

**NEBRASKA TAXPAYERS FOR FREEDOM WORKSHEET:
OMAHA STREETCAR FINANCING WITHOUT TAX \$\$ ONLY A POSSIBILITY.**

BACKGROUND. The basis for our taxpayer group opposition to the Omaha streetcar primarily stems from our reluctance to believe that the planned financing would materialize. We also question the probability that the streetcar would boost economic development in the designated area as much as predicted and thus accrue tax revenue for the city.

Unfortunately, 😞 after receiving information from the city legal department and city council members, once the city council approved sale of the bonds (6-22) and took a final vote on Dec. 13, 2022, it became improbable to retract implementation of the streetcar plan, because doing so would invite millions of dollars in lawsuits from Mutual of Omaha and other developers. The city entered agreements with Mutual over one year ago and authorized the bonds. The council has no legal authority to rescind the bond authorization. The city already approved one tax increment financing (TIF) project that required a developer to obtain a loan for over \$800,000. Note that the city finance dept. did not reply to our inquiries regarding streetcar financing.

NEW BUREAUCRACY. The project established a new bureaucracy to operate and manage the streetcar system, the Omaha Streetcar Authority (OSA), a separate legal entity and political subdivision created by an interlocal pact between the city and Metro Transit. There is nothing to stop the OSA from becoming a separate taxing authority.

THE FINANCING. Proponents did not immediately seek federal funding, supposedly because federal funding is slow. Also, such funding is decreasing in amounts for states and localities. The original cost set at \$170 million (6-30-21 WH), now raised to \$360 million (1-7-22 WH). Ordinances approved by the council allow the city to issue over the next 5 years \$80 million of lease purchase revenue bonds, backed by the city General Fund, and \$360 million of redevelopment bonds



to pay for construction of the project and purchase needed streetcars and equipment. A risk to the General Fund is why we believe there exists a real threat of a tax hike. Both bonds supposedly will become fully paid with revenue from the new TIF district. "Lease-purchase bonds will not raise taxes and would actually save the city money, which is our responsibility, to be fiscally conservative," promised Mayor Stothert. Lease purchase bonds would have a lower interest rate but places more risk on taxpayers. OSA President Jay Noddle endorsed the lease-purchase bonds, because they supposedly will have a more

attractive interest rate, estimated at about 4.5%. Annual costs to operate and maintain the streetcar system now estimated at \$6.4 million, paid by the city Parking and Mobility Division Enterprise Fund, which generates revenue from parking fees in garages and parking meters. Revenues from new parking garages would help pay for the streetcar project, but only if concurrent with a spike in area economic development. In the Redevelopment Agreement between the city and the OSA (2022), the city agrees to repay the bonded indebtedness with Streetcar Ad Valorem Taxes *and other sources of funds, if necessary* (Sec. 2A). Section 2H mandates the city to *use all necessary means to support* work authorized by the city for the OSA. Because most of the financing is through redevelopment and lease purchase bonds, no vote of the people is required. Mayor Stothert has stated that if the city planned for a tax hike, she would support a public vote but believes such a vote no longer necessary. But there exists no statutory prohibition preventing the OSA from morphing into a separate taxing authority. TIF, originally designed to rehabilitate badly blighted areas, supposedly eventually will bring in sufficient funds to pay off the bonds. TIF funding allegedly will bring in \$60.8 million and perhaps \$1 billion. Redevelopment bondholders would receive payment from TIF funds (6-22-22 WH) and assume the investment risk. Because of the delayed collection of increased property tax revenue from use of TIF, however, schools and other government entities will lose otherwise expected revenue. If the streetcar routes expand, more revenue would be required. Higher interest rates, continued inflation, or a recession could derail the financing mechanism. One OmahaStreetcar.org flier claims that the project "*assumes no use of City general fund dollars and no property tax increase.*" Understand that the Municap consultant analysis relied on assumptions, estimates of future property values, tax credits, and a stable economy. Kansas City, MO., and Portland, OR. both boast enhanced successful commercial zones from streetcars, but both accomplished these achievements only with a tax increase. Remember also that companies like HDR that conducted streetcar studies stand to benefit from the result. Now, we discover added costs stemming from both MUD and OPPD having to reconfigure utility lines in the streetcar areas. Though not yet levying taxes, the OSA will approve contracts and agreements, and the City will assume the fiduciary responsibility of paying contracts.¹ Authorization of funds by the City Council will be pursuant to approved contracts and estimated payment schedules.² The city Finance Dept. responded to

¹ OSA Minutes, Feb. 13, 2023.

² OSA Agenda, March 13, 2023.

our 2 requests for bond repayment information as follows: “Bond costs are paid out of the issuance of the bonds. In either of these cases whether bonds are issued or not the General Fund will incur no costs.”

ECONOMIC DEVELOPMENT. There is no guarantee for increased private development along the streetcar route, however, in several similar instances such as Kansas City, economic development boomed along the streetcar line. \$3.2 billion in valuation supposedly envisioned, about 50% contributed by Mutual. Financing heavily depends on anticipated new development. There exists no definitive study proving the economic impact of the streetcar system or how much area growth will occur. The streetcar supposedly easily would move people around downtown instead of drivers having to drive their vehicles to other downtown locations, thus providing room for new businesses. This proposal is nonsense, because the streetcar will not run on all downtown streets. Convenience for workers would affect only those who live or work near the old Mutual campus or live or work downtown, as they could ride the streetcar to and from work each day. A net increase in tax revenues is possible by using TIF for commercial and multi-family residential property for 15-20 yrs., but in the meantime, schools and other government entities do not receive deserved enhanced revenues.



ADDED COSTS. The On-Board Energy System, complete with batteries, chargers, battery heating, cooling units, and other associated equipment on each vehicle will increase the cost of the vehicle purchase by approximately \$3.9 million-\$4.3 million for the vehicle contract based on recent car builder estimates.³ The typical useful life is approximately 5 years, and the batteries typically cost an expensive \$500,000.⁴

OUR SOLUTION. Understanding the improbability of legally stopping the streetcar venture or challenging its financing structure, NTF suggests the following actions:

- 1) We collect our petitions and present them at an April city council meeting, announcing that these petitions represent a solid percentage of the majority of Omahans who oppose the streetcar project;
- 2) State at the council meeting and elsewhere that, because it is likely impossible to reverse course on the streetcar project, NTF is establishing a committee of citizens to monitor city council and Omaha Streetcar Authority fiscal conduct and actively oppose future efforts to raise a current tax or implement another nuisance tax to fund the streetcars; and
- 3) Establish a small committee of conscientious volunteers to attend city council and Omaha Streetcar Authority meetings to monitor them.

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³ OSA Agenda, Jan. 23, 2023.

⁴ OSA Minutes, Jan. 23, 2023.