Hundredth Legislature - First Session - 2007
Committee Statement
LB 562

Hearing Date: February 27, 2007
Committee On: Urban Affairs

Introducer(s): (Adams)
Title: Change provisions relating to the Community Development Law

Roll Call Vote – Final Committee Action:

	Advanced to General File
X	Advanced to General File with Amendments
	Indefinitely Postponed

Vote Results:

6	Yes	Senator Friend, Cornett, Janssen, McGill, Rogert, White
0	No	
0	Present, not voting	
1	Absent	Senator Lathrop

Proponents:	**Representing:**
Senator Greg Adams	Introducer
Walt Radcliffe	Community Development Coalition, League of NE Municipalities
Jo Dee Adelung	League of NE Municipalities
Michael Nolan	City of Norfolk
Jack Vavra	City of York
Bruce Bohrer	Lincoln Chamber of Commerce
Mark Bowen	City of Lincoln

Opponents:	**Representing:**
None	

Neutral:	**Representing:**
None	

Summary of purpose and/or changes: This legislation relates to the Community Development Law, proposing to authorize the creation of enhanced employment areas, and the approval of redevelopment plans within these areas, the imposition of an occupation tax within the areas to finance the redevelopment plans involving property of owners of land in the enhanced employment areas who agree to undertake targeted investment and employment goals.

It would be applicable to all cities and villages in the state.

The bill proposes to amend and add to the Community Development Law, but not as regards the use of tax increment financing. It would authorize a new variety of economic development program involving targeted aid to specific employers meeting investment and employment goals, financing the aid by means of an occupation tax collected in an enhanced employment area. The enhanced employment area need not be located in a "substandard and blighted" area but its size cannot exceed an area of six hundred acres.

A community redevelopment authority creating a redevelopment plan for a substandard and blighted area may include in the plan the designation of an enhanced employment area. A redevelopment plan may include any number of specific element (see page 5 of the bill, beginning at line 7, through line 4, page 7 for a listing of the various items that may be accomplished by means of such a plan and the degree to which they must be identified prior to approval).

The governing body of the city or village, when contemplating approval of a redevelopment plan may approve the designation of an enhanced employment area if it determines several things.

First, that the proposed redevelopment project will result in at least twenty new employees for a project with "new investment" of less than five million dollars; thirty–five new employees for a project with "new investment" of between five and ten million dollars, fifty new employees for "new investment" of between ten and twenty million dollars, and sixty-five new employees for a project with new investment of twenty million dollars or more. "New investment" is defined (page 9, line 9) as the value of improvements to real estate made in an enhanced employment area by a developer or a new business.

Second, that a majority of the new employees will be eligible for employer-provided health insurance.

Finally, that the pay for the new employees meet or exceed the qualifying wage for the project. Qualifying wage is defined beginning on line 17 of page 9, with a sliding scale upward according to the level of investment, with a base established as provided in subdivision 1(b) of section 77-27,188.

In making these determinations, the governing body of the city or village may rely on written undertakings provided by any redeveloper in connection with their application for approval of the redevelopment plan.

When the property is to be owned by the redeveloper, the community redevelopment authority may enter into a redevelopment contract providing for such undertakings as the authority determines appropriate along with an express statement by the redeveloper of its consent to the designation of the area as an enhanced employment area and that this consent is binding on all future owners.

The authority is, with regard to any bonds or obligations incurred regarding the plan in the enhanced employment area, expressly authorized to pledge all of the revenue from a proposed occupation tax to be received from that area toward the retirement of the bonds of indebtedness.

A city or village would be authorized to levy a general business occupation tax upon the business and users of space located within the enhanced employment area for the purpose of paying all or any part of the costs and expenses related to the redevelopment project within the enhanced employment area. The general authority for classification of businesses and rates of taxation are reiterated along with the authority for enforcement of the tax. The tax is to remain in effect so long as there are

outstanding bonds of the authority which state that the tax is an available source for payment.

Eminent domain is expressly prohibited as a means of acquisition of land which is too transferred to a private party in the enhanced employment area.

If the proposed enhanced employment area is not substandard and blighted, the occupation tax may be collected for the purpose of paying all or any of the costs or expenses for the purposes listed in section 19-4019 (dealing with business improvement districts). The total amount of occupation tax collected is not to exceed the actual total costs and expenses of performing the authorized work and the proceeds of the tax may not be used for any other purpose.

Explanation of amendments, if any: The committee amendment is a "white copy" amendment, striking all of the original provisions of the bill. Generally, it reflects the changes proposed by the sponsor of the legislation at the public hearing on the bill and found in AM467 presented at that time. To that amendment the committee added two additional changes: it brought section 10 into the Community Development Law and added into that section a list of the authorized purposes for fund expenditures taken from section 19-4019 instead of merely using a reference to that statute.

In this amendment, the definition of "employer provided health insurance" is deleted and replaced with a definition of "employer provided health benefits" which means any item paid by the employer in total or in part that aids in the cost of health care services, including health insurance, health savings accounts, end employer reimbursement of health care costs.

The definition of "qualifying wage" is deleted in its entirety.

The original bill's language defining the qualifying number of new employees that will result from new investment is changed so that it is tied to the size of the county in which the enhanced employment area is located:

(a) two new employees and one hundred twenty-five thousand dollars of new investment in counties with a population of fewer than fifteen thousand inhabitants;

(b) five new employees and new investment of two hundred and fifty thousand dollars in counties with a population of more than fifteen thousand but fewer than twenty-five thousand inhabitants;

(c) ten new employees and new investment of five hundred thousand dollars in counties with a population of more than twenty-five thousand but fewer than fifty thousand inhabitants;

(d) fifteen new employees and new investment of one million dollars in counties of more than fifty-thousand but fewer than on hundred thousand inhabitants;

(e) twenty new employees and new investment of one million five hundred thousand dollars in counties with more than one hundred thousand but fewer than two hundred thousand inhabitants;

(f) twenty-five new employees and new investment of two million dollars in counties with more than two hundred thousand and less than four hundred thousand inhabitants; or

(g) thirty new employees and new investment of three million dollars in counties with more than four hundred thousand inhabitants.

Additionally, any business that has one hundred and thirty thousand square feet or more of space and annual gross sales of ten million dollars or more is required to offer an employer-provided health benefit of at least three thousand dollars annually to all new employees who are working thirty hours a week or more on the average and who have been employed for at least six months.

Section 10 of the original bill is stricken and replaced with totally new language (which is then added to the Community Development Law). This section still deals with the designation of an enhanced employment area in an area which is **not** designated as substandard and blighted.

New definitions are added here, most significantly, the definition of number of "new employees" (for qualifying purposes). This term means the number of equivalent employees employed at a business in an enhanced employment area which exceeds the number of equivalent employees employed in the year immediately preceding the year in which the enhanced employment area was designated pursuant to this section.

A area not substandard and blighted may be designated as an enhanced employment area if the governing body of the city or village determines that new investment in the area will result in new employees and new investment on the same terms as set forth above ((a) through (g)) and with the same requirement for employer health benefits on the same terms.

When the area is designated, the city is authorized to impose a general occupation tax upon businesses and users of space located in the enhanced employment area (on the same terms as set forth in the original bill). The purposes for which the proceeds may be expended are the costs and expenses of "authorized work," which are now set out in the bill (while they are taken from section 19-4019).

By the express terms of this act, the city could issue revenue bonds to be repaid from the proceeds of the occupation tax the city if authorized to levy for that purpose. These powers are separate and independent of the current bond and tax authority found in section 18-2103 of the Community Development Law.

Revenue bonds are authorized to defray the costs of authorized work and to secure the payment of the bonds. The bonds can be issued in one or more series with different maturity dates, interest rates, and any other terms and conditions deemed necessary.

The bonds are "limited obligations of the city" and shall "not constitute nor give rise to a pecuniary liability of the city or a charge against its general credit or taxing powers."

The bonds may be executed and delivered at any time and from time to time. They may be in such form and denominations as the city deems appropriate and be payable in installments and at such times not exceeding twenty years from their date of issue. They may be at such interest rates as the city deems proper and redeemable prior to maturity with or without premium.

The authorization, terms, issuance, execution, or delivery of the bonds are not subject to sections 10-101 to 10-126 (general statutory bond provisions).

The bonds may be sold at public or private sales in such manner and at such times as may be determined to be most advantageous by the governing board of the city.

Finally, a new section 11 is added which provides that if any section or part of the bill is found to be invalid or unconstitutional, it does not affect the validity or constitutionality of the remaining portions of the bill.

____
Senator Mike Friend, Chairperson