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Revenue Committee
February 12, 2015

[LB210 LB277 LB345 LB615]

The Committee on Revenue met at 1:30 p.m. on Thursday, February 12, 2015, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB345, LB210, LB277, and LB615. Senators present: Mike Gloor, Chairperson; Paul Schumacher, Vice Chairperson; Lydia Brasch; Burke Harr; Jim Scheer; Jim Smith; and Kate Sullivan. Senators absent: Al Davis.

SENATOR SCHUMACHER: It looks like it's right...we ready to rock and roll? Okay. Looks like it's right at 1:30. The "captain" is away introducing a bill, so the "pirates" will play. (Laughter) And welcome to the Revenue Committee. My name is Paul Schumacher and I'm from District 22, which is Platte, parts of Colfax and Stanton County. I'm Vice Chairman of the Revenue Committee. We'll take up the bills today in the order that they are posted on the outside door. Our hearing is open to the public as part of the legislative process. This is an opportunity for the public to express their position on proposed legislation. To better facilitate the proceedings today, please turn off your cell phones or the buzzers or the ringers on them; move to the reserve chairs when you are ready to testify so we can quickly move the witnesses to the main chair. The order of testimony will be the introducer will introduce the bill, there will proponents, then the opponents will have a chance, and the neutral folks, and the introducer will have an opportunity to close should he or she want to. Testifiers, please sign in on the sheets that I believe are...do you have the sheets?

KRISSA DELKA: No, they're in the back of the room.

SENATOR SCHUMACHER: Back of the room. Okay. Hand your sheet to the committee clerk when you come up to testify; give any exhibits to the page so they can be distributed; spell your name for the record before you begin to testify so that the transcribers know what your name looks like; be concise. It's our request that you limit your testimony to five minutes. Since today is "no testimony Thursday," shorter would be better. (Laughter) There will be opportunities for questions after that. If you will not be testifying at the microphone but want to go on record as having a position on a bill being heard today, there are white sign-in sheets at each entrance where you may leave your name and other pertinent information. Written materials may be distributed to committee members as exhibits only while testimony is being offered. Hand it to the page for distribution to the committee and staff. We'll need ten copies. If you don't have ten copies, the page is in a position to make copies for you. Please speak into the microphone so that we get a good recording so the transcribers can understand what is being said in the testimony. To my immediate right is Committee Counsel Mary Jane Egr Edson; to my far right is Research Analyst Kay Bergquist; to my left at the end of the table is the committee clerk, Krissa Delka.

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The committee members with us today will introducing...will introduce themselves beginning at your far left. Your far left. Their far left. Senator Brasch.

SENATOR BRASCH: Lydia Brasch, Legislative District 16, which includes Cuming County, Burt County, and Washington County.

SENATOR HARR: Burke Harr, Legislative District 8.

SENATOR SULLIVAN: Kate Sullivan of Cedar Rapids, representing District 41, a nine-county area in central Nebraska.

SENATOR SMITH: Jim Smith, Legislative District 14 in Sarpy County.

SENATOR SCHEER: Jim Scheer, District 19, Madison and a little bit of Stanton County.

SENATOR SCHUMACHER: Our pages today are Colin Loberg from Wayne, Nebraska; and Donnie Earl from Lincoln, Nebraska. And now we're ready to take up our today's assignments, LB345. Senator Kolowski, welcome to Revenue. [LB345]

SENATOR KOLOWSKI: (Exhibit 1) Thank you, Mr. Chairman. Good afternoon, Senators and all members of the Revenue Committee. I am Senator Rick Kolowski, R-i-c-k K-o-l-o-w-s-k-i, and I represent District 31 in southwest Omaha. I'm introducing a bill that I brought last year to this committee. LB345 adopts the Property Tax Relief Act and the Property Tax Relief Fund, which provides tax relief for property taxes levied against homesteads. Please note the amendment in front of you that removes the Property Tax Relief Fund and replaces it with reimbursements being made from the General Fund. This is how homestead exemptions are generally funded, so it makes sense to do the same with this particular bill. For the tax year 2016 and each following tax year all homesteads in Nebraska shall be assessed for taxation the same as other property, except that there shall be exempt...except that there shall be exempt from taxation of homesteads an amount equal to \$8,000. That equates to approximately \$150 annual property tax relief on a house of \$115,000. To receive this property tax relief, a homeowner shall file an application for the homestead exemption with their county assessor and no reapplication need be filed for succeeding years. Reimbursement to counties for this homestead exemption shall be made from the Property Tax Relief Fund. The county treasurer shall certify to the Tax Commissioner the total tax revenue that will be lost to all taxing agencies within his or her county from taxes levied and assessed in that year because of the homestead exemption. Reimbursements of the funds lost shall be made to each county according to the certification and shall be distributed in six equal monthly payments. Every month since I've been in office I have

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been sending surveys to my constituents to learn about their views on issues of importance to them. Overwhelmingly, property tax relief is one of the top issues my constituents want me and the Legislature to address. As you are well aware, Nebraska's property taxes are high. LB345 is one way we can bring about some property tax relief to our homeowners. Currently, Nebraska provides direct property tax relief to homeowners through the homestead exemption program and the Property Tax Credit Act. I believe LB345 can serve as an addition to our current homestead exemption program and to the Property Tax Credit Relief Act, which is currently spread thin because it includes big box stores such as Walmart and Target and out-of-state landowners. I want our tax dollars to stay in the state and to go to our residents. Thank you. I'm happy to answer any questions at this time. [LB345]

SENATOR SCHUMACHER: Any questions for Senator Kolowski? Seeing none, will you be sticking around for closing? [LB345]

SENATOR KOLOWSKI: I will. Yes, sir. [LB345]

SENATOR SCHUMACHER: Thank you, Senator. [LB345]

SENATOR KOLOWSKI: Thank you very much. [LB345]

SENATOR SCHUMACHER: Proponents for LB345? I was just kidding when I said it as "no testimony Thursday." (Laughter) Any proponents? Seeing none, opponents for LB345? [LB345]

TOM PLACZEK: Hello, Senators. My name is Tom Placzek, P-l-a-c-z-e-k. I'm the Platte County Assessor and representative of NACO, and I'm representing NACO in this. NACO is opposed to this bill for several reasons. One is the sheer enormity of dealing with this as assessors. This would increase the number of application in Platte County by more than ten times. We currently have approximately 820 applications, qualified applications. There's a few more than that, that get disqualified for various reasons. But this would give us approximately 9,000 applications. You talk about your unfunded mandates. We'd be hiring people to have to deal with this. My understanding as in Lancaster County there would be approximately 70,000; Douglas County, approximately 140,000. So we're talking enormous, enormous amount of applications that have to be dealt with. Another issue that comes up is we would be basically residential police down the road because we would have to figure out and stay on top of all these applications. These people that qualified in one year, are they still occupying that residence? Have they died? So we're going to have to stay on top of all of that. What about transfers? How does the transfer process work between...maybe it's within counties, maybe it's between counties, how that all works. And I also would guess, I did get the fiscal note on this and it appears to be about \$83 million. That's a whole lot of money and I don't know where this is all going to come from.

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Again, that's probably not my concern. That's the state's concern. But it's an awful, awful lot of money. But as far as the assessors are concerned, this is an enormous, enormous burden. I can't even imagine how many people we're going to have to hire to do this and stay on top of it. And with no reapplication process, I, quite honestly, I can't even imagine all the problems that will come up. That's all I've got. [LB345]

SENATOR SCHUMACHER: Any questions? Go ahead. [LB345]

SENATOR SULLIVAN: Thank you for your testimony. Currently under the homestead exemption, they do have to reapply every year. Is that correct? [LB345]

TOM PLACZEK: Yes. Yes, because their income status may change so that...and the Department of Revenue, of course, gets all the income information. Then they make the determination if they qualified that way. [LB345]

SENATOR SULLIVAN: Uh-huh. [LB345]

TOM PLACZEK: Also, their home status might have changed too. If they had moved into a different house, upscale or something and it was over the limits, they may not qualify that way. You know, maybe they moved into a \$300,000 house and they no longer qualify, so. [LB345]

SENATOR SULLIVAN: And under this scenario, yes, they would have to reapply for the homestead exemption... [LB345]

TOM PLACZEK: Uh-huh. [LB345]

SENATOR SULLIVAN: ...but they could take, if they qualify, they could take advantage of that as well as this new one. [LB345]

TOM PLACZEK: That's correct. That's correct. So we'd kind of be doing...have to do double duty on this. We'd be double tracking it, so to speak, the applications. It seems like an awful lot of work for \$160 per person, which is a 2 percent, you know, levy. [LB345]

SENATOR SULLIVAN: Uh-huh. [LB345]

TOM PLACZEK: You know, in Columbus that's what it would be, so an awful lot of work. [LB345]

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SENATOR SULLIVAN: Thank you. [LB345]

SENATOR SCHUMACHER: Senator Scheer. [LB345]

SENATOR SCHEER: Explain to me, if you don't have to reapply. I understand there would be a volume of work the first year. [LB345]

TOM PLACZEK: Uh-huh. [LB345]

SENATOR SCHEER: Is it ongoing then as well or would it dissipate somewhat after the first year? [LB345]

TOM PLACZEK: Well, you would have the initial, right. I mean you'd have the initial and then you don't apply, but then we still have to track every one of those and make sure as far as their status, their living status, if they're occupying, because this is owner occupied, as far as I understand. So it isn't applied to a complex. If you had a duplex, for instance, you could qualify for one half that you're living in, but the other half you wouldn't get that qualification. So there's some issues there that we would...it would involve a lot more work staying on top of that, and the transfers also and just the sheer volume of keeping track of all this. And we'd probably have to do some programming. Some programming would have to be done so that it gets...it can track both the \$8,000 and the other, the current homestead exemption. And I'm not sure. I'm not a programmer so I'm not sure exactly how that would work. But I guarantee there would have to be some work done on that, that regard. [LB345]

SENATOR SCHEER: Okay. Thank you, Senator Schumacher. [LB345]

SENATOR SCHUMACHER: Any other questions? Thank you for your testimony, Tom. [LB345]

TOM PLACZEK: Thank you. [LB345]

MICHAEL GOODWILLIE: Senator Schumacher, members of the Revenue Committee, good afternoon. My name is Michael Goodwillie, G-o-o-d-w-i-l-l-i-e. I am the compliance officer with the Douglas County Register of Deeds Office, and am here to testify in opposition to LB345. Let me clarify my opposition. We are not opposed to the concept of providing some sort of property tax relief to the owners of residential property. It's all in the method here. To pick up what Mr. Placzek said, to put our concerns in perspective, let me give you some numbers. Currently, Douglas County has, including mobile homes, approximately 167,660 parcels that would fit this

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definition of homestead being a residential improved property that's owner occupied. Even if you subtract from that amount the folks that are already applying for the existing homestead exemption program, which is approximately 13,000 a year, and you make some allowance for rental properties, we're looking at probably in the neighborhood of 140,000 applications, potential applications. To put that in perspective, we have five staffers and a supervisor in our homestead exemption personal property section and they process the 13,000 applications we already get, plus the 17,000 business personal property applications. Heap another 140,000 on the 30,000 they're already processing and you can see the dilemma. And in terms of unfunded mandate, that section currently, with salary and benefits, earns about \$300,000 a year. Anybody we'd have to hire to continue to process these would be on top of that. Let me add, in response to, I think it was, Mr...Senator Scheer's question, in that first year you'd get applications. But I don't think you'd be done. First-time homeowners, buyers would apply in subsequent years. You might have issues of people who transfer, you know, sell one home and buy another. And there are going to be people, the bill doesn't contemplate this either, there are going to be people in that initial year who I will guarantee you either don't apply or apply late. So what do you do with the gentleman who gets his tax bill in December and he didn't apply? And his neighbor gets his bill; his neighbor has the break and he doesn't. It's all well and fine to say, you forfeit the benefit if you don't apply. But you're going to have living, breathing human beings bothering your county public officials about why they're not getting a break and who put this technicality in there and they've been in their home for 30 years and why shouldn't they get it. And so in that regard, you're going to have situations where people who would clearly qualify, at least for a year or so, till they get their paperwork straightened out, are not going to qualify. And to amplify on Mr. Placzek's point, the bill requires the "assessor shall determine whether the claimant qualifies for the homestead exemption in such succeeding years as though a claim were made." That contemplates some sort of active monitoring of whether people continue to live in their homes. And I'm telling you, nobody wants to be the residents' cops. The last point I would make is this seems like a heck of a lot of administrative travail for \$150 or \$160. But let me suggest an alternative. I think it would probably be a much easier way to go if you just said, for residential improved property, the first \$8,000 isn't taxed, and you handle it through your billing process in the county. Now I realize you're going to get some rentals, okay? You're going to get some rentals. But if what you're aiming at is, you know, the average person, the average person that could use the tax relief, the way the bill is currently written, Warren Buffett is going to qualify for this. So you know, I don't know if you're concerned about reaching some sort of economic status, but I think there's a lot easier way to provide property tax relief to residential improved property than what's written in LB345. And with that, I'd be happy to entertain any questions. [LB345]

SENATOR SCHUMACHER: Any questions for Mr. Goodwillie? Senator Harr. [LB345]

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SENATOR HARR: Thank you. Thanks for coming down, Mr. Goodwillie. You mentioned you had a budget of \$300,000 for personal property tax and homestead? [LB345]

MICHAEL GOODWILLIE: Homestead as well, yes. [LB345]

SENATOR HARR: And what percentage would you say of that is personal property and what percentage is homestead? [LB345]

MICHAEL GOODWILLIE: It's probably split pretty evenly, even though there are more personal property applications. The homestead, the homestead clientele is mostly 65-plus. And as I would point out with my own rapidly aging parents and in-laws, as the years go on they struggle with forms and they struggle with requirements. And so they...the homestead group tends to be a little more labor intensive than the personal property group does. [LB345]

SENATOR HARR: Okay. And on the personal property side, how much money does Douglas County collect, if you know? [LB345]

MICHAEL GOODWILLIE: You know what, that's not the bill that's up. [LB345]

SENATOR HARR: I know. And if you don't know the answer... [LB345]

MICHAEL GOODWILLIE: To get...LB398 is not up, but what I will tell you is in looking at that bill, I think last year's certificate of taxes levied, we reported out, if you add up all the personal property, local businesses, centrally assessed railroads, agricultural, I think we reported out about \$2 billion worth of value, which represent about \$40 million, tax dollars, to the political subdivisions in Douglas County. [LB345]

SENATOR HARR: Okay. I thank you. I know that's not what you're here on but I also know... [LB345]

MICHAEL GOODWILLIE: That's okay. Are you going to reimburse us for that? [LB345]

SENATOR HARR: No. No. [LB345]

MICHAEL GOODWILLIE: (Laughter) [LB345]

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SENATOR HARR: I just know you know the answers and I didn't know if you'd be down here for the other bill so I wanted to find out beforehand. So I appreciate your time. [LB345]

MICHAEL GOODWILLIE: Certainly. [LB345]

SENATOR HARR: Thanks for coming down here. Always nice to speak with you. [LB345]

SENATOR SCHUMACHER: Any other questions? Seeing none, thank you for your testimony today. [LB345]

MICHAEL GOODWILLIE: Thank you. [LB345]

SENATOR SCHUMACHER: Next opponent. [LB345]

GWENDOLEN HINES: Good afternoon. My name is Gwendolen Hines, it's G-w-e-n-d-o-l-e-n, and the last name is Hines, H-i-n-e-s. According to the Tax Foundation, which is a Washington, D.C., based think tank, Nebraska is 4th in property taxes but ranks 25th in overall tax burden. So I don't really think there's such a problem. I'm not really in favor of residential tax relief, but I am in favor of ag property tax relief. But if we're going to have residential property tax relief, I think we should use the property tax relief circuit breaker which gives no property tax relief to couples making over \$116,000 filing jointly or those making over \$58,000 filing individually. I personally would not benefit from the Property Tax Circuit Breaker Act, though I would benefit from this bill. But I think this bill is not viable. The state needs the money. We would lose so much money from this bill. I think the state needs the money for things like prison reform, education at all levels, improving day care, improving healthcare and mental healthcare, improving Aid to Dependent Children, police, fire. There's so many things that the state needs to pay for that I don't think that if we passed this property tax relief form that we'll have the money to pay for everything that we need to pay for. That's it. [LB345]

SENATOR SCHUMACHER: Thank you, Ms. Hines. Any questions? Thank you very much for coming down and testifying. [LB345]

GWENDOLEN HINES: Thank you for having me. [LB345]

SENATOR SCHUMACHER: More opponents, any more opponents for LB345? We now shift gears to neutral. Any neutral testimony? Welcome. [LB345]

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FRED UHE: (Exhibit 2) Senator Schumacher, members of the Revenue Committee, my name is Fred Uhe, last name spelled U-h-e. I'm the director of community and government relations for Sarpy County, appearing in a neutral capacity here for the Sarpy County Board and for the Sarpy County Treasurer. We are neutral because we realize that the tremendous fiscal impact that this bill had. We do applaud Senator Kolowski for attempting to provide some property tax relief. Being the collectors of such taxes, we at the county definitely hear a great deal of criticism on it, but the...realizing that policy decision is best left to the Legislature, we remain neutral on that. But there is a component of the bill we like, which is in Section 5(2) mainly on page 3, that would allow a county board to grant potential relief for someone who has not filed for a homestead exemption, and currently there's no provision for relief for these individuals. And we've had approximately five cases in the last three years where perhaps a spouse passes, a hospitalization, a variety of issues, maybe an out-of-state child is attempting to assume, maybe, the surviving Mom's affairs, something of that nature. And unfortunately, there's no...again, no provisions for the county board to take action to grant a hardship relief. Rich James, our county treasurer, has cited a specific example in the letter that's being passed around, but think he also noted that if you are late paying your taxes, say a month, the average cost is going to be about \$24 in interest. If you're late paying your sales tax on a vehicle, it's about \$7. If you're late in a month on a homestead, you basically go from 0 to \$2,500-\$3,000. I know one family, daughter was out of state, missed the forms, Mom was hospitalized. Unfortunately, there was no way for us to grant any relief and the daughter actually had to go out and personally borrow \$3,000 to pay Mom's taxes. So hopefully that's a concept within this bill that this committee will consider as a potential form of relief, because these are the people that probably, Mr. Goodwillie mentioned, they aren't really good with forms. There are sometimes medical issues and other issues. So conceptually, we're strongly supportive of that, supportive of property tax relief, but neutral on the fiscal impact of this bill. So with that, I'd be willing to take any questions. [LB345]

SENATOR SULLIVAN: Thank you, sir. And just by way of clarification, I'm the third string to (laughter) head up the committee because the senators are introducing bills in other...but they'll be back. Sir, this comment that you just made, so that currently is not in statute, any mechanism for forgiveness or accommodation for late. [LB345]

FRED UHE: No. It's...our county attorney has advised our board that it's a pretty hard, fast deadline. They've had to reject it. I think one family attempted to take it to TERC. I don't think they had any success there either because it's pretty clear in statute that if you're late, you're late. And there's always those mitigating circumstances, a hospitalization issue, you know, and we feel very compassionate for those folks. But again, our hands are tied to not. You know, and I think here, you know, if you've received relief once, you can't do it two years in a row. So it's not created to allow someone to float through and never have to fill out an application. But if you

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have a valid reason for missing it, you should be able to probably submit a late application, and then our county board will be willing to act on it, so. [LB345]

SENATOR SULLIVAN: And so the way it's written, it would apply both to the current homestead exemption and the one being proposed? [LB345]

FRED UHE: I believe in this bill it would. Again, I think this would be the purview of the committee to maybe apply that component that we really like to the current homestead exemption... [LB345]

SENATOR SULLIVAN: Uh-huh. [LB345]

FRED UHE: ...if you see fit not to do the... [LB345]

SENATOR SULLIVAN: Sure. Sure. [LB345]

FRED UHE: ...the other part of it. [LB345]

SENATOR SULLIVAN: Okay. Very good. Any other questions? Thank you for your testimony. [LB345]

FRED UHE: Okay. Thank you. [LB345]

SENATOR SULLIVAN: Anyone else wishing to testify in a neutral capacity? Senator Kolowski for closing. [LB345]

SENATOR KOLOWSKI: Thank you, Senator Sullivan, members of the committee. I would start by saying I'm glad to see this potential bill is a county job provider, certainly would assist meeting some goals in that particular way if it was enacted, according to the gentlemen that have spoken. The reality of that situation as a county official is much like what we faced in the Millard School District in the '70s and '80s when we were growing by 1,000 students a year. So I empathize with that. I sympathize with them as to the number of things they'd have to be taking on and completing if this was successful. The point being, we've got to do something with property taxes. This is just one of many bills I'm sure that will be coming forward that we need to take a look at. And if not this, what, because the people are very, very tired of what they're dealing with as far their property taxes in my community and all communities as we have been across the state. And I ask your consideration of this within that light. Any public official is there

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to do a job and if they need more help to get the job done, so be it if that's the case, if it gives that kind of property relief to the citizens that are looking for and desiring to have that take place. So we have that on one hand and the reality of the numbers and the amount of work on the other. I jokingly say it's a job creator, but we all know it takes people to get those things done. And I'm sure there's technology that can also be applied that hasn't been addressed and other ways that we can go about doing some things to be more efficient and effective in something like this. So I leave it at that, in that particular case, and I thank you for the opportunity of being here today and having that chance to put one proposal before you. And it's been good to be back again, so thank you very much. [LB345]

SENATOR SULLIVAN: Thank you, Senator. How do you feel about the comment from the previous testifier about that specific part of your legislation that provides some relief for late filers or late applications? [LB345]

SENATOR KOLOWSKI: Oh, I'd like to look at that in more detail. I could get back to the committee or anyone as far as the particulars on that. We made notes on their comments and I need to analyze that in more depth. [LB345]

SENATOR SULLIVAN: Sure. [LB345]

SENATOR KOLOWSKI: It's...the taxes are not my forte. [LB345]

SENATOR SULLIVAN: Yeah, uh-huh. [LB345]

SENATOR KOLOWSKI: I'm trying to do something to help the taxpayers in my community and I'd go to someone who has better expertise in that than I have. Thank you. [LB345]

SENATOR SULLIVAN: Any other questions for the senator? Senator Scheer. [LB345]

SENATOR SCHEER: Senator Kolowski, getting back to one of the testifiers, not their homeowners' values have not increased across the state in some areas, but most people would perceive the ag and ranch ground as the big multiplier of value. The bill sort of excludes that portion. Is there a reason why or this is just that specific and somebody else can do the rest? [LB345]

SENATOR KOLOWSKI: It's be the second part. This is specific to the city dwellers for the most part and not so much the ag land or ranch land situations, Senator. [LB345]

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SENATOR SCHEER: Okay. Thank you. Thank you, Senator. [LB345]

SENATOR SULLIVAN: Any other questions? Thank you, Senator Kolowski. [LB345]

SENATOR KOLOWSKI: Thank you very much. [LB345]

SENATOR SULLIVAN: This closes the hearing on LB345. We will now move on to LB210. Welcome, Senator Ebke. [LB210]

SENATOR EBKE: (Exhibit 1) Thank you, Senator Sullivan and members of the Revenue Committee. My name is Laura Ebke, E-b-k-e. I represent District 32. I appreciate your hearing LB210 today. I want to start with a little bit of background on what's led to this bill. It was presented to us by some members of REOMA, the Real Estate Owners and Managers Association. So at some point, if you start asking questions that are too technical or too specific, I may have to defer them to them. There will be a number who will be testifying after this opening. There's sort of an interesting situation that goes back to the Air Force leaving Lincoln in 1966 and that's what really spurs this bill. In June of 1966, the 98th Bomber Wing of the United States Air Force moved from the Lincoln Air Force Base to Torrejon, I think, Air Base in Spain, and the Lincoln Air Force Base was closed. And all of the personnel were deployed elsewhere. This left hundreds of base housing units behind with no real plan for the future. Sometime in 1970, the U. S. Government, the city of Lincoln, and the Lincoln Housing Authority entered into an agreement to create Arnold Heights neighborhood and transfer the base housing to the Lincoln Housing Authority. This was done for a variety of reasons, one of which was to create some public housing, but also to keep the local real estate market from being flooded with vacant and available housing for rent and/or sale. Because of a lack of local need for public housing at the time, an agreement was made that LHA could rent those properties in Arnold Heights to basically anyone and still qualify for a tax exemption in order to further the needs of LHA at the time. We don't believe that the reasons for those exemptions exist anymore. Reasons for us not believing that are, first of all, Lincoln Housing Authority has really succeeded in their mission to provide much-needed public housing across the city. We are told that waiting lists...that there are waiting lists at many, if not all, of LHA's housing units. Third point is that LHA is continuing to build new units across the city, and fourth, LHA is offering hundreds of voucher programs to units...program units to private rental unit owners so that people can get into private rental properties. The public purpose of this exemption to prevent the flooding of the market to make sure that there were...that there wasn't this problem, was obvious and quite evident 40 years ago, but it now serves to create unneeded competition with the private sector and removes a sizable amount of tax dollars from the Lancaster County rolls. So, LB210 seeks to address this issue by accomplishing three things. First of all, it seeks to change provisions of the Nebraska Housing Agency Act by amending Sections 71-1575, 71-1590, and 71-15,124, if you

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want to look those up. Specifically, there are three changes here. First of all, we define market-rate unit. This is on page 4 of the bill, lines 20 through 23, and that defines a unit, a market-rate unit as a dwelling in a mixed-income development that is not designated for occupancy only by persons of eligible income or that is not available at a reduced rent to persons of eligible income. Second, it removes the...the bill seeks to remove the tax exemption for housing units that are rented to nonincome qualifying residents and all market-rate units. Now, this is found on page 7, lines 1 and 2. And then, third, to state...we want to state that market-rate units and mixed-income developments are not for a public purpose. And this is on page 10, lines 2 through 4. A few more notes before I close here. The State Auditor's Office did a review of the Lincoln Housing Authority in 2008. It was only a review, not a full examination. I won't go into much detail of that as there are others behind me who will likely refer to it, but you do have the copy of that report, that was just handed out. You'll notice that the fiscal note doesn't have any figures. The answer to that is quite simple. We're dealing with local property taxes here, so the dollar amounts don't really exist in state numbers. However, an inquiry from the Fiscal Office yesterday to the LHA received a guess, or best estimate, that LB210 would cost LHA about \$600,000, which would probably go, in large part, for its property taxes. It's a considerable amount of money knowing that these properties do receive basic city services, fire, police, and they have an elementary school that serves the Arnold Heights area as well. Arnold Elementary was rebuilt in 2009. Now to be fair, according to the Auditor's statement, in 2008, pursuant to the 1970 agreement, although not expressly indicated in the agreement, it does appear that LHA provides some services on these properties in lieu of taxes, such as snow removal, including 9.5 miles of city streets, mowing 70 acres, a rent-free duplex for a city library, rent-free substation for the Police Department, and they did deed the Arnold School to Lincoln Public Schools at no cost to the district. Also, from 1970 to 1984, LHA paid the city over \$300,000 for public improvements in Arnold Heights. Still we believe that this doesn't compensate for lost property taxes on properties that should be taxable and also doesn't justify the advantage...the comparative advantage compared to private property owners who have to pay property taxes in to factor their rental prices into that. Lincoln Housing Authority is a great organization. It provides a much-needed service. They do an excellent job in exercising their mission. And in spite of what some may believe, it's really not our intention to hamper that in any way. The agreement at stake here made sense 40 years ago, but it's really unneeded now. It creates an unfair competition, removes a sizable chunk of the tax base, and we ask that the market-rate units be put back on the tax rolls so that their rents will better reflect the market in the city, in the county, and schools can receive their much-needed income. Thank you for listening. I'd be happy to try to address your questions and there will be others behind me who may be able to answer other things as well. [LB210]

SENATOR SULLIVAN: Thank you, Senator Ebke. I think you mentioned in your testimony something about the effect...and correct me if I'm wrong, that the Lincoln Housing Authority believes that the...they've outlived the usefulness of the original intention of the Nebraska Housing Act. [LB210]

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SENATOR EBKE: I don't believe the Lincoln Housing Authority doesn't believe that. [LB210]

SENATOR SULLIVAN: Okay. [LB210]

SENATOR EBKE: They'd be Auditor's office suggested that that was possible, if you read through there, there's some places in there. But this...the REOMA, the Real Estate Owners and Managers are the ones that brought this bill and they believe that it's outlived. [LB210]

SENATOR SULLIVAN: Okay. Making that assumption that those are circumstances primarily in an urban area as opposed to rural areas. Do you have any sense about how this bill might impact rural communities? [LB210]

SENATOR EBKE: The Rural Housing Association? Well, I don't. I don't know that there's any other...that there's any other situations like this where you have an area that has been...that's open for both low-income and normal market value prices that any other housing authorities that have done this. [LB210]

SENATOR SULLIVAN: Well, we'll probably hear something...(inaudible). [LB210]

SENATOR EBKE: And we can amend if we do, certainly. [LB210]

SENATOR SULLIVAN: Okay. All right. Any other questions? Senator Scheer. [LB210]

SENATOR SCHEER: Thank you, Senator Sullivan. To piggyback on what Senator Sullivan, there are other local housing authorities across the state that absolutely do do that. And so, that's...if your problem is isolated to Lancaster County, the bill is too broad to the extent that you're encompassing the whole state. I mean, if it truly is a problem just within the confines of this county, why wouldn't you draft the bill only for Lancaster County? [LB210]

SENATOR EBKE: Sure, well, I don't know that we want to draft bills that apply just to one county in this instance. And certainly, if that's widespread, we need to talk about that. Like I say... [LB210]

SENATOR SCHEER: Well, I mean, my question is only because every example, everything you talked about was exclusive to the Lincoln Housing Authority which is a part of the Lancaster County. So, you know, there are other bills out there that deal with counties per se. So it seems like a broad brush instead of a small brush if that indeed is the only problem because I do believe

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there's functionally housing authorities across the state of Nebraska that are functionally doing the same thing and maybe in your marketplace, that that might be the case where it makes them at a disadvantage competitively, but some places, I would suspect not so much. In reading part of the bill here, you're not allowing mixed-use housing...I mean, mixed-use housing so you have some that are receiving subsidy for the living and some that may not. So it's almost like you're trying to isolate those that would be subsidized have to be in only exclusive units, so you aren't going to disburse population across a community. [LB210]

SENATOR EBKE: Yeah, I think...I think, here's the problem in Arnold Heights especially. [LB210]

SENATOR SCHEER: I'm not talking about Arnold Heights. I'm talking about the state. [LB210]

SENATOR EBKE: I know, but in any mixed-use situation, the question is whether or not...whether or not it's appropriate to have market-based rents that aren't...that are competing with other private ownership. So if I've got an apartment...an apartment over a housing complex over here that I'm having to, you know, pay property taxes on, I, in order to make money and get adequate renters, I have to compete with another group over here that isn't paying...that doesn't have to, you know, function on a profit and doesn't have to worry about paying taxes for the property taxes. [LB210]

SENATOR SCHEER: Well, that's part of what a government does though. I mean, the government does provide the assistance to part of population that needs that assistance. [LB210]

SENATOR EBKE: Sure, and nobody is suggesting that they shouldn't provide to the people who need the assistance. It's the question of people who don't need the assistance, but who are being rented...who don't meet the guidelines or the... [LB210]

SENATOR SCHEER: So in essence, you're trying to segregate those that need assistance into certain buildings and those that don't in other buildings. [LB210]

SENATOR EBKE: No, what we're trying to make sure that the Lincoln Housing Authority if they are renting at a market to people who don't qualify, that they pay the property taxes on that. [LB210]

SENATOR SCHEER: So if you've got a sixplex...if you have a sixplex, say for example, so if one of the six are of those who may not be rent subsidized, then one-sixth of that should be tax bearing, is that what you're implying? [LB210]

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SENATOR EBKE: Yeah. [LB210]

SENATOR SCHEER: Okay. Thank you. Thanks, Senator Sullivan. [LB210]

SENATOR GLOOR: And Senator Schumacher and myself have joined this. [LB210]

SENATOR EBKE: Reappeared. [LB210]

SENATOR GLOOR: We have appeared. Other questions for Senator Ebke? Senator Brasch. [LB210]

SENATOR BRASCH: Thank you, Senator Ebke for introducing this bill. And I'm just curious. When we mentioned Arnold Heights area, and perhaps that was part of your introduction, but is that the former military housing area? [LB210]

SENATOR EBKE: Yes. Yes, that's the former Lincoln Air Force Base. [LB210]

SENATOR BRASCH: And I do recall the history about 40 years ago when they closed that area. That was a huge, huge gap of people leaving west Lincoln. [LB210]

SENATOR EBKE: And given the population at the time, not only would have been a huge bunch of people leaving west Lincoln, it would have been...it would have really put a real glut on the market in terms of housing. [LB210]

SENATOR BRASCH: And I think the leaving was even before the 40 years, but 40 years ago they were trying really to fill those homes and so they were offering very, very attractive houses for sale, houses for rent, and competing with other home buyers...or home sellers. Is this part of it, it's trying to equalize that somewhat that...? [LB210]

SENATOR EBKE: Yeah, and I think that our...you know, the population growth that has occurred over the last 50 years in Lincoln, especially doesn't demand that because we're filling...because the housing units are being easily filled. [LB210]

SENATOR BRASCH: So that is why they are the primary area which, and perhaps the rest of the state does have such large population of neighborhoods that were at once exclusively military that opened up. [LB210]

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SENATOR EBKE: This is a lot of units. [LB210]

SENATOR BRASCH: Yes. Do you know how many? [LB210]

SENATOR EBKE: I want to say eight hundred. Yeah, I think it was about seven or eight hundred, between seven and eight hundred. [LB210]

SENATOR BRASCH: I do recall that, so thank you. I have no other questions. [LB210]

SENATOR GLOOR: Seeing no further questions. I'm guessing you're staying around to close. [LB210]

SENATOR EBKE: I'll stick around. [LB210]

SENATOR GLOOR: Okay. Thank you, Senator Ebke. We'll now move to proponents for LB210. Afternoon. [LB210]

LYNN FISHER: (Exhibit 2) Good afternoon. My name is Lynn Fisher, F-i-s-h-e-r, and I'm here representing the Real Estate Owners and Managers Association of Lincoln. I'm also president of Great Place Properties, were a real estate investor here in Lincoln. And I've known and worked with many good folks at the Lincoln Housing Authority and they do a very good job in administering and managing the Section 8 Program in running the many subsidized units that they own, or manage, in some cases. But it's wrong and it's not a public purpose that the Lincoln Housing Authority rents hundreds of units to fully open-market tenants with no income restrictions and they pay no property taxes. No other housing authorities in Nebraska, Senator Scheer, to answer your question, have that unfair advantage nor should they. As a property taxpayer, we and every other property taxpayer in Lancaster County is paying more property taxes because these rental properties are off the tax rolls. And the Lincoln, Lancaster...in Lincoln, Lancaster County and the Lincoln Public Schools have been cheated out of millions of dollars in property taxes over many years and this really needs to be corrected. Back in 1966, as Senator Ebke mentioned to you, when the Air Base was closed, the city leaders, of course, wanted to prevent a glut of units coming on to the market all at once and they made a special arrangement through legislation to change the way that the Lincoln Housing Authority was able to rent units. And it was unique to the Lincoln Housing Authority and did not change the way, Senator Scheer, that all the other housing authorities in the state were allowed to operate. So it was specifically in a very narrow way just for Lincoln and the Lincoln Housing Authority and not for any other housing authorities. So I don't believe that the rest of the housing authorities in the state are going to be affected in any way by this legislation by LB210 because they've never been allowed

in the past to rent open-market units or to operate those. So that, I think, is a very important point about your question. The Lincoln Housing Authority through a bond issue and then, of course, acquired all of these properties and they were able to sell off a fraction of the total number of units that they acquired to pay off the bond and essentially ended up owning all of these properties with essentially no cost. And once they acquired the power that these properties gave them and that power fell into their hands, they naturally took advantage of this huge increase in their rental income not subject to property taxes. And Senator, if you mentioned too, the renters of these properties utilize the services of the public schools, the police, the fire, and other city and county services and, of course, no property taxes are being paid to cover those costs. And the Lincoln Housing Authority knows so much that this is unfair that they've actually contrived the system of funds distribution to many social service entities and organizations and they've given this information that they dole out lots of different donations and support of all kinds of organizations in order to garner and maintain support from these folks for the housing authority keeping their ill-gotten gains, in my opinion. These rental properties, of course, should be subject to taxation in order for those public entities to be supported. Unelected bureaucrats should not be unfairly giving away or taking what should be tax dollars and diverting these monies to carefully chosen projects and supporters. So, I urge you to please pass this bill and right a longtime wrong. And Senator Scheer, again you mentioned about your concern that this bill might change the situation of having mixed-units or folks that are being subsidized living next to people that would not be subsidized, and this would not change a bit because if the housing authority had to pay taxes, property taxes on those properties that they rent to open-market folks, they would simply be having the same situation, folks not being subsidized living next to people that are. It wouldn't change. Be happy to answer any questions. [LB210]

SENATOR GLOOR: Mr. Fisher, I had to present a bill to another committee so I may have missed it if Senator Ebke touched on it, but have all your local options of pursuing this within Lincoln, Lancaster County been exhausted? Is that why we're talking about a statewide solution? [LB210]

LYNN FISHER: Yes. We've talked to all the city leaders here in Lincoln and the housing authority is a quasi-governmental agency that is chartered by the state. The board is appointed or nominated by the mayor and city council approves the board. But beyond that, the city has no control and cannot make any changes to how they operate. [LB210]

SENATOR GLOOR: But have there been presentations to the city council? [LB210]

LYNN FISHER: We have spoken to the county board, we've talked to the city council members individually, we've talked to various other folks in city leadership, the mayor's office. Two or three different mayors, actually. [LB210]

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SENATOR GLOOR: And this would be the realtors, the local real estate association that made these presentations? [LB210]

LYNN FISHER: No, this...we're the Real Estate Owners and Managers Association. We're an association of essentially property investors, landlords, and the such. [LB210]

SENATOR GLOOR: Thank you for that clarification. Other questions? Senator Scheer, and then Senator Sullivan. [LB210]

SENATOR SCHEER: Explain to me then how this would work if you believe that it will. Going back to my sixplex. I rent that to you, it's subsidized because you're at whatever level that might be, and then the next year, year and a half, you are able to move across a job schedule to where now you're making enough dollars that you're no longer eligible for subsidies, so you're one of...if it's a triplex or a duplex, you're now living there, but you're technically because of dollar level, you're no longer eligible for the subsidy. [LB210]

LYNN FISHER: Sure. [LB210]

SENATOR SCHEER: So how does the housing authority pay tax on one-sixth of a sixplex or one-twelfth of the twelveplex, and it wasn't that you weren't qualified at the time but through your own work, you now become unqualified for the subsidy. [LB210]

LYNN FISHER: Well, I think what they would have to do is to do what all other housing authorities in the state do and that is to be exclusively renting to people in a building that are subsidized, or in the case of an individual property like a single family home or a duplex, they could easily be the full 100 percent of that property would be subject to property tax if they chose to rent that unit to someone who is not qualified, or designate half of the duplex to the nonqualified tenant and pay half of the property tax. I think that would be the simplest way for them to proceed. Or, they may choose to just sell these properties off that are subject to property taxes if they're individual homes or duplexes which would put them back on the tax rolls and put them out with the public and that would work as well, but I think... [LB210]

SENATOR SCHEER: Okay, but what happens to the person that's living in the unit? [LB210]

LYNN FISHER: It doesn't affect the person living in the unit whatsoever. [LB210]

SENATOR SCHEER: Well, certainly it does because if it's a fully subsidized unit and you've done better financially so you're no longer eligible for that, now I kick you out? [LB210]

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LYNN FISHER: Well, that would be up to the housing authority to how... [LB210]

SENATOR SCHEER: Well, no, it's not up to the...I'm going back to your comment. It has to be one or the other, so if one does better, then you're literally saying that person would have to be evicted out of that facility. [LB210]

LYNN FISHER: No, I think for a prorated period of time that they're not eligible, then that property would be subject to property tax. [LB210]

SENATOR SCHEER: The whole building because one of the sides... [LB210]

LYNN FISHER: No, I think a portion would be fair. I mean, they would... [LB210]

SENATOR SCHEER: Okay. Well, that's what I asked so you're suggesting at some point in time a certain portion of whatever that building would be... [LB210]

LYNN FISHER: I understand what you're saying. So there would be a transitional period where there would be some complication in trying to calculate how much property tax would be due. But the housing authority, I'm sure, would want them to simplify their system and designate certain units to be at least from that point forward, to be unsubsidized and subject to property taxes. [LB210]

SENATOR SCHEER: But the potential would always exist for the same thing to happen in any of those units. [LB210]

LYNN FISHER: That's possible. That's possible, but that would still make it fair, I think, that if that person was not eligible under whatever rules the housing authority would come up with that that piece of property then would become subject to property tax or whatever portion that that represented. [LB210]

SENATOR SCHEER: Okay. Thank you. Thank you, Senator Gloor. [LB210]

SENATOR GLOOR: Senator Sullivan. [LB210]

SENATOR SULLIVAN: Thank you, Senator Gloor and thank you for your testimony, sir. I live in rural Nebraska and I would beg to differ with you a little bit in terms of the impact this could potentially have on housing authorities in rural communities. We continue to have declining

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populations, but we also have a very big housing shortage and we have low-income...a lot of low-income people, some of whom are a little bit over income. And so I'm wondering if you have really thought about the implications for this sort of...the consequences of this kind of legislation will have on some of these rural communities. [LB210]

LYNN FISHER: Well, the way I understand the change in the law back in 1966, that prior to that time all housing authorities were not able to rent to open-market nonqualified tenants. The change in the law in 1966 specifically only changed the situation for the Lincoln Housing Authority in Lincoln and it didn't change the situation for the other housing authorities. So I don't see how this would make any difference to the rest of the housing authorities in the state. [LB210]

SENATOR SULLIVAN: All right. Well, hopefully, we'll hear from some. Thank you very much. [LB210]

SENATOR GLOOR: Senator Harr. [LB210]

SENATOR HARR: Thank you and thanks for coming in, Mr. Fisher. You know, the problem we sometimes have when we look at bills is we only get the green copy and we can't see the overall bill and the purpose and why we're doing what we're doing. And sometimes it seems, you know, yeah, maybe you're right. Maybe...because if you have two identical units and one is out in the Ridges and one is in this development that you talk about, and, you know, I can see why you'd want some different...but there would be a difference in rent right there. People would probably want to live in the Ridges if the prices were the same. So to make that price the same or close, more attractive, we'd take away and just lower, and more attractive, we'd lower the price, and I thought, you know, I really like fixed-use house. I think it's a great way of creating diversity in our economy and so I went and looked at the purpose of this act. And it says...and I'm at 71-1574, act purpose. And it says the purpose of Nebraska Housing Agency Act are, and so then you go down and number 2 says, to encourage the development, redevelopment, rehabilitation and preservation of safe, livable neighborhoods containing housing that is affordable to persons of low- and moderate-income, including mixed-income developments and to reduce where feasible high residential concentration of impoverished persons. Well, that seems to be this act...this development that we're discussing right now seems to be furthering the purpose of the act. And so, I guess, my question is, do we need to eliminate that provision of the purpose, or what do you think we should be doing? [LB210]

LYNN FISHER: Well, I don't think this changes the purpose in any way or the ability of the housing authority to meet that goal. If the housing authority chooses to rent to somebody that's a

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market-tenant and they pay property tax on that particular property, and they have someone next door who is a subsidized, you have a mixed situation and it doesn't change. [LB210]

SENATOR HARR: Where would you rather live, the Ridges or in this development? [LB210]

LYNN FISHER: I'd rather live in my house, frankly, but I don't have a... [LB210]

SENATOR HARR: Well, let's say hypothetically then. Hypothetically if you had to choose between the Ridges and your housing...or...and this housing development, where would you rather live? [LB210]

LYNN FISHER: Well, first of all, I don't understand how that question has any bearing on this issue. [LB210]

SENATOR HARR: Okay. Well, let me get to it then, and I guess I'm going to do a monologue then. What I'm trying to get at is that there's a public purpose reason why I believe that this is not taxed and that is that we believe, we, the Legislature in the past, believed that there was a public purpose of having mixed-housing units, and that given a choice, people would choose to probably live in a nicer neighborhood than in a mixed neighborhood. Now we have ways of incentivizing people to move into those mixed-use housing and one of those ways of incentivizing them is to have a lower rent. One of the ways we can have a lower rent is by not charging property taxes so that cost isn't passed on...or that savings isn't passed on to the rent term. And I understand because you are in the market and you see this, quote, unquote, unfair advantage by unelected bureaucrats that unfairly gives away taxpayer dollars. And I understand your side of it, but from our point of view, we're saying, we're going to forego because we want to incentivize or encourage this mixed-use housing. [LB210]

LYNN FISHER: This still doesn't change the ability of the housing authority to have mixed-use housing. If they pay property tax on one property, they can... [LB210]

SENATOR HARR: I think we're speaking over each other though, because what I'm trying to say is, and I agree with you, it doesn't get rid of the ability to have mixed-use housing, but it takes away the attractiveness because if we all of a sudden put property tax on these mixed-use housing developments, the cost to rent those would increase and that... [LB210]

LYNN FISHER: Not necessarily, I disagree. And respectfully, I would say that the housing authority would just simply not be able to maybe acquire another piece of property, or they wouldn't be able to give money to their favorite organization in their scheme of doing that. And

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they would just simply have to maintain, like all of us do, a rental property in the same condition that they're able to do now. They just wouldn't have the ability to go out and do more expansion. [LB210]

SENATOR HARR: Well, with all due deference and back at you, I would say, if we raised your property taxes you'd probably couldn't be upset because all we're doing is preventing you from expanding and from giving to your charities. And what I'd say is the purpose of these local housing units, these nonprofits are very good. We want to provide low, affordable housing across the state, and I applaud the action of the housing authorities and incentivizing because if we want to get people out of poverty, you have to get them out of living in impoverished neighborhoods. And one of the ways you do that is through mixed-use housing and so we have to find ways to incentivize people to do that. [LB210]

LYNN FISHER: Well, my answer, Senator, is simply that in Lincoln we have mixed-use housing whether it be the housing authority's properties or it be mine or the rest of our members or all the other people that rent. We have in our particular company, we have people that are on Section 8. We have people that make a lot of money and people make in the middle. It's mixed-use housing. The housing authority is not unique in Lincoln in their ability to provide that. So, we do it, they do it, and by raising my property taxes, of course, I would hope that you wouldn't do that, (laughter) but... [LB210]

SENATOR HARR: It's not my intent to. [LB210]

LYNN FISHER: ...we want a level playing field for open-market rental units because we provide mixed-use housing and do pay property taxes, so we know it's possible. And the Lincoln Housing Authority surely can do the same thing that we do and be able to pay property taxes at the same time. And by the way, I wouldn't mind living in an area that has mixed-use housing because the housing authority, like we do, provide a very good quality environment with people that live next door to our tenants that are lower income. So being lower income does not mean...having neighbors at a lower income does not make it a less desirable neighborhood. [LB210]

SENATOR HARR: I would agree with you there. I live in one myself, so I agree with that, but... [LB210]

LYNN FISHER: So, I don't think there's a need for the housing authority to be given the unfair advantage of not paying property taxes because it's a false situation. There are no situations that I know of in Lincoln where you have an undesirable neighborhood and you have to provide this tax advantage in order to fix something that's not broken. [LB210]

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SENATOR HARR: Okay. And I'll be interested to see if we get anyone here from the city of Lincoln or Lancaster or LPS as well. So thank you very much. [LB210]

LYNN FISHER: Thank you. [LB210]

SENATOR GLOOR: Senator Scheer. [LB210]

SENATOR SCHEER: Thank you, Senator Gloor. Following your conversation, basically that's what you...as far as next use, it has taken it out of the definition because it states on page 6 that the housing agency or wholly-owned, controlled affiliate which is current and then you add, including dwellings occupied by persons who are not eligible for income or market-rate units. So that would be the mixed-use shall not be deemed to be for the public purpose. Well, that's exactly what Senator Harr was saying, those are for the public purpose. So we are changing the definition of what we're utilizing for public assistance. I mean, part of my concern with this, nowhere are we changing anything that says it's exclusive to a Lincoln Housing Authority. I don't find that anywhere in the statute at all, nor do I see...just a minute...nor do I see anything in the changes that have anything to do specifically with the Lincoln Housing Authority. You said that everything was done specifically for them, but I find nothing that's changed that is specific or deleted that is specific to the Lancaster County or the Lincoln Public Housing Authority. So, we are changing state policy or not Lincoln policy. [LB210]

LYNN FISHER: Well, because it is a state law, the original change in 1966 had a little trick and they said that only housing authorities for cities of a...what was the term. I can't remember, it was primary...of a primary population or primary size, would be affected by this change. Well, the only city is Lincoln so the original change was, in a kind of a tricky legislative way, made to be only Lincoln, and that's why this change is necessary now to correct that. [LB210]

SENATOR SCHEER: Well, I guess then to my point, why don't we just pull the primary city out of the statute instead of... [LB210]

LYNN FISHER: Well, the statute has been changed since then. [LB210]

SENATOR SCHEER: Okay. So then it's not relevant. [LB210]

LYNN FISHER: No, what they did is that since then, the housing authority has lobbied to have that original wording taken out, but even said that until such time as the situation could be changed by the housing authority divesting themselves of those properties, that this would be allowed for them to have open market. [LB210]

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SENATOR SCHEER: Okay. So, I'm correct, there's nothing in here that anymore that speaks directly to the concerns that you're talking about. I mean, they may exist there, but there's nothing that specifically talks about Lincoln. [LB210]

LYNN FISHER: Well, I disagree. I think that this bill is needed in order to correct this wrong and that this... [LB210]

SENATOR SCHEER: I didn't ask that. I asked if there was nothing in there in relationship to the Lincoln Public Housing that we're changing. You mentioned, not I, that all that had been stripped out. [LB210]

LYNN FISHER: Well, I'm not a lawyer. [LB210]

SENATOR SCHEER: Nor am I. [LB210]

LYNN FISHER: I'm not a legislator and I don't understand all the laws and the particular wording that has been changed other than to say that the original 1966 law has been "overridden" by subsequent laws in changes. But I know that the housing authority in Lincoln unfairly has hundreds of units they're being not taxed, they're being rented to people that are not subsidized and don't qualify for any subsidies, and those should be taxed and that, you know, notwithstanding any rural or other areas with housing authorities that I don't believe have units that are rented to private or open-market tenants that have higher incomes, that this situation is unique to Lincoln and that this law is needed in order to correct the situation where the housing authority should be paying property taxes. [LB210]

SENATOR SCHEER: Okay. Thank you. [LB210]

SENATOR GLOOR: Senator Schumacher. [LB210]

SENATOR SCHUMACHER: Thank you, Senator Gloor. I guess I question just a little bit that this is unique to Lincoln. Earlier today, folks from several different cities were in the lobby all pleading the case against this particular bill. Are you sure that it does not affect anybody but Lincoln? [LB210]

LYNN FISHER: Well, Senator, I can't be absolutely sure because I'm not familiar with those other folks. [LB210]

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SENATOR SCHUMACHER: Thank you. [LB210]

SENATOR GLOOR: Seeing no further questions. Thank you, Mr. Fisher. [LB210]

LYNN FISHER: Thank you. [LB210]

SENATOR GLOOR: Other proponents for this bill. Senator Rogert, welcome. [LB210]

KENT ROBERT: Senator Gloor, members of the Revenue Committee, my name is Kent Rogert, R-o-g-e-r-t. I'm here today representing the Statewide Property Owners Association in support of LB210. Statewide Property Owners Association is a coalition of rental property owners across the state, Omaha and Lincoln, and a few other towns across Nebraska. I won't be lengthy because I'll make myself open to any questions. I might be able to help clear the air on a couple issues. We understand that there may be some changes needed in the language of the bill, if necessary. We don't intend on overreaching with the bill and with any result. It's our understanding that currently Lincoln's Housing Authority is the only one that has the ability to own properties and rent them to folks without any income qualifications. And if they...and if others do, it's possible that they would pay tax on those during the periods of which those folks might be out of compliance with a certain income. But...let's see. I made some notes here so I was just taking...I encourage you to take a look at the Auditor's report. It's kind of lengthy, but the attachment C is six pages which is the response from the Auditor and basically their conclusions. It lays out a little bit of what they found and they asked for an AG's Opinion on the ability of Lincoln Housing Authority to operate in the fashion they are, and the Attorney General's Office came back with a little inconclusive. They said it's hard to tell the original intent of the legislature if it's still the intent but, quote, it says, they probably would...it probably wasn't the intent to exempt that property forever if they're going to continue to rent to nonincome qualifying individuals. And I would make the point that if there are waiting lists in most of the properties across the city and there's a voucher program and they're still expanding, then maybe it's time for the authority to take some of those properties out in Arnold Heights and get them back on the tax roles by divesting themselves of those properties. [LB210]

SENATOR GLOOR: Thank you, Senator Rogert. And do you want to go ahead and take a shot at some of the questions that have come up, as an example, statewide impact. [LB210]

KENT ROBERT: Yeah, it wouldn't be our intention to do so necessarily. [LB210]

SENATOR GLOOR: Okay. Senator Sullivan. [LB210]

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SENATOR SULLIVAN: Thank you. And Mr. Rogert, I take it that the...does the audit report, not having looked at it, indicate and document that there has, in fact, been renting to, by the housing authority, to people who are over income? [LB210]

KENT ROGERT: Yes. Yeah, it shows there's, I think, 641 units that have no...there's no qualification to live in those in terms of income. [LB210]

SENATOR SULLIVAN: Thank you. [LB210]

SENATOR GLOOR: Senator Harr. [LB210]

SENATOR HARR: Thank you. Again looking at the statute, it looks as though the Nebraska Housing Agency Act was redone in 1999. [LB210]

KENT ROGERT: Correct. [LB210]

SENATOR HARR: So, we don't...I can't really... [LB210]

KENT ROGERT: They've taken that out. (Laugh) [LB210]

SENATOR HARR: Yeah, so I can't tell what happened beforehand, if it was or if it wasn't, or if it amended before that. [LB210]

KENT ROGERT: Yep. [LB210]

SENATOR HARR: At that time, I read you...before, from the purposes, I'm looking now at the legislative findings and it says the legislature declares that basically all the feel-good stuff about what we want to do in housing, it says...well, it says, the adverse conditions described in this section...excuse me, it talks about all the bad things about...that happened in these areas. The adverse conditions described in this section cannot be remedied nor can the goals and policies of this section be successfully carried out through the ordinary functioning of private enterprise alone. These objections may be attainable by diligent efforts of public agencies acting both alone and cooperative with private sector entities and enterprises. The action of public agencies so taken are, therefore, not competitive with private enterprise. So we find that these aren't competitive with REOMA. And then...I should have marked...it's not my book, so I felt afraid to mark it, but probably no one else will read this, so probably could have. (Laughter) [LB210]

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KENT ROBERT: Not in today's technical age. [LB210]

SENATOR HARR: Yeah. And then in Section 10 it says, accordingly this state must provide to its local housing agencies sufficient powers to adequately address the housing needs of persons of low- and moderate-income within the state, and to operate related programs from public and private sources as well as the federal government. So it talks...and then it goes on to say in this regard, it further finds that...and then it goes on to state some of the things they can do which...so this is a find that allows those housing authorities to do what they are currently doing. [LB210]

KENT ROBERT: Okay. [LB210]

SENATOR HARR: So my question is, so we're now going back and amending not just one section, but we're amending the findings of the legislature and the purposes of this act. [LB210]

KENT ROBERT: Yeah, I think the bill here would be seeking to rediscuss the definition of public purpose. [LB210]

SENATOR HARR: Okay. All right. Thank you very much. [LB210]

SENATOR GLOOR: Other questions? Seeing none, thank you. [LB210]

KENT ROBERT: Thank you. [LB210]

SENATOR GLOOR: Other proponents? Afternoon. [LB210]

ANN POST: (Exhibit 3) Good afternoon. My name is Ann Post, that is A-n-n P-o-s-t. I'm here on behalf of the Lincoln Independent Business Association to testify in support of the purpose of LB210, which is to require that housing authorities pay property taxes on nonincome restricted units and clarify this longstanding issue of where they should and should not be paying property taxes. First, I want to clarify that I'm talking about nonincome restricted units. A lot of times under my reading of the statute, and I'm sure there will be people who are behind me who are much more expert in that than I am, but even in mixed-income developments there is a requirement that the tenants be at a maximum of 100 percent of the medium county income. So I'm only talking about units that have absolutely no restriction on income. And so, after clarifying that, when the government competes with local business by buying for these completely nonincome restricted tenants, it competes with taxpayers at the expense of those taxpayers. This is in direct violation of the principles of free enterprise that are a cornerstone of our American economy. Where housing authorities rent units without any income restrictions,

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this direct competition can give them a tremendous advantage over their local competition. It's been at least a decade that local groups and the housing authority have gone back and forth attempting to address this issue of when and where they should...have to pay property taxes. You've heard about an Auditors report. Actually, it was a review, not a report. An informal letter from the Attorney General's Office trying to determine when and where they should pay property taxes and both of those are pretty inconclusive as to their results. So, we would support this as a time to clarify as when and to what extent Nebraska housing authorities are subject to property taxes, and to assure that any property tax exemption does not give government subdivisions the ability to compete with private property owners. And for those reasons, LIBA supports LB210, and the purpose of LB210, we would ask your support as well. [LB210]

SENATOR GLOOR: Thank you, Ms. Post. Questions? Senator Harr. [LB210]

SENATOR HARR: Thank you. And I know the answer to the question and I'm sure you do too. Are housing authorities allowed to levy a tax? [LB210]

ANN POST: They are not. [LB210]

SENATOR HARR: Okay. And I'm going to go back to...because I screwed up earlier, on 1573, I've now written it in with a pencil. In 10, it says, this is the finding of the legislature and directing it at you but it's really more for the record, so feel free to respond if you'd like, but I'm going to just read it in. It says, Section 10, since local housing agencies do not possess the power to tax, it is necessary to ensure that other adequate funding sources...it is necessary to ensure other adequate funding sources for their activities. Accordingly, the state must provide to its local housing agencies sufficient power to adequately address the housing needs of persons of low- and moderate-income within the state. This is a way for them...a program in which they're able to raise money to fund...to go out and buy more property, is how I see this. And if they have to pay property taxes, they may be able to keep the rent at the same level like the earlier testifier said, but then they have less money to go out and purchase and expand because another finding is, and it's the very first one, there exists within the state a shortage of residential housing that is decent, safe, sanitary, situated in safe, livable neighborhoods, and affordable to persons of low- and moderate-income. So I guess my question is, I understand, I love free-market and I think it does a good job, but at some point is this...I see this as kind of maybe an indirect, a way for them not to pay...well, it's directly for them not to pay taxes so they have more money so they can go forth and promulgate their agency mission better. Can you...do you want to respond to that? If you don't, that's fine. [LB210]

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ANN POST: First response is that, no...to answer your first statement, no, housing authorities don't pay taxes. At the same time, a lot of their funding comes from federal funds which is federal tax dollars. [LB210]

SENATOR HARR: Yeah. [LB210]

ANN POST: It comes from different sources but it's all taxes. Number two, you talk about housing authorities using tax dollars to do a public purpose. If they pay taxes, it's more of a tax shift. It's kind of what you're saying. I guess my only response to that would be, when they're raising money in competition with just a small sector of the economy, they're raising that money against just a small group of people instead of the purpose of taxes is that if it's a public benefit for everyone, everyone is paying for it, and that would be my distinction. And again, in my testimony, I'm talking about the units that have no income restriction and that is a small amount of units, I believe, in Arnold Heights in Lincoln. My understanding of that sector, again there are others who will clarify that to me. You further, is that the reason there is a very small number of units with zero income restrictions was to go back to when everyone cleared out of the military base, there was an agreement between Lincoln and the housing authority and the federal government and the housing authority took this over, and when the act was redone in 1999 with all of the wonderful language you're talking about, that this agreement was grandfathered in. And so that's why it would...it is possible to try and... or why it's possible that Lincoln Housing Authority has that exception that nowhere else does and why the Lincoln groups are the most worried about it. [LB210]

SENATOR HARR: Thank you. [LB210]

SENATOR GLOOR: Senator Scheer. [LB210]

SENATOR SCHEER: Thank you. I understand the perspective from Lincoln, but this is a statewide statute. And so, free enterprise works great when there's free enterprise, but in a lot of the state there's not free enterprise. And, for example, in Stanton, there are twelve units. They are or are not income-based. Farmers may come off the farm and move in and they're paying full-market price for that. It's a housing authority. Conversely, an older woman that is perhaps just on Social Security moves in and is subsidized but is living right next door of the exact same units and she may be paying a fourth of what the neighbor is because they're paying full for it, but she's not. They're all twelve of them that are all together. Now there's not another market. There's not another place for those people to move into in the community of Stanton. That's it. So, I understand you may have concerns in Lincoln that there are areas that the state that without these types of facilities, there would be no housing at all in that community. And if there's no housing then those small communities continue to lose more and more of their population. And so, to me,

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that's the concern is, as we take the broader picture of what you're trying to accomplish in Lincoln, sometimes just doesn't work in other parts of the state. So like I've told the introducer, Senator Ebke, you know, we may have too broad a brush here and that's my concern because I look at the opposite. I'm not looking at the large complex, the 800 units in Lincoln. I'm looking at 12 units in Stanton, Nebraska, and they aren't the same and they won't function and they won't have 12 units in Stanton unless they have something like this available to them. [LB210]

ANN POST: Like I said, I understand that's your concern and I think that's a very good concern, a valid concern. I support the purpose of this bill. It seems from our discussions today that perhaps the language of the bill doesn't quite achieve the exact purpose, in which case I believe that the introducers are...have voiced a willingness to work on the language to make sure that it addresses the exact purpose and doesn't limit communities like Stanton where they need that flexibility. [LB210]

SENATOR SCHEER: Okay. So what you're looking at is not the solution to Lincoln's problem. It's not a solution to Nebraska's problem, let's put it that way, more exclusively, because Nebraska still has a housing problem outside of Lincoln. Perhaps Lincoln's housing has stabilized and there may or may not be a need for the housing authority. I'm not going to speak to that. I don't know, but there is the need in a broad part of the state of Nebraska, especially in rural Nebraska, and I don't want to impede the ability of those people in other areas exclusively then from whatever singular area that we keep talking about, Lincoln. You know, this is a statewide policy and, you know, I...you know, I understand Lincoln has a problem, but I'm not sure the legislature fixes one housing project, that's really the direction that the legislature should be looking at. I think we have bigger policy issues. And when a bill comes, we look at the state perspective, not a singular housing development's perspective. [LB210]

ANN POST: I understand that there are housing problems in rural Nebraska. I know my folks have lived outside of Lincoln. I can't say I have lived too far west and I understand that those problems are there. And I don't think that this bill is intended to solve Nebraska's problems with housing in rural Nebraska. And it's not intended to hamper...not intended to encourage...it's not intended to affect that at all. If it does, I believe that changes would probably be in line. It is intended to address this smaller problem. I understand your issue of scope. Unfortunately, sometimes, small local problems can only be addressed at the legislative level. [LB210]

SENATOR SCHEER: Thank you. Thank you, Senator. [LB210]

SENATOR GLOOR: Thank you. Seeing no further questions, thank you, Ms. Post. More proponents for this bill. Can I see hands of those who are proponents for this bill? Could I see a

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show of hands of those who are in opposition and plan to speak in opposition of this bill? And those in a neutral capacity? Okay. Thank you. Good afternoon. [LB210]

DANA STEFFAN: Good afternoon. I'm Dana Steffan, S-t-e-f-f-a-n. I'm also involved with the Statewide Property Manners (sic), SPOA, S...oh, let's start over. (Laughter) [LB210]

SENATOR GLOOR: You got the spelling right for your name though, did you? [LB210]

DANA STEFFAN: I did. I know who I am. But I wanted to testify today on behalf of the owners out in Arnold Heights. I am a property manager. I do represent multiple owners out in the Arnold Heights area, so I'm out there pretty much daily and in direct competition with Lincoln Housing Authority. And when we are out there, the rents are not equal. Lincoln Housing Authority is renting their units up to \$200 a month cheaper than what I can offer my units for. Therefore, there's an unbalanced competition out there and they are attracting different clientele and renting again to the general market. And also out there, just the general condition of the properties. I can't compete with them. In the Lincoln Journal Star they had a article, oh, it's probably about a year ago where they published how many units that the Lincoln Housing Authority had and their staff. It seems that they have a one-to-seven ratio. They have seven units for one staff member. Of course, they do administer many programs and it's not just the Arnold Heights area, but there's no way I can run my property management firm on a one-to-seven ratio. So therefore, it's just unfair competition. I can't lower my rents to what they're offering out there and they're in direct competition with the same tenants that I'm trying to attract. So, I guess I'm in support of this bill to hope that maybe they could pay property tax, raise the rents, and at least have a level playing field out in the Arnold Heights area so the owners out there do have a fair chance. [LB210]

SENATOR GLOOR: If they were unable to have the dollars to maintain those properties, isn't that also problematic for you if the condition of those properties go down? [LB210]

DANA STEFFAN: Absolutely. If you drive around the Arnold Heights area, the properties that are owned by Lincoln Housing Authority, you can tell them from the other units, you really can. [LB210]

SENATOR GLOOR: But that's a benefit to you as an owner, or as a property manager, in the long run when the neighbor next door has a better looking home than you do, it increases your value overall, correct? [LB210]

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DANA STEFFAN: Yes. It increases the overall value, but it's hard to attract tenants to my units when the other units are offered to them and look better. [LB210]

SENATOR GLOOR: Sure. I understand. Senator Scheer. [LB210]

SENATOR SCHEER: Thank you, Senator Gloor. When you talk about being noncompetitive would be...would part of it be the fact that you're also having to pay a mortgage...I mean, I'm assuming you have debt against the units that you're renting. [LB210]

DANA STEFFAN: No, sir, we do not. [LB210]

SENATOR SCHEER: Okay. And even having none to get an adequate return, you're telling me that you can't get an adequate return on your money if you have no debt service on a rental unit? [LB210]

DANA STEFFAN: That is what I'm saying out there in the Arnold Heights area, the competition for tenants is just so strong out there that I'm having units that are sitting vacant multiple months because I can't get...attract the same type of clientele. [LB210]

SENATOR SCHEER: Could you rent them for the same price they're renting them for? [LB210]

DANA STEFFAN: No, I could not. [LB210]

SENATOR SCHEER: I mean, you don't have...if you were willing to rent them for that amount, would you be able to fill your units? [LB210]

DANA STEFFAN: Maybe. The condition again is still an issue. Being the middleman, being the property manager, I don't have the authority to make those decisions to make the upgrades or to lower the rents because, you know, I have to do what the wishes of the owners are. I can just see a definite problem out in the Arnold Heights area. [LB210]

SENATOR SCHEER: I understand. I'm just saying...well, I was just trying from a financial standpoint, but... [LB210]

DANA STEFFAN: Right. [LB210]

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SENATOR SCHEER: ...the person is wanting a better margin than that rate would provide them. Would that be a fair assessment? [LB210]

DANA STEFFAN: Basically, the difference in the market-rate of what some units are going for versus my unit, is basically the property tax. [LB210]

SENATOR SCHEER: Okay. Fair enough. Thanks. [LB210]

SENATOR GLOOR: Senator Schumacher. [LB210]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you for your testimony. I missed out on the opening here because I was introducing a bill in another committee. I'm trying to piece together what I missed out and maybe you can help me understand. First of all, the people that are eligible income renting from the housing authority, do they get some type of supplement or subsidy from some other government authority? [LB210]

DANA STEFFAN: Well, the way I understand it, the HUD Program is the Section 8 voucher system and that the Lincoln Housing Authority administers that program. And then once people are issued their voucher, then they can go out and find property. Lincoln Housing Authority owns some of the property that they offer and then also people are welcome to take that voucher and go out on the open market. [LB210]

SENATOR SCHUMACHER: Okay. And so, what we're talking about here is way back in 1966, or whenever, we said, gee, there's some folks that can't afford housing and with this federal program that gives them some vouchers, why don't we create this critter called the housing authority and let them go out and acquire real estate [LB210]

DANA STEFFAN: Well, the Lincoln Housing Authority, the Air Base is what closed and what spurred this on because then there was a flood of units out in the market of what to do with them. And yes, that's when Lincoln Housing Authority, I believe, was...I don't know if they were created then, but they were given the authority to take over those units and then they sold some off to pay off whatever debt they had and was operating free and clear. [LB210]

SENATOR SCHUMACHER: So, basically, this political thing, subdivision, now owns apartment buildings or houses. [LB210]

DANA STEFFAN: Absolutely. [LB210]

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SENATOR SCHUMACHER: Okay. And they may own them not only there, but... [LB210]

DANA STEFFAN: All over town. [LB210]

SENATOR SCHUMACHER: ...different places around town or around the state. [LB210]

DANA STEFFAN: Right. [LB210]

SENATOR SCHUMACHER: And they own these properties and one of the perks they get is they don't have to pay property taxes. [LB210]

DANA STEFFAN: Correct. [LB210]

SENATOR SCHUMACHER: And instead of just renting to poor people who get these vouchers, they also rent to...just like any other landlord... [LB210]

DANA STEFFAN: Anyone that would apply and qualify, yes. [LB210]

SENATOR SCHUMACHER: Okay. And because they don't have to pay property taxes, they can rent cheaper. [LB210]

DANA STEFFAN: Correct. [LB210]

SENATOR SCHUMACHER: And that leaves the people who are ordinary property owners at a competitive disadvantage. [LB210]

DANA STEFFAN: Right. And that, I'm just referring to the Arnold Heights area. I don't know if all over Lincoln if they still have suppressed rents or if they're renting market-value on their other units. [LB210]

SENATOR SCHUMACHER: Okay. And we heard something about them giving away gifts or charitable donations. What's the story on that then? [LB210]

DANA STEFFAN: Well, I'm not quite up on that. Other people might speak to that, but the way I understand it, that they do give donations to other organizations around Lincoln, other charitable organizations, as well as they do give some stuff to the Lincoln Public Schools in lieu of taxes

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and they do some snow removal in the Arnold Heights in lieu of property taxes. So, yes, they do make an attempt, but nowhere near that \$600,000 figure that was mentioned earlier. [LB210]

SENATOR SCHUMACHER: And when they make these giveaways to charities of some description, do they have statutory authority to make gifts? [LB210]

DANA STEFFAN: I do not know. [LB210]

SENATOR SCHUMACHER: Okay. Thank you. [LB210]

DANA STEFFAN: You're welcome. [LB210]

SENATOR GLOOR: Seeing no further questions, thank you. [LB210]

DANA STEFFAN: Thank you for your time. [LB210]

SENATOR GLOOR: (Exhibits 4 and 5) Any final proponents? We'll now move to opposition to this bill and I'll read into the record. We have a letter from David Landis, city of Lincoln, and I'll go ahead and read into the record, Diane Battiato from the Douglas County Assessor/Register of Deeds in a neutral capacity. Good afternoon. [LB210]

CHRIS LAMBERTY: (Exhibits 6-8) Good afternoon. Thank you, Senator Gloor and the committee. My name is Chris Lamberty, L-a-m-b-e-r-t-y. I'm the assistant executive director of the Lincoln Housing Authority, apparently the agency on the spot here. I've worked there for about 19 years. I guess it's appropriate that I go first because apparently this bill is aimed solely at what we've done in the Arnold Heights neighborhood, a former military base housing. So I think I need to make several points about that. My first point is that this really and truly is a local issue, not a state issue. I have a local board appointed by the mayor and the city council and we have multiple partnerships all over the city and including in Arnold Heights. And if the city and the local government agencies involved there wanted to make a significant change in Arnold Heights, those kind of things could happen. This is a conversation that's been going on in Lincoln as the proponents already talked about for at least ten years. The bottom line is the community in Lincoln supports what we're doing, supports the development that we have there and has not wanted to make a change. For that reason, they're coming here to try to get the state to make a change and they've written a bill which, frankly, I think you've all pointed out better than I could, that has much wider ramifications than what would apply in Arnold Heights. So, that's my first point. It's really...if a change is going to happen in Arnold Heights, it could happen in Arnold Heights. The folks at the city level and in the community should be the ones making

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that decision instead of passing a bill that's specific to one neighborhood. And I want to talk a little bit about the history of Arnold Heights. Some of it, the proponents already stated. It is former military base housing. The base closed. It was built...the housing was built in the 1950s. It's on the west end of the city, fairly isolated from the rest of the residential area of the city. It was adjacent to the Air Force Base west of what is now the Airport and the National Guard Base and an industrial area. And at the time, there was very much concern about this neighborhood or this stock of housing either going, you know, unused and deteriorating, or turning into an isolated rundown neighborhood. The solution at that point was negotiated with the city of Lincoln and the federal government and the Lincoln Housing Authority. The housing authority took on the risk of ownership, issued debt, purchased the property over a series of years, sold off around half the units to individual private homeowners so that there was a mix of home ownership and affordable rental housing in the neighborhood. That was the goal. It was a way to get affordable rental housing for the city of Lincoln. As part of that arrangement, the housing authority paid the city of Lincoln up-front money for infrastructure improvements. We took on the snow removal for the neighborhood. We took on the mowing and maintenance of a lot of green space that was incorporated out there. And we entered into a number of other agreements, including...and the proponents mentioned this also, we deeded the property of the school to run the elementary school free of cost to the Lincoln Public Schools. We've added more and more services over the years. This is still a low-income neighborhood, including building a family resource center where we provide food distribution programs. We run a daycare operation. We provide extensive summer enrichment programs for the children who live out there. We currently run the...what is called the CLC, the Community Learning Center, which in cooperation with the Lincoln Public Schools provides all of the after school activities for all the children who live in that area. We have an extensive relationship and a number of partnerships and what Arnold Heights does is provide a nice base-level of affordable housing that's a tremendous resource for the city of Lincoln. And if someone...and if folks want to make a change in the nature of that relationship and in that neighborhood, the people who should be making that change are the city and the mayor and the city council and the school board and the planning commission, the folks who live in the neighborhood, and the neighborhood associations that represent them. Those change...to pass a bill, I'm sorry, but to pass a bill that is specific to one neighborhood, as the proponents are asking you to do--although the bill has a lot wider ramifications--I think is not the proper role. I want to briefly mention mixed-income development in some of the language in the bill. Because the bill really talks about mixed-income developments and that's a whole another subject which Senator Harr brought up. In 1999, the legislature amended the law, put in this language about doing mixed-income developments. You made a better argument than I could for why that's a good idea. The bill fundamentally guts that from the law. It would encourage concentration of very low-income families...it would encourage concentrated developments of low-income people and not a mixed-income process of low-income people. That's fundamentally, in my mind, bad public policy. The bill is very poorly worded. There's a number of problems with the construction. Currently the way it's worded, if a low-income tenant

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anywhere in the state moves into a public housing development and gets a better job, as I think Senator Scheer brought up, or makes more income, they're now potentially subject to making that particular one apartment subject to property taxes. Furthermore, I would bring your attention, and I included a copy in my handout, the bill on the final page references that the property tax in question will be administered in accordance with Section 77-202.11 which states quite clearly that housing authorities would have to provide a list to the county assessor of their tenants, the assessor would then determine whether they are eligible for an exemption or not, and then under that section of the law, the county treasurer would assess a personal property tax to the tenant who lives in the unit. So the bill in order to apparently change what we're doing in Arnold Heights, which if the city and the community wanted to do that, they could. In order to do that, it guts the statute on mixed-income developments and makes people who choose to move into a mixed-income, low-income development subject to a personal property tax, or someone who moves in and their income goes up, they become subject to a personal property tax. That's the mechanism of the bill. I don't think it was their intention, but that was the language that is there. [LB210]

SENATOR GLOOR: Mr. Lamberty, I'm going to ask you to wrap up your comments. [LB210]

CHRIS LAMBERTY: I would be happy to take any questions. [LB210]

SENATOR GLOOR: Okay. Questions for Mr. Lamberty? Senator Scheer. [LB210]

SENATOR SCHEER: Thank you, Senator Gloor. In the area that we're talking about, the services that you provide as far as the children and the city, the Learning Center and so forth, are those children that are renting from the private sector... [LB210]

CHRIS LAMBERTY: Yes. [LB210]

SENATOR SCHEER: ...that are owned privately out there, they're afforded the same services that your client-base is. [LB210]

CHRIS LAMBERTY: Yes. It's anyone who would be involved in the school and going to the school there. So anyone in that area going to that school, any of those children, and they're not... [LB210]

SENATOR SCHEER: But the housing authority is paying for that. [LB210]

CHRIS LAMBERTY: Correct. [LB210]

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SENATOR SCHEER: So they're receiving a benefit by being in proximity to your facilities. [LB210]

CHRIS LAMBERTY: Correct. [LB210]

SENATOR SCHEER: So, it would be an advantage to them as far as a rental proposal, they would be provided services that would not be available other places in the community and that are available in yours for their children. [LB210]

CHRIS LAMBERTY: We definitely provide a lot of services, yes. Whether they're available in other parts of the community, I mean, that varies quite a bit. The services, if we were not to provide them, would have to be either not provided or made up in some other way. [LB210]

SENATOR SCHEER: Wouldn't be in close proximity? [LB210]

CHRIS LAMBERTY: Would not be in close proximity. It's a fairly isolated area so we're bringing services in to serve that particular neighborhood that wouldn't be there otherwise. [LB210]

SENATOR SCHEER: Okay. Thank you. Thank you, Senator Gloor. [LB210]

SENATOR GLOOR: Seeing no...Senator Schumacher. [LB210]

SENATOR SCHUMACHER: Thank you, Chairman Gloor. To the issue of these...the allegations that there's excess funds and that is distributed to various charities. Can you tell us about that? [LB210]

CHRIS LAMBERTY: Yeah, we don't distribute to charities in that regard. What we have, we have a lot of partnerships with a lot of organizations in the city for housing programs. So, yeah, we spend money on housing programs in the city and we have lots of partnerships to do that. So, we provide housing units to friendship homes, domestic violent shelter for their transitional housing programs. We provide housing units to Catholic Social Services for their homeless transitional housing programs. We provide rental subsidies to Fresh Start, which is a homeless shelter. [LB210]

SENATOR SCHUMACHER: Where's your statutory authority for doing all those things? [LB210]

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CHRIS LAMBERTY: To enter into partnerships with organizations to provide housing services? I mean, we don't have... [LB210]

SENATOR SCHUMACHER: What is your statutory authority? [LB210]

CHRIS LAMBERTY: I don't have the statutory cites to tell you what the authority is, in front of me. But we certainly, we have statutory authority to enter into partnerships with local organizations to provide housing. That's what we do. [LB210]

SENATOR SCHUMACHER: Could you provide me with that? [LB210]

CHRIS LAMBERTY: Sure. [LB210]

SENATOR SCHUMACHER: I mean to provide housing is one thing. To get involved in all these social activities, I would think would require some statutory authority and granted, as Senator Harr pointed out, we don't have the entire book here as to what your powers might be, but in what we do have of the statute here, there is nothing where it spells out that you can be a general social service organization as result of proceeds from this property. In fact, it says that you can make special payments in lieu of taxes, but they have to go to the county and then it tells the county how it's supposed to distribute that money to public agencies in proportion to that each public agency shall receive from the total payment the same proportion as its property tax rate bears to total property tax. So it seems like it's a fairly restrictive authority that if you do have extra money, you pay it to the county in lieu of taxes and the county board is the one that controls that money. And at least from that, it would infer that there's just no general social welfare authority. [LB210]

CHRIS LAMBERTY: Yeah, I'll be happy to get you the legal citation. [LB210]

SENATOR SCHUMACHER: Okay. I would like to see it. [LB210]

CHRIS LAMBERTY: But we do, in conjunction with providing housing, services often go along with that to serve the type of clientele we're trying to serve and trying to help. [LB210]

SENATOR SCHUMACHER: Well, we're a Dillon's Rule state. If you don't have the authority, it's not implied unless it's pretty clear. [LB210]

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CHRIS LAMBERTY: I appreciate that. I can get that for you. I'll send it to you in writing. [LB210]

SENATOR SCHUMACHER: Thank you. [LB210]

SENATOR GLOOR: Senator Smith. [LB210]

SENATOR SMITH: Thank you, Mr. Chair. So, how do you go about deciding who your partners are in these partnerships you're referring to? Can you give me a little background on that? [LB210]

CHRIS LAMBERTY: Yeah, I guess. I don't know if there are specific ones you're...I mean, we exist in the city, we're a public agency, we have a public board with public meetings. We're on multiple coalitions to work on homeless problems and housing problems and issues of poverty and working with low-income people. So we...I mean, there's a lot of communication that goes on in the Lincoln area to solve problems, and so you make partnerships. I mean, they're all...they all go before our board, which is a public body and holds public meetings and is appointed by the city. [LB210]

SENATOR SMITH: So the board votes on these partnerships that it enters into? [LB210]

CHRIS LAMBERTY: Absolutely. Oh, yes. Of course, yes. [LB210]

SENATOR SMITH: Okay. Thank you. [LB210]

SENATOR GLOOR: Seeing no further questions, thank you, Mr. Lamberty. [LB210]

CHRIS LAMBERTY: Thank you. [LB210]

SENATOR GLOOR: Next opponent. Afternoon. [LB210]

RICK RUZICKA: (Exhibit 9) Hi. My name is Rick Ruzicka. I'm representing the Hall County Housing Authority. I'm the executive director. I'm also the acting executive director of the Hastings Housing Authority and the acting executive director of the Ansley Housing Authority. [LB210]

SENATOR GLOOR: Could you spell your name? [LB210]

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RICK RUZICKA: Yes. Thank you. It's Rick, R-i-c-k, Ruzicka, R-u-z-i-c-k-a. Okay. I guess I'm here just to give the perspective of the 142 other agent's housing authorities that are not Lincoln. LB210 does affect us. There are colleagues of mine from the Fremont Housing Authority, Norfolk Housing Authority, Crete Housing Authority, St. Paul Housing Authority here, also in opposition of the bill. The bill is worded in a way that if any of our residents...once qualified everybody has to qualify to get into our programs and housing programs are very complicated. There's a lot of them. Some of the testimony here today was not accurate and I'm not going to get into that because I don't think it really affects anything, but I think it just speaks to the nature of the monster that you're dealing with. What we do is very complicated. We're dealing with a lot of social issues, a lot of things that cause people to become homeless and need our services. But everybody that goes into our programs do qualify. They are income eligible, but they don't always stay income eligible. And sometimes they're not able to move at the time that they become nonincome eligible, whether that be some social problem they have, maybe mental issue that they have. A lot of times they're not stable, so maybe that job that they got may or may not be there for them in three or four months, so it's not a situation often where it's best for them to pack up and move into the private sector. In addition, as we said before, the federal government changed kind of the warehousing model and there was a big federal change called the 1998 Quality Housing and Work Responsibility Act. That was the driver for the 1999 change in state law was basically to come into compliance with all the changes from the 1998 QHWRA Act from the federal government. And basically, that changed the model from warehousing folks to trying to be much more cognizant of mixed-income and there's some incentives for folks to stay in public housing longer. We now have things like flat-rent rates, so when our units, which often aren't nice enough to maybe go for what the market is going for, when they reach to the point where that rent is what the market would fetch from the private sector, that's the maximum rent that family has to pay. Oftentimes, they still qualify. Sometimes they don't. We don't track that, so we have no idea who we're supposed to charge this tax to and who we're not supposed to charge that tax to. We do meet them every three years but not every year. So the housing authority is not going to know who is supposed to be paying this tax. I don't know if the assessor is supposed to do that. Part of the reason that we don't track those folks is because our funding has been cut. The federal government subsidizes us and right now they're not doing a very good job. So part of their solution to keeping us afloat is to attract folks that can pay market rent. So it not only helps with the mixed-income approach but it also helps them pay less money to help the folks that otherwise can't afford rent in the private market. Another thing I wanted to touch on briefly, and it was mentioned, we do pay taxes. We pay PILOT payments, which are Payment In Lieu Of Taxes. So it's not that we're getting free rides, we're paying...we're paying taxes based upon the income that we receive from our rental income. So, because we're receiving federal subsidy, which isn't enough, we can't pay the normal property tax and so we have worked with our local agent...or government to pay PILOT payments. And so, we do have to pay a form of taxes so that we can handle our infrastructure and things like that. I think the last thing I wanted to mention is that in the smaller communities...I also manage the Ansley Housing Authority like

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I mentioned, we have partnerships with local government, local businesses. In Ansley, we work with the school system. Have trouble attracting teachers and I have trouble filling my units because the community is dying, or at least stagnant. And so, because the private market doesn't have housing that's desirable for these teachers, they often will come...refer them to the housing authority and we rent to them. And if they didn't have a place to live, the school system probably couldn't attract those teachers. And so, there's lots of different innovations that happen in the smaller communities like that, whether that be for businesses, whether that be for school systems or what have you, and quite frankly, it's keeping a lot of these towns afloat with our housing needs anyway. So with that, I'll open it up for questions. [LB210]

SENATOR GLOOR: Rick, and describe, the term is PILOT payments? [LB210]

RICK RUZICKA: Payment In Lieu Of Taxes. So instead of property taxes, these are payments instead of property taxes. [LB210]

SENATOR GLOOR: But is that just a voluntary arrangement that individual housing authorities have? [LB210]

RICK RUZICKA: You know, I'm not as familiar with the state law, but I can tell you, I pay them in all of my communities, except for Hastings because we don't have public housing there. It's a voucher program. Like I said, there's a lot of different ways we help people. But in Ansley and in Hall County, I pay a payment in lieu of taxes. [LB210]

SENATOR GLOOR: And do you know is that payment the equivalent of what your taxes might be, or is it...? [LB210]

RICK RUZICKA: I don't think so. I think it's less. Usually it's 10 percent of my rental income. So, you know, I've never done the study to say, hey, it's a lot more, hey, that's a lot less. I'm assuming it's a lot less, but I do have to make payments and that's the agreement that we have with our county government. [LB210]

SENATOR GLOOR: And do you have any partnerships like you heard described in Lancaster County? [LB210]

RICK RUZICKA: You know, we work with other agencies. For example, in Hastings we work with the Maryland Center, which is a CASA agency. And so, but we don't do anything special with them that we do with other folks. We just kind of inform them of what we do and how we do it and so they utilize our program. I'm not as familiar with what Lincoln does in all their

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things. I can say, we do have partners, but there's no contracts necessarily with those partnerships. [LB210]

SENATOR GLOOR: Okay. Okay. Senator Harr. [LB210]

SENATOR HARR: Thank you and thank you for coming, Mr. Ruzicka. [LB210]

RICK RUZICKA: Ruzicka. [LB210]

SENATOR HARR: Ruzicka. Sorry. [LB210]

RICK RUZICKA: It's okay. [LB210]

SENATOR HARR: I wrote it down and I couldn't remember. I'm looking again at the statute, 71-15,113 local housing agencies powers enumerated and it says in addition...it names the enumerated powers. In subsection 31 and this is more to answer Senator Schumacher's question. It allows them to provide services, meaning you, services or make financial or other contributions of every kind and description to enhance the social and economic well-being of the resident of the agency's housing development and other persons of eligible income. So, I think that might answer Senator Schumacher's question. [LB210]

RICK RUZICKA: Thank you. [LB210]

SENATOR HARR: Thank you. [LB210]

SENATOR GLOOR: Other questions? Seeing none, thank you for making the drive down. [LB210]

RICK RUZICKA: Thank you. [LB210]

SENATOR GLOOR: Good afternoon. [LB210]

UTE WOJTALEWICZ: Good afternoon. Ute Wojtalewicz, W-o-j-t-a-l-e-w-i-c-z. And I'm from St. Paul and I'm here with the perspective of a small community and a small housing agency. We don't have any mixed-income developments. We never set out to do anything like that but under this bill, we really could become one. There are ways, if we have a vacancy, that we could house an over-income person. We go to HUD, we get a special exception, and you know what, then we

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don't get any subsidy for that unit. So it's really a break-even point, and no subsidy. I had a teacher that we housed in a rural development project for one year. There was nothing available. Sometimes private sector does not want to come into a small community because it's not attractive to do the housing that is needed. So that's where we come in and that's why I'm so concerned if you're talking about the public purpose of the housing authority, I don't think we should chip that away. Whatever we do, I think is for the public good and I just see a lot of problems with the wording in here. We are all going to be caught up in this one way or another and we don't even think about it today. So if this is a problem for Lincoln, please don't spread it all the way across the state. I think we do have a public purpose even if we work with other little community entities. We work with the senior center, not that we can give them any money, we are so poor. We have no money. If I would have to start paying property taxes on those units where I off-and-on have an over-income person, first of all, it's an administrative nightmare, not just for me, but also for the assessor. I just don't see how we would come up with the money. I don't think we should bankrupt our programs. We have no local taxes. We have no state tax that we can fall back on. And the federal government, they're really taking away our capital funding. Rural development, they have vouchers out there even so I need one and they are around in the state, they don't have the authority to give us any more subsidy. So I think the money simply is not there. And we cannot be confused with a private business. They have no obligation to rent to the poor, we do. That's our mission. And once in a while, a higher-income person slips in because there's nothing else around or it's the farmer, 90 years old. I had a couple that came in from the farm. There's nothing else in town, where do we go with those people if they want to stay in their communities? So I would appreciate if you oppose LB210. Thank you. [LB210]

SENATOR GLOOR: Thank you, Ms. Wojtalewicz. Is...any questions? I hope I got close with the name. [LB210]

UTE WOJTALEWICZ: You did. Thank you. [LB210]

SENATOR GLOOR: Thank you. Other opponents? Mr. "Patacheck." [LB210]

TOM PLACZEK: Placzek. Hello again, Senators. My name again is Tom Placzek, P-l-a-c-z-e-k, Platte County Assessor in Columbus, representing NACO today in opposition to this bill. And our opposition to this bill is really, fairly, narrowly-based. It's more because we see there's an omission in the language as far as we're concerned and that is there appear to be no reporting requirements if this bill is passed as is currently written. So we would need some requirements stating as to what units are eligible for taxation. We would need whether they're one, two, and three bedrooms, and size, maybe a square footage. We'd probably need some rental information, that sort of information. Not having that information, it would be impossible for us to put any valuation on it. We really don't...I don't want to get into the philosophical, whether we should or

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should not be doing this. There was mentioned though about, I believe it was 77-202.11 and that is, I believe, mostly used by us where, for instance, a...in Platte County there's Loup Power District or NPPD, they have some excess land around a substation, or we have the Loup Canal, and maybe a farmer rents a little bit of that...leases a bit of it from say NPPD and he farms it, we do then tax that farmer and we get that lease, but we have really no interest in getting leases from these people, you know, and the changes during the year and we're keeping track...I'm not sure we want to have any part of that. Also you would have...could have the issue of, do you then consider that as a...if it's before levying setting date, does it...is it taxable if it's after levying setting date, is it free? You know, they're not taxable. I think if there is any changes in this or it becomes a law, I think that needs to be stated maybe a role...eligibility role as of January 1 like we do other real estate and personal property. So, that's just some of our concerns. You know, beyond some of the omission, that sort of stuff, we're fairly neutral on it. So, would entertain any questions. [LB210]

SENATOR GLOOR: Thank you. Senator Sullivan. [LB210]

SENATOR SULLIVAN: Thank you, Senator Gloor. Thank you for your testimony. Just a question regarding the PILOT, Payment In Lieu Of Taxes. Is that an option for the cities or the counties to collect that, or do you know? [LB210]

TOM PLACZEK: I'm not familiar with that at all, the PILOT. I've never heard that reference before. [LB210]

SENATOR SULLIVAN: Okay. Thank you. [LB210]

SENATOR GLOOR: Seeing no other questions, thank you. [LB210]

TOM PLACZEK: Thank you. [LB210]

SENATOR GLOOR: Others in opposition? Seeing no one further in opposition. Anyone in a neutral capacity? I believe we read to the record a letter we have in a neutral capacity. Senator Ebke, would you like to close? [LB210]

SENATOR EBKE: Well, thank you, members of the committee for your kind attention to LB210. One of the problems we've got here is that we're really trying to address an issue that was in some ways a creation of the legislature many years ago. It's pretty clear that after listening to all of the testimony that we need to make some changes in the language. We need to deal with some of the questions that were raised and we're obviously very willing to work with, you know,

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with whoever needs to be worked with to try to clear up some of these issues that have been raised with respect to painting too broad of a brush or whatever. I would ask that you take a special look at the Auditor's review from 2008, especially page 5, under bullet point 3. And I'm not going to take any more time and read it to you, so. But then there are also some spots on page 7, the overall conclusion that deal with questions related to that audit, the way that the property is being used. And then as well on an appendix...appendix c, a comment regarding the 1970 agreement in property taxes. I think that might give you a little bit more the incite into what we were thinking out of all of this. I would be happy to try to take any questions, otherwise I'd also be happy to, you know, proceed down the road of working on some language, and then months, and then bring that to Senator Gloor's office and let it run through the committee that way. [LB210]

SENATOR GLOOR: Questions? Senator Harr. [LB210]

SENATOR HARR: And I'll talk to you about this off-record, but I am a little confused. I've worked myself into a circle here. [LB210]

SENATOR EBKE: Oh, oh. [LB210]

SENATOR HARR: Yeah, a Section 2 of your bill, page 6, 71-1590 of the statute that you're amending. It says real property of a local housing agency shall be used totally for (a), (b), (c), which I don't think we...I think if you read that, I think we'd all agree this development isn't used for any of those. And then it says on the last line, 31, all other real and personal property of a housing agency or wholly-owned subsidiary controlled thereof, and then you have your language, shall be deemed not to be used for a purpose...public purpose for purposes of Section 77-202, it shall be taxable. And then it says, including dwelling units, your included language on...and then it's on top of the line 7. [LB210]

SENATOR EBKE: That's the new language to get it right. [LB210]

SENATOR HARR: Yeah. I guess my question is, it seems like it already would be included. I'm not sure if this language...why is this language necessary? How does this law work? Because I'm looking at what the exemptions are and they don't...yours don't fit under...the development doesn't fit under the exception. And it says, all others shall be, which...and then you say, including. But I think...why aren't they included already just through the general language. Maybe this is something I need to ask legal counsel off-record. [LB210]

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SENATOR EBKE: Yeah, I need to go through and reread this with it, otherwise I might not give you an intelligent answer and I don't want to do that. [LB210]

SENATOR HARR: Okay. [LB210]

SENATOR EBKE: But I'd be happy to talk to you after the fact and what we can talk off mike, or whatever. [LB210]

SENATOR HARR: Yeah, I have no idea. Okay. Thank you. I appreciate that. [LB210]

SENATOR GLOOR: You would never have to worry about giving us nonintelligible answer... [LB210]

SENATOR EBKE: Well, I might. (Laugh) [LB210]

SENATOR GLOOR: ...any worse than the rest of us. Senator Scheer. [LB210]

SENATOR SCHEER: Thank you, Senator Gloor. Senator Ebke, my understanding most housing authorities are under the control of the city council or the local area. [LB210]

SENATOR EBKE: Okay. [LB210]

SENATOR SCHEER: But I'm asking, I'm not that familiar with them, so... [LB210]

SENATOR EBKE: Well, I think that...I'm not either, but, you know, my understanding is that it was sort of...this was a joint situation and that because of the housing act, and the statutory authority... [LB210]

SENATOR SCHEER: Well, I guess, more to my point, if they are, and again I'm not claiming that they are, but if the housing authority is not operating properly based on the audit and so forth, shouldn't it be whoever is in control of the housing authority that should be acting on it rather than the legislature? I mean, it seems like we're sort of skipping some steps here and I may be off, I mean, I don't know. But it just seems like we're moving the fight in an area that it doesn't necessarily need to be. I'm not...I've just got it, I've not read it, so it may be very, very unflattering, but I guess the point is, you know, somebody, somewhere, you know, made it a part of the local area and it's kind of a local board. It's appointed by the city council and the mayor, so

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my assumption is they must have some type of control over it. Wouldn't they be the more prudent people to get involved in the problems within the agency, if indeed there is? [LB210]

SENATOR EBKE: Perhaps, although because of the statutory authority, I think that some of the problems may need to be addressed in state statute as well. [LB210]

SENATOR SCHEER: But then shouldn't that come from the municipality? [LB210]

SENATOR EBKE: You want the request from the municipality? All right. Yeah, maybe. I mean, I guess it's like with anything else, there's lots of bills out there that citizens bring us.... (inaudible). [LB210]

SENATOR SCHEER: Well, I understand, but it seems like we're sort of getting in the middle of a local scrimmage that really we ought to be settling, you know, because it appears about every place else other than Lincoln, and maybe every place in Lincoln other than in that just one geographic area, seems to work pretty well. So, you know, I don't know. [LB210]

SENATOR EBKE: Sure. [LB210]

SENATOR SCHEER: Thank you, Senator Gloor. [LB210]

SENATOR GLOOR: Seeing no further questions. Thank you, Senator Ebke. [LB210]

SENATOR EBKE: Thank you. [LB210]

SENATOR GLOOR: We're going to take a break until a quarter until, before we start with the last half of our agenda today.

BREAK

SENATOR GLOOR: Good afternoon.

SENATOR HARR: Thank you, Senator Gloor, members of the Revenue Committee. My name is Burke Harr, H-a-r-r. I represent Legislative District 8. I'm before you today on LB277, tax deed changes. Currently, if a property owner fails to timely pay the property taxes due on his or her property, the county sells a tax certificate to a third party for that tax amount. Subsequently, there are two processes through which a holder of a tax certificate can exercise his or her rights to the

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property purchased at a tax sale if the property owner fails to pay. Under Chapter 77, Article 18, the tax deed method, the holder of a tax certificate may or can obtain, after proper notice, a tax deed from the county treasurer. Alternatively, under Chapter 77, Article 19, the holder of a tax certificate can foreclose upon the tax lien in a court proceeding and compel the sale of the property yielding a sheriff's deed. This is known as a judicial foreclosure method. A recent Nebraska Supreme Court decision, SID 424 v. Tristar Management, 288 Neb. 425, the Court discussed these two practices in great detail and in its decision the court stated that, quote, although the two methods bear similarities, they are neither comparable nor fungible. Unquote. One of the key differences between these two processes is how previous liens and encumbrances are treated. In 2011, the legislature adopted LB423, which provided that Sanitary Improvement Districts, commonly referred to as an SID, their special assessments survive the judicial foreclosure method. SID special assessments are used by an SID to pay off debt incurred to construct the infrastructure of the SID. This bill, LB277, is intended to clarify that special...the SID special assessment also survives the tax deed method and changes are made in statute 77-1838 and 77-1842 in order to do this. By doing this, the SID special assessments are treated the same, no matter which method a tax certificate holder uses to exercise his or her rights to the property purchased at a tax sale. Allowing special assessments to be extinguished as currently exist is a windfall to the tax certificate holder to the detriment of the other residents and property owners in the SID. At the time, the tax method was overlooked because it was not being used with any frequency by tax certificate holders. Seeing this advantage, that has changed. With that, I would ask that you please advance LB277. Thank you, Mr. Chair. [LB277]

SENATOR GLOOR: Questions of Senator Harr? Apparently not right now, Senator Harr. We know you will be staying. [LB277]

SENATOR HARR: Yes. [LB277]

SENATOR GLOOR: Proponents. Good afternoon. [LB277]

JOHN BACHMAN: Good afternoon, Senator Gloor and members of the committee. My name is John Bachman, B-a-c-h-m-a-n. I'm an Omaha attorney and I am here on behalf of my law firm which represents approximately 70 Sanitary Improvement Districts in the...generally in Douglas and Sarpy Counties, as well as the eastern Nebraska Development Council, which is a group of development-oriented individuals that are interested in development in eastern Nebraska. We are here in...I am here in support of this bill. Unfortunately, when we made our changes in 2011 to the judicial foreclosure method to preserve our SID special assessments, the tax deed method was not used on a regular basis. We did not make changes to those particular sections of the statute at that time. Subsequent, because of the Supreme Court hearing...or the ruling that we received this summer, we would like to make both the tax treasurer's deeds...deed and the

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foreclosure method similar in result to the SID special assessments. That's the sole purpose of this bill. The language that is added in this bill is identical to that that you'll find with the judicial foreclosure method. Thank you. I'll be pleased to answer any questions. [LB277]

SENATOR GLOOR: Any questions? Seeing none, thank you, Mr. Bachman. [LB277]

JOHN BACHMAN: Thank you. [LB277]

SENATOR GLOOR: Other proponents? We'll move to opponents. Anyone in opposition to this bill? Anyone in a neutral capacity? Senator Harr waives closing and that completes our hearing on LB277. Thank you, Senator Harr. We'll now move to LB615. Welcome, Senator Kintner. Welcome back, Senator Kintner. [LB277]

SENATOR KINTNER: (Exhibit 1 and 2) Good afternoon, Mr. Chairman and members of the committee. It's actually, if I can ask of me, it's good to be back. I'm Senator Bill Kintner, B-i-l-l K-i-n-t-n-e-r. I represent Legislative District 2, and I'm here to introduce LB615. This bill is designed to help our state senior citizens to stay in their homes while continuing to reduce the overall tax burden to Nebraska citizens. It provides a property tax break for people 67 years old and older. This bill freezes the assessed value on their homestead when an owner reaches 67 years of age. To accomplish this, LB615 would exempt the difference between the current year's assessed value minus the assessed value of the homestead in the year the owner reached the age of 67, or the operative date of the act, whichever is later. The property would still be assessed for taxation the same way other property is assessed. It would just be exempt, exempted difference in the two assessed values from the property tax levy. In addition, LB615 would require the frozen assessed value to be adjusted after any substantial improvements by the owner of the homestead. Now, if you notice, I gave you a definition there of substantial improvements. We were able to find a definition in federal statutes, I believe, and that is...we probably should add that so it's clear exactly what that is. If you look at the fiscal note, you may wonder why a property tax exemption creates a decrease in state revenue. As I understand it, the loss of revenue to the state is due to the fact that some of the property owners who would qualify for the tax break in this bill would be receiving the current homestead exemption. These property owner's assessed value may keep them qualified longer for the current homestead exemption and may increase this exemption. Since their current homestead exemption is reimbursed by the state to the counties, the three million loss of revenue is the fiscal note, is an estimate of the potential increase in such reimbursement. In other words, this is also tax relief in the sense that they don't get moved out of the homestead exemption as the value of their house increases. The other thing I have is, I have an amendment. It was brought to my attention that the assessor has no way of knowing when someone reaches 67 years of age, so what the amendment does is, it says that they will have to apply to the assessor to get this tax relief. I found this bill in Arkansas. Actually

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when I was going door-to-door, someone alerted me to the fact that they had property in Arkansas and they said, one problem Arkansas figured that they had is that sometimes the assessed value rises faster than their fixed income and it puts a squeeze on them and this is a way to stabilize the assessed value to a home because their fixed income generally doesn't increase that much. I looked at it. Thought about it and I said, that would work very well in our state. This isn't...this isn't the silver bullet for all the property tax problems, but just slows the problems down as you age. Obviously, if you put a new addition on your home, that now boosts this assessed-based value of your home and you'll be taxed on that from that point on. If you have any questions, I'd be happy to answer them. [LB615]

SENATOR GLOOR: Questions? We'll start with Senator Sullivan and then we'll go to Senator Scheer. [LB615]

SENATOR SULLIVAN: Thank you, Senator Gloor. Thank you, Senator Kintner. Just to clarify also, your bill does not provide for any reimbursement on the part of the state for that loss of the revenue at the local level. [LB615]

SENATOR KINTNER: No, that's...it's taxed from the state, is what that is, of about three million dollars a year. [LB615]

SENATOR GLOOR: Senator Scheer. [LB615]

SENATOR SCHEER: Does this follow your normal...I mean, explain to me. I can go build a house. Does it matter what value the house is at 67? [LB615]

SENATOR KINTNER: No, whatever house you're in...whatever house you're in when you hit 67, that's it. [LB615]

SENATOR SCHEER: Before I build one, I can build a brand new one. [LB615]

SENATOR KINTNER: Yes. [LB615]

SENATOR SCHEER: So, somebody that's \$350,000, \$500,000 or more house, qualifies the same as somebody in the \$50,000 house. [LB615]

SENATOR KINTNER: Yes. That's correct. I'm not going to pick winner and losers. I'm not going to say you're rich. I just said, you know what, you live in our state, and you hit 67,

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whatever the value of your house is, it will stay there as long as you're in the house. You move houses, it starts it over again. [LB615]

SENATOR SCHEER: So essentially, it's similar to a Prop 13 in California, but only for our houses owned by individuals 67 or older, and you... [LB615]

SENATOR KINTNER: I remember Jacob...who was it...Howard Jarvis. I remember that, yes. I don't remember what was in Prop 13, but I do remember it was property taxes, yes. If that was in it, that's probably it, then. [LB615]

SENATOR SCHEER: That was it. It keeps the value wherever you were at. [LB615]

SENATOR KINTNER: Yeah, I was about 15 at the time, but I do remember the tax rule in California. [LB615]

SENATOR SCHEER: Come on, don't make me feel that old, Bill. (Laughter) [LB615]

SENATOR GLOOR: Senator Schumacher. [LB615]

SENATOR SCHUMACHER: Thank you, Senator Gloor. Thank you for introducing another interesting idea to our pile of interesting ideas. [LB615]

SENATOR KINTNER: You're welcome. [LB615]

SENATOR SCHUMACHER: Did you happen to check whether or not this comports with our uniform or proportional taxing requirement in the constitution where we have a separate part of the constitution to say, ag land can be valued differently, otherwise everything has got to be uniform proportional. Do we have...did you check into that at all? And this is a question, I don't know the answer to. [LB615]

SENATOR KINTNER: No, and I didn't come and check with you first like I usually do with most of my bills. No, I did not. [LB615]

SENATOR SCHUMACHER: Okay. Thank you. [LB615]

SENATOR GLOOR: Seeing no other questions right now. I'm assuming you're staying to close. [LB615]

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SENATOR KINTNER: Yeah. [LB615]

SENATOR GLOOR: Okay. We'll move on to proponents of this bill, and then we'll move to opponents of this bill. [LB615]

TOM PLACZEK: Hello again, Senators. Again, my name is Tom Placzek, P-l-a-c-z-e-k, Platte County Assessor, on the NACO board and I'm representing NACO today. One of these days I hope to be for something, (laughter) but I'm always been against. So... [LB615]

SENATOR GLOOR: Are you a Husker fan? [LB615]

TOM PLACZEK: I am a Husker fan. We are in opposition to this bill on several levels. I believe it was Senator Scheer mentioned this as Proposition 13 for 67-year-olds and I think that's pretty much true. As I read the bill, it would affect every 67-year-old owner in Nebraska, so that means Warren Buffett qualifies. I question whether that's actually good public policy for people with many, many, many dollars of income or multimillion dollar homes, whether we should be giving them real estate tax breaks. That's one issue. The other...on one of the other questions or things in here is, it talks about substantial improvements. Now, I couldn't find anywhere in here where it defines what a substantial improvement is. Is a substantial improvement a \$10,000 addition on a small house worth \$60,000, or if that was on a \$250,000 house, it's probably not very substantial. So, you're starting to...who is going to make that decision? Is that my decision as an assessor as to what is substantial? That's...I don't believe that's defined in here. Another thing comes into as what down the road is that substantial...it looks to me, it's like, almost like a TIF project. You've got a base value and then you've got an excess value and then as that increases, you have to...we have to track two different values, keep that base and keep the excess value. Then what about the substantial value? Is that the same as excess? I don't know, there's a lot of questions as to how that is actually supposed to be addressed. That's really a problem for us. We, you know, there's no definition as to what this really is. Let's see. What's another thing I had here. This would also, again, like many of the other homestead acts, I can imagine in this case we would have a multitude of applications the first year. That would definitely add some more burden to our office again. We would have to add staff again and then funded mandate from our perspective in that we...the county has to foot the bill for additional personnel. And while the taxes are reimbursed as a regular homestead is in this legislation, the additional cost to the county for additional personnel benefits is not reimbursed. One of the questions...and I may or may not be reading this correctly, and...but my understanding in this bill if I'm reading it right, on page 2, section 4, it says if a person is at least 67 years old of age and owns a homestead on the operative date of this act, and let's say it's 1-1-16, such person's homestead shall be assessed for taxation the same as other property except that there shall be exempt from taxation an amount equal to the homestead's assessed value for the current taxable year. So let's say the current taxable year, it's a

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hundred thousand dollars. Okay. And then you subtract the homestead's assessed value as of the operative date of this year, of that day. And let's say it's 1-16. So if you have a...if it's worth \$100,000 and you're subtracting \$100,000, I don't see any tax. That looks like a freebie. So again, Warren Buffett doesn't have to pay any taxes. Good for him. I wish it was me. And I just...I can just see people lining up in droves for a freebie. I don't know about you. That may not be the intent of this bill, but that certainly seems to be what it's saying. And that's really...mostly it's substantial improvements, extra personnel, and I'm not sure that identifying ages and changes on that, it's hard as it is, adding a whole bunch more to it won't make it easier. But I don't want to complain about workload. That's part of our job and I understand that, but there are some significant problems with this bill as I read it. I would be happy to entertain any questions that you may have. [LB615]

SENATOR GLOOR: Mr. Placzek, the...Senator Kintner did give us what he would suggest as a substantial improvement definition that was taken from federal regs on storm repair. And I'm sure he'd be glad to give you a copy of the definitions out there. It's not proposed as an amendment, but I think that's what he's inferring in this. If necessary, he would suggest that... (inaudible). [LB615]

TOM PLACZEK: Okay. I'd have to see that, yeah. [LB615]

SENATOR GLOOR: Yeah, you don't have a copy of that... [LB615]

TOM PLACZEK: No, I do not. [LB615]

SENATOR GLOOR: ...and it wasn't built into the bill. Other questions? Senator Harr. [LB615]

SENATOR HARR: And I'm one to follow up on that. So, it says substantial improvement means a construction rehabilitation, addition or other improvement, the cost of which equals or exceeds 50 percent of market value of the structure before the start of construction on the improvement. [LB615]

TOM PLACZEK: Okay. [LB615]

SENATOR HARR: Is that a fair definition in your opinion? Is that an industry definition? [LB615]

TOM PLACZEK: I don't know. Substantial improvement is kind of in the eye of the beholder too. I mean the market, you could have a...you could spend...a house addition have \$75,000 on it,

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is that...that's a substantial improvement probably on a lot of properties, but that may or may not be what it actually adds to the market value of that property. [LB615]

SENATOR HARR: Yeah, well, and my concern would be, I have a million dollar house, I'd put a hundred thousand dollar kitchen on it, it doesn't count, whereas, if I have a hundred and fifty thousand dollar house and I put a seventy-six thousand dollar kitchen, but... [LB615]

TOM PLACZEK: Yeah, that's one of my questions also. [LB615]

SENATOR HARR: I would rather see that be a dollar amount. And I don't know, again, we only see the green copy. [LB615]

TOM PLACZEK: Correct. [LB615]

SENATOR HARR: For a homestead, does that...do you have to be a resident of Nebraska to receive this? Having read this, do you think you'd have to be a resident of Nebraska to receive this tax break? [LB615]

TOM PLACZEK: Yes, because you have to be a owner and occupier of that residence. [LB615]

SENATOR HARR: Okay. So owner and occupier, but if I spent eight months of the year in Arizona, four months in Nebraska, would I still be eligible for this? [LB615]

TOM PLACZEK: Excellent question. I've never had that asked before. I don't know. I can only speak for... [LB615]

SENATOR HARR: And normally you wouldn't be an issue because homestead exemption is such a low amount, but now we're dealing with the Warren Buffetts of the world. [LB615]

TOM PLACZEK: Yeah, yeah. I think that's an excellent question and there's probably a lot of people that...I mean, there's probably quite a number of people that would fall into that category. In Columbus, Nebraska, I don't think there's a lot of them. In Omaha, there's probably a number of them that do that. I don't know that that's ever been defined. [LB615]

SENATOR HARR: Okay. Thank you. [LB615]

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SENATOR GLOOR: Other questions for Mr. Placzek? Had you finished your questioning, Senator Harr? I guess so. Senator Smith. [LB615]

SENATOR SMITH: Thank you, Mr. Chair. Did you take a look at the fiscal note on this? Do you... [LB615]

TOM PLACZEK: Yes. It says it's basically neutral, doesn't it. [LB615]

SENATOR SMITH: Yeah, it shows about a three million dollar loss in revenue. That, based on your comments, seems a little bit on the...seems low. [LB615]

TOM PLACZEK: Well, that's the way I read it too, but we will be...but, see, we would be reimbursed. The county would be reimbursed by the state, but I would think that...what's that? Because the regular homestead, we're reimbursed in, I think in several payments. We send the difference in tax that is qualifying on the homestead and the county gets reimbursed. They keep...the treasurer sends it to the Department of Revenue and the county gets reimbursed for that difference. [LB615]

SENATOR SMITH: Thank you. [LB615]

SENATOR GLOOR: Other questions? Seeing none, thank you. [LB615]

TOM PLACZEK: Thank you. I appreciate it. [LB615]

SENATOR GLOOR: Other folks who wish to speak in opposition? Anyone in a neutral capacity? Senator Kintner. I think we have some questions for you. [LB615]

SENATOR KINTNER: You know, to be honest with you, I thought there would be a line of government parasites out the door protesting this bill, (laughter) I was amazed only one person. I think the only thing I would say is, I'm...when you're a public servant and you come down here and you say, oh, it's going to trouble us so much to put together and help facilitate a tax break to keep people in their homes, I'm sorry, I just don't have a lot of sorrow for that because we're here to serve the public and, you know, we're...we need to be sensitive to the problems that we have and property taxes are a big problem. It's a big inconvenience for the taxpayer and having to come down to protest an assessment is a big hassle and it's a pain, it's tough. They've got to take time out of their day. If they go to the TERC board, it inconveniences them. So the taxpayers are very inconvenienced all the time. So I think to ask our elected officials to facilitate some tax relief, that for the most part, at least in terms of homestead exemption where the three million

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dollars that we're going to reimburse them anyway for it, is not too much to ask. Are there any further questions? [LB615]

SENATOR GLOOR: Senator Kintner, the fiscal note says, because the new exemption applies to everyone age 67 and over, and there are no limitations on income, or home values, specified in LB615, the political subdivisions loss of revenue could be substantial. So it does show that there would be a substantial loss of revenue to the counties as a result of this. [LB615]

SENATOR KINTNER: There...we don't know. We really don't know what it would be, but, you know, I think when they pick up and they move, and they leave our state because they don't like getting hit on the retirement income, and they're getting hit on property taxes, that's a huge loss to the county right there. [LB615]

SENATOR GLOOR: Okay. Other questions? Senator Sullivan. [LB615]

SENATOR SULLIVAN: Thank you, Senator Gloor, and thank you, Senator Kintner. But just again to...correct me if I'm wrong, but according to what I read in the fiscal note, there is no mechanism in LB615 to provide for state reimbursement of the lost revenue due to the individuals not eligible for the current homestead exemption receiving the new exemption. So, under the old...the current homestead exemption, the counties are reimbursed. Under your bill, there is no backing this up by the state to reimburse that lost revenue in the part of the county. [LB615]

SENATOR KINTNER: No, because what happens is, they stay in there. So you're talking the county or the state? I'd better make sure. You told me the county being reimbursed or the state being reimbursed? County? [LB615]

SENATOR SULLIVAN: The county. [LB615]

SENATOR KINTNER: Well, what they do is, they just stay in homestead exemption. If you stay in a homestead exemption, then we go ahead and write a check for it all the time. That's what the three million is for. So, you know, they're going to be reimbursed for the people that stay in homestead exemption. When the valuation would normally take them out of homestead exemption, we're freezing them in a homestead exemption, so they're still reimbursed. [LB615]

SENATOR SULLIVAN: For the ones that are currently in homestead exemption, but all these people who turned 67, wouldn't necessarily be on the current homestead exemption. [LB615]

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SENATOR KINTNER: That's correct. Right. [LB615]

SENATOR SULLIVAN: All right, but those dollars, the state will not be reimbursed... [LB615]

SENATOR KINTNER: No, it's going to be three million dollars. And, you know, we've got other tax bills that are sixteen, and twenty, and eighty million dollars. This is three million dollars. That's correct. Am I missing it? Yeah, we're not going to reimburse the three million. [LB615]

SENATOR SULLIVAN: Yeah, I think...because...because your bill does not show that there is a mechanism for state reimbursement, it doesn't show that there is any loss to the state. But what I'm telling you is, because those property taxes will not be increased on that...increased...or collected on that increased value, it will be the counties loss. [LB615]

SENATOR KINTNER: Yes, correct. Yes, it would be, absolutely. And we don't know what it would be. But I'd submit to you, if they'd pick up and leave, it's a lot bigger loss right there. [LB615]

SENATOR GLOOR: Senator Harr. [LB615]

SENATOR HARR: Thank you. I mean, this is, in essence, no different than what we're looking at, changing the rates from 75 to 65 or 55. It's a tax shift because we won't...counties won't collect that newfound growth, that revenue from the growth of value of the property. Is that right? [LB615]

SENATOR KINTNER: Yes, what...the growth, yes. The only thing they will do is the people that we do hold down on homestead exemption, they'll keep getting that money. [LB615]

SENATOR HARR: Yeah. [LB615]

SENATOR KINTNER: So there will be a little bit of an offset. I don't think it will be total offset. [LB615]

SENATOR HARR: Okay. And I guess my question is, if I'm Warren Buffett, and I hate to pick on him, so let's pick on someone else, but if someone else moves to...has a house in California, or let's say they move to Florida because Florida is a...you don't pay income tax. So they live in Florida for six months, one day, are they eligible if they live in Nebraska for the rest of the year? Are they eligible for this...? [LB615]

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SENATOR KINTNER: If you go to 77-3502, the homestead exemption is defined in state statute. [LB615]

SENATOR HARR: Okay, where are you? [LB615]

SENATOR KINTNER: Well, I didn't have that. It's just a state law. It's just state statute. [LB615]

SENATOR HARR: Okay. And see, that's probably on the other green copy. [LB615]

SENATOR KINTNER: So, we define homestead exemption in our state, so the same homestead that we always use, it's about this much. I'm not going read all of it. [LB615]

SENATOR HARR: Okay. Does it require you to be a resident? [LB615]

SENATOR KINTNER: Yeah, it's the same homestead exemption...homestead definition that we currently use. [LB615]

SENATOR HARR: Okay. And you're required to be a resident of the state? [LB615]

SENATOR KINTNER: Homestead exemption shall mean either a residence or a mobile home and the land surrounding it not exceeding one acre in the state actually occupied by the natural person who is the owner, record bearer of from January 1st to August 15th of the year. So I guess you've got to be more than six months here, I guess. [LB615]

SENATOR HARR: Yep, that answered my question. Thank you very much. Thanks. [LB615]

SENATOR KINTNER: Okay. I'm here to serve. [LB615]

SENATOR GLOOR: (Exhibits 3 and 4) Any other questions? Seeing none, thank you and Senator Kintner since we're all headed home from here, would you mind giving us one of your famous wave, goodbye. (Laughter) Thank you. And we do have...to read into the record, we have an opponent letter, Lynn Rex. Lynn represents League of Nebraska Municipalities; neutral, Diane Battiato, Douglas County Assessor/Register of Deeds. And with that, that ends the hearing on LB615 and today's agenda. Thank you all. [LB615]