the program because they make too much money. So we have to have a balance of affordable and market rate. And I think in order to do that, what my bill is trying to do is say, let's, let's leave it to the market to figure out how to innovate and let's incentivize them to innovate.

ARMENDARIZ: So you had proposed using this money to incentivize those businesses to come and build these homes?

WAYNE: Correct.

CLEMENTS: Other questions? Senator Dover.

DOVER: We talked about--

CLEMENTS: Would you lean forward?

DOVER: Sorry.

WAYNE: Man, your Chairman is rough here. I'll tell you.

CLEMENTS: The transcribers are having a hard-- the transcribers--

WAYNE: They were talking about me. It wasn't your committee, it was, it was me.

DOVER: When you referred to someone earning more money and then losing their lodgings or whatever the term might be, you're not speaking about a home that they owned. You're talking about rentals, correct?

WAYNE: No, it could be both, actually. So there are specific federal first-time buyer programs and, and affordable housing programs that you have to fit into a certain income level. So it could be both. So there are programs that do both. But particularly renters, yeah, it's a bigger problem with renters. Because if they get a promotion, they can lose their benefits. Housing is usually one of the second ones. The first one is usually their childcare, and that's the big issue.

DOVER: Right.

WAYNE: But it could be, it could be single-family homes too. There are federal programs that require certain income levels.

DOVER: Are you speaking about a recapture then? I'm not, I'm not familiar with any programs where-- you obviously are qualified at a specific point when-- then when it closes and then you take ownership of that home. But I'm not, I'm not aware of anyone that would kick you out if you make less money. But there could be a recapture then or--

WAYNE: It's not a recapture. My understanding, you can no longer qualify for a program.

DOVER: All right.

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WAYNE: So you might not get the same interest rate or you might not be able to stay in that grant program. Now, there are some programs that can move people to a different program, but there are specific programs. You got to have income limits. And once you get out of sight of those, you, you could-- you will lose that program.

DOVER: OK. Thank you, Senator Wayne.

CLEMENTS: Other questions? I just wanted to say, I'm looking at the green copy. It's $50 million in fiscal '24 and 50 more-- another $50 million from fiscal '25. So it adds up to $100 million for two years.

WAYNE: If you want to do that, Chairman, that's no problem. Yes, it's $100 million. Again, this was in the beginning, the first ten days we drafted bills. But now that I let the-- I think there's some, some dollars that we already have allocated. But I do think it's important we need to put a set-aside for some innovative housing or we're going to just keep doing the same thing.

CLEMENTS: All right. Seeing no other questions, we'll invite proponents for LB789. Good afternoon.

SARA TICHOTA: Good afternoon, Chairman Clements, and members of the committee. My name is Sara Tichota, S-a-r-a T-i-c-h-o-t-a, and I am the Low-Income Housing Tax Credit manager at Nebraska Investment Finance Authority. I am testifying today in support of allocating funds to the Department of Economic Development, which in turn would contract with NIFA to develop housing as outlined by LB789. As outlined in Nebraska's strategic housing framework, the council is striving to develop and rehabilitate 35,000 affordable and attainable to low, low- to middle-income rental and ownership units by 2028. These funds are a critical component to achieving this goal. We know that we need both rental and ownership units that are affordable and attainable to Nebraska households, and these units are critical to our workforce and continued growth in our communities. These funds that Senator-- sorry, Senator Wayne is, is proposing would not be encumbered by federal requirements or the federal program guidelines that can really slow down developments of units and limit development options. As Senator Wayne mentioned, you know, not all of the federal programs would be, you know, maybe willing to use 3D printing or something like that. Not those innovative ideas. So this program could allow for that without those federal, federal guidelines. NIFA stands

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ready to develop creative financing solutions that will stimulate the development of additional housing units. The flexibility of these funds will allow us to implement new and innovative housing solutions that will address the diverse housing needs in communities across our state. Thank you. Thank you for your time. And if you have any questions, I am happy to answer them.

CLEMENTS: Question from the committee? Senator Dorn.

DORN: Thank you. Thank you, Senator Clements. Thank you for being here. You, you said that you help with, I call it dispersing the NIFA funds. Or did I hear that wrong at the start? No?

SARA TICHOTA: What, what--

DORN: Your company does.

SARA TICHOTA: --I do?

DORN: Yeah.

SARA TICHOTA: We're a, we're-- I'm with the Nebraska Investment Finance Authority.

DORN: Yep.

SARA TICHOTA: And I myself in the Low-Income Housing Tax Credit allocation manager--

DORN: OK.

SARA TICHOTA: --which is a federal tax credit program to develop--

DORN: OK.

SARA TICHOTA: --multifamily rental housing.

DORN: And with that, with that federal requirement, that only covers a portion of the house and then you, you backfill it? I shouldn't say backfill. You fill the other part of it so that this income then can qualify for it?

SARA TICHOTA: So this, this particular-- what my role is right now as the Low-Income Housing Tax Credit allocation manager is specifically in rentals. So that would either be multifamily housing or single-family housing, preparing people for homeownership eventually. But a lot of programs, yes, there's different ways that programs can be structured. Specifically where we're talking about innovative housing. Some of the ideas that we've talked about internally, we do not have the full plan as, as there isn't too much in, in the bill, but we don't have a full plan at this time. But we have thought internally about some of those things. As Senator Wayne mentioned, it's difficult to find the individuals to do the work, let alone try to pump out all the units that we need. So part of that is incentivizing creative, creative building, 3D building, maybe concrete homes. The modular point that Senator Wayne made, where you're constructing pieces offsite and then loading them to the, to the site.

DORN: Thank you.

CLEMENTS: Any questions? Seeing none, thank you for your testimony. Are there additional proponents for LB789? Good afternoon.

WAYNE MORTENSEN: Good afternoon, Chair Clements, distinguished members of the Appropriations Committee. My name is Wayne Mortensen, W-a-y-n-e M-o-r-t-e-n-s-e-n, I'm the chief executive officer of NeighborWorks Lincoln. We are a not-for-profit affordable housing developer that leverages several different sources of funding to create first-time homeownership opportunities for about 80 Lincoln families every year. How we define homeownership and affordability is, I think, pretty reasonable. We define it as anybody below 120 percent of area median income. In Lincoln, that is a household that makes up to $108,000 a year. We use state funding and subsidy sources to write down the cost of those homes so that those families can have a reasonable mortgage payment and start to get ahead in their lives. We are here today, though, because from what we understood from the bill, it was, it was pretty loose in, in its original drafting. But what we understood was that this could be a grant program for innovation. And we are always at NeighborWorks looking to stretch the limited resources the state has available to increase the impact that we have with low- to moderate-income families. In addition to serving in NeighborWorks, we are also a high-performing grantee of the Department of Economic Development and sat on the NIFA strategic housing framework which identified two challenges which I think are relevant here today, which is a lack of affordability and insufficiently diverse housing. Today, across the state of Nebraska, 58 percent of households earn less than

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$75,000 and 40 per-- 44 percent of all households are housing-insecure, which means they are spending more than 30 percent of their income on housing-related expenses. Over the years, we've helped hundreds of working-class families achieve their dream of home ownership, and we're trying to find solutions and examples that we can scale into statewide solutions. And this program could be one of those venues to support those explorations. I have four examples today. There's several more. But just to get your kind of brains going a little bit, NeighborWorks Lincoln currently administers the only two community land trusts in the state of Nebraska. Land trusts keep housing permanently affordable by retaining ownership of the land underneath the affordable house. So those homeowners can buy and sell their house, but they're required to buy and sell to a family that is also in their same economic situation, low- to moderate-income. And so those homes become permanently affordable for residents in our community. With this money, we could theoretically put a template together for locally controlled land trusts across Nebraska. They work best in property-constrained markets, so small communities and large, it doesn't matter. As long as there's demand. Prefabricated housing, which the senator already mentioned, I think that's-- there's a big difference between prefabricated and manufactured. Manufactured suggests a high priority on transportability and relocate-- "relocateability." With prefabricated, you're building houses in two or three parts and moving them a waiting foundation or a waiting basement. We have begun to look into this model in Lincoln and believe that with the state-- with some financial assistance from the state, we could begin an operation that creates more units than Lincoln can absorb in a given year. And then we would have to partner with small communities outside of the capital city for that excess demand, which could be a great partnership. Energy efficiency and operating costs. It's far more expensive, as you might expect, to build a home that meets aggressive energy standards such as net zero or passive house. But those standards themselves reduce operating costs by as much as 90 percent. With the state's help, we could figure out a way to capitalize the long-term savings of owning that home into the front-end construction costs through some kind of loan program that would be scalable. We could do track record here in Lincoln and then underwrite these loans statewide. And so that's one way that we can kill a couple birds with one stone. And it's something that we're particularly excited about. And last but not least, certainly there's other ideas that we're kicking around. But, but another exciting one is accessory, accessory dwelling units or live [PHONETIC] lease homes. These are all the rage in very tight markets on the coasts. Lincoln is more similar to a coastal market in terms of its housing stock. And so we're talking about granny flats or ancillary drawing units in backyards. In, in confronting those units, the two big hurdles nationwide have been zoning and financing. And I think with state assistance, we could get around both of those hurdles to develop preapproved prototypes that would be available anywhere. And publicly guaranteed construction lending pool, so it's not as risky of a loan. Nebraska, you know, these solutions could help Nebraska begin to address its statewide affordable housing deficit in communities of all sizes and scales. And our experience with the trust fund and with, in partnership with the DED has us very optimistic about what could be possible with this program. I'll leave you just saying that we believe that if the Legislature appropriates these resources, it will see what Nebraska's affordable housing developers are truly capable of, of solving.

CLEMENTS: Are there questions from the committee? Senator Erdman.

ERDMAN: Thank you, Senator Clements. Thanks for coming. When you opened your comments, you mentioned $108,000. Go through that number again for me.

WAYNE MORTENSEN: Sure. So we serve families anywhere from 60 percent of AMI to 120 percent of AMI with the various programs that we have. AMI stands for area median income. In Lancaster County, a household of four makes an average of $92,400 per year. So we are able to serve families making up to $108,000, which is 120 percent of that number, and all the way down to families making $72,000 a year, I believe, is the 60 percent number. So, you know, these are families that are usually stuck in rental situations because they don't have the savings or credit score to be able to get into first-time homeownership. Our program specifically ends around those issues.

CLEMENTS: Senator Wishart.

WISHART: Thanks for being here [INAUDIBLE].

WAYNE MORTENSEN: Yeah, sure.

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WISHART: Last year, the Legislature invested a significant amount of funding from ARPA funds to housing, and I believe Lincoln received $20 million from the Department of Economic Development to go to housing. And NeighborWorks was one of the awardees.

WAYNE MORTENSEN: Absolutely.

WISHART: Can you talk to this, this committee about what that looks like, what those funds are going to go towards?

WAYNE MORTENSEN: Sure, yeah. And we've been really fortunate to get funding in both of the Lincoln rounds. There was a $20 million pool and then there was a subsequent $10 million pool. We had three awards in those programs. The first two are helping us create mixed-income housing communities. The ARPA awards can only be used for serving families 65 percent of AMI or below. And so that's what those are targeted to. But because the ARPA money is involved, it helps the rest of the project pencil out. And then the most recent grant we got is for $1 million for our land trust, and that $1 million will go toward acquiring properties and sites throughout Lincoln that are capable of hosting 99 future affordable housing units. So in Lincoln, our biggest challenge, and that's similar across the state in smaller geographically concerning communities, is land to build on. And so that funding pool is always very hard to raise money for because people can write checks, but properties cost a lot of money. And so that will help us get enough land to build 100 affordable homes, and not just NeighborWorks, but other partners throughout Lincoln, that will then be placed back into the land trust as permanently affordable homes available to low- to moderate-income families for, you know, 20 years, 30 years, 40 years or more.

WISHART: Great. And I have one more question.

CLEMENTS: Yes.

WISHART: Last I checked, Lincoln had a shortage of about 5,000 units across our city in terms of the need. Can you just update this committee on what the need is for, for Lancaster County and Lincoln?

WAYNE MORTENSEN: Sure, yeah. So the-- and Dan Marvin is behind me and he can correct any of my errors here. But the Lincoln Affordable Housing Coordinated Action Plan was published in '19, 2019, and approved by city council the following year. That specified that our shortage by the year 2030 will be 17,123 units. Those are across the economic spectrum. Of those 17,000, 10,500 of which is what NeighborWorks would consider affordable homes, which means they could be rented for less than $1,000 a month or some kind of-- or sold for less than $250,000, which equates to about a $1,050 to $1,200 mortgage depending upon your credit score and all those other things. In this particular market, they said 50-50, affordable and-- or affordable purchase and rental. So we are looking at about 5,000 rental units shortage and a 5,000 for-sale unit shortage.

WISHART: OK.

WAYNE MORTENSEN: And so innovation is, is highly needed because we're up against several different and unique constraints. And, you know, I laid out four possible strategies here. There's, there's many more.

WISHART: Thanks.

CLEMENTS: Senator Dorn.

DORN: Thank you, Senator Clements. Thank you for being here. Some of those numbers you just went over and the cost of housing and these funds, these--

CLEMENTS: Sure.

DORN: --about how many, I call it, houses or dwellings are we talking about in a year?

WAYNE MORTENSEN: In a given year?

DORN: Yeah.

WAYNE MORTENSEN: I believe-- well, we have 17,000 units, we're 17,000 units short by 2030. And so you subtract that by, by seven and we're looking at having to develop something like 2,500 units a year in a market that has historically done between 400 and 800 units a year--

DORN: OK.

WAYNE MORTENSEN: --probably. I'd have to confirm that number.

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DORN: [INAUDIBLE].

WAYNE MORTENSEN: And so it's a, it's a dramatic scaling that is necessary.

DORN: The funding that we now have, in the fed-- including the federal funding that we get to come through a NIFA program--

WAYNE MORTENSEN: Yeah.

DORN: --or whatever, how many-- that pool of money, about how many-- if we do 400 or 500 a year, about how many structures are we talking about with this program? Are we talking 50 or 100 or what--

WAYNE MORTENSEN: Yeah.

DORN: I mean, you're in, you're in the business--

WAYNE MORTENSEN: Yeah.

DORN: -to go through these and build them.

WAYNE MORTENSEN: Sure.

DORN: Yeah.

WAYNE MORTENSEN: Yeah, I can tell you that our average single-family home is subsidized to the tune of about $100,000.

DORN: OK.

WAYNE MORTENSEN: Which is why the land trust is so important, so that that investment serves five or six families over the lifespan of that home instead of just the first one. Rental units are subsidized much lower, probably in the $30,000 to $40,000 range. I'm-- there's people behind me that can give you better numbers than I can on, on what I'm not used to doing. But as I understand this program, this program isn't so much about being efficient with the moneys itself, but it's about finding the solutions that will be more helpful with the other sources of funding. So this is about recruiting local affordable housing developers, and perhaps some that are out of the region as well, to find the solutions necessary to stretch the resources we have in other pools more effectively. So the last thing I'll say is that we, we leverage about $1.5 million in state affordable housing trust fund every year. And we'll talk about that later, because you guys have several bills that we'll be bringing forward. We leverage that $1.5 million into about 30 housing opportunities for families in Lincoln every year. So if you want to just do the napkin math there, that's kind of what we're talking about through our program, sans these innovations.

CLEMENTS: Senator Armendariz.

ARMENDARIZ: Thank you. Thank you. You said 17,000 homes short--

WAYNE MORTENSEN: In--

ARMENDARIZ: --or units short--

WAYNE MORTENSEN: --in Lincoln.

ARMENDARIZ: -- by-- just Lincoln?

WAYNE MORTENSEN: Yeah, just Lincoln.

ARMENDARIZ: So I was wondering, where was that number derived from? What-- and what are you anticipating to get that number?

WAYNE MORTENSEN: Sure. So they-- and I think Dan with the Urban Development Department would be a better spokesperson for this-- but that was a number calculated based on housing that was coming offline. Basically every year, homes reach the end of their useful life and are written off in terms of their functional usefulness. So that's population growth, population trajectories and homes coming off of the, off of the roll. And so those combined would create a deficit in 2030 of 17,000 units in Lincoln.

ARMENDARIZ: So population growth, you mean people coming to Lincoln?

WAYNE MORTENSEN: Yeah. Yeah. Lincoln has been--

ARMENDARIZ: Or you're hoping to come to Lincoln.

WAYNE MORTENSEN: Lincoln-- well, no. Lincoln has been the fastest-growing city in the, in the state for quite some time. It's growing at a, at a clip that's almost ten times faster than the state

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of Nebraska. And so we are facing all of these constraints with a pretty limited geography and all of this influx of pressure. For instance, right now on the MLS listing, if you're buying a home as a low-income family, if you're trying to find a house for less than $175,000, which is kind of the cap for a lot of our families, there are seven homes available on the market today and probably four of those are not move-in ready. So that's what our families are facing today in Lincoln.

ARMENDARIZ: OK. I'm just wondering in the state of Nebraska. I don't think we're growing at that, at that rate. I'm wondering--

WAYNE MORTENSEN: Sure.

ARMENDARIZ: --if we can get 17,000 new people to come to Nebraska as a state.

WAYNE MORTENSEN: Yeah.

ARMENDARIZ: But you're saying they're all going to come to Lincoln?

WAYNE MORTENSEN: Well, there's an urbanizing that's happening. We're seeing a lot of relocation from our rural areas into the cities. But I know having spoken with our partners in Columbus and Norfolk and Grand Island, that they too are seeing huge pressures for workforce housing. I know an anecdote of a small community in western Nebraska that built a convenience store but couldn't staff the store because there were no affordable apartments within a ten-mile radius of the store itself. So they actually had to buy the, they had to buy the land behind the store and build a small duplex to be able to run the business. So, I mean, that's anecdotal, but I think there are these kinds of pressures across the state, not just in the urban areas.

ARMENDARIZ: OK. I get it.

CLEMENTS: Other questions? Senator Erdman.

ERDMAN: Thank you, Senator Clements. Mr. Mortensen, help me understand something. So if the average family of four in Lincoln, the median income is $92,400, do you help those people buy a house?

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WAYNE MORTENSEN: So at-- so $92,400 would be 100 percent AMI. And we are able to in our, in some of our programs, help them get into a home.

ERDMAN: What kind of help would they get?

WAYNE MORTENSEN: So families in the 100 to 120 percent range, I think you guys can understand they don't need subsidized housing, but they do need a little help, just a little nudge. And be-- especially because of the pandemic that we just went through, household savings are depleted. Credit scores got kind of wrecked the last few years as people maybe had to decide whether to pay their credit card bill or the electrical bill. And so what we provide in those situations is up to $35,000 in a second mortgage. So they can go out and get pre-qualified for a private mortgage through one of our partners here in Lincoln and go find a home that they can afford. And then we will put $35,000 towards their down payment, towards their closing costs. And there's usually after that, about $12,000 to $15,000 left over for a small improvement scope. And we're not refacing cabinets or putting in granite countertops, we're swapping out water heaters or doing a different air conditioner because it's the end of its life. To make sure that that home for the first three or to five years of its ownership, these are first-time homeowners, mind you, to make sure that home is as maintenance-free as possible and that there's no surprises. So that's how we help families that are kind of at, at middle income.

ERDMAN: OK. So doing the back-of-the-envelope math here, that $7,700 a month, that 94-- $92,400, would be $7,700 a month.

WAYNE MORTENSEN: Um-hum.

ERDMAN: 30 percent of that is $2,310.

WAYNE MORTENSEN: Yep.

ERDMAN: These people don't need help with the mortgage, they need help with budgeting.

WAYNE MORTENSEN: I mean, if you-- so the, the conversion is 30 percent, but that's PITI, so it's principle income taxes and insurance.

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ERDMAN: Right.

WAYNE MORTENSEN: And it's utilities. It's running the home as well. So 30 percent of $90,400-- or $90,400 household income doesn't leave much for housing on a, on a monthly basis. The mortgage in a typical Lincoln situation these days is somewhere in $1,300 to $1,400 range. And then you've got in those homes higher utility bills and insurance that's required to be on top of that.

ERDMAN: But that leaves you $2,310 to do all that.

WAYNE MORTENSEN: You--

ERDMAN: 30 percent of $7,700 is $2,310.

WAYNE MORTENSEN: Well, so this is before tax. I mean, that makes a pretty significant difference. $92,400 is gross income. So, I mean, I think that's maybe the, the conversion that we're missing there.

ERDMAN: Maybe. I have a difficult time figuring the government should build one house. One.

WAYNE MORTENSEN: Should-- I'm sorry?

ERDMAN: I have a tough time figuring why government should build one house.

WAYNE MORTENSEN: Oh, because the market is not working.

ERDMAN: No, I'm telling you--

WAYNE MORTENSEN: Oh, it--

ERDMAN: --my opinion.

WAYNE MORTENSEN: OK, sure.

ERDMAN: One--

WAYNE MORTENSEN: OK.

ERDMAN: --is too many.

WAYNE MORTENSEN: I respect that.

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ERDMAN: Thank you.

CLEMENTS: Other questions from the committee? Seeing none, thank you for your testimony.

WAYNE MORTENSEN: Thank you.

CLEMENTS: Are there other proponents for LB789? Good afternoon.

WARD F. HOPPE: Hi.

CLEMENTS: Hello.

WARD F. HOPPE: My name is Ward F. Hoppe, W-a-r-d F. H-o-p-p-e. I'm a principle of Hoppe Development and I'm the manager of Hoppe Homes. I'm a for-profit developer. Our niche of my companies is workforce and capital A affordable housing. Capital A affordable housing has housing intended for persons with median-- median families with median incomes of 60 percent median income and less. We call workforce, we target workforce housing hopefully in the 100 percent median income area and less. The money we're talking about today is money that is directed to go to NIFA to develop innovative ways to lower the cost and provide more housing for Nebraskans. I'm a very active homebuilder in the national homebuilders Association, a very active homebuilder locally. I'm a member of two homebuilder associations across the state. My companies build across the state. We, to reach our niche and have the availability of people to buy our units, we are always looking for ways to bring down the price of housing. I can show you this is my work papers from yesterday. It is a chart of the pricing for three houses that we are intending to build in a subdivision in southeast Lincoln. We're intending, you know, you'll hear probably more about this later, but in the process of the development of it and targeting the buyers essentially or the product for the subdivision, we look at prices. And we want a mixed-income subdivision, so we're trying to get prices for home ownership that are affordable to 100 percent median income. I use a little different metrics than Wayne does for his. I call median income Lancaster County, $90,600. And I take that number. That is a '19-- or a 2022 number. It is from the, the analyst that does the numbers for NIFA. In the process, that allows a person, 100 percent median income, at that, and using FHA financing metrics or conventional financing metrics. And the assumption that they-- no one has a down payment to bring down the the cost to that housing and get into a zone where you wouldn't need private mortgage insurance. That would allow somebody to build a $235,000 home FHA, and buy a $235,000 home FHA, $225,000 conventional. If you throw that in reverse, I'm looking at the numbers I was looking at yesterday for a 1,500 square foot house, approximately a little tiny bit less, $339,000, priced by my buddy Bo Jones with Tru-Built Construction. We think the numbers are a little less in our company, but not much. Somehow, if you're trying to reach-- if new construction, and this is modest, we're not talking about granite countertops. That's not our market. We're looking-- we got to get that $330,000 somehow down to $225,000. If NIKA-- it NIFA can give us grants or help to try and figure out the way, that's going to serve Nebraska extremely well all across the state. Affordable housing takes one thing for sure, and that's scale. You're not going to reach the goals of housing need in this state unless you do it at scale. Onesises and twosies don't work. Just doesn't doesn't work. So anyway, in summary, the money going to NIFA will support the, the innovation, or at least granting funds to us for projects that will reach scale and attack, getting that housing cost number down. And that is important for our state.

CLEMENTS: Thank you. Are there questions? Senator Wishart.

WISHART: Fred, thanks for being here today. Last time, I think it was last year, a member of your company testified about a project in Valentine.

WARD F. HOPPE: That's correct.

WISHART: Can you give us an update on, on how that project is going?

WARD F. HOPPE: That project will have a ribbon cutting in, I think, late April or May. We're just finishing 15 units of housing there. That project is a capital A affordable housing project. It is financed in part with Low-Income Housing Tax Credits which are awarded through NIFA. It, it's going great. It's up, almost ready to open.

CLEMENTS: Other questions from the committee? Senator Dover.

DOVER: Yes. Mr. Hoppe, what does scale give you?

WARD F. HOPPE: What does scale give you? Well, for one, it gets you on a site. We won't-- my company, for instance, we don't like to go out to any location and build one or two units. You know, it just doesn't pay. There's not enough money in it. We are enticed to do that a number of places. And we can-- there are financing appropriation awards to those programs. We, we build in the workforce housing space, rural workforce housing space and in the, the urban, the metro, which is called middle-income workforce. But the scale gives you-- normally, it brings down costs because you're doing, you're going from one project to another to-- or one unit to another to another. And to build at scale-- just by building at scale is cheaper than doing it on an individual basis. Instead of going through the ordering process for one stove, you're negotiating an order for 100 stoves. Normally you get quite a bit better price when you buy 100 stoves than when you buy one stove. So that's an example. Does that answer your question?

DOVER: Yeah. So basically transportation costs, discounts on materials. I, I didn't know-- I was wondering if you--

WARD F. HOPPE: A lot of mobilization. If you know-- well, I shouldn't look at you and ask you if you know anything about real estate development. But you, you'll ratify when I say that real estate development is done by linear feet. You put in sewers by linear feet, you put in water by linear feet. Streets are calculated, linear feet times width. So when you do scale and density that gets things closer together, just the development of lots are quite a bit cheaper. And so it-- does that answer your question?

DOVER: Yeah, kind of leading into my la-- my second question was, I was wondering as far as scale, does that affect the way you construct houses at all? That's my first question. And then I was wondering, in this handout, we talked about innovative ways of construction, prefabricated house construction. Someone talked about printing houses, things like that. What do you, what-- I mean, what do you think the most affordable way to construct a house is?

WARD F. HOPPE: Well, we were one of the first ones to use modular-- or not modular, but--

DOVER: Panelized?

WARD F. HOPPE: Paneling. And, and in Nebraska, we-- a project we have in Grand Island, we had the panels built in Lincoln delivered to the site, assembled. That time it, it started-- actually almost everybody uses that now. But at the time, it was pretty rare. And what does that do for you? Well, when it's built, your panels are built in a factory. The number one, robotics are extremely energetic and, and participatory in that, which cuts labor costs, a lot of things. Does that answer your question?

DOVER: It does. Thank you.

WARD F. HOPPE: Huh?

DOVER: Yes, thank you.

CLEMENTS: Senator Erdman.

ERDMAN: Thank you, Senator Clements. Can you, can you share with us what percentage of the home is labor and what percentage is material?

WARD F. HOPPE: Well, it's roughly 50-50. And I mean, I can specifically look at it line item, but it's very hard to pull that out because certain things-- like your plumbing bed has labor and materials in it. Now, you can, I mean, you can pull it out of that easier. But certain things you, you don't. It's roughly 50-50.

ERDMAN: OK.

CLEMENTS: Other questions? Seeing none, thank you for your testimony.

WARD F. HOPPE: Yep.

CLEMENTS: Are there other proponents for LB789? Good afternoon.

CLIFF MESNER: Good afternoon, Senator Clements, members of the committee. My name is Cliff Messner, C-l-i-f-f M-e-s-n-e-r. My wife Kathy and I are the owners of Mesner Development Company. We've been doing affordable and workforce housing in Nebraska for a little over 30 years now. We are currently developing in Fremont in the East and Scottsbluff in the West and 10 or 12 communities in between. We have not worked in Lincoln and Omaha. We've worked in similar sized communities in Topeka and Kansas City, Kansas, but we don't work in Lincoln and Omaha. I got into housing when I was doing the work as the city attorney and the economic development director for Central City. Our largest employer, ironically, a modular housing plant, was complaining that it could not hire employees because we didn't have enough housing in town. We were losing jobs. We were losing kids in our school population to support our businesses and had a shrinking tax base because people could not find housing. As a result, my personal bet on housing comes primarily from an economic development perspective. We cannot have economic development, we cannot create jobs, provide employees for our current businesses, cannot recruit businesses to the state, can't expand our own tax base without housing. As a result of my bet, I end up being contacted by communities that have employers that are desperate for housing. Those are the people who show up at my doorstep. With what has happened with housing recently, there is a growing gap between what people want to afford in the cost of constructing new homes. As a result, many communities are suddenly starting to look at the possibility of doing apartments. And communities that have not had apartments in a long time suddenly feel that they need to have those apartments. I probably have seven or eight communities that are asking me to come and build a minimum of $3 million of apartments in their, their communities. If I were to go to Lincoln or Omaha and build a $10 million apartment complex, there are at least four federal programs that I could use to fund that that would be enough to provide nonrecourse debt. But when I'm building a $3 million complex in Schuyler or Holdrege or McCook, those programs are not available. They are not right size for Nebraska. So the reason I decided I was going to talk now is I'm not talking about innovative housing in terms of how we construct it, but I want to talk for a minute about innovative programs that we might be able to finance that. One of the things that I think we need to do is to figure out a way to provide a source of nonrecourse debt that manning-- that mirrors the federal programs, but is right size for Nebraska. If I was asked to put a $3 million building in three different communities, I would have to go to the bank and personally guarantee $9 million. I'm 71 years old, I don't want to guarantee $9 million in somebody else's community. If I was asked to put 10 percent of that amount down, $900,000, in those communities, I would do it. But I'm not going to sign the guarantee. So let's look at innovative concepts. Is there a way to go in and to finance that through, through a different program that might be done through NIFA with some help from some state money? What's the cost of that? I don't think there is a cost. If I'm going to put $900,000 of my money down, I think it's going to be successful. And I wouldn't put $900,000 in if I didn't think it was going to be successful. But I'm not going to put $9 million in. So we need to find some other ways to, to make those things work and take the risk out of it for developers. Senator

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Erdman, when I talk on the rural workforce housing, I'll talk to you about some of the ways we've used that money that I think will make sense to you as a way that we've tried to de-risk those programs. But that's what I wanted to talk about. It's, it's an opportunity to do something innovative that provides a lot of housing without a lot of cost. Be happy to answer any questions.

CLEMENTS: Any questions? Seeing none, thank you for your testimony. Other proponents for LB789? Seeing none, is anyone here in opposition? Seeing none, anyone wishing to testify in the neutral capacity? And is Senator Wayne here to close? All right, well then, we'll go to position comments. I have position comments for the record: eight proponents, no opponents, one neutral comment. That concludes LB789. And the next on the agenda was Senator Aguilar's LB504. Is there a representative wanting to introduce that? Oh, hello.

DORN: The new LA.

CLEMENTS: We'll open the hearing for the LB504. Senator Vargas.

VARGAS: Senator Clements, if this helps, I'd like to introduce on this bill and on LB741. We have the same housing advocates that will be testifying in support of this bill because there's a shared overlap with the programs. If that will work for you?

CLEMENTS: Yes, go ahead.

VARGAS: All right, good. I just got to remember this. Perfect. OK. So good afternoon, Chairman Clements, members of the Appropriations Committee. My name is Tony Vargas, T-o-n-y V-a-r-g-a-s, I have pleasure of representing District 7 and temporarily Senator Aguilar's district right now, the communities of downtown and south Omaha in the Nebraska Legislature. I'm here to open on LB504 and LB741. This would address the problem of insufficient affordable housing through one-time investments in the Rural Workforce Housing Fund and the Nebraska Affordable Housing Trust Fund. These investments will accelerate the creation of more affordable housing and more workforce housing across Nebraska at a time where we desperately need it, is what we've been hearing just from the previous bill regarding some of the NIFA funding. I think we all agree that the success of our state depends on solving the housing crisis we are currently experiencing. And there is a housing crisis. Rapidly increasing home sales and rental prices and issues with the quality and quantity of available housing inventory have become a barrier for job growth, community development, talent attraction and retention, and overall quality of life for Nebraska and its communities. The stakes cannot be overstated. As the recent Statewide Strategic Housing Framework report put it, quote, Our state's competitiveness and economic future hinge on solving the housing crisis. Now, this is a problem that the Legislature should prepare to take dramatic action to fix. If we don't, we risk losing out on billions of dollars economically and we risk the viability of entire communities. LB504 and LB741 would accelerate the production of housing statewide by investing one-time funding into two of our existing successful housing programs operated by the Department of Economic Development. The Nebraska Affordable Housing Trust Fund helps nonprofit developers build affordable housing in Nebraska. The Nebraska Affordable Housing Trust Fund is funded by a portion of the proceeds from the doc stamp taxes. And in 2022, the fund receives an allocation of about $13 million in these taxes. Since its inception in 1996, the trust fund has helped communities across Nebraska build more than 6,500 affordable units. I think you heard from some people already that have been using some of these funds and are leveraging other funds in trying to make good economic use of many programs. The Rural Workforce Housing Fund helps communities build affordable housing to support the needs of housing in Greater Nebraska. And in the last year, it received an allocation of $29.7 million. Now, since its inception in 2018, the Rural Workforce Housing Fund has built over 600 units across rural Nebraska. LB504 and LB741 would appropriate $100 million in new one-time funding from the General Fund and/or cash reserve across these two programs, doubling their capacity for the next biennium. These are proven housing funding vehicles and programs that we should continue to invest in. If we fail to take significant steps toward solving Nebraska's housing crisis, we will lose the people who call it home. If housing remains hard to find and harder to afford, rural communities will decline and will struggle to attrain-- to attract and retain employees, from our frontline workers to teachers to health care providers, to even our CEOs. Nebraskans will move to other states, businesses won't locate or expand here. Veterans, people with disabilities or other health conditions, older adults, central workers, low-wage single parents and those experienced poverty will face increasingly severe long-term consequences. Now our grandchildren will be unable to return home to raise their own families as well. Investments in this type of affordable and workforce housing across our state contained in LB504 and LB741 will help ensure vibrant and economic thriving communities. And on behalf of Senator Briese, Senator Aguilar and myself, we ask for your support. A couple of things I just want to state on the record, this committee has made strides in investing in economic development over the years. We've invested in the Small Business Innovation Act. We've invested in, in, in our, you know, lowering taxes so that we're more of a better place for welcoming and retaining businesses. We've invested in workforce development and training and mentorship, in our internship programs. I would say that some of the awards we've seen that were-- the DED and, you know, both our previous Governor and what I will assume our new Governor will also keep doing, are working. But this is an area where we are woefully still not meeting the mark. And one of the glaring instances from the housing report is on our rate. And I got to get the numbers right here because I, I want to make sure that I'm referencing these correctly. Our rate of housing production between 2005 and 2019, Nebraska's population grew by about 182,000. I want you to think about how many housing units we created during that exact same time. The number of estimated housing units, this is all housing units, rentals, everything that you can think of in between housing units. For the 182,000 people that came to Nebraska or that grew in Nebraska, we only have 82,000 housing units that were completed during that time. At this current rate, if we're looking and projecting out from 2020 to 2040, Nebraska's population is expected to grow an additional 234,000. God bless, right? That will be fantastic. At this rate, we're not even going to meet even half of that need in terms of housing units. Private industry and philanthropy are doing their part. We have to do more of our part. Thank you very much, and I'm happy to answer any questions.

CLEMENTS: Senator Dover.

DOVER: Yeah, you said that there is 82,000 units constructed between 2005 and 2019. Is that correct? And you said there is a 182,000 increase in population. Do you know how many family units that would, that 182,000 would roughly be equivalent to?

VARGAS: Not off the top of my head. But I know that there's people that are listening to this right now that will be testifying that may be able to speak more to that. But what we find is we need to have, we need to have at least sort of a 1 to 2 pairing at minimum. And we're not even meeting that at this current rate. And keep in mind, if we

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continue the current rate of funding that we do provide with the programs that we have within DED, I think what we heard is not only the cost of loans, the cost of production, the, the competition right now for everything that takes to create housing, a dollar now versus a dollar ten years from now is just not going to be the same. And that's going to hurt our housing market.

DOVER: Thank you.

CLEMENTS: Other questions? Senator Dorn.

DORN: Thank you, Senator Clements. And I think both of these are going through the Rural Workforce Housing Program. That is not a, I call it, a-- where the money comes back in and then is loaned back out or is that?

VARGAS: Well, these operate really differently. And I'll let others speak to the effectiveness of it. I've already talked to you about the effectiveness of it. Here's, here's two different, two different modules. These different programs work very, very differently. I would say the Affordable Housing Trust Fund is more of like a grant process. And up until recently, our Rural Workforce Housing operates more of as a loan process, a revolving loan fund. The, the high level argument I'm trying to make is that we have housing programs that meet everything from affordable to middle-income to workforce housing. We should be reinvesting more funds into things that we know are working. What we heard yesterday from the DED director is that we have more requests than we currently have dollars. They needed more cash fund authority to meet the demands, right? That's why we approved it tempor-- you know, initially in our report. So they do operate a little differently. Other people will talk about different funds, specifically the Rural Workforce Housing and the Affordable Housing Trust Fund in this bill. And I'll leave that up to them.

CLEMENTS: Other questions? Seeing none, we will welcome proponents for either LB504 or LB741. They both discussed rural housing and affordable housing. So go ahead and have this first proponent come forward. Welcome.

DAVE RIPPE: Well, thank you. Good afternoon, Chairman Clements, and members of the Appropriations Committee. My name is Dave Rippe, R-i-p-p-e, I'm the owner of Queen City Development Company in

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Hastings, Nebraska, and I'm the director of the Scott Scholars Program at Hastings College, some of which are with us today. This summer, excuse me. This summer, our development company was contracted by the Nebraska Department of Economic Development and the Nebraska Investment Finance Authority to provide a quantitative needs analysis and assessment for housing needs in Nebraska that would ultimately support NIFA's strategic housing framework. In order to do that. We looked at commonly accepted utilized data sources such as U.S. Census Bureau of Labor Statistics, census, census statistics relating to workers across the state. Anything that we could triangulate into the various housing needs facing Nebraska so that we could better define the needs, actual needs facing our state. Need, when it comes to housing, is a tricky word. Need assumes rational actors, and a lot of times we make emotional decisions when it comes to our housing, right? And so need can be a very, very tricky word. What one family might determined to be need might look a lot different than what another family might determine to be need. So we looked at commonly accepted definitions across, across the industry for affordable housing, which establishes like a 30 percent housing burden which has been discussed by other testifiers. So we won't get too far into that. One of the-- a couple of realities that I would like to share with you regarding the data that really inform where we're at today regarding housing in our state. And Senator Vargas alluded this in his comments. From 1980 to 2005, Nebraska's population grew by 180,000 people. From 1980 to 2005, Nebraska's population grew by 180,000 people. In that time, we permitted 190,000 new housing units. A surplus. Things were working well. Nationally, in 2005, as we'll recall, we, we had some issues in our housing industry. Permits fell greatly. Our population growth remained constant. From 2005 to 2019, Nebraska's population grew by another 180,000 people. In that time, we permitted 100,000 housing units, built fewer than that. So what we saw was this growth in population and we saw a large dip in housing production. For those of you that are familiar with economics, demand remained constant, supply decreased. So when demand remains constant and supply decreases, we end up with a price increase. We end up with a shortage of housing units. This doesn't necessarily present itself in people without homes in our state, but where this materializes is in impacts to affordability. In Nebraska, there are roughly 750,000 total households. The majority of those are homeowner households, with a lesser amount of renters. It's about 500,000 round numbers homeowners, 250,000 renters. Where we see housing burden now occurring

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predominantly in our state is in owning households up to $74,000 in income. What we see in households $75-- $74,000 to $75,000 and more in income, which is roughly a $300,000 house or more, very little housing burden. And so we see a need in households with incomes of $74,000 and less. In renting households, we see burden occurring to a great degree up to $49,999 in income. Those renting households from $0 up to $50,000 in income, 64 percent of them are living housing-burdened. That's a rental rate that translates to roughly $1,200 per month. On top of that, once we get over that $50,000 in income for a renting household, we see very little housing burden materializing itself in our state. A couple of other really quick realities as they relate to the data. We utilize the USDA system called a RUCC, a rural-urban continuum code, to really break apart how different areas of Nebraska are impacted when it comes to housing. Understanding that your housing reality isn't determined on whether you're in eastern Nebraska or western Nebraska, but maybe where you're at regarding a metro area. And so we saw significant population movements in our RUCCs that have also created housing realities that differ whether you're in an urban or a rural area. Our 42 most rural counties in Nebraska lost 50,000 people in population from 1982 to 2020. This left 17 percent of the housing in our most rural counties permanently vacant and 76 percent of the housing in our most rural counties constructed before 1979. So we see different housing realities facing east, west, urban, rural. And ultimately those need to be addressed by flexible housing programs. And so I think Cliff and other people today will talk about the utilization of Affordable Housing Trust Fund, will talk about utilization of rural workforce housing. I'm happy to speak to those in my experience in my former capacity as our state's director of economic development. I'm happy to speak to the utilization of those as a practitioner, and answer any other questions that you might have relating to the data.

CLEMENTS: Senator Wishart.

WISHART: Dave, thanks for being here today. Can you remind me what percentage of Nebraska is homeowner versus rental?

DAVE RIPPE: Yeah. Because I don't want to make up a number for you, Senator Wishart, 239,656 renting households as of the last census, 504,385 owner-occupied households as of the last census. And so roughly a 2 to 1 ratio of home-owning households to renting households.

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WISHART: Were you able to do any deeper dives on, aside from just the housing situation, sort of broadening out the research into how sort of permanent homeownership or rental can impact sort of community vitality, public safety? Has there been any work done?

DAVE RIPPE: That was out-- outside of the scope--

WISHART: OK.

DAVE RIPPE: --of our work. So I can't speak to that.

WISHART: OK. Thank you.

CLEMENTS: Senator Armendariz.

ARMENDARIZ: Thank you. Thank you. I, I'm just wondering how the government infusion would be responsible in a free market to fix something that maybe the free market should be fixing on its own. I'm just afraid that we're going to interfere in such a way that we can never catch up and--

DAVE RIPPE: Yeah.

ARMENDARIZ: Right? And I'm concerned that right now we're in this high inflationary period because of huge government intervention and influx of funds into the system. So how-- so the, so the housing rates went up, right, because the supply went down. Should the free market be leveling that out by saying, well, we won't pay that? We're going to, we're going to wait until the housing prices come down and then the builders and the people wishing to sell houses move accordingly. Or do we just feed it and add more money as a government to keep, keep the cycle going at, at the same pace?

DAVE RIPPE: Yeah, and I'm a free market capitalist, Senator, and so I don't disagree with, with your hypothesis here. But what I would also say is that sometime-- at some point in time as a state, we have to decide where and when we want to intervene. Are we, are we complacent to see the exodus of people from rural Nebraska? Are we complacent to see the, the limited options for housing in rural Nebraska? One of the very interesting factors that relates to, to what you're saying, that also relates to the housing outflow is the shortage of construction workers. And so in our state's most metropolitan counties, Omaha and Lincoln, there are approximately one construction worker for every 12 households. We're trying to measure like who's there to do the work, right? In our state's most rural counties, sometimes that measure reaches as much as 60 households to 1 construction worker. Our state's most rural counties would need 5,000 construction workers today just to reach parity with our more urban counties. So what we have is a system where the market is, is not working freely, the market is not working perfectly because of a number of factors. Right? Because of availability of labor, because of availability to impact of project, like we heard earlier from Hoppe Development. And very clearly, if there are outcomes that our government desires to see, which would be maybe stronger rural communities or housing at a submarket price point to help with affordability, that's when and where we choose to intervene. And so certainly that's a policy decision that, that comes back to this committee, where and when is appropriate to intervene in housing. And I think you'll hear from some of the developers today ways where that can be more of a light touch than a heavy hand. And so with access to capital, access to financing that, that is not-- that's not just a grant, that doesn't overwhelm the system. But I think there are different methods that can probably help us to, to play a part, to help towards a desired outcome, but not to become a government-- a state-run housing developer.

ARMENDARIZ: OK. So my, my concern is in a very, very simplistic way, if somebody wants to buy a house, there's a construction worker willing to build that house for them. Traditionally, the person would have to empty their pocket to give to the construction worker, and we're circumventing that. So now they're holding that money to spend somewhere else when, when-- and then alleviating housing expense that many other people spend on housing expense. Now they are alleviated of that and can spend it somewhere else. And, and I, my-- one of my best friends got caught in the housing bubble and was loaned money that really they couldn't afford and ended up losing their house because, right, the interest rate went up. So I want to make sure that we manage-- that we're not influencing the market in such a way that people can't really handle it.

DAVE RIPPE: Right. And I think to that point, when we look at levels where housing burden is occurring and we see those houses over the $300,000 price point, families with incomes over $75,000 household incomes, and we see very little housing burden in those areas. I would recommend to your point, that would be an area where we would not want to exist because we'd be answering a problem that isn't there. Where we see housing burden becoming very prevalent in homeownership with households under that $75,000 in income. I think that is an area where we see, hey, people aren't making a choice to just distribute their funds elsewhere. They're realizing a reality where more and more of their income beyond a sustainable level actually has to be devoted to housing.

ARMENDARIZ: Thank you.

CLEMENTS: Other questions? Senator Dover.

DOVER: Got a question. A couple of questions. One is, I built my first house, was given, you know, put in charge my first development in 1988. So I've seen pricing change quite a bit. And one question I would have is, how much do you think the monopolization of the building industry at a national level, I mean, there used to be so many more vendors putting out, whether it's sheetrock and all kinds of products or things like that. How much do you think that affected the overall cost of building materials?

DAVE RIPPE: Man, I wish that I was smart enough to speak to that, Senator Dover.

DOVER: OK.

DAVE RIPPE: Unfortunately, I'm not.

DOVER: OK. And then back to, I think, talking about free markets and things. So, you know, I've been through quite a few ups and downs. Every, every, everything has a market, I mean. Right? Everything goes up and everything goes down and stuff. And so sometimes what happens is the government gets into markets that they artificially influence and in impact, sometimes by accident, trying to fix the market and things like that. And so I've been through quite a few busts in the industry. But what happens eventually is we do lose those things you talked about we need, such as workers. But it seems like the workers eventually come back again. And then there's-- you look at the main street or whatever community that there's X, Y, Z, contractor and, you know, this builder and that. And all of a sudden, the trucks are back and the builders are back and things like that. But what doesn't happen is you don't get the correction of the building materials usually where people have to drop prices and things like that. So it's kind of a, it's kind of a horrific thing for a building sometimes. But if building doesn't sometimes stop and a market correct itself, we're artificially-- and I guess I'd like to talk to that, are we artificially influencing and maintaining a higher price point in housing than we need to by putting money and artificially stimulating this market?

DAVE RIPPE: I would be curious to find where, where the deep profit pools are in the production of housing right now in this state. And I think you could bring up any of the developers in the room that would-- and they could honestly lay out their receipts for you, just like Ward, and they could show you where, where the margins don't exist. Where we're, where we're artificially increasing or subsidizing the price of housing. I think that right now we have seen, because of a lack of construction workers, right. We've seen a significant increase correspondingly in wages, again, back to supply and demand. The few construction workers we have left command higher wages. And so the price of housing on the labor side is going up. Certainly on the trade side. In our own developments, we've seen significant increases in the specialty trades, plumbing, electrical over the last few years. Prices of goods that are outside of our control, especially the metals and HVAC that's coming in from overseas, have been impacted tremendously by tariffs and other things over the last several years and so. And even the manufacturing of those goods because of the labor force that left manufacturing during COVID. And so now there are fewer manufacturers all the way up the value stream on, on who's producing these goods that go into homes. And so all the way throughout that supply chain of what it takes to bring a home to market, we've seen the supply and demand related to labor impact the price of labor. We've seen-- so we've seen supply increase, we've seen labor increase and ultimately the price of a home is increased. And so I think what we're trying to understand is how we close the gap for our citizens. And as we go around the state and as I take our students around the state, who we ultimately hope to keep in Nebraska. That's the goal of our scholarship program, put on another hat. And, and community leaders throughout our state say, Gosh, we'd love to have you in our community, we'd love to have you in McCook, we'd love to have you in Gothenburg. We don't know we're going to live, but we'd love to love to have you here. And as we go to all of these different communities, what we hear in McCook and Kearney and Gothenburg and Seward and Lincoln and everywhere we go is that the number one, two and three issues are housing. And so I think what we're trying to do is give a data-based backing to help these communities justify participating in an area where they haven't historically participated. When the Nebraska Affordable Housing Trust Fund was established in 1996, 1996 was before our big gap in production even occurred. This issue wasn't being vocalized by as many community leaders throughout our state as to what it is today. And so I do think we've created-- we've reached a point of serious need, and the data certainly shows that.

DOVER: Another question.

CLEMENTS: Senator Dover.

DOVER: So we have a residential construction company, I don't build multifamily and anything like that. So I would say prohousing single-family units. You know, I always hear the argument, though, that aren't we-- if housing affordability is so high, why are we building homes? Why don't we build apartments? And if you could speak to that.

DAVE RIPPE: Well, ultimately we are a free market and we build to where the demand is, right? And so and like we said, it's hard to identify a need because we are dealing with the irrational actors. And so there are people who have chosen to take on a single-family home and live in housing burden. And so that's where that number could be a little inflated, because they would prefer to not live in an apartment. And so certainly throughout after following 2005, we did see a reduction in all units. But what we have seen an increase of proportionately in our state is the production of multifamily housing units five or more, and so larger apartment complexes. So we have seen that take on a greater percentage of our permitted mix in the state. But we ultimately are still a people in a free market economy who have prioritized homeownership.

DOVER: I guess more specifically, my question is though, if they can't afford a home, why are we subsidizing that? Why don't we let them move into apartment, I think as some countries do, save their money up and then purchase a home?

DAVE RIPPE: Yeah. And certainly having tools like rural workforce housing funds and like the Affordable Housing Trust Fund, where we are allowing communities to make those decisions too, where where we are

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allowing developers to work with not-for-profits or developers to work with local communities to bring to market what's best for that community certainly puts the power in the hands of those communities to help decide what's best there.

DOVER: All right. Thank you.

DAVE RIPPE: Um-hum.

CLEMENTS: Questions from the committee? Seeing none.

DAVE RIPPE: Thanks so much.

CLEMENTS: Thank you, Mr. Rippe. Additional proponents for LB504 and LB741? Good afternoon.

CAROLYN SCHERF RYAN: Good afternoon, Chairperson Clements, members of the Appropriations Committee. My name is Carolyn Scherf Ryan, C-a-r-o-l-y-n S-c-h-e-r-f R-y-a-n, I'm testifying today from my position with one of the largest housing service providers in Nebraska, Heartland Family Service, where I serve as a coordinator for our rapid rehousing program. Our clients range from cost-burdened families on the brink of homelessness, and by cost burdened I mean AMI of 30 percent. Meaning for a family of one, that's $20,000. For a family of four, that's $28,550. So folks on the brink of homelessness, as well as those who have been chronically unhoused for years in Sarpy and Douglas Counties. We're proponents of LB741 and LB504 Because the people of Nebraska need security and dignity of housing and a supply like we've heard is not keeping pace with the demand, leaving many out in the cold. Cities across the country experience homelessness at different rates, and while the conditions that precede a given episode such as poverty, substance use or trauma impact people everywhere, the data tells us that the variable underpinning the variance of homelessness rates between cities, why D.C. has more than Chicago, is the cost and availability of housing. The bills before you today are the bills which will be presented this session, the only ones, to my knowledge, that will address the need for more supply in Nebraska. Omaha, Omaha's Affordable Action-- Affordable Housing Action Plan paints a grave quantitative picture of the gaps in housing production and supply. Some of this has been discussed. Our city has a very low and unbalanced 4 percent rental vacancy rate and lost 7,000 units of affordable hous-- affordable housing is making less than $50,000 in the last ten years. By 2030, it's estimated Douglas County will need an additional 18,000 affordable units and a total of 70,000 units, including somewhere between 7,000 and 8,000 units affordable to the population that I serve, which is folks making less than $1,000 a month. Our agency has a professional team of full-time housing search advocates, landlord liaisons and case managers who really collaborate intentionally with a well-developed and sophisticated network of shelters and other providers. But when it comes to finding housing for our clients, we are all playing a game of musical chairs. Each time the music plays, a chair is removed, leaving one less seat than players. And the reason that a lot of folks are homeless is not due to the moral shortcomings of the individual, but because the rules of the game are that someone must lose. The people left without a chair in the game of affordable housing in Nebraska are the clients that I serve, including those with disabilities and kids aging out of the foster care system. These folks are pushed back to the vulnerability and trauma of the streets or into shelters which remain one of the most expensive homeless interventions paid for by communities and tax dollars. Both directly and indirectly to your question about emergency room visits, policing, external community indicators, it's more expensive to keep people in shelters than homes. A daily struggle for us is identifying units that are decent enough to pass basic habitability inspections. And meanwhile, those are-- those in the community that are unconnected to our services are out of desperation forced to accept substandard housing that is dangerous and health-endangering. Late last year, on a single night, six days before Christmas in District 18, 159 households became homeless in one night when Legacy Crossing, a 17-building apartment complex was condemned after 487 health and safety violations have been filed since 2018. They included bugs and standing water and deplorable conditions that do not in any way-- that are not dignified. Our case managers helped manage the crisis. They secured temporary lodging and assisted with rehousing as well as problem-solved around how to get parents their kids Christmas presents, which had not yet arrived in the mail while mothers took down their Christmas decorations to go to they didn't know where yet. It ended up being some hotels and friends and family. Over three months and nearly $1 million later, there's-- the second page of the handout explains the costs associated with this one specific condemnation and relocation effort. Our agency is still working with displaced tenants to identify safe, affordable and permanent housing. These large displacements are becoming the norm,

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especially with Legacy Crossing, Legacy Crossing being the third we've responded to in 2022 and at least one major multifamily unit in the last three consecutive years. Per the Department of Economic Development's 2021 annual report, which I can certainly send if they don't send it, $2.8 million in Affordable Housing Trust Fund dollars were deployed, resulting in the development of 406 housing units throughout the state. By design, all across the state. And those-- that influx of funds helped leverage a total of $49.5 million in project costs. And by design, serving Lincoln, Omaha and Greater Nebraska. We need to see this work continue to be expedited to avoid a worsening of the homeless crisis. I welcome any questions and strongly implore your support and a serious consideration of all the bills that were presented today. But in particular, LB741 and LB504.

CLEMENTS: Are there questions from the committee? Senator Dorn.

DORN: Thank you, Senator Clements. Thank you for being here. You say you work with a lot of the low-income housing ones, and then you, through these grants, you help with that. And I guess maybe I should have asked some of the others, what's an average dollar amount of some of these grants or some of these workforce programs that people qualify for? Is it $30,000? I mean, over the lifetime of their house.

CAROLYN SCHERF RYAN: So in my position, I'm the coordinator of a rapid rehousing program. So we serve individuals who are literally experiencing homelessness on the streets and in shelters. And also some of our programs in homelessness prevention serve families and individuals on the brink of homelessness. So primarily we're deploying rental assistance, so helping people access rental units, which can be single-family dwellings, multifamily or somewhere in between. The apartments that are affordable and accessible to them under our grant requirements must be under-- for a single individual, for a one-bedroom, $888 a month.

DORN: Repeat that last part.

CAROLYN SCHERF RYAN: Yeah. So a monthly-- for the population that we serve--

DORN: Oh, OK.

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CAROLYN SCHERF RYAN: --affordability means less than, and including utilities, less than $888 a month for a one-bedroom. And just to put that in context, the last Social Security income verification letter I saw had a monthly Social Security payment of $914. So these are extremely cost-burdened individuals that we serve.

DORN: Other questions from the committee? Seeing none, thank you for your testimony.

CAROLYN SCHERF RYAN: Thank you.

CLEMENTS: Additional proponents for LB504, LB741?

MATT MURRAY: Afternoon.

CLEMENTS: Afternoon.

MATT MURRAY: My name is Matt Murray, M-a-t-t M-u-r-r-a-y. It's an honor to be here today. Thank you for allowing me to be heard. Housing is an important component to strategic economic development, as we've heard, community planning and workforce recruitment. And by all measurable accounts, an integral element to a community's ability to grow and prosper. As efforts to grow the state of Nebraska, specifically rural Nebraska, the need for housing will not slow down. I think we all know Nebraska is pretty well-insulated from the ups and downs that other states experience. Some quick statistics to piggyback off of them to demonstrate what I mean. Total housing demand in the Tri-City area over a five-year period is 3,782. A few statistics to break that down. Grand Island is 1,361 new homes based upon a 2019 study. Hastings is 1,321 new homes based upon a 2021 study. And Kearney has 1,100 new homes, 2022 study. Nebraska is an agricultural state, therefore, it's very important to keep Greater Nebraska thriving. Small towns make up the heartbeat of Nebraska. With the cost of living increasing and the urban sprawl phenomenon upon us, there is a vast increase in the demand for housing in rural areas. If I didn't already introduce myself, I'm the owner of Murray Custom Homes and Murray Roofing here in Lincoln. We've been in business for 17 years. We had nearly $20 million in new construction residential last year in single-family residences alone. We are currently building at about every price point to attempt to hit as many income levels as possible. To that point, we recently accepted the grant to build workforce housing for the city of Grand Island. This allowed us to open a brick

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and mortar location in Grand Island and to allow one of our longtime workers, John Dillard, the opportunity to relocate back to GI to be closer to his family and in-laws, given that they just had a newborn. Had it not been for our involvement with this grant, are expection-- our expansion to Grand Island would not have been on the table. We are now full speed ahead with rolling out all of our product offerings to the city of Grand Island, including our roofing services as well. In conclusion, I am in full, full support of LB504, as I see it as a necessary step in getting the housing needed to these rural communities that will allow Nebraska businesses the opportunity to continue to recruit employees. Without this measure, we will continue to see Nebraska businesses struggle in this regard, as these potential recruits have nowhere for their families to reside. Thank you, guys. I want it to be said that I thought I only had 3 minutes for this so.

CLEMENTS: We had 5 minutes allowed. Are there questions from the committee?

DORN: Yeah.

CLEMENTS: Senator Dorn.

DORN: Thank you for being here. You-- it sounds like you've been building quite a few houses out there and stuff in the last-- over the lifetime.

MATT MURRAY: In Lincoln. We just now accepted the grant in Grand Island, we're in the middle of our first two houses.

DORN: Oh, OK. Didn't understand, because you quoted some of the building that have gone on in some of the other towns, so I missed that. But in Lincoln, you have. What--

MATT MURRAY: Correct.

DORN: What has the increase in interest rates over the last year and a half done to, I call it, the housing building aspect of it?

MATT MURRAY: To give you an idea, we had, we were on pace for our, our target goal at the end of 2022 last year. That was in May of 2022. From May of 2022 until December 31 of 2022, we only had $1 million in sales. We had a significant halt. It almost put us to a complete stop.

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DORN: So where-- you're in the building industry, so are many of the others that have come to testify. What-- are some of these grant programs going to make, I call it, make the affordability there so that we can continue some of these building projects? Or where are we looking at here in the next year or two because with that? The interest rates, according to what they're telling us nationally, I think Chairman just come out and said we're still going to do them this year, the interest rates increase. Talk a little bit about that.

MATT MURRAY: Yeah, it seems like it changes every day I talk to my banker with the interest rates. I can't speak too much to a lot of the bills. I'm fairly new to this and, and new to the Grand Island grant. Our grant is a little bit different in the fact that I think a lot of people think that it's free money. Ours is just an interest-free loan that's due back after the sale of the house.

DORN: It's revolving.

MATT MURRAY: We can do, we can do two homes at a time. Max asking price with what included his $285,000. So we are talking workforce housing, and we're in Grand Island, where that's, that's according to statistics, it's needed. Now what it allowed us to do is they did a very good job of vetting us. They came and got us out of Lincoln and brought us to Grand Island. And so we would never have entertained going to Grand Island without this grant. We, any banker, pretty much limits the number of spec houses, so-called speculative homes that you can build at one time. I'm limited to three with my banker here in town. The option to have this free interest-- interest-free money not due back till a year to be able to build two more spec houses, when we all know in the current climate if you build it, it will sell, was very appealing. And so we vetted the city of Grand Island, the community, and now we have a brick and mortar in Grand Island and relocated an employee back to there and will continue to, to service as Great island community. So--

DORN: Thank you.

MATT MURRAY: --hopefully that answers your question.

CLEMENTS: Senator Dover.

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DOVER: You might have said, I didn't quite hear what you said before that, but what price point is your house in Grand Island?

MATT MURRAY: So our grant has to be-- well, let me start by saying the grant that we received was $285,000 or lower, lot included. They immediately found out that that wouldn't get you much. Especially in the communities of Grand Island, if you know anything about CC&Rs, rest-- covenants, the size of the house is governed by those covenants. So we were having-- we were struggling, I think, as many other people were, to find a neighborhood that would allow us to build a house that was underneath that price point. And so the--

DOVER: So my question goes to kind of there, so if you don't mind me interrupting. So what was your square footage?

MATT MURRAY: We're at 1,200 square foot, unfinished basement. They immediately raised that price to $325,000. So the next round of funding will be at $325,000 and below.

DOVER: Does that include a-- does that include pretty much everything except for the wall coverings? I mean so--

MATT MURRAY: It does.

DOVER: OK, because that way [INAUDIBLE]--

MATT MURRAY: Needs to be move-in ready, yeah.

DOVER: --have extra cash to buy appliances, those kind of things. How much money do you think that that no-interest loan saves you per unit?

MATT MURRAY: According to our figures, about $10,000.

DOVER: OK.

MATT MURRAY: And it's not all so much about the savings that we're going to have, right? It's about the limitations of what we're allowed to do. If I could build-- if I could have been building 15 to 20 spec houses at a time in the last three years, I would have. But I'm limited. The bank has put a limitation on most builders, if not all builders, because of the economy crash back in 2008, 2010.

DOVER: But would you build 15 to 20 square-- spec houses today?

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MATT MURRAY: That's a good question. It's, it's a good question.

DOVER: I [INAUDIBLE]--

MATT MURRAY: I don't know--

DOVER: --market here [INAUDIBLE]--

MATT MURRAY: Right.

DOVER: --Lincoln versus Grand Island would be.

MATT MURRAY: Right.

DOVER: I just know a number of builders who had a bunch of spec houses, thought the market would always continue because they hadn't been a downmarket, are renting those houses now.

MATT MURRAY: Right so we've, we've been building three spec houses at a time pretty much for the existence of my company and we have never been stuck with one for more than a couple of months.

DOVER: And last question here. I think that's it. Thank you.

MATT MURRAY: Yep.

CLEMENTS: Other questions from the committee? Seeing none, thank you for your testimony.

MATT MURRAY: Thank you.

CLEMENTS: Additional proponents for LB504 and LB741. Good afternoon.

CARINA McCORMICK: Hello, my name is Carina McCormick, C-a-r-i-n-a M-c-C-o-r-m-i-c-k. And my salutation is doctor. This is my first time at Appropriations. You guys ask some hard questions, I'm a little bit impressed by them. So I'm just going to share some of my experiences that are relevant to this. I am testifying as myself, sharing experiences I've had with two specific organizations. One is the South of Downtown Community Development Organization here in Lincoln, which we're actually in the north part of right now. We have really prioritized affordable housing in the neighborhood through supporting efforts for people to access affordable housing, as well as creating new affordable housing. And one thing that I found out, which, you know, I learn more about it than I expected to, is just how expensive it is to build things. And just really understanding it's not possible to just build new properties that would be affordable for people whose income is in-- is below the area median income, especially at the rates for our area, which is substantially below the area median income. It's the lowest two census tracts in Lincoln. And we on the board work very hard to use money like from the Affordable Housing Trust Fund and basically every tool we can get our hands on. And really being thoughtful about making sure that we use it in a way that benefits the community and benefits the state. So I know you've heard-- I overheard someone say the Hoppes were, were here. So things like that. And you have no idea-- well, maybe you do, because it sounds like you ask lots of questions. Most people have no idea how much work it goes into cobbling together all these different grants to make something affordable. And I just really want to emphasize that these are necessary tools. Somebody had mentioned why, if the low-income people-- if someone is low income, why would they think that they can buy a house? So I want to emphasize the Affordable Housing Trust Fund can be used for apartments, so it would address that concern. Somebody also, I think the person that asked it was gone, but had asked like, well, are we just fueling inflation of materials costs? And to-- I'm sorry, but I don't think like a little bit of money from Nebraska is going to necess-- is going to be the deciding factor in how much steel costs in the world global market. I think the price of steel and the price of wood kind of is what it is. But in terms of the money that we put towards labor, you know, that's, that's money that other-- that those workers can use towards buying their own houses and supporting their community. The second organization that I have experience with, I've recently been elected to the governing board of Southeast Community College. And I have been really excited to hear about the new programs that we have for preparing the workforce in southeast Nebraska in very technologically driven ways and getting state-of-the-art facilities and expanding our programs for that. So in terms of the rural workforce development, I want to assure you that the community colleges are doing their part to fulfill the demands of the rural workforce. And it would be really great if there is a suitable place for them to live. I think those systems need to work hand-in-hand. So I support both the Affordable Housing Trust Fund appropriation and the rural workforce housing appropriation through my different experiences.

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CLEMENTS: Any questions from the committee? Seeing none, thank you for your testimony. Next proponent. Good afternoon.

RYAN PARKER: Good afternoon. Chairman Clements and members of the Appropriations Committee, my name is Ryan Parker, R-y-a-n P-a-r-k-e-r, I am the president and CEO of Endicott Clay Products Company. We are a 103-year-old family-owned brick manufacturing company and were located in Jefferson County. For 2023, I am also the chairman of the board of directors for the Nebraska Chamber of Commerce. I'm here today to testify on behalf of the Nebraska Chamber of Commerce and the Greater Omaha Chamber of Commerce in support of LB504. In a 2022 survey by the Nebraska Chamber, the number one challenge for community growth has been available housing. The number one barrier for business growth has been workforce. The Nebraska Chamber believes that LB504 goes a long way towards addressing these growth challenges for communities and for businesses. LB504 supports bringing together public, private and nonprofit resources to solve workforce housing needs for our state. As a business leader in a rural portion of the state, I can attest that housing is desperately needed to attract and retain employees. Good jobs and available housing grow Nebraska communities. We encourage you to advance LB504 from committee for consideration by the full Legislature. In addition, we are also in support of LB741 another rural workforce housing bill that will be brought forward to you-- would have been later today-- at the same time, and are supportive of the middle-income workforce housing efforts as well. Thank you for the opportunity to testify, and I'd be happy to try to answer any questions that you may have.

CLEMENTS: Are there questions from the committee? Senator Dorn.

DORN: Thank you, Senator Clements. Have-- with the increase in interest rates, what I asked one of the last guys, have you seen any-- how is the business, your business with the making the bricks and stuff, how has that been-- has it been affected or not?

RYAN PARKER: It has, absolutely. We, we're fortunate to be able to ship our product all over the United States and Canada. And we definitely have projects that have either been put on hold or have been stopped altogether because of the increased cost of financing. You know, it's very fact-driven for each situation, but interest rates matter, and a lot of these jobs are financed.

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CLEMENTS: Senator Armendariz.

ARMENDARIZ: Thanks. Just to add on that, so will you naturally bring prices down to try to encourage more spending on your buying your products from the builders?

RYAN PARKER: As a result of the interest rate increase?

ARMENDARIZ: Correct.

RYAN PARKER: I would love to be able to lower prices, to be able to gain business. The reality that we're faced is all of our input costs are higher today than they were a year ago. And I can tell you with absolute certainty there isn't a chance that we can lower prices from where they are today.

ARMENDARIZ: So is that all workforce or is that other inputs as well?

RYAN PARKER: All inputs. Certainly workforce is a big, big piece of that for us. Workforce, if we can find workforce, it's a huge cost for us and an increasing cost. The other side of it is just the other raw material inputs that we're buying and that are going into all construction. You know, we used to have all sorts of return on investment and payback analysis every time we would look to put in equipment in one of our plants. The conversation that I have with our board and our shareholders today is, if we want to make this product, we have to automate it because I can't find the people anymore.

ARMENDARIZ: So I think, I think Senator Dover put what I was trying to say earlier about the economy and the economy is-- so the inputs aside from labor is what we're trying to say, would the free market then drive those prices back down because the, the demand has gone down? So then the prices will go down to try to meet the demand.

RYAN PARKER: What, what we've seen with our company is that historically there's been about a ten-year cycle. And with that construction nationally, I'm talking the U.S., Canada, is that over a ten-year cycle, we see the ebbs and the flows. We see the demand that goes up and then we see demand that comes down and it, it balances out where we are from a production standpoint. I think the thing that's unique to Nebraska, though is, and maybe it's not entirely unique for Nebraska, but we have a, a desperate need in so many of our communities where the demand is not on a cycle. The demand is

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ever-present. And unlike some of the areas that we've, we've seen where we ship to and-- you know, a good example would be Detroit. Detroit for us used to be a top ten market. And after the housing crisis in 2008, they've never come back from that. So they're definitely not on a ten-year cycle. But what we see and what I hear through the Chamber when I visit with communities and business leaders is, we can't find people. And when we do find people, they can't find housing.

CLEMENTS: Other questions from the committee? Senator Dover.

DOVER: Do you think that, I mean, as I look at the problem, do you see anything that would help our-- well, actually, many industries, more than just immigration, an immigration policy that would allow people to come to the country to fill those jobs?

RYAN PARKER: Immigration would be huge. And I wish that was something that we can tackle on a state level.

DOVER: Amen to that.

RYAN PARKER: It's an absolute need for us. And it's-- there's, with all of this, there's never one silver bullet that's going to solve everything. Immigration is definitely part of it. Innovation is also another part of it. And, you know, for me and other business leaders, that involves efficiency with what we do, how we make it, how we sell it, how we market it. And, you know, there's the tax policy. I mean, there's everything gets baked into the cake. But to your specific question, immigration would be huge. And that's something that that as a, as a statewide [RECORDER MALFUNCTION]. We're now pushing on the federal level to see what we can accomplish there. And it's going to have to be at a grassroots level. I mean, the-- as much as I would love to be able to say the Nebraska Chamber of Commerce is going to be able to change federal immigration policy, I know that's never going to happen. But if it's Nebraska and Iowa and Colorado and Arizona and Florida and everywhere else, we need that groundswell to, to make a difference when it comes to workforce.

DOVER: Thank you.

CLEMENTS: Are there other questions? I missed what product do you sell?

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RYAN PARKER: We manufacture brick, pavers, and thin brick.

CLEMENTS: All right. And where is that location?

RYAN PARKER: Near Endicott.

CLEMENTS: Oh.

RYAN PARKER: So it would be 25 miles from Beatrice southwest, 10 miles southeast of Fairbury.

CLEMENTS: OK, very good. Thank you. Seeing no other questions, thank you for your testimony.

RYAN PARKER: Thank you.

CLEMENTS: Other proponents for LB504 and LB741? Good afternoon.

LAURA McALOON: Good afternoon, Senator. Thank you for allowing me to testify today. My name is Laura, L-a-u-r-a, McAloon, M-c-A-l-o-o-n, I am the interim city administrator and the city attorney for the city of Grand Island. I'm here today on behalf of a collected group of, of organizations, including the city that-- and testifying in favor of LB504. I'm here on behalf of the city, as I mentioned, the Grand Island Area Economic Development Corporation, Grow Grand Island, the Grand Island Chamber of Commerce and, as of this morning, the League of Nebraska Municipalities. So the population growth in Grand Island over the past 25 years, which is when I moved away from Nebraska, has been significant. When I left Grand Island after high school, which it was a long time ago, the population was around 40,000 people. Today we have a metropolitan statistical area population of over 83,470 people. As others have testified today. The housing market is not and has not kept up with our population growth. The average Grand Island resident struggles to find any housing at all, let alone single-family housing that they can-- a single-family home that they can purchase. Grand Island was the beneficiary and we're very appreciative of a $1 million rural workforce housing grant in 2020. With those funds, we were able to fund three projects. Mr. Murray's project, which, as he told you, is two housing units, was one of those three. There were ten applications and we needed all ten of those projects to be constructed. Yesterday, my quick search of Zillow showed a total of 20 homes in Grand Island that are within the reach of the median family income of $58,162. That family can afford a mortgage, the maximum

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mortgage principal, assuming they have zero other debt, which we know is not realistic. They can afford a mortgage of $232,000 to $268,000. One-third of the-- there's a total of 76 homes on the market right now. One-third of those homes are priced above $300,000, so well out of the reach of any affordable housing for our median income. I've provided you with a handout that illustrates the housing market in Grand Island as of just this past January. In the lower left side, you'll see that the 963 housing units that were built in the city are in the area from 2015 to 2019 satisfied only 55 percent of our target demand. In 2020 to 2024 to date, we've only hit 46 percent of our target. We're not, we're not meeting the need, obviously, but we're not even coming close to keeping up. As others have testified, we also know there's a distinct relationship between housing availability and talent attraction. Grand Island employers, large and small, are struggling to fill the 10,000 vacant jobs we have. We can't, we can't provide housing for the potential employees for those jobs. In fact, in our 2019 housing survey, the Grand Island Area Economic Development Corporation conducted, 48 percent, 48 percent of the respondents said they would move away from Grand Island in order to find housing. That, that would be devastating to the city's economy. And we can't let that happen. We're committed to participating in public-private partnerships like those like Mr. Murray testified about his company having, because we want to address those housing needs. Tools like the Rural Workforce Housing Investment Act grants can provide us with the ability to do that. We want-- we are urging you again, collectively, to fund opportunity and job growth and to help us meet this urgent need for adequate workforce housing. Thank you for your time, and I'm happy to answer any questions.

CLEMENTS: Are there questions? Senator Lippincott.

LIPPINCOTT: Did you say right now in Grand Island, there's 20 houses available for sale? Was that correct?

LAURA McALOON: 20 houses-- total of 76 houses available for sale, 20 of which are below $300,000. And the median family can only afford approximately $250,000.

LIPPINCOTT: Yep. In talking with Ray O'Connor a while back, he's a builder in Grand Island. He said, in 1971, the population of Grand Island was half of what it is now and they had 972 homes for sale at that time versus 20 homes.

LAURA McALOON: I believe that.

CLEMENTS: Other questions? Senator-- I had a-- I just wanted to say, you said you had a $1 million that you use in this program?

LAURA McALOON: It was provided in 2020 to the city.

CLEMENTS: And that's helped build ten homes?

LAURA McALOON: I don't know. I'm-- I apologize, I don't know the total number. We funded three projects. As Mr. Murray testified, he is building two of those projects. His grant was $500,000, his repayable loan was $500,000. So I, I doubt that the number is ten.

CLEMENTS: Will that money be coming back, can be used again for more housing?

LAURA McALOON: Yes. All of that was issued in zero interest loans. So the idea is to create that revolving fund to be able to continue to facilitate more growth.

CLEMENTS: So the idea is, as he sells a house, he pays that loan back and then you have funds to fund another project.

LAURA McALOON: Correct. And our project then, with that 0 percent interest, that enables him to keep his housing costs low so that our families in, in the city can afford to buy the house.

CLEMENTS: Very good. Senator Lippincott.

LIPPINCOTT: There's a lot of homes in Grand Island are just vacant. They're just not for sale though. Isn't that correct?

LAURA McALOON: Correct. Our zombie homes. Yes, and the sheet I gave you does have some information about that. There are-- apologies, 592 homes right now in the city that are, are-- the estimates go as high as $1,100 from our building department, homes that are vacant. They're simply not habitable. And for-- they are owned. The taxes do get paid, but they are absent owners who have no interest for various personal reasons in selling the property and putting it back into the active housing market. That's an area we'd like to figure out how to access those homes and convince those property owners to rehab their homes. We just haven't been able to do that yet.

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CLEMENTS: Other questions? Senator Armendariz.

ARMENDARIZ: Thank you. So if we infuse it with-- with all these bills today, I think it's several hundred thousand-- or several, several hundred million dollars, do you suppose we would find workers to build all of this housing with the national shortage of workers?

LAURA McALOON: That, I know that that's an issue. Grand Island is blessed to have a significant immigrant population. I think Grand Island is actually working on some workforce training programs and applying for grants to enhance the workforce training programs that are already in place at Central Community College and Grand Island Public Schools. So our goal would be to maximize the funding by combining efforts on all fronts: worker training, worker recruitment. But obviously we need housing for those workers if we train them to get jobs.

CLEMENTS: Other questions? Seeing none, thank you for your testimony.

LAURA McALOON: Thank you so much.

CLEMENTS: Other proponents for LB504 or LB741? Good afternoon.

DAN MARVIN: Good afternoon. My name is Dan Marvin, D-a-n M-a-r-v-i-n, and I'm with the city of Lincoln's Urban Development Department. I'm here speaking in favor of both of these bills. And what I would like to do is give you a little information on the action plan that we did to talk about the housing needs for the city of Lincoln and how this would help play a contributor to resolving some of the issues. We hired RDG out of Omaha to do an action plan to study the demographics of the city of Lincoln to make housing projections. And I think that the numbers were referred to earlier. What we expect based on population growth, the city of Lincoln to need by 2030 is an addition of 17,123 additional housing units. Currently-- the city currently has a split of approximately 60 percent owner-occupied and 40 percent rentals. But since 2014, most of the new construction has been split more 50-50. So the plan that we came forward was, was based on the ten-year track record that we've seen in new construction. So the split in the 17,123 estimated new units was split 50 percent multifamily, 50 percent owner-occupied. And the owner-occupied number would include townhomes or multifamily-type dwellings that could be "condoed" and sold off with owner-occupieds in those units.

Approximately 2,200 of those new rental units will need to be able to provide rents of $500 a month or lower, so at the low end of the spectrum. And that's really the area that I think this bill addresses, is providing tools to help build or rehab units so that we can maintain rents at the lower end to accommodate the workforce that needs to live in those units. The way we went about calculating where all the different strata would be for the housing units, first we looked at-- we divided the 17,000, split it in two, 8,500 and 8,500. And then we looked at the income levels that people currently in Lincoln, and we assumed that the new people that will move into Lincoln will basically earn at levels that we currently have distributed. And based on that, we would need 2,200 apartments that rent at $500 or less, and we'd need apartments of about 2,800 that would rent between a range of $500 and $1,000. And then on the owner-occupied side, which is a bigger challenge, I have to admit, we're assuming we need about 3,800 units that would be on the owner-occupied side. And on that, the majority of those would need to be units that would sell for $200,000 or less. And I think what you've been hearing is that's quite the challenge to be able to do that. So this bill, I think, would address those elements. And there's another question that came up earlier, so I contacted our via text, how many units are we actually building in the last ten years in Lincoln? Over the last ten years, Lincoln has averaged about 1,600-- or 1,900 dwelling units per year. Over the last three years, we've built 2,300 dwelling units per year. So we've been able to serve the marketplace, but there's a part of the marketplace on the lower end of the spectrum that we have not been able to serve. One way that we've done this when we've worked with our partners, I know Fred has been in the room here, we've worked to develop LIHTC products to serve that lower end of the, of the marketplace. But again, I think you need to layer all different kinds of financing tools to be able to reach and provide all the different housing types and affordability levels for the city of Lincoln. I'll stop there and answer any questions.

CLEMENTS: All right, are there questions from the committee?

DOVER: You may want to explain what the acronym was that you just used.

DAN MARVIN: Oh, Low-Income Housing Tax Credits. And the ones that we've been fortunate to use would be a 4 percent tax credit, which I think is a little more accessible than a 9 percent tax credit. And

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then we've been able to plug gaps with some of those with other funds. We have some projects on that will receive ARPA funds from the state of Nebraska. And we've also used, when they've been built in blighted and substandard areas, we've been able to assist with tax increment financing to help plug some of those gaps, to make those projects viable.

DOVER: And then you had talked that it was 60-40, was I think single-family to rentals, earlier, the ratio.

DAN MARVIN: Correct.

DOVER: Now that ratio is closer to 50-50. Is that partially due to the fact that I know for people who don't have a lot of means, they do, you know, entering, entering the home market, they perhaps starting a family, those kind of things, they really don't have the opportunity to buy a house. Because there's investors that are coming paying cash. And can you address that?

DAN MARVIN: Yes, I think we've seen that. One of the things that we've utilized in Lincoln to try to offset that is there was a bill that was passed a few years ago on extremely blighting. And if you extremely blight, there's a tax credit for the state of Nebraska for owner-occupieds for $5,000. So in some of our older areas of the community that qualified as, as blight and then extremely blighted, we've been able to use that tool to incentivize owner-occupieds to be able to give them maybe a little bit of a lift to be able to acquire an existing home. And I think we've averaged somewhere in the neighborhood of 70 to 100 of those kinds of sales have occurred since that tax credit was proposed by the state of Nebraska, and we've been trying to use that. But other than that, I mean, a market-- a house that's out on the market that gets acquired and then is flipped into a rental property is, is not available as an owner-occupied.

DOVER: Right.

DAN MARVIN: And that's a challenge.

DOVER: Thank you.

CLEMENTS: Other questions? Excuse me, other questions?

DORN: Thank you, Senator Clements.

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CLEMENTS: Senator Dorn.

DORN: And, and Senator Dover asked kind of one of the questions I was going to ask. Part of-- I live south of here, part of my district is in Lincoln or whatever.

DAN MARVIN: You're, you're in my district, Senator.

DORN: Oh.

DAN MARVIN: You are my senator.

DORN: Thank you. But part of, part of what's happening, not, not, not just in Lincoln, but I've visited with Omaha realtors, too. Part of what's happened kind of during COVID here, before then is the amount of houses on the sale and what the price has gone up or whatever. When I walked the district-- or I had more southeast district four years ago, there weren't any yard-- there weren't any for sale signs. And you still see very few here in Lincoln. When, when you know, when you had to drive around through the, I call it the suburbs or whatever, not the suburbs, but the, the, those. And I think that to me, that might be part of the reason why you're seeing this 50-50 now where you see more apartment-types buildings then, because we-- not inadvertently, but it's happened, we kind of priced people out of the market. So these programs will help solve that maybe.

DAN MARVIN: I, I think so. I mean, I, I also in another committee on housing, the first house that I bought, 1985, we paid $67,000 for it, which means we needed to come up with a 10 percent down payment. We could come up with that as a, as a down payment. We initially went with FHA financing and then we, we subsequently paid that refinance, got the private mortgage insurance out of that. But the scale of the down payment now for a home that's $350,000 is really, I think, a huge challenge for a lot of people. And I think that is why in Lincoln in particular, you're seeing a shift more towards the rental from the owner-occupied. So what we've assumed what we would have been as a city going into a comp plan that we would have done in 2010, we would have assumed go-- on a go-forward basis, a 60-40 split. But based on the data that we've seen in the last ten years, we are realizing that, and I think it's the down payment side of this that makes it very difficult. What I describe is we talk about a ladder for climbing up the ladder on, on homes. And it is in a way someone has sawed off the bottom few rungs of that ladder. And so the first person in really is a, is someone who can come up with a large down payment to acquire that home. And that's a much smaller percentage of the overall buying population.

DORN: Thank you.

CLEMENTS: Senator Armendariz.

ARMENDARIZ: Just really quickly, can you share with us your interest rate you paid in 1985?

DAN MARVIN: Well, it was quite high. It was 10 percent. That's a good question. We refinanced that by the 1990s and then we went on a, on a floating rate loan and it got down to like 2.9 percent. But--

ARMENDARIZ: So my point is, homeownership fluctuates according to the interest rate as well. So I know during the last several years, I wrote a mortgage at 2-- I didn't write it, I obtained a mortgage at 2.5 percent. So you can afford much more of a house on a, you know, a certain income than back-- because we bought our first house in 1982 at 8.25 percent interest.

DAN MARVIN: Yeah.

ARMENDARIZ: Making $40,000 a year and it cost $82,000. But the, the payment was much higher because of the interest.

DAN MARVIN: But we kept the house for, for 30-plus years and our payment, PITI was $500 a month so--

ARMENDARIZ: Yep.

DAN MARVIN: --it became very affordable. And I think that's really the idea that all of us know as homeowners. That is, if you can get into that, you've really locked up a lot of variable cost increases that, that you can absorb. And then ten years later, you grow into a mortgage that is as much, you know, provides a lot more spendable power elsewhere rather than just servicing the mortgage payment. But I think it's the initial first dive, the first step onto that rung that is important.

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CLEMENTS: Other questions? I had just one question. On an affordable house for a homeowner, what amount of Affordable Housing Trust Fund money would you supply that homeowner?

DAN MARVIN: Most of the, most of the affordable housing work that we do as a city is done through various nonprofit agencies like NeighborWorks. So they would be the applicants within the city of Lincoln for much of that work.

CLEMENTS: I know [INAUDIBLE] we heard from NeighborWorks.

DAN MARVIN: Yes. So we, we try to be supportive of many of our other nonprofit partners on some of their initiatives.

CLEMENTS: Yeah, they described their program, so that's fine.

DAN MARVIN: OK.

CLEMENTS: Other questions? Seeing none, thank you for your testimony.

DAN MARVIN: Thank you.

CLEMENTS: Additional proponents for LB504 or LB741?

ALEC GORYNSKI: Good afternoon.

CLEMENTS: Good afternoon.

ALEC GORYNSKI: Chairman Clements and members of the Appropriations Committee, my name is Alec Gorynski, A-l-e-c G-o-r-y-n-s-k-i. I serve as the president and CEO of the Lincoln Community Foundation here in Lincoln. I'm here testifying on behalf of Lincoln Community Foundation, as well as on behalf of the Lincoln Chamber of Commerce. My colleague Bruce is not able to be here today, and we're testifying in support of both LB504 and LB741. The Lincoln Community Foundation is a backbone organization behind a broad community agenda around socioeconomic prosperity for our community. And one of our number one issues is affordable housing. The lack of affordable housing, the, the scale of new units needed that has been illustrated here, the historic low volume of new affordable housing development, the high percentage of families that are housing cost-burdened, and because of the low percentage of homeownership rates in high-poverty neighborhoods, affordable housing is our number one priority area as a, as a community foundation. And therefore, among other tools, allocate a generous portion of our philanthropic resources to, to address what is a, a significant gap for, for low-income families. The Lincoln Chamber of Commerce has also prioritized affordable housing in their 2023 local policy agenda and their published economic vitality strategy. Because of limited availability of housing affordability-- excuse me, limited availability of housing and affordable housing were identified among their business stakeholders as a barrier to employment growth for these local enterprises. As a result, the economic vitality strategy prioritized affordable housing. And as a quote from their 2023 local policy agenda, the Lincoln Chamber recognizes that housing affordability is one of the most important components to attracting and retaining a diverse workforce. A lack of housing is a significant barrier to increased entrepreneurship and economic development in our community, as is many communities throughout the state. We will support community collaborations, public-private partnerships that increase the efficiency and effectiveness of existing development tools and stimulate needed growth. Collectively, the Lincoln Community Foundation, the Chamber of Commerce, many other stakeholders, including the city of Lincoln, support these bills to fund the various tools necessary to fund affordable housing development. I emphasize collectively because our two organizations, along with the city of Lincoln and many other stakeholders, have been proactive and intentional about establishing a consensus policy agenda for our community. Senator Dorn and others have been a part of those conversations. A set of prioriti-- excuse me, a set of priorities in which the business community, local government and the social sector are united, and affordable housing is our number one priority collectively. Public funding is essential in increasing the scale of affordable housing development in Lincoln, as well as nearly every community throughout our state. As concluded in the state of Nebraska affordable housing strategic framework, in order for a housing unit to be considered affordable, the monthly rent or mortgage payment cannot exceed 30 percent of that family's monthly income. Beyond that, and the family is considered housing cost-burdened. Let's see here. The cost to develop modest, yet still quality, affordable housing far exceeds the monthly amount a low- or moderate-income family can't afford. A market rate rent or purchase price could easily cover the development costs or market value of the property. However, to be considered affordable and attainable for tens of thousands of working Nebraskan families who earn at or below the current low-income threshold of $48,000 per year for the state, it varies by different communities, funding must-- public funding must be a part of the equation. Otherwise there is a financial disincentive to develop affordable housing throughout our state. Including a lot of multifamily housing, which there's been a lot of conversation here today around homeownership, the, the lending tools from the Rural Income Workforce Housing Fund. A generous portion of this-- or these bills, excuse me, allocate resources to the Affordable Housing Trust Fund, which finances affordable housing-- multifamily affordable housing development, so that the rates offered by those developers is at a rate affordable for low- and moderate-income families. Without these resources, they would have to charge much higher rents in order to repay their construction loan for those, for those properties. We're thankful for Senator Vargas and Senator Briese for introducing this legislation to be an essential part of the affordable housing finance equation in Lincoln and throughout Nebraska. And we thank you for your consideration of this bill.

CLEMENTS: Are there questions from the committee? I had one. You were talking about public funding.

ALEC GORYNSKI: Right.

CLEMENTS: Have you seen the-- the, these houses that are being built are going to produce property taxes. Does the city of Lincoln or the county of Lancaster funding any of these projects?

ALEC GORYNSKI: Absolutely. I don't want to speak for my colleague here who spoke a little bit ago, but I'll speak to a really unique program, a really unique public-private partnership. Someone was here earlier from the South Omaha Community Development Organization, Corinne [SIC-- Carina], I believe her name was. And the city of Lincoln created a partnership where the incremental growth in, in tax revenue for homes in that particular geography, so a TIF district, if you will, the incremental increase in tax revenue will be 100 percent allocated to renovation of renter-occupied units, in those particular neighborhoods, the near South neighborhood in the Everett neighborhood. So it's a wonderful example of how they're using public resources in this particular instance to ensure that the affordable-- the naturally occurring affordable housing in those neighborhoods is delivered at a quality level and a safe level for those residents.

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CLEMENTS: All right. I believe you said Corinne [PHONETIC] was from south Omaha.

ALEC GORYNSKI: I'm sorry.

CLEMENTS: I believe it was south Lincoln.

ALEC GORYNSKI: South-- yeah, yeah. My career journey took me from Omaha to Lincoln about a year ago, so I still make those slip-ups every once in a while.

CLEMENTS: All right, thank you.

ALEC GORYNSKI: Thanks for the clarification.

DOVER: Yeah.

ALEC GORYNSKI: Hopefully none of my board members are watching this.

DOVER: So are you saying that you're able to go in and rehab and use TIF with rehab?

ALEC GORYNSKI: Again, this is a city of Lincoln program. The, the tax base was established a couple of years ago. So the entire incremental increase in tax rev-- property tax revenue that the city experiences for homes and properties in that particular neighborhood, in those particular neighborhoods. So not the entire city, but a well-defined geographic area. That entire increase in tax revenue from that point forward is being awarded to fund the improvements to, to maintain certain safety and quality standards for naturally occurring affordable housing in those particular areas, with the caveat that those properties then be maintained at affordable rates for those low- and moderate-income families for a certain period of time.

DOVER: So--

ALEC GORYNSKI: But a great example of public money being a part of the equation.

DOVER: I guess what I'm trying to understand is how can you get that much difference in price and, and valuation to make TIF work to rehab, rehab a home? How extensive is the rehab?

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ALEC GORYNSKI: The rehab, I think, goes up to about $25,000 per home estimation. I think this, I mean, there's a limitation on the number of homes that they're able to do each year. I think that they-- the number of units they're able to actually fund is far less than the number of applicants that they received. And again, these are some details that I'm not entirely able to speak to.

DOVER: Is that done on a per-unit basis, then?

ALEC GORYNSKI: It's-- they're just-- among the arithmetic that they use in making those decisions includes the number of affordable housing units that would be impact, impacted by those resources. But an individual landlord, an individual property owner is making application to the city for those resources for-- could be a single-family unit could be multifamily property.

DOVER: With, with the increases in property valuations that we've seen recently, does that help that program to work better?

ALEC GORYNSKI: I would, I would speculate--

DOVER: OK.

ALEC GORYNSKI: --as such. Yeah.

DOVER: Thank you.

CLEMENTS: Other questions? Seeing none, thank you for your testimony.

ALEC GORYNSKI: Thank you.

CLEMENTS: How many testifiers do I have left? Would you raise your hand? One, two, three, four, five, six, seven, eight, nine. OK. We're going to be here a while. Next proponent.

ROBIN AMBROZ: I'll be quick.

CLEMENTS: Welcome.

ROBIN AMBROZ: Chairman Clements and committee members, again, my name is Robin Ambroz, R-o-b-i-n A-m-b-r-o-z, and I'm with the Nebraska Investment Finance Authority. I'm honored to testify in favor of allocating additional funding to the Rural Workforce Housing Program

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and the Affordable Housing Trust Fund. I'm going to talk about both of them, each separately here. But I want to emphasize that the Rural Workforce Housing Fund has been a considerable success across our state, state and has created over 600 much-needed workforce housing units in over 18 communities, both rental and homeownership units. The flexibility of the Rural Workforce Housing Fund has been a primary feature of this funding source that is different from other resources. The individual projects that receive funds are selected at the local level by the housing and economic development organizations that have also raised matching funds locally to create the fund that they administer. This flexibility has allowed communities to address the very different needs within their areas on an individual basis. In addition, the Affordable Housing Trust Fund is an important source of funding for housing units across our state. As you've heard today, we have documented in the Strategic Housing Framework for Nebraska that there is a statewide shortage right now of over 32,000 rental units for extremely low-income households. And that number comes from the report that Mr. Rippe talked to you about earlier. These funds, through the Affordable Housing Trust Fund, have the flexibility that is different from other federal funding, and they're used for the new construction of both rental and homeownership units, as well as rehab dollars for existing homeowners and capacity building for community-based housing organizations. Thank you for your time this afternoon, and I'm happy to answer any questions.

CLEMENTS: Are there questions from the committee? These 600 units of rural program that has done, do you know how much funding has been sent out to accomplish that?

ROBIN AMBROZ: I do not.

CLEMENTS: OK.

ROBIN AMBROZ: The Department of Economic Development administers those funds. But the first round of funding went out in 2018 and then another round in 2020. And I'm not sure how much that equates to, though, in dollars--

CLEMENTS: And those--

ROBIN AMBROZ: I'm sorry.

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CLEMENTS: --local organizations have provided matching funds on that?

ROBIN AMBROZ: Correct. Yes, they have all raised matching funds locally that have come from a lot of local businesses.

CLEMENTS: Very good. Thank you for your testimony.

ROBIN AMBROZ: Thank you.

CLEMENTS: Other-- next proponent.

EVA ROBERTS: Good afternoon, Chairman Clements, members of the committee. I'm Eva Roberts, E-v-a R-o-b-e-r-t-s, director of policy and strategy with Front Porch Investments, which is a nonprofit grant maker and lender which invests private and public funds toward affordable housing solutions through grants and very low-interest loans for development and preservation of affordable housing. I'm here today to say just a very few words about public-private partnerships and express our strong support for both LB504 and LB741. I've heard stories about schools and hospitals struggling to attract and retain teachers and healthcare providers. I know you're hearing those same stories at home as well of large employers that are paying to house employees and their families in hotels because there's nowhere else for them to live. When we were talking about supply and demand, I was thinking about what would happen if we had a reduction in demand. And while that might equalize things economically, my mind went to that meaning that people were leaving Nebraska. And I don't know that that's a risk we want to take. The Rural Workforce Housing Fund and the Affordable Housing Trust Fund are important parts of a larger housing funding ecosystem, and you're hearing about several of those components today. And together, they support communities of all sizes in all regions of the state to help provide housing for people at a variety of income levels. And I just wanted to clarify, I think Alec did a job-- good job on this as well, that the funding here that we're talking about goes to developers to help them bring down their costs so that then they can sell or rent their units at a lower price point. It's not going directly to individual homeowners or renters. So all of these state funding programs are augmented by private philanthropic investments like those from Front Porch and the many other funders that are concerned with the housing crisis. And we look forward to continuing to partner with the state to braid public and private resources to ensure that we continue to offer the good life for which we are known. Thank you.

CLEMENTS: Questions from the committee? Thank you for information.

EVA ROBERTS: Thank you.

CLEMENTS: Thank you for your testimony. Next testifier. Welcome.

BOB HALLSTROM: Thank you, Chairman Clements, members of the committee, my name is Bob Hallstrom, H-a-l-l-s-t-r-o-m. I appear before you today on behalf of the Nebraska Bankers Association in support of both LB504 and LB741. Approximately seven, eight years ago, the NBA put together a workforce group, working group, or a task force consisting of bankers, realtors, economic development specialists, community leaders and the like, and identified the problem which existed at that time and continues to exist, which is there are job openings, but not enough houses or roofs to put them under. And so we perhaps sparked the initial discussion and which resulted in approximately $7 million at that time that were excess funds in the Affordable Housing Trust Fund being used as the initial infusion of capital for the Rural Workforce Housing Program. What we have found since that time, I think a couple of the witnesses today have indicated that 680 new rental units, 200 new-- 218 new homeownership units and 32 substantially rehabilitated units have resulted from the initial funding. I think it's important to note, I think Senator Clements, you may have just asked that question. That is only from the initial $7 million. There's supposed to be a report out soon that will speak to the second infusion of $10 million that came from general funds. And then more recently, we got another $30 million. So we have done a good job in funding and recognizing the return on investment that we've had. I think it is important and, and a question elicited the fact that there are matching contributions dollar for dollar. I think the statistics or information showed that that original $7 million investment by the state was parlayed into over $100 million in total investments across the state. The matching contribution rate has been lowered. Last year, I believe from $1 to 50 cents. We determined that there were a lot of smaller communities that were having difficulties meeting the dollar-for-dollar match, so we hope that that will incentivize and result in more of the rural communities participating in what's been a really good rate of return for the state on the investments that we've made. And we'd encourage you to make some investments. We know there's

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a need across the board, middle-income housing, affordable housing, rural workforce housing, and only so much money to go around. But I think all of those are worthy investments by the state. And we've seen the, the return on investment in the past. And I think it will continue to reap benefits for the state by making future investments. And I'd be happy to address any questions of the committee.

CLEMENTS: Are there questions from the committee?

DOVER: Yeah.

CLEMENTS: Senator Dover.

DOVER: Quick question. When will that study be out?

BOB HALLSTROM: When we visited about these statistics with the Department of Economic Development, they had indicated that it was supposed to be a 2022 report. So we were expecting something relatively quickly. So I would think it will be coming in short order.

DOVER: All right. Thank you.

BOB HALLSTROM: Thank you.

CLEMENTS: I have one question.

BOB HALLSTROM: Yes.

CLEMENTS: What does a banker get out of this?

BOB HALLSTROM: I don't know that the banker gets too much. I know the bankers have been very actively involved in contributing to the matching local grants and putting moneys in on the front end to make sure that the program works. And I think indirectly, the bankers are interested in the vitality and viability of their communities and allowing these houses to be built and the jobs to be filled and the workers to come to those communities are all a win-win for the bank, for the community and so forth.

CLEMENTS: So the bankers are not making the 0 percent loans, huh?

BOB HALLSTROM: No, they're not.

CLEMENTS: OK.

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BOB HALLSTROM: Thank you, Senator.

CLEMENTS: Thank you.

BOB HALLSTROM: Thank you.

CLEMENTS: Next testifier.

DORN: You take part in those loans?

CLEMENTS: Welcome.

WARD F. HOPPE: My name is Ward F. Happe, W-a-r-d, F. Hoppe, H-o-p-p-e. I'm a proud resident of 1600 Stonyhill Road, which is in District 2. Again, I'm a, I'm a builder and developer and I-- my company, Hoppe Development and Hoppe Homes builds really across the state. We build almost exclusively to program types of needs. We build workforce, we're building workforce in Dodge County as we speak. We're building workforce in Dodge County. We're building workforce in York County. We're building workforce in Pilger. And I can't tell you what county that's in, but I can tell you about all of those projects. We wouldn't be in those areas building houses without the assistance of the Workforce Housing Funds. In those, what happens-- or how it works for us is we go-- most of the towns we're invited into to build housing. Not always. Sometimes we go in and, and look for a, a development partner that actually gets the grant, puts the grant together. Usually in York, it's the county development organization. In Dodge County, it's the Greater Fremont Development Council, I think is the name of it. In Pilger, it was the city came to us, asked us to build housing for them, particularly Pilger. The-- I mean, we're building four units in Pilger. You can't, you can't get a homebuilder to go to a town and put together a project like that unless there's some incentive. Milford, town of 2,000, it's pretty difficult to go in there without some incentive to, to make a project work. In Dodge County, that's a little more promising workforce housing. They have a big worker need, so it's not quite the same. That's, that's the rural. The second part of the, the two bills are loading the Affordable Housing Trust Fund. We're using the Affordable Housing Trust Fund to make a project work for homeownership in Lancaster County, a project I spoke briefly about earlier. The one I was looking at the numbers to make the numbers work. We have in that project a Affordable Housing Trust Fund grant which allows us to build 14 houses and bring down the cost essentially

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of those houses to reach 110 percent median income people. My point is this, those incentive programs and the availability of them allow us in that target market place. And, and it's not necessarily capital A affordable, but in workforce particularly to reach homebuyers normally or renters at levels they can afford. So my request is that you do load those funds. The money is being used, it's getting where it's supposed to go and it helps Nebraskans. I'd answer any questions.

CLEMENTS: Any questions? Senator Dover.

DOVER: Yeah. So and I wasn't-- sorry, I wasn't paying attention. But you said you were building houses that would work 110 percent of median income?

WARD F. HOPPE: Targeted to.

DOVER: Targeted to. What's the-- how much subsidy do you get for the 110 percent to--

WARD F. HOPPE: The--

DOVER: --to make that work?

WARD F. HOPPE: The grant-- well, it's, it's hard to identify it in those terms--

DOVER: Right.

WARD F. HOPPE: --Senator Dover. But the, the grant we have in that, I believe, is $600,000, and that's Affordable Housing Trust Fund. And for that, we're using it to on a revolving basis get the price down for building 14 units over on in what we call the Foxtail subdivision in Lincoln. If you're talking the, the way we have structured our workforce housing programs are long-term loans that are low-interest. I think they're imputed 2 percent. And they are essentially that in conjunction with a banker somewhere. We use that to do the gap financing so that we can hold those projects for a period of time, and hopefully nowadays until you can get them refinanced and restructured. So we have them structured on a seven-year basis. And the-- essentially the rural workforce grants or low-income loans that allow that. In Scribner, in Pilger, in, in Fremont, the structure is that the houses are offered originally for sale for six months. And if they don't sell, they, they convert to rentals and the money can be used to buy down the price of the housing. Now you've got to understand in rural workforce housing the, the program criteria, and they're different between Affordable Housing Trust Fund money, the middle-income money and the rural workforce money. Rural workforce money, you have to produce the house for less than $330,000. And that number may be differ-- may fluctuate. It goes up by the cost of living, and I'm not positively sure what the dollar amount is today. It also in rural it can be rental or purchase. And the-- so you have to go that's the definition of workforce housing. Definition of workforce, rural workforce housing is not conditioned by who the buyer is, it's by the price of the house. Availability of the house to a buyer. Does that answer your question?

DOVER: Yes. Thank you.

CLEMENTS: Senator Erdman.

ERDMAN: Thank you, Senator Clements. So in that case, a house doesn't sell and it goes on the rental market. What does it rent for?

WARD F. HOPPE: What's it rent for? The-- it is-- the metrics for it are different than for the rural workforce. The housing has the cost, if it's for rent, has to cost less than $250,000 a unit. For us, normally we rent at a little tiny bit more than the, the 60 percent median income rents. And I can't tell you the exact number for instance in Milford.

ERDMAN: $1,500 a month?

WARD F. HOPPE: 50 or 100 a month?

ERDMAN: $1,500. How much is--

WARD F. HOPPE: Oh, no, no. Like 9.

ERDMAN: OK.

WARD F. HOPPE: But $1,500 would be the kind of rent you would expect for a four-bedroom unit. We're looking at quite a bit less, you know, one and two-bedroom units in Milford, for instance.

ERDMAN: OK.

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CLEMENTS: Other questions?

WARD F. HOPPE: Does that answer your question?

CLEMENTS: All right, thank you for your testimony.

WARD F. HOPPE: Thank you.

CLEMENTS: Next proponent.

ROGER NADRCHAL: Chairman Clements and the Appropriations Committee members, I'm Roger Nadrchal, spelled R-o-g-e-r N-a-d-r-c-h-a-l. I come here before you here today as the CEO of NeighborWorks Northeast Nebraska. So I'm speaking on behalf of our corporation there that's based in Norfolk and also have an office in Columbus. We're here to support the two bills, LB504 and LB741. We are a regional nonprofit housing development organization, a nonprofit housing development organization serving Butler, Colfax, Cuming, Madison, Pierce, Platte, Stanton and Wayne Counties. Over the years of 28 years of being in existence, we have developed over close to 1,000 units of affordable units in these communities, in these counties. We've worked in about 28 different communities in these 8 counties. And we've been a recipient of the Rural Workforce Housing Funds for Columbus and worked with Schuyler, so we are the administrator of two different revolving workforce housing funds in those two communities. They've provided assistance and the opportunity for developers to develop close to 300 units in just those two communities over the last five years. So therefore, for that reason, you know, we are definitely in support of the Rural Workforce Housing Fund Program. The need for workforce housing in our state is great, and especially in the rural communities. And as has been talked about recently as the recent testifiers, the Rural Workforce Housing Fund is a loan fund, revolving loan fund for builders and developers to access a below market rate interest rate for the development of housing. Whether they're short-term loans or longer-term loans, that's up to the local community in how they administer the program. The Nebraska Affordable Housing Trust Funds is actually a grant program that is provided to assist the homebuyer or the renter to help reduce their, their cost of housing them. The Nebraska Affordable Housing Trust Fund is one of Nebraska's most important housing economic development tool. The fund is created to serve several different financial gap challenges that Nebraska confronts in their efforts to provide safe and affordable housing for its citizens and to help our communities. Increased investment of the trust fund will help build and rehabilitate more homes and increase jobs, invest in our communities more than any other public policy initiative. And I want to emphasize rehabilitate. We as NeighborWorks Northeast Nebraska have a great program called our Purchase, Rehab, Resale Program and we have used the Nebraska Affordable Housing Trust Funds for that program extensively. There's a lot of discussion to tell you about adding housing stock, building new stock, but also support and take care of the housing stock that we have out there. So over the years, we've been able to improve the quality and the condition of close to 800 homes in our service area, mostly using Nebraska Affordable Housing Trust Fund. Over these 28 years, we have been the recipient of about $12 million of Nebraska Affordable Housing Trust Funds and we continue to see a need ongoing to build new homes, to build subdivisions, as well as rehab those homes that I was just talking about. Our housing programs increase the values of homes, which in turn increase the property taxes, help the counties and school systems, therefore, economic development. The demand for affordable housing continues to be high in our rural, in our rural program. The last five years we have developed 250 housing units for families to live in, whether it's rental or homeownership. So investment in housing is an investment directly into our communities and it pays dividends for the families, the homebuilders and the employers. We are currently working on a subdivision in Columbus, and I know the question has been asked about what's the dollar amount per home or per homebuyer? So the way we're structuring that program in, in Columbus, we purchased about 20 acres of land to develop into a subdivision, and we're looking at putting in about 80 units there, both detached single-family, townhomes and triplexes that would be for rental. And for that development, we did apply for a trust fund grant and received a grant for $500,000. We're assisting 15 homebuyers in that subdivision, so we're leaving about $30,000, $35,000 per property of those trust funds to provide new homes for homeownership to-- for our income-qualified families to be able to purchase. So that's a true example we're working with right now. So about $35,000 to $40,000 per household. Some will be down payment assistance and the other it would be for funds to provide the cost of developing the program and working on that housing subdivision. So thank you for your time and being willing to answer any questions you might have of us as a developer and actual users of both programs.

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CLEMENTS: Any questions? Senator Dover.

DOVER: What do you think the best bang for the buck as far as rehab versus new construction?

ROGER NADRCHAL: Especially in times that we are experiencing now with higher interest rates and higher cost of homes for the clients that we work with, serving the income levels up to 120 percent of the area median income, obviously existing homes are much more affordable for those, those homebuyers. So as far as what we look at as a nonprofit developer, that's very key. We want to help the families that have a little bit lower income to be able to purchase a home. And for them to purchase a new home, it's being very slim, a very tight market for them to be able to do that. If you do that, you have to provide more subsidy to make those homes affordable. And so those families can, can get their mortgage loan and be able make those monthly payments.

DOVER: I guess I, I apologize. It's late in the day and I'm not listening well enough or whatever, but far as far as the most efficiency of the dollar, what do you believe program offers the greatest return between rehab and going out and building a new home?

ROGER NADRCHAL: Well, I think it just depends on how you look at it. If there's a housing market that does need some upgrading, you know, then that's definitely needed. So it depends on the community and obviously the homebuyers, you know, what they can afford. So I would say we look at it as equal. We probably lean more towards on the rehab side of it to, to increase the value of those homes and give them life, give back additional years of life for them to be used and occupied by families.

DOVER: I know that your program in both ways, both programs are utilized quite a bit and are a great service to the homebuyers in Nebraska. I know that recently, and maybe you can speak to this, that the rehab seems to be more challenging. Talking to some of the realtors in our office, it doesn't seem to work as well as it one time did work. Could you please address that?

ROGER NADRCHAL: I can say we've, we've seen a major issue with that with our rehab program. It's just a matter of still finding homes that are on the market in the price point that our clients can afford. And as far as rehab, you know, there are obviously a shortage of

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contractors that will come in and do that rehab work. So it's a little bit of a struggle from that end of it, just like it is for new construction.

DOVER: I know that, I know that rehab program was very beneficial. Is there, is there a program out there or a new program that could help facilitate that to make it work as well as it did in the past?

ROGER NADRCHAL: I guess we see it as-- one thing would be that with the increased costs, that we would have access to more funds such as the Nebraska Affordable Housing Trust Fund to be able to provide a little bit more of a subsidy, get that, that price point of the house down so our clients can afford that, that monthly payment.

DOVER: All right. Thank you.

ROGER NADRCHAL: Sure.

CLEMENTS: Senator Erdman.

ERDMAN: Thank you, Senator Clements. Thanks for coming.

ROGER NADRCHAL: Yes.

ERDMAN: I'm, I'm sure you have more applicants than you have resources to help, right?

ROGER NADRCHAL: Usually, yes. I--

ERDMAN: OK.

ROGER NADRCHAL: --we do have a list, but--

ERDMAN: How do you-- how do you make the decision who gets help and who doesn't?

ROGER NADRCHAL: We work with first-come, first-served or first ready. If they have their mortgage loan approved at their lender and they have all our documents in with our program. And then usually with our Purchase, Rehab, Resale Program, the client goes out and identifies the house themselves. So we don't buy homes on a spec rehab and then sell them. The client goes out and looks on the market and finds a house that they want to purchase through our program, then we get

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involved, do inspection on those properties, determine the rehab work, and then put the purchase agreement together to purchase that home as is and then work from there. So, yes, we have people come in every day to apply for our program. It's just a matter of when they're ready, when they're-- they have their financing in place with their mortgage lender. And, you know, so now it is slower just because of the additional cost and the interest rate, so we have experienced a slow-- slowdown of that program.

CLEMENTS: Other questions? I had a couple of things. This Affordable Housing Trust Fund flier is informative, the $182 million providing 7,100 housing units. That's an average of $25,500 per unit. Is that an average of what the award is?

ROGER NADRCHAL: Yes. And I borrowed this-- or stole this from Carol Bodeen, who will be testifying later from the Nebraska Housing Developers Association. So this is a document that she prepared, but I just wanted to attach it to my documentation here. So it is a accumulative report of the 25 years of the Nebraska Affordable Housing Trust Fund as far as what those numbers all look like.

CLEMENTS: And I see the 95 cents of the documentary tax funds this trust fund.

ROGER NADRCHAL: Yes.

CLEMENTS: Have you lobbied anyone to increase that 95 cent?

ROGER NADRCHAL: We haven't recently. We've, we've talked a lot about that over the years with the many housing advocates. But we have not taken that, that move to, to work to try to increase that.

CLEMENTS: Do you know when it was last increased?

ROGER NADRCHAL: I'm not sure I can speak to that. I'm not sure when that was.

CLEMENTS: It's been quite a few years.

ROGER NADRCHAL: Yes, it has been.

CLEMENTS: Thank you.

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ROGER NADRCHAL: Sure.

CLEMENTS: Any other questions? Seeing none, thank you for your testimony.

ROGER NADRCHAL: You're welcome. Thank you.

CLEMENTS: Next proponent. Welcome.

SCOTT RIEF: Yes. Good afternoon. My name is Scott Rief, that's S-c-o-t-t R-i-e-f, I'm here to support LB504. So just a little bit about me, I was born and raised in Shelby, Nebraska. In 2007, I moved to Grand Island, where I became a bo-- business owner. In 2016, I got in the world of land development. Really my mission getting into land development was developing communities. What do I mean by that? I want to bring houses to communities that will solve the housing crisis. I want to bring jobs to these communities and also for the employers. Allow individuals the opportunity to a step up from their current living environment and also provide the Nebraska way of life with a safe, walkable community. My company, Innate Concepts, has built 600 units. This year, we'll also be finishing another 200 units. We are beginning another 120 units as well. These are all built in central Nebraska, so they're built in Grand Island, Norfolk, Lexington and Kearney. I'm here to support the LB504 and the Nebraska Affordable Housing Trust Fund. I want to show you what type of impact this bill will have on our communities. This year, Innate Concepts will be applying for $5.25 million from the trust fund, which will produce 282 multifamily units in Grand Island, Kearney, Columbus, Aurora, Lexington and Central City. For every trust fund unit, we will be able to build an additional six market rate units. I believe in the mixed unit-- mixed-income unit to grow people to their fullest potential. What do I mean? If you take six eagles and they're hanging around one chicken, that chicken is eventually gonna think he is an eagle, right? That's the same thing if you take six chickens and they're hanging around one eagle, eventually that eagle is probably going to think he's a chicken. So what I'm getting at, let's break this down. If we take the trust fund and we're able to leverage that $750,000, we can create 44 units. Of those 44 units, 6 of them will be have-- will have their rent determined by the program. That's a 6 to 1 ratio, bringing together affordable qualified units with market rate units. All of these will support the workforce housing need. Why is a mixed-income the right strategy for Nebraska? If you surround the qualified renters

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with the market rate renters, you will be able to instill a future that that qualified rental-- renter will become a market rate renter. We need LB504 to solve the housing crisis in the state of Nebraska. We need it not only for the people in Nebraska, but we need it for the business owners of Nebraska, so that we have the proper housing to recruit employees to keep the state thriving and also building a future for the next generation. If you support LB504, we will be planning to apply for twice as much, if not more, in the future. As costs increase, it takes twice as much cash to start these projects, at least twice as much. With interest rates you've talked about, with building materials, all those things have made it a lot more difficult to do. Without this, I myself would not be building 282 units. It would be done, we wouldn't do it. Why are we building 120 this year? Because we already are locked in on interest rates. I'll just be honest, I'm a market rate builder. That's who I am. That's what I've always done. I've gone into communities and stepped them up. I've gone into Norfolk and built a quality product that people can step up to. I've gone into Kearney, Nebraska, and I've built market rate units that professionals, they can recruit to that community. I'm in Grand Island right now building-- I just opened 90 units, they're for professionals. They're for professionals coming into these communities. But where I'm missing the boat is intermixing these. We have to start intermixing our professionals with, with these qualified renters. If we start doing that, that's when we can change these communities. That's when we can go and start recruiting and start taking from other states and bringing them into our communities. That's where Grand Island-- I'm a chiropractor, I recruit doctors to my community. One of the biggest struggles I have is I get you to my committee, I talk about how it's all about families. And then all of a sudden I'm like, you got to live here. It's like, eventually you can, you can move, move here. But right now you got to do this because this is what's available. That's been my mission, to build something that you can recruit to these communities and keep these professionals. That's one of the biggest things I have as being a doctor, is keeping these doctors in these communities. I have doctors in Kearney and Columbus and Hastings and Grand Island. I'm trying to recruit for Norfolk, but it's tough to get those housings for them.

CLEMENTS: That's your time, sir.

SCOTT RIEF: Yeah.

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CLEMENTS: Are there questions from the committee? Senator Dover.

SCOTT RIEF: Yeah. I just wanted to say that I think Legacy Bend really is a beautifully planned community in Norfolk.

CLEMENTS: Thank you. Other questions? Seeing none, thank you for your testimony.

SCOTT RIEF: Yes, thank you.

CLEMENTS: Next proponent.

CAROL BODEEN: I have a lot of housing friends, huh?

CLEMENTS: Yeah.

CAROL BODEEN: Good afternoon, Chairperson Clements, members of the committee. My name is Carol Bodeen, C-a-r-o-l B-o-d-e-e-n, I'm the director of policy and outreach for the Nebraska Housing Developers Association. I'm here today to testify in support of LB504 and LB741. And I'll be honest, I'm going to cut through a lot of this. There's been amazing testimonies, and I think we've covered quite a, quite a few things. I do want to say that when it comes to the Affordable Housing Trust Fund, that really has been the cornerstone and the foundation of affordable housing development in Nebraska for 25 years. And I have to pay homage to that. That's about the time that our organization came into being, was when the trust fund came into being. And the flier that you see that Roger alluded to, I put that together based on annual report information from the Department of Economic Development. So they are the ones that have calculated how that turns into the jobs and the community investment. So I just wanted to clarify that. So let's see. I'm, like I told you, I'm going to cut through here. When I worked as a nonprofit affordable housing developer in North Platte, and that's where I came from. I came to Lincoln a couple of years ago. The organization that I worked for at that time, we actually were a member of the Nebraska Housing Developers Association. But I've seen firsthand the work that can be done, and I've seen the increase in property taxes generated by the projects that we were involved in, and we actually kept track of that each year. We would go through and document all the valuations and the amount of property taxes paid on properties that our projects had touched. And so we were able to see the amount of property taxes that

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we had had an impact on. Now, in some cases it may just have been supporting an increase in taxes because we were able to keep a property in, in service because we helped a homeowner or rehab it. Or it could have been a new construction that we were a part of so. We do-- the org-- these projects do pay taxes and they do definitely have a property tax impact. The only downside was that we couldn't do more. And so I feel like this additional funding on top of the normal annual allocation from the doc stamp could really allow organizations to do more and it really can have an impact. Same thing can be said of the workforce housing programs. So I'm going to give you an example of a project that I was a part of in my work in North Platte, because I think it's a good example of how these different programs can be used. We had basically the, the equivalent, it was a city block and it was a rundown house that had been condemned because of fire. And the homeowners were not able to-- they couldn't afford to fix it up. And then next to that was a, I'll call it a mobile home graveyard. There were two or three mobile homes that just had kind of gotten parked there and a lot of trash. And across the street was a house that there was a lot of drug traffic and the police were called there quite often. So it was, it was on the north side of town, so it was definitely not a, an asset to the community of North Platte. So with the help of these different funding mechanisms, we were able to partner with the city of North Platte. They helped us out with some matching funds for demolition. In different phases, we built a 12, a 12-unit duplex development as well as two single-family homes. We were able to use the trust fund, we were able to use some money from our Chamber and development organization, Rural Workforce Housing Fund, NIFA match, and two Affordable Housing Trust Fund grants. And this project started back in 2011 when the properties were first acquired, and it just wrapped up in 2021, the last year that I was there. So just to give you an idea of the, the type of impact that this can have. The house that was a drug house across the street is now rehabbed. And I don't know if it's a rental or if it was purchased, but it's not a drug house anymore. And there are other houses in the area that are being fixed up and being cleaned up. So it's a very small example, and I know my red light is on.

CLEMENTS: All right. Thank you. Are there questions from the committee? Seeing none, thank you for your testimony.

CAROL BODEEN: All right. Thank you very much.

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CLEMENTS: Next proponent. Welcome.

TODD STUBBENDIECK: Thank you very much. Chair Clements and members of the Appropriations Committee, my name is Todd Stubbendieck, that's T-o-d-d S-t-u-b-b-e-n-d-i-e-c-k, and I'm the state director of AARP Nebraska, here today testifying in support of LB504 and LB741. What we know when we talk to people, our members and folks who are aging, what they want most is to be able to stay in their homes and communities as long as possible. And that's one of the things that we focus our work on at AARP Nebraska. And to do this, they need a range of housing options that accommodate their needs as they age. This is why AARP strongly supports creating diverse affordable housing to meet the needs of our changing demographics. As a state, we are facing a critical shortage of housing options in both our rural and urban communities. According to Nebraska's 2022 Strategic Housing Framework, quote, There are inadequate, safe and diverse housing options across Nebraska, leading to a limited workforce for employers and less vibrant communities, especially for the lowest income Nebraskas-- Nebraskans, including seniors. AARP Nebraska supports LB504 and LB741 because they will increase funding over the next two years to the Rural Workforce Housing Investment Fund and the Affordable Housing Trust Fund. We support these bills because we believe that those investments can be leveraged to build more houses, meet the rising demand of housing, and be a part of the solution to create more affordable housing options. AARP Nebraska is actually supporting a range of housing options in the bills-- housing bills in the Legislature this year. Just as we need diverse housing options to meet the different needs of Nebraskans, we'll need to look at a diverse set of legislative solutions to address our state's acute housing needs. Thank you to Senator Aguilar and Senator Vargas for introducing these bills and for their commitment to supporting affordable housing. Thank you very much.

CLEMENTS: Are there questions from the committee? I'll ask you. You mentioned the diverse funding solutions. How about raising the doc tax.

TODD STUBBENDIECK: You've got me on that one so.

CLEMENTS: You haven't advocated for that?

TODD STUBBENDIECK: I have not.

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CLEMENTS: OK. All right. Thank you for your testimony.

TODD STUBBENDIECK: Thank you, Senator.

CLEMENTS: Next proponent. Welcome.

DEXTER SCHRODT: Good almost evening. I was going to say saved the best for last, but I think somebody is behind me. So I can't say that anymore. Mr. Chair, members of the committee, my name is Dexter Schodt, D-e-x-t-e-r S-c-h-r-o-d-t, I'm president and CEO of the Nebraska Independent Community Bankers Association. Senator Clements, I'm so glad you asked what do bankers get out of this? Well, my community banks are, are in their communities every day. They work with small businesses like Mr. Endicott's. They hear from them constantly that the businesses are, are ready to grow, they're ready to take off, but they can't go workers in. And they can't get workers in because there's no housing and there's no childcare. So that's why my members of tasked me for advocating for housing and childcare, even though admittedly we don't stand to gain too much from these types of programs. But what it does overall in growth is what's the most important. And let me just dig in there a little bit and then I'll make a couple of points and finish up. And Senator Dover and Senator Armendariz, I really enjoyed the comments on supply and demand. I'm an attorney by training, but I love economics. So let's dive into this a little bit. Nebraska's housing issue is a needs-driven demand issue, not a demand-driven issue. And what the difference is, is take a city like San Francisco, for example. That's a demand-driven housing issue because they have too many people with too much money. It's just driving up demand, driving up prices constantly. In Nebraska, ours is needs-driven, and that's why my bankers constantly hear the need for housing. And we heard it from Mr. Endicott, he said his demand for building materials is ever-present. Grand Island said they have 10,000 jobs open. That's a needs demand, and that's why this is necessary. This isn't full subsidizing housing. And I agree, Senator, that free market capitalists. But when a market is broken, that's when the government should intervene and help prop it up so we can get back to equilibrium. And we won't reach that until our supply meets that needs demand. And not necessarily the demand from prices. So, Senator Dover, that's why I don't believe that if the housing stock goes up, we're not going to keep increasing prices because we're not in that type of shortage. We're in a needs shortage. And I would take a second to plug the strategic housing framework that NIFA and DED put together recently. It really goes through the different types of housing that are needed, rentals included, at each income level up to about that $300,000 level that we've heard already today. And there's, there's tiers, and we're needed in each tier. And that's why rehab is an option, Senator Dover. But because our housing stock, the average age, is about ten years older than the national average age, so rehab is needed. But in today's environment, it's not practical for a couple of reasons. One, families like mine that might move out of our first home and upgrade houses, if you will, we're not going to do it right now because of the high-rate environment. We're going to sit in our house, we're going to build our equity up, wait for the rates to come down. So that doesn't free up-- my house is over about 35 years old. Doesn't free up that type of house for others to move into. And secondly, related to that, is we have an aging population, as the AARP just said.Tthey're staying in their homes so long for that reason, the interest rate reason, they can't get out. It would not make financial sense. And they're staying in big houses, which shows the need for smaller houses for elderly population to move into. And it all interplays with the closing of the retirement homes and that too. So it all works together. But that's why rehab right now, while a viable option, usually is not the way to go. So unfortunately we are stuck with having to do new builds, and that's just the way the market is right now. And I would just make one final comment. Yeah, with the heavy rate environment, it looks like the fed says we're going to be in their next several years. So whatever allocation you do put forth, unfortunately rates will cut into that a little bit. But in that housing framework document I was talking about, they discussed that we've actually been fortunate the last several years that that's not been cutting against us. So we've made a lot of progress. Unfortunately, we just need to bite the bullet when it comes to rates. There's not much we can do, and hopefully it comes back down so.

CLEMENTS: All right. Are there questions from the committee? Senator Erdman.

ERDMAN: Thank you. Thank you, Senator Clements. Thanks for coming. So you made a comment about when the economic situation presents itself then the government needs to step in and then help. Explain what you mean by that.

DEXTER SCHRODT: Yeah, so since our market is not in equilibrium because it's a needs-based market shortage-- and there are several factors, and I would point to that framework again. They go-- I think there are six factors they go through. We've heard several of them: shortage of labor, material cost, input costs, inability to do rehabs instead of newbuilds, high interest rates. So all those right now are working against Nebraska. So right now, there is no incentive for private industry to do it all themselves because there is no way to make money. You know, so it's comparable to government intervention in commodities markets, for example. You know, they're there to make sure that baseline persists and then the free market can go from there. So I think that's the way that we should view these investments.

ERDMAN: OK. Thank you.

DEXTER SCHRODT: Yep.

CLEMENTS: Other questions? Senator Dover.

DOVER: I just want to clarify. It wasn't-- I wasn't suggesting that rehab was the only way to go by any means.

DEXTER SCHRODT: Sure.

DOVER: But I think my experience is, is that rehab by far is the most cost-efficient way to provide housing. Because in Norfolk, and I'm sure it's probably true in Lincoln and Omaha, there's just a lot of aged housing out there, that if we don't do something now, we're going to lose that unit. And that's, I mean, the amount of money it costs to rehab that, get it back into shape-- and those houses are somewhat the size that we need for families and families and things like that. So I just wanted to clarify that. And I was kind of just leaning the way that there might be-- maybe we need to also look at a program that facilitates the federal moneys that's available for rehab. I know there's some strings attached to that. But, you know, maybe there's an additional or an auxiliary plan that we can look at to help rehabbing in our communities, because a lot of even, even in smaller communities where it's harder to get someone to build a home, you know, dig a hole, pour a foundation, et cetera, do a slab, whatever, that may be a really good solution to rehab some of those older homes that are there. So I wanted to clarify that as far as the rehab.

DEXTER SCHRODT: Yeah.

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DOVER: I was kind of leaning in to Roger, Mr. Nadrchal, a little bit, saying is there something that-- another program we can come up with that will help with his rehab? Because I know it's not as desirable as it was over the years. And then I was trying to text my daughter, who now runs our construction company for the last six years. She kicked me out of there and said, well, Dad, we don't need you there anymore. We got-- I got this, don't worry. But I'm not familiar with material costs. But I will say there's an earlier statement made that, you know, steel and building costs don't really change much and we're not-- it's not affected by-- I would say steel, maybe not, but I'll say steel obviously on a worldwide basis. But I'll say wood is, it is affected quite a bit. And I, I don't have the number, but I'll say this, is with the increase in interest rates, material costs have come down significantly from their high on a house. I mean, significantly as far as if I look at sheet goods and the stuff like that. You know, the 7-- 7/16 sheathing for walls and stuff like that or 19/32 on the roof, they've come down a lot. Are they down to where I-- would I, would I [INAUDIBLE] several years ago? No, it never will be. But they've come down a lot so.

DEXTER SCHRODT: Yeah, real quick, if I could?

CLEMENTS: Yes.

DEXTER SCHRODT: No, I completely agree that rehab is the most cost-effective way to go about it. The problem is, for the reasons I outlined, there's no supply for that rehab to-- for that to take place, because families like mine are staying in their homes or senior citizens are staying in their homes. So until you can get into that house to rehab, there's not a lot you can do. And I agree completely that building costs are going down. And that's really due to the drop in demand in the discretionary market, housing market. And unfortunately, what we have here is, again, that needs market where we just got to get it done.

DOVER: Right. I can't, I can't speak for the market. I just know that in Norfolk, there's, there's a lot of inventory available for rehab. The problem is, is that there's a little catch in Roger's program. I won't get into that. But there are in communities like Norfolk, there is a lot of units available for rehab that need to be saved before it's too late. Thank you.

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DEXTER SCHRODT: Correct. Yeah, and I think we heard that from Grand Island, too. Yeah.

CLEMENTS: All right. Thank you for your testimony.

DEXTER SCHRODT: One last question.

CLEMENTS: Oh, there was-- excuse me.

ARMENDARIZ: Yeah, sorry.

CLEMENTS: Senator Armendariz.

ARMENDARIZ: You mentioned that the housing market is broken. Could you elaborate on what you believe is broken?

DEXTER SCHRODT: Yeah, kind of like what I just explained to Senator Erdman. There was those six points in the framework that leads to the culmination of our market being so broken, and that's the labor, the inputs, the lack of the rehab to take the pressure off new builds. So all that and the rate environment now finally is working against us.

CLEMENTS: Any questions? Seeing none, thank you.

DEXTER SCHRODT: Thank you.

CLEMENTS: Next proponent. Welcome again.

CLIFF MESNER: Thank you again. Again, my name is Cliff Mesner, C-l-i-f-f M-e-s-n-e-r, I'm with Mesner Development Company. I told you a little about myself when I was here before. I tell you about my wife. My wife is an attorney, and the other half of the business. I-- actually the better half of the business. She has served for more than two decades on the Nebraska Commission on Housing. She chaired the Housing Industry Council for Blueprint Nebraska, and she's currently part of the Strategic Housing Council study that NIFA is doing right now. Kathy probably takes a much broader view of, of the housing problem than I do. I tend to center in on the workforce housing. She tends to look at all of it. We've done more than 80 tax credit projects through the years in Nebraska and Kansas. We've used the rural workforce housing, we've used the Nebraska Affordable Housing Trust Fund, we've used a number of programs through the years. I strongly support particularly the workforce housing program. This is, in my opinion, the best program that we've seen in the 30 years we've been doing this business. It's the most efficient use of money, and it is right size for Nebraska. And it allows us to do, to do things on a Nebraska scale, which we can't do when we're working with the, with the federal programs. I wanted to address a couple of other issues, and the last two speakers have been fun for me because they've hit some points that we haven't heard before. Almost everything that we've built is designed to attract the senior to move out of their three-bedroom home. That's our goal with everything we've built, whether it's a tax credit project or for-market rate housing. And the reason for that, and part of the reason that the housing program is broken right now, is because of the demographics. And what's happened is we have this giant generation of boomers, me. We're the problem. Our kids have all moved out and suddenly we need more homes. The number of homes needed in 19-- in 1970, if you needed a thousand homes in your town, that same population today needs 1,256. So there's 25 percent more homes needed just for the same population. And that's because we now have a large house that is just two of us. And in 1970, 40 percent of the households were nuclear families, mom and dads and kids under the age of 18. Today, that is the fourth category. It drove all of the development in 1970. Today, the largest single category is single persons at 28 percent. The second-largest category is couples without children. And the third-largest category is adults living together. Think first-year teachers that have to bunk-up or kids who are still living at home with their parents because they can't find a place to live. We have a large number of people in the state that are seniors that are literally trapped in their three-bedroom homes because they have no place to go. So everything we build, whether it's a tax credit project or market rate unit, is designed to give that senior someplace else to go so that a family can move back into that three-bedroom home. I have had people say to me, how do we make a $325,000 home affordable for a first-year teacher? You don't. You can't. You can't subsidize it that far. You don't have that much money. So we have to figure out what makes sense. So what makes sense is the building units that are downsized, so our seniors can roll into those units and we can put families into those homes that have been restructured and roll that housing stock. And that's, that's the critical piece. And if I can add one more thing. The other reason that things are broken is because in 2008, our industry got decimated. There just aren't enough builders out there to build what we need. We

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suddenly need all these homes and we don't have any, any additional builders. And, and that's a problem. Do I have a minute left?

CLEMENTS: Yes.

CLIFF MESNER: I was going to say to Senator Erdman, because you had asked before about how the rural workforce housing money might be spent or how this money can be spent. What we've done with it is we've gone into the communities and said, we need you to loan us money nonrecourse, and then we'll build your housing. Now we built 30 townhomes that way. We've paid them all back for all their money, so they didn't lose any money. But what we've done is we've rolled the money and that's allowed us to keep going and keep operating at economies of scale. Otherwise, we would have to roll back and only be building a few houses at a time. And that is-- it is where we need to be. And I think my time is up.

CLEMENTS: And questions from the committee? Senator Lippincott.

LIPPINCOTT: Were you in the Cornhusker marching band?

CLIFF MESNER: I was.

LIPPINCOTT: At the same time?

CLEMENTS: So was I.

CLIFF MESNER: What time?

CLEMENTS: '70 to '73.

CLIFF MESNER: Yeah.

CLEMENTS: Trumpets.

CLIFF MESNER: What?

CLEMENTS: What instrument?

CLIFF MESNER: Tuba.

CLEMENTS: Oh. Oh, great.

CLIFF MESNER: What were you?

LIPPINCOTT: Trumpet.

CLEMENTS: Yeah, I was in the trumpets. Did you have a question?

LIPPINCOTT: I do. [LAUGHTER]

ERDMAN: That was your question. He has a real question.

LIPPINCOTT: I do. First off, I thank you for everything you've done. I spent about 4 hours with Cliff one day in Central City, our hometown. And this problem is kind of like a perfect storm. And a lot of the things that you shared with us just a few moments ago support that. But it's something that can't just simply be answered in 3 minutes. You told me that you're behind in building right now. That if you were-- had adequate workers, you could build homes. You're behind about 2 to 3 years, is that correct?

CLIFF MESNER: Yeah. We could be building homes much, much faster than we are if we had somebody actually out there to build them. That's in part because of the rural workforce housing. I think Mr. Murray said that he was building three and his, and his banks were holding him back. My bank would be holding me back too but--

DOVER: Especially in this market.

CLIFF MESNER: But we're building 28 units right now for sale, and it's because we have the rural workforce housing money backing it. That doesn't mean that that's going to-- that we're going to make money off of that. But the rural workforce housing money does mean that I'm not going to have to sell my house to pay off for those other 28. And for that reason, I'm willing to go forward and the bank is willing to go forward. We may lose money, but I've got a limit on how much that money would be because the rural workforce housing money is backed. To date, they haven't lost a dime because everything we've sold has been, has been profitable.

LIPPINCOTT: So is your limiting factor, is it money or is it workers or material?

CLIFF MESNER: It's workers. It is workers. And one of the things that we need to be worrying about is having an ongoing program so that we can convince sophomores in high school that it's good to be an electrician and that there will be a job waiting for them. What

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they're hearing right now is that interest rates are going to go up until we have a recession, and 2008 is going to repeat and you shouldn't be doing the-- you shouldn't be going into that. And we desperately need young students to go into the trades to get it there. My builder used to say, all it takes is time and money. And now he says, all it takes is time and people. Give him the people and he can get it done. You've got to be saying the same thing. Everybody is saying it, we just can't find the people out there that we need, particularly in the trades.

LIPPINCOTT: What's, what's the time length for your vacancies in the homes that you've built?

CLIFF MESNER: The vacancies on our rentals is, is zero. The timeline for selling our units was a few days until last year. And with a 6.5 percent interest rate, I don't know. I mean, I've got to tell you, I don't sleep as well as I did when interest rates were 3.

CLEMENTS: Another quest-- Senator Erdman.

ERDMAN: Thank you, Senator Clements. Thanks for coming back up. You're exactly right on that, building houses for older people to move into when they can downsize. One of my communities built a 16-unit, two bedroom, one bath living-- not assisted living, but an apartment complex. And those people were willing and able to move from their bigger house into that location. They're charging them $785 a month rent. And those people, instead of moving to Scottsbluff or bigger communities where that was an option for them, have stayed there next to their grandkids, where their kids are in school. And that's worked quite well.

CLIFF MESNER: Stayed in their own home. They're independent and they're not paying assisted living prices.

ERDMAN: Yeah, they don't-- that's really working. And they have a, they have a long waiting list.

CLIFF MESNER: And when you look at the demographics in the, in the state, we've just started to tap that market.

ERDMAN: Yeah.

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CLIFF MESNER: And those units that you-- were built there, if you're building-- we're building 1,500 square foot, zero entry, two car garage, two bed, two bath. To date, we-- the most we've sold with any of the rural workforce housing units for $205,000. Now that number is going to jump up to about $239,000. But those are doable. And that works for people. And you're not, you're not messing up with the whole market. Those are market rate homes that fit a need. And the key to it is to build to the market that's out there that needs it, as opposed to, you know, we're not trying to build a $325,000 home for a first-year teacher. We're trying to allow people to downsize and to put that-- those young families in the, in the existing homes there that can be rehabbed and, and are cost-effective. And being able to do all that in a cost-effective manner is, is very important. You can't, you can't just keep throwing lots and lots of money and subsidizing every house that comes along. You've got to do it strategically and move things in the right direction. And you guys have picked up on that, obviously.

CLEMENTS: Other questions? One more.

DOVER: OK. Are you the last speaker?

CLIFF MESNER: I--

DOVER: I [INAUDIBLE].

CLIFF MESNER: Far as I know.

DOVER: OK. What are you seeing for material costs coming down from its high?

CLIFF MESNER: Our material costs have come down significantly. What, what we're having problems is we're having offsets with the cost of the trades. Plumbers and electricians haven't come down. And I don't know whether that's because their materials haven't come down or because they just have too much work and they can--

DOVER: Right.

CLIFF MESNER: --charge the price and get away with it. But our housing, our the lumber prices in particular have come, have come down. We're in good shape on that.

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DOVER: Right. Right. And that's why I thank you and Kathy for all your service in the state of Nebraska. Thank you.

CLEMENTS: All right. Thank you for your testimony

CLIFF MESNER: Thank you.

CLEMENTS: Other proponents? Seeing none, is there anyone in opposition on LB504 or LB741? Seeing none, anyone here in the neutral capacity? And seeing none, I have some-- oh, yes.

DOVER: We were hoping you weren't coming back.

VARGAS: It's still the closing.

CLEMENTS: Yeah. Well, after he closes, then I'll do that.

TAMARA HUNT: These ones are exhibits.

CLEMENTS: Pardon?

TAMARA HUNT: The ADA ones are exhibits.

***KATHY HOELL:** I have no objection to this bill. I feel that it is imperative that any housing developed as a result of these funds be at minimum meet the standards of visitable. This means that at least one entrance would be accessible by people with disabilities, doors and hallways would be 36 inches wide. People with disabilities are being forced from the rural parts of the state because they might find a job housing is not available to them. Per the Olmstead Plan that is being developed in Nebraska people with disabilities should be able to live, work and play in the community of their choice.

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CLEMENTS: So I have to enter a couple of exhibits. We have ADA written testimony. On LB504, we have one neutral with a person named Kathy Hoell. And on LB741, we have one neutral testimony from Kathy Hoell. So, well, you're welcome to close.

VARGAS: I'll keep it short. And I appreciate the, the instrument sort of anecdote that you provided there. Well, I think you heard from a lot of testifiers and that there is a need that we need to fill, and we're not the only ones filling that need. We're trying to leverage what the private market is doing. We're trying to leverage what local municipalities are working on. The way I see this is we deliberate bills that are a lot of new programs. Great. This is not a new program, these are existing programs. We also debate whether or not programs are efficient. Great. This-- these programs, specifically the rural workforce housing and Affordable Housing Trust Fund are efficient programs. Have they been getting better? Yes. We heard that from the DED director yesterday. They've been getting better and that's why they're overextended. And we've heard that there is sort of this market need for filling-- for doing more of our part. This amount isn't going to meet all the need for all the units. This is going to-- the way I see it, this is very surgical. The programs that exist are evaluating programs on a, on a, on a sort of a need basis. What I'll do as a follow up, I will get you, and you might have seen a list of all the programs that have been funded in the last several years from the rural workforce housing or from the affo-- the Affordable Housing Trust Fund. And what you'll see is they're looking at a mix of mixed-income use programs, rehab, new units, you know, from rental to, to actual, you know, single-family households. It's surgical, it's differentiated. And these programs work, let's fund it. You know, we'll talk more about this even in the next bill. But it's going to be shorter and a lot less testifiers because many of them testified on this for all three or both. So I just appreciate you and look forward to working on this together.

CLEMENTS: Any questions from the committee? Seeing none, we have position comments. LB504 has 14 proponents, 0 opponents, no one in the neutral. LB741, 12 proponents, 0 opponents, 1 neutral. And that concludes LB504 and LB741. We'll now open the hearing for LB801, Senator Vargas.

VARGAS: Thank you, Chairman Clements and members of the Appropriations Committee. Thank you for your patience. My name is Tony Vargas,

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T-o-n-y V-a-r-g-a-s. I have the pleasure of representing District 7, the communities of downtown and south Omaha in the Nebraska Legislature. I'm here to open on LB801. LB801 would appropriate funds for the Middle Income Workforce Housing Fund and the Nebraska Affordable Housing Trust Fund. These are two programs that states offer to municipalities, nonprofits and other government subdivisions to assist with the development of affordable housing in the state. These funds come in the form of low-interest loans and grants. The state must step in and do its part and contribute towards the development of affordable and workforce housing, specifically because the free market for housing in Nebraska has priced out a lot of critical workforces. The cost of construction, as you heard, has soared in a lot of ways, building more expensive homes and rental units. What we can do is make sure we are helping developers meet their bottom line. This drives up the price of the surrounding housing unit that already exists and creates a costly cycle for our, for workforces that they can't seem to get their way out of. And our state's economic future depends on intervention from the Legislature to solve these issues. Since its inception in 1996, the Affordable Housing Trust Fund has awarded $182.7 million to municipalities and nonprofits. These grants created nearly 700-- 7,156 housing units. They contribute over 9,000-- 9,400 jobs and have added over $1.1 billion in community investment throughout our state. It's been proven-- these programs have proven invaluable tools, and some newer than others. The Affordable Housing Trust Fund, you've heard why it's so important. The Middle Income Workforce Housing Fund is a newer fund, it was established in 2020. It was matched in terms of its program likeness off of the Rural Workforce Housing Fund. It supplies matching grants to nonprofit development organizations that administer local workforce housing revolving loan funds. These funds are awarded for investments in Nebraska's older, urban and higher minority neighborhoods in Douglas, Lancaster and Sarpy County. This is important because we found ourselves in a little bit of a gap. Rural workforce housing is working on rural Nebraska. The Affordable Housing Trust Fund is working on projects all over the state. And the middle income workforce housing is meant to focus on this gap of increased workforce and middle income housing that exists in urban cities and urban counties in Nebraska. I know that you've heard from constituents, you've heard from some testifiers already on this issue as well. Housing experts, experts will come and testify on this. Not many, because we want to save us a little time. But this is a need, and I want to make sure that we are following through on our call to action. And the last thing I'll say about this, so that we have an even shorter closing, is there's a reasons why I have focused on housing in the last six years. It's because I think there are people that are focused on all the other entities of economic impacts. Homeownership was a big, big component of my life, and it was what got me and my family out of poverty. And, and what we see in these programs is it doesn't matter if it's rehab or if it's new homebuilding or if it's creating more opportunities for homeownership. This is what I feel and I've seen as the American dream and what Main Street America is really looking for, which is being able to afford that first home. And in a professional capacity, I've worked in this space as well a lot on rehabbing because it's cost-efficient in a lot of ways. So I hope we can do something in this arena as well and support the good programs that are working. Thank you.

CLEMENTS: Any questions? Senator Erdman.

ERDMAN: Thank you, Senator Clements. Senator Vargas, I have a question, I guess. You know, this week we've heard several bills and requests for funding. Adding these together is probably $700 million since we started this week. Will there ever be a time when we have solved the problem? Because I've been here, this is my fourth year, fifth year on Appropriations. We've done this over and over and over, and we never seem to ever come to the place that we have solved the problem or made a significant difference. We always hear how short we are and how we're not making the-- building the houses we need. So you think there will ever be a time when we say we finally made a difference and we've solved the problem?

VARGAS: One, I think it depends-- I mean, it's a great question. I think it depends on what the problem is. I mean, a good example is we had some bills last year for, you know, federal funds for some of the meat packing plant, processing plants, some of these newer ones. We find that as we continue to grow as a state, some of the newer problems we have are meeting our demands for growth. You know, I have family, obviously in Omaha. I represent south Omaha, but I also have family in Columbus. A lot of the developers that spoke, I've seen the growth from the jobs and we haven't seen the growth from the rehab. So the best answer I can give you is, as we're growing as a state and as we're getting more competitive and retaining more of these great companies and attracting more. And we've seen that from partly, I think, what of our tax landscape has, has increased and made us more competitive, it also means that we need to meet the new demands of keeping people here and making sure we have these housing units needed. So there will be new problems that arise. My hope is instead of creating new programs, we invest in the things that we know are working and they're within the, the DED sort of umbrella so.

ERDMAN: But in light of what we've had requests for Appropriations this week, it puts us in a significant bind to do other things. If we give all the money that had been, been requested in these appropriations.

VARGAS: Well, I agree. You know, and that's part of our, part of our job is to figure out our priorities. Do we start new programs? Do we-- how do we fund one-time capital construction requests? You know, the only thing I can say is I appreciate the testifiers coming because they represent tons of different voices across Nebraska. And we have really important decisions to make as a committee over the next couple of weeks.

ERDMAN: Right.

CLEMENTS: Other questions? Seeing none, are there proponents for LB801? Welcome, again.

WAYNE MORTENSEN: Hello again, everybody. I promise, no repeated comments. I've been here all day. I know you have to. My name is Wayne Mortensen, W-a-y-n-e M-o-r-t-e-n-s-e-n, and I believe I'm still at NeighborWorks Lincoln. We felt compelled to testify in favor of this bill for the explicit reason that we participate actively in both of these programs, and they are both critical to serving Nebraska's families. I'm going to just highlight one feature that I didn't talk to earlier about our homebuyer assistance program. I want to be clear that these families are putting in the time to learn how to be first-time homeowners. Our, our clients go through a four-course sequence and spend 10 hours in class and taking examination and doing counseling so that they're ready for their mortgage. And that's one of the reasons why we boast a 0.6 percent default rate with our first-time homebuyers. Which is significantly below industry standards when it comes to mortgages. And that's why we've been able to work with U.S. Bank and West Gate Bank as private lenders locally to maintain special loan products for our clients that are serviced locally. They are not sold to servicers, national servicers, they're not sold to Fannie Mae or, or anything like that. And that's part of the reason why it's been such a helpful thing and such a successful program. Senator Erdman's not here, but I had my counselors check, and the last five clients we worked with had an average monthly income of $3,300, which equates to a monthly housing payment of between $1,100 and $1,200 a month. So those are the clients that come across-- come through our door, and that we try to get into first-time homeownership opportunities. The trust fund, obviously does way more, and the Middle Income Workforce Housing Fund do way more than just homebuyer assistance. They are significant in terms of the subsidy of new construction. But I think what hasn't been stated yet about the trust fund and what makes it special is that it is our money, ours being Nebraska's money, not passthrough federal money. Prioritized on our goals, our state goals, not rules or compliance set by agencies outside of the state. And it's distributed to our organizations. The grantees of the trust fund are Nebraska nonprofits that are committed long-term to the array of needs in the diverse communities in which they live, work, play, worship, et cetera. So that's what I think is really important, and that's why we advocate fiercely for expanded resources for these life-changing opportunities. And I just want to tie a few loose ends together. I think it's helpful to know that in addition to all that you've heard today, in cities like Lincoln and Omaha, we have a huge problem with out-of-state speculation on our rental properties. That's why the rehab market is not working. And I agree that's where we should be trying to find a lot more advantage. But we're competing with investors from Wisconsin and Iowa and South Dakota and Tennessee that are equity investors because the bond market got so screwed up that they're buying rental properties and even single-family house rentals in-- by the thousands across the country. And so that stock that would have typically been acquisition rehab candidates for us becomes either off the market entirely or it becomes a much finer needle to thread. Because when those companies that have no allegiance to the local market are done bleeding and sucking those properties dry, there's not much left. The basement walls are deteriorating. There's structural damage, the mechanical systems. They have got all of the income out of those properties that they possibly can. And so we're looking at maybe buying a, a $100,000 property and having to put $150,000 or $200,000 into it to bring it back. The other end of the market, if, if we get it before one of those investors gets it, we're buying $160,000, $170,000 property and putting $100,000 into

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it. So you can see how things get wonky pretty quickly in our markets. And then I'll just observe based on the Mesner testimony, which I thought was really good, that from 2019 to 2021, we had our typical home price go from $185,000 to $215,000. And specifically, you know, we had two-by-fours that we used to buy two-- for $2.50 a piece that were $8. We had four-by-eight sheets of sheathing that were $16, historically, that were selling for $67. And while those have come back to earth a little bit, our mechanical equipment and our HVAC stuff hasn't returned back to pre-pandemic levels. And so we're still dealing with this, this new normal. When I first got to NeighborWorks in 2020, I said, let's see if we can get our, our basic price to 160. And that was just shot right out of the water. But, you know, I can answer a couple other questions, but I see that my time is up and I don't want to test the patience of the committee.

CLEMENTS: Questions from the committee? I had one. We haven't heard much about the middle income--

WAYNE MORTENSEN: Yes.

CLEMENTS: --program. And is-- which is that more like the rural or the affordable?

WAYNE MORTENSEN: It's, it's more like the rural because it does operate as a revolving loan fund.

CLEMENTS: OK.

WAYNE MORTENSEN: And so we are one of the ten inaugural grantees that manage a $2 million fund, and they're one of three Lincoln organizations that have that $2 million fund. And so that becomes really helpful to deploy into workforce projects in the city. As was mentioned earlier, at no-interest loans or, you know, really patient money--

CLEMENTS: And that--

WAYNE MORTENSEN: --for workforce development.

CLEMENTS: --that funds the developer--

WAYNE MORTENSEN: Yes.

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CLEMENTS: --who builds--

WAYNE MORTENSEN: Yeah.

CLEMENTS: --the house. And then as he sells it, revolves it back to the fund.

WAYNE MORTENSEN: Absolutely right. Yeah, it gets-- ideally, it's paid back. And I say ideally, you know, I think nobody has seen a loss yet. But I will say that additional funding would allow us to leverage bigger projects. We would be able to get into some bigger multi-unit projects, whereas $6 million isn't going to go very far.

CLEMENTS: Very good. Questions?

WAYNE MORTENSEN: Yes.

CLEMENTS: Senator Dover.

DOVER: And I'm guessing, though, if you get more money and use that on bigger projects, then you really, I guess, you are counting more units because they're rentals, is that it? Or you-- or with your projects, as far as single-family residential or what are you talking about? [INAUDIBLE]

WAYNE MORTENSEN: The Middle Income Workforce Housing Fund, like the rural fund, has to be used on homeownership projects. So these are all fee simple transfers after they're developed. So it's, that's the revolving part is that as soon as the working capital is exhausted, it's paid back through the sale.

CLEMENTS: Any other questions? Seeing none, thank you for your testimony.

WAYNE MORTENSEN: Thank you all.

CLEMENTS: Are there other proponents for LB801?

ALEC GORYNSKI: Good afternoon. Alec Gorynski, A-l-e-c G-o-r-y-n-s-k-i, I serve as the president of the Lincoln Community Foundation. I'm here on behalf of Lincoln Community Foundation, as well as on behalf of the Lincoln Chamber of Commerce, speaking in support of LB801. I too will try to be truncated in my comments. Affordable housing is the number one priority for the Lincoln Community Foundation. A number of socioeconomic challenges facing low- and moderate-income families, primary among them is the ability to afford a home, a decent quality place to live, a safe place to live. And the market isn't producing enough units available for those individuals. Similarly, the Chamber of Commerce has identified affordable housing as a top priority, not only in their 2023 policy agenda, but also in their new vitality link in their new economic development strategy. Collectively, the LCF-- excuse me, the Lincoln Community Foundation, the Lincoln Chamber of Commerce and many other stakeholders support these bills to add funding to the various tools necessary to fund affordable housing development. I emphasize collectively because our institutions, along with many others, have been proactive, proactive and intentional about establishing a consensus policy-- consensus policy agenda for our community. And affordable housing is primary among them because of those challenges and its impact on our local economy. Public funding is essential in increasing the scale of affordable housing development to meet what we already know as a community to be the need for affordable housing. Numbers like 10,000 affordable housing units have been cited here in this committee already as a need for Lincoln. And because of the increase in costs and the deflated incomes of individuals who are low or moderate income, they'll never be able to afford a quality place to live, be it renter-occupied, be it owner-occupied, whatever the case may be. This reality is particularly concentrated in and around qualified census tracts in Nebraska's urban communities, or QCTs. These QCTs or homes-- excuse me, these QCTs are home to the highest number of families in poverty. Where most of the areas' children in poverty live, the highest percentage of families that are housing cost-burdened and the lowest homeownership rate. So qualified census tracts is where we have a huge concentration of poverty and many of the problems that we've been talking about on a very concentrated scale. Clearly, there is a need for affordable housing in these neighborhoods. However, it is in these neighborhoods in Lincoln, where affordable housing partners have expressed the lack of available land as a primary barrier for new affordable housing development. The low supply resulting in high cost of land, plus the need to prepare land through pre-construction activities such as demolition, adds significant costs to potentially affordable housing projects, decreasing already depressed cash flows to the developer without increasing rents, thereby not making it affordable for low- or moderate-income fam-- families. Public funding is essential. The

Qualified Census Tract Affordable Housing development [SIC] Program that was established and funded with ARPA last year, and a large influence to some of the nuances of this bill, was a significant benefit to the affordable housing system in Lincoln, where 14 affordable housing projects were able to move forward because of this investment. And there were three times as many applications for those very resources, so a very significant demand. A colleague of mine from Speedway Properties was here earlier today. He had to take off to testify on this particular bill. And the thing that motivated me about Speedway's use of these particular resources is they were already building a market rate property. And they added affordable units to a market rate project because of these resources. They would not have been able to create-- they were able to build units available for folks that could afford them at $120,000 or $140,000, whatever the number may be. Low- or moderate-income individuals would not have been able to participate in those projects and live in those units but for the resources allocated by this body previously and into those effective and well-oiled programs. So we're appreciative of your prior investment in affordable housing and support your-- or encourage your continued support of, of this bill.

CLEMENTS: Thank you. Are there questions from the committee? Seeing none, thank you for your testimony.

ALEC GORYNSKI: Thank you.

CLEMENTS: Next proponent for LB801.

DAN MARVIN: My name is Dan Marvin, D-a-n M-a-r-v-i-n. I brought my, I brought my Missing Middle book down with me because we're speaking in support of this project. I just thought I'd illustrate one of the programs, we've been working with the Nebraska Housing Resource on a project that they would be building up in-- up near Wesleyan. And the way that program would work, the revolving loan fund is, is fantastic, so that gives them the capital. And I think you've heard from a lot of testifiers here, providing capital to create risk capital so that they can get the project off the ground. And then the way we would assist is we're anticipating that we can assist with tax increment financing on the increment that's created on that part of the project. And that piece of it could be used for down payment assistance for qualified buyers to be able to step into the, into the building. And we've got another project that would be about 29 townhomes. I think a lot of the discussion that you've heard here today is how do we, how do we reduce the cost? And land is a really big piece of this. Everybody likes, you know, a 9,000 square foot lot. But those costs are going to make it hard to be in on that entry level side. So can you shrink a lot to a 25 foot wide, a 30 foot wide townhome design, and then string a number of them together so that you can create the ability for the buyer to get equity, get it at a price point that they can, that they are not cost-burdened to get into. And I see that's what this program is designed for, that's what LB866 was designed for. And I think that this can be done in scale and it can help create on an entry level market some new housing that is available. I know another speaker spoke earlier about creating mobility in the market, and I think that's what our action plan talks a lot about. There are, there are a lot of those three-bedroom homes, so maybe the townhome design can string together something that creates mobility in the marketplace. So that the empty-nesters have a place that is appropriate in a location of town that would entice them to free up that three-bedroom, two-bath house and create mobility in the marketplace. And I think both of these both of those goals can be accomplished through these dollars. And I'll stop there and answer any questions.

CLEMENTS: Questions from the committee?

DOVER: I have one. The revolving funds, do you think that is really driving the-- so a community says, we need all these houses. Is, is, is that help allowing them to go out and really do something they would never normally do in a regular market? Or is it simply allowing them to go and do-- not have the risk? You know, you know what I'm saying? I [INAUDIBLE] myself also--

DAN MARVIN: What I like about this one is that I think, I think they're-- probably the price caps on the sale of the homes needs to be revised or thought about from different times, because we know construction costs change, the marketplace changes. But I do think that a program that does a target, a particular price point does put pressure on those developers to design a product that fits to serve the need that we're trying to attack. So I like that aspect of it and I like the revolving. Because when we did our action plan, well, one of the things that we've got to-- there's another bill here within the Legislature to try to stand up our CDFI that's locally within Lincoln. But I think what the action plan talks about is that there isn't enough capital to address this particular segment of the marketplace.

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And a revolving loan fund isn't a giveaway, it's something that can recirculate so that after we build out eight or ten townhomes and those have been purchased, the dollars go back in and then we can repeat that over and over and over. Which I think is a more efficient use of taxpayer dollars than, you know, just a simple grant program.

DOVER: I suppose I didn't explain myself well enough. So like, let's say I'm a developer and I build apartment houses, I want to build an apartment house. And we use a revolving fund because that's going to take care of-- you know, because it's a risky business, right? And economies change. By the time you're into construction, sometimes you just can't stop and take it away. Do you think the revolving fund is really hitting that market or do you think there's communities, Lincoln, North Platte, wherever-- sorry, not in this case. By-- it's rural, rural workforce would be going that way, but like yours, when it's only like Lincoln, Omaha. Do you think Lincoln and Omaha say we want four-- we want four apartments, we want a bunch of apartments or we want to, we want 30, 60 duplexes in this development. Do you think that revolving fund is being used more for that to, to, to reach-- go farther than a normal developer would go because the, the city is saying we need this?

DAN MARVIN: I, I, I think it is, at least from my experience of working with the Nebraska Housing Resource on the project that they brought to us. This targets a particular outcome that the marketplace needs and it gives them the risk capital to be able to do that. And the marketplace in Lincoln, you know, it's a broad range, but I don't think that the profitability at that lower end is really incentivizing enough people. And that's where the revolving loan fund helps offset that and incentivize somebody in a, in a way to take the chance to go and build at that lower end of the marketplace.

DOVER: Thank you.

CLEMENTS: Other questions from the committee? Do you know what the maximum house price is for the middle income?

DOVER: I think it was 330. Someone might correct me on that one, but I think it started at 285.

CLEMENTS: I think someone behind you has it answered.

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____________________: It was 275 in the statute.

DAN MARVIN: It was 275, but I thought it got raised to 330.

____________________: Now--

CLINT VERNER: Moved up to 325.

____________________: There's an amendment [INAUDIBLE]

CLEMENTS: Our fiscal agent says it's 325.

DAN MARVIN: OK.

CLINT VERNER: It was moved up in the last [INAUDIBLE].

CLEMENTS: And is there a local match like they talked about a local match with the rural program?

DAN MARVIN: There is a, there is a local match requirement on the application towards, towards creating the revolving funds that circulate.

CLEMENTS: Is it 1 to 2 or 1 to 1?

DAN MARVIN: I think it's-- I think there's a goal to lower that, but I believe right now it's 1-- 1 to 1.

CLINT VERNER: That was also revised and last year, it became 1 to 2.

CLEMENTS: OK. It's now 1 to 2.

DAN MARVIN: OK.

CLEMENTS: All right, thank you. Seeing no other questions, next testifier. Welcome again, Mr. Hoppe.

WARD F. HOPPE: Thank you. Ward F. Hoppe, W-a-r-d, F. Hoppe, H-o-p-p-e, still live in District 2. A couple of things quickly. The Middle Income Act is owner-occupied housing only, and the, the target amounts, I guess it's raised to 325. In the statute, it's a $275,000 house or less. And it allows for renovations, Senator Dover. But the renovations have to be on a house that at the end is, yeah, is a

$125,000 house and the renovation has to be at least half that. And it can also go up to the, the max limit that's provided in the bill.

DOVER: Thank you.

WARD F. HOPPE: OK. It's limited in use. You don't see the renovation used very much because you have to do a renovation of at least $50,000-- or at least half the assessed value. So that's generally a pretty substantial renovation. In Lancaster County or in Lincoln, that's problematical because of the locations and the way the zoning rules and rules to get building permits are, because you have to, for instance, you have to bring up, if you're going to do a 50 percent remodel and you're in any of the places where you can buy that price of house, they got floodplain issues and you got to bring the, the house up to two feet over the floodplain now. And it's a long story. But that's not used very much. We do rural as well, which I indicated before. But the real advantage of using these funds is to get-- to use them to fill a gap between what you can borrow on them safely and what they cost to build. And in our cases, all of those funds are, are no recourse. So that allows us, those non-recourse funds allows us to extend our borrowing ability. So essentially we can build at scale. I indicated earlier that building at scale is really important to get a dent in the need. And so that's one way that really helps us. The other thing that's important about these acts, I'm also a board member of Nebraska Housing Resource, which is one of the three middle-income grant grantees in Lincoln. Nebraska Housing Resource was created to get homebuilders into the affordable housing space. Builders-- it's, it's easy to find a builder to build a spec home for $700,000 bucks. It's damn hard to find builders to go into the market where they're building a house less than $300,000. It's tight, it's scary. And, you know, even though in most places where you do it, you can sell it pretty fast. But right now, when interest rates are right off of 7 percent, you know, you've got a very limited market as to who you can sell a house to. And every thousand bucks takes 200 people out of the marketplace in Lancaster County. So, you know, trying to get the price down in housing is the goal. Last word is, put as much money as you can in those funds. Split it up, we'll use it. And the result will be better-housed Nebraskans. And housing the target people we want, which is workforce and below. Thank you.

DOVER: Thank you.

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WARD F. HOPPE: And I'd answer any questions.

CLEMENTS: Seeing none, thank you for your testimony.

WARD F. HOPPE: Thank you.

CLEMENTS: Next proponent.

CAROL BODEEN: I know. Here we are again. Good afternoon, Chairperson Clements, members of the committee. Thank you so much for your patience and listening to all of this. You can tell the passion that we all have about building houses and, and getting people in safe, good places to live and call home. My name is Carol Bodeen, C-a-r-o-l B-o-d-e-e-n, I'm the director of policy and outreach for Nebraska Housing Developers Association. I'm here today to testify in support of LB801. I really am going to be faster this time. I'm switching to page 2 right now. I'm all about the mobility of, of opening up more of these three-bedroom homes and, and homes that have a little more space. When I moved to Lincoln, moved back to Lincoln two years ago, I had to nab a townhouse. Just something that worked for us because there just wasn't anything available. And I thought I had a pretty good budget and was able to get a mortgage and all of that. But I couldn't, I couldn't find anything. And I'm still looking. I still look every day to try to find that house that is going to fit the needs of my family. So, you know, we're all different. We all have different needs and all of that. But it's, it's, it's tough out there. So bottom line, we need to continue investing in housing. You've heard it over and over and over again. We're simply still behind the need and the demand that was created from the recession of 2009. As everyone has says. We assumed the market would take care of it over time. It did not. We have three established housing programs in Nebraska that have been successful in developing the kinds of housing that we need. It's, it's a pretty rare bipartisan, urban-rural effort, for-profit, nonprofit, cities, everybody, everybody is here at the table. And, and we're all telling you the same story and, and we're all being sincere. And so that's what I'm going to close with. And I thank you very, very much for listening to us. And I hope that we are able to put some additional funds in these programs at this time and keep building us forward, keep-- get us on that path moving forward, building these houses. It's all of these projects take time. Real estate is a long-term investment. So we've, we've been making a great dent. We have a little bit farther to go. And so we thank you for

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considering our request to put some more money into these funds at this time. Thank you.

CLEMENTS: All right. Questions? Senator Erdman.

ERDMAN: Thank you, Senator Clements.

CAROL BODEEN: Yes.

ERDMAN: So before these program started until now, do you think we've made more progress? Do you think we've-- we have less issues? We have a need for less houses than we had when these programs started?

CAROL BODEEN: Boy, no, because I think it's been an exponential-- I think we've, we've stayed behind the curve. I think things have-- I think that our economy, I think that our world has been changing faster than we have been able--

ERDMAN: So how do we, how do we fix this problem that--

CAROL BODEEN: Oh, I wish I had that answer, Senator. I really did. I think it's, I think it's a multi-pronged approach. I think it's all of the things that we are doing. I think that in time that we will. But I think it's going to take a little bit more time. And I think we're going to need to see more of the longer-term results from some of these more recent programs. We've, as you know, we've been putting a lot of money into these funds.

ERDMAN: Right.

CAROL BODEEN: And I, and I know you're considering that and I understand that. But I just feel like we, we got so far behind the curve that I think we just need a little bit more just to kind of to keep us going.

ERDMAN: But from what I can see, we'll never, we'll never make that. I been here, this is my fifth year here, and I can't say that we've made significant progress with the hundreds of millions of dollars we've--

CAROL BODEEN: I know.

ERDMAN: --spent.

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CAROL BODEEN: But that's been during the--

ERDMAN: It doesn't make sense.

CAROL BODEEN: --during the toughest time of all this--

ERDMAN: Yeah.

CAROL BODEEN: --when we've had these problems, but--

ERDMAN: We're trying to solve a problem that I don't think the government should be solving.

CAROL BODEEN: Well, I understand.

CLEMENTS: Other questions? Senator Dover.

CAROL BODEEN: Thank you, Senator.

DOVER: Yeah, I'm really surprised that no one really addressed the reason we have a problem. Because the reason we have a problem, and it isn't just 5 years or 10 years or 15 years. The reason we have a problem is because of what wages have done in Nebraska as opposed to what it cost to build a house in Nebraska. If you look at a, simply look at a graph that shows the amount that housing costs have gone up and then look at the costs what, what wages have done in Nebraska, it has been a gap that keeps increasing and increasing and increasing. And so maybe you could, you could address that.

CAROL BODEEN: Well, and that is a good point. And because I question that so often myself. Because when I lived in Lincoln back in the-- I have to think-- in the '90s, and my husband and I built a house, and it was our first house. And when I moved back to Lincoln, I could probably just barely afford that house that we built back in 1993. Now, I don't think I've been-- I've not been a, a slub. I've been working hard all my life and, and had good jobs and all of that. But my wages over those years have barely kept up with what the cost of, of what the houses have. I don't know. I don't know the answer. I wish I did.

DOVER: Thank you.

CLEMENTS: Are there other questions? I have one.

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CAROL BODEEN: Um-hum.

CLEMENTS: Have you ad-- advocated for the increase in the doc tax?

CAROL BODEEN: Not yet.

CLEMENTS: OK. Well, that would be a--

DOVER: Wink, wink.

CLEMENTS: --fund that would be something to consider.

CAROL BODEEN: I've, I've taken note, Senator.

CLEMENTS: All right. Seeing no other questions, thank you for your testimony.

CAROL BODEEN: Thank you so much

CLEMENTS: Additional proponents.

SARA TICHOTA: Hello. I guess, good evening. Sara Tichota, S-a-r-a T-i-c-h-o-t-a, and I'm with Nebraska Investment Finance Authority. I will try to be brief. We've talked a lot about the 2022 strategic framework and the, and the work that was put into that with NIFA, DED and other organizations and partnerships. And what we've found is that we need more housing, all different types of housing. There's not a one-size-fits-all solution. And what's needed in North Platte is not the same that what's needed in Broken Bow or needed in Omaha or Lincoln. Even specific neighborhoods in Omaha or Lincoln and in different areas. So one of the things that's really important is flexibility in funding sources. And both of these particular funds provide that. The, the Middle Income Workforce Housing Investment Fund, you know, a revolving loan fund which allows that to keep moving and, and investment that keeps continuing, and that's specifically homeownership-driven. Then the Affordable Housing Trust Fund gives you a lot of flexibility there with different types of programs: rental, multifamily rental housing, owner-occupied rehab, purchased rehab resale. The list, the list goes on. There's a lot of flexibility with that program. So all of us at NIFA definitely support and would testify on, testify on behalf of any additional funds that can go into those two accounts.

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CLEMENTS: Are there questions?

SARA TICHOTA: Thank you.

CLEMENTS: Seeing none, thank you for your testimony.

SARA TICHOTA: Thank you.

CLEMENTS: Next proponent. Welcome.

EVA ROBERTS: Thank you. Good evening, Chairman Clements and members of the committee. Eva Roberts, E-v-a R-o-b-e-r-t-s, director of policy and strategy with Front Porch Investments, here in support of LB801. Again, we're a nonprofit grantmaker and lender which invests private and public funds toward affordable housing through grants and low-interest loans into both development and preservation. So I've been following that part of the conversation with interest. We believe you can't build your way out of this, so that preservation of naturally occurring affordable housing is also really important. I rise again, just briefly simply to reiterate that the state is not expected to close this housing gap on its own. With other funders in the affordable housing space, Front Porch blends philanthropic funding with funds from a variety of public funding sources in ways that encourage innovation, increase the supply of housing, and help bring down prices across the system. And Senator Erdman, to your question about what it would take to just solve this problem, I don't have that statewide data. But I can tell you that in Omaha alone, a 2021 report has suggested that $17.4 billion is needed to produce 80,000 to 100,000 new housing units over the next 20 years. The good news is that approximately 87 percent of this amount would be financed through traditional means and existing public sector programs, leaving 13 percent or $2.3 billion in new funds that would be needed. And again, that's in Omaha alone. So we can extrapolate it's a big number. And that's why I think housing, though, is really well-suited for one-time investments unlike a lot of other sort of intractable social problems that need money year, year after year, because a one-time investment in housing due to this revolving loan approach can continue to circulate in communities in perpetuity. Front Porch is proud to help finance projects that also receive funding from the programs that you're considering today. It's always requires a stack, and so the state is a part of it, banks are a part of it, and we're proud to be a small part of it as well. And we look forward to continuing to partner

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with the state to leverage public and private resources to address our affordable housing needs. Thank you.

CLEMENTS: Are there questions? Seeing none, thank you for your testimony.

EVA ROBERTS: Thank you.

CLEMENTS: Next proponent.

TRACIE McPHERSON: Good evening.

CLEMENTS: Good evening.

TRACIE McPHERSON: My name is Tracie McPherson, T-r-a-c-i-e M-c-P-h-e-r-s-o-n, I work for Habitat for Humanity of Omaha. I'm not going to read this because I'm going to abbreviate it, because a lot of my colleagues have already presented the problem to you. But two things I want to impress upon you. Habitat Omaha is working on our first big development, Bluestem Prairie. It's about 13 acres, this land was vacant for about 17 years. Evidently, a for-profit developer couldn't quite make the numbers work. We finally got our hands on it. We're building 85 new homes to include empty-nester villas, multigenerational homes, and single-family dwellings. This fund helps us to take on and have the confidence to take on a project like this. Without it, we're pretty scrappy. We probably would have found a way. But this helps us walk with more assurance that we can get this project done and get it done to perfection. We know that the benefits that homeownership has on a family, lifting a family out of poverty with generational wealth, equity to send kids to college, stability for children, for neighborhoods. But I also, the second thing I want to impress upon you is the investment in the community. And I just have some numbers. This is just Habitat Omaha's work in 2021. We spent about $21 million investing in operations, construction, renovating homes, rehabilitating homes, created almost 300 jobs, $13 million in, in wages. And that ripple effect was almost $40 million in our community. Meaning, when we pay wages, people go out and spend money, right? They have money to buy groceries. And the community feels that ripple effect. And that's, to me, any construction industry when it comes to building new homes. I want us to keep that in mind, that it is job creation. It does provide that ripple effect. It is good for our economy. And the last thing is local tax-- local state and taxes

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is also being generated by new homes that we are currently building. Phase one of Bluestem, we also working on a plan for phase two, which will have 120 new homes. To your point, Senator, you're right. It's hard-- we cannot build the problem. So we recently changed our program a little bit so that, yes, we will only build about 50 homes a year. That's Habitat Omaha's sweet spot. But we wanted more people to become homeowners. So what we do is we have three pathways. You can get a traditional Habitat house and a Habitat loan. You can get a Habitat loan and find a house on the open market. Or we've helped you to get in such great shape, you can get a loan from a bank and buy a house on the open market. Because that's part of the solution to helping more families to get to homeownership faster, faster than we can build. So just a few things I wanted to impress upon you and to thank you. Thank you for your service.

CLEMENTS: Senator Armendariz.

ARMENDARIZ: Thank you. Thanks for being here. And can you tell me where those-- that Bluestem development is located?

TRACIE McPHERSON: Yeah. So if you're familiar with Omaha at all, it's in the, well, northeast now because Omaha is such-- is still sprawling now.

ARMENDARIZ: I grew up in northeast Omaha.

TRACIE McPHERSON: Well, there you go. You know where Sorensen Parkway is?

ARMENDARIZ: I do.

TRACIE McPHERSON: OK. This is the former Myott Park apartments that had gotten to a state where the city took it over and tore the apartments down.

ARMENDARIZ: OK.

TRACIE McPHERSON: So I don't know if you're familiar with that Winter--

ARMENDARIZ: I grew up on 16th--

TRACIE McPHERSON: --Winter-- formerly known as Wintergreen.

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ARMENDARIZ: --16th and Ames.

TRACIE McPHERSON: OK.

ARMENDARIZ: Just down from Sorensen Parkway on 16th.

TRACIE McPHERSON: There you go. You take Sorensen Parkway all the way up to about 52nd.

ARMENDARIZ: Yeah.

TRACIE McPHERSON: You'll be there.

ARMENDARIZ: OK.

TRACIE McPHERSON: Yep. OK.

CLEMENTS: Other questions? You said we're using this fund. You didn't specify which one.

TRACIE McPHERSON: Oh, I'm sorry. Middle workforce housing. We got about 29 homes with then over two years where some of that money will go toward those homes.

CLEMENTS: The middle, middle fund. OK.

TRACIE McPHERSON: Um-hum.

CLEMENTS: Thank you.

TRACIE McPHERSON: Oh, and did I say I support it? I don't think I said that. My apologies. It's late. Thank you.

CLEMENTS: Thank you. Are there other proponents? Seeing none, is there any opposition testimony? Seeing none, anyone in the neutral capacity? Seeing none, you're welcome to close, Senator Vargas.

VARGAS: I thank my fellow members of the committee, I appreciate the people that testified. There are many partners, I can't list them all. The chambers of commerce, the Housing Development Association, the Economic Development Association, city of Omaha, city of Lincoln, many different nonprofit development corporations and nonprofits, including Habitat for Humanity, Front Porch Investments, NIFA. What I'll do is follow up. I'll make sure to send you the report. Some of you came to the briefing that Senator Briese and I led coming from this NIFA, DED housing framework, Strategic Housing Framework. I just want to make it clear, we are not the ones solving the problem because there are many different problems to be solved. Some of them exist within the workforce side of labor. Some of them exist in terms of cost. Some of them exist in terms of private philanthropy. Some of them exist in terms of diversifying what the housing options are, the cost of housing. But there's a component that has to do with what our responsibility on what we do. And one of our responsibilities is making, making sure we are supporting economic investments and more job opportunities and, and also helping that economic growth state, doing our part. And it's not our sole responsibility, but we've always been a partner, and not only this committee, but I would say the Legislature at large. So that, that framework clearly states we, we need to do a better job of being our partner in this. And there are periods and moments in time, I hope, to look towards the future, and specific for the Affordable Housing Trust Fund when we're looking at the doc stamp. I said I got what you were laying down, Senator Clements. And I'm not opposed to that. Some people might be opposed to that. But that, but that would be more sustainable funding in the long-term. For a lot of these loan funds of what you heard when we put more money into it, the revolving nature of it is really going to help us scale at capacity. That's why more than one time is, is a big deal. So thank you, and I appreciate your time tonight.

CLEMENTS: Any questions from the committee?

ARMENDARIZ: One.

CLEMENTS: Senator Armendariz.

ARMENDARIZ: Thank you. Kind of a philosophical question, I guess. You said, we're, you know, we can only play this one part of several problems that exist to solve the entire problem. But if we invest these hundreds of millions of dollars, the problem isn't fixed.

VARGAS: And the report is really helpful because I think you'll see that the partners that were part of creating the report, not only from our part, private philanthropy, private investors, developers and associations, is that there's movement in all those parts. There have been movement for, I would say, the last ten years, but there's more

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concerted efforts. And I think that's why doing our part in this is going to be a really important aspect of this framework.

ARMENDARIZ: I wish we had the answer on the shortage of the workforce, though. I mean, we've been trying to figure that out and I don't think any industry has figured it out.

VARGAS: It's true. And, and, and one thing I'll say to the free market aspect of this, there's a lot of competition even within in the workforce for-- but if there is more, I say we diversify some of the need, the workforce will-- we'll get more workforce in this area if we are putting some more funding into it. So it doesn't solve all the answers, but I know it's a philosophical question.

CLEMENTS: Any other questions? Seeing none, we have position comments for LB801. We have 12 proponents, 0 opponents, 1 neutral. That concludes LB801 and that concludes our hearings for today. Thank you, everybody, for your patience.