

ONE HUNDRED EIGHTH LEGISLATURE - SECOND SESSION - 2024
COMMITTEE STATEMENT (CORRECTED)
LB693

Hearing Date: Tuesday February 14, 2023
Committee On: Urban Affairs
Introducer: Linehan
One Liner: Require an authority under the Community Development Law to pay project-related costs for utility work for a fixed rail or streetcar system

Roll Call Vote - Final Committee Action:
Indefinitely postponed

Vote Results:

Aye:	6	Senators Blood, Cavanaugh, J., Day, Hardin, Lowe, McKinney
Nay:		
Absent:		
Present Not Voting:	1	Senator Hunt

Testimony:

Proponents:

Senator Lou Ann Linehan
John Wyvill*

Representing:

Opening Presenter
Cox Communication

Opponents:

Representing:

Neutral:

Representing:

* ADA Accommodation Written Testimony

Summary of purpose and/or changes:

LB 693 would create the ability for an authority to pay for the project-related costs for natural gas and water utilities when it comes to a redevelopment project within a city of the metropolitan class for any project that includes a fixed rail or streetcar system.

In 2022, a revised plan for the Omaha streetcar was announced by Mayor Jean Stothert and the Greater Omaha Chamber of Commerce's Urban Core Committee. The streetcar will be built, operated, and maintained without a property tax rate increase or sales tax increase. It will run on a three-mile route from Cass to Farnam on South 10th Street, Farnam west to 42nd Street, and back to 10th Street on Harney. The streetcar is expected to be operational in 2026, and free for all riders.

In late June 2022, Omaha council members approved a redevelopment agreement that established guidelines for the streetcar project, including the use of up to \$354 million in tax-increment financing. The agreement created the TIF district that would generate the estimated \$306 million needed to pay back the bonds that will cover the cost of constructing and launching the streetcar system.

Any additional funds generated by the TIF district were earmarked for affordable and workforce housing solutions. The district would span the entire streetcar route, as well as three blocks north and south of the route.

Under TIF, the developer of a city-approved project takes out a loan to help cover eligible redevelopment expenses. The loan is paid back, generally over a 15-year period, by using the increased property taxes that are generated on the new development. Normally, property tax payments go to support schools and other local tax-reliant bodies.

During the TIF period, the property owner continues to pay a portion of property taxes to local governments based on the valuation that existed before any improvements. After the TIF loan is repaid, property taxes collected on the higher-value, improved property then start flowing to those local governments.

In the case of the streetcar's TIF district, the money would come from three streams:

New developments in the streetcar district would contribute 25% of their TIF proceeds. That element alone is projected to generate \$218 million.

Using authority it has under state law, the city also plans to extend the timeline of already existing TIF projects along the route from the current 15 years to 20 years. Those five additional years of payments would generate an estimated \$50 million.

The third part will come from existing properties that see increased valuations within the TIF district, raising \$86 million.

Section-by-Section Summary:

Section 1 amends §18-2120 to require an authority to pay for all project-related costs for natural gas and water utilities within the context of a redevelopment project. These project-related costs include utility work required for the construction of a fixed rail or streetcar system and engineering services performed for any and all gas and water utility work.

Section 2 of the bill repeals the original section.

Potential Testifiers:

Rick Kubat, Metropolitan Utilities District will likely testify.

The League of Municipalities will testify in opposition.

Technical Comments:

LB 693 would make the city of Omaha pay for all project-related costs for natural gas and water utilities, as they relate to the building of a fixed rail or streetcar system.

