

Transcript Prepared by Clerk of the Legislature Transcribers Office
Urban Affairs Committee February 19, 2019

WAYNE: All right, good afternoon. Welcome to your Urban Affairs Committee. My name is Senator Justin Wayne, I represent District 13, which is north Omaha and northeast Douglas County. There will be-- I will have to step out for a little bit and Senator Briese will take over. I just got another meeting that I have to run to and then I'll be back, and we'll kind of go from there. But I just wanted to say that real quick. We'll start off with having the members of the committee do self-introductions starting with my right, Senator Arch.

ARCH: Senator John Arch from Papillion, La Vista. Legislative District 14 in Sarpy County.

TREVOR FITZGERALD: Trevor Fitzgerald, committee legal counsel.

BRIESE: Tom Briese from Albion, District 41.

CRAWFORD: Good afternoon. Senator Sue Crawford from District 45, which is eastern Sarpy County.

LOWE: John Lowe, District 37: Kearney, Gibbon, and Shelton.

PRECIOUS MCKESSON: Precious McKesson, committee clerk.

WAYNE: Also assisting the committee is our committee pages: Noah Boger from Valley, who is a political science and French major at the UNL. And Katie Pallesen from Omaha, who is a political science major and history major at UNL. This afternoon we will be hearing three--

TREVOR FITZGERALD: Six.

WAYNE: Six, the second page. I thought three was a little light for today. So I was like there's only three on here. Six. Six bills and we'll be taking them in the order that was listed outside the room. On each of the tables in the back of the room you'll find a blue testifier sheet. If you are planning to testify, please fill out one of those at hand it to Precious when you come up. This will help us keep accurate records for our hearing. Please note if you wish you had your position listed but do not want to testify on the bill or you've already heard testimony on the bill and it's redundant, please just fill out that form in the back and list the position of the bill and it will be noted in the record. Also, I would note that the legislative 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 handout submitted by testifiers will also be included of the record, in the

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record as exhibits. We ask that you give at least 10 handouts so we can hand them to all the committee members and for the records. If you do not have 10, please let Precious know and the page will make copies so we can hand it out to the committee members. Testimony for each bill will begin with the introducer's opening statement. After the opening statement we will hear from the supporters of the bill and then in opposition and then followed by neutral capacity testifiers. The introducer of the bill will be given an opportunity to make closing remarks. We do ask questions or-- of these testifiers, so just be patient as we go through this process. We will also be using the four-minute light system today. When your testimony begins, the light will be green. When there is one minute left, it will be yellow. And when it's red, that will be time to wrap things up. Please be mindful of that, plus there's going to be weather coming so we want to make sure we get through all this testimony today so people can get out of here and get back home safe if you're not from the Lincoln area. I remind everyone, including senators, please turn off your cell phones and put your, your phone on vibrate. With that, we will begin the first hearing with LB424, Senator Quick. And I do apologize, Senator Quick, I have to run over and figure out a fiscal note issue. So I will be back. Senator Hunt.

HUNT: Welcome, Senator Quick. Everybody, I'm, I'm Senator Megan Hunt, and I'm from Legislative District 8. And I'm the Vice Chair of this committee. And I'll be taking over for a minute. So whenever you're ready, go ahead.

QUICK: All right. Thank you, Vice Chair Hunt and members of the Urban Affairs Committee. My name is Dan Quick, D-a-n Q-u-i-c-k, and I represent District 35 in Grand Island. I'm here today to introduce LB424, a bill which would broaden the Nebraskan Municipal Land Bank Act to give communities across the state the authority to create and join land banks through the Interlocal Cooperation Act. In 2013, the Legislature passed LB97, which allowed for the creation of land banks and regional land banks through interlocal, interlocal agreements. Land banks are governmental entities or nonprofit corporations which focus on converting vacant, abandoned, and delinquent properties into productive use according to the needs and priorities of the community. Land banks are an excellent tool to address the problem properties, while also addressing the shortage of affordable housing. Currently, our statutes only allow communities in Douglas and Sarpy County to create land banks, but cities and communities across Nebraska have been asking for the authority to create land banks to deal with the,

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with the problem and blighted property in their communities. LB424 will expand this authority to create or join a land bank to any municipality. Land banks are often, are often different between states and even cities because they are designed to be flexible in order to meet the unique needs of each community. Primarily, their goal is to acquire and maintain problem properties and then transfer the properties or land back to the responsible owners who can fulfill the priorities of the local community. The use of land banks helps to create a more efficient system to eliminate the blight that has become common in the years following the housing crisis across the country. Land banks are designed specifically to address a large amount of problem properties the private market has abandoned and to take the liabilities for the neighborhoods and turn them into assets that advance the goals of the community. This summer, in two different hearings in Grand Island and Ord, we heard from cities of all sizes about the need for land banks in their communities. The city of Ord came to testify that they are running out of options to deal with their vacant and problem properties and they need a tool like land banks to help them deal with them. The city of Grand Island also testified that they have 260 vacant properties, and the ability to create a land bank would help Grand Island turn vacant spaces into vibrant places. After hearing about the problems some smaller communities have with addressing tax-delinquent and abandoned properties in their neighborhoods, as well as a lack of affordable housing, it was obvious to me that expanding the authority for them to create land banks is the right thing to do. This bill is a simple, commonsense response to these, to these cities to change the law and empower communities across Nebraska. I appreciate all the work various stakeholders have put in over the interim to address concerns we heard last session. We have made a number of important changes. In this bill we have added that all future land banks must be created by two or more municipalities through the Interlocal Cooperation Act. I believe this reflects the reality of how land banks would be utilized in Nebraska, while still giving cities and communities the flexibility they need and allows municipalities to join an existing land bank. LB424 also specifies that nonvoting members of the land bank board would be approved by this council appointing the members, and as provides for how the governing body of the municipality can remove a board member for neglecting duty, misconduct in office, or conviction of a felony. The bill, the bill increases the number of factors that need to be met before submitting an automatically-accepted bid from more than one to more than two, and limits the amount of commercial property a land bank can acquire. Finally, land banks do not have

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property tax authority. LB424 specifically states that land banks do not have property tax authority. The goal of the Land Bank Act when passed by the Legislature was to create a flexible tool used by local governments to deal with the properties which are negatively impacting neighborhoods and hurting the tax base. This is a tool we can give our communities to help clean up abandoned problem properties and help provide more affordable housing options to communities. Allowing cities and communities across Nebraska to create land banks will empower these cities and communities to address the vacant, abandoned, and tax-delinquent properties in their neighborhoods. We need this, we need this legislation to expand the ability for cities and villages to come together and create a land bank if they choose to. Land banks are important to, to Nebraskans because they are, they are effective at transforming communities and dealing with vacant problem properties. We need to expand this tool because cities and villages have continually asked to have the ability to create land banks in their own communities. I believe that LB424 is a great example of the-- of compromise, and is good policy I think it is important to provide this tool for our communities, and I think you'll hear from a variety of communities today who desperately need this option. I appreciate the opportunity to talk about this important issue, and I'm happy to answer any questions you may have.

HUNT: Thank you so much, Senator Quick. Are there any questions from the committee? Seeing none, will you be sticking around to close?

QUICK: Yes.

HUNT: OK, great. Any proponents for LB424, I invite you to come up and sit in this first row here. Welcome to your Urban Affairs Committee.

TROY ANDERSON: Thank you. My name is Troy, T-r-o-y, last name Anderson, A-n-d-e-r-s-o-n. I'm the deputy chief of staff for the city of Omaha Mayor's Office, and I just want to offer up our support of the expansion of the program. As one of the local governments mentioned that has implemented the land bank program, and as we have seen a number of success stories associated with the land bank, again, we're here to just offer up our support, perhaps answer any questions that you all may have, and-- and encourage the expansion of the program across the state.

HUNT: Are there any questions from the committee? Senator Briese.

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BRIESE: Thank you, Chairman Hunt. And thank you for being here, appreciate that. How is the Omaha Land Bank funded?

TROY ANDERSON: That's an excellent question. And I would probably defer to our land bank operational staff to get into the intricacies of the financing. There are a number of programs, from what I understand, that help fund the land Bank. I know that the city of Omaha contributes to the program. Exactly the dollars and the amounts and those kind of things, I don't have that information for you here today. But I would certainly be able to provide that, which helps with acquiring the distressed properties and returning them. So in some sense, it's almost self-funded, but by the time the properties are acquired and put back out to market, that's probably one of the primary funding sources for continuing the program.

BRIESE: Very good, thank you. There is a provision in the land, land bank statutes that exempts land bank property from property taxes. Do you feel that is a necessary component of the land bank statute?

TROY ANDERSON: I would say that it is, as long as the land bank holds the property. Yes. Eventually the goal is to turn those properties back out over to, to the real market and allowing those properties to come back onto the tax rolls in an improved state. And therefore, it actually increases the ad valorem tax contribution to the community.

BRIESE: And you can acquire vacant lots with the land bank?

TROY ANDERSON: That's correct.

BRIESE: Correct.

TROY ANDERSON: The land bank can acquire vacant properties through either delinquent tax sales or through negotiations with property owners in order to, as indicated, sort of alleviate the burden associated with some properties and the improvements that may be necessary to bring properties up to code, remove blight and substandard conditions. There's a number of different vehicles by which the land bank can acquire those properties.

BRIESE: Do you know what percent of the property you acquire is unimproved, but simply vacant?

TROY ANDERSON: I do not have that information, I apologize.

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BRIESE: But you think it's important to be able to do so?

TROY ANDERSON: Absolutely, yes.

BRIESE: OK. Thank you.

TROY ANDERSON: Thank you.

HUNT: Thank you, Senator Briese. Any other questions from the committee? Seeing none, thank you for your testimony. Next proponent for LB424.

CHAD NABITY: I apologize, senators. In my attempt to be organized, I was not so organized. Members of the committee, my name is Chad Nabity. I'm a professional city planner with a master's degree from the University of Nebraska-Lincoln and a member of the American Institute of Certified Planners. I'm planning director for the city of Grand Island, as well as Hall County, Wood River, Alda, Doniphan, and Cairo. My first real planning job was conducting housing research for the Nebraska Department of Economic Development. This was more than 20 years ago. That led to the creation of the Nebraska Housing Trust Fund. I'm here today representing the city of Grand Island and the Hall County Regional Planning Department. I would like to thank Senator Quick for reintroducing the land bank bill again this year. I, along with several other Grand Island staff members, was surprised and disappointed about the veto last year. I was at the National Planning Conference in New Orleans last April when we were pretty sure the bill was going to pass, and I started to make contacts with software vendors and others specializing in working with communities as they create land banks. All of those plans were put on hold with the veto. The city of Grand Island has been aggressive in creating opportunities for new housing, especially work force or affordable housing, and working to maintain our housing stock. We have used the tools provided to alter our standards for streets, lot sizes, and density to create incentives for development. Grand Island has had a problem resolution team in place for more than 20 years that includes members from code enforcement, building department, fire department, Humane Society, clean community systems, the sheriff's department, the legal department, and the planning department. This group deals with the worst properties in the community. In many cases, it takes us four, five, even six years to clear these cases and get resolution on these problem properties. Property rights are near and dear to the heart of every American, and it should be difficult to separate people from their property or compel them to take actions to alter their property.

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It should be difficult, but not nearly impossible. The city of Grand Island pioneered the concept of microblight, using the powers created by the community redevelopment law to declare smaller areas, sometimes as small as half a city block, blighted and substandard to allow a TIF project that would give incentives to a developer to remove a particularly bad property and replace it with a duplex or small apartment building. In most cases, this has been the first new development in that neighborhood in 40 or 50 years. Nebraska communities are aging. We just celebrated our sesquicentennial, and some of our housing stock across the state reflects that age. Some of the housing stock in Grand Island reflects that age. Grand Island, like many communities in the state has to deal with these aging properties. As the properties age, their value drops and they, in turn, cause the value of surrounding properties to decrease. While we have used tools like microblight and code enforcement to restrain and reverse that cycle, it is not enough or the most effective tool in many cases. Cities and villages need more tools so that the right approach can be applied at the right time. If you have ever had to replace a snap ring while working on your car or mower you know that the process can be done with a vice grip, a pliers, and a screwdriver. Replacing that snap ring with the snap ring pliers, well, it's a snap. The right tool can make all of the difference. Land banks are a tool that the Unicameral can authorize and has authorized the municipalities to use. State authorization to create a land bank within the community or region will not solve all of these issues of vacant and abandoned housing, but it will give us another tool in our arsenal. Grand Island has a history of thinking about these issues on a regional scale. Hall County, the Hall County Regional Planning Commission will celebrate its 52nd birthday in October of this year. And with that, I will not continue with the other page and a half I have, but you have it in front of you, because it looks like my time is up. But if you would please take the time to read through that and include it in the testimony, I would appreciate it. Thank you.

HUNT: Thank you, Mr. Nabity. Are there any questions from the committee? Yes, Senator Crawford?

CRAWFORD: Thank you, Vice Chair Hunt. And thank you, Mr. Nabity, for being here.

CHAD NABITY: Certainly.

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CRAWFORD: The, the bill requires that city-- municipalities join with other municipalities to create this land bank structure. Is that something you see as doable in Grand Island?

CHAD NABITY: Like I ended with, we've had a Regional Planning Department, Regional Planning Commission for the last 52 years. I think that is very doable within the Grand Island, Hall County area. We have a history of cooperation on these kinds of issues and of collaboration on these kinds of issues.

CRAWFORD: Thank you.

HUNT: Senator Lowe.

LOWE: Thank you, Vice Chair. And thank you, Mr. Nabity, for coming today to testify. You gave us a map showing quite a few vacant lots or vacant pieces of property, and it looks like it's vacant and then unknown. Can you tell me the reason why a lot of these are grouped into one area?

CHAD NABITY: I would guess because that's an older area of the community and those are dilapidated properties. We have-- this map was created based on our meter readers identifying properties with either very low usage or absolutely no usage within their area last summer. So these are not properties that have a for sale sign out front. These are not properties that are being actively marketed. These are properties sitting in virtually every neighborhood in the city of Grand Island as vacant, potentially abandoned properties. I know across the street from my parents' house there is a house that has been vacant for more than 20 years. The guy comes and mows it every week, he pays the taxes on it, but nobody has lived there for more than 20 years.

LOWE: Isn't his right to own that and maintain it?

CHAD NABITY: It certainly is, and he does maintain it, he does pay the taxes on it. So we have we have other property owners that own 6, 7, 8, 10 properties that are vacant, that they just keep meaning to get things happening with them. And some of those properties are on our problem, problem resolution team. They are creating an issue, they are creating blight conditions. They're not like the one across the street from my parents' house. They are really those problem properties, and a land bank may give us some authority to do something with those or with some of the others where there are multiple owners because of

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somebody has passed away and the estate was left to a wide variety of owners and one person would love to get rid of the property and the other six think it's worth a small fortune, and nobody's willing to get together to make anything happen with it.

LOWE: But it's their right to still own that property.

CHAD NABITY: It is their right to still own that property as long as they continue to maintain it and pay the taxes. Yes.

LOWE: Could some of these dots, these pieces of property just be a vacant lot that the neighbor owns the lot but just doesn't want a neighbor there?

CHAD NABITY: Actually these are houses.

LOWE: These are houses?

CHAD NABITY: These are actually structures that no electric usage is-- or a very minimal electric usage.

LOWE: OK. All right, thank you very much.

CHAD NABITY: Certainly.

HUNT: Thank you. Any other questions? Senator Brieese.

BRIESE: Thank you, Chairman Hunt. Thank you for being here. Would it your, would it be your intent or your goal or your desire to acquire vacant lots if this was passed pursuant to the land bank structure?

CHAD NABITY: I'd love to be able to if we had any.

BRIESE: OK.

CHAD NABITY: The reality is that we have very few. Habitat for Humanity in Grand Island has been very active and is at the point where they have just created a subdivision, and they are actually putting the streets and sewer and water in so that they have lots to build on because they're-- the availability of lots that they can afford to build on is so minimal at this point. And there are lots like the ones you mentioned where the neighbor owns it. That's just fine. You don't need to put a house on that when the neighbor owns it, they've got their garden there, they're taking care of it. It's part of their yard. That's perfectly appropriate and a good thing for a

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community. But when they're vacant, abandoned lots that aren't being mowed. Dana Jelinek our director there drives around those neighborhoods, looks for those, she calls me on them. I think I found one, who owns it? What-- And so what I like to be able to? Yes. Will the opportunity exist? I don't really think so.

BRIESE: OK. Very good. Thank you. And do you think it's necessary to exempt land bank property from property, paying property taxes? Or from--

CHAD NABITY: I think it makes sense, especially if that land bank property is vacant. You're not using the schools, you're probably going-- it's vacant but it's also being maintained. So you shouldn't have issues with police and fire and all of the things that happen with vacant homes otherwise. So I think there's some real, very good logic in exempting them.

BRIESE: OK. Thank you.

HUNT: Other questions from the committee? Seeing none, thank you for your testimony and for your expertise. Next proponent for LB424. Welcome to your Urban Affairs Committee.

MARTY BARNHART: Thank you very much. Good afternoon, Chairman Hunt and members of the Urban Affairs Committee. My name is Marty Barnhart, I'm the executive director of the Omaha Municipal Land Bank. My last name is spelled B-a-r-n-h-a-r-t. Land banks and affordable housing are the first area I'd like to speak to you about this afternoon. Land banks have been a proven tool for community development since 1971, with a second generation of land banks created after the 2008 recession. The Nebraska Land Bank Act was passed by the Nebraska Legislature in 2013. The Omaha Municipal Land Bank turns 5 this year, 2019, with the first properties that we acquired and sold in late 2016. There is a need today for affordable housing. According to HUD, families who pay more than 30 percent of their income for housing are considered cost-burdened and may have difficulty affording necessities such as food, clothing, transportation, and medical care. An estimated 12 million renter and homeowner households now pay more than 50 percent of their annual incomes for housing. A family with one full-time worker earning the minimum wage cannot afford the local fair rent-- fair market rent for a two-bedroom apartment anywhere in the United States. In Nebraska, residents would have to work 55 hours a week at a \$9 minimum wage to afford a modest one-bedroom rental home according to the National Low Income Housing Coalition. So how can land banks

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help with affordable housing? Because of the powers granted to the Nebraska Municipal Land Bank Act, land banks could help communities across the state meet their affordable housing needs. Land banks reduce land cost for development. Some of the items underneath this point are these: Often properties are burdened with liens in back taxes that are more than the property is worth. Nebraska land banks can, can remove city and county liens and back taxes from properties, making redevelopment possible. Second, we can acquire properties at a low price through property donations, tax lien foreclosure, and tax lien certificate investment. Three, we list properties at a minimal amount of above our cost, allowing the market to drive the final price. This can give new owners instant equity and make development affordable. And finally, land banks save developers significant time and money by finding property owners, clearing titles, and assembling properties for redevelopment. Second, land banks partner with governments and nonprofits to spur development. We offer affordable properties for redevelopment. We also offer cost-saving programs to nonprofits through tax lien certificate investment, our depository program, and sharing our property database. And finally, land banks can control development. Land bank properties can be sold with redevelopment requirements and development time lines. We can require that sites be used for affordable housing. I have a number of success stories on the back side of this front page that I'll just summarize for you. These are the successes we have seen in the last three years of our operations, and these are properties that I'll just highlight very briefly. First, Kameron Green was an individual owner who came to us. His total investment with that Holy Name Housing house that was built in 1985 was \$2,700-- and \$27,500. As a single father and a business owner, Kameron spent his own money, his own family and friends' resources and put this house back together, which today at 34th and Ames is a great house, restoring and transforming that neighborhood. Tim and Carol created a low-quality-- excuse me, a quality affordable low-income family house for a family. This house at 3155 Meredith Street was bought from the land bank at \$12,000. They sold it at a small profit for \$72,500 providing an affordable home for a low-income family. Their goal: take a part of their retirement, put it into something for a neighbor and the neighborhood in which they had lived most of their lives and changing it for a single mom and her kids. Next, Community College Construction. We've now assisted Metropolitan Community College north campus with this property you see on the left, other properties with the city of Omaha. And finally, a

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transformation at 31st and Seward of that last property on that block as well. Questions, please.

HUNT: Thank you, Mr. Barnhart. Any questions from the committee? Senator Briese.

BRIESE: Thank you, Chairman. Thank you for being here. You utilize the automatic bid acceptance of tax sales to acquire property?

MARTY BARNHART: We do, Senator.

BRIESE: What percent of your properties are acquired that way, roughly?

MARTY BARNHART: Not even probably more than 10 to 20 percent of the properties. Most generally, during the three-year redemption period, almost 80 percent of them are redeemed. At this juncture, since 2016, 50 to 70 percent of them have been redeemed. That was our first year of investment in 2016. As I calculated last week, those 2016 tax liens right at 70 percent have been redeemed and now 50 percent of the remaining '17 and '18's have been redeemed. So it's not very often we actually acquire a property that way. What we do is assist the nonprofit developers to look at a property, begin to scope it out, and in turn make the investment that we might have in those tax-delinquent lands.

BRIESE: Do you think the automatic bid acceptance mechanism in the land bank statute is important, needs to be kept in there?

MARTY BARNHART: I do, because it allows the land bank then to go into properties that the investors normally would not invest in. It allows the properties to be paid, it allows them to be shown that there is interest in those properties. And what we've seen is that, now that we're investing these properties, people are coming back and saying, well, if there's somebody interested then I'll come back and pay the taxes. I'll redevelop the land, house, and or building and be able to turn it back into something that might be transformational for that neighborhood. So it's much like what I would call just the big dog in the yard theory, where, if there's somebody out there that cares enough to invest that they know may take title, that they may come back and pay it. And we're seeing that now in over 50 percent of the cases.

BRIESE: OK. Thank you.

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MARTY BARNHART: Thank you, Senator.

HUNT: And other questions from the committee? Seeing none, I just want to say, have you ever done radio? You've got a great place for radio. I feel like I would buy a used car from you or something.

MARTY BARNHART: I have, Senator Hunt, and I have much more I could tell you about. This is my second occasion to speak today, but I won't bore you with those details.

HUNT: Well, thank you for being here and sharing all this with us. It's very helpful. Next proponent for LB424.

CAROL WINDRUM: Good afternoon. My name is Carol Windrum, W-i-n-d-r-u-m, and I'm here basically as a neighbor. My spouse and I have lived in north Omaha, District 11 for 35 years. And we were so grateful that we had an avenue to continue investing in north Omaha. We believe in north Omaha and the land bank gave us an opportunity. And Marty didn't know I was going to be here today, and I really didn't know it until a couple hours ago. But he referenced Tim and me in his, in his remarks. Because of the land bank we were able to invest in a house near 30th and Ames, a 1918 house in very, very poor condition. And of course after we bought the house we found out that the elderly gentleman who had lived in it hadn't had the water hooked up for 16 years. So we had to do a lot of renovation. But our motivation for buying this house was, as Marty indicated, the lack of affordable housing. And if, if you're working a minimum wage job there are, there aren't ways for home ownership. So we bought this little house on Meredith Avenue and, and renovated it with the goal of providing an affordable, quality house for a low-income person. We succeeded in doing that. The land bank held us accountable. When we purchased that property they made it clear to us that it needed to be ready to rent or sell within nine months. So that meant, I mean, we didn't buy it to be speculators anyway, but that meant we had an obligation to get that ready and, and be on the market and we did that. Tim and I really didn't know what we were doing. The land bank held our hand and they connected us up with other nonprofits: Omaha 100, which turned out to be the banker for the low-income buyer. So I'm here to say everybody in the state ought to have that opportunity. The house is beautiful now, and if you want to take a moment you'll look at the video that the land bank produced about our little house. It went from a pretty dismal, depressing, abandoned house to a beautifully restored house. And the whole block is going to be the better for it. And we're just here because we're neighbors. Nobody is

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paying us to be here. And we hope that on Thursday, weather permitting, Tim and I will be walking through another potential land bank house that we might be able to buy and renovate and, and provide for another low-income family. So I hope that you will consider supporting LB424. Everybody in the state ought to have the same opportunity that Tim and I have had. Thank you.

HUNT: Thank you, Ms. Windrum. Any questions from the committee? It's OK. Seeing none, thank you for sharing your experience with us. Welcome to your Urban Affairs Committee.

JOSH MOENNING: Afternoon. Vice Chair Hunt, members of the committee, my name is Josh Moenning, J-o-s-h M-o-e-n-n-i-n-g, I serve as mayor of the city of Norfolk. I'm here to express my community's strong support for LB424, and I thank Senator Quick for his leadership on this matter. Currently, as you are aware, the only municipalities in Nebraska authorized to create land banks are those within Douglas and Sarpy Counties. Omaha has used this tool quite effectively since 2014, as you've heard. The city has used its land bank to address vacant, abandoned, and dilapidated properties, which has had the effect of mitigating blight while providing new opportunities for affordable, quality housing to those who otherwise may not have had the financial means to acquire it. We are here today to ask that other Nebraska cities be afforded the same restorative neighborhood-revitalizing tools available now in Douglas and Sarpy Counties. Though one might exist, I've not encountered a single city free of the challenge of addressing so-called problem properties. Those who, for whatever reason, have fallen into stages of neglect and dis-- disrepair so pervasive that they act as a drag on surrounding properties, an eyesore for established neighborhoods, and a public safety challenge in our communities. In the city of Norfolk there are currently 35 properties actively monitored by city staff, due to complaints received from neighbors. Of these 35, 25 will likely require demolition in the near future, and the other 10 may be capable of repairing but, unless that's done soon, they too will require demolition. There are far more properties in our city that are in a certain state of deterioration but because of limited staff and high cost of demolition the process here is largely complaint-driven. The path to ultimately requiring the homeowner to demolish the house is a long one and very expensive, which is why it's pursued so infrequently. In addition, the property owners cannot, often cannot afford the demolition, so the city has to step in, which costs taxpayers approximately \$8,000 to \$15,000 per house. While our city is

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growing rapidly, and a number of housing developments are under consideration to address our housing shortage, affordable housing is still in great demand. A land bank could help provide an opportunity for low to moderate-income families to achieve home ownership. Also, land bank restoration efforts would help reduce demands on public safety officers who are often called to dilapidated and abandoned properties to address criminal behavior. The stated goal of this innovative policy tool is to fill-- facilitate the return of vacant, abandoned, and tax-delinquent properties to productive use. While our code, code enforcement personnel also share and work toward this goal, the magnitude of the problem is greater than the staff and budget resources available. LB424 leverages the power of creative public-private partnerships to help address a challenge familiar to all Nebraska communities, all while providing opportunities for new hope and new life for citizens and neighborhoods. For these reasons, I strongly encourage your support of LB424. Thank you.

HUNT: Thank you, Mayor Moenning. Are there any questions from the committee? Seeing none, thank you for being here today.

JOSH MOENNING: Thank you.

HUNT: Next proponent. Welcome.

JUDY PETERSEN: Good afternoon, members of the Urban Affairs Committee. My name is Judy Petersen, P-e-t-e-r-s-e-n, I am the executive director of the Central Nebraska Economic Development District. I appear before you today on behalf of our district and also the Nebraska Regional Officials Council. CNEDD, as we're called, is one of eight development districts in the state, serving 14 counties in north and central Nebraska. We are a member of the Nebraska Regional Officials Council that represents all of Nebraska's economic development districts. Today, I offer support for LB424 to allow all communities in the state of Nebraska to participate in a land bank program. As you know, the availability of quality affordable housing in Nebraska is at a critical stage. And I am here today to ask for your help in providing the land bank tool for all of our Nebraska communities so we can reduce or eliminate the number of vacant, dilapidated houses and allow for redevelopment of housing that is so desperately needed to attract Nebraska's work force. But just talking about the need really isn't the best way to explain a need. I think it's important to show you the need through pictures and data. I think they've handed out a package that includes pictures of vacant, dilapidated houses that are currently located in just 10 of our 66 communities in central

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Nebraska, including Atkinson, Bartlett, Bassett, Burwell, Butte, Cody, Long Pine, Spencer, Stuart, and Valentine. It also contains data on the valuation of the properties and the amount of annual taxes paid. And then finally, data on the property taxes that are being paid on the newest properties in the community. These 10 communities do not hesitate to play a role in this effort, which proves the tremendous need for the land bank tools for our communities. And I thank them for their efforts. I know you will see a stark difference between the vacant and dilapidated properties and newer properties just in taxes and valuations alone. But as we all know, the amount of taxes paid is not the only impact on a community by building new homes. The greatest impact on the communities includes the ability to attract a work force for local businesses; additional children attending school; households spending their wages to support local businesses, including groceries and gas; investing their money into the local bank; becoming leaders in the community; and the increased valuation of neighboring homes. If even half of these properties were redeveloped through the land bank program, we could build 60 new homes in just 10 of these communities. The Nebraska central, Central Nebraska Economic Development District and remaining seven members of NROC, Nebraska Regional Officials Council, have followed the work of the Omaha Municipal Land Bank and believe a similar tool would give towns throughout Nebraska a streamlined way to obtain a clear title and redevelopment parcels that the private sector is not addressing. If communities have access to funds, the institutional knowledge, and the connections of a land bank to turn dilapidated properties into thriving ones the impact on our communities would be monumental. Therefore, we wholeheartedly support legislation to expand the allowance of land banks to the entire state. Nebraska Regional Officials Council members are contacting those individual members of the Legislature who represent our districts to make sure they understand the enormous value a land bank can bring to communities around Nebraska. And we stand ready to assist our communities in the implementation of these vital land bank programs. I thank you for your time, and I would be willing to answer any questions that you have.

HUNT: Thank you, Ms. Peterson. Any questions from the committee?
Senator Briese.

BRIESE: Thank you, Chairman Hunt. Thank you for being here, Ms. Peterson. You heard the testimony earlier. I think some individual from Grand Island suggested hardly any bare, vacant lots available

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there. Is that your experience out in your district in more rural areas of Nebraska?

JUDY PETERSEN: You know, I think a lot of communities are a little hesitant to redevelop sometimes because if there's a vacant lot here and there's this very bad house over here, what's the value of that home that they're building in that vacant lot? Our intention is going to be, number one, just to get rid of some of those vacant, dilapidated properties where we can, because we think that's, that's just an immediate improvement. Certainly we want to be able to redevelop, but we have so much, you know, if we've got a community that doesn't have any vacant land and this is all they've got left, there is no place to build. And they're not likely to go outside as much. If we've got in-fill lots, that cuts a lot of the cost down for redevelopment just by having that access to water, sewer, streets, and things like that that that vacant house is taking up.

BRIESE: OK, very good. Thank you. So your testimony would be that the focus should be and will be on properties with dilapidated buildings?

JUDY PETERSEN: Yes. That's-- when we have-- we do a lot of community needs assessments in our communities and the top two things that we hear is, number one, we don't have enough housing; and number two, how can we get rid of dilapidated housing? Those are the two things that we're hearing.

BRIESE: Thank you.

HUNT: Any other questions from the committee? Seeing none, thank you, Ms. Petersen, for being here. The next proponent LB424. Welcome to your Urban Affairs Committee.

RODNEY STORM: Chairperson and committee members, my name's Rodney Storm, S-t-o-r-m, I'm the city administrator for the city of Blair, Nebraska. And we're here today to support LB424. I would sit here and read my script but I think all of you can read that at your leisure. The city of Blair, we this year will be celebrating our 150th year of existence. And along with that 150 years you have housing that starts to become deteriorated. We work hard with those landowners, those property owners to try to help them preserve and maintain those properties. Occasionally you will find properties that you just cannot help the owners or they completely abandon them. And the city is left to be able to pick up the pieces, you might say. The current process is cumbersome. We're excited, particularly with the legislation being

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proposed, of being able to join a joint land bank or an existing one. We'd love to be able to work with other communities with the synergy that produces to help us save our taxpayers, to help us get things done. So we really encourage you to support LB424 for the betterment of every community across the state. And we encourage you to move this bill on as soon as possible. I would answer any questions.

HUNT: Thank you, Mr. Storm for being here. Senator Arch.

ARCH: What would be the benefits to you to join an existing land bank or join with somebody else to create one?

RODNEY STORM: The benefit would be the synergies of administration. You do not have to create the wheel the second and third time. You know, we, we believe in that. An example I give, we, in the city of Blair we treat the sewage from Kennard, we treat sewage from Fort Calhoun. We sell water to the village of Kennard, we sell the water to the NRD. Any place that we can work cooperatively with our neighboring communities, we want to be able to do that to create those synergies to save plenty funds for the taxpayers in our communities.

ARCH: Thank you.

HUNT: Any other questions from the committee? Senator Lowe.

LOWE: Thank you, Vice Chair. Thank you for being here today. Isn't there a mechanism for taking over these abandoned properties now with the sheriff's sale or a tax sale?

RODNEY STORM: We have not done a lot of it. You know, luckily we have been able to work with a lot of the owners to be able to preserve those and get them, and get them rebuilt, for lack of a better term. But ultimately there's that long process when you assess those mowings, you assess those snow removals, you assess the damages for having to eventually tear down a property. You have to wait that period of time to be able to move forward with a foreclosure. So the land bank being able to readily do that, readily be able to know the processes will help any and every community be able to better attack those vacant properties or those abandoned properties.

LOWE: Thank you.

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HUNT: Any other questions? Thank you, Mr. Storm, for coming from my hometown of Blair, Nebraska. And I'll turn it back over to Senator Wayne for the next proponent for LB424.

WAYNE: We're on neutral testimony already?

HUNT: We're on proponents.

WAYNE: Welcome to your Urban Affairs Committee.

CHRIS CONNOLLY: Thank you. Welcome back, Senator. Mr. Chairman, members of the committee, my name is Chris, C-h-r-i-s, Connolly, C-o-n-n-o-l-l-y, and I am the acting city attorney for the city of Lincoln. I'm here today to voice the city's support for LB424. I want to thank Senator Quick and the many co-sponsors for introducing this bill. We have previously been very supportive of land banks and believe that it is time to expand the availability to other cities. This provides cities with a powerful tool to be used in addressing areas with urban decay. The concern for Lincoln without having land banks available is that, in the event of an economic downturn more severe than in 2008, the efforts to change the statute to allow Lincoln and our cities to-- and other cities to use land banks may come too late. Planning for bad economic times, since they are inevitable, is always a good idea. We have been fortunate with our economic success here in Lincoln and have been able to watch Omaha's success and learn from their experiences. The organizational structure of a land bank under LB424 it is a little bit different than in years past. LB424 authorizes a single municipality created a land bank if the municipality is a city of the metropolitan class, which of course is Omaha. Language in Section 4 allows a municipality like the city of Lincoln to join an existing land bank by entering into an agreement pursuant to the Interlocal Cooperation Act with Omaha or by joining the existing agreement with two or more other cities that have created a single land bank. The city of Lincoln is supportive of the bill as is, but we recommend that allowing the city of the primary class to authorize a land bank on their own, similar to Omaha. We anticipate that smaller communities are going to want to work with other similarly-situated small communities. Further policy decisions, contracts, and administration will be more difficult because smaller communities and cities of the primary class may have different goals and priorities that could cause a delay in action or worse, conflicts within the land bank members. The ability to be agile, as demonstrated in Omaha, will be important to a successful program. Leaving the door open to allow other communities to join at a later date may be another

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way to proceed. Trying to coordinate among differing priorities at the beginning of a recession will slow the process and hamper the ability of any city to get started with the land bank. If communities take the time necessary to see if the fit is right before picking a partner, we may all lose the opportunities afforded by this program. Speeding setting up a land bank will be very important in a potential recession. Communities that want to join the initial structure that's in place will have the time to analyze and determine if the goals and priorities are right for them. We urge you to allow and encourage regional land banks. Please let cities of the primary class be started, to start one on their own. We certainly have no problems with working with smaller communities and would encourage that. Our only concern is that in getting one started, just the intermingling of the, of the smaller communities with someone like Lincoln, a larger community like Lincoln, may end up frustrating the purposes everybody, at least initially getting it started. Once it's all put together, I have no doubt that all the communities would work well together. Having said that, if there's any questions, I'll be happy to answer them.

WAYNE: Any questions from the committee? Seeing none, thank you for coming today. Any more proponents? And how many people here will be testifying in opposition or neutral? Welcome to your Urban Affairs.

BLAIR MacDONALD: Good afternoon, Chairman Wayne and members of the Urban Affairs Committee. My name is Blair MacDonald, M-a-c-D-o-n-a-l-d, and I'm here representing the Greater Nebraska Cities, which is an association of municipalities including Aurora, Grand Island, Hastings, Holdrege, Lexington, Kearney, and Minden. We are here in support of LB424, and we would like to thank Senator Quick for his dedication in bringing this bill and raising this issue over the last couple of years. As first-class cities, we are very interested in the ability to create land banks. We are very impressed with what Omaha has done with their land bank and we want the opportunity to use this critical development tool as well. Chad Nability from Grand Island also testified to that effect. But the Greater Nebraska Cities also wanted to go on record of supporting Senator Quick's bill because there are many first-class cities around the state that would appreciate and capitalize on the passing of this bill. This bill has the potential to positively impact communities statewide. We urge you to support this bill and thank you for your time.

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WAYNE: Any other questions, any questions from the committee? Seeing none, thank you for coming today. Any other proponents? Welcome to your Urban Affairs Committee.

MATTHEW CAVANAUGH: Thank you, Chairman Wayne. Members of the Urban Affairs Committee, my name is Matthew Cavanaugh, C-a-v-a-n-a-u-g-h. I'm the executive director of the Nebraska Housing Developers Association, a statewide association comprised of 80 organizations from across Nebraska. I provided you a list of our membership, and as you can see, it's diverse. What all these organizations share is a commitment to the development and preservation of affordable housing. It is this commitment to champion affordable housing that brings me here today to ask you to support LB424 and vote to advance this legislation out of committee. I'm also here representing the Nebraska Economic Developers Association, and have provided you a written statement on their behalf as well. NEDA is a professional membership organization made up of more than 300 developers, utility representatives, and city and regional profess, professionals from across Nebraska. Communities in every region of the state are struggling to supply adequate housing. In many cases, the combined number of rehabs and new construction lag behind the number of homes lost each year to age and attrition alone, yielding a net negative growth in the housing units. As with most of the products, but with housing especially, when scarcity sets in the greatest pressure is on the low end of the market. According to a recent study by the Kansas City Federal Reserve in 2018, the city of Lincoln had only a two-month supply of homes available for purchase. This means that if no new homes are put on the market it would take two months for available homes to be taken. Supply of housing has consistently dropped since 2010, with no end in sight. This two-month supply is a third of what is considered a healthy amount. Predictably, as the supply of available homes has dwindled, the price to purchase a home has climbed. Since 2013, the price to purchase a new home has risen more than 30 percent. The cost increase has been most acute for homes priced in the bottom third of the market, which have experienced a 45 percent cost inflation. The Omaha Municipal Land Bank has begun to address this problem. In Omaha, the land bank has partnered with our nonprofit housing developer members to ease the process of acquisition and preparation of new lots for development. They have helped individual families acquire and rehab their own fixer-upper to turn vacant, dilapidated property into a home. They have worked with private organizations to make investment into previously unappealing legal and financial briar patches. Each of these endeavors result in a

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new, safe housing being built where otherwise there would have been none. Communities across Nebraska could replicate what has been done in Omaha or adapt this tool to their own needs. In every community the need to combat blight and produce more housing is significant, significant and growing. The Nebraska Housing Developers Association believes that every community deserves the opportunity to adopt a local or regional land bank to protect their community and push back against the burden of blight and abandonment that weighs down too many neighborhoods. We support LB424 and ask once again that you vote to advance this legislation. Furthermore, we are committed to help local communities implement and successfully manage their own land banks should this Legislature see fit to give them that authority. I'm happy to answer any questions.

WAYNE: Any questions from the committee? Seeing none, thank you.

MATTHEW CAVANAUGH: Thank you.

WAYNE: Welcome back to your Urban Affairs Committee.

CHRISTY ABRAHAM: Thank you, Senator Wayne and members of the Urban Affairs Committee. My name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m. I'm here representing the League Nebraska Municipalities. I am distributing a couple of handouts for you for your review. The first one is sort of to show you how this need for land banking really is statewide. You've heard a lot of testimony before me that I think has already demonstrated that. But I did want to update this handout that I think some of you may have seen on the interim studies on this issue. But we received many, many additional letters from additional communities, so I wanted to make sure that all of you got a chance to take a look at it. We've received over 200 pictures from our communities of dilapidated and vacant property that they think might be helpful on a land banking. So I just wanted to give you a little sample of that. You can thank me later that I did not include all 200 pictures. But as you will see, it goes across the state and represents a lot of legislative districts that are struggling with this issue. The second thing I distributed is a letter from the mayor of Gering. He speaks very eloquently about the need for housing in the Gering area. He had the opportunity to meet with the Governor out in that area, they met in Bayard, Nebraska. And I think that I can speak for all of the League staff that was on the conference call that, when the mayor of Gering told us there are 88 properties in Bayard, a town of 1,200 people, that would be eligible for land banking. We were very surprised by that number and I think

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the Governor was also surprised at how many communities out there are really struggling with this issue. I just want to talk briefly about the bill. Again, you've heard so much testimony already but the important parts really are that land banking is being extended to every municipality in the state. And if you're not Omaha, you need to join with other communities to form one. Only Omaha gets to stand alone. But the bill does allow that if Omaha wants to include another community, such as Blair for example, they are allowed to do that. Also, we were able, after we heard the testimony last year from the Lincoln Independent Business Association, we met with them several times and they were very gracious to provide us with sort of a list of concerns that they had about the bill from last year. And although I don't think we've gotten them on board with this bill, I did want to mention that we did address several of their concerns. One of them, for example, is that we changed how many criteria need to be met before there can be an automatically-accepted bid. In current law, it says more than one. We have changed that to more than two. That was something that they raised as a concern. Omaha Land Bank is telling us they meet that and more, so that was not a problem for us to change that. Another concern that was brought to us by LIBA was the amount of commercial property that can be acquired by a land bank. So again, we tried to address that in this bill. I apologize, I don't have the page number. But you will see that, for example, Lincoln and Omaha are only limited to 10 percent of commercial property that they can hold at any one time. If you're a city of the first class or second class or a village, only 5 percent of, of your property held in the land bank can be commercial property. As you will see from the pictures I gave you in the handout, most of our communities are really focused on housing. They really have a lot of dilapidated housing that they want to work on to restore into affordable and work force housing. They're not as concerned about commercial property. So again, we were happy to put those provisions in the bill. I see my time is almost up. I will stop. But if you have any questions, I'm happy to answer them.

WAYNE: Any questions from the committee? Seeing none, thank you.

CHRISTY ABRAHAM: Thank you.

WAYNE: Any other proponents? Seeing none, moving to opposition. Opponents. Welcome to your Urban Affairs Committee.

COBY MACH: Thank you, Mr. Chairman and members of the committee. My name is Coby Mach, C-o-b-y M-a-c-h, on behalf of the Lincoln Independent Business Association. We do oppose LB424. We do thank the

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League for meeting with us and trying to address a couple of our concerns. However, it is far from addressing most of the concerns. This leads to government involvement in property development with very few limitations on the authority of land banks. LB424 allows land banks to submit an automatically-accepted bid to purchase any residential, retail, commercial, or industrial property that meets over two of the broad conditions listed in the bill. Some of these conditions, such as the presence of vermin, uncut vegetation, or debris on the property, and in compliance with local building code, are so easy to meet that all, they all but guarantee that the land bank would be able to acquire property over private developer. Land banks are also able to secure an automatically accepted bid if the land is simply deemed to be in the best interest of the prop community by two-thirds of the unelected, unelected land bank board. In fact, the Omaha Municipal Land Bank has been advertising on its Web site that it has the ability to use its automatically-accepted bid authority to buy properties on behalf of third parties. The bill grants these broad powers while the private sector will have to compete directly with the land bank without being afforded the same tax breaks or benefits. Land banks are permitted to hold land for any amount of time. They collect rents, they lease, they sell land with the benefit of being exempt from paying property taxes. If a land bank does sell the property, the land bank now collects property taxes. They collect 50 percent of the property tax for the next five years. Finally, when a land bank buys a tax-delinquent property, it may discharge and extinguish claims for taxes on that property. None of these breaks are available to private developers. Perhaps we should provide incentives to the private sector, rather than expanding government. LB424 also allows land banks to own 7 percent of the parcels in a city of the metropolitan or primary class. In Lincoln, a land bank could own the equivalent of all of downtown Lincoln plus five more downtown Lincolns. It may seem unlikely that a land bank would ever gain control over that much property. But keep in mind the nation's oldest land bank in St. Louis is the largest property owner in St. Louis. They have 12,000 parcels the St. Louis Land Bank owns so much vacant property it now gives property away to adjacent landowners for \$125 if you will agree to mow the grass, because they don't have the money. This is creating a quasi-government body with lots of government authority as well. I could go on with other issues with this bill as well but I won't. What I will tell you is that in Lincoln we have a nonprofit, it's called NeighborWorks Lincoln. Take a look at their Web site, the beautiful homes that they have done that were dilapidated and rundown. Over 30 homes pictured on their Web site.

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They took an entire city block and tore down the homes and built new, beautiful homes. And they did it with city help. They got the city helped them with grants, they, they helped them obtain federal funding and other financing as well. And now before you can buy that home, you have to go through training and classes and make sure you have the ability to understand meeting the obligations of home ownership. I will conclude with that and I'll attempt to answer any questions that you may have.

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

COBY MACH: Thank you for your time.

WAYNE: Any other opponents? Welcome to your Urban Affairs Committee.

ANN POST: Thank you. Good afternoon. My name is Ann Post, I'm an attorney with Baylor Evnen law firm, and I'm here today on behalf of the Homebuilders Association of Lincoln to testify in opposition to this bill. This is a bill largely about property taxes. It creates a new level of government that doesn't pay property taxes and it competes with private investment. This bill reduces property taxes collected by counties in two ways. First, it allows a land bank to amass and hold properties without paying property taxes. And then once those properties are sold, it cuts the property taxes paid in half. So that's the property taxes received-- well, it cuts the property taxes received by the counties in half. And then land banks can take and use this tax-advantaged status to speculate in the real, in the real estate market and compete with private investment. So first, let's address the issue of amassing properties. A land bank can acquire properties both through sale and purchase, an arm's-length transaction. It can also use the tax lien process. I would like to note that we've talked about the time it takes to acquire property through means for unkempt properties. I would say that the tax lien process isn't much faster. It takes at least four and a half years roughly to acquire a property through a tax lien foreclosure process. So it's not a fast process. But then once the land bank actually acquires the property it can, it holds it without paying those taxes. So now it's not only removed it from that cycle of the tax sale certificate, which is not the best process, but it does ensure that the counties receive those taxes, and it takes it out of that cycle and that property is no longer paying taxes until finally the land bank sells it to a third party. And at that point, now the county is only receiving half of the property taxes they would otherwise receive

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on that property. More concerning is the land bank's ability to use this tax-advantaged status on behalf of third parties. We've already seen land banks offer to hold property for third parties so they don't have to pay property taxes on it while they're waiting or working towards redevelopment. The Homebuilders Association of Lincoln agrees with the goals and the mission of the land bank. There are dilapidated properties in every community, and improvement and investing in them will provide a benefit to Nebraska. However, creating this new layer of government that diverts property taxes and has tax-advantaged status that competes with private investment is unnecessary to accomplish this goal. With that, I'd like to note our opposition and ask you if you have any questions.

WAYNE: Any questions from the committee? I have one.

ANN POST: Yes.

WAYNE: What happens when the free market doesn't, doesn't actually clean up the property?

ANN POST: In that case, first, there, there are a few other tools that can be used. For example, in Neb-- Lincoln has its neglected and abandoned building zoning ordinances. This is the process where, if there has been continual communication between the city and the private property owner when they're not upkeeping their property, and it's a series of liens that the city of Lincoln can place on the property to eventually foreclose and take the property. Now I know that that's never their goal. Really the goal is to get that landowner to take care of the property. But it is a way to address that. More than that, I know that there are options for, if you find a tax lien investor that has suddenly realized they have the option to take a property, that say it's a house with a tree growing out of it, we would have the option for, for that investor to donate that to a nonprofit or someone else who can actually-- is interested in taking that property and redeveloping it or doing something with it.

WAYNE: So how long does that process take?

ANN POST: The tax lien investment process? Well tax lien-- your taxes become delinquent when you don't-- first, they're due January 3rd-- December 31st of the year. They become delinquent when you don't pay them in your two installments. So say your April, 2018 property taxes would become delinquent when you don't pay them in April, 2019. Then they go up for sale on the first Monday in March the next year. So now

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we're talking about 2018 property taxes that you didn't pay in 2019, and they go up for sale in 2020. From the date that you purchase that sale certificate you have to wait three years before you can begin the process of, of getting a tax deed or doing a tax lien foreclosure. So now, let's see, three years from 2020, we're at 2023 for the non-payment of 2018 taxes. So, you know, I'm a lawyer and not an accountant but, let's see, is that four and a half years.

WAYNE: So four and a half years, roughly five years.

ANN POST: And then you can start that foreclosure process.

WAYNE: And that takes another year?

ANN POST: It depends on if you do the tax deed process or the tax lien foreclosure. Tax deed, I would-- that I'm a little fuzzy on. I would defer there, probably people who know more than me. Maybe six months. Foreclosure, maybe six months to a year.

WAYNE: So after six years, what happens if again the free market doesn't do anything?

ANN POST: First--

WAYNE: What do we tell the neighbors who now have broken windows in a house that not upkeep. Because it's still unclear who is liable for that. Because an investor can't actually go on their property and clean it up and board it up because the property is still in somebody else's name. So they could actually be charged with trespassing. So for five years there's nothing the investor can do. What do we, what do we do for that neighborhood?

ANN POST: First, you're right, the investor can't do anything for five years and neither can the land bank.

WAYNE: Exactly.

ANN POST: And so first, that's where that city ordinance would come into place, where you might be, where you'd be able to work with them, you'd be able to put liens on the property for upkeep of the property.

WAYNE: So--

ANN POST: That's a way to have, to bring that to the owner of the property and make it the owner of the property's issue to upkeep the

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property. And I'd like to also say that that type of solution addresses a situation where someone isn't upkeeping their property but they are paying their taxes. So it actually hits a broader base.

WAYNE: So would you be in favor of a situation where after the three years they don't start the foreclosure process of, the private market, free market decides not to start the foreclosure process. And then at that point could the land bank come in and would you be OK? At what point would you be OK with the-- when we realize the free market is not working?

ANN POST: I think a great solution would be, once you get to the end of the three years, to make sure to have a land bank pursue those private investors and ask them to simply donate that tax sale certificate. The tax sale certificate is freely assignable. That way the taxes have been paid for those three years through that certificate process. You have the investor, who no longer has the potential liability of having this lien that they could foreclose but they don't want to take the property, and it still goes to a land bank. And I know all of the-- who purchases it is all public information. If you contact a county treasurer, they're happy to work with you on that to try and track those people down, the investors down.

WAYNE: So then after that process, you would be in favor of a land bank?

ANN POST: In that situation, you would have-- well, if the land bank maybe didn't have an automatic bid. If it did, if it didn't have, didn't affect the property tax base, we could talk about it. Another issue would be if we were talking about just a nonprofit that would go in and do that, not necessarily a land bank. I may have misspoken, but, yes.

WAYNE: Any other questions from the committee? Since I was the only one asking questions. Yes, sir.

BRIESE: Thank you, Chairman. Thank you for being here. Your testimony is such that if we didn't have that automatic bid process in place in the land bank statutes you could live with it?

ANN POST: No. Thank you for allowing me to clarify. I was responding to Senator Wayne's questions. The Homebuilders Association, Association of Lincoln does not support a land bank. It is another

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layer of government. I believe where I misspoke was in saying donating the tax lien to a land bank after the three years-- I would have better represented my position better to say a nonprofit, such as Habitat for Humanity, NeighborWorks, anyone who would be interested in taking that delinquent property and redeveloping it.

BRIESE: OK, thank you. But as I understood your testimony earlier, one of your big concerns was competing with the privates.

ANN POST: Yes.

BRIESE: It seems to me that the automatic bid process is essentially the only way a land bank is really inter-- interested in competing with the privates to the extent they even are there. I don't know if that's necessarily true.

ANN POST: I think if you look at the broad powers that are given a land bank, we've talked about what a land bank has done-- what they hope to do and how they hope to achieve those laudable goals that we talked about. But the other issue is that the powers of broader than that. A land bank has the ability to continue to lease property. Now there's questions about whether that lease is limited to 12 months. It's specifically said this, yes, it says that in the legislation. The land bank can improve property, it can, it can acquire property next to a tax-delinquent property or property it already owns. And so it has a much broader authority than what we're currently-- a much broader authority than is necessary to meet the goals specifically stated.

BRIESE: Thank you.

WAYNE: Thank you. Any other questions? Seeing none, thank you for coming today. Any other opponents?

JESSICA SHELURN: Good afternoon, Chairman Wayne.

WAYNE: Welcome.

JESSICA SHELURN: And members of the Urban Affairs Committee. My name is Jessica Shelburn, J-e-s-s-i-c-a S-h-e-l-b-u-r-n, and I'm the Nebraska state director of Americans for Prosperity. AFP is opposed to LB424 as written. This bill would allow for the expansion of land banks to any community in Nebraska, encouraging risky big government ventures, putting taxpayer sources, taxpayer-scarce resources at risk. Giving government an unfair advantage over the private sector is not

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in the best interest of taxpayers. The ability of a land bank to own property and generate revenue off that property without having to pay taxes won't help our current tax situation. Additionally, allowing it to secure half the property taxes paid on the property for five years following the sale of that property gives the land bank advantages over the privately and developers. Unfairly competing with the private sector is not a proper role of government. Allowing for more property to be, to be removed from the tax rolls for unknown amounts of time will only exacerbate the current tax issues facing our state. For these reasons, Americans for Prosperity opposes LB424 to allow for land banks beyond the city of Omaha. And I kind of abbreviated my testimony because you had heard it from some other individuals. Thank you for your time.

WAYNE: Any other questions? Seeing none, thank you.

JESSICA SHELBURN: Thank you.

WAYNE: Any other opponents? Anybody in the neutral testimony? Welcome, President Gray, to your Urban Affairs Committee.

BEN GRAY: Thank you, Senator. Good afternoon, Mr. Chair, members of the committee. For the record, my name is Ben Gray, spelled B-e-n G-r-a-y. I am-- I live at-- well, I don't live at, but my-- my address is 1819 Farnam, Suite LC1, Omaha, Nebraska, 68182. I'm currently acting as president of the Omaha City Council. I'm here today in a neutral capacity in some ways because we already have a land bank in Omaha that I think is operating in the most efficient fashion that I've seen around the country anywhere. It was mentioned earlier, and I want to start with talking about because some of the opposition talked about the St. Louis model. And I want you all to know that, as I was looking around the country, and a number of us were looking around the country at various land banks and how they operate, I did get an opportunity to go to St. Louis. As a matter of fact, St. Louis was one of the first places I went to, to examine how their land bank worked. Had I stopped, had I, had I, had I, had I just looked at St. Louis and not gone anywhere else, I would have not been here in 2013 asking you to support a municipal land bank for the city of Omaha. The model in St. Louis is absolutely horrible. There are other things that I could say about it but I'm going to be kind today. But the fact of the matter is, is that St. Louis was one of the, one of the worst models I saw. One of the best models I saw was in my hometown of Cleveland, Ohio. And that's the model that we have used here, used in Omaha. And I will say a couple of-- but I will say this. First of all, I think

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this Legislature got it right when they, when they, when they went, when they gave us the authority. You looked at it very thoroughly and you gave us the authority that I thought we needed and I still think we need in order to operate a land bank, land bank effectively. Secondly, the-- it requires a really good executive director and I think we've got one of the best in the country in Marty Barnhart. I think he knows it. He was, he was one of the ones that set me at ease, because I had several concerns about land banks myself. And in Omaha, one of the largest munic-- the largest municipality in the state, I was concerned about in an area where I represent and Senator Justin Wayne represents, we were concerned significantly about gentrification. And so we had to be very careful about what we were doing in terms of addressing gentrification but also at the same time doing what was necessary to address some of our problem properties. Now, there are a couple of things that have been said about land banks, that especially this land bank, that's totally not, not, not, not true. And if we-- and the other thing we have to address is that we've got to have affordable housing. Affordable housing is a significant issue in this state, not just in Omaha, but in this state. We have a significant issue with affordable housing and we have to do something about that. If the private sector had done something about that, we wouldn't be sitting here talking about land banks today. But the fact of the matter is, is that it's not getting done by the private sector. We have to address it in another way. And we have to give special tools to make that work. Also, in addition to that, a lot of the property that the land bank acquires is already off the tax rolls anyway. What we're attempting to do is put them back on the tax rolls. So it's important for us to recognize, first of all, the importance of these land banks. And as a member of the League of Municipalities, I'm in total support of the League's desire for land banks across the state. I think they work. I think they work especially when you've done the homework to see which ones work well and to see which ones don't. I think they work well when you have a really good executive director and a great board. And I think we have-- and, and if you have enabling legislation that this Legislature was thoughtful enough to put together, I think we have the makings of something that's really great in Omaha that needs to be expanded across the state. With that, I'll answer any questions that you all might have.

WAYNE: Any questions from the committee? Senator Arch.

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ARCH: You've got by your own report, you set it up right. Good, good executive director and the program is working well.

BEN GRAY: Absolutely.

ARCH: Are you concerned at all that if this goes across the state that that's going to be difficult to replicate?

BEN GRAY: Absolutely not, because most of them have talked about the fact of acquiring Marty Barnhart and-- they can't have him, quite frankly. But, you know, that he has consulted with a number across the state, he's been, he's got more energy than I think I have. And I thought I had more energy than anybody. And if I could, I'd like to take the opportunity if I could, Senator, to address one of the concerns that you had, had to do with people and private property rights. And that's true, and I agree with that wholeheartedly. But there are also some people who are attached to properties, many of them in some instances are members of families who have their own properties and some of them don't even live in the, in the city or the state, and they're looking for ways to get rid of that, get off of that property without it costing them too much money or placing too much of a burden on the city. The land bank is an excellent way to do that and we have had number, a number of people who have donated their properties as a result of that. So that, that, that area, that opportunity needs to be available as well.

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

BEN GRAY: Thank you. Appreciate it, Senator.

WAYNE: Try get you out of here and back to Omaha before the snow hits.

BEN GRAY: Well, I might stay here for this other one that you have.

WAYNE: That's why I was trying to get you out of here. Anybody else in the neutral testimony? Seeing none, Senator Quick. Oh, come on up. Welcome to your Urban Affairs.

CHRIS ROCK: Thank you for having me, Senator. Name is Chris Rock, C-h-r-i-s R-o-c-k. With the newest member of the Omaha Municipal Land Bank's board of directors. We have already seen many successes that I'm sure you've heard ad nauseam already from our proponents. We continue to see good, good things coming. Executive director Marty Barnhart has been fantastic at making sure that we stay focused on our

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core competencies, don't drive out trying to become an actual competitor to the market. He's been very good about making sure that we are focused on the people and getting the people that can do the things, the rehabilitations at the right price and for the right reasons. I believe that this is something that would benefit all of Nebraska. It's-- affordable housing and dilapidated properties are not unique to Omaha's urban core, nor is it just even restricted to moderate density areas. This is a rural problem as well. I can see that we would have a benefit to this. With that, I will conclude. Thank you.

WAYNE: Thank you. Any questions from the committee? Senator Briese.

BRIESE: Thank you, Chairman. Thank you for being here. Under what circumstances do you utilize the automatic bid process, automatically accepted bid process, or what, what-- what reasons do you have for using that. When do you use it?

CHRIS ROCK: I'm not entirely sure on that, I would have to refer back to the operations staff.

WAYNE: I can get you that.

BRIESE: OK. Thank you.

WAYNE: I can get you that answer. Any other questions from the committee? Thank you for being here. Any other neutral testimony? Welcome to your Urban Affairs Committee.

TOM McLEAY: Thank you, Chairman Wayne, members of the committee. My name is Tom McLeay. I am a founding member of the Omaha Municipal Land Bank Board. I think I'm the last remaining voting member. I'm like that senior who never graduates, apparently. I am also a real estate developer and an attorney. I just wanted to be brief with, with, I know you guys have been patiently listening to all this, to address a couple of the items from the opposition that were brought up from my perspective as a private developer and as a member of the board. The, the land bank's primary function is really as a clearing house to create efficiencies in a market that is not working itself, which is, as you, Senator Wayne, indicated, when the private market is not acting. It is that efficiency that the land bank's most beneficial function. Across the country you've seen for 50, 60, 70 years or more an inability for the private market to take substandard properties, properties that are languishing, properties that have tax certificates

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on them and put them back into private development. We have systems nationwide and elsewhere that are very efficient at creating development on the outskirts of cities, in already greenfields that buy, establish, divide, subdivide, and transfer those properties back into use. There is no equivalency in the private market. The land bank in Omaha is functioning that way as, as created. As Senator Gray-- sorry, Councilman Gray indicated, we spent quite a bit of time crafting this exact law. In working with the Cuyahoga Land Bank, his, his native home of Cleveland, as well as other land banks across the country to try to not create inefficiencies in our land bank and keep its primary focus on effectively bringing back all of these properties. From some of the comments from the opposition and, and otherwise, there seems to be a somewhat, and I would describe as, myopic focus on property taxes. The land bank certainly needs the tool and the utilization to hold those properties without tax. Otherwise, that inefficiency cannot be created. The proof across the country is that the overall amount of taxes generated from land banks acquisition putting these properties back into productive use to a higher tax base, tax base will far, far outstrip the shorter, temporary loss of some tax revenue from dilapidated, substandard properties, oftentimes which end up going into a tax certificate sale, purchased, and then languish because they're not even worth the taxes on the property because of some of the different circumstances there. One of the opposition, and I, I'm not recalling his name offhand, had given an example of St. Louis. And I think that I'll try to be brief. His description of giving a property away for \$125 to then turn around and mow and maintain that is actually a smart utilization of government resources. And what I mean by that is the government, local governments across the country and across our state will have to remove trash, mow the yards, maintain those so they're not a hazard to the community. They do that, they then charge that property, they put a lien on that property as indicated by one of the other oppositions. That is true. But oftentimes the properties are not even worth the amount of the lien on that property. So we as local governments, all of us, as taxpayers of local governments, end up paying for that work and then no one in turn pays for that lien. It just sits there indefinitely. I will conclude, since my time is up.

WAYNE: Any questions from, any questions from the committee? Senator-- I was about to call you Senator Brewer. I apologize.

LOWE: I did get a haircut yesterday.

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WAYNE: Senator Lowe.

LOWE: Thank you, Chairman Wayne. And thank you, Mr. McLeay, for being here. Would it not be better, though, to just, to give the private investor a tax deferral for the year? The same as, as we would a land bank, and then make them only pay half the taxes as we would? As a private investor, would that make it more interesting?

TOM McLEAY: It, it-- the-- I'm a private developer very strong proponent of private property rights, as those who know me would, would attest. This circumstance, though, it doesn't happen. We've seen decades and decades of the lack of an ability of private developers to have a small, what I'll call just a small incentive that you're describing, to go into areas where there has been large deterioration of, of the, of the quality of the housing in areas. There, there's-- the private sector or private developers don't have the ability to, to or the desire and the functioning of the financing behind it, which is a whole other subject. But the reality is, is that that has not happened. I don't think a small deferral on taxes would incentivize developers enough, but the aggregation, the assembly, the ability to have this clearinghouse of functions that the land banks can do across the country and that has been doing in Omaha is the difference-maker to me. So that, that type of idea that you're describing I think has been explored in different communities. And what you've seen across the country is this concept of a land bank has spread from city to city because it works, it works over the long-term. It may not arguably be the short-term of a loss of, of property taxes for a year or two. However, I think that's very short-sighted thinking. And in my opinion, a very Nebraska way of thinking, I think we like to think of things for the long-term. How do we create long term growth for our state and our communities?

LOWE: This, we've had several examples of Grand Island and in northwest Nebraska come in, and they're single lots. So it's not a large area where people don't want to move into, as you just said, that people don't want to move into an area that the rest of the area is dilapidated also. You're still just buying one piece of property, you're not buying the whole area. So wouldn't the rest of the area still be dilapidated?

TOM McLEAY: Well, that's, that's what I guess I was describing to--

LOWE: Unless that whole area was bought by the land bank.

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TOM McLEAY: Right. And that's what I guess I was saying is the long-term play. It's the, it's the necessity to have long-term investment and have an institution like the land bank be able to hold one property so that it has time to assemble another property and assemble another property. And slowly, over the course of many years, it will not be an immediate fix, but we've shown that there's no other immediate fix over the past 70 years either. So it's that, it's that ability to continue to be that clearing house of property. That property can be, can be acquired, potentially assembled, and it make an impact over, over, over time. That was what I think the biggest benefit to land bank is.

LOWE: OK. These smaller communities of Spencer and Sargent and Valentine and the other ones we've gotten. Basically single lots. Would, would incentivizing private investors be better there than a land bank? Because you really don't need to land bank if it's just going to pass through to the investor. Because you're not acquiring the next door neighbor's lot, because it's maintained.

TOM McLEAY: Right. I think, again, I would-- what I was suggesting in these smaller communities, one, I would first advocate by giving the smaller community a chance to do what it seeks to do versus prohibiting them from doing something that they think is a valuable tool for their community from the state level. I would rather see it at a local level decision made. Secondly, a land bank of a smaller community can give higher profile to that community for outside development as well. What, what the Omaha Land Bank I think is now getting to the point where we are starting to attract outside investment, outside looks at the Omaha market, for development of affordable housing or otherwise, because they know there is this kind of clearinghouse function. What, and what I maybe say not totally an appropriate analogy but you have stock exchanges, you have the Chicago Board of Trade. You have these places and institutions that were created so that people knew where to go. They know where to go and find that property versus a onesie-twosie kind of thing that maybe there's a lot here, there's a lot there. If there is a local land bank you can raise the profile and bring in additional outside investment. In those smaller communities it's likely going to outside investment from Omaha and Lincoln, versus New York City or Chicago. But nonetheless, it is still bringing that up to the, to the attention of other potential investors.

LOWE: All right, thanks.

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WAYNE: Any other questions from the committee? I just want to be clear that Councilman Gray lives in my district. Are you having him running it? No, I'm joking.

TOM McLEAY: Whoops.

WAYNE: No, I appreciate it. Any other questions? Thank you for coming down today. Any other neutral testifiers? All right. As Senator Quick comes up for his closing, I want to read letters of support. Nebraska Regional Office-- Officials Council; Heather Sikyta, S-i-k-y-t-a; and the Norfolk Chamber of Commerce. Senator Quick.

QUICK: Thank you, Chairman Wayne and members of the Urban Affairs Committee. I think we've heard from many of the communities throughout the state that they would like the option of having a land bank, and I want to remind you it's strictly an option. I mean, they have to vote it in. That community would have to vote belong-- to belong to that land bank. And I think what we've heard also is that the current process is costly for them, it's currently costly. It's costing taxpayer dollars and it's cumbersome, it's hard for them to deal with these properties. And I think we've also heard that the private sector hasn't, hasn't been able to deal with some of these properties. So this is giving the opportunity to the communities to find a way to have a tool to be able to deal with these properties and then they do pass them off to private developers or to a nonprofit like Habitat for Humanity to, to, to develop that property after they've, you know, they acquired it. If they need to, to demolish the property, they'll demolish the property. If they, if they need to clear the title, they can do that. And then they make that property ready for a developer to take over any of the redevelopment, redevelop of that property or, or build new on that property. I think what you also see is that it will bring up the property value of that property itself. Currently, maybe they're not receiving any tax dollars for that property. And that's our hope, eventually it will, in the long-term you'll see the rise in property value of not only that property but all the properties that sit in that neighborhood. It will make our neighborhoods safer. We have homes in Grand Island that we've had vagrants move into and it becomes unsafe. Kids may be going in there and playing and, and getting hurt on those properties because there is no one there to, to make sure they're not going into those properties. And we've had, I know in Grand Island they've talked about finding people who have been in there who have substance abuse issues maybe or a drug dealer, and those type of things going on in those properties. So I think this is

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a way to allow these communities, if they want to establish a land bank, to, to, to put that into action so they have a way to deal with these properties. And I would ask you to please strongly consider voting for this. I think it's something that we need in Nebraska and for these communities in rural, and rural areas as well. Thank you for your time.

WAYNE: Thank you. Any questions from the committee? Senator Crawford.

CRAWFORD: Thank you, Chairman. Thank you, Senator Quick. What is the reason for putting in the restriction that cities, that more than one city has to go together to form a land bank?

QUICK: I think that was one of the agreements that we-- that they sat down and the League sat down with, I know, I think with LIBA, and tried to come to an agreement on this on a few certain issues. And that was one of the ones that they had agreed to do, that it would be more than one community.

CRAWFORD: Thank you.

WAYNE: Any other questions? Seeing none, thank you. That will close the hearing on LB424. And I will turn it over to Senator Hunt for the next two bills, three bills, maybe four.

TREVOR FITZGERALD: Lost track of all your bills.

HUNT: Senator Wayne, welcome to Urban Affairs.

WAYNE: Welcome. Thank you. Thank you for having me. Good afternoon, Vice Chairwoman Hunt and members of the Urban Affairs Committee. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, and I represent Legislative District 13-- at least I hope I continue to represent them, after Senator Gray, I mean commented, I'm a little confused now-- which is north Omaha and northeast Douglas County. As the committee members know, one of my top priorities this legislative session is to ensure all Nebraskans have safe and affordable housing. A number, I have a number of bills dealing with these issues and this one falls right in line with it. A number of current programs exist to incentivize affordable housing. We have the Affordable Housing Trust Fund, which I have a bill to increase the doc stamp on this year to help with the affordable housing; and Low Income Tax Credit, Low Income Housing Tax Credit is also another program. One thing these two programs have in common is that they all cost the state money. We look

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at times in a budget shortfall and things that are getting cut, we have to figure out a way to come up with creative ways to build affordable housing. LB136 tries to take a different approach. Rather than using a financial incentive to encourage affordable housing, this bill would provide regulatory incentives to do so. Under the Density Bonus Inclusionary Housing Act, developers in the city of metropolitan class, cities are the primary class, and cities are the first class who agree to build a development that includes a certain percentage of low-income or very low-income units would receive two kind of regulatory incentives. First, they would receive a density bonus which basically means they could build a bigger number of units than would ordinarily be required underneath current zoning ordinances. Second, depending on a percentage of low-income units, they would receive one or more concessions or incentives such as a reduction in the site development standards, approval of mixed-use zoning, reduction in setback requirements, or waiver of parking requirements, all things that cost money. If a developer includes an on-site childcare facility or commercial development as part of their project, they also qualify for an additional density bonus or concession or initiative-- or I mean incentive. By encouraging density and infill, LB136 would cities save money with new infrastructure, city services, and maintenance over time. LB136 will also result in mixed-income housing, which is preferable to what usually occurs when we start to segregate LIHTC housing or affordable housing from market rate housing. Most importantly, LB136 will encourage more affordable housing without a fiscal impact to either the state or the cities. Several individuals plan to testify behind me who can probably speak to more of the technical language and concepts of the bills, but I'd be happy to answer any questions at this time.

HUNT: Any questions from the committee? Seeing none. So first proponent for LB136. Welcome back.

MATTHEW CAVANAUGH: Thank you. Good afternoon, Vice Chair Hunt and members of the Urban Affairs Committee. My name is Matthew Cavanaugh. Again, I'm the Executive Director of the Nebraska Housing Developers Association. I have provide you a list of our membership in previous testimony. These various organizations are united in our commitment to champion affordable housing in Nebraska. And I'm testifying here in support of LB136, the Density Bonus for Inclusionary Housing Act. LB136 is an incentive-based approach that encourages developers to opt into creating affordable housing. LB136 does not require a financial investment from the public, instead it provides concessions on zoning

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restrictions to developers in exchange for the inclusion of income-restricted housing in an otherwise market rate development. In exchange for setting aside some rents for apartments at a level that are affordable to families below the median income, developers can incrementally exceed the standard density limits set by the property's zoning designations. This is a popular and increasingly common strategy for incentivizing affordable housing that is being utilized in communities large and small across the country. The cost of building new homes is rising painfully fast. According to the National Association of Home Builders, construction costs account for about 60 percent on average of the cost of a new home. Since the beginning of 2013 the average construction costs nationally have increased almost 30 percent. The price of lumber, which accounts for a significant share of construction costs, has roughly doubled just in the past two years. Tariffs and trade wars only promise to exacerbate this problem. Although international commodity prices are something over which we have very little control sit, as we sit here in Nebraska, the remaining 40 percent of the home cost is where we can make significant impact. Increasing the approved density of units allowed on a development gives the developer the ability to spread the fixed cost of land, utilities, legal work, marketing, and other, and others at cost-- across additional units. While zoning requirements and density limits serve an important purpose for protecting the quality and character of a community, it can be beneficial, beneficial to give exceptions to them in exchange for the project removing or including other items the community values such as affordable housing. It is a simple, it is this simple idea on which LB136 is premised. I have provided the committee with the report from the National Low Income Housing Coalition that looks at fair market rent and average renter wages. As you can see, a minimum wage worker needs to work 55 hours a week to afford a one bedroom apartment at a fair market rate. To afford a two bedroom apartment, you need nearly two full-time minimum wage positions or work 70 hours a week. According to the federal government's most recent American Community Survey, nearly 189,000 Nebraska households or over 20 percent of all Nebraska households are cost burdened. This means they are spending over 30 percent, and in many cases well over half, of their income on their rent or mortgage. The need for additional affordable housing in Nebraska is tremendous. In these tight financial times creative solutions such as LB136, which does not ask for any additional investment from the state, cannot be dismissed. Once again, we support LB136 and we ask this committee to

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vote to advance this legislation. Thanks and I'll answer any questions.

HUNT: Any questions from the committee? Senator Briese.

BRIESE: Thank you, Chairman. Thank you, Mr. Cavanaugh, for being here. A couple of questions. Is this language patterned after something else for other states or--

MATTHEW CAVANAUGH: Well, I did not draft the language, but I like I said, there are-- this is common to in, in concept to communities and states across the country.

BRIESE: Anything we can point to, to see the 20 percent density bonus or a 35 percent density bonus or something like that, what that looks like? Have we seen that in action anywhere?

MATTHEW CAVANAUGH: Certainly, you could look at their communities all over the country which prioritize density bonuses on transit corridors or for, or anywhere in communities that in, that provide for this kind of concession. Or really, currently, cities often provide in the [INAUDIBLE] density levels for any reason. This is something that happens all the time. There's, there are frequently exceptions, exemptions made to zoning law or zoning regulations that would allow for denser developments as is with no concession.

BRIESE: OK, thank you.

HUNT: Thank you, Senator Briese. Any other questions from the committee? Thank you, Mr. Cavanaugh.

MATTHEW CAVANAUGH: All right, thank you.

HUNT: Next proponent for LB136.

LEE MYERS: Hello, Vice Chair Hunt and members of the Urban Affairs Committee. My name is Lee Myers, L-e-e M-y-e-r-s. I'm a volunteer for AARP Nebraska. I serve on the executive committee and as lead for its livable communities work. Thank you for the opportunity to appear on behalf of LB136. As defined by AARP, a livable community is quote safe and secure, has affordable and appropriate housing, diverse transportation options, and supportive community features and services. Once in place, these resources enhance personal independence and health and engage residents in an area's civic, economic, and social life unquote. Proper land use planning and design are critical

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to developing livable communities. AARP strongly supports the creation of diverse housing types to meet the needs and preferences of our changing demographics. As detailed in AARP's publication Making Room: Housing for a Changing America, adults living alone now account for nearly 30 percent of American households. And while only 20 percent of today's households are two-person families, the housing market largely remains fixated on their needs. By 2030, one in five in the U.S. will be 65 or over. And by 2035, older adults are projected to outnumber children for the first time ever. Just as the housing needs of individuals change over a lifetime, unprecedented shifts in both demographics and lifestyle have transformed our nation's housing requirements. AARP strongly supports providing incentives such as density bonuses and waivers from requirements like parking and setbacks in exchange for including affordable housing. People of all ages want to live in walkable communities close to transit jobs and amenities but housing costs preclude many working families with low and moderate income from being able to do so. LB136 will help provide missing middle housing which is necessary to meet these needs. We recently met with Senator Wayne to stress the importance of building affordable units in the same development as market rate units, and that affordable units be mixed with and not clustered together or segregated from, away from market rate units. The exterior appearances of both should also be made to look similar using the same exterior building materials and finishes of the same type and quality. Increasing density with mixed income developments will ensure the opportunity of affordable housing for employees of businesses that are located in or will be located in the community and maintain a balanced community that provides housing for all people at all income levels. AARP appreciates the opportunity to testify for LB136. Thank you for your time.

HUNT: Thank you so much, sir. Are there any questions from the committee? Seeing none, I appreciate your testimony. Any other proponents for LB136? Welcome.

RENEE JUST: Thank you. Good afternoon. My name is Renee Just. R-e-n-e-e J-u-s-t, and I'm a staff attorney at Nebraska Appleseed. Nebraska Appleseed is a nonprofit organization that fights for justice and opportunity for all Nebraskans. I am here today to testify in support of LB136 on behalf of Appleseed and on behalf of Collective Impact Lincoln, which is a project that includes Civic Nebraska and the South of Downtown Community Development Organization. The purpose of Collective Impact Lincoln is to be present in six low-income

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neighborhoods in Lincoln in order to listen to residents' concerns, give residents tools and opportunities to take action, and support policy change responsive to their needs. Nebraskans deserve adequate and affordable housing. Nebraska is facing an affordable housing crisis. Housing is considered affordable if households are not cost-burdened by their housing payments. Cost burden is defined by the federal government and other housing authorities as paying more than 30 percent of one's income for housing. In Nebraska, over half of very low-income households are cost-burdened. There is not enough existing affordable and available housing to meet the housing needs of low-income and very low-income households. This disparity between need and available housing is even more pronounced for households who make 0 to 50 percent of the area median income. In Lincoln specifically, nearly half of renters are cost-burdened, including over 20,000 low-income households. The city of Lincoln has even recognized that current programs cannot address the increasing need for affordable housing for low-income Lincoln households. Provision of adequate and affordable housing is a complex issue that requires a dynamic approach. LB136 would help address the shortage of affordable housing. The Density Bonus and Inclusionary Housing Act provides incentives for developers to construct residential rental units that are affordable to low-income households. This bill empowers the market to act for mutual benefits with larger communities served. Developers who choose to help address this critical housing shortage are able to do so while still participating in the general housing market. Land is a finite resource. The use of land can either relieve inequalities and systemic barriers to success or land use can reinforce and exacerbate inequalities. If there is no increase in the number of units affordable to low-income and very low-income households there will be an increase in families who are severely cost-burdened and households who pay a majority of their income toward housing costs alone. Families that have an outsized bill for housing are less able to pay for necessities like food and childcare and to participate in the economy in general. More affordable housing is good for the economy and good for the state. For these reasons we would urge the committee to advance LB136. I'm happy to take any questions.

HUNT: Thank you, Ms. Just. Are there any questions from the committee? Seeing none, thank you for your testimony today. Are there any other proponents for LB136?

JAMIE BERGLUND: Good afternoon.

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HUNT: Welcome to your Urban Affairs Committee.

JAMIE BERGLUND: Thank you. Good afternoon, Vice Chair Hunt and members of the committee. My name is Jamie Berglund, J-a-m-i-e B-e-r-g-l-u-n-d, and I'm the executive director of a nonprofit organization called Spark. We were founded a couple of years ago. We were incubated out of the chamber, and our job is to convene and coordinate partnerships with the public, private, and nonprofit organizations and community members around holistic development. And then ultimately to also provide gap financing for real estate deals that are difficult to do, particularly in north and south Omaha. And so really to that end I would just say that we understand, from when we've seen other communities put together really creative financing packages for these difficult to develop projects, that you're seeing multiple layers of financing come together. But what is often not discussed is also the creative mechanisms that can exist within ordinances and legislation to help make that happen. And so in our community I think we need more of these creative types of tools that don't put a strong burden on us to try to figure out the, you know, on the financial side but more on reducing regulation. And one thing I would just add in connection to what's been already said is we've talked a lot about affordable housing but what I think a component that's missing from that is quality affordable housing. And that this legislation is encouraging or putting out there that the same design standards and quality of materials are used across the board for both affordable and market rate units. And I think that's an important element when we think about the holistic redevelopment of neighborhoods that we want to try to produce in east Omaha. We need that quality piece in, in play. Thank you.

HUNT: Thank you, Ms. Berglund. Any questions from the committee? Seeing none, appreciate your testimony today.

DAVID LEVY: Thank you.

HUNT: Welcome back, sir.

DAVID LEVY: Thank you. Good afternoon, Vice Chair Hunt, members of the Urban Affairs Committee. David Levy, D-a-v-i-d L-e-v-y, Baird Holm law firm testifying in support of LB136 on behalf of Omaha By Design and the Nebraska Association of Commercial Property Owners. As you all know all too well, there are a couple of things that get talked about in this building in the context of a crisis, and they are work force and affordable housing and property tax relief. LB136 addresses both

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of those things without any financial subsidy or any hit to the state budget. Density by itself provides property tax relief by making more efficient use of municipal resources and by increasing valuations by having more units and more people living in those units. Having, one, 35 percent more people living on a block increases the valuation of that block. Yet, it uses the same street, same number of potholes to fill, same length of street to plow, same length of sewer pipe. Density is a key to addressing property tax issues in this state and in our cities in the state. The incentive for a developer to provide without financial subsidy, for example, potentially a \$2,000 a month apartment for \$600 or \$700 is regulatory relief. As somebody else explained, allowing that developer to build that additional density allows them to make more efficient use of that land, more efficient use of building materials, more efficient use of all of the costs of development. The other regulatory reef, relief things like parking waivers, setback waivers provide, again, an ability to better use the land, use the land in a more sustainable, dense, efficient, and effective fashion. And without the uncertainty and the time and the cost burden of having to go and seek those waivers through some regulatory process. Regulatory relief is another thing, as you all know, that you spend a lot of time on this body. So this bill again, with no fiscal outlay by the state, brings together property tax relief, work force housing development, and regulatory relief. You're going to hear a parade of horrors from opposition from cities. And certainly, this is my, I don't know, twelfth or thirteenth session doing this. I don't think I've ever seen a bill that ends up passing in the same form it was introduced. There may be things in this bill that should be in there to provide safeguards or to address things you might hear from the cities. But to be clear, this, while it does impede some regulatory powers of the city, it leaves the vast majority of those in place. Cities can still zone as they wish, if they want to have residential over here and commercial over here, low-density residential over here as the base zoning. They can do all of those things. There is a list of different regulatory items in the bill, that doesn't mean a density bonus development gets all of those. It means that that's, those are things that the density bonus project can choose from as it provides more affordable housing, again, voluntarily, without financial subsidy from the state. It can choose more of those incentives. Really, I'll just close by saying this is a creative, balanced approach to addressing very serious needs in this state. And I would encourage the committee to give it a very serious look. And I'm happy to answer any questions that you might have.

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HUNT: Thank you, Mr. Levy. Are there any questions from the committee? Seeing none, thank you for being here.

DAVID LEVY: Thank you.

HUNT: Any other proponents for LB136? Seeing none, any opponents? Welcome, sir.

CHAD NABITY: Thank you very much, Senator. Well, thank you, Senator and committee. My name is Chad Nabity, C-h-a-d N-a-b-i-t-y. I think I forgot that last time, I apologize. And I am here representing the city of Grand Island and we are in opposition to this bill as it is currently drafted. It is a complete slam on local control. If you read this bill, you will-- it is "shalls" that are in there. The city "shall" do this. And if the city doesn't do that, the city is subject to litigation and penalties and paying attorney's fees. So I think that there is some really serious things there that need to be adjusted. Density is a good thing. I'm a professional planner, we're all about density. I've got to tell you that I was in New York City two years ago for a conference and New York City has density, real density. I was on a train at 5:30 in the morning to go to the Javits Center to the conference. I was out in Queens and I was on a train with more people on that train than there are in the village of Alda. And there was another train coming every five minutes. When that hit me, it's like, OK, this is density. I'm not sure I like this. I grew up in Grand Island, I grew up in Grand Island-- or in Nebraska. This is too much. And for a lot of our communities density can be too much. Now, Grand Island has looked at amending our zoning regulations. We have a zoning district that we created last year that will allow row houses on a 2,100-square foot lot. That's a lot of density. We have-- we've lowered our street standards to allow 32-foot streets or 26-foot streets in certain circumstances. We're working toward those things. But one of the issues that we're going to run into with the newest subdivision that has come in with that is we don't have transit. Density works better when you have transit. Density bonuses are often given around transit stations, you heard that earlier. And if you don't have transit, people are going to need a place to park their vehicle. If they can't park it on the street are they going to park it on the driveway or are they going to park it on the yard? And if they're parking it on the yard, what's that do to the neighborhood? So those are considerations. Staffing, who's going to monitor this? The developer says for 30 years they're going to come forward and do rent-controlled properties. Who monitors that? Is that the developer,

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is it the city? Well, it's an agreement with the city so I suppose the city is monitoring that. We don't have any cities in the state that have staff available to do that. That's an additional cost that the developer is not paying that the city is going to have to take on in order to do this. Are they eligible for TIF for these projects? If they are eligible for TIF for these projects what does that do as part of the mix? And what if they asked for the incentives after they've been awarded the TIF, and all of a sudden they get the incentives, because you have to give them the incentives, after that TIF has been granted? This is, this is a discussion that needs to happen. I'll say that. As a professional planner, I support discussion on inclusionary housing and these kinds of issues. This is not the solution to that. And I'm not sure how we get to that solution but I think it's going to take a lot more work other than just what's before you today. And so I would recommend that you not move this forward. Thank you very much.

HUNT: Thank you very much, sir. Are there any questions from the committee? Seeing none, thank you for your testimony today. Next opponent. Welcome back.

LYNN REX: Thank you very much. Senator Hunt, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. First of all, we certainly understand that this bill is well-intended but I'd like to talk about some maybe intended or unintended consequences of this measure. What this bill is it does deal with minimizing regulation, or in our effect, we think basically gutting municipal regulation where it really matters. Let's look on the bottom of page 2 to see what these incentives, concessions, or incentives are. And under this bill, if they create affordable housing as provided in the bill, in this act, then in fact they're allowed one density bonus and one, two, or three of the concessions or incentives. Looking on page 2, line 30. Concession or incentive means any of the following: A reduction in site development standards, a modification of zoning code requirements-- going up to page 3, line 1-- a modification or architectural design requirements that exceed minimum building standards as approved, including, but not limited to, reduction and setback, square footage requirements, and the ratio of vehicular pursuit-- I'm sorry. Pursuit-- that's a different question. Ratio-- different, different committee, different committee. And the ratio of vehicular parking spaces that would otherwise be required. And it goes on to talk about that. In addition, on page 3, line 19, density bonus. What does that mean? And it talks about basically what they're going to provide and by the-- the overall

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objective of this bill in terms of having affordable housing I think is, is an excellent one. But not in this format and not in a way that gets municipal control. In addition, I would like to refer you to one of the other provisions here just due to lack of time here. On page 5, line 16. Line, line 16 again: When an applicant seeks a density bonus for a housing development within the jurisdiction of a city-- line 17-- the city council of such city shall comply with the Density Bonus and Inclusionary Housing Act. In other words, if they meet the requirements, they get it. And that means that the cities don't have the ability to do certain things here. It says a city-- line 22-- shall not condition the submission review or approval to this act on the preparation of any additional report. Then it doesn't make sense to us that then there on line 26 it says, but the local government can require to provide a reasonable documentation to provide, to back up on what that incentive would be. In addition, page 6, line 4, it talks about the city-- line 7, actually. I apologize. Page 6, line 7: A city shall grant one density bonus, the amount of which shall be a specified in section 3. And, if requested by the applicant and consistent with the act, such city shall grant concessions or incentives. And it talks about basically how many they're going to get and how many they would, could apply for, if you will. On page 7, lines 24 to 26, we read that to mean that compliance with this act shall not limit or require the provision of direct financial incentives for the housing development. Which we think means it's applicable to TIF, it's applicable to LB840. And as Chad Nabity indicated from Grand Island, would this be before they apply, after they apply? What, how would this interface? But bottom line is it really takes away fundamental protections that have taken years and years and decades of cities in terms of public hearings, countless hours of public hearings to establish what the zoning requirements are, what the setback requirements are, how all of these protections are put in place. We do think there's an important role for this type of a concept with the developer sitting down with the city. For example, with the developer sitting down with the city of Omaha, the city of Lincoln, and first-class cities, population 5,000 and up-- those are the only cities that would apply under this bill-- to say, listen, let's sit down and work to see if we can have some kind of a streamlined process. I think there is a way to perhaps do something like that through a local ordinance, but not to do it through a state mandate where basically it guts local control and the need for local conditions and the things that have developed over a period of years. You'll note on page 8 starting on line 4, we're talking about what is the standard? The standard, if the city would not grant the concession

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is, unless the city can show based on clear and convincing evidence. That's an extraordinarily high standard, and it gives you items there in terms of how that would work. Lines 12 to 20 on page 8 outline whether or not it's one concession, two concessions, or three concessions and the number and the amount of units that they would have for affordable housing. All of which the overall goal, again, is a legitimate goal, is a laudable goal in trying to have, trying to have mixed housing and that sort of thing. We think it's very important. In addition, as has already been pointed out on the bottom of page 8 going up to page 9, if a city refuses to grant the waiver or reduction in development standards the court can assess, obviously they can sue the city, and the court may assess attorney's fees and that sort of thing. So we're concerned about the parking waivers, we're concerned about everything that's in here. Because, again, I think it all goes back to what are those concessions, what are those incentives? And again, at the sake of being redundant, very quickly, reduction in site development, modification to zoning code, architectural standards, reduction in setback, square footage, and so forth. Again, we just think that the better approach is to have the developers come to the city, work with the municipality on how to best implement an affordable housing process that might be a way to, to streamline it for them if they meet certain requirements. But this is not it. We appreciate the overall goal and objective but just not in this way. That being said, I mean, I don't think there's anybody that more than Senator Wayne who's spent time and effort trying to deal with affordable housing issues and we do appreciate that. So with that, I'm happy to answer any questions that you might have.

HUNT: Thank you, Ms. Rex. Any questions from the committee? Seeing none, thank you.

LYNN REX: Thank you very much. And we're willing to work with the committee and Senator Wayne as always.

HUNT: Sounds good. Any other opponents? Welcome back, sir.

TROY ANDERSON: Vice Chair, members of the committee, thank you, again. My name's Troy Anderson, deputy-- excuse me. T-r-o-y, last name Anderson, A-n-d-e-r-s-o-n, I'm the economic development deputy chief of staff for the city of Omaha Mayor's Office and I'm here today in opposition of this bill. I want to make sure that I begin first and foremost with an understanding that we recognize the gap in affordable housing that exists, not only in Omaha but across the state and across the nation. As you've probably heard, there's testimony that will

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suggest that not only federal but state and local budgets are tight, right? And so the subsidies that are typically common with affordable housing are certainly lacking as well. So this idea that perhaps an economy of scale will induce additional affordable housing units is a novel approach. And I want to maybe explain how the city of Omaha has been responding this for nearly 40 years. Back in 1980, the city adopted a section of Municipal Code Section 55-785 titled Density Adjustments for Inclusionary Housing Programs. This has been in effect for nearly 40 years. After visiting with a number of folks in and around the city, no one can recall the last time this density bonus option was taken advantage of. However, we deal with density bonuses quite often. In fact, there's a number of sections, Sections 55-561 MU mixed use districts allow for density increases. Section 55-583 planned unit development allows for increased density. Section 55-595 planned unit redevelopment overlay districts allow for increased density. In fact, we are actually also going through the process right now as we see the implementation of bus rapid transit in Omaha. We are walking through the process right now of establishing incentives and other regulatory waivers and for transit-oriented development. You've heard that density and affordable housing only works really well where there's transit available. I would certainly caution this sort of broad-brush approach to inclusionary housing and how that affects suburban and rural areas. By, by requiring multifamily residential units in suburban and rural areas to provide affordable housing, you're also talking about folks that may not have the means for a vehicle and so they're reliant upon public transportation to get to and from areas of employment. That makes it very difficult for those tenants within those affordable housing units to work at the places they need to work, get back and forth to the places where they live and frequent. And so, again, we want to emphasize that while we certainly know and understand the gap that exists with affordable housing, this bill and this proposal removes the local authority and the local governing option and the ability for us to negotiate with owners and developers for a true marriage between affordable housing and the regulatory oversight that the city offers. I'll be more than happy to answer any questions.

HUNT: Thank you, Mr. Anderson. Any questions from the committee?
Senator Crawford.

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CRAWFORD: Thank you, Vice Chair Hunt. And thank you, Mr. Anderson. You were mentioning about three density bonus options that are already in place.

TROY ANDERSON: Correct.

CRAWFORD: Are those in local ordinance or--

TROY ANDERSON: That's correct. All of the code sections that I referenced are already adopted as part of our city's municipal code. Yes.

CRAWFORD: Thank you.

HUNT: Any other questions? Seeing none, thank you for being here today. Any other opponents for LB136. Seeing none, is anybody here in the neutral capacity? Welcome to your Urban Affairs Committee.

DAVID CARY: Thank you very much. Good afternoon, Senator Hunt and members of the Urban Affairs Committee. My name is David Cary, I am the planning director for the city of Lincoln. I'm here to provide you neutral testimony on LB136. I want to thank the members of the committee for your time today and I will be quick with my comments in a neutral manner here. A lot of our concerns and praises for this have already been noted. I think I want to provide you some information on where Lincoln is on this topic of housing affordability. It's a very important one. We thank Senator Wayne for addressing this important issue in this bill. And we do need to be talking about this, we need to continue to talk about it. It's not an easy topic. It's going to require multiple different ways of trying to address this. But for the city of Lincoln, what we currently have is we have a lot of these tools already in place that are pointed out in this bill. And we really do want to be able to retain that local control over that type of zoning and regulation and that is one of our concerns with this. We do have density bonuses put in place. We have planned unit developments and community unit plans that are more flexible in nature. They allow for more density bonuses if affordable housing is part of those projects. It allows for setback variances, as well as parking changes based on the regulations. We also are currently working on this topic. We have a lot of things going on. It is, it is something that we know we have to do more with. We are, we are just working, starting to work on the Affordable Housing Coordinated Action Plan which is going to be a very inclusive process here in Lincoln that's going to require a lot of different stakeholders to be involved

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and talk about this topic of affordability. We also are working on a rental property registry. It's a topic that's currently being discussed with the Legislature this session. And we also are using some of our local funds to try to help match a grant application that will, if awarded, will allow us some opportunity to do some more things locally to address this issue. So really what a, or where our concern is the loss of local control. But we do want to have it make the point that it is important for us to continue to talk about it. And if the committee does continue to consider this bill, we think that there are opportunities to work on the language to try to find something that can be workable, that also can be careful with the local control issue. So with that, I will end my testimony and answer any questions that you might have.

HUNT: Thank you, Mr. Cary. Are there any questions from the committee? Seeing none, you must have done a good job. Thank you.

DAVID CARY: Thank you very much.

HUNT: Thank you for being here today. Anybody else here in the neutral capacity?

TOM McLEAY: Vice Chairman Hunt--

HUNT: Welcome.

TOM McLEAY: --members. I think I neglected last time. Tom McLeay, T-o-m M-c-L-e-a-y, 3814 Farnam Street, Omaha, Nebraska. I am testifying as a neutral on this bill for kind of two-fold reasons. One, as indicated by-- by some of the opposition, I think there's quite a bit of work to yet do in a bill such as this. But then secondly and probably primarily is, is taking that local control away at this point in time. I have had conversations with Mr. Anderson in the mayor's office, as well as Councilman Gray-- I don't know if Senator Wayne is still here-- in regards to efforts in the city of Omaha to make some strides. I think there are a lot of strides the city does need to do. I think the density bonus currently that exists that Mr. Anderson referred to, I have actually tried to utilize that provision unsuccessfully. I should step back. In addition, as any here before I do real estate development and for the last decade I have done a lot of affordable housing real estate development both in Nebraska and nationwide. And in fact, I think last year my company, Clarity Development, was the largest affordable housing developer in the state of Nebraska with projects that we primarily have focused on

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the Omaha market. There is a storm coming on affordable housing, if it is not already here. It is continuing to build like one of those classic storms coming across the plains that we all know here in Nebraska so well. We have a continuing aging population that is getting to a point of the baby boomers, if you will, as a generation are going to have harder and harder times maintaining older structures. And on top of that, we have an older property stock across the state. Other states have done quite a bit of work to create more affordable housing over the past several decades. Nebraska has languished painfully behind, in my opinion, on the creation of affordable housing. We create, I would say, roughly 400 apartments or multi-family units of true affordable housing a year in the state of Nebraska. That is minuscule. As you guys, as you all might understand in terms of a state approaching 2 million people. This is going to continue to get more acute. I applaud Senator Wayne greatly for bringing this to the committee, for bringing this bill forward. There might be a day when this is appropriate, if the local jurisdictions do not act in and take some sort of regulatory relief. I do think though there is a bigger picture that needs to be looked at. Housing in America, both rental housing as well as homeownership is, is intertwined with the federal government and financing. As many people know, about 80 percent of mortgages in the United States are owned by Fannie or Freddie, which are, after the 2008 crisis, federal government entities. HUD, Fannie, and Freddie are providing somewhere around 80 percent of financing or all of multi-family apartments. They are the 1,000-pound, I don't even want to say 800, 1,000-pound gorilla in the financing of residential real estate in the United States. Without being cognizant of that we won't get very far in this process. I think my time is up. Thank you all for your time and attention.

HUNT: Thank you for being here, Mr. McLeay. Are there any questions from the committee? Seeing none, thank you. Anyone else here in the neutral capacity? Seeing none, Senator Wayne, you're invited to close on LB136. While he sits down, we have a couple letters for the record. We have letters of support from Hoppe Homes. Support from Home Builders Association of Lincoln and the Metro Omaha Builders Association. A letter of support from Hartland Homes. And a letter of support from Manzitto Construction, Development and Real Estate. And with that, Senator Wayne, you're invited to close.

WAYNE: Well, first, let me thank Lynn Rex. She always smiles as she'll try to kill your bill. And she does it in such a nice way. But I do want to say this is probably one of the verse, most diverse group of

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proponents that I've ever had between Home Builders, Developers, AARP, and Appleseed. So I do appreciate that. The second thing I appreciate is I hope all of the people who testified against this bill will come to the transit hearing, which is LB492, where we talk about developing public transportation across the rest of the state and improving Nebraska, in Omaha particularly, around regional transit. So since that was one of their big objections, I think they should support this bill or at least that bill. But the other thing is that I think when you look at individual bills you don't see the overall concept. And the concept that we're trying to bring or I'm trying to bring and my staff for trying to bring is around affordable housing, transit authorities throughout the state, and making sure we have proper density, particularly in the urban core. And the fact of the matter is I'm 39 years old and I just heard that the city's been doing this for 40 years. Yet, we lack of affordable housing in the city of Omaha. And I am all about local control. But local control is local control until it's not. And we can't wait for the storm to hit before the state steps in. Because at the end of the day, we are losing job opportunities because there's not affordable housing. We may live in a state where a dollar goes a little bit farther than if you lived in, than living in New York. But at the end of the day, you heard the stats on what our minimum wage is paying and whether they can afford a minimal, minimal affordable housing. And they can't. We have to do something. And maybe this isn't the year and maybe this isn't the bill but I think we, especially Urban Affairs, needs to look at all the bills before it around affordable housing, rapid transit, and how do we help our cities become better. But if our cities aren't going to do it, we as a state have to step up. We can't afford to miss another plant who wants to come here and we have to figure out how do we get 20,000 people to live in a certain area. And this isn't just an Omaha issue. Columbus, Beatrice, North Platte, Kearney, everybody is dealing with affordable housing. And I've sat in this body for two years and I've witnessed a complaint after complaint about affordable housing. And at some point we have to do something. And when I look at the city that I grew up in and I look at we are one of the most segregated cities in the country, and the difference between north and south Omaha on 24th Street is a commercial. They have the space to start startups, startup businesses in south Omaha where north Omaha doesn't on 24th. So that's why we added the commercial component. If they can get commercial in the proper areas in the urban core, we can create businesses and help businesses and startup businesses while creating affordable housing. But the fact of the matter is affordable housing is a state crisis. And the cities, while they're trying, aren't

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getting the job done right now. I want to do more. I wish we can figure out how to do more. And this is just one attempt to open that conversation. Yeah, I will agree it's a little harsh but sometimes that's how we get everybody's attention to sit down at the table and figure out how do we really create an avenue or a program to create affordable housing in the state of Nebraska. Because all I see being built in north Omaha is rental and LIHTC housing. Not market rate, not affordable. LIHTC housing. So that goes back to the other social problems that we have of if you get a raise and you got to go for 13 hours to 15 hours now you might lose your home because it's LIHTC housing, which is a tax credit program. So we as a state have to figure it out, and this committee will have a lot of executive sessions during this long session around how do we negotiate multiple bills in here to figure out a package on affordable housing. Because that's where I want this committee priority to be. If we're urban affairs and we got to help the cities figure out this problem then it should be the number one issue in this committee affordable housing to help our municipalities. And that's where I think we can get there. Whether this bill is a part of it or not doesn't bother me. But we have to do something and I think it generates here out of this committee. And with that, I'll answer any questions.

HUNT: Any questions from the committee? Any statements, any ideas? Thank you, Senator Wayne. And with that, I'll close the hearing on LB136. Thank you all for being here. The next bill is LB87 with Senator Wayne. You're invited to open whenever you're ready.

WAYNE: Good afternoon, Vice Chairman Hunt, Chairwoman Hunt and members of the Urban Affairs Committee, as we continue the theme of affordable housing and economic development. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, and I represent Legislative District number 13, which is north Omaha and northeast Douglas County. One of the lesser known components of the 2017 tax overhaul is what's been called the Opportunity Zones Program, which was designed to promote investment and drive economic growth in low-income or economically disadvantaged communities. Under federal law each state can nominate a number of census tracts to be designated as opportunity zones. Governor Ricketts nominated 44 census tracts in Nebraska as opportunity zones last year. A series of maps showing that are in your binder. LB87 would further encourage investment in these areas by requiring the Department of Economic Development provide a preference for projects and businesses located in whole or in part with the opportunity zones under various grant incentive programs. These programs are Affordable Housing Trust

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Fund, Business Innovation Act, Job Training Cash Fund, Site and Build Development Fund. Because the department is already required to allocate, to develop allocation plans for how they distribute these grants, the details on how the preference would work would obviously be up to the department. Currently, the department provides preference for projects and businesses located in enterprise zones. So in all likelihood, the preference given to opportunity zones would probably mirror the one in the enterprise zones. There are several individuals who are going to testify behind me. I would be happy to answer any questions at this time.

HUNT: Thank you, Senator Wayne. Any questions from the committee? Senator Lowe.

LOWE: Thank you. Did somebody else carry this bill last year, do you know?

WAYNE: No.

LOWE: The last two years?

WAYNE: Last year we were, there was talk in the body, and we ended up sending a letter to Governor Ricketts asking to clarify where all the zones were. And I think there was an announcement just showing where he had nominated all the zones. But actual bill was not carried.

LOWE: I just recall some talk about it. Thanks.

WAYNE: So thank you for your support of it.

HUNT: Any other questions? Seeing none, thank you, Senator Wayne. First proponent for LB87? Wow. Any opponents for LB87.

LYNN REX: Sorry, I'm flailing things here.

HUNT: Okay, you're here as a proponent?

LYNN REX: Yes, I am.

HUNT: Just for clarification. Thank you.

LYNN REX: Yes, I am. Thank you. Senator Hunt, members of the committee, my name is Lynn Rex representing the League of Nebraska Municipalities, L-y-n-n R-e-x. Senator Wayne has already outlined the purpose of this bill. We strongly support it. We think since DED is

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already doing it with respect to the enterprise zones this should not be difficult for them to implement this. With that, I'd be happy to respond to any questions you might have and we appreciate him introducing this bill.

HUNT: Thank you, Ms. Rex. Any questions from the committee? Seeing none, thank you for being here today.

LYNN REX: Thank you.

HUNT: Any other proponents on LB87? Seeing none, anyone here in opposition? Anybody here in the neutral capacity?

MATTHEW CAVANAUGH: All right.

HUNT: Welcome.

MATTHEW CAVANAUGH: Yeah. Thank you, Vice Chair Hunt, members of the Urban Affairs Committee. Hello, again. My name is Matthew Cavanaugh, executive director of the Nebraska Housing Developers Association, comprised of more than 80 organizations. And I provided you a list of that membership in previous testimony, and it includes just about every organization and entity which regularly applies for and receives funding from the Nebraska Affordable Housing Trust Fund. I'm testifying today in a neutral capacity on LB87 to provide information from the perspective of those organizations which compete for and utilize the Affordable Housing Trust Fund. We support the sponsor's intention to ensure that Affordable Housing Trust Fund dollars are reaching the lowest-income communities which are in most need of investment. Additionally, we are always supportive of efforts to utilize state funds to leverage federal resources. For instance, the Nebraska Affordable Housing Trust Fund currently provides the local matching funds which allow Nebraska to access federal HOME funds. However, we have concerns regarding the usefulness and feasibility of providing another priority for the allocation of the trust fund funding. First priority must already be given to those projects located in enterprise zones. Furthermore, the Department of Economic Development must make every effort to ensure that projects are awarded will benefit the lowest-income recipients for the longest period of time and are distributed with at least 30 percent of funding going to each congressional district. It is difficult to contemplate how a second first priority designation based on specific geography will interact with the existing first priority I just described. In some cases, these prioritized districts may overlap but in others you may

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have two first priority districts in direct competition. It has been our opinion that Nebraska Affordable Housing Trust Fund is most valuable when it is most flexible. The trust fund is entirely state funded and as a result can be managed nimbly and applied proactively to meet our state's particularly needs for affordable housing. This is not the case for federal funds like HOME, CDBG, and Low-Income Housing Tax Credits which all carry more onerous federal requirements. We feel that putting additional allocation priorities into state statute could complicate the application process for those who utilize the fund, as well as impede the allocation of the distribution of funding for the Department Economic Development. Finally, we're concerned about directly tying our state's program to a new and unexplored federal program. As opportunity zones are a new program, there are currently more questions than definitive answers. For instance, can new zones be added in future, in the future or existing zones be taken away? What kind of investment will zones attract and how will the zones change over time if the opportunity zones experiment is successful? It is already the case that many of the opportunity zones are not in the neighborhood you would expect if you're intending to target communities historically marginalized by lack of investment. Our membership in this organization are fully committed to ensuring that there is sufficient affordable housing in every community in which it is needed, with a specific focus, focus on those neighborhoods which are most persistent need and the most pernicious challenges. We are happy to work with the bill's sponsor, with this committee, and any other members of the Legislature to that end. The Nebraska Affordable Housing Trust Fund is an important tool to achieve that goal and we believe it is most efficient when it maintains greatest flexibility. Thank you for your time. I'm happy to answer any questions.

HUNT: Thank you, Mr. Cavanaugh. Any questions from the committee? Seeing none, thank you for being here.

MATTHEW CAVANAUGH: Thank you.

HUNT: Anybody else here to testify in the neutral capacity? Seeing none, Senator Wayne, you're invited to close on LB87. I'll say we have one letter of support from the Nebraska Realtors Association; and none in opposition and none in the neutral capacity. With that, Senator Wayne, you're invited to close.

WAYNE: I just wanted to note the Realtors sent the letter of support if that wasn't heard the first time. But when I wrote my testimony, your staff, they said several people will be testifying. That changed

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to one and two, so I apologize for that. I have no questions. Anybody have questions? I'm good.

HUNT: Seeing no questions from the committee, I'll close the hearing on LB87. Thank you, Senator Wayne. Next we'll open the hearing on LB234, introduced by Senator Wayne.

WAYNE: As continuing with Justin's struggle with local control. Good afternoon, Vice Chairwoman Hunt and members of the Urban Affairs Committee. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e, and I represent Legislative District 13, which is north Omaha and northeast Douglas County. LB234 would require municipalities to provide prompt payment to small businesses. Payment of claims must be made on or before the fifteenth day and no later after-- I'm sorry. The fifteenth day after the later of the-- fifteenth day. The items will be furnished. And basically 15 days if their items were furnished and services were rendered. The bill was received, the bill was received for items. I'm sorry, I'm miscalculating what I'm reading here, so I'm going to start over. That's the kind of day I'm having. Requires prompt pay 15 days after receiving services or the bill was received for the items to which you provided service for. At the state level we are currently have the Prompt Pay Act, which sets it about 45 days payment required for our businesses. As a small business owner I can say that 45 days is a very long time, especially when you have to float two or three payroll cycles and the cost of doing the job itself. This would ensure if we pass this bill, would ensure that small businesses can participate in the bidding process and open up more bidders to open up and apply for these kind of jobs with the small government or municipalities, sorry. While we have a Prompt Pay Act at the state level, we do not have a similar statutory require, requirement for municipalities or for other political subdivisions. I believe if we as a state want to support small businesses we have to ensure all local, all levels of government are paying government contracts in a timely manner. Thank you for your time and I'll be happy to answer any questions.

HUNT: Thank you, Senator Wayne. Any questions from the committee? Seeing none, are there any proponents in the audience today for LB234? No? Any opponents? Welcome to your Urban Affairs Committee.

JEFFREY BLOOM: Thank you. Vice Chairwoman and members of the committee, my name is Jeffrey Bloom; Jeffrey, J-e-f-f-r-e-y, Bloom, B-l-o-o-m, and I am assistant city attorney for the city of Omaha and I'm representing them in opposition to today, today's bill. With the

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city of Omaha, the vast majority of claims made under Nebraska Revised Statute 14-1804 for us are handled by the respective city departments and the City Finance Department. For undisputed claims, typical turnaround time for, from the date received to payment issued is seven to ten business days. I'm not aware of any complaints as to the timeliness of payment of authorized and undisputed bills. However, a statutory requirement to have the city council approve or disapprove of payment of those claims within 15 days is highly problematic. For example, when a contractor completes work for the Public Works Department it must be inspected. Payment is likely needed to be approved by two people then before a check is actually sent out. While this may be able to be done in 15 days, circumstances beyond the city's control could make that impossible. Examples would be that it is difficult to assess construction work in adverse weather or city personnel may be needed to authorize payment but they're out of the office or payment may be needed to be approved by the city council, depending on the amount of the cost and other factors. So claims of this type must generally be inspected, reviewed, and paid. Council review would require the item to be placed on the agenda in the week prior to the council meeting where it would be discussed. If there is no council meeting that week because of a holiday the process would be delayed at least another seven days. Further, if law department review is needed, that would take additional time to gather the appropriate reports, research, and applicable, the applicable law, devise a legal strategy, consult with experts, and make to final decision, that alone can take 15 days or longer. This is true especially if there's any negotiation with the claimant involved in the process. The city of Omaha requires the procedures to be in place to protect taxpayer money from being paid out inaccurately or inappropriately. Further, this legislation could lead to unintended consequences. The city understands the importance of prompt payment. However, having to deny a claim because of statutory time for review is insufficient would end up hurting rather than helping that business. In fact, if the city had a reasonable defense for a claim, or if the claim needed more investigation, denial may be necessary, given the time line imposed. Having to go through the appeal process to the district court would not be cost-effective for the city or the small business. This could result in additional litigation for the law department with additional costs. In addition, any profit expected to be made by the small business would certainly be lost by hiring an attorney. The city may also be forced to make tough decisions and pay claims that with proper investigation probably should not have been paid. This is a disservice to taxpayers. The fact that the legislation is limited to small

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businesses is problematic in itself. Who is to determine whether the business meets the definition of a small business as defined by the North American Industry Classification System codes? Will vendors have to provide average annual receipts information and average employment information to us when submitting a claim to the city so that we know that they're classified as a small business? Further, if the Parks Department for example buys a mower, will the vendor have the appropriate code to be a farm machinery and equipment manufacturer, which would be 1,250 employees or would it be a lawn and garden tractor manufacturer where 1,500 employees would be the limit for it being a small business? Or let's say it's a farm supplies merchant wholesaler where 200 employees is the limit. There may be state constitutional issues with this law as well. There's a question of whether this would be considered special legislation. With this, a legislative act has been said by the Supreme Court to constitute special legislation: If it creates an arbitrary and unreasonable method of classification or it creates a permanently closed class. This is not a permanently closed class obviously. However, the Supreme Court has also said that a legislative classification, in order to be valid, must be based on reason of public policy, some substantial difference of situation or circumstances that would naturally suggest the judicious or expediency of diverse legislation on the respect object to be classified. So is there a substantial difference when it comes to small business versus an individual needing to be paid? Is there a substantial difference between farmers and supply wholesaler with 201 employees or of one with 199? Well, one is a small business and one is not. While we certainly support and see the importance of small businesses doing business with the city of Omaha, adding this layer of analysis is cumbersome and unnecessary given our current practices. As such, we oppose this legislation. I'm open to any questions that you have.

HUNT: Thank you for your testimony. Any questions from the committee? Seeing none, thank you.

JEFFREY BLOOM: Thank you.

HUNT: Next opponent. Welcome back.

LYNN REX: Senator Hunt. Yes, thank you. Members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. I am handing out for you today a letter from the United Cities of Sarpy County, which I know was sent to you already. And then another letter from the city of Lincoln, just kind of

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underscoring their concerns. I'm not going to repeat what the attorney said from representing the city of Omaha but, for example, and this is a letter basically for, from Mayor David Black, city of Papillion, on behalf of the United Cities of Sarpy County. He indicates that, for example, if a claim for payment was received by the city of Papillion for processing on April 16, the first available city council meeting for consideration is May 7, exceeding the 15-day requirement and providing limited time for review of the claim for payment. United Cities councils meet twice monthly. That being said, this bill relates to metropolitan class cities: Omaha; primary class: Lincoln; first class cities, second class, and villages. And we're more than happy to work with Senator Wayne and the committee if there's an issue about how municipalities and how soon they can make payment. Villages, I don't know of any village that meets more than once a month. There may be one out there, there are 380 villages in the state. Possibly one but I've, frankly, every one of which I'm aware only meets once a month. Second class cities, a lot of them only meet once a month. That being said, I do think that if the issue is that munici-- some municipalities are not paying in a timely fashion, perhaps there's another way to you to verbalize this and write it up so that people can easily apply it. Because otherwise the way we see it as well is how would they verify if that small business is going to meet the requirements outlined in lines 12 and 13, as in a small business size standards match to the North American Industry Classification System codes of the U.S. Small Business Administration as the table existed on October 1, 2018. That being said, maybe the company is the one that brings that forward. I don't know. But whether it's a small business or a big business, municipalities ought to be paying their bills in a timely fashion if that service has been rendered or if that product has been delivered. And we're happy to work with you on how to best do that. We just think that this approach is probably not the way to go. With that, I'd be happy to answer any questions that you might have.

HUNT: Thank you, Ms. Rex. Any questions from the committee? Senator Briese.

BRIESE: Thank you, Chairman Hunt. Thanks for being here. The bill proposes a 15-day time line. Do you see a different time line as being more acceptable?

LYNN REX: Well, it would have to be-- yes, sir. Because, for example--

BRIESE: And what would that be?

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LYNN REX: Well, for example, and frankly I think it could vary by class of municipality. There are five forms of government, as you know, and five classes of municipalities in this state: Village, second class, first class, primary, and metro. And there may be a different standard based on those classes. For example in villages, I just don't see any way that a 15-day time slot is going to work. You're probably looking at more like a 45. What if they get it at the-- so that they can verify that in fact there has been the product delivered or that the service has been provided and that it's adequately done. There's a difference between doing a service and then you're paying for the service versus did you get the box of paper or did you get the John Deere tractor to mow the cemetery. A difference in that in very, be able to verify that. So, Senator Briese, what I'm suggesting to you is that, for example, for villages, you're looking at much more than 15 days in order to do that. For most second class cities-- there are 117 cities of the second class, population 800 to 5,000. They also are in a position where most of them only meet once a month. The larger ones do meet maybe twice a month. And then with Lincoln or Omaha. Again, if it's a function of what time might work best for them, I think they've already outlined some of the concerns that they have relative to that too. That being said, municipalities need to pay in a timely fashion, in a reasonable fashion. And we understand that we're prepared to work with Senator Wayne and this committee to that end.

HUNT: Thank you, Ms. Rex. Thank you, Senator Briese. Any other questions from the committee? Seeing none--

LYNN REX: Thank you very much.

HUNT: Thank you for being here today. Anybody else here in opposition to LB234? Seeing none, anyone here in the neutral capacity? Seeing none, we have three letters on this bill. Opposition from the city of Stromsburg; a letter of opposition from the United Cities of Sarpy County; and a lot of opposition from the city of Lincoln. And with that, Senator Wayne, you're invited to close on LB234.

WAYNE: Thank you. Two things. One, I've watched daycare providers who can navigate the complexities of DHHS, submit on-line, and within seven to ten days have all their money paid. So it's possible with technology. Do we have to set up probably different structures for those smaller villages that meet maybe once a, once a month? Absolutely. And maybe, maybe a broader thing is we just need to write a prompt pay and pay act all the way across the whole state for all

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political subdivisions and municipalities so we have clear guidelines. The problem is when you bid on a job, particularly construction jobs, if it is different from city of Omaha and city of Lincoln and you're trying to float all this cash, it becomes complex without having a standard payment system. Whether it's 30 days, whether it's 45 days-- I think 45 is a little long for most small businesses. But in this day and age of technology, I just don't know how we can't. And so maybe we set thresholds like we do with our bidding process wherever it's under certain dollar amount it can automatically be paid. And they can go back and recapture it if it was done wrong but at least we can start the process of prompt pay. I do take exception to the city of Omaha, and maybe this is just the ongoing theme this year. But, but to come down and testify and say that there is a constitutional issue is just not founded. We, we use small businesses through multiple statutes throughout Nebraska Statutes to, for grant programs for DED programs. DOT has a small business program, there's multiple, and they are always defined by federal statute of a particular date. This is not a new concept. And to say it is unconstitutional is, one, I think it does a disservice to our legal counsel who reviews everything multiple times. And I'm gonna stick up for him any time that I'm in a public setting because we always go through our, our bills to make sure that they at least meet the constitutional muster. So I think it's a reasonable classification and I don't think there's any constitutional argument at all with that. But I do think there needs to be a broader conversation about government contracting, which is why I have another bill similar to this in Government, throughout our state about how to grow small businesses and continue to help small businesses as we bid and go through the procurement process in general. So with that, I thank this committee and I'll answer any questions.

HUNT: Thank you, Senator Wayne. Any questions from the committee?
Senator Hansen.

M. HANSEN: Thank you, Senator Wayne. Would this bill also apply to people who contract a sanitary improvement districts or other political subdivisions?

WAYNE: No. Maybe we should include that.

M. HANSEN: Maybe. All right, thank you.

WAYNE: That is a huge-- well, the reason I said, I didn't think of that until just now, but that is a huge problem. So in Douglas County there is a reason why a lot of small contractors, and I'll just speak

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for myself, won't bid on street projects because you won't get paid until that's completely done plus 45 to 60 days after. So you're talking about a two or three-month project where you're floating concrete, four payroll cycles, and then they have to approve it. Another 30 to 45 days later, you're 60 to 90 days out on a payment. So what you find is, at least in Douglas County, the same contractor is doing all that SID work because it's just feasibly you can't make, the cash flow is very difficult.

HUNT: Thank you, Senator Hansen and Senator Wayne. Any other questions? Seeing none, this closes the hearing on LB234. Next up today we have LB68, introduced by Senator Hansen. Welcome, Senator Hansen.

M. HANSEN: Thank you. Good afternoon, Vice Chair Hunt 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. And I'm here today to introduce LB68. LB68 would allow cities to amend ordinances governing business improvement districts to allow-- or often called BIDs-- to allow existing BIDs to change their boundaries or change their functions or provisions. Currently, cities can only amend BID ordinances to expand the boundaries of the existing BID. The way this process would work for adopting either of these changes would remain the same. The business improvement district board would make a recommendation to the city council for whether, for when they want the change to either the boundaries or the functions or provisions, and the city council would then make the ultimate decision on whether to adopt those changes. Common functions or provisions of BIDs include maintenance, repair, and reconstruction of facilities or communal area, areas; organization or promotion of public events; installation of things like plazas, sidewalks, parks, lighting, bus stop shelters; and contracting for services such as trash pickup and parking. There's actually a full list of these on pages 4 and 5 of the bill. So under this bill, for example, a BID that forms with the initial function of providing maintenance of the sidewalks and street lamps could then recommend to the City Council to expand the provisions to include the planning of a public event or appropriate-- promote businesses in a BID. Or a BID could recommend moving their boundaries as opposed to just being able to expand their boundaries under current law. Right now, BIDs must disband and reform completely if they want to change their boundaries and not just expand. LB68 also includes a number of cleanup sections and technical changes that were recommended to us by committee legal

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counsel that I understand now are might be duplicative of another bill that is already moving forward, so I'd be happy to work with the committee on that answer. With that, I will end my opening and take any questions from the committee.

HUNT: Thank you, Senator Hansen. Any questions from the committee? Seeing none, thank you. Is anybody here to testify in support of LB68. Seeing nobody, is anybody here in opposition to LB68? See no one, is anybody here in the neutral capacity? Wow, cool. We have no letters for the record on LB68, so, Senator Hansen, you're invited close. He waives closing and that will close our hearing on LB68. This next we'll open the hearing on LB197, which is the committee bill. Welcome, Mr. Fitzgerald, to your Urban Affairs Committee.

TREVOR FITZGERALD: Good afternoon, Vice Chairwoman Hunt and members of the Urban Affairs Committee. For the record, my name is Trevor Fitzgerald, T-r-e-v-o-r F-i-t-z-g-e-r-a-l-d, and I'm introducing LB197 on behalf of the committee. As committee members are now aware, because I keep telling you this in my testimony, in 2015 the Urban Affairs Committee began a multi-year effort to modernize and update the statutes governing various classes of municipalities. During the process of updating and modernizing these statutes it was discovered that the process by which territory is disconnected from the corporate limits of municipalities varied greatly. Currently, procedures for disconnection from cities to the second class and villages differ, differ greatly from the procedures for disconnection from cities of the first class, while no procedure for disconnection exists for cities of the metropolitan class or cities of the primary class. In order to examine this issue, last session the committee introduced LR409, an interim study to examine issues related to the disconnection of territory from municipalities. As part of the interim study committee staff worked with the League of Nebraska municipalities to determine if any municipalities had recently used the disconnection statutes. As best as we can tell, only two cities have actually used this process: The city of Fremont and the city of Springfield. LB197 is the work product of the LR409 interim study and would establish a uniform procedure for the disconnection of territory from municipalities that mirrors the current process utilized by cities of the first class. The bill would also change the terminology from disconnection to detachment. After reviewing both the processes currently outlined in statute, the one used by cities of the first class made most sense as it basically involves the property owner making a request to the city council or village board of trustees that

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the property be detached from the corporate limits. The current process for cities of the second class and villages is much more cumbersome and involves property owners filing a petition in district court with the city or village then having to respond. When the city of Springfield went through their disconnection case a number of years ago, it took more than six months to process. Whereas the process for cities of the first class could be done in a number of weeks. There are several individuals, well, at least the League, hopefully, behind me to testify. But I would be happy to answer any questions the committee may have at this time.

HUNT: Thank you, Mr. Fitzgerald. Are there any questions from the committee? Senator Crawford.

CRAWFORD: Thank you, Vice Chair Hunt. Just because it may be immaterial, it's not in the green copy. So is all that's required for detachment is just the vote?

TREVOR FITZGERALD: Well, the way the, way the process works-- so the new Section 1 of the green copy basically mirrors the existing statutory language for cities of the first class, which is in Section 16-129. And basically an individual property owner makes a request to the city that they consider detaching the property from the corporate limits and the city council takes a look at that situation, determines whether it's appropriate or not and then votes it attach or not. The-- the process for cities of the second class and villages was extremely cumbersome. The statutes, as I recall, also hadn't been amended in a number of years so I think it was really kind of a, an outdated process that was kind of a dinosaur hanging around in our statutes for a while.

CRAWFORD: Thank you.

HUNT: Thank you, Senator Crawford. Any other questions? Seeing none, thank you very much, Mr. Fitzgerald. Next up, proponents for LB197.

CHRISTY ABRAHAM: Thank you, members of the Urban Affairs Committee. As promised, at least the leak. I am Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m. And Trevor always does such an excellent job there's really nothing left for me to say. We're just really grateful for this committee that they continue to look at modernizing and updating all of the municipal statutes. As Trevor said, the process for second class cities is very burdensome. I mean, the property owner really had to file a court case and then the city council has to weigh in as to

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whether or not they agree with the attachment. And if they consent then the court just issues an order. But if the city doesn't agree then there's a trial, and that just seems unnecessary. So we're very grateful that there's going to be one process for everyone and it's going to mirror the first class cities. And we do have, in addition to just the League, someone here from Fremont to testify about how their process went. But I'm sorry, Trevor. But I'm happy to answer any questions.

HUNT: Thank you, Ms. Abraham. Any questions from the committee? Seeing zero, I appreciate your testimony. Next proponent for LB197.

BRIAN NEWTON: Madam Vice Chair, members of the committee, Brian Newton. I'm the city administrator of Fremont. So we've actually done this twice, and I think I sent Trevor some information on one process. We actually did it the second time. Let me explain. The first one that we did was when Costco was buying the property and the city was annexing there was a piece of property that a lady owned and she really, and it was neighboring Inglewood. And she really wanted to move her home. There was a street that was going to go through there, she wanted to do a transfer between Fremont and Inglewood because she didn't really want-- she wanted to remain in Inglewood. And so we actually disconnected a small parcel of property that Costco gave to her so she could relocate and build a new home. We actually disconnected it so Inglewood could, could annex it and put it inside of Inglewood. So that was the first time we've done it. The second time we did it is we had a piece of property that was, it was owned by the Dier's corporation or Dier, Charlie Dier in Fremont. He did a new subdivision. And as part of the subdivision he built infrastructure: streets and sewers and water. We required him, and this has been probably 10 years ago, we required him to, to annex into the city 11.72 acres of additional property that we could then put a lien against on the assessments in case he didn't pay. And so we forced him by a contract to annex an additional land so we could put a lien against it in case he didn't pay the assessments. At the end of that period of time when the assessments, and this is the one I sent Trevor, were all paid, he came back in and said, OK, listen, you don't need to have this lien capabilities anymore, would you please detach this? Because I'm sick and tired of paying higher property taxes. And what had happened and what we discovered, and I've since been working with Senator Walz to introduce some more legislation, is that when we annex that the city assessor, or the county assessor suddenly changed the tax valuation of that property to commercial property. And so he

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would end up not only being in city limits paying higher taxes but he also paid much higher property taxes to the county because they assessed him as, even though it was farm the entire time, he had to pay commercial property taxes on it. For instance total in those 11 acres, he was valued at almost \$700,000. Once we disconnected it, it went down to \$42,000. So he paid a lot of extra taxes. And so he petitioned. He came in and said, listen, I love you guys, but we really want out of the city. These taxes are killing me. And so he simply made the application, city council heard it. It was an ordinance. Typically, ordinances have to be approved by five of the eight city council members, OK? We felt it was necessary to do it right away, we waived future second and third readings. Therefore they passed it with six votes that same night. And so it was just a matter of him applying it, went to city council, got the, got the city council members to waive future second and third readings. We passed it that same night and it was done. He was then out of the city. We put it in the newspaper for 15 days. It doesn't become law for 15 days and after that guess what? It was out of the city. And now his taxes went down. So it was a very simple process. I don't know what second class cities or villages do, but all I know it's a very convenient and very helpful process when we can help customers or our residents out to be able to disconnect from the city. Doesn't come into play very often, but in these two instances it worked very well. So with that, I'd be happy to answer any questions.

HUNT: Thank you, sir. And can I just have you spell your name for the record?

BRIAN NEWTON: I'm sorry. Brian Newton, N-e-w-t-o-n, B-r-i-a-n N-e-w-t-o-n.

HUNT: Thank you very much. Are there any questions from the committee? Seeing none, I appreciate your testimony--

BRIAN NEWTON: Thank you.

HUNT: --today. Any other proponents for LB197? Seeing none, is anyone here as an opponent? Welcome to your Urban Affairs Committee.

KRISTEN GOTTSCHALK: Thank you. Chair Hunt and members of the Urban Affairs Committee, my name is Kristen Gottschalk, K-r-i-s-t-e-n G-o-t-t-s-c-h-a-l-k. I am the government relations director and registered lobbyist for the Nebraska Rural Electric association, so this is an unusual committee for me to testify in. And I am actually

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here to testify in opposition to LB197 but I have to caveat that because NREA members do support the process for deannexation. That component, that language is something that's very agreeable to. So it's not what's in the bill that we are in opposition to, it's what's not in the bill that we have some concerns with. And so our opposition stems from the lack of language dealing with the acquisition or who gets to serve the electric load or the utility load in that area that is disconnected. And you may be aware that if the municipality annexes new territory there is a process involved to allow for them to take over the electric utilities in that area. They have a year to do so. And if they choose not to in that year, it would be retained with the incumbent provider or it would be, it would go through a process where they either negotiate an agreeable contract between the two parties or they follow the guidelines within statutes. And so I would reference you-- and what's included in the handout I gave you as is the language in 70-1008 through 70-1010 that deals with the annexation of new property. So we would encourage you that if this bill does move forward that even includes some kind of similar language to provide for that if, if that is appropriate. And the other issue that there was concern about, and this, this stems from an incident in western Nebraska in which a municipality was, was suffering some buyer's remorse for not executing their right to take over the utilities in an annexed area and so were going through the process to try to deannex the, the properties so they could reannex the property and start that 12-month clock over again. And while I don't think that would be a common practice, it does seem appropriate that a suitable time frame such as ten years could be mandated to prevent that type of use of what is a common sense statute to be able to deal annex or to disconnect property from, from a municipality. With that, I would end my testimony. I know you guys have been sticking around for a long time. We're all wondering what it's doing outside. But I would entertain any questions you may have.

HUNT: Thank you, Ms. Gottschalk. Are there any questions from the committee? Seeing none, thank you for being here today. We appreciate it. Any other opponents for LB197? Anybody here in the neutral capacity? I would invite Mr. Fitzgerald to close just because I have a couple of questions. Thank you. Sorry I didn't get them out of the way earlier. So thank you. And we have no letters for the record on LB197. Would the detachment process under this bill the way it's written, would it allow for the deannexation of any cities? Would allow for the deannexation of Elkhorn, for example?

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TREVOR FITZGERALD: To answer your question, Senator Hunt, while theoretically detachment could be used to deannex property, it's, it's unlikely that it could be used on such a large scale. The way the statute is written, both the current language and the new language as proposed by LB197, would propose to have individual property owners petitioning for their specific property to be detach, detached. So it's unlikely you would have one property owner owning the whole swath of, well, for example, you-- we know there are many thousands of property owners that were in the former city of Elkhorn when it was annexed. The other component is the way that the statute works is it is, it's only eligible for a property that is adjacent to the corporate limits. So you could only have kind of that one property owner on the edge of the line that would be able to petition to detach from the corporate limits under the bill.

HUNT: Understood.

TREVOR FITZGERALD: So in order, theoretically, theoretically in order for such, you know, for undoing the annexation of Elkhorn, you'd have to have ring one all, all gets detached then ring 2, 3, etcetera. And it's, it's unlikely from a logistical standpoint as well as a, probably, political standpoint because it's probably unlikely the city of Omaha would be OK with that.

HUNT: Thank you, Mr. Fitzgerald. Any other questions from the committee? Seeing none, that closes the hearing on LB197 and that closes are hearing today. Thank you, everybody, for being here.