



Housing Affordability in the Omaha and Council Bluffs Area

An Assessment of Housing
Affordability, Needs, & Priorities

April 2021

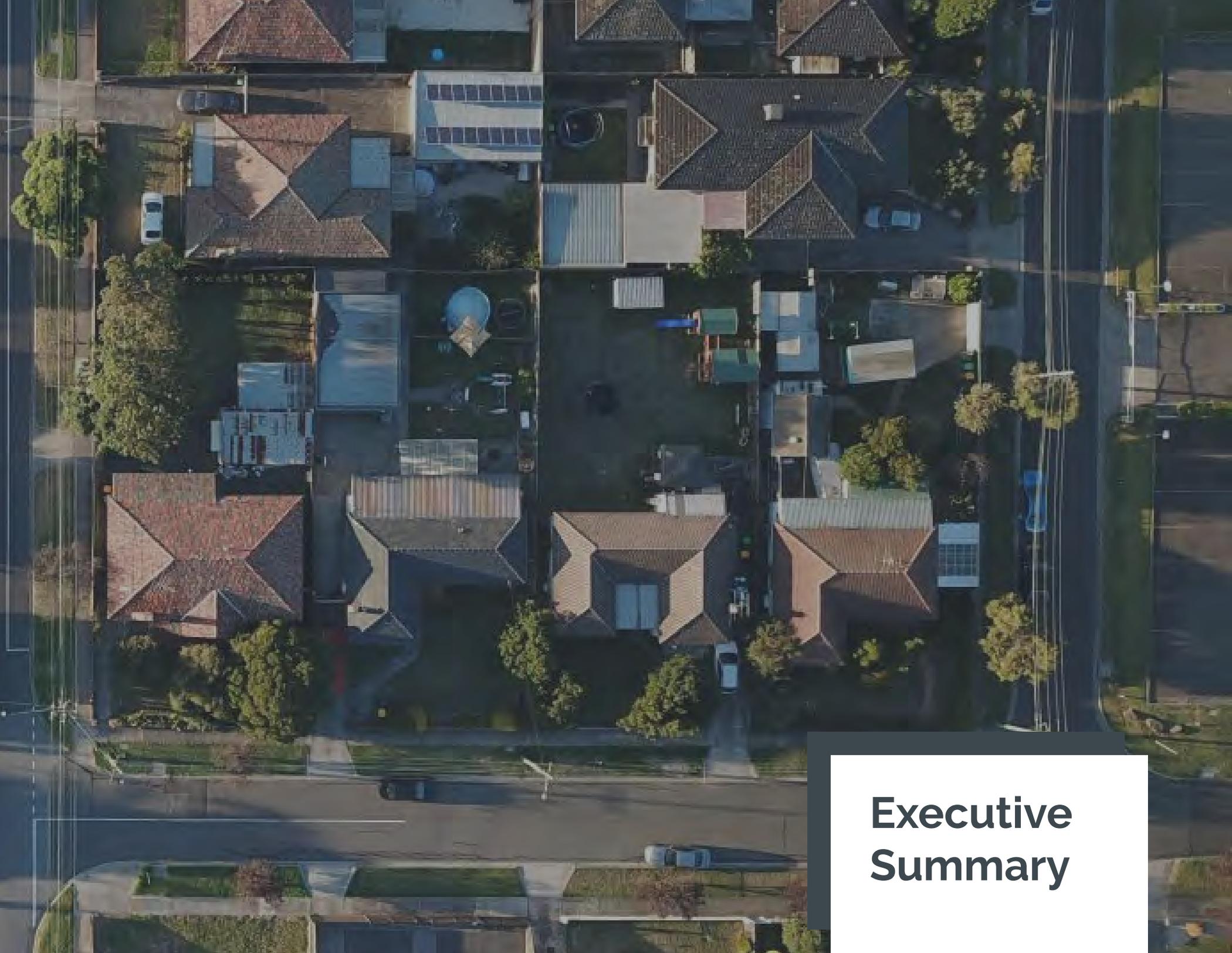




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**Executive
Summary**

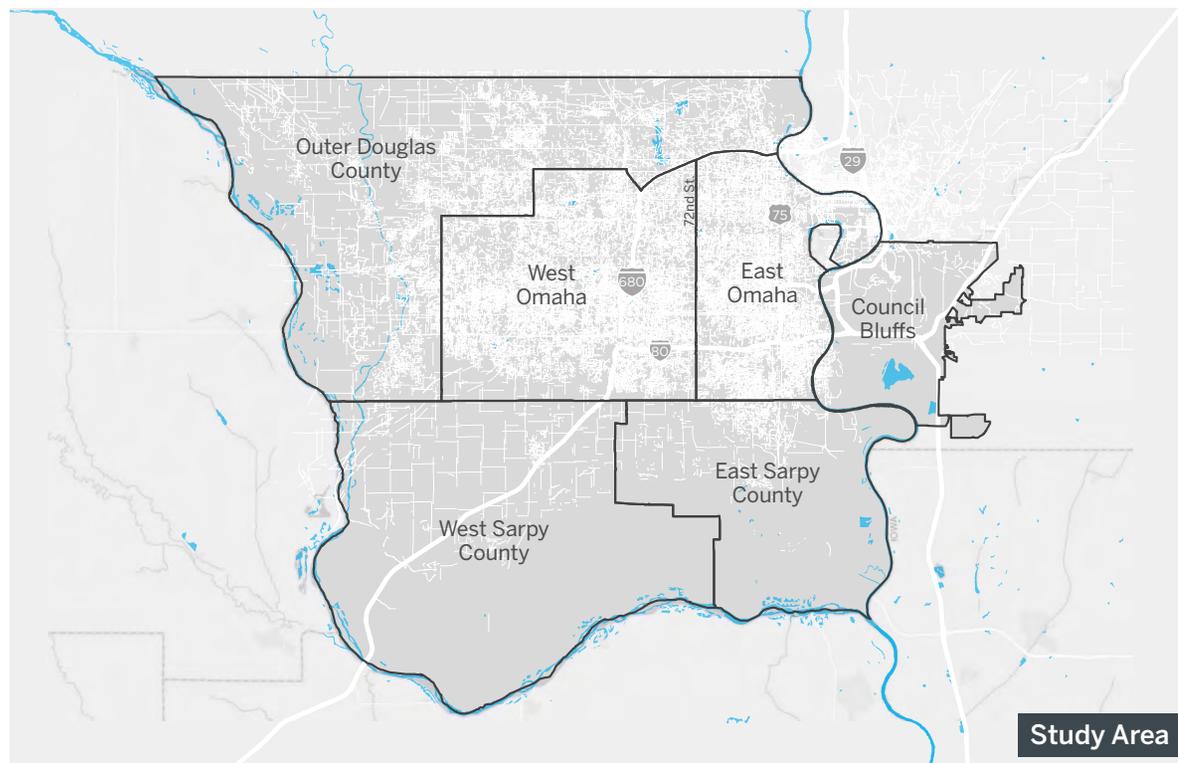
Purpose & Scope of the Study

This study provides an assessment of affordable housing in the Omaha and Council Bluffs area, and outlines a strategic approach to holistically address key challenges.

The Omaha and Council Bluffs area simply does not have enough quality affordable housing to meet the need. The consequences for the region are significant: families face housing insecurity, community members face physical and mental health issues caused by poor quality housing, children are not in a position to reach their full potential, and the economic growth and vitality is constrained. These issues exacerbate racial inequity caused by decades of housing and development policy, such as redlining.

The COVID-19 pandemic brought many of these housing challenges to the forefront, as the sudden loss of income pushed so many families to the brink of losing their homes. COVID-19 has also had disproportionate impacts on people of color, who have suffered both the health and economic impacts of the crisis at much greater rates than their white counterparts.

It is more clear now than ever how important safe, stable, quality housing is to community wellbeing, and to racial equity in the region. Without it, we are putting our neighbors, our essential workforce, and the overall vitality of our communities at risk.



Creating a Strategic Approach

Many leaders across the region have worked for years to improve access to safe and decent housing through development, policy change, community building, homeless interventions, and other efforts. These stakeholders also told us that past efforts and current resources are not enough. There is a shared understanding of the need

for something more: a broader understanding of the importance of stable housing, better collaboration, more leadership, more resources, more coordination—a more strategic approach.

Recognizing this, members of the philanthropic community came together to create this affordable housing assessment for the region. This study identifies and quantifies the housing needs

and challenges facing the Omaha and Council Bluffs area, assesses the strengths and needs of the local housing ecosystem, and identifies and prioritizes housing strategies tailored to the unique housing context of the region. The process involved engagement with local housing experts, detailed quantitative and spatial analysis, and research on best practices from other communities.

This study recommends five initiatives where philanthropy can play a leading role in addressing the region's housing challenges. They are based on best practices and innovative approaches where philanthropic leadership was key in achieving lasting results. They are also fit to the region's existing housing ecosystem. It will be critical for implementation partners to maintain flexibility as capacity grows, lessons are learned, and new ideas emerge.

Meaningful progress will require engagement and partnership from the public and private sectors, but philanthropic leadership will be key to successful implementation and long-term impact.

The Work Ahead

There is no question that the initiatives recommended in this report are ambitious: their successful implementation will require indefatigable leadership, and forms of collaboration and levels of investment that are new to the region. The completion of this study represents only the beginning. The hard work is ahead. Next steps will include careful design of new programs, the formalization of new cross-sector partnerships, continued consultation with local housing experts, and engagement with the communities whom local leaders are working to serve.

It is also important to understand that the region is by no means starting from scratch. There are many exemplary housing developments, organizations, and individuals that have been working on these challenges for years in the context of very limited resources. In fact, momentum for a new approach built during the study process, and steps toward implementing some of the policy tools and programs have already been taken to address urgent needs. It is critical to harness this momentum to create a more robust, holistic, and lasting approach.



Key Findings

Too many households in the Omaha and Council Bluffs area do not have access to safe, stable housing. The current affordable housing system is not enough to meet the need and create a more equitable and sustainable region. New strategies are needed that prioritize affordability, the production of a diverse range of housing types, and resident stability.

Many households in the region pay far more than what is affordable for their housing. Others are forced to compromise on quality, choosing options that do not provide the stability and access to opportunity they need to thrive. The community needs new tools and resources to address these challenges, and ensure that everybody is part of the region's continued success and growth. These findings are summarized below, and detailed in Chapter 2.

1 in 4 households pay more than one-third of their income toward housing

Housing costs make up the largest single household expense for many in the Omaha and Council Bluffs area, and rent or mortgage payments are unaffordable for too many families in the region. A household is considered housing cost-burdened if they pay more than 30 percent of their income toward housing costs. Housing cost-burdened families are forced to spend less



on other essential things like healthcare, food, and education, and cannot save for emergencies or their future.

A safe and decent two-bedroom unit in the region requires a bare minimum household wage of \$19 per hour for the occupant to not be cost-burdened. However, many essential jobs in the area pay far less. One in four households have incomes under that \$19 per hour “housing wage,” making housing affordability a widespread challenge. And with many of the region's occupations with projected growth earning below that minimum, employment growth may create an even larger challenge if the issue is not addressed.

Quality affordable housing is needed to support the region's economic growth, while higher wages and good-paying jobs are needed to support housing affordability.

The COVID-19 pandemic made persistent housing challenges worse

Many lower-income families faced housing cost burdens that make it difficult save for emergencies long before the current crisis. Recent job losses and reduced hours during the COVID-19 pandemic exposed and elevated these challenges—increasing the risk of eviction and foreclosure—



during a time when we need our homes more than ever before. Helping us stay in our homes will help our communities stay healthy, safe, and recover from the COVID-19 crisis more quickly.

At the same time, the pandemic's economic disruption is causing construction costs to increase rapidly, making it more expensive to provide all types of housing. For example, framing lumber prices were highly volatile throughout 2020, more than doubling between March of 2020 and January 2021. The more expensive housing is to produce, the more expensive it is to rent or buy, and the more challenging it is to align resources to provide more affordable units.

There is a large and growing affordability gap

Affordable housing provides families with quality, stable housing, and protects them from housing instability. Yet, there are not nearly enough affordable housing units to meet the need. Currently, 98,500 households need affordable housing of some kind to not be housing cost-burdened, but there are fewer than 20,000 dedicated affordable units.

And the gap is growing. The current affordable housing system is not producing enough units to meet the need. The current affordable housing

production rate is not enough to keep up with projected growth. The gap in dedicated affordable units will grow to 104,000 by 2040 if new tools are not created.

In fact, the broader housing development system is not producing enough units at any price point—if the Metropolitan Area Planning Agency's population projects hold, there could be demand for up to 80,000 new units over the next 20 years, but only 66,000 units will be created at the current rate of production.



Many existing affordable options are at risk

Lower-income households that do not receive housing support look for options in the private market, sometimes finding quality affordable options, but often finding unaffordable, low-quality, or poorly-located options that fit their budget. But these lower-cost housing options—especially quality options—are quickly disappearing from the market. Between 2011 and 2019, rents increased 20 percent, while home prices increased over 30 percent. Even neighborhoods considered to be affordable are still experiencing rapid home price and rent increases. While this creates challenges in terms of housing affordability, it often creates opportunity for investors who may seek to acquire older properties, renovate them, and significantly raise rents or prices.

Some dedicated affordable options are also at risk as the sources guaranteeing their affordability reach the end of their compliance timeline. In these cases, owners may choose to raise rents to cover the costs no longer covered by subsidy, or convert the properties to market-rate. Without preservation action, the region could lose over 3,000 units of affordable housing over the next 10 years. Preserving these affordable options will require reinvestment and intention.

More is needed for affordable housing to advance opportunity

Our neighborhoods are just as important for our health and wellbeing as the homes we live in.

Neighborhoods have a significant impact on our health, our access to services, and our educational and employment opportunities. Unfortunately, the location of existing affordable housing does not always create access to opportunity for residents. Most subsidized affordable housing is located within zip codes with a low Child Opportunity Index (COI) rating. The COI maps the quality of education, economic, and environmental conditions that help children develop in a healthy way.

Changing this outlook requires a dual approach—improving conditions in the neighborhoods where most of the affordable housing is located, while also expanding affordable options in neighborhoods that already have more access to jobs and amenities.

The region needs to create a wide variety of housing options

As the Omaha and Council Bluffs area continues to grow, housing will be needed for all segments of the community. The more we can build affordability into new housing, the more we can avoid creating the housing instability, cost burden, and poor housing quality conditions that already strain too many of our neighbors.

Right now, most new housing developments are affordable only to more affluent households; this is especially the case for for-sale housing. This is largely because it is difficult to build new housing at affordable price points without some



type of incentive or subsidy. High-end housing construction is important, but it is only a part of what is needed for the region to grow equitably.

The community also needs new ways to create housing affordable to the region's workforce, to households with lower incomes, and for people experiencing homelessness.

Creating a variety of housing types—such as small multifamily buildings, duplexes, and townhomes in addition to large multifamily and single-family options—will also help to meet the diverse housing needs and preferences in the region.

The region will need a range of approaches to meet this challenge: including affordable

options in new market-rate development; using development incentives to support affordability; updating the zoning code to allow for more diverse types of housing; creating new financing tools to promote reinvestment in the region's neglected housing stock; and assembling new resources to support affordability.

The region's housing challenges continue to grow

Because housing affordability challenges across the country are so prevalent and persistent, it is easy to forget how urgent the problem is—the longer we wait to make needed investments in affordability and opportunity, the more people will be harmed by the stress and insecurity of housing

instability, and the more expensive it will be to address these problems in the future.

For example, home prices in the region increased \$24,000 (12 percent) and rents increased \$60 per month (5 percent) in just one year (Fall 2019 to Fall 2020). For many, these seemingly modest increases in housing costs far exceed wage growth. They become the difference in being able to pursue homeownership, or being able to afford groceries in a given week. With continued increases of construction costs, it will be more and more difficult to build the housing the region needs. The more quickly the region can confront its housing challenges, the stronger the region will be.

Recommendations

This study identified five overarching regional housing goals based on the needs assessment and conversations with local housing experts. A “toolkit” of strategies informs a holistic approach to meeting the region’s housing goals. Housing goals and strategies are not enough—this study recommends five ambitious initiatives that serve as a framework for civic priority and action.

A Strategic Framework

In a place as large and complex as the Omaha and Council Bluffs area, there is a need for a holistic response to the variety of housing challenges and neighborhood contexts. The Strategic Framework offers five broad goals under which there are a wide variety of policy, development, and support tools so that interventions can be applied in different contexts. This holistic strategy and the associated tools are summarized below and further detailed in Chapter 4.

Accelerate affordable housing production

This goal is focused on increasing the number of quality, dedicated affordable housing units added to the market each year. This touches on a wide range of development, policy, and regulatory tools, including the use of local incentives, various forms of gap financing for development, and capacity building of the local nonprofit housing development ecosystem.



Preserve existing affordable housing

This set of tools is focused on improving the quality of existing affordable housing units—both rental and for-sale—while also maintaining their affordability. This includes approaches to reinvest in existing affordable housing properties, expand capital access in distressed markets, and working with landlords to improve their practices.

Prevent and address housing instability

This goal is focused on keeping people in their homes, stably housing people, and improving the usability of existing supports for housing stability. Strategies discussed as part of this goal include tenant legal representation, permanent supportive housing, the expansion of housing vouchers, banning source-of-income discrimination, and other eviction diversion tools. Most of this work would build on, or expand, existing initiatives.

Foster innovations to lower housing costs

This goal focuses on strategies to reduce the cost of producing new, quality, affordable housing in the region. This includes regulatory changes, piloting innovations, and financing supports for promising new housing types.

Address the negative impacts of gentrification

This set of tools is designed to lower the cost burdens of gentrification on long-time and lower-income residents, while also ensuring that all members of a neighborhood stand to benefit from and participate in investment in their community. This includes strategies like property tax relief, land trusts, community investment trusts, and mixed-income development patterns.



Recommended Initiatives

This study identifies five priority initiatives based on an evaluation of the strategy options, the housing ecosystem, and conversations with local housing experts. These initiatives represent pillars for civic focus, investment, and implementation by a partnership of philanthropic, private sector, and public sector partners across the region. These initiatives, and precedent case studies, are detailed in Chapter 5.

These recommendations are fit to a combination of need, input, and local capacity. As leadership, resources, and partners change, it will be critical that implementers maintain the flexibility to adapt.

Initiative 1

Create a **preservation fund** to preserve existing affordable housing assets at a high standard of quality

A fund supported by public sector, private sector, and philanthropic partners would provide needed gap-financing to preserve and improve the quality of at-risk dedicated affordable rental housing, as well as “naturally-occurring” affordable housing properties (i.e., Class B and C apartment properties) in deteriorating condition or at risk of conversion to market-rate. The fund could be structured to offer a combination of grants, preferred equity products, revolving loans, and/or loans with favorable terms.

Initiative 2

Establish a **development fund** to accelerate the production of new affordable housing units

This fund would provide gap financing for the development of new affordable housing, including mixed-income rental housing, the creation of affordable housing in areas near job centers and transit, and transformative “catalyst” projects in neighborhoods undergoing broader revitalization investment efforts (e.g., Choice Neighborhood Initiatives).



Initiative 3

Invest in **eviction diversion** to prevent a cycle of eviction, housing instability, and homelessness, especially at this time of crisis

Providing legal counsel to renters significantly reduces the likelihood of an eviction judgment, and also presents an opportunity to connect those in housing court to other needed services. This is a highly cost-effective strategy for preventing housing insecurity and homelessness, and efforts to expand regional programs are already under way. In addition, strengthened relationships between landlords and tenants can help encourage resolution of issues prior to eviction.

Initiative 4

Create a **greenlining program** to strengthen neighborhoods and expand access to homeownership

This tool would address the “appraisal gap” that exists in many neighborhoods impacted by redlining and other historical patterns of disinvestment. Today, this gap exists where appraised values in a neighborhood are too low to underwrite purchases and/or needed improvements. This situation creates an environment where market-based investment

in the region’s single-family housing stock is not occurring, affordable single-family housing stock continues to deteriorate, and speculative cash investors dominate distressed markets.

This source of financing would provide homeowners and prospective homebuyers new access to the capital they need to invest in homeownership and in their neighborhoods, over time stabilizing these housing markets. It would also serve to create arms-length market transactions that would support the appraisal process.

Initiative 5

Embrace **policy change** to maximize impact of existing and proposed efforts

Policy changes such as zoning reform, source-of-income protections, expanded use of the state affordable housing tax credit program, and tax increment financing (TIF) reform will accelerate progress toward expanding housing affordability in the region. Policy changes are also needed to ensure that these holistic initiatives have long-term impact.

There is also a critical role for expanded organizing and advocacy on housing policy. Cultivating a unified voice on these issues will help to support and sustain needed policy change.



The Omaha Council-Bluffs Area





1

Why Housing Matters to the Region

Housing as Opportunity

Why invest in housing? This is the question that underlies this study and the broader effort emerging in the Omaha and Council Bluffs area. Housing is our shelter, it defines where and how we interact with our neighbors and communities, and a growing body of research tells us that it impacts many more aspects of our lives.

Raj Chetty is a Harvard economist who leads Opportunity Insights, a research center that studies the many factors that affect upward mobility for children. His work produced the Opportunity Atlas, which clearly maps the geography of opportunity based on a variety of data points. Chetty's work demonstrates that the environment in which children grow up—the neighborhood, the block, the house—directly impacts their academic achievement, income potential, access to social capital, and their ability to contribute to the innovation economy. These findings illustrate the deep legacy of redlining and other intentional disinvestment in neighborhoods of color.

According to Opportunity Insights, “rates of upward mobility vary substantially based on where children grow up.” Children living in neighborhoods with poor conditions may not benefit from strong regional economic growth, and different household situations broadly impact

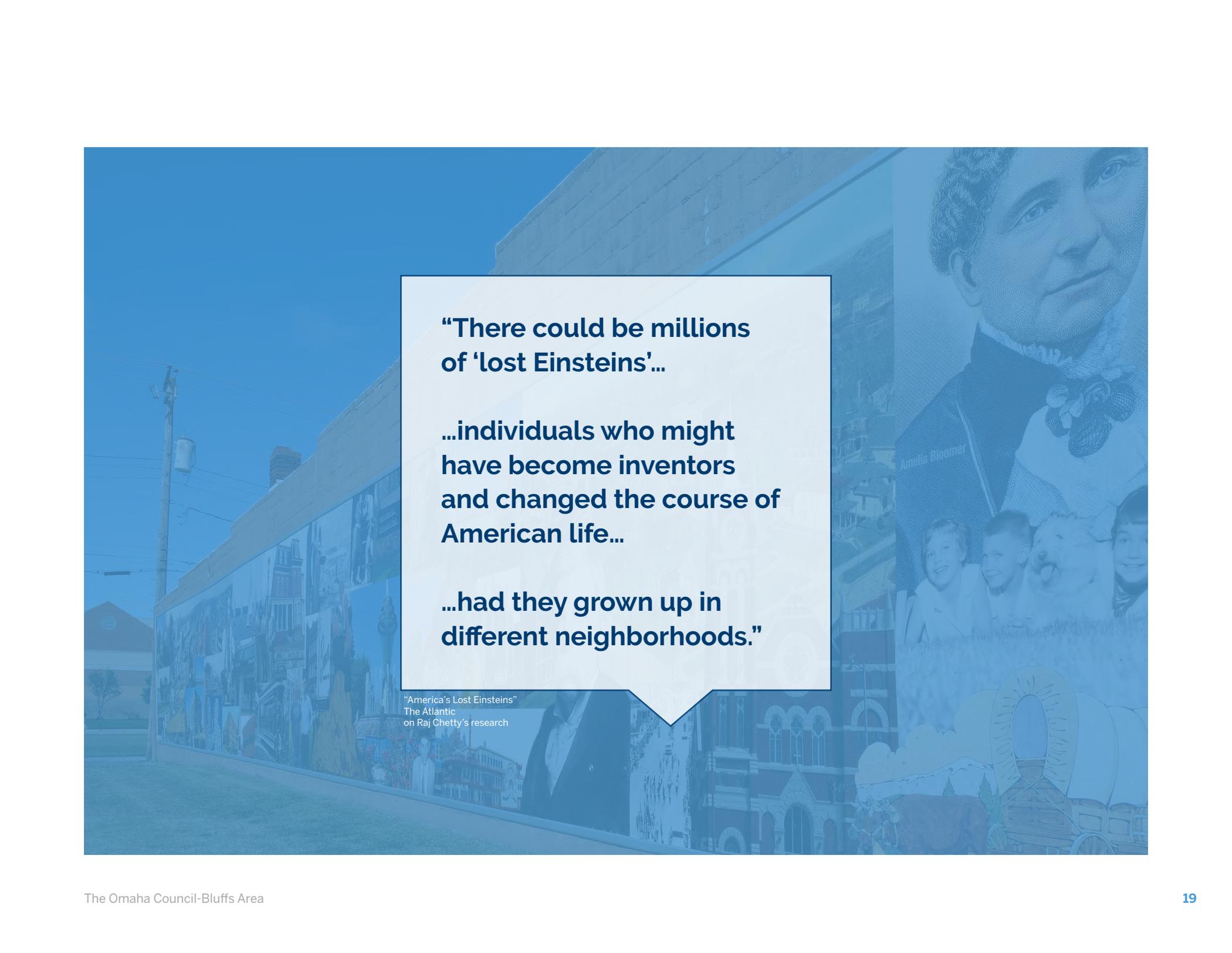


children's potential outcomes even within the same neighborhood. For all children to have a foundation for success, we need to ensure that each and every neighborhood has the resources needed to help children thrive.

An article in *The Atlantic* summarizes the conclusions of Chetty's work succinctly, “Foster the right conditions in [a family's neighborhood], and their children will do better; do that a thousand times, or ten thousand, and the American dream can be more possible, for more people, than it is today.” As the quote on the next page suggests, there could be millions of “lost

Einstein's” or Marie Curies, that could make significant contributions to our society if they grew up in a better environment.

Chetty and Opportunity Insights' work reinforces, if not elevates, the importance of making stable housing a priority for the region. Working together to create funds, policies, and programs that target the specific housing needs of Omaha-Council Bluffs could have generational impacts for the region. At minimum, these efforts will improve quality of life, access to jobs, health and well-being, and economic performance.



**“There could be millions
of ‘lost Einsteins’...**

**...individuals who might
have become inventors
and changed the course of
American life...**

**...had they grown up in
different neighborhoods.”**

“America’s Lost Einsteins”
The Atlantic
on Raj Chetty’s research

Why Housing Matters to the Region

A growing number of communities across the country are elevating housing and housing affordability as core civic priorities because a growing body of research shows how quality housing positively impacts people's health and wellbeing.

There is a growing understanding of how deeply housing and neighborhoods affect our health, economic security, and long-term potential. The physical condition of our homes, the cost of our housing, the stability of our living situations, and the access to essential services in our neighborhoods all have a direct bearing on whether we can live safe and fulfilling lives. Housing directly impacts school attendance, educational outcomes, air quality, how people can plan to weather a financial emergency, retirement savings, economic opportunity, and creating happy memories with our families. Housing instability, cost burden, poor housing conditions, and lack of housing options throws so many of these factors out of balance.

There is also a growing acknowledgment locally of the importance of housing, and the need for new energy, ideas, and leadership to address the problem at the needed scale. The displacement of five hundred tenants from the Yale Park Apartments—a building with nearly 2,000 code violations housing refugees and new American families in North Omaha—catalyzed a public conversation about the substandard and often



dangerous condition of much of Omaha's lower-cost rental housing. But many in Omaha knew that the problem went much deeper, touching on systemic issues relating to inequitable investment, land use, power imbalance, and the economics of housing production.

These same leaders also see that addressing the region's housing issues could unlock myriad benefits for the Omaha and Council Bluffs community—from health, to education, to the economy. As research shows us, investments in housing benefits nearly all aspects of our lives and communities.

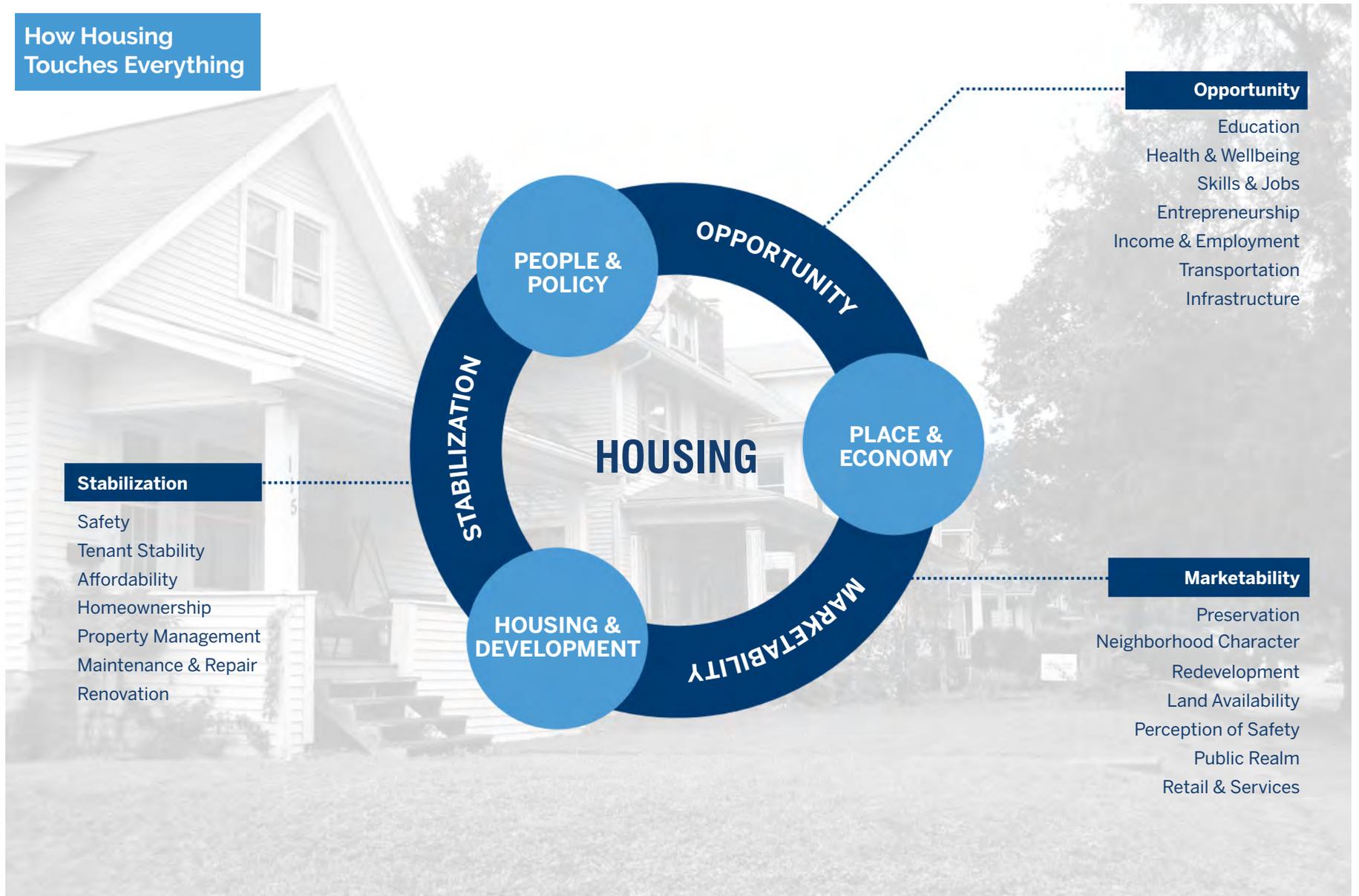
Housing and Health

Affordable housing is an investment in our health.

A difficult housing situation—frequent moves, struggling to pay rent, an eviction or foreclosure, poor conditions—can cause physical and mental health issues, or make existing conditions worse. Unstable housing can also amplify individuals' vulnerability to domestic violence and other physical safety issues.

Physical health impacts of housing area especially pronounced for children, who are in a critical

How Housing Touches Everything





Housing and Education

Affordable housing is an investment in education.

Housing instability has a direct impact on children's school performance and graduation rates. Frequent and unexpected moves resulting from eviction impacts school attendance, whether or not the child has to change schools. These moves cause kids to fall behind in school, and make it more difficult for teachers to achieve standard goals. A child who moves frequently because of housing insecurity falls at least three months behind after just one move.

Students who experience homelessness—even for a short period of time—face major barriers to attending school and graduating with their peers. Graduation rates for children who experience homelessness are over 20 percentage points less than those who do not. Even without an eviction or other unexpected move, the stress and anxiety associated with housing instability can make it hard to focus at school. Safe, stable, healthy housing can give kids the foundation they need to achieve their full potential.

In Omaha, evictions and housing instability put intense strain on children, their teachers, and their schools. Recent research on this issue finds that in areas with high eviction rates, two thirds of students score below average on standardized tests, compared to fewer than 50 percent of students in areas with low eviction rates. The high student mobility rate caused by high rates of

stage of their physical, emotional, and intellectual development. Stable housing, however, can reduce healthcare costs and improve lifelong health for children and adults.

Research consistently documents the impacts of housing instability on our health. It shows direct links between housing instability and childhood nutrition, healthy development, and asthma. For example, children living in poor-quality housing make nearly 60 percent more visits to the emergency room due to asthma. Also, a child living with housing insecurity is almost 30 percent more likely to be underweight, and nearly 20 percent more likely to have poor nutrition.

Approximately 15 percent of households in the Omaha and Council Bluffs area (21,500 households) pay more than half of their income on housing—a strong risk factor for housing instability. An estimated 20,000 children live in these households, meaning that these 20,000 children are at higher risk of the health issues associated with unstable housing and poor housing conditions. By providing more stable housing to these families, each of these 20,000 children would have a better chance at developing into healthy young adults.

eviction make it very difficult for students to keep up, for teachers to teach an ever-changing class of kids, and for schools to support their students.

Housing and Economy

The creation and preservation of affordable housing help drive the economy.

Affordable housing development creates jobs and tax revenue. For example, every 100 units of affordable housing generates \$7.9 million in local income, \$830,000 in tax revenue, and 122 jobs in the first year, and ongoing economic benefits in every year following. Each year, the 3,000 affordable units produced in the Omaha and Council Bluffs area over the past decade generate the economic output of a major employer—\$72 million in local income, \$13 million in tax revenue, and approximately 900 jobs.

The availability of attractive and attainable housing options in vibrant neighborhoods—for people at any income level—will help local businesses attract and retain a competitive workforce.

Each affordable housing development also puts its residents in a position where they have more discretionary income and can afford other important family needs like healthcare, nutritious food, education, retirement savings, and other savings to invest in their future. Compared to their peers, low-income families with children living in affordable housing were able to spend nearly five

times more on health care, a third more on quality food, and twice as much on retirement savings.

Increasing the scale of affordable housing development has the potential to amplify these impacts in the region, creating a more vibrant and resilient economy.

Safe and decent affordable housing also creates an opportunity for our neighbors to put their energy toward life goals and entrepreneurial pursuits, rather than worrying about their housing. Stable housing could lead to more local business development in our neighborhoods.

Preventing and Addressing Homelessness

Affordable, stable housing is a cost-effective way to prevent and address homelessness.

Individuals who experience homelessness live in difficult conditions, spending time out in inclement weather, without access to essential services and without safe shelter to protect them from dangerous situations. Research shows that this situation is expensive and avoidable. Nationally, taxpayers pay about \$36,000 per year to provide emergency and health services for each individual experiencing chronic homelessness. Yet, it costs just \$13,000 per year to provide supportive housing to an individual who formerly experienced homelessness. Investing more proactively in quality affordable housing for individuals at risk of

homelessness is a cost-effective way to prevent the suffering and danger that many people experiencing homelessness regularly face.

In the Omaha and Council Bluffs area, 3,500 people experienced homelessness for the first time in 2018. Service providers in the region spent \$27 million on homeless services that same year. If the region were able to invest some its resources “upstream” toward safe, affordable, stable housing, the community could have diverted many of these individuals from the homeless system, helping them live more stable, healthy, and productive lives.





A modern multi-story apartment building with a mix of materials including brick, wood siding, and large glass windows. The building features balconies with metal railings. The image is overlaid with a blue tint.

2

Housing & Market Analysis

Introduction to the Analysis

The housing and market analysis provides a comprehensive assessment of housing affordability in the Omaha and Council Bluffs area, identifying current conditions, key trends, and future needs.

The findings reflect an urgent and widespread issue regarding housing affordability. The issues discussed in this chapter relate to families' wellbeing and economic security, the ability of the region's housing supply to support the growing region in an equitable manner, and fairness of opportunity related to communities historically impacted by discriminatory practices.

The Scope of the Analysis

The housing and market analysis offers a detailed assessment of how well the region's housing supply—in terms of its quantity, cost, stock, location, condition, and typology—supports housing affordability and stability. The emphasis of this effort is on how well the current supply meets the needs of low- and moderate-income households. This chapter summarizes key findings from this analysis; more detail is included in the Appendix.

This chapter will discuss:

- Definitions of housing affordability and how they relate to housing quality and household financial wellbeing.

- Trends in the rental and for-sale housing markets, including an analysis of the region's supply of dedicated affordable housing.
- How economic and population growth will impact housing demand, and whether the region is on pace to meet those future housing needs.

The findings all point to a substantial shortage of quality, affordable options in the region, and highlight the importance of closing this affordability gap to support neighborhood stability, economic vitality, and equitable growth. Conclusions about future housing demand at various price points are summarized in the following chapter on Future Housing Needs.

Housing Needs Survey

The analysis also includes a community survey of housing needs, designed to provide deeper insight about resident housing needs, understand residents' housing goals and preferences, and gather input on the types of housing assistance that would be of most help to those experiencing housing challenges. Following the initial digital roll-out of this survey, plans for further in-person outreach were suspended due to the COVID-19 pandemic. Additional online outreach in partnership with local housing organizations was also deprioritized, due to the importance of communication about urgent issues related to the immediate public health crisis.

While the survey's 169 responses do not constitute a sufficiently representative sample of the region's

Key Questions

- What is the state of housing affordability in the Omaha and Council Bluffs area?
- What is the region's supply of housing and what have we been adding to it?
- How do conditions in the Omaha and Council Bluffs area relate to national housing trends?
- How will projected economic growth impact housing needs?
- How do rental housing market conditions impact the availability of quality affordable housing?
- How do for-sale housing market conditions impact the availability of quality affordable housing and access to affordable homeownership?
- How will the region's population growth impact housing needs?
- What is the stock of dedicated affordable housing, and how well does it meet the need?

residents, they still offer insights on the housing experience and needs in the region. Findings from this survey will be included throughout this chapter, and are detailed in the Appendix.

About the Omaha and Council Bluffs Area

The Study Area for this effort includes Douglas and Sarpy Counties, and the City of Council Bluffs. This focus area—which will be referred to as the Omaha and Council Bluffs area or “the region” throughout the report—has an incredibly diverse and dynamic range of housing types, housing conditions, demographic characteristics, needs, histories, and opportunities.

The region’s 322,000 households are distributed in hundreds of communities and neighborhoods across the 610 square mile region. For the purpose of disaggregating key data to better reflect the diverse housing experiences across the community, this study will sometimes reference six “subareas” within the assessment’s broader study area:

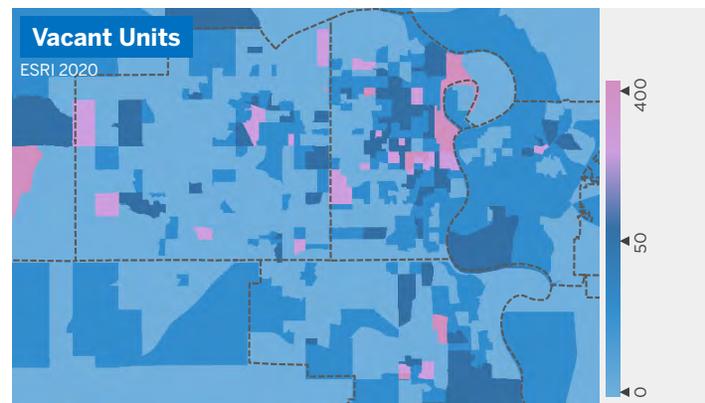
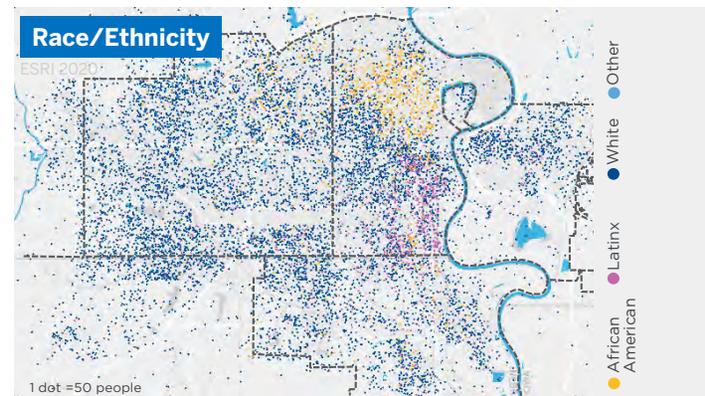
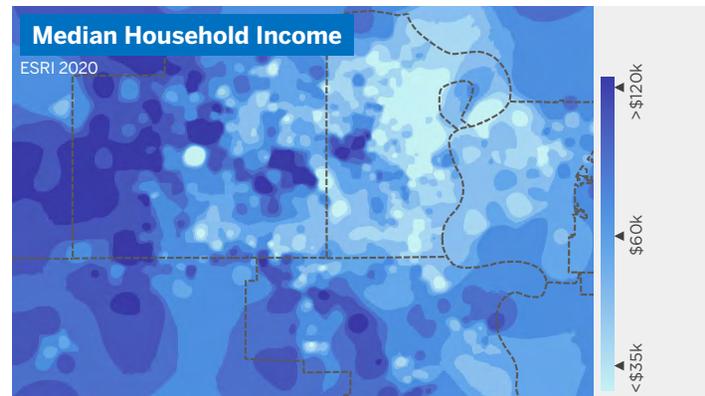
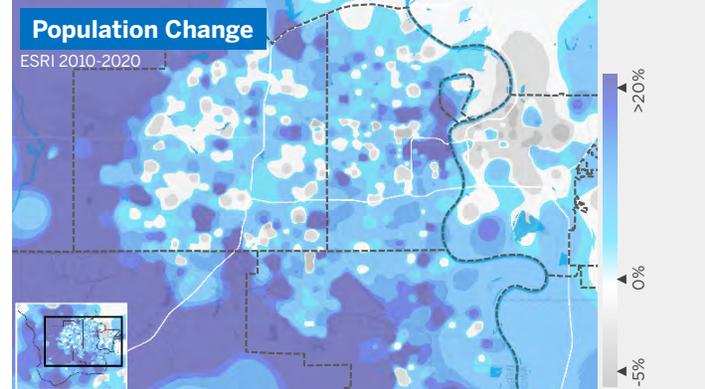
- East Omaha, all areas in the City of Omaha east of 72nd, a major physical and demographic dividing line;
- West Omaha, all areas in the City west 72nd;
- Council Bluffs, all of the City of Council Bluffs, in Pottawattamie County;
- East Sarpy, the majority of older, more established areas in Sarpy County;

- West Sarpy, the quickly-growing western areas in Sarpy County; and
- Outer Douglas, the areas of Douglas County outside of the City of Omaha.

The Omaha and Council Bluffs area is growing.

Since 2010, the region’s population grew by 95,000, representing an overall growth rate of 12.8 percent (v. 8.1 percent in the United States). As detailed in the Metropolitan Area Planning Agency’s Heartland 2050 reports, this trend is expected to continue. This growth has been very unevenly distributed across the Omaha and Council Bluffs area, with high growth rates in traditionally suburban and exurban areas like Outer Douglas, West Sarpy, and East Sarpy, and more modest growth in the region’s urban core areas like East Omaha, West Omaha, and Council Bluffs. Housing development patterns largely parallel these population trends, contributing to pronounced patterns of sprawl.

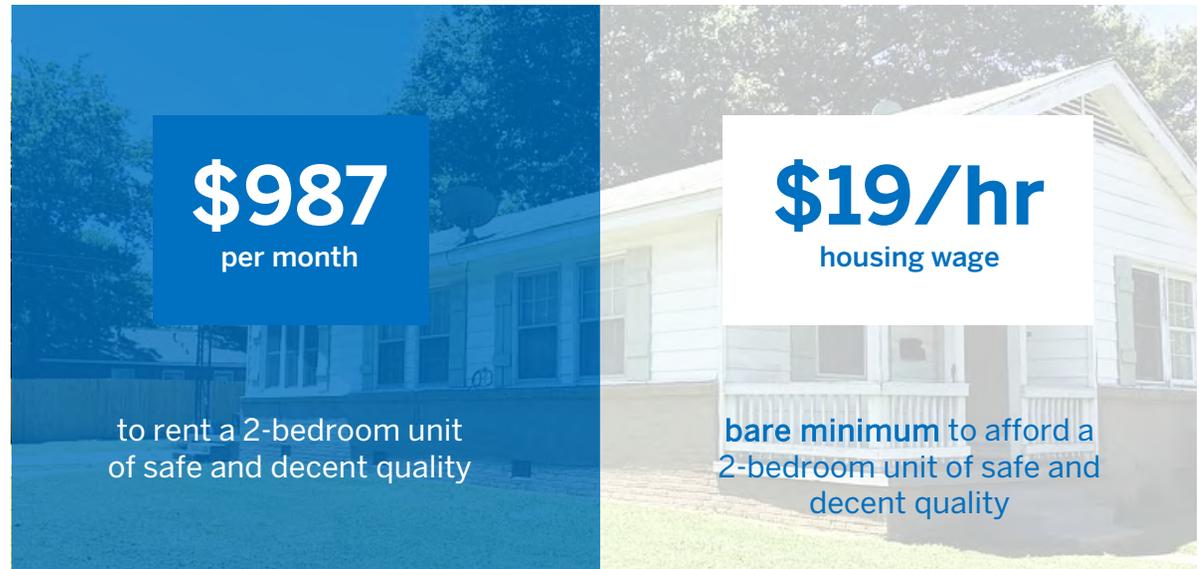
There are significant demographic differences across the region. Urban core communities are home to much greater income and ethnic diversity than outer-lying areas. The majority of residents identifying as people of color, as well as the majority of refugee and new American residents, live East of 72nd street. Census tracts in East Omaha also have the highest rates of poverty and unemployment. As will be described throughout this report, the disparate housing conditions (e.g., vacancy) and housing opportunities across the region contribute to inequities that the community aspires to address through this strategy.



Defining Housing Affordability

While conventional measures of housing affordability are helpful in quantifying housing demand and housing needs, housing affordability is a complex subject; the dynamics impacting affordability, the experience of cost burden, and how these relate to housing stability merit exploration.

An “affordable” monthly housing expense (i.e., rent or mortgage payment) is conventionally understood to comprise no more than 30 percent of a household’s gross monthly income. However, this standard does not consider housing quality, and the impacts on a household’s ability to cover other essential needs. In other words, 30 percent of a minimum wage can only afford a unit of very poor quality, and the remaining 70 percent of a full-time minimum wage paycheck falls far short of what is needed to pay for groceries, childcare, transportation, and health care, much less save for retirement, education, or to buy a home. (Some households do choose to pay more than 30 percent of their income on housing; these households tend to be higher-income and can make lifestyle choices that makes this possible.)



source: FY21 HUD Fair Market Rent for Omaha-Council Bluffs, NE-IA HUD Metro; ESRI, 2020

assuming 30% of income toward rent and utilities, full-time employment; ESRI, 2020

The Region's Housing Wage

The National Low Income Housing uses the concept of a “housing wage” to demonstrate the connection between housing costs, quality, and a household income. The housing wage is the hourly wage a full-time worker must earn to afford a modest rental home while spending no more than 30 percent of their income on rent and utilities.

Based on the FY21 HUD Fair Market Rent for the region (\$987), a worker must earn a bare minimum of \$19 per hour to afford a two-bedroom unit of safe and decent quality, plus utilities.

Many jobs in the region—including many of those we now recognize as truly essential for to our collective health and wellbeing—pay far below this housing wage. The minimum wages in Nebraska and Iowa are \$9 per hour and \$7.25 per hour, respectively, meaning that even a household with two full-time workers earning minimum wage will struggle to afford housing that meets that safe and decent standard.

The Prevalence of Housing Cost Burden

Given that 28 percent of households in the region earn less than the housing affordability wage, it is unsurprising that many households are burdened by their housing costs. Before the COVID-19 pandemic, 20 percent of all households (and a full 42 percent of renter households) experienced housing cost burden. Many of these households (15 percent) are severely cost burdened, paying more than 50 percent of their income toward housing. Survey response data—summarized in the graphic to the right—show that over half of respondents have felt the burden of the rent or mortgage payments in the past. This is especially striking when considering that higher-income households were overrepresented among survey respondents.

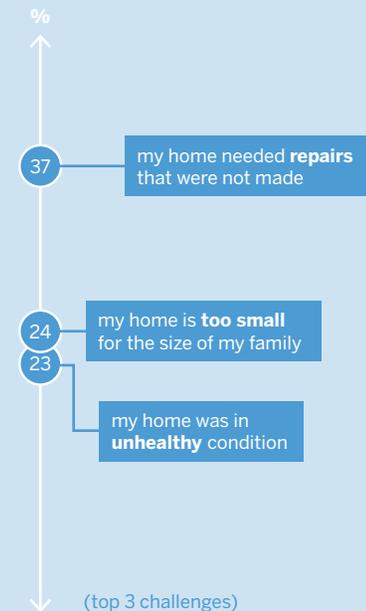
Housing cost burden increases a household's risk of housing instability. One lost week of work, one lost job, or one health emergency could put them behind on rent, and put them at risk of eviction. These realities emphasize the dual importance of expanding housing affordability while also improving the quality and stability of jobs in the region.

Survey Response: Financial Challenges and Housing Conditions

Question:
What **financial challenges** have you faced in the past when trying to find safe, quality, accessible, and affordable housing? (select up to 3)



Question:
What **housing quality and condition challenges** have you faced when trying to find quality, accessible, and affordable housing? (select up to 3)





Transportation and Housing Costs

Transportation expenses also comprise a significant share of household budgets, and are interconnected with housing affordability and access. Affordable housing options are often less proximate to job centers and key destinations, requiring more and longer trips to reach essential services. And conversely, some areas near job centers are less connected to the transit systems and walkable infrastructure that support car-free mobility.

In the Omaha and Council Bluffs area, communities outside of the urban core typically have less access to transit options. Living in these areas requires either extensive time investment in making bus and transit connections to reach key destinations, or the enormous expense of buying and maintaining a car. When layered with the higher average housing costs in some parts of the region, these transportation costs present a major barrier to housing choice, and serve to exacerbate socioeconomic segregation in the community.

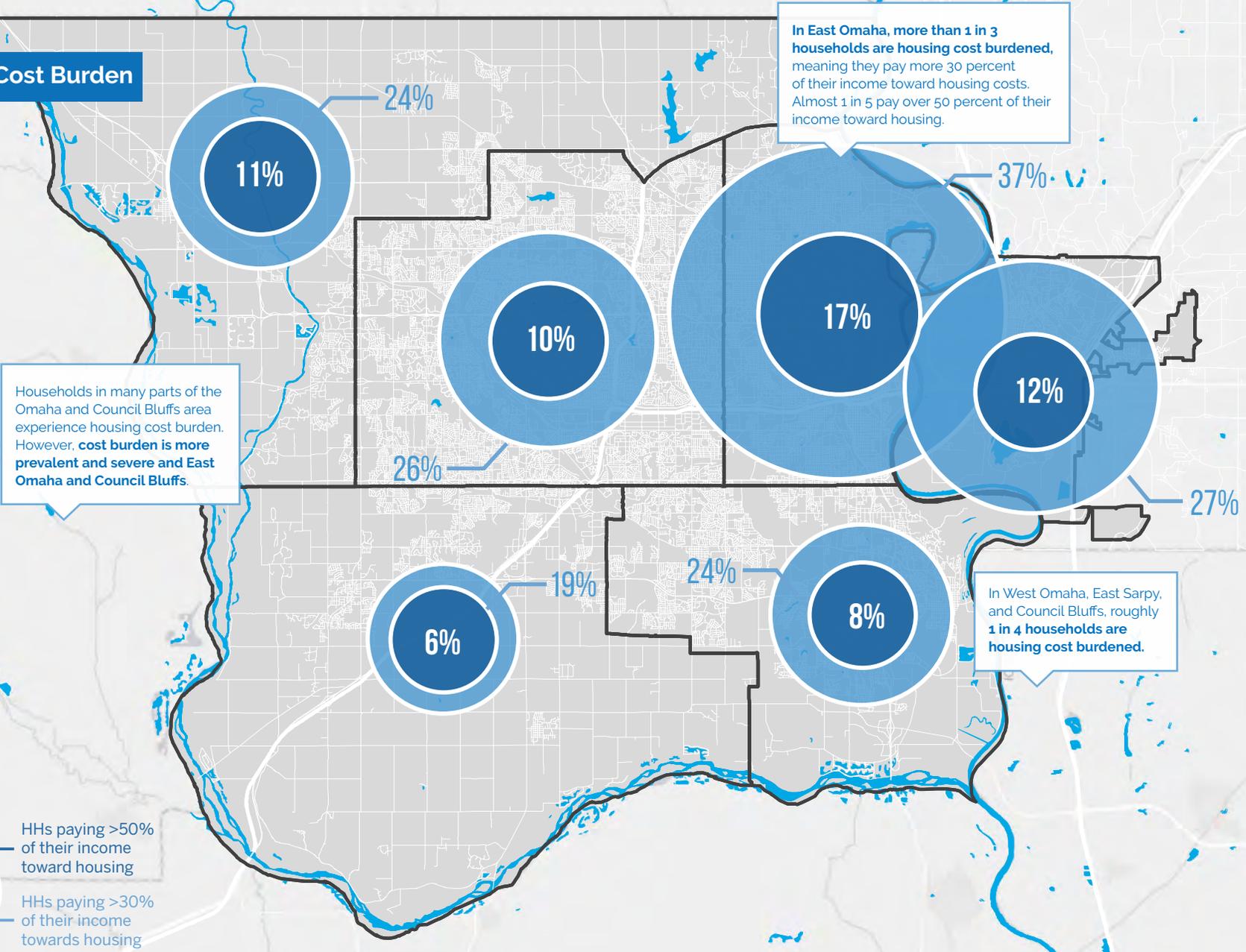
While housing alone is traditionally deemed affordable when consuming no more than 30 percent of income, the Housing + Transportation (H+T) Index incorporates transportation costs—usually a household’s second-largest expense—to show that location-efficient places can be more

livable and affordable. For example, according to the H+T Index, a household would need to earn at least \$3,700 per month to afford to live in many parts of West Omaha and Outer Douglas, compared to less than half that amount in most of East Omaha and much of Council Bluffs. The combined housing and transportation expenses outside of the urban core push these areas almost entirely out of reach for most low- and moderate-income households.

The dual impact of transportation and housing costs on affordability reinforce key goals for equitable development in the region: to expand and preserve affordable housing options along transit corridors; to improve transit connections and walkability in employment centers; and to support the development of quality employment opportunities in areas with affordable housing and transportation choices.

Housing Cost Burden

source: ESRI, 2020



Housing Affordability & the Economy

Housing needs and the economy are deeply interconnected. Just as a vibrant, competitive economy relies on the availability of appropriate housing options, an equitable housing system relies on the availability of quality jobs.

The region's economy is growing, with 13.2 percent employment growth between 2009 and 2019. While this is a lower growth rate than the broader U.S. economy (15 percent during the same period), these new jobs still represent significant new economic activity. Much of the region's employment growth has occurred outside of the historic urban core.

Employment growth is projected to continue. However, growth will not occur at the same pace across different locations and sectors. It is important to understand what types of jobs are likely to grow and where they may be located to better understand future housing needs. It is important to note that the COVID-19 pandemic has created uncertainty about future economic trends and the long-term impact of the pandemic and associated recession are not yet known.

Occupation Growth Reinforces the Need for Affordable Options

The chart on the following page shows the eight occupations with the highest projected growth in the Omaha and Council Bluffs area for the coming

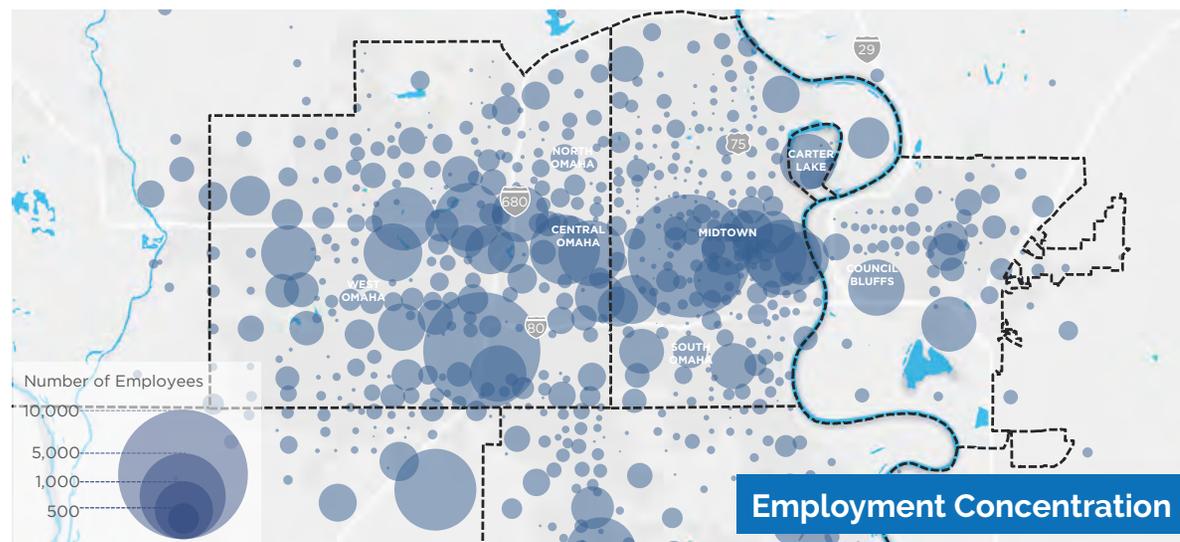
decade: occupations in a variety of sectors and paying a broad range of wages. Some occupations, such as in Management and Healthcare, pay wages that support a large degree of housing choice—allowing households to devote a much smaller share of their income toward housing, pursue homeownership, and/or seek out luxury options.

Other high-growth occupations such as in food service, however, pay far below the region's housing wage. In other words, these workers will struggle to afford a safe and decent two-bedroom apartment, will likely be housing cost burdened, and will strain to pay for other basic needs. Without safe, secure, and affordable housing supports, these workers and their families will also struggle to invest in their futures, putting economic mobility out of reach.

Employment Access, Transportation, and Affordability

The map below shows the location of jobs throughout the region, highlighting the east-west corridor (along Dodge), West Omaha, and Sarpy County as employment centers, and likely areas for future employment growth. As will be discussed later in this report, these are also parts of the region where affordable housing options are scarce.

This spatial mismatch between jobs and affordable housing emphasizes the importance of parallel approaches: to create reliable and affordable transit connections to these employment centers and to preserve and expand affordable housing options in these areas.



source: ESRI, 2020

Housing Affordability for the Region's Fastest-Growing Occupations

Top-Growth Occupation
 max. affordable rent
 max. affordable home price
 avg. annual wage

Management
 \$2,120/mo rent
 \$345k home price
 \$85k

Business & Finance
 \$1,480/mo rent
 \$240k home price
 \$59k

Healthcare Practice & Tech.
 \$1,500/mo rent
 \$245k home price
 \$60k

The strong growth of several higher- and moderate-wage occupations will reinforce demand in the workforce and upscale housing markets. Leveraging this growth as part of a **mixed-income development strategy** could support a broader equitable development framework.

Sales & Related
 \$690/mo rent
 \$110k home price

Office & Admin. Support
 \$860/mo rent
 \$120k home price
 \$35k

Construction & Extraction
 \$1,130/mo rent
 \$160k home price
 \$45k

Personal Care & Service
 \$620/mo rent
 \$90k home price
 \$25k

Four of the eight most-quickly growing occupations have **median earnings below the housing wage**, emphasizing the dual need to preserve and create affordable housing while expanding the availability of living wage jobs.

Food Service & Prep.
 \$560/mo rent
 \$85k home price
 \$22k

housing wage
 \$19 per hour
 \$987 rent/mo



source: ESRI, 2020, ACS, Development Strategies. Affordable rents and home prices assumes a maximum monthly housing cost of 30% of income, 10% downpayment, 85% principal and interest as a percent of PITI

The Rental Housing Market

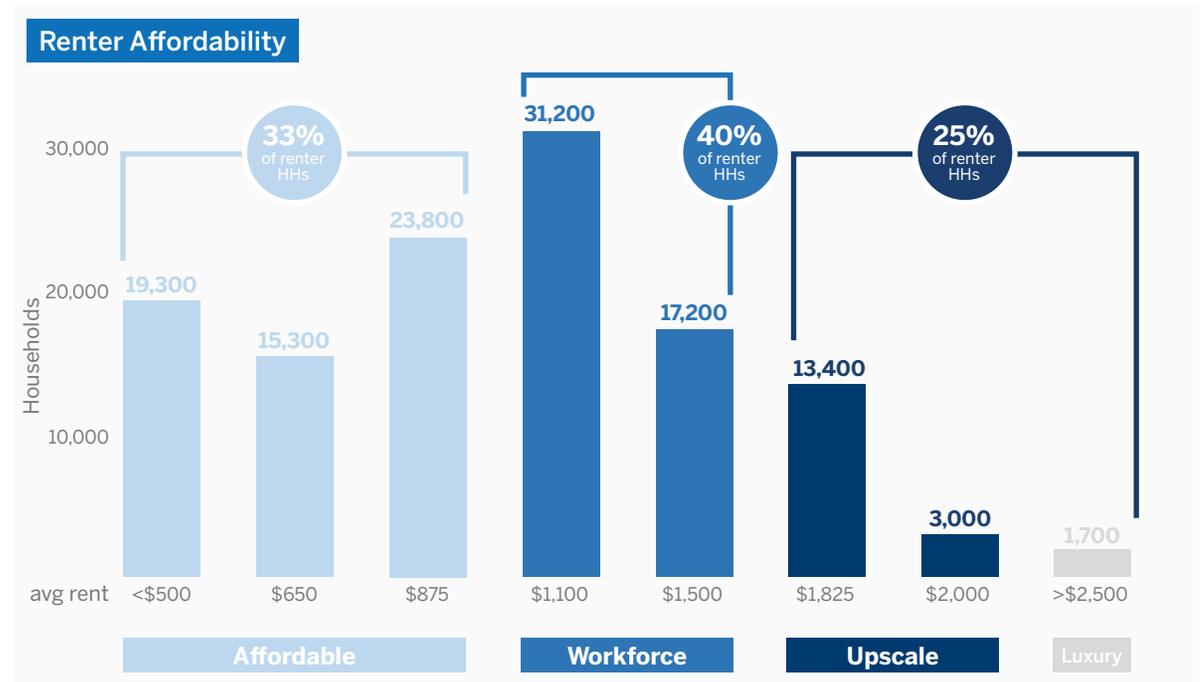
An analysis of renter affordability shows substantial demand for affordable and workforce housing. Much of the region’s existing rental housing falls in this range, but continued rent increases and the prevalence of poor housing conditions put low-income renters at risk of housing instability.

The region has a large and dynamic rental housing market, with a range of housing types, price points, submarkets, and housing conditions. By comparing overall renter affordability to key metrics describing the rental supply, we can identify key issues that will inform a strategy to improve housing affordability.

Renter Affordability

The renter affordability analysis, shown above, estimates the number of renter households able to afford housing at various price points, assuming that households are not cost burdened. An important caveat is that it does not reflect the existing supply—in many cases, households are spending more than what they can afford at the lower end of the income range, while higher-income households have the option to spend less than they could afford.

The largest group of renter households in the region can afford housing in the “workforce” range—with rents between \$1,100 and \$1,500. However, with a limited supply of quality options in this range, these households are in competition with lower-income households for lower-cost



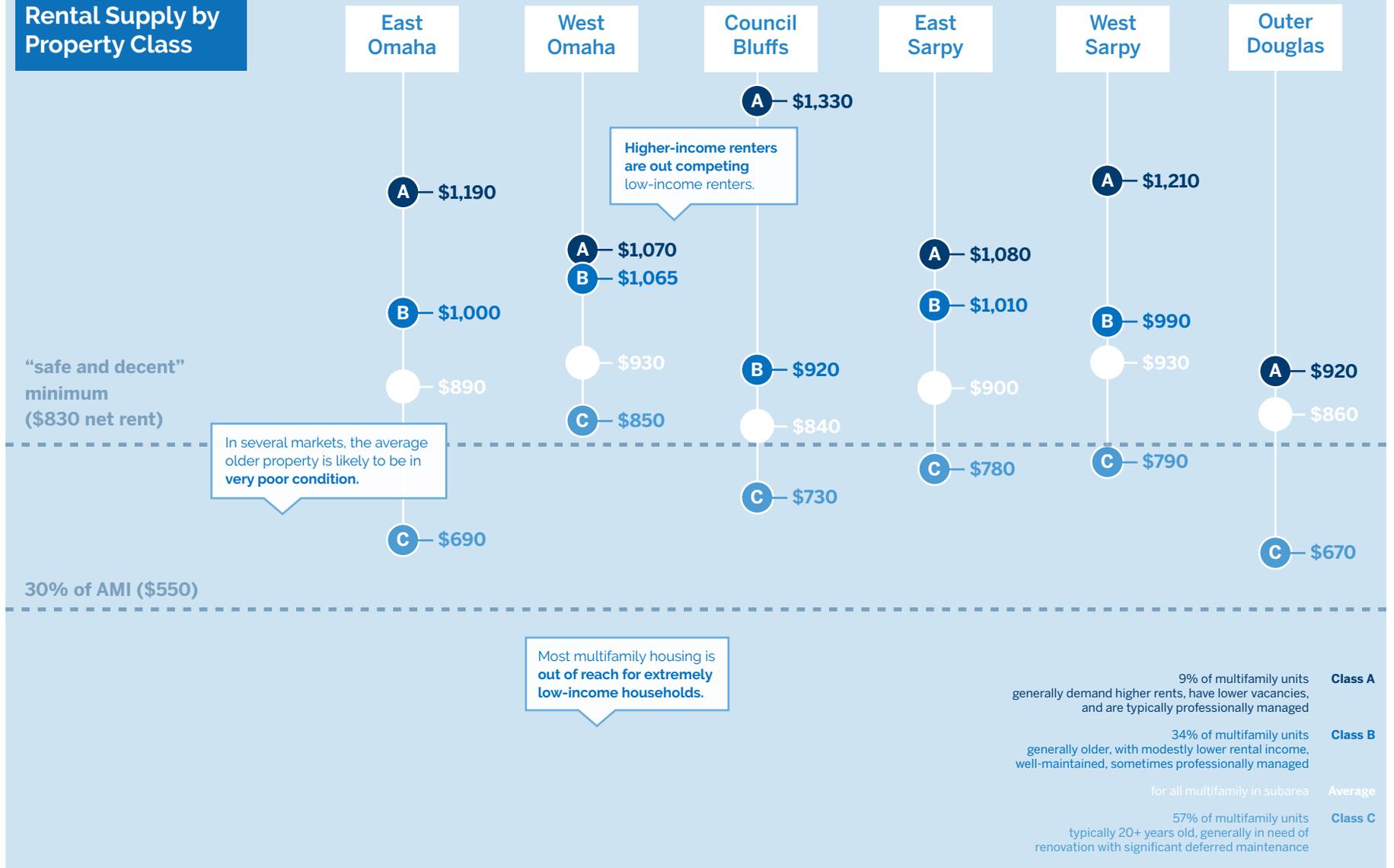
source: Development Strategies, 2019

units, leaving the region’s lowest-income renters with fewer quality options. In fact, low-income households are frequently forced to choose housing that has serious health and safety issues. Many of these “workforce” renters are likely would-be homeowners, representing pent-up demand for quality starter homes in the \$150,000 to \$225,000 range. This emphasizes the dual importance of expanding the supply of quality rental and for-sale housing options for this group of “workforce” households.

The remaining third of renters can only afford housing with rents of \$875 or below—qualifying

for affordable housing that has a maximum income of 60 percent of the area median income. The vast majority of these renters live in the City of Omaha and in Council Bluffs. This demand far exceeds the supply dedicated affordable housing in the region (including public housing, Low Income Tax Credit housing, project-based Section 8 units, and Housing Choice Vouchers) emphasizing the importance of preserving and expanding this supply of quality affordable housing. This will be discussed in greater detail later in this chapter.

Average Rents of Rental Supply by Property Class



source: CoStar



Rising Rents

Rents in the Omaha and Council Bluffs area have increased at a rapid rate—more than 23 percent in the 8 years between 2011 and 2019. This is partly attributed partly to the fact that most new units delivered to the market are market-rate and higher-rent than the current supply. However, rent growth is also occurring within the existing housing stock. Even small increases in rent can place additional strain on households already experiencing cost burden.

The map on the following page shows that rent growth is unevenly distributed across the region, with some neighborhoods and census tracts experiencing much higher rates of growth than others. Stark increases in traditionally lower-cost areas in particular can place significant burden on long-time residents, putting them at risk of cost burden and displacement. The geography of affordability and market change should inform place-based strategies to preserve and expand affordability.

The Rental Supply

The analysis on the previous page summarizes the number of existing units and average net rents for multifamily housing by class in each subarea. While this data and the number of units reflect only the multifamily stock, the rent averages generally reflect rents for units of any type (e.g., including single-family rentals, duplexes, etc.) within a given class.

These data points highlight three key issues shaping renter experience in the region.

First, nearly all multifamily options are out of reach for extremely low-income households (those with incomes at 30 percent of AMI or below). Without some type of subsidy or housing support,

these renters will be persistently cost-burdened, suffer from housing instability, and be at risk of homelessness.

Second, in several markets, the average older property is likely to be in poor condition. This suggests that many low-income renters are both cost-burdened and living in housing with serious health or safety issues.

Third, this analysis illustrates that higher-income renters are likely out-competing lower-income renters for the quality options that do exist. As shown on the previous page, higher-income renters could afford higher rents than they are currently paying. Continuing to develop attractive mid-range and upscale options will provide more options for these households to help to reduce competition between renters.

14%

Rents have grown in almost all parts of the Omaha and Council Bluffs area.

21%

In just this last year, in the period from Fall 2019 and Fall 2020, rents increased \$60 per month (5%). For many, these **seemingly modest increases in housing costs far exceed wage growth.**

32%

13%

While overall rent growth may not seem dramatic, **very large increases (i.e., >50%) in some areas put significant pressure on affordability**, particularly in lower-income communities.

8%

23%

Change in Rent Prices

- <0%
- 0-15%
- 15-30%
- 30-50%
- >50%
- Insufficient Data

Rent Growth 2010-2017

Source: ACS 2017

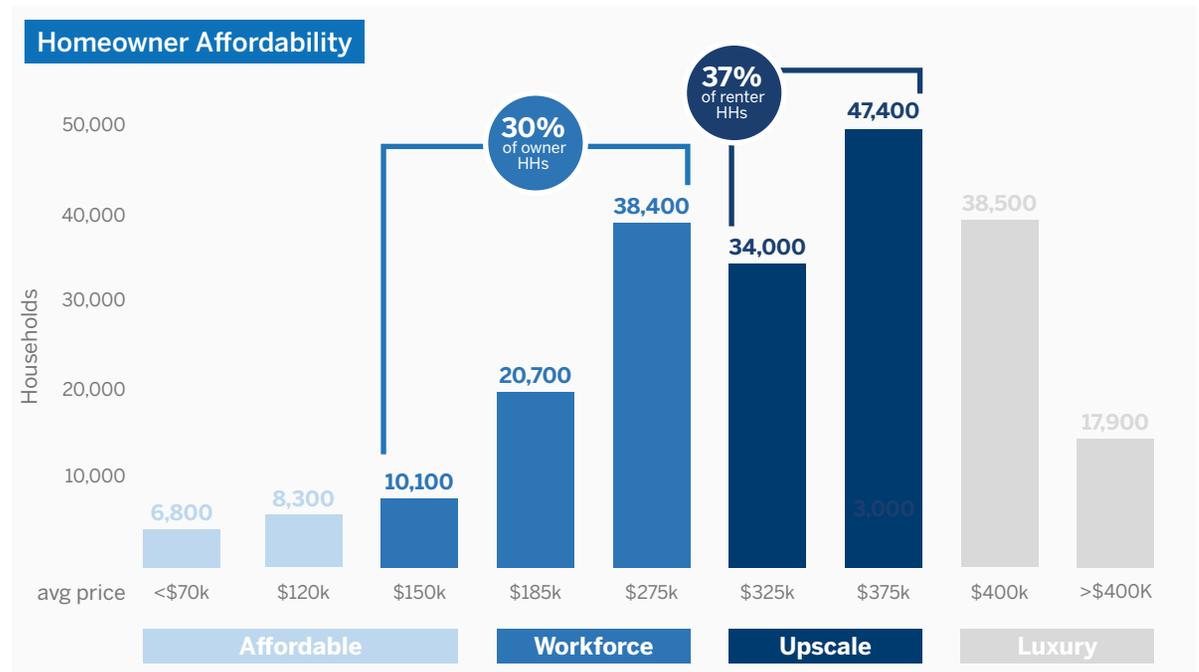
The For-Sale Housing Market

The competitive for-sale housing market, deep workforce-affordable demand, and likely entrance of new homebuyers to the market all reinforce the importance of producing more quality options at a variety of price points.

The region has a persistently tight for-sale housing market, particularly in the workforce-affordable range (sales prices between \$150,000 and \$250,000) where there is deep unmet demand. The pace of for-sale housing production has been strong; however, it has primarily occurred in more suburban locations at price points above \$300,000. Thus, it is neither in the locations nor at the price points needed to serve a broader segment of the community.

Homeowner Affordability

The homeowner affordability analysis, shown above, estimates the number of current homeowner households able to afford housing at various price points. These current homeowners comprise the vast majority of the for-sale market in the region. The analysis draws on income data, assumptions about down payment percentages, and local trends regarding the share of income households at different income levels dedicate toward housing.

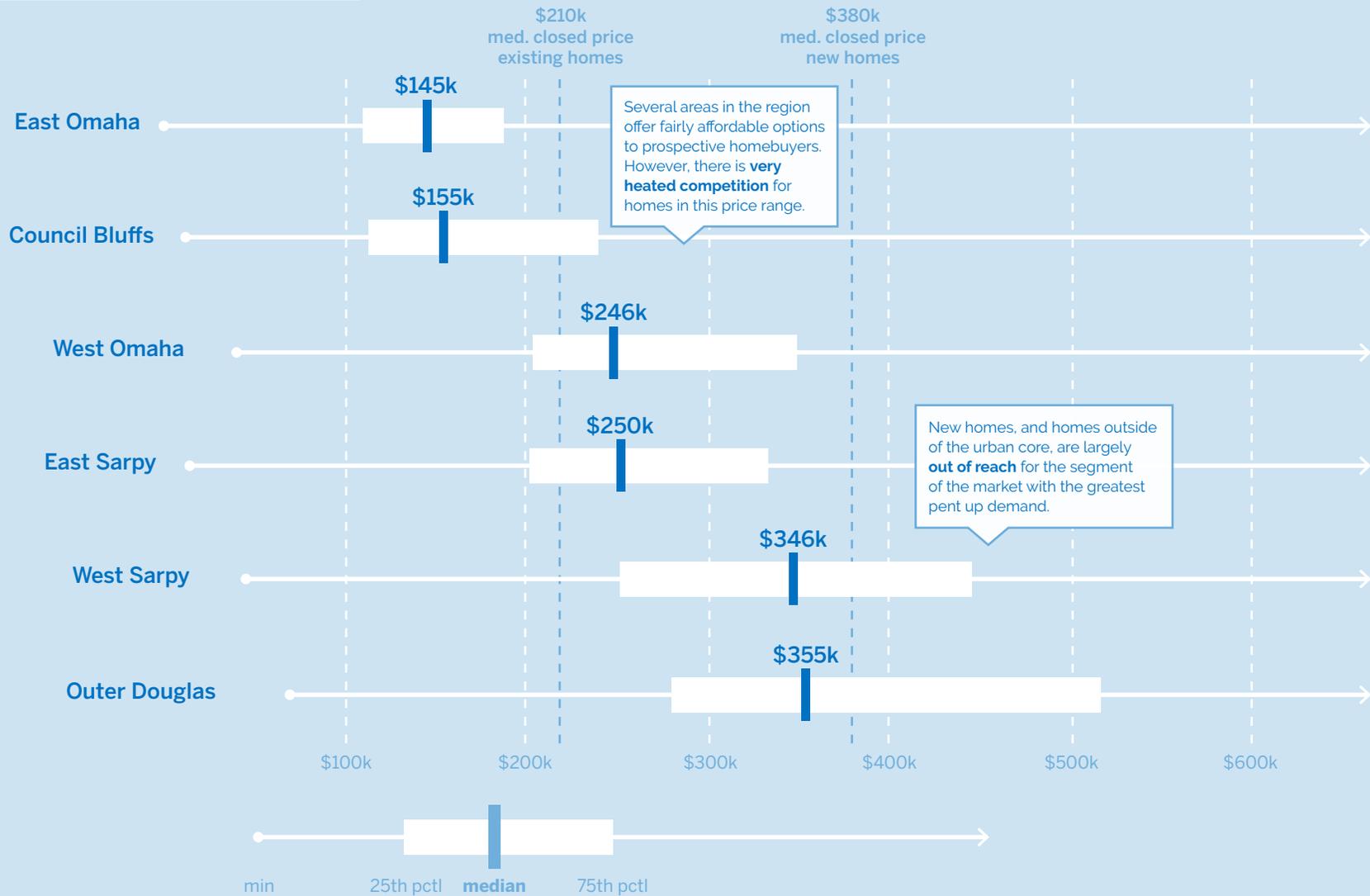


source: Development Strategies, 2019

The largest segments of demand are in the workforce range (with sales prices between \$150,000-\$250,000) and the upscale range (with sales prices between \$300,000 and \$400,000). According to the Great Plains regional MLS report for Omaha, the median closed price in December 2020 for existing homes was \$210,000, toward the higher end of the workforce range. However, the median days on market for existing homes in the Omaha metro region has trended aggressively downward—from 24 days in December, 2018 to 11 days in December, 2020—indicating intense competition for homes in this range.

These trends have held during the COVID-19 pandemic so far, surprising economists and housing experts, who expected the market to soften. With a growing number of millennial renters projected to enter the homeownership market, demand in the workforce range is expected to grow. The average new home price (i.e., new construction) aligns with the upscale and luxury markets. These findings emphasize the dual importance of supporting quality renovations of existing (currently vacant) housing to meet demand, while also encouraging new construction at a wider range of price points.

Recent Home Sales by Subarea



source: Zillow, mid-November 2020 to mid-February 2021



Rapidly Rising Home Values

Home values are rising rapidly in the region, with 39 percent overall growth between 2010 and 2020 across the Metropolitan Statistical Area. The map on the next page shows the relative rate of growth between 2010 and 2017 in each subarea and within various census tracts. This analysis shows that values are increasing in most areas, with growth particularly concentrated in specific geographies (with the largest overall growth in East Omaha). It also shows that values are growing most rapidly in some of the region's traditionally lower-cost areas. While some of this growth represents positive reinvestment in the housing stock and neighborhood amenities, it can also place a burden on long-time residents of these communities, putting homeownership further out of reach for prospective homebuyers and/or increasing property tax expenses for current homeowners.

For-Sale Housing Supply

The analysis on the previous page shows the median, 25th percentile, and 75th percentile home prices in each subarea. These prices suggest that the region's existing supply of homes is only moderately well-matched to homebuyer affordability. The analysis also shows the relative inaccessibility of different subareas to prospective homebuyers, with West Sarpy, Outer Douglas, and West Omaha largely out of reach for most low- and moderate-income households.

Lower-income homebuyers will struggle to find quality options almost anywhere in the region, as will workforce buyers without sufficient savings to make a significant down payment. Home prices are generally within reach for many workforce buyers, if they have adequate savings for a down payment and knowledge to navigate a competitive market. Upscale and luxury homebuyers have a broad range of choices for where to buy, and are more likely to have the resources to succeed in a fast-moving market and to access more affordable mortgages (i.e., a mortgage of 80 percent or less, not requiring mortgage insurance).

27%

Home values have grown significantly in almost all parts of the Omaha and Council Bluffs area, reflecting both property appreciation and the competitive for-sale market.

26%

34%

Home values have grown most rapidly in East Omaha, West Sarpy, and in concentrated areas in many parts of the region.

27%

In just this last year, in the period from Fall 2019 and Fall 2020, closed home prices across the MSA increased by \$24,000 (12%).

33%

26%

Change in Home Values



Home Value Growth 2010-2017

source: ACS 2017

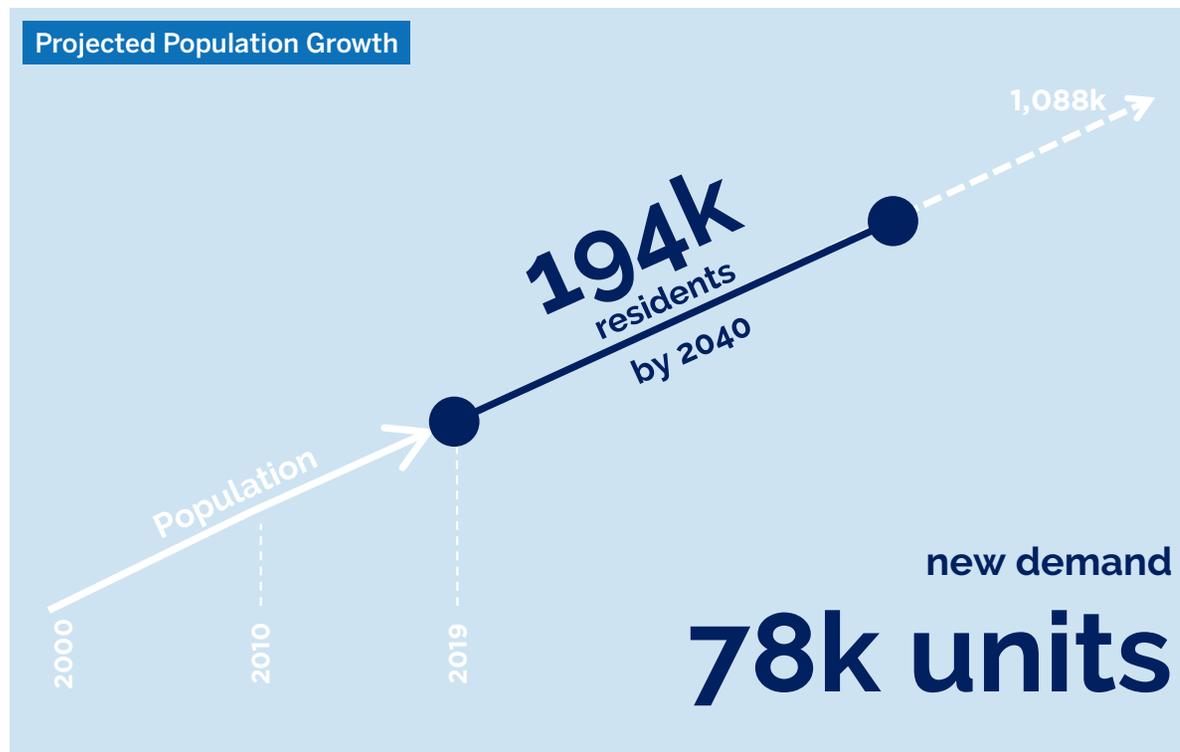
Housing & the Growing Region

As the region continues to grow, it will need new housing that matches the scale of population growth while also diversifying available types of housing. Allowing for and encouraging a broader range of housing types will help the region mitigate patterns of sprawl by directing new housing production to transit-accessible areas, as well as to parts of the region's urban core where previous disinvestment resulted in significant vacancy.

All communities must consider how and whether they are building the right housing for their futures—the needed amount, the needed types, and in the needed locations. For a place growing as quickly as the Omaha and Council Bluffs area, addressing these challenges in a strategic way is critical.

Growth and the Pace of Production

In their Heartland2050 report, the Metropolitan Area Planning Agency (MAPA) projects significant growth throughout the broader region—23 percent population growth by 2040. If the focus area for this study were to capture its proportional share of new population growth, it could see as many as 194,000 new residents—or



source: Heartland 2050, ESRI (for 2030); 2050 estimate assumes that the study area will capture same proportional growth as 2000 to 2019 (94%)

approximately 78,000 new households—by 2040. Assuming just 5 percent vacancy for new housing to accommodate these new households, this growth would require the addition of over 82,000 units through a combination of new construction and reinvestment in vacant housing.

The region added a significant number of new housing units over the past several years (4,100 units per year, on average). However, this

production rate will not be enough to keep pace with new housing needs. At the current rate of production, the Omaha and Council Bluffs area would add 66,000 new units over the next 20 years, falling about 15,000 units short of the projected need.

The region should monitor its progress to ensure that housing production occurs at the needed pace. A shortfall would exacerbate the escalations in rents and home prices, affecting everybody in the region, particularly burdening low- and moderate-income households.

The Geography and Diversity of Growth

The location of population growth is as important to planning as is the scale of growth. MAPA's Heartland2050 initiative advocates for reversing sprawling patterns of development in the service of more equitable, transit-oriented growth. This policy direction has significant implications for how to think about the location of new housing development within the Omaha and Council Bluffs area.

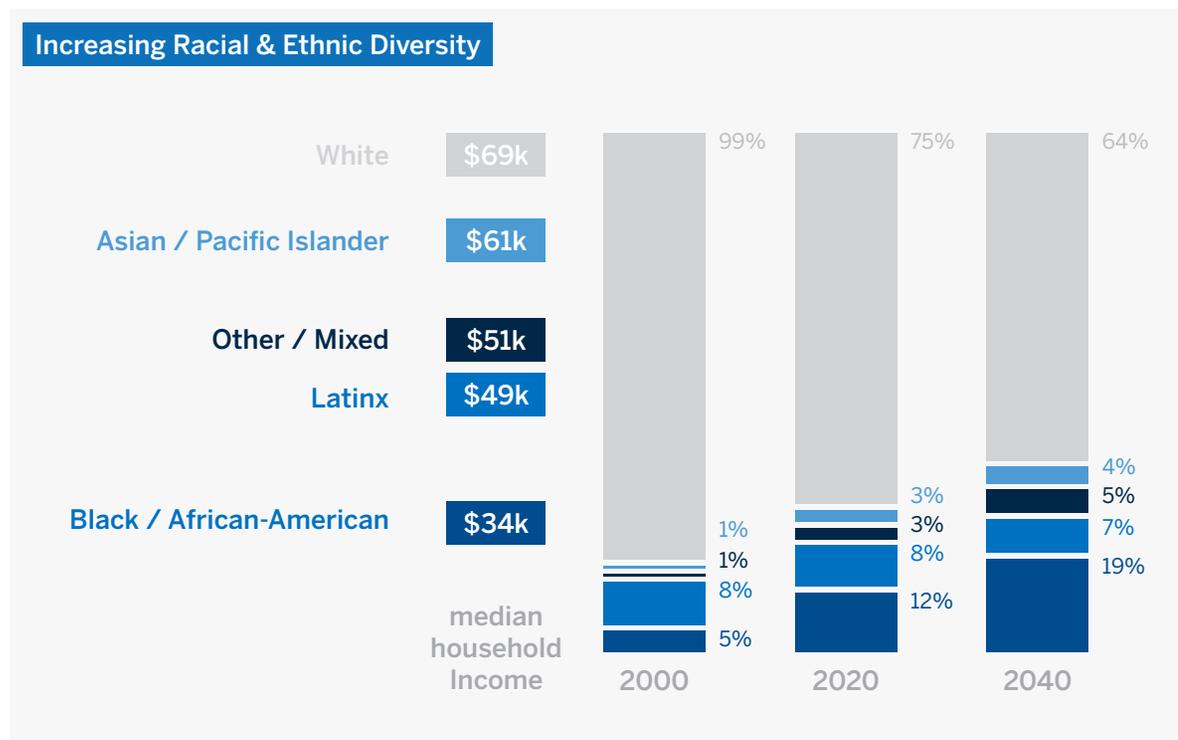
For example, if current land use patterns persist, East Omaha, West Omaha, and Council Bluffs would capture just over half of the study area's new population growth. This translates to a need for about 45,000 new units by 2040 (assuming an average household size of 2.5 people and a 5 percent vacancy rate). But if this urban core area were to capture a larger share of new growth—

two thirds of new households in the region—East Omaha, West Omaha, and Council Bluffs would together need 56,000 new units, or 12,000 more units than if current sprawling patterns exist.

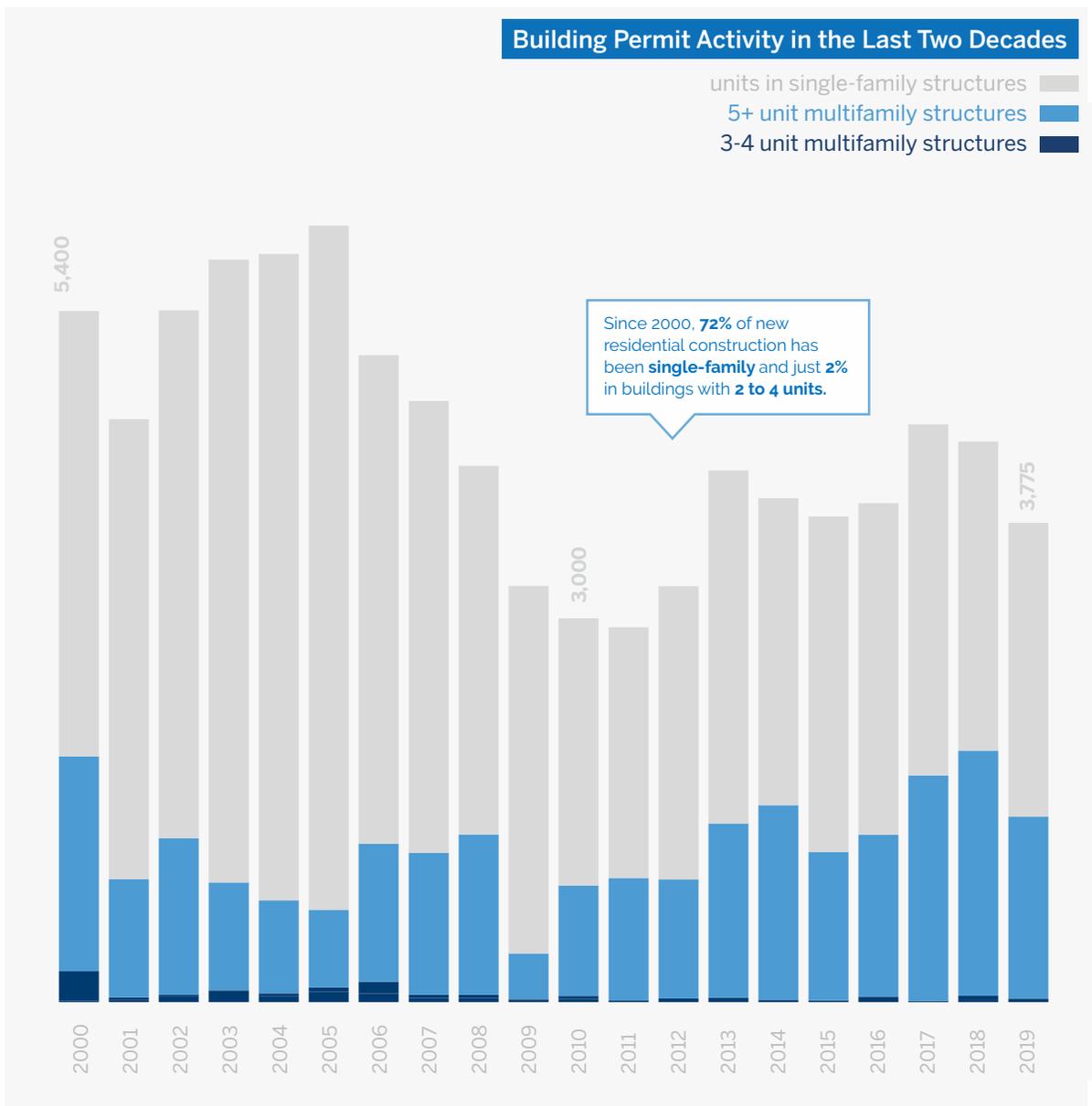
Furthermore, Heartland2050 projects that the region's overall population growth will be accompanied by a growing diversity. In 2020, just 1 in four of the region's residents were people of color—Latinx, Black / African-American, Asian / Pacific-Islander, or other groups. By 2040, it is

expected that at least one in three residents will be people of color.

Due, in part, to legacies of institutional racism and discrimination, these groups have lower household incomes than White households (at \$49,000, \$34,000, \$61,000, and \$51,000 median incomes, respectively). Housing and economic investments must be attentive to these differences for the region to develop in an equitable way, expanding housing affordability while also improving economic opportunities.



source: Heartland2050, PolicyMap



While the precise projections for the location and composition of population growth are uncertain, the implication of this analysis is important: that to successfully direct more of the region's growth and development to areas with existing infrastructure, the community must adopt policies that support and encourage more housing development in urban core communities, with a variety of housing types and price points.

Types of New Housing

The past two decades of building permit data show that the vast majority of new housing development (71 percent) has been of single-family homes. This is indicative both of the region's sprawling development pattern (with significant low-density growth at the region's fringes) as well as of the homebuilding sector's familiarity with this housing type. While new multifamily housing has seen an uptick in recent years, buildings with two to four units comprise less than 1 percent of new units since 2000.

source: HUD SOCDC Building Permits

This lack of housing diversity is consistent with national trends. In 2018, for example, 60 percent of new multifamily units were in buildings with 50 or more units. “Missing Middle” housing types—including small multifamily buildings, duplexes, and four-unit buildings—are very rarely built in American cities.

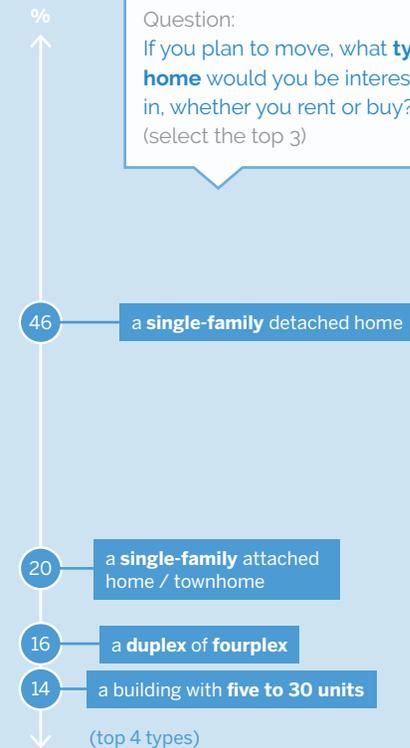
However, there is a growing interest in these types of housing, and they are well-suited to core urban areas, because they support walkability and contribute to transit-supporting density. Among survey respondents, for example, over 50% of respondents would be interested in “Missing Middle” housing types. These types of housing can also be built at lower cost per unit than large single-family homes, creating the potential for more built-in affordability.

Survey Response: Neighborhood and Housing Type Preferences

Question:
What are the most **important features of a neighborhood** where you would like to live?
(select the top 3)



Question:
If you plan to move, what **type of home** would you be interested in, whether you rent or buy?
(select the top 3)

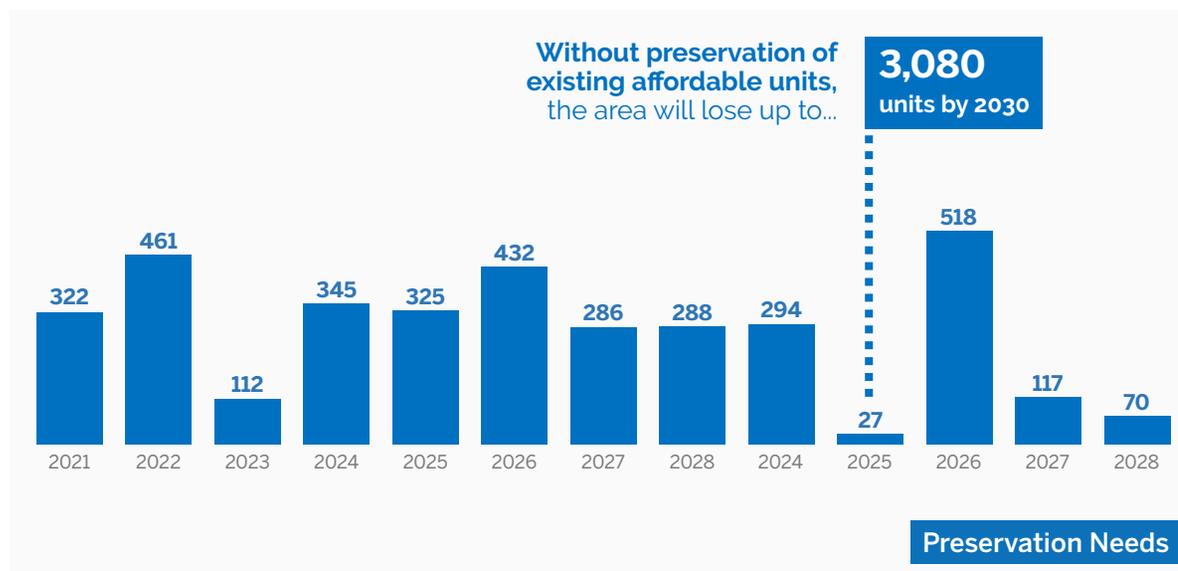


The Growing Affordability Gap

The Omaha and Council Bluffs area has nearly 20,000 units of dedicated affordable housing, made affordable to low-income households through a variety of subsidy sources. The existing supply falls short of meeting the region's need; preserving and expanding the availability of this housing will be critical components of a strategy to reduce housing cost burden and housing instability.

The region has an estimated 19,730 units of dedicated affordable housing, including Low Income Housing Tax Credit units, Housing Choice Vouchers, public housing units, and other assisted units. Like in most communities in the United States, this supply falls far short of what is needed. Because affordable housing programs are not entitlement programs, many households that qualify for assistance do not receive it. In the Omaha and Council Bluffs area, just one in five households that qualifies for housing assistance receives it.

Households who do not receive the housing assistance they qualify for search for housing in the broader market, often finding housing that is poor quality, overcrowded, poorly located, or more expensive than they can afford.



source: LIHTC database, assuming potential loss of affordability restrictions at 15 years after the property is placed in service

The Need for Preservation

Most programs that support the development of dedicated affordable housing operate with a limited affordability or “compliance” period. Projects that reach the end of their designated affordability periods may be renewed as affordable with another incentive or subsidy (if resources are available), or converted to market-rate housing.

The analysis above estimates the number of dedicated affordable units that will reach the end of their initial 15-year LIHTC compliance period in the years ahead—over 3,000 units by 2030. (Some of the units represented here may have

longer affordability periods than the 15-year minimum.) While the appropriate solution for any affordable housing property will vary, preserving the overall stock and availability of affordable housing is needed in order to mitigate cost burden and reduce housing instability in the region.

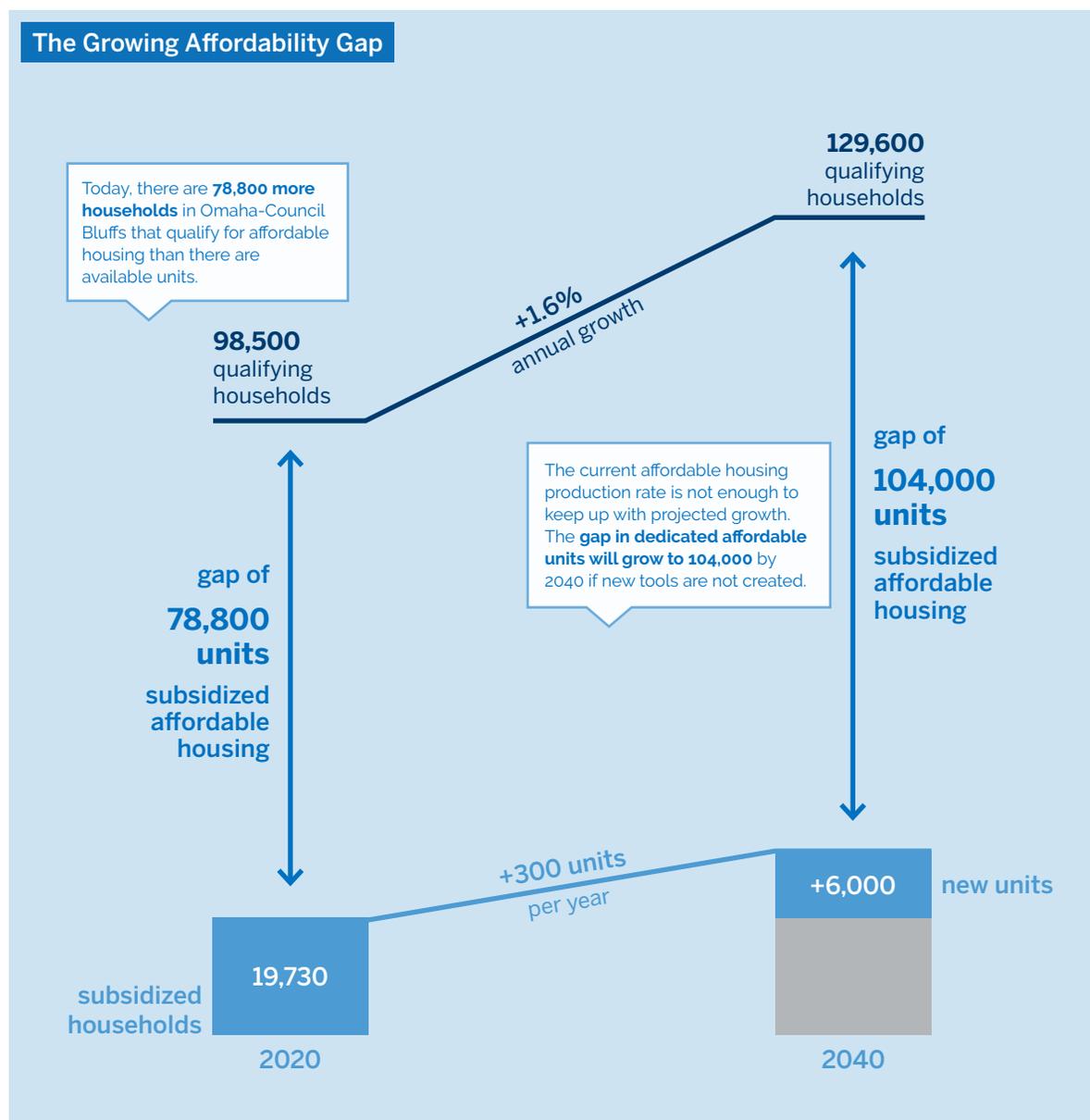
Many communities are placing emphasis on affordable housing preservation, creating new tools and aligning new resources to support this priority. The recent “4 percent fix” at the federal level—a provision long promoted by affordable housing advocates—will make significant more

equity available for acquisition and substantial renovation projects under the Low Income Housing Tax Credit program. A strategic approach, as well as supporting programs and funds, will maximize the impact of this recent change.

The Growing Affordability Gap

The current system of affordable housing production is also not producing enough units to meet the need. In fact, the affordability gap—the difference between the supply of dedicated affordable housing units and the number of qualifying households—will grow if current conditions do not change.

Based on the current scale of affordable housing production, the Omaha and Council Bluffs area will add just 6,000 new units by 2040—a rate slower than the population growth projected for the region. At this rate, the affordability gap will grow from 78,800 units to more than 100,000 units by 2040.



source: production based on past 10 years of LIHTC allocations; demand based on estimate of households with incomes below 60% AMI; growth based on Heartland 2050

Housing & the Landscape of Opportunity

The location of affordable housing in the region—combined with the community's highly uneven access to quality educational, economic, and environmental resources—does not support equitable access to opportunity. The region must embrace opportunities to improve access to affordable housing options in resource-rich locations, while also ensuring that all neighborhoods receive the investment and support needed for a high quality of life.

The location of affordable housing resources in a community is just as important as the quantity. Does affordable housing support access to transit, jobs, neighborhood services, education, open space, and other parts of a community that support quality of life and economic opportunity? It is the aspiration of community leaders in the Omaha and Council Bluffs area that housing serve as a platform for a secure, healthy, and opportunity-rich life.

Uneven Access to Affordable Opportunities Across the Region

In regions with uneven access to conditions that help people thrive, it is common to find dedicated affordable housing concentrated in lower-

income areas—where land is less expensive and community opposition is less of a barrier—and where residents are underserved by educational, economic, and environmental systems. This pattern is clearly evident in the Omaha and Council Bluffs area.

The map on the next page shows the location of the region's dedicated affordable housing properties overlaid with the Child Opportunity (COI) Index—one measure of how well neighborhood conditions help children develop in a healthy way. The analysis shows a stark trend: that affordable housing is concentrated in areas with lower COI ratings, and sparse in areas with higher ratings. Many of the affordable properties in higher-COI areas are actually affordable senior housing; not family housing. Research suggests that of us all, children are most significantly impacted by neighborhood environments.

Facing a Legacy of Inequitable Housing Opportunity

In the Omaha and Council Bluffs area, like in all American cities, stark differences in neighborhood conditions are a result of discriminatory policies that caused generations of disinvestment in communities of color. Redlining, restrictive deed covenants, blockbusting, and countless other formal and informal policies segregated American communities, and directed investment to predominantly white communities, away from communities of color.

Facing the legacy of these policies, the region has the opportunity to address their impacts with a new generation of more equitable development policies. The community's approach to housing affordability is necessarily an important piece of this broader conversation around equitable development. Equitable housing policies and investments would support progress in four mutually-reinforcing dimensions:

- Expand access to capital for residents in neighborhoods that where redlining and associated policies limited the ability of residents to obtain credit for housing purchases and investments;
- Make investments that improve quality of life in areas still suffering from legacies of disinvestment;
- Ensure that long-time residents and people of color can stay and participate in community revitalization efforts; and
- Expand access to affordable housing in areas with educational and economic opportunities.

The Child Opportunity Index (COI) maps the quality of resources and conditions (educational, economic, and environmental) that matter for children to develop in a healthy way in the neighborhoods where they live.

Housing Supply and the Child Opportunity Index

Affordable Supply

- LIHTC
- Public Housing
- Section 8

Child Opportunity Index

- 0-20
- 20-40
- 40-60
- 60-80
- 80-100

source: diversitydatakids.org, HUD Database

There are **limited dedicated affordable housing options** in areas with a high Child Opportunity Index score.

Many **existing affordable properties** are located in areas with a low Child Opportunity Index score.







3

Future Housing Needs

2040 Housing Demand

As previously discussed, MAPA projects that Omaha-Council Bluffs will gain as many as 194,000 new residents by 2040. Such growth would create demand for nearly 80,000 new units—a 24 percent increase over today’s unit count of 342,000. This data only tells a small part of the housing need story—it is important to understand what the need is for housing at various affordability levels, to begin to craft a holistic strategy to meet that need.

Current Demand

The method used to assess current demand assembles data for housing values, what percentage of household income residents spend on housing household income, and homeownership rates to pinpoint mismatches between supply and what residents can afford at different price points. This analysis generally assumes that households will be cost burdened, so that the scale need to create an equitable housing market is known.



Trends for Rental Housing

As the graph of renter affordability on page 34 illustrates:

- Approximately 33 percent of renters qualify for affordable housing, or housing with rents of \$1,000 per month or less;
- Another 40 percent of renters fall within the workforce housing range (\$1,000 to \$1,600 per month); and,

- The remaining 27 percent can afford upscale and luxury options (\$1,600 per month or more).

A key implication of this data is that more than half of all renters can afford rents for housing products that are difficult for the market to provide without incentives and/or subsidies.



Trends for for-sale housing

Housing affordability trends for the for-sale market are noticeably different than the rental market. Key observations include:

- More than half of households in the study area can afford homes priced \$300,000 or more, based on household income.
- Approximately 30 percent of households can afford housing that is generally in the workforce range—\$125,000 to \$275,000.

- Current demand is relatively low for “affordable” for-sale homes—those priced below \$125,000—however, this is partly due to fact that most households in this income range currently rent their housing.
- The existing home stock largely supplies workforce-affordable, and even a notable proposition of upscale-affordable homes.
- The average new home price is \$375,000, meaning that newly constructed homes are almost only affordable to high-income households.

Current / Pent-Up Demand

The demand analysis confirm that Omaha-Council Bluffs has a mismatch between what housing is currently available, and what households need for housing stability. This calculation considers household affordability and what types of housing (i.e., rental and for-sale) are needed at various price points. It also considers housing cost burden and housing conditions, and reflects the scale of the current need to generally provide decent quality and affordable housing for all households.



Approximately 25,000 units are needed to meet current demand—17,000 for-sale and 8,000 rental. In terms of affordable housing (60 percent AMI and lower), there is a need for 10,000 units—4,500 for-sale and 5,500 rental. These units are extremely difficult to produce without incentives or subsidy.

Current and pent-up demand can be met by vacant units, existing units that are renovated, and new construction.

Future Demand (20 Years)

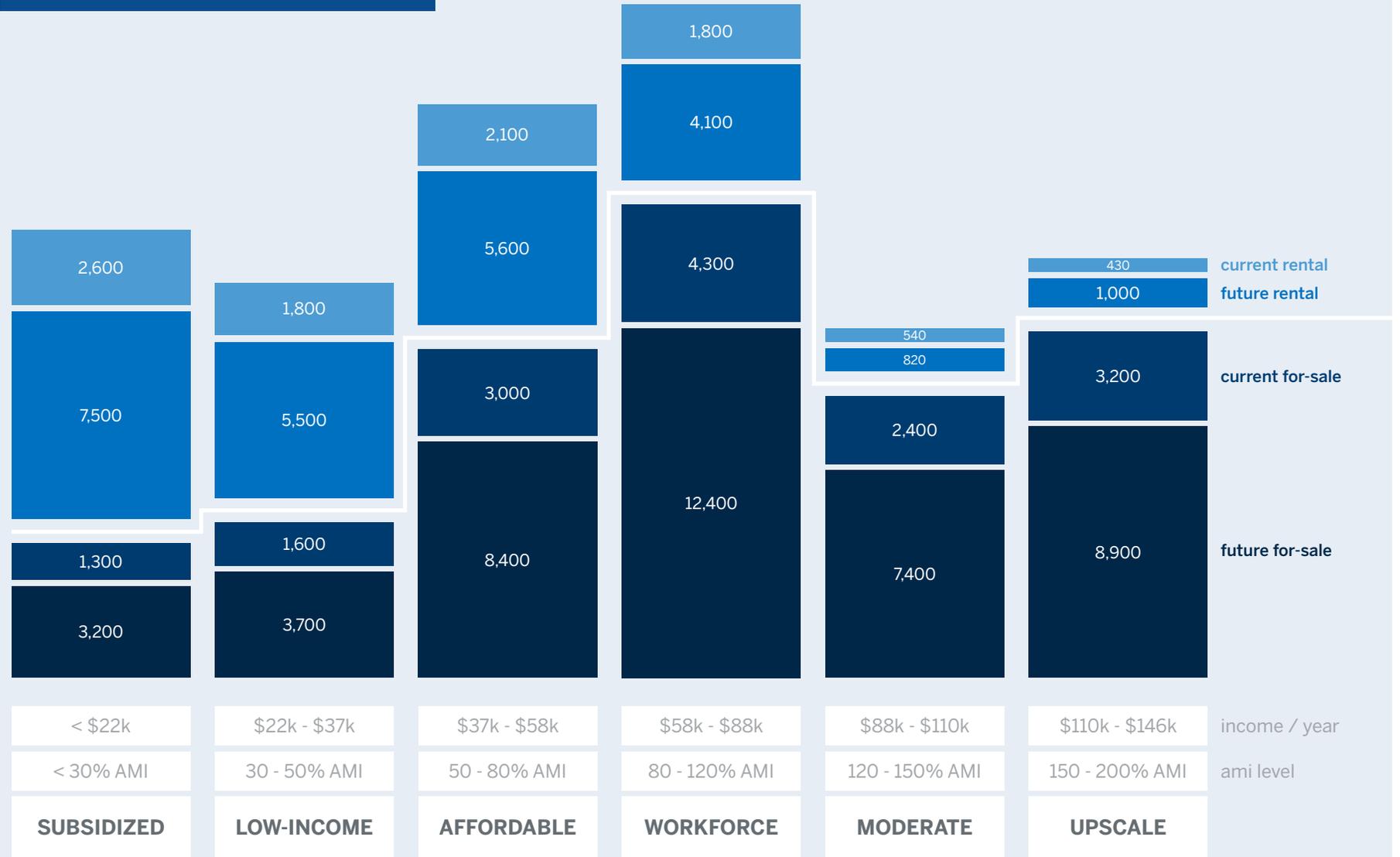
Future demand projections assume the MAPA growth projections described in Chapter 2, and consider how the distribution of households by income and housing preference (i.e., renter vs. owner) might change.

Future demand is estimated at up to 80,000 units—or about 55,000 for-sale and 25,000 rental units over the next 20 years. Affordable housing demand makes up about 40 percent of overall future demand, accounting for 14,000 for-sale and nearly 18,000 rental units. Clearly, substantial

resources will be needed to meet this demand, and position Omaha-Council Bluffs for long-term sustainable and equitable growth.

Total current and future demand is estimated at 85,000 to 100,000 units. As previously discussed, most affordable and workforce units require some sort of subsidy to construct, while the market can deliver more expensive housing without much, if any, assistance.

2040 Housing Demand Conclusions



source: ESRI, NOVOCO, definitions established assuming 2.55-person household, the average household size for the study area

Investment to Meet the Challenge

What resources are needed to meet this demand? This is an important question in considering policies, programs, and other interventions aimed at supporting the types of development that are needed to create a more equitable housing stock.

The economic feasibility of building, renovating, or rehabilitating different types of housing affects the ability of developers to add these units to the market and meet demand. Understanding the factors that affect feasibility will help to guide the use of incentives and investment tools in the city.

One must first understand the economic feasibility of building, rehabilitating, or renovating a single housing unit to understand the scale of impact possible through an incentive or subsidy program.

This evaluation—feasibility analysis—seeks to evaluate the two sides of this feasibility equation:

- The typology- and market-specific costs to deliver a single unit of housing, including purchase/acquisition, construction, and soft costs.
- The market value of the housing product, based on target rents or sale prices, standard financing terms, a modest profit, and stabilized occupancy.

Where development value exceeds development costs, a housing unit can typically be delivered without the support of incentives or subsidy.

Where development costs exceed development value, there is a feasibility gap, which incentives or subsidy can help fill.

This methodology was used to analyze the feasibility of a variety of housing types, and was applied to the unique context of each focus area. Housing types considered include:

- Market-rate multifamily: new construction and infill;
- Single-family: new construction, renovation, and infill;
- Rehabilitation and renovation;
- Missing middle infill; and,
- Affordable housing and mixed-income.

The diagram below generally summarizes this analysis.

The feasibility gap ranges substantially depending on location, housing type, design, construction materials, amenities, and target market. For instance, the feasibility gap for a three-bedroom/two-bathroom infill single-family home is some north Omaha or west Council Bluffs neighborhoods is approximately \$75,000 to \$100,000. In nearby near west Omaha neighborhoods like Blackstone, there is no feasibility gap if an infill lot were available.

Affordable housing development inherently has an economic feasibility gap that decreases as the target market's incomes rise. The primary challenge is that a feasibility gap exists for all

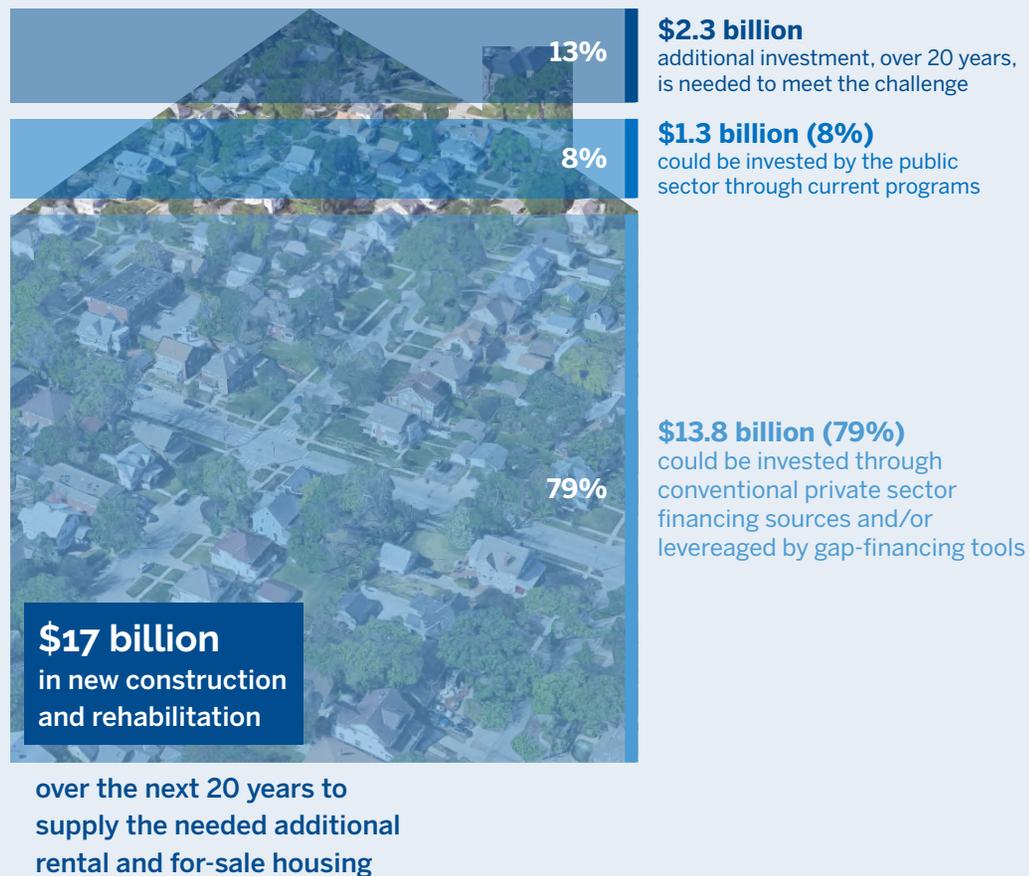


types of affordable housing, and even most workforce affordable housing. Properties that mix market rate and affordable units tend to have smaller gaps, but incentives are still needed to make those developments possible.

The feasibility gap to produce all needed housing units at all income levels was also calculated. This analysis considered the feasibility gap (or lack thereof) for all price points of housing; the amount that would be covered by conventional private sector financing sources (e.g., loans and equity) and existing gap funding program (e.g., TIF); and, the amount that would be raised through existing public sector programs like LIHTCs.

Based on these calculations, \$17.4 billion is needed to produce 80,000 to 100,000 new housing units over the next 20 years. Approximately 87 percent of this amount would be financed through traditional means and public sector program, leaving 13 percent, or \$2.3 billion that will be needed to develop an equitable and affordable housing stock. It is also estimated that nearly 12 percent of projected demand could be met by renovating in existing vacant housing.

The Level of Investment Needed to Meet the Need



The Housing Ecosystem

Understanding the local housing ecosystem—both its strengths and needs—is critical to inform how the region can best meet housing needs over the near, medium, and long term.

The housing ecosystem includes all organizations—government bodies, non-profit developers, non-profit housing service providers, legal aid, private developers, banks, CDFI's, CDCs, and other related entities—that are involved in providing housing and housing supports. An assessment of the housing ecosystem was an important component of this study. Many organizations have worked to provide affordable housing and related services for decades in the Omaha and Council Bluffs area. Others have emerged more recently to support neighborhood revitalization efforts in north and south Omaha, as well as to support and expand innovative funding programs for housing development.

Housing ecosystem stakeholders were engaged multiple times during the course of this study to understand what the organizations do and where

they see the greatest challenges to meeting affordable housing needs. Housing providers were also polled to identify programmatic and funding priorities.

A key strength of the housing ecosystem is that there are a number of long-standing organizations that are working on housing challenges, and there is growing support and commitment to work together on the diverse set of housing needs and challenges.

Most of the stakeholders also agreed that the existing ecosystem is not robust enough to meet the housing needs of the region,

The current housing ecosystem was divided into three subcategories for further understanding and analysis: development, support, and policy.

The Development Ecosystem

The development ecosystem includes for-profit and non-profit companies and organizations involved in the physical development of housing. It includes developers, builders, housing authorities, community organizations, state finance authorities, CDCs, CDFIs, municipal government, and similar organizations.

Key strengths of the existing development ecosystem include:

- There are strong existing non-profit housing providers, like Habitat for Humanity of Omaha and Holy Name Housing.
- There are emerging public-private partnerships formed to leverage the CHOICE neighborhoods program in north and south Omaha, which are also working to expand organizational capacity at the neighborhood level.
- There are a handful of experienced affordable housing developers that have been able to produce or preserve quality units with limited resources.

Key barriers include:

- There are not enough funding options for affordable options and the primary source of funding—9% LIHTCs—is highly competitive.
- It is becoming challenging for for-profit affordable housing developers to continue to pursue affordable housing opportunities when market-rate development makes more business sense.
- There are few non-profit developers with the capacity and expertise to produce more affordable housing units.
- There are not enough CHDOs in the region to maximize/leverage potential HUD funding.
- Four percent LIHTC deals are becoming very difficult to bring to market because of the cost of Class C properties.

Participants in the Housing Ecosystem

Physical Development	Investments in People	Focus on Policy	
<ul style="list-style-type: none"> Arch Icon Clarity Housing Development Co J. Development Nustyle Housing Foundation for Sarpy Co Omaha Housing Authority White Lotus 	<ul style="list-style-type: none"> Habitat for Humanity Omaha Housing Authority 	<ul style="list-style-type: none"> Habitat for Humanity Omaha Housing Authority 	Housing Providers
<ul style="list-style-type: none"> 712 Initiative 75 North Council Bluffs Housing Trust Fund GESU Housing Habitat for Humanity Holy Name Housing InCOMMON Community Development Neighborworks Canopy South 	<ul style="list-style-type: none"> Heartland Family Services Heartland Workforce Solutions InCOMMON Community Development Legal Aid Lutheran Family Services MACCH One Omaha Restoring Dignity 	<ul style="list-style-type: none"> Douglas County Health Department Heartland Workers Center Omaha by Design Omaha Chamber Omaha Together One Community NE Housing Developers Association 	Nonprofit / Social Service Agencies
<ul style="list-style-type: none"> City of Omaha HUD Field Office IA Finance Authority NE Investment Finance Authority 		<ul style="list-style-type: none"> City of Omaha HUD Field Office MAPA 	Governmental Agencies
<ul style="list-style-type: none"> Omaha 100 Omaha Economic Development Corp Midwest Housing Equity Group Spark 	<ul style="list-style-type: none"> Omaha 100 		Banking / Financial Institutions



The Support Ecosystem

The support ecosystem includes mainly non-profit organizations that provide housing-related services to households, including credit counseling, homeowner training, down payment assistance, tenant counsel, rental assistance, and related programs.

Key strengths of the existing support ecosystem include:

- Services available for tenants grew during the pandemic, and the capacity to deliver more services is being expanded.
- There are a handful of organizations with many years of experience providing homeowner-related housing services.

Key barriers include:

- While there are promising local place-based efforts, there are not enough resources and there is not enough capacity (organizations and developers) for robust place-based efforts.
- Important housing support services are not yet operating at the scale needed to support long-term change (e.g., financial assistance, homebuyer counseling, and similar programs).
- Affordable housing options are located too far from emerging job centers.
- There is also a need to strengthen relationships between landlords, tenants, and service providers.

The Policy Ecosystem

The policy ecosystem primary includes government, at all levels, and policy makers. This includes city councils, state agencies, and related institutions. It also includes organizations that advocate for policies that better support affordable housing development, preserve affordability, provide more supports and protections for vulnerable populations, and promote equity in the housing system.

Key strengths of the existing policy ecosystem include:

- Federal policymakers recently placed a floor of 4 percent for federal 4 percent LIHTCs, which should support the preservation of affordable housing units.
- There are discussions moving toward reforming TIF and other policies to support more affordable housing development.

Key barriers include:

- There is no unified voice for leadership to advocate for and support policies that encourage affordable housing development.
- There is not a comprehensive policy framework for addressing housing affordability.
- There are no policy measures to limit income discrimination.

The conversations and assessment of the housing ecosystem was informative in identify challenges to providing quality affordable housing in the Omaha and Council Bluffs area, and created a foundation of understanding that informs the recommended strategies.







4

Strategic Framework

Overview of the Strategic Framework

Findings from the analysis and conversations with local housing stakeholders informed five broad goals for addressing the region's housing challenges. With the right tools, policy supports, and partnerships in place, the community can make significant progress toward these goals over time.

This chapter outlines five broad strategic goals for expanding housing affordability in the region, highlighting several approaches in each strategic area. This “toolkit” identifies development-related tools, policy tools, and programs and supports that have shown promise in other communities.

The region and the many communities within it are unique; each tool described in this chapter must necessarily be tailored to the specific context of the Omaha and Council Bluffs area. It is important that partners in the public sector, private sector, nonprofit ecosystem, and philanthropy all recognize their unique role(s) in this effort, and together embrace every opportunity to address the region's pressing housing needs.



Prevent and address housing instability

This first goal—identified as holding the highest priority by local stakeholders—is focused on keeping people in their homes, reducing the frequency of unwanted moves, and providing more stable housing for those facing homelessness. Strategies discussed as part of this goal include tenant legal representation, eviction prevention, permanent supportive housing, and partnerships with local housing providers and landlords. Deploying a variety of tools to increase housing stability will have direct benefits to resident health, children's educational success, and broader economic stability.



Accelerate affordable housing production

The second goal is focused on increasing the number of quality, dedicated affordable housing units added to the market each year. As discussed in the Housing & Market Analysis chapter, the current pace of production falls far short of what is needed. But there are a wide range of development, policy, and regulatory tools—including the use of local incentives, various forms of gap financing for development, and capacity building of the local nonprofit housing development ecosystem—that can help to close this production gap over time.



Preserve existing affordable housing

The third goal is to improve the quality of existing affordable housing resources—both rental and for-sale—while also maintaining their affordability. Without preservation strategies in place, residents will face increased housing cost burden and housing instability. There are a variety of approaches to reinvest in existing affordable housing properties, expand capital access in distressed markets, and working with landlords to improve their practices.



Foster innovations to lower housing costs

This fourth goal focuses on strategies to reduce the cost of producing new, quality, affordable housing in the region. This is especially important in better meeting the pent-up demand for quality workforce housing, both rental and owner-occupied. This section identifies a range of possible approaches to meet this need, including zoning and regulatory changes, competitions to spur innovation and experimentation, and financing supports for promising new housing types.



Address the negative impacts of gentrification

Neighborhood reinvestment brings many important benefits to a community, chief among them a higher quality of life in the neighborhood itself. But without a strategic approach in place, the intended beneficiaries of these investments—the long-time residents of a neighborhood—may struggle to afford to stay to experience these positive changes. This fifth set of tools is designed to lower the cost burdens of gentrification on long-time and lower-income residents, while also ensuring that all members of a neighborhood stand to benefit from and participate in investment in their community. This includes strategies like property tax relief, community investment trusts, and mixed-income development concepts.

Prevent & Address Housing Instability

A broad range of tools, investments, and programs can help improve housing stability in the region. Some will be especially critical as the impacts of COVID-19 continue to unfold.

Many issues can lead to housing instability and the threat of eviction, foreclosure, and/or the risk of homelessness. A financial emergency or lost work can quickly put a family behind on rent or their mortgage; an eviction history can make it difficult to find quality housing in the future; landlords may refuse to accept income or rent assistance, robbing households of a fuller range of housing choices; and, physical and mental health issues can make it difficult to find quality, stable housing alongside needed services and supports.

Addressing and preventing these issues can help keep people out of homelessness, and improve their ability to live stable and productive lives.

Development Tools

The development of deeply-affordable housing, particularly permanent supportive housing, can provide quality, stable housing options to households with very low incomes and with chronic mental and physical health challenges. Permanent supportive housing—which combines housing assistance with voluntary support services that address the needs of individuals experiencing chronic homelessness—can keep people out of homelessness while also connecting them with needed health care, mental health treatment, and employment services.

Policy Tools

Private landlords and housing providers are essential partners in improving housing stability in the region. Providing education and support to these partners—such as through a landlord consortium—can encourage them to address health and safety issues, connect tenants with support services, and accept tenants' rent or income assistance (e.g., Housing Choice Vouchers, Supplemental Security Income). A landlord consortium could also establish a quality landlord certification program, offering an incentive to landlords to improve their practices while also providing renters with better information about the housing provider market in the region.

Development Tools

- Fund the production of **permanent supportive housing**

Policy Tools

- Establish a **tenant right to counsel** in eviction cases
- Ban and/or discourage discrimination on the basis of tenant **source of income**
- Continue to strengthen the **rental registration ordinance**

Programs and Supports

- Expand the availability of **emergency rent and utility assistance**
- Make **legal counsel** broadly available and free for tenants facing an eviction cases
- Establish a **landlord consortium** to encourage private housing providers to adopt best practices
- Provide **home repair** grants or forgivable loans to low-income homeowners
- Expand the availability of **foreclosure mitigation services**

Local and/or state policy changes that extend fair housing protections based on households' source of income can improve the efficiency of existing programs (like the Housing Choice Voucher program and emergency rent assistance efforts) and help people access and remain in quality homes of their choices. Ongoing efforts to strengthen rental registration in the region, and remove barriers to tenants' submission of code violation complaints, will create more accountability for problem property owners.

Programs and Supports

Communities across the country employ a wide variety of programs to reduce housing instability. Landlord-tenant mediation and foreclosure mitigation services can help resolve disputes and financial challenges that could easily put renters or homeowners at risk of losing their homes. Home repair grants or forgivable loans for low-income homeowners can address physical challenges before they become unmanageable or dangerous. Emergency rent and utility assistance can be very cost-effective tools for keeping renters out of the homelessness system, and have grown in importance during the COVID-19 pandemic.

Ensuring tenant access to legal counsel in eviction cases is another effective strategy for preventing homelessness and housing instability. Studies in other communities show that this low-cost intervention significantly reduces the likelihood of an eviction judgment, helping keep renters in their homes, and keeping their records free of evictions (which can be a significant barrier to future housing choice). When paired with rent assistance programs, it also allows tenants and landlords to reach mutually beneficial agreements about the payment of past-due and future rents.



Strategy Spotlight

Source-of-Income Protections

In most communities, landlords can legally refuse to accept tenants that use government assistance programs (such as Housing Choice Vouchers, Social Security, or Temporary Assistance for Needy Families) as a source of income for their rent payments. This significantly reduces housing choice for low-income households, and contributes to economic and racial segregation.

Communities like the City of St. Louis, for example, have passed ordinances outlawing this type of discrimination, extending local fair housing protections and enforcement to people utilizing this assistance. Along with education and enforcement, this ordinance helps to expand housing choice and better leverage important federal housing assistance programs.

Whether through policy change and/or education and partnership with landlords, reducing discrimination on the basis of source of income is an important part of a strategy to reduce housing instability, expand housing choice, and support mixed-income communities.

Precedent Cases

- > St. Louis, MO
- > Atlanta, GA
- > Des Moines, IA
- > Minneapolis, MN

Accelerate Affordable Housing Production

Accelerating the production of new, quality, dedicated affordable housing is of critical importance to supporting economic growth, reducing household cost burden, and addressing the large and growing affordability gap.

Today, only one in five households who qualify for housing assistance receive it. Households who do not receive the housing assistance they qualify for are left to search for housing in the broader market, where they often find only housing that is poor quality, overcrowded, poorly located for their preferences, and/or far more expensive than they can afford.

As is detailed in the Housing & Market Analysis chapter, the current system of affordable housing production is simply not creating enough affordable housing to meet the need. And without new tools and approaches, the affordability gap will continue to grow.

There are a number of tools, resources, and policies that the community could put in place to address this gap. There are also promising proposals at the federal level that would significantly expand what is possible in the region. Establishing the needed resources and capacity will require strong leadership and cross-sector partnerships, and enable developers and other housing providers to better leverage existing tools.

Development Tools

Development-related tools improve the feasibility of affordable housing development projects by filling the gap between development costs and what can be funded by available sources (including debt, equity, and operating assistance). As more projects become feasible and can “make the numbers work,” more quality affordable units will be created.

Direct gap funding is one of the most direct ways to support affordable housing development. Gap funds can take the form of grants, equity, or low- or no-cost loans that work in tandem with other available resources (such as 4 percent and 9 percent Low Income Housing Tax Credits, Project-Based Section 8, and other federal programs). Because interest rates are at such historic lows, grants and equity are likely to make the greatest impact on project feasibility. Examples of such assistance will be detailed in the following chapter.

Assistance with land and property acquisition can also significantly reduce development costs. Proactive acquisition is often an important part of a broader neighborhood revitalization strategy, to ensure that quality sites are available for affordable housing development alongside other market-rate development.

Greenlining funds are emerging tools for expanding access to capital for homebuyers and homeowners in distressed markets, where existing affordable housing stock cannot receive financing for needed improvements. This can be

Development Tools

- **Assist with acquisition** of land and/or building for affordable housing development
- Provide **direct gap funds** to support development of affordable housing
- **Expand capital access** to purchase and improve homes in distressed markets

Policy Tools

- Leverage **local incentives** (i.e., TIF, tax abatement) to support affordable housing

Programs and Supports

- **Build capacity** of non-profit and mission aligned developers through training and partnerships
- **Cultivate a CDFI and/or lending consortium** to provide more flexible financing options

used to support new development, as well as to preserve existing affordable homes. This tool will be detailed in the following chapter.

Policy Tools

Local governments use various incentives to support development that is in the public's interest. Many communities use these tools—including tax increment financing (TIF), tax



abatement, and density bonuses—to support the creation of affordable housing, often in the context of mixed-income development. While the use of tax incentives by local governments is commonly subject to state laws and restrictions, communities have many options for how to structure these tools so that they can support affordable housing development within an allowable legal framework.

Programs and Supports

Developers and housing operators are essential partners in the creation of quality affordable housing. As the region seeks to accelerate the amount of affordable housing it creates each year, it will need a cadre of quality non-profit and

mission-aligned developers ready to successfully implement housing development projects at scale. Efforts to expand the financial and staff capacity of the local development community must accompany the creation of new resources and tools.

A group of lending institutions working together and in partnership with community organizations can expand community development lending. A lending consortium of banks and community development financial institutions (CDFIs), for example, can use Community Reinvestment Act (CRA) dollars and provide technical expertise (e.g., underwriting, administration, etc.) to support or implement financing programs that support housing development.

Strategy Spotlight

Using TIF to Support Affordable Housing Development

Many communities have established practices and policies that leverage tax increment financing (TIF) to support the development of affordable housing. There are several ways in which TIF is used to do so. The first most direct way is to use TIF to support dedicated affordable housing development, similar to how it is used for market-rate developments. Omaha already uses TIF in this manner. TIF is often used to require a new development to include a certain percentage of affordable units in order to maximize the TIF benefit to the project. In some cases, developers are allowed to deposit funds into an affordable housing development fund if they do not meet the set-aside requirement. Cities can also require that a certain percentage of TIF revenue proceeds be deposited into a fund to support the development of affordable housing within the TIF district. Finally, a less common approach is to create districts in economically thriving areas to capture tax increment gains to build or preserve affordable homes in those areas.

Omaha and other communities in the region have the opportunity to explore several options, and determine which approach would best meet community needs while complying with state law.

Precedent Cases

- > [Chicago, IL](#)
- > [Cincinnati, OH](#)
- > [State of Texas](#)

Preserve Existing Affordable Housing Options

The region's existing stock of affordable housing—both dedicated and unsubsidized—is a critical resource for low- and moderate-income households. But many of these affordable units are at risk. Preserving the availability of this housing, while improving its quality, is an important component of a broader housing strategy.

As detailed in the Housing & Market Analysis chapter, more than 3,000 of the region's nearly 20,000 dedicated affordable housing units could lose their affordability restrictions over the coming decade. If these properties are converted to market-rate, many residents will be unable to afford the new rents, and will face the choice of moving to another property or assuming higher-cost burden. Preserving the dedicated affordability of these units will require a concerted effort—and additional resources—to identify at-risk properties, enlist mission-oriented developers, and reinvest in a manner that renews their affordability.

Most of the region's affordable housing stock is unsubsidized, or “naturally occurring,” meaning its affordability is a result not of a program-related restriction but of its age, condition, location, or

a combination thereof. In many cases, these properties have extensive deferred maintenance. Yet these are the homes of a large share of the region's low-income households. The community needs strategies that encourage accountability for owners of these properties and support physical improvements, while also maintaining attainable rents and home prices.

Development Tools

The region has the opportunity to adopt an aggressive approach to preserving existing dedicated affordable housing, aligning partners to identify, track, and devote resources to the acquisition, and rehabilitation of these units. Several communities have established public-private funds for this very purpose; this approach will be detailed in the following chapter. The Consolidated Appropriations Act passed by Congress in December 2020 included a provision to set a 4 percent floor for rehabilitation Low Income Housing Tax Credit (LIHTC) projects. This change will make substantial new capital available for these projects, helping local partners further leverage their contributions and investments.

Many communities are also creating development tools that help preserve and improve “naturally occurring affordable housing” (NOAH). For example, some new tools offer below-market

Development Tools

- Identify **properties near the end of affordability period** and recapitalize to preserve as affordable
- Create tools for acquiring, renovating, and preserving **unsubsidized affordable housing**
- **Expand capital access** to purchase and improve homes in distressed markets

Policy Tools

- Support state-level policy changes to expand the use of the **4 percent LIHTC credit**
- Strengthen and support local **rental registration programs**
- Embrace **strategic code enforcement** by cities to encourage proactive maintenance

Programs and Supports

- Provide **home repair** grants or forgivable loans to low-income homeowners
- Support and expand **lead abatement efforts** to improve health and safety
- Establish a **good landlord certification program** to incentivize proactive maintenance
- Expand **weatherization assistance** to improve efficiency and comfort, and reduce utility costs

return equity contributions to owners of NOAH for rehabilitation projects in exchange for affordability restrictions. This can support owners in improving the quality of their NOAH properties while ensuring that the benefit of a higher-quality unit is available to renters via a long-term affordable rent.

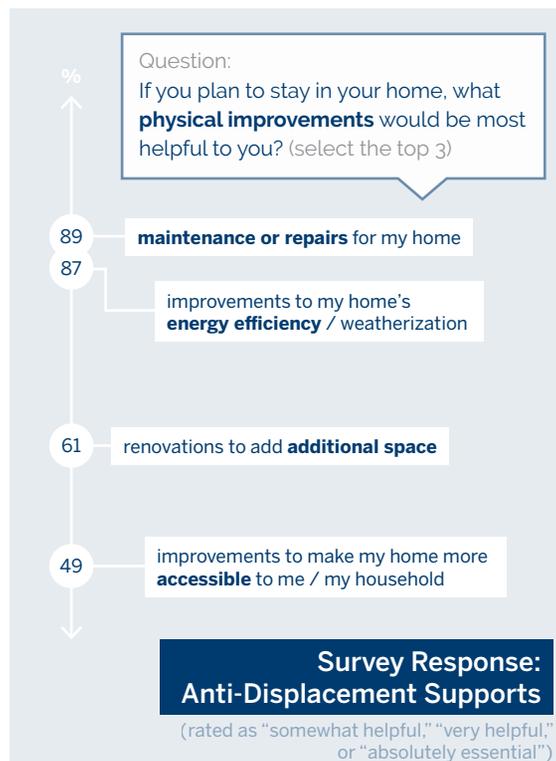
Greenlining funds are also mechanisms for preserving existing affordable and workforce-affordable for-sale housing stock. These funds expand capital access so that homeowners and prospective buyers can make the needed improvements to these homes. The Neighborhood Homes Investment Act is a federal proposal with a similar intent to address the appraisal gap in distressed markets through a new tax credit.

Policy Tools

A number of state and local policy tools can also help support preservation efforts. For example, the State of Nebraska could expand the use of its state 4 percent Low Income Housing Tax Credit program to increase available resources for acquisition and rehabilitation of dedicated affordable housing. Efforts by local governments to strengthen existing rental registration ordinances, and conduct strategic code enforcement will help to improve accountability for problem property owners and promote proactive maintenance of the region's NOAH stock.

Programs and Supports

Several other programs and interventions such as home repair assistance for low-income homeowners, weatherization assistance, and lead abatement support can help improve the quality of affordable homes by addressing health and safety issues. Landlord certification programs based on best practices—also discussed as a strategy for preventing and addressing housing instability—are complementary tools to strengthen accountability for rental property owners and encourage proactive maintenance.



Strategy Spotlight

Matching Federal 4% LIHTCs

Eighteen states (including Nebraska) and the District of Columbia have state LIHTC programs. These programs are intended to be paired with the federal LIHTC program to provide state income tax credits to raise additional equity to develop and preserve of affordable housing.

Each state has its own allocation process and priorities. In some states, including Nebraska, the credit is used to match only federal 9 percent credits (typically used for new construction or substantial rehabilitation). Nebraska does not currently offer a state program to match federal 4 percent credits—which are non-competitive and commonly used for acquisition and preservation, or for new construction in combination with other subsidies.

However, many states also use their state LIHTC program to match federal 4 percent credits, either on a dollar-for-dollar or a partial basis. These policies significantly expand available resources for affordable housing preservation and development. Because federal 4 percent credits are non-competitive, reliable state 4 percent matches can encourage greater affordable housing development activity, and strengthen the local development ecosystem.

Precedent Cases

- > [Georgia](#)
- > [Oklahoma](#)
- > [Texas](#)

Foster Innovations to Lower Housing Costs

The regulatory, financing, land, and construction costs of housing development have a significant impact on housing affordability. Identifying strategies to reduce the per unit construction costs will help to expand the affordability of new housing, and stretch public and philanthropic resources further, even where there is a strong market.

High construction costs can make it difficult to build new housing at affordable prices or rents. In fact, housing construction costs doubled between 2001 and 2019, and the cost of lumber increased over 50 percent between April and December 2020 because of supply chain disruptions caused by the pandemic and tariffs. With single-family housing comprising the vast majority of new housing added to the region, the larger footprints and lots make it nearly impossible to deliver a product that is affordable to a broad segment of the region.

Current zoning regulations discourage housing types that could be built at lower costs—duplexes, triplexes, and small multifamily housing that can reduce costs through shared walls, systems, and land costs. Yet, these “missing middle” housing types are an important mix of walkable, transit-supporting neighborhoods, and have the potential to be delivered at more attainable prices or rents.

The time and direct expenses of obtaining building permits, zoning approvals, and meeting infrastructure requirements can also add significant costs to housing development. A study published by the National Association of Home Builders estimates that compliance with government regulation can account for as much as 24 percent of the cost of delivering a new single-family home, with the majority of those costs embedded in the process of preparing a lot for development. While we depend on many of these regulations to ensure public health and safety, there are often many opportunities to reduce the impacts of regulations on housing costs.

Development Tools

One barrier to the development of missing middle housing typologies is that they are perceived as higher risk than more typical suburban development because limited examples, or comparables, exist in a given market. This means that new infill typologies are difficult for a bank to underwrite, which makes it harder to obtain typical financing for the development. By creating a financing source with lower-risk terms (e.g., a predevelopment loan, a partially-forgivable loan, or a low-cost equity source), the community can help to encourage a broader range of missing middle and other desired housing typologies.

Development Tools

- Provide **financing** to support the development of missing middle housing types
- Assist with **site assembly and preparation** for mixed-income housing development

Policy Tools

- Support **regulatory and zoning reform** to reduce development costs
- **Remove regulatory barriers** to missing middle housing development
- Create a **pattern book** for new, affordable infill housing types

Programs and Supports

- Hold a **design-build competition** aimed at demonstrating **missing middle housing types**

Preparing and assembling a clean site for development can assist with development costs, reduce risk, and direct housing investment to particular priority areas. This type of acquisition assistance can be especially valuable in the context of targeted neighborhood reinvestment strategies, where the community wants to set the table for a catalytic project.



Policy Tools

Zoning is one of the primary barriers to the development of moderately dense housing (e.g., duplexes, townhomes, quadplexes, small multifamily, etc.). But as cities increasingly recognize the value of these missing middle housing types, they are beginning to revise their zoning codes to create more regulatory flexibility for development of this type of housing. In the context of the Omaha and Council Bluffs area, these zoning reforms will be especially important in transit corridors and near walkable commercial districts.

Cities can also explore the creation of “pattern books” for new infill typologies that can be built

more affordably. These pattern books would specify the floorplans, setbacks, and other building characteristics of an approvable home, facilitating the easy and expedient development of these building types.

Programs and Supports

The region could create a competition to generate interest in missing middle housing development, inviting developers to submit proposals for mixed-income missing middle housing on city-owned sites. A competition could generate valuable lessons about how to make the development process more cost-effective, and create new mixed-income housing that serves as a model for future development.

Strategy Spotlight

Zoning Reform to Support Quality, Diverse Infill

Housing typologies with densities between single-family and large multi-family—such as two-, four-, and six-unit walkups, or attached townhomes—are sometimes referred to as “Missing Middle” housing. These types of housing support walkability and transit, and have the potential to be built at somewhat lower cost than traditional single-family housing. There are many existing examples of this housing within the region’s historic urban neighborhoods, but, in many American neighborhoods, residential zoning all but bans this type of housing in new development.

Many communities are starting to embrace policies that allow for this broader range of housing types in residential neighborhoods—rather than just single-family zoning—through local and/or state-level reform: ending exclusively single-family zoning; reducing parking requirements; creating zoning overlays that promote diverse infill in core neighborhoods; and even piloting programs to demonstrate the potential of missing middle housing development. The region should continue to explore all options to allow more diverse infill housing as part of a broader strategy to expand affordability and promote inclusive development.

Precedent Cases

> [Missing Middle Housing Program, Minneapolis](#)

> [Core Neighborhoods Overlay, Tulsa, OK](#)

> [Single-Family Zoning Ban, Oregon](#)

Address the Negative Impacts of Gentrification

The community will need a strategic approach to ensure that neighborhood reinvestment helps to advance its equitable development objectives, and does not put undue displacement pressures on long-time and/or lower-income residents.

Reinvestment in urban core neighborhoods can bring many important benefits to a community: reduced vacancy; improved safety; increased market support for local services; stabilized and increasing property values; increasing tax revenue; and improved property maintenance.

But without proactive planning, reinvestment can also threaten the stability of lower-income residents who live in the neighborhood or who would like to move to it: increasingly unaffordable rents; rising property taxes; and diminishing opportunities to pursue homeownership are common risks. These pressures create an environment in which long-time residents do not benefit from changes in neighborhoods that they have long been stewards of, and where the profits of investment flow exclusively to new and/or outside entities. An equitable development framework; however, can put tools and strategies in place to prevent displacement, enhance neighborhood diversity, and ensure that all members of a community benefit from neighborhood improvement efforts.

Development Tools

Mixed-income housing development is at the core of an inclusive reinvestment strategy. If market-rate investment is accompanied by the creation of new affordable housing—either within a single development or in close proximity—new development will welcome and retain residents with a mix of backgrounds. This approach will rely on the use of incentives and other funding supports that encourage and make feasible the creation of affordable housing.

It is especially important to proactively preserve dedicated affordable housing—such as with the tools described on the previous page—in neighborhoods experiencing gentrification. In neighborhoods where values are rising, properties that lose their affordability restrictions are especially likely to be converted to higher-rent market-rate properties, very likely leading to the displacement of low-income residents previously living by the property.

A Community Land Trust (CLT) is a development model that can help create and preserve affordable homeownership opportunities over the very long term. CLTs acquire land for housing development and maintain ownership of that land while the homes—the improvements—are sold. When a home is sold, the owner earns a pre-

Development Tools

- Support **mixed-income housing development and affordable housing preservation**
- Establish **Community Land Trusts** to create permanently-affordable homeownership

Policy Tools

- Provide **property tax reimbursements** to legacy and/or low-income homeowners
- Create **property tax exemptions** for affordable housing providers

Programs and Supports

- Explore creating a **Community Investment Trust** with neighborhood residents
- Expand access to **emergency utility and rent assistance**
- Create a citywide and/or community-wide **anti-displacement strategy**

determined percentage of the increased home value, and the home is transferred back to the CLT where the remainder of the increased value helps to sustain the operations of the trust. This gives CLTs long-term control over future sale prices and helps prevent rapid price appreciation.

Policy Tools

Rising property values typically lead to higher property taxes over time. Even a property that has not seen significant renovation or improvement will have a higher property tax bill by virtue of its location in a more desirable area. Just a moderate property tax increase can be a burden for lower-income homeowners, who may already be stretching to afford their mortgage payments, as well as for affordable housing operators.

Targeted property tax relief for low-income homeowners and affordable housing properties can help to lessen this burden, reduce displacement pressures, and help to preserve affordable housing.

Programs and Supports

The City of Omaha, and/or the broader region should create a comprehensive anti-displacement strategy that examines all possible development tools, policy changes, and programs and supports to prevent unwanted displacement.

Tools to explore include Community Investment Trusts (CITs): emerging models that create wealth-building opportunities for low- and moderate-income residents through investment in neighborhood development. CITs offer a vehicle for investment and community ownership of assets in a neighborhood, such as a multifamily development. A CIT helps ensure that residents have the opportunity to receive financial returns from property appreciation in their neighborhood, and also that participating residents have a measure of direct control over development in their community.



Strategy Spotlight

Property tax relief

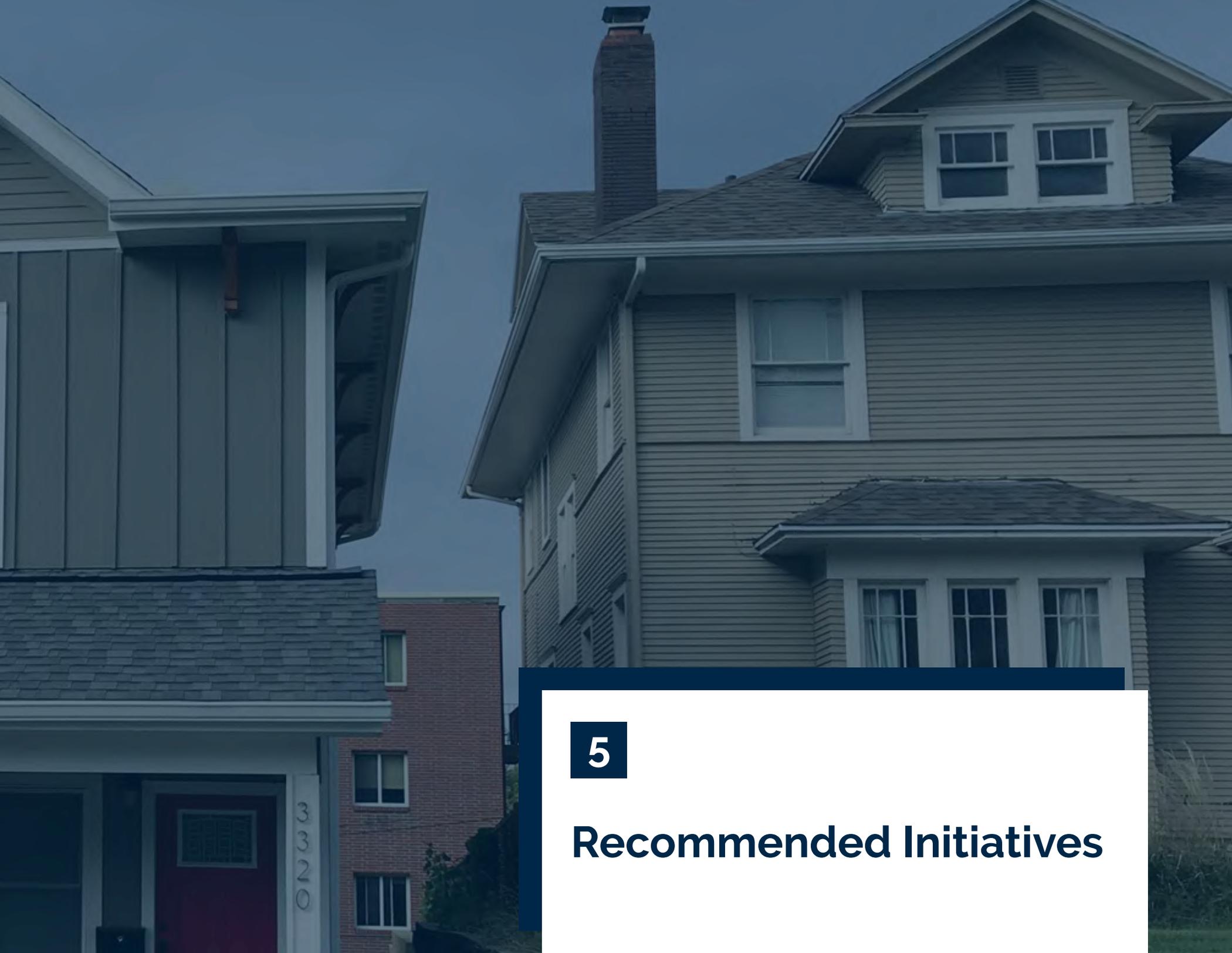
Targeted property tax relief can be an effective component of a strategy to prevent displacement and preserve housing affordability in neighborhoods where property values are rapidly appreciating. These programs can be directed toward long-time and/or low-income homeowners living in a neighborhood undergoing focused reinvestment, reimbursing them for increases in their property taxes property values. This type of reimbursement can also be paired with legal assistance to resolve title issues, ensuring that properties do not become mired in legal disputes upon a homeowner's passing. A fairly small amount of reimbursement (e.g., \$1,000 to \$2,000 per homeowner) can make a significant difference in these residents' ability to stay in the neighborhood.

Property tax relief can also be directed to providers of affordable rental housing. Property tax exemptions for developers who complete rehabilitation projects on their buildings, but maintain rents at an affordable level, can be a helpful tool to encourage preservation and improvement of both dedicated and naturally occurring affordable rental housing.

Precedent Cases

- > Anti-Displacement Tax Fund for Legacy Homeowners, Atlanta, GA
- > Longtime Owner Occupants Program, Philadelphia, PA
- > Class 9 Program, Cook County, IL





5

Recommended Initiatives

Five Recommended Initiatives

This study identifies five recommended priority initiatives for civic focus, investment, and cross-sector partnerships to address the region's affordable housing shortage.

Conversations with local housing experts and other stakeholders helped to refine the strategy toolkit into five recommended initiatives: Creation of a preservation fund; Establishment of a development fund; Expanded eviction diversion programs; Creation of a greenlining fund; and Support for policy change. This chapter details these initiatives, and the issues they will target in the context of the Omaha and Council Bluffs community.

Omaha-Council Bluffs is not alone in facing the housing challenges identified in this study; many other communities are confronted with similar circumstances, and are marshalling resources toward creative and proactive responses. Several promising precedents for the recommended initiatives are highlighted throughout the chapter.

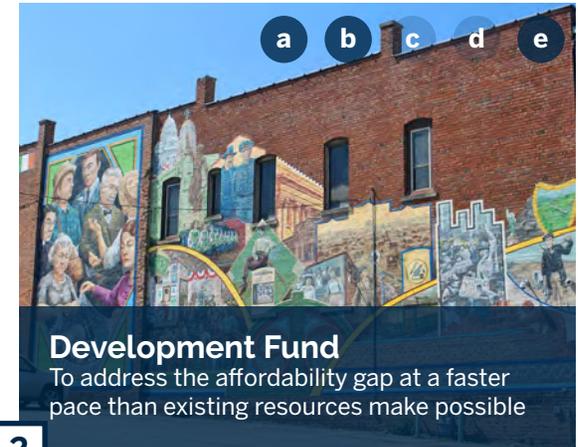
A consistent theme underlying all of the recommendations is the fundamental importance of cross-sector partnership. Collaboration from leaders in the public sector, private sector, nonprofit community, and philanthropic sector will all be necessary for these initiatives to have lasting impact. But the potential is great: the combined impact of these efforts could substantially advance the region's capacity to expand opportunity.



1

A fund supported by public sector, private sector, and philanthropic partners would provide needed gap financing to preserve and improve the quality of at-risk dedicated affordable rental housing, as well as “naturally-occurring” affordable housing properties (i.e., Class B and C apartment properties) in deteriorating condition or at risk of conversion to market-rate. The fund could be structured to offer a combination of grants, preferred equity products, revolving loans, and/or loans with favorable terms.

Preservation funds pool investment from the public sector (including state and local entities), the private sector (including banks and corporate partners), and philanthropic organizations (through grants, and loan guarantees, and program related investment).



2

A development fund would provide gap financing for the development of new affordable housing, including mixed-income rental housing, the creation of affordable housing in areas near job centers and transit, and transformative “catalyst” projects in neighborhoods undergoing broader revitalization efforts.

Similar to preservation funds, development funds pool contributions from a broad range of investors and offer products that fill critical development finance gaps. They are typically managed by a third-party entity (i.e., a community development intermediary) that brings the capacity and expertise needed for underwriting, outreach, and management. Like preservation funds, development funds leverage the contributions of public sector and philanthropic partners for a greater impact.



Eviction Diversion

To prevent a cycle of housing instability and homelessness

3

Evictions put households at high risk of chronic housing instability and homelessness. Children are especially harmed by the impacts of eviction, often falling behind in school, struggling to catch up, and dealing with long-term physical and mental health effects. Efforts to help renters avoid eviction can significantly improve their chances of establishing a more stable housing situation while also avoiding downstream costs in healthcare, the courts system, public safety, and education.

Providing legal counsel to renters significantly reduces the likelihood of an eviction judgment, and also presents an opportunity to connect those in housing court to other needed services. This is a highly cost-effective strategy for preventing housing insecurity and homelessness; efforts to expand regional programs are already under way.



Greenlining Fund

To strengthen neighborhoods and expand access to homeownership

4

Greenlining funds address the “appraisal gap” that exists in many neighborhoods impacted by redlining and other historical patterns of disinvestment. Today, this gap exists where appraised values in a neighborhood are too low to underwrite purchases and/or needed improvements. This situation creates an environment where market-based investment in the region’s single-family housing stock does not occur, affordable single-family housing stock continues to deteriorate, and speculative cash investors dominate distressed markets.

This source of financing provides homeowners and prospective homebuyers new access to the capital they need to invest in homeownership and in their neighborhoods, over time stabilizing these housing markets. They also create arms-length market transactions that support the appraisal process.



Policy Change

To maximize the impact of other efforts

5

Land use policy, incentive policy, tax policy, and many other policy areas impact housing affordability. Policy changes such as zoning reform, source-of-income protections, expanded use of the state affordable housing tax credit program, and tax increment financing (TIF) reform will accelerate progress toward expanding housing affordability in the region. Supporting these policy changes—while also strengthening the capacity of housing policy advocates—will help to maximize the impact of the other initiatives while also positioning the housing ecosystem to adapt as new challenges and policy needs arise.

Preservation Fund

The region could lose thousands of affordable units if it does not take proactive steps to preserve them. A fund that better aligns new and existing sources of capital can improve the financial feasibility of preservation projects, and support mission-aligned developers in their work to preserve quality affordable housing in the region.

Many existing affordable housing properties in the Omaha and Council Bluffs area—both dedicated and “naturally-occurring”—are at risk. As many as 3,000 dedicated affordable housing units, for example, will reach the end of the initial 15-year compliance period under the LIHTC program



over the coming decade, and could lose their affordability restrictions if they do not receive some type of reinvestment. As income restrictions expire, it is common for the owners to sell the property, or convert them to market rate, resulting in significantly higher rents. This can burden and/or displace current residents. Properties in weaker markets face different challenges—including being eligible for new financing, the lack of which leads to deferred maintenance issues.

Similarly, many naturally-occurring affordable housing (NOAH) properties offer only tenuous stability and affordability to their residents. These older Class C and B properties may be incrementally raising rents, undergoing significant renovation to garner much higher rents, or falling into deep disrepair. Outside of code enforcement and the rental registration program, there are not tools to encourage owners of these properties to improve the quality of this housing or preserve its affordability.

The Approach

The creation of a Preservation Fund would help to fill a significant gap in the available tools and resources available for acquiring, renovating, and/or reinvesting in at-risk affordable housing properties in the region. Preservation funds offer a source of gap financing that works alongside existing tools to amplify the impact of public sources of funds, and/or to complement their use by making other types of projects possible. Gap financing can include low-cost debt, equity, and/or

grants—the type and terms of financing should be structured to meet project needs in the context of a specific market and development ecosystem.

Several communities have established public-private funds aimed to assist with preservation efforts. These funds blend capital from local governments, state housing agencies, banks, corporate contributors, philanthropic organizations (through both grants and PRI), and other partners to offer gap financing at terms that make additional preservation work possible. Contributors to these funds participate in different modes, with some partners (such as banks, corporate entities, and philanthropies via PRI) receiving a modest return on their investments, and others participating with no expectation for a repayment of capital (e.g., through grants or loan guarantees). However, loan, equity, or grant products offered by the fund are administered through a single process and by a single entity—typically a Community Development Financial Institution (CDFI)—that has the capacity and expertise to operate the fund.

While the technical details of this approach can be complex, the potential for impact is clear: by preserving and improving the quality of existing affordable housing assets, the region can prevent displacement, improve housing stability, improve housing quality for low-income families, and cultivate an equitable, mixed-income neighborhood development approach.

Housing for the Future Fund & Preservation Partnership

Implementation Considerations

Successfully creating and operating a preservation fund will require careful planning and detailed conversation among partners. Several key questions that should be considered are outlined below:

- What specific types of preservation projects will the fund target (i.e., size, location, affordability mix), and what financing products are best suited to meet those projects' needs?
- What is the fund's unit number target for impact? How will leaders in the community assemble the needed commitments from contributors?
- What are the operational and administrative requirements of successfully implementing this type of fund? What entity has the needed capacity and expertise?
- What reporting will be required of borrowers/fund participants? How do these requirements align with those of other subsidies and incentives that are likely to be in the capital stack for the target projects (e.g., 4 percent LIHTCs, Historic Tax Credits, HOME funds, etc.)?
- How will partners generate interest in participation?
- How should partnerships between the administrator of the fund and contributors be structured? Who will be engaged in oversight, in loan review, in data sharing and reporting, etc.?

The Detroit Housing for the Future Fund is a \$50 million fund created to support preservation of affordable housing in the City of Detroit. Together with the Detroit Preservation Partnership, the effort offers a promising precedent for public-private collaboration around preservation, leveraging both new resources and existing tools in service of a broad impact.

Over the past several years, partners at the City, the state housing agency, and in the local community development ecosystem increasingly recognized the need for preservation action; thousands of affordable units were set to expire in the coming years, including in areas where rents were quickly rising. Following an announcement of the initiative by Mayor Duggan in his 2018 State of the City address, the City issued a Request for Proposals to identify an entity to help plan and structure a preservation fund. The Local Initiatives Support Corporation (LISC)—a national community development intermediary and Community Development Financial Institution (CDFI) with an established presence in Detroit—was selected to lead the effort.

At around the same time, the City also solicited proposals for teams to lead a Preservation Partnership that would coordinate other preservation initiative activities (e.g., property owner engagement, the creation of a centralized database, and assistance with energy and

water assessments). The City selected a multi-organizational team led by Enterprise Community Partners.

The Housing for the Future Fund offers five products designed to preserve 10,000 existing affordable units and support the development of 2,000 new units. These products include: a capital needs assessment recoverable grant program; a grant award to match predevelopment expenses and soft costs for developers of color; a low-interest subordinate mini-permanent loan; a low-interest preservation acquisition mini-perm loan (senior); and a preferred equity product. These products were conceptualized through extensive conversation and planning, and are structured to meet the diverse array of preservation needs in Detroit.

The fund began accepting the first round of applications in late 2020, and is expected to close on its first deals in early 2021.



The shortage of affordable units will continue to grow if the region does not increase affordable housing production. A development fund would accelerate the production of dedicated affordable housing, while also encouraging quality mixed-income development near employment, transit, and other areas where neighborhood investment is underway.

There are currently five households that qualify for each unit of dedicated affordable housing. Some qualifying households that do not receive assistance are able to find quality affordable housing. But many others are forced to make difficult housing choices: renting a unit with unhealthy conditions, moving to areas far from jobs and services, paying more for transportation, doubling up with other families, or paying more than they can afford and sacrificing spending on other priorities like healthcare, healthy food, education, or savings.

The existing affordable housing production system simply does not produce enough units each year to meet the need. If the region continues to add 300 new units each year—the average production rate from the past ten years—the gap between qualifying households and available units will grow from 78,800 units to more than 100,000 by 2040. The community needs new tools and resources to support production, and the flexibility to use these tools in a manner that supports the region’s equitable development goals.

The Approach

The intent of a regional development fund is to accelerate the pace of affordable housing production by providing a flexible new source of gap financing for affordable housing development. This gap financing can make it possible for a project to include more affordable units, to include deeper affordability, and/or to support affordable and mixed-income housing development in service-rich areas with higher land values. For example, this fund could be used to encourage the inclusion of affordable units along the Omaha Rapid Bus Transit (ORBT) corridor alongside market-rate development, or to support key catalyst projects in neighborhood revitalization areas (such as the CHOICE neighborhood geographies).

Similar to a preservation fund, gap financing in a development fund can include low-cost debt, equity, and/or grants. The type and terms of financing should be structured to match the needs of target project types in the Omaha and Council Bluffs area, which could include new construction LIHTC projects (i.e., 9 percent), tax-exempt bond developments, and/or mixed-income developments that are not eligible for support from other federal or state subsidy programs.

A development fund would be a powerful new approach to maximize the impact of existing tools and programs to support equitable, mixed-income development and neighborhood revitalization



efforts in partnership with the housing and community development ecosystem in the region.

Implementation Considerations

As with a preservation fund, successful implementation of a development fund will require careful consideration and planning by key partners. Several key questions are outlined below:

- What range of development projects will the fund target (i.e., size, location, affordability mix), and what financing products are best suited to meet those projects’ needs?

Charlotte Housing Opportunity Investment Fund

- How can the fund and its financing products help to build the capacity of the mission-oriented development ecosystem in the region (e.g., through technical assistance, financing terms, etc.)?
- What is the fund's unit number target for impact? How will leaders in the community assemble the needed commitments from contributors?
- What are the operational and administrative requirements of successfully implementing this type of fund? What entity has the needed capacity and expertise?
- What reporting will be required of borrowers/fund participants? What is an appropriate balance between oversight and administrative ease (e.g., for mixed-income housing development partners not experienced with LIHTC program compliance requirements)?
- How will partners generate interest in participation? What will the application process be (e.g., annual RFP, rolling application and review process, or another option)?
- How should partnerships between the administrator of the fund and contributors be structured? Who will be engaged in oversight, in loan review, in data sharing and reporting, etc.?

The Charlotte Housing Opportunity Investment Fund represents a major civic investment in mixed-income housing, and, more fundamentally, in economic mobility and opportunity. The fund works with Charlotte's Housing Trust Fund to leverage resources for greater impact.

In 2014, renowned economist Raj Chetty published a report on economic mobility that ranked Charlotte last for economic mobility among the nation's 50 largest metros. This study spurred an introspective civic conversation about barriers to economic mobility in the community. The Foundation for the Carolinas led an effort to identify and unpack the factors contributing to Charlotte's poor economic mobility, citing segregation—and the lack of affordable housing in areas of opportunity—as a key contributor. The Charlotte Housing Opportunity Investment Fund is one of the community's initiatives designed to change this dynamic.

Seeded by a \$10 million contribution from the Foundation for the Carolina's, the \$53 million fund aims to finance 1,500 mixed-income units of housing. Managed by the LISC Charlotte office, the fund blends contributions from banks, corporations, and other philanthropic investors to offer soft gap financing to projects in designated Opportunity Areas, including both mixed-income multifamily development and the preservation of naturally-occurring affordable housing (NOAH).

The fund's terms and application process are designed to complement the City's bond-funded \$50 million Housing Trust Fund, enabling the City to produce nearly twice the number of units possible through the trust fund alone, and diversify the locations of affordable housing investment. The fund also has a partnership agreement with the Charlotte Housing Authority through which applicants can access project-based housing choice vouchers, deepening the affordability of units created by the fund. In its first two rounds, the fund supported the creation of over 600 units, with 30-year affordability commitments.



Eviction Diversion

Evictions have many negative impacts on physical health, mental wellbeing, economic stability, family unity, and child educational opportunity. Helping renters avoid eviction by connecting them to legal counsel, rent assistance, and other needed services is a very cost-effective strategy for improving household stability and wellbeing.

Evictions have far-reaching, long-term negative consequences for individuals and families. A single eviction on a tenant's record can make it incredibly difficult to find quality housing in the future. The instability and expense resulting from a forced move creates severe physical and mental distress, which can cause or exacerbate health issues. Research shows that children can fall behind in school after a single move caused by an eviction, and fall behind their peers in educational achievement. High rates of student mobility—the rate at which students enroll in or withdraw from a school in a given year—are a significant strain on schools and teachers, who struggle to meet the needs of a constantly-rotating student body.

Renters facing eviction usually do not know where to turn—they are unaware of their legal rights, of what rental assistance may be available through various programs, and what options exist for mediation between them and their landlord to keep them in their home, while securing rent payment for the landlord. Unlike in criminal cases, individuals facing an eviction are not guaranteed legal counsel, resulting in a significant information



and power imbalance between tenants and landlords. In eviction cases nationwide, an estimated 90 percent of landlords have legal representation, compared to only 10 percent of tenants.

The Approach

Guaranteeing legal counsel for tenants in eviction cases is shown to significantly reduce the number of cases that result in an eviction—by over 70 percent—and save many times more than the costs of counsel in related spending on homelessness, education, the juvenile justice system, and the courts. For example, a study of housing court cases in Philadelphia estimated that providing legal representation to low-income tenants would cost about \$3.5 million each year, but would result in over \$45 million in annual savings. A growing body of research demonstrates

these cost savings; establishing a “tenant right to counsel” in eviction cases has emerged as a best practice for eviction diversion. A tenant right to counsel guarantees full legal representation—often through a legal aid organization—to income-eligible tenants facing eviction. It also creates the opportunity to make both the tenant and landlord whole.

A right to counsel also creates a touch point for connecting renters to other assistance and services—such as emergency rent or utility assistance—that can help resolve disputes with their landlord and stabilize their housing situation. This allows service organizations to be more effective in reaching households that would benefit from support. A right to counsel in the community could help to institutionalize and expand the successful eviction diversion efforts already underway.

Tenant Right to Counsel in Cleveland, Ohio

Implementation Considerations

Establishing a right to counsel requires significant planning, buy-in, and partnership for effective implementation. Several key questions that partners will need to consider are outlined below:

- What partners are best positioned to provide effective legal assistance, and what additional capacity do they need to take on the expected caseload?
- How can the region expand the needed capacity for legal assistance?
- Considering the balance between cost, need, impact, and possible savings, what is the best eligibility threshold for tenant right to counsel in the region? Eligibility characteristics could include both income (e.g., 200 percent of poverty) or familial status (e.g., households with children).
- What are the other needed supports and resources that should be incorporated in planning (e.g., translation, education and outreach, an average amount of rent assistance per case)?
- How will the public sector and private sector partner to implement a right to counsel (e.g., funding, operations, evaluation, etc.)?
- What education, outreach, and partnerships are needed to make community members aware of available support?
- What policy and/or legislative changes are needed to support this work?

Cleveland's Right to Counsel is a major step to improve stability for households experiencing poverty. Providing access to legal counsel to households facing eviction protects their rights as renters, and avoids disruptions in their children's education.

Beginning in 2017, leaders in Cleveland's legal aid, philanthropic, and social service communities started a conversation about the damaging impact of evictions on households and the broader community. Two studies by Case Western's Center on Urban Poverty and Community Development documented tenants' experience with evictions, illustrating how evictions contribute to a cycle of housing instability years after a judgment. These studies also highlight the potential impact of tenant legal representation, assistance with landlord-tenant relationships, and emergency rent assistance in combating and avoiding the damaging impacts of eviction. The study also found that an average of just \$1,200 would prevent families' eviction—a mere fraction of the cost for a stay in an emergency homeless shelter.

A local advisory committee with representatives from City Council, the local bar association, and other groups examined local data on evictions and explored tenant counsel models in other cities. Their experience established buy-in around the concept that tenant counsel—particularly for households with children experiencing poverty—is a highly cost-effective investment in housing stability.

In September of 2019, the City Council unanimously passed an ordinance establishing a right to counsel for families with children that have incomes at or below the federal poverty level. The City also partnered with the United Way of Greater Cleveland (which provided the \$3 million in funding needed to implement the ordinance, including rental assistance), and the Legal Aid Society of Greater Cleveland, which had the expertise to provide effective housing counsel.

Implementation of the ordinance was both critical and complex in the context of COVID-19. Implementation involved extensive outreach to tenants through a vast network of community partners, coordination with the courts to ensure that defendants are made aware of their rights and responsibilities, and adaptation to online housing court proceedings.



In neighborhoods impacted by generations of disinvestment caused by redlining and associated policies, low property values and limited lending activity create an appraisal gap that compounds other barriers to homeownership and equitable neighborhood investment. New lending products designed to address this gap can unlock the potential of the workforce housing stock in these neighborhoods.

Many neighborhoods in the Omaha and Council Bluffs area have an “appraisal gap” where values are too low for borrowers to get sufficient financing for purchase, purchase and renovation, or for a home equity loan for renovation. This means that when interested buyers make a fair offer to purchase a home, appraisers cannot find comparable sales in the neighborhood, and that conventional lenders are unable to underwrite the mortgage. The typical result is that the sale falls through unless a buyer has cash to make a larger down payment (typically higher than 20 percent), or the buyer and seller negotiate to a lower purchase price. This challenge is in many ways a result of historical practices and actions that diverted investment away from communities of color—redlining, blockbusting, and other discriminatory practices.

The appraisal gap challenge creates a number of problematic dynamics, all disparately impacting communities of color where neighborhood disinvestment is most prevalent. With property owners unable to realize a return on their

savings, properties fall into disrepair, over time contributing to a downward spiral of vacancy and disinvestment. This means that homes that could be positioned to meet the region’s pent-up workforce housing demand are left to deteriorate. Long-time homeowners in these communities are also unable to make needed improvements to their homes, and the value of their homes—likely the largest financial asset they have—never appreciates. This also creates an environment ripe for speculative cash purchases by outside investors—a growing trend that is causing a number of challenges in terms of property maintenance in communities across the U.S.

The Approach

Appraisal gap financing programs can help correct these dynamics by expanding the financial capability of homebuyers and homeowners in distressed markets, and restoring conventional lending activity. These programs are also referred to as “greenlining funds” because, over time, they can help to reverse the damage done by redlining practices.

In the case of a failed first appraisal, greenlining funds offer a second mortgage that can close the gap between what a conventional lender is willing to underwrite and the full loan amount needed. Greenlining funds can be used to buy a move-in-ready home, buy and renovate a home, or refinance and renovate an existing home. Borrowers are usually required to complete homebuyer education classes to qualify for the program.



Purchases made with greenlining fund assistance are registered as third-party sales (a.k.a. “market transactions”), and then become “comparables” for that provide appraisers and lenders better support for market value estimates. If housing demand is persistent in that neighborhood, this means that future appraisals are less and less likely to fail. The experience of the Detroit Home Mortgage Program shows that it can take just five or six sales through a Greenlining program in a given neighborhood for conventional lending to take hold without second mortgage support. Greenlining funds are best designed to have this kind of near-term impact in communities where market demand for available housing is strong.

Greenlining funds combine investment from conventional lenders with capital (such as a loan guarantee or loan loss reserve) that allows the fund to make riskier loans than possible through conventional sources alone.

Detroit Home Mortgage Program

Implementation Considerations

Successful greenlining programs require careful planning, cross-sector partnership, and flexibility to foster the desired outcomes. Key questions to guide this planning are outlined below:

- Where should this fund be made available? Should it be targeted to particular geographies, and/or piloted in neighborhoods where other focused and intentional reinvestment is underway?
- What are the operating requirements of the program? Will operations be funded through underwriting fees, or supported by grant contributions?
- How many second mortgages will the fund make, and how much risk is the fund carrying? How much of a loan loss reserve is needed to guarantee investor expectations can be met?
- How will the program be marketed? How will partners build trust around this new program, and what other supports and partnerships are needed to ensure that people of color are able to fully participate?
- What partners are needed for successful implementation? Who will administer the fund, provide first mortgages, offer homebuyer education, conduct outreach, and lead other key program components?
- Who will be eligible for the program?

The Detroit Home Mortgage Program is an innovative model designed to stabilize the city's housing market and support homeownership by addressing the appraisal gap in many of Detroit's core neighborhoods. The program had more rapid results than many expected, restoring conventional lending across much of the city.

In the aftermath of the foreclosure crisis, Detroit's housing market almost entirely stalled for several years. In this severely distressed market context, appraised home values fell far below what was needed to underwrite home loans. Prospective homebuyers, and homeowners looking to renovate, could not get the financing required to make investments in their homes. In 2014, for example, 80 percent of home improvement loans were denied, and across all mortgage lending, the most commonly-cited reason for denial was insufficient collateral (i.e., home value). This created a situation where nearly 90 percent of all home purchases were cash purchases—typically made by institutional investors looking to flip and/or rent homes.

To restore healthy function in the housing market, local leaders created an appraisal gap loan program that offered second mortgages to fill the “appraisal gap” between appraised values and negotiated sales prices. These second mortgages (up to \$75,000) could be used to buy a move-in-ready home, buy and renovate a home, or refinance and renovate an existing home. The \$40

million fund blended contributions from banks, the state housing finance agency, and philanthropic participants. A \$9 million contribution from the Kresge and Ford Foundations functioned as a loan guarantee—or loan loss reserve—that made it possible to offer affordable terms on what was seen to be a higher-risk investment. (To date, however, there has not been one default.)

The program, operated by the Community Reinvestment Fund, had a swifter impact than many expected: just a handful of successful purchases in a given neighborhood create the comparable sales needed to support traditional lending. The fund was challenged in the most distressed neighborhoods, highlighting the importance of a more robust community development ecosystem able to make sustained, holistic investments in neighborhoods and residents.



Initiative 5 Policy Change

There are several local and state policy changes that could help support ongoing efforts to address housing affordability in the region. Encouraging these changes and expanding the capacity of organizations who advocate for policy change will help to maximize the ecosystem's impact on key issues.

The state and local policy framework impacting housing affordability is complex—land use, landlord-tenant law, the practices and procedures of city and state agencies, tax policy, code enforcement processes, and incentive policy all have direct and indirect impacts on the challenges in the region.

Engagement with local practitioners during this study highlighted several areas where policy change has the potential to maximize the impact of the ecosystem's work on housing issues. Ideas in three key issue areas are summarized below. New policy needs and changes are likely to emerge in the future as federal and state initiatives change, and as progress is made locally.

There is also a broader need to strengthen the capacity of local advocates to build support for policy change. There are many knowledgeable leaders and practitioners that are well-positioned to help effect policy change, there is not currently a unified voice on housing issues in the region.



Building the capacity of the ecosystem to identify and advocate for a housing policy agenda will continually serve to improve the community's ability to tackle the issue.

Eviction Diversion

Currently, landlords can and do refuse to rent to tenants based on the source of their income (i.e., if tenants use Housing Choice Vouchers and/or Supplemental Security Income for their housing) and to refuse rental assistance available to tenants who fall behind on their rent. This makes it very difficult for service providers to successfully assist tenants working to avoid eviction, and for low-income tenants with assistance to find quality housing options that suit their needs.

Through a landlord consortium and other efforts to partner with landlords in the region, service providers and public housing authorities can provide education to landlords, dispelling myths about assistance programs and identifying other ways to improve participation.

Many cities have passed source-of-income discrimination protections, which extend fair housing protections to households using Housing Choice Vouchers or SSI. (See page 69 for more detail on this policy.) Over time, this policy can expand housing choices and stability for low-income households participating in these programs.

Leveraging State and Local Programs

State and local incentive programs—such as state Low Income Housing Tax Credits (LIHTCs), tax increment financing (TIF), and tax exemptions or abatements—are important tools that could be modified or expanded to supporting the development and preservation of affordable housing in the region.

For example, Nebraska is able to use its LIHTC program to match federal LIHTCs dollar for dollar. Historically the state allocating agency for the program (the Nebraska Investment Financing Authority, or NIFA) has applied that full match to projects using the federal 9 percent tax credit—used for new construction and substantial renovation—but not for projects using the federal 4 percent program—(primarily used for acquisition and renovation). This means that preservation projects currently do not get as much state support as they could under current law. If NIFA were to apply this match to 4 percent projects, it would make many more projects financially feasible, supporting the preservation of more affordable units. Page 73 includes more information about how other states have used their LIHTC programs to support preservation.

There is also opportunity to further leverage tax increment financing (TIF), which is a local incentive tool that finances development projects using anticipated future tax revenue from

development. The City of Omaha makes major investments through TIF—in FY18, for example, the City made \$416 million in TIF loans, including \$116 million toward housing projects. The City often uses TIF to support subsidized affordable housing development, but could expand the use of TIF to encourage the inclusion of affordable units in new market-rate development. Using TIF in this manner would not only help create additional affordable units each year, but would also encourage mixed-income development in neighborhoods undergoing reinvestment—a valuable component of a broader equitable development strategy. See page 71 for more information about how TIF is used to support affordable housing in other communities.

Local tax policy presents another opportunity to support housing affordability in the region. For example, by providing exemptions, credits, or deductions to property owners who improve the condition of their properties while maintaining affordability, local governments can incentivize the preservation of quality, affordable housing. Providing exemptions or rebates to low-income homeowners in areas with quickly rising property values can also help maintain for-sale affordability and cultivate mixed-income neighborhoods. Page 77 provides more information about this approach.

Zoning Reform

Zoning presents a third opportunity area for how policy can better support housing affordability. Updates to local zoning that allow and encourage the creation of “missing middle” housing types—that are more dense than conventional single-housing development but less dense than large multifamily—in traditional residential areas can complement other strategies to lower the costs of housing development and offer new housing choices at more affordable price points. This flexibility is especially important to consider in traditional residential areas with walkable access to Omaha Rapid Bus Transit (ORBT) and employment centers. See page 75 for more detail on the importance of this opportunity.







Appendix

Detailed Survey Data

A community survey was conducted as part of this study to provide deeper insight about resident housing needs, residents' housing goals, and the types of housing assistance that would be most helpful.

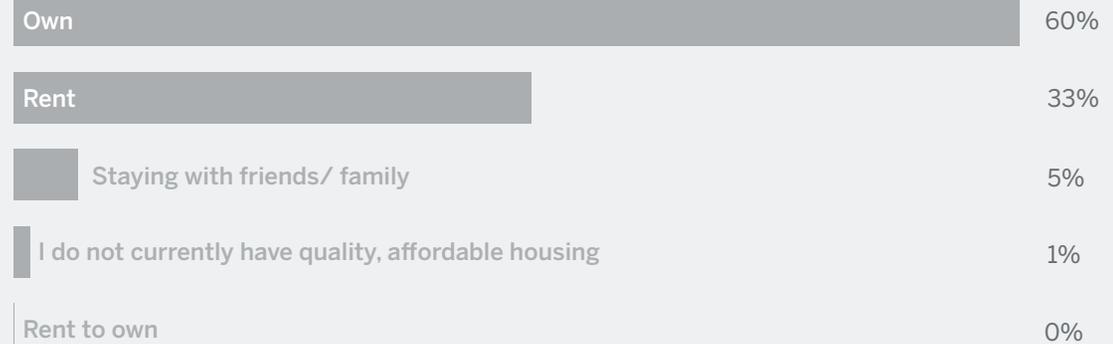
The survey obtained 169 responses from community members—the data from these responses is detailed on the following pages.

While these responses do not constitute a sufficiently representative sample of the region's residents, they still offer insights on the housing experience and needs in the region.*

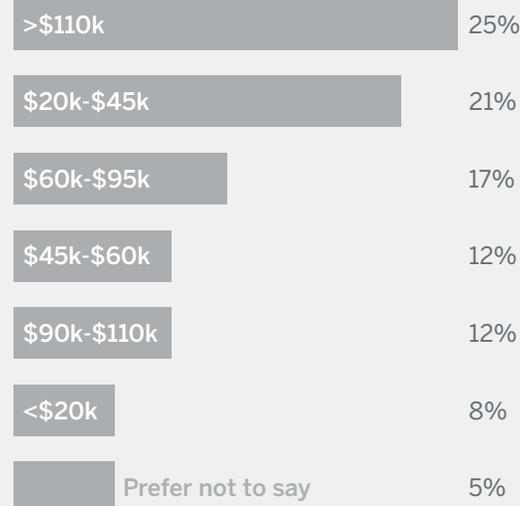
This set of data describes the basic demographic characteristics of survey participants. The responses in this section suggest that respondents were somewhat more affluent, are in smaller households, and are more likely to own their homes than residents in the region as a whole. The racial and ethnic characteristics reasonably match those of the broader community.

*The survey efforts were ended early because of the COVID-19 pandemic.

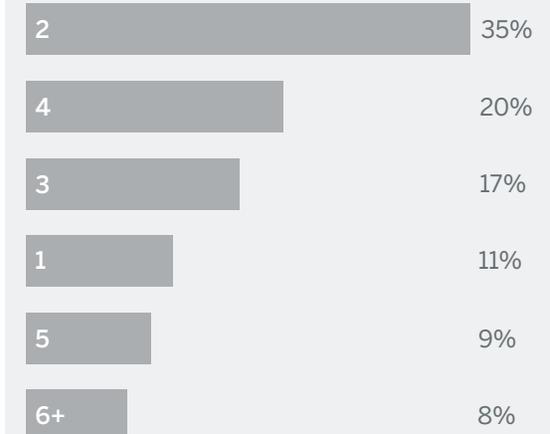
Do you own or rent your home?



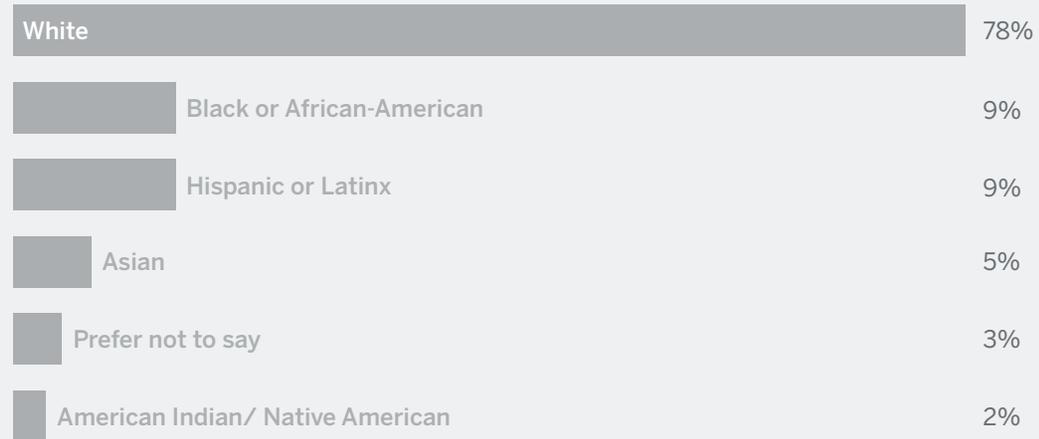
How much do you expect your household's total income will be this year? (Include income for all persons living in your households.)



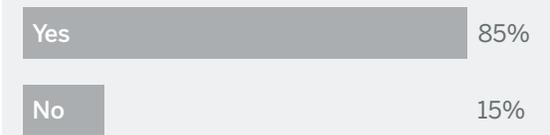
How many people are in your household?



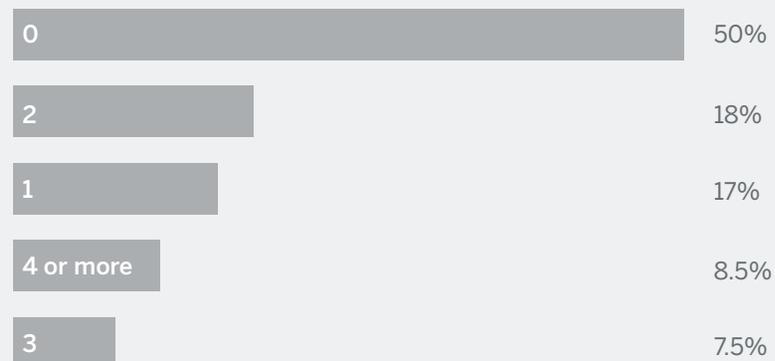
How do you identify in terms of your race or ethnicity? (select all that apply)



Have you ever found or utilized assistance to help address any housing related challenges?



How many children under the age of 18 live in your household?

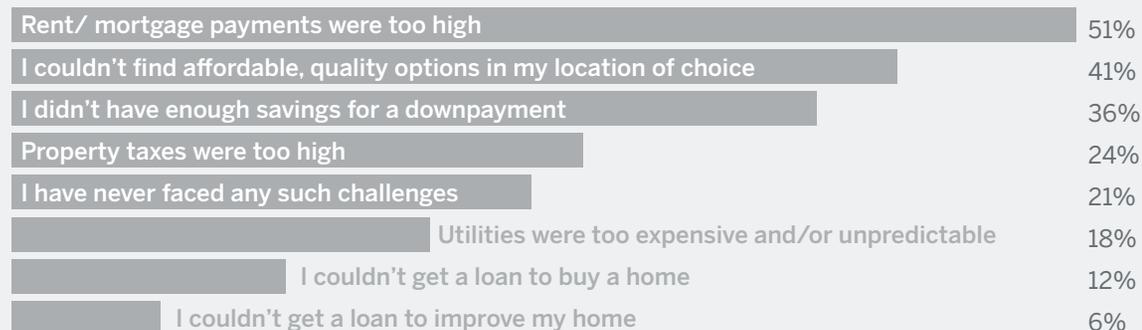


Survey participants' experiences with housing challenges reinforce the need for a broader range of quality, affordable housing options, of supports to improve home condition, and of better relationships with landlords.

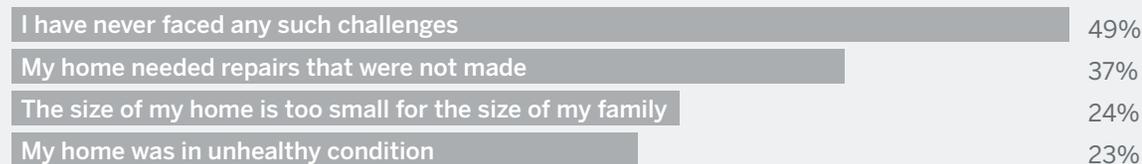
The second section of the survey asked participants about their past experience when trying to find safe, quality, accessible, and affordable housing as it relates to housing quality and condition, financial challenges, and accessibility and stability. All response options, and the prevalence of their selection, are presented to the right.

The frequency of various challenges—especially financial challenges—is especially notable in light of the relative affluence of survey participants. The unaffordability of housing costs (i.e., rent, mortgage payments, property taxes), the lack of resources for down payments, and the shortage of options in respondents' locations of choice all underscore the need for more quality affordable options at all price points throughout the region.

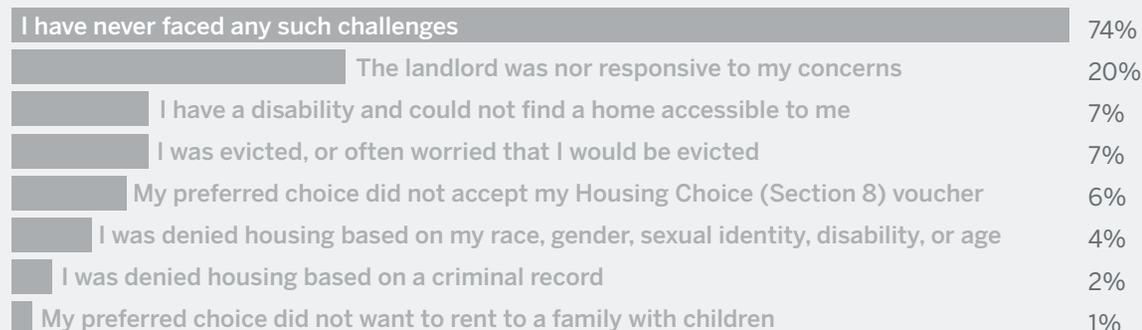
What financial challenges have you faced in the past when trying to find safe, quality, accessible, and affordable housing? (Select up to 3)



What housing quality and condition challenges have you faced in the past when trying to find safe, quality, accessible, and affordable housing? (Select up to 3)



What accessibility and stability challenges have you faced in the past when trying to find safe, quality, accessible, and affordable housing? (Select up to 3)



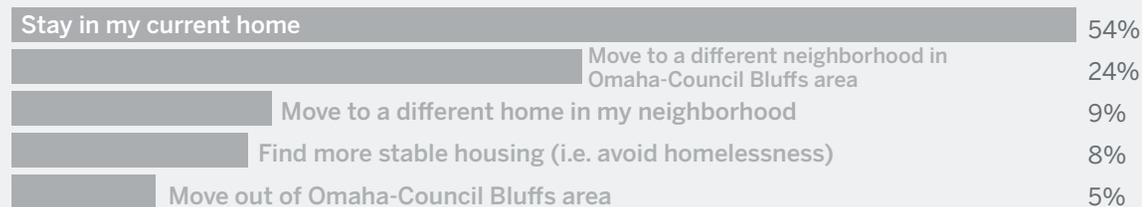
Respondents' housing preferences highlight the importance of housing stability, neighborhood quality of life, and a diverse set of housing types.

Most survey respondents report a preference for staying in their current homes. Among those who would be open to move, we can see an interest in a diverse range of housing types. While the most broadly preferred housing type is a single-family detached home, there is also an interest in attached single-family housing types “missing middle” housing types like duplexes, fourplexes, and small multifamily buildings.

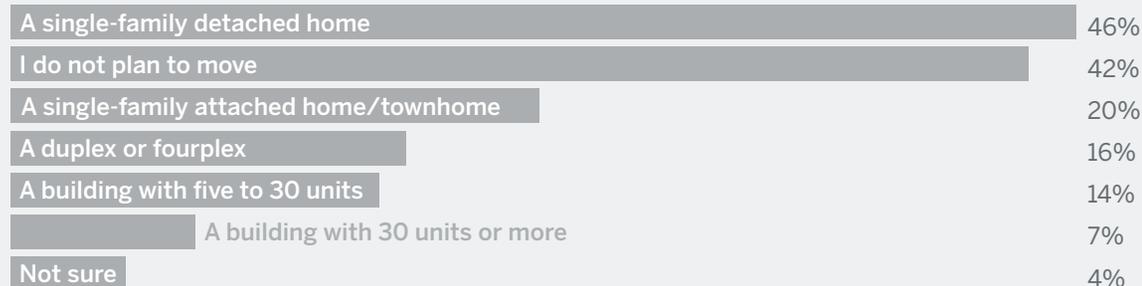
Among listed neighborhood features, survey participants expressed the greatest interest in neighborhood safety and walkability, access to services and amenities, and proximity to job opportunities.

These preferences reinforce the opportunity to expand housing options generally—including missing middle housing specifically—in areas with strong neighborhood amenities while also improving neighborhood quality where this range of housing options already exist.

In the next one or two years, what are your hopes and goals for your housing situation?



If you plan to move, what type of home would you be interested in, whether you rent or buy? (Select all that apply)



What are the most important features of a neighborhood where you would like to live? (Select top 3)

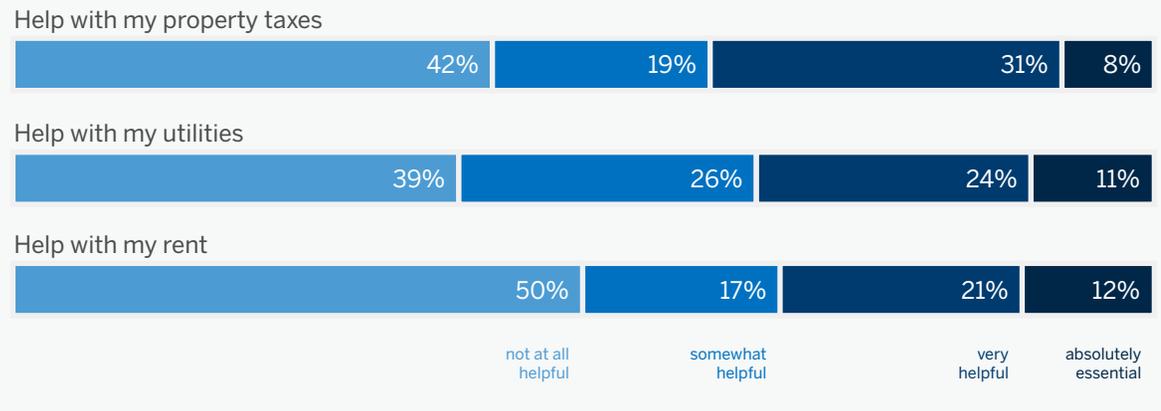


Participants in the survey reflect an interest in several types of potential assistance. There is a need to continue to explore these types of assistance—especially for specific groups facing housing insecurity.

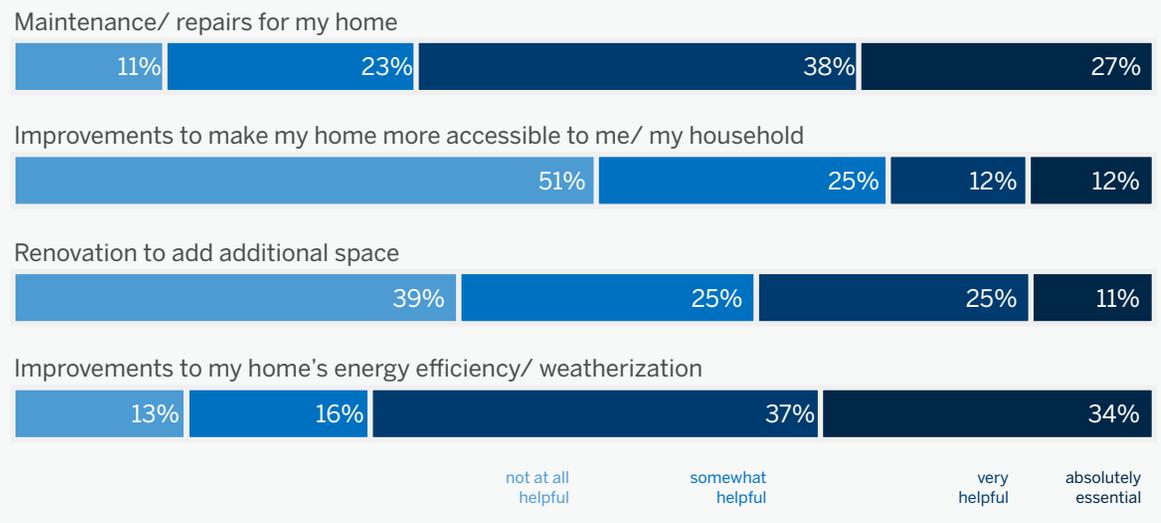
The final section of the survey asked respondents to rate the usefulness of a range of potential types of housing assistance: financial assistance, physical improvements, and other related supports.

These initial responses suggest a strong community interest in property tax relief, utility assistance and energy efficiency improvements, assistance with repairs, and strategies to improve landlords’ responsiveness. Each of these types of assistance should be explored in more depth through specific outreach to households experiencing housing instability, and others who face the most urgent need for various types of assistance.

If you plan to stay in your home, please rate the following types of financial assistance that might help you.



If you plan to stay in your home, please rate the following types of physical improvements that might help you.



If you plan to stay in your home, please rate the following types of supports that might help you.

Assistance to avoid eviction



A more responsive/ proactive landlord



not at all
helpful

somewhat
helpful

very
helpful

absolutely
essential

Neighborhood Typology Analysis

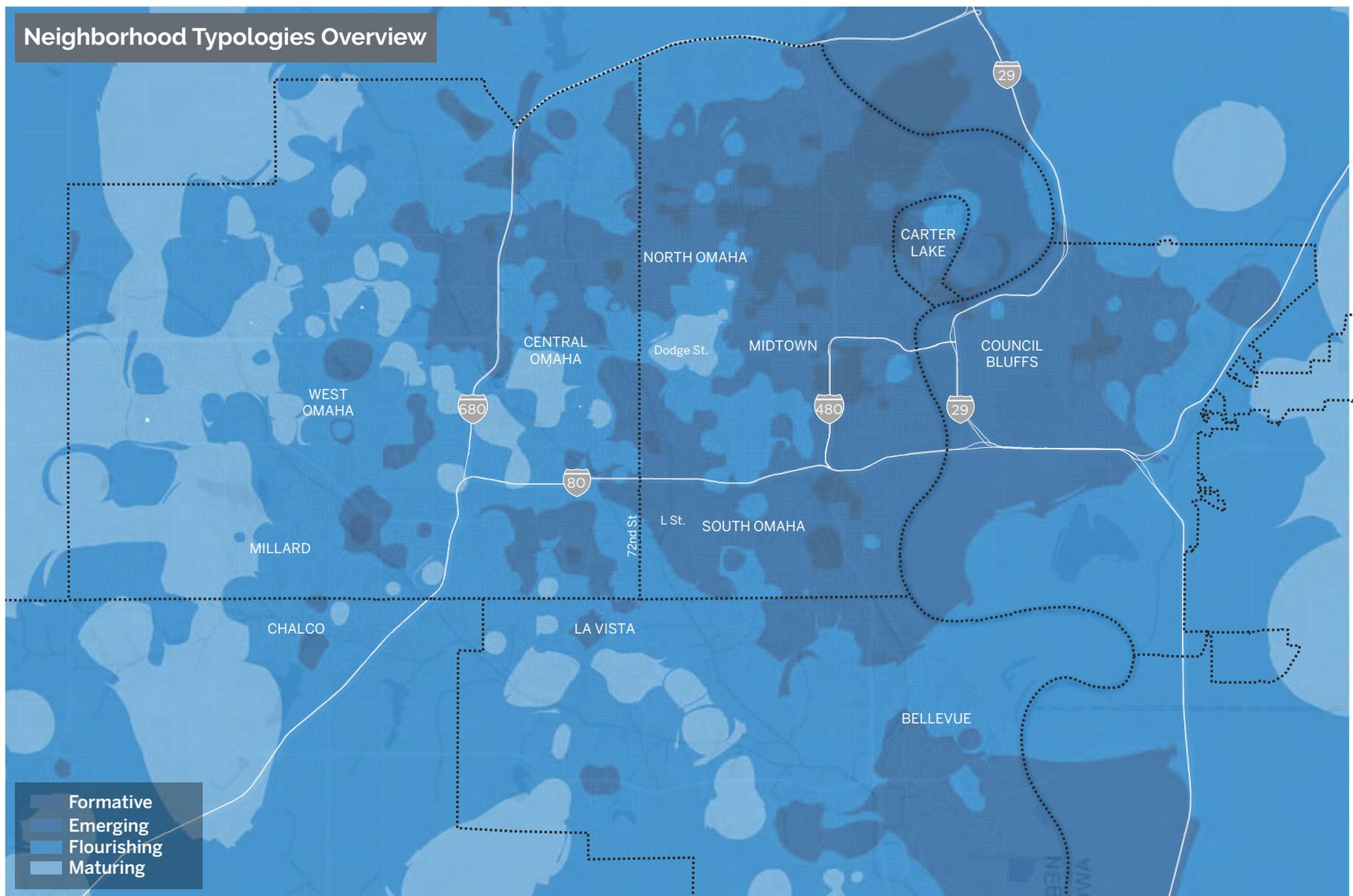
The neighborhood typology analysis helps to illustrate the broad diversity of housing and market conditions across the region and within each subarea, and underscores the importance of a nuanced and targeted approach for recommended investments and policy changes.

The neighborhood typology analysis indexes key demographic and housing conditions—home values, household income, eviction rates, poverty levels, and vacancy—to inform an understanding of neighborhood characteristics across the region. A picture of these diverse neighborhood and market conditions can help to prioritize preservation, development, and policy tools in different parts of the Omaha and Council Bluffs area. The following pages provide a summary of this analysis, and highlights observations about key opportunities and challenges.

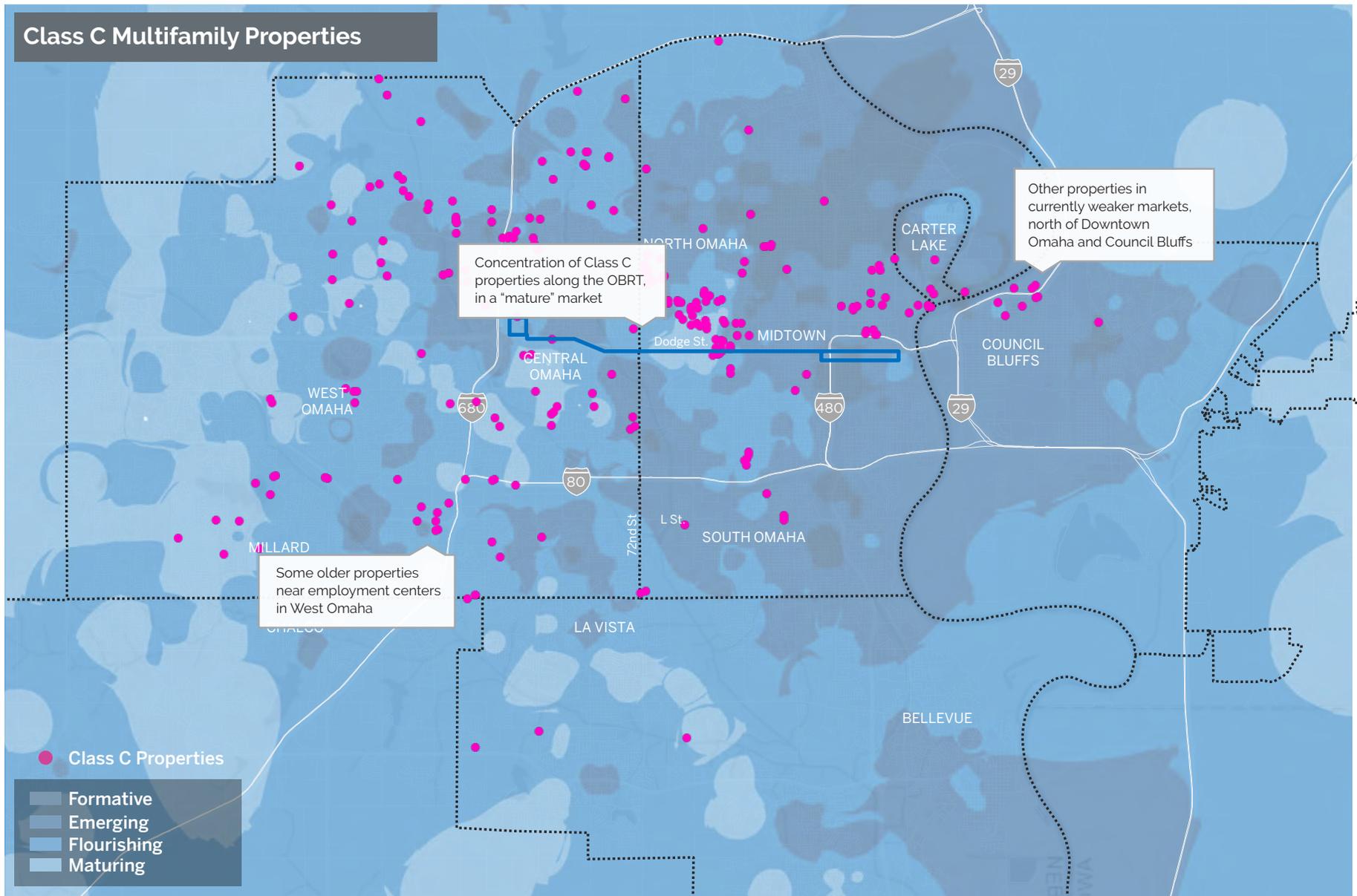
The region should continue to build on this more granular understanding as it moves toward implementation of the strategies and recommended initiatives.

Formative	Emerging	Flourishing	Maturing
<p>Formative neighborhoods are those that have experienced the most persistent disinvestment and abandonment.</p> <p>These neighborhoods face the greatest housing challenges relating to condition and instability.</p>	<p>Emerging neighborhoods have more stability and investment than formative neighborhoods, yet still face multiple challenges.</p> <p>Emerging neighborhoods could also be those where there is concern that conditions will deteriorate.</p>	<p>Flourishing neighborhoods are established neighborhoods that do not show signs of widespread disinvestment, and/or are experiencing significant new investment, and the associated pressures on displacement and cost burden.</p>	<p>Maturing neighborhoods are new subdivisions where new construction is underway, or existing neighborhoods where new development is replacing existing homes or densifying the area (i.e., redevelopment with new multi-family).</p>
<p>New housing development</p> <p>Substantial rehab</p> <p>Invest in people</p> <p>Improve conditions of infrastructure</p> <p>\$\$\$</p>	<p>Preserve existing affordability</p> <p>Support quality, mixed-income infill</p> <p>\$\$</p>	<p>Preserve existing affordability</p> <p>Create new affordable options</p> <p>Include affordable units in new development</p> <p>\$</p>	<p>Create affordable options</p> <p>\$\$</p>
<120k	120k-190k	190k-250k	>250k
Median Home Value			
<45k	45k-65k	65k-100k	>100k
Median Household Income			
>20	10-20	5-10	<5
Evictions			
>20%	10%-20%	5%-10%	<5%
Poverty Level			
>20%	10%-20%	5%-10%	<5%
Vacant Units			

Neighborhood Typologies Overview

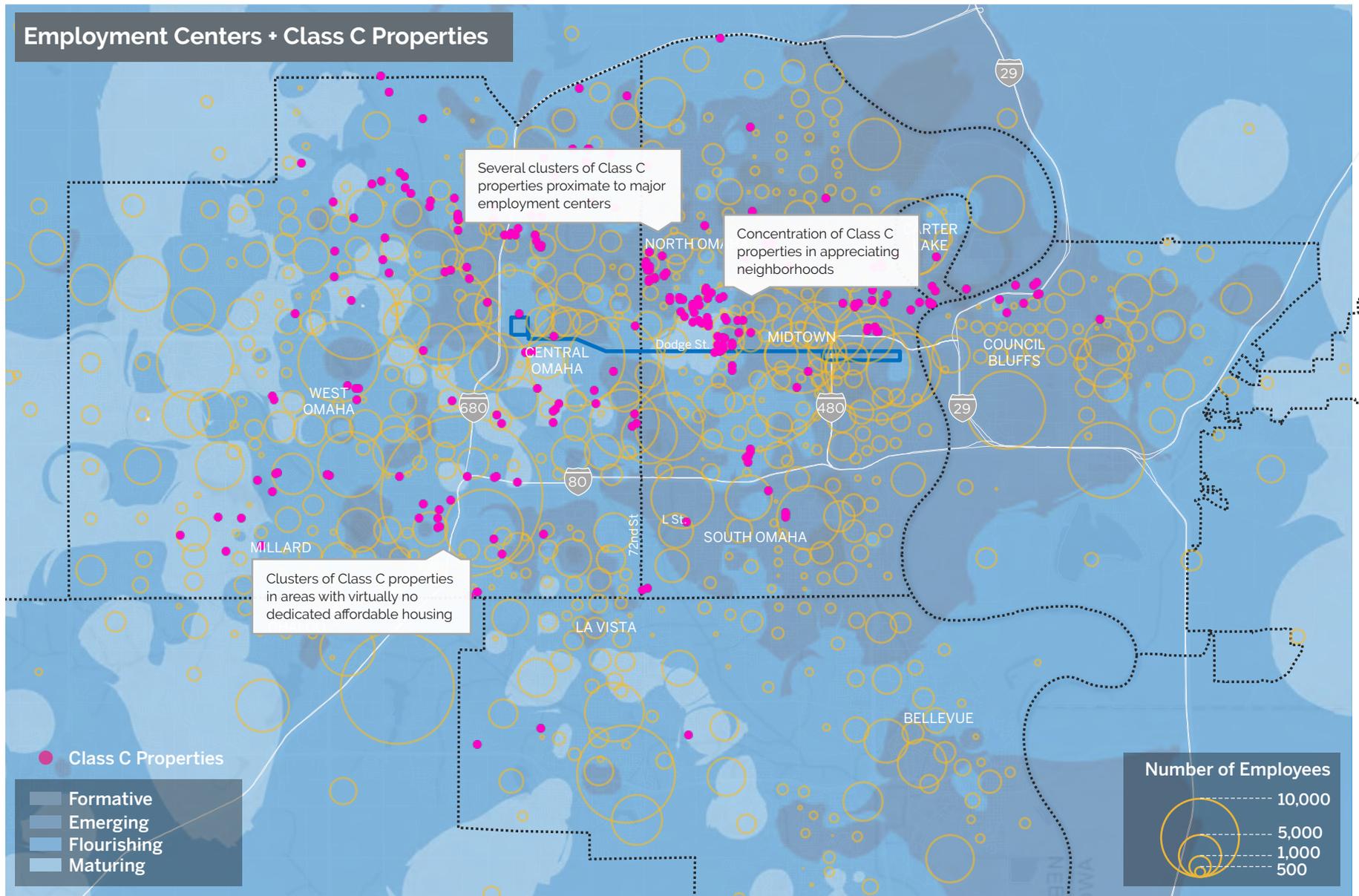


Class C Multifamily Properties

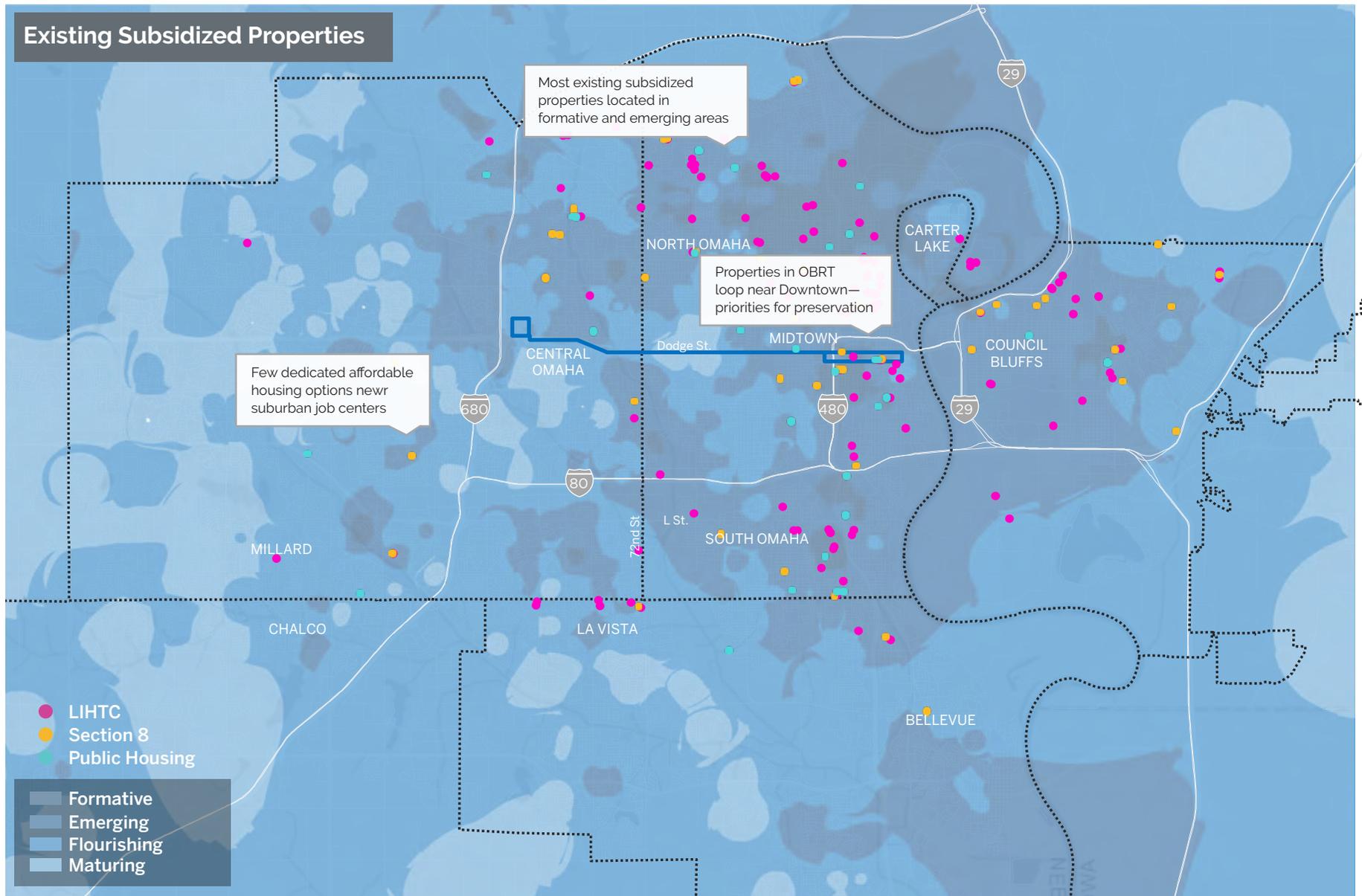


- Class C Properties
- Formative
- Emerging
- Flourishing
- Maturing

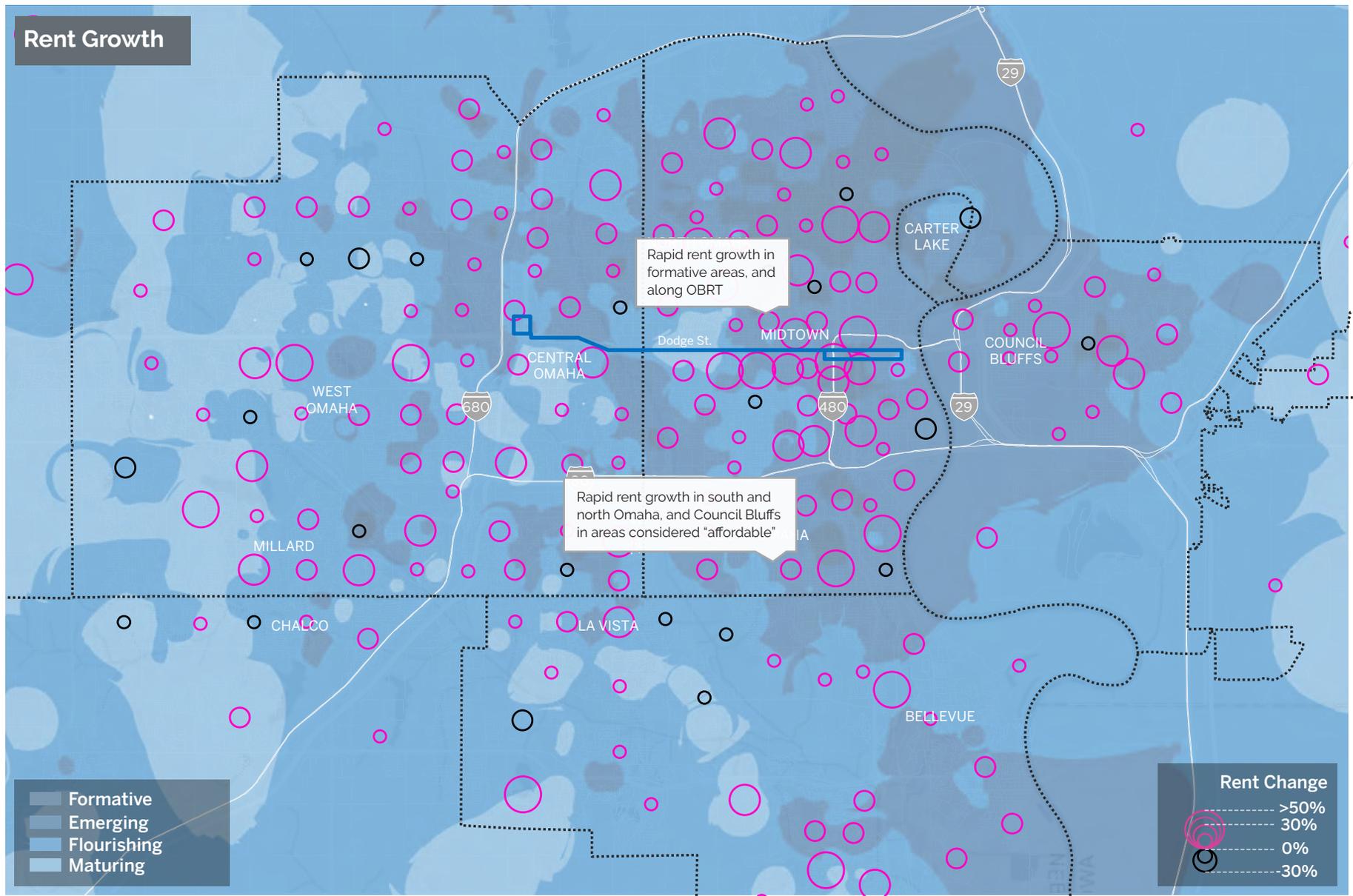
Employment Centers + Class C Properties



Existing Subsidized Properties



Rent Growth



- Formative
- Emerging
- Flourishing
- Maturing

Rent Change

- >50%
- 30%
- 0%
- 30%

Rapid rent growth in formative areas, and along OBRT

Rapid rent growth in south and north Omaha, and Council Bluffs in areas considered "affordable"

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