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Urban Affairs Committee
February 28, 2017

[LB95 LB496 LR16CA]

The Committee on Urban Affairs met at 1:30 p.m. on Tuesday, February 28, 2017, in Room 1510 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB95, LB496, and LR16CA. Senators present: Justin Wayne, Chairperson; Matt Hansen, Vice Chairperson; Sue Crawford; Sara Howard; Dan Quick; and Merv Riepe. Senators absent: Tyson Larson.

SENATOR WAYNE: Welcome to the Urban Affairs Committee. Good afternoon, my name is Justin Wayne; I represent Legislative District 13, which is north Omaha and northeast Douglas County, and I serve as the Chair of Urban Affairs Committee. We'll start off having members of the committee introduce themselves, starting with my right with Senator Riepe.

SENATOR RIEPE: Thank you. I'm Merv Riepe, I represent the wonderful people of Legislative District 12, which is Omaha, Millard, and Ralston.

SENATOR HANSEN: I'm Matt Hansen, representing District 26: northeast Lincoln.

TREVOR FITZGERALD: Trevor Fitzgerald, committee legal counsel.

SENATOR QUICK: Dan Quick, District 35: Grand Island.

SENATOR CRAWFORD: Good afternoon. Senator Sue Crawford, District 45, which is eastern Sarpy County and eastern Bellevue and Offutt.

ANDREW NORTHWALL: Andrew Northwall, committee clerk.

SENATOR WAYNE: Thank you. Also assisting the committee is our committee pages, Brianne Hellstrom...did I say that right, because I've been...what did you say?

BRIANNE HELLSTROM: Hellstrom.

SENATOR WAYNE: Hellstrom. I've been messing up all year, so the last day of committee hearings I want to make sure I get it right...from Simi Valley, California, who is a political science major at the University of Nebraska-Lincoln. And Jordan Snader from Oakland, Nebraska, majoring in advertising and public relations at UNL. This afternoon we will be hearing bills LB496, LB95, and then LR16CA, and we'll be taking them in the order that I just

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read off. On each of the tables in the back room you'll find a blue testifier sheet. If you are planning to testify today, please fill it out and hand it to Andrew when you're coming up. This will make sure that we have accurate records. Please note that if you wish to have your position listed on the committee statement for a particular bill, you must testify in that position during the bill hearing. If you do not wish to testify, but you would like to record your position on the bill, please fill out the pink sheet in the back of the room. We would ask that if you have any handouts please bring 10 copies and give them to the page. In addition, if you need additional copies the page can make more. Testimony for each bill will begin with the introducer's opening statement; after the opening statement we will hear from supporters of the bill, followed by those in opposition, followed by those speaking in a neutral capacity. The introducer of the bill will be given the opportunity to close if they wish so. We ask that you begin your testimony by giving your first and last name and spelling them both for the record. We will be using the light system, four-minute lights...four-minute lighting system. When you begin your testimony, the light will be green; yellow means one-minute mark, one minute left; and the red we'll ask you to wrap up your thoughts. I remind everyone, including senators, please turn off your cellphones or put them on vibrate. And I will note for self-introduction Senator Howard, if you want to say your name.

SENATOR HOWARD: Oh, I'm Senator Sarah Howard, I represent District 9 in Midtown Omaha.

SENATOR WAYNE: With that, we will begin with Senator Stinner's bill, LB496. Welcome, Senator Stinner. And just remember we put you ahead, so we're talking about appropriation. Remember Senator Crawford and I...okay? []

SENATOR STINNER: You know, I love your promptness. That's good. Good afternoon, Senator Wayne and members of the Urban Affairs Committee. For the record, my name is John, J-o-h-n, Stinner, S-t-i-n-n-e-r, and I represent the 48th District, which is comprised solely of Scotts Bluff County. LB496 would amend the Community Development Law by expanding the definition of redevelopment plan to include the construction of work force housing eligible for tax increment financing, or TIF, in cities of first and second class and villages. This would include all municipalities in Nebraska, with the exception of Lincoln and Omaha. LB496 also contains procedural safeguards by requiring the municipality to conduct a housing study, adopt an incentive plan for housing construction, hold a public hearing to receive public comment on the incentive plan, and determine that the incentive plan is necessary to prevent the spread of blight and substandard conditions within the municipality. The safeguards include the following: One, TIF, for a single or multi-family housing can only be used if the municipality proves that there is a need for such housing by presenting a housing study within 24 months of the application; two, the municipality must develop an incentive plan detailing how TIF will be used to assist in the construction of the work force housing; three, a restriction against unjust enrichment is designed to set a standard that the incentive plan cannot be used to pad the profits of the builders, this standard ensures that the funding is used to buy down the home price or absorb some of the risk

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of the building spec housing; four, a public hearing on the proposed incentive plan is required prior to implementation, to afford the public an opportunity to review and comment on the incentive plan. While the work force shortages are a persistent problem in many areas of the state, rural areas experience an additional problem housing shortages. This only served to accentuate work force shortage experienced in other areas of the state. Housing problems common to most communities include the fact that many of the older houses were built without proper insulation, adequate wiring, or made with potential hazardous material such as asbestos. In many cases, rehabilitation costs to fix these issues exceed the value of the homes. Additionally, the cost to construct new homes in rural areas are higher than what middle income families can afford. Expanding the availability of TIF for the construction of work force housing will make these homes more affordable for middle income workers wishing to locate in rural communities. Thank you for consideration, I would be happy to field any questions. [LB496]

SENATOR WAYNE: Any questions from the committee? Senator Riepe. [LB496]

SENATOR RIEPE: Senator Howard (sic), thank you. Or Wayne, I'm sorry. I apologize. [LB496]

SENATOR HOWARD: That's the first time that's happened. [LB496]

SENATOR RIEPE: I know, I was looking that way, and I don't know. I apologize. But I do know who I am. [LB496]

SENATOR STINNER: That's a wonderful thing. [LB496]

SENATOR RIEPE: It's a start. First, I wanted to compliment you on not having a fiscal note on this. [LB496]

SENATOR STINNER: Thank you. [LB496]

SENATOR RIEPE: My second, my real question, is under the...is this a movement from being a redevelopment for blighted areas to more of a economic development vehicle? [LB496]

SENATOR STINNER: This is an economic development vehicle, there isn't any question about that. Our two economic development vehicles are LB840 and TIF financing. TIF is already available for municipalities to develop the infrastructure, the streets or roads, lot development. This would expand it simply because you can't build an affordable house for work force development without some way of buying it down, some incentive program. \$150 a square foot times, you know, a 1,000 square foot house, which is probably a one to two bedroom house, that

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starts to get into that unaffordable category. Two, three story, you know, if you go to 1,200 square feet and you can have a three bedroom house, unfinished basement, it will probably be in that \$180 category. So with TIF, if you present buy you that, say it's 2 percent times the \$180, that's \$3,600. Present value that over a 15-year period of time, it gives you about \$30,000 of room to buy that house down. So if you have a builder that wants to do some spec projects, that gives the builder some comfort. If you have individuals who want to buy the house, it gives you buy down capabilities that would make that house more affordable. [LB496 would]

SENATOR RIEPE: So the level of use of this particular vehicle, this TIF approach, would just simply depend upon the need (inaudible)? [LB496]

SENATOR STINNER: They have to do a housing study, that's a requirement, and it has to be within 24 months of trying to develop an area or trying to develop a section of town or redevelop a section of town. So they have to do that housing study, they have to establish the need. There's other safeguards in there to make sure that, you know, builders don't take advantage of this. You can put in your incentive plan what size of home, I mean, how much TIF you're...it's a very flexible plan as it relates to those individual houses. [LB496]

SENATOR RIEPE: Thank you very much. [LB496]

SENATOR WAYNE: Any other questions from the committee? The incentive plan hearing, will that be in addition to the current hearings that are already placed in TIF or would that be part of a normal TIF hearing? [LB496]

SENATOR STINNER: The incentive plan would be imbedded into the plan and be part of the hearing, that's my understanding. [LB496]

SENATOR WAYNE: Because a new section, Section (30), where you define work force housing, you talk about public hearing defined so I think it could be read that it might be additional hearings. So you might want to...we can work that out. And maybe I'm just reading it wrong, but I don't want it to be confused if that is your intent. [LB496]

SENATOR STINNER: Okay. [LB496]

SENATOR WAYNE: So any other questions from the hearing, I mean, from the committee? Will you stay here for closing? [LB496]

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SENATOR STINNER: I will probably sit and listen and if there's some questions that I need to clarify at the end I will. And if everything looks like it's going to go well, I'll sneak out. How's that? [LB496]

SENATOR WAYNE: Sounds like a plan. [LB496]

SENATOR STINNER: Thank you. [LB496]

SENATOR WAYNE: Now turning to proponents. Any proponents? Welcome to your Urban Affairs Committee. [LB496]

ALAN MICHL: Thank you. Good afternoon, Senator Wayne and members of the committee. My name is Alan Michl, it's A-l-a-n M-i-c-h-l, and I am the chair of the village board of Exeter. I have been on the Exeter village board for 29 years. I am testifying today as the president of the League of Nebraska Municipalities in support of LB496. LB496 would amend the Community Development Law in Section 18-2103 to define redevelopment project to allow first- and second-class cities and villages the authority to carry out construction of work force housing. The bill also includes a definition of work force housing to mean single family and multi-family housings with the conditions as set forth in the bill. LB496 would enable first-class cities, second-class cities, and villages to use tax increment financing for the construction of work force housing as defined. The League supports the numerous procedural safeguards in the bill, which require the municipality to conduct a house study, adopt an incentive plan for housing construction, and hold a public hearing to receive public comment on the incentive plan. In addition, the bill requires the municipality to determine that the incentive plan is necessary to alleviate blight and substandard conditions. Although the village of Exeter has never done a TIF project, I know from the League's work with municipalities from across the state that LB496 would be of great assistance to cities and villages to do their part to diversify our economy and provide affordable housing and work force housing. Please advance LB496 to General File. [LB496]

SENATOR WAYNE: Thank you for your testimony. Any other questions? Questions from the committee? Seeing none, thank you for coming today. Any other proponents? [LB496]

MIKE JACOBSON: Chairman Wayne and members of the Urban Affairs Committee, my name is Mike Jacobson, M-i-k-e J-a-c-o-b-s-o-n. I'm president and CEO of NebraskaLand National Bank and I also serve as chairman of the North Platte Redevelopment Authority. I'm here to speak on behalf of the Nebraska Bankers Association, the North Platte Chamber, and also the Nebraska Chamber of Commerce in support of LB496. I'd like to speak to you a little bit from a banker's viewpoint in terms of what the lay of the land is and maybe to bring you up to speed on kind of where we've been and where we are today as it relates to housing development,

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particularly in the third district in Nebraska. If you think about 2008, 2009, the country went through a very significant downturn in its economy, primarily cause by overbuilt housing. Consequently, if you can think about this, there were developers who went out and bought adjacent land in cities, converted it from farmland to development of residential land, put in streets, sewers, all the infrastructure, and then sold it to developers to build spec houses on and sell those houses. What happened in 2008, 2009, is we reached a point to where there was an overbuilt situation across the country, not necessarily in Nebraska, but across the country, that caused an overheating and a significant decline in the ability to underwrite housing and to sell housing, plus, the economy slowed. What ended up happening is kind of like musical chairs. The music stopped, nobody could sell anything, everybody was left with what they had. Many developers went bankrupt because they had no way to sell the development property. Many spec builders went broke because they didn't know anybody to buy their houses. Well, people remember that. So we've now fast-forwarded into a much different economic situation today. We are seeing growth again in areas of Nebraska, we are seeing need for work force housing, but we're not seeing anybody build it. They're not building it because of some of the things that Senator Stinner pointed out. The costs simply don't work. What we're finding is, first of all, we have a limited number of developed lots available in locations where people would want to live. And so we're finding, first of all, that you're going to have to build out a larger subdivision with infrastructure to where you can build multiple homes at one time to get the costs down. And when you go across doing it that way, what you're going to run into is a significant upfront cost by the developer and by the home builders that are going to come in and build behind them. As Senator Stinner pointed out, if you look at \$150 a square foot, that's your construction cost, generally minimum for a modest home, but it doesn't include the lot. So now you start thinking about adding those lot costs in and you're moving those costs to the point where it doesn't work. The beauty of TIF is this is a case where the city is not putting...the taxpayer are not putting money out. This is still at the risk of the developer. The developer is taking the risk and getting an incentive by being able to capture the incremental taxes if this thing does indeed develop out. And they get some help on the front end by being able to finance that bond that's going to occur, that's going to repay that over time from new taxes that are created from that development. If the development doesn't work, the taxpayer is not out any money, the developer is. There's a serious need throughout Nebraska, but certainly in the 3rd District, and I would certainly urge you to consider seriously this particular bill. And also think about it when you start looking at the other TIF measures. TIF is an incredibly important tool for all of us in communities, and particularly in the 3rd District in Nebraska, and adding this component will help make it better for people to find affordable housing in those areas throughout the state. Thank you, and I would answer any questions you may have. [LB496]

SENATOR WAYNE: Any questions from the committee? Senator Crawford. [LB496]

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SENATOR CRAWFORD: Thank you, Chairman Wayne. And thank you for being here to testify. So the bill talks about the importance of developing this incentive plan, and you've just talked about the intent or idea is that this would allow the work force housing without putting the risk on the municipality. So I wondered if you would just talk a little bit about you would expect that plan to look like or what someone, if we passed this bill, what someone might expect us to see in an incentive plan that would help them understand if this is a good choice for their municipality to make or to make sure that the citizens would understand what this risk is. [LB496]

MIKE JACOBSON: Sure. Well, I appreciate the question, Senator Crawford, and I would tell you that first of all it's one of the beauties of TIF. Because the municipality is not fronting any money, it doesn't take any risk. All they've got to do is approve this being done, and their real risk is just making sure that they approve a project that wouldn't otherwise be built. [LB496]

SENATOR CRAWFORD: Okay. [LB496]

MIKE JACOBSON: I can assure you that for the most part these are not going to be built, because they're not being built today. And so we're trying to find a way to be able to incent that they will be built. And what we're finding in North Platte, we recently did what we call a "shot in the arm" program, where we were able to work through the development corporation to incent builders by the use of giving them \$35,000 if they would buy a lot, build a home that was in that price range, and get that done. We had very good response from that. I would tell you that the proof is ultimately going to come when all of these houses sell. Our bank was involved in financing one of the builders. I would tell you that if all works well, he'll get all of his money back, maybe make a little bit. But there's not much meat on the bones so to speak, even with the \$35,000 incentive per home. And he did some town, he did some duplexes, and some single-family residences. They're about half sold, the others are just getting done now. We think they will get sold, but we would tell you that getting the appraisers to appraise those homes, which is the biggest handicap right now, at what their cost are is the biggest challenge. If we can get more homes sold, we'll get comparable sales and those appraisals will start working down the road. So we're still optimistic that this will work, but I think we've demonstrated what we think the number is going to take. And ironically that number works pretty well with what you would do under a TIF program under a 15-year capture of the taxes, of the future taxes. The beauty of it is there's no risk to the municipality, there's no risk to the taxpayers. It's all upside because if this isn't going to be built otherwise, having it built is bringing permanent tax base to that particular municipality and it's going to also bring jobs and all the spinoff benefits that come from those jobs. [LB496]

SENATOR CRAWFORD: Thank you. [LB496]

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MIKE JACOBSON: Thank you. [LB496]

SENATOR WAYNE: Any other questions from the committee? Seeing none, thank you for coming today. [LB496]

MIKE JACOBSON: Thank you. [LB496]

SENATOR WAYNE: Any other proponents? [LB496]

MIKE BACON: Senator Wayne and members of the committee, my name is Mike Bacon, M-i-k-e Bacon, like bacon and eggs. I represent myself, I'm an attorney, been in practice for, well, since '76, so it's been a while. My practice is primarily under the Community Development Law. We've done, I'm going to say, something north of 200 projects in first-, second-class cities and villages across the state on tax increment financing and other projects. I'm the drafter of the language for the LB496 and I'd like to talk about what I think the process should be. Number one is economic development. Anything we do has an economic benefit, but this TIF project still has to be in a blighted and substandard area, and for the improvement of that area. Number two, I contemplate and drafted it with the intent that there be a hearing in front of the city council to develop this plan prior to it going to a hearing for TIF, so that the plan is set up, we can have public debate, and establish what should be done in that community. Every community is different, I've been in at least 80 communities and projects across the state and I can tell you that some communities want to stick their neck out a little further. Many are, like most Nebraskans, very conservative, and so they don't want to lose any tax dollars. The problem that I see and the contact that I have is mister, we need to know how to build housing in our community. I've been in some communities where there hasn't been a new house built, second-class city, in over 20 years. I've been in villages where there have been no houses built much longer than that. We now have all of our communities in the state of Nebraska are more than 100 years old. I remodeled my last house, it was built in 1928, knob and tube wiring, no insulation any place. It takes a huge amount of money to bring those up to today's standards. What this would allow us to do would be to, to your point, Senator Crawford, buy land and put in infrastructure and have the housing pay for that infrastructure. That's one thing. Number two, provide a free lot subject to whatever conditions are in that plan. Number two, in my town of 3,600 people we can't get a new apartment building built because the rate of return isn't sufficient. So using that to buy that cost down is there. So is it economic development? Yes. In my town we just had six houses built because a bunch of us got together, not TIF, to guarantee the loan. The contractor lost \$60,000, and is not coming back. We need 50 houses in the next five years. We had a trailer court go away. Our six new houses ended up with a net loss of seven homes in Gothenburg, even though six of them are new, because those trailer homes went away. We can't build houses out there fast

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enough to take care of those that become uninhabitable. That's just reality in the area that I practice. So I'd be glad to answer any questions. [LB496]

SENATOR WAYNE: Any questions from the committee? Seeing none, thank you for coming today. [LB496]

MIKE BACON: Thank you. [LB496]

SENATOR WAYNE: Any more proponents? [LB496]

CHAD NABITY: Thank you, Senator. My name is Chad Nabity, C-h-a-d N-a-b-i-t-y, I'm the planning director for the city of Grand Island and also the CRA director. I'm also the planning director for all of Hall County, so that includes the villages of Alda, Cairo, and Doniphan, and the second class city of Wood River. And so I'm familiar with the housing issues in Hall County. And to give you a little bit more about myself, 20 years ago I was working as an intern for the Department of Economic Development doing housing research all across the state. You can probably find some of my monographs that I wrote on that back at in DD's records somewhere, or I've got them in my garage I think too. But these aren't new problems, these aren't new issues. Some of the things that you heard about with the cost of housing and with what it costs to build a house versus what you can buy a house for, that funding gap is real and has been real for 20, 30 years. Twenty years ago, when I was in Gordon, Nebraska, interviewing people, there were...you could buy any house in Gordon, Nebraska, three-story brick house for \$50,000. You couldn't build a brand new 1,100 square foot ranch for less than \$75,000 at that point. What banker is going to loan \$75,000 on an 1,100 square foot ranch when a comparable sale would be the three-story brick selling at \$50,000? That's the kind of issue that these small towns are really dealing with. Now, Grand Island you heard last week that we're using TIF for work force housing. We are, you can do that. But we're using it not to support the housing itself, but to support the infrastructure to support that housing. Grand Island, I've been there for 18 years now, for almost 18 years, we have had a 3 percent vacancy rate in that last...during that time frame. A city the size of Grand Island ought to have a 5 to 7 percent vacancy rate to have flexibility within the market. We haven't had that, we still don't have that. I don't know whether we'll have that during the course of my entire career in Grand Island. Tools like this certainly would help achieve that. The issue of risk to the municipality, if you go back in Grand Island to the late '80s, well, the late '70s, when housing was really booming, Grand Island was paying for streets and sewer and water and doing general obligation bonds; not unlike lots of other towns in Nebraska, to put those in. The developer would bring the property forward and set the...do the subdivision and the city would put in all the infrastructure and assess it. That was great, as long as they were selling those lots and the houses were getting built right away. When they quit selling and interest rates hit 18 percent in 1983 those lots sat there and the city paid off those general obligation bonds and

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ended up owning those lots because the developer said I can't afford the taxes on them, I can't afford to pay the assessments on them, you get them. The city in 1990 sold lots adjacent to the golf course for \$3,000 to get them back on the tax rolls. That's the kind of risk that the city took and we're not interested in taking that level of risk again. And the small towns certainly cannot afford to do that. The other thing is each new house...National Home Builders Association says that each new house is the equivalent of 2.5 full-time equivalent jobs for every house that's built in that community. That's basic economic development. You get a community of 100 people or 200 people and you get a house built or two houses, that's a couple of full-time jobs in that community that weren't there before. I would take any questions you might have, and I am certainly in support of this. [LB496]

SENATOR WAYNE: Any questions from the committee? Seeing none, thank you for coming today. [LB496]

CHAD NABITY: Thank you. [LB496]

SENATOR WAYNE: (Exhibits 1, 2, 3) Any other proponents? Any other proponents? Seeing none, opponents? Any opponents? Any neutral testifiers today? Anybody in the neutral capacity? All right, seeing none, we have letters of support from Omaha by Design, Nebraska Cooperative Council, and Nebraska Realtors Association. And with that, we will...and Senator Stinner waived closing. With that, we will close the hearing on LB496. Next we'll move to Senator Crawford's bill, LB95. We'll open the hearing on LB95. [LB496]

SENATOR CRAWFORD: Good afternoon, Chairman Wayne and members of the Urban Affairs Committee. My name is Sue Crawford, S-u-e C-r-a-w-f-o-r-d, and I represent the 45th Legislative District of Bellevue, Offutt, and eastern Sarpy County. I'm honored to be here today to introduce LB95 for your consideration. LB95 modifies provisions in the Community Development Law related to tax increment financing, or TIF projects, in order to make various processes, including auditing, public notice, reporting, records retention, and cost-benefit analyzation more transparent, and to provide for more local insight...excuse me, local oversight of TIF projects. In 2016, I introduced LR439 to examine the use of TIF by municipalities for residential development. During the course of the interim studies I held a series of meetings with various stakeholders, including municipal, county, and school district representatives. LB95 is the result of this interim study. The stakeholder meetings and issues raised in last year...the stakeholders meeting from the interim study and issues raised in last year's State Auditor report on several TIF projects, LB95 works to make the TIF process address some of the concerns that were raised in these processes and to make the TIF processes more transparent for local oversight and more collaborative with other local jurisdictions. It also includes a couple provisions that provide additional information that goes to our Department of Revenue for state

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oversight at that level. I would like to thank the committee's legal counsel, Trevor Fitzgerald, for all of his work on this issue, and would turn the committee's attention to his legal memo and supplemental summary, which provide a comprehensive overview of the changes made to the TIF process in LB95. I will focus on the major changes and themes in those changes proposed by LB95 in my opening. Since the introduction of this bill, I've had multiple meetings and conversations with interested parties and stakeholders to discuss their feedback and concerns. Although some of these stakeholders will be testifying in opposition today, our conversations so far have been productive, and I'm currently working on a series of amendments with committee legal counsel and interested parties to work on some of the concerns that we have discussed. First and foremost, LB95 will require municipalities who have approved one or more TIF projects to create an intentional and proactive annual auditing plan. In the plan, municipalities will outline the projects they plan to audit in the upcoming year. A couple of changes I'm working to incorporate into an amendment include a requirement that this auditing plan is filed with the Department of Revenue and clarifying the auditing plans will only need to incorporate projects approved on or after the effective date of this act. LB95 also requires record retention for approved redevelopment plans using TIF, requiring municipalities to retain copies of all redevelopment plans, substandard and blighted studies or analyses, cost-benefit analysis and supporting documents associated with redevelopment plan allows for a fact finding audit processes that ensure transparency and accountability. This addresses a concern that was raised in the audit report about the need for a stronger record retention to allow municipalities to demonstrate compliance. In order to further increase transparency, LB95 makes several changes to the public notice and public hearing provisions related to TIF projects. During our stakeholder meetings, some of the concerns we heard from school districts and school boards were related to notices of public hearings that were either not delivered in a timely manner or received. LB95 clarifies that required notifications for public hearings are to be sent by certified mail with return receipt requested. This is a small change that will help ensure that affected entities, including counties, school districts, community colleges, and natural resource districts receive timely notice of these hearings. We will also want to make sure that elected county officials and school board members see these notices. To further improve the public notice and public hearing process, LB95 extends notice for substandard and blighted designation hearings from 10 days to 30 days. It also requires a planning commission hearing on the redevelopment plan, which was previously optional, and provides for a 30-day notice of such hearings. These changes allow the other entities to actively participate in multiple hearings and ensure they are properly notified of hearings on projects that directly effect their property tax receipt in time to ensure that they could put a discussion of the TIF hearing on a meeting agenda, even if that entity only meets once a month. In our conversations with school district and community college representatives that occurred during interim, it also became clear that changes were needed to be made in the cost-benefit analysis processes to ensure that substantive and timely information was available to the other entities impacted. LB95 provides that redevelopment plan hearing notices are to include information on where to find copies of any cost-benefit analysis conducted for the related

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project. LB95 also requires this cost-benefit analysis includes impacts of the student populations on school districts within a city or village. I expect to amend this provision to focus this student information requirement for residential TIF projects. LB95 also...excuse me, LB95 also requires updates on cost-benefit analyses as projects proceed, in addition to the initial cost-benefit analysis. Other substantive changes made in LB95 to increase transparency and accountability include tightening reimbursement requirements for expenditures that occur before a project's approval. This provision ensures that reimbursement for activity preapproval will only occur if the expenses incurred were in fact related to the preparation of the redevelopment plan, a substandard and blighted study, or a cost-benefit analysis. The bill also clarifies that annual reports by municipalities with TIF projects must be submitted to the property tax administrator, which is an additional state oversight function. And the bill also includes that redevelopment contracts may include a provision that requires all property taxes levied on a redevelopment project to be paid on time in order for the project to be eligible to receive TIF funds. Finally, LB95 works to address an issue raised in the State Auditor's report, in which at least one community effectively cherry-picked which properties to divide the taxes on for TIF purposes. While municipalities have the authority to divide the taxes on only a portion of the real property in a redevelopment project, in the example in the Auditor's report the properties that were divided were on the other side of town and apparently unrelated to the actual TIF project. Under LB95, if a municipality divides the taxes on only a portion of the real property in a redevelopment project that portion must be clearly related to the project. TIF is an important tool that ensures municipalities across our state can continue moving forward with impactful redevelopment projects. LB95 works to make this process more transparent for all parties involved and to increase accountability. I am happy to continue to work with stakeholders and committee members to strengthen LB95 and I appreciate the committee's attention to this issue. And I am happy to try to answer any questions that you may have. [LB95]

SENATOR WAYNE: Any questions from the committee? Senator Riepe. [LB95]

SENATOR RIEPE: Senator Wayne, thank you. Senator Crawford, my question is this, of those that may come in in opposition, can you give us some perspective on the rationale for the opposition? [LB95]

SENATOR CRAWFORD: Well, I think I will let them speak for themselves. Our conversations have been about trying to make sure that we're addressing concerns that were raised and ensuring that we have effective ways for citizens and other jurisdictions to be involved in these conversations and make sure that we're doing it in a way that makes sense and is manageable for the municipalities as well. And so a lot of our conversation has been about how to make sure that the added transparency and added accountability measures how they can be done in a way that is manageable, workable, for the municipalities, within their workload and makes sense in terms of

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the way the projects roll out in their cities. And still, again, make sure that we're ensuring that the information other parties need and records and accountability mechanisms are in place. [LB95]

SENATOR RIEPE: Okay, thank you. [LB95]

SENATOR WAYNE: Any other questions from the committee? Seeing none, thank you. [LB95]

SENATOR CRAWFORD: All right, thank you. [LB95]

SENATOR WAYNE: I'm assuming you'll be here for closing. [LB95]

SENATOR CRAWFORD: I will. I have one other bill, so unless closing happens at the same time I have to be in the other hearing, I'll be here. [LB95]

SENATOR WAYNE: Okay, thank you. Any proponents? [LB95]

BLANE McCANN: Good afternoon, Chairman Wayne and Urban Affairs Committee members. My name is Blane McCann, B-l-a-n-e M-c-C-a-n-n, and I'm appearing today in support of LB95. I am the superintendent of schools at Westside Community Schools in Omaha. As superintendent at Westside, we are supportive of tax increment financing and we believe TIF is an important economic development tool for municipalities. I support LB95 because it offers fair oversight to the TIF process, the auditing and cost-benefit analysis language offers important safeguards to decrease the likelihood of faulty TIF projects. The impact on school districts is an important consideration for cities to consider before granting a TIF application. Westside has not seen a large residential application impact in our district, but if one were applied for, we certainly would like the city of Omaha to take into consideration the impact on a local school district. Additionally, the noticed provision provides those school districts with additional time to react to and prepare for TIF applications. Our sensitivity to TIF projects was heightened a couple of years ago because of stagnant property growth and increased property tax exempt parcels in Westside. We are a landlocked school district and cannot grow. And not to complicate the matter by including some school finance, but unequalized school districts are at greater risk financially than equalized school districts with the TEEOSA formula. I'd be happy to answer any questions you might have. [LB95]

SENATOR WAYNE: Any questions from the committee? Thank you for coming down today. [LB95]

BLANE McCANN: Okay, thanks. [LB95]

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SENATOR WAYNE: Any other proponents? How many proponents do we have on this? How many testifiers in general do we have on this? Okay, thank you. [LB95]

LARRY DIX: Good afternoon, Senator Wayne, members of the committee. My name is Larry Dix, L-a-r-r-y D-i-x, I'm executive director of the Nebraska Association of County Officials, appearing today in support of LB95. And our support predominantly relates to three sections, those are the notification sections on pages 7, 8, 10, and 13. One of the things that Senator Crawford brought up and that is important to us, now that we're starting to see TIF projects roll out into what I really, truly call rural areas, we have a number of counties that are taking a greater interest in TIF and in that process. And I think in future years you're going to see counties play a more and more active role. Prior to this, they've been aware of them, but not really as involved in them. The 30-day notification is very, very beneficial in a number of our counties. Many of those really only have a county board meeting once a month, this gives them the notification that they need so that they can have that conversation. The other part of the bill that I would report to, as it relates to counties, counties only, in the notification. There is a requirement of certified mail with notification back that we receive that. Certainly from a county's perspective we would be very happy to just receive it electronically, if that would...we know there's a burden, we know when that burden is placed on counties to send out certified mail. There's always a cost associated with it, so from truly just the county's perspective we would be completely satisfied with receiving that electronically. That pretty much addresses everything that we had and I'd be happy to answer any questions. [LB95]

SENATOR WAYNE: Any questions from the committee? Seeing none, thank you for coming today. [LB95]

LARRY DIX: Thank you. [LB95]

SENATOR WAYNE: Next proponent. Welcome back. [LB95]

RENEE FRY: (Exhibit 7) Thank you. Good afternoon, Chairman Wayne 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're here in support of LB95 as we believe it goes a long way to improve the transparency, evaluation, and inclusion of other local governments in the TIF process, without impeding the use of TIF as an economic development tool. We support the provisions in LB95 that require redevelopment authorities to offer reports on an areas blight qualifications and present the findings before the public. As it currently stands, the definition for what qualifies as blight is vague. For example, poor street layout, poor lot layout, and diversity of ownership all qualify as blight. The technical metrics that need to be met aren't necessarily related to blight or substandard quality: parcels needing to have either an average age structure of

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at least 40 years, half the land has gone unimproved for 40 years, lower per capita income than the municipal average, or a stable population for the past two decades. Because of this, nearly an area can be defined as blighted. For example, blight designations have applied to Warren Buffett's neighborhood, public art projects, and downtown developments that have little or nothing to do with alleviating poverty or poor infrastructure. We also support the regular review of the cost-benefit analysis for each project. There is substantial research indicating that TIF does not affect net economic growth in municipalities. For example, a study by the Lincoln Land Institute found that growth in TIF districts is offset by declines elsewhere in a municipality, essentially by subsidizing the development of a store in one place that eliminates demand for a store elsewhere in the municipality. By reviewing the cost-benefit tradeoff of TIF projects, we can determine if these projects really are worth their price tag. This is no different than the process we go through on the budget or review of other business tax incentive programs. And while TIF may not affect net growth, it does impact the local finances. In 2015, TIF reduced taxable property in Nebraska by \$3.1 billion and property tax revenues by \$66.3 million. In FY17, K-12 property tax revenues were reduced by about \$36 million due to TIF, about \$23.6 million of which was paid by the state in increased school aid to compensate for reduced local resources. For local subdivisions other than schools, such as counties, community colleges, and natural resource districts, property tax revenues are reduced with no offsetting compensation from the state. We estimate the losses for these subdivisions to total over \$30 million, including \$8.2 million for counties in 2015. These reductions and shifts in funding constrain local governments and are likely a factor in higher local property tax levies. Therefore, we would like LB95's requirement that redevelopment authorities calculate how much TIF projects would cost schools and other local governments. This would make TIF a more transparent process. We also like the auditing provisions in LB95. As previously mentioned, TIF is a costly program at the state level, as well as at the local level. Under LB95 the State Auditor can more directly assess the finances of TIF projects. And you are well familiar with the State Auditor's report, so I will skip this portion of my testimony. As it currently stands, municipalities can authorize TIF projects that affect the finances of these other subdivisions. To minimize the effect of these losses, we would suggest amending LB95 to give effective units of government the choice to either opt-out of providing TIF benefits or be guaranteed a seat alongside municipalities on redevelopment authorities. For example, in 2015, Colorado passed a law that ensures that 3 out of 13 seats on redevelopment...authorities, excuse me, are guaranteed to local government aside from municipalities, including counties, special district, and school district representatives. This reform also requires excess collections of TIF revenues to be repaid to the local property taxing authorities on a pro rata basis according to each mill levy. Thank you for your time, I'd be happy to answer questions. [LB95]

SENATOR WAYNE: Any questions from the committee? Senator Riepe. [LB95]

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SENATOR RIEPE: Senator Wayne, thank you very much. Thank you for being here. One of the questions or I notice on the fiscal note there is none, and yet, I see it, (inaudible) comment, which I agree with is, we support the regular review of the cost-benefit analysis. So my point is someone has to be over the oversight, the bench work, to go after all of these people for other groups to evaluate. None of this is free. I'm just trying to figure out where that comes from. [LB95]

RENEE FRY: So I'm not... [LB95]

SENATOR RIEPE: Would there be a cost? Is there... [LB95]

RENEE FRY: I'm sorry? [LB95]

SENATOR RIEPE: Is there a cost to doing a cost-benefit analysis? [LB95]

RENEE FRY: Presumably. I would argue that that's something we should be doing, though. Best practice we should be reviewing, we should be looking back at these projects and analyzing them looking backward. I think that there's...I mean, the cost-benefit analysis is currently required by statute, which may be why there is not a fiscal note. [LB95]

SENATOR RIEPE: But this process is a new process, correct? [LB95]

RENEE FRY: The cost-benefit analysis is not new in and of itself. [LB95]

SENATOR RIEPE: No, no. [LB95]

RENEE FRY: But the review of the...yes. [LB95]

SENATOR RIEPE: No, but the function, the reason that we're doing the cost-benefit analysis is based on a new procedure process. So there's some new work in there someplace. [LB95]

RENEE FRY: There is new work, yes. [LB95]

SENATOR RIEPE: So someplace with that new work, without using marginal cost analysis said someplace you come up with a new cost. That's my question, where is that coming up and why is not shown on the fiscal note. [LB95]

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RENEE FRY: Yeah, I wouldn't be the appropriate person to ask. [LB95]

SENATOR RIEPE: No. [LB95]

RENEE FRY: And it may be that if that's, you know, a function of the redevelopment committee it may not be a, you know, it may not require new people, new staff to do that. So it's being done within the existing structure. [LB95]

SENATOR RIEPE: Okay. Fair enough, thank you. [LB95]

SENATOR WAYNE: Senator Riepe, there may be a local cost, and I don't want to debate it here, to local control. But just, I mean, last week we heard the Department of Revenue get an entire overview and authority to review TIF, and it had no fiscal note. So I'm still trying to figure, anyway, sorry. Any other questions? Thank you for coming today. [LB95]

RENEE FRY: Thank you. [LB95]

SENATOR WAYNE: Any other proponents? Proponents? Seeing none, any opponents? [LB95]

MIKE JACOBSON: (Exhibit 8) Chairman Wayne and members of the Urban Affairs Committee, once again my name is Mike Jacobson, M-i-k-e J-a-c-o-b-s-o-n. I am president and CEO of NebraskaLand National Bank and have served as the chairman of the North Platte Community Redevelopment Authority since its inception. The North Platte CRA was created nearly 16 years ago. Since that time, 12 individual TIF projects were approved, generating over \$60 million in new property tax base. This new property tax base has resulted in the creation of over \$1.2 million in new property taxes shared by local taxing authorities. This of course does not include the substantial increase in the sales and personal property taxes or the significant ripple effect that has caused other new projects to be built. One of the greatest success stories in North Platte over this time frame has been the attraction of the Walmart food distribution center. At the time this project was in play, North Platte was the only city in Nebraska that was under consideration. The other site was in a city in eastern Colorado. However, it was made clear from the beginning that the successful city would be required to purchase the site that was ultimately selected by Walmart and contribute it to the company. The site selected was a 120 acre site located just outside the city limits, the site included a farmstead and pasture land. The cost to purchase that site was \$1 million, that was \$1 million that the community simply did not have. Fortunately, the development corporation applied for assistance from the CRA to create the necessary funding from the use of tax increment financing. The property was annexed at the city limits, declared blighted and substandard, and ultimately approved for a \$3.2 million TIF bond. The development

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plan provided for the first \$1 million be used to purchase the site, the balance of the funds were used to assist in public infrastructure and to purchase the adjacent property for development of spinoff businesses that would come as a result of the Walmart expansion. Prior to the Walmart development, the property had a tax valuation of \$181,760 and annual property taxes were \$3,972. Once the project was completed, the tax assessed value rose by \$18,850,000 and the tax base increased by \$411,000, which would be the incremental tax. Ten years later, on November 6, 2012, the TIF bond was fully repaid and the incremental tax that was previously directed to pay the TIF bond was then redirected to be included in the \$3,972 dollars in base tax that was being sent to the local taxing authorities. However, it should be noted that during the ten year period of time the tax assessed value of the site grew to \$25,844,000 and the incremental tax grew to \$579,000. This is a tax base that I am convinced would not exist today had it not been for TIF. I wanted to include these numbers to help debunk the myth that TIF takes property taxes off the tax rolls. The truth is TIF generates that new taxes...guarantees that new taxes do come on the tax rolls once the bond is paid off. At no time does any existing tax get removed from the tax rolls. It should also be noted that the local CRA has no power to approve the new TIF project, their roll is simply to review the proposed projects and recommend them for approval to the local city council for ultimate approval. It is the locally-elected city council who is accountable for the final approval and whose members stand for reelection if the local taxpayers don't approve of their decisions. As a result, there's no need for creation of a state authority to oversee these sites, especially when the state budget is as tight as it is today. And I, too, have a hard time understanding that there's no fiscal note. The appropriate checks and balances I believe are already in place. I would tell you that as much as I appreciate the efforts, certainly of Senator Crawford who has been around this for some time now, to try to make some adjustments to the bill based upon the State Auditor's report, I would tell you that I would hope that there would be more time given to really deal with some of these issues. I think for example when I look at the time issues, I think about Walmart. This thing couldn't have happened had we had the 30 days plus the 30 days plus all the timeline, you can't react quickly enough to those projects when you start looking at that. That project probably wouldn't be here if we didn't have that, if we had the proposed bill in place at that time. And I see my time has run out, so I'll stop before I get the hook and see if there's any questions. [LB95]

SENATOR WAYNE: Committee questions? Senator Riepe. [LB95]

SENATOR RIEPE: Senator Wayne, thank you. I have just a Curious George question, I know that you took \$3.2 million in TIF bonds and I'm curious how the purchase of the adjacent property to spinoff businesses with the Walmart. Has that been productive or was that a speculative venture? [LB95]

MIKE JACOBSON: It was. What happened was, if you really look at the North Platte situation, our current industrial site at the time was in a 100-year flood plain and so it was almost

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impossible to attract any kind of a national tenant because we were in the 100-year flood plain. So where Walmart went, and the site that they chose was just south of town, if you look it we're in a bowl. And so this is up on higher ground, south of the interstate. And so by purchasing all that property in one development project we were able then to be able to offer the ability for other businesses to locate and come to North Platte. Cabela's has their call center on that adjacent land, UPS has expanded their facility without the use of TIF to do a substantial improvement in that industrial park, and we have additional property available now for that industrial track. We came very close to attracting an ice cream, Blue Bunny at one time was looking at coming in and locating next to Walmart, since they would be distributing that ice cream product. We still believe, and at the time we didn't have the sewer structure in place to be able to support that Blue Bunny plant, or we believe we would have retracted it at that time. But now we've got the land around Walmart to where with the distribution center to where we should be able to accommodate additional companies that may come that are suppliers to the Walmart facility. So that's why that was a critical part of the redevelopment plan. [LB95]

SENATOR RIEPE: My line of questioning goes with does the TIF project, and then there's TIF speculation, so that it...how much speculation, how much projection can be approved in a TIF bond if you will. Obviously you went from \$1 million to \$3 million, so somebody approved that. I'm just curious could it have gone to \$10 million, could it have gone to \$20 million? Someplace (inaudible)... [LB95]

MIKE JACOBSON: No, actually, it wouldn't have, because that's all that the TIF bond would have supported in terms of its increment. So you're limited by the 15 years and the incremental increase in the taxes. And so you're really taking the present value to determine what that maximum TIF bond can be. So that was the maximum of TIF bond. [LB95]

SENATOR RIEPE: Okay, so there are parameters... [LB95]

MIKE JACOBSON: Oh, certainly there are, yes. And so we utilize that by expanding that area, and it was really created for future development and which has now been occurring since that time. So it was really a win-win. There have been a number of other properties that have been built outside that TIF area that came as a result of Walmart distribution center. We've got hundreds of inbound trucks coming in every day. We've got outbound to Acklie, Crete Carrier, it takes care of all their outbound work--we've got a couple of truck washes built outside of this area. It's been a significant boon to North Platte and it all began with the ability to use TIF to go on bare land outside of the city limits, annex it in, and create this incredible project. [LB95]

SENATOR RIEPE: So by going bigger you avoided the front-end cost of bond issuance? [LB95]

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MIKE JACOBSON: We did. The city didn't have any risk in this at all. We did put in a lot of the city's public infrastructure, which had to be extended out there, as with the use of those proceeds as well. So the city was...and the other thing I would say is the city also has a second water tower that's underground, south of North Platte, to give you an idea of how far the property drops to the city. You got a water tower in downtown and you've got a buried tower south of town that's at the same height. They had a pipeline that was running to that, there's now a loop that runs around there. A lot of that loop was paid for with the TIF proceeds for the Walmart project. [LB95]

SENATOR RIEPE: Okay, thank you. [LB95]

MIKE JACOBSON: Thank you. [LB95]

SENATOR RIEPE: Thank you, Mr. Chairman. [LB95]

SENATOR WAYNE: Any other questions? Okay, so I'm reading your testimony and I listen to you and... [LB95]

MIKE JACOBSON: Did you notice I cut parts of it out? [LB95]

SENATOR WAYNE: Yes. [LB95]

MIKE JACOBSON: I figured you did. [LB95]

SENATOR WAYNE: I know you are basically against the 30-day requirement, you mentioned that specifically. [LB95]

MIKE JACOBSON: I could run through the list that I'm concerned about, if you'd like to hear it. [LB95]

SENATOR WAYNE: Sure. [LB95]

MIKE JACOBSON: I guess first of all, the additional 30 days, and think about, for example, in Walmart's case that land wasn't in the city limits and it wasn't existing blighted and substandard property because it wasn't in the city limits. So we had to first annex it in and go through the hearing process to annex it in, then we had to get a blight study, then we had to do the hearings before the planning commission, hearings before the city council to be able to get the blight study approved, then we had to go back and get the redevelopment plan and go before those

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same entities for the approval of the redevelopment plan and ultimately pass the bond. Meanwhile, we've got Walmart over here saying: are you in or out. So you can see that in the case of a project like that, I understand that's a little bit not always going to be the case, and many of these projects we can have some lead time, but this is a case where that would have been a problem for us if we would have had to gone through that additional time. It took a long time to get there and we were pretty certain we were going to get to the finish line, but we really had to balance and juggle some balls in the meantime with Walmart when they came back to us and said: we're willing to come here if you can fulfill your part of the deal. The other thing that I would have concerns about is keep in mind that in this case, the Walmart project, that redevelopment...the development corporation, not the redevelopment authority, the North Platte Development Corporation, which is now part of the chamber, was actually the developer. So when we have the portion in there about paying your property taxes on time, okay, well, first of all if you pay your property taxes then the TIF proceeds, the taxes get divided and the proceeds flow. If you don't pay the taxes on time, the developer doesn't get their TIF bond payment until those taxes are paid, that's the source of the repayment of the bond. So that gets delayed as well. That's why there's an incentive for the developer to pay them on time. But here's the rub, is if you say what if Walmart decided not to pay their taxes on time? The development corporation is holding the TIF bond and they finance that bond. So if you don't pay the taxes on time, do you lose the benefit of TIF? Well, then what about the parties that are relying upon those proceeds to flow? What happens to them? [LB95]

SENATOR WAYNE: But isn't that the risk of getting involved? [LB95]

MIKE JACOBSON: Well, you would never get anybody to finance it. I can tell you I wouldn't finance a TIF bond for a developer if I thought there was a risk that the contract could be terminated midstream. I mean, that's the concern, the reality. The same thing is true if you do a cost-benefit study halfway through the process. The money has already been spent, the dollars have already been committed. I mean, what are you going to accomplish down the road by doing another cost-benefit analysis down the road. If you decide that, gee, I don't know that I want to do this now, you cut it off, what about the people that financed the project up to now? Where are they at? So you're going to cut out the financing mechanism if you make those kind of changes to the TIF and you can change the contract after the fact. And that was one of the issues that the State Auditor came up with was suggesting that there's any problems here, we could just terminate the contract. As soon as you do that, you lost the financing. Now, I would tell you that there were issues that were brought up in the Auditor's report, and I really credit Senator Crawford for picking up some issues there. There are issues that need to be addressed, and I would agree with that. But I think we would like to be able to spend some time with you, Chairman Wayne, and Senator Crawford, and others to work through those so that we can have a clean bill next year that I think addresses any of the issues that are out there. And frankly, I think there's some ideas that we can incorporate that would actually make TIF even better, and

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particularly for, Senator Wayne, some of the issues that you have in north Omaha. How can we redirect some dollars that come from the projects elsewhere to help those truly areas that you picture in your mind as blighted and substandard. What can we do to help there. And I think there's some ideas that can be incorporated to do that as well, and I'd be happy to work with you on that. [LB95]

SENATOR WAYNE: But my question is really now is that a TIF issue or is that an economic development tool issue that we need to develop as a state? [LB95]

MIKE JACOBSON: I think it's both. In other words, I think that if you really look at TIF, TIF has been used in large part to really help with economic development, and any kind of changes you do to help blighted areas are going to be economic development as well. But at the end of the day, everything you do is economic development in my mind. [LB95]

SENATOR WAYNE: Any other questions from the committee? Seeing none, thank you. [LB95]

MIKE JACOBSON: Okay, thank you. [LB95]

SENATOR WAYNE: Any other opponents? [LB95]

CHRISTY ABRAHAM: Good afternoon, Chairman Wayne and members of the Urban Affairs Committee. My name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m, and I'm here representing the League of Nebraska Municipalities. I first just want to thank Senator Crawford and Senator McCollister and Senator Wayne for working with us on this bill and listening to all of our concerns. But today, the League needs to come in opposed to LB95 as written. The green copy of the bill contains provisions that, if adopted, would be devastating for cities doing TIF projects. The first and most important concern, and I think the first testifier, Mr. Jacobson, said it really well, is the fact that LB95 adds almost four months to the TIF process. Currently, a developer is looking at possibly three or four months before a TIF project is approved. With this bill, that time frame could be moved to seven or eight months. Adding months, as you know, to a project increases its risk and its uncertainty, which are killers for TIF projects. In Nebraska there is a building season. There are times I wish I lived in Florida, but I don't, I live here in Nebraska and we have a building season. And if developers don't begin their projects on time, they could lose a season. In Lincoln, if you're a hotel, you want to open by August 1, because football season starts. You will hear this concern raised again and again by testifiers, and it is cities' biggest concerns with LB95. There are some additional concerns as well. For instance, the bill adds language that outlines what costs can be reimbursed prior to plan approval. This list doesn't include many expenses that are commonly used today, such as land acquisition, demolition of old buildings, environmental studies, and preparation of a redevelopment contract. We

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understand the concern raised in the audit report that there were some projects that virtually all of their costs were incurred before the plan was approved. And we appreciate that LB95 is trying to address that, but as one of the city attorneys from Omaha has so eloquently said to me over and over, and she's here again today and will say it eloquently again, we want to encourage developers to buy land in blighted and substandard areas. We want to encourage developers to demolish abandoned and vacant buildings. We understand that if you've put footings in the ground you've probably gone too far. Cities take the but for test in TIF very seriously, but the limited exceptions that are in LB95 that are allowed before the plan is approved are just not sufficient. A couple of other things I'll just mention briefly, yikes, the yellow light. I don't think I've ever had a yellow light, okay. The language on page 12 about the cost-benefit analysis to be done every five years is burdensome and it's not clear how it's helpful. We would recommend an auditing plan that could be prepared for the governing body to review every year. With that said, I just want to say there are many provisions of LB95 which are important. We understand at the League how important it is to address the Auditor's concerns and we think provisions about appropriate recordkeeping are very important, and we applaud those parts of LB95 that clarify for cities which records they need to retain. We are working, the League is working, with a group of TIF lawyers, city officials, and others knowledgeable with TIF to review LB95. We're working on amendments, we're continuing to work on these amendments...yikes, the red light. Our latest version was presented to your legal counsel on Friday and we will continue to address those concerns. In closing, I just want to say thank you again for Senator Wayne and Senator Crawford and your legal counsel. We realize we have concerns now, but we really look forward to working with you and finding common ground on this important piece of legislation. So thank you so much for your time. [LB95]

SENATOR WAYNE: Any questions from the committee? Thank you. And I just want to mention to other testifiers coming up, if things have already been stated, you don't have to repeat it. You can just say what was said earlier, we'll go back and read the transcripts, just to make it a little more efficient. I'm still encouraging you to testify, so thank you for testifying today. [LB95]

CHRISTY ABRAHAM: Thank you so much. [LB95]

SENATOR WAYNE: Next opponent. Welcome. [LB95]

TIM SIEH: (Exhibit 9) Good afternoon, Senator Wayne. Members of the Urban Affairs Committee, my name is Tim Sieh, T-i-m S-i-e-h, I am an assistant city attorney with the city of Lincoln. I do redevelopment projects pretty regularly and I appear before you today on behalf of the city to voice our opposition to LB95. As you heard last week, TIF is one of the few redevelopment tools afforded to local governments. And as Mayor Beutler indicated in his testimony on LB597, TIF has literally reshaped our community over the last decade. LB95

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proposes a number of new administrative and notice requirements to the Community Development Law, and certainly some of those have value. However, I'd like to talk specifically today about the nearly 120 days of notice periods that are proposed in LB95. Ms. Abraham pointed out the specifics of a couple of the circumstances that we deal with in Lincoln, but as an attorney who sits in the room with the developers, I guess I feel I have the need to reiterate, with my apologies to repeating some of the testimony, when we sit in the room with a hotel developer who wants to build in Lincoln, there are seven or eight Saturdays in Lincoln that are critical to somebody opening a new hotel room. Those are Husker football Saturdays, those are two...those are seven or eight weekends where that hotel is filled to capacity for two nights. That has a significant financial impact on that hotelier, it allows that hotel to get off to a quick start and be financially viable. If they were to miss that first season, they've now put off those financial resources for another year. And we would submit that the 120 days of notice period included in LB95 could have the effect of jeopardizing some of those projects. The other time-sensitive issue that we do have in Nebraska, although this year is probably not the right year to talk about it, is the idea that we do have a winter in Nebraska. One hundred and twenty days can result in missing a building season. If you get a building out of the ground in October or November you can maybe build through the winter. If you don't, you've now pushed it off until March or April and you're going to continue to incur costs, continue to incur risks during those four months. And as a developer, at least the ones we work with, we think that poses a risk and may cause them to consider making investments other than Lincoln. And obviously we want them to invest their dollars in Lincoln. I guess if I could shift now to one other point, and I think Senator Riepe started to get to this issue, LB95 creates a number of administrative requirements and some of them have value, but all of them have cost. If we're going to be doing an audit plan and doing audits of these projects every year, somebody is doing those audits. And whether it's staff within our departments or somebody we're hiring, those are resources that could have been used on some other project or some other task assigned to municipalities. Now they're going to be going into additional audits or reviews of cost-benefit analysis. And the question is, for what benefit. Certainly, transparency and reviews of these project are important, but to some extent that project has already been completed 5 or 10 years down the road. And while it's valuable to study it, being statutorily required to do so, it at least raises the issue of what is the benefit we're receiving if we're incurring those costs. With the yellow light on, I'd leave you with a couple of thoughts. Some of the questions raised in the Auditor's report, I think may be more appropriately resolved with additional training and additional best practices development, rather than legislative restrictions on the way we do business. And so I know the League has looked into that and I think that's a valuable, possible solution, and maybe a more effective one. So with that, I'll take any questions you might have. [LB95]

SENATOR WAYNE: Any questions from the committee? I will say that there's a Bruno Mars concert coming up that might be a tenth weekend, just for... [LB95]

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TIM SIEH: Fair enough. Thank you very much. [LB95]

SENATOR WAYNE: Thank you for testifying today. Any other opponents? Welcome to your Urban Affairs Committee. [LB95]

MATT DWYER: Good afternoon, how are you? My name is Matt Dwyer, M-a-t-t D-w-y-e-r. I am a real estate developer from Omaha, representing Greenslate Development, which is my company. And I am here in opposition of LB95 as written. Over the last four years, my business has been specifically dedicated to developing an area of Omaha called the Blackstone District, which is a six-block stretch of road on Farnam Street, 36th to 42nd Street. Absolutely blighted, deemed as blighted, but you know, you're talking about a stretch of abandoned buildings--run down, burned out, boarded up--you know, the whole thing. I think by all intents and purposes, even though it was already designated blighted, I think it really fit the mold of a blighted area. In four years we've been able to do ten TIF projects, saving and renovating 20 buildings and, you know, we've done, including projects we're currently working on, about 300 apartments, 100,000 feet of commercial space, opening 23 new small businesses, creating 250 jobs. You know, pretty amazing. I would consider the Blackstone District the poster child for TIF, I mean, it truly is what TIF is for. These are all very tough projects, economically challenging, the but for clause I think is demonstrated very well in each one. I will honor your wishes and echo the sentiments of the previous opponents with respect to the 120 day increase to more oversight, those types of things. They really do put an onerous burden on a developer. We're at risk in a much different way than a banker or a municipality is. We're the ones putting our capital and our investor's capital on the line to do this. And these are high-risk projects and they're projects that do require some subsidy and some assistance. So as a developer, I'm very much in favor of TIF. I think it absolutely transformed, or was a huge part of transforming that area. And being at risk, and being at risk during, you know, I would disagree with a four month timeline. I've done everything I can to get it under six, but it just doesn't happen. I think six months is as fast as we can get it done, and that's a long time, you know? But I completely respect the process and I understand why it does take time. Adding more time to that would be a big challenge and I think could potentially eliminate projects from my desk, that's for sure. So anyway, thank you very much for listening and I would ask that you take our consideration into account and I'm happy to answer any questions. Didn't even get to the yellow light, by the way. [LB95]

SENATOR WAYNE: Any questions from the committee? I just want to say thank you for the investment in Midtown at north...or west of Midtown area and it has transformed over the last six, seven years, so I appreciate that. [LB95]

MATT DWYER: Yeah, thanks. [LB95]

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SENATOR WAYNE: Any other questions from the committee? Seeing none, thank you for coming down today. [LB95]

MATT DWYER: Thank you very much. [LB95]

SENATOR WAYNE: Welcome back to your Urban Affairs Committee. [LB95]

JENNIFER TAYLOR: Good afternoon, Senator Wayne, members of the Urban Affairs Committee. My name is Jennifer Taylor, J-e-n-n-i-f-e-r T-a-y-l-o-r, and I am the assistant city attorney for the city of Omaha. Not the, but a assistant city attorney for the city of Omaha. I first of all would like to thank again Senator Crawford and Trevor Fitzgerald and all the work that they have undertaken, both with the interim study and through this legislative session to entertain and listen to some of the city of Omaha's concerns about LB95. And I agree with Senator Crawford that local oversight and transparency in undertaking TIF projects is extremely important. I also appreciate that LB95 is an attempt to keep TIF manageable for cities to undertake and not to impede their process. Unfortunately, I'm not sure that's actually what occurs with the changes made in LB95. I would assert, as has been previously stated, that the changes made in LB95 make the process unmanageable and impede how we utilize TIF in our communities. I would first like actually to address some comments that were made by the OpenSky Institute regarding the ability to blight and substandard any area of the city that you choose. And I will make the comment that I have noticed in going back through some of my research over the last year, in the last year we have had requests for a minimum of four areas to be designated as blight and substandard that we have actually studied and determined did not meet the criteria. And that does not even include areas that have brought to our attention that we know don't even need a study to say that they're not blight and substandard. So the idea that we can go out and blight and substandard any area of the city that we want just to accommodate development is untrue. We have denied several just in the last year alone. Finally, what I'd like to note is that LB95, although it does attempt to address some of the issues that were raised in the State Auditor's report, is really kind of a blanket attempt to address all those issues and attribute all of those possible mistakes or misinterpretations of the law to every municipality. And unfortunately what that does is it unfairly impedes every municipality and charges them with the mistakes of a few. I think, instead of taking a what I would call a legislative hammer to the process, we should instead allows the municipalities and the League to take some efforts over the next year to educate its members, to educate local municipalities as to the proper use of TIF. How to use TIF within not only the letter, but also the spirit of the law, and put forth some sort of best practice manual or some sort of guidance as to what's appropriate, the types of things you should look for, how you should analyze projects. And we can use all of the resources that we have across the city...or across the state to facilitate that effort. A couple of the items, and I won't go back to things that have already been addressed, but some of my concerns on specific issues would address the auditing plan. And the auditing plan I can understand has and the desire is to

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create a way for us to review projects that we have approved. I think again an opportunity for municipalities to take an effort and time over the next year to determine what that should look like, we would be better served doing that. The costs that are incurred prior to redevelopment plan approval, I'd like to note that we have a number, probably 20 items that we require our applicants to bring to us before we even consider an application for the use of TIF, including: construction budgets, ROIs, financing, development schedules, pro formas, site plans, elevation surveys, documentation of ownership and site control, organizational documentation. All of that has to be brought to us before we'll even entertain a request. And then finally on the cost-benefit analysis, I'd like to point out to the committee the actual definition of the cost-benefit analysis in Section 18-2113, which requires you to analyze tax shifts resulting from the approval, which I think we already do that in our annual state report, to analyze public infrastructure, community public service needs, impact on employers and employees, and other impacts as determined by the authority. These are somewhat, or can be somewhat subjective analysis to begin with. And then to undertake them again five years later would require the municipality to go out, seek information from private entities, not necessarily get it in a timely fashion, and do an additional subjective analysis five and ten years later that I think doesn't actually accomplish what the intent of asking for this really is looking for. So I think again more time for us to study that report and come up with solutions that address those concerns would better serve the Legislature, the state, and the municipalities. And as I have a red light, I will end there and be available for any questions. [LB95]

SENATOR WAYNE: Any questions from the committee? Seeing none, thank you for coming down today. Next opponent. [LB95]

DON WESELY: Mr. Chairman, members of the Urban Affairs Committee, my name is Don Wesely, D-o-n W-e-s-e-l-y. I am here representing Lexington, Kearney, and Hastings, who are opposed to the bill and also actually opposed to the previous bills that were heard last week that Senator Groene introduced: LB262, LB489, and LB597. We didn't testify on any of those. The concern among these three communities, all of whom are doing quite well, is anything that would slow down the TIF project. The direct quote I want to make from them is "TIF should be simplified, rather than made more cumbersome and strenuous. The findings from the State Auditor are more about paperwork issues than abuse. Do not overreact in haste and make matters worse than better." And then I'd just say ditto to everything else. But now I would like to wear another hat, and that's as former mayor of Lincoln, and I dealt with all kinds of economic development opportunities and redevelopment projects. And Nebraska is so good about transparency and Renee has worked hard and OpenSky. And when I was in the Legislature, I worked hard to try and get LB775 information out to the public. I think it is important, Nebraskans really are good about open government and trying to make it available. But I will tell you we need to think about our competition and one of the suggestions, Mr. Chairman, is, and I know this was probably done previously, what are other states doing on TIF, how do they handle

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it. I mean, this isn't something new, we can learn from them. But it's more than TIF. TIF is part of a bigger economic development competition than we are in with other states. And I know Senator Watermeier has a bill to set up an economic development advisory commission or something to again reevaluate that. And I think we need to do that, this as a part of a bigger picture. Let me give you a quick example. When I was mayor, we had a project that we were going to bring in Lands End for a major distribution center. We were down to two sites, we thought we were going to win it. And at that time, the governor was Tommy Thompson, who went on to the Bush administration and was quite well-known, and he had a fund set up from gambling revenues and he just basically pulled cash out of that and threw it at Lands End and we lost that project. The same thing happened just a couple of years later, and this time it was with Iowa. They've got gambling money, they put it in a fund, and I'm trying to remember who the governor was ended up being...Vilsack. Same thing: pulled the money out, threw it in there. We had this come up recently in this state with a project in Lincoln where Louisiana had some money from Katrina and it was sitting there to use as they wish. Same thing. We're so careful in Nebraska, we really want to have transparency, let people know what we're doing and that's the right thing. But we are in competition in states that have money that's there when the time comes to just basically put it on the table and win these projects. And we've got TIF, I mean, and a few other things, Advantage Act. So I think this issue has to be in the context of that bigger picture and how we don't hurt ourselves as we try to win jobs, redevelop our communities, and make them stronger. So that will end my testimony. [LB95]

SENATOR WAYNE: Any questions from the committee? Hearing none, thank you. [LB95]

DON WESELY: Thank you. [LB95]

SENATOR WAYNE: Hopefully you'll stay around for the next bill too. Welcome back. [LB95]

CHAD NABITY: Thank you very much, Senator Wayne. Again my name is Chad Nabity, C-h-a-d N-a-b-i-t-y, I am the planning director and CRA director for the city of Grand Island and Hall County, here testifying in opposition to LB95 as it is currently written. I'm not going to repeat all of the things that were said earlier, I agree with those. But I would like to talk about what some of these costs would do to some of our smaller projects, and we have done some very small TIF projects. We have done TIF projects where a developer goes into an area of Grand Island where houses were built in 1906, tears down one house, and puts up a duplex. That doesn't sound like much of a project, but what it does is it takes the worst house on the block and gets rid of it, and it puts a brand new, \$200,000, duplex in that neighborhood. What you start to see is the neighbors in that area going, you know what, my house is starting to look like the worst house on the block because that one is gone. I could maybe put some money into my house. And we're seeing that people are actually making those investments in those other areas. Now, when I talk

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about the TIF projects and what this would do, that's a \$40,000 project. That's not a very big project. If we have to go back and spend time doing a cost-benefit analysis 5 years later and 10 years later, who's paying for that? If we're pulling those funds out of the TIF revenues, that's \$1,000, \$2,000, whatever, to do that at that point. That starts diminishing returns. The developer is already at the point where all they're getting out of this is a free lot after 15 years and after they've had all of that risk, they're getting a free lot out of it. What's the city get out of it? We get to do what the CRA was really intended to do, which is to eliminate blighted and substandard conditions within the community and to redevelop areas of the community by slowly getting rid of some of those worst houses and replacing them with brand new houses and encouraging new development and redevelopment in those areas. So that's one of the reasons I would be opposed to this the way it is. I really think those incremental costs of the additional audit requirements and the additional cost-benefit analysis would have a negative impact on our ability to do those kinds of projects. I think it would turn developers off and they would step back and say it's not worth it. It's barely worth it now, but it really wouldn't be if I don't get that return on my investment. So with that, I would take any questions you have. [LB95]

SENATOR WAYNE: Any questions from the committee? Seeing none, thank you for being here again. [LB95]

CHAD NABITY: Thank you. [LB95]

SENATOR WAYNE: Any other opponents? [LB95]

DAVID LEVY: Good afternoon, Chairman Wayne, members of the committee. David Levy, D-a-v-i-d L-e-v-y, appearing before you today in opposition to LB95 as registered lobbyist for Turner Park North, which is a real estate entity in association with Mutual of Omaha and Midtown Crossing and much of the surrounding area, and as a board member of the Nebraska Association of Commercial Property Owners and Omaha By Design. I do want to echo first the thank-you to Senator Crawford, to the committee, and to Mr. Fitzgerald for their work on LB95. I think there's a lot of good work that went into it. I also want to second though the concerns about the additional timelines and the additional burdens from an administrative standpoint. You heard last week that TIF is a complicated process and LB95, no question, would make it more complicated for developers and cities alike. I want to focus quickly on one section of the bill at the very end of the bill on page 22. Section 9 has some language that I believe is intended to address the issue from the Auditor's report that was referred to as cherry picking, taking the increment generated by a project over on the one side of town and using it for a project unrelated to the first project over on the other side of town. I can appreciate the concern about that, but I want to make sure that it's somewhere on the record, or if there's an amendment, in an amendment, that it is also clear that TIF can work for a phased project or a large development project where the increment

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from building A might be used for infrastructure on the next block that will support building B. To me, that's a very common sense and good use of tax increment financing to help, again it's called a community redevelopment, redevelop that community, redevelop that neighborhood by benefiting from the first development for the second development and so forth where those are related to one another and where they benefit one another. So I think we need to make sure that in trying to address the one situation the Auditor identified, we don't take away from the ability to use TIF in that very important way. Last point I will make, I want to second the thoughts that it makes very good sense in my opinion to not make TIF more complicated but to keep it only as complicated as it is and instead to work on technical assistance things. Practice manuals, like you see in other areas of legal practice, workshops, collaboration, including with the Auditor's Office. I want to say I think the Auditor's report is an important thing and we all who practice in this area should take that to heart and should learn from it. I don't agree with everything in there, but the Auditor identified those things as things about which they were concerned. And so at that point there are things that we, as people who work in the TIF area, need to recognize and need to make sure if there is a problem we're addressing it. Or if there is not a problem, that we have that discussion as well. So I'm a strong proponent of continuing to work on resources, rather than adding time or burdens to the TIF process. With that, I will stop and be glad to answer any questions. [LB95]

SENATOR WAYNE: Any questions from the committee? Seeing none, thank you for coming. [LB95]

DAVID LEVY: Thank you. [LB95]

SENATOR WAYNE: Any other opponents? Seeing none, any neutral testimony? Welcome to the Urban Affairs Committee. [LB95]

RUSS KARPISEK: Thank you, Senator Wayne and members of the Urban Affairs Committee. For the record, my name is Russ Karpisek, R-u-s-s K-a-r-p-i-s-e-k, and I am the legislative liaison for the Auditor's Office, Auditor Charlie Janssen. I just want everyone to know that I was a mayor for 12 years, I was a state senator for 8 years, sat on this committee for 2 years, and now I'm a county commissioner. So I know a little bit about TIF. Not a lot, but a little. But I just want to get that out there. The Auditor also wants to make very clear that he nor the office are anti-TIF. The office was asked by a few senators to audit TIF projects, so we did, and brought forward some concerns. The main question from our office is, is this what the Legislature wants TIF to look like? As the Auditor was quoted, "if you want to be able to TIF everything, it's working." Now, I did hear that Omaha didn't TIF some. They didn't, but I think they probably could have. That's my opinion. Again, if you think things could be tweaked a little bit, here are some ideas and also some issues that we found, which were mainly recordkeeping issues. Mary

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Avery and Craig Kubicek are here from the Auditor's Office to answer questions about the audit, because they were the ones involved in it. And if you'd like them to come up and testify, please tell me and they will come up. If not, we don't want to drag the hearing out any longer. Senator Riepe, we had no fiscal note because anything that we would do in this would be absorbed by the office. I do want to say though, that everyone who doesn't want to change TIF, if they would like us to forward the concerns, the calls that come to our office we could forward to their office and they probably...they could hire a new AA to take care of that. So there would be a fiscal note on that probably. We get a lot of questions and a lot of concerns. A lot of it is people don't understand out in the public and I definitely understand why they don't understand. The blighted and substandard, we've seen things that are...I've questioned how can you say that's blighted and substandard. Again, it gets back to a local control issue. I agree, but I know that all of you senators take many calls about property taxes being too high. The state does not collect property taxes as you know, but we, you now, hear about it all the time and the Legislature has even now taken money out of general funds to give back to property taxes. Again, we are not against TIF. The Auditor, especially Auditor Janssen, since I did not work for Auditor Foley, just wants transparency on things and has tried very hard not to weigh one way or another just to say here are some ways that we could probably do things better. And I do appreciate Senator Crawford bringing this to try to help with some of that. I know there's a lot of talk about bringing another bill, getting together next year. I've been out for three years, I was in here for two years, that's five years and we talked about TIF back then. Any talks that there are, our office would be more than happy and would be very happy to be involved in those talks. Thank you, Senator Wayne, and I'd be glad to try to answer any questions. And if they're over my head, which is possible, we could have Mr. Kubicek or Ms. Avery come up. [LB95]

SENATOR WAYNE: Any questions from the committee? Thank you for coming down today. Any other neutral testimony? Seeing none, Senator Crawford, closing? [LB95]

SENATOR CRAWFORD: Thank you, Chairman Wayne, and thank you, committee members, and I would like to thank everyone who testified. I think it gave us a good record of some of the concerns and questions and ideas that some of the proponents suggested of things they would like to see or things they would like to make sure that we pay attention to. And then of course, many of the concerns raised by opponents in terms of their concerns about challenges that they would face in terms of how they use tax increment financing in their communities for us to consider as we decide how to move forward. And I appreciate all of their conversations already, and we've taken copious notes in terms of those questions and concerns, and look forward to continue those conversations to try to make sure that we find a way to make sure we have accountability and transparency but in a manageable format. And I think that's really the balance we're trying to reach. As you heard from several of the examples, tax increment financing has been a huge benefit in these communities and it is an important tool that cities of all sizes use, from large projects to the small house example that you heard from one of our testifiers. So it's

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used in many different ways by cities of many different sizes, and so it's really important that we think about how to address these issues in ways that address those different needs in the different communities and keep it in some way manageable for that. But also important that we address it in a way to make sure that we're making good decisions. And what's very important to me is to make sure that we really have strong local control and a lot of confidence in that local control. And I think that's critical. I appreciate the question about thinking about the comparison in terms of state competition. And I think that is something for us to consider from our earlier study. We have noted that our tax increment financing is pretty strict, compared to other states, and so that's an important consideration as we move forward, is recognizing that existing challenge in terms of our communities. Especially our communities that are on borders, like my own community of Bellevue. In terms of thinking of how we move ahead, we need to keep that big picture issue in mind. And so really our key questions I think moving ahead are thinking very carefully about what we think citizens and our school districts and counties most need to know and how we make sure that that happens so there's good local oversight and good collaboration between jurisdictions in moving forward in our communities. And I do want to thank the League of Municipalities for conversations I know they're already having and work they're already doing on training and a model ordinance for cities so that cities are moving ahead, working on improving local oversight processes and effectiveness in their own communities through those processes. And I am very encouraged by that and look forward to learning more about that and how that interacts with what work we may do at the state level in terms of that framework within which cities operate. And just to answer Senator Riepe's question, so the cost-benefit analysis is done at the local level. Most of the state responsibility in the bill is really submitting reports to the state that are then provided. And so that's why there's no state fiscal note for the bill. You'll notice at least one city submitted a fiscal note saying there would be substantial cost for the additional steps required. We've heard that in some of the testimony. So with that, I will close. I look forward to continuing conversations and work ahead. I'll see if there are any questions I can answer at this point. [LB95]

SENATOR WAYNE: (Exhibits 1, 2, 4, 5, 6, 10) Any additional questions? Seeing none, I just want to, before we close LB95, letters of support: Platte Institute for Economic Research, Nebraska Council of School Administrators, and Nebraska State Education Association. Letters of opposition: Omaha By Design, United Cities of Sarpy County, and the Norfolk Area Economic Development Council. And with that, we will close the hearing on LB95. And I'll turn it over to Senator Riepe, because, Senator Crawford, you said you had another hearing. [LB95]

SENATOR RIEPE: With that, we will open the hearing on LR16CA, Senator, Chairman Wayne. It is yours to proceed, sir, when you wish. [LR16CA]

SENATOR WAYNE: Thank you. Good afternoon, Senator Riepe and Urban Affairs Committee. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, I represent the 13th Legislative District of

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Nebraska, which consists of north Omaha and northeast Douglas County. LR16CA would propose a constitutional amendment to Article VIII, Section 12 of the Nebraska Constitution, which authorizes the use of tax increment financing. Under the resolution, the Legislature would be authorized to extend the maximum length of time for repayment of TIF-related indebtedness from 15 year limitation to 20 year if more than one-half of the property projected area or project area is designated as extreme blighted. As the committee, we've heard lots of testimonies over the last two weeks regarding TIF as a critical economic development tool. Although we are...this is part of a bigger package in my mind, but I think it's critical that we start focusing in on some of the areas that need redevelopment, that are considered extreme blighted areas, in my mind. If you think about Omaha and some parts of the Lincoln to the extent there are pockets of the city that are currently meeting a definition of substandard and blighted for TIF purposes, but still struggle to develop or still struggle to get developers to those areas. By allowing a longer TIF repayment period in the extreme blighted areas, I believe LR16CA will incentivize the use of TIF where it is actually needed. I won't go through the history of the 2015 LR155 report that talked about all of the economic development tools that is currently allowed in Nebraska, but I do want to point out the map that is in your binder where if you look around the states around us, most of them have 20 to 25 years. Just one state when it comes to TIF, Montana, that appears to be only 15 like Nebraska, however, it allows for an extension and it seems to be almost an automatic extension of 25 years. So if you add that, it's extremely longer than the 15-year period. So we heard from former Mayor Wesely talk about what other states are doing. Well, we're behind the bar when it comes to TIF and how we can use it as a tool to make sure we attract businesses and development. So this would again extend it from 15 years to 20 years. This thought process has been introduced many different times, 2012 and 2013 being the last one, but what we try to do here is to find one of the more conservative efforts of only extending it to extreme blighted. Most of them those bills were general, were going to extend it to 20, but what we're trying to do is focus in on certain areas. And how this will work, just for the committee, is if it were to get approved it will still go on the ballot, and that would be in 2018, then we'd have to come back and do enabling legislation in 2019. So we can define extreme blighted in 2019 if the voters approve it, we could use hub zones, neighborhood revitalization strategy areas. There are different ways we can define it--enterprise zones--but we first got to get the constitutional amendment to start the process and start the conversation. And this is important to me because I can think of particular projects that are right outside my district and in my district. There's an old Mister C's on 30th and Fort that used to be there when I was growing up. That was bought by a developer and it took a long time to get some of the financing together, it is going right now, but I've talked to that developer multiple times and if there was a 20-year TIF, that project could have started possibly one or two, if not three, years earlier, just from the financing of it. I can think of other projects in north Omaha, and south Omaha, east Omaha, where we would consider them extreme blighted that would help this type of legislation, or constitutional amendment in this case, would help those developers be incentivized to come back down to what I consider

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some of the hearts of the cities and do some things there to grow businesses and grow the economy. So with that, I will be able to answer any questions. [LR16CA]

SENATOR RIEPE: Thank you, sir. Senator Howard. [LR16CA]

SENATOR HOWARD: Thank you, Senator Riepe. Thank you, Senator Wayne. I just had a question about how it would function once it was implemented. So for each project, because the Legislature has the option to allow cities to go beyond the 15 years, would they each have to bring a bill for each project? [LR16CA]

SENATOR WAYNE: No, we can do similar legislation that's currently on the books with the statute that would allow them to use their current, I'm going to call it redevelopment plans, and go in and add extreme blighted areas of which they would qualify. But that way we could use it...my goal would be to set it across the entire state. I wouldn't want to break it up by first-, second-class cities in that regard. I think every area some cities and some municipalities might have some extreme blighted areas that they also need to act upon. But I just look at Omaha and I look at our current blighted zones and I think there are extreme benefits right now for some businesses to maybe operate off of a 72nd corridor, whereas that same...we need a different incentive or more incentive to operate in east Omaha. [LR16CA]

SENATOR HOWARD: Thank you. [LR16CA]

SENATOR WAYNE: Thank you. [LR16CA]

SENATOR RIEPE: Are there additional questions? I have a question. [LR16CA]

SENATOR WAYNE: Yes, sir. [LR16CA]

SENATOR RIEPE: How do you define extremely versus blighted, I mean? And because this might go beyond, and I'm very familiar with Omaha, but it might go, depending upon the definition of the (inaudible). [LR16CA]

SENATOR WAYNE: Well, I haven't defined it yet. We can define it by hub zones, like I said, enterprise zones, some things that we already have on the statute. But in order to have that conversation as a Legislature, we first have to be able to authorize...we first have to be authorized by the voters to even start that conversation. But I have ideas of what we can do in that regard, but first we have to be able to extend it to 20 years and put it in the constitution that it would only apply to extreme blighted areas and then we'll go in and define what that means. [LR16CA]

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SENATOR RIEPE: So that would be part of your study out of the resolution? [LR16CA]

SENATOR WAYNE: No, if we vote for it and pass it on the floor, it would be on the ballot in 2018. So from 2018, if it passes, we would as a body define what that extreme blight is. Currently, we define what blighted and substandard is in our statute. We would do the same process to define what extreme blighted is. So we wouldn't have a definition yet today, just like when they pass it in late or mid 1950s. [LR16CA]

TREVOR FITZGERALD: '70s. [LR16CA]

SENATOR WAYNE: '78 was I guess, legal counsel corrected me. They didn't have a definition then either and then they came back after it was approved and put a definition in. And that definition has been tweaked over the years, which is what basically our two TIF hearings has been about, is about how are we going to define that or should we even change the definition of that. And so that's what would happen. [LR16CA]

SENATOR RIEPE: So would the state statute be the one that's defining it? [LR16CA]

SENATOR WAYNE: Yes. [LR16CA]

SENATOR RIEPE: Okay. Okay, very interesting. Very good. Thank you. Are there other questions? Hearing none, I assume you'll be staying for the closing? [LR16CA]

SENATOR WAYNE: Yes, I will. [LR16CA]

SENATOR RIEPE: Other proponents, please. [LR16CA]

DAVID LANDIS: Members of the Urban Affairs Committee, David Landis, the Urban Development Department director for the city of Lincoln and representing the city of Lincoln today as a proponent of this measure. TIF is a project and a process that we use in Lincoln, Nebraska, and when I look at this constitutional amendment it has two parts from my perspective. First, the 20 years, and as the chairman interjected, 20 years is a much more common number in other states than the one that we use, which is 15. There are only three states, if it's still three 15...now apparently down to two that use 15. The vast majority of states are 20, 25, 30, and in some cases, unlimited. The smallest number is the one we use, 15, and there's only two states that do it. Remember, there are 49 states that have TIF, so when the chairman chooses 20, he's actually picking by comparison in the panorama of the country a relatively modest number. So the number is pretty legitimate. The other part is that extreme blighted phrase. A

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constitutional amendment is general in nature and then the Legislature fills in the blank by operationalizing those ideas. I think the idea of extreme blight would be not at all difficult for the Legislature to operationalize. I wouldn't suggest that they go down the path of saying, look, you know, blight is deteriorated buildings, but this is a really deteriorated building. Between deteriorated and really deteriorated, I think that would be hard to identify. However, there are many ways of identifying areas of need, for example, low and moderate income areas under the Housing and Urban Development Department's census tract analysis. You can get a map of the city and it will show you where the low-income areas are. That's an objective standard. There's also one called the NRSA, there are also the enterprise zones that the Chairman identified. Each of these is a constitutionally rational distinction based in fact, which is updated as time goes on, under conditions usually of poverty. And if you take a look at the essence of the bill, I think we're looking at the hardest areas to find development, and that's in the poorest areas of town. So I think that makes sense. Let me tell you what that problem is in the lowest and the poorest areas of town. Oftentimes they have very small lots. If you're going to do a commercial development and you need to buy land, well, in our case, we have the Assurity project, which is in the Antelope Valley, we had to buy 16 pieces of property--small, old, dilapidated houses. It worked great when they were buying the first 10 or 11; 12, 13, 14, 15, and 16, they saw them coming. In fact, the last house, which was appraised and assessed at \$60,000, sold for \$400,000. Why? Because it was right in the middle of the new corporate headquarters of that insurance company and they had to have the piece of property. The market can easily go to the edge of town. You can buy land from a farmer and then get it annexed into town and then the city's going to have to build sewers, it's going to have to build roads, it's going to have to get electricity out there to that area. But if I buy there, I buy from one landowner at agricultural value, I shift off the costs of development to others, and I don't have to tear down old buildings. If I'm in the dilapidated part of town and I buy those 16 houses, I also have to tear them down. One of the difficulties that TIF overcomes for a developer is to get them to buy property that is dilapidated and then get down to ground. If you buy any place else with fresh land, you don't have that cost. What does the city get out of it? It gets the growth, it gets the value of the new building, it gets the increased tax base, and--and this is important--it gets rid of that ugly building. Otherwise you leave the ugly building and you build at the edge of the city. You don't want that. You don't want a doughnut and the doughnut hole in the middle is substandard and dilapidated and ignored by others and allowed to go, you know, downhill. So we support the idea of the bill, we think 20 is a reasonable number and we think extreme blight will not be difficult to justify under a rational basis and constitutional principles. Once the Legislature is empowered to do that work, I'm sure the Chairman would be able to identify and we would be able to find the common ground in a definition of extreme blight. [LR16CA]

SENATOR RIEPE: Okay, I have a question. [LR16CA]

DAVID LANDIS: Yes, sir. [LR16CA]

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SENATOR RIEPE: Based on your testimony and for the record, is it fair to say that you are saying that Chairman Wayne is a conservative? [LR16CA]

DAVID LANDIS: Shoot, Senator, I think I'm a conservative. [LR16CA]

SENATOR RIEPE: I was hoping to get that on the record. I might bring that up at some later time. [LR16CA]

DAVID LANDIS: Both conservative and liberal economists will tell you one thing and they agree on one thing: incentives work. [LR16CA]

SENATOR RIEPE: Oh, yes. [LR16CA]

DAVID LANDIS: TIF is an incentive, which is why both conservatives and liberals will consider using the idea of incentivizing the market, the engine of wealth creation, to do things it might not otherwise do. Whether it's fresh, you know, whether it's energy efficiency or anything else or whether it's investing in research and development, like the tax incentive over in the Revenue Department. The reason that works is because you incentivize the market, reduce their risk, and make something attractive that was not heretofore attractive. Conservatives and liberals don't disagree on that point, which brings us together on TIF. [LR16CA]

SENATOR RIEPE: Another question that I have, oftentimes in going into underdeveloped areas you displace very low-cost housing. Although it might be substandard, it's still a loss, and those are people that are looking for low-cost housing. And it's a conundrum that we would face and I don't know, do you have thoughts? I know you think a lot, so I'm asking if you have any thoughts on that. [LR16CA]

DAVID LANDIS: I'm delighted that the Legislature recently changed the turnback tax, I think about a year and a half ago, Senator, just before you came, in which once the turnback tax of those venues that produce money, create resources, one of the purposes for which the money can be spent is affordable housing. It wasn't in the original bill, the Legislature said, wait a second, we need to have some more tools for affordable housing, and that was one of them. The Affordable Housing Trust Fund was created, and by the way, it's a pretty unique element in Nebraska. That's been very supportive in affordable housing. The Nebraska Investment Finance Act, the NIFA, is a significant player, and the Nebraska Legislature created that entity. All of those are attempts to create tools to incentivize the creation of affordable housing. And by the way, Senator, here's the problem with coming up with more affordable housing: today the cost of

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building a unit in an apartment might be \$80,000. If it's a house, it's going to be \$120,000 or more. [LR16CA]

SENATOR RIEPE: Or \$400,000. [LR16CA]

DAVID LANDIS: Or \$400,000, oh, absolutely. The average new house in Lincoln, Nebraska is \$250,000. Building a house, let's say we could build one for \$140,000, and it can be done. But a bank is only going to loan you up to 30 percent of your income to pay a mortgage on that house. And if you are 80 percent of the median income in this state, the likelihood 30 percent of your income will have a hard time stretching to the mortgage on a \$140,000 house, which is why an incentive, a subsidy of some kind, probably needs to be present in the creation of new affordable housing. Where most affordable housing comes is from older houses that get run down, left alone, turned into rental, and then the last value is squeezed out of the house. That's where we get our affordable housing. But there is a way to get affordable housing, but it will almost always economically have some kind of incentive because if poor people could pay the price for that house, we wouldn't need an incentive and there wouldn't be a problem. It's because their means don't match the cost of new housing. [LR16CA]

SENATOR RIEPE: Is that where Section 8 comes in? [LR16CA]

DAVID LANDIS: Yes, absolutely. And there's another one at the federal level, although I think I do want to spend a moment congratulating the Nebraska Legislature for its historical work. It's had two or three places where they've reached out and tried to address this problem, or at least create some tools. [LR16CA]

SENATOR RIEPE: Okay. Are there additional questions? Senator Quick, it's between you and me. [LR16CA]

DAVID LANDIS: Yeah, but they left the brain power in the room, didn't they? The heavy lifters. [LR16CA]

SENATOR RIEPE: You should be a politician. Okay, thank you, Senator. Additional proponents coming forward. [LR16CA]

CASSIE PABEN: Good afternoon, members of the Urban Affairs Committee, those of you that are left in here today. My name is Cassie, C-a-s-s-i-e, Paben, P-a-b-e-n, and I'm the deputy chief of staff for economic development for the city of Omaha. The city of Omaha is in support of LR16CA, we see lots of potential benefits coming from this. We've been very successful with the

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use of TIF to redevelop and reenergize areas of blight and substandard, but we do also recognize that we still have pockets of our community that are more difficult. Expanding TIF in areas and allowing up to 20 years would allow us to attract that investment and potentially minimize the risk that comes along with doing development in extremely blighted areas. That being said, I will keep my remarks short because I think Mr. Landis probably covered much of what I would have said anyway. But if you have any questions, I'd be happy to answer them. [LR16CA]

SENATOR RIEPE: Thank you. And Senator Quick and I may just have a litany of questions. [LR16CA]

CASSIE PABEN: I'm here to answer. [LR16CA]

SENATOR RIEPE: Senator Quick, are there any questions? [LR16CA]

SENATOR QUICK: I have none, thank you. [LR16CA]

SENATOR RIEPE: Okay. I have none either, so... [LR16CA]

CASSIE PABEN: Okay, thank you. [LR16CA]

SENATOR RIEPE: Thank you so very much. More proponents? Welcome, sir. And I think you know how this works, state the name and spell it. [LR16CA]

KEN BUNGER: (Exhibit 5) I do, thank you. Practice. Ken Bunger, I'm an attorney in Omaha, registered lobbyist this year for the North Platte Area Chamber and Development Corporation. I'm also speaking for myself. I've asked the clerk to distribute a suggested amendment to the language of LR16CA, which I'm here to support. The language doesn't change anything other than just put it in I think language a little more consistent with the rest of the article in Section 12. One of the things as a drafter of constitutional language through the years, including a large part of Section 12, is to try to be consistent in its approach. I just, as a little bit of a background, and why I think the 20 years is particularly important, is that in an area that is to be defined as extremely blighted, generally the lenders are those that have the least capital or maybe choose to put themselves at risk. So the 20 years, even if it's the same term of a note or a bond or the borrowing, that extra 5 years gives what's called additional comfort coverage to the loan that reduces the risk, that makes it much more likely that a bank will support a project. So even though in most cases TIFs are paid off earlier, in certain areas there's more risk. And where there's more risk, the interest rate goes up or the loan goes away. So anything that you can do to reduce that risk and provide for some additional coverage, in this case some additional time,

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would be welcome. As stated before, the reason that the constitutional amendment was done in the first place, Article XII was done really in two parts. In '78, because of Nebraska's Constitution, the constitution was amended to allow redevelopment and acquisition for redevelopment purposes to be a public purpose. In other words, public money could be used or public credit could be used. And that was done in '78. Now later on, in '84, it was added, I might have my dates right, '84 it was added to be able to use tax increment financing as a tool as well because it was kind of done throughout the country, it was seen as a very necessary part of economic redevelopment. In '88 we added...I say we, I drafted the thing...we added rehabilitation as a provision in the constitution, and specifically for rehabing buildings in older areas. So this proposed amendment for the 20 years goes along with that theme that Nebraska has entertained through the years of aiming redevelopment for areas in particular need. One of the things that the Legislature has defined blighted and substandard is not only in the Community Development Act, but in the now dormant--but it's still on the books--the Redevelopment Act, which we drafted for the proposed Micron project which didn't happen, but it was used for the Aksarben redevelopment in Omaha. And I might say, just as a matter, I'm the one that drafted the resolution declaring Warren Buffett's house blighted and substandard. I will also say that once it got on the planning board it never went anywhere but the World-Herald. And so to this day I do have a copy on my wall, by the way. Bad idea, but you know, you get the general idea. It was for the Aksarben redevelopment and we wanted a larger area. So if there's any questions, I'd be happy to take them. [LR16CA]

SENATOR RIEPE: No questions? I think you clarified my concern about when I first read it I didn't read the 20 years in, but you did put it in. I thought it was open-ended and I was concerned (inaudible). [LR16CA]

KEN BUNGER: No, no, it was...I try to just be helpful. [LR16CA]

SENATOR RIEPE: Okay, thank you so very much. Any other proponents? Welcome. [LR16CA]

MIKE BACON: Thank you, Senator. My name again is Mike Bacon, B-a-c-o-n. I'm representing myself. I'm a practitioner under the Community Development Law, I've done that for at least 25 years. What I would suggest to you is that this amendment would assist towns of first, second class, and villages. One of the problems we have in those communities is that you don't get much of a bump in valuation in anything you do because it's a building in a small town and there isn't a high market for that. The impact of that, real frankly, is that people are not reinvesting in the hardcore downtown in those small towns because they can't make a return on their investment because 15 years just doesn't get the goat milked. This would assist in those communities, rather than driving projects to the periphery, maybe provide some assistance to stay in the downtown so

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you don't have that doughnut hole. That's all I have to say, I would very strongly support this amendment. [LR16CA]

SENATOR RIEPE: Okay, any questions? I have one. I came from a small town, small enough that the welcome and thanks for coming is on the same post. [LR16CA]

MIKE BACON: Yes. [LR16CA]

SENATOR RIEPE: But someone might declare the entire town or village as being blighted or extremely blighted (inaudible). Does that apply to some of the cities you represent, do you think they would designate the entire town as extremely blighted? [LR16CA]

MIKE BACON: Of the 80 communities I've been in, I have seen two do that. And yeah, they qualify. But generally they don't do that, but they have the authority to do it. I don't recommend that they do that at all. [LR16CA]

SENATOR RIEPE: Okay. So even though with that designation they may not still be able to get TIF funds? [LR16CA]

MIKE BACON: Yeah, that's true. [LR16CA]

SENATOR RIEPE: Okay, thank you very much. Appreciate seeing you again. Additional proponents. [LR16CA]

LYNN REX: Senator, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We appear today in strong support of LR16CA. We appreciate Senator Justin Wayne introducing this measure. I would like to indicate, not just with respect to this bill, but also with TIF generally, that the League executive board met last night, it's part of our midwinter conference meeting, and there was a discussion about having moneys taken out of reserve to work on a manual to help train municipal officials and development attorneys across the state of Nebraska. And I want to underscore another point, which is to continue training, because we have been training municipal officials, elected and appointed officials for many, many years and will continue doing that. But as you know, there's a turnover of municipal elected officials and there's not that much turnover with the development attorneys but still we want to work with them and partner and put together a manual that would be somewhat of a checklist if you will, similar to what the Bar Association has put together on real estate transfers and things of that nature. And actually Dave Landis suggested this and we had a meeting with Senator Wayne and discussed something similar to this. And our board

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thought that was an excellent idea for us to take on that project and put something together and really make a concerted effort so that municipal officials, and city attorneys in particular, could have a checklist to double-check and make sure that all of the statutory requirements are being met. I do want to underscore a point that senator...or not senator, former Senator Russ Karpisek made in testifying on behalf of the Auditor's Office today, and that is predominantly most of those indications of noncompliance with the Auditor's report dealt with clerical errors. And we're not diminishing the importance of that report. We think it's very important to have these accounting standards, very important to make sure that there's transparency, and very important to make sure that everybody crosses the t's and dots the i's. That being said, most of what occurred and most of what was reported were in fact technical errors. So again, we underscore the fact that the League will continue doing ongoing training with our municipal elected and appointed officials and that we will take on the task of putting together a concerted effort for a manual, something that really can, I think, look at statutory compliance in a way that the city attorneys themselves can be working with the redevelopment attorneys to make sure that there is compliance. Many of you are familiar with bond counsel and many have served on boards where there have been bonds issued and something of that nature. And I know Senator Quick is with his work with the city of Grand Island. And when bond counsel comes to meet with your city or village, basically they outline what you're going to do and how you're going to do it, and that is what you do. That is very similar when you look at what happens with TIF and tax increment financing in the state. And we think this way there would be more of a check and balance, too, to make sure that there is compliance. I want to underscore that with LR16CA we do think that it is important to allow municipalities to go from 15 to 20 years. As Dave Landis said, we have absolutely one of the most restrictive TIF laws in the country. I think Senator Crawford alluded to that as well. Surrounding states all have more than 15 years and many have much greater than that. LR29CA, which was an initiative in 2013, introduced by Senator Adams, that was advanced to General File by this committee. It was left on Select File in 2014, he chose not to pursue it. That did two things: that struck the language "substandard and blighted" and inserted the words "area in need of rehabilitation and redevelopment;" and secondly would have increased from 15 to 20 years the TIF development. When it was advanced from committee though, the standing committee amendment did strike the 20 years and left in the 15. We really do think the 20 years is important because there are some very big projects where you do need to have the 20 years. So I can see the yellow light and just want to underscore again the importance of LR16CA and our commitment to this committee that we will continue working and training our members. And in addition, working with the Auditor's Office and redevelopment attorneys and others to we think put together a manual that's going to be excellent in terms of folks being able to have a check and balance for these technical compliance issues. I'd be happy to respond to any questions that you might have. [LR16CA]

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SENATOR RIEPE: Thank you, Ms. Rex. I'm now going to turn the meeting over to Vice Chairman Hansen and he will explore any additional proponents. So, Senator Hansen. [LR16CA]

SENATOR HANSEN: Thank you, Senator Riepe, and thank you for chairing. Are there questions for Ms. Rex? Seeing none, thank you. [LR16CA]

LYNN REX: Thank you very much. [LR16CA]

DON WESELY: Mr. Vice Chairman and members of the Urban Affairs Committee, my name is Don Wesely, D-o-n W-e-s-e-l-y, again representing Lexington, Hastings, and Kearney. We're here in support of LR16CA and thank Senator Wayne for introducing the bill. I think this addresses a number of concerns that we've heard previously from Senator Groene, for instance, who talked about wanting TIF to focus on downtowns and not so much on the edge of town. And here I can see somebody coming in and saying, well, we're looking at your town, looking at sites. And you say, well, we can provide this for you here, but if you go to this very blighted, extremely blighted area, we've got a longer TIF period that will help you out. That could make a difference and I think it's worth trying. I think it will help and it will address some of the concerns that have been talked about here on TIF. So we support the bill. [LR16CA]

SENATOR HANSEN: Thank you. Are there questions for Mr. Wesely? Seeing none, thank you. We'll take the next proponent. [LR16CA]

JENNIFER CREAGER: Senator Hansen, members of the committee, for the record, my name is Jennifer Creager, J-e-n-n-i-f-e-r C-r-e-a-g-e-r, senior director for public policy at the Greater Omaha Chamber. I would like to thank Senator Wayne for introducing LR16CA and are glad to be here in support. In the interest of time, I will just say that we agree with Ms. Paben's comments on behalf of the city of Omaha. The proposal would help get more development in the most challenging areas of our city, including north and south Omaha where we do face additional challenges in development, and that the Chamber is committed to development in our urban core and this could be helpful to those efforts. Thank you very much. [LR16CA]

SENATOR HANSEN: Great, thank you. Are there questions? Seeing none, thank you. [LR16CA]

JENNIFER CREAGER: Thank you. [LR16CA]

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SENATOR HANSEN: (Exhibits 1-4) Any further proponents for LR16CA? Seeing none, are there any opponents? All right, seeing none, is there anybody who wishes to testify in the neutral capacity? All right, seeing none, we'll welcome Senator Wayne to close if he wishes. Senator Wayne waives. All right, I will read into the record we have four letters of support. We have a letter of support from Omaha By Design; letter of support from the United Cities of Sarpy County; letter or support from the Nebraska Realtors Association; and a letter of support from Mayor Jean Stothert, city of Omaha. That will close our hearing on LR16CA and our hearings for the year. [LR16CA]

SENATOR WAYNE: Yes, this closes the hearings for the year. We are efficient. Members, just so you know, we might Exec on Friday just a couple bills that people want to have as priorities. [LR16CA]