

City of Lincoln
Urban Development Department
555 S. 10th Street, Suite 205
Lincoln NE, 68508

Re: Affordable Housing Coordinated Action Plan Feedback

Dear City of Lincoln,

Collective Impact Lincoln wants to extend its sincere thanks for undertaking the study of affordable housing in our city and what steps can be taken to increase access to quality, affordable housing for the most low-paid Lincolniters. The draft of the Affordable Housing Coordinated Action Plan released on February 28, 2020 includes important, useful, enlightening information that forms a picture of Lincoln's housing market today.

The Plan also confirms what Collective Impact Lincoln has heard directly from residents over the past three years: housing quality and affordability is a major challenge for many Lincolniters.

Collective Impact Lincoln (CIL) is a partnership between Nebraska Appleseed, Civic Nebraska, and the South of Downtown Community Development Organization that focuses on six low-income Lincoln neighborhoods: Clinton, Belmont, University Place, Everett, Hartley, and Near South. We work with these residents to build community, develop neighborhood leaders, and take action on policy that is responsive to their needs.

CIL began its work by reaching out to members of the community, by knocking on doors and asking residents about their concerns. Through our efforts, we have spoken with nearly 10,000 Lincolniters, and one of the issues that is continually brought to our attention is the need for quality, affordable housing in our city.

This important point is underscored throughout the Plan. For example, median household income is lowest in the neighborhoods where owner-occupancy rates are lowest and are generally concentrated where the highest percentage of renters are cost-burdened.¹ Additionally, 45 census tracts have at least 40% of renters paying more than 30% of their income to rent,² and nearly half of all renters are cost-burdened by their housing situation.³ It is therefore no surprise that the top concern voiced in both the listening sessions and in the online survey was the lack of quality, affordable housing.⁴ As mentioned above, this has been a top concern among residents since CIL has begun its work advocating for better lives for

¹ RDG Planning & Design, *City of Lincoln, Nebraska: Affordable Housing Coordinated Action Plan*, 17, 27, 31 (Feb. 27, 2020), https://rdgusa.com/sites/lincolnhousing/wp-content/uploads/sites/43/2020/03/2020_03-24-Lincoln-Housing-Study-DRAFT.pdf [hereinafter *Coordinated Action Plan*].

² *Id.* at 31.

³ *Id.* at 78.

⁴ *Id.* at 47.

Lincolnites. Indeed, feedback from the community from the Plan's online survey mirrors what CIL has heard directly from Lincolnites: there is a critical need for safe, clean, affordable housing, particularly for low-income renters.⁵

However, while the Plan identifies the dire need for quality, affordable housing for low-paid Lincolnites, it falls short of recommending the full scope of policies that would meaningfully expand access to quality, affordable housing, particularly for low-paid Lincolnites who rent. In fact, though the Plan details that over the next ten years 5,023 rental units that rent for \$1,000 per month or less must be constructed to address Lincoln's lack of affordable housing,⁶ it fails to consider a full array of solutions that will better ensure these much needed units will come into being.

To be clear, the Plan's seven-pronged approach includes several solutions that should be pursued. Yet their combined effect does not promise increased access to quality, affordable units that are much needed for low-paid Lincolnites. These seven "strategic housing goals" – build strategic housing partnerships for sharing risk; create mechanism to share risk; preserve existing affordable rental units; expand the number of affordable rental units; increase mobility in the market through housing variety; expand neighborhood reinvestment; and ensure policies and codes support affordable housing⁷ – identify many policies that should be explored in an effort to expand access to quality, affordable housing. For example, CIL agrees that strategic partnerships should be pursued in an effort to create more mechanisms for sharing risk in the development of affordable housing. However, the Plan relies too heavily on increasing mobility in the market, and its efforts to both preserve existing affordable housing and to expand the number of affordable units do not offer solutions that will achieve either of these goals with any certainty.

Study and implement inclusionary housing

To begin, the Plan does not consider important models that would lead to the creation of an additional 5,023 rental units that rent for \$1000 per month or less by 2030.⁸ The Plan only identifies strategies that reduce costs for developers,⁹ for example, through up-front capital from

⁵ *Id.* at 50 (Feedback from the open comments in the online survey "overwhelmingly focused on" the need for safe, clean, affordable housing; rentals for low-income households; better enforcement of property maintenance; more types of housing variety; and a perception of high property taxes.).

⁶ *Id.* at 44 (The Plan calls for 2,211 renter occupied units that rent for less than \$500 per month and 2,812 renter occupied units that rent between \$500-\$1,000 per month to be constructed by the year 2030 to meet Lincoln's forecasted housing demands).

⁷ *Id.* at 70–71.

⁸ *Id.* at 44.

⁹ See, *id.* at 77–79, 82–85. The Plan's goal of building strategic partnerships is designed to create mechanisms for sharing risk in the development of affordable housing. Those mechanisms – a lending consortium, a housing trust fund, the use of TIF, or property tax abatement – all reduce costs for developers. Similarly, additional strategies identified for expanding the number of affordable units all reduce costs for developers – they are either designed to reduce land costs for developers or to subsidize development through LIHTC.

a lending consortium¹⁰ or by utilizing city and public resources to offer free or reduced lots for development.¹¹ Unfortunately the draft of the Affordable Housing Coordinated Action Plan rejected the use of inclusionary housing in Lincoln because of an alleged “inability to determine [the] effectiveness” of inclusionary housing programs and because of “the controversy that these regulations can create.”¹² The Plan found inclusionary housing ordinances to be controversial because “[o]pponents often cite concerns over the impact these regulations will have on pricing and development activity.”¹³ Yet, the Plan does not itself conduct a full analysis of the feasibility of inclusionary housing nor does it recommend a formal feasibility study to gather this information; data crucial to make an educated decision on the issue. A full analysis is important, as inclusionary housing programs have been proven to be effective nationwide at creating affordable units.¹⁴ Additionally, studies have shown that the costs of inclusionary housing ordinances are ultimately borne by landowners, rather than housing developers.¹⁵

Oddly, the Plan explicitly rejects inclusionary housing policies while simultaneously proposing inclusionary housing practices, offering reduced-cost incentives only to those projects that produce units affordable to lower-income households.¹⁶ For example, it suggests a property tax abatement for properties that build housing units affordable to households making less than 80% AMI.¹⁷ This is an adoption of a voluntary inclusionary housing policy – it provides an incentive to developers to build housing specifically made to be affordable and available only to certain qualifying low-income households. The Plan also suggests an inclusionary housing policy of reducing land costs for new development by either expediting the TIF process or by sharing development costs with the public so long as 40-50% or more of units in a development are affordable to lower-income households, also an element of many inclusionary housing schemes.¹⁸

Inclusionary housing is a significant tool that could be utilized to create additional affordable housing units in Lincoln. It is premature to dismiss a policy that has been shown to be effective

¹⁰ *Id.* at 77 (“A lending consortium is an ideal instrument to provide a pool of capital that lowers the amount of debt recovery a project must cover.”).

¹¹ *Id.* at 83–84. The Plan supports offering free or discounted lots for infill development and proposes a shared cost model for new site development.

¹² *Id.* at 83.

¹³ *Id.*

¹⁴ Grounded Solutions Network, *Can Inclusionary Policies Make a Difference?*, Inclusionary Housing, <https://inclusionaryhousing.org/inclusionary-housing-explained/can-inclusionary-make-a-difference/> (last visited May 8, 2020).

¹⁵ Grounded Solutions Network, *Will Inclusionary Housing Prevent Development?*, Inclusionary Housing, <https://inclusionaryhousing.org/inclusionary-housing-explained/what-are-the-downsides/will-inclusionary-requirements-have-a-negative-impact-on-development/> (last visited May 8, 2020) (“If affordable housing requirements are set too high, the concern is that developers may not be able to make sufficient profits, and they will choose not to build or to build in another community with fewer requirements. Because landowners obviously can’t move to another community, they will have to lower land prices to attract developers – meaning that landowners are the ones whose profits ultimately drop.”).

¹⁶ See, *Coordinated Action Plan* at 78, 84.

¹⁷ *Id.* at 78.

¹⁸ *Id.* at 84.

in achieving the precise housing outcomes the Plan calls for without formally studying its feasibility. The Plan correctly notes that there are several variables to consider in an inclusionary housing ordinance and a feasibility study would allow Lincoln to determine how to design a policy specific to the needs of Lincoln's housing market without discouraging further development.

Feasibility studies look to previous housing development within the city to develop pro formas and create models that allow for a requirement of affordable units, often in exchange for developmental incentives, to ensure that development remains profitable. Indeed, there are several considerations to make when deciding how to implement an inclusionary housing ordinance and a feasibility study ensures that those decisions are made in a way that maintains the profitability of housing development. While other strategies considered by the Plan for expanding the number of affordable units are designed to incentivize affordable construction, a mandatory inclusionary housing policy would be one way to better ensure that much needed affordable housing will be constructed. Conducting a feasibility study to determine whether inclusionary housing would work for Lincoln, and if so, how to design such a policy would ensure maximum utility in the program without impacting profitability for development. This would be one reasonable, but major step in tackling our housing crisis. CIL therefore urges the city of Lincoln to conduct a feasibility study on inclusionary housing and to adopt inclusionary housing policies pursuant to the findings of that study.

Ensure vouchers can be used

Additionally, CIL believes that the Plan fails to consider other important ways to increase access to affordable housing for low-paid Lincolniters. The Plan recognizes that "in a highly competitive rental market, those with [Section 8 housing] choice vouchers are struggling to find property owners with units available to the program."¹⁹ However, the Plan relies on Section 8 housing vouchers to provide housing for households making less than \$15,000 per year without offering a solution to this problem.²⁰

Rental assistance such as housing vouchers is essential for many Lincolniters to make ends meet. It is one of the biggest tools we have to make housing more affordable for low-paid Lincolniters. Particularly now, as many have lost work due to the COVID-19 pandemic, we expect additional households to become eligible for and to receive housing assistance.²¹

However, renters can be denied housing solely because they would pay rent with a voucher or other form of housing assistance. In Lincoln, voucher success rates from the Lincoln Housing Authority are currently running at about 74 percent. That is, 26 percent of voucher recipients in Lincoln are unsuccessful in finding housing that will accept their voucher. The Plan cannot rely

¹⁹ *Id.* at 23.

²⁰ See, *id.* at 90.

²¹ Matt Olberding, *Initial unemployment claims continue to drop but remain elevated in Nebraska*, Lincoln Journal Star (May 7, 2020) https://journalstar.com/business/local/initial-unemployment-claims-continue-to-drop-but-remain-elevated-in-nebraska/article_00fb48c6-d995-591e-8722-7df1ded4bf87.html.

on housing choice vouchers to supply housing for households making less than \$15,000 per year without strengthening this program. To that end, the City of Lincoln should ensure landlords accept all legal sources of income as payment in order to allow Lincolniters with housing vouchers or other forms of rental assistance to better use them. Especially as we expect to see many more households receiving housing assistance due to the COVID-19 pandemic, this protection for low-income renters is crucial.

Implement internal, periodic rental inspections

While we agree that it is imperative to preserve Lincoln's existing affordable housing stock, the Plan continues to rely on a complaint-based system and on landlords to improve their properties without requiring them to do so.²² We support the idea of a rental rehabilitation program and other rehabilitation programs for rental units, and we would offer to explore the idea of small TIF projects for rehabilitation.²³ However, the Plan's approach to increase compliance with existing health and safety codes is not adequate.

Specifically, to increase compliance with health and safety codes, the Plan suggests that a landlord association develop a rental inspection program that gives passing units a "seal of approval."²⁴ However, our current code enforcement mechanism is built on a similar method of self-policing that has failed many of our residents, as noted by the Plan.²⁵ The Plan itself notes that "clearly" its plan for a landlord association rental inspection program "will not fully address the issue."²⁶

Instead, CIL would propose a proactive interior inspection model that requires periodic inspections of the interior of rental units, rewarding those landlords with units that are up to code and giving more attention to those not in compliance. This approach would more fully ensure that building and safety codes are properly enforced. Regular inspections of rental units helps protect the limited number of existing affordable units in Lincoln from deteriorating to the point of condemnation and destruction, while simultaneously protecting lower-paid Lincolniters from life-threatening violations of health and safety codes. CIL therefore recommends the city of Lincoln amend current ordinances to require periodic inspections of the interior of rentals to

²² *Coordinated Action Plan* at 79–81. Aside from relying on greater code enforcement through a landlord association "seal of approval" discussed in more detail above, the Plan otherwise relies on landlords to apply for funding to make improvements to their rental properties through a rental rehabilitation program, other existing rehab programs, or the use of TIF funds. These strategies do not impose an obligation on landlords to improve their rental properties.

²³ *Id.*

²⁴ *Id.* at 80.

²⁵ *Id.* at 64 ("Many residents raised concerns over the quality of housing, especially in the city's older neighborhoods."). *Id.* at 68 (identifying the "Quality of Low Cost Rentals" as a "challenge[] that must be overcome to create a housing market that meets all income ranges and supports growth." The Plan explains that over the past decade, "demand has remained high making it easy for landlords to rent units without upgrades."). *Id.* at 74 ("Additional discussion around funding for code enforcement must also be part of the conversation. Many community stakeholders have called for greater code enforcement, but this will require additional city funding for staff to expand efforts.").

²⁶ *Id.* at 80.

ensure the quality of Lincoln's existing affordable rental stock. This is imperative to correct the inadequacies that currently exist in Lincoln's rental stock and to protect against future deterioration.

While CIL is interested in exploring some of the solutions proposed by the Plan, we are concerned that it does not do enough to ensure that conditions in existing units will be improved and that those units will be preserved; that additional units with guaranteed affordability will be constructed for low-income families; or that families needing housing assistance will have the access they need to quality, affordable units. To ensure that the Plan accomplishes the task it undertook, we recommend it be amended to include a feasibility study on, and the implementation of, inclusionary housing; an amendment to current inspection ordinances to require periodic inspections of the interior of rentals; and the adoption of protections for all legal sources of income used for rent. These are three reasonable, measured steps that would seriously increase access to quality, affordable housing for low-paid Lincolniters. We therefore respectfully ask that you amend the draft of the Affordable Housing Coordinated Action Plan to include these steps.

Sincerely,

COLLECTIVE IMPACT LINCOLN

Civic Nebraska

Nebraska Appleseed

South of Downtown Community Development Organization