McKINNEY: All right. Good morning. Welcome to the Urban Affairs Committee. I am Senator Terrell McKinney, representing north Omaha, Legislative District 11. And I'm the chair of the committee. On behalf of the Urban Affairs Committee, I would like to thank Mayor John Ewing for allowing us to utilize the city council chambers for this hearing. This is a rather deluxe space compared to our humble hearing room in the State Capitol. So again, thank you to the city of Omaha for sharing this-- facilities with us. The committee will take up bills in the order posted. The-- this public hearing is your opportunity to be a part of the legislative process and to express your position on the proposed legis-- interim study before us. If you're planning to testify, please fill out one of the green testifier sheets that are on the table at the back of the room. Be sure to print clearly and fill out completely. When it is your turn to come forward to testify, give the testifier sheet to the committee clerk. When you come up to testify, pea-- please speak clearly into the microphone. Tell us your name, and spell your first and last name to ensure we get an accurate record. We will begin each interim study hearing today with the introducer's opening statement, followed by proponents of the bi-- of the bill and then-- I guess it's not even proponents or opponents, I guess. People testifying today. And then speaking in a neutral capacity. We will finish with a closing statement by the introducer if they wish to give one. We will be using a five-minute light system for all testifiers. When you begin your testimony, the light on the table will be green. When the yellow light comes on, you will have one minute remaining. And the red light indicates you need to wrap up your final thoughts and stop. Questions from the committee may follow. A few final items to facilitate today's hearing. If you have handouts or copies of your testimony, please bring up at least ten copies and give them to the committee clerk. Please silence or turn off your cell phones. Verbal outbursts or applause are not permitted in the hearing room. Such behavior may cause you to be asked to leave. I will now have the committee members with us introduce themselves, starting at my left.

ANDERSEN: Good morning, everybody. I'm Bob Andersen. I represent District 49, which is northwest Sarpy County.

ROUNTREE: Good morning. I'm Senator Victor Rountree. I represent District 3, which is Bellevue and Papillion.

CLOUSE: Morning, everyone. Senator Stan Clouse, District 37, which is Kearney, Shelton, and Gibbon.

J. CAVANAUGH: Good morning. John Cavanaugh, District 9: midtown Omaha, the best district in the state. And welcome, everybody, to Omaha. And thanks to the committee for being here.

QUICK: Good morning. Dan Quick, District 35: Grand Island.

McKINNEY: Thank you. And also assisting us today is committee clerk Sally Schultz and legal counsel Elsa Knight. With that, we will begin today's hearings with LR434. Senator Spivey.

SPIVEY: Thank you. Good morning, Chair McKinney, Vice Chair Clouse, and members of the Urban Affairs Committee. I am Ashlei Spivey, A-s-h-l-e-i S-p-i-v-e-y, representing the best district-- the best district in the state-- District 13, which is northeast and northwest Omaha. So I-- I'm in front of you today to look at LR434, which I think is an important opportunity for us to pause, understand, and really think about the work that is in front of us as we are talking about some of our most vulnerable populations among us. You know, the-- my last two years in the Legislature and a lot of my, my classes here, we spend a lot time thinking about the economic well-being of certain populations that have disproportionate, negative outcomes. Right? So when we think about what makes Nebraska thrive, what are families needing now, a lot of this goes back to services and folks that are navigating very difficult and complex economic experiences. And so in 2005, the learning community was created as one of those tools to address and support families and individuals that are having some of those same experiences. We have talked about in the body what does it look like from zero to five education, K-12, and what needs to happen, what does it mean for social safety net benefits from food access, to housing-- all of these things, right, that really drives someone's experience and their success in their lives. And so when we, when we look at the tools that are in front of us, I think the learning community is a really good opportunity to see how was that integrated into some of the other conversations that we're having, especially as a state. It is a quasi-government entity. It is a local political subdivision. And just like we work with cities and counties, I think it's really important to best understand how are we working with a learning community in this type of structure to advance goals and opportunities that we continue to debate and talk about every day when we are in session and, and times like this when we're brainstorming policy that could really better the experiences for Nebraskans across the state. And so what I have in front of you from my office-- we just pulled some information because not everyone is familiar with the learning community or we have folks from different parts of the state on this committee. And so it's just a timeline

around legislation, I think which is really important around how this was created, the intention, and some of the statutes that are governing how they show up. We have some high-level information around their strategic goals, but really wanted an opportunity for the president and CEO-- which is here-- to really speak to what are they seeing are the impacts from the time of inception and, and creation. A lot has changed. We've had a global pandemic. We've ha-- right? Like, we've had these very transformational changes. And so what does that look like now for this tool? Are we still meeting the goal? And are there opportunities for us to think about through legislation? And if things are going really well, where are the opportunities for momentum that we can replicate across the state? Because we know that Douglas and Sarpy Counties are not the only places where families are navigating complex economic situations. And so I am excited to be able to have this conversation with you all today. And I'll be happy to answer any questions that you may have.

McKINNEY: Thank you, Senator Spivey. Is there any questions from the committee? Senator Clouse.

CLOUSE: Thank you, Senator McKinney. I'm, I'm not familiar with this whole process, so excuse me if I ask some questions that might seem pretty basic. But when you created the coordinating council and then we had the levy but it was abolished in 2016, how, how is it funded now?

SPIVEY: So it's still through two levies. And the president, Gerald Kuhn, is here that can answer questions about how they're deciding their levy with their coordinating council. But there are still two levies that are utilized for the funding of this co-- commission and entity.

CLOUSE: Is it school funding or--

SPIVEY: Yeah, so it's--

CLOUSE: --[INAUDIBLE] school levies?

SPIVEY: Well, I, I think that's the interesting piece, is this is not squarely in, like, education. Like, it's not ran by NDE, but they have dotted lines and relationships because that, that was the intention of why this was created. We know that education can be a lever for change for people to change their circumstance economically. And so there are ties into traditional kind of public education, what does that mean for achievement and opportunities, while recognizing some of the

social drivers that may not allow that. So truancy, food insecurity. We talk a lot about reading last year, right? Like, what does it mean to be proficient in these key subject matter areas? And so I think-- and again, in 2005, I was a-- I was at a college party, OK? So I was not in the body or thinking about these things. And from my understanding and my research and talking to other folks as we try to wrestle with, you know, how can-- what, what do we need to provide community with to be successful, that the intention was really around we need, we need an entity that is not squarely in, like, an NDE, but that really understands the community's needs and can help create and generate innovative strategies to meet some of these shared goals across entities. And so that, that levy is what funds. And they can speak to, like, how they're deciding their levy, because they have an elected body.

CLOUSE: OK. Thank you.

SPIVEY: Yeah. Thank you. Great question.

McKINNEY: Thank you. Any other questions from the committee? No? Thank you.

SPIVEY: All right. Thank you, Senator.

McKINNEY: And now I'll welcome up Gerald Kuhn.

GERALD KUHN: Sorry, Senator Spivey. Gotta raise the mic up a little bit. Just a tad. Good morning, senators, and the Urban Affairs Committee. My name's Gerald Kuhn, G-e-r-a-l-d K-u-h-n. And I represent the learning community of Douglas and Sarpy County at 1612 North 24th Street, right here in Omaha, Nebraska. And Senator Spivey gave a great in-- introduction to what the learning community is and-- but I just want to go into-- to give it a little bit more color on when the learning community was created. It was created in 2005 but didn't start enacting until 2008. Senator-- this was a brainchild of Senator Ron Raikes, former Senator Ron Raikes. If you guys know who Senator Raikes was, he was a great politician for the city of Om-- or, for the state of Nebraska. The learning community encompasses 11 school districts in Douglas and Sarpy County, with 12 elected members of a coordinating council. It works to include the north and south Omaha learning community centers, intensive early childhood programming, and the superintendent's early childhood plan, teacher and, teacher and district capacity building, family engagement, attendance, attendance initiatives, and workforce development. As I come here today, I can run down the numbers to you guys, but I really want to answer the

questions that you guys have today for the learning community. Senator Clouse, when you asked how the learning community is funded, we are funded through a local levy through Douglas and Sarpy County and a little bit of Washington County, where the, the lid-- or, the max of our levy is about a cent and a half of every $100 from Douglas-- from property tax from Douglas and Sarpy County. With that, we've been operational for-- operating like that since the, the larger levy was-- they voted that away in 2017. And now we just have the local levy because there was a, a, a grander levy prior to that. Our budget for the past-- since COVID-- let's see here-- has been-- COVID in-- or, started-- was, was that 2019? So we've had a budget around $10, $10 mill-- $10.3 million in 2019, $10.3 million in 2020. To-- present day, our, our revenue is about $15.9 million. But throughout COVID, like other entities, we amassed a, a surplus because of just program-- we were-- kids weren't allowed in-- into centers and, and we were just kind of closed and so we amassed a surplus and-- just in spending that down-- had to get a plan to spend that down because there's-- we want to be responsi-- responsible for taxpayer dollars. And I am a proponent of being conservative when it comes to spending and-- but I also want to make sure that the citizens of Omaha and our participants have adequate resources to be able to better theirselves and better their lives wi-- and children and families. The goal and the mission of the learning community is to work with stakeholders and other organizations-- and school districts included-- to close gaps in achievement for children and families in poverty. In 2015, there was a report that came out that said that the-- basically, the state of-- or, the city of Omaha was segregated as-- in, in, in education, meaning that schools out west outperformed and were better than schools on the east side of Omaha. The learning community was created to kind of balance that out. And there was a levy created to give the learning community dollars to be able to create new, inventive, innovative programming that will help children and families in poverty and let children be more creative and, and close those gaps in achievement for children in the school system. I'm open for any questions that you guys may have about the learning community. Again, I have statistics in every category, but I want to be responsive to the questions that the-- this body has.

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

ROUNTREE: Thank you so much, Mr. Chairman. Thank you so much for your opening today. I wanted to just ask, when they stated that the city was segregated by education and the learning community came on board, how have we bridged that gap? How do you see that? I know it may be in

here, but just for effectiveness, how do we-- how do you see us now bridging that gap?

GERALD KUHN: Awesome. That's a, a great question. So learning community was also created out of a, a confusion of the "One City, One School."

ROUNTREE: Mm-hmm.

GERALD KUHN: And the-- and those of you who were-- remember in Omaha back in that time remember the "One City, One School" was a very controversial time. And the learning committee was created to work with all of the school dist-- the 11 different school districts in the greater Omaha area to make sure that the goals of the, the city were being met and the-- and education was-- and when they-- when there's a report done, that education-- but these initiatives were-- the-- people in east Omaha were doing poorly and people out in west Omaha were, were doing better. The learning community came in and said, let's, let's get some metrics around that. So I do want to give you some statistics around that right now. So we have School as Hub in every school district in the greater Omaha area. The percentage of students that are performing at or above the national median average has increased from 38.6% to 52.4% in reading. That's an increase of about 13.8 per-- percentage points. In math, it has increased from 52.9% to 67.5%. It's a increase about 14.6%. And attendance-- it is very noteworthy to mention that, at our School as Hub sites, chronic accent-- absenteeism has decreased from 18.4% in 2021 to now 13% in 2023, 2024, which-- this is a steeper decline than the Douglas County or Nebraska-- the state of Nebraska has experienced in the same time. So the learning community is working. Those who participate in learning community activities ha-- proven to be doing better than students who are not participating in learning community activities. The-- as, as our former chair Mark Hoeger always says, we-- we've-- the state tasked us to find a solution. The learning community has now found a solution, it just doesn't have enough resources to be able to affect the, the number of people that need to be-- need to be served. We're only effectively serving about 8% of the, the people that we need to serve at this time. Yeah. No, I'd, I'd say be-- to-- 8, 8 to-- 8% to 12%. I want to-- yes. Definitely works. Thank you.

McKINNEY: Thank you. Other questions from the committee? Senator Andersen.

ANDERSEN: Thank you, Chairman. And thank you, Dr. Kuhn, for being here. When you talk about the 2015 study about the segregation of

education between the east and west, were you able to actually isolate what the, the root causes were? Because you can address all of the issues around the core-- the root cause without actually fixing the root cause. Were you able to identify those? And if so, what, what were the root causes?

GERALD KUHN: So-- and thank you for that, Senator Andersen. What we discovered is it's not just one magic pill or one thing that is causing poor academic achievement and-- for the, the children and, and-- or, the students in Omaha. It is a-- it's a continuum of things. And what the learning community wants to do is surround-- it's economic, whe-- parents not make enough money. We, we see that in Omaha, especially-- not, not just east Omaha, but throughout Omaha, parents now have to work two and three jobs to make sure ends meet. And when they do that, children are now being left at home a lot longer. That parent-child engagement is not always there. And frankly, parents aren't able to read to their children. And kids, they're, they're, they're not able to have that. Parents are their children's first teacher. And so when you don't have that time and parents don't have that time to interact with their kids, student achievement suffers. And then also with the-- the pandemic has created challenges for the students. And we-- we've-- technology has created problems for stu-- for students, but wha-- we combat that. And there are, there are curriculums and studies that, that are being done every year to kind of improve that and, and see what the root cause is. But the-- to answer your question, no, there's, there's not really a-- one magic pill that-- or, one cause that has affected student achievement, but it's just the environment.

ANDERSEN: Yeah. I, I didn't mean that there would be one root cause, but-- I mean, maybe a series of them. Maybe lower income is a contributing factor.

GERALD KUHN: Yes.

ANDERSEN: Maybe single-- single-parent families is a factor. Maybe the breakdown of the, the nuclear family could be a factor to that. A lack of supervision. The kids are skipping school and parents aren't realizing it. I mean, just the continu-- you used the word continuum-- it's a great word-- but the whole span of all the different contributing factors to why there's a segregation between east and west.

GERALD KUHN: Yes.

ANDERSEN: I think that would be a key to actually figuring out the best way forward on how do we actually fix the problem.

GERALD KUHN: And, and grea-- thank you for-- and all those-- thank you for that, Senator. And all those are, are great-- I mean, all those are, are causes of student achievement and have an im-- that have impact on student achievement. But with the-- when I came and started working with the learning community in, in 2023, which-- what I discovered is there's poverty in every school district. There's poverty in every area of Douglas and, and Sarpy County. It just looks different. And, and so the reason why the st-- the learning community centers work so well-- and we have a learning community in-- center on 1612 North 24th Street and then we have one on 24th-- or, 23rd and, and N Street in south Omaha. The reason why the centers work so well where they're at is because there's a high concentration of poverty in those areas. So there-- we can get a lot of people the-- to-- in that area. As you go into different parts of Douglas County and, and Sarpy County, there are pockets of poverty. And so what I wanted to do-- and so there-- in 2023, when I started, there was a big push to have a, a center out west in, in northwest Omaha-- or, north or southwest Omaha. But that would only serve the school district in that area, maybe a Westside, maybe a Papillion, or, or maybe a, a Millard public school, but that would leave the other districts without a center. And so it cost about $2.8, $2.9 million to run a center effectively for a year. And what I wanted to do was take that $2.8-- $2.9 million that the learning community was saving and I wanted to divide it up amongst the other school districts-- the other ten school districts-- taking OPS out of it. Not that OPS didn't need it, but OPS has the luxury of having two learning community centers in, in their district. And I wanted to divide that $2.8, $2.9 million amongst the other school districts with the intent of starting at $100,000 as a floor for these school districts, because at least $100,000 will have-- can give those school districts that haven't had the opportunity to have a, a full-- another full-time employee. So the school districts like Springfield, Platteview, who has never had a social assistance counselor or a social worker in their district, and now they-- for the first time, they're able to have a social worker in their district to be able to help those families who need navigation through those social services in their districts. Other notable programming, Millard has-- they see about 10,000 behaviors in their schools per year. And they would not be able to have a behavioral management team to come in and, and, and address those issues and dis-- and develop plans for those, those students because behaviors affect of-- classroom. And what they are seeing is those-- you would think those behaviors would show up-- a

lot of those behaviors would show up in high schools. But the biggest cla-- the biggest grade that they're seeing those behaviors is preschool and kindergarten. And we're talking big behaviors that cause a teacher to have to remove a student or take time away to address that student. And now Millard has the ability to not only just track those behaviors but also deploy a team that can, that can develop a plan for-- a action plan for those students that are, are having those behaviors. Tho-- these are just a few of the, the things that the districts are doing. So I wanted to put that $2.9 million in the hands of the school districts. They know-- the superintendents know the, the problems in their districts and they know what is going to, to close gaps in achievement for children and families in their district, and they work well with the learning community to be able to implement and execute those plans. Yeah. Thank you.

McKINNEY: Thank you. Other questions? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here, Mr. Kuhn.

GERALD KUHN: Thank you.

J. CAVANAUGH: Good to see you.

GERALD KUHN: Good to see you.

J. CAVANAUGH: I got a couple of questions, but-- so-- well, one-- you gave us some good data. I'm wondering, is that in the report, the increase in reading performance? Is that in here somewhere?

GERALD KUHN: Yes, it is.

J. CAVANAUGH: OK. And then on those, that's-- those are specifically performance improvements of people who go through-- kids who go though your programs?

GERALD KUHN: Yes.

J. CAVANAUGH: OK. Is that-- do you have that charted-- guys compared to what's happening in OPS overall or--

GERALD KUHN: I have-- so we have a outside-- we have a outside vendor who does the data and research for us, Munroe-Meyer. I have Jolene John-- Dr. Jolene Johnson, who is here, who can speak to those issues if I could bring her up at this time.

J. CAVANAUGH: Oh.

GERALD KUHN: If-- to help answer. I-- because I don't want to give you any false information.

J. CAVANAUGH: I don't need to di-- drill that deep down.

GERALD KUHN: OK.

J. CAVANAUGH: I'm just trying to, like, figure out what all is available to us [INAUDIBLE].

GERALD KUHN: Yeah. I can give you that information. I don't have it at hand right now [INAUDIBLE].

J. CAVANAUGH: I don't, I don't need to derail the whole thing [INAUDIBLE] be here for hours and hours and hours. But-- so I'm just-- yeah, I'm looking through there. OK. And just sort of, like, a top-level-- you-- question. So you have statutory authority--

GERALD KUHN: Yes.

J. CAVANAUGH: --or, you're created by this, this program-- it's sort of evolved-- that you went through. How does your kind of, I guess-- how does the statute inform your, your strategy and obje-- objectives?

GERALD KUHN: Awesome. That's a great question, Senator Cavanaugh. So the Statute 79-2101 gives us authority to be able to function in Douglas and Sarpy Counties to provide resources to the school districts that will effectively close gaps in achievement. So we use that as kind of-- if you're using a football analogy, that's-- the-- those are kind of our, our guidelines, our [INAUDIBLE] for, for us operating. The touchdown areas, end zones are going to be our student achievement barometer, student achievement data, whether that be positive or negative. And so we use the-- we use the, the language in 79-2101 to be able to operate, and that guides us. And in 79-210-- 79-2101, it leaves room that there could be several different learning communities in several different areas. Now, the learning community-- I, I will sit and tell you that it hasn't been a great partner with the school districts for, for a while. But in recent times, we have shown continuous improvement of the learning community and those who work with the learning community, and the students that work with-- and families that work with a learning community show continuous improvement in workforce development, student achievement, community engagement, and-- student achievement, community engagement, and just overall student achievement for the-- those individuals who are in early education.

J. CAVANAUGH: So the obvious, I guess, follow-up question is, is the statute artificially hamstringing you in any sort of way? I, I guess-- we're here on a fact-finding.

GERALD KUHN: Yes.

J. CAVANAUGH: Are there any suggestions of things that we can do to make things easier for you guys to improve student achievement, we'll say?

GERALD KUHN: Absolutely. So last year, Senator Andersen sponsored a bill for the learning community. So we were, we were, we were kind of handcuffed in, in the way that we operated. The-- there was a, a-- when we had a big common levy-- when the learning community's budget was all the 11-- because at one point, all of the budget for-- the-- all 11 school districts came into learning community, and, and we distributed the money out to the different school districts. That-- on-- that was very, very short-lived. It, it only lasted two years, I think. And then-- but there was language in the statute that said that the learning community could only use 10% of that money to be able to operate. And when they got rid of the, the common levy, that brought the budget for the learning community way down. And so-- but that 10% cause of-- the learning community can only use 10% of its funding to be able to, to pay for staff was still in there. And so with a smaller budget, that means a smaller operating force for the learning community. And what-- the bill, sponsored by Senator Andersen, effectively did was now give us more authority to be able to-- it, it applies that 10% funding just to executive staff. So we can keep the executive staff at 10% of the early learning community-- early learning center budget. But the rest of that, that money goes directly to programming and goes directly to capacity building. So now we can serve a little bit more people than we were serving before. So that was a, a positive piece in, in the [INAUDIBLE]-- in the learning community. There are several things. I, I-- I've drafted a list that's in my office of things that-- if you will, it's a, a wish list for the learning community of things we, we want to do. But it is going to take a senator to carry the bill for the learning community to ha-- to make improvements because we're improving every day. But as a regular nonprofit, they can make decisions and pivot with a board decision. With the learning community, we are beholden to the taxers-- taxpayers of Douglas and Sarpy County. And we need a bill to be able to, to change and, and pivot. So, yes, there are things that need to be done and, yes, we are working on that, so don't count me out on approaching you to-- for a bill to, to get carried through so we can continue to improve the lives of students and families in this area.

J. CAVANAUGH: I appreciate that. I've, I've got other question, but I'll let somebody else go.

McKINNEY: Thank you. Other questions? Senator Clouse.

CLOUSE: Thank you, Senator McKinney. So basically what we're talking about's funding. What's the magic number that you would feel that you could be at maximum potential?

GERALD KUHN: To do that, I think that we would need to do another community study to find out what, what other things that the community needs are, are happening. But right now, our, our ma-- our lid is a cent and a half. We are under that right now. Currently, we are at-- I think that our, our council just voted to, to put our levy at $0.13. And it was, it was at $0.12 before. We can go all the way up to 0.0-- $0.15. And our-- the buckets are early learning center, which is programming, and capital-- we have research and evaluation and then capital projects. And so what we are seeing right now in our south Omaha location, we are busting at the seams. I encourage every senator to, to come and do a tour of-- there's several senators on this committee that have done a tour of the, the learning community. And I invite you all to come. But we're busting at the seams. We-- the people that we have come in and, and the parents and families that we have come in and the, and the children-- we have adequate space, but we could definitely be doing a lot more. I don't know what that magic number is, Senator Clouse, but I'd be willing to work with you to, to find that number.

CLOUSE: I think, I think you had mentioned earlier, what, $10.5 million, something like that. Is that-- and I haven't read it. It's probably in here.

GERALD KUHN: It-- our current budget?

CLOUSE: Yeah.

GERALD KUHN: So our current budget is-- this year is going to be-- is $15.9 million. Is-- that's our revenue. But we're budgeted at 21-- $21.8 million is our budget because in-- our budget is more than our revenue because, again, we're, we're-- we have a plan to spend down that money that we amassed during COVID.

CLOUSE: So, so around $21 million.

GERALD KUHN: Yes.

CLOUSE: So another $3 or $4 million or another $20 million.

GERALD KUHN: Yes, sir. If we can-- if we can find that, then, then yes. Absolutely.

CLOUSE: OK. Thank you.

GERALD KUHN: Thank you.

McKINNEY: Thank you. Other questions? Senator Andersen.

ANDERSEN: Thank you, Mr. Chairman. And Dr. Kuhn, focus area number six on the study-- I assume you-- you've read-- I'm--

GERALD KUHN: Yes. Yes.

ANDERSEN: --assuming you read the study. Number six focus area says identifying best practices from other states or other regions. Have you had the opportunity to do that? Is that something you've done maximizing best practices from other areas? If so, could you share?

GERALD KUHN: Absolutely. I-- I've tried, Senator Andersen, but the learning community of Douglas and Sarpy County is the only effective learning community in the United States that was created out of legislation and, and has an impact affecting 11-- multiple school districts in, in this area. So we are one of its kind. We are the leaders in not only the state of Nebraska but the nation. And as we-- as I go and my team goes to conferences to kind of build on those best practices and, and professional development and get those professional development training, what we discovered is there's several people in, in different states, school districts who want a learning community and community partners that want a learning community in their, in their state and their city and their county. So we've been asked to speak at a national conference this year in November in San Antonio, where we will speak to what the learning community is and, and how-- and I, I plan to work with my team to develop a, a kind of sales pitch, if you will, to other states, counties, and, and cities to implement a learning community in their state and their county. And that's, that's what we're trying to do to look forward to, to the future.

ANDERSEN: So you are the best practices.

GERALD KUHN: Yes, we are.

ANDERSEN: Thank you.

GERALD KUHN: We are the-- we are the standard right now. Yeah.

McKINNEY: Thank you. Other questions? Oh, Senator Rountree.

ROUNTREE: Thank you so much, Mr. Chairman. So earlier, as we were talking about-- and I'm looking at my school hub down at Bell-Air in Bellevue.

GERALD KUHN: Yes.

ROUNTREE: You mentioned about chronic absenteeism being a, a priority. With the crime and commissioning operations, how have you worked with them on that particular operation as far as chronic absenteeism?

GERALD KUHN: So there is a consortium of all the school districts, which is all 11 different school districts. And the superintendents, we meet once a month. And that's called MOEC. And we meet-- and it's on UNO's campus. And we discuss what issues are priorities. And the superintendents have an opportunity to say, hey, absenteeism is a-- chronic absenteeism is a issue in our-- in this district. And the MOEC consortium will deploy a, a task force, if you will, of the best and brightest people in that area who's equipped to be able to address chronic absenteeism in all 11 school districts. And they will work together to be able to implement-- gather a plan, implement that plan into Bellevue. So I-- at this time, I'm unclear of what Bellevue is doing specifically to address chronic absenteeism, but I know that there is a, a task force through our-- the MOEC-- our team to be able to address the chronic absenteeism.

ROUNTREE: All right. Thank you so much. And I do have a follow-on question. You also mentioned that this is the first time that our Springfield Platteview--

GERALD KUHN: Yes.

ROUNTREE: --community-- they have a social worker. I've spent a lot of time down in that school system as well, so I'm kind of interested in having someone down there. What have you seen? Have we had any type of results-- early results--

GERALD KUHN: Yes.

ROUNTREE: --of having someone down there?

GERALD KUHN: Anecdotally-- thank you for that. Anecdotally, anecdotally, I do have some, some information about that.

ROUNTREE: OK.

GERALD KUHN: I talked with Ryan Saunders, who is the superintendent in that area. And they-- as you know, they're building-- they have some data centers in that area.

ROUNTREE: Yeah, they do.

GERALD KUHN: And, and what he has told me is that those-- Google, Meta, and Facebook, those data centers support the school district 100%. And so any proposal that he puts forward to them to address any issues, he gets resources to be able to run those programs. And that, that social worker in that area works with those, those data centers or the representatives of the-- those data centers to be to, to create programming, create initiatives that will be able to help students in that-- in those school districts. And so what they're seeing is now they have a community center in that, in that area and that social worker has multiple meetings throughout the year to be able to call the community in and say-- and address some of the problems that they have been seeing. I know that clothes and-- students being able to afford clothes is a problem. So they have-- they now have a, a clothes pantry there that students can go and-- if they need jeans, if they need a new shirt, or they don't have a, a jacket in the wintertime or hat, coat, they're able to, to get those resources. They are right there in the school.

ROUNTREE: All right. Thank you so much. I appreciate it.

McKINNEY: Thank you. Senator Quick.

QUICK: Yeah. I just wanted to-- I don't really have a question. I just wanted to thank you for the work that you're doing because, for me, it's all about inter-- early intervention, prevention, and the earlier we can help children and their families, the better outcomes we're gonna have for those children. So I know even in Grand Island-- you know, we're, we're a large school district, we have a lot of poverty, and we're trying to address that, even just with some of our-- I'm on a juvenile justice committee that we're trying to find ways to keep kids out of detention centers and how we-- you know, how can we address that? We're trying to find, you know, maybe programs, after-school programs, also summer programs for some of the kids who are maybe left at home during the summer.

GERALD KUHN: Absolutely.

QUICK: And it's all, all so important to help, help, help them have the greatest outcomes, so thank you.

GERALD KUHN: Well, I'll reach out to you. And maybe you-- we can get a meeting with the superintendent of the, the public school system out there and, and I can speak to what the learning community is doing and the successes that we've had here in Douglas and Sarpy County and get something going in, in Grand Island.

QUICK: Yeah. Thank you.

GERALD KUHN: Thank you.

McKINNEY: Thank you. Other questions? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Not, not to cut you off. Thanks again. So-- I mean, there's a lot of good information. And obviously, like I said, I could go on forever here. But just a couple of things I really want to, I don't know, wrap my mind around. There's the-- you said you're serving about 8% of the potential population. How is that 8% selected?

GERALD KUHN: It goes by free and reduced lunch and the ELL, so students who-- English is not their, their first language. That is how we determine the-- if you will, just the, the poverty of that, of that school, school district and the students that need to be served. And there's a formula that goes into that then tha-- then that-- how-- that's how we address the-- get to the number of, of resources, dollars that we, we are needed-- that's needed in any school district.

J. CAVANAUGH: So-- but when you say 8%-- so it's 8% of kids who are on free and-- or reduced lunch gets--

GERALD KUHN: No, 8% of the total population of the-- 8% of the, the, the total population of the kids that we serve through free or reduced lunch and the, the ELL students.

J. CAVANAUGH: So that's 8% of all the kids in the 11 school districts.

GERALD KUHN: Yes.

J. CAVANAUGH: Are who you're suv-- serving, but that's also-- 8% are on free and reduced lunch?

GERALD KUHN: The, the students who fall either at or around that poverty line that need to receive the services, we're serving about--

the-- whether that be-- now, I'm just saying, those parents or families and-- or, students that need the services, that is the, the ones-- the 8% is the ones who's taking advantage-- who are taking advantage of those, those services.

J. CAVANAUGH: OK. And that was going to be my next question was-- so there's a population that you potentially could serve, which is those kids that are free and reduced lunch, and you're-- think you're serving about 8% of that population.

GERALD KUHN: Exactly.

J. CAVANAUGH: And then that 8% is self-selected of people who choose to participate.

GERALD KUHN: Exact-- yes, sir.

J. CAVANAUGH: And how, how do they even know about you? Like, how does, how does somebody-- any one particular student come to be in a program or learn about it?

GERALD KUHN: Awesome. So I have-- my team at the learning community, we go into open house nights whe-- when school starts at the beginning of the year, whenever there's parent-- whenever there's parent-teacher conferences, we're there. We have a table. We're at community functions. We sponsor events around the city. Different nonprofits throw-- have their fundraisers or have different events. And we'll get a table to recruit families. We'll work with other nonprofits in the area to be able to recruit their population and, and, and ask them if they, they need-- if their population need-- that they serve needs help. So we're-- we try to be everywhere. We work with different-- like our OneWorld Center in south Omaha. They, they recruit at every family-- at every-- when the child goes to a dentist, if they have a child who is under the age of five, they're given a referral to the learning community. We're going to be working with Charles Drew Center-- Health Care Center in north Omaha. We'll have a table there at least three times a week. And we want to be able to ha-- provide referral services for the, the families that come through Charles Drew as well.

J. CAVANAUGH: Thank you.

McKINNEY: Thank you. Other questions? I have a few. First, you mentioned that the south Omaha Center is busting out the sim-- out the seams. How does that compare to north Omaha, and what is the difference between the two and what is the difference in engagement?

GERALD KUHN: I think the difference between the two is that the, the south Omaha center has just been functioning a lot longer than the north Omaha center. The north Omaha center wasn't built until-- or, was built I want to say in 2015. And the south center has-- was already going strong over there way before the, the north center. So I think that-- and just having that referral base from OneWorld and having that partnership with OneWorld has, has contributed to a, a lot of the population and the increase in the needs of services in the south Omaha. The north Omaha, we, we-- there are days where we fight for space to be able to serve everyone, but there are also days where there's some seats available to be able to, to serve more students and more families.

McKINNEY: Do you know why the south Omaha center was built first, considering that north Omaha's disparities are double than south Omaha?

GERALD KUHN: That's a great question. And unfortunately, Senator McKinney, I don't have the answer to that right now, but I can do some research and get back to you on, on how that happened.

McKINNEY: All right. My next question. I was looking at the [INAUDIBLE] university statistics and I saw the difference between the Asian population, the black population, Latino population. Why, why is there a-- it seems like there's a-- I think it said a 45% engagement from the Asian population. Then when you look at, like, the black population, it was 15. White was 6. I think Latinos was in the 30s. Why is that big gap?

GERALD KUHN: I don't have any statistical data to be able to, to speak to that anecdotally. I would, I would just say, as a African American man who, who grew up in, in north Omaha, I would just say, historically, the lack of trust in programming and effectiveness in programming amd programs being cut over the years, lack of trust in the community has contribut-- has been a huge contributing factor to, to people and African Americans in, in, in Omaha reaching out and asking for assistance.

McKINNEY: All right. I got a--

GERALD KUHN: But again, I'll just say anecdotally, that's, that's just me speaking. That is not statistically proven.

McKINNEY: Yep. I got a few more. The next is-- I see Skinner Magnet is one of the schools that you serve. And I know prior to the school

year, Skinner switched principals because of low achievement at that school. So how are you engaging with Skinner and OPS to assist in improving the achievement that is happening there? Because they're one of the lowest performing schools not only in Omaha but in the state.

GERALD KUHN: OK. So we have district initiatives 1.0 and district initiatives 2.0, in which-- at the MOEC-- at the MOEC meeting when I meet with all the, the superintendents, we discuss-- and, and the superintendents get a dollar amount in which they are-- they can work with the-- their schools. And then I have a-- an executive director and a team that works with the-- that works with the school district to be able to suggest priorities from the districtwide initiatives and things that need to, to happen to improve student achievement. We don't necessarily work with just one school, but we, we have the resources available for the district. And the district-- we want to put those resources over there and-- to have conversations with the superintendent and allow the superintendents, because they intimately work-- know what achievements or, or lack thereof are going-- are at each school. And so we want to put that power in the hands of the superintendents to be able to have a, a impact on student achievement.

McKINNEY: I gu-- I guess my question would be-- I know at the Legislature we give money to a lot of entities and we have expectations. So what expectations are you placing on the school districts to say, hey, if we're giving you $100,000, we expect some incremental change? Are you--

GERALD KUHN: Yes.

McKINNEY: Are you placing some measurable outcomes or expectations on the di-- on the schools?

GERALD KUHN: Yes, absolutely. As you go through our-- as you go through and read the-- our annual reports from, from BECI and from the learning community and see what initiatives that we have in each school district, we-- there is an expectation that there's continuous improvement in those areas of literacy, in those area of attendance, in those areas of-- I would just say intensive early childhood programming. We're in all of those schools. And so if we see a decline-- and we see it as a whole. We don't see it as a breakdown from school to school to school where we see-- we get the, the raw data as a whole and not just a per school basis. And so we want to work with those. And we have-- the, the reason why we have elected officials-- we have two elected officials in each district of the, the city and our-- or, the county. And those elected officials in those

district-- those council members are charged with going in and seeing what programming is happening in, in their district. And we schedule tours with the schools to be able to see what programming and how the programming is ran. So we just don't give the, the resources to the schools and not go see where those dollars are going. We have our, our elected officials that go into the districts and they, they physically witness the programming that is, is happening in those-- in, in those districts. And then we have Munroe-Meyer collect bo-- that data from, from those programs and are able to see is-- if this is working and if this is having an impact. And we're able to pivot if-- and, and request that the schools pivot or work with the schools and say, hey, this-- we've given you money and this area hasn't shown improvement over about three years span, and let's, let's-- what about this area that we see is deficient? Can we address and put some resources to that area to see if we can have an impact? The learning community was created to, to not just only address tho-- those issues but create innovative programming and to think outside of the box and to say, hey, you're seeing-- you, you-- we have some poor numbers, poor performance-- seeing poor performance in this area. Let's-- we have this, this pot of resources over here to be able to create-- be creative with some programming to address that-- those deficiencies and then pilot those-- and then pilot tho-- those initiatives. And what I said before, we're only serving about 8% of the, of the population that we could possibly serve. So to be able to ha-- to think that the learning community can have a, a big impact on the entire school with limited resources is, is a futile, moot point.

McKINNEY: All right. How are you working with pre-court juvenile programs?

GERALD KUHN: Could you, could you explain what--

McKINNEY: Because in the statute, I believe, it's something that-- within that that says that learning communities will work with pre-court juvenile programs. Are you doing that?

GERALD KUHN: So we, we work with a-- and I have a representative from the D2-- formerly known as the D2 Center. I forget their name. DI-- Directions to Diplomas. Thank you for that. And-- so we work with them and we work with Avenue Scholars. And so that is a population of at-risk youth in the city or at those schools. And, and Directions to Diplomas is-- so about 1,100 students in OPS don't graduate per year, from-- between 900 and 1,100 is what I saw the past five years. And OPS gives the contact information to D-- to the D2 Center. The learning community supports the, the D2 Center with some resources.

And then the D2 Center goes out and reaches out to those 1,100 students who are-- did not graduate, who failed to graduate, and they engage those students. And, and they're able to have a-- quite a bit of impact on, on those students, as I have some data to, to prove what they-- the number of students that they continue to serve. So they-- about 440 young-- they serve about 440 young people and reported out of those 440 young people that didn't graduate, after working with the D2 Center, 181 of those students are able to graduate. They get them across the line. And whether that be a, a, a, a GED or that be diploma from-- their, their homeschooled. They're able to work with the, the hardest population, the most marginalized and the most fractured students in our school system. And they're able to reach out to them and effectively serve them to get those students. And I know that 181 out of 440 is not the number that I would like to see, but that is the, the hardest students, the students that are seeing homelessness, who are-- who have en-- engagement with law enforcement. Those are-- those have home insecurity, food insecurities. Those are those students that the D2 Center is, is working with. Those that have unplanned pregnancies. Those are the students that these-- that the D2 Center is working with. And they've been able to get 181 of those students graduated. I think that's a, that's a win for the, the county and for the city.

McKINNEY: Thank you. Any other questions? No?

GERALD KUHN: All right.

McKINNEY: Thank you, Mr. Kuhn.

GERALD KUHN: Thank you. My time off the hot seat is over.

McKINNEY: I'll welcome up any other testifiers if anyone else would like to speak. Seeing none. I'll welcome up Senator Spivey. Thank you.

SPIVEY: Thank you, Chairman McKinney and members of the Urban Affairs Committee, for your intention and engagement today. And I also want to thank Director Kuhn for his testimony. It's a little bit harder up here in the city because you got to stand the whole time so, you know, it is-- it's a bit different. And I appreciate the information. I think there's a couple things that I just wanted to point out to some of the feedback that y'all gave that I think that there is still an opportunity to better understand. Senator Andersen, I think you are right on track. We talk a lot about this around, is the role of government to address the symptom or the core root issue, especially when we talk about taxpayer dollars? And we know that our communities

are navigating way more complexities, especially our students, at this point in time in their lives. And so how do we better understand what's going on? What is that core root issue? And what are the strategies that really allow for us to see transformative change when we talk about our role, right? And so I think that there's a role for direct service providers. There's a role for intermediaries, the school system. But as we talk that this entity was created in statute, how can we ensure that we have a better understanding of the core root issue? And then how are they aligning to what does that look like? There actually is some history around learning communities nationally. So this was also your question, Senator Andersen, from how I wrote the LR, which was number six. And so back in 1994-- I was eight years old at that time-- there was a bill called the 21st Century Community Learning Centers, and that was actually folded into the Improving America School Act. And then a little bit later came No Child Left Behind and some other things. But within that, there is a model for learning communities and what does it mean to have these hub centers of educational attainment. So there is some data federally that the federal government said we're seeing the-- these trends across the nation but then also what some states are doing, which does include California and Oklahoma. So there is some more data that I'll have my office-- and I-- I'll work with the learning community to pull out because I do think that is a question still left unanswered, is that, what are we seeing in these other states? We know that the fed stepped in to see some changes. We know that some states that are doing similar models. Again, where do we have momentum and where are we strong? What can we lift and adapt to, to really achieve our shared goal? Because I do think that the model of a learning community and the intention is important. We know that in front of us now within the educational ecosystem, we have K-12 concerns. We have Head Start and what's gonna be coming down with that. I know-- Senator Clouse, we talked about that yesterday, that you have an LR around that. We have child care. We passed LB304. But there's the continued conversation around access to save quality, affordable child care. And then educational attainment. And so within this ecosystem that we're talking about, what are the roles of these different entities and how are we sharing dollars and resources? We talk a lot about how entities levy and what they're going to see and as we provide relief for dollars that we do not control, that we do not decide. And as we head into somewhere between a $500 to $900 million deficit, what does that look like as we think about prioritizing education-- the state has said that that's important-- and what are the strongest evidence-based activities and services that we can put in place that we are leading, that we are championing that really sees what we need to see while

also making sure that we are really thoughtful within this very tight fiscal landscape? And so I think-- oh, and then to Senator McKinney, I just wanted to raise-- so as you were talking about the pre-court juveniles, that is Section 79-2104, and that's really about the learning community being able to do some of the diversion programs. So going upstream to what we are seeing for young people that may be involved in the juvenile justice system. This came up a lot of the times on the mic. And I actually have an LR next Friday in Appropriations-- my committee-- that's looking at juveniles that are-- or, or youth that are both the justice system as, as well as child welfare. We spend a lot of money on those kids. They do have complex needs. When you talk about some of the social drivers that Director Kuhn mentioned, between housing, generational trauma-- right? Like, all of these things. And so we as a state are appropriating a lot of money to these entities to solve this. Sheriff Hanson led some legislation around these, these youth that are in both these systems that [INAUDIBLE] more services. They, they are costing taxpayer more dollars on court side. And then we also then have the learning community that's-- also has dollars that they're putting to that. So, like, what does that coordination look like, right? Like, what does it look like from an ecosystem and what is our role? Because we are appropriating dollars to helping find efficiencies. And so that's really the intention of this LR, is to, to look at some of that. How can we come from a place of inquiry to ensure that some of the top priorities that the state have named, that we can continue to resource it and, and see improvements and then replicate that across the state? And so, as I mentioned, I think that there's still some opportunity to dig some of this out outside of this current space, and I'm committed to working with the learning community and this committee on that because I think that there will be some momentum and, and policy that we can look at for the next biennium. And with that, I am happy to answer any questions that you all may have.

McKINNEY: Thank you, Senator Spivey. Any questions from the committee? No? Thank you.

SPIVEY: All right. Thank you for your time.

McKINNEY: No problem. And that will close our hearing on LR434. Thank you. And now we'll move on to LR441. Senator Andersen.

ANDERSEN: Good morning, Chair McKinney and members of the Urban Affairs Committee. I'm Senator Bob Andersen, B-o-b A-n-d-e-r-s-e-n. And I represent District 49, which includes northwest Sarpy County. LR441 was introduced to continue the discussion begun with my

introduction of LB1227 last session. As a refresher, LB1227 states if a county, city, or village adopts a new local energy code, they must show that it is cost-efficient to the building owner. Cost-efficiency means-- is defined as the additional costs from the new code must return equal or greater savings to the building owner within five years. The idea for this bill was brought to me by the Home Builders. The intent is to standardize electrical and energy codes across the state of Nebraska. It also intends to decrease the cost of new buildings, especially housing. During the hearing for LB1227 and subsequent discussions, I heard valid concerns about applying residential building standards to commercial properties. During the interim, my office has engaged with the Nebraska Department of Water, Energy and Environment, DWEE, to understand how the standards were created and if a similar study could be done for commercial properties. We also discussed if any national level studies could be useful. While those studies do provide context and helpful information, ultimately we determined that a, a Nebraska-specific commercial study is necessary. This would most likely require state funding. DWE Director Bradley is here today and will be able to provide more information. Additionally, there are testifiers who can speak from the builder and real estate perspective. I look forward to our discussion today. And thank you for your time. And I'm happy to answer any questions.

McKINNEY: Thank you, Senator Andersen. No-- any questions from the committee? No-- not right now, but thank you.

ANDERSEN: Thank you.

McKINNEY: I think you could come back-- yeah. Yeah. We'll welcome up the first testifier.

JESSE BRADLEY: Morning, Chairman McKinney and members of the Urban Affairs Committee. My name is Jesse Bradley, J-e-s-s-e B-r-a-d-l-e-y, director of the Department of Water, Energy and Environment. I am here to provide information regarding commercial building energy code impact studies, including Nebraska's current residential energy code study, as well as commercial building code impact studies and the potential resources that would be necessary to conduct a Nebraska-specific analysis as it relates to LR441. As mentioned by Senator Andersen, Nebraska has conducted several state-specific energy code studies for residential buildings, which compares the energy performance and cost impacts of the newer editions of the International Energy Conservation Code, IECC, and the current adopted state energy code, focusing on changes in residential energy use and

construction costs resulting from updated energy efficiency requirements. Comparable Nebraska-specific studies have not been conducted for commercial buildings. However, there are existing national studies that evaluate the cost and benefits of commercial energy code updates. The U.S. Department of Energy, Pacific Northwest National Laboratory, and other national laboratories regularly analyze energy code standards. These studies look at factors such as construction cost, energy savings, life cycle cost, and payback periods. They also use prototype models for different types of commercial buildings, including offices, schools, retail buildings, warehouses, and hotels. These resources could be a useful starting point. However, they generally rely on national assumptions rather than Nebraska-specific construction cost, utility rates, and building practices. A Nebraska-specific study may therefore be necessary to evaluate the impacts of a particular code requirement, return on investment threshold in Nebraska. The most recent Nebraska interde-- residential energy code study completed in 2025 cost approximately $11,000. A commercial study-- a commercial study would likely cost more because of the greater variability and complexity of commercial buildings, with the ultimate cost depending on the number of building types evaluated and the level of detail required. The department has worked to secure federal dollars through the state energy program funds to support completion of a commercial energy code study, and we'd be willing to advance that effort if that is the desire of this committee. The residential studies that I mentioned can be found on our agency website, and I can provide a copy to the committee members if you are interested. Thank you for your time. And I'm happy to answer any questions.

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

ROUNTREE: Thank you so much, Mr. Chairman. And thank you so much, Mr. Bradley, for opening today. If you were to procure these federal dollars for the, the study, what would the cost benefit be? What do we expect to gain the investment of the study? But what will we save as Nebraskans as we build?

JESSE BRADLEY: Well, so, you know, our, our-- the, the state each year applies to Department of Energy-- the U.S. Department of Energy for use of a-- [INAUDIBLE] energy program funds. So in our application we made this year, we outlined that we would have a desire to potentially pursue this commercial study if that's a direction we'd want to go. So those, those would be federal funds we could use for that purpose. Again, if you kind of-- I can share an example of the studies we've

done previously on residential buildings. Those are available on our website. But in each of those studies, you'd see comparative tables that would show, you know, the energy efficiency gain against sort of the cost-benefit ratios for each of these practices for different fuel types and, and building envelopes, essentially. So we'd be able to pro-- create a similar set of information for commercial buildings with that study.

ROUNTREE: All right. Thank you. Mm-hmm.

McKINNEY: Thank you. Senator Clouse.

CLOUSE: Thank you, Senator McKinney. So in order to do that, you have to have approval from the-- authorization from the Legislature?

JESSE BRADLEY: No, I-- we don't need a-- necessarily a bill to pursue that. I think we just want to-- you know, we have a limited set of dollars in that state energy program. And so I think we're just kind of looking to, to make sure this is something that the committee wants to see advanced. We're happy to work with the committee, Senator Andersen, if, if that's sort of the desire, and we can move forward with that study. This was something that we pursued in our latest application, which was just submitted here in the late part of summer. So it's, it's kind of an opportunity that we, we believe we have to move that forward.

CLOUSE: So, so what does that cost? Do you know? [INAUDIBLE].

JESSE BRADLEY: We don't, we don't know specific cost. We, we think it's probably going to be three to five times the residential study, which was $11,000, and that's really just because, you know, you got a lot more different variability with commercial buildings in terms of that assessment. So you're, you're doing many more types of assessments.

CLOUSE: So less than $100,000. Easy.

JESSE BRADLEY: Yeah. I believe that'd be correct.

McKINNEY: Thank you. Senator Andersen.

ANDERSEN: Thank you, Mr. Chairman. Thank you, Dr. Bradley, for being here and, and for your testimony. Would you advise that these would be recurring studies both on residential and commercial? And the reason I su-- would suggest that is to establish a baseline across the state of what is the, the cost-- how we can actually reduce the cost of housing

in the state and standardize it between residential and commercial. Would-- is that something you would recommend?

JESSE BRADLEY: You know, I think-- obviously, we, we do these studies with some federal funds that are available to us. And, you know, what we use those funds can change over time. But, but certainly, as we have the resources to be able to make those evaluations, you know-- typically those evaluations are done each time the E-- IECC updates their code so that we can co-- compare against the current state code. But yeah, I, I think we could continue to do those evaluations over time, subject to the funding we'd have available to do that.

ANDERSEN: So you think even, even if we did some state funding, it would still be a net gain for the state at large? Including all the builders and homeowners and everything else.

JESSE BRADLEY: Yeah. I, I mean, I think-- again, we're able to do these studies pretty cost-effectively right now. You know, I think it provides certainly the Legislature very useful information in terms of considerations they would want to take into account for, you know, when state code needs to be updated but also for local code authorities to consider when they're, they're updating their codes.

ANDERSEN: Thank you.

McKINNEY: Thank you. Any other questions? I have a couple, specifically to the residential study that was completed. Because since I've been on this committee, we've seen many-- multiple bills dealing with energy codes and trying to update the codes because we have fallen behind as a state. I think the last update was 2019.

JESSE BRADLEY: Correct.

McKINNEY: Based on that, what came out of that study for the residential that could be recommended as a suggestion to the state to say this is what you should change and this what you probably shouldn't based on just things being cost-effective?

JESSE BRADLEY: Yeah. So, you know, in that study, there's a nice summary table. We di-- we've done two studies since the update to the 2018 code. I think there was one done for the 2021 code and 2024 codes, most recent one being the 20-- 2024 code, which was evaluated in 2025. So in each, each of those studies, though, there is a summary table that sort of compares those different energy code efficiency gains that can be made by the new energy code relative to the current. And it has a, a simple payback period in there. So those, those would

be, you know, statistics that you could look at when you're considering whether or not that makes sense to advance to a new code.

McKINNEY: All right. Thank you. Any other questions? No? Thank you.

JESSE BRADLEY: OK. Thank you.

McKINNEY: Are there other testifiers?

SCOTT SCHNEIDER: My name is Scott Schneider, S-c-o-t-t S-c-h-n-e-i-d-e-r. I represent the Home Builders Association of Lincoln. And I just want to thank everybody for the opportunity to speak today. Thank you, Chairman McKinney and the rest of the senators. I know we finally have a sunny day, and here you are inside, so. As a, as a representative of the Home Builders Association of Lincoln, I'm obviously looking at this from a residential perspective, the residential side of construction. Measuring the effective building codes, and particularly energy codes, on housing attainability for Nebraskans falls squarely on the shoulders of policymakers like yourselves. These effects are important as you seek to ensure that the state remains a place where the cost of living is affordable and the state is competitive with its peers and that it continues to be a place where people want to put down roots and build a life. I'll address three main areas that LB1227 would affect each downstream from the last. The first is the most obvious and the most granular. It's the cost, the housing affordability. The economist Tom Sowell once said, there are no solutions, only trade-offs. In my opinion, energy codes are an excellent example of this axiom. In the pursuit of energy effic-- efficiency, consumers subject to overreaching codes are often left with a cost that may be inadequately measured against the benefits. For example, in 2024, LB1219, which sought to adopt the 2021 IECC, was introduced. In response, I analyzed the effect of the new code on a two-story townhome that we build that's focused and intended for first-time homebuyers. We found that the new requirements in that version of the energy code would add around $8,000 to a base price of approximately $310,000. So, you know, moves the cost of the product up to $318,000. It's important to note that we bid each of these items out competitively. It wasn't just an estimate. We spent some time and effort reaching out to subs and getting some hard numbers. Additionally, the VandeMusser study commissioned by the Nebraska Department of Water, Energy and Environment that was already mentioned that's dated January 30, 2023 compares the 2018 code to the 2021 energy code. Uses an example of an 1,850-square foot home, approximately, and estimates construction cost increases around $5,900 on a home of that size if the 2021 code would have been adopt--

adopted. "Amortorized" over a 30-year mortgage at 7%, that adds a net cost of about 330 year-- to $330 per year after the energy savings. So the payback in that example-- the simple payback is 42 years, beyond the lifespan of many of the products mandated in that code. So LB1227 would help keep housing attainable by measuring the complex trade-offs of energy code adoption. The second tranche or, or area of effectiveness on, on my list is competitiveness. So historically, about 40% of the, the houses my company builds are sold to out-of-state buyers, people moving to Nebraska for retirement, for a job, for a family. Over much of my career, Nebraska has remained competitive in attracting those households with relatively affordable housing costs compared to the coasts and other states. Adopting new codes without weighing the costs and benefits adequately risks losing those potential residents to surrounding states who either have less restrictive codes or no statewide code at all. For example, while Nebraska has adopted and enforces the 2018 IECC, Iowa and Minnesota are currently on the 2012 version, and Kansas, Missouri, South Dakota, and Wyoming have no statewide energy code mandate at all. So LB1227 would help ensure that we continue to attract and retain residents by measuring the costs and benefits of housing, housing efficiency mandates, and thereby keeping our housing costs competitive with our neighboring states. The last sort of item down-- downstream from the other issues previously discuss-- discussed is household formation. Out-of-household formation flows the beginning of wealth accumulation, potential homeownership, long-term savings, establishment of credit, marriage and family formation. When young people feel like a basic need like housing is unattainable, housa-- housing formation is delayed, sometimes for years. I've heard this termed in the news recently as the broken ladder phenomenon, whereby if the bottom rung of a ladder is broken, then people never get on it. A 2026 National Association of Home Builders study estimates that for every thousand-dollar increase in the median new home price in Nebraska, about 1,350 households can no longer qualify to buy a new home. LB-- so LB20-- LB1227 would help encourage household formation by keeping housing costs lower and more attainable for young Nebraskans. In summary, all, all of society's housing woes aren't laid at the feet of the IECC-- or any other code, for that matter. And we're not attempting to do that. But it's clear by using the VandeMusser study commissioned by the, the department I already mentioned that a reasonable return on investment is missing from these mandates. Reform is needed in this area to better balance the complex costs and benefits and the trade-offs that are a part of that calculus, so. Again, thanks for being here. Thanks for having the hearing and the opportunity to speak. And I'm happy to answer any questions.

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

CLOUSE: Thank you, Senator McKinney. Can you go over those states again? I was trying to write them down. I--

SCOTT SCHNEIDER: Yeah. Yep. The-- Iowa and Minnesota are currently on the 2012 IEC-- IECC.

CLOUSE: 2012.

SCOTT SCHNEIDER: I think that Minnesota is maybe in the process of updating or maybe they have some bills that are pending in that regard.

CLOUSE: OK.

SCOTT SCHNEIDER: I think Kansas is a home rule state, so they have no code currently. Missouri, South Dakota, and Wyoming have no statewide mandated energy code. Munic-- municipalities do-- or, can. But it's my understanding they don't have any statewide code.

CLOUSE: Missouri, South Dakota, and who?

SCOTT SCHNEIDER: Missouri, South Dakota, and Wyoming.

CLOUSE: Wyoming. OK. Thank you.

McKINNEY: All right. Thank you. Other questions? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here, Mr. Schneider. Sorry, I stepped out to talk to those folks about all their data so that all of you guys weren't held hostage by me on the, on the last hearing. So I missed the beginning of this. But the first thing I want to ask-- you just quoted-- it was thou-- for every thousand-dollar increase in cost, 1,300 people are priced out?

SCOTT SCHNEIDER: Yeah. To qualify for the-- for a, a price of a median, new home.

J. CAVANAUGH: What, what was the source of that?

SCOTT SCHNEIDER: It's the NAHB, National Association Home Buider-- Builders study. I believe they do it every year, state by state, kind of measure housing affordability and, and in that manner.

J. CAVANAUGH: And-- so-- I mean-- I don't-- I've been on this committee for four years and I feel like this is my tenth go-around on, on code and stuff like that. And it seems like every time we have a conversation about code updates, the sky is falling from either the builders or from the folks advocating for an update. And so for those of us sitting here with the kind of-- the charge to make the decision, as you said, it's a little hard to-- you know, if both sides are saying it's a catastrophe if we act and it's a catastrophe if we don't act to figure out who is being-- whose information to believe and what information to belief. And so-- you know, and I think you were there when we had this, this hearing or one of these hearings this year and we had a, a-- going around and around about the, the dollars and estimates and-- of each assigned update in the code, I remember. So I guess my question is, do we-- is there some way to get a-- an objective, agreed upon-- can we agree upon on what each one of these things would cost?

SCOTT SCHNEIDER: Yeah. Well, you know, it-- that's a great question, and I appreciate it. And so from my perspective, this is sort of something that has-- it's not always been like this. I-- you know, as homebuilders, I think the 20-- 2009, maybe it was the 2012 code, these were the last versions of the energy code that made sense to us as builders. There was an actual return on investment at that point. And I think maybe Senator Kauth's bill that was sort of the rationale behind rolling back to that. So--

J. CAVANAUGH: Sorry. When you say return on investment, you mean the cost of the item decreases your costs to operate your home?

SCOTT SCHNEIDER: Sure. Yeah, absolutely. And so the, the-- and I don't have those studies in front of me, but I want to-- I want to say one of them was 30%. It was a 30% energy savings to go to that code. And that stuff made sense to us as builders. But I-- you know, from our perspective, we just haven't seen the technological advances that are purported to be there to get really a return on investment that makes sense for homeowners. And again, we don't-- we're not laying all of the, you know, housing woes on the codes, but it is something we can do something about. We can't change monetary policy. Stuff is handled far away from, from this state, that's-- that affected housing costs over the last number of years here, but this is something that we can do. And we're very sensitive to this in the homebuilding. We feel like the-- you know, the, the, the ladder that I mentioned, mentioned earlier, that's a very fragile thing. I feel like-- you know, in, in terms of buyer interactions, there's a very, you know, very narrow sort of, like, ledge here that people are on in terms of being able to

take those steps to form households. And so-- yeah, we think this is something we can, we can, we can move, move the needle on. I-- for, for me, the VandeMusser study that the state already is spending money for, this is-- that's as independent as I think you can get. You have all, all sorts of studies commissioned by trade unions and manufacturers, reprene-- representatives, and we've all heard those. On the homebuilders' side-- you, you know, we're homebuilders. This isn't my day job, to, to testify on stuff like this. I, I-- we don't have a lot of resources in that way. So it's, it's granular. When you have builders that come up here and testify-- gosh, they're doing that bidding themselves. And so I totally understand. It's hard to understand-- or, trust that when it's coming from the person testifying, but our interest is, is, is truly in our, our, our clients, our homeowners. We, we want homeowners, and so we're trying to drive those costs down as far as we can, get people into houses.

McKINNEY: Thank you. Other questions? I have one.

SCOTT SCHNEIDER: Yes, sir.

McKINNEY: Oh. I'll ask then. Oh. My question is, how long do we delay these updates before even, let's say the last update was 2018, 2019 and we wait till 2029 or 2030. Wouldn't it make it worse because of the long delay?

SCOTT SCHNEIDER: That's a great question. That's a great question. So our position is really that the code updates are coming too rapidly. The-- there's, there's a variety of people en-- engaged in this sort of world that think we need to go to a six-year code update period, and trying to convince the, the International Code Council to do that is probably a losing, losing proposition. I'm aware that there's a bill at the federal level-- maybe by Senator Fetterman-- to reduce some of the negative effects of, of not adopting the new codes. Maybe-- I'm not really sure about the parameters that-- some-- FEMA funding and things like that. So I think there's reasons why we want to adopt, adopt the new code at a state level in order to access federal funding. And I think there's a-- there's, there's some bill at the federal level pending in that regard, so, yeah.

McKINNEY: Yeah. And I-- if I remember right, not updating, to a certain, extent puts us at risk of being kicked out of certain national things, so.

SCOTT SCHNEIDER: And it i-- that is my understanding too, yes, Senator, in terms of recip-- reci-- reciprocity with other states. And

there is-- you know, it-- just by virtue of having other states that are on different codes, this does create issues. But at the end of the day, this is about what's-- what should be good for Nebraskans, not necessarily a business's ability to go to Colorado or, you know, Iowa or whatever and do work. This is about, from, from our perspective, what's good for the citizens of Nebraska.

McKINNEY: All right. Thank you. Senator Rountree and then Andersen. Thank you.

ROUNTREE: Thank you so much, Chair McKinney. And thank you so much, sir. Did you state that approximately 40% maybe of homes that you were building are to accommodate incoming members coming from out of state, maybe moving into Nebraska for employment or just a good life?

SCOTT SCHNEIDER: Yeah.

ROUNTREE: Abou-- over the course of the years as you've established that number, have you seen negative impacts on code updates that have reduced that number or people that have backed out because of increased housing costs based upon codes that have been implemented over the course of time?

SCOTT SCHNEIDER: That's a great question. I can't say that we've seen a reduction, at least in terms of the percentage of out-of-state buyers that are moving in. But for example, the product that I mentioned that was kind of intended for first-time homebuyers-- I mean, I can't speak for the Omaha market. But in the Lincoln market, that market is just completely dead. There's nobody that can really afford that stuff. They don't have any equity. And so in terms of, of, you know, population moving into the, into the state and new residents, I don't know that I've seen a big drop off in that, but I've seen that, that lower end. We-- the accessible housing. I think we call it the missing middle-- is-- the, the-- builders are responding. We're building that product. But because homeowners don't have equity, their, their first-time homebuyers are having a hard time accessing that. So, yeah.

ANDERSEN: Thank you, Mr. Chairman. And thank you for being here. Thanks for your, your time, and, and appreciate your, your insight. And one of the comments that was made was talking about the reciprocity or code coherence between the multiple states, the surrounding states, right? Wouldn't it seem to make sense-- it seems that within the state of Nebraska, we don't have building code coherency, that we-- depending on where you go to build, you're going

to have different codes that you have to now modify your plan, your subcontractors, your materials, and everything else for because of some-- because of a political subdivision decided to add code requirements. So wouldn't it seem to make sense that we become more coherent within the state and establish one standard electrical and energy code before we're concerned about being compliant or, you know, mirroring what they have in South Dakota and Iowa and Kansas? Would that make sense?

SCOTT SCHNEIDER: Yeah. That totally makes sense. A, a, a goo-- good example is right now in Lincoln, my, my company is building-- we're building homes in Lincoln. We're also building homes in Waverly. And Lincoln has carve-outs where they're, they're going to enforce some of the code but not all of the code. And then our subtra-- subcontractors go to Waverly and they might be interpreting the code differently. And that is a-- well, it's an inefficient process, right? There-- there's maybe three miles or five miles between the Lincoln city limits and the Waverly city limits. And so, yeah, that's a huge problem-- discrepancies and a misunderstanding. It goes to efficiency in the code. And I know that's true here in Omaha where you have all these municipalities in very near proximity to each other with different code officials who are gonna read the code differently. It's, it's-- to some degree, it's how they interpret it.

ANDERSEN: Thanks. And, and having the disparity of code requirements, when you have a municipality that is far more restrictive or has additional code requirements layered on top, doesn't that-- if they have a affordable housing problem, doesn't it actually exacerbate that because it drives builders away that says, yeah, I can go-- I got a better area to build over here that is more builder-friendly than going to somewhere where they've layered on a bunch of codes?

SCOTT SCHNEIDER: Yeah. Great question. And absolutely, I think that's the case. You know, in, in Lincoln, we see that, for example, in Hickman. Hickman has decided to have much higher impact fees, really, than Lincoln at this point. So the value proposition really isn't there anymore. And so, yeah, I think it goes to competition. It goes to, you know, representing your, your constituency well. And so, for, for us as builders, again, these things really just go down to the bottom line. And I'm not going to say that every, every dollar that's, that's, you know, laid out in the code goes to my bottom line. You know, we, we, we respond to the market, right? And so over the last, what, two or three or four years here, as housing has become more and more expensive, our margins are getting smaller and smaller. And that's not to make anybody feel bad for us. But at some point, you've

reduced the number of builders who are willing to take the risk to build the product. And that just reduces competition or reduces the number of houses available. And so, yeah, it is an issue.

ANDERSEN: Thank you.

McKINNEY: Thank you. Other questions? I got two. One, we haven't updated the codes in a while, but the housing cost continues to rise. How do you rationalize that?

SCOTT SCHNEIDER: Yeah. That's another good question. So-- I mean-- so these effects aren't immediate, I don't think, when it comes to code increases. And, and again, we don't believe that codes are necessarily the number one effect. The number one effect, in my opinion, is, is monetary policy, right? And so we can't control that here. So I don't know that we're going to have-- I don't want to say that we're not going to have an immediate effect from passing LB1227 or any other sort of reform in that regard, but it will stop the, the, the march, the progress towards higher and higher housing costs. I'm not a-- I'm not a real estate agent, but my wife is one. So I want to say that, last year in Lincoln, our housing costs were up maybe half a percent. Previous two or three years, it was 6%, 7%. I don't think we're going backwards. We just don't have the housing stock, the number of units to have a housing crash like we had in '08 in the GFC. I just-- that's probably not in the cards. So in terms of housing costs going down, this is about slowing the pace of increase more than trying to go backwards or the ability to go backwards in terms of lower housing costs.

McKINNEY: All right. My last question is, if we try to do, like, a statewide standard, we're definitely going to have a hearing room filled with municipalities saying local control.

SCOTT SCHNEIDER: Sure.

McKINNEY: What would be your argument?

SCOTT SCHNEIDER: Well, I think-- and this, this goes to-- you know, I'm a homebuilder. I'm not a policymaker. And so thinking about how to best represent Nebraskans in that way-- I think it's difficult because I, I-- I'm a local control guy, right? I would like to see those decisions made as closely as possible to the market that it serves. I think that, you know, some, some reform in the regard of parameters around that, requiring a study, requir-- I think you could do that and then still allow some local control in terms of policy at that level.

Because at-- it's-- at the end of the day, you know, Lincoln is different than Scottsbluff is different than Omaha, and we understand that. We're just looking for some more coherency in that regard.

McKINNEY: All right. Thank you. Senator Andersen.

ANDERSEN: Yeah. Thanks, Chair. One last question. It seems like we've kind of made them interchangeable between the I-- IBC, right, the international building codes, and then the codes that are additive by individual municipalities, right? By the individual cities and counties and all that stuff. Those-- correct me if I'm wrong, but those are completely independent. If we don't pass and go to the 2021 or 2023 standard, that doesn't stop or change what the individual municipalities do, right? They, they function completely independent. Is that right?

SCOTT SCHNEIDER: It's my understanding-- and again, I'm not a policy, policy expert on this, but it's my understanding that the local municipalities can't be less restrictive than the state code. So they can be more restrictive, I believe. And of course, you know, when we're talking about codes and we're talking about the IECC, this is just a floor. If you-- if as a homeowner, you want to upgrade equipment, you want to put in a better HVAC system, you want to put air recovery units, better insulation, you can do that. But to mandate all of that in terms of-- you know, for a young family who's just trying to get their foot in a door is, is difficult.

McKINNEY: Thank you. Other questions? No? Thank you.

SCOTT SCHNEIDER: OK. Thank you.

McKINNEY: I'll welcome up anyone else that's testifying today.

AARON MOULTON: Good morning. Let me open up my notes here. My name is Aaron Moulton. It's spelled A-a-r-o-n M-o-u-l-t-o-n. And I am the division president for D.R. Horton here in Nebraska. Chairman and members of the committee, thank you for the opportunity to testify today in support of LB1227. Again, as I said earlier, I'm the division president of D.R. Horton's Nebraska Division, where I oversee all the homebuilding operations for the Nebraska market. Nationally, D.R. Horton is the largest homebuilder in the United States of America. D.R. Horton has been the nation's largest homebuilder now for 24 consecutive years, which represents nearly 1.3 million homes that we've built. To give you an idea of our scale, this last year, we closed one out of every seven houses in the United States of America.

To give you a, a little bit more scale, on homes priced under $400,000, we built one out every five houses in the United States of America. The segment where affordability pressure hits hardest is where costs is added because of code. Here in Nebraska, our presence has grown quickly. In just five years of building in the state, we've now built more than 2,000 homes. In March 2026, we acquired Celebrity Homes. With that acquisition, D.R. Horton is now the largest supplier of new homes in the state of Nebraska. Over the next 12 months, we plan to build nearly 900 homes in Nebraska, roughly 38% of all the new homes in the Omaha market alone. And we're building nearly 50% of the homes in Sarpy County. In 2027, we will start building homes in Lancaster, Dodge, and Washington Counties. That means well over a third of families on the eastern side of Nebraska will be buying a home from D.R. Horton. And we feel that the cost of every added code requirement-- we feel that cost of every added code requirement that we're discussing today. That scale, both nationally and here at home, gives us a unique vantage point. We build in the-- we build the same style of homes, the same plans, the same materials, and often the same trade partners in dozens of markets across the United States, from Des Moines to Kansas City, to Oklahoma City, to Indianapolis. So when we-- when costs diverge sharply between those markets, it's rarely because of the labor or materials. It's because what each local jurisdiction is requiring in its code. As an example, D.R. Horton builds a 1,400-square-foot house in Oklahoma City. It's a one-story home with three bedrooms. That home sells for $200,000 in Oklahoma City and has brick on four sides of it and a two-car garage. That same 1,400-square-foot house I'm building at 180th and Giles down in Sarpy County sells for a $330,000. $130,000 more than Oklahoma City. Here in Omaha specifically, on the electrical side of things, we're seeing exactly that kind of divergence play out. When the city council took up an adoption of the 2023 National Electrical Code, it chose to go further than the state's own version of that code, keeping provisions in the state-- that the state had deliberately excluded out of its own review and expanded GFCI req-- protection requirements, mandatory exterior emergency power disconnects. We should pull over on that one. That's the one where-- now someone can go to the side of your home and turn off the power to your house. OK? If some teenager wanted to pra-- play a prank while it was raining 10 inches yesterday, two days ago, they could turn the power off on the side of your house. And if you were gone, your house would be flooded because your sump pump wouldn't work. That's in that new code. OK? So those types of things result in a home in Omaha now costing $1,700 more in electrical work than the identical home that's being built in Des Moines or Indianapolis, markets that are very similar to Omaha. Electrical code is the

clearest example but not the only one. On the HVAC side of things, Omaha currently enforces the 2018 energy code, a full code cycle ahead of Iowa's 2020-- 2012 base standard and more current than what we build in Oklahoma City, which drives mandatory whole house, mechanical ventilation systems, additional duct ceiling, third-party testing we're not required to do in homes that we build in Des Moines, Oklahoma City, or Kansas City. That gap alone runs $4,000 more a house than in Des Moines and $2,700 more a house than in Indianapolis. On the plumbing side of things, Omaha's own locally written code requires copper or ductile iron for underground water service lines. Where in Iowa and Indiana, you can use PEX piping. It's like a plastic piping. That difference becomes speci-- especially costly on lots where the water main only runs down one side of the street. In the Omaha market, if you notice, there's a, there's a fire hydrant on one side of the street. On the opposite side of the street from the fire hydrant, the homebuilders have to bore underneath the road in order to connect to water on the opposite side of the street. That additional cost alone costs plumbing on the same house, $5,600 more in Omaha than it does in Des Moines and $5,300 more in, in Omaha than it does in Indianapolis. I'll add one more example for the committee's awareness separate from the code of provisions. On a $400,000 home, a building permit in Omaha costs $8,000 to get a building permit. Compared to the Des Moines market where it's $2,500. Add it all together-- electrical, HVAC, plumbing, permitting-- and it costs us roughly $16,800 more to build the exact same house in Omaha than it does in Des Moines. And nothing in that gap is explained by labor, material, anything like that. It's all explained by the differences in codes. LB1227 would require that the cost be paid entirely by the Nebraska family that has to buy the house. That's-- I, I think LB1227 would start to close that gap. The bill doesn't ask cities to stop protecting residents. It doesn't say that local jurisdiction can't go beyond the state code. But it would have to show its homework. They have to show their math behind it. They have to go and do a study and say, this is how we would save money by eno-- enacting this new code. I'm not here to tell the committee that every code is unnecessary by any means. OK? I'm here to say that builders and buyers deserve a consistent, data-justified standard, not a patchwork where the cost of code requirements depends entirely on which side of the county line that you're building a house on. OK? For those reasons, D.R. Horton's Nebraska Division supports this bill, and I'd urge the committee to advance it. Thanks. And I'm happy to answer any questions.

McKINNEY: Thank you. Any questions from the committee? Senator Cavanaugh.

J. CAVANAUGH: Thank, thank you, Chairman. Thanks for being here, Mr. Moulton. I, I was noticing in your prepared testimony you didn't have that specific anecdote. It was Oklahoma City was $200,000--

AARON MOULTON: Yep.

J. CAVANAUGH: --and the same house in Omaha is $330,000?

AARON MOULTON: That's right. I just-- I added that to my notes here as I was sitting here just listening to the previous testimonies and things like that so I could get you an updated--

J. CAVANAUGH: Yeah. Well, I-- just, just a-- it's a stark contrast in the number there. I guess my question, though, is-- you went through all that math, which is very interesting-- the $16,800 difference between Omaha and Des Moines. I mean, the-- that-- what's the other $120,000 then? $115,000?

AARON MOULTON: Yep. Great question. Just-- things from-- just land development, for example. Like, you can go buy a residential lot to build a house on in Oklahoma City for $50,000. In Omaha, it's $75,000. And in Lincoln, it's $95,000. And that's as part of the pri-- price of the house. And all those things are marked up to the consumer. OK? When I spend $8,000 on a building permit in the city of Omaha, it's not a dollar-for-dollar cost. I have two Creighton Business School graduates that sit in my office that pull building permits all day long. And I pay them each nearly $70,000 a year to pull building permits. And so an $8,000 building permit is-- I'm tacking about $10,000 onto the price of the house just to pay for the building permit because I've got costs incurred. And so all those things-- builders typically will add up-- add 30% to 40% onto the cost that they see in order to pay for the overhead and the-- you know, and make some sort of profit margin on those things.

J. CAVANAUGH: Gotcha.

AARON MOULTON: Yep.

J. CAVANAUGH: So I guess to go back to the-- I-- you went through the lot cost a lot-- pretty quickly. So it was-- Omaha's $80,000 or $75,000--

AARON MOULTON: That's about, that's about the average price of a, of a residential lot right now, is about $80,000.

J. CAVANAUGH: How big is the lot?

AARON MOULTON: Right now, an $80,000 lot is 55-feet wide by 130-feet deep. I can fit a 1,500-square-foot ranch-style home on that with a two-car garage.

J. CAVANAUGH: 55-feet wide, 130-feet deep.

AARON MOULTON: Yep. That's our-- that's, that's-- about 60% of all the houses I'm building in Omaha right now are 55-feet wide.

J. CAVANAUGH: Is that a quarter acre? Is that what that would be?

AARON MOULTON: That's not even a quarter acre.

J. CAVANAUGH: An eighth of an acre?

AARON MOULTON: Yep.

J. CAVANAUGH: What part of town is that?

AARON MOULTON: All over. Bennington. Elkhorn. I'm in 28 subdivisions now in Omaha. Papillion, Gretna. Any one of our neighbors. You'll see those 55-foot wide lots.

J. CAVANAUGH: Gotcha. Thanks.

McKINNEY: Thank you. Other questions? I have a-- oh. Senator Andersen. I have a curious question. Who's building-- this is something I've been pondering. Why are we just building, like, these three-bedroom houses? Who's building the one-bedrooms, the two-bedrooms? And, and is there a reason why? Because you hear that, you know, people-- millennials can't buy houses, but the houses that are available are three-bedroom houses. Who's building the one and twos? And is there a cost-- is, is there a reason behind that?

AARON MOULTON: Yeah. There's a cost-benefit. There's just economies of scale when you go and build houses. When you're building just a one- or two-bedroom house, you're still erecting four walls, a roof, most of the time a basement on that house. And all those things cost money. And then just the general economics of, we're out there trying to build homes for-- that the median income family can buy. Our average price in Des Moines-- or-- sorry-- in the Omaha market is $372,000 for our houses. And in the Des Moines market, the exact same houses are selling for $325,000. So from Des Moines to Omaha, the exact same 1,500-square-foot house, almost $50,000 difference in price. And so-- also the lots sometimes-- and the restrictions of a neighborhood, the covenants of a neighborhood don't allow for a certain size-- a smaller

house to be built. And so it does take time for a company like ours to come in three or four years to take a cornfield or an empty field and get it-- the plat approved with lots that are sized properly and covenants that have been created in order to create that type of housing. We do have that ky-- type of housing coming. I've met with the mayor of Omaha here in the last two weeks, and I promised him that we're going to bring homes, single-family homes, priced under $300,000 to the Omaha metro. And we've been talking about code-related issues as well at the, at the city level as well.

McKINNEY: All right. Thank you. Senator Andersen.

ANDERSEN: Thank you, Mr. Chairman. And Mr. Moulton, thank you for being here and your testimony. With D.R. Horton, do you guys build solely residential or do you build commercial as well?

AARON MOULTON: We solely build residential, but some of our residential are attached housing, like townhomes, row homes, condos, things like that. In other markets across the United States, we build apartment complexes as well, but we have not ventured into that space yet here in Omaha. But eventually that space will come here. We're just--

ANDERSEN: Yeah.

AARON MOULTON: --on the ground floor what we're doing here.

ANDERSEN: So one of the reasons that-- held the bill last year was because there was not a standard like DWEE has for residential on the, the return on investment. There wasn't one for commercial, and that was a concern, was that if you can't do one, don't do the other.

AARON MOULTON: Yep.

ANDERSEN: So would it be a correct asse-- assessment that-- or opinion that even if we don't have a commercial way to make the assessment, you would like us to procu-- proceed with LB1227 or something like that just on a residential side?

AARON MOULTON: Yes. There, there needs to be-- they need to be looked at differently because-- just in the Omaha market alone, it's short 40,000 housing units. OK? And not all those can be apartments and not all those can be D.R. Horton houses. Not all-- it just-- I'm speaking on behalf of D.R. Horton, but this type of bill would benefit all homebuilding. OK? And so it's, it's getting harder and harder for a builder to build a house just because the barrier to entry to building

that house is just the sheer cost to building the house. And so something like that that would carve out for residential would be very helpful.

ANDERSEN: Thank you.

AARON MOULTON: Yep.

McKINNEY: Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Got-- always come up with other questions. Whenever Senator Andersen's asking questions, makes me think of other questions. You know. Actually, this is one I think from Senator McKinney's question. So you, you were talking about some covenants require houses of a certain size or lots of a certain size. And then you did say it takes you guys certain amount of time to turn cornfield into-- so who establishes the covenants when you're doing a, a greenfield development?

AARON MOULTON: Great question. So that's usually done by a third-party developer. And then also in the Omaha metro through the SID process. That's how most residential lots are created in the Omaha metro. And now statewide, we're going to see more being open to the CID that was just recently passed. The first CID in the state of Nebraska. It's going to be one of our communities in Blair. The Governor signed the bill on the grounds of our new development.

J. CAVANAUGH: We all voted for it. Came out of this committee.

AARON MOULTON: Yes. Thank you. Appreciate that. And so I-- but the-- that type of bill is great. I mean, there's 3,500 people a day that drive into the city of Blair for work, and then they leave every night and they don't spend their tax dollars at the grocery store or anything like that. And so bills like this help, but they also can hinder-- like, on the, on the development side of things, if an SID requires-- OK? Because there's public funding involved with putting in these developments that has to be paid back through the property tax that are paid inside the neighborhood. OK? And so there's modeling set up in these SIDs that a home needs to be $350,000 or $400,000 or $600,000. I've tried to buy lots up in Bennington, but the developer said, no, we're not gonna sell you the lots because we need you to build a $600,000 house. And I'm like, well, I'd like to build a $400,000 house in your neighborhood. And they said, not in our neighborhood. Because we need the valuation to pay down the debt. OK? And so the SID becomes a two-edged sword. It allows lots of reside--

lots of residential lots to be built-- or, or, to be constru-- you know, put in by the developer. But that doesn't mean every single type of housing could be built on those lots.

J. CAVANAUGH: In the SID you're talking about.

AARON MOULTON: That's right.

J. CAVANAUGH: So-- and you guys build 38% of all the homes in the Omaha metro?

AARON MOULTON: Now we do. After we bought Celebrity Homes in March. Yep.

J. CAVANAUGH: So that doesn't give you the market ability to dictate the types of homes that you're building in a community?

AARON MOULTON: It just takes time. And so-- because the-- because we're not the developer of the land. We're just the buyer of the lots and the builder of the houses. OK? So when we buy lots from developers like Gene Graves and Paul McCune down in Gretna, lots of different developers that are out there developing land for us-- I just spent the entire day in Lincoln yesterday looking at land in Lincoln.

J. CAVANAUGH: Gotcha.

AARON MOULTON: And so it just-- they're, they're working through that process of entitlements and sizing of lots. You know, the zoning requirements, all that kind of stuff. We don't do that.

J. CAVANAUGH: I got you. Thanks.

AARON MOULTON: Yep.

McKINNEY: Thank you. Senator Andersen.

ANDERSEN: Thank you. So kind of piggybacking off of Senator Cavanaugh-- he inspires me sometimes. Not always, but sometimes. If you were to do that, that means that you would then become the developer and you would buy 100 acres, 200 acres of land. Now you have to put in all the infrastructure, all the water, the sewer, all of that, as well as get the funding to do the development. Not even starting about the houses--

AARON MOULTON: That's right.

ANDERSEN: --right? So it increases the cost for you, increa-- well, increases the outlay of capital for you to actually do the developmental work before building the housing. And it increases the risk because you have more money sitting out there invested that you're not getting a return on yet. Is that--

AARON MOULTON: That's exactly right. We're a publicly traded company. Our earnings call will be here in a couple weeks. You could hear our CEO talk about that 75% of all the lots that we control as a company are third-party developed and not on our company books. So, like, right now in the Omaha metro, I control about 4,000 residential lots under option contract, but I only own 300 of them, where I'm the owner of record on the assessor's website. And so essentially, every three months, I go out to those developers and buy 12 more lots in each one of those neighborhoods and build 12 more houses. And so-- but yes, it would add increased cost. If I was the-- also the developer of the lots, then I would build less houses because I don't have a blank checkbook from the company to build thousands of homes every single year in Nebraska. And so I have to use their money efficiently. And the best way for me to use their money efficiently is to use it to build houses, not to be the one moving the dirt around and trying to put the, the lots in.

ANDERSEN: Right. It's an unrealistic expectation that we would expect you to take that risk and that kind of financial outlay in order to get past a simple SID covenant kind of problem.

AARON MOULTON: Yeah.

ANDERSEN: Thanks.

McKINNEY: Thank you. Since you're a national organization, how does the 21st century housing bill that passed in Congress impact you and what are-- what do you see as the benefits that we can implement on a state level?

AARON MOULTON: Yep. So our CEO was at the White House right before that bill had some final carve-outs in it, and one of the important ones that we thought was there was a bill in there that would require-- I think is if you own more than, like, 300 rental homes that on your 351st rental home that you own, the next one, that you would have to-- you'd be required to give the renter a price to buy the house after they're-- they've lived in the house for seven years. So essentially a forced sale potential in the bill. And so we carved that out because-- just for a good example right now, I have three

build-to-rent communities going. And a build-to-rent community is something you just have to do a little research on. They're communities with-- inside of our communities. We'll build 110 rental homes at 204th and Harrison in Sarpy County as part of a 500-lot neighborhood, and it gives a real diversification of housing. I've got single-family-for-sale housing. I've got attached-for-sale housing, and I've got rental housing all in that community. But one investor buys all 110 rental homes from us in that neighborhood. And that was a carve-out in that bill that we were a part of, just speaking up and saying that there's-- there were problems in that bill that weren't going to work for the housing industry. It would create less housing, not more housing. And so we're very involved at the national level in that kind of stuff as well.

McKINNEY: All right. Thank you.

AARON MOULTON: Yep.

McKINNEY: Other questions? Senator Quick.

QUICK: Yeah. Thank you. I was going to ask, since we, since we started talking about SIDs and CIDs, do you also utilize TIF funding and, and-- at all? And then how would that work when-- maybe you don't un-- if you don't use it--

AARON MOULTON: We don't use-- we don't do any TIF funding at all.

QUICK: OK.

AARON MOULTON: And so I'm-- you're from Grand Island, is that right?

QUICK: Yeah.

AARON MOULTON: Yeah. I'm-- you guys have a good life district there that's under-- and sa-- same developer, Woodsonia.

QUICK: Mm-hmm.

AARON MOULTON: There's redo-- re-- doing the mall there in town. They're one of our big developers here in the Omaha metro area. And so-- we know there's need for housing in Grand Island. And I just got to get-- start working my way across the state. I moved here five years ago. And so we're just-- we're getting our, our feet wet.

QUICK: Yeah. So with-- the CID the way we passed it, does it work the same way as the SID only it's within city limits? Is that how--

AARON MOULTON: That's right. And so-- but-- in SID, the entire neighborhood is not deeded over with all the infrastructure to the city until the city annexes it, which could take anywhere from 15 to 20 years. And the city of Omaha has been very slow lately annexing SIDs. I think they've only annexed, like, one in the last three years. I think it was Stone Creek up around 168th and Ida, a little golf course residential community. Whereas in the CID, all of the public infrastructure is, is dedicated over to the city as soon as it's completed because it's already within the city limits. And so that's going to be one thing that takes that risk and responsibility off the third-party developer, where they're having to hang out with these SIDs. Sometimes all the homes could be built in an SID for ten years and not get annexed into the city. And there's still meetings that have to happen quarterly and budgets and levy rates for that SID that have to happen, whereas in CID that process will turn over much quicker.

QUICK: Yeah. All right. Thank you.

AARON MOULTON: Yep.

McKINNEY: Thank you. Senator Rountree.

ROUNTREE: Thank you so much, Chair McKinney. And thank you so much for your-- I-- don't want to call it the testimony, but just for sharing with us today--

AARON MOULTON: First time I've ever done something like this, so.

ROUNTREE: Oh, that's good. I'm glad that you're here. And especially representing D.R. Horton. I still have my home in Albuquerque, New Mexico. It's a Horton home I bought back in 2005.

AARON MOULTON: We would say you're part of our family, so. Thank you.

ROUNTREE: Absolutely. But also down in the district, you are developing Lakewood West.

AARON MOULTON: Yes.

ROUNTREE: Right on 370. I've driven through that whole complex and looking at those homes. Just as you were telling-- I think maybe Senator Andersen-- about the by-- build to rent as well.

AARON MOULTON: Mm-hmm.

ROUNTREE: What is the composition down in Lakewood West? Is that going to be total home sales--

AARON MOULTON: Yep.

ROUNTREE: --any rentals, just total home sales?

AARON MOULTON: Yeah. So the-- there's two large 10-acre lots at the entrance to the neighborhood the, the, the, the developer, Woodsonia, still owns. And he-- I think he intends to put apartments up there. We have nothing to do with that. There's commercial along the front of 370 there. All of our 150 lots in there are for-sale housing. We do sell to investors, but 95%-- especially in, in, in that area of town-- are owner-occupied houses. And over 50% in Lakewood West have some sort of military connection as well. And so there's several military members that live in our Sarpy County houses. Everyone talks in Sarpy County about proximity to the base.

ROUNTREE: Oh, yeah. Critical.

AARON MOULTON: And so we talk about their rank and how much money they get towards housing, things like that. That's part of our normal conversation. So in, in that neighborhood in particular, it's all for-sale housing.

ROUNTREE: OK. All right. Thank you. Mm-hmm.

McKINNEY: Thank you. Other questions? No? Thank you for your testimony.

AARON MOULTON: Thanks for having me. Yep.

McKINNEY: Are there other testifiers?

STEVE JANICEK: Good morning, Chairman and members of the Go-- Urban Affairs Committee. My name's Steve Janicek. And that's S-t-e-v-e J-a-n-i-c-e-k. And I'm the current president of the Metropolitan Omaha Home Builders Association. And I also am a homebuilder here in Omaha, representing Regency Homes. I'm here today in support of LR441 and LB1227. I appreciate Senator Andersen and all the senators who introduced the resolution to look at this-- issues of direct impact on construction cost and the affordability of houses in Nebraska. LR441 calls for an intern study to look at the use of specifically what we're into as residential versus commercial building codes and the impact of that LB1227. The study examines the energy impact studies' returns on investments for specific residential codes and how to

identify qualifying sources and the cost benefits of those. As an industry, especially re-- residential, we absolutely believe in support, durable, and energy-efficient home buildings. You know, homes, houses. The question's not whether we should have good building standards, it's the question of how they are fully and understand the cost of-- and the requirements that it costs to get those houses that are in good quality. When it comes to building requirements, in addition to the cost, the cost can affect the prices of the new house and ultimately the ability of the Nebraska homeowner to afford them. And at the same time, some requirements provide significant benefits over the life of the building, and that's why I believe it's important to keep these studies going. You know, the-- what is it-- what is the cost requirement versus what is the benefit it's providing? And then what is the payback on that? And that's what we talked about earlier. So LR441, it, it, it does not attempt to answer the question before the Legislature and the information. Instead, it creates an opportunity to study these and develop better information and-- to make better decisions in the future. And I think that's real important that what-- what we're doing here today. And I also want to emphasize that an-- it's an intern study and it's not a mandate. So-- it's not a mandate to make changes to the building code and it's not a decision to eliminate reasonable safety standards or energy codes. It's simply an opportunity to get better information and to make better decisions. As someone involved in the homebuilding industry, I believe we owe it to Nebraska homeowners and businesses to understand the real cost for their houses and, and what they're getting paid for for each code. And for those reasons, I respectfully ask that you continue this search on LB1224, moving that forward with LR441. Anyway, thank you for your time today. I appreciate being here. And I can answer any questions if you have any, so. Thank you.

McKINNEY: Thank you. Are there any questions from the committee? No? Oh, Senator Rountree.

ROUNTREE: Thank you so much, Chair McKinney. And thank you so much for the encouragement to continue to study the energy codes. Looking at where we are currently in homebuilding, as you represent and you build, what are some of the current-- just a couple of examples of energy codes that we are current utilizing that you, you would see rolled back that would give us a cost, a cost savings?

STEVE JANICEK: Right now, everything's based off of RESCheck. It's a, it's a, a computer program we put all these numbers into: the R value of the house, the U values of the windows. And it's just a, a combination of all the house components put together, with the furnace

and stuff like that, insulation [INAUDIBLE]. And I think those can be good. I think we can roll those back a little bit. But again, it's, it's just one of those things you have to keep studying, so. Yeah.

ROUNTREE: All right. Thanks so much.

STEVE JANICEK: Thank you.

McKINNEY: Thank you. Other questions? No? Thank you.

STEVE JANICEK: Thank, thank you.

McKINNEY: I welcome up the next testifier.

PERRE NIELAN: Mr. Chairman, members of the committee, my name is Perry Neelan. First: P-e-r-r-e, last: N-e-i-l-a-n. I appear before you today on behalf of our client, Welcome Home Coalition. Jason, our president-- the first hearing took a little longer than I anticipated, he had to get to another appointment. So, we'll step in here very quickly as a representative for our client, Welcome Home Coalition, that is a group of businesses, individuals, financial institutions, community organizations working to ensure housing is attainable for all. I have two pages of duplicate testimony of what Mr. Moulton and your last testifier had. I won't get into that, to, to spare you that. But we were formed 4.5, 5 years ago for these exact kind of conversations, just to bring to light the challenges that we're seeing in finding attainable housing. So, Senator Andersen, thank you for understanding that, bringing this bill and this resolution, that we can keep having these conversations and not just continually have these incremental costs. It's only $500, it's $1,000. Labor stood earlier this year at this very podium and said it's only $750 dollars. What they didn't include in that, ironically, was the cost of the labor to do those codes. So yes, believe when it's going to be $1,500, $3,000, $5,000. Senator Cavanaugh, when we have new construction housing, sold new construction housing in the Omaha area is $455,000. That's where we have to say, OK, great idea, safety; at what cost? Because every member of that city council went home to their house that did not comply with all these standards and didn't think a thing about it for their-- for themselves and for their family. So, just-- thank you for having-- continuing this conversation. Continue to think in your mind: Great idea, at what cost for Nebraska families? Thank you, Mr. Chairman.

McKINNEY: No problem. Thank you. Are there questions from the committee? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here, Mr. Nielan. I, I, I wasn't at that city council meeting, so I don't remember, or-- but the additional-- is there an additional labor cost if-- to install a GFI outlet instead of a regular outlet?

PERRE NIELAN: I am not the expert on any of that whatsoever. There was an electrician literally at my house right now working on something. So hopefully, the homeowners can come back up and help. And the answer, definitely, is yes.

J. CAVANAUGH: All right. I-- well, and I mean, you're not the person to answer this question, but my initial question to Mr.-- gosh, now I'm-- Mr. Schneider, maybe? Was, how do we just get an agreed-upon set of-- you know, you might-- they maybe would say that there is no additional cost, I guess. And so, how do, how do we, as policymakers, when we're trying to make these determinations-- you are saying, yeah, we have to say "at what cost?" But we also have to have an agreed-upon what the cost is, if we're going to try to balance those things. So, do you have any suggestion on how we come to an agreed upon cost?

PERRE NIELAN: I'm not as worried about what the cost is. Just be careful on whether it's necessary or not. Make it optional. It-- there should be a floor that everyone basic safety requirements are, and then if you want to go above that, homebuyer, you can.

McKINNEY: Thank you. Other questions? No? Thank you.

PERRE NIELAN: [INAUDIBLE] Chairman.

McKINNEY: Welcome up the next testifier. And if you're testifying, you can just come to the front. It'd probably be easier.

DAN LOECK: Well, now it's good afternoon, so. My name is Dan Loeck. It's D-a-n L-o-e-c-k. I'm the current president of the Home Builders Association of Lincoln. I just want to address one other issue on this, on LB1227, which we talked about having a five-year return on investment if there was a new code to be put in place. The return on investment, any investment-- stock, bonds, houses, anything-- also depends on how long you hold that asset. I did a quick Google search sitting back here. The-- in the 1990s, the average homeowner lived in their house for 7 years average before they moved. Currently, it's about 12 years now. Most people do not live in a house for 30 years. They move up, they move down, they move across the state, they change jobs, they lose a job, they have a divorce, they get married. They're moving. So, if we have-- if we have required investments, energy

investments that we're-- we have to do, they have a 10-year, 20-year payback. Most people are never going to realize that payback. They're going to move before they realize it. A 5-year return on investment, you have a better shot of somebody actually realizing dollar savings. We recognize that utility costs are part of homeownership; your electric bill, your gas bill is part of it. But if you have to spend 10 times what it's worth to start, when-- to get the house, and you never, you never recoup your investment. So, having a 5-year return on investment before you-- to prove that to-- before you enact that new code does make sense. So therefore, I'm in favor of LB1227. Questions?

McKINNEY: Thank you. Are there questions? No? Thank you.

DAN LOECK: All right. Thank you.

McKINNEY: Next testifier.

DAVID HOLTZCLAW: My name is David Holtzclaw, D-a-v-i-d H-o-l-t-z-c-l-a-w, 5005 Chicago Street. I'm testifying today-- I'm a mechanical-- licensed mechanical engineer in the state of Nebraska. We do a lot of design work, residential and commercial. We also do a of lot code compliance work. We do energy modeling, both residential and commercial, across the country but here-- a lot here in Nebraska. We do a lot of code compliance variation testing, your air barrier testing, your duct testing, your thermal bridging, stuff like that. That's all part of the codes, whether it's residential or commercial. So, we have a lot of experience regarding this bill, and I want to hit on both the residential part of it as well as the commercial part of it. So, starting off on the residential side, in June of this year, there was a study published by the University of Alabama. And this was a study of what 2.7 million homes across 26 states, including Nebraska, where they looked at the cost and the impact of increasing in building codes. So, the study was, was called, do home pricing change with building codes? 2.7 million homes across 26 states, including Nebraska, from home transactions from 2011 through 2022. They looked at 45 different separate code variations. [INAUDIBLE] looked at the 2009, '12, '15, '18, and '22 code cycle changes across those districts, and they had basically 45 different districts that went through those code changes in those 26 states over those 11-year periods. In those 45 different code adoptions, 43 of them, they did not find an increase in cost of housing. 43 of the 45 districts did not have an increase in cost of housing. The 2 that did were, were not in Nebraska, and those had very modest ranges from 1.2-- I'm sorry, 1.8 percent increase to 2.4 percent increase. This is a long study. They controlled for lot size, number of bedrooms, number of occupants,

location, zip code, costs. It was a very thorough analysis. It's about 100 pages long, so I couldn't copy it for you. I can send you the link, it's available off the web. So, that does-- Senator Cavanaugh, to answer your questions, is they did that study, they looked at almost 3 million [INAUDIBLE] transactions over 11 periods; what are the effects of code changes? They did not find any in almost every single jurisdiction in each of those 26 states. OK? So, that's on the residential side. Another reason why this bill, the bill LB227 [SIC], is that it, it fails in the fact it only looks at the building curd [SIC] from a bean-counter perspective. It does not look at other impacts of the energy code, and that's why you have these pictures. So, first picture, these are two ducts going through an apartment in Omaha in conditioned space. So, this is duct work that's going between the first and second floor of an apartment in Omaha. This was-- apartment was built in 2022, so it was on the current building code. All right? You see what happened is, you are seeing sweat from the ducts, the arrow is pointing to underneath the duct works. That's not a pipe break, that's just air condensating on duct work. So, this apartment was very leaky. The ducts leaked and condensate, and that led to the second picture. The second picture is top side of some drywall and some acoustic ceiling with a lot of black stuff. We'll call it biological growth to be nice. OK? We've seen this in over 50 different residents [SIC] in eastern Nebraska over the last two years. So, if you do the ROI of fixing these duct leaks and air sealing this apartment, it's 6.9. So, it would not occur under your LB227-- LB1227 bill, OK? So, the people who live in there still have to deal with this. This is the fundamental flaw of this bill. It looks at the energy code purely from a financial transactions, OK? The energy code dictates moisture management; the energy code dictates where your vapor barrier is put; your energy code dictates thermal comfort, thermal bridging. All these other building science concepts that have developed over the last 20 years get stuck in the energy code. So, I can give you an ROI on this. What's the ROI on that? The air going through that duct is going to the bedroom right upstairs, OK? If that duct is leaky, it doesn't get there. So, that person that-- living in that bedroom has a lot of thermal discomfort. What's the ROI for that?

McKINNEY: Can you start to conclude?

DAVID HOLTZCLAW: How do you calculate that, right? You can't calculate that. So, there are other issues that's in energy code beyond that. On the commercial side, you are wanting a different model. The, the wording of the, of the bill, of the legislation, it was different models for, for-- on the commercial side. There are several out there. Berkeley lab has done all of-- or, done-- have done several of them.

OK? So, you need to look at-- on the commercial side, it's a financial asset.

DAVID HOLTZCLAW: Can you, can you wrap up? There, there most likely will be questions.

DAVID HOLTZCLAW: OK. Oh, sorry. So-- and an example would be, you do a 50,000 [INAUDIBLE] upgrade on a commercial building, OK? And now, you get a 7 percent increase in cost savings, whether that's lower bills, higher, higher rental rates, lower vacancy rates, all that stuff. Now, the value of that property is actually 50,000 divided by 7 percent, which is $700,000. So, modeling that is much more complicated, more than just your bean-counter, because you're looking at financial assets, you're looking at peer reviews, property value, and a lot of these are just market-dependent.

McKINNEY: All right. Thank you. All right. Are there questions from the committee? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here, Mr. Holtzclaw. Sorry. So, you mentioned this study from Alabama. And I wrote down 27 million? Or was it--

DAVID HOLTZCLAW: 2.7 million.

J. CAVANAUGH: 2.7. I missed the dot. That's what happened. Would it be possible for us to get that study?

DAVID HOLTZCLAW: Yeah. I'll send you the link, yeah.

J. CAVANAUGH: OK, I appreciate it. And it does-- it studies-- I guess, what year was it done?

DAVID HOLTZCLAW: This is done on transactions, both new and, and existing, from 2011 through 2022.

J. CAVANAUGH: OK.

DAVID HOLTZCLAW: And it looked at code cycle adoptions that went from 2009, 2012, 2015, 2018, and 2020-'21.

J. CAVANAUGH: Gotcha. So, it's not the most recent-- I'm trying to remember, which is the most recent code? Is it 2024?

DAVID HOLTZCLAW: The recent one is 2024, is the most recent code.

J. CAVANAUGH: Are they updating-- do you-- I guess you don't work for the University of Alabama, but-- are they going to continue this study?

DAVID HOLTZCLAW: I, I, I-- that took many years, so I don't, I don't know whether or not they're going to do it again. But the point was that the complaint has always been codes cost increases of, of housing, and that's just simply not true.

J. CAVANAUGH: Yeah.

DAVID HOLTZCLAW: It impacts the cost of construction, but it doesn't impact the cost of housing. That is your zip code, that is that your desirability, that's your lot cost. We've had a lot of builders complain about costs on what side of street the pipe is running, the lot cost, your GFI connectors. The energy code has nothing to do with that. OK? Those are just mostly market dynamics, regulation of permitting. There's a million ways we can cut cost of housings. Hamstringing and handcuffing the [INAUDIBLE] code does not solve that problem.

J. CAVANAUGH: Gotcha. And then, on your pictures here-- I'm not an expert in this subject. So, the cond-- it's condensation. So, like, when the pipe gets cold, then water condenses?

DAVID HOLTZCLAW: So, the building leaks,--

J. CAVANAUGH: OK.

DAVID HOLTZCLAW: --because of air leakage, because-- so, to correct an, an earlier statement, a city can have weaker energy codes. Omaha has a weaker energy code than the state of Nebraska. Lincoln has a, a weaker energy code than the state of Nebraska. Every county but Washington County has a weaker code than the state of the Nebraska. OK? The way this works is that if a municipality says we want to change our code, NDEE says, send us a letter. They send them a letter saying they're doing it. NDEE-- or, I mean, WTEE [SIC] says this does or does not meet our code, process stops. There's no next stage. There's no enforcement mechanism NDWE [SIC] can hit on a municipality to stay at the current code. The process stops by statute.

J. CAVANAUGH: Well, I guess my question is, on, on your pictures, would-- if the 2024 code were in effect, this wouldn't happen? Is that what you're saying?

DAVID HOLTZCLAW: That should not have happened anyway.

J. CAVANAUGH: Oh, OK.

DAVID HOLTZCLAW: The 2018 code, if fully enforced, would have stopped that.

J. CAVANAUGH: OK.

DAVID HOLTZCLAW: But the city of Omaha has eliminated out air barrier testing, which would have found that issue.

J. CAVANAUGH: So, we need to be doing better job of enforcing the current code.

DAVID HOLTZCLAW: That would, that would be a help, yes.

J. CAVANAUGH: OK. All right.

DAVID HOLTZCLAW: Or, as has been previously discussed, maybe have one code that's unamenable and apply it across the state. That may also be a solution.

J. CAVANAUGH: All right. Thank you.

McKINNEY: Thank you. Senator Clouse?

CLOUSE: Yes, thank you. And I, and I guess I was looking at these pictures, too. Shouldn't that have been just basic vapor barrier construction? Did they skip some corners, which is [INAUDIBLE] construction--

DAVID HOLTZCLAW: That was, that was an air barrier, not a vapor. But again, both of those are regulated by the energy code.

CLOUSE: Right.

DAVID HOLTZCLAW: So, if you say, if you, if you, if you only value the energy code based on the-- how much utilities you save, then you miss that.

CLOUSE: Yeah, but what I'm saying is it's the basic construction that should have-- that should have been replaced--

DAVID HOLTZCLAW: That should have been done better, yes.

CLOUSE: --40, 40, 50 years ago.

DAVID HOLTZCLAW: That does not meet code, correct. We've been in 50 of these build-- buildings in the last two years.

CLOUSE: Yeah. So, it seems to me like it's the construction quality; nothing to do, really, with the, the code, because it's the contractor [INAUDIBLE].

DAVID HOLTZCLAW: If it's enforced, then you don't see this.

CLOUSE: Thank you.

McKINNEY: Thank you. Senator Andersen?

ANDERSEN: Thank you, Mr. Chairman, and thank you for being here, and for your time. So, just to make sure I got it-- I got it right. So, if a political subdivision decides that they want to have a mandate, whole-home GFCI, right? The whole-home cut-off switch outside, like one of the previous testifiers mentioned, they would submit that to DWEE, and they can say you, you can or you can't?

DAVID HOLTZCLAW: Well, that, that-- that's the electrical code, so that doesn't go to NWE [SIC]. That's the electrical code. That goes to state electrical. So--

ANDERSEN: So, if it's an EV charging station, or--

DAVID HOLTZCLAW: That that's electrical code, too. So, a lot of complaints are electrical code, and some of the updates to electrical code, which has increased costs of construction, not costs of housing, but costs of construction. But those have been mostly through safety regulations, newer technology, more, more people buying EVs, just, just changes in the marketplace. Those don't have anything to do with the energy code, which is what LR441 deals with.

ANDERSEN: What's an example of what he would have approval over?

DAVID HOLTZCLAW: He would not have approval over electrical code changes. That's the electrical division.

ANDERSEN: OK. I'm, I'm sorry. I thought that's what you had said. So, my mistake.

McKINNEY: All right, thank you. Other questions? No? Thank for your testimony. Is there other testifiers?

MATT STOFFEL: Good afternoon. Afterwards, I'll fill this out. I wasn't prepared to bring additional copies for you all, so you'll-- so I'll, I'll pride-- I'll provide you guys with any information that you need after this. My name is Matt Stoffel, M-a-t-t S-t-o-f-f-e-l. I reside here in Omaha, Nebraska. I am an architect with HDR Architecture. So-- is there anything else you need? No? OK. So, I'm here on behalf of the American Institute of Architects. We are a industry organization both nationally and within the state of Nebraska. Nationally, we are 9-- 90,000- to 100,000-strong membership. In the state in Nebraska, I think we have roughly 1,000 members, then, give or, give or take 1,000 across the state. My experience is on the commercial side. I don't engage in the residential market at all, so I'm not able to provide much insight than what you've heard to date with, with respects to the residential market. However, I am a buyer, and I do own a home. And so, when I'm looking at some of the arguments on return on investment, when I'm purchasing a home, I may go to sell it. I'm looking at both everything that I've paid for costs, housing costs, loan costs, taxes, insurance. And then, when I go to sell it, I'd love to recoup that. Inflation is going to increase my home cost, I hope. The neighborhood that I live in is going to encourage that increase. So, I'm going to be looking for a larger return on my investment than what I do pay into it. And I think that's just basic economy, right? So, this 5 percent return is kind of a pretty low benchmark for a return on investment. I'd really want to see a larger recovery. So, the topics that David brought up-- I'm a science geek. The work that I do is highly technical on the commercial side of things, and so I'm very cognizant of moisture drive, vapor drive, performance, weather, resiliency. Wednesday, here in Omaha, I got 6.25 inches of rain. Saddle Creek, which is a block away, was a river. It's insane. But that happens almost once a year now. That was a 100-year flood. Resiliency. FEMA. FEMA updates their maps. We have to respond to those intelligently. The projects that I work on operate really close to the floodplain, and so we have to be a little bit higher than that. So, what does that require? Bringing in soil, making sure that soil is stable, elevating the first floor of the basement so that I'm above that floodplain. Do I go back and put a 5 percent return on that? No. And neither should you. It's going to be embedded in the cost. So, this 5 percent benchmark is, is really unreal. Doesn't account for life cycle costs, it doesn't account for increase in my home costs, et cetera. So, I'd just like to, to leave with that. I see that my time is-- has collapsed. I am here for questions. We are willing to work with the home builders here that are represented, the Realtors. But I'd also like to encourage that as part of the design community and the construction industry that, that operates within the commercial

code is at the table, and we just don't let-- we don't narrow our focus to just the, the home buyers, the home builders, and the Realtors. So, I appreciate your time, and I'm here for questions.

McKINNEY: Thank you. Are there any questions? No? Thank you.

MATT STOFFEL: All right. Thank you so much.

McKINNEY: No problem. Are there other testifiers? No? Senator Andersen, you're welcome to close. And for the record, there was 1 online comment and no ADA comments. Thank you.

ANDERSEN: Senator McKinney and fellow committee members, thank you for your patience. I did not expect this to go this long, so I'll try to make my comments short. So, I thank, thank you for your time and for all the testifiers that took time out of their day to come here and provide us information. Absolutely invaluable. So, thank you very much. The intent of this LR is truly to try and standardize the electrical and energy codes across the state. Right now, we have, depending on where you go-- builders was testified earlier, you can build, you know, 50 miles away between Lincoln and Omaha, and have to build a different set of codes, which seems kind of silly. I mean, I understand the difference in, in building codes between Nebraska and Florida, or Nebraska and Alaska. Obviously, they're different environments, you have to-- and different requirements. But within our state, I think we should be able to have some kind of coherency. Now, when you get to some of the discussions about what should be-- have the 5-year return on the investment. I-- my view is that that has to be on the optional items. There are certain things that are mandatory, and I think that the, the government has a responsibility to enforce safety and security, but then I think we get out of the way and we let the actual individual homeowners have the option of what they want to invest in. And I've, I've previously used the example of when I built my house, I upgraded the R-rating for the insulation, because in the winter I want my house warm; in the summer, I want it cold. But I had the option to pay for that, and that's really kind of what this, this gets into. Mr. Stoffel mentioned the 5 percent, and I, and I think maybe there's a little confusion. The benchmark's not a 5-percent return on the investment, it's simply saying that the return on the investment would be achieved within five years, not 5 percent. And one of the examples I use from the DWE [SIC] report is, if you look at mandating concrete siding, like my house has concrete siting on it. I didn't know anything about this before I built the house, but that's what was put on. The return on the investment, when you would actually get the payback on that, would be 136 years. So, we've had people

comment about how long you stay in a house, when you're going to sell the house and everything else. But I don't know anybody, especially not me, that's going to be in that house for 136 years to be able to recoup that kind of investment before I would sell it or, or die. Senator Cavanaugh would be long gone before 136 years happens. I think we need to decrease the, the complexity, build-- return Nebraska to building towards affordability. When it was discussed about the 5-year ROI, that didn't just come out of the ether. This was-- this bill was actually-- LB1227 was actually modeled after a Michigan bill. They used 7 years; I opted for 5 years. But the principle is the same: it's to be able to articulate what the, what the return of the investment is. And if it's not what is realistic, then it should be optional unless it's a mandatory safety issue. Yeah. With that-- I'm trying to keep my comments close. Happy to answer any last questions you guys might have.

McKINNEY: Thank you, Senator Andersen. Are there questions from the committee? No? Thank you.

ANDERSEN: Thank you.

CLOUSE: OK, thank you everyone. The next item is the interim study on LR417, which is an interim study to examine innovative approaches to housing development, financing, and ownership in Nebraska. Senator McKinney, feel free.

McKINNEY: Thank you, Vice Chair Clouse. And good afternoon, Urban Affairs Committee. My name is Terrell McKinney, T-e-r-r-e-l-l, M-c-K-i-n-n-e-y. I represent District 11. Today, I'm here to open on interim study LR417. LR417, introduced by the Urban Affairs committee, is an interim study to examine innovative approaches to housing development, financing, and ownership in Nebraska. As our state works to address persistent shortages in affordable housing, it is critical that we evaluate the effectiveness of our current financing tools, such as tax increment finances, otherwise known as TIF, and low-income housing tax credits, while actively exploring new models to close the supply gaps and expand home ownership access. The studies allows our committee to analyze immersion strategies, including tokenized housing credit systems, community-based investment structures, fractional ownership, and digital subsidy delivery mechanisms. By examining how these tools fit within Nebraska's legal, financial, and regulatory frameworks, we can identify opportunities to expand capital access, increase resident participation, and foster long-term community wealth-building across both urban and rural markets. Today, we have invited stakeholders, including home builders, housing advocates,

state and local housing agencies, and leaders from financial technology and digital assets sectors to share their insights on modernizing housing finance and development, and development in Nebraska. With that, I would be open to any questions.

CLOUSE: OK. Thank you, Senator McKinney. Any questions? Where's everybody at? You have any questions? OK, thank you.

McKINNEY: All right.

CLOUSE: OK, we'll open this up to any testifiers that would wish to testify on this.

TARA VASICEK: Good afternoon. Tara Vasicek, T-a-r-a V-a-s-i-c-e-k. I am the city administrator in Columbus, Nebraska. Good afternoon. I appreciate you all having this conversation and listening to perspectives on what's worked. That's why I'm here. I want to tell you all what Columbus has done for housing. We've had a lot of success in housing in the last 10 years in Columbus, so I'm just going to briefly overview the wide variety of things we've done, and I probably won't hit on everything. Number one, we have reformed our local land development ordinance multiple times. We have intentionally tried very hard not to be any more restrictive than the state require-- requires us to be, or the federal government requires us to be. We are actually on our sixth iteration of a land development ordinance update presently in Columbus. I'm actually working with a graduate student right now at the University of Nebraska-Lincoln in their community and regional planning program who's studying our success in Columbus compared to some of the comparable communities, and that study preliminarily is showing that we've-- compared to some of our peer cities, we have slowed the escalation of housing prices by about $10,500 in Columbus compared to others. So, my point for saying all of that is cities who-- cities which see this as a problem, which I think all do, are starting to address the problem. I just think Columbus is a little ahead of the curve. So, earlier, the 21st Century ROAD to Housing bill was brought up. I went to Washington, DC at the invitation of Congressman Flood a few years ago and spoke about this, and brought forward a number of ideas, and several of those things are, are included in that bill. But what I really appreciate that the, that the bipartisan agreement-- that the federal government should not be mandating what local entities are doing with respect to getting affordable housing built in our jurisdictions. And I certainly hope that that sentiment continues down to the state level. Is it important to make sure we have regulations in place that protect life safety, all those things? Absolutely. Nobody's arguing with that. But to

implement mandates that aren't related to that, that prohibit local jurisdictions from doing what's right for their local jurisdiction for housing, I hope we don't go down that road. Other things we've done in Columbus is we've totally changed the system for land development, including housing development in Columbus. We have totally reformed our process. Our permit reviews are very expedited compared to other jurisdictions, I believe. I would say 10 years ago when I came to Columbus, we were kind of known for being difficult to develop in. And I, I get told regularly that Columbus is a great place to come and develop; that people are coming in, and we do have a lot of development coming in. Little bit on the financial tools, which is obviously the biggest barrier. We're doing all these things, but honestly, the biggest barrier that we still see is the cost of land, the cost of infrastructure. It is-- compared to all the other costs, including codes and all that, those are the biggest costs. And what we can do to help control those costs or buy those down is tax increment financing. We have been a recipient. The Columbus community has been a recipient of real workforce housing funds in almost every round. It's unfortunate that that hasn't been funded since 2024, because that brought a lot of housing to Columbus. And its kind of unrestricted nature of incentivizing workforce housing was incredibly helpful to local jurisdictions, not just Columbus. We have local economic development funds that are voter-approved, that are funded through our sales tax, which is huge for housing development in Columbus, too. We have done a variety of things, and I would just say that, again, local jurisdictions are starting to address this. In Columbus in 2016, we were building about 55 units a year. This year, we are inspecting 550 units. That's a 1,000 percent increase in housing production in 10 years. So, it's unprecedented right now. We have a huge number of jobs, we're trying to bring people in. We don't have enough people in Columbus to fill the jobs that we have. Businesses are growing. Things are very good. So, we recognize the importance of being proactive on this subject. And I feel like we have been very proactive. I'll keep it short and sweet, and answer any questions.

CLOUSE: Any questions? Senator Rountree.

ROUNTREE: Thank you, Vice Chair. And thank you so much for your testimony. And just a couple of questions. Sound like you're doing a tremendous job up there. So, twofold. One, for economic development. May not be your portion, but if businesses are growing and it's just, like, it's hot and it is exponential, that's something that could be shared with other areas, since the state is looking at increasing economic development. So number one, just a key to something that you've done. But then, when you went to DC and you talked about the

new bill, a couple of the items that were incorporated in there, what were, what were those two items, or a couple of those?

TARA VASICEK: Yeah. One of-- some of my feedback was the review processes on-- so, the NEPA reform review process. So, I would just think it was asked earlier what states should do. We should definitely make sure we're not more restrictive on--

ROUNTREE: OK.

TARA VASICEK: --environmental review than the feds are. And the other thing was CDBG funding. A little bit of loosening up of what local-- locals can do with that funding, and that was incorporated, and it will be huge for housing. And the other thing is in encouraging local regulation reform, but not mandating it. So, they're giving-- they're doing some grants for local code enforcement or zoning regulation reforms, and then they're also basically incentivizing, as I understand it, incentivizing locals who have already done it through different funding sources.

ROUNTREE: Well, it seems like everyone's working together and have a really collaborative spirit and attitude, to be able to move things forward, so. All right. Thank you.

CLOUSE: Senator Quick.

QUICK: I know you'd, you'd mentioned that, that you hadn't received it, like-- or, you didn't get any funding for the middle-income housing, or-- I don't know if you-- since 2024, is that right?

TARA VASICEK: I said the rural workforce housing.

QUICK: The rural workforce housing, OK.

TARA VASICEK: Mm-hmm. Yep.

QUICK: OK. And so--

TARA VASICEK: And that just--

QUICK: I know it's a competitive process, right? So--

TARA VASICEK: Well, it hasn't been funded by the state since 2024.

QUICK: OK. OK. Because I know Grand Island has utilized, utilized that in the past, too, so.

TARA VASICEK: Yes.

QUICK: OK. And I know I think we had to fight for the middle-income housing, probably, portion last-- I thought it was rural workforce, but maybe it was the middle income. So--

TARA VASICEK: I-- yeah, I'm referencing the rural workforce housing funds.

QUICK: OK. OK. And then, I'm sure that-- and you mentioned TIF too. So, I'm that developers are utilizing that, or-- when it's approved. Is that correct?

TARA VASICEK: Yes. We utilize tax increment financing, and we've also used the workforce tax increment financing provisions that were adopted within the last few years, too. We have-- in Columbus, we've-- we led a workforce housing subdivision, because like you heard earlier a lot, outstate Nebraska doesn't have a company that builds houses and a company that develops land. They're, they're one and the same, and out of the metro area for the most part. So, one of the things that was a real barrier to housing construction in Columbus that we found through conversations with builders is, that was too much of a financial burden on them to develop land and to build housing. So, we, we constantly had that conversation, and that's why the city council in Columbus used our local economic development funds and some utility funds to basic-- to buy land. We did a competitive process to get-- decide who the builders would be. We platted it, we sold it at a reduced price because we used those various tools. And today, on that 25 acres, there's over 325 housing units being constructed.

QUICK: OK. I was going to ask, too, on that. You know, I-- Grand Island, with our Habitat for Humanity too, they've struggled finding, you know, land to build on. Is that similar in Columbus, too?

TARA VASICEK: Oh yes. There's land, but you just have to pay a very premium price for it.

QUICK: Yeah. OK. All right. Thank you.

CLOUSE: Thank you. [INAUDIBLE]. I have a-- I have a question on the TIF deal, on pushback in the community on the use of TIF for residential.

TARA VASICEK: You know, in 2018, we did a community-wide reassessment of our blight and substandard areas. And through that process, we really did a lot of education. We adopted a local policy on how TIF

would be used. I've sat down with school board members and explained that TIF is a long-term investment, that these projects would not happen, would not be here without TIF. So, we really haven't had a lot of negative feedback from the community, but I know there certainly are places where they do.

CLOUSE: Would you like to see blighted and substandard reworded?

TARA VASICEK: I sure would.

CLOUSE: Good. Thank you. Any other questions? Thank you, Tara.

TARA VASICEK: Thank you.

CLOUSE: Next testifier.

CHAD NABITY: Thank you for the opportunity to speak. My name is Chad Nabity, C-h-a-d N-a-b-i-t-y. I'm the Community Development Director for the city of Grand Island, Nebraska. I want to echo some of the things that Tara said from Columbus. We have used TIF extensively for housing in Grand Island, but I don't just want to talk about the things that we've done; I also want to give you some ideas that I think are bigger-picture that Grand Island can't do. Some of them I don't think you can do, but I need the opportunity to keep talking about this. So-- and Senator Rountree heard some of these things at a meeting just a couple weeks ago in Lincoln. We have used TIF extensively for housing. We've built-- we've used it for single-family housing. We've used it for apartments. The very first TIF projects in Grand Island under the current post-1994 legislative scheme for tax increment financing were apartments. Low-income apartments, the Cherry Park apartments, Fred Hoppe did those. They provided a couple hundred housing units for people. They went on the tax rolls in 2010. So, they've been providing housing for 30 years for people. Without those-- without TIF, those would not have happened. The things that we've done to make housing less expensive-- we heard earlier from the home builders about copper pipes for the water services. Grand Island, three years ago, four years ago, went to allowing PEX for that. That dropped it from a typical service costing $7 a foot to $11 a foot for copper to $0.42 a foot for plastic. That's a big difference that can be made within the entire scope of things. We also changed our regs to allow different housing types by right. We created a zoning district where we could do row houses, where we could do housing on a 3,000 square foot lot. So, changed some of those things. Last year, we redefined things so that we can do ADUs. We still require that you meet the density requirements, so you've got to have a big enough lot

to do it. But if you have a big enough lot to do it within that zoning district, you can do an ADU on your property. So, we're working at all of those things from regulatory things. One of the things that we're also have-- that we've also considered is a community land trust. A community land trust is a mechanism by which somebody can buy a house, and they are buying the structure but they're not buying the land. The land is held by the trust so they can get into that without paying the lot price. They can then sell that, but there are restrictions, typically, when they sell that on how much gain they can get. They can, they can get a reasonable gain on their investment. But if-- and we've had some housing developments where the houses were sold 10 years ago for $138,000; that same house is selling for $350,000 today. That's a big gain. In that case, you wouldn't realize that entire gain with the community land trust structure. The-- one of the things that you can't do and I can't do and Grand Island can't do, but the federal-- our federal government could do is potentially a capital gains tax holiday for older homes that are owned as rental units sold to first-time homebuyers. If you could do that, you could get that older housing stock that already exists, that is more affordable, into the hands of people who are trying to get into their first house and establish that lower rung on the ladder. The last thing I want to talk about is one that you did deal with a number of years ago with a bill that Senator Groene brought forward, which was considering lots as business inventory. If they're business inventory instead of real property, you don't have to pay property taxes on them. If you talk to developers, oftentimes, if they're developing over a 10-year period, their profitability comes in year 10 because they've been paying the carrying costs and everything. So, if you could eliminate the property taxes on that-- and there is no real expense to the community. There's no school kids. You don't have to-- there's no-- there's minimal crime, there's no people on vacant lots. So, there's not a lot of expense. But getting those developed faster would be better.

CLOUSE: OK. Thank you, Mr. Nabity.

CHAD NABITY: And I'd be happy to take questions.

CLOUSE: Any questions? Senator Quick.

QUICK: Thank you for being here today.

CHAD NABITY: Sure.

QUICK: Thanks for traveling out from Grand Island.

CHAD NABITY: I left early.

QUICK: [INAUDIBLE] rode together, but we-- I know-- you know, in Grand Island, of course, we've utilized the rural workforce housing--

CHAD NABITY: Yes.

QUICK: --middle income housing. Of course, we have Habitat for Humanity, too. And then, we've utilized TIF for a lot of the housing projects. You know, coming up, we're going to have, of, course, the Good Life District. That's going to be a whole 'nother process. Is that-- they're going to utilize-- they want to utilize TIF as well as the CID?

CHAD NABITY: Yes, they'll be utilizing TIF, especially for the housing section of that development, because the Good Life District funds really do-- really were very specifically limited so that you can only spend 20 percent of the Good Life District revenues on non-revenue-producing things. Houses are not really revenue-producing in terms, especially, of sales tax, long-term. So, TIF will be a portion of that development, and they'll probably use the CID as well.

QUICK: And they can use that-- the CID in combination with the-- with TIF too, I--

CHAD NABITY: They can. At this point, it's a little more complex because the CID taxes that are collected would go to pay off the TIF notes; they would not be a standard like an SID bond. It's going to be a little bit wonky at this point because the legislation did not-- that created the CIDs didn't specify and didn't separate that out from any other general property tax.

QUICK: OK. And really, Grand Island hasn't really used the SIDs that much for housing, right?

CHAD NABITY: No.

QUICK: It's been more for business?

CHAD NABITY: We did one in 19-- in about 1978, Castle Estates. It went bankrupt, and the local courts said, Grand Island, you get to annex it and buy it out, and that was a hit to the city. And we have not done anything since then, very similar to Lincoln's experience with the Highlands development.

QUICK: All right, right. Thank you.

CLOUSE: I, I do have a question when you talk about CIDs. So, we have some more cleanup work to do on that, in your opinion?

CHAD NABITY: Oh, yes. Very much so.

CLOUSE: OK. Thank you. Any other-- Senator Rountree.

ROUNTREE: Thanks so much, sir. It's good to see you again, and good to listen to these again. But I wanted to ask just a little bit about that copper and the PEX piping--

CHAD NABITY: Yes.

ROUNTREE: --and that great reduction. I know there was something that you saw in Grand Island. But as you kind of monitor things across the state to see what other activities are doing, do you see that as a kind of a flow-through [INAUDIBLE]?

CHAD NABITY: There are a number of other communities that have done it, and some that don't necessarily regulate it, because the copper is a higher standard than the plumbing code would require. So, the PEX is already allowed, so if you're just operating under the state plumbing code, you're already going to be able to do that. Grand Island did require copper services up until, I think, three years ago. We still require ductile iron for water pipes.

ROUNTREE: Yeah.

CHAD NABITY: We are looking at changing that. And Diamond Plastics that makes water pipe is in Grand Island, so they would love us to do that. But we also have high groundwater, we have contamination within that high groundwater of volatile organic chemicals, and when you mix volatile organic chemicals with plastic pipe, the pipe can soften, and then you get infiltration. Especially in our public mains, that's really something we want to be cognizant of and avoid. Within the service lines, those aren't as deep, so they're not as likely to be in water. There's less risk, is what we've decided.

ROUNTREE: All right, thank you.

CLOUSE: Senator Quick.

QUICK: You may not know the answer to this, but with the PEX-- and you know, of course, we-- I know, you know, with the-- our utilities, we add chlorine to the water--

CHAD NABITY: Yeah.

QUICK: --for that, but that doesn't have any effect on PEX, then? Or do you know?

CHAD NABITY: I don't believe so, and I think that it may actually be better than the copper, because it-- because the chlorine does react with the copper.

QUICK: Yeah, yeah. All right. All right. Thank you.

CLOUSE: Any other questions? OK.

CHAD NABITY: Thank you very much.

CLOUSE: OK, next testifier.

SUE CRAWFORD: Good morning, or good afternoon, I guess. My name is Sue Crawford, S-u-e C-r-a-w-f-o-r-d. I'm currently the city administrator for the city of York, and I'm testifying today to report on housing innovations in York County, as well as the city of York. I want to reinforce the kudos for Columbus. My intern's job this summer was to study Columbus, to figure out what we could do in York to copy some of those innovations. So, I assure you that when you allow us to innovate, we also learn from one another and continue to innovate. So, one of the most important things you can do for us is to make sure we have the-- some tools for innovation like tax increment financing, like CID. We have not-- we have started conversations about CID, so we haven't tried that innovation yet, but we're thrilled to have another tool to discuss with developers to talk about how that might be used to advance housing, and we have one part of the city in particular that we're eyeing using that for. So, we appreciate your work on that and your continued innovation to continue to listen to us and see what needs to be done to continue to refine those tools, so we're appreciate that work. Like many smaller communities in Nebraska, the city of York contracts with our county economic development corporation for economic development and housing work. We do not have a housing department or even an economic development department ourself. So, these county economic developments corporations are key partners for housing in communities like York and smaller communities; they're an important voice at the table. In York, super fortunate that I have an engine of innovation that I invited to be here today so she could be the one telling you about all these innovations. But she is at industry tours to retain our students as workforce, so she's doing her economic development job today. So, you'll just have to have me

here sharing some of those innovations with you. YCDC's innovations in housing finance have been recognized by international organizations and publications, and what I provided with you is one publication that was done by the International City/County Manager Association organization. So, the YCDC innovative financing that has won these awards and led to housing is very much built on the rural workforce housing funds. That's the backbone of these housing financing innovations. So, the first financing that was received was used to build the first multi-family housing system, multi-family housing units that had been built in York for years. So, it was groundbreaking to provide that housing. Now, once-- and part of what can happen at the local level when we have these tools is we can innovate to make sure they fit our community as well. So, I was a beneficiary of that first round of rural workforce housing funding, because Lisa Hurley, our YCDC innovative engine, made sure when she put that package together that she required them to, to allow at least some units to be rented month-to-month. So, when I got a job offer in York and was asked to come work in York, I had a place to live until I could find a house. Super important. You hear over and over again we try to hire someone, and then they don't stay because they can't find a place to live. So, that's an example of-- you know, again, having the tool, allowing the local community to innovate. Super grateful that she innovated that, that I took advantage of. Then, the next round that we received, we're working on an actual modular home development with Champion home builders in our backyard. So again, super important, really encourage you to fight to get those funds back. Also important that we use tax increment financing, also important to provide the, the micro-expedited tax increment financing. We've used that to bring on four additional rental units and a couple of houses, and some more-- other workforce housing. Very important, and super excited that you've innovated that tool, again, to allow us-- revise that tool to allow us to use it in more parts of our community. I also want to emphasize the importance of the DED economic development districts and, and their-- the ways they help us as communities. In my review of the new federal bill, I don't believe communities as small as York are going to get any of that money ourself. We're going to have to work with our economic development districts to work with the state economic development department, to get any access to that money for our housing. So, super important to do that. I have one other thing. I'll tell you about that if you ask me a question about it.

CLOUSE: [INAUDIBLE]

ROUNTREE: Thank you so much, ma'am, and thank you so much for your testimony today. Is-- was there another thing you wanted to share with us?

SUE CRAWFORD: Well, I just-- well, the SEND, Southeast Nebraska Development District, is our partner like that. And they actually have a program where they-- it's called a home lift program, and they take homes that are in a lot that's not going to be used and bring them and put them in a, a lot where they can be used. And so, we're working with them on one project where the home was previously used for child care as well, so we might get a double bonus if we're able to get that home brought to York and put on a lot there. So, happy to answer, answer other questions as well.

CLOUSE: Sorry. One question I have is, there's been a lot of discussion that I've, I've sat through meetings on the infill housing, and, and some-- and we did that a number of years ago. And what we found is the number we had, it was kind of skewed because a lot people would buy the lot next to them, so nobody'd build. Have, have you done anything like that in your-- in, in York?

SUE CRAWFORD: For infill housing, the one project we're working on right now on infill housing is working with SEND on those home lifts, to bring. It's, I would say-- another example of houses moving that, that wasn't this program but YCDC helped facilitate was, they were-- had some houses that were going to be demolished for a hospital expansion. And so, with the, with the revolving loans that we created from the rural workforce housing, that was used to finance moving seven homes that would have been demolished to the village of Bradshaw. So, imagine what a difference it makes to a village of Bradshaw to get seven houses like that is very important innovation. I also-- I gave you also a copy of the housing chapter out of our comprehensive plan update, just so you have some data to kind of see what it looks like in a smaller community. One thing I did want to point out there, on page 119, it shows where some of the gaps are. And I just want to reinforce what you already know is that key-- the key gap there is there for kind of middle- and upper-income housing. And even upper-income housing has some gap, too, so. I wanted to bring that to your attention. Thank you.

CLOUSE: OK. Thank you. Any other questions? Next testifier.

CHRISTY ABRAHAM: Greetings, members of the Urban Affairs Committee. My name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m, here representing the League of Nebraska Municipalities. I feel bad I've

cut off my colleague, Mark. I just wanted to get out of the row so Sue could sit back down. What I am passing out to you right now you have seen before, but I always think it's good to kind of come back to the basics when we talk about land banking. Land bank is a critical piece, I think, and a growing piece of this effort to find more affordable housing. So, as you can see from the handout, what the land bank does is it acquires, cleans, maintains, and disposes of vacant and dilapidated property. And many of you have heard me say this before, so I'm just going to say it again: I really think that the land bank superpower is that it can clear liens and titles off property so that a property that maybe was once upside-down financially suddenly is not, because all of those liens and assessments have been removed. I am looking at Senator Dan Quick; he was an important part of the land bank evolution. As you can see from the timeline, land banks were created in Nebraska in 2013. In 2020, they were expanded statewide. When land banks started, it was really only for Omaha. And I cannot give this committee and its staff and its chair enough credit for what you did this year for land banks. You expanded it in a way that was just extraordinary. You might remember it's been a year, I think, since we were here in Omaha, and we had folks from all over the state come to see you. I will never forget Michelle [PHONETIC] coming all the way from Bayard, Nebraska for her three minutes to tell you about how important land banking was going to be in the Panhandle. And there are now two land banks in the Panhandle, largely due to her efforts. And I think the quintessential thing that I remember her saying is, you know, right before you passed your bill in 2026, land banks had to have a member of the Chamber of Commerce on their board. And she said, look, friends, none of my villages in Morrill County have chambers of commerces; we can't have a land bank because we can't fill the requirement of who sits on the board. So, thanks to this committee's effort, we changed all of that and really expanded who can have a land bank. Again, another important change was you let any community to have a land bank. So, cities of the first class-- I'm looking at you, Grand Island, looking at your Kearney-- they can now have their own standalone land banks, and I know a lot of first-class cities are looking into that. So, I expect we're only going to see more and more land banks in the future. So again, thanks to this committee for all of your work on land banks. We'll continue to work on this. The League is grateful to be working with Senator Rountree on affordable housing, and we appreciate how supportive he's been of land banks as well. So, I'm happy to answer any questions.

CLOUSE: OK. Thank you, Christy. Any questions? Senator Quick.

QUICK: Well, I must have been, like, having, like, a-- I wanted to ask a question about land banks, like, from the start.

CHRISTY ABRAHAM: Oh, good. I'm here for you, Senator Quick. Ask your questions.

QUICK: And just-- well, I was-- you know, even some of the other testifiers, I was going to ask them if they'd utilized land banks. But then, then when you brought this up there, I thought, oh, my gosh. You know? So--

CHRISTY ABRAHAM: Yeah.

QUICK: And I know when we passed it back in 2020, there were a lot of things that needed to be fixed, and I'm glad we could fix those this last year, like you talked about--.

CHRISTY ABRAHAM: Yes.

QUICK: --because I think it was important, because a lot of communities couldn't really utilize it the way it was meant to be. Like, Omaha could utilize it, so.

CHRISTY ABRAHAM: Right.

QUICK: I don't know if there was any other thing you want to touch on, on on that, but--

CHRISTY ABRAHAM: No, I, I appreciate that, because I, I, I know you've heard this word a lot today about local decision-making, and it's just very true. What, what works for the Omaha Municipal Land Bank is great, and we're so glad it works for them. But it may not work for the four villages in the county of Morrill that are trying to form a land bank. It's just two very different things. And to sort of open up the law to allow that flexibility for local communities to do what works for them, it's just really so important. So, I, I-- I've heard back from some cities of the first class who are now seriously considering land banks after the 2026 legislation. So, I think there's only going to be more.

QUICK: OK. And then, the-- there were some that already had started the process or had established land banks. Would they be able-- would they try to change it a little bit from what they-- from what the new law says, or how-- would they just continue with what they have?

CHRISTY ABRAHAM: That, that is a-- that is a great question. The other land banks that are formed-- and please forgive me out there, land bank world, if I forget one of you. Obviously, Omaha is our mothership; they're the, they're the oldest and the largest. There's one in Fairbury area, the one in Falls City area, one in Norfolk, Scottsbluff-Gering, and then the communities in Morrill County. Since all of those were developed under the old laws-- so, they all have a partner. So, it's not just Falls City; they have another community that they partner with for the land bank. My guess is, in general, they are going to stick with that partner; they're not going to probably try to form a standalone land bank, because they've already formed. But I do think some of the provisions, such as having a little bit more flexibility on board members and allowing them to get board members outside corporate boundaries, I definitely think they're going to utilize some of those provisions.

QUICK: OK, all right. Thank you.

CHRISTY ABRAHAM: You bet.

CLOUSE: OK, thank you. Any other questions? OK. Thank you, Christy.

CHRISTY ABRAHAM: Thanks so much.

CLOUSE: Do we have another testifier?

CAROL BODEEN: Good afternoon, Senators. My name is Carol Bodeen, C-a-r-o-l B-o-d-e-e-n, director of policy and outreach for Nebraska Housing Developers Association. I had come mostly today just to, to listen. I hadn't really anticipated testifying, but I just couldn't help myself. It has been so encouraging to hear all of the things that the communities are doing to work on affordable housing. Appreciate Senator McKinney for bringing this up and allowing this conversation to occur, and for us to continue to talk about that. I think it has been a, a wonderful testimony to how much work Nebraska has been doing, and all of the many different things that you, as senators, have been helping us to do with all of the, the many varied things that need to happen to make housing affordable. I did want to just clarify that we were very happy that the workforce housing programs were extended last year with Senator Hallstrom's legislation, and that they were funded sustainably, now, for the next five years, through the additional $1 doc stamp tax. And that is going to be incredibly helpful to our communities. It, it will be a little bit before those funds become available; the doc stamp increase just went into effect in July of this year. And so, there will not be funding application

cycles likely until probably next year, as those funds build up. And then, the Department of Economic Development is able to, to put together those application cycles and that again. But I think it has been-- I love hearing what the communities have been doing with those over these last years. The other thing that I wanted to bring up is that I think it has been such a great example of how a lot of these things happen because you have a community champion, you have someone within the community or, or a coalition within a community that really takes on housing, such as Chad, such as the, the person from Columbus. And I apologize, I'm not saying that I can't say the name, but-- that's really what makes these things happen. And we do thank you as a Legislature for giving us these tools and, and helping to do things that incentivize these communities to make use of these. So, the land banks, the, the, the micro-TIF, the, the zoning, all of, all of those things, the community improvement districts, districts, just everything. So, like I said, I didn't have anything prepared, but I did just want to add to the conversation and highlight the great work that is being done in Nebraska. When you turn on the radio, when you turn on the television, when you go to the dentist office, which I just did this week, you hear people talking about housing and people not being able to afford housing. And so, it's a, it's a much bigger picture than just us here in Nebraska. But Nebraska is doing a lot of things to, to do what it can to help in this issue, so.

CLOUSE: OK.

CAROL BODEEN: I'll end there, and, and if you have any questions, I am available.

CLOUSE: Do we have any questions for Ms. [INAUDIBLE]? No? OK, thank you.

CAROL BODEEN: All right, thank you so much.

CLOUSE: Oh, just a second.

ROUNTREE: Thank you, Vice Chair. As you're commending everyone else, we want to commend you as well. There's a lot of collaboration, and we'll continue to move this forward and get people into homes, affordable homes. So, thank you for all of your contributions as well. Thank you.

CAROL BODEEN: Thank you so much. Appreciate all of you.

CLOUSE: Yep. OK. Yeah, thank you. And one other comment was, not everybody appreciated the doc stamp increase. We know that. Next testifier.

KEN EDWARDS: All right, good afternoon. Chairman McKinney, Vice Chair Clouse, and members of the Urban Affairs Committee, my name is Ken Edwards, K-e-n E-d-w-a-r-d-s. I appear on behalf of the Nebraska Investment Finance Authority as housing policy and legislation manager in a neutral capacity to assist the committee study under LR417. NIFA was created by the Legislature in 1983 to grow Nebraska communities through affordable housing and agribusiness. Our vision includes leveraging resources, data, knowledge, and technology with statewide partners. To that end, we have intentionally strived to put a digital infrastructure for housing and community data in place. LR417 asks how Nebraska can expand housing access and improve transparency in public housing investment. From NIFA's perspective, the requirement is a shared public set of data points, structured the same way for Omaha, for Scottsbluff, and every census tract in between. That is why Nebraska built the profile of Nebraska at nifa.mysidewalk.com. A city administrator, a nonprofit, a lender, or a resident can choose one of four public reports: housing, demographics, economy, or quality of life; select a census tract, county, or place, and overlay an opportunity zone or qualified census tract where those federal designations matter. The dashboard is then emailed to them. No data science staff is required. These reports use more than 150 indicators from 27 sources. The sources are the public record of the-- of American housing policy. The Census Bureau American Community Survey data, HUD files, including CHAS and low-income housing tax credit data, the Bureau of Labor Statistics' Employment and Wage series. And mysidewalk does not invent the numbers; it acquires them from the originating agency, cleans and geo-references them, harmonizes tracked boundaries across years, and publishes the source and the calculation which-- with each indicator. Standardized methodology is the point. Cost burden means the same thing as-- in Lincoln as in Lexington: housing costs at or above 30 percent of income consistent with the HUD convention. Vacancy, tenure, and unit counts use the same definition statewide. Quality checks separate missing datas-- data from zeros, confirm that tracts roll up to counties, and flag year-to-year breaks caused by boundary changes rather than the market. That is how a public dashboard stays an accountability tool instead of an argument. The same platform hosts the Nebraska Strategic Housing Council Progress Dashboard. It is a living record of the 2022 strategic housing framework, not a one-time report. It updates as new ACS, census, and BLS releases arrive. In fiscal year 2025, NIFA also

produced 128 custom partner reports, 60 of which were housing-related. Transparency, for us, means data is public, the methods are documented, and a small city can see the same tract-level picture as a metropolitan department. LR417 asks how digital infrastructure can improve transparency in housing-related public investment. NIFA's answer is already running standardized, sourced, public-facing dashboards in the hands of the people who develop units and write policy. I'm open to answer any questions, and you can reach us at research@NIFA.org.

CLOUSE: OK, thank you, Mr. Edders [SIC]. Do we have any questions? Senator Quick.

QUICK: Yeah, thank you for being here. I do have one question. Because I know-- like, I talked to our economic development director in, in Grand Island, and, you know, we were talking about the qualified census tracts. And the last time they did the census, we had a lot of people who didn't fill it out. And so, it misrepresented Grand Island, especially on income level, because it showed that we weren't the lower in poverty level, like we've always kind of been. And, and then I think that meant that we didn't qualify some-- for some of those-- that funding, so. Is there some way that cities can--

KEN EDWARDS: If, if they get the surveys, please fill them out. Otherwise, like, I mean, if there's a way that-- ways that we could survey the citizens otherwise, that would be great. I grew up in Pawnee County. It's, like, the sixth-poorest county in, in Nebraska, and we didn't even come close to qualifying. And so, it just didn't make any sense to me. But yeah, I, I can look into it and follow up with you with some strategies on how to address that.

QUICK: Yeah, thank you.

KEN EDWARDS: Yeah, of course.

CLOUSE: Thank you. Any other questions? OK. Thank you, Mr. Edwards.

KEN EDWARDS: All right. I appreciate it.

CLOUSE: Do we have any additional testifiers?

MARK STURSMA: Good afternoon. It's an honor to be here, especially in the midst of some people that I really admire for their work in housing. My name is Mark Stursma, M-a-r-k S-t-u-r-s-m-a. I'm here representing the city of Papillion. My current role is deputy city administrator. Previous to that, I was the planning director, and I

work very closely with our, our building departments. I want to share with you some of the things that we've been doing in Papillion to address the cost of housing, and also what we've been doing to try to promote some diversity in housing. And then, maybe plant a couple seeds of things that we would like to see done at the legislative level. The, the first one is trying to make it easier to use the IRC, which is the International Residential Code versus the IBC, which is the International Building Code, for housing. Especially the missing middle scale of housing. The IRC tends to rely more on separation of units versus fire sprinklers and other technologies for, for safety purposes, and that tends to bring the cost down. So, when you're looking at missing middle housing, we're looking a duplexes, three and fourplexes townhomes. If we can do it under the IRC, it tends to really help bring the costs down on that. We've been watching closely what they're doing in Memphis, Tennessee. They're a national leader, or recognized as a national leader in some innovative code, to further promote that. We've been working on how do we handle some, some pre-approved building components. We have a project in Papillion that's being conducted by Hoppe Development where they proposed some prefabricated restrooms that went into the apartment building. It would have been easier for us to say no. It-- that's not something that we had the ability to inspect. They come on site, they're pre-constructed, they're-- the walls are sealed, so we can't see the plumbing or the electrical. But we wanted to say yes, so we sent an inspector to South Dakota where those units are made. They watched a, a unit get constructed, they documented that. That gave us the ability to certify those units. And then, since then, we've been in communication with that company. We have a process in place where they can send us photographs or video to show any changes, and we can certify that. One of the things that might be helpful at the state level is more allowance-- more reciprocity so that it's easier and, and obvious how to allow those types of units that are built out of state, possibly under different codes, to, to be permitted in our state. Also, thinking about pre-approved plans, we don't have plans that are, that are pre-approved in the sense that if you bring them in, they're automatically approved. But we do have a process where if you tell us you're going to reuse a set of plans, that you plan on building the same building multiple times, tell us, we'll flag it. And then, when you come in for a second time, we will-- we can skip the, the, the review process for that building. It doesn't dramatically reduce the cost of the permit because the, the plan review is only a small part of the permit, but it does save time. It can save days or even weeks because we skipped that process. And time is money when it, when it comes to development. We recognize that. I think we've been

somewhat creative in how we-- or, or innovative in some of the zoning tools that we've adopted to help us with this type of housing. When you think about the missing middle housing, it-- it's, it's more about the scale. Like I said, it's the two- to four-plex, maybe even up to a six-plex or townhomes. Sometimes, that doesn't fit neatly into traditional zoning regulations. We have a project in Papillion, maybe you're familiar with it, called Bungalows on the Lake at Prairie Queen. If you, if you really look at it, it's an, it's an apartment project, but it consists of mostly four-plexes and townhomes. We use what we call mixed-use development or mixed-use zoning, which is zoning by agreement. It let us write the rules for that project versus try to make that, that project, you know, bend to match our, our current zoning. So, we think flexibility is really important, and having tools that let you be flexible is really important. Other tools that we've used is using the PUD, the planned unit development, to create exceptions. We've allowed a housing project in our downtown business district which has zero setback requirements, it has no parking requirements, and that's really allowed some flexibility. And we have some new zoning being proposed. The last two things I want to quickly mention, moving towards digital permit software to speed up the time of plan review and permits being issued. And then, the last one we think would be very helpful: we currently have to enforce two separate fire codes, NFPA and the IFC. We would like the state to allow us to only have to enforce one. We think that will solve a lot of conflicts, it will speed up the time to review, and, you know, we think that we'll help our developers. So, with that, I'd be happy to answer questions.

CLOUSE: OK. Thank you. Any questions? OK, Senator Rountree.

ROUNTREE: Thank you so much, Vice Chair, and thank you so much again for testifying today. And could you talk about where you are in the process of the digital permit review? How are you moving along with that? That would take a lots--

MARK STURSMA: Yeah, yeah. So, we're, we're moving incrementally. We, we adopted-- it's a-- not to give an advertisement, but it's the same software package that Omaha uses. It's called Accela, and we use that for building permit applications. We've recently expanded it. And it's not cheap, and it's not overnight. You know, it's a process to do that. But we've expanded it to make it easier for customers to make an application. We've expanded the number of, of permit options or permit types so it's clear what you're applying for. We have expanded the review module so that all of our departments can be in the same file at the same time, make comments at the time. That's really helped to

speed up the, the, the timing of review. And as I mentioned before, time is money when it comes to developers. We're-- our next step is to add the planning module, and we plan to add the fire module so all of our departments that are issuing permits are on the same software. And, and really, that's going to help in and of itself, but we're, we're really trying to do is prepare ourselves so that when new AI tools come along, to even further speed up the, the review time, we're ready.

ROUNTREE: All right. Thank you so much. Appreciate it.

MARK STURSMA: Thank you.

CLOUSE: All right. Any other questions? OK. Thank you.

MARK STURSMA: OK, thank you.

CLOUSE: Are there any other testifiers on this? OK, Senator McKinney. Is he here? Oh, I didn't see--

McKINNEY: Thank you, committee, and thank you to those who came to testify. The purpose of LR417 was just to have a conversation about how we can continue to be innovative as a state to address the housing crisis that we're dealing with across the state and across the nation. And I was good to hear that there was some progress being made as far as innovation in areas across the state. And hopefully, you know, going forward, maybe put something else on the table that could assist in being helpful and innovative in trying to move things in a better direction. And with that, I'll take any questions.

CLOUSE: OK, do we have any questions for Senator McKinney? Lot-- I, I agree there's a lot of good comments here, a lot of-- everybody working together, and a lot of, lot of great information, but-- OK, well, with that, we'll close out LR417. We had 1 comment submitted, no ADA. So, with that, we'll turn it over to Senator McKinney for LR418, which is an interim study to examine inland port authorities, how inland port authorities correctly-- or, currently operate, and the progress of inland port authorities in developing land infrastructure and opportunities in the area of the authorities. Senator McKinney?

McKINNEY: Thank you very much. Thank you, and good afternoon again, Urban Affairs Committee. My name is Terrell McKinney, T-e-r-r-e-l-l M-c-K-i-n-n-e-y, and I represent District 11. Today, I'm here to open on interim study LR418. LR418, introduced by the Urban Affairs Committee, is an interim study to examine inland port authorities, how inland and port authorities currently operate, and the progress of

inland port authorities in developing land infrastructure and opportunities in the areas of authorities. To provide a quick background, an inland port authority is a specialized local governmental entity established to develop regional trade, manufacturing, and logistics hubs away from traditional coastal seaports. By integrating multimodal transportation networks such as freight, rail, interstate highways, and air cargo facilities, a port authority aggregates land and coordinates financing to transform underutilized areas into major commercial engines for distribution and economic development. Enacted under the Municipal Inland Port Authority Act, inland port authorities provide municipalities with a dedicated framework to promote economic development, attract commercial and industrial development, and strengthen local infrastructure to review their operational milestones, evaluate the effectiveness of available statutory tools and financing mechanisms, and identify obstacles impacting project delivery. This study allows us to assess how state and local policies can better support port authorities in securing capital, expanding infrastructure, and driving long-term economic opportunities for our communities. Today, we have invited representatives from Nebraska's designated inland port authorities to share their progress, discuss operational challenges, and offer suggestions to-- on optimizing our state's inland port authority framework. I look forward to their testimonies and all that they can provide. And with that, I'll answer any questions.

CLOUSE: OK. Do you have any questions for Senator McKinney? I, I have one. We have five, and I think-- didn't we authorize a couple more? Do you know if we've got any more of the-- administered?

McKINNEY: I think we authorized up to six. Was it six? Yeah, I think so. So, North Platte, Fremont, Omaha, and I'm missing a couple. South Sioux City is looking at one. Bellevue.

CLOUSE: But Grand Island has a--

McKINNEY: And Grand Island, yeah.

CLOUSE: [INAUDIBLE] of theirs?

McKINNEY: Yup.

CLOUSE: They have a flight? OK. Yeah, OK. Any other questions, comments? OK. Thanks, Senator McKinney.

McKINNEY: No problem.

CLOUSE: OK. Testifiers. Open it up for discussion.

GARRY CLARK: All right, Chairman, members of the Urban Affairs Committee. I was going to say good morning, but I'll say good afternoon. My name is Garry Clark. I serve as the executive director of the Omaha Inland Port Authority. Thank you for the opportunity to testify on LR418. The best way to describe our first 14 months is that we have moved from establishing a port authority, activating and establishing economic platforms for north Omaha. North Omaha matters. The Legislature gave OIPA tools to connect land, infrastructure, housing, business recruitment, innovation, transportation, and financing in a part of Omaha where targeted investment can create a significant economic multiplier. Our responsibility is to turn those tools into visible outcomes: jobs, businesses, housing, entrepreneurship, infrastructure, and private investment. In 14 months, we have built the organization, expanded our team, completed over 900 stakeholder engagements, launched an impact fund, established $1.2 million of revolving loan funds, created a conduit bonding framework, strengthened the community advisory committee, and built partnerships with local and state and national entities. At 30th and Ames, we have established and assembled more than 20 parcels representing approximately 6 acres for the innovation district. Our work with HR&A Advisors will produce the strategic action plan in December, giving us the framework for land use, financing, development, and implementation. We also have a growing pipeline of north Omaha and Omaha organizations that have initiated letters of intent to become tenants or partners while we continue engaging private and for-profit entities that could serve as anchors and bring jobs, investment, and sustain commercial activity in the district. One of the most exciting opportunities is the Creative Construction Campus. Our vision is to create what we believe can be or become the first-of-its-kind national campus, bringing together Alquist 3D, structural insulated panel technologies, research and development, working, training, and entrepreneurship. We have begun by working with Metro Community College, UNO, UNL School of Architecture as well. The goal is not simply to train people for jobs, but to create contractors, builders, developers, and more. And so, the goal here is to create more than just housing but commercial construction. That's the kind of multiplier we want the public investment to create. So, housing is another area where we're working against a clear statutory timeline. OIPA is required to support 20 single-family homes, as well as 150 additional multi-family homes within the applicable deadline. We're rolling out a $3 million fund to support housing development within the boundary, and investment to developers, land,

infrastructure, innovation, and private capital. Through our impact fund, we have invested dollars of $600,000 with $300,000 being awarded in north Omaha, with north Omaha businesses and housing developers. Airport Business Park is also a major responsibility for OIPA, as we serve as the grantor for the $90 million investment. We are now down to the last three payments there. Our development partner has advanced property acquisition as landed projects that can begin generating jobs during the initial phases, while the larger parcels take a little longer to develop its timeline. As the grantor, we have requested them to emphasize community benefits agreement, site plan execution, and measurable jobs outcomes, as well as community engagement. Long-scale industrial development takes time, but job creation and community benefit do not have to wait until the, the entire park is built. Last but not least, I want to talk a little bit about the other tools and frameworks that we have secured. So, beyond just our own district, we've been able to visit and engage with San Antonio, Salt Lake City, Kansas City, for best practices. We've also put together weekly and monthly statewide port authority meetings. And beyond that, we've found that we may be able to reengage the Missouri River for barge, barge dock and multimodal transportation access. And I think that is something that we find across the country, that ports and the board-- the broader maritime companies, they support millions of dollars of jobs and trillions of dollars of economic activity. We believe that north Omaha should be positioned to participate in that long, larger economic network. So, the last phase is clear that vertical development of the innovation district is part of this, as well as the nationally-significant Creative Construction Campus, job creation at the Airport Business Park, the, the housing components, and capital for businesses and private sectors in north Omaha. This is not disconnected; all of these pieces are tied to an economic strategy that we think trigger investment in north Omaha. Last but not least, I want to close by saying thank you to Senator McKinney, this committee, and the Legislature for creating and strengthening Nebraska's inland port authority framework. You've provided communities with a tool that can multiply public investment and help us to move things forward in these communities. Last but not least, OIPA looks as this-- looks at this to say, real investment, real change, right now. Thank you.

CLOUSE: OK. Thank you, Mr. Clark. We have a-- Senator Quick.

QUICK: Yeah, thank you. So, like, the, the funding. I know there's some federal funding that comes in, right? And then, is there-- there's state and local dollars, and then does that go in? And then, is there applications for the funding, and how is it distributed?

GARRY CLARK: So, it initiated with, with federal dollars and ARPA funds. And then, recently, in the last few years, it defederalized. And so, right now, the money that we have received came to us almost a year and a half ago from the state, and that's all the money we've received in that time, just the $120 million of investment that's all come from-- directly from the state. There are interest funds that we initially received. We did not receive the whole swath of that. But those dollars can be granted out, they can be loaned out, they can used for investment in property and beyond.

QUICK: OK. And, and, and they're not allowed to, like-- I mean, you can't-- you don't have taxing authority. So, I mean, you--

GARRY CLARK: We do not.

QUICK: But can people, like, what do I want to say, donate money to inland port authorities? Or how does that--

GARRY CLARK: So, there, there is an opportunity for private philanthropic companies to do that. They, they can provide that as well as for-profit entities. They can collaborate with us. It depends on their model, but yes, that's, that's an opportunity.

QUICK: OK. Because I could see that being helpful for certain communities who are, are, you know, developing their land bank, and there's, there's not those funding sources to start with. You're going to have to have local investment, probably, to get them started.

GARRY CLARK: Senator Quick, I think you're right on. I think there's, there's a, a play here where you can balance out some collaborative partners who can bring their funds to the table, and you can kind of build out your gap. And we have a gap right now with the Innovation District. I would say, depending on how we stack that capital, we're looking anywhere between $7 to $20 million just to close that gap. So, we'll be looking for those partners, too.

QUICK: OK, all right, thank you.

GARRY CLARK: Thank you.

CLOUSE: Any other questions? Senator Rountree.

ROUNTREE: Thank you so much, Vice Chair, and thank you so much, Mr. Clark, for your testimony today. How-- what has been your greatest challenge in-- I know we talked about funding. But as you're

collaborating now and getting things together, what has been your great challenge in moving progress forward with this IPA, Omaha IPA?

GARRY CLARK: I, I wouldn't say it's a, a challenge as much as it's probably a confusing point for us, is utilizing the statute where there are dollars promised to us beyond just the $120 million. And it's probably not my place to speak to that deeply, so the senator's here. But they're dollars that would have helped us to trigger more grants to the community, also initiate more funding for projects like housing and development. And last but not least, I'd say the other component-- which is an opportunity, because I think a challenge can be changed, right?--

ROUNTREE: Absolutely.

GARRY CLARK: --is our boundary. And so, we've, we've looked at that as a key cog for our community trying to get funding from us, but our boundary is only 3,000 acres of land. And so, it actually does not include the full north Omaha area. Those have been the few items for me, and I'm sure the senator has his own thoughts on that, so.

ROUNTREE: All right, thank you so much, Mr. Clark.

GARRY CLARK: Thank you.

CLOUSE: Any other-- Senator Quick.

QUICK: Yeah. So, I should probably know this already, but when setting the boundaries, and-- or, if you're going change the boundaries, how does that work? Does it have to be the city, or?

GARRY CLARK: So, great question. So, the statute allows for the city of Omaha city council to approve a boundary expansion. However, I think our board would have to make a proposal, and then city council would have explore that. I believe, at the end of the day, the Unicameral has the authority to, to make changes above that, but it, it starts there.

QUICK: OK, all right, thank you.

CLOUSE: Any other questions? Thank you, Mr. Clark.

GARRY CLARK: Thank you.

MARK COULTER: Thank you. Members of the committee, good afternoon. My name is Mark Coulter, M-a-r-k C-o-u-l-t-e-r. I am an attorney from

Kansas City, and I'm here at the request on behalf of the Omaha Inland Port Authority. Thank you for the opportunity to share my experience with port authorities as Nebraska reviews the new-- these newer entities for you all. For a little bit of background on me, I'm in private practice in Kansas City now. I represent approximately six or seven different port authorities across the Midwest, from Nebraska to Kansas, Missouri, and I even have one in Arkansas that I've engaged with as well. And one of the reasons I represent-- or, I work with them is because, prior to entering private practice, I served as general counsel of Port KC for over a decade. So, I'm here to share some of my experience, some of my thoughts, learning about different-- working with different port authorities, working with different port authority statutes throughout the time. While I port-- while I was general counsel at Port KC, we incentivized over $26 billion in private capital, private construction. That was one of the greatest economic development tools that Port KC developed. If I take a data center out of there, it only goes down to about $2 billion. But still, $2 billion worth of regular, privately-- 100% privately-funded construction projects and economic development projects has provided a significant impact to Kansas City. I helped draft much of the legislation, and my experience with Omaha goes back to last January when I was engaged, but it actually goes a little bit back further, because when Nebraska was looking at passing the port authority statute, they came down to Port KC, and as was the-- as is the Port KC model, we helped out and gave our feedback and gave advice as best we could. Fast forward about five or six years, I've now got the opportunity to work for them, and it's been very, very rewarding and exciting. I'm going to start off with just kind of a, a blanket statement that port authorities are transportation agencies with economic development capabilities. Garry already-- Mr. Clark alluded to that, but the real economic development in my experience now, approximately a little bit over 20 years experience in economic development-- transportation and economic development go hand-in-hand. Yet, when you look at most states, they have an economic development department, DED, whatever the form is depending on the state, and the transportation, and those two don't generally talk to each other. But when you look at port authorities, they are uniquely situated with the capabilities to walk in both worlds; use transportation, use the infrastructure from transportation to provide economic development growth. And with port authorities in particular, using the revenues that they can generate through economic development activities to fund transportation and infrastructure plays. And that's, that's very important because port authorities, as Senator Quick mentioned, do not run on tax revenues. They are an enterprise agency, so it's, it's

effectively an eat-what-you-kill organization, but at ones that needs to operate with an entrepreneurial enterprise agency's mentality. Port KC was the best example of using that. When we started-- when I started there, we were a small entity, approximately four to five staff members. We had just separated from a larger umbrella organization. And frankly, we had to figure out what the heck a port authority was, and what we could do with it. And we looked at the-- we looked at our own legislature, which Nebraska's is very closely mirrored on. It's fun reading another state statute and kind of recognizing some of the-- some of, some of the statutes that I might have originally had a little bit of input in. But generally, as mentioned, they do not focus on tax revenue. They draw on a range from-- they draw on a range of revenue sources, including owning leasing property, port activities, and economic development fees tied to incentives. This last point is key: a port authority can encourage private capital to be deployed in areas where it has not regularly been deployed. Port KC's port zone-- port district, for example, covers the entire city of Kansas City. OIPA's is focused on north Omaha and using those tools. The, the idea is not only to grow on the capitalization that OIPA was originally given with its statutory mandate, but then look at self-sustaining models and making sure that the projects that they take on eventually throw off revenue, that-- which can, which can then be directed into other opportunities. One of the other things a lot of people don't quite understand is a port authority really looks at things beyond an electoral or even sometimes a business cycle. An electoral cycle is anywhere between two and four years; a business cycle can be five, 10, 20 years based on the-- based on the financing. But if you're looking at long-term infrastructure play, if you're looking at generational impacts, you really have to kind of look a little bit beyond that. I see the blinking. Couple other high points, and then I'm, I'm really hoping we have some good dialogue. That's where I'd kind of prefer things go. All port authorities are different. Not one is the same. They are all creatures of their local politics, of their local community, and are only-- and can only be as effective as that community empowers them. One of the things-- one of the best things I've seen about OIPA is the deliberate way their board was, was constructed and appointed. Every member serves a role. And I've worked with good port authority boards, I've work with port authority boards that aren't as good as those good port authority boards. And when there is intention, and when the whole board, even though they might not always agree on everything, when they realize they're looking at the greater good at the longer-term play, really good things can happen. And I-- and we're already seeing it out of Omaha. And frankly, in my experience, this is one of the

fastest-growing, best-organized ports in the Midwest. It's a, it's a, it's a-- it's really a credit to what the city of Omaha and the Nebraska Legislature has done. So, I will commend you all there--

CLOUSE: OK. Thank you.

MARK COULTER: --and I see the blinking is about to stop.

CLOUSE: It's blinking, yep. Senator Quick.

MARK COULTER: Happy to answer any questions.

QUICK: Yeah, thank you. So, so in Grand Island, I know they're applying for a port authority, inland port authority. And it's through the economic development corporation. Now, when they establish their port authority, is that a separate board, or are they-- can it be part of their economic development board? Or how does-- because right now, our chamber and our economic development corporation, they're all in one office, and they actually are work-- they became one office, basically.

MARK COULTER: Yeah, that's a great question. To be clear, I am not-- I am not a Nebraska licensed attorney. I'm licensed in Missouri, so I'm serving in an advisory role. Going back to how I believe the, the Nebraska statute is, is constructed, the, the-- it could. I think, again, that kind of goes back to what is the purpose, if there's-- if there is a dire-- desire with the economic development corporation, with the chamber, to utilize some of the tools, then absolutely. You want to have some sort of nexus so that it can become a smoother operation. Port authority is another tool in the toolbox, usually. And how it's-- how those tools are used are dependent on the locality. It was kind of the last point. It's whatever the community wants from its port authority, if it can empower it, if it can give it the opportunity to utilize those tools to encourage that private capital. Because that is really kind of boiling point, is you want to get people to spend money where they haven't spent money before, whether it's on a new barge terminal, whether it's on a streetcar for, for Port KC, or whether it's invest in a particularly disinvest-- in a recent-- in a regularly disinvested neighborhood. How do you want to leverage the tools? What's the appetite?

QUICK: Yeah, yeah. And I know Grand Island decided to-- hopefully they get one. I mean, they've applied for one, so. I know it'd be, it'd be important to our community and really our county, too. And really, the area. So, the whole area would, would benefit from that, so.

MARK COULTER: A lot of it comes down to the political control. It just goes back to the community. If-- in doing my research back when I was at Port KC, the entire first appointed board were all sitting city council members. I may or may not recommend that based on the city council, but you know, it's, it's-- again, it all goes to the locality. Port NOLA, New York, New Jersey, LA, Long Beach, Columbus, they all have different-- they all have different rules under which they play, because that is what their community has decided is needed for those entities to be effective.

QUICK: All right, thank you.

CLOUSE: OK. Thank you. Any other questions? Senator Rountree.

ROUNTREE: Thank you so much, Vice Chair, and thank you so much for sharing your knowledge and testimony, and also for all the port authorities you work with. You said in Kansas City, their-- theirs is the entire city--

MARK COULTER: Yes.

ROUNTREE: --as an authority. And others of us in Nebraska, I think we are different parts of our cities and lands, and so forth. So, it's the cities that determine what portions is going to be their port authority, versus--

MARK COULTER: How the port authorities are, are established vary from state to state. They're-- I don't know of any that aren't state-enabling legislation. In Missouri, the entity forming it-- so in that case, it was 19-- it was the late '70s. The city determined that when they applied in, in Missouri, the application then goes to the Missouri Highways and Transportation Commission, so the MoDOT board. When the application is submitted by the legislative body wishing to create one, they determine the boundaries in their application. So, they stated this will be the corporate limits of-- corporate limits of Kansas City, Missouri. That's not always the case. And even in, even in Missouri, there are some that are limited to the riverfront. St. Louis city, for example, does not-- is not the entire city limits-- corporate city limits of St. Louis. It is just along the riverfront in a designated boundary. So, it, it-- again, it-- keep-- I keep reiterating, that's what St. Louis city has determined is the scope and range of what they want to do. Now, there's always discussion. Well, we would like them to do more; can we use those tools in other places and then leverage the revenues that those tools generate to go

to the other places? I would always advocate yes. Don't leave a-- don't leave a good tool in the toolbox. Put it to use.

ROUNTREE: Thank you.

MARK COULTER: Did I answer your question?

ROUNTREE: Yes, sir.

CLOUSE: OK. Senator Andersen.

ANDERSEN: Thanks, Vice Chair, and thanks for being here. I don't know if these questions are most appropriate for you. If not, just say so. I'm certainly not an expert on inland port authorities. I'm kind of trying to go back and figure it out. This one was created in 2021 statute, is that right?

MARK COULTER: I would have to-- I don't, I don't remember off the top of my head.

ANDERSEN: OK. [INAUDIBLE] the investment--

MARK COULTER: I was engaged at the beginning of '25. '24? 2024.

ANDERSEN: OK. All right. You made the comment that it is-- I think it was you that said that it's anchored by transportation with economic development. Right? That was your comment?

MARK COULTER: Yeah, there-- traditionally, they're they're reviewed as a transportation agency that has economic development capabilities. Correct.

ANDERSEN: So, the challenge I have-- and you can educate me-- is, $120 million is the investment, right? $90 million, and an additional $30 million.

MARK COULTER: I believe that's correct.

ANDERSEN: OK. So, I look in the document provided by Mr. Clark, and I know that you're not him, so this isn't your work. But it doesn't really say anything about transportation anchor. It does mention the Missouri River and barge operations potentially in the future, and, and all that. And I guess it also talks about the impact fund; it was $3 million for housing development. I don't see a-- I don't see a nexus with transportation. I see a lot of discussion about potential

engagement, potential development, potential partners, and all that stuff. So I, I guess I don't know what $120 million buys you.

MARK COULTER: I, I can't, I can't speak to that directly. I'm, I'm here just kind of about port authorities in general. And again, it goes back-- those were the mandates that the Nebraska Legislature and the city council, and consequently the board, determined were going to be the priorities. Port KC did not even have a port, operating port, until 2015. If you do the math, I started in 2011. We had no transportation role whatsoever. That was something that we grew into when, when we realized we could leverage our tools to impact not only economic development, which is kind of where we were focused, but also-- one of our big-- one of our biggest mandates was redoing the riverfront in Kansas City. And if you hear about it now, it's a huge overnight success, but I always kind of chuckle and give it a caveat: it's a 40-year overnight success, because there were 30 years of work done, and then nothing happened until we took a more entrepreneurial mindset and started leveraging the capabilities we had on the land holdings we had. So, I know that doesn't directly answer your question, because it's, it's-- I'm-- that's, that's not my role. Mine is more of an organizational, experiential, broader picture of what a port authority can be. But again, it all goes back to what the locality of the port authority determines is within their scope, within their mandate, and within their priorities.

ANDERSEN: Thanks. I-- and I appreciate that. I guess from where I sit, I look at, what is the return on the investment for the taxpayer dollars?

MARK COULTER: Oh, that's a-- that is a fantastic question, and it was in my talking points that I couldn't get to. One of the things is the ROIs on these cannot be measured in two years, three years, four years. And that's hard in today's political climate. There is, there is an-- there is an, from what I've seen, again, going back to my not-quite-30 years experience in government affairs and politics. I started in cap-- on the Capitol Hill in Washington, D.C. and proceeded to work my way to about as local as you can get, which, which is port authorities. But one, one of the-- one of the things I've seen throughout is that our collective political foresight is really short, so we need to see something now. We need to see activity, we need to see motion. And I always caution the people I advise that that is not a true scope of what a port authority can do, because generational impact does not happen overnight. So, it might take two, four, six years.

ANDERSEN: Sure.

MARK COULTER: I'm currently working, still working with Port KC on a project that, when we undertook it at Poor KC and I was on staff, I went on the record saying we need to realize this is a 40-year project; this is not a 2-year project, this is not a 5-year a project. When you undertake something as big and with as much potential, you have to caution patience, because nothing can happen overnight. I mean, there's just too many obstacles, there's too many-- there-- I don't want to-- there are too many difference of-- differences of opinions for it to be measured, this works, this doesn't, in such a short time frame.

ANDERSEN: Yeah, I'm not that-- I'm not that short-sighted. And I do understand timelines, I do understand things don't happen overnight. I guess maybe what I was looking for that I'm not really seeing is, here was the projected timeline, here is the money that has been invested, $120 million, here's where we're at, here's what we're investing in, here's we think the return's going to be, and really looking at the project management of the overall effort. And that, I guess, I'm not seeing. But thanks. I appreciate your time.

CLOUSE: I do have a question very similar to those lines. You'd mentioned, talking about as an enterprise agency, some of the different revenues that come in. When I was looking at-- and this was a report from the State Auditor back in April of 2026. And I was-- and I was looking at the year end 2025, and the revenues coming in were basically grants and interest. So, what type of-- and you kind of mentioned some of those revenues, and I'm thinking where you're going with this, in tying in with Senator Andersen's, a lot of these other revenue streams come in before you hit the big one, transportation or whatever. Can you tell me what some of those revenue streams are?

MARK COULTER: Sure. Land hold. For instance, at Port KC, one of the legacy projects we had was we inherited the land holdings for a former BRACed Air Force base. Richards-Gebaur, for those of you who are old enough to remember when Richards-Gebaur was an active Air Force Base. That was a pre-EPA Cold War base that had significant environmental challenges. And prior to the iteration of Port KC now, it had been treated as a bit of a cash cow. So, it was land holdings, and it was class-C warehousing, if the sun hit it right on a good day. It was class-C holdings, so it was a steady revenue stream. One of the things we did is we started empowering our tenants to make their own improvements, giving them, giving them rent breaks, giving them opportunities to improve the facilities so that when they were ready

to move on, we had a-- we had a better facility than we did before, we were able to raise the rent. And all by helping our tenants grow. So, that was something we inherited before our time, but it threw off no increase in revenue, no, no significant-- it, it was a cash cow, and we treated it as such. Once we started treating it as an investment, looking at it from a private developer standpoint-- and that's really what we did. We took on a private developer management oversight, and started making those traditional investments. If we had to pick up the bill, we would. More often, we didn't have the revenue to do it, so we encouraged our tenants to do it by giving them a break on their rent. And-- but that, but that was something that already existed. The riverfront, for example, was transferred to the port authority within the first month after I started, and it still took us four years until we found our first project to locate there because in Kansas City, we-- and if I had a nickel for every time I heard this-- we just don't do waterfront development in Kansas City. We don't understand it. The Missouri is brown, it's muddy, it's gross. We've never done that before. When we had our first opening of the first people living on the river in Kansas since 1885, that was in 2015-2016 time frame. That was the first-- it, it had been over a, over a century since anybody had lived there. And I saw one of our local bankers walking around. I still remember the name tag. I said-- I know what institution it was. And he's walking around, oh, now I get it. I love that project, because it was the first. But it's nothing but a Texas wrap, if you're familiar with that type of multi-family housing. It's a nice facility, courtyard in the middle, a pool, amenity areas. It was a traditional suburban-style multi-family development, but it was ours, and it was the first in over-- after 40 years of work to get that done. Now, the first woman-- the first purpose-built women's stadium in the world is located there. There are going to be over 2,000 people living there by the end of this decade. That all happened with little bits here and there. And that, and that property started at-- with a 60-- approximately $60 million worth of remediation funds put into it because it had been a pitch distillery, hydrocarbon-polluted property at the turn of the 20th century that the city then dumped construction debris from a civic project that-- civic tragedy that happened. So, they put the roof tiles of Kemper Arena-- if you're old enough to remember what happened there, when the roof collapsed after a storm. They dumped all the asbestos tiles into the ground. They turned it into a landfill. And what we did was we cleaned it up. But again, 40-year overnight success. It takes time.

CLOUSE: OK. Thank you. Any other questions? Thank you.

MARK COULTER: Thank you. And I will submit my written testimony so you can have it.

CLOUSE: Thank you.

MARK COULTER: Mm-hmm.

JIM HAWKS: First of all, I appreciate the opportunity to come and talk to you folks today. My name is Jim Hawks, J-i-m H-a-w-k-s, and I'm currently the chairman of the Nebraska International Port of the Plains. Again, I appreciate the opportunity to come before you today to outline how we currently operate our progress in land development, infrastructure, and opportunities that we've-- came about because of the port. We currently operate as a nine-member board appointed by the Lincoln County Board of Commissioners. We are located in the old Greenbrier site, which is along Highway 30, just on the east edge of Hershey, Nebraska. This facility was built by a company that supplied wheel sets to the Union Pacific Railroad. So, that benefited us in one thing, because the county then had purchased that using some of their federal money that was given to them during the COVID period. This property already had a connection to the UP main line, and had switches and tracks built into this for the specific purpose of serving Greenbrier and getting-- receiving and shipping out of the, the wheel set, so that put us in a pretty good position. We entered into a long-term lease agreement with the county to occupy this facility as our headquarters. This site consists of a 53,000 square foot building with offices, rail to the building, and 34.28 acres of property with direct access to Highway 30. Union Pacific Railroad's main line, which is something that in Lincoln County-- I go back over 40 years working in the public sector, both with the county as a county engineer and the county surveyor, and then later as city administrator for the city of North Platte. And we've always felt that with the proximity of Bailey Yard out there, that we should be able to find access to the main line somewhere out there. Well, again, after 40 years, we've found that, and it's been a great deal for us. This property that we have is contiguous to 410 acres which is owned by the North Platte Chamber & Development Corporation. We didn't have a lot of money to start with, so I always tell people we're building ours from the bottom up instead of the top down. I heard somebody testify that they had hired a, a manager and some other positions. Again, we didn't have that luxury, so it's kind of fell upon me as the chairman to do a lot of these things. We did hire an experienced port operator, which-- we're working with that individual, kind of a goodwill-type thing where he's setting us up with a lot of things that we needed to do to get started with it. Again, we had no idea what we needed to do,

because this was all new to us. We have also visited with the Port in Kansas City. We've been on conference calls, as somebody else mentioned there, for people across the state. We also hired engineers to design and put together a concept plan for this 410-plus acres, and we also purchased two transloaders, a scale, and a car mover, as we had a particular individual who wanted to get into business right away. And so, we bought those items and put them there, and our port operator is putting that to work. What this gentleman's doing is, is he's taking sand that has been dredged from behind the, the diversion dam right on the east edge of North Platte, and he's finding uses for that sand. And so, he's trucking it to Hershey to our place, loading it onto rail cars, and shipping it out from there. And so, we were in a position where we needed to get some of that into place right away. We just received and accepted bids for three 1.5-mile tracks going east out of our facility to accommodate a drop-and-pull yard. That seems to be something that everybody's interested in, and the longer trains get, the mile-and-a-half is what we need to be able to store those. It's really surprising, with the interest that the port has gained, we have had inquiries as to the drop-and-pull facility and when it will be completed, and what our existing facilities can handle. We've had interest from South Dakota, Kansas, Colorado, Wyoming, and of course, local businesses wanting to work with us to reduce their logistics costs by moving products both in and out of the rail. We're in an ideal location, again, at the center of the United States, and we have excellent access to Union Pacific's main line-- which is very difficult to get-- US Highway 30, US Highway 83, and also the Interstate 80, across here. I'll-- see my lights blinking, so I'll try and cut it off here. But we have great partners that I would be remiss if I didn't mention: the state Department of Economic Development, Union Pacific Railroad, the Lincoln County Board of Commissioners, the village of Hershey, NPPD, Dawson Public Power, and our own local citizens for understanding the importance of this project and what it could mean for our region by bringing additional jobs, tax base, and revenues into all of our businesses and our local constituents. So, with that, I'd be glad to answer any questions. I know I kind of had to breeze through that and didn't get to cover everything I wanted to, but I would answer questions.

CLOUSE: Thank you, Jim. Waiting around four hours for three minutes.

JIM HAWKS: Yeah, for three minutes. Yeah.

CLOUSE: So, thank-- Senator Rountree.

ROUNTREE: Thank you so much, Vice Chair, and thank you so much for your testimony. I just wanted to go back to the-- one of the last points you made, as far as communication and contact from organizations and businesses outside of the state. I think you mentioned South Dakota, other areas. Are you able to connect with them? Are you to provide for them?

JIM HAWKS: Yes, as a matter of fact, we're meeting with one of them who's coming down from Sioux Falls, South Dakota next week to meet with us. He wants to look at our facility, and he's an aggregate producer, bringing in aggregate. And they also have operations in Wyoming and Colorado. And so, you know, with the Department of Transportation looking at improving the interstate and a lot of our other roads, they're looking for aggregate. I'm sure that we can bring that into Hershey a lot cheaper by rail and then offload it. Another thing that I wanted to cover that I didn't: we're also working with what I call last-mile delivery. Because if you get there, then you need to get that to the job site. And so, we've also been working with local truck firms about providing that service, and we've got concurrence from them that they're willing to work with us to do that. So, I think we can greatly reduce the cost of some of this material that is out there and being used, as well as our ag producers.

ROUNTREE: OK. All right, thank you. I appreciate that last-mile portion. Thank you.

CLOUSE: OK. Thank you. Senator Quick.

QUICK: Yeah, thank you for being here. And I know you-- maybe you heard me ask the question about when you set up your port authority, did you work directly, like, with your economic, economic development corporation and your chamber? How, how did that work when you set up that-- your port authority?

JIM HAWKS: Yeah. Again, it was originally applied for by the Lincoln County Board of Commissioners. And the "devco" out there, is what we refer to it as, was the one who initiated the, the development of the whole site. We teamed with them with the engineering part and the layoff of the entire site. But yeah, we work very closely with them. We do have an anchor project that we think is ready to move in. We're currently doing a study with NPPD and Dawson Public Power to bring in their, their power requirements. We're working with the village to extend the water and sewer out. We also are working with them on their lagoon system, because we realize that as this develops, they will need to increase capacity on their lagoon system. So, yeah, we worked

very closely with our development corporation. We're all partners, we all work together, we all understand what this can bring to our area and what it can bring, really, to the whole state of Nebraska and the surrounding area.

CLOUSE: Yeah. Thank you. Any other questions? Thank you, Jim. Appreciate it.

JIM HAWKS: Thank you.

CLOUSE: Do we have any other testifiers?

HARRISON JOHNSON: Good afternoon, Chairman. Well, I guess, formerly. Members of the Urban Affairs Committee. My name is Harrison Johnson, H-a-r-r-i-s-o-n J-o-h-n-s-o-n. I serve as the economic development director for the city of Bellevue, and I appreciate the opportunity to appear before you. Nebraska's creation of the, the inland port authorities began as an important conversation about how these entities can create communities that attract investment, develop infrastructure, and create economic opportunity. As the Legislature continues examining these relatively new economic development tools, we believe that there are several issues that deserve discussion. First, an economic development authority ultimately needs sustainable source of funding if it's going to accomplish its mission. Nebraska has provided inland port authorities with the ability to borrow money, but there are relatively limited mechanisms outside of that to generate revenue necessary, support that borrowing, and further broaden the authority's activities. We know that private dollars follow public dollars, and this makes an economic development tools available like these particularly important. The Legislature took a significant step this year with the passage of LB1114. Among its provisions, LB1114 provides property tax exemptions for real and personal property subject to a lease agreement for the inland port authority, whether that authority is the lessor or lessee. This is potentially a very significant economic development tool. It also is important to question what we believe is the-- deserves the careful consideration as part of this study, is-- which is what constitutes sufficient public use when an inland port authority employs that tool to facilitate economic development. We understand that there are some differing views among Nebraska's constitutional public-use requirements that apply to these provisions. I'm not here to settle that conversation today. But from a perspective of our city and from other inland port authorities, we're trying to use these tools responsibly. And the "existency" of that-- and the existence of this uncertainty is important. We believe it would benefit both inland port

authorities and communities they serve to have greater clarity, clarity about where these lines should be drawn. There is a broader policy consideration as well: Nebraska has experience with economic development tools that have become controversial when we begin moving beyond what the public perceives to be the original purpose. Tax increment financing is a great example. The use of TIF projects, such as luxury single-family housing, has generated significant debate over these tools, and we should learn from that experience as we move forward with inland port authorities and how they develop. The city of Bellevue believes there's an opportunity to establish clear expectations now while this tool is relatively new. We would welcome discussion among the Legislature, inland port authorities, municipalities, the business community, and those with expertise in Nebraska constitutional law about the appropriate use of the authority under LB1114. This could ultimately involve additional statutory guidance that could involve strong standards adopted for auth-- for the authorities themselves, but our goal should be-- our goal should be the same: to ensure these powers are exercised judiciously, transparently, and with strong and readily-identifiable public purposes. We believe inland port, inland port authorities can strengthen the public purpose case by leaning into their inherent mission, which we discussed earlier, intermodal transportation infrastructure development, investments in rails, utilities, logistics infrastructure and other facilities, and the move the-- and the movement of goods and commerce that support that while creating the infrastructure necessary, we think, to attract private investment is an important public tool, and will be helpful in strengthening our case. Finally, we want to encourage the state of Nebraska to become an active partner in our effort. Local governments, port authorities, and the Legislature, and the private sector should work together to identify infrastructure investments and regulatory and financial support necessary to make these successful. Inland port authorities have a tremendous potential for Nebraska. Our goal should makes to be-- make certain that we provide them with meaningful economic development tools while also developing a legal and policy framework to ensure that those tools retain the public confidence for the years we have to come. Thank you. I'm here to answer some questions as well.

CLOUSE: OK, thank you. Any questions? I'm just looking it up. That's the one bill that passed 48-0-1. So, that was-- we must have saw the value of that bill, I guess.

HARRISON JOHNSON: No, it-- it's, it's definitely something we're looking to have some, have some definite discussions on, absolutely.

CLOUSE: OK, thank you. No other-- oh, Senator Rountree. Sorry.

ROUNTREE: Thank you so much, Mr. Vice Chair, and thank you so much, sir, for coming and testifying today on the inland port authority there in the city of Bellevue. I wanted to go back and look at this part of the testimony: Nebraska has experience with economic development tools becoming controversial when their use begins to move beyond what the public perceives as their original purpose, and we're talking about the use of TIF for projects such as luxury single-family housing. Significant debate. Have we been able to talk to any other inland port members? We have some today that's hearing the testimony that may be able to get some type of standardization or inquiry about that particular item.

HARRISON JOHNSON: Yeah, I think it's a discussion that we have frequently with our partners. It's an-- we think it is an important thing. Single-family housing, generally speaking, is a fiscal drain on cities. Cities require sales tax and commercial and industrial development in order to make ends meet. So, for port authorities themselves as well, housing can be a really important compel-- component, especially when it's workforce housing, because you are bringing not just, you know, people that are retirees or, you know, snowbirds coming in, you know, out of the community. So, workforce housing has a direct, I think, public use and public, public direction here. But I think it would be helpful that we avoid some of the, of the downfalls and pitfalls that we've seen with tax increment financing, because we don't want to see ourselves doing these big projects on the back end, getting into some fight, legal or otherwise, with taxation districts that would be not receiving revenue under this public use. Because there is going to be an immediate-- when-- you know, a school district, for instance, immediately is going to find itself without the tax revenue they otherwise would have as we use this public use. So, there's an immediate thing where they, they-- where they could challenge that.

ROUNTREE: All right, thank you. And then, secondly, at the front page of the testimony says what constitutes a sufficient public use when an inland port authority employs that, too, to facilitate private economic development? So, you say we will probably want to go back and clarify, or put in a [INAUDIBLE]?

HARRISON JOHNSON: Yeah, we-- so, this comes down to a discussion between the bond councils of the various inland port authorities. There isn't yet a consensus right now that we have on whether the public use that the Nebraska Constitution-- again, I'm not the lawyer,

so I, I won't speak directly to that. But the-- our bond council has been more conservative on this, and said that there is potential challenges to that public use statute that could come up and, and would, I think, create a threat to us. I mean, if we get to a, a large, you know, industrial development, and all of a sudden we find ourselves signing a lease that helps incentivize them, and then that business or that, that effort finds itself at all of the sudden tax-- requiring to pay taxes they otherwise didn't have would be-- could be a problem for us.

ROUNTREE: All right. Thank you. Thanks for clarifying that. Appreciate it.

CLOUSE: OK. Any other questions? Senator Andersen.

ANDERSEN: Thanks, Vice Chair. Thank you for being here. I found your statement kind of puzzling, when, when you made the statement that single-family housing is a drain on the city.

HARRISON JOHNSON: Yeah, so the American community-- there's a large survey of the cost of community services. And on average, they find for every property tax dollar gained from a single-family residential home, it costs on average $1.16 to provide city services for that. Public services, generally. And that's on average, so some places are going to have it higher, some places are going to have it lower. It's relatively difficult for cities to-- because their property taxes is the only source of revenue you get, and because they do incur a majority of the cost. So, for instance, your road networks are extremely expensive. So, we have to use sales tax and proper-- and sales tax and then higher taxation entities, commercial property, industrial, to help patch that up. So, when we look at economic development specifically, we look at-- we say, OK, when a-- we're looking at a neighborhood, we say how, how many, you know, restaurants, retail, commercial, industrial, other types of economic activity do we need to bring in to help balance that checkbook? So, it becomes a-- it, it can become somewhat of a fiscal challenge. It does-- we're not-- Bellevue is not the only city that struggles with this; almost all Midwestern cities have this. Actually, probably most cities in, in the United States struggle with that. But yeah, one of the things that we find is, is that it's, it's not generally very economically sustainable to have bedroom communities. Bellevue suffers from that as well. One of the thing that our, our city council and mayor has led ahead of is saying we have to-- you know, in the past, Bellevue's been a bedroom community, but they want to be something

more, because the property owners are the ones having to foot all of the-- all the public-- the bills, essentially.

ANDERSEN: Right. Now, I think if I, if I went through Bellevue and talked to the residents, they would tell me that they get more-- you get more than their fair share of taxes--

HARRISON JOHNSON: I'm sure--

ANDERSEN: --to pay for all the, all the services that they get from the city of Bellevue.

HARRISON JOHNSON: I'm sure most homeowners would, yeah. Yeah.

ANDERSEN: So, I'm not sure they would share your sentiment. And, and the other interesting thing was you're discussing TIF to where you're implying that it's, it's being misused.

HARRISON JOHNSON: Sure.

ANDERSEN: That it should be something in different funding. But I'm not a TIF expert, and I'm not a finance expert. But isn't the approval of TIF actually done by the city council?

HARRISON JOHNSON: It is, yes. Correct.

ANDERSEN: So, if it's being misused as you imply in here, then the city is misusing and allocating TIF funds. Is that what you're saying?

HARRISON JOHNSON: Well, misuse is a, I would say that the-- yeah, so city councils can use TIF powers in the way that they-- in a way, obviously, under-- underneath Nebraska law and within those things. When it comes to the use of TIF as an economic development tool, when you're using it to-- in the case referenced here, for luxury single-family developments, you're, you're, you're hitting two things at once. One is, is that proper-- single-- residential property doesn't generate sales tax, sales tax revenue. So, if you've, if you've given a tax increment finance to a single-family residential development, you're not collecting any of the revenue that would necessarily be to help to support the roads, infrastructure, police, fire that goes to that. Luxury home development can be somewhat of a good thing, but sometimes what you really-- what you really need is workers coming in, because workers do provide a, a very good economic benefit to the area. So, when we see, you know, public-- or, stories of, of communities that use TIF for that, it can help, and it does generate some controversy, both within our city and with other

communities that TIF is not necessarily being used for its initial purpose to incentivize development of economics.

ANDERSEN: So-- but my point is--

HARRISON JOHNSON: Yeah.

ANDERSEN: --you guys approve it or not.

HARRISON JOHNSON: That's correct. Yeah.

ANDERSEN: So, it's not the developer, it's not the company, it's not anybody else that would be at fault. They submit a request to you, and you either approve it or you don't.

HARRISON JOHNSON: That's correct.

ANDERSEN: OK. Thank you.

CLOUSE: Any other questions? Senator Rountree.

ROUNTREE: Thank you so much, Vice Chair. And this will be my final question. We've listened to other port authority managers here today on progress and so forth. How do we look down in Bellevue? What do you have in the hopper? What have you already done, and what's in the hopper to come?

HARRISON JOHNSON: Yeah, so the city of Bellevue, you know, has worked with the inland port authority to-- we've-- we are-- currently have a project for a construction aggregate company that's going to be moving in. We've got 60 acres in our inland port authority between construction aggregation, and then a CO2 carbon dioxide sequestration facility as well. So, those are the two things that are kind of coming up. We're told by some of the landowners in the area there's other prospects coming in as well, and so we're working very closely with that. Some of that stuff is still in the-- very project ideation and stuff like that, early stages. But we-- we're pushing forward with about 60 acres of development.

ROUNTREE: All right, thanks so much, sir. Appreciate it.

HARRISON JOHNSON: Yeah. Thank you.

CLOUSE: OK. Thank you. Any other testifiers? OK, with that, this will conclude our interim hearing on LR418. Appreciate everyone showing up.

We had 3 comments inline-- online, and no ADA. So, thank you, everyone, and have a great afternoon.