

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Urban Affairs Committee February 18, 2020

**HUNT:** Good afternoon, everybody, welcome to the Urban Affairs Committee. My name is Senator Megan Hunt and I represent the 8th Legislative District in Omaha, which includes the neighborhoods of Benson and Dundee in Midtown. I serve as Vice Chair of the Urban Affairs Committee. Senator Justin Wayne is introducing a bill in another committee which is super normal and surprising nobody, so I will be Chairing this afternoon's hearings to begin. We'll start off by having members of the committee do self-introduction starting on my right with Senator Arch.

**ARCH:** John Arch from District 14, Papillion, La Vista and Sarpy County.

**TREVOR FITZGERALD:** Trevor Fitzgerald, committee legal counsel.

**BRIESE:** Tom Briese, District 41.

**LOWE:** John Lowe, District 37.

**CONNER KOZISEK:** Conner Kozisek, committee clerk.

**HUNT:** Also assisting the committee are our committee pages, Angenita Pierre-Louis from Pembroke Pines, Florida, who is a social work major at Union College. And we have Ashton Krebs, who is from Neligh and is a political science major at UNL. This afternoon we will be hearing four bills and we'll be taking them in the order listed outside the room. On each of the tables in the back of the room, you will find blue testifier sheets. If you're planning to testify today, please fill one out and hand it to Conner when you come up. This will help us keep an accurate record of the hearing. Please note that if you wish to have your position listed on the committee statement for a particular bill, you must testify in that position during that bill's hearing. If you do not wish to testify but would like to record your position on a bill, please fill out one of the gold sheets in the back of the room. Also, I would like to note the Legislature's policy that all letters for the record must be received by 5:00 p.m. the day before the hearing. Any handout submitted by testifiers will also be included as part of the record as exhibits. We would ask that if you did bring any handouts today, please bring 10 copies and then give them to the page when you come up to testify. If you need additional copies, that's no problem, the page can make those copies for you. Testimony for each bill will begin with the introducers opening statement. After the opening statement, we will hear from supporters

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of the bill and then we'll do opponents of the bill, and then we'll hear from people who want to testify in the neutral capacity. The introducer of the bill will then be given the opportunity to close on their bill. We ask that each of you please begin your testimony by giving us your first and last name and spelling that for the record. We'll also be using a four-minute light system today. So when you begin your testimony, the light will be green, the yellow light is your one minute warning. And then when the red light comes on, you will need to wrap up your final thoughts. I will remind everybody, including Senators, to please turn off your-- the noise on your cell phone, any noisemaking devices. Just make sure that you silence those before we begin. Also, Senator Hansen, would you like to introduce yourself?

**M. HANSEN:** Oh, yes. Matt Hansen, District 26 in northeast Lincoln.

**HUNT:** So with that, we'll begin today's hearing with LB1003 from Senator Walz.

**WALZ:** Thank you, Chairwoman Hunt, and members of the Urban Affairs Committee. For the record, my name is Lynne Walz, L-y-n-n-e W-a-l-z, and I proudly represent Legislative District 15. I'm here today to introduce LB1003. LB1003, is another bill that stems from the flooding this past spring and I just want to mention that last weekend we've had some flooding again. So, just keep our constituents in your prayers. One thing we learned through this process is that should a town experience a large amount of damage and need to move, we have no mechanism in statute that would allow them to do so. This is exactly the problem we have right now in my district with the town of Winslow. The citizens in this town were displaced from their homes as waters rose, damaging a significant portion of homes. Right now, they are in the process of having the damage assessed by FEMA and they will then be given funds to help repair the damage or help them move to another location. In this situation, however, the entire town of Winslow is in a floodplain. And although FEMA will reimburse for the damage this time, if another flood were to occur, FEMA would not reimburse again. Winslow is a close knit community that wants to stay together, but if they stay in the current area, they risk losing everything. That is not a choice that people, neighbors, families should have to make, especially under circumstances that they have no control over. In addition, any money FEMA paying to the village of Winslow can only go to the un-- excuse me, can only go to the incorporated city of Winslow. Therefore, the city cannot simply unincorporate and

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incorporate, move to a different area and then incorporate another town called Winslow because the FEMA money doesn't follow that process. The bill would allow a city to use their power to annex lands for the purposes of relocating part or all of such city or village due to a-- due to catastrophic flooding. To address some concerns about what would constitute-- constitute catastrophic flooding, we have decided to add a definition to further clarify. This bill includes a vote of the mayor and two-thirds of the vord-- Village Board or city council. In addition, any authority granted to the city to extend its extra territorial zoning jurisdiction beyond its corporate boundaries would need an agreement of any other city, village or county currently exercising zoning jurisdiction over the area, even if the county does not have zoning laws. If within five years following an annexation, part or all of the city or village has not been relocated-- relocated to the annexed area, the city or village will be required to disconnect the area. I have an amendment which I believe you have in your committee binders that will hopefully-- that will hopefully satisfy all parties. It simply sets out a definition of catastrophic flooding that includes a measure of the total property damage and that would need to occur before this process can take place. This is a very specific set of circumstances that we are adjusting statute for. Hopefully another event like this does not occur, but if it does, we would-- if it does, this would provide a mechanism for another city or village to relocate should they be located in a floodplain and it is prudent for them to do so. The flood season is upon us and the time is of the essence. Just this last week, responders had to rescue two people from an ice jam. It is our responsibility to learn from our past disasters and ensure that Nebraskans have the tools to adapt and to overcome future tragedies to keep our communities together and moving forward. Thank you, and with that, I would try to answer any questions.

**HUNT:** Thank you, Senator Walz. Any questions from the committee? I have a question. So, so basically if this bill were to pass under this bill, if a city or town would be able to like move off a floodplain, basically it would make them annex some other lands so that they can move their town and still have that annexed part be part of the town?

**WALZ:** Right.

**HUNT:** OK. And you mentioned the city of Winslow. Is this something that they want or that-- that they specifically would be able to use?

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**WALZ:** We have somebody--

**HUNT:** OK.

**WALZ:** --who's going to be doing that from Winslow. I believe it's something that they want, but I'll let him answer that for you because he knows the process that they went through to get to that point.

**HUNT:** Thank you, Senator Walz. First proponent for LB1003. Welcome to your Urban Affairs Committee.

**ZACHARY KLEIN:** Thank you, committee. My name is Zachary Klein, Z-a-c-h-a-r-y K-l-e-i-n, and I am a trustee of the village of Winslow. To follow up on Senator Walz's introduction, the bill is intended to allow communities, more specifically villages and second class cities, to move a community during a time or following a time of disaster. With the legislation it would be possibly-- possible to move that community due to flooding and this would mean the difference between losing another small community or helping that community to rebuild or strengthen. The village supports this legislation in the hopes that our community and others like it might have the ability to rebuild after a natural disaster. The continuity of incorporation is vital in the recovery stages of a disaster. With the ability to maintain the incorporation of the community, it allows the community to maintain the history and current structure that is there to continue forward in its life. Federal and state benefits are tied to the incorporation of that community, and as such, the ability to maintain that incorporation is vital in its ability to utilize those funds and those benefits in the recovery stage of the community after a disaster. This bill also affords a transition ability for the community where with the ability to annex the ground and exist in two locations, they can finish up projects in the current sites and also develop the new site for those residents to be able to relocate in. And I believe that that is vital for the community to maintain itself in-- in its current structure. Community identity is huge for the small communities inside the state. It has a large history of small communities. It's what the state was founded on and there are a lot of small communities in every portion of the state. A lot of those small communities are built in floodplains and don't have a recourse to this point if they are flooded out to continue that small community in the future. That-- this legislation would help to rectify that issue. In small communities we do get to learn the community, learn our neighbors, learn their families, learn the history of the community and in times

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of natural disaster without that ability to maintain that community atmosphere, they're forced to start again, find another community, find another area and try to rebuild that life. So this legislation would aid in that ability to continue that life that they had chosen in the-- in the past. In conclusion, the ability to move a community after a natural disaster, while not one that is widely used, I think needs to be an option for those communities to explore during their recovery phase. Small communities are the backbone of the state of Nebraska. I think it's imperative that we can identify a route for those communities to continue to exist following a natural disaster. I feel that this legislation is important not only for Winslow, but other small communities in the state to have a pathway for relocation. It will allow the community the opportunity to relocate following a natural disaster, and it will allow the residents an opportunity to continue the life that was there prior to the disaster. So thank you very much. I appreciate your time. If there's any questions.

**HUNT:** Thank you, Mr. Klein. Any questions? Senator Arch.

**ARCH:** Thank you. Thank you for your testimony. I'm sure moving a community is no small thing.

**ZACHARY KLEIN:** No.

**ARCH:** And so it would be, obviously take a long period of time as well to construct the move and all the infrastructure and all of that. How-- how would that process be affected if you don't have this or if you did have this?

**ZACHARY KLEIN:** From my understanding on the incorporation legislation, the incorporation legislation is fairly restrictive on where communities can go and the minimum requirements for them to establish themselves officially. You can do SIDs, you can do other things to facilitate that development of that committee, but you have to eat-- meet minimum criteria before you could actually incorporate that. What the legislation would do is allow that community to explore those options without having to do-- dissolve or to include the minimum requirements that may be involved in the-- in the initial setup of that community. That can drastically reduce the amount of time that it could take to identify land, that it can take to identify programs available to assist with that infrastructure and try to get that program moving.

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**ARCH:** So if I understand it right, then, so then another city would annex a piece the-- the town would move to that. Am I understanding that correctly?

**ZACHARY KLEIN:** The damaged community would identify a-- appropriate section of land--

**ARCH:** Oh, I see.

**ZACHARY KLEIN:** -- annex that land--

**ARCH:** OK.

**ZACHARY KLEIN:** --and then develop and move the community center to that new spot.

**ARCH:** Thank you.

**ZACHARY KLEIN:** Yes.

**HUNT:** Senator Lowe.

**LOWE:** Thank you, Vice Chair, and thank you for coming today and testifying and telling the story. Like Senator Arch said, moving a city is no small feat. I'm sure the city of-- or the village of Winslow-- Winslow, your wastewater treatment, everything else, that's going to be very expensive to--

**ZACHARY KLEIN:** Correct.

**LOWE:** --reset up and under new standards--

**ZACHARY KLEIN:** Correct.

**LOWE:** --from the old--old wastewater treatment. Is it feasible to move a city that way or is it better-- which-- which way would you move Winslow, I mean toward Hooper, toward Nickerson, across the river?

**ZACHARY KLEIN:** So the site that we have identified is actually across the river, up by the high school is where we're looking to go. You are correct, the infrastructure costs are monumental. And with this legislation, is not a guarantee that that relocation happens. However, without this legislation, it is a guarantee that it does not. In the ability to-- for a community to identify the relocation is a possibility that they want to explore and to cost those out and

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utilize the programs that are available through the state and private economic development districts and all the other agencies there to assist with those infrastructure projects, there has to be a pathway. We have to identify that. So the-- it is not lost on the village, that starting a community is not a cheap endeavor, nor is it easy, nor is it fast. It is going to take time to be able to make that happen. However, today with the current Legislature that is there, there is no pathway to continue that community at another site. And that's what we're asking for is a pathway so that we can try to-- at least explore that and figure out whether we can feasibly make it happen or not.

**LOWE:** Thank you.

**ZACHARY KLEIN:** Yes.

**HUNT:** Thank you, Senator Lowe. Any other questions from the committee? Seeing none, thank you for being here today. And thanks for sharing--

**ZACHARY KLEIN:** Thank you very much for your time. I appreciate it.

**HUNT:** --the story of why this is important. Next proponent for LB1003.

**LYNN REX:** Senator Hunt, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We really appreciate Senator Walz introducing this important bill. LB1003 is critically important right now for the village of Winslow, but it could be for other municipalities as well. There are 380 of our 529 cities and villages in the state are villages. And so it is important because when you have something that is as catastrophic as what Winslow has experienced, they do need options. As the gentleman before me testified, this does not guarantee that they will be able to relocate, but without this bill, the guarantee is that they will not be able to relocate. So this gives them an option and a pathway, which is extremely important. The significance of this, if you turn to page 3 of the bill looking on lines 27 to 29. As you know, certainly as members of the Urban Affairs Committee, in order to do an annexation, and I'm looking at specifically line 28, you have to be contiguous and you have to be urban in character in order to do an annexation. This gives an exception to that. So would read that the mayor and two-thirds of a city council or two-thirds of the members of a village board may by ordinance annex any lands, I'm going to skip over a lot of this, for the purpose of relocating part or all of any such city or village due to catastrophic flooding as defined by the amendment,

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notwithstanding that such lands, lots, tracks, streets or highways are not contiguous or adjacent or not suburban or suburban in character. So basically this is an exception for them so they can get out of the floodplain and move forward. Winslow, when it was before the flood, had roughly 103 people. As indicated before, in order to incorporate in the state of Nebraska, you'd need at least 100 people to do that. And so this gives them a pathway to kind of move forward without doing a new incorporation. And also, FEMA money is only going to follow them in the event that it's still the village of Winslow. And I don't know if FEMA will be here today, but there's a lot of complication that goes with something of this magnitude. But again, this at least gives them an option that they will not have unless the Legislature passes this bill this year. So I'm happy to answer any questions that you have. And thanks again to Senator Walz for-- and Tom, and also committee counsel for the work that he's done on this. It's been rather-- rather extraordinary. So really appreciate that, Trevor.

**HUNT:** Thank you, Ms. Rex. Any questions? Senator Lowe.

**LOWE:** Thank you, Vice Chair. I just go back to the spring flooding that we had my district, the town of Gibbon was flooded twice.

**LYNN REX:** Yes.

**LOWE:** And I'm sure they could move a little further south-- south of the railroad tracks because the tracks would act as a dam then from-- from most of the water. But Winslow doesn't have any contiguous land that wouldn't be flooded.

**LYNN REX:** That's correct. That's correct.

**LOWE:** From where they're sitting.

**LYNN REX:** And my understanding is they have identified some land that is higher up and would be a good option for them.

**LOWE:** All right. Thank you.

**LYNN REX:** You're welcome.

**HUNT:** Any other questions from the committee? Seeing none, thank you very much for being here.

**LYNN REX:** Thank you very much.



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**HUNT:** Senator Crawford has joined us. Would you like--

**CRAWFORD:** Thank you.

**HUNT:** --to introduce yourself?

**CRAWFORD:** Absolutely. Thank you. Good afternoon. Senator Crawford, District 45, which is eastern Sarpy County.

**HUNT:** Thank you. Next proponent for LB1003. Welcome.

**MARY BAKER:** Good afternoon. Thank you, Senator Hunt and Senator Walz, for the opportunity to address the committee. Really appreciate the opportunity. My name is Mary Baker, M-a-r-y B-a-k-e-r, and I was the previous state hazard mitigation officer for five years with the state of Nebraska, and I currently work as a resiliency strategist working with communities like this that-- like Winslow that are trying to do the right thing and reduce their-- the risk and their hazards. So, I'm going to talk to you today about ironically as Senator Lowe said, is what happened last year. It's already been a year since we've had flooding, but unfortunately, Dodge County and Scribner areas are already flooding again. And so I just wanted to-- to re-emphasize why we would like to do this and why this legislation providing the mechanism for second class cities and villages to relocate in the event of a flooding disaster is so important. Basically, that-- that bomb cyclone that we had, the bombogenesis, whatever the meteorologists want to call it, last known, over \$27 million of individual assistance was paid out by FEMA to homeowners. Over 3,400 households claimed that, and Winslow had many people on that list as well. On average, only \$3,800, though, was paid out to those homeowners. So that doesn't go very far to rebuilding your home, much less rebuilding your community. In Nebraska in 2017 to 2018, we had no individual assistance claims. In 2019, like I said, we are over 27 million. Basically that-- for our population individual assistance was declared in 29 counties, 1.143 million people were affected in those 29 counties, many of which are your senators' counties right here. Out of 1.93 million, that's over 60 percent of our population was affected by individual assistance alone. Public assistance funding so far as of February of 2020 has been paid out to over to \$27 million. The current estimates for public assistance alone, which includes the infrastructure that we would talk about to rebuild a village like this, is over 450 million is estimated in public assistance damages just for this one flooding event. Ninety-eight percent of our 1.93

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million residents were in a declared county. So 84 of 93 counties were in that disaster declaration, which was an all time record for our state. And there's-- you well know, there's over eight hundred billion-- million in crop damages, over 2 billion in total damages. And as of yet, I don't think we've really seen the effects of the economic disaster that has happened to our state from this one event. Yes, some say this was a once in a lifetime storm, but I think the people that live in Fremont right now and live along the river aren't really too sure about that. So what can we do? What can we really tangibly do to make a difference for these communities? And that's, give them the opportunity to move. In our special flood hazard area, we have over 336 communities that participate in the National Flood Insurance Program, and 31 of them don't even have to. They-- they aren't even in a special flood hazard area, but they're being proactive in doing that. So, we would really like to help support. We'd like the community to support this legislation that would give these villages and communities the opportunity to do the right thing and to remove themselves from harm's way. The sad reality is, flooding, we can't control that. But we do know where it's going to flood. We do know it's going to flood in the special flood hazards areas, and those areas are all mapped. And in the flooding that happened last year, it was pretty much in the flood hazard area. So if we have the opportunity to give villages like this an opportunity to move their communities out of those special flood hazards area, it is the best mitigation possible. So thank you for allowing me to testify, and if you have any questions, I'd be glad to answer them.

**HUNT:** Thank you, Ms. Baker. Any questions from the community-- community, committee? [LAUGHTER]

**MARY BAKER:** We'll convert you to our community.

**HUNT:** Talking to a lot of community here. Seeing none, thank you very much for being here today.

**MARY BAKER:** Awesome, thank you.

**HUNT:** Next proponent for LB1003. Seeing none, is anybody here in opposition? Seeing none, anybody wish to testify in a neutral capacity? Welcome.

**JON CANNON:** Good afternoon, Chairperson Hunt, esteemed members of the Urban Affairs Committee, my name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm

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the deputy director of the Nebraska Association of County Officials, otherwise known as NACO, here to testify in the neutral capacity on LB1003. First, we want to thank Senator Walz for including counties in the conversation. She's been thoughtful. She's been kind and she's been generous with her time. We certainly appreciate that. We do recognize the need that exists when you have a disaster such as occurred last year. And we certainly do not want to ameliorate that or mitigate it in any way. We are, however, always cautious when it comes to annexation, not because of the idea. The idea is sound and has merit. We just always want to make sure there are sufficient minimum guide rails that are in effect to make sure that-- that annexations occur in the orderly fashion that we've come to expect. And with that, I'd be happy to take any questions.

**HUNT:** Thank you, Mr. Cannon. Any questions from committee? Seeing none.

**LOWE:** I--

**HUNT:** Oh, I'm sorry.

**CRAWFORD:** That's all right. Thank you. I was a little slow. Thank you, I'm sorry.

**HUNT:** Go ahead.

**CRAWFORD:** And thank you, Mr. Cannon, for being here. When you mentioned sufficient guide rails, are there any specific concerns about lack of guide rails in the statute or were you just raising that as general concern?

**JON CANNON:** As a general concern. Our understanding is that the amendments that Senator Walz has brought, you know with-- after soliciting a lot of input from a lot of different parties and stakeholders, you know, it has a provision in there that says that you have to have a minimum percentage of the improvements, have to have been destroyed or lost to damage. And it's those sorts of definite metrics that you can apply. You know, everyone knows what they are, everyone knows what the rules of the game are, that satisfy us to make sure that, you know, we've got an orderly progression for this sort of thing to happen.

**CRAWFORD:** With the amendment.

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**JON CANNON:** Yes, ma'am.

**CRAWFORD:** All right. Thank you.

**HUNT:** Senator Lowe.

**LOWE:** Thanks, Vice Chair. If the village, this surrounding area around it is all low land and they need to move to higher ground, but that higher ground is in another county, does that provide any problem moving from one county to another?

**JON CANNON:** Well, that's a great question, Senator. I wish I had considered it before I got here.

**LOWE:** That's why I thought I would just push it.

**JON CANNON:** Sure. I don't know. I think that's something that-- I expected that's happened before. I can't imagine that it's never occurred before, but I'd certainly want to research that first.

**LOWE:** I'm sure it's like the annexing into another county or something like that.

**JON CANNON:** Yeah. I mean, I know there are those situations where you've got cities that are on either side of the county line. I expect that that's because growth occurred naturally in that way.

**LOWE:** All right. Thank you.

**JON CANNON:** Thank you, sir.

**HUNT:** Thank you, Senator Lowe. Any other questions? Seeing none, thanks for coming today, Mr. Cannon.

**JON CANNON:** Thanks very much.

**HUNT:** Anybody else here in the neutral capacity on LB1003? Seeing none, Senator Walz, you're invited to close.

**WALZ:** Just real quick. I do want to answer Senator Lowe's question. Yes, they can do that if they have the agreement from the other county to move there. So I think that was the only question that I was going to try to answer. First of all, I really want to just take a minute to thank everybody for being here to testify. And I have to commend Zach Klein, who came up to testify. He has done an extraordinary job over

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the last year from the first day of the flood up until now. I don't know how many meetings Zach has had, but hundreds, and I'm sure thousands and thousands of calls he's taken. So I just wanted to commend him for the work that he's done. This legislation is-- is an opportunity for a community to rebuild. I grew up new-- near Winslow, about four or five miles from Winslow. So I have friends there. I sold houses there. I hung out in Winslow quite a bit, and I know that it's a tight knit community and they are a very resilient community, but they just need a little help. So today, we are asking that you open the door for them to give them the opportunity that they need to relocate. And with that--

**HUNT:** Thank you, Senator Walz. Any other questions from the committee? Seeing none, thank you.

**WALZ:** Oh, oh, I do have one more thing, yes, thank you.

**HUNT:** Oh, yeah.

**WALZ:** In closing, I also want to mention that time is of the essence for Winslow, and so I would like to add an E-clause to this.

**HUNT:** OK.

**WALZ:** Thank you.

**HUNT:** Thank you, Senator.

**WALZ:** Thanks.

**HUNT:** We have no letters for the record on LB1003. So with that I'll close the hearing on LB1003 and we'll move on to LB876, which is also with Senator Walz. Welcome back.

**WALZ:** Thank you. Good afternoon, Chairwoman Hunt, and members of the Urban Affairs Committee. For the record, my name is Lynne Walz, L-y-n-n-e W-a-l-z, and I proudly represent Legislative District 15. LB876 is a simple bill relating to the limitations on blighted areas. Cities are currently limited on the amount of area they would be able to designate as blighted at 35 percent for the cities of the metropolitan primary or first class cities, 50 percent for cities of the second class and 100 percent for villages. This includes designations of blighted and extremely blighted. LB876 would exempt areas declared extremely blighted from those percentage limitations. I

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have provided a map of Nebraska detailing areas throughout the state that could potentially be designated as extremely blighted. So far, the issue this bill seeks to solve looks to be a problem exclusive to cities of the first class and even more specifically to the city of Fremont. Fremont is the only city I'm aware of that is approaching the percentage cap limit. We have a significant area eligible to be designated as extremely blighted due to a number of factors, but if a developer were to-- were to approach us, we would not have the ability to apply this designation to these areas and therefore the city could potentially lose out on much economic development. In recent years, Fremont has been growing exponentially. We have added thousands of jobs in recent years and hopefully many more to come. This is another tool to add to our tool belt that we hope will help with that expansion and I hope the committee will support us in doing that. With that, I would be happy to try and answer any questions-- questions, but I think there may be some people who could answer that.

**HUNT:** Thank you, Senator Walz. Any questions from the committee?  
Senator Briese.

**BRIESE:** Thank you, Vice Chair Hunt, and thank you for bringing this, Senator Walz. One quick question. Do you know what percent of Fremont would be considered extremely blighted?

**WALZ:** I don't, but I think that there's somebody that's coming up.

**BRIESE:** OK. Perfect, yeah.

**WALZ:** I know it's-- it's a pretty large area.

**BRIESE:** OK. Thank you.

**HUNT:** Thank you. Any other questions from the committee? Seeing none, thanks for your opening. First proponent for LB876. Welcome to your Urban Affairs Committee.

**BRIAN NEWTON:** Thank you, Madam Chair. My name is Brian Newton, N-e-w-t-o-n. I reside at 3329 Peterson in Fremont. I'm here representing the city of Fremont. I'm the city administrator. This-- this bill-- this cleanup came to our attention right after the flood. And so Senator Walz was up here talking about the catastrophe that Fremont faced after the flood. And we were very tickled to see the extremely blighted provision that was passed last year in LB86. Although when we started looking at it, it complicates things. So let

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me walk you through it. So the first thing is map number one. So if you turn over, this is a map of the U.S. Census tract, and you see the red circle I've got down there is part of tract 9644. The entire tract is a very large parcel. The piece that we're trying to put in is extremely blighted, you can see is 375 acres. The population inside of that red circle inside the city limits of Fremont would be 690 folks. Two hundred and five of those are classified as low-income, 340 are classified as moderate income, and then 545 is classified at-- I'm sorry, this is the entire tract. So just the population inside that is 690. These other ones are entire-- the entire tract. So you can kind of do the population of what it would be inside Fremont. Then if you look at the next map, map number two, I've blown it up a little bit and tried looking at just the area that was hit the hardest by the flood that we would like to put as extremely blighted. And you can see, that's the 375 acres. You can see the densely populated squares right there, mostly is a residential neighborhood. The areas down to the south and east in the green, that has already been blighted. That's an industrial area. What we're asking for is just primarily area that is residential. So if you take a look at these numbers, currently Fremont has 6,700 acres entirely in the city. We currently have blighted today and those are the colors that you see on map two. Those are the areas that we have blighted. And those, by the way, are pretty much been used for development. So for economic development reasons, we've blighted these areas. We would like to include the 375, but by doing so, it would take us up to 34 percent. So currently today, we're about at 23, 24 percent. And by doing the 375 acres that was hit the hardest here with the flood, we now bump up to the 34. Now you can see our concern. We'd really-- we'd love to be able to blight this extremely blighted, but we really don't want to give up the-- the freedom that we have to reach 35 percent by just doing this for the flood area as well. And that's the dilemma. So what I did is I reached out to Senator Wayne and said, hey, we love the extremely blighted, we think it's going to be very valuable, but it puts us right up against the 35 percent and we would rather not be there. So that's the reason we're asking-- we're supporting this legislation to allow that not to count towards the 35 percent. It's my understanding there are just a handful of cities in the state. Remember, extremely blighted, you have to have the census tract with low to moderate income before you even qualify for extremely blighted. You can't do it unless you meet that criteria. There's only a handful of cities in the state that have areas like this that can be extremely blighted. Our situation is, is not only does it meet the low-income

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requirements, it was also hit and devastated by the flood. So it's kind of a double whammy. So allowing us to use the extremely blighted will allow developers and home owners in that area to be able to get tax credits to help improve their homes, which otherwise they may not be able to. So I'll be happy to answer any questions.

**HUNT:** Thank you very much. Any questions from the committee? Senator Arch.

**ARCH:** Thank you. Did I understand you to say that you're just-- you're not raising the 35 percent, you're exempting this particular on-- and what-- what would be the criteria for exempting this?

**BRIAN NEWTON:** Any area that was extremely blighted. So, again, in LB86, it was-- you have to be qualified with low to moderate income areas--

**ARCH:** Right.

**BRIAN NEWTON:** --to be eligible to be extremely blighted. Only those areas and there's just a handful of cities that have those areas would not count towards a 35 percent.

**ARCH:** So in this-- so-- so any-- any city could remove the extremely blighted from their 35 percent?

**BRIAN NEWTON:** Absolutely correct.

**ARCH:** Thank you.

**HUNT:** Thank you, Senator Arch. Senator Lowe.

**LOWE:** Thank you, Vice Chair, and thank you for coming to testify today.

**BRIAN NEWTON:** Sure.

**LOWE:** What would keep a city from just saying I want to do extremely blighted for 50 percent of my-- my blighted area now to take that out of the formula?

**BRIAN NEWTON:** Senator Wayne, I think and maybe Trevor can answer this question. When-- when I got the letter from-- from you, I think from Trevor, there's only a handful of cities that have eligibility in census tracts with that low of population or that low of income inside



that population that would even qualify. So there-- there may be a few. And in Fremont, you can see, we have lots of areas, but none of them would qualify except this remote area right here. None of the other areas in census tracts would even qualify to be extremely blighted.

**LOWE:** Thank you for clarifying that.

**BRIAN NEWTON:** Yeah, and it so happens-- and that's the reason these areas develop. Right? It's in a floodplain. It's subject to multiple repetitive flooding. That's why low to moderate income folks live in this area, and that's that's why we need the tool, as Senator Walz said, in our tool belt to allow us to be able to help these people. But we just don't want to be penalized by giving 30-- reaching to 35 percent.

**LOWE:** OK.

**HUNT:** Thank you, Senator Lowe. Senator Briese.

**BRIESE:** Thank you, Vice-Chair Hunt. Thank you for your testimony here today.

**BRIAN NEWTON:** Sure.

**BRIESE:** And so what is the downside to bumping up against the 35 percent? You anticipate the need to designate additional areas substandard and blighted going forward?

**BRIAN NEWTON:** So the blight and substandard is an economic development tool and we use it for TIF. So we tried to take a look at areas. You can see some of the areas that are along thoroughfares that-- that are blighted. They certainly need improvements, but also we get economic development growth in those areas. And so, yes, we'd be up against that. We would have to then de-blight or unblight some of these other areas and be more judicious in trying to find and plan avenues of development if we were right up against that 35 percent. And 23 percent right now, I think was a comfortable margin. You can see we've not exceeded. You know, we've not went crazy over the amount of area that we blighted. I think we've been careful. But again, to have that flexibility so when a development comes, hey, we want to invest in this side of your community, we'd like to be able to use the blight and substandard so we can TIF it, we would have that flexibility in

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the future where we won't have if we take this area and call it extremely blighted.

**BRIESE:** Did you say something about 23 percent?

**BRIAN NEWTON:** We're currently at 23 percent. So the 1,900 acre, I'm sorry, 29 percent it's right there. I misread. It's 29 percent.

**BRIESE:** Thank you.

**HUNT:** Thank you, Senator Briese. Any other questions from the committees? Seeing none, thank you very much for your testimony.

**BRIAN NEWTON:** Thank you very much for your time.

**HUNT:** Next proponent for LB876.

**LYNN REX:** Senator Hunt, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We appreciate Senator Walz introducing LB876. This is a critically important bill for Fremont. I also want to let you know, though, that there may be some other municipalities, a few, that may be able to use it. I think in answer to your question, it's important to look on page 4, lines 8 to 15. These lines are not being changed. They're not being amended by this bill, but it defines what extremely blighted area means to show you how very limited it is. It means a substandard and blighted area in which (a) the average rate of unemployment of the area during the period covered by the most recent federal decennial census or American Community Survey 5-year estimate is at least 200 percent of the average rate of unemployment in the state during the same period. And (b) the average poverty rate in the area exceeds 20 percent for the total federal census tract or tracts or federal census block group or block groups in the area. This is a very, very limited group of municipalities that would fall within this would have it. So this is one of those situations, again, because of the flooding, Fremont is looking at something that I think we would really need. This needs to pass in order to assist them. And I think in answer to your question, Senator Briese, even though they're not that close to the 35 percent cap right now, Fremont is a growing city. We don't have that many municipalities, unfortunately, in the state that are growing. Fremont, fortunately, is one of them. So it's very important to be able to have them have the economic development tools that this bill would provide. So I'm happy to respond to any questions that you have. And we thank Senator Walz again for introducing this bill. It's

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got very limited application, but it will really make a difference, certainly in Fremont.

**HUNT:** Thank you, Ms. Rex. Any questions from the committee? Senator Briese.

**BRIESE:** Thank you, Vice Chair Hunt. Thanks for your testimony. So we've heard the numbers on Fremont, so what other municipalities, what percent is typically extremely blighted? You know what-- what percentage are we talking about?

**LYNN REX:** You know, I don't have that information with me. Committee counsel might, but we can get that for you. I just know that there's a handful when-- when this bill passed, when LB86 passed, basically putting in the statute the definition of extremely blight and what that means. There are very few places in the state that qualify for that just because of the qualifications that are required under-- on page four.

**BRIESE:** And then we have the statutory limitations on how much of the property can be considered substandard and blighted. How many municipalities are up against that limit or close to it?

**LYNN REX:** You know, we can find that information out for you too. Most of them are not up against it, but for example-- and certainly Lincoln and Omaha are not even close. But if you look on page 3, line 6, it has the 35 percent, which is what it is for metro primary and first class cities, the 50 percent limitation on line 7, and then also 100 percent of a village may be declared substandard and blighted right now. And, of course, you can't have extreme blight without already being substandard and blighted. That's by definition. We'll get that information for you, though.

**BRIESE:** Thank you.

**HUNT:** Thank you. Any other questions from the committee? Seeing none.

**LYNN REX:** Thank you very much. Thanks.

**HUNT:** Next proponent for LB876. Welcome to Urban Affairs Committee.

**DAVID LEVY:** Thank you, Senator Hunt, and members of the committee, David Levy, D-a-v-i-d L-e-v-y, Baird Holm law firm, here in support of LB876 on behalf of Omaha by Design. You know, the extremely blighted

designation, I think came about originally as part of an idea to create a-- another layer or another level of TIF where even the payback period could be 20 years, things like that that would take a constitutional amendment. The definition of extremely blighted has-- has made its way into statute and I think it's already proving to be a valuable tool. It already gives advantage for workforce housing. For example, I was here a couple weeks ago and there were a number of bills that talked about trying to help the need for-- for low-income housing and workforce housing. And the extremely blighted designation is another tool in that direction and I think it'll-- it'll probably be used more often than that. And that's Omaha by Design's interest in this is-- is supporting affordable housing and supporting the development of workforce housing, especially in smaller communities. I will also say as part of my law practice and our firm's practice, we serve as TIF counsel to a number of smaller cities and this will be a valuable tool for them. Some of them are running up against the 50 percent limit as well. And-- and to make them trade off one for the other takes away this tool of extremely blighted and the benefits of that so far for affordable and workforce housing, but it'll perhaps in other areas of statute, other legislation will come along and use that definition to create additional tools for additional things. There's really no-- no harm, there's no cost to this bill. But it takes away that-- that tradeoff that Mr. Newton talked about, where if-- if they want to use that extremely blighted designation and that additional tool, they'll, you know, they'll-- they'll have to give up the ability to-- to use the regular blighted definition and sort of TIF as we know it. So it is beneficial and I think the bill makes sense as you heard about, it sort of naturally very limited because there aren't that many places that would qualify, but those that do have those-- that would qualify have that additional need and they shouldn't have to-- to trade that off or give up their ability to designate areas blighted and substandard. So with that, again, support for the bill and happy to answer any questions.

**HUNT:** Thank you, Mr. Levy. Any questions from the committee? Senator Briese.

**BRIESE:** Thank you, Vice Chair. Thank you for your testimony.

**DAVID LEVY:** Sure.

**BRIESE:** Do you see this bill-- would you see this as expanding to any great degree the amount of property eligible for TIF beyond the

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statutory maximums here in any communities you can think of? I mean, we have a 35 percent, a 50 percent, and whatever the percentages are, you see it expanding much beyond those limits in any communities as a result of this statute?

**DAVID LEVY:** I don't because that-- the bar to qualify as extremely blighted is pretty high, as others have said, and so really what you're doing is you're saying, okay, if a city right now can go to let's say 50 percent, this would allow a few more percent, I'm guessing. And I don't have those numbers exactly, but I don't think it's going to be 20 or 30 percent of the city's area or something like that, it'll be a relatively small area. But if you have a city of, let's say, the second class, it's actually not that hard to get to 50 percent. I mean, some of those by land area aren't that big, and you can get there, you know, sort of, you know.

**BRIESE:** Okay. Okay. Thank you.

**DAVID LEVY:** Sure.

**HUNT:** Thank you, Senator Briese. Any other questions? Seeing none, thanks for being here today.

**DAVID LEVY:** Thank you.

**HUNT:** Next proponent for LB876. Welcome.

**JUSTIN BRADY:** Senator Hunt, and members of the committee, my name is Justin Brady, J-u-s-t-i-n B-r-a-d-y. I'm appearing before you today as the registered lobbyist for the Nebraska Realtors Association, for the Home Builders Association of Lincoln, and the Metropolitan Omaha Builders Association in support of LB876. As the previous testifiers had talked about, this is such a unique situation. In Fremont, I think there's some other areas, small chances that it would be used in other places. And both the Lincoln and the Omaha homebuilders do reach out in different-- have some different developers and builders that do reach out into the Fremont area and see that as a need. As you heard, it was a-- a residential area, specifically they were trying to work on there. And so with that, I'd try to answer any questions.

**HUNT:** Thank you, Justin. Any questions from the committee? Seeing none, thanks for your testimony today.

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**JUSTIN BRADY:** Thank you.

**HUNT:** Any other proponents for LB876? Seeing none, any opponents? Seeing none, anyone here to testify in the neutral capacity? Seeing none, Senator Walz, you're invited to close.

**WALZ:** I waive.

**HUNT:** She waives closing. We have no letters for the record on LB876. And so I will close this hearing on this bill. Next, we'll move to LB1021 from Senator Groene, and we'll just stand at ease for a minute while we wait for him.

**TREVOR FITZGERALD:** Senator Briese, I can get you those numbers. I will just take a little while.

[BREAK]

**HUNT:** Just a moment. Let's make sure we get back on. Are we on?

**GROENE:** I was looking for Senator Wayne.

**BRIESE:** He hasn't been here yet.

**LOWE:** Who's he?

**GROENE:** He never show up either?

**HUNT:** Welcome, Senator Groene, to your Urban Affairs Committee.

**GROENE:** All right. Thank you.

**HUNT:** You're invited to open on LB1021.

**GROENE:** Mike Groene, M-i-k-e G-r-o-e-n-e, and I'm opening on my-- I call it my micro-TIF bill that I've been stewing on over the last five or six years I've been down here. When discussing TIF, I've always said, if used correctly, TIF is a great urban renewal tool, which it was intended to be. LB1021, which I'll refer to as micro-TIF, will finally allow for urban renewal in truly blighted and substandard areas of communities by making it practical for individuals to develop lower input cost projects, small single houses and older business structures. Currently, high legal consulting and cost benefit studies along with red tape prevent small project developers from even considering TIF as an option. And I'm talking about mom and pop, the

couple who buys an old house wants to fix it up; small contractors in our communities who want to buy an old house. I have one individual who sells manufactured homes and he thought he could buy a couple of old burned out houses, push them in and put those manufactured homes in and be a lot less costly than building out in the cornfield somewhere. But currently, as I said, TIF has become a tool for big project, economic development projects usually outside of truly blighted areas, defeating the true purpose of TIF. Urban sprawl is one of the biggest costs of our cities, why our taxes are going up, debt is going up in our communities. Because when you build outside the city, housing developments for workforce housing, the city has to put streets in, sewers in, water mains, utilities. In an older part of town, that already exists. It also keeps the costs down for the individual project, keeps the costs down communities if we could somehow use TIF correctly in the truly blighted areas and urban areas where people live. Synopsis of what it does: LB1021 creates an "expedited" review for qualifying projects. This new process will provide for growth and improvement of many Nebraska communities. In order to qualify for "expedited" review, LB1021 establishes several requirements which must be met. First, the developer must propose a project to repair, rehabilitate, or replace an existing structure that is at least 50 years old and located within an area already designated as substandard and blighted. Additionally, the proposal project site must be located in a county with a total population under 100,000 or in area declared extremely blighted. Committee statement is in error. It is a typo there that says 150,000 instead of 100,000, but it's the same three counties, either number, that doesn't qualify. Project must also satisfy a dollar amount limit to qualify the project. Dollar amount is calculated by subtracting the property's base value prior to the project from the total assessed value after the project had been completed. For single family residential structures, the project dollar amount is \$250,000. For multifamily or commercial structures, the limit is \$1 million. They tore out a couple old houses and put an apartment complex in. Finally, if a structure is included in the National Registry of Historic Places, the limit is \$10 million. That's not talking about old downtowns, but privately owned people who want to [INAUDIBLE]. We have an old hotel in North Platte fits perfect for this purpose. LB1021 also outlines the application process for an "expedited" review. Department of Economic Development would create a standard form to be used for-- for the application. Developers would be required to obtain and submit any necessary building permits along with their application. The bill allows governing bodies to designate

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which department or employee will manage the program. Governing bodies are also permitted to set a filing fee of no more than \$50 to assist with the administrative costs. Once approved, the projects must be completed within two years. Project will be considered complete upon certification by the county assessor. County assessor would examine it, sign off on the-- on the-- on the form, and then it would go from there into the process of being for the next 10 years. LB1021 also provides for division of ad valorem taxes, better known as TIF. For projects receiving an "expedited" review, distribution of the excess portion of the ad valorem tax would not begin until the project is certified as complete. The tax would be divided for a period of no more than ten years. If you wanted to go the full 15 and wouldn't-- would match a small mortgage for a family, I wouldn't be-- I wouldn't-- I would not be against that. And the excess portion would be paid directly to the property owner by the governing body. And an amendment has been prepared which helps clarify, and I think you have it. Trevor, I believe you passed it out.

**TREVOR FITZGERALD:** Um-hum.

**GROENE:** Amendment has been prepared, which helps clarify that cities or villages must incur indebtedness for projects to be funded through TIF. A copy of this amendment has been distributed to the committee. Original language looked more like an abatement than a-- than a city incurring indebtedness and it's basically a-- well, I can get into that later. In preparing this legislation, we have worked extensively with the League of Nebraska Municipalities, had a couple meetings with them. Their staff collaborated with a group of TIF experts across the state and economic development people for the cities to prepare a series of questions about our initial proposal. Copies of their questions with our answers have been provided to the committee today. Have you passed out all of the handouts?

**SAMANTHA BILLINGS:** Um-hum.

**GROENE:** We are committed to continuing to work with all interested parties to make micro-TIF a viable development tool for nebraska. This bill will help small-scale developers, mom and pop. And when they come in and build 20 houses that are in North Platte, contractor comes in, a corporate contractor comes in, brings in his workers, brings semi loads of shingles and rafters in and they put them up and leave. Mom and pop, the small contractor goes to the local-- local lumberyard, goes to the local hardware store, buys the parts, and it's truly



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economic development and creating what it should be, a community effort. They will be able to avoid expensive legal fees and focus instead on funding the project. Additionally, they will be exempt from bureaucracy's requirements that are "disproportionate" to the small nature of their project. The-- the resulting prolif-- proliferation of improved structure will provide a much needed boost to rural communities in areas of extreme blighted areas. I-- you also have the bullet points I passed out of what it does. You have a handout on my list of questions that was give and take with the League of Municipalities. But I got to thinking and I went into the tax increment financing report and pulled out a couple examples. From Douglas County, for example. I have one here, Beacon Partners. I have no idea. I'm not picking on these folks. I just grabbed one. Their assessed value on one project there is thirteen million two hundred thirty-eight-- thirty-nine thousand dollars. If you divided that by \$100,000 for average on a micro-TIF project, that's 132 homes. You could improve 132 workforce housing units that's affordable for the taxpayer, for the worker. And it actually helps the community address that workforce housing without-- anytime you build new, the cost is prohibitive, no matter what you do for the average working person. But if you remodel a house-- the other thing it would do, rental properties in every community a lot of the old rundown homes are rental properties, the landlord can't fix it up. If he fixes it up and puts \$100,000 into it or even \$50,000, he's got a \$1,000 increase in his property taxes. That's more than a month's rent and then he can appreciate it out also. In my own county, I picked a project that was \$3,500,000 excess value. That's 35 homes. And I'll tell you, if you remodel 35 homes in the north part of North Platte, you would be doing a lot. What I'm telling you is we're going to get a big bang for the buck on these homes, on these dollar amounts that truly, truly create affordable housing. I think it works. On the amendment, we had a problem with original language. It looked like an abatement. And-- where is the amendment? What we did instead is created a-- basically in the constitution it says you can bond, you can get loans or you can do otherwise. So we created an otherwise. City shall incur indebtedness in the form of a non-cash transfer obligation which shall be owed to the owner of the redevelopment property at a time payment-- at the time payments are required to be made pursuant to subsection 6 of this section and which is TIF. The incurring of such indebtedness is an acknowledgement that the agreed upon work to repair, rehabilitate or replace a structure as provided in a redevelopment plan has commenced. The total amount of indebtedness shall not exceed

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the amount estimated to be generated over a 10-year period from the portion of taxes mentioned in subdivision for this section. In other words, it's almost like a promissory note. The city has no indebtedness. It doesn't hurt their bond rating. It's a promise. You do this. We do that. The debt is you said you would fix this up. Therefore, you did. We owe you 10 years of increment from your property taxes. I think it answers any questions constitutionally about indebtedness. And of course, TIF has to go through the city. The city has to incur indebtedness. They collect the TIF. Then they send it out to the-- to the-- to those who we-- most of them are bonds. A lot of them are just notes. So anyway, I think we've got a viable solution to our workforce housing. We've got a viable solution to create housing without putting debt on the city of building new streets, new infrastructure, hiring more policemen because we sprawled all over the place. And if you've ever been to a community where one or two people fix up a house on a block, it's contagious. And then it spreads throughout the community. So I would appreciate maybe approving this bill. Any question? I guess you ask. You say any questions.

**HUNT:** Thank you, Senator. Groene. Any questions from the committee? Senator Briese.

**BRIESE:** Thank you, Vice Chair Hunt. And thanks for joining us here today, Senator. Why did you eliminate the causation language, you know, the but-for test?

**GROENE:** Because it's actually is a nonissue now. I don't know of a TIF that I've followed that the but-for has ever been truly, truly followed.

**BRIESE:** We-- we did scrap pretty hard a couple years ago to get that tightened up I know. But anyway, just curious.

**GROENE:** But as I said, of course you're going to have people who do this anyway. They're going to fix up an old house and they're going to move in in a neighborhood. But I don't think you're going to generate a lot more folks doing it. I don't see it so much from the homeowner. I see it from the small contractor. He's looking for something to do. In North Platte, if he tries to build a \$250,000 house, I mean, that's what a house costs. Then he's got an investment at the bank and he's got to get it sold. But here he could invest in two or three homes or he could work for the person, the homeowner who buys it and wants to

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move into it. And like I said, the double wide, not double wides but the manufactured homes [INAUDIBLE] you could-- you can end up with a project where the house sells for \$150,000. Got a family making \$80,000, the old house that sat there was \$30,000. You pay \$600 taxes for the next year on a new \$150,000 house. That fits the budget of somebody making under \$100,000 a family, two individuals making \$30,000 or \$40,000. It works. Building out in the cornfield doesn't.

**BRIESE:** OK. Thank you,

**HUNT:** Thank you, Senator Briese. Senator Crawford.

**CRAWFORD:** Thank you, Chairman Hunt. Thank you, Senator. Groene. Just wondered if you could speak to why you're excluding the three largest counties.

**GROENE:** Because of the mass they wanted basically to do it.

**CRAWFORD:** Pardon?

**GROENE:** It's because of the massive numbers they might have. Those areas are booming. People are already fixing up some homes. But we did add extremely blighted because that really hits north Omaha. And Lincoln here has designated a pretty sight-- good sized area. It focuses more to where it should be. Actually, they were concerned about having too many projects and this defines it, too.

**CRAWFORD:** So it includes extremely blighted--

**GROENE:** If this works great--

**CRAWFORD:** --in those counties.

**GROENE:** Yeah. If this worked so great-- yeah, extremely blighted--

**CRAWFORD:** OK.

**GROENE:** --in those areas. And if this works great, this place can change the law next year and add more, but we have to start somewhere.

**CRAWFORD:** Thank you.

**GROENE:** But as I said, it'll take a lot of projects, a lot of projects, which would be a lot of homes, before you even match the

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amount of tax forgiveness with TIF that's on HDR's project or some of the bigger projects.

**CRAWFORD:** Thank you.

**HUNT:** Thank you, Senator Crawford. Senator Lowe.

**LOWE:** Thank you, Vice Chairman. Who are you and what did you do with Mike Groene? [LAUGHTER].

**GROENE:** I've always qualified, sir. Whenever I spoke on TIF, it was a good project and I might have voted for it back in 1978. I was of legal age. But I think TIF works if you do it correctly. It's urban renewal. You know, it was created back then across the country because we had this donut effect. Urban areas were rotting core. They were building on the fringe. But I'm afraid what's happened to TIF, it just reversed and we're building on the outer side of the donut again. And we've just totally forgotten-- Senator Wayne has been vigilant, trying to focus it back to the core. And visiting with Senator Wayne, he would agree. I said, your extremely blighted doesn't work. Because a developer, you go into a blight-- extremely blighted area, you got four or six houses on a block, three of them are in bad shape. On one corner somebody who's lived there 50 years and they've got tulips in their yard. You can't buy that whole block to develop. So they go out in the cornfield. But now you can go in in those three houses on that block that are-- that are-- an individual can go in there and and fix it up. The cost of TIFing through the attorneys, that's the cost benefit study and consultants is just prohibitive for anybody under ten to five million dollar project. This just simplifies it. We pinpoint that house that needs fixing.

**LOWE:** I think you're--

**GROENE:** And I don't know where Mike went.

**LOWE:** I think you've found your way outside of the box, and you're definitely thinking outside of a box.

**GROENE:** Help small community, a little town in western Nebraska where they're-- we're dying up and blowing away and they got all these houses, the tax-- their tax base is just dwindling. Somebody might consider going into that town and buying a couple little house and put a nice home out there, retired farmer or something, or because farmers really don't like property taxes, for 10 years they could-- they could

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have an abatement on their taxes. I shouldn't use that word abatement. It's illegal in the constitution, as Trevor has told me.

**HUNT:** Thank you, Senator Lowe. Thank you, Senator Groene. Glad you're thinking outside the box. I think I have some ideas that we could talk about too. Maybe you'd get on-board.

**GROENE:** [INAUDIBLE] this one. [LAUGHTER]

**HUNT:** Any other questions from the committee? Seeing none, thank you for your opening. I would again remind everybody, including senators, to turn off the sound on your phones and take the first proponent for LB1021. Welcome to Urban Affairs Committee.

**JIM OTTO:** Thank you. Thank you. Senator Hunt, members of the committee, my name is Jim Otto. That's J-i-m O-t-t-o. I am president of the Nebraska Retail Federation. And I'm here today in support of LB1021 on behalf of the Nebraska Retail Federation, the Nebraska Restaurant Association, Nebraska Economic Developers Association, and the National Federation of Independent Business. As we all know, Nebraska's Main Street retail core is threatened with all of what's developed with online purchasing and shopping and everything. And thanks to this Legislature, we have, as of last session, finally solved the problem of giving online only sellers an advantage over Nebraska employers and Nebraska retailers and we sincerely appreciate that. But we still have a lot to do in order to preserve Nebraska's Main Street retail core. And we think this bill is at least one portion of the puzzle, one piece of the puzzle, by offering incentives to make improvements to older properties, not just housing. Housing is important, as the senator mentioned. But this also would qualify for commercial buildings that are not all that-- up to-- up to a million dollars and in towns that are in counties of less than 100,000 population. And as Senator Crawford mentioned, it doesn't eliminate the larger counties, but it just requires it to go to extremely blighted areas. And it's more open for counties under 100,000 in population. I would just like to mention that I'm so old, but I'm actually older than Senator Lowe. So that's really-- we both grew up in Kearney and so that's why I know that. But I-- in previous jobs, I worked for economic development. I worked in the economic development area at the city-- city of Lincoln, the state of Nebraska, and at the federal level in USDA rural development. And financing a project is like a jigsaw puzzle. It's not just a simple thing. There are all these pieces that come in. Maybe-- maybe there is a-- of course,

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there's a certain amount of equity that has to be there. But then there's also, maybe there can be a loan from community development block grant funds. Maybe there can be a loan from the SBA. There are certain types of what they call SBA 504 loans where the bank can participate more. But-- but it's a jigsaw puzzle and you really have to figure out how you get all those pieces together. And this is, in my opinion, one of those pieces that could really help. One of the-- in that-- in those jobs I had to make-- when you talked about making the but-for argument, Senator Briese, I think that was important to you. I would just-- one of my jobs was to make the but-for argument. And I guarantee it, unless the project had already happened, I could make the but-for argument. People would come to me that had already done it and want the money. Well, it's hard to make a but-for argument if you've already done it. So the but-for argument is not all that definite. Just that I would throw that in there. And also I just wanted to mention that Senator Groene mentioned a big bang for the bucks, but this is actually a big bang for no bucks. According to the fiscal note, there is no fiscal note. And the city of Lincoln said there would be no negative impact. And I think that's based on the fact that many of these properties are assessed at a certain value and they're not going to increase in value. They're going to go down in value unless somebody does something to them. And so this increase would not be a negative impact to those communities. So anyway, with that, I would just encourage that you move the bill forward. Thank you.

**HUNT:** Thank you, Mr. Otto. Any questions from the committee? Senator Briese.

**BRIESE:** Thank you for your testimony. So you're suggesting in the context of TIF, the causation test, the but-for requirement is simply a formality? It sounds that way.

**JIM OTTO:** Since I no longer work in that area, I can say sometimes I made some that I had to really scratch my head about.

**BRIESE:** OK, very good. Thank you.

**HUNT:** Thank you, Senator Briese. Any other questions? Seeing none, thank you for coming today. Next proponent for LB1021. Seeing none, any opponents for LB1021? Welcome.

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**JENNIFER TAYLOR:** Good afternoon. Good afternoon, Vice Chair Hunt, members of the Urban Affairs Committee. My name is Jennifer Taylor, J-e-n-n-i-f-e-r T-a-y-l-o-r, and I am an assistant city attorney for the city of Omaha. As many of you have probably seen me before, you're aware that I do a lot of the work for the city on our tax increment financing programs. I prepare most of our redevelopment contracts. I prepare a lot of our redevelopment plans. So I am the legal counsel for that department. In reviewing LB1021, I'd first like to say, having spent a good part of my career at the city and also in other endeavors working in some of our urban areas in north and south Omaha, I completely understand the goals of what Senator Groene and Senator Wayne are trying to accomplish with encouraging redevelopment in those areas. I think it's important. You might find me surprised to hear me say I agree with Senator Groene with the goals of what he's trying to accomplish with LB1021. I think they're very important. And I would actually be very interested in, as would the city, in trying to find ways to maybe create a program that would accomplish what he's trying to accomplish in LB1021. We'd be more than happy to work with the committee and with Senator Groene in the interim to try and flush out some of the details that I think might be a little bit lost here and actually create a really good program that would help small homeowners to possibly utilize TIF as a funding resource. However, the way that the bill is set up now, I think the devil's in the details and there are some concerns I have with process. So first, I would actually probably address some of the-- most people don't think about unless you spend a lot of time actually processing TIF. Once a project-- redevelopment plan is put in place and once the project is done and once the individual, the property owner, starts paying their property taxes, somebody has to actually collect that tax and process it through the back end. I'm a little concerned about exactly how we would be able to do that with projects of this size and also with possibly this magnitude. So we would have to have and coordinate with the county assessor to have the county assessor go out and confirm that the project plan, the building permit has all been done as according to plan, has all been constructed as according to plan. And then they would let us know it was time to start collecting the increment. So then at that point in time, the city is required to, by state law, establish a special fund. So even if we are only looking at projects that are in extremely blighted areas, if we were to have 100 or 200 of those small projects, we would have to establish 100 or 200 special funds with which we collect the individual dollar amount from the assessor to the city and then pass through to the property owner.

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It's kind of a small logistical point, but I'm concerned about the impact that would have on our finance department in actually just managing that flow of money. Furthermore, when financing these projects, it appears from-- I'm already at yellow, I'm sorry-- it appears from Senator Groene's amendment that it looks like we would then be financing these projects through notes, which is actually how the city does it to begin with. But that would also then be requiring the city to put together contracts and notes for 100 or 200-some-odd projects trying to then work with banks to collateralize those notes. Oftentimes, almost every note we do for every project we have requires a collateral assignment to a bank. The bank takes that as collateral. That is, again, additional work for someone in our department or in the finance department to put those contracts, those notes together and then follow that trail of money. I appreciate that we're trying to streamline on the front end, but we still end up with all the back end process that I think would be burdensome if we were to encumber the city with two to three times as many projects as we have now. That would be, I think, rather cost prohibitive for the city to try and manage that kind of a workload. Lastly, I think just to address the north Omaha issue, I think the idea of trying to rehabilitate homes in north Omaha or south Omaha is great. Unfortunately, in LB1021 we don't accommodate or address vacant property, and large sections of those areas of the city are vacant. So whether or not we can actually utilize this type of a program to go in and build new either accessory dwelling units or duplexes or triplexes on vacant property, that's not encompassed here. So I think we get in a place where we are both overinclusive in what we're allowing and underinclusive in what we don't allow. So I think what would-- I love the idea where we're going with this and I think we should really flush it out. But I'd like to spend some time working with Senator Groene and some of the relevant parties to really try and see if we can create a small homeowner micro-TIF program that's specifically tailored for that. Be happy to answer any questions.

**HUNT:** Thank you, Ms. Taylor. Any questions from the committee? Senator Lowe.

**LOWE:** Thank you, Vice Chair. And thank you for coming to testify today, Ms. Taylor. Will it be possible to create, I mean, if we-- if we would change a few things-- to create a multiproperty fund instead of doing 100 pieces of property, 100 funds all combining into one and organize it that way so you wouldn't have so much?



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**JENNIFER TAYLOR:** I think that's something that would-- I would-- we would definitely want to discuss and we could pursue if you wanted to do some sort of-- I think some communities just to do a revolving loan fund, which we cannot do anymore. But if you were to do some sort of. yeah, a fund like that. But that would be, I think, targeted to a specific type of project. I think we would need to have, in my opinion, kind of a fleshed out legislation that really dealt with just that and made sure that we had some parameters and some safeguards in place because we've spent a fair amount of time over the last several years in this committee making sure that we use TIF properly. So to take away some of those safeguards, even for small projects, I think leads us into a place we might end up giving or granting funds to projects that don't necessarily need or warrant them, especially if we're not-- if we're dealing, oh, putting away with the but-for test how if we don't have any oversight or vetting of the project or the contractor or the owner up-front, how do we know that individual hasn't either already done the work or is actually somebody who isn't going to do the work well or is going to-- has a history of doing shoddy work? All those things that we generally do when we vet projects and developers up-front, we kind of lose the ability to do that under this framework.

**LOWE:** Maybe, maybe we ought to reduce the size and scope of this and maybe not do counties of 100,000 more or less. Maybe we ought to reduce it down and see how well it works in the smaller communities because pretty much everybody in the smaller communities know each other.

**JENNIFER TAYLOR:** Um-hum.

**LOWE:** And the bank wouldn't mind doing 10 extra funds or things like that. I think maybe that's why Senator Groene maybe left out the three-- three counties to see how well it worked. Would you be in favor of?

**JENNIFER TAYLOR:** I think having those conversations, I think actually meeting with banks and getting banks involved would be a great idea, not only in the small communities, but even for the larger communities as well. We have left the extremely blight areas in, but even in Omaha, that's still, I think, 2 or 3 percent of our city. So there's still a significant amount of properties that would be opened to be eligible under this. So if-- if we were going to look at that, I would

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really like to explore how that would work in a better way. Yes, I agree.

**LOWE:** Thank you, Ms. Taylor.

**JENNIFER TAYLOR:** You're welcome.

**LOWE:** Thank you for the information.

**HUNT:** Thank you, Senator Lowe. Any other questions from committee? Seeing none, thank you for being-- or actually I had a question. Do you agree with a previous testifier that said this is a lot of bang for no buck? What would the costs be like at the city level for something like this? It's not no buck, right?

**JENNIFER TAYLOR:** Well, it's not. It is not no buck. I'll-- even if you take away the amount of review on the front end, as I said, one of my biggest concerns is, is the process on the back end. We have an individual in our finance department who, you know, the city has some 200 open TIFs that are existing in the last 15 years up to now. He spends 25 percent of his time processing those payments and they don't just come twice a year, which is something most people don't know. People pay their taxes in various different times and forms and mortgage companies pay them. So he is taking in tax funds from the county assessor every month, has to sort through and identify which funds go into which special account and then take that-- those funds and transmit them directly to the lender or the property owner that-- that is supposed to receive them. So it's a fair amount of work that goes on there. So to increase his workload as well as coordination that would have to go on with the county assessor if the county assessor is going to certify all of these projects, we now have to get our building and code enforcement department involved to help the county assessor assure that everything has been done according to plan.

**HUNT:** OK. Thank you

**JENNIFER TAYLOR:** You're very welcome.

**HUNT:** Appreciate it. Any other questions? Seeing none, thank you for being here today.

**JENNIFER TAYLOR:** And thank you for visiting the grade schools.

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**HUNT:** You're very welcome. Next opponent for LB1021. Welcome to your Urban Affairs Committee.

**TIM SIEH:** Thank you. Good afternoon, Chairperson Hunt. My name is Tim Sieh. I'm an assistant city attorney for the city of Lincoln. Like Ms. Taylor before me, I do a fair amount of community development work for the city of Lincoln, including a number of our-- our are tax increment financing agreements. I'm here today on behalf of the city to voice a couple of things on behalf of the city. One, we like the idea of micro-TIF. I think this is a concept in concept can have some beneficial impacts on the city. It can help us to face some of the challenges that we face with respect to affordable housing throughout our city. It might even be the case that given some-- some significant work, that this bill could be the avenue to make that happen. But we do have some-- some significant concerns with the actual specifics in this bill. First off, I guess I would say the definition of redevelopment project valuation LB1021 is simply the difference. It's the increment in valuation. The difference in valuation has to be under a certain threshold for the city to approve the project. The challenge we see is that a project could take a \$100,000 property, a \$100,000 home and replace it with a \$350,000 home and still be approved under this-- the language of this bill. We're not sure that that does much to move the needle on affordable housing in the city. The same could be said for a \$200,000 home. Add \$250,000 and that's the limit. That's the threshold that we're talking about here. So it's not a total project cost threshold. It is an increment threshold. Second thing I'd bring up is the up-front determination of the redevelopment project valuation creates another challenge for cities. What is the city's recourse after approval if the property owner decides to do more than they represented? In other words, what if they exceed the redevel-- the thresholds that are stated in the statute? What is the city's ability to go back and enforce that? There's no contract between the city and the redeveloper. There's no means and-- stated in the bill that would allow us to go back and-- and take action against that. So that's just another, I guess, a question when it comes to implementation of the idea of micro-TIF. The final, well, a couple more things. For today's purposes, there's a question I think in the specifics, and I use this just as an example. There's a question of when we start the clock, when do we start to divide the taxes? We understand it's for 10 years. But this bill states that the effective date, which is the date when we start the clock, is the date, quote, identified in the project of redevelopment contract or in

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the resolution of the authority authorizing the issuance of bonds. I haven't seen the amendment. I don't know what it says. But under the-- under the process outlined in LB1021, there is no redevelopment contract and there is no resolution approving bonds. And so it's a little bit unclear to us as to when we start that TIF clock. These are issues that can be worked through. There's no question about that. These are issues that we would invite the opportunity to work with Senator Groene and come up with a bill that answers some of these questions. We like the idea of micro-TIF. We think it has some-- some ways to help us in facing the challenge of affordable housing in the city of Lincoln. But it needs some work and we'd like the opportunity to work with Senator Groene to make that a possibility. With that being said, I'd be happy to answer any questions that the committee might have.

**HUNT:** Thank you very much, Mr. Sieh. Any questions from the committee? Seeing none, thank you for being here today.

**TIM SIEH:** Thank you.

**HUNT:** Any other opponents for LB1021?

**DAVID LEVY:** Good afternoon again, Vice Chair Hunt, members of the committee. David Levy, D-a-v-i-d L-e-v-y, Baird Holm law firm, here on behalf of Omaha by Design in opposition to LB1021. I do want to say I sincerely, you know, infill development, limiting sprawl, walkable neighborhoods, those are all very important things to Omaha by Design. And I sincerely appreciate Senator Groene's statements about that and his intent in bringing this bill. I am testifying in opposition to the bill for a couple primary reasons. First, because as you've heard from others, I think it has significant problems with it in the way that it works within the existing Community Development Law. Almost more than that, though, I would say that by and large it's-- it's unnecessary. Much of what Senator Groene is trying to accomplish can actually occur under today's Community Development Law. If somebody came to me and said, hey, if you wanted to make sure that you could use TIF as we have it today for small projects, for single family homes, cut the lawyers out of the process, which I can appreciate as well, I think you could get there under today's Community Development Law, frankly, with a few clarifying things to-- to take away places, not even where it says you can't do that, but where people have some questions or it's not-- it-- it's not clear enough that you can do something. A couple of the things, though, with-- with the current bill that I want

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to point out. On page 9 it limits a micro-TIF redevelopment plan to a single project. In TIF, you kind of have three stages. You have the blight and substandard designation. You have the creation and adoption of the redevelopment plan. And then you have the approval of the redevelopment project and the redevelopment agreement that goes with that that you heard about that creates that contractual relationship and that recourse with the city. As I read LB1021, it would require a new redevelopment plan for each one of these projects. That seems like we're actually adding burden to this. If a city, as part of its own TIF program, wanted to support the use of TIF for-- for small projects, single family homes, that kind of a thing, it could put that in its redevelopment plan for an area as one of its goals of redevelopment, as one of its goals for that redevelopment plan area. That's an example of what I'm talking about when I say I think actually under the existing Community Development Law you can get a long way toward where Senator Groene is trying to go here. Similarly, on page 10, it talks about the governing body approving that redevelopment plan. To me, the governing body and I think in the statute and the case law, that means the city and probably the city council. So now we're back to going to the city council for approval of that redevelopment plan for a single project. Again, in a way, just as it's drafted, we're almost making it more difficult. And then along those same lines, this would limit the payback period or the increment period to 10 years rather than the 15 that-- that's in current law. That seems like, again, we're actually making it more difficult. This is-- these can be a significant amount of money and making-- having someone pay that back in 10 years could be burdensome as well. So again, I sincerely appreciate the-- the thought behind the bill and I love hearing Senator Groene talk about the costs of sprawl. I couldn't agree more. I just think if we're going to try and do what he's trying to do, we can do that with a lot less change to the Community Development Law and without creating two sort of parallel processes-- processes that-- that concerns me could-- could muddy the waters and we'll be back here in a couple years arguing against a bill that's trying to now rein in something that's an unintended consequence. I think with some incremental, much smaller, more incremental changes, we can achieve a lot of what Senator Groene wants to do here. Thank you very much.

**HUNT:** Thank you, Mr. Levy. Any questions from the committee? Senator Briese.

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**BRIESE:** Thank you, Vice Chair Hunt. Thanks for your testimony again.

**DAVID LEVY:** Sure.

**BRIESE:** Is TIF intended to be an incentive program?

**DAVID LEVY:** I would say yes, I think so.

**BRIESE:** And is it the causation requirement or the but-for test that makes it an incentive program?

**DAVID LEVY:** I would say that the but-for test, no, I don't think that makes it an incentive program, but it makes sure it's an incentive program and not just a-- when we're talking about taxpayer dollars here, not a giveaway, but a loan. I think that's very important. You know, a temporal forgiveness. But no, I don't think-- I think the but-for test is a safeguard, not the cause of it being an incentive program.

**BRIESE:** Without the causation requirement, is it still an incentive program or would it be?

**DAVID LEVY:** Yes. I mean, people would see it as an incentive, but would it work as an incentive program showed where there is some-- some give and take it-- it may not work as well.

**BRIESE:** OK. Thanks.

**DAVID LEVY:** Sure.

**HUNT:** Thank you, Senator Briese. Any other questions? Seeing none, thanks for being here.

**DAVID LEVY:** Thank you.

**HUNT:** Any other opposition to LB1021? Anyone here to testify in the neutral capacity? Welcome to your Urban Affairs Committee.

**CHRISTY ABRAHAM:** Thank you, Senator Hunt. And members of the Urban Affairs Committee. My name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m, here representing the League of Nebraskan Municipalities. And we first just want to join the chorus of thanking Senator Groene for introducing this bill. He is thinking outside the box. And we were very grateful that he reached out to us and gave us a preview on what he was considering. And you have heard from Lincoln

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and Omaha and others about the more specific concerns that they have had about the bill. And I don't want to repeat those concerns other than to say we think this bill, there is this nugget of goodness there. And we want to work with Senator Groene to make sure that it is workable for everyone. So we would love to work with this committee and Senator Groene over the interim, possibly with an interim study to really dig in and-- and make this a really good, workable program. The League is neutral today because we have had communities reach out to us who are interested in this issue. I think you have heard the League say possibly ad nauseum, but nuisance and dilapidated properties are an issue in virtually every community across the state. They're all dealing with those. And I think when these smaller communities saw this bill, they thought this might be a tool for us to really work on some of those properties that we struggle with in this community if there could be a bit of an incentive to rehabilitate and reconstruct those properties. So I just want to leave this committee with the idea that we have had communities that are interested in this bill, hence our neutral position. And I would also like to add, Senator Briese, we think the but-for test works. And we think it has teeth. And we remember two years ago you put more teeth into the but-for test. It has to be in writing now. We think our communities take that test very seriously. And now that it's in writing, there is documentation of how they are meeting that test. So I just wanted to leave you with that, that it's important. We don't think it's easy to meet. We think it's an important part of TIF.

**HUNT:** Thank you.

**CHRISTY ABRAHAM:** Thank you. I guess I'm done. Sorry I got so excited about that. Thank you. I'm done, Senator Hunt.

**HUNT:** Thank you, Ms. Abraham. Any questions from the committee? Thanks for coming in. Thanks for that information.

**CHRISTY ABRAHAM:** Thanks so much.

**HUNT:** Anyone else here in neutral capacity? Welcome back.

**JON CANNON:** Good afternoon, Vice Chair Hunt, esteemed members of the Urban Affairs Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the deputy director of the Nebraska Association of County Officials, otherwise known as NACO, here to testify in a neutral capacity today on LB1021. As always, NACO is always concerned about the erosion of

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the tax base or the freezing of the tax base. We've not yet seen the amendment, but we do think that the 10-year limit that's contained in here is a good start. However, I've got some other questions that I'll get to on a technical basis in just a moment. One of the questions that we have is about when the increment goes to the developer. For a standard residential project, you know, that's going to be a very short project. It should be done in a couple of years. But if you're at the tail end of 10 years, I'm-- I'm just curious how many developers are willing to wait that long for the increment to go their way. The threshold amounts can vary from community to community. So what is \$250,000 for single family residential in, say, Omaha is probably going to look subtly different if you're, say, in Burwell. And so it-- it seems like we could maybe have for residential we can use either a fraction or a multiple of the average assessed value for single family residential and we could probably come up with some sort of similar calculation for commercial as well. And again, the purposes behind this bill are laudable. What Senator Groene said about a particular property in downtown North Platte, you know, we don't want to disturb that. But I understand that would fall under the National Historic Register part of his bill. We also are curious about how this would be implemented from a practical standpoint. First question that we would have is the assessor would certify that the projects is complete to whom? It seems that when you read through the bill that it's supposed to be certified to the city. But I'm not entirely clear on that. And so we would like to have that clarified. We would also like that certification to be on a form developed by either the Department of Economic Development or the Department of Revenue. Having each assessor come up with 93 different certifications leads to a certain amount of nonuniformity, which in the assessment world we tend to not like. And then the other question that we have is when the division of taxes would cease, it seems that the natural or the logical fall-- follow through for this is that the division of taxes would cease when the project is certified to be complete. But we've seen in TIFF in other communities under the current rules that that is not always the case. And so we would like to have certainly a little bit more clarification on that as well. We would like to thank Senator Groene. He's probably forgotten more about TIF than I'll ever know naturally. So the fact that he's brought this bill, we're more than willing to work with him and certainly want to do so in good faith. With that, I'd be happy to take any questions the committee has. Thank you.



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**HUNT:** Thank you, Mr. Cannon. Any questions from the committee? Seeing none, thanks for the information and for your testimony.

**JON CANNON:** Thank you.

**HUNT:** Anybody else here in the neutral capacity on LB1021? Seeing none, Senator Groene, you're invited to close.

**GROENE:** Thank you. One thing about government bureaucrats, they are very good at being Chicken Little. I made the mistake of using the word promissory note the attorney from Omaha said. No, there's no note here. There's no-- there's no dealing with any bank. I know they'd like a piece of it, but there's no note to any bank. It is a promise. You do this and we give you 10 years of increment. That's it. The application itself works as the promise there-- as-- as the promise. There's no note. It is-- what is unique about this, it is self-policing. We give you two years. The county officials said two years that-- you don't have to wait two years. If you did it in three months, you could go to the county assessor. The assessor looks at the property and says, yes, this property is going to be assessed at \$100,000 more. There is no fraud. Nobody can fill this out and not do anything. The assessor is going to come in and say, this is what has been improved. This is what the new valuation will be. If you don't do anything, if you have that application on file for two years, two years goes by, it's in the trash. Why two years? Have you ever remodeled a house yourself? I have, a couple of them. You don't do in three months. I'm looking after mom and pop, the young family who wants to build an old house and fix it up. I'm giving them two years to do it. The attorney from Omaha said, well, how are we going to follow up? You don't. You don't follow up. It is the responsibility of the applicant to contact the county assessor and say, I am done with this product-- project. Come look at it. Sign off on it. We have made-- streamlined it that there is not a lot of additional effort by the communities themselves. As I said, it's self-policing. If you don't do the work, you don't-- you don't get any increment, period. It's 10 years, 10 increments. The constitution says up to 15 years so we went 10. We already, if you read the bill, we already consolidated the reporting because we understood there'd be a lot of little small projects that report from the Department of Revenue would triple. But you can consolidate it by year how many projects and then the total amount in the reporting. We could also do that with the fund. There's no problem. We could easily do that or that could be consolidated. We also-- this also follows the ownership. All right. So the contractor

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buys the house, fixes it up and sells it. It's the owner, owner of record on the deed who gets the increment, not like TIF is now when a developer comes to town and puts up 20 houses or an apartment complex, the person who rents or buys that house, there's no-- there's nothing in it for them to buy that new home. They don't get a reduction in the property taxes. Their escrow account is still high on their mortgage. The payment goes to the developer for the next 15 years or whatever. The school teacher who buys that house doesn't even know that the property taxes they paid that they thought was going to the school where they work, don't even know that their taxes is going to somebody in Kansas City or something and not to the city. This is-- follows the owner of the property. They get the increment. I'll gladly put an opt-out in there that the city can either have the project or not. If Omaha and Lincoln don't want to help redevelop their older parts of north Omaha and on 27th and Vine, or I could name a place I lived in college that hasn't improved yet-- it's still Animal House and there's college kids living in it-- but anyway, they can opt out. We'll gladly-- that's an easy fix. I thought we would help them with their-- with their extremely blighted areas. So this is a well-written bill. I think it's been well written. We had input from-- there is one thing that I told them to write, but it did-- bill writers didn't. It's up to \$250,000. If the new valuation is \$280,000 more, you only get the increment on \$250,000. The way it is written, it is written wrong. It says it has to be under \$250,000 because you can't guess that. You don't know what you're going to get done when you build a apartment complex. You might put \$800,000 in, but the assessor comes out and says it's a million and a half. Well, that isn't the developer, person who built that. We'll just say you only get paid the first million dollars increment-- the increment excess valuation is a million and half. Then you-- you don't get the extra. That is what it's meant to do. Also on your up-- on your but-for, it was made by the Legislature. That's not anywhere in the constitution. The city gets to decide by the constitution and the state put in a but-for so-- and dictated to the states, to the cities. No, it's a good bill. And small communities, they don't have economic development folks. They don't have-- hire lawyers to create plans. A little town, Wallace, I know some people volunteer at the city would gladly keep track of the applications. It would be at the city office. County would send them the increments and then they would forward it to the-- by-- by the constitution, it has to all flow through the city and you can't change that. But now this, there is no note. It's self-policing. There's no scam [INAUDIBLE] the lady from-- the attorney from Omaha said somebody

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is going to do is shoddy work. Let me tell you, if they do shoddy work, the assessor is going to come in and say, no, you didn't make a \$100,000 improvement. You made \$5,000. Your increment is \$5,000 on \$5,000. If he did really good work and you sold the house, let's say you did good work and now you sold the house. This contractor fixed it up and put \$100,000 in it. And then the assessor came out and said it's it's a \$100,000 improvement, but they sold it for one hundred and eight-- fifty thousand more, the increment then becomes \$50,000 or \$150,000 for the individual who owned the house. This thing works. It really does. It's very simple. I would not have those folks who testified in opposition design anything for me because it would make it too complicated than what it is. This is very simple. And if we-- if the-- if the legal counsel thinks we need to tweak it, I'm with them, but we need to do it. We have a crisis out there on workforce and this fixes it. It's a big piece of it. Thank you.

**HUNT:** Thank you, Senator Groene.

**GROENE:** Questions?

**HUNT:** Any questions from the committee? Seeing none, appreciate you bringing your bill here today.

**GROENE:** Thank you, Vice Chair.

**HUNT:** Have a good rest of your day. We have two letters of support for LB1021. One is from the North Platte Area Chamber and Development Corporation and one is from the Associated General Contractors-Nebraska Building Chapter. And with that I will close the hearing on LB1021 and we will go into LB801, which is a Urban Affairs Committee bill. Welcome to your Urban Affairs Committee.

**TREVOR FITZGERALD:** Good afternoon, Chairwoman Hunt, 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 LB801 on behalf of the committee. In 2018, the Legislature passed LB874, which was the product of the Urban Affairs Committee's 2017 interim study that examined issues related to the use of tax increment financing or TIF that were raised in the December 2016 report issued by the Auditor of Public Accounts. That report was issued following the auditors review of 22 separate projects by Nebraska municipalities that utilized TIF. When LB874 was passed, it represented the most significant changes to Nebraska's TIF statutes since 1997. In fact,

several sections of the Community Development Law that were amended as part of that bill had not been amended since the 1960s or 1970s. As with many bills of such a comprehensive nature-- nature, sorry, in the time since LB874 was passed, there have been a number of technical issues raised with the new language. LB801 is a cleanup bill designed to address these issues, as well as several other technical issues within the Community Development Law. First, the bill seeks to further consolidate the notice requirements under the Community Development Law into a single section of statute. LB874 moved the notice requirements into one place, but references to other materials that needed to be included with the notices were not moved at that time. LB801 moves all the remaining notice requirements into what is Section 5 of the bill and then reorganizes the entire notice section for clarity. Second, the bill clarifies the scope of the annual TIF report to the municipalities governing body that was added with LB874. While the intent of this change initially was to require an annual report on active TIF projects, the language could be interpreted as requiring an annual report on all TIF projects historically. In cases like the city of Omaha or the city of Lincoln, requiring a report on all projects historically could lead to a report of significant length. Third, the bill clarifies language regarding the reimbursement of costs included prior to the approval of the redevelopment plan. One of the issues that was identified as part of the Auditor's report was that some projects were reimbursing for expenses incurred by the developer prior to the approval of the redevelopment plan. Depending on the nature of those expenses, it could have called into question whether the project meets the, but for, test. What LB874 tried to do was identify those pre-approval expenses which were appropriate to reimburse and then prohibit reimbursement of all other pre-approval expenses. Since the new language has passed, several cities reported situations where developers have tried to claim that new language now requires the city to pay for legal fees related to those allowed pre-approval expenses. Since there may be some cases where the reimbursement of legal fees is entirely appropriate, LB801 simply adds clarifying language, saying that the new language does not require the reimbursement of legal fees for such expenses. Fourth, the bill corrects a potential issue regarding language that authorized the use of TIF funds for the construction of workforce housing. While TIF has always been utilized for things like land acquisition, site development, infrastructure, etcetera, in most cases TIF dollars are generally not able to be used for construction of the actual building. LB496, which also passed in 2018, authorized the use of TIF directly for the construction of

workforce housing, but required that prior to approving use of such use of TIF, the municipality had to meet a number of additional requirements. The concern was raised with this language is that a developer could apply for TIF but not be seeking to use TIF dollars for the actual construction of workforce housing, but-- and then inadvertently be required to meet the additional requirements from LB496. So LB801 simply clarifies that the additional hoops, so to speak, are only required if the redevelopment project expressly carries out the construction of workforce housing. Fifth, the bill makes several small clarifying changes that were missed as part of LB874. In Section 3 of the bill, the language regarding the preparation of the redevelopment plan is clarified to make it clear that a municipality may not approve redevelopment plan unless the governing body has declared the area substandard and blighted. In Section 2, the definition of authority is amended to clarify that a community development agency has the same powers of-- as a community development authority. And then finally, in Section 4 of the bill, a definition is added for substantial modification. Under the Community Development Law, if there is a substantial modification of a redevelopment plan, the municipality is required to hold new public hearings, but there's not a definition of what constitutes a substantial modification. LB801 would define a substantial modification as a change to the redevelopment plan, which materially alters or reduces existing areas or structures otherwise available for public use or access, substantially alters the use of the community redevelopment area as contemplated in the redevelopment plan, or increases the amount of added on taxes by more than 5 percent if the amount of such taxes is included as part of the redevelopment plan. After LB801 was introduced, it was discovered that the existing definition of community redevelopment area, which can be found on page five of the bill, contained a reference to a renewal project. Since renewal project is not a defined term under the Community Development Law, committee members should have had-- received a copy of AM2142, an amendment which would change the reference from renewal project to redevelopment project, which we're pretty sure is what was originally intended. There are several individuals behind me to testify, including the League of Municipalities, but I would be happy to answer any questions the committee may have at this time.

**HUNT:** Thank you, Mr. Fitzgerald. Any questions from the committee? Seeing none right now, we might have some later. First proponent for LB801. Welcome back.

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**TIM SIEH:** Thank you. Tim Sieh, assistant city attorney on behalf of the city of Lincoln. T-i-m S-i-e-h. I'm here reporting today on behalf of the city of Lincoln just to express our support for LB801. We wish to express our-- our gratitude and our appreciation to this committee for considering this bill and to legal counsel, Mr. Fitzgerald, for his work in introducing-- or putting together and introducing LB801. As he said, in 2018, the Legislature passed LB874. That bill represented a significant revision to the Community Development Law that arose out of concerns raised by a report from the State Auditor's Office. We took the-- we worked extensively on LB874. We worked with the committee to put that together. LB801 represents a follow-up to that bill. It represents a second look at the policies behind LB874 and recognizes that is often the case. The same goals and objectives could have been accomplished and written more concisely and more clearly. I see that every day, I guess, in what I do. I can always seem-- I find ways to write things better the second time quite often. So we appreciate the opportunity to do that today. With that in mind, on behalf of the city of Lincoln, I would reiterate our support for LB801 and again express our appreciation and gratitude to this committee for considering it. I'd be happy to answer any questions you might have.

**M. HANSEN:** Thank you, Mr. Sieh. Any questions from committee members? All right. Seeing none, thank you--

**TIM SIEH:** Thank you

**M. HANSEN:** --very much. And just for the record, Senator Hunt had to step out for the moment so I will take over until she gets here. With that, we will welcome up our next testifier in support of LB801. Welcome.

**DAVID LEVY:** Thank you, Senator Hansen, and members of the committee. David Levy, D-a-v-i-d L-e-v-y, in support of LB801. Baird Holm Law Firm in support of LB801 on behalf of the Nebraska Association of Commercial Property Owners. I don't have a lot to add to what's been said. This is a cleanup bill. I do want to thank the committee for all of its work two years ago on LB874 and your continuing work and patience with us on TIF day in the Urban Affairs Committee each year. You know, as somebody who practices under the Community Development Law, both on behalf of developers and on behalf of cities, I can truly say that LB801 is-- is clarifying. It is confirming. You know, the most important thing is a clear set of rules when you're-- when you're

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operating in something like the Community Development Law and LB801 makes those rules clearer without otherwise changing really the substance or the intent of the Community Development Law. So again, in that vein it's always good to have the rules be as clear as they can. I'd urge the committee to support LB801. Appreciate your time and happy to answer any questions.

**M. HANSEN:** Thank you for your testimony. Are there any questions? Seeing none, thank you.

**DAVID LEVY:** Thanks very much.

**M. HANSEN:** We'll invite up any other proponents to LB801. Hi. Welcome.

**JENNIFER TAYLOR:** Good afternoon again. My name is Jennifer Taylor, J-e-n-n-i-f-e-r T-a-y-l-o-r, and I'm assistant city attorney for the city of Omaha. And I'm here on behalf the city of Omaha in support of LB801. Mr. Sieh and Mr. Levy have been very clear about the purpose and the intent of this bill. Again, we thank Mr. Fitzgerald and the members of the committee for supporting this cleanup clarifying bill. We've worked together to raise and address these issues. As I mentioned earlier, sometimes the devil is in the details as you start to administer a program like tax increment financing and utilizing the tools available to you in the Community Development Law. You will often find that the way that you wrote something to begin with and what you intended is not exactly how it worked out. So we appreciate the committee's efforts in helping us clean up these things, making some items and issues clearer as to what the rules are for the administration of this program. And I am here to answer any questions you may have. Thank you for your support.

**HUNT:** Thank you, Ms. Taylor. Any questions from the committee? Seeing none. I did have a great time meeting your daughter at school last week.

**JENNIFER TAYLOR:** I heard all about it. She thought it was possibly the best thing that happened to her in months.

**HUNT:** She came up to me and she was like, my mom knows you. It's like awesome, a lot of your moms do.

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**JENNIFER TAYLOR:** I heard all about it. She was very excited. So thank you for making what I do way more exciting to her than she ever thought it was.

**HUNT:** Thank you for your testimony. Any other proponents for LB801? Welcome.

**CHRISTY ABRAHAM:** Senator Hunt, and members of the Urban Affairs Committee. My name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m, here representing the League of Nebraska Municipalities. What more could I possibly add? Everyone has already said it. Thank you to this committee. Thank you to Trevor for all of the work on this. We surprisingly at the League get a lot of questions that this bill is clarifying. The number one is, do I really have to include in my report every TIF project I've ever done in the history of the city? And, you know, you can say, well, that's not really the intent. And then they say, back to you, but that's not what it says. And you're like, yes, that's true. So we're very grateful, even if this bill was just that change, we're very grateful for that, but it includes lots of great things. So, thank you again to this committee and its staff for all of its work on this.

**HUNT:** Thank you, Ms. Abraham. Any questions from the committee? Seeing none, thanks for being here today.

**CHRISTY ABRAHAM:** Thank you.

**HUNT:** Any other proponents for LB801? Seeing none, anyone here in opposition? Seeing none, anyone here to testify in the neutral capacity? Seeing none. Do you want to close? No. We have no letters for the record for this bill so with that I'll close the hearing on LB801 and end this committee hearing. Thanks, everybody.