

Transcript Prepared by Clerk of the Legislature Transcribers Office
Urban Affairs Committee February 4, 2025

McKINNEY: All right. Good afternoon. Welcome to your Urban Affairs Committee. I am Senator Terrell McKinney from Omaha, Nebraska, representing the 11th Legislative District. And I serve as chair of this committee. The committee will take up bills in the order posted. This public hearing is your opportunity to be a part of the legislative process and to express your position on the proposed legislation before us. If you are planning to testify today, please fill out one of the green testifier sheets that are placed on the table at the back of the room. Be sure to print-- print clearly and fill out completely. When it is your turn to come forward to testify, give the testifier sheet to the page or to the committee clerk. If you do not wish to testify but would like to indicate your position on a bill, there are also yellow sign-in sheets on the back table for each bill. These sheets will be included as an exhibit in the official hearing record. When you come up to testify, please speak clearly into the microphone. Tell us your name and spell your first and last name to ensure we get an accurate record. We will begin each bill hearing today with the introducer's opening statement, followed by proponents of the bill, then opponents, then finally anybody wishing to testify in a neutral capacity. We will finish with a closing statement by the introducer if they wish to give one. We will be using the five-minute light system for all testifiers. When you begin your testimony, the light on the, on the table will be green. When the yellow light comes on, you will have one minute remaining. And the red light will indicate that you need to wrap up your final thoughts and stop. Questions from the committee may follow. Also, committee members may come and go during a hearing. This has nothing to do with the importance of the bills being heard. It's just part of the process, as senators have bills to introduce in other committees. A final few items to facilitate today's hearing. If you have handouts or copies of, of your testimony, please bring at least 12 copies and give them to the page. Please signen-- silence and turn off your phones. Verbal outbursts or applause are not permitted in the hearing room. Such behavior may be cause for you to be asked to leave the hearing. Finally, committee procedures for all committees state that written position comments on a bill to be included in the record must be submitted by 8 a.m. the day of the hearing. The only acceptable method of submission is via the Legislature's website at nebraskalegislature.gov. Written position letters will be included in the official record, but only those testifying in, in person before the committee will be included on the committee statement. I will now have the committee members with us introduce themselves, starting at my right.

J. CAVANAUGH: John Cavanaugh, District 9: midtown Omaha.

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QUICK: Dan Quick, District 35: Grand Island.

ROUNTREE: Victor Rountree, District 3: Bellevue and Papillion.

CLOUSE: Stan Clouse, District 37: Kearney, Shelton, and Gibbon and Buffalo County.

ANDERSEN: Bob Ander-- Andersen, District 49: northwest Sarpy County and Omaha.

McKINNEY: Also assisting the committee today: to my right is legal counsel Elsa Knight; and to my left, committee clerk Sally Schultz. Our pages for the committee today are Emma Jones. She's a senior at UNL. She's a political science major. And also Arnav Rishi, a junior at UNL, also a political science major. With that, we will begin today's hearing, starting with LB324. You can begin, Senator Moser.

MOSER: All right. Thank you.

McKINNEY: Yep.

MOSER: Thank you, Chairman McKinney and members of the Urban Affairs Committee. My name is Mike Moser. It's spelled M-i-k-e M-o-s-e-r. I represent the 22nd Legislative District. I'm here to duce-- introduce LB324, which seeks to change procedures relating to the creation or modification of business improvement districts. Under LB324, the creation or modification of business improvement districts must receive more yes votes than "no" votes on the postcards returned by business owners in the affected business improvement district. Currently, postcards are sent out to all the members of the potential district, and those that are not returned are considered to be passive yes votes. I have a handout there. It's just a newspaper article about one particular BID where they set out 232 cards: 61 returned cards saying they were opposed to the formation of the BID, 34 were in favor, and then 1 came back with no decision indicated, and 136 were not returned. The district was created anyway because the not returned cards were considered as passive yeses. And you would think that the democratic process would say that if you have an election that the number of votes that gets-- or, the-- whichever side gets the number of votes, that's the way the district should go. But in this case, the "no" votes were three to two against the yes votes. But when you add in the 136 that were not returned, then that tips it to the positive side, and the district was created. So the, the district was created, and all the members of the district are assessed for the improvements that they decided to make. And my business is in this district. And I-- I'm not

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really making a point of what they did or-- you know, the-- that part of it is not so important as is just the, I think, democratic process that should say that whichever gets the most votes should be the way that you go. You can imagine that that made those 61 people who sent cards that they opposed the formation of the district, you can imagine how they felt when the district was formed even though it was three to two against for the votes that were re-- were returned. Yes, this makes the BID hurdle a little higher, but right now you have to have a majority of the members of the district vote no or object to stop it from moving forward. So it's kind of the-- kind of a double negative, so to speak. And it puts the burden on the members of the district and puts the burden on the public. I think if the city thinks that there should be improvements in an area and if there is interest in the project as the BID board imagines it, then it, it should go forward. And I've, I've been part of several of them. I'm, I'm paying my assessment now on this one. It's not astronomically high. It's \$260 or something a year or something like that. But again, I just think that if the community or the BID group wants to create a district, the burden should be on them to sell the program and get those affected to vote and return their votes to be counted. So with that, I would be glad to answer any questions.

McKINNEY: Thank you, Senator Moser. Are there any questions? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chair. Thanks for being here, Senator Moser. This is an interesting question. Just for my understanding, do you pay the assessment as the owner of a building or just the owner of a business within a BID?

MOSER: Well, it can be either one, I think. On this particular case, I think they assessed the owners of the property. But there's, there's a-- an occupation kind of BID thing that does assess the owners of the property.

J. CAVANAUGH: But the one we're talking about here is for the owners of property?

MOSER: Right.

J. CAVANAUGH: OK.

MOSER: Right. I am-- my, my store is in one storefront. And my neighbor storefront-- he rents from us. And he didn't get to vote, but then he doesn't have to pay anything.

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J. CAVANAUGH: Right. So-- and the-- thanks for that segue. So my next question was, the voters are each of the parcels within the district then?

MOSER: Yes.

J. CAVANAUGH: So-- and do you own two parcels?

MOSER: Yes.

J. CAVANAUGH: And did you get two ballots then?

MOSER: I don't remember if I got two or not. They may be weighted, you know, because some stores would have more front footage on the road, on the main street, and some of them would have more square feet in the building, so their assessed value might be higher, so.

J. CAVANAUGH: So the votes might be weighted. Well, I guess my question is, hypothetically, you-- you own two properties and you can't recall and I'm just a-- it'd be a interest-- I would like to know whether a person gets more than-- gets one ballot per, per, per property and that potentially one of the reasons for the low turnout might be that somebody returned their ballot, their first ballot, and didn't think they needed to return another ballot because they owned multiple properties and so they only voted for one of the properties. And so that might disproportionately yield the result that is in the paper here.

MOSER: I think they weight the responses. So I don't, I don't claim any unfairness in the way the vote goes. It's just that a lot of people don't want to buck city hall. You know, they, they, they don't want to come and appear at a hearing and be questioned and--

J. CAVANAUGH: Yeah.

MOSER: --you know, all that. So that, that-- a lot of people just, you know-- they, they don't respond until they get the bill for the assessment and then they all grumble.

J. CAVANAUGH: Yeah. No, I get that. But I guess what I'm-- my question is, if we were to pass this, are we in-- are we ignoring the will of the 34 voters might represent actual more voting than is appeared in this article?

MOSER: I don't believe so. I think that they-- their responses I think are weighted based on-- I'm not sure in the end if they assessed it by

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the-- as the letter went out, I was thinking they were going to assess it based on your assessed value of your property, which that reflects-- like, one resident down the street has 11,000 square feet, where we've got about 3,000. So she would get three times the weight of the vote.

J. CAVANAUGH: And I'm looking in the crowd to see if we have anybody from the League of Municipalities. Are they here?

MOSER: She is here. She--

J. CAVANAUGH: OK.

MOSER: You could ask her.

J. CAVANAUGH: Are we going to hear from Ms. Rex? All right. I will ask all the questions to her then.

MOSER: Yeah, you can-- I don't think there's any unfairness in that way. I think that's all worked into the-- baked into the cake, so to speak. But I just think the democratic process says that you should get-- of those that care, more of them return a card should support it than not. And if it doesn't have support, then go back to the BID board and come back with a new plan that more people support. Because you don't have a choice whether to participate. Once it's formed, you're going to be assessed, and you have to pay that assessment. You know, we-- we've had numerous ones. I, I can think of this one, and then there was one for street and, and sidewalk improvements. And that one was \$11,000 or \$12,000 or something like that. And it had about a seven year or so payback. This one, I think, is limited to five years. And I think my assessment is \$130 a front or something like that. So it st-- really, it's the principle of the thing. You know, a lot of these people who voted no said, hey, more people said no than what support it. Why does it go ahead? And state law says, if you don't return it, it doesn't count as a no. And so that's how we get where we are.

J. CAVANAUGH: Thank you.

McKINNEY: Thank you. Senator Rountree.

ROUNTREE: Thank you, Chairman McKinney. Senator Moser, so you just stated state law says if it-- if you don't return the card, it doesn't count as a no. But does the law say it counts as a yes if they arbitrarily-- the 167 that wasn't returned, they arbitrarily made those passive yeses--

MOSER: Well, in the--

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ROUNTREE: --[INAUDIBLE] pass?

MOSER: In the state law, it says that if objections are received for more than 51% of the properties, the district is not created. So they have to receive 51% "no" votes. And that's kind of hard to get. You know, a lot of people aren't, aren't going to respond. They aren't going to send their cards in. You know, I think the cities are going to say, well, this puts a burden on the city to get something done and makes it harder. I say, great. We're going to-- as members of the BID area, we're going to have to pay the assessment. You know, the city's going to go on in perpetuo-- in perpetuity no matter what. But the people in the district have to stay in business to, to stay there. And this isn't the biggest assessment. It's not like the \$11,000 on my sidewalks. We put bricks in the sidewalk and every time I go out there and scoop snow and I hit one of those bricks with my shovel, I'm muttering about the improvement district, so. But again, I don't want to argue the ber-- the merits of any improvement district. Some of them are great and-- but I, I think that the democratic process should be, if more votes are for, then it goes ahead. If more votes are no, it shouldn't go-- it shouldn't proceed.

McKINNEY: Thank you. Senator Clouse.

CLOUSE: Yes. Thank you, Senator McKinney. Senator Moser, have you ever had any of these that have been denied outvoted?

MOSER: Not that I recall.

CLOUSE: OK.

MOSER: It-- you know-- I don't remember. The one that put in the sidewalks, it might have had more than one try. I don't recall. Now, that's been 20 year-- 25 years ago.

CLOUSE: And I, I think we'll hear from-- how that's calculated, the 51%. I think we'll hear how that is.

MOSER: Yeah. Well. It-- the way the law is written, 51% have to protest. And-- you know, and the city council could have said, hey, we realized that there were more "no" votes than yes votes. And they could have stopped it at that point, but they decided to move ahead. And so that kind of disappointed some of those people who voted no. And so-- and I had some of those people come to me and say, well, they said state law allows this. Why does state law allow this? And I said, well, it's the way it's written. And I said, if we want to change it, we have

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to write a bill and take it to the appropriate committee and see if we can get it advanced to the floor.

McKINNEY: Thank you. Any other questions? I have one. I'm looking at the online comments. How would you respond to the concerns that this bill would effectively eliminate new business improvement districts or discourage individuals from creating business improvement districts?

MOSER: Well, anybody can organize an improvement district. They need the permission of the city, I guess, to help them go through the process. And this would shift the burden of proof to people who are interested in the project. And I, I, I don't-- I disagree that it would effectively stop the BIDs because I-- I don't just-- I just don't think that's true. We always claim the world's going to come to an end when something doesn't go the way we want. That's kind of human nature. But I don't think the city should be im-- be able to impose their will on members of a business improvement district and assess them all and make them all pay for it, you know, without having a majority of the people who voted in favor of it.

McKINNEY: Thank you. Yes, Senator Clouse.

CLOUSE: Thank you, Senator McKinney. So the option for the city is either move this way or do it on their own, some other form, some other way and not, not have it assessed. Is that right?

MOSER: Yeah. They should-- they don't have to assess members of the BID. Sometimes the things that we put in, like those sidewalks, everybody walks on those. The law says, though, that the adjacent owner has to maintain those sidewalks. Now, does that include busting them out and putting them back in with rows of brick in them? You know, maybe you could have fussed about that. I just thought they might look nice. So, you know. But I, I just don't think that it's impossible. You just have to come up with a plan that people like. Or if you're going to put picnic tables in the park and you're going to whatever, you know, just tax the whole city. Why pick on the people who live close to the park?

McKINNEY: Thank you. Any other questions? No? Thank you.

MOSER: All right. Thank you.

McKINNEY: We'll welcome up any proponents.

PAUL WUNDERLICH: Hello, my name is Paul Wunderlich. It's spelled P-a-u-l W-u-n-d-e-r-l-i-c-h. And I'm one of the business owners in

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downtown Columbus that Mike was talking about-- Senator Moser. And thank you very much, Mike. I just-- when I found out after the vote that it was actually a "no" vote and then it got turned over to the city council because not enough people voted and that the, the nonvotes went basically as a yes vote, so it got turned over to them. I really didn't think that was right. We don't do any other votes that way, as far as I know. As far as, you know, you think about all the votes we do and it's a yes or a no. And I just think that's totally wrong that they would be able to change that. Doesn't matter how many people voted. It doesn't matter if you voted or, or I didn't vote. If I didn't vote, my vote shouldn't count at all. That's the way the-- it-- that it should go. And I don't know why or when it got changed. I just found out about it then. And also with the-- with it going to the city council-- I'm not 100% sure, but there are-- I know of one business owner on the city council that owns property downtown that has to pay. I have no idea how he voted. It doesn't matter. But this-- those city councilmen that voted on this don't have to pay for it. So maybe they don't really mind that the city's going to-- that the downtown businesses are going to have to foot the bill for this and not go to all the taxpayers. And it's not just the businesses. I shouldn't say that. It's the property owners. But they got to vote on it and they don't even have any-- they got to-- and they don't even have any, any say on what-- we don't have any-- I mean, we don't have any say on it, but they got to vote on it and they don't even have to pay it. And I don't think that is right either. I don't, I don't have a whole lot to say, but I just think it's completely wrong that my vote did not count and a lot of others did not count. And I just think it's-- it-- it's-- just when you go to think about it and you put a thi-- something out for, for a vote, look at all the money they spend on sending the votes out, somebody counting them and all that, and all of the sudden it just went, what, by the wayside and it goes to the city council. I just-- I don't even know how people think that way, how they could change something like that. This is all new to me. It's the first time I have ever been here, so please forgive me if I'm nervous. Because I am. But I just, I just don't understand how they can do that, so.

McKINNEY: Thank you. Any questions? Senator Clouse.

CLOUSE: Yes, thank you, Senator McKinney. Paul, thank you for coming. Don't be nervous. We're just--

PAUL WUNDERLICH: I know.

CLOUSE: Do you have any idea of those-- the positive votes if they ow-- owned over 51% of the adjacent property that's assessed? In other

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words, they might be the smaller amount, but they owned a larger percentage of the 51%.

PAUL WUNDERLICH: I'm not sure.

CLOUSE: OK. That's fine.

PAUL WUNDERLICH: I know-- I, I own one. And I did see that my, my payment every year-- and I am a small property. It's pretty narrow, long and narrow. And I pay \$235 a year. And then the highest-- I looked it up-- and the highest it can be assessed on bigger properties is \$750. That-- doesn't matter how big it is in that area. That's the top amount. And there's several businesses that were at \$750 every year. And as of now, I know that some businesses have-- most of them paid the first year-- all but four I've heard-- and then they were still looking for money for the second one that they sent out notices to-- I just found out today-- and there was quite a few of them that have not paid yet this year. I'm all caught up, paid and everything. And like I said, I, I just think a vote is a vote. There's, there's no reason that should have had to go any farther. It is not my fault that somebody else didn't vote. And how you can change a nonvote to a yes vote, it's just-- I just don't even understand it.

CLOUSE: Thank you.

McKINNEY: Thank you. Any other questions? No. Thank you for your testimony.

PAUL WUNDERLICH: Yeah. Thank you.

McKINNEY: Are there any other proponents? Are there any opponents?

LYNN REX: Senator McKinney, members of the committee. My name is Lynn Rex, L-y-n-n R-e-x. Representing the League of Nebraska Municipalities. We're here respectfully opposing this measure. I understand Senator Moser's frustration, but this bill really has some important impi-- implications for municipalities across the state. And I just want to make one thing abundantly clear in terms of one of the reasons why we're opposing this, and it's based on even some of the proponent testimony. This is not a vote. You're not getting a postcard to vote. What you're getting is basically a notice of the hearing indicating where the boundaries of the proposed BIDs are, the expansion of boundaries of a BID, what it-- what are the-- what's the estimated cost of the improvement, that sort of thing. You're getting that notice, and then you have a right to object. For some of you that have been on this committee for a long time, or for former Mayor Clouse, it's many times

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in different statutes referred to as a right of remonstrance. You have a right to object. And so basically, in terms of the actual parcels, you'll note that the notice-- who receives the notice-- if you look on page 2-- and this is under current law, of course-- but page 2 of the bill-- and I'm reading what it would be like if we didn't have the changes as proposed by Senator Moser. If a special assessment is to be used, proceedings shall terminate if written protest is made prior to the close of the hearing by the record owners of over 50% of the assessable units in the proposed business improvement district. So that basically comes down to what's an assessable unit. That is usually the way that it's described by ordinance when that BID is set up. It can be based on the amount of space. It can be based on front footage. And so it's-- it is typically like a weighted vote. The League of Nebraska Municipalities is in a BID here in Lincoln, and our vote is weighted as with others when there's certain improvements that's being made by the city of Lincoln. So this bill fundamentally reverses how municipalities would be making improvements. And one of the things that I think's really important to understand is that when you have folks-- and you may have some neighbors that are like this-- I think I have at least one like this-- that simply will return nothing. But by the same token, you have to move forward on these issues. And cities are also required-- they're required to publish it. They're required to send you notice now. There's a very robust process in place. And in the same token, what you don't have is 19-4026 before you because it's not being amended here. So it's a very short sentence I'll read to you. And again, it's the BID statutes, but you don't have it in front of you, because it's not being amended. In the event the city council has not acted to call a hearing to create a business improvement district as provided in Section 19-4029-- which you do have in this bill-- it shall do so when presented with a petition signed by the record owners of 30% of the assessable front footage in a business area or by the users of 30% of space in a business area. So BIDs are created either by the, by the ca-- city council or by a petition process. And-- so in any event, the standard's higher for a municipality, but notwithstanding-- I think it's really important to understand the importance of how this process has been in play since the early 1900s. And I tried to do a little bit of research to find out, are other states-- are there any other states doing something like this as proposed? And I couldn't find any. That doesn't mean there aren't any, but I certainly couldn't find any. So again, we respectfully would just underscore the fact these are not votes to do this. This is simply notifying you of a right of remonstrance-- a right to object, if you will-- and that you can come forward at the hearing and make your, make your interests known. So with that, I'm happy to respond to any questions that you might have.

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McKINNEY: Thank you.

LYNN REX: Of course, we're always willing to work with Senator Moser and this committee.

McKINNEY: Thank you. Are there any questions from the committee? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chair. Thanks for being here, Ms. Rex. So to clarify my understanding, it, it, it is a weighted vote based off of the amount of square footage as defined under the district.

LYNN REX: Or space.

J. CAVANAUGH: Or space.

LYNN REX: I mean-- yes.

J. CAVANAUGH: OK. So--

LYNN REX: And that's by-- basically in terms of how the ordinance is put together by the city, if it's, if it's initiated by the city or if in many instances-- and I know my neighborhood's looked at it-- by petition. And so we're telling the city council, this is what we're going to do. This is what we want. And then the city is required to do it, basically.

J. CAVANAUGH: So theoretically, one per--

LYNN REX: With enough--

J. CAVANAUGH: One person or business could-- would cons-- could constitute 51% or more?

LYNN REX: Possible. I mean, usually, if that's the case, Senator, in talking to our city administrators and our city attorneys, they would simply go talk to that, that person.

J. CAVANAUGH: Right. I'm just-- I'm-- for understanding of how this works.

LYNN REX: Yes. Because, for example, let's assume that I own 75% of the assessable units. Well, all I have to do is object and I could stop it.

J. CAVANAUGH: Right. OK.

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LYNN REX: By the same token, I can also sign a petition and I can force it. So there's that too.

J. CAVANAUGH: So I guess my question is, looking at this article that you probably haven't seen and I haven't read it all, but I circled the part here that only 34 came back as yes, 61 were no. And I think it was out of 232 postcards. Is there any way, based off of that, to tell what percentage they represent of the assessable units?

LYNN REX: I'm not familiar with the article, but I'm, I'm-- no, I don't know. I'm sorry. I don't know. I mean, I don't know that it's-- basically, if those numbers reflect each assessable parcel unit or not. That I-- that's what I don't know.

J. CAVANAUGH: OK.

LYNN REX: But what I can tell you again is that it's really difficult-- and perhaps you're all seeing this in a number of different ways-- to have people engage. So that's why it-- there's a publication in a newspaper. That's why there's individual notices sent. I mean, there's a point where, how much more can you do short of, I guess, sending out a city official to knock on everybody's door and say, be really great if you'd let us know how you feel about this? And that is too time-intensive and frankly too expensive.

J. CAVANAUGH: Thank you.

LYNN REX: You're welcome. And there's also a hearing too.

McKINNEY: Thank you. Senator Clouse.

CLOUSE: Yeah. Thank you, Senator McKinney. And then on the 51%-- and now that's on a linear footage of a prop-- of the front property. It's not square footage.

LYNN REX: It is based on front footage and it's based on, again, whether the ordinance sets it up, Senator, by front footage or if they do it, as noted here, the percent of space in a business area. So they can-- there are two different ways to set that up.

CLOUSE: OK. And so that 51%, if they don't reach that or if they-- or if they're over 51%, that's not telling the municipality that they can't do it.

LYNN REX: I'm sorry. Say that again, sir.

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CLOUSE: Is the 51% say that if they don't-- if, if there's enough-- 51% of the people that say no, is that telling the city they can't do it?

LYNN REX: Now, are you talking about his bill or are you talking about current law?

CLOUSE: This, as it's written.

LYNN REX: Oh, as written? Yes. I mean, basically what this bill says is it terminates. So this says-- for example, if you look on page 2, line 12, if a special-- this is how the bill would-- this is how the law would change if this bill would pass. If a special assessment is to be used, proceedings shall terminate if after a postcard for voting-- and again, this is not about voting, but this would make it that-- after a postcard for voting has been mailed pursuant to the, to the sections here. And-- basically moving forward in assessable units in the proposed business district less than 50% of such record owners returning the postcard vote in favor of the creation of the proposed business improvement district. So if you have less than 50%, then it ends.

CLOUSE: Right. And if you have more than 50-- oh. Sorry.

McKINNEY: You're all right.

CLOUSE: If you have more than 51% to petition it out, can the city still go ahead and do that? That's my question. Can they-- so can they force it if more than 51% petition it out?

LYNN REX: If, if 51% say we want you to do it or 51--

CLOUSE: They don't want you to do it.

LYNN REX: They don't want to do it. This says it terminates, as I understand-- if I understand your question. This BID terminates.

CLOUSE: That's my understanding of how--

LYNN REX: It-- it's done.

CLOUSE: --how it's-- how it was done too. And then it's up to the city to figure out, well, are we going to proceed or are we going to try something different?

LYNN REX: Or you just don't do it.

CLOUSE: And have you heard of communities that's had that happen?

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LYNN REX: Well, no, because of the way that it currently reads. I mean, it's not-- like I said, it's not a vote, as you know.

CLOUSE: Right.

LYNN REX: And so-- but have there been instances when there's been what we would call maybe a remonstrance or you have enough parcels and enough property owners of those assessable units that protest it, that stop it? That's happened.

CLOUSE: OK. Good answer.

LYNN REX: Yeah.

McKINNEY: Thank you. Any other questions? No. Thank you.

LYNN REX: I'm sorry. I wasn't understanding the question.

CLOUSE: It's my, my fault.

McKINNEY: Thank you.

LYNN REX: Thank you very much for your consideration.

McKINNEY: No problem. Are there other opponents? Is there anyone here to testify in the neutral? OK. Senator Moser, you're welcome to close. As he comes up: for the record, for online comments, there were 0 proponents, 2 opponents, 0 neutral.

MOSER: Thank you, Mr. Chair. I think that the burden should be on the people who want to form the BID to get a positive response to the postcard survey. I just think that that's the democratic way to do it. And I think that the vote is weighted based on how much you're going to have to pay either by front foot or by assessed value or-- they've got some factor generally in there. I don't think it's unfair that somebody with more property has more consideration, because they have more risk. They're going to have to pay more of the cost of whatever they're putting in. But I just-- I think it causes a lot of-- a lot of ill will and distrust of government when you send out postcards and the nos outweigh the yeses three to two. And then you say, oh, well, all these other people that didn't vote for Trump or whatever, we're going to count them as voting for the incumbent or whatever. I mean, you know, there's no, no other political election I know of where the people who don't fo-- don't vote control the outcome. I, I just think-- and I, and I don't blame the city. It's the way the law is. Because I know they had some members of the district say, well, 60-some people object, 34

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were in favor. That should kill it. And they said, well, except that state law says 51% has to say no to stop it. And that's a big hurdle when you want to talk about the burden to get this done, to get that many people to understand it and to, to stand up and say, no, they don't want to have their names in the paper. They don't want to have their customers asking them what's going on. They, they-- but it is, it is a tax and it's-- just like a property tax. You got to pay it. So I'd be glad to answer any other questions if there's anything that you want to ask about.

McKINNEY: Thank you. Are there any questions from the committee? Senator Clouse.

CLOUSE: Thank you, Senator McKinney. So do you think the problem is how they did it, went about it with the postcards as opposed to a petition process?

MOSER: Well-- no, I thought the postcard vote was great. It, it gives it the appearance of a democratic election. But you should abide by the number of votes you receive for and against, not counting the ones that don't return it. Because some of those that don't return it are going to be mad later when they get the bill. You know, they're going to think, well, this is another thing the city's pry-- trying to do. It's probably not going to happen. And then all of a sudden they get the bill, and, yeah, it happened. So. I don't think it's going to stop BIDs. You just have to have better plans and have more value for what the members of the BID are going to pay. I think there were 230 or 228 parcels in that. So they're all going to pay. He's paying \$200. I don't know if-- maybe I didn't get billed right. I'll have to go back and look at that. I don't think mine was that much, but. My, my space, it's probably about like his. But I-- his place is right next to the donut shop. So I don't get by there very often. If I get-- I get sucked in by the donut shop if I get that close.

McKINNEY: Thank you. Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chair. Thanks, Senator Moser. This is an interesting conversation. I always like an interesting conversation. I do think in terms of elections and nonparticipation, I think a constitutional amendment on the ballot, if it doesn't get a certain number of participation, that it doesn't become law.

MOSER: Has to get 30%.

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J. CAVANAUGH: Yeah. So I think there's-- the ballots cast or something along those lines. So there is a, a, a nonparticipation--

MOSER: Well, this would flunk that too because there were 228 parcels. 30% of that would have been 60, and it only got 34 positive votes.

J. CAVANAUGH: So my question is--

MOSER: Maybe we should add that to the bill. I'd, I'd entertain that amendment if you wanted to.

J. CAVANAUGH: So I guess my question is, you know, this-- it takes effort. There's only-- you only get 20 bills. I, I assume that you've done-- you brought all the bills you were going to bring this year. And-- but it is a-- there's a threshold question of whether you're going to bring something to the Legislature. You came down, you brought-- I'm sorry. Mister--

MOSER: Wunderlich.

J. CAVANAUGH: --Wunderlich--

MOSER: Yeah.

J. CAVANAUGH: --came down. So you've gone through all this effort. Have you gone to the city and got together all the folks who were upset about this and said, we don't like this BID. We'd like to stop it.

MOSER: Well, you can't stop it at, at this point because they've spent money and they've assessed it and it's moved forward and-- so I-- there's nothing improper about the way that it was done. It's just-- I don't think we should do it this way in the future. I think we should-- and quite a number of the owners of properties went to the city council and complained. And the city administration said, hey, the law is pretty plain. You have to have 51% object. And even though there are 61 of you that are mad, you're not 51%. And so, you know, that's probably part of the thing that made them madder, is, you know, they, they won the election, so to speak, but they, they didn't win the war.

J. CAVANAUGH: Thank you.

McKINNEY: Thank you. Are there any other questions? No? Thank you, Senator Moser.

MOSER: Thank you very much. Appreciate it.

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McKINNEY: That'll close our hearing on LB324. And we'll welcome up Senator Spivey for LB441. And Senator Sorrentino is here.

SORRENTINO: Thank you. Sorry. I had--

McKINNEY: No problem.

SORRENTINO: --another hearing.

SPIVEY: Chair McKinney, do you want me to wait for the other members that are taking a break or can I go ahead?

McKINNEY: No, you can go.

SPIVEY: OK. Well, good afternoon, colleagues. And thank you, Chair McKinney and the members of the Urban Affairs Committee. I am Ashley Spivey, A-s-h-l-e-i S-p-i-v-e-y. Representing District 13 in northeast and northwest Omaha. And today I am here to present on LB441. This bill allows for virtual inspections for certain residential building permits under specific conditions, including live video inspections and the use of video or photo documentation for nonstructural reinspections. This bill is also designed to close several gaps in just the inspection process. First, it establishes clear guidelines for virtual inspection, inspections, enhancing efficiency and accessibility. Secondly, it defines authorized inspectors, thereby prohibiting the unreliable practice of self-inspections that can compromise safety and accountability. And then lastly, by creating a publicly accessible database for inspection records, including documented deviations from standard construction practices, we are ensuring transparency and fostering trust within our communities. So just in terms of a little bit of history about this bill, it was introduced as LB947 in the 108th Session. And this is the original language that we used to produce this bill, as well as an amendment, AM2418. After discussions with the opposition, that's where the amendment came. And they tightened up the guidelines for virtual inspections to be primarily used in reger-- residential builds and better guidance on the database and how it's created. And so this was hand-- this came out unanimous. There just wasn't enough time in the short session to get this done. And so I am bringing this bill back on behalf of my constituents and the support of technical es-- experts that are also here to testify. So they will be able to answer any technical questions that you have. But I'm really excited to be able to work with my constituents and the folks in the labor field to strengthen our regulatory frameworks and to promote safer, more reliable construction practices that really benefit our

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entire community. And I would be happy to answer any questions that you may have.

McKINNEY: Thank you. Are there any questions from the committee?
Senator Andersen.

ANDERSEN: Thank you, Mr. Chairman. Senator Spivey. OK. I'm not an inspector, I'm not a builder, so you have to forgive me. But it seems like moving to virtual inspections from in-person inspections seems like it adds a bit of risk to the process because you're not actually right there. Is that, is that a fair assessment?

SPIVEY: That is a great question. I am also not an inspector or technical expert. And there are folks here that are testifying behind me that actually manage the process that will be able to answer your question, Senator Andersen.

ANDERSEN: OK. Thank you.

SPIVEY: Absolutely.

McKINNEY: Thank you. Are there any other questions from the committee?
No. Thank you.

SPIVEY: All right. Thank you.

McKINNEY: OK. We'll welcome up any proponents.

ED BLACK: Hi. My name's Ed Black, B-l-a-c-k. I am here as a proponent of this bill. Essentially, it's just for accountability and openness. I say we went through this all last year. It's pretty simple. I don't think there's a lot about it that makes it difficult. It's more about transparency. So that's about what I have. Any questions?

McKINNEY: Thank you. Are there any questions from the committee?
Senator Andersen.

ANDERSEN: Yeah. Thank you. Are you the best person I could ask that question that I asked Senator Spivey?

ED BLACK: No. That question, no. That-- the virtual inspection applies more to, I guess, the electrical side. My side of it is more the open records for the third-party inspector. That is more of where my knowledge is.

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ANDERSEN: OK. [INAUDIBLE]. Maybe you can help with this one. In, in here, it says the building permit has-- one of the provisions is that it provides a list of the personnel who complete the work on-site. Why, why, why does it matter? And what's the relevance of providing the people who did the work on-site as far as the inspection goes?

ED BLACK: That is back-- that is also in the virtual inspection part of the bill. But I would say it's just back to accountability, to make sure the people there are accountable and doing the work correctly.

ANDERSEN: OK. I, I, I guess-- because I'm not in the industry, I don't understand. If you build a house that takes 40 guys to do it from all the framing and drywall, electrical, plumbing--

ED BLACK: Yeah.

ANDERSEN: --and more than that. And you go to do an inspection, you give a list of 40 dudes that are [INAUDIBLE] another project now, maybe in another state. I don't understand the relevance of the names of the people that did the work to the actual inspection of stuff. I think it's just my failure to understand.

ED BLACK: I, I would think-- like I say, this is not my area. The-- another person coming up would be better to answer that question--

ANDERSEN: OK. That's fine.

ED BLACK: --than I am.

ANDERSEN: Thank you.

ED BLACK: Like I say, my-- more pertains to the open records for the third-party inspectors--

ANDERSEN: OK. Thank you.

ED BLACK: --for structural.

McKINNEY: Thank you. Any other questions from the committee? No. Thank you.

ED BLACK: All right. Thank you.

McKINNEY: Other proponents?

ANTHONY STRAWN: Senators, my name's Anthony Strawn, A-n-t-h-o-n-y S-t-r-a-w-n. Thank you for giving me the opportunity to speak today.

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I'm here to express the strong support of the operators and the building trades for LB441, a bill that represents a significant step forward for the construction industry and the hardworking men and women who build our communities. LB441 introduces the option for virtual inspections for certain building permits, specifically for residential buildings under three stories and less than 10,000 square feet. This modernization is not just a matter of convenience. It is a matter of efficiency and safety. First and foremost, LB441 enhances worker safety. By allowing virtual inspections, we reduce the need for inspectors to be physically present on-site, which can sometimes pose safety risks. This is particularly important in situations where the construction site may have hazardous conditions. Virtual inspections ensure that safety protocols are followed without compromising the well-being of our inspectors. Secondly, LB441 promotes efficiency and reduces delays. In the construction industry, time is money. Delays in inspections can lead to significant losses and project overruns. By enabling virtual inspections, we can expedite the inspection process, ensuring that projects stay on schedule and within budget. This is a win-win for both con-- contractors and workers, as it leads to more predictable work schedules and job security. Moreover, LB441 ensures transparency and accountability. The bill mandates that inspection records be made publicly available. This level of transparency is crucial for maintaining trust between the public, contractors, and workers. It ensures that all parties are held accountable and that the highest standards of construction are upheld. Labor unions support LB441 because it aligns with our core values of safety, efficiency, and transparency. We believe that this bill will lead to better working conditions, more efficient project timelines, and a higher level of trust in the construction process. It is a forward-thinking piece of legislation that addresses the needs of the modern construction industry. In conclusion, I urge you all-- I urge all of you to support LB441. It is a bill that benefits everyone involved in the construction industry, from the workers on the ground to the inspectors ensuring safety and compliance. Together we can build a safer, more efficient, and more transparent future for our industry. And I'd be happy to answer any questions if I'm able to.

McKINNEY: Thank you. Senator Sorrentino.

SORRENTINO: Thank you, Chairman McKinney. Thank you for your testimony. And, and I want to support this, but I have a question because I-- if you think Bob isn't in the construction industry, boy, I'm really not. So I'm building a house. It's way under 10,000 square feet. It's not three levels. Pick an inspection, electrical, plumbing, drywallers-- walk me through exactly how the virtual one goes. I don't know. It's

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not like a virtual when I'm looking at a house to buy. How does this work?

ANTHONY STRAWN: So I think that-- either you could use those drones. You could do several-- one of several things, maybe take a video, whatever you want to do. But that would be up to, I think, any amendments that were made to the bill, maybe for you guys to decide how the virtual would work.

SORRENTINO: And, and let's say it's an int-- it's a-- electrical.

ANTHONY STRAWN: Mm-hmm.

SORRENTINO: Somebody is in there with a cell phone camera, I'm guessing, and--

ANTHONY STRAWN: Sure.

SORRENTINO: --and doing this, so. It's still a dangerous work site. You haven't got-- and you've got a inspector physically present. Is the idea to keep the inspector off the premises completely? Now, a drone would do that, certainly.

ANTHONY STRAWN: I mean, I think they'd still have the opportunity to, to inspect it on-site if they didn't approve of the, of the video that was taken.

SORRENTINO: OK.

ANTHONY STRAWN: So they, they saw something they need to look at a little closer, sure they could go to the site and, and look at it. If the video is good enough, then they wouldn't have to go to the site at all.

SORRENTINO: Is the builder involved in this or is-- can the builder say, no, I don't want this? Or is it completely up to the inspector?

ANTHONY STRAWN: I don't know if that-- if the bill actually addresses that. I'm not sure.

SORRENTINO: OK.

ANTHONY STRAWN: That would be maybe a good question--

SORRENTINO: I, I didn't see it, but I could have missed it.

ANTHONY STRAWN: Yeah. I could have too, so.

SORRENTINO: Thank you.

ANTHONY STRAWN: You bet.

McKINNEY: Thank you. Any other questions? Senator Andersen.

ANDERSEN: Thank you, Chairman. So it sounds like the virtual inspections is not a standard practice at this point. Is that true?

ANTHONY STRAWN: It doesn't seem-- no.

ANDERSEN: OK. So this is a, a new technology, new process that would be invoked. So if that's the case, then how is that equally as effective and, and, and efficient as it would be to have an on-site inspector?

ANTHONY STRAWN: Well, it depends on the-- you know, technology's getting better. We'll see, you know, obviously, how it goes. They could still come on-site if they need to. If they didn't like the video, if they saw something that they didn't like, come on-site and, and take a look in person.

ANDERSEN: OK. So it sounds like this is new ground being--

ANTHONY STRAWN: It would be new, yes.

ANDERSEN: --being plowed. OK. So it's not established--

ANTHONY STRAWN: And the names would be for the credentialing, that question you asked. It would be for credentialing the workers to ensure that they had the right qualifications doing the work.

ANDERSEN: Is that done now?

ANTHONY STRAWN: No, I, I can't answer that. I don't know for sure. There, there is another proponent that, that would be able to answer more of those questions, though.

ANDERSEN: OK. I thought it was interesting [INAUDIBLE] elaborated on where you, you said that the on-site inspector can involve safety risk. What do you-- what do you mean by that?

ANTHONY STRAWN: So the-- you're on a dangerous site that, that you're, you're keeping inspectors from any, any trip hazards, any kind of injuries that they could sustain on the jobsite too. You know.

ANDERSEN: OK. I assume the inspection was done after they're done with the work. But may not.

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ANTHONY STRAWN: Some of it is, you know, I, I think done at different stages of, of the work, so. You know, you get your plumbing done, you get your electrical, you get your-- as things get done, inspectors come check a rough-in, check a different--

ANDERSEN: Sure.

ANTHONY STRAWN: Yeah. So.

ANDERSEN: Thank you.

ANTHONY STRAWN: You bet.

McKINNEY: Thank you. Senator Rountree.

ROUNTREE: Thank you, Chairman McKinney. Yes, sir. Regarding the virtual inspections, just a point of how some of those might have been done. In my past life, I was an employee of the Federal Emergency Management Agency, specifically during the 2019 floods that we experienced here across Nebraska. And in other states that I've had an opportunity to work in, we have utilized fully virtual inspections. Down in the city of Plattsmouth, we used some virtual inspections when their facilities were underwater. We used drone footage. And when things got to be a little bit better, we were able to let the people who were skilled in those areas go out, and we were able to view that via FaceTime or something like that and also identify what was there. So when talking about getting measurements two, three stories, those who are skilled in the high areas could measure those things out and we can record all of that. And that was an acceptable inspection for us to be able to start to compute our cost and so forth. So as this bill is presented in virtuality and the federal government, we've accepted virtual inspections. And even when we got into the COVID time, we had a site inspection center. So we scheduled out [INAUDIBLE] getting on the road because of the dangers. But we were able to connect with them and FaceTime a lot and record those and do the business that we needed to do for all of our site inspections, preliminary damage assessments, and get some reimbursements going for our individuals. So I can support going out with--

ANTHONY STRAWN: Much more efficient.

ROUNTREE: --some inspections. Yes.

McKINNEY: Thank you. Senator Cavanaugh, you had a question?

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J. CAVANAUGH: Thank you, Chairman. I just thought I would point out Senator Spivey handed out a synopsis that included other states, including Arizona, Kansas, Florida, and Texas, have all successfully implemented similar virtual inspection programs. So just kind of talking about who's done this already. You're-- asked that question, so.

ANTHONY STRAWN: Thank you.

J. CAVANAUGH: So-- thanks. Thanks for being here.

ANTHONY STRAWN: Yep.

McKINNEY: Thank you. Senator Andersen.

ANDERSEN: Can, can I ask Senator Rountree a question?

McKINNEY: No.

ANDERSEN: No?

McKINNEY: No. Senator Clouse, you had a question?

CLOUSE: Yeah, I was just going to-- as this reads-- and we've talked about that-- it says the virtual-- page 2, lines 24 through 26, that the virtual inspections conducted live with the individual holding-- requesting or holding the building permit and the authorized inspector. So as I read this, they're going around looking at it. And it, it may not be an industrial site, but it-- more of a residential.

ANTHONY STRAWN: Mm-hmm.

CLOUSE: And where cities are mostly-- I mean, they-- it covers the whole area, but I'm thinking, like, home inspections, subdivisions, things like that. So is that how you would see that playing out?

ANTHONY STRAWN: Yeah. I mean, the bill discusses the, the residential, 10,000 square feet and under three stories. So that's my understanding, yeah.

CLOUSE: Thank you.

McKINNEY: Thank you. Any other questions? No. Thank you. Are there other proponents?

JON NEBEL: Good afternoon. My name is Jon Nebel, J-o-n N-e-b-e-l. I come to you on behalf of the State Council of Electrical Workers,

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representing over 5,000 electrical workers and their family in Nebraska. So we are proponents of this bill. And it's really-- it's accomplishing three things. We're doing virtual inspections, the guidance, we're defining what an authorized inspector is, and then we are going to maintain those records of the inspections and, and the results of that. Some of them aren't being maintained currently, so we wanted to set the parameters to get that accomplished. The virtual part of it, I think you hit on it. The guidance is it has to be done in a certain way to maintain the effectiveness of it. The square footage was accounted for in that. I think if you get into a construction site, it gets pretty confusing if you're just walking around with a camera. It's, it's good to be on-site. That's how we've done it in the past. Technology's advancing a little bit, so we can try to accomplish it a different way. It's currently being done mainly on, like, temporary power poles in the electrical industry. So that's something where it's just one pole in the ground before the jobsite starts. You can take a picture of it. The inspector knows what they're looking for, and they can kind of call it out just in that picture. For doing it on a bigger site, we're going to need to walk around with the inspector. One thing that can happen on a jobsite-- and I'm not admitting to anything here. You can hide things if you want to. You can especially hide things if you're on the phone and you just forget to move it-- move the camera down. The inspector would need to say, hey, stop. I want to go back to that and, and look at that. So once you get to a, a larger building than a residential property, I think it becomes confusing and, and we can get away with the effectiveness there. The list side of it, that is primarily the enforcement side of the inspector's job as well. From-- my craft is a licensed craft. We maintain a ratio of one journeyman to three apprentices on the jobsite. We need to make sure that when the inspector's on the job he's checking licenses to make sure, one, everybody's permitted and we're within ratios. So that would be what the list is for and only be required if you request a virtual inspection. I believe it'll be an optional thing once it's implemented. I don't think a lot of inspectors really want to go to it, but industry might drive it towards, hey, we need to be more efficient here. If you, if you can knock out more inspections in a day just by being on the phone rather than driving around the city, let's see if we can accomplish that. So we just want to make sure the guidelines are set as this technology advances. The authorized inspection part, that-- there's some crafts that allow for self-inspections. I don't-- I think that's self-explanatory. We all need to be self-inspecting our work. Typically it happens in painting, when they're doing, like, sealants and stuff on bridges and water towers to make sure that everything is done properly. Sometimes that's out in the, in the boondocks and you

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don't really want to waste time getting out there to inspect it, but we feel like the inspection part is important. So let's define who can do the inspections. The third part is the records. For me, our records are kept. We have a state electrical division. We know, we know the inspection results there. But for other crafts, like Ed's who came up, these inspections are driven by engineers, and it's scope driven for warranty purposes. So nobody really knows what happens there except for the people maintaining the warranty side of it. What I'm most interested in is-- in these records is once we get to a place where we have some data on what's happened on these jobsites-- right now, it's in silos. Each jobsite knows maybe what happened and if there was a deviation. What we want to do is build a, a record here that allows for knowledge of what's happening across the state, specifically the codes. New codes get implemented every few years. Some folks come and say, these codes aren't going to work for us. We can't do it this way. This would allow for us to understand the real implementation of it. If we have records of it, we can-- oh, OK. The inspector signed off on the deviations. At that point, we know what wasn't working. If we can kind of track, OK, it's not working here. It's not working there. It is working there. We can figure out the best use and implementation of these codes and hopefully come back here a little bit later and say, this is [INAUDIBLE] work and this is what needs to be carved out. So that's the purpose of the bill. Happy to answer any technical questions about it.

McKINNEY: Thank you. Are there any questions? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here, Mr. Nebel. I always write your name with an H because that's how I spell my own name.

JON NEBEL: Don't do it.

J. CAVANAUGH: But-- so my question just really is, is this going to make it more cost-effective to build more structures?

JON NEBEL: I would believe so. I think, I think once we figure out how to do the virtual inspections-- inspectors are worn pretty thin as it is. They're-- like, I, I was getting inspections where it was their eighth or ninth or tenth inspection of the day. They're really worn out at that point. So if you can make it more efficient without bringing on more inspectors, I think for sure we can do that.

J. CAVANAUGH: We, we hear a lot about, you know, cost of building. We have a housing shortage in this state, in this country because it costs

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so much to build things. And then we talk about burdens to making housing more affordable.

JON NEBEL: Mm-hmm.

J. CAVANAUGH: And so we can't require smoke detectors because it makes houses more expensive. This-- but this is a way where we can make it more cost-effective to build?

JON NEBEL: Yes. It would be more cost-effective to implement the code enforcement. And then at the same time, when we get into the record side, we can decide what codes are working, what aren't, and have standing to, to cour-- course correct if it's not working for the builders.

J. CAVANAUGH: Great. Sounds good. Thanks.

JON NEBEL: You bet.

McKINNEY: Thank you. Senator Sorrentino, then Senator Andersen.

SORRENTINO: Thank you, Chairman McKinney. Real quick question. Are you aware of an issue with construction delays due to the difficulty of getting inspectors out to the jobsites, or is that really not an issue with this legislative bill?

JON NEBEL: It, it ha-- in the past it has been an issue to get inspectors out. I think somebody brought up, is it-- are they only coming out after the work is done? Sometimes the projects are big enough that you do it in phases and you want to make sure, like, you can start advancing the project as it's going on. So inspectors generally work with us and, and understand our timelines, but at the same time, we don't necessarily want to call for an inspection until we know we're going to be done with it because it's, it's pretty infuriating if they show up and we're not all the way done and they can't inspect it, so. The virtual side of it I think would help that.

SORRENTINO: Is that typical procedure, you call for the inspection at a certain point in time in the construction?

JON NEBEL: Yes. Yeah. And we try to schedule it within 48 hours of when we know we're going to be completed with the work. So

SORRENTINO: Thank you.

JON NEBEL: We try to maintain that. You bet.

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McKINNEY: Thank you. Senator Andersen.

ANDERSEN: Thank you, Chairman. And thank you for your testimony and being here. As you were discussing with Senator Cavanaugh, the virtual inspections will increase productivity-- your belief is that it will increase productivity. But in light of your previous comments, it sounds like, yes, they increase productivity to be able to do more inspections in one day, but that it-- it's a good expectation that may increase some of the risk as well. Is that, is that a, a fair assessment?

JON NEBEL: I'm concerned about the risks, and that's why we set the guidelines to be the size of the property and, and the type of inspection that's happening. Part of that-- and I think why Ed wasn't fully up to it was his industry would be carved out. His is structural. So structural inspections are still going to be done in person. This is more of a, if you can figure out a way to do it effectively on a nonstructural property, I'm thinking the-- the most likely implementation would be if there was a-- if there was a red tag on an inspection. The inspector would have already been out there and he's going to say, hey, this can't go forward. You need to correct on this. Let me know when it's done. And they would come back for a reinspect. We could probably get that done just by the video after that because he would know exactly what he's looking for to be corrected and he wouldn't have to come out at that point. He would just be able to take a snapshot or OK it just virtually.

ANDERSEN: So again, pardon my ignorance. Can you explain what a non-- nonstructural nature is?

JON NEBEL: So, like, structural steel, the masonry on the side of the-- like, the, the building. Is it built right, would be the structural side. For me, I'm nonstructural. Nothing-- if the lights don't work, it doesn't mean the building's going to come down. Just means you're not going to be able to find your way out maybe.

ANDERSEN: OK. So electrical, plumbing--

JON NEBEL: Yeah.

ANDERSEN: --things like that, roofing-- OK. Thank you.

JON NEBEL: Mm-hmm.

McKINNEY: Thank you. Any other-- Se-- Senator Quick.

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QUICK: Yeah. Thank you, Chairman McKinney. So, like, on the virtual expe-- inspection, is that something that you maybe as a jobsite foreman could take your, your video and they're watching as you're walking around, or do they send someone-- still have to send someone out?

JON NEBEL: It would be the jobsite foreman. It-- that would line up with who's been doing the work on the job. So the inspectors are going to want to ask, OK. Is this-- this is who's been on the job. And say, yep, I'm the one that's been wiring it the whole time. I'm the foreman. Same practice once he's virtual. I would be the one-- and I'd be able to answer all the questions on the jobsite as to how it-- how everything got built.

QUICK: OK. Yeah. And then I know too, like on-- is there certain times when maybe they have to see, like, when you're pulling wire through the walls and they have to be able to see what's happening before you put the-- before that sheetrock goes on?

JON NEBEL: Yes. So in, in my world, we get a rough-in inspection before the sheetrock goes on. So everything in the skeleton of the building gets inspected. We get a ceiling inspection before the ceiling tiles go in or the ceiling is covered up. And then we get a final inspection to make sure we've done everything in accordance with the code. And then they issue the Certificate of Occupancy to let the public and customers come in.

QUICK: OK. And that'd work with-- similar for plumbing too?

JON NEBEL: Yes.

QUICK: OK. OK. And then I know there's been issues with-- I know in Grand Island, we have a shortage of, shortage of inspectors. So I could see this as being something that maybe would, would help with that-- you know, that, that shortage. And I don't know if you can address that as far-- I don't know how many inspectors you have in Omaha and--

JON NEBEL: Not enough.

QUICK: Not enough.

JON NEBEL: I'm, I'm sure every, every inspector would tell you there's not enough. They're over-- overloo-- overbooked every day. I have been out of the field for a couple years, but it-- they were overbooked then. I'm sure it's only gotten worse. I don't think they've hired more inspectors. Budgets are kind of constricting that.

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QUICK: And I have one more question, Senator. Do you know-- have you talked with the inspectors? I mean, are they on, on board with this, or do you know--

JON NEBEL: We, we were looking for their input last year when we brought it up. Nobody had concerns over the guidance that we talked to at the state for the electrical division. And I haven't heard of any opposition as we've proceeded through. So I think they're OK.

QUICK: All right. All right. Thank you.

McKINNEY: Thank you. Any other questions? Senator Clouse.

CLOUSE: Yes. Thank you, Senator McKinney. And I don't know if this is addressed for you or anyone else that may come up, but as you read that last paragraph and a couple sentences where it talks about the record be made public-- now, right now, we're talking about residential of an under 10,000. Can you have a commercial building or something that maybe means higher security that you don't want that? This says it's, it's available public. And I think there might be times when it shouldn't be made available public. How, how-- and maybe you can't answer that, but that's a question in my mind that, that needs to be addressed in some manner.

JON NEBEL: I would think so. The 10-- the square footage is only for the virtual side of it. The records are for all properties, like you're saying. And I don't-- I think we would have heard if that was an issue. What we're really looking for here is what-- would the inspection result was if there was a deviation from what was allowed by code? The inspector has the authority to sign off on that and say they are the authority having jurisdiction. We can deviate from that. That's what we would be looking for. And I think it's important to maintain that as long as the building's up. Some problems don't, don't appear right away. It takes a while for something to fail. So I know there might be some concern coming up about how long we keep those records. I think it's important to keep it as long as the building's around. That way, we have an accurate assessment of what happened if there was a deviation later.

CLOUSE: Well, and, and like in your world, you'll know where the-- exactly where in the building the panel is, the power panel, you know, so. There's just some things in my mind that-- the public record piece of it I think we need to be sensitive to. Thank you.

McKINNEY: Thank you. Any other questions? Nope. Thank you.

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JON NEBEL: Thank you.

McKINNEY: No problem. Are there any other proponents? Any opponents?

JEREME MONTGOMERY: Good afternoon. My name is Jereme Montgomery, J-e-r-e-m-e; Montgomery, M-o-n-t-g-o-m-e-r-y. I am here representing the Home Builders Association of Lincoln as well as MOBA, Metro Omaha Builders Association. And together both those organizations represent about over 1,000 homebuilding companies. I really want to talk about three things that are in this bill: one thing that I think we can support, two things I think we're really opposed to that really concerns me. First thing's, virtual inspections. I, I really think that's modernizing the, the inspection process. I've heard some homebuilders having concern of the, the videos or the pictures not showing the, the whole story. I think those are things that we can work through. I, I look at what you were talking about in, in the floods and, and using drones and that being very beneficial. That's-- I, I think we can all agree to that. What we, what we disagree with is two things in this bill. One, public records, any inspection pri-- any inspection records being made public. So I'll give you an example, is if something is red tagged or let's say an inspector come in for the-- let's talk about framing, looking at wood trusses and missing a couple braces that were just left out. He won't approve that inspection until those braces are put in. But in, in accordance to the way this is written, that would be a red tag and a, a failure-- failed inspection. That goes on permanent record even though it was corrected after the fact and, and passed the inspection. That's the way that's written. This third thing would be the having all parties, all personnel that worked on that house being made public as well. You know, I was thinking about when I buy a car, do I have everyone's name that's-- that put together the upholstery, the, the engine, the muffler? I mean, to me, that sounds ridiculous, and I think this is as well, because to me that doesn't have anything to do with transparency. To me, it brings on a lot of risk-- risk and, and liability. I think public access to detailed inspection re-- records really kind of reveal past compliance ish-- issues with no context. And, and that's really how-- when, when, when we're building houses, a lot of inspectors will not pass an inspection because a-- under this conditions, you fix this, we'll, we'll fix-- we, we will pass your inspection. So I think that's a real negative to the people that are trying to build homes. Another thing I'd like to bring up is it only require-- I heard someone earlier say it only requires the list if a virtual inspection is called for. I don't think-- that's not how I read the bill. I think every residential home that's being built is requiring to have the records of all personnel-- dirt workers, landscapers, electricians, plumbers-- all of

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those to be on record. And if, if it is just for when a virtual inspection is called in in the middle of the project, if we weren't going to have a virtual inspection but we decided, oh, now's a good time, we don't have that documentation. So I-- it is for every project, the way the bill's written. And, and so the, the second concern I had with having individual names on there, let's say we, we pour a foundation, a foundation-- all foundation walls-- poured foundation walls crack, all of them. The rebar, the reinforcement in there is to keep that concrete nice and tight, keep it structurally sound. Let's say ten years le-- later there's a leak in that wall but we have public records of who built that wall. I think that's a lot of risk and liability on that, that person even though it's not their fault. Let's say the neighbor relandscaped and, and had a lot of water that went to-- on, on the neighbor. Maybe it's a waterproofing issue, not the-- not necessarily the crack. So here on behalf of the Home Builders Association and MOBA, we, we strongly oppose the bill the way it's written. I really wish we can get to a, a common ground and, and figure out how we can do virtual inspections to expedite and make that process more efficient. We totally agree with that. It's just the other two things in here that we strongly oppose, which makes us oppose this, this bill.

McKINNEY: Thank you. Any questions? Senator Cavanaugh, then Senator Sorrentino.

J. CAVANAUGH: Thank you, Chairman. And thanks for being here, Mr. Montgomery. Did I get that right? All right. So I've just-- unless I'm misreading it, my understanding is Section 2(2)(a) is that a state agency, county sha-- that requires inspections may allow a virtual inspection. And then it goes sub-- (2)-- (2)(a) to (ii), individual requesting or holding a building permit has provided a list of personnel who are all working on-site. Is that-- that's the list?

JEREME MONTGOMERY: I say, correct. That-- yeah.

J. CAVANAUGH: OK. And--

JEREME MONTGOMERY: That's the list.

J. CAVANAUGH: All right. So my read of that would be that it's only in that circumstance--

JEREME MONTGOMERY: Only for virtual inspections.

J. CAVANAUGH: Yeah. That-- they, they would issue-- that-- that's my read of it. And--

JEREME MONTGOMERY: So--

J. CAVANAUGH: I'm not, I'm not an expert on this bill--

JEREME MONTGOMERY: Yeah. And I guess I would have to ask for clarification on that, that section of the bill.

J. CAVANAUGH: But it--

JEREME MONTGOMERY: Because we're-- right now, we are under the impression that every residential house would have to be-- have that list of personnel that worked on that project.

J. CAVANAUGH: OK. But if it's only for that circumstance, is your same objection stand?

JEREME MONTGOMERY: Yes.

J. CAVANAUGH: So you still object if it is only for the virtual?

JEREME MONTGOMERY: Yes.

J. CAVANAUGH: OK. And what's the reason for that?

JEREME MONTGOMERY: We just think there's too much risk and liability to have all the li-- because-- all the lists, all the personnel that was on that house, what the-- if the virtual inspection is for electrical, we're going to list the names of everyone--

J. CAVANAUGH: OK.

JEREME MONTGOMERY: --on that project.

J. CAVANAUGH: So--

JEREME MONTGOMERY: Seems a little, to me, a little burdensome.

J. CAVANAUGH: I'm-- and I'm not going to speak for the advocates for the bill. But if they were willing to say the list of folks who worked on the thing that's being inspected or however you would tailor it that way, would that be OK?

JEREME MONTGOMERY: No.

J. CAVANAUGH: OK.

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JEREME MONTGOMERY: We, we disagree with having individual names on the permanent record.

J. CAVANAUGH: OK. All right. So-- and then I guess that kind of brings me to the other question. My understanding would be if they made the, the inspections public and your concern is about having a failed inspection on your record, but wouldn't also the successful inspection ultimately be on the record with that same record?

JEREME MONTGOMERY: True. But to the, to the layman or to the public, I think they can misinterpret some of that stuff. You know, oh, failed, failed the truss roof. A windstorm came up and knocked down some of my roof. I, I just think that's leading to some unjustful inquiries to individuals that were on that project. I mean, to me, when a, when a builder is-- has that final inspection and it passes that final inspection and the municipality or the permitting authority gives them a Certificate of Occupancy, that entails right there that that house was built within code, within the regulations. Done. That's all that needs to be. I don't think we need to have a record of missed a four [INAUDIBLE] tru-- truss bracing, fail. Rebar was not off the ground, fail. But wa-- was corrected. To me, that just seems-- to me, that-- that's-- just doesn't seem fair.

J. CAVANAUGH: So would it be OK to have only be public to the final inspection that includes-- doesn't include the previous inspections?

JEREME MONTGOMERY: I-- you can have the-- and I think that's public now. You-- if you, if you're-- I'm looking to buy a house currently. I have to-- there's that-- those records are made available.

J. CAVANAUGH: OK.

JEREME MONTGOMERY: The, the final permit.

J. CAVANAUGH: So then what's the-- I-- then I guess I'm not following what the problem is. Is it the list of people?

JEREME MONTGOMERY: It's the list of people.

J. CAVANAUGH: OK. That's the problem.

JEREME MONTGOMERY: The list of people and all records in the inspection record made public. Again, any failures leading up to the final approval of that final inspection, I-- we don't think that needs to be in there at all. Is-- pass or does it fail at that final inspection? Passes? All right. Done. Let's-- greenlight. Let's move forward.

J. CAVANAUGH: I guess-- what am I going to do if I look at the inspection of a house that I'm buying and I see it previously had a failure but then it's been corrected, how-- what, what, what's the fear? What am I going to do differently?

JEREME MONTGOMERY: What are you going to do-- what are we doing with it? That's what I'm-- I, I guess-- to me, it's a negative. It's a black eye to the builder or the subcontractors on that project. It was corrected. And that's just the simple fact of how businesses run in construction who are building commercial or residential. You, you-- if you miss some things, you corr-- you have an opportunity to correct it. And then it passes.

J. CAVANAUGH: Are there any builders out there who can claim that they've never had a failed inspection or needed to make a correction?

JEREME MONTGOMERY: I don't think so.

J. CAVANAUGH: OK.

JEREME MONTGOMERY: I don't think so. We, we all do. It's-- that's construction.

J. CAVANAUGH: Yeah. I, I, I assume so. I assume that's why we had--

JEREME MONTGOMERY: I just don't understand and we don't understand why it needs-- just needs to be documented on, on paper like that.

J. CAVANAUGH: OK. Thank you.

JEREME MONTGOMERY: To me, it just-- doesn't make a lot of sense.

McKINNEY: Senator Sorrentino.

SORRENTINO: Thank you, Chairman McKinney. I apologize for this question because I could have asked it of anybody. It just popped into my head.

JEREME MONTGOMERY: Oh, boy.

SORRENTINO: But representing MOBA and the builders-- I mean, just built a house a couple of years ago. Most of the people who work on the house are not employees of the builders.

JEREME MONTGOMERY: True. A lot of subcontractors.

SORRENTINO: Subcontractors, [INAUDIBLE]. So my-- after hearing this-- all the concerns about listing the people-- and it's just your

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opinion-- I'll ask Senator Spivey because she, you know, brought the bill. I'm sure she'll have an answer to this, but. Could this listing of the people, is this an end around to immigration?

JEREME MONTGOMERY: I-- we don't believe so.

SORRENTINO: You don't think so?

JEREME MONTGOMERY: No. I don't believe so.

SORRENTINO: OK.

JEREME MONTGOMERY: I mean, when we hire someone, we have-- they have to prove-- proof of I-- two proof of IDs.

SORRENTINO: Even if they're independent contractors?

JEREME MONTGOMERY: I'm saying-- yeah, for us, for the company that I work for. They have two forms of ID, and usually it's a driver's license, Social Security card.

SORRENTINO: I'm talking about the people who are actually doing the electric-- you know, the work on the house.

JEREME MONTGOMERY: Right.

SORRENTINO: You don't have control over them to say, we need your ID, do you?

JEREME MONTGOMERY: As a builder, no. I don't, I don't think so.

SORRENTINO: That's kind of why I just wanted to-- I keep hearing this [INAUDIBLE] what do they have to-- why do they want to list these people? And I started to think about that. Just a question. You don't think so, huh?

JEREME MONTGOMERY: No. If you want my honest opinion, I think it's a list for-- unions to, to have a list of, not immigration.

SORRENTINO: OK. Thank you.

McKINNEY: Thank you. Senator Andersen.

ANDERSEN: Thank you, Mr. Chairman. Thank you for your testimony and your patience. Philosophically, I'm big into transparency and-- but I'm also big into personal privacy. So when we talk about the list of the people, would it be acceptable to-- because to able to track if you

have consistent failures in inspection and it's a certain crew that you can follow, you can track when you have that, if you maintain the-- that they were verified as credentialed but the list was kept private, would that alleviate your concerns?

JEREME MONTGOMERY: Yeah. I mean, I think it would alleviate-- and that's the way it's currently done now. You know. The city of Lincoln will document all that. It's just not made public.

ANDERSEN: OK. When we talk about the inspections and the list of it, I understand your perspective. At one point in time, I owned a business that was inspected by the state. And every single thing that they found, even when it was corrected on the spot, was still listed as being discrepant from my company. So I understand the sensitivity. However, on the form that they used for my inspection, it also stated on there that it was corrected on the spot. Would that be something that would make your clients more comfortable, that if there is a deviation or a, a fault that it's noted that it was corrected on the spot and move on?

JEREME MONTGOMERY: As long as it's not made public, like it, like it currently is.

ANDERSEN: OK. So then at what point and what level of false or discrepancies in, in the inspection warrant release to the public?

JEREME MONTGOMERY: No final inspection passing. You know, the-- if that house is not built to code, should be made public, you know. Maybe it's a reduction in the house cost if it-- if it's going to be made livable. They, they make those corrections on their own. I, I don't know. I'm trying to figure out a scenario where that would be useful, but.

ANDERSEN: I, I-- OK. I do agree with you. I think the, the list of personnel too broad. We don't want landscapers and everything else. I think it's only relevant personnel.

JEREME MONTGOMERY: Yeah.

ANDERSEN: If they're doing-- if they're a plumber, they're electricians, or drywaller, framer, those are relevant for the inspection. But not the landscapers or anything else.

JEREME MONTGOMERY: I agree.

ANDERSEN: Thank you.

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McKINNEY: Thank you. Any other questions? Senator Cavanaugh.

J. CAVANAUGH: Thank you. Sorry. I just was-- well, one, I wanted to clarify. We kind of talked around this. You only have to provide the list if you choose to avail yourself of the virtual inspection. That's where we settled, right? In terms of our reading--

JEREME MONTGOMERY: Repeat that.

J. CAVANAUGH: You only have to provide the list of all the folks on-site, whichever the list might be, if you do a virtual inspection.

JEREME MONTGOMERY: OK. That's--

J. CAVANAUGH: We--

JEREME MONTGOMERY: OK.

J. CAVANAUGH: That-- that's where, that's where you and I settled, at least. Somebody else can correct us. OK. I just want to-- and so I'm just trying to think why you might want to track failings. Is it-- is there any value in saying, you know, there's a common mistake that gets made and we would be able to identify and track that as a result of tracking these? So somebody would be able to say-- a university or somebody would compile all this information, be able to generate a report and say, X number-- you know, most of the time the thing that gets missed is this joist. And so maybe we should provide extra training on doing that so it doesn't get missed. Do you think there's value in that?

JEREME MONTGOMERY: No. I, I think the most of the times when things are missed in the field it's-- usually has to do with schedule and just people being in a hurry. It-- it's never something that was done on, on purpose.

J. CAVANAUGH: Well, nobody's saying it's--

JEREME MONTGOMERY: Right. I'm just, I'm just saying. And, and a lot of those things are just miscellaneous stuff. Now, in talking to a lot of the homebuilders in Lincoln, you know, truss braces is a, is a common one that, you know, people miss. And it's usually a conditional response of Mr. Inspector says, hey, when I come back and do the insulation inspection, I want to see those braces put up there and then I'll, I'll approve you. You know. So there's a lot of things that happen in the, in the field with the relationship that they have with the inspectors and the builders that kind of expedites and, and-- and

honestly, the only other thing that we had against the virtual inspection was when the homebuilder i-- or the whoever pulled the permit and-- or, called for the inspection-- sorry-- was walking along with that inspector, it's very educational to learn a lot of things because of codes and things are changing all the time. So that would be another benefit of, of not having virtual inspections. But, I mean, if we have to account for some of those instances where it be truly beneficial.

J. CAVANAUGH: Well, I'm talking about the-- specifically the keeping the record. And-- I mean, you just did say that, anecdotally, that, that these particular braces are missing a lot. Do you-- and then they have to come-- they say, well, would you fix that? And we'll come back and approve you. I guess my question is, if we had data where we collected all that and somebody aggregates all that data and says, hey, 42% of the time they're missing this particular brace. Double-check that before the inspector comes out so he doesn't have to come out a second time. Isn't there some kind of value in getting that information and somebody being [INAUDIBLE]?

JEREME MONTGOMERY: Yeah. But again, our stance is, why does that need to be made public? Why can't we handle that internally with the builders? And I'll tell you right now, a builder who has a subcontractor that routinely misses things are not going to be in business with that builder. That's how-- that stuff gets weeded out like that.

J. CAVANAUGH: And then they just go and work for another builder who then has to experience the same failing themselves?

JEREME MONTGOMERY: Yeah. You're probably right.

J. CAVANAUGH: OK. Thanks.

JEREME MONTGOMERY: You're probably right.

McKINNEY: Thank you. Senator Rountree.

ROUNTREE: Thank you, Chair McKinney. One final question.

JEREME MONTGOMERY: Yes, sir.

ROUNTREE: Just wanted to talk about that liability. You mentioned liability, potential liability with the list. Would that liability be for the [INAUDIBLE] homebuilder-- like, your corporation or your company? Or would that, based upon the list of all the people there--

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and let's say it happened in those trusses and it was myself that put those trusses in-- would that liability be down at my level or would your bondedness of your company cover that potential liability since that might be a risk?

JEREME MONTGOMERY: Well-- and that's why when we read the-- that individuals or personnel would be listed, that's why we think there's risk to that individual, not the company that they work for. I think ultimately it would fall on the company that they work for and who employed them. But at the same time, why would the list of individual personnels need to be made public?

ROUNTREE: All right. Thank you.

McKINNEY: Thank you. I have a couple questions. First, does any members of your association receive public dollars?

JEREME MONTGOMERY: I would believe so, yes.

McKINNEY: So then why shouldn't your records or your lists be public?

JEREME MONTGOMERY: Because they're not all public projects.

McKINNEY: But what about the projects that receive public dollars?

JEREME MONTGOMERY: I would have to speak to those builders who receive public money and whether or not they would agree with that.

McKINNEY: But why? When they are seeking out public dollars, taxpayer dollars, I think, to be held accountable, if they have inspection issues and compliance issues, why shouldn't they be held accountable? Like, why shouldn't the public be able to see that builders are taking public dollars and failing inspections?

JEREME MONTGOMERY: Oh, we just-- again, I'm, I'm falling back to the having individual personnel names on permanent records for each house that was built that used a virtual inspection. I-- we think that poses a lot of risk and liability. And now, on public projects, that would be a totally separate bill, I think, that would need to be introduced, that any public project that uses virtual inspections would have to conduct--

McKINNEY: Actually, I don't think it has to be another bill. That could be an amendment to this bill if needed. But last question. Did you reach out to Senator Spivey before you came in opposition?

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JEREME MONTGOMERY: No.

McKINNEY: Why?

JEREME MONTGOMERY: Because we heard this bill being introduced last year and it's, it's the same bill.

McKINNEY: But if you had any suggestions like you seem to have, why couldn't you reach out to her offer-- off-- her office to offer them?

JEREME MONTGOMERY: I, I didn't know if I brought suggestions. I brought concerns.

McKINNEY: OK. If you had concerns, why didn't you take them to her office?

JEREME MONTGOMERY: Well--

McKINNEY: Maybe she could have brought up-- maybe amended the bill to, to address your concerns.

JEREME MONTGOMERY: My fault, but I thought that's what we were here today to do.

McKINNEY: Or you maybe could have eliminated your opposition and made sure your concerns were heard and addressed in the amendment prior. Just a suggestion going forward.

JEREME MONTGOMERY: Duly noted. Thank you.

McKINNEY: No problem. Thank you. Thank you.

JEREME MONTGOMERY: Is there any other questions? Thank you very much.

McKINNEY: Are there any other opponents?

KORBY GILBERTSON: Good afternoon, Chairman McKinney, members of the committee. For the record, my name is Korby Gilbertson. It's spelled K-o-r-b-y G-i-l-b-e-r-t-s-o-n. I'm appearing today as a registered lobbyist on behalf of Nebraska Realtors Association and the HBAL/MOBA Coalition, which is the Home Builders of Lincoln, Metro Omaha Builders Association. I testified against this bill last year. I will tell you that we offered to work with the proponents of the bill. My phone never rang during the interim. So I think-- let's take a couple steps back and look at what this bill proposes to do. If this bill is about pro-- improving safety or improving accountability and transparency, then let's make it do that. And I also heard we want to be able to modernize

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the inspection program by allowing for virtual inspections. If that is really the case, then you should allow for virtual inspections. The person who pulled the permit is the person that is responsible for making sure those things are taken care of. If we're really worried about having ultimate accountability or transparency, create some type of format by which a person could look and see at the total record rather than being able to go in and pull several red tags and use those maybe out of line or for other purposes, not necessarily for data collection or for improving safety. The sheer volume of the records that the cities or counties would be required to cover-- maintain under this-- especially when we're talking about drone footage, other things-- if you have every single inspection that is done during a building process, that's more than just one record for each building process. And I don't think anyone's addressed that or talked about that. Senator McKinney, you did bring up an interesting point about the public dollars being used. I would say there are a, a huge amount of records that are already provided for anyone getting the public records, down to receipts and who's working on everything for everything. That's why there is such a process for getting those dollars. So I thi-- I think it is a very different subject than making all builders do this. And with that, I'd be happy to take any questions.

McKINNEY: Thank you. Are there any questions? Senator Clouse.

CLOUSE: Yes. Thank you, Senator McKinney. Korby, I have a-- I have a question. I'm, I'm sitting here and I, I just want to go back to this. They're doing it in Arizona, Kansas, Florida, Texas. Have, have you-- and I haven't looked at it, but has anybody looked at this or are we having these discussions or they corrected those? Are, are they all similar or different or--

KORBY GILBERTSON: I think the devil is always in the details. And act-- those bills are not exactly the same as this bill. So I would recommend, if we're going to say that, then I'm-- I haven't looked at those, but what I've heard is they are not the same bill as this.

CLOUSE: OK. Thank you.

McKINNEY: Thank you. Any other questions? I have some. First, why would the realtors be opposed to this? Wouldn't this bill assist with efficiency and things like that and maybe lowering cost?

KORBY GILBERTSON: They don't believe it will lower costs if you require all the recordkeeping that's required in this. There's many realtors

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that also wor-- are builders and work with builders. We don't believe it will improve efficiency. That doesn't seem to be the intent of this. The intent of this seems to be getting records.

McKINNEY: And I sit on the Judiciary Committee and realtors come in and oppose residential clean slate for residents sink-- seeking to get evictions cleared. And today I'm hearing arguments from individuals saying they don't want to see inspection records public because it'll provide negative, you know, con-- con-- negative context and those type of things. But your organizations don't support bills that would assist people who have negative things on their records. I'm-- I don't--

KORBY GILBERTSON: Just for the-- clarify, I did not testify in--

McKINNEY: No, I-- no, I know you didn't.

KORBY GILBERTSON: --opposition to that bill.

McKINNEY: You didn't.

KORBY GILBERTSON: We did not take a position of opposition.

McKINNEY: But I-- but a lot of realtors and property management people did. I'm just-- I just don't understand what's wrong with if your, your organizations are taking public dollars for the public to see that we have organizations who are taking public funds and are failing to be in compliance and have compliance issues. It's an inefficient use of public dollars, especially when, economically as a state, we're going broke.

KORBY GILBERTSON: I-- Senator, as I said before, I think that's a very separate issue from what we're reading in this bill.

McKINNEY: I don't think it's--

KORBY GILBERTSON: If you want to have another bill that has to do with any dollars coming from the Affordable Housing Trust Fund, Middle Income Workforce Housing, Rural Workforce Housing, that is a totally--

McKINNEY: But I don't think it's--

KORBY GILBERTSON: --separate issue.

McKINNEY: But I don't think it's separate when you raise the issue-- when, when the issue about having to report on compliance is brought up. Because I think it all is, is-- it's a holistic conversation.

KORBY GILBERTSON: I don't think I, I said that we're against compliance. Obviously, no builder wants to be out of compliance. A builder's goal is to get the house or whatever building they are building approved and for it to pass the inspections. I think that there is an-- during testimony, somehow this got turned into there are bad actor builders that are trying to not have things be public. If there is a-- some sort of disclosure that says this-- an inspector can say this builder has consistently had bad returns or gotten red tagged multiple times, that's one thing.

McKINNEY: But I'm reading your testimony. You're saying inspection report, red tag records are like documents between local building officials-- saying, like, the-- these things are common brings up a lot of questions in my head to say, how efficient are-- let's say these builders are taking public dollars. How efficient are these dollars being used if all these compliance issues are common? That's why I think they're not separate.

KORBY GILBERTSON: I think that we're conflating two different issues. Number one, if this bill was just about doing virtual inspections and having requirements for that, let's peel that off and look at that issue separately.

McKINNEY: And the-- well--

KORBY GILBERTSON: If the issue is making sure that buildings are safe-- that was one of the first things that the proponents said-- there's no evidence that they're not.

McKINNEY: Well, then it says making these records public could cause concern-- concern for laypersons not in building industry to not try-- not to-- someone could use this information against their builder or contractor as evidence of incompetence. Maybe they're incompetent.

KORBY GILBERTSON: But you could also say that there might be people that would take certain records and use those-- not using them in a complete picture. Does that make sense? That you can pick and choose what records you want to look at. You're then not looking at whether or not they were in compliance overall. Everyone can go in and say, well, you have this one thing on your record, and that's the only thing you bring up. That is not a total picture. That's the concern.

McKINNEY: Fair. One thing is one thing. But if somebody has a history, that's a different conversation.

KORBY GILBERTSON: If people have histories--

McKINNEY: That's all.

KORBY GILBERTSON: --they don't get hired by any contractors. And the contractors talk.

McKINNEY: But saying a lot of these things are common prac-- place makes me wonder if more people got more than one thing. That's what I'm trying to say. If it's common, I'm imagining that some builders have more than one thing on-- in their history. I-- that's all. But we're going around in circles. But thank you. Senator Cavanaugh.

J. CAVANAUGH: Thank you, Chairman. Thanks for being here, Ms. Gilbertson. This is an interesting conversation. So hypothetically, I buy a newly built home. I have-- I get access to the final inspection, right?

KORBY GILBERTSON: Occupancy.

J. CAVANAUGH: Right. But I don't get to see anything that was before that?

KORBY GILBERTSON: Right. So I'll give you-- when I-- I'll give you-- I built a house a while ago. So there are a number of different inspections that go on during that time. I will tell you, I didn't want to know every single little thing because there are many, many things that could be accidentally overlooked or something's just not right that then they have to have a reinspection done. As the property owner or the person building that home, I want to know if it passed. I want to know if you got that fixed and it passed. And that's-- it won't get the Certificate of Occupancy until it does.

J. CAVANAUGH: If-- and you might not know the answer to this, but hypothetically, building a building and it has a, a lot of things that didn't pass the first time through and the inspector comes through and they check off that you've accomplished nine out of the ten and they accidentally smudge and check off the tenth one. Wouldn't you want to-- say then that joist whatever fails-- you want to be able to go back and say, well, it was previously inspected as faulty, and now-- and then it was mistakenly approved. Isn't there some value in that?

KORBY GILBERTSON: So I think you could arguably have some type of record that provides the total picture, not each individual inspection separately, that can be pulled separately and used perhaps not for the same reason you are saying. I don't think the intent of this bill is for homeowners to go back and look at the records. We all know that's not what it's for.

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J. CAVANAUGH: Well, I guess-- maybe my mind's not devious enough. I am having trouble finding out what, what it is is the nefarious purpose of making these public. I mean, sure, you can publicly malign people or whatever, but that's not what we're talking about, I assume. What, what is the concern here?

KORBY GILBERTSON: I think the concern is that if there was actually a safety issue-- like last year at the hearing, there were stories about commercial projects having problems continuously. You'll note that this bill has nothing to do with commercial. So that was the argument last year. This year we hear that this-- we need this to have accountability, transparency, and to improve safety. There was not one piece of evidence about any of that being needed to be addressed.

J. CAVANAUGH: OK. But my question was, what is the thing we're concerned-- like, what is this-- you know, laypeople, sure. I'm not going to understand it if I have inspection or I'm looking at it. But if they're public and people-- somebody goes and aggregates these and-- I, I just-- I don't know. I'm trying to-- I'm honestly just trying to understand what is the-- what is the danger of that information being publicly available. Are we thinking people are going to use it in a lawsuit--

KORBY GILBERTSON: Think--

J. CAVANAUGH: --if their-- if, like, their house has a problem and they go back and look at a track record--

KORBY GILBERTSON: You would have to ask the proponents what-- why they want the information. I won't guess for them.

J. CAVANAUGH: Well-- but they're not going to tell me a nefarious reason.

KORBY GILBERTSON: That's right.

J. CAVANAUGH: And so I'm trying to figure out what it is that we're afraid of.

KORBY GILBERTSON: I think-- I don't think we're afraid of anything. I think we object to the idea that if you want to improve efficiency by allowing virtual inspections, then requiring a builder to give you a list of the person that was hanging the drapes--

J. CAVANAUGH: And that--

KORBY GILBERTSON: --is completely ridiculous.

J. CAVANAUGH: I think there's some legitimate criticism there, but that's a separate and apart from cul-- from being able to have available all of the inspections that were not the final inspection. And that's the part I'm having-- I, I get it. I under--

KORBY GILBERTSON: I think if they were--

J. CAVANAUGH: I'm with Senator Andersen. I'm like, I don't want anybody to know that I'm even in this room right now.

KORBY GILBERTSON: Yeah. I think if they were all put in-- I think if it was all in one place and one part of one record that gives you the record of the inspections, that's a different thing than hav-- be-- giving someone the ability to go pick and choose what record they want to be able to depend on.

J. CAVANAUGH: OK. Thank you.

McKINNEY: Any other questions? Senator Andersen.

ANDERSEN: Yeah. I apologize. Thank you, Mr. Chairman. I apologize. I was out.

KORBY GILBERTSON: Oh, that's OK.

ANDERSEN: So I apologize if I'm going to replot the same ground. But I asked Mr. Montgomery, would it be acceptable if the builder provided the list of people and their credentials to be verified but kept private? Is that something you would find that would be acceptable as well?

KORBY GILBERTSON: I'm happy to take that back to them and ask. I can't make-- I--

ANDERSEN: But do you believe that, that maintains the spirit and the intent of [INAUDIBLE]?

KORBY GILBERTSON: I think that-- I think that's a totally different way to look at it. So I'd be happy to take that back to them.

ANDERSEN: OK. And when we look at the individual discrepancies and all that kind of stuff-- I understand what you're saying. I thought it was an interesting point before about getting the, the final inspection license. I mean, I guess if I-- again, not a builder. Never been one.

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If I did a final inspection that it comes out great and that it's all cleared, all the previous inspections fall underneath that, right? Almost like subset inspections of the macro one. So if you get a cleared inspection when you purchased the home, is it understanding that everything else was good? Because you couldn't get the final one if all the other ones didn't comply with inspections, right?

KORBY GILBERTSON: Right.

ANDERSEN: OK. So the relevance of the individual subinspections may not be as important so long as you get-- and that's more of a QA function as opposed to the end one being the certification that the house was built to standards and up to code. Is that a correct characterization?

KORBY GILBERTSON: Yes.

ANDERSEN: Thank you.

KORBY GILBERTSON: Mm-hmm.

McKINNEY: Thank you. Any other questions? No? Oh, Senator Rountree.

ROUNTREE: Thank you, Senator McKinney, Chair McKinney. Mine is not so much a question, but a comment. So I appreciate all the discussion that we've had. When I bought my house, it wasn't a new house. Back in 2016, I moved in. And immediately afterwards, my furnace failed. I had some issues there. So I went downstairs and I was able to look at the installation date, look at everything on that little inspection sheet to find out what had happened, what'd been repaired. And so I knew that history. If I moved in and it failed and I did not have any history, that could have been devastating for me. But I knew now what happened. So I appreciate the record. So I don't think that-- you know, even with that, I didn't go back out to the previous homeowner and say, hey, you sold me this or you did that. But it was good for information to know what I had. And got the one item repaired. And I religiously now, summer and winter, I call them out. I say, inspect it. And I want them to record what we have. So anybody-- and that's my forever home, but if my wife decides she wants to move and I leave it there, at least it's going to show that inspection record of what's happened and that person can move in with great assurance. So I understand, you know, having that final inspection so that, you know, the home is signed off on. But it's also good sometimes to know that history as well. So just a comment, but I appreciate you. Thank you.

McKINNEY: Thank you. Senator Quick.

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QUICK: Yeah. Yeah. Thank you, Chairman McKinney. And just off of what he just said, I was thinking back to when we built our home. And I can tell you my wife and I were over there all the time talking to the contractor. We knew every subcontractor. We met the painter. We met the electrician, the plumber, the person that put in our furnace. And so we had that information. I think about the people that maybe you buy a spec home or a, a home built by somebody-- I think it'd be nice for them to have that record somehow of who actually built their home. And so-- maybe it's not-- they're not-- you know, maybe so they can reach out to them and say, hey, I, I would like you to put an addition on, or something like that because maybe they did some-- they felt like the quality of work was really good. So I can see those opportunities for, for-- also for some good things to come out of this too. So that's just my point. And I don't know if you want to address any of that. I'm sorry. That was more of a comment than a question.

KORBY GILBERTSON: I think that most builders would give you the names of their subcon-- of who did that work. And half the time, there's a yard sign in your yard of who did that work. So I don't think-- I think there are nonlegislative ways to get that type of information.

McKINNEY: Thank you. Any other questions? No. Thank you.

KORBY GILBERTSON: All right. Thank you.

McKINNEY: Are there any other opponents? Is there anyone here to testify in the neutral? No. Senator Spivey, you're welcome to come up. As she come up, for the record, there were 3 proponents online, 0 opponents, and 5 neutral.

SPIVEY: Thank you, Chair McKinney. And thank you to this committee for the discussion and to the testifiers. So I just wanted to provide a little bit of clarity around some of the conversation that was happening. So first, I do want to start that none of the proponents reached out to my office. It is my honor to be able to work with people as I put together legislation that are deeply impacted by the things that I bring forth. And so my constituents that brought this back to me to carry, I happily worked through the language with them, any concerns in addressing that. And so I would have been happy to work with them too. However, they did not reach out. For the lobbyists that testified in opposition, the AM2418 was actually a compromise to their concerns last year around this bill, because, again, it's been brought forth. And so my constituent did reach out to them. And that amendment, which is reflected in this current language that you had, did address any concerns. So if there were new concerns a few months later, that would

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have been great to know. But again, those were addressed. So in terms of some of the other pieces that were brought up, all inspection records would show the red tags-- so the things that failed-- as well as the correction. So I would not just leave, like, that there was an error and it was not corrected. And to I think some of the comments that Senator Quick and Rountree made, I think that's absolutely true. Right? Like some folks may not want to know how the sausage is made. Some people do. And I think having that available is really important. When I was pregnant with my youngest son, I wanted to do, like, a lavish baby shower. And so my friends gifted me with this opportunity, as we didn't even think that we would be able to conceive and carry. And we were at a commercial building actually in Benson area. And as we were leaving, packing up, going down the stairs, the whole stairwell collapsed. And my friend was actually on it and had to be rushed to the hospital. And I was falling right behind him at eight months pregnant. And so as we were trying to figure out what happened, my mind went to the legal side. Well, who said that this was OK? What did that look like? And some of those questions around the inspection history and who did it would have been really important for us as we pursued that instead of having to do an information act and try to request this. And so, again, I think it depends on the person, but having information readily available for accountability and transparency no matter your industry is important. And to that point, the list is only required if a person opts in to a virtual inspection and is for that specific part of the project. So it's not the full list for every part of the house that's being built. If I choose to do a virtual inspection for this part of the electrical, it'll be that team that is a part of that, and that's what the language reflects. And again, I would have been happy to address that if those questions were brought to me. I do think people cut corners, and they're, you know-- that's in indy-- any industry. And so this is, is around transparency. You're producing a list on a specific part of the project that did a virtual inspection. We are in the age of technology, as you mentioned, Senator Rountree, with the floods that happened and how drones were being used or how technology is used in medicine. And so this is about modernization. There is not some, like, alternative, nefarious reason that we're bringing this bill. It really is about, how do we modernize this part of the process? How do we think about efficiencies? And with any new process, as you mentioned, Senator Andersen, like, this is going to be new here in Nebraska. There may be some bumps, and we'll be happy to clean up language. But I do think that, for this bill, we did our part by working with the people that are on the ground that would be doing inspections, that are doing the actual laboring of the work. And for the proponents that came, you saw three different types of folks,

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right, from electrical to laborers. And they're part of the process. I would be happy with the folks from the opposition to look at language again, specifically around how the list is produced since it was unclear to them, and I think there was some misalignment, to further explain so that it's explicitly clear so there can be no more interpretation that actually doesn't align to the intent of the bill to be able to get this through. Again, there is not an impact fiscally to this, to our state. It makes the field more efficient. It allows for people to get stuff done. It allows for people to access records. And it has accountability. I think we need accountability regardless of the industry, and that is my intention with this bill. And I would be happy to answer any wrap-up questions that you all have.

McKINNEY: Thank you. Are there any questions from the committee?
Senator Quick.

QUICK: Thank you, Chairman McKinney. So the one question that was brought up, do you know how this compares to the laws were passed in other states?

SPIVEY: Yeah. This absolutely aligns to the other states and what they're doing in terms of the, the structure and, like, what is required. And so geographies are specific. And so there are some things that are not going to be specific in this legislation that is for-- like, in Texas, for example. But in terms of industry-- industry standards and where this is moving, this is-- aligns to best practices.

QUICK: Thank you.

McKINNEY: Thank you. Any other questions? No. Thank you.

SPIVEY: Thank you, Chairman. And thank you, committee.

McKINNEY: And Senator Clouse will be taking over.

CLOUSE: OK. Thank you, everyone. This will take us to LB288. And Senator McKinney.

McKINNEY: Thank you. Good afternoon, everyone. My name is Terrell McKinney, T-e-r-r-e-l-l M-c-K-i-n-n-e-y. I represent District 11 in the Legislature. And I'm here to present LB288. LB288 redefines terms and changes provisions under the Middle Income Workforce Housing Investment Act in order to allow for rent-to-own housing. LB288 does this by amending the statutes in which workforce housing is defined. This bill also redefines workforce housing in the follow-- following ways. First, it changes the monetor-- monetary amount under owner-occupied or

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rent-to-own housing units to, to ones that cost no more than \$350,000 to construct. This is a change from the current standard, which is \$330,000. Secondly, this bill adds on to the workforce housing definition, rent-to-own housing projects that do not exceed ten units. The goal of LB288 is to address the need for housing accessibility and affordability. Small-scale, local developers have had success developing owner-occupied housing using loans from the Middle Income Workforce Housing Fund. However, unlike their counterparts in the Rural Workforce Housing Fund, these urban developers have not been able to use middle workforce housing to develop rental housing in their communities, creating a gap in the market that allows larger, out-of-town developers to dominate. In turn, this leaves fewer feasible rental options for local workforce, especially those who are not interested in homeownership and those who, who would benefit from rent-to-own arrangements. As I've said many times before, housing affordab-- affordable housing is the key to reducing intergenerational poverty and increasing economic mobility. In Nebraska, we need to ensure that we're making strides to true affordable housing tailored to our state's unique needs. This bill is just one step in reaching that goal. This bill was brought to us by Spark CDI, an Omaha nonprofit that works to improve neighborhoods through real estate development, park renovations, and community education. Behind me are representatives from Spark that woul-- that would be able to answer some, some more questions. And just for me, I just think if housing is a crisis, we've identified affordable housing as a crisis, I think we should be doing things as a state and as a body to decrease barriers as much as possible that work for people and work for our state to make sure that, you know, people, you know, can get on a pathway to homeownership, but also housing affordability as much as possible. And with that, I will answer any questions. Thank you.

CLOUSE: Thank you, Senator McKinney. Are there any questions for the senator? Senator Quick.

QUICK: Thank you, Vice Chairman Clouse. So does this-- and I should have went through the bill previously-- but does it-- for any community-- size of community, or is it just mainly for larger communities or-- do you know?

McKINNEY: So the Middle Income Workforce Housing Fund is primarily in-- works in Lincoln and Omaha, but then there's the Rural Workforce Housing Fund that's more for rural communities. So it's two funds that are kind of similar but not similar.

QUICK: OK.

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McKINNEY: Yup.

QUICK: All right. Thank you.

CLOUSE: OK. Any other, other-- Senator Quick, that-- on page 3 at the top, county [INAUDIBLE] 100,000. Any other questions for Senator McKinney? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Vice Chair. Thank you, Senator McKinney-- Chair McKinney, for bringing this. I'm just looking at the letter from the Department of Economic Development.

McKINNEY: Yep.

J. CAVANAUGH: I don't understand their first concern, which is it'll co-- increase the cost of construction to construct a unit to \$350,000. What's that about?

McKINNEY: I, I didn't understand it either.

J. CAVANAUGH: Oh, OK.

McKINNEY: I haven't talked to them. They sent the letter, but I haven't talked to them yet. We saw this yesterday, so I haven't had time to talk to DED about their neu-- neutrality on this bill, so. I plan to talk to them later.

J. CAVANAUGH: All right. Thanks.

McKINNEY: Thanks.

CLOUSE: Thank you. Any other questions? Senator Andersen.

ANDERSEN: I got a couple. Thank you, Vice Chairman. And pardon me for jumping around if I do.

McKINNEY: Uh-huh.

ANDERSEN: And maybe you just answered that-- the, the source and funding of the Department of Economic Development Fund?

McKINNEY: It's the, it's the Middle Workforce Housing Fund.

ANDERSEN: And how much is that funded in-- from general funds?

McKINNEY: It's been funded through general funds and cash funds throughout the years.

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ANDERSEN: Do you know to what level?

McKINNEY: Off the top of my head, I can't give an exact number. I, I forget how much is in the fund.

CLOUSE: OK.

ANDERSEN: In here, it talks about a dilapidated house. And that's by whose estimation? And if it's dilapidated, why would you go back to-- because I think it states in here somewhere that it is more than 50% damaged. And if that's the case, then why wouldn't-- why would you pay money to go back and fix a dilapidated house?

McKINNEY: Are you speaking to DED's note or something in the bill?

ANDERSEN: The-- dilapidated is on page 2, line 13.

McKINNEY: Well, dilapidated-- there's-- for example, in my district there's a few-- many dilapidated houses and--

ANDERSEN: It's an ambiguous term. That's why I'm asking.

McKINNEY: Yeah. So there's the option to, you know, demolish those or find ways to, you know, re-- reconstruct or remodel. And the reason to reinvest in those, because-- if you do-- like, for example, if you drive around my district, you will-- you could drive literally down blocks where there's maybe two houses because the city has come through and just demolished houses instead of finding ways to put money and reinvest into those houses. So we're, we're in a housing crisis currently, and I don't think it's, it's good-- it, it, it makes a lot of sense to just keep knocking down houses that we might can save. Yes, they might be dilapidated, but some of these houses could be saved if we spent the dollars to put, to put back into-- not all the houses can be saved. Some of them are in such disarray that they can't be saved. But some of them just need some investment.

ANDERSEN: OK.

McKINNEY: Yeah.

CLOUSE: You got another one?

ANDERSEN: Yeah, a couple more.

CLOUSE: OK.

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ANDERSEN: When we talk about the-- why was the addition of the rent-to-own housing, why was that added?

McKINNEY: Rent to own was added because initially when this conversation was brought to me, it was more of a conversation about allowing for the usage of rent-- rentals, which is allowed in the Rural Workforce Housing Program. And the compromise for me was to do rent to own because we have a problem with outside developers, people from out of state that are buying up homes and driving up the rental prices. And I didn't think that was a good idea. But I do think it is good to allow for rent to own to get people on a pathway to homeownership. And I also knew that-- that was something I knew that the governor probably would get on board with versus saying rental. Because in my conversations with him, he's opposed to rental. But rent to own, that's easier to have a conversation with. So that's why rent to own was added.

ANDERSEN: No, I think it's a good pathway.

McKINNEY: Yeah.

ANDERSEN: When it talks about the urban, it talks about the cities of the first class. It talked about-- well, it talks about cities that are 100,000 or more. It also talks about primary class, which is 50,000. So looking at the population around Nebraska, we're only talking about five counties: Douglas, Lancaster, Sarpy, Hall, and Buffalo, right?

McKINNEY: Yeah. That's what this fund is for. But then the Rural Workforce Housing take care-- how-- that's how they set it up. I forget-- I think 2019 or 2018-- I, I forget the exact year they set it up. But they set the Middle up-- Middle Workforce Housing Program up for this for those counties and the Rural up for the other once.

ANDERSEN: OK.

McKINNEY: Yep.

ANDERSEN: And para-- page 4 and paragraph 2-- or, line 12, it talks about the 50/50-- the 50% of the cost is by-- is from the grant and 50% by the applicant. Does that mean if they're going to buy a house and-- we're saying that affordable housing is up to \$350,000?

McKINNEY: You said page 4, line 12?

ANDERSEN: Yes, sir. No. That's what my note was. Sorry. Yeah. [INAUDIBLE] you can do is [INAUDIBLE] down and says that they-- the applicant will, will contribute 25% of what the grant--

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McKINNEY: That's to match the Rural Workforce Housing Program because in-- under-- because in the Rural Workforce Housing Program, it's a 25% match. In the Middle, it's 50%. And it's just to mirror the work-- the Rural Workforce Housing Program. Because the Rural Workforce Housing Program has been able to be utilized a lot better because of the difference in requirements. And we're just trying to decrease that barrier just to see if the Middle Income Workforce Housing Program could be worked more efficiently if it has the same-- some of the same barriers as the--

ANDERSEN: [INAUDIBLE].

McKINNEY: Yeah. Yep.

ANDERSEN: Yeah. It just seemed [INAUDIBLE] to help the program if-- if they get a grant for a \$350,000 house at \$175,000, it'd be a 50% increase. But the obligation by the applicant ends up being only \$43,000. So you get a \$350,000 house and you put in \$43,000. That's [INAUDIBLE].

McKINNEY: Mm-hmm.

CLOUSE: Done?

ANDERSEN: Sure. Thank you.

CLOUSE: Any other questions for Senator McKinney? I, I had one. And it-- it's really-- this is just for my information. On line 15, when we cross out-- it says, upper-story housing development for occupation by a homeowner. And that-- "occupation by a homeowner" is crossed through in a couple different places. What's--

McKINNEY: Which page?

CLOUSE: Page 2, and then line 15. It's addressed a couple different times through there. Upper-story housing development. And they would cross out, for occupation by a owner-- or, homeowner. I don't know what that means.

McKINNEY: I'm not sure why that got crossed out, if I'm being truthful with you.

CLOUSE: And, and in the same place over in line 29, page 3-- it's just two or three places through here. I'm-- it's probably not a big deal. That was-- what does it mean?

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McKINNEY: Yeah. I-- I'll double-check on why that got crossed out.

CLOUSE: OK.

McKINNEY: Yup.

CLOUSE: OK. Senator Cavanaugh.

J. CAVANAUGH: Thank you, Vice Chair. Just not to inject myself there, but do you think it's possibly that because we're changing it from owner occupied only to rent to own that--

McKINNEY: I think that, that--

J. CAVANAUGH: They might have to--

McKINNEY: --that-- that's what I'm thinking in my head, is it-- but I'll double-check.

J. CAVANAUGH: That would be my read of-- at least that line 15 on page 2, "upper-story housing development for occupation by a homeowner" would be exclusive and wouldn't include the right-to-own folks if you didn't excl-- if you didn't strike that language.

McKINNEY: Yup.

CLOUSE: OK. Any other questions? Senator Andersen.

ANDERSEN: Thank you, Vice Chair. Senator McKinney, on page 5, it, it talks about-- line 8. It talks about reducing barriers to development and purchase of own home-- owner-occupied housing with flexi-- flexible forms of assistance, including grants, forgivable loans, and then other forms of long-term-- it says patient financing. I don't know what patient financing means. Who, who pays the forgivable loan? Does that come from the educ-- the--

McKINNEY: That's through the--

ANDERSEN: [INAUDIBLE]?

McKINNEY: So that's through the program. It-- so there's, there's ways where people could apply for loans that if they meet-- if, if they meet all the requirements, whatever funding they get can be forgiven, so. But if they don't, they have to repay the loan, so.

ANDERSEN: What, what-- do you know what those requirements are?

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McKINNEY: They might-- speakers behind me might be able to answer those require-- I, I don't know for sure what the requirements are, but.

ANDERSEN: Because it's somebody's money, right?

McKINNEY: Yeah, it--

ANDERSEN: It's not--

McKINNEY: Yeah.

CLOUSE: OK.

ANDERSEN: And they can answer about the long-term financing as well?

McKINNEY: Yeah, they should be able to.

ANDERSEN: Thank you.

CLOUSE: OK. And other questions for Senator McKinney?

ANDERSEN: OK.

CLOUSE: One more?

ANDERSEN: Sorry. On page 5 and-- subparagraph (b), it says, a neighborhood or community that has a higher than state average unemployment rate. So if it has a higher unemployment rate, why are we investing in housing there?

McKINNEY: Because housing, especially homeownership, has been shown as one of the best-- not, not what-- it's been, it's been shown as one of the best pathways to lift people out of poverty. And it-- and help people on a pathway of just wealth building, period. So that's why it says that. But that's already in statute. I didn't add that. That's--

ANDERSEN: OK.

McKINNEY: That-- that's already in statute. That's-- they put that in when they started the program.

ANDERSEN: Thank you.

CLOUSE: OK. Any other questions for Senator McKinney? Be around to close, Senator?

McKINNEY: No. I'll, I'll be back up.

CLOUSE: OK. Thank you.

McKINNEY: Thank you.

CLOUSE: OK. We'll go to proponents for LB288. Do we have any proponents?

BUHEY RAY TUT: Sorry. I'm on crutches. Took the "break the leg" a little bit too seriously. All right. Good afternoon, senators. My name is Buey Ray Tut, B-u-e-y R-a-y T-u-t. I would like to first start by thanking Senator McKinney for the leadership on this bill. I would also like to thank senators of this committee for giving me the opportunity to share the support for this bill. I represent Spark, a community development nonprofit CDFI lending arm in Omaha, Nebraska. Our mission is to help profoundly transform disinvested neighborhoods into prosperous and thriving communities. We accomplish our mission primarily through capacity building and through-- we-- purpose and thriving communities. We accomplish our mission primarily through capacity building, strengthening communities by empowering people to build up their own neighborhoods. We believe that neighborhood rev-- revitalization is most likely to succeed if we have-- if we invest in local entrepreneurs. Unfortunately, out-of-state investors own an alarming and growing share of rental housing in Omaha. Flat Water Free Press reported that Venmark-- VineBrook Homes, a company worth 2.4 billion in assets-- became the third-largest landlord in Omaha in 2022. When large outside capital buys up homes, it siphons money out of our communities and out of our state. It's the opposite of what we want at Spark. LB288 would create a new tool for local, mission-oriented, mom-and-pop developers to compete with private capital and keep that money circulating in our local economy. By allowing rent to own under the Middle Workforce Income Ho-- under the Middle Income Workforce Housing Fund, we're opening up opportunities for small, emerging businesses and the workforce. Since 2020, Spark has re-- received \$5 million from the Middle Income Workforce Housing Fund, which allowed seven local developers and counting to create 21 new housing units for homeowners. Not everyone is ready to be a homeowner, but everybody needs a place to call home. Our local developers want to develop small-scale rental projects, duplexes, fourplexes, and sixplexes. But unlike the Rural Workforce Housing Fund, Middle Workforce Housing Fund does not allow rental units. We're keeping our home-- we're keeping our homegrown talent on the sideline by restricting Middle Workforce Income Housing owner-occupied housing. I want to address a couple of-- want to address a couple of concerns I have heard about the move to allow rent-to-own housing. First, let me clear that-- let me clear-- let me be clear that these funds will go to small emerging developers, local entrepreneurs,

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not big-pocketed, well-established developers. Middle workforce income housing is administered by mission-based nonprofit entities like Spark at a local level, ensuring smart investments in-- reputable developer and-- what was it-- accountability. LB288 will limit the number of rental units in projects to ten units or less, ensuring that the funds aren't misused on large apartments-- or, funds are misused on large apartments. Second, this bill is about strengthening the local economy, not extracting wealth. Rent to own offers a pathway to homeownership for individuals who aren't mortgage ready. And focusing on local emerging developers, ensuring the wealth stay in the community. Owner-occupied units would remain eligible so recipients that focus exclusively on for-sale units could continue to do so. And finally, although the bill does not seek to define rent to own, I'm confident that successful models for rent to own exist and flexibility is needed to ensure nimble implementation. Thank you to Senator McKinney for introducing this bill and to members of the Urban Affairs Committee for your time. It's time to give developers in our urban communities access to the same resources to build their communities as rural communities. Thank you.

CLOUSE: Thank you. Have any-- senators have any questions? Senator Cavanaugh.

J. CAVANAUGH: Thank you, Vice Chair. Thanks for being here. Are you in a cast or--

BUEY RAY TUT: No. It's just an operation, so. They put a Band-Aid around it, said, best of luck.

J. CAVANAUGH: Well, sorry to hear that. So my first question-- I want to just touch on what's-- well, the letter from Department of Economic Development. Did you-- have you seen that?

BUEY RAY TUT: I did.

J. CAVANAUGH: Do you know what they're talking about?

BUEY RAY TUT: With--

J. CAVANAUGH: Where they said that it will increase the cost of construction to \$350,000.

BUEY RAY TUT: Well, the co-- I mean-- so the reason why we put that up is, up to \$350,000 per unit, at the cost. But it wouldn't increase the cost of construction by that much. I mean, the cost of the construction

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could be at \$174,000, depending on where it is. We're just extending that to reflect inflation.

J. CAVANAUGH: OK. Oh, OK. That's-- so they're reading it from \$330,000 to \$350,000.

BUEY RAY TUT: Yeah. It is currently set at \$3-- \$330,000.

J. CAVANAUGH: OK. And I guess maybe I misread their letter where they seemed to make it sound like it was going up from 200-something-thousand.

BUEY RAY TUT: No.

J. CAVANAUGH: OK. So that's-- so it's-- it is just an in-- just increase that by \$20,000--

BUEY RAY TUT: Yes.

J. CAVANAUGH: --in the allowable amount. I got you now. So the mo-- I guess my understanding of how this works is, you're a nonprofit developer. You would get money from the state for the-- this, this system. And is the 25% and 50% that Senator McKinney and I think Senator Andersen were talking about, that's the amount that your organization has to put up, not the homeowner--

BUEY RAY TUT: Yes.

J. CAVANAUGH: --or home renters.

BUEY RAY TUT: So the way the Middle Workforce Income Housing eligibility works for nonprofit entities like Spark is that we would have to provide a 25% match in order to qualify for the remaining 75%.

J. CAVANAUGH: From the state?

BUEY RAY TUT: From the state.

J. CAVANAUGH: And then you would ultimately in turn sell that property to a person for a--

BUEY RAY TUT: Yes.

J. CAVANAUGH: --market amount or something.

BUEY RAY TUT: Well, Spark specifically, we would lend that out to entrepreneurial developers. And then developers would develop that

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unit. And then based on the sell price, whatever that buyer can afford would be, would be forgiven on that end-- on the developer's side. So we-- we're lending that capital out to borrow-- or, developers.

J. CAVANAUGH: OK. So just so I've-- trying to get a full picture here. So the state gives you 75%. You put up 25% that you get from philanthropic or whatever, right?

BUEY RAY TUT: Yep. Or under my couch.

J. CAVANAUGH: Well, that's a big couch.

BUEY RAY TUT: Yes.

J. CAVANAUGH: So-- and then you lend that out and--

BUEY RAY TUT: Yes.

J. CAVANAUGH: --then those, those developers would pay you interest, I assume, on that money that you've lend-- lent out to them.

BUEY RAY TUT: Yes. I mean, they would treat that as-- I mean, as borrowed loan. So-- on their books. So they would borrow that. And then after their development, after the forgivable component, they would pay back-- what was it-- minus the forgivable portion.

J. CAVANAUGH: OK.

BUEY RAY TUT: Yes.

J. CAVANAUGH: And so then you have that money then to lend out again?

BUEY RAY TUT: Yeah. So it's-- it cycles and cycles. So the intent of the-- of, of-- like, well at least for-- on Spark's end is to lend it out to as many emerging developers for as many projects as possible until the forgiveness grant component runs out.

J. CAVANAUGH: Eats up all of the remainder. Yeah. OK.

BUEY RAY TUT: Exactly.

J. CAVANAUGH: And so the difference in this bill-- that's already what you're doing, right?

BUEY RAY TUT: Yes.

J. CAVANAUGH: And so it's already-- they can build those houses for sale.

BUEY RAY TUT: Yes.

J. CAVANAUGH: So the difference here is that it's going to be somebody could rent that with-- under contract to purchase it at a-- at-- once they've built up equity or-- how does rent to own work?

BUEY RAY TUT: Yeah. So as it, as it stands currently, it only allows for-sale housing. While we're hoping for our entre-- young entrepreneur-- well, I'm not young anymore, so-- for our entrepreneur emerging developers is allowing the space if they're not able to sell the houses to be able to have the option to rent to own as well. Or from the perform-- I mean, as they're building out their performance to start to begin to do that. So it's allowing them to have that option the same way the Middle Workforce-- or, the Rural Workforce Income Housing does. So we want it to mirror the Workfor-- or, the Rural Workforce Income Housing Fund.

J. CAVANAUGH: OK. And they couldn't sell this to some kind of out-of-state speculator who then could rent to own it or something like that, right?

BUEY RAY TUT: Well, I mean, if they-- at this-- at-- the way it's written right now, the rent-to-own component, it would be difficult to. I'm sure people could find ways to do it. Our theory of change is saying that, because these are local, entrepreneurial, small-scale developers, that pretty much comes back at them. So they have that vested interest to make sure that they keep those developed properties-- what was it-- intact within the community.

J. CAVANAUGH: OK.

BUEY RAY TUT: So.

J. CAVANAUGH: Thank you.

BUEY RAY TUT: Yep.

CLOUSE: Any other-- Senator Sorrentino.

SORRENTINO: Thank you, Vice Chair. You used the term entreperner-- entrepreneurial emerging developer. Can that be any developer or is that a defined term of art somewhere that I've missed? Can it be any developer?

BUEY RAY TUT: It, it, it could be. I mean, emerging entrepreneurial developer, it would be difficult if I'd done a 30- to 70-unit housing to say I'm an emerging developer. So I-- it's-- forgot. I mean, anybody can say they're an emerging developer, but really it's targeting specific number-- ones that are coming into the industry, having a lateral change, usually.

SORRENTINO: If there's no specific definition of this, what--

BUEY RAY TUT: There is no specific--

SORRENTINO: And who decides that that developer is eligible? Is it your organization or is that someone else?

BUEY RAY TUT: No, the developer usually is, is the one that kind of decides whether they're an emerging developer or not. But is that in context of who's eligible for the loans?

SORRENTINO: Right.

BUEY RAY TUT: So-- I mean, the Middle Workforce Income Housing as it stands right now is not limited to emerging developers. It's anybody willing to do development, willing to do develop-- they're-- they'd be eligible to the Middle Workforce Income Housing Fund to be able to utilize that. For larger dev-- larger developers, it might not-- the economy of scale might not pan out for them.

SORRENTINO: Got it.

BUEY RAY TUT: Yeah.

SORRENTINO: Thank you.

CLOUSE: OK. Senator Rountree.

ROUNTREE: Thank you, Vice Chair Clouse. Yes, sir. Just a couple of questions. On one of the proponent comments, this one individual says, I started by participating in the developer academy through Spark and became an ambassador for the Omaha Municipal Land Bank. And now I have been accepted into Spark's codeveloper academy. So I guess all of those are your operations designed to help "emergencing" developers bring community-focused projects to life. But capital and grant funding is a challenge. It's one of the biggest challenges out there.

BUEY RAY TUT: Absolutely.

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ROUNTREE: And that. So as they are going through the process and they are able now to help others to procure housing and go on to that rent-to-own business, what is the normal term-- I know each one is case-specific. But what is the normal term for someone that goes into a rent to own? How long is that rental period before they are really ready and able to take over to-- go into homeownership?

BUEY RAY TUT: As, as we explore this legislation, I-- we are hoping to really hone in on what that looks like. There's several models we're-- several models we're looking at trying to exercise. But one of the advantages that we have at Spark-- because we're not a development organization, we're a capacity-building organization-- we're able to work with different emerging developers. And that allows them the independence and agency to kind of exercise their own model and to see what best suits them. So we're able to see on different developing deve-- or, developers on which one works best.

ROUNTREE: OK. So it's not one-size-fits-all. It's each one as they go in.

BUEY RAY TUT: Absolutely.

ROUNTREE: All right. Thank you so much. I appreciate it.

CLOUSE: Any other questions, senators? OK. Thank you.

BUEY RAY TUT: Thank you.

CLOUSE: Are there any other proponents? Careful.

JOSEPH HIGGINS: Good afternoon, senators. I appreciate all the time the members are putting into this legislation and this bill and also the people that came to comment and ask questions. I am Joseph Higgins. That's J-o-s-e-p-h H-i-g-g-i-n-s. I am a resident community advocate in Nebraska Legislature District 13. President of the Levi Carter Sherman Neighborhood Association, established in 2015 in Omaha. I'm also the local Omaha project manager and representative with Advanced Solutions for TinyMOD LLC. TinyMOD LLC currently has three modular ADUs pre-approved in Omaha. AST's goal is to revitalize Nebraska by building sustainable homes and communities through best practices and innovation in all phases: land use, codes, permits and inspections, appraisals and loans, and construction. Omaha's experiencing a critical housing shortage in urban infill areas like my neighborhood. We're forming a nonprofit development community building corporation that strives to improve equitable access to decent, attainable homes in thriving communities. CBC will address better communities through engagement,

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development, and management of attainable housing. Large development is often, often offered as the go-to housing solution. Local developers like us offer the best solution. In the United States, residential home construction is dominated by small companies, and it is the only major U.S. industry in which large companies comprise a very small percentage. Complex processes and difficulty securing capital are significant barriers that limit our ability to contribute effectively. LB288 offers a promising pathway to address these challenges by expanding Middle Income Workforce Housing funds to include rent-to-own housing, providing emergency-- emerging developers like us an entry point into a rental market dominated by out-of-state landlords and private equity interests. An ideal amendment would further broaden provisions to explicitly support rental housing, promoting oca-- local ownership of housing assets. LB288 includes no appropriations in fund. In fact, the opposite is true. LB288 will allow small developers like us to grow our community while growing our state and increasing tax revenues. LB288 subborts-- supports-- excuse me-- local entrepreneurship, community resilience, and long-term enec-- economic growth. I urge you to champion this bill and help small developers overcome barriers to creating strong, more vibrant neighborhoods across Nebraska.

CLOUSE: OK. Thank you, Mr. Higgins. There any questions for Mr. Higgins? No. We have one here. Senator Andersen.

ANDERSEN: Thank you, Vice Chair. Thank you for being here. Appreciate your time. A couple of times you mentioned attainable housing.

JOSEPH HIGGINS: Yes.

ANDERSEN: What, what, what do you mean by attainable housing?

JOSEPH HIGGINS: Well, affordable housing has been kicked around so much. There's so many different levels of affordability. And in today's marketplace, a lot-- the, the people that oppose it usually equate it to subsidized. Attainable is something that somebody can attain. And in our current market, there are many nonprofits and entities that are, are using the model of home equity to build wealth as well as decent housing. However, there-- we need rental housing component. We're far short in that. The capacity that's currently being built in Omaha has market rate. And I don't think \$1,500, \$2,000 for a single-family apartment is affordable or attainable. I couldn't afford one. I-- we're-- you know. So I think we need this rental piece in the financing to be on par with the Rural Workforce Fund. But also in the cities, actually, it's, it's a, it's a worse problem because it's-- our

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housing's higher priced and there's less rental. And the rental that is being built is in market rate. So other, other, other entities push the affordable housing, but they also push the equity and the wealth building, which is important. But sometimes you need that step up. Maybe you need a rental house or the rent-to-own program to go to that next level. So-- I mean, housing's a big issue everywhere, and how we address it is going to be a multiple approach. But I think this is a great bill in the right direction.

CLOUSE: OK. Thank you.

ANDERSEN: OK. So--

CLOUSE: Oh, go ahead.

ANDERSEN: Sorry. So I-- and please don't-- I'm not trying to be rude. I just-- I still don't know what attainable housing means.

JOSEPH HIGGINS: Something that you can actually get, whatever that definition is. So this makes housing more attainable because-- you know, there's-- Spark, Spark's been helping developers, and they're-- they typically are for-sale homes. I think the most recent project that I, I saw completed, the houses are selling for, like, \$265,000 or \$266,000. There's a lot of families that couldn't afford that payment even with the \$10,000 payment forgiveness from the city, et cetera. But those people still need housing. So I think it's interesting that-- I believe that rent is starting to come down and it's more attainable for those people. And maybe it's a stair-step to-- and also building equity.

ANDERSEN: So you think we should focus on rent as opposed to rent to own, or you--

JOSEPH HIGGINS: I think it's both. I don't know how the rent to own is going to work, but it's certainly worth doing because it gives that person another option. I-- I'm not in this to make millions of dollars at my age. And I think Mr. Tut was wrong. He is young. From my seat, he looked young. How about you guys? So.

ANDERSEN: Don't look around this table.

JOSEPH HIGGINS: So I currently participate in the community quite a bit in boards, and I'm trying to give back. And all my kids say, Dad, why don't you just retire and live off your Social Security? Forget it. And I just can't do that. There's something wrong with me. So that's why I'm here. I believe that we need to get more grassroots, bottom up in

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everything and that we need to take-- having the local people that live in those communities develop the properties around them with infill is the best affordable option we have.

ANDERSEN: I certainly agree with you.

CLOUSE: Thank you. Any other questions? OK. Thank you, Mr. Higgins. Thank you. Is there one-- anyone else wish to testify as a proponent?

JOSEPH HIGGINS: Are we done?

CLOUSE: Yeah, we're done.

JOSEPH HIGGINS: I also have one that I need to read.

CLOUSE: Oh. OK. Well, we have this letter, so thank you.

JOSEPH HIGGINS: Again, I'm Joseph A. Higgins.

CLOUSE: OK. Time-out. I think procedurally we can't do that.

JOSEPH HIGGINS: Oh, we can't?

CLOUSE: Nope. So if you have a written testimony, hand it in as an exhibit and we can accept that.

JOSEPH HIGGINS: Can I read into the record what, what--

CLOUSE: No.

JOSEPH HIGGINS: Oh, OK. I'll just submit it.

CLOUSE: OK. Thank you.

JOSEPH HIGGINS: Thank you.

CLOUSE: OK. Do we have any other proponents?

JEWEL RODGERS: My name is Jewel Rodgers, J-e-w-e-l R-o-d-g-e-r-s. I wasn't, wasn't going to bore you with my little story, my little life story, but it seems relevant given the con-- the conversation and the questions that are happening. So I'm just going to read my statement as it is and hopefully maybe also address some of the things that have been said. I am a resident of north Omaha. Since I was 12 years old, I followed two interests in parallel: poetry and the built environment. The built environment is my more approachable term for real estate development. I didn't even know what real estate development was until

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I was 18 and I realized I didn't want to be an architect. I just knew that my neighborhood didn't look the same as the other communities that I had the privilege of visiting, and I wanted to do something about it. Well, now my neighborhood is changing rapidly, and I'm almost really fighting for a chance to do something about it. I-- naturally, given my lifelong interest, that's really what I want to do. And my goal, again, is not to bore you with my little speech. It's just to kind of give you, like, a little context on how it will affect, like, the individual. Like, what the small and emerging developer looks like. It looks like this, in one example. So far, my childhood dreams are proje-- progressing well. On the poetry side, I recently became the state poet of Nebraska, which is essentially saying the poet laureate. My installation ceremony is in this building on the 24th for free if you want to join. On the development side, I graduated from the University of Nebraska-Lincoln with a bachelor's in business, a minor in community and regional planning, and a certificate in civic engagement. I then went on to get my master's degree in real estate development from New York University, NYU, focusing on sustainable development. And after that, I was brought on to the team at Noddle Companies, where I directly support the executive team in financial analysis in commercial real estate across our region. At no point have I lost sight of my goals for local impact in my neighborhood, and I believe the enhanced flexibility of the Middle Income Workforce Housing funds could help me implement them. The first property I ever owned was from the Land Bank, which speaks to the importance of accessibility and the critical role of that program. And at that time, I was a master's student and I couldn't afford to develop it yet, but I was eager to get started however I could. And instead of letting that land sit vacant, I transformed it into a neighborhood park. I've done that twice now. Today I own five parcels, two homes on them, two homes-- five parcels in total-- actively providing safe, affordable housing in the houses that I do own, just as I carry on my aspirations as, as a developer. Recently I was accepted-- also similarly to the comment online-- into the Spark codeveloper program, where we will be using Middle Income Workforce Housing funds to develop a duplex for sale. Now, this program is providing the credibility I've been working toward. Once I successfully complete that project, I plan to shift my focus back to a tiny house-- one of the five properties I own-- a tiny house on a very big lot. My goal is to develop one duplex and one triplex alongside that tiny house. Now, originally my vision was rental housing, designed to be accessible enough to prepare tenants for homeownership, similar to what I currently provide. But real estate development is just as much about building yourself, your portfolio, track record, income, loanability. All of these things sort of happen at the same time. And

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so I was really focused on rental sources, of which this was not one. And so now this could become one, which I think could be a great resource of-- not only for myself, but for the folks that eventually I will be renting toward and perhaps eventually will be buying from me as well. So if I can successfully navigate that program, I want to utilize these tools to create at least five new places for somebody to live in addition to everybody else who'll be able to utilize this resource as well. I would also like to say I understand there's a little bit of nuance between rent to own and rental and how this is sort of a bridge of those two things to sort of get things going. Rental housing provides stability for the people I know. And homeownership builds long-term wealth. And adjusting this program to bridge that gap between the two will have real implications in my life and for the folks that I house and for the local developers who are very similar to me. So my point is that this bill will impact real people in, in, in many, in many facets. There, there were also just some questions that were asked that I just want to address just because I have a little more to add. Why, why, why-- oh. Excuse me. Is this-- does that mean I need to stop talking?

CLOUSE: You can keep going.

JEWEL RODGERS: Great. OK. Why address a dilapidated house-- a dila-- be, be-- or why allow that verbiage to maintain is because it expands your capacity so you're not necessarily forced to deconstruct. You can kind of improve your community a little bit more mindfully. I'd also say, what is attainable housing? It's a nuance. It's almost like, what is affordable housing? Because if you make a bunch of money, anything's affordable. If you don't make nu-- much, you know, that starts to change. So I think that that definition is a little bit more, more fluid wi-- whatever term you use. And I also want to say just, why would you invest in, in, in areas with a higher unemployment rate to provide new housing? Well, we have a lot of vacancy in my area, so I can speak to that. But if you continue to allow divestment in the neighborhood, folks are never coming. Those jobs are never coming, that infrastructure. We need housing to support jobs and jobs to support the housing. And so we have to start somewhere. And if this is somewhere we can start, that'd be a great idea. That's all I have to say.

CLOUSE: Thank you. We needed a little energy, so thank you. And, and Sen-- Senator Rountree, he's worried you could be-- your replacement as pastor, I think. So thank you. Any questions from senators? OK. Senator Cavanaugh.

J. CAVANAUGH: Thank you. Thanks for being here, Ms. Rodgers.

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JEWEL RODGERS: Absolutely.

J. CAVANAUGH: And what time is that in-- in-- investment? Is that what it's called?

JEWEL RODGERS: Installation ceremony.

J. CAVANAUGH: Installation. Sorry.

JEWEL RODGERS: 3 p.m.

J. CAVANAUGH: 3 p.m. on the 24th. I'm writing it down right now.

JEWEL RODGERS: Yes, it is.

J. CAVANAUGH: Are you going to read anything at that?

JEWEL RODGERS: I will. Several. As well as the past state poet and the, the other finalist as well.

J. CAVANAUGH: Oh. OK. Well, we can talk about that, not here, but, but I appreciate-- thanks for your willingness to serve in that capacity. So this-- the rent to own, you did kind of hit on this. So is your-- your intention would be that this'll make it more likely that you're able to utilize these funds on those five properties?

JEWEL RODGERS: Well, well, in fact, not just more likely. Like, ex-- explicitly likely.

J. CAVANAUGH: OK. So you can't do it under the current situation but you--

JEWEL RODGERS: Correct.

J. CAVANAUGH: --would be able to do it under-- so. And I'm having a little trouble-- I know we're not explicitly defining rent to own here, but how do you envision it working once you build these properties?

JEWEL RODGERS: There are a few programs that already do offer rent to own. I believe one of them might be the Nebraska Affordable Housing Trust Fund. I'm sorry. Well, there's a couple that you can work from. So I think even just getting the bill in the door is a great idea, and then being able to work from that framework. Now, for me personally, I think we would have to agree to something on, on the front end. There's, there's more risk involved. Sometimes folks can change their mind, but I don't necessarily think that that should allow us to bar, bar the opportunity entirely.

J. CAVANAUGH: OK. Thank you.

JEWEL RODGERS: OK.

J. CAVANAUGH: Is there anything else I, I should have asked you? You seem like you're disappointed I didn't ask you a follow-up.

JEWEL RODGERS: Uh-uh. No, I'm all right. Thank you.

CLOUSE: Senator Andersen.

JEWEL RODGERS: Oh, sure.

ANDERSEN: Yeah. Thank you, Vice Chair. And thank you for your time. As he alluded to, I certainly appreciate your energy. It's inspiring. Your, your faith and your vision is impressive.

JEWEL RODGERS: Thank you.

ANDERSEN: Your accomplishments at a young age are impressive as well. And we talk about attainable housing, affordable housing. I, I get it. It depends on where you sit, right? The challenge is, how do we-- how do we create housing that's attainable for the average person, right? So in this bill, it says \$350,000. I don't think that's realistic. I don't know. A lot of people will have two younger sons and they can't-- they could never afford something like that. So, you know, is it-- and I think the gentleman over there with his handout or whatever showed some that were more modest but, but very nice. I, I think your role model-- as a role model, you're doing fantastic. And I hope you continue to inspire and share your vision and your drive with your, your colleagues.

JEWEL RODGERS: Thank you.

ANDERSEN: Very impressive.

JEWEL RODGERS: I appreciate that. I, I, I would, I would like to say that-- I, I agree. Things are just becoming prohibitively expensive and there's so much you can do. Even as a developer, I don't want it to be \$350,000, you know. And I think that gap, again, speaks to inflation, speaks to the increasing construction costs, which is another thing we don't really have any control over. So having a tool that expands our capacity to be able to still continue to build, I still-- I, I think is important. I think-- it-- not allowing the tool won't make the housing costs go down. And at minimum, we can create the housing. And, you know, as the time goes on, decades and decades and centuries, really,

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from now when we're all gone, including myself. I mean, this-- the same housing that maybe isn't super attainable in this moment may become the, the new stock of affordable housing in the future. So just something to think about.

ANDERSEN: Thank you for being here.

JEWEL RODGERS: Thank you.

CLOUSE: Any other-- thank you. OK. Just real quick-- go ahead. Opponent. But just quickly-- counsel Elsa on her memo, it talks about the-- if you had the chance to look that up. If you're not familiar with the Middle Income Workforce Housing, it is on, on the file to-- read up on that, so. OK. Go ahead. Thank you.

KATHERINE FREETO: Thank you. OK. And I'll be reading from my notes as well. Good afternoon. My name is Katherine Freeto, K-a-t-h-e-r-i-n-e F-r-e-e-t-o. And I am an emerging real estate developer working on revitalizing Omaha's redevelopment and blighted areas, specifically in north Omaha. I'm here today in support of LB288 because it is a step towards addressing Nebraska's housing crisis. But it needs to work for the small developers who are actually building in our communities like us. Right now, funding for smaller projects is hard to secure, and the financial risk is real for us. If a home doesn't sell right away, developers like me are stuck paying interest-- loan interest and carrying costs, which can quickly become unsustainable. The bill currently pushes a build-and-sell model, and not every family is ready for homeownership and not every small business developer can afford to take the financial risk if the home doesn't sell right away. If we want to make meaningful progress, we need the flexibility to rent, rent homes when necessary, keeping them affordable while ensuring small developers can continue to revitalize these said neighborhoods. Omaha is full of vacant lots and in areas that have been overlooked for too long. Instead of waiting for large developers to step in, we should be supporting small businesses and local entrepreneurs who live in and are already working to rebuild these communities. We're here, we're invested, and we just need the right resources to make a difference. I urge you to support LB288 to allow rent to own to ensure it gives options for small developers and the flexibility to create real, sustainable housing solutions. I'd also like to address the question about developing in areas where unemployment rates are high. We're developing in these areas because they are part of Omaha's community rel-- redevelopment areas, which the city has already identified as needing these investments. The city of Omaha's master plan prioritizes infill development, revitalizing vacant lots, and increasing housing

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options in underserved neighborhoods. These areas have a high unemployment rate in part because of long-term disinvestment. But by building quality housing, we help attract businesses, stabilize communities, and create opportunities for economic growth. If we develop where the economy is already strong, we leave struggling areas further behind. Sustainable development is about building up all of Omaha, not just the profitable parts. And that's all I have. Thank you for your time.

CLOUSE: OK. Thank you. Any questions? Thank you for your time.

KATHERINE FREETO: May I say one more thing? I-- to address the-- what would that kind of look like, the rent to own. So I've seen in other programs where you may have a, a person who would like to purchase, but they need a little help building their credit or whatnot. So there are programs available that will provide credit counseling, credit repair, and things like that to help you get to the point to be able to purchase the home. And sometimes those terms will run five years, ten years, things like that.

CLOUSE: Senator Cavanaugh, that answer your question?

J. CAVANAUGH: Yes, thank you.

KATHERINE FREETO: OK.

CLOUSE: Any other questions? Thank you.

KATHERINE FREETO: OK. Thank you.

CLOUSE: Any other proponents?

TYRONE BLAIR: I'm trying make it short and sweet. I don't have a long speech written out, but. I'm just a local small business owner. I own a shoe store here in Omaha. Also a homeowner and small developer.

CLOUSE: Your name.

TYRONE BLAIR: Tyrone Blair.

CLOUSE: Tyrone. Spell it.

TYRONE BLAIR: T-y-r-o-n-e.

CLOUSE: And last name?

TYRONE BLAIR: Blair, B-l-a-i-r.

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CLOUSE: OK. Thank you. OK. Go ahead.

TYRONE BLAIR: So just kind of-- as a-- as, as a small owner-- business owner, it's, it's hard to find funds to be able to do these projects. I bought a lot from the land bank a few years ago trying to develop a duplex in my area, just an infill lot next door to the house I bought. The house I bought, I spent \$60,000 on it, which is a really affordable price. And that's something you can find really too often. It took a long time for me to actually convince the landlord I, I rented the house from to actually sell it to me, which was kind of cool. Doesn't happen that often, right? So to put people in the same kind of position that I-- I'm in, to get a mortgage that's under \$600, I want to be able to utilize these funds to be able to, you know, build duplexes to help people level up to a place where they can build their credit and be financially stable to be able to make that next leap into homeownership. With the current model, I won't be able to build the generational wealth I would be able to build if I could rent the same property, bringing that passive income to the family, which would help me and also help the people be able to have the affordable house. That's why we-- to be able to use these funds in both ways as-- the way we already use it, as a-- the for-sale model, we can also be able to use it in a, in a rental capacity. It could be a rent to own. Just like the property next to my house is a rental home property. It's a church that owns, and they rent-- it's a rent-to-own property. They give the tenants five years. They go through credit counseling. They help them out to be able to do that. And I just feel like I want to be another person to be able to do that in my neighborhood, because, like I said, I live in the same neighborhood. I live next to the property I'm trying to build a duplex on. And the same down the street. There's-- I can go down my street and there's blocks where there's five, six open lots or, you know-- this is a corner lot, there's an open lot. And there's nothing happening because of the lack of funds. And it is kind of scary when, when there's-- unemployment's low, the funds are not there. It's kind of scary to be able to build something there and feel like you're going to be profitable as a business.

CLOUSE: OK. Thank you. Any questions for Mr. Blair? Senator Rountree.

ROUNTREE: Thank you so much, Vice Chair. So-- I missed a part of your opening, but I think I got enough to understand you own a shoe store, a shoe store business and so forth--

TYRONE BLAIR: Yeah.

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ROUNTREE: --and you have a lot inside the home and-- so with all the vacant lots that are out there that have potential. In your case, if you don't mind, what was the price of being able to purchase that lot next to your home so I can see what--

TYRONE BLAIR: I spent \$3,500 on the lot.

ROUNTREE: How much?

TYRONE BLAIR: \$3,500.

ROUNTREE: OK.

TYRONE BLAIR: So it's a-- it was a really affordable lot. But with the cost of construction, you know, it's going to cost me \$100 to \$120 per square foot to, to build this property up to be able to sell this property to somebody. And personally, I want to be able to keep this property in my family for a little bit so we can actually build wealth as well. You know, it goes both ways. I want to help people and they can help me. We can both help each other get to a better place.

ROUNTREE: All right. Thank you. Appreciate it.

CLOUSE: Thank you. Senator Andersen, you had a question?

ANDERSEN: More a comment. Thank you for being here. Thank you for your testimony. Just like the, the previous woman, very impressed by your vision and, you know, your aspirations to build generational wealth. It's not easy. It's a slog. You got to take risk. And it is scary, right? But keep the faith and, and keep praying and keep working hard. So I wish you the best.

TYRONE BLAIR: Well, thank you. I appreciate that.

CLOUSE: Thank you. Any other questions, comments? OK. Thank you. Do we have another proponent?

CAROL BODEEN: Good afternoon, Vice Chair Clouse and members of the Urban Affairs Committee. My name is Carol Bodeen, C-a-r-o-l B-o-d-e-e-n. I am the Director of Policy and Outreach for the Nebraska Housing Developers Association. We are a statewide organization with over 70 members from across all areas of Nebraska. Our members include nonprofit and for-profit affordable housing developers, along with other entities who are united in support for our vision to champion affordable housing. I know it's getting late and it's after, it's after 4. And I know you have two other bills. And you've had some dynamic

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testifiers. And there's not a lot more that I can add to what these people have already told you. We just want to show our support as an organization for the Middle Income Workforce Housing Fund, for the work that it has done, for the support that it has been able to provide for the developers that you have been listening to. We appreciate the work that Senator McKinney has done over these past years in support of housing and affordable housing. And then we appreciate Buey and Spark. They are one of our members. And appreciate the work that he's doing as well. One thing I did want to just bring up is that there is an extensive application process and evaluating the matching dollars, and then the Department of Economic Development also does per-- requires annual audits to be provided from the grantees of these funds and that the funds are revolving. And so as the-- as Buey has talked about, these funds are, are going back in and can be used as capital to continue investment in these projects. I believe those are the things that I can add that have not-- that haven't already been said, so. If you have any questions, we're happy to provide any follow-up information needed to the committee on housing programs and--

CLOUSE: Thank you.

CAROL BODEEN: --any of that, so.

CLOUSE: Any questions from senators? OK. Thank you.

CAROL BODEEN: OK. Thank you.

CLOUSE: Do we have any more opponents? How about opponents? OK. Any in the neutral capacity?

TRACIE MCPHERSON: Good afternoon. My name is Tracie McPherson, T-r-a-c-i-e; McPherson, M-c-P-h-e-r-s-o-n. I serve as the Chief Communications Officer for Habitat for Humanity of Omaha. And I'm here today to share Habitat Omaha's neutral stance with LB288. First, I want to be crystal clear: we strongly support development and the opportunities it creates for our community. We are proud to partner with several developers, including Sparks Developer Academy graduates, which helps minority emerging real estate developers get a foothold in the industry. Their dedication and hard work transform our community, and we see that impact firsthand. The fact we see it every time a first-time homebuyer receives the keys to their home-- to their new home. We celebrate alongside these developers. Just last year, ten Habitat homeowners moved into homes built by a Spark developer. And this year we are planning to work with three Spark developers. Now, that's the kind of progress we believe in. However, we do not believe

this funding should be used to develop rental properties. There is already a substantial inventory of homes available for investors to purchase and add to their rental portfolio. Additionally, developers can access other funding sources for rentals, such as LIHTC and the Nebraska Affordable Housing Trust Fund to support rental development. The Middle Income Workforce Housing Fund is one of the few programs dedicated exclusively to homeownership. And it's also one of the most efficient. Currently, affordable homebuilders have no problem using the funding-- because we've heard that argument. All funds are fully expended each round, which speaks to the demand for homeownership opportunities in our community. This funding source is efficient and allows builders to stay on schedule and complete projects on time, getting families into homes faster. Consider this: in north Omaha's 6811 [SIC] zip code, the homeownership rate is only 39%. Far below the state's average of 66%. North Omaha doesn't need more rental properties. It needs more homeownership opportunities. At Habitat Omaha, we've seen the power of homeownership for 40 years. Personally, I've been an advocate for 24 years, and I've watched homeowners use the equity in their home to start businesses, send their kids to college, or even return to school themselves. Homeownership gives families options. It creates a path toward financial stability and generational wealth. Renting, on the other hand, will never build that kind of long-term security. We know there's a demand for homeownership. Just the month of December, this past-- couple of months ago-- in four days, we had 1,500 people apply for homeownership. So we know that the demand is there. We know that the desire is there. So why not give more people the chance to build wealth through homeownership instead of expanding opportunities for just a handful of landlords? Expanding this funding to include rental development would move us in the wrong direction, especially in areas like 68111. Thank you for your time and for your consideration.

CLOUSE: OK. Thank you. Senator Cavanaugh.

J. CAVANAUGH: Thank you, Vice Chair. And thanks for being here, Ms. McPherson. I wrote down neutral.

TRACIE MCPHERSON: Mm-hmm. Spark--

J. CAVANAUGH: That didn't sound neutral to me.

TRACIE MCPHERSON: Well, Spark is a wonderful partner, and there are lots of things we support in supporting these developers. We just don't think it should be used for rentals. The-- we don't think it will--

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J. CAVANAUGH: And I'm missing-- is there another part of this bill that you do support then?

TRACIE McPHERSON: That's the main part that we don't support.

J. CAVANAUGH: OK.

TRACIE McPHERSON: Everything else looked good except the funding source. Again, it's one of the few funding sources for homeownership.

J. CAVANAUGH: I-- and maybe I'm missing something, but I'm-- I always tell people-- some people apologize when they come. They say they're going to come testify against my bill. And I tell people it's OK. So, so I just-- but this is-- am I-- this is rent to own. Is, is--

TRACIE McPHERSON: Yeah. So my--

J. CAVANAUGH: Am I missing the-- there seems to be some distinction between rent to own and rental, right?

TRACIE McPHERSON: Yes. Now, Habitat's been doing this for 40 years. We've tried rent to own, and it's hard. It's really hard. We maybe have had two successful rent-to-owns in 40 years. So without seeing what that plan looks like, can't endorse it fully. So that's why we're neutral. I think, again, it has some great components. We love rent to own, but we would have to see it. What does that look like? And it's not spelled out in this bill.

J. CAVANAUGH: And maybe now is not the time to have the conversation, but what-- if we did pass this bill, the-- sounds like-- so you have some experience in rent to own. And so I would be-- I hope Habitat would be willing to give us some guidance on what has worked and what hasn't worked.

TRACIE McPHERSON: Absolutely. In fact, our chief construction officer spends a lot of times with Spark developers guiding them. He's very in tune to city planning. He's helped them navigate that. So we're all about mentoring and will definitely share what we can. For Spark developers who have been able to build the house, we qualify and find the homeowners. They don't have to worry about having a house sit on the open market. We'll have help finding the homeowners for that.

J. CAVANAUGH: OK.

TRACIE McPHERSON: Yeah. So what-- we do want to keep the partnership.

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J. CAVANAUGH: And can I ask you about the \$350,000? So the, the department basically said that-- you probably haven't seen the letter, but the Department of Economic Development-- you know, the bill goes from \$320,000 up to a maximum of \$350,000. And the department's complaint seems to be it's hard to sell affordable workforce housing at anything over \$265,000, I think. Do you have a thought on that?

TRACIE McPHERSON: Yeah. So just to give you an idea of where the housing market has gone, probably about six, seven years ago, Habitat's houses would go for about \$130,000. Today they're about \$230,000. So Buey was right when he talked about out-of-state investors coming into our market, inflating the cost of housing. That doesn't surprise me. That 350 number doesn't surprise me at all. It's getting harder, harder for families to be able to afford homeownership.

J. CAVANAUGH: Yeah.

TRACIE McPHERSON: Yeah. We are able to help keep our construction costs down somewhat because we self-perform a lot of our own work. We even open-- we even started building our own walls and have a whole-- in our warehouse. I don't even know what to call it-- construction line where we have folks come in and help us build the walls and-- because we were purchasing those-- paying for shipping. Now we don't have to do that. But we have tools that we can use like that, where a small developer may not.

J. CAVANAUGH: Thank you.

TRACIE McPHERSON: Yeah.

CLOUSE: OK. Thank you. Senator Andersen.

ANDERSEN: Thank you, Vice Chair. Ms. McPherson, thank you for being here. I appreciate your comments and for all your work with Habitat. I really appreciate your comments when we talk about attainable or affordable housing. I think we, we kind of all agree that 350's not there. They're-- it excludes too many people. When you start talking about somebody in the 230s, some cases that's a stretch, but I think that's a lot closer to where people need to be.

TRACIE McPHERSON: Yeah.

ANDERSEN: So.

TRACIE McPHERSON: It is. And with Habitat, we provide a 2.65% interest rate for your mortgage. Right? I can only imagine what I could do with

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that if that were my mortgage. Right? So that percentage helps it to be more affordable. And then we also don't have a PMI.

ANDERSEN: Oh, good for you.

TRACIE McPHERSON: Right. So that's another \$200 or \$300 a month that a homeowner doesn't have to pay. So.

ANDERSEN: Oh, that's fantastic.

TRACIE McPHERSON: Yeah. That's how we're able to, to make it affordable. So we're-- really do hope to seek more homeownership opportunities versus rentals.

ANDERSEN: One last comment I would make is it didn't-- you use to-- I mean, it's called rent to own now. It used to be lease with the option to buy back when I was a young guy long time ago. But there-- it was a good avenue for some people that couldn't-- didn't have their credit rating or just didn't have the credit. If they're younger, they just don't have the credit.

TRACIE McPHERSON: Or the down payment. Down payment on a house is a lot these days.

ANDERSEN: Right. So I hope, I hope you at some point will reconsider and maybe take another look at the, the rent with the option to buy. Because I think it does per-- provide an avenue for people.

TRACIE McPHERSON: I think it's valuable. I just, I just would like to know what that plan is.

ANDERSEN: Thank you.

CLOUSE: Thank you. Any other questions? I-- OK. Senator Rountree, yes.

ROUNTREE: Thank you, Vice Chair. Mr. McPherson, thank you so much again. I, I just agree with all the comments that have been made. But you said, in the past years, we've only had two maybe successful rent-to-own. How many failures did we have? How many did we have starting out?

TRACIE McPHERSON: I would have to check on that, really, because that is not a business that we're in.

ROUNTREE: Oh, right. Right.

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TRACIE McPHERSON: And it has probably been some kind of a trend circumstance, which is why we did it or tried it to begin with. But we found where people move into the house that, that they temporarily are renting. And then in a year or two, they decide, I don't want this house. And so then they're moving out and we're starting all over again for, for whatever reason. So. It's tough.

ROUNTREE: It is.

TRACIE McPHERSON: Yeah.

ROUNTREE: I appreciate it. Thank you.

TRACIE McPHERSON: But lots of opportunity. Lots of opportunity.

CLOUSE: Thank you. I have a question for you. When you talked about-- how many homes do you build a year? And what'd you say the waitlist was?

TRACIE McPHERSON: I'm so glad you asked. I get to brag a little. Last year, we closed 85 homes.

CLOUSE: 85.

TRACIE McPHERSON: We built 50. We had emergent developers. Not necessarily Spa-- we had a Spark developer, but then we had another minority developer who built maybe 19 homes for us.

CLOUSE: OK.

TRACIE McPHERSON: And then the rest we-- so that more people could experience homeownership, we started allowing people-- if they qualified-- to get a Habitat loan and find a house on the open market. So we had about, I don't know, several of those as well to get us to that 85.

CLOUSE: So around 100 homes you were able to provide to, to people.

TRACIE McPHERSON: And we're expecting to do even more this year. So that, that funding's really important to allow us to continue to do that work.

CLOUSE: OK. Thank you. Any other questions? OK. Thank you.

TRACIE McPHERSON: OK. Thank you.

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CLOUSE: Are there any other neutral to testify? OK. With that, Senator McKinney, you're welcome to close.

McKINNEY: Thank you. And thank you to all who came to testify today. I do think LB288 is a good bill. I think it's something that would help a community like District 11 in north Omaha because, like has, like has been stated, we do have too many people that are renting homes. But there's not too many pathways to ow-- homeownership that are available to communities and residents and communities like north Omaha. And the reason for bringing this bill and bringing the option of rent to own is to give an option for individuals in our community. So I don't think rent to own is jumping off of a, a ledge that's too far. I thought when it was brought to me when they brought up rental, I said no because I thought allowing rentals was going way too far for a community that is-- that has a high percentage of individuals renting. I thought that was too far. But if we're allowing individuals a pathway to homeownership, that is something I'm open to. Because I don't see a lot of things happening that are, are trying to help people up, honestly. So for me, I, I think it's a good bill. I'm willing to work on language. I've already started talking to Elsa about the details of the rent to own, like how-- like, to, to just kind of detail it out a lot-- to make it a lot clearer for everyone involved, the committee and, and, and, and people that are concerned about this bill. But for me, I think we should take all approaches to address homeownership, and I think allowing for rent to own is one. And that's just my opinion. As far as the Middle Workforce Housing Program, in years '24-25, there was \$25 million as far as rent to own. The Nebraska Affordable Housing Trust Fund allows rent to own. And that's-- you know, I close with-- I-- I'll probably close. I think, you know, if somebody has tried rent to own and felt like it didn't work, I'm open to suggestions on how to make it work. I would love to hear those concerns before the hearing, if I'm being honest. You know. But that's neither here or there. Still going to work on the language to get it to where it needs to be before we vote on it or anything like that. But I'll open myself to-- up to any questions.

CLOUSE: Any questions for Senator McKinney? OK. Senator Andersen.

ANDERSEN: Thank you, Vice Chair. Two questions for you, sir. When, when it talks about the ten units for the rent to own, that, that seems like that's more of a commercial development as opposed to an individual [INAUDIBLE] like Spark or something like that. I don't know how they would secure the funding for a ten-unit building. Is that--

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McKINNEY: It's not a ten-unit development. It's up-- it's, it's more so if a, a, a small developer is developing ten units.

ANDERSEN: So like the one lady who was talking about the, I have five properties [INAUDIBLE]--

McKINNEY: Yeah. Pretty much.

ANDERSEN: --duplex here [INAUDIBLE].

McKINNEY: Yeah. Yeah.

ANDERSEN: OK. Fair enough. Thanks. In here, it talks about the-- how the loans are actually allocated. It says on a competitive basis until the funds are no longer available. Can you tell me what the competitive basis means? If you have to refer to somebody else, that's fine.

McKINNEY: From what I understand, you apply as soon as possible, and.

ANDERSEN: First come, first serve.

McKINNEY: First-- pretty much that's how those funds work. If you don't get your application in, you probably lost out. That's-- from my, my understanding of how the applications have been working.

CLOUSE: OK. Any other question--

McKINNEY: And pretty much submit your application. If it's good, it's good. If it's bad, it's bad. And I think DED is the one that decides.

ANDERSEN: Yeah. It's the early bird gets the worm concept, right? But I'm not sure [INAUDIBLE].

McKINNEY: Can you repeat that?

ANDERSEN: I said it's kind of like the early bird gets the worm, right?

McKINNEY: Yeah. Yep.

ANDERSEN: First out of the chute gets funded.

McKINNEY: Yeah.

ANDERSEN: That doesn't necessarily mean it's the best--

McKINNEY: Not--

ANDERSEN: --allocation of funding.

McKINNEY: --not, not all the time. I think-- from what I've seen, usually people sort of-- with these type of programs, kind of no one knows those programs will open up. So they kind of prepare and make sure, like-- especially the people who actually want to access them. They kind of per-- they, they kind of know when the, the applications open up. So once they open up, they start applying. And usually you get two weeks to, like, 30 days to apply sometimes.

ANDERSEN: Thank you.

McKINNEY: No problem.

CLOUSE: Thank you. Any other questions? OK. For the record, we had 4 proponents, 0 opponents, and 2 neutral, so. And no ADA testimony. OK. We'll move to bill-- LB291. Senator McKinney to open.

McKINNEY: I'll wait till they go. All right. Thank you. Good afternoon again. My name is Terrell McKinney, T-e-r-r-e-l-l M-c-K-i-n-n-e-y. And I represent District 11. I'm here to present LB291. LB291 creates the Aid to Municipality Act, setting aside money for grants that will pay for infrastructure projects within municipalities. If passed, LB291 will set aside \$15 million every fiscal year towards these grants. These funds would be limited to use for construction or bonds related to projects will-- within the municipality. Any municipality in the state would be able to apply for a grant through the Aid to Municipalities Act by applying through the Department of Economic Development. LB291 outlines the application process and needs in Section 4. As a little background, between 1982 and 2011, the state maintained an aid to municipalities program, which distributes state aid to municipalities based on a statutory formula. During a budget crunch in 2011, the program was eliminated. Historically, aid to municipalities program appropriated between \$10 and \$8 million on an annual basis. However, unlike previous Aid to Municipalities programs, this bill would not act as a direct state aid program, but instead a grant-based program. With that, I'm happy to answer any questions.

CLOUSE: OK. Are there any questions for Senator McKinney? OK. Senator Andersen.

ANDERSEN: Thank you, Vice Chair. Senator McKinney, in the beginning when I first started reading the bill, it talks about the-- the fund says [INAUDIBLE] \$15 million for, for infrastructure support to

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municipalities. And then I get down to where it started talking about convention and tourism facilities. That's just not something I would've considered to be an infrastructure effort. Is there-- that's on page 2, line 17.

McKINNEY: Well, I think it would be. I--well, I think it's an infrastructure thing as far as-- when, when I've talked-- since I've been in the Legislature and I've talked to different municipalities, they've explored interest in convention centers and to-- and increasing tourism to other municipalities because a loss in just revenues and just the need to keep people and attract people to places. So I know-- like-- in especially in smaller places across the state, they've been exploring creative ways to attract more people. And one way to attract people to, to, to some places is convention centers. So people can hold different conferences and things like that. It's a way to bring revenue into cities and municipalities because people usually when you bring in a con-- a, a conference or some type of road show or something like that, you keep-- you have people for extended per-- period of time. They're spending dollars at hotels and those type of things to just bring in some, some revenue that you might not necessarily have had access to. I know it's not a lot of money, so it wouldn't help as-- they'll still have to find a way to, you know, fundraise for some other funds. But it, it would help in that sense to just attract-- possible attraction of more revenue and bring people to their places.

ANDERSEN: It just seemed like an outlier to me. When talking about infrastructure, you're talking about sewer, power, water, roadways, all those things I consider infrastructure. And then the convention center-- [INAUDIBLE] like hotels and, and things like that. Those are tourism based. They try to draw people in-- zoos or something like that. So I just didn't see it as part of infrastructure.

McKINNEY: Oh, OK. No problem.

ANDERSEN: Thank you.

McKINNEY: Yep.

CLOUSE: Any other questions? Yes, Senator Sorrentino.

SORRENTINO: Thank you, Vice Chair. Just to that very point-- and maybe you've read this, Senator McKinney-- there's a Katrina Burkhardt who had a-- she's a neutral position, but she talks about convention and tour facility asking if you could change those words to public

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auditoriums to be more inclusive. I just bring that up as, as a point. No question.

McKINNEY: Yeah. I don't know. I mean, I know, like, with the-- it's more of a-- the convention centers or even the suggestion of a public aud-- auditorium. I think it's more of a way to-- for-- it-- it's a economic development tool more so than anything to--

SORRENTINO: It might be semantics. I'm not--

McKINNEY: Yeah.

SORRENTINO: --sure. Thank you.

McKINNEY: Public auditorium, convention center, I think-- similar places. Thank you.

CLOUSE: Any other questions? Who-- I have a couple. Who brought this?

McKINNEY: The League of Municipalities.

CLOUSE: OK. And what's the criteria for awarding the grants? Looks like it goes to DED.

McKINNEY: DED was--

CLOUSE: What criteria do they have other than first come, first serve?

McKINNEY: DED would set up the parameters from what I read. Yeah. DED would set up the, the rules and regs as far as the disbursement of the grants.

CLOUSE: Yeah. [INAUDIBLE] first-- it's order in. There's no other-- based on need or anything like that.

ANDERSEN: [INAUDIBLE] weighted formula.

CLOUSE: OK. Any other questions?

McKINNEY: Thank you.

CLOUSE: Thank you. Proponents.

LYNN REX: Senator Clouse, members of the committee. My name is Lynn Rex, L-y-n-n R-e-x. Representing the League of Nebraska Municipalities. I'd like to talk to you a little bit about what State Aid to Municipalities is and what it is not. First of all, just to give you a

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little bit of background as concisely as I can, because it's your predecessors and what they've done over a period of decades. So in 1967, the Nebraska Legislature removed and exempted households and intangibles. They created a fund called the Governmental Subdivision Fund. It was \$12.6 million. From 1972 to 1977, culminating in passage of LB518 in 1977. It was the largest-- one of the largest tax shifts, if not the largest, in the history of the state of Nebraska by exempting livestock, farm equipment, and business inventory. Since that time, the Legislature has tweaked and changed a little bit the farm equipment piece of it, but not the rest of it. At that time, the amount of revenue that local governments, cities, counties, schools, NRDs were receiving and would have received from that ba-- to that tax base was \$250 million. That was not the valuation. That's the actual money that they would have been receiving had they-- had those items stayed on the tax rolls. That said, to be clear, those exemptions were needed for the state of Nebraska to compete. We understand that. But back in the day, my predecessor and others were told there will be a dollar-for-dollar reimbursement. It's not going to be a shift over to residential property owners. We're going to have a dollar-for-dollar reimbursement. And Governor Exon at the time said, that's great, but we can't afford \$250 million, so we're going to give you \$70 million. The municipal allocation of that was \$17.9 million. And you jettisoned forward. The Legislature at that time refused to put a calculator on it or an indicator even though the chair of the Revenue Committee then was Cal Carsten from Nebraska City who said, you need to do that because otherwise what's going to happen is the Nebraska Supreme Court's going to say it is a frozen class if you're going to distribute the money. And that's exactly what the Legislature-- pardon-- what the Nebraska Supreme Court did a few times. So by 1980, the Legislature passed LB882 and said, OK. We're going to combine those two funds. We're going to combine the \$12.6 million Governmental Subdivision Fund with the Personal Property Tax Relief Fund of \$70 million. We're going to combine that, \$82.6 million. And here's what we're going to do: we're going to see how that goes and try to distribute it. Once again, the Nebraska Supreme Court said to the Legislature, frozen class, unconstitutional, and go back and do it again. So by 1982, LB John DeCamp-- or, not LB John DeCamp-- but John DeCamp, State Senator John DeCamp-- some of you may even remember that name. But Senator John DeCamp said, you know, we have listened to the Nebraska Supreme Court and we're not going to call it anything related to personal property tax relief. We're not going to even tie it into personal property tax relief whatsoever. We're just going to call it state aid. And that's how, quote, state aid came about for municipalities. And so essentially, that was only in effect from 1982 until the Legislature

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repealed that and removed that, totally eliminating it by pass-- with passage LB383 in 2011. And each and every time-- and if the page will come forward for a second. Each and every time that the Legislature was telling us we-- because of fiscal issues, there had to be cut after cut after cut. And they said, but when we get our economy back, we're going to reimburse it for municipalities, counties, and NRDs. That never happened once. Not once. Not one penny. So what the handout is providing for you is three of our, of our primary aid programs-- the only ones we had. The only one left is a municipal utilization fund. But the rollover part of it was done for any city with localized sales tax. State aid-- quote, state aid-- which is really, to restate that, simply an, an inadequate reimbursement to local governments for the removal of livestock farm equipment, business inventory com-- combined with households and intangibles. It was intended as replacement revenue. And if you look at all the exemptions that were granted over the years, you can see how-- what that really came down to. And what a tremendous shift that was, frankly, over to residential homeowners and others. So if you look at the last page, what you're going to see is-- the very last line, which was LB383 in 2011, which eliminated-- by that time, would have been cut from \$17.9 million down to 11-- about \$11.2 million. And-- so bottom line is we're saying here today, this would be important for you to consider. We, we would appreciate your thoughtful consideration. We understand that the Legislature is facing a revenue shortfall. We understand that. By the same token, we think that it's important to look at at least something, even if it's \$5 million, just something with the sake of-- to basically look at what needs to happen here for some of our-- especially our smaller communities. There are 528 cities and villages in the state of Nebraska. 378 are villages. I think what's important to understand is that half of the municipalities in this state are up against the maximum levy limit of \$0.45 plus five with interlocal agreement. They're already there. The other half within that, they're having troub-- trouble and struggling trying to even raise the revenue that's allowable right now under the lid on restricted funds. And that goes away July 1, 2025. And instead, the caps that were passed with LB34 in the special session, they will-- that will take effect. So municipalities are financially strapped on the local level-- maybe not all of them, but a significant portion of them. And so we're just here today to say we hope that you would maybe reconsider and think about what could be done in terms of providing some additional assistance to municipalities throughout the state of Nebraska. We understand \$15 million doesn't begin to approach the amount of money that we lost back as all these shifts occurred. And again, I just want to emphasize, those are just those, those exemptions. And if you ever have trouble sleeping-- and maybe you do

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because I know you have to consume a lot of coffee to stay awake during these hearings, and I apologize for that. But if you ever have trouble sleeping, I encourage you to get the Department of Revenue and go on their website and start looking at all the exemptions. It's staggering. So with that, I'm happy to respond to any questions that you might have.

CLOUSE: Yeah. Lynn, I have a question. Is this the wording that was in the original bill?

LYNN REX: It was, yes.

CLOUSE: OK. So there are a lot of things in here. And it's, it's not a lot of money. But I guess I'm wondering why we have, you know-- but again, the convention, mass transit, parking lots, parking facilities. It, it would seem to me that we can narrow that down with the limited amount of money to those critical services: water, sewer, those types of things. Does that--

LYNN REX: That would be acceptable. And I misunderstood your question. So I think your question, Senator, was, is this the original language of what state aid was?

CLOUSE: Yes.

LYNN REX: The answer is no. I misunderstood your question. This is the original language of this bill that's been introduced before. But no, not the original state aid, as it were, the replacement revenue. And to be clear, that was on a per capita basis. That was-- there was just-- it was not need based. It was not grant based. It was just a per capita basis. This is \$15 million with a grant not to exceed \$5 million. And so the definition that you have on page 2, with the exception of the language that Senator Andersen pointed out, is directly out of the Municipal Infrastructure Redevelopment Fund, which we also-- the Legislature ultimately took away. That was short-lived. But in any event, this is the definition that was used at that time, with the exception of the convention center language. But we would be grateful, frankly, for anything. If it's-- even for streets, roads, sewers, the traditional infrastructure that you and I would probably think of-- traditional infrastructure-- as opposed to what sometimes is referred to as economic infrastructure. So we think it'd be important to look at this and give some consideration to it. And that's what we're asking for. We also have some, some companion legislation dealing with unfunded mandates and a constitutional amendment dealing with that because there are concerns.

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CLOUSE: OK. Anybody have any questions? Otherwise, I have another one. OK. The \$5 million, I can see that going to three projects. Just, boom, first in the queue. When, when you have transit and a convention-- two or three things like that, it's gone. And instead of spreading it around to some other-- some other smaller cities and villages. So what are your thoughts on that?

LYNN REX: Well, you're right. I mean, basically three projects and it's done. And in terms of what else could be done here, you could look at a per capita. There-- other some-- other elements and maybe some needs based formulas that could be, could be addressed at the same time, Senator. That's possible. But you look in that handout, just-- our history is a sad one of cut after cut. And we understand the Legislature has had problems. And this is not just municipalities. It's also counties and NRDs.

CLOUSE: OK. Thank you. Any other questions? OK. Thank you.

LYNN REX: With that, we really thank the committee introducing this. We think it's important to keep it before the committee, and we appreciate it. And appreciate the work, Senator Sorrentino, that you and others are doing with the Revenue Committee because you're another part of this answer. Thank you.

CLOUSE: He's smiling. Any other proponents? OK.

ERIC GERRARD: Vice Chair Clouse, members of the Urban Affairs Committee. My name is Eric Gerrard. First name is E-r-i-c; last name is G-e-r-r-a-r-d. I'm here today representing the city of Lincoln. I, I asked Lynn if she would go first. She provides a really good historical background to, to all of the, the funding and, quite frankly, the cuts in funding. So I appreciate that, that Lynn laid that out for, for all of you. My message is mainly a message of thanks. We really appreciate Senator McKinney and the, the committee taking this up. I think it's, it's critical. When I talk to our administration here in the city of Lincoln, our city council members, and then also what we hear from taxpayers, top two priorities that typically come up are infrastructure needs and public safety. And so I think this bill does a really nice job acknowledging the need for infrastructure. And so we really appreciate the committee taking, taking this up. I know Lynn laid out-- and I agree with this, that this is kind of the, the bare bones sort of infrastructure is what you, what you think of and what this bill contemplates. I do think that that sort of infrastructure does lead to economic development. You know, the reality is we need the, the water and the roads to, to lead to, to further economic development. And also

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housing. I looked back at a, a previous bill introduced similar to this, and one of the testifiers noted that infrastructure is housing or leads to housing. And so I think that's something this committee is grappling with, and so I wanted to acknowledge that. Senator Clouse, you had some really poignant questions about the grant process, and so I'd leave that up to you as policymakers. But I do think there's some logic in, in cities. We all get along well, but we compete. And so to, to kind of prioritize year to year perhaps if, if Kearney may be-- may, may be more needing this funding than Lincoln, I think it, it allows us to, to put the best application forward and, and compete for that funding. So leave it up to policymakers as to how you-- how exactly you whittle that down. But I, I think there's some logic in, in the grant process. With that, thank you again. And I will close my remarks.

CLOUSE: OK. Any questions for Eric? Thank you. I, I was not thinking Kearney. I was thinking the smaller communities and villages that could really-- they'll get aced out of the program is what I was thinking, but. Thank you.

ERIC GERRARD: Fair point.

CLOUSE: Any other questions? Nope. Any additional proponents? Do we have any opponents? Any in the neutral? OK. Before I forget, we have 5 proponents online, 5 opponents, and 1 neutral. And Senator McKinney to close.

McKINNEY: Thank you. As discussed, do understand the financial issues that our state is under. But I do think the conversation of pro-- of providing aid to our mis-- municipalities is something we should discuss, primarily because last year we did put caps on our municipalities. And when we talk about property tax relief, if we provided more aid to our municipalities, there will be-- we-- our constituents probably would see more relief as far as property taxes. But it's just something that was brought and I thought it was-- it, it needed to be presented to the, the committee and to the Legislature as something of consideration. I know this year we're-- we have issues, but we have two years to pass it. So maybe it doesn't-- it, it don't make out th-- make it out this year, but maybe next year things might change, forecasts might change, and there might be an opportunity. So with that, I'll take any questions.

CLOUSE: OK. Any questions for Senator McKinney? OK. Thank you. OK. We are ready now for LB292. Senator McKinney, whenever you're ready.

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McKINNEY: Thank you. Good afternoon, everyone. My name is Terrell McKinney, T-e-r-r-e-l-l M-c-K-i-n-n-e-y. And I represent District 11. And I'm here to re-- here to present LB292. LB292 provides for a grant study-- a grant to study prefabricated housing. The grant is for \$500,000 from the interest accruals of the Middle Income Workforce Housing Investment Fund. LB292 as a continuation of interim study LR441, which we held this past summer to study the impact of local housing regulations on Nebraska's housing supply. During the hearing, the recurrent theme of testimony covered modular housing, specifically the modular housing being built in Colorado and some-- and, and how such housing has relieved portions of the housing crisis in that state. This bill creates an official means to continue to look into how Nebraska can follow the example of states such as Colorado and utilize modular housing. The intent is that since there are intral-- interest accruals in the Mi-- Middle Income Workforce Housing Fund, there is enough money to accommodate this study. And I appreciate your time. And I'll take any questions.

CLOUSE: Have any questions-- Senator Sorrentino.

SORRENTINO: Thank you, Vice Chair. Senator, just a quick question. I may have missed a bit, but how, how did we arrive at the number \$500,000?

McKINNEY: It was just a number, honestly.

SORRENTINO: It's a nice number. It's round.

McKINNEY: But it was-- it, it was-- usually when I've seen bills for studies in the Legislature, most of the numbers are around \$300,000 to \$500,000. So I started at \$500,000. But most of the time when studies have been conducted through the Legislature that I've seen passed, they're usually between \$300,000 and \$500,000. So we landed at \$500,000.

SORRENTINO: And one follow-up. You have way more experience [INAUDIBLE] than I do. When we talk about granting it to a qualified applicant, is there a detail somewhere in the world who a qualified applicant would be? I mean, it's not me. But who-- what do you mean?

McKINNEY: I would say somebody who has experience in the-- in, in housing, but also somebody experienced in-- because at the LR hearing, there was a couple individuals who had experience in modular housing. Also, I believe it was one or two Nebraska companies that do modular housing, but they primarily sell their housing outside the state, but

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they do a lot of their builds within the state. But for whatever reason, costs or whatever, they sell mostly to Colorado and neighboring states.

SORRENTINO: So what we necessarily-- if somebody will do it for \$300,000, we'd be OK with that. We don't have to spend \$500,000. Is that correct?

McKINNEY: If they put in that type of bid.

SORRENTINO: OK. So it-- we're not necessarily spending it all for sure, until we get a bid.

McKINNEY: Yeah.

SORRENTINO: OK. Thank you.

McKINNEY: No problem.

CLOUSE: Thank you. OK. Senator Andersen.

ANDERSEN: Thank you, Vice Chair. Senator McKinney, what, what is your expectation that will be accomplished by LB292 that was not achieved by LR441?

McKINNEY: A deeper dive into the viability of prefabricated housing. LR441 was more broad. This would be a deep-- the study would be a deeper dive into-- because when the conversation around modular housing come up, some people say it's viable, some people say it's not. They're-- like, just to try to demystify it as much as possible, to just have a definitive answer on what can be done and what cannot be done.

ANDERSEN: And LB441 highlighted prefab homes as a potential for the solution?

McKINNEY: Yes.

ANDERSEN: OK. And the funding, the \$0.5 million for this is coming from the same fund, the bid income, Workforce Investment Fund, right?

McKINNEY: Yes, the interest--

ANDERSEN: Which is the--

McKINNEY: --in the fund.

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ANDERSEN: Which is the same money we're talking about that-- the rent-to-own houses and, and all that, right?

McKINNEY: But-- yes. But it wouldn't directly touch that money. It would touch the interest that's in the fund.

ANDERSEN: Po-tay-to, po-tah-to, right? It just goes back in the account. It--

McKINNEY: Yeah.

ANDERSEN: It comes from the same fund.

McKINNEY: True.

ANDERSEN: I guess that's one of the concerns I'd have, is, how do we do the trade-off between where the best investment is to entrepreneurs building homes and getting people into houses or a study for \$0.5 million. I don't know how far \$0.5 million goes with the folks that are doing the entrepreneurial builds and Habitat and all that.

McKINNEY: Yeah. I think-- the, the reason why I did this was because we say we're in a housing crisis and I'm just trying to be as creative as possible with legislation. And knowing that I was coming in and we were going to be in a budget crisis and trying to look at whatever angle possible to possibly get some funds to you to look into this. So that's really what it is, is just trying to be creative and grabbing the interest funds and not the direct funds to, to utilize to kind of do this study.

ANDERSEN: Yeah. The challenge is we can only spend it once, right?

McKINNEY: What? The study?

ANDERSEN: Money. You can only spend it once.

McKINNEY: Yeah.

ANDERSEN: Yeah. And my last question-- on page 4, on (h), it makes provisions for-- incentives for buyers, renters, manufacturers, and developers of prefab homes. Who, who are the incentives for and to what order of magnitude do you envision?

McKINNEY: What line are you referencing?

ANDERSEN: 14 on page 4.

McKINNEY: OK.

ANDERSEN: Incentives usually see like-- seem like forgivable loans.

McKINNEY: So it, it wouldn't be incentives. It would be a study of like-- it, it-- those would be a piece of a study of, like, what incentives would, would, would, would be helpful. It's not giving, giving studies to them-- I mean, incentives to them. It would-- at the end of the study-- within the study, it would say, hey, Nebraska Legislature, you should maybe provide incentives for these buyers, renters, and manufacturers and developers. It-- it's not giving, giving it to them. It's more so--

ANDERSEN: [INAUDIBLE] as opposed to providing them--

McKINNEY: Yeah. Yes.

ANDERSEN: OK. Thank you.

McKINNEY: No problem.

CLOUSE: OK. Any other questions for Senator McKinney? OK. Thank you--

McKINNEY: Thank you.

CLOUSE: --Senator McKinney. Oh, we have proponents. Have any proponents? OK. Any opponents? Any neutral? Senator McKinney, you ready to close? Waive close. OK. We have 5-- online: 5 opponents, 0-- proponents-- excuse me-- 5 opponents, 1 neutral, and no ADA testimony. So if there is nothing else, we are adjourned.