



Ninety – Sixth Legislature – First Session – 1999
Introducer's Statement of Intent
LB 774

Chairperson: Senator D. Paul Hartnett
Committee: Urban Affairs
Date of Hearing: February 2, 1999

The following constitute the reasons for this bill and the purposes which are sought to be accomplished thereby:

This legislation proposes to amend several sections of the Community Development Law (which governs the use of tax increment financing (TIF) for community development projects and the process which must be followed in implementing such a program).

Section 1 would amend **Sec. 18-2103** which is the definitional section of the Community Development Law. Specifically, the bill amends subdivisions 10 (which defines what constitute "substandard areas") and 11 (which defines what constitute "blighted areas").

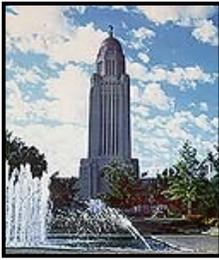
These definitions describe the type of land which may properly be the subject of a TIF project. The requirements are *constitutional*. TIF is specifically authorized by the State Constitution (**Article VIII, Sec. 12**, attached) and land which is not "substandard and blighted" as defined in the Community Development Law cannot be the subject of tax increment financing.

The changes proposed are aimed at bringing the current definitions more closely into line with the constitutional intent. The constitutional provision specifically states that the purpose for using TIF is for "rehabilitating, acquiring, or redeveloping substandard and blighted property in a redevelopment project..." The clear thrust is for *redevelopment* as opposed to simple development of property. The changes in the definitions would make it clear that the land which is substandard and blighted must have been previously developed; it cannot simply have been vacant farmland.

Section 2 of the bill amends the portion of **Sec. 18-2113** which deals with the cost-benefit analysis which must be performed before TIF financing can be approved.

In 1996, the Legislature adopted **LB 1373** which created the Review Incentives Program Committee and assigned it the task "to examine models and methods for measuring the costs and benefits of tax incentive projects and statutory incentives." (**Sec. 77-1102**) In 1997, in **LB 875**, that review was extended to TIF projects and the Committee was asked to develop a cost-benefit economic model for use by cities in evaluating proposed projects.

Because the task of the Committee has been completed and the Committee will end, it is important to transfer the standards by which a cost-benefit model is created and evaluated (as found in **Sec. 77-5104**) into the Community Development Law, since the only current link is through the Committee. The changes in Section 2 transfer those standards into the Community Development Law and adapts the wording to make those standards specific to this Act.



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Section 3 of the bill amends Sec. 18-2117.01 which deals with the annual reports made by cities to the Property Tax Administrator on TIF projects which are currently being operated. This was a requirement created by **LB 875** in 1997. The first report compiled by the Property Tax Administrator on the reports received from the cities was issued in 1998.

A review of that document showed two serious gaps in the information provided.

First, there was no explanation of what actual improvements or activities were financed by the TIF revenue.

Second, there was no explanation of what type of business or commercial activity was locating in the project area (i.e. what type of business was being subsidized by the funds).

The change in this section would require the cities to provide a short narrative description of those two elements in their annual report.

Section 4 creates a new fund, the Community Redevelopment Analysis Fund, to be administered by the Department of Economic Development. The fund would be used to reimburse cities for the direct costs they incurred in using the cost-benefit analysis model created by the Review Incentives Program Committee and approved by the Executive Board. If a city used the model, it would apply for reimbursement of the charge for using the model. Reimbursement would only be available to cities and only if the city used the approved LB 1373 model.

Principal Introducer:

Senator D. Paul Hartnett