

KEARNEY
HOUSING STUDY

ACKNOWLEDGMENTS

The project team would like to acknowledge the contributions of the residents of Kearney who gave their time, ideas, and expertise for the creation of this plan. It is only with their assistance and direction that this plan gained the necessary depth to truly represent the spirit of the community and it is with their commitment that the plan will be implemented.

STEERING COMMITTEE

STAKEHOLDERS

PLANNING COMMISSION

CITY COUNCIL

CITY STAFF

Funded in part by:
KEARNEY COMMUNITY REDEVELOPMENT AUTHORITY (CRA)

NEBRASKA INVESTMENT FINANCE AUTHORITY (NIFA)

Completed with assistance from:
RDG PLANNING & DESIGN

JULY, 2017

TABLE OF CONTENTS

CHAPTER ONE: COMMUNITY VISION.....5

CHAPTER TWO: KEARNEY TODAY.....15

CHAPTER THREE: ISSUES AND OPPORTUNITIES.....45

CHAPTER FOUR: A PATH FORWARD.....61

APPENDIX:.....85

CHAPTER ONE

COMMUNITY VISION

It is only through study and introspection that a community can navigate a path forward to realize the best future for current and future generations. From this philosophy of thoughtful and communal deliberation, this plan was developed through a comprehensive public engagement process which sought to understand the vision and the needs of residents and stakeholders. The planning team held a series of open houses, focus groups, and conducted a survey to delve into issues and perceptions of the housing market today.

CHAPTER 1: AT A GLANCE

THE 10 TAKEAWAYS FOR SUCCESS

PROCESS:

A plan must be built from public engagement to ensure it reflects the values and aspirations of the community – today and in the future. The Kearney Housing Study engaged more than 1,750 residents and stakeholders on issues relating to the housing market. This chapter explores the experience and attitudes of the housing market including challenges, opportunities, and aspirations for
the future.

- Project Timeline: 6 months
- Perception Survey: 1,682 respondents
- Steering Committee: 6 meetings
- Stakeholder Groups: 7 meetings
- Public Presentations: 3 presentations

10 TAKEAWAYS FOR SUCCESS:

1. "Kearney shows well!"

Participants hold Kearney in high-esteem for its economy, public amenities, quality of life, and built environment, including its neighborhoods. This is an asset that will continue to drive growth and that Kearney can continue to build upon.

2. Residents want smaller homes that are affordable

Many participants expressed a strong appetite for a variety of housing options. When asked, the majority stated that small to mid-size homes (2-3 bedrooms), independent senior living, townhomes, and apartments would be successful in Kearney.

3. Address affordability issues today for a better tomorrow

One survey respondent said it best, “Kearney is a growing community. Housing and housing prices are always going to be a problem if we don’t address it.” Three factors contribute to affordability issues:

Limited Production Across Price-Points. An emphasis on high-end housing creates opportunity for only the highest income residents.

Shortage of housing. Limited availability means that more stakeholders compete for the same homes regardless of income.

Impact of condition on the perception of affordability.

4. Appetite for a variety of housing types

Overwhelmingly, stakeholders expressed a strong desire for a variety of housing products including more urban configurations such as apartments, townhomes, small lot single-family homes, and senior oriented housing.

5. Desire for move-up and down-size desire

Kearney is a place where people want to live, grow, and when the time comes, to retire. Many buyers and residents find this difficult because the type of housing they want is not available or is not affordable.

6. Quality versus cost of rentals

Many renters expressed dissatisfaction with the cost of rentals in Kearney given the poor condition of the apartment or rental house. Often, these residents would explain that they "won't pay that [money]... for that [low quality unit]."

7. Similar housing preferences for students, seniors, and young families.

The survey analysis revealed that diverse constituent groups in Kearney have similar housing preferences. These groups all desire smaller homes with minimal maintenance and shared open space. This mirrors national preference trends.

8. The housing market area reaches Grand Island, Hastings, Holdridge, and Lexington.

In market economics, professionals often use market areas to describe the influence and opportunity of a particular economy. Based on the geographic distribution of survey responses, the Kearney housing market has stakeholders as far as the Grand Island, Hastings, Holdridge, and Lexington. These may be employees in Kearney, students at UNK, and those looking for housing in Kearney.

9. Build upon framework of community assets to create affordable neighborhoods.

Participants speak highly of community amenities including the downtown, the park system, the trail system, and the school districts. These make Kearney a desirable place to live and should be the basis of new development.

10. Act on ideas, aspirations, and experiences from this process

In the day-to-day operations of a city, it is a rare that community leaders are able engage with their residents about high level issues such as the direction of the city, their experience, and their aspirations for the community.

Many stakeholders contributed to this study, expressed their ideas and opinions, and now look forward to progress in the housing market.

COMMUNITY PERCEPTION SURVEY

In addition to a series of public meetings, open houses, and presentations, the housing study is also built from the valuable ideas and opinions obtained through a community perception survey.

The city distributed a community survey via social media and through partner organizations. The survey reached more than 1,600 respondents from across Nebraska and is used to supplement and support the anecdotal information from focus groups. To gain perspective on the breadth of perspectives, the survey asked respondents to provide their home and work postal codes.

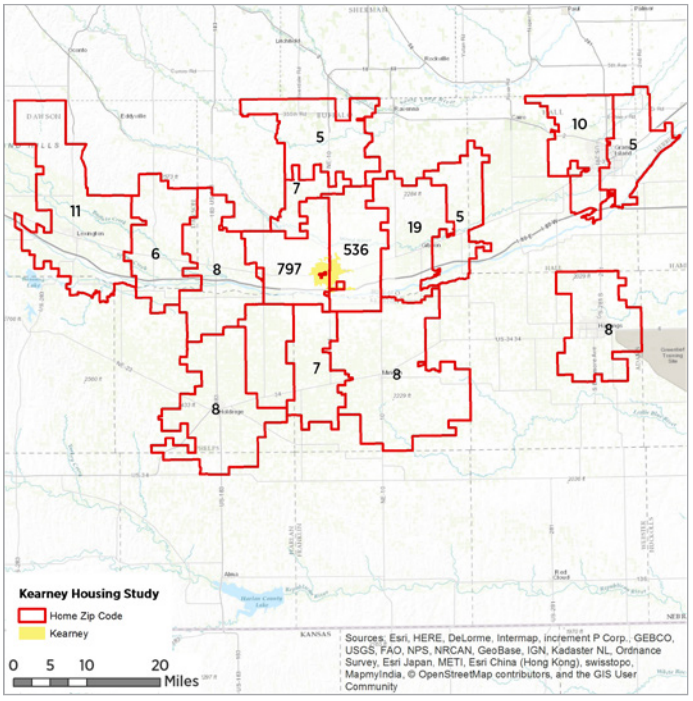
GEOGRAPHIC DISTRIBUTION OF PERCEPTION SURVEY

HOME POSTAL CODES

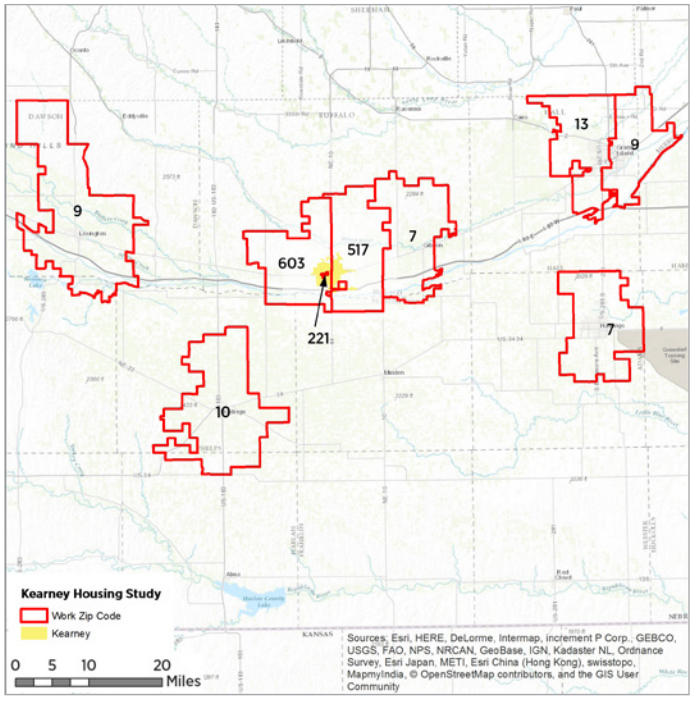
- Map 1.1 illustrates the distribution of "Home ZIP Codes" for those areas with five or more responses.
- Based on how the survey was distributed, it can be assumed that each respondent has some connection to Kearney's housing market – through work, residence, or friends and family.
- As expected, the greatest concentration of postal codes is surrounding Kearney including 68845 (797 respondents) and 68847 (536 respondents).
- The distribution of responses extends as far as Lexington to the west, Holdridge and Minden to the south, Hastings to the southeast, and Grand Island to the east.

WORK POSTAL CODES

- Map 1.2 illustrates the distribution of "Work ZIP Codes" for those areas with five or more responses.
- As the survey was distributed through the social media and email address books of the city and other Kearney-centered organizations including employers, it can be assumed that each respondent has some connection to Kearney's housing market – as residents and employees of Kearney or as employees commuting into Kearney for work.
- As expected, the greatest concentration of postal codes is surrounding Kearney including 68845 (603 respondents), 68847 (517 respondents), and 68849 (221 respondents, limited to University of Nebraska – Kearney only).
- The distribution of respondents follows the general distribution of Map 1.1 but with greater concentration around regional population centers including Lexington, Holdridge, Hastings, and Grand Island.



Map 1.1: Distribution of Survey Respondents by Home Zip Codes



Map 1.2: Distribution of Survey Respondents by Work Zip Codes

DEMOGRAPHIC PATTERNS

Owner and Renter Occupancy

- The survey has a strong mix of owners and renters with 51 percent and 49 percent respectively.
- Of the overall survey, 33 percent of all respondents identified as college students and these stakeholders likely account for a significant share of renters.

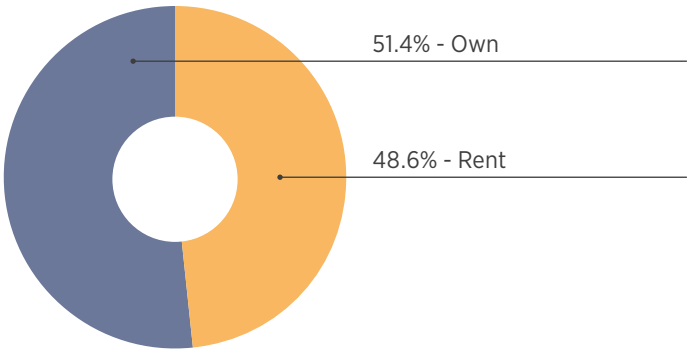


Figure 1.1: Owner and Renter Occupancy of Survey Respondents

Age Distribution

- The survey had strong representation from all but the oldest of seniors.
- The greatest representation came from the respondents aged 19-34. This share is fueled by strong circulation through the University of Nebraska – Kearney and social media which successfully accessed young professionals.

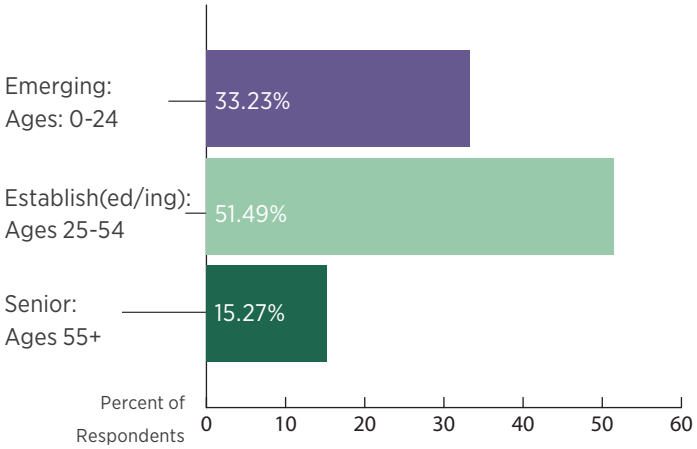


Figure 1.2: Age Distribution of Survey Respondents

Household Income

- The survey reached a cross section of the community including healthy representation of all income brackets.
- Forty four percent of respondents reported household incomes less than $50,000. Thirty one percent reported household incomes between $50,000 and $100,000. The remaining 25 percent reported household incomes exceeding $100,000.

Additional survey results and analysis can be found in the appendix. The findings of the survey are integrated throughout the document.

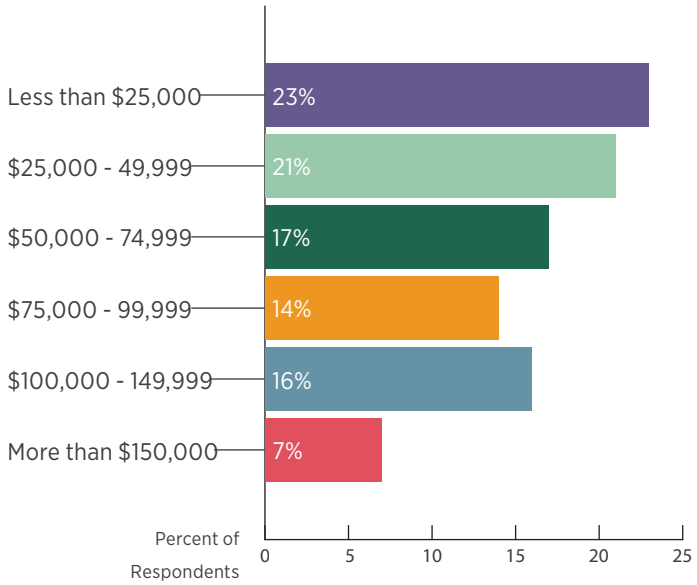


Figure 1.3: Household Income of Survey Respondents

THEMES AND ISSUES IDENTIFIED THROUGH COMMUNITY INPUT

The public engagement process revealed important themes that became the guide for the development of the Kearney Housing Study. These themes were distilled from input received from the open houses, stakeholder discussions, and the survey.

Housing Affordability

Kearney residents expressed concern about the cost of housing including both ownership and rental options across virtually all price-points. In the context of a housing market, the concept of "affordability" is relative and broadly describes the gap between the condition, age, and size of the housing product respective to the incomes of those groups seeking housing in Kearney.

While the term "affordable" invokes the image of housing for the lowest income groups, middle and upper income households can also experience affordability issues in the market when supply and demand of units within certain price-points are misaligned.

The need for affordable housing opportunities was the most common issue raised by the public. Stakeholders expressed concern over the cost of rental and owner options in the city, in new neighborhoods, and for residential development lots.

Housing Availability

Kearney residents feel there are many types of housing products that are in short supply. Many stakeholders expressed a strong desire for smaller housing units as opposed to higher-cost and larger-lot arrangements. This perspective comes from a desire for products that are affordable and attractive to more of the population, including young families and seniors across the income spectrum. The survey reinforced the discussions in the stakeholder and steering committee discussions; Figure 1.4 illustrates the most desirable housing products from the survey.

The desire for smaller and more diverse housing products underscores the need for more balance in the type of units that are added to the housing market including the more affordable options.

"Kearney is a growing community. Housing and housing prices are always going to be a problem if we don't address it. Make rent and housing prices affordable."

- Survey Respondent

MOST POPULAR HOUSING TYPES

In the community survey, respondents were given eight types of housing options and asked if they felt any of these housing types would be successful in Kearney today. The results to that question are shown below. The most popular housing types, as chosen by more than 75 percent of respondents were:

- Mid-size, three bedroom homes
- Small, two-to-three bedroom homes
- Townhouse or duplex
- Independent – Senior Living

Downtown, upper story housing ranked slightly lower but also received majority support, with 63 percent of respondents believing it would be successful. As this is a niche housing product, the positive response should be taken as support for continued enhancement of the downtown district including the addition of new housing units in the district.

The two housing types that the majority did not think would be successful were "larger homes with four or more bedrooms" and "large lot, estate residential." The trend remains virtually unchanged when the student population is removed from the analysis indicating that the perspective is widespread across all respondents. It is likely that two factors contribute to the low rankings for these housing types:

- much of the recent housing construction has focused on larger homes; and
- these units are not typically affordable to lower and middle income households.

"There needs to be more affordable houses for young professionals, middle income families, and seniors who are still able and prefer to live independently. Maintenance provided is always a plus for singles and retired individuals."

- Survey Respondent

Figure 1.4: Preferred Housing Products (Survey Summary)

What new housing product do you feel would be successful in Kearney Today?
Percent Responding "Yes" - this product would be successful



"Kearney is a beautiful city with many amazing houses but, being a young single professional, I want a new very small home that is affordable. Since I will be in Kearney for a long time I don't want to waste my money renting."

- Survey Respondent

Under-served Markets

In the community survey, respondents expressed concern that Kearney's housing market does not adequately serve many diverse groups. The groups that respondents felt were least served were:

- Single Professionals (57 percent)
- Young Singles and Couples without Children (56 percent)
- Families with Children (52 percent)
- College Students (51 percent)

The remaining groups received less than 50 percent of respondents suggesting that they were under-served by the market. While this is a promising indicator, it is still important that efforts be made to provide an inclusive and accessory housing market for the current and future generations of residents.

It is important to note that factors, such as income, can exist within each demographic group and impact whether the market adequately serves a particular group. For example, high income seniors may have many good options while low income seniors may have few options. The survey also allowed respondents to select that they "don't know" about a particular group; this was effective in reducing clear signs of bias.

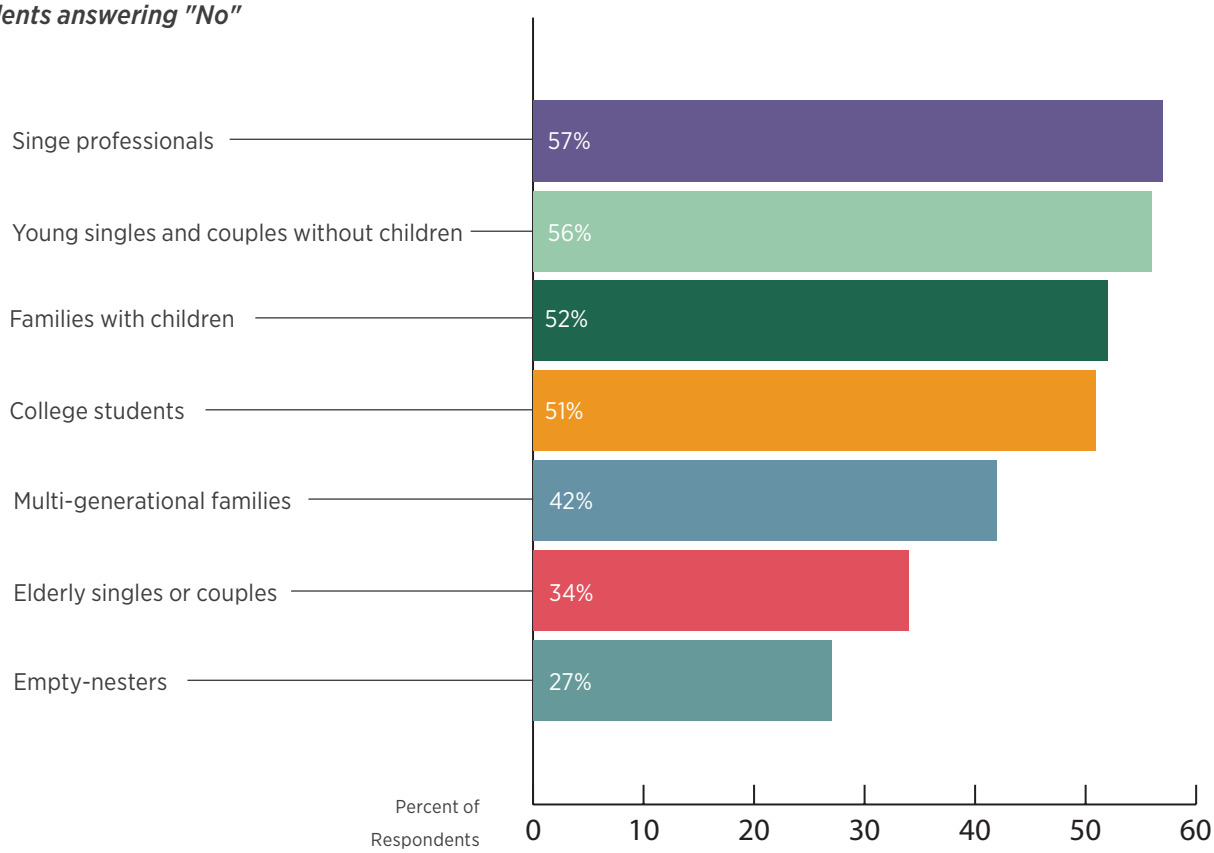
"There's definitely a need for affordable rentals and affordable (but still good quality) homes for purchase."

- Survey Respondent

Certain subsets of the population likely have greater experience with certain parts of the market. For example, while 51 percent of all respondents indicated that college students are under-served by the market, nearly 70 percent of college students stated that they are under-served in the market. Further in the example of empty-nesters, which received the lowest overall response at only 27 percent of respondents, those respondents aged 55 and older indicated that the market was under-served at a rate of 52 percent.

Figure 1.5: Least Served Demographic Groups (Survey Summary)

Do you believe the current housing market adequately meets the needs of the following households in Kearney?
Respondents answering "No"



Quality Appropriate Rentals

Many respondents expressed a concern over the disparity between the cost of rental housing and the quality of the housing units available. Respondent focused their comments on several distinct rental types including mobile homes, single family rentals, single family conversions to multi-family structures, older apartment complexes, and modern apartment complexes.

- Mobile Homes: Kearney's mobile home parks play a role in both the rental and ownership housing markets. The greatest issues expressed for these neighborhoods were related to life-safety, structure condition, and energy efficiency issues.
- On Campus Housing: While students are required to live on campus for their first year, these units are costly to many.
- Single family rentals: These units are often considered too expensive due to either condition issues or the need for cosmetic improvements.
- Single family conversions to multi-family: These conversions often have real or perceived condition and life-safety issues. With these older units, there is often a disparity between the cost of rent and the quality of the unit. These units often function as off-campus student housing
- Older apartment complexes: These complexes are often viewed as being too expensive for the condition and cosmetic appeals of the units and the development. With upgrades, it may be possible for these units to command a higher level of rent without raising affordability concerns.

More Pet Friendly Options

Many noted the desire for pet friendly housing in both the survey and in stakeholder group meetings. In the survey, 461 respondents provided written comments and 13 percent of those mentioned the need for pet friendly options with concerns ranging from outright pet-prohibitions to non-refundable pet deposits and pet-rent. As one respondent noted, "I can understand a renter's policy about animals, but there seems to be no middle ground in Kearney" suggesting a trend toward outright prohibition.

"It's hard to find pet friendly housing that is affordable"

- Survey Respondent

"I can understand a landlord's policy about animals, but there seems to be no middle ground in Kearney"

- Survey Respondent

SUMMARY AND CONCLUSIONS

The importance of personal accounts provided as part of the public engagement process of this study cannot be overstated. These stakeholders voiced their experiences, opinions, and ideas through focus groups, public open house sessions, and through a survey which was completed by more than 1,600 respondents. These accounts provide a strong foundation on which the remainder of this plan is built including several big ideas that resonate across all many contributions.

- Strong Community Image. Virtually all stakeholders have a high opinion of Kearney as a community. It is held in high esteem by residents of Kearney, by residents of nearby communities, and by students at the University. Residents of Kearney expressed as especially strong satisfaction with the image of the city, the image of the downtown, and satisfaction with their own neighborhoods. This strong image is one of Kearney's greatest assets that will allow it to continue to grow by attracting and retaining residents.
- Affordability and Availability. While stakeholders generally had a high level of satisfaction with the community, many expressed concern over affordability and availability in certain types of housing in certain price-points. In the ownership market, the strongest desire was for units priced between $175,000 and $250,000. In the rental market, the strongest desire was for low to moderate income households and greater variety in the type of rental units available.
- Variety of Housing Products. Like the desire for more affordable housing options, respondents indicated their strong desire for a variety of smaller housing options including small and mid-size single-family homes, townhomes and duplexes, and independent senior living opportunities.
- Affordable and Quality Rentals. Many respondents expressed the desire for more quality and affordable rental options. While the city has been successful in supporting high quality rental housing in recent years, many residents felt that these units were too expensive for their needs and therefore desired additional units at a slightly lower threshold.

CHAPTER TWO

KEARNEY TODAY

The careful examination of Kearney today – its historic trends, population demographics, economy, and conditions of the housing market – enable this study to understand current challenges, forecast future needs, and articulate a program to improve Kearney's housing market. This chapter summarizes the characteristics of Kearney that strongly impact the housing market. A thorough understanding of demographics and housing conditions provide the first steps in crafting the housing plan.

CHAPTER 2: AT A GLANCE
THE 10 TAKEAWAYS FOR SUCCESS

PROCESS:

The today chapter begins with a review of existing conditions to forecast the changes that will occur over the next 5, 10, and 15 years. The exploration identifies trends in the market today that, with guidance, can be realized as opportunities or mitigated as challenges in the future.

Beginning with existing demographic characteristics (income and age), existing physical and occupancy trends, and recent housing construction patterns, the study articulates a program to guide the construction need to meet future demand.

10 TAKEAWAYS FOR SUCCESS:

1. Existing population and housing trends

The population of Kearney is changing and growing with the greatest increases in residents aged 55 and older.

Kearney's housing market exhibits healthy conditions including 60% owner and 40% renter-occupied units and a 5.4% vacancy rate (sufficient 'space' in the market for residents to enter, move-up, or downsize as desired).

2. Housing production, much at the highest price-points

Developers have produced an average of 84 single family homes and 78 multi-family units between 2005 and 2016. While this will continue to support a healthy rate of growth, much of the construction has occurred in the highest price-points. Additional balance across housing types and price-points will better serve the population and the economy as they grow.

3. Affordability is a relative concept but real issues are beginning to emerge

Many expressed discontent in the affordability of the housing market. This discontent is a combination of perception and reality.

Housing in Kearney is more costly than peer communities in Nebraska, in part, because its housing stock is significantly newer. The median incomes, values, and rents are comparable to similarly situated peer communities throughout the Midwest.

However, notable affordability issues are beginning to emerge due to an over-emphasis on the production of high-end homes.

4. Comparing home value to household incomes to determine supply and demand

By comparing the supply of homes of a certain value to the demand of households with incomes that would make the homes "affordable", the following trends emerge:

There is a shortage of homes for the lowest incomes and these households must find more expensive homes placing a greater financial burden than appropriate.

5. Production across price-points would create the greatest movement in the housing market

While there has been significant production of high-end homes, many of these households who could afford these units, instead choose to purchase and reside in lower cost homes.

Additional construction at middle price-points would have the greatest impact on the housing market.

6. Kearney is projected to grow by 7,000 permanent residents by 2030. Kearney will need to produce 200 units annually

Kearney is projected to grow by 7,000 residents by 2030. To accommodate this population, Kearney will need to produce approximately 2,700 new housing units. This demand equates to an additional 200 units annually.

7. Production must be balanced across price-points to prevent future affordability issues

However, housing construction must be balanced across price-points to ensure that Kearney does not continue its shift toward becoming unaffordable. To achieve a healthy balance of housing opportunities, the greatest number of owner-occupied units should target the middle income price-points between $125,000 and $250,000 with 42 percent of all new units.

8. Production must be balanced across ownership and rental types

Sixty percent of new homes be owner-occupied and 40 percent be renter occupied. This will maintain the current balance of owner and renter units on the market.

An emphasis should be placed on generating a variety of housing types such as small, medium, and large single family homes, duplexes, townhomes, and condominiums in addition to apartments and independent senior living options.

9. The availability and affordability of the housing market will continue to limit the growth of the city.

At present, housing availability and affordability are limiting Kearney and its potential across all dimensions of its civic life.

The economy is limited by the ability to recruit and retain employees for jobs at all levels of the economy. It may be necessary to provide incentives to encourage the development of workforce and entry-level housing.

The housing market is limited by the shortage of housing units which drive-up the cost of housing without driving an increase in the quality of existing housing. The addition of new units - both ownership and renter options - would increase housing quality and normalize property values.

10. Build neighborhoods for future residents of Kearney

The creation of neighborhoods that integrate multiple housing options configured in a thoughtful manner with public amenities, would allow housing to contribute to the overall framework of the community and its economy.

To archive this, and the recommendations of this section, developers need to become comfortable in different price-points, with different housing products, and employing innovative development practices. This will require guidance and encouragement from the city and community leaders.

KEARNEY'S DEMOGRAPHIC CHARACTER

This section reviews Kearney's demographic trends – historic population growth, trends in age distribution, and household economic characteristics which have a tremendous impact on the nature of the local housing market.

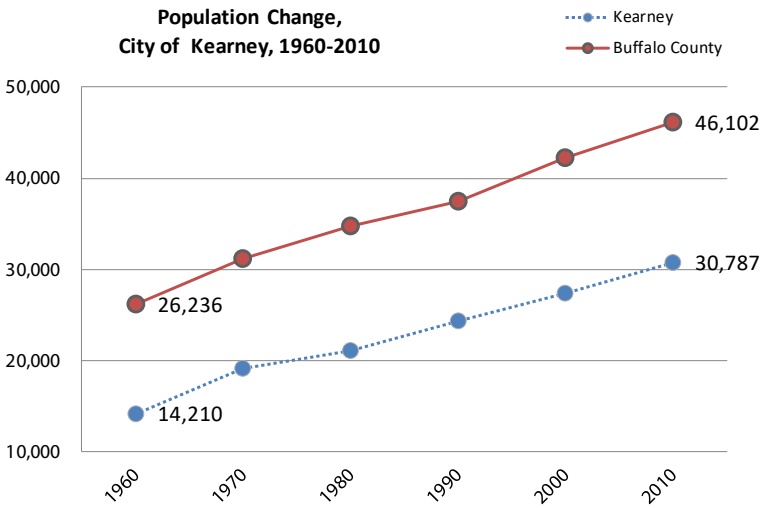
When the analysis examines historic trends, the study will use the decennial census because it is the most source of complete demographic data. In later sections of the analysis, more recent estimates from the American Community Survey may be used to estimate the most recent trends.

POPULATION GROWTH

The historic population change provides context for how the community has changed and a trajectory for future growth and development.

- Kearney has experienced steady and consistent growth since 1960 at an annual rate between one and three percent due to economic growth and the continued ability to produce housing for new residents. This growth is paralleled by Buffalo County which contributes to the overall economy through both employment and housing opportunities. Figure 2.1 illustrates the growth trajectories of Buffalo County and Kearney which increased in population between 1960 and 2010 by 66.8 percent and 54.2 percent respectively.
- The average annual growth rate in Kearney was 1.20 percent from 1990 to 2000 and 1.16 percent from 2000 to 2010; both rates are strong and sufficient to support economic progress.

Figure 2.1: Population Change, City of Kearney, 1960-2010



TRENDS IN AGE GROUPS

The picture of population change can be summarized in general historical terms as shown in Figure 2.1 but additional insight can be found by examining the demographics of the change. Figure 2.2 illustrates how Kearney's age composition has changed over the past decade. In contrast, Figure 2.3 compares the actual change to a prediction based on standard birth and death rates to remove the impact of any migration to and from Kearney.

The five-year age cohorts are combined into three distinct phase of life that relate directly to the housing market.

- From 2000 to 2010, the greatest growth occurred in the Senior Cohort which increased by 1,820 over the decade. This is an increase from 17 percent of the total population to 21 percent in 2010.
- From 2000 to 2010, the slowest growth occurred in the Emerging Cohort which increased by 486 over the decade. While this is still an increase, the size of this group declined from 46 percent of the total population to 42 percent.



Emerging

The Emerging Cohort, ages 0-24, represent those adolescents and young adults that are developing, finding their footing, and are more mobile at this phase. If retained, the emerging cohort represents the next generation of Kearney residents.



Establish(ed/ing)

The Establish(ed/ing) Cohort, ages 25-54, represent adults who are either established in jobs and housing or are in the process of establishing. These households represent much of the ownership spectrum and higher-end rentals.



Senior

The Senior Cohort, ages 55+, represent adults transitioning into their senior years. These households often shift their way of life as they approach retirement including an interest in down-sizing to a smaller housing unit.

FIGURE 2.2: Change in Age Composition 2000-2010

	AGE GROUP	2000 POPULATION	2010 POPULATION	CHANGE 2000-2010	% OF TOTAL 2000	% OF TOTAL 2010
Emerging	0-14	5,066	5,862	796	18%	19%
	15-19	2,907	2,614	-293	11%	8%
	20-24	4,667	4,650	-17	17%	15%
Established	25-34	3,812	4,739	927	14%	15%
	35-44	3,382	3,154	-228	12%	10%
	45-54	3,040	3,391	351	11%	11%
Senior	55-64	1,638	2,959	1,321	6%	10%
	65-74	1,276	1,630	354	5%	5%
	75-84	1,089	1,169	80	4%	4%
	85+	554	619	65	2%	2%

Source: US Census Bureau, 2000 & 2010

- Figure 2.3 uses the population characteristics reported in the 2000 Census, including distribution of age and sex dynamics, to estimate the number of births and deaths over the following decade to predict the 2010 population. Another way to look at the table is to hypothetically remove any migration to and from Kearney from the equation to determine whether the 2000 population would grow by births or decline by deaths.
- The 2010 prediction suggests that, removing all migration, Kearney would achieve a population of 30,604 compared to its actual population of 30,787. While very close, Kearney's growth did not occur in the way predicted.
- Emerging Cohort. With a large concentration of residents aged between 20-35, forecasts would predict a high birth rate producing a corresponding increase in children aged 0-14. However, much of the population within this cohort attend the University as students who tend to be more mobile after graduation, and therefore the corresponding increase was not seen in the 2010 Census. For a college community, this is a common pattern. The model assumes students in their early 20's will remain in the community, however, traditionally many leave upon graduation.
- Establish(ed/ing) Cohort. This cohort has experienced some loss which may be attributed to a combination of several factors. A share of the loss may come from older students graduating and migrating from Kearney and a share may come from young families relocating for jobs, housing, or the desire to live elsewhere.
- Senior Cohort. This cohort experienced the greatest growth through the in-migration of seniors aged 55 and over. The strong migration in this cohort may be attributed to a share of seniors located throughout the region concentrating in Kearney for jobs, downsizing opportunities, senior accommodations, and medical facilities.

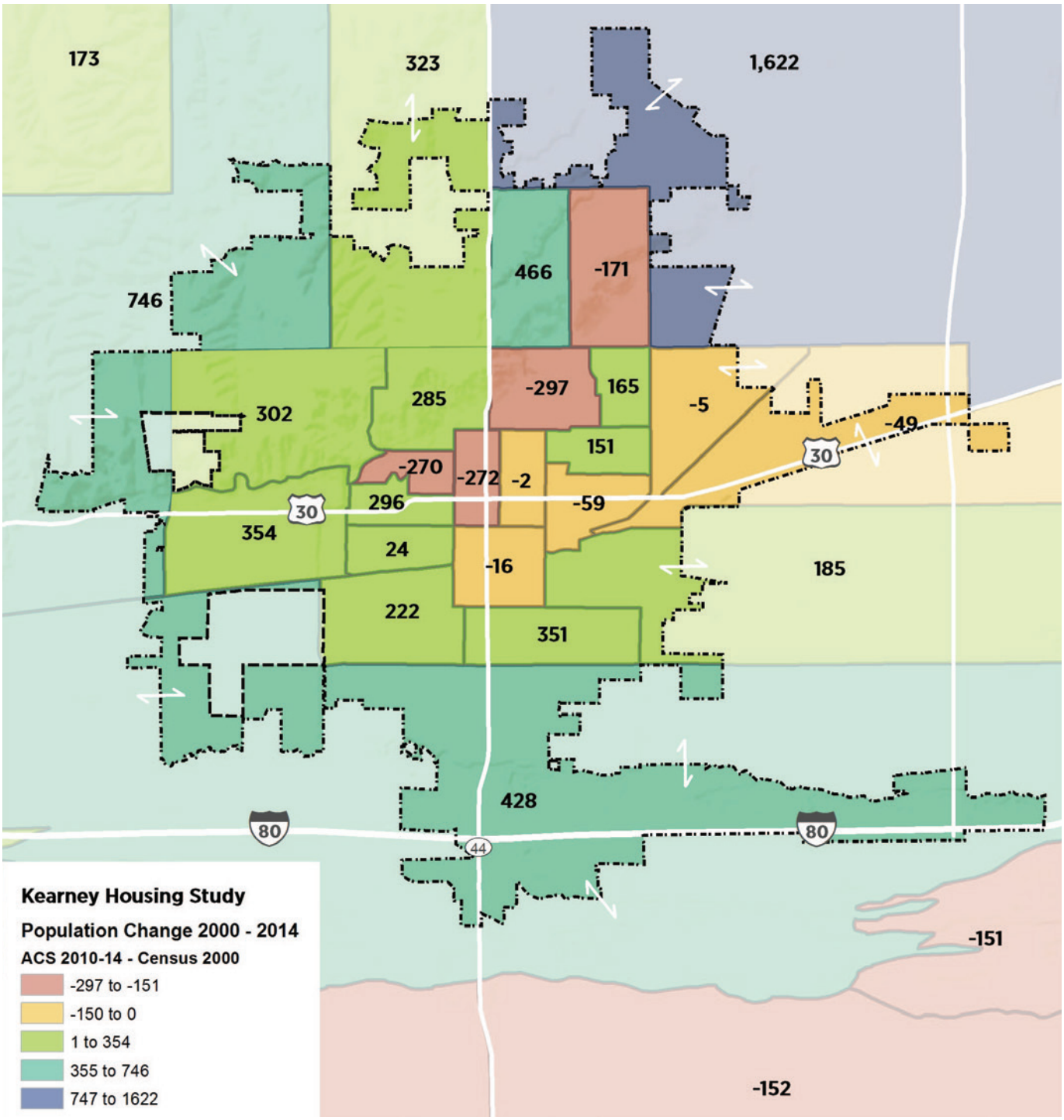
FIGURE 2.3: Predicted versus Actual Population Change

	AGE GROUP	2010 PREDICTED	2010 ACTUAL	DIFFERENCE
Emerging	0-14	7,055	5,862	-1,193
	15-19	1,598	2,614	1,016
	20-24	1,617	4,650	3,033
Established	25-34	7,508	4,739	-2,769
	35-44	3,770	3,154	-616
	45-54	3,303	3,391	88
Senior	55-64	2,856	2,959	103
	65-74	1,395	1,630	235
	75-84	878	1,169	291
	85+	624	619	-5

Source: US Census Bureau, 2000 & 2010

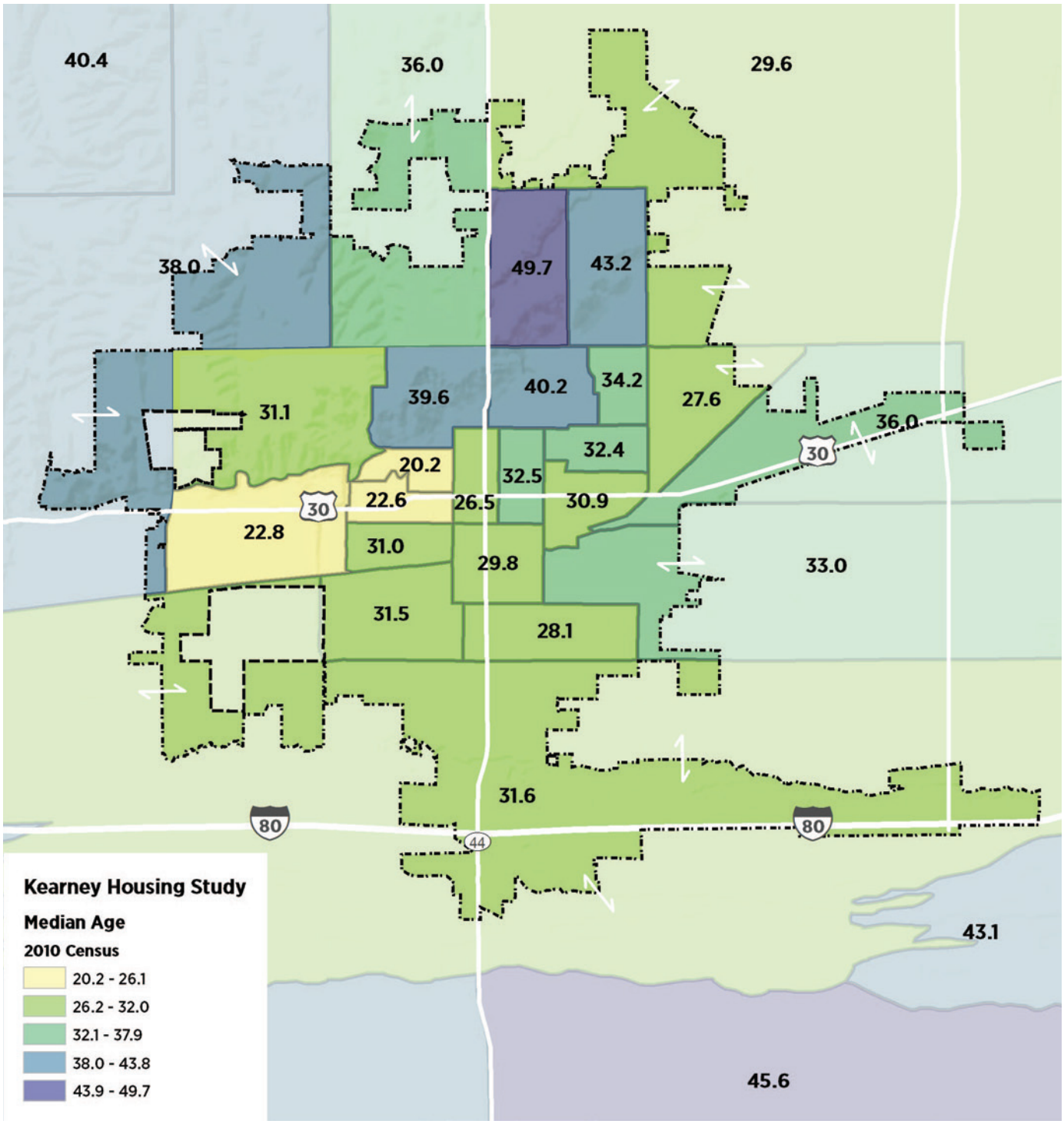
- Population change can provide greater depth when mapped geographically. Map 2.1 illustrates population change from 2000 to 2014 by Census Block Groups. Population shifts can occur through the construction of new dwellings or the demolition of dwellings, the increase or decrease in household size (typically household size increases with young families and decreases with empty-nesters).

- The greatest population increase, as expected, occurred near the perimeter of the community in areas with housing production. Kearney's core neighborhoods illustrate greater distinction between geographic areas in terms of where students, young families, and the areas that are transitioning toward a greater concentration of seniors and empty-nesters.



Map 2.1: Population Change, 2000-2014

- Age distribution can have a tremendous impact on population change and neighborhood character. Map 2.2 illustrates the median age of individuals within each Census Block Group per the 2010 U.S. Census. Median age is an effective metric to understand the character of neighborhoods throughout Kearney – lower median ages may suggest a concentration of students or a prevalence of young families while higher ages may suggest a concentration of established residents that may be transitioning into their empty-nester phase.
- As expected, the areas surrounding the university have the lowest median ages. The areas north of downtown and extending to the northeast appear to be transitioning to an older population.



Map 2.2: Median Age, 2010

PEER COMMUNITIES

A common element of successful communities is that they look to similarly situated communities to understand opportunities and challenges but also to serve evaluate how their own community is changing. The study identifies peer communities that will be used throughout this section of the document. While each of these communities is similar to Kearney in one way or another, every community has a unique set of circumstances that set it apart from every other.

INSTITUTIONAL PEERS

These peer communities are selected for consideration and comparison because they have each have a large college or university population.

Cedar Falls, Iowa

Located in northeast Iowa, Cedar Falls has a population of 40,000 and is home to Northern Iowa University which has an enrollment of nearly 12,000 students. Cedar Falls is a larger community but with similar issues,

Emporia, Kansas

Located in eastern Kansas, Emporia has a population of approximately 25,000 residents and is home to Emporia State University which has an enrollment of approximately 4,300 students.

Hays, Kansas

Located in west-central Kansas, Hays has a population of approximately 21,000 residents and is home to Fort Hays State University which has an enrollment of approximately 9,300 students.

Maryville, Missouri

Located in northwestern Missouri, Maryville has a population of approximately 12,000 residents and is home to Northwest Missouri State University which has an enrollment of approximately 6,800 students.

REGIONAL PEERS

These peer communities are selected for consideration and comparison because of their location in central Nebraska.

Grand Island, Nebraska

Located approximately 50 miles east of Kearney, Grand Island is viewed by many as a peer community to Kearney due to similar common roles as population and employment centers along the Interstate 80 Corridor. Further, residents often compare the housing and employment conditions of their respective communities to the other due to its relative proximity. Grand Island is larger than Kearney with a population of approximately 50,500 residents.

Hastings, Nebraska

Located approximately 50 miles southeast of Kearney, Hastings is viewed by many as a peer community to Kearney due to its relative proximity and role as a population center in central Nebraska.

North Platte, Nebraska

Located approximately 100 miles west of Kearney on Interstate 80, North Platte is similarly situated on the interstate corridor. Whereas Hastings and Grand Island are located are theoretical alternatives for those seeking housing in Kearney, North Platte is generally outside of this distance and is disconnected from Kearney's housing market.

PEER COMMUNITIES: POPULATION CHANGE

By exploring and comparing these similarly situated communities, it is possible to better understand the opportunities and challenges facing Kearney.

- As compared to its peer communities, Kearney experienced a percent growth most like Grand Island, Nebraska and Maryville, Missouri from 2000 to 2010; Grand Island grew due to its strong economy while much of Maryville's growth can be attributed to growth at Northwest Missouri State University, its increasing role as a regional center, and some industrial growth. Compared to the other peer communities, Kearney grew at a much faster rate.
- Kearney and Cedar Falls both added more than 3,000 residents to their population from 2000 to 2010. While Cedar Falls is slightly larger than Kearney, both continue to experience significant growth.

FIGURE 2.4: Population Change, Kearney and Peer Communities

	CITY	2000	2010	2015	DIFFERENCE 2000-2010	% CHANGE 2000-2010
Institutional Peer	Kearney	27,431	30,787	32,217	**3,356**	**12.2%**
	Cedar Falls, IA	36,145	39,260	40,439	**3,115**	8.6%
	Emporia, KS	26,760	24,916	24,739	-1,844	-6.9%
	Hays, KS	20,013	20,510	20,992	497	2.5%
	Maryville, MO	10,581	11,972	11,997	1,391	**13.1%**
Regional Peer	Grand Island, NE	42,940	48,520	50,582	5,580	**13.0%**
	Hastings, NE	24,064	24,907	24,973	843	3.5%
	North Platte, NE	23,878	24,733	24,420	855	3.6%

Source: US Census Bureau, 2000 & 2010

POPULATION CHANGE IN KEARNEY – NORMALIZING FOR STUDENT POPULATION

In any community with a significant institutional population, it is important to understand population change and the impact that the institutional population has on the overall growth of the community. In the case of Kearney, the University of Nebraska – Kearney has an estimated 2015 enrollment of 4,680 students who contribute significant benefit to the economy but also require services including housing. While these students play a similar role in the community to traditional residents – purchasing goods and services, residing in housing products, and participating in the workforce – many leave Kearney upon graduation to establish jobs, housing, and families in other cities throughout the nation. This is a natural and healthy pattern in communities with large universities but must be factored into population estimates and growth projections.



Student Population

- Assume similar age (student, age 18-24)
- Consumes housing – primarily rental options
- Workforce engagement – moderate engagement
- Consumes goods and services
- Next phase impact on Kearney
  - › Many leave Kearney upon graduation
  - › Some will stay and some will return to establish in Kearney



Traditional Population

- Assume similar age (non-student, age 18-24)
- Consumes housing – primarily rental options, some ownership
- Workforce Engagement – high engagement
- Consumes goods and services
- Next phase impact on Kearney
  - › Housing ownership or move-up within the market
  - › Establish in life
  - › Children (population gain)

While the University of Nebraska – Kearney and its students have a significant positive impact on the community, it is important to recognize that this population does not contribute to population growth in the same way as permanent residents. For the purpose of establishing the baseline population that will be used to build a projection for population growth in Kearney, Figure 2.5 employs three methodologies which seek to adjust for the student population in distinct ways.

Methodology 1: Excluding Full-Time Enrollment

By excluding all full-time enrollment from the total population, the remaining traditional population in 2015 is 27,537. This population has grown at an average annual growth rate of 1.2 percent. This model removes the entire student body from the growth rate that would be expected from permanent residents. However, because this model also removes non-traditional and those students who may have local connections, it likely underestimates Kearney's ability to retain a share of this population locally.

Methodology 2: Excluding Dorm Population

By excluding the entire dorm/on-campus population from the total population, the remaining traditional population in 2015 is 30,319. This population has grown at an average annual growth rate of 0.77 percent because, unlike the total enrollment which has decreased between 2010 and 2015, the dorm/on-campus population has increased. This model seeks to remove students who attend UNK from outside the region and will therefore be less likely to establish themselves upon graduation and into their family years.

Methodology 3 (Hybrid Model): Excludes 80% of Full Time Enrollment.

A hybrid of the first and second models, the third methodology excludes 80 percent of full-time. This model recognizes the low retention rates for the majority of the student population while also recognizing that Kearney likely retains a share of the full-time students who may have local connections or be non-traditional students. By excluding 80 percent of the full-time enrollment, the remaining traditional population in 2015 is 28,473 which grew at an average annual growth rate of 1.13 percent. This model is selected as the baseline 2015 traditional population that will be used as a basis for population projections into the future.

FIGURE 2.5: Population Change Adjusted for Student Population

METHODOLOGY 1: EXCLUDING FULL-TIME ENROLLMENT (FTE)	2010	2015	CHANGE	ANNUAL GROWTH RATE
Total Population	30,787	32,217	1,430	
Student Population	4,840	4,680	-160	
Remaining Population	25,947	27,537	1,590	1.2%
METHODOLOGY 2: EXCLUDING DORM POPULATION*				
Total Population	30,787	32,217	1,430	
Student Population	1,612	1,898	286	
Remaining Population	29,175	30,319	1,144	0.77%
METHODOLOGY 3: EXCLUDING 80% OF FULL-TIME ENROLLMENT				
Total Population	30,787	32,217	1,430	
Student Population	3,872	3,744	-128	
Remaining Population	26,915	28,473	1,558	1.13%

*Living in Group Quarters (Non-institutionalized)

Source: US Census Bureau, 2000 & 2010

HOUSING PRODUCTION AND OCCUPANCY ANALYSIS

The way that people live in Kearney matters. By examining the characteristics of housing in Kearney, it is possible to understand the way that current and future residents will interact with the housing market. The vacancy rate, in combination with the relative share of owner-occupied versus renter-occupied dwellings, impacts the way people first enter the housing market and then move within the market during their time in Kearney. In addition to current housing characteristics, the production of new units can allow residents to 'move-up' in the housing market while also driving up the quality of the housing stock. Many factors contribute to affordability issues – both real and perceived – that create very real pressures on the overall housing economy.

Housing Occupancy

Kearney has approximately 13,000 housing units in its total housing stock. Of these total available units, Kearney has a vacancy rate of 5.4 percent; while vacancy is often viewed as a negative trait, a healthy vacancy rate of between five and six percent helps ensure home-buyers and renters can find housing when needed but also serves as a filter to remove and replace the lowest quality housing stock from the market. These trends are illustrated in Figure 2.6.

Over the past 15 years, the proportion of owner-occupied dwellings (56 percent) to renter-occupied dwellings (44 percent) has remained relatively constant since 2000. This balance and lack of significant change overtime suggests that construction has added a roughly equivalent number of owner and renter units without saturating either market. While the market has remained balanced between owner and renter units, the addition of units in this Figure (2.6) does not illustrate disparities in price-points.

Strong Neighborhoods Provide Life-Cycle Housing Options

Strong neighborhoods include a variety of housing types that allow residents to transition from entry-level housing, through their family homes, and to their downsizing phase without needing to leave their neighborhoods at any step of the process. Further, these neighborhoods offer quality amenities, places to build connections and community, while allowing residents to contribute to the fabric and character of the place in which they live. These are some of the same foundational elements that create strong communities.

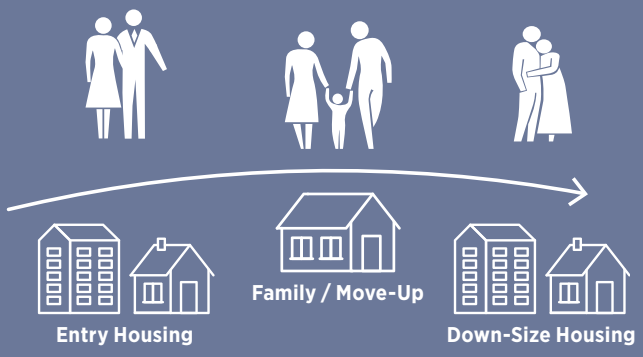
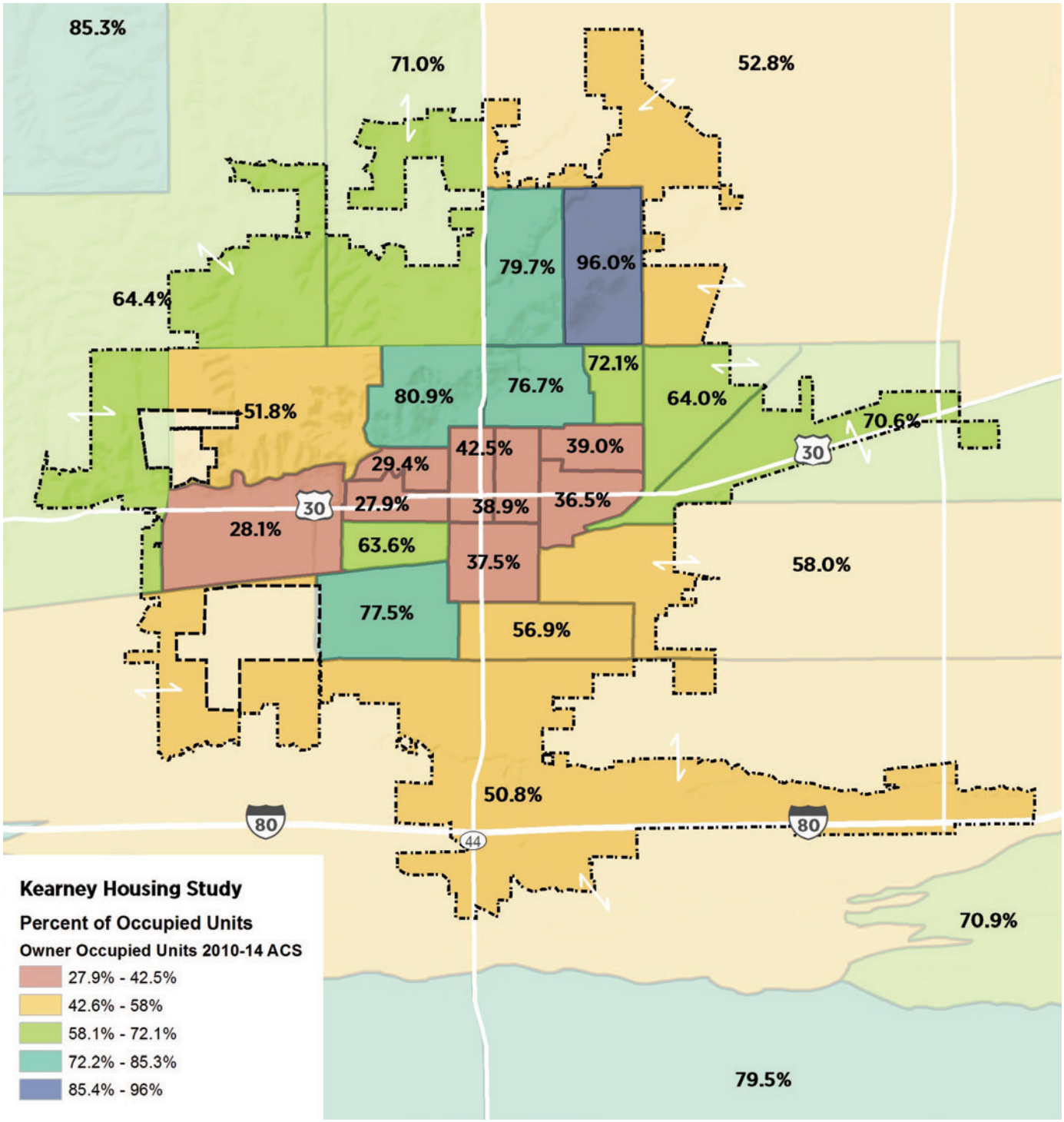


FIGURE 2.6: Housing Occupancy

	2000	% OF OCCUPIED UNITS	2010	% OF OCCUPIED UNITS	CHANGE 2000-2010	2015	% OF OCCUPIED UNITS
Total Units	11,099		12,463		1,364	13,140	
Occupied Units	10,549		11,511		962	12,434	
Owner-Occupied	5,955	56%	6,780	59%	825	7,018	56%
Renter-Occupied	4,594	44%	4,731	41%	137	5,416	44%
Total Vacant	550		952		402	706	
Vacancy rate	5.0%		7.6%			5.4%	

Source: US Census Bureau, 2000 & 2010

While the percentage of owner and renter-occupied units is roughly balanced across the community, when the data is mapped geographically several trends emerge. As expected, the areas surrounding the University have a larger concentration of renter-occupied households which extends into the core of the city. There is also a significant share of rental-occupied households radiating from the core of the city.



Map 2.3: Percent Owner Occupied Housing Units

Housing Construction

Kearney's industry has proven its ability to produce new housing units. Like many markets, housing construction can be cyclical with years of significant construction followed by quieter periods. Between 2005 and 2016, the market produced an average of 174 new units annually which is sufficient to support a healthy level of growth and mobility in the housing market. As illustrated on Figure 2.6, the production rate of single family units has experienced the least volatility with an average annual production of 84 units, compared to multi-family which averaged 78 units annually resulting in a split of 52 percent single-family and 48 percent multi-family.

Additional insight can be gained by examining trends in building permits for new home construction and reinvestment in existing homes. Figures 2.8 through 2.9 explore building permit data from 2011 through 2016. It is important to note that value data in building permits is an estimate of fair market value provided by the owner and contractor.

- Figure 2.8 illustrates home values 2011 through 2016. Over this period, the average value for new homes was approximately $225,000 and the median value was $200,000. It is important to note that home value does not reflect sale price.
  - › To adjust for sale price, take the example of a home with a permit value of $180,000. Add the cost of providing infrastructure to the lot, conservatively $40,000. Add a gross markup of between 20% and 25% to cover overhead. The sale price ranges between $264,000 - $275,000
- Figure 2.9 illustrates the total livable square footage of new homes from 2011 through 2016. Over this period, the average total livable square footage for new homes was approximately 2,500 and the median was 2,100 square feet.
- Production has focused on large homes high price-points.

Figure 2.8: New Home Value (2011 - 2016)

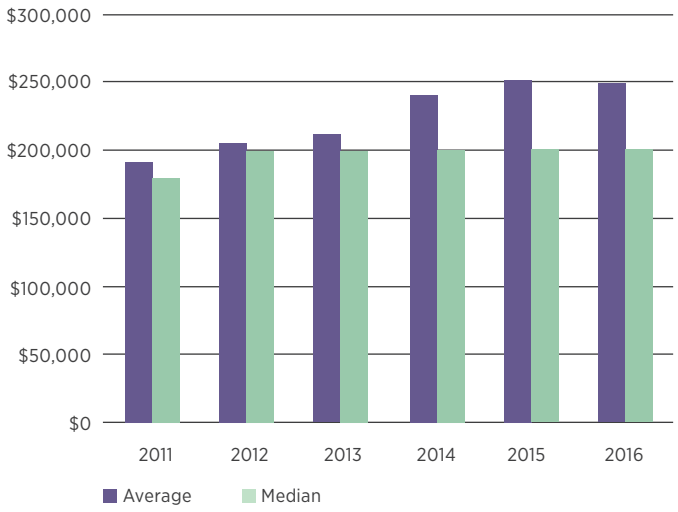


Figure 2.9: Total Living Square Footage of New Homes (2011 - 2016)

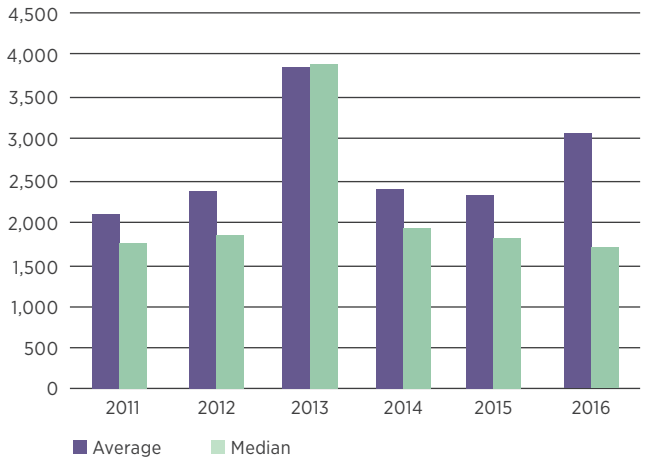
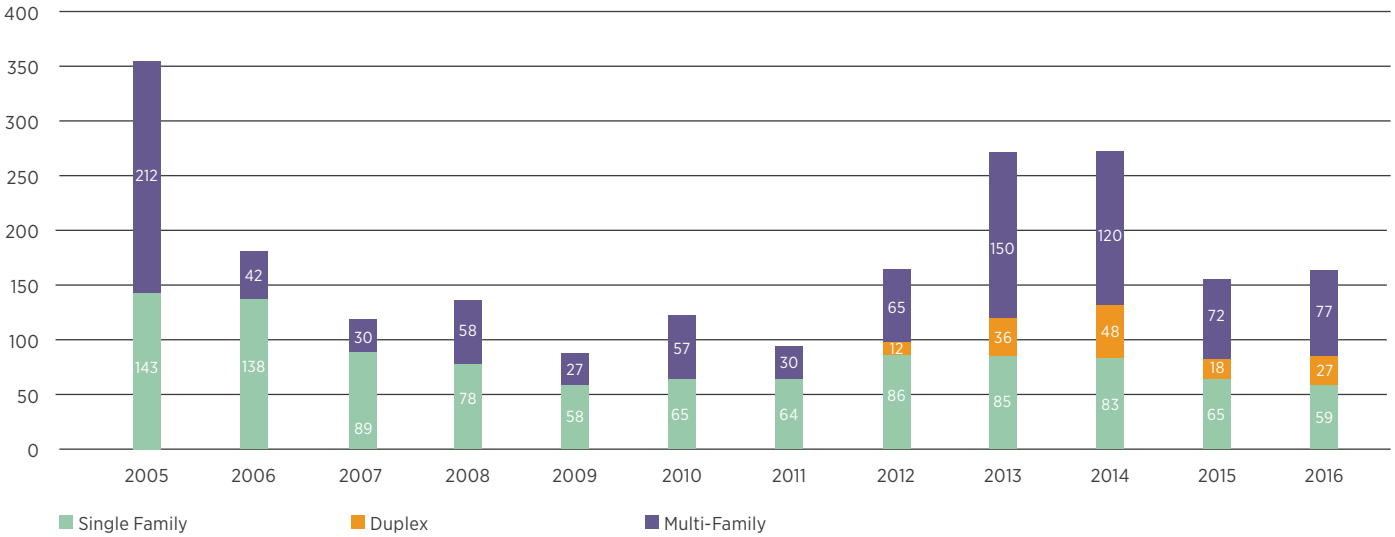


Figure 2.7: Housing Construction Trend



Source: City of Kearney, 2017

HOUSING AFFORDABILITY: NORMALIZING FOR THE STUDENT POPULATION

Any community with a large college understands that this population brings additional life, innovation, and economic benefit to the city. However, they also understand that the population impacts the housing market including the affordability and availability of units in the rental market. A third impact of this population - specifically, full-time students who live off campus - is its impact pertaining to Kearney's income spectrum.

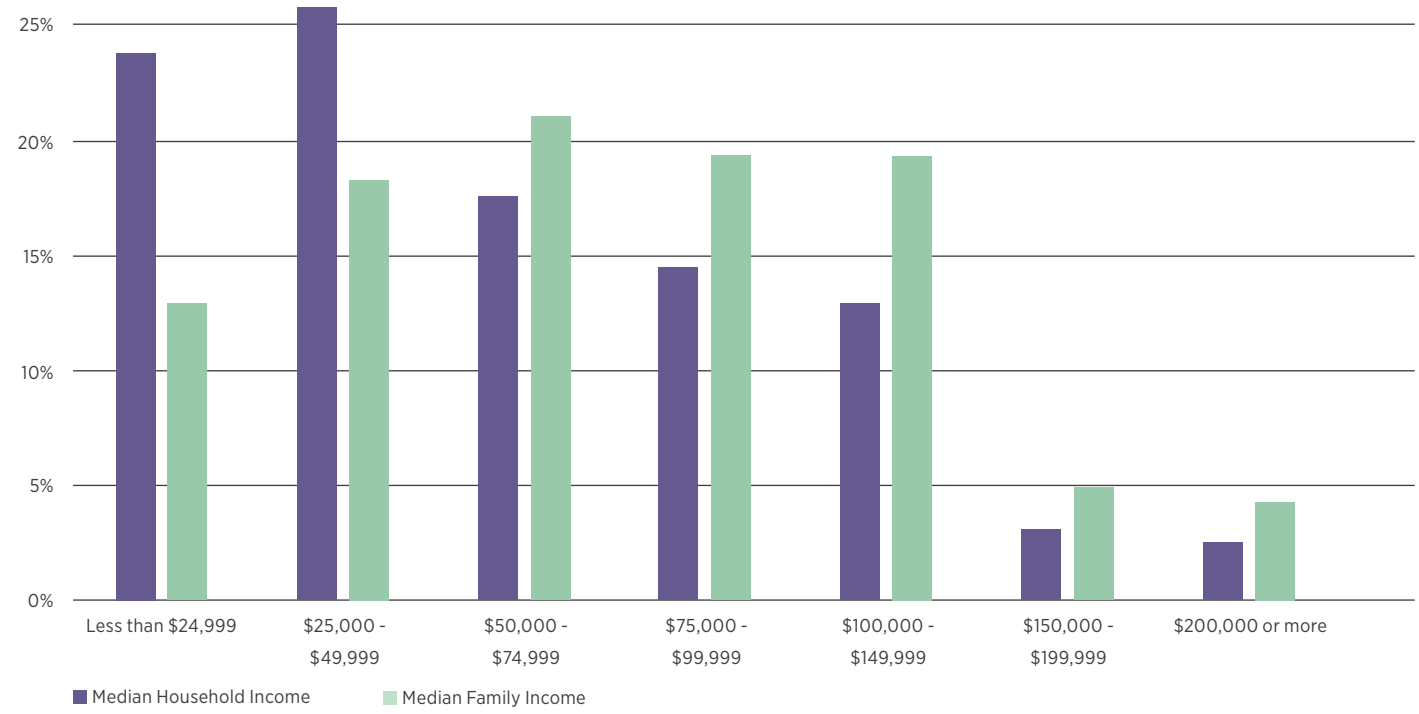
Median Household Versus Family Income

By comparing Kearney's median household income to median family income, it is possible to glimpse the impact of the student population on Kearney's income spectrum, According to the U.S. Census Bureau, a household is composed of one or more persons who occupy a housing unit while a family household consists of two or more individuals related by birth, marriage, or adoption, although they may also include other unrelated people.

In 2015, there were 12,434 households in Kearney and, of these, 7,313 met the definition of a family household. Figure 2.10 compares the income spectrum for median family and household incomes. As expected, several trends emerge:

- It is important to note that students residing in group quarters such as dormitories are not included in the total number of household. However, students residing off-campus are included in the total income count but are generally not included in the family count.
- The Median Household Income is $50,566 compared to the Median Family Income of $71,435. The Median Family Income generates a more standard bell-curve while the Median Household Income is shifted strongly toward the lower income brackets.
- While Median Family Income does remove the students residing off-campus from the spectrum, it also removes all single occupant households (single adults) and emphasizes dual occupant households with the potential for additional earners.
- Median Family Income provides additional perspective into the income trends of traditional families in Kearney and this perspective should be carried forward throughout the study in the mind of the readers. This mechanism is especially poignant when examining the demand for middle and upper value ownership housing.
- For the purpose of illustrating the housing market in a holistic manner, the report will use Median Household Income for the following reasons:
  - › The off-campus student population will continue to occupy private rental properties in Kearney which will, in turn, impact supply, demand, and affordability.
  - › The University of Nebraska - Kearney will continue housing its students throughout the community and, therefore, students will remain a major stakeholder group in the market into the foreseeable future.
  - › The median household income reflects the total housing characteristics for the entire population of the city.

Figure 2.10: Median Household Income Compared to Median Family Income (2015)



HOUSING AFFORDABILITY

Many factors contribute to the overall affordability of a housing market including whether supply and demand are in balance, whether new units adjust values throughout the market, and whether there is sufficient vacancy to allow owners and renters to move within the market while also allowing the lowest quality units to filter out from the market. Each of these principles requires time to allow the market to react before it balances at an equilibrium.

For example, if an additional 50 rental units were constructed at a much-needed price-point, it may take several years for the full impact of these units to balance into the market; first, those units would fill-up leaving the lower quality units at a similar price-point under-occupied and eventually forcing the lowest quality units would be removed from the market, be upgraded, or rents would be adjusted to be in line with their quality and condition.

The following sections explore dimensions of housing affordability relative to peer communities: major affordability metrics, home age and value, and the percent of households who face a financial burden by their housing because of their rent and utilities or mortgage costs. The section concludes with an analysis that pairs households with affordable price-points to understand gaps in the housing market.

The definition of 'affordable housing' is determined by a household's income. What is affordable to one income bracket is not necessarily affordable to another.

Value to Income Ratio and Rent Cost

A traditional metric to evaluating whether a home is affordable to a home-buyer is by comparing their household income to the value of the home. This metric can be adapted to evaluate the affordability of housing markets in different cities.

An affordable, self-sustaining housing market, with adequate value and revenues to support market-rate new construction, typically exhibits a value to income ratio between 2.5 to 3.0. Ratios above 3.0 present significant affordability issues while ratios below 2.0 are significantly undervalued relative to income. Figure 2.11 illustrates Kearney's value to income ratio relative to its peer communities.

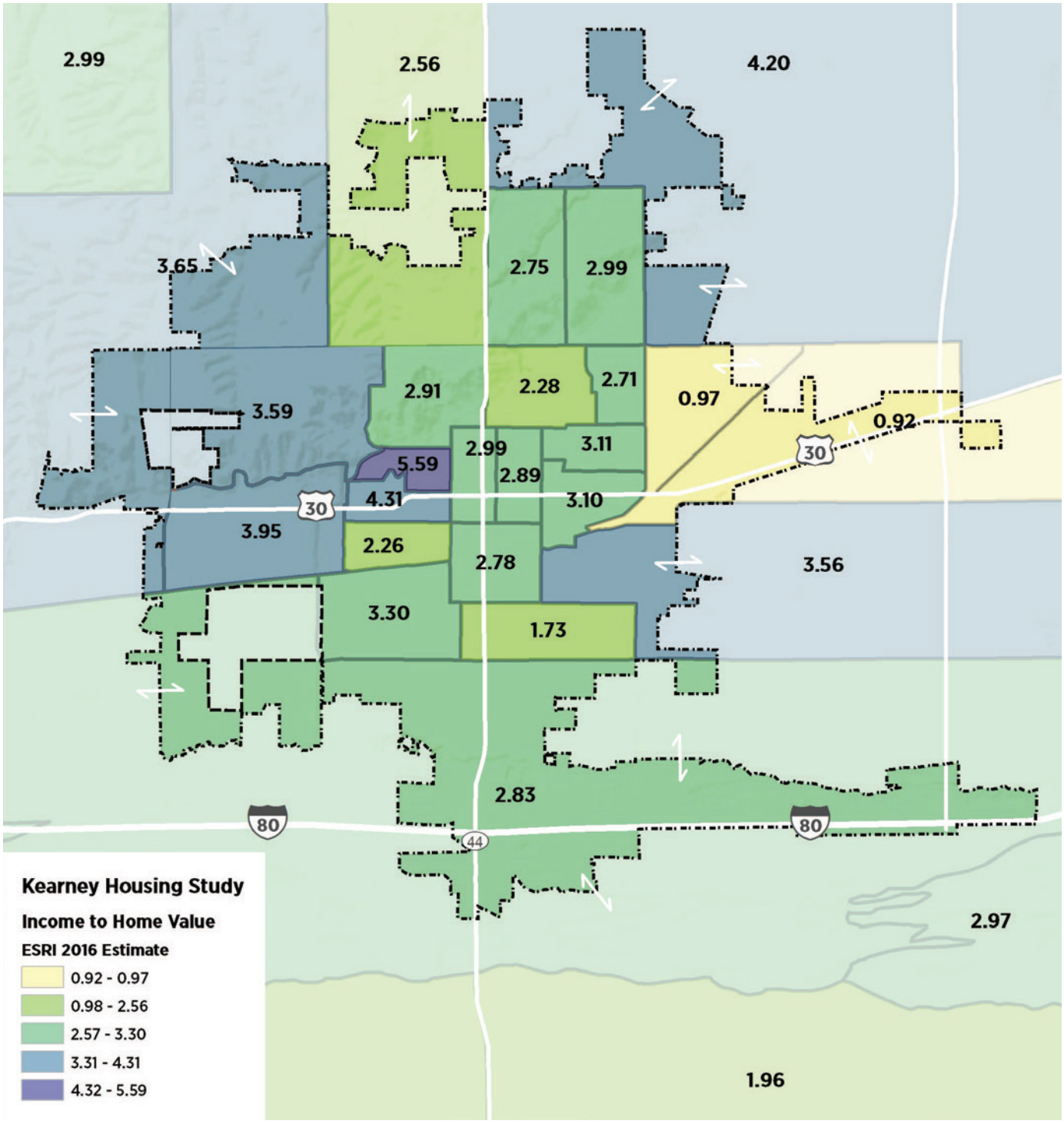
- Kearney has the second highest median household income at $50,566 and the third highest median home value resulting in a value to income ratio of 3.03. Based on this indicator, Kearney's housing market is healthy and self-sustaining but is approaching affordability issues. The production of lower cost units or the creation of higher wage jobs would help alleviate affordability issues in the housing market – this idea will be explored later in the plan.
- There is a dichotomy between the college peer communities and the regional peer communities that help explain the reality and perception of affordability issues in Kearney. The college peer communities illustrate the impact of a large institutional population on a standard housing market which is represented by lower household incomes (limited workforce engagement) and higher-than-normal home values (increased demand for housing and students with disposable funds). Due to the institutional population in Kearney, it is likely that the value to income ratio is driven up compared to its regional peers. The regional peers have slightly lower median incomes and significantly lower median home values. The significantly higher ratio than regional peers drives the perception that Kearney is unaffordable.
- The value to income ratio indicates that the housing market is not significantly out of sync with the population but may still present affordability and availability issues in certain segments of the population. It is important to note that rising debt due to student loan and other living expenses is stretching the traditional definitions of affordability.

FIGURE 2.11: Income to Value Comparisons & Rental Costs

	CITY	MEDIAN HOUSEHOLD INCOME	MEDIAN HOUSE VALUE	VALUE/INCOME RATIO	MEDIAN CONTRACT RENT
Institutional Peer	Kearney	$50,566	$153,100	3.03	$580
	Cedar Falls, IA	$55,808	$170,500	3.06	$672
	Emporia, KS	$36,228	$88,700	2.45	$461
	Hays, KS	$42,976	$157,900	3.67	$515
	Maryville, MO	$26,889	$129,700	4.82	$511
Regional Peer	Grand Island, NE	$46,831	$117,400	2.51	$523
	Hastings, NE	$46,443	$98,100	2.11	$488
	North Platte, NE	$44,367	$100,500	2.27	$507

Source: US Census Bureau, 2015

- When the value to income ratio data is mapped geographically, several trends emerge. The affordability issues are most acute surrounding the University and around the perimeter of the city. Much of the housing in the core neighborhoods fall into the healthy affordability-range and therefore, the perception of these areas being unaffordable can likely be attributed to the cost of the unit relative to the quality of the dwelling, its size, or other factors.



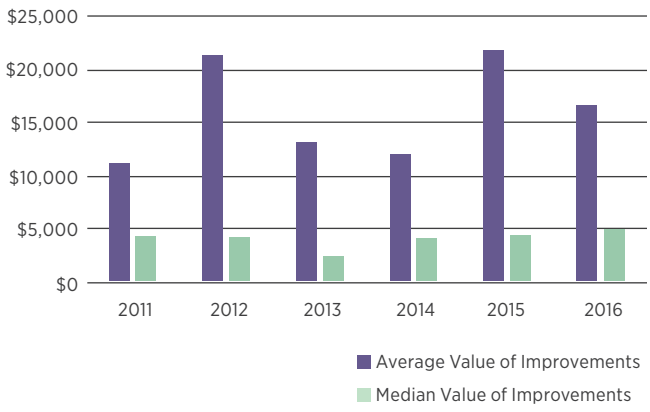
Map 2.4: Median House Value to Median Household Income, 2016 ESRI Estimate

Housing Condition and Reinvestment

The condition of homes in Kearney is generally good with only limited pockets requiring investment; this is apparent to any visitor. While new construction (post 2000) should be in good to excellent condition based solely on its age, older homes require ongoing maintenance and attention to remain in a state of good repair. An important measure of home condition is the extent to which they receive reinvestment. Using building permit data, Figures 2.12 illustrates reinvestment in existing homes between 2011 and 2016 including both additions and remodels

- Each year, an average of nearly 110 homes receive an addition or a remodel that requires a building permit. Of these, an average of 71 receive a building addition such as an additional room or a deck.
- The average value of an addition or remodel is approximately $15,500 with the median value of nearly 4,000.
- These measures indicate that an average of 1.56 percent of all single family dwellings receive reinvestment on an annual basis. This supports the good building condition of homes in Kearney.

Figure 2.12: Value of Dwelling Additions and Remodels (2011 - 2016)



As a result of Kearney's young housing stock, it is possible to find less expensive options outside of Kearney but the options tend to be older and smaller.

Home Age and Value

As discussed in the previous section, many of those seeking housing in Kearney compare home values and rent costs to its regional peers. While it is rational to look to nearby communities to establish an idea of fair market value, it is also important to factor in variables such as: are the homes the same size, same age, and do they have similar amenities?

Compared to virtually all peer communities in Figure 2.13, Kearney has the youngest median age and the highest median home values. As a result of Kearney's young housing stock, it is possible to find less expensive options outside of Kearney but the options tend to be older and smaller.

By assuming the correlation between housing age and housing value to Kearney's its peer communities, it is expected that median home values would increase to a similar level as Kearney and, consequently, their market encounter greater affordability issues.

For example, if Grand Island could increase its median age of housing from 1969 to 1978 through production and its median home value increased as a result to 153,100, its value to income ratio would increase from 2.51 to 3.26. Kearney has produced a significant volume of new housing which, in turn, increased the cost of its dwellings. However, much of this increased cost is closely related to the age, quality, size of its housing units.

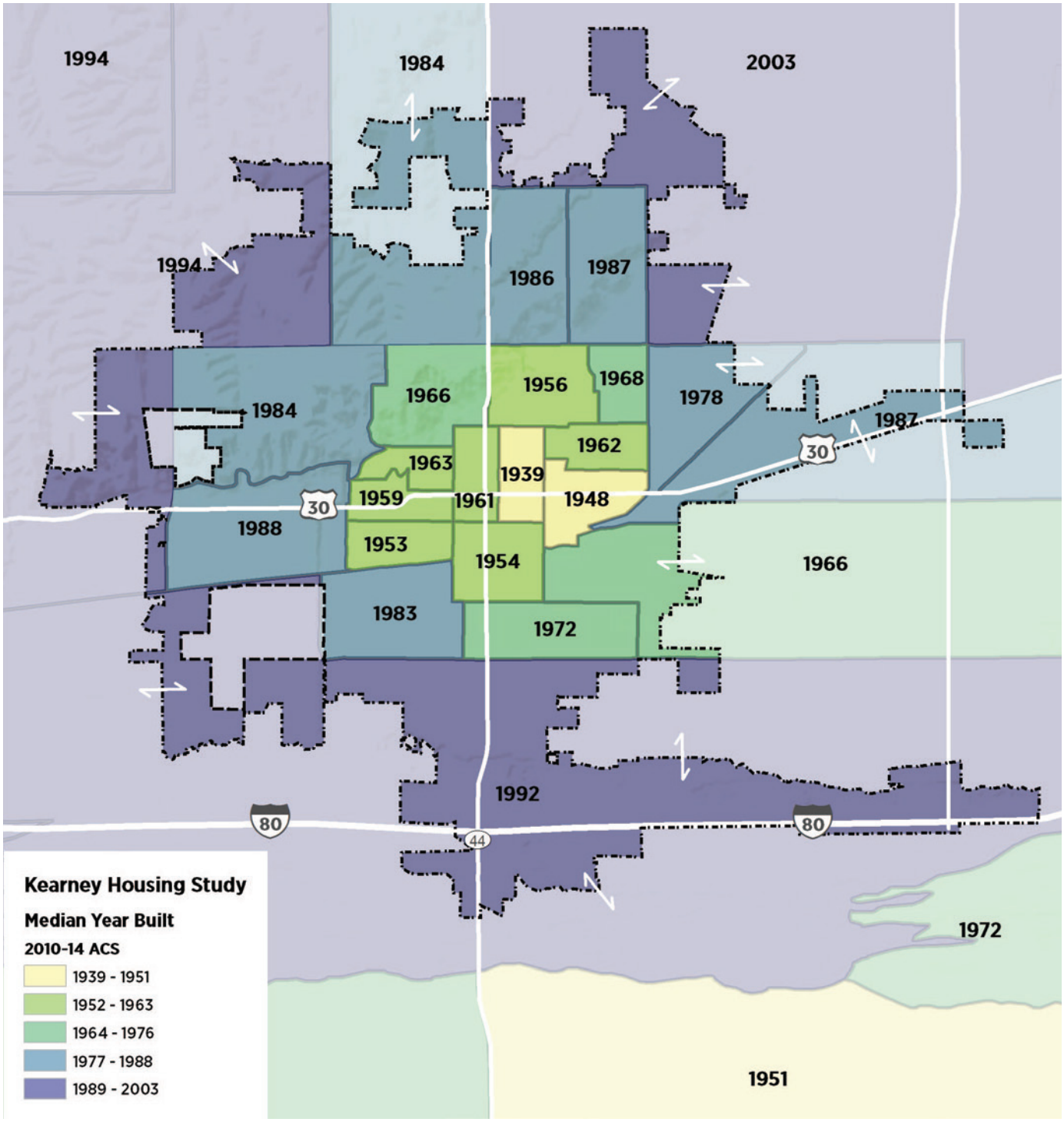
FIGURE 2.13: Median Age of Structure and Value

	CITY	MEDIAN YEAR STRUCTURE WAS BUILT	MEDIAN HOUSE VALUE
Institutional Peer	Kearney	**1978**	**$153,100**
	Cedar Falls, IA	1969	$170,500
	Emporia, KS	1967	$88,700
	Hays, KS	1973	$157,900
	Maryville, MO	1975	$129,700
Regional Peer	Grand Island, NE	**1969**	**$117,400**
	Hastings, NE	**1959**	**$98,100**
	North Platte, NE	**1967**	**$100,500**

Source: US Census Bureau, 2015

Map 2.5 illustrates the median age (median year built) of residential structures throughout Kearney. As expected, the original neighborhoods concentrated in the core of the city have the oldest median ages ranging from 1939 to 1968; for reference, these core neighborhoods have a similar median age as several of the selected peer communities. Outside of the core neighborhoods, the age of structures decreases rapidly.

This pattern demonstrates the strong condition of homes in the core neighborhoods and also Kearney's ability to continue producing new housing units.

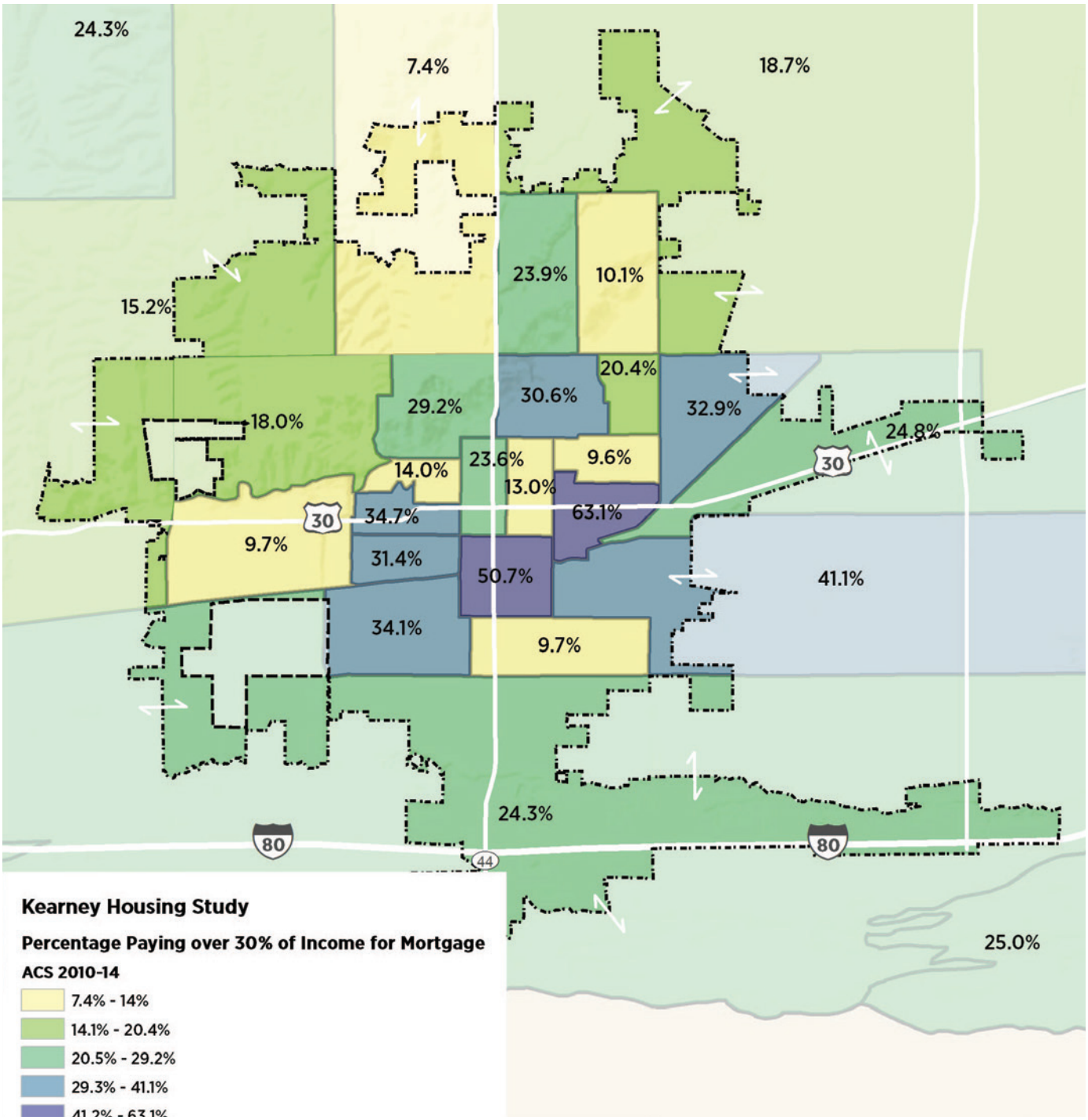


Map 2.5: Median Year Built of Residential Structure

House Burdened Residents

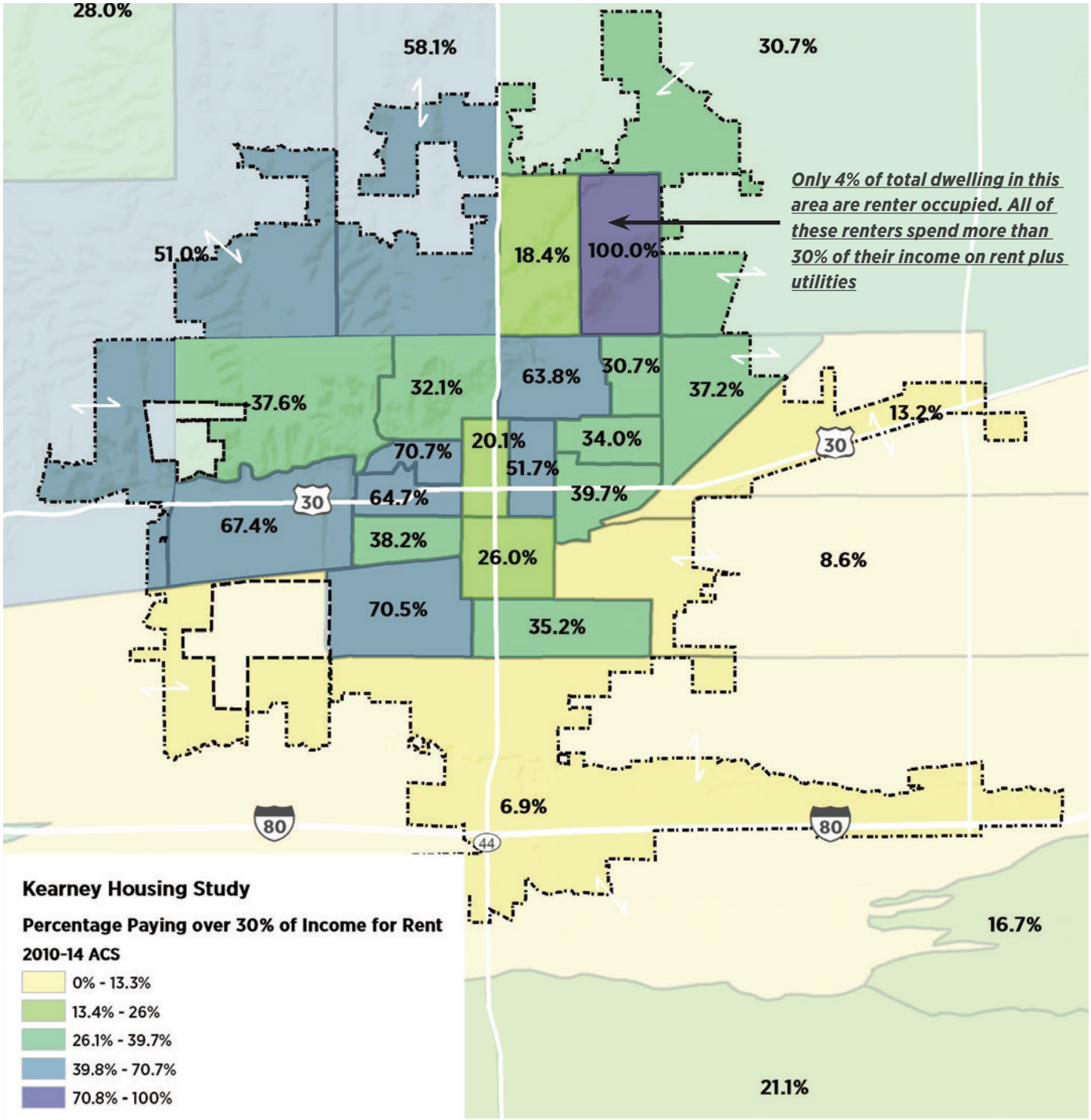
An important metric in housing affordability is the percent of income that residents spend on their housing needs. According to the U.S. Department of Housing and Urban Development, "families who pay more than 30 percent of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation, and medical care." Figure 2.14 *(on page 38)* illustrates the percent of owners and renters who spend more than 30 percent of their income on their mortgage or rent plus utilities.

- **Approximately 20 percent of homeowners spend more than 30 percent of their household's annual income on their mortgage.** While not an acute issue in Kearney, this share of the population is burdened by their home and is therefore less financially resilient to other changes that may occur including job loss, rising fuel costs, and medical expenses. This is illustrated geographically on Map 2.6.
- The percentage of households that own their homes and are considered burdened is the second lowest of all peer communities at 20 percent.



Map 2.6: Gross Mortgage Over 30 Percent of Household Income

- **Approximately 45 percent of renters in Kearney spend more than 30 percent of their household's annual income on their rent plus utilities.** While student rentals may constitute a percentage of this total, a large percent of these households residing in rental properties are young singles, families, and emerging professionals trying to establish themselves in Kearney.
- Considering that 44 percent of all Kearney residents live in rental housing, this is a significant segment of the population that is burdened by their rental housing and a challenge to the overall housing market and economy. This is illustrated geographically on Map 2.7.
- The percentage of households that rent their homes and are considered burdened is near the average of all peer communities but approximately five percentage points above the regional peer communities.



Map 2.7: Gross Rent Over 30 Percent of Household Income

FIGURE 2.14: Households Financially Burdened by Housing

	CITY	% PAYING MORE THAN 30% ON OWNER COSTS	% PAYING MORE THAN 30% ON GROSS RENT
Institutional Peer	Kearney	20%	45%
	Cedar Falls, IA	27%	54%
	Emporia, KS	21%	46%
	Hays, KS	23%	52%
	Maryville, MO	28%	55%
Regional Peer	Grand Island, NE	26%	41%
	Hastings, NE	19%	39%
	North Platte, NE	21%	37%

Source: US Census Bureau, 2015

HOUSING AFFORDABILITY AND SUPPLY ANALYSIS

By comparing the distribution of household incomes with housing costs, a picture of supply and demand emerges across all of Kearney's housing market. Figure 2.15 examines supply and demand through the lens of what is "affordable" to different income groups to answer the question: is there an adequate supply of housing options available for residents of different income groups?

Figure 2.15 illustrates five major components in pursuit of the above story:

1. Income Ranges. The starting point of the analysis is the spectrum of incomes across all residents of Kearney. From these incomes, corresponding "affordable" housing prices are established for ownership and rental opportunities.

2. Number of Households in Each Income Range. The number of households in each income range is the demand; these residents seek housing options in Kearney that are affordable to them.

3. Affordability Ranges. An affordable ownership home is calculated at twice the household income and an affordable rental would be 20 percent of household income.

4. Number of Housing Units in Each Affordability Range. The number of housing units in each affordability range is the supply of affordable options.

   › Composition of Housing Supply. This illustrates the share of the supply met by ownership and renter housing options.

5. The Balance of Supply and Demand.

   › If the number of households exceeds the number of units available, those households must seek options in different affordability ranges.

   › If the number of units exceeds the number of households, it indicates that the units are occupied by households in different income ranges.

   › **This analysis is meant to illustrate larger trends in how existing units are being occupied. It does not demonstrate exact market demand in certain price ranges**

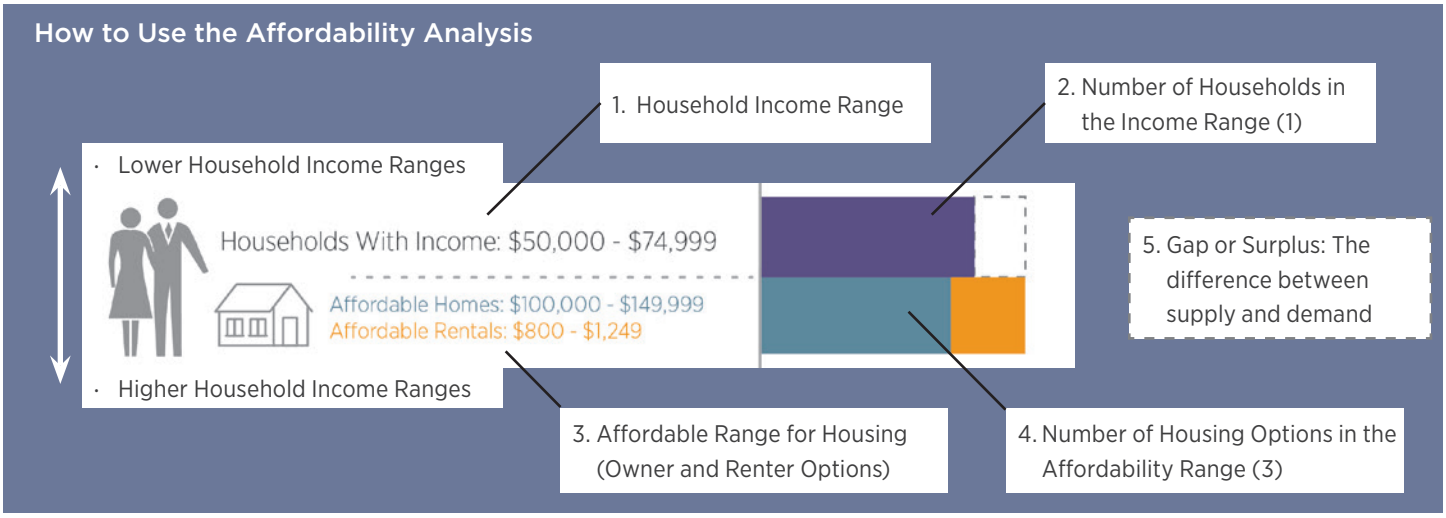
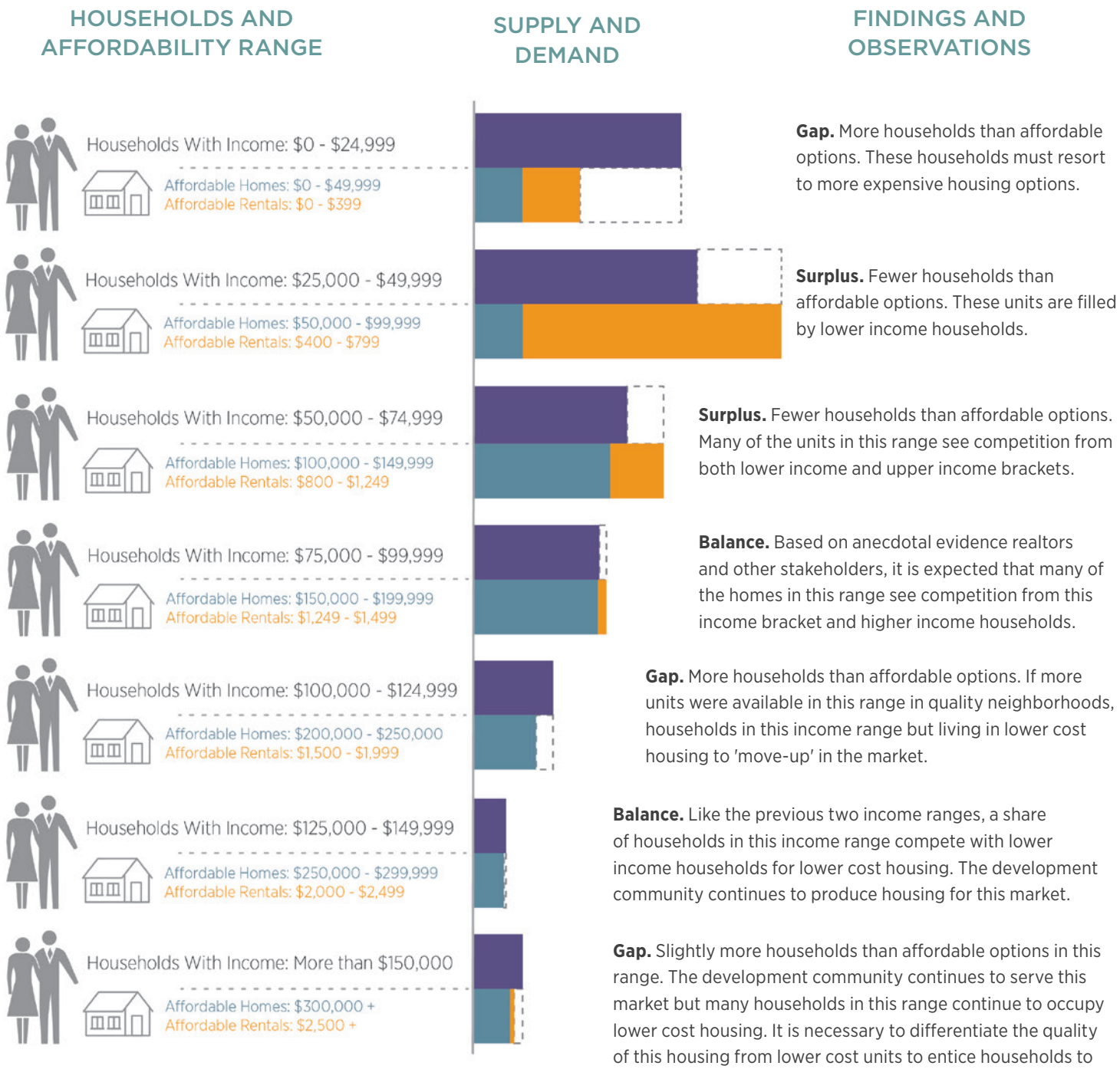


Figure 2.15: Housing Affordability and Supply Analysis



Additionally, a national trend supported locally by anecdotal evidence from local realtors is that home-buyers are becoming less interesting in moving-up to larger and more expensive homes than previous generations. Traditionally, the production of higher-end homes would have been be sufficient to entice homeowners to move-up within the housing stock, therefore, opening lower cost housing for others to move-up into.

While a degree of the traditional move-up model still exists, many established residents will either remain in their current housing until they downsize or until significantly better opportunities become available that include high quality amenities but not necessarily square footage.

HOUSING DEVELOPMENT: KEARNEY 2030

If current trends continue in terms of economic and housing growth, Kearney could grow by 7,000 new residents by 2030 creating a demand for approximately 2,800 new housing units. The purpose of this plan is to understand Kearney's housing market today so it can forecast demand, issues, and opportunities for its future. This section first forecasts the population growth that can be expected, then the amount of housing that will be needed to accommodate this population, before identifying a program to guide the production of new units to meet the needs of future residents.

Translating Analysis to Housing Production

The affordability analysis, Figure 2.15 *(on page 30)*, paints a compelling story of how housing in Kearney serves the current population. For the same reasons that much of the Midwest weathered the great recession, Kearney's housing market demonstrates a fiscally conservative mentality in which many households choose lower cost housing than what they can reasonably afford. While this mentality promotes additional wealth and resiliency in the overall housing market, it also places pressure on the lower income brackets to secure affordable housing options - for the lowest income households including students and much of the workforce, these residents must find more expensive housing while middle income households must compete with upper income households for the same units.

Kearney must produce additional housing options across all price-points to enable movement in the market. New units and neighborhoods must offer amenities commensurate with the asking price to entice residents to 'move-up' within the market. Further, additional variety should be provided across price-points to allow residents to transition through desirable housing options as they age and establish in Kearney; an example cycle may begin with an affordable rental, to a entry level home, to a larger 'family home', and then to a down-size option that may be rented or owned.

To translate the market analysis and community input received through the process of this plan, the following principles are applied:

- Production should be guided to generate a gradual shift that gradually overcomes the needs of the current market while seeking to meet the needs of Kearney - 5, 10, and 15 years from today.
- The lowest income market often requires intervention from the public and not-for-profit sectors. Production of middle income housing may require support or leadership through a demonstration project. The highest income housing options should be guided through public policy related to street configurations, open space requirements, and public facilities, and trail development.
- Production should create availability and movement in the housing market to enable residents to enter Kearney's housing market, move-up to appropriate options through their life-cycle, and then down-size when desired.
- The housing market should understand the benefit of the student population but also the impact of this population on overall housing supply and affordability.

Projected Population: Future Residents

Assuming a 1.2 percent annual growth rate, Kearney will reach a 2030 population of 37,496 excluding students and a population of 39,342 including students. This growth will require many aspects of the community to expand including job creation, additional amenities and commercial services, and, of course, housing options. This growth is illustrated in five-year increments in Figure 2.16.

FIGURE 2.16: Population Projection

EXCLUDING STUDENTS	2015	2020	2020	2030
1.0% Annual Growth Rate	29,991	31,521	33,129	34,819
1.2% Annual Growth Rate	**29,991**	**32,309**	**34,806**	**37,496**
1.8% Annual Growth Rate	29,991	32,790	35,849	39,193
PROJECTION PLUS STUDENTS				
1.0% Annual Growth Rate	32,217	33,669	35,196	36,800
1.2% Annual Growth Rate	**32,217**	**34,418**	**36,788**	**39,342**
1.8% Annual Growth Rate	32,217	34,873	37,778	40,953

Source: US Census Bureau, 2015

Housing Demand Model

For the market to support these 7,000 future residents, the market will need to add approximately 2,800 housing units between 2017 and 2030. This equates to approximately 200 new units annually including both renter and owner units.

Figure 2.17 calculates the overall demand for housing from 2017 - 2025 and from 2026 - 2030 by examining:

- Projected Population: Figure 2.16
- Household Population and Size: From the U.S. Census Bureau
- Household Demand: The number of households that will account for population growth.
- Projected Vacancy Rate: From the U.S. Census Bureau
- Annual Replacement Need: An estimated number of housing units that are lost annually - demolished or eliminated - based on overall housing condition and demolition permits.
- Total Unit Demand: The number of new units needed to accommodate the growing population.
- Average Annual Construction: The number of units needed annually to accommodate the total need for new housing.

To translate overall demand into a practical program for what housing is actually needed, the housing development program delves into how this demand should be met including price-points and the proportion of units that will be owner-occupied and renter-occupied.

FIGURE 2.17: Housing Demand Model

	2017-2025	2026-2030	TOTAL
Population*	36,788	39,342	
Household Population*	34,342	36,726	
Average Household Size*	2.42	2.42	
Household Demand*	14,191	15,176	
Projected Vacancy Rate	5.40%	5.40%	
Annual Replacement	5	5	70
Total Unit Demand*	1,729	1,066	2,796
Average Annual Construction	192	213	200

*At the end of each period

Source: RDG Planning & Design

Housing Development Program

Of the units created in the city, it is important that they offer units of different types and at different price-points. Figure 2.18 demonstrates how the total number of units should be split across owner and renter occupancy and at what price-points they should be offered.

The housing development program takes the demand model (*Figure 2.17 on page 41*) and prescribes a proportion of renter to owner-occupied units as well as price-points for both occupancy types. The program seeks to establish a gradual and obtainable shift in the current housing market toward a healthy market in the future that is accessible, affordable, and supportive of Kearney's overall economy.

The development program reflects the following factors:

- Total Need: From Figure 2.17 (Demand Model)
- Owner / Renter Proportion: Based on current occupancy conditions, it is recommended that 60 percent of new units be owner-occupied and 40 percent be renter-occupied.
- Affordability Ranges: Based on the existing spectrum of household incomes across Kearney with corresponding affordable ranges. This spectrum is extrapolated to represent future demand across price-points. Values should be adjusted for inflation.

Housing production at different affordability levels require varying degrees of support. While development policies and approaches are addressed in later chapters, the following principles should be recognized in housing production.

- Low Income Housing Demand. The lowest income households should be served primarily by the rental market. Several state and federal programs exist to support the development of low income rental opportunities. Housing developers should be encouraged to enter this market and, because affordable housing projects can be controversial, the city should coordinate with the developer for the best outcome.
- Low Income Ownership Demand. Often the best source of affordable housing is the existing housing stock in older neighborhoods. As stated in Figure 2.15 (*on page 39, the affordability analysis*), many higher income households compete for the same housing stock as lower income household. The low income ownership market demand can be met, in part, by providing opportunities for moderate income households to move-up in the market.
- Moderate Income Demand. The private market should be able to achieve sufficient profits to support development in this market. However, because there has been so little activity in this market, it may be necessary to create a demonstration project. A demonstration project may require financial and logistical support from the city and its partners.
- Market and High Market. The private market has been successful in producing market rate housing with a focus on high-end products. The development community should be encouraged to continue its work in market-rate housing development. These developments should be encouraged to employ innovative practices to create high-quality neighborhoods.

FIGURE 2.18: Housing Development Program

	2015-2025	2026-2030	2017-2030
Total Need	**1,729**	**1,066**	**2,796**
Total Owner Occupied	**1,038**	**586**	**1,624**
Affordable Low: <$125,000	349	197	546
Affordable Moderate: $125-$175,000	240	136	376
Moderate Market: $175-$250,000	195	110	305
High Market: >$250,000	254	143	397
Total Renter Occupied	**692**	**480**	**1,172**
Low: Less than $450	217	151	368
Affordable: $450-$700	255	177	432
Market: Over $700	219	152	372

Source: RDG Planning & Design

SUMMARY AND CONCLUSIONS

Kearney is expected to add approximately 7,000 residents by 2030. To accommodate this population while supporting a healthy housing market, housing production and policy will need to follow several fundamental principles: provide and support a variety of housing types for both ownership and rental opportunities; provide and support housing opportunities at a variety of price-points relative to the quality and type of the dwelling unit; and continue producing high quality neighborhoods that attract, retain, and foster the development of community and interpersonal connections.

Kearney's housing market is beginning to approach issues with housing affordability. An underpinning of this plan is that the concept of "affordability" is best viewed as a series of tiers from which the value/cost of housing units directly correspond to the household's incomes; this philosophy means that a market can be both affordable to certain segments of the population while being extremely unaffordable to other segments. In Kearney, the reality and perception of it being an unaffordable market is driven by four major factors:

- Regional Perspective. Many prospective buyers rightfully look to nearby population centers for an idea of what housing should cost in Kearney. Compared to all regional peers, Kearney has higher home values and rental costs but also a significantly newer and larger housing stock which makes this an 'apples to oranges' comparison. Kearney's housing market is more comparable to similarly situated communities with significant college populations. The housing market is generally healthy and consistent with the condition of similarly situated communities however, the perception of Kearney will likely linger because of the convenient comparison to nearby population centers.
- Impact of Student Population: A large institutional population such as the University of Nebraska – Kearney will drive an increase in the relative affordability of the housing market. This cohort creates a strong demand for rental housing which consequently drives up the price of rent and creates a level of scarcity in the availability of rental housing. By creating scarcity (through a decreased supply and higher rents), traditional households who may have preferred rental options are driven to the ownership market. Further, university students bring more disposable income which impacts metrics such as a value to income ratio.
- Housing Supply Tiers and Market Lag: Kearney has a healthy rental vacancy rate that allows residents to enter the market and to move within it. However, at a national level it appears that many higher income households are choosing to remain in their housing for a longer duration and it is therefore more difficult to encourage these households to move-up in the market which would, in turn, allow middle income households to move-up into the newly available unit. As a result, higher income households are competing with lower income households for the same price-points which drives up the cost of this housing. The owner-occupied housing market is very tight and only additional production will improve the function of this market.
- Cost of Land and Impact on Affordable Lot Production. Many representatives of the development and real estate communities, expressed their concern over the cost of raw land and its role in driving-up the cost of residential lots. By examining peer communities throughout the region, the cost of land is comparable at approximately $20,000 per acre for land that would require infrastructure and approximately $55,000 - $65,000 per acre for land with infrastructure. While land prices are generally similar, this analysis does not take into account the availability of land available for sale.

By 2030, Kearney will need to produce approximately 2,800 units to accommodate its growing population – a rate of approximately 200 units annually. However, to ensure that the housing market remains healthy it is important that these units target the needs of the housing market in terms of housing types, a proportion of rental and owner-occupied units, and a range of price-points. The Housing Development Program (Figure 2.18) provides guidance on the production of housing units in Kearney to set the trajectory needed to meet the 2030 goal. It recommends that owner-occupied units account for 60 percent of production and rental options account for 40 percent, 1,624 and 1,172 respectively. Within each of these occupancy types, the Development Program Table proposes a distribution of price-points that reflect present value.

It is much easier to offer guidance on how a housing market should change than to implement changes that follow this guidance. The following chapters provide a roadmap to operationalize the recommendations of the market analysis through partnerships, creative financing, and policy interventions.

CHAPTER THREE

ISSUES AND OPPORTUNITIES

The previous chapters established the outcomes from the market analysis and the public engagement process which brought to light a variety of issues that Kearney will need to navigate in the years to come. These issues include workforce housing, the production of variety of housing opportunities, and the creation of new neighborhoods that will serve as a foundation for continued growth. The purpose of this chapter is to explore the primary issues and opportunities gathered from the previous chapters and to begin articulating broad opportunities for policy interventions to address issues and embrace opportunities.

CHAPTER 3: AT A GLANCE
7 STRATEGIC HOUSING GOALS FOR SUCCESS

PROCESS:

This chapter summarizes the primary issues and opportunities uncovered through the public engagement process, the market analysis, and an inventory of the city's neighborhoods. The chapter articulates a strategy that builds upon existing assets and is tailored to neighborhood condition.

7 STRATEGIC HOUSING GOALS:

1. **Increase mobility through additional housing variety**

   Issues of affordability and availability are tied directly to the limited mobility within the housing market - i.e.: there is a shortage of dwellings for new entrants to the market and a shortage of units for existing residents to move-up or downsize. In essence, the existing housing stock in held in stalemate the 'mobility' is driven only by new, high-cost, single family detached homes being constructed. A variety of housing products at a variety of price points, would drive additional mobility that would normalize prices and allow for greater access to the housing market.

2. **Increase the variety of housing options including senior housing and owner occupied types of housing.**

   A neighborhood is a place where residents should be able to engage in the act of building community and building their personal network. The form of developments and their composition of units should support the creation of neighborhoods. A neighborhood should expand the city's existing framework of roads, parks, and public amenities. Further, a neighborhood should allow a resident to transition through several homes in accordance with their lifecycle - from an affordable apartment, to a family home, and eventually to a downsize option for their senior and empty-nester years.

3. **Expand the number of affordable rental units**

   Kearney has produced a large number of high market-rate apartments in recent years which set the top price of the rental market. Additional affordable rental units would allow low and moderate income singles and families (who comprise a major part of the workforce to gain a foot-hold in establishing their lives in Kearney.

4. **Identify ways to reduce lot cost in support of lower-price owner occupied units**

   Much of the recent development in Kearney, including both residential lots and dwellings, has focused on the highest income ranges. This is driven by the demand in the market (lots and homes at high price-points sell quickly) but also the need that sale prices exceed the cost of development. By reducing the cost of developing lots, it is possible for developers to reduce their final sale price while still making sufficient profit.

   Options include: reduced cost infill lots and assistance for developments that integrate narrow lots and other features that reduce per-lot costs.

5. Increase the number of contractors working in the market

Existing contractors in Kearney have been successful in producing a high volume of units annually. The demand model shows that the market can absorb additional units annually across the spectrum of price-points; to accomplish this, it may be necessary to focus on increasing the number of contractors in the market and their capacity to produce units.

Options include: recruiting a developer to complete a demonstration project for an under-served market or to incorporate an innovative housing product; the expansion of workforce programs to include additional training and to connect aspiring builders with contractors who may be transitioning from the business.

6. Improve accessibility between affordable housing and community destinations

A neighborhood should be built upon public amenities such as parks, the university campus, senior center, and the downtown. The housing developed should be designed intentionally to provide access to these types of amenities by sidewalk or trail. While new, high price-point developments can and should integrate new public amenities, affordable housing developments should focus on their relationship to existing amenities and destinations.

7. Create mechanisms to share risks that the private market cannot carry alone.

The free market has operate with a preference toward low risk or known-risk endeavors. However, without a slight shift in the type and price-points of homes that are produced each year the market will continue to become less affordable.

Positive shifts would include: a focus on neighborhood development centered around public assets and amenities; new and affordable housing products for owner occupants and renters; and the greater production across the spectrum of price-points.

To encourage developers to create these shifts, it may be necessary to: assist with the development of a demonstration product (a particular housing product, development configuration, or price-point); streamline development review processes for innovative and affordable projects; and the creation of a housing partnership designed with the express purpose of supporting housing projects.

PRIMARY ASSETS

QUALITY OF HOUSING STOCK AND NEIGHBORHOOD CONDITIONS

A common theme throughout the public engagement process including the survey is the positive image of Kearney. One stakeholder shared that "Kearney shows well" speaking to the quality of its public buildings, commercial corridors, and housing stock. This image allows the community to recruit and retain both businesses and residents but also supports the ability of the University of Nebraska – Kearney to recruit students to the institution.

The good condition of Kearney's housing stock also means that much of the policy can focus on addressing limited areas of blight, enhancing existing neighborhoods, and producing new, high-quality neighborhoods. If new homes can be developed that entice current homeowners to move-up into higher cost units or to downsize, their current dwellings would become available for other buyers as relatively affordable housing.

STRONG ECONOMY

Kearney has a strong economy anchored by major industries and institutions that continue to drive opportunities for new development and community growth. While the base economic foundation is strong, conditions in the housing market including low vacancy (low availability) and low unemployment function as limiting factors to economic growth and, in some cases, corporate expansions. Kearney's strong economy provides a large share of buyers and renters with wages to enter the housing market and create demand for virtually any housing products available. Further, Kearney's strong economy provides an engine for growth that will support development in all aspects of the community if limiting factors can be addressed.

ACTIVE BUILDING MARKET

Kearney has several developers and builders that have been active and successful in producing an average of more than 150 new units annually over the past ten years. This activity reinforces the strong demand for new housing and continues to strengthen the capacity and ambition of the development community. The building market has focused on creating higher-end ownership subdivisions and rental complexes which continues to be met with a strong demand; while production at this end of the market will increase mobility within the housing market, additional production at lower price-points would meet a different demand and drive additional movement across the spectrum of price-points and household incomes.

APPETITE FOR NEW PRODUCTS

Based on the survey results, proposed developments including University Village, and the types of units produced in recent years, Kearney has a strong and demonstrated appetite for a variety of new housing products. Through a combination of its low vacancy rate, pent-up demand for new housing units, strong growth, and the positive community image, home-buyers and renters are quick to absorb quality housing units if available at relatively reasonable prices.

In the case of many of Kearney's new housing developments, the building community has produced many single-family attached homes at higher price-points. This product should allow for lower lot development costs (service infrastructure), lower construction costs, healthy profit-margins, and price-points that will absorb quickly into the market. This same type of innovation can be applied to introducing new housing types into the housing market; for example, small to medium sized single-family detached units can be achieved by configuring units on narrower lots.

PRIMARY FUNCTIONAL CHALLENGES

"FOR SALE" SHORTAGE

Over the course of 2016, there were a total of 455 units listed on the market which equates to an average of approximately 77 units listed on the market at a given time. As a percentage of total owner-occupied (occupied or vacant) housing units, this means that approximately one percent (1.03 percent) of Kearney's owner-occupied units are for-sale on the market. A percentage closer to three percent would allow for easier access into the housing market and better movement within the market. On average, homes remain on the market for only 62 days with sales at 97.66 percent of the asking price.

- These Figures are a snapshot in time reflecting the market conditions over the course of 2016 but are consistent with the challenges expressed by local realtors.
- The most common homes listed on the market in Kearney were 2-3 bedroom homes and 4-5 bedroom homes.
  - 2-3 bedroom homes comprise 47 percent of all units listed, remained on the market for an average of 69 days before selling at an average price of $174,234. On average, these units fetch 97.71 percent of asking price.
  - 4-5 bedroom homes comprise 50 percent of all units listed, remained on the market for an average of 56 days before selling at an average price of $223,016. On average, these units fetch 97.85 percent of asking price.
- The full MLS Summary Report is included in the appendix.

FIGURE 2.11: Average Real Estate Dwellings Listed

	NUMBER OF UNITS (2015 ACS)	OWNER / RENTER PERCENT OF OCCUPIED	ESTIMATED VACANT UNITS BY TYPE	ESTIMATED TOTAL UNITS BY TYPE	AVERAGE NUMBER OF OWNER UNITS FOR SALE
Total Units	13,140				
Owner Type	7,018	56%	395	7,413	77 units* (1.04%)
Renter Type	5,416	44%	310	5,726	
Vacant Units	706				

Source: 2015 American Community Survey
*MLS Summary Report for 2016

AFFORDABLE LOT SUPPLY

Many of the residential lots with urban services are priced between $45,000 and $65,000; this makes it difficult to construct a home that is affordable to middle income households. The cost of a lot is driven by two primary factors; first, the cost to provide infrastructure to enable the site to be developed with housing and second, the supply and the demand of residential development lots and options. The profit margins in higher end homes drive the development of lots that are larger and therefore, are more expensive. As these higher priced lots continue to meet a need in the market which provide the greatest profit margins, the number of affordable lots developed will continue to be limited.

LACK OF VARIETY

Many stakeholders expressed interest and a desire for greater variety in the type of housing options available. While Kearney has been successful in producing housing products, many of these new units are medium-to-large lot single-family homes and multi-family structures. This production fills a demand in the market but additional variety is needed to serve a broader demand within the community.

LIMITED AFFORDABLE CONSTRUCTION

Private market housing development must produce a sufficient profit for the developer (revenue exceeding infrastructure, labor, material, and carrying costs).

In Kearney's strong demand and an appetite for new construction ensures that new homes are absorbed rapidly at relatively high values. As such, the development community has focused much of their attention on producing high-end homes which sell quickly and offers healthy profit margins.

There has been little production of units in the affordable-market ($125,000 – $175,000) and moderate-market ($175,000 - $250,000) for several reasons. First, there is a proven demand for higher-end homes and this market provides healthy profit margins but also, the development community understands the financial risk involved in these projects. Second, the market for lower cost homes has not been tested to the same extent and therefore represents an unknown risk to the development community. Third, the production of affordable-units priced below $150,000 often does not generate profit-margins sufficient to be generated by the private market and often requires incentives, gap financing or involvement from not-for-profit development organizations.

BUILDER CAPACITY

Many of the developers in Kearney expressed that they are producing as many homes as possible annually. While Kearney has been successful in bringing a large volume of new units to the market, additional development is needed to meet the growth projections contained in this study. Much of this capacity is limited by a shortage of skilled laborers and a shortage of local developers, builders, and contractors in the industry; this shortage is a national issue that was caused, in large part, by the recession and generational shifts. During the last decade, many established builders chose to retire rather than weather continued volatility and smaller profit margins.

While these are fair considerations, the housing market in Kearney needs growth in existing construction companies, new companies and developers, an expanded workforce, and a balanced inventory of new products to allow the market and the construction industry to be more resilient to market fluctuations. The health of Kearney's building trades reflects the greater economic development issue related to workforce development, recruitment, and growing entrepreneurs locally, with fewer individuals in the next generation to fill their spots.

BIG IDEAS

HOUSING AFFORDABILITY

Kearney's ability to provide housing options that are affordable to the spectrum of its population is paramount to its ability to thrive as a multi-generational community with a high quality of life and quality of place for all residents. The housing market should enable a resident to stay in Kearney throughout their life, in the type of housing unit they desire at each phase of their life without facing any undue burdens. The heart of the issue is creating balance in housing production, welcoming new life-long residents, and becoming an independent housing market.

WORKFORCE AND ENTRY LEVEL HOUSING

Kearney's ability to provide and produce high quality and affordable entry level housing is essential to its ability to grow as an employment and innovation center. At present, Kearney employers have many vacant positions but struggles to recruit and retain a qualified workforce to fill these positions. While many issues contribute to the workforce puzzle in Kearney, the state of the housing market plays a major role to the ability to recruit and retain a qualified workforce. The housing market has a shortage of quality affordability entry-level owner-occupied options, much of the production has focused more expensive suburban neighborhoods and multi-family rental options.

- To recruit and retain a skilled workforce – especially a young workforce - it is necessary for a city to differentiate itself from its neighbors by offering greater variety and greater amenities to its residents. Further, the housing market plays a major role in the way employees interact with the market from their first rental unit to the homes they may own throughout their lives. Several major factors should guide the production of entry and workforce housing. Affordable cost. As discussed in previous chapters, the idea of what is affordable depends on the income of each home-buyer or renter. In the case of workforce and entry-level housing, appropriate price-points should directly correlate with the wages of major employers and, where appropriate, planning for dual income families.

- Available units. Kearney currently has a shortage of available housing options for entry-level and workforce renters and buyers. This creates an inaccessible housing market that requires new employees to: (a) find housing in other communities which greatly reduces the likelihood that Kearney and the employer will be able to retain the individual long term or (b) to seek alternative employment in a place they can find housing that is affordable, appropriate, and available. This availability must exist in both the rental market and in the ownership market to allow employees to enter the market as renters upon their arrival and to move-up into homeowners as desired.

- Density. There are two dimensions that make density desirable and necessary for effective workforce housing. First, the high development cost of producing large-lot or large units is passed along to the buyer or renter which, in turn, makes these units unaffordable. Second, higher density neighborhoods facilitate a more walkable community and better access to amenities including communal greenspace without the time and financial burden of maintaining a privately-owned lawn. Through development of density at strategic locations – near employment centers, commercial centers, and trail corridors – the new neighborhood can be a gateway for new residents to grow, establish, and enjoy Kearney's many assets.

- Amenities. While Kearney offers a high-quality life and tremendous municipal services including trails, parks, and public facilities to its residents, these features are not visible nor showcased to visitors and prospective employees or visitors. As a result of this relatively low-profile, the difference between life in Kearney and life in a nearby community with lower cost housing is not clear at first glance. The quality of these features can be highlighted in several ways that would benefit the housing market: first, by increasing the public presence of amenities such as parks, trails, and community facilities with signage and marketing; second, by locating housing developments with good pedestrian and trail connections to the parks.

Premium Park Enhancements Brookings, South Dakota:

The City of Brookings recognized the importance of Hillcrest Park and the opportunity to use its strategic location to market the premium image of the park but also the community as a whole. Located along U.S. Highway 14 between Interstate 29 and the downtown, in spite of high quality amenities, Hillcrest Park had an unassuming highway frontage and was frequently overlooked by visitors. Through a conscious investment in the image of this park – gateway signage, landscaping, and an iconic art installation – Hillcrest Park is now recognized as a premium amenity that reinforces the quality of the Brookings to residents and visitors alike.





Images Courtesy of the City of Brookings

HOUSING VARIETY

Much as housing affordability is relative to income, the market must also offer a variety of housing options to meet the needs and desires of diverse segments of the population both today and in the future. Variety should exist in both the rental market and the home ownership market across price-points but also to serve a variety of purposes in the housing market. A balanced housing market that offers a variety of housing types at different price points will make Kearney a more accessible and attractive market that can help attract and retain residents in Kearney.

Ownership Variety: Housing Type

- Single Family Detached (Small, Medium, and Large)
- Single Family Attached (Small, Medium, and Large)
- Townhome
- Condominium

Ownership Variety: Function

- Entry Level / Workforce Home
- Downsize Opportunity

Rental Variety: Housing Type

- Single Family Detached (Small, Medium, and Large)
- Single Family Attached (Small, Medium, and Large)
- Accessory Dwelling Unit
- Apartment
- Townhome
- Live / Work Space

Rental Variety: Function

- Student Housing
- Entry Level / Workforce Home
- Downsize Opportunity

NEIGHBORHOOD DEVELOPMENT

Neighborhood development is about extending the 'living room' of the city. New neighborhoods grow from the amenities offered by the city while contributing its own character to form a symbiotic relationship with the city. While neighborhood development contributes to the city's framework of streets, parks, and trails, traditional development (i.e.: subdivisions and developments) often takes city services but offers little back to the community in return. Closing the gap between basic 'subdivision development' and 'neighborhood development' is often as simple as forethought, collaboration, and when appropriate, public-private partnerships to deliver a better product that benefits both parties to the greatest degree practical.

Neighborhood Development: Features and Considerations

- Expand the transportation system
  - › Roads, trails, and sidewalks
  - › Do not create dead-ends and enclaves
- Maintains and expands public amenities and infrastructure
  - › Parks, schools, and development infrastructure
- Supports and implements the Comprehensive Plan
  - › Appropriate land use types
    - » Housing variety
    - » Neighborhood commercial
    - » Parks and recreation
  - › Appropriate site amenities
  - › Appropriate for site context
  - › Appropriate transition between incompatible land uses
  - › Enables Future Development



Fallbrook Neighborhood in Lincoln, Nebraska
Image Courtesy of Google

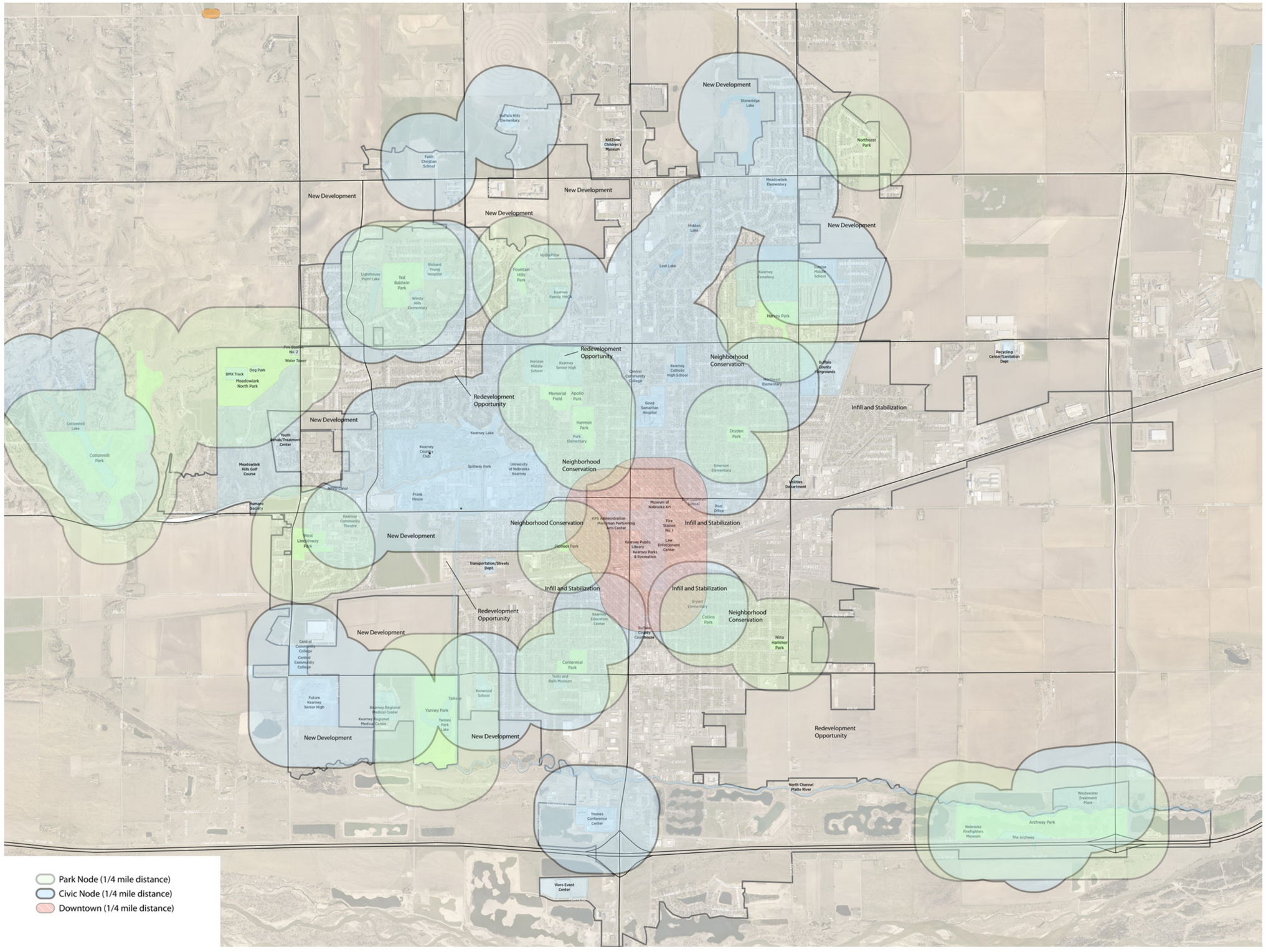
CITY-WIDE OPPORTUNITY AREAS

PHYSICAL ASSETS

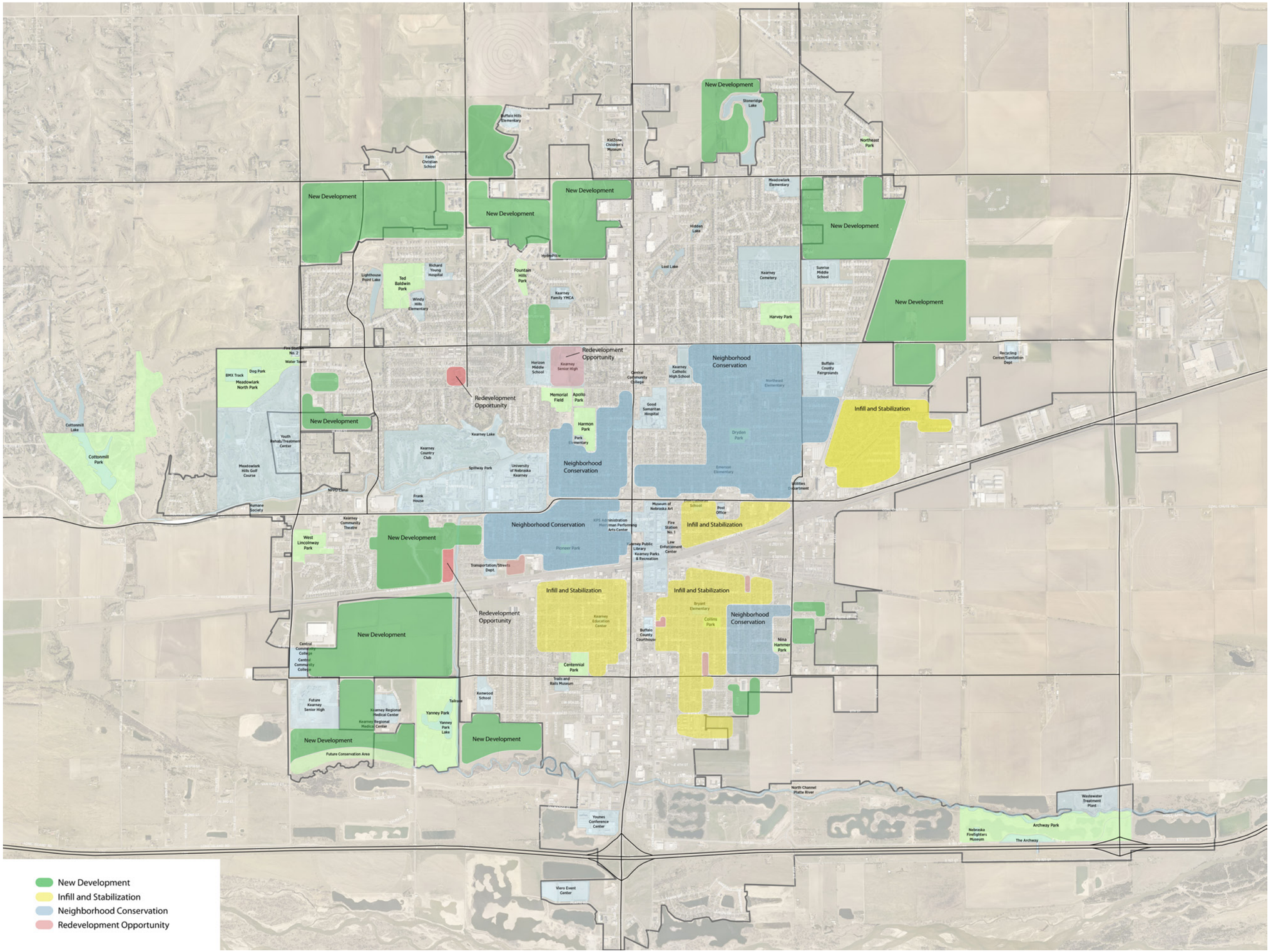
A fundamental element of neighborhood development is creating residential areas that build upon existing assets. In the context of neighborhoods, physical assets are the framework elements that form the fabric of the community including parks, trails, natural features, character districts such as the downtown or schools. These framework elements provide an anchor and identity for the surrounding neighborhoods which supports property values, reinvestment, and property maintenance. To illustrate the areas of Kearney that are anchored by physical assets, Map 3.1 illustrates a quarter-mile distance ring around each feature – parks in tan and civic nodes in blue.

Policy Recommendations:

- Use investment in physical assets to create private market investment in housing
- Promote direct and safe access to physical asset areas for pedestrians of all ages
- Encourage new neighborhoods to provide access to existing assets or to develop new assets where appropriate for both the benefit of the new neighborhood and existing neighborhoods
- Treat new and existing physical assets as a public amenity created for the benefit of all residents



Map 3.1: Kearney Asset Areas



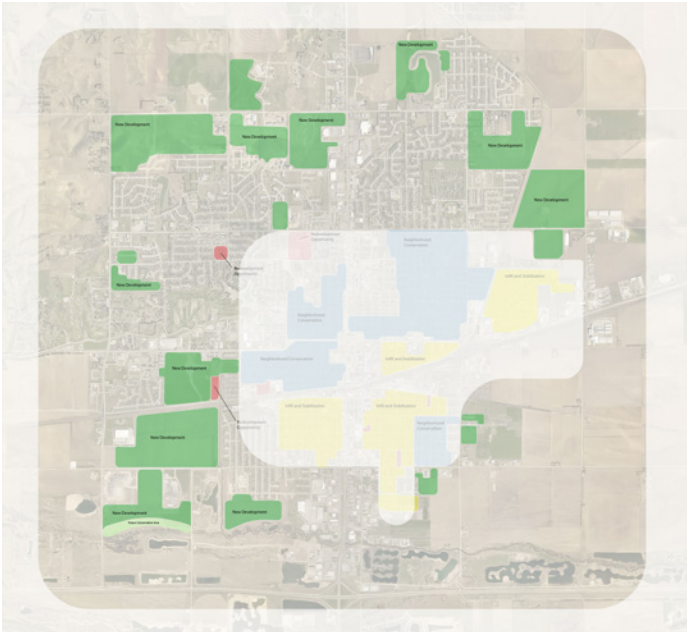
Map 3.2: Kearney Opportunity Areas

OPPORTUNITY MAP

Kearney has grown steadily over its history and its spectrum of neighborhoods reflects this growth and evolution. From its early neighborhoods expanding outward to its contemporary developments, these diverse neighborhoods present distinct needs and opportunities based on existing conditions. Where the next chapter includes a series of more tactical interventions for developing catalyst projects, the following section details high-level policy opportunities based on existing neighborhood conditions.

Strategic New Development

New neighborhoods are an expansion of the existing framework of roads, community features, and character. As such, the location and character of new development are part of the city's responsibility to its residents including current and future generations. The 2016 Kearney Comprehensive Plan and its Future Land Use Map is intended to guide future land use decisions over the next 20 years. Map 3.2 is intended to execute the residential vision of the Comprehensive Plan over the next five to ten years.



Map 3.3: Strategic New Development Areas

Principles for new development:

- Use municipal services efficiently
- Promote infill development
- Preserve open space and natural resource areas
- Promote and incorporate diverse housing options
- Plan for community amenities such as parks and schools
- Provide a multi-modal and connected transportation network
- Enhance public safety and minimize hazard risk
- Use public investments to promote the maximum amount of private market action
- Make decisions in a transparent and collaborative manner

Policy recommendations:

- Plan future transportation routes to enable future development, reserve right-of-way in advance, and build with development as it occurs.
- Require a minimum amount of street connectivity to enable efficient service by fire and police. Limit the number of cul-de-sacs and dead-ends permitted
- Growth should be contiguous to existing development to reduce the amount of infrastructure required. Priority development parcels would fill-in gaps between existing developments and the configuration should seek to unify the neighboring developments.
- Be consistent with the Future Land Use Map contained in the Comprehensive Plan.

Strong and Stable Neighborhoods

These neighborhoods are generally characterized by contemporary housing stock that is mostly in good condition. Strong and stable areas are not illustrated on Map 3.2 because they do not require significant interventions or specific opportunities at this time.

Policy recommendations

- Maintain the housing stock in a state of good repair
- Maintain and reinforce existing community facilities and amenities
- Maintain the current high level of public services

Neighborhood Conservation

Characterized by an aging housing stock, these neighborhoods are in relatively good condition with only scattered pockets of blighted properties that require attention. As an opportunity, conservation areas represent a large stock of ready and relatively affordable housing in neighborhoods that require only a limited amount of attention. Further, these neighborhoods often include much of Kearney's architectural character and community heritage.

Characteristics of Neighborhood Conservation Areas

- Pre-1980 Construction
- Average to Good Housing Condition
- Limited Blight and Property Maintenance Issues
- Low Housing Vacancy and Few Vacant Lots

Policy recommendations

- Reinforce public features and amenities to encourage private market action. Appropriate enhancements in conservation neighborhoods include park improvements, and pedestrian and bicycle safety improvements.
- Target rehabilitation programs to blighted properties including those with structural and aesthetic issues. Appropriate actions would include an owner-occupied rehabilitation program, a rental rehabilitation program, a first-time home-buyer rehabilitation and down-payment program, and an exterior paint program.
- Target property maintenance initiatives on properties with moderate infractions. Appropriate actions would include clean-up days, neighborhood trash collection, not-for-profit clean-ups, and, if desired, targeted code enforcement.
- For any structures that cannot be rehabilitated, the parcels should be targeted for infill development that respects the character of the surrounding neighborhood in terms of use, style, and density.

Infill and Stabilization

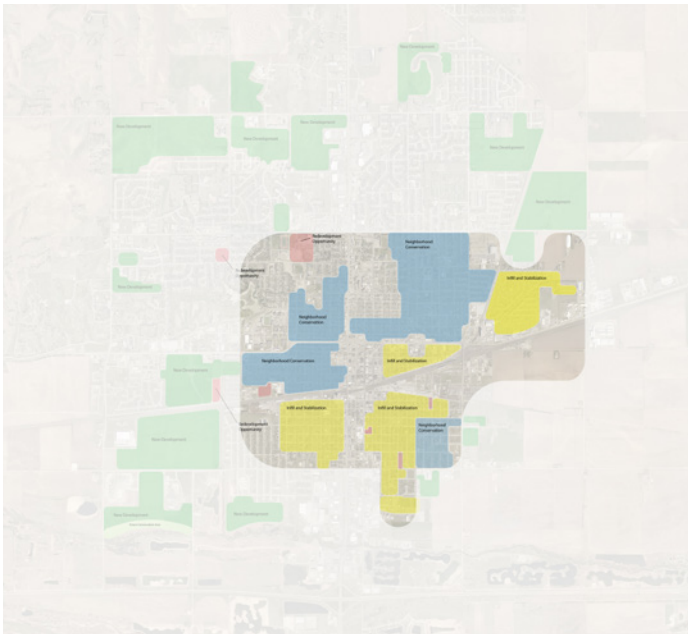
Characterized by an aging housing stock, these neighborhoods differ from the conservation areas in condition and the level of blight. While much of the housing in these areas may be in good condition, a greater number of homes remain in poor-to-average condition in addition to larger pockets of vacancy. In the same way that conservation areas represent an affordable housing opportunity, the infill and stabilization areas present this same opportunity but these areas require a greater amount of attention and investment.

Characteristics of Infill and Stabilization Area

- Pre-1980 Construction
- Average housing condition
- More widespread blight and property maintenance issues
- Moderate housing vacancy and a moderate number of vacant lots

Principles for infill and stabilization:

- Engage the neighborhood in the process
- Rehabilitate units to preserve the housing stock
- Enhance neighborhood through investment in public amenities
- Remove slum and blight conditions through clean-ups, rehabilitation, and, if needed, demolition
- Focus investments on a geographically confined area to create the most visible positive impact, to demonstrate the commitment to the neighborhood, and to build private market confidence.
- All efforts should be designed to incrementally strengthen the neighborhood
- Funding must be sufficient to make a significant impact over the course of several years



Map 3.4: Core Reinvestment Areas

Policy recommendations:

- Reinforce public features and amenities to encourage private market action. Appropriate enhancements in infill and stabilization areas may include new parks, new park features, bicycle infrastructure, pedestrian improvements, community gardens, and gathering places.
- Often neighborhood deterioration occurs, in part, because of compatibility issues with adjacent land uses. These compatibility issues should be explored and the impacts should be mitigated through relocation of the use or an improved buffer between the land uses.
- Targeted land assembly and appropriate infill redevelopment. The greatest challenge to infill redevelopment is often assembling the land on which redevelopment can occur. It is recommended that the city or a not-for-profit entity be empowered to acquire and hold property until enough of land can be assembled to solicit redevelopment proposals. As a condition of the time and resources involved in the land assembly, the development agreement should specify the price-points for new homes.
- Target rehabilitation programs to blighted areas with the highest priority given to those homes with structural issues and a lower priority given to homes with aesthetic issues only. Appropriate actions would include an owner-occupied rehabilitation program, a rental rehabilitation program, a first-time home-buyer rehabilitation and downtown payment program, and an exterior paint program.
- Target property maintenance initiatives on properties with moderate infractions. Appropriate actions would include clean-up days, neighborhood trash collection, not-for-profit clean-ups, and, if desired, targeted code enforcement. In several of the infill and stabilization areas, the city has previously conducted these types of actions with success.
- For any structures that cannot be rehabilitated, the parcels should be targeted for demolition and acquired for infill redevelopment. It is important to recognize that these units often represent the greatest blight factor on the neighborhood and demolition can be an appropriate intervention if the: property cannot be rehabilitated, property poses a risk to public health and safety, and the land can be acquired and held for redevelopment or appropriate reuse.
- Activate vacant lots for productive use. The eventual goal for vacant lots in urban neighborhoods should be infill redevelopment for several reasons: urban neighborhoods already have urban services, vacant lots and reduced density produce a lower tax yield that the city needs to continue its high quality of community services, and historic neighborhoods with greater density are perceived more positively and are more walkable. Several communities have adopted Vacant Lot Toolkits to guide the interim use of vacant lots in urban neighborhoods including the City of Omaha; the toolkit can be found here: **planninghcd.cityofomaha.org/images/stories/pdfs/VLT%20Reduced.pdf**

Redevelopment Opportunity

Redevelopment opportunities are localized examples of blighted or vacant land that could be transformed through redevelopment into an attractive and productive residential use. The redevelopment of these strategic sites should be designed to: eliminate blight conditions, support private market reinvestment in surrounding areas, and create new taxable value.

Principles for redevelopment opportunities

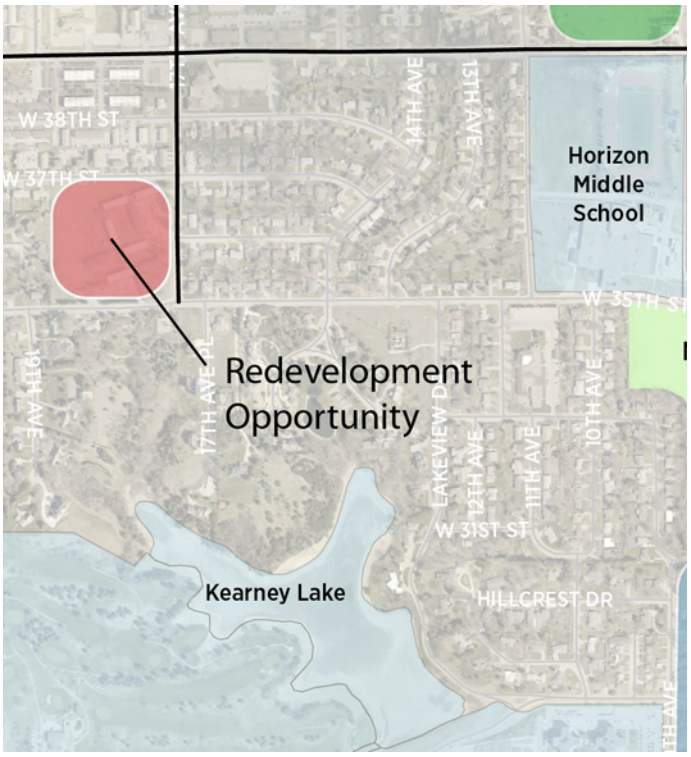
- Be sensitive of any displacement that may occur because of the redevelopment. Plan for any relocation of residents impacted by the redevelopment through outreach and public awareness of alternative housing opportunities. If state and federal funds are used for the redevelopment, follow all appropriate laws and requirements pertaining to the relocation of residents.
- Acclaimed urban planner and professor, Alexander Garvin, highlights four criteria for successful urban planning (http://candysdirt.com/2015/01/30/gavin/).
  - › Satisfies the needs of the present
  - › Stimulates a private market reaction
  - › Creates a framework for further development
  - › Accommodates the needs of a future generation

Policy recommendations

Target areas with high concentrations of vacant or underutilized land for acquisition, redevelopment and/or rehabilitation. Acquisition can be accomplished through tax delinquency, bank foreclosures and their Community Reinvestment Act abilities, and through estate gifts to the city or not-for-profit agencies. Maintenance and management should accompany any acquisition in the interim period before rehabilitation or redevelopment occurs.

- Solicit competitive proposals from the development communities to generate the best reuse/redevelopment plan for strategic redevelopment opportunities. A municipal or not-for-profit role in the acquisition and assembly of land creates a public interest in the reuse of the property and therefore, a development agreement can place conditions on the redevelopment including use, bulk, density, and the price-points for units created.
- Consider an expedited review process for infill and redevelopment projects led by the private market.
- Explore creative financing and program applications to create a positive and concentrated impact on a neighborhood.





SUMMARY AND CONCLUSIONS

Kearney has many assets that make it a growing and desirable place to live; its economy, cultural and educational presence, and strong image position Kearney for strong growth over the next 10 to 20 years. Unlike many communities in Nebraska, Kearney has demonstrated the ability to produce a relatively high number of new housing units each year in addition to a strong appetite for new products.

While Kearney has many assets that position it for continued growth and vitality in the coming years, it has a number of challenges in its housing market that will need to be addressed through policy, investment, and workforce development. Most significant is the imbalance in the type of construction that continues to occur – especially for owner occupied units – that favors higher-end lot development and home construction. While these products are quickly absorbed into the market with healthy revenues to the developer, it means that contractors have little capacity and interest in constructing housing products for middle income home-buyers and renters. This imbalance resonates in the type of lots being produced, the type of homes being constructed, and the capacity of contractors to keep pace with the demand for new housing.

In addition to the higher-end home and lot construction that has contractors at capacity, Kearney needs additional contractors, subcontractors, builders, developers, and laborers. A larger development community – generated through entrepreneurship programs, building trades programs, and recruitment into Kearney – would enable development to meet a broader need of the community including greater variety in the market, a more affordable housing market, and a faster rate of population growth

Several big ideas emerged from the preceding chapters of this study that will guide the way that Kearney pursues its opportunities. The development of more entry-level housing – both owner and renter units – would allow for Kearney to create more lifelong residents, would allow for expansion of Kearney employers, and would support a balanced and robust economy. A shift from a 'housing development' to 'neighborhood development' mindset would allow for new residential construction to mutually benefit the community and expand the framework of roads and infrastructure on which Kearney will continue to grow. Neighborhoods provide public amenities and a variety of housing types and price-points which interact with the community framework with pedestrian and bicycle pathways while allowing for the next generation of growth past the current perimeter.

The section concludes with a series of opportunities. The plan recommends that Kearney build upon its physical assets - including parks and other civic destinations including schools, shopping districts, and natural features – with investments and policy applications. From this framework, the opportunity map identifies opportunity areas including places for strategic new development, neighborhood conservation areas, infill and redevelopment areas, and redevelopment opportunities. Each opportunity area includes a description of the area, several development principles to govern reinvestment, and specific recommendations.

From the issues and opportunities identified to this stage of the plan, the next section will explore a path forward including implementation strategies, policies, partnerships, and case studies to share success stories from other places throughout the country.

CHAPTER FOUR

A PATH FORWARD

The measure of a plan's success is its ability to create action. In the case of a housing plan where the issues are diverse and the responsibility of implementation lies with many constituents with a vested interest in the state of the housing market, the implementation roadmap is of utmost importance.

In the words of renowned urban planner Alexander Garvin, "[public investment] has to do something that will generate a wide-spread and sustained reaction by the private market." It is the firm philosophy of this plan that actions be strategic to generate a positive shift in the housing market to better serve the population of Kearney for generations to come.

CHAPTER 4: AT A GLANCE
THE 10 TAKEAWAYS FOR SUCCESS

PROCESS:

The previous sections of the plan established the primary issues and challenges facing Kearney's housing market. Chapter 3 then established the strategic housing goals that must be addressed to ensure that the housing market adequately serves the residents of Kearney both today and in the future.

The strategic goals follow:

- Increase mobility through housing variety.
- Increase the variety of housing options including senior housing and owner occupied types of housing.
- Expand the number of affordable rental units
- Identify ways to lower lot cost in support of lower price owner occupied units.
- Increase the number of contractors working in the market.
- Improve accessibility between affordable housing and community destinations.
- Create mechanisms to share risks that the private market cannot carry.

The purpose of this chapter is to establish a path forward. These goals provide a high-level perspective of what needs to be done, this chapter provides practical and real world case studies of how it can be done.

10 TAKEAWAYS FOR SUCCESS:

1. Build a strategic housing partnership under the leadership of a not-for-profit housing developer.

The housing market has a direct and profound impact on many community organizations (the city, the economic development council, the chamber, and etc) and employers including businesses and the university. The level at which Kearney is able to recruit and retain residents in the workforce correlates directly with the potential of the community and the economy to grow.

This partnership would have the explicit mission to pursue the strategic housing goals established in this plan. It would be comprised of all stakeholders and would drive action in housing development

2. Engage strategic partners

The many organizations and employers have an express mission behind what they choose to do. Businesses provide products and services to generate a profit. Community organizations promote actions in the best interest of their constituents. The city of Kearney represents all residents of the city. Each of these missions intersect with the housing market at some point. By engaging these partners in actions to improve the way their organization is impacted by the housing market, it is possible to create the greatest steps forward.

3. Establish a toolkit of programs, policies, and financial tools

The issues and opportunities facing Kearney's housing market are diverse and, therefore require a diverse array of programs, policies, and financial tools. There are many tools ranging from programs and policies that encourage affordable housing and innovative development to financial tools such as TIF and collective lending. By combining these tools under a single roof (or by coordinating their use) it is possible to create the most development impact.

4. Apply Context Appropriate Interventions

It is important to note that not all tools (programs, policies, and financial mechanisms) are appropriate in all cases. For example, it may be appropriate to support new affordable housing development with TIF because 'but for' the use of TIF, the project would not be completed. On the other hand, a new development with high price-points may be an appropriate example of expedited permitted if it incorporates an innovative housing product or configuration.

The tools should be used with respect to the context of the situation. Depending on the circumstances, multiple tools can be layered when appropriate or used independently.

5. Examine emerging housing trends and opportunities

Over time, new and different housing products, development configurations, and approaches emerge. Several trends that warrant consideration include: mixed use (vertical and horizontal configurations), narrow lots and narrow streets, and tiny houses. Each have the potential to serve a niche role in the housing market.

6. Support affordable equity housing

By providing a source of entry-level ownership opportunities, young households can build the equity and stability that will help them establish their lives in Kearney and eventually move-up in the market. Often located at infill locations within existing neighborhoods, affordable equity programs include: rent to own projects, purchase/rehab/resale programs, and lot development/preparation programs.

7. Support affordable rental housing

Rental options should exist for all income groups. These units serve as gateway housing for much of the population seeking to establish themselves in Kearney. Without affordable rental housing, many potential residents choose to reside elsewhere. The partnership should support the creation of rental housing across the spectrum of incomes.

8. Support neighborhood reinvestment

Kearney's existing housing stock represents the single greatest capital investment - public or private - in the entire city. This infrastructure investment must be maintained in a state of good repair in order for it to remain a viable asset in the city. Reinvestment is about supporting the vitality of existing neighborhoods through targeted projects designed to promote reinvestment in areas that may be declining. Opportunities include: assisting with land acquisition for redevelopment projects, by offering free or reduced lots for infill development, or by using micro-TIF to support infill redevelopment.

9. Support neighborhood conservation

Much like neighborhood reinvestment, neighborhood conservation is about strengthening existing neighborhoods. Initiatives seek to improve isolated condition and property maintenance issues to preserve the value and quality of the neighborhood in both owner and renter occupied units. While these programs can be labor intensive to administer, owner and renter rehabilitation programs including those that assist with emergency repairs play an important role in conserving existing housing stock.

10. Support Demonstration Projects to create a positive shift in the market

While many stakeholders expressed a strong appetite for the types of housing products they might see in Lincoln or Omaha, there are no contractors currently developing these products. To illustrate that these new products or innovative development configurations will work in Kearney, it may be necessary to develop a demonstration project. While developers may consider incorporating limited elements into their projects voluntarily, a demonstration project may require assistance. Types of assistance include: the provision of infrastructure, financial or tax assistance, and/or expedited permitting. This should be a single project designed to show that a concept is viable in Kearney.

STRATEGIC HOUSING GOALS

- Increase the variety of housing options including senior housing and owner occupied types of housing.
- Expand the number of affordable rental units
- Identify ways to lower lot cost in support of lower price owner occupied units.
- Increase mobility through housing variety.
- Increase the number of contractors working in the market.
- Improve accessibility between affordable housing and community destinations.
- Create mechanisms to share risks that the private market cannot carry.

CONTEXT APPROPRIATE SOLUTIONS

As the plan explores housing interventions and partnerships that can be used to generate energy in the housing market, it is important to note that there is no silver bullet to all aspects of the housing market. For example, the smaller communities surrounding Kearney will continue to serve a share of Kearney's workforce including those who prefer a more rural environment. Further, there are aspects of the housing market, including higher-cost production, that do not require policy interventions. The tools are included as a buffet of options to help address the variety of issues facing Kearney's economy.

INTRODUCTION

A housing market is a complex and ever-changing landscape of countless variables including economic factors that guide production, rehabilitation, and sales but also social factors that influence housing preferences, the willingness to adapt to new products, and the perception of the community. In general, these variables combine to create a strong housing market with healthy values and an appetite for new and diverse housing products. While new units continue to be produced and absorbed quickly, the market will continue to under-serve lower and middle income households to exacerbate the affordability issues that are emerging today.

It is the desire of this plan to establish a path forward that maintains the momentum of today's housing market but also adds strategic resources – constituent organizations, funding mechanisms, policies, and creative partnerships – to expand the health of Kearney's housing market.

MODEL FRAMEWORK FOR A HOUSING IMPROVEMENT STRATEGY

Through an approach that brings together partners, funding mechanisms, and policies and programs, it is possible to deploy the most effective and complete strategy to improving the housing market and accomplishing the goals of this plan.

LEADERSHIP: A NOT-FOR-PROFIT HOUSING DEVELOPMENT CORPORATION

The plan proposes the creation of a not-for-profit housing development corporation to pursue the goals of this plan. This organization can reside within an existing organization such as an economic development council, but with the express mission of implementing housing programs. Its board of directors and stakeholders should be comprised of partners whose mission is impacted by the housing market. The not-for-profit can accept an assortment of funding sources, can implement an assortment of housing programs, and can work on behalf of its partner organizations to strengthen Kearney's housing market for the mutual benefit of all.

- An entity dedicated solely to housing issues and representative of partner organizations including employers, institutions, the development community, and resident groups.
- The not-for-profit status allows the corporation to operate in markets where private developers cannot (low revenue price-points or untested products)
- Executing and coordinating an assortment of housing programs and policies using an assortment of funding mechanisms including tax increment financing, charitable gifts and donations, and federal and state dollars.

- It may be appropriate to adapt or expand an existing not-for-profit, such as the Kearney Area Housing Authority or Community Action Partners, to fill this leadership role.

PARTNERS

The housing market touches many organizations both directly and indirectly – when the housing market operates effectively, many organizations benefit but when the market experiences availability and affordability issues, these organizations are limited by the housing market. Because each partner is impacted by the housing market, it is in the collective interest that each partner take on a responsibility in a housing partnership to pursue the strategic housing goals.

FINANCING

The diverse and significant needs of the housing market require a diverse toolbox of funding mechanisms. From federal and state funding to charitable donations and philanthropic gifts, the partnership must leverage these funding mechanisms in a unified strategy to address the needs of the housing market. While certain funding programs, like TIF, Community Reinvestment Act funds, must be managed within certain organizations, the not-for-profit housing development corporation could serve as an advisory board to coordinate these and other programs.

FEATURES OF A HOUSING INVESTMENT STRATEGY

- Housing Partnership
- Funding Mechanisms and Tools
- Program Focus
  - › Policy Review – Emerging Trends and Opportunities
  - › Affordable Equity Housing
  - › Affordable Rental Housing
  - › Housing Conservation and Neighborhood Revitalization
  - › Builder Capacity and Workforce Development
  - › Residential Lot Development

SIOUX CENTER, IA: MODERATELY-PRICED HOUSING

Using a community land development corporation, capitalized by purchase of shares by citizens of Sioux Center, a new moderately-priced development was initiated. The program builds three to six speculative homes at a time, maintaining an available inventory. The proceeds of sales are then used to build the next increment of houses. The development group develops the lots from land purchased from the city. The housing is focused on the construction of moderately-priced housing and started the program with homes priced around $120,000. Over the years this has increased to $180,000 but efforts in 2016 are focused on keeping the cost closer to $150,000.



HOUSING PARTNERSHIPS

It is always possible to create a greater impact through meaningful partnerships than would be possible individually; this is especially true in a housing strategy where a key to creating ongoing action is accomplished by empowering diverse stakeholders to create positive change relating directly to their mission. Kearney should develop a partnership with the flexibility to address the specific and diverse needs across the community. An effective community housing partnership should be able to coordinate and execute project development and financing while also providing expertise in marketing and management.

Any partnership should begin by seeking to establish a common purpose between each stakeholder; in other words, the reason why each organization will choose to participate in the effort to improve the housing market.

A Kearney housing partnership should include the following organizations.

- Leadership: A not-for-profit housing development corporation
- The City of Kearney
- The University of Nebraska – Kearney
- Major Employers
- Buffalo County Economic Development Council
- Kearney Area Chamber of Commerce
- Habitat for Humanity and other not-for-profits
- Kearney Housing Authority
- The Lending Community
- Realtors and Builders
- Community Action Partners

Goals and Mission Statements of Partner Organizations	• To grow the population and economy of Kearney • To create jobs in and around Kearney • To increase the tax base and the level of service the city can offer its residents • To serve the needs of low-income and disadvantaged populations
The impact housing can have on the ability to accomplish the missions	• The availability and affordability of housing for employees and new residents across the income spectrum can limit growth • Low density development and low connectivity is a burden on public service providers reducing the level of service and increasing the tax burden. • Limited investment in all but the highest income brackets leads to affordability issues for low and middle income populations
Why participate in the Housing Partnership?	• To create a housing market which creates opportunity for all residents while contributing to Kearney's overall economy. • To position Kearney as a community where residents can grow throughout without needing to leave for employment, housing, or amenities.

LEADERSHIP: A NOT FOR PROFIT HOUSING DEVELOPMENT CORPORATION

Described at the beginning of the chapter, this plan proposes that a not-for-profit housing development corporation be created to lead the housing partnership in Kearney. This group would focus exclusively on housing issues, operate on behalf of its partner organizations representing the community, and strive to implement a seamless array of housing programs and policies. The not-for-profit housing development corporation would operate in markets that are untested (to introduce innovative products to the Kearney market) and in price-points where revenues are not sufficient for for-profit developers to operate.

THE CITY OF KEARNEY

The city is responsible for promoting the health, safety, and welfare of its residents including future generations through its policies and investments in providing community services. Under Nebraska Redevelopment Law, cities can initiate community redevelopment projects and encourage development in a variety of ways including financial assistance for capital improvements, technical assistance for innovative proposals, expedited proposal review, and removing obstacles to affordable lot and home construction. Many communities across the Midwest use tools at their disposal to support development that would not occur, "but for" their involvement; commonly, the "but for" test is applied to the use of tax increment financing but can be applied more broadly to the role of city interventions in the private market.

The role of the City may vary based on the type of project but could include any of the following as needed:

- Review of land development regulations and guidelines to eliminate barriers to infill and affordable housing development.
- Assistance with the acquisition and site preparation of infill redevelopment sites. The provision of development ready sites entitles the city to request certain features within the redevelopment including development standards may encourage the development of affordable homes. Development standards that would encourage affordable price-points include maximum lot size, maximum of two garage stalls, maximum setback, and narrow lot widths. This support can also be delegated to the not-for-profit housing development corporation.
- Providing financial assistance through Community Development Block Grants, tax increment financing, and other programs. These funding programs can be applied in concert with efforts of the not-for-profit housing developer.
- Technical assistance and expedited land development processes for innovative proposals. Presently, the city of Kearney has a planned zoning district that permits innovative neighborhood development practices but these have not been implemented to their potential. The city could help developers to craft projects that incorporate certain practices or housing practices. Through this collaboration, it may be possible to expedite the plan review process.
- Assistance with subdivision development through infrastructure and technical assistance. It is well-established that cities can support housing development of a certain type through the provision of infrastructure. This support can also be delegated to the not-for-profit housing development corporation.
- Funding and management of energy savings programs available through local utility providers

Kearney has used several of these tools in the past but the greatest opportunity exists in layering multiple programs in an organization that is specifically focused on filling gaps in the market and in creating demonstration projects. Through strategic actions designed to fill a niche or demonstrate the viability of a particular housing product or price-point, a housing partnership can generate additional action from the private market and partner organizations.

"[Public investment] has to do something that will generate a wide-spread and sustained reaction by the private market."

– *Alexander Garvin*

WAYNE COMMUNITY HOUSING DEVELOPMENT CORPORATION

Wayne, Nebraska is a thriving community of 5,500 in Northeast Nebraska with a mixed economy based on a small state college, strong industries, and regional agriculture. Over 20 years ago, the leaders of Wayne saw the need to provide housing for their workforce and formed the Wayne Community Housing Development Corporation (WCHDC).

Growing out of the local economic development organization, WCHDC is a proactive nonprofit with the mission to improve the region through affordable housing development. Offering a purchase/rehab/resale program, home buyer education, and assistance on local projects, like new rent-to-own housing, WCHDC works to expand housing options for the local workforce.



THE UNIVERSITY OF NEBRASKA - KEARNEY

The University of Nebraska – Kearney has long acknowledged its role in the housing market; through on-campus housing and now through the University Village neighborhood. The student and faculty populations play a major economic role in all aspects of the community including housing development and occupancy. Due to the significant impact on the housing market, the University can play a valuable role in housing development in several ways:

- Senior housing. Incorporating senior housing components into the campus master plan. Nationally as more adults approach their retirement years, many desire an opportunity to down-size into a neighborhood with a vibrant civic life, plentiful quality park and cultural amenities, and high quality design; it is no coincidence that many universities are considering ways to include seniors into their campus life.

- Executive housing for visiting faculty. As a major employer that frequently hosts visiting faculty including permanent faculty transitioning into Kearney, the University may benefit from providing housing opportunities in the community to aide with this transition and to further integrate the University into the city.

- Data collection and analysis. As a major educational institution, the University can assist the housing partnership with data collection and analysis including: the design, distribution, collection and analysis of survey questionnaires; the completion of a housing occupancy and condition inventory; point-in-time inventory of homelessness; and other academic research on affordable housing production.

- Community clean-up and implementing a “better block” concept (volunteerism). The student body could lead a “better block” initiative to enhance and clean up a neighborhood in Kearney through a diverse array of activities. Described on the following page (see page 70).



CENTRAL COMMUNITY COLLEGE - KEARNEY

CCC has much the same role as the University of Nebraska Keaney in the strategic housing partnership. As both a major employer and as a draw for many students each year, CCC will continue to impact the housing market in a variety of ways. As such, potential roles of CCC follow

- Connecting housing opportunities with potential residents
- Marketing housing incentive programs and affordable housing developments
- Financial partnership to support affordable housing development
- Supporting the workforce development in the building trades

THE KEARNEY SCHOOL DISTRICT

The School District is a major employer and has the potential to play a significant role in the housing partnership. As illustrated in the a following case study "Schuyler, NE: Employee Housing Development and Residence Incentive," school districts can support affordable housing developments and home ownership. Potential roles follow:

- Support for affordable housing development
- Marketing housing incentives and affordable housing developments
- Adopting homeownership and residency incentives for its workforce

HOUSING INCENTIVES AT SAINT LOUIS UNIVERSITY

Saint Louis University has provided a housing benefit to its employees through an Employer Assisted Housing Program (EAHP). The EAHP provides three benefits for the University employees:

- Housing information and education on home ownership
- When available, preferred rates and reduced closing costs on mortgage and refinancing costs through partnering institutions.
- When available, forgivable loans for eligible employees, applicable towards the purchase of a home located in the designated neighborhoods new campus.

This program applies to all current, full-time faculty and staff members. Properties eligible for the forgivable loan program must be located with specific revitalizations areas. For Kearney, a program could be focused on a redevelopment area or anywhere within the city. In the SLU program the percentage of the loan that is forgiven increases with the number of years of employment after origination of the loan, up to 100% of the loan after five years of employment.

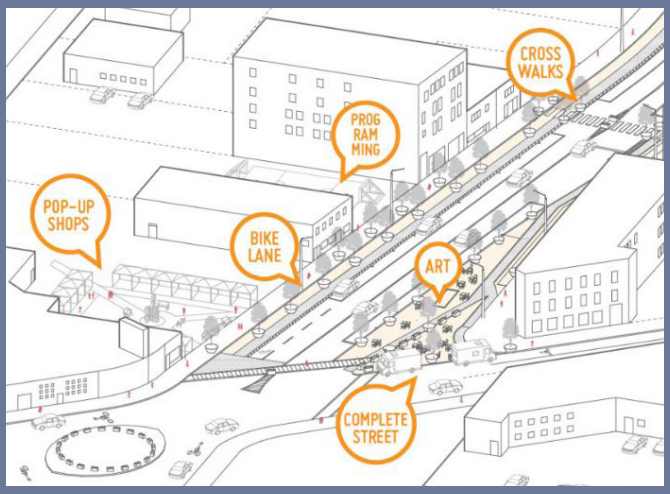


"BETTER BLOCK" ENHANCEMENT PROGRAM

"The Better Block project started in 2010, when a group of community organizers, neighbors, and property owners gathered together to revitalize a single commercial block in an underused neighborhood corridor. The area was filled with vacant properties, wide streets, and few amenities for people who lived within walking distance. The group brought together all the resources from the community and converted the block into a walkable, bikeable neighborhood destination for people of all ages complete with bike lanes, cafe seating, trees, plants, pop-up businesses, and lighting. The project was developed to show the city how the block could be revived to improve area safety, health, and economics if ordinances that restricted small business and multi-modal infrastructure were removed. Since that time, Better Block projects have been developed throughout the world with many of the temporary infrastructure improvements and businesses made permanent."

- betterblock.org

"Better block" initiatives regularly include paint-brigade to eliminate blight conditions (evaluate for lead paint and comply with all regulations), projects to activate vacant lots with community gardens or public plazas, and/or bicycle lanes. These initiatives should engage the neighborhood and city leaders to ensure all actions are legal and approved by the city but also supported by the neighborhood.



MAJOR EMPLOYERS

There is a growing awareness that the condition of the housing market impacts major employers in their ability to recruit and retain employees. Each company invests a significant amount of time, energy, and money training their employees and, therefore, it is in their interest to support all aspects of retention including housing. While many elements of recruitment and retention fall within the walls of the company including wages, workplace culture, and opportunities for advancement, many employers have begun to recognize that housing (quality, affordability, and availability) plays a major role in their ability to recruit and retain talent. Employers can play multiple roles in the housing partnership:

- Direct construction of new ownership or rental units or support for the not-for-profit housing developer for the construction of new affordable housing products
- Rent subsidies and down payment assistance for employees residing within Kearney. Certain employers operate a housing plan, much like a 401(K) plan, in which the employer provides a matching contribution to be used for a down payment on a home within the community or a specific part of the community.
- Marketing local housing opportunities including rental and ownership options, rehabilitation or first-time home-buyer programs.
- Helping to integrate new employees into the community through driving-tours of the city, welcome-liaisons, and social connections to local organizations such as young professional organizations.

BUFFALO COUNTY ECONOMIC DEVELOPMENT COUNCIL

Formed in 1986, the Buffalo County Economic Development Council works closely with business, city, county, and state leaders in economic development. The purpose of the not-for-profit corporation is "to support and promote responsible and sustainable economic development." Further, "the council strives to develop and implement programs designed to promote startup, relocation, expansion, and retention of business in Kearney and Buffalo County area." The stated purpose of the EDC recognizes the interconnectedness of many elements required for sustainable economic development including entrepreneurship, infrastructure and shovel-ready sites, a skilled workforce, and a place for employees to live.

The Buffalo County EDC should emphasize the importance of housing in its overall economic development mission and may participate in the strategic housing partnership in the following ways

- Support initiatives to create workforce housing in Kearney.

The EDC can act as a conduit between the housing partnership and the business community to develop workforce housing units or to develop workforce housing incentives to help new employees afford and/or rehabilitate existing housing units.

- Support the not-for-profit housing development corporation by supporting and driving the creation of shovel-ready residential development and redevelopment sites. When done properly, neighborhood development can be a form of economic development and incremental urban growth.
- The Buffalo County Economic Development Council could be the home of the not-for-profit housing development corporation. This would reinforce the role of housing as a contributing factor in the economic development landscape.

Kearney Area Chamber of Commerce

The Kearney Area Chamber of Commerce is an organization of businesses seeking to further their collective interests while advancing the Kearney community and the region. The stated purpose is "promoting the success and profitability of members through involvement, education, advocacy, and marketing of the Kearney areas business community." Much like the purpose of the EDC, the mission of the Chamber suggests a balanced approach to providing benefit to the business community it supports. As discussed previously, housing in Kearney represents a significant economic factor both in the business of actual housing construction but also for its impact on providing a place for business leaders and employees to live. The role of the Chamber in a housing partnership may include the following:

- Marketing housing development opportunities and shovel-ready sites for development and redevelopment
- Educating the public and its membership on the importance of housing to the overall economy and inviting members to expand their role in the partnership
- Promoting housing incentive programs to employers and their employees
- The Kearney Area Chamber of Commerce could be the home of the not-for-profit housing development corporation. This would reinforce the role of housing as a contributing factor to the business community.

Habitat for Humanity

Habitat for Humanity has been active in Kearney since 1992. The not-for-profit development community including Habitat for Humanity and other faith based organizations, can play a valuable role in the housing partnership. Habitat for Humanity can bring many valuable benefits to the housing partnership including the following:

- Continue and expand operations in Kearney. Habitat for Humanity could even take on the leadership role as the not-for-profit housing developer if desired.
- The ability to access disadvantaged populations through outreach. Reaching these population is essential to connect those who need housing with the appropriate housing programs such as affordable rentals, affordable ownership options, or the rehabilitation of existing homes.
- Not-for-profit status enables tax deductible contributions and gifts from a diverse array of constituents. This includes donations of land, homes, and time donated by contractors. These donations could be used for a Habitat for Humanity home or could be passed along to the housing partnership.
- Expanding the proven model of engaging new homeowners in the process of construction through "sweat equity" and home-buyer education.

RIVER FALLS, WISCONSIN: HABITAT FOR HUMANITY ECO-VILLAGE

In River Falls, Wisconsin, just 30 minutes from Minneapolis/St. Paul, the St. Croix Valley Habitat for Humanity and a coalition of community partners endeavored to create a demonstration project of "a sustainable community – based neighborhood development." The Eco-Village applies best community design and management practices to support self-sufficiency and economy in shelter, energy, food, water and transportation."

The development is composed of 15 homes on five acres of land with shared public resources including solar and geothermal energy, walkways, and community gardens. The development is designed as a model project to demonstrate how affordable housing can deviate from standard construction practices to deliver a high quality of life, at a fair cost, and at a minimal environmental impact.

More information can be found at: www.scvhabitat.org/eco-village/



OMAHA 100 INCORPORATED OMAHA, NEBRASKA (LENDING CONSORTIUM)

Omaha 100 was incorporated to provide homeownership opportunities enabling low and moderate income borrowers to own their own home. The group provides affordable mortgage loans, grant underwriting, and downpayment assistance services.

Omaha 100, Inc., works with a consortium of lenders to provide lower interest rates on home loan products, downpayment assistance, and city second mortgages to make homeownership affordable. Clients must complete a home-buyer education course.

More information can be found at: www.omaha100.org

NEIGHBORHOOD FINANCE CORPORATION, DES MOINES, IA (LENDING CONSORTIUM)

The Neighborhood Finance Corporation was formed in response to the need to promote reinvestment in the core of the city. The city, the lending community, and countless partners gathered forces and resources to develop a program to target investment to core neighborhoods of Des Moines.

The Neighborhood Finance Corporation provides a variety of programs to homeowners without any income restrictions. Programs include: forgivable home improvement loans, a loan refinancing program, and a program to support the purchase of homes.

More information can be found at: www.neighborhoodfinance.org

Kearney Housing Authority

Traditionally, housing authorities have focused their mission and programs on housing for a city's lowest income households. They have managed properties and voucher programs and have traditionally not gone beyond these two focus areas. This has not always been the case for the Kearney Housing Authority. They have played a greater role in the past and will be an important partner in the future, especially as it relates to their knowledge of programs and management. Federal regulations and capacity may limit their role at times but their expertise and perspective on the housing market should not be overlooked. The role of the Kearney Housing Authority may include:

- The expansion of the Kearney Housing Authority's not-for-profit development arm. This group could assume the leadership role of the housing partnership.
- The ability to access disadvantaged populations through outreach. Reaching these populations is essential to connect those who need housing as they transition from authority housing.

The Lending Community

The lending community is intimately involved in all aspects of the housing market. While many aspects of their business and practice are tightly regulated, other aspects do permit innovation and pro-active participation in the housing market. The role of the lending community in a housing partnership may include:

- The creation of a lending consortium that would allow the community to share investment risk across multiple lenders. This concept is discussed further in the Financing Mechanism section of this chapter.
- The application of Community Reinvestment Act (CRA) funding to support housing initiatives led by the not-for-profit housing development corporation.

Realtors and Builders

The role for realtors, builders, and developers in the partnership will be as the contractors, marketers, and when appropriate as financial partners.

Community Action Partners

The partnership operates with the mission of "helping people, changing lives, and making communities a better place to live." The partnership offers a variety of programs to improve the lives of those in need throughout Kearney and Buffalo County. The role of the Community Action Partners may include the following:

- This group could assume the leadership role of the housing partnership.
- The ability to access disadvantaged populations.

FUNDING MECHANISMS AND TOOLS

The Kearney housing strategy must continually explore creative approaches to financing projects and initiatives. The following core mechanisms should form the base of the strategy.

LENDING CONSORTIUM

Many of the housing strategies must have a source of financing including the operation of the housing development corporation. Such a financing program should be designed for maximum leverage (in the language of community development, "leverage" is the ability of program dollars to generate private investment in response to the initial investment); shared risk; and quick turnover rather than long-term financing. The development of a housing partnership should include a “lenders consortium;” a cooperative venture among lending institutions active in the Kearney and Buffalo County housing markets to spread their individual risks. In addition, these cooperative ventures can attract the support of other agencies such as the Nebraska Investment Finance Authority (NIFA), the Federal Home Loan Bank, and the Nebraska Department of Economic Development.

A lending consortium is an ideal instrument to provide short-term financing or “patient financing” for builders and contractors in the community, and to provide interim financing for projects developed by the housing partnership, cities or even the county.

TAX INCREMENT FINANCING

Tax increment financing (TIF) can be a valuable tool to support land acquisition and development financing in designated blight areas. TIF uses the added tax revenue created by the redevelopment to finance project-related costs such as land acquisition, public improvements, and, if Legislative Bill 496 becomes law (currently in the Unicameral), the development of "workforce housing." The area must be designated as “blighted” and a redevelopment plan for the area must be adopted. Because incremental taxes can only be used for fifteen years after approval of a redevelopment plan, subdivisions using the technique should be phased, with development phases tightly following market demand.

The use of TIF to support development should follow the below principles:

- To demonstrate that a certain housing product or price-point can work in Kearney.
- To enable development that would not occur "but for" the use of TIF. This means that without assistance, the development (housing products, price-points, etc) would not occur.
- TIF is appropriate to support ownership options at price-points below $225,000. The assessment should prioritize infill and redevelopment and projects where affordable housing is integrated seamlessly into a mixed income neighborhood.

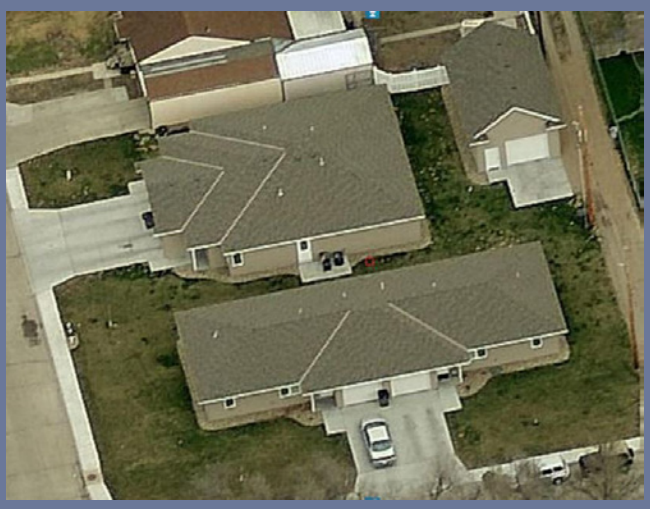
GRAND ISLAND, NEBRASKA: MICRO BLIGHT REDEVELOPMENT

The City of Grand Island has used tax increment financing to support small scale infill development in existing neighborhoods. Through the use of “micro-tax increment financing”, the city targets small concentrations of blight (vacant lots or dilapidated structures that require demolition). By calculating the additional value that would be created with a new duplex or four-plex, the CRA then issues a grant or loan that is given or sold to a developer that can used to secure financing from a bank.

Allowable expense include: property acquisition, demolition, site preparation, utility extensions and connections, sidewalk and landscaping, TIF fees and contracts, city development fees, engineering and architecture costs, and interest and financing costs. In the below example, the City of Grand Island used micro-TIF to support the demolition of a dilapidated single family home (valued at $48,000) and the development of two duplexes with an estimated value of $320,000. The redevelopment removed a blighted structure, created an additional four-affordable housing units, and brought additional tax base to the city without requiring additional infrastructure.

- nifa.org/downloads/grassrootsfinancingnabity.pdf





HOUSING TRUST FUND

A housing trust fund provides a source of seed capital, unconstrained by program regulations, for a developer or development corporation to use for the purpose of developing needed housing types. The popularity of trust funds can be attributed to their inherent flexibility. For the City of Kearney, these dollars could be used to support construction of new entry level housing, rehabilitation of existing housing, or development of new rental housing. Support may include gap financing or even direct incentives to developers for the development of target market projects. Trust funds can be funded in several ways, including dedication of a specific share of local option sales tax, fees, local revenue bond issues, or grants and charitable contributions. Through charitable contributions to a trust fund, the county's employers could play a vital role in housing quality and choice in the county.

COMMUNITY DEVELOPMENT BLOCK GRANTS

The Community Development Block Grant (CDBG) program is a flexible program that provides communities with resources to address a wide range of unique community development needs including housing improvements. These funds are awarded through a competitive grant process. In terms of housing CDBG funds are most often used for owner occupied housing rehabilitation activities.

Due to the federal source of these funds, CDBG projects are typically subject to affordability requirements targeting specific income ranges; most often projects must benefit 30%, 50%, 80%, or 120% of the area median income depending on the type of program. While these programs are bound by an assortment of federal regulations, many still permit communities to tailor the way they use funds for the greatest impact. Opportunities for flexibility include:

- Geographic clustering of incentives. While funds should be targeted to areas with the greatest need, grants generally create the greatest positive impact when their impact is concentrated geographically rather than distributed across the city.
- Many programs have a list of eligible activities that can be performed. By understanding and applying these activities as they are most needed, it may be possible to identify an innovative and eligible use of grant monies that is best suited the to a need in the community. For example, a housing program that permits demolition may allow for interim land-banking in preparation of redevelopment.

MUNICIPAL RESOURCES

Municipal resources can be used to support affordable housing development in a number of ways. These resources include general funds (which, due to the city's low levy rate, is limited), the technical expertise that staff can apply to projects, the time and money saved through an expedited review process, and any fund the city may allocated to support the not-for-profit housing development corporation.

Municipal resources can be used to supplement projects or be used as a primary funding mechanism for housing projects. The source can be from the community's general fund, from the sale of bonds, or sales tax revenue to name a few. Often municipal funds, or another matching contribution, are required to apply for grants. While the use of grants can expand the amount of funding available for a project, some communities prefer to use exclusively municipal funding in order to maintain a more flexible program without additional government requirements. The city of Kearney can identify the role that it can play financially in the housing partnership depending on the resources it has available.

PROGRAM FOCUS

EMERGING TRENDS AND OPPORTUNITIES

The form and focus of how development occurs is based on several converging factors: desire and comfort of private market developers with a certain product; the desire and comfort of renters, home-buyers, and other constituents; and finally, the city regulations and guidelines that govern the development that occurs.

- Desire and comfort of developers. In a market that revolves around the need to create profit from each square foot of land, the development community is governed by the laws of risk. In practice, this generally translates to a preference for known-risks rather than unknown ventures. In Kearney, the known entity (known-risk) is high-end, ranch homes, on wide streets. It is difficult to shift this preference without a demonstration project to illustrate market demand.
- Desire and comfort of renters and home-buyers. Much like the development community, the renters and buyers in the housing market exhibit their own desires and comforts in the housing market. In addition to a level of reality, the fear of these perceptions often influence the risks that the development community are willing to take. According to the survey and participants in the focus group meetings, residents of Kearney have a strong appetite for small and affordable options including single-family homes, apartments, duplexes, and townhomes.
- City regulations and development guidelines. Many aspects of the Kearney Land Development Ordinance permit innovation in residential land development including provisions that have the potential to encourage affordable construction. These provisions include the ability for infill development to occur on 'lots of record', narrow lots within the city's original neighborhoods and planned districts that allow for flexibility that could support quality neighborhood development.

Unfortunately, many developers in the city have not leveraged these resources to their potential and it may take additional assistance from city staff and the housing partnership to assemble a product that demonstrates potential opportunities in the land development ordinance. Additional analysis of the zoning ordinance can be found in the appendix.

Emerging housing products and land use trends

Incentives for smaller homes, smaller lots, and open space/public amenities.

These incentives can include density bonuses, financial assistance from the housing partnership, or an expedited review process. By encouraging a certain type of development, the city can earn a seat at the table as the character of the development is designed. This same seat can be earned through the application of a planned district where collaboration with the city provides noteworthy benefit to the developer.

Tiny homes

Increasing in popularity nationally, communities are fielding more inquiries by residents and developers seeking to place tiny homes within the jurisdiction. The definition of a tiny house is subjective but are generally less than 500 square feet, built on a trailer frame, and are intended to provide their owners with an alternative to traditional single-family homes or apartments.

Tiny homes present several opportunities and challenges.

- As an opportunity, these units are often an affordable option for residents and fill a limited niche within the housing market, and have the potential to provide safe and sanitary dwellings to low-to-moderate income singles and small families who may be under housed today. There is both an opportunity to absorb a share of the housing demand in existing residential neighborhoods by using tiny homes as Accessory Dwelling Units or, at a larger scale by designing tiny home parks or by retrofitting existing mobile home parks.
- As a challenge, many jurisdictions continue to struggle with how to ensure quality conditions in tiny house neighborhoods. Additional challenges include: how to supply water and sewer infrastructure, how to collect an appropriate level of taxes and fees to cover infrastructure service, and how to regulate safe and sanitary conditions?

In today's regulatory environment, tiny homes most closely fit the definition of a manufactured home. Therefore they are regulated by the Nebraska Public Service Commission (http://www.psc.nebraska.gov/hrv/pdf/TINY_HOUSE_FLYER.pdf) as a "park trailer" in addition to being subject to local municipal regulations including zoning. Many urban codes, including Kearney's Land Development Ordinance, consider tiny-homes as mobile homes which are restricted to mobile home parks. Therefore, many tiny house enthusiasts choose to locate in more rural areas.

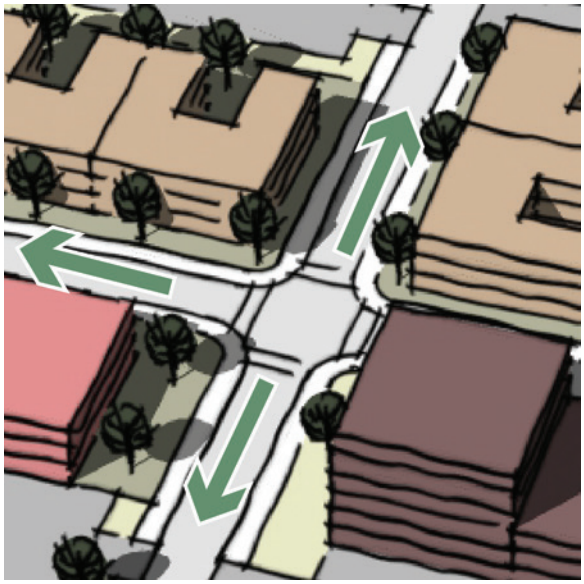
While several challenges and questions still need to be answered, there is an opportunity for tiny-homes to play a niche role in the supply of affordable housing. When considering how to regulate and service tiny-house neighborhoods, there is promise in using tiny homes to modernize existing mobile home parks. These parks:

- provide individual connections to water and sewer infrastructure; and
- are often arranged to provide renter and ownership options including the lease of individual lots; and
- many existing mobile home units are facing the end of their useful life which could make way for additional units in existing parks; and
- conceptually, these parks can provide the benefits of a planned residential district including a walkable environment, parks, and trail connections to nearby amenities.

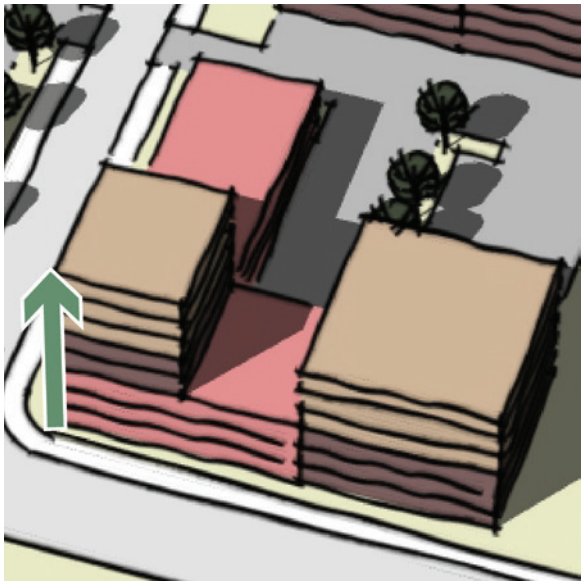
SAINT LOUIS: LIVE-WORK

Rental development in large cities like Saint Louis provide lessons that could be imported by smaller cities like Kearney. Rental housing does not have to be in apartment complexes. New approaches to housing can combine living and working spaces to attract young people and create opportunities for greater economic activity.





Horizontal Mixed Use



Vertical Mixed Use



Vertical Mixed Use Example in Brookings, South Dakota

Mixed use buildings (vertical and horizontal mixed use)

Many residents including young adults, young families, and active seniors prefer housing options that do not require significant maintenance or yard-work in a location that is close to the places where they want to be such as business districts, libraries, universities, and parks. A mixed use building (primarily vertical mixed-use) or a mixed use development (primarily horizontal mixed use), affords its residents the opportunity to live near shops, in a relatively dense and walkable environment, without the burden of a lawn. In many cases, commercial districts permit residential dwellings above shops (vertical) or situated along side commercial uses (horizontal) but there are several ways to integrate a mix of uses in a development:

- a zoning district that permits both residential and commercial land uses, often a commercial district which permits residential because it is a less intensive land use; or
- a zoning district that permits commercial on the main floor of the structure and limits residential to the upper floors only; or
- a series of traditional zoning districts located adjacent to one another to prescribe the transition between land uses. In practice, this could be a neighborhood commercial district located at the intersection of arterial or collector streets, with medium density residential radiating from the commercial, and transitioning into a lower density residential neighborhood; to leverage the benefit of the mixed land uses, this should include a robust system of sidewalks and trails to comfortably connect residents to the neighborhood commercial center.

Affordable Equity Housing

New owner-occupied housing can upgrade the city's housing stock by attracting new households looking to build equity in the city. Young households need this housing stock to build equity to be able to purchase a move-up home later or to simply build their financial stability. New housing may be built either in existing subdivisions or on infill lots within built-up areas. Infill sites should be clustered in redevelopment areas, as discussed below. Components of these projects may include:

- A local housing trust fund may provide recoverable, front-end funding for such items as project design;
- Dollars form the Nebraska Affordable Housing Trust fund, which may now be used for demolition associated with redevelopment projects;
- The not-for-profit housing developer could, potentially, serve as the master developer and contract with private builders for home construction;
- The lending consortium providing interim financing to support the project

- Realtors may also participate by reducing commissions on selected projects.

Potential target markets for new affordable units may include younger households, people with stable incomes, and empty-nesters looking to downsize.

Rent-to-Own (CROWN). Rent-to-own projects provide a middle-ground approach between ownership and rental occupancy, giving new residents who cannot afford homeownership at present an avenue to build equity in a community. In the rent-to-own program, a portion of the family's rent is placed in an escrow account for a future downpayment. At the end of a specific period, the residents can then use the accumulated downpayment escrow to purchase either a new house or an existing unit. Rent-to-own programs have the advantage of providing rental housing to residents, while incorporating aspects of owner-occupancy. Many communities in Nebraska have worked together with developers that specialize in or are familiar with this type of product to share project financing.

Purchase/Rehab/Resale. In this program, houses are acquired and sold in a rehabilitated or "turnkey" state to owner-occupants. It recognizes the limited number of prospective buyers who want to carry out a major home rehabilitation project. This program works best when candidate houses can be purchased at relatively low cost. Under the program, a development corporation purchases existing houses, rehabilitates them, and resells them to new home-buyers. The lending community may participate cooperatively in this effort by providing interim financing. Mortgage financing for low- and moderate-income buyers may be assisted by CDBG or HOME "soft-second" loans. Realtors may also participate by reducing commissions on selected projects.

By using local dollars, the development corporation may be able to target those dollars to households at or above the area median income. These households are much more likely to be bankable and based on realtor input have the hardest time finding quality housing. There may also be the opportunity to expand the number of houses eligible for the program.

Lot Development. The creation of affordable residential development lots is essential to providing housing at lower price-points in Kearney. As discussed in previous sections, the impact of affordable lot creation is two-fold: first, affordable lots allow owners and developers to create units that are more affordable than otherwise possible; and second, the construction of new homes allows current homeowners to 'move-up' within the housing market thus opening-up additional workforce housing.

The development of affordable residential lots often requires financial assistance to reduce the cost of lot development that would need to be passed along to the developer or home buyer. Options for affordable lot development may include the use of tax increment financing or general funds to front-end the cost of lot development, the use of city labor for lot development, or builder incentives to encourage private developers to develop affordable lots.

In Kearney, many of the lots that are on the market are developed and owned by construction companies who act as the exclusive builders for the project. As such, the lots are priced at market rate (rather than the cost of producing the lot) which, due to limited supply and high demand, is greater than many residents can afford. It may be appropriate for the not-for-profit housing developer to generate a limited number of lots each year, to sell them only slightly above production cost, and to allow the home-buyers to select a contractor to build their affordable unit.

Home-buyer Education. Many home-buyers and homeowners do not understand the basics of owning, maintaining, and financing their homes. Several organizations in the region already provide financial education classes, as it relates to home ownership. These classes should continue and possibly expand with an incentive program for attending the class. Lending agencies and the city may consider waiving fees upon completion of the classes. In the case of the city, a waiver of reconnection fees may be given upon completion of a financial literacy class. Participation in a home-buyer education class can be required for individuals participating in assorted housing assistance programs.

Affordable Rental Housing

Demand for rental housing in Kearney crosses all income ranges and population groups including students, families, and seniors. While Kearney has recently seen a significant number of rental units produced at higher price-points, there remains a pent-up demand for lower price units. The new high-end rental units filled quickly have remained fully occupied and likely caused an increase in the number of rental units; this is a question of absorption into the market rather than saturation. In time, the supply and demand of rental units will balance so the quality of the unit relates directly to the rent.

New rental housing and owner-occupied attached units should include market-rate rentals for professionals, workforce housing, housing for people with urgent needs in the lowest incomes, and seniors interested in downsizing. All of these options should expand the mix of housing choices in Kearney. Funding sources such as a lending consortium and housing trust fund can be used to develop new inventory, and tax credits may be employed to address the needs of lower income households. Tax Increment Financing, CDBG/HOME funds, and tax credits can also help create affordable multi-family housing. The housing partnership and lending consortium should be active participants in the financing of multi-family and mixed-income housing developments by distributing the risk of projects across several lenders. Mixed-income should be a key component of these projects, avoiding the creation of lower-income enclaves where stereo-types and misconceptions often develop. Additionally, the need for rental housing covers a broad range of incomes and projects should reflect this demand.

Neighborhood Reinvestment

Kearney has an excellent housing stock and high quality older neighborhoods. To protect and sustain the city's stock of older housing (an important affordable housing resource) and use existing infrastructure in the most efficient manner, Kearney should implement conservation and reinvestment programs.

Land Assembly. One of the biggest hurdles to transformative infill development is the assembly of real estate. Most developers do not have the capital, time, resources, or inclination to assemble lots from multiple property owners. Using the strategy areas identified in Chapter 3, communities and/or the development corporation should assemble lots in the most strategic way possible. Infill sites should be located in areas that are substantially sound and attractive, albeit older, neighborhoods that will sustain and benefit from the higher cost of new construction. Ideal infill sites are clustered together, giving a new development project the critical mass necessary to provide security for buyers and increase values in the surrounding neighborhood. An infill program may include the following components:

- A geographic inventory of vacant lots and deteriorated houses completed by each of the communities. This will assist the development company and city in defining target sites for new construction
- An aggressive program to acquire and demolish houses that are so deteriorated that rehabilitation is not feasible
- Negotiation with property owners to acquire targeted vacant lots
- In areas with a concentration of infill sites, preparation of a redevelopment plan that can guide developers and builders. For larger redevelopment projects, the community can also solicit proposals for a master developer to undertake the project.
- Where a concentration of contiguous infill sites cannot be found, the resources of multiple partners and programs can be applied to make a scattered site redevelopment appealing to a developer looking to use their resources to build more than one unit at a time.

Free or Reduced Infill Development Lots. Communities and not-for-profits organizations regularly have the opportunity to acquire property through estate gifts, tax delinquency, or property liens. While these surplus land assets must be maintained, these resources can be used as an incentive to encourage new housing development.

By offering free or discounted lots for new development, the total development cost is significantly less than in greenfield development and the city reaps the benefit of using its existing infrastructure while also directing investment to help stabilize existing neighborhoods. For strategic locations of the city, the community may choose to acquire multiple parcels to allow for a larger development project with greater impact. It may be appropriate to support the redevelopment of infill lots by using micro-tax increment financing.



Neighborhood Conservation

Neighborhood conservation programs should strengthen neighborhoods, the housing stock, and create an environment of reinvestment. A comprehensive approach should eliminate substandard housing and create an atmosphere of property reinvestment. Generally speaking this atmosphere and pride of ownership exists in most neighborhoods but there are pockets of disinvestment around the county.

Kearney should continue to leverage all opportunities and programs in place to support the conservation of both owner and renter occupied units. While programs targeted to conserve existing housing stock can be difficult to implement because they require outreach, inspections, and coordination with individual property owners, they are important for the following reasons:

- many owners do not have the financial means to maintain their homes.
- the existing housing stock is the greatest source of affordable housing in the entire city and, therefore, should be preserved.
- without these programs, many existing homes will continue to suffer deferred maintenance and disrepair
- single blighted properties tend to deter other private investment in the neighborhood.

Owner Assistance

A coordinated rehabilitation strategy should be operated on a reliable, multi-year basis. A rehabilitation program, appropriate to the respective needs of individual communities, may include:

Emergency Repair Program. For very low-income residents, an emergency repair program should be established. This type of program is usually funded through Community Development Block Grant (CDBG) funds in the form of grants or forgivable loans. Emergency repair programs are designed to meet critical individual needs, but also to keep viable housing from deteriorating further. Thus, when funds are limited, assistance should be focused on fundamentally sound structures.

Direct rehabilitation loan program. A loan and forgivable loan program that could be fused in Kearney. This program is most appropriate to low-income homeowners who are not otherwise bankable. These efforts should generally be focused in strategic areas where loans support other area investments, such as substantial infill development.

Acquisition/rehab/resale programs. As discussed on page 75, a purchase/rehabilitation/resale program is particularly useful in adapting older houses. Several development corporations have extensive experience with this type of program, including Wayne (Nebraska) Community Housing Development Corporation, who could provide guidance on these programs.

SCHUYLER, NE: EMPLOYEE HOUSING DEVELOPMENT AND RESIDENCE INCENTIVE

The Colfax County School District adopted a Workforce Housing Initiative Pilot Program (WHIPP) to reinforce their commitment to the philosophy that employees should reside within the community they work. This philosophy recognizes the mutual benefits to the organization (increased retention), the community (additional residents), and the employee (increased stability and decreased transportation costs). In addition to developing new single family homes, the WHIPP offers the following incentives to employees to rent or buy the new housing units:

- Eligibility for a $1,000 bonus to employees moving into the district and the following:
  - Home Renter subsidy of $1,000 annually for a maximum of five years; or
  - Home Owner (Option 1) subsidy of $2,000 annually for a maximum of five years; or
  - Home Owner (Option 2) lump sum subsidy of $10,000 for downpayment and closing costs on a WHIPP approved home.

Rental Rehabilitation

The cities should also consider a rehabilitation program focused on rental properties that provides leveraged loans combined with code enforcement. With limited (complaint-driven) code enforcement and a tight rental market there is often no incentive for rental property owners to make improvements. A large share of the rental market is found in small single-family homes. These homes tend to be some of the oldest housing and the least energy efficient units. This program provides financing for the improvement of sound rental properties in need of rehabilitation.

Rental rehabilitation must include housing code enforcement to ensure that units meet minimum housing standards. The reluctance of tenants to file complaints can seriously hamper effective life-safety enforcement. Some communities have instituted rental registration or licensing programs. These programs apply to all rental units, exclusive of type or cost. Here, all rental units must register to be certified for occupancy. Registration requires a life-safety inspection and compliance with minimum standards. The potential of loss of revenue, combined with available financing, can induce participation by property owners in this type of program. These programs can be effective, but are staff-intensive and must be administered to avoid displacing low-income households. The issues of cost and staffing may be addressed by several communities coming together to share staff and resources.

Mechanically, the foundation of a rental rehabilitation program should be private financing. An individual institution or development corporation, acting as a referral agency, may take a leading role in marketing the availability of rehabilitation loans to small rental property owners. Working with its housing partners, the city could provide blended loans when some form of subsidy is needed.

Builder Capacity and Workforce Development

Workforce development. Workforce development is a significant issue across many industries and the building trades are no different. As part of the work already being done around workforce development, a program should be designed and implemented to train the next generation of professionals and craftspeople for the building trades.

"Leadership transition" should also be a component of this program. Many of the city's current builders and specialty trades people are nearing their retirement years with well-established businesses and no one to sell or hand-off their business to. Through small business loans, young crafts-people can purchase an established business and the retiree can capture the equity that they have built into their business over the years. The workforce development program should market the career satisfaction and economic rewards that the construction industry offers young people. Partners in the program may include:

- Area School Districts. Many school districts over the years

WEBSTER CITY, IOWA: SUBDIVISION DEVELOPMENT

Needing home-sites and faced with a lack of interested or capable developers, Webster City developed the highly successful Brewer Creek Estates subdivision as a city project. The existing lots are almost fully built out and the city is looking to expand the development.



DODGE CITY, KANSAS: INFRASTRUCTURE DEVELOPMENT

Dodge City has successfully used a Kansas program called Rural Housing Incentive District to develop infrastructure without relying entirely on private financing or special assessment. Structured much like a TIF district, it reduces the lot cost and has been an essential tool for development of lots and housing in general for Dodge City.



have moved away from traditional building trade classes and focused more on college preparation. With the demand for skilled trades people this trend is changing but will need support from the broader community. Working with the school districts, programs should be put in place that include architecture and drawing, focused on English/communication and math learning, construction skills, and business education.

- The Building Community. Through internship programs students can learn first-hand experience. An introduction session may need to be developed that prepares students for their internships to create an asset to the builders rather than a burden.

Recruitment of Developers. As demonstrated in the market analysis, it appears that there is significant pent-up demand for housing in addition to a strong base demand for new housing construction. This demand includes a variety of housing types ranging from single family detached units to multi-family developments. A component of workforce development may include the recruitment of builders to focus on products and price-points that are not currently being met by the development community. Builders and developers can be recruited through the adoption of builder incentives for contractors who choose to build units in Kearney.

Residential Lot Development

The policies and strategies for lot development is directly impacted by a community's lot absorption rate. For a city like Kearney where more units are constructed annually and therefore lots can be absorbed more quickly, lot development is typically not a major financial risk. However, when lot development is driven by the development community, as it is in Kearney, the stock of affordable lots can be an issue. This is not the fault of the developer as they are for-profit businesses needing to recover their costs for infrastructure design and development.

The supply of affordable lots in Kearney is a challenge to the overall housing market. The shortage of affordable options limits the opportunity for buyers to move-up within the market, this shortage results in households remaining in their homes longer than typical which stagnates the economy and makes it difficult for new buyers to enter the market. The challenge is primarily one of supply and affordability in which the small number of lots being developed often begin at roughly $45,000. In the final sale price of the home, the cost of lot development (including streets, sewers, and stormwater infrastructure) must be factored into the final price. The higher the cost of creating the lot, the greater the subsidy on the actual construction of the house would need to be. One of the most effective ways to reduce the final price of homes in new development is to bring down the cost of the lots.

As described previously in this study, the rate of construction in Kearney must increase to support the economy and continued population growth. The redevelopment of infill lots can be an effective way of reducing the cost of development while also having the effect of helping to improve existing neighborhoods. The initial development costs of these lots have long been recuperated through property taxes. However, variety is also needed in any healthy market. In addition to assembling infill lots and facilitating development, as discussed, the city may partner with a private developer or development corporation to develop more affordable lots.

Potential programs or approaches include:

- Infrastructure investments for a share of costs. The public share might be from 30% to 50% of construction cost. For Kearney, the city and its partners should require that units on these lots fall within targeted price points that provide moderate priced entry level housing. Repayment is derived from the added property taxes created by new development.
- Special Assessments. In many communities, special assessments are used to finance infrastructure. While assessments reduce the initial purchase price of the house, they are repaid through monthly payments, and therefore add to the monthly and overall cost of the house.
- Subordinate payments. Here, the city front-ends a portion of public improvements, repaid over a longer period through a second mortgage on the property. This reduces payments over special assessments by extending the loan term and reducing the principal.
- Deferred payment. Here the city finances the infrastructure as a deferred loan. The infrastructure loan is paid back upon sale of the house. The repayment represents the same percentage of the sale proceeds that the initial infrastructure loan made up of the original price.
- Grants. Grants from the Federal Home Loan Bank, USDA, or state-administered Federal programs such as CDBG or HOME can also help with infrastructure financing. It should be noted that the funds are often highly competitive.

CONCLUSION

A balanced approach is needed to bring positive change to the housing market to position Kearney to better serve its present and future populations. Without intervention from the city and its partners, the housing market will continue to be less affordable and the growth of the economy will suffer as a result. The housing study recommends the following actions:

- A housing partnership should be assembled under the leadership of a not-for-profit housing developer. Through cooperation, it is possible for the many organizations impacted by the housing market to work toward improvement.
- An array of funding mechanisms should be assembled and applied, individually and in concert, to support housing projects and programs.
- A balanced approach of programs and projects designed to accomplish the strategic housing goals. These may include:
  - Demonstration projects to test concepts and products in the open market. Programs to encourage developers to generate affordable lots, homes, or to incorporate innovative practices such as including public amenities.
  - Programs to assist with affordable lot development, affordable unit development, owner and rental unit rehabilitation, and infill redevelopment projects.
  - Programs to increase the capacity of builders and developers and their aptitude to operate in different price-points and housing products.
  - A thoughtful review of emerging development trends and the removal of barriers for affordable housing and neighborhood development.

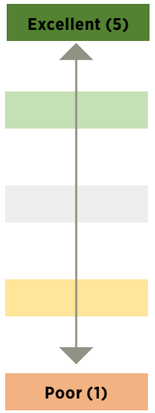
APPENDIX

Supplemental Research and Materials

The Kearney Housing Study took more than six months to create, countless contributions by residents and stakeholders, and a diverse array of data sources. Regrettably, not everything could be included in the Housing Study but more information can be found in this appendix for those so inclined.

COMMUNITY SURVEY

We asked "on a scale of 1-5 (1 being poor and 5 being excellent), how would you rate Kearney on the following topics?"



RESPONSES BY INCOME BREAKS

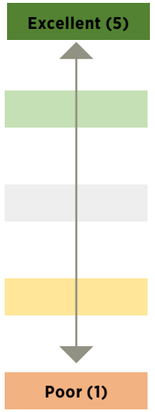


RESPONSES BY AGE AND STUDENT STATUS

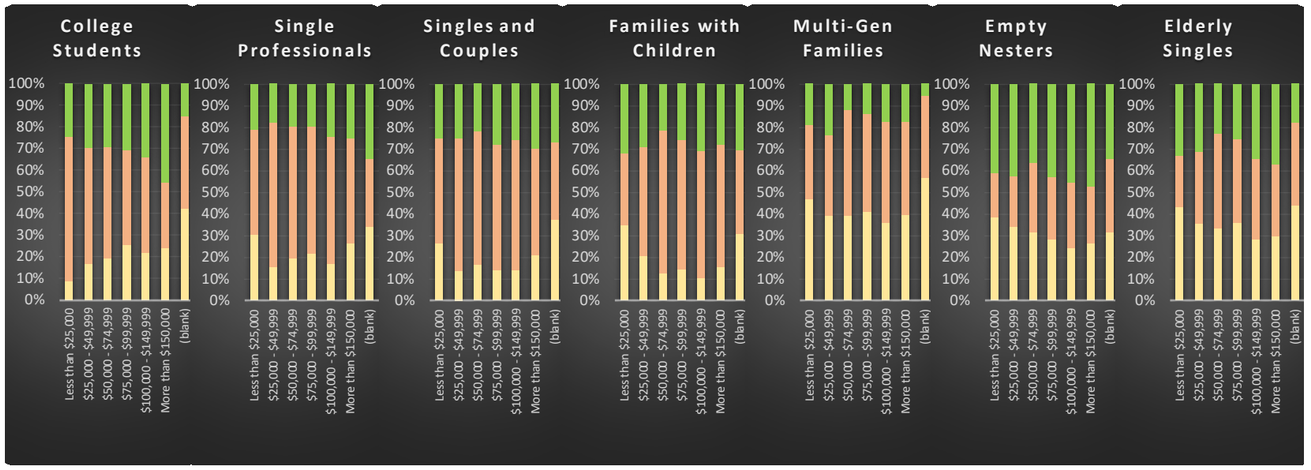


COMMUNITY SURVEY

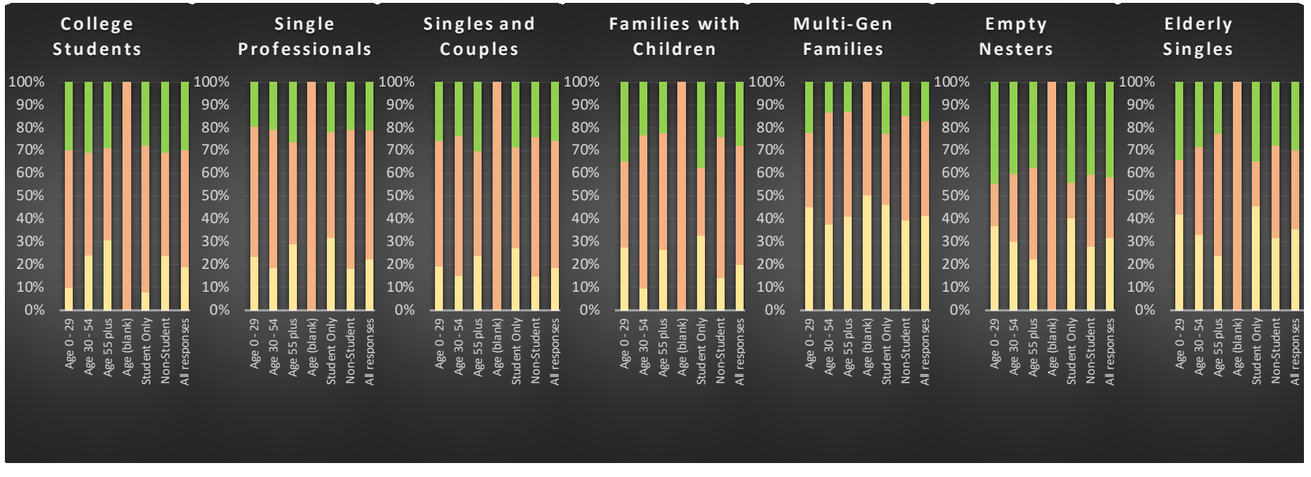
We asked "Do you believe that the current housing market adequately meets the needs of the following households in Kearney? (Please check yes or no for each)"



RESPONSES BY INCOME BREAKS



RESPONSES BY AGE AND STUDENT STATUS



COMMUNITY SURVEY

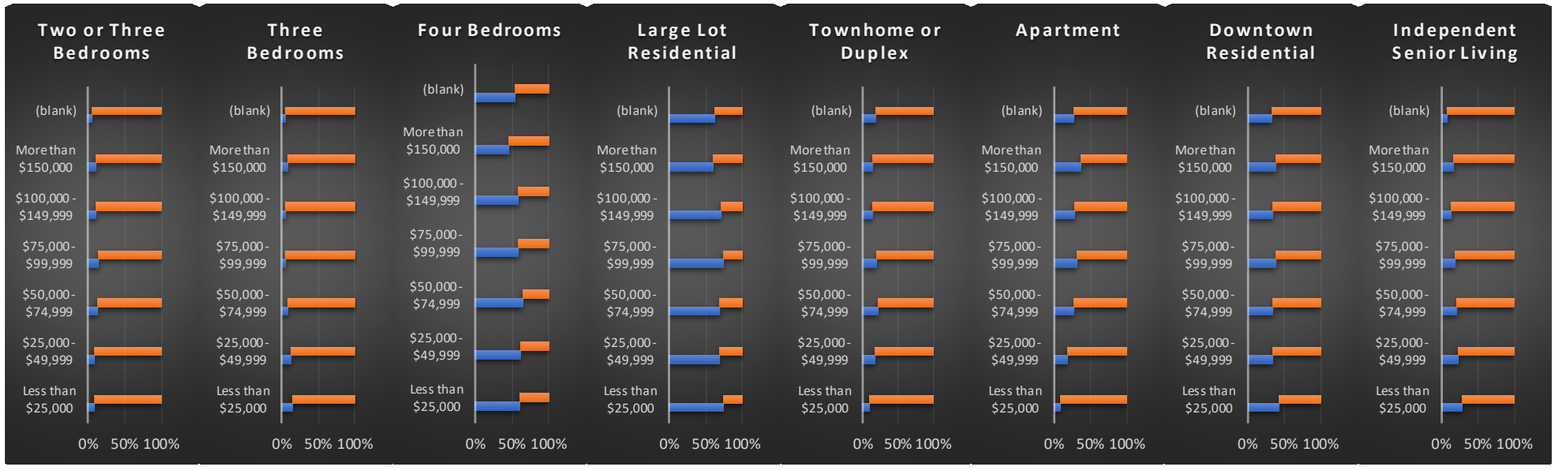
We asked "what new housing products do you think would be successful in Kearney today?"

Would the housing product be successful in Kearney today?

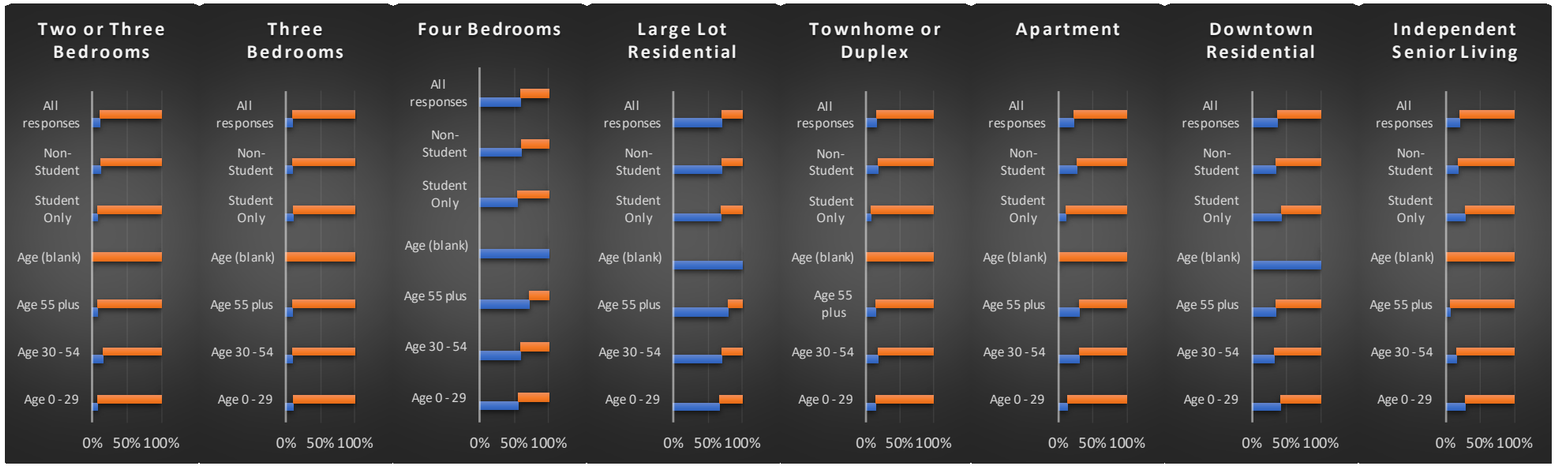
Yes

No

RESPONSES BY INCOME BREAKS



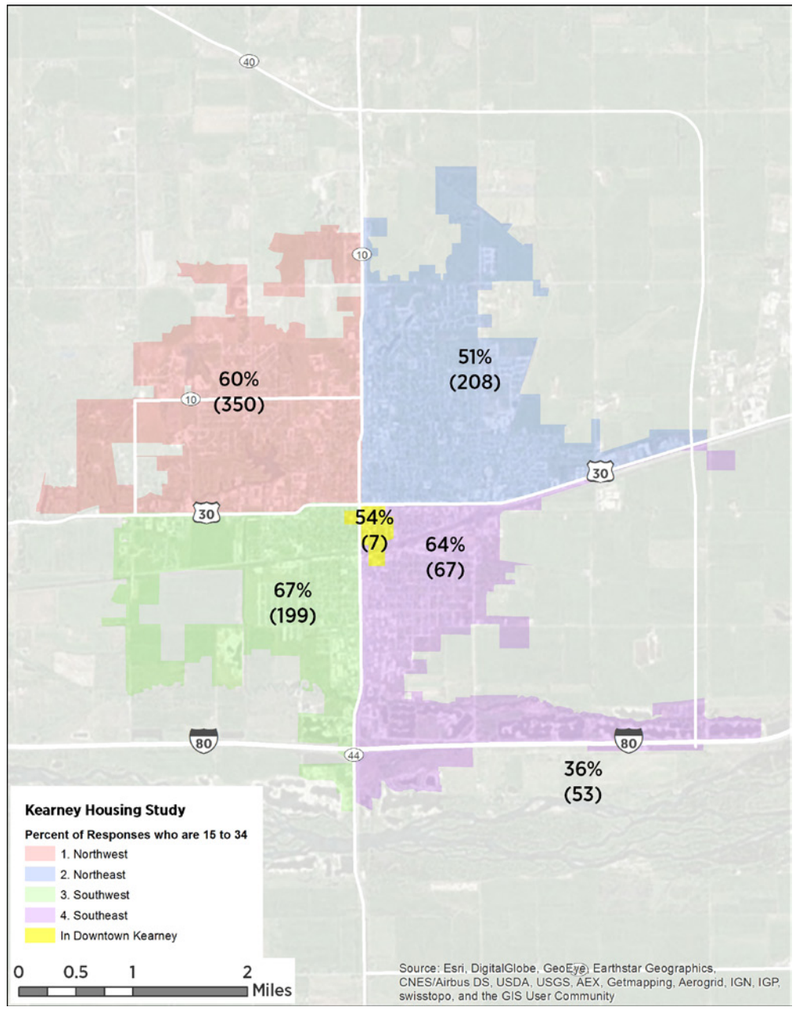
RESPONSES BY AGE AND STUDENT STATUS

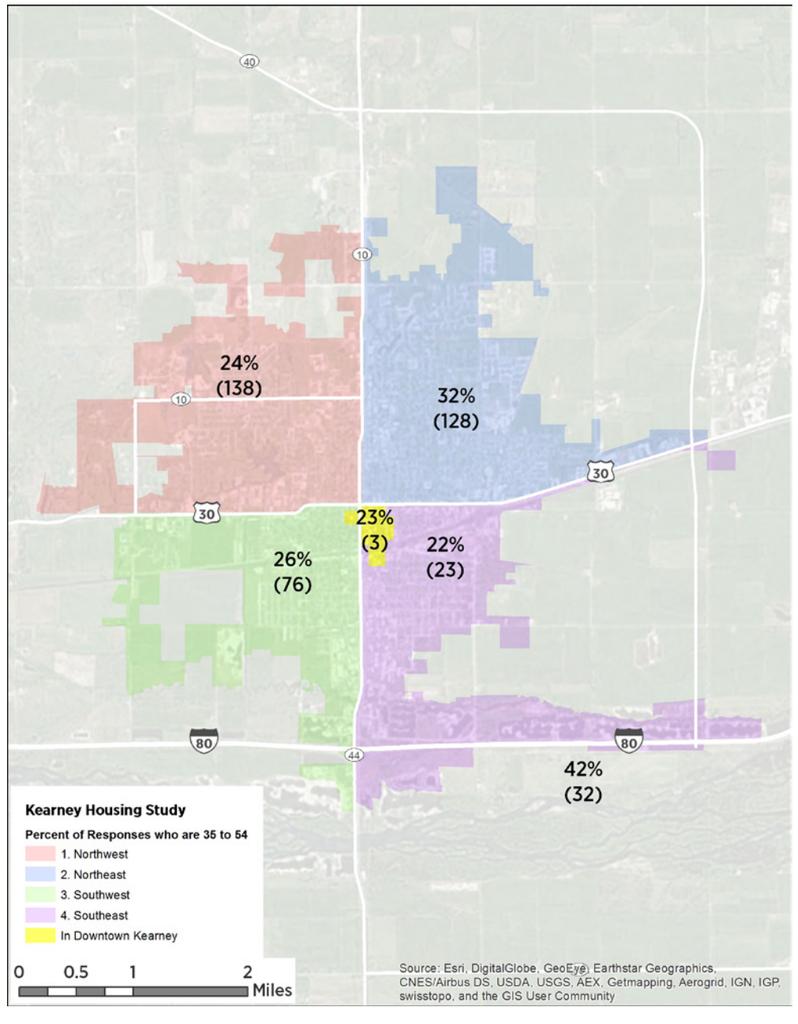


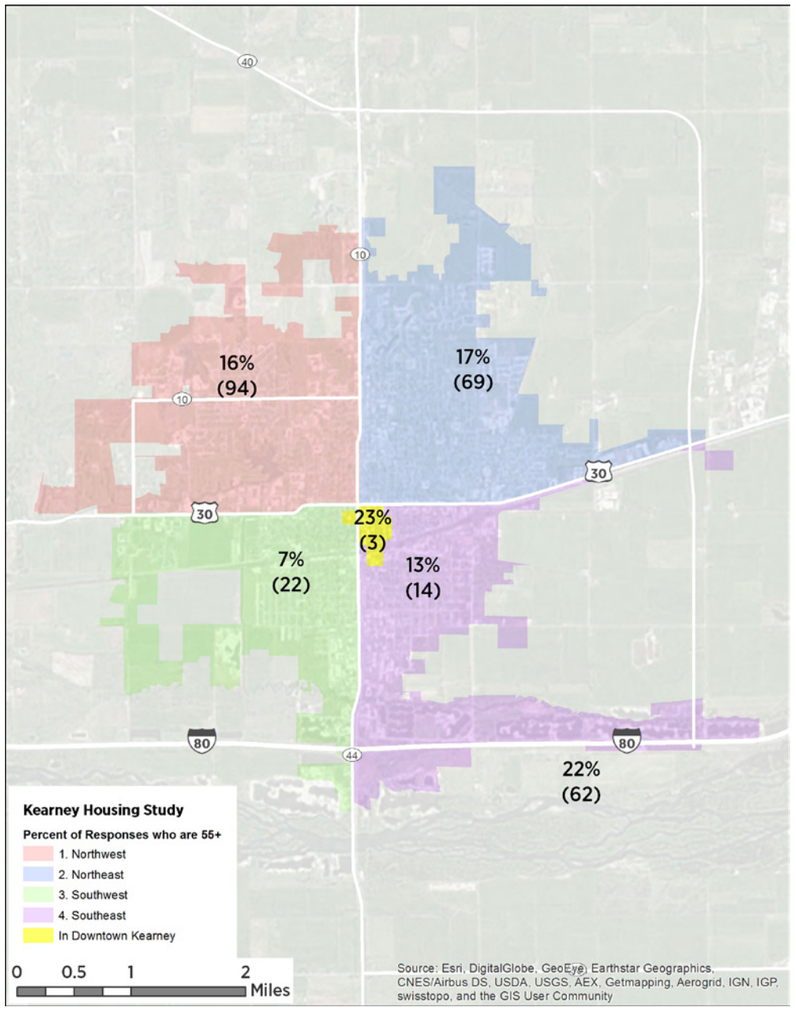


COMMUNITY SURVEY

We asked "in which part of Kearney do you reside?" This analysis examines the age of the respondent by the location of their residence

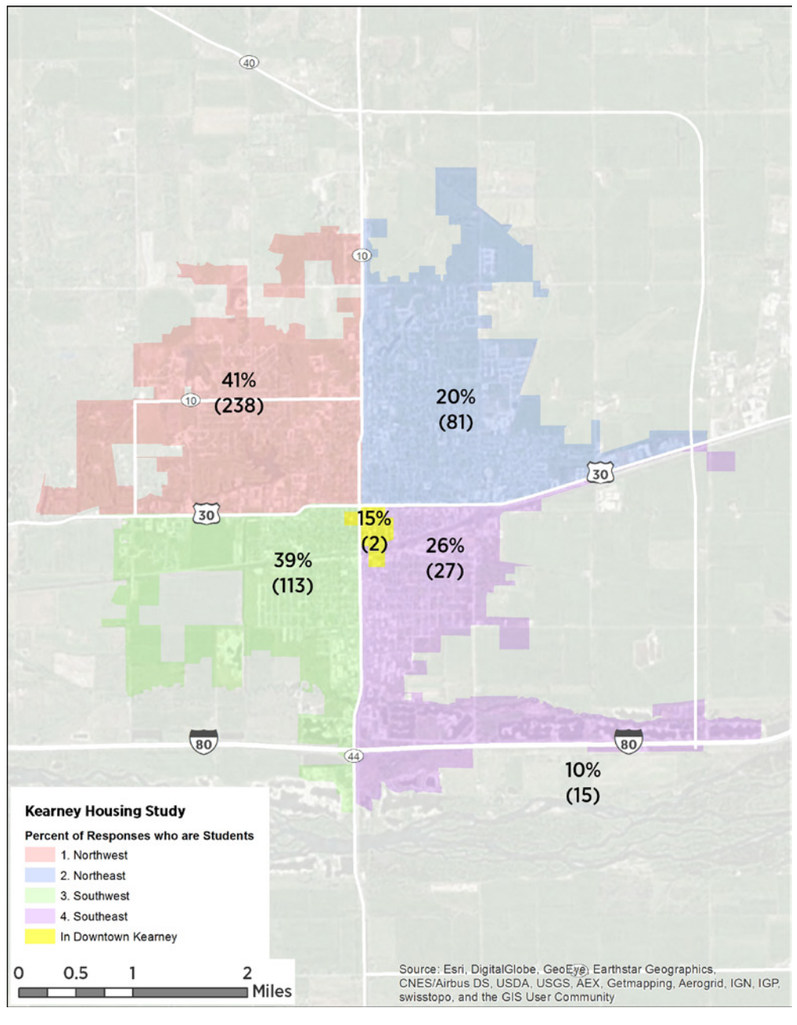


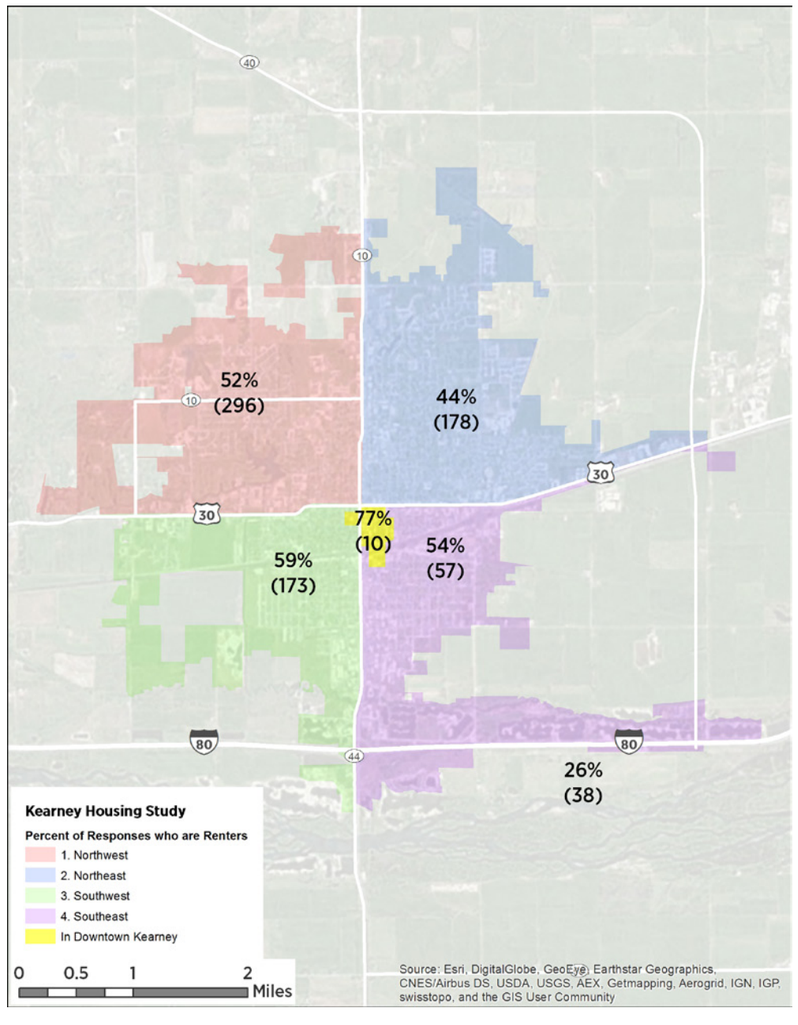




COMMUNITY SURVEY

We asked "in which part of Kearney do you reside?" This analysis examines respondent characteristics (student status and renters) by the location of their residence.





Policy Review – Emerging Trends and Opportunities

The form and focus of how development occurs is based on several converging factors: desire and comfort of private market developers with a certain product; the desire and comfort of renters, homebuyers, and other constituents; and finally, the city regulations and guidelines that govern the development that occurs.

- Desire and comfort of developers. In a market that revolves around the need to create profit from each square foot of land, the development community is governed by the laws of risk. In practice, this generally translates to a preference for known-risks rather than unknown ventures. In Kearney, the known entity (known-risk) is high-end, ranch homes, on wide streets and it is difficult to shift this preference without a demonstration project to illustrate market demand.

- Desire and comfort of renters and homebuyers. Much like the development community, the renters and buyers in the housing market exhibit their own desires and comforts. In addition to a level of reality, the fear of these perceptions often influence the risks that the development community are willing to take. According to the survey and participants in the focus group meetings, residents of Kearney have a strong appetite for small and affordable options including single-family homes, apartments, duplexes, and townhomes.

- City regulations and development guidelines.

- Traditionally, cities apply zoning and other prescriptive regulations to govern the way land is used and developed.

Several approaches to development guidelines and land use regulations will set the stage for housing development that meets the needs in Kearney.

Explore Additional Opportunities

As discussed throughout this study, affordability rises as the primary concern for incoming residents. Several alternative housing options to typical single-family development should be examined. These include:

- Accessory Dwelling Units (ADUs) – ADUs are residential dwelling units located on the same lot as a single-family house. Typically, the additional unit is located above or within a garage and has a separate entrance and facilities. These are options for young people before moving out and seniors looking to downsize or needing routine assistance from a family member. Other development standards associated with ADUs would ensure they do not adversely impact characteristics of existing neighborhoods by allowing two single residential uses on one lot.

- Live-Work Dwellings – Different from a typical mixed-use building where residential is secondary to a commercial use, perhaps on upper stories, live-work dwellings are residential buildings that include space devoted to an occupation. The space is separated from the residential use and the owner of the business lives in the dwelling. The concept is similar to a home occupation but allows more variety in commercial uses. While not a solution to housing shortages, live-work dwellings provide a way to reduce expenses associated with having two buildings for living and working.

- Manufactured Dwellings – Kearney allows manufactured homes in all residential districts. These homes are essentially the same as homes built on site and should continue to be allowed and with the same review standards as other residential uses.

- Elder Group homes allowed outside of Planned Developments. – Explore opportunities for elderly or retirement housing in addition to “retirement residence” which is currently allowed. Meant for fewer residents, an elderly housing use would be separate from the current retirement residence use and allowed in more districts. Location could be within a single-family, attached, or multi-family residence where the owner provides routine care common to the elderly. This provides more affordable options for seniors versus large scale retirement/assisted facilities that offer services not all seniors need or require large capital investments and review processes for developers.

Flexibility for Infill Development

The comprehensive plan projects that vacant lots in Kearney could accommodate two years of projected population growth. This can be significant for developers who do not want to proceed through a 45-60 day process for subdivision approval. Development standards such as setbacks and building coverage are necessary regulations to ensure safe buildings and quality neighborhoods. However, there are times when these standards are excessive and make existing lots difficult to build on. Appropriate flexibility for housing construction on vacant lots can be incorporated within the zoning ordinance through targeted exceptions.

- Administrative Exception Procedure - Although non-conforming lots and buildings were not expressed to be a primary factor limiting housing development, many developers still request deviations from code requirements through the Planned Development process. Other minor setback adjustments are allowed by right for a variety of situations. In addition to current exceptions, an administrative exception procedure would allow exceptions to setback, building coverage, parking or other development standards for individual lots that have unique circumstances beyond a typical lot. Exceptions could be percentage based (for example, 15% increase/reduction in code requirements) subject to compliance with site and context criteria and notification to adjacent properties. This administrative process reduces the time and intimidation associated with requesting a Planned Development and also creates flexibility to accommodate unique circumstances where exceptions would not adversely affect neighboring properties.

- Alternative "by-right" standards – Another approach is codifying alternative standards like the City already does for several situations such as front setback averaging to match other building on block. Other exceptions could include reductions in front setbacks when the garage is behind the house or reductions in rear or side yard setbacks that abut permanent open spaces or easements where development will not occur.

Efficient Subdivision Development

Infill development will not sustain continued growth in Kearney or provide all varieties of housing types for a diverse market. New construction and neighborhoods on undeveloped land allow residents to "move up" to homes that meet their income level to open up the existing housing stock for other buyers. However, subdivision design requires careful consideration for future generations and costs to the city.

- Infrastructure Expansion – New subdivisions require new roads and utilities that connect to existing infrastructure in Kearney. Areas for new housing growth should happen in locations that do not require long extensions of water and sewer to connect with existing lines. Utilities are a significant cost for the city if not shared with developers. If a developer pays the costs, the cost simply gets passed onto buyers through higher lot and home prices. Policies for compact development maximizes local infrastructure investment, creates more connected neighborhoods, and reduces travel times.

- Large Lot Development – Similar to considerations for infrastructure expansion, large lot subdivisions increase infrastructure requirements per house, increases lot prices, and can lead to disconnected neighborhoods that do not contribute to the character of the community. The future land use map and comprehensive plan can help guide decision making for new growth areas to match appropriate zoning requirements and subdivision design to limit large lot development for appropriate areas. For example, allowing larger lots may be appropriate where a portion is reserved to protect natural resources or stormwater management.

District Requirements

Adjustment to standards within zoning districts can help reduce time for approval and make the decision to build a variety of housing options an easier choice.

- Consider evaluating and allowing the density bonuses stated in the Traditional Neighborhood Design district "by right" in other appropriate districts such as the R-4 district. Currently, the TND district is unused and most developers choose a Planned Development to achieve the density/deviations they seek. The TND should be updated to contain elements Kearney truly values.

- Allow townhomes to have higher impervious coverage percentages. Townhomes split by property lines do not provide side yards on one side. Therefore, the impacts of higher building coverage are not felt by adjacent properties when setbacks on remaining sides are maintained. For example, porches and decks contribute to the character of the neighborhood and street in higher density districts.

- Consider standards to allow "lot averaging" in new subdivisions versus case-by-case requests through Planned Developments, much like is currently allowed for built-up block faces. The average density standards in the Traditional Neighborhood Design District is a good model where lot averaging allows an average lot width rather than a minimum lot width. This technique allows a mix of lot sizes – small, average, and large – to accommodate different housing types that don't require larger lots and are more affordable.

Development Review

The City should continue to strive for streamlined and simple review processes. Procedures to continue include:

- Continue to conduct preapplication conferences through the Development Review Team. These discussions with developers are important to clarify the goals of the City and code requirements, particularly where criteria are not quantifiable.

- Keep individual site plan review as an administrative approval process unless deviations from code standards are requested. Rezoning ensures the site will comply with the general goals of the comprehensive plan through a public hearing process. It is redundant and unnecessary in most instances to have site plan review go through another one- to two-month process. Staff currently approves these applications (around 10 days) when not done concurrently with a subdivision or rezoning.

- Explore ways to incorporate "by-right" standards into the code.