



City of Kearney Affordable Housing Report

Municipal Density & Missing Housing Act Report Update
as Mandated in N.R.S.S. §19-5504

6/30/23

Introduction:

The City of Kearney Development Services Staff has prepared an affordable housing report update as required by the Municipal Density and Missing Middle Housing Act per the specifications of N.R.S.S §19-5504. In July 2021, Staff submitted a report to the Urban Affairs Committee and, as requested by said committee, presented its findings in a public hearing dated August 6, 2021. Since that report and presentation, Staff has continued to monitor and prepare for the required report update. The following report update addresses the following themes:

- Section 1: Current Residential Zoning Requirements (§19-5504: 1a)
- Section 2: Areas in Kearney Zoned for Middle Housing (§19-5504: 1b)
- Section 3: Data: New Residential Construction, Annexed Unit Data, & Estimates of Per Unit Cost for Housing (§19-5504:1c, 1d, & 1e)
- Section 4: Housing Incentives (§19-5504: 1f & h)
- Section 5: Accessory Dwelling Units (§19-5504: 1g)
- Section 6: Housing Needs (§19-5504: 1i)
- Section 7: Housing Action Plan Efforts (§19-5504: 1j)

The City of Kearney, since its beginning as a crossroads for the Union Pacific Railroad, has grown into a destination stop for many travelers heading east or west along Interstate 80. It is home to many local and international businesses, from retail to manufacturing, and more recently, an anchor for the hospitality industry in Central Nebraska. The City is home to the University of Nebraska at Kearney, Central Community College, and two regional hospitals. As a regional economic hub for many communities within Nebraska and northern Kansas, Kearney has seen great potential in various industries.

Since 1980, the City has experienced steady population growth with an average percentage of growth of 12% (Decennial Data, Census.gov). In 2020, the total population of Kearney was 33,790, with an average household size of 2.36 and a reported average family size of 2.96 (2020 Decennial Data, Census.gov). Most of the City of Kearney's housing stock (45.6%) was built over a twenty-year period from 1970s to 1990s (2021 ACS 5-year Estimates, Census.gov). Kearney has experienced much of its residential growth to the west, with more infill development along the east.

Section 1: Current Residential Zoning Requirements (§19-5504: 1a)

The City of Kearney has 17 base zoning districts providing consistent residential, commercial, and industrial development. Along with the base zoning districts, the City has one special district and eight overlay districts. The City of Kearney administers zoning and permitting within an extra-territorial jurisdictional boundary that extends two miles beyond the corporate limits to ensure the City's development is consistent with the future growth between the City, County, and surrounding communities.

Of the City's 17 zoning districts, residential development can occur in 14 of the 17 base zoning districts. The Housing Type Matrix (Figure 1) outlines the different housing use types defined by Kearney's Unified Land Development Ordinance (ULDO). It indicates which zoning districts allow residential development to occur by permitted right (P), conditional use permit (C), or planned development (PD). Kearney has 11 zoning districts that allow for Middle Housing types as defined in the State Statute §19-5504 (See highlighted areas of Figure 1).

Figure 1: Housing Type Matrix with Middle Housing types (highlighted)

Zoning Districts/ Residential Use Types	Single-Family Detached	Single-Family Attached	Duplex	Two-Family	Townhouse	Multiple-Family	Downtown Residential	Group Residential	Lodging House	Manufactured Housing Residential	Mobile Home Park	Mobile Home Subdivision	Retirement Residential
AG: Agricultural	P									P			
RR-1: Rural Residential (Rural Standard)	P									P			
RR-2: Rural Residential (Intermediate Standards)	P									P			
R-1: Urban Residential Single-Family (Low Density)	P									P			
R-2: Urban Residential Mixed-Density	P	P	P		P					P			PD
R-3: Urban Residential Multi-Family (Medium Density)	P	P	P		P	P		P		P			PD
R-4: Urban Residential Multi-Family (High Density)	P	P	P		P	P		PD		P			PD
RM: Mobile Home Residential	P	P	P							P	P	P	
UC: Mixed Use Urban Corridor	P	P	P		P	P				P			
C-O: Office	P		P		P	P							

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C-1: Limited Commercial	P	C	P		P	P		PD	PD				PD
C-2: Community Commercial	P		P		P	P		PD					
CBD: Kearney Center Mixed Use	P		P		P	P	P	PD					PD
C-3: General Commercial	P		P		P	P		PD					

P - Permitted by right or right subject to supplemental regulations PD – Planned Development required C – Conditional Use Permit required Blank – Use not permitted

The City’s zoning code provides 11 zoning districts in which the defined Middle Housing types can be built. To address Kearney’s housing needs, many commercially zoned districts allow for a variety of housing use types. While they are not explicitly defined as “mixed-use” districts, they are used in the same manner. For large-scale developments, the City has a defined special district, Mixed-Use District, to provide solutions to combine compatible land uses into an integrated development that allows residential, commercial, office, and accessory uses. The Mixed-Use District can be applied to areas with a minimum of two acres, establishes its use types, and must accommodate multi-modal transportation. This special district zoning classification provides options for Middle Housing development but has not been used for residential development within the City of Kearney (to date).

Along with the City’s special use district, the City has eight overlay districts, including Planned Development (PD), Traditional Neighborhood Development (TND), Rural Conservation Development (RC), Neighborhood Conservation (ND), Pioneer Park Neighborhood Conservation (ND-1), Floodplain/Floodway (FP/FW), Aviation (AV), and the Wellhead Protection (W) overlay districts. The Planned Development overlay district has been the most frequently used tool to create residential and commercial development solutions in Kearney. In addition, two of the City’s overlay districts, Pioneer Park Neighborhood Conservation and Neighborhood Conservation, provide development options for infill developments within the City’s historic areas. The Traditional Neighborhood Development and Rural Conservation Development overlays have not been applied for residential development.

In 2022, the City of Kearney approved code changes updating three of the City’s residential districts which directly apply to Middle Housing development:

- R-2, Urban Residential Mixed-Density District,
- R-3, Urban Residential Multi-Family (Medium-Density) District, and

- R-4, Urban Residential Multi-Family (High-Density) District.

Staff evaluated these residential districts and found the metrics for lot sizes, site area per housing units, and lot widths could prevent a developer from meeting the density requirements outlined in the zoning district's purpose statement, often resulting in less dense developments. Changes were approved to all three districts allowing site development regulators to more accurately reflect the ability for developers to reach the densities outlined and intended for the respective zoning district. The changes ensure properties are zoned accurately to reflect the development density of each housing type or mixed-use development.

Another highlight of code changes that have been approved in Kearney since 2021, was how site development regulators could be deviated within a Planned Development. This directly impacts the ability for developers to flexibly design their sites to meet their needs, including for Middle Housing developments (almost all Planned Development projects relating to housing are for Middle Housing projects). The City's code, through the Planned Development process, has always allowed for flexible yard setbacks. However, Planned Developments are often approved, including lot size reductions, lot width reductions, and sometimes even height restrictions. The code now clearly states that Planned Developments could be approved for various site development regulation deviation requests as they have been done in practice.

Section 2: Areas in Kearney Zoned for Middle Housing (§19-5504: 1b)

As discussed in Section 1, many of the City’s zoning districts provide options for Middle Housing development. Middle housing, defined by N.R.S.S §19-5503, includes housing types from duplexes to six-unit townhouses. The City of Kearney’s zoning ordinances would classify anything larger than a six-unit townhouse as multi-family development.

The changes to Kearney’s zoning code, described in Section 1, were approved by City Council mid-year 2022. These changes ensure there are more accurate metrics for developers to use when developing middle and high-density housing. Since the 2021 report, approved zoning changes in Kearney have allowed for more Middle Housing development. The percentage of single-family or low-density residential zones make up 35.27% of the residential housing land use. the urban low-density residential zoned (R-1) areas have remained consistent with the 2021 percentage (35.77%). Zoning districts which allow for the development of Middle and Multi-family Housing have increased by 1% since 2021 (34.48%). Figure 2, below, shows the percentage breakdown of Kearney’s zoning districts.

Figure 2: Percentage Breakdown of Kearney’s Zoning Districts		
Zoning Districts		Percent of Area
AG	Agricultural	11.59%
RR-1	Rural Residential (Rural Standard)	0.68%
RR-2	Rural Residential (Intermediate)	0.78%
R-1	Urban Residential Single-Family (Low Density)	35.27%
R-2	Urban Residential Mixed-Density	6.38%
R-3	Urban Residential Multi-Family (Medium Density)	8.04%
R-4	Urban Residential Multi-Family (High Density)	0.19%
R-M	Mobile Home Residential	1.20%
UC	Mixed Use Urban Corridor	0.39%
C-O	Office	3.60%
C-1	Limited Commercial	0.84%
C-2	Community Commercial	8.65%
CBD	Kearney Center Mixed-Use	1.11%
C-3	General Commercial	4.85%
BP	Business Park	2.15%
M-1	Limited Industrial	11.67%
M-2	General Industrial	2.37%
M-U	Mixed Use	0.23%

Total Percentage of areas zoned for residential use, which permits the construction of Middle & Multi-family housing:

35.49%

Section 3: Data: New Residential Construction, Annexed Residential Unit Data, & Estimates of Per Unit Cost for Housing (§19-5504:1c, 1d, & 1e)

New Residential Construction (§19-5504:1c)

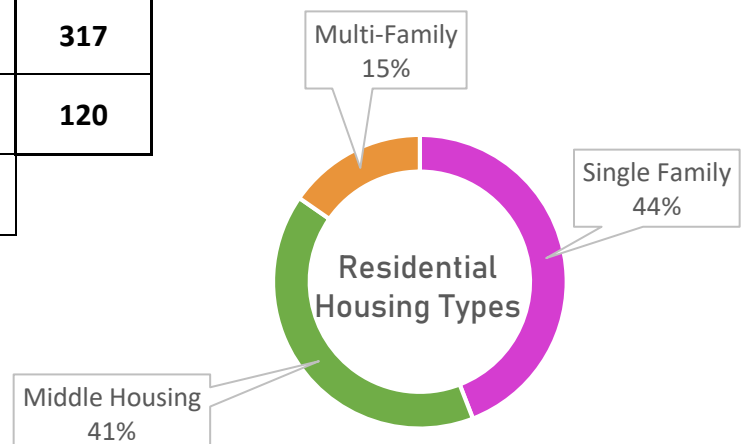
New residential construction data is gathered from the permits pulled within the Development Services Department. General residential building in Kearney has slowed over the past two years due to increasing construction costs, increasing interest rates, and limited availability of skilled labor. Multi-family development has not occurred in the past three years (with the exception of the public-private development in connection with UNK – see next paragraph), with more focus on Middle Housing types (duplexes, triplexes, and fourplexes) being the desired development second to single-family residential.

The University of Nebraska at Kearney (UNK), as a State entity, is not required to pull building permits from the City. Since late 2020, UNK has completed construction of 104 apartments and 4 townhomes. These 108 housing units are market-rate and offer rental opportunities for anyone in the community. Within this public-private development area, University Village, 78 units additional units are currently under construction (50 – apartments & 28 – townhomes).

Not including UNK’s public-private development, 41% of Kearney’s building permits from 2018 to 2022 were for Middle Housing types. Including the 32 townhome units built or under construction at University Village, this increases to 43% See Figure 3 for a full breakdown of residential building permit numbers.

Figure 3: Building Permits from 2018-2022

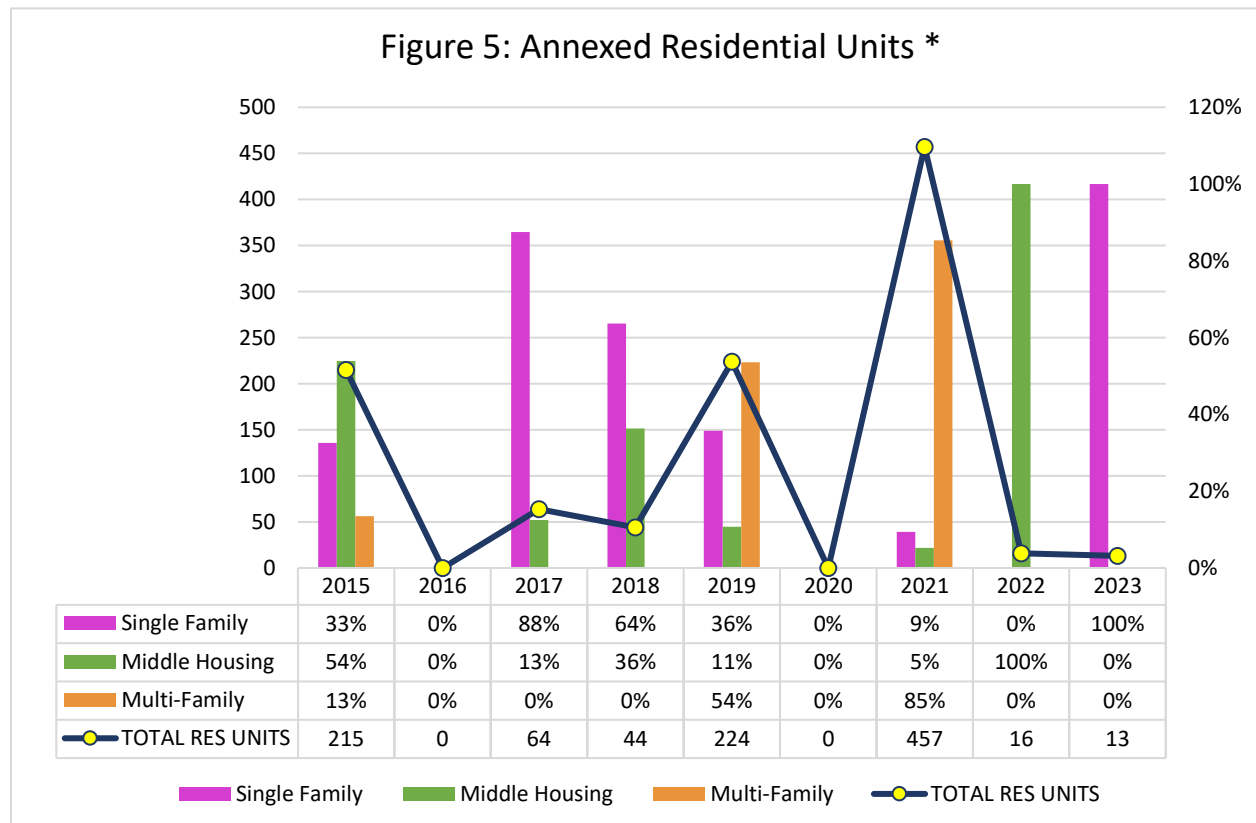
	2018	2019	2020	2021	2022	5-YR TOTALS
Single Family	76	58	87	75	49	345
Middle Housing	76	53	99	69	20	317
Multi-Family	0	120	0	0	0	120
ANNUAL TOTALS	152	231	186	144	69	



Annexed Residential Unit Data (§19-5504:1d)

Kearney has seen a dramatic decrease in residential annexations in the past two years, with many of the City’s annexations being for commercial projects. Most of the development occurring in the City for residential development is focused on infill lots. The annexations slated for commercial projects are zoned such that there is a potential to have housing options within them. However, at this time, no finalized permits or projects have been proposed. As reported in 2021, single-family residential units are the most significant residential annexations (Figure 5). But in the past two years, the City has annexed two residential developments, one single-family residential and one duplex residential development.

Over the last five years, the second-largest group of annexations has been the housing types addressing Middle Housing. As seen in 2015, a significant increase in Middle Housing annexations occurred. One major factor was the Fox Creek development which was exclusively Middle Housing types, consisting of 125 units (triplexes and quadplexes). In 2016 or 2020, there were no residential annexations. Multi-family annexations occurred in 2021, 2019, and 2015.



*No residential units were annexed in 2016 & 2020. Data through 30 June 2023.

Estimates of Per Unit Cost for Housing (§19-5504: 1e)

The average total per unit cost of housing from the past two years is \$298,920.04, a 34.6% increase from the previous five-year average of \$221,969.73. The unit cost of housing trend from year to year by housing type indicates that the single-family price point has increased by nearly 42% (\$188,659) since 2016 (Figure 6).

The per unit cost of housing for the Middle Housing types was stabilized from 2018 - 2020 to an average of \$186,708. In 2021, the average cost decreased by nearly 7% from 2020; however, in 2022, there was nearly a 34% increase in costs to build Middle Housing. As indicated in Figure 6., Middle Housing types are more affordable to build on average comparable to single-family residences.

A previous multi-family development was built in 2017, and the average per-unit cost was \$104,000. Figure 6 below provides the year and the average cost per unit according to housing type and the estimated per unit cost. Per unit cost was estimated using building permit data averaged over the number of permits pulled by housing type each year.

Figure 6: Estimates of the Per Unit Cost of Housing by Housing Type & Year			
	Housing Type		
Year	Single Family	Middle Housing	Multi-Family
2016	\$ 256,361.90	\$ 125,636.36	\$ -
2017	\$ 259,078.13	\$ 111,676.92	\$ 104,000.00
2018	\$ 301,247.64	\$ 186,492.89	\$ -
2019	\$ 343,876.55	\$ 188,581.75	\$ 166,666.67
2020	\$ 337,104.03	\$ 185,050.02	\$ -
2021	\$ 338,498.58	\$ 171,865.78	\$ -
2022	\$ 445,021.84	\$ 230,888.30	\$ -

Section 4: Housing Incentives (§19-5504: 1f & h)

Incentives to Encourage Residential Density (§19-5504: 1f)

The City of Kearney currently does not provide any density bonuses or other incentives to encourage increased residential density. However, the Unified Land Development Ordinance (zoning regulations) encourages residential density in multiple ways. All of the City's commercial districts provide options for residential uses, from single-family homes to multi-family developments. In addition, the City has seven exclusive residential districts in which four of those districts permit the development of various housing types that encourage increased density. The application of overlay districts and special districts also provides development opportunities to increase housing density.

The frequency in which development decisions are swayed by residential density is difficult to track in the City of Kearney, considering the zoning regulations allow for such increased density uses across both commercial and residential zoning classifications. However, as seen through annexations and rezoning requests with Planned Development Overlay Districts, the City is expanding residential developments that target denser housing options. One example was Williams Grace Estates, a Planned Development focusing on duplexes. This infill development project provided an additional 18-units of housing in an area of town adjacent to single-family residences and was achieved by reducing setbacks to increase density. In the past two years, rezoning requests for residential developments have been for the R-2 zoning district, which allows for Middle Housing use types. Continued development in the final phases of the Millennial Estates housing development blends single-family and duplexes while reducing street widths and setbacks, increasing overall density within this 40-acre development. Over the five phases of development, this added 181 housing units, with 24% of it providing Middle Housing within Kearney. UNK, as a landlocked entity, uses creative development solutions, resulting in denser development, especially regarding housing. They have built new dorm-style housing as well as new Greek housing (currently under construction) in addition to the public-private partnership housing developments at University Village.

Incentives for Affordable Housing (§19-5504: 1g)

The City has no direct financial incentives to encourage affordable housing development. The City partnered with three separate developers to submit three applications for Nebraska Affordable Housing Trust Funds in 2023 (still waiting to hear the outcome). Additionally, Kearney (through the Buffalo County Economic Development Council) has previously benefitted from Rural Workforce Housing Funds. The City will always continue to help explore funding opportunities for affordable housing development in Kearney. The Planned Development Overlay District is a regulatory tool the City has used to reduce development costs. When applied to residential development, this overlay has been used in various ways to approve increased unit density, reduced street widths, and reduced

setbacks. City Staff works with developers to find ways to facilitate building affordable housing. One such way is to waive fees associated with platting, rezoning, and building permits. Projects subject to these reductions have typically been given to non-profits such as Habitat for Humanity or within historic preservation projects in Downtown Kearney. The City is also working with a local non-profit organization (Kearney Sustainable Housing) which is looking to construct two, six-unit apartments that will serve residents in need in our community.

Section 5: Accessory Dwelling Units (§19-5504: 1g)

The City of Kearney’s zoning codes, ordinances, and regulations do not allow accessory dwelling units (ADUs) to be constructed. In 2017, the Kearney Housing Study indicated that providing accessory dwelling units as an option for rental units could provide needed variety within the rental housing market.

The City will further explore this type of housing as part of the update to the Affordable Housing Plan. In reviewing policies established by Omaha and Lincoln, the City anticipates there is potential to add ADUs based on the densities of the base zoning districts. Looking to peer cities for established policies is essential in finding support for this proposed change and providing another viable housing solution.

Section 6: Housing Needs (§19-5504: 1i)

The Kearney Housing Study (2017) outlined potential population trends, housing demand, and housing needs according to affordability, as shown in the following tables. However, the study did not provide housing needs by housing type. The City is exploring options to update the housing study and analyze housing needs by type.

FIGURE 2.16: Population Projection

EXCLUDING STUDENTS	2015	2020	2020	2030
1.0% Annual Growth Rate	29,991	31,521	33,129	34,819
1.2% Annual Growth Rate	29,991	32,309	34,806	37,496
1.8% Annual Growth Rate	29,991	32,790	35,849	39,193
PROJECTION PLUS STUDENTS				
1.0% Annual Growth Rate	32,217	33,669	35,196	36,800
1.2% Annual Growth Rate	32,217	34,418	36,788	39,342
1.8% Annual Growth Rate	32,217	34,873	37,778	40,953

Source: Kearney Housing Study, US Census

FIGURE 2.17: Housing Demand Model

	2017-2025	2026-2030	TOTAL
Population*	36,788	39,342	
Household Population*	34,342	36,726	
Average Household Size*	2.42	2.42	
Household Demand*	14,191	15,176	
Projected Vacancy Rate	5.40%	5.40%	
Annual Replacement	5	5	70
Total Unit Demand*	1,729	1,066	2,796
Average Annual Construction	192	213	200

Source: Kearney Housing Study, RDG

FIGURE 2.18: Housing Development Program

	2015-2025	2026-2030	2017-2030
Total Need	1,729	1,066	2,796
Total Owner Occupied	1,038	586	1,624
Affordable Low: <\$125,000	349	197	546
Affordable Moderate: \$125-\$175,000	240	136	376
Moderate Market: \$175-\$250,000	195	110	305
High Market: >\$250,000	254	143	397
Total Renter Occupied	692	480	1,172
Low: Less than \$450	217	151	368
Affordable: \$450-\$700	255	177	432
Market: Over \$700	219	152	372

Source: Kearney Housing Study, RDG

Section 7: Housing Action Plan Efforts (§19-5504: 1j)

Before January 1, 2024, the City of Kearney will actively evaluate and pursue the development of an action plan based on the initial findings of this report. Further research needs to be conducted to provide more information regarding housing type desirability and updates to needs analysis based on newly acquired decennial census data. City staff shall evaluate the effectiveness of current codes, ordinances, and regulations to seek further improvements to providing affordable housing options.