WORKFORCE HOUSING TAX INCREMENT FINANCING
INCENTIVE PLAN FOR THE CITY OF HASTINGS, NEBRASKA
PURSUANT TO THE NEBRASKA COMMUNITY DEVELOPMENT LAW
DECEMBER 2026

I. Introduction

Pursuant to Section 18-2103 of the Nebraska Community Development Law (the "Act"), tax increment financing (TIF) may be applied toward the costs of constructing and rehabilitating "Workforce Housing". Prior to utilizing TIF for workforce housing, Section 18-2142.05 of the Act requires that a municipality shall; (1) receive a housing study that is current within sixty 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 the incentive plan with notice that complies with § 18-2115.01, separate from the public hearing on this Plan Modification under § 18-2115, and (4) find after that hearing that the incentive plan is necessary to prevent the spread of blight and substandard conditions within the City, will promote additional safe and suitable housing for individuals and families employed in the City, and will not result in the unjust enrichment of any individual or company.

The City of Hastings has received a comprehensive housing study titled the Hastings Housing Assessment, completed in August 2025 by RDG Planning & Design. This Workforce Housing Tax Increment Financing Incentive Plan has been prepared in accordance with statutory requirements to establish the framework under which the City of Hastings may authorize TIF for eligible workforce housing developments.

II. Workforce Housing Definition

In alignment with the Act and the Nebraska Department of Economic Development guidelines, "Workforce Housing" within the City of Hastings is defined as:

1. Housing that meets the needs of today's working families.
2. Housing that is attractive to new residents considering relocation to the community.
3. Owner-occupied housing units with construction costs that do not exceed statutory maximums (currently established at $340,000, or as updated periodically by the Department of Economic Development), or rental housing units with construction costs that do not exceed statutory limits (currently established at $250,000 per unit, or as updated by DED).
4. Owner-occupied and rental housing units where the total cost to substantially rehabilitate the structure exceeds fifty percent of the unit's assessed value.
5. Upper-story housing units.

III. Conformance with the 2025 Hastings Housing Assessment

The August 2025 Hastings Housing Assessment identifies significant housing shortages, low structural quality in portions of the existing market, and an urgent demand for workforce-accessible housing to support local economic development. Key findings from the assessment include:

- **Sustained Housing Demand:** Hastings features a tight labor market with a significant net inflow of commuters. Approximately 6,419 individuals are employed in Hastings but reside elsewhere, highlighting a major opportunity to capture residents if appropriate housing options are available.
- **Low Vacancy Rates:** The effective vacancy rate in Hastings is approximately 4%, which is below the optimal 5% to 7% benchmark needed for a healthy, flexible housing market.
- **Ten-Year Production Goals:** To maintain a projected 0.42% annual growth rate and stabilize market options, Hastings must produce a total of 903 new housing units by 2035. This includes a projected cumulative need of 446 units by 2030 and an additional 457 units between 2030 and 2035.
- **Development Split and Cost Barriers:** The assessment assumes a 50/50 owner-to-renter split for the first five years, transitioning to a 60/40 split thereafter, yielding a total target of 497 owner-occupied units and 406 renter-occupied units. New owner-occupied market construction typically costs more than $250,000, creating an affordability gap that requires targeted incentives or subsidized development.
- **Aging Housing Stock:** Approximately 45% of Hastings' housing stock was built before 1960, and 75% was built before 1980. Furthermore, county assessor records indicate that 21.8% of local residential structures are considered below average quality, emphasizing a severe need for substantial rehabilitation incentives.

IV. Eligible Areas

To qualify for Workforce Housing TIF under this plan, a proposed redevelopment project must be located within the jurisdictional boundaries of the City of Hastings, situated in an area zoned for residential use, and officially designated by the City Council as a blighted and substandard community redevelopment area in accordance with the Act.

V. Incentives for the Development of Workforce Housing

- **Tax Increment Financing ("TIF")** TIF is a tool to assist in financing redevelopment projects in designated blighted and substandard areas of a City or village. The property taxes generated from the increased valuation of the development are then captured for a period of up to fifteen years to finance the eligible public improvements.

- **Nebraska Affordable Housing Trust Fund ("NAHTF")** This program is a state-administered program designed to support the development, rehabilitation, and preservation of affordable housing for low and moderate income residents across Nebraska.

- **Rural Workforce Housing Fund ("RWHF")** Administered locally by the Hastings Economic Development Corporation (HEDC), this revolving loan program is backed by Nebraska Rural Workforce Housing Fund grant dollars and local matching funds to expand affordable workforce housing in Hastings. It provides financing for new housing development, substantial rehabilitation, and upper-story or building conversions, ensuring local workers have access to quality, attainable housing near Hastings' employment opportunities

- **Low-Income Housing Tax Credit {"LIHTC")** This program is a federal incentive designed to encourage private investment in affordable rental housing for low-income households. Established in 1986, LIGTC is administered by the Internal Revenue Service ("IRS") and allocated to states through housing finance agencies.

VI. Necessity of the Plan and Workforce Housing TIF

The implementation of this plan and the utilization of TIF are necessary to prevent the spread of substandard conditions and to ensure local economic stability. Due to modern macroeconomic pressures, including high material costs, labor shortages, and rising interest rates, private developers face compressed margins that discourage the construction of affordable entry-level and workforce-tier housing.

Without municipal incentives, the housing supply will remain insufficient to support the 6,419 inbound commuters or retain local college graduates. This lack of supply forces families into older, deteriorating housing stock or out of the community entirely, suppressing the local tax base and worsening structural blight. Utilizing TIF for workforce housing allows developers to offset infrastructure and construction costs, making it financially feasible to offer safe, modern housing units at price points aligned with the local workforce.

VII. Implementation and Administration Criteria

The City of Hastings and the Community Redevelopment Authority shall maintain complete statutory discretion over the application, evaluation, and approval of Workforce Housing TIF projects. Projects will be reviewed on a case-by-case basis under the following guidelines:

- **Prevention of Unjust Enrichment:** Redevelopers must submit detailed project applications, including comprehensive line-item construction budgets, projected sales prices, or rental rate structures. TIF assistance will be scaled to ensure the developer's estimated return on investment remains reasonable and aligned with prevailing market standards rather than

generating an excessive windfall.

1. For-Sale Projects: The CRA will evaluate projected builder profit margins against prevailing industry benchmarks, such as those published by the National Association of Home Builders (NAHB). TIF allocations shall be sized so that the project's estimated gross profit margin remains consistent with standard market averages for comparable residential construction.

2. Rental Projects: The CRA will evaluate the project's projected Cash-on-Cash Return (calculated as annual pre-tax cash flow divided by actual developer cash equity injected into the project) over the initial operating period. TIF assistance shall be sized so that the project's projected return aligns with standard market thresholds necessary to attract private investment for comparable workforce rental developments.

3. 3. Low-Income Housing Tax Credit (LIHTC) Projects: Because LIHTC developments utilize syndicated tax credit equity and income-restricted rents rather than conventional cash equity structures, the CRA will not rely solely on Cash-on-Cash Return metrics. Instead, LIHTC applications will be evaluated for unjust enrichment by reviewing: (a) total developer fees to ensure compliance with Nebraska Investment Finance Authority (NIFA) Qualified Allocation Plan (QAP) limits; (b) the complete Sources and Uses budget to confirm TIF is strictly filling an actual financing gap; and (c) multi-year operating pro formas to verify that Debt Service Coverage Ratios (DSCR) and net cash flows align with standard affordable housing underwriting benchmarks.

4. CRA Discretionary Adjustment: The CRA and City Council reserve complete statutory discretion to adjust return thresholds or approve higher TIF allocations for extraordinary, high-priority, or highly complex projects. To qualify for an upward adjustment, the redeveloper must demonstrate to the satisfaction of the CRA and the City Council that the project fulfills a critical community need identified in the Housing Assessment—such as deep workforce affordability, blighted infill remediation, historic preservation, or intensive public infrastructure requirements—that would remain financially unfeasible under standard return expectations.

- **Development Standards:** The Community Redevelopment Authority may establish contractual requirements regarding unit sizes, energy-efficiency basements, construction quality, maximum rental rates, and initial sale prices to align directly with local workforce affordability bands.
- **Prioritization of Needs:** The Community Redevelopment Authority and City may prioritize specific housing types depending on the shifting needs identified within the 2025 assessment. In recognition of the volume of market-rate apartment units scheduled to come

online in years 2025-2027, which will help absorb general rental demand, the CRA and City will place an increased emphasis on expanding owner-occupied housing options such as small-lot single-family subdivisions and missing middle housing such as duplexes, townhomes, and triplexes for owners or renters. However, because the 2025-2027 inventory addition consists primarily of market-rate units, the need for deeply affordable workforce apartment options remains a critical priority. Therefore, the CRA and City should maintain a balanced approach, continuing to support downtown upper-story conversions and high-density multi-family projects that target local workforce affordability alongside new owner-occupied developments.

- **Substantial Rehabilitation and Adaptive Reuse:** In accordance with the findings on Hastings' aging housing stock, the city will continue to encourage Micro-TIF applications for rental or owner rehabilitation projects. Traditional TIF requires a complex process often involving three to five different public meetings and the legal, administrative, and waiting costs affect the project's financial viability. Nebraska's Micro-TIF law bypasses this by requiring the city to approve or reject standard applications within 30 days. Micro-TIF is designed for small-scale projects as under state law, a project qualifies for Micro-TIF expedited review if the structure is at least 25 years old and the final completed assessment value does not exceed $350,000 for single-family residential. This aligns perfectly with Hastings’ finding that 45% of its housing stock was built before 1960.