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Urban Affairs Committee
February 11, 2014

[LB1014 LB1095]

The Committee on Urban Affairs met at 1:30 p.m. on Tuesday, February 11, 2014, in Room 1510 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB1095 and LB1014. Senators present: Amanda McGill, Chairperson; Sue Crawford, Vice Chairperson; Brad Ashford; and Russ Karpisek. Senators absent: Colby Coash; Bob Krist; and Scott Lautenbaugh.

SENATOR MCGILL: I guess I can go over some of the rules of the committee room, folks. Welcome to the Urban Affairs Committee. I'm state Senator Amanda McGill, the Chair of the committee. If you're planning to testify today, you can find forms by either of the doors that you can fill out and bring up with you to testify. When you do get up here, we just need you to say and spell your name. We're not going to operate with the light system, but we do ask you to try to stay within five minutes. That's reasonable. And senators can ask questions to follow up if they still have some questions based on your testimony. When you come up if you have things to hand out, this is Drew, our page, and just kind of hold them out and he'll come over and get them for you. At this time, I'll ask you to silence your cell phones so those don't go off and interrupt the recording for the session. One more thing, when you come up to speak, make sure you are speaking into the microphone so that our transcribers can really hear your voice well. That goes for the senators as well. With me today I have my Vice Chairwoman Senator Sue Crawford from Bellevue. We have Laurie Holman directly to my right. She's the research analyst for the committee. To my left: Senator Russ Karpisek from Wilber. And then Katie Chatters is our committee clerk. Any luck?

DREW SCHENDT: Senator Krist went home ill and Senator Ashford, they haven't...

SENATOR MCGILL: They have not found him yet. Okay. Well, that's not abnormal, (laughter) so we won't be worried. You know, I guess we'll go ahead and get started then. I apologize for not having more folks here. We have some senators who had other conflicts this afternoon. It doesn't mean that they don't find the topic matter today important, but folks are pretty busy. And so juggling a lot of things today. But, Senator Davis, thank you for joining us and you can open on LB1095. [LB1095]

SENATOR DAVIS: (Exhibits 1 and 2) Thank you. Good afternoon, Chairman McGill and members of the Urban Affairs Committee. I am Al Davis, A-I D-a-v-i-s, and I represent the 43rd Legislative District. Today, I'm here to introduce LB1095 and offer some possible amendment ideas for your consideration as well. We are preparing amendment language now that would reassign the new division proposed in LB1095 to the State Auditor, add representatives from the school district, county, and community colleges to the community development authority, design a penalty or recapture process to recover costs from properties that fail to meet their stated objectives and prorate the fee described in the bill over the lifetime of the TIF project. Prorating the fee was envisioned

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when LB1095 was prepared, but the current fiscal note is based on an assumed one-time per project startup fee. LB1095 would increase transparency and accountability through state level oversight for TIF projects in Nebraska. As introduced, the bill would strengthen the Community Development Law in two ways. First, it would give more specific guidance to local governments regarding the creation and functioning of local bodies that evaluate redevelopment proposals. As introduced, the bill would establish a division within the Department of Economic Development to be known as the Tax-increment Financing Division. This division would be given the responsibility to develop uniform statewide standards and procedures for TIF-financed projects. The division would also create an oversight and enforcement mechanism to ensure that redevelopment proposals are carried out as represented. The cost of this new division would be supported by fees paid by the developers. This bill is the result of an interim study conducted as directed by LR340. The resolution proposed that the Revenue Committee study the impact of tax increment financing projects and other business incentives programs upon the state aid to schools formula. The committee studies shows that the state school aid funding increased by about \$32 million in 2013 as a result of these incentive programs with two-thirds of that revenue being funneled to school districts located within the Learning Community. This bill would address the tax increment financing side of the equation. Tax increment financing as a means of economic development has increased drastically since 1996. That year, 149 TIF projects were approved. By 2012, that number had increased to 636 projects. In addition, the scope of the projects being approved has increased and the tool is no longer focused on renovation of blighted areas within cities. It is used as a tool for economic development which was not the original intent of the legislation. These TIF projects take increases in property value out of the tax base, the local school districts, and other entities depend on for their general operating costs. As a result, state school aid under TEEOSA had become a substantial indirect subsidy of community redevelopment projects. In 2012, TIF projects increased annual state aid to schools by about \$22 million from reductions in real estate value to \$32 million once property...personal property is added into the equation. The growth in the number and scale of these projects suggests that the impact on state aid to schools will only increase and is, therefore, a grave concern of state government. In addition, it is appropriate that the state monitor use of TIF financing because property owners in the areas where TIF financing is offered are asked to shoulder higher costs for police, emergency, public utilities, fire, and other urban obligations which the new TIF property requires but is not paying for. The impact appears to flow to the urban districts. Three-point-five percent of all city property in this state was included in TIF projects in 2012. TIF projects in many parts of rural Nebraska do not affect the state aid formula because resources in those districts outweigh the needs and those districts are often unequalized. In addition, much of the property associated with the ethanol industry is personal property which is not subject to TIF financing. The current version of the Community Redevelopment Law attempts to define standards to determine what kind of projects are eligible for TIF financing. However, these standards are not uniformly

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interpreted or applied. The fiscal impact at the state level justifies a closer look at these standards and the development of uniform rules and procedures. LB1095 does not propose to replace or impede the redevelopment incentives around the state that TIF encourages. What it will do is make administration more uniform by establishing statewide standards that over time could identify and address the consequences of TIF projects such as the impact on school aid funding that this study revealed. While TIF financing has a very legitimate place in redevelopment of blighted properties, it should not be used as a tool for economic development which simply shifts the benefits to the project to a private developer at the expense of the affected local taxing entities and the property owners who reside within the boundaries of those districts who are forced to pay higher rates of tax to enrich a developer. I have two handouts for committee members. First, is a 2006 article from the Fremont Tribune entitled "Connealy works to change definition of TIF districts," which points to the TIFing of a cornfield near Jackson, Nebraska, as blighted and substandard. Is it really okay for cities to wink at the law in this way? Legitimate purposes...is there a legitimate purpose in this manner? This is not the only blighted cornfield in Nebraska. Second, is a letter from Dr. Kenneth Kriz, Regents Distinguished Professor of Public Finance from Wichita State University. And these are some excerpts from Dr. Kriz's letter which I'm going to enter into the record, but you have a copy of the letter in your hands. (1) put simply, local government officials face a game they cannot win when they are confronted by a business demanding incentives in order to relocate or expand in their area. What some economists have termed the ultimatum game, either they bid for the business, perhaps giving away too much in incentives, or they choose not to play and lose potential jobs with certainty. (2) in my study of TIF use in Nebraska I found several instances where the public either knew little about proposed TIF projects or the mechanics of the decision-making process. In one case, an obvious conflict of interest was present when the chair of the authority proposing the TIF project was in a position to directly benefit from the use of TIF through his business dealings. This should never be allowed when so many public resources are at stake. (3) Nebraska's school districts receive significant amounts of property tax along with community college districts, and other special districts. To date, they have had no direct input into the decision to use TIF. (4) in LB1095, there are positive proposals in moving toward greater accountability. (5) almost every state requires some form of analysis to inform decision makers prior to the adoption of a project. The measures and methods of assessing the public benefits of TIF project should be very specific. (6) I found in my study of TIF projects in Nebraska that robust analysis was not happening. (7) to take one possible path, the Legislature could mandate that benefit cost analysis be carried out by professors at an accredited public or private university. Another possible path is to require that the analysis be conducted by individuals licensed to perform the analysis. A third path would be to have the analysis calculated by employees of the state oversight entity. (8) even when municipalities are required to conduct analysis, there seems to be a strong force pushing them to not take the requirement seriously. In my study, I found that even when benefit cost analysis was being done by Nebraska local governments, they often are not

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done with anywhere near the rigor that should be expected or that could be considered best practice. So detailing the exact standard in which studies should be conducted is an essential element of meeting the goal of including rigorous analysis in every TIF proposal. (9) current state law does not require a periodic evaluation of projects. In one, I interviewed city officials regarding the success of TIF projects in meeting the goals identified in the adoption of the project, I found that not a single city official could state anything more than broad accomplishments or feeling of what the impact of a project has been. (10) the bill as drafted falls short of what should be required to ensure robust evaluation of TIF projects. (11) along with a strong evaluation component, TIF legislation should contain provisions for penalties in the event of noncompliance with TIF laws or redevelopment plans. These provisions should be in place both for the businesses receiving benefits from TIF and for the local governments who grant the benefits. For the businesses, the statute should specify clawback provisions to recapture the benefits granted. And (12) the Office of the State Auditor has the ability not only to audit redevelopment projects but to require that certain portions of assessed value capture by TIF projects be decertified and the revenues associated with that assessed value be redirected to overlapping jurisdictions. Finally, one community told me that one of the documents they relied on in deciding a TIF project was a letter from the lender which qualified the loan based on obtaining TIF status. Should a bank hold the taxpayer hostage to gain additional security for his loan? I don't think so. It's time Nebraska developed statewide oversight and accountability. Thank you and I'd be happy to take any questions. I do have some experts here that can probably answer the questions better than I can. [LB1095]

SENATOR MCGILL: Okay. Questions for Senator Davis? Senator Crawford. [LB1095]

SENATOR CRAWFORD: Thank you, Chairwoman, and thank you, Senator Davis, for bringing this forward. Could you tell us just a little bit about your interim study? You went to multiple communities or what did that look like? [LB1095]

SENATOR DAVIS: The interim study was presented to the Revenue Committee. [LB1095]

SENATOR CRAWFORD: Oh, okay. [LB1095]

SENATOR DAVIS: The Revenue Committee, as you know, was extremely involved in the tax modernization projects. So they really weren't able to do a thorough evaluation. But, Bill Lock did a report for me which I can get a copy of for you. And in that report, that's where we got the figures of \$33 million in essentially additional state aid that was required because of TIF projects. And that money then either comes out of the General Fund or if you look at it as we're only going to have X dollars in state aid, then somebody else is not getting that state aid because the subsidy is taking over the process. You're also aware of course that when projects are TIFed, usually the city is

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going to gain sales tax dollars from that. So they don't...they're not as interested and involved in the property tax aspect of it as school districts, community colleges, NRDs, ESUs who rely solely on property tax for the basis of their funding. [LB1095]

SENATOR CRAWFORD: And in the discussions that you did have, what did you hear about different ways that schools districts, ESU, NRDs were involved in the planning or discussion of TIF projects? [LB1095]

SENATOR DAVIS: I haven't...I think that in large part they're excluded and this is one thing that we absolutely need to do. They need to be a part of the process. One particular, at a school meeting I had this summer with the NRCSA group in Kearney, a superintendent from one of the Learning Community schools told me that the original plan that Omaha had laid out for the TIFing of the Crossroads area and west of there would have affected 79 percent of their commercial property. They would have had no say in that except that they did at the last minute learn about that from someone else. [LB1095]

SENATOR MCGILL: Yeah, I'd say there are some districts, some cities that do a better job of working with the schools than others for sure. Any other questions? I don't see any. Do you plan to stick around? [LB1095]

SENATOR DAVIS: I'll stick around. [LB1095]

SENATOR MCGILL: That's a good idea. [LB1095]

SENATOR DAVIS: Thank you. [LB1095]

SENATOR MCGILL: I'm sure you'll want to rebuttal some things by the end. [LB1095]

SENATOR DAVIS: Thank you. [LB1095]

SENATOR MCGILL: First proponent. [LB1095]

RENEE FRY: (Exhibit 3) Good afternoon, Senator McGill and members of the Urban Affairs Committee. My name is Renee Fry, R-e-n-e-e F-r-y, and I'm the executive director of OpenSky Policy Institute. We are a data-driven, nonpartisan, Nebraska organization focused on budget and tax policy. I'm here in support of LB1095. OpenSky has supported legislative bills that improve transparency and better reporting and analysis of business incentives. Given the use of both state and local taxpayer dollars used to offset TIF projects and the implications to those communities that lose revenue as a result, we believe LB1095 is an important step to improving transparency without limiting the use of TIF as an economic development tool. We support LB1095 for three main reasons. First, we believe that the TIF approval process should be as transparent

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as possible and that TIF resources should be utilized to benefit the broader community. Second, many local governments are impacted by the loss of TIF dollars but don't have a seat at the table when these decisions are made. In fact, both school districts and counties rely more heavily on property tax dollars as a share of their total budgets than do cities, yet cities have the decision-making authority. Finally, researchers have found that many applications of TIF aren't meeting current statutory requirements, much less best practices. Furthermore, communities vary drastically in their application of TIF despite the statewide implications. State oversight can help to ensure that TIF projects are in fact providing their promised benefit. Lack of transparency and citizen engagement in the approval of TIF projects is often discussed on a national level and has been of concern to both Jack Dunn of the Progressive Research Institute of Nebraska and Dr. Ken Kriz, formally faculty at UNO, both of whom have studied TIF in Nebraska at length. Dr. Kriz found little if any opposition to TIF projects even when the projects were dubious and the required documentation was lacking. Furthermore, it is questionable as to whether TIF in fact benefits the broader community. Jack Dunn finds that in Omaha, most of the actual TIF investment has gone into downtown Omaha and has benefited persons of means. This is true whether referring to the new condos and townhouses or to entertainment complexes. Poverty downtown has not so much been alleviated as relocated and replaced by gentrification. North and south Omaha, according to Jack Dunn's research, remain relatively untouched. Senator Davis touched on Bill Lock's report that finds TEEOSA is essentially subsidizing TIF in Lincoln and Omaha, and I want to speak to those on the losing end. The losers would be the people who pay income and sales taxes that fund the \$22 million TEEOSA cost, other state programs that might be squeezed due to this \$22 million cost, and nonequalized districts with TIF projects as they don't get additional state aid to offset the lost property tax revenue from TIF. For equalized districts, 97 percent of lost property tax revenue due to TIF is currently replaced by increased school aid. For nonequalized districts, it's 0 percent. In other words, the local costs of approving a TIF project are higher if the area is a nonequalized school district, whereas an equalized district could essentially count on the state replacing the lost revenue. This might be seen as a reason for more oversight of TIF at both the state and local level. The nonequalized districts with the highest property tax losses due to TIF are Boone Central, Wood River, and Fillmore Central. Each of these districts loses between \$300,000 and \$325,000 in property tax revenue and sees none of it replaced by state aid. In total, there are 35 nonequalized districts with TIF projects, losing a total of \$1.9 million of property tax revenue; 71 equalized districts without TIF projects lose about \$3.5 million in state aid. Furthermore, in 2012, TIF cost county governments about \$8 million in potential property tax revenue. In Douglas County, this amounted to \$3.7 million in lost property tax revenue, and \$745,000 in Lancaster County. Statewide, community colleges lost about \$2 million, NRD's lost about \$900,000, and ESU's lost \$400,000. At this point, I would mention that Commissioner Mary Ann Borgeson, county commissioner for Douglas County, testified at the Tax Modernization Committee hearings to the extent that counties would really like to have a seat at the table with regard to TIF decisions. And she and I have spoken

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about this bill and they support the addition of counties to the local governing bodies and would be interested in having discussions, further discussions about this bill. So while TIF can be a very valuable economic development tool, national studies as well as some local researchers have found that TIF has subsidized projects that would have happened anyhow. According to Jack Dunn, 37 TIF projects approved in Omaha in 2008 and 2009, of those 37, 30 lacked any statement of justification that the project could not proceed without TIF designation. In fact, this issue was raised by developer Arun Agarwal, chief executive of developer White Lotus Group, in an Omaha World-Herald article on Sunday. Agarwal said developers must show that their projects wouldn't happen if they didn't receive public help and noted that those requests are not all created equal. There are projects in which I might question whether or not public support was required to get it to happen. Did we as a city leave money on the table, he said. As for a consistent application of TIF, again from the Omaha World-Herald article this weekend, developer Chip James, owner of Lockwood Development said, it should be a level playing field for anybody in Grand Island or Omaha, he said. We just need to come up with a better use of tools and they need to be applied evenly. The lack of a uniform application of the "but for" requirement leads to questions regarding whether the city is truly benefitting from the project or is the developer the real beneficiary. According to Dunn, TIF plans can subsidize projects that would have happened anyhow. Since an unknown number of the TIF projects would have happened anyhow, what the TIF designation does is shift costs in those cases from the developer to the rest of the city. For 15 years, the other property taxpayers in the city pay for the increased police and fire protection, emergency medical services, mass transit, schools, and other public services that the TIF project uses but is not paying for. TIF is typically administered at the local level with little or no oversight by other levels of government. This is beneficial because it allows authorities to shape the city's physical and economic development. But it's also detrimental as there is a lack of accountability required by the local governing bodies without oversight and standardization in the way TIF is implemented and monitored. Finally, Briffault notes that there are two types of interlocal conflict that typically arise from TIF. When a parcel of land is located in several overlapping districts, such as a county and a school district which receive property tax revenues from that piece of land, it can result in the loss of funding for education. And also when competition between neighboring cities is getting...in getting businesses to invest in one city over the other. This leads large stores, such as Walmart, that are only concerned about locating within a certain region rather than a particular city to be attracted to the city that can offer TIF as an incentive. We support LB1095 because we believe it will increase transparency and lead to a broader community benefit, require the decision makers to take into account the impact on other local governments, and approve adherence to the "but for" test, cost-benefit analysis, and other best practices. I would be happy to answer any questions. [LB1095]

SENATOR MCGILL: Are there questions from members of the committee? Yeah, go ahead, Senator Karpisek. [LB1095]

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SENATOR KARPISEK: Thank you, Senator McGill. Thank you, Ms. Fry. Of course you caught my attention with Fillmore Central. I've got quite a few nonequalized school districts in my area. So I've only been on this committee for the second year and as I was mayor we didn't have TIF. So what you're saying is if something is TIFed, that school district of course doesn't get the tax off of it. [LB1095]

RENEE FRY: Right. [LB1095]

SENATOR KARPISEK: And so then there's no state aid to make up for it. [LB1095]

RENEE FRY: So because your schools are unequal... [LB1095]

SENATOR MCGILL: That's not...I'm sorry, that... [LB1095]

RENEE FRY: Go ahead. [LB1095]

SENATOR MCGILL: I just want to clarify that they still keep the property taxes that they've been getting, but any additional property tax because of the TIF project no longer goes to them. [LB1095]

SENATOR KARPISEK: Okay. [LB1095]

SENATOR MCGILL: So and that's where I had a little bit of a problem with the way that it's talked about as a loss in property tax revenue, because this is new revenue due to the TIF project improving the property value. [LB1095]

SENATOR KARPISEK: Okay. So if it's an 80 acres of farm ground, it still stays taxed at 80 acres of farm ground. But then if a new building is put on it... [LB1095]

RENEE FRY: So any improvements on that, the property tax would not go to the school district for those improvements. [LB1095]

SENATOR KARPISEK: Okay, okay. [LB1095]

RENEE FRY: And so according...what we used was the Lock memo and his findings in terms of the dollar figures that were lost for TEEOSA and the subsidization of TEEOSA. And so we looked using his findings and then looked at particular school districts. You in fact have four school districts in your districts that would lose state aid in the way that it was portrayed by the Lock memo because of the way the formula works and because they're unequalized. [LB1095]

SENATOR KARPISEK: Well, then I guess if you look at it the other way, then schools

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that do get state aid get reimbursed for this which comes out of the state aid formula. [LB1095]

RENEE FRY: That's right. So if they're equalized and if they have TIF projects, most of that state aid is or most of the property tax dollar loss is covered by state aid, which means that it's...so it's subsidizing those projects for the state. [LB1095]

SENATOR KARPISEK: And then there's less state aid to go around. [LB1095]

RENEE FRY: Right. That's right. [LB1095]

SENATOR KARPISEK: Thank you. Thank you, Senator McGill. [LB1095]

SENATOR MCGILL: Other questions? Thank you very much, Renee. [LB1095]

RENEE FRY: Thank you. [LB1095]

SENATOR MCGILL: This sort of issue makes your head want to explode. [LB1095]

JOHN BONAIUTO: It does. Senator McGill, members of the committee, John, J-o-h-n, Bonaiuto, B-o-n-a-i-u-t-o, representing the Nebraska Association of School Boards and the Nebraska Council of School Administrators in support of LB1095. We really appreciate Senator Davis tackling this and bringing this idea forward. We like it on a number of levels, not nearly as many points as he made. (Laughter) I could say that. [LB1095]

SENATOR MCGILL: He made a lot of points. [LB1095]

JOHN BONAIUTO: Yeah, he did make a lot of points. [LB1095]

SENATOR MCGILL: Good points, good points. [LB1095]

JOHN BONAIUTO: And I wholeheartedly agree with everything that Ms. Fry had indicated. TIF has been a very important economic development tool. School boards have discussed this for years because of what you just talked about as if you're a nonequalized district you're losing local resources. If you're equalized district, it has a different impact. But boards do not want to stand in the way of economic development, so they...their concern about TIF was they were not included in the conversations and many times found out that this was going to happen from a second- or third-hand source or read it in the newspaper. And so it really is nice to have a way to be part of the discussion. I think having standards. TIF has been around a number of years, and having it refined and having standards, looking at, you know, broader participation and then some accountability all are good things. So with that, I'll conclude my testimony.

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But this is a very worthwhile discussion. And as we look to the future as TIF is used, I think having something like this will make communities feel more comfortable when they go down this path. Thank you. [LB1095]

SENATOR MCGILL: Thank you. Well, we had Senator Ashford. He's leaving again. So I was going to introduce him, but. (Laughter) [LB1095]

JOHN BONAIUTO: Hopefully it wasn't...he's left me before. [LB1095]

SENATOR MCGILL: It had to have been something you said. [LB1095]

JOHN BONAIUTO: Yes, absolutely. [LB1095]

SENATOR MCGILL: Well, thank you. Are there any questions from the committee? [LB1095]

JOHN BONAIUTO: Thank you. [LB1095]

SENATOR MCGILL: I don't see any. Thank you very much. Next proponent. [LB1095]

JON HABBEN: Good afternoon, Senator McGill, members of the committee. My name is Jon, J-o-n, Habben, H-a-b-b-e-n, Nebraska Rural Community Schools Association. You might ask, well, so how much TIF would there be out in rural Nebraska? Depends on the community, depends on the interest, depends on the geographic location, depends on a lot of things. An example that I can bring you is having superintended in a county bordering on Kansas, TIF generated an interesting discussion because Kansas allows tax abatements as part of its economic development program. Nebraska does not. So what happens then is in that bordering county, a TIF discussion not only is a discussion about economic development at the request of somebody who's interested in a project, it becomes a discussion about how to compete with Kansas. So as a school district, let's see, try and get in the way of that discussion. You're not going to. And chances are you don't want to because you are also interested in the growth of your community. Now but the assumptions are that the rules are the same across the state, the assumptions are that the transparency is the same across the state, and the assumptions are that there's oversight across the state. And for the most part there's none of the three. And that's why we feel Senator Davis' bill is attempting to really get at the heart of some of the issues that might make TIF a better tool or at least a more understandable tool, a more transparent tool across the state. Now another issue that comes up, state aid has been mentioned several times. A rancher from Chadron mentioned to me several months ago in a discussion, well, why don't the cities just pay for their own TIF. And I looked at him and I said, well, you're going to have to explain that a little bit more to me. What is your perception of this circumstance? And he says, well, state aid flows in that direction, is that correct? Yes, it does. And TIF means that

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you get what you were getting before. So you haven't lost anything, but you haven't gained anything. So in terms of resources, your resources have not grown relative to everybody else. Okay. So then why is state aid taking money from across the state and sending it to make up for the lack of resources in the TIF project? Well, it's an interesting question, especially when the question begins to develop that what happens if you have so many TIF projects that they begin to become a cycle. As projects cycle out of TIF, there are always new projects cycling into TIF. And so the growth of revenue is never there. That's an interesting discussion in terms of that has an impact on TEEOSA as well. If you're a nonequalized school district and you have TIF going on, well, you're not...I mean, you're not getting equalization aid. So it's a different discussion for you. If you are a district that's getting some equalization aid, the movement of equalization aid whether it's TIF or anything else does matter to you because you're paying attention to sometimes what you're not getting instead of what you are getting. In any case, Nebraska Rural Community Schools Association supports Senator Davis' bill. We think it's a really good step in improving the TIF process. And, as people have said before, are we trying to throw it away? Oh, no. It is an important economic development process in the state of Nebraska. No question. Thank you. [LB1095]

SENATOR MCGILL: Are there questions from the committee? I know talking about the border issues, it is...TIF is our tool. It's the only tool which I think is what has led to it... [LB1095]

JON HABBEN: Yes. [LB1095]

SENATOR MCGILL: ...being used in a variety of different ways that maybe weren't the intention. I also know some of these projects end up growing the value of that property by hundreds of percent, like 300 percent, 400 percent in some cases. So I'm sure that we'll hear some examples of...from some cities coming up on the other side too. [LB1095]

JON HABBEN: Certainly. [LB1095]

SENATOR MCGILL: But thank you very much for being here... [LB1095]

JON HABBEN: You're welcome. [LB1095]

SENATOR MCGILL: ...and giving us your 2 cents. We appreciate it. [LB1095]

JON HABBEN: You bet. Thanks. [LB1095]

SENATOR MCGILL: More proponents. And Senator Ashford has rejoined us. Welcome. [LB1095]

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SENATOR ASHFORD: Thanks for introducing me again. (Laughter) I need that. I need a double introduction. All right. [LB1095]

DICK CLARK: (Exhibit 4) Chairman McGill, members of the Urban Affairs Committee, my name is Dick Clark, D-i-c-k C-l-a-r-k. I'm director of research for the Platte Institute. I thank you for this opportunity to speak today in support of LB1095. Senator Davis' bill, and again I'm only speaking to the green copy, would create a new state-level oversight entity that would standardize the tax increment financing process in Nebraska and create a state entity to oversee the use of this redevelopment tool in our state. TIF is a method of financing community redevelopment projects which uses funds from the geographic area containing the project to finance infrastructure, renovation, and other capital costs. Nebraska was one of the second wave of states to approve TIF. Voters approved the use of TIF in 1978 with the enabling legislation being passed in 1979 by the Legislature. TIF use expanded greatly during the '80s and into the '90s. And in the last 15 years, we've also seen a period of rapid growth in the use of this tool, especially for commercial projects. In Nebraska, a local government or community redevelopment authority can originate such a product, although final authority does rest with the governing board of the local government. Under current law, the authority wishing to finance a project using TIF must identify an area in need of redevelopment, develop a plan, and submit it to the local planning commission. Although current law requires a cost-benefit analysis be completed before recommendation to a local government, the factors that must be considered in this review are not adequately specified, and once a project is approved, there is little oversight. Under current law, project implementation is largely unsupervised. Often the project is turned over to the developer for implementation. Some states require city and/or state oversight in evaluation of TIF projects. In Nebraska, there are no such requirements and most projects go ahead without systematic evaluation before or after a project, meaning that taxpayers are exposed to substantial financial risks without a process in place that would ensure that TIF projects represent sound investments of taxpayer resources. In a Platte Institute study on TIF that was released in July of last year and which I believe Ms. Fry already cited in this hearing, we recommended a number of reforms to protect Nebraska taxpayers while preserving the usefulness of tax increment financing as a tool for redevelopment. These recommendations included both state monitoring and oversight of TIF implementation and a strengthening of the cost-benefit analysis requirements for proposed projects. Senator Davis' bill sets out clear measures for evaluating prospective projects, including economic factors such as potential tax shifts, the ramifications for infrastructure, local tax impacts, and the effect on employers and employees both within the project area and in surrounding areas. The bill will not only mandate more serious evaluation of proposed and ongoing projects, but it will also enhance the transparency of TIF in Nebraska. By creating a standard statewide process in Nebraska, members of the public will be better enabled to examine each proposal and to play a role in the process. By authorizing the new Tax-increment Financing Division or whatever form it takes in the final bill, we have the ability then to impose

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penalties when local governments fail to meet accountability standards, and the bill should provide the needed motivation for local governments to take their evaluation of these proposed projects more seriously. Taxpayers deserve no less. Thanks again for this opportunity to speak today. [LB1095]

SENATOR MCGILL: Thank you, Mr. Clark. Any comments or questions? Senator Crawford. [LB1095]

SENATOR CRAWFORD: Thank you, Senator McGill, and thank you, Mr. Clark. I wonder from your study, could you give an example of what some tools that other cities used in oversight and evaluation. [LB1095]

DICK CLARK: Do you mean other states, Senator? [LB1095]

SENATOR CRAWFORD: Other states, I'm sorry. Other states. Thank you. [LB1095]

DICK CLARK: You know, I'm afraid that I don't have those in front of me. I just...I would refer you to our study there and certainly I wouldn't try to lecture to an Elinor Ostrom coauthor on social sciences, so. [LB1095]

SENATOR CRAWFORD: Thank you. [LB1095]

SENATOR MCGILL: Other questions? Senator Karpisek. [LB1095]

SENATOR KARPISEK: Thank you, Senator McGill. Thank you, Mr. Clark. Again, I'm new to this. Do communities review these TIF projects as they go? Do they...I know you said there's not maybe the oversight, but do they...is there any way that they're supposed to check in every so often? [LB1095]

DICK CLARK: My understanding is that there is not a rigorous review process mandated by the current law. Although I would fall back and refer you to our fuller study where we had a subject...you know, subject matter expert who goes into much greater detail than I'm prepared to do today, Senator. [LB1095]

SENATOR KARPISEK: Thank you. [LB1095]

SENATOR MCGILL: All right. Other questions? Nope. Thank you very much, Mr. Clark. [LB1095]

DICK CLARK: Thank you. [LB1095]

SENATOR MCGILL: Next proponent. [LB1095]

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MIKE GROENE: (Exhibit 5) Mike Groene, G-r-o-e-n-e, the Western Nebraska Taxpayers Association. Our organization goes back to 2003 or so when we first start looking into TIF in the North Platte area. I agree with Senator Davis. We need an oversight. It's being abused and it's being abused greatly. Let me read you the first sentence in the state constitution on this article. For the purpose of rehabilitating, acquiring, or redeveloping standards and blighted...for substandard and blighted property in a redevelopment project that's determined by law any city or village of the state may incur indebtedness whether by bond, loan, notes, advancement of money or otherwise. Pretty clear. I don't need a lawyer to tell me that. Nowhere in this law, in this amendment, or on the statutes govern it is the word economic development used--nowhere. This is not an economic development tool. If it was, it wouldn't be in the Urban Affairs Committee; it would be in the Revenue Committee. Remembered a time when we passed this in the '70s. Our inner cities were deteriorating. It was a method to get developers who were going to already build. The "but for" clause in this statute says, but for you're going to build it. We want you to build it here instead. It does not say that they would not build it all. Every TIF in North Platte was going to be built anywhere...anyway. Every one of them. It has been used. It is being abused greatly. It was originally a great idea and it still is. The Old Market, Haymarket, the Riverfront, Cargill, ConAgra on the Riverfront. Great idea. Look what it's did for us. But it's being abused now. These TIFs are being given to developers while really I have nothing against developer. They create jobs. It's being abused by real estate speculators. I'll give you a little short story that follow with TIF that happened in North Platte. Menards was coming to town. Menards was coming to all the cities our size. They came to Kearney, Hastings, Columbus, Scottsbluff. No TIFs were given. Some real estate developers bought an alfalfa field outside of town on prime real estate by the interstate for \$500,000. They got their good old boyfriends in the city council to blight it. Three years later they sold it to Menards for \$3.5 million, a blighted and substandard piece of land. No jobs were created, just a lot of money changed hands. Menards was coming to town already. They used it to have them put it here. Now I would have been for it. I would have supported it if the city would have said, Menards, instead of building on the interstate, you build on the north side of the tracks in downtown North Platte and take some old warehouses out. Boy, I would have been a cheerleader. That's what TIF is for. It's not an economic development tool. If you can show it to me in the law, that term, I'll listen to you. It's not in there. We have plenty of economic development tools to give to people to create jobs. Here's another abuse of it. In the law, you're supposed to do a study of how many jobs it creates. Do you know why? I've seen a lawyer stand in front of our city council, wink and nod and say we're going to get these jobs in town. You know what the actually the statute says? You're supposed to do a study on how many jobs because you need to know how many new people are going to move to town if it's going to overinfluence the school district, the county roads, the town's police department. You're supposed to turn it down because entities should not lose their tax base. It is not a jobs creating program. It's not an economic development program. It is a redevelopment. The "but for" is you build it here in the blighted area or you go ahead

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on your own and you build it out on this prime real estate. Here's another example: the Omaha Crossroads. This one really...how bad it's becoming. The city is supposed to incur indebtedness. The reason the school and the county and the NRD is willing to give up their property taxes is because the city will incur a lot of debt. They have to redo the bad infrastructure, redo the sewer lines, redo the water lines, redo the electrical lines. They're supposed to bond that work. They're supposed to even buy the land if they have to and raze it, pay for that with bonding. And then the increment financing to taxes is supposed to pay those bonds off. I read in the paper the other day Omaha is going to bond \$50 million for infrastructure and make the taxpayers pay it, and then turn around and take \$53 million of tax increment finance and give it to the developer. The taxpayer is going to get hung twice. He's going to pay those bonds off and then he's also...and then he's giving away \$54 million of property taxes. This thing is so out of hand. So if you've been told it's a great economic development tool, you say so what. It's being abused if that's what you're using it for. It's a redevelopment tool. That's what it is. As far as school financing, the first time this came around in 1976 it was voted down. The public education people came up against it. The next time it came around in '78, a promise was made to them that their state aid would...they would not lose...the property taxes would be made up by state aid. But what they didn't realize is now their pie of state aid got smaller because some of that was going to people who were TIFed who were losing property taxes, and now each slice of their pie of state aid got smaller. I think they finally realize that. And then it's being abused. The city of Gothenburg where there's a lawyer there that found his ambulance and has been selling this all across the rural areas. Thirty percent of the valuation of the city of North...of Gothenburg is TIFed--30 percent. So now me and North Platte and every other taxpayer is helping to fund their schools with extra state aid to education of the matter of 30 percent, at least of the city. They have rural area, too, agricultural area. This is not an economic development tool; it's a redevelopment tool. If you want to do economic development, turn it over to the Revenue Committee. Let them come up with some more incentives for those folks. [LB1095]

SENATOR MCGILL: Well, thank you, Mike, for being here today. [LB1095]

MIKE GROENE: One last thing. [LB1095]

SENATOR MCGILL: Okay. One last thing real quick. [LB1095]

MIKE GROENE: One thing I disagree with is with Senator Davis, is this thing needs to not go to the Economic Development Department in Nebraska. That's like putting the fox ahead of the...in charge of the chicken coop. It needs to go to the Revenue Committee, Revenue Department under the property tax assessment department. They already are getting all the facts together. They already know every TIF that's out there. They do a TIF report every year that you can look. Fifty-four million was given away last year, by the way, and it's doubled in 20 years. It needs to go to the property tax

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assessment department. The Department of Revenue already has investigators. They know what they're doing. You could add one investigated, the recordkeeping is already taking place, and then you have an unbiased agency saying wait a second, North Platte. You do not create a blighted area in downtown North Platte, on the old side of North Platte, by allowing...giving a TIF to John Deere to go to the interstate. And actually it was reversed in North Platte. It created a blighted area by abandoning their old store and they were giving TIF on prime real estate on the interstate interchange. So anyway, it needs to be done. Don't get caught up in jobs. Don't get caught up in economic development. That isn't what you're doing here. You're urban renewal. You're saving the old downtowns. That's where this is supposed to be used. Any questions? [LB1095]

SENATOR MCGILL: All right. Thank you very much. Are there any questions? You were pretty thorough, so we appreciate that testimony. [LB1095]

MIKE GROENE: I heard about the hearing at 10:00 this morning. And the other thing is, there's nobody...there's no oversight. I have a letter here I'd like to give you I've got from Attorney General Bruning... [LB1095]

SENATOR MCGILL: Oh, yeah. [LB1095]

MIKE GROENE: ...a copy when I wrote him in 2003. You know what he told me? There's no oversight. If you think there's a problem, take your own money and hire a lawyer and have a civic action. [LB1095]

SENATOR MCGILL: And I have wondered the same thing because as... [LB1095]

MIKE GROENE: But I knew there was a State Patrolman on the interstate enforcing the speed limit, so I didn't speed. If there's enforcement, you will see a change. [LB1095]

SENATOR MCGILL: Yeah, certainly as I've been reading the statutes defining substandard and blighted, I...there are certainly some cases that could be made that they're not following in some of those cases. [LB1095]

MIKE GROENE: One other thing you can change, if it's truly blighted and substandard, you keep the real estate speculators out of it, the land cannot be sold for more than 10 percent over the assessed value. That would get that big money and those folks out of the game. And then really the people who create jobs, the developers, would be in charge. [LB1095]

SENATOR MCGILL: Well, thank you for being here, Mike. Any other proponents? Going once. Going twice. All right. Then we'll start onto opposition for the bill. [LB1095]

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ERVIN PORTIS: (Exhibit 6) Good afternoon, Senator McGill. I'm Ervin Portis, E-r-v-i-n, Portis, P-o-r-t-i-s. I'm the city administrator of Plattsmouth. Darn it. Senator Ashford left so I can't say something. He needs no introduction. But anyway, begin with the city of Plattsmouth does oppose the bill as it is currently written. We do want to say thank you to Senator Davis for sitting down and visiting with us earlier today to hear our concerns, our questions, and our input. And it is clear that the attempt is transparency. We will argue that there is significant transparency in the current process. But before I begin comments on transparency, is it an economic development tool? It is. Let's just use Plattsmouth as an illustration. We're a bedroom community, just 20 minutes south of downtown Omaha. Our last new major commercial development previous to recent a development was in 1991. Seventy percent of our people commute out for work. Seventy percent of our retail dollars are spent elsewhere. And with that happening, we have dire need to grow the community, to grow the tax base, to grow some support for our systems and to provide for the community or we're going to lose people, lose them even more. Now if achieving transparency is the object, I'm going to refer you to the attachment that I've given you along with a letter that illustrates the process, and it's a cumbersome, complex process. And that process requires multiple public meetings, all published notice, multiple public hearings. And then if an annexation occurs, an annexation is...or land must be annexed into the city to be TIFed, then there's even more public hearings and more readings of the ordinances. And I'll go through those here in just a moment. But any city that does its homework is going to right at the early start of a TIF process or a question to TIF is going to engage competent, reputable bond counsel. We certainly do. We contract with among the best and the folks at Baird Holm. But, anyway, the first...the request to designate has to first be submitted to the planning commission. So the planning commission holds a meeting, published notice. If it holds a public hearing on the substandard and blighted, then it has to send notice by mail to registered neighborhood associations, to the school districts, to the county, to the community college, the educational service unit, and the natural resources district. And then after planning commission makes a recommendation to the city council, again, the mayor and city council hold a public hearing, published notice. And prior to that public hearing, send mailed notice with a copy of the blighted and substandard study and any proposals to all of those taxing entities, notice of when the public hearing will be, notice of what the plan components might be. And then in regards to preparation and adoption of the redevelopment plan, again, prior to recommending any plan, the community development or redevelopment agency must submit that plan to the planning commission for review. So again we have more public meetings, published notice of those public meetings. And if there's a public hearing, then notice of the public hearing sent to any registered neighborhood association, to the chair or president or the county, county board, school district, community college, educational service unit, natural resources district, and others whose property taxes might be affected. And following receipt of the planning commission recommendation, the community development agency may then recommend the plan for approval by the meeting of mayor and council community development agency meets in a public meeting,

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published notice, mayor and council, hold public hearing. And if the public hearing is held, then notice is published at least ten days prior to the hearing notice. Also must be mailed to any registered neighborhood association, to the president or chairperson of the county, school district, community college, educational service unit, natural resources district. And then notice has to state the time of the hearing, date, place, purpose, also include a map of the redevelopment area. We give them a copy of the draft redevelopment plan. So there's no surprises, no secrets. We also reach out and talk to the school district, to the school board, certainly to county commissioners, to the NRD. And that's good practice, good communication. It's being respectful of those other boards. And then finally if an annexation is to occur concurrent with or with the TIF agreement or with the redevelopment plan, then again public hearing occurs before the planning commission. After recommendation is made by the planning commission to the city council, public hearing again. And then annexation in the statutes are quite clear that you cannot waive subsequent readings of an annexation ordinance. So all three readings of the annexation must occur and they must occur on subsequent meetings. So in our case, that's six weeks or something, depending on where the weeks fall, up to seven weeks, seven or eight weeks in between the first and the third city council meeting. Then finally in regards to oversight, most cities write their audits, write certified or annual financial reports, submit that audit to an independent auditor. I can promise you that if the auditor is doing his or her job, they're going to look at those TIF projects. GASB 34 rules require them to do so. And any inconsistencies are clearly illustrated. And is there...go back to our last project or our last major commercial development was 1991. In 2012, we completed the TIF project. It became operational 2013. Again, we're just a few moments south of downtown Omaha. We experience 70 percent retail leakage, 70 percent of our residents commute out for work. We've lost population the last 15 years. It's a tool we have to use. It's imperative all those trends be reversed. The TIF project that I'm talking about is commercial, most of it retail. One of it frankly, a big part of it, is a grocery store. Pretty darn important for a community the size of Plattsmouth. That grocery store, it would have been really, really easy for them to locate up in Cornhusker Highway or 370 in Bellevue or across the river in Glenwood, Iowa, but they chose to locate in Plattsmouth. That project increased the employment base by 392 total employees. That's 392 people not commuting...or commuting out to work. Eighty-seven of those are full time. Here's a really neat part of that. It's a grocery store and what do you expect to see working at grocery stores--students. Eighty-two of those employees are students working in their local community and the school district has established a relationship for their culinary arts program with Hy-Vee. That's a success. Thank you. [LB1095]

SENATOR MCGILL: All right. Thank you very much. Are there questions from the committee? Senator Crawford. [LB1095]

SENATOR CRAWFORD: Thank you, Senator McGill, and thank you for your testimony and those examples. Could you respond to the concern that was raised about real

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estate speculations? So if somebody had a sense this Hy-Vee was coming and purchased the land and then sold the land after the...as part of this process, I mean, do you see any protections against that in our existing oversight and processes? [LB1095]

ERVIN PORTIS: Yeah, I think...honestly, I think the protections are, you know, from...in our case, the eight city council members and the mayor are all elected at the local level. There's no shortage of folks running for those local offices. We got three people running for mayor right now. All of those city council seats are contested elections. That's accountability at the local level. Senator Ashford needs no introduction. (Laughter) [LB1095]

SENATOR ASHFORD: Can we do another one? [LB1095]

ERVIN PORTIS: I have to get that in there. [LB1095]

SENATOR ASHFORD: I mean, I've never...thank you, thanks for that though. [LB1095]

SENATOR MCGILL: You know, I do...having...you know, we've been discussing the constitutional amendment on substandard and blighted and changing the words to rehabilitation and redevelopment and, you know, you...I can't help but...you know, it...the language is clear in statute that it's substandard and blighted and there are all kinds of definitions, and there are cases out there that aren't falling into these definitions. Now it's our only tool for economic development and so it broadens the question should we be opening up the statutes so that cities aren't doing...acting illegally? I mean, because like the Attorney General, there is no course of action right now based on statute and I think a lot of cities are outside of their statutory authority with how they're using TIF. And so, you know, I think TIF is a great tool. [LB1095]

ERVIN PORTIS: It is a good tool. [LB1095]

SENATOR MCGILL: You know, I want to see it maintained. How do we make sure that it's being...that its uses are in line with statute? And if we as a Legislature think it's an economic development tool, then maybe we need to start saying it's an economic development tool and have that particular debate. I don't know if you have any thoughts. Just...I'm just kind of throwing it out as a comment. [LB1095]

ERVIN PORTIS: Senator McGill, I've watched the work you and the committee have done over the last year on TIF and I think you're on track. That blighted and substandard, there's a lot wrong with the term itself, and it is an economic development tool. In Nebraska, we absolutely have to have it. [LB1095]

SENATOR MCGILL: All right. Well, that's a much bigger debate that this is also about, so. All right. Thank you very much... [LB1095]

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ERVIN PORTIS: Thank you. [LB1095]

SENATOR MCGILL: ...unless there are any other questions. No. We'll take the next opponent. [LB1095]

KEN BUNGER: Good afternoon, members of the committee, Chairman. My name is Ken Bunger, B-u-n-g-e-r. I'm testifying for myself I guess. My experience, I was city attorney in Omaha. Primary duties, redevelopment, economic development finance, represented the planning department from 1974 to 2002. After that, I became bond counsel and project counsel for cities varied as the city of Chicago, lots of projects there, Kansas City, the village of Potter, and the village of Waterloo, and a lot of things in between. So I've got I think a lot of experience in this area. I've also had the pleasure to draft most of the TIF legislation at some point over those last four decades or so. And I was happy one of the previous speakers complimented our projects downtown, and I drew a distinction between those and many of the other projects outstate. Well, there really isn't that distinction. I negotiated the ConAgra agreement and I can tell you that they would not be in Nebraska if we did not have TIF along with several of the other economic development tools. TIF was absolutely critical. It could be tailored to the project. It's absolutely critical in Potter, Nebraska. It just attracted a major national corporation that develops telephone poles using TIF and the annexation of the statute that allows for, and I hate this term, skip annexation. Now there are two very...and I'm sure that development is as important to Potter and Sidney as ConAgra was to Omaha and Nebraska as a whole. So...but they're very different situations and they have to be handled very differently locally. That's one of the really good things about TIF in all states, and particularly in Nebraska. It's in the constitution, by the way, wisely leaves it up to the cities to decide. It's not a state economic development tool. It's a local economic development tool that by its very nature grows the entire state. I was going to talk a little bit about hearings but I think you've heard enough about that. I have a client come in and I tell him they have to go through five hearings to get TIF. You know, they have two at the planning board level, three at the city council level or the village trustees level. You have a blighted and substandard, you have a redevelopment plan, and you have a redevelopment agreement which sets out all the obligations to the parties. So there's more than enough hearings. If you want to rezone something from residential to polluting industrial, you have one hearing. (Laugh) So in these cases, five hearings. So I think there's plenty of input and chances for citizens to make those comments. Getting back to the local interest, I think, you know, to move local decision making to a division of a state agency as to what the economic, you know, benefit is, the political benefit, the long-term benefit to a community varies so much from project to project and community to community, I don't really think it's appropriate to have any stricter state standards. I agree entirely with Senator McGill that the statute should be changed to recognize the fact that many of the communities in Nebraska, if not most of them, use it as an economic development tool. Lincoln and Omaha, and I've done 250 or so in Omaha,

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use it more for...its original intent is to keep something from the outskirts and try to develop a certain portion of the city. Most of the communities in Nebraska don't have that luxury of having a large downtown area with multi jobs and everything. There's only so much land. So a lot of these tools for keeping industry there or growing industry is certainly the same statute. Blighted and substandard just as an aside, as some of you might remember the Micron project which didn't go forward. But we spent...I drafted a statute called the Redevelopment Act. It's still on the books. What we did is we redefined blighted and substandard from its traditional definition to a broader economic development definition. And to say that there was a need in Nebraska for large areas of land to attract national developers for large projects, in this case, it was going to be \$50 million and hundreds and hundreds of jobs. Nebraska passed that act. Still on the books. It sunsetted in that there has to be a project to kind of shoot some juice into it again. But we...Micron didn't come, and thank goodness because they went underwater, but we did use it for Ak-Sar-Ben when we did the Ak-Sar-Ben project in Omaha which was the University of Nebraska at Omaha and First Data Resources to develop that whole area. And the way we used it is we also blighted, if you use the term, under the act we called it something else, but in the constitution it was blighted and substandard into District 66. We cooperated with District 66 because part of First Data's project was computers, and that was huge personal property tax and that's allowed under that act. So we used that as a very tailored-to-the-project-type incentive. And that's what you can do with TIF when you leave it to the local entities. They can tailor these projects to specifically, you know, benefit whatever that area they see is necessary. You wouldn't, for instance, have a state agency deciding rezonings and all those other land use decisions that a city must make, and they're as big or a lot bigger than most TIF projects. TIF projects generally add maybe 10 percent to the deal. That's just enough to tip the balance sometimes. But it certainly is...nobody is getting rich on TIF. As to...and Senator McGill also mentioned this isn't lost revenue; it's growing the pot for everybody. The TIF projects, you know, sort of police themselves in way. Nebraska because we're very project oriented, we don't have a big pot of TIF like Missouri or even Chicago where they just gave \$50 million to downtown parks out of a big TIF pot. Our projects are very oriented that if the project doesn't happen, the bank doesn't get paid back. So if you put in your...the infrastructure, they have a nice big opening, the project goes down the tube, it's not paying the taxes they thought it was going to pay, you know, a lot of not great things happen. But the biggest not great thing that happens is the bank and the developer who usually guarantees the loan is out of luck. It's not subsidized by the public. Whereas Kansas, for instance, if you have a tax abatement project, the city puts in everything and they guarantee that developer doesn't pay taxes, developer...things don't happen. So the city is out the money that it took to put in that infrastructure. So TIF is a very sort of self-policing mechanism in almost all cases. You don't have project, if it doesn't perform, you don't have TIF. [LB1095]

SENATOR MCGILL: I'm going to cut you off there. [LB1095]

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KEN BUNGER: I'm done. [LB1095]

SENATOR MCGILL: And just to clarify, I don't support an economic development free-for-all with TIF either, that I think it still should be used for redevelopment and rehabilitation. But I believe in just calling it what it is. [LB1095]

KEN BUNGER: Yes. [LB1095]

SENATOR MCGILL: And I think statute should reflect...if that's the route that the Legislature wants to go, that we should just call it what it is or just have that debate... [LB1095]

KEN BUNGER: Yeah, exactly. [LB1095]

SENATOR MCGILL: ...you know, fully over what is it and what should it be. Senator Karpisek, you have a question. [LB1095]

SENATOR KARPISEK: I do. Thank you, Senator McGill. Thank you for coming in, but the whole reason that we're even here is because it's not being self-policed. And so even to say that, I'm sorry, I have to completely disagree. It's not being self-policed very well. I think that it's being used when there's a cornfield that's used to bring somebody in, and that's self-policed? [LB1095]

KEN BUNGER: Yeah, I think what...there's two ways to look at that. One, when you say self-policed whether or not the project has occurred in a way that was said it was going to occur. In that instance if it doesn't occur, and that way you don't get the TIF. So the person on the hook is the bank or the developer. Your comment is correct in many instances that the project doesn't meet the initial standards for use. [LB1095]

SENATOR KARPISEK: Statute? [LB1095]

KEN BUNGER: Now the statute I think is as it's drafted for the most part gives pretty good guidance to the communities. But, I guess my view is that it's a local issue that the localities are much better equipped to decide whether or not that project, you know, pushes forward the economic development or rehabilitation, whatever you want to call it, interests that the localities see fit. The cornfield thing, most of those and not all, I agree with you there's been a couple of supermarkets out there probably, but most of it is specifically authorized by statute which is the ethanol plant statute. [LB1095]

SENATOR KARPISEK: And most of the time a lot of things go right but that doesn't mean we don't have oversight at the state level. You also said that it's growing the pot for everyone. How can it grow the pot for everyone if they're not paying tax...if it's TIFed? [LB1095]

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KEN BUNGER: Well, those are job...that's, you know, the real estate taxes that you have existing before the projects stay, what you're developing is new real estate taxes that after the TIF is paid off, you know, go back to all the taxing entities. So you're not losing anything. [LB1095]

SENATOR KARPISEK: So after it's 20-whatever, 15-20 years over... [LB1095]

KEN BUNGER: Most projects there's a 15-year limitation on taxes. [LB1095]

SENATOR KARPISEK: And we just tried to bump that. [LB1095]

KEN BUNGER: Yeah, but if you sell bonds, you have what's...you have to sell bonds so that you actually only have like, you know, a ten-year payoff because you can't sell a bond unless you have 25, 50 percent what's called coverage, but nobody is going to buy it. So most projects, at least my experience in Omaha, is usually about eight years and it goes back on the tax rolls. But you got to remember those are taxes you didn't have in the first place. [LB1095]

SENATOR KARPISEK: Well, and I think your experience in Omaha is not what we see out in other parts of the state. And I think what happens is a lot of this stuff is getting put back on property tax people, and that's exactly what we're trying to deal with in the Legislature. [LB1095]

KEN BUNGER: Well, I think I agree with you and a lot of the issues I think outstate are different than Omaha because I represent a lot of communities outstate. One of the things that happens outstate is you have a new project that for sure wouldn't happen unless you had some incentives. [LB1095]

SENATOR KARPISEK: Well, I don't know about that. We can argue about that all day. [LB1095]

KEN BUNGER: But who makes that decision? The elected official or a government subdivision? [LB1095]

SENATOR KARPISEK: I was a mayor for 12 years. I understand that there's a lot of state oversight. Thank you for coming in. Please let's keep this...let's not blow so much smoke. [LB1095]

KEN BUNGER: Okay. I didn't mean to do that. [LB1095]

SENATOR MCGILL: There are good and bad uses, I guess. That's a subjective... [LB1095]

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SENATOR KARPISEK: That you are...I'm not against TIF, but I think it's been very much abused. So I think there needs to be some oversight. [LB1095]

SENATOR MCGILL: All right. Well, Senator Crawford, you had a question. [LB1095]

SENATOR CRAWFORD: Thank you, Senator McGill. I guess you raised a question and then maybe a two-part question. One is you talked about how important it is for it to be local because there might be different goals and different projects. And you said, you know, those were like a something in Omaha versus something in a very small town might be different. But now, so the first part is maybe an example of that. But now then the second part is one of our challenges when we're talking about development is a competition that happens between local entities which then pits them against one another. And so even if you had every local entity there, you heard the school folks say they're not going to stand in the way of it because it's us or someone else. So that's where I think some sense of this is not just local money but it's also state money, some sense of discussion to help that problem of cities competing against one another where they are in that situation, especially with...if this is the only tool. That's I guess an area where we have to ask what is our role to try to put some boundaries around that competition. [LB1095]

KEN BUNGER: Yeah, and that's a real problem nationally as well. And look at all the...that's your whole purpose of Nebraska Advantage Act. I mean, that which is super secret, you know. So that's...but I think guidance from the state is there already in the statute. This Legislature can maybe re-look at some of those standards, but I still think the decision as to specifically when you get into those very important specifics need to be a local matter, I really do. [LB1095]

SENATOR CRAWFORD: I think that would be a balance, right? [LB1095]

KEN BUNGER: Oh, yeah. Absolutely. [LB1095]

SENATOR CRAWFORD: I mean, you might have general standards but they'd be applied differently in an urban project than maybe a local project. But there might still be some standards we might talk about. [LB1095]

KEN BUNGER: Yeah, and I think the exceptions are what makes the rule and, you know, you can...there's two...you can always pick out a couple that you can disagree with. But vast majority of these are done within the statute and, you know, I think for good reason for the most part. That's why people get elected. [LB1095]

SENATOR MCGILL: All right. I think we're done with questions from you. Thank you very much, Ken. [LB1095]

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KEN BUNGER: Thanks. [LB1095]

SENATOR MCGILL: Next opposition testifier. Hello, Mayor. [LB1095]

ROGER FOSTER: (Exhibit 7) Hello, Senator McGill and members of the Urban Affairs Committee. My name is Roger Foster, R-o-g-e-r F-o-s-t-e-r, and I have the pleasure of serving as Crete's mayor. And I'm here to testify in opposition to LB1095. I won't read my entire testimony, but I will just touch on some of the different things and how it affects Crete. Crete has recently just declared a corridor as blighted and substandard and in need of redevelopment and restoration. And we've taken great strides to hold public hearings through our planning commission, through our city council, and also through articles in the newspaper to inform our public. Just to touch on some of the things...well, first off, I'll start that our council and our advisory boards work very closely with our schools, and any area considered for TIF financing we would definitely consult with them. We would make sure that part of the cost-benefit analysis that we took into effect, any effect it would have on school funding or on enrollment. Just to touch on some of the things. Well, Senator Karpisek asked a few questions about how does it grow the pot. Well, in Crete, the corridor that we developed, we have yet to grant any TIF project, but along that corridor we currently have three developments going and we only know of one of the three that will actually request TIF funding. Now on that note, there's two nuisance properties that are currently being torn down for some of that redevelopment in that area. So we have kind of killed, you know, two birds with one stone with this. We were able to abate some nuisance properties and also there will be a building project of a bank that will go in there that will not request TIF. They have no intention of requesting TIF financing. That's just one way, and I would envision the corridor that we have, some of the things the city will have to deal with in the future, one of them is our old hospital. That's part of the corridor. Currently Tabitha is using a small portion of that, but as we go into the future, that property itself will basically become a nuisance to the city. And having them in that corridor gives us a way to give incentive to get somebody to at least tear it down to the point that it could be leveled for redevelopment or parks or whatever the need would be. And we were also able to include our entire downtown, which like most downtowns our size have older buildings, you know, in hundreds-plus years that are deteriorating, need redevelopment, and quite honestly the value of them is very low. So it's tough to get people to invest in those low-valued properties. Some of the other things that we envision and, like I say, we don't envision the entire corridor to be a TIF corridor, every project to be a TIF corridor. But I can tell you it sparked more interest from local and outside entities to look at that corridor because there will be some options for TIF, some things that we wouldn't get otherwise that we feel as community leaders we needed for a long time. And the way our council looks at it is we're not just giving dollars away. We look at it as the community itself as a partner in any project that would be TIFed. So we would have some control over how it's developed. You know, and it goes back to the "but for" test.

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The council, and I've told them when we look at these we need to keep in mind the cost-benefit analysis. Those numbers have to add up in order for it to be good for the community and it needs to be good for the community. We...something that would go in otherwise, something that piggybacks because of a TIF project, because just simply it fits in the area. If it was going to come in anyway, I mean, that's our council's...that's our responsibility to make sure locally that those dollars are used wisely. Because like most communities, our schools are the foundation of our community and we know how important they are. We work very closely with them and we would obviously take them into great consideration. And like I said, the relationship we have, they would feel comfortable expressing their problems with a particular project or their support of a particular project and to what level if any that would be funded. Because it's not just a blanket tool to give away, you know, 15 percent or 17 percent of a project. The local municipality has some authority or the CDA has some authority to decide what level that is. And I would look at...we would gauge each project on merit as to how we did that. So I think in our case which we have yet to grant one yet, I mean, I think this is going to do some things for some properties that have been problems for quite some time in our community. But that's all I have and I'd take any questions. [LB1095]

SENATOR MCGILL: All right. Questions? Senator Crawford. [LB1095]

SENATOR CRAWFORD: Thank you. And thank you for being here and for your service. Could you tell us how you decide or how you make that discussion with your council in terms of whether this would have likely come without the TIF, like what criteria do you use or what does that discussion look like? [LB1095]

ROGER FOSTER: Well, and as I said, we haven't granted a TIF project yet, and that discussion will probably evolve a little bit. But the first step in the process that I see and that I've discussed with the council is that cost-benefit analysis that it tells us, is it good for the community, does it take care of other problems other than just, you know, a nuisance property or a, you know, a redevelopment of the area? You know, I wouldn't argue that it's not an economic development tool because state highway funds could be an economic development tool. I mean, I don't know how you can differentiate the difference of anything that's going to improve your economic situation whether it be through sales tax or through the removal of nuisance property that actually raises the value of the properties around it. So as far as how we determine, I mean, I guess that's up for the local elected officials with the input of the public what's good for the community. Would it have come otherwise? Well, would it have come to that area otherwise? In most cases I would say no. Would it come otherwise? We're going to have some of those. You know, if something goes in that another project fits well next to it, they're obviously going to probably try and request funds if they can get them. But if it's obvious to the local elected officials and I guess if I was using an example. If they came in and they bought a property without even consulting anyone about if TIF is even available, I guess that would be an indicator to me that they were intending on building,

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especially if they're an outstate or outside the community developer, that they were intending on developing there anyway or they don't walk in and buy property from Wisconsin or Minnesota or Maine or wherever just to own property in Crete. I don't think there's quite that demand there as much as I wish there was at times. [LB1095]

SENATOR CRAWFORD: So it might be inquiries about TIF would be something you would consider evidence of that. [LB1095]

ROGER FOSTER: Right. [LB1095]

SENATOR MCGILL: All right. Senator Karpisek has a question for you. [LB1095]

SENATOR KARPISEK: Thank you, Senator McGill. Mayor, thanks for coming. I have to say the way you're using TIF is exactly the way it was meant to be used. You're redeveloping, you're...you are doing things that are blighted. You and I have worked on the downtown for eight years trying to get some things done. I think you're doing all that right and it's a smart move. My...tell me real quick why would this be such a hindrance for you? [LB1095]

ROGER FOSTER: Well, I mean, I think it at first it's going to add some bureaucracy to the system and it's going to slow down an already fairly extensive system between, I want to say we started back in the spring doing the blight and substandard study and passed that I think by the time that was finally...all the hearings were held, everything was finalized it was into January. So you're...I mean, you're looking at a nine-month process just to create the corridor. That's not even the TIF projects themselves. So as far as how long from start to finish a TIF project will take, I mean I can tell you one developer we've been working with, started this summer and we still have yet to receive a redevelopment plan from them. Now I know sometimes that's going to move quicker depending on the developer, sometimes it's going to move slower. But I think that's an added...I guess an added, I won't call it an inconvenience, an added expense to the public or to the developer. I just, I feel like it's easy to say the developer or the real estate agent is going to pay those costs, but I think the reality is if the community values the project for their community, they're probably going to be absorbing some of those costs. And we currently already have for some of the areas in the TIF corridor because we know how important they will be to our community. [LB1095]

SENATOR KARPISEK: I guess my question then, too, is how do we police, for a better word, that communities are going to do it right because we've got enough evidence that people haven't done it right? [LB1095]

ROGER FOSTER: Well, and I guess that's a good example. I guess it's easy for me to say you should be able to trust your local elected officials, and if they're...if they're...if they're... [LB1095]

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SENATOR KARPISEK: Heck, I was one. (Laughter) I know better than that. [LB1095]

ROGER FOSTER: But if they're, you know, if there are... [LB1095]

SENATOR KARPISEK: And I know you. [LB1095]

ROGER FOSTER: If there are bad actors out there I guess they, you know, there probably should be some...probably should be some added transparency to the project or the process itself. But I guess I don't want it to become a hindrance on a community, especially a smaller one. Sometimes, you know, we try the one-size-fits-all project and you get, we'll just say, a community the size of Denton and they're just not even going to do TIF because their obligation to the state process will be such a hindrance that it's not worth their effort and their tax dollars to spend it. [LB1095]

SENATOR KARPISEK: They're making enough money on keno. [LB1095]

ROGER FOSTER: Well, okay. [LB1095]

SENATOR KARPISEK: But, hey, I just want to say again, I think what you're doing is smart, makes sense, and what it's meant for. I mean, I think it's a great idea but I just feel that it is being abused and there's just not enough oversight, so. [LB1095]

ROGER FOSTER: Well, and I guess I'd just encourage the committee not to...to not take a one-size-fits-all approach so that each community still has the ability to use it. So we...especially we don't punish the smaller communities if...you know, or any other community as far as that goes if they're doing the things they need to do. But I think some of us don't have the funds to go to the extensive work that may be required if this goes as presented. [LB1095]

SENATOR KARPISEK: All right. Thank you, Mayor. [LB1095]

ROGER FOSTER: Thank you. [LB1095]

SENATOR MCGILL: All right. I don't see any other questions. Thank you very much. Next opponent. How many more people do we have here to testify on this bill? I see three more, four, five. Oh, man! Okay. Five more. I'll just ask that people be as concise as possible. This committee has a lot of questions. "Karpy" is saying he's going to shush, but. (Laughter) You know the concerns. [LB1095]

LARRY D. BURKS: Good afternoon, Senator McGill, members of the committee. I'm Larry Burks, it's L-a-r-r-y B-u-r-k-s. I'm the assistant city administrator for the city of Bellevue. I'm here to speak in opposition of LB1095. First, I would like to talk about the

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fundamentals of economic development is to build the tax base. Expansion increased revenue through expanding the tax base is good for all taxing entities, not just the city. And I believe TIF does a good job of doing that. After 10 to 15 years of paying off a project, all of the revenues are generated to the taxing entities. Of course the base always remains the same and I think it's important to keep reiterating the fact that the base valuation will always remain the same and then after the TIF payments are completed, then the valuations are much higher and then the revenues are much higher. So there is really hard...it's really hard to understand how there is a loss when it comes to tax revenue. As far as transparency goes, the city of Bellevue takes on the same processes as Mr. Portis described early in his testimony. Multiple public hearings, also the publications are in the local paper as well. I'm not sure if that was mentioned. I missed that. So you're looking at four publications in a paper, not to mention some of the larger communities have these notices on their Web sites. The agreements are also on their Web sites as part of the agenda packets. So the city of Bellevue has all the contracts and TIF agreements on their Web site through the agenda packets. Now... [LB1095]

SENATOR MCGILL: If you could even try to speak up a little louder. [LB1095]

LARRY D. BURKS: Okay. [LB1095]

SENATOR MCGILL: I don't know what's going on outside. (Laughter) There's snow blowing or something. Jackhammering, I don't know. [LB1095]

LARRY D. BURKS: As far as transparency goes, LB1095, Section 1(5)(b) states that all TIF projects need to be listed on a Web site. However, the town I grew up in doesn't have a Web site. The city of Hyannis does not have a Web site. Ceresco, Nebraska, does not have a Web site. So that would be difficult for them. Just food for thought when looking at the bill. Just something to keep in mind. And then related to Dr. Kriz's study, I know Ken very well. He was one of my professors at UNO. He may have taught some of you in the room. But, I do know Ken's analysis. We used him at the city of Bellevue. It was very narrow in scope. I mean, he sets a good scope but it may be very narrow. My question is did Professor Kriz contact the bond attorneys for each of these communities and ask them about the TIF projects? I have a graduate degree in public administration and an undergraduate degree in public geography and planning. However, it would be very difficult for me to explain TIF to you all. Even though I understand it in my head, it's difficult to understand for some people when you try and explain it over and over again. So that is just another thing to keep in mind. To check to see if those individuals were contacted, the legal departments for the cities were contacted related to the TIF and its benefits. Let me see. I think that is about all I wanted to emphasize other than the fact that TIF is an important part of economic development not because we have chosen it to be, it is because it is part of the national competitive culture in economic development. If you cannot use tax increment financing, you lose a competitive edge.

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Now in relationship to a cornfield, part of the issue is is not that it's in the middle of a cornfield. The issue is what's surrounding it as well as part of the substandard process or blighted process. If you have a cornfield between two factories or at the edge of town that is low to moderate income or below low to moderate income, that will impact the blight and substandard classification as well. Just to get a little picture of how a cornfield could be part of that area. [LB1095]

SENATOR MCGILL: All right. Thank you. I think we need to get some high school students on building Web sites for all of our towns that don't have them already. Good high school project I think. [LB1095]

LARRY D. BURKS: I don't think posting it on Facebook would qualify as a transparent... [LB1095]

SENATOR MCGILL: Hey, those kids can build Web sites though. That's what's impressive. Questions? Senator Ashford. [LB1095]

SENATOR ASHFORD: You know, I worked with Ken Bunger on a lot of the development in downtown Omaha, so I am fully aware of what it does. So the one thing that I...and I agree with what you're saying about the benefits of TIF. The one thing that though that I think we always have to be careful as public officials is the public is paying for this. It is a loss of property tax dollars because obviously property tax would incrementally go up over a period of years and the school districts and the cities are losing that revenue. So we have to be extremely careful about how...to Senator Karpisek's point, how that money is spent. But so when we talk about economic development and the cost of economic development, it's not just all...to your point, it's not...there's a lot of good that comes from it but there is a public cost. And I think it's better when talking about this stuff to the public is to say you're paying for this. For 15 years, you're paying for this because it's just like any time we do a tax bill here that gives an incentive for a company to move here. Ken was talking about the Micron legislation which I recall. We're paying for that. So it's as if we were paying a tax, as if we were actually writing a check to the state. We're paying for the TIF. We're paying for Micron, which Ken is right, we're lucky it didn't come. But, you know, we're paying for ConAgra, so forth and so on. I'm not suggesting that therefore we ought not to do it. But I think it's better to say to taxpayers, hey, you're paying for this. You're paying for this. But you're paying for this with the...you're investing your property tax dollars or property tax receipts that you would have otherwise gotten in a project that's going to generate additional income. And they do...once in a while the projects do fail. And Ken is right. I mean, we do have...it's somewhat limited to the project itself. The failure, the bond holders, the banks, whomever, the developer loses. But the citizens have lost 15 years of tax if that's how long the project goes, 15 years of incremental tax, property tax receipts, so. [LB1095]

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LARRY D. BURKS: Yes, if I may. [LB1095]

SENATOR ASHFORD: Yeah. And I'm not critical. I'm just saying there is a cost. [LB1095]

LARRY D. BURKS: The community also is reaping the benefits of that investment as well. [LB1095]

SENATOR ASHFORD: They are, but they're...but taxpayers are funny the way that, you know, because they're reaping the benefits but they see what they see is the incremental loss of tax revenue. They can see that. The economic benefit is a little bit harder to calculate. [LB1095]

LARRY D. BURKS: Well, not when you take into account the jobs created and the revenue generated from income tax and... [LB1095]

SENATOR ASHFORD: I think all I'm saying is I think we're better off if we tell taxpayers you're paying a down payment. That's all I'm saying. [LB1095]

LARRY D. BURKS: Yeah, and you're right. You hit the nail on the head. Local public officials need to make sure that they tell their constituents that they're paying for this and these are expected benefits. [LB1095]

SENATOR ASHFORD: And when we did the Ameritrade building in Omaha, and that project to me there's a real "but for" issue there because that project was really, was built before they got the tax increment financing. So that Ameritrade would have gone there. And there's...and what was upsetting to taxpayers in Omaha was that a lot of that money was used for sewer infrastructure which was never disclosed to anybody. So to Senator Karpisek's point is you got to be really, really careful about these things. [LB1095]

LARRY D. BURKS: Senator Ashford, I really wish you would have said something to TD Ameritrade because we would have loved to still have them in Bellevue. (Laughter) [LB1095]

SENATOR ASHFORD: You know, and...but they might have gone...but they didn't go to Omaha because of TIF. They went...and so that's all I'm saying. And they were a good... [LB1095]

LARRY D. BURKS: And part of the issue is also I believe someone mentioned a county at the state line. Well, we have major metropolitan areas, Bellevue, Omaha, you know. We're at a state line as well and we're up against Iowa and they have very liberal TIF policies there. They also have...yeah. [LB1095]

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SENATOR ASHFORD: And I'm not necessarily saying...I'm agreeing with everything you say about TIF. All I'm saying is that it does go at times, number one, it's not necessary to do it. Number two, the taxpayer is paying for it, at least in the short term part of it. They're investing tax dollars in this. It may be a very small amount of tax dollars per each individual taxpayer, but it's still an investment. And if they don't have to make it, then in the business is going to go anywhere anyway and the jobs are going to be there anyway. Anyway, it's just a point of... [LB1095]

LARRY D. BURKS: Right. [LB1095]

SENATOR MCGILL: All right. Oh, one more question. [LB1095]

SENATOR KARPISEK: I just have to say a quick one. If they have really liberal TIF financing and so we have to compete with that. They also have casinos, so I think we should (laughter) have them too. [LB1095]

LARRY D. BURKS: You know, we... [LB1095]

SENATOR ASHFORD: It's just a liberal state. They got liberal everything over there. [LB1095]

SENATOR KARPISEK: I'm just saying if we want to compete with them... [LB1095]

LARRY D. BURKS: You know, we have keno. [LB1095]

SENATOR ASHFORD: We do have keno, but what's that mean? [LB1095]

LARRY D. BURKS: You bring up a good point. And I think it goes into the transparency issue. We're not opposed to transparency. In fact, we're doing much of the transparency that you described in LB1095 here. We're doing much of it already. I know the city of Bellevue is. So that's not a big deal to me personally and I don't know...I can't speak for all the other communities, but smaller communities might have a problem again with the Web sites or maybe they can do that some other way. But it's not a...transparency is good. But other than five public hearings and four publications of it in the newspaper and... [LB1095]

SENATOR ASHFORD: It has exploded though. And in the '70s when I started working with Ken on the Old Market, TIF was very, very narrowly used. I promise you I will not go into the Crossroads (laughter). But, you know, it was...I remember Crossroads in '61. No, but basically it was very narrowly used. And now it's much more prolific. [LB1095]

LARRY D. BURKS: Yeah, it's part of that national competitive environment that we have

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to deal with, improving an investor or developer's ROI. You know, the best ROI and the best community usually wins. And we're really confident that we have the best communities in Nebraska. But we really have to improve on the developer's ROI, and this is our best tool we have at this time. [LB1095]

SENATOR MCGILL: All right. Thank you very much. Next proponent...opponent. I'm becoming Senator Ashford in Judiciary. We never know who's for or against over there. [LB1095]

SENATOR ASHFORD: We like to mix it up, Senator McGill. [LB1095]

SENATOR MCGILL: Welcome. [LB1095]

JOE JOHNSON: Good afternoon. My name is Joe Johnson, J-o-e J-o-h-n-s-o-n. I'm the city administrator of Nebraska City, one of the best and earliest communities of the state of Nebraska I will add. I wasn't going to testify but there's two critical points that needs to be brought to light. And one is the town of Nebraska City size, 7,200, seems to get lost in the shuffle when we talk about state agencies running things. So when I hear key words of guidance and oversight, rules and procedures, it tends to leave out communities of Nebraska City size. We don't have the staff to perform analysis of what the state is doing to see if they're giving us all the right opportunities. We don't have the legal staff to go against the state and to ensure that the state is allowing us full flexibility when doing projects locally. And it just really leaves us at an extreme disadvantage. So that's what it means for small towns in the state of Nebraska. And I will say that Nebraska City has been very overconcerned when it comes to TIF. I mean, we don't do TIF projects that often. And when we a TIF project comes up, we have to blow off the state statutes, and then our city attorney line by line goes through it and makes sure that we're following everything that's laid out in state statute. But I'll give you an example, and this is the other point that hasn't been hit on. We now have a bicycle and sports shop in Nebraska City. And if you drive down 11th Street, you'll see what I'm talking about. But before that was a bicycle and sports shop, it was a gas station. And it was an abandoned gas station with tanks under the ground that were leaking and no one wanted this property. But back when it was a gas station, the valuation of that property was much higher. But allowing it to sit vacant for years, that property valuation decreased. We all lost. The school district, the county, the city. We all lost because of the decrease in valuation of that property going downhill. We use TIF. Now it's this property that produces local activity, it produces local sales tax, and yes, one day it will go back on the property tax rolls for everybody and we will all get that. Right now, the St. Mary's Community Hospital is building a brand new \$50 million new hospital on virgin ground. It's in a cornfield. They're not asking for tax increment financing, but their old five-story building that was built in the 1930s, what are we going to do with that thing. I mean, that's going to get put back on in some development sort of fashion, and the city really has two options. We can promote that facility with tax increment financing,

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our local LB840 funds, our economic development and reuse funds, Nebraska Advantage, or we can simply just let it go downhill. And then some day somebody is going to walk away from it and the city of Nebraska City will be stuck tearing it down. We need all of these tools. We're not abusing anything in Nebraska City and nor will we. We don't do it enough to find the in-outs and the loopholes to do those things. So don't put additional hardships on communities like Nebraska City and Crete. We're doing everything right, and this is a fantastic development tool for us and redevelopment tool. And, I mean, just for...I'll give you another example. There are three buildings downtown, but which downtown was blighted and substandard and we went through a whole overlay district downtown. And three old buildings that had no life in them, there was nothing in them, so the property valuation decreased from their heyday and we all lost. Now it has the...a bank sitting there that's a productive anchor in downtown Nebraska City. So I'll just close with that, and please don't hurt small communities with whatever is going on. [LB1095]

SENATOR MCGILL: Thank you, Mr. Johnson. [LB1095]

JOE JOHNSON: Absolutely. [LB1095]

SENATOR MCGILL: Questions? Senator Karpisek. [LB1095]

SENATOR KARPISEK: Thank you. Thank you, and I understand, but what changes with this bill? You're telling us why TIF is good and I agree, but so what would change with this bill? We're not trying to take it away. [LB1095]

JOE JOHNSON: Sure. The major change is putting TIF into a state agency. Right now, we have local control over TIF. [LB1095]

SENATOR KARPISEK: And I think you still would. There's just some oversight here. [LB1095]

JOE JOHNSON: Yeah, and oversight means that we lose. I mean, we've been through oversight before. And what oversight means in small communities in the state of Nebraska is we lose, because we don't have the legal power... [LB1095]

SENATOR KARPISEK: I'm from a town of 1,800. I understand that. But when we see these sort of things happening, what do we do? I'm not saying that it's you. I'm not saying that it's Crete. [LB1095]

JOE JOHNSON: Absolutely. [LB1095]

SENATOR KARPISEK: But to say that...I hate to go back, but that 80 acres is substandard and blighted because of things around it, a cornfield right now is going for

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close to \$10,000 an acre, so how can you...or more, so how on earth can you say that? I'm not arguing with you at all and I don't want to take anything away from you. One reason I ran for this position because I was so hacked off at the state for the way they tie our hands. But I think it's affecting other parts of the community too. [LB1095]

JOE JOHNSON: Sure, and we're okay with transparency. I mean, anything to make the process more transparent we're fine with. Like I said, when we do a tax increment financing project, we have to blow off the dust of the state statute. And then our city attorney painfully goes line by line, so much that, I mean, that alone will tell anybody, well, you know, this is probably too much of a hoops and hurdles that we probably shouldn't use this. [LB1095]

SENATOR KARPISEK: Well, he should call the legal counsel. [LB1095]

JOE JACKSON: I know, but he wants to make sure. He wants to make sure everything is done appropriately. [LB1095]

SENATOR KARPISEK: He's finally making his...earning his money. Thank you. [LB1095]

JOE JOHNSON: You're welcome. [LB1095]

SENATOR MCGILL: Thank you very much. Were there any other questions? I don't see any. Thank you very much, Mr. Johnson. [LB1095]

JOE JOHNSON: Thank you, guys. [LB1095]

SENATOR MCGILL: Next opponent. Jack. [LB1095]

JACK CHELOHA: (Exhibits 8 and 9) Good afternoon, Senator McGill, members of the Urban Affairs Committee. My name is Jack Cheloha, that's J-a-c-k, and then the last name is spelled C-h-e-l-o-h-a. I'm the registered lobbyist for the city of Omaha, and I want to testify in opposition to LB1095 this afternoon. We've heard from a lot of witnesses today, so I'll try not to be repetitive. What the page is handing out right now is kind of a comprehensive study that the city of Omaha did back in 2011 relative to TIF. I think it was requested through that summer by an interim study held by the Urban Affairs Committee, and then also I think we had some presentations maybe to the Revenue Committee that year and some year subsequent after that. So I want to make sure these get out. Basically the city of Omaha takes and utilizes TIF in a responsible manner. We take it very seriously relative to all of the pre-planning for it and the vetting for it, etcetera. So the first sheet, the one that has about five pages, that if you will kind of explains everything that goes into our TIF planning and then the various stages. But then ultimately it'll take you through some of our TIF success stories within Omaha and

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talk about all of the benefits that you can reap as a result of the redevelopment, everything from job growth and sustainability growth and planning, etcetera. So I wanted to make sure that was available to you. Likewise, then our second handout, the one with the color, if you will, that's the Paul Harvey story, is obviously our former planning director's title for it. But basically what he wanted to show was out of the analysis of 67 of former TIF projects, these were ones that were started, authorized, went through as you heard from the other people, the four or five public hearings and then ran their course. Most of them were paid off prior to the 15 years which is allowed. And we wanted to show you that...what the growth in valuation came about as a result of TIF. And then on page 2 of there what I really wanted to draw to your attention is our...as we did this analysis in 2011, we were also able to work with our county assessor and we were able to determine valuation increases outside of the TIF area but near or adjacent or if you will to the TIF designated areas. And of those, we saw significant growth as a result that these projects that were eligible and drew on the TIF brought in more development, if you will, and they brought in more growth. And then he put over on the right-hand side that basically about 70...overall, 70 percent of the TIF diverted tax revenue was covered by the increase in surrounding property tax revenue alone. Not only that but then after the 10 to 15 years ran, you also got the incremental growth on the underlying property itself. So I wanted to make you aware of what a tremendous success TIF can be and what a great value it is and we appreciate that. I just want to reiterate a couple of points that I think is very important. It's important to let people know and to let schools know and others that the base of a property tax is absolutely the same. There's no loss to these tax entities. As you know, I mean, when you look at your property tax statement, most of your levy comes from schools and then you get a certain part goes to the counties, cities, if you have the ESU, other taxing entities. By far and away most of us know that schools get the bulk of the property tax yet, even though we still have a significant amount of state aid that goes to schools. So I wanted to let you know that. During the course of the public hearings, our elected officials try to be responsible. We try to have...they have joint meetings. We have various task force. We have groups that meet. The former superintendent of Westside used to have his community development group that met I think monthly. And so, you know, you try to get the word out, as well as you got the publications, and we try to do the best we can. Additionally, the largest circulation of newspaper in the state usually does a good job on reporting what the city of Omaha is doing relative to development. And so the news gets out, at least in our community as to what's going on. So I wanted to let you know that. Let's see, I've talked about the growth and the 67 projects. You know, the other thing I thought I'd bring up. I don't know a lot about TEEOSA and your school funding formula, but it seems interesting to me that if, you know, as we went through this and the Legislature has written that and rewritten that and that we can take into account, you know, the amount of money that is forgone, if you know, for the amount of TIF and then you try to make some of it up, that at the same time, you know, I think we also factor in that there's growth in surrounding properties, there's growth after TIF projects are paid off, etcetera. So I'm trying to tell you I guess in a polite way

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that somehow the formula accounts for this and it takes it into account and, therefore, it's...I don't want to diminish anything they're saying but I want to reassure them that it's accounted for, that they're really not losing tax revenue or revenue from the state, if you will. It seems the way the state has run school aid is you have a pool of money and basically you kind of backfit it under your formula to spend the amount allocated instead of...I know the dream is to figure out a formula and figure out what the needs are and pay accordingly, but economics tell us that sometimes we have to do it the other way. And I just wanted to reassure, you know, schools and others that (a) we'll try to communicate, we'll do our best to keep these projects open and public. We want to let them know that this growth and development and the good benefits that are there are something we all gain from and we want to work together as partners. So, that's all I have to say. [LB1095]

SENATOR MCGILL: All right. Are there questions from the committee? Senator Ashford. [LB1095]

SENATOR ASHFORD: Jack, just to be...Senator Davis' district, many of those districts don't have state aid, get state aid. So I'm not sure that applies to schools that are nonequalized. [LB1095]

JACK CHELOHA: Right. [LB1095]

SENATOR ASHFORD: I mean, you're right in Omaha. I mean, Westside gets state aid, and so the fact that Fairacres was blighted shouldn't bother them. [LB1095]

JACK CHELOHA: Actually, Senator, that brings up another good point though about the transparency because when we dropped... [LB1095]

SENATOR ASHFORD: Right, I mean, Fairacres did not realize they were blighted until you told them that. [LB1095]

JACK CHELOHA: Right, but right, but then when you bring it up it just shows you that what's in place now works, that the public finds out and then you scale it back. [LB1095]

SENATOR ASHFORD: That's fine. No, they... [LB1095]

SENATOR MCGILL: They find out and they freak out. [LB1095]

SENATOR ASHFORD: And they reacted viscerally to that. [LB1095]

SENATOR MCGILL: Well, I appreciate you bringing your charts. I know that in the past Dave Landis brought similar charts for the city of Lincoln showing data in a similar format and I appreciate that. [LB1095]

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JACK CHELOHA: Okay. You're welcome. [LB1095]

SENATOR MCGILL: All right. I don't see any other questions. Thank you very much. [LB1095]

LYNN REX: (Exhibits 10, 11, 12, and 13) Senator McGill, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We are here today in strong opposition to this measure. However, I'd like to underscore two things. First, I'd like to begin with the fact that we are more than willing to sit down and discuss with this committee, Senator Davis, or any others that are interested how municipalities can provide more transparency when we're dealing with tax increment financing on the local level. We're happy to do that. We think there's already plenty of transparency. I think that's been outlined to you with five public hearings here, there, and everywhere, communications, letters going forth. But if we need to do more and perhaps the schools would have some ideas on how they would like cities to better communicate with them and villages as well, we're happy to sit down and talk about that on the local level. We strongly oppose any effort to have the state of Nebraska, whether it's the executive branch or a constitutional officer have any type of, I don't know what you want to say, additional role in this. We think it's obviously very appropriate that the Legislature itself sets standards, and there are standards in state law in Chapter 18, Article 21. And I would like to review with you, right now it's being passed out for you, is the report that is done on an annual basis. And this is done by the Department of Revenue Property Assessment Division. This is the entire report I've provided you and I will leave this. It's one copy for you. It's roughly 300 pages. I think 288 pages plus. I'm just giving you excerpts from it. So I'd like to review those with you at this time because I think it's very valuable and perhaps to underscore the point that's already been made. But there's no lost tax revenue for schools, counties, or others during a TIF project. They don't lose anything from what they previously had. And certainly the schools are the biggest winners of TIF projects because as we all know, typically 70 to 75 percent or cents rather of any tax dollar is going to go to the schools and should. We're not saying it shouldn't. But in any event in the end certainly they don't lose anything on their current base. And then after the TIF is over, they certainly are the primary beneficiaries. So with that, if you'd be kind enough to look...I just want to walk you through what's provided here: a nice letter from Ruth Sorensen, who's an incredibly capable Property Tax Administrator; an overview of the TIF process, what it applies to, how it doesn't. And then if you look on the page of two small i's, and I'd also like you to if you don't mind, I hate to do the acrobatics and I should have done this a little bit differently as I prepared this, but if you also look at page 4 which are the first four pages, and it just happens to be the city of Hastings because the first county up is Adams County. So on the 2012 report, I'd just like to review with you because I think this will be demonstrative of what we're talking about today. And I'm going to read from the two small i's what the definition is, and then what you have here is numbers.

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Redevelopment project valuation also known as the base value means the assessed value of the taxable real property in a redevelopment project last certified to the political subdivision in the year prior to the effective date of the provision authorizing the dividing of ad valorem tax. This means the taxable value for the real property last certified by the county assessor as of August 20 in the prior year. So if you go to page 4, and I'm just picking this because I think the numbers are more compelling, this was a project, by the way, for those in the audience in Hastings, Nebraska. It's the Crosier redevelopment project. It was TIF used to correct deficiencies in the 100-year-old Crosier Monastery to convert the property to a multi-tenant professional building. And the city apparently is still working with the assessor's office to resolve some actual value issues. You'll note that I picked this one because of...it started in 2002 and it ended here in 2012. Actually it may even be going a little bit longer, but in any event you kind of...it's gone for some time. So you can see what the base value is. So the base value is \$32,500 for 2012, and then it talks about what the excess valuation is. Again, going back to the page with the two small i's, page 2. Redevelopment project excess valuation, with an e-x-c-e-s-s, means the total assessed value of the real property in a redevelopment project for the current year less the redevelopment project base valuation. What is that? The excess value, the base value is \$32,500 for this project. The excess value from 2002 to 2012 is \$2,775,075. Then it goes on and talks about that portion of the base that's attributable to the taxes, and you can see basically the TIF base rate on taxes of \$761 and then the TIF excess tax rate of \$64,979.10. Now taxes are being paid. So when someone says taxes aren't paid, all the taxpayers are paying. The person paying the taxes for the TIF project is the person that owns the land. Now predominately that's going to be the developer. So what occurs is that the base is being distributed and this is report is...this is explained I think very well in this document prepared by Ruth Sorensen. So the base, the original base, goes back to the political subdivisions. No one has lost anything. They're not losing anything. But they stand to have a huge gain at the end of the TIF project. The additional taxes paid essentially by the developer, the owner of the land of the TIF project, the owner, that person gets that revenue to pay off the bonds. And it is required by statute to pay off the bonds. So I think that it's kind of a misnomer to talk about lost tax base. This is about generating tax base. And again we think that's extremely important. And we just again want to underscore, we are more than happy to sit down with all involved and talk about if there's a need for more transparency, and the introduction of this bill may seem to imply that it certainly is, that then we want to know how would the schools, how would others, have cities communicate with them, how would they like to be more involved in the front end other than the notifications and everything else involved in all of this because I will tell you that we have cities right now. We had a meeting by telephone conference call last Friday to discuss this issue with our members. They have discussions. You know, sometimes a superintendent will pick up the phone to call them vice versa. People are...they're in continual discussions with them. So in those cities and villages where that's not happening we'd like to know where that's not happening and what we can do here to make sure that that does occur. One of the issues which I think is highly problematic and has been referred to as abuses. I

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would agree that if you're looking at a cornfield that is located outside of a municipality and a city is going to annex that cornfield, they're going to declare it substandard and blighted, and then they're going to put something on it. I know over 20--some years ago, I know of one instance where that occurred. Absolutely, in my view, not permissible. But I do want to underscore what Erv Portis and others have said in terms of how this plays into where you could have land--and, Senator Karpisek, I think this may involve the issue you're raising--and if you need to change the statute in terms of what the requirements are for cities, again, we're happy to discuss with you what you'd do prospectively to change those statutes. But looking at 18-2103 which is the definition of substandard, blighted, and all terms in the Community Development Law, I'm just going to read to you a little bit of this. I know it's very...you're very familiar as this committee with this, but blighted area, and again it's got to be substandard and blighted, I'm going to focus on the definition of blighted area because it addresses, Senator Karpisek, the issues that you've raised here today. Blighted area means an area which by reason of the presence of a substantial number of deteriorated or deteriorating structures, existence of defective or inadequate street layout, faulty layout, and size relation to accessibility, and it goes on and on and on. And it says, and in which there is at least one of the following conditions. And I will read to you all of these because I think it's important to get it on the record. (1) they have to have one of these. In addition to everything else above plus meet the requirement of substandard. Unemployment in the designated area that's at least 120 percent of the state or national average. (2) the average age of the residential or commercial units in the area is at least 40 years. (3) and this is what's I think extremely important, more than half of the platted and subdivided property in an area is unimproved land that has been within the city for 40 years and has remained unimproved during that time. Translation: Nobody or their brother is going to develop it. It's been there since the first coming. What are you going to do with it and how does that fit into another substandard and blighted area? And that's where you do have some cornfields that rightfully belong in a substandard and blighted area. (4) the per capita income of the area is lower than the average per capita income of the city or village in which the area is designated. Or (5) the area has had either stable or decreasing population based on the last two decennial censuses. So in any event what we have here is and I will also be leaving with you a letter from NEDA that's been sent to all senators, the Nebraska Economic Developers Association--and I always want to say development association but it's developers association--opposing this bill as well. There are a number of bills and I...because of time I would love the opportunity to go through and walk you through the bill page by page and point out some issues that we think are here that make the bill simply unworkable. If you would like me to do that now, I'd be happy to do that. Otherwise...I'd be happy to do it because I am prepared to do so. However, I can tell you the overall mission of our testimony today by all the cities is to indicate to you that if you think there needs to be a change of the many and numerous standards in Chapter 18, Article 21, please, let's work together and find out what those are. I think there's a fundamental misunderstanding of what current law provides not just by some of those that testified in favor of this bill but I'm

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sure by others, too, who have a different sense of what substandard and blighted really means in the state of Nebraska. [LB1095]

SENATOR MCGILL: Can I interrupt real quick? [LB1095]

LYNN REX: I'm sorry? [LB1095]

SENATOR MCGILL: Oh, I was just going to ask if I could interrupt real quick. [LB1095]

LYNN REX: Yes, of course. [LB1095]

SENATOR MCGILL: I know one of the things that the Speaker and I had been talking about while discussing TIF was right now that list says at least one of the following and maybe increasing it to two or three of the following I think would be a way to maybe tighten up the language a little bit more. And most of the projects, I mean, you heard the list, most of them overlap and would already currently probably fall under more than one of those things. But what would you say, I know Senator Chambers...Ashford is out of the room now, but he brought up the TD Ameritrade project which is what I hear a lot from my colleagues in terms of this was happening anyway and what we can do to make sure that it's not being used in situations where it's not needed. [LB1095]

LYNN REX: Well, there are two things that come to mind. One with respect to that specific project, Senator, and I've heard that, too, I frankly am embarrassed to say I don't know enough about that project to respond to that. [LB1095]

SENATOR MCGILL: Okay. [LB1095]

LYNN REX: I can get more information for you... [LB1095]

SENATOR MCGILL: Fair enough. [LB1095]

LYNN REX: ...and come back to you. But I want to underscore a point. Bond counsel has got to put their signature and the credibility of their law firm on the dotted line before bonds can be issued. They don't do that with reckless disregard because there are liabilities that are attached to them. This is not a situation where cities are going out willy-nilly declaring things substandard and blighted. And I do think, Senator Karpisek, in response to you that there have been abuses and I want to say that in my view having been with the league since 1978 that indeed those were early on. I have been here probably every...oh, every few years we've been dealing with one issue after another where a city has had an issue where they push the envelop and the Legislature has pushed back. And that is why the state of Nebraska has one of the most restrictive tax increment financing laws in the country, not just the region, in the country. Other city managers and administrators that come into this state who have practiced in Texas,

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Kansas, you name it, they come here and they just can't simply believe it because this is so restrictive. So, again, we're always open to work on more transparency. And, Senator, I guess what I'm trying to say in terms of the TD Ameritrade issue is that had to at least in the view of the bond counsel prepare to put his or her signature on it and the law firm itself had to meet the "but for" test. But I can get more information to you about that. But it has to...and it is that "but for" this, this project would not happen. But, you know, that is also problematic and I understand that. It's problematic in this context. It's somewhat similar to the Nebraska Advantage Act. You know, would it have happened anyway? Well, I don't know. With respect to sometimes, probably, and in this case I would say with TIF projects probably sometimes. But I can assure you not all of the time. And if you go through this and by the way to show you what a pitiful life I have, I did, (laughter) page by page, that indeed you will see that this is not fraught with abuses. It simply isn't. And I agree with Larry Burks who testified from Bellevue who said that the professor who may have said that he talked to people and no one could explain the TIF project or no one could go into any detail about it or whatever obviously never sat down with the city administrator and/or bond counsel because, again take a look at Chapter 18, Article 21. I just read you little parts of it. There are standards upon standards upon standards which have to be met. So we know that cities across the state are busting their backsides to in fact do that. The testimony today from Nebraska City, Crete, Plattsmouth, and others, is exactly right. To have the staff to then be able to go try to interface with a state agency or a constitutional officer I think is untenable. And it is your role as a Legislature to set the policy, not the executive branch. It is your role to do that. And we're prepared to work with you to set whatever policies are appropriate. We're more than prepared to work with the schools and/or others to have more transparency, and that includes Senator Davis. And we appreciate the opportunity today. [LB1095]

SENATOR MCGILL: Thank you, Lynn. Senator Crawford has a question. [LB1095]

SENATOR CRAWFORD: Thank you, Senator McGill, and thank you, Lynn, for your testimony. So, could you explain then to us and for the record how...what...I think you mentioned it was the bonds person that's accountable, but what is the mechanism by which someone checks or gets held accountable for whether or not the projects meet the standards we set in statute. What's that check or mechanism? [LB1095]

LYNN REX: Well, for example, the bond counsel goes through and makes sure that all the...literally the t's are crossed, dot...you know, the i's are dotted rather, and indeed we try to get one of the most premier bond counsel here today. I think we're very pleased to have Ken Bunger here because he also is bond counsel. There are bond counsel for the Baird Holm and other firms, too, that have done just an outstanding job in this state. But they have to literally go through it. In fact, with LR29CA which is a proposal that this committee was...we're pleased that you put that forward last year and that's sitting on General File. One of the issues relative to that was the whole issue of substandard and

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blighted, and originally you may remember that as advanced from committee and as originally introduced, LR29CA would have stricken the words substandard and blighted. And then after considerations raised by Senator Schumacher during General File debate, we worked with committee counsel, others, and suggested to Senator McGill and Speaker Adams who introduced the bill the possibility of having a sentence that would say substandard and blighted may also be referred to as property that is in need of rehabilitation or redevelopment. Because actually in the original proposal we were striking those words and then putting in those words. And so as to not confuse anyone to leave in the word substandard and blighted. In talking to bond counsel on that as an example, Richard Pedersen from Baird Holm law firm told me, he said make no mistake, with the word substandard and blighted there, the bond opinion will have that as part of our checkoff list that it was substandard and blighted and, yes, we'll repeat the words property in need of rehabilitation, redevelopment. But that stays. So in any event...but in terms of the who is making sure everything has been met, bond counsel is there, the city administrator is there. A city is subject to a writ of mandamus if they've not done something right. They've got taxpayer suits if they've done something wrong. And if people simply don't like the policies and the way that they're being implemented, then they simply don't have to reelect people back on the local level. But we think this is a local issue. We think you as a state Legislature certainly are the ones to set the policy but not the executive branch, not a constitutional officer. [LB1095]

SENATOR CRAWFORD: So just to clarify the...if someone feels that the...what is the mechanism by which...what happens to a bond counsel if they do something...if they are too loose with the statutes? [LB1095]

LYNN REX: Well, I would... [LB1095]

SENATOR CRAWFORD: What would happen to them? [LB1095]

LYNN REX: Well, let me...I will pose that question to Richard Pedersen. [LB1095]

SENATOR CRAWFORD: Okay. [LB1095]

LYNN REX: I know that there are some technical things that happen probably within the bar as well. And so I will...but also it has...I will tell you there's serious consequences if they just wanted to punt and look the other way. [LB1095]

SENATOR CRAWFORD: At least that was my question. Right, what is the...yeah. [LB1095]

LYNN REX: They're not doing that. I can assure you they are not doing that. [LB1095]

SENATOR CRAWFORD: I'm not saying they are. [LB1095]

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LYNN REX: Yeah. [LB1095]

SENATOR CRAWFORD: I guess I'm just wanting to know... [LB1095]

LYNN REX: Yes. [LB1095]

SENATOR CRAWFORD: ...for the sake of understanding what the accountability mechanisms are, what that does look like. [LB1095]

LYNN REX: Yes. [LB1095]

SENATOR CRAWFORD: And so I appreciate that. Thank you. [LB1095]

LYNN REX: Yes. And of course...and we've never had this circumstance and I don't think that we ever will because we've made sure I think the bond counsel are doing a very good job in the state of Nebraska. You don't read about bonds failing in the state. Doesn't happen here. Any other questions? [LB1095]

SENATOR MCGILL: All right. Senator Karpisek. [LB1095]

SENATOR KARPISEK: Thank you, Lynn. If you would have come up first, we would have been out of here probably. Just say we'll work with him to do something and there wouldn't...I wouldn't have had so many questions. Can you re-TIF after the 15 years turnaround and re-TIF it? [LB1095]

LYNN REX: Re-TIF that same property? [LB1095]

SENATOR KARPISEK: Yeah. [LB1095]

LYNN REX: Oh my! Well, it would have to be substandard and blighted, so I don't see how you could...I don't see how. And I also want to clarify something. And Rick Cunningham when he was planning director of the city of Omaha made this very clear when as a committee the Urban Affairs Committee held one of many Urban Affairs interim studies that addressed the TIF issue over the last 30-some years. But one of the things that he said is, for example, if you declare the entire block, hypothetically, okay, you declare an entire block as substandard and blighted, you may only TIF one building. Just because the entire block is declared substandard and blighted doesn't mean that the whole thing...everything is getting TIFed. It's just...it's not...that's not what happens at all. [LB1095]

SENATOR KARPISEK: Right. [LB1095]

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LYNN REX: So I don't know if that's responsive to what you're asking about. [LB1095]

SENATOR KARPISEK: Well, I just thought that I have heard of... [LB1095]

LYNN REX: But the short answer is really no. Now... [LB1095]

SENATOR KARPISEK: I thought I had heard of places turning around and doing it again. [LB1095]

LYNN REX: I could see that if years down the...now let me put this in perspective. In the same area that's been declared substandard and blighted, you may be looking very well at a different building there. Absolutely. [LB1095]

SENATOR KARPISEK: Right, right. Yeah, no I thought I had heard the same building. [LB1095]

LYNN REX: So, like for example let me share this with you. Okay. So, hypothetically you have a block. It's usually a bigger area, but for my purposes today a block. You have 30 buildings on that block. One building is declared substandard and blighted--TIFed. It's going to be TIFed. Well, the whole block is declared substandard and blighted, you're going to TIF one. That's the one that's going to be demolished. That's the one that's full of asbestos that nobody will touch with a ten-foot pole. That's the one you're going to address. Well, now it may be that 10 years down the road, 15 years down the road you've got two or three more buildings in that area. And so at that point you're probably going to go back and do another substandard and blighted study. That area again is going to be declared substandard and blighted, and you're going to go do that, those other two buildings. [LB1095]

SENATOR KARPISEK: And I think that's exactly what it's meant for, so. [LB1095]

LYNN REX: I think that is what it's meant for. Yes. [LB1095]

SENATOR KARPISEK: Now the other thing is, okay, nobody loses taxes but you still pay, but does that appreciate over the 15 years? Because my house seems to keep going up year after year. So... [LB1095]

LYNN REX: Well, let me give you an example. By the way, if you look on page 2, and I'm glad you asked that question, this gives me a chance to refer to an excellent letter prepared by Joe Mangiamelli. And he's also included for you sections from draft of the draft statements of the audit for the city of Columbus because these TIF projects are also included in a municipalities audit statement. On page 2, I'm reading from this letter from Joe Mangiamelli, the city administrator of Columbus, Nebraska, he says: Obviously, I would be remiss if I didn't also advise of the impact of these projects for our

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community. The project cited in the audit letter, which he's...audit draft which he's attached, had an initial valuation of \$1,094,090. After the project was completed, a new valuation of \$24,574,415. Look at the growth in that. And as I know Rick Cunningham has prepared for you, Dave Landis has prepared for you, and city after city, this is very typical. You will see where the turnaround in valuation is well over 1,000 percent in many cases. And so basically it broadened the base for everyone. [LB1095]

SENATOR KARPISEK: I understand that, Lynn, but in that 15 years you're still lagging behind if that value...if that property would have appreciated. [LB1095]

LYNN REX: But that's the point, Senator, that...excellent point. But, because of the "but for" test, because of all the other requirements, I mean, I'm prepared to say look through these projects, they wouldn't have happened but for TIF. And the cities and the bond counsel standing behind them will tell you they don't think they would have happened but for TIF. Now could some of them have happened but for TIF? Well, maybe. But at the end of the day, you look at the growth, and again I take you back to this handout, and you look at on page 4 which is just the Hastings example here, but I think they're good examples, and they do another one here of demolition of substandard property, clearing of land, landfill fees, parking for public use, and landscaping for public "terrace" on the..."terracing," rather, whatever... [LB1095]

SENATOR KARPISEK: Terracing. [LB1095]

LYNN REX: ...terracing, I can't even read that, for the construction of a new commercial building that will house three to five new businesses. And you can see how the base grows. And again look on page 4, you can see how the base grows. By geometric progressions it's growing, which means that at the end, the schools, the community colleges, including the city or the village, yes, for that period of time. And, by the way, when we did a study for Senator Adams last year on how many cities went to the full 15 years, only a handful ever went to the full 15 years. So if they can do it in ten years, they do it in ten. If they can do it in 12, they do it in 12. And you have some of those examples in this handout. [LB1095]

SENATOR KARPISEK: And again I'm not trying to argue against TIF. I'm just saying that there's... [LB1095]

LYNN REX: No, I understand that. [LB1095]

SENATOR KARPISEK: ...there's...some of the projects just...the public if nothing else thinks, wow, that just doesn't quite smell right. [LB1095]

LYNN REX: I think that there's no question that all of us and the League, too, can do a better job in educating voters and citizens on what tax increment financing is all about.

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And we have continual seminars and workshops at our League conferences on how to use tax increment financing, what's the appropriate way, what's substandard and blighted, what isn't. At our county finance conference, that's likely to be the actual preconference seminar which will be a three-hour workshop. So people are always trying to keep up with this. And I know that there have been some abuses in the past, but I would submit to you it is a very, very small percentage. And it might be, I guess the analogy I would use is it's a similar thing when, you know, folks get criticized for any level of government. You get criticized for the things that you may do wrong. That seems to stick in everybody's head. But the 99 out of 100 things that go right, people tend to not take note of. [LB1095]

SENATOR KARPISEK: All right. Thanks, Lynn. [LB1095]

SENATOR MCGILL: Well, one thing I'd like to see is an extension on what the city of Omaha prepared for us a couple of years ago in looking at not only the base valuation of the TIFed area but that surrounding property. I know they went within 300 feet of the TIFed project and they were showing the valuation increase there being 14 percent, 22 percent. In the case of the livestock exchange building, 76 percent. [LB1095]

LYNN REX: Right. [LB1095]

SENATOR MCGILL: And I'd like to...and I have no idea if that was taken into consideration in the study that was quoted from the proponents, but looking to see how much that increased valuation that's very likely due to the TIF project helps offset any of that other loss and, you know, just looking more comprehensively at that if it isn't already done somewhere. [LB1095]

LYNN REX: I mean, for example, do take the Ralston Arena and the area around that which has things that...the mayor of Ralston has conveyed to me that there are things happening around that arena that never, ever would have happened but for the arena being there. And so those projects coming in adds just what you're saying, Senator McGill, adds to the overall base for the schools,... [LB1095]

SENATOR MCGILL: Yeah, the added value outside of the thing. Yeah. [LB1095]

LYNN REX: ...the counties, the cities that never would have been there and that those properties are not being TIFed. [LB1095]

SENATOR MCGILL: And it'd be interesting in some of the more rural areas since we have some Omaha examples... [LB1095]

LYNN REX: Yes. [LB1095]

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SENATOR MCGILL: ...and I don't know how comprehensive this is in terms of all their TIF projects. I know Dave Landis has brought their stuff in too. But I'd like to see something like this in the other parts of the state too. Just putting it out there. [LB1095]

LYNN REX: I understand. [LB1095]

SENATOR MCGILL: All right. [LB1095]

LYNN REX: Thank you very much. And I will leave a copy of this. And to save trees we did not make copies. This is all on-line. [LB1095]

SENATOR MCGILL: Thank you. [LB1095]

LYNN REX: But I will give you a copy of this, plus the NEDA letter in opposition to the bill too. And again stand ready to work with the committee and certainly Senator Davis and others to provide more transparency on the local level. [LB1095]

SENATOR MCGILL: Thank you, Lynn. [LB1095]

LYNN REX: Thank you. [LB1095]

SENATOR MCGILL: One more opponent. Are there any other folks here to testify on the bill besides Mr. Schaefer? Oh, we got one more in the back row there. Okay. You can come up into the box, I guess, on-deck row. All right. Thank you. Welcome. [LB1095]

MATT SCHAEFER: Good afternoon, Senator McGill, members of the committee. My name is Matt Schaefer, M-a-t-t S-c-h-a-e-f-e-r, representing the Nebraska Association of Commercial Property Owners. Our members...some of our members are involved in putting together projects that do use TIF financing, and we're certainly supportive of ways to create more transparency and certainly to prevent conflicts of interest. But we did want to be on the record as opposing a shift away from local control and more to the state level. I think the previous testifiers have covered the issues pretty thoroughly, so I'll just stop there. [LB1095]

SENATOR MCGILL: All right. Any questions? Nope. Thank you very much. [LB1095]

MATT SCHAEFER: Thanks. [LB1095]

SENATOR MCGILL: Final opponent. Oh, neutral. Fabulous. Great. [LB1095]

SENATOR CRAWFORD: Cover all the bases. [LB1095]

KEVIN HILTON: Senator McGill, other senators of the committee, thank you for your

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time. My name is Kevin Hilton. I represent...that's H-i-l-t-o-n. I represent North Central States Regional Council of Carpenters. We represent carpenters all of the state of Nebraska. And we're in the unique position of being neutral on this. But, I think that it is important that we explain why we're neutral, at least that's the task I have to advocate why that's relevant, I suppose. (Laughter) Because of the jobs that are directly provided through TIF, we understand that the TIF dollar...I mean, we appreciate TIF and how it's used and its expedience in getting the shovels into the ground and creating those jobs. So we know for a fact that there are groceries bought and mortgages paid and tuitions paid for directly by our members and other carpenters because of TIF. And so those jobs that are directly financed for by TIF sometimes are often overlooked in the minutia of all of the other value that comes about and the debate that goes into that with future finance of sales tax and everything else and property tax increases. But we have to advocate for the importance of those. And so we do support TIF in that regard. But that being said, we believe that public benefit deserves the due diligence of oversight. And the public benefit that I think is being overlooked oftentimes without oversight on TIF is we've seen TIF jobs go very badly where we see misclassification, payroll fraud, no payment for wages, out-of-state contractors being employed with no registration to the state. And so we think that the possibilities of this legislation could bring about the discussion of that kind of oversight. And some sort of accountability to the state for money that's actually going into these jobs that it is directly financing these jobs and careers. We also think that you could go even further. The possibilities of what this could talk about is also the benefit, the community benefit that would be brought about by preferences for apprenticeship, being involved in apprenticeship programs, being...providing for career opportunities, career and work force development. Those possibilities could be brought about by the discussion and the conversation of oversight for TIF. We've seen good community benefit happen in TIF and other places around the country, so we think that oversight is important. So that's kind of why we're neutral. I'm not sure if I made the case for our neutrality or why it's relevant, but I'll take any questions if you have any. [LB1095]

SENATOR MCGILL: Well, it's an interesting and different perspective on it, so I appreciate you for coming in and sharing it... [LB1095]

KEVIN HILTON: Sure. [LB1095]

SENATOR MCGILL: ...some of those other oversight issues. I don't see any questions. [LB1095]

KEVIN HILTON: Thank you. [LB1095]

SENATOR MCGILL: Thank you, very much, Kevin. Senator Davis, would you like to close? [LB1095]

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SENATOR DAVIS: I don't think you've had quite enough TIF today. (Laughter) [LB1095]

SENATOR MCGILL: It did go on a little longer than I expected. That's my own fault for not using the light systems, so. [LB1095]

SENATOR DAVIS: I don't have a formal presentation to talk about. I'm just going to make a few points. This is not about doing away with tax increment financing. I think tax increment financing has a legitimate place in redevelopment of blighted and substandard properties. If you can use it to accomplish something in a community that couldn't be accomplished without it, then by all means we need to go ahead and do that. Do whatever we can for our communities. But, if tax increment financing is being used to subsidize and replace a project that's already going to be developed no matter what, then Lynn Rex can tell you every hour of the day that we're not losing tax revenue. But if we use it in that manner, we are losing tax revenue. We know that between \$22 million and \$32 million in additional TEEOSA funds is used to replace TIF property within the state, most of which have been in the Learning Community. So it is a state issue in every way. And I missed a lot of the testimony, but we do know that some of the people here seem to think we're trying to restrict their ability to do something. That's certainly not what my objective is here. I want to see legitimate projects go forward. But the state needs to have some oversight of these projects. Openness is always good in government, always. We've got some communities that don't have the expertise, the knowledge to do a TIF project within their community. If we develop this guide and put this guide up on the Internet, it'll be available for every community to see and for small communities in places where they're not familiar with the process. It'll be laid out so they can easily find out what they need to do. The need for openness, I think, is what really drives me with this, and I think you just have to go back and read the Sunday World-Herald and the discussion about the Crossroads area which was referred to several times here. Crossroads, you know, in 1958 when it was built it was the premier property. It went downhill for a long time. There was another development done sometime in the '80s and now we're maybe going to invest a lot more revenue there. And that's a good...that's probably going to be a good thing. But is the revenue loss really justifiable? The offsetting? I have to really question that. And the World-Herald questioned that too. So as I said, this is not really about trying to restrict anybody from doing anything. This is about bringing openness and standards to the process that aren't there. I would think all the cities would welcome the opportunity to have their process legitimized by a third party rather than questioned by their own residents, which I think happens in a lot of communities. So with that said, I'm going to close and thank you for your time today. [LB1095]

SENATOR MCGILL: Thank you, Senator Davis. Any final questions or thoughts? I don't see any from the committee. Thank you very much. [LB1095]

SENATOR DAVIS: Thank you. [LB1095]

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SENATOR MCGILL: (See also Exhibits 14 and 15) All right. So that closes the hearing on LB1095. And Senator Murante is here now for LB1014. Welcome back to the committee. Sorry, there aren't a lot of us here at this point in the day for you. Some people were sick and in court and a variety of places. Senator Crawford just had a bill come up elsewhere. [LB1095]

SENATOR MURANTE: I understand. Well, thank you, Senator McGill and members of the Urban Affairs Committee. My name is John Murante, J-o-h-n M-u-r-a-n-t-e. I represent Legislative District 49 in the Nebraska Legislature, which includes northwest Sarpy County, Gretna, Chalco, and parts of Papillion and La Vista. I'm here today to introduce LB1014 which is a bill that this committee has heard before which pertains to changing the form and method of elections for the Metropolitan Utilities District Board from and at-large election to a district-based election. This is a bill as I mentioned that this committee has heard before. It was introduced by Senator Council when she was in this Legislature. This committee forwarded it to the floor. It stalled on Select File. But we have seen that this Legislature in years past is very supportive of district-based elections, and if I may be so bold, this is somewhat of a historic bill insofar as Senator Chambers began the process of changing the political subdivisions in the Omaha metropolitan area, Douglas and Sarpy County area, from at-large to district elections several decades ago. And with the passage of LB1014, all of the political subdivisions in the Omaha metropolitan area will be district based rather than at-large based. And we've heard the reasons many times before. We know that the political subdivisions in the Omaha area which are at-large based have never had any minorities elected to them ever before. And there are enormous barriers to minority representation when we know entire communities of interests don't have any representation and have never had any representation on the boards of political subdivisions. Senator McGill in years past, as you know, has introduced a bill pertaining to the Lancaster County Board that dealt with district elections and the, may I say, peculiar way that Lancaster County used to elect its boards of commissioners and I think that was the right thing to do. And something else that is historic about I think this bill, certainly unprecedented, is that I think you will find that MUD when they testify on this bill will be supportive of the change, which I don't believe has ever happened, any political subdivision has ever come in support of switching to a district-based election from an at-large election. So I think that was...I do want to thank the members of MUD who have worked on this. They have been...it has been an easy process to work. This bill contains compromises that I have made. I wish we could implement these district-based elections sooner, but in an effort to accommodate and in an effort of goodwill there was some concessions that were made. But MUD saw the value, saw the benefit of going to a district-based election, and I think you'll find that they are going to be here in support of the bill. And so this is about as simple as proposal as they come. Starting with 2018 elections, MUD will divide themselves into districts, seven-member board. The board size will remain the same. The district elections will be staggered based on the districts that are created by

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MUD. Most of the other political subdivisions in the Omaha area draw their own maps, and this is certainly not unprecedented. In fact, this is how most of the political subdivisions operate. And, then they will proceed with redistricting their own maps going forward, starting in the 2021 census based on the typical redistricting standards that are applied across the board. So, I won't get into a lot of statistics and details and I won't bore you this point in the afternoon about all the reasons why district elections are way better than at-large elections. I think you know where I stand on that issue, and I think that point has been fairly well demonstrated over the years in this body. So, I'll open myself up for questions, but I would encourage the advancement of this to General File. [LB1014]

SENATOR MCGILL: Thank you, Senator Murante. And I'm sure your constituents would be glad to hear you're following in Senator Chambers' footsteps in completing some of his work. I'm sure they'd love that. [LB1014]

SENATOR MURANTE: Well, you know, this is an issue and an instance when the voters of Sarpy County and quite frankly south Omaha and north Omaha all have a common interest in that we have in the case of Sarpy County over 100,000 people who are represented by MUD, but not a single member has ever been elected. So, in the case of north Omaha, south Omaha, and Sarpy County, we're all sort of in the same boat. There are hundreds of thousands of us who don't have anyone from our communities represented, so. [LB1014]

SENATOR MCGILL: Unbelievable. [LB1014]

SENATOR ASHFORD: I think it's a great idea. I mean, it really is. And I think we would have dodged some of the sewer stuff. As long as I've been in public life we've...the sewer issue has always been out there and then didn't get dealt with and didn't get dealt with and didn't get dealt with. And I think this solution would have made it...not that it's MUD obligation, I understand. It's a city of Omaha obligation, but it...I really commend you for bringing the bill. I think it's great. [LB1014]

SENATOR MURANTE: Thank you. And I think something that's probably noteworthy is just how friendly and welcoming MUD was to this process. I think they saw what OPPD had to deal with last year when my bill which you had cosponsored, Senator Ashford, last year and we passed to make OPPD go by district. And they worked. They came to the table early and worked. And it's... [LB1014]

SENATOR ASHFORD: Yeah. I think it's great. I really do. It's going...better policy, more diverse interests represented, so. [LB1014]

SENATOR MURANTE: And it's maybe worth mentioning that OPPD could have done district elections by themselves even without a state law. The state law already

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authorized them to go by districts, but state law does not authorize MUD to break themselves up into election districts. So in order for them to have district elections, we have to pass this bill. They have to have a state law change. [LB1014]

SENATOR MCGILL: Okay. Great. Well, I don't see any other questions, so thanks very much and we will move to proponents. Hello. [LB1014]

RICK KUBAT: Good afternoon, Chair McGill and members of the Revenue Committee. My name is... [LB1014]

SENATOR MCGILL: Urban Affairs, but that's okay. (Laughter) [LB1014]

RICK KUBAT: Urban Affairs Committee. [LB1014]

SENATOR MCGILL: I'm glad we've been promoted to the Revenue Committee. That's great. [LB1014]

SENATOR ASHFORD: What committee did he have us in? [LB1014]

SENATOR MCGILL: Revenue. [LB1014]

SENATOR ASHFORD: Revenue! [LB1014]

RICK KUBAT: I'll start with.. [LB1014]

SENATOR MCGILL: Well, we weren't...I guess we were almost with TIF, so. [LB1014]

SENATOR ASHFORD: That is a big...that's an important committee. No question. [LB1014]

RICK KUBAT: It's the only committee I go in front of. My name is Rick Kubat, that's R-i-c-k K-u-b-a-t, here on behalf of the Metropolitan Utilities District. I don't know if Senator Ashford knows this, but he's my state senator. So it's kind of nice to appear in front of him today. [LB1014]

SENATOR ASHFORD: I have a number of Kubats I think. [LB1014]

RICK KUBAT: We're supporters. [LB1014]

SENATOR ASHFORD: Thank you. [LB1014]

RICK KUBAT: I don't know if that's going to help or hurt me (laughter). Before the session began, we started working with Senator Murante on this bill. There was quite a

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bit of back-and-forth. We wanted to reach compromise in order to present this committee with a clean copy of the bill and not waste any of your time. I believe the bill speaks for itself. Just testifying in support. Will reserve the remainder of my time for next week, but here more in case you have any questions as it relates to the bill itself. [LB1014]

SENATOR MCGILL: Well, with as long as that last hearing went I'm really glad suddenly that Lautenbaugh had to move his bill. [LB1014]

SENATOR ASHFORD: What's next week? [LB1014]

RICK KUBAT: Next week one of your fellow committee members has a bill to sell the Metropolitan Utilities District. [LB1014]

SENATOR ASHFORD: Oh, that bill. [LB1014]

SENATOR MCGILL: Are there any questions for Rick today? I don't see any. Thank you very much. [LB1014]

RICK KUBAT: Thank you. [LB1014]

SENATOR ASHFORD: I think I might have said it was worth a try or...just to see who's out there. (Laughter) [LB1014]

RICK KUBAT: We'll talk. It's a bad idea, Senator. Thank you. [LB1014]

SENATOR MCGILL: Creative thinking. All right. Next proponent. [LB1014]

RON WANER: Good afternoon, Senator McGill and committee. [LB1014]

SENATOR MCGILL: Good afternoon. [LB1014]

RON WANER: And by the way, thank you for your service to the state and to your community. And thank you, Senator Murante, for sponsoring this bill. It was way overdue. So it's finally here. Well, I'm Ron Waner. Ron and then Waner, W-a-n-e-r. My first experience talking in front of the committee, your committee. [LB1014]

SENATOR MCGILL: Welcome. [LB1014]

RON WANER: Thank you. The reasons are really obvious. I don't think there's much of a need to go into the advantages of a district system. It certainly promotes more accountability and transparency. And certainly if you're an 85-year-old widow living in south or north Omaha perhaps your needs are different or you view things differently

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than someone who lives in west Omaha. When you live in the same district as your neighbors, you go to the same churches, and grocery store, baseball games, you're certainly more accessible and people can reach out to you and talk to you. So I think it's just a win-win situation. The bill has what I would call perhaps a secondary effect, too, on this system or if you'd look at the big picture if it's valid, and that is it promotes change, obviously. You get new board members. Some board members just the way it is or seems stay on the board for a very long time, 30-some years or 20-some years. And certainly there would be a point of view or a perspective that new blood or new perspectives outweigh the advantages of someone staying on the board for 30-some years. Sometimes frankly, and I'm not trying to sound harsh about this or cruel, but sometimes board members stay so long that they cannot fulfill their term. And in that situation when they pass on, the board by statute with 30 days replaces the board member that's no longer there. And there are obvious disadvantages of having appointees serve on a board. I think a lot of folks would agree with. There's two appointees on the board now or at least that's how they got their start. Board member Mr. Cavanaugh who replaced his father if I remember correctly, and then there's a board member now, Mr. Patterson who replaced Mr. Doyle who was on the board who took a senior position in management at MUD. There's...I have a suggestion or perhaps it can be an amendment to this bill. There is a target date of 1 February 2016, a deadline in a sense for the board to make district changes, to finish what they're doing. And the board has approved or finished up with three versions of the districts. It's called Map C I believe, informally or formally. They have everything pretty well figured out from what I can tell from what they say. I mean, they leave the room for final touch-ups in a sense. But the elections are in November and I don't really see much logic, if any, on waiting till 1 Feb. of 2016. I would suggest a date of the 1st of June of 2015. That gives the board really over six months to do the final tweaking and finish up with the districts and be done with it. I don't think this is a legally binding type of situation. It's just a very slight chance, but the board if they backed out and if you kept the 1 Feb. 2016 date, there would be no opportunity to address that situation in 2016 as it would already be into the legislative session. In assuming...on the assumptions Senator Murante does not run for reelection, it would be too late for him to do anything in that year. So I would encourage the consideration of let's say 1 June 2015 for that date. Hopefully that makes sense. I thank you for your time. I've watched MUD over the years. I've ran for the board before. I'm running now for the outside seat, as it's called. [LB1014]

SENATOR ASHFORD: Good luck. [LB1014]

RON WANEK: Thank you. And this is a welcome change to the... [LB1014]

SENATOR MCGILL: To the system. [LB1014]

RON WANEK: ...to the system. [LB1014]

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SENATOR MCGILL: Let's see if there are any questions. I don't see any. Best of luck. It's late in the day. We're all kind of like, woo. [LB1014]

RON WANEK: That's cool. That's fine. Thank you. [LB1014]

SENATOR MCGILL: Let's just get out of here. [LB1014]

SENATOR ASHFORD: We don't mean that exactly. [LB1014]

SENATOR MCGILL: No, no. [LB1014]

SENATOR ASHFORD: I mean, we really like the questions. [LB1014]

SENATOR MCGILL: It seems like there's general consensus. Are there any other proponents? Okay. Anyone here opposed? Anyone here neutral? No one else to testify. Senator Murante is waiving closing. Thank you. That ends the hearing for the day. Thank you. [LB1014]