

LEGISLATURE OF NEBRASKA
ONE HUNDRED NINTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 637

Introduced by Ballard, 21.

Read first time January 22, 2025

Committee: Revenue

- 1 A BILL FOR AN ACT relating to economic development; to amend section
- 2 18-2103, Revised Statutes Cumulative Supplement, 2024; to adopt the
- 3 Destination Nebraska Act; to provide for certain taxing authority;
- 4 to redefine a term under the Community Development Law; and to
- 5 repeal the original section.
- 6 Be it enacted by the people of the State of Nebraska,

1 **Section 1.** Sections 1 to 9 of this act shall be known and may be
2 cited as the Destination Nebraska Act.

3 **Sec. 2.** (1) The purpose of the Destination Nebraska Act is to
4 promote and develop the general and economic welfare of this state and
5 its communities by providing support for unique Nebraska sports and
6 retail mixed-use projects that will be destinations for out-of-state
7 visitors, attract new sports-related industries, create employment
8 opportunities, and further grow and strengthen Nebraska's retail,
9 entertainment, and tourism industries.

10 (2) The Legislature finds that it will be beneficial to the economic
11 well-being of the people of this state to encourage destination
12 development projects within the state that create jobs, infrastructure,
13 and other improvements and attract and retain tourists and college
14 graduates from around the state.

15 (3) The Legislature further finds that such projects will (a)
16 generate new economic activity, as well as additional state and local
17 taxes from persons residing within and outside the state, (b) create new
18 economic opportunities and jobs for residents, (c) promote new-to-market
19 retail, entertainment, and food and beverage attractions, and (d) attract
20 professional, Olympic, and youth sports teams to build and operate
21 stadium and arena venues in Nebraska.

22 **Sec. 3.** For purposes of the Destination Nebraska Act:

23 (1) Department means the Department of Economic Development;

24 (2) Destination district means a district created pursuant to
25 section 5 of this act;

26 (3) Destination district applicant means the person who applies to
27 create a destination district pursuant to section 4 of this act; and

28 (4) Eligible costs means payment and reimbursement of (a) the costs
29 of acquisition, planning, engineering, designing, financing,
30 construction, improvement, rehabilitation, renewal, replacement, repair,
31 landscaping, irrigation, and maintenance of privately and publicly owned

1 real estate, buildings, improvements, fixtures, equipment, and other
2 physical assets within a destination district and debt service on such
3 real estate, buildings, improvements, fixtures, equipment, and other
4 physical assets, (b) the costs of construction and acquisition of
5 publicly owned infrastructure and publicly owned property rights within
6 or related to a destination district, (c) the costs of development,
7 acquisition, maintenance, and enhancement of technology assets to include
8 hardware, software, and related intellectual property, if the initial
9 exclusive use of such property is in or related to a destination
10 district, and (d) the costs of marketing, tenant improvement allowances,
11 and tenant and customer acquisition and retention.

12 **Sec. 4.** (1) Until December 31, 2025, any person may apply to the
13 department to create a destination district. All applications shall be in
14 writing and shall contain:

15 (a) A description of the proposed project to be undertaken within
16 the destination district, including a description of any existing
17 development, an estimate of the total new development costs for the
18 project, and an estimate of the number of new jobs to be created as a
19 result of the project;

20 (b) A map identifying the destination district to be used for
21 purposes of the project;

22 (c) A description of the proposed financing of the project; and

23 (d) Sufficient documents, plans, and specifications as required by
24 the department to define the project, including the following:

25 (i) A statement of how the jobs and taxes obtained from the project
26 will contribute significantly to the economic development of the state
27 and region;

28 (ii) Visitation expectations and a plan describing how the number of
29 visitors to the destination district will be tracked and reported on an
30 annual basis;

31 (iii) Any unique qualities of the project;

1 (iv) An economic impact study, including the anticipated effect of
2 the project on the regional and statewide economies; and

3 (v) The expected return on state and local investment the project is
4 anticipated to produce.

5 (2) Upon receiving an application, the department shall review the
6 application and notify the applicant of any additional information needed
7 for a proper evaluation of the application.

8 (3) The application and all supporting information shall be
9 confidential except for the location of the project, the total new
10 development costs estimated for the project, and the number of new jobs
11 estimated to be created as a result of the project.

12 (4) No more than two destination districts may be created statewide.

13 **Sec. 5.** (1) If the department finds that creation of the
14 destination district would not exceed the limit prescribed in subsection
15 (4) of section 4 of this act and the project described in the application
16 meets the eligibility requirements of this section, the application shall
17 be approved.

18 (2) A project is eligible if the destination district applicant
19 demonstrates that:

20 (a) The total new development costs of the project will exceed three
21 billion dollars; and

22 (b) The project will attract new-to-market destinations and retail
23 that will generate a minimum of ten million visitors per year.

24 (3) Approval of an application under this section shall establish
25 the destination district as that area depicted in the map accompanying
26 the application as submitted pursuant to subdivision (1)(b) of section 4
27 of this act. Such district shall last for forty years and shall not
28 exceed five thousand acres in size. No portion of a destination district
29 shall be considered to be part of the corporate limits of a city or
30 village, no city or village may exercise any power whatsoever or collect
31 any tax in a destination district, and no city or village shall exercise

1 its extraterritorial zoning jurisdiction over the area in a destination
2 district.

3 (4) After establishment of the destination district pursuant to this
4 section, a destination district applicant may adjust the boundaries of
5 the district by filing an amended map with the department and updates or
6 supplements to the application materials originally submitted by the
7 applicant. The department may approve the new boundaries if the
8 eligibility criteria in subsection (2) of this section will be met after
9 the boundaries are adjusted.

10 (5) In addition to the state sales and use tax imposed under section
11 77-2703, there is also hereby imposed a state occupation tax on
12 transactions subject to section 77-2703 that occur within a destination
13 district on property owned by the destination district applicant. The
14 department shall determine the rate of the occupation tax after notice
15 and a public hearing upon application to the department by the
16 destination district applicant. The department shall set the rate at an
17 amount sufficient to further the purposes of the Destination Nebraska
18 Act. Such tax shall be collected in the same manner as the sales and use
19 tax imposed under section 77-2703.

20 (6) The destination district applicant for an approved destination
21 district shall have the power to issue bonds in furtherance of the
22 purposes of the Destination Nebraska Act. Such bonds shall not be
23 considered an obligation of the state.

24 (7) In cases where real property within a destination district has
25 been specially benefited by improvements constructed or installed in the
26 district, the owner of such real property shall pay the destination
27 district applicant a sum equivalent to the amount by which the real
28 property has been specially benefited. If the parties do not agree as to
29 the amount of the special benefit conferred, the amount of the special
30 benefit conferred may be determined by the district court in an action
31 brought by the destination district applicant for such purpose.

1 **Sec. 6.** (1) For any destination district, and notwithstanding any
2 other provision of law to the contrary, the department may (a) designate
3 a trustee financial institution to hold in trust the occupation tax
4 proceeds collected pursuant to section 5 of this act and (b) use such
5 funds in agreements with the destination district applicant to further
6 the purposes of and take all actions allowed under the Destination
7 Nebraska Act.

8 (2) The destination district applicant may use funds received under
9 this section for any eligible cost.

10 **Sec. 7.** The Department of Transportation may enter into agreements
11 with the destination district applicant of an approved destination
12 district to provide for the construction of roads and bridges and other
13 infrastructure within the destination district. Such roads, bridges, and
14 other infrastructure shall comply with all applicable federal and state
15 laws and codes.

16 **Sec. 8.** The destination district applicant of an approved
17 destination district may contract for electric service, water and sewer
18 service, and gas service and may contract with a city or rural or
19 suburban fire protection district for fire service and emergency medical
20 service.

21 **Sec. 9.** A destination district shall be considered a village for
22 all purposes of the Community Development Law, and the department may
23 form a community redevelopment authority to exercise the powers contained
24 within the Community Development Law. Such community redevelopment
25 authority shall have and may exercise all powers and duties, and shall
26 have all obligations, of a community redevelopment authority created
27 pursuant to the Community Development Law, including, but not limited to,
28 those described in sections 18-2107 and 18-2147. The department shall
29 appoint, and may remove, the members of the community redevelopment
30 authority. At least one member of the community redevelopment authority
31 shall be a member of the county board of the county in which the

1 destination district is located. Such community redevelopment authority
2 shall be known as the Community Redevelopment Authority of the (name of
3 destination district).

4 **Sec. 10.** Section 18-2103, Revised Statutes Cumulative Supplement,
5 2024, is amended to read:

6 18-2103 For purposes of the Community Development Law, unless the
7 context otherwise requires:

8 (1) Area of operation means and includes the area within the
9 corporate limits of the city and such land outside the city as may come
10 within the purview of sections 18-2123 and 18-2123.01;

11 (2) Authority means any community redevelopment authority created
12 pursuant to section 18-2102.01 and any community development agency
13 created pursuant to section 18-2101.01 and does not include a limited
14 community redevelopment authority;

15 (3) Blighted area means an area (a) which, by reason of the presence
16 of a substantial number of deteriorated or deteriorating structures,
17 existence of defective or inadequate street layout, faulty lot layout in
18 relation to size, adequacy, accessibility, or usefulness, insanitary or
19 unsafe conditions, deterioration of site or other improvements, diversity
20 of ownership, tax or special assessment delinquency exceeding the fair
21 value of the land, defective or unusual conditions of title, improper
22 subdivision or obsolete platting, or the existence of conditions which
23 endanger life or property by fire and other causes, or any combination of
24 such factors, substantially impairs or arrests the sound growth of the
25 community, retards the provision of housing accommodations, or
26 constitutes an economic or social liability and is detrimental to the
27 public health, safety, morals, or welfare in its present condition and
28 use and (b) in which there is at least one of the following conditions:
29 (i) Unemployment in the designated area is at least one hundred twenty
30 percent of the state or national average; (ii) the average age of the
31 residential or commercial units in the area is at least forty years;

1 (iii) more than half of the plotted and subdivided property in an area is
2 unimproved land that has been within the city for forty years and has
3 remained unimproved during that time; (iv) the per capita income of the
4 area is lower than the average per capita income of the city or village
5 in which the area is designated; or (v) the area has had either stable or
6 decreasing population based on the last two decennial censuses. In no
7 event shall a city of the metropolitan, primary, or first class designate
8 more than thirty-five percent of the city as blighted, a city of the
9 second class shall not designate an area larger than fifty percent of the
10 city as blighted, and a village shall not designate an area larger than
11 one hundred percent of the village as blighted. A redevelopment project
12 involving a formerly used defense site as authorized under section
13 18-2123.01, any area which is located within a good life district
14 established under the Good Life Transformational Projects Act, and any
15 area declared to be an extremely blighted area under section 18-2101.02
16 shall not count towards the percentage limitations contained in this
17 subdivision;

18 (4) Bonds means any bonds, including refunding bonds, notes, interim
19 certificates, debentures, or other obligations issued pursuant to the
20 Community Development Law except for bonds issued pursuant to section
21 18-2142.04;

22 (5) Business means any private business located in an enhanced
23 employment area;

24 (6) City means any city or incorporated village in the state;

25 (7) Clerk means the clerk of the city or village;

26 (8) Community redevelopment area means a substandard and blighted
27 area which the community redevelopment authority designates as
28 appropriate for a redevelopment project;

29 (9) Employee means a person employed at a business as a result of a
30 redevelopment project;

31 (10) Employer-provided health benefit means any item paid for by the

1 employer in total or in part that aids in the cost of health care
2 services, including, but not limited to, health insurance, health savings
3 accounts, and employer reimbursement of health care costs;

4 (11) Enhanced employment area means an area not exceeding six
5 hundred acres (a) within a community redevelopment area which is
6 designated by an authority as eligible for the imposition of an
7 occupation tax or (b) not within a community redevelopment area as may be
8 designated under section 18-2142.04;

9 (12) Equivalent employees means the number of employees computed by
10 (a) dividing the total hours to be paid in a year by (b) the product of
11 forty times the number of weeks in a year;

12 (13) Extremely blighted area means a substandard and blighted area:

13 (a) In in which: (i) ~~(a)~~ The average rate of unemployment in the
14 area during the period covered by the most recent federal decennial
15 census or American Community Survey 5-Year Estimate is at least two
16 hundred percent of the average rate of unemployment in the state during
17 the same period; and (ii) ~~(b)~~ the average poverty rate in the area
18 exceeds twenty percent for the total federal census tract or tracts or
19 federal census block group or block groups in the area; or

20 (b) Which is located in a destination district established pursuant
21 to the Destination Nebraska Act;

22 (14) Federal government means the United States of America, or any
23 agency or instrumentality, corporate or otherwise, of the United States
24 of America;

25 (15) Governing body or local governing body means the city council,
26 board of trustees, or other legislative body charged with governing the
27 municipality;

28 (16) Limited community redevelopment authority means a community
29 redevelopment authority created pursuant to section 18-2102.01 having
30 only one single specific limited pilot project authorized;

31 (17) Mayor means the mayor of the city or chairperson of the board

1 of trustees of the village;

2 (18) New investment means the value of improvements to real estate
3 made in an enhanced employment area by a developer or a business;

4 (19) Number of new employees means the number of equivalent
5 employees that are employed at a business as a result of the
6 redevelopment project during a year that are in excess of the number of
7 equivalent employees during the year immediately prior to the year that a
8 redevelopment plan is adopted;

9 (20) Obligee means any bondholder, agent, or trustee for any
10 bondholder, or lessor demising to any authority, established pursuant to
11 section 18-2102.01, property used in connection with a redevelopment
12 project, or any assignee or assignees of such lessor's interest or any
13 part thereof, and the federal government when it is a party to any
14 contract with such authority;

15 (21) Occupation tax means a tax imposed under section 18-2142.02;

16 (22) Person means any individual, firm, partnership, limited
17 liability company, corporation, company, association, joint-stock
18 association, or body politic and includes any trustee, receiver,
19 assignee, or other similar representative thereof;

20 (23) Public body means the state or any municipality, county,
21 township, board, commission, authority, district, or other political
22 subdivision or public body of the state;

23 (24) Real property means all lands, including improvements and
24 fixtures thereon, and property of any nature appurtenant thereto, or used
25 in connection therewith, and every estate, interest and right, legal or
26 equitable, therein, including terms for years and liens by way of
27 judgment, mortgage, or otherwise, and the indebtedness secured by such
28 liens;

29 (25) Redeveloper means any person, partnership, or public or private
30 corporation or agency which enters or proposes to enter into a
31 redevelopment contract;

1 (26) Redevelopment contract means a contract entered into between an
2 authority and a redeveloper for the redevelopment of an area in
3 conformity with a redevelopment plan;

4 (27) Redevelopment plan means a plan, as it exists from time to time
5 for one or more community redevelopment areas, or for a redevelopment
6 project, which (a) conforms to the general plan for the municipality as a
7 whole and (b) is sufficiently complete to indicate such land acquisition,
8 demolition and removal of structures, redevelopment, improvements, and
9 rehabilitation as may be proposed to be carried out in the community
10 redevelopment area, zoning and planning changes, if any, land uses,
11 maximum densities, and building requirements;

12 (28) Redevelopment project means any work or undertaking in one or
13 more community redevelopment areas: (a) To acquire substandard and
14 blighted areas or portions thereof, including lands, structures, or
15 improvements the acquisition of which is necessary or incidental to the
16 proper clearance, development, or redevelopment of such substandard and
17 blighted areas; (b) to clear any such areas by demolition or removal of
18 existing buildings, structures, streets, utilities, or other improvements
19 thereon and to install, construct, or reconstruct streets, utilities,
20 parks, playgrounds, public spaces, public parking facilities, sidewalks
21 or moving sidewalks, convention and civic centers, bus stop shelters,
22 lighting, benches or other similar furniture, trash receptacles,
23 shelters, skywalks and pedestrian and vehicular overpasses and
24 underpasses, enhancements to structures in the redevelopment plan area
25 which exceed minimum building and design standards in the community and
26 prevent the recurrence of substandard and blighted conditions, and any
27 other necessary public improvements essential to the preparation of sites
28 for uses in accordance with a redevelopment plan; (c) to sell, lease, or
29 otherwise make available land in such areas for residential,
30 recreational, commercial, industrial, or other uses, including parking or
31 other facilities functionally related or subordinate to such uses, or for

1 public use or to retain such land for public use, in accordance with a
2 redevelopment plan; and may also include the preparation of the
3 redevelopment plan, the planning, survey, and other work incident to a
4 redevelopment project and the preparation of all plans and arrangements
5 for carrying out a redevelopment project; (d) to dispose of all real and
6 personal property or any interest in such property, or assets, cash, or
7 other funds held or used in connection with residential, recreational,
8 commercial, industrial, or other uses, including parking or other
9 facilities functionally related or subordinate to such uses, or any
10 public use specified in a redevelopment plan or project, except that such
11 disposition shall be at its fair value for uses in accordance with the
12 redevelopment plan; (e) to acquire real property in a community
13 redevelopment area which, under the redevelopment plan, is to be repaired
14 or rehabilitated for dwelling use or related facilities, repair or
15 rehabilitate the structures, and resell the property; (f) to carry out
16 plans for a program of voluntary or compulsory repair, rehabilitation, or
17 demolition of buildings in accordance with the redevelopment plan; and
18 (g) in a rural community or in an extremely blighted area within a
19 municipality that is not a rural community, to carry out construction of
20 workforce housing;

21 (29) Redevelopment project valuation means the valuation for
22 assessment of the taxable real property in a redevelopment project last
23 certified for the year prior to the effective date of the provision
24 authorized in section 18-2147;

25 (30) Rural community means any municipality in a county with a
26 population of fewer than one hundred thousand inhabitants as determined
27 by the most recent federal decennial census;

28 (31) Substandard area means an area in which there is a predominance
29 of buildings or improvements, whether nonresidential or residential in
30 character, which, by reason of dilapidation, deterioration, age or
31 obsolescence, inadequate provision for ventilation, light, air,

1 sanitation, or open spaces, high density of population and overcrowding,
2 or the existence of conditions which endanger life or property by fire
3 and other causes, or any combination of such factors, is conducive to ill
4 health, transmission of disease, infant mortality, juvenile delinquency,
5 and crime, (which cannot be remedied through construction of prisons),
6 and is detrimental to the public health, safety, morals, or welfare; and

7 (32) Workforce housing means:

8 (a) Housing that meets the needs of today's working families;

9 (b) Housing that is attractive to new residents considering
10 relocation to a rural community;

11 (c) Owner-occupied housing units that cost not more than two hundred
12 seventy-five thousand dollars to construct or rental housing units that
13 cost not more than two hundred thousand dollars per unit to construct.
14 For purposes of this subdivision (c), housing unit costs shall be updated
15 annually by the Department of Economic Development based upon the most
16 recent increase or decrease in the Producer Price Index for all
17 commodities, published by the United States Department of Labor, Bureau
18 of Labor Statistics;

19 (d) Owner-occupied and rental housing units for which the cost to
20 substantially rehabilitate exceeds fifty percent of a unit's assessed
21 value; and

22 (e) Upper-story housing.

23 **Sec. 11.** Original section 18-2103, Revised Statutes Cumulative
24 Supplement, 2024, is repealed.