



Hall County Regional Planning Commission

**Wednesday, June 7, 2017
Regular Meeting**

Item F2

Redevelopment Plan-Hedde Building Grand Island

Staff Contact: Chad Nabity

Agenda Item #5

PLANNING DIRECTOR RECOMMENDATION TO REGIONAL PLANNING COMMISSION:

May 26, 2017

SUBJECT:

Redevelopment plan amendment for property located in Blight and Substandard Area 1 for a Site Specific Redevelopment Plan for property located at the 201-205 W. 3rd Street in Grand Island, in Hall County, Nebraska to support this development. (C-19-2017GI)

PROPOSAL:

The Hedde Building LLC is proposing to renovate the first floor of this space for commercial space and the second and third floors for residential uses. The property is zoned B-3 Heavy Business and a mixed use building such as this is a permitted principal use.

OVERVIEW:

The purpose of the CRA and the designated blight and substandard areas is to provide incentives for development in underdeveloped areas of the community. This proposed plan encourages a mix of commercial and residential uses that has been identified as a priority for development in the downtown area. This area has already been declared blighted and substandard by the CRA, the Hall County Regional Planning Commission and the Grand Island City Council.

This project is **consistent** with the **existing zoning** and the **future land use plan** for this area within the City of Grand Island. This is evident by the fact that the property is zoned B-3 Heavy Business. The B-3 zone allows for a variety of commercial, office and residential uses including those proposed with this plan as permitted principal uses.

The Regional Planning Commission recommendation is limited to the appropriateness of the proposed use at this location. The Grand Island Comprehensive Plan calls for commercial and residential uses here.

The Planning Commission is required to comment on these applications to confirm that expenditure of public funds through TIF is not supporting uses that would be inconsistent with the comprehensive plan. The proposed use for a mixed use development at this location appears to be supported by the plan.

RECOMMENDATION:

That the Regional Planning Commission recommends that City Council **approve** of the redevelopment plan amendment as submitted. A resolution is attached for your consideration.

_____ Chad Nabity AICP, Planning Director

Redevelopment Plan Amendment Grand Island CRA Area 1 May 2017

The Community Redevelopment Authority (CRA) of the City of Grand Island intends to amend the Redevelopment Plan for Area 1 within the city, pursuant to the Nebraska Community Development Law (the “Act”) and provide for the financing of a specific infrastructure related project in Area 1.

Executive Summary:

Project Description

THE REDEVELOPMENT OF THE BUILDING LOCATED AT 201-205 W 3rd STREET FOR COMMERCIAL AND RESIDENTIAL USES, INCLUDING FIRE/LIFE SAFETY IMPROVEMENTS AND BUILDING REHABILITATION AND REMODELING.

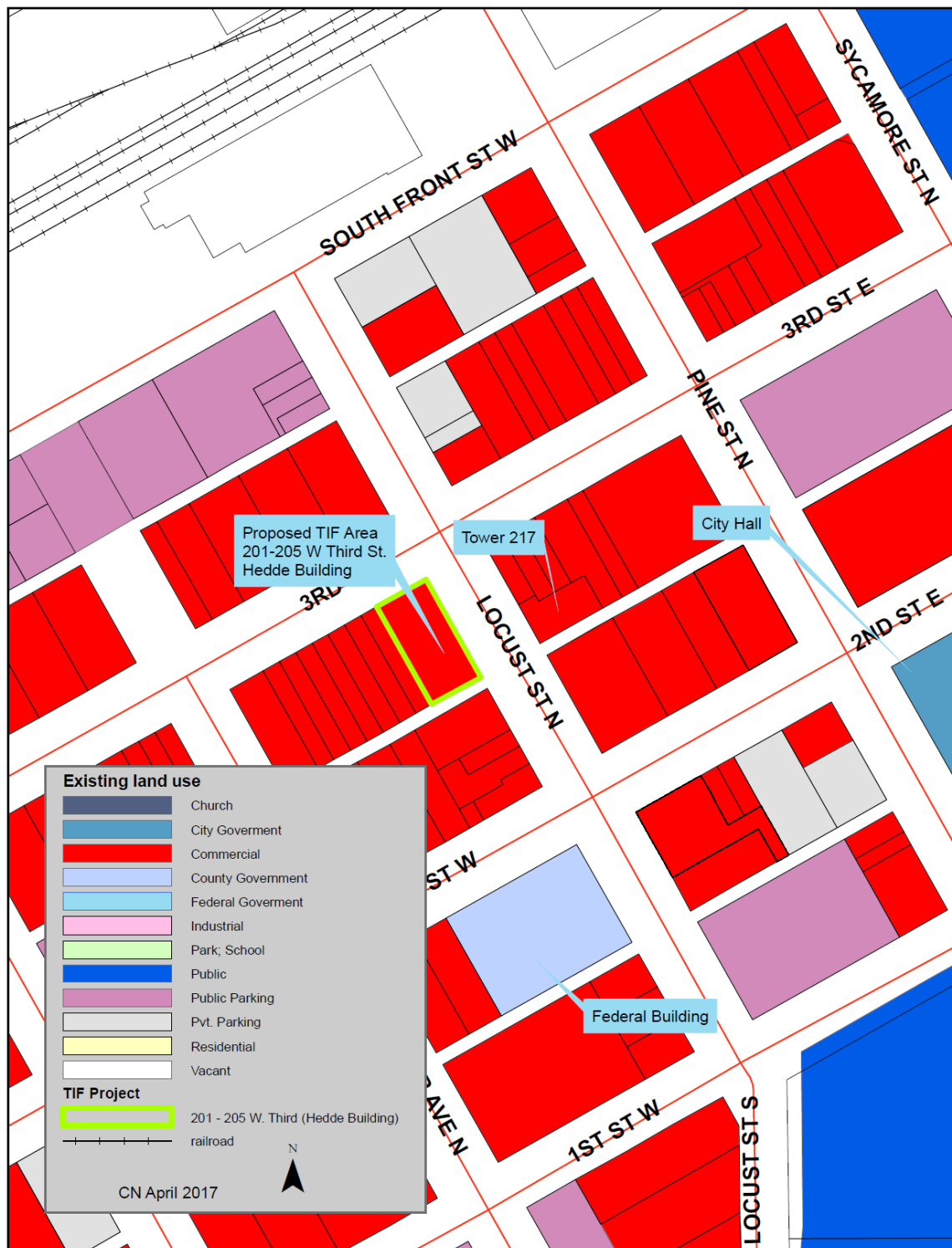
The use of Tax Increment Financing to aid in rehabilitation expenses associated with redevelopment of the Hedde Building located at 201-205 W 3rd Street into a mixed use building containing 16 one bedroom apartments on the second and third floors and commercial space on the first floor and the basement. The use of Tax Increment Financing is an integral part of the development plan and necessary to make this project affordable. The project will result in renovating this historic building into a combination of commercial space and market rate residential units. The addition of the residential units is consistent with the downtown redevelopment plan and priorities to add 50 residential units downtown by 2019. With these units, 31 new residential units have been proposed since 2015. This project would not be possible without the use of TIF.

Hedde Building LLC is the owner of the property. Hedde Building LLC purchased this property in 2016. The purchase price is not included as an eligible TIF activity. The building is currently vacant. The developer is responsible for and has provided evidence that they can secure adequate debt-financing to cover the costs associated with the remodeling and rehabilitation of this building. The Grand Island Community Redevelopment Authority (CRA) intends to pledge the ad valorem taxes generated over the 15- year period beginning January 1, 2019 towards the allowable costs and associated financing for the renovation of this building.

TAX INCREMENT FINANCING TO PAY FOR THE REHABILITATION OF THE PROPERTY WILL COME FROM THE FOLLOWING REAL PROPERTY:
Property Description (the “Redevelopment Project Area”)

201-205 W 3rd Street in Grand Island Nebraska (Hedde Building)

Legal Descriptions: Lot One (1) in Block Sixty -Five (65) Original Town, Grand Island, Hall County, Nebraska



Existing Land Use and Subject Property

The tax increment will be captured for the tax years for which the payments become delinquent in years 2019 through 2033 inclusive.

The real property ad valorem taxes on the current valuation will continue to be paid to the normal taxing entities. The increase will come from rehabilitation of this vacant historic building for commercial and residential uses as permitted in the B3 Heavy Business Zoning District.

Statutory Pledge of Taxes.

In accordance with Section 18-2147 of the Act and the terms of the Resolution providing for the issuance of the TIF Note, the Authority hereby provides that any ad valorem tax on the Redevelopment Project Area for the benefit of any public body be divided for a period of fifteen years after the effective date of this provision as set forth in the Redevelopment Contract, consistent with this Redevelopment Plan. Said taxes shall be divided as follows:

a. That portion of the ad valorem tax which is produced by levy at the rate fixed each year by or for each public body upon the redevelopment project valuation shall be paid into the funds, of each such public body in the same proportion as all other taxes collected by or for the bodies; and

b. That portion of the ad valorem tax on real property in the redevelopment project in excess of such amount, if any, shall be allocated to and, when collected, paid into a special fund of the Authority to pay the principal of; the interest on, and any premiums due in connection with the bonds, loans, notes, or advances on money to, or indebtedness incurred by, whether funded, refunded, assumed, or otherwise, such Authority for financing or refinancing, in whole or in part, a redevelopment project. When such bonds, loans, notes, advances of money, or indebtedness including interest and premium due have been paid, the Authority shall so notify the County Assessor and County Treasurer and all ad valorem taxes upon real property in such redevelopment project shall be paid into the funds of the respective public bodies.

Pursuant to Section 18-2150 of the Act, the ad valorem tax so divided is hereby pledged to the repayment of loans or advances of money, or the incurring of any indebtedness, whether funded, refunded, assumed, or otherwise, by the CRA to finance or refinance, in whole or in part, the redevelopment project, including the payment of the principal of, premium, if any, and interest on such bonds, loans, notes, advances, or indebtedness.

Redevelopment Plan Amendment Complies with the Act:

The Community Development Law requires that a Redevelopment Plan and Project consider and comply with a number of requirements. This Plan Amendment meets the statutory qualifications as set forth below.

1. The Redevelopment Project Area has been declared blighted and substandard by action of the Grand Island City Council on December 19, 2000.[§18-2109] Such

declaration was made after a public hearing with full compliance with the public notice requirements of §18-2115 of the Act.

2. Conformation to the General Plan for the Municipality as a whole. [§18-2103 (13) (a) and §18-2110]

Grand Island adopted a Comprehensive Plan on July 13, 2004. This redevelopment plan amendment and project are consistent with the Comprehensive Plan, in that no changes in the Comprehensive Plan elements are intended. This plan merely provides funding for the developer to rehabilitate the building for permitted uses on this property as defined by the current and effective zoning regulations. **The Hall County Regional Planning Commission held a public hearing at their meeting on June 7, 2017 and passed Resolution 2017-09 confirming that this project is consistent with the Comprehensive Plan for the City of Grand Island.**

3. The Redevelopment Plan must be sufficiently complete to address the following items: [§18-2103(13) (b)]

a. Land Acquisition:

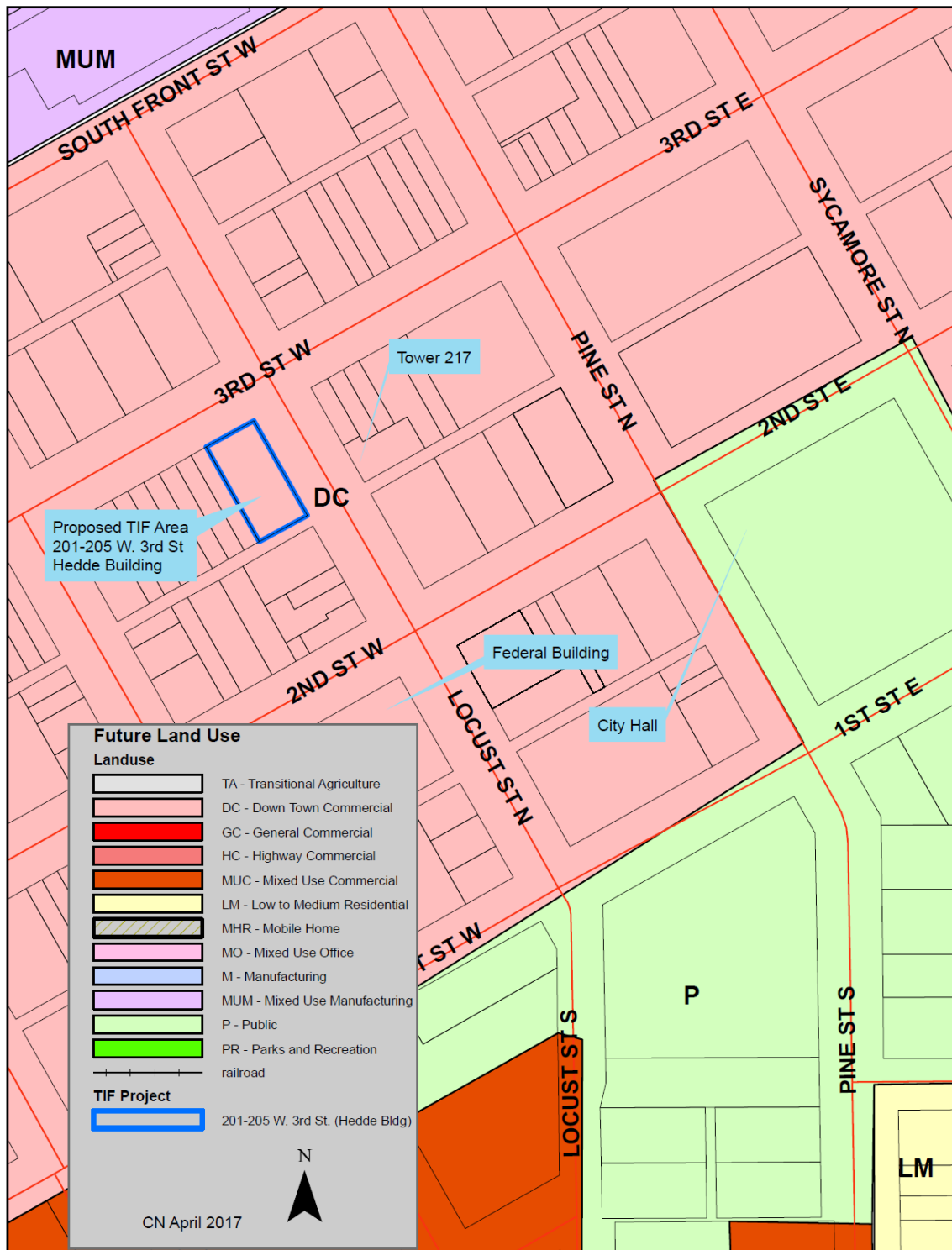
The Redevelopment Plan for Area 1 provides for real property acquisition and this plan amendment does not prohibit such acquisition. There is no proposed acquisition by the authority.

b. Demolition and Removal of Structures:

The project to be implemented with this plan does not provide for the demolition and removal any structures on this property.

c. Future Land Use Plan

See the attached map from the 2004 Grand Island Comprehensive Plan. All of the area around the site in private ownership is planned for Downtown Commercial development; this includes housing and commercial uses within the same structure. This property is in private ownership. [§18-2103(b) and §18-2111] The attached map also is an accurate site plan of the area after redevelopment. [§18-2111(5)]



City of Grand Island Future Land Use Map

d. Changes to zoning, street layouts and grades or building codes or ordinances or other Planning changes.

The area is zoned B3-Heavy Business zone. No zoning changes are anticipated with this project. No changes are anticipated in street layouts or grades. No changes are anticipated in building codes or ordinances. Nor are any other planning changes contemplated. [§18-2103(b) and §18-2111]

e. Site Coverage and Intensity of Use

The developer is rehabilitating the existing building. The developer is not proposing to increase the size of the building and current building meets the applicable regulations regarding site coverage and intensity of use. [§18-2103(b) and §18-2111]

f. Additional Public Facilities or Utilities

Sewer and water are available to support this development. The developer will be required to extend a water line capable of providing sufficient water for the sprinkler system required to convert this building in a multifamily apartment building.

Electric utilities are sufficient for the proposed use of this building.

No other utilities would be impacted by the development.

The developer will be responsible for replacing any sidewalks damaged during construction of the project.

No other utilities would be impacted by the development. [§18-2103(b) and §18-2111]

4. The Act requires a Redevelopment Plan provide for relocation of individuals and families displaced as a result of plan implementation. This property, owned by the developer, is vacant and has been vacant for more than 1 year; no relocation is contemplated or necessary. [§18-2103.02]

5. No member of the Authority, nor any employee thereof holds any interest in any property in this Redevelopment Project Area. [§18-2106] Sue Pirnie a member of the Authority is an investor in Hedde Building LLC. As an investor in the project she will recuse herself from any decisions regarding this project. No other members of the authority or staff of the CRA have any interest in this property.

6. Section 18-2114 of the Act requires that the Authority consider:

a. Method and cost of acquisition and preparation for redevelopment and estimated proceeds from disposal to redevelopers.

The developer owns this property and acquisition is not part of the request for tax increment financing. The estimated costs of rehabilitation of this property is \$2,840,322 along with \$295,000 for site improvement and planning related expenses for Architectural and Engineering services of \$250,400 and are included as a TIF eligible expense. Legal, Developer and Audit Fees including a reimbursement to the City and the CRA of \$124,373 are included as TIF eligible expense. The total of eligible expenses for this project is \$3,510,095. The CRA has been asked to grant \$240,000 to this project to offset the cost of life safety improvements and \$300,000 for façade improvements. The total eligible expenses for this project less other grant funds by the CRA is \$2,970,095.

No property will be transferred to redevelopers by the Authority. The developer will provide and secure all necessary financing.

b. Statement of proposed method of financing the redevelopment project.

The developer will provide all necessary financing for the project. The Authority will assist the project by granting the sum of \$603,425 from the proceeds of the TIF it is anticipated that this will generate a loan of \$420,000. This indebtedness will be repaid from the Tax Increment Revenues generated from the project. TIF revenues shall be made available to repay the original debt and associated interest after January 1, 2019 through December 2033.

c. Statement of feasible method of relocating displaced families.

No families will be displaced as a result of this plan.

7. Section 18-2113 of the Act requires:

Prior to recommending a redevelopment plan to the governing body for approval, an authority shall consider whether the proposed land uses and building requirements in the redevelopment project area are designed with the general purpose of accomplishing, in conformance with the general plan, a coordinated, adjusted, and harmonious development of the city and its environs which will, in accordance with present and future needs, promote health, safety, morals, order, convenience, prosperity, and the general welfare, as well as efficiency and economy in the process of development, including, among other things, adequate provision for traffic, vehicular parking, the promotion of safety from fire, panic, and other dangers, adequate provision for light and air, the promotion of the healthful and convenient distribution of population, the provision of adequate transportation, water, sewerage, and other public utilities, schools, parks, recreational and community facilities, and other public requirements, the promotion of sound design and arrangement, the wise and efficient expenditure of public funds, and the prevention of the recurrence of insanitary or unsafe dwelling accommodations or conditions of blight.

The Authority has considered these elements in proposing this Plan Amendment. This amendment, in and of itself will promote consistency with the Comprehensive Plan. This will have the intended result of preventing recurring elements of unsafe buildings and

blighting conditions. This will accomplish the goal of both the Downtown Business Improvement District and the Grand Island City Council of increasing the number of residential units available in the Downtown area.

8. Time Frame for Development

Development of this project is anticipated to be completed between July 2017 and December of 2018. Excess valuation should be available for this project for 15 years beginning with the 2019 tax year.

9. Justification of Project

This is an historic building in downtown Grand Island that will be preserved with this project. The addition of a new upper story residential unit is consistent with goals to build 50 new residential units in downtown Grand Island by 2019 and with the goals of the 2014 Grand Island housing study and Grow Grand Island. The main floor and basement will be used for commercial tenant space.

10. Cost Benefit Analysis Section 18-2113 of the Act, further requires the Authority conduct a cost benefit analysis of the plan amendment in the event that Tax Increment Financing will be used. This analysis must address specific statutory issues.

As authorized in the Nebraska Community Development Law, §18-2147, *Neb. Rev. Stat.* (2012), the City of Grand Island has analyzed the costs and benefits of the proposed Redevelopment Project, including:

Project Sources and Uses. Approximately \$603,000 in public funds from tax increment financing provided by the Grand Island Community Redevelopment Authority will be required to complete the project. This property has requested a life/safety grant of \$240,000 and an additional façade improvement grant of \$300,000. This investment by the Authority will leverage \$2,803,493 in private sector financing; a private investment of \$2.45 for every TIF and grant dollar investment.

Use of Funds.				
Description	TIF Funds	Other Grants	Private Funds	Total
Site Acquisition			\$150,000	\$150,000
Legal and Plan*			\$124,373	\$124,373
Engineering/Arch			\$250,400	\$250,400
Tenant Buildout/Furnishings			\$295,000	\$295,000
Renovation	\$603,425		\$1,696,897 ¹ⁱ	\$2,300,322
Life Safety		\$240,000		\$240,000
Façade		\$300,000		\$300,000
Financing Fees			\$88,000	\$88,000
Contingency			\$198,823	\$198,823
TOTALS	\$603,425	\$540,000	\$2,803,493	\$3,946,918

Tax Revenue. The property to be redeveloped is anticipated to have a January 1, 2018, valuation of approximately \$101,218. Based on the 2016 levy this would result in a real property tax of approximately \$2,200. It is anticipated that the assessed value will increase by \$1,851,184 upon full completion, as a result of the site redevelopment. This development will result in an estimated tax increase of over \$40,228 annually. The tax increment gained from this Redevelopment Project Area would not be available for use as city general tax revenues, for a period of 15 years, or such shorter time as may be required to amortize the TIF bond, but would be used for eligible private redevelopment costs to enable this project to be realized.

Estimated 2018 assessed value:	\$ 101,218
Estimated taxable value after completion	\$ 1,952,402
Increment value	\$ 1,851,184
Annual TIF generated (estimated)	\$ 40,228
TIF bond issue	\$ 603,425

(a) Tax shifts resulting from the approval of the use of Tax Increment Financing;

The redevelopment project area currently has an estimated valuation of \$101,218. The proposed redevelopment will create additional valuation of \$1,851,184. No tax shifts are anticipated from the project. The project creates additional valuation that will support taxing entities long after the project is paid off.

(b) Public infrastructure and community public service needs impacts and local tax impacts arising from the approval of the redevelopment project;

¹ This includes \$1,122,186 of Historic Tax Credits

No additional public service needs have been identified. Existing water and waste water facilities will not be impacted by this development. The electric utility has sufficient capacity to support the development. It is not anticipated that this will impact schools in any significant way as these are one bedroom units located downtown. Fire and police protection are available and should not be negatively impacted by this development. The addition of life safety elements to this building including fire sprinklers, reduce the chances of negative impacts to the fire department.

(c) Impacts on employers and employees of firms locating or expanding within the boundaries of the area of the redevelopment project;

This will provide additional housing options in the downtown area consistent with the planned development in Downtown Grand Island.

(d) Impacts on other employers and employees within the city or village and the immediate area that are located outside of the boundaries of the area of the redevelopment project; and

This project will not have a negative impact on other employers in any manner different from any other expanding business within the Grand Island area. This will provide housing options for employees of Downtown businesses that wish to live Downtown.

(e) Any other impacts determined by the authority to be relevant to the consideration of costs and benefits arising from the redevelopment project.

This project is consistent the goals of the Council, the Downtown BID, the CRA, and Grow Grand Island to create additional housing units in downtown Grand Island.

Time Frame for Development

Development of this project is anticipated to be completed during between July of 2017 and December 31 of 2018. The base tax year should be calculated on the value of the property as of January 1, 2018. Excess valuation should be available for this project for 15 years beginning in 2019 with taxes due in 2020. Excess valuation will be used to pay the TIF Indebtedness issued by the CRA per the contract between the CRA and the developer for a period not to exceed 15 years or an amount not to exceed \$603,425 the projected amount of increment based upon the anticipated value of the project and current tax rate. Based on the estimates of the expenses of the rehabilitation the developer will spend at least \$2,430,095 on TIF eligible activities in excess of other grants given. The CRA will reserve the right to issue additional debt for this project upon notification by the developer of sufficient expenses and valuation to support such debt in the form of a second or third bond issuance.

Resolution Number 2017-09

HALL COUNTY REGIONAL PLANNING COMMISSION

**A RESOLUTION RECOMMENDING APPROVAL OF A SITE SPECIFIC
REDEVELOPMENT PLAN OF THE CITY OF GRAND ISLAND, NEBRASKA;
AND APPROVAL OF RELATED ACTIONS**

WHEREAS, the Chairman and Board of the Community Redevelopment Authority of the City of Grand Island, Nebraska (the “**Authority**”), referred **the Redevelopment Plan for 201-205 W. Third St. by Hedde Building LLC** to the Hall County Regional Planning Commission, (the “**Commission**”) for review and recommendation as to its conformity with the general plan for the development of the City of Grand Island, Hall County, Nebraska, pursuant to Section 18-2112 of the Community Development Law, Chapter 18, Article 21, Reissue Revised Statutes of Nebraska, as amended (the “**Act**”); and

WHEREAS, the Commission has reviewed said Redevelopment Plan as to its conformity with the general plan for the development of the City of Grand Island, Hall County finding;

The proposed use as described in this plan is in compliance with the Comprehensive Plan for the City of Grand Island.

NOW, THEREFORE, BE IT RESOLVED BY THE HALL COUNTY REGIONAL PLANNING COMMISSION AS FOLLOWS:

Section 1. The Commission hereby recommends approval of the Redevelopment Plan.

Section 2. All prior resolutions of the Commission in conflict with the terms and provisions of this resolution are hereby expressly repealed to the extent of such conflicts.

Section 3. This resolution shall be in full force and effect from and after its passage as provided by law.

DATED: June 7, 2017

**HALL COUNTY REGIONAL PLANNING
COMMISSION**

ATTEST:

By: _____
Chair

By: _____
Secretary