



AGENDA MEMO

To: The Mayor and City Council
Agenda: City Council Meeting
Date: June 18, 2024
Item #: 6.a.
Subject: Good Life District Economic Development Program Election

Staff Contact: Laura McAloon

BACKGROUND: On December 19, 2023 the City Council approved Resolution No. 2023-329 at the request of Woodsonia Real Estate, Inc., stating the City's support of the filing of an application with the Nebraska Department of Economic Development (DED). Woodsonia's application to DED requested the State's approval of a Good Life District in the northwest area of Grand Island, generally covering an area along Highway 281 from 13th Street to Capital Avenue and largely undeveloped land from the intersection of Capital Avenue and Webb Road to the intersection of Highway 281 and Broadwell Avenue (Eagle Scout Lake). Woodsonia's application was formally approved by DED on June 5, 2024 and the Department of Revenue (DOR) notified the City that the state's sales tax rate of 5.5% will be reduced on October 1, 2024 to a rate of 2.75% within the area of the Good Life District (GLD) included within City limits. The map of the approved GLD boundary that the City received from DOR is included in this packet. The GLD and the related reduction of the state sales tax rate is expected to exist until June 2054.

What is a Good Life District and Why Will the State's Sales Tax Be Reduced?

In 2023, the Legislature decided to lower its sales tax rate in Good Life Districts to promote and develop the economy of the State and its communities, and believed that lowering its sales tax rate would provide support for unique Nebraska projects that will attract new industries and employment opportunities and further grow and strengthen Nebraska's retail, entertainment, and tourism industries.

In 2024, the Legislature determined that cities were unable to effectively assist the development within Good Life Districts under existing law, so the Legislature enacted the Good Life District Economic Development Act. This legislation promotes local economic development in Good Life Districts, authorizes new sales tax and occupation tax powers for the City that can be tailored to meet the needs of the local community and benefit the State. Without this new legislation, the Legislature determined that

development within approved Good Life Districts would fall short of reaching its full potential as intended by the original legislation in 2023, and thereby result in lower sales tax revenues for the State.

DISCUSSION: The State's creation of a Good Life District in Grand Island creates an opportunity for the citizens of Grand Island to vote on the establishment a Good Life District Economic Development Program (Good Life EDP) within the same geographic area where the State has reduced its sales tax rate. But first, voters must weigh in on whether to allow the City to establish such a Program and impose a "replacement" local sales tax and/or occupation tax.

The 2024 legislation authorized the City to establish a local “replacement” sales tax and/or occupation tax to recoup the eliminated state sales tax for a new Good Life EDP. The funding can be utilized for development costs anywhere in Grand Island’s Good Life District. The legislation gives the City broad authority over how those funds are used locally within the Good Life District.

If approved, the City Council may establish a Good Life EDP for the portion of the Good Life District within the City – as it exists in the attached DOR map, or as it may be expanded by DED in the future.

If the creation of a Good Life EDP is approved by the voters, the City Council could impose either or both of the following for the Program within the portion of the GLD located inside City limits:

- Local option sales tax of 2.75% (to replace the sales tax given up by the State).
- Occupation taxes, similar to the occupation tax approved for the former Conestoga Mall.

These sales and/or occupation taxes are in addition to the City’s local option sales tax, which will not be reduced in the Good Life District. Also, the City would have the discretion to dedicate a portion of the City’s local option sales tax collected in the Good Life District if determined beneficial to the City.

The Program tools and authority given to the City by the Legislature would allow the City to determine which projects are benefited by the Program, and will give the City additional flexibility for how this important Program is managed for the full 30 years of the Good Life District to benefit not only the City of Grand Island, but the State of Nebraska as well.

If the Voters approve the ballot question, the City will adopt a program ordinance to govern the Good Life EDP. The program ordinance is expected to include requirements, guidelines, and expectations for every developer and property owner to meet in order to access Program benefits. Because the Good Life District was established with certain goals of the State in mind, not every development idea or plan would be approved for benefits from the Program. The City would evaluate proposals to determine whether development ideas are consistent with the Legislature’s vision for the Good Life District

and the set of projects included in the application for the Good Life District, the viability of the development concept, the necessity of providing benefits for a particular project, and similar criteria for economic development and opportunity. Good Life EDP funds can be used to pay for both public and private improvements within the area of the GLD or public infrastructure that benefits the development within a GLD.

The Legislature made sure the program being considered by the voters remains available to any property owner or developer in the Good Life District who meets the program requirements established by the City. The City would need to use the program as intended by the Legislature: to help spur the type of transformational development envisioned for the Good Life District by the State when it approved Grand Island's Good Life District.

In addition, the Legislature included language that ensures City costs attributable to operating a Good Life EDP are payable from the voter-approved Program funds (sales tax and/or occupation tax revenues), which means property taxes or other City funds are not expected to be impacted by operating the Program being considered by voters.

If the voters do not approve the creation of a Good Life EDP, the City Council has no authority to "recapture" the State's foregone sales taxes. The State will reduce its sales tax rate by half on October 1, 2024 regardless of whether Grand Island citizens approve the creation of a local economic development program. Therefore, the combined state and local sales taxes paid by consumers within the approved Grand Island GLD will be lower than sales taxes collected by businesses located elsewhere in the City.

Based on the State's approval of a Grand Island Good Life District and the new economic development opportunities provided by the Legislature to cities with a good life district, City staff and bond counsel have prepared an election resolution for the Council's consideration. The resolution calls for a special election for August 13, 2024 to allow Grand Island citizens to vote on whether the Council should be authorized to establish a Good Life EDP within the approved boundaries of the GLD and impose local sales or occupation taxes that would recapture the State's foregone sales tax rate of 2.75% for the City's use in facilitating economic development, growth and opportunity for all property located within the GLD.

FISCAL IMPACT: The Department of Revenue advises that the 2023 net taxable sales within the approved Grand Island Good Life District was \$286,737,879. Based on that information, if the Grand Island Good Life District existed in 2023, the City could have recaptured 2.75% or \$7,885,292 from existing retail sales in the recently approved boundaries.

ALTERNATIVES: *

RECOMMENDATION: The Administration recommends calling a special election to allow Grand Island citizens to vote on whether the City should be authorized to establish

an Good Life District Economic Development Program within the approved Good Life District and allow the City to recapture the State's foregone sales taxes and use that revenue here in Grand Island.