

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

CLEMENTS: Hello. Good afternoon. Welcome to the Appropriations Committee. Are we started?

CORI BIERBAUM: Yep.

CLEMENTS: My name is Rob Clements and I'm from Elmwood and represent Legislative District 2. I serve as Chair of this committee. We will start off by having the members do self-introductions, starting with my far right.

ERDMAN: Steve Erdman, District 47.

LIPPINCOTT: Loren Lippincott, District 34.

WISHART: Anna Wishart, District 27.

DOVER: Robert Dover, District 19.

CLEMENTS: There are other senators who are either in committee meetings or presenting bills in other, other committees, and they will be possibly coming and going as their duties require. If you are planning on testifying today, please fill out a green testifier sheet located on the side of the room and hand it to the page when you come up to testify. If you will not be testifying but want to go on record as having a position on a bill being heard today, there are yellow sign-in sheets on the side of the room where you may leave your name and other pertinent information. These sign-in sheets will become exhibits in the permanent record after today's hearing. To better facilitate today's hearing, I ask that you abide by the following procedures. Please silence your cell phones. When hearing bills, the order of testimony will be introducer, proponents, opponents, neutral, and closing. When we hear testimony regarding agencies, we will first hear from a representative of the agency. Then we will hear testimony from anyone who wishes to speak regarding the agency's budget request, for or against. When you come to testify, please spell your first and last name for the record before you testify. Be concise. We request that you limit your testimony to 5 minutes or less. Written materials may be distributed to the committee members as exhibits only while testimony is being offered. Hand them to the page for distribution when you come up to testify. If you have written testimony but do not have 12 copies, please raise your hand now so the page can make copies for you. Regarding that, I skipped a paragraph. Assisting the committee today is Cori Bierbaum, our committee clerk. To my left is our fiscal analyst, Clint Verner. Our page today is Ella Schmidt from Lincoln, a criminal justice major and political science major in-- at

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

University of Nebraska. With that, we begin today's hearing with the budget of Agency 72, Department of Economic Development. Will a representative please come forward?

[AGENCY HEARING]

CLEMENTS: That will bring us to our agenda with bills. LB575 [SIC]. Senator Ibach. Senator Ibach.

IBACH: I was watching across the hall.

CLEMENTS: Welcome, Senator. We'll open the hearing for LB975 at this time.

IBACH: Thank you very much. Good afternoon, Chairman Clements and members of the Appropriations Committee. As you know, my name is Senator Teresa Ibach. That's spelled I-b-a-c-h. And I'm here to introduce LB975 today for your consideration. LB975 is a simple bill. LB975 would allow multifunction centers that contain at least 2 of the following categories. First, an early childhood learning center. Second, a community event center. Or 3, an indoor/outdoor sports training center. Last year, I was contacted by individuals in my district regarding potential funding options for the Gothenburg Impact Center. They were finding it challenging to identify additional funds, even though the local community has invested very heavily in their project. These representatives of the project reached out to the Department of Economic Development, and their application was denied under the Shovel-Ready Capital Recovery and Investment Act. Because while this center has sports fields, they will not be used for competitive sports. I would like to explain what the services that the Gothenburg Impact Center will provide. This center will serve an early childhood learning center, a healthy family center, a sports training center, and an event center. The Childhood Learning Center has space for over 250 children. The Healthy Family Center coordinates resources that will provide a food pantry, clothing exchange, a mentoring program, and parenting support. The 4,500 square foot Sports Training Center has an indoor and outdoor space for teams and organizations to practice. And the center provides a 400-person space to hold small events and meetings. I fully believe that centers like this one I described would benefit many of our local communities and should be a model for others to adapt. While I-- while I am not asking for additional funding for the Shovel-Ready Capital Recovery and Investment Act, if adopted, LB7-- LB975 would allow similar types of centers, centers to qualify for this program should the Legislature

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

appropriate additional funds. I believe the benefits would far outweigh the costs. And with that, I will thank you for your time and your consideration of LB975.

CLEMENTS: Are there questions? Senator Dorn.

DORN: And I apologize here, but in the fiscal note, it says that, you know, applications close July 1 or whatever and then doesn't have the emergency clause so. But you just made the comment also that should the Legislature apply additional funds.

IBACH: Yes.

DORN: So are the funds all used up I guess so then this doesn't matter? Or do we need an emergency clause on this?

IBACH: Well, well, that would be appreciated--

DORN: Yeah.

IBACH: --because I know people that would apply for those. But I think, oh, and I didn't look it up. I think it's \$115 million total. Oh, I'm sorry, I should have that number.

DORN: If Senator McDonnell was here, he would know.

IBACH: But yeah, is it 115, hundred and?

CLINT VERNER: It was 115 but part is earmarked for Creighton.

IBACH: OK.

CLINT VERNER: So it's \$55 million divided by 3 because it's also by each Congressional Districts.

IBACH: OK. Thank you. Well, it could be applied--

DORN: Yeah.

IBACH: --the e-clause could be applied then.

DORN: Yeah.

IBACH: But if it does, I know that it would be well received for-- from a lot of smaller communities, especially rural Nebraska.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

DORN: Doesn't have an emergency clause, it doesn't take effect until probably, I don't know when, August or something like that.

IBACH: Which they'll probably decide.

DORN: Past the application date. And all I'm doing is reading from the fiscal note. So I don't know if we have to get-- have to get together with someone.

IBACH: OK. Thank you.

CLEMENTS: Other questions? I had one question.

IBACH: Sure.

CLEMENTS: Why, why was it denied shovel-ready funding?

IBACH: Because the indoor/outdoor, the sports space--

CLEMENTS: The sports facility.

IBACH: --did not-- does not host competitive sports. It's just a-- their just practice field.

CLEMENTS: If it had competitive sports, it would qualify.

IBACH: Yeah.

CLEMENTS: All right. OK. That-- thank you.

IBACH: And as a side note, they are-- they do have plans to expand their center to have competitive softball and baseball fields. And so for future reference, we'll throw that in. But, but for the building itself as they're growing it right now or as they're building it, it doesn't open until August. But as they're building it right now, they did not qualify.

CLEMENTS: All right. Thank you.

IBACH: Thank you.

CLEMENTS: Are there proponents for LB575 [SIC] wishing to testify? Please come forward. Seeing none, is there anyone in opposition? Seeing none, anyone here in the neutral capacity? Seeing none, would you care to close?

IBACH: I'll waive.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

CLEMENTS: She waives closing. We have position comments for the record on LB575 [SIC]. There are 3 proponents, no opponents, none in the neutral. That concludes LB975. We will now go to LB13-- no.

CRISTINA PRENTICE: Senator Vargas is running back from the Exec Board meeting, but he's on his way down so he'll be right here.

CLEMENTS: He's about to be here shortly?

CRISTINA PRENTICE: Yep. He's on his way down from the Exec Board meeting.

WISHART: Do we want to start with Loren?

CLEMENTS: Oh, I think we can wait.

CRISTINA PRENTICE: He'll be here in one second. He's already on his way down.

CLEMENTS: He's on his way. We're going to-- after that bill the, we have 1, 2, 3, 4, 5 bills that are all housing related. And those will be taken as one hearing. So I'd like to do this one separately. We'll stand at ease.

[EASE]

CLEMENTS: Welcome, Senator Vargas.

VARGAS: Good afternoon.

CLEMENTS: We are now opening the hearing for LB1333. Ready for you.

VARGAS: Perfect. Good afternoon, Chairperson Clements and members of the Appropriations Committee. Thank you for standing at ease. We're still in Executive Board. My name is Tony Vargas, T-o-n-y V-a-r-g-a-s. I represent District 7, which includes the communities of downtown and south Omaha. I'm here this afternoon to introduce LB1333, which expands the grant match program under the Business Innovation Act. LB1333 states that federal award matching grants under this program shall not exceed \$150,000 for a business receiving a Phase I grant under the federal grant program, and shall not exceed \$300,000 for a business receiving a Phase II grant under the federal grant program. Now, this bill would also remove the previous limit that no business shall receive funding for more than 1 project every 2 years. The Small Business Innovation Research Program has supported companies nationwide for years, but the existing funding caps and restrictions

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

under the Nebraska Business Innovation Act have put Nebraska and applicants at a disadvantage. I'm hopeful that by increasing the match funds allowable for businesses receiving Phase I and Phase II grants under this federal grant program, along with removing the award limitations, more companies will feel incentivized to compete for and bring federal research funds to Nebraska. Behind me, you'll hear from experts and businesses who have been awarded business innovation grants and matching dollars. With that, I'm happy to close and answer any questions. My only 2 cents here is this is with the intent of sometimes when we have-- when we have programs, this is the intent to make it more competitive. This is the intent to remove some of hindrances with not allowing us to continue awarding grants to individuals and increasing the allowable authority to provide more funding for businesses that have been successful and still keeps this in the hands of the department and the agencies. Thank you.

CLEMENTS: Are there questions? I guess I have a question. It talks about the federal grant program. Are there federal dollars involved in this?

VARGAS: Yes. So part of-- and you'll hear this from some of the businesses that have been awarded federal grants, you have to have certain eligibility requirements being awarded the federal grants to qualify. So it's some federal dollars being awarded to these subgrantees and then they're dollars that come from the Business and innovation grant from our end at the state level that basically match it.

CLEMENTS: All right. Thank you. Seeing no other questions, let's go on to proponents for LB1333.

VARGAS: I will stay here to close.

CLEMENTS: All right. Very good. Welcome.

CAMERON RYLANCE: Thank you. Members of the committee, thank you for allowing me the time to speak with you today. My name is Cameron Rylance, spelled R-y-l-a-n-c-e, and I serve as vice president of government affairs and business development for Bluestem Biosciences based in Omaha. Bluestem is a company dedicated to the bio production of renewable chemicals made from agriculture. At Bluestem, we capitalize on existing ethanol fermentation infrastructure to shift chemical production from petroleum-based processes to a renewable, agricultural-based system. This approach fosters resilience in chemical supply chains by centering them in the Midwest; and, more

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

importantly, creates new sources of demand with higher value end markets for Nebraska's corn. Today, I am here to express Bluestem's support of LB1333, which expands the grant match program found within the Business Innovation Act. The Business Innovation Act is meaningful to me personally because it funded my initial role at Bluestem as a grant writer, which transitioned my current full-time position. The Nebraska SBIR grant match program is instrumental in supporting early stage companies taking on high-impact and high-risk innovation projects. It augments federal research and development grants with matched state investment, incentivizing companies to secure and utilize federal assistance within the state. Simply put, this program makes securing federal grants more impactful to companies based in Nebraska. Historically, the federal SBIR program has primarily distributed funds to companies along the coasts. However, the BIA grant match program counteracts that trend and helps affirm Nebraska as a premier business landscape. Bluestem's roots in Nebraska are deliberate, as our work is inextricably linked to Midwest agriculture. But programs like the BIA grant match are a major reason why early stage research and development companies like Bluestem can compete for these federal funds within Nebraska. The Business Innovation Act, particularly its matching grant, have been pivotal to Bluestem's history and remain an integral part of our strategic vision. We hope the committee will favor LB1333, as it marks a significant progression in nurturing early stage research and development within Nebraska. Thank you for considering Bluestem's story and perspective on this opportunity to drive further innovation in the great state of Nebraska.

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

CAMERON RYLANCE: Thank you.

CLEMENTS: Next proponent, please. Good afternoon.

LAUREL OETKEN: Good afternoon, Senator, excuse me, Chairman Clements and members of the Appropriations Committee. My name is Laurel Oetken. That's spelled L-a-u-r-e-l O-e-t-k-e-n. And today I'm testifying on behalf of my organization, Tech Nebraska; the Nebraska Chamber; the Greater Omaha Chamber; the Lincoln Chamber; and Invest Nebraska. It's a long list, I know. I serve as the inaugural executive director of Tech Nebraska, Nebraska's first ever statewide tech trade association, which was created in partnership with the Nebraska Chamber and launched in August of 2023. Tech Nebraska aims to convene technology partners, foster a more diverse and inclusive technology workforce,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

and advocate for pro-growth, tech-focused public policy spanning the whole state. We also hope to continue to drive industry growth, innovation within Nebraska's core industries, and to position our state as a leader in the future of technology and innovation. We strongly believe that any company in Nebraska can be, and likely is, a technology company. And in order for Nebraska to move into the top tier of our nation's technology ecosystems and to be seen as a hub for innovation, it will take the collective effort of tech leaders from across the state and from all industries. And it will take widespread support of efforts that help grow the next generation of technology and innovation companies in Nebraska. LB1333 introduced by Senator Vargas is a key part of this effort. Over the years, by way of programs such as the Small Business Innovation Research program, SBIR, countless organizations have been even-- been enabled to expand their technological footprint, create more innovative products and services, and move the needle forward in terms of scientific innovation in our state. While the proposed modifications included in LB1333 do not allocate additional state funds to the Business Innovation Act or grant match program, they do allow organizations to potentially receive more funding in both phases of the program. These modifications also remove limitations and expand access for Nebraska startups and small businesses looking to utilize them. This is a great way to incentivize our early stage organizations to compete for and bring in more federal research funding to Nebraska. By supporting LB1333, we are not only investing in the future of research and development enterprises, but we're also laying the groundwork for sustained economic growth and long-term competitiveness as a state. The infusion of additional funding will enable organizations across industries to expand their operations, create high-quality jobs, and make meaningful long-term impact to our local economy. Moreover, this will also help to foster an establishment of new R&D firms and will fuel a new cycle of innovation and entrepreneurship that will benefit our state for generations to come. We'd like to thank Senator Vargas for introducing this bill. And on behalf of Nebraska's technology-driven industries, I'd urge the committee to advance it to the floor. By supporting this bill, our legislators can demonstrate the state's commitment to growing Nebraska's technology ecosystem and reinstating our commitment to fostering a culture of innovation. Thank you, and I'd be happy to answer any questions you may have.

CLEMENTS: Are there questions? I have one question.

LAUREL OETKEN: Sure.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

CLEMENTS: In the bill, it doesn't say what Phase II currently is for a limit. Do you know what that is?

LAUREL OETKEN: I don't off the top of my head, Chairman, but I'd be happy to get that information to you. Senator Vargas might also be able to point to that or some of the other proponents that are here today.

CLEMENTS: I'm just giving him a heads up--

LAUREL OETKEN: Sure. Thank you.

CLEMENTS: -- that that would be coming.

LAUREL OETKEN: Any other questions?

CLEMENTS: Any other questions? Does the Tech Nebraska or the Chamber participate in funding any of these grants?

LAUREL OETKEN: We do not. We're just a general supporter, I would say, of advancing technology for the state-- state of Nebraska and wanting to see more innovation take place here. But no, we do not take place in funding.

CLEMENTS: Thank you.

LAUREL OETKEN: Yep. No problem.

CLEMENTS: Next proponent, please.

ROB OWEN: Good afternoon, Chairman Clements and members of the Appropriations Committee. My name is Rob Owen. That is R-o-b O-w-e-n, and I'm the executive director of Bio Nebraska. To get to your question, Chairman Clements, the caps are \$100,000 for Phase I and \$100,000 for Phase II. So it's raising from 100 to 150 and 100 to 300.

CLEMENTS: Thank you.

ROB OWEN: On behalf of Bio Nebraska, I'm here testifying in support of LB1333. And we'd like to thank Senator Vargas for his leadership on this bill. As background, Bio Nebraska is a nonprofit trade association dedicated to supporting, promoting, and growing the biosciences in Nebraska. There are over 125 Bio Nebraska member organizations, ranging from startups all the way to multinational corporations. Bio Nebraska's membership is also quite diverse. Our members can be found in animal health, human health, renewable fuels,

agriculture, and bio manufacturing sectors. To put it plainly, Nebraska companies need capital. It is that plain and simple truth. Not long ago, Nebraska ranked 51st, that is correct, 51st in venture capital investment in the biosciences behind Wyoming and Puerto Rico. Today we're doing better. We're in the mid 30s, but that's not good enough if we want to keep Nebraska companies in-state and/or want to recruit companies to relocate. The question in front of you today is whether increasing the limits on the matching funds provided by the state under the Business Innovation Act, or BIA, is a wise allocation of funds. To be clear, and as was mentioned before, LB1333 is not asking for additional funding for the BIA. It is giving the state the opportunity to invest more resources in Nebraska companies. I should note that money awarded under the BIA is not free. Recipients need to find matching funds, so they're just not getting free money from the state. They are coming to the state saying we have raised money elsewhere. As noted in Nebraska statutes, the BIA is to, quote, encourage and support the transfer of Nebraska-based technology and innovation in rural and urban areas of Nebraska in order to create high-growth, high-technological companies, small businesses and microenterprises, and to enhance creation of wealth and quality jobs. The BIA was designed to promote successful entrepreneurial firms by providing access to capital in early stages of product development. And there's really 5 programs under the BIA. You have the prototype grants, the matching state support for the SBIR grants, Academic Research and Development Program, the Seed and Commercialization Program, and the Microenterprise Loan and Technical Assistance Program. And really, to date, the BIA has been very successful. The University of Nebraska's Bureau of Business Research analyzes the BIA every 2 years. The most recent analysis of the BIA in 2022-- and these are the companies that actually responded to the survey so this is not everyone-- but those companies have added 1,600 jobs, with wages of over \$104 million, which comes out to be about 65-- \$64,000 per job. For every dollar invested by the state under the BIA, there's an additional \$12.23 that is raised that is also invested in the state. So if you look at the total economic impact of just those companies that have responded to this survey under the BIA, that is a \$753 million economic impact on our state. The University of Nebraska report clearly shows that state funds appropriated by the BIA help support the innovation and development necessary to grow the next generation of technology and businesses in Nebraska, which is a good thing. Bio Nebraska believes increasing the state matching limit to \$150,000 for Phase I grant recipients and \$300,000 for Phase II grant recipients is a prudent decision and a sound investment for the state of Nebraska. Again, Nebraska companies need capital. Having access to

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

increased funding opportunities at home would go a long way to growing Nebraska's economy and creating jobs. Thank you for your consideration. I'm happy to answer any questions.

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

DOVER: Yeah. I thought, and I could be wrong, that it also changed not just the limits, but it also changed that you could have multiple grants by the same. Can you give-- can you explain the need for that, perhaps specific?

ROB OWEN: Well, I think, the way you can look at it is if you have one, if you make the criteria, if you make what the DED is looking at when they're looking at those grant applications coming in and you meet that criteria, currently, you would probably not be allowed to get a second grant even though you would meet that criteria. So this is really allowing the competition of the grants, I think, to really be at the forefront. So just be-- just-- so this one can't get a grant. So therefore we're going to give the money to this other company that may not have been as good as an application as this other company, but since they've already received one, we can't give them one. Right?

DOVER: Right.

ROB OWEN: So you're kind of making the applications more competitive.

DOVER: What do you believe that purpose of that in the bill was?

ROB OWEN: Well, I'm sure it's to spread the money out throughout the state, throughout the many industries. But we shouldn't-- the state should not be giving money out to inferior, I guess, applications.

DOVER: Do you have-- you have-- are you limited then? I mean, so you have plenty of money. You can't get rid of the money. Is that what you're saying? So you have to give it to inferior people [INAUDIBLE]?

ROB OWEN: I believe under, if I'm not mistaken, I don't have the exact numbers, but I believe the Department of Economic Development over the years has not allocated all of its SBIR matching funds. So this would allow DED to offer those funds out to those companies that meet the criteria for those applications.

DOVER: So just so I clarify, so you're saying then that there's more money than you have applications. So you-- the applications you're currently receiving, are not in-- because a lot of times what we

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

normally see it seems like is there's, there's more applications than we have money for it.

ROB OWEN: Right.

DOVER: You're saying that's not the case here?

ROB OWEN: I believe that is the case that there are not.

DOVER: OK. OK.

ROB OWEN: I mean, for the-- for the money set aside for the SBIR program, they do not allocate, I believe, all of that out. So this would allow DED to invest more resources in one particular company.

DOVER: Is there anyone that can speak to how much the fund currently has and how many, I mean, how much they're, they're awarding?

CLEMENTS: Our fiscal--

ROB OWEN: Yes.

CLEMENTS: --fiscal analyst--

DOVER: Oh, OK.

CLEMENTS: --can help us there.

ROB OWEN: And the final proponent, I believe, is a company here in Nebraska that has received funding from the state and from the federal government. So it could probably talk more to that.

DOVER: OK.

ROB OWEN: But again, I think this is all about getting more capital to our local companies locally. And so they don't have to necessarily look to the coasts.

DOVER: All right. Thank you.

CLEMENTS: Yeah. And to clarify, you're not in a position of awarding grants, are you? Your association is the companies who receive grants.

ROB OWEN: Correct. I would have member organizations that have received SBIR grants federally and from the state, the matching over the years.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

CLEMENTS: You mentioned \$753 million of economic impact. Is that one year, how many years?

ROB OWEN: That is total. I mean, it's kind of a, I believe-- I can get the, the committee the Nebraska-- University of Nebraska report that outlines all of that. I can send that.

CLEMENTS: Since a certain date, you mean?

ROB OWEN: So it takes-- they do a survey every 2 years. And however many companies respond to that survey, those companies say I've created 500 jobs since I first got my BIA fund. So that may have been 4 years ago, 2 years ago or such. And so I think what they do is then they add up. There have been 1,600 jobs created. Here are the salaries. Here's how we get our total numbers.

CLEMENTS: And do they report how much state revenue is increased because of that activity?

ROB OWEN: I believe on the \$753 million, I think it came in to roughly \$18 million in tax revenue for the state.

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

ROB OWEN: Thank you.

CLEMENTS: Next proponent, please. Welcome.

CHAD JOHNSON: Good afternoon. My name is Chad Johnson, C-h-a-d J-o-h-n-s-o-n, and I'm the CEO and cofounder of the Grain Weevil Corporation. I'm here to share a little bit about our story in support of LB1333. Grain Weevil has received a total of \$1.25 million in federal funding to date. That comes in the form of a Phase I National Science Foundation grant that was \$256,000. And we are currently in our first 6 months of our Phase II National Science Foundation grant, which is just under a \$1 million grant. Both of those grants were matched by the \$100,000 from this program. As a startup, we're constantly reminded of how challenging the journey to success is. In general, 80 to 90% of startups in the tech world fail. These failures can be caused by several factors. What we're doing is hard. We're breaking new ground. We're creating new markets. We're solving engineering problems that have never been solved before. But unfortunately, those are not the challenges why startups fail. Nearly 40% of startups fail because they run out of money. So the federal SBIR program helps bridge that funding gap. Grants are available from

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

nearly every federal department: the USDA, National Science Foundation, Department of Energy, Department of Defense. But Grain Weevil's gone through the National Science Foundation program. The NSF SBIR is highly competitive, and they fund 400 programs a year out of about 4,000 applicants. But in the history of the, the SBIR program, only 9 of those have been in Nebraska, and only 6 of those have gone on to get a Phase II NSF grant. And this just demonstrates how competitive these grants are. So companies that are fortunate enough to receive the SBIR grant have shown tremendous promise, but still have plenty of barriers to success. According to the National Science Foundation, in their, their solicitation, they quote, We fund startups to create next game-changing technologies, often based on fundamental sciences of engineering, in need of research and development to create new products, services and other scalable solutions. We don't have the same financial incentives as most investors. So they can make an impact on investments that potentially help billions of people and take longer to provide that financial return. Our goal is to invest in a better future for our shareholders, the American public. And I feel that is the same reason that the state of Nebraska invests in these grant programs, to assist those of us who are doing things that take longer to get to market. LB1333 encourages an increase in Nebraska matching for those companies that receive the SBIR funding, and that provides a potentially-- a potential lifeline that keeps that startup, gives them an opportunity to be that one in those 10% of rare success stories. I'm here today to encourage you to do anything and everything you can to ensure that our Nebraska startups become viable, thriving businesses that bolster our local economies. Thank you.

CLEMENTS: Are there questions? Senator Wishart.

WISHART: Thank you for being here today. Can you tell us a little bit about your product innovation?

CHAD JOHNSON: Sure. So the Grain Weevil is a grain bin safety and management robot that's designed to do the work that no human should inside of grain storage facilities, both on the farm and commercially. We-- the grant process basically says you have to do something extremely unique. And we are the first and only robot that can maneuver on and manipulate the surface of the grain. So not only can we break up crusts and bridges, but we can also ensure higher quality grain management throughout the entire lifecycle of grain storage.

CLEMENTS: Other questions? Senator Dorn.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

DORN: Thank you. Thank you for being here. Approximately when did you get each of those grants? You said \$100,000 and \$150,000. How many-- how many years have you been trying or how long did it-- when you applied, how long did it take?

CHAD JOHNSON: Sure. So we, we applied. We got the phase zero grant, which is a \$5,000 expenditure to hire someone to help you write your first grant. And we ended up submitting in December of 2019. We got our first grant in March of 2021. It usually takes 8 to 10 months, but obviously COVID kind of threw a wrench into that. So we waited quite a long time for our Phase I. Phase I is-- our program was a year long. It could be up to 18 months. At the end of your Phase I, you can apply for Phase II. And so in February of 2023, we applied for our Phase II grant, which is taking that deep technology and applying it to a business case to prove that we are going to be a viable business, not just researching how to 3D print moon bases or, or some nonviable innovation. And we received that grant in, in August of 2023, and now we have 2 years. That's a 2-year program.

DORN: Two-year program to use that funding.

CHAD JOHNSON: To use that \$1 million. And we also, if we do a funding raise or get additional capital, during that time period, the National Science Foundation will also-- there's a supplemental Phase IIB where we could get an additional \$500,000.

DORN: \$150,000 then, did that have to be used as a match for that, or is that now funds that you can also use?

CHAD JOHNSON: So the, the \$100,000 that we received for, for the SBIR match, the requirements are that, that we meet all the small business criteria for the grant. But you only get access to that funding if you receive one of the SBIR grants. Once we received that, we would apply and it supplements the-- so a lot of our research was to, to pay the salaries of our engineers. But then the supplemental allows us to utilize some of those other dollars to buy equipment and, and parts and pieces that we use in the R&D. And so it's a-- it's a big asset to us to sustain our runway to, to keep us a viable business while we're developing this tech.

DORN: Thank you for coming.

CHAD JOHNSON: Yes. Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

CLEMENTS: Are there other questions? I had one as usual. I think I heard you say-- use the phrase "our public shareholders." Do-- does the state or the federal give some stock certificates?

CHAD JOHNSON: So, so that-- that's a unique statement from the National Science Foundation because they called the SBIR program America's Seed Fund. But neither the National Science Foundation nor the state of Nebraska takes any equity in the companies. They see that as a direct investment, as a benefit to society, not as a financial gain through, through ownership or equity.

CLEMENTS: All right. So it's not shareholders--

CHAD JOHNSON: It's not.

CLEMENTS: --in corporate term.

CHAD JOHNSON: It's-- probably would be better like, like key stakeholders or some other statement, not shareholders. Yes.

CLEMENTS: Back in 2008 when there was a banking crisis, my bank was offered funds from the Federal Reserve in exchange for 3% of our stock.

CHAD JOHNSON: Right.

CLEMENTS: And I turned that money down.

CHAD JOHNSON: This is all nondilutive.

CLEMENTS: Not going to do that.

CHAD JOHNSON: And therefore very valuable to us.

CLEMENTS: Thank you for your testimony.

CHAD JOHNSON: Thank you.

CLEMENTS: Are there other proponents for LB1333? Seeing none, is anyone here in opposition? Seeing none, anyone here in the neutral capacity? Seeing none, Senator Vargas, you may close.

VARGAS: Thank you very much, Chairman Clements and members of the Appropriations Committee. My fellow members, it sounds like you want to get into the stock of Grain Weevil, which sounds like you can. We could set you up. I just want to thank everyone for two reasons. One, the testifiers, both in particular, the associations, the businesses,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

people that are-- that are receiving these grants, it's an example of what happens when we make these investments. Again, really high level. This bill is not allocating more funding. This bill is not mandating that they have to give to a specific entity. It is removing a barrier for competition by enabling them to, one, be able to award a grantee more than once if they are indeed the best grantee, DED can do that. They're not required to. They can pick somebody new, but they were told that they can't. Even if there was a really great grantee that is knocking it out of the park in terms of their output and their growth. And the second is increasing the amount allocations in these categories will make them more competitive. There's-- not all funds are always distributed every single year because they're trying to make sure that they're leveraging the best awardees. A couple of things and I know you asked a little bit about this, there have been, I mean, there's a significant impact here, just overall. And I know Senator Wishart knows this because she's worked on BIA increasing in other categories. But overall, the BIA has created more than \$104 million in annual wages since its inception. It's had \$752.3 million in economic impact and \$16 million in state and local tax receipts. And specifically for the Phase I and Phase II, they have to be a majority Nebraska-based business. They have to get this SBIR, a federal grant, and they have to jump through hoops. And they're making a commitment to grow Nebraska in incredibly innovative ways. With that, I want to thank you and thank all those that testified. And I ask for your humble support of this bill. I'm happy to answer any more questions.

CLEMENTS: Senator Dover.

DOVER: So could you just speak to how much money is in this fund and how much is-- I should know how old this fund is, but how-- when the fund was originated; what the annual amount of the fund is; and how much of that fund is actually given out in the form of grants annually?

VARGAS: I can get you that information because I don't want to say the wrong information. But I can tell you this, as you looked at the fiscal note, there's no fiscal impact in terms of more money being allocated. And in terms of the-- there's no minimum amount that needs to be distributed in each of the different grant funds, which means that DED gets to decide within each grant fund how much they are-- they are awarding within all the s-- small business-- Small Business Innovation Act programs. That's a good flexibility. We can get you the overall. There's a great report, 2022 report, that just came out. It's

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

on DED's website, has all the information that you want. We'll get it printed out and get it to you.

DOVER: I think the increase makes sense. I just worried that obviously if you get someone who just keeps taking and taking the money and then it gets sucked up and then the innovation that we're looking for, that company, whether it's a weevil, whoever, also so many of those funds are, are now available, because the way we originally did it is spread the funds out, you know, to help support businesses.

VARGAS: Well, I love the, the competition side of this. The free market side of this is DED still gets to decide who is the most qualified and the most competent and has the most growth opportunities, and they can still do that in this bill.

DOVER: Thank you.

VARGAS: Thank you.

CLEMENTS: I do have comments from the fiscal analyst said there is-- this is not a cash fund. It's an appropriation amount. They can spend up to a certain amount, which is \$15 million in aid appropriation, \$6 million appropriation under this section, roughly \$1 million in aid grants per year have been given out in this section, and \$10 million or so have been spent each year.

CLINT VERNER: Which fluctuates, but that's--

CLEMENTS: It fluctuates.

DOVER: So 25%, 25% about has been allocated?

CLINT VERNER: I'll have to check for this year.

DOVER: OK.

CLINT VERNER: Each year they typically spent about \$10 million to \$11 millionish from \$15 million [INAUDIBLE] .

DOVER: Oh, OK. Thank you.

CLEMENTS: Oh, it's not like the cash fund is building up. If they don't spend it, it just was not spent. I read your writing? OK. Any other questions? Seeing none, thank you, Senator Vargas. We have comments, LB1333. Here we go. On LB1333, we have proponents, 2; opponents, 0; neutral, 0. That concludes the hearing for LB1333. Next

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

we have decided to combine the hearings today for bills regarding housing. We're going to have testimony-- oh, they've got them up there-- regarding LB888, LB889, LB1039, LB1323, all from Senator Vargas. And LB897 from Senator Lippincott. And so we will open. Senator Vargas, you may open and speak to any of those bills as you like.

VARGAS: Wonderful. I do have handouts. This is first time seeing all this cascading like this. So good afternoon, Chairman Clements and fellow members of the Appropriations Committee. My name is Tony Vargas, T-o-n-y V-a-r-g-a-s. I have the pleasure of representing District 7 and the communities of downtown and south Omaha in the Nebraska Legislature. I'm here today to open on LB888, LB889, LB1039 and LB1323 with also a shout-out to LB897, Senator Lippincott's bill. Each of these bills appropriates funds from the General Fund to the Department of Economic Development to be used for a variety of housing programs. To start, LB888 appropriates \$25 million for the Middle Income Workforce Housing program. LB889 appropriates \$25 million for rural workforce housing. LB1039 appropriates \$25 million for both those programs. And LB1323 appropriates \$10 million for the Nebraska Affordable Housing Trust Fund. I want to thank the committee for allowing us to combine these bills for the purpose of this hearing, both for efficiency and on behalf of those testifying that want to be able to speak on, on many bills, all the bills, some bills. It's really good for efficiency. And I appreciate staff and Chair and the committee for that. Many of the testifiers here today are housing experts who will be able to provide us with more context on each of the housing initiatives and the need for these funds. You will receive the one-pager that does a little bit of a, sort of an overview on these funds. They're not new to you. But I think it's helpful just to get the idea. I want to quickly go over these housing programs. They serve unique purposes in the state of Nebraska. The Middle Income Workforce Housing is a program that the state offers to municipalities, nonprofits, government subdivisions to assist with the development of affordable and workforce housing in the state. These funds come in the form of low interest loans and grants. The state must step in to contribute to the development of housing, because the free market for housing in Nebraska has continued to outprice critical workforces. The cost of construction has soared in the past few years as many of you know. It's made it so that building expensive homes and rental units is pretty much the only way that developers can meet their bottom line. This drives up the price of surrounding housing units that already exist and creates a costly cycle for our workforces that can't seem to find their way out. Our state's economic future

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

depends on intervention from the Legislature to solve this issue. The Rural Workforce Housing Fund was signed into law in 2017 by Governor Ricketts as part of the Rural Workforce Housing Investment Act. It provides competitive match grant programs to nonprofit development organizations who administer workforce housing investment funds. These funds are invested in eligible projects to increase the supply and reduce the cost of workforce in Nebraska's rural communities. Affordable Housing Trust Fund establishes this program. It was established in 1996 to help communities address local housing needs through ongoing development projects. This fund is a resource to help increase the supply and improve quality affordable housing in Nebraska. This fund provides matching funds for federal resources and aims to serve the lowest income individuals for the longest period of time. I know that each of you has heard from constituents about the lack of housing, specifically different kinds of housing. Simply put, we are in a housing crisis. That's not my opinion. We've had several reports from the chambers and, and local economic analysis from different trade associations, from different organizations, from higher education. And Nebraska's housing market plays a critical role in realizing the economic potential for our state and supporting a high quality of life for all Nebraskans. A healthy and robust housing market facilitates job growth, generational transitions, stability of real estate and land values, and access to quality housing options across our state's population. Housing is unaffordable, and there's insufficient diverse housing, which leads to a limited workforce for employers and less vibrant communities, especially for our lowest and middle-income working Nebraskans, including seniors, veterans and those with disabilities. 44% of Nebraskan households who earn \$75,000 per year or less are spending more than 30% of their gross income on housing. This is leaving them with less money for necessities and reducing their ability to contribute to the economy, and to be able to save their own wealth and to save for retirement. I'll keep this short so we can keep moving. But I do want to point out this is something that we voted out of committee last year. There are many experts behind me who will speak to the important-- the importance of funding for these programs. You know, one thing I want to step back. Even since last year, we've received both from the Legislative Planning Committee and, and some of you have received word that our competitiveness with other states across the country, in particular the Midwest, we are at the bottom tier in terms of the amount of funding that we provide for addressing work-- any type of housing, any type of housing. We are about a quarter of the funding that even Iowa provides per capita to any type of housing right now. We have some of the lowest numbers of housing that is currently on the market to be

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

bought than we've ever had, especially given the demand. And so the market forces, which even in the last bill, I'm talking about the free market within a grant program, the market forces are not enabling us to actually create housing that's affordable for everyday people. And I'm not talking about just lower income, everybody along the spectrum. And so there is a clear need to do something about it. That's why there's different versions. It's not a one size fits all. We need to do this for both rural and urban Nebraska and, and everything in between. Because this is an opportunity for us to make sure that we are listening. The number one reason for losing our workforce used to be the kind of jobs that we had and the tax climate. The number one reason now we're losing our workforce is now because of housing and the options that are available for people to afford their first home. That change suggests that we have-- we have an urgent need to figure out what can and should we do to be good partners in incentivizing and building this gap so we keep Nebraskans here and grow the good life. Thank you.

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

ERDMAN: Thank you, Senator Clements. Thank you, Senator Vargas. And Senator Vargas, your last-- second to last paragraph stated that households can't afford to-- the mortgage because it gets greater than 30% of their \$75,000 a year income. These low-income, medium-income, whatever you're going to call these houses, costs more than these people can afford. How does this solve that issue? How does this solve the problem they have with not having the funds to exceed 30% of their income? How does that work?

VARGAS: There's two ways. One, you're going to hear from people behind me and so I have 2 responses. One, if the market continues to drive up costs and only incentivizes developers or entities to create higher-priced housing and higher-priced units, then we're going to have-- I love using this example because it exists even in my own community-- I have 95-- \$90,000 homes across the street from a \$475,000 condo. That is currently many examples of what we start to see, which is there's no in between there, which means people can't afford it. So programs like this, many of these programs, all of these programs have been part of the solution for providing additional stock in, in different sort of income levels so that they're driving down the prices and it's incentivizing it. We're not just giving it out for free. There's a lot of matching funds that go along with these really good programs. And so that's going to help drive down the price and drive down the cost. And we've seen it has worked. We're just not

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

meeting the demand. We've pulled some of the housing-- I'm forgetting the term here-- the permits that have been acquired over the last 10 years. You can pretty much track about 30% of the new housing we've created. And new units have been connected to either the Affordable Housing Trust Fund, Middle Income or the Rural Workforce Housing, specifically more so in the last 6 years, because those programs have been in existence starting for the last 6 years, some of them, and some in the last 4 years. So these programs have enabled us to maybe just barely keep up. It's one of the reasons why this is about making sure we're not losing sight of them. Because if we lost 30% of these new housing units and we-- that's what we're assuming-- I can tell you that the price and cost of the homes are going to skyrocket. And more importantly, we're going to lose people that are not going to want to live in certain communities across the state. They're going to go to other-- they're going to rent, and then they'll probably find their next job. So this is making sure we have a more diversified housing stock that is affordable.

CLEMENTS: Senator Erdman.

ERDMAN: Thank you, Senator Clements. So then what you're saying is you're driving down the price of a home so that person that is making \$75,000 is paying less than 30% of their gross income for housing. Is that what you're saying?

VARGAS: Well, no more than 30%. Right now, the amount that people are paying is significantly more than we've seen over the last 15, 20 years.

ERDMAN: So if building these houses was economically feasible, some contractor would build these houses, would they not?

VARGAS: No. And this is part of the market conditions, which is if the cost of the goods, the cost of labor, everything is getting to a point where finding it to be financially feasible is making them drive up the cost of the kind of homes that they're actually building and where and how they do it. You could see this in both the rural and the middle income program, which is, again, we're seeing price points that are that wide. Like the example I gave you, the 475 or \$500,000 condo home and old housing stock that's not developed. If there's nothing in between those two points, a firefighter, a paraprofessional, a teacher can't afford anything. And, and we're giving them a binary choice. So instead of saying that this is the only programs that we should be funding, this is about how do we also remain competitive across the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

Midwest to make sure that the programs that are the most effective under DED that we're continuing to support.

ERDMAN: In my community, well, not my district now, Senator Hardin's district in Kimball, Clean Harbors had bought, has bought 60 acres of land. They're subdividing it. They, the company, is building the houses and selling them to the workforce. In my opinion, that's workforce development. That's how it should work. Because the government, when it gets involved in stuff, usually doesn't work well. And the other issue we have is in Kingman, Arizona, today you can buy a brand new 2-bedroom, 3-bedroom, 2 bath house, 2 car garage for \$250,000. In Nebraska, the house is \$400,000. There's a problem. It's not only the problem with what we have here, but it's the construction costs and what it costs to build a home here is exorbitant to what it is there. And I take exception to your comment why we're losing people. It's because of our taxes. Once these people get into this house and then they understand what their taxes are going to be going forward, they can't afford the taxes. And so what people are doing now, instead of taking an insurance policy that has a small deductible, they're raising the deductible to the degree that they can afford to make the mortgage because their taxes went up. So taxes is a big significant problem why people don't come here and why we're short of workforce housing.

VARGAS: And I appreciate you. We've had this conversation over the years. That wasn't my opinion. This was from a survey from the chamber. And taxes are still in the top 3. So just to make you feel a little bit better. But I do appreciate it. Look, you're saying-- we're saying many of the same things, which is if the cost, if the labor, if the supplies are increasing and they're charging potentially more, what we're seeing right now is this is a trend that's happening across the Midwest. And this is a solution to the problem. Instead of creating brand new programs, let's make sure that within the, the Governor and within Department of Economic Development we're giving them the latitude and the funds to, to actually do the projects that work. And in both of these-- all these programs, you're going to see examples across Nebraska where if it wasn't for that project, there's certain businesses that wouldn't have been able to then build the kind of homes for their workforce. That it truly is very diverse. I'll follow up. And I've said this on the mic. I think I remember saying this on the mic last year. I was reading out the projects across the state that have been built over the last 6 years. And I really appreciate Governor Pillen, because he has been attending a lot of these ceremonies across the state, because he is seeing the developers and the nonprofit development corporations, that are creatively using

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

this program, putting their best foot forward and saying, this is a top 3 issue that we need to address our workforce.

CLEMENTS: Senator Dover.

DOVER: You talked about matching funds. What percentage of-- are all these matching-- now require matching funds?

VARGAS: No. So the matching, well, so the matching funds for the Middle Income in the Rural Workforce, they have some level of matching funds, and there have been bills to, to continue to lower them. We've lowered some of them, but they're still matching funds. For the Affordable Housing Trust Fund, I can't remember off the top of my head, partly because there's different categories. There's rehab, there's-- they're just different categories within that so it's not the exact same. And we've removed some of that over the years. But I can get some more detailed information on that.

DOVER: Thank you.

CLEMENTS: Any other questions? Seeing none, we need to add LB897 to the discussion, which is Senator Lippincott, you're next. Would you present your bill? Welcome.

LIPPINCOTT: Good afternoon, Chairman Clements and members of the Appropriation Committee. For the record, my name is Loren Lippincott, that's L-o-r-e-n L-i-p-p-i-n-c-o-t-t, and I represent District number 34 in Nebraska. And I'm here before you to introduce LB897, a bill to transfer and appropriate funds to provide workforce housing grants under the Rural Workforce Housing Investment Act. LB897 aims to address the problem of insufficient, noncost-prohibitive housing through a one-time investment in Rural Workforce Housing Fund. This investment will accelerate the creation of workforce housing, which will positively impact rural communities across Nebraska at a time when we desperately need it. Rural workforce housing is housing that meets the needs of working families and is attractive to new residents considering relocating to a rural community. The benefit of contributing funds to the Rural Workforce Housing Fund is that immigration to the rural communities increases and immigration outbound decreases and the local economy prospers. Currently, employers in low unemployment areas cannot fill open positions because of a lack of housing for qualified applicants who would need to relocate to the community. I think we all agree that the success of our state depends on solving the housing crisis we are currently experiencing, and there is a housing crisis. Rapidly increasing home

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

sales and rental prices and issues with the quality and quantity of available housing inventory have become a barrier for job growth, community development, talent attraction and retention, and overall quality of life for Nebraska and its communities. Rural Workforce Housing Fund differs from other housing funds available in the state in that communities are able to model their programs to meet the needs of their specific communities. In Grand Island, for instance, Rural Workforce Housing Funds are granted to developers as an interest-free loan repayable within 24 months, 2 years. Private matching dollars are required to qualify for Rural Workforce Housing Funds, which shows how the community is privately investing in the success of rural workforce housing outside of the state's contribution. These loans are then repaid at the end of the loan period, and are re loaned to developers to continue the building of this crucial workforce housing.

Individuals testifying after me will be able to answer specific questions about the programs currently working in their communities. And while I used Grand Island as an example of how these funds are used, all rural communities in Nebraska are eligible and will benefit from increasing the funding available in the Rural Workforce Housing Fund. Our state's competitiveness and economic future hinge on solving the housing crisis. Now, this is a problem that the Legislature should prepare to take dramatic action to fix. If we don't, we risk losing out on billions of dollars economically and we risk the viability of entire communities. I thank you for your time, and I look forward to continuing this important conversation.

CLEMENTS: Are there questions? Senator Dover.

DOVER: Kind of goes back to the matching funds. Could you explain-- you talked about sounded like an interest-free loan. How do matching funds play into that?

LIPPINCOTT: It's a-- it's a match. And on a lot of these I'd have to look at the details. It is funneled through the economic development program, but I believe it's a one-for-one match. And there's X amount of money that goes into this fund. The local commun-- for instance, Aurora, last year or 2 years ago, they were given \$1 million. And the community also put up \$1 million. So it was a one-for-one match. And I might also add that historically there have not been any defaults on these loans. They've all been paid back. So again, it's money that's just being cycled through the community. I had it explained to me, and of course we can use statistics to make all sorts of different arguments and facts, but Cliff Mesner, who has used these funds back in Central City/Grand Island area, he said that for every \$1 that they've gotten through this fund, it circulates \$7 locally. So it

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

really spurs the economy locally, which obviously we get taxes from those circulating funds.

DOVER: OK. Thank you.

LIPPINCOTT: Thank you.

CLEMENTS: Are there other questions? Seeing none, thank you.

LIPPINCOTT: Thank you, sir.

CLEMENTS: We will now welcome proponents for any of these 5 bills.

WAYNE MORTENSEN: Good afternoon, appropriators. My name is Wayne Mortensen, M-o-r-t-e-n-s-e-n. I'm the CEO of NeighborWorks Lincoln, and I'm today's canary in the coal mine to try to introduce what those behind me will be providing more detail on. You know, we're all, I think, well aware of the state's crisis. We're approaching 100,000 combined units of rental and for sale housing that are at deficit across the state. But I think we all know that it's, it's more human than that. I think most of us know a young or working class family that's been shut out of a particular market. We've heard from the chamber leaders about how that has thwarted economic development in cities across the state. And I think, more importantly, we understand that the acute crisis confronting small and agrarian communities across the state, the relationship between collapsing housing markets and collapsing population is nearly 1 to 1. In the packets that are being distributed now, you'll see an analysis by NIFA of that and it analyzes the rural-urban continuum code. And you see those communities with the oldest and most outdated housing stock are also the ones losing the most individuals who are relocating to larger places with more housing. We are here today because Nebraska's housing market is failing to produce the quantity and diversity of homes necessary. And that is largely because of the gap between what it costs to build a house and what families can afford. That is addressed most successfully by the 3 programs that are at focus for today's hearing. And I want to go just quickly through each of those programs, provide some of the detail that's been lacking thus far, answer any questions you have afterwards. The Nebraska Affordable Housing Trust Fund is our-- is our program. It's the state's program. And I want to tell you that it's the most resilient facilitator of affordable housing, be it rental or for sale housing across the state. The funds are divided evenly between all 3 Congressional Districts. And it allows communities across the state to benefit from that investment. Every year, NeighborWorks Lincoln, my organization, leverages about a

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

million and a half dollars from that fund to create first-time homeownership opportunities for 30 Nebraska families. In the last cycle, the state received 70 requests for \$40 million when they only have \$12 million to distribute. So that's an oversubscription of 333%. And maybe a good reason why we should be concerned about the Governor's request to reallocate money out of that fund. The Rural Workforce Housing Fund or RWHF, to Senator Dover's question, requires a 25% match. And that is used primarily to help listen-- lessen the risks associated with doing multifamily developments in rural areas. It takes a little bit of a gambler to go do 30 townhomes in a smaller, rural Nebraska town. And so those funds are used primarily, and maybe best by our friends up in NeighborWorks Northeast, to do infrastructure development, site acquisition and preparation, do the front-end costs that are riskiest for developers to do. In the last cycle, there were 30 funding requests for that, totaling \$34 million from an available pool of \$7 million. So, again, oversubscription of almost 500% there. The last and final is the second program that NeighborWorks participates in, Neighborworks Lincoln that is, and inspired by that rural fund. There's currently a 50% match. That's down from 100 when the fund was really put together. We did a one-for-one match in the fund we were able to attract. It incentivizes private developers that are willing to build affordable housing for workforce families, which are defined as families about 150% of the median income. We use the funds locally as working capital for acquisition rehab projects, homes that are nearing the end of their useful life, if not for major reinvestment. And so we buy those homes, we fix them up, and we create first-time homeownership properties for low- and moderate-income families. The Urban Affairs Committee has been incredibly helpful in helping make those changes. And we anticipate several more units coming out of that program in the coming years. There's \$17 million of available funding in that pool. And the DED is currently considering requests from the last cycle for those funds. Together, these three broad-- broadly oversubscribed programs shepherd precious resources into affordable housing in communities large and small and across the rural-urban divide. The gap support that Senator Erdman is, is beginning to identify is needed in the largest cities where housing deficits are most pronounced, and in small and rural communities where residential builders are most scarce. If our state is interested in solving this problem, it will take a more concerted effort and more concentrated resources, not less. Our state, the state of Nebraska, is, is being far outpaced in our region. As an example, in the last session, Minnesota legislators appropriated more than \$1 billion to help fund their statewide housing crisis. That is roughly 5 times what we are considering here today on

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

a per capita basis. And, and I hope that we will make these really critical investments to ensure not only a future for our families, but for the state economy as well. Happy to take any questions you have and, and identify those that follow that could answer them, if I cannot.

CLEMENTS: Are there questions? Senator Dorn.

DORN: Thank you, Senator Clements. Thank you for being here.

WAYNE MORTENSEN: Yeah.

DORN: If I read this right, you're from-- based primarily in Lincoln.

WAYNE MORTENSEN: Yes, sir.

DORN: Are any of these projects does TIF ever qualify for them or do you use TIF?

WAYNE MORTENSEN: Yeah. Almost every larger project that any of the individuals behind me do is a layer cake of different sources. And so currently we're working, as an example, we're working on a 12-unit mixed income development on Pioneers here in Lincoln. Involved in that project is trust fund dollars, rescue plan support and TIF dollars. So we use all 3 of those programs to create the, the conditions by which those program-- those homes can be built and effectively sold.

DORN: Are any of these various funds-- are any of them being-- are any of them-- are you able to build like what I call apartment complexes [INAUDIBLE]--

WAYNE MORTENSEN: Um-hum.

DORN: --or is this just basically the affordable one house house?

WAYNE MORTENSEN: Yep. So the rural and the Rural Workforce Housing Fund and the Nebraska Affordable Housing Trust Fund both support rental projects. The Middle Income Fund is currently reserved exclusively for owner-occupied housing.

DORN: Thank you.

CLEMENTS: Other questions? Seeing none, thank you for your testimony. Next proponent. Good afternoon.

JUSTIN BRADY: Good afternoon, Chairman Clements and members of the committee. My name is Justin Brady, J-u-s-t-i-n B-r-a-d-y. I appear

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

before you today as the registered lobbyist for the Nebraska Realtors Association, for the Metro Omaha Builders Association and the American Institute of Architects Nebraska Chapter in support of all 5 of these bills. I want to thank Senator Vargas and Senator Lippincott for introducing the bills. I also want to thank this committee last year for, for voting out and putting money into these funds. I want to-- we represent a number of clients that are interested in housing across the state. And just a little background, as you all know, will recall, you put it in your budget last year, you passed it, the Legislature passed it. Your colleagues agreed with you. The Governor vetoed it. In our discussions with the Governor, I, I understand, may not agree, but my clients understand where he was coming from. At that time, there was about \$9 million still sitting in the Rural Workforce Housing Fund. And if I remember right, there were somewhere between 12 and \$13 million in the Middle Workforce Housing Fund. And the Governor said, why do we put more money in if there's money currently sitting there? Since last session, both those funds, one, there were some changes made to the Rural Workforce. One, the match was moved from 50% down to 25. Two, the amount-- the dollar amount that you can receive in the fund was increased, the grant amount. Those-- so then after that, DED went out and rebid that. It's my understanding that either right now or within the next week or two we'll learn, but I think most, if not all, of that \$9 million, 8, \$9 million is gone. So that fund now is probably sitting close to zero. So that's why on that side we'd say definitely need to put more money into it. On the Middle Income, the same thing. They went out for a second round of grants at the end of last year, and that's currently, people behind me may correct me, but I think it's currently open right now. That fund will also be considerably less than the \$13 million that was sitting there. We are also working with other committees. I put together-- what I handed out was after the veto last year, I looked around the Rotunda and said, there's a lot of individuals, a lot of associations, a lot of groups that are interested in housing, and we all seem to be running in different directions. So I at least tried to pull as many as I could together to say, let's at least try to frame it and try to work together and move in the same direction for housing across the state. And so that's the list of 29 you see there what I was able to pull together. And as we had our discussions, you know, we came up with a list. And it's not just sitting here in Appropriations. Senator Erdman, you know, I-- we would agree with you that this isn't just come back to Appropriations and continue to ask for more and more and more. Are these 3 programs absolutely necessary? Yes. Do they need to be funded and provide help? Yes. Is that the only solution? No. Like I said, we're working with the Urban Affairs Committee on changing some

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

requirements that happen on housing there, specifically looking at like the Middle Income, lowering the match just like we did in the Rural Workforce, increasing the amount just like we did in the Rural Workforce. But we're also looking at things like zoning laws and codes. In Nebraska, depending on where you live, 28 to 40% of the cost of houses, government regulation. Some of that's federal, some of that's state, some of that's local. That goes I think, Senator Erdman, to your comment, some of the difference between Arizona and Nebraska. And so looking at some of those of what can we change to help change the cost of housing going forward? We're also working with and support Senator Wishart. She's got a bill that, that provides scholarships for the trades. We know we need more individuals in these trades to make them work. Otherwise we can't build any more homes if we don't have any more people willing to go out there and build them. Working with Senator Bostar and the Revenue Committee on valuations. A lot of these homes that you've heard are, you know, their valuations really affect what people can afford. And especially if the state's investing in these funds, we're looking at how can that affect their valuations. If the goal was to put them in low-income housing but all of a sudden the valuations go up 300, 400% over 5 years, they can no longer afford it. And you all then accomplish your goal of putting money into housing. And so we're working there. We're also looking at, you know, incentives or tax credits of some kind to try to do again to incent businesses to get involved. I would say they are involved when-- especially when you look at these programs that require a 20 or 50% match. Where that local match comes from is the local businesses. It may be through a nonprofit or a community foundation, but it is the local-- typically the local businesses that are coming together to provide that match. So with that, I just wanted to kind of give you an overview of where we-- where I see where we were last year, where we are now, and then I know there are people following me that will talk specifically about each one of these funds. With that, I'll try to answer any questions.

CLEMENTS: Senator Dover.

DOVER: Yeah. Are these-- all these funds revolving?

JUSTIN BRADY: Yes, I believe so.

DOVER: So any money the funds give out are then applied to some [INAUDIBLE] sale or whatever, some point in time, is that when it comes back into the funds?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

JUSTIN BRADY: Well, take like-- I'll give an example. And again, there are people behind me that have more experience than I understand with it. But like take Rural Workforce. If you go out and give a, a low-interest or no-interest loan, that money over time is being paid back into that fund. So if you are the city, you know, a project in the city of Norfolk, over time you're going to get that money back and be able to loan again. Now, granted, it could be a 15- or 20-year or 30-year return until you get that full, whatever it is, based on the loan back. But yes, there is money coming back. And most communities have done it that way where they have put it out as a payback and then hopefully over time there's more money to continue to invest.

CLEMENTS: Senator Erdman.

ERDMAN: Thank you, Senator Clements. Thanks for coming. You may be aware of this, but I have an answer to the valuation problem. And that's, that's a real solution. But-- so you received more requests when you dropped it from 50% to 25%. Is that what you said? The funds were more readily used when the match was 25 instead of 50?

JUSTIN BRADY: Yes. And for the Rural Workforce, yes.

ERDMAN: So why do you think that was? They didn't have the funds to put in? Is that-- was that it?

JUSTIN BRADY: I think especially when you look at some of the smaller communities that to come up with the-- what's needed to make these developments work, they were having a tough time hitting the 50% match, yes.

ERDMAN: Could it also be that the risk at 50% was too great. And when you lowered the risk to 25, they decided to do it? Would that be possible?

JUSTIN BRADY: I'm sure that's certainly possible, Senator. Yes. Yeah, that's all a factor.

ERDMAN: That's why these things aren't economically feasible. That's why they don't do them.

JUSTIN BRADY: Correct. And that's why they aren't being built without some sort of outside force helping them be built.

ERDMAN: Yeah.

JUSTIN BRADY: Yeah.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

CLEMENTS: Other questions? Seeing none, next proponent for any of these bills.

TODD ENCK: Good afternoon, committee. My name is Todd Enck, T-o-d-d E-n-c-k. I'm here on behalf of the State of-- Nebraska State Home Builders Association. I'm not a politician. I'm not a public speaker. So if I'm shaking, it's a combination of my onset Parkinson's and my nervousness. But I can tell you all of our, our local associations in holding them last year when we were attempting to override the Governor veto and keep these funds intact, they all were using these funds extensively. And the way they were using them was just unique from community to community. And a lot of that had to do with really the population base. And I'm speaking specifically about rural workforce housing. I mean, all of these programs are very, very important. But I'm going to tell you a little bit more about kind of my journey, and I think it might help you to understand some of the comments that Senator Erdman made. I'm a journeyman builder. I've been building homes for 40 years. I'm mainly a single family custom builder, do some remodeling. And in my short life here in building homes, I've never seen an unprecedented acceleration in materials, labor, valuation and taxes, insurance, rents, definitely regulation, and not without notice, demand for housing. And I can tell you firsthand, we've seen a tightening in the lending environment just in the past few years. I do mainly new, new family, new, new custom construction. But probably about 17 years ago, I wound up getting involved in the rental industry. You know, I'm not a large landlord, but my projects are-- I have 27 rentals that we manage. They're all market rate. Most of them were infill. Several of them are-- were through TIF. You know, we're taking out a problem property. We're putting in a brand new side-by-side duplex. And 17 years ago, that, that unit or that building would cost about \$180,000. We just finished one about a year and a half ago, and it was close to \$400,000. And there's not one single piece of that where I can say it was a labor driven, a material driven or regulation driven. It's everything drives that cost. And my, my tenants are a who's who of the working class. And, you know, I've got meatpackers and auto mechanics and welders and, you know, on and on. And I watch them. You know, I don't treat those any differently than if they're applying for a mortgage and we look at their income, making sure they can afford to rent. And we're at market rate. But I'm not sure anymore what market rate is. You know, it just seems to accelerate at a pace where, you know, I don't know that, you know, my tenants can keep up with that. And I'm sitting currently on 6 brand new buildable lots that are for side-by-side duplexes. And we're just kind of waiting for the opportunity to be

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

able to build those. And I used to say it was a three-legged stool. You know, the money had to be inexpensive, we did the work and they rent easy. And I didn't realize how many legs there really were on that stool. You know, now we still do the work. The money. I wouldn't call it expensive, but it's certainly a lot different now, you know, at 7, 8% than it was at 3, 3.5% where a lot of the original projects were. And the costs have just gotten to the point where it's going to be hard for us to move forward with those. You know, the development we're in is TIF eligible. Behind me will be Mary Berlie from the Grand Island Economic Development Corporation and will speak a little bit about their program. And we've applied for funds through that on 2 different projects. And I think we had very viable projects that were just way more projects in application than there was money available. I guess in closing, I would just echo what Senator Erdman said, that this isn't just a one-level challenge. It's, it's all levels. It's, you know, it's the higher end stuff, higher end stuff that, that you can do, the very basic stuff. And we didn't get here overnight. You know, it's a piece at a time. It's this regulation. You know, there's going to be a little increase on lumber tariffs. We're going to see a little run on lumber, I think, in the next few months that, you know, we'll certainly see some of that. But it's not a-- it wasn't an overnight problem. It's not going to be an overnight solution. I sit in several meetings a year with the National Association of Home Builders and our economists every, every quarter when he gets up and gives his report, one of the things that's really telling is the number of homes that we're building currently versus the number of houses that we should be building. You know, there's a big deficit in that. And you know, the cost. You know, Erdman, you know, commented on Arizona and his comment always resonates with me. He talks about the fed trying to attack inflation. And one of the major pieces of inflation right now is shelter. And that's not going to come down no matter what we do, you know, as a society. But what he comments on is the only way to make the cost of housing come down is to build more units. You know, and I'm sure that in Arizona, they're building a lot more units than we are in Nebraska. So it's a streamline. It's a, you know, it's an increase in efficiencies. And until we realize that on a broader scale, I think that, that cost is not going to come down. So--

CLEMENTS: OK. Thank you.

TODD ENCK: I guess that concludes my remarks. Thanks for-- thanks for listening.

CLEMENTS: Senator Dover.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

DOVER: When did you build your first house?

TODD ENCK: 1983. I'm an 18-year-old kid right out of high school, and same people that bought it still live there today. I'm old, but not that old.

DOVER: No, I hear you. So you've been through a lot of up and down cycles?

TODD ENCK: Absolutely. You know, I'm from Grand Island. My dad believed in me, loaned me that money, wanted me to go to school. And we got done in 1983 with that house, sold it. And I think there were 3 homes built in Grand Island that year. And he goes, what do you want to do? And I'm like, I'm not going to build another house. I'm going to go off to UNL, you know, look like it better. Yeah. So, so I've seen a lot of that, I mean.

DOVER: What effect do you think that the artificially low interest rates that the federal government, you know, continue, continue on when the fed rate was so low that this crazy money available, accelerated the markets? And then, then with ARPA and all the funds that are then dropped into the economy to where then they had the left hand is dumping money, the right hand is raising interest rates and stopped what the left hand is doing. What do you think-- how much do you think those 2 things impacted house prices?

TODD ENCK: I think it made a big difference. I tell people we do a lot of remodel right now. And I don't know how many freestanding, single family custom homes that I'll build in my career because it's gotten to a point where it's so prohibitive for people to do that. And most, most of my clients, they're not borrowing a tremendous amount of money. I mean, I'm building the last home they'll live in. I mean, it's a retirement home. They've arrived. And so that makes a difference in that. But it also-- it accelerated that. And now, you know, I think you get a mortgage for 6, 6.5%, you know, and most of us in this room, I'm guessing when we were buying houses, we thought that was a great rate. You know, I borrowed on spec money in, in Lincoln building spec homes for 11, 12%, thought, wow, if it'd get below 10%, that'd be great. And 3.5%, I mean, that's basically free. I mean, that's, that's as low as it will go. So now that rate's normal. And there's a whole generation that doesn't know what a normal rate is. But the other side of that is the rate's back to normal. But those costs are at such a level that that payment isn't going to be at a point where it's palatable. I've had several renters over the years that they'll give me notice and apologize because they bought a home.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

And I'm like, that's exactly how this is supposed to work. You know, once you get to the point where you've accumulated enough savings to go buy that home, that's great. You know, there's another renter and the demand is crazy. If I advertise, you know, my rentals are not fancy, but they're nice. I mean, they're new, you know, newer. Oldest one is 15 years old, 17 years old. And when I advertise that, I've got 100 applicants immediately, you know, and it's just-- it's a crazy thing. I would have never guessed that. That we would be at this point. I don't think anybody would have guessed.

DOVER: Usually it takes a market correction, right, to fix things. It never goes down, but they don't go down as far. Do you think the market-- do you think the market is corrected yet or do you see that coming?

TODD ENCK: I think, you know, people watch the lumber market. You know, it's a commodity. We're not a lot different than a farmer. A builder is not a lot-- a lot different than a farmer. I mean, it's inputs and outputs and, you know, we deal with commodities. But people like to watch the lumber price. And the reality is, is there's, there's a decent amount of lumber in the house. But that's not the biggest piece of that. It's, it's everything. And like faucets and windows and, you know, you name it that goes into a house, a lot of that's labor driven. And so that, you know what it's like to hire people, the wages. So in order for some of those products to come down, something's going to happen in the economy none of us want to have happen. You know, that's just-- it's not specific to housing. It's everything. So I guess that's my comment. I hope that answers what you're--

DOVER: Yeah. Thank you. Thank you.

TODD ENCK: And I think the correction will be bigger than anything we've seen, you know. And we won't want it to happen. It won't be specific to housing.

CLEMENTS: OK. Senator McDonnell.

McDONNELL: Thank, thank you for being here. You mentioned earlier about the difference between how many houses we're building and what we should be building.

TODD ENCK: Um-hum.

McDONNELL: Do you have that information here today?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

TODD ENCK: I'm going to go by memory, and I'm sure you can get on the National Association of Home Builders' website, but we should be somewhere around 1.1, 1.2 units a year and we're like, I think we'll finish this year somewhere around 900,000, 950,000. And yeah, that-- and that, that shows you the demand, you know.

McDONNELL: Thank you.

CLEMENTS: Other questions? The overall question I'm thinking, at what point does government funding and housing stop?

TODD ENCK: You know, this is-- this is a perfect-- I'm going to give you this as a personal comment. And the first project I did with a, you know, rental unit, I'm fairly good friends with the regional planning director who administers the tax increment financing in Grand Island. And we were the first small cap TIF project that was done in, in Grand Island. And I didn't know a lot about it. He walked me through it, and we fully intended on not keeping that project. You know, I was going to sell that off to a Fred Hoppe or somebody, you know, treat it like a spec house. And we have several that would have qualified for TIF that we didn't apply for TIF because quite honestly, I was tired of seeing my name in the paper. You know, people had a real misunderstanding in that program. And again, my, my business is single family residential. I didn't really want to be the poster child for that. And after watching that process, I can tell you that was a great-- it's a great use of that program because we're taking out a problem property that was costing the taxpayers money. We're replacing it with a brand new residence, didn't need any more fire, didn't need any more paving. It didn't need any infrastructure, nothing. The lot was already there. So, I mean, it was a win-win. The property tax base, you know, increased. So I didn't like the part that, you know, we needed the government help. And this is exactly the same thing. It's not, you know, my project that I want to move forward, you know, I don't want the government involved in my-- in my business any more than I have to, but it needs that extra push. You know, I talk about the lending environment. I got the same loan officer I've had for 30-some years, and she works with First National Bank. And their, their requirements have tightened up, you know, and it's going to need a little bit of help on the downstroke, you know, for a few years to make that viable.

CLEMENTS: OK. We don't really know the answer to the question.

TODD ENCK: Yeah. What's that? Pardon me?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

CLEMENTS: The question was when will government funding stop of housing? And I think you said we don't know.

TODD ENCK: We don't know--

CLEMENTS: I think I'm going to stop you at that point.

TODD ENCK: Yeah. Very good. I'm sorry.

CLEMENTS: Thank you for your comments. Additional proponents? Welcome.

MARY BERLIE: Hello. My name is Mary Berlie, M-a-r-y B as in boy-e-r-l-i-e. Thank you for allowing us this afternoon. I serve as the president of the Grand Island Area Economic Development Corporation, and then also a volunteer board member with South Central Economic Development District, which has 13 rural communities in its territory. I just want to kind of chat with you a little bit. Handing out a, bless you, a document here that has-- we pulled out-- there are hundreds of success stories, but we pulled out just 4. And sometimes visuals and pictures are worth way more than a thousand words and can articulate the, the positive progress that Rural Workforce Housing Fund has than what I can articulate here. But like many programs across the state, Grand Island's program is a revolving loan. We offer developers a zero to low percent interest loan for 24 months, or when the home sells, whichever happens first. We do prioritize owner occupied homes, as well as market rate rentals specific to student, intern or workforce housing. To ask-- answer the match question, we have 330 businesses that contributed to Grand Island's matching dollars for this program. Our small businesses cannot tackle the workforce issues on their own; but rather as a cohesive, collaborative whole, we can make a bigger, larger impact as a community. So on your sheet of paper here, we have done with our first \$2 million, we have done 10 single family detached homes, and then we have partnered to rehabilitate the Hedde building in downtown Grand Island. This Hedde building was one of the worst 3-story buildings in our downtown district. I said-- I say one of the worst because after progress started happening on this Hedde building, Pinnacle Bank moved in and took the absolute worst building, rehabilitated it, and has a bank branch in the downtown. But this 3-story just kind of a train wreck of a building was so bad it was uninhabitable. And our SWAT team used it as training grounds because of how awful the building was. On the second page, you'll be able to see before and after pictures of that building in a very high traffic area in Grand Island. This is a \$4 million project. There are traditional financing mechanisms that helped this, this project come to fruition. And Rural Workforce

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

Housing Funds were just a small piece of that puzzle that filled the finance gap for that project. There were additional, additional success stories in here. Holdrege, Nebraska, a population of 4,500 people were able to, again, rehabilitate existing infill lot homes that were so dilapidated or inhabitable that they needed that little piece of spur money to start a domino effect. And additional rehabilitation is happening on those-- on those blocks. Bertrand, Nebraska, population of 704 people: Before Rural Workforce Housing Funds were invested in that community, there had not been a single new housing unit, not one, for the last 10 years. Rural Workforce Housing started that and it created a domino effect. It also brought together those community leaders that just kept talking. We need to solve our housing problem. We need to solve our housing problem. This was an initial step to, to jump off that diving board. And 25 members are now an investment firm and are taking pieces of property in their community and rehabilitating or building new stick building communities, houses, rather. So we asked, there's been a lot of talk about rural workforce, about housing issues, about workforce issues. This is just a simple piece to the very complex puzzle of propelling our state forward. So I just ask that you continue to support Nebraska Rural Workforce Housing Funds. I'm happy to answer any questions.

CLEMENTS: Questions? Seeing none--

MARY BERLIE: Ok. That was easy.

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

ROGER NADRCHAL: Thank you. Good afternoon, Chairperson Clements and members of the Appropriations Committee. My name is Roger Nadrchal, spelled R-o-g-e-r N-a-d-r-c-h-a-l. I'm here on behalf of NeighborWorks Northeast Nebraska, based in Norfolk. And we also have offices in Columbus. I'm the CEO of the organization, also a commissioner of the Nebraska Commission on Housing Homelessness appointed by the Governor starting-- going way back to when Ben Nelson was Governor. So I've been on the commission for, for many years. I'm here today to-- on behalf of NeighborWorks Northeast Nebraska to testify in support of the 5 bills that are before us here today. Our organization is a high-impact, regional nonprofit organization developing housing in Butler, Colfax, Cuming, Madison, Pierce, Platte, Stanton, and Wayne Counties. Over the last 29 years, we've developed over 1,000 units in, in those various communities. There's been about 28 communities that we've worked in thus far. Due to the Rural Workforce Housing Funds, many new, accessible and attractive housing has been built, sold and rented across the state of Nebraska. For these reasons, we are

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

completely in support of this program receiving additional funding. We ourselves have been the recipient of about 12-- about \$8 million of Rural Workforce Housing Funds, and we are also managing another \$4 million for other organizations in the communities. Those are in Columbus, Norfolk, David City, Schuyler, and then also the Columbus Area Chamber of Commerce. Of that lend of the \$12 million, about \$8.5 million of that was grant funds. The others was local match coming from the local community. The Rural Workforce Funds that we have worked with had enormous success with developing over 550 housing units thus far. We have lent these, these funds to developers, builders at below market interest rates, making a huge difference in cash flow and lower sale prices, as well as the rents. We just approved a Rural Workforce Housing loan for a 180 apartment complex in Norfolk that will use these funds for construction finance for a 2-year loan. Had this loan not been available to that developer, they would not be coming to Norfolk to build those units. And that's been the same for the last 3 projects that we have approved financing for, for the construction in the state. The, the Rural Workforce Housing Fund bills are an encouraging recognition for need for our state to invest in housing and economic and social resource. Lack of housing for young people and working families is choking off the economic potential of our communities. We're in support also of LB1323 to transfer the \$10 million to the Nebraska Affordable Housing Trust Fund, which is one of Nebraska's most important housing economic development tools. The fund is created to serve several different financial gaps that Nebraska confronts in their efforts to provide safe and affordable housing for its citizens to help our communities thrive. Increased investment in the trust fund will build and rehabilitate more homes and increase jobs, and invest in our communities more than any other public policy initiative. We have extensively used the trust funds. Over the years, we have received about \$9 million developing hundreds of homes with that funding source. And typically we use it mostly for our purchase, rehab, resale, putting that-- those dollars into existing homes, rehabbing them and selling them to income-qualified families, that definitely makes the homes more affordable for them. The demand for affordable housing continues to be high in our program service area. The last 5 years we've developed over 240 homes using the trust funds. An investment in housing is an investment directly into our communities, and it pays dividends for the families, the homebuilders and the employers. NeighborWorks Northeast Nebraska have been accessing the trust fund, low and home investment funds and the federal grant program, low-income housing tax credits, and other local programs to provide housing for Nebraska's families. We realize it's not just one

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

source that you need. Sometimes you have to layer several different sources to be successful in developing housing. And we know that the Rural Workforce Trust Fund is not the answer to it all, but it's definitely one of those, those key components, one of those tools in that toolbox that developers such as us can use. We are an experienced organization knowing it takes a variety of these funds to be successful. Therefore, I'm asking for your support in providing this funding for the Workforce Affordable Housing programs in Nebraska. I thank you for your time and thoughtful consideration, willing to answer any questions you might have.

CLEMENTS: Are there questions? Senator Dorn.

DORN: Thank you, Senator Clements. Thank you for being here. You mentioned in your comments the demand for affordable housing continues to be high in our program service area. What is-- what, what price is affordable housing or what, what level is that? Or is it different levels or what?

ROGER NADRCHAL: We look at-- I know there's, there's been a lot of discussion, mostly in recent years what is affordable housing. And so I appreciate you answering that. I'll try to address it as far as how we look at it. We don't look at what the price point is, but what the-- what the payment structure is for individuals living in those homes. Like for purchase of a home, we look at that no more than 30% of their gross income goes towards their housing expense. So if it's above 30%, their principal, interest, taxes and insurance is more than the 30% monthly income, gross monthly income, then that's not considered affordable. And that's been the HUD standard for many years. But I know that in recent years that's been kind of definitely tweaked and, and looked at in different ways.

DORN: The properties you're building now then, what, what, what's an average price of a property you're building now?

ROGER NADRCHAL: We haven't built too many in the-- in recent years just because of the increased costs, but it's that purchase where you resell. Of course that average used to be about 150, and now it's probably 230, 240, 250 after we buy the house off the market, do some repair-- repairs and improvements to it, and then sell it to the qualified family. We provide them the down payment assistance. So that's mostly where most of our grant funds go towards as far as from the trust fund is that down payment assistance helping reduce that monthly payment that the homeowners have to pay.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

DORN: OK. Thank you.

ROGER NADRCHAL: Yeah.

CLEMENTS: Senator Erdman.

ERDMAN: Thank you, Senator Clements. So you mentioned that you don't want the monthly payment to exceed 30%. What happens when the property tax continues to go up and it exceeds 30%? What happens then?

ROGER NADRCHAL: That-- that's a concern. Hopefully their, their income can increase over that time as well. They're just definitely-- those homeowners are-- become more strapped as far as what their monthly revenue looks like and what they can live off of.

ERDMAN: Because that's a general trend every year it goes up.

ROGER NADRCHAL: Yeah, yeah.

ERDMAN: Taxes get higher.

ROGER NADRCHAL: Yeah.

ERDMAN: So it's, it's an issue. Yeah. So that's the problem, taxes are too high.

CLEMENTS: Other questions? Senator Dover.

DOVER: You know, maybe you can speak to it briefly. I don't want to get off topic too much, but do you believe that the artificially low interest rates for years that the fed, fed did with the discount window allowed for house prices to grow and people to afford more and drive-- and actually cause the inflation and the increase in property taxes?

ROGER NADRCHAL: I would say probably somewhat. But, you know, we built many homes just like you did there in Norfolk during that time when those interest rates NIFA had, the 2.99 interest rate, you know, prices, the costs weren't exorbitant. So at that time the rates was low, costs were low so houses were definitely more affordable.

DOVER: Yeah, my question is but when you're-- when you go to an artificially low interest rate, your house payment is here, right?

ROGER NADRCHAL: Yeah.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

DOVER: And so therefore it allows-- there isn't this-- there isn't that overall industrial-- industry kind of holding it-- holding it down. There's no pressure holding the prices down because you can afford to buy it. You can afford to pay the price. Well, now after artificially low prices, the house prices have gone up so much that we're actually back to getting back to a reality now. And that, I, I think, created a lot of [INAUDIBLE]. But don't you think the low interest rates allow vendors and, and labor and everything to charge more money?

ROGER NADRCHAL: I would say that that was a contributing factor, yes.

DOVER: Thank you.

ROGER NADRCHAL: One thing you had asked earlier about the matching funds.

DOVER: Yeah.

ROGER NADRCHAL: On the Rural Workforce Housing Fund, the match is required when you're applying for the grant funds from DED. The match is not required on a project base. So like we would apply for if it was-- this last round was a 25% match. So if we applied for a \$1 million grant, we had \$250,000 raised locally from the community. So upon award, we would get a-- the loan fund would be \$1,250,000. And then it's a one loan fund. And then we, we approve loans for builders, contractors to access those funds as a loan for that project. So the match is only on the application side to create the fund but not project based.

DOVER: OK. Thank you.

ROGER NADRCHAL: Yes.

CLEMENTS: Other questions? Seeing none--

ROGER NADRCHAL: Thank you.

CLEMENTS: --thank you for your testimony. Next proponent, please. Good afternoon.

TRACIE MCPHERSON: Good afternoon. My name is Tracie McPherson, T-r-a-c-i-e M-c-P-h-e-r-s-o-n. I'm direct-- I am the director of advocacy and public affairs for Habitat for Humanity of Omaha. But I'm also here today on behalf of Habitat affiliates across Nebraska, representing Lincoln, Grand Island, Fremont, North Platte,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

Scottsbluff, and Columbus. I'd like to focus on Habitat Omaha's success with the Middle Income Workforce Housing Fund and share how Habitat Omaha has been able to leverage these funds in this opportunity. This funding is for communities considered in a qualified census tract or one that is adjacent to it. And I'm, I'm saying this because I think it's important to remember the communities in which we are building these homes in. These communities are often underserved, underinvested. And when it comes to homeownership, underrepresented. These areas are in dire need of investors willing to dedicate dollars to improving the conditions for families living in these neighborhoods. The Middle Income Workforce Housing Fund allows organizations like Habitat Omaha to be that investor. While we build or renovate 50 affordable homes every year, these funds will ultimately help organizations to construct at least 5 of those 50 homes every year. And the best part is that it's a revolving fund. Meaning once we sell the newly constructed or renovated home, we reinvest a good portion of that money back into the revolving fund. We've also used these funds to leverage private donations through the required match. As you've heard, when we receive money, we have to have a 50% private match. So just to illustrate for you a little bit and to tell you how that works, in 2022, Habitat Omaha received \$5 million in Middle Income Workforce Housing funds. We leverage those funds to raise another \$2.5 million in private funding. And once all of those homes are constructed and sold, we will return \$4.7 million to the revolving fund. This funding makes sense. It positions developers to keep building affordable housing well into the future. Plus, it allows us to take tired, dilapidated old houses or blighted land that provides new property revenue for the state once the new homeowners move in. Habitat Omaha has developed affordable housing for 40 years. We are the number two Habitat for Humanity in families served out of more than 1,400 affiliates across the United States. Over the years, we've learned a thing or two about building affordable homes. And one thing we've learned is that the Middle Income Workforce Housing Fund works. We hope you will vote yes to continue this funding. It is a crucial step to help uplift communities and give hardworking families the hope of homeownership. Thank you. And are there any questions?

CLEMENTS: Are there questions? Seeing none, thank you for your testimony. Next proponent, please. Welcome.

WARD F. HOPPE: Chairman Clements, members of the committee, my name is Ward F. Hoppe, W-a-r-d F. H-o-p-p-e. I'm a principal of Hoppe Development and I am supporting on our behalf and on behalf of the Lincoln Chamber and the Nebraska State Chamber all of these funding

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

bills. We would love to see \$25 million in middle income, \$25 million in rural workforce, and \$10 million in the Affordable Housing Trust Funds additional money. I build-- my company builds from Lexington to, to Sarpy County. We're, we're in Beatrice to Valentine. We're all over the place. We build affordable, Low Income Housing Tax Credit projects. We build workforce projects. We have nine workforce projects, 234 units we built in the last year and a half. We use Nebraska and federal housing, Affordable Housing Trust funds. We're preparing for a middle income project in conjunction with Habitat in Lincoln. We're selling some lots in Omaha to Habitat. I'm personally on the Nebraska Housing Resource Board, which has a middle income grant. I'm telling you that as a background, I know these programs, these programs work. We're making them work. I'm a builder. I don't know if you'll hear-- well, you heard from Todd. But I don't know if you'll hear from any other actually sticks and bricks. We're the guys who go out there, we build the houses and we put them in operation. We put them into the programs. So when you're making housing affordable, whether it's in the ownership or rental space, it's about building a home that your target customer can afford. Almost universal-- universally in the affordable and workforce niche that means getting program money to support to bring down the occupancy expense for the ultimate occupant, the customer, down. And, and the target, as Roger Nadrchal said, is to get it down to 30% or less of their income. I'm going to tell you particularly about the Affordable Housing Trust Fund today, because I think it's particularly important. And why it's important is it's like the trump card of programs, because you can use it so many ways. We use Affordable Housing Trust Funds to fill the final gaps, for instance, in a Low Income Housing Tax Credit project. We use the Affordable Housing Trust Funds in other cases together with TIF financing, tax increment financing, to put together a program. And normally how we use the funds is to bring down the cost-- the, the total cost to a manageable loan level and reduce our risk by bringing that money in as either as equity or a zero-interest loan. And we can use Affordable Housing Trust Funds with many different programs. Now, you can't use Affordable Housing Trust Funds with workforce housing or with middle income housing, they're blocked out of those, those projects. So you don't do them with those. But otherwise, there, there are different communities where we've not been able to work out workforce projects or middle income projects. Well, we-- that's kind of a different breed of cat, since it's so rural. That we have gone out and gotten Affordable Housing Trust Funds to make projects work, and that, that's the key to this thing. In conclusion, I'll answer any questions you have. And I would say we need all the funds, those three

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

types, to really make housing work across the state. I'd answer any question.

CLEMENTS: Senator Armendariz.

ARMENDARIZ: Thank you. Thank you. Thanks for being here. I have two questions. So one is--

WARD F. HOPPE: Sure.

ARMENDARIZ: Do you anticipate the cost to build a house will ever go down?

WARD F. HOPPE: Nope.

ARMENDARIZ: OK.

WARD F. HOPPE: Except for financing.

ARMENDARIZ: So are we-- so if we inject government financing to prop it up, are we just delaying the inevitable that really, with the low interest rates that Senator Dover brought up that caused the problem we're not addressing now, wages? I mean, inevitably people need to make more money to avoi-- afford the price that houses are at, and they're never going down, you said. They're never going down.

WARD F. HOPPE: I, I don't see that we're going to be seeing radical lowering of construction cost. No.

ARMENDARIZ: OK. So then we, we never get people to the income they need to be at without government help to buy a house unless wages go up. And if government keeps intervening, wages may never go up?

WARD F. HOPPE: Well, we've certainly changed our wages quite a bit in the last couple of years. But the-- when you're talking about median income and below, there are obviously issues because median income is defined as income. And affordable housing is usually measured in terms of percentages of median income. For instance middle income, middle income and rural workforce housing is really targeted at median income people. And it's targeted-- it is defined in terms of the cost of construction, what the sticks and bricks cost. When you look at for Low Income Housing Tax Credit, that's-- that is set in terms of 60% median income for the rent they can pay. When, when we're looking at the, the Affordable Housing Trust Funds, some of them were used are to supplement Low Income Housing Tax Credit projects so that we'd be addressing 60% median income residents and below, or in a couple of

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

the cases, we're looking at 120%. The point, though, is that you have to-- we have to get the housing out there. We have to build as much housing as we can, because if, if there is not enough housing, that drives the housing costs up, the occupancy cost up much more than not having the housing. Plus, the other thing that these programs do is it puts new fresh housing in the communities instead of old housing that is being recycled for affordable housing.

ARMENDARIZ: When do we ever get to the point where people can afford a new house without government interference? How does that happen?

WARD F. HOPPE: That might be beyond my pay grade.

ARMENDARIZ: OK. That's what I wanted to say.

WARD F. HOPPE: You know it's a problem. But the problem is not solvable at the Nebraska level, I don't believe. What we have to do is provide more housing for our workforce. And that, and I mean more, not recycled. We need more. And--

CLEMENTS: Senator Dorn.

WARD F. HOPPE: --we can't do it.

DORN: Thank you. Thank you, Senator Clements. Thank you for being here. I remember you coming and visiting with us last year when we had the affordable housing discussion. These programs, these different programs, and you've been, I call it, a strong user of them--

WARD F. HOPPE: Very.

DORN: --generally speaking. And I'm just throwing a number out. If you have a \$200,000 house, what percent are you looking at or what percent do you need to make that so you're going to come in and build? What percent help-- I-- and I don't know if I phrased that right for you.

WARD F. HOPPE: Yeah. Pretty much. We use the programs to essentially to, to reduce our risk. So for instance, the workforce housing programs we have out in place, generally, what we set up as our, as our program, our workforce program, we deal with the local provider, the one that has the grant and we get from them a loan. And the-- what we do is we'll build duplexes or, well, some of them we have multifamily for rent-- but generally at invitation, in Scribner, for instance, and Pender, we're building duplexes. We offer the duplexes for sale at cost-plus, for a period of time. If they don't sell, then we flip them into rentals and we'll try and sell them into the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

neighborhood at a period of time. The money that comes in as a low-interest loan is then converted to a long-term, 7-year or 10-year loan. And at that point, we'll pay it back. And we assume that in the 7 years we'll find an available buyer. But the problem right now is even in the workforce space, the-- it is hard to get people qualified to buy the, buy the properties even at-- and for instance, median income in Lincoln only finances about a \$250,000 house, median income so.

CLEMENTS: All right. Senator Dover.

DOVER: You know, we've both been around a long time, right, Fred?

WARD F. HOPPE: I have. You have. We have.

DOVER: Yeah. It used to be, I mean, there was, there was the federal programs. And a lot of times it was a really-- doesn't have to be a Democratic institution in Washington, and the federal programs, the USDA and those programs, were really beneficial. And in the old days--

WARD F. HOPPE: They're really hard to use now, Rob.

DOVER: OK, that was-- that [INAUDIBLE] that-- I mean, there were a lot of houses built under those programs, right? And did those just dry up, go away? What's, what's the problem with those?

WARD F. HOPPE: You know, there, there might-- well, I would say, if our company doesn't use them and know about them, they're pretty hard to use.

DOVER: OK.

WARD F. HOPPE: So that's all I can say.

DOVER: One other question.

CLEMENTS: Go ahead.

DOVER: Yeah. I know that there was the money that, and you know more of this is than I do, but there was some money left in the fund that couldn't be utilized. So then Senator Jacobson was going to work on a, on a definition that aligned with a federal definition that allowed those funds to be used, could you address that?

WARD F. HOPPE: There's a different bill out to do that, OK? I think it's LB850. LB850. There were-- there was \$10 million last year that

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

was put out into DED for use in, in site preparation and development loans. DED came back and said, wait a minute-- well, and and at the time, the-- and I think maybe it ultimately might have been ARPA funds, but at the time those funds went-- were put out for the grant applications. They didn't have any definitions for exactly how the "programmically" they could be used. We put in for a grant for Beatrice and got it for a million bucks to renovate, create 42-44 units of affordable housing and renovate the Kensington Hotel. So in that, in that process, we were working with the city of Beatrice, and Beatrice was going to acquire the, the property and use the funds and maybe for the acquisition of the property. DED told us if Beatrice ends up with the property, they can't sell it again or you got to pay back the funds. So basically it killed, killed the "programmic" use of it, so we couldn't really get it in the stream.

DOVER: Thank you.

WARD F. HOPPE: Does that answer your question?

DOVER: Yes.

CLEMENTS: Are there other questions? And I'll add that I just looked up, it is LB850 by Senator Jacobson, to change the authorized use of, of ARPA funds in housing.

WARD F. HOPPE: Is that in your committee?

DORN: Yeah.

WARD F. HOPPE: No?

CLEMENTS: Yes.

WARD F. HOPPE: Probably is. Should be.

CLEMENTS: We have a hearing February 20 on that one.

WARD F. HOPPE: Well, that is so good to hear.

CLEMENTS: Thank you for your testimony. Next proponent, please.
Welcome.

LESLIE SMITH: Good afternoon, Chairperson Clements and Appropriations Committee members. My name is Leslie Smith, L-e-s-l-i-e S-m-i-t-h, and I'm here to testify in support of the LB1323 on behalf of the Omaha Municipal Land Bank. We represent land banks-- there's a couple of

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

emerging land banks across the state of Nebraska. We were created by you all, the Unicameral, and the city of Omaha. We are a 501(c)(3) governmental organization. We work to acquire vacant, abandoned and dilapidated properties throughout the city of Omaha. We are the last resort of a lot of these blighted properties that we often see straining our local tax base. We are able to take these properties that are rejected by the open market, and oftentimes they're overwhelmed with many public means. They're overwhelmed with a lot of forested issues, a lot of foundations that needs to have a lot of work. We take on these properties. We remove the public lien. We remove any other legal liabilities associated with those properties by rights of the legislative authority that you've given us. We have the responsibility to take these properties and put them back onto the tax roll in an improved use. And that is currently what we get funded to do. We are luckily able to be a recipient of the DED funds in support of affordable housing by taking away some of the physical conditions that would otherwise dist-- I'm sorry, this is my first time. This would otherwise disincentivize affordable housing to take place. I know many of you guys have seen a lot of forested properties, and if you were to imagine any developer working in these, in these neighborhoods and being able to justify getting these properties financed, oftentimes what you'll see is \$50,000 or more of work needed to bring these properties up to par. By allowing us to leverage our resources as a land bank and leveraging programs such as the one that you guys are reviewing today, we are able to absorb those risk to incentivize development to take place to leverage innovative financing solutions to support affordable housing. We are just one puzzle in the grand complex problem that you guys are trying to hope to solve with this. In this effort, we are looking to address 20 properties at a minimum, 50% of which will be reserved for low-income housing, 60% AMI. We're trying to support affordable housing homeownership, as well as rental options in Omaha. This can be a model that can be used, but we want to see if we can use this with such a scientific approach that we're able to continue to use this program for future supporting affordable housing to be developed. We will take a look at geotechnical assistance. We'll take a look at utility cut-offs and any kind of zoning if there's any replotting issues that needs to be done. We are taking a look at taking down trees that would otherwise tank a proposal from coming to fruition. It is the vision of Oma-- of the land bank to become an organization that supports a strong, thriving community where properties are utilized to their full potential, and opportunities are plentiful and the quality of life is exceptional. The success of this program, we are hoping to conduct lot site preparation work needed to support development of these very

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

challenged lots that takes place within the qualified census tracts located within north and south Omaha. The proposed changes in this bill would allow us to continue this work. We know that Nebraska, across the state, faces challenging cri-- affordable housing challenges. And we fully support all efforts to elevate this problem. We want to thank Senator Vargas for his commitment to expanding affordable housing, and we urge you all at the Appropriations Committee to advance this to the-- this bill to the General File.

CLEMENTS: Are there questions? Senator Dover.

DOVER: I just want to thank you for what you're doing. I think saving those houses, taking that risk on and keeping neighborhoods alive, I think is the best use-- I mean, it's a fantastic use of the dollars. I just want to thank you for all you do.

LESLIE SMITH: Thank you.

CLEMENTS: Thank you for your testimony. Next proponent.

STEVE PEREGRINE: Good afternoon. My name is Steve Peregrine, S-t-e-v-e P-e-r-e-g-r-i-n-e, I'm the interim executive director of Nebraska Housing Resource. We're NHR. The nonprofit NHR was established by leadership of the Home Builders Association of Lincoln in 1998, and the current board of directors all work in the private sector home financing, building or selling industry. NHR's purpose is to increase the supply of housing through land development or by participating in housing development with lower cost financing for developers and builders to encourage production of workforce housing. NHR also has the funds to financially assist eligible homebuyers purchase qualified homes through a participating builder. NHR has established relationships with builders and banks in order to help buyers in the city of Lincoln. Since inception, NHR has developed and sold 273 lots in 5 different developments to over 30 different homebuilders. Over 90% of the homes built on these lots were sold to owner-occupants, including 13 lots to the Lincoln and Lancaster County Habitat for Humanity. NHR also provides downpayment assistance loans for a number of the homebuyers, and still has 35 secured investments in subordinated second mortgage financing. The downpayment assistance provided by NHR has no interest nor payments, but is due on sale by the original buyers. NHR believes in making investments in homebuyers we assist, but we require the investment to be repaid, so as to continue to help more homebuyers. NHR currently is not doing a lot development work and is not owning lots or land. After the Legislature created the Middle Income Workforce Housing Investment Program, NHR

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

began to focus on becoming a financing partner for builders using the lending expertise of banks in order to help buyers. DED awarded NHR grants in '20 and 2022 totaling \$1.5 million. NHR secured an additional \$1.27 million in matching funds. The matching funds came from NIFA, the Lincoln Community Foundation, NHR's cash reserves and the Home Builders Care Foundation, an entity created by the Home Builders Association of Lincoln. NHR is using its investment fund to make revolving loans through local banks or to make direct loans, usually in coordination with a bank, to accomplish-- to accomplish through builders and developers the purpose of the program in an efficient, safe and sound, businesslike manner. NHR invests the funding at below-market interest rate loans to 3% on about 25% to 35% of the total development costs. NHR has four projects with four different builders for 16 townhomes, two single-family new construction homes, one acquisition and rehab, and there are six more units in the pipeline. These projects are in southeast, southwest and south-central Lincoln and are using all of NHR's 2020 grant. The funds for the smaller 2022 grant award were not released until mid-November of 2023, but NHR has secured commitment from another builder and bank to leverage the fund for below-market rate construction, primarily financing single-family detached homes. These homes will be built in northwest, southwest and north-central Lincoln. NHR's partners include West Gate Bank, Cattle Bank, Hartland Homes, Destiny homes, F&G Properties and Schneider Custom Homes. The Workforce Housing Program is proving to be very successful as a source of flexible financing, creating leveraging opportunities to attract private sector and building and financing much-needed housing. The increase in financing proposed in these bills will ensure that the programs create a lasting impact on the housing needs in Nebraska. I'd like to take the brief privilege of saying the role of government in housing is entrenched in the tax code. We've all used the mortgage interest deduction, I would assume, over the years, and it's very hard to get something out of law once it is in there. But the biggest expenditure for housing in this country is through the IRS mortgage interest deduction, and most of that doesn't accrue to people of lower income. Thank you.

CLEMENTS: Are there questions? Seeing none, thank you for your testimony. Next proponent, please. Good afternoon.

TREVOR LEE: Good afternoon. My name is Trevor Lee, T-r-e-v-o-r L-e-e, I'm the executive director for the Development Council in Buffalo County, which since 1986 has been the primary development agency in Buffalo County. We're supported by the county, the cities of Kearney, Gibbon, Ravenna, the village of Elm Creek, the Kearney CRA, and about 70 private businesses located in and around Kearney. I'm also the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

current president of the Nebraska Economic Developers Association, which is a membership-based group of 200 individuals, traditional economic developers, housing advocates, childcare advocates, utilities, chambers of commerce, and increasingly more-- increasingly more and more of everything in between. So on behalf of both organizations, here to voice our support for all the housing bills before you today. Each of these programs has a proven track record in helping to address a very complex housing need in our state. Rural and middle-income workforce housing programs allow for developers and community partners to really tailor solutions to their very unique situations, to their market trends in their communities, to their workforce needs. What I like about those programs is, unlike some other federal and state programs, the beneficiaries are not necessarily restricted based upon incomes or age in some cases, which affords communities the opportunities to leverage public dollars with private businesses, such as the Clean Harbor example. That's a project that you could use either of those programs for-- or the rural workforce housing program for. I think of also particular significance with those two is that they encourage a revolving component. So not only is it a single project, but the impact becomes exponential and long-lasting. To ensure that we are encouraging the development of affordable housing options for low-income individuals and families, the housing trust funds have also been very well utilized in our state. In closing, the Nebraska Economic Developers Association, as well as the Development Council for Buffalo County are in support of all the housing bills. I'd be happy to answer any questions you have.

CLEMENTS: Senator Dover.

DOVER: Can you clarify, you said-- I know I won't get this quite right. But you said something about it encourages the revolving component.

TREVOR LEE: Um-hum.

DOVER: What is encourage mean?

TREVOR LEE: I would say that if I was in the grant review committee, and there's language that they prefer, that component in the guidelines. So if I'm on the grant review committee with those guidelines, I've got two applications. One, an entity like the Development Council applies and is going to revolve these, so in the form of maybe a 0% or very low interest loan or loan guarantee. And another community says, we're going to take this money and grant it out to every house that gets built. We're going to get that

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

development \$10,000. I'm going to pick that revolving one every time as the review.

DOVER: I guess my question is why, why wouldn't everyone require repayment if there was the money there on resale?

TREVOR LEE: Could you rephrase that?

DOVER: OK, so if there is some assistance and something-- some assistance, some component goes into buying down the cost of a house, whether it's the land infrastructure, house, whatever it may be. And then, I mean, I understand it goes in and buys it down. That money is sitting there in that house.

TREVOR LEE: Right.

DOVER: And I mean, I'm sure house prices, I mean, we think they're always going to go up and there's not going to be this, there will be this because it always has been this development, right? So why wouldn't you always require the, the homebuyer upon resale to repay that component that they received, that free money, back into the, the, the trust fund so that that can then be used again? Because otherwise you're giving that money to them then and it just, I mean--

TREVOR LEE: Sure. That might be-- so rural workforce housing, I'm most familiar with that one.

DOVER: OK. OK.

TREVOR LEE: So that's what I'll use for an example. We've used a lot of other programs in my past positions involving-- before this program, where we were the developer as a local nonprofit. It's a lot easier to get that clawback when you're the builder and selling the house directly, because then you could do, you know, a forgivable loan and tie it up as a second [INAUDIBLE] lien on the lot by the bank.

DOVER: Right. Right.

TREVOR LEE: That's easier. But when we're working with the developer, and I've heard it alluded to several times, the value of these programs is reducing that risk so they're not just-- it's pretty easy for them to just go build \$700,000 custom homes in certain communities, including Kearney, Lincoln, eastern Nebraska. So we're really mitigating that risk. And then that's on them. When you're doing those low-interest loans, which is a pretty common use of these funds, really the only cost you're buying down is that interest. But

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

this, a lot of this, it's like business development. We're making sausage. We're using a lot of different layers. We're using tax increment financing to reduce. That's where we could really see some buy-down with that cost, with infrastructure and acquisition, demolition, ground-down type investments.

DOVER: OK. Thank you.

TREVOR LEE: Yeah.

CLEMENTS: Any other questions? You mentioned Clean Harbor.

TREVOR LEE: Um-hum.

CLEMENTS: Is that using some of the housing money?

TREVOR LEE: I don't know, but it would be a really good use of those funds. Where you got a private sector investment. So I really can't speak to that. I know that we're working on an application for our next cycle, hoping this gets through to the floor and passes. And we're going to be leveraging our private dollars with the actual employers that are clamoring for houses for their workforce. So we're going to ask them to put their money where their mouth is, and that's going to maximize the use of local public dollars.

CLEMENTS: Yeah. My understanding was that the company is building all the houses without a subsidy.

TREVOR LEE: It's quite possible, yeah.

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

TREVOR LEE: Thank you.

CLEMENTS: Next proponent, please.

ALEC GORYNSKI: Good afternoon. Senator Clements, first off, thank you for reminding me that I have to stop and get my wife flowers on the way home, so, with your tie there. Happy Valentine's Day. My name is Alec Gorynski, A-l-e-c G-o-r-y-n-s-k-i, I serve as the president and CEO of the Lincoln Community Foundation. And I'm speaking on behalf of the Community Foundation, the Lincoln Chamber of Commerce, and the city of Lincoln. We are supporters of everything that's in front of you in terms of investing in housing and affordable housing. And specifically here today, I'm speaking as an advocate for a lot of the

urban funding programs, the middle income workforce housing programs, and of course, the Affordable Housing Trust Fund. We are an ally and in favor of the investments in rural workforce housing. I think there's already a lot of momentum there. I think it's in the Governor's bill, I think it's what Senator Lippincott has, has proposed. So we by no means want to stand in the way of that. We think that those investments are critical. I want to speak for a moment on the value of investing in housing development and workforce-- in the middle income workforce housing program for the urban communities of, of Omaha and Lincoln for just a moment. So by no means I want to structure this as a, as a competition, I just want to elevate those urban communities. And the urban communities are in just as much need and have just as much demonstrated need for, for this investment in housing development as the rural communities do. And what tells us that is your state Housing Needs Assessment, commissioned by the Department of Economic Development and Nebraska Investment Finance Authority. And three data points that I want to take away from-- that I want to share with you that I think illustrate this point. That assessment breaks our state up into these, these groupings of counties called RUCs, rural-urban continuums. It has to do with how dense your county is. And, and Omaha and Lincoln and some of the surrounding counties are in RUC 2, so I'm going to use that terminology, RUC 2. The rest of the state is divided into a handful of other RUCs. From 2000-- so the first thing is RUC 2 has a higher demand for housing than the rest of the state. From 2000 to 2020, our state population grew by 250,000 individuals. During that same time period, RUC 2, so those urban communities, grew by 270,000 individuals. The only way that that's possible is because the rest of the RUCs in the balance of the state decreased in population. So demand is increasing in RUC 2 more so than anywhere else. Housing development relative to population growth is greater in RUC 2 than in the rest of the state. From approximately 1985 or so to, to 2005, we had perfect parity in housing development across our state of Nebraska. There was one home built for every new person added to our population across the state of Nebraska. That was from 1980 to 2005, excuse me. From 2005 to 2020, we were only building at a pace of one half of a home for every new person added to the state of Nebraska. That was across the entire state. Things are comparatively worse in RUC 2, where we're only building 4/10 of a home for every one person added to RUC 2 during, generally speaking, the same time period. So supply is not as great as it is in the rest of the state. And then the capacity is the other challenge. There was during the, the debate last year in the, the veto last year, it was argued that the state didn't have the capacity to, to take on these funds, to take on this investment and put it to work at a, at a good

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

click. The Housing Needs Assessment also covers that topic. And they have something called the "household per construction worker ratio." So the lower that number it means you have more construction workers. For example, across the entire United States, we have an average of 17 households per every 1 construction worker. Things are comparatively better in Nebraska, where we have 14 households per every 1 construction worker. It's a little worse in all the other RUCs throughout Nebraska, between 15 and 25 households per every 1 construction worker. It's best in RUC 2, where we have 12 households per every construction worker. So demand is higher, supply is less, and we have the capacity. The middle income workforce housing program specifically incentivizes the development of owner-occupied housing units for the purchase-- for a purchase price not to exceed \$330,000. From a mortgage standpoint, if you put 10% down on that, that's about a \$2,500 a month mortgage. That is affordable for a middle, a middle-income family in Lincoln, with a median family-- a moderate-- a middle income, with a median family income of approximately \$92,000 a year. That just illustrates part of the challenge that we have here is that things have gotten so problematic that we're not just talking about housing for low and moderate-income individuals. We're talking about incentivizing the development of housing to be purchased by a family with \$91,000, \$92,000 a year. That's how grave this is. So it also illustrates that the problem is even greater for the lower incomes. I thank you for your time and for your consideration of these bills. I'm happy to answer any questions that you have.

CLEMENTS: Senator Dorn.

DORN: Thank you, Senator Clements. Thank you for being here. Thank you for some of that, I call it, statistics or information or whatever.

ALEC GORYNSKI: Yeah.

DORN: That was kind of interesting or whatever. In relationship to that--

ALEC GORYNSKI: Um-hum.

DORN: And basically in Lincoln or wherever, the Rock 2-- whatever you're talking about--

ALEC GORYNSKI: RUC 2. Yeah.

DORN: --we have more capabilities of building, basically, I call it, or resources into it. What percentage of the houses built today in

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

Lincoln area are using some type of this financing for any of the programs?

ALEC GORYNSKI: Well, if it is a affordable housing, 100%, every-- everybody who, who builds affordable housing has to do so with some form of program. It's been asked a number of times today, and I get your point. You've asked it and Senator Clements has asked it, how long is this going to go on for? Affordable housing financing programs have been in existence at least since 1986, when the federal government passed a low income housing tax credit program, which it generously funds a lot of the multifamily, the apartments you've used-- referenced. Funds a lot of those apartments. And we use that here in, in Lincoln. Fred Hoppe and some other folks do. But if it's an, an affordable housing, it all receives some form of government investment in order to, to buy down that cost to then make it affordable. So I can't tell you the other half of your question, how long is this going to go on for? I don't know. It's in some form been going on, at least as far as I know, since 1986, probably before that as well.

DORN: One more question, maybe I asked it the wrong way. How many houses in Lincoln are built without any type of aid? Because I know there are houses, the \$450,000--

ALEC GORYNSKI: Sure.

DORN: --\$600,000--

DOVER: Million dollar homes.

ALEC GORYNSKI: Yeah, yeah.

DORN: What, what would be-- OK, yeah.

ALEC GORYNSKI: I don't know. I'll just say I don't know.

DORN: I'm just curious about that.

ALEC GORYNSKI: But I, I could find that answer. Absolutely. But I don't know the answer to that. Yeah.

DORN: And those I wouldn't-- you're right, I wouldn't consider those are what you call generally affordable housing.

ALEC GORYNSKI: Right. Yeah. Yeah. And you would not even think a \$300,000 home was affordable. But we're in the right-- the program,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

the middle income housing program, is it's, it's incentivizing someone to build that product because they are-- the other alternative is to build a \$600,000 home. And, and there's more risk in the \$300,000 home. So if you can build that home, make it available for a, a working family, that's, that's what this is about.

DORN: Thank you.

ALEC GORYNSKI: Yeah. I don't know the answer to the rest of your question, sorry.

CLEMENTS: Senator Armendariz.

ARMENDARIZ: Thank you. Since, since you brought it up, since 1986--

ALEC GORYNSKI: Um-hum.

ARMENDARIZ: --would you say since 1986, more government support has been created or has that been reduced since 1986?

ALEC GORYNSKI: I don't know the answer to that. Yeah, I would say we've probably seen additional programs added. So it's reasonable to assume more. Yeah.

ARMENDARIZ: Thank you.

CLEMENTS: Senator Wishart.

WISHART: Just for the discussion today, it's my understanding that public funding of housing began in the 1930s.

ALEC GORYNSKI: Oh yeah. Yeah, probably.

WISHART: So it's been around for a very long time.

ALEC GORYNSKI: Yeah. From the, you know, the New Deal, great deal, whatever. Yeah.

CLEMENTS: Senator Dover.

DOVER: Yeah, no, that's kind of, as I've been around for a while, and I, I, I-- our family's been 67 years in real estate. And I'm thinking back to Woodland Park, which was a USDA. So I think what's actually to-- for discussion, maybe you can't answer this, but years ago, in the 50s and 60s, USDA, the federal government was funding houses, OK? And, and maybe you can discuss this, but I think what's happened over the years is, I don't know if the same amount of funding is still

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

there as part of a percentage of GDP or whatever it may be. But I think that those only go to like, I mean, in Omaha or larger than Omaha. And so I think maybe, and maybe you can explain this, I think the federal funding, which would have been used in Norfolk where the population has been 16,000, right? Or maybe less, I don't know. I don't think that funding exists today. And I think it's being, being-- it's to Miami and Denver and, and Minneapolis, those kind of things, where we just don't get the funding at the federal level. So the funding has always been there as, as Senator Wishart pointed out, it just isn't, it isn't coming to the communities that we need anymore. And so therefore, the state has stepped in where it used to be the federal government. [INAUDIBLE] speak to that?

ALEC GORYNSKI: Yeah, some of the other programs that you're referencing, I'm familiar with them. I can't speak with any specifics. But as an example of what you're talking about, the Low Income Housing Tax Credit Program is allocated, it's a one-lump sum, and it's allocated by state relative to a population. And I would assume some of these others, ours as well. Once it gets to the state, then it's even harder to divvy up that pie too. So therefore it's important that some of this offsetting is done or some of this complementing that's done at the state level, or the local level, you see it as well. Philanthropy is doing it. I represent the Lincoln Community Foundation, we're investing. I mean, it's the term "layer cake" has been used over and over again, and it's very accurate.

CLEMENTS: I had a general question.

ALEC GORYNSKI: Yeah?

CLEMENTS: Do you think the state funds that we're allocating benefit-- benefit homebuyers or builders more?

ALEC GORYNSKI: I think they benefit homebuyers. There is-- this is a-- I don't have a pro forma in front of me, but we're talking about a \$300,000 home that is otherwise not available on the market right now. It just makes it available. Certainly, the homebuilder takes a developer fee out of it, I'm assuming, as they should. It's, it's, it's their business, but it makes available a product that isn't currently available for the homebuyer.

CLEMENTS: And regarding that high, high-value, high-cost houses, these programs have a cap that we can't-- there it's not going to fund anything over about what amount?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

ALEC GORYNSKI: In the middle income program, it is currently at \$330,000, is the max sale price.

CLEMENTS: So that's going to be just all private funding.

ALEC GORYNSKI: Oh, is that right? Cost of construction, \$330,000.

CLEMENTS: Oh, OK.

ALEC GORYNSKI: They're the practitioners.

CLEMENTS: All right, thank you. Any other questions? Senator Armendariz.

ARMENDARIZ: One quick one after Senator Wishart brought to our attention that since the 1930s, was that just for low-income housing and or was there middle-income housing support all the way back to the 1930s?

ALEC GORYNSKI: I couldn't speak with any--

ARMENDARIZ: But for sure, low income?

DOVER: Yes.

ALEC GORYNSKI: Yeah.

ARMENDARIZ: OK.

ALEC GORYNSKI: I couldn't speak with too much accuracy on that. History was not my subject.

ARMENDARIZ: I appreciate it. Mine, obviously.

DOVER: No, it's an age issue.

ALEC GORYNSKI: Yeah. That too, yeah.

ARMENDARIZ: I guess it was just further clarification, are we expanding these support programs? I understand the low income for sure may never go away, but are we expanding now to workforce, middle income or is it getting bigger?

ALEC GORYNSKI: I mean, I mean, the fact that we're talking about incentivizing the development of these kind of homes would suggest the problem is getting larger. Yeah.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

ARMENDARIZ: I guess my concern is we're not addressing the underlying issue that people can't afford what it costs to build a house. So something's got to give. Either the market forces the house price down or the market forces the wages up. And the government interference doesn't address either one, is my, is my concern. Does it have to happen immediately? Maybe at some level. But I'm concerned that as long as we interfere, the market force will never adjust to where we need to adjust. Thank you though, for being here.

ALEC GORYNSKI: Yeah.

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

ALEC GORYNSKI: Thank you all.

CLEMENTS: Next proponent.

RYAN McINTOSH: Chairperson Clements, members of the Appropriations Committee, my name is Ryan McIntosh, M-c-I-n-t-o-s-h, and I appear before you today as the registered lobbyist for the Nebraska Bankers Association, the National Federation of Independent Business, and I'm also testifying on behalf of the Greater Omaha Chamber. Senator Erdman, welcome back. Just in time for my testimony. Senator Arm-- Senator Armendariz, I will start out by addressing your comments. I think the best way and the quickest way to, to lower the cost of housing is to simply improve the stock. These programs have been tremendously successful in improving the stock of housing in Nebraska, and I think that's the best way that we get to lower house costs. I will focus my comments on the rural workforce housing, hopefully without, without regurgitating any information that has already been said. And so I'll try to keep my comments brief. But I do want to provide just a little bit of background that I don't think has been given yet. In issuing his veto of \$20 million in workforce housing last session, Governor Pillen noted the \$7 million that was left. That has all being allocated now. And I'll give you those communities. So the, the last \$7 million was just awarded a couple-- a few weeks ago. And those benefit Cambridge, Columbus, Grand Island, Beatrice, Norfolk, Arapaho, Wakefield, Wood River, Ogallala, Paxton and Brule. So you can see that this is statewide. And there's a huge difference in populations and types of communities that rural workforce housing has benefited. Under this program, communities have stepped forward in a big way. So initially it was a dollar-for-dollar match, and then down to \$0.50 on the dollar and then \$0.25 on the dollar, as has been testified to today. And really, the greatest strength in the rural workforce housing program is its flexibility. Each community uses this

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

differently. And I think that's what the challenge has been with the federal programs. And you heard from Mr. Hoppe that, that many of those federal programs are just simply unworkable. It's, it's such a quagmire of regulation and restrictions that it makes it completely unprofitable and unrealistic for builders in Nebraska to use many of those programs. The collective impact of the initial \$7 million investment in rural workforce housing in 2018 and matching funds of approximately \$21 million have resulted in over \$113 million of housing projects that have been completed in Nebraska. That's a 16 to 1 return on investment. Updated information from the DED indicates that total housing units resulting from those 217-- 2017 funds now exceeds 1,000 units. I encourage you to go out and look at the DED report from 2022, the most-- the most recent, that, that indicates some of the specific ways that communities have used these programs in very, very different, yet successful ways. So for these reasons, I'll, I'll wrap up my testimony. We'd urge the committee to, to fund these bills. We do believe that they have been extremely successful, particularly rural workforce housing. And it's the, the only way, or at least the best way, that we're going to drive down our housing costs in Nebraska. With that, I'd be happy to answer any questions.

CLEMENTS: Any questions? Senator Erdman.

ERDMAN: Thank you, Chair Clements. Thank God I made it back. So, Ryan, you represent the Bankers, correct.

RYAN McINTOSH: Yes.

ERDMAN: So why is it the Bankers don't perceive this as taking away business that they could have to finance these homes?

RYAN McINTOSH: Well, many of the homes are financed. But the, the main interest in Bankers is bank workforce. And I'd be happy to talk to you about it sometime, but, but that is our-- as an organization, as an association, we've invested a significant amount of money in workforce development and training. And that's what we're also advocating for workforce development. This isn't about building houses that get loans on. It's about getting employees out to our rural communities. We have-- we hear from bankers over and over again in small towns that, you know, they have two loan officer positions open, but there's only one house in town. And so they can't fill those positions. But as you've heard from, from many of the testifiers, these funds are used often for infrastructure, to reduce some of the upfront costs, so the developers can come in and can build in an affordable, in an affordable way. And those houses do have loans as well.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

ERDMAN: But wouldn't those banks make interest on the money they loaned to do the infrastructure as well.

RYAN McINTOSH: They would, but, but the alternate, the alternative here is that there's no development, no infrastructure built. And that's what we've seen in communities across the state of Nebraska.

ERDMAN: So could we-- could it be the risk is too great and there's no economic advantage for the bank to do it on their own and want the government to do it?

RYAN McINTOSH: Well, banks traditionally are-- don't take the lead role in development. They have taken a significant, and I would say lead role, across the state in doing the private matching dollars that go into, that go into the workforce housing grants. But, but you're correct that Nebraska is not keeping up with its needs. And I think these programs have been significant in, in helping.

ERDMAN: It sounds to me like they're taking some business away from you guys.

RYAN McINTOSH: We, we would disagree.

ERDMAN: OK.

RYAN McINTOSH: We believe that it's, it's, it's, it's-- that's what's keeping our small towns--

ERDMAN: We can disagree. Thank you.

RYAN McINTOSH: We can.

CLEMENTS: Other questions? I did have one.

RYAN McINTOSH: Yes?

CLEMENTS: You talked about the match, 25% of the amount that is received. So if you're going to get \$100, you put in \$25 to get \$100. So the total fund is going to be \$125. Your \$25 is 20% of the total. Is it really a 20, 20% of the total reward?

RYAN McINTOSH: So I, no-- yeah, no, I think, it's, it's, \$0.25 on every dollar. So the state would put in \$0.75, the, the private match would be \$0.25.

CLEMENTS: OK. It is 25%.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

RYAN McINTOSH: It is, yeah. And that was-- and really, we're just seeing that now. That was LB-- I think, LB1069 from Senator Williams a couple of years ago, lowered into the \$0.50 and now, \$0.25.

CLEMENTS: All right, thank you. Thank you for your testimony, and I need to leave and turn it over to Vice Chair Wishart.

WISHART: Welcome.

DEXTER SCHRODT: Vice Chair Wishart, members of the committee, my name is Dexter Schrod, D-e-x-t-e-r S-c-h-r-o-d-t. I'm president and CEO of the Nebraska Independent Community Banker Association. Really, I don't have much to add beyond Ryan's excellent comments. He did a really good job. I will say, you know, as community banks, they recognize what's missing in their communities. And what I hear from my members is two things. One, housing. Two, childcare. And that's what's really preventing people from remaining in their communities, people from coming to their communities to fill those open jobs. I was just up in Columbus the other day for Congressman Flood had a, a housing summit, if you will. And Columbus has something like 1,400 open jobs. 1,400 and no houses for anybody to live in any of those jobs. And Columbus is a really good example of the boots on the ground, how these funds go out and the communities make them work. They have housing developments being built and it's going-- it's a slow build to get enough housing stock in there to have enough for the open jobs. And, and that is repeated across communities across Nebraska. So community banks stand ready, willing and able to help with rural workforce housing, affordable housing, middle income housing. Because at the end of the day, when the communities thrive, then all the businesses thrive and our community banks thrive then. And I do wholeheartedly agree with Mr. McIntosh that the only way to decrease government supported housing is it's a simple supply and demand question. And when the supply is enough to meet the demand, then no more assistance is needed. But right now, we are so upside down on supply, that we are not even close to meeting the demand, as you heard me say in Columbus. And I do want to say one thing that hasn't been said yet. I do want to thank this committee for allocating dollars last year for housing. It was really appreciated. It was-- we were disappointed to see the Governor veto those housing dollars. We do believe that he's hopefully come around on that. He did mention it in the State of the State address. So hopefully this year will be a different result. You know, these programs, at the state level at least, I know there were some discussion of federal programs that predated my birth. But at the state level, most of these programs, 6, 7 years old, you know, my old boss was the one that passed the rural workforce housing, Senator

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

Williams. And he, he just left. So I think we do need to keep giving these time. They've only had a few years in the marketplace to really impact supply. And I do think that the state, this is a prudent investment, as you, as you've heard, the return on investment is great. So, we urge your support of any and all housing dollars.

WISHART: Thank you. Any questions? Seeing none.

DEXTER SCHRODT: Thank you.

WISHART: Additional proponents.

CAROL BODEEN: Good afternoon, Vice Chair Wishart, members of the committee. My name is Carol Bodeen, C-a-r-o-l B-o-d-e-e-n, I'm the director of policy and outreach for the Nebraska Housing Developers Association, here today to testify in support of all five of these bills asking for new funding for our state's housing programs. Thank you so much for intently listening to all of this conversation, the questions, and just your diligence in wanting to hear what we're saying about this problem for our state is very much appreciated. I know it's a long day. And the last time I was here, I went over on my time, and so I'll try very hard to cut my testimony here. So much has already been said. We're a statewide organization with over 70 members from all across Nebraska. And our membership is, is in united for support of the mission to champion affordable housing. I don't get to actually build the houses anymore, but I get to proudly represent many of those here today, as well as many of those members who could not be here. Our organization strongly supports the appropriation of funds to the Nebraska Affordable Housing Trust Fund, the Rural Workforce Housing Fund, and the Middle Income Workforce Housing Fund. We thank Senator Vargas for his leadership and for Senator Lippincott as well, for coming along on this. Much of what I was going to say has already been said. Specifically related to the Affordable Housing Trust Fund, the one thing that I did want to say is that it, as you know, that that fund has been in place for over 25 years. It was the first housing program that I was familiar with when I started out in, in this line of work many, many years ago. And I saw the, the great projects that it did. And we always said that the only downside was that we couldn't do more because additional funding was not available. And so, I, I just very much hope that we can have some additional funding. The \$10 million that's requested as part of one of these bills, on top of the normal annual allocation from the doc stamp, I just feel like that could really allow for a larger impact. You've heard from the testifiers behind me, our workforce housing programs have come alongside the trust fund. They have provided additional ways

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

to build and rehabilitate more housing in our state. They are programs that can be tailored to meet the needs of a particular area, and can impact the housing needs of a community in ways that are not being addressed fully by the private market. Bottom line, we have three established housing programs in Nebraska. They've been successful. It's truly a statewide effort, and we ask that you support funding for all three of these programs. Thank you for your time, and I'm happy to answer any questions.

WISHART: Thank you. Any questions? Senator Erdman.

ERDMAN: Thank you, Senator Wishart. So in your opinion, if you had one about this--

CAROL BODEEN: Yes.

ERDMAN: --how much money would it take to solve the housing problem we have?

CAROL BODEEN: I can't answer that.

ERDMAN: Billion dollars?

CAROL BODEEN: That would help. I don't know, I don't think there's any set amount that will solve it.

ERDMAN: There's got to be some number that solves it.

CAROL BODEEN: I don't think so. I think that, I think that it is a combination of all of the different things that we have heard. It's not just funding. It's the things that Mr. Brady was talking about. There are other things that we can be doing to incentivize and, and work on these things. But, you know, there might be, there might be an answer, but I don't have an answer for that.

ERDMAN: So could I conclude from your comments that this problem may never be solved?

CAROL BODEEN: It's possible that it might not ever be fully solved. I don't feel like I'm in a position to be able to say that. There are a lot of things that can happen, as has happened over these last few years, with the perfect storm of the, the pandemic and the supply chain issues and all of those things that made these prices go up and just exacerbated, you know, a problem that we already had.

ERDMAN: Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

CAROL BODEEN: You're welcome.

WISHART: Any other questions? Seeing none, thank you.

CAROL BODEEN: Thank you.

EVA ROBERTS: Good afternoon, Vice Chair Wishart and members of the committee. I'm Eva Roberts, E-v-a R-o-b-e-r-t-s, director of policy and strategy with Front Porch Investments. Front Porch is a catalyst for innovative and community-centered affordable housing solutions, and for policies that increase housing supply and affordability statewide. Pleased to be here in support of all five bills cascading to my right. As a nonprofit lender and grantmaker, Front Porch invests private and public funds toward affordable housing solutions. Since early 2022, Front Porch has awarded over \$31 million in loans and grants to spur the development and preservation of affordable housing in the Omaha metro. The state of Nebraska has made housing affordability a priority through the programs we've been discussing here today. And as you have heard from previous testifiers, these programs are critical to the successful financing of affordable housing projects. While a market rate builder can price their units accordingly to recoup their construction costs, affordable housing developers must cobble together a complex stack of funding sources to finance their projects-- state and federal grants, loans, tax credits-- as they seek to close the gap between the cost of producing a unit of affordable housing and the price that a lower income household can afford. Along with private funding, state and federal tax credits, these state programs are essential pieces of that complex funding puzzle. And indeed, most of the projects that Front Porch has helped to finance also receive funding from one of these state housing programs. That's public-private partnership in action, as is the match. And it's working. So just as an individual developer must bring together both public and private funding sources to support their specific project, solving our state's housing affordability crisis will require meaningful investments from both the public and private sectors. The state is not expected to fill this gap or solve this crisis on its own. Generous and forward-thinking individuals, foundations, investors and companies across the state are and will continue to do their part to close the state's housing gap, encourage innovation and in-- increase the supply of housing. Front Porch looks forward to continuing to partner with the state to leverage public resources with private and philanthropic support to address our affordable housing needs. Investments in these proven, effective housing programs are investments in our future and our collective ability to enjoy the "good life." Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

WISHART: Thank you. Any questions? Seeing none-- oh, yes?

ARMENDARIZ: I'm sorry. I do have one question, because I just don't know the answer to this yet. If somebody is placed in an affordable house, do they have the loan on it then? Say it's a \$200,000 house because you've helped them make it affordable--

EVA ROBERTS: Right.

ARMENDARIZ: --through the grant programs, and it, and it now has a loan for \$200,000.

EVA ROBERTS: The way that it works at Front Porch, we make the loan to the developer, and we have very low interest loans, 1% or 2% depending on if it's a for-profit or nonprofit developer. So we're bringing down their cost right off the top of their project compared to a bank loan. So we're helping reduce the developer's costs so that they can charge less to the end user. So--

ARMENDARIZ: Do they?

EVA ROBERTS: Yes, they absolutely in their application to us have to indicate the AMI band that they're targeting. So they would say mine will-- my units will be affordable to people at 80% AMI. So they price it at 30% of the income of the 80% area median income.

ARMENDARIZ: So in today's current market, what would that \$200,000 house be worth \$200,000?

EVA ROBERTS: It usually cost the builder more than, say, \$200,000 to build. And so our funding is essentially filling the gap between the real cost to build it and what it would-- what they can charge to someone for it to be-- remain affordable.

ARMENDARIZ: OK.

EVA ROBERTS: But the loan--

ARMENDARIZ: So then what if the person that then moves into the house gets relocated for a job?

EVA ROBERTS: Right.

ARMENDARIZ: What happens to the house?

EVA ROBERTS: We, for our rental properties, there's a 25-year commitment of affordability, that that unit will stay at an affordable

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

rate over time. And for the for-sale projects, there's also a land use restriction agreement that says that that house, if the person who was originally sold that house moves, it has to be sold again at an affordable price. So it isn't-- it doesn't become market rate after the first owner.

ARMENDARIZ: OK. When does it become market rate?

EVA ROBERTS: The LURA, is the land use restriction agreement, I believe is for 20 years.

ARMENDARIZ: OK. I, I didn't know all those details. Thank you.

EVA ROBERTS: You're welcome.

WISHART: Senator Dorn.

DORN: Thank you. You made the comment that for the, the rental property, or the rental apartments or whatever, there has to be a 25-year affordable lease as far as what they charge for rent or require--

EVA ROBERTS: Yeah.

DORN: Did I understand that right?

EVA ROBERTS: So the, the pro formas that we review when we're making a loan have to show that the, the rent will be kept affordable for that far out into the future.

DORN: For that far out--

EVA ROBERTS: Um-hum.

DORN: --they how-- I guess, how do we know they live up to that commitment? Or it's just trust?

EVA ROBERTS: Well, our loan servicing partners will continue to verify that over time. And that's part of what we're doing with our very low-interest loans, is to incentivize developers who might otherwise do market rate to bring them into the affordable housing space. But in return, they have to commit to remaining-- that property remain affordable over time.

DORN: And maybe, I, I, I assume certain things. It's not that there will always be for 25 years it would be \$1,000 rent.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

EVA ROBERTS: It can, it can move with--

DORN: It has to be affordable loan 25-- I mean, it has to be in that category 25 years out? OK.

EVA ROBERTS: And that may--

DORN: I thought about it wrong.

EVA ROBERTS: HUD adjusts the AMI every two years, and so it can flux.

DORN: Yeah, OK. Thank you for the explanations.

EVA ROBERTS: You're welcome.

WISHART: Senator Erdman.

ERDMAN: Thank you. Thank you, Senator Wishart. So following up on Senator Armendariz's question, someone buys the house, all right? They don't rent it. They buy the house. Do they have the mortgage? Is the mortgage in their name?

EVA ROBERTS: Oh, yes.

ERDMAN: OK, so when they sell the house then, is there a restriction on them that they have to sell it for less than maybe if the valuation went up, they can't sell it and appreciate the difference or not?

EVA ROBERTS: That is what the LURA, the land use restriction agreement, would require. And so meanwhile there are policy conversations around these valuation questions about, if you own income-restricted property, that your tax, your taxes would not increase over time with your valuation because it has that sale limit on it. You wouldn't be, you wouldn't be paying a property tax for a \$300,000 house if you can only sell it for \$200,000 because of the land use restriction agreement.

ERDMAN: You don't set the valuation, the assessor does.

EVA ROBERTS: Right.

ERDMAN: So I buy a \$200,000 house. All right. Property tax goes up because the valuation goes up. So irregardless what my mortgage is, the valuation is set by the assessor. So let's say the house goes a \$240,000 in value. Then the taxes are going to be charged at \$240,000, right?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Appropriations Committee February 14, 2024

EVA ROBERTS: Correct.

ERDMAN: So the person selling it, if the house is appraised for-- not assessed for, but appraised for-- \$240,000, they can't sell for \$240,000 and make the \$40,000?

EVA ROBERTS: To be honest, we are, we are-- building is slow and we've yet to have a house be built and sold yet in our two years. So I don't know what actually happens at the time of sale, but I know that there is a bill currently going through the Legislature, I believe it's Senator Bostar's bill, looking at valuation of both rental and for-sale properties that's trying to address this issue. That if we're sort of restricting the sale price of a house for 20 years to ensure affordability, we don't want the occupant to have to pay-- to tax-- a property tax that goes higher.

ERDMAN: Yeah, that would be unconstitutional. There's not a chance you can do that.

EVA ROBERTS: Yeah.

ERDMAN: Not a chance. Not a chance.

WISHART: Any other questions? OK. Seeing none, thank you.

EVA ROBERTS: Thank you.

WISHART: Any additional proponents? Seeing none, any opponents? Seeing none, anyone in the neutral? Seeing none, Senator Lippincott, would you like to close? Senator Lippincott waives closing. And for LB888, we have 17 proponents, 0 opponents, 0 neutral. For LB889, we have 9 proponents, 0 opponents, 0 neutral. For LB1039, we have 17 proponents, 0 opponents, 0 neutral. And for LB1323, we have 5 proponents, 0 opponents, 0 neutral. And for LB897, we have 7 proponents, 0 opponents, and 0 in the neutral. That closes the hearings for these bills that I have read off. And that closes our hearing for the day. Thank you.