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Omaha Housing Marketing: An appraisal of the Occupancy Potential for Subsidized Rental Units, 1971-1973

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THE OMAHA HOUSING MARKET:
AN APPRAISAL OF THE OCCUPANCY POTENTIAL
FOR SUBSIDIZED RENTAL UNITS, 1971 - 1973

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TABLE OF CONTENTS

Preface.....	ii
Summary of Conclusions.....	iii
Employment.....	1
Population.....	6
Households.....	7
Income.....	7
Housing Needs and Occupancy Potential.....	12
Vacancy Rates.....	12
Occupancy Potential for 236 Housing Units.....	17
Omaha Submarkets.....	20

LIST OF TABLES AND FIGURES

TABLES	PAGE
I Trends in the Work Force, Unemployment and Employment by Industry, Omaha, Nebraska, Housing Market Area Annual Averages, 1965-1971.....	3
II Growth Rates for Nonagricultural Wage and Salary Employment, 1965-1972.....	5
III Estimates and Projections of Population for the Omaha Housing Market Area, April 1, 1960 to September 1, 1973.....	8
IV Estimates and Projections of Households for the Omaha Housing Market Area, April 1, 1960--September 1, 1973.....	9
V Percentage and Absolute Distribution of all Families by Estimated Annual After-Tax Income, September 1, 1971.....	11
VI Percentage and Absolute Distribution of Renter Households by Estimated Annual After-Tax Income, September 1, 1971.....	13
VII Renter Household Units by Income Group and by Gross Rent as a Percentage of Income.....	14
VIII Vacancies, Section 236 and 221 (d) (3) Units.....	16
IX Projected Percentage of Family Units by Number of Persons in Selected Income Groups, September 1, 1972.....	18
X Maximum Income Eligibility Requirements for Section 236 Housing	19
XI Families Eligible for Rental Units Under Alternative Rent Structures; 25 Percent Rule, September 1, 1972.....	21
XII Percentage and Absolute Distribution of North and South Omaha Families by Estimated Annual After-Tax Income, September 1, 1971.....	23
 Figures	
I Population Growth, 1960 - 1970.....	26
II 1970 Omaha Nebraska Census Tract Map.....	27

PREFACE

This study provides an analysis of market conditions for subsidized dwelling units for a two year period from September 1971 to September 1973. It emerged because of the strong and prevailing belief that there exists today in the Omaha Housing Market Area (HMA) an urgent and unmet need for a large number of safe, decent dwelling units available at prices or rents that low and moderate income families can afford.¹ The number of inadequate dwelling units (those lacking plumbing facilities or deteriorating or dilapidated), and the number of persons living below poverty level incomes are suggestive of the fact that there are large numbers in the area who are poorly housed.² Regarding the Omaha HMA, the need for adequate housing is considered relatively more urgent, and more self-evident, in North Omaha.³

¹This sense of urgency is found in reports presented by the Nebraska State Legislature's Housing Committee to various local ad hoc committee reports. For example, see Profile of Housing, Omaha, Nebraska 1972, Elizabeth Campbell, John Hrupek, et. al.

²MAPA's 1970 housing survey indicates more than 10 percent of the total housing units in the HMA are either dilapidated or deteriorating. According to the 1970 Census, nearly seven percent of all families have incomes below poverty levels.

³North Omaha as used in this study is identified by census tract (see Map in Appendix). In North Omaha 17 percent of the families live below established poverty level incomes.

Summary of Conclusions

The major conclusion reached in this study is that there is a substantial need for subsidized rental units for the two-year forecast period from September 1, 1971 to September 1, 1973. This general statement of conclusion is based on the following:

1. Estimates and projections of employment, population and households for the forecast period are presented below:
 - a. Wage and salary employment is estimated to grow at an annual rate of 7,000 from an average yearly total of 210,000 for the twelve month period ending August 31, 1971.
 - b. Population is estimated at 562,897 as of September 1, 1971 and will grow at an annual rate of 11,229 persons.
 - c. The number of households as of September 1, 1971 is estimated to be 173,035. The number of households is expected to increase at an average annual rate of 4,892.

	Estimated as of Sept. 1, 1971	Projections to Sept. 1, 1973	Projected Annual Average Increase
Employment	210,000	224,000	7,000
Population	562,897	585,355	11,229
Households	173,035	182,819	4,892

2. There is evidence to indicate that both the upper and lower income groups are substantially larger than expected.
 - a. An estimated 18 percent of all families have incomes below \$6,000 as of September 1, 1971, and 36 percent of 49,239 families have after-tax income over \$12,000.
 - b. An estimated 31 percent of renter households as of September 1, 1971 had incomes below \$6,000.
3. The following findings are directed toward the need for subsidized housing; some directed at the general need for such housing and others directed specifically at Section 236 units.

- a. Vacancy rates are low, and with regard to 236 units, there is no indication that the market is soft.
- b. Two estimates of occupancy potential for 236 units indicate two different conclusions with respect to the marketability of such units.
 - (1) There are over 35,500 families in the HMA that have incomes less than the maximum allowable for Section 235 and Section 236 units.
 - (2) If one assumes a 25 percent rule (gross rent cannot exceed 25 percent of adjusted gross income) and a representative rental structure (Table XI), approximately 4,900 families are eligible. Relaxation of this rule generates a large number of qualified families who previously would not be eligible. (i.e., using a 35 percent rule, over 18,000 families are eligible). This estimate is based on family income estimated as of September 1, 1972 and rent structures as given in Table XI.
- c. The need for subsidized housing units differs among submarkets. A low income level (median income of \$7,900) in North Omaha immediately suggests that over one-half of the families are qualified on the basis of upper income limits for some form of housing assistance. (Table XII).

THE OMAHA HOUSING MARKET:

AN APPRAISAL OF THE OCCUPANCY POTENTIAL FOR SUBSIDIZED RENTAL UNITS,

1971 - 1973

This study investigates housing market trends in Omaha for the two-year period (September 1, 1971 to September 1, 1973). Specifically, the purpose is to investigate the market for subsidized housing with emphasis on the North Omaha area. Although the general topic of low-income housing subsidization is dealt with, attention is centered on Section 236 housing projects.

Since demand for housing units is based on several factors, the initial phase of the report is centered on projection of trends for employment, population, households, families, and income groups in the Omaha HMA. The latter portion concentrates on housing needs and occupancy potential for subsidized housing.

Employment

Recent employment trends in the Omaha SMSA indicate that Omaha has recovered rather quickly from the 1971 downturn. September of 1971 marked the reversal as nonagricultural wage and salary employment increased from 210,150 in August to 215,250 in September.⁴ For the year, average employment reached 212,200; an increase of 3,200 workers. In contrast, average employment for the last six months of 1971 reached 214,300. This difference can primarily be attributed to the sharp upswing in economic activity beginning in September.

⁴Source: Nebraska State Department of Labor, Lincoln, Nebraska. All references to employment are to nonagricultural wage and salary employment.

Although employment declined somewhat in early 1972, mid-year employment was approaching 220,000. For the most recent twelve month period (July 1, 1971 through June 30, 1972), new employment is estimated at 5,300. (See Table I) However, isolation of the ten-month period from September 1, 1971 through June 30, 1972 yields a projected annual employment gain of 7,000; slightly over the 1965-1970 average annual expansion of 6,550 workers. The ten month expansion of 5,900 workers (from an annual average of 210,000 for the period from September 1, 1970 through August 31, 1971 to a ten-month average of 215,900 workers for the period from September 1, 1971 through June 30, 1972) represents an average monthly expansion of .28 percent. Extrapolating this trend (2.8 percentage points in ten months) yields an annual average of 3.36 percent.⁵

Graph 1 depicts the varied nature of annual changes in absolute employment levels from 1965 to 1972. The dotted line segment a represents the employment gain realized for the most recent twelve-month period ending June 30, 1972; line b represents the projected annual average for the twelve-month period beginning September 1, 1971 and ending August 31, 1972; and line c presents the projected 1972 employment average based on data for the first six months of the year. Table II presents the annual percentage change in employment

⁵This infers that the months of July and August will be characterized by the average monthly gain of .28 percent. Assuming no further growth in factors other than seasonal trend, employment for July should increase in the neighborhood of .3 percent (600 workers) and, in August, employment should increase by .2 percent (400 workers). The addition of July and August employment, 220,810 and 221,550 respectively, raises the twelve-month average to 3.2 percent. Total average employment would then be 216,800 in the absence of growth during the last two months. Including growth potential, the estimate of .28 percent per month should approach the real rate for the twelve month period.

TABLE 1

TRENDS IN THE WORK FORCE, UNEMPLOYMENT AND EMPLOYMENT BY INDUSTRY
 OMAHA, NEBRASKA, HOUSING MARKET AREA
 ANNUAL AVERAGES, 1965 - 1971
 (IN THOUSANDS)

Work force components	1965	1966	1967	1968	1969	1970 ^a	1971 ^a	12-Month Period Ending			
								June 30 1970 ^a	June 30 1971 ^a	June 30 1972 ^a	1972 ^c
Total civilian work force	207.6	214.0	218.4	223.1	232.2	239.7	245.4	236.6	242.1	247.8	247.9
Unemployment	7.1	6.5	6.5	6.3	6.0	7.8	9.9	6.7	9.2	9.5	9.4
Percent of work force	3.4%	3.1%	3.0%	2.8%	2.6%	3.3%	4.0%	2.8%	3.8%	3.8%	3.8%
Labor-management disputes	0.4	-	0.1	0.2	0.1	0.2	0.4	0.1	0.3	-	0.1
Total employment	200.1	207.5	211.8	216.6	226.1	231.7	235.2	229.8	232.6	238.2	238.5
Wage and salary employment	176.2	184.2	189.1	194.3	203.5	209.0	212.2	207.2	209.7	215.0	215.6
Manufacturing	35.7	37.3	37.8	38.0	39.7	39.6	37.2	40.3	38.1	37.6	38.5
Food products	13.9	13.5	13.5	12.9	11.9	11.7	11.7	11.5	11.6	12.0	12.2
Printing & publishing	2.7	2.7	2.9	2.9	3.0	3.1	3.2	3.1	3.1	3.2	3.2
Metals	3.2	3.7	3.6	3.6	3.8	3.6	3.4	3.7	3.5	3.6	3.8
Machinery & equipment	8.6	9.8	10.1	10.3	12.0	13.0	11.6	13.2	12.2	11.4	11.6
All other manufacturing	7.3	7.6	7.7	8.3	9.0	8.2	7.3	8.8	7.7	7.4	7.7
Nonmanufacturing	140.5	146.9	151.3	156.3	163.8	169.4	175.0	166.9	171.6	177.4	177.1
Construction & mining	10.6	10.7	10.3	10.5	11.4	11.3	10.4	11.5	10.8	11.4	11.7
Trans., comm., utilities	20.1	20.6	20.6	20.9	20.7	20.5	20.3	20.7	20.3	20.3	20.3
Trade	42.6	46.2	46.8	48.7	50.9	53.1	55.4	52.1	54.2	54.8	53.4
Fin., ins., real estate	14.6	14.7	15.1	15.5	16.0	16.7	17.2	16.4	17.0	17.0	16.8
Services	28.6	29.3	31.6	33.1	35.9	37.9	38.6	37.0	38.2	39.2	39.4
Government	24.0	25.4	26.9	27.6	28.9	29.9	33.1	29.2	31.2	34.7	35.5
All other employment ^b	23.9	23.3	22.7	22.3	22.6	22.7	23.0	22.6	22.9	23.2	22.9

a. Preliminary

b. Includes the self-employed, domestics, unpaid family workers, and agricultural workers.

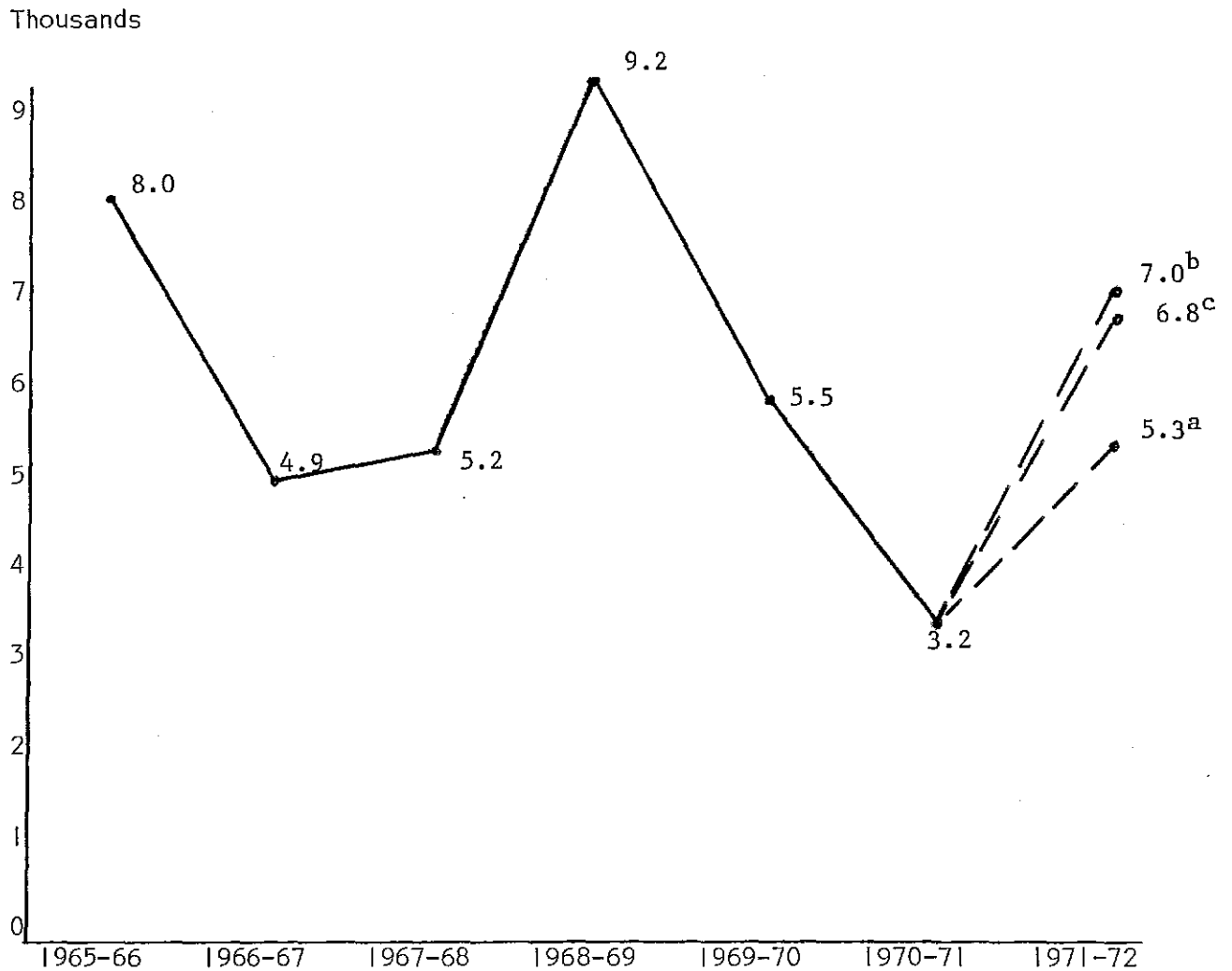
c. Represents 1972 growth based on first six-month average employment gain.

Source: Nebraska Department of Labor

Note: In some instances, detail does not add to total because of rounding

GRAPH 1

ANNUAL CHANGE IN NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT, 1965-1972¹



¹a average monthly employment, July 1, 1971 - June 30, 1972.

b projected average monthly employment, September 1, 1971, - August 31, 1972 (based on ten-months).

c projected average monthly employment, January 1, 1972 - December 31, 1972 (based on six-months).

TABLE 11

GROWTH RATES FOR NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT, 1965-1972

Year	Growth (%)
1965 - 1966	4.5
1966 - 1967	2.7
1967 - 1968	2.7
1968 - 1969	4.7
1969 - 1970	2.7
1970 - 1971	1.5
1971 - 1972 ¹	3.2

¹The 1972 growth rate is based on the six-month average employment gain. If employment gains prevail throughout the twelve-month period, a total of 6,800 new jobs will be created. As mentioned in the text, the ten-month average (beginning September 1, 1971) is 3.36 percent.

No apparent national trends exist to expect another downturn in the months ahead, and several trends justify the expectation that Omaha's growth will continue to parallel the nation's. Changes in the composition of Omaha's employment strengthen the belief that around 14,000 jobs will be created in the two-year period from September, 1971 to September, 1973. Generally, Omaha wage and salary subsegment trends parallel national trends, and growth in the national economy will continue to be dominated by growth in the Service and Government sectors (3 to 4 percent per year). In summary, the current health and direction of the national economy and the speed with which the Omaha region followed the national trend provide no prospects for a downturn during the two-year forecast period.

Two assumptions were used in arriving at the employment estimate of 14,000 jobs over the two-year period. First, it was assumed that employment gains in the ten-month period will continue throughout the first twelve-month

period. Second, the rate of expansion in the last twelve-month period was assumed to level off. Although the direction of the economy indicates that employment will continue to increase, the second assumption provides a ceiling on the rate of employment expansion.

Population

Since population estimates provide the principal ingredient for projecting households and housing needs, careful appraisal of population trends is required. Since it is generally agreed that the natural rate of population growth will continue its downward trend, the real issue centers on migration patterns. Currently, there is no indication that in-migration will fall during the projection period. Neither the trend of population growth in the Omaha HMA (Figure 1, Appendix) relative to Nebraska and urban growth in the United States, nor the trend in employment opportunities suggest such a decline.

Employment potential in the region supports the belief that Omaha's population trend will continue to rise. In-migration is largely a function of employment opportunity and, as mentioned earlier, Omaha's demand for workers is expected to grow at a healthy rate. A consequence of expanded employment opportunities will be increased in-migration and population expansion. The migration pattern takes on additional importance when minority races are considered. Net migration for the 1960-70 period was .9 percent, but for nonwhites it was 10.6 percent. No evidence exists to suggest this ratio will change.

Statistics of voter registrations, school enrollments, social security beneficiaries, drivers' licenses, birth and death records, total votes, food tax credits, and the school census were used by the Bureau of Business Research (Lincoln, Nebraska) to estimate the Douglas County population at 403,132 as of

July 1, 1971. According to the Bureau, Douglas County population grew at a 3.5 percent rate and Sarpy County grew at a 6.3 percent rate from April 1, 1970 to July 1, 1971. Table III presents the 1971 estimates of population. Estimates of population as of July 1, 1972 and projections to September 1, 1973 are also presented.

The population projections are believed to be conservative estimates of growth in the area. Developments which could have a significant impact on short-run growth as well as longer term population growth are fast becoming reality. The Riverfront Development Program, along with development of the South Omaha Industrial Park, should extend employment opportunities substantially, and so attract people to live in the area.

Households

Estimates of the number of households in the HMA are closely related to changes in population. In fact the estimates of household formation provided in Table IV were computed by dividing estimated population by the estimated current average household size. The difference between this figure and the number reported in the 1970 Census represents net household formation for the period. For the two year period under consideration, approximately 10,000 new households are projected.

Income

To this point, the analysis has focused on the topics of employment, population, and household formation with each indicating a continued expansion of need for more housing. This section is concerned with the financial ability of the populace to translate need into effective demand.

Three estimates of income provide insight into the Omaha HMA. First, the

TABLE III

ESTIMATES AND PROJECTIONS OF POPULATION FOR
 THE OMAHA HOUSING MARKET AREA,
 April 1, 1960 to September 1, 1973

Population	April 1 1960 ^a	April 1 1970 ^a	July 1 1971 ^b	July 1 1972 ^c	September 1 1973 ^c	Average Annual Change For Two-Year Forecast Period
HMA Total	457,873	542,646	561,022	572,256	585,355	11,229
Douglas County	343,490	389,455	403,132	409,647	417,245	6,513
City of Omaha	301,598	346,929	357,789	363,900	371,026	6,108
Remainder of County	41,892	42,526	45,343	45,747	46,219	404
[∞] Sarpy County	31,281	66,200	70,390	74,659	79,637	4,267
Pottawattamie County	83,102	86,991	87,500	87,950	88,473	449

^aFrom 1960 and 1970 U. S. Census.

^bEstimates prepared by Bureau of Business Research, Lincoln, Nebraska. The Pottawattamie County estimate is based on annual rate obtained from percentage change April 1, 1960 to April 1, 1970.

^cPopulation projection by CAUR (July 1, 1970 to September 1, 1973) based on ratio change of HMA components to HMA for the period April 1, 1960 to July 1, 1971.

TABLE IV

ESTIMATES AND PROJECTIONS OF HOUSEHOLDS FOR THE
 OMAHA HOUSING MARKET AREA,
 April 1, 1960 - September 1, 1973

Households	April 1 1960 ^a	April 1 1970 ^a	July 1 1971 ^b	July 1 1972 ^c	September 1 1973 ^c	Average Annual Change For Two-Year Forecast Period
HMA Total	136,645	165,933	172,216	176,242	182,819	4,892
Douglas County	103,969	122,460	127,299	129,785	134,486	3,316
City of Omaha	93,006	110,994	115,045	117,387	121,648	3,047
Remainder of County	10,963	11,466	12,254	12,398	12,838	269
Sarpy County	7,780	16,697	17,911	19,143	20,685	1,280
Pottawattamie County	24,896	26,776	27,006	26,296	27,648	296

^aFrom 1960 and 1970 U. S. Census.

^bPopulation estimates prepared by the Bureau of Business Research, Lincoln, Nebraska were used to estimate the number of households

^cHousehold projections July 1, 1971 to September 1, 1973 are based on the following table of ratios of persons per household to population.

	Persons Per Household							
	Omaha		Remainder of County		Sarpy		Pottawattamie	
April 1, 1960	3.24	April 1, 1960	3.28	3.84	4.02	3.34	3.34	3.34
April 1, 1970	3.13	April 1, 1970	3.31	3.71	3.93	3.35	3.35	3.25
July 1, 1971	3.11	July 1, 1971	3.31	3.70	3.93	3.34	3.34	3.24
July 1, 1972	3.10	July 1, 1972	3.31	3.69	3.90	3.32	3.32	3.22
Sept. 1, 1973	3.05	Sept. 1, 1973	3.30	3.60	3.85	3.30	3.30	3.20

overall level of income (i.e., median income) for the HMA allows an approximation of the probable housing demand. Next, an analysis of the structure of income groups and changes in this structure provides valuable insight into the number of families in need of some form of subsidization. Finally, a breakdown of renter households by income group provides a more precise measurement of the demand for low and medium income rental housing units.

To calculate median family income, it was first necessary to estimate the total number of families in the HMA. This was accomplished by applying the April 1, 1970 Census ratio of families to households (.7942) to the estimated number of households. The Department of Housing and Urban Development (HUD) handbook entitled FHA Techniques of Housing Market Analysis provided the necessary methodology for estimating the median family income and the number of families within income groups.⁶ The process of adjusting income from the base year (1969) was twofold. First, income was adjusted upward by applying HUD's suggested underreporting factor to 1969 incomes as reported in the 1970 Census. Further upward adjustment was needed to account for money wage increases since 1969. This was accomplished by using wage and employment data from County Business Patterns and HUD's recommended weighting procedure for the increases accruing to each income group.

Table V presents estimates of family income as of September 1, 1971. Although the estimated median after-tax income (\$10,343) indicates the potential for a high effective demand, a disturbing income pattern is also present. Both the upper and lower income brackets are characterized by growth in absolute and relative terms. In short, income inequality has increased over time. The large

⁶Department of Housing and Urban Development, FHA Techniques of Housing Market Analysis (Washington, D. C.: U. S. Government Printing Office, 1970).

TABLE V
 PERCENTAGE AND ABSOLUTE DISTRIBUTION OF ALL FAMILIES
 BY ESTIMATED ANNUAL AFTER - TAX INCOME,
 September 1, 1971^a

Annual Income After Tax	Number of Families ^b	Percent
Under \$4,000	10,942	8
\$4,000 - 4,999	6,839	5
5,000 - 5,999	6,839	5
6,000 - 6,999	8,206	6
7,000 - 7,999	9,574	7
8,000 - 8,999	10,942	8
9,000 - 9,999	10,942	8
10,000 - 10,999	12,310	9
11,000 - 11,999	10,942	8
12,000 and over	<u>49,239</u>	<u>36</u>
Total	136,775	100

^aThe ratio of families to households obtained from the 1970 Census of Population and Housing was applied to the September 1, 1971 estimate of households to obtain the total number of families.

^bEstimated by CAUR. The procedure for estimating income groups is detailed in: HUD Department of Housing and Urban Development, FHA Techniques of Housing Market Analysis (Washington, D. C.: U. S. Government Printing Office, 1970).

number of families with incomes over \$12,000 indicates the potential for a strong housing demand. However, the large number of families living with incomes below \$7,000 (24 percent of all HMA families) indicates a substantial group with incomes far below that necessary to purchase new housing at today's prices.

Statistics for renter households also demonstrate the need for some form of low cost housing. The estimated median after tax income for renter households as of September 1, 1971 is \$8,200; an amount significantly smaller than the \$10,343 median calculated for all families in the HMA. Table VI presents estimates of renter households by income categories. Again, the large number of households in the lower income brackets (38 percent below \$7,000) substantiates the need for some form of low-cost housing. Table VII further illustrates the plight of the renter. As can be noted, over 24 percent are paying 35 percent or more of their income towards rent, and 40 percent are contributing at least 25 percent of their income to rent payments.

Housing Needs and Occupancy Potential

This final section covers two broad topics: (1) the general need for subsidized housing and the occupancy potential for 236 housing units in the Omaha HMA, and (2) the need for subsidized housing units in North and South Omaha. With regard to the former, housing need indicators considered include vacancy rates, the number of families spending more than 25 percent of their income on mortgages or rent, and the number of low and moderate-income families residing in the HMA.

Vacancy Rates. High vacancy rates indicate soft housing markets and, consequently, play an important role in determining investment decisions of interested parties. A recent CAUR survey of local realtors indicates that the

TABLE VI
 PERCENTAGE AND ABSOLUTE DISTRIBUTION OF RENTER HOUSEHOLDS
 BY ESTIMATED ANNUAL AFTER-TAX INCOME
 September 1, 1971^a

Annual Income After Tax	Number of Households ^b	Percent
Under \$4,000	10,908	17
\$4,000 - 4,999	4,492	7
5,000 - 5,999	4,492	7
6,000 - 6,999	4,492	7
7,000 - 7,999	5,775	9
8,000 - 8,999	5,775	9
9,000 - 9,999	5,133	8
10,000 - 12,499	10,267	16
12,500 - 14,999	5,775	9
15,000 and over	<u>7,058</u>	<u>11</u>
Total	64,167	100

^aNebraska portion of HMA. Excludes one person renter households.

^bEstimated by CAUR. The procedure for estimating income groups is detailed in: HUD Department of Housing and Urban Development, FHA Techniques of Housing Market Analysis (Washington, D. C.: U. S. Government Printing Office, 1970).

TABLE VII

RENTER HOUSEHOLD UNITS BY INCOME GROUP
AND BY GROSS RENT AS A
PERCENTAGE OF INCOME^a

Annual Income After Tax	Less Than 10%	10-14%	Rent as Percent of Income			35% or more	Total
			15-19%	20-24%	25-34%		
Under \$2,000	0	0	45	96	554	5,781	6,476
\$2,000 - 2,999	5	51	210	342	596	2,353	3,556
3,000 - 4,999	83	374	834	1,179	2,278	2,617	7,365
5,000 - 6,999	269	904	1,649	1,751	2,379	787	7,739
7,000 - 9,999	605	2,314	3,573	2,592	1,260	103	10,447
10,000 - 14,999	1,150	3,320	2,687	886	281	37	8,361
15,000 - 24,999	1,030	1,540	489	86	31	6	3,182
25,000 and more	<u>552</u>	<u>140</u>	<u>45</u>	<u>5</u>	<u>15</u>	<u>0</u>	<u>757</u>
Total	3,694	8,643	9,532	6,937	7,394	11,684	47,884

^aNebraska portion of Omaha SMSA, 1970 Census Summary tapes, Fourth Count Housing, File C.

vacancy rate of housing units for sale is stable. With respect to rental units, the responses run the gamut from "the softest market in the last three years" to a "highly stable market in most locations." For example, a leading property management firm states that a 95 percent occupancy rate is a good estimate of the current condition of the Omaha rental market. On the other hand, another property management firm responsible for 1,300 units in Southwestern Omaha indicated that the market for the garden type apartment houses is the softest it has been in three years. Other property managers suggest that the market for older units is much stronger today than a year ago. The Building and Managers Association of Omaha Newsletter reported of 2,605 multiple-family units available in August, 1972, only 70 were vacant. This represents a 2.7 percent vacancy rate. In contrast, similar rates were 3.7 percent (142 out of 3,814) in August of 1971.

Those realtors managing rental houses all indicate that demand is considerably stronger now than one year ago, and there seems to be general agreement that the market for rental houses is now tight. Vacancy rates for apartment complexes are a different matter, but location and type of unit loom as the two most important factors contributing to differences in rates.

Although general vacancy rates provide important indicators of the housing market, specific rates for subsidized housing units provide more concrete evidence of the marketability of new 236 units. A CAUR survey of August, 1972 found the number of vacancies in 236 and 221 (d) (3) units to be small. Table VIII provides the survey results which indicate that of the 1,316 rental units under either 236 or 221 (d) (3) programs, a vacancy rate of 2.1 percent currently exists. The survey also suggests that existing vacancies may be more a result of mislocation of certain types of units rather than a lack of eligible occupants.

TABLE VIII

· VACANCIES, SECTION 236 AND 221 (d) (3) UNITS^a

	Number of Units	Vacancies	Vacancies by Number of Bedrooms ^b			
			1 WL	2 WL	3 WL	4 8
Crestview Village	154	8	WL	WL	WL	8
Brentwood Townhouses	60	0		WL		
Village Gate	96	0		WL	WL	
Stratford Square	94	7		1	6	
Place 35	146	3			2	1
Southgate	200	0		WL	WL	
St. James Manor ^c	60	0		WL		
Bluffs Tower	70	0	WL			
Southdate Square	146	0		WL	WL	
Good Neighbor Homes ^d	100	10		10	WL	
Village Green ^d	<u>190</u>	<u>0</u>		<u>WL</u>		
Total	1,316	28	0	11	8	9

^aSurvey completed 8/11/72.^bWL = Waiting List^cNo figures available for three-bedroom units. for three^d221 (d) (3) units. Two other projects, Home Equities, Inc. and Greenway Terrace (Formerly Strehlow Apartments, and presently Terrace Garden Apartments) could not be contacted for information on their current status under Section 221 (d) (3).

When consideration is given to transitional vacancies, the 2.1 percent rate must be considered quite low.

Occupancy Potential for 236 Housing Units. In view of our analysis of the HMA, there exists substantial evidence that a sizable portion of the population is poorly housed and can qualify for subsidized housing. However, measuring the eligible participants in the 236 program is a more difficult task. Federal guidelines state that family income must be below established limits, but sufficient to pay the minimum achievable monthly rent or payment for the program. To determine this, consideration must be given to the rent structure of the units under question and the number of persons in the family.

Given this framework, two measurements of occupancy potential are provided. The first is for the total number of families below the maximum allowable income limits set for each family size as of September 1, 1972. To calculate this, it was necessary to project the number of families by family size and income group. Results of this are presented in Table IX. Next, a hypothetical rent structure was established.⁷ Table X presents the rent structure, along with calculated maximum income limits. Analysis of the rent structure and family size by income group yields an estimated 35,593 eligible families as of September 1, 1972. Although not all are potential occupants of 236 housing (many are eligible for more assistance), this figure does provide a good approximation of need.

Using the projected number of families by family size and income bracket (see Table IX), the second step consists of estimating the potential occupants of Section 236 dwelling units. The following factors were considered: (1)

⁷Although the rents may appear somewhat high for subsidized units, it is believed that they adequately reflect prevailing construction costs.

TABLE IX

PROJECTED PERCENTAGE OF FAMILY UNITS
BY NUMBER OF PERSONS IN SELECTED INCOME GROUPS,
September 1, 1972

Income	One		Two		Three		Four		Five		Six & more	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Under \$5,000	17,968	56	11,425	23	3,162	11	2,434	9	1,470	8	1,709	8
\$5,000 - 5,999	2,246	7	2,980	6	862	3						
6,000 - 6,999	1,925	6	2,980	6	1,150	4	1,082	4	735	4	1,068	5
7,000 - 7,999	2,246	7	3,477	7	1,437	5	1,082	4	735	4	855	4
8,000 - 8,999	1,925	6	2,980	6	1,437	5	1,082	4	735	4	855	4
9,000 - 9,999	1,283	4	2,484	5	2,012	7	1,622	6	1,102	6	1,068	5
Over 10,000	<u>4,492</u>	<u>14</u>	<u>23,347</u>	<u>47</u>	<u>18,687</u>	<u>65</u>	<u>19,738</u>	<u>73</u>	<u>13,595</u>	<u>74</u>	<u>15,812</u>	<u>74</u>
Totals	32,085		49,673		28,747		27,040		18,372		21,367	
Median Income Sept. 1, 1972	\$ 4,270		\$ 9,639		\$12,323		\$13,117		\$13,727		\$14,031	

TABLE X
 MAXIMUM INCOME ELIGIBILITY REQUIREMENTS FOR SECTION 236 HOUSING^a

Family Size	Maximum Upper Income Limits After Adjustments ^b
One	\$ 4,860
Two	6,210
Three	7,020
Four	7,830
Five	8,370
Six	8,910
Seven	9,315
Eight	9,720
Nine	9,990
Ten	10,260

^aThe following rent structure was used: one-bedroom = \$116.00, two-bedroom = \$147.00, three bedroom = \$167.00, and four-bedroom = \$182.00.

^bAfter allowances for five percent plus \$300 per child from gross income. Information on upper and lower income limits was supplied by the region's Department of Housing and Urban Development office.

rent structures, (2) maximum allowable limits of income by family size, (3) minimum allowable income limits by family size, and (4) the rule to be followed with respect to gross rent as a percent of family income. With regard to the latter, the 25 percent rule is most commonly applied. This, in effect, excludes families who must pay more than 25 percent of their income towards rent.

Table XI presents estimates of eligible families given three possible rent structures and the 25 percent rule.⁸ In a few cases, no families were eligible. The reason rests not on lack of demand for such units but on the mathematics of the maximum and minimum income requirements. Specifically, it is often impossible to show how a family can qualify in those cases where the minimum limits of income needed to qualify under the 25 percent rule exceed the maximum income limits.

In summary, there is an occupancy potential for 236 housing ranging from a low of 3,000 families upwards to 18,600 families. The former represents high rent structures and use of the 25 percent rule while the latter represents results when the lower rent structure (see Table XI) is applied along with the 35 percent rule. Finally, results of the CAUR survey of vacancy rates indicate that such units are currently operating close to capacity.

Omaha Submarkets. Treating the Omaha region as a single market singles out a point of contention. If the HMA is considered as a single market, it must be implicitly assumed that all similar dwelling units, regardless of location, are perfect substitutes. Even casual acquaintance with the area indicates that dwelling units throughout the area are not in direct competition with one another. In effect, there are several submarkets within the HMA that can be identified geographically or as particular neighborhoods. Each of these

⁸To determine the number of eligible families, data from Table IX was plotted on graph paper; the slope of the income line was then estimated with respect to the income limits provided by the regional Department of Housing and Urban Development office. Finally, the number of families as a percent of total families within the income limits was established.

TABLE XI

FAMILIES ELIGIBLE FOR RENTAL UNITS UNDER ALTERNATIVE RENT STRUCTURES; 25 PERCENT RULE
September 1, 1972

No. of Bedrooms	No. in Family	Rent Structure	Qualified Families	Upper & Lower Limits	Rent Structure	Qualified Families	Upper & Lower Limits	Rent Structure	Qualified Families	Upper & Lower Limits
one	one	\$116	0	U=\$4,860 L= 5,568	\$118	0	U=\$4,860 L= 5,664	\$121	0	U=\$4,860 L= 5,808
one	two	116	2,347	U= 6,210 L= 5,568	118	1,996	U= 6,210 L= 5,664	121	1,398	U= 6,210 L= 5,808
two	three	147	0	U= 7,020 L= 7,056	149	0	U= 7,020 L= 7,152	152	0	U= 7,020 L= 7,296
two	four	147	1,099	U= 7,830 L= 7,056	149	961	U= 7,830 L= 7,152	152	759	U= 7,830 L= 7,296
three	five	167	410	U= 8,370 L= 8,016	169	299	U= 8,370 L= 8,112	172	132	U= 8,370 L= 8,256
three	six	167	334	U= 8,910 L= 8,016	169	299	U= 8,910 L= 8,112	172	244	U= 8,910 L= 8,256
four	seven	182	260	U= 9,315 L= 8,736	184	199	U= 9,315 L= 8,832	187	139	U= 9,315 L= 8,976
four	eight	182	441	U= 9,720 L= 8,736	184	398	U= 9,720 L= 8,832	187	334	U= 9,720 L= 8,976
Total			4,891 ^a			4,152			3,006	

Two assumptions used to calculate the number of qualified families were: (1) For the family sizes larger than two, all other members were classified as children, and (2) information concerning families of six and larger was grouped together, and consequently it was assumed that there is an identical number of families in the six-, seven-, and eight-family categories.

^aWhen the 35 percent rule is applied, the eligibility total increases from 4,891 to 18,600 families. Use of the higher percent rule is not inconsistent with statistics on gross rent as a percent of income for renter households (e.g., Table VII), and would undoubtedly expand occupancy potential.

neighborhoods (e.g., North Omaha and South Omaha) has unique characteristics. Demand for housing in these areas, regardless of income, is based on living habits, income, and preferences built up over time.

The outgrowth of these remarks is to suggest that even if housing needs and demand are correctly estimated as of a particular date, projections, without further market segmentation, may be highly erroneous. This is especially true when general absorption and vacancy rates are applied to determine demand and occupancy potential for the aggregated HMA. Specifically, the absorption rate of new housing units could be very low and vacancy rates very high for the HMA, and yet indicate little of the actual conditions within the submarkets.

Because North and South Omaha best illustrate the need and eligibility of families for subsidized housing, these two markets are discussed in some detail. Table XII presents a comparison of the families by estimated annual after tax income for the two areas. (The areas are identified by census tracts in the Appendix.)

The median annual after-tax income of all families in South Omaha is estimated at \$8,900 as of September 1, 1971, (This compares with the overall Omaha HMA median of \$10,343.) Twelve percent of the HMA families reside in South Omaha and, of these, 46 percent receive after-tax incomes under \$9,000. Those families who would, by income limits, most likely qualify for the typical Section 236 unit are presumed to be in the \$6,000 to \$9,000 income range. This amounts to a total of 3,255 families (20 percent). The area currently is being served by three Section 236 developments; with Crestview Village, Village Gate and Stratford Square provide 344 dwelling units.

In contrast to the South Omaha area, median family after-tax income in

TABLE XII

PERCENTAGE AND ABSOLUTE DISTRIBUTION OF NORTH AND SOUTH OMAHA FAMILIES
BY ESTIMATED ANNUAL AFTER-TAX INCOME,
September 1, 1971^a

Annual Income After Tax ^c	North Omaha ^b		South Omaha ^b	
	Percent of Families	Number of Families	Percent of Families	Number of Families
Under \$4,000	18	2,460	13	2,116
\$4,000 - 4,999	8	1,094	5	814
5,000 - 5,999	9	1,230	8	1,302
6,000 - 6,999	9	1,230	9	1,465
7,000 - 7,999	8	1,094	8	1,302
8,000 - 8,999	6	820	3	488
9,000 - 9,999	9	1,230	13	2,116
10,000 - 12,499	16	4,511	17	
12,500 and over	<u>17</u>	<u>4,511</u>	<u>24</u>	<u>6,673</u>
Total	100	13,669	100	16,275

^aThe ratio of families to households obtained from the 1970 Census of Population and Housing was applied to the September 1, 1971 estimate of households to obtain the total number of families in the selected census tracts.

^bArea identified on map in Appendix.

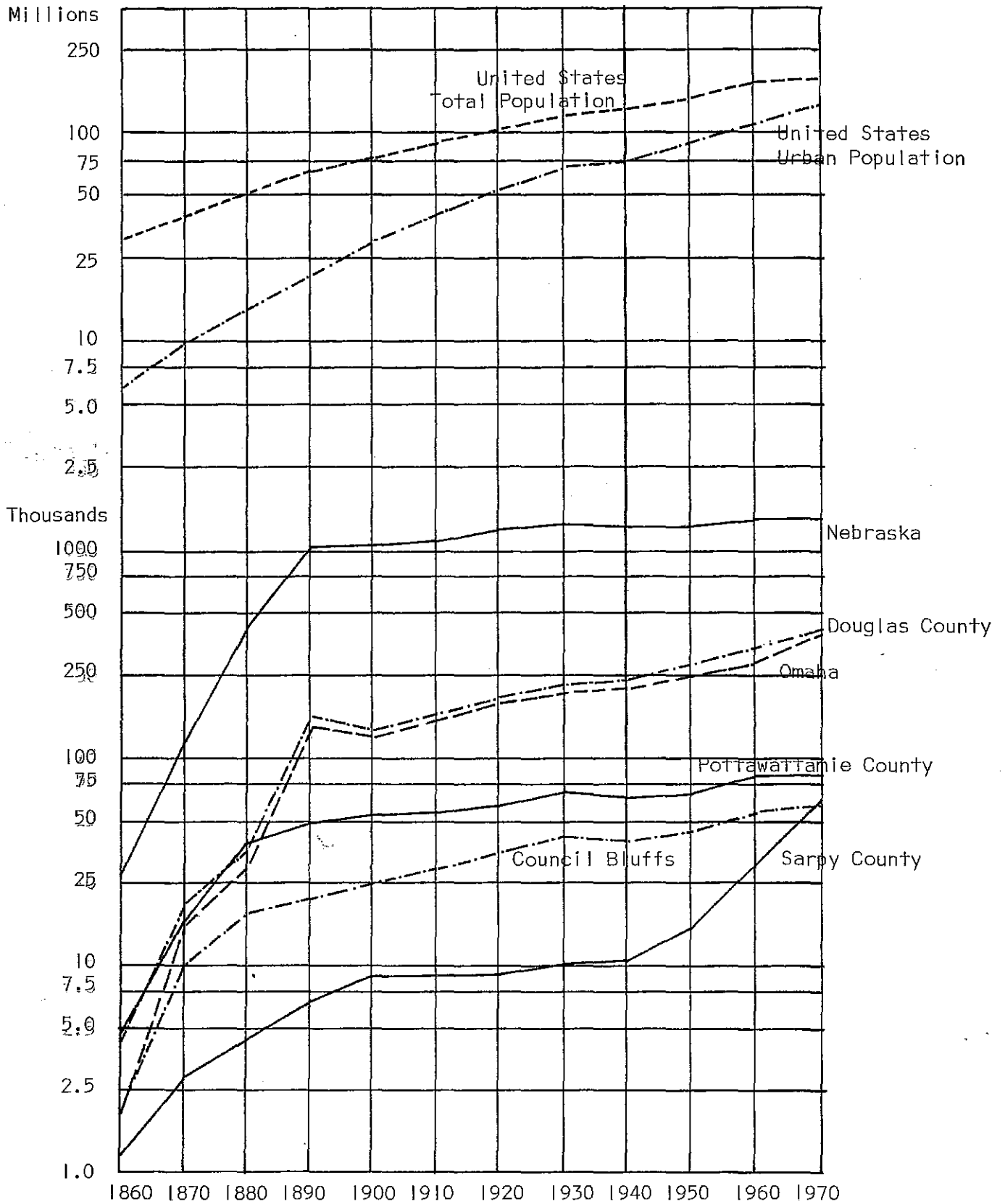
^cThe median after-tax income is \$7,900 for North Omaha and \$8,900 for South Omaha.

North Omaha is estimated at \$7,900 with ten percent of the HMA families residing in the area. Fifty-eight percent receive after-tax incomes under \$9,000. Of these 3,144 families (23 percent) are in the \$6,000 to \$9,000 range. Although the total number of likely candidates for subsidization approximates that in the South Omaha area, no Section 236 units have been constructed in the North Omaha area. Yet, the general unmet need for low and moderate income housing subsidization appear to be substantially greater in the North Omaha area. To the extent financial commitments are based on market conditions, North Omaha should be well qualified.

APPENDIX

Figure 1
POPULATION GROWTH

1860 - 1970



**1970
OMAHA NEBRASKA
CENSUS TRACT MAP**

CENSUS TRACT LIMITS ———
CITY LIMITS - - - - -

