

Transcript Prepared by Clerk of the Legislature Transcribers Office
Urban Affairs Committee September 4, 2018
Rough Draft

WAYNE: OK. Good afternoon. Welcome to the Urban Affairs Committee. My name is Senator-- good evening-- this is evening. My name is Senator Wayne. I represent District 13, which is north Omaha and northeast Douglas County. I serve as the Chair of Urban Affairs. And we will start off having members of Urban Affairs Committee do self-introductions, starting with my left, Senator Riepe.

RIEPE: Thank you for being here. OK, obviously, I-- I'm Merv Riepe and I represent Millard and Omaha and Ralston in Legislative District 12. Thank you.

CRAWFORD: Good evening and welcome to Bellevue. I represent LD45, which is where we are right now, and it's a pleasure to have all of you here. Thank you.

QUICK: Good evening. [INAUDIBLE] We'll just use this one.

WAYNE: There we go.

QUICK: Good evening. I'm Dan Quick and I represent District 35, which is Grand Island.

TREVOR FITZGERALD: Trevor Fitzgerald, committee legal counsel.

PRECIOUS McKESSON: Precious McKesson, committee clerk.

WAYNE: This after-- this afternoon we'll be hearing two interim studies, LR398, a study on-- to examine the impact of sanitary improvement districts, SIDs, upon annexation by municipalities, and LR390-- LR399, a interim study to examine issues related to metropolitan transit authorities. Where are our testifier sheets?

PRECIOUS McKESSON: Back there.

_____: Yeah, back-- back in--

PRECIOUS McKESSON: Back in--

_____: Back [INAUDIBLE]

WAYNE: Just right behind--

_____: Right by the door.

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WAYNE: OK, just wanted to make sure where we're going. In the back of the room, over to the left, you'll find blue testifier sheets. If you are planning to testify, please fill out a-- fill out one and hand it to Precious prior to coming up. And we want to make sure we keep that recording accurate. If you do not wish to testify but wish to record your presence, please fill out a pink sheet and we'll also record your presence. If you have any handouts, please bring ten of them to Precious, but we'll make sure all of us have one and have one for the record. Testimony for each interim study will begin with the introducer's statement. After the opening statement, we will hear from invited testimony, after which we will take public testimony. So this is an interim study. There will be no proponent or opponent testimony. We ask that you begin your testimony by first giving us your first and last name and spelling for the record. We ordinarily use the light system, so we'll try to stick to it, but we don't have lights, so this is going to be your one-minute sign and this will be your 30-second sign. We typically allow going over. I think it's important when we're out-- out of the body to make sure that we hear from the public, but just to give you a framework or try to make sure we see 30 seconds to wrap it up so that you can. I'd also remind everyone, including senators and myself, to turn off your cell phones or put them on vibrate. And with that, we will begin today's interim study hearing on LR398. Since I'm the introducer, I'm going to stay up here and hand it over to Senator Crawford, then we'll go from there. I'm not going to go down there, walk all the way back up [INAUDIBLE] sound like a trip disaster right there and so everybody will talk about it, so I'll just do it from here. Good evening, Senator-- Urban Affairs Committee. My name is Justin Wayne and I represent Legislative District 13, which is north Omaha and northeast Douglas County. The purpose of this is to-- interim study LR398-- is to examine the sanitary improvement districts, SIDs. SIDs are [INAUDIBLE] limited purpose political subdivision that is fairly unique to Nebraska. First created in post-World War II, in the periods late-1940s and 1950s, SIDs were primarily utilized in urban areas to facilitate growth outside of city limits. SIDs are used to fund the cost of the construction of streets, sewers, and other infrastructure with the expectation that we will inevitably be annexed or they will inevitably annex [INAUDIBLE] SIDs are heavily concentrated in Omaha metropolitan area. As of February this year, there are 337 SIDs statewide, of which 8 percent are located in Douglas and Sarpy County. Following Sarpy County-- following Sarpy County's 141 SIDs, Douglas County has 134. The highest number of SIDs, besides those two, are Cass County and Saunders County, with eight each. A map is also included in the committee

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materials just for your reference. Since Urban Affairs staff have been tracking SID numbers on an annual basis, this is the first year Douglas County does not contain the most SIDs statewide. One of the reasons why Sarpy County has the most SIDs is significant number of SIDs have been annexed by the city in the past-- past few years, with the most recent annexations of 12 SIDs taking place this summer, or last month. With-- what prompted the introduction LR398 was largely an article published last March, which argued SIDs for the construction of most new housing projects in the Omaha area had contributed to the concentration of affordable housing in eastern Nebraska, the overall scarcity in affordable housing in the Omaha metropolitan area, and the high levels of racial segregation in Omaha metropolitan area. At last week's hearings, we heard testimony from Professor Palma Strand, the author of art-- of the article, as well as a number of SID developers, home dwellers, and city officials. I expect today we'll hear from another-- a number of SID developers and home dwellers, and one of the topics not addressed last week, in-depth discussion, was the hearing of the issue of risk. I think it's important people in the crowd, who are going to testify, to have a conversation with the committee about risk. We talk a lot about the transfer of risk when a development is done utilizing SID miles instead of having the infrastructure being built by the city. SIDs are political subdivisions that can go through a bankruptcy process under Chapter 9 of the U.S. Bank Code, so there's no ability in bankruptcy protection [INAUDIBLE] reduce some of the risk faced by SID developers, but nevertheless, we should still learn a little bit more about that. Nebraska has actually seen more SIDs file chap-- Chapter 9 bankruptcies than any other state in the nation, most exclusively due to a large number of SIDs' bankruptcies during the housing downturns. Finally, I have requested a representative from the city of Lincoln to provide testimony about development processes there, since they are-- the [INAUDIBLE] city and do not quite use-- do not use SIDs. Unfortunately, I'm told that Professor Landis was unavailable to attend tonight, so we might get out of here on time, since he's not here. But I look forward to learning more about why Lincoln does not use it. And with that, thank you and I'll answer any questions.

CRAWFORD: Does anyone have some-- does anyone have questions for Senator Wayne?

_____: Not yet.

CRAWFORD: There are no questions.

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WAYNE: Well, before I-- before I-- before I, I guess, leave, the let's continue with the presentation. I did want to hand out two articles, just to make sure everybody had them. One was: Thanks to SIDs, the-- has-- Nebraska has the most Chapter 9 bankruptcies, which was in 2012 in the Lincoln Journal Star, and the other one was "Nebraska is King of Chapter 9 bankruptcies," which was on the Watchdog back when Watchdog was around. And so I just want people on the committee to get the perspective of--

CRAWFORD: Look like we do not have any invited testimony tonight, and so you're welcome to come forward and testify just [INAUDIBLE] testifying sheets [INAUDIBLE] testifier sheets, excuse me, in the back of the room. And this is an interim study, so there's no proponents, opponents. You just come, first come, first served, come up and testify. Welcome.

_____: Thank you.

ERIC GERRARD: All right.

CRAWFORD: You're welcome to begin.

ERIC GERRARD: OK, thanks. Good evening, Chairman Wayne, members of the Urban Affairs Committee. My name is Eric Gerrard. That's E-r-i-c; last name, G-e-r-r-a-r-d. And I'm here today representing the city of Lincoln. As Chairman Wayne mentioned, Professor Landis, again, was not available tonight, so you're stuck with me once again. I've submitted to the committee a letter, and this is actually prepared by another David, David Cary, who is-- who runs the Planning Department in the city of Lincoln. I will admit to this committee, I usually look forward to legislation that has the words "SID" in it because, as city of Lincoln, I can smile and move past that since we don't use them, so this is unique for me to presenting-- to be presenting on this topic. I'm going to read from the letter from David Cary because he's our expert. And if there are follow-up questions, I'll do my best to answer; and if not, I'm happy to set up meetings with David and myself. Dear Senator Wayne and members of the Urban Affairs Committee, the city of Lincoln provides this letter as input on LR398, the interim study to examine the impact on sanitary and improvement districts, or SIDs, upon annexation by municipalities. Lincoln is not in the practice of using SIDs as a mechanism to fund suburban growth. Instead, the city of Lincoln uses a growth policy that builds urban infrastructure such as water mains, sanitary sewer lines, and arterial street improvements in coordination with new suburban growth demands.

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New developments are annexed at the time of zoning and platting approval, and the developments and related infrastructure projects are approved and funded so long as they are in conformance with the adopted comprehensive city plan policies for growth. The growth policy results in an orderly and financially stable system that meets the demands of new growth within the city limits. Unlike SIDs, which, when used for-- which, when used, allow for new growth to be built outside city limits with payments on its incurred urban infrastructure debt paid over a period of time prior to eventual annexation, Lincoln uses its annexation powers to bring all new development into the city limits so long as the urban infrastructure is available. Lincoln's growth policy is empowered by the state through the long-standing and wise provision of strong annexation powers for cities in Nebraska. This system works well for the provision of urban infrastructure, with the private developer responsible for financing local streets and local water and sewer lines as part of the developer invest-- investment, while the city of Lincoln invests in needed regional infrastructure such as arterial streets, major water lines, and trunk sewer lines in support of growth projects. Various sources of revenue include water and wastewater user fees, water/wastewater/arterial street impact fees, state gas tax revenue, wheel tax revenue, federal transportation revenue, and other sources of revenue that are used by the city of Lincoln to fund planned infrastructure needs. The benefit of Lincoln's growth policy is that the financial strength and stability of the city is used effectively to strategically implement-- implement and more securely finance infrastructure in-- investments. The development community understands this system and enters into partnerships with the city to help build new developing areas within the city limits. Although the use of SID provides an alternative mechanism to provide for some of the urban infrastructure costs related to suburban growth, in our experience in the city of Lincoln, it creates more opportunity for financial insolvency with each-- with each individual new SID, and their use also limits the advantages of citywide provision of infrastructure and financing. The city of Lincoln's experience has been that our current policy of planning infrastructure improvements concurrent with the annexation has been very successful. We are able to grow while efficiently and effectively investing taxpayer and ratepayer dollars. The city of Lincoln respectfully submits these comments on LR398 to provide perspective on how they a growing and, we think, thriving city can effectively plan for and build infrastructure in support of its growth without the use of SIDs. The one thing I'd add to that letter is I did ask before coming here if we have any current SIDs. I think we do have two to

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three SIDs that were implemented years ago; I want to say over 20, 30 years ago. So with that, I would close the formal testimony-- testimony and ask if there are any questions. Thanks.

CRAWFORD: Thank you, Mr. Gerrard. Are there any questions?

RIEPE: I have a question.

CRAWFORD: Senator Riepe.

RIEPE: Thank you. I feel a little bit like [INAUDIBLE] but like Moses looking down on [INAUDIBLE] It's quite a serious situation. The question I have for you, sir, is that-- does the city of Lincoln use-- there was-- Senator Stinner and Senator Williams had some legislation that allowed for TIF financing for housing in western Nebraska, but something for western Nebraska would not be limited to western Nebraska. Does Lincoln use any other-- what other tools do they use if they don't use SIDs?

ERIC GERRARD: Sure. To answer the question on TIF used for housing, I believe in the city of Lincoln we have used it. We use-- we don't do it for single-family or individual homes, and I think a lot of that was the purpose of the workforce housing bill, if I'm remembering it correctly. We have used it for apartment complex. The-- the other thing I'd add to that is that we always check with our Lincoln Public Schools system to ensure when we're using TIF dollars in any sort of housing situation, that we're doing in coordination with our-- our public school system.

RIEPE: OK. Thank you.

ERIC GERRARD: Yep.

CRAWFORD: Other questions? So I have a question. One of the areas of focus in our conversation last time was about affordable housing and what role the city or the state would play in trying to ensure that affordable housing is built throughout the city. Can you speak to the ways in which the developing suburbs in this way-- do you have affordable housing plans and a strategic plan that are followed or is there any way in which suburban development that happens and the way Lincoln does it is more likely to provide affordable houses or affordable housing or affordable housing throughout the city?

ERIC GERRARD: Yep, thank you, Senator Crawford. I think I understand the question. I don't know. But what I can do is check with David Cary

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and get you-- get you an answer. I do know within our urban development department, we have a specialist who works on affordable housing, and I know that's kind of the area she focuses on, so-- and I can also look back at her comprehensive plan to see if the annexation process, if that's one of the factors we consider. I will say, generally speaking, we are starting to hear more and more about that at the city of Lincoln and the city council level, asking for solutions to affordable housing, so I think that's a-- a topic that's going to continue to come up this year and in years to come. It's something the community is demanding, quite frankly.

CRAWFORD: Thank you. And do you happen to know how prices compare for houses built this way versus SID, like a-- a new starter home in-- in a new Lincoln development versus a new starter home in an Omaha SID?

ERIC GERRARD: Sure. I hate to be evasive, but I-- I don't know, so let me see if I can follow up and get you an answer on that.

CRAWFORD: Any other questions? Any other questions? All right, thank you so much for your testimony.

ERIC GERRARD: Thank you. I'll leave this on.

CRAWFORD: OK. And we now officially have our Vice Chair here, so I'll [INAUDIBLE] take over.

_____: [INAUDIBLE]

CRAWFORD: All right. OK.

_____: [INAUDIBLE] district.

CRAWFORD: [LAUGH] OK, I'll keep going. Welcome.

PATRICK SULLIVAN: Well, good evening. My name is Patrick Sullivan, 1246 Golden Gate Drive in Papillion, Nebraska. I'm here wearing--

CRAWFORD: Can I stop you just for a minute just--

PATRICK SULLIVAN: Yes.

CRAWFORD: --just to spell your name for us, if you would.

PATRICK SULLIVAN: Sure.

CRAWFORD: Thanks.

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PATRICK SULLIVAN: S-u-l-l-i-v-a-n. I sit before you in kind of a unique position in that I am the city attorney for the city of Bellevue, as well as I represent a number of SIDs, so it-- it-- it plays where I see kind of both ends of the spectrum. One of the discussions, and just kind of following up on the city of Lincoln's letter, that may very well work for Lincoln, and that's a-- that's a mechanism to do that. I think, in particular for the city of Bellevue, that's going to be very difficult from this aspect. We passed through voters LB840 money, which was supposed to be about \$750,000 a year to build a Highway 34 corridor, to have infrastructure and so forth put in there; \$750,000 a year doesn't build much infrastructure. And despite that, we have had budget struggles. In some years, that has not been funded as well as other year-- years. It has been cut from the budget only then to be brought in again after pleas at the last minute. So for the city of Bellevue's perspective, if we did not have SID financing mechanism, we wouldn't be able to do public-private partnerships and put in those arterial roads and-- and those type of structures. What I think you'd find is you'd have cities that are in financially strong position that can do that then get to see all the new growth, and Bellevue will only suffer more from having the inability to attract developers because of the lack of financial ability of the city to put in those other infrastructure, similar to the way that Lincoln does. I think the other difficulty that comes from that is we see a lot of competition from the use of SIDs because it's available money. Without the SID structure, if developers had to come in with much more money up-front to develop these properties, you would see only those very large, well-standing developers come in and develop those properties. The other thing I want to mention, in regard to these numbers in bankruptcies, this was called the Great Recession. It was a bad situation. The issue, though, that's before you is those bankruptcies cost bondholders potential interest and that's it. It's those people that took the risk and decided they were going to purchase that, that took that risk. Now I can guarantee you that in Lincoln, a lot of those neighborhoods didn't do well. OK? They didn't file bankruptcy because they were in the city of Lincoln, but you know who paid for that, them not doing well, was the taxpayers. Under the SID financing, the city is an entity [INAUDIBLE] and quite frankly, city of Bellevue can't afford to be [INAUDIBLE]. There's-- with the city of Bellevue, the city relies on these SIDs to develop and then create our future growth. Without that, Bellevue would struggle tremendously. We have a lot of low-income and subsidized housing in Bellevue. We have just a lot of low-valuation homes in Bellevue. Without the SIDs coming forward and-- and building these properties

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and then eventually annexing it, Bellevue would just continue to struggle and not have any type of tax base. One of the things that were in the professor's paper that I do have to take exception to, and mostly because I think it was almost a little bit inflammatory to get people excited about it, and I'll read from the-- from the comment that's in here. This is on page 32 of the report. It says: When SID debt was assumed by City of Omaha taxpayers at large, Black taxpayers contributed to paying off the debt. Black taxpayers in Omaha thus helped to subsidize western SID development from which they were excluded. The reason why I have a problem with that is typically what will happen is these properties get-- that an-- before the annexation occurs, there is debt that is being paid down, and that-- the mill levy continues to drop and continue to drop. Typically, the city will come in and they will go and annex that property. When it's very close to the cities, same mill levy, or maybe it might just be a notch higher, and typically they do that, not that they have to, but it's to avoid them-- those neighborhoods protesting or objecting to the annexation. But the reality is, within a very short period after that annexation, the valuation of that neighborhood is going up and its debt service has gone way down so that its mill levy, that neighborhood would have gone down much more below the city's tax mill levy had it continued to stay as an SID. Instead, it gets annexed, and then when that debt service starts dropping, the city is actually, in a sense, making money off that transaction, as opposed to absorbing more debt than they have assets. So the statement in here is not only inflammatory, but it's completely wrong. Bellevue relies on these SIDs, relies on the annexation process, so that we can then afford the other low-income housing and other things that we have in this area. We may have somebody else that will be testifying on this, but with respect to SIDs, to try to understand a little bit of the structure, we set up an SID. First of all, that has to go to an underwriter that says this thing's viable. They're going to look at it. It ends up they find investors that say, yes, we'll buy these bonds, and so they buy bonds. Typically, the investors are weighing the risk of this thing working or not; therefore, the interest rate on SIDs are going to get a little bit higher than the same bond that the city of Bellevue issues. They come in there. The developer goes in there, builds that neighborhood. Their bonds then get sold. Again, these are all private dollars, so if the thing goes wrong, it's not going to be the city that's going to be paying for or absorbing it. And then at a point when that SID becomes financially viable, as I had mentioned previously, the city then annexes it. So it's really, to some extent, a risk-free result for the taxpayers and for the city. The only,

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probably, maybe, trade-off is that there's going to be-- it's going to take longer before it is annexed than, say, if they were paid privately or through the partnership with the city of Bellevue. I think that's all that I had as far as testimony. If you have any questions, I'm more than willing to answer them.

CRAWFORD: Thank you, Mr. Sullivan. Are there questions?

WAYNE: Yeah, I've got a question.

CRAWFORD: Yes, Senator Wayne.

WAYNE: I appreciate your comments about Senator-- or Professor Strand's-- I guess you could call it inflammatory. Would you agree, though, if look at the history of SIDs, that that statement was true?

PATRICK SULLIVAN: No, and I-- and I'm not sure where that's coming from

WAYNE: Well, when you look at West Dodge district, which in their deeds, there's not a lot of African Americans that own it. When you look at Country Club district, which is right around the corner from my house, in their deeds, there's not a lot of people that own it. They were all SIDs. Would you not think that statement is true?

PATRICK SULLIVAN: I think that's a factor that occurred at some point in our history that is not-- what-- what I want to say, is not unique to properties that were in SIDs. In fact, the first time I ever saw that language was in a title binder that I was looking at a property at about 78th and Blondo that that property had never, ever been in an SID in its life, but yet there were covenants in there that said that that was restricted. I don't think that restriction and that mark on our history is any way correlated SIDs. It was correlated to many developments in the area.

WAYNE: So when we look at the growth of Omaha, particularly in the west, and I'll use 168th Street as an example, where SIDs were once-- they were growing and got annexed, but even 120th, at the time they built those SIDs, there were two county roads, or two streets. The growth of the 400 lot, now we're spending a \$80-- \$60-- \$70 million to widen those streets, whereas in my community, we have streets that have potholes as big as the table you're sitting at. So we're using our tax dollars to support the infrastructure of an SID because at the time that SID was created, there wasn't enough people to support a new street. Would you agree with that statement?

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PATRICK SULLIVAN: I don't know that I agree or disagree. I think that would be a question that would be better directed toward city planning and the-- and the city department of roads. I can't speak specifically for that. I know that they're looking at-- at traffic counts as a reason why a lot of those roads are widened. And from my understanding, that Dodge Street Expressway, for instance, was supposed to be done 40 or 50 years ago, didn't get done, and that's why it cost so much to get done in the first place. But I-- you'd have to ask the city planning. To me, that sounds more of a internal city-planning issue than it is from an SID perspective. And when we take SIDs, typically what happens is the SID is fronting for arterial streets; it's fronting a third to half of that money anyway. And that, again, is being paid by that SID through taxation of that neighborhood and typically at a much higher taxable mill levy than what they would be taxed at if it was in the city.

WAYNE: So since you deal with both the city and-- and the private sector, who bears the risk?

PATRICK SULLIVAN: Bears the risk of what?

WAYNE: Of the-- of the development.

PATRICK SULLIVAN: The entire risk lays on those people that are bondholders. And-- and I think you'll find that of all of these SIDs that-- and it was a handful. It sounds like it's bigger than it was. But that handful of bankruptcies, mostly what happened to the bondholders is they had to take a cut in their dividend. They had to take a cut in their interest or they'd have to take payments without interest. City handled the rest. And I can tell you right now that in the-- in the city of Lincoln, they had the exact same problem. But that cost of neighborhoods not developing is completely borne by the city of Lincoln and everybody internally within the city of Lincoln, it was not-- where the typical development around this area, the city is not at risk.

WAYNE: So who's at-- so who-- when you say everybody in the bondholders, who is that?

PATRICK SULLIVAN: They're private investors. Sometimes it's the developer themselves. They'll buy the bonds. You'll have people that want to have tax-free interest, so-- and they feel that SIDs are pretty secure investments, so they'll buy those bonds. So let's say a neighborhood costs \$4 million in infrastructure to put out. There's we

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sell them in increments of \$10,000. Investors go out there and they buy these \$10,000 bonds, and then they get a return on that investment. And if the thing goes bad, as some have, they have filed bankruptcy where they've restructured it, but at the end of the day, any of that restructuring is a risk that those private bondholders absorb. The city absorbs zero of that.

WAYNE: So I guess my-- my last question or two is around-- it seems like bondholders, investment councils, bond council, everybody, pretty-- I'm pretty sure, understands how this works and understands the risks and rewards, else-- else they wouldn't be comfortable.

PATRICK SULLIVAN: That's correct.

WAYNE: My question is, how do you make sure a homeowner knows that same risk, because aren't they bearing the exact same risk as the bondholder when they buy?

PATRICK SULLIVAN: Not really, but they do absorb some risk and it-- just how an SID works. It works really well if the absorption is fast. So if the-- if-- if-- in other words, houses are going in. Houses are being bought. We're getting valuation in that neighborhood fairly quickly, and then that has a base to serve the debt service. OK? If it builds out really slow or-- then we have very low valuation and we got a lot of up-front costs that are cranking interest during that whole period. That's why only, probably, in this metro area that you really see SIDs being used that widely, because there's a high absorption rate. You try to put an SID out in, say, Broken Bow or something like that, I think it would be difficult to work because it's that whole idea of absorption and-- and that it happens quickly. But I believe, and if I'm correct on this, it was Senator Crawford that put it into law that when they buy these houses, there's also a disclosure within the purchase agreement of what risk they're being associated with by purchasing that property.

WAYNE: It says that you're going into and SID, but do you think the homeowner really knows the-- what the risks are of SID versus buying a home inside [INAUDIBLE]

PATRICK SULLIVAN: It says-- it says more than-- and, Senator Crawford, maybe you can elaborate on it, but there's three or four provisions that have to be put in that purchase agreement about the fact of what an SID is and-- and the debt service that's going to be there.

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WAYNE: Thank you.

PATRICK SULLIVAN: And I'm not aware, to be honest with you, of anybody that has complained about-- from a homeowner's perspective, that's come in and said, wow, I didn't know this was going to happen this way, but there may be.

CRAWFORD: Thank you, Mr. Sullivan. Other questions? Thank you. Other testifiers?

JOHN FULLENKAMP: Senator Wayne, members of the committee, my name is John Fullenkamp, John, J-o-h-n, Fullenkamp, F-u-l-l-e-n-k-a-m-p. I'm an attorney here in Omaha. I testified at the last hearing, and I'm just here to kind of supplement some of that stuff and try to maybe shed a little more light on some of Senator Wayne's questions or the other members of the committee's questions. And I also want to focus-- towards the end of my comments, I think one of the questions that was conveyed to us other than this matter of risk, which I think Pat explained pretty well, is the issue of what are the tools. It was suggested to you that-- what-- what should we do? What else should we do to try to-- to-- to fix this problem? I think everybody understands that there is an issue with regard to pre-- trying to prevent-- or, excuse me, to provide affordable housing. And I think I-- I'm the guy that said, let's start over-- way over here in northeast and let's come all the way back to Bellevue and let's see how de facto, in fact, we do have affordable houses throughout the-- the metropolitan area. And of course the problem is, what's your definition of affordable houses? And so I did a little-- a little bit of research just to maybe provide some information for you to ponder. When I was here last time, I was talking about what the assessor assessed them at and-- and kind of going over history since I've been in the business a long time and dealing with starter houses. Used to be, years and years ago, \$25,000, \$40,000, \$50,000, \$100,000, and I remember when \$100,000 house was a-- was a big deal. Now a \$100,000 house, or even a \$200,000 house, is a starter house. I checked with Celebrity Homes, who is probably the largest developer of-- of single-family homes in-- in-- in the metropolitan area, and, for instance, as little as three years ago, that starter home, which is about a 1,200-square-foot, two-car garage, one-bathroom house that everybody starts in and some people stay in forever, was \$150,000 house and now it's anywhere between \$180,000 and a \$200,000 house. I also have a client who builds the Gesu houses in Omaha, if you know what that is, and that-- that's the-- the Jesuit organization that builds affordable houses in-- in the northeast Omaha community. And-- and they start out with a free lot. And-- and, you

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know, obviously, sometimes there has to be some rehabilitation done to that lot; the structure has to be torn down; trees have to be turned down. The unfortunate circumstance today is that to build that house is-- is about \$205,000 per unit. I was astounded to hear that, so obviously, there-- there has to be-- to provide the kind of housing that is necessary for the communities that need it, there-- there obviously has to be some sort of help by either government or subsidies or so forth. And so they explained some of those programs to me, but before I get to that, let me address a couple issues. One is with regard to, you know, if Lincoln chooses to do it one way and they have fewer developments and it's a great city and things are wonderful there, that's good. I mean, I think that's fine. You heard Mayor Black testify on behalf of the United Cities of Sarpy County that that was the preferred way of doing it here. You heard the planning director for the city of Omaha, the city finance people from the city of Omaha say that that was their preferred way. I think, quite frankly, the-- the-- the fact of the matter is that in Omaha, that they-- the government's used those taxing districts as a vehicle to get some things built that maybe others are charged personally for in other communities, and that's just a matter of choice. Senator Wayne, a couple of questions you asked that I just want to offer some information to you with regard-- I think you were talking about 168th Street and why was all the money spent on 168th Street, because that's a big street that's being built in Omaha right now. I mean, the truth of the matter is that 100 percent of the cost, I believe, on 168th Street is being paid through impact fees that are paid on every building permit that is outside the interstate loop in-- in Omaha. So it-- it's not being paid out of city money to the detriment of anybody else. And I'm not saying that situation doesn't exist somewhere else, but certainly with regard to that major project, that is being paid-- paid out of impact fees. The issue of-- of-- of dealing with the Great Recession, the second biggest financial crisis the United States had, and the-- the bankruptcies in-- in Omaha-- and we probably handled four of those bankruptcies, and those of you that are lawyers also know that the federal bankruptcy laws can be your friends, and if they are properly written and properly followed, they are of benefit. When an SID starts out, there's a subdivision agreement that says their tax levy shall be 88 cents. And in every time we had one of those situations, our-- our first obligation was to protect the homeowner so that that tax rate did not go up. And those subdivisions, generally speaking, are filed of record and they're with every title commitment and everything that's there. I can tell you that from personal experience, we filed four federal Chapter 9s, three of which have paid

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100 cents on the dollar. Now why did we do it? We did it because there needed to be some relief at the moment. And so we reduced an interest rate from-- to half of what it was, said to the credit holders, here-- here is the plan that we think will work that has the best chance of paying everybody off. And all of the plans were preapproved. So when you think of bankruptcy, you think of liquidation and you think of reducing assets. That's not what a municipal bankruptcy is. It is a reorganization and, in this instance, is based on a preapproved plan, which were workouts. As I said, in three or four of those where we actually did reduce interest rates, we paid the entire original interest rate back, 100 percent. Now there is one that has-- it has some mapping issues and it's working its way through. I know that the other ones have been filed, are-- are preapproved plans as well. So certainly it makes a headline when you say, gee whiz, look at all these bankruptcies. But if you delve into them and see what they actually are, they are preapproved reorganization plans that worked and paid off. So-- so let me-- let me go to the-- let me go to this other topic, because it was interesting to me and I-- and-- and it was conveyed to me that perhaps we were coming to you to say, you know, the whole-- the problem is not the SIDs, what-- what are you really trying to get to on your committee, what was the study really trying to get to, the law review article, which seemed to me that even though it was critical of SIDs, was really trying to get to the issue of how are we going to provide low-income housing and what other tools are there that we could do. So I did a little of my own homework, and I don't profess to be a low-income housing specialist by any stretch of the imagination, but I have-- I did try to take the opportunity to talk to some people and say, you know, educate me. One of the things that-- that I passed out for you today is this is what the state of Missouri does, and the state of Missouri is pretty well known for having the incentives necessary to respond to this kind of problem. And almost everything ends with an "ID" on it, but, you know, obviously, they used TIF financing; they used these community improvement districts, neighborhood improvement districts, transportation districts. They offer sales tax exemption and tax abatements for up to 25 years, all of which the local government decides whether it wants to do or not because the-- because the local governments really have to buy into the idea of how are you going to do this. I mean, they have to recognize that there is a demand and they have to be willing to-- to make some sacrifice and-- and to-- to give some taxes. A couple-- so the other things that are available, and-- and I guess I'm-- I have a suggestion and my suggestion is that perhaps there really does need to be a real hard study group here or

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some sort of task force, whether it's appointed by the Governor or appointed by this committee or formed by somebody, which would include not only the members of the public but the-- but the people that are in the-- that in the business of doing this, in the business of building houses to-- to provide a public and a private stakeholder organization that would really delve into this issue. I have a couple other thoughts, and I realize I'm kind of jumping all over the map here, but you guys asked for us to come back and say, you know, what are these tools. I may not be the best spokesman for this, but-- but I'm the one that's here. You know, I know that the federal and state tax credit program really works. I know that it's under attack in some places. I would suggest to you that really does provide the incentive, if you can get a tax credit on your federal tax return, and-- and then you have to agree to have a rent abated or rent helped. I don't-- I don't know what the popular buzz-- buzz phrase is-- rent restricted to have that property help. And the other-- there are physical things that-- that can do. I mean, let's take the cost of-- of-- of a lot now. You know, we would suggest to you a lot in Omaha, because a portion of the cost of the lot is deferred to future taxes, that-- that developing a lot in Douglas and Sarpy County is less expensive than developing a lot other-- other places, and at least that part of the cost can be passed on to the buyer. The buyer then does pay real estate taxes, but if they paid higher for a lot, they'd pay a higher mortgage payment, so it sort of equalizes itself. I think there are some physical things that could be done in the land planning parts of-- of the cities and in their master plans. You know, a lot ends up costing, I don't know, probably \$500 a running foot. Well, if you got 10 foot side yards on a lot, which puts 20 feet between houses, you've just put a lot of money right there between those two houses. In most of the jurisdictions around here, you pay capital facilities fees that could be a couple thousand dollars. You pay an arterial street improvement fee, which can be a couple thousand dollars, based on the value of the house. You pay an interceptor sewer fee, which is a couple thousand dollars a house. You pay stormwater fees, which are a couple thousand dollars a house. You add all of that on, then it continues to increase the price. What if we said, in those areas where we want to incentivize this kind of growth, and there are some help from the government through these other things, that perhaps those fees are abated during that process? You know, why should there be an arterial street improvement fee when you're building on 45th Street? Why should there be a stormwater management fee when they've-- already have storm sewers and they already have those sort of things? Why should there be some of those other fees? Now Omaha-- to give Omaha

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credit, in some of those, again, think of that interstate loop. You don't pay intercept or sewer fees inside that. In some instances, you now pay ASIP fees. You probably all pay stormwater fees. And so if we looked at those sort of things to try, number one, on the one side, to get the cost down as much as possible, get the-- the land use regulations and the building regulations as liberal as they can be to allow the house to be built, or the apartments or whatever, for a less amount of money, and then also couple that with the assistance, you know, with regard to either the tax abatement or tax credits or whatever, to try to do those things, I think that you begin to-- to make progress. So I've gone on too long. Nobody raised a card to stop me. I'm done. Be happy to answer any questions.

CRAWFORD: Thank you, John. Thank you for your helpful overview and this handout on tax incentive programs in Missouri, appreciate that very much, and your ideas for this-- our state as well. Any questions? Yes, Senator Wayne.

WAYNE: So-- so I just wanted to first share, Senator Crawford's bill did a couple things, and under your testimony, because I want to make sure. One, the property is located in an SID; two, that that an SID-- that the SID is outside the city limits; three, that SID residents can't vote in city elections; and four, SID residents have limited access to city services. At no point does it allow a homeowner to know the risk they're getting into versus buying a typical home.

JOHN FULLENKAMP: There is a statement filed with the register of deeds that says what the SID debt of the district and all the people who work for the SID and all their contact information. The other thing that many cities do, not all, but many cities actually file that subdivision agreement against every lot in the subdivision. So when you buy, there is a subdivision agreement that details, from beginning to end, how that works. And that's mostly done in the Sarpy County-- United Cities of Sarpy County area. Omaha does not file their-- their subdivision agreements. It isn't--

WAYNE: But my point is, is you-- is there's bond councils. There's investors. There's a lot of people making a lot of money. But we expect a homeowner who's purchasing a home for the first time, making \$22 an hour and a family, to understand all that, what that means when they're buying a home, when all they're trying to do is buy a home for the first time. I think it's unreasonable with that statement. Second, we quote Missouri, but Missouri doesn't allow SIDs, and I'm pretty sure that they've grown, so--

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JOHN FULLENKAMP: Well--

WAYNE: I guess-- let me sum up. I guess the big question I have for you is, is it fair to say-- I'll let you answer. I won't say, "is it fair to say." If I'm a developer in north Omaha, do I have the same protections that I would if I was developing an SID?

JOHN FULLENKAMP: Well, I would think so. Why do you-- why do you think they wouldn't?

WAYNE: Well, you can't have SIDs inside of north Omaha, so if I'm looking at north Omaha--

JOHN FULLENKAMP: Well, one of the-- one of the things that I talked about as a tool is it-- and really, it's talked about here, is this tax abatement thing, because the SID levies-- about half of the costs are paid for directly by the homebuilder when he sells the house. The balance of the cost-- balance of that cost is deferred through taxes, and there's protection built in the law so that taxes don't go higher than they were originally anticipated. There have been some examples where that not has occurred, no question about it. But-- but if-- how do I sound like this isn't going to be an advertisement for me? We wanted to make sure that when we were faced with the Great Recession, that the plans of reorganization and the preapproved plans that we filed would leave the tax rate the same as that homeowner the day they walked in and the day they started. Now it is the hope, and in most instances occurs, that the taxes go down as debt is paid off. In some of the instances where there would be-- there was a lot of growth that occurred in '05 and '06 and the recession, tremendous recession, because of circumstances outside the state of Nebraska that, you know, if you watch the movie The Big Short, you-- it was actually pretty authentic. It was what California and all of that stuff did to the economies here in the housing market because our mortgages were mixed up with everybody else's. And so we had-- we had a problem. But I-- I-- I-- I guess--

WAYNE: Well, let me-- let me interrupt because we've been--

JOHN FULLENKAMP: Sure.

WAYNE: --we've been arguing about this and I got to figure out a way to get that passed. But it'll take a constitutional amendment to allow for property tax abatement in Nebraska. It just-- it's in our constitution. If you can help me figure out how to sell that across

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the state, I'll be happy to-- to work with that. But I guess where I'm struggling is, if I have a-- if I go out as-- I have a corporation, a development corporation, and I go out and buy 120 lots in north Omaha, north and south Omaha, versus buying 120 lots and creating an SID, it's your testimony-- and again, we're not-- ultimately, we're just talking, right? That I bear the same risk? I just don't see that. Where [INAUDIBLE]

JOHN FULLENKAMP: Well, actually, there's an argument that you bear less risk because your tax rate, you're buying lots that are already in an existing city with its existing mill levy.

WAYNE: Correct.

JOHN FULLENKAMP: And its tax rate is there.

WAYNE: Correct.

JOHN FULLENKAMP: In the SID, the tax rates start out higher. The-- the-- the differences are that if you're talking about existing lots, is you're buying infrastructure that's been there for a long time, as opposed to in a sanitary improvement district, you're buying a-- you're buying a lot with a brand-new street, and the new stuff costs more than the old stuff. If-- if you had a nice hundred-lot development in the-- in the area that you're talking about, with the streets already there, the-- the-- the risk is simply a market risk. Will you be able to sell those homes? There-- the advantage, quite frankly, Senator, is yours, because those lots are-- you know what the tax rate is and the lots are already there. And if they are less expensive than the lots in the SID, you ought to be able to sell those houses for less money than the houses in an area with-- with new infrastructure. And-- and I don't say this, sir, to in any way-- I-- I'm-- I'm trying--

WAYNE: Well, I'm trying to figure out that if that's the case, why people aren't developing. We have 500 lots available in Douglas County right now and-- or in south Omaha [INAUDIBLE]

JOHN FULLENKAMP: Well, I mean, I have-- I have an opin-- I have an opinion, and-- and I don't profess to be an expert about this and to know and-- and-- and feel the things that you do in the field, things that you see. But if-- if-- if you have-- if you have lots available and you don't have the impact fees, then your cost to put a house up is less than it's going to-- than your competition is going to be in

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any one of these United Cities of Sarpy County or all the way around that swath around the city that I talked about. And-- and the only reason I brought you the-- the-- the stuff from Missouri is that somebody at this commission, the last time we were here, said, well, you guys come up with-- tell us what those tools are.

WAYNE: [INAUDIBLE]

JOHN FULLENKAMP: And that's all I was trying to do is-- I kind of don't want to be stuck with that lance that, gee, I brought you a bunch of bad stuff because--

WAYNE: No, no, no, I--

JOHN FULLENKAMP: --because our constitution doesn't allow it. It-- and that's why my my suggestion, for whatever it's worth, is that we start working on this. I mean, I don't-- I think it's misplaced to say the SIDs are the issue here. The SIDs in the area have developed affordable houses, midprice houses, and high-end houses, mixed all over, everywhere. There are some geographic issues north of the interstate. In your district is-- is the Ponca Hills overlay, and you can't really develop there and you can't develop--

WAYNE: Yeah, I walked it. It was [INAUDIBLE]

JOHN FULLENKAMP: --you can't develop. I understand. [LAUGH] I-- I get it. You-- you can't grade that area because of the soils, because of the slopes, and so there's a border there. And-- and you can't use SID financing inside a city, and so the rest of your district is inside the interstate loop, so you can't take advantage of this vehicle. And I think your question is, OK, maybe that doesn't seem fair, then how do I develop in that area, which is, I think, what you're asking my answer is. If you don't have the impact fees and you have the lots, someone ought to be able to build a product for a lesser price there. And I'd end with this. If the developers are the-- how do I say this-- people after money that-- that-- that a lot of people think they are, why wouldn't they want to build in an area where they could get affordable lots and less cost if somehow it could be made available? And truthfully, I think the only way it can be made available is with some changes in the comprehensive plans in the cities and some investment by the cities to-- to have those areas made available in-- in large enough quantities and in large enough places that the economies of scale are such that someone can go in there and build. I-- I think I told you, Senator, that one of our clients, and now it's

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not-- it's at 75th Street-- is redeveloping that Somerset area and the Glenmoor area, and it's a very nice neighborhood of all sorts of people that live there. And-- and that would be very nice if-- if, with your help and with the community's help, we could find a way to do that same thing other places.

WAYNE: I appreciate that. Thank you.

CRAWFORD: Thank you. Other questions? Thank you for your testimony and for answering questions.

JOHN FULLENKAMP: Thank you.

CRAWFORD: So we are now-- we are still taking testimony on LR398, on SIDs. Welcome.

JERRY STANDERFORD: Thank you. Good afternoon, Senator Wayne and members of the committee. Thank you for the second hearing. I was also at the first hearing, had a few things that I heard there. I thought it was very well-- very informative to both you and to the people who were there. I am-- my name is Jerry Standerford-- I'm sorry, J-e-r-r-y S-t-a-n-d-e-r-f-o-r-d, 14711 Industrial Road. I've been before you various times on different building code issues, cost issues, items that might affect the cost of building houses. I manage Sherwood Homes and Lane Building Corporation here in Omaha. I'm a past president of the Metropolitan Omaha Builders Association, and also here on their behalf today. A couple things that I want to talk to you about, and some-- a few that I heard here today, one would be your question, Senator Wayne, about the risk to the buyers, the homeowners, and the-- and SIDs. The-- and the risk to the homeowners is pretty limited in an SID to how fast the levy will decrease. As Mr. Fullenkamp talked, it's usually set at 88 cents, as high as-- you can go to 90 cents. A lot of the new districts go to 90 cents. But from there on, they go down. As far as them losing money in a-- because of an SID, I don't see that. I've had more calls, being involved with MOBA, from homeowners and private subdivisions who were surprised to see that their homeowners' association has to put money back to provide for street maintenance. Maybe I'm talking about some of these older subdivisions where there's a-- they were outside of the zoning jurisdiction of the city, big houses. And we had one just several months ago. A lady called in-- into MOBA and wanted to know what could we do to help them because they had no idea that they had to put money back and now the homeowners' association is talking about a big assessment to provide for the maintenance of those streets in there. I can tell you that I

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currently sit on eight different SID boards. I've been on others that have been annexed by the city. I can tell you, I've never been on one that's been in a bankruptcy, but I can tell you we're work-- been worked very hard during the recession, and in some cases even bought warrants back, to make sure that those districts didn't go into bankruptcy. With us, it was more a matter of pride that our district stayed out of bankruptcy rather than convincing them to go that way. I've also been involved in the purchase of a subdivision that was-- that the SID was in bankruptcy. We went in, took a look at it. We knew that the value-- that the value was-- that the mill levy was 90 cents. Looked like we were coming out of the recession. We went in, built that out. Today, those bondholders-- and this wasn't one of Mr. Fullenkamp's districts, but those bondholders have been-- have been made whole and that district is moving ahead. They're-- they're talking about being able to lower the levy. I can also tell you that we see, in regard to the-- the Lincoln situation-- I've never built a house in Lincoln, but I can tell you, a lot of my builder friends from Lincoln have come to Omaha to build houses because of not only the availability of the lots that they don't have in Lincoln, that they haven't had, but also the price of the lots in Lincoln. Historically, Lincoln new residential construction has been a higher cost and those guys have come to Omaha looking for work and an opportunity to build. We got into the development business many years ago because we didn't have a place to build affordable housing, entry-level housing. I won't say affordable. There's always that question of what you're talking about, but would-- there were just no lots available to us. We set up the district. We went through, we set the mill levy, built the valuation out. Something that hasn't been talked about, those districts are-- those bonds are retired or those warrants are converted to bonds and move forward without any-- there's no-- there's no government help. There's no federal TIF money and there's no TIF money. We don't recover any of that. In fact, I know that we don't even-- we're-- don't even recover any sales tax money. There's no sales tax charged in those districts until the city annexes those, and then that revenue also goes on to the city. So our experience has been that it was being-- when there were no slots available, or when there were not affordable lots available, we were able to develop those lots and build those houses. And when the city annexed that, that first subdivision that we did, it was totally built out. The-- all the taxing districts had been receiving a fair return or a big return of taxes because of the valuations in those districts. So when the city takes those, all that valuation is already in place, paying taxes to the cities. I would also remind you that during the recession, there

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was a requirement that came from the federal government and that we've seen that's been very-- what I think has been very helpful to the members of the SID boards, whether they're developers, developers' representatives, or homeowners, and that's a requirement for municipal advisors, just like the city requirement for municipal advisors. Every district in the state-- in the state of Nebraska now has to have a municipal advisor. And-- and they lay out for those districts the-- the best plan, the best way to move forward, or at least present the options about what might happen. I heard Mr. Fullenkamp talk about a task force or a group. If you-- and I'm sure you all remember when Senator Krist tried to pass the radon bill, the L-- LB9. How many times did we beat that thing around, saying, no, that won't work, yes, that might work? This is a heck of a lot more complicated than the radon bill. But what happened in the radon, if you remember, was in the end, the Governor set up a task force and we brought together a group of builders, developers, radon experts, public health departments, everybody else. This summer, the task force convened, made a recommendation to the Legislature about we-- what radon-resistant construction would look like in the state of Nebraska, and it's a lot more workable for everybody. That-- it wasn't just-- I can tell you, as a builder or a developer, we shudder when you guys tell-- start talking about what we're going to do, how we're going to build our houses and what we're going to-- how we're going to develop our lots. We think we know and like to have-- like to see some input. The same thing happened with Senator Howard. I-- I was on her carbon monoxide task-- I don't know if it was a task force, but it was a group. We met several times, talked about what worked and what didn't. And the carbon monoxide bill was one, in my opinion, was one of the better pieces of legislation-- of legislation that came out of that session, moved forward. And so I can tell you that, you know, in those districts out there-- we talked about 168th Street. I don't want to beat a dead horse to death, but I can't tell you the amount of fees that we pay out there, those ASIP fees outside of that loop, and now we pay in Bellevue, we pay in La Vista, we pay in every jurisdiction we build in. I'm not talking about \$200 or \$300. We're talking about thousands of dollars a house to the arterial street improvements. And we feel like every time we take that permit, we-- we want to know where that money goes, and that's where it does go. It's earmarked and it has to be spent in those places. That's one thing we work really hard about. So with that, you know, I can't tell you that-- I think that SIDs are very viable. I think if the city elects to allow them, the county elects to allow them, the way they're managed now is a very

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viable resource for all these counties. I'd be happy to answer any questions,

CRAWFORD: Thank you. Questions? Yes, Senator Riepe.

RIEPE: Thank you, Jerry, for being here.

JERRY STANDERFORD: Sure.

RIEPE: I know you were here the other night as well. Our previous presenter talked about some of the barriers, if you will, or some of the things that could be enhanced. And I'm going to use his phraseology that said, educate me about what are some of the, without being excessive, issues that-- on zoning and covenants and regulations and permits and everything that drives the price up or back to the fundamental underlying pieces trying to find affordable housing. Can you share with us?

JERRY STANDERFORD: Well-- well, sure, I can-- I can tell you that I've been on a lot of code committees for review. Of course, the-- the idea that now we have to adopt a new code every three years or when one is published is always-- is always a back-breaker for a builder in any-- in any market, no matter what price range it's in. And mainly those codes are adopted because an insurance service organization rates the cities. And that's-- then they all want to have a good rating, but at the same time, to jump up takes a lot of-- a lot of work and expense. So that-- that's part of it. Mr. Fullenkamp hit on a lot of things that, whether it's the ASIP fees or the-- the capital facility fees, and it goes on and on and on, we do know that we can't relax the building codes to build affordable housing and then-- that-- that just can't happen. We can-- we don't to go forth-- forward and keep putting new building codes in place every time we turn around. But at the same time, those houses can't be built substandard. So there's a limit to what you can do, what you can take out, and you can't cut out those features that are included in the building code or those requirements of the building codes, but you can back off a lot of the fees. And for affordable housing, you know, even the inspection fees in some places we work, if we take a permit and we pay several thousand dollars for a permit, and then if we decide that we're going to hold off a little bit, if the economy changes or maybe we wound up with a couple of houses back on the market that we didn't anticipate, if we don't start that house, I think it's in six months, then we have to pay the fee again. Well, what kind of deal is that? If you didn't do any more-- you know, we go through that all the time, so there's a lot-- there's

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a lot of different things. And that's why I think when you put together a task force to identify all those-- because I can tell you a lot of times we don't know. We have a good idea. We think maybe you can do this or that. But then we go to planning or we go to the attorneys and find out we can't do that. You have to-- you have to-- just like you have to take a legislative amendment or a change to the legislation, as I understand it, to allow SIDs inside the city, well, maybe we have to work around that, but not one person knows that. And I don't think that one person on your committee or in my group or any other group knows all the answers. So that's a long-winded response, but I think that's [INAUDIBLE]

RIEPE: Thank you very much.

JERRY STANDERFORD: You're welcome.

CRAWFORD: Thank you. Other questions? Thank you very much for your testimony--

JERRY STANDERFORD: Thank you. Thank you--

CRAWFORD: --and answering questions.

JERRY STANDERFORD: --very much for your time.

CRAWFORD: Anyone else wishing to testify on LB398? [SIC] OK. And we had no letters for the record tonight for LB398 [SIC] so that will end our hearing on LB398 [SIC] and I'll turn it back over to our Chair. [INAUDIBLE] Our next hearing is for LR399, and, again, an interim hearing, and this is an interim hearing spons-- sponsored by Senator Wayne, so we will start with Senator Wayne's testimony.

WAYNE: Good evening, members of the Urban Affairs Committee. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e. I represent Legislative District number 13, which is north Omaha and northeast Douglas County. My goal in introducing LR399 was to take a look at our transit authority statute and examine the structural issues that may holding us back from creating a regional transit authority in the Omaha metropolitan area. As a committee-- as the-- as the committee heard at our meeting in north Omaha last week, the important role of comprehensive regional transportation system plays in economic development efforts, that has been made clear in recent years, such as major employers, such as Amazon, highlighted the public transportation as a necessity. History of our current statute: Nebraska current transit authorities, the transit authority law dates back to 1970 when

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private transit operators in Omaha announced plans to discontinue. Legislation passed in 1975, enabling the creation of anonymous-- autonomous-- I said "anonymous" [INAUDIBLE] anonymous mass transit, that'd be hard to do-- autonomous mass transit authority to acquire and operate Omaha's bus transportation system, but the transit authority statutes remain largely unchanged since that time. Under current law, only cities of the metropolitan class are eligible to create a transit authority. The authority gives-- is governed by a five-member board appointed by the mayor and confirmed by the city council and the Douglas County Board of Commissioners. Met-- Metro Transit currently contracts with the city of Bellevue, La Vista, Papillion, and Ralston in Sarpy County, as well as the city of Council Bluffs in Iowa, to provide limited fixed routes, a part of the transportation network. While the transit authority was amended in 2013, an attempt to authorize the transition of Metro Transit to a regional transit authority, the legislation has not, obviously, had the intended effect that it was-- that was hoped for by the senators back then. One of the roadblocks to creating a regional transit authority under the current law is the fact that in 1997, since 1997, transit authorities are not a separate taxing authority. Instead, transit authorities make a tax request to a municipality in-- or counties participating in authority, and when the request is granted, they are included in the municipal-- municipality or county property tax levy. While the transit authority makes the tax request up to 10 cents of \$100 of a taxable valuation, the city of Omaha and Douglas County are only statutorily required to levy the amount sufficient to fund 3 cents per \$100. Under current state statute, other municipalities and counties that choose to join a transit authority are not statutorily required to grant a tax request to fund their transit authority. As we take a look at the structures of our transit authorities, we should also consider how we finance the projects, whether it should be continued through the-- to fund them exclusively through property taxes or some other form of taxes. Other potential forms of taxes include sales tax, local income tax, occupational tax, similar to how some of the business improvement districts are funded. One of the reasons I-- I wanted to make sure that we're hearing the issue on transit issues in Bellevue was to ensure Sarpy County residents, in particular, had an opportunity to participate early on in this process. One of our former colleagues, Senator Jim Smith, when this issue was being studied by the committee in 2011, highlighted the importance of Sarpy County residents, not just a source of payment for the system but a participant in the system. Whatever regional mass transit governance structure looks like, it's-- it's critical that

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Sarpy County residents have adequate representation in the governance structure. While I'm com-- personally committed to introducing legislation to create a-- a transit authority next session, nothing is set in stone at this point. And I hope the hearings and this hearing and more conversations afterwards, this hearing can help improve access to transit and economic development in our Om-- Omaha area. The number of organizations that are going to testify include MAPA, Metro Area Planning Agency, and the Greater Omaha Chambers of Commerce. And I'll be happy to answer any questions the committee may have

CRAWFORD: Thank you. Any questions for Senator Wayne at this point? Seeing no questions, do you have invited testimony, Senator Wayne?

WAYNE: MAPA

CRAWFORD: MAPA. All right, thank you.

MICHAEL HELGERSON: OK. Good evening, Chairman Wayne and members of the Urban Affairs Committee. My name is Michael Helgerson, M-i-c-h-a-e-l H-e-l-g-e-r-s-o-n, and I serve as the transportation and data manager for the Metropolitan Area Planning Agency, other known as MAPA. I'm here tonight on behalf of our executive director, Greg Youell. MAPA is a regional council of governance that serve the planning agency charged with administering the transportation planning process for the greater Omaha region. As an agency, we'd like to thank the committee for exploring the important topic of improving transit, expanding trade in our region, specifically around the question of creating a regional transit authority. In recent years, MAPA has focused increasingly on transit planning as part of our transportation planning process. And in 2013, along with Metro Transit, MAPA conducted the Heartland Connections-Regional Transit Vision that proposed a long-range framework for expanded transit service in the Omaha region. This study recommended eliminating routes that were low-performing or had indirect, time-consuming paths. The study also recommended increasing the frequency along the system's primary corridors with the highest concentration of residents and employment, which are both supportive of transit service. In addition, the Regional Transit Vision proposed adding bus rapid transit along a series of corridors, beginning with the Dodge corridor from Westroads Mall to downtown, which you'll see on slide [INAUDIBLE] Following this study, Metro Transit implemented many of these recommendations and provided streamlined routes in May of 2015. In addition to this, Metro Transit received a TIGER grant, for the project identified on the slide, from the U.S. Department of Transportation for \$15 million,

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approximately half the cost of the Dodge bus route, the transit line. What we'd like to note is that this is probably an initial bus route or transit line, and many of the recommendations in the Regional Transit Vision were adopted as part of MAPA's Heartland 2050, a regional visioning effort that focused on the importance of well-planned, efficient infrastructure investments that support the creation of vibrant places and provides more choices in housing and transportation for residents of our region. Heartland 2050 called for a "Close the Gap Plan," which identified corridors that connect educational institutions and community colleges and universities, hospitals and cultural centers, as well as businesses. The desire and the need for expanded transit service is something that our agen-- our agency hears frequently from the community. As part of Heartland 2050, MAPA undertook two statistically significant surveys by professional research firms that showed surprisingly strong support for transit in the Omaha region. Seventy-one percent of the respondents supported the allocation-- current allocation of local tax dollars toward public transportation. And when we asked specifically about the level of spending for transportation service-- public transportation services, only 12 percent said that it should be decreased, while nearly half, 49 percent, said it should be increased somewhat or significantly. This confirms what we hear regularly, as part of our public outreach efforts. Residents view Omaha as a cosmopolitan, urban region that should have a first-class transit system to support mobility of people and quality of life. As I'm sure most of you are aware, workforce is one of the major challenges for our region. The SRI International Report on economic development for the-- for Governor Ricketts highlighted the importance of this specific obstacle in the Omaha area. And I'll paraphrase the quote here on slides-- on slide 5 with-- that Nebraska will not fully benefit from this population growth-- or, excuse me, from these new population groups if they are isolated from the larger community and don't have easy access to employment. Physical isolation in north Omaha is made-- is made acute by poor transportation options. Therefore, we have focused on planning for enhanced transit-- to focus on transportation as a means of economic development through connecting residents to educational and employment opportunities throughout the region, as well as a means for providing choices for people of all ages, including millennials and empty-nesters that are looking for places to live where they work, where they can walk, bike, take transit, or use services like Uber and Lyft or drive a personal vehicle. MAPA also worked extensively with Sarpy County and Metro Transit on the Sarpy County transit feasibility study. Sarpy County is one of the fastest-growing counties in-- or is

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the fast-growing county in the state and home to the region's largest employer: Offutt Air Force Base. It also has a rapidly expanding employment corridor, particularly for light industrial employees, in western Papillion, La Vista, and along Highway 50. This study recommended a series of near-term, medium-term, and long-term opportunities to provide transit service. Improvements included new fixed-route service, flexible-route service, express routes that operate during the peak period, in addition to the extension of future BRT lines in Omaha along the Fort Crook Road corridor in Bellevue, and along 84th Street in La Vista and Papillion, and also an east-west connector along Highway 370. The plan's ten-year price tag was nearly \$40 million, which would be paid for with funds from both federal and state sources funneled through Nebraska Department of Transportation, revenues from fares, and approximately one quarter, or \$10 million, from local sources. Implementation of additional needed transit service in Sarpy County is difficult in the absence of a regional transit authority and relying solely on contracts that exist currently between the jurisdictions and Metro. We know that Curt Simon, the executive director of Metro Transit, testified last week and outlined the current structure of Metro-- Metro's ability to provide service in these communities. One of the points that he made, I'd like to reiterate this evening, is that Metro does not currently have any taxing authority. As Senator Wayne noted, that was removed in 1997. Currently, Metro makes a request to the city of Omaha and Douglas County, who are required to provide funding to Metro, and in order to provide efficient tr-- or effective transit, the state may wish to consider recognizing the regional transit authority as a separate political subdivision which would provide the authority with its own dedicated tax levy and its own tax cap to be determined based the level of service. This would address many of the shortcomings of the current legislation and many of the concerns that were identified in the regional transit [INAUDIBLE] We'd like to thank the committee again for investigating this issue and investigating the question of regional transit. We believe that such an entity would be a key part of developing and expanding a robust transportation system-- a robust transportation system that will to expand access to education and employment, creating a more vibrant and sustainable region. MAPA stands ready to assist this committee and individual-- individual senators with additional research to advance such an authority. And again, thank you for your time and attention to this issue.

CRAWFORD: Thank you, Mr. Helgerson. Questions by-- from the committee? I don't see any questions for you. Thank you very much for this lovely

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presentation. And we also have invited testimony from our Greater Omaha Chamber. Welcome.

JENNIFER CREAGER: Thank you, Senator Crawford, 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. I serve as senior director for public policy for the Greater Omaha Chamber. Like to thank Senator Wayne for convening this interim hearing. In 2017, our chamber, in collaboration with the United Way of the Midlands and the Urban League of Nebraska, launched a strategic foresight initiative to identify our region's most critical trends and plausible futures. These interactive sessions led to the development of our Preferred 2040 Regional Future, focused on three main areas: people, place, and prosperity. We believe that this is a plausible, ambitious, and prosperous future. One of the most critical elements of the plan, however, is creation, development, and funding of a multimodal public transportation system. This investment will allow businesses to access talent and talent to access employment, and it will create a stronger sense of place and build culture. The Greater Omaha Chambers is a regional entity, partnering with organizations covering multiple counties in Nebraska and Iowa. Just as with our economic development efforts, our transportation development vision is truly regional. Our vision for a modern transportation system encompasses roads, rail, air, mass transit, cycling, and pedestrian. This is about getting people where they need to be for work, recreation, shopping, regardless of where they live. This has to serve all areas of the metro. We have begun to implement the initial phases of this plan, especially with the hiring of the chamber's first transportation development director. Stephen Osberg is with me today and has extensive planning experience and interaction with all of the relevant agencies. As we seek to serve as a convener in this space, Stephen will be leading our efforts as a member of our public policy team. He's also here to answer any specific transportation policy questions you might have. We realize that this will be an immense effort and, no doubt, will require assistance from the Legislature and local governments at some point. At this point, we are uncertain as to what that legislative action will look like, but we will certainly need the committee's assistance going forward in removing statutory barriers that would preclude making this vision a reality. At the same time, we will gladly keep you updated as our work moves along. Thank you.

CRAWFORD: Thank you. Questions? Senator Riepe.

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RIEPE: Thank you. Thank you for being here. This may not-- I'm going to put it out there and you can simply give me an opinion. I noticed in our last-- in our slide presentation, which maybe should have been an inappropriate question for me to ask of you, we talked about the number of people that were in favor of-- of approval, and I think it was 76 percent were thumbs up and--

_____ : 71.

RIEPE: Seventy-one? OK, I'm corrected. And I think it was 29 percent that were down. Somebody here that was a math major, tell me, is that [INAUDIBLE] My question is on these, and I've seen these surveys before over the years, the next question, the next logical question, goes to the fact of, OK, you said you wanted it, boom, do you want it if you had to pay \$50 more a month or-- and then the number goes down. And then if you really had to pay for it and it was \$100-- I'm just picking arbitrary dollar numbers-- so that free is-- is good but free is not sustainable, is, I guess-- it's more of a comment, maybe, I apologize, than--

JENNIFER CREAGER: No, and I--

RIEPE: --it is a question. I'd take your response or reaction.

JENNIFER CREAGER: I appreciate that. And I think that's where the rubber meets the road. Right? Great transportation pun. [LAUGHTER] I think we recognize that that is a huge part of this challenge, right, is that public engagement and public education process that makes people realize that this is not a free-- this is not a free thing we are considering here. I mean, this is a long-term investment. And so that job is on our shoulders to make sure people understand not only why it's important for the region, but why it's important to their own lives. And so we have a chall-- we have a real challenge on our shoulders engaging the public in that way.

RIEPE: OK. Thank you.

CRAWFORD: Thank you. Other questions? Senator Wayne.

WAYNE: My question is more about has-- has the chamber-- this is kind of an unfair question because I don't know who how to ask it. There's a streetcar. There's the old \$1.3 Beltline train that ran down through Florence, up through Malcolm X to the Med Center, then down through-- 13th Street all the way down to Sarpy. I've been talking about that now-- that was about 10 years ago or maybe 15 years ago. And we got

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the BRT-- like, has the chamber come out and voted and said, here's what we want going forward in our transportation? Because it's-- the reason I-- let me preface that. It's kind of hard for Urban Affairs to sell it when I'm getting different feelings from where the--

JENNIFER CREAGER: Right.

WAYNE: --different chamber members.

JENNIFER CREAGER: Right.

WAYNE: I just-- is there an official position? I want [INAUDIBLE]

JENNIFER CREAGER: I don't think there's an official position on specific pro-- they haven't gone and taken votes on specific projects so far, but I think there's been a recognition that there's a lot of different work done in different silos. And so for what our vision is, is none of those things can be done in a vacuum. We need to have an overall regional strategic plan for what we want to accomplish, and we need to make sure all of those things are interacting together effectively. So I think that's part of Stephen's hiring and working with MAPA and working with Metro Transit and working with the city to make sure that we're not just doing something that in the-- is-- in the long run, is not going to fit with another piece of the plan. So I think that's where we are right now at a very 50,000-foot view. But I think we have a pretty aggressive timeline to try to get to make some decisions on this stuff pretty quickly.

WAYNE: Just a follow-up.

CRAWFORD: Sure.

WAYNE: Like before January so we can put a bill through? [LAUGHTER]
Just throwing the idea up there.

JENNIFER CREAGER: You know, we've had a couple of meetings. I would say I think our thought process initially was the-- the 2020 Session for specific legislation, but I would preface that by saying I think there is some interest in our group, and I could be corrected, maybe for some sort of shell bill this session, either to have a hearing on that at the time-- I-- I can't tell you today that I know what the needs are, but I sort of have an idea. So I think there's some willingness to engage in this next coming session-- in this upcoming session, but I can't give you any specifics as I sit here today. Is that helpful or evasive?

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WAYNE: Well, I will go on-- I will go on record, assuming I-- there's a lot of assumptions, whether I run and-- and-- and continue to be Urban Affairs Chair or not. If I am, I will tell you that if there is a bill that's [INAUDIBLE] transportation for a region, it would be a committee priority.

JENNIFER CREAGER: Great. Thank you.

CRAWFORD: Thank you. Other questions? Thank you.

JENNIFER CREAGER: Thank you.

CRAWFORD: So that is the end-- that's the end of our invited testimony, so now we're in the public testimony part of the hearing, so anyone who wishes to testify is welcome to come up and do so. So we'll just do it first come up, first served, so you don't have to be called. Thank you so much. There are sheets in the back of the room, if you're testifying, to fill out and bring forward also, please. Welcome. You're welcome to begin whenever you're ready.

MARLAN FERGUSON: OK, thank you. Thank you, Senator Wayne, for bringing this forward. I Marlan Ferguson, M-a-r-l-a-n F-e-r-g-u-s-o-n. I'm the city administrator in Grand Island, Nebraska, which I appreciate being here in Bellevue since for a long time Grand Island was the third-largest city in Nebraska. Now we're the third-largest standalone city in Nebraska. [LAUGHTER] I am submitting a couple different letters here. One is from the president of the Heartland United Way in Grand Island, which takes in Hall, Hamilton, Merrick, and Howard Counties. Another letter is in support from the attorney representing the Central Nebraska Regional Airport Authority, which has obviously had a lot of transportation issues over the years, and he's also an active member of several nonprofits in-- in the-- in the city of Grand Island, very conscious and-- and caring about the citizens of Grand Island, and particularly the needs of transportation. Grand Island, Hall County, has had public transportation service available to residents since the mid-1970s. After the 2010 Census designated Grand Island an urban area, the city of Grand Island became the primary provider for public transportation within the urbanized area, with Hall County responsible for the rural areas within the county of Hall County. Grand Island Area Met-- Metropolitan Planning Organization, GIAMPO, was also established as a result of the 2010 Census. In March of 2017, the Grand Island MPO retained Olsson Associates, worked closely with stakeholders from around the community to develop future transit alternatives and develop a plan. The summary final report

includes a review of existing transit operations in the study area, identifies areas in Grand Island with the greatest transit need, presents future transit options, provides a realistic plan moving forward for the city of Grand Island. The study provides a road map for the city to follow to meet the future vision of transit for the Grand Island community and surrounding area. The project includes a multilevel data collection effort, evaluation of current conditions and operational structure, a review of peer communities, and the development of future transit alternatives. Based on technical analysis, public and stakeholder involvement, enhanced transit improvements were recommended from the report. The study approach concluded with a five-year fiscal constraint plan-- it took me a while to understand what that meant, that means you don't have any money to do much-- and a five-year Illustrative plan for the urbanized area, which means if there is money available, this is what our vision could be. An implementation plan with steps to the next two years was also included. I've also included in my testimony letter the entire-- link to the entire study. This study recommended to begin discussions of a formal governance-- governance structure which incorporates representatives from each of the governmental entities in the region. This governance should be considered for several reasons: to establish fair and acceptable cost-sharing arrangements among all entities; to fund the service through the administration of a dedicated funding source; to ensure that any service changes contemplated in the future are in the best interest of the region and are fair and acceptable to each entity involved; to establish a long-term commitment to the process of trans-- transit service among all entities. The creation of a multiple-- multiple-entity regional authority changes the existing structure and presents an opportunity for a sizable expansion of the service area, if adjacent entities join the authority. And of course the formation of an authority allows the regional governance of planning, funding, and operations all under one entity, making it more efficient to provide transit service beyond the city limits of Grand Island. The existing state law does not permit the city, as we talked about already, to do that, nor Hall County to form an authority at this time. As has already been stated, 1972, the Nebraska State Legislature passed LB1275, enabling the creation of transit authority at the city of Omaha, a governmental a subdivision of the state of Nebraska, pur-- pursuant to Statute 14-1803, and the only such transit authority in the state. No other authority is allowed outside the city of Omaha without the change of the legislative bill. This study recommends-- the study that we will-- we completed recommends the city continue discussions with Hall County and surrounding counties and

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cities to determine interest in changing existing law for authorization and development of an authority. And we have certainly pursued that, including discussions with the tri-cities, being Hastings, Grand Island, and Kearney. So I think there's a lot of interest in our regions for continued discussion, move this forward to some type of legislation. Thank you.

CRAWFORD: Thank you, Mr. Ferguson. Are there questions? Yes, Senator Quick.

QUICK: Mine's more of a comment than a-- than a question, but I wanted to thank you for coming all the way from Grand Island. I know Marlan personally, and I respect what he does for the city of Grand Island. And I did make a comment at our last committee hearing here last week that-- a government official before city of Grand Island and the area, for us to [INAUDIBLE] create-- create a regional transit authority. And I don't know if you wanted to comment any further, but I'd allow you to do that if you'd like.

MARLAN FERGUSON: Yeah, absolutely. Yeah, I think there's a lot of interest in that. It's the number--one-- probably number-one, number-two discussion. Tonight we've had discussion about workforce housing. Transportation follows right closely behind that, if not ahead of that. In Grand Island, we have a number of large industries, particularly a meatpacking plant that the employees, 3,500 folks, and oftentimes they have a struggle to get to work. And I think this is-- helps the entire community if we can have better transportation to get people to work, meaning that they have the ability to bring in the income that will provide for their families and not have to worry about where the money is coming from. In addition to that, of course, fortunately, I-- I didn't understand or know what the previous discussion was going to be about on the SIDs, because, like Lincoln, we don't-- we don't do that. But certainly workforce housing is certainly a major concern. So transportation, workforce housing is critical for not only metropolitan area, but outstate Nebraska as well.

CRAWFORD: Thank you. Any other questions? Yes, Senator Wayne.

WAYNE: I just want to clarify for the record. When there's a Husker game, where are you guys at in the size of a city? Are you bigger than [INAUDIBLE] I never got ask somebody--

MARLAN FERGUSON: Yeah, yeah.

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WAYNE: --so I figured--

MARLAN FERGUSON: Yeah.

WAYNE: I always hear this, so I just wanted to get the truth now.

MARLAN FERGUSON: Yeah, yeah. Well, yeah, when there's a Husker game, our population decreases about half. [LAUGHTER]

CRAWFORD: Any other questions, serious or otherwise? Thank you so much for your testimony.

MARLAN FERGUSON: OK. Thank you.

CRAWFORD: Anyone else like-- yes, come on up, sir.

THOMAS P. PILLOW: I-- I had a question.

CRAWFORD: Oh, that's fine.

THOMAS P. PILLOW: I'm getting there. Just had back surgery, so I'm [INAUDIBLE]

CRAWFORD: Oh, that's all right. We're-- we're--

THOMAS P. PILLOW: Thank you. All right, thanks. My name is-- I just-- a question for the board, and mainly for MAPA. But I'm retired Air Force and I just recently retired civil service, so I decided I'm going to stay in Nebraska--

CRAWFORD: Great.

THOMAS P. PILLOW: --and mainly because--

CRAWFORD: Can I ask-- interrupt you for just a minute.

THOMAS P. PILLOW: Yes.

CRAWFORD: If you would just tell us your name and spell your name for the transcript then too.

THOMAS P. PILLOW: OK. OK, it's Thomas P. Pillow. I go by Pat. And it's P-i-l-l-o-w, just like you sleep on.

CRAWFORD: All right. Thank you.

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THOMAS P. PILLOW: OK.

CRAWFORD: Go ahead; proceed.

THOMAS P. PILLOW: OK. My only question, since I've decided to just-- to go ahead and retire here in Nebraska and stay-- I live in Bellevue. I live on-- by Bellevue West. I'm at 9708 South 10th Street in Bellevue. I watch all the games from my backyard, so-- and you know we won this weekend, so. OK, my question is for-- concern for Offutt. I had some airmen talk to me today and I told them I was coming. I didn't hear any mention about Offutt Air Force Base. At Scott Air Force Base in Illinois, they allow Metro on the installation. The driver has to clear a clearance who's going to be registered to come on and off that installation. And I don't know how they're going to work if they're carrying other passengers from the city, but they worked that out. But my concern is, is Offutt being considered to get on that installation? Because there's nothing for the kids of the young airmen on base. They live over there on that-- off the flag gate and they have to walk wherever they want to go or try to catch a ride or call Uber or whatever, and then they got to get clearance to get them on base. And I was just going-- if you're going to consider in the plan, consider Offutt Air Force Base, to give access to the Metro Transit, so the airmen will have access. So I was wondering. I didn't know how to ask that question or put the-- before the board, but--

CRAWFORD: Well, and that's why we have these hearings, for people to bring issues like that for us, and now your testimony is part of our record--

THOMAS P. PILLOW: OK.

CRAWFORD: --to make sure that we are considering that as we move forward.

THOMAS P. PILLOW: OK,

CRAWFORD: So I appreciate you bringing that issue forward.

THOMAS P. PILLOW: And you can-- if you need me for help or anything, I'll volunteer, whatever you want, because I'm retired-retired, so--

CRAWFORD: [INAUDIBLE]

THOMAS P. PILLOW: --whatever, I offer my services to you guys, so.

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CRAWFORD: I appreciate that.

THOMAS P. PILLOW: OK, thank you very much.

CRAWFORD: Thank you.

WAYNE: I just want to say also, thank you for your service.

THOMAS P. PILLOW: Thank you for saying,

CRAWFORD: Anyone else wishing to testify on LR399? We have letters for the record from Heartland United Way of Grand Island, from Ronald Depue, and from the city of Lincoln on this topic for tonight. And that, that ends our public hearing on L-- LR399. Any other matters from the Chair?

WAYNE: No.

CRAWFORD: No? So thank you again so much for coming out tonight and thank you for your testimony and for your listening.