



City of Grand Island

Tuesday, July 27, 2004

Council Session

Item E1

Public Hearing on Amendment to Community Redevelopment Authority (CRA) Redevelopment Plan and Authorizing Tax Increment Financing for Renovation of Facility at 504 & 512 Elm Street

Staff Contact: Cindy Johnson, CRA Director

Council Agenda Memo

From: Cindy K. Johnson, CRA Director

Meeting: July 27, 2004

Subject: Amendment to Redevelopment Plan and Consideration of Tax Increment Financing for Old Walnut Redevelopment

Item #'s: E-1 & G-7

Presenter(s): Cindy Johnson, CRA Director

Background

The Old Walnut School, located at 504 and 512 North Elm Street, has been substantially vacant since 1998. A private developer (Fred Hoppe) purchased the building and the land from the school district in 2000 for \$100,001 following a public request for bids/proposal process. The school district received two other bids, including one for renovation of the facility into housing by Metro Plains of Minneapolis, and one for use of the building as an education facility by a local group. The school board accepted the proposal submitted by Hoppe.

In early 2000, Hoppe obtained initial projects costs for the renovation and they were estimated at \$5.5 million, including land acquisition, demolition of existing interior, removal of asbestos and other environmental hazards, and new construction. The Nebraska Investment Finance Authority authorized low income housing tax credits for this project. Those funds, along with developer equity and historic tax credits, and tax increment financing were to be the primary funding sources for the project. Unfortunately, the developer was unable to obtain historic tax credits at that time, based on restrictions relative to the width of the hallways, use of specific windows, and retention of the east entryway. The loss of the historic tax credits left a hole in the financing and the project was stalled. The appraisal and assessor estimated, based on the architectural drawings for the project, that there would be approximately \$533,000 in future taxes generated by the improvements to this property based on a tax rate and interest rate at that time. Thus, the original resolution of support by the CRA indicated TIF in the amount of \$533,000.

Subsequently, the developer redesigned the renovation for the project and on February 14, 2003 received notification from the National Park Service of the plans which would

generate approximately \$1,105,000 in historic tax credits. Over the course of the last four years, the developer has been in continuous contact with NIFA authorities, Federal Home Loan Bank, and representatives of the Historic Society as well as local officials with the Multicultural Coalition and CRA. The collective efforts of all individuals have made it possible to secure sufficient outside funding to make this much needed, and long awaited, project a reality but not without tax increment financing as part of the package.

Updates on the project were presented by the developer at the CRA meetings of July and October in 2002; and June, August and September of 2003. These updates also allowed the CRA to re-affirm, to the developer and the other funding partners, that the CRA remained interested in supporting a redevelopment contract and tax increment financing to assist with the funding required to redevelop this property. The CRA had authorized \$150,000 in façade development funds for the project in September 2003.

In June, 2004 an updated application was submitted to the CRA for tax increment financing. The Authority considered the application and referred it to the CRA attorney for review and preparation of the tax increment financing documents as appropriate. On June 28, the Authority adopted Resolution #54 in support of the redevelopment of the Old Walnut School, located north of 5th Street and West of Elm Street (504 and 512 North Elm Street) and indicated its intent to enter into a redevelopment contract for tax increment financing.

Discussion

Funding has been secured for this \$6.6 million project from three primary sources: 1) lending, comprised of tax increment financing (\$668,000) and first mortgage (\$1,161,405); 2) grants from Federal Home Loan Bank (\$300,000) and the CRA (\$150,000); and 3) equity from the sale of historic (\$1,105,000) and low income tax credits (\$3 million).

The targeted uses for the redevelopment project proposed by Hoppe are 88 units of low income housing (23 studios, 20 1-bedroom, 45 2-bedroom) with rents targeted to be affordable - \$325 for efficiency; \$390 for one-bedroom; and \$435 for two-bedrooms. Rents are set to be affordable at 45% median income; a criteria of the Federal Home Loan Bank grant is that 56% of the units be occupied by households earning less than 50% median income, the remainder 60% or less. Entry level workers in the market place will be the anticipated renters. The housing anticipated is consistent with the housing needs identified in the City's 2001 Housing Market Study. In addition, a housing market study has been completed for this specific project, as required by the low income housing tax credit syndicator. Clearly, there is a market for low to moderate income, quality housing in the Grand Island.

This redevelopment project is a project of NIFA, approved under the Collaborative Resources Allocation of Nebraska (CRANE) program. To qualify as a CRANE project, many objectives were met. For instance, Trinity United Methodist Church agreed to work with the developers of Old Walnut in a neighborhood revitalization project

(Sycamore Street to Eddy Street, railroad tracks to 10th Street) whereby the church will act as a community continuity manager to facilitate improvement of housing stock in that neighborhood and target a plan to renovate the housing stock, using Walnut as the keystone piece. This was critical to the CRA as we discussed the importance of this facility being maintained in a safe, aesthetically pleasing condition. Other critical elements tied to the CRANE program include public use of the Theater, and office space of 1,000 square feet for the Multicultural Coalition for the provision of services and referrals, including school, housing, community standards and ESL. The School District has expressed interest in using the Theater for many of their out-reach programs. NIFA has committed “matching funds” for the Multicultural Coalition’s use. This equates to \$90,000/year for up to 3 years if the community provides \$30,000 in operating funds for the services center at Old Walnut.

The developer has requested tax increment financing. With every tax increment financing project, the CRA hires attorney Kevin Siebert with Rembolt Ludtke in Lincoln, Nebraska to prepare the tax increment financing documents and calculate the amount of tax increment financing the project would generate. This information was provided to the CRA at their meeting of June 28, 2004. The TIF was based on anticipated valuation upon project completion of \$3,500,000 minus current valuation of \$100,000 (\$3,400,000) multiplied by the tax rate (.2194795) for the property (interest is 6.743%). The TIF was calculated for a maximum period of 15 years for a total of \$668,000.

The CRA approved the request for a redevelopment contract and award of TIF and forwarded their recommendation to the City Council and the Regional Planning Commission, as provided for in State Statutes. The Regional Planning Commission, at their meeting of July 7, 2004, held a public hearing on the proposed amendment to the existing Redevelopment Plan for Blight and Substandard Area #1 and voted to approve the redevelopment plan for the property. Public hearing notices on the amendment to the Redevelopment Plan have been published and notification of the amendment has been provided to each taxing entity in the City, as provided by State law.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Approve the amendment to the Redevelopment Plan and request for Tax Increment Financing.
2. Disapprove or deny the request.
3. Modify the request to meet the wishes of the Council.
4. Table the issue.

Recommendation

The Community Redevelopment Authority recommends that the Council approve the request for an amendment to the Redevelopment Plan and the request for tax increment financing in the amount of \$668,000.

Sample Motion

Approve the amendment to the Redevelopment Plan for Redevelopment Area #1 and the request for tax increment financing in the amount of \$668,000.