

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

[LB381 LB525 LB633]

The Committee on Urban Affairs met at 1:30 p.m. on Tuesday, February 24, 2009, in Room 1510 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB633, LB381, and LB525. Senators present: Mike Friend, Chairperson; Amanda McGill, Vice Chairperson; Colby Coash; Tanya Cook; Steve Lathrop; Kent Rogert; and Tom White. Senators absent: None. []

SENATOR FRIEND: Okay, I think we'll go ahead and get started. You ready? Welcome to Room 1510. This is the Urban Affairs Committee. My name is Mike Friend and I'm from District 10 in northwest Omaha. Let me start by introducing committee members. Some...they'll be coming and going, so take no offense; we have a lot of committees going on right now. To my right, Senator Colby Coash, he's from Lincoln; and Senator McGill is the Vice Chair of the committee. Senator Amanda McGill is from Lincoln. Bill Stadtwald is the research analyst or I like to call him my legal counsel. I don't know if he appreciates that or not. Steve Lathrop is to my immediate left, he is from Omaha-Ralston-Millard, in that vicinity. I'll let him deal with that issue. Senator Tanya Cook, she is from Omaha. I know that. And Beth Dinneen is the committee clerk. She's been the committee clerk for quite awhile and does a great job. A couple of quick housekeeping things, if you will--no cell phones or pagers, at least silence those, or turn those off. If you're going to testify, we'd ask you to fill out a green sheet and drop it in the box over there. If you do not wish to testify, but you'd like your name entered in the record, there are some white sheets that you can fill out and place in the box. Testifiers, we'll give you about five minutes. It doesn't look like we have a tremendously long afternoon, but I think it's...we won't be using the lights. But I think it's always appropriate to try to keep things pretty concise no matter how much we have to deal with. So about five minutes. If my brow starts furling, I guess, then you'll kind of know it's almost time to wrap up. Testifiers, please state and spell your name for the record so the transcribers can get that down. If you don't spell your name, I will stop you. I don't want to be rude, but that will help the transcriber greatly. And if you have materials that you want the committee to analyze, make sure you flag the page down, and we can get those passed out for you. With that, I think Senator...there's a question by Senator Lathrop. []

SENATOR LATHROP: I got a question before we start. Are we dealing with any spray paint bills today? (Laughter) []

SENATOR FRIEND: Not that I know of (laughter). []

SENATOR LATHROP: Just wanted to check (laughter). []

SENATOR FRIEND: I know Senator Heath Mello is here to open up on a bill that has nothing to do with spray paint, LB633. Senator Mello, welcome. [LB633]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

SENATOR MELLO: (Exhibits 1 and 2) Welcome. Good afternoon, Chairman Friend, members of the Urban Affairs Committee. My name is Heath Mello, H-e-a-t-h M-e-l-l-o, and I represent the 5th Legislative District. LB633 would create the Neighborhood Development Act, a fund that would provide grants to neighborhood associations in smaller communities across the state to exist with significant community improvement projects. Neighborhoods and small communities play a crucial role in sustaining the viability of communities and revitalizing declining neighborhoods and communities. The Neighborhood Development Act focuses on helping those people in our communities who are making Nebraska a better place to live, work, and raise a family. This legislation would give them another tool to use in assisting with significant community improvement projects that focus on enhancing the quality of life in the area. Under LB633, neighborhood associations in small communities would apply for grants through the College of Public Affairs at the University of Nebraska-Omaha. Applicants would need to demonstrate that a grant would be used for a specific project with a specific benefit to the community served, and the neighborhood association or small community would need to provide a match in either dollars or in-kind value. As a member of the Appropriations Committee, I understand the hesitancy in finding money in our state budget for new initiatives, but would like to work with the committee to look for a new funding source if this legislation is passed on to General File. With that, I'd like to take any questions. [LB633]

SENATOR FRIEND: Thank you, Senator Mello. Questions from committee members? Senator Lathrop has one. [LB633]

SENATOR LATHROP: What kind of projects are you talking about? Can you give me some examples so that we understand what you're driving at. [LB633]

SENATOR MELLO: Some more simple and common community improvement projects might involve refurbishing, you know, an area around a park, a welcome area into a neighborhood, could range from anything to putting up new street lights in a designated area, certain neighborhood associations and alliances around the Omaha metropolitan area. Various alliances are working on projects, community improvement projects in south Omaha. There's a large project, The Tree of Life which is essentially a renovation of a common area that the community can use for benefits...parks or various kinds of community events. In rural communities, you name it, Senator Lathrop. There's numerous projects whether Main Street projects from putting up new lights down Main Street to helping redo a park, a baseball field. There's so many projects that rural communities currently are working on around the state that it would be tough to nail one down. [LB633]

SENATOR LATHROP: And how much are we going to spend on this? [LB633]

SENATOR MELLO: The bill actually...the way the bill is drafted is it would be a one-time

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

\$500,000 appropriation with no further appropriations. And that is, to some extent, I guess, the original thought was to try to find a way to get some initial funding with the hopes of looking for a long-term sustainable mechanism for funding in the future. So whether that is establishing turning the neighborhood development cash fund into somewhat of a trust fund, so to speak, or a cash reserve fund that we're only able to take amounts of interest off an initial investment of the state. That's an option I've discussed with neighborhood association members as well as a couple of testifiers who are here today in preliminary conversations of finding a way for us to have that sustainable dollars over the course of a long time to provide that money. [LB633]

SENATOR LATHROP: And then we let someone over at UNO sort through the applications to decide what's worthy of consideration or what's worthy of funding? [LB633]

SENATOR MELLO: The College of Public Affairs at the university...the bill originally, if you look through the committee statement, and I believe the research analyst provided a little more background on the inception of this bill that's been about ten years coming from when it was originally introduced to now. It was originally introduced to go to the University of Nebraska-Lincoln at the College of Architecture where they had kind of an existing community improvement program there that could help oversee the funds and help distribute them accordingly. That program has kind of lost some of its traction, and the College of Public Affairs in Omaha, actually, has kind of gained more traction, in part with their support of the Neighborhood Center which is a nonprofit organization that is based out of the metropolitan area around Omaha. That does very similar...helps assist neighborhood associations with exactly these kind of projects that we look to support in the bill. So ultimately, in discussing the issue with the university, the dean of the college, B.J. Reed, would be charged with finding and creating a mechanism through the university to help appropriate these dollars through a grant process, a competitive grant process. [LB633]

SENATOR LATHROP: The...and now I'm looking at the introducer's statement, and it says that the "grant recipient would also need to provide a match in either dollars or in-kind value equivalent to 25 percent" per grant, up to \$5,000. Here's my question. Does that mean people don't actually need to raise money? They can put a little sweat equity into cleaning up the park, and then they go and... [LB633]

SENATOR MELLO: That was the intention of including the in-kind services, only because, you know, we're talking about sometimes projects that might cost in total \$7,500 to \$10,000, give or take. And with the amount of community involvement that we see in small rural communities around the state and neighborhood associations in the metropolitan area, I felt that that was adequate to a cash contribution, is the volunteer time that they're putting in to help improve their community. [LB633]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

SENATOR LATHROP: Okay, thanks. [LB633]

SENATOR FRIEND: Thank you. Any other questions? Senator Coash. [LB633]

SENATOR COASH: Thank you, Chairman Friend. Senator Mello, the \$50,000 appropriation to UNO as administrative costs, is that...I'm just trying to figure out how this is written. Is it kind of a one-time deal or will that \$50,000 need to carry...will they need an additional \$50,000 for every year they're obtaining the grants? [LB633]

SENATOR MELLO: Right now, the way the bill is written, since it's a one-time contribution to the university, it would be a one-time...I guess the fiscal note would have a one-time expense to the university or they would require \$50,000 to administer the program. It's my hope that moving beyond just the one-time appropriations to the program, that we would find a sustainable mechanism to put in place to help fund this act for future years. Which I imagine, with that being said, the university would then...we would have to sit and talk with them about how much they would require to administer their program on a yearly basis, knowing that it will be perpetual. [LB633]

SENATOR COASH: Is it your...I mean, do you have a feeling whether or not...I mean, the \$450,000 that's left, would you want to see that all allocated in grants in one year, or do you think maybe that would be spread out? [LB633]

SENATOR MELLO: No, I...you know, I wasn't very specific in the language, I guess, so to speak, of saying that they had to...they had to allocate all the grant dollars over the next biennium. I think that's a detail that we can work out with the university. I think part of it goes to the funding mechanism, though, is what...how can we try to build sustainability into this act so that we either can make that initial investment go further which whether ideally, would be a public/private partnership, or if we can find a funding mechanism, as I've said before, through existing revenue streams or additional revenue streams to help bring in additional revenues for that program. [LB633]

SENATOR COASH: Thank you. [LB633]

SENATOR FRIEND: Any further questions from committee members? Committee has been joined by Senator Tom White from Omaha. Senator Mello, I don't see any questions. Just one quick one. Are you...if you don't mind, are you thinking that when you go back to the Appropriations Committee, I mean, this is going to obviously be, you know, something we're going to have to deal with. Are you thinking that the number can be monkeyed with? Are you thinking...I mean... [LB633]

SENATOR MELLO: Yeah. I'm... [LB633]

SENATOR FRIEND: ...and you did state that to a degree. But, I mean, \$500 was a

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

round figure that you think is going to be... [LB633]

SENATOR MELLO: Was a good initial investment into trying to provide...knowing that most of the grants would be between that \$5,000 and \$7,500 range. That's a significant number of grants we're looking to try to give out over the course of two years, four years, six years. That's close to a hundred grants that we'd be giving out or encouraging the College of Public Affairs to be giving out across the state. So that number is flexible. My biggest thought in looking forward is moving beyond that one-time appropriation. I believe that the issue that's presented in this bill is of great importance, not just to the Omaha metropolitan area, but to the city of Lincoln and rural communities who need sometimes that additional seed money to help get a community improvement project off the ground or to help complete that community improvement project that just needs a little extra push to finish it. [LB633]

SENATOR FRIEND: Well, and that's right, but...and you did answer that earlier for Senator Coash. But my...I was leaning more toward this idea that if we get a bill passed, and there are numbers here, and the appropriations process will not allow us to deal with it, we've got a new program that's not funded, and it's untenable. You know, I guess I'm just curious about how you'd feel about that. I mean, because then...I think this session we're going to see some pretty strange things yet notwithstanding today. We're going to see some pretty strange things yet especially with the budget...especially with the budget. So I guess I just wanted...you answered my question, but I think...did you have a question, Senator Cook? [LB633]

SENATOR COOK: You touched on it, but I wanted to ask, thank you, Mr. Chair. [LB633]

SENATOR FRIEND: Sure. [LB633]

SENATOR COOK: And thank you, Senator Mello, for introducing this bill. I certainly have a heart for neighborhoods and recognize that they can just use a little bit of help in not only getting the money but building their capacity to receive the money. What are some of the barriers to these neighborhood associations and groups for the monies, the smaller pools of monies that are available around the Omaha area because that's the most...the one I'm most familiar with? Like the mayor's money and Kiewit has some money... [LB633]

SENATOR MELLO: There's about three, as far as I'm aware of, there's three real grant pools for neighborhood associations, and that's in Omaha, the Omaha area is the Peter Kiewit Foundation. Currently, the mayor of Omaha, under the current mayor, has set up a neighborhood grant program, and that program is not guaranteed to continue when there is a new mayor in Omaha. So that is a current fund that's available, but that funding stream may disappear which provides, give or take, \$75,000 to \$100,000 a year in community improvement grants to neighborhood associations in the metropolitan

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

area. The other funding source, significant funding source, is Mutual of Omaha Foundation, which provides similar in size, mostly up to \$5,000 grants to neighborhood associations for community improvement projects. Those are the three that I'm more aware of that are usually consistently promoted and pushed to neighborhood associations in the metropolitan area. [LB633]

SENATOR COOK: And so, what are the barriers to the groups getting those? Is it they don't have time to fill out the application, politics (inaudible)... [LB633]

SENATOR MELLO: I don't think there's barriers, but there's always select...there's a set pool of money, I guess, for community improvement projects. And this bill tries to look beyond just Omaha. As you can tell, there's a letter of support from the city of Lincoln, which also has a significant number of neighborhood associations. And the way the bill was drafted is that it encourages smaller communities too around the state, who fit similar in size to a neighborhood association, and it has that sense of community that neighborhood associations have. And so it really is a statewide act, even though it does focus and has the word neighborhood in it. You know the purpose, I think, was finding those geographic boundaries that have kind of that sense of community, that common purpose that are small enough, that could come together to apply for a grant. So it's not that there's barriers. I would say barriers existing to apply for those other grants. But still, even if you have a project that's \$30,000 you can only apply right now for not even half of that money through grant funding. So that means if it's an additional amount of money,...a significant amount of money, you're looking for private donations to try to make that project come off the ground. So I think any way we can find another revenue source, it's not a large one, obviously, but still another...or another funding source, I should say, for these small groups or communities to apply for, I think it's good for the state, and it's good for improving our quality of life. [LB633]

SENATOR COOK: Right. Thank you. [LB633]

SENATOR FRIEND: Any further questions? I see none. Thank you. [LB633]

SENATOR MELLO: Thank you. [LB633]

SENATOR FRIEND: Can we start with proponent testimony? Anyone in favor of LB633? [LB633]

DUANE BROOKS: Good afternoon. Chairman Friend, committee members, my name is Duane Brooks, D-u-a-n-e B-r-o-o-k-s. I represent the South Omaha Neighborhood Alliance. I am president of that particular organization, and I'm here to promote on LB633. I hope that all of you realize what an impact a small grant can mean to a neighborhood association. As an alliance, we see the benefits up close, and are well aware of the impact a grant can make on a neighborhood and, ultimately, our

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

community. Many of our neighborhood associations have great ideas, but struggle to have the funds for these projects or in some cases even to finish the projects. Providing a simplified process of obtaining funds is a godsend, and we believe that it is probably one of the best investments the state can make. This is why we support LB633, the Neighborhood Development Act, as written. From our perspective, the benefits of this bill are first, it's a simplified process for application. Second, it focuses on neighborhood projects; and third, it's got a realistic criteria for improvement. Kind of a little philosophy here, but when you throw a rock into the ocean, it really makes...it rarely makes a splash. But when you drop it into a pond, the ripple effects are obvious. I don't know who said this, but I think it has relevance here today. Neighborhood projects bring neighbors together. I think it's safe to say that we can visualize the impact of small grants on local neighborhoods, projects such as a walking tour through south Omaha, by Omaha Main Street, by the way, or building of a playground for children by Omaha Deer Park are some examples. These may not seem like much, but they're big projects, I would say they're rocks for that particular neighborhood and they make a big splash in those neighborhoods. Realize, though, that real benefits are not just the projects themselves, but it's a collaboration inspired by that project; people getting to know their neighbors; people becoming involved with their neighborhood associations; and people coming to the city council meetings, and even some of us coming here to testify. These are just some of the intangible benefits and, if I'm not mistaken, one of the purposes of this bill is to strengthen neighborhoods. Neighborhood projects get people involved. Ten years ago, through a friend, I became involved with the Karen Western Neighborhood Association in Omaha. It was the first time I had ever, and I repeat that, ever had any community involvement. What was the reason? Well, they asked me, to begin with. The neighborhood project, nevertheless,...it was a small neighborhood project, but nevertheless, it was a project that showed me that I could make a difference that not only benefitted my family but also my neighborhood. The next thing you know, I was president of that association and now I'm president of the South Omaha Neighborhood Alliance, which is probably one of the largest alliances in the state, all because of a small neighborhood project. This is what funding neighborhood projects can do. Neighborhood projects are also very efficient. That day we spent about \$100 cleaning up that park. That included cleaning supplies and a few beverages thereafter. Ten of us provided probably over 50 hours worth of labor that day. We didn't have any administration fees, and we brought our own equipment from home. I guarantee you this, if that project would have been contracted out, it would have cost well over \$1,000. So I ask you, think of the impact that half a million dollars could have on this great state, both in measurable and intangible benefits, if given to just neighborhood associations. In business they call this leverage, and in these economic times what better way to spend our tax dollars? It might even make a little ripple in this ocean. Senators, we can, as this bill states, build an environment to engage in a more effective community development by getting the Neighborhood Development Act passed. I can't think of a better way to give people an opportunity and resources to improve the places where we live--our neighborhoods. Can you? This bill can truly be a great investment in the people

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

and the communities of Nebraska. Again, I ask for your support in passing LB633, the Neighborhood Development Act. Thank you. [LB633]

SENATOR FRIEND: Thank you, Mr. Brooks. Are there questions from committee members? Mr. Brooks, thanks for coming down and testifying on the bill. We appreciate that. I don't see any questions. Thanks. [LB633]

DUANE BROOKS: Appreciate it, thanks for having me. [LB633]

SENATOR FRIEND: Next proponent. [LB633]

CRYSTAL RHOADES: Hello. I'm Crystal Rhoades, C-r-y-s-t-a-l. Last name is R-h-o-a-d-e-s. I am a neighborhood activist in the city of Omaha, affiliated both with the South Omaha Neighborhood Alliance and the Morton Meadows Neighborhood Association. I also am affiliated with the Neighborhood Center, although I need to make clear, and for the record, that I am speaking today on behalf of myself, and the neighborhood organizations that I am actively engaged in and not as a representative of the Neighborhood Center per se. With that in mind, this is an important bill for a number of reasons. One of the questions that Senator Cook asked was, what were some of the barriers? The money is actually relatively easy to access. The problem is that there isn't enough of it. There's a great unmet need. And when we talk about neighborhood associations and the things that they're capable of doing, most people think of things like flower baskets and community gardens. And those are important parts of what neighborhood associations are doing, and it's an important part of their building community and reaching out to one another and forming relationships. But it's actually a very small part of what they do. In addition to that, they are providing health insurance to uninsured or underinsured residents in their neighborhoods. They're working on economic development strategies with the city of Omaha, with city planning, with organizations like Omaha By Design. They're working on health and safety issues in their community, everything from housing to crime, working towards crime deterrents, tackling problems like graffiti and litter. They're putting together community toolboxes so that everyone in the community has access to tools--hammers, chain saws, lawn mowers to help keep the neighborhood in good working order. They are developing neighborhood programs that will connect volunteers in the neighborhood with a skill set that another neighbor needs, so maybe you have someone that can cut grass, and someone that can do mending, and those two neighbors are matched, and all they have to do is come up with the money to pay for the gas and the thread, and there you go, you've got a working relationship. There are also programs to clean up parks, tackle graffiti issues, work on issues like child-care programming, or deficiencies in child-care programming. How do we connect youth with mentors? How do we form accountability boards and get them back on the right path? These are all things that neighborhoods are trying to tackle and wanting to do and have the capacity to do, if only they had just a little bit of money to help support their efforts. Now, they're doing amazing things with

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

virtually no money. If you were to allocate these funds to help them get moving on these types of issues, and reinforce what they're already doing, you are going to create a tremendous asset to those neighborhoods. It doesn't take a lot. These are very committed people who have jobs and families and churches and schools, and all of these other things, and are still making time to do great things in their neighborhood, but they need a little support. Now, we're very lucky and very fortunate to have all the wonderful corporations and community organizations and city organizations and county organizations that are trying to support the effort. But now it's time to expand that, and to move that to the next level. And that's one of the things that I believe that this bill does, and I hope that for that reason, you'll support it. Thank you. [LB633]

SENATOR FRIEND: Thank you, Ms. Rhoades. Are there questions from committee members? [LB633]

CRYSTAL RHOADES: Thank you. [LB633]

SENATOR FRIEND: Thank you for coming down. Next proponent, next person in favor of LB633. [LB633]

JACK CHELOHA: Good afternoon, Senator Friend and members of the Urban Affairs Committee. My name is Jack Cheloha. That's J-a-c-k, the last name is C-h-e-l-o-h-a. I'm a registered lobbyist for the city of Omaha. I'd like to testify in favor of LB633. I'd like to thank Senator Mello for introducing this bill. From the two previous witnesses that you've heard, you can see the passion that they have for their communities, and they have for their neighborhoods, and they realize that they want to work hard, and they want to make them better. We support such a bill. We supported it back when it was introduced about a decade ago as well. It just fell short, I remember, a couple of votes on the floor one year from advancing on. But in Omaha, we have a number of recognizable and recognized neighborhood groups. I don't have the exact number for you; I apologize for that. But I think it's over a hundred in terms of how many are recognized, and we keep a flow chart and a running tabulation of who they are and what areas they represent. I could get you a copy of that, if you'd like that, Senator. But we know that they all care about their areas of the city. They want to improve the areas where they live and work and raise their families. And there is pressure upon city resources, too, because based upon our duty, if you will, as a municipal government, we have to provide certain services to our residents. But likewise, sometimes we get caught in the mix of prioritizing just like you all have to do when it comes to the state budget. And there's always been requests by neighborhood groups of city government to try and help them with financial funding, but with also other abilities to do things, too, to help their neighborhoods. And, you know, these groups do great things. I know our elected officials rely on them, and they attend their meetings, and they get to know their constituents through these neighborhood groups. And this bill is also good legislation because, as Senator Mello said, it not only would help, you know, the large urban areas,

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

but it's also available for those communities in our state that are the smaller ones, that feel a sense of community, and they may have some projects that they need to undertake. I thought about this for a little bit, and I didn't know if I wanted to mention this or not, but on a small scale, you know, if you pass such a bill and put funding forward, in a sense this would be kind of a mini-stimulus bill, if you will. I mean, I don't know whether you think on the national level whether that's positive or negative, but at least we're trying to do something. I think if you did something like this, it would empower these neighborhood groups to seek these grants, to work hard, to try and do good things. Most of them, you know, may involve the actual purchasing of a product or park improvements or whether they want to do a neighborhood watch and they need radios or whatever. So, ultimately, there could be some of that involved. It may take staffing or manpower to do some of these improvements, so, in a sense, I mean, I think we would be offering the ability to help our economy and also you would be helping, you know, some of those that are probably in the greatest need in terms of, you know, our smaller communities. We hear all the time how they're losing population and things along those lines. And then in our big cities like Omaha, for instance, our neighborhood groups, you know, really are the ones that give you a sense of community, and we like the work they do as a group, and we encourage that, and we want them to have that sense of community. So I think there's very...there's a lot of positives that could come out of LB633. I just wish that the economic times were better, that we could, you know, move forward, and you as a committee could go to the Appropriations and say, hey, this is a great idea out of our committee. We need to put some funding to it and make it a priority. So I'll try to answer any questions you might have. [LB633]

SENATOR FRIEND: Thank you, Mr. Cheloha. Questions from committee members? I don't see any. Thank you. [LB633]

JACK CHELOHA: Thank you. [LB633]

SENATOR FRIEND: Next proponent. [LB633]

LYNN REX: Chairman Friend, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We also would like to thank the Senator for introducing this measure. We are in support of this bill. I would like to reference you to page 3 of the bill, lines 10 through 11, which indicate that it's...neighborhoods are obviously very important in municipalities across the state, but this also would allow for grants for unincorporated villages or incorporated cities of the second class and villages. I think it's important to also note that the University of Nebraska at Omaha and B.J. Reed and his staff are more than capable of putting this together and making this happen, and they are experts. We use them and rely on them for a number of things and projects that we're involved in as well. Municipalities have confidence in them, and I think that they would do a great job, and sometimes it just takes a little bit, and it will go a very long way to help revitalize communities. I'd be

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

happy to respond to any questions that you might have. [LB633]

SENATOR FRIEND: Thank you. Any questions from committee members? [LB633]

LYNN REX: Thank you very much. [LB633]

SENATOR FRIEND: I don't see any. Thanks. Are there any other proponents? Anyone else in favor? Is there any opposition? Anyone wishing to testify in a neutral capacity? Senator Mello, you're recognized to close. [LB633]

SENATOR MELLO: I'll be very, very brief. I'd like to thank the committee for hearing LB633, as well as thanking the testifiers who came today. This bill in so many words honors two important values--service and what you've heard from volunteers from communities and neighborhood associations, and it values....and it also values community, the value of community, that we're...this bill is trying to help further foster that value, not just in Omaha, not just in Lincoln, but around the state, in very small communities who need help to sometimes rebuild that sense of community. And sometimes a community improvement project is the best way to do it, so I'd strongly urge the committee to consider pushing LB633 to the floor. Thank you. [LB633]

SENATOR FRIEND: Thank you, Senator Mello. Are there questions for Senator Mello from the committee? Before we close the hearing, I did want to read a letter of support. Senator Mello had mentioned it earlier from the city of Lincoln in support of LB633. [LB633]

SENATOR LATHROP: Can I ask a question as long as... [LB633]

SENATOR FRIEND: There is a question from Senator Lathrop. [LB633]

SENATOR LATHROP: Senator Mello, this may be as much about your role as a member of the Appropriations Committee. This is an interesting idea, and the idea that we can get people in neighborhoods to get...come out of their houses, get together, work on parks or entryways in the neighborhoods. It's a fabulous idea. If there is stimulus money that comes in, does that go through the Appropriations Committee or how...I'm just wondering if this isn't...this just looks like a perfect way to...without making the state have matching funds, making neighborhoods put a little sweat equity into improvements and projects that could be done right away. [LB633]

SENATOR MELLO: Well, it's a very interesting question, Senator Lathrop, and I believe currently the process that's being negotiated and worked out in Appropriations Committee is in conjunction with the Governor of pushing forward a separate stimulus bill to the floor that would contain spending items that the Legislature would have to vote and approve on. Once again, this is very preliminary, and there's a lot of things being

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

worked out in Appropriations right now as well as trying to cooperate with the Governor's Office the best we can to try to find a mechanism to get the funds into the state and out to the communities as fast as possible. That someone else brought that same question up to me as well, though, in regards to whether or not the financial request or the possible A bill attached to this bill could...the monies could derive from the stimulus bill, and that's something that I'm looking into right now, and is something that I'm sure I'll bring up to the Appropriations Committee. [LB633]

SENATOR LATHROP: And it's...maybe it goes back to the point Senator Friend made earlier after introduction which is there's no point in passing this thing and sending it to the floor and debating it, and passing the bill if we can't get money for funding it. So maybe if you can keep us apprised on your progress, and siphon a little bit of that stimulus money off of this, that would be great. [LB633]

SENATOR MELLO: Okay. [LB633]

SENATOR FRIEND: Any further questions? I don't see any. [LB633]

SENATOR MELLO: Thank you. [LB633]

SENATOR FRIEND: Thank you. That will close the hearing on LB633, and I will open on LB525. Senator McGill. [LB633 LB525]

SENATOR MCGILL: Oh yeah, I'd be happy to. []

SENATOR FRIEND: Madam Chair and members of the Urban Affairs Committee, my name is Mike Friend, F-r-i-e-n-d, from northwest Omaha, District 10. I'm here to open on LB525. You that have...members that have been on the committee before will remember this vaguely. LB525 proposes to amend the local option Municipal Economic Development Act or as it's also known, LB840; it's often known as that. It increases the amount of funds that a city, a village, or a county can collect from local tax dollars for voter-approved economic development purposes. Current law allows a city, village, or county to collect up to four-tenths of one percent of the taxable valuation of the respective political subdivision. LB525 would actually increase the allowable collection to five-tenths of one percent of the taxable valuation. LB525 expands the list of eligible economic development programs to include community, marketing, private tours and development, and work force retention and attraction. It limits what cities and villages will be allowed to spend on housing projects to 30 percent of revenue raised over a 12-month period. The legislation does not change the requirement that all economic development programs must be approved by the voters of the political subdivision. There is some very interesting...and Mr. Stadtwald did the writing of this. If you look in your black books, there's some really interesting history associated with the subject matter. I'm going to stop here. I could go on with further introduction, but for lack of a

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

better explanation that I think that I gave, I think I'll just stop here and also just...in case you want to ask some questions for clarity, be happy to answer those right at this moment. Thank you. [LB525]

SENATOR MCGILL: Thank you, Senator Friend. Are there any questions? I don't see any. Thank you very much. [LB525]

SENATOR FRIEND: You're welcome. [LB525]

SENATOR MCGILL: We will now start taking proponents. [LB525]

LANCE HEDQUIST: Thank you, Chairperson McGill, members of the Urban Affairs Committee. My name is Lance, L-a-n-c-e Hedquist, H-e-d-q-u-i-s-t. I'm the city administrator of the city of South Sioux City, and I'm also the president of the Nebraska Economic Developers Association, and I'm here on their behalf in support of LB525. We have many communities that have passed these local option programs across the state. These are ones that are voter approved, and we think that the changes that are being suggested in this bill are appropriate, and will even extend the benefits that this bill provides to the local units of governments across the state. So, basically, I'm here in support of this, and I'd be happy to answer any questions that you might have in that regard. [LB525]

SENATOR MCGILL: Thank you, Mr. Hedquist. Any questions? Doesn't look like it. Thank you very much for coming down. [LB525]

LANCE HEDQUIST: Thank you. [LB525]

SENATOR MCGILL: Next proponent. [LB525]

CALEB POLLARD: I'd like to thank you all for having me today. My name is Caleb Pollard, C-a-l-e-b, last name Pollard, P-o-l-l-a-r-d. And I'm the executive director of Valley County Economic Development and the Ord Area Chamber of Commerce. And I'd like to talk to you today about your support and the impact that specifically LB840 has left in Valley County, a positive impact, and offer our support for the passing of LB525. Valley County is one example of many small Nebraska communities that are empowering themselves through the use of the sales tax loan program set forth by LB840. I'll offer you a general snippet of how microenterprise, entrepreneurship and small business assistance has transformed our community over the past six years. Valley County authorized the use of LB840 funds in 2002 and from 2003 to 2009 we had 28 low-interest business loans that have been issued and a total amount of \$1.65 million. Of those 28 over a period of nearly six years, only two loans are in bad standing, and this is in the middle of a recession, I might add. One is in default, and one is delinquent. The authorization of tax receipts in 2003 is catalyzed nonfarm job growth in

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

Valley County significantly. An economic and demographic trend report from the Nebraska Public Power District found that from 2001 to 2007, Valley County experienced 12.4 percent growth in nonfarm employment growth. That's more than the state average. By our accounts locally from 2000 to 2007, Ord which is a community of 2,300 individuals, 73 new business start-ups, 21 businesses sold to new owners, 10 business expansions, 335 new full-time jobs with over \$89 million in investment in our little community. You can see when our troubles with ethanol hit this past fall, that we were able to absorb this blow because of the vibrant business growth in our community and a variety of sectors. Even right now, I have on my chamber Web site 19 unfilled jobs with 50 percent of them paying \$30,000 or more a year. Our retail poll is the strongest it's been since 1990. Correlating in this time frame was one of three major economic development projects which was an ethanol plant, an industrial site, and a new spec building. Our industrial park has five new businesses that have all utilized their sales tax program, and each of our two other major projects utilize sales tax funds to stimulate development. All this private sector growth, I might add, is correlated with a 6 percent decline in overall government jobs in Valley County. I think that's a significant sign of positive private sector engagement; \$1.7 million has been raised from January of '02 to March of '08 with 76 percent of those funds or \$1.29 million going directly to local business investment. Currently, we have a full portfolio that has been lent out, and we have three businesses that are waiting for an increase in funds, so you can see why we support an increase in this program. We've even leveraged those funds for a downtown improvement project that is a measurable and sincere significant source of community pride. We have an 80 percent occupancy rate in our downtown district in the middle of a recession. Changes set forth by LB525 allow communities access to another portion of funds given the vote of the public and gives us an opportunity to invest in our real communities. This program works, and it provides us our own tools to be creative in addressing our own needs, and I think that the devil is in the details here. We still battle population decline in rural communities. That is a fact in Nebraska, but I would like to offer you an anecdotal bit of evidence as to how important this has changed the attitude in our community. If I look at my chamber board, I have 12 on my board. I have two that are 45, and the rest on my board are my age--mid-30s and late 20s. I think that that alone can tell you the type of change in culture that we have in Valley County right now. I'd like to entertain questions on how this can provide an example of how this program has been successful in rural Nebraska, and I'd like to thank you for your time. [LB525]

SENATOR MCGILL: Thank you, Mr. Pollard. Are there any questions? Senator Coash. [LB525]

SENATOR COASH: Thank you. I'll ask you to entertain that. Give me an example. [LB525]

CALEB POLLARD: I think that if you understand where we're at with the economic condition in this country today, this provides me with a flexible portfolio to look at our

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

high school, for example. We have an entrepreneurship class that's in our high school system, and we can provide a robust portfolio of investment dollars to kids that have an idea that have a competitive advantage of starting their own business in a rural community than leaving for Lincoln and Omaha, for example, or Chicago or Denver. We're initiating that process right now, and we have provided for local young people to access those funds. If you understand what young people want to do today when they talk about their future and careers, it's entrepreneurship. That's the number one desire of young people today to get engaged in the job markets, and we can provide that for them. I mean, if you look at the business growth that we've had in our community, we can't find workers when we're in the middle of one of the worst recessions in 60 years, you know, if you want to split hairs. So, you know, that's one example. You know, another example is that you start looking at the energy when you inject young people into a community. I think that this provides one of those pathways to address issues of rural depopulation, and it's had measurable impacts, and I'm proud to say that I'm from Ord. [LB525]

SENATOR COASH: Thank you. [LB525]

SENATOR MCGILL: Any other questions? I don't see any. Thank you very much for coming this way. [LB525]

CALEB POLLARD: Thank you. [LB525]

SENATOR MCGILL: Any other proponents? [LB525]

LYNN REX: Senator McGill, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We appreciate Senator Friend introducing this measure. We're in strong support of LB525. And I would like to have you review, if you would for a moment, on page 2, line 3, 13-315, this provision relates to all municipalities in the state, basically whether they have an LB840 program or not. So whether they have a voter-approved economic development program or not, they are still allowed to utilize these funds for the purposes that are outlined basically on lines 8 through probably, I guess, down through line 23. The essence of that being encouraging immigration, new industries, investment, and to conduct and carry on publicity campaigns. We think that's an important piece of this in increasing the amount of money that they can use for those types of programs. And then starting on page 3, this is where you get into those statutes that relate to LB840 programs. LB840 is basically the first piece of enabling legislation that was put in place when LR11CA passed on the ballot, and obviously, your committee counsel here was very instrumental in working out all of that and the drafting of it, and that was Senator Ben Nelson's first bill. Senator Sandy Scofield introduced it on his behalf, and it was his first major economic development piece. I think it's very important on page 3, lines 19 through 21 to add this new verbiage, and allow them to use these funds for community marketing,

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

private tourism developments, work force retention and attraction. And the rest of the bill, I think Senator Friend has already covered, but this is a very important piece. There are, at last count, 46 municipalities in the state that have voter-approved LB840 plans. It has created hundreds of millions of dollars of jobs and investments in this state from Sidney, Nebraska, to even the smallest of villages. So we really appreciate your consideration of this, and hope you advance this bill. I'd be happy to respond to any questions. [LB525]

SENATOR MCGILL: Thank you, Lynn. Any questions? No. Thank you very much. [LB525]

LYNN REX: Thank you very much. [LB525]

SENATOR MCGILL: Any other proponents? Any opponents? Neutral testifiers? It doesn't look like it. Senator Friend, would you like to close? Senator Friend waives closing. That concludes the hearing on LB525, and now we can open the hearing on LB381. Senator Rogert. [LB525 LB381]

SENATOR ROBERT: (Exhibit 4) Good afternoon. Got three bills up at the exact same time today, so...(laughter). Here we go. Chairman Friend, wow, those are hot, and members of the Urban Affairs Committee, this...my name is Kent Rogert. I represent the 16th Legislative District. I'm here today to introduce LB381. I've mentioned recently many times in some press interviews and in some openings of my bill hearings that I'm concerned for Nebraska that we're struggling with taxes and tourism and economic development and brain-drain asked to me and brought to me by my constituents and others across the state often due to the fact, from what I can tell, that we do many things different than other states. And often we do things that other states don't or we don't do things that other states do successfully. That's due to our just natural conservative reluctance to change in the state of Nebraska. Takes us a little longer to get there. A lot of times that's a good thing. Sometimes it may not be such a good thing. So since I've been here, in the past couple of interims I've been searching as I travel and looking around as I move to different states and across Nebraska. I've been looking for new ideas or to steal ideas from neighboring states or other states across the Union on things that they do successfully. Well, I found one and it's a nice 100-page bill that I'm sure you've all read through. But Missouri, Kansas, and Iowa have been using the ideas proposed in this bill for quite some time to a large level of success. What it does is this bill creates a couple new political subdivisions with taxing authority. And they can be created and undone by a vote of the people, through city council ordinances, or through court orders followed up by a vote of the people or either the residents or property owners to create a user fee for economic development projects. And Marc Abbott, from Gilmore and Bell, is going to come behind me and show you a presentation that is pretty neat. A couple of the instances I use will be if you've been to Kansas City and the area, there are some areas that I've always wondered how they do what they

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

do there and why so many people go there from other states. And The Plaza and Kansas City Power Light are two of those areas. And if you look at those areas a few years ago versus what they are today with the addition of either a Transportation Development District or a Community Improvement District, it is shocking. It is, you know, a fairly old part of town with some retail stuff, maybe some strip malls versus now a huge mass wonderland of people and shopping and entertainment and dining and things that people travel there as a destination point. And it's not because of gambling. It's not because they go there to save money because you don't. You pay a lot of money and a lot of extra sales tax to go to these places, but it funds these projects at an unbelievably more rapid pace than you would pulling it from just a regular bonding authority or from borrowing money to do it. And it might take us a while to get there, but I think it's worth the discussion and to go through what these ideas present and think we've been looking for new funding sources for a lot of the projects we have and ways to get new projects going. City councils, our body, mayors, county boards have been struggling with the fact that they'd love to build and develop and advance different things in parts of their towns and cities and counties but they don't have the money. I contend that, take for example, and this may not be a good example for terms of the way our road system works, but the West Dodge Expressway. The folks in western Nebraska they just hate the fact that they had to help pay for that. And that's fine, but that's where the people are and that's where the state road funds go. If you would create a sales tax district that includes Village Point, out west, and the business that goes along on, say, a mile stretch on either side of Dodge, you would have paid for that in the matter of a very few years. And you could eliminate the sales tax at that point and it would be done. And it would be a user fee. Those who go to use it pay to use it. And I think it could be used in areas of developing downtown Omaha, downtown Lincoln, Dundee, Benson, the ball diamond in Omaha, Grand Island where they're going to be building the State Fair, you could draw a district around there and add a percent sales tax and fund the way you build and create that part of an area. But listen and watch the presentation you have and look through the bill when you get a few hours (laugh) and think about the ideas that are in there. And hopefully maybe we can pull some of those ideas and make something out of it. [LB381]

SENATOR FRIEND: Thank you, Senator Rogert. Are there questions from committee members? Senator Rogert, I did read this bill last night. It was either that or drink a bunch of cough syrup to get to sleep. (Laughter) Well, I did read the bill. And one thing occurred to me, and I didn't get a chance to talk to you about it earlier because we were laughing about other things. We have certain governmental subdivisions that might not, in my view in some ways, may not be under utilization, appropriate utilization. They're not being used properly. Let me give you an example. If an SID...why not bring a bill that enhances an SID's, you know, authority or try to take language that turns an SID into a transportation district or a port authority? I mean, it seems like we're...when I went through this, it seems like we're...this is not a small step for mankind, it's a really, really big one. [LB381]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

SENATOR ROBERT: Right. [LB381]

SENATOR FRIEND: Any reason that we made that leap right away as opposed to maybe trying to take what we have in existence and enhancing it? [LB381]

SENATOR ROBERT: Maybe. Only because I've just noticed that these have been very successful. And we kind of took the opportunity. If you'd look at some of the statutes in neighboring states that go around these, they're very cumbersome. It's because I think what they did is they came in and they had existing ideas and they started to mold and shape, and they ended up in this...some sort of point. And I just kind of started from the ground zero and said, let's start over. But... [LB381]

SENATOR FRIEND: Okay, so in other words, I think that's a pretty good answer. Because in other words, what you're saying is a lot of them try to do what I just alluded to and they had...they came to a conclusion after about three years that that was the best way to do it, trial and error. [LB381]

SENATOR ROBERT: Yeah, I think so. And I think whether they...and some of them may have struggled trying to get funding. And this is kind of taking the best of what they all did and put it into one package. And I don't know that this is the package. But I think there are some ideas in this bill that we could put into our existing statutes to say, let's try some new ways of funding and build some new ways of funding...taxing authorities. And it may be enhancing an SID's ability to do that. [LB381]

SENATOR FRIEND: Okay. Interesting. Any other questions from committee members? Not at the moment. [LB381]

SENATOR ROBERT: I may have to buzz out and go across the hall, but I'll be around. [LB381]

SENATOR FRIEND: Okay. Thank you. [LB381]

SENATOR ROBERT: And give us a few seconds, we got a presentation here. [LB381]

SENATOR FRIEND: Okay. Could I see a show of...there's four people in the room. (Laugh) Can I see how many testifiers in favor here? Okay, and obviously the first one. Is there any opposition in the room? Okay. We're going to give you some bandwidth on the presentation. But if...Kent had mentioned, Senator Robert had mentioned that it was fairly, you know, under ten minutes, probably. I mean, something like that. Would that be a fair assessment? [LB381]

MARC ABBOTT: I would say 10 to 15. [LB381]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

SENATOR FRIEND: Okay, I'll give you some bandwidth on that. [LB381]

MARC ABBOTT: Okay. [LB381]

SENATOR FRIEND: And whenever we're ready, Chuck will probably give us the sign. [LB381]

CHUCK HUBKA: Yeah, he's ready as soon as he fires it up, so... [LB381]

SENATOR FRIEND: Okay. [LB381]

MARC ABBOTT: If you're interested, I have printout copies, if you'd like to follow along or if you'd like them for later. [LB381]

SENATOR FRIEND: You can give those to the page and then we'll just watch your presentation, so...and while you're doing that, sir, if you could state and spell your name for the record, we'd appreciate it. [LB381]

MARC ABBOTT: (Exhibits 4 and 5) Sure. My name is Marc Abbott, M-a-r-c A-b-b-o-t-t. Again, my name is Marc Abbott. I'm with Gilmore and Bell, we're a public finance law firm with offices here in Lincoln, Kansas City, St. Louis, and Wichita. With this presentation today, I'm going to have four...or three main highlights, one being what are CIDs and TDDs, very general, broad brush scope; two examples of the types of projects that they're able to support; and three, why these types of funding districts are important to the state of Nebraska. I was also able to provide Senator Rogert with...this is a detailed summary of the bill. It's about five pages long. I'm not sure if you had a chance...if you were able to get copies of this. But this is the nuts and bolts if one of specifics. The presentation is just kind of the highlights of the types of projects that we're able to support. Now at Gilmore and Bell I work with cities and counties on economic development and tax increment financing projects. I work both here in Nebraska and Missouri. (Video presentation.) And again, LB381 seeks to authorize Community Improvement Districts, CIDs, Transportation Development Districts, TDDs. Collectively, these are funding districts. The funding districts are put in place to provide a unique revenue source that communities use to pay for project costs of new developments. It's the property owners within the districts themselves that vote whether or not to impose a sales tax, property tax, or special assessment. So it's the ones who are actually subjected to the tax are the ones voting whether or not impose it on themselves. The types of these projects that funding districts can support are smaller projects that take place on one lot or a small area. They can also support large-scale projects over a large area that can fund a variety of projects and provide a variety of services. For CIDs the way that the statute is drafted, CIDs can be used to fund construction of a variety of public improvements, whether it's shopping malls or green

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

spaces, convention centers or arenas, sidewalks and streets, water, sewer, and infrastructure, parking lots, those types of public improvements that can be constructed. CIDs can also be used to fund public services, whether or not these services are advertising campaigns promoting tourism within the district, economic development planning within the district, additional security, or cleaning and maintenance to properties within the district, or public transportation within the district. Those are the types of services that CIDs are able to provide. Community Improvement Districts, they're formed as either a political subdivision or a not-for-profit corporation. And the property owners within the proposed district, they are the ones that get together, file a petition with the local municipality. The municipality then holds a public hearing, takes testimony pro and con, determines whether or not to pass an ordinance creating the district. At that time, the property owners, they get together, they vote whether or not the property owners within CID vote whether or not they want to impose a sales tax, property tax, or special assessment. So that's the general process that's used to create a CID. Now some examples of CIDs include the Independent Event Center CID. This is a CID that was created in Independence, Missouri. It was formed primarily to build a public project. The public project is going to be a indoor hockey arena and convention center located on this lot right here. The entire green area, the blue line represents the boundaries of the CID. So this is a very large CID. The property owners, all of the green parcels within the CID got together, filed a petition with the city of Independence with the idea that if...the property owners after formation then voted to impose a sales tax. The sales tax dollars are going to be used to fund construction of the hockey arena. The property owners, this is the main shopping area in the city of Independence, so this is where the vast majority of the retail shopping takes place in the city. The property owners in this area are willing to have that extra sales tax imposed to their business to fund construction of the hockey arena, thinking that once the arena is in place additional traffic is going to come to the area as a whole. So that is business promotion that they are willing to create the CID, impose an extra sales tax to then fund construction of the hockey arena. Another project is the Historic Downtown Branson CID in Branson, Missouri. In this case the CID is kind of the pink area. And again, the boundaries of the CID are determined based on who wants to be within the CID. Property owners in this area right here, for various reasons, didn't want to be in the CID so they weren't included. So the property owners in this case were a group of local business owners. They wanted to form a CID to provide a service, service being the trolley system, public transportation within the downtown shopping area. The property owners filed a petition with the city, the city passed an ordinance, CID was formed. The property owners then passed a sales tax. That sales tax, they're generating approximately \$325,000 a year, which is sufficient to pay for the operation of two trolleys providing public transportation, maintenance, insurance. They've even found that they have extra revenue that's now being used for advertising purposes. So the Independent Event Center constructed a project, a public area; this one providing public transportation. In this area right here we're going to transition into Transportation Development Districts. This is not part of the CID. This is the Branson Landing TDD. I'll first talk a little bit about what TDDs can

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

do. Generally, TDDs can be used to fund any public transportation type project, whether it's a highway, a road, intersection, signalization, parking lots, basically any type of transportation related improvement. Like CIDs, TDDs are formed of a separate political subdivision. They have their own board of directors. It's a separate political subdivision from the city or the county in which it's located. The property owners in this case filed a petition in district court. The TDD is created by court order. Then the property owners within the TDD vote whether or not to impose on themselves a property tax, sales tax, or special assessment. Now depending on what type of project is going to be constructed, if it's going to be...once the project is constructed is it going to be maintained by Nebraska Department of Roads? Then the Department of Roads is going to be a party to the petition that's filed in district court. And the Department of Roads is going to have approve the project, oversee construction and to take over maintenance of the project once it's completed. Within Missouri, Missouri Department of Transportation has no problem with this because they get new projects and they don't have to pay for them. So they, essentially, provide project oversight. If the project is going to be a local street, a local intersection then it's the local city or county that provides project oversight. This is the Branson Landing Transportation Development District. This is, in the cutout that was located here on the side of the Branson CID, this is what the area looked like before the transportation district was developed. And the Historic Downtown Branson CID was formed at the same time as the Branson Landing Transportation Development District. So all of this development took place at the same time. What we have is a TDD that was formed here in this area. TDD funds are being used to construct internal streets, a parking garage over on this end, and also surface parking. And then a private developer came in with private funds and constructed all of this commercial space. There's also a hotel and a convention center over here. But the sales tax, the TDD sales tax that is imposed on this area, those sales tax dollars on all of those retail purchases those sales tax dollars are being used to repay bonds that were issued to fund the public streets, the public parking garage, and the surface parking lots. So it's essentially a two-step process of forming the TDD, imposing the sales tax. But then private dollars are being used to construct private improvements, private/commercial space that then generates sales tax revenue to fund the public improvements. Another somewhat smaller project is the Crackerneck Creek TDD located in Independence, Missouri. The indoor hockey arena is actually being constructed on this side of the intersection. On the other side of the interchange is the Crackerneck Creek. The TDD was formed, being used to finance interior streets, surface parking, and a water detention facility. Bass Pro was then coming in and with it's own money, it's own private funds constructing a Bass Pro store. There's separate developments being constructed right here. It's kind of a smaller strip mall. Those businesses are having a TDD sales tax imposed on all of their purchases. Those TDD sales tax dollars are being used to fund, actually used to pay back bonds that were issued to fund construction of the interior streets, parking, and the water detention facility. And here we have...some of you may be familiar with The Plaza, it's a downtown shop...or outdoor shopping area in Kansas City, Missouri. In this case, there was

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

already an outdoor shopping area that was in place and that was operating. In this case, the property owners on The Plaza got together, formed a TDD, voted to impose an additional sales tax on their sales, and then those sales tax dollars were used to construct this public parking garage. So that's an instance where there was already retail activity that was taking place within the district when it was first formed. Now the final example that we have is the Branson Missouri Regional Airport TDD that you can kind of see the before, the during, and after photos of airport construction. And the airport TDD was one the vital financing pieces used to fund construction of the airport. Funding districts can be used to fund a variety of projects and services. As of the end of 2008 there were in Missouri 154 CID, 122 TDDs. These funding districts have been requested by, have been formed at the behest of private developers, municipalities, residents and landowners, and a combination of all these parties. Now the pictures that I had were for some of the bigger projects for the reason that they have more dramatic pictures. But these projects take place all over the state. The smaller projects, where it's just one lot, where it's a new grocery store with, you know, a few businesses next to it, those are equally as numerous as the large-scale projects. So this...these funding districts are not the type of tool that would useful only in Nebraska and Omaha, but they would be useful in any city, village, outside a village in a county, anywhere across the state. LB381 is important and, finally, for a couple of reasons. Nebraska's neighboring states currently utilize funding districts that can impose sales taxes to fund needed improvements. These include: in Kansas they have PIDs and TDDs, Colorado they have County Local Improvement Districts, and Wyoming has Resort Districts, Missouri has CIDs and TDDs. Other neighboring states including these four also have funding districts that can levy property taxes and special assessments. These districts vary slightly from those in LB381, but the general concept is the same in that they create a new revenue source that can be used to pay project costs. For specific projects, currently, unlike it's neighboring states, Tax Increment Financing is one of the few economic development tools available in Nebraska. With TIF, Tax Increment Financing governed by the community development law, it's an economic development tool that redistributes property tax revenues from the original taxing jurisdictions, those being schools, cities, NRDs, ESUs. It pulls tax revenues that would have otherwise gone to those taxing jurisdictions and allows those revenues to be spent on the project for public improvements. With funding districts their new economic development tools, they would generate new taxes. They would not redistribute existing tax revenues, wouldn't burden the municipal budget or those budgets of other taxing jurisdictions. Essentially, the project...the people that patronize the businesses located within the funding districts, they are the ones that are helping to fund construction. The help to fund construction is not coming from the schools, ESUs and other taxing jurisdictions, but you pay to play. That if you want to use the new business, you help fund construction. And that is the end of the presentation. I hope that explained a little bit. Entertain any questions you may have. [LB381]

SENATOR FRIEND: Thank you, Mr. Abbott. We appreciate the information. And I know

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

there are questions from some committee members. Senator Lathrop has some questions. [LB381]

MARC ABBOTT: Sure. [LB381]

SENATOR LATHROP: A couple of simple ones. Does the TDD have eminent domain authority or do they have to be given eminent domain authority if they're going to be doing things like bridges and streets and... [LB381]

MARC ABBOTT: The way that it's drafted right now, I would have to review it and verify but it does right now. [LB381]

SENATOR LATHROP: Okay. [LB381]

MARC ABBOTT: I know that in Missouri it does. [LB381]

SENATOR LATHROP: And you say, they file a petition and then they get approval, somebody blesses them, and then they're off to condemn property and impose the tax, if they can get people to vote for it. [LB381]

MARC ABBOTT: Right. What happens is the property owners get together and decide that they want to request formation of TDD, either the department of roads or the local city then comes on board and everyone walks into court at the same time and says we've satisfied all the statutory criteria, please form this TDD. And if everyone shows up holding hands then the judge blesses it and they're able to form. [LB381]

SENATOR LATHROP: And when you say that it's put to a vote, is it the vote of the property owners in the district? [LB381]

MARC ABBOTT: Correct. [LB381]

SENATOR LATHROP: Do the tenants get a vote? [LB381]

MARC ABBOTT: There's...well, there's two different people that...two different ways to define eligible voters. If there are no...they're either registered voters within the district or if there are no registered voters then it's the property owners within the district that vote to impose whatever financing mechanism is on the ballot. [LB381]

SENATOR LATHROP: Okay. Seems very, very intriguing to me. And I can just imagine, just watching your presentation, all the things we could use it for. [LB381]

MARC ABBOTT: Yeah. [LB381]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

SENATOR LATHROP: When people use sales tax as the means to take care of these,... [LB381]

MARC ABBOTT: Um-hum. [LB381]

SENATOR LATHROP: ...is it...what are they, like a quarter of a cent or, I mean, it's got to be a fraction of a cent. [LB381]

MARC ABBOTT: It's...the maximum authority for either a TDD or a CID is 1 percent. And we've worked with several districts that have initially authorized 1 percent but then, while the developers are constructing the commercial space, tenants are coming to them saying we're interested in moving in but we're not going to move in if we have to tack on an extra 1 percent. So then the market dictates that they decrease the amount of the additional sales tax. [LB381]

SENATOR LATHROP: It would just take a longer time to pay it back. [LB381]

MARC ABBOTT: Yeah. [LB381]

SENATOR LATHROP: Okay. Thanks. [LB381]

SENATOR FRIEND: Thank you. Other questions? Senator White. [LB381]

SENATOR WHITE: A couple of just technical questions on the bill. First of all, can a property owner inside of a determined district opt himself out? And you know, obviously he still owns his land but everyone around him is paying for the improvement. [LB381]

MARC ABBOTT: It depends on which type of district. For forming a Community Improvement District, the requisite property owners that have to file the petition include 50 percent of the per capita owners within the district. So if there's ten property owners, at least five, and 50 percent by assessed value. [LB381]

SENATOR WHITE: So they can file. At that point can property owners in that area be forced to join even though they might vote against it? [LB381]

MARC ABBOTT: Yes. With a Transportation Development District, if there are registered voters within the district, they would need to file the petition with the district court. If there are no registered voters, it has to be unanimous consent of the property owners. So with the CID, if you don't want to be in the CID, there is a mechanism that would require you...that you would still be in the CID. With the TDD that is not the case. [LB381]

SENATOR WHITE: Now with regard to let's say there are the property owners, one

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

property owner owns 60 percent of the land there, 10 total. Can that property owner...is that vote then according to the land they own or is it one person, one vote? [LB381]

MARC ABBOTT: One person, one vote. [LB381]

SENATOR WHITE: Okay. So people who own a small minority of the land in the area could by...force the largest owner to become part of the project and then pay taxes on how large their amount of land. [LB381]

MARC ABBOTT: With the CID you have to have both 50 percent per capita and 50 percent by assessed value. So if you're... [LB381]

SENATOR WHITE: So let's say it's 49 percent of the landowners. [LB381]

MARC ABBOTT: If you had two owners that owned 51 percent of the land and then one owner that owned 49 percent of the land, what's going to happen there is the three property owners are going to show up in court, pardon me, the three property owners for the CID petition are going to show up before the city council. You're going to have two that say we want to form this, and you're going to have one over here that's screaming his head off, I don't want to be subjected these taxes, I'm being forced into this. So that could happen. In reality I haven't seen it because the city council still has to pass the ordinance that approves formation of the CID. [LB381]

SENATOR WHITE: How about governance, once one is formed? [LB381]

MARC ABBOTT: With the CID the board of governors are appointed by the mayor with the consent of the city council. [LB381]

SENATOR WHITE: Do they have to be drawn from residents inside of the district? [LB381]

MARC ABBOTT: They will either be property owners or representatives of the property owners within the district. For the TDD it's the property owners that elect the board of directors. [LB381]

SENATOR WHITE: So the CID has appointed people, not elected, correct? [LB381]

MARC ABBOTT: Correct, appointed by the city council. [LB381]

SENATOR WHITE: Thank you. [LB381]

MARC ABBOTT: Sure. [LB381]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

SENATOR FRIEND: Thank you. Senator Coash. [LB381]

SENATOR COASH: Thank you. Is there a backstop for these bonds? [LB381]

MARC ABBOTT: There are a variety of what... [LB381]

SENATOR COASH: Katrina hits and... [LB381]

MARC ABBOTT: Yeah. [LB381]

SENATOR COASH: ...the bonds still have to be serviced and... [LB381]

MARC ABBOTT: There can be, by the bare minimum of statute no. That's why sometimes these bonds are, well, all these bonds are rather risky if they're being issued to fund new construction. So I am involved with districts in Missouri where, for various reasons, the city really wants the project that the city is willing to put its backing behind the project to fund any shortfalls. The developer, other ones, the developers have been made to fund the shortfall. If the bonds are going to be tax exempt, those kind of backings cannot be present. But...so there can be financial backing of the city. But these bonds of a CID or TDD are not automatically backed by the full faith and credit of the city in which they're located. [LB381]

SENATOR COASH: The city backings that you've seen, do they typically back that with additional sales tax revenue outside of the CID, or property tax, or how do they... [LB381]

MARC ABBOTT: A lot of times it's just general fund revenues. [LB381]

SENATOR COASH: General fund revenues. Okay. Thank you. [LB381]

SENATOR FRIEND: Oh, thank you. Sorry, Senator White. [LB381]

SENATOR WHITE: That's all right. Have you had any go into bankruptcy and insolvency, in which case can the bankruptcy court take control of the CID and raise the taxes until such times as the bondholders are satisfied? [LB381]

MARC ABBOTT: We have not. There have been some where there were revenue shortfalls. And so whichever party was designated as the backstop, in a couple cases it was the developer that had to pony up extra money to fund the shortfall. But we haven't had any that went into bankruptcy where somebody else came in, any type of receiver came in and took control of the project. [LB381]

SENATOR WHITE: Do you know how they play out in bankruptcy if that happens? I

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

mean, we've had SIDs go into bankruptcy. [LB381]

MARC ABBOTT: I do not. [LB381]

SENATOR WHITE: Thank you. [LB381]

SENATOR FRIEND: Are there any other questions? Mr. Abbott, a couple of things that I just wanted to touch on. Iowa, actually a few years back, approved...I don't think it's very old. Iowa actually approved the ability to, for good reasons, especially along the Mississippi River corridor, on the eastern part of the state, the ability to create port authorities. Does Kansas and Missouri, to your knowledge, do they also have the ability to create a port authority? [LB381]

MARC ABBOTT: Missouri has port authorities. I know there is a port authority in Kansas City, they are able to fund, and they have eminent domain powers, and to provide funding for certain areas along the water. But I don't have enough experience with them to say exactly what they're able to do... [LB381]

SENATOR FRIEND: Okay, so... [LB381]

MARC ABBOTT: ...generally aware. [LB381]

SENATOR FRIEND: ...so some of the stuff in the slides you were strictly limiting the information as to what they have to...TDDs and CIDs. I mean, a lot of these states have port authorities that we didn't discuss in there. You mentioned it takes some of the stress off of property taxes. Is it taking...does this type of thought process, does it also take stress off of sales tax and income tax in general? Because I guess one of the concerns that I would have we're a state that uses tax increment financing like we're using it like candy. I mean, what kind of a sell is that when you can knock a building down, you can TIF something, knock a building down, and then realize that you just don't have to worry about the tax problem that a lot of other folks around you have to worry about. A tough sell for a state that uses TIF so liberally, I mean I would think. I mean, is that a fair assessment? I'm not trying to downgrade the bill. [LB381]

MARC ABBOTT: Yeah. [LB381]

SENATOR FRIEND: And I'm not trying to say what you have here is not intriguing, because I agree with him,... [LB381]

MARC ABBOTT: Um-hum. [LB381]

SENATOR FRIEND: ...Senator Lathrop. But some of the states aren't "TIFing" the way we are. I mean, we...that is our biggest...that is the biggest, you know, I would say

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

element of the development in this state for some of our cities. And, I guess, I'm just a little concerned. We...why would you want this stuff when you could TIF and you can...I know they're for a different...maybe some different projects. I guess, I'd ask you that. [LB381]

MARC ABBOTT: Sure. The big difference between...well, I've done TIF work in both Nebraska, Missouri, a little bit in Kansas. But the big difference in the Nebraska TIF statute is that it only allows for redistribution of property taxes. The main generator of any revenue from a TIF or any type of funding district is going to be sales tax dollars. So if you have TIF that's being applied to an ethanol plant, where there's going to be very little sales, but yet the value of the land is now worth a lot, that's where TIF is going to be very valuable. If you're going to have any kind of commercial development, TIF is not going to be nearly as valid...valuable as any of these funding districts because TIF just cannot generate the type of revenues that a funding district can. [LB381]

SENATOR FRIEND: Okay. Take...and I'll sum up here with one other...one quick question. Take a...we have a corridor here and I'm sure you're familiar with it, right...you know, right off into Sarpy County, Papillion. There's been rapid growth down there where they put that new Cabela's in. [LB381]

MARC ABBOTT: Um-hum. [LB381]

SENATOR FRIEND: I don't think any of that ground was "TIFed." I could be wrong about that. But I don't think any of it was "TIFed." And I think when you have explosive development, I think, some of these folks may worry about the idea of well, we're...some of those folks that are involved in that explosive development are saying, wait a minute, you're handing out TIF like candy over here, and also now we're thinking about doing these CIDs, we didn't get any of that. And, you know, I guess you got to start somewhere. But I'm a little worried about the sell factor here, for a committee to kick something like this out to the floor and say, we need it, when we've got certain areas of this state that are booming and certain areas that aren't. I guess my question for you is, how does this necessarily help along the I-80 corridor out by North Platte right now? [LB381]

MARC ABBOTT: Yeah. If development is already occurring right now, if there is not a need for extra project revenues,... [LB381]

SENATOR FRIEND: Then it's irrelevant. [LB381]

MARC ABBOTT: ...then these projects may not be useful there. [LB381]

SENATOR FRIEND: Right. [LB381]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

MARC ABBOTT: At the same time, you know, the flip answer could be imagine what could be developed on top of what is developing now if these funding districts were available. To small communities around Nebraska these types of funding districts would be very valuable. And if development is not occurring, if they don't have the same type of explosive development that's occurring as here in Lincoln, that's where these types of funding districts could really shine. [LB381]

SENATOR FRIEND: Okay. So finally, I guess, the point is if you're sitting out there right around North Platte or you're sitting in an area where you say I can see value here, the only way you're going to be able to really get the value is if there's a little bit of growth anyway that you can spring upon. It's not like something...we can't create this district if there's nobody sitting there. [LB381]

MARC ABBOTT: Right because there's no district revenue to fund the streets, the infrastructure, and whatnot if there's no business that's willing to locate there after the area has been prepped for development. [LB381]

SENATOR FRIEND: Okay. [LB381]

MARC ABBOTT: So this is just kind of the extra push that some development may need to agree to locate in a specific community. [LB381]

SENATOR FRIEND: Okay. Any other questions from committee members? Thank you for the presentation, we appreciate it. [LB381]

MARC ABBOTT: You're welcome. [LB381]

SENATOR FRIEND: Are there proponents of LB381, further proponents? Can I see again how many proponents in the room. Okay, thank you. I see one other. [LB381]

LYNN REX: Senator Friend, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. And first of all, I'd like to thank Senator Rogert for introducing this measure. I do agree with Senator Lathrop as well. I think there are some intriguing concepts here. This is very similar to LB562. LB562 is a little bit different version of this. It was Greg Adams' priority bill in 2007. That went before the Revenue Committee. That measure created occupation taxes. And it, too, was involved with basically using Missouri as a model. And what's important about this is that other states surrounding Nebraska do have these really sophisticated type of districts. LB562 was kind of a watered down version of that inasmuch as it did not create a separate political subdivision. What that did was that it creates, basically, a relationship with the a developer and a municipality. The developer has the area that is designated, and then from that they impose an occupation tax on themselves. An occupation tax can be imposed based on the sales tax or any other concept that the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

developer wants to agree on. And when folks locate there and they are tenants there, then they in fact also agree to that. This is one step up from that at least because what this is doing is saying they're going to be a separate entity over here. LB562 that was basically done by the cities with the agreement of the developer and the city. Tomorrow you'll note that basically in the Revenue Committee Senator Stuthman has LB536, which is on transportation districts. It, too, is modeled after the Missouri model. And so I really appreciated the presentation today. I appreciate Senator Rogert introducing this measure because these are the kinds of things that Nebraska, basically, this is what our cities are competing with. And the reason why we've had such a profound use of Tax Increment Financing is because, essentially, it's about the only tool out there. And it's archaic compared to what else is happening. So I'd be happy to answer any questions. And we hope the committee will give respectful consideration to the bill. [LB381]

SENATOR FRIEND: Thank you. Questions from the committee? I see none. [LB381]

LYNN REX: Thank you. [LB381]

SENATOR FRIEND: Thank you. Next proponent. [LB381]

JACK CHELOHA: Senator Friend and members of the Urban Affairs Committee, my name is Jack Cheloha. The last name is spelled C-h-e-l-o-h-a. I'm the registered lobbyist for the city of Omaha. I want to testify in support of LB381. First, let me thank Senator Rogert for putting this legislation before you. I think it's, you know, very innovative. Obviously, as he stated, I think he's very excited about this. It's a new idea. He wants to do good things for our state to help it improve, to keep our young people here, to offer tourism, just to make it a better quality of life. And so I applaud him for that and I thank him for that. I think that's outstanding. You know, it's good to know that through his travels he's picking up these ideas out there, and I certainly appreciate it. LB381, obviously as was stated, it is a long bill, 100 pages. It's got many...or two particular ideas within it that would be of interest. First of all, I shared this with the city of Omaha's law department and our planning department. And they're both very interested in the bill. They didn't give me a lot of feedback, if you will, in terms of, you know, the nuts and bolts of it. But they said that, you know, this would possibly be another tool we could utilize for development purposes. Some of the ideas within the bill might need some more study. And with that, we would request that if this committee is going to do some work on it, we'd like to be invited to participate along with Senator Rogert's staff and Senator Rogert and your Urban Affairs staff. Like I said, we think there's some ideas out there that might be, you know, workable, but we might need to do some revising in terms of Omaha and how it would work for us. Just a little bit of, you know, history, if you will. In Omaha, or at least I think cities are offered also the ability to create Business Improvement Districts. And we kind of went through some growing pains with that in Omaha in the last four or five years where we wanted to do downtown Business Improvement District. And as you can imagine, it usually comes down to how do we,

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

you know, pay for this thing. And that's what creates the most heartburn, and that's what happened with this Business Improvement District. I think a lot of people wanted to be involved, a lot of businesses said, yeah, great idea, we're going to do great things. But then when it came time to pay for it, it was, gee, I'm not sure, I'm not, you know, excited about it, or as excited as I was before. So I know this committee has tough decisions to make. And with that, we offer to help if you're going to take a look at this. So I'll try to answer any questions. [LB381]

SENATOR FRIEND: Thank you, Jack. Questions from committee members? I don't see any. [LB381]

JACK CHELOHA: Okay, thank you. [LB381]

SENATOR FRIEND: Thank you. Any other proponents? Is there any opposition? Anyone wishing to testify in a neutral capacity? And, I think, Senator Rogert waives closing. Is he...he is across the hall, so we will waive closing. And I will close the hearing on LB381. And that will conclude the hearings for the day. [LB381]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Urban Affairs Committee
February 24, 2009

Disposition of Bills:

LB381 - Held in committee.

LB525 - Placed on General File.

LB633 - Placed on General File with amendments.

Chairperson

Committee Clerk