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Urban Affairs Committee
September 16, 2011

[LR203 LR207 LR338]

The Committee on Urban Affairs met at 9:00 p.m. on Friday, September 16, 2011, in Room 1510 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LR207, LR338, and LR203. Senators present: Amanda McGill, Chairperson; Colby Coash, Vice Chairperson; Brad Ashford; Bob Krist; Paul Schumacher; and Jim Smith. Senators absent: Tanya Cook.

SENATOR MCGILL: Okay, everyone, I think we'll go ahead and get started because I know that in terms of senators on the committee there are a few who will be missing today, a few that will be late, and we have our first introducer here so we might as well get started. Welcome to this hearing of the Urban Affairs Committee. I am Senator Amanda McGill. I represent northeast Lincoln. To my right, the farthest down, which really isn't that far, is Senator Colby Coash. He's also from Lincoln, In between us is our legal counsel, just passed the bar, right, and so...oh, no, okay, but our research analyst Laurie Holman. And to the left I have Senator Jim Smith from Papillion and on the far right Katie Chatters, our committee clerk. Go ahead and silence your cell phones if you have those on you. If you're here to testify, there are forms you fill out near the doorways so that you can turn those in to our pages here as you come up and testify. All right, with that we'll go ahead and start with the first hearing, which is Senator Dubas and LR207.

SENATOR DUBAS: Good morning. My name is Senator Annette Dubas, D-u-b-a-s, and I represent the 34th Legislative District. Last January, right as the session began, I was contacted by several residents from the Duncan Lakes area in Polk County with regards to an SID that was being formed in their neighborhood. They had concerns, and to be quite honest with you, I have no understanding or personal experience with sanitary improvement districts, and so they were hoping to have legislation introduced but it was too late into the session for that to happen. But I continued to visit with them and listen to their concerns. I went out and met with them where they live and saw their

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neighborhood and so I was able to get a better visual of what they were talking about. I don't bring this study resolution as an attempt or a means to make sweeping changes to the SID statutes. I know we've had some calls in to the office with what's her intent, and that's not my intent. I'm mainly concerned with how these SIDs are formed and the governing structure of the SIDs. The residents who contacted me felt that decisions were being made that would impact them personally as well as financially, but yet they had very little if any input into those types of decisions as far as the government process of it. Have spent some time trying to research and get a better grip on SIDs and their purpose and how they're formed and how they work, and I've discovered that SIDs within a new development, which would mainly be in the urban SIDs, versus established neighborhoods like the one that I'm referencing in the Duncan Lakes areas, are somewhat different but yet they're governed by the same laws. The objections raised by the residents of Duncan Lakes is that a majority of the front footage in the development is owned or controlled by one individual whose family constitutes a majority of the board of trustees for the SID, yet the bulk of the costs of such assessments are to be paid by the lessees. Under existing statutes, they are not considered owners and, therefore, not able to be a part of the governing board or petition the board of trustees. These residents feel they are obligated to pay for the improvements but are denied representation and the right to petition under the statute. Basically, they feel they've lost their right to due process. So again, my introduction is going to be very brief. I want to state my understanding again of SIDs is minimal at best, but I did feel that these residents raised some valid concerns and if there are appropriate changes that could be made to the statutes I thought this would be the correct avenue to take to start that conversation. I know there are several residents from the Duncan Lakes area who are going to come forward and give you their personal experience with this issue, and so, you know, I'd be happy to try to entertain any questions but their experience is going to be able to give you better answers than what I may be able to. [LR207]

SENATOR MCGILL: Thank you, Senator Dubas. Any questions? Nope, I don't see any. Thank you. [LR207]

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SENATOR DUBAS: Okay. [LR207]

SENATOR MCGILL: Since this is a hearing...an interim study hearing, there aren't really for and against groupings, so we'll just take whoever is interested in testifying next. Go ahead and come on up. And real quick, we have Senator Bob Krist from Omaha here on my right, and Senator Paul Schumacher from the Columbus area. [LR207]

JUNE STAPLETON: My name is June Stapleton, S-t-a-p-l-e-t-o-n. I'm going to try to keep this brief but I feel it's important that you know some of the background so you can understand our situation a little bit better, and so I'm going to start with the background. Duncan Lakes has been in existence for several years. It started with many small seasonal cabins and people liked it so well that they became quite a few full-time citizens out there too. So we've got seasonal cabins and we have full-time homes. The lake is owned by one individual and he...actually he formed an LLC in the last five to ten years. He is not a resident at the lake and he does not have a seasonal cabin. I would guess there's approximately maybe 143 lots out there and that lake owner, he owns all the lots except for four. Four of them are owned by individual people, and those that are not owned he leases out and collects money off those leases annually. Property ranges, I don't know, I'm guessing they are approximately \$25,000 to maybe \$250,000, just so you have an idea on that. When it came time to form this SID, the lake owner, he filed the articles of association and he had to sign it and then the other four landowners needed to sign that also. Well, three of the four landowners refused to sign that document; therefore, we had to go to court over it. My home sits on .68 acres with a legal septic, and by putting in an SID there was...I'm going to put in an SID and I'm going to spend millions of dollars to do it for everyone here, but it provided no benefit to me whatsoever. And when we went to sign these articles of association the thing we found were there were like four items that seemed to be the issue with why we didn't want to go forward with this and one of them was...the first was one individual should not be able to decide to create an SID. Because the lake owner decided, that was one

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person who decided to go forward with this. The second item was the proposed board. The board was chosen by the lake owner himself who he wanted on there. The third item was all those decisions to be made on that SID were going to be made by the lake owner. And the fourth item was that the residents of the lake were going to need to pay for 100 percent of the costs. That means the engineering, all the legal up-front stuff, everything would be covered by us residents even though we were not making any decisions whatsoever. We hired an attorney, the three landowners hired an attorney to go to court and we asked the judge, all we really wanted was some representation from the lake residents. The proposed board for the SID that the lake owner put together consisted of himself, his wife, his son, and then he had two designees of his choosing. And we felt it would be best, since we had the capability to put five landowners on that SID board, the lake owner and us other four landowners, that we should put that together. We decided if we the residents are paying the bill for this SID then we the residents should be making the decisions regarding the purchases. The judge denied our request. We also felt like we were limited by law on who could serve on that SID board. It seems like it's written to say it has to be a landowner or a designee, and, like I said, at the lake most of them are leaseholders so they would not even have the opportunity to be on the board. It seems like maybe those state statutes were written more for like newly developed property where everybody is going in blank, you decide if you want to be in that area, you decide if you're going to be a part of that development and pay the SID charges. You all have similar values. It's a decision you make. We were already in the situation and really had no choice of the matter. The cost and the allocation, projected project costs were at \$3 million last I heard. I'm not sure what it's at on that anymore, but that was to be paid by 143 lots. That comes out to be quite a bit of money for very diversified lake property, because we go back to the \$25,000 to \$250,000. I wanted to give you just a little idea on the amount of costs that we're looking at incurring, just three different scenarios. The first one is the lake owner, who maybe has \$1 million worth of land there, quite a few acres, who's leasing out all his property, he pays zero because whatever the tax levy is on his property he will allocate back out to the lessees through their leases. Second scenario, if you just had a seasonal cabin,

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that seasonal cabin, just say it's valued at \$25,000, sounds like they're going to end up paying something like \$22,000 in SID cost over the next 20 years. Well, that's over 85 percent of the value of their home. It just seems excessive. Granted, they never did have to get legal with the state of Nebraska with their septic system. Whereas the third scenario, I, I live full-time at the lake, my property value is about \$200,000 for the home and land, my share over the next 20 years is over 52,000 and I have a legal septic system and I have plenty of land to put in new septic systems if I need them. My property taxes for 2010, they increased 65 percent and that just seems excessive to me. Anyway, another item I wanted to talk about was private versus public entity. It just appears to me that the lake owner, I would consider him a private party. He's collected these annual leases for all these residents for all these years, then recently he created an SID, a political subdivision of the state, and has allowed lake residents to pay for this new sewer system instead of himself. He chose an SID board that represented him and gave him the majority of the votes. The state allowed it. And at the entrance of the lake there's a sign, it's right there and it says Duncan Lakes, private property. So why is it eligible for political subdivision of the state? You know, is this SID really a public matter or is it a private matter? We just have no representation from that lake population. I was surprised the Department of Environmental Quality plans on loaning money to a private individual and one who claims no responsibility for the repayment of loans. Again, the lake owner is passing all financial obligation on to the 143 residents of the lake. He has no obligation to the DEQ. Failure on the lake owner's part to enforce legal septic systems over the years has now put his burden on all the lake residents and is forcing surrounding farmers who own prime farmland to sell their land for his lagoons. Why should this individual be allowed to force eminent domain on those farmers for an issue he never addressed his whole lifetime? In summary, I just want to say, you know, the lake owner is the ultimate winner. His property will include a \$3 million sewer system. He retains his current revenues from lake properties. He got to decide on the system regardless of cost. He was constantly in control of every vote. He chose his legal counsel and he chose not to pay a cent. In the future, we may be forced to pave roads, put in lights, and we'll be billed through the SID. I feel like I've been forced to sign a

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blank check against my will and the state has supported it. My hope in coming here today is that we can make you aware of the existing issues that we've encountered with our current state statutes and how one individual can use the state statutes to their advantage. How the law was applied to our situation seems like my rights have been stripped from me and I am being taxed substantially without any representation. I struggle to believe that one individual can legally make me responsible for approximately \$52,000 when I already have that legal septic system on my own property. If there's any steps that could be taken to rectify our current situation, we would appreciate it. I appreciate you taking the time to listen to my concerns and I do hope that this is of benefit to future SIDs in Nebraska. Thank you. [LR207]

SENATOR MCGILL: Thank you, June. That was very thorough. And are there questions? Senator Krist. [LR207]

SENATOR KRIST: I am very familiar with SIDs and the process. I would say that Cass County 1 SID has a public election of its officials. I would question whether or not your SID is a properly registered SID with the county; otherwise, there's a transition step from a family ownership to what needs to be public elections. I will also tell you that in most cases there is not just an SID board which is an elected board, but there's also an association board which gives great strength to the ownership of the individual properties. It's not unusual for properties to start out being leased properties and then become owned properties as the developer moves on. I'm really glad you brought it forward because it sounds like there's a disparity between what I have seen in other SIDs, which work very well, very functionally and provide great enjoyment for people. But I will tell you this. There are hundreds of bankers and business people in this state that take advantage of the SID process by passing along all the development costs to those people who own lots in that developed SID and then take the benefit of the tax deduction or earned value. And that's...it's called a developer. That's what they do. Rather than the city developing or the county developing, it's the individual, at great risk. I warn everyone who thinks about buying into an SID that they should look at those

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documents, those covenants very carefully before they lease or buy property in an SID because it's a little bit different. And so I'm glad you brought it forward. I think it's worthy of looking at in terms of the disparity between those that really work well and the situation that you have. [LR207]

JUNE STAPLETON: Uh-huh. [LR207]

SENATOR KRIST: I'll make one more comment. If FEMA would have kept a couple of these SIDs along the Platte and the Missouri, in a flood zone, it wasn't going to be an option of whether or not we would have to pay for the sewer system; it would have happened. So at all levels of government somebody is telling us little guys that we've got to do something. And \$52,000 is a big expense over a 20-year period or 10-year period but that is a political reality of a political subdivision and so...but we, again, I really appreciate you bringing it forward and if we can make a difference for you even just pointing out the legislative issues, the current statutes that help you, we need to do that. [LR207]

JUNE STAPLETON: It just seemed like that there was never an opportunity to have a voice in any of this and... [LR207]

SENATOR KRIST: Yeah, and that doesn't make sense to me either. [LR207]

JUNE STAPLETON: ...once you own a property and they bring this SID in to you, you don't get to make a choice if you want to be there because by then it's too much to sell your house, you can't sell your house, some of those things, but... [LR207]

SENATOR KRIST: Right. Yeah, absolutely. I'm sure we're going to hear some legal beagles tell us what really should happen or needs to happen,... [LR207]

JUNE STAPLETON: Yes. Yes. Okay. [LR207]

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SENATOR KRIST: ...but there is a disparity between what I'm used to and what you've just described, for sure. [LR207]

JUNE STAPLETON: Sure. [LR207]

SENATOR KRIST: Thank you. [LR207]

JUNE STAPLETON: Uh-huh. Any other questions? [LR207]

SENATOR MCGILL: Other questions? Senator Schumacher. [LR207]

SENATOR SCHUMACHER: So as I understand the problem, is it there's a field of something that had some lakes and streams or whatever through it and, as time went on, somebody would lease a piece of property from this landowner and put a cabin up on it, and some of them were pretty expensive cabins, and some of them bought a little chunk of a lot from this guy and he's got the rest of the fields. Okay. Now in those particular leases, is that the core of the problem, that the lease says any taxes or assessments the lessees shall pay? Is that the core of the problem? [LR207]

JUNE STAPLETON: Well, it's built in. Actually, there's very few lots available. All the lots have been leased out. There's...I don't know, there may be one or two places that people could still build, because this has been going on quite some time. [LR207]

SENATOR SCHUMACHER: Okay. [LR207]

JUNE STAPLETON: In the leases, it's built in that they will pick up all those expenses, so if the taxes increase they would be picking up those tax increases. [LR207]

SENATOR SCHUMACHER: So our laws right now assess the land, the land, the

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landowner. [LR207]

JUNE STAPLETON: The land itself to the landowner. [LR207]

SENATOR SCHUMACHER: And he passes the monkey on through the lease. [LR207]

JUNE STAPLETON: He will do that and then the people who own the property itself, the property is taxed through their taxes to them. [LR207]

SENATOR SCHUMACHER: Okay, and that's by agreement. [LR207]

JUNE STAPLETON: Yes. The property is their ownership, the land is his, so they get a little piece from both places. [LR207]

SENATOR SCHUMACHER: The improvement, the box on top of the property. [LR207]

JUNE STAPLETON: The box on top of it. [LR207]

SENATOR SCHUMACHER: But in the end, the assessment from the SID, does that go against the box or does that go against the land under the box? [LR207]

JUNE STAPLETON: Both. Both. [LR207]

SENATOR SCHUMACHER: Okay. [LR207]

JUNE STAPLETON: They get a piece from the county charging them for the SID and then they'll get a piece of that lease amount due. There will be a little bit in there, too, where as I, a property landowner, my valuation has put that box and the land together and they have taxed that whole thing as one, and I only pay to the county, whereas, you know, the landowner will have to pay the county the tax but actually he's getting it

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reimbursed through a lease. [LR207]

SENATOR SCHUMACHER: Okay. So the core of the problem is then the initial lease where the lessee took on the obligation of paying whatever. [LR207]

JUNE STAPLETON: Actually, I believe the leases say that they would be divided equally in value if an SID was to come in, or some of the leases say that, getting down to that, but... [LR207]

SENATOR SCHUMACHER: So would your suggestion then for a change in the law be that in proportion to the term left on a lease that that be divided, the representation and the taxation be divided between landlord and lessee? [LR207]

JUNE STAPLETON: Well, there's just a lot of issues surrounding all this. I don't have the answer for you on how I think that should happen. I just feel like the person who owns the lake is getting by, not paying anything, and it really benefits him. When he goes to sell those lots surely he's going to get a lot better price out of those lots if he sells it to that leaseholder now because it's got an SID on it. You know, that value will be worth more probably. [LR207]

SENATOR SCHUMACHER: So then would the cure be to assess him for that future value, because he can't sell the lease and the possession today? There's a lease on it, but at some point the lease ends. So is that the solution, to appropriate out the future value of what he's going to be getting to prevent that unjust enrichment? [LR207]

JUNE STAPLETON: I'm not sure of the answer. [LR207]

SENATOR SCHUMACHER: Okay. [LR207]

SENATOR MCGILL: Other questions? I don't see any. Thank you, June,... [LR207]

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JUNE STAPLETON: Yes. [LR207]

SENATOR MCGILL: ...for coming down and sharing with us. Any other folks who would like to testify? Come on up. [LR207]

LEE BENSON: I'm Lee Benson, B-e-n-s-o-n, and I am a resident at Duncan Lakes. I live across from June and I actually am a leaseholder. And can I answer your question, what I think? None of this I think would have happened, I don't think we...I think we would have avoided courts, avoided being here, avoided Senator Dubas to come out is if we just could have had a fair board. That's what we feel that we were denied out there, is the fair board--I forgot my paper--is the fair board, because we just didn't have that representation to make any decisions. You know, there's enough people out there. You know, we have such a diverse lake, you know, and I'm going to go lower than June, the \$15,000 to the \$200,000-some. You know, if we had some of them on the board, some people, some, you know, nonresidents, people who live in the \$200,000, if everybody was on the board it would be fair. You know, you would have representation. I would feel a lot better if someone, you know, like if June would have been on the board. She's got a similar house to me. You know, the person with the \$15,000 cabin, if there was someone representing that lifestyle, you know, it would really be fair. No one...I don't think anybody really has disputed that we needed a sewer system. Wasn't forced to get it; it was just decided to get it. But we all will benefit from this, just was not done fairly, you know? Everybody flushes the toilet the same, you know? Why wouldn't everybody pay the same? My lease does read in there, and I think all the leases are a little bit difference because some of them run out and there's a new one written. I have one of the longer leases and my lease does say in there that if he's ever forced to put a sewer system in that it would be divided equally. What does equally mean? Equally to me means I won't be paying \$50,000 and the other guy is paying \$20,000, you know, when we all, again, flush the toilet the same. You know, just because I landscape, I like a nice house, you know, I work hard at making my house nice, but I suffer for that. You

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know, now I'm going to pay a lot more versus those that don't really care, they didn't take the time to become legal. You know, I, again, I did sign the lease and with preparation that there would be a sewer system in here, but I did read my lease again saying that it would be done equally. So in my mind I'm thinking, okay, 100 and some lots, you know, divide it right down the middle, it's like, yeah, it's going to be tough but, you know, it's doable, it will help. But it didn't end up that way. So I just wanted to get back to those questions. I was biting my tongue back there. It was like, okay, I can help with that. Mine is a lot shorter than June's. You know, we talk a lot, but I just got some bullets that just kind of irk me and I just don't feel in my mind is right, and again this is no personal attack on the lake owner. He is a shrewd businessman. Why wouldn't he do this? It's just I feel the state is allowing this to happen and I don't believe, in my mind, that it's right. So I'm just going to do the bullets. Again, like June stated, the formation of the SID, you know, one person decided he wanted it; it happened, you know, with no one else. Again, the appointment of the original board, for the life of me, you know, when they went to the landowners to sign those articles of association, that was what was presented to him. It's like let's just make this fair. You know, let's have representation. It was just denied. Why anybody can think that the owner, his wife, his son, two of his handpicked people, how that can be a fair representation, I just...I don't see how the courts can see that's fair. And maybe they don't think it's fair; it's just the way the statutes are written, you know? That's what I think is wrong. At that time I had no right to serve on the board. I still don't understand my rights to sit on the board. I know that there is a legal counsel for the SID here who might explain that later. But we have different amounts of leases. You know, some are going to run out soon, some are 40. I know there's something in there that says you got to have X amount of years to be...on your lease to be able to even be on the board. I don't get it. I don't feel I have the right to be on the board. I didn't for sure on the initial board. I've already covered the unfair valuations, you know, \$15,000 versus \$200,000. I wanted to talk about the empty lots. There are some empty lots out there that are available for lease. I think...I don't know the exact number either but I think there's like seven of them. Well, those are exempt from paying anything and they're owned by the lake owner. Well, who decided

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that was the original board. That just seems just ridiculous to me. You know, there's an empty lot but yet, when he gets a sewer in there, he's going to get a nice premium lease for that. But that original board decided we're going to exempt them to do that. You know again, just does not seem fair. I again have, like June, I have a legal system. I had it put in by a legal contractor. I don't want to lose my home. This is pushing a lot of people right to their limit. We had a couple move out two weeks ago and it was a sad situation. They said, we can't afford our dream home, our dream retirement home. They had to leave. They sold their home. There's people out there again have that \$15,000 to \$20,000 cabin, you know, what do you think they're going to do when they get all this assessed to them? You know, we have a \$15,000 right up-front cost, the special assessment. You know, right there it's almost at the same or if not more than what their cabin is worth. Again this is all talk, but there's going to be people that's going to walk away from their cabins out there because it's not worth having. When they walk away, that tax base isn't going to be there. That will then come back to me. So it's going to increase. People are going to...people are going to leave. You know, I'm worried about, you know, there is a lot of little lakes even in just with our county, just like ours, not just like ours, they're more all the same range, you know, the \$20,000, they may be trailers or smaller cabins. Our lake is just so diverse, it's unlike, you know, some of the new developments or like Capitol Beach. They're all the same. They're all going to get equally charged for taxes. Ours is so different but yet the state looks at them as one. You know, one size definitely does not fit all. So I guess I'm just hoping and asking for today that you guys can look at something that might help people in the future, and best case scenario is help us out. Thank you. [LR207]

SENATOR MCGILL: Thank you. [LR207]

LEE BENSON: Any questions? [LR207]

SENATOR MCGILL: Senator Krist. [LR207]

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SENATOR KRIST: What was the length of your lease? [LR207]

LEE BENSON: My original one was 25, but then there was a...I forget what. It got rewritten and it was 40 years. I have an original 40-year lease and I think I may have 30 years left on this lease. [LR207]

SENATOR KRIST: Did you at least stipulate what you are responsible for? [LR207]

LEE BENSON: Yeah. And when I signed it I knew that. I actually even put a sewer line out to the road because I didn't want to tear up my yard. But I signed that lease when...because I read in there that if they're forced to put in a system that we will be liable for those charges, okay, but it says equally. [LR207]

SENATOR KRIST: Both... [LR207]

LEE BENSON: And maybe the word "equally" I don't understand. [LR207]

SENATOR KRIST: Both you and previous testifier said that if you're forced to. Is that language in your lease? [LR207]

LEE BENSON: I don't have it with me now. [LR207]

SENATOR KRIST: Are you being forced to? [LR207]

LEE BENSON: If we...I signed a lease saying that I will incur those costs. [LR207]

SENATOR KRIST: Are you being forced to do it now? [LR207]

LEE BENSON: To pay the cost? [LR207]

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SENATOR KRIST: No, to install the sewer system. [LR207]

LEE BENSON: The way I understand, they think they're being forced to but no one has forced...there's no one forcing that sewer system to go in. I'm not denying that we don't need it or it wouldn't improve,... [LR207]

SENATOR KRIST: Right. [LR207]

LEE BENSON: ...but actually the state or someone saying you have to put that in, you have to, that has not been...if it has, it has not been...the information has not been passed on to me. [LR207]

SENATOR KRIST: It is your interpretation that you live in a gated community? [LR207]

LEE BENSON: It's a private community. It's not gated. I mean the roads are private, everything is private out there. [LR207]

SENATOR KRIST: So you own the roads? The SID or the association owns the roads, owns the lake, owns the property? [LR207]

LEE BENSON: There is no association out there. He cannot force...or he has not forced an association out there, so we can't even...there's a club, they call it an association, but it's nothing more than a social club. So we don't have what you said earlier to June that can get together and make decisions and by an equal association board. We don't have that and we can't do that. [LR207]

SENATOR KRIST: All right. I think when we get to the end of this, I think you'll find out that forming an association and paying association dues and uniting as folks who live on the lake will be of great benefit. But at key issue here is who owns what because if you're a gated community it's a whole different issue. If those roads are publicly owned

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then those are your roads if the land is publicly owned. If the land is privately owned and you have private owners and lease there's a different issue. So once again, I'm sure we'll hear the legal beagles, but I just wanted to see what your interpretation is. [LR207]

LEE BENSON: Yeah. The road that I drive in off the county road, you're instantly on private property owned by the lake owner. [LR207]

SENATOR KRIST: Okay. Thank you. [LR207]

SENATOR MCGILL: Any other questions? Senator Schumacher. [LR207]

SENATOR SCHUMACHER: Now as I understand it, this landowner still has a few empty lots out there. [LR207]

LEE BENSON: Yes. [LR207]

SENATOR SCHUMACHER: Okay. And those lots are not being assessed anything? [LR207]

LEE BENSON: Not. If there's no structure, they're paying nothing to the SID. Once this SID is put in and the property value goes up, the property value on those empty...on just that chunk of land will go up, but then that yet will be coming back to me. [LR207]

SENATOR SCHUMACHER: But the sewer pipe goes in back of these lots or under these lots or someplace. [LR207]

LEE BENSON: Yeah, they will be able to connect once there's a structure there. [LR207]

SENATOR SCHUMACHER: And there's no criteria of size of lot, frontage, footage,

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none. It's just that they're exempt from paying it. [LR207]

LEE BENSON: Decided by the SID board. [LR207]

SENATOR SCHUMACHER: Even on their present value of whatever you might sell or lease these lots for. [LR207]

LEE BENSON: If...I guess I didn't understand that. [LR207]

SENATOR SCHUMACHER: Basically, the taxes on these lots will not go up, the empty lots. [LR207]

LEE BENSON: No. I think the SID tax right now is, I don't know what it is, 90 cents. I'm sure...93 cents per \$100. Well, that's just for the SID part. That's not the land tax or anything like that. So there is nothing that's going to be assessed to that empty lot. There is no structure. There's nothing there. [LR207]

SENATOR SCHUMACHER: Okay. [LR207]

LEE BENSON: You know and to me, again, when I signed that lease saying it would be paid for equally, I'm counting lots, thinking, okay, I can do this. [LR207]

SENATOR SCHUMACHER: Has a court made a determination of what is meant by the word "equally" in that case? Was that part of your lawsuit or anything? [LR207]

LEE BENSON: We have not, no. No. [LR207]

SENATOR SCHUMACHER: Okay. [LR207]

LEE BENSON: And I wasn't...you know, that was the landowners that were bringing that

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lawsuit and the main thing was to try and have an equal board just to have representation on the board, and it was denied. [LR207]

SENATOR SCHUMACHER: And not all leases use the word "equally." Some may or some (inaudible). [LR207]

LEE BENSON: I'm looking at my lease. [LR207]

SENATOR SCHUMACHER: Okay. I don't have any further questions. [LR207]

SENATOR MCGILL: Doesn't look like there are any other questions. Thank you very much. [LR207]

LEE BENSON: Okay. Thank you. [LR207]

SENATOR MCGILL: Is there anyone else here to testify? [LR207]

BOB HUCK: Madam Chair, members of the committee, my name is Bob Huck. I'm an attorney, Croker, Huck in Omaha. [LR207]

SENATOR MCGILL: Could you spell your last name for us? [LR207]

BOB HUCK: H-u-c-k. [LR207]

SENATOR MCGILL: Thanks. [LR207]

BOB HUCK: And I am the attorney for Polk SID 1. I am also the attorney for Gosper SID 1 as well, Johnson Lake. Johnson Lake formed an SID. They are also made up primarily of leased lots. Central Power and Irrigation District owns those lots, 80 percent of them. Some are owned privately, much like Polk 1. They decided, "they" being

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Central as well as the population out there, something had to be done because the current regulations...most of these lake communities were built in the '40s, '50s, and so on, small lots. They are served by septic systems, primarily individual septic; water wells, a lot of them individual water wells, some of them what they call community water wells. But at any rate, several years ago the regulations provide that systems like that must have certain minimum number of feet between these facilities, in other words, between the water well and the septic tank, between the septic tank and the septic system and the foundation and the lake, and so on and so forth. Well, the lots primarily are...the majority anyway are too small to accommodate them and, thus, they are not allowed to repair a septic system that breaks, much less replace it. One thing we learned in both these cases, and septic systems will fail. We don't know when but eventually they're going to need work and lots of it. Well, what do you do then? Either I guess abandon ship or do something about that. Well, the people in Johnson Lake decided, they actually held pretty much a vote between a village and an SID. They voted for an SID as the proper vehicle to do this. I got involved eventually and we did form that SID. We're talking about approximately 1,000 lots out there versus about 150 here. The law is the same there as it is now. The process went very smoothly. Yes, DEQ is heavily involved in this because they are the guardians, if you will, of these regulations requiring minimum spacing between these various things. They're also the guardians of seeing to it that they are not...don't have significant repairs or replacement if they're in violation of those regulations so, therefore, they have to do something. They did something. The project was completed. Special assessments were made and, of course, the general taxes are made every year. And they've moved on. What they've seen there is fairly typical of when a permanent method of disposing of sewage is installed, such as a sewer system, that homes are improved, added on. They couldn't do that before either if their septic system was not adequate. I think we'll probably see the same thing here. Let me...so the SID is, in my opinion, in many people's opinion, the perfect vehicle to solve this problem. Those that wanted a village had other motives. A village has to do many more things than put in a sewer system. The SID can be formed. Even though they're given many powers by statute by their articles, they can restrict

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themselves to only certain activities and this one restricted itself to a sewer system, a collection and treatment system. And so the district was formed. As was pointed out, we go to district court to do that. A petition has to be signed but by more than 50 percent of the owners of land in the subdivision. Duncan Lakes LLC signed it, as well as one of the individuals who owned their lots; three did not. And the issue in the district court was not whether or not an SID was necessary to solve the problem; it was who sits on the board, which you've heard privately. The nominated people for the board, the initial board, were the Duncan Lakes ownership of Gary Jones, his wife and son, and two lessees. I want to point that out. This was not a complete board of only owners. It was also...had two lessees there. Let me also point out that we had many meetings, the majority obviously other people that attended them were lessees because, as you heard, only 4 of the 150 lots or so are owned privately, that is non-Duncan Lakes LLC owned. I attended many of those meetings. I didn't attend some meetings that occurred prior to myself getting involved, but the ones I did attend clearly showed that these people, obviously mostly lessees, wanted this to happen. And even the landowners who objected to...not to the formation of the SID, not the need for an SID to put in a sewer system but simply the makeup of the board, also in their pleadings even asked that the SID be established. So the judge decided that the nominees were proper, okayed that. The three landowners appealed that and subsequently dropped their appeal. We've been working hard with DEQ and using some state revolving fund money on these things as we did in Gosper 1, and it's a much lesser interest rate than SIDs can borrow normally. Also, there was a grant involved. We hope there's going to be a loan forgiveness as well in order to get these costs down. So the first board of trustees were three Duncan Lakes people and two lessees. We had an election this September and there were five people on the ballot, two from Duncan Lakes LLC and three lessees. I have not heard officially the results of that election but they were the only ones on the ballot so now we'll have a majority of lessees controlling that board, to speak to that particular issue. Also, whether or not lessees have a right to vote and, thus, a right of representation, the statutes do address this and they address it in a way that if normally the owner of a lot votes for that lot for all five trustees, but if a lessee...if a lease fulfills

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certain requirements which basically are the original lease was 20 years in duration and the requirement on the lessee to pay general taxes and specials, then that lessee votes that lot. The owner does not vote that lot. So that would be true, this board decided that they would instruct the election commissioner to allow the lessees to vote all their lots. In other words, Duncan Lakes LLC did not vote lots that were leased to others. So there is representation. There is the right to vote. The statutes do cover this. And as it turns out, I believe the new board will be 60 percent lessees and 40 percent owners. As to the costs involved and whether or not certain lots are exempt, that is not true. All buildable lots will...all buildable lots, all buildable vacant lots where it's possible to build on will be specially assessed. All lots, whether they're buildable or not, will pay general taxes based on the valuation that's put on them by the county assessor. And as far as the disparity between special assessment and the general obligation portion, by law a board of trustees can only assess special benefits...or special assessments to the extent of special benefits. There are certain standards that have been established over the years what is of special benefit and what isn't. Basically, the collection line that goes around the whole lake community will be specially assessed because you can point to each lot and say you were specially assessed, you were specially benefited by this collection line. The cost to hook up the houses will be specially assessed, obviously of special benefit to that particular property. So the lots that are owned by Duncan Lakes LLC but not yet built upon, if they are buildable they will be assessed and they pay general taxes just like everybody else. The disparity between valuations out there, there's really nothing we can do about that. It's the same as a school district or whatever. In Nebraska, we have a taxation system in which the levy is applied equally to properties within the various political subdivisions, but it's applied against the valuation of that property. A \$200,000 property is going to pay more general taxes than a \$50,000 property. That's true in a city. It's true in a village. It's true in the county. It's true everywhere. And a part of this system will be considered general obligation. For example, the lagoon, it doesn't benefit anybody specially; it benefits everybody generally. So the cost of that will find its way into general obligation, I'm reasonably certain. That determination will be made after the project is complete. It's not

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predetermined, as been suggested, that certain lots will be exempt and so on and so forth. They will not be. So once the project is completed, the engineer will submit to the board a statement of costs and a suggestion following the statutes as to what should be specially assessed, which portion should be specially assessed and what portion should be of general obligation. So I hope that clears up some confusion. It is my understanding, from attending many of these meetings, that the huge majority of people want this to happen. Even the objectors did not object to forming the SID with its ability to specially assess and tax. They objected to the fact that they weren't on the board. That was denied. We held an election. You have an election in an SID every two years. Because of the provisions of the statute granting the lessees the right to vote, they have the right to vote, were sent ballots, and we'll see what the result of that is very quickly. But as I said, the only people on the ballot are three lessees and two owners. I probably haven't touched every aspect of the folks' testimony before me, but I wanted to kind of give you a general overlook as to why the SID is a vehicle to solve this problem of these lake communities, and there will be more. Others have contacted us and I've talked to their association and all. My understanding is they have an association out there. I don't represent the association. I don't know whether they call it a club or association, but I know the leader of whatever it is has appeared at many of these hearings and spoken very much in favor of moving forward with this, so moving forward we are. And with that, I'll entertain questions. [LR207]

SENATOR MCGILL: Yeah, any questions? Senator Krist. [LR207]

SENATOR KRIST: The very reason I asked the prior testifier what the length of his lease was is statute calls for representation... [LR207]

BOB HUCK: Yes. [LR207]

SENATOR KRIST: ...by the length of the lease. [LR207]

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BOB HUCK: Well, they have the right to vote. [LR207]

SENATOR KRIST: Right. And you've cleared that up for us. The length of the term of the SID board every two years in a public election,... [LR207]

BOB HUCK: Every two years. [LR207]

SENATOR KRIST: ...nominated from around, so hopefully more people will be involved or want to be involved in the SID board. [LR207]

BOB HUCK: It's already happened because there will be three lessees on there now. [LR207]

SENATOR KRIST: Publicly, I found that in most SIDs an association works hand in hand with an SID board and there might be some benefit in the future for the association actually owning the lake while the SID owns the property. I'd invite you to look at other models. SID 1 in Cass County, they do that very well and there's some benefits in terms of public funding and liability to the ownership. [LR207]

BOB HUCK: Uh-huh. [LR207]

SENATOR KRIST: So this is Polk 1? [LR207]

BOB HUCK: Polk SID 1. [LR207]

SENATOR KRIST: SID 1. Look at Cass SID 1. [LR207]

BOB HUCK: Okay. [LR207]

SENATOR KRIST: You'll see that example. There hasn't been a formal filing for an

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association, with all the benefits that go with it, that you know of? [LR207]

BOB HUCK: Not that I know of. As I said, I don't represent the association or any private party here. I represent the public body, the SID, so... [LR207]

SENATOR KRIST: Okay. And can you confirm as far as the statutes are concerned, that is not a gated community as such? [LR207]

BOB HUCK: There's no gate there. [LR207]

SENATOR KRIST: That's right. So it's an SID. It's a development handled by itself. That road is as public as any other road. I can go turn down that road. [LR207]

BOB HUCK: Well, it's open to the public. The ground itself is owned by Duncan Lakes LLC, however, there will be imposed on that road, because that's the site of most of the collection line is the road, in other words, that goes around the whole SID to collect the sewage, and there will be imposed a permanent easement in favor of the public, in favor of the SID to permanently occupy that land with a collection line, the ability to repair it if necessary and those kind of things. [LR207]

SENATOR KRIST: But to the point, it's not a private, gated community. The road is a public road. [LR207]

BOB HUCK: It's open to the public as far as I know. [LR207]

SENATOR KRIST: Okay. Okay. Thank you very much. [LR207]

BOB HUCK: Uh-huh. [LR207]

SENATOR MCGILL: Are there any other...Senator Schumacher. [LR207]

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SENATOR SCHUMACHER: I got a few questions, just a follow-up on that. The road is still owned by the LLC. [LR207]

BOB HUCK: Yes,... [LR207]

SENATOR SCHUMACHER: And is the... [LR207]

BOB HUCK: ...subject to this easement. [LR207]

SENATOR SCHUMACHER: Subject to the easement for the sewer line. [LR207]

BOB HUCK: For the collection line, right. [LR207]

SENATOR SCHUMACHER: Yeah, for the sewer line. So this is a...the township or the county or the SID has no obligation to clear the snow, put the gravel on it. [LR207]

BOB HUCK: Correct. Correct. [LR207]

SENATOR SCHUMACHER: This is strictly a private road. [LR207]

BOB HUCK: Correct. [LR207]

SENATOR SCHUMACHER: And the access to and from that road is governed by agreement between the landowner and the lot lessees. Is that correct? [LR207]

BOB HUCK: I don't know the answer to that. I know what's there and how it's used (laugh) but... [LR207]

SENATOR SCHUMACHER: Is there easements granted to each of the lot owners

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saying that they shall have rights to use this road? [LR207]

BOB HUCK: Well, I'm sure that if not explicit it's certainly implied that you have a right to come and go, you know, to your property. [LR207]

SENATOR SCHUMACHER: So this is kind of a development that just kind of happened, maybe without paying a lot of lawyers a lot of money? (Laughter) [LR207]

BOB HUCK: Unfortunately,... (Laughter) [LR207]

SENATOR SCHUMACHER: Okay, I'm getting (inaudible). [LR207]

BOB HUCK: ...unfortunately probably. (Laugh) Well, I'm assuming so. It's been there, and maybe June could help me out here, since the '40s or '50s. [LR207]

_____: Sixty-five or... [LR207]

BOB HUCK: Sixties? [LR207]

_____: ...seventy years, something. [LR207]

BOB HUCK: Oh, years. [LR207]

_____: Years old. [LR207]

JUNE STAPLETON: I do know I pay to use the road because I own that land so I pay an annual fee to use that road, so it is a private road,... [LR207]

BOB HUCK: Well,... [LR207]

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JUNE STAPLETON: ...if that helps any (inaudible). [LR207]

SENATOR SCHUMACHER: And you pay that fee to the LLC, the landowner. [LR207]

JUNE STAPLETON: The landowner, the lake owner. [LR207]

SENATOR SCHUMACHER: Okay. All right. Next, have the assessments been levied on this property or is that... [LR207]

BOB HUCK: No. [LR207]

SENATOR SCHUMACHER: So at this point yet if the...the assessments could change to reflect a consensus of what may be a fairer way to assess the property? [LR207]

BOB HUCK: Well, yes. I mean the, as I said, the assessments won't happen till the project is done. It's in its somewhat infant stages right now. They're laying the collection line. They'll start on the lagoon here shortly and so on. They hope to be done by, oh, spring, early summer next year with all of it. Once it's done, the engineer will submit the final statement of costs and then the board advertising, saying we'll decide a breakdown between special assessment and GO, and then if that is the case then how much each lot is intended to be "specialied." [LR207]

SENATOR SCHUMACHER: Well, if the leaseholders follow a suggestion that Senator Krist might be making to get organized, there could be some negotiations back and forth there on the nature of those assessments. [LR207]

BOB HUCK: Yeah, I was under the impression there was an association now but I, as I say, I do not represent them. [LR207]

SENATOR SCHUMACHER: Now you said the LLC did not vote the lessees' lots. Did

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the lessees vote the lessees' lots or weren't they just voted at all? [LR207]

BOB HUCK: I have not seen a tally. They were sent a ballot. [LR207]

SENATOR SCHUMACHER: All the lessees got a ballot? [LR207]

BOB HUCK: As far as I know, all the lessees were sent a ballot by the election commission...well, in that county, the county clerk. [LR207]

SENATOR SCHUMACHER: So they could have voted 100 and whatever some to 1 landlord or there could...everyone had a chance to vote. Is that correct? [LR207]

BOB HUCK: Yes, including the landowner, of course, not the lessee, not the leased lot but the lots and the acreage that he owns. [LR207]

SENATOR SCHUMACHER: Do most of these leases require that however it's assessed that the lessee pick up the tab? The landlord just can send the bill on to the lessee and no matter how it's assessed? [LR207]

BOB HUCK: Well, the landowner won't be sending the bill. The SID will be sending the bill. But my understanding is that most, if not all, impose upon the lessee the requirement to pay special assessments and general taxes, and that's what gives them the right to vote, too, by statute on the board election. [LR207]

SENATOR SCHUMACHER: I don't have any further questions. [LR207]

SENATOR MCGILL: All right. Senator Krist. [LR207]

SENATOR KRIST: One follow-up and it's not a question. It's just something that we need to determine. An SID is not a new concept. There are hundreds of them around

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the metropolitan area... [LR207]

BOB HUCK: Oh. [LR207]

SENATOR KRIST: ...and those roads are public roads. So if there's an assessment for a landowner to be driving down that road that's separate from their others, I'm not sure that falls within the statute. So that's a public road, it's an SID, it's part of the county. And to call it a gated community is a whole different issue, in my understanding, so we'll have to look into that and make sure that we understand that, because I think that goes to the point in accessibility and also the easements, because the last thing you want to have happen is for someone to be denied access to their home. [LR207]

BOB HUCK: I would say that would be a serious breach of the lease. (Laugh) Yes. [LR207]

SENATOR KRIST: Yes, sir. Thank you. [LR207]

BOB HUCK: Yes. [LR207]

SENATOR MCGILL: All right. Other questions? Senator Schumacher. [LR207]

SENATOR SCHUMACHER: Just so we're clear here, to your knowledge there's been no deed of dedication to the public or to the county or to any other superseding government of those roads; title remains, to your knowledge, in those roads. [LR207]

BOB HUCK: To my knowledge, as far as the road itself, but most of the road is going to have this easement on it, this collection line easement, yes. [LR207]

SENATOR MCGILL: All right. Thank you very much. [LR207]

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BOB HUCK: Thank you. [LR207]

SENATOR MCGILL: Is there anyone else here to testify on this LR207? Senator Dubas, would you like to close in any way? [LR207]

SENATOR DUBAS: Just very briefly, I think there was some great information brought forward this morning. There's obviously some expertise on the committee with SIDs and so I would hope to work with the committee in further investigating this issue, and if there is appropriate changes, legislative changes, I would be happy to accommodate that. [LR207]

SENATOR MCGILL: Senator Coash. [LR207]

SENATOR COASH: Thank you, Senator McGill. Senator Dubas, you've been working, obviously, with this group. In your...I'm trying to get a feel for is this a unique situation or do we know if similar issues happen across the state? I mean, just trying to figure out if we're trying to solve one community's problem or if this may be happening elsewhere and we're just not aware of it. [LR207]

SENATOR DUBAS: I would guess that the potential may be there to happen in other. I know in visiting with the landowners and the attorney brought this up, too, in Gosper County and, you know, it sounds like they work through things but I know there were some issues amongst the people in that area. And again, as we have researched this, it's putting an SID into an already established development versus creating an SID from the git-go is maybe where some of the confusion or definitely the conflict comes in. So again, I don't know if there are any changes that need to be made but if there are, I think it's worth pursuing. [LR207]

SENATOR MCGILL: Senator Krist. [LR207]

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SENATOR KRIST: Yeah, Cass County 1 was bloody. It was one of those places that built up as a sandpit in the middle of nowhere and it was great and then all of a sudden somebody introduced structure and, oh my God, Katy, bar the door. So it's not uncommon for these kinds of growing pains in those kinds of situations, but you need our help. We need to look at this and we need to make sure that that is indeed correct. I have no doubt that illegally that things have happened the way they have and that we just need to make sure that they happen correctly, and if there's any changes then we can make them. But thank you for bringing it forward. [LR207]

SENATOR DUBAS: You bet. Thank you for listening. I look forward to working with you. [LR207]

SENATOR MCGILL: Thank you, Senator Dubas. That ends the hearing on LR207, and we'll move on to LR338 and Laurie will go ahead and open on this hearing for us. All right. Go ahead, Laurie. [LR207]

LAURIE HOLMAN: Okay. Good morning, Senator McGill and members of the committee. For the record, my name is Laurie Holman, that's H-o-l-m-a-n, and I am introducing LR338 today. The purpose of LR338 is to examine the boundaries and taxing authority of transit authorities. We've been working with a gentleman from the Metropolitan Transit Authority in Omaha and this entity was formed in the Eighty-Second Legislature in 1971-72, and significant changes have been made to those statutes, most notably in 1997 and then again in 2003. And the representatives from Metro Transit will be testifying following my opening with their recommendations for how they'd like to move forward. So with that, I will turn the time over to them. [LR338]

SENATOR MCGILL: Thank you. We'll go ahead and start taking testifiers. [LR338]

SENATOR COASH: How many? Ask how many. [LR338]

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SENATOR MCGILL: Yeah, how many are here for this LR? Oh, not too many. Okay, wonderful. Thank you. [LR338]

CURT SIMON: (Exhibit 1) Good morning, Madam Chair and members of the committee. My name is Curt Simon, S-i-m-o-n. I'm the executive director of the Transit Authority of the city of Omaha Metro Transit. Metro is a political subdivision of the state of Nebraska that was created pursuant to state Statute 14-1803. I'd like to thank the committee for taking the time to hear this matter. In 2003, the Transit Authority Law was significantly amended by LB720. The purpose of LB720 was to modify the Transit Authority Law by permitting extension of its jurisdictional boundaries beyond Omaha to become a regional authority if other municipalities, villages, or counties wish to join. The enactment of LB720 was somewhat visionary as the demand for transit in the ensuing years has continued to increase. In fact, Metro estimates that in 2011 our passenger trips will exceed those of calendar year 2004 by over 22 percent. During this same time period, we've seen average gasoline prices rise from \$2 a gallon in 2004 to our current average of about \$3.61. In fact, in 2008, when gasoline spiked to \$4 per gallon, Metro passenger traffic increased as much as 16 percent in the month in which that spiking occurred. Concurrent with these rising fuel prices, a renewed interest in sustainability has been emphasized of which transit is a key component. For example, a joint transit pass program between Metro Community College and Metro Transit to encourage bus ridership, assist with reducing campus parking congestion, and increased environmental awareness has resulted in nearly 400,000 passenger trips since its inception in October of 2009 and has since become a model for recent similar programs that have been instituted at the University of Nebraska at Omaha and Clarkson College. At the same time, city planners and civic leaders are embracing more robust transit solutions in their master planning and development guidelines. These facts coupled with phenomenal economic development of retail, employment, and entertainment that has occurred, not just in the riverfront district of downtown Omaha but to the southwest of Omaha, signal the need to connect our metropolitan area as never before. Transit can be instrumental

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in providing safe, reliable connections to and from venues currently outside Omaha, such as Cabela's, PayPal, Shadow Lake retail plaza, the new Red Cross telephone information center, Oriental Trading, and potentially Werner Park. This is exactly the type of need originally anticipated by LB720. Indeed, all the indications are present to potentially position Metro to regional authority status and attempt to take full advantage of the benefits the metropolitan community might enjoy from such expansion. Unfortunately, although well intended in its goals to allow for expansion to regional authority status, LB720 as it exists today falls short of being able to achieve the desired purpose. First and foremost, LB720 does not provide any viable funding mechanism for alternatives by which to facilitate any expansion to a regional authority. For example, LB720 provides that the regional authority can submit a tax levy request to the governing body of its members for review and approval. With the exception of the city of Omaha and Douglas County, who are required by statute to approve any such request, up to 3 mills per entity, this levy request submitted to other members who have chosen to join the regional authority is merely a request that the tax be levied. It is impossible to dedicate operating costs and acquire capital assets that might be necessary to expand service to the jurisdiction that has joined the regional authority based solely on a request that may or may not be honored. Moreover, since LB720 does not provide any additional funding, the municipality, village or county that joined the regional transit authority would have to utilize their current levy authority even if they were inclined to approve any such request. We believe this strongly discourages and inhibits any real possibility of service expansion to these new areas. Secondly, LB720 fails to take into consideration budget increase restrictions imposed by virtue of the lid law on both the regional transit authority and each member of the regional transit authority. Each member would likely be required to count the tax levy request, if approved, against its restricted fund budget. Additionally, the regional authority's budget and restricted fund limitation would be impacted by the need to provide service to the member. As a result, even if a member chose to join the regional authority, the regional transit authority may not be able to meet the operating cost requirements of the additional service due to these restrictions. In order to truly realize the benefits that a regional transit authority

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can offer, these shortcomings should be rectified. In order to realize the benefits of a regional transit authority, among other clarification matters, we would propose that Metro revert back to a separate taxing entity, which was the case prior to 1997. This change is necessary in order to assure that the regional transit authority operate autonomously and apolitically, preserving services for the entire metropolitan community, and be able to assure federal agencies that grant requests can be funded. Additionally, we would propose that an amendment to the Nebraska Budget Act be considered whereby 13-518(1) would be modified to permit the regional transit authority to include the property valuations for any municipality, village, or county desiring to join, be construed as allowable growth for assessed property values for the purposes of budgeting of the restricted funds for the years immediately following membership. This change would allow for the funding mechanism to assure expansion in a logical and orderly manner. It would also provide the regional authority the means by which to provide the service to those communities while connecting the entire metropolitan transit service area without affecting the member's own fiscal needs within its lid restriction. I'd like to make clear these proposed changes would merely provide the means by which to realize a regional transit authority. Nothing would require participation from any municipality, village, or county. Their inclusion would occur only at such time as their governing body resolved to join the regional authority. Although jurisdictions could continue to contract with Metro for services to their communities through interlocal agreements, service levels historically contracted in this manner have not truly provided adequate continuity of service to the metropolitan area. Again, thank you for the opportunity address this issue and I'd be happy to try and answer any questions you might have. [LR338]

SENATOR MCGILL: Thank you, Curt. Any questions from the committee? Senator Ashford. [LR338]

SENATOR ASHFORD: Well, I just have a couple. First, thank you for your presentation as memorialized here on this paper. Let me...are you familiar with the jurisdictional

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issues up in Minneapolis, St. Paul with their...how they have put their program together? Obviously, they have light rail and other things but... [LR338]

CURT SIMON: Yeah, I'm not entirely familiar with all the entire jurisdictional obligations that they have. I do know that their budget, just for their bus transit, is \$269 million. [LR338]

SENATOR ASHFORD: Well, I think they have a regional authority, I believe. [LR338]

CURT SIMON: They have a metropolitan council,... [LR338]

SENATOR ASHFORD: Right. [LR338]

CURT SIMON: ...which oversees not just the transit operations but a multitude of other municipal operations. Their funding, not unlike our funding, comes...a fair amount comes from public sources. About 48 percent of their revenue comes from motor vehicle sales tax. [LR338]

SENATOR ASHFORD: Right. [LR338]

CURT SIMON: There are a number of other funding sources, fares obviously. The state of Minnesota provides about 8 percent assistance to their particular budget. [LR338]

SENATOR ASHFORD: So you do know. [LR338]

CURT SIMON: I don't know everything. (Laughter) I don't know everything but I... [LR338]

SENATOR ASHFORD: But you do know some things. [LR338]

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CURT SIMON: ...I do know some things. [LR338]

SENATOR ASHFORD: And I think you made a great point and I believe you're right that most of the funding that's public comes from sales tax for that coordinated effort. I believe I'm correct in that and you're correct. I think it's 40 percent, I thought it was more than that but 40 percent from car tax. And I believe there is a board elected for the metro area that has certain jurisdictional issues, including transit, correct? [LR338]

CURT SIMON: That's correct. [LR338]

SENATOR ASHFORD: And let me just ask this. In Sarpy County, there is a...there are other...are there other transit authorities within Sarpy County? [LR338]

CURT SIMON: There aren't any other transit authorities in the state of Nebraska. The... [LR338]

SENATOR ASHFORD: Are there other bus lines? [LR338]

CURT SIMON: There is. There's rural transit operations that typically is a handi-van type of operation. [LR338]

SENATOR ASHFORD: Is that privately owned more? [LR338]

CURT SIMON: No, it's typically like, for example, the city of Bellevue operates such a handi-van type of service for elderly and handicapped individuals within their communities; La Vista does, Papillion, Ralston, Beatrice, Chadron, just across the entire state basically. [LR338]

SENATOR ASHFORD: So...but there is no other general use type of bus line within Sarpy and Douglas County. [LR338]

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CURT SIMON: The only other use is interlocal agreement service that we have with the city of Bellevue and an interlocal agreement service we have with the cities of Papillion, La Vista, and Ralston for very limited express, commuter-type services that they've contracted with us for. [LR338]

SENATOR ASHFORD: And your vision, aside from more taxing authority, but your vision beyond that, and I don't mean that to be cynical, your vision, which is a good one, is to connect southwest Sarpy County or southwest Omaha and Sarpy County with...and the amenities that exist to each other. [LR338]

CURT SIMON: That's correct. I certainly didn't mean to exclude Bellevue and all the development that's gone on... [LR338]

SENATOR ASHFORD: Well, sure. I mean... [LR338]

CURT SIMON: ...around 370 and the new hospital that's... [LR338]

SENATOR ASHFORD: Right. [LR338]

CURT SIMON: ...sprung up in Bellevue so that the current transit authority law really allows expansion to any county, village, or municipality that borders our current jurisdiction, which is the city of Omaha city limits. So it's, you know, you could be talking Dodge County, you could be talking Washington County and Blair. There's lots of possibilities that would exist to provide transit to the entire regional area. [LR338]

SENATOR ASHFORD: Yeah, and I think that's a great answer. I agree with you. I think that the power of our metro area is in its ability to work together and transportation is a key element, as is infrastructure and economic development and tourism. And those four things I think we've strived over the years from the state level to try to do some

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things. It is clear to me that the barriers still exist and your testimony clearly establishes that, that there are significant barriers within local jurisdictions. The jurisdictional boundaries that we play with in Sarpy and Douglas County have existed for 160 years, and you're talking about the next 25 years I think. You're creating a vision for the next 25 years. And historically we may be at a point in our history where it's time to be very thankful for our 160 years of jurisdictional barriers because it's done some good things, but it's time to think about where we're going in the next 25 years and I think a regional approach is, just from my perspective clearly in transportation, is going to enhance the quality of life in Sarpy County and Douglas County, and I think you've hit it with your comments. I would...I think that it's...not property tax levy is the way to go. I think clearly some of these what you're doing is and what your vision is encouraging it seems to me is enhanced economic opportunity that drives sales tax and other transactional taxes that derive from this economic activity, and it would seem to me that that would be the logical place to look for funding for what you're trying to do, and I think it's laudable. [LR338]

CURT SIMON: The only issue with sales tax, and certainly historically for transit authorities that use sales tax as a high percentage of their revenue it's worked very well, in recessionary times such as we're experiencing right now it has posed some problems, not problems that can't be overcome. But even Minneapolis, with its 40 percent revenue coming from sales tax, in a couple years had some difficult... [LR338]

SENATOR ASHFORD: But you do have a base property tax levy now. [LR338]

CURT SIMON: Yes. [LR338]

SENATOR ASHFORD: So I think you make a good point and that may be one of the...sales tax has its...all tax policies have... [LR338]

CURT SIMON: They all do. [LR338]

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SENATOR ASHFORD: Nobody likes taxes at all so you can certainly come up with reasons not to like a particular tax. But if your vision is correct, and I think it is, that we've got a wonderfully viable place in metro Omaha, in Sarpy County, we're going to have, even in recessionary times, we're going to still have growth and... [LR338]

CURT SIMON: Certainly. [LR338]

SENATOR ASHFORD: Thank you. Thanks. [LR338]

CURT SIMON: Thank you, Senator. [LR338]

SENATOR MCGILL: Other questions? Well, thank you, Curt. [LR338]

CURT SIMON: Thank you. [LR338]

SENATOR MCGILL: We'll take the next testifier. [LR338]

PAUL MULLEN: (Exhibit 2) Good morning. My name is Paul Mullen, M-u-l-l-e-n. I am the executive director of the Omaha, Council Bluffs Metropolitan Area Planning Agency, also known as MAPA, and MAPA is the metropolitan planning organization. It's sort of a federal designation and we have the responsibility of coordinating transportation planning in the metropolitan area. I'd like to thank the committee for taking time to hear this matter because it is an important issue that we have in the metropolitan area. Earlier this year in May we completed an update to our long-range transportation plan, the MAPA 2035 long-range transportation plan. During the development of that update, we received many comments about providing additional transportation options to the automobile, in order to get around the metropolitan area that is, and among those options mentioned was a more robust public transit system for the MAPA region. This is...actually was a repeat theme from what we heard five years ago when we updated

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our previous long-range transportation plan and those comments were coming not only from the citizens of Omaha, who actually that's where Metro Transit serves, but also from residents who live in Douglas County outside the corporate limits, people who live in Council Bluffs, people who live in Sarpy County and the communities in that county: Papillion, La Vista, Bellevue, even Gretna and Springfield. We recently received a grant to look at key corridors in the metro area that would be candidates for improvements that would be friendlier not only to public transit but also services for pedestrians and bicycles. Finally, we are currently working with Metro Transit to look at what kind, what type of transportation system could be developed in the region that would address the issues that we heard during the development of the long-range plan. So we're already looking at what that structure would be. One of the things we know is there is a reason of how do we...how is that organized, and I think that's part of the reason that Curt was testifying today. As I mentioned that there is an interest to expand public transit service beyond the city limits of Omaha in a more comprehensive manner and the items just mentioned by Curt Simon will allow that to begin to happen or at least start to happen. I think the time is right to provide the mechanisms to provide a true regional transit system in the metro area and we hope the Legislature would look closely at the existing legislation and make the necessary modifications for this to happen in an efficient manner. I would be happy to answer any questions. [LR338]

SENATOR MCGILL: Thank you, Paul. Any questions? Senator Schumacher. [LR338]

SENATOR SCHUMACHER: Just one question: We've seen in the last 30 years a significant migration principally into the Lincoln, Omaha, suburban Council Bluffs metro area. You mention that, you know, the suburban area of Omaha, Omaha-Council Bluffs being looked at as a...for mass transportation or some type of long-range planning. Any reason that Lincoln is not incorporated in that too? [LR338]

PAUL MULLEN: Lincoln isn't incorporated in... [LR338]

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SENATOR SCHUMACHER: In part of this big picture. We're going to have this big blob sitting in eastern Nebraska that is going to be urban Nebraska. You know, should we be thinking a little broader? [LR338]

PAUL MULLEN: Well, I guess that as we look at it, I don't know, you may remember the Nebraska Innovation Zone Commission that looked at the I-80 corridor between Omaha and Lincoln and we worked with that particular project. We're continuing to work with the son of that or the daughter of that, whatever you may call it, the I-80 council and we will continue to, you know, collaborate with the Lincoln people on that issue. We still don't see that there is going to be a total blob in the next 25 years between what would be the Lincoln, Omaha metro area. There is a reason to collaborate with them but specifically we'll probably, in this area, look at, you know, what happens in the, you know, the Douglas, Sarpy County area. We are looking at a larger...potentially larger area to look at and a larger region than the five-county MAPA area, which we cover three counties in Nebraska, two counties in Iowa; the Nebraska counties: Washington, Douglas, and Sarpy County. We'll be looking at a little larger area to look at a larger vision for overall development, which will include not only transportation but housing, etcetera, and we do intend to have a dialogue with the Lincoln metropolitan area to know how what we're doing there would impact them. But I guess initially I don't see the transit systems totally integrated into one, if that's what you were asking. [LR338]

SENATOR SCHUMACHER: Well, if...I mean 25 years is nothing when you're talking about building subways, roads, light rail, those kinds of things, so I mean...and there's nothing to indicate that suddenly there's going to be a great disbursement. So shouldn't we try to develop and focus on, if you were going to do this kind of planning, creating a single metropolitan statistical area that includes where most likely the future is going to be? [LR338]

PAUL MULLEN: That has been brought up a number of times. We don't control, we the state, the metropolitan areas. The definition of metropolitan statistical area, that is a

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census definition. I don't...if they keep the same rules as they had in 2000, we will probably see the metropolitan statistical areas stay about the same with Omaha area being an eight-county area including Saunders and Cass County, and Lincoln being the Seward and Lancaster Counties. I don't see them, according to the census definition, being as one. I don't disagree with you that we need to work together as one in some manner and we will be doing that, but I will say in the transit study that we're doing, we'll probably be concentrating on the Omaha side of that at this point. [LR338]

SENATOR SCHUMACHER: But doesn't the census definition, one of the key elements is the number of people that crisscross between the areas to work? [LR338]

PAUL MULLEN: Correct. [LR338]

SENATOR SCHUMACHER: And isn't transportation at the core of that? [LR338]

PAUL MULLEN: Yes. [LR338]

SENATOR SCHUMACHER: Okay. [LR338]

PAUL MULLEN: Yes. But just last time it didn't meet the threshold and I can't remember what that threshold was. But...and we do need...we will...we're not...we will not ignore the Lincoln area in any of these things but for the details of it we probably won't include them. I don't know if that's... [LR338]

SENATOR MCGILL: All right. (Laugh) Understand. Senator Ashford. [LR338]

SENATOR ASHFORD: Let me follow on with Paul just a bit and, first of all, Paul, you are a tremendous resource and you've been doing this a long time and your opinions are valuable. If we take this into perspective a little bit legislatively, we go back 40 years or so when we started thinking about authorities for transit when we created MAT, that's

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40 years ago and it seems to me that it is time, after 40 years of meetings and discussions and thinking, to do something bold. And I don't agree with the idea of using property tax as a mechanism particularly because those particular levies, if I read this correctly, are locally generated decision-making kinds of things, whereas if an authority is to work effectively there has to be an over...seems to me, a trans...what the word is, a tax base that encompasses the whole entire region that you're trying to serve that can be accessed without going to each individual jurisdiction. I mean we're never...the barriers that exist have stopped this kind of development for 40 years, not only in transportation but in economic development, tourism, and infrastructure. No one can look at the situation in the Douglas and Sarpy County metro area and not conclude that we have created...we haven't, historically there are barriers to regionalism and regional solutions which have...which we can as a state Legislature address which have stopped what you're trying to do, and I think it's unfortunate. It is time, after 40 years, to look to the next 25 years for our children's, grandchildren's generations because they aren't going to stick around here if we don't have a twenty-first century transportation system and if we don't have infrastructure. There's one other element of this that is a big benefit to Omaha and that is the ability of people who live in the inner city of Omaha to go to jobs in Sarpy County. It's a concern of mine and I know everybody else on this committee. We have people of high unemployment relatively in the inner city of Omaha and there are good jobs in Sarpy County and they are well-paying jobs, and we have to applaud Sarpy County for their innovation to create those jobs, but we can't get those people out there, and that's a fact. So we are losing valuable assets by not having this transportation system. I guess...so I don't have a question necessarily but I would applaud what you're doing and have done for all the years you've been there. I don't...on a personal note, I don't agree with this tax base as the way to address it, but I think you're absolutely right, we need to remove those barriers and we need to find a way to fund a twenty-first century transportation system. It's just amazing to me that it's taken 40 years but it does in Nebraska from time to time. So thank you for your service and hopefully we can get somewhere. [LR338]

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SENATOR MCGILL: Senator Krist. [LR338]

SENATOR KRIST: I think Senator Ashford, I agree 100 percent with his assessment on the tax base, but I also disagree...agree 100 percent with him on the reasons why we need to solve some problems locally before we go globally. Global is Lincoln and Omaha. Locally is we can't even get Sarpy and Douglas County to decide on sewer systems and some other issues. In my lifetime, I'd really like to see the metropolitan area, that is Washington, Douglas, Sarpy, and maybe a little bit of Cass, to get along and play well together and that bridge that goes across to Council Bluffs. And then the bullet train that goes back and forth to Lincoln would be great. But not to understate what Senator Ashford has just said, employment on the north side of Omaha, unemployment exceeds 45 percent. That's a staggering figure, 40-some percent, and it varies at different times. We have to connect Omaha with Sarpy County and, in some cases, Cass County for that transportation. So this is a great study. We need to find a way but the tax base issue... [LR338]

PAUL MULLEN: Yeah, on that particular issue, just to let you know, we are currently working with the Urban League in Omaha to identify those specific transportation needs and how we can provide them. There's some funds that we have that can help do that. That is not a...it's a short-term solution to get something moving and maybe that will make it better. But we've been...identify and support some specific areas because that's what Curt needs. Where do they come from and where do they want to go, we need to know those and we are finding those out at this point to hopefully develop something better in the future. [LR338]

SENATOR KRIST: I also applaud your service and thank you, and before you decide to move on the continuity that we need is tying in that I-80 corridor study with these kinds of issues and let's not lose the bubble on what's been done. [LR338]

PAUL MULLEN: We're not. [LR338]

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SENATOR KRIST: Good. [LR338]

PAUL MULLEN: I've committed not to do that, so... [LR338]

SENATOR KRIST: Thank you, sir. [LR338]

SENATOR MCGILL: Senator Smith. [LR338]

SENATOR SMITH: Thank you. You know, I don't have a lot to add other than I represent District 14 in Sarpy County, which is the city proper primarily for La Vista and Papillion, and just as an observer, also hearing from constituents, I recognize that there's a real need for addressing the transportation, the mass transit system. So I'm glad we're having this discussion, absolutely critical. As a representative of Sarpy County, the only thing I would want to make certain and I know my constituents would want to make certain is that they're not just a source of the payment for the system but they are a participant in the system. And so, you know, we would also need to make certain that they have adequate representation in the governance of the system and that the costs are properly allocated. And so that's the devil's in the details, right? So...but I think this is an absolute critical discussion to have in order to support the type of economic growth that we want to see continue in eastern Nebraska. So I'm glad we're having this discussion. [LR338]

PAUL MULLEN: I fully agree with you. I'm glad that you have to do it and not me, but we are here to help you though if you need any help. [LR338]

SENATOR SMITH: Uh-huh. [LR338]

SENATOR MCGILL: I'm sure we will. Any other questions? No, that's it. Thank you. [LR338]

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PAUL MULLEN: Thank you very much. [LR338]

SENATOR MCGILL: Next testifier. [LR338]

RICK CUNNINGHAM: My name is Rick Cunningham, C-u-n-n-i-n-g-h-a-m. I am the planning director of the city of Omaha. I will just note my green sheet is for this hearing and then the subsequent hearing unless you... [LR338]

SENATOR MCGILL: Okay. [LR338]

RICK CUNNINGHAM: ...require that I fill out another one for that one. I do represent the administration, the city of Omaha in saying that we strongly support this investigation of evolving the metro system to a truly regional transit authority. We see benefits across the board for the city and for the region. Last night...some of you may know that the city is in the midst of updating our transportation master plan element, which is part of a multielement comprehensive city plan. We had over 400 people at that public hearing, talking about options, and a lot of what we heard, as we have heard when we adopted our environmental element of the master plan just earlier this year or late last year and other elements that we have worked on and heard from the public, that we need a stronger, more effective, efficient transit system within the city and within the region. And probably more importantly, we need a system that not only meets the needs of those that must have a transit system, a system of necessity, but we also need a system of choice. More and more individuals within our city would like to choose to use mass transit but that opportunity is not there, at no fault of Metro but just because of the funding realities and their capabilities given what...the constraints that they operate within. Mobility and choice is an important aspect of our transportation master plan. It is at the heart of the quality of life for the city of Omaha, the health of our public. It has tendrils that goes through every aspect of our city and our citizens and the way they enjoy or do not enjoy their city and the state. So we strongly support this effort. We

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certainly partner with Metro on a number of different things. We are currently partnering with them on an alternatives analysis to look at a strong transit solution/connection along a major central corridor within the city from downtown out to at least 72nd Street to enhance the capability of Metro to provide a strong, integrated system for the entire city and then the whole region. The one thing that I would say is that we realize that at this point we're talking about a regional transit authority that is primarily rooted in Nebraska, but we would say that Omaha, for example, is a river town and there is another component across the river that could at some point in time when it is reasonable and possible to expand perhaps that regional transit authority across the river, as Metro is currently providing service through an interlocal agreement through contract across the river to Council Bluffs. So we do have a vision at the city through our transportation planning effort at looking at a truly regional authority that crosses the state line and provides efficient, effective services to all of our population within the region. [LR338]

SENATOR MCGILL: Any questions for Rick? Senator Krist. [LR338]

SENATOR KRIST: Four hundred people last night? [LR338]

RICK CUNNINGHAM: Over 400. [LR338]

SENATOR KRIST: You need to call Becca (phonetic) and make sure he understands that when he predicted 15. [LR338]

RICK CUNNINGHAM: Well, when we kicked it off we had 200 so it was totally awesome to have over 400. I would say that we can do better and in my opening comments at that meeting is this is your plan, this is our city. We need to see more people. We need to have people sitting on the floor, against the wall to talk about the issues of transportation and the kind of impact it has on the quality of life, especially 25 years from now, and that's what we're doing in this transportation master planning effort, is

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looking at 25 years. And I'll save some of those comments for the next testimony as far as 25 years and quality of life, but it was awesome. [LR338]

SENATOR KRIST: Good for you. [LR338]

RICK CUNNINGHAM: And a lot of people talked about transit. Curt was there. Paul was there. So when we talk about transportation within the city of Omaha for sure, we are not just talking about roads now. We have some tough policy decisions ahead of us. We have some tough financial decisions ahead of us and one of the options on the table is to invest from the city in our transit system in a more direct way. That's going to be a tough policy decision and financial decision to make, but our...at least certain aspects and components of our community are saying that's what they want us to do. So we'll see where that goes, what kind of traction we get on that. [LR338]

SENATOR KRIST: Thanks. [LR338]

SENATOR MCGILL: Any other questions? [LR338]

SENATOR ASHFORD: I guess just one other point: I think that this is all good, obviously, but...and we're all agreeing, in agreement. I think that the challenge over the last several years has been being able to break down the barriers with your jurisdictions, our border jurisdictions in Sarpy County in a meaningful way with meaningful agreements that would underlie this vision. And how do you see that collaboration going? And I guess in the context of coming to get a bill passed here to enlarge the authority or whatever, I think it's going to take...it's going to take, in reality, it's going to take the agreement of Sarpy County and all of its component parts to say, look it, this is top three of our priorities--roads, transit, whatever it is; we support, you know, a regional wide...a regionwide sort of approach and we support some funding mechanism to get us there. I think where are you in those discussions or have those occurred and what do you see, what do you see in that regard? [LR338]

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RICK CUNNINGHAM: You're absolutely correct. We have informal mechanisms in place in our various planning efforts of reaching across those borders, boundaries. Somebody mentioned Lincoln. At the planning level, we are working with Lincoln, especially as it relates to economic development and other tools that we use and how we use them. We've had discussions with Bellevue and other municipalities within our region especially about transportation... [LR338]

SENATOR ASHFORD: Right. [LR338]

RICK CUNNINGHAM: ...and so actually that perhaps is a common ground that could perhaps get us to that perspective when we talk about transit and transportation, because those roads, all of our roads, you know, they don't stop at the city limits. They don't stop at the planning department's jurisdictional limits. Those roads keep going and so we do indeed have those kinds of dialogues and partnerships already in place. [LR338]

SENATOR ASHFORD: And I know you do and I think it's effective that you're doing that, but I think before you come here to be effective here is that we push the envelope there with...as much as possible in the next three or four months to have a clear pathway on funding. Again, I think property tax is a difficult task. I think some sort of regional sales tax for transportation is a much more viable option, but that's for you to decide. And to have everyone together, coming to us and saying infrastructure, transportation, economic, whatever it is, so that we can...that would be so very helpful because what happens here of course, your vision is, Paul's vision, absolutely correct, get on the floor and then someone from some town says, well, this isn't going to work or I don't want my taxpayers to pay for this or whatever it is, and then go for another 40 years, because that's really been the history of this issue, not out of any Machiavellian or evil intent but that's just the way it works here. So I think the more you can come together with a unified plan, and I know you're not only this is our vision but this is how

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we can pay for it, and we have everybody signing on the dotted line or most people, that would be very helpful. [LR338]

SENATOR MCGILL: Senator Schumacher. [LR338]

SENATOR SCHUMACHER: I think Senator Ashford raised some really good points before when he said that, you know, the last history of the state it's been functional to have these little government chunks of authority here and there, but as the economy has changed, to look at things as an area of the Omaha area or the Council Bluffs area or Columbus area or Norfolk area needs to evolve. I mean there's a 75,000 to 100,000 people in Platte, Colfax, Stanton, and Madison County that don't have four-lane access to the city of Omaha, yet most of them shop there for some their major purposes. So when we talk transportation and transportation infrastructure, we got to think of what the economic reality is and how do we design something that's going to make this economic core, which probably reaches out a good 80, 100, 150 miles from Omaha, functional. And that has to be part of the plan, because just, you know, inside Omaha does not make the whole economic unit, which is probably going to be the core nonagricultural unit of the state. So I would encourage you to let's think in a bigger picture rather than these little silos that are out there. [LR338]

SENATOR MCGILL: Thank you for your input on that too. Anyone else? No. Thank you very much. Are there any more testifiers? We've got one more. Anyone besides that? No? Okay. [LR338]

JAMES GROTRIAN: (Exhibit 3) Good morning, Madam Chair and committee members. My name is Jim Grotrian, spelled G-r-o-t-r-i-a-n. I'm the executive vice president of Metropolitan Community College. We serve, if you're not familiar with our service area, we serve Douglas, Sarpy, Washington, and Dodge County, and it's my pleasure to be here today to speak to LR338 and express our support for our partners and particularly from who you heard earlier, Curt. And throughout our history, Metro Transit has been a

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strong partner of MCC and in 2007 Metro Transit hub was built at MCC south Omaha campus as part of our connector building. This hub serves six routes with over 110 bus trips per day and hundreds of students going to and from classes as they pursue their education. And if you haven't had an opportunity to visit our south campus, I encourage you to do so. It is truly an integrated partnership. And more recently, in October 2009, MCC partnered with Metro to create what we call a Pass to Class Program where each MCC student has the ability to receive a Metro bus pass good for one quarter and the program is set up so MCC pays a portion of each ride while Metro Transit matches our payment with a grant. We have worked closely with Metro to create a program with unique passes to meet our students' needs in a fair cost-sharing agreement. On average, over 600 students a month use their passes, with the total number of monthly rides averaging 16,022 rides a month. We believe this partnership allows students easier access to transportation options in order to receive their education, and through this program we provide opportunities for our students to learn how to ride public transit. This program costs us about an average of \$8,000 a month, which sounds like a lot until you investigate what it would cost us to have our own shuttle service, which we estimate to be anywhere around \$20,000 a month or more. So we're in the education business; they're in the transportation business. It's a good...it's a win-win partnership. As the first of its kind partnership between Metro and a local college, we have worked together through the pilot stage and now have a streamlined program and have a strong ongoing partnership. Because of this innovative partnership, UNO, Clarkson College now have a student transit program modeled after ours and Creighton University is in discussions with Metro as well. Metro is proud to be an active user of Metro Transit's system, and MCC has an interest in enhancing Metro's services. Moving forward, MCC would like to continue to partner with Metro to improve transit services to all of our locations to better serve the needs of our students across the community. And currently our Elkhorn campus is not served, along our centers in Blair, Irvington, and Fremont, and our Sarpy center is underserved with only four stops per day over a half mile away, talking about that regional partnership. Enhancing the partnership with Metro to provide transit to more of our campuses and centers will allow us to better serve our students. We are

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proud to be part of any solution that the Legislature and this committee can put forward in making transit available to everyone. Thank you and I'd be happy to answer any questions. [LR338]

SENATOR MCGILL: Thanks, Jim. Any questions? No. Thank you very much. [LR338]

JAMES GROTRIAN: Very good. Thank you. [LR338]

SENATOR MCGILL: And that will close the hearing on LR338, and, Senator Mello, you're welcome to come up to open on LR203. [LR338]

SENATOR MELLO: (Exhibit 4) Good morning, Chairwoman McGill, members of the Urban Affairs Committee. My name is Heath Mello, M-e-l-l-o, and I represent the 5th Legislative District in Omaha. Vacant properties, both commercial and residential, have long been a problem for Nebraska municipalities. From the south Omaha neighborhoods that I represent to small villages in rural Nebraska, communities of all sizes face many of the same challenges with regards to vacant properties. In addition to the effect that vacant properties have on overall property values in a community, these abandoned buildings present serious health and safety risks, including increased risk of flooding or fire. Vacant properties can also contribute to the increased crime rates as abandoned buildings are often used as a home base for illegal activities, including drug use, drug manufacturing, graffiti, trespassing, and general criminal mischief. The current economic climate has only served to worsen these problems as the foreclosure crisis has added to an increasing number of homes and businesses to the rolls of vacant properties. The goal of LR203 is to examine the tools that are currently available for municipalities to address vacant properties and determine whether there are approaches working in other states that may be useful to Nebraska. Over the past few years, several states have passed legislation seeking to address the costs associated with municipal upkeep of vacant properties. As Nebraska municipal officials will no doubt testify following me, vacant properties are often the same properties found most

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frequently in violation of city ordinances regulating weed height and snow removal as well as local building codes. With these same properties, however, it can be difficult for a municipality to determine who owns the property and, thus, where to send the bill for weed trimming or snow removal. Two recent examples of other states addressing upkeep costs are the 2009 legislation passed in Illinois that gave municipalities additional tools to identify parties responsible for property maintenance, and recently passed legislation in Kentucky that gives cities a priority lien to help collect the costs associated with the upkeep of a property. A more proactive approach to vacant and abandoned properties that is growing in popularity is the concept of land banks, which are public authorities created to efficiently acquire, hold, manage, and develop tax foreclosed property. While in 2005 there were just a handful of land banks being operated exclusively in older urban neighborhoods, the number of land banks nationwide have exploded to 79 different initiatives in communities of all sizes. As the number of land banks has increased, so has the variety of legal structures and tools granted to cities and counties operating land banks. The committee should have received a copy of a recent report by the Center for Community Progress that examines the different types of land banks and the enabling legislation that authorized some of the most effective programs. While our state statutes currently lack land bank enabling legislation, in 1973 the Legislature created land reutilization authorities which are more limited in scope than recent land bank approaches. Obviously, if the concept of land banking is something that our municipalities think would be helpful, any enabling legislation would have to take in consideration the needs of Nebraska municipalities as well as any restricted provisions in the Nebraska Constitution. Representatives of the city of Omaha and the city of Bellevue are with us today, as well as the League of Municipalities, and hope their testimony will help identify possible statutory changes that will help Nebraska municipalities in their efforts to address vacant properties. I'd also like to specially thank Bellevue City Councilwoman Carol Blood for bringing this issue forward and working with my office on some of the initial research to LR203. I'd be happy to answer any questions you may have but otherwise it would probably be best to turn it over to the other municipal officials behind me. [LR203]

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SENATOR MCGILL: Thank you, Senator Mello. Any questions? No. Thank you very much. We'll take our first testifier. [LR203]

SENATOR COASH: How many on this one? [LR203]

SENATOR MCGILL: Yeah, how many people do we have here to testify on...? Oh, a few more than the last hearing. Okay. Hello, Carol. [LR203]

CAROL BLOOD: (Exhibit 5) Good morning, Madam Chair, Senators. I am Councilwoman, Bellevue City Councilwoman at large Carol Blood, B-I-o-o-d. We appreciate the fact that you've given us this opportunity to speak. I'm going to speak very briefly on a little bit about what Bellevue is doing because I think it will paint a bigger picture of what's needed from the state. Vacant and abandoned property can create a community's future...can threaten a community's future by diminishing its quality of life, reducing property values, and jeopardizing public safety. Vacant property is a phrase being coined for a national movement meant to enhance the future of communities across the United States. Unfortunately, it doesn't give a clear description of what this initiative is truly about. In Bellevue, we are working on developing real solutions to reduce the negative effects of vacant, unmaintained commercial and residential property. Bellevue taxpayers want their municipality to recover the costs of property maintenance. When an owner or other responsible party can't be found or is unable or unwilling to maintain the vacant property, the city takes on the burden in order to prevent harm to the surrounding area. Bellevue, like other Nebraska cities, has a hard time recovering the costs incurred by these properties. If we are lucky, the liens may be paid off in a foreclosure sale only after other encumbrances, including mortgages, have been satisfied. Our committee has also discussed an additional kind of municipal lien that is currently used in Illinois. It allows municipalities to perform needed property upkeep and to get paid for this work with a special priority lien, which is much more likely to be paid off in a foreclosure sale. Nebraska currently allows for priority

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liens, but the state statute language needs to be tweaked to ensure payment to municipalities. Bellevue has problematic properties that are seven or more years behind on paying property tax. Our committee will be working with our Sarpy County Commissioners to see how we can aggressively address this concern. The purchase of tax certificates can be a nice benefit to the investor and a relief for the property owner but can further complicate the issue. Statute can also be clarified in this area to ensure that the liens are treated as special assessments. Although known to the municipalities, it is not always acknowledged in court. Receivership is another powerful tool not currently being utilized. When traditional code enforcement doesn't motivate an owner to perform necessary maintenance or the property is a danger to the community, a municipality can go to court and seek to have a receiver appointed to take care of the property. This third party can take any step the court authorizes to repair or rehabilitate the property. In exchange, the receiver is guaranteed that it will get back the full value of the loan used to fix the property, plus interest. If the owner of the property isn't paid back the receiver's loan, it becomes a lien on the property which must be paid back before all other encumbrances on the property, except taxes. Bellevue is discussing the potential of an early warning database that would allow Bellevue to be proactive in identifying problem properties in at-risk areas to facilitate collaboration. When a property is vacant and the owner can't easily be found, Bellevue must attempt to contact a financial institution that has an interest in the property to ensure that the property is maintained and secured. This is very time-consuming and often we find there are many layers of ownership which makes it hard to identify who is truly responsible for maintaining that property. The committee has discussed the national database maintained by the mortgage industry that includes essential information about many of these at-risk properties. It may be beneficial if Nebraska required municipalities to receive copies of key court documents which include useful contact information. Bellevue and other Nebraska municipalities could use this resource for contacting the responsible party within that institution. Maintaining vacant properties typically involve several of Bellevue's departments as it does, again, in other municipalities. The work must be well coordinated. City departments can collaborate to carry out certain tasks

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more efficiently, like conducting joint inspections. Bellevue city officials will be working closely with county officials to figure out how we can best address certain issues like tax delinquency. Again, Bellevue, like many other Nebraska municipalities, needs to be proactive to recover the costs of property maintenance and create a process to systematically identify priorities and goals for dealing with these properties. We need to develop and implement plans to address these priorities and goals. None of these issues really require any new fees nor new taxes, only long-term code enforcement strategies, clearer state statutes, and utilization of local tools to help Bellevue and other communities move forward. Working with area community organizations, such as Habitat for Humanity, creates opportunities to not only clean up vacant properties but provide affordable homes to those in need, and we continue to look for other community partners to expand our resources, thus hopefully increasing our success rate. Municipalities in Nebraska are all trying to do more with less. Because of reduced state and federal funding, other vital tools, such as the acquisition of properties to stabilize or rehabilitate properties or to redevelop entire areas or neighborhoods, is an expense that many communities cannot currently afford. Where neighborhood stabilization and revitalization efforts require acquisition of large numbers of properties, land banks have always been proven to be an effective strategy. Acquiring properties can be a useful tool but it is not a quick solution to this pressing problem and can take a very long time to see results. Municipalities also take on the expense of demolishing vacant properties that pose significant risks to the community and cannot be adequately addressed in any other way. Demolition often costs less than taking care of a troubled property and can be an effective tool in stabilizing a neighborhood or commercial area, but again the municipality must take on the financial risk. If the building is not demolished, the municipalities must maintain the property through mowing, weed and brush removal, boarding up the property, and other tasks that involve city staff and resources. Unmaintained properties cost Nebraska taxpayers money both in city services and lost dollars. I feel that we are literally taking money that can be better used elsewhere and is in our already tight community budgets. Revitalizing these properties helps moves economic development forward, maintains or increases the value of surrounding

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property, and removes these tax burdens before they disintegrate into a pile of rubble. Please consider these issues presented today. Remember that this is not a complicated issue but it is a pressing issue for most Nebraska communities. Any help at the state level is not only appreciated but needed to keep Nebraska a great place to live and raise our families. Thank you. [LR203]

SENATOR MCGILL: Thank you, Carol. Are there any questions? No, I don't see any. Thank you very much. We'll take the next testifier. Welcome back. [LR203]

RICK CUNNINGHAM: I already turned in my green sheet. Madam Chairwoman, other committee members, my name is Rick Cunningham, C-u-n-n-i-n-g-h-a-m. I am the city planning director for the city of Omaha before you today because the city planning department also has a housing and community development group division within which we have code enforcement, so abandoned, vacant, substandard properties are within our inspector's purview, although the planning department is not the only department that deals with some of these issues. Our parks department and public works also ends up dealing with these properties. What I wanted to just very quickly put a face on is just what are some of these challenges and opportunities perhaps from a slightly different perspective. The assistant director for housing and community development in Omaha will talk about some of the other opportunities. He is also here and will testify. I mentioned that we are in the midst of doing our transportation master plan update. Transportation is tied to land use and so we have been talking about how the city has evolved over time and the challenges and possible strategies of how we move forward, especially as it relates to being a sustainable city over the long term. Part of that has to do with the projections of population growth over the next 25 years. MAPA has projected 130,000 additional residents in the metropolitan area of the city of Omaha. They have also projected that over 100,000, excuse me, 120,000 of those new residents would be outside the 680 loop in Omaha and only 10,000 into the inner core. That is unacceptable for a sustainable city, so we need to be able to attract a higher percentage of the new residents in the city of Omaha and the region of Omaha to the

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inner city of Omaha. We have to reinvest in that eastern part of Omaha. So when that discussion started with our consultants and they started talking about these numbers, the first question in my mind was where would we put 30,000, 40,000 more people in the inner city. Do we have enough land to accommodate those? They started talking about 3,000 single-family rooftops, new single-family rooftops. My question is, do we have that number of lots, opportunities? So I asked my GIS department to look at first the northeast quadrant of the city using 72nd Street as the western boundary, Dodge as the south, and 680 to the north, and the river to the east. We have in two categories, privately owned and city owned, vacant lots, that is with no improvements on them, and unfit and unsafe properties and properties that we in fact have demolition orders on. I asked for those statistics. We have altogether between those two over 13,000 opportunities within that northeast quadrant of the city of Omaha. That's 9,700 that are privately owned and city owned parcels, and 3,527 unfit, unsafe, or with outstanding demolition orders. Again, that's over 13,000 opportunities to reinvest in the inner core and specifically in the northeast quadrant of the city. That basically by itself answered the question for me. We have more than enough area that we can accommodate new residents. We have to do some things to make people want to live there, obviously, and that's what we are here to talk about today that you're going to be looking at, is tools that can help us do that. I did want to also then say, okay, what do we have in southeast Omaha, east of 72nd again, from Dodge to Harrison Street, and again from the river to 680 and our 72nd Street, and it was kind of interesting. We have a considerable number of vacancy there. Excuse me, I misspoke. We have 7,800 total in the northeast quadrant. We have another 5,400 in the southeast quadrant. So it's 13,000 in the eastern side of the city. So it is a vast opportunity for us. We just need to have the tools in order to turn that opportunity, that potential, into kinetic development, redevelopment, reinvestment, renaissance of the city of Omaha, especially the core. So it is not our goal to stop growing as a whole area to the west, but it is our goal to have a balanced growth within the city of Omaha and a reinvestment and a renaissance on the east side of not only 680 but on 72nd Street. As I said, our housing and community development director will be here to talk about some tools that we think might be advantageous. I will

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tell you that we do have a sizeable amount of demolition orders that we cannot act upon because we do not have the funds to do that. We end up basically doing emergency demolitions. Those are when the structure is...had a fire and is in imminent possibility of collapsing. We did just within the last two or three months have to find \$150,000 to do a demolition on a commercial building that was falling into the street, and in that case we had to close the streets around it because of the threat to public safety. And we were lucky we were able to find that \$150,000 to demolish that structure. This structure, by the way, was a structure that we had been issuing citations on and, in fact, put the owner in jail for six months and still could not get that structure repaired or demolished. We have a number of cases like that in the city. We currently have over 4,000 open cases that we are working with our nine inspectors and we are working to close that, those cases. We are working to do the only thing we can to make those folks listen to us and that is take them to the judge and hopefully the judge will agree with us. It is a tough job, and so any and all tools that you can help us with to be able to basically have an impact on the quality of life, the tax base, maintaining the tax base within the city for the city and the state we certainly, certainly would appreciate it. Do not hesitate to call me or any of my staff. We are here to help you in any way, form or fashion. [LR203]

SENATOR MCGILL: Thank you, Rick. Any questions? No. Thank you very much. Take the next testifier. [LR203]

JAMES THELE: Good morning, Senators. [LR203]

SENATOR MCGILL: Welcome. [LR203]

JAMES THELE: (Exhibits 6 and 7) My name is James Thele, T-h-e-l-e. I am the assistant planning director for housing and community development, and as you can probably notice, I've been involved, at least from my age, with community development for a number of years. My entire career actually has been with economic development, community development, so this is an area I'm very familiar with. It's an area that has its

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joys and it has its frustrations. Today I think we want to talk about how you can alleviate our frustrations and that is to address some of the vacant property issues we have in Nebraska. And the planning director has very clearly indicated the problem that we have in Omaha, and if you would indulge me for a moment I would say that in my spare time I enjoy traveling throughout Nebraska. I have ridden through every county in Nebraska. I've been in virtually...I shouldn't say every community but doggone nearly every community in Nebraska, and the problems are in every community in Nebraska. Omaha may have the greatest number but I dare say I've seen higher percentages in some of our small communities. So it's a Nebraska municipality problem. I think working together with the Legislature, Nebraska municipalities can address many of the issues caused by vacant residential and commercial properties. We believe the Legislature can help with new legislation and amendments to existing statutes. These changes will allow municipalities the resources to help address these issues. We are suggesting a comprehensive approach and I want to talk about three elements of that. One is the proposal for a Foreclosure Prevention and Property Valuation Protection Act, second is amendments to the Community Development Act, and third is amendments to the Community Development Assistance Act. I believe Senator Mello, as well as the council member from Bellevue have talked a little bit about land banks but the proposed Foreclosure Prevention and Property Valuation Act does address the issue in a manner that does not increase appropriations from the state of Nebraska or local municipalities. It uses the revenue that can be gained from the sale of tax certificates by allowing Omaha's...or Nebraska's municipalities to form land banks which would have the right to bid upon tax certificates prior to them being opened to the general public in terms of purchasing those tax certificates. Currently there are investors who form pools. Many of those pools come from outside of Nebraska, in fact, I dare say the majority come from outside Nebraska. By purchasing a tax certificate, they can earn a 14 percent return on their investment less their losses. As you know, not everybody redeems their property but well over 90 percent do redeem their property, in fact, I believe it's closer to 93 to 96 percent in Nebraska. That difference between a borrowing that could be made by a land bank through a revenue bond versus the 14 percent that could be earned does allow a

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substantial chunk of money, less the costs, that could be devoted to addressing the issue of foreclosure prevention. What we're suggesting through this act is to allow municipalities or consortium municipalities, in the case of smaller communities it makes more sense for them to form a consortium, to form land banks that have the right to acquire tax certificates prior to the public auction. We permit the land banks to issue revenue bonds to purchase these tax certificates. The interest on those revenue bonds would be exempt from Nebraska income taxes. The act will need to address how it should be organized and set up, and we certainly would be happy to work with members of the Legislature on addressing that and looking at the other models that are around related to land banks. The income that could be derived from this, first, would be used to repay the bondholders and any other lenders in creation of a reserve fund. Beyond that, certainly there's operations of the land bank itself. Foreclosure prevention counseling and rehousing assistance we think is very important. We oftentimes have people, particularly elderly, who are running into problems that we may be able to assist in terms of that. But the bulk of the money would be used for the costs of rehabilitation and demolition of vacant structures and then for the costs of redeveloping that vacant land plus any holding costs and sales expenses. Any property used for a governmental purpose would be a negotiated sale price to that governmental entity, not to exceed the market value of the property. In the case of where the property is sold to an investor or, in our case, we work a lot with nonprofit developers to construct housing on vacant property, that we could offer reductions as long as there is a restriction on the use of that property for a number of years so there's a public benefit for it. An additional opportunity might be to look at terms of second mortgages to encourage people to invest in older neighborhoods at a reduced interest rate to those, which of course would be paid back, but a reduced interest rate as an incentive. We think this is a great opportunity. There have been a number of these land banks that have been set up in varying degrees. In your packet here I've included kind of the granddaddy of them all, which is the Genesee County, Michigan, land bank that has been set up. Recently, the state of New York introduced legislation that was just passed that did provide for a revenue bond source of funding. I understand that Kentucky and Georgia are looking at

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it right now and I understand also there are some other states looking at a similar type of legislation. So we certainly have no pride of authorship. We're always pleased to see what we can take from somebody else who's had success with their program. In fact, the original one was established I believe in 2002 so there is at least a record of success that we see how these have worked throughout the country. A second item I'd like to talk to you about is an amendment to the Nebraska community development statutes and this amendment would do basically three things. It would, one, state that it is...that you can demolish an unfit, unsafe structure using the community development law. Right now it's...I think it's clear but the attorneys say that we want to have some clarification that you don't have to acquire it but you can simply demolish a structure in a blighted area to remove that blight. It also then would specifically allow special assessments to be used for any bond repayments. Now in the case of the city of Omaha, there is currently a bond cap under the law of 2.6 cents per \$100 of valuation. We're currently at that cap and I suspect that is true of other communities in Nebraska. In the meantime, we have a crisis of vacant properties caused by foreclosures and the downturn in the economy, so it is suggested that the bond levy be increased to allow those governmental entities that wish to, to use the community development bonds to demolish substandard structures. The third element is an amendment to the Community Development Assistance Act. This is a little used act, actually, that provides a 40 percent tax credit to individuals or corporations who contribute to community development activities. We suggest amending that act to allow affordable housing equity investments as an additional allowable use, and this would allow those investors who are investing in affordable housing, which has at least a minimum of a 15-year term that that has to be affordable, to end up with a little bit higher return on investment. Right now, it doesn't...you can't afford to, if you're an investor, put money into an affordable house. You don't get a good enough rate of return. So this is an opportunity to increase that rate of return and encourage people to invest with hopefully the vacant lots we now have available as a result of some of the other activities. It also does increase the tax credit amount of right now \$350,000. We'd ask that be increase to \$700,000, as well as provide for equitable distribution according to number of

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Congressional districts in Nebraska. If all that were used for affordable housing, you could leverage approximately \$1,750,000 in funds at a 40 percent rate. So we think there's an opportunity here to create a land bank, provide us the tools to demolish structures, the funding, as well as some funding to help to construct new housing on those vacant properties. And with that, I'd like to kind of complete my comments related to that. If I could and if you would indulge me for one more minute, however,... [LR203]

SENATOR MCGILL: One more. [LR203]

JAMES THELE: ...the city law department has asked me to bring another issue to your attention as well and that is that, as part of its redevelopment activities, the city oftentimes acquires vacant property for redevelopment. That property oftentimes has title issues associated with it. Usually it's not an unwilling seller but occasionally it can be and the city can use its power of eminent domain within that context. We may have a property that's valued at \$500 and the court may award that \$500. That goes to any entity who's been named in that petition. The cities always names Douglas County as one of the taxing entity, of course, in that. And it could have...that property may be only worth \$500 but could easily have \$5,000 worth of back taxes on it. Perhaps there was a house torn down. So it could have a lot of tax liens, delinquent taxes against it plus interest and penalties. In the past the amount of the award, up to \$500, was used to pay the taxing entity, the city special assessment would be wiped out at that point, and any additional taxes still owed would be removed from the assessment. Five years ago, approximately, the Douglas County Attorney's Office decided that wasn't what they wanted to do and are requiring that the city pay the entire amount of taxes due. So we could end up buying a \$500 property at \$3,000 or \$5,000 perhaps, ten times the value of the property, which by the way means there's nine other properties we can't buy. And so we have prepared, through the law department, prepared a clarification that we would ask the Legislature to consider. I'd point out, while it does affect us in terms of redevelopment, it also does affect our public works department and potentially could affect the Nebraska Department of Roads as it acquires property and ends up paying

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way too much for properties acquired for public purpose. So thank you very much. I would be pleased to answer any questions. I'm not an attorney but I would be pleased to ask (sic) any questions regarding what I suggest is a comprehensive approach to addressing the issues of vacant properties. [LR203]

SENATOR MCGILL: Are there any questions? Senator Schumacher. [LR203]

SENATOR SCHUMACHER: I have just a few questions on various issues. First of all on the tax foreclosure issue, right now am I correct in understanding your taxes get behind, the county puts on the table say \$1,000 worth of taxes and anybody can come in and buy that tax sale certificate and get 14 percent interest? [LR203]

JAMES THELE: That is correct. [LR203]

SENATOR SCHUMACHER: Okay. And then at the end of a period of time, I think it might be three years, they can foreclose on that or they can get a deed for the property. [LR203]

JAMES THELE: That's correct, Senator. The intent of those investors is always the money, so they don't want the property actually. But if they don't get paid, yes, they can. It's kind of interesting wording. It's they must wait at least three years and then file within six months after that to go through a foreclosure process. [LR203]

SENATOR SCHUMACHER: And if the investor doesn't want...investors don't want those particular certificates then the county gets the certificate and the 14 percent interest. Is that correct? [LR203]

JAMES THELE: Well, the county gets the...when a tax certificate is purchased, the county gets all the taxes that are due for that year that they receive. The county does not get the interest associated with it. That interest goes to the investor. That's the

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investor's incentive to buy the certificate. [LR203]

SENATOR SCHUMACHER: But if the certificate isn't sold. [LR203]

JAMES THELE: If the certificate is not sold, eventually it would go through a sheriff's sale. [LR203]

SENATOR SCHUMACHER: And the county gets the interest in that case. [LR203]

JAMES THELE: Well, what oftentimes happens, yes, you're correct, but what oftentimes happens is particularly in older parts of the cities is that nobody bids on it, in which case in Omaha and in some other parts of Nebraska they have a land reutilization commission that puts in a bid. So there is a secondary mechanism as well. But with the popularity of the tax certificates, a lot less properties are going through that standard foreclosure process with the sheriff's sale and so on. [LR203]

SENATOR SCHUMACHER: Then the follow-up, if it goes through the sheriff's sale, whether it's the investor side or the county gets stuck with it, are all the taxes forgiven at that particular point? [LR203]

JAMES THELE: The way it works, at the sheriff's sale any bidder must bid the amount of the taxes plus the various advertising and other costs associated with that, with the exception that the land reutilization commission always has a \$1 bid if nobody else bids on it, and after two years the land reutilization commission or authority has the opportunity to get that property. But anybody else has to bid the actual amount of the taxes plus interest. [LR203]

SENATOR SCHUMACHER: Where there isn't a land utilization commission and no one bids enough to clear the taxes, what happens then? [LR203]

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JAMES THELE: It sits. [LR203]

SENATOR SCHUMACHER: And no one can buy it for a \$1 at a sheriff's sale, is that what you're saying? [LR203]

JAMES THELE: That's right, nobody can. [LR203]

SENATOR SCHUMACHER: No compromises. [LR203]

JAMES THELE: Now again I would caution I'm not an attorney. [LR203]

SENATOR SCHUMACHER: So the proposal you have then is you sell a bunch of bonds which you pay next to nothing in interest on, take that money and you get to buy the better tax sale certificates and make the 14 percent interest. Is that basically it? [LR203]

JAMES THELE: Yes. However, I would say that in the case of the city of Omaha, city of Omaha would probably bid on all of them because we're also interested in some lower value property in inner city neighborhoods for development, so we would kind of balance the portfolio, if you would, if I can word it that way, so that there may be some properties that we've...frankly, it's a vacant lot, most likely we are going to get it. Nobody else is going to be interested in redeeming it, so we probably would eventually then get it through that and hopefully work with one of our nonprofit partners. Actually, Habitat for Humanity is an organization that's here today that we work with quite often on providing them land to develop houses. [LR203]

SENATOR SCHUMACHER: Well, if you're going to do some community redevelopment I mean and you got a piece of property nobody is paying taxes on, another one the weeds are growing on, but there is somebody in the middle of it that has an older house that probably isn't so spiffy but you can't get at that, in order to develop that block or that

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zone don't you need some kind of mechanism to say we're going to take this whole chunk and we're going to not just put some cheaper homes down into it but we're going to redevelop it? [LR203]

JAMES THELE: Yes, Senator. Under the Nebraska Community Development Act, the city could, through a redevelopment plan, acquire that property as well. I will say, though, that in the case of Omaha what we try to do, particularly if it's a homeowner, oftentimes elderly by the way, that we try to work with them to see if we can rehabilitate that house and we, through our federal funds, can provide lower interest loans. So typically we work...we also will work with a cooperative investor who agrees to then rent to moderate income people. But, yes, ultimately you're correct that it may be necessary occasionally to acquire additional properties so you have a large enough site to, say, put in four houses on a block. [LR203]

SENATOR SCHUMACHER: I don't have any further questions. [LR203]

SENATOR MCGILL: Other questions? [LR203]

SENATOR ASHFORD: My only...and thank you for again, as I mentioned to Paul earlier, for your--I've worked with you a lot--many years of service. You're the guy every year that puts the plan to the city council and to the public. It's important work you do. My caveat is this. Obviously, any tool we can...not obviously, but I would think any reasonable tool we can give to redevelopment is important. We've had lots of these, I mean, in your lifetime over the...of service where there's the panacea of redevelopment and housing and affordable housing. Every five years or so there's a new panacea and you do the best you can with those policies and I think you've done a good job. The problem that I have with all of this, it's not this, is that over all the years we've been doing this in Omaha it really hasn't...we've had some nice housing but the housing has gone into areas that are blighted, really blighted, with no or very little employment opportunities and high unemployment and low-achieving schools. I mean that's what the

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reality is. And my thought about that is that...having worked in it is that affordable housing plans need to be metro area wide. And I don't know how we get there I guess is one point,... [LR203]

JAMES THELE: Right. [LR203]

SENATOR ASHFORD: ...and we've had these conversations. The other...so as we fill lots in and we recapture lots and we rebuild housing in areas where there is...where there are low-achieving schools, where there is no or very little employment and where there is failure, not necessarily by the city but by the whole... [LR203]

JAMES THELE: Uh-huh. [LR203]

SENATOR ASHFORD: ...society, my only caveat to this is that as we move forward with housing issues in areas that are already blighted, already have these issues, without the other stuff, you know, without the other stuff the affordable housing is...may in sort of an ironic way perpetuate some of the failure. And I... [LR203]

JAMES THELE: Yeah, Senator, I very much understand what you're saying and perhaps one of the frustrations I have always had is there have been such limited funds that we've had to concentrate on those areas with the greatest needs. [LR203]

SENATOR ASHFORD: But we have brought in investors and we bring in investors, and I've seen all those projects,... [LR203]

JAMES THELE: Right. [LR203]

SENATOR ASHFORD: ...we've gone around and looked at them together, where after 15 years these things become...they got their money out, whether it's a federal program, it's mostly a federal program, HUD programs, their money comes out, they've

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redeveloped something or built something and then it becomes nothing, and... [LR203]

JAMES THELE: Yes. [LR203]

SENATOR ASHFORD: ...we have hundreds of examples of that in Omaha. [LR203]

JAMES THELE: Yeah, I guess I could say, number one, I'm always an optimist and... [LR203]

SENATOR ASHFORD: I am, too, and I'm not trying to throw a wet blanket. I just think... [LR203]

JAMES THELE: ...and specifically in Omaha we're very fortunate the community has expressed a great interest in addressing some of those issues in a comprehensive manner through the Empowerment Network as well as our chamber of commerce has worked in the south Omaha area with the South Omaha Development Project. So I think they're starting to address some of those issues that are not really the city's responsibility but we recognize are necessary to have sustainable economic development. I would say that part of what I'm proposing here is foreclosure issues associated with the...what is my proposed...or I say our Proposed Foreclosure Prevention and Property Valuation Act are throughout the city. Yes, they are concentrated in older areas but they are...it is throughout the city, so there's opportunity. [LR203]

SENATOR ASHFORD: Yeah, but in reality, in reality that's where the dollars... [LR203]

JAMES THELE: In reality you're correct, probably 90 percent. The Community Development Assistance Act though has no targeting so it would be an opportunity to construct affordable housing in newer areas of the community where there is an employment base next door, if you will. I think that's something to think about as well so

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there's... [LR203]

SENATOR ASHFORD: Oh, I mean to me, if we don't do that, if we don't find ways to allow people to live in affordable housing throughout the community or don't...I know that's what you're trying to do and this is not criticism even remotely, but if we can't get there and if we're just in filling, in filling, in filling, in filling,... [LR203]

JAMES THELE: Right. [LR203]

SENATOR ASHFORD: ...and we're not putting people in areas where they can find jobs and get access to jobs and viable neighborhoods,... [LR203]

JAMES THELE: Yes. [LR203]

SENATOR ASHFORD: ...I just (laugh)... [LR203]

JAMES THELE: No, I understand very much, Senator, and I think that's part of the comprehensive approach here is, through that Community Development Assistant Act portion, that allows us to create those opportunities in,... [LR203]

SENATOR ASHFORD: Uh-huh. [LR203]

JAMES THELE: ...I'm going to call it, newer areas of Omaha and I dare say in other communities as well where you do have those employment opportunities. Perhaps we can construct affordable housing right next to a shopping center,... [LR203]

SENATOR ASHFORD: Well, if you...I mean you... [LR203]

JAMES THELE: ...for example, where there's wonderful opportunities for jobs. [LR203]

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SENATOR ASHFORD: If you have the frustration and you know it has been this: Developers don't put affordable housing in new developments. We don't require it that they go there so, for example, we don't have set-asides, we don't, not in reality, so the ability to do that when your developer community is suggesting that that's not the way...direction they want to go, yes, you can enhance that through financing opportunities but the reality is... [LR203]

JAMES THELE: Yeah. Senator, I understand where you're coming from. I think you're talking about an inclusionary housing type of requirements... [LR203]

SENATOR ASHFORD: Well, the developer community is not supportive. [LR203]

JAMES THELE: ...and I think that's something to look at. I guess what today we were kind of looking at, the vacant property, so that's what I was addressing. [LR203]

SENATOR ASHFORD: Well, I'm done asking you but that's...this is all good. [LR203]

JAMES THELE: But I will be glad to talk with you about that other... [LR203]

SENATOR ASHFORD: No, this is all good but I worry that we aren't going to solve the problem. [LR203]

JAMES THELE: I think we can in terms of vacant properties with this approach. In terms of the larger issue of offering opportunities throughout all our community, that's a different issue and I think there's another...other solutions to that,... [LR203]

SENATOR ASHFORD: Okay. [LR203]

JAMES THELE: ...that I would be very pleased to work with you on. As always, I have a lot of ideas, some of which are good. (Laughter) [LR203]

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SENATOR MCGILL: Senator Krist. [LR203]

SENATOR KRIST: I have an example in my district of affordable housing that was built in the Keystone area that some of the residents in the Keystone area took offense at the fact that that vacant property was being constructed, yet it was constructed. It is doing well. It is an alternative site to where the people who would normally have gone into, let's just say, another part of town now live in Keystone and the bus routes and the opportunities to work and all those kind of things are there. What I would suggest to you is that instead of trying to rebuild parts of the city residentially that have proven to be pockets of unsustainable economic development and good family living that we should talk at the same time about rezoning to push the developers, to push the set-asides into parts of the city where there might be at this point some disgust about even talking about affordable housing. But it's inevitably, unless we want Detroit, which I like Detroit, I like visiting Detroit, I like the ball teams in Detroit, but they have serious,... [LR203]

SENATOR ASHFORD: I'm not a Tiger fan at all but... [LR203]

SENATOR KRIST: ...serious issues about plot...(laughter) [LR203]

SENATOR MCGILL: (Inaudible) go Lions though. (Laugh) [LR203]

SENATOR KRIST: It's my favorite football team. [LR203]

SENATOR ASHFORD: Really? [LR203]

SENATOR KRIST: Yeah. Anyway, you get my point. (Laughter) [LR203]

JAMES THELE: Yes. Yes. [LR203]

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SENATOR KRIST: So we have a real success story I think in Keystone... [LR203]

JAMES THELE: Yes. [LR203]

SENATOR KRIST: ...and it wasn't by accident. And so I think in terms of all of this, Bellevue doesn't have the same problems that Omaha does. Small town Nebraska doesn't have those same problems. They may have the...and so what's good here may not be good there. But I think in Omaha, for city planning purposes, potentially the rezoning will force some issues to happen and that affordable housing to go into areas of the city that solve a myriad of social problems. [LR203]

JAMES THELE: Yes. Yes, Senator, I think you're again talking somewhat similar to what I believe Senator Ashford is talking about, so-called inclusionary zoning or inclusionary housing ordinances or perhaps the statewide statutes might be appropriate to take a look at. However, I say today I was looking at simply addressing the issue of vacant property. I do want to mention though that there's some interesting things that appeared in the recent census and that is that we looked at areas where we have constructed some new housing and it's affordable housing, and what we did was we mapped income increases between 2000 and 2010 and we saw all of a sudden some red areas appear of highest percentage increase, and those were the areas where we'd done affordable housing and that affordable housing brings additional cash to that neighborhood which then opens the economic development opportunities. It is a chicken and an egg situation. [LR203]

SENATOR ASHFORD: Right. [LR203]

JAMES THELE: We cannot simply just do housing, call it good; we've got to do economic development. We also have to involve our school systems, as you suggested. We need to make sure our transportation system, as we discussed earlier, provides opportunities for people to get to jobs. [LR203]

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SENATOR KRIST: I don't think you can...when you started that comment after my comments you said, I was just here to discuss this. My point is, I don't think we can...I'm agreeing with Senator Ashford in a way that I'm showing you success. I don't think we can just talk about land banks and new housing and housing developments. All of those social issues need to be looked at when we target some of these areas. [LR203]

JAMES THELE: Right. Yes. [LR203]

SENATOR KRIST: And to that point, my point in rezoning, is also that there's probably some parts of Omaha that need to be developed as commercial properties and manufacturing rather than trying to restore an area of residential that is out of control. So that's my comment. [LR203]

JAMES THELE: Uh-huh. Yeah, absolutely, Senator. Correct. [LR203]

SENATOR ASHFORD: And could I? [LR203]

SENATOR MCGILL: Yes, Senator Ashford. [LR203]

SENATOR ASHFORD: And this is so critically important, what Senator Krist just said about manufacturing in blighted areas. I think that is a key issue. Having been to many Keystone meetings when I was...when we did the Keystone project and you were there and we listened intently to people who weren't very happy and the machines got burned out on the...set on fire and...but to your point, to your point was that if it weren't for Boyd School and Elaine Adams, the principal at Boyd School... [LR203]

JAMES THELE: Uh-huh. [LR203]

SENATOR ASHFORD: ...who brought those families into the school, and the jobs on

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90th Street and the transportation that was created, we never would have had...what's so incredible about... [LR203]

JAMES THELE: Yes. [LR203]

SENATOR ASHFORD: ...that project...and it would have been better had we been able to mix the income more, we couldn't because... [LR203]

JAMES THELE: Uh-huh. [LR203]

SENATOR ASHFORD: ...of federal restrictions, but what was incredible about that project to me was, you're right, I mean Senator Krist is absolutely right, we haven't had complaints out there and if there have been some they've been very controllable. And I love to go drive out there to see it because it is amazing what's happened. But there aren't shootings there that I know of. I've never known of any. I don't know of any burglaries or...I mean there may be some. But what that project I think or that...I don't want to say project but that housing area, affordable housing, shows is if you give people an opportunity to be in an area where they can prosper they will prosper. And that's...it's not that we don't have to do something with vacant lots. It is that we need, as a city, to see the benefits of those kinds of bringing affordable housing close to jobs. It's going to take too long to put all those...to redo all of north Omaha and south Omaha so that all those jobs are...the same jobs are down there that are on 90th Street. So let's not turn away from north and south Omaha, let's do everything we can, but to Senator Krist's point, let's also find viable job opportunities down there with very inexpensive land or relatively inexpensive land. I know that's easier said than done but... [LR203]

JAMES THELE: Yep. Yep. Thank you. [LR203]

SENATOR MCGILL: Any last questions? No? Thank you very much. [LR203]

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JAMES THELE: Thank you. [LR203]

SENATOR MCGILL: We'll take the next testifier. We have about 25 minutes left before noon so just to give everyone an idea of the time line we're working with. [LR203]

JENNIFER BUXTON: Good morning. I'm Jennifer Buxton, director of real estate development for NeighborWorks Lincoln. NeighborWorks Lincoln is supporting LR203. At NeighborWorks, we provide opportunities for people to purchase homes throughout the community. We redevelop blighted units and increase resident engagement. Since 1986, we have assisted over 1,400 low- and moderate-income households purchase homes of their own. We have redeveloped over 35 blighted and dilapidated units in just the past three years. In addition, over the past three years NeighborWorks Lincoln has facilitated the Lincoln Policy Network. This network is comprised of grass-roots resident leadership, realtors, property managers and owners, city staff and Mayor's Office through the Stronger, Safer Neighborhoods Initiative. This network has helped increase building code violation fines, moved the city of Lincoln to a performance-based inspection system, and to create a mandatory garbage collection policy, just to name a few initiatives. However, despite all of that, there remain blighted and dilapidated properties in our neighborhoods that are negatively impacting the quality of life for our residents. These properties reduce values and the tax base, invite crime, lower the standards of living, create a negative perception which then reduces private investment into our neighborhoods, and it costs communities valuable time and dollar resources trying to gain compliance of these properties that violate these housing codes. It's our hope that this will identify...that this study will identify effective revitalization tools and strategies and pinpoint and eliminate any barriers municipalities are facing when addressing these units. If NeighborWorks Lincoln can be of any assistance throughout the process, you have our full cooperation. And if anybody has any questions... [LR203]

SENATOR MCGILL: Any questions for Jennifer? No. Thank you very much and for all you do here in Lincoln. [LR203]

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JENNIFER BUXTON: Uh-huh. [LR203]

SENATOR MCGILL: Next. [LR203]

DANIELLE HILL: (Exhibit 8) It's still morning so...I am Danielle Hill, the first name is D-a-n-i-e-l-l-e, last name Hill, and I'm the executive director of the Nebraska Housing Developers Association. I have given each of you a copy of our annual report because I'm shameless and you must always share information about your organization any opportunity you get, but I'm here to just talk a little bit about the need for...well, it seemed like the study was to identify any tools that we already have to address vacant, dilapidated commercial or residential properties and we do have a tool. Actually it was incorporated into LB388 last year and that involved adding an eligible activity to the Affordable Housing Trust Fund where you could use those resources to remove, deconstruct or demolish--I promised Cecil Steward that I'd say deconstruct--deconstruct or demolish vacant, dilapidated properties, and it included industrial sites in that as well for use of the Affordable Housing Trust Fund. We long advocated for the use of the Affordable Housing Trust Fund to demolish vacant housing properties for all the reasons that everybody has stated and it took us several years to get that across. We held...in 2008 we held a statewide summit, but we also held seven regional summits and we were gathering input on the barriers that people were facing to address affordable housing and the removal of dilapidated properties was...it came in the top three just over and over. It didn't matter, central Nebraska, southeast, the Panhandle, Lincoln, which included Omaha folks, it just didn't matter, it was all over. So we began advocating for the trust fund to include that as an eligible activity and be careful what you advocate for because it did get included last year but they also included being able to do industrial sites with housing dollars and they took 25 cents out of every \$1.20 in perpetuity from the trust fund and \$2 million between 2012 and 2013. So it create...it's a tool that you have, but it's kind of a shell because you created...another activity was created to create a demand for the resources and then the resources were diminished.

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So one thing that could be done is to look at, rather than looking at it as a tax increase, it's actually money spent on housing is an investment. It's an investment in our communities. It generally is matched by at least three to one, and then the jobs you create and the sales revenue you create and the property tax increase to your community base is another seven to one. So overall, it's about a ten to one return on your investment. But there is a couple of communities, when we were doing these annual summits and regional summits that had addressed the issue of demolishing vacant properties pretty well and that was Wayne, the community of Wayne, and they share that with anybody. And then Nebraska City was doing a good job. Omaha obviously has a process that works. They just have a lot more numbers. But the problem always seems to be the human resources, like some communities don't have inspectors, don't have people that necessarily enforce codes, they don't have a dedicated staff person, you know, and then some don't have...communities don't have the resources to then do what it takes to demolish it and go through the processes that were outlined: who owns it and how do we, you know, get it under our control so we can demolish it? So that again, hopefully there's some things that can be done maybe statutorily to help with that. Yep, so it is a need, would just reiterate that, and we obviously support increasing investment into housing, especially if you read through this. I won't read it to you. There's been a reduction obviously in federal funds and other things that cause it to be extremely difficult to do these things we're talking about, so... [LR203]

SENATOR MCGILL: All right. Thank you. Any questions? No? [LR203]

DANIELLE HILL: Thank you. [LR203]

SENATOR MCGILL: Next. [LR203]

GARY KRUMLAND: Senator McGill, members of the committee, my name is Gary Krumland, K-r-u-m-l-a-n-d, representing the League of Nebraska Municipalities. Just

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want to mention that our members have identified this as a very high priority and something they really need to work on. In addition to some of the suggestions you've heard today, they've asked us to form a committee made up of city officials, attorneys, planners, administrators to meet over the next month and come up with some additional tools to make sure that the tools that are suggested or even some new tools will help cities across the state, because it is a problem not just in the larger cities... [LR203]

SENATOR MCGILL: Uh-huh. [LR203]

GARY KRUMLAND: ...but across the state. So we will be coming in to the committee, to Senator Mello with some new ideas before the session starts too. But just want to let you know that it is a priority and it has some (inaudible) and we will be continuing to work on it. [LR203]

SENATOR MCGILL: Great. Thank you. Any questions? Senator Schumacher. [LR203]

SENATOR SCHUMACHER: In your committee that you may be forming, today we talked about residential stuff a lot... [LR203]

GARY KRUMLAND: Uh-huh. [LR203]

SENATOR SCHUMACHER: ...but the heading on the study also includes commercial stuff. And in a lot of communities in particularly rural Nebraska, I'm not that familiar with how things work inside the big towns,... [LR203]

GARY KRUMLAND: Uh-huh. [LR203]

SENATOR SCHUMACHER: ...but you have a developer come in, take a choice piece of real estate, lease it to "Big Company Inc." "Big Company Inc." comes in and is profitable and successful and decides that it really wants a choicer piece of real estate down the

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road and moves out, leaving the building empty. [LR203]

GARY KRUMLAND: Uh-huh. [LR203]

SENATOR SCHUMACHER: And the developer doesn't care because he's getting a lease payment, the "Big Company Inc." doesn't care because a choice piece of competitive real estate is off the market, and the public loses because it's got nice roads and infrastructure there and a big ugly empty building. Is that part of your...? [LR203]

GARY KRUMLAND: Well, yeah, and they probably put in roads, sewer, water, yeah. [LR203]

SENATOR SCHUMACHER: Maybe some TIF stuff and a whole bunch of juicy stuff get thrown in the package, too, just to make it so it's really bad. [LR203]

GARY KRUMLAND: Yeah. No, I mean those are all part of the problem that we're seeking to address. [LR203]

SENATOR SCHUMACHER: Okay. I would encourage you to... [LR203]

GARY KRUMLAND: Yeah. [LR203]

SENATOR SCHUMACHER: ...give us some help on that one. [LR203]

GARY KRUMLAND: Uh-huh. [LR203]

SENATOR MCGILL: Thank you very much. [LR203]

RYAN PAUL UNDERWOOD: Good morning. My name is Ryan Paul Underwood and I work for Habitat for Humanity of Omaha. That is in north Omaha. I work a good job in

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north Omaha. There's a couple of things I'd like to speak about on behalf of Habitat. The first is that as we look at a lot of communities with large numbers of vacant properties among them, we tend to think of them as being homogeneous. That's not actually the case. We think about a community as going bad all at one time and that doesn't actually happen. If I could take you to north O, first off we'd go by a place and have some of the best barbecue you will have in your entire life, good enough to bring a tear to your eye. But the second thing we'll do is I'll introduce you to a lot of homeowners in those neighborhoods who are very proud of the homes that they own. They work very hard and they take care of those homes. So part of the answer to why we don't just move in and take over an entire area, raise that and start over is that, yes, when you do that you do get new housing, you do move new people into those neighborhoods, but you also cut the knees out from under those people who are already there who are already doing a good job. So while sometimes there are legitimate reasons that we do need to do in fill housing, more importantly though I'd like to move on to a couple of the solutions that Habitat Omaha works with, with our city government in order to take care of vacant properties in our area. The first major program is a new program that we've started that does demolition projects. The goal of our program...the city has talked about the long process that it has to work through in order to take control of a property and then demolish it and start over, it's a very long process, built in a lot of ways to protect the rights of a homeowner and there's very good reason to do that, but the trouble is it takes a very long time to work through that. What we do instead is we look for homeowners who are willing...or property owners really that are willing to donate those same properties. If we can get them to donate the properties then, first off, we can get around the three years that the assessment has to work through, we can get around the amount of time that the tax sale has to work through, and we can get to redeveloping that property much more quickly. So we can go in the period of maybe 18 months from taking control of a property to building a new...or raising the house on that property, building a new property or house there and moving in a new family, increasing the tax base and strengthening the local economy. The second thing that I'd like to talk about with that particular program is that we've actually already done 19 different purchases.

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We've already demolished several homes and we're looking at six in the future that we should be closing...hopefully we'll be closing before Christmas this year. So it is moving along very quickly and it's a very positive thing for us all to be a part of. Now there is a bit of a weakness in the program which is that given that we're having to find properties that people are willing to donate to us, we've got to work with people that are willing to donate and that means that every single property in the city that needs to have something done to it is not going to be a part of this program, and, more specifically, there's a randomization element at the point where you're looking for a property owner that's willing to donate the property. So if it were ever the case that the city needed one property to come down, our program may not necessarily be the way that that has to happen. In spite of that, we are able to accomplish a lot more work because we're able to do the work a lot faster, so our program is a great background program but it cannot be the only thing that the city is doing in order to redevelop property. Now there's a second program that Habitat is working through right now called our roof and repair program that also works at the issue of vacant or dilapidated properties, if not directly then indirectly. What our roof and repair program does is it offers a zero percent interest mortgage to qualified homeowners to make necessary exterior repairs. A lot of the reasons that homes fall into disrepair in the first place is that someone is not able to take care of them so over time leaks develop, major problems develop, and the person ends up moving out and the home ends up sitting there. If we can stop that before it ever starts then we can stop that tide of dilapidated homes from becoming vacant properties and becoming a problem in the first place. So there's a lot of different ways that we're going to be able to address the issue and we've got to move through all of them at once. Our program through Habitat for Humanity of Omaha is designed to work in Omaha, east of 72nd Street. One of the recommendations I would have is that there should be more programs like that, whether they are state entities or whether they are state-encouraged, private entities throughout the rest of the state, because there are certainly problems that we could be addressing similarly through the rest of the state that this particular program is not going to do. So right now the big point that I think Habitat needs to make is that there are lots of solutions but each individual solution we

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have today has certain weaknesses that don't add up to the total power that we need to redevelop the properties we have. The city has talked about several ideas through which they can increase their powers. We support those. We think that those are very good ideas and we'd love to see those happen in the future. And that's pretty much all I have. If you have any questions for me, I'd be glad to take them. [LR203]

SENATOR MCGILL: All right, thanks. Any questions? Thank you very much. Any last testifiers? Bob. Is there anyone left after Bob here? All right. [LR203]

BOB HALLSTROM: Chairman McGill, members of the committee, my name is Bob Hallstrom, H-a-l-l-s-t-r-o-m. Appear today before you on behalf of the Nebraska Bankers Association. When I initially contacted Senator Mello's staff, I was told that the LR was drafted broadly to allow for a broad-ranging set of comments and we've certainly had that today, although in general a lot of components the Bankers Association has been supportive of and actively engaged in: economic development, community development, community revitalization, and the Affordable Housing Trust Fund. Some of the concerns though that I wanted to at least get on the record, in the course of the conversations and testimony today we've heard about potential public entity loans through the land bank. I think there was discussion, and I don't know what they were specifically referring to, but a reference to reduced interest rate loans to incent development of housing in certain areas. If those are in competition with financial institutions we would certainly have concerns that we would like to voice before the committee and the Legislature. Also, some discussion with regard to priority liens for vacant and abandoned homes and commercial properties, there's currently pending legislation on a couple of fronts that we have expressed our interest and concerns and we just want the committee to be known that those are the types of issues that inherently get involved in this, a lot of good deeds looked at in terms of affordable housing and that type of thing, but ultimately we want to be involved in the details as well. So be happy to address any questions. [LR203]

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SENATOR MCGILL Questions? I don't see any. [LR203]

BOB HALLSTROM: Thank you. [LR203]

SENATOR MCGILL: Thank you very much. And is there anything...Senator Mello, anything you'd like to close with? No. All right, then that wraps up our hearing. Thank you very much. [LR203]