



ECONOMIC DEVELOPMENT PROGRAM

HOUSING DEVELOPMENT PLAN

2017

Adopted 10/03/2017

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SECTION I. HISTORY

The City of Crete, Nebraska adopted an Economic Development Plan in accordance with the Local Option Municipal Economic Development Act (LB840, 1991-Section 18-2701, RRS1997, et. seq.) in 2010.

The LB840 process involves the formulation of proposed plans for housing development. In accordance with Sections 18-2705, 18-2710.01 and 18-2710.02 of LB840, Crete's Economic Development Plan forms the foundation for the construction or rehabilitation for sale or lease of housing for persons of low or moderate income; and as part of a workforce housing plan.

SECTION II. LOW OR MODERATE INCOME PERSONS HOUSING PLAN

1. Low or Moderate Income Housing.

Crete's Housing Program will allow grants or loans for the construction or rehabilitation for sale or lease of housing for persons defined as either low or moderate income. In addition the City of Crete may use LB840 funds for rehabilitation, building, purchasing or rebuilding infrastructure; purchase of real estate, options for such purchases, and the renewal or extension of such options; and construction or rehabilitation for sale or lease of housing for persons of low or moderate income.

Low and Moderate Income standards for this program are based upon existing federal government guidelines or standards for qualifying for any federal housing assistance program as such levels may be modified by the consideration of existing local and regional economic conditions and income levels.

Low and Moderate Income Persons Defined

U.S. Department of Housing and Urban Development (HUD) (includes CDBG, HOME, and other funds). HUD develops income limits based on Median Family Income (MFI) estimates and Fair Market Rent area definitions for each metropolitan area, parts of some metropolitan areas, and each non-metropolitan county.

HUD defines Low Income Persons as those persons in households whose annual gross household income for various family sizes as established for SALINE COUNTY is at or below 80% of the Area Median Family Income (AMFI). The income limits are revised annually based upon income level changes as approved by HUD.

HUD defines Moderate Income Persons as those persons in households whose annual gross household income for various family sizes as established for SALINE COUNTY is at or below 100% of the Area Median Family Income (AMFI). The income limits are revised annually based upon income level changes as approved by HUD.

U.S. Department of Agriculture (USDA) (include Home Loans, Guaranteed Loans, and other

funds). USDA uses different definitions and accompanying income limits for each of its programs.*

USDA generally defines* Low Income as annual family income at or below 200 percent of the Federal poverty threshold for family size.

USDA generally defines* Moderate Income as the greater of 115% of the U.S. Median Family Income or 115% of the average of the state-wide and state non-metro median family incomes or 115/80ths of the area low-income limit.

A. The Income Levels Which Will Qualify Persons for Participation in the Housing Program.

i. Assistance in Aggregation With Any Federal Program

Where LB840 Housing Development Plan funds are used in aggregation with any Federal Program funds, the Low or Moderate Income guidelines, standards, and limits for the Federal program shall also be used for the LB840 housing program funds.

ii. Assistance in Aggregation with any Non-Federal Program

It is important to first determine the source of any Non-Federal Program funding. For example, the Nebraska Department of Economic Development offers many funding programs that are pass-through funds of a Federal Program. In these cases, the funding must be treated as Federal Program funding and shall meet the requirements of Part i. Assistance in Aggregation With Any Federal Program.

If the source of funding is determined as Non-Federal, then where LB840 Housing Development Plan funds are used in aggregation with any Non-Federal Program funds, the Low or Moderate Income guidelines, standards, and limits for the identified program may also be used for the LB840 housing program funds, however in no case shall those income limits exceed 120% of the annual Area Median Family Income (AMFI) as defined by HUD.

iii. Assistance Not in Aggregation with Any Other Program

Where LB840 Housing Development Plan funds are not used in aggregation with Any Other Program funds, the Low or Moderate Income definitions and limits shall be the same as those established annually by HUD.

For assistance not in aggregation with any other program, Low-Income persons is defined as those persons in households whose annual gross household income for various family sizes as established for SALINE COUNTY is at or below 80% of the Area Median Family Income (AMFI).

For assistance not in aggregation with any other program, Moderate-Income persons is defined as those persons in households whose annual gross household income for various family sizes as established for SALINE COUNTY is at or below 100% of the AMFI.

B. Criteria for Determining the Adjustments to be Made to the Income of Persons to Determine their Qualification for Participation.

Low and Moderate Income standards for this program are based upon existing federal government guidelines or standards for qualifying for any federal housing assistance program as such levels may be modified by the consideration of existing local and regional economic conditions and income levels.

i. Assistance in Aggregation With Any Federal Program

Where LB840 Housing Development Plan funds are used in aggregation with any Federal Program funds, the method used to verify income and the criteria for determining the adjustments to be made to the income of persons to determine their qualification for participation in the Federal program shall also be used for the LB840 housing program funds.

Many Federal Programs require income to be verified using specific criteria and methodologies. In addition Some Federal Programs allow for income adjustments to be made and some do not. For example, the HOME Program requires the use of one of three definitions of annual income in order to determine the income eligibility of applicants to their programs. Each definition describes whether it allows income adjustments, and the criteria for determining the adjustments. The three definitions are:

- 24 CFR 5.609, also known as Section 8.
- Census Long Form for the most recent decennial census.
- Adjusted gross income as defined by the Internal Revenue Service (IRS) Form 1040 series for individual Federal annual income tax reporting purposes.

The Nebraska Department of Economic Development requires income levels to be verified according to 24 CFR Part 5.609 for their programs that require beneficiaries to meet income limits.

ii. Assistance in Aggregation with any Non-Federal Program

It is important to first determine the source of any Non-Federal Program funding. If the source is Federal, then the funding must be treated as Federal Program funding and shall meet the requirements of Part 1. Assistance in Aggregation With Any Federal Program.

If the source of funding is determined as Non-Federal, then where LB840 Housing Development Plan funds are used in aggregation with any Non-Federal Program funds, the method used to verify income and the criteria for determining the adjustments to be made to the income of persons to determine their qualification for participation for the identified program may also be used for the LB840 housing program funds, however in no case shall those adjustments reduce their income by more than 20%.

iii. Assistance Not in Aggregation with Any Other Program

Where LB840 Housing Development Plan funds are not used in aggregation with Any Other Program funds gross annual household income will be verified using the most recent year's income tax forms for each member of the household age 18+ as long as no changes to job (title, number of hours worked, etc.) and employer have been made. If changes to job or employer have been made, then income will be verified using at least eight weeks of most recent pay stubs.

Once gross annual household income has been verified, the following criteria for determining the adjustments (which shall in no case reduce their income by more than 20%) to be made to the income of persons to determine their qualification for participation will include:

- **Amount of Income Available for Housing.** Deduction of percentage of income for a renter household experiencing housing cost burden of 31% or more in its present housing situation, when no other housing meeting safe, sanitary, affordable, and suitable (does not result in overcrowding) is available. The deduction percentage will be equal to the percentage of cost burden over 30%, for example a household experiencing 31% cost burden will receive an income deduction equal to 1% of its gross annual household income.
- **Size of Family.** Deduction of \$480 for each child under 18 that will live in the house and each full-time student (of any age). Deduction of \$480 per household member above the numbers described in Section II.2.B.
- **Cost and Condition of Housing.** Deduction of percentage of income for renter households paying higher than the Fair Market Rent for Saline County as identified in the most recent year's HOME Rent Limits. The deduction percentage will be equal to the percentage of rent over the Rent Limit, for example a household paying five percent (5%) over the Rent Limit will receive an income deduction equal to 5% of its gross annual household income. Deduction of \$400 per household member for renter households living in housing that does not meet Section 8 Housing Quality Standards.
- **Elderly Infirm, and/or Disabled.** Deduction of \$400 per household member that is elderly (age 62+) or infirm and/or disabled (doctor verification and/or receives SSI).
- **Ability to Pay Market Rate.** The Program will periodically review the local market rates in comparison to similarly sized cities in the region. If the local market rates are higher than comparable cities' market rates, the program may implement an adjustment across all household sizes.
- **Other Factors – Health and Safety.** Deduction of \$400 per household member for renter households where the current housing does not meet identified health and safety factors. Factors include but are not limited to: lead-based paint, radon, asbestos, mold, infestation, missing or inoperable safety equipment such as fire/smoke alarms, etc.

2. Factors for Consideration in Establishing Criteria for Adjustments to Income.

In establishing the criteria to be applied in determining appropriate adjustments to the income of persons seeking consideration for participation in the Program pursuant to LB840 18-2710.01 Subsection (1), Crete shall consider the following factors:

A. Amount of Income Available for Housing Needs.

The Program will consider housing cost burden in relation to total household income as a factor for consideration. No more than 30% of the homebuyers' verified annual gross household income may be used to pay for the cost of housing. Housing costs for purposes of this program include: payments toward the homebuyer/homeowner's:

- Mortgage and/or second mortgage (payments and interest)
- Mortgage insurance
- Homeowner's insurance
- Utilities

B. Size of Family to Reside in Housing Unit.

The Program will consider number of children in the household and overcrowding as a factors for consideration. Overcrowding shall be defined as more than two (>2) persons per bedroom and/or more than one (>1) person(s) per room.

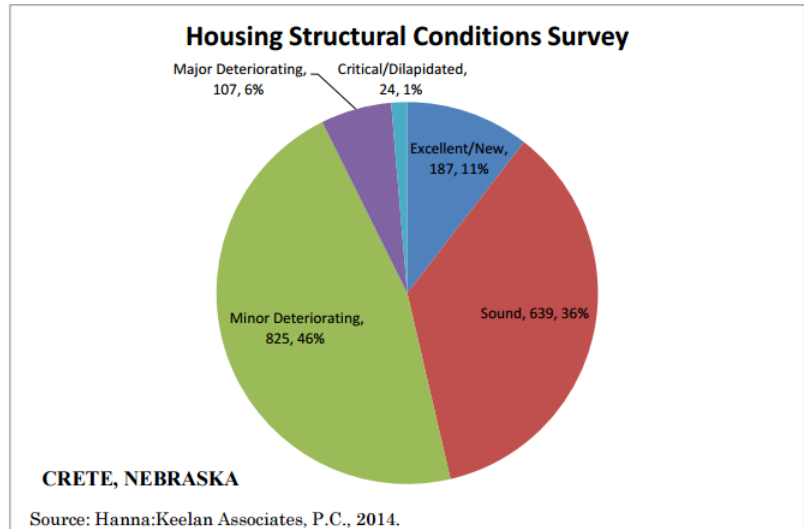
C. Cost and Condition of Housing Available in Crete.

The Program will consider cost and condition of housing available in Crete as a factor for consideration.

The 2016 Crete Housing Study determined housing costs by income group as shown in the table below.

TABLE F HOUSING DEMAND – SPECIFIC TYPES BY PRICE PRODUCT CRETE, NEBRASKA 2024							
<u>PRICE – PURCHASE COST (Area Median Income)</u>							
Owner	(61%-80%)	(81%-125%)	(126%+)				Work Force (45%+ AMI)
Units*	<u>\$134,500*</u>	<u>\$180,300*</u>	<u>\$229,900*+</u>	Totals			<u>\$126,900*</u>
2 Bedroom	8	26	8	42			10
3+ Bedroom	<u>16</u>	<u>90</u>	<u>36</u>	142			98
TOTALS	24	116	44	184			108
<u>PRICE – PURCHASE COST (Area Median Income)</u>							
Rental	(0%-30%)	(31%-60%)	(61%-80%)	(81%125%)	(126%+)		Work Force (45%+ AMI)
Units**	<u>\$395**</u>	<u>\$545**</u>	<u>\$605**</u>	<u>\$795**</u>	<u>\$895**+</u>	Totals	<u>\$535**</u>
1 Bedroom ¹	4	4	4	4	0	16	4
2 Bedroom ¹	6	18	16	18	12	70	38
3+ Bedroom	<u>2</u>	<u>10</u>	<u>10</u>	<u>14</u>	<u>8</u>	44	32
Totals	12	32	30	36	20	130	74
*Average Affordable Purchase Price.							
**Average Affordable Monthly Rent.							
NOTE: Housing demand includes both new construction and purchase-rehab-resale or re-rent.							
Source: Hanna:Keelan Associates, P.C., 2014.							

The 2014 Housing Study also assessed existing housing conditions available in Crete. A total of 1,782 housing structures were reviewed. Of these structures, 52.3 percent, or 932 were determined to be in a minor or major deteriorating condition, while an additional 24 structures were considered to be dilapidated and not cost-effective for rehabilitation.



Existing housing units assisted with Program funds for rehabilitation must meet NDED Housing Rehabilitation Standards after rehabilitation. All new construction and rehabilitated units must be in a physical condition that will result in a life expectancy of at least twenty years.

D. Elderly, Infirm, Disabled Family Member to Reside in Housing Unit.

The Program will consider the presence of elderly (age 62+) and disabled family members residing in the housing unit as a factor for consideration.

E. Ability to Pay Market Rate for Safe, Sanitary, Uncrowded Housing.

The Program will consider ability to pay market rate for safe, sanitary, uncrowded housing as a factor for consideration. The home in question should not put the applicant in financial stress. The home must be affordable for the applicant(s)' financial status. The Program will determine the ability to pay using the homebuyer's annual household income, housing cost burden, credit scores, the lender's criteria for a mortgage, debt-to-income ratio, and other available information.

F. Other Relevant Factors.

Health and Safety. Presence of asbestos, radon, lead-based paint, infestation, and any other condition determined to be unhealthy or unsafe according to the Crete Building Inspector will be factors for consideration.

All properties assisted with Program funds shall comply with HUD lead based paint regulations. Proposed homes for purchase or rehabilitation constructed prior to 1978 must pass a "Lead Paint Hazard Screen" and/or a "Lead Paint Hazard Clearance."

All properties assisted with Program funds must be outfitted with working smoke and fire alarms.

All properties assisted with Program funds shall be free and clear of any debris that jeopardizes public safety and/or impairs the appearance of the neighborhood. Properties must remain debris-free for the duration of the program lien period. Debris shall include, but not be limited to:

inoperable automobiles, machinery, appliances, tires and accessories, noxious weeds, discarded metal and other unsightly conditions.

SECTION III. WORKFORCE HOUSING PLAN

1. Workforce Housing

Crete's Housing Program will allow grants or loans for the construction or rehabilitation for sale or lease of housing as part of Crete's workforce housing plan. In addition the City of Crete may use LB840 funds for rehabilitation, building, purchasing or rebuilding infrastructure; purchase of real estate, options for such purchases, and the renewal or extension of such options; and construction or rehabilitation for sale or lease of housing as part of Crete's workforce housing plan.

Workforce Housing Income standards for this program are based upon existing federal government guidelines or standards for qualifying for any federal housing assistance program as such levels may be modified by the consideration of existing local and regional economic conditions and income levels.

Workforce Housing as Defined by the U.S. Dept. of HUD

The U.S. Department of Housing and Urban Development (HUD) defines workforce housing as housing that is affordable to households earning between 80 and 120 percent of Area Median Family Income (AMFI).

HUD develops income limits based on Median Family Income (MFI) estimates and Fair Market Rent area definitions for each metropolitan area, parts of some metropolitan areas, and each non-metropolitan county.

Workforce Housing Plan as Defined in LB840 18-2709.01

Workforce housing plan as defined in LB840 18-2709.01 means a program to construct or rehabilitate single-family housing or market rate multi-family housing which is designed to address a housing shortage that impairs the ability of the city to attract new businesses or impairs the ability of existing businesses to recruit new employees.

A. The Income Levels Which Will Qualify Persons for Participation in the Housing Program.

i. Assistance in Aggregation With Any Federal Program

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It is important to first determine the source of any Non-Federal Program funding. For example,

the Nebraska Department of Economic Development offers many funding programs that are pass-through funds of a Federal Program. In these cases, the funding must be treated as Federal Program funding and shall meet the requirements of Part i. Assistance in Aggregation With Any Federal Program.

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iii. Assistance Not in Aggregation with Any Other Program

Where LB840 Housing Development Plan funds are not used in aggregation with Any Other Program funds, the Workforce Housing definitions and limits shall be the same as those established annually by HUD.

For assistance not in aggregation with any other program, Workforce Housing is defined as those persons in households whose annual gross household income for various family sizes as established for SALINE COUNTY is at or below 120% of the Area Median Family Income (AMFI). The income limits are revised annually based upon income level changes as approved by HUD.

B. Criteria for Determining the Adjustments to be Made to the Income of Persons to Determine their Qualification for Participation.

Workforce Housing Income standards for this program are based upon existing federal government guidelines or standards for qualifying for any federal housing assistance program as such levels may be modified by the consideration of existing local and regional economic conditions and income levels.

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- 24 CFR 5.609, also known as Section 8.
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The Nebraska Department of Economic Development requires income levels to be verified according to 24 CFR Part 5.609 for their programs that require beneficiaries to meet income limits.

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iii. Assistance Not in Aggregation with Any Other Program

Where LB840 Housing Development Plan funds are not used in aggregation with Any Other Program funds gross annual household income will be verified using the most recent year's income tax forms for each member of the household age 18+ as long as no changes to job (title, number of hours worked, etc.) and employer have been made. If changes to job or employer have been made, then income will be verified using at least eight weeks of most recent pay stubs. Once gross annual household income has been verified, the following criteria for determining the adjustments to be made to the income of persons to determine their qualification for participation will include:

- Size of Family. Deduction of \$480 for each child under 18 that will live in the house and each full-time student (of any age).
- Elderly Infirm, and/or Disabled. Deduction of \$400 per household member that is elderly (age 62+) or infirm and/or disabled (doctor verification and/or receives SSI).

1. Assessment of Current Housing Stock in Crete Including Single-Family and Market Rate Multi-Family Housing.

Crete's housing stock was assessed in the 2014 Crete Housing Study, which determined the following:

The total estimated housing target demand in Crete, by 2024, is 314 housing units, including 184 owner and 130 rental units, at an estimated development cost of \$61 Million. Included in the 314 targeted housing units are a recommended 24 new/improved rental housing units recommended for the Crete Downtown; an estimated cost of \$3.8 Million. An estimated 29,000 square feet of floor space will be needed for rental housing development in the Downtown.

TABLE C
ESTIMATED YEAR-ROUND HOUSING DEMAND BY INCOME SECTOR
CRETE, NEBRASKA
2024

<u>Tenure</u>	<u>Income Range</u>					<u>Totals</u>
	<u>0-30% AMI</u>	<u>31-60% AMI</u>	<u>61-80% AMI</u>	<u>81%-125% AMI</u>	<u>126%+ AMI</u>	
Owner	0	0	24	116	44	184
Rental	12	32	30	36	20	130

Source: Hanna:Keelan Associates, P.C., 2014.

An estimated 72 owner and 60 rental units should be targeted for elderly households, 55+ years of age, with 112 owner and 70 rental units targeted for non-elderly families and special need populations. An estimated 12 owner and 14 rental housing units in Crete should be built for persons with a special need(s), by 2024. An estimated 108 owner and 74 rental units will be needed for workforce households in Crete.

Owner units for the City’s workforce population should consist of three-bedroom units and be priced at or above \$126,900. Rental units for the City’s workforce population should consist of three-bedroom units with an estimated average monthly rent at or above \$535.

TABLE F
HOUSING DEMAND – SPECIFIC TYPES BY PRICE PRODUCT
CRETE, NEBRASKA
2024

<u>PRICE – PURCHASE COST (Area Median Income)</u>						
<u>Owner</u>	<u>(61%-80%)</u>	<u>(81%-125%)</u>	<u>(126%+)</u>	<u>Totals</u>	<u>Work Force</u>	<u>(45%+ AMI)</u>
Units*	\$134,500*	\$180,300*	\$229,900*+		\$126,900*	
2 Bedroom	8	26	8	42	10	
3+ Bedroom	16	90	36	142	98	
TOTALS	24	116	44	184	108	
<u>PRICE – PURCHASE COST (Area Median Income)</u>						
<u>Rental</u>	<u>(0%-30%)</u>	<u>(31%-60%)</u>	<u>(61%-80%)</u>	<u>(81%-125%)</u>	<u>(126%+)</u>	<u>Work Force</u>
Units**	\$395**	\$545**	\$605**	\$795**	\$895**+	\$535**
1 Bedroom ¹	4	4	4	4	0	4
2 Bedroom ¹	6	18	16	18	12	38
3+ Bedroom	2	10	10	14	8	32
Totals	12	32	30	36	20	74

*Average Affordable Purchase Price.

**Average Affordable Monthly Rent.

NOTE: Housing demand includes both new construction and purchase-rehab-resale or re-rent.

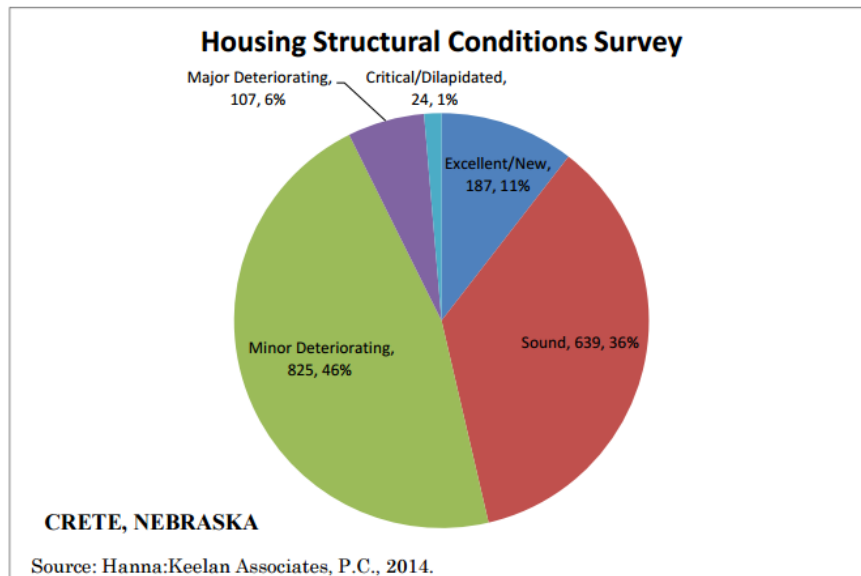
Source: Hanna:Keelan Associates, P.C., 2014.

Crete has several geographic and manmade factors that limit new construction. First are significant areas of floodway, and 1% annual flood hazard which limit the areas where new construction should occur.

Second are noise-producing elements of railroad lines operating through the town and a local airport located close to Crete’s jurisdictional boundary. The third factor is the presence of

numerous historic structures and two Historic Districts, which may limit some housing styles in order for new construction to conform visually with the historic nature of the neighborhood.

The 2014 Housing Study also assessed existing housing conditions available in Crete. A total of 1,782 housing structures were reviewed. Of these structures, 52.3 percent, or 932 were determined to be in a minor or major deteriorating condition, while an additional 24 structures were considered to be dilapidated and not cost-effective for rehabilitation.



2. Inclusion of Housing for Persons of Low or Moderate Income Under Section 18-2710.01.

Crete’s Workforce Housing Plan does include persons of low or moderate income under Section 18-2710.01. See Section II. Low or Moderate Income Persons Housing Plan of this Housing Development Plan.

3. Other Factors Relevant in Assessing Conditions Faced by Existing Businesses in Recruiting New Employees.

Crete’s largest employers have expressed concerns for many years about the difficulties they have in hiring and recruiting. An estimated 1,580 employees live in nearby towns and in Lincoln and drive to work every day. Expansion for any of these large employers would be problematic due to the limited numbers of local unemployed workforce. While not all of these commuters would choose to move to Crete, with available housing if even 10% could relocate, that would represent as many as 160 new families that could move into Crete in the near future.

The largest limiting factor to population growth in Crete is the lack of available housing combined with minimal to no new housing construction, estimated at zero net new construction from 2010-2014 according to the 2015 ACS. 21 units were constructed from 2014 to the present and 19 were demolished during the same period.

4. Other Factors Relevant in Assessing Conditions Faced by Persons Seeking New or Rehabilitated Housing in Crete.

According to the Crete 2014 Housing Study:

Primary impediments to fair housing choice in Crete include: For Owner Households – Housing Prices, Excessive Down Payment and Closing Costs and Cost of Insurance. For Renter Households – Lack of Available Decent Rental Units in the Price Range, Excessive Application Fees and/or Rental Deposit and Attitudes of Landlords and Neighbors.

The City of Crete lacks entry-level homes for purchase, as well as very few move-up options. Rental units in the Community are between \$600 and \$700, which focus group participants identified as being too high for the condition they are in. Some rental units, contained within four to 12 unit complexes/buildings, are vacant due to being unable to meet the needs of young families (maintenance, size of unit, etc.).

Participants expressed a need for first-time homebuyer/entry-level housing units, preferably priced between \$60,000 and \$120,000 (accounting for an approximate 4.7% overall inflation rate, this would equal approximately \$62,780-\$125,500 in 2017 dollars). This price range was cited as being ideal for young families in and around the City.

The development of new affordable housing will be difficult due to the lack of available land.

The highest need is new owner and renter occupied housing with three and four bedroom units.

Crete has a housing vacancy deficiency (not enough vacant units to provide housing choice for new residents) and needs new construction of at least 31 units per year for ten years in order to meet an ideal vacancy rate.

According to Prof. Barry Bluestone, director of the Dukakis Center for Urban and Regional Policy and professor at Northeastern University in Boston, a healthy vacancy percentage is between six and seven percent. Rents will continue to rise under this vacancy rate, but it will climb no faster than normal inflation, which is two to three percent each year. “The vacancy rate is the critical index of what will happen to rent and prices. Landlords can raise their rents in a market where you have extremely low vacancy rates.”

In 2014 Crete had pent-up demand of 2% (36 units), meaning buyers delaying making purchases until they have the financial means to meet the price demanded by the seller.

According to the US Census, 2015 ACS Table S2503 for Crete: 67.3% of renter households have incomes less than \$50,000 and 41.8% of owner households have income less than \$50,000. 16.6% of owners and 38.3% of renters with incomes less than \$50k pay more than 30% of their monthly household income for housing costs.