



# The City of Columbus

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## Memorandum

DATE: June 15, 2023

TO: Urban Affairs Committee of the Nebraska Legislature

FROM: Tara Vasicek, Columbus City Administrator

RE: Current efforts to address the availability of and incentives for affordable housing

For several years the City has been trying to make an impact on the housing market by encouraging private developers to invest in new construction through the use of TIF and workforce housing funds. We have some successes, but we are not filling the gap in our housing stock fast enough. The City has experience steady population growth since the 1990s and looking at Columbus' healthy job market (over 2,000 job openings today) the increase in population should continue. Even with the stronger than average housing construction activity the community has experienced in the last few years, it has not been enough to address the housing shortage. According to the development projections provided in the 2021 Housing Study 614 new doors are needed by 2025 just to meet the demand figuring out to be 122 homes each year. From the time of the study until now, in 2021 contractors built 68 single family homes and 20 duplex/townhomes and zero multifamily units (34 short of needed yearly projections). In 2022, the City saw a decrease in housing built as interest rates and supply costs continued to rise with only 29 new single-family homes and 48 duplex/townhomes being construction (45 short of the needed yearly projection numbers). With the shortfall in housing construction since 2020, the city is now looking at yearly projection numbers of 153 units to just meet the current demand. In the last six months, City staff has seen the loss of new construction with developers backing off of developments of over 1,000 doors. Developers are sitting too much risk in building out subdivisions and houses. Even with TIF and Workforce Housing funds, the gap in funding isn't being filled enough to provide the developer with the confidence needed to continue with their project. The City is using every resource available to promote the development of affordable housing and support incentives aimed at keeping housing prices affordable, but construction is not happening fast enough.



The City has implemented codes, regulations and incentives changes while actively working towards creating a more inclusive and affordable housing market for its community members. The City's main goal with housing is to increase the stock of affordable housing and to ensure that housing prices remain accessible to a wide range of residents.

## **1. Residential Zoning Requirements**

The City of Columbus currently has five zoning districts established to promote residential usages. These districts are Rural Residential which provides for very low-density residential environments, accommodating developments that merge urban living with rural life and institutions which require a residential environment; Single Family Residential which is intended to provide for low-density residential neighborhoods, characterized by single-family dwellings on large lots; Two-Family Residential which provides for medium-density residential neighborhoods, characterized by single-family dwellings and duplexes and two unit townhouses on small to moderately-sized lots; Multiple-Family Residential which is intended to provide locations for a variety of housing types, including multiple-family housing; and Non-Traditional Residential that recognizes non-traditional residential development, properly planned, that can provide important opportunities for affordable housing (i.e. tiny homes on their own lots). The City also has two additional districts which were developed with the intent to address special needs of mixed-use neighborhoods that combine residential areas with nearby or adjacent office and commercial development. These two districts are Urban Commercial and Central Business. An overview of the specific zoning requirements and allowances for each of these districts is in attachment #1.

## **2. Multifamily and Middle Housing Percentages**

Multifamily Housing construction is permitted "by right" in five zoning districts covering approximately 18.48% of the total area of the city. Middle Housing (Duplexes, Two-Family Residences, Townhouses) are allowed "by right" in four zoning districts, representing around 16.92% of the total area of the city. Mixed-use residential development is permitted by right in four zoning districts, encompassing approximately 13.21% of the total area of the city. Non-Traditional Residential zoning districts, although recently established, currently allows for non-traditional residential development by right in one zoning district. However, as of now, there have been no applications for rezoning to the NTR district. It's worth noting that the percentage

provided indicate the proportion of the total area of the city where each housing type is allowed by right. The remaining areas of the city may have different zoning regulations or require additional approvals or permits for specific housing types. These zoning provisions reflect the city's efforts to diversify its housing stock and provide a range of housing options to meet the needs of its residents. A map of Columbus' zoning districts is included in attachment #2.

### **3. Breakdown of new residential construction**

<b>2018</b>	55 – Single Family Homes 10 – Duplex/Townhomes
<b>2019</b>	55 – Single Family Homes 19 – Duplex/Townhomes 277 – Multifamily Units
<b>2020</b>	47 – Single Family Homes 62 – Duplex/Townhomes
<b>2021</b>	68 – Single Family Homes 20 – Duplex/Townhomes
<b>2022</b>	29 – Single Family Homes 48 – Duplex/Townhomes

### **4. Breakdown of Residential Units Annexed**

Since 2018, The City of Columbus has undertaken one annexation, resulting in the addition of 81 residential units to the city. Out of these units, 73 are classified as single-family housing. The remaining eight units are categorized as middle housing. (Attachment #3) Since the last Affordable Housing report for the Urban Affairs Committee, the City of Columbus there have been six voluntary annexations for new housing subdivisions which includes 92 lots for new construction.

### **5. Estimate of Per-Unit Cost of Housing**

The estimated per-unit cost of housing in Columbus was calculated by determining the total cost of housing units built in 2021-2022 and dividing that figure by the total housing units added to the city. That resulted in the following:

Total cost of single-family housing units in 2021: \$21,187,760  
Total Units added in 2021: 68  
Estimated per unit cost (total costs/total units): \$311,584.71

Total cost of duplex/townhomes units in 2021: \$4,538,014  
Total Units added in 2021: 20  
Estimated per unit cost (total costs/total units): \$226,900.70

Total cost of single-family housing units in 2022: \$10,578,964  
Total Units added in 2022: 29  
Estimated per unit cost (total costs/total units): \$364,791.86

Total cost of duplex/townhomes units in 2022: \$8,490,170  
Total Units added in 2022: 48  
Estimated per unit cost (total costs/total units): \$176,878.54

## **6. Density Bonuses and Other Incentives**

In the updated Unified Land Development Ordinance (ULDO), the Density Bonus incentives are not available in the City of Columbus. However, the city offers additional regulatory concessions and incentives to encourage development. These concessions include reduced setback requirements, lot size, floor area, increased maximum impervious coverage, and reduced off-street parking requirements within all residential zones. The introduction of the Non-Traditional Residential (NTR) zone and the NTR Subdivision provides an opportunity for increased density compared to other residential zones. These zones accommodate the development of smaller-scale and more affordable housing models such as tiny homes. The focus is on reducing construction costs and overall unit expenses by allowing smaller, more compact housing units. By re-zoning for the Non-Traditional Residential district and utilizing the NTR Subdivision, developers can take advantage of smaller lots and a greater number of units per area of land. This enables the creation of denser housing options, helping to address the need for affordable housing in the city. Additionally, the ULDO allows for the establishment of multiple overlay districts, with some providing additional benefits to incentivize development. Two notable overlay districts are the Planned Unit Development (PUD) District and the Creative Cluster Development District. These districts offer further flexibility and incentives for developers to create innovative and integrated developments that align with specific goals and objectives set by the City. Overall, the updated ULDO provides a range of regulatory concessions, incentives and zoning options to promote affordable housing, denser development, and creative land use planning. These measures aim to meet the changing needs of the community while ensuring

responsible and sustainable development practices. Additional information on NTR zoning and the overlay districts can be found in attachment #4 and #5 respectively.

### **7. Allowance of Accessory Dwelling Units (ADU)**

Under the current ULDO, the City of Columbus allows for the construction and occupation of Accessory Dwelling Units (ADUs) in various zoning districts. The authorization for ADUs falls under the category of “Two Single Family Residential use” as defined in the ULDO. This use encompasses residential units that serve two families, including but not limited to configurations such as a 2-unit townhome, two detached single-family units on a single lot, or a duplex. The Two Single Family Residential use is permitted “by right” in all residential zoning districts. This means that property owners in these districts have the automatic right to construct and occupy ADUs without needing to go through an additional approval process. However, in certain zoning districts such as Limited Commercial, Central Business, and General Commercial, the Two Single Family residential use is permitted “by special permit.” This means that property owners in these districts can apply for a special permit to construct and occupy ADUs, subject to specific criteria and conditions outlined in the ULDO. The special permit process typically involves a review by the local planning board to ensure compliance with the regulations and any additional requirements specified for these commercial districts. The allowance for ADUs in different zoning districts provides opportunities for property owners to create additional housing units within their properties, increasing housing options and potentially promoting affordability. ADUs are often smaller, secondary units located on the same lot as a primary dwelling and can be used for various purposes, such as providing housing for family members, generating rental income, or accommodating multigenerational living arrangements. Attachment #6 displays the code and regulations surrounding the Two-Family Residential use.

### **8. Incentives to Encourage Affordable Housing**

The City has implemented various incentives to encourage the construction of affordable housing. One of the major incentives is the use of Tax Increment Financing (TIF), which has been utilized in the past to support the development of residential projects that provide affordable housing options. However, since 2020, one developer has utilized this program on a 21-lot subdivision and the results has been six newly constructed homes. To further support affordable housing development, the City has established the Rural Workforce Housing Funds. These funds have been used to assist housing projects in creating additional affordable housing units. At the beginning of 2022, there was \$1,922,500 available in funding. Some of this funding

was approved for the Villas on 8<sup>th</sup> project, which planned to develop 80 units. However, in early 2023, the project was canceled due to the increasing construction costs, which made it too risky to proceed at the time. Over the past six months, the City's staff has observed a decline in new construction, with developers choosing to back off from projects involving over 1,000 units. The developers are citing concerns about the risks associated with building subdivision infrastructure and houses which affect the viability of their projects. The City has even utilized a portion of their local sales tax money that was allocated for housing to fund infrastructure for projects that didn't qualify for TIF. Despite using all the tools in the City's tool box, the funding gap remains significant and the developers are struggling with the necessary confidence to continue their affordable housing projects leaving the city with less than 50 homes on the market and a rental occupancy rate of one percent.

### **9. Demographic Analysis of the City and Housing Needs**

It is evident by an analysis of the demographics found in attachment #7 that Columbus has been experiencing steady population increases since the 1990s. With a current population of 24,195, the City has shown an annual growth rate of 0.84% and a change of 8.7% over the past decade. This growth indicates the attractiveness of Columbus as a place to live and work. The business mix and available jobs in Columbus are strong and supportive of even stronger growth patterns compared to peer cities. However, despite the city's growth over the past two decades, the available jobs indicate that there is potential for even more significant growth.

Although Columbus saw an increase in housing construction in 2019 and 2020, construction has slowed in the last two years due to the increase in interest rates and in higher construction supply costs. This is a strong indicator that the pace of housing development has not kept up with the growing population and demand for housing options. As a result, there is still a shortage of housing supply in the city.

Based on the 2021 housing study conducted for the community and the recent construction numbers, it is recommended that approximately 153 homes should be constructed annually in the next three years in order to meet the needs of the growing population. Constructing new homes increases the overall housing supply but also has the potential to free up existing housing units for households with incomes at or below the median. Columbus, being a city with the highest median income among its peer cities, should be able to support new construction despite inflation. However, it is important to note that new construction typically comes with higher costs, with homes priced at \$350,000 or more. This results in increased

demand for lower-cost housing units, which can currently only be met through existing housing units or through heavily subsidized construction projects.

In order to encourage existing homeowners to enter the housing market, more variety in housing types is needed. This would motivate households with homes valued at \$250,000 or less to put their properties on the market, increasing the availability of affordable housing options. According to the housing study a range of housing environments are crucial in meeting the diverse housing needs of the community. In 2020, Columbus had 9,963 total housing units. 9,477 were occupied producing a 4.9% vacancy rate. This rate is below the range of a healthy vacancy rate but further analysis will show that many of the unoccupied units are vacant due to other reasons and do not represent units actually on the market. On average in 2022, Columbus had less than 50 homes on the market at any given time.

Columbus continues to experience a situation where demand for homes outweighs the available supply. As a result, the shortage of for-sale homes and available rental units has become a pressing issue. Addressing this shortage will require a multi-faceted approach that includes out of the box thinking in order to increase housing supply, promote diverse housing options and encourage new construction to meet the demands of prospective homebuyers.

## **10. Efforts to Adopt an Affordable Housing Action Plan**

The City of Columbus has taken a collaborative approach to addressing affordable housing, with the city taking a leading role and involving other community groups, including the housing committee of the Columbus Chamber of Commerce. This partnership between the city and various stakeholders is instrumental in identifying and implementing housing initiatives that cater to the needs of the community, particularly in the areas of workforce and affordable housing. By working together, we are able to leverage our collective expertise, resources and networks to develop and support housing projects that promote affordability and accessibility. This collaborative effort allows for a more comprehensive and coordinated approach to tackle the complex challenges associated with affordable housing. In 2021, the group approved the updated Housing Study that was funded through a NIFA grant, city support and NeighborWorks Northeast.

The involvement of the housing committee also signifies the recognition of affordable housing as an important economic and community development issue. By prioritizing workforce and affordable housing, the city and its partners demonstrate a commitment to ensuring a diverse and sustainable housing market that supports a thriving local economy. The City will

continue this collaborative effort, engaging with key stakeholders, including developers, non-profit organizations, financial institutions and community members to gather diverse perspectives and ensure the success and long-term impact of affordable housing initiatives. Through ongoing dialogue, joint planning and effective implementation strategies, the city will create more affordable housing options and a stronger, more inclusive community and work towards completing and adopting Columbus' Affordable Housing Action Plan.