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Urban Affairs Committee
February 06, 2018

[LB735 LB942 LB986 LB1020 LB1028 LB1067]

The Committee on Urban Affairs met at 1:30 p.m. on Tuesday, February 6, 2018, in Room 1510 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB735, LB942, LB986, LB1020, LB1028, and LB1067. Senators present: Justin Wayne, Chairperson; Matt Hansen, Vice Chairperson; Sue Crawford; Sara Howard; Dan Quick; and Merv Riepe. Senators absent: Tyson Larson.

SENATOR RIEPE: Good afternoon and welcome to the Urban Affairs Committee. My name is Merv Riepe, I'm the State Senator from Legislative District 12, which is Omaha, Millard, and Ralston. Chairman Senator Justin Wayne and Vice Chairman Senator Matt Hansen are introducing bills in other committees, so I will be chairing today. We will start off by having members of the committee and the committee staff do self-introductions, starting on my right with Senator Howard.

SENATOR HOWARD: Senator Sara Howard, I represent District 9 in midtown Omaha.

TREVOR FITZGERALD: Trevor Fitzgerald, committee legal counsel.

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

SENATOR CRAWFORD: Good afternoon. Senator Sue Crawford, District 45.

PRECIOUS McKESSON: I'm Precious McKesson, committee clerk.

SENATOR RIEPE: Okay, thank you very much. Also assisting us in the committee are our pages. Our page today is Rebecca Daugherty, who is a business and public administration major at Doane College. Or is it Doane University now? Thank you, I don't want to short it. This afternoon we will be hearing bills, six bills that is, and we will be taking them in the order listed outside the room. On each of the tables in the back of the room you will find a blue testifier sheet. If you are planning to testify today, please fill one out and hand it to Precious over here when you come up. This will help us to keep an accurate record of the hearing. Please note that if you wish to have your position listed on the committee statement for a particular bill you must testify in that position during the bill's hearing. If you do not wish to testify, but would like to record your position on a bill, please fill out the pink sheets in the back of the room. Also, I would note the Legislature's policy that all letters for the record must be received by the committee by 5:00 p.m. the day prior to the hearing. Any handouts submitted by testifiers will also be included as part of the record as exhibits. We would ask you to have your handouts, and

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if you have...we will need 10 copies for the members of the committee. If you need additional copies, our page will be gracious and will make copies for you. Testimony for each bill will begin with the introducer, the senator introducing the bill, followed by those that are supporters or proponents of the bill. With the conclusion of that we will go to those that are in opposition to the bill, followed by those speaking in a neutral capacity. We will then go to the letters of support that may have been submitted, and then the introducer of the bill will be given the opportunity to make closing statements if they wish to do so. We ask that if you are to testify, giving your first name and your last name and please spell it. And your organization, if you will, so that we can get those into the records. If you don't, I will try to remember to remind you. And, Precious, you can remind me if I need to remind them. We will be using a four-minute light system today. When you begin your testimony the light on the table will turn green. And after three minutes the yellow light, amber, will give you a one-minute warning. And when the red light comes on we will ask you to wrap up your final thoughts. You might find too that if you're testifying and you do get a red light you may get a question from one of the committee members if they particularly want to follow your theme. Or, as the chair, I may let you go on a bit. We're not here to abruptly cut someone off in the middle of a thought. I would remind everyone, including my fellow senators here, to please turn off your cell phones or put them on vibrate mode. And with that, we will begin today's hearing with LB1020. Welcome, Senator Crawford.

SENATOR CRAWFORD: (Exhibit 1) Thank you. Good afternoon, Senator Riepe and members of the Urban Affairs Committee. For the record, my name is Sue Crawford, S-u-e C-r-a-w-f-o-r-d, and I represent the 45th Legislative District of Bellevue, Offutt, and eastern Sarpy County. And I am honored to be here to introduce LB1020. LB1020 clarifies provisions related to direct borrowing from a financing institution by cities and villages. In 2015, LB152 was introduced by the Urban Affairs Committee, and its passage clarified the authority of municipalities to borrow directly from financial institutions in certain circumstances. Under these provisions it was also made clear that loans taken out by municipalities are not restricted to a single year, but instead can be repaid in installment payments. However, the ability of municipalities to borrow directly from financial institutions was capped with a total amount of indebtedness from direct borrowing limited to 10 percent of the municipal budget for a city and 20 percent of the municipal budget for a village. After implementation of this municipal borrowing mechanism the language outlining how the borrowing cap was to be calculated was interpreted to mean that the cap was based on one year of a municipality's budget, even if it was a multi-year loan. LB1020 changes this language to clarify that the amount of a loan attributable to any one year to the limitation on the total amount of outstanding indebtedness from direct borrowing is the total amount of the outstanding loan balance divided by the number of years over which the loan is to be repaid. To put these changes into an example, the bill in 2015 authorize multi-year installment loans. Let's say that under current statute a city of the metropolitan class wanted to take out a loan with the total cost of \$100,000 to be paid back in five years. Currently, when calculating whether or not this amount was within their direct borrowing cap set out in statute, the \$100,000 being

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borrowed could not be more than 10 percent of the overall municipal budget for that year. Under LB1020 the \$20,000, or the amount repaid on the loan in that year, is the amount that could not exceed 10 percent of the municipal budget for that year. LB1020 then limits municipal loans to a repayment period not to exceed seven years. The current statute has no limit on the length of time of these installment loans. Further, under LB1020, municipalities cannot exceed the direct lending cap set out in statute in any single year. So if they have multiple one-year...multiple multi-year loans the sum of the repayment of those loans in any given year can never exceed 10 percent for cities or 20 percent for villages of their budget. LB1020 also extends the limitation on the total amount of indebtedness from direct borrowing by a city of the second class from 10 percent, which is the current cap for other...all classes of cities, to 20 percent of the municipal budget of the city, which mirrors the current cap for villages. With rather small budgets, cities of the second class have much more difficulty staying inside of this 10 percent cap than larger cities. It is important to note that LB1020 does not change or eliminate any of the criteria a municipality must meet in order to be able to access a direct borrowing loan. These restrictions were put in place in 2015 to ensure that municipalities were not turning to direct borrowing installment loans for purposes instead of securing bonds. Under these provisions municipalities can only borrow directly from a financial institution if they are borrowing the money to purchase real or personal property, for the construction of improvements, or to refinance existing indebtedness. Further, in the ordinance or resolution authorizing the direct borrowing, municipalities must certify that financing for these authorized activities through traditional bond financing would be impractical, would not allow the project to be completed within the time restraints facing the city or village, or would cost more to taxpayers than direct borrowing. Information about any ordinance or resolution being moved forward by a city council or board of trustees on this matter must be relayed in a public notice. Again, there are strong protections that limit this direct borrowing tool from being abused by municipalities and all of these protections remain in place with LB1020. The League of Municipalities and other stakeholders have suggested amendment language to clarify the measurement or determination of the amount of any direct borrowing loan to be attributed to any one year is to be tied to the date of the ordinance approving the direct borrowing. This will ensure that once the loan is qualified, reductions in the village's budget in a subsequent year will not invalidate the loan or effect the village's ability to refinance the existing indebtedness in the future. And I have had the page pass out AM1806 for the committee's consideration. You should also have, you will see letters from a couple of the cities who ran into situations that have brought this bill to our attention. I appreciate your attention to this important issue and I am happy to answer any questions that you have. [LB1020]

SENATOR RIEPE: Thank you, Senator Crawford. Are there questions from the committee members? Seeing none at hand, thank you very much. We assume that you are going to be here for closing? [LB1020]

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SENATOR CRAWFORD: I will be here for closing, thank you. [LB1020]

SENATOR RIEPE: Thank you very much. We will now take proponents, please. [LB1020]

BOB HALLSTROM: (Exhibit 2) Vice Chairman Riepe, members of the committee, my name is Robert J. Hallstrom, H-a-l-l-s-t-r-o-m, and I appear before you today as the registered lobbyist for the Nebraska Bankers Association, excuse me, in support of LB1020. We want to thank Senator Crawford for introducing this legislation on behalf of the Bankers Association, and appreciate her opening and giving the committee the background underlying the introduction of this bill. To give you a little bit of a chronology of how we got here, as Senator Crawford indicated, LB152 was passed about three years ago. It started out as a bill to provide express statutory authority for cities and villages to borrow directly from financial institutions. Direct borrowing had been going on for many years, but some city attorneys felt that they needed to have an express statutory provision. As that bill was considered by the Legislature, the issues with regard to what I call criteria or a balancing test to determine if direct borrowing was appropriate, as compared to bond financing as described by Senator Crawford, were put into the bill. We're making absolutely no changes to those provisions. But what we have found over the passage of time is that some bankers brought to our attention specific situations in which the manner in which the legislation was drafted, by placing a cap or a percentage limitation based on a single year's budget amount, was causing difficulties in terms of being able to make multi-year loans, which were also authorized under LB152. So if we fast-forward to a specific situation that I have in my testimony, the village of Jackson was looking at a need to have \$370,000 loan repayable over a five-year term to be issued by a bank. In other words, an example of direct borrowing. The city's budget was \$600,000, 20 percent of that was \$120,000. When you compare the desired loan balance of \$370,000 to the cap that's based on a single year's 20 percent of budget of \$120,000, they couldn't fit that square peg into the round hole. As a result, other alternatives had to be considered. As we looked at this we certainly didn't believe that the Legislature's intent while authorizing multi-year loans would have been to preclude that type of situation from going forward to meet the borrowing needs of the city or village. So what we've done, simply put, in LB1020 is to provide a mechanism by which that type of situation will only require in a five-year loan one-fifth of the original amount of that loan to be attributed or allocated to each year. The bill does not expand the aggregate amount of borrowing that a city or a village can undertake, it simply recognizes that when you have a multi-year loan you're going to allocate a certain percentage to each year based on the number of years over which that loan is to be repaid. We also have...I have a chart in my testimony on page 8 that goes through a specific situation with regard to the village of Jackson in the first year. And then we've got some hypotheticals on some additional direct borrowing needs that might occur that shows how the borrowings from each particular category would be allocated year by year still keeping the village underneath the 20 percent limitation, and then ultimately coming up with a situation where they can borrow no more because to extend additional direct borrowing financing would

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violate the cap that we have. So with that, I would be happy to address any questions. I think Senator Crawford has addressed the provisions of the amendment. I will just provide for the record that we had some input from bond council in terms of the part of the amendment that has to do with determining whether the loan is valid at the time of inception when the city or village approves the ordinance or resolution. They felt that was important, so you didn't have a situation where a loan that was valid at the time that it was made within the cap limitations somehow might be affected by a subsequent decrease in the city or village budget. And with that, my time is up just as I finish. [LB1020]

SENATOR RIEPE: That was perfect. Is it safe to say that this bill is a matter of clarifying the rules of engagement? [LB1020]

BOB HALLSTROM: We certainly believe that it is a clarifying amendment, Senator. Again, we believe that had any of us, including me, picked up on what the ramifications were going to be basing it on a single budget year, that we might have done it a little bit differently to provide that additional flexibility to meet the needs of the cities and villages. [LB1020]

SENATOR RIEPE: Okay. Let's see if we have some other questions? Any other questions? Senator Quick. [LB1020]

SENATOR QUICK: Thank you, Chairman Riepe. And thank you for your testimony. Would like a...so you have your cap on your budget, now could you have more than one loan under that cap? And could it be at like two or three loans as long as they stayed under the cap? [LB1020]

BOB HALLSTROM: Senator, in a nutshell what we're attempting to do is take that individual loan and determine what the proportionate amount is that should be attributed to any single budget in a single repayment year. After that you could have a single-year loan for the purchase of a pick up and you would add, since that's only in one year, you would add the amount of the loan into that first year. And you just aggregate those, and once you get to the position where you exceed that cap, whether it's \$50,000 or \$100,000, the aggregate of all those individual loans and the amount that's allocated from each loan to that year would put you in a position where you could borrow no more. [LB1020]

SENATOR QUICK: All right, thank you. [LB1020]

BOB HALLSTROM: Yeah, thank you. [LB1020]

SENATOR RIEPE: Are there other questions? Thank you, Mr. Hallstrom. [LB1020]

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BOB HALLSTROM: Thank you, Senator. [LB1020]

SENATOR RIEPE: Ms. Rex, you've been here before. [LB1020]

LYNN REX: Yes, sir, I have. [LB1020]

SENATOR RIEPE: So you know the rules of engagement, how we do it. [LB1020]

LYNN REX: (Exhibits 3, 4) Yes, sir. Senator Riepe, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. First, we would like to thank Senator Crawford for her work on this effort over a period of years, and certainly for introducing this bill. We also want to thank the Bankers Association and bond council who worked on the amendment. Bob Hallstrom and Senator Crawford have already explained the purpose of that amendment. What's being handed out to you are copies of letters from the city of Ponca and also the village of Jackson outlining some of the concerns. And I think, Senator Riepe, in answer to your question, we do think that the amendment, as well as the bill itself, does better elaborate what cities can and cannot do with what we thought was envisioned under the original bill, LB142, in 2015. So we do think that this is important to provide this kind of flexibility, especially to add the 20 percent for cities of the second class. One of the things I think is important, just to review, is that back in 1996 this Legislature passed LB1114. At that time, second-class cities and villages were asked to go from \$1.05 per \$100 of valuation down to 45 cents plus 5 as their maximum levy limit. In fact, 45 plus 5 is for all municipalities: Omaha, Lincoln, all first-class cities, second, and villages. But the ones that were hit hardest clearly were the second-class cities and villages. Every single second-class city and village in the state of Nebraska at that time in 1996 they were already at a \$1.05 by virtue of the fact that they also had...some of them were over that because of voter-approved bond issues. So in two years they had to go from \$1.05 down to 45 cents, and the plus 5 is for interlocal agreements. So in terms of the finances of these smaller communities, this is really critically important. We think it's important for the larger cities too to have that flexibility, and I think a 10 percent number is more than adequate for them. But we do think the 20 percent and adding that capacity for second-class cities is also extremely important, villages already have it. And we think the clarification in terms of how this would operate would certainly be of benefit in terms of flexibility because one of the things that has also become clear is that sometimes it's just not worth the money to go to the extra amount to bond. And so this is just some flexibility for those lower types of direct borrowings. I'm happy to respond to any questions that you might have. [LB1020]

SENATOR RIEPE: Thank you very much. Do we have questions of the committee members? Seeing none, thank you so much for being here. [LB1020]

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LYNN REX: Thank you so much for your time. Thank you. [LB1020]

SENATOR RIEPE: Thank you. More proponents, please, if we have them. Do we have others that wish to speak in favor? If not, do we have any wishing to speak in opposition? Seeing none, do we have anyone that wants to speak in a capacity of being neutral? Seeing none, Precious, do we have any letters that have come in. Oh, okay. We have the two. One from the village of Jackson and the other one from the city of Ponca. So those will be put into the minutes. Senator Crawford, you are welcome to close if you so choose. [LB1020]

SENATOR CRAWFORD: Thank you, committee members. I appreciate your time and attention to this issue. I think it's an important flexibility for the cities, and I'm happy to work with you on the amendment or any other questions or concerns that you have. And I want to thank the Bankers and the League of Municipalities for their work on this issue and work with the cities. So thank you. [LB1020]

SENATOR RIEPE: Any questions of Senator Crawford? Seeing none, thank you, very much. And I declare that LB1020 has received a full and fair hearing and that the hearing now concluded. We will move on to the next bill, which is LB1067. And that is Senator Quick. [LB1020]

SENATOR QUICK: Thank you, Chairman Reipe. And thank you, members of the Urban Affairs Committee. My name is Dan Quick, D-a-n Q-u-i-c-k, and I represent District 35, which is in Grand Island. I'm here today to introduce LB1067, and this is at the request of the business leaders in my district who need dedicated tools to attract tourists. The bill, however, is not limited to the Grand Island area. It will enable communities across the state to deploy resources needed to attract tourism. We do have an amendment, AM1738. And the reason for that amendment is within Section 10...Section 10 of the bill adds a requirement that an ordinance creating a BID that will impose a special tourism surcharge include a description with the products and services that will be subject to the surcharge and to harmonize provisions. But Section 14 of the bill does not add similar requirement for an ordinance expanding the boundaries of an existing BID. A copy of the amendment that would add that requirement to Section 14, AM1738, is included in your materials. Tourism in Nebraska's...in Nebraska's third largest...excuse me; tourism is Nebraska's third-largest industry, but we are far from tapping its potential. Where there are some existing resources, including funding resources, too often those are already used to their full potential and sometimes diverted to other purposes. LB1067 would enable municipalities to establish dedicated funds by expanding Nebraska's current Business Improvement District Act. Municipalities, with the support of tourism businesses, would be empowered to access a special tourism surcharge to fund either their promotion of tourism or construction and renovation of tourist attractions. Some Nebraska communities, such as Grand

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Island, need additional funding sources to promote tourism. Other communities, such as Red Cloud, need funding for bricks-and-mortar projects. LB1067 provides a flexible tool for either type of need. One thing I like about the approach taken in LB1067 is that it requires buy-in from the businesses that would be affected. Notice would have to be provided to any tourism business that sells products or services that would be affected by the surcharge. If more than 50 percent of those businesses object, it's the end of the story; no surcharge would be assessed. On the other hand, when a surcharge is adopted the business impacted would be assured that unlike some local funding mechanisms like the occupation tax, the surcharge revenues would be used only for the purposes of promoting tourism. Essentially, the funds would be leveraged to drive the local tourism economy, directly benefiting those same participating businesses. When I took...when I look to my own community, I see a perfect example of how this legislation would be worthwhile. Local tourism business leaders, including hotel owners, recognize that Grand Island has some incredible assets, such as the State Fair park. While Grand Island has tourism attractions and economic engines, those same leaders recognize that the potential in our area is not close to being tapped. LB1067 would give those businesses a needed tool that the businesses would utilize voluntarily to tap that potential. LB1067 is modeled after similar legislation in other states, where its success has been proven. Following me, a number of leaders of Nebraska's tourism industry will tell you more about their needs and why my legislation will be an important part of advancing Nebraska's tourism industry and economic development. Thank you. [LB1067]

SENATOR RIEPE: Okay. If you bear with us, we'll see if the committee members have any questions of you. I have a question. [LB1067]

SENATOR QUICK: Okay. [LB1067]

SENATOR RIEPE: I assume...did you consider a sunset clause in this? [LB1067]

SENATOR QUICK: No, I don't believe we did at this time. [LB1067]

SENATOR RIEPE: Okay. I also assume that the surcharge is tantamount to, like, a tax. So...and so I'm curious there, in terms of who sets the surcharge, the special tourism surcharge... [LB1067]

SENATOR QUICK: I would say it would be the board that's set up to do that within the...I think others can probably testify to that fact. But I would think it would be the board that would be set up. [LB1067]

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SENATOR RIEPE: Okay. Okay. Okay, are there other questions? Seeing none, thank you very much. We're quite sure that you'll be around here for the closing. [LB1067]

SENATOR QUICK: Yeah. [LB1067]

SENATOR RIEPE: Thank you, sir. [LB1067]

SENATOR QUICK: Thank you. [LB1067]

SENATOR RIEPE: I would now like to have proponents, please. If you would be kind enough, sir, to state your name, spell it, and share with us the organization you represent. [LB1067]

BRAD MELLEMA: I will. My name is Brad Mellema, B-r-a-d M-e-l-l-e-m-a, here with the Nebraska Travel Association. And I'm also executive director of the Grand Island Convention and Visitors Bureau. And I'm here to speak on behalf of LB1067 today. And greetings from Grand Island, home of the Nebraska State Fair, sandhill crane migration, Husker Harvest Days, and many other events. And that's what we're going to talk about today. First I'd like to start off by saying thank you to Senator Quick for championing this bill during this session here. He has recognized the ability that this has to help the people of Grand Island...employees, helping to generate that. Last night, Mayor Jeremy Jensen in our State of the City Address talked about tourism and the ability to diversify our economy and to continue to bolster that. And that's what we're wanting to do today. So, what is it that we're looking at doing? A tourism improvement district is a concept that started on the West Coast. And states have been addressing tourism needs in specific ways, sometimes different ways, but they are able to do that. And it is starting to find its way to the Midwest and, of course, to the East Coast. Our neighbors in South Dakota have this. Colorado has a version of this, as does Kansas. And they each are addressing different tourism issues that they might have in their respective states with this. In Grand Island, specifically, we have...when the Legislature approved the moving of the Nebraska State Fair to Fonner Park, we have an incredible, probably one of the finest, cattle show facilities in the country there as a result of it. The people of our community and of our state expect that those continue to be used beyond just that of the State Fair. And we started in 2010, so we're going to be going into our ninth year of using those. When those facilities are full, our community hums. You can see the bump in the tourism rooms on our sheets that come back. And when one's not there one month, the following year you see that they didn't come back. It is absolutely...we are an event-driven tourism economy. That's not unique to Grand Island. Our colleagues who were, unfortunately, unable to make it today from Kearney...Roger Jasnoch turned around because of the snow and the sleet that's happening out in his part of the world. Our colleagues from Norfolk and a few other communities were going to come and talk today, and unfortunately they weren't able to make that to tell their stories. But each community has their version of events and things

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that they need to do. Back to the cattle industry in Grand Island; we're competing with communities such as Indianapolis, Kansas City, Fort Worth, Texas, and Denver. What's the difference between those and Grand Island? Probably three, four, five million people for each municipality versus us. But it's the same groups; it's those livestock shows that come June, July, August. We were home to the Aksarben Stock Show, which is 90-plus years in Omaha has moved to Grand Island: fabulous. Our facilities handle it beautifully. We want to be able to do that. Your question, Senator Riepe, that came up earlier about is there a sunset clause. This afternoon I have a meeting looking at a cattle show group for 2022, '23, and '24. So, we're looking four, five, six, seven years into the future to book these cattle groups, livestock groups, to come to our community. We need a steady, solid source of income that we know is going to be there into the future that allows us to be able to book those kind of events into the future. And so, how would this affect tourism in our community? The owners of the businesses that are affected, be it hotels or others, are the ones that make the decision. They are coming to us and asking for this kind of a tool. Owners of more than half of the hotel rooms in Hall County are the ones that are coming to me and asking for this type of a resource to be created. And so, I want to thank, again, Senator Quick for recognizing that and bringing it forward for your consideration. It fits well within the business improvement district model. It addresses specific local problems by specific local business leaders. And we think that the time is right in Nebraska to be able to consider this type of legislation that would enable us to grow this economy. That's all I have. I'm open to any questions that you may have at this point. Also, I can also say Anthony Aerts from Rembolt Ludtke will be up here talking about some of the nuts and bolts of the language that was put together. So, I'll address questions as I can, but I may defer to him on some of those types of things, should that be necessary. [LB1067]

SENATOR RIEPE: Fair enough. We do have a question. Senator Crawford. [LB1067]

SENATOR CRAWFORD: Thank you, Senator Riepe. And thank you for being here to testify today. [LB1067]

BRAD MELLEMA: My pleasure. [LB1067]

SENATOR CRAWFORD: You said that members in your community have come to you to talk about the importance of this bill. So, I was wondering if you could give us a couple of examples of the kinds of improvements that you might expect that you would use this financing tool for. [LB1067]

BRAD MELLEMA: Yeah. Yeah, we...depending on how this comes out of legislative into law-- if it were to make it that distance and how it would be taken care of--in Hall County, we would only make decisions based upon those businesses that affect their business. In other words, I

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talked about shows, incentives, those kinds of things that would be potentially used. We also are working with our partners at Husker Harvest Days, one of the longest-running agricultural shows in the country, that are needing things to be taken care of from that aspect. And so, there's a lot of ways that it can be used in different counties. And I know that my colleagues that couldn't make it today have specific ideas that they talked about to have that steady stream of uninterrupted funding available to them. But in Hall County, really I would be looking, perhaps, at some of those stalwart tourism things through the agricultural industry would be the primary function of that. But that's up to the committee to spend those dollars that are raised through these types of things in ways that affect their business directly. [LB1067]

SENATOR CRAWFORD: Thank you. [LB1067]

SENATOR RIEPE: Are there other questions? I have a question. [LB1067]

BRAD MELLEMA: Sure. [LB1067]

SENATOR RIEPE: How much in the terms of annual revenue do you see being able to be brought in on this surcharge? [LB1067]

BRAD MELLEMA: There's multiple ways that that surcharge could be implemented. It could be a dollar per room, it could be things if it went into the restaurant world...those types of things. Some of those aren't right for our community, but it is written in a broad way that different counties or different municipalities could interpret it that's right for them. And so, if it were a hotel one it would be, perhaps, a 1 percent or a 0.5 percent or a 1.5 percent on the room that does that. Those communities that are already maxed out there, they just don't need to...they won't participate because it doesn't make sense for them. But there are communities that it does make sense, at this time, to do that. And so, in terms of Grand Island, if they put in a...for example, a 1 percent, you would probably be looking at \$250,000 to \$300,000 a year, in that neighborhood. But again, that's up to the local decision-makers as to how that would be administrated. It could just be a dollar per room, per room night or something like that, as another way to do it as opposed to a percentage. So there's multiple ways that a community could do this assessment. [LB1067]

SENATOR RIEPE: Do you...from a planning standpoint, do you have a target? And I know too much is never enough, but what did you have your eye on when you're envisioning this? [LB1067]

BRAD MELLEMA: You know, I... [LB1067]

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SENATOR RIEPE: A million dollars a year, or? [LB1067]

BRAD MELLEMA: Right, I don't have a dollar figure in mind at this point. Talking with the business leaders and business owners that are directly affected by this, we have some problems that we're trying to tackle in terms of specific events that we're attempting to either bring brand-new or to continue on that have been here in the past that we need to do. And so, that would be a decision that would be made, again, at the local level. If I threw a dollar figure out right now, our business leaders may have a different thing in mind. And so, that is a collaboration that, if this were to become law, we would sit down and say; this is a figure that's right for our community. Our friends in Norfolk, our friends in Kearney, our friends in other communities may have a very different approach based upon their local issues that they're trying to resolve. [LB1067]

SENATOR RIEPE: I know when you started off your testimony, you talked about the improvement district; is that the Hall County, or is that Grand Island City, or is there... [LB1067]

BRAD MELLEMA: I think it could be set up based... [LB1067]

SENATOR RIEPE: It has a geographic definition? [LB1067]

BRAD MELLEMA: Yeah. As it's written in here, it's written as a city, as a municipality that would do that. Now, we have 22 properties in our county. I think 4 of those properties are not in the Grand Island proper, they're more out in the county. And I do know for a fact that one of the business owners of one of the major properties down on the Interstate, which is outside of the Grand Island city limits, was interested. He would be supportive of...in having some sort of an assessment on his rooms in order to bring these groups. They have that big of an effect on his business and so he would be in favor of that. [LB1067]

SENATOR RIEPE: Does this allow you that flexibility to bring him in? [LB1067]

BRAD MELLEMA: It would. [LB1067]

SENATOR RIEPE: It would? [LB1067]

BRAD MELLEMA: It would, yes. This is written with a broad net. And again, Anthony can speak more specifically to that. And the reason for that is, in front of the Legislature, Senator Quick mentioned Red Cloud as an example. They've got some specific things they're doing down in Red Cloud where they need to do some building and brick-and-mortar type of things versus, perhaps, incentives and so forth, I guess. So it is written in such a way that, I think, you could

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really design this in a way that fits for each county or municipality. And so, there may be some things that need to be done as this works its way through the committee here to make it work, but it looks pretty good the way it's written up on this first pass at it. [LB1067]

SENATOR RIEPE: I think the two that you started, in your initial opening, you were talking about, correct me where I'm wrong, of the cranes were one thing that were important in the county...or the State Fair. [LB1067]

BRAD MELLEMA: Um-hum. [LB1067]

SENATOR RIEPE: Are those, I assume...or do you have additional projects in mind that you might not want to share with us? Obviously, in the audience you may have some competitors here. [LB1067]

BRAD MELLEMA: Yeah, I mean, there's always stiff competition. As a CVB, we compete with our neighbors but we also work closely with our neighbors. There's times when we work with our friends that are in close proximity to bring events in. That happens all the time. Hotels within our community are highly competitive. However, when they work with a common goal and a common funding source...and when...for example, National 4-H Shooting Sports came to Grand Island. And now it is a semi-permanent home, meaning it's there until the year 2023. Eight hundred shooters and their families come for a week, every hotel in town sells out. So, to them, that's a common thing where we can do the things that are needed and they have facility requirements and needs at the Heartland Public Shooting Park, dollars may go there to accommodate the needs of that group so we can have that group in perpetuity, for example. So, if we did a million-dollar improvement out at the Heartland Public Shooting Park, which is a city-owned property, we would have the funds that our hotel committee would see, or our committee for this, that they could approve that type of thing knowing that it's going to mean long-term room nights for them. [LB1067]

SENATOR RIEPE: So, this plays to the famous quote of a rising tide, all ships rise. [LB1067]

BRAD MELLEMA: Yeah, I think in this case our business community would agree with that. [LB1067]

SENATOR RIEPE: Okay. Thank you, very much. I appreciate it. Are there additional proponents? If you would, kind sir, state your name and spell it, please. [LB1067]

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ANTHONY AERTS: Sure. Good afternoon, Vice Chair Riepe and other members of the Urban Affairs Committee. My name is Anthony Aerts, that's spelled A-e-r-t-s. As Brad said, I'm an attorney at Rembolt Ludtke, and assisted in drafting the bill on behalf of the Nebraska Travel Association. And so, in order to complement some of the testimony that's come before me, I thought I'd just spend a few minutes walking the committee through some of the mechanics of the bill and how we sort of envisioned it working. And before I start doing that, I just kind of wanted to point out a couple things to keep in mind as I go through some of those mechanics. First, all crucial decisions that would be made under this new tourism funding framework are going to be made at the local level. And, as the gentleman said before me, that currently the way the bill is drafted is the municipalities, city council, however you want to characterize that. Second, the way this new tourism funding framework is set up is it's within the preexisting business improvement district structure, what we already have in place in statute here in Nebraska. And it doesn't affect that preexisting structure in any way in terms of being able to fund some of those brick-and-mortar projects. Third, in terms of how this special tourism surcharge would be imposed, it doesn't target any one sector of the tourism industry. In fact, the way the amendments to the preexisting statutory language read is it actually uses definition of the tourism industry that's already in Nebraska statute and it's extremely broad, if you look up the cross-reference found in the definitions of this bill. And finally, states all around us are doing something similar. In particular, in drafting this legislation I looked at statutes in Washington, Montana, and South Dakota and sort of used those as a guide in trying to think about how the optimal way to sort of structure this. And so, what does it do? It expands the purposes for which business improvement districts can be used in Nebraska to accomplish tourism promotion activities. And so, tourism promotion is defined in the bill, but it could also be used to undertake the construction, renovation, or rehabilitation of tourist attractions, which is also defined based on a preexisting definition found in Nebraska statute. And so, how would this work? It would work through what's termed as "special tourism surcharge." And, from a procedural standpoint, it can happen two different ways. There may be...the city council may have enough interest has been expressed at the local level to try to use this new tool. At which point it might appoint, basically, a new committee or board that would consist of at least one representative of a visitor bureau or convention, but then other interested members of the industry and community. At which point they can make a recommendation to the city council to move forward with creating one of these new districts. And, in order to do so they would have to pass an ordinance. And that ordinance would lay out all the details, what types of tourism products and services would be subject to this surcharge. And, basically, one big takeaway is if 50 percent of the tourism industry in that district is in opposition to the surcharge, then that would be it. The hearing would stop and it wouldn't move forward. So, I think...obviously there's notice that's supposed to be given prior to one of these hearings. And that's sort of the structure, but basically just to reiterate, everything happens at the local level. All the details of how this charge would be imposed, what the rate would be, what specific parts of the tourism industry would be responsible for collecting and remitting the surcharge would all be spelled out in a local ordinance that would have to be

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passed by the city council in that area. And then, just to follow up on something that was said, it also provides for the boundaries of these tourism-specific business improvement districts don't have to necessarily be contiguous. So you could get into a situation where, maybe, you could pull in different sectors from across the city or potentially even in the county. But it might be something that just needs to be cleaned up or clarified a bit. [LB1067]

SENATOR RIEPE: Thank you. Are there questions from the committee? I guess...I assume that the oversight on this thing is through the annual audit of the city as well? [LB1067]

ANTHONY AERTS: Yeah, that would probably make sense. [LB1067]

SENATOR RIEPE: That would be fair, okay. Are there additional proponents? And with that I'm going to turn this over to the arriving Vice Chairman, Senator Hansen. So we will conclude this hearing. [LB1067]

SENATOR HANSEN: Great. Thank you, Senator Riepe. And just to clarify; and so that was the last of our proponent testimony for LB1067? All right, any other proponents? Any opponents to LB1067? [LB1067]

MICK MINES: (Exhibit 1) Senator, members of the committee, my name is Mick Mines, M-i-c-k M-i-n-e-s. I am here representing...I'm a registered lobbyist representing the Nebraska Hotel and Lodging Association. And we are here in opposition. We represent, this association, represents hotels, motels, and lodging interests across the state. Certainly, tourism...promotion of tourism has been a vital part of our industry and we have supported efforts in the past at promoting as well as helping finance those. Our members right now...depending on location we pay a sales tax...a local...a state sales tax, local sales tax, county lodging tax, state lodging tax, and a business improvement district tax. Another tax certainly is going to burden not just us, but our customers. As you may not know, Nebraska's overall lodging taxes in Omaha, for instance, we're number nine in the country. We're the ninth highest lodging tax in the country. Lincoln is in the top 25. Now it's...that revenue that's generated doesn't all go to promotion. In fact, much of it gets put in other programs, municipal budgets, those kind of things. But, we're having trouble in the larger communities competing nationally for those conventions and those events that, frankly, bring in a lot of tourists. The first thing that a promoter of an event asks after he signs the contract, what's the rent going to be at; asks how much is it going to cost for room for my attendees. And number nine in the country is not a good place to be. I understand Grand Island has their own set of issues, and I can appreciate that. I'm sure Red Cloud has their own issues. But generally, across the state our association is in a position that we really can't afford more taxes at this point. And given the environment that this Legislature is in, you're dealing with

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significant tax issues as well. We think the timing is wrong, and we are opposed to this bill. I would be glad to answer any questions. [LB1067]

SENATOR HANSEN: Great, thank you. Are there questions? Seeing...oh, got the buzzer, Senator Riepe. [LB1067]

SENATOR RIEPE: At the buzzer. Thank you, Chairman Hansen. I guess my question would be is, without finding specific details, could this possibly be city-specific as opposed to allowing each municipality to do this and not require it for all? [LB1067]

MICK MINES: Well, I think you've got to...and the bill...these people that drafted the bill could probably help you better, but I believe that if you're going to write legislation, it will be inclusive of municipalities. You could probably restrict it to first-class cities, which would include Grand Island and below, or. And speaking for the association--many of our members are Omaha, Lincoln--this tax would be burdensome. [LB1067]

SENATOR RIEPE: Okay. Thank you, sir. [LB1067]

SENATOR HANSEN: Thank you, Senator. Senator Crawford. [LB1067]

SENATOR CRAWFORD: Thank you. This is just a follow-up question. What I intended to ask is whether or not it was primarily in Omaha and Lincoln that the concerns are raised. [LB1067]

MICK MINES: What our membership...and we have members throughout the state, but when you're talking about overall tax burden Omaha, Lincoln are the brunt of those, right. [LB1067]

SENATOR CRAWFORD: Thank you. [LB1067]

MICK MINES: Uh-huh. [LB1067]

SENATOR HANSEN: Thank you. All right, see no more questions. [LB1067]

MICK MINES: Thank you. [LB1067]

SENATOR HANSEN: Thank you. All right, we'll take our next opponent. [LB1067]

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COBY MACH: Good afternoon, my name is Coby Mach, C-o-b-y M-a-c-h, here today on behalf of the Lincoln Independent Business Association. There are all kinds of taxes, fees, licenses, and charges that add to the cost of doing business in order to fund worthy causes. This might be one more worthy cause, but just because 50 percent of the businesses in that area might want it still means that there could be 50 percent in that area that do not want it. Businesses already often join a chamber of commerce or a visitors bureau to fund tourism. There's the possibility that they could also form a charitable nonprofit to do this sort of work. We would simply ask that you vote "no" on the bill. Thank you. [LB1067]

SENATOR HANSEN: Thank you. Are there any questions from the committee? Seeing none, thanks for your testimony. [LB1067]

COBY MACH: Thank you. [LB1067]

SENATOR HANSEN: All right, any other opponents to the bill? Seeing none, is there anybody who wishes to testify neutral on the bill? Seeing none, Senator Quick, would you like to close? [LB1067]

SENATOR QUICK: Thank you, Chairman Hansen and members of the committee. I would just say I truly believe that tourism is vital to this state. I think it's another revenue source for us to look at and I think promoting it in any way is...would be good for our state, so. That's...hopefully we can work on it and see what we can do, so. Thank you. [LB1067]

SENATOR HANSEN: (Exhibits 1-2) All right, thank you. Seeing no questions from the committee, I will read into the record a letter of support from the Nebraska Regional Officials Council, and a letter of opposition from the Nebraska Hotel and Lodging Association. And that will close the hearing on LB1067. We'll now move on to LB735 by Senator Blood. Welcome. [LB1067]

SENATOR BLOOD: (Exhibit 1) Good afternoon, Vice Chair Senator Hansen and members of the Urban Affairs Committee. My name is Carol Blood, C-a-r-o-l B-l-o-o-d, and I represent the fine people of District 3, which is comprised of western Bellevue and southeastern Papillion. Today, I bring you LB735, which utilizes the existing broad-based legislative authority of municipalities to regulate nuisances within the municipality's extraterritorial jurisdiction, or you know it as ETJ. The bill creates a tool for cities and counties to better leverage limited resources and ensures that citizens' concerns about noise violations, manure runoff, and other issues are addressed in a timely manner. LB735 creates a process by which a city or village can enter into an interlocal agreement with the county in which they are located to work together to address and prevent nuisances within the city's ETJ. I want to be very clear that this bill does not require

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the cities and counties work together in this way. It will be up to the elected officials serving on city and county boards to decide whether or not to use the tool created by LB735. While cities have broad-based legislative authority to address nuisances within their ETJs, counties do not. Because counties are creations of the state, all of their authority derives from the Legislature. Until 2009, counties lacked the authority to create and pass ordinances. Even when the Legislature granted this authority with the passage of LB532, this authority was extremely limited and it specifically carved out county ordinance authority within the ETJ, leaving any nuisance authority up to the municipality. As some of you may remember, in 2015, the Urban Affairs Committee heard testimony regarding LB266, a bill to clarify nuisance enforcement powers by municipalities within their ETJ. The bill, which the Legislature later passed, clarified that cities and villages have the authority to enforce nuisance ordinances within three miles of their ETJ. While cities and villages enjoy broad-based authority to enforce such nuisances, they are not required to do so. Due to limited resources, cities may choose to prioritize enforcement within a city or village limits, rather than their ETJ. In other cases, cities and villages may not know they have the authority to exercise this power. In either case, the county lacks the jurisdiction to respond to the situation as it falls under the carve-out I mentioned earlier. Nuisance enforcement within a municipality's ETJ is extremely important in counties like Sarpy County; the large population that centers outside its cities and villages; and incorporated areas, such as sanitary improvement districts, also known as SIDs. As most of you are aware, Sarpy County is one of the fastest growing counties in the state. While exciting for the county, this does come with its own challenges and growing pains. Approximately 55,850 Sarpy County residents, or one-third of our county residents, live outside our five cities. Also enclosed in my testimony you will note a letter that is from the county that has been sent out to a home that was considered a nuisance. And that shows you exactly what limitations they have. They get to send a letter and that's pretty much it. A pressing issue for Sarpy County is a nuisance enforcement within municipality's extraterritorial jurisdiction or ETJ. In Sarpy County, county commissioners and the County Attorney's Office have had numerous nuisances arise within the ETJ of one of its municipalities, ranging from noise ordinance enforcement, manure runoff from a nearby horse farm, and abandoned vehicles on private property. You will hear more about these pressing issues from the testifiers who follow, including Sarpy County Commissioner Brian Zuger. As a former city council member, I know firsthand that cities and villages have limited resources at their disposal, especially after the Legislature eliminated state aid to political subdivisions in the last decade. I also know that local elected officials, just like those of us serving here in Lincoln, are cost-conscious and strive to be good stewards of taxpayer dollars. This is why cities or villages may choose to limit nuisance enforcement within their corporate limits, to conserve the limited resources at their disposal. We all know that shared services are about resolving problems in a cooperative manner. They can eliminate duplicated efforts, reduce costs, maximize resources, and a long list of other possibilities that benefit all involved. LB735 creates a tool for cities and counties to stretch these resources further and ensures that the citizens who live in these areas receive equal protection under the law. For these reasons, I encourage the Urban Affairs

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Committee to advance LB735 to General File. With that, I'm happy to answer any questions you may have and I will stay for the closing. And I appreciate the opportunity to speak on this bill. [LB735]

SENATOR HANSEN: Great. Thank you, Senator Blood. Are there questions for the senator? Seeing none, thank you for your opening. [LB735]

SENATOR BLOOD: Thank you. [LB735]

SENATOR HANSEN: All right, we will move to proponents of LB735. Welcome. [LB735]

BRIAN ZUGER: (Exhibit 2) Good afternoon, Senator Hansen and members of the Urban Affairs Committee. My name is Brian Zuger, B-r-i-a-n Z-u-g-e-r, and I am the Sarpy County Commissioner for the third district. The Sarpy County Board is grateful to Senator Blood for introducing LB735 to clarify the ability for municipalities and the county in which they are located in to enter into an interlocal agreement to assist with the mitigation and resolution of nuisances which occur within the city's ETJs. As county commissioner, we often get a lot of calls from constituents with concerns about junk cars, trash, and other uncleared debris or excessive noise on neighbors' property. Despite their calls for help, counties are often powerless to address the issue, and as a result, citizens are often getting caught in the middle between jurisdictions. Municipalities have the authority to enforce ordinances within their ETJs, which allow cities to control their future growth area. These types of nuisances or problems take a lot of work and tend to cost money for both legal battles and abatement expense, which is why a municipality may be hesitant to enforce their ordinances in ETJ. However, counties have limited ordinance authority, and one authority we do have specifically excludes the ETJs of municipalities. This was a very deliberate carve-out that dates back to 2009, in which when the counties were first granted the ordinance authority by the Legislature. If a city is unwilling or unable to enforce their authority within the ETJs, citizens are trapped in a no man's land without a remedy to fix it. I thought maybe a couple of examples might kind of highlight where we're coming from. Shortly after I was elected to office, I received a call from a constituent regarding a property owner dispute. The issue centered around water runoff from the horse farm above their property, and it was carrying manure-laden water right past their front door. Well, that's obviously kind of a funny joke about how stuff does actually literally roll downhill. The property owner in question didn't find it all that funny. After calling the city and being told that they only had jurisdiction in questions of zoning, the property owner was directed to call the county. We of course don't have any authority to pass ordinances, nor did we have the jurisdiction to go in and enforce any type of nuisance law. So the property owner was left in the state of limbo. After several calls and months of debate, I was able to work with the city of Bellevue and we were able to rectify the situation. However, not all issues have a similar outcome. As of my testimony today, I, and

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another commissioner, have had dozens of calls regarding a property in northwest Bellevue which is starting to turn into what my constituents consider a "junkyard." Trash, debris, appliances, and I believe even a car has been abandoned on the property. Weeds have now grown rampant and it's starting to become an eyesore as you enter our community. The main complaint I get from constituents is that they're being failed by their elected officials. Because they're in the state of limbo, where the city claims no jurisdiction over the property, and the county, even after numbers of letters to the property owner, have no real enforcement options. Third, it's important to note that this is not just an issue in my home district. Other commissioners are struggling with similar complaints. As we were preparing for this testimony, one of my colleagues shared a story with me about a call they recently received from one of the sanitary improvement districts, or SIDs. As property owners continue to beautify their homes, they often don't consider the implications of their landscaping. In this example, a person has a large rock or boulder which is encroaching out onto the sidewalk, making it difficult for pedestrians to pass by. To address issues like these, Sarpy County's Planning and Building Department have issued letters to property owners in the past, requesting that they clean up trash, junk cars on property. However, these letters do not carry any weight with them. An interlocal agreement between the municipality and the county could help mitigate these issues to the satisfaction of the constituents. We believe that municipalities and counties may be able to create an interlocal agreement like this already. However, LB735 offers additional clarification for all parties if the agreement is challenged by court or a home owner for example. In addition, we hope that the passage of LB735 will offer further opportunity for cities and counties to sit down and discuss how they might better address these issues for the benefit of their mutual constituents. With that, we ask you to advance LB735 to General File. And I am happy to answer any questions you may have. [LB735]

SENATOR HANSEN: Great, thank you. Are there any questions for the Commissioner? Senator Crawford. [LB735]

SENATOR CRAWFORD: Thank you, Senator Hansen. And thank you, Commissioner, for being here today. Have you initiated conversations with any of the cities in Sarpy County about these kinds of agreements? [LB735]

BRIAN ZUGER: Yes, I have. Obviously, my home district is Bellevue, so typically I work with Bellevue city planning. And we have been able to come to some agreements with the city of Bellevue, such as the horse manure incident that I was describing above. We do still have some ongoing questions, though, about a junkyard in question and some other things that we haven't been able to come to a mutually acceptable agreement. [LB735]

SENATOR CRAWFORD: There is interest in talking about a broader agreement? [LB735]

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BRIAN ZUGER: Right, yeah. Yes, there is. And that's with several of the cities. I have talked to a couple of the other mayors and some city council members from the other cities. They all have thought, you know, it would be good if we can at least sit down and agree and have a conversation. [LB735]

SENATOR CRAWFORD: Great, thank you. [LB735]

SENATOR HANSEN: Thank you, Senator. Any other questions? Seeing none, thank you for coming, Commissioner. [LB735]

BRIAN ZUGER: Thank you very much. [LB735]

SENATOR HANSEN: All right, we will move on to our next proponent of LB735. Welcome. [LB735]

BETH BAZYN FERRELL: Thank you. Good afternoon, Senator Hansen, members of the committee. For the record, my name is Beth, B-e-t-h, Bazyn, B-a-z-y-n, Ferrell, F-e-r-r-e-l-l. I'm with the Nebraska Association of County Officials and I am appearing in support of LB735. We would like to thank Senator Blood for introducing this bill. As you heard the commissioner, this bill is really a tool for counties to use in conjunction with cities. And I think you have heard some great examples of why this would be very helpful if a city is unable to or doesn't have the resources to enforce some of the nuisance situations in the ETJ. I would be happy to try to answer questions. [LB735]

SENATOR HANSEN: Great. Are there questions from the committee? Seeing none, thank you for coming down. All right, we'll take our next proponent for LB735. Seeing none, are there any opponents to LB735? Seeing none, we will move to neutral testimony on LB735. Welcome. [LB735]

CHRISTY ABRAHAM: Hello, Senator Hansen and members of the Urban Affairs Committee. My name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m. I'm here representing the League of Nebraska Municipalities. And I also want to start off thanking Senator Blood for introducing this piece of legislation. We appreciate that this is a good conversation to have between cities and counties. The League does feel that this can already be done under the current Interlocal Cooperation Act. We reviewed that act, and we have actually heard from several cities saying, I'm not sure that we need this bill, I think we can already do it. But we certainly do appreciate her highlighting these issues and getting the conversation started. So thank you so much for your time. [LB735]

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SENATOR HANSEN: Thank you. Are there questions from the committee? Seeing none, thank you for coming down. [LB735]

CHRISTY ABRAHAM: Thanks so much. [LB735]

SENATOR HANSEN: Any other neutral testifiers? Seeing none, Senator Blood. [LB735]

SENATOR BLOOD: Thank you, Vice Chair Hansen. I would just like to close by saying that I know that there are some who believe that it is already covered by the municipality's interjurisdictional...I should just say the acronym, districts. But I think we want to make sure that we have every tool made available to the counties that we possibly can, because we all know that the future to good government is relationships. And as budgets get tighter at every level of government, we need to make sure that we can give these tools that have no fiscal notes to the people who truly need them. And the counties have said quite clearly that they would like to have this in statute. There is no downside to it. Even if it was considered to be duplicative in nature, I think that that is not necessarily the agreement across the board. And so it's time for the counties to have a voice, it's time for them to work together with municipalities in every way they possibly can. And the people who truly benefit are going to be the citizens, the residents of Sarpy County, the residents of Lancaster County, the residents of Douglas County. And that's...and Hall County. Good thing there wasn't anybody from far out west, I would have trouble with that county. So this is a good, feel-good bill that's going to help a lot of people and not hurt anybody. So I appreciate your time. [LB735]

SENATOR HANSEN: Great. All right, thank you. Are there any questions from the committee? [LB735]

SENATOR BLOOD: Thank you. [LB735]

SENATOR HANSEN: Seeing none, thank you for coming to Urban Affairs. And we did not have any letters for the record so that will close our hearing on LB735. And I am actually the next bill up so I will turn it over to Senator Riepe again. [LB735]

SENATOR RIEPE: We are now going to hear LB986 by Senator Hansen. Please proceed. [LB986]

SENATOR HANSEN: Thank you, Senator Riepe. Good afternoon, Senator Riepe and fellow members of the Urban Affairs Committee. My name is Matt Hansen, M-a-t-t H-a-n-s-e-n, and I represent Legislative District 26 in northeast Lincoln. Specifically for this bill my district covers

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the areas of University Place, Bethany, Meadow Lane neighborhoods, East Campus neighborhood, and portions of Havelock and Hartley neighborhoods. And I am here today to introduce LB986. This bill would authorize neighborhood improvement districts, or NIDs, to be created in Nebraska. Based on the successful business improvement districts, NIDs are designed to offer existing neighborhoods more control to fund and execute projects they deem important and necessary, while not reducing the level of other local or state resources. I became interested in this concept after talking with many constituents and neighborhood leaders about needed projects in different neighborhoods throughout my district. I wanted to come up with a way to empower neighborhoods to set their own priorities for projects that would benefit their neighbors the most. After doing some research on this issue with my staff, we set upon the idea of neighborhood improvement districts. In a nutshell, NIDs, like the BIDs they are based on, are local boards that can focus the city council and city resources on specific geographic areas in a city. Where BIDs were limited to areas that are primarily commercial, NIDs would be focused on primarily residential areas. LB986 offers two ways for neighborhood improvement districts to be created. The first option is for city councils to draw the districts. The city council does not create an NID, neighborhood residents can petition the city council to create one. Additionally, the mayor, with the approval of the city council, can appoint a five-member or larger neighborhood improvement board or appoint an existing neighborhood association to serve as the neighborhood improvement board. This bill is currently designed...currently and intentionally designed to give discretion to local leaders, as city councils will specify many of the aspects of the NID as they create it. Important to this broad discretion, a neighborhood improvement district can be used for things like landscaping, creation and implementation of improvement plans, promoting public activities and events, establishing or assisting with neighborhood watch programs, and any other useful public improvements as needed. I envision this being used in a variety of ways, from smaller scale park cleanup projects to larger scale long-term projects such as creating safer ways for students to cross busy intersections to get to school by either a crossing guard program or pedestrian overpass. NIDs can use state or local federal grants for funding, local donations and other city resources, or a special assessment to fund their projects. Under this bill special assessments are recommended by the neighborhood improvement board to the city council, and the special assessments would be part of the ordinance a city council passes when authorizing a neighborhood improvement district. The funds raised from this assessment can only be used for the projects that are designated by the neighborhood improvement board, but if 50 percent of the property owners in the district protest the special assessment it will not be imposed. The residents of the neighborhood will receive adequate notice of what the cost of the special assessment would be and have avenues to comment and protest and ultimately disband the NID if they so choose. The bill also provides a series of technical changes, including harmonizing language in both the business improvement district and riverfront development district statutes. I've been discussing this bill with neighborhood leaders and believe that there is excitement and need for a bill such as this. I have received plenty of feedback and, as always, I am happy to work with stakeholders to craft the best bill possible. But I am glad that we have

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had the opportunity to start the conversation on this important neighborhood tool. With that, I would close my opening on LB986 and be happy to take questions. [LB986]

SENATOR RIEPE: We'll see if we have some questions. I have a question. My question is this, is you talk about assessments, and yet in the legislation it talks about the ability with sidewalks and parks and restrooms, and all of these are significantly costly. So will they have bonding authority or will they have any of this...where I'm leading with this is occasionally you see an SID that gets in trouble and goes into bankruptcy. I mean is that...I assume they're legally incorporated and so they...you're a lawyer, what's their exposure? [LB986]

SENATOR HANSEN: Yeah. My exposure, what they would basically be creations of the city and so they wouldn't necessarily have any outside obligation, so they would be kind of be a portion of the city. So there would be a creation of the city council, and ultimately any decision to say build a sidewalk or project like that would come through the city council. [LB986]

SENATOR RIEPE: Okay. So they don't have approval authority, they have recommending authority on up to the person who is going to have to pay the bill if it goes sour. [LB986]

SENATOR HANSEN: Right. [LB986]

SENATOR RIEPE: Okay. Are there other questions? Seeing none, we assume you will be around for closing? [LB986]

SENATOR HANSEN: Absolutely, thank you. [LB986]

SENATOR RIEPE: Okay, are there proponents, please? Senator Landis, we know you, but if you would state your name and spell it, please. [LB986]

DAVID LANDIS: David Landis, L-a-n-d-i-s, D-a-v-i-d, Urban Development Department director for the city of Lincoln, and here on a topic that has nothing to do with tax increment financing, thank God. [LB986]

SENATOR RIEPE: We would applaud, but it would be inappropriate. [LB986]

DAVID LANDIS: As the Urban Development Department we have several responsibilities, and concerned neighborhoods is primary among them. In fact, we have two divisions in my department: one called liveable neighborhoods, one called economic opportunity. And that's

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because the city of Lincoln asked itself about 10 years ago, what does a city constitute? What are the big ideas in a city? And we have eight of them. They include health, they include public safety, they include the parks and recreation opportunities, but they also include liveable neighborhoods. That's one of the eight ideas that we focus on. And there are very few tools with which we do other work than general fund sales and income or property tax-based assess...or not assessments, but taxation and then service response. We look at this and see it as a mirror to the business improvement districts which have grown out of business areas in Lincoln who wanted to do better than what the city was doing. Generally for landscaping, for streetscaping, cleanliness, places where they want a lot of walkability on the streets. We've got three or four of them in the city of Lincoln: one of them is downtown, one of them is in College View, one of them is on South Street, and one is on North 48th. This has the same idea. I will, because I know your clock goes quickly, give you a couple of ideas just to put into account if you're thinking about the bill. This says that you can enlarge boundaries, got it? I also think you ought to give the power to alter boundaries so that if they need to be smaller. It only goes one way, and if you are going to make an adjustment you ought to have the freedom to do what is required over time. Secondly, we had a situation of which we, in one of our business improvement districts, put a 5 percent maximum on the amount that our costs for landscaping can grow in a year's time. We found that landscaping costs grew more than 5 percent. We found that the business improvement districts came back to us and said, we don't want that piece of the ordinance that has that limitation. We would like to cover the real costs and we don't want to downscale, would you take that out. And we found we couldn't take it out, we had to start all over and recreate a business improvement district to take out a provision that the business improvement district wanted themselves. I'm just suggesting that in the area of alterations and the power to amend you probably don't want to start all over at the very beginning with the process of petitioning and the like. You might consider that. We have nominated that idea to the introducer. I would say this, neighborhoods are a very powerful part of a city. They can go up, they can go down, they're not always the same. Sometimes they get better and sometimes they get worse. And if a neighborhood chooses for itself to make and enhance its own opportunities, I think the neighborhoods ought to have to do that if a business district can do it. And state law and this Legislature allowed business improvement districts to do that, this I think is as worthy of a topic. Thank you. [LB986]

SENATOR RIEPE: Very good. You do not get to accumulate that for the next time you testify, sorry. Are there questions from the committee members? Seeing none, thank you very much. [LB986]

DAVID LANDIS: Thank you, Senator. [LB986]

SENATOR RIEPE: Appreciate it. More proponents, please. [LB986]

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KURT ELDER: Good afternoon. I want to thank the chair and I want to thank Senator Hansen for working on this bill. My name is Kurt Elder, K-u-r-t E-l-d-e-r, I live at 335 North 8th Street. And I'll go on from there. I come to you as a neighborhood association president here in Lincoln locally, but in a former life I was a community builder and a neighborhood organizer. I have worked in all kinds of neighborhoods, from very challenged to very affluent, large to small, both locally and nationally. With more of my national experience coming from St. Paul and Shreveport, Louisiana. I think many of you would know this as well, as you've gotten to work the streets, that many people engage differently and areas engage differently. Those areas, whether they're challenged, whether they're in transition, stable, affluent. If I was to go into a challenged area during that live period, I would work on building codes, health codes, social issues, apparent signs of disorder, building trust, and then planning for the future and planning for future action. Those people would then ask me, and I'm sure if you have been to those neighborhoods, they'll ask: how can I help? I'm just one person, who is going to pay for it? The questions go on and on. All too often, as an organizer, as an advocate, and as neighborhoods we truly only come together when something bad is happening. But when we have a tool that allows us to come together and plan for the future in cooperation with other city agencies, events...facets of those natures, that's a good thing. Those tools support in empowering positive conversation. Neighborhood betterment is always much more easier when you have a process that says at the end of the tunnel, at the end of this conversation there might be a way to pay for something. This tool also encourages a collaborative voice, a planning process, and there's an implementation process. And lastly, just to add into a few ideas of how this might be used. As I look at my neighborhood and other neighborhoods across Lincoln I see ideas such as picking up litter. That might seem like it's a really small thing, but litter around schools, within a neighborhood, coming together and paying for that, that's a small thing that makes a big difference. Sidewalk (inaudible) program, (inaudible) lightning, community events, area promotion. These are all just great reasons that an area big or small may construct an improvement district. With that, I have lots of time, but I really like this idea. [LB986]

SENATOR RIEPE: Thank you very much. Are there questions from the committee members? Senator Crawford, please. [LB986]

SENATOR CRAWFORD: Thank you. Thank you, Senator Riepe. I just wondered in your own specific neighborhood what do you see as some exciting possibilities? [LB986]

KURT ELDER: I happen to live in a more affluent neighborhood, but when it comes to...and my neighborhood is already covered within a business improvement district. [LB986]

SENATOR CRAWFORD: Oh, okay. [LB986]

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KURT ELDER: And as our association grows into that capacity there might be possibilities that we have a seat at not only that board but also local development corporation boards. So I think that we'll address it through an existing business improvement district, but if...we actually have a meeting coming up on February 13, you're all welcome to come, but I'm going to bring this idea up there as well. And I know that other groups within Lincoln, such as NeighborWorks, they're going out to different neighborhood associations. And one of the questions that they're asking is, what kind of help do you need, what kind of resources do you need? And so perhaps that Senator Hansen would be able to further reach out to that group as well. [LB986]

SENATOR CRAWFORD: Thank you. [LB986]

SENATOR RIEPE: Thank you, Senator Crawford. Are there additional questions from the committee members? Seeing none, we appreciate you being with us. We will take additional proponents, those speaking in favor. Welcome. If you would be kind enough to state your name, spell it, and the organization that you represent, please. [LB986]

KORBY GILBERTSON: Good afternoon. For the record, my name is Korby Gilbertson, it's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n. I'm appearing today as the registered lobbyist on behalf of the Nebraska Realtors Association. And I'm going to start by saying that I'm really glad there's not one certain member of the Legislature sitting on this committee because I'm testifying in support of this bill but we need some amendments. And I've talked to Senator Hansen about this. The Realtors support very much allowing property owners to make decisions about improvements done in their neighborhoods. I, for one, was the leader of a lighting district on my three-block street when I lived in Lincoln. And I can tell you really fast how it is you can make people either really like you or really hate you by doing this. And our concerns with this bill kind of go along those lines. In this bill there is a requirement that 30 percent of the property owners ask for this change, and only upon the written protest with more than 50 percent of the assessable units before the closing of a hearing, that might have been set with only 10 days notice, can this be stopped. I can tell you for the 34 houses I had to go door-to-door to get their approval to do a lighting district, which is much smaller than this, it took me two weeks. So in order to think that someone that has an issue with this would be able to gather that number of protested or signatures, depending on how they would be required, would probably be a bigger hill than someone could climb in that amount of time. [LB986]

SENATOR RIEPE: Are you testifying as a proponent or an opponent? [LB986]

KORBY GILBERTSON: Proponent. And I've talked to Senator Hansen about our changes like I said when I started. [LB986]

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SENATOR RIEPE: All right. Okay. [LB986]

KORBY GILBERTSON: So we are very much supportive of letting property owners make decisions regarding their property rights, but we just want to make sure that there's plenty of notice provided in this. So I thought I would just explain why. [LB986]

SENATOR RIEPE: Okay. [LB986]

KORBY GILBERTSON: And then there's a couple other issues during...later on in the bill that talk about different types of notice. One would simply have a notice in the newspaper, and the only way to identify the owner of the property is by the actual property description. And I don't think very many people know their property descriptions by heart in order to be able to look at a newspaper and know that that's the notification they're getting about an assessment. So we would request that that gets worked out. As I've said a couple of times, we have talked to Senator Hansen and we want to work with him on some amendments to this to try to see if we can get it so that it works best for everyone involved. So with that, I would be happy to take any questions. [LB986]

SENATOR RIEPE: Okay, let's see if we have some. Any questions from the committee members? Apparently not. Thank you very much for being here. [LB986]

KORBY GILBERTSON: Okay, thank you. [LB986]

SENATOR RIEPE: (Exhibits 1, 2, 3) We continue on with proponents. Any additional individuals that want to speak in favor? If not, any opponents? Anyone wanting to speak in opposition? Seeing none, is there anyone who wants to testify in a self-declared neutral capacity? Seeing none, Precious, do we have any letters that we want to enter in? Okay. We do have letters of support from the NeighborWorks in Lincoln, the South of Downtown community development organization, and the Nebraska Regional Officials Council. So thank you very much. Senator Hansen, if you would like to close, please do so. [LB986]

SENATOR HANSEN: Absolutely. First, let me start by pointing out I missed something in my introduction. We had already worked on an amendment that should be in the books, AM1771. Throughout this process one of the feedback we have gotten from multiple groups is the notice requirement, so we've already suggested moving it from 10 to 30 days. And I'm happy to continue talking whether or not that's the right amount, as well as what level of notice is appropriate. As well as more than happy...I know, more than happy to work with the city officials and other stakeholders to get that moving forward. Just kind of in closing, this is a really exciting

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tool. One of the reasons I was interested in it is my neighborhood, which I actually just got termed off the neighborhood board for University Place, has a business district inside of it. So my boundaries in University Place are the approximately the boundaries of an old town that was annexed many decades ago. And the original downtown with the original city hall, which is now an art studio and an arts nonprofit, has a business improvement district, and they were able to do some kind of interesting and really supportive things there. And then we just get a few blocks away from that in places where we're not allowed to have a business district, because it transitions from commercial to residential, the kind of neighborhood just doesn't have that same flexibility. So this tool would simply kind of, you know, expand that and give them opportunities. In terms of changing boundaries, having different opportunities, I think that makes tons of sense and I would be happy to work on it. [LB986]

SENATOR RIEPE: Okay, any questions? Thank you very much. I declare that LB986 has received a full and fair hearing and that concludes this hearing. We will now proceed on, and I will return the chairmanship back to Senator Hansen. [LB986]

SENATOR HANSEN: Sure. We will...that sounds great. We will stand at ease for just a moment while we wait for Senator Wayne. [LB986]

EASE

SENATOR HANSEN: Yeah, are we back up? All right, great. We'll start the hearing on LB942 by Senator Wayne. [LB942]

SENATOR WAYNE: (Exhibits 1, 2) Thank you, Vice Chairman Hansen. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, I represent north Omaha and northeast Douglas County. Today I have two of the most important bills that I think will change not only Nebraska and my community. One is up in Ag, which is where I was currently at, I have to go back up and close. But this one directly deals with my district and I think the Omaha area, Ernie's district, but it has impacts all the way across the entire city of Omaha. It started off...I gave a couple handouts, but imagine doubling the amount of businesses around Eppley Air Field. Growing the economy, creating well-paying jobs, and making sure that the downtown area is vibrant and we have a transportation system that allows west Omaha to get downtown and also allows transportation industries to grow throughout the Midwest. That's what part of this bill and other bills around this issue are attempting to do. What I am trying to do is build off of the North Omaha Business Park Project; the Ames/Locust Street project; Airport Business Park one and two, which is before you in one of the handouts. When I began researching this idea, I immediately knew that if we built in the green spaces that you see there it would double the traffic around the airport. If anybody has been to my district, I encourage you to sit at Harold's Cafe and watch the number of

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semis that go past 30th Street, 30th Street is Highway 75. On average, 1,100 leave down the airport area, most of them go north to get on the interstate, some of them go down south through downtown. When we're talking about growing the area around the airport, particularly north Omaha, we are hindered by the lack of transportation in the ability to grow that area. So as I went door to door, I have always heard about the complaints about the semis and you can see them up and down 30th Street, you also hear about the lack of jobs in north Omaha, good-paying jobs. So I am not the one who came up with this plan, but this plan has actually been around for almost 20 years. There has been different variations of this plan, but nobody has actually pulled the trigger. And I'm tired, I guess I will say I'm done with studies. It's time to pull the trigger and get things done. My community needs jobs, this area needs growth, and the side benefit is Iowa also gets jobs. So it will do a couple things: One, it will create a port authority in Omaha that allows Omaha to create or set up a board to provide different types of taxes and other abilities for this independent political subdivision. This committee remembers it's similar to how the land bank was similarly started. But I'm going to divert for a second and go through this handout. What you have in front of you is the business park in my district north of the airport. You will see open green spaces. If I told you this picture was taken 15 years ago and I gave you a Google map of today those open green spaces still look the same. There has been no growth. And in fact, we've lost a couple of jobs. If you turn to the next page, this is the original report...the second report done and feasibility study done around this port authority concept and the bridge across the Missouri River on the North 16th. You will see that was done in 2011. And another feasibility study on the next page was done in August, 2011. You can look through the maps and look at the areas and the vision that I have for this area, but at the end of the day it comes down to our body having the political will to create an infrastructure that allows for economic growth and economic development. And that's what this port authority does. Specifically, this port authority, in Section 2 contains the purpose of the port authority; Section 3 it applies to Omaha; and then Section 4 through 6 just gives the different ability to have property, transfer property, exempt property. But this is a framework in which other states have done it, which you'll see Illinois, Iowa, and Missouri in 1998 and 1999 passed almost identical language that we have here, and they created the Southeastern Port Authority, where the three states got together and created jobs and over a couple billion dollars of investment. Again, this has been brought up many years. 2011 there was the flood that this took this off of the table because we were dealing with other issues. And then quite honestly there was a mayor election and a different mayor. I'm restarting the conversation, but more importantly, I'm finding out ways that we can fund it. We can fund it through the port authority, I have a bill over in Transportation dealing with bonding authority. And the goal is to remove the semis off of 30th Street, to increase bars traffic, economic development, and create well-paying jobs in my district. I had a really good opening statement, but I left it upstairs when I ran down here from Ag. So that impromptu is going to have to work for today. [LB942]

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SENATOR HANSEN: Thank you, Senator Wayne. All right, committee members, do we have any questions for the senator? Seeing none, oh, Senator Crawford. [LB942]

SENATOR CRAWFORD: So can you just talk...so this is built on these plans that have been discussed earlier. So what is the primary funding mechanism for the port authority improvements? [LB942]

SENATOR WAYNE: So there's a couple mechanisms. One, we would have to work with the state of Iowa. For particularly the port authority in Omaha they would be through a local tax option, similar to the LB840 plans or other occupation and sales tax. That's what this would be authorizing for them to start building some cash. Now, in Kansas City most of their funding is through property which they bought or it was donated to the project. And they make most of their money off of leases and rentals. So there's different ways, and so part of this legislation is leaving the flexibility for that body to determine what is best for that area. But there's different ways to fund it. But what is also critical to this is the bridge in the north Omaha corridor. Again, I have a bonding bill in Transportation to help pay for that which fits perfectly into our current president's infrastructure plan. The state would be able to help. This is not a new concept, we did it right outside your area in the Highway 34, where we worked with the state of Iowa and DOTs to figure out how to do a bridge across the Missouri. So that's the initial funding. But what the initial reports of all the feasibility studies that were done, I can get the committee full copies of them, but by 2027 all these reports believe that there would be over 22,000 jobs created between Omaha and Nebraska...I mean Omaha and Iowa. The reason why the Iowa side is important, and when I start thinking about economic development we have to start thinking regionally not just about state lines, particularly in my community because I have Carter Lake that goes through my district, so state lines are kind of irrelevant when it comes to that. But particularly if you think about some of the opportunities we missed out as a state in the last 20 or 30 years: you had the BMW manufacturing plant, and just last year we had the Toyota plant. If you recall, the Omaha World-Herald did an article in which the Omaha Chamber said part of the issue is we don't have mega sites. We'll say Nebraska may not have a mega site, but if this were to develop right across the river in Iowa there will be 2,500 acres available for development that would be a mega site. What's important about that 2,500 acres is you have a BN line, and you'll see in one of those pictures a UP line right along the side of I-29, so now you have rail access. This is truly an intermodal facility type or truly logistical transportation ability for this site that makes it unprecedented. And with two interstates of I-29 and I-80 being able to connect, this is a prime driver for economic development around the airport. [LB942]

SENATOR HANSEN: Yes? [LB942]

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SENATOR CRAWFORD: Thank you, Senator Hansen. And thank you, Senator Wayne, for bringing this bill. Is there any reason to necessarily limit it to metropolitan areas? Because there are other areas that have similar transportation advantages, I would say. [LB942]

SENATOR WAYNE: Yes, so after this bill was introduced I was contacted by numerous other cities and groups, and why not do it across the entire state. The reason is this is a new concept, in-land port is a new concept. They're done in other states, but we haven't done it here. And so I actually mimicked what this committee did with the land bank and thought the way that should happen is we start off with one area where the greatest need is, let them work out the kinks, and then like this year before this committee there is a bill to expand the land bank across the entire state. But I think we need to start somewhere, and I think the easiest place to start with the greatest need is in Omaha, Nebraska, especially with the Missouri. And the fact that barge traffic, as I gave you the AP report, makes its resurgence on the Missouri, this seems to be the perfect opportunity to start here first, work out the kinks before we expand everywhere else. [LB942]

SENATOR HANSEN: Great, thank you. Senator Riepe, do you have a question? [LB942]

SENATOR RIEPE: Chairman Hansen, thank you very much. I like the ring of the port authority, it sounds so east coast. And of course Omaha being the east coast of Nebraska, I think it's very appropriate. My question is this, is on the maps, are they all 2011 or is there some variation? [LB942]

SENATOR WAYNE: Correct. Most of them are 2011, because I wanted to give you the actual study, what was talked about in the studies. I can give you updated maps. I will tell you that between the Chamber map of the city of Omaha and other interested groups, we've had numerous meetings, my office and myself. We've met with Army Corps, Iowa state senators everywhere, and there are private dollars being raised right now for a new study regarding the bridge and the entire development area that I hope to present to this body. It won't be this session, but probably next session. I will tell you that there is a debate right now in our office about whether this is going to be my priority bill or not, because this is, I truly believe, the change agent for north Omaha. [LB942]

SENATOR RIEPE: How broad is the tax base on this? [LB942]

SENATOR WAYNE: It would be wherever the port authority is designated, so it could be as small as certain areas or it could be as wide as the city of Omaha. [LB942]

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SENATOR RIEPE: Does that put them at an inherent disadvantage then? I'm assuming then taxes to the occupants they would be higher. [LB942]

SENATOR WAYNE: It could be...yes, it could be higher. But underneath the theory of a port authority the local taxes could be higher, but there could be other legislation down the road or federal legislation that exempts them from taxes. So one of the benefits of being on a port authority is the tariffs and things like that that you can maybe not have to charge if they came through here where you would have to charge if it didn't. So there's a lot more benefits by having a designated port authority. [LB942]

SENATOR RIEPE: Okay. The other question I have is how does this fit into the Omaha strategic plan or does it? [LB942]

SENATOR WAYNE: Well, I can tell you that the bridge itself, which is a key component, has been a part of the map of the development plan for the last rounds of plans that I've seen for the last 10 years. Obviously this study was done in 2011 with Pottawattamie and Douglas County and the city of Omaha being involved. So I think it's there in the conversations we have had with city council, the mayor, and others is it all comes down to funding. And I keep saying, we've studied enough, it's time to pull the trigger. And again, if we could have created 22,000 jobs by 2023, had we had done this 11 years ago, what better light would have Omaha been? And quite honestly, what better economic condition would my community have been in? [LB942]

SENATOR RIEPE: Okay, fair enough. Thank you very much. [LB942]

SENATOR HANSEN: Thank you, Senator Riepe. Any further questions? Seeing none, thank you, Senator. All right, we will move to our first proponent to LB942. Is there anyone who wishes to speak in favor of LB942? All right, seeing none, is there anybody who wishes to speak as an opponent to LB942? All right, seeing no actual opponents to LB942, is there anybody who wishes to testify in a neutral capacity? [LB942]

JACK CHELOHA: Good afternoon, Senator Hansen and members of the Urban Affairs Committee. My name is Jack Cheloha, that's spelled J-a-c-k, last name is C-h-e-l-o-h-a, and I'm the registered lobbyist for the city of Omaha. And I have been authorized to testify in a neutral capacity today on LB942. First and foremost, I want to thank Senator Wayne for bringing this bill. I definitely appreciate the concept and his enthusiasm. I think the bill is very well drafted. If he drafted it himself or his staff, I mean, it provides a lot of direction within it. It's very good in terms of laying out what a port authority could do or what their limitations might be. In terms of, you know, I presented the bill to the mayor and the city council, and I guess at this point in time, February of 2018, they weren't prepared to, you know, take a position one way on the bill. They

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want to continue to work with Senator Wayne on the concept, including the Metro Area Planning Authority, as well as the Omaha Chamber of Commerce, etcetera. It has a lot of potential, yet at the same time they have some concerns relative to the port authority and their ability to raise revenues, and whether or not it would be proper for them to have taxing authority, etcetera. And because there's other entities at issue right now relative to a riverfront redevelopment district, which was the legislation I think authorized last year, which is available as well as BIDs and other things, we're just still trying to sort out how it all would fit together and how we could accomplish some of the goals we have. In terms of understanding the problems that Senator Wayne has presented, I mean, I have friends who own businesses on North 30th Street, and I'm well aware of the semi-truck traffic up there. And we think of it sometimes as a nice neighborhood of Florence, but yet at the same time Highway 75 is a major thoroughfare where trucks have to get through from the interstate up to I-680. And there's a lot of great ideas here, it's just at this point in time...I know he wants to pull the trigger, but we're just not ready to pull the trigger as far as the city's point of view is. And for those reasons, I testified neutrally. I'd try to answer any questions. [LB942]

SENATOR HANSEN: Thank you. Are there any questions? Seeing none, thanks for coming down. [LB942]

JACK CHELOHA: Thank you. [LB942]

SENATOR HANSEN: Is there anyone else who wishes to testify as neutral? Seeing none, we have no letters for the record. Senator Wayne. [LB942]

SENATOR WAYNE: I just want to put on the record the city of Omaha was neutral but very positive, so. (Laughter) That's what happens when you're juggling a lot today. No, I do think this is an important bill, and I do look forward to working with the city of Omaha, Douglas County, just to shore up some things. And I look for this to get out on the floor and have a great debate on how we can have the first economic plan that I've seen in a long time for north Omaha. [LB942]

SENATOR HANSEN: All right, thank you, Senator Wayne. Any questions? All right, seeing none, we will close the hearing on LB942. And we will move to LB1028 by Senator Wayne. [LB942]

SENATOR WAYNE: (Exhibit 1) Thank you. Now that I know I have opposition to LB1028, I'm going to change my...good afternoon, Vice Chairman Hansen, members of the Urban Affairs. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, and I represent the Legislative District 13, which is comprised of north Omaha and northeast Douglas County. LB1028 would adopt the Abandoned

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and Dilapidated Housing Act and is designed to assist in the restoration and preservation of abandoned and dilapidated housing in Nebraska municipalities. I was asked to bring this bill forward that invests in tax sales certificates, and the bill would provide a process to address situations where are reoccurring all the time where the property has gone to tax sale but has become abandoned. Under the Nebraska tax sale certificate statutes, when a property owner fails to pay his or her taxes those taxes are sold in the form of a tax sale certificate. If the owner fails to redeem the property by paying the taxes plus 14 percent within a 3-year redemption period then the tax sale certificate holder may foreclose on the property to obtain legal title. In cases where property has become abandoned, many times the building is left unsecured and exposed to the elements, so that by the time the three-year redemption period runs out, the property has lost almost all of its value. Under LB1028, the holder of the tax sale certificate on the property that has shown signs of abandonment can make preservation improvements on the property, with the cost of such preservation improvements being charged to the property owner. The bill contains detailed procedures to ensure the property owners are given notice of potential preservation improvements that need to be made. The bill also limits the cost of preservation improvements that could be recovered to 25 percent of the tax assessed value of the property as the date of the tax sale certificate was issued. There's also a letter from the land bank, I met with the land bank and other individuals. And there were some concerns, not necessarily statutorily, but real world applicability of when you're restoring or protecting a home how will the homeowner know that you're there with a tax lien and those kind of things. I'm happy to work on an amendment, I'm just not sure that you can legislate some of those changes. Some of them are just the nature of preserving an abandoned home, so I don't know how you can do some of those things. But willing to work with the company to figure out the best way to do that. So there will be several testifiers behind me who have real world experience and who are kind of the ones I met with to bring this legislation. So they will be able to answer more detailed questions about the process and things that may be needed. [LB1028]

SENATOR HANSEN: All right, thank you, Senator Wayne. Senator Riepe for a question.
[LB1028]

SENATOR RIEPE: Thank you, Chairman Hansen. Where does this cross over, Senator, into management or oversight of slum landlords? [LB1028]

SENATOR WAYNE: It doesn't cross over, those are two different realms in my opinion. This is when for whatever reason, maybe somebody died or something happened tragically and they had to leave the state and their house is still there and they haven't been able to pay their taxes for numerous reasons. So what typically happens is these people who buy these tax certificates send notices, try to talk to find out who owns the land, tries to actually locate the person, but sometimes can't do so. So that house just sits there, sometimes. And the old saying is, once one window breaks all of them end up breaking. And then people start running through the house,

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but there's no way to secure it. And so this person who has an interest in the house has no really true ability to secure it. And the next thing you know, people could be living in there or just different things could happen, and after three years the house isn't worth anything and actually it's an eyesore on the neighborhood, it's a problem in the neighborhood. At least this provides an opportunity to board it up, seal it up, use plexiglass or however, different companies do different things, to at least make sure it's secure and they're not inviting criminal agents in to house squat. [LB1028]

SENATOR RIEPE: I feel like it's deja vu. May I have another question? [LB1028]

SENATOR HANSEN: Go ahead. [LB1028]

SENATOR RIEPE: Senator, the question I have, is this a subsection or a subpiece of the land bank itself? [LB1028]

SENATOR WAYNE: No. [LB1028]

SENATOR RIEPE: Because this isn't taking the property, this is restoration of it? [LB1028]

SENATOR WAYNE: Yeah. [LB1028]

SENATOR RIEPE: So this is a totally different program? [LB1028]

SENATOR WAYNE: Totally different. [LB1028]

SENATOR RIEPE: Only supported in concept by the land bank because of their letter. They have a letter don't they? [LB1028]

SENATOR WAYNE: Yeah. But this is actually the process, tax lien certificates or tax sale certificates, the process has been around way before the land bank. It's just been a common issue that's now growing more prevalent, especially in the urban areas where these houses are becoming a nuisance, they're becoming a safety issue to the community. [LB1028]

SENATOR RIEPE: Sure. Okay, thank you, sir. [LB1028]

SENATOR HANSEN: Thank you, Senator Riepe. Thank you, Senator Wayne. [LB1028]

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SENATOR WAYNE: I'll waive close. [LB1028]

SENATOR HANSEN: All right, we will move to our first proponent on LB1028. [LB1028]

SHAWN DONTIGNEY: Good afternoon. [LB1028]

SENATOR HANSEN: Welcome. [LB1028]

SHAWN DONTIGNEY: Apparently I scared everybody off. My name is Shawn Dontigney, S-h-a-w-n D-o-n-t-i-g-n-e-y. Good afternoon, committee. I first want to thank Senator Wayne for bringing forth this legislation. I'm general counsel for a company called Eleven Talents, LLC, and its affiliated companies. Eleven Talents is engaged in the real estate business, both the acquisition and the sale of real estate, including a large portion of its business regarding the purchase of tax certificates. In a large number of the cases, when we ultimately acquire real estate it's first based on the acquisition of the tax certificate. In a large number of cases, especially with the properties that we acquire, the properties are abandoned and are in a dilapidated condition. These properties become dilapidated for a number of reasons: the owner is undergoing financial hardship, has succumbed to disability or death, there is an inability or a lack of desire on the part of any individual to stabilize the properties, and with respect to the municipalities there is an inability to preserve and make preservation improvements to the properties because of the number of violations that they're required to deal with, and budgetary constraints. Ultimately leaving them with the ability to just simply send notices of violations, assess fines, and in some cases demolish the dilapidated buildings. In my practice for Eleven Talents I've taken a number of calls from concerned neighbors, as well as municipalities, including housing authorities and law enforcement agencies calling us to ask us what we can do to alleviate some type of an issue associated with the property. Whether it be vermin infestation, noxious weeds, accumulation of debris, broken windows, leaking roofs, personal property strewn about the exterior of the properties. Unfortunately, I'm forced to tell them just because we're a tax certificate holder there's really nothing that we can do about it. Between that period where we acquire the tax certificate and when we ultimately are enabled to acquire ownership of the property it's a three-year period. During that time, those properties become more and more dilapidated and the condition of the properties just degrade at an exponential rate once no one is taking care of them. I consider these properties akin to any untreated, contagious disease in some ways. The illness not only affects the subject property, but it spreads to the properties on the border. Ultimately it affects the neighborhood, the community, and the municipalities at large, affecting both the aesthetic and the financial health of the municipalities ultimately. From my employer's perspective, after they acquire the tax certificate during that three-year period there's a lot of things that can go wrong. And Senator Wayne indicated, you know, that these properties may decline in value to the point where they're worth nothing. At that point my client is left with

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the business decision of whether to try and acquire the property or to just simply walk away. And in a lot of instances they simply do that. LB1028 provides a reasonable mechanism to address that problem. It enables the tax certificate owner to enter the abandoned property, to make improvements to preserve the property for its proper and reasonable use considering the kind and character of the property at the time that the tax certificate was acquired, and ultimately charge back to the party that redeems the property the cost of those improvements. Importantly, there is a number of checks and balances in place under the proposed legislation that would prevent a tax certificate owner from turning a lien into the next Trump Tower. It...first and foremost the property must be abandoned, it must exhibit one of eight conditions which are listed within the proposed legislation. There is a requirement that the party to whom the tax assessment is sent is given 30 days prior notice before any improvements are made, a notice of the costs of the improvements is to be filed with the county treasurer. And importantly, that's really the only burden that's placed on the county under this legislation or any political body. The certificate holder must evidence the cost of the improvements to the redeeming party to show that they're reasonable upon request. And there's a mechanism in place for the redeeming party to contest the cost of those improvements to make sure that they are in fact reasonable. And lastly, there's a 25 percent cap on the costs, which is tied to the assessed value of the property at the time that the party acquires the tax certificate. So I believe this is a good bill, I believe it helps both my client as well as the municipalities that these subject properties are located in. And in closing, we would support LB1028 and would ask that it be submitted to the Unicameral floor for consideration and ultimately passage. [LB1028]

SENATOR HANSEN: Great, thank you. Any questions? [LB1028]

SENATOR RIEPE: I have a question, Chairman. [LB1028]

SENATOR HANSEN: Senator Riepe. [LB1028]

SENATOR RIEPE: My question is this, does this deal with or a concern with the time of due process that it's...I think you talked in there something like three years that your employer might hold this. And that three years is required... [LB1028]

SHAWN DONTIGNEY: By statute. [LB1028]

SENATOR RIEPE: By statute for due process. Is this... [LB1028]

SHAWN DONTIGNEY: I'm sorry, I didn't mean to cut you off. [LB1028]

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SENATOR RIEPE: I'm sorry, I don't know whether it's the right language. [LB1028]

SHAWN DONTIGNEY: Yes. Well, basically once the tax certificate is acquired by my client they are required by statute to hold it for three years. During that period the property owner can come and pay off the taxes plus the interest and get the property back. And at that point, my client is completely out of it. [LB1028]

SENATOR RIEPE: Is your sense that the three years is too long? [LB1028]

SHAWN DONTIGNEY: Three years is a long... [LB1028]

SENATOR RIEPE: Or is it like Goldilocks, just right? [LB1028]

SHAWN DONTIGNEY: There's a lot of factors that go into that. For purposes of this bill, three years is an awful lot of time. I mean, there's a lot that can happen in three years. [LB1028]

SENATOR RIEPE: It can deteriorate significantly in three years. [LB1028]

SHAWN DONTIGNEY: Very much so. Very much so. But the three-year period under the tax certificate statutes does give that homeowner a pretty substantial period of time in which to come back and pay the taxes. [LB1028]

SENATOR RIEPE: So it's a balance of interests? [LB1028]

SHAWN DONTIGNEY: Correct. [LB1028]

SENATOR RIEPE: Okay, thank you. Thank you, Mr. Chairman. [LB1028]

SENATOR HANSEN: Thank you, Senator. And thank you for your testimony. [LB1028]

SHAWN DONTIGNEY: Thank you. [LB1028]

SENATOR HANSEN: All right, we'll take the next proponent to LB1028. Welcome. [LB1028]

CHRIS NEWHOUSE: Thank you, Senator Hansen and the Urban Affairs Committee. My name is Chris Newhouse, C-h-r-i-s N-e-w-h-o-u-s-e, and I am with a company representing Guardian

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Tax Partners, Incorporated. We are a tax lien buyer here in the state of Nebraska, as well as several other states throughout the United States. My expertise comes from being in this business for over 22 years. I started buying tax liens in Nebraska with different companies back in 1996, and over that course of time have seen a multitude of properties that have gone from being a beautiful home to being a very dilapidated and almost unlivable piece of property. So what this bill allows us as tax lien buyers to do is to hopefully take some of the burden off of the municipalities, the cities, etcetera, to (inaudible) who are only allowed to provide a notice to the property owner at first and then simply be able to go in and board up windows or doors and clean up the property. And then of course they apply a bill to the property owner for those taxes in that situation. What this allows us to do as a tax lien holder is to take some of that burden away from the counties and the municipalities and put that burden back on us to be able to keep those properties from having vermin living in them, from having those windows being broken, from having the roofs leaking in there so bad that the floors are warped, etcetera. And it allows us an opportunity to keep all communities in some capacity from continuing that trail to dilapidation any further than they currently are. We are a proponent of LB1028 from that perspective, and ask that the committee help us take some of the burden away from the municipalities. [LB1028]

SENATOR HANSEN: Great, thank you. Any questions? Senator Riepe. [LB1028]

SENATOR RIEPE: I have at least one question, thank you, Mr. Chairman. Does this apply...now, are you from Omaha, Lincoln? Or where? [LB1028]

CHRIS NEWHOUSE: I am from Omaha, yes, sir. [LB1028]

SENATOR RIEPE: You're from Omaha. Does this apply equally as well to villages? [LB1028]

CHRIS NEWHOUSE: In reality, I think what this bill does is help the smaller communities even more than the larger communities. And what this would have them be able to do is instead of them taking on that burden, the little villages and cities that are so small, instead of them taking on that burden of having to tear down a house or fix it up or, I mean, board it up, etcetera, they can actually contact us, which, as he spoke before, they do anyway. But now what this allows us to do is say yes, we can go ahead and we can go in and board up that property or stop the leaking from happening or, you know, cleanup the yard so that the community doesn't see all that blight that takes place. So this actually is a vehicle to allow those smaller communities to come in and be able to contact us and do that, rather than those houses just continuing to go down that path. [LB1028]

SENATOR RIEPE: Do you currently do that? Do you currently go outside of Omaha to someplace, Nebraska, and maybe go and take one home and do that? [LB1028]

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CHRIS NEWHOUSE: Well, we're not allowed as a tax lien buyer to go onto those properties to do that currently. [LB1028]

SENATOR RIEPE: Okay. But if you were? [LB1028]

CHRIS NEWHOUSE: If we were, absolutely. If we know that a piece of property meets the criteria that are in this bill, we absolutely would be that company that would go in and do that. [LB1028]

SENATOR RIEPE: Okay. Thank you, Mr. Chairman. [LB1028]

SENATOR HANSEN: Thank you, Senator. All right. And thank you for your testimony, Ms. Newhouse. [LB1028]

CHRIS NEWHOUSE: Thank you. [LB1028]

SENATOR HANSEN: All right, any other proponents for LB1028? Seeing none, is there anybody who wishes to testify in opposition to LB1028? [LB1028]

KORBY GILBERTSON: Good afternoon, again, Senators. For the record, my name is Korby Gilbertson, it's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n. I'm appearing today as a registered lobbyist on behalf of the Nebraska Realtors Association in opposition to LB1028. I think first of all it needs to be mentioned that there are alternatives already out there. Senator Briese has LB256 currently on Select File; and then we also have Senator Quick's LB854, which would expand the land bank concept to other communities. We think that those types of plans should be used before you try to do something like this. And then we find too pretty substantial issues with the legislation itself. On page 2, where it talks about the dilapidated housing and that it needs to be abandoned and then meet at least one of the other criteria. One other criteria is that any of the "buildings on the property are exposed to the elements such that deterioration of the building is occurring." It would be very easy to assume that that could be pretty much any building, anywhere, on any property, depending on your definition of deterioration. And so our concern is that that language is pretty broad. The second issue is that the bill allows people that have the tax certificates to get paid for improvements that they do to these properties. However, this bill does not give them the authority to enter those properties to do the work. And so just because you have a tax certificate does not give you the rights to go onto that property and do any work, and there isn't any language in here that provides for that either. So while they can gain the money, we don't know how they think they're going to get on the property and be able to do the work. So with that, I'm happy to try to answer any questions. [LB1028]

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SENATOR HANSEN: All right, thank you. Are there questions? [LB1028]

SENATOR RIEPE: Surprise, no. [LB1028]

SENATOR HANSEN: All right, thank you, Ms. Gilbertson. All right, any other opponents? Welcome. [LB1028]

CANDACE MEREDITH: (Exhibit 2) Thank you. Good afternoon, members of the Urban Affairs Committee. My name is Candace Meredith, C-a-n-d-a-c-e M-e-r-e-d-i-t-h. I am the Lancaster County chief deputy treasurer. I am here on behalf of the Lancaster County Treasurer's Office and the Nebraska Association of County Treasurers. The Lancaster County Treasurer's Office and the Nebraska Association of County Treasurers do recognize the intent of this bill is to encourage the improvements of abandoned and dilapidated houses. However, we do have concerns with the county treasurer's responsibility of collecting material and labor cost on tax lien certificates as written in LB1028. One specific area of concern is in Section 4(1), this section outlines that the interest shall "accrue on the date that payment of the cost of preservation improvements was made by the holder." This concept would create a complex tax sale redemption process by having two or more principles that will add layers of interest accruing at 14 percent per annum on one tax lien certificate. Under Statute 45-104.01 the interest rate is assessed on delinquent payment of taxes, therefore there is uncharted territory as to adding cost of materials and labor from an investor with that same interest rate. With that being said, the counties will have programming costs that we will need to implement to create a layered tax redemption process if this bill was passed. In Section 4(2), the county treasurers have limited authority to enforce accuracy of the statement of written notice from tax lien holder or have the ability to know if the parcel owner was properly notified prior to adding investor cost of materials and labor to a tax lien certificate. With all the possible circumstances that take place during a redemption period under this bill, the treasurer's office would want to ensure that there is no ramifications for treasurers if a redemption is found to be under or over the anticipated amount of the investor or the redeemer. Thank you for your time, and if you have any questions. [LB1028]

SENATOR HANSEN: Thank you. Any questions? Seeing no question, thank you for coming down, Ms. Meredith. [LB1028]

CANDACE MEREDITH: Thank you. [LB1028]

SENATOR HANSEN: All right, is there any other opposition? Welcome. [LB1028]

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BETH BAZYN FERRELL: Thank you. Senator Hansen, members of the committee, for the record my name is Beth, B-e-t-h, Bazyn, B-a-z-y-n, Ferrell, F-e-r-r-e-l-l. I'm with the Nebraska Association of County Officials and I am appearing in opposition to LB1028. We do recognize that there is a benefit to getting abandoned and dilapidated properties back on the tax rolls. It's always a good thing to make the tax base as large as we can and as good as we can. However, as Ms. Meredith has testified to, as the realtors have testified to, there are some problems with the bill. The administration of the bill itself, some issues about how the property owners...or the certificate holders could actually get on the property to make an improvement. We also as we read the bill, there are a number of issues that are tied to the tax sale certificates, the issuance, and the processes for that. And if the committee chooses to move forward with this bill we would like an opportunity to sit down with committee counsel and just raise some of those questions that have come to us and we've had to address as part of the tax sale process. For example, could someone redeem just the delinquent taxes but not the improvements on the taxes? That's a process that we deal with with special assessments. Is there an ability to foreclose on the redemption but not on the improvements? Some of those just kind of things that may be helpful to address for the committee: subsequent taxes, assigning a tax sale certificate with an improvement on it, a lot of those things that we think would just need to be addressed if the bill would move forward. I'd be happy to take questions. [LB1028]

SENATOR HANSEN: Great, thank you. Are there questions? Seeing none, thanks for coming down. All right, any more opponents to LB1028? Seeing none, is there anybody who wishes to testify neutral on LB1028? Welcome. [LB1028]

JACK CHELOHA: Good afternoon, Senator Hansen, members of the Urban Affairs Committee. My name is Jack Cheloha, J-a-c-k, last name is C-h-e-l-o-h-a, I'm the registered lobbyist for the city of Omaha. I want to testify in the neutral capacity on LB1028 this afternoon. First and foremost, I want to thank this committee. Through the last decade or so you have been very helpful to the city of Omaha and other metro...I'm sorry, other municipalities, relative to troubled properties, abandoned properties, properties in need of upkeep, etcetera. You've helped us with various bills relative to upkeep and assessments, and also created the land bank that we have utilized in Omaha to help us with these properties. But as we looked at LB1028 today, on one hand we thought it was a good bill which could be part of the puzzle in terms of upkeep and keeping these properties in a fashion where we, the city, would take less phone calls from the neighbors complaining about an abandoned or vacant property. It would be less work for our inspectors relative to, you know, having to tag them, send notice, if we had to do other work on the properties and then finally, you know, file assessments or try to collect on those assessments. But yet, at the same time as...let me back up. Our council president, Ben Gray, wanted to be here to testify today, but they have council meeting at the same time this afternoon and he couldn't be here. So he did go through the process of talking to his six colleagues on the city council relative to these properties to try and see if they wanted to take a position on the bill. But after a

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discussion, much of what they came to I'm trying to relate to you. They saw some benefits, but at the same time they had some concerns and questions relative to, you know, how would the tax lien holder get access to the property, would they be able to protect the rights of the debtor or, you know, those who have a right to redeem within that three-year period? And so it's kind of a fine balance. And of course, because we're going to end up neutral, we'll throw it back to the Urban Affairs Committee and see if you guys can balance the concerns on both sides. But for those reasons we just didn't have a consensus amongst our people to take a position one way or the other. So with that, a day of neutrality for me. And I'll try to answer any questions. [LB1028]

SENATOR HANSEN: Thank you. Are there questions? Seeing none, thanks for coming down. [LB1028]

JACK CHELOHA: Thank you, sir. [LB1028]

SENATOR HANSEN: Anybody else who wishes to testify in neutral on LB1028? Seeing none, we will read into the record we had one letter of support from the Omaha Municipal Land Bank. Senator Wayne waived his closing, so we will close the hearing on LB1028. And we will close the hearings for Urban Affairs for the day. Thank you, everyone. [LB1028]