[LR152 LR155]

The Committee on Urban Affairs met at 1:30 p.m. on Friday, September 25, 2015, in Room 1510 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LR152 and LR155. Senators present: Sue Crawford, Chairperson; John McCollister, Vice Chairperson; Colby Coash; Laura Ebke; Matt Hansen; Sara Howard; and Dan Hughes. Senators absent: None.

SENATOR CRAWFORD: Good afternoon and welcome to the Urban Affairs Committee. My name is Senator Sue Crawford and I represent the 45th Legislative District in Bellevue and eastern Sarpy County and I serve as Chair of the Urban Affairs Committee. We will start off having members of the committee and committee staff do self-introductions beginning on my right with Senator Hughes, first in line.

SENATOR HUGHES: Thank you, Chairman. Senator Dan Hughes, District 44, ten counties in southwest Nebraska.

SENATOR COASH: Colby Coash, District 27, right here in Lincoln.

SENATOR McCOLLISTER: John McCollister, representing District 20 which is central Omaha.

TREVOR FITZGERALD: Trevor Fitzgerald, committee legal counsel.

SENATOR HANSEN: Matt Hansen, District 26, northeast Lincoln.

SENATOR EBKE: Laura Ebke, District 32, four counties southwest of here.

COURTNEY BREITKREUTZ: Courtney Breitkreutz, I'm the committee clerk.

SENATOR CRAWFORD: Great. And Senator Howard will be...is not here today, but will be joining our committee. Also assisting the committee is our committee page, Stefani, from Kansas City who is a philosophy major at UNL; and Brandon from Omaha, English major. So this afternoon we'll be having two interim study resolutions and we'll be taking them in the order that's listed outside of the room--LR152 first and LR155 second. On each of the tables in the back of the room, you'll find green testifier sheets. So if you're planning on testifying today, please fill one of those sheets out and hand it to Courtney when you come up to testify. This will help us make sure we keep an accurate record of the hearing. If you do not wish to testify, but would like on record your presence here today, you may fill out a white sheet in the back of the room. We'd ask that if you have any handouts that you please bring at least ten copies and give it to one of the pages. If you need additional copies...welcome...if you need additional copies, the pages can help you make more. Testimony for each interim study will begin with the introducer's opening statement. After the opening statement, we will take testimony from the public. Since these are interim study hearings, there will be no proponent or opponent testimony since the goal of the interim hearing is to gather information. We sometimes have initial testifiers who give invited testimony. In those cases, we'll ask the invited testifiers to go first and then invite anyone else who wishes to testify. We ask that as you begin your testimony, you give us your first and last name and please spell them for the record. Just so we know how many people we have testifying today, if you're here today planning to testify, would you please raise your hand. All right...less than our lights limit. So we will not be using the lights today, but we still do ask that you try to limit your testimony to five minutes and that you try not to repeat testimony of someone else that has just testified before...can say that you agree with something that's been said before without repeating the testimony. I'd remind everyone, including senators, to please turn off your cell phones or put them on vibrate. And I'll ask Senator Howard to introduce herself.

SENATOR HOWARD: I'm Senator Sara Howard; I represent District 9 in midtown Omaha.

SENATOR CRAWFORD: And with that we'll begin our interim hearing on LR152.

SENATOR McCOLLISTER: Welcome, Senator. Good to see you.

SENATOR CRAWFORD: Thank you.

SENATOR McCOLLISTER: And please proceed.

SENATOR CRAWFORD: Thank you. Good afternoon, Vice Chairman McCollister, and members of the Urban Affairs Committee. My name is Senator Sue Crawford, C-r-a-w-f-o-r-d, and I represent the 45th Legislative District which includes Bellevue, Offutt, and eastern Sarpy County. The Local Option Municipal Economic Development Act, commonly referred to as LB840, is one of the key economic development tools available to municipalities in Nebraska. Under LB840, municipalities are authorized to collect and appropriate local tax dollars for economic development purposes if approved by local voters. The act was enacted in 1991 and requires that a municipality develop a local economic development plan which forms the basis of the municipality's LB840 program. There currently are 68 municipalities which have voted to create an LB840 plan, and a map of those programs is included in your committee materials. The purpose of LR152 is to examine issues surrounding these LB840 programs, with a focus on reviewing the history of the LB840 statutes, the eligible uses of LB840 funds, and the process used to amend extending LB840 plans and whether such amendment requires voter approval. The history of LB840 actually dates back to a 1976 Nebraska Supreme Court decision, Chase v. Douglas County. In Chase, the court held that a program allowing cities and counties to use public funds to purchase real estate for industrial development violated Nebraska State Constitution's prohibition on giving or loaning the credit of the state to private entities or individuals. In response to Chase, Article XIII, Section 2 of the Nebraska State Constitution was amended to add new language that specifically authorized municipalities to appropriate local tax dollars for economic development purposes. This new constitutional language, which became the basis for LB840, required voter approval of an economic development program before municipalities could authorize this authority. A copy of Article XIII, Section 2 is also included in your materials. On top of the constitutional limitations, statutory language also contains a number of restrictions on the use of LB840 funds. Under the act, municipalities can spend LB840 funds in two ways: One, loans and grants to qualifying businesses; and two, the payment of related costs and expenses which generally include things like the cost of public infrastructure projects and the cost to administer the LB840 program itself. The definition of qualifying businesses limits the use of LB840 funds to statutorily identified business activities like manufacturing, research, development, and tourism. The act has been amended multiple times to add additional business activities including: retail, low-income housing, broad-band internet access, film production, rural natural gas infrastructure, and relocation incentives for new residents. As committee members may recall this past session, LB150 clarified that loans and grants under an LB840 program cannot be made to another political subdivision. Since the passage of LB840 in 1991, the definition of qualifying business has always been limited to private business entities such as corporations, partnerships and LLCs. While the change in LB150 did not create any new restrictions on LB840 programs, it has generated significant discussion about the current restrictions in statute and whether municipalities should be given greater flexibility to use LB840 funds to partner with government entities like community colleges and county hospitals. In addition to limits on the type of expenditures municipalities can make with their LB840 plans, the act places two statutory caps on a municipality's annual spending for its LB840 program: One, a flat-dollar amount based on the classification of the municipality; and two, an amount not to exceed .4 percent of the taxable valuation in the municipality the prior year. While the flat-dollar spending cap has been increased twice, the cap based on taxable valuation has not increased since 1991. This cap, which appears to be fairly arbitrary, could inadvertently limit the ability of municipalities with lower taxable valuation, but high potential sales tax revenue from utilizing their local option sales tax dollars for economic development purposes. One issue that the committee may be forced to address in the coming legislative session is the ability of the municipalities to amend their existing LB840 plans to include new qualifying businesses or activities after the Legislature has expanded eligible uses of LB840 funds. Under 18-1714, municipalities have the authority to amend their LB840 plan, quote, to conform to the provisions of any existing or future state or federal law, unquote. But they also cannot amend their plan to, quote, fundamentally alter its basic structure or goals, unquote, without resubmitting their plan to voters. In January, Senator Coash requested an Attorney General's Opinion on this issue. And that Opinion found that current statutory language requires voter approval for such a change to add a new use that we authorize under statute to an existing plan. A copy of that Opinion is included in the committee members' materials as well. Both the Attorney General's Opinion and the confusion surrounding LB150 this past session brings heightened visibility to LB840 programs and how they're being implemented by municipalities, particularly in cases where there is some question about whether the programs are being used appropriately. My hope is that LR152 can generate productive discussions of how we move forward in ways that protect the effectiveness, integrity, and accountability of this key economic development tool for municipalities. For example, are there ways to expand potential uses of LB840 funds in a manner that is consistent with the existing statutory framework? Is there a way to allow plan amendments without requiring voter approval while still protecting the accountability and integrity of LB840 programs? Should we require that LB840 plans terminate after a certain period of time so that cities proactively engage citizens in a review of economic development efforts at fairly regular intervals? All these questions deserve thoughtful consideration, not just by the Legislature, but by city officials with the duty to oversee these LB840 programs. It's my hope that this hearing is a start on that process. So in addition to the League of Municipalities, a number of city and economic development officials have joined us today to testify. I look forward to the discussion on both interim studies this afternoon. And I'd be happy to try and answer any questions. [LR152]

SENATOR McCOLLISTER: Thank you, Senator. Questions by the committee? No questions? Thank you, Senator. [LR152]

SENATOR CRAWFORD: And since this an interim study, I'm going to go back and sit at the table. [LR152]

SENATOR McCOLLISTER: Indeed. [LR152]

SENATOR CRAWFORD: If that's okay with you. [LR152]

SENATOR McCOLLISTER: Quite so. [LR152]

SENATOR CRAWFORD: So we have no defined order for testimony for this interim hearing, so anyone who wishes to begin is welcome to do so. Thank you, Gary. Yes, welcome. [LR152]

GARY KRUMLAND: (Exhibits 1 and 2) Senator Crawford, Senator McCollister, whoever, my name is Gary Krumland, it's G-a-r-y K-r-u-m-l-a-n-d. I'm representing the League of Nebraska Municipalities. I thought I would kind of give a little more detail on some of the issues that Senator Crawford touched on, partially because I've been working this for a long time, but also I'm old enough that I was around when this was all developed, so I actually was here when some of this was going on. One of the handouts you're getting is a copy of the case that Senator Crawford mentioned--Chase v. Douglas County. And if I can just give you a little background on...because this is kind of the reason why all of this is happening. At one time, Nebraska had a statute--and I think you'll hear a little bit about it more later--called the Municipal Publicity Act. And it gave cities authority to go out and advertise a city and encourage people to move to it, encourage businesses to locate there. And it was amended at one time to go a little farther and to say cities under this act could purchase real estate for industrial development and give it to industry to give an incentive for them to get here. That was challenged in court and Chase v. Douglas County was the result. And, basically, what the court said, and you've got a copy there, and if you just look at the first page, I won't go through the bill because of the time, but just some of the case notes. If you look at number 4 on that first page: The authority of a city to own, acquire, or sell real estate for industrial purposes is measured by the constitution. And then number 6 on the next column: If authorization granted in the statute to purchase property for industrial development violates the constitution because it authorizes the use of tax money and income of the government entity for such a purpose. Basically, the court is saying it is a violation of the constitution and it's not a municipal purpose for a city to use public money as incentives to businesses either in grants or loans for economic development. And it did say, however, a city could use the money for the municipal publicity. You can encourage people to come, as long as you're not targeting and giving money to an individual or a specific business. And that's kind of where it was. This was a 1976 case. And so cities were very limited in what they could do with economic development. It's basically municipal publicity and tax increment financing. So in 1990, the voters adopted the amendment to the constitution which specifically authorized public funds for economic development purposes, but it required that the city develop a plan and the voters approve it. And in 1991, the next year, the Legislature implemented that by what everybody refers to as LB840. And as an aside, it seemed like every one of these city economic development things has a long title that nobody can pronounce, so we need to work on that too. (Laughter) Anyway, at the time, I think because it was a new situation and you usually didn't have public money going to private entities like this, there was concern. And actually, some of the provisions that are in the constitution limiting that came about because towards the end of the nineteenth century and into the twentieth century, cities were being approached by railroads saying--we want you to give us money and we'll build our railroad to your town; other...but if you don't give us money, we're going to the next town and kind of using that as...I won't say blackmail, extortion, but some people viewed it as that. So the constitution was amended to say--you can't give money to private entities. And so I think there was still some of that concern, how it was going to be used. It was a new thing. I think the Legislature's approach at the time was--

let's make this very narrow and see how it works. And as we go on, then we can expand it. And as you've seen, that is what happened. There is the four-tenths of 1 percent limitation, I think, came from the original municipal publicity act that you can use four-tenths of 1 percent there for the municipal publicity. And that seemed to just translate over to that. So that is kind of where it happened. And as...and it was very narrowly applied. It was specifically designed for the purpose of giving grants or loans to private businesses, and that was also narrowly defined. And it's been expanded since there, but that was the purpose. It wasn't designed for doing things that a city now can do under the Interlocal Cooperation Act where you work with other political subdivisions, because a city can actually do that right now. So this was designed for that. So that's kind of a little extra background. [LR152]

SENATOR CRAWFORD: Excellent. Thank you. [LR152]

GARY KRUMLAND: And if I could comment on just another issue too. [LR152]

SENATOR CRAWFORD: Okay. Um-hum. [LR152]

GARY KRUMLAND: I passed...the other thing I passed out is a current statute, and this is another thing that you, Senator Crawford, referred to is the current law on when you can expend it. And I appreciate Senator Coash asking the Attorney General for that Opinion, because that was an issue that a lot of cities were confused about and wondered when the Legislature changed the law, when can we...you know, do we have to go to the vote of the people or can we just do it ourselves? And we would rather have...know what the law is and...so the cities can act appropriately under that rather than do something and be challenged later and have to step back. The current law says that the program can be changed after the voters approve it by the city council, a two-thirds vote of the city council to conform to any existing or future state or federal changes. It also says though that they cannot amend the program to alter its basic goals in regard to qualifying businesses, source of revenue, etcetera, etcetera. So I think the intent was that if there's some minor tweaks that need to be made because of subsequent changes in the law, they could do that. But if you're getting to the basics in the program, you couldn't do it. I know there's been some situations where somebody read the first one and said, well, it says we can change it for every change in state law, so we can go ahead and change and ignore the second one. So there was some question about it. So I think the Attorney General's Opinion gives us direction, and I mean, there needs to be some policy choices made, but at least it answers those questions. [LR152]

SENATOR CRAWFORD: Thank you, Gary. [LR152]

GARY KRUMLAND: So those are those the main things. If anybody has any questions or... [LR152]

SENATOR CRAWFORD: Questions? I have a couple questions. [LR152]

GARY KRUMLAND: Sure. [LR152]

SENATOR CRAWFORD: So one...do you...does the Attorney General's Opinion address what...how fundamentally altering a basic structure what that means? Because that's really the catch. I mean, if you add something new...because we've just given you the ability to add something new, as long as it's in the fund. [LR152]

GARY KRUMLAND: Yeah. The Attorney General's Opinion says that, in effect, because the constitution requires a vote of the people that if you add something new, generally, would have to go to a vote of the...go back to the vote of the people to add that to a program that was adopted before the legislative change. We also indicated that the Legislature may be able to look at seeing if you can do legislatively something different. They just couldn't guarantee that that would hold up in court. For example, I know some cities, when they adopt the original economic development plans say: We are allowed to give grants or loans to any qualifying business that is currently allowed or anything the Legislature gives us in the future. Whether that would be allowed or not, I don't know. But that's at least something we probably should explore and make it clear what everybody can do so people know how to handle it. [LR152]

SENATOR CRAWFORD: Excellent. Other questions? Yes, Senator McCollister. [LR152]

SENATOR McCOLLISTER: Thank you. Is that sufficient latitude for the city...or the cities in Nebraska? Or are you angling for more latitude, more discretionary authority? [LR152]

GARY KRUMLAND: Well, I would say probably both. I mean, we want to make...we want to give cities the ability to respond to needs and questions in economic development although it is an area where we understand there needs to be restrictions. So we need...we want to make...on the other hand though, we want to make the restrictions very clear so everybody knows what's going on. So I don't know if I answered your question, but I don't know if I have a specific answer, but probably I'd say both. (Laughter) [LR152]

SENATOR CRAWFORD: All right, great. Other questions? I have one other question. [LR152]

GARY KRUMLAND: Sure. [LR152]

SENATOR CRAWFORD: In your experience with municipalities, do you see challenges that cities are facing with the caps that are in the current program? [LR152]

GARY KRUMLAND: I haven't heard anything lately. I know there were, a few years ago, and the dollar cap was raised. [LR152]

SENATOR CRAWFORD: Okay. [LR152]

GARY KRUMLAND: So...and actually, the law says, like you mentioned, I'd add one more. There are three caps. One is the dollar amount, the other is four-tenths of 1 percent for property valuation. And then the other cap in the statute is what the voters approved. [LR152]

SENATOR CRAWFORD: Oh, okay. Sure. [LR152]

GARY KRUMLAND: So if they approved something that's less than that the city is limited on that. [LR152]

SENATOR CRAWFORD: Oh, okay, that's a good point. Thank you. Thank you very much for your testimony and answering questions. Thank you. [LR152]

GARY KRUMLAND: Um-hum. [LR152]

SENATOR CRAWFORD: Anyone else wishing to testify on LR152? Thank you and welcome. [LR152]

CHERYL BRANDENBURGH: (Exhibit 3) Thank you, Senator Crawford. Good afternoon, Chairman...Chairwoman Crawford. I knew I would do that...(Laughter)...and members of the Urban Affairs Committee. My name is Cheryl Brandenburgh, C-h-e-r-y-l B-r-a-n-d-e-n-b-u-r-g-h. I'm the manager of economic development at Black Hills Energy, and I am testifying today on behalf of the Nebraska Economic Developers Association, which I'm a proud member of. The NEDA organization is a statewide organization that has over 500 members, professionals in economic and community development in Nebraska. I'm here to testify on their behalf. We appreciate the opportunity to provide input regarding Local Option Municipal Economic Development Act or commonly called LB840. We have more than 70 communities that have taken advantage of this option to tax themselves for the purpose of creating jobs and business growth in those communities. They have asked the citizens to support a plan and a funding source, and those citizens have responded affirmatively. Hundreds of projects have been made possible by this legislation. It's one of the most effective tools municipalities have to affect their own future growth. Revolving loan funds, workforce recruitments, small business start-ups/ expansions, job training have all been possible by funds made from LOMEDA. We have a few LOMEDA success stories that we wanted to highlight: Premier Senior Marketing, an insurance wholesaler, was the first recipient in Norfolk. The company renovated the old Sun Mart grocery store building in order to expand. And currently, Premier Senior Marketing has over 80 employees at that location. The co-owner, Tom Schueth, said with the expansion into the new facility they could grow up to 130 employees at the larger location. They have offices in 13 (sic-3) states, including Nebraska, and handle business nationwide. Also in Norfork, we have Petersen Ag Solutions (sic-Systems) that was expanding in their sales. And in order to purchase and renovate a building, the company expansion, they used...they were able to use LOMEDA and leverage those assets for further development. They used a $60,000 loan with more than a million dollars of other financing and created five new, full-time positions. In McCook, Nebraska, we were able to show support with creation of eight new...creation and attraction of eight new businesses and three transitioning and expanding businesses. McCook Economic Development Corporation, with the help of LOMEDA, completed six projects. Since 2014, they have continued with their momentum providing LOMEDA matching investment and the renovation of a historic Keystone Hotel and also...which came into multiuse business center that's resulted in a beautiful restoration of historic property and a business environment that have assisted 14 start-ups in McCook. Moving across the state to Scottsbluff, they've attracted the relocation of a specialty jerky processing plant from San Francisco. KYS Foods now has 20 employees in 2013 and experienced great success in that location. The local incentive offering of $360,000, which included LOMEDA resources, was an important tool in this community's decision. While the Legislature needs to be watchful and the implementation of the program meets with the intent of the original LB840 legislation, it has proven successful across our state as supported by the 70-some communities that have voted to implement this program. In many cases, reauthorized the program again. The law provides for safeguards that make sure the community supports the activities through the passage of a plan and separately supports the funding through a vote of the people as well. We believe the support of the citizens is the ultimate watchdog in this program. LOMEDA provides a small measure of competitiveness for rural and urban communities attempting to maintain their population and tax base by allowing recruitment resources. We respectfully ask that LOMEDA be retained as it is, and not further curtailed by additional exceptions or exclusions. And thank you for your time. I'd be happy to answer any questions. [LR152]

SENATOR CRAWFORD: Thank you so much. Any questions? Thank you for your testimony. [LR152]

CHERYL BRANDENBURGH: Thank you, Senator. [LR152]

SENATOR CRAWFORD: Anyone else wishing to speak on LR152? Welcome. [LR152]

MIKE FEEKEN: (Exhibit 4) Hello. Mike Feeken, F-e-e-k-e-n. Good afternoon, Senator Crawford and members of the Urban Affairs Committee. What I've provided you...I guess it's easy for...it's easy for us, maybe, sitting out in the audience that have particular experience with economic development programs and LB840 programs to assume that you, on this committee, know exactly how, maybe, a program runs. And so what I've provided you is really just a general sense of how we run our program in St. Paul, Nebraska. We have...we first passed it in 2000 and then actually did a reauthorization in 2014. And so what I've provided you, again, is just some real general information based on some of the questions that we have received from our citizens when doing the reauthorization and then also provided you a copy of a report of our watchdog committee, our citizen review committee, so that you may be able to have a chance to understand just what kind of oversight that the citizens do have over our program. And with that, again, I just want to provide the workings of a general plan so that you may...may be able to understand exactly what we go through on a community...you know, specific basis and why we're so interested or so concerned about changes that may happen that may influence our productivity. So with that, if you have any questions I'm here. [LR152]

SENATOR CRAWFORD: Thank you. This is very helpful for us to see the plan and just to note most people in this audience probably know this, but just for committee members or others who are listening who aren't as familiar, I mean, these are municipality plans. There is no, like, state oversight of this. It's really managed locally. [LR152]

MIKE FEEKEN: Correct. [LR152]

SENATOR CRAWFORD: And so it's very helpful for us to see what that looks like in your community and how you manage that and what the impact is. [LR152]

MIKE FEEKEN: Right. I mean there's a reason why it's called local option. [LR152]

SENATOR CRAWFORD: Um-hum, um-hum. [LR152]

MIKE FEEKEN: You know, so. Okay. Thank you. [LR152]

SENATOR CRAWFORD: Hold on a second. I was just making that as a comment. Are there questions...other questions? I just do have a question, just so we can understand what this looks like. [LR152]

MIKE FEEKEN: Oh, yeah. [LR152]

SENATOR CRAWFORD: And also, again, emphasizing that what we're doing here is trying to figure how to make sure they work for you as well. So I want to make sure that you recognize testifying or comments after that we're wanting to understand what would make them work better for you. [LR152]

MIKE FEEKEN: Um-hum. [LR152]

SENATOR CRAWFORD: So the question I have, just so we see...you said it was reauthorized in '14. [LR152]

MIKE FEEKEN: Um-hum. [LR152]

SENATOR CRAWFORD: So what...why was it reauthorized? Did the initial one have a time limit on it? [LR152]

MIKE FEEKEN: Correct. [LR152]

SENATOR CRAWFORD: Or did you change what you did in 2014? [LR152]

MIKE FEEKEN: No. Our initial plan that was enacted in 2000 had a 15-year sunset. [LR152]

SENATOR CRAWFORD: Okay. [LR152]

MIKE FEEKEN: And so...so we wanted to get out ahead of it and decided to go for it in 2014. [LR152]

SENATOR CRAWFORD: Excellent. Thank you. Any other questions? Thank you, that's very helpful. [LR152]

MIKE FEEKEN: Thanks. [LR152]

SENATOR CRAWFORD: Thank you very much. Anyone else wishing to testify on LR152? Welcome. [LR152]

NICOLE SEDLACEK: (Exhibits 5 and 6) Good afternoon, Senator Crawford and members of the Urban Affairs Committee. My name is Nicole Sedlacek, that's N-i-c-o-l-e S-e-d-l-a-c-e-k. I'm executive director of Holt County Economic Development. And I serve two communities that have LOMEDA--Atkinson; and O'Neill has been the most recent community to enact LOMEDA in 2012. In Holt County, the program has been very successful. We've used it to be able to recruit a small data center to Atkinson. It's been used for doctor recruitment. We've used it to help grow our manufacturing and our retail businesses. And we've also used it to invest in projects that result in a trained, skilled workforce. In 2012, residents in O'Neill were really asked to...were asked to attend a series of town hall meetings to provide input on what they wanted their community to look like in the future. They responded with a vibrant downtown, high-quality jobs, an expanded community college presence to help with workforce issues, and much more. We then brainstormed ways on how O'Neill could tackle these goals and objectives. We could ask for help from the state and maybe ask for some funding and grants that way, but not seeing a program that met...necessarily fit at the state level for programs that could grant to help us achieve those goals and objectives. The best solution that residents came up with was really to tax themselves and to ask voters to approve an economic development plan to increase the sales tax by a half percent and to provide that local finance tool to accomplish these strategies. Voters responded well. They liked the idea that locally they were in charge of this program. They liked that there was a check and balance system with the implementation of the citizens advisory committee. And they really liked that the tax, unlike other sales taxes we pay, has a sunset date. So if the program doesn't do what it was intended to do and results weren't seen from it, that voters would not have to renew the program when it came up for renewal. Now that the program is in effect, much like what Mike shared with you, kind of the process with that. When a project comes into our office, we take a look at if it's an eligible business, and/or, this is maybe where it's kind of gray, an eligible activity. I think that the state could really help us define if cities need to meet both the eligible business and the eligible activity requirement or if they can meet one or the other. Our city attorney, (laugh) felt like we were really kind of following, but then it came into question this last legislative session with some of our activities. I would advocate that cities be able to utilize their funds for either the eligible business or that eligible activity. In O'Neill, once the project meets eligibility requirements, it goes to the finance committee to review. If it's a loan or a grant or if it's strictly a grant request, then it passes on to the citizens advisory committee for approval. So it has to pass, kind of, two local levels before it goes to city council for that third level of approval. This last legislative session, it was just made aware that communities cannot grant or loan their LOMEDA dollars to political subdivisions, except for when it comes to natural gas development. The question that I want to ask is, you know, why restrict only natural gas? While some communities do lack that infrastructure for natural gas, some areas of our state maybe lack electrical transmission for renewable energy projects, high-speed internet in some cases. And a lot of communities will also tell you that they lack a skilled, trained workforce all across the industries in their community. While I completely understand and appreciate the intent of this legislation, because as economic developers, you know, we're also protective of these dollars and we want to see them be put best use, there could be just some unintended consequences just by further limiting. Communities should, you know, really decide locally how to use their funds that would have...what ways to have the most economic impact. And for communities to adapt to the future, it's really going to take those strong public/private partnerships. And by simply eliminating that public piece, we're limiting those kinds of partnerships. Lawmakers all have a history of allowing for local control and local use. And really in order to lessen our dependence on the financial support of state government for economic development projects in our communities, we need that continued flexibility of the program. And so I really appreciate this study for lawmakers to be able to understand the issues and to further research it. Communities still...you know, we'll still advocate that communities still need to follow their economic development plan that voters approved. But I ask, you know, that on behalf of the communities that I represent, that lawmakers, you know, consider keeping that flexibility of the program. Thank you for allowing me to testify. And I'll try to answer any questions. Thank you. [LR152]

SENATOR CRAWFORD: Thank you. Thank you very much, I appreciate that. Questions? Thank you. [LR152]

NICOLE SEDLACEK: All right, thank you. [LR152]

SENATOR CRAWFORD: It looks like we have someone else coming forward. Welcome, you can begin whenever you're ready. Thank you. [LR152]

DAN MAUK: (Exhibit 7) Thank you for the opportunity to speak today. My name is Dan Mauk, it's spelled D-a-n M-a-u-k. I'm president and CEO of the North Platte Area Chamber and Development Corporation. That's a merged chamber of commerce and economic development corporation. I'm going to deviate from my prepared notes a little bit here. I submitted the letter directing it to both LRs. [LR152]

SENATOR CRAWFORD: Okay. [LR152]

DAN MAUK: Pardon me for doing that. But I'll just talk about LR152 at this point. The LB840 act is one of the few tools in our tool chest that makes our job possible. I've been a professional economic developer for the past 15 years and prior to that was at the community level as a volunteer with the development group in Norfolk before I moved to North Platte. It's a tool that gives great oversight to...and control locally. The voters have to approve it. There's a two-step approval in the process. There's an advisory committee that has to say this deal meets the standards that we have set and is desirable and then make that recommendation to the city council, which is another accountability point. It's a way government works good in Nebraska. This particular tool in North Platte enabled us to attract a Walmart distribution center. It's been used to facilitate some development in the south part of town that will lead to additional retail. It's been used to help small businesses, both expand and, in a couple of cases, to be retained where they were having some difficulty and were able to work their way through. This most recently...and this is one area where I'm going to offer we could have a better plan maybe,workforce housing. LB841 limits the housing component to low and moderate income. Although that doesn't appear to be defined in my studies of the statute, because there's lots of LMI rules, depending on who you're talking to, whether it's HUD or DED or it's a moving target there. But workforce housing often is for just regular people who have good jobs. And in our community, it got to be to the point where the hospital is pounding on my door saying--we've got people refusing jobs, good jobs, because they can't find housing. The housing collapse of 2008-'09 created different standards for banking and small builders no longer could get 100 percent construction loans so they had more capital at risk, limited their capacity to do something. So I went out and met with all of our builders and said--we've got this demand, why aren't you doing anything? Well, we also have a lot of commercial construction demand. So that commercial construction is predictable, I'm going to get paid, I'm not going to have the homeowner's spouse decide that they want the bathroom two inches wider and have to renegotiate the whole contract. It's simple; I'm going to get paid if I'm going to build a bank or I'm going to remodel a business. So I asked them what would it take to get you to take the risk and build some houses? And it basically came back to somebody said, well, if we could get our sales tax back on a $200,000 house; sales tax is about $8,000. Well, that's not an allowable use. But it became a number that seemed to be the sweet spot. So, in meeting with more of the builders, I met with members of the city council, with members of our board, and we...our organization, from our own business donations, put up half the money and went to our LB840 committee, we call it quality growth fund, for the balance and that was approved. So we were able to offer an $8,000 incentive if somebody would build a house to a minimum standard; and if they wanted it twice as big, they could make it twice as big. They had to do four units. So it wasn't...I got two houses already on the books. I'm going to build anyway, I'm going to get a freebie here, so they had to do four. And we had 16 builders get applications; we had 8 turn in applications. They were approved. They were both local builders and outside builders that came in, they were small and large, they were all over town, in a depressed part of town, and in a part of town that we thought we would develop, we never developed. And in a course of 8 weeks, we've got commitments for 41 new homes. The LMI piece we're going to dance around because we're building a home, we don't know who the owner is going to be. How are they going to qualify for LMI? We don't know. So we are going to watch that process. We're using realtors and banking resources to help us determine whether...the house that we're going to use the city's money for, the LB840 money for, if that homeowner qualifies. If they don't, it's such a big problem in North Platte, and this is making an impact on that problem that my leadership is prepared to write a check for the difference if we can't plug in the...meet the LMI standards. So if we're looking at new ideas, housing is...you would call any developer in any community, I would bet even in Omaha and Lincoln, but particularly outside of Omaha and Lincoln, they would tell you housing is one of the things that is holding them back. When we have an opportunity in North Platte to grow and we can't grow because we don't have places for people to live, that's really painful in my line of work. North Platte lost a large employer in the early 1980s, about 400 people left town. It took us 26 years to get back to the population we had before Consolidated Freightways left, 26 years. And that's slugging it out, that's difficult. When we do have these opportunities to grow, when things are going well and we can't meet that need, that smarts a little bit. So if the Legislature is so inclined to help invent some ways that we can meet more of our needs and better serve our communities, I would certainly support that. [LR152]

SENATOR CRAWFORD: Excellent. Thank you, appreciate that very much. [LR152]

DAN MAUK: I'll stop and take questions if anybody has any. [LR152]

SENATOR CRAWFORD: Absolutely. Thank you. Questions? Thank you for that specific story; that's very helpful. Thank you. [LR152]

DAN MAUK: Thank you. [LR152]

LISA SCHEVE: Good afternoon. I'm Lisa Scheve, L-i-s-a S-c-h-e-v-e, and I'm representing the Greater Omaha Economic Development Partnership. We, as economic developers, are working to broaden the tax base, create new jobs, attract new capital investment, generate employment opportunities, and expand the labor market. We need to encourage economic growth so our communities--small, medium, and large, urban or rural--can secure jobs that offer a higher wage and attract workers who would otherwise land in other states. The availability to have economic development funds to entice these businesses to locate to our downtown districts, industrial parks, and rural communities are extremely beneficial. You've heard a couple of different examples today, and I just wanted to showcase a little bit more as to how LB840 is a catalyst for our communities. In the early 1990s, the citizens of Blair voted to approve the LB840 plan which helped to fund the purchase of some property for the Cargill campus. In 1995, Cargill purchased 650 acres; they invested $200 million in capital investment, employed a hundred employees. Over the last 20 years, the Blair Cargill campus has grown to include five different companies totaling over 1,200 jobs and $2 billion in capital investment. LB840 funds were used to help assist in a variety of different ways for these companies. Other examples include Southwark Metal in Fremont. When it came to Fremont, it created a 60,000-square foot facility, a $4 million in investment, and created 60 jobs. This company continues to grow in Nebraska and it is currently in the process of expanding and adding on an additional 50,000 square feet. Recently, Fremont Beef Company also received some LB840 funds to help with their expansion project which involved $10 million in capital investment, 25 new jobs, and 350 retained jobs here in Nebraska. La Vista used LB840 funding as part of its financial package to develop the La Vista Conference Center. This initial investment continues to leverage millions of dollars more in private investment and sales tax revenue. But it's not just about large communities or big projects; it's also about small communities as well. For example, the community of Louisville has utilized LB840 funds for different main street programs and to help assist with some of the main street projects which have included helping to expand a family-owned hardware store; helping to recruit, remodel, and opening of a restaurant for the community which was needed. And most recently, they have helped to expand and build a new facility for the auto parts store that is located there. So I hope you can see how LB840 funds have been a catalyst for different projects. Using the Cargill campus as an example, one company located there, and additional companies have continued to grow there. Louisville, their main street continues to thrive because of the investments that they continue to make into the businesses that are there. As I said before, we as economic developers are working to broaden the tax base, create new jobs, attract new capital investment, generate employment opportunities, and expand the labor market here in Nebraska. Thank you for this opportunity. [LR152]

SENATOR CRAWFORD: Thank you. Thank you for that overview, that was helpful. [LR152]

LISA SCHEVE: Sure. [LR152]

SENATOR CRAWFORD: One second. Questions? Thank you. [LR152]

LISA SCHEVE: Thank you. [LR152]

SENATOR CRAWFORD: Anyone else wishing to testify on LR152? We will close the public hearing on LR152 and open the public hearing on LR155. This was a committee-sponsored interim study, so we will have Trevor Fitzgerald, our counsel, open on this LR. Thank you. Welcome. [LR152]

TREVOR FITZGERALD: Thank you. Good afternoon, Chairwoman Crawford and members of the Urban Affairs Committee. For the record, my name is Trevor Fitzgerald, that's T-r-e-v-o-r F-i-t-z-g-e-r-a-l-d. And I'm introducing LR155 on behalf of the committee. The purpose of LR155 is to take a comprehensive look at the economic development tools that are currently available to municipalities in Nebraska, as well as examining tools available to be used by municipalities in other states. While a wide variety of state and federal programs can be considered tools for local economic development, the focus of the materials that have been prepared for you is on those programs which are laid out in state statute. At Senator Crawford's request, the League of Nebraska Municipalities has prepared a comprehensive binder which highlights and summarizes what they feel are the key economic development tools currently available. The committee just heard testimony on the Local Option Municipal Economic Development Act, commonly referred to as LB840, so I will not be presenting any information about LB840 unless committee members have technical questions for me in that regard. Aside from LB840, the most prominent municipal economic development tool in statute is tax increment financing, or TIF, under the community development law. TIF was the subject of one of two interim study hearings held by the Urban Affairs Committee last fall. And as committee members...returning committee members no doubt recall, this past session's hearing on three TIF-related bills was the longest of the session for the committee. (Laughter) Because language authorizing TIF appears in Article VIII, Section 12 of the Nebraska State Constitution, two of the major TIF discussions in recent years have focused on amending that constitutional language. Twice in the last few sessions, a proposed amendment to Article VIII, Section 12 has been introduced that would do two things: One, replace the requirement that property be designated substandard and blighted in order to be TIF eligible with language stating the property must be in need of rehabilitation or redevelopment; and two, extend the maximum length of time to repay TIF bonds from 15 years to 20 years. The substandard and blighted requirement has been a perpetual issue, as many property owners believe that declaring their property substandard and blighted negatively impacts their property values. Discussion of TIF repayment periods, as a more recent development, according to information received by the committee at last year's interim hearing, Nebraska is currently one of just three states with a TIF repayment period of 15 years. Since 2012, at least one proposal to limit the use of TIF by municipalities or establish some form of state-level oversight over TIF projects has been heard by the committee each session. While language clarifying that the State Auditor has the authority to audit TIF projects was adopted last session, the committee can likely expect to see TIF legislation introduced again next session. Outside of TIF, another area of the community development law provides municipalities with a financing option for infrastructure and other improvements. Passed in 2007, the enhanced employment area provisions allow a municipality to enter into an agreement with a developer for the development of a defined enhanced employment area. An occupation tax is then imposed on the businesses within that enhanced employment area with revenues from the occupation tax pledged to pay off revenue bonds issued by the municipality to finance improvements within that designated area. One of the more recent economic development tools for municipalities is the Nebraska Advantage Transformational Tourism and Redevelopment Act, which I like to call NATTRA, which passed in 2010. Under NATTRA, municipalities may rebate a portion of the local option sales tax dollars generated by a qualifying development to offset the cost of the projects. Similar to LB840 programs, the use of NATTRA is subject to voter approval and must follow the authorizing language in Article XIII, Section 2 of the Nebraska State Constitution. Moving away from current economic development tools, one issue that LR155 also seeks to examine in detail is the uniform and proportionate clause in Article VIII, Section 1 of the Nebraska State Constitution. Committee members may recall that during the TIF hearings last session, a handout was distributed listing the economic development tools that were available in Kansas City. One of the primary reasons that the Kansas City list is significantly longer than a comparable list for Nebraska municipalities would be that the uniform and proportionate clause...would be the uniform and proportionate clause which requires that property taxes must be valued and collected in the same way. The uniform and proportionate clause effectively prohibits municipalities from offering property tax abatement, the type of incentive that is prevalent in other states where municipalities reduce the taxes otherwise owed to businesses to induce that business to relocate or expand within the municipality. Since this provision appears in the constitution, the only limited exceptions to the uniform and proportionate clause are constitutional amendments, the most notable of which are agricultural and horticultural land, homestead exemptions, and TIF. Prior to today's hearing, Senator Mello reached out to Senator

Crawford to inform our office that he is currently working on several concepts which could potentially lead to new economic development tools for municipalities. While drafts of these concepts were still under development and not ready for today's hearing, Senator Mello has indicated that he will be in close contact with Senator Crawford and our office, as well as committee members going forward. A number of testifiers will be following me to discuss various current and potential economic development programs, including the League of Nebraska Municipalities and various city officials. At Senator Crawford's request, David Landis, urban development director for the city of Lincoln, will be testifying regarding the uniform and proportionate clause; and given his experience, probably some other things too. (Laughter) Additionally, the Metropolitan Area Planning Agency or MAPA will be testifying about economic development tools in the Omaha/Council Bluffs metropolitan area, with an emphasis on the differences between tools in Nebraska and tools in Iowa. I would be happy to answer any questions the committee might have at this time. [LR155]

SENATOR CRAWFORD: Questions? Thank you. Thank you for preparing that overview, that's very helpful. So we will start with invited testimony in this case. Go ahead. [LR155]

DAVID LANDIS: Members of the Urban Affairs Committee... [LR155]

SENATOR CRAWFORD: We'll start at the constitution. [LR155]

DAVID LANDIS: Thank you. A very good place to start, or as Pat Venditte once said to Peter Hoagland: Peter, you can't hide behind the constitution forever. The Urban Affairs Committee sees this issue instead of the Revenue Committee because it's considering tax incentives and economic development for communities. [LR155]

SENATOR CRAWFORD: I'm sorry to interrupt, would you mind for the record saying your name and spelling it. Thank you. [LR155]

DAVID LANDIS: Oh, sure. David Landis, L-a-n-d-i-s, Urban Development Department Director for the city of Lincoln; former member of the Legislature and once the Chair of this committee. The Uniform Proportionate Clause, longstanding, a result, as I believe, in a 1919 constitutional convention, and at the same time in Nebraska, the entire Midwest, and most of the country moved to the use of uniform proportionate clauses because, particularly, the experience of railroads, powerful political entities that from one source or another, by hook or by crook, got huge political power and then translated that into tax special treatment. To keep legislatures from giving that kind of power, generally the Populist movement was most responsible for creating this kind of a wall, if you will. And that wall can be a fort and that wall can be a jail and it's both. It's a fort because it keeps out the pressures to give away the tax base to politically powerful and perhaps sometimes undeniable forces and thereby probably increasing the tax burdens of regular citizens. It's a jail in the sense that it limits a legislature's freedom to act in what it chooses to think is an appropriate policy with respect to tax and tax bases for its citizens. The uniform proportionate clause says that when you have a tax in the property tax area or the personal property tax area, real or personal, that it needs to teach...treat everyone alike with respect to its uniformity of the application and its proportionate qualities. And the only way to vary from that is by constitutional exception, and they've been coming one by one ever since. By far, the most significant runs on the bank, if you will, or the making of policy, if you will, are changes in the personal property tax area. We have a boatload of exceptions in the personal property tax area. And this is a declining base of reliance, I think, with respect to the state. Of course, that means to the local political subdivisions; much less likely, and I think it's probably because of the role of the farm community more than anyone else, but the fact that everybody pays homeowner's tax in some way or another, whether they're renters or homeowners, is the prohibition with respect to real estate taxes. What it means is that you can't say that everybody is valued at 100 percent of market except for X; and X can be valued at less, unless you have special treatment. And we only have four or five. They're contained in Sections 1 and 2 of Article VIII of the constitution. They include greenbelt, which is one of the very first exceptions that we made for agricultural land around the community with inflated values because it is speculative but not agricultural purposes. So it's farmers being taxed at the value of commercial property and at rates because of comparable sales that were greatly burdensome for people who wanted to continue to farm. Having made that exception, we also did one for agriculture generally; and this is after two or three things that happened. One was a pivotal Supreme Court decision in the Kearney Convention case. The commercial property in Kearney could show that the agricultural land was valued at 44 percent of market, while the commercial land was being valued at very close to market--90 percent plus. The Supreme Court said that violates the uniform and proportionate clause and you have to raise the agricultural land so that it is proportionate and bears its fair share of the tax burden. Over time, the practices of our assessors had generally moved away from uniformity and proportionate, but just in the way they value land. And there weren't challenges to that effect that rose to the level of Supreme Court action. But when the Supreme Court spoke, it spoke to every county assessor in the state and they needed to do much differently than they had done. And that produced an angst deeply affecting. So the Legislature attempted to mitigate the problem by establishing an income stream mechanism for valuing land. What can the land produce in terms of income and, therefore, instead of valuing it by what it would sell for, it would be valued by what its income base would be. And we passed that act and we passed the accompaning work, which was later struck down by the Supreme Court in the Banner County case because the Banner County case said: you didn't repeal the uniform proportionate clause; the net effect of this system will be to move away from that standard and you...and there is one and only one standard and it is not income, it is market and it's got to be uniform proportionate and that's it. So we then created the agricultural exception and we're now at 75 percent of value. But that's done first with the agreement of the entire citizenry and a constitutional amendment, and then secondly by the Legislature in more than one step. I think there have been three steps that have gotten us to 75 percent. And you will be seeing more of them as well. And additionally, we've done the homestead exemption; we've done historical preservation rather recently; we've done energy conservation rather recently, as ways that you can move across this. TIF does appear in Section 8, but it's referred to in Section 12. And it's slightly different. The taxes under tax increment financing are uniform and they are proportionate. But they are deferred or they are actually diverted, if you will, to the project. So it's not that the developer pays less in taxes than somebody else, it's that they pay their taxes to support the project that they are doing which means that it's not really an exception to the uniform proportionate clause. We are only one of three states that has this. At one time, the vast majority of states had this. But over time, political forces in other states, and oftentimes agriculture, have been at the forefront of saying, this is too much a jail and not enough of a fort. And that's the position that you occupy. It limits your ability to do what many other states give their local authorities which is the power to abate taxes. You don't have to pay them. For you, because you're doing something good, you don't have to pay taxes for the next five years or ten years. I remember coming across an Oklahoma statute that had a county, a school, and a city representative that would get together and by consensus and agree to and then jointly pass a plan that would allow them to abate taxes for an incoming property. And I don't believe it had an exception for the length of time. I don't remember one. I do remember that there were abatements of up to 20 years in taxes for people who had settled. The difficulty of that is that it turns everyone into a race to the bottom. And we already feel the pressure from state to state. Iowa passes a tax incentive, we pass a tax incentive. We pass a better one, so Iowa passes a better one. And we take less and less as we ask businesses for a contribution to the services that they use. However, it is just undeniable that the cry and request for, particularly, rural-based incentives are critical. If you were to take a look at Oklahoma, you'd find the most generous abatements occurring in places that hadn't seen anything for 20 years. And it's hard to deny that they want some kind of a tool to use. That tool is unavailable here. It's available elsewhere. And when a business comes and competes, we compete with that profile elsewhere and we darn well better have a good reason to be here rather than just the tax incentive. I will close by saying that if you take a list of the top ten reasons for business location, tax rate is second. But tax rate there means what is the overall obligation on a continuing basis that the state requires of a corporation? Tax incentives--specialized, unique contributions for a developer for a project--it's ninth on the list. So to the extent that we do things to change the tax climate, the tax climate that is most relevant is the general tax rate: our sales tax, our income tax, and, of course, our property taxes. And the reason is they survive the length of time, whatever the temporary incentive might be. And those are the rules they will live by forever. And those rules are terrifically important to them. Incentives certainly are attractive, but I would regard them as the frosting on the cake, not the cake. The tax base, the tax rates, that's the cake. [LR155]

SENATOR CRAWFORD: Excellent. Thank you. Thank you. Questions? Senator McCollister. [LR155]

SENATOR McCOLLISTER: Welcome, Dave. And thank you, Senator Crawford. TIF...the TIF issue came to the floor last session. And, of course, one of the big issues is substandard and blighted. And when you take raw farm ground and put a TIF program on that piece of property, do you care to comment on ways that...whether that is, in fact, a good place for TIF? [LR155]

DAVID LANDIS: I think you see in that controversy the pressure that's brought to bear. We're trying to find an attractive package to locate economic development. That, I think, is the motivation there is we need jobs, we need capital investment; we'll take whatever we can get.

And it's possible to read the status...the conditions, both the blighted list and the substandard list, and you have to have at least one of both, to apply to that situation. We don't do it in the city of Lincoln, haven't. And the reason being, the underlying law was meant, essentially, to affect community redevelopment...where the city already is; and is falling apart, dilapidated, behind schedule. It's where the market is jumping over the city to get to the edge and leaving a diminishing and dilapidating core. Really bad idea, because core infrastructure is much cheaper than edge infrastructure. You want density in the city, that's why we live in cities in part. We want to build...a city needs to build up in its core, not out at its edges if you want the most efficiency in the distribution of public services and the lowest cost of government. So when you have a core area that is dilapidated and the market says--I don't want to be there, I want to be on the edge where I can buy from a farmer and buy from one person who will sell me at $30,000 an acre instead of buying six parcels in the core, three of which will be easy to get, but the fourth, fifth and sixth will be like pulling teeth. So I can then buy buildings I don't want so I can pay to demolish them to get down to ground that I then will put a building on. That logic is powerful and the market will go to the edge under normal circumstances, which is why an incentive to reverse that thinking is necessary for community redevelopment and in that sense. Now, we have had areas of the city inside its corporate jurisdiction that has nothing on it, I mean, it's open ground that we've TIFed, but we find it substandard and blighted. We found that it has floodplain problems or that it has no infrastructure in a city that has great infrastructure. And it is, on its face, a definition of blight and substandard and the market has chosen not to occupy this space but go beyond. We would regard that open ground, but open ground well within the boundaries of the city as being blighted and substandard. And that we'd rather have the market use that land than we would to have it use it at the edge of the city where it's easier to do. There's been a reason why that land has been in the city for 60 years and never built upon. It could be that the level of topography; it could be the drainage; it could be the absence of appropriate infrastructure. All of those reasons might do that. But you would want to attack that with infill. Why? Because it serves the basic theory that what you want is a healthy city, and a healthy city has a strong core area that efficiently uses infrastructure. And anybody who has been in the city, who has a dilapidated core, knows what happens. Sure, there are businesses there. They close at 5:00 in the afternoon; by 6:00 nobody wants to walk those streets. And they come back to the use of the city at 7:00 in the morning and they last until 6:00. And it's not space that produces retail, activities, entertainment, the kinds of things that you'd like to bring into the city, and not have people drive so much, and to centralize amenities. And so you really do want...and we should be glad that we have a tool to attack that kind of a problem. I do not condemn those who say--our needs are so great that we'll take the community's redevelopment tool and use it within the boundaries of the statutes to the best of our abilities to achieve an economic development end. Community development will be economic development, those are the same. Not all...and I would say, all economic development is community development, but it may not be community redevelopment, because that is where the city already is. [LR155]

SENATOR McCOLLISTER: Thank you. I have a follow-up question, but I'm afraid to ask it. Thank you. (Laughter) [LR155]

DAVID LANDIS: I'll do my best with a yes or a no, how about that? [LR155]

SENATOR CRAWFORD: Senator McCollister. I guess he's so afraid he's not going to ask it. [LR155]

DAVID LANDIS: Okay. I guess I scared off any other questions by taking so darn long. [LR155]

SENATOR CRAWFORD: Other questions? Thank you. [LR155]

DAVID LANDIS: Thank you. [LR155]

SENATOR CRAWFORD: Lynn...is Lynn Rex...yes, thank you, David. Welcome. And thank you for putting together the information for us on the statutes; I appreciate that very much. [LR155]

LYNN REX: Actually, the credit belongs to Gary Krumland. And he deserves all the credit for that. And really appreciate Trevor and you, Madam Chair, for reviewing that information for us. We appreciate that very much. My mission today was to review the binder that Gary has put together for you with Trevor's assistance and also Senator Crawford reviewing this. And I was also told that this is not supposed to be an extensive review of each and every section, so with that I will give you some highlights along the way. However, I really would love to do an extensive review of each and every section, but I understand the time constraints. So with that, obviously, you've got a table of contents, I'm not going to review that. [LR155]

SENATOR CRAWFORD: I'm sorry to interrupt. Do you mind spelling your name for the record. [LR155]

LYNN REX: I'm sorry, Lynn Rex. Yes, yes. You'd think I'd never done this before. [LR155]

SENATOR CRAWFORD: Thank you. We're all getting back into the swing of things. [LR155]

LYNN REX: Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. And again, thank you so much for the opportunity today and for having these interim studies. Behind Section 1, it's just the summary, kind of a short summary of these various acts. Trevor has already reviewed most of those. And, of course, Senator Crawford has reviewed LB840. If you go on to the second...behind the second binder, number 2, you'll note that this deals with constitutional provisions and authorizations. The first one at the top is Article VIII, Section 12, and that is the underlying constitutional authority for tax increment financing. I would also refer you to Article XIII, Section 2 at the bottom, and then ask you to look...turn the page to page 2, because this is the top of page 2, behind the second divider, this is the authorization for LB840 programs. This, of course, is already noted by your Chair, and by Trevor, because of Chase v. Douglas County. And when the League was trying to review what cities can do and how they can partner with chambers of commerce and others, at that time back in the '70s and early '80s, there were chambers of commerce, other groups that were partnering with cities saying to cities--just give us the money, we'll go do this, this, and this. The essence of Chase v. Douglas County is you cannot do indirectly that which you cannot do directly. And they didn't have any authority to do that. And cities came forward, specifically the city of Norfolk and the city of Columbus; Larry Marik, who was the mayor of Columbus, and Mike Nolan, who was the city administrator of Norfolk. And they presented to our legislative committees what became the constitutional amendment. First of all, LR21CA, which took two years and it never passed. Lots of...Senator Warner did not support it. Then LR11CA, which ultimately did get on the ballot and passed overwhelmingly. So what you have at the top of page 2 is actually LR11CA. And then that was modified in 2010 with LR297CA, which is also a League amendment, to expand how LB840 plans could, in fact, be funded. And you'll note that essentially what this says is that the Legislature may authorize cities and villages to use local sources of revenue for economic or industrial projects or programs subject to a vote of the people. Then it talks about what the funding sources are. And prior to passage of LR297CA, the Legislature had limited that to general taxes, meaning property taxes, sales tax. And so the purpose of LR297 was to say, look, what about federal grants? We could leverage federal grants, state money, utility money, other sorts of things. So that's what was added to that. This is the constitutional amendment that authorizes LB840 programs; it also is the authority behind LB1018 which was the transformational act that you've discussed as well. So I think those are two important considerations for you as you look at this because, again, those are the exceptions for lending the credit...for not lending the credit of the state. And the Legislature was kind enough to put that on the ballot and it passed overwhelmingly. Behind (3), or the second...the third provision is 13-315. As Gary noted in his presentation, this essentially for many, many years was about all the cities had until LB217 passed, which was...we'll talk about toward the end of this booklet, which was done by Senator Don Dworak at the time. And probably Walt Radcliffe and Gary Krumland are the only two people here that remember those players. But what 13-315 did is basically...and we still have cities using this, you'll note...and this is behind the third divider, that cities, villages and counties are limited to four-tenths of 1 percent of valuation. And what can they use that for? Publicity campaign. And so there's a lot of controversy...and, of course, <u>Chase v. Douglas County</u> was the case that tested this on what cities can and cannot do and how they can use this. And you'll note that it's the purpose of encouraging immigration, new industries, investment, and to conduct and carry on a publicity campaign, which includes, basically, doing certain things to try to advertise and get tourism dollars for the community; exploiting and advertising for various ag, horticultural, manufacturing, commercial, and other resources, including utility services. And they can do that one of two ways: the city could do that directly or the city can use that with a chamber. But again, what <u>Chase</u> said was--you're not going to do indirectly that what you cannot do directly. So, city, you don't have authority to go out and purchase this land and do this. So, no, you're not going to give it to a chamber of commerce, you're not going to have a development group to do it for you using those funds. (4) this is LB840, I'm not going to touch on it, other than the fact that you've already looked at this. But I do have one statement I do want to make, really respect the individual from O'Neill who came forward, works, I think, she said with O'Neill and one of the other communities. The League strongly opposes changing the definition of "qualifying business" because this was not intended to be for community colleges; it's not intended to be for state colleges; it's not intended to be for the University of Nebraska or any other group. There are other ways, however, that one can partner with them and should partner with them. There's no question community colleges play such a critical role, especially in workforce and job training. But for example, LB840 wasn't the right way for them to do that or the legal way for them to do what they did. In fact, one can argue whether or not it was legal for the community college to take the money; but I can assure you, it was not legal for the city to give it to them. And so...and that creates liability. It didn't have to happen that way. There are other ways to do it. If we had been contacted in advance, what we would have suggested to them is--you have an interlocal agreement. And after LB269 passed several years ago, what one entity has the authority to do, you can have all entities have the authority to do. They could have done an interlocal agreement. They could have also done what LB840 does allow which is to give those funds to a qualifying business who could then contract with the community college to provide job training. So there are ways to do this. But LB840 was never intended to be a revenue source for other political subdivisions. It was intended for cities and villages to try to create and develop their own destiny, if you will, by job creation, job retention, by working with qualifying businesses. So I respect what their intent is, but we would oppose any effort to expand that. And we supported LB150 and believe that was the right thing to do. Behind number five, you'll have the 68 municipalities that have already adopted an LB840 plan. And LB840 has been incredibly successful. LB840 has, I think, exceeded most expectations in terms of what cities can do and what villages can do in terms of shaping their own destiny. And this is kind of an interesting...well, it's interesting to me, (laughter) it may not be interesting to anybody else in this room, but I'm going to share it anyway. So at the time, when we first did LR21CA, which is the same thing as LR11CA, which passed in 1990, DED strongly opposed it. Governor Orr then did not support that. But as you know with a legislative resolution placed on the ballot, you don't need the Governor's support. But nevertheless, when we found out later, a couple years later actually, why that was, well, because at that time, it was the position of the department that they should determine where these major projects went. They should determine it because then they can determine it for load management, they can do other sorts of things. To which we responded as an organization--listen, these are municipalities that want to help themselves; these are folks that are prepared, if they vote to do so, to tax themselves because they want their communities to survive and move forward. So good for you, DED, at the time that you felt that nobody else should have the right to do that, that you get to place where these jobs go. But other communities in the state want to be able to do that too. So in any event, that's a little bit of background. But this is the listing of the 68 municipalities that already have LB840 plans. If you go behind tab 6, this is basically the tax financing statutes with the community development law. And I think it's important to note, too, that one of the things that when you look at Article VIII, Section 12, you know, it talks about substandard and blighted. And as Trevor has already indicated, this has had a couple of efforts to get it changed. We worked with Senator Greg Adams, who introduced LR29CA a few years ago, that was advanced out of this committee to do the two things that was mentioned--strike the language of "substandard and blighted" because people find it offensive when their businesses or homes are in that area. Instead, put in a definition of "area in need of rehabilitation or redevelopment," which is, in essence, the definition of substandard and blighted and put that language in, and then increase from 15 to 20 years. Speaker Adams was prepared to do the first part, but not the second part. And then toward the end, it just was on Select File and never was considered or scheduled again, much to our chagrin, because we thought that could have passed and would be law today. And as Trevor said, we are one of three states in the country that only authorize 15 years. We have the most restrictive tax increment financing laws among maybe two or three other states in the entire country. So while legislation has been introduced periodically to tighten up strict TIF even further, I'm just here to tell you, you do it much further and cities are out of the business of being competitive. Right now, most cities would tell you that we really do need to do some other things. And this morning in our conference, I was not able to be there because I was bonding with the General Affairs Committee, but Brenda Hicks-Sorensen, the new DED director, was speaking at our conference. And she has told us that they're looking at some very innovative things that they want to do and we're going to be pleased to partner with them to try to look at...because she said she was just shocked to see the few tools that localities have in this state to try to enhance economic or redevelopment efforts in this state. So I think most of you know pretty much how TIF operates and what it does and what it does not do. You'll also note that LB562 is an important part of what localities can do and that's the Enhanced Employment Area Act. That also has a basis...constitutional basis for that passed in 2007. That was Greg Adams' very first bill and his priority bill. And Justin Brady from Radcliffe and Associates worked on that a great deal, along with the League and others. This is basically an occupation tax that allows a municipality with...in partnership and with the consent with the developer; it takes both. The developer cannot do it on his...by himself or herself. And the city itself cannot do it alone. Both have to agree. Then you have an enhanced area and then everybody within that area makes it work. And I will tell you that the Nebraska Crossings in Gretna, that is the...that uses LB562, they use many tools that are here. They use TIF; they use LB562, the occupation tax; they use LB1018, the transformational tools to put that together; and also local dollars and other things that they could. Behind 8 is LB1018. This was a really impressive effort by the United Cities of Sarpy County. The League supported that, of course. But still, it was...they get the credit for it, they did just a great job on this. And the constitutional basis, again, is Article XIII, Section 2 which is the same constitutional basis that allowed LB840 plans, because you literally are lending the credit of the state by doing this. This is the exception and they're authorized to do it constitutionally. This passed in 2010. Again, the primary example of this in the state of Nebraska would be in Gretna when they did the Crossings there. Behind number 9, what you see is the Convention Center Facility Financing Act. And you probably all remember that first it started with the Qwest Center. Then it started with the city of Lincoln then was given authority; and then later Ralston with LB779. All three programs require 30 percent to go into...the names change, but now it's the CCCFF Fund. And I would agree with Gary, anything we can do to simplify those names would be great. Those acronyms keep getting longer and longer. But that fund has been used extensively across the state of Nebraska. And in terms of reviewing the act, I'm happy to do that if you want. But, essentially, you have different standards for all three arenas, and that's fine, that is what it is right now. And I think it's also important to note that just a throwback sales tax concept itself has been very successful, I think, in working with those arenas and trying to structure how those payoffs will occur so that those bonds can get paid off. And you've got, roughly, a 200-yard area around now the CenturyLink...Lincoln has 400 and Ralston has 600. And they have different items...items...businesses that they can tax within that. Ralston has everything within that area. And the other two cities are limited at this time. If you look behind number 10, you're going to see basically also the actual fund itself and how that is structured. And then if you turn to page...behind 11, you're going to see the actual who has received these awards over the years. And I refer you to, actually, the second sheet there because the second and third sheets outline the 50 municipalities across the state of Nebraska that have received these funds. And there's also a map that you have noted here. And this is right off the DED's...they did a nice job of keeping track of all of this. As you may (audience noise)...oh, I'm sorry, I thought it was something else, so I apologize. Basically, you may remember that Senator Dubas and

Senator Harms had legislation, LB153, to give very clear directives to DED that they will do the following things that had not been done before. Number 1, they will request all the money that is there in the 30 percent fund. Because we found out when Senator Lavon Heidemann was Chair of the Appropriations Committee, when he said--there's millions of dollars there, and our cities were being told--we can't give you those grants because we don't have any money left. So Jeanne Glenn was kind enough to come upstairs and say: Well, yes, you have a handout that says that there's no money there, which you just got from DED, but that's because DED doesn't request all the money, which was a shock to me. I always thought when the Legislature passed a bill saying 30 percent goes there, that 30 percent went there. Well, that money was somewhere, but DED did not request all of the money. So Senator Dubas and Senator Harms made it very clear and the Legislature passed legislation to ensure that all the money would be requested and that cities would be told what they need to do to make their loans qualifying or their grants qualifying...not loans, but grants. So it's been very successful. And you'll note that all across the state, this is helpful. And there was some controversy for some time about whether or not the only cities and villages that could get funded are those that would bring in more tourism. And Senator Dubas made it clear to DED that the law never said that. That's just one factor. But that in many of our smaller cities, and some of you represent those municipalities, a very small little community center that may need a new roof, that is as important to them because that's where the weddings are, that's where the receptions are after funerals, that is as important to them, I would submit to you, as CenturyLink is to Omaha. So in any event, very important fund for us, and that continues. The Sports Arena Facility Act, that is Ralston, that is behind number 12. This is...this passed in 2010. This was Steve Lathrop's priority bill that year, it's LB779. And if you have any questions, I'm happy to respond to that. They have a maximum 600 yards radius around the facility itself. Behind number 13 are the industrial development bonds. This is an older mechanism that cities had. Cities...the IDA bonds cities used. There have been other federal restrictions that came into play with respect to these as well. And also I want to point out to you, too, toward the back, it starts on...I guess it's not paginated, but if you go back a few sheets, one of the last sheets dealing with this are the county industrial tracts. And this is LB217. LB217 was developing of a county industrial tract. Many people would say was after (Section) 13-315, this would be on...roughly on page 10, starting on page 10, page 10 behind number 13, county industrial tracts. (Section) 13-315 was the first provision there, county industrial tracts was used, totally innovative at the time. And when this passed in 1979, and Don Dworak from Columbus, Nebraska, was the one that did this. The whole idea was...and it was for Behlen's in Columbus, it was for that area in Columbus. And, unfortunately, those statutes do need to be updated because now we've got doughnut holes. It is the economic development equivalent of SIDs, doughnut holes around some cities because the agreement was that you would not be annexed if you build within these areas. And somehow there was no...for whatever reason, there were no limitations, no time limitations put in there so it's forever. So there's a way in which, I think, there has to be a way in which that can be reviewed. There has been legislation introduced in the past to make it clear that if the use has changed...in other words, it's one thing to have a Walmart distribution center, it's quite another to have a Walmart. Those are real examples; selling retail, competing with other stores are not in such an area. But the county industrial tract was viewed as very innovative at the time; very antiquated now, needs to be updated. But that's just for your consideration. And then, of course, the very last handout, behind number 14, are the local sales and use tax rates. And the 218 municipalities and 1 county, in fact, have this. And they would tell you that that has been the single most important way by which they've been able to reduce property taxes; the single most important way by which municipalities have been able to put more money into roads. And, obviously, LB840 plans, with the exception of one municipality, are funded with local option sales tax dollars. So I'm happy to respond to any questions you have. Really appreciate you taking time today to review these tools because they're very important. Nebraska is in dire need of updating and upgrading the types of tools that we give municipalities and frankly, the state itself.  [LR155]

SENATOR CRAWFORD: Thank you. Questions?  [LR155]

LYNN REX: Thank you very much. Thanks for your patience.  [LR155]

SENATOR CRAWFORD: Thank you, that was very helpful. Thank you. And now we'll have Greg from MAPA come up and review use of tools in Iowa and Nebraska. Thank you. Welcome. [LR155]

GREG YOUELL: (Exhibits 1, 2, and 3) Good afternoon, Chairwoman Crawford, members of the Urban Affairs Committee. My name is Greg Youell, G-r-e-g Y-o-u-e-l-l. I serve as executive director of the Metropolitan Area Planning Agency, or MAPA, in Omaha. We are an association of local governments and we serve as the economic development district for Douglas, Sarpy, and Washington Counties in Nebraska, as well as Pottawattamie and Mills Counties in Iowa. And in addition, I have two of my handouts that you will be seeing, there is a map there of our statewide association which is NROC, the Nebraska Regional Officials Council. We provide statewide coverage as regional agencies to assist local governments with community and economic development services. So I appreciate the opportunity to appear before you today. I'm here to present a white paper that MAPA composed entitled Economic Development Tools for Municipalities. And this paper was prepared by MAPA to assist your committee in your examination of economic development tools available to the municipalities. And so I know we've had a couple of great overviews already from Ms. Rex and Mr. Landis on these tools. This is a high-level overview, but particularly looking at some of the tools in Nebraska since we are a bistate agency in light of the tools that operate across state lines in Iowa. So I would like to make a few comments and high points that are drawn from our conclusions in the report. First, as we have heard, TIF remains a primary tool for municipalities. And although it has, of course, been the subject of controversy and scrutiny, it is a vital economic development alternative and does not appear to be waning in other states. Secondly, some aspects of Iowa's use of TIF may be advantageous compared to Nebraska. Page 5 of our report, and I'm referring to this report here, has a table which lists the various nuances and aspects of how TIF is utilized in Nebraska versus Iowa. So some differences, for instance, states have difference in the time periods. You heard Nebraska is one of the few states with a 15-year time period. In Iowa, TIF may be done outside city limits within two miles of a city with the concurrence of a county. And also, the but/for clause--that this development would not happen but for TIF--is not included in Iowa. Perhaps most significantly, Iowa allows TIF for economic development purposes in addition to "slum and blight." This may be advantageous compared to states like Nebraska that only allow TIF to be used for elimination of slum and blight. And so inclusion of economic development as a footing for TIF could potentially offer greater flexibility to our local governments attempting to spur redevelopment. A third, property tax abatement or exemptions can be effective mechanisms to stabilize and increase a community's tax base. The Nebraska Advantage Act, commonly known as LB312, offers tax exemption for limited business projects. In Iowa, residential property incentives are also available which can increase values in communities with aging and distressed housing stock, which, as we are well aware, is an issue in many Nebraska communities. Fourth, improvement districts, impact fees, revolving loan funds, and block grants are other critical tools for economic development that do not necessarily rely on a tax increase across an entire community but can be focused in specific areas. Fifth and finally, tax credits and incentives for private businesses should be evaluated regularly and compared to programs of other states to determine a competitiveness, success, efficiency, and transparency. The incentives utilized in Nebraska are currently approximately ten years old. And as we know, as I'm sure you're all well aware, the Department of Economic Development is embarking on a strategic plan with recommendations to be presented in October of 2016. So we think this is very timely and appreciate the work of this committee to evaluate the available tools and ensure that the precious funding used on incentives go to economic development are used wisely and efficiently. So I would like to note the work of Grant Anderson who is here with me today from MAPA; he's the paper's primary author. In developing this, we worked with local governments, Greater Omaha Chamber of Commerce, and economic developers. So in conclusion, I'd like to thank you for your time today, Chairwoman Crawford and members of the committee, and be happy to answer any questions you may have. And that paper is there for you as a resource. [LR155]

SENATOR CRAWFORD: Excellent. Thank you. Questions? [LR155]

SENATOR COASH: Are we going to get... [LR155]

SENATOR CRAWFORD: Did you get...maybe we didn't get the whole set. [LR155]

TREVOR FITZGERALD: (Inaudible) this one. [LR155]

SENATOR HOWARD: I think the page went to go make copies. [LR155]

GREG YOUELL: Sorry, I thought there were multiple copies available. [LR155]

SENATOR CRAWFORD: Would you like to ask another...any other questions you'd like to ask? Okay. [LR155]

SENATOR COASH No. He kept referencing pages. (Laughter) [LR155]

GREG YOUELL: I thought we had ten copies. So I don't know what happened. [LR155]

SENATOR CRAWFORD: That's fine. All right. Any other questions? So in terms of...I haven't had a chance to read it yet, but just say comparing Iowa and Nebraska in terms of TIF use, you explained the conditions are stricter in Nebraska than in Iowa. [LR155]

GREG YOUELL: That's correct. [LR155]

SENATOR CRAWFORD: Do you have any examples of some key projects that you've seen in Iowa that have taken advantage of that looser definition, just to help us see what kinds of things, maybe, that are happening in Iowa that may be more difficult to do in Nebraska? [LR155]

GREG YOUELL: Well, I guess I don't off the top of my head. I don't have a specific project, I guess, (inaudible) in Council Bluffs. But I guess I want to emphasize that it is not just wide open. Slum and blight is considered still the standard. [LR155]

SENATOR CRAWFORD: Okay. [LR155]

GREG YOUELL: But the communities do have that opportunity to designate something. This is for an economic development purpose. And I think that gets to a lot of the angst that we've seen in Nebraska of trying to identify when this is really...what's the real purpose of this? Is it for slum and blight or for economic development? [LR155]

SENATOR CRAWFORD: So just to clarify, you mean they still have to meet...they have to meet both or they just have to meet one? [LR155]

GREG YOUELL: No, it could be either one. Correct. [LR155]

SENATOR CRAWFORD: Either one. [LR155]

GREG YOUELL: Correct. [LR155]

SENATOR CRAWFORD: Okay. Thank you. Yes, Senator McCollister. [LR155]

SENATOR McCOLLISTER: Thank you, Chairwoman Crawford. You characterized Iowa's laws as being a little more liberal than Nebraska's definitions. Is that fairly standard? Are the states surrounding Nebraska, do they generally adopt the Iowa standard, or do they...? [LR155]

GREG YOUELL: I can't speak to South Dakota and Kansas, any other surrounding states. We haven't...I wouldn't want to speak to that. But I think based on other testimony we've heard today and our experience in Iowa, it sounds like Nebraska is definitely on the more restrictive end of the continuum. [LR155]

SENATOR McCOLLISTER: Thank you. Thank you, Chairwoman. [LR155]

SENATOR CRAWFORD: Yes, Senator Hansen. [LR155]

SENATOR HUGHES: Looking at the paper there, I see that the time constraint... [LR155]

SENATOR CRAWFORD: Senator Hughes, I'm sorry. [LR155]

SENATOR HUGHES: What did you call me? [LR155]

SENATOR CRAWFORD: It started with an "H" and it was friendly. (Laughter) [LR155]

SENATOR HUGHES: I'm sorry. We're both young, good looking. Well, maybe one of us is. (Laughter) Back to business. The time constraint for Nebraska is 15 years. And in Iowa, it says dependent on the project type. What kind of criteria, do you know, that...I mean, how would Iowa differentiate on project type? [LR155]

GREG YOUELL: So in Iowa for economic development projects it's a 20-year time period. And then they also have a 10-year time period for infrastructure projects. [LR155]

SENATOR HUGHES: Okay, so it's shorter and longer. [LR155]

GREG YOUELL: Right. [LR155]

SENATOR HUGHES: Okay, thank you. [LR155]

SENATOR CRAWFORD: [LR155]

GREG YOUELL: Okay. Thank you. [LR155]

SENATOR CRAWFORD: (Exhibits 7 and 8) Yes, that's the end of our invited testimony. While we're transitioning, I'll just say for the record that we did have two letters: one from the Nebraska Department of Economic Development and one from Nebraskans for the Arts. Welcome. [LR155]

CASSIE PABEN: (Exhibit 4) Welcome. Good afternoon, Chairwoman Crawford, and members of the Urban Affairs Committee. My name is Cassie Paben, C-a-s-s-i-e P-a-b-e-n, and I'm the deputy chief of staff for economic development for the city of Omaha. The city of Omaha thanks you for bringing forth LR155 and for having a discussion on economic development tools. Communities use a combination of economic development tools to build a sustainable economy and to be competitive in a changing world economy. Those tools are designed to help existing businesses grow, attract new businesses, improve neighborhoods and housing stock, and maintain or create a diverse economy that is resilient. All of our economies--community, regional, state, national, and international--are undergoing fundamental changes. In every dimension, economic development has become more complex and challenging, regardless of the setting. We are moving from a relatively simple game of checkers to a sophisticated game of chess. With these challenges come new, exciting opportunities. However, in order to take advantage of these new opportunities, community leadership, economic development professionals, and regional planners need to be able to utilize the tools currently available to their fullest potential, as well as have the necessary tools in their tool kit to ensure optimal success. I've provided you with a comprehensive summary of economic development tools available in the city of Omaha. Some of these tools are locally funded, others are made available from the state, and some from the federal government. And while the summary appears to be very robust, the reality is that there are still only a few of these tools that are effective and most beneficial.

Many of the tools on the list had the potential to be effective, but due to limitations such as eligible activities and allocation requirements, we often find ourselves limited on how we can assist a project that ultimately strengthens and betters our community. It should be no surprise, as I've been before this body many times before speaking about the importance of TIF, that I mention it first here today. TIF not only is the most effective redevelopment tool, but it is also the city of Omaha's only true redevelopment tool. The utilization of TIF is not only an investment in a project currently happening, but an investment in our future. We are able to utilize TIF for public improvements in those areas, freeing up funds to be utilized for public improvements in areas where TIF is not applicable. Without this tool, we would not see the projects revitalize our community happen nor would we see the positive ripple effect they have. The city of Omaha would oppose legislative changes that would restrict tax increment financing such as we did last session with LB238, LB445, and LB596. The city of Omaha has successfully used other tools such as business improvement districts, most notably in our downtown. And we are currently in initial discussions to expand our downtown business improvement district boundaries thanks to the legislation passed last year, LB168, sanitary improvement districts, otherwise commonly known as SIDs. The use of SIDs in or around the Omaha area has proven to be a vital tool in the growth of our city, as you can see in the 2014 and 2015 annexation packages that were passed. Today, there are approximately 140 SIDs within our three-mile ETJ. CDBG, otherwise known as Community Development Block Grant and home funding via HUD, the city of Omaha receives its own allocation of these resources from HUD and these funds have been vital in the revitalization of the older parts of our city and help provide housing stock that otherwise did not exist. As economic development projects become more complex, so does the financing of those projects. Many of the tools available have the same eligible uses, thus leaving us with our hands tied as we try to compete for projects. If there were a way to allow for flexibility with the tools we already have, we may find ourselves becoming more competitive. We are in a unique situation. Let's find a way to be ahead of the game rather than wondering what might have been. With that, I would like to thank you for your time and would be happy to answer any questions you may have. [LR155]

SENATOR CRAWFORD: Thank you. Questions? I don't see any. Thank you so much. Welcome. [LR155]

MIKE McMEEKIN: (Exhibit 5) Good afternoon, Senator Crawford and members of the Urban Affairs Committee. And my name is Mike McMeekin. That's M-i-k-e M-c-M-e-e-k-i-n. I am here today representing Omaha by Design. And with me here today is Julie Reilly, who is the executive director of Omaha by Design. I am the president of the board of directors. My other job...or my real job is I'm president of Lamp Rynearson and Associates. We are an engineering and surveying firm headquartered in Omaha that employs a total of 150 people, with 90 of those located in our Omaha office. Omaha by Design is a very unique nonprofit that was founded in 2001 and whose operational costs are 100 percent funded by the private sector. Our mission is to improve the quality of life and contribute to economic development in Omaha by protecting and enhancing the quality of both the built environment and the natural environment. And promoting redevelopment is a major element of our strategy to accomplish this mission. Omaha by Design supports the protection of existing redevelopment financing tools such as TIF and the addition of new financing tools related to redevelopment. Omaha and other Nebraska cities face a significant, potential problem--the loss of population and tax base within the urban core. As an example, within the interstate loop that surrounds Omaha, population decreased by 2,000 people between the years 2000 and 2010. Preserving and enhancing the population base and tax base in the urban core is vitally important to the viability of our cities. So putting on my engineer's hat, I've worked on both suburban developments and urban redevelopments projects for over 30 years in the Omaha area. I understand that urban redevelopment will not occur at the rate we need without meaningful financing tools and incentives. Redevelopment projects face difficult challenges and high costs such as the complexity of assembling property; the high cost of property; environmental contamination; demolition issues; and utility issues that are not faced by suburban developments. In order to ensure that redevelopment occurs, we need public policy and financing tools that level the playing field. If we have these strong policies and financing tools that support redevelopment, there will be multiple benefits to cities. Population growth will be accommodated with minimal consumption of agricultural land. The utilization of existing infrastructure that cities are obligated to maintain will be maximized, infrastructure such as streets, sewers, and utilizes. The tax base that is adjacent to this existing infrastructure will be enhanced and over the long term this can hold down taxes. The efficiency of providing municipal services will be maximized; services such as parks, libraries, police, fire, emergency response, and schools. Again, over the long term this will reduce taxes. Transportation costs for families and businesses will be lower. Conditions for operating and maintaining vitally important public transportation systems will be more favorable. Urban neighborhoods will be stronger and will be places that residents want to protect. Our cities will have more of the types of urban environments that are important to attracting and retaining young professionals. And finally, jobs will be created and economic development will occur in the areas of our city that need it the most. All of these positive impacts of redevelopment are summarized in the white paper prepared for Omaha by Design by UNO. And we've distributed copies of that paper for you. Just one of the tools that is highlighted in the white paper that I would encourage your consideration of is the transportation development district, or TDD. This option would enable the use of sales tax or property tax revenue in a defined district to fund all types of transportation infrastructure. This tool has been successfully implemented in a number of other cities, including Kansas City. Revenue from a TDD is an example of the type of local revenue that can be utilized, along with private investment, to leverage federal funding for infrastructure. An example, right now in Omaha, preliminary work is ongoing on the preliminary design of an urban circulator, sometimes referred to as a modern streetcar. If the funding for this project from a variety of sources, including redevelopment incentives, can be assembled, it's possible this project could stimulate up to a billion dollars in investment over a 15-year period. It's a great example of how infrastructure investment that's partially funded through redevelopment incentives can contribute to overall economic redevelopment. I also support redevelopment tools as a private business owner. To me it's logical that the stronger that all parts of the city are the better it is for my business. That's the primary reason that I've been involved with Omaha by Design for many years. Our employees live in all parts of the city. They travel through all parts of the city to get to work or to access shopping and recreational activities. We also need to attract employees to Omaha. And people will be more likely to come to work for us if all parts of the city are thriving. In addition, like all local businesses, we benefit from businesses relocating or starting up in our city. And the chances of that occurring are much greater in a city where all parts are vibrant and successful. Redevelopment is about a number of things. It's about conservation of land, of energy, and of other resources. But it's also about stimulating economic development and building tax base in areas of the city that are already served by infrastructure. Because of the challenges that the private sector faces in order to be successful in redevelopment projects, meaningful financing tools are absolutely necessary. On behalf of Omaha by Design, we urge your support for protecting existing tools like TIF and for expanding the tools that are available in Nebraska. Thank you. [LR155]

SENATOR CRAWFORD: Thank you. And thank you for this report, very helpful. Questions? Thank you. [LR155]

MIKE McMEEKIN: Thank you. [LR155]

SENATOR CRAWFORD: Welcome. [LR155]

DAVID BLACK: Welcome. Thank you. David Black, B-l-a-c-k; mayor of the city of Papillion. And I think I say this every time I come up here--I never intended to testify. (Laughter) Here I am testifying. I'm actually testifying on behalf of the League of Municipalities. There was a question asked earlier and they asked me to just quickly address that in regards to TIF. (Section) 18-2103.11 is what talks about blighted. And there's always the question of blighting vacant ground. And that's always raised as the example of the thing that's not appropriate. (Section) 18-2103.11 talks specifically about that and why it's very appropriate. I think Mr. Landis explained it as well. You've got areas that have had infrastructure, but they just haven't developed for a lot of different reasons. When those areas...when the infrastructure was first being put in and that land was starting to be thought about being developed, it was subdivided and platted. And 18-2103 talks about that subdivided and platted. And there's a number of conditions that has to be met with blighted and it all gets about sound, logical growth. And that's one of the first tests is around sound, logical growth. But then there's a second test. And the second test you have to meet one of several different conditions and you can pick those conditions. The one that I wanted to specifically point out has to do with that. If more than half of the plotted and subdivided property in the area is unimproved for 40 years within the corporate limits, then you meet that test. And so sometimes those examples of vacant land being blighted, it's appropriate, because it was planned 40 years ago to be something and 40 years later it's still vacant ground. So I just wanted to address that on behalf of the League. [LR155]

SENATOR CRAWFORD: Thank you. Questions? Thank you. [LR155]

DAVID BLACK: Thank you. [LR155]

SENATOR CRAWFORD: Anyone else wishing to testify on LR155? Okay. [LR155]

CHERYL BRANDENBURGH: Looks like I get to do cleanup. [LR155]

SENATOR CRAWFORD: All right. Welcome, again. [LR155]

CHERYL BRANDENBURGH: Thank you. Good afternoon, once again. My name is Cheryl Brandenburgh, C-h-e-r-y-l B-r-a-n-d-e-n-b-u-r-g-h. I haven't changed jobs, so I'm still with Black Hills Energy as the manager of economic development testifying here on behalf of NEDA. Nichole, who is sitting behind us, is the president of NEDA, so I'm not sure why I'm doing this when she could be, but...communities in Nebraska need tools. And Tax Increment Financing has certainly been one of those tools for economic and community development. In my 20 years of experience, I believe that TIF is probably the most widely used tool that we have seen in these communities. NEDA has long held the position that TIF is, in fact, the single most important tool that we have in our tool box available to communities that wish to improve their appearance, their functionality, their appeal to potential businesses, and their ability to attract new businesses. Communities need every tool that exist today and more to compete in the global marketplace. TIF is really utilized not only in business recruitment, but truly, as Cassie indicated earlier, a revitalization of our existing communities. All projects are complex whether they are the local expansion or the business improvement district or, in fact, the rural or urban projects that we have the potential to compete upon. Programs such as TIF provide a very small measure of competitiveness for all Nebraska communities attempting to maintain their tax base by allowing recruitment resources. We respectfully ask that the TIF law and all tools such as this be retained and not further curtailed by additional encumbrances or exclusions. Thank you. [LR155]

SENATOR CRAWFORD: Thank you. Questions? I do have a question. So in your experience with communities, if the language focused on redevelopment instead of blighted and substandard, how do you think that would change the use of the tool and/or the usefulness of the tool in those communities? [LR155]

CHERYL BRANDENBURGH: It may allow for additional opportunities to come forward in some of our communities that truly...you know, I think we all have struggled in the past on farm ground. And as a small town, you know, is that really blighted and substandard? And if we don't have a 40-year old plan on that blighted plan, as Mayor Black alluded to, some of those plans are harder to make those happen. But we have communities that are competing all the time. And we really...it is a tool that we can't get the infrastructure needed in many of those cases, or we can't help buy down the cost of that land that is so typical in projects today. [LR155]

SENATOR CRAWFORD: Thank you. Other questions? Thank you. [LR155]

CHERYL BRANDENBURGH: Thank you. [LR155]

SENATOR CRAWFORD: Anyone else wishing to testify on LR155? All right, I will note for those watching, for the audience that we have a hearing on these two LRs also coming up in Norfolk, so we'll have a chance to hear input on those in that hearing as well. So it's another opportunity for people to give feedback on these two LRs. And with that I will close the public hearing on LR155. Thank you. [LR155]