



## CHAPTER 7 HOUSING GOTHENBURG

*Every neighborhood should provide a positive living environment for its residents.*

*Gothenburg's existing and future housing stock is critical to the city's sustainment and growth. Neighborhoods are among Gothenburg's most important economic development amenities, and the city's housing supply represents its single largest cumulative capital investment.*



The purpose of this chapter is to assess housing needs and strategies that will enable the city to increase overall production of housing. It also assists Gothenburg in defining future housing and community development directions.

## HOUSING CHARACTERISTICS

This discussion will examine major characteristics of Gothenburg's housing stock. It focuses on the following aspects:

- Housing occupancy
- Housing values and rent levels
- Affordable housing analysis
- Housing development needs
- Building permit activity
- Housing conditions

### Housing Occupancy Characteristics

Table 7.1 highlights housing occupancy and vacancy rates for Gothenburg and the State of Nebraska. This table is an excerpt from chapter one, which also highlights housing occupancy and vacancy rates for Gothenburg, Dawson County, other comparable communities, and the State of Nebraska. Between 1990 and 2000 the number of owner occupied units in Gothenburg increased by 11.5%, comparable to the 12% increase experienced by Nebraska and Cozad. Rental housing stock also increased in Gothenburg from 1990-2000 by 12.7%. This percentage is more than twice that experienced by Cozad and less than half the increase in Lexington. Yet, in 2000 the overall percentage of renter occupied units continued to be lower in Gothenburg than in Nebraska, Dawson County, and every surrounding community included in the table. Gothenburg's rental housing growth is likely attributed to senior housing units built during the late 1990s.

**TABLE 7.1 (1.14): CHANGES IN KEY HOUSING OCCUPANCY INDICATORS**

	GOTHENBURG				STATE OF NEBRASKA			
	1990	2000	CHANGE 1990- 2000	% CHANGE 1990-2000	1990	2000	CHANGE 1990- 2000	% CHANGE 1990-2000
TOTAL HOUSING UNITS	1,410	1,575	165	11.70%	660,621	722,668	62,047	9.40%
OWNER OCCUPIED UNITS	972	1,084	112	11.50%	400,394	449,317	48,923	12.20%
% OWNER OCCUPIED	74.60%	74.30%			66.40%	67%		
RENTER OCCUPIED UNITS	331	373	42	12.70%	201,969	216,867	14,898	7.40%
% RENTER OCCUPIED	25.40%	25.60%			33.50%	32.50%		
VACANT UNITS	107	118	11	10.30%	58,258	56,484	-1,774	-3.00%
VACANCY RATE	7.60%	7.50%			8.80%	7.80%		
MEDIAN VALUE	\$37,300	\$65,000	\$27,700	74.30%	\$50,400	\$88,000	\$37,600	74.60%
MEDIAN CONTRACT RENT	\$179	\$456	\$277	154.70%	\$282	\$491	\$209	74.10%

Source: US Bureau of the Census, 2000

A higher vacancy rate in a community is often related to an oversupply of housing in the local market while a low vacancy rate signals an undersupply of housing to current and potential residents. Gothenburg's vacancy rate is not extremely high and remained stable at 7.5% in 1990 and 7.6% in 2000. This sends a signal that the housing market in this city is fairly healthy and grew with the population.

### Housing Values and Rent Levels in Gothenburg

Tables 7.2 and 7.3 provide a display of Gothenburg's home values and contract rents in 2000. Over half of Gothenburg's housing units are valued at less than \$70,000. While the median home value is \$65,000, 50% of homes in Gothenburg fall within the range of \$50,000 to \$80,000. Approximately 2% of owner occupied homes are valued at over 200,000 and 6% are valued at less than \$25,000.

According to the U.S. Census 2000, every rental unit in Gothenburg is available for

**TABLE 7.2 OWNER OCCUPIED HOUSING VALUES, GOTHENBURG, 2000**

VALUE RANGE	NUMBER OF UNITS	% OF TOTAL
UNDER 25,000	61	6.12%
25,000-40,000	133	13.34%
40,000-50,000	106	10.63%
50,000-60,000	144	14.44%
60,000-70,000	109	10.93%
70,000-80,000	72	7.22%
80,000-90,000	173	17.35%
90,000-100,000	43	4.31%
100,000-125,000	93	9.33%
125,000-150,000	33	3.31%
150,000-174,000	0	0.00%
175,000-199,000	11	1.10%
200,000+	19	1.91%
TOTAL	997	
MEDIAN VALUE	\$65,000	

Source: U.S. Census Bureau, 2000

**TABLE 7.3: RENTER OCCUPIED UNITS: CONTRACT RENT DISTRIBUTION, GOTHENBURG, 2000**

VALUE RANGE	NUMBER OF UNITS	% OF TOTAL
UNDER \$200	59	17.72%
\$200-300	97	29.13%
\$300-400	142	42.64%
\$400-500	35	10.51%
OVER \$500	0	0
TOTAL	333	
MEDIAN CONTRACT RENT	\$306	

Source: U.S. Census Bureau



\$500 a month or less. Median contract rent is \$306 and over 46% can be rented for less than \$300. Just over 10% of Gothenburg's rental units cost over \$400 a month.

### **Affordability Housing Analysis**

The pricing of a community's housing supply in relation to the income of its residents helps determine whether the city's housing is affordable for its citizens. A household budget must be divided among basic housing costs, other essential needs, and costs to maintain the house. Households that spend a disproportionately large share of their incomes for basic housing have less money for other essentials and fewer resources to maintain their homes and neighborhoods.

Table 7.4 is an analysis of affordable housing based on 2000 Census data. The table compares the quantity of housing that is affordable for each income group. The affordability analysis is based on owner-occupied units valued at two to two and a half times a household's total income. Affordable rental units (including utilities) are considered to be about 30-percent of a household's monthly income. In the far right column of Table 7.4, a positive balance indicates a surplus of housing within the affordability range of each income group, while a negative balance indicates a shortage.

This analysis is primarily performed in order to concentrate on residents whose earnings are at or below Nebraska's statewide household median income (\$39,250, U.S. Census 2000). According to Table 7.4, a surplus of affordable renter and owner occupied homes exists in Gothenburg while the biggest shortage of housing is in the \$50,000 to \$100,000 income range. Although there was significant construction activity during the 1990s there also appears to be a lack of market rate units priced above \$100,000. Market rate units free up more affordable units within the city's existing housing stock.

Positive balances for households earning less than \$50,000 a year indicate an adequate supply of housing for these income groups. However, a shortfall of 255 units for those with incomes above \$50,000 indicates that residents in these income ranges could afford to live in more expensive housing if it were available. Shortages in higher income housing can lead to higher income earners occupying homes that would otherwise be available to residents earning lower incomes.

A shortage of 129 units for residents earning \$50,000-\$74,999 is quite possibly the result of a shortage of housing units available to those households earning over \$75,000 a year. For instance, 159 households earn over \$75,000 a year. The range for household incomes over \$75,000 a year is homes worth \$200,000 or more. Only 33 housing units in Gothenburg are valued at more than \$200,000. Therefore, 33 households making over \$75,000 a year are living in homes valued within their affordable range while 126 households are living in homes considered to be affordable to residents earning lower incomes.

In turn, households making \$50,000 to \$75,000 a year experience a shortage of housing

within their affordable range, which leads them to occupy homes that would also be considered affordable to residents earning lower incomes. This analysis suggests that residents in all income brackets are currently competing for the same housing. As this trend continues, the potential for Gothenburg to face affordable housing shortages will increase. Therefore, part of Gothenburg's future housing agenda should be to preserve and encourage housing developments that will serve middle to upper income residents in order to ensure affordable housing continues to be available to lower to middle income households.

### Housing Development Needs

Table 7.5 presents the current estimated income distribution (by percent of households) in Gothenburg, paired with affordable monthly housing costs for each income range. In this table, affordable monthly housing costs include utilities and represent about 30% of a household's monthly income. These target costs are matched to strategies that can deliver housing affordable to each income range. For example, programs that are most appropriate to families earning between \$25,000 and \$35,000 can produce housing with monthly costs between \$625 and \$875, including utilities. This \$25,000-\$35,000 range also corresponds to houses with mortgages in the range of \$50,000 to \$80,000. Strategies that can deliver housing in this price range include rehabilitation of existing housing, manufactured housing, and affordable single-family development using financing devices such as deferred second mortgages. These strategies are explained in greater detail in the Housing and Development Policies portion of this plan.

Assuming an annual growth rate of 0.5% between 2000 and 2005, households in Gothenburg increased from 1, 457 in 2000 to 1,513 in 2005. Table 7.5 assumes the proportion of households in each income bracket has remained constant between 2000 and 2005. It then lists affordable housing costs and price ranges for each income bracket. The last column provides housing strategies that could help to ensure an

Income Range	% of City Median	% of Households	# Households in Each Range	Affordable Range for Owner Units	# of Owner Units	Affordable Range for Renter Units	# of Renter Units	Total Affordable Units	Balance
\$0-25,000	0-69%	33.91%	494	\$0-50,000	326	\$0-400	334	660	166
\$25,000-49,999	70-138%	36.93%	538	\$50,000-124,999	588	\$400-599	39	627	89
\$50,000-74,999	139-208%	18.26%	266	\$125,000-199,999	137	\$600-799	0	137	-129
\$75,000-99,999	209-278%	7.14%	104	\$200,000-249,999	12	\$800-999	0	12	-92
\$100,000-150,000	279-417%	2.61%	38	\$250-\$399,999	21	\$1000-1199	0	21	-17
\$150,000+	Over 417%	1.17%	17	\$400,000+	0	\$1200+	0	0	-17
Median	\$35,990	100.00%	1,457		1,084		373	1,457	0

Source: U.S. Census Bureau; RDG Planning & Design, 2006



**TABLE 7.5: HOUSING INCOME AND RECOMMENDED HOUSING STRATEGIES, 2006**

INCOME TARGET	NUMBER OF HOUSE-HOLDS 2005	% OF HOUSE-HOLDS	AFFORDABLE MONTHLY HOUSING COSTS (INCLUDING UTILITIES)	PRICE RANGES FOR OWNERSHIP HOUSING	APPROPRIATE HOUSING TYPES AND STRATEGIES
Under \$15,000	264	17.40%	\$0-375	Less than \$30,000	<ul style="list-style-type: none"> <li>•Public housing</li> <li>•Section 8 certificates</li> <li>•Section 42 tax credit rentals</li> <li>•Existing housing rehab grants</li> </ul>
\$15,000-24,999	250	16.50%	\$375-625	\$30,000-60,000	<ul style="list-style-type: none"> <li>•Section 42 tax credit rentals</li> <li>•Mobile home/manufactured housing</li> <li>•Housing rehab grants</li> <li>•Acquisition with rehab grants/loan.</li> </ul>
\$25,000-34,999	211	13.90%	\$625-875	\$60,000-90,000	<ul style="list-style-type: none"> <li>•Existing housing rehab</li> <li>•Market rate rentals</li> <li>•Affordable single-family development</li> </ul>
\$35,000-49,999	347	22.90%	\$875-1,250	\$90,000-125,000	<ul style="list-style-type: none"> <li>•Market rate rentals</li> <li>•Affordable single-family development</li> <li>•Subdivision development with infrastructure assistance</li> </ul>
\$50,000-74,999	276	18.20%	\$1,250-1,875	\$125,000-190,000	<ul style="list-style-type: none"> <li>•Market-based single-family</li> <li>•Subdivision development with infrastructure assistance</li> </ul>
\$75,000+	165	10.90%	\$1,875+	Over \$190,000	<ul style="list-style-type: none"> <li>•Market-based single-family</li> <li>•Subdivision development through special assessments</li> </ul>

Source: RDG Planning & Design, 2006

**TABLE 7.6: TEN YEAR HOUSING DEV'T AND PRICING PROGRAM, 2005-2015**

	2005-2010	2010-2015	TOTAL
TOTAL NEED	36	39	75
Total Owner Occupied	25	27	52
Affordable Low: \$60-90,000	4	4	8
Affordable Moderate: \$90-125,000	7	8	15
Moderate Market: \$125-190,000	8	8	16
High Market: \$190-250,000	4	4	8
High End: Over \$250,000	3	3	6
Total Renter Occupied	11	12	23
Assisted: Less than \$400	4	4	8
Affordable: \$400-625	4	5	9
Market: Over \$625	3	3	6

Source: RDG Planning & Design, 2006

accurate amount of appropriate housing is provided for all of Gothenburg's residents in each income bracket.

Table 7.6 presents a ten-year housing development and pricing program for Gothenburg, based on the city's relative income distribution. The program provides production targets for various cost ranges of rental and owner-occupied units. The development program is based on the following assumptions:

- New housing development in Gothenburg will be about 70% owner-occupied and 30% renter-occupied. Future new construction in the next ten years is more likely to focus on owner-occupied units.

- The proportion of the demand for units is based on Claritas estimates of the percentage of households in each income range.
- Owner-occupied housing will be distributed generally in proportion to the income distribution of households for whom ownership is a realistic strategy. Some of the market for lower-cost owner-occupancy may be shifted toward market rate rentals.
- Lower-income households will generally be accommodated by rental development.

The analysis indicates a need for about 23 owner-occupied units with prices below \$125,000 and 17 units with effective rents below \$625 in current dollars, for a total of 40 "affordable" units by 2015. Therefore, to meet this projected need, a housing program for Gothenburg should establish an average annual production target of about 4 affordable units. These numbers are dependant on growth projections laid out in Chapter One and could be further influenced by actions that expand Gothenburg's market. These include:

- Major employment expansions.
- Housing developments that can attract people from surrounding regions, such as substantial senior housing developments or a single family housing project that attracts more workers to live in Gothenburg.

It is important to note that the need for affordable housing is met indirectly through a filtering process. A unit that meets the needs of a high-income, empty-nester household may encourage that household to sell their current home to a moderate-income family. Filtering processes rarely satisfy the total affordable housing need, but they do realistically address part of the market demand.



### **Building Permit Activity**

As previously mentioned in Chapter One, new residential construction and demolition activity provide important insight into a community's population change Table 7.7 (and 1.5) provides an overview of the city's construction activity over the past ten years. The issuance of new residential permits has slowed somewhat since 1999; however, the increase of 52 new multi-family units in the form of senior housing from 1996 to 1998 may help to explain growth and retention of senior residents. As seniors downsize their lifestyle from a single-family home to an apartment, the housing market opens up to families wanting to purchase affordable starter homes or even upgrade, which could explain the growth among young adults.

### **Housing Conditions**

Table 7.8 and 7.9 summarizes the results of a citywide housing condition survey, conducted as part of this plan during summer 2006. The survey includes 1,196 single-family homes and 19 multi-family structures. Mobile homes near 27<sup>th</sup> Street are located outside of Gothenburg's city limits; therefore not included in this survey. Structures were placed in one of the following categories:

**Excellent.** A new residence with no discernible deficiencies.

**Good.** A well-maintained structure with three or fewer minor non-structural deficiencies.

**Fair.** A structurally-sound residence with minor repair or rehabilitation needs.

**Poor.** A structure with one major deficiency and minor non-structural needs. Typically, these structures are deteriorating, and show evidence of substantial rehabilitation needs.

**Dilapidated.** A residence that appears to be too deteriorated for feasible rehabilitation.

The evaluation considers the condition of the foundation, exterior walls, roof structure, roof material, fascia and eaves, chimney, porches and steps, window and doors, painting, and downspouts. However, the survey is general, intended only to suggest patterns of rehabilitation needs. Map 7.1 identifies block faces with one or more poor or dilapidated housing structures. This is important because the presence of a single deteriorated house on a block can affect the willingness of other property owners on a block to reinvest in their property. On the other hand, rehabilitating a poor structure or replacing it with a new house often encourages other owners to respond in kind. Significant concentrations are generally located south of the railroad tracks and along 16<sup>th</sup> Street. Map 7.2 identifies the score each block received as part of the evaluation. A score near 1 is excellent, while a score near 5 is dilapidated.



The survey indicates that Gothenburg's single-family housing supply is in good condition; while the community's multi-family housing supply is in fair to good condition. Of the 1,196 single-family units, 15% were rated in excellent condition, 42% in good condition, 29% fair, 13% poor, and 1% dilapidated. Gothenburg's multi-family housing supply is in fair condition, needing some level of repair. About 74% of multi-family buildings are in fair condition, 11% good, and 11% excellent.

Structures needing repair are spread throughout the entire community. Tables 7.8 and 7.9 analyze the community housing conditions in two sections, north and south of the railroad. The number of units north of the railroad tracks is significantly more than the number of units on the south side. Over half of the housing in Gothenburg is in good to excellent condition, while a very small amount is dilapidated condition. The majority of multi-family units are in fair condition.

**TABLE 7.7: CONSTRUCTION ACTIVITY 1996-2006**

	1995	'96	'97	'98	'99	2000	'01	'02	'03	'04	'05	'06
SINGLE FAMILY	6	15	7	10	8	4	5	3	3	3	2	3
MULTI FAMILY	0	28	0	24	0	0	0	0	0	0	0	0
TOTAL	6	43	7	34	8	4	5	3	3	3	2	3

Source: City of Gothenburg, 2006, RDG Planning & Design

**TABLE 7.8: HOUSING CONDITION SURVEY SUMMARY, SINGLE FAMILY**

CONDITION	NORTH	SOUTH	TOTAL	PERCENT
EXCELLENT	181	2	183	15%
GOOD	488	13	501	42%
FAIR	312	31	343	29%
POOR	117	36	153	13%
DILAPIDATED	6	10	16	1%
TOTAL	1104	92	1196	100%

Source: RDG Planning & Design

**TABLE 7.9: HOUSING CONDITION SURVEY SUMMARY, MULTI-FAMILY**

CITY TOTAL	NORTH	SOUTH	TOTAL	PERCENT
EXCELLENT	2		2	5%
GOOD	2		2	5%
FAIR	14		14	37%
POOR		1	1	3%
DILAPIDATED			0	0%
TOTAL	18	1	19	50%

Source: RDG Planning & Design



## HOUSING AND DEVELOPMENT POLICIES

Preservation of existing housing and development of new housing to support growth are vital elements of Gothenburg's community development strategy. While land use and community investment strategies are important to housing planning, specific efforts to address housing priorities must be identified. This section considers initiatives which, if combined with existing programs, can help address major priorities.

The city's primary housing challenges include:

- Preserving and upgrading Gothenburg's existing stock of generally sound housing.
- Stimulating production of affordable lots that are regionally competitive.
- Continuing to develop new housing for the senior and older adult market.
- Encouraging new housing investment in the city's older neighborhoods.
- Developing an effective, multi-faceted neighborhood conservation and rehabilitation program.

Gothenburg's housing and neighborhood development policy should build on its existing stock of housing by implementing the following policies:

- **SENIOR LIVING**
- **A LENDERS' CONSORTIUM**
- **REHABILITATION AND HOUSING CONSERVATION**
- **AFFORDABLE LOT SUPPLY**
- **DOWNTOWN HOUSING**

### SENIOR LIVING

*Gothenburg should encourage construction of independent living residential development for seniors.*

Gothenburg can provide an excellent living environment for senior citizens. Its small town atmosphere, and health and educational services can attract retirement age residents from the surrounding region. Gothenburg should maintain contact with area alumni and former residents as senior citizens can return to a place that has special meaning to them, offers expanded educational & employment opportunities, and provides quality community services. Local seniors present an opportunity for area schools to tap into a group of educated and experienced individuals that can add to the learning environment on campus.

Organizations such as Dawson County Area Economic Development Council, Gothenburg Improvement Company, and Gothenburg Housing Development Corporation may also combine senior housing development with an acquisition/rehab/resale program to provide maintenance-free housing to its existing senior residents. As an example, the Gothenburg Improvement Company could partner with the City of Gothenburg to build one or two-bedroom attached units, with a target cost of (for example) \$80,000 per unit. The CDC agrees to purchase the senior resident's current home at \$50,000. That home is then rehabilitated and resold. If the rehabilitation cost of the house is an additional \$25,000, total sale price for a substantially new house may be \$80,000. Proceeds from the sale of the house are then used by the senior as a substantial down payment on the new attached unit. The balance is amortized, with an approximate monthly cost of \$300. Assuming that additional costs for maintenance and utilities are \$125 per month, the new housing unit costs the senior household \$425 per month, a moderate price for an appropriate new ownership unit.

#### **A LENDERS' CONSORTIUM**

*Gothenburg could create a lender's consortium to support housing initiatives by public entities such as Dawson County Area Economic Development Council, Gothenburg Improvement Company (GIC), Gothenburg Housing Development Corporation, and West Central Economic Development District.*

Any or all of the listed entities could provide an excellent housing purchase/rehab/resell program and make more affordable housing available. This involves creating a consortium of local lenders and bankers to share the risk of lending for higher risk projects. The consortium approach can help spread the risk involved with lending for unconventional projects. Also, the city can use housing funds to insure the projects, inject grant assistance, and thereby leverage limited housing dollars.

The central missions of the consortium should include:

- Construction and long-term financing of key project types that are identified in the community as high priorities. This may include financing of both private and nonprofit projects.
- Construction lending to private builders of affordable housing, particularly single-family or duplex/townhouse projects. Interim financing using a community housing investment fund can help involve small builders in the development of key housing types, while lowering the risk to builders in marginally profitable price ranges. A construction loan pool eases the flow of capital to strategic project types, and shifts the complete risk for these projects from individual enterprises to the private community at large. It permits small businesses to realize economies of scale by building a group of houses as part of a project, rather than individual, scattered units one at a time. In addition, by sharing the risk, builders can expand their inventory of available speculative houses.



- Mortgage financing to low and moderate-income buyers. The consortium may be a mortgage lender to bankable low and moderate-income buyers who fall outside of normal underwriting standards for institutions. The consortium shares the risk of these mortgages among lenders. In these situations, the consortium may hold the mortgage notes in its own portfolio, as secondary markets are not always available.
- Rehabilitation financing. The consortium may be the financier of a community rehabilitation program, which again shares the private side exposure among the community's institutions and a housing authority's capital fund.

Capitalization of the consortium and its programs should be accomplished as follows:

- Proportionate funding by lenders. An equitable model would be participation in individual loans or in the construction loan pool proportional to overall assets.
- Corporate contributions and investments. Investments by Gothenburg's business community may be a source of working capital for construction financing or long-term financing of key development projects.
- State Community Development Block Grants (CDBG) and other housing funding programs.

## **REHABILITATION AND HOUSING CONSERVATION**

*Gothenburg should expand existing rehabilitation and code enforcement efforts into a comprehensive, multi-faceted rehabilitation and neighborhood development program.*

Housing rehabilitation is an important priority for Gothenburg. Based on the 2000 census, over half of the city's housing was built before 1950. While the housing supply is in generally sound condition, there are a number of units in need of minor rehabilitation and maintenance repairs. The city has been working hard to address the more severe cases, especially those properties that are not owner-occupied. The following initiatives should be implemented in order to address additional rehabilitation issues.

### **A Property Maintenance Standards Program**

The best conservation programs combine awareness of the need for reinvestment with the tools to finance home repairs and rehabilitation. The strategy begins with a Property Maintenance Standards Program; an effort that encourages voluntary compliance with community standards and establishes a legal basis for code enforcement. Components of this program include:

- Preparing and distributing a Property Standards Manual. This should be a friendly and clear document that sets out the expectations that Gothenburg as a community has for individual building and property maintenance. It can also

help to provide useful information, such as sites to dispose of or recycle unwanted household items.

- Organizing voluntary efforts through church and civic groups to assist seniors and disabled people with property maintenance, including fix-up items, painting, routine repairs, and disposal of trash and other items. The involvement of elementary, middle, and high school students in this type of initiative provides them with additional community interaction and increased “ownership” in the community.
- Review and modify the city’s current Property Maintenance Ordinance, assuring that the ordinance clearly addresses those items that have the greatest impact on safety, visual quality, and preservation of community maintenance standards.
- Backing up the property maintenance standards program with rehabilitation financing. Possible funding sources are discussed in the following section.

### **Comprehensive Rehabilitation Programs**

A coordinated rehabilitation strategy that operates on a reliable multi-year basis is vital to ensure preservation of a critical supply of existing housing. A comprehensive rehabilitation program, appropriate to the respective needs of individual residential areas, should include four program types. These include:

- Emergency repair program. An emergency repair program should be established for very low income residents. This type of program is usually funded through Community Development Block Grant (CDBG) funds in the form of grants or forgivable loans.
- Direct rehabilitation grants. This program would make direct forgivable loans and grants to homeowners from CDBG funds. The program is most appropriate to homeowners with low incomes who are not otherwise bankable.
- A leveraged rehabilitation loan program. This approach leverages private loan funds (often through the FHA Title I Home Improvement Loan program) by combining private loans with CDBG or other public funds to produce a below market interest rate for homeowners. The program works most effectively in moderate income neighborhoods with minor rehabilitation needs and some demand for home improvements. It is effective in expanding the amount of improvements completed by a fixed amount of public funding. Loans in a leveraged loan program can be originated through individual lenders or through the proposed lenders’ consortium. The experience of local lenders with FHA Title I can help expedite implementation of this program.

## **AFFORDABLE LOT SUPPLY**

*Gothenburg should encourage the private development of workforce housing by providing an incentive program to finance infrastructure for moderately-priced houses.*

The city should work to assure a supply of affordably priced lots within the city and in new development areas. This will be essential if Gothenburg's housing market wants to be competitive with surrounding markets. Programs include:

- An Infrastructure Bank. Many factors that contribute to housing cost are beyond the control of municipal policy. However, public improvements can be addressed by city policy. One approach is an infrastructure bank; a concept that provides front-end city financing for public improvements by reimbursing the homebuilder or developer for these costs. The value of these improvements then becomes a subordinated mortgage, due only on sale of the property. This technique is attractive because it is primarily a private market program that finances items in the public domain and provides a payback to the city at the point of sale.
- Public or shared risk initial financing of city infrastructure for subdivisions through benefit fee district and special assessment districts should be evaluated to expedite subdivision development. This reduces the front-end risk of lot development to the subdivider, important in a market with long-term lot absorption.
- Utilization of Tax Increment Financing to fund infrastructure improvements and bring down or eliminate lot improvement costs to the developer.
- Any program should also include redevelopment of existing lots that begins with a site assessment and definition process that maps vacant sites and lots, seriously deteriorated buildings, "anchor" structures, and current reinvestment efforts.
- The city may also choose to implement a redevelopment process that would acquire strategic sites to be sold to builders for construction of affordable units. This type of approach has been implemented with some lots in the northeast part of the city. Any expansion of this type of program should require that homes be affordable to low- to moderate-income buyers.

All of these programs should be tied to requirements for development of affordable units.

## **DOWNTOWN HOUSING**

*Gothenburg's historic downtown could offer innovative, amenity-rich housing that would appeal to significant market groups.*

Communities of all sizes have proven the popularity of downtown housing and its ability to play an important role in business district reinvestment. Downtown housing can also take advantage of specific incentives such as historic tax credits that provide additional equity in projects. Downtown Gothenburg has some upper level building resources that offer opportunities for adaptive reuse. Such projects can take advantage of programs such as:

- Community Development Block Grant (CDBG) or HOME funds. These funds can provide gap financing for low and moderate-income housing in downtown districts. They are typically used to reduce private capital needs, producing housing costs affordable to the target population.
- Section 42 (Low-Income Housing Tax Credit). This is an investment tax credit in projects that reserve a specific percentage of units for low-income residents.
- Historic Tax Credits. This program offers an investment tax credit of up to 20-percent to qualified investors for rehabilitation of buildings on or eligible for listing on the National Register of Historic Places. Rehabilitation must be consistent with the Secretary of the Interior's Standards for Historic Rehabilitation.
- Tax Increment Financing (TIF). TIF uses the added taxes created by a redevelopment project to finance improvements related to the project.



