

RESOLUTION NO. 2024-27

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF LEXINGTON, NEBRASKA, ADOPTING AND APPROVING A "WORKFORCE HOUSING TAX INCREMENT FINANCING INCENTIVE PLAN," PURSUANT TO THE NEBRASKA COMMUNITY DEVELOPMENT LAW.

WHEREAS, pursuant to the Nebraska Community Development Law, Nebraska Revised Statutes Sections 18-2101 et seq. (the "Act"), the Mayor and City Council of the City of Lexington, Nebraska (the "City"), designated portions of the City as blighted, substandard, and in need of redevelopment under the Act (each, a "Community Redevelopment Area, and collectively, the "Community Redevelopment Areas"); and

WHEREAS, redevelopment of the Community Redevelopment Areas will result in the elimination and prevention of blight and substandard conditions, and aligns with the purposes of the Act and the City's comprehensive plan for land use and development; and

WHEREAS, the City has, within the prior five years of this Resolution, received a housing study detailing the current condition and future needs of the City in relation to housing; and

WHEREAS, the housing study identifies a need for additional workforce housing; and

WHEREAS, pursuant to the Act, the City may authorize the administration of certain heightened tax increment financing incentives to promote and facilitate the construction of workforce housing ("Workforce Housing TIF"); and

WHEREAS, prior to such authorization, the City must adopt an "incentive plan", pursuant to Section 18-2142.05 of the Act; and

WHEREAS, in accordance with the foregoing, attached hereto as Exhibit 1 is a proposed incentive plan entitled, "Workforce Housing Tax Increment Financing Incentive Plan" (the "Incentive Plan"), authorizing the use and administration of Workforce Housing TIF for eligible redevelopment projects located within a Community Redevelopment Area, and setting forth the criteria and guidelines related thereto; and

WHEREAS, on December 10, 2024, the Mayor and City Council held a duly-noticed public hearing on the Incentive Plan, in conformance with the Act; and

WHEREAS, after public hearing and review of the Incentive Plan, the Mayor and City Council determined that the Incentive Plan complies with the requirements of the Act and will result in the elimination and prevention of blight.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF THE CITY:

Section 1. The Incentive Plan attached as Exhibit 1 hereto complies with, and furthers the objectives of, the Act, and addresses the needs of the City related to the construction of workforce housing for both existing and new workers.

Section 2. The City has received a housing study within the prior five years from the date hereof.

Section 3. Based on the substantial evidence in the record of this proceeding, the Mayor and City Council find as follows:

(a) The Incentive Plan is necessary to prevent the spread of blighted and substandard conditions within the City;

(b) The Incentive Plan will promote additional safe and suitable housing for individuals and families employed in the City; and

(c) The Incentive Plan and/or the use of Workforce Housing TIF will not result in the unjust enrichment of any individual or company.

Section 4. Based on the foregoing and substantial evidence in the record of this proceeding, the Mayor and City Council hereby approve and adopt the Incentive Plan; and therefore, the City and/or Community Development Agency of the City may administer and approve the use of Workforce Housing TIF for eligible redevelopment projects, in accordance with the terms of the Incentive Plan and the Act.

INTRODUCED BY COUNCIL MEMBER Dora Vivas

PASSED AND ADOPTED THIS 10TH DAY OF DECEMBER, 2024.



John H. Fyke
MAYOR

ATTEST:
Pamela Barwick
CITY CLERK

EXHIBIT 1
Incentive Plan

(See attached)

6562736.1

**WORKFORCE HOUSING TAX INCREMENT FINANCING INCENTIVE PLAN
FOR THE CITY OF LEXINGTON, NEBRASKA
PURSUANT TO THE NEBRASKA COMMUNITY DEVELOPMENT LAW**

I. Introduction

Pursuant to Section 18-2103 of the Nebraska Community Development Law, Sections 18-2101 et seq., of the Nebraska Revised Statutes (the “Act”), tax increment financing (TIF) may be applied towards the costs to carry out the construction of “Workforce Housing”.

Pursuant to Section 18-2142.05 of the Act, prior to utilizing TIF for Workforce Housing, Lexington, Nebraska must (1) conduct a housing study within the last sixty (60) months; (2) prepare an incentive plan for construction of housing in the municipality targeted to house existing or new workers; (3) hold a public hearing on such incentive plan; and (4) after the public hearing, find that such incentive plan is necessary to prevent the spread of blight and substandard conditions within the municipality, will promote additional safe and suitable housing for individuals and families employed in the municipality, and will not result in the unjust enrichment of any individual or company.

The City of Lexington, Nebraska (the “City”), has received a housing study within the prior 60 months, conducted by Hanna:Keelan Associates, dated February 2022, which is incorporated herein by this reference (the “Housing Study”). This Workforce Housing Tax Increment Financing Incentive Plan (this “Plan”) has been prepared pursuant to the Act in accordance with the foregoing requirements. Accordingly, upon the adoption of this Plan following a duly-noticed public hearing, the City shall be authorized to utilize TIF for the purpose of Workforce Housing in the manner prescribed herein and under the Act. This Plan may be modified or amended by the City, from time to time, in accordance with the Act. To the extent any portion of this Plan conflicts with the Act, the Act shall control with respect to such conflicting portion(s).

II. Workforce Housing

For purposes of the Act and this Plan, “Workforce Housing” means:

- (a) Housing that meets the needs of today's working families;
- (b) Housing that is attractive to new residents considering relocation to a rural community;
- (c) Owner-occupied housing units that cost not more than three hundred thousand dollars (\$300,000) to construct or rental housing units that cost not more than two hundred thirty-five thousand dollars (\$235,000) per unit to construct, as updated annually by the Department of Economic Development;¹

¹ The above figures were last updated on December 8, 2023, via Policy Memo 23-02 of the Nebraska Department of Economic Development.

- (d) Owner-occupied and rental housing units for which the cost to substantially rehabilitate exceeds fifty percent of a unit's assessed value; and
- (e) Upper-story housing.

Any redevelopment project in the City that: (1) is eligible for TIF under the Act; and (2) satisfies one or more of the above criteria, as applicable, shall be eligible for Workforce Housing TIF. Notwithstanding the foregoing, the City shall have complete discretion with respect to the application and approval of Workforce Housing TIF to/for a redevelopment project; and therefore, a redevelopment project which meets the above criteria shall not automatically be entitled to the use of Workforce Housing TIF, as further discussed in Paragraph VI, below.

III. Conformance with Housing Study

The Housing Study identified a considerable need for additional workforce housing within the City. Specifically, the Housing Study provided the following observations and objectives:

- The total estimated housing demand for the City and surrounding areas, by 2027, is 578 housing units, including 251 owner and 327 rental units, at an estimated development cost of \$129.79 Million.
- The City of Lexington has the greatest demand for new construction and housing rehabilitation activities in the Dawson County Area. An estimated 314 total units, including 130 owner and 184 rental units should be built in Lexington, at an estimated target budget of \$71 Million.
- The most common barriers identified to obtaining affordable owner housing included a lack of sufficient homes for sale, housing purchase prices, age of existing houses, and cost of utilities.
- The total estimated workforce housing demand for the City and surrounding areas, by 2027, is between 355 – 490 units.
- Financial support to local developers constructing workforce housing is a priority.
- The City should utilize tax increment financing to incentivize the construction of workforce housing when feasible.

In accordance with the above observations and objectives set forth in the Housing Study, this Plan provides an economic incentive which can be used by the City to encourage the development of needed Workforce Housing. The City and/or Community Development Agency of Lexington, Nebraska (the "Agency") should take into account the findings of the Housing Study in its administration of Workforce Housing TIF.

IV. Eligible Areas

For a project to be eligible for Workforce Housing TIF, it must be located within an area that has been, or will be, zoned for residential use(s), and has been designated by the City as a blighted and substandard community redevelopment area, in accordance with the Act.

V. Necessity of Plan and Workforce Housing TIF

Pursuant to the Act, this Plan, along with the utilization of Workforce Housing TIF, must be necessary to prevent the spread of blight and substandard conditions. This criterion is met with respect to the City as its needs fall squarely within the prescriptions of Workforce Housing.

The demand for workforce housing has far outpaced the supply. As a result, the current housing stock is not sufficient to support the City's current workforce, much less the anticipated growth in population and job opportunities within the City. These shortfalls have led to a stagnant housing market – i.e., residents hanging onto what they have due to the lack of supply, which, in turn, only compounds the lack of housing supply. Additionally, a portion of the City's workforce has been, and will continue to be, relegated to living in satellite communities due to a lack of housing options within the jurisdictional limits of the City, leaving potential tax revenues, growth potential and other economic benefits on the table. Unfortunately, due to current economic conditions and other factors such as high interest rates, material costs, and labor rates, private developers are not stepping up to fill the gaps in the housing market due to the disproportionately low return on investment on development of Workforce Housing.

The implementation of Workforce Housing TIF will address these issues by allowing developers to utilize TIF for the cost to construct the private improvements – thereby offsetting the high costs of construction and allowing the units to be sold at a price point that meets the criteria of Workforce Housing. Accordingly, this Plan will promote additional safe and suitable housing for individuals and families employed in the City. Without such additional housing in the City, it will be unable to support its current trajectory of economic and population growth. This will likely lead to the spread and/or increase in blighted and substandard conditions throughout the City and a less economically viable and stable community as a whole. Workforce Housing TIF is a necessary tool to assist in preventing these undesirable outcomes.

VI. Additional Criteria; Priority

Pursuant to the Act, no redevelopment project shall receive Workforce Housing TIF if it will result in the unjust enrichment of any individual or company. To ensure the same, the City and/or Agency shall take the necessary measures, in their reasonable discretion, to confirm that Workforce Housing TIF (as opposed to ordinary TIF) is needed to carry out the proposed project, and the estimated return on investment for the proposed project (with Workforce Housing TIF) is not materially greater than what would ordinarily be considered adequate by prudent investors and/or developers.

Irrespective of the finding that a potential project meets the criteria for Workforce Housing TIF eligibility, the City Council and Agency shall have broad discretion in relation to

the application, approval and administration of the same; based upon the demonstrated and perceived needs of the City in relation to a particular type of Workforce Housing and/or a specific (geographical) area of need within the City. For example, the City Council and/or Agency may, in its discretion, prioritize high-density residential projects (over single-family residential) in approving (or rejecting) Workforce Housing if such housing is of greater priority and/or need within the City at a given time, and vice versa. Moreover, if it is determined Workforce Housing is most needed in a specific area(s) of the City, such area(s) may receive priority with respect to approval of Workforce Housing TIF.

VII. Workforce Housing TIF Projects; Administration

As provided above, the City and/or Agency shall have full discretion and authority in determining whether a redevelopment project should receive Workforce Housing TIF, based upon the Act, this Plan, the Housing Study, current market and economic conditions, the evolving needs of the City, and other relevant factors. For a redevelopment project to utilize Workforce Housing TIF, the same must be explicitly authorized and implemented via a redevelopment plan approved by the City Council of the City (subsequent to the adoption of this Plan), in accordance with the procedures set forth in the Act.

All redevelopment contracts entered into between the Agency and a redeveloper providing TIF benefits for Workforce Housing will be assessed and negotiated on a case by case basis, with TIF benefits to be determined by the Agency in amounts required to accomplish the goal of incentivizing the development of safe and decent Workforce Housing in the City, while not resulting in the unjust enrichment of the developer, in accordance with the Act and this Plan.

In each redevelopment contract for a Workforce Housing TIF project, a developer's entitlement to Workforce Housing TIF shall be conditioned upon the project's compliance with the Workforce Housing criteria set forth under this Plan and the Act. Additionally, the Agency may set standards related to residence or apartment size, construction standards, costs, rental rates, and/or sale prices. Such standards shall be based on the Agency's discretionary assessment of what is necessary to carry out the objectives of this Plan and the Act. If some, but not all, of the improvements constructed as part of a redevelopment project meet the eligibility criteria for the use and application of Workforce Housing TIF, the City and/or Agency may, in its discretion, authorize the use of Workforce Housing TIF for the eligible portion.

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