

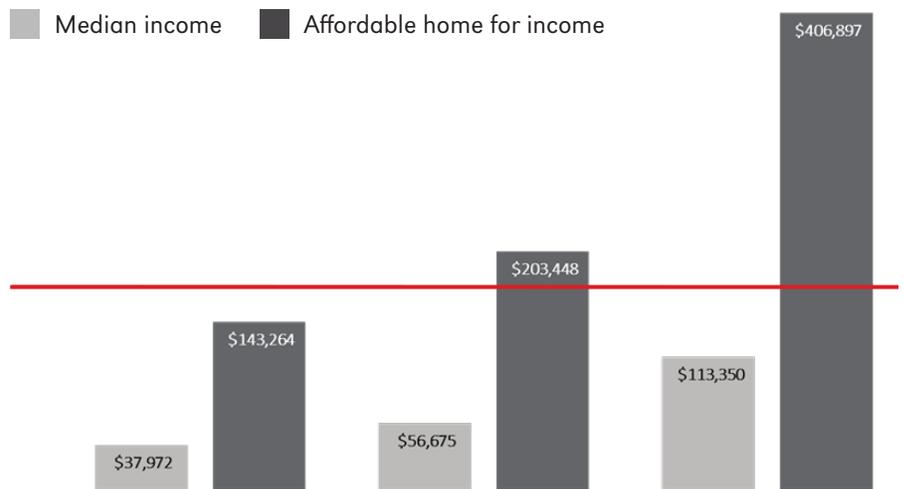
MIDDLE-INCOME HOUSING IN NEBRASKA

Who is the middle class in Nebraska and what home prices can they afford?

- According to the Pew Research Center, “middle income” is 67% to 200% of the median income in the state.¹
- Median income for Nebraska in 2017 is \$56,675.² Thus, the range for middle-income is \$37,972 - \$113,350.³ About 57% of Nebraskans are middle income.⁴
- Using the 28% rule,⁵ the range of housing that a middle-income person can afford is \$143,264 - \$427,653.
- According to Zillow Research, the median home value in Nebraska is \$170,100.⁶

Middle-income or workforce housing projects attempt to close the gap between the cost of housing and what someone that is middle income can afford.⁷ The gap in Nebraska can be seen in Figure 1,⁸ for those on the low end of the range of middle-income.

Figure 1: Median home values in the state are higher than what some in the middle-income range can afford



Why is there a demand for middle-income housing?

Rising home values

- Between 2014 and 2017, median household income in Nebraska increased 8%.⁹
- Over a similar period, median home prices rose 28% (from \$133,300 to \$170,100).¹⁰
- For many communities, median prices are higher than the state median. For example, the median home price in Kearney, Nebraska is \$225,300.¹¹ Other communities have experienced rapid growth in home prices just over the last year, including, North Platte (8.5%)¹² and Columbus (9.3%).¹³
- Another measure of change in housing prices is the All-Transaction Home Price Index (HPI) from the Federal Housing Finance Agency.¹⁴ The average HPI is 251. For 2018, several counties in Nebraska have an above average HPI.

| | | | |
|---------------------|------------------|----------------|----------------|
| Dawson (302.2) | Cheyenne (345.4) | Dakota (307.2) | Saunders (318) |
| Buffalo (348.2) | Madison (378.8) | Douglas (493) | Dodge (392) |
| Scottsbluff (357.1) | Platte (332.2) | Sarpy (446) | |

- High and increasing housing prices can contribute to homeowners and renters paying more for housing than they can afford.
- Typically, a household should not pay 30% or more of their monthly income on housing.
 - In 2017, 20.3% of homeowners and 40.3% of renters in Nebraska paid 30% or more of their income on housing.¹⁵

Low Housing Stock

- Another explanation for the challenge of middle-income housing in Nebraska is low housing inventory.
- 90.8% of housing units (single family or multifamily) are occupied; inversely, 9.2% of housing units are vacant.
- Nationally 12.3% of units are vacant.¹⁶ See Figure 3 for occupancy rates by county.¹⁷

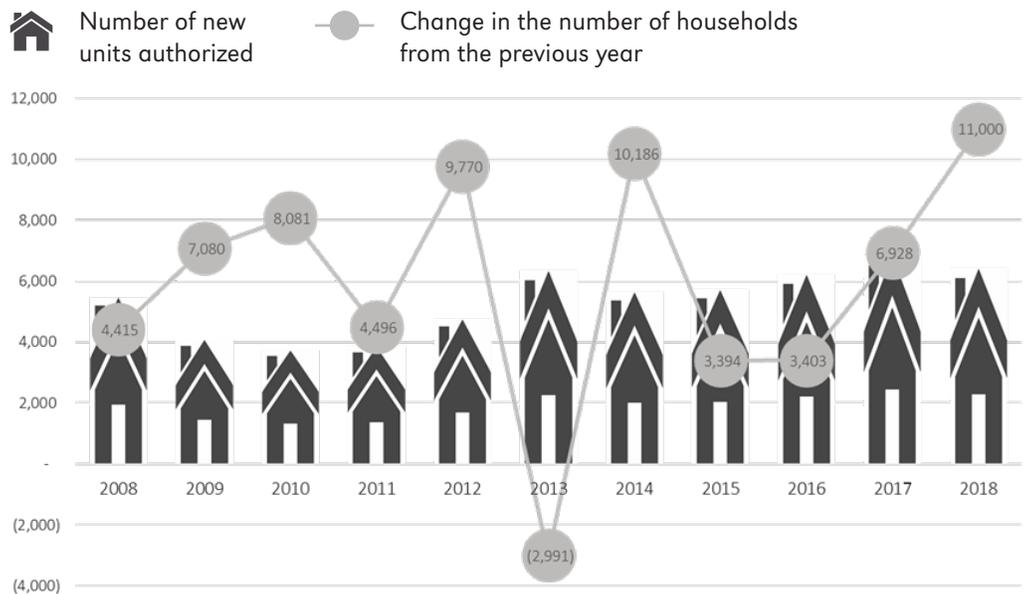
Figure 2, shows the number of new housing units authorized for development¹⁸ throughout the state of Nebraska and the change in number of households from one year to the next. For years 2009, 2010, 2012, 2014, and 2018 fewer homes were built than the number of new households added from the previous year.

According to the Harvard University Joint Center for Housing Studies, “Over the long run, residential construction should exceed

household growth to provide some margin for replacement of older units, demand for second homes, geographic shifts in the population, and a normal amount of vacancies” (pg. 8)¹⁹. Moreover, national data suggests that most new construction has been at the upper-tier of home prices compared to the middle and lower tiers.²⁰

Figure 2: Often, the number of units built in Nebraska is less than the number of additional households in Nebraska.

In 2007, Nebraska had 699,728 households; by 2018, 765,490 households



Policy Option

LB 518 – The Rural Workforce Housing Investment Act

- LB 518 (2017) provided resources from the state’s Affordable Housing Trust Fund to communities across the state to build workforce housing in rural communities.
- The bill defines workforce housing as:
 - Owner-occupied housing that costs no more than \$275,000 to construct.
 - Rental housing units that cost no more than \$200,000 to construct.
 - Units in which rehabilitation costs no more than 50% of the assessed value.
- 14 projects in rural communities across the state were initiated for a total of **\$17.1 million**.
 - \$7 million from the state.
 - A match from all participant communities totaling \$10.1 million, as seen in Figure 4.
- 572 units are being developed as a result of the legislation.
- Using the RIMSII economic impact multipliers from the U.S. Department of Commerce’s Bureau of Economic Analysis, an additional \$10 million spent on residential construction, in the State of Nebraska, produces additional earnings of \$7.4 million for residents of Nebraska and creates an additional 163 jobs in the state.²¹

Conclusion

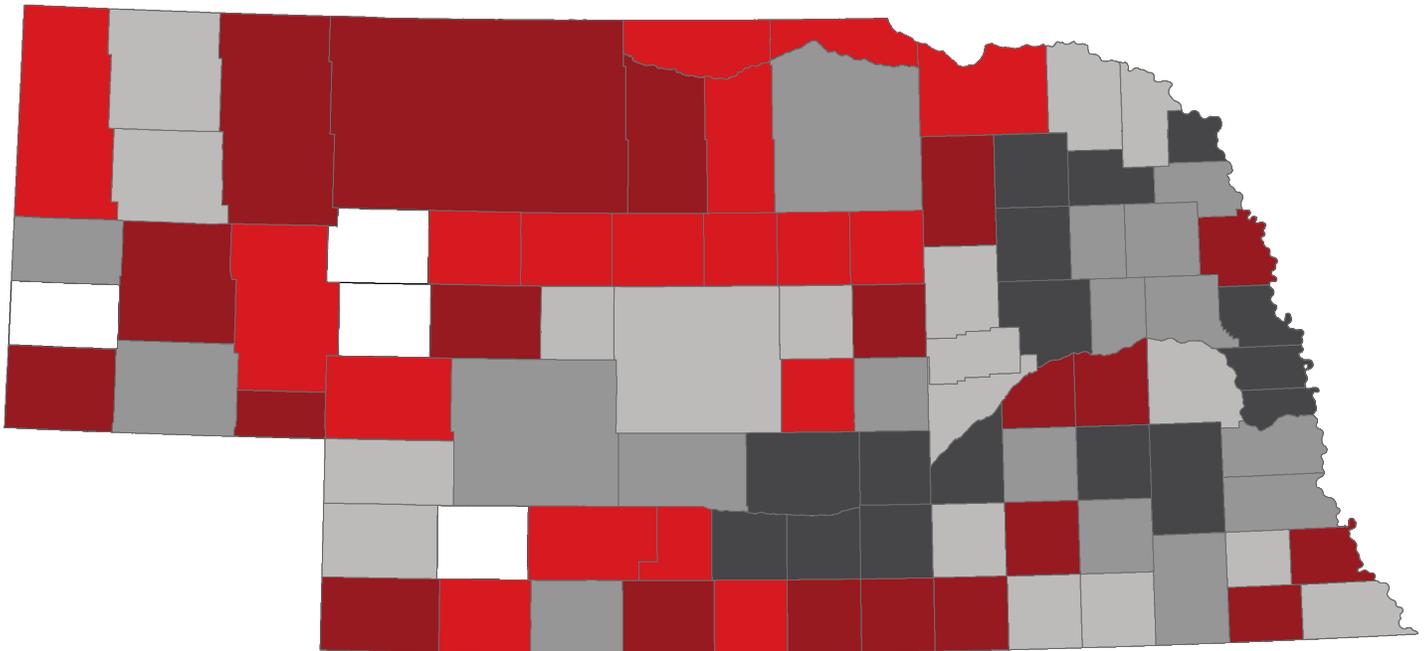
1. Data here shows, that on average,
 - a. some middle income persons are priced out of affordable homes in Nebraska,
 - b. housing prices are rising faster than incomes, and
 - c. inventory of new homes is not on pace with growth in many communities.
2. Both rural and urban areas of Nebraska have a need for middle-income housing.
3. LB 518 created middle-income housing in needed areas throughout the state.

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Figure 3: Percent of housing units that are occupied

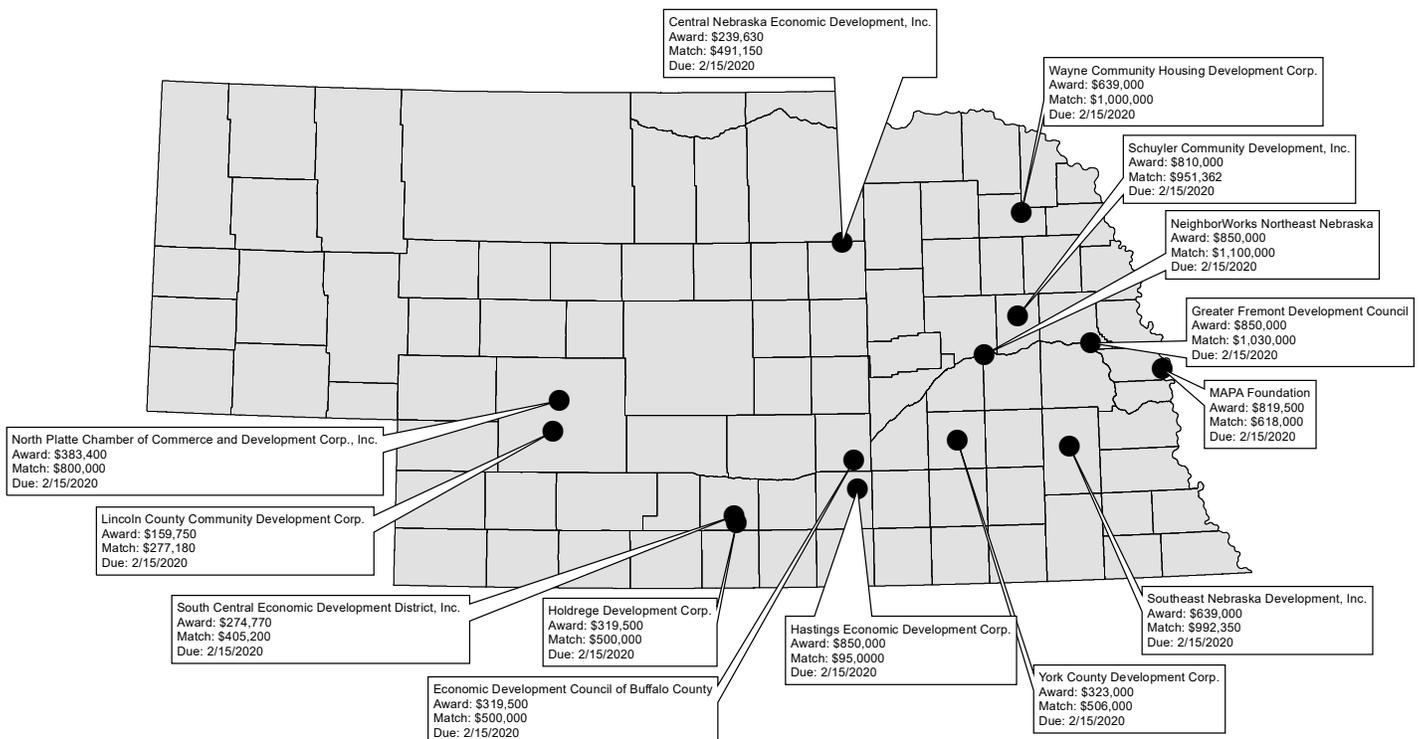
Occupancy rates for 2017 | includes rental and owned | does not account for substandard housing

■ 58.3% - 74.6%
 ■ 74.7% - 83.5%
 ■ 83.6% - 86.5%
 ■ 86.6% - 90.4%
 ■ 90.5% - 95.6%
 data not available



Source: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates: Occupancy rates Universe: Households, 2019

Figure 4: Workforce housing projects initiated by Nebraska Legislative Bill 518



Source: Nebraska Department of Economic Development (2018). Legislative Report. (June 28th 2019). Retrieved from: <https://opportunity.nebraska.gov/wp-content/uploads/2019/06/DED-Annual-Report-FY-2018.pdf>

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Sources:

- ¹Pew Research Center. (2019). Stateline. <https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline>.
- ²U.S. Census Bureau, 2017 American Community Survey 5-Year Estimates: Mean Household Income of Quintiles Universe: Households, 2019.
- ³Calculation by UNO CPAR. These numbers do not account for the number of people in household.
- ⁴Kochhar, R., Fry, R., & Rohal, M. (2016). America's Shrinking Middle Class: A Close Look at Changes Within Metropolitan Areas. Pew Research Center. <https://www.pewsocialtrends.org/2016/05/11/americas-shrinking-middle-class-a-close-look-at-changes-within-metropolitan-areas/>.
- ⁵The calculation for home affordability is based on paying 28% of monthly income on housing, assumes no other debt, a mortgage 20% down and a 6% interest rate.
- ⁶Nebraska Home Prices & Values. (n.d.). <https://www.zillow.com/ne/home-values/>.
- ⁷Brookings. (2019). Workforce housing and middle-income housing subsidies: A primer. <https://www.brookings.edu/blog/up-front/2019/10/29/workforce-housing-and-middle-income-housing-subsidies-a-primer/>.
- ⁸Calculations by UNO CPAR of Zillow Research and U.S. Census Bureau data.
- ⁹U.S. Census Bureau. 2013-2017 American Community Survey 5-Year Estimates: Mean Household Income of Quintiles Universe: Households, 2019.
- ¹⁰Zillow Research: Home Prices & Values. (n.d.). <https://www.zillow.com/ne/home-values/>/<https://www.zillow.com/research/data/>. Calculations by UNO CPAR.
- ¹¹Kearney Home Prices & Values. (n.d.). <https://www.zillow.com/kearney-ne/home-values/>.
- ¹²North Platte Home Prices & Values. (n.d.). <https://www.zillow.com/north-platte-ne/home-values/>.
- ¹³Columbus Home Prices & Values. (n.d.). <https://www.zillow.com/columbus-ne/home-values/>.
- ¹⁴Federal Housing Finance Agency, House Price Index. (2019). <https://www.fhfa.gov/DataTools/Downloads/Pages/House-Price-Index.aspx>. There is no data for several Nebraska counties.
- ¹⁵U.S. Census Bureau, American Community Survey 5-year Estimates: Selected Housing Characteristics. Universe: Households.
- ¹⁶U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates: Occupancy Rates Universe: Households, 2019. Occupancy rates do not take into account substandard housing that cannot or should not be inhabited.
- ¹⁷U.S. Census Bureau, American Community Survey 1-year estimates: Table B11001, Household type Universe: Households, 2007-2018.
- ¹⁸U.S. Census Bureau. Building Permits Survey, September, year-to-date, new privately owned housing units authorized by state, 2008-2019. <https://www.census.gov/construction/bps/statemonthly.html>.
- ¹⁹Joint Center for Housing Studies of Harvard University. (2019). The State of the Nation's Housing 2019. https://www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_State_of_the_Nations_Housing_2019.pdf.
- ²⁰Ibid.
- ²¹Bureau of Economic Analysis (2012/2017). RIMS (Regional Input-Output Modeling System) II. Type II, Table 1.5, Total Multipliers for Output, Earnings, Employment and Value Added by Detailed Industry in the State of Nebraska [data table]. <https://apps.bea.gov/regional/rims/rimsii/home.aspx> on 1/2/2020. Calculations by Center for Public Affairs Research.