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Urban Affairs Committee February 21, 2023
Rough Draft

McKINNEY: Good afternoon, today is February 21, 2023. I am Senator Terrell McKinney. I represent District 11, north Omaha, and I'm the Chair of the Urban Affairs Committee. Before we get started, I'll ask each senator to introduce themselves starting at my right.

HARDIN: Hi, I'm Brian Hardin from District 48: Scotts Bluff, Banner, Kimball Counties.

LOWE: John Lowe: Gibbons, Shelton, and Kearney.

HUNT: Oh. I'm Megan Hunt. I represent District 8 in the northern part of midtown Omaha.

BLOOD: Good afternoon. Senator Carol Blood. I represent District 3, which is western Bellevue and eastern Papillion, Nebraska.

J. CAVANAUGH: John Cavanaugh, District 9, midtown Omaha.

McKINNEY: Our committee legal counsel is Elsa Knight, who is to my right, and to my left is our committee clerk, Raquel Dean. And our page for the day is Sophia, she is a student at UNL studying political science and prelaw. Today and before all hearings and all bills to be heard will be posted outside of the hearing room. The senator introducing the proposed legislation will present first. Senators who serve on the committee are encouraged to ask questions for clarification. That said, the presenter and those testifying are not allowed to directly question senators serving on this committee. For purposes of accuracy to the record, we ask each presenter to state your name, spell it, and state who you represent if not yourself. If you're planning to testify today, please fill out the testifier sheets that are on the table in the back of the room. Be sure to print clearly and fill out-- fill them out completely. When it's your turn to come forward, give the testifier sheet to the page or the committee clerk. And if you're testifying today on a bill, feel free to move up as, as we go through proponents, opponents, and neutral testimony. If you do not wish to testify but, but would like to indicate your position, please complete a sign-in sheet on the back, on the back table in the back. This sheet will be included in an exhibit for the record. In your Urban Affairs Committee, we use the light system to promote maximum engagement for those wishing to express their positions on proposed legislation before us. The light system will generally be five minutes with a green light, one minute with a yellow light, and with the red light you are asked to conclude. The three

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minute-- well, we don't need to do that today. We will recognize proponents, opponents, and neutral testifiers. We will also acknowledge letters received from all concerned parties. Should you have any handouts you wish to share, please share ten copies and give them to the clerk. The clerk will then distribute any handouts to the committee senators. You can also give it to the page. Following all proponent, opponent, and neutral testimony, the bill's presenter is offered the opportunity to close with final remarks. As a committee, we will work diligently to give fair and full hearings. We will make every effort to accommodate special request of assistance. At this hearing, we ask you to be respectful of the process and to one another. And lastly, please silence and turn off your phones. Thank you.

HUNT: We'll open this hearing with LB171 introduced by Senator McKinney. Senator McKinney, welcome to your Urban Affairs Committee.

McKINNEY: Thank you. Good afternoon, everyone, and Vice Chair Hunt and members of the Urban Affairs Committee. My name is Terrell McKinney, T-e-r-r-e-l-l M-c-K-i-n-n-e-y, and I represent District 11 in the Legislature. And I'm here to present LB171. As many of you probably know since 2015 a major goal of this committee has been to modernize statutes regarding numerous municipalities across the state. Last year this committee introduced LR347 to study updates and changes needed to statutes governing the Metropolitan Utilities District. LR347 will allow for a study to find out date provisions within the statutes governing the Metropolitan Utilities District. LB171 uses the information we learn to amend existing statutes, eliminating obsolete provisions, and cleaning up regulations in regards to the Metropolitan Utilities District. This bill will also make changes to the, to the MUD Board of Directors, providing that all board members shall be chosen at a statewide primary and general elections with the voters respective-- in each of the voters respective subdivisions. This is a change from current law that two board members shall be chosen at large at the time of the primary and statewide general elections and three members shall be elected at large from within the district. I would like to note that Section 2 of LB171 deems the Metropolitan-- deems this the Metropolitan Utilities District Act. And with that, I will open up myself for any questions.

HUNT: Thank you, Senator McKinney. Are there any questions from the committee? I have a question. Can you talk about the impetus for this bill? Has it been introduced before? Where did the idea come from?

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McKINNEY: It came from the LR study, LR-- it was last year, LR347, and that's where it came from.

HUNT: OK.

McKINNEY: Yep.

HUNT: OK. Thank you.

McKINNEY: No problem.

HUNT: Any other questions? Seeing none, I invite up the first proponent for LB171. Any proponents? Seeing none, opponents? Anyone opposed to LB171? Seeing none, anyone in neutral? Neutral testifiers? Seeing none, Senator McKinney, you're invited to close. Senator McKinney waives closing. That will close the thorough hearing on LB171. For this bill, we had no letters in support, opposition or neutral. And I'll turn it back over to Chairman McKinney.

McKINNEY: Thank you. And we'll hold and wait for Senator Dorn to get over here.

McKINNEY: Thank you.

DORN: OK. Did you give them the handouts already? OK. Sorry.
[INAUDIBLE]

McKINNEY: You're good. All right.

DORN: Thank you. Thank you. Good afternoon, Chairman McKinney and the rest of the Urban Affairs Committee. Apologize for that. We were just across the hall, but we thought we might be a little later or whatever, take a little longer, but. My name is Myron Dorn, M-y-r-o-n D-o-r-n, and I represent District 30. Today, this committee has the opportunity to start changing the face of rural communities across the state. I have handed out just a few pictures of buildings that are in extreme disrepair and may even-- many even caving in. These buildings are in our smallest communities in Nebraska. You have also received a PowerPoint document-- document in your shared drive that shows even more buildings from these communities. Many of these buildings have absentee or out-of-state owners who either no longer care or can no longer afford to demolish the buildings they own, but even more they create a safety hazard and an environmental hazard. Oftentimes, these buildings share a wall to, a wall to a business next door which now puts that business property at risk as well. Towns with fewer than

5,000 people in villages with populations under 800 do not have the financial ability to begin to remove these rundown businesses. This, this past fall, Senator Tom Brandt and I were invited to visit the town of Hebron and look at their community. We saw several buildings crumbling and a community who wants to demolish the buildings but do not have the money to take these buildings down. This one visit convinced me that the state needs to step in and help. My office, Senator Brandt's office, the League of Nebraska Municipalities, city administrators, and economic development people worked to develop this bill before you today. LB45 establishes the Revitalize Rural Nebraska Grant Program to be administered by the Department of Environment and Energy. The bill seeks to appropriate \$10 million for the next five fiscal years. Grants for demolished-- demolition of commercial properties would be made available to cities of the second class, which have a population between 800 and 5,000 and villages with populations between 100 and 800. If funding is still available a city of the first class, which is a city that has 5,000 and up to 100,000 population, may then apply. This bill requires that cities and villages have matching funds, whether in-kind or cash donations. Villages have a 10 percent match, second class cities have a 15 percent match, and a first class city has a match of 20 percent. The commercial properties must be owned by and lined within the boundaries of the incorporated city or village. The building has to be vacant or abandoned for six months and, and, and it will not be on the National Register of Historic Places. The demolition of the building must begin within 24 months of the grant, otherwise the grant must be returned to, to the department. Senators, these small communities and many of your districts want to keep their town beautiful, they want to maintain their commercial center no matter how small it be-- may be. These communities need their financial support to help revitalize rural Nebraska. I would ask that you advance LB45 to General File. Thank you and I would be happy to answer your question. I also want to bring up just one quick little point. When I was on the Gage County Board, city of Wymore, and the city of Wymore at that time, they had a budget-- every year in their budget they have a line in there somewhere around the \$70,000 range to take these buildings down. Well, they had used up all their budget. There was a building that had a sheriff's auction at the courthouse and when nobody bids on it, it automatically defaults to the county. So the county got to buy it. They had to pay a \$16 registration fee. They got to buy it for \$10 and three years and \$27,000 later we had the building cleaned up. So some of this cost-- this is more than four years ago, this was about six years ago, so you can imagine what some of the costs have gone to

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since then of cleaning up many of these buildings. So I'll answer questions, otherwise I know there's some more behind me that will answer more.

McKINNEY: Thank you. Are there any questions from the committee? Senator Blood.

BLOOD: Thank you, Chair McKinney. Thank you for bringing this forward, Senator Dorn. I'm actually a fan of legislation like this because, you know, we all know about the broken window theory. We all know what it does to the valuation of the properties around it and for, for economic development. So we have to keep plugging away at this. However, I have a couple of questions for you.

DORN: Good.

BLOOD: So I wanted to put it out front that I'm not picking on you at the very beginning. So the one question that I have that I'm not seeing in the bill and maybe you can point me to it is how do we prove that the, the building has been vacant or abandoned for six months? Because I can think of multiple things that happened in the city of Bellevue, like somebody goes to a nursing home for a while and they have no family so they really aren't abandoning their house but it's vacant during that, that window of time. Like what, what guardrails are put into place to protect the, the homeowner?

DORN: I don't know if we specifically listed that in the bill, but we could. But I think if you look at many of those pictures, when you look at those pictures, nobody has lived in those for six, six months.

BLOOD: No, and I'm not disagreeing.

DORN: Yeah.

BLOOD: I just want to make sure that, whatever we do, that we, we put protections in.

DORN: That we have that in there so that--

BLOOD: Right.

DORN: --we know that it's abandoned. I know we did visit about that as a group. We visited together and maybe someone with the League is going to be here and talk later and she might be able to update that.

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BLOOD: And then do you feel that the matches might be too high for the villages and the second class cities?

DORN: Come again with that.

BLOOD: Do you feel that the matches might be a bit too high for the villages and second class cities? I mean a 10 percent match for-- I mean, isn't average demolition around \$50,000? I mean, it's been a couple of years since I've been on the council, but last time I remember demolition was around \$50,000.

DORN: Yeah.

BLOOD: And so 10 percent of \$50,000--

DORN: It's \$5,000.

BLOOD: --for a city of 800 people.

DORN: You know, that could be with some of them. Then also we talked about maybe that locally they could get some grants or something like that, but to, to cover that whole \$50,000 cost that they can't do that.

BLOOD: No, no,--

DORN: Yeah. Yeah.

BLOOD: --I agree with that.

DORN: Yeah.

BLOOD: I'm saying, though, do you feel that these matches might be too high for the smaller communities is what I'm saying?

DORN: When, when we got the group together we felt very strongly, Senator Brandt and I visited with them, very strongly about needing a match in there. Now this is the numbers we came to, that can be, you know, if we can have the bill out of committee we can-- be glad to entertain or visit with you about a different level than these.

BLOOD: And I agree with you that they should have a match and they could do--

DORN: Yeah.

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BLOOD: --in-kind. They may have the equipment, they just need--

DORN: Yeah.

BLOOD: --the help or whatever, but yeah. So those are, are two of the concerns that I have.

DORN: Yeah.

BLOOD: And then the third concern is I'm just kind of fuzzy and maybe that's something we have to wait because we always talk about implementation and how we're going to know, like, what's the cutoff time between deciding whether a first class city can, can get the grant or not? So it sounds like whoever gets there first gets the money if they're a, a village or--

DORN: A city.

BLOOD: --a smaller community.

DORN: Yes.

BLOOD: But is that after a six-month period or like maybe a window of time that accept the grants or--

DORN: Oh, we'll-- we have to have Christy answer that and, and stuff.

BLOOD: All right. I'm sorry, I'm not trying to be difficult. I just--

DORN: I know--

BLOOD: --want to make sure that it's really specific--

DORN: Yes.

BLOOD: --so people don't take advantage of it.

DORN: Yes, they don't take advantage of it. And also, I know it's, it's, it's in here that if they haven't used the grant in 24 months, then it will come back into the pool or whatever, so. Yeah.

BLOOD: Yeah, I saw that. I actually would have liked to have seen a smaller window of time than 24 months.

DORN: Yeah.

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BLOOD: Because if it really needs to be torn down, it needs to be torn down.

DORN: Needs to be torn down.

BLOOD: Yeah.

DORN: Well, it sometimes-- and it depends on who you can get. Depends on the size of the project and sometimes you have to put it out for bid and all of those things. So that then delays the, delays the tearing it down over a period of time. You know, also many of these cities, yeah, they're in bad shape now or these buildings are,--

BLOOD: Right.

DORN: --but they don't want to start doing something and then with the idea that if they are asking for a grant to see if they qualify for the grant or not, so there's kind of a window of time in, in there and all of that to make sure that they don't jump the gun and, yet, they can use this grant.

BLOOD: But they don't start that window of time until they get the grant. So that's what I'm saying, maybe 24 months is too long.

DORN: Many of these, many of these, though, if they apply they're planning-- I shouldn't say planning-- they're, you know, hoping they get the grant, but they're planning on how they would accomplish that so they can get that done in a two-year time frame. There are some buildings out there that if they're shared walls, it's not just an easy job to go in and tear it down because you have to now worry about that wall coming in or out or whatever and you have to support that.

BLOOD: Yeah, we had a laundromat like that in Bellevue. I know exactly what you're talking about,--

DORN: Yeah.

BLOOD: --so.

DORN: Yeah.

BLOOD: OK. Thank you very much.

McKINNEY: Thank you. Are there any other questions? Senator Lowe.

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LOWE: Thank you, Chairman. Thank you, Myron, for bringing the bill. You say that a lot of these buildings could be owned from out-of-state entities and things like that. So does this money flow to them so that they can tear it down so this is kept within the city--

DORN: No. Part of what--

LOWE: --or community?

DORN: --part of what we talked about, and I'm not sure exactly how it's worded in the bill right now, is that the city or whatever would take ownership of that so that that money doesn't flow out to that absentee landowner or, or that property owner that lives out of state and then they don't spend the money. This is-- I think it's, it's, it's called the, the Revitalization Grant Fund or whatever through Department of Economic Development, that's where it would be administered to. So it will then go to the city, not-- it will not go to the property owner so that it gets done. We know then it gets done or whatever so that somebody that hasn't paid their taxes or somebody that doesn't care about the property-- my small town of Adams, we had a house that the roof had fallen in and it took a lawyer six years to get it through so that the city of Adams could acquire the property and take physical ownership of it and tear it down. So some of these aren't just a snap your finger and you can have it because there are statutes in places.

LOWE: Well, I'm, I'm just-- so if the person is out of state that keeps the taxes paid on it, on that piece of property, there's not much you can do on it--

DORN: Right.

LOWE: --besides--

DORN: Right.

LOWE: --offer a, a price for it--

DORN: Yes.

LOWE: --and then, then to have it torn down.

DORN: Yeah. Many of these all-- not many of these, some of these, some of these buildings all have already gone through all that tax policy where it's three years and so on out there, and then the city then

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could-- quite often nobody will bid on these properties because they don't want a, a tear down bill of \$20,000 to \$50,000 and nobody bids on them. So then as I said with what happened to Gage County, then it becomes the county's property or the city's property. I know the city of Wymore is very active in-- with their proposal of taking down some of these buildings and some of these houses. But quite frankly, they'll normally run out of money in their budget within six months.

LOWE: And I'm, I'm just thinking that maybe somebody has gotten crosswise with the city council--

DORN: OK.

LOWE: --and they-- he's got a building that is not in the best shape and, and--

DORN: Yeah.

LOWE: --has, has not been--

DORN: Yeah.

LOWE: --had a tenant for, for a year or two. I-- I'm in the real estate business, we've had places where we haven't had tenants up for a couple of years just because there's no market for it so--

DORN: So nobody's living in it.

LOWE: --so nobody's there. Is there anything to stop the city from taking somebody's property in this bill because they want that eyesore out of the way?

DORN: That we'll have to-- I know Christy here from the League is going to visit and hopefully she'll answer some of those questions.

LOWE: I'm putting it out now for them to answer but I'm asking you.

DORN: Yeah, I don't have an answer for you on that--

LOWE: OK.

DORN: --and some-- we met probably eight to ten times over this bill, Senator Brandt and I and part of the group that's going to talk here, and we sure can visit more about the bill and stuff so that we make this, as you said, so that somebody doesn't just come in-- a city

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doesn't come in and claim that or whatever and try to take it over and it shouldn't be taken over. Yeah.

LOWE: Because we're all thinking about that eyesore that everybody wants gone,--

DORN: Yeah.

LOWE: --even the owner wants gone,--

DORN: Yeah.

LOWE: --and I just want to make sure there's no--

DORN: Yeah.

LOWE: --unintended consequences.

DORN: Well, that's-- like I talked about that property in Adams, the lady lived in California and she didn't, she didn't want it.

LOWE: Yeah.

DORN: She didn't want them to tear, tear it down. So it took six years in that process to get it. Now some of these buildings I know they can get, they can get, I call it, ownership quicker and stuff. There's different processes they have to go through. But that's something we can sure visit about and hopefully include something like that. That's a good thought.

LOWE: OK. Thank you.

McKINNEY: Thank you. Senator Blood.

BLOOD: Thank you, Senator McKinney. I'm sorry, I have one last question.

DORN: No, no problem.

BLOOD: And I'm, I'm not worried about what Senator Lowe was talking about because I know that that's within city ordinances, that there's already processes put into place so that I'm not concerned about. But what about when there's, like, black mold or asbestos in the buildings, could that be included in the grant as well for taking it down?

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DORN: That, that can be. I know there are some that will probably visit a little later about that, that generally when you have a building like that, we had--

BLOOD: Right.

DORN: --the one in Wymore the county had to-- we had to have an asbestos inspection before. And the same way in Adams where they had that one-- they had to have asbestos inspected. So you have certain criteria that many of the cities know that you have to complete to get that-- to get to the point to be able to take it down. Yes.

BLOOD: And, and that can really add to the cost because the demolition--

DORN: Yes, that can add to the cost, too.

BLOOD: --so I just want to make sure that that's something that's being--

DORN: So I-- you want to make sure it's as part of the grant now--

BLOOD: Yes.

DORN: --they could use those funds for that.

BLOOD: Right, because that--

DORN: OK.

BLOOD: --can be very expensive and that can-- oftentimes, that's what precludes people from tearing down the buildings because they might be able to have the staff on hand that can actually tear it down within the municipality but they, they don't have the funds for the, the, the black mold and the asbestos coming out.

DORN: Yeah. OK.

BLOOD: OK.

DORN: That's something, too, we'll be glad to visit with and make sure we get the right wordage and stuff in here for that.

BLOOD: Thank you.

DORN: Thank you. Thank you much.

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McKINNEY: Thank you. And I just have one question. Is it just demolition or could restoration be a part? And I only access because the city of Omaha demolishes a bunch of homes in my district and those lots just sit vacant and that's an eyesore as well. So I was just thinking, if possible, you know, if you can save a building, could you restore it? So that's, that's what I was just thinking.

DORN: Oh, OK.

McKINNEY: Yeah.

DORN: In other words, if the building is in adequate shape instead of tearing it down they could now--

McKINNEY: Right.

DORN: --fix it up and, and have it as a, a part of their community.

McKINNEY: Yes.

DORN: I'm not sure that's in there either so you--

McKINNEY: OK.

DORN: --you guys are bringing up some very good questions. We thought we had a lot of, a lot of answers of a lot of things that we visited about but you always can't think of everything. But if, if not, we will make sure of that, too. Yes.

McKINNEY: OK. Thank you.

DORN: Yes.

McKINNEY: Yeah. Any other questions? Seeing none, thank you.

DORN: Thank you.

McKINNEY: We'll invite the first proponents to come testify.

JANA TIETJEN: Good afternoon. It's nice to meet all of you. I am Jana Tietjen. I am with the city of Hebron and the city clerk there. And I'll be happy to answer any of your questions at the end of some of the things even you've just addressed. Neglected, embarrassing--

McKINNEY: Can you--

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JANA TIETJEN: What, sorry?

McKINNEY: Can you spell your name?

JANA TIETJEN: Oh, sorry. I forgot. Jana, J-a-n-a, last name Tietjen, T-i-e-t-j-e-n. Sorry about that.

McKINNEY: Thank you.

JANA TIETJEN: Neglected, embarrassing, vacant, dilapidated, unattractive, awful. These are some of the words that the residents of Hebron wrote down on July 29, 2020, in a community input meeting when they were posed the question: What is the first word that comes to your mind when you think of our downtown? I remember sitting there as I was facilitating this community input meeting and I thought if this is what our own residents think of our downtown, what do potential business owners or visitors think when they come to our community? Since 2020, Hebron has been fortunate to be able to receive CDBG downtown revitalization funds to rehab the facades of 17 buildings. But these funds do not address the dilapidated, unsafe commercial structures that are adjoining them. You had mentioned earlier about the adjoining buildings and the possibility of these empty spaces. The great thing about this bill is that the city has a responsibility so you would hope that they would put something in those vacant spaces. That's not the idea to create empty spaces, we want to create economic development in our communities and this bill allows the cities to do this. Dilapidated commercial buildings are not just an issue in Hebron or Thayer County, but a statewide issue that needs to be addressed immediately. When I started the first meeting, I had no idea the stories I would hear from communities and villages of how many dilapidated buildings there are throughout the state. As you can see from the pictures, there are numerous buildings throughout the state with gaping holes, collapsing roofs, broken windows, and holes in the foundation. And then there are the buildings that look safe from the outside, but have serious structural issues identified by engineers that also pose safety concerns like steel support beams that are corroded to the point of failure or extensive rot on the ends of floor joists. I have been through almost all the buildings in Hebron from floor to the basements, and I am amazed by the condition of some of these buildings. I mean, one actually have hawks living in the upstairs from the broken windows. So we are talking about buildings that are past the point of rehab. We've looked as a city into purchasing some of these vacant buildings to do rehabilitation to them. Problem with it is the last grant, I could only get \$99,000.

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When we looked at the building and had a professional contractor look at it, they realized that the roof was a wood structure that was completely rotted out. Just to replace that roof would be over \$350,000. And that does not include the other rehabilitation that needs to be done to the building. The reason why we didn't put rehabilitation in this is because there's such a dire need, first of all, to take care of the unsafe structures in these communities. We're hoping maybe next year we could come back with a rehabilitation bill, but we need to address the safety of our communities first. There are villages that are struggling with sleeping because they don't know what to do with these villages-- or these dilapidated buildings because they don't have the funds to rehab them. If you look at the pictures on the back page, it has Hebron, but it's actually a lot of Thayer County buildings. Chester is just south of us. It's a small village of around 300 people. They have four buildings that are extremely dilapidated, as you can see, and one building is so unsafe they couldn't even get an asbestos inspector in there to give them samples. So then they have to tear down the building with the thought that the entire thing is asbestos. And when you talk about the removal of that, for example, we have two homes that we're taking down with an IMA grant. The asbestos alone was \$17,500 just for the siding on half of a house. So those costs would be included in the demolition costs with this bill. The four structures in Chester alone could cost over \$300,000 for them to demo. For a village that generates \$20,000 worth of sales tax in a year, how could you even begin to afford that?

McKINNEY: Can you-- are you finished?

JANA TIETJEN: That's-- I can--

McKINNEY: OK. Thank you.

JANA TIETJEN: --live with that.

McKINNEY: Are there any questions from committee? Senator Blood.

BLOOD: Thank you, Chair. Can you tell me what is your annual budget for Hebron? Because you have what, what, 1,400?

JANA TIETJEN: We have about 1,500--

BLOOD: 1,500--

JANA TIETJEN: --people.

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BLOOD: --citizens.

JANA TIETJEN: And with our sale tax-- sales tax, which that would generally what you would use for this type of thing, we generate about \$400,000 worth of sales tax.

BLOOD: And how many paid staff people are there at the city level?

JANA TIETJEN: We have 11.

BLOOD: So--

JANA TIETJEN: --but that's with our library and [INAUDIBLE].

BLOOD: --would you be in support of for our smaller communities in lowering the match?

JANA TIETJEN: We talked about that extensively in our meetings and, yes, I would agree. Especially after visiting with these villages, I've actually gone to some of their village board meetings to talk to them and realizing that they only generate \$20,000 worth of sales tax in a year, coming up with, you know,--

BLOOD: It sounds great if you can match it. Yeah.

JANA TIETJEN: --\$50,000 would be unbearable for them to come up with.

BLOOD: And the thing I haven't heard yet that we had Bellevue, we had trouble with squatters and, you know, people doing illegal activities in them so I'm sure it's the same in the smaller towns,--

JANA TIETJEN: Yes.

BLOOD: --people passing through and--

JANA TIETJEN: Um-hum.

BLOOD: All right.

JANA TIETJEN: Yeah.

BLOOD: So it's a safety issue as well.

JANA TIETJEN: It is. We have one building that they did take part of it off, but now there is a huge gaping hole that we're dealing with because they took it down on their own because they didn't have the

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funds to actually hire a company to come in. It is right next to our park. So there's a constant concern of kids going over there to explore and see what's in the hole and also is barricaded off because adjoining businesses cannot get to their back doors or we don't want them going through there because of, you know,--

BLOOD: Right.

JANA TIETJEN: --the hole and the safety issue, too. So then that causes a burden to the adjoining landowners that can't even get to the back of their building.

BLOOD: Thank you.

McKINNEY: Thank you. Are there any other questions? Senator Lowe.

LOWE: Thank you. And thank you, Ms. Tietjen, for coming today.

JANA TIETJEN: Thank you.

LOWE: The, the owners of these buildings--

JANA TIETJEN: Yes.

LOWE: --they're just unable to tear them down, they don't have the funds, are they local people or are they out-of-state people?

JANA TIETJEN: We have a combination. We have three absentee owners and then we have some that actually have just neglected to take care of their buildings for years. We have one that, you know, they just retired. They haven't done anything. That's the one with the wood structure roof that would need to be completely taken off. The thing I like about this bill and how we designed it is that the city does have ownership of the building. You can go through the process of the, the nuisance abatement and I would think that communities would be responsible. I know you had some concerns about, you know, if you didn't like the building owner or whatever, you wanted that property. But as you can see, the buildings that we are talking about are really in dilapidated state. And I would hope that our cities would be responsible to only take down buildings that really need to be taken down or have had an engineer come in and structurally say that it's not a sound building or it's past the point of rehab or, you know, it is a safety issue. And it's really those, those buildings, we have a couple of them that look good from the outside unless-- until you look closely. We have one that has a crack completely down the side that we

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are worried that the facade may come off of it. And we've actually had that in our community. We had a complete facade come down in a storm because of the dilapidated state of the building next to it when they were taking it down. So I really think that communities will be responsible and we have to trust our city officials.

LOWE: How's the economics in Hebron? I mean, are there businesses that want to move in--

JANA TIETJEN: We have a lot--

LOWE: --and take the place of these?

JANA TIETJEN: Yes. We actually, right now, have a list of three people that would love to have a downtown building. The problem with our buildings is, number one, they're extremely large. You know, they were built years ago. They have been neglected. The cost to try to rehab them would be tremendous. If we had the ability with LB45 to take down some of these dilapidated structures, we have people that would immediately put smaller buildings in those open spaces. We had one gentleman that actually would have come and testified and virtually was unable to because he just moved here from California, he has family members in Hebron, and he has been looking for two months for a building just to put a small office in, and there's just really nothing feasible for him. So it would definitely generate economic growth in our community.

LOWE: All right. Thank you.

McKINNEY: Thank you. Are there any other questions? Seeing none, thank you.

JANA TIETJEN: Thank you.

McKINNEY: Next proponent.

KYLE SVEC: Chairman, Senators, my name is Kyle Svec, K-y-l-e S-v-e-c. I'm the city administrator in the city of Geneva, Nebraska. I've been with the city since 2005. Like to start out by maybe trying to follow up some-- with some questions Senator Lowe and Blood had asked. And I guess my years of working as a city administrator tell me you take the wins when you can get them. And so while some properties are going to be tough to get and take a while, you're going to get some willing people that say, hey, if, if you can take it off my hands and get this thing remedied, that's what we really want to do. We just don't have

the money to do it and are very willing, others are going to be a battle. And I worked through a lot of those battles and eventually, like Senator Blood said, there are things in city code that can help you get to that point. But, you know, if you win two and don't win one for five years, that's still probably a win in the downtown of your hometown at the end of the day. To Senator Blood talking about the matches, yeah, those are hardships on a community. As they're, as they're wrote, they still could be hardships because some of these two-story buildings can-- with mitigation for asbestos, mold, all those things are going to be very costly. And there's no question matches are going to be tough for the second class cities and villages especially, even at 10 percent that's tough for some villages. So that's the ask. Certainly, as Senator Dorn said, I think there's room for any talk within that but money is tight in these communities for this type of purpose. We all know that. What I wanted to talk about a little bit more is what this really is to me, and it's economic development at the end of the day. There are things that are put in place in rural areas that help and it's like fiber. It's wonderful. You know, TIF, LB840 has been mentioned. And this-- there's other monies, housing monies, there's all sorts of things, but this LB45 fits right in with that type of thing and can work together in conjunction with these other monies because your hometowns are vital and the people have a lot of pride in them. And, and your, your administrators, your staff, your councils, everybody wants to do the right thing and everybody's handcuffed to by funds. I mean, that's just what it is at the end of the day. So getting a hold of these buildings downtown and being able to have a, a way to get rid of them is key to these communities. Young people want to move back. And I say young, what I see in my, in my area is the 30-somethings have a kid or two, and they get to that point where grandpa and grandma's babysitting service is pretty nice to have. They also want to come back to their home school, but they want jobs. And again, fiber has helped wonderfully to help that in rural areas. But they also, what I'm seeing is, somebody wants to do downtown businesses. They-- they're not against finding a shop downtown and opening up some type of business. In, in just 20 miles around Geneva, you know, there's these boutique stores that you wouldn't think would be in a town of 200 people, but they're really, really nice stores or so my wife tells me anyway. And what they do is they get together and they do these crawls where they-- they're open and they go to town, to town, to town. And you'd be amazed how many people show up to these things. And that's a great purpose for these downtown stores. And that's why another thing, I think, Senator Lowe mentioned was revitalization, I

think that's a possibility if it's not beyond repair. I think people like the historic look of some of these buildings. They don't want to see a tin building on Main Street if you don't have to have one on Main Street. But there's a point where a lot of the buildings, as the pictures you've seen, are beyond that. And those are the easy pickings, ones that those need to go because when you drive down Main Street you're just frown when you see it. Nobody wants to see that when a new teacher moves to town or a new doctor or nurse is coming to look at your-- to move into your community. And those are just the negatives right off the bat when you walk into those places. One point-- a town near us, I'll just bring quickly, is Exeter, Nebraska and it's an example of a nursing home that closed. The company closed, walked away from it, it sat vacant, of course mold, deteriorated. Eventually, it went up for tax sales. A fella out of Colorado in Denver bought it sight unseen. He thought he was getting a gem, then looked at it and saw what it really was and walked away from it again. That's leaving the village of Exeter trying to figure out what to do with a town of 600 people. I think they're struggling right now. It's a half a block of a building there. What to do with that? It's really handcuffed them financially to figure out what to do with it. So it's a real deal out in the area. You're all from rural areas and know people in rural areas or came from rural areas, it's, it's, it's a tough deal and this bill would help remedy a lot of the problems we're seeing. Thank you.

McKINNEY: Thank you. Are there any questions from the committee? Seeing none, thank you. Next proponent.

TOBIAS TEMPELMEYER: Good afternoon. I'm Tobias Tempelmeyer, T-o-b-i-a-s T-e-m-p-e-l-m-e-y-e-r. I'm the city administrator of Beatrice, Nebraska. Beatrice is a first class city, about 30 minutes south of here. And first of all, I'd like to thank everybody here for their time. I'd also like to thank Senator Dorn for introducing this bill. I think one of the questions probably out there is, is why does the government need to get involved, right, these are private businesses, why doesn't the private sector just take care of these? And I think if you look at those pictures, you can understand why the economics just do not make sense. In Lincoln or Omaha, there's probably areas where it makes economic sense to come in and revitalize some of those buildings. You can get return on your dollar. In Beatrice, Nebraska, you cannot do that. I know some numbers have been floated around about what it cost to demolish these buildings. The city of Beatrice has had the pleasure of taking down two of them. The first one we took down was \$250,000. The second one, we're in the

process of taking down, it'll be \$350,000 by the time we're done. You've got adjoining walls, you've got adjacent buildings that you need shore up, you need to hire structural engineers, you need to remove asbestos, you need to then demolish a building. And in tight quarters, you don't use equipment, you use men and crowbars. So the number of hours goes up tremendously. That is why it does not make economic sense for somebody to come in and take these buildings down and revitalize them in a small town. That's why you need to have somebody else kind of come in and help jumpstart some of those things. If you don't, the reality is time will just slowly eat that building way brick by brick and years it will sit there and be a drain on that community. So that's why I think this bill is very important. I encourage you certainly to support it. A couple of questions have been out there about the process. There's a very lengthy process that the city goes through if we're going to take the property. Obviously, as you understand, there's due process rights. Any time you're going to deprive somebody of their property, it's, it's not a short process. There's many notices that go out, many times for opportunities for hearings, that kind of stuff. And so to think that the council also would just take something away from somebody because they didn't like the individual, not likely to happen just because of the legal process behind it would probably forbid that from happening. The question about ownership, oftentimes even after a building is taken down-- in Beatrice, we don't own the building. I don't want the liability so we purposely do not take ownership of the building during demolition. After it's done, we go after and try to collect the money. But most of-- at least our two property owners have been judgment proof. The only thing they have is that building and so I'm lucky to get back thousands of dollars back on a \$300,000 bill, if I'm lucky. That's kind of been our, our experience on it so far. So I'll say that and I'm happy to answer any questions anybody might have.

McKINNEY: Thank you. Are there any questions from the committee? I have one. Of those two properties that you demolished, how long did it take before something else began to start being placed on those properties?

TOBIAS TEMPELMEYER: So the first property we took down, we got fortunate enough that the property owner next door liked to, liked to own that lot. They had a, a restaurant there and like an outdoor eatery, so they bought it, fixed it up, made an outdoor eatery, looks beautiful. If somebody were to invest \$250,000 for an outdoor eatery, probably not. But it's a nice investment in our community. The second one, we're struggling what to do with that second one. It's not quite

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finished yet. I mean, we've got to plant some grass and it'll be done, but the two buildings next to it are vacant as well, and so we're not sure what that one's going to end up being yet.

McKINNEY: OK, because that's kind of-- my second thought is we tear them down, but how soon before something else replaces it?

TOBIAS TEMPELMEYER: Right. Because when you get done, you have 20-foot wide lot by 140 feet with no parking.

McKINNEY: Yep.

TOBIAS TEMPELMEYER: I mean, it doesn't always attract a lot of people to try to build back into some of those locations. But unfortunately, if you don't do it, not only do you lose that building, but you lose the one that is next to it as it tears them down with them because of the adjoining walls.

McKINNEY: All right. Thank you.

TOBIAS TEMPELMEYER: Thank you.

McKINNEY: Any questions? No? Thanks. Other proponents?

CHRISTY ABRAHAM: Senator McKinney 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, as well as the Nebraska Economic Development Association. I just want to thank Senator Dorn and Senator Brandt for all of their work on this bill. Really, the city of Hebron and the city of Geneva got us started on this process several months ago. So we've been in meetings discussing this issue for a long time, and I certainly appreciate the senators' interest and enthusiasm about that. And as other testifiers have told you, these pictures, I think, just speak volumes. The League put out an email asking municipalities to send us some of their dilapidated commercial properties, and we had over 100 pictures sent back to us that I know Senator Dorn has provided to you. But the response was overwhelming. This is a statewide concern. It's of a huge concern to so many small municipalities out there. The Revitalize Rural Nebraska Grant Program-- and Senator Hunt, I was thinking about you, is there a cute initial-- it's like the rerun, I'm going to call it the rerun bill to try to make it a cute little acronym-- it provides \$10 million for five years. And as I said, the smallest communities really do struggle with demolition. Beatrice, in the League's opinion, is a huge municipality out there. They're a first class city. And for them to

have to spend \$350,000 to demolish a property, this is just not possible for our smallest communities, like villages and cities of the second class. I want to talk just a little bit about the bill. It talks about the requirements that the city needs to make in order to get the grant. And one of the conditions is either has to own it or it has to go through the processes outlined in 18-1722. And I just want to talk about that a little bit. That is a statute that gives municipalities the authority to demolish buildings, buildings that are owned by a private person. As, as Mr. Tempelmeyer mentioned, there is lots of case law and statutes out there about this process, and due process is absolutely required. And what does that mean? The first thing is the property owner has to have sufficient notice, but the community has concerns about their property. Second of all, you have to give them the opportunity to have a hearing in front of the village board or the city council to talk about their concerns about the property. You also have to give them-- the third thing is ample time to either demolish the property themselves or to rehabilitate it so it's not, as the statute says, a public nuisance and an unsafe structure. Those are the requirements that need to be met before a city can even think about demolishing. It has to be an unsafe structure and it has to be a public nuisance. And then you go through the due process to make sure that that property owner understands what is happening with their property and what the city is asking of them. Again, courts have consistently held that municipalities have this authority under their police power to demolish buildings. So this is a very important bill. I just can't stress it enough. We are always happy to work with this committee on issues like the match issue. This was a lot of discussion that we had about the match. We did try to soften it a little bit, Senator Blood, there's language that it has to be either cash or in-kind contributions. So I think the thought was if a municipality has some sort of, you know, equipment or labor that they can do that can count toward their match, it doesn't all necessarily have to be in cash. And the issue of determining when a property is vacant, I, I understand that can be difficult. There are lots of determinations that need to be made before a building is demolished. As I've mentioned, all the due process, plus, you can look at things like has the utilities been shut off for, you know, a long period of time. So we think there are enough parameters in this bill where you're not going to have a situation where you're going to demolish a property where someone has just gone to Florida for six months or they've moved into a nursing home or something like that, that these are truly the worst of the worst. And with that, I'm happy

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to answer any questions that you might have. Thank you for your time today.

McKINNEY: Thank you. Are there any questions from committee? Senator Lowe.

LOWE: Thank you. And thank you, Ms. Abraham.

CHRISTY ABRAHAM: Yes.

LOWE: You always answer my question, so.

CHRISTY ABRAHAM: Senator Lowe, you're welcome, any time.

LOWE: The, the public nuisance and public safety, is that in statute somewhere, a description of both of those? So that if a city decides to just declare something a public nuisance, it doesn't vary from another city to another city or--

CHRISTY ABRAHAM: That's a--

LOWE: --how do we know what is a public nuisance and--

CHRISTY ABRAHAM: Sure, that's a great question. That's a great question. The statute 18-7020 [SIC] is the statute that gives municipalities broad authority to determine what is a public nuisance. So within each municipalities' ordinances and code, they outline what they consider to be a nuisance. What might be a nuisance in Omaha, it may not be in Ansley, Nebraska. So the statutes give some flexibility for municipalities to determine what is a nuisance in their community. I think there's a lot of things that are similar, Senator Lowe. I mean, things that you and I would think of as being a nuisance, they're going to be pretty consistent across municipalities. But the statutes do allow some flexibility.

LOWE: It seems very broad.

CHRISTY ABRAHAM: The authority is very broad. It is. Yes, that's true. But if you're looking for specifics, Senator Lowe, the specifics are in the city code themselves. That's where you'll find the specifics. Yep.

LOWE: All right. Thank you very much.

CHRISTY ABRAHAM: No, thank you.

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McKINNEY: Thank you. Are there any other questions? Senator Hardin.

HARDIN: Are multiple quotes taken on these bids for the demolition of buildings and so on and so forth? Would you know what's required in that way?

CHRISTY ABRAHAM: That is a great question. And, you know, Mr. Tempelmeyer would have been great at answering that question for you. But I'm just going to pretend I'm Tobias and try to answer that. Yes, typically, that is how the bidding process works, is that you put bids out and then you look for the lowest responsible bidder who's able to do that work for you.

HARDIN: And can I ask a follow up, Mr. Chairman? And forgive me for not asking Mr. Tempelmeyer.

CHRISTY ABRAHAM: Oh, yeah, no, it's OK.

HARDIN: Sometimes the lowest bid is not a good bid.

CHRISTY ABRAHAM: Right. And that's why we try to use the criteria lowest responsible bid--

HARDIN: OK.

CHRISTY ABRAHAM: --because, obviously, the municipality wants to hire someone who's going to do the job correctly and on time and all of those things meet all the requirements that they might have.

HARDIN: Thank you.

CHRISTY ABRAHAM: You're welcome.

McKINNEY: Thank you. Are there any other questions? Seeing none, thank you for your testimony.

CHRISTY ABRAHAM: Thanks so much, Senator.

McKINNEY: Next proponent.

DON WESELY: Mr. Chairman, members of the Urban Affairs Committee, for the record, my name is Don Wesely, D-o-n W-e-s-e-l-y. I am here as the lobbyist for the greater Nebraska cities. Those cities are Grand Island, Kearney, Hastings, Lexington, and Holdrege, all of which are first class cities, but also include Aurora and Minden, who are second class cities. This problem of dilapidated properties is statewide, and

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it doesn't matter what size. I can tell you when I was mayor of Lincoln we had some terrible problems with commercial properties and owners that have an interest in that property just not wanting to do anything to work with us or to take care of the property and we have resources and we couldn't deal with it. These second class and village-- second class cities and villages and even the first class cities, it's even harder for them. But this is a statewide problem. We've been talking about this for years, trying to figure out how to take down some of these properties because, yeah, it'd be great to revitalize quickly, but sometimes the other property is right next to them, the whole downtown can be affected by that blighted property that nobody takes care of. So this is a very important bill. It'll, it'll be used wisely. It will help towns across Nebraska and we support it and hope you will advance the bill. Thank you.

McKINNEY: Thank you. Are there any questions? Seeing none, thanks.

DON WESELY: Thank you.

McKINNEY: Other proponents?

DEXTER SCHRODT: Chairman McKinney, members of the committee, my name is Dexter Shrodt, D-e-x-t-e-r S-c-h-r-o-d-t. I'm president and CEO of the Nebraska Independent Community Bankers Association, a trade association made exclusively of community banks around the state. I'm not going to take too much more of your time. Like I said, our bankers are in their communities. They're often involved in these economic development decisions. And I was glad to see Hebron here, one of my board members is actually a community banker in Hebron. And they're a perfect example of a city that's trying the hardest they can to succeed. So when I flagged this for my members, it was quite clear, as you heard from Mr. Wesely, this has been a, a problem for some time, and our bankers recognize it and they understand the impact it has on the rest of the community as a whole, specifically the business community. So we would ask for your support and we, we thank Senator Dorn for bringing this bill.

McKINNEY: Thank you. Are there any questions from the committee? Seeing none, thanks. Other proponents?

JAY FERRIS: Good afternoon, Chairman McKinney and members of the Urban Affairs Committee. My name is Jay Ferris. That is J-a-y F-e-r-r-i-s. I'm here today on behalf of Nebraska Farm Bureau, Nebraska Corn Growers Association, the Nebraska Pork Producers Association, and the

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Nebraska Soybean Association in support of LB45, which establishes the Revitalization [SIC] Rural Nebraska Grant Program and fund with the Nebraska Department of Environment and Energy. The organizations that I'm representing, we support programs that assist in the transfer of Main Street businesses from older to younger generations in rural Nebraska. We also support policies that encourage legislation and economic development incentives for meaningful and supportive economic development programs to encourage and promote the creation and expansions-- expansion of entrepreneurialism, micro-business and agriculture-related enterprises and diversification in Nebraska in an effort to reverse population workforce loss in rural areas. If we are intent on strengthening our rural economies by helping small rural communities enhance their appeal for younger generations to stay in or come back to rural Nebraska, this should be a priority. We urge the committee to advance LB45 to General File and thank you for consideration of, of our perspective and I'd be happy to answer any questions and also like to thank Senator Dorn for bringing this legislation forward.

McKINNEY: Thank you. Are there any questions from the committee? None, thank you.

JAY FERRIS: Yep.

McKINNEY: Are there any other proponents? Are there any opponents? Anybody here to testify in the neutral? None, Senator Dorn, you can come back up and close. And for the record on LB45, there are 28 proponents, zero opponents, and one neutral.

DORN: Thank you. Thank you. Thank you. Thank you for the committee for taking the time to be a part of this. But I also want to make sure if we're going to have somebody else credit, Senator Brandt was also a vital part of this. He was the one that they originally contacted to, to visit with about this. And he invited me along and little did I know what I was getting into or whatever. But I want to, want to thank many of the people that testified here today, they were part of this committee or this group that we had, also very much the League, because it's really helpful to have Christy along to give the legal aspect of this, because many of these things we don't know or understand until you have somebody like John there that can-- Senator Cavanaugh that can look through those or understand those. Very important, many of these buildings are over 100 years old, they're beyond, beyond repair and, yet, there is not funds there to tear them down or get rid of them. And it's an eyesore for the community and

when people come to look at the community, that's one of the things they see. Many times they look at the school, they look at the businesses, they look at things, like, the hospital to decide if they're coming there. This is one of the things that has them not come there or whatever. So thank you very much for the committee. Glad to work with you or help. Some of the questions have been great to-- so if we need to clarify something or whatever, make it that way. So thank you much.

McKINNEY: Thank you. Are there any questions? None, thank you.

DORN: Thank you.

HUNT: Next, I'll open the hearing on LB224 introduced by Senator McKinney. Senator McKinney, you're recognized to open.

McKINNEY: Thank you, Vice Chair Hunt and members of the Urban Affairs Committee. My name is Terrell McKinney, T-e-r-r-e-l-l M-c-K-i-n-n-e-y, and I represent District 11, which is north Omaha. And I'm here today to present LB224. LB224 creates the Aid to Municipalities Act setting aside money for grants that will pay for infrastructure projects within municipalities. If passed, LB224 will set aside \$15 million every fiscal year towards these grants. The funds will be limited for the use for construction or bonds related to projects within a municipality. Any municipality in the state will be able to apply for a grant through the Aid to Municipalities Act by applying through the Department of Economic Development. LB224 outlines the application process and needs in Section 4. As a little background between 1982 and 2011, the state maintained an aid to municipalities program which distributed state aid to municipalities based on a statutory formula. During a budget crunch in 2011, the program was eliminated. Historically, the aid to municipality program appropriated between \$10 million and \$8 million on an annual basis. However, unlike the previous aid to municipalities program, this bill would not act as a direct state-aid program, but instead be a grant-based program. I think it's important-- it's an important issue to examine and I appreciate your time. And with that, I'll answer any questions.

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

McKINNEY: Thank you.

HUNT: Any proponents for LB224? Welcome to your Urban Affairs Committee.

TOM OURADA: Good afternoon, Senators. My name is Tom Ourada, T-o-m O-u-r-a-d-a. I'm the city administrator in Crete. I'm just south of here, southwest. Crete is a first class city of 7,600 residents that has a university, several large industries, and a blue-collar workforce. So with that, I would like to take the opportunity to thank Senator McKinney for introducing LB224 and voice our support for LB224. Our median family income is fairly low compared with other communities. Many of the high-wage earners live outside of Crete, primarily in Lincoln. As a result, our property values are fairly low, comparatively speaking. In fact, compared to another first class city nearby, their total taxable property valuation is nearly double Crete's. Our budget is constantly a balance of maintaining resident affordability while trying to provide expected services and maintaining compliance with local state and federal regulations. We look for grants and aid programs whenever we can find them. We recently completed a wastewater facility costing \$14 million. About one-fifth was grant, the rest was loan. The construction was necessary to stay in compliance with NDEE regulations. We also recently annexed a property to the west of Crete. I would like to say that we planned this, but it was not by choice. While it was not in city limits, it was a property that was out of compliance with NDEE regulations and was under administrative order. One of the options given was to allow the city to reduce our local regulations, along with state regulations for proximity of a septic field within the limits of a potable water well. The city council did not want to reduce our standards and voted unanimously not to alter our regulations. So the least worst option was to annex the property and extend city services to the area. We decided to annex that and other-- several other platted properties knowing that we could use our ARPA money on it. Over half of our federal funds went to pay for the sewer extension to the area to be annexed. We had not planned to do this and that is where our federal money went. Right now we're contending with another annexation issue but this is on our east side. There are two properties that have requested annexation. There are seven others that should be enacted in order to accomplish sewer service to that area. Some of them already have water and electric service so basically they're enjoying most of the services without paying city property taxes. Some of these properties are surrounded by the city on three sides. We would need to construct a large sewer lift station and force main in order to serve this area, which explains why it was not done in the past. Our

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preliminary estimate for limited access sewer is over \$1.9 million. The seven other property owners are afraid they're going to be asked to pay for the cost of this. It could be said that if it's not-- it is not constructed until needed, but one failed septic system would necessitate construction. Our comprehensive plan indicated that we should consider annexing this area back in 2014, but without a funding source, the city can't grow and that's the reason why it was never done. We investigated state revolving fund availability and we're not terribly excited about it since very little of it is grant and most will involve payments, keeping in mind that we're already paying off over \$11 million for the US-- to the USDA for our wastewater plant. While this challenge sounds unique, we constantly have more infrastructure projects that we have to contend with. And to a point, we've been successful. In the last few years, we've had to replace three bridges within city limits, rebuild one sewage lift station, and built two new lift stations. I don't see how a community like [INAUDIBLE] could afford to grow and attract residents without the type of LB-- aid that LB224 would offer. Thank you for your time. I would answer any questions.

HUNT: Thank you for coming today, sir. Any questions from the committee? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Vice Chair. Thank you for being here. So that story you told about these folks, so they're outside the city limits and they're in violation of NDEE. And did NDEE tell the city they had to lower their standards or provide service?

TOM OURADA: Yes.

J. CAVANAUGH: Is there an explanation for that?

TOM OURADA: They're in our zoning jurisdiction, they're not in our city limits so they had other alternatives like abandon the property which was not feasible for them. And since we knew that we had ARPA money, we chose to spend the ARPA money to help them and seven other residents.

J. CAVANAUGH: OK, so they're in your zoning jurisdiction so could you require anybody in your zoning jurisdiction to build sewers up to the code for when they're connected to the city then?

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TOM OURADA: Well, there was-- they had a septic system, so there were no sewer mains to the area. So we connected-- or we extended the sewer system to the area for them to connect to.

J. CAVANAUGH: But I'm asking prospectively in the future if somebody that's in your zoning jurisdiction, can you require that they have city standard sewer?

TOM OURADA: No, not unless they're in city limits.

J. CAVANAUGH: OK. Thank you.

HUNT: Thank you, Senator Cavanaugh. Any other questions? Seeing none, thanks for your time today.

TOM OURADA: Thank you.

HUNT: Thanks for answering questions. Next proponent for LB224. Welcome.

MARK STURMSMA: Good afternoon. Members of the Urban Affairs Committee, thank you for this opportunity to speak in support of LB224. My name is Mark Stursma, and that's spelled M-a-r-k S-t-u-r-s-m-a. I'm the deputy administrator of community development for the city of Papillion. I work for the city of Papillion in either the planning department or recently in administration for the last 19 years, and I've been working as a city planner for nearly 30 years. Tom did a good job of, of talking about some of the challenges of dealing with infrastructure. I'm going to talk mostly about economic development. I appear, I appear before you today on behalf of the city of Papillion, on behalf of first class cities at the request of the League of Nebraska Municipalities, and also on behalf of the United Cities of Sarpy County, which includes Bellevue, Papillion, Springfield, La Vista, and Gretna. Infrastructure is quite simply the key to economic development. Development cannot occur without adequate infrastructure, the cost of which whether borne as a public or private expense often determines whether or not a development or redevelopment proceeds. In my experience with rapid growth in Papillion, access to infrastructure is the key predictor of where development will occur and, and if development will occur. This bill will be a benefit to all communities in Nebraska because it increases opportunity for cities to create more attractive economic environments for private development. For these reasons and more, we respectfully ask that you advance LB224. I'd like to thank Senator McKinney for introducing this bill and thank each of

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you for your consideration. And with that, I'd be happy to answer any questions.

HUNT: Thank you, Mr. Stursma. Any questions from the committee?
Senator Lowe.

LOWE: Thank you, Vice Chair. Thank you, Mr. Stursma, for being here. I'm going to really grill you today. No, I don't have any questions.

MARK STURSMASMA: I was looking forward--

HUNT: Thank you.

MARK STURSMASMA: --to a question, Senator Lowe.

HUNT: I was too.

MARK STURSMASMA: You always ask smart questions.

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

MARK STURSMASMA: Thank you.

HUNT: Next proponent for LB224.

RICK HOPPE: Good afternoon, Senators. I'm Rick Hoppe, R-i-c-k H-o-p-p-e. I am the city administrator for the city of Ralston. Thank you for the opportunity to be here today, and thank you, Senator McKinney, McKinney, excuse me, for bringing forward LB600 [SIC--LB224]. I want to talk about a phase of what some of our communities are facing in terms of infrastructure that I think it's important to keep in mind. We tend to think of infrastructure as assets, and when you're planning a new economic development project or solving a traffic problem, they certainly are. But the day they're built is the day they become liabilities. And in the case of sewers, that couldn't be more true. Right now, I can tell you that there isn't a city in this state that isn't facing some sort of major liability with their sewer system. Sewers tend to have been put in the ground when ground was vacant, sometimes 80, 90 years ago. And we aren't thought about very often because records are pretty scarce from periods that are decades past. Let me tell you about a situation that was specific to Ralston that I think is emblematic of communities across Nebraska. We had a sewer break about-- oh, about a month ago that led to some pretty serious backups in, in basements in a number

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of, a number of households in our community. We had the engineers go out. The patch itself was a couple hundred thousand dollars, about \$200,000 just to maintain service. And it's vital because it was kind of an intersection of sewer mains, i.e. sewers don't just stay internal, particularly in the metro. They flow and other places. So this impacted Omaha as well as our neighbors in Sarpy County. Unfortunately, that \$200,000 was a Band-Aid. The real fix when the engineers came in and were able to televise it is \$3-\$5 million. That's a tall order for a community with a \$4.2 million general fund. I think a lot of you might be asking, OK, well, you charge for sewer bills. Certainly that can be a source of revenue to solve some of these problems. And certainly we would tell you we would be glad to do that. But just to understand the scope, we take in about \$1.2 million a year from our sewer bills for our residents. The estimated bonding annual payment for fixing this problem is going to be about \$400,000. So you can see that about a third, that would increase the, the amount of money that we're bringing in by about a third and that would mean on residential bills that you'd see a third to a half increase on those bills. A fairly significant thing to put on a bill for 20 years down the line. I can assure you that our experience is not unique. I worked in Lincoln for quite a while and sewers, while, while the administration did a great job of trying to keep up, they are just old enough that that community even faced tremendous challenges in keeping up there. So we want to really emphasize LB600 [SIC--LB224] is a fantastic solution in part because it does keep the focus on the types of infrastructure I think are most problematic for communities away from roads and more towards sewer, water, and other forms of infrastructure. And it isn't going to solve the problem in and of by itself, but it would give us a fighting chance. If we could get a grant and then rely on some other sources of revenue, I think a number of communities would be able to deal with these problems in the future. Thank you.

HUNT: Thank you, sir. Any questions from committee? Seeing none, thank you for being here today. Next proponent for LB224. Welcome.

WARD F. HOPPE: My name is Ward F. Hoppe, W-a-r-d F. H-o-p-p-e. I have a construction company and a development company. We build workforce and affordable housing, and that's kind of a specialized niche in the construction industries and in providing housing across Nebraska. And I just have a simple message in conjunction in support of LB224, we can't build unless we have service sites to build on. And when I say service sites, I mean we have to have sewer, we have to have water, and we have to have infrastructure. It would seem to me that this bill

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is intended to provide ways for communities to, to finance those-- that infrastructure. And if we want more affordable housing across the state, seems to me this is a pretty important bill to pass. Simply, I'd answer any questions. We're a lot of places in the state and every one of them where we build, the infrastructure is an issue.

HUNT: Thank you, sir, for coming today. Any questions from the committee? Seeing none, thank you very much. Good afternoon.

LYNN REX: Good afternoon, Senator Hunt, members of the committee. My name is Lynn Rex, L-y-n-n R-e-x. First of all, I would really like to appreciate the fact and thank Senator McKinney for introducing LB224. I'm testifying today on behalf of the League of Nebraska Municipalities, as well as the Nebraska Economic Development Association. Lance Hedquist, the city administrator of South Sioux City, said that he had to get, had to get back to another meeting so I regret that he was here but had to leave. I'd like to talk to you about a few things today. It would be separate and distinct from what's being presented already. The handout that you have is a handout of the cuts over a period of years of aid to municipalities. That will be the three programs: the generic state aid to municipalities, which was totally eliminated in 2011 with passage of LB383; also, the Municipal Infrastructure Redevelopment Fund, which we affectionately called MIRF at the time, which is extremely important; and also municipal equalization funds, which are very, very important. Each and every time, the Nebraska Legislature said to us, look, and not just to cities, to counties and NRDs, if you look at this and you look the last page tells it all, which is everything is pretty much eliminated. So essentially what you will see is that when you go back through the transcripts of the legislative history, the Legislature said, look, just hang in with us political subdivisions, because when our economy recovers, we'll be here to help you back, we'll be here to help restore those cuts. Not once, not ever were those cuts restored for cities and villages in the state of Nebraska. In addition, I'd like to give you just a quick, a very quick overview of what is, quote, state aid. Former Senator Heath Mello told me once, he said he had no idea that it was based on basically two or three legislative bills only. He thought this was sort of a gift that the State Legislature had. He had some extra money. So he decided, well, we'll just have state aid to municipalities. That's not what it was. So let me give you just a very brief overview. In 1967, the Legislature passed a bill to eliminate and have an exemption for household goods and intangibles. They put together the governmental subdivision fund, \$12.6 million. In 1972, the Legislature embarked on an effort to eliminate three exemptions.

And I won't go into the fact that those exemptions were legitimate at the time and still are and there's been some modification. Those three exemptions in 1972 for a 5/8 exemption over a period of years for livestock, farm, farm equipment, and business inventory. In 1977, the Legislature passed LB518, which is the remaining 3/8 of that totally exempting livestock farm equipment, business inventory. And so you say, well, what does that matter? When those bills were implemented on day one, local governments across the state lost \$250 million, not in valuation, in actual dollars. So if you extrapolate what that would be today, just those three exemptions, that gives you some idea of why we're in a position here where basically there's been a tremendous shift over to residential homeowners to be blunt. I was a law clerk at the time, and I was there only to take minutes in meetings and notes. And what I can tell you is that Senator John DeCamp, Senator Loren Schmidt, the new car dealer representatives, the business inventory folks, and other businesses across the state, and rightfully so, were saying, look, we have to compete with surrounding states. The farm folks were saying that, too, we have to compete and so we need this. But we're going to give you a dollar-for-dollar reimbursement. That would have been in 1977, \$250, then-- million, \$250 million, not to a \$250. Then Governor Exon said, that's great, but guess what? We can't afford that. So he put a \$70 million cap on it. By 1980, the Legislature then merged those two funds, the governmental subdivision fund of \$12.6 million with a \$70 million cap with the other one for a \$82.6 million appropriation, which the Legislature called the local government fund, which they passed in 1980. By 1982, after the Nebraska Supreme Court repeatedly had said to the Nebraska Legislature, it's a frozen class, it's unconstitutional because you didn't keep an indicator on those valuations and so you can't rely on the 1977 valuations. And then John DeCamp said, OK, at this point we're going to call it state aid. That is what you hear when you hear state aid to municipalities, state aid to counties, state aid to NRDs. It's based on that diatribe. So what I just underscore for you is just the importance of what this bill is, because the infrastructure needs in this state are so huge and so important. And we really appreciate Senator McKinney introducing this bill. We encourage you to advance this bill. It's a grants program. Our state aid to municipalities when fully funded was \$17.9 million. A totally inadequate, inadequate reimbursement, frankly, for those three exemptions of livestock, farm equipment, and business inventory. But again, those exemptions, we understand why those were legitimate and the sales tax on farm equipment was since changed. So with that, I'm happy to answer any

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questions that you might have and appreciate your time today and your consideration of this extremely important bill.

HUNT: Thank you, Ms. Rex, and thanks for that history lesson of this legislation and this funding in the Legislature. I'm so grateful that there are people like you who remember this stuff so that we can learn from it and, you know, carry it forward. But are there any questions from the committee? Senator Lowe.

LOWE: Thank you, Vice Chair. Thank you, Ms. Rex, for being here. There's no cap on this, is there?

LYNN REX: I'm sorry?

LOWE: There's no cap on this?

LYNN REX: Yes, it's, it's \$15 million annually and their grants.

LOWE: And the grants.

LYNN REX: Their grants.

LOWE: OK.

LYNN REX: And the grant cannot exceed \$5 million.

LOWE: OK.

LYNN REX: And you can see from today, the, the, the need out there is huge.

LOWE: OK.

LYNN REX: And so anything and everything that you can do is so critically important.

LOWE: \$15 million per grant?

LYNN REX: No, \$15 million annually.

LOWE: Annually.

LYNN REX: This bill would authorize \$15 million annually.

LOWE: For everything? [INAUDIBLE]

LYNN REX: Well, yes, we understand it's a beginning. Senator John Stinner, you know, former Senator John Stinner, Chair of the Appropriations Committee in his later years, he introduced LB663 when-- the first year that he was in. It was to try to start reinstating state aid to municipalities because he could see what was happening in Gering and Scottsbluff in his area, which is basically profound lack of funding coming from the state. Once you pass certain bills this year depending upon where you move up in the-- where the state of Nebraska would move up in the pecking order of state aid to education, I will tell you that when it comes to state aid to municipalities, the state of Nebraska is at the bottom of that list. I think, I think it's Mississippi, maybe, and Alabama that are lower than us in terms of the amount of money that the legislatures have given back over the years when there have been-- and these are legitimate exemptions for property tax. But when you don't reimburse those and replace that, you take a base like this and you reduce it to this. And right in here, residential homeowners.

LOWE: I have not been here that long, just seven years, which seems like forever sometimes. The-- when we first got here, we were in desperate need of money and we were robbing from everything. We were cutting everything. Is there any concern of us getting out of this period of, of money that we have rolling in right now to a time period of when we had no money, that we will cut this out again?

LYNN REX: Well, I think it's always-- Senator, that's a, that's a really good question, there's always that consideration but I do think it's always better to do something than nothing. And by the way, your point underscores why the League of Nebraska Municipalities has opposed term limits. And this, too, Senator Megan Hunt's point, I mean, when you look at the institutional memory and when you have loss of staff, loss of senators, you should never be in a position, frankly, where you're relying on the lobby for your sole source of information. I mean, we want to be the first one at your doorstep providing accurate information. But, you know, I really appreciate all the time and effort all of you put in and the fact that you're subsidizing the state of Nebraska by your service alone. So to your point, though, I do think that, yes, there may be a point down the road. I'm sure there will be. It's cyclical. So there will be a time when the State Legislature will have to cut back on the amount of funding for various things, depending upon when that is. But it seems to us that there ought to be at least a true effort now that you do have some funds that would be available for this to be of assistance, because our mantra has always been economic development. Obviously,

agriculture is a huge driver, the driver in this state, the University of Nebraska system, state colleges, metro community colleges and other community colleges, a huge economic driver. But please make no mistake, economic development happens in and around municipalities because that is where the infrastructure is. That is where the workforce is. And so anything you can do to help us, we would just be most appreciative.

LOWE: Thank you very much.

LYNN REX: Thank you very much for the question.

HUNT: Thank you, Senator Lowe. Any other questions from the committee? Seeing none, thank you, Ms. Rex, for being here.

LYNN REX: Thank you so much for your courtesy. Thank you.

HUNT: Next proponent LB224. Welcome.

ERIC GERRARD: Thanks, Vice Chair Hunt, members of the Urban Affairs Committee. My name is Eric Gerrard. That's E-r-i-c, last name is G-e-r-r-a-r-d. I'm here on behalf of the city of Lincoln in support of LB224. We thank Senator McKinney for, for bringing this bill. I think I was here testifying two years ago when it was brought by the previous Urban Affairs Chair. I'll be brief. The individuals who went ahead of me did a nice job laying out the importance of this bill. I do think as legislators you're grappling with this idea of how do we recruit and retain both businesses and individuals. I do think infrastructure is an important part of that. I'll give you a brief example. I moved to Chicago right when I graduated from the University of Nebraska. I'm not going to tell you I sat there and googled, does Chicago have good infrastructure? But one of the things I looked at was that they had transportation in place, and some of the amenities that are listed in this bill was a factor in moving there. So I don't want to be hyperbolic, but I do think it really is a factor that could help, help cities. To Senator Lowe's question, I think it's a, it's a fair question what happens in times where maybe revenue is in a different place than it is this year? I think that's why the way it's drafted as a grant, grant process makes sense. That way cities don't become necessarily reliant on that. We have-- we as the city of Lincoln have to prove that we, we need this or that we can expend the dollars, but we don't become reliant on it year to year so that would be my attempt to answer your question, Senator Lowe. With that, I will close my testimony and answer any questions you may have. Thank you.

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HUNT: Thank you, Mr. Gerrard. Any questions from the committee? Seeing none, thanks for being here today.

ERIC GERRARD: Thank you.

HUNT: Next proponent. Welcome back.

DON WESELY: Nice to see you, Vice Chair Hunt and members of the Urban Affairs Committee. For the record, my name is Don Wesely, W-e-s-e-l-y, D-o-n. I'm here again representing the greater Nebraska cities: Grand Island, Kearney, Hastings, Lexington, Holdrege, Aurora, and Minden. We are here and support. You heard a great history of-- from Lynn Rex, who predates me even, and my start at the Legislature in 1979. The legislation she talked about was a few years before that, but we did have municipal aid for-- from 1982, we did, did enact that until 2011. And then in the crisis after the 2008 meltdown, we had terrible sessions and ended up cutting a lot of things. But there was the promise to reinstate it someday. Well, this may be that someday because it's necessary. Having had some experience at the municipal level, investment in infrastructure is the key. We saw time and again if you, you put in the, the sewer system, housing will follow. If you put in the roads, commercial will follow. I mean, infrastructure is the first step in, in revitalizing any city, any community in the state of Nebraska. The last bill, LB45, was to clean up the past, LB224 is to build for the future. So we ask your support for the bill.

HUNT: Thank you, Mr. Wesely. Any questions from the committee? Seeing none, thank you for being here.

DON WESELY: Thank you.

HUNT: Next proponent for LB224. Welcome back.

JACK CHELOHA: Good afternoon, Senator Hunt and members of the committee. My name is Jack Cheloha. That's J-a-c-k, last name is C-h-e-l-o-h-a. I'm the lobbyist for the city of Omaha and I want to testify in favor of LB224 this afternoon. And likewise, I'd like to thank Senator McKinney for bringing the bill. We certainly appreciate that. The city of Omaha was incorporated in 1857 right before the Civil War, so a lot of our infrastructure is pretty old and it's been around a long time. We have roughly about 500,000 people that reside within the city limits. Those citizens require services and in order to provide those services, we need a good infrastructure to deliver fire protection, police protection, parks, sewer system that you've

heard about a lot today, etcetera. The city of Omaha right now is undergoing a federal mandate where we're required to separate our sanitary sewers from our storm sewers on the eastern half of the city, that's roughly 72nd Street to the east side of the Missouri River. In order to undergo and, and take care of this federal mandate, it's roughly \$2 billion to separate the system and build a new system. With that, we've applied for numerous grants within the federal government and also the, the state government. But in order to pay for the bulk of it, we've had to increase our sewer use fees on our constituents dramatically. Additionally, there's a study in the metro area that was performed by the Metro Area Planning Authority [SIC] relative to transportation and I think what that is surface transportation they're talking about. And this study, it's dated now so the numbers have probably gone up but even roughly five years ago, the number for Omaha street improvements alone was \$500 million. We've let some bonds to help improve our city's streets, but not to the level of \$500 million. It's just, just not a number that our consti-- our citizens can afford at this point in time. So we think based on the history of state aid and the cities being a willing partner to the state when the state had tough economic times, you know, we suffered the cuts and ultimately the flat out elimination of it. So now that maybe there's a chance that it could be reinstated, we think the time is proper and appropriate and it'd be nice to start off with this grant system within LB224. I'll try to answer any questions.

HUNT: Thank you, Mr. Cheloha. Any questions from the committee? Seeing none,--

JACK CHELOHA: Thank you.

HUNT: --thanks very much. Next proponent to LB224.

BRUCE BOYER: Vice Chair Hunt and members of the committee, I'm Bruce Boyer. I work for the Lincoln Chamber of Commerce as executive VP and general counsel. I'm here on behalf of the Lincoln Chamber to support LB244 [SIC--LB224]. I will be honest, I didn't expect to come up and testify today. I'm here really for the housing bills after this. But after hearing from several friends and colleagues that I've worked with over the years, you know, on infrastructure projects and infrastructure really is economic development. And some of the history, I was just happy to hear the history lesson that Ms. Rex gave us all, and I was happy that I remembered the MIRF Fund. But it really is, I think, appropriate that I come in and, and support this, our, our chamber adopts local, state, and federal agendas and

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infrastructure investment is always on it and infrastructure investment and, and finding more money locally for that is something that we've done here recently and it's not easy. But I really do think kind of in line with the comment that Mr. Cheloha just made, it would be really nice to have the state as a partner in this growth and development again, and I think the time is right to do that. So I also want to add our thanks to Senator McKinney for reestablishing this conversation. It's a very important conversation. I hope you do advance this bill from committee and, and we have full debate on it in the Legislature. I'd be happy to answer any questions you might have.

HUNT: Thank you, Bruce. Any questions from the committee? Seeing none,--

BRUCE BOYER: Thank you.

HUNT: --thank you very much. Any more proponents for LB224? Seeing none, I'll invite up any opponents, opponents for LB224. Seeing none, anyone here to testify in neutral capacity? Seeing none, Senator McKinney, I'll invite you up to close. On this bill, LB45, we had 28 proponent letters, zero opposition, and one letter in neutral capacity. Oh, my bad, that's the last one. You're right. Thank you to our committee counsel for correcting me. LB224 had one proponent, no opposition, zero neutral. Thank you.

McKINNEY: Thank you. And thank you for those who came to testify in support of LB224. I think it's a great bill. I think anything we could do as a Legislature to assist our municipalities in, you know, taking care of, like, some infrastructure things especially when we have conversations about growing a state and then currently now we have some money to, to, to make those investments I think we should and I know down the line we might-- we may have to make some tough decisions. But I think while, while we can, we should support our municipalities as much as possible. Thank you.

HUNT: Thank you, Chairman McKinney. Any questions? Seeing none,--

McKINNEY: Thank you.

HUNT: --thank you for your closing and I'll close the hearing on LB224.

McKINNEY: How you doing?

DUNGAN: Hello.

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McKINNEY: Good afternoon, Senator Dungan.

DUNGAN: Good afternoon, Chair McKinney and members of the Urban Affairs Committee. I'm George Dungan, G-e-o-r-g-e D-u-n-g-a-n. I represent Legislative District 26. I'm here today to introduce LB707, a bill targeted at addressing affordable housing needs in a city of the primary class. As I'm sure this committee knows, Lincoln is the only current city in the primary class. LB707 specifically requests up to \$10 million from the Cash Reserve to be allocated to the Department of Economic Development to support affordable housing development through a Community Finance Development Institution [SIC] or CDFI-- you're going to hear that acronym a lot when we talk about this, a CDFI-- in a city of the primary class. I will explain the mechanics of the bill, and there are many other experts behind me lined up to help explain specifics like benefits of leveraging funding through a CDFI. But before I do that, I want to pause and just share a little bit more about why this bill and affordable housing is so critical to me and my district. As I was out walking doors and participating in community events over the last year and a half, housing affordability and the need for more housing came up consistently. This is especially true in my legislative district. We talked consistently about recruiting and retaining as many people as possible in the state. There's obviously a mix of ways that we can do that, and that is probably a much larger discussion to be had, but the reality is that a conversation needs to start with housing. If we don't have housing availability, frankly, we can't even start the discussion of growing our state. I do want to be clear that I support housing solutions for all parts of Nebraska, but this bill is my idea of how we can best help our community here in Lincoln specifically. The city of Lincoln adopted its Affordable Housing Coordinated Action Plan in 2020, which called for the development or rehabilitation of 10,000 affordable housing units over the next ten years. The plan identified access to capital as the primary barrier to developing affordable housing. Other strategies called for a community loan fund such as a CDFI to address that need. Simply put, a CDFI is a nonprofit organization that provides financing to support the development of underserved, often defined as low- and moderate-income communities. The CDFI designation is granted by the U.S. Department of Treasury CDFI Fund. In this case, a CDFI can support the development of affordable housing by providing loans that are challenging for a bank to provide. As I said, there's going to be others behind me that can further explain what CDFIs do and what their role is in funding affordable housing developments. There are two key advantages to investing in a CDFI that really speak to me that I want

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to make sure I highlight first. First, an investment in a CDFI is an investment in a loan fund so these resources will be lent to finance affordable housing, be repaid, and then invested again. And that's a cycle that's going to repeat into perpetuity. Second, an investment into a CDFI can be leveraged as the CDFI can use that principle investment to access an additional five, possibly even ten times of what the initial investment is, significantly increasing the amount of capital available for affordable housing lending. To put that another way, the \$10 million that we're asking for here could very easily turn into \$70 million or possibly up to \$90 million based on some of the leveraging techniques that other experts behind me can talk about. But we do expect a great return on the investment. And so in terms of whether or not we're using the money effectively, this seems like a really integral component in making sure that we can leverage that money into a greater amount, which can increase the amount of lending. I would encourage the committee to support LB707 and this important step in addressing affordable housing in Lincoln. Thank you for your time and I'm happy to answer any questions you might have.

McKINNEY: Thank you. Are there any questions from the committee? Seeing none, thank you. We'll welcome the first proponent.

DAN MARVIN: Good afternoon, I'm Dan Marvin, D-a-n M-a-r-v-i-n. I'm the director of Urban Development for the City of Lincoln. And what's being handed out, what the senator made reference to was our Affordable Housing Action Plan. It's a 98-page document. Didn't want to bring the whole 98 pages, but as it relates to why are we here and why are we speaking in favor of LB707, the first page of this report just summarizes some of the demographic information about the city of Lincoln. We're a growing community. Our community is going to continue to grow. We're 288,000 in 2017, and by 2030 we'll be 324,000 people. At the bottom of that page, you can also see the aging demographics. And the way that we want to try to address, the report's quite clear that's multifaceted, but one way is to partner with other tools out there. One of those tools would be low-income housing tax credits and I think we've, we've tried very hard at that. In 2010 to 2020, there were 537 units that were placed into service. We've approved far more than that in the last two and a half years so we're on our way in trying to address this but there are issues that we still confront. The third page of this talks about housing affordability. Some people might, might not be familiar with the term cost burden, but this looks at the community of Lincoln, looks at the community of Omaha, and the surrounding areas as to what renters and owner-occupieds are cost-burdened by. And that's really the issue that we need to address.

We need to find more affordable way so that people are not stretched at the end of the month trying to figure out how, how they're going to be able to pay their bills. So at the meat of it tries to quantify this. If we're going to grow our community by 30,000 people over the next decade, how many more units are we going to need and in what category are they going to fall? And the second to the last page, the fourth page there, has a table that shows the number of units that are projected to be needed in the city of Lincoln. There's about 4,000 apartment units that would likely be built and about-- or about 5,000 apartments and about 4,000 owner-occupieds in specific categories of the income levels. And that is marketplace that is presently not being served. So the last page of this report, which is the key of LB707, is how do we address an off-load risk so that we can incentivize the marketplace to make these kinds of investments? And through a CDFI that can do efficient lending into this particular space, the affordable housing space, we think that we can bring more developers in. We can create the units that need to be made. And as the senator said, this is a revolving loan fund. So this is the gift that keeps on giving for the decades to go forward. So I'll stop there and answer any questions if you have any.

McKINNEY: Thank you. Are there any questions from the committee? Seeing none, thank you.

DAN MARVIN: Thank you.

McKINNEY: Other proponents?

ALEC GORYNSKI: Good afternoon, Chairman McKinney and members of the Urban Affairs Committee. My name is Alec Gorynski, A-l-e-c G-o-r-y-n-s-k-i. I serve as president and CEO of the Lincoln Community Foundation, and I'm here on behalf of the Lincoln Community Foundation in support of LB707. LB707 seeks to provide funding to a Community Development Financial Institution in a city of primary class in order to support affordable housing development. The purpose of my testimony here today is to first emphasize that affordable housing is a top priority for the Lincoln Community Foundation and our Prosper Lincoln agenda that we facilitate. And it is through that agenda that we had a hand in, in cocreating the creation of this CDFI that we're, we're all speaking about today. The second part of my testimony, which I'll speak-- provide a lot more detail on, is talk a little bit further about the value of a Community Development Financial Institution in contributing to affordable housing. As previously stated, a CDFI is a nonprofit that provides financing to support the development of

underserved, often defined as low- and moderate-income communities, including by, by providing loans to small businesses for the development of multifamily affordable housing directly to consumers as unsecured microloans even as first mortgages on a home. CDFIs are often looked to to provide loans that are-- a bank is not able to completely fulfill. CDFIs are essential tools for creating affordable housing in any community. The loans provided by CDFIs are often a complement to the debt offered by banks or in place because a bank is unable to provide a loan. This is because CDFIs can provide higher loan to values, can serve as subordinated debt to a bank or help to-- help fully finance a project, can bridge financing tools, and can otherwise take a risk to provide repayment terms a bank is not able to provide. CDFIs commonly fund affordable housing in one of the following ways: real estate acquisition loans, predevelopment loans to fund soft costs, some more riskier elements there, gap and subordinate financing for construction or permanent mortgages on an affordable housing development, bridge financing between equity and a traditional lender. And quite frankly, just to take risk that a bank is otherwise not able to take, a new developer, a new project concept, different types of expenses. With the primary purpose of lending, a CDFI has a substantial need for capital to fund their ability to lend. Unlike a bank, a traditional CDFI cannot accept deposits and must rely on other sources. The CDFI designation provides unique opportunities to access many capital sources to include loans and grants from the CDFI Fund as a part of the Department of Treasury, loans and investments directly from banks to, to fund their balance sheet, as also loans from charitable foundations such as ours typically called program-related investments or mission-related investments. With much of the lending capital being used by a CDFI being provided in the form of a debt, the basic premise is that a CDFI borrows at a lower rate, lends it at a little bit of a higher rate, and then uses the difference to support their operations. CDFIs are not completely, but largely self-sufficient because of that dynamic. So while borrowing money is a primary means of supporting their lending activities, it is not feasible for small or start-up CDFIs, which is the case here in Lincoln. As a result, a direct allocation of funding to serve as equity is essential for these tools to provide loans and investments for low-income communities. As has been mentioned, CDFIs can leverage that equity to borrow additional funds to lend, significantly multiplying the value of their investments. Estimates range from 5 to 10 times. To be a little bit more specific about it, a CDFI will often place that equity into a loan loss reserve to guarantee to other banks and investors invest in us. Let us take the risk on your behalf. And

if there is a loss, which with most CDFIs isn't as, as common, if there is a loss, we have equity to backstop your potential loss. So that's how that, that leverage is often figured out. An investment in a CDFI is also sustainable as the funds revolve as been-- has been mentioned. Community Development Resources, or CDR, is also-- is a CDFI in Lincoln, Nebraska. That's a lot of CDs in there. Their purpose is to provide financing for economic and affordable housing development activities that primarily benefit low and moderate-- low-income populations and neighborhoods in Lincoln. CDR was originally found-- CDR was originally founded in 1994 to provide loans and technical assistance to assist low and-- low-income and minority individuals looking to start and grow their small businesses. Following the adoption of the city's affordable housing plan, which has been referenced, which called for such financing tools for affordable housing development, a local committee of affordable housing and finance experts set off to create a CDFI that would finance affordable housing development here. The committee eventually approached CDR to continue-- to consider adding affordable housing finance to its existing financing tools. In early 2022, CDR went through this strategic change to add affordable housing finance, and someone behind me will speak directly on behalf of CDR. Thanks for your consideration of this bill and I'm happy to answer any questions you might have.

McKINNEY: Thank you. Are there any questions from the committee?
Senator Lowe.

LOWE: Thank you. How much is an affordable house?

ALEC GORYNSKI: Well, there's a lot of definitions. Affordability-- I know, it's a whoo. I could get a chart. Affordability is defined as the-- it's affordable for someone so they're not cost burdened. So in other words, HUD has stated that someone should not have to pay more than 30 percent of their income to purchase a home-- well, to purchase a home or to rent a home. So affordability is a factor of that 30 percent of their income relative to how much that cost is. So it's a, it's a complicated formula, if you will, that's based on those two factors. When we talk about "big A" affordable housing, which is often subsidized affordable housing, it means it is commonly affordable for someone who is either at 80 percent of median family income, 60 percent of median family income, 50 percent of median family income, or even 30 percent of median family income. So it's a ratio of 30 percent of, you know, perhaps 50 percent of median family income would be considered affordable for that family's specific dynamic. So there

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are a lot of-- there's a matrix that, that is typically used to explain that, and we can research or provide that to you later.

LOWE: For the average Joe out there--

ALEC GORYNSKI: Yeah.

LOWE: --that is struggling day to day,--

ALEC GORYNSKI: Um-hum.

LOWE: --you're talking about finding them affordable housing units. What we try to do is to describe affordable housing to them. Are you saying \$240,000 is now an affordable house?

ALEC GORYNSKI: Well, in a homeownership context, it could be defined as an affordable house based on the income of that individual. In this particular circumstance, the CDFI that, that, that we're speaking about is primarily working in financing affordable, affordable multifamily housing. So it's typically renter-occupied situations.

LOWE: I just saw in the Examiner where the average price in Omaha for a new home just went over half a million dollars. That's the average price. So how are we going to structure that so that we can find affordable housing with now a half a million dollar average price because there are some very expensive homes being built now in Omaha.

ALEC GORYNSKI: Um-hum.

LOWE: But there are also a lot of apartments and things like that being built.

ALEC GORYNSKI: Right.

LOWE: So I think maybe affordable house is just a dream now kind of.

ALEC GORYNSKI: It's certainly a very complex thing that's, that's happening in the environment around us. There's a factor of income. It's a factor of cost, inflation, all of those realities. You're-- hit the nail on the head. That's right.

LOWE: OK. Thank you.

ALEC GORYNSKI: Yep.

McKINNEY: Thank you. And that was kind of my question, too, is we invest in affordable housing, but from what I've been seeing is like, let's say, apartments, for example, every year those rents go up, but a lot of those individuals' incomes never change. But the rents keep rising year to year and we're using the wording "affordable housing"--

ALEC GORYNSKI: Right.

McKINNEY: --and most of those people are being out priced. So what, what is-- what are CDFI's or what do they plan on do in Lincoln to address that issue?

ALEC GORYNSKI: Great question. Great point. I think that's the distinction between what is more of a term of our "big A" affordable housing versus "little A" affordable housing, "little A" affordable housing being naturally occurring affordable housing, but it's really market rate housing that is more affordable because of the market dynamics that are surrounding that particular housing, "big A" affordable housing is any type of affordable housing that is subsidized predominantly through the low-income housing tax credit program, which I think has been referenced here. CDFIs also have the same type of compliance expectations because of the designation granted to them by the Department of Treasury. And so when you have to-- when you're falling in line with "big A" affordable housing, you have to provide affordable housing that is affordable at 30 percent of the income of that individual. So there are based on the, the governing bodies that oversee the resources or the designations that are off, you know, providing the funding and the tools to these various things, they have to ensure that the housing is affordable based on those metrics that I referenced earlier.

McKINNEY: All right. Thank you.

ALEC GORYNSKI: Yep.

McKINNEY: Any other questions? Seeing none, thanks.

ALEC GORYNSKI: Thanks.

McKINNEY: Other proponents?

MARK HESSER: Good afternoon, Chairman McKinney and members of the Urban Affairs Committee. I am Mark Hesser, M-a-r-k H-e-s-s-e-r. I am president and CEO of Pinnacle Bancorp, and I am also the board president of Community Development Resources-- excuse me, also known

as CDR. I'm here today in support of LB707 and I thank Senator Dungan for introducing it. CDR is a certified Community Development Financial Institution or CDFI. You've already heard testimony describing what CDFIs do in their role supporting affordable housing development. CDR's mission was expanded in 2021 to include affordable workforce housing strategies in addition to their longtime mission of SBA microlending. The board was reorganized to include community members from banking, housing entities, Lincoln city government, and community organizations interested in meeting the affordable housing needs of Lincoln, which are set forth in Lincoln's Affordable Housing Coordinated Action Plan. I feel CDR had a very good first year of operations. We have supported, directly and indirectly, three affordable housing projects in Lincoln. We have received operating grants from both the city of Lincoln and the Lincoln Chamber Foundation, which also take our operations into this renewed start-up period. We have served as a central convener, bringing all affordable housing workforce entities in the cities together so that they can all work towards our community's goals in an organized process. LB707 would provide funds to CDR to be used to support their affordable housing lending activities, ultimately contributing to the development of affordable housing for an extended period of time. Because the funding is being awarded to support the affordable housing lending activities of a CDFI, it would be both highly leveraged and sustained. CDFIs use a mix of grants and loans to fund their lending activities. These grants can be leveraged 5 to 10 times, resulting in \$50 to \$100 million in additional capital support affordable housing projects. One potential way the \$10 million in new capital for CDR could be utilized is to borrow from regional and national CDFIs on a 9 to 1 ratio. Traditional banks and nonprofits cannot access this capital. Because CDRs work is in the form of providing flexible debt, the funds would be recycled into affordable housing projects indefinitely. I know there are many bills introduced to address affordable workforce housing, but I don't think any of the others have the dollar impact of LB707 due to a CDFI's ability to leverage the investment. I thank the committee for your consideration today and I thank you for your service to our state. I urge the committee to advance LB707 and I'd be happy to answer any questions.

McKINNEY: Thank you. Are there any questions from the committee? Seeing none, thank you. Are there any other proponents?

WARD F. HOPPE: My name is Ward F. Hoppe, W-a-r-d F. H-o-p-p-e. I still build affordable and workforce housing. And what-- I'm here because I'm a user of the CDFI. And the interesting thing about it is we can

go out and put together a program and go to a commercial bank and they're all happy to loan us 50 percent of the money we need. The problem is getting the rest of the money. That's where a CDFI comes in, particularly in Lincoln, to support the gap between what it costs to build a project and what we can borrow commercially for that. And I'll give you an example. We have a program where we have actually a commitment from the Lincoln CDFI to loan us gap financing. The project's worth 4 million bucks. It's a conversion of a building into affordable housing and a first floor commercial building. We're trying to get six start-up restaurant spots in there, and we can go get senior debt for 2 million bucks. So we have to fill that gap to make the project work, but CDFI steps in and makes this a second mortgage on that property to make it work. I got another project. We're trying to do a pretty good scale. When you're trying to reach affordable housing and you're trying to make affordable housing, you've got to do it in scale to make it effective. And when I say scale, you've got to do it in numbers. You can't do it "onesies" and "twosies," that doesn't work very well, doesn't really get you to the goal very fast. So we developed-- we're developing down on South Folsom Street in Lincoln, and I build in Lincoln in a lot of different places, we're doing a subdivision. In the subdivision, we got entitled for 600 units. To get the ground for half of that 600 units, half of that subdivision, we're borrowing from the CDFI all of the money to put it, because it's fairly risky. And the CDFI will take the risk if the target is for affordable housing. What they're doing is they're providing the loan to buy the ground and us to hold it till we get it entitled and put in place. They are also financing the-- essentially a bridge loan because the city of Lincoln needs to put in infrastruc-- [RECORDER MALFUNCTION]-- street, which we have to pay for at the start and then the city will pay us back over time. To do that, the CDFI is loaning us the money to bridge that. Well, that's a-- something we can't find commercially and it's something that's really necessary to get the end result done, which is a project and sticks and bricks on that dirt. So simply support this bill, please. It's very necessary for Lincoln for us to move forward with affordable housing and I'd answer any questions you may have.

McKINNEY: Thank you. Are there any questions? Senator Lowe.

LOWE: Thank you, Chair, and thank you, Mr. Hoppe.

WARD HOPPE: Yeah.

LOWE: You build affordable housing.

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WARD HOPPE: I do.

LOWE: How much is affordable housing?

WARD HOPPE: Depends. If you're-- as Alec said, we're talking about capital "A" affordable housing. To me, capital "A" affordable housing is low-income housing tax credit. That 60 percent median income, occupants, tenants and below. We try and do a mix so we have mixed incomes in most of our projects; some 40 percent, like, a small number of 40 percent. Some 50 percent. Some 60 percent median income. That is based-- median income then, it's-- all works backward from a formula of 30 percent of your income should go to housing. That's kind of a national norm. OK, when you're talking about workforce-- and we'll be talking about it in the next bill probably a little closer. You can hear that. But we are looking at housing that-- probably to build workforce. I look at it in terms of what the housing costs for what people can afford. And if you're talking a 100 percent median income, they can afford a mortgage that's probably in the 225, 250 range. I could get you the numbers exactly. I have a chart of it on my computer, which I don't have with me. But the-- for 60 percent median income and below, it's about-- it's under 200,000 and that's to afford the mortgage to buy it. Everybody-- to buy housing in that range in the workforce, an affordable range, everybody does a mortgage. I mean it-- nobody has the cash to do that or they wouldn't be in that zone. Does that answer your question?

LOWE: Partially.

WARD HOPPE: OK.

LOWE: Are you, are you-- are your units then subsidized then with other funding?

WARD HOPPE: If you do--

LOWE: Because one person could only afford \$550 a month for the same unit. You're offering another one for \$600 a month rent for payments.

WARD HOPPE: Well, it's not, it's not quite that simple, but the, the capital "A" affordable housing, we go out to get low-income housing tax credits to tie with those projects. That's a deal with the government, the federal government. It's administered by NIFA, Nebraska Investment Finance Authority. The deal is this: if I rent to people 60 percent median income and below for 15 years, the feds will give a tax credit match with that project, a tax credit for ten years.

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And it's based on the basis that we build into the project. OK, that allows us-- and then we structure with that an application and it commits us to do a bunch of things. But what it does say is we have to rent to people 60 percent median income and below. Workforce housing we do in a couple of different ways across this state. We do middle-income workforce housing. We're working one end-- to the project I mentioned earlier in South Folsom-- on South Folsom Street we call it Foxtail. Middle income would be targeted to people that really are right around 100 percent median income and below and that is measured in terms of the product that's built. As it sits now, that product has to be less than \$275,000 and more than \$125,000. In that if we're trying to reach the numbers we are and the, the workforce that we're working for, we are always trying to figure a match for down payment assistance so that that \$275,000 house can actually be sold to a, to a buyer for 275. But they're only paying as if it was 250 to 225 because of that down payment assistance. And some of this discussion will come up in the next bill, but--

LOWE: OK.

WARD HOPPE: --I'll-- you can ask me questions then.

LOWE: All right.

WARD HOPPE: Does that answer your question?

LOWE: Yes, it does.

WARD HOPPE: OK.

McKINNEY: Thank you. Are there any other questions? I have-- you got one? No? I got one. How long does your unit stay affordable?

WARD HOPPE: Well, it stays affordable for-- the project is capital 'A' affordable, low-income housing tax credit. To get a tax credit award in Nebraska, you have to commit for what they call the original compliance period, which is 15 years and an additional 15 years or you won't get a, you won't get an award of credits. So technically the-- that unit, those units will be available at 60 percent median income and less for 30 years.

McKINNEY: OK. Thank you.

WARD HOPPE: Does that answer your question?

McKINNEY: Yes.

WARD HOPPE: And in that, it's all gauged at a percentage of median income in your application because we do-- like I said, we do some applications where we-- most of them where we say we'll do 10 percent at 40 percent, 40 percent at 50 percent, 50 percent at 60 percent. So that's how gauged it-- how that works out.

McKINNEY: All right, thank you.

WARD HOPPE: Any other questions?

McKINNEY: Senator Lowe.

LOWE: Thanks. And to follow up on Senator McKinney's question, does the raise in the valuation affect rental price that you charge over the years of this 30 years?

WARD HOPPE: The, the raise in valuation for real estate tax?

LOWE: For real estate taxes.

WARD HOPPE: OK. Low-income housing tax credit properties have a statutory method for valuation. That statutory method for valuation-- and it, it's being applied in all counties except Lancaster right now is kind of goosey about it. But in the rest of the counties, there's a statutory method of valuation and it says take the actual income and the actual expenses and capitalize it by a valuation, a cap rate that's determined by a committee of five people under the auspices of the Tax Equalization and Review Commission. OK, so you get that and it depends. If, if we set up a project based on that or based on when, when we apply for tax credits, we figure out a 15-year proforma where our income-- excuse me-- and our expenses are measured out for 15 years and essentially to-- you know, the cheaper we can get against the expenses to get affordable housing tax credit awards, you try and get your rents low enough so that all they do is just cover your expenses. All right. So that means there's not much of a gap between income and expense. So as long as that formula for real estate valuation is met, you don't-- taxing is not an issue. Does that make sense?

LOWE: Like mud.

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WARD HOPPE: Huh? As mud? Well, all right. If you-- if there ain't much to cap, you're not going to be paying because it's not valued very high.

LOWE: OK.

McKINNEY: All right. Thank you. Are there any other questions? No? Thank you. Other proponents.

WAYNE MORTENSEN: Chair McKinney, senators of the Urban Affairs Committee, my name is Wayne Mortenson, W-a-y-n-e M-o-r-t-e-n-s-e-n. I'm here on behalf of NeighborWorks Lincoln, where I serve as the chief executive officer and I'm also on the community development resources board of directors. I will try to keep things as simple and straightforward as possible. I do not pretend to be able to hold court like Fred. So I am here to just explain that the city of Lincoln has done a lot of work in these last few years. In 2020, you heard that it finished its coordinated affordable housing action plan and that plan itself said that we're missing 17,000 housing units in Lincoln. And those 17,000 units are not just affordable, they're across the economic spectrum. NeighborWorks, to Senator Lowe's preemptive question, defines affordability as-- since we're able to serve both low- and moderate-income individuals-- as anything that would rent for less than \$1,000 a month or sell for less than \$250,000. That's about a \$1,200 to \$1,300 mortgage payment. So that's how we define it because we can work with clients up to 120 percent of AMI, which is just slightly above average here in Lincoln, which is anywhere between \$72,000 and \$115,000 household income. Of those 17,000 units, about 62 percent of those or 10,500 units fall in that range, either renting below \$1,000 or for sale below 250. And so that's kind of what we're facing. And that plan came on the heels of what I imagine will be our next presenter or maybe shortly after. The Chamber of Commerce here in Lincoln declaring housing a cornerstone priority in their 2019 strategic plan. At that time, they said that not only is housing a priority, but it's beginning to undercut the city of Lincoln's ability to be an economic player, to grow our economy and to recruit the workforce that we need for the future. And so I'm here to just kind of reiterate from my perspective as both an affordable housing developer and member of this board that Lincoln is doing something about it. We're coming together. We have developers, you've heard from myself and Fred and others. We have financiers. You heard from Mark Hesser. You heard from philanthropists and Alec and policy experts that are all coming together to try to innovate solutions that hopefully can be scaled citywide, maybe even a few of them statewide. When we learn how

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to do it here, we can share what we've learned. Known as community development resources, the CFI has historically focused on small business improvement and empowerment. And it was this plan, aided by the city of Lincoln, that catalyzed this new focus for the organization, which will now include affordable housing as well. And I can tell you among the peer affordable housing developers, Habitat for Humanity, Nebraska Housing Resources south of downtown being among them, that we stand at the ready, ready to collaborate with community development resources to transform any funds that the state is able to appropriate to CDR into robust, affordable housing activity across the city. I want to thank Senator Dungan for bringing this legislation. It's important and pressing. As we look to the Legislature, we are happy at NeighborWorks to help perfect and pass the Transforming Cities of the Primary Class Program and I hope the committee will advance the bill.

McKINNEY: Thank you. Are there any questions from the committee? No? Thank you. Any other proponents?

SARA TICHOTA: Hello, Chairman McKinney and the rest of the Urban Affairs Committee. My name is Sara Tichota, S-a-r-a T-i-c-h-o-t-a, and I am the low-income housing allocation manager at Nebraska Investment Finance Authority and I'm here today to testify on behalf of NIFA in support of the creation of the Transforming Cities of Primary Class Program. The proposed grant will enable an organization such as a CDFI to scale up flexible loaning to developers and builders of affordable housing to increase creation of affordable housing. Because a CDFI is a nonprofit lending institution, such a grant will have the added benefit of continuing to revolve funds into the future, creating a larger impact over time. As I'm sure most of you are familiar with the "Nebraska's 2022 Strategic Housing Framework," it identified a pretty lofty goal of trying to make some critical changes in production of housing units. It indicated that there's-- the goal in the framework is a total to create or rehabilitate 35,000 affordable and attainable housing units by 2028. LB707 clearly supports that goal. Fred had mentioned or Mr. Hoppe had mentioned earlier about the tax credit program and how it can-- how it impacts affordable housing. I would like to just reiterate that it is a super competitive, competitive program in which we target or we give additional points for the-- serving the lowest income individuals for the longest period of time. So it, it-- again, it's that-- not just 15 years, it's 30, it's 45 years. It's serving households that are 20 percent of AMI and lower. Thank you for your consideration of supporting a bill that would effectively address needs for additional affordable housing in Lincoln

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and thank you for your time this afternoon. I'm happy to answer any questions.

McKINNEY: Thank you. Are there any other questions from the committee? No? Thanks. Other proponents.

BRUCE BOHRER: Good afternoon, Chairman McKinney and members of the Urban Affairs Committee. Again, my name is Bruce Bohrer with the Lincoln Chamber of Commerce. For the record, my name is spelled B-r-u-c-e B-o-h-r-e-r. I'm still the executive vice president and general counsel and here on behalf of the chamber as our registered lobbyist and of course here to support LB707, introduced by Senator George Dungan. And also thank Senator Duncan for introducing it. You've already heard from the previous testifiers a pretty good discussion about the housing landscape in Lincoln and really the, the intricacies of LB707 and the prominent importance of the community development financial institution that, that that will play. I understand that this is something that already has happened in Omaha and maybe other places across the state already. I think Lincoln and really Nebraska generally is very lucky to have some very strong advocates for housing, workforce housing and housing affordability. I think of Senator Matt Williams, who really on work-- rural workforce housing was a champion and started this discussion, I think probably at least six or seven years ago. So we appreciate it very much. We are very supportive. When I think about these bills and think about the people that went before me here, I think back on ARPA money coming in. And I think you all know Jenn Creager from the Omaha Chamber and also Kristen Hassebrook, who used to be with the Nebraska Chamber. We got together and said, let's put together a housing package and then went to the housing advocates and they told us, you guys have it all wrong. Well, just let us handle it. So that's kind of the role that we have played now is just convening the people that really work on this on a day-to-day basis. And you've already heard the story about how we have really reorganized as a community, our community development resources. Mr. Hesser talked about that earlier. He is on our board, our foundation. Greater Lincoln Chamber Foundation-- I think Mr. Hesser alluded to this-- put a significant amount of money towards this effort in partnership with the city. So kind of in line with my earlier comments too on your infrastructure bill, these are issues that are going to require us all to be partners across the state. And so I'll just close in thanking Senator Dungan again. And I think he alluded to this earlier too in his intro. You know, this is, this is a Lincoln bill, obviously a primary class city, but this is something that obviously is across the board. And hopefully we can all share and

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share best practices and ideas on this and how to get it done. So with that, I will close and be happy to answer any questions you might have.

McKINNEY: Thank you. Are there any questions from the committee? No? Thank you.

BRUCE BOHRER: Thank you very much.

McKINNEY: Are there any other proponents?

CAROL BODEEN: Good afternoon, Chairperson McKinney and the rest of the Urban Affairs Committee. My name is Carol Bodeen, C-a-r-o-l B-o-d-e-e-n. I'm the director of policy and outreach for the Nebraska Housing Developers Association and I'm here today to testify in support of LB707. We're a statewide organization with over 70 members across Nebraska. Our mission is to champion affordable housing. It's our goal that Nebraskans of every income have the cornerstone foundation of a healthy and affordable home. And our members include both nonprofit and for-profit developers and organizations. We express our support of LB707 to develop additional affordable housing in the city of Lincoln. As an organization, we're consistent in supporting more funding to develop affordable housing in all areas of the state. We know that it's well documented, as you continue to hear, that housing of all types is badly needed throughout Nebraska. Our organization was formed at the time of the original legislation creating the Nebraska Affordable Housing Trust Fund. As the bill is written, LB707, it does talk about transferring the funds into the Affordable Housing Trust Fund to then be used to go onto the CDFI. It's part of our core operations to advocate for the trust fund. So we support this separate appropriation of funds for use in Lincoln. However, we just want to express our wishes that, that it is-- does not result in any reduction of funding to any housing support for Omaha or for rural areas of the state. We need, we need funding across the board. As you just continue to hear, affordable housing is the issue. It's, it's not, it's not an easy issue, as we've talked about with the definitions and, and all of that. And, and it continues to change and especially with the increased costs. And so that affordable housing definition really does change as we move along. So we also would want to say that we would support this funding as a separate appropriation and not coming out of any of the traditional funding for the trust fund that comes from the document stamp, the documentary stamp. So with all that said, though, we ask that you advance LB707.

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McKINNEY: Thank you. Are there any questions from the committee? No? Thank you.

CAROL BODEEN: Thank you.

McKINNEY: Are there any other proponents? Are there any opponents? Anybody here to testify in a neutral? No? Senator Dungan, you're welcome to close.

DUNGAN: Thank you, Chair McKinney, and thank you to all the testifiers who came. I think that they provided far more expertise in a lot of those areas than I would be able to so I appreciate that. Just to put it simply, members of the committee, we need help. We need help building houses and we need more affordable housing here in Lincoln. And I think everybody's made it incredibly clear that affordable housing is a priority for us across the state. And when I've spoken with numerous groups, whether it's the AARP or the hospitals or the medical association or teachers or law enforcement, whoever you talk to, one of the big things they talk about is workforce issues. And I think like we've all addressed here, you can't address workforce without housing. A couple of things I wanted to highlight prior to just closing on this-- and I want to take too much more time. I know it's getting a little late in the day. One of the benefits of the CDFI, which I'm happy to talk more about with folks once we're done with this, but one of the benefits of the CDFI that was I think highlighted by a number of testifiers here is the flexibility, right? This is an entity. It's a nonprofit that gets to take on things that banks refuse or can't do based on whatever rules or reasons they have. So as Mr. Hoppe talked about, being able to take on projects that are potentially higher risk or as some of the other testifiers talked about, not just allowing for loans to build affordable housing, but providing mortgages or that gap financing. I mean, what CDFIs do is they step in where banks or other lending institutions historically don't. And I think that, you know, to Senator McKinney, to one of your points, that's one of the issues that we see oftentimes in what really is truly affordable housing is that there are certain individuals who maybe get left out of the equation or there's people who have been denied housing historically who then don't have the ability to purchase housing moving forward. And we see this cyclical effect, right, that sort of creates these pockets of parts of town where people can't get housing based on all of the history that's affected them before. I think that the CDFI is just one very small tool in addressing that problem, but I see it as a way that we can invest this \$10 million upfront into this engine that sort of then continues to

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move and go. And as other people talked about, it, it's cyclical in its nature of being able to reinvest and then expand upon that money. And so it's a really good investment, I think. And that's why the CDFIs spoke to me when I started to learn more about that, is the way it works is just so flexible and can actually obtain really positive results. To some of your points, Senator Lowe, I think you asked a question that was also echoed by Chair McKinney that a lot of people ask in this context of what is an affordable house, right? I have friends who have full-time jobs, who are in relationships or have partners who also have full-time jobs and they have a difficult time affording a house. And I think that that's an issue that is, one, that we should absolutely look at addressing and finding ways to deal with that. One small sliver in addressing that problem and in trying to lower the increased costs in housing is just frankly create more houses. And I know that's not the silver bullet solution. There's a lot of other things that go into that. But if you just look at, like, from a basic market scarcity sort of analysis, the more houses we create, the lower costs are going to be because you don't have people with higher incomes moving into lower-income areas and effectively raising the costs or gentrifying the areas. And I think that one of the things we see here in Lincoln is just a scarcity of housing across the board. And I have friends who live in the Near South, right here by the Capitol. I have friends who live in south Lincoln, northeast, where I'm from. And across the board, we just-- we need more houses and the lack of houses is driving up prices everywhere. And I think that's having the hardest effect on lower-income people. When you see that housing prices go up in the Near South, just over by Cultiva, right? You're seeing apartments that originally ten years ago you could rent for \$400 going for \$1,000 now. That's a problem. Again, it's multifaceted, but we can address it by creating more units that people can spread out into and not drive up those costs. So I think the CDFI doesn't fix everything, obviously. I wish it did, but it is absolutely an integral tool, not just in solving some of the problems we see with housing across the board, but in obtaining some of the goals that we as a city of Lincoln set out for ourselves in that affordable housing plan. That we really, really, really need to do what we can to increase the amount of affordable housing. I could go on about that, but I think our points have been made here. Again, I would urge the committee to support LB707. It's a small thing that we can do in the grand picture to really go a long ways. And the leveraging of that funds, I think, is going to be incredibly beneficial to Lincoln. So I would very much appreciate your support in advancing LB707 onto General File.

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McKINNEY: Thank you. Are there any questions? No? Thank you. And with that, but before we close for the record, online comments for LB707, it was two proponents, one opponent, zero neutral. Thank you.

DUNGAN: Thank you.

HUNT: And we'll transition over to LB629 introduced by Senator McKinney. Welcome to your Urban Affairs Committee.

McKINNEY: Thank you. Good afternoon, Vice Chair Hunt and members of the Urban Affairs Committee. I am Terrell McKinney, T-e-r-r--M-c-K-i-n-n-e-y t. I represent District 11, which is in north Omaha, and today I'm here to present legislation that would expand the potential of the Middle Income Workforce Housing Investment Act and sustain the impact of one very successful component of the Economic Recovery Act. I think we all agree that the success of our state depends on solving the housing crisis we're currently experiencing. Rapidly increasing home sales and rental prices and issues with quality and quantity of available housing inventory have become a barrier to job growth, community development, talent attraction and retention and overall quality of life for Nebraskan communities. In recognition of this threat, over the last several years, this body has passed several laws to create new funding mechanisms to promote development of affordable housing across Nebraska, from the smallest communities to the largest communities. Once such program, the Middle Income Workforce Housing Fund, came out of the 2020 Middle Income Workforce House-- Housing Investment Act, LB866, signed into law by Senate-- by Governor Ricketts. The Middle Income Workforce Housing Fund provides matching grants to Nebraska nonprofits for investments into old neighborhoods in areas with high minority populations within parts of Douglas County, Lancaster and Sarpy Counties. A similar program was created at the same time to support housing development in communities smaller than 100,000. The Middle Income Workforce Housing Fund has been very successful and well received by the developer, developer community. And just last session, the Qualified Census Tract Affordable Housing Program was created with funds from the American Rescue Plan Act, otherwise known as ARPA, and state, local and fiscal recovery funds. Those-- these funds, these one-time funds were available for construction and rehabilitation of affordable housing units and for preparing large parcels for future affordable housing developments in response to the negative economic impacts of the coronavirus public health emergency. The grant cycle this past summer was highly competitive. With only \$40 million available to distribute, DED received applications for 60 projects totaling more than \$166

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million in requests. DED announced 25 awards in November, with \$20 million going to projects in Omaha and 20 going to projects in Lincoln. In total, these funds created and preserved more than 12-- 1,250 units of housing, the vast majority of these of which were income restricted. But without action, this funding vehicle will be soon gone. The proposed changes in LB629 have been informed by the for-profit and nonprofit developer stakeholders and affordable housing coalition members who have participated in both programs. In addition, the Department of Economic Development, which operates both programs, has, has been consulted. The bill also aligns with the housing development goals in the recent 2020 Strategic Housing Framework developed, developed by the Strategic Housing Council and endorsed by the Governor's Office. The overall purpose of LB629 is to create a new subaccount within the Middle Income Workforce Housing Fund and appropriate funds to support the ongoing operation of the QCT Affordable Housing Program, which would otherwise cease to exist. These programs are well aligned, both to-- both promote development and preservation of affordable housing in Nebraska's large communities, but also have unique character-- characteristics uniquely to position them to contribute to solving our housing shortage issues. For example, the Workforce Housing Fund is targeted specifically to nonprofit developers through intermediaries who operate revolving loan funds, keeping these funds circulating in communities. Conversely, the QCT Affordable Housing Fund support investments, particularly in high-need neighborhoods and are available to both for-profit and nonprofit developers in the forms of grants, which are both rare and highly desirable and can substantially accelerate housing production. Beyond this proposed continuation of the QCT Affordable Housing Fund as a subfund within the Middle Income Workforce Housing Fund, LB629 also contains several policy changes. Policy changes to the Middle Income Workforce Housing Fund will make it more flexible and reflective of, and reflective of today's housing landscape. They include the following: (1) updating funding guidelines to reflect increased construction costs and make projects work financially in this environment of inflation and rising costs; (2) making retroactive to 2020 statute-- statutory change that allows funds to be used in the QCT-adjacent areas in cities as the primary class in recognition of the unique land availability availability in Lincoln; and (3) reducing the match requirement from 50 to 25 percent. This bill also makes one import-- important policy change to the Economic Recovery Act, which established the QCT housing program to allow more flexibility in how these funds may be used in support of critical early stages of project development. LB629 would define

additional eligible activities for some preparation of large parcels. Some, some of the testifiers today will be able to provide more information and examples of these policy changes which are necessary to eliminate barriers in housing development. Failure to take significant steps toward solving Nebraska's housing crisis could result in a loss of people who call Nebraska home. Young Nebraskans are looking to purchase homes with-- and but will move to other states if they can't find any. Businesses won't locate or expand in our cities. Veterans, people with disabilities or other conditions, older adults, essential workers, workers, low-wage single parents and those experiencing extreme poverty will face increasingly severe long-term consequences. Our grown-- our children will be un-- will be unable to return home or raise their families here. However, we're confident that with LB629 plus other initiatives currently being heard this session will make considerable strides toward creating more vibrant and economically thriving urban communities. Thank you and I'll answer any questions.

HUNT: Thank you, Chairman McKinney. Any questions from the committee? Seeing none at this time, thanks for your open.

McKINNEY: Thank you.

HUNT: I'll open it up to any proponents of LB629. Welcome to your Urban Affairs Committee.

WAYNE MORTENSEN: I won the race. Thank you, Vice Chair Hunt and senators of the Urban Affairs Committee. We are deeply grateful for Senator McKinney's shepherding this bill and his commitment to the creation of affordable and workforce housing across Nebraska's diverse communities. I am Wayne Mortensen, W-a-y-n-e M-o-r-t-e-n-s-e-n, and I am the CEO of NeighborWorks Lincoln, who I am here speaking on behalf of. NeighborWorks has been a high-performing developer of for sale affordable housing since its founding in 1986 and was one of-- and gratefully was one of the ten inaugural funded organizations after the passage of LB866 in 2020, which some of you voted for and we still and certainly do appreciate. Two years of experience administering that fund, however, has taught us the extreme necessity of many of the reforms outlined in this piece of legislation and I just want to share just a quick summation of those reforms. The first is the new activities permitted by LB629, including grants, forgivable loans and long-term patient financing. These reforms will allow the fund to be more efficient and substantially increase housing production with those monies because subsidized financing was never the ultimate issue

and limiting the original funds to that was in, in rear view, a bit of a mistake. In terms of subsidy layering, revisions that allow the combination of sources will help advance projects and help middle-income buyers overcome financial hurdles that have been recently exacerbated by the pandemic. Many of your constituents, during the pandemic, probably saw their credit scores go down and their household savings decline. And those are two really important things when you're going to buy a house for the first time. And so middle-income families don't necessarily need, quote unquote, subsidized or we've heard big "A" affordable housing, but they sometimes do need a little extra assistance and this bill will allow us to help those buyers with something like a down payment assistance loan or buyer assistance of some kind. In terms of construction costs, the senator already mentioned this, but I'll just reiterate that the revision of cost containment metrics from appraised value to total construction cost will focus those accountability metrics on what developers can control and especially ease risks in markets similar to Omaha QCTs where market volatility-- volatility, excuse me, and appraisal gap risk is pretty high. The QCT-adjacent area adjustment is certainly appreciated. In Lincoln, only 10 percent of our parcels qualify as qualified census tract parcels. We actually, though, would prefer the language that the Legislature went with last year, which was to allow any development in a city of a primary class to be eligible for the workforce program. There are just two areas of concern that I wanted to share with you while I was able to be with you. Again, this is in the handout that I referenced. One is not so much an area of concern with the bill, but what we're hoping that it will do. As part of that first round of funding, there was \$20 million distributed to ten different organizations, three in Lincoln, seven in Omaha. Ten million of that came from the state and 10 million of that was raised by those organizations on a match basis. That funding has been very difficult to deploy and been largely underutilized because of the restrictions that this legislation is addressing. And we are hopeful that these reforms will apply retroactively to that first round of funding so that we can make use of the \$2 million fund that we control and the \$18 million that the other nine organizations do. The final concern I'll share with you before wrapping up is that the placement of the new requested capital, the \$50 million in-- from the General Fund into a subaccount of the Middle Income Workforce Housing Fund and distributed on the basis of the American Rescue Plan Act is not what we feel is an ideal fit for the Middle Income Workforce Housing Fund and we would love to help the team reconsider that approach. The purpose of the revolving loan fund program has been

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mission-driven nonprofits that are obligated by charter to promote the development of affordable housing and create financial incentives for use by private and for-profit entities that aren't similarly constrained. To award these funds directly to private developers will decrease that accountability while creating a taxable income challenge for those recipients. And relative to the rescue plan approach, our experience with ARPA in Lincoln has increased our concern with that strategy, as more than 70 percent of the \$20 million allocated in Lincoln went to for-profit developers that would have traditionally been filled with funding available through other programs. Again, we remain committed and are very excited about this promising legislation and are willing to partner in whatever manner would be helpful in, in assuming its intended successes.

HUNT: Thank you. Mr. Mortensen. Any questions from the committee?
Senator Lowe.

LOWE: Thank you, Vice Chair Hunt, and thank you, Mr. Mortensen.

WAYNE MORTENSEN: Sure.

LOWE: Why is it we can't build affordable housing without government help?

WAYNE MORTENSEN: Because, because people have to be paid. Workers cost money and supplies and materials get more expensive every year. And our wages have not kept up pace with the cost of our housing. Our wage stagnation has, has not followed suit with the cost curves that you see on the housing front.

LOWE: But you just said wages are going up to build--

WAYNE MORTENSEN: Yes.

LOWE: --so those wages are going up.

WAYNE MORTENSEN: Yeah.

LOWE: Don't other wages follow in suit with that?

WAYNE MORTENSEN: It's a great time to get into construction if you want to look for a different profession. The-- certain sectors of the economy are experiencing rapid wage growth and contractors are among those sectors. Our minimum-wage workers have seen almost no increase and those are the clients and residents that we work most with are

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those people working low-income and minimum-wage jobs that can't get ahead.

LOWE: What if they go find a construction job?

WAYNE MORTENSEN: Yeah, yeah.

LOWE: I mean--

WAYNE MORTENSEN: We have--

LOWE: --isn't that the simple answer?

WAYNE MORTENSEN: I think there's a big mismatch between available jobs, jobs needed and skills available. And I think LPS has done an incredible job of trying to teach students about the availability of trade opportunities after high school. It's not college-- four-year college or bust. There are incredible jobs in heating and refrigeration, for instance, that start at \$80,000 a year. So it's a, it's a great time to go into one of those trades. But as a society, it seems like we've de-emphasized manual labor at the cost of our housing, frankly.

LOWE: Thank you.

HUNT: Any other questions from the committee? I have a question. Did you get a chance to see the amendment that Senator McKinney passed out?

WAYNE MORTENSEN: I have not been able to.

HUNT: OK, that's OK. It says-- I'm looking at one of your concerns about retroactivity and there's an amendment that adds this subdivision shall apply to workforce housing grants awarded before, on or after the effective date of this act. So to my reading, it seems like that might address retroactivity.

WAYNE MORTENSEN: I withdraw our concern.

HUNT: OK.

WAYNE MORTENSEN: Yeah, I think that's great and I appreciate that.

HUNT: Just curious if you had seen it. No big deal. I'm sure we'll talk about it after the hearing, so.

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WAYNE MORTENSEN: Yeah. I think it's great.

HUNT: Thank you very much. Any other questions? Seeing none, thanks for being here today.

WAYNE MORTENSEN: Thank you all.

HUNT: We'll take the next proponent for LB629. Welcome.

LASHA GOODWIN: Good afternoon, members of the committee. I'm Lasha Goodwin, L-a-s-h-a G-o-o-d-w-i-n, director of operations with Seventy Five North. Thank you for the opportunity to testify today in support of LB629. Seventy Five North is a community redevelopment organization with the mission to revitalize the Highlander neighborhood in north Omaha by developing mixed income housing, establishing a cradle-to-career pipeline and securing health and wellness amenities. Across Nebraska, there's a statewide shortage of 32,230 rental units for extremely low-income households and inadequate low- to middle-income workforce options for single-family housing. This problem is particularly acute in north Omaha, where we work. Homeownership rates are disproportionately low and general disinvestment has led to limited housing opportunities. The QCT Affordable Housing Program focuses affordable housing grants toward qualified census tracts where they are most needed and can help alleviate the housing crisis for households who are the most cost burdened. Seventy Five North was proud to be among the awardees for the QCT Affordable Housing Program. With these funds, we will begin the fifth phase of the Highlander redevelopment, a 41-unit multifamily project of which 28 units will be income restricted. Grant funds such as these are valuable because they help nonprofit developers like Seventy Five North make quality mixed-income housing accessible, while also building up neighborhood amenities and resources that improve quality of life for residents. For example, our organization has witnessed how affordable housing has significantly reduced the mobility rate at our neighborhood elementary school, lessening behavioral disruptions and increasing classroom performance. Additionally, demand for housing-- diverse housing typologies at affordable rates is high. Seventy Five North currently has a waiting list with over 800 people and zero vacancies in our existing rental units at the Highlander. The QCT Affordable Housing Program should continue as a part of the affordable housing ecosystem because quality, affordable housing reduces barriers and positively impacts the vitality of our neighborhoods and the lives of all residents. I welcome any questions.

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HUNT: Thank you very much, Lasha. Are there any questions from the committee?

LASHA GOODWIN: Thank you for your time.

HUNT: Seeing none, thank you for coming today. Next proponent for LB629. Welcome to your committee.

ANGEL STARKS: Thank you. Pull up my notes here. Thank you very much. My name is Angel Starks, A-n-g-e-l S-t-a-r-k-s. I am here representing the Nebraska Realtors Association. I lead a team of realtors who provide services in Omaha, Lincoln and beyond, including western Iowa. I also serve alongside a nonprofit, Spark CDI, that provides technical assistance and capacity building services to BIPOC, black indigenous people of color, who are interested in becoming real estate developers primarily in urban areas for both sale and lease properties. Since I've been a realtor for over ten years, I have firsthand experience with the ongoing price increases of what is labeled affordable housing, yet many first-time homebuyers are populations of historically redlined individuals, individuals are actually being priced out of the opportunity of homeownership. I speak in favor of this bill because, one, it specifically allocates money for the development of affordable housing, whether that's a capital "A" or a lowercase "a," with the hope that that would mean new construction incentives to encourage infill development, areas deemed as qualified census tract, or QCT adjacent. And two, it continues an intentional effort to support those who understand the needs of urban development and are willing to do the work. From the resident standpoint, we must not mislabel affordable for unattainable because that's how it feels. Individuals of all income levels should have access to housing of their choosing and not be segmented into existing houses because new construction just doesn't make sense. And by sense, that is twofold because new construction currently doesn't make cents, c-e-n-t-s. Infill development is not usually profitable, otherwise it would have already been done. Unfortunately, emerging developers are not able to do more than two or three houses at a time, which we've heard before that it just doesn't make a lot of money in order for them to continue and doesn't encourage sustainability. How can we encourage developers to build in vacant lots when the cost of construction of a standard three-bedroom, two-bathroom home is upward \$350,000 to build, yet the same property will only appraise for \$100,000 less than that? Where is the incentive of our developers, specifically our emerging developers that have roots in the community in which they can't afford to help transform for the better? As someone that also represents a lot of the

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housing developers in urban areas, it's disheartening for us to say, no, you don't qualify because you don't make the right income restrictions. And so you can see a beautiful home, but because there's so many allocations or so many restrictions, a lot of people are turned away. By allowing vacant lots to stay vacant, further-- furthers the disinvestment, which means we're going backwards rather than moving forward. LB629 allows for us to move intentionally in the right direction. Therefore, I support it and welcome any questions.

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

ANGEL STARKS: Thank you.

HUNT: Next proponent for LB629. Welcome.

MATTHEW CAVANAUGH: Hi. Good afternoon. Vice Chairperson Hunt, members of the Urban Affairs Committee, my name is Matthew Cavanaugh., M-a-t-t-h-e-w C-a-v-a-n-a-u-g-h. I'm the executive director of Holy Name Housing Corporation. I'm here in support of LB629. Holy Name Housing Corporation is a nonprofit engaged in the development, construction and management of affordable housing in economically distressed areas of Omaha. We've been in operation for more than 40 years and have built over 500 units of quality affordable housing during that period. At the present moment, we are engaged in the construction of 25 handicapped-accessible townhomes for seniors and people with physical disabilities, as well as 12 single-family homes. We're a recent recipient of both the Middle Income Workforce Housing Fund and the QCT Affordable Housing program. I also serve on the board of the-- the board of directors with the Nebraska Housing Developers Association. And for the record, I have their support for this legislation that allocates funding and reduces barriers to development of affordable housing. Holy Name Housing Corporation received two grants from the QCT Affordable Housing Program. These two grants of \$900,000 and \$1.5 million respectively will be used to complete site development in the preparation of affordable housing and two long-neglected neighborhood-- neglected locations in north Omaha. Improvements will include sewer, water, electrical infrastructure, the repaving of substandard or abandoned city roads and the connecting of previous dead ends to improve neighborhood traffic flow. These two locations, both neglected for decades because of their proximity to industrial corridors and freeways-- freeway connectors, demonstrate the need in qualified census tracts for public funding to mitigate the prohibitive cost associated with updating infrastructure and improving

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land previously degraded through both public action and inaction. Additionally, there's a profound need in these communities to upgrade and preserve existing affordable and aged affordable housing projects. As an example, there was not sufficient funding available to support our third application to renovate a 37-unit low-income senior housing unit. This project, located in a historic property, houses our lowest-income and highest-need residents. The nature of these properties, which are overwhelmingly represented in qualified census tracts, are difficult to rehabilitate through traditional financing. A program like the QCT Affordable Housing Program could effectively-- could be effectively leveraged with energy-efficient tax credits or other incentives from the federal government to increase the longevity, quality and affordability restrictions of these low-income units to prevent them from dilapidating further or being redeveloped into high-cost housing. Once again, I urge you to support LB629 The need for this funding exists and I assure you that my team is prepared to make use of it. So thank you and I'm happy to answer questions.

HUNT: Thank you, Matthew. Any questions from the committee? Seeing none, thank you for being here today.

MATTHEW CAVANAUGH: Great. Thanks.

HUNT: Next proponent for LB629. Welcome back.

WARD HOPPE: Thank you. Again, my name is Ward F. Hoppe, W-a-r-d F. H-o-p-p-e r. And again, I build workforce and affordable housing and when I say workforce, I build and have worked with both the middle-income program for, for in the metro areas as well as the workforce housing for rural areas, the rural workforce housing. I'm a supporter of this bill. One of the big reasons is it kind of matches the rural activities and the rural workforce rules to the metro workforce rules. It gets-- it lines up the pricing of the housing together pretty much similar and it also takes out the, the matching require-- the nonmatching requirements. It would allow us in the, the middle income in metro areas to put together programs that are not matched or could be matched with home funds. Now, you talk about affordable housing. It costs so much to build a house, just costs that much per foot. I'm good at it, but we can only shrink what we put in there and what it costs to build a house so much. You know, you can put in vinyl countertops instead of marble. You can do a lot of different things. You take out as many corners as you can of the building so you're building straight walls and they're long and so forth. But it still costs you so much to build a house. Using these

programs, we can leverage those costs. And if we take out the match requirements, lower the match requirements, and we take out the ability to use different funding programs, we can get those houses we build down in price. Now, I didn't mention before I'm on the board of the Nebraska Housing Resource, which is a nonprofit that has one of the, one of the metro workforce grants to produce housing. Last year, we got a change to the metro program to allow it to be used anywhere in a count-- or a city with a primary class. That's still in this bill, I trust. I didn't see a change and I don't think it's in the amendment. So we can use those anywhere. I talked earlier about a subdivision we're putting in for workforce and affordable housing. In that, we consciously tried to set up what we've done so that we would have housing available to work under the, the middle income act. And doggone it, it's just hard to build a house that is less than \$275,000, but particularly if you have to count the price of the lot. In Lincoln-- Omaha is maybe a little cheaper, but in Lincoln, cost of a lot is \$80,000. Well, you take 275 minus 80, that doesn't give you much house. As a matter of fact, if you take-- you know, \$125,000 a foot would be pretty cheap right now in construction costs. On a 1,200-square-foot house, that's not much. That's \$175,000 in a 1,200-square-foot house isn't much. That's a good piece of this. In summary, I mean, I can go on if-- you know, I got a lot of reasons why I like this and it fits our niche and consequently I support it. I urge you to support it. It is a tool we can use to get more housing out in the urban areas. Thank you very much and thanks, Senator McKinney--

HUNT: Thank you, Mr.--

WARD HOPPE: --for bringing forward.

HUNT: Thank you, Mr. Hoppe. Let's see if there are any questions. Seeing none, thank you again for being here today.

WARD HOPPE: Thank you.

HUNT: Next proponent for LB629.

ALEC GORYNSKI: Good afternoon, Vice Chair Hunt and members of the Urban Affairs Committee. My name is Alec Gorynski, A-l-e-c G-o-r-y-n-s-k-i. I'm the president and CEO of the Lincoln Community Foundation and I'm here on behalf of the Lincoln Community Foundation in support of 6-- LB629. The Lincoln Community Foundation is the backbone organization for Prosper Linc-- the Prosper Lincoln community

agenda that serves as our unifying community strategy for Lincoln, channeling focus and resources on key issues that are inhibiting socio-economic prosperity for everyone in our community. Because of the lack of quality affordable housing and the scale of new units needed and because of the low homeownership rates in high-poverty neighborhoods, affordable housing is one of the top priorities for our collective Prosper Lincoln community agenda and for the Lincoln Community Foundation. One of the primary expressions of our work is as a convener, a coordinator and a facilitator of partnerships to identify and address systemic issues in our various focus areas. And this has been the case for affordable housing, where affordable housing partners have expressed the lack of available land as a primary barrier for new affordable housing development, especially in communities experiencing high rates of poverty where low "a" affordable housing is often present but of poor quality. This adds significant cost to potential affordable housing projects, decreasing already diminished cash flows and inhibiting the feasibility of a project moving forward. Senator Lowe, you asked a great fundamental question before about why is government resources needed? We talked earlier about affordable housing is affordable to who? And affordable at 30 percent of median family income is the national standard. And commonly, that is targeted to a family that earns 60 percent of the median family income for-- or excuse me, the median household income. So for Lincoln, that's a family that's earning \$55,000 a year. So if we multiply that 30 percent by that \$55,000 a year, they're able to pay about \$1,400 a month. And so if Fred, who-- who's spoken on a number of these bills takes that and applies it across all the units that he's able to build, it does not cover the interest needed on the loan, let alone the principal and interest. It's funding the land, it's funding the soft cost. It's funding all the, the construction cost. So but for subsidy in some shape or form, whether it's these grant programs or low-income housing tax credit programs or loans, flexible and low-cost loans provided by CDFIs, a lot of this affordable housing couldn't happen. And oftentimes it's not any one of those things, but it's a package of all of those things. The QCT Affordable Housing Development Program was established and funded with ARPA funds in 22- and 2022 was a significant benefit to the affordable housing system in Lincoln, where 14 affordable housing projects were able to move forward because of this investment. There is a significant need for additional investment, evidenced by applicate--applications that amounted to nearly three times the available resources. By permanently establishing this QCT Affordable Housing Program and updating the criteria, as has been discussed,

Lincoln will be able to make some substantial steps in its overall strategy. I also wanted to speak in favor of some of the updates to the Middle Income Workforce Housing Loan Fund, specifically the update to reduce the match requirement from 50 percent to 25 percent. Candidly, Lincoln is a different philanthropic ecosystem than Omaha is. Some estimates put us at about 10 percent of the philanthropic potential that Omaha has. And so just to ensure an equitable distribution of these resources across our two communities, we are in favor of that change and thank Senator McKinney for, for introducing that change. Thanks for your time and consideration of this bill and welcome any questions that you have.

HUNT: Thank you very much. Let's see if there's any questions. Seeing none, thank you again.

ALEC GORYNSKI: Thank you.

HUNT: Next proponent for LB629. Welcome.

DAN MARVIN: Welcome. My name is Dan Marvin, D-a-n M-a-r-v-i-n. I represent the city of Lincoln. I'm the director of urban development. I'll make my comments brief. We are working on a couple of missing middle projects in Lincoln and I'm really excited about what this program can do and expanded. As the Senator has proposed, being able to reach more neighborhoods with more potential for missing middle projects in those areas. The reason I'm excited about this, just anecdotally, we bought our first house in 1985. We paid \$67,000 for that house. We put \$5,000 down. We paid \$500 a month. We had a house. We had a backyard. We had a fence. I'd still be living in that house, but we had some life changes that, that-- but it was a fantastic deal. Back then, what people said was, it's the first rung in the ladder of, of homeownership. And what I think is what happening not only in this state, but nationally, is somebody who's been taking the saw out and selectively cutting off these rungs. And so I think it's in the public's interest, Senator, that we need to think about homeownership. We need to think about how we can help people get on that rung because that creates the equity. All the studies that have ever been done about redlining and the, and, and the efforts that have-- that hurt people there, it's the ability to be able to create that equity, to build that equity so that you are on that rung of homeownership and it's got great social benefits. It certainly benefited my family. But now my daughters are out looking at homes and we've talked about the home prices for those entry levels and they're looking to me for those-- help in that down payment assistance. You know, not everybody

has that ability and I don't know if I do either, quite frankly. But nevertheless, that's what's creating the blockade and the inability for people to get their feet climbing up that rung of homeownership. So bills like this have a great benefit socially, economically for the city of Lincoln and I hope you can support it. Thank you and I'll answer any questions.

HUNT: Thank you, Mr. Marvin. Pardon my outburst. I got physical pain listening to you talk. I got so depressed. Any questions from the committee? Seeing none, thank you again.

DAN MARVIN: Thank you.

HUNT: Next proponent for LB629.

TRACIE MCPHERSON: I don't feel like I need to say anything. I'm with Habitat. He just sold homeownership so thank you. My name is Tracie McPherson, Tracie, T-r-a-c-i-e, McPerson, M-c-P-h-e-r-s-o-n. I'm the public affairs and advocacy director for Habitat for Humanity of Omaha. Today, I'm here on behalf of Habitat Omaha and the 85 families that will purchase a home in our new development known as Bluestem Prairie. I'm here to voice our support for LB629. Before Habitat Omaha started development work in the new development known as Bluestem Prairie, the land sat vacant for about 17 years. The site is where the Wintergreen Apartments once stood. When we first took over the vacant land, there was 20 years worth of overgrown trees and shrubs, a park that held a basketball court that was no longer visible. Parts of the old neighborhoods were being used as a dumping ground for used tires and old mattresses. This bill makes new developments like Bluestem Prairie possible. You can imagine the infrastructure work that has to be done to make these plans work. The site preparation alone is 2 million-plus dollars. You can see in the case statement that I gave you, there's the budget there for it. New sewer lines and streetlights as well as paved roads all have to happen to make this abandoned land a new neighborhood. And all of it needs to happen before the first house is even built. When soaring construction costs and the price developers currently are paying for land is making large-scale projects like Bluestem harder. And again, the budget is in the case statement. This new development would add life to a neighborhood that hasn't seen an investment in decades. Families can realize their dreams of homeownership with housing stock that will include single-family dwellings, empty-nester villas, a multifamily house as well. It's the first time that we'll ever, we'll ever do that for families living with multiple generations under one roof. The park

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will be redeveloped with walking trails, bike lanes and pickleball courts. There will be a green space for neighbors to gather and park benches and picnic tables to allow families to enjoy the outdoors riding their own neighborhood. I'm telling you all this to say this is what qualified census tract-- an area in a qualified census tract could be, what it could look like, what it will be. But this isn't just a good investment for the homeowners. This new development will have a ripple effect across the city. And I apologize, I haven't gotten the new stats from HF-- Habitat for Humanity International, but we did a study in 2018 through Habitat Omaha's work in the construction industry. Two hundred ninety jobs were generated with \$13 million in wages paid to subcontractors throughout the city. That investment in the community generated a total of \$29,999,785 in economic impact. While we do build houses with volunteers, I'm talking about the folks who do the plumbing, electrical, roofing and such. We do not let volunteers do that. This work is critical to our community. We know the challenges, but we also see the results. LB629 will allow Habitat Omaha to build more affordable housing and to create an even bigger economic ripple effect throughout our community.

HUNT: Thank you very much--

TRACIE McPHERSON: Thank you.

HUNT: --Tracie. Any questions from the committee? Senator Lowe.

LOWE: Thank you and thank you for coming in today. Couldn't you have raised the \$29,999,785 by a 100 and-- or \$215--

TRACIE McPHERSON: Yep.

LOWE: --just to round up to \$30 million?

TRACIE McPHERSON: Maybe, but this is the deal.

LOWE: A little simpler answer.

TRACIE McPHERSON: Yeah. Yeah, we could have probably raised it, but this is the deal. When you think about a habitat build site and what that offers the community, it's more than about building the house. This is where you might have somebody who's on work release working with a professional who works downtown. And where else would those two souls be able to meet and to connect, right, and have something in common then on a habitat build site? So really it's more than building

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houses, it's really about making connections in the community for people.

LOWE: I've worked on several habitat houses in the Kearney area. I just think today we ought to take time to remember President Carter.

TRACIE McPHERSON: I appreciate that. Thank you. Thank you very much and thank you for your service and your volunteerism. Much appreciated.

HUNT: Thank you, Senator Lowe. Any other questions from the committee? Seeing none, thanks very much. Next proponent for LB629. Welcome.

SARA TICHOTA: Thank you. Good afternoon, Vice Chair Hunt and, and the rest of the committee. My name is Sara Tichota, S-a-r-a T-i-c-h-o-t-a, and I am with Nebraska Investment Finance Authority. I am pleased to testify in favor of the proposed changes, including the additional funding to the Qualified Census Tract Affordable Housing Program as a new subaccount of the Middle Income Workforce Housing Investment Fund. First, let me say that the QCT Affordable Housing Program Fund was recently utilized as much-needed gap financing in our 2023 tax-exempt bond 4 percent LHTC tax credit program and will directly contribute to the creation of 277 affordable rental housing units. Second, Nebraska's 2022 Strategic Housing Framework identifies a goal of creating or rehabilitating a total of 35,000 affordable and, and attainable housing units by 2028. Flexible funding sources are a critical component of reaching the 35,000 units. The proposed changes in the provisions of LB629 expands the flexibility of this act. This flexibility will allow funds to address the very different needs and challenges associated with the development of infill housing, owner-occupied rehab-- rehabilitation, as well as multifamily housing. Thank you for your time this afternoon.

HUNT: Thank you again for coming back. Any questions from the committee?

SARA TICHOTA: Thank you.

HUNT: Seeing none today, thank you. Next proponent for LB629.

DREW SOVA: Afternoon, committee members. My name is Drew Sova, D-r-e-w S-o-v-a. I am the executive vice president at White Lotus Group in Omaha. The QCT Affordable Housing Program is a positive step in the generation of additional affordable housing units in the state of Nebraska. White Lotus Group, through its development subsidiaries, was

able to secure allocation towards two affordable housing projects, one in Lincoln and one in Omaha. I'm here before you today to briefly describe how those allocations have benefited these projects and to advocate for the allocation of additional dollars towards the QCT Affordable Housing Program via LB629. Our first ARPA award was designated for an affordable housing project here on Centennial Mall at the site of the to-be-demolished Pershing Center. This project will construct 90 residential units for household incomes at or below 60 percent of the area median income. We believe this project will be an example of the economic success affordable housing can bring, as we will combine the affordable units with underground parking and 17,000 square feet of ground floor commercial space designated for health services. In addition, due to our location on Centennial Mall, we are required to meet certain exterior design standards using 100-year construction materials, which will generate build quality not normally seen in affordable housing projects. The Lincoln project will use a combination of funding mechanisms, including federal low-income housing tax credits, bond financing and Nebraska's 4 percent state affordable housing credit. When we originally applied for ARPA, our goal was for the award to take place of the 4 percent credit, which is a competitive award program. This would have been a benefit for us, as one of the scoring factors of a 4 percent award is the construction cost per unit. Given our project is to include a parking garage, ground floor commercial space and constructed of brick exterior to meet the mall's design standards, our per-unit cost was exponentially higher than the next closest competitor. By targeting the QCT Affordable Housing Program, our hope was to bypass the competitive process and deliver a project that did not need to race to the bottom in terms of quality to have a high chance of being developed. Ultimately, we were awarded a portion of the ARPA request for the-- our Lincoln project. Given the current financial environment of development, we were able to use the ARPA award to cover the increased cost of construction materials and additional construction interest spend. However, this left us better-- this left us better than we would have been without an award, as we were able to cover the rising construction costs, but we still needed the state's 4 percent affordable housing credit to cover the balance of our budget. The better scenario would have seen the State Legislature allocate a larger pool of money originally to the QCT Affordable Housing Program from the outset, allowing impactful projects such as ours to receive a full funding request, which in turn would have allowed other projects on the state's 4 percent affordable housing credit to be awarded. The second project White Lotus Group saw an award for was a housing

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project to be constructed in downtown Omaha at the site of the former Civic Auditorium. Without an ARPA award, White Lotus Group would have again needed to look to the state's 4 percent competitive affordable housing credit. Instead, we were able to move forward with this project, which is to be paired with ground floor commercial, underground parking and is part of a larger development that will also see market rate apartments, townhomes, significant office space and the potential for fitness and wellness services. The state's QCT awards allow White Lotus Group to develop two projects we feel check the boxes of what economically impactful affordable housing should look like, pairing affordable units with supportive services and attached parking developed in the urban core of a city with an already established economic base. Unfortunately, all of these positive qualities add substantial cost to projects with extremely tight budgets. With the assistance of the ARPA QCT Affordable Housing Program, we were able to move forward with both these Omaha and Lincoln projects in full without the need to pull cost-cutting levers. Ultimately, the positive impact of affordable housing cannot be overstated. By investing in affordable housing, we boost our economic growth, reduce poverty and homelessness, attract and retain workers, revitalize neighborhoods and create a stronger, more resilient community. Thank you and I'll take any questions.

HUNT: Thank you for being here today. Any questions from the committee?

DREW SOVA: Thank you.

HUNT: Seeing none, thanks again.

DREW SOVA: Have a good day.

HUNT: Next proponent. Welcome back.

BRUCE BOHRER: Yeah. Good afternoon once again. Vice Chair Hunt, members of the Urban Affairs Committee, again, Bruce Bohrer, spelled B-r-u-c-e B-o-h-r-e-r, with the Lincoln Chamber of Commerce. However, this time testifying on behalf of the Lincoln Chamber of Commerce and also the Greater Omaha Chamber of Commerce in support of LB629. We thank Senator McKinney for bringing this. I'll be brief. Lower and middle-income housing is a vital element of both workforce and community development, requiring both funding and innovative approaches. The Middle Income Workforce Housing Act and the Economic Recovery Act are dedicated-- are directed to meeting these needs and

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the amendments added by the amendment offered in LB629 will improve these important efforts. I just want to also say I don't normally get to do this. We have a gentleman that had worked in this area who worked for us who found another job about two weeks ago. So I'm kind of pinch hitting, but I am in awe of the advocates that were here today and the work that they do across the state and also of you all and what you've done in this area too. So just, just a very important issue and I'm, I'm thankful that I've had the opportunity to be here. With that, I would answer any questions you might have.

HUNT: Thank you. Bruce. Any questions from the committee?

BRUCE BOHRER: All right.

HUNT: Appreciate you.

BRUCE BOHRER: Thank you.

HUNT: Thank you. Next proponent. Welcome.

BRI FULL: It says good morning on my testimony, but obviously it's not morning, so. Good afternoon, Vice Chair Hunt and members of the Urban Affairs Committee. My name is Bri Full, B-r-i F-u-l-l, and I am here on behalf of Spark CDI, a nonprofit based in Omaha, Nebraska, that works toward holistic community development efforts in north and south Omaha. Spark enthusiastically supports LB629, as affordable housing development and the lack thereof is one of the state's most pressing current issues. It's plain and straightforward: Nebraskans have difficulty finding affordable housing options in their desired places to live. If the Legislature does not take swift action to address this issue, we can bet that our economy will stagnate and that people will have no choice but to move away to better opportunities in other states. The 2022 Strategic Housing Framework, a recent report signed off by both Governor Ricketts and Governor Pillen, offers a snapshot of the state of housing in Nebraska. Key findings include 44 percent of Nebraska households making less than \$75,000 a year pay more than one-third of their income on housing. These housing-burdened families are left with less for other necessities and are less able to contribute to the economy and build personal wealth. Rising housing costs are due in part to housing inventory that has not kept pace with population growth and new construction has continued to increase since 2009, but has yet to reach pre-2006 levels, resulting in continuing tight supply. The QTC Affordable Housing Program has already proven to be a highly desired funding tool for nonprofits, for-profits and

government entities alike to build more affordable housing for low-income families. Currently, no more funding is available for this program, as it was designed to be a one-time infusion of federal ARPA funds. So if we do not fund this, all of these wonderful projects that you've been hearing about throughout this hearing, you know, are not going to be possible. So I just want you to keep that in mind as well. This popular program could prove to be one of the state's most successful housing funding programs based on the quality of projects submitted during the last application cycle. They got \$170 million in requests, the DED, and I think about 100,000 of those were actually high-quality, fundable projects. So the need out there is high and this program is very popular and is highly, highly desired. Spark strongly supports LB629 and its goals of increasing affordable housing in high-need neighborhoods. As a nonprofit lender, we look forward to continuing to partner with the state to complete more affordable housing developments. Together, we can support Nebraska's competitive-- competitiveness, community well-being, economic opportunity and our collective ability to enjoy the good life. And I-- it's not a part of my testimony, but I just wanted to address a couple of things that have been talked about so far. This bill is part of a larger, a larger housing package that Spark and several other coalition members have been developing throughout this session. And so this is just one part of affordable housing strategy for the entire state. So we don't want to favor, you know, Lincoln and Omaha over our rural areas because the whole state needs help. It's not just Omaha and Lincoln. And so I don't have the information in front of me, but I will email you the housing matrix, matrix or the concept of all of these bills put together. LB801 is Senator Vargas' bill and it's actually going-- it's the mechanism to fund this bill and it's currently going to be in Appropriations at the beginning of March. So I just wanted to let you know a couple of those points and is my light off or is it red? I'm sorry. I don't want to keep talking.

ANGENITA PIERRE LOUIS: It's off.

BRI FULL: Did I get the red?

ANGENITA PIERRE LOUIS: Sorry.

BRI FULL: OK, sorry.

HUNT: Let's see if there's any questions--

BRI FULL: OK.

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HUNT: --from the committee. Did you need any time to complete your thoughts or are you--

BRI FULL: Well, I just wanted to talk about some of the concerns that Wayne Mortensen from NeighborWorks Lincoln brought up.

HUNT: If you can briefly go over those, that would be great.

BRI FULL: Yes. So the amendment offered fixed one of his issues, but another one of his concerns was he was not sure if the Middle Income Workforce Housing Act was the place to put the subaccount, which would fund the QTC Affordable Housing Program. But we actually consulted Senator Vargas, the original author of LB866, which created the Middle Income Workforce Housing Fund, and he suggested this is, this is where we put the QTC Affordable Housing Fund. So he's the original author of the bill and he agrees this is where it should be. And we were very concerned that we wanted to make sure that, you know, this is the correct mechanism to move forward with this funding. And that's, that's about it.

HUNT: OK.

BRI FULL: Yes.

HUNT: Thank you--

BRI FULL: Thanks.

HUNT: --so much. Any questions? Seeing none, thanks for being here today.

BRI FULL: Thanks so much.

HUNT: Next proponent for LB629. Welcome back.

JACK CHELOHA: Good afternoon. Thank you. My name is Jack Cheloha, J-a-c-k C-h-e-l-o-h-a. I am the lobbyist for the city of Omaha. I want to testify in favor of LB629 this afternoon and I thank Senator McKinney for bringing the bill to this committee today. As one of the witnesses said, he was at awe at the expert that testified in front of you today and I am as well. I kind of waited till near the end to testify because I'm not an expert in housing by any means. But I wanted to give you more of the 10,000-foot view from the city of Omaha. The city of Omaha has been a partner with this committee and the Legislature, if you will, on everything from middle income--

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missing middle income housing, affordable housing, workforce housing. Sometimes it was at our initiative, sometimes at your initiative and sometimes we were brought to the table kicking and screaming. But nevertheless, we're here and we're partners and, and we want to see that-- it's a big issue for us and the city of Omaha. Obviously, we have the qualified census tracts within both north and south Omaha. And so we think this is an appropriate expenditure of these funds. I've asked the page to hand out of resolution that the city council and the-- of Omaha passed unanimously and was signed by our mayor reinforcing their support for LB1024 that was passed last year, the Economic Recovery Act. And with-- within that act, it's important to note that there is the emphasis on housing as well. And so it all, it all ties together. We think this is an appropriate expenditure. Obviously, the need is great and even greater than beyond what was allocated so far in LB1024 and because of that, we think LB629 is necessary now along with the other funding bill. So I'll try to answer any questions you might have, but thank you very much.

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

JACK CHELOHA: Thank you.

HUNT: Next proponent for LB629. Any other proponents? We can move on to opponents. Anyone here in opposition? Anyone here to testify in the neutral capacity? Senator McKinney, you're invited to close. While he's coming up, we had eight letters in support of LB629, zero opposed and one in the neutral capacity. Senator McKinney.

McKINNEY: Thank you. And first, I want to apologize about getting the amendment to the committee late. We got it back today so just letting everybody know. I think LB629 is a great step to address the issues we heard today about affordable housing across our state. I'm willing to work with the committee if you guys have any questions or concerns about it. And with that, I'll take any questions.

HUNT: Thank you, Senator McKinney. Any questions from committee members? Senator Lowe.

LOWE: Thank you. On page 6, Senator McKinney, you have that the Legislature will transfer some amount of millions of dollars. Do you have any idea what that will be?

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McKINNEY: So I looked at Senator Vargas' bill in Appropriations, LB801, I believe. Currently, it's \$100 million. I don't know if actually the Appropriations will vote it out with \$100 million, but that's what he's asking for initially.

LOWE: OK.

McKINNEY: Yep.

HUNT: Thank you, Senator Lowe. Any other questions? Seeing none, thank you, Senator McKinney. And with that, I'll close the hearing on LB629 and close our Urban Affairs Committee hearing for the day.

McKINNEY: Thank you.