



LB866/Statute 19-5504: Biennial Affordable Housing Report, Lincoln, NE

Submitted to State of Nebraska, Urban Affairs Committee - June 30, 2023

**Leirion Gaylor Baird, Mayor
City of Lincoln, Nebraska**

INTRODUCTION..... 2

(A) OVERVIEW OF THE CITY’S CURRENT RESIDENTIAL ZONING REQUIREMENTS:..... 2

(B) PERCENTAGE OF AREAS ZONED FOR RESIDENTIAL USE PERMITTING CONSTRUCTION OF MULTI-FAMILY AND MISSING MIDDLE HOUSING: 4

(C) NEW RESIDENTIAL CONSTRUCTION IN THE CITY OVER THE PREVIOUS FIVE YEARS, INCLUDING THE PERCENTAGE OF SUCH CONSTRUCTION THAT WAS SINGLE-FAMILY HOUSING, MULTI-FAMILY HOUSING, AND MIDDLE HOUSING:..... 4

(D) A BREAKDOWN OF RESIDENTIAL UNITS ANNEXED BY THE CITY OVER THE PREVIOUS FIVE YEARS, INCLUDING THE PERCENTAGE OF SUCH UNITS THAT WERE SINGLE-FAMILY HOUSING, MULTI-FAMILY HOUSING, AND MIDDLE HOUSING: 5

(E) AN ESTIMATE OF THE PER UNIT COST OF HOUSING IN THE CITY: 5

(F) WHETHER SUCH ZONING CODES, ORDINANCES, AND REGULATIONS PROVIDE FOR DENSITY BONUSES OR OTHER CONCESSIONS OR INCENTIVES WHICH ENCOURAGE RESIDENTIAL DENSITY, AND THE FREQUENCY WITH WHICH SUCH BONUSES, CONCESSIONS, OR INCENTIVES ARE UTILIZED: 6

(G) WHETHER SUCH ZONING CODES, ORDINANCES, AND REGULATIONS ALLOW THE CONSTRUCTION OF ACCESSORY DWELLING UNITS:.... 6

(H) WHAT INCENTIVES THE CITY APPLIES TO ENCOURAGE THE DEVELOPMENT OF AFFORDABLE HOUSING, INCLUDING BOTH DIRECT INCENTIVES AND REGULATORY RELIEF:..... 6

(I) THE PERCENTAGE OF AREAS WITHIN THE CORPORATE LIMITS OF THE CITY ZONED FOR RESIDENTIAL USE WHICH HAVE BEEN DECLARED SUBSTANDARD AND BLIGHTED AREAS UNDER THE COMMUNITY DEVELOPMENT LAW:..... 8

(J) THE PERCENTAGE OF AREAS WITHIN THE CORPORATE LIMITS OF THE CITY ZONED FOR RESIDENTIAL USE WHICH HAVE BEEN DECLARED EXTREMELY BLIGHTED AREAS UNDER THE COMMUNITY DEVELOPMENT LAW: 8

(K) A DEMOGRAPHIC ANALYSIS OF THE CITY WITH TRENDS AND ESTIMATES OF THE HOUSING NEED CLASSIFIED BY HOUSING TYPE AND PRICE RANGE: 9

(K1) EFFORTS TO ADOPT AN AFFORDABLE HOUSING ACTION PLAN AS REQUIRED UNDER SECTION 5 OF THIS ACT:..... 10

Introduction

In the 2020 session of the Nebraska Legislature, LB866, known as the “Municipal Density and Missing Middle Housing Act” was passed. It was signed into law by the Governor on August 17, 2020. The intent of the bill is to provide zoning regulation requirements for certain cities that permit varied types of housing, provides greater availability of affordable housing, and increases residential density, ultimately to promote more efficient and effective land use and creating conditions for successful mass transit, bikeability, walkability, and affordability in residential neighborhoods. Housing stock known as “middle housing,” while prominent in the early 1900s, has largely been missing since the mid-1940s. Middle housing means duplexes, triplexes, quadplexes, cottage clusters, and townhouses. Zoning that permits middle housing increases density and can provide affordable housing.

The Municipal Density and Missing Middle Housing Act requires cities to submit a report to the Urban Affairs Committee of the Legislature detailing its efforts to address the availability of, and incentives for, affordable housing through its zoning codes, ordinances and regulations. The first report was due on or before July 1, 2021, and then it is required every two years thereafter.

This report from the City of Lincoln represents the second required report and was completed in partnership with staff from the City’s Urban Development Department and the Lincoln-Lancaster County Planning Department. The report is organized to respond to items as identified in statute 19-5504. [Nebraskalegislature.gov/agencies/find_stat.php?statute=19-5504](https://nebraskalegislature.gov/agencies/find_stat.php?statute=19-5504)

(a) Overview of the City’s current residential zoning requirements:

The table on the following page includes the City’s residential zoning requirements. There are ten residential districts. Although some commercial districts allow limited residential such as second floor housing in business districts, they are minimal and not included here. Approximately 95 percent of the residential land area allows only single and two-family housing by right. However, Community Unit Plans (CUPs) and Planned Unit Developments (PUDs) provide the opportunity for higher density housing and are allowed in these districts. Most new developments in Lincoln that include townhouses and multi-family are within a CUP or PUD.

City of Lincoln Residential Zoning Districts

Zone	Acres	Square Miles	Area Percent	Area % of Residential Zoning Districts	Dwellings / Acre	Notes
AGR	1,416	2	2.2%	4.0%		Low-density, acreage residential development
R-1	5,857	9	8.9%	16.3%	3 to 5	3 to 5 dwelling units per acre, the district permits single- and two-family dwellings
R-2	10,345	16	15.8%	28.9%	3 to 5	3 to 5 dwelling units per acre, this district permits single- and two-family dwellings
R-3	14,113	22	21.5%	39.4%	3 to 5	3 to 5 dwelling units per acre; mix of housing types and socio-economic groups with a CUP
R-4	2,390	4	3.6%	6.7%	3 to 5	3 to 5 dwelling units per acre, single- and two-family dwellings
R-5	892	1	1.4%	2.5%	6 to 10	6 to 10 dwelling units per acre, single-family, two-family, and multiple and townhouse residential uses
R-6	646	1	1.0%	1.8%	11 to 14	11 to 14 dwelling units per acre, single-family, two-family, multiple and townhouse residential uses, private clubs, fraternities and sororities
R-7	122	0	0.2%	0.3%	15	15 dwelling units, gross, per acre, single-family, two-family, multiple, and townhouse residential uses, apartment hotels, private clubs, fraternities and sororities
R-8	22	0	0.0%	0.1%	15+	High density residential uses; apartment hotels; private clubs; civic, cultural, educational, labor, professional, trade and fraternal membership organizations
R-T	32	0	0.0%	0.1%	6 to 10	Primarily office and small-scale commercial uses close to existing residential uses.

The maximum CUP density for each district is included below and is directly from the City’s Zoning Code. Beginning with the R-3 district, the potential CUP density increases well above the base zoning density. Adding potential density bonuses allows even greater density. PUDs use the CUP density as a guide but have no limit.

1.1 Maximum Density

A. General density. The maximum density within the boundaries of a C.U.P. shall be calculated as follows:

1. AG Agriculture District - 0.055 dwelling units per acre.
2. AGR Agriculture Residential District - 0.27 dwelling units per acre.
3. R-1 Residential District - 3.87 dwelling units per acre.
4. R-2 Residential District - 5.80 dwelling units per acre.
5. R-3 Residential District - 6.96 dwelling units per acre.
6. R-4 Residential District - 13.93 dwelling units per acre.
7. R-5 Residential District - 29.04 dwelling units per acre.
8. R-6 Residential District - 48.4 dwelling units per acre.
9. R-7 Residential District - 62.23 dwelling units per acre.
10. R-8 Residential District - 79.20 dwelling units per acre.

(b) Percentage of areas zoned for residential use permitting construction of multi-family and missing middle housing:

In Lincoln today approximately 60% of all land is zoned to allow for two-family or more units. Much of that, 91.3%, caps densities at five dwelling units per acre (R1 to R4 zones). Zones that allow more than two-family include R-5, R-6, R-7, R-8, and R-T. These zones comprise 4.8% of residential zoning. It should be noted, however, that 43% of land zoned R1 to R4 has a Planned Unit Development (PUD) or Community Unit Plan (CUP) which often allow densities higher than five units per acre.

Of note is many newer developments have Homeowner Association covenants that limit density, have square footage requirements, and height limitations. These private covenants restrict higher density and a variety of housing types. Zoning code amendments to allow higher density and housing types could be superseded in neighborhoods with private covenants (which are typically newer neighborhoods) but would disproportionately affect older areas of the city where private covenants do not exist. In short, updating zoning to allow higher density would functionally apply to older neighborhoods only, where there are no covenants.

(c) New residential construction in the City over the previous five years, including the percentage of such construction that was single-family housing, multi-family housing, and middle housing:

As indicated in the table below, the largest percentage of residential construction in the past five years has been multi-family, accounting for over 50% of all built units. Single-family detached has fluctuated between 500-800 units for the past ten years, but the proportional percentage of all units dedicated to single-family detached has decreased as the number of other unit types has increased. 2022 was a record-breaking year in Lincoln for residential building permits: the number of total residential units (3,173) was the most since 1972, and the number of multi-family units (2,245) was the most ever recorded in Lincoln.

Lincoln defines the housing types as follows: duplex includes two attached units on the same parcel, single-family attached is 3 to 12 attached units on their own parcels, and multi-family is three or more units in the same building. All these housing types are included in the definition of Missing Middle. Most

of the multi-family construction is not characterized as Missing Middle, however, and is typically a 12 plex or larger.

Lincoln recently began tracking Missing Middle housing. In 2022 there was one multi-family project that fit within the category – a 12-plex apartment within the R-6 zoning district. All other multi-family construction in 2022 was for complexes with more than 12 units.

	2018	2019	2020	2021	2022	2018-2022
Single Family Detached	621	658	807	764	572	3,422
	41.7%	32.6%	48.1%	33.6%	18.0%	32.2%
Single Family Attached & Duplex	256	260	256	358	356	1,486
	17.2%	12.9%	15.2%	15.8%	11.2%	14.0%
Multi-Family	611	1,098	616	1,151	2,245	5,721
	41.1%	54.5%	36.7%	50.6%	70.8%	53.8%
Total	1,488	2,016	1,679	2,273	3,173	10,629

(d) A breakdown of residential units annexed by the City over the previous five years, including the percentage of such units that were single-family housing, multi-family housing, and middle housing:

A total of 85 existing single-family homes were annexed between 2018-2022. These units were nearly all located on lots greater than 1 acre in size. There were no other existing housing types in areas annexed by the City. However, this number does not include vacant land that is annexed, platted, and then built upon with a variety of housing types.

(e) An estimate of the per unit cost of housing in the City:

New construction costs per 2022 building permit data are (note that these do not include land costs):

Single Family Detached: \$393,931 per unit

Single Family Attached: \$219,855 per unit

Duplex: \$190,703 per unit

Multifamily: \$128,793

Average Cost for All Unit Types: \$183,957 per unit.

Since 2021 it is notable that single family detached units increased in cost by approximately \$100,000.

Sales data for residential new construction (i.e., built in 2021, 2022) and existing housing in 2022 identifies the following:

Property Type & Status	Median Price	Average Price	Minimum Price	Maximum Price	Count of Sales
Existing construction	\$255,000	\$292,839	\$2,800	\$3,500,000	3704
Condominium	\$160,000	\$222,910	\$35,000	\$975,000	102
Duplex	\$205,000	\$230,134	\$57,000	\$385,000	23
Mobile Home	\$47,000	\$42,635	\$2,800	\$65,000	17
Single Family Residence	\$260,000	\$300,619	\$39,000	\$3,500,000	3,114

Townhouse	\$250,000	\$267,168	\$96,100	\$725,000	440
Villa/Patio Home	\$289,950	\$279,963	\$181,800	\$365,000	8
Sales identified as new construction	\$408,778	\$434,546	\$175,000	\$1,850,000	652
Condominium	\$442,530	\$535,712	\$175,000	\$1,310,018	44
Single Family Residence	\$449,950	\$469,263	\$180,000	\$1,850,000	406
Townhouse	\$325,000	\$340,508	\$254,900	\$695,900	197
Villa/Patio Home	\$392,250	\$430,320	\$340,400	\$529,000	5
Grand Total	\$275,000	\$314,050			4,356

Sales data for multi-family housing in 2022 identifies the following statistics.

Property Type	Median Price	Average of Price	Minimum Price	Maximum Price	Total Units	Median Price per Unit	Total Sales
Multi-family Sales	\$275,000	\$325,766	\$43,400	\$1,100,000	348	\$87,500	91

(f) Whether such zoning codes, ordinances, and regulations provide for density bonuses or other concessions or incentives which encourage residential density, and the frequency with which such bonuses, concessions, or incentives are utilized:

Chapter 3.40 of the Lincoln Design Standards allows density bonuses for low-income housing. Low-income is defined as a household making 80 percent of Area Median Income. For each four low-income units provided, one additional unit may be permitted. In addition, waivers for density items such as lot area, height, and parking can be allowed through Planned Unit Development (PUD) and Community Unit Plan (CUP) subdivisions, along with multiple different types of Special Permits. Waivers associated with PUDs, CUPs, and other Special Permits are common and are granted frequently throughout the year.

In 2021 the City adopted a zoning amendment package intended to encourage residential density and support affordable housing. Updates include: 1) reduced required parking for multi-family housing across all zoning districts, 2) increased maximum height for residential uses in some districts, 3) by-right development/redevelopment of residential uses on existing non-standard city lots, and 4) reduced zoning barriers to converting commercial space into residential uses.

(g) Whether such zoning codes, ordinances, and regulations allow the construction of accessory dwelling units:

ADUs are permitted in all residential districts provided they can meet the per-unit land area requirements for the district. About 26% of parcels in residential districts have sufficient size for two units which could include a single-family home and attached or detached ADU.

(h) What incentives the city applies to encourage the development of affordable housing, including both direct incentives and regulatory relief:

Incentives:

- Tax Increment Financing (TIF): The City of Lincoln has been requiring construction of affordable rental units, (affordable to households at 60% Area Median Income (AMI) paying no more than 30% of their income) when housing projects receive Tax Increment Financing (TIF). If the affordable units cannot be produced, an in-lieu -of payment on a per unit basis is required.

These in-lieu-of payments support our local affordable housing fund. To date this requirement has been applied on a case-by-case basis; however, the City is currently developing a policy.

- Tax Increment Financing (TIF) Administrative Fee: The City of Lincoln charges an administration fee for all TIF projects on a sliding scale. If fees exceed \$200,000 in the budget biennium, the excess is added to the City's local affordable housing fund. On average, approximately \$150,000/year enters the fund through this tool.
- Extremely Blighted Designation: The City's Urban Development Department completes extreme blight studies. Those studies were done in consultation with our internal legal department, and our process reviewed by UNO Center for Public Affairs Research and the office Sen. Wayne. Those studies can be retrieved through the City's document management system. <https://app.lincoln.ne.gov/asp/city/clerk/docman.aspx>. Homeowners purchasing housing in Extremely Blighted Areas may be eligible for a State Income Tax Credit.
- Low Income Housing Tax Credit (LIHTC) Projects: Urban Development has provided gap financing for LIHTC credit projects utilizing HOME funds. In addition, the City has begun assisting in increasing the number of LIHTC projects by becoming the conduit debt issuer of LIHTC bonds, rather than NIFA. This has had the effect of increasing LIHTC projects due to a new debt issuance structure and lower costs. When possible, TIF financing is also included to assist with 4% LIHTC projects.
- Assistance to Non-Profits: Urban Development assists non-profits in developing affordable housing by providing CDBG and HOME funds to agencies including NeighborWorks-Lincoln, the South of Downtown Community Development Organization, and Habitat for Humanity. Use of local affordable housing funds including Tax Increment Financing Admin fees and Turnback Tax funds have also been provided to assist non-profits such as the Lincoln Housing Authority, and Nebraska Housing Resource (NHR).
- Community Development Resources (CDR): Development of an Affordable Housing Consortium is a primary strategy identified in the *Lincoln Affordable Housing Coordinated Action Plan*. The City worked with the private sector, non-profits, philanthropic organizations and others to develop a Consortium which resulted in the expansion of CDR, an existing CDFI that focused on small business, to include affordable housing. Its purpose is to provide gap financing for constructing affordable housing, rental rehab, and to coordinate, advocate, and provide resources and education related to affordable housing. CDR launched its affordable housing efforts in 2022. The City of Lincoln provides funding to CDR to support operations and contribute to its capital stack for affordable housing projects.

Regulatory Relief:

- Density bonus: as stated in (f) above, Chapter 3.40 of the Lincoln Design Standards allows density bonuses for low-income housing. For each four low-income units provided, one additional unit may be permitted.
- Exemption/reduction in impact fees: the impact fee ordinance provides a 100% exemption from impact fees for eligible low-income individuals. Low-income is defined as having a household income that is 60% or less of the area median gross income, adjusted for household size. The impact fee ordinance provides a 50% exemption from impact fees for eligible moderate-income

individuals, defined as having a household income of more than 60% but less than 80% of the area median gross income, adjusted for household size.

In Process:

Additional review of the zoning code continues to identify further amendments that may reduce barriers to affordable housing.

(i) The percentage of areas within the corporate limits of the city zoned for residential use which have been declared substandard and blighted areas under the Community Development Law:

Zone	Acres	Square Miles	Area Percent	Area % of Residential	Dwellings / Acre
AGR	0.0	0.00	0.0%	0.0%	
R-1	323.9	0.51	3.2%	10.0%	3 to 5
R-2	1,025.5	1.60	10.2%	31.7%	3 to 5
R-3	739.0	1.15	7.4%	22.9%	3 to 5
R-4	553.7	0.87	5.5%	17.1%	3 to 5
R-5	74.9	0.12	0.7%	2.3%	6 to 10
R-6	380.9	0.60	3.8%	11.8%	11 to 14
R-7	109.6	0.17	1.1%	3.4%	15
R-8	21.7	0.03	0.2%	0.7%	15+
R-T	3.6	0.01	0.0%	0.1%	6 to 10

(j) The percentage of areas within the corporate limits of the city zoned for residential use which have been declared extremely blighted areas under the Community Development Law:

Zone	Acres	Square Miles	Area Percent	Area % of Residential	Dwellings / Acre
AGR	0.00	0	0.0%	0.0%	
R-1	320.7	0.50	4.6%	10.0%	3 to 5
R-2	929.2	1.45	13.2%	29.0%	3 to 5
R-3	581.8	0.91	8.3%	18.2%	3 to 5
R-4	468.6	0.73	6.7%	14.6%	3 to 5
R-5	72.8	0.11	1.0%	2.3%	6 to 10
R-6	373.6	0.58	5.3%	11.7%	11 to 14
R-7	109.5	0.17	1.6%	3.4%	15
R-8	21.7	0.03	0.3%	0.7%	15+
R-T	2.8	0.004	0.0%	0.1%	6 to 10

(k) A demographic analysis of the city with trends and estimates of the housing need classified by housing type and price range:

The City has completed a robust demographic analysis as part of the *Lincoln Affordable Housing Coordinated Action Plan* (see item (k1), below). As a result of that analysis and building on a housing demand model, the development program in the *Plan* forecasts production targets for owner and renter occupied units, see the Figure below, based on the following assumptions (verbatim from page 44 of the *Plan*):

- Owner-occupied units will be distributed roughly in proportion to the income distributions of the households for whom owner occupancy is an appropriate strategy.
- Most low-income residents will be accommodated in rental units.
- The city currently has a split of approximately 60% owner-occupied and 40% renter-occupied units. Since 2014, single-family units have been 40% of new construction. The increasing cost of construction and land will likely continue to support construction of higher density owner-occupied configurations and rental units. To meet this demand, the demand model assumes a 50/50 split between rental and ownership units.
- Approximately 2,200 new rental units should rent for less than \$500 a month.
- Approximately 3,800 additional owner-occupied units should be priced under \$200,000. Products being constructed today will not meet this demand. This demand will only be met through older existing units and the construction of products in denser configurations with assistance with land or infrastructure costs.

The *Lincoln Affordable Housing Coordinated Action Plan* did not adjust for inflation nor consider annual adjustments for Area Median Income (AMI). As the City continues implementation of the *Plan*, inflation and AMI will be considered and goals adjusted accordingly as needed.

FIGURE 1.22: Housing Development Program

	2025		2030		2017-2030	
Total Owner Occupied						
Affordable Low: <\$125,000	611		650		1,261	
Affordable Moderate: \$125-200,000	1,236		1,315		2,551	
Moderate Market: \$200-250,000	801	4,148	852	4,414	1,653	8,562
Market: \$250-350,000	961		1,023		1,984	
High Market: Over \$350,000	539		574		1,113	
Total Renter Occupied						
Low: Less than \$500	1,071		1,140		2,211	
Affordable: \$500-1,000	1,362	4,148	1,450	4,414	2,812	8,562
Market: \$1,000-1,500	1,040		1,107		2,147	
High Market: \$1,500+	674		717		1,391	
Total Need		8,296		8,827		17,123

Source: RDG

In addition, the City of Lincoln, along with other Federal Housing and Urban Development Entitlement Communities, submit a worst-case needs analysis in their Consolidated Annual Performance and Evaluation Report. These studies provide data and an analysis of critical housing problems (i.e, cost burden, inadequate conditions) facing very low-income (i.e., less than 50% AMI) renting families. In 2021, Lincoln’s worst-case needs increased by 9% in terms of total numbers ... returning to near 2016 raw numbers. This review examined the trends in worst case needs using the most recent data from the Comprehensive Housing Affordability Strategy (CHAS), Census data, National Low-Income Housing Coalition, and administrative data. It was determined that 11,579 households are experiencing possible worst-case needs. It is unclear how 4,598 vouchers (i.e., the number of non-Homeless households to be provided affordable housing units) interacts with CHAS data. From 2016 to 2019 the total number of households in this cohort increased in need by 299 units. Processed 2018 CHAS data shows a need for 6,560 units of affordable and available housing to supply this additional demand. Not included in this study is an analysis of inflation trends to worst case needs.

(k1) Efforts to adopt an affordable housing action plan as required under section 5 of this act:

As an entitlement city for CDBG, HOME, and ESG funds, the Urban Development Department conducts planning efforts and identifies community development needs. Throughout the course of the federally required Consolidated Plan, the number one need identified through the public engagement process was quality affordable rental housing. In addition, data analysis also indicated an overarching need for affordable housing. Concurrently, local non-profits and community groups began expressing an increasing concern over affordable housing in Lincoln, along with the Lincoln Chamber of Commerce.

Recognizing that the City alone cannot solve the affordable housing issue, the City's administration did see a role for the City in bringing stakeholders and residents together to coordinate efforts. An RFP was issued and RDG Planning and Design was retained in 2019 to assist in developing the *Lincoln Affordable Housing Coordinated Action Plan*. The planning process was complete in early 2020; however, as public review was underway, COVID-19 delayed the process. Later in the year when the Legislature adopted LB866, the Plan was reviewed to ensure all required elements were included. Most requirements were already there but the Plan was delayed further to add missing elements. Ultimately the Lincoln-Lancaster County Planning Commission recommended the City Council approve the *Lincoln Affordable Housing Coordinated Action Plan* as a subarea plan to the Lincoln-Lancaster County Comprehensive Plan. The Lincoln City Council agreed and adopted the Plan on December 21, 2020. The Plan was submitted to the Legislature's Urban Affairs Committee and implementation continues.

In December 2021, the City Council adopted an updated Comprehensive Plan, called *PlanForward 2050*. The Plan maintains the *Lincoln Affordable Housing Coordinated Action Plan* as an adopted document, and data and recommendations from the *Housing Coordinated Action Plan* are integrated throughout *PlanForward 2050*. The Comprehensive Plan includes goals, policies, and action steps related to affordable housing and complete neighborhoods.