



City of Grand Island

Tuesday, January 25, 2005

Council Session

Item E1

**Public Hearing on Amendment to Community Authority (CRA)
Redevelopment Plan for Blight and Substandard Area #2 and
Authorizing Tax Increment Financing for Harley Davidson
Central Located at 2719 South Locust Street**

Staff Contact: Doug Walker

Council Agenda Memo

From: Douglas R. Walker, City Attorney

Meeting: January 25, 2005

Subject: Public Hearing on Amending the Redevelopment Plan for Blighted and Substandard Area #2 and Authorizing Tax Increment Financing for Harley Davidson Central and Resolution Approving Amendment to Community Redevelopment Authority, Redevelopment Plan for Blighted and Substandard Area #2 and Authorizing Tax Increment Financing for Harley Davidson Central

Item #'s: E-1 & I-1

Presenter(s): Douglas R. Walker, City Attorney

Background

The Community Redevelopment Authority has received an application requesting tax increment financing (TIF) for the Nebraska Cycle Company, Inc., d/b/a Harley Davidson Central. The sequence of events that are pertinent to this application are as follows:

1. A warranty deed was recorded on March 18, 2003, to William E. and Sandra L. Lawrey (applicants) for the property with a street address of 2719 South Locust Street.
2. A notice of commencement and deed of trust are filed on March 1, 2004.
3. The applicants request and obtain the necessary forms to apply for TIF in April, 2004.
4. The Grand Island Building Department issued a building permit on May 13, 2004.
5. An application for TIF is signed by the applicants on September 9, 2004 and submitted to the Community Redevelopment Authority (CRA).

6. The application is discussed for the first time at a monthly CRA meeting on October 13, 2004.
7. On November 16, 2004, an occupancy certificate was issued by the City of Grand Island Building Department.
8. On December 2, 2004, a special meeting of the CRA is held to discuss issues pertinent to this application.
9. At the monthly meeting of the CRA on December 8, 2004, the CRA voted to approve the Lawreys' application and forward it to the Planning Commission and City Council for consideration.
10. At the January meeting of the Planning Commission, the application is approved as conforming to the comprehensive plan for the South Locust Street corridor.

This matter is now before the City Council for consideration as the final step in the process of applying for TIF.

Discussion

The Nebraska statutes have numerous detailed requirements regarding the use of tax increment financing for projects in blighted and substandard areas of cities of all classes throughout the state of Nebraska. Among the Nebraska statutes in this area is §18-2116, which contains the "but for" test. A copy of the most recent version of this statute is included in your council packet for your reference. Because of this "but for test", TIF applicants are required to submit their applications in the initial phases of a project to be able to make a credible argument that TIF is necessary.

You will note that in §18-2116(2)(a), a requirement for extending tax increment financing is that the redevelopment project "would not be economically feasible without the use of tax increment financing." The record indicates that the applicants arranged for financing before March 1, 2004, when the Deed of Trust was filed on the property and the project was apparently deemed credit worthy and sufficient funds were made available to proceed with the project. The records of the Grand Island Building Department further indicate that a building permit was issued on May 13, 2004. Several months later on September 9, 2004, an application was signed and submitted to the Community Redevelopment Authority. Since this application was filed several months after financing was obtained, the building permit was issued and construction commenced, tax increment financing was not necessary for a commercial lender to determine that this project was economically feasible.

You will also note that §18-2116(2)(b) requires that the redevelopment project would not occur in the Community Redevelopment Area without the use of tax increment financing. The Hall County Register of Deeds records indicate that this property was purchased on

March 18, 2003, which is nearly 1½ years prior to the date when the application for tax increment financing was signed and submitted to the Community Redevelopment Authority. The timing of the purchase of this real estate indicates that the applicants were planning to use this property for this project, whether or not tax increment financing was received. A further consideration is that construction on this project was completed in the month of November, 2004 as indicated by the records of the Grand Island Building Department which issued a certificate of occupancy on November 16, 2004. Construction was therefore completed before the application was approved by the CRA. When these factors are considered, the appropriateness of using tax increment financing becomes questionable.

Other aspects of this application to consider are that the property cost \$105,000 when purchased by the applicants. The application indicates that the assessed valuation of \$62,252 prior to construction of the improvements would increase by \$1,234,748 for an estimated assessed value after the completion of the project of approximately \$1,300,000. The application further indicates that the real estate taxes on the unimproved real estate were approximately \$1,432.16 and the estimated real estate taxes with improvements would be \$28,532.36. The applicants would receive tax relief for the additional tax increment of \$27,120, on the property for fifteen years if the application is approved. This would result in tax relief of approximately \$406,503 over the 15 year period for which TIF would be extended.

Nebraska statutes require City Council approval for tax increment financing to be extended to a project. The City Council, pursuant to the Nebraska statutes, is to review TIF applications to make sure that they comply with all of the statutory requirements. If the Council chooses to approve the application as recommended by the Community Redevelopment Authority and the Planning Commission, the tax relief to the applicants will be granted. If the City Council chooses to deny the request for tax increment financing, then it will not be extended to them and the applicants will be required to pay the full amount of real estate taxes due after construction of the improvements.

Alternatives

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

1. Move to approve the application of Nebraska Cycle Company, Inc., d/b/a Harley Davidson Central for tax increment financing.
2. Move to deny the application of Nebraska Cycle Company, Inc., d/b/a Harley Davidson Central.
3. Postpone the issue to a future date or study session.
4. Take no action on the issue.

Recommendation

City Administration recommends that the Council **deny** the application of Nebraska Cycle Company, Inc., d/b/a Harley Davidson Central for tax increment financing.

Sample Motion

Motion to deny the application of Nebraska Cycle Company, Inc., d/b/a Harley Davidson Central for tax increment financing.



BACKGROUND INFORMATION RELATIVE TO TAX INCREMENT FINANCING REQUEST

Project Redeveloper Information

- I. Business Name: Nebraska Cycle Company, Inc. d/b/a Harley Davidson Central
Address: 2824 South Locust Street
Grand Island, Nebraska 68801
Telephone No.: 308-3982-7020
Fax No. 308-382-1256
Contact: Bill or Sandy Lawrey
- II. Brief Description of Applicant's Business: Harley Davidson Sales and Service
- III. Present Ownership Proposed Project Site: 2719 South Locust Street
Grand Island, Nebraska
- IV. Proposed Project: Building square footage, size of property, description of buildings – materials, etc. Please attach site plan, if available.
22,000 square feet building. Lot is 3.3 acres. Building is two story metal building
- V. If Property is to be Subdivided, Show Division Planned:

5

VI. Estimated Project Costs:

Acquisition Costs:

A. Land	\$ 105,000
B. Building	\$ 0

Construction Costs:

A. Renovation or Building Costs:	\$ 1,010,000
B. On-Site Improvements:	\$ 125,500

Soft Costs:

A. Architectural & Engineering Fees:	\$ _____
B. Financing Fees:	\$ _____
C. Legal/Developer/Audit Fees:	\$ _____
D. Contingency Reserves:	\$ _____
E. Other (Please Specify) Survey	\$ 1,484

TOTAL \$ 1,241,984

VII. Total Estimated Market Value at Completion: \$ 1,250,000

VIII. Source of Financing:

A. Developer Equity:	\$ 380,000
B. Commercial Bank Loan:	\$ Balance
C. Tax Credits:	
1. N.I.F.A.	\$ _____
2. Historic Tax Credits	\$ _____
D. Industrial Revenue Bonds:	\$ _____
E. Tax Increment Assistance:	\$ _____?

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F. Other

\$ _____

IX. Name, Address, Phone & Fax Numbers of Architect, Engineer and General Contractor: Chief Construction, Inc. Greg Ruzicka

X. Estimated Real Estate Taxes on Project Site Upon Completion of Project:

(Please Show Calculations)

\$65,252 base valuation as of 1-1-04

Proposed assessed value \$1,300,000

Increased valuation \$1,234,748

Existing real estate taxes \$1,432.16

Proposed real estate taxes with improvements \$28,532.36

Increase in real estate taxes \$27,100.20

XI. Project Construction Schedule:

A. Construction Start Date: May 2004

B. Construction Completion Date: November 1, 2004

C. If Phased Project:

_____	Year	_____	% Complete
_____	Year	_____	% Complete

XII. Please Attach Construction Pro Forma

XIII. Please Attach Annual Income & Expense Pro Forma
(With Appropriate Schedules)

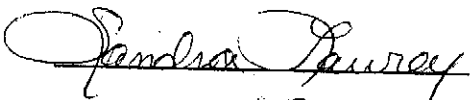
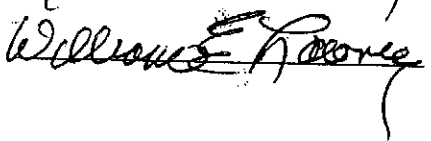
TAX INCREMENT FINANCING REQUEST INFORMATION

I. Describe Amount and Purpose for Which Tax Increment Financing is Requested:

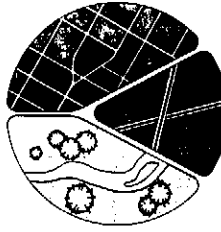
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Tax increment financing is being requested to assist with the costs associated with the construction of a new \$1.3 million facility in a blighted and substandard area of South Locust Street in Grand Island, Nebraska

- II. Statement Identifying Financial Gap and Necessity for use of Tax Increment Financing for Proposed Project: The owners are investing additional equity of approximately \$275,000 and have already purchased the lot for \$105,000. The construction contract is for \$1,010,000 with additional construction costs of approximately \$125,000. There will be a need for additional funding to make the building costs affordable as an investment in the blighted and substandard area of Grand Island.
- III. Municipal and Corporate References (if applicable). Please identify all other Municipalities, and other Corporations the Applicant has been involved with, or has completed developments in, within the last five (5) years, providing contact person, telephone and fax numbers for each:
None
- IV. Please Attach Applicant's Corporate/Business Annual Financial Statements for the Last Three Years.

Dated: 09-09-04

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Grand Island, Nebraska 68802-1486
Phone: 308 382-1920, ext. 20
Fax: 308 382-1154
Email: cjohnson@gichamber.com



THE REGIONAL PLANNING COMMISSION of Hall
County, Grand Island, Wood River and the Villages
of Alda, Cairo and Doniphan, Nebraska

January 6, 2005

Honorable Jay Vavricek, Mayor
And Members of the Council
City Hall
Grand Island, NE 68801

Dear Mayor and Members of the Council:

RE: Amendment to Redevelopment Plan for Blight & Substandard Area #2

At the regular meeting of the Regional Planning Commission, held January 5, 2005, the above item was considered following a public hearing. This application proposes to use TIF for development that has occurred at 2719 South Locust Street for Commercial purposes.

Nabity said this is consistent with the existing zoning and future land use plan for the City of Grand Island and recommended approval.

No members of the public were present to comment on the proposed blight and substandard area.

A motion was made by Hayes and seconded by Amick to **approve** and recommend that the Grand Island City Council **approve** the development plan as submitted

A roll call vote was taken and the motion passed with 8 members present (Amick, Haskins, O'Neill, Niemann, Miller, Eriksen, Ruge, Hayes) voting in favor.

Yours truly,

Chad Nabity AICP
Planning Director

cc: Community Redevelopment Authority

Web-Posted Oct 13, 2004

\$1.3 million project

Tax bill cut sought on new Harley building

Community Redevelopment Authority to consider request for tax increment financing from Sandra, William Lawrey

By Tracy Overstreet

tracy.overstreet@theindependent.com

The owners of Harley-Davidson Central in Grand Island are seeking financial help for their new \$1.3 million building on South Locust Street.

The Community Redevelopment Authority (CRA) will hear the financing request Wednesday afternoon from Sandra and William Lawrey, owners of Nebraska Cycle Co. Inc., doing business as Harley-Davidson Central.

Although tax-increment financing is considered a "but-for" financing mechanism -- financing for a project that wouldn't happen "but for" help through tax-increment financing -- CRA Director Cindy Johnson said the financing would be the "clincher" for this project.

"Obviously, they won't tear down their building if they don't get it," Johnson said Tuesday. "But they went ahead with the hope of being eligible."

Construction on the 22,000-square-foot, two-story metal building began in May and is to be completed in November, the Lawreys' tax-increment financing

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Sandra and William Lawrey, owners of Nebraska Cycle Co. Inc., doing business as Harley-Davidson Central, are seeking financial help for their new \$1.3 million building on South Locust Street.

Independent/Barrett Stinson

Independent Talk

"For the record, Olive Garden (owned by Darden which also owns Red Lobster) will not build in a town of less than 150,000. I think if you research demographics that you will find that we prob. cater to 150,000+ from surrounding areas, but even still, they would be in

The Lawrey's currently have a Harley shop at 2824 S. Locust, but will move to the new building across the street at 2719 S. Locust.

never happen."
- Posted by *TongaLH*, in our
Generally Speaking Forum Topic:
Letter to the Editor - New
Restaurants

The Lawrey's said they spent \$105,000 on the three-acre lot, are building a \$1 million building and had \$125,500 in on-site improvements.

The property taxes on the undeveloped property were \$1,432 a year. The taxes on the \$1.3 million improved property are expected to be \$28,532 a year.

Tax-increment financing, if approved, would allow the Lawreys to use the difference in property tax values, \$27,100, to pay for their project. The taxes on the improved property could be diverted for up to 15 years.

Typically, the tax-increment financing available, as determined by a tax-increment financing attorney based on strict formulas, equates to about 8 to 12 percent of the total project cost, Johnson said.

In the Lawreys' case, that equates to about \$104,000 to \$156,000 of tax-increment financing for the project.

If the CRA supports the use of tax-increment financing for the new Harley building, it must refer the matter to the tax-increment financing attorney and the Regional Planning Commission. The commission would make a recommendation to the Grand Island City Council, which would take final action on the tax-increment financing request.

During Wednesday's meeting, the CRA will also consider identifying a new blighted and substandard area in Grand Island for redevelopment.

Area No. 5 is located on land just north of the Central Nebraska Humane Society shelter at 1312 Sky Park Road and extends south of Capital Avenue to Fourth Street and east and west of Geddes Street.

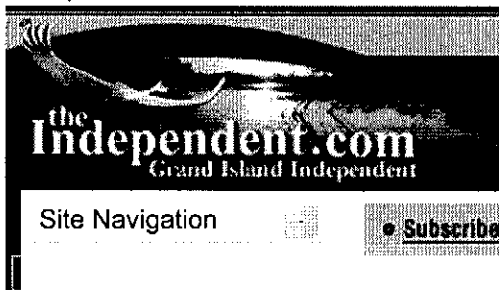
Consulting firm Hanna:Keelan Associates of Lincoln studied the

and substandard property.

Grand Island development firm Procon had requested the area be declared blighted and substandard so that tax-increment financing could be provided to its handicapped-accessible apartment project.

Adding the property would bring the percentage of blighted and substandard Grand Island property to 14 percent. State statutes allow a city Grand Island's size to be up to 35 percent blighted.

The CRA meeting begins at 4 p.m. in the community meeting room at City Hall, 100 E. First.



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Web-Posted Oct 14, 2004

CRA supports tax-increment financing for Harley store

Lawreys seeking help to continue to develop South Locust property near new building

By Tracy Overstreet

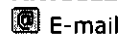
tracy.overstreet@theindependent.com

A request to divert the property taxes owed on a new building in order to help pay for that building gained the support of Grand Island's Community Redevelopment Authority (CRA) Wednesday.

The request made by Harley-Davidson Central owners Bill and Sandy Lawrey must now be studied by a tax-increment financing attorney to determine how much property taxes can be diverted and for how many years. State law allows a maximum of 15 years.

Once that recommendation is complete, the CRA will review it again and forward it on to the Regional Planning Commission, which will make a recommendation to the Grand Island City Council -- the governmental body that will take

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"For the record, Olive Garden (owned by Darden which also owns Red Lobster) will not build in a town of less than 150,000. I think if you research demographics that you will find that we prob. cater to 150,000+ from surrounding areas, but even still, they would be in competition in this town with themselves (Red Lobster), so it will never happen."

- Posted by *TongaLH*, in our Generally Speaking Forum Topic:



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final action on the request.

Restaurants

Before the CRA gave its support of the project, there was discussion on what's called the "but for" provision of tax-increment financing (TIF). TIF regulations require that it be used only for projects that, "but for" tax-increment financing, wouldn't be done.

"Will it make or break us -- no," Sandy Lawrey said of having the tax-increment financing.

But she also made clear that while the \$1.3 million new Harley building would have been built without tax-increment financing help, "but for" that financing, the new building likely wouldn't have been on South Locust.

"We were highly encouraged by Harley-Davidson to go to Highway 281," she told the CRA. "(Tax-increment financing) is one of the main things that encouraged us to stay on South Locust."

But why the Lawreys waited to ask for the financing until a month before the new building is completed stumped CRA member Glen Murray.

"Why not submit this before?" he asked.

"Lack of knowledge," Bill Lawrey answered.

And a lack of time, Sandy Lawrey said.

The couple picked up the TIF application in the late spring, which is about the start of the busy time for their motorcycle business. Twelve-hour days are common and the construction process was started, taking even more of their time.

If, after all the reviews and recommendations, the financing is granted, the Lawreys said they would like to use the money to buy neighboring property -- such as the Star Motel -- and improve it into additional parking and a park.

CRA member Lee Elliott moved the authority proceed with the financing given that the Lawreys are investing in "a part of the (South Locust) corridor that is in pretty bad shape."

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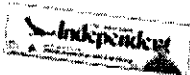
Sue Pirnie seconded the motion. Murray and CRA Chairman Barry Sandstrom rounded out the four votes of support. CRA member Tom Gdowski was absent from Wednesday's meeting.

The CRA also authorized a portion of northeast Grand Island to be declared blighted and substandard. The designation opens the door for tax-increment financing and CRA grants to be used for qualifying developments in the area -- of which local developers Procon are already seeking help on a handicapped-accessible apartment project.

Community planner Lonnie Dickson of Hanna:Keelan Consulting in Lincoln said the area does meet the state's definition of blighted and substandard. More than 40 percent of the homes and properties are dilapidated, the majority of the properties lack city water, fire hydrants are lacking, streets are gravel, lot layout is poor and 71 percent of the properties are more than 40 years old.

The area is generally bounded on the north by Capital Avenue, south by Fourth Street, east by Sky Park Road and west by an area just west of Geddes Street.

"It looks like it fits," Elliott said of the designation.



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Web-Posted Dec 3, 2004

CRA examines tax-increment financing determination

Question of who should receive incentive continues

By Tracy Overstreet
tracy.overstreet@theindependent.com

A project that is well under construction may be jeopardized for receiving tax-increment financing (TIF), Grand Island's Community Redevelopment Authority said Thursday.

"I'll have difficulty giving TIF to anyone who's turned dirt," said CRA member Lee Elliott.

His comments came during a special 80-minute meeting the CRA held to talk specifically about its use of tax-increment financing.

The review was prompted last month by an application for \$239,000 of tax-increment financing for the Harley-Davidson Central building at 2824 S. Locust St.

The \$1.3 million Harley retail store owned by Bill and Sandra Lawrey is already built and "has an open sign in the door," said TIF attorney Kevin Siebert from Lincoln. "It's not the way it should happen."


Those factors make it difficult to say that the project would not have happened "but for" the availability of TIF -- one of the tests used in giving the tax break.

CRA Chairman Barry Sandstrom said he didn't want Thursday's

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Independent Talk

"For the record, Olive Garden (owned by Darden which also owns Red Lobster) will not build in a town of less than 150,000. I think if you research demographics that you will find that we prob. cater to 150,000+ from surrounding areas, but even still, they would be in competition in this town with themselves (Red Lobster), so it will never happen."

- Posted by *TongaLH*, in our Generally Speaking Forum Topic: Letter to the Editor - New Restaurants

guide the CRA in its future use of the tax-increment financing as redevelopment areas, primarily along South Locust Street, continue to develop.

"We've got money we can leverage for the good of our community," said CRA Chairman Barry Sandstrom. "What's our role?"

Although the five CRA members bounced around forming any black-and-white rules on what is eligible for TIF and what isn't, it did begin articulating priorities.

Issues such as housing, city infrastructure and core jobs seemed of high priority. Retail development seemed a lower priority.

Retail development must be market-driven, said City Administrator Gary Greer. If a retailer is dependent on tax incentives, then there's probably not a strong enough market to support the retailer, he said.

At the same time, he cautioned the CRA from setting an outright ban on TIF for retail. Greer said if a Cabela's store and museum wanted to locate in Grand Island, it likely would be looked at favorably by the Grand Island City Council -- which gives final approval to all TIF projects in city limits.

He also urged the CRA to consider not only the legal interpretations of issuing TIF, but also the political perceptions.

"A project that has turned dirt would be tough politically to sell," Greer said.

He also cautioned the CRA about giving TIF to needy projects that financially wouldn't make it otherwise and to prepare itself for requests from the convention and tourism industry, such as hotels.

"I'd rather give TIF to an organization with a lot of wherewithal," Greer said wanting to ensure tax support for stable, viable projects.

Siebert said when it comes down to determining who gets TIF and who doesn't, the question isn't about money.

developer build what they are building ... the type of development in this area -- without some type of subsidy or assistance?"

The Lawreys stated they picked South Locust Street for their new store because of the opportunity for TIF, but they became too busy with the construction and their summer retail season to get the application in prior to construction.

In that case, Siebert said, the CRA board needs to evaluate whether the Lawreys had a reasonable expectation of receiving TIF for a project along South Locust.

"There's almost an expectation" for TIF in some redevelopment areas, Siebert said. For example, he said any development in blighted and substandard areas in Omaha is considered to automatically have TIF if developers want it.

In response to questions from the CRA board, Siebert said there's no requirement that TIF be given for the maximum 15 years allowed under state law or for the maximum value of the improved property.

He encouraged the CRA board to re-evaluate its redevelopment plans and stay in tune with those plans as it evaluates each TIF request on an individual basis.

Sandstrom directed those plans be reviewed at the CRA's next meeting at 4 p.m. Wednesday.

The "but for" language

Nebraska State Statute 18-2116 sets out criteria of when a redevelopment project is available for tax-increment financing -- a method of diverting the property taxes owed on an improvement to pay for that improvement. Criterion 2b, which is under study in Grand Island, is commonly known as the "but for" test.

"The redevelopment project would not occur in the community redevelopment area without the use of tax-increment financing."

Web-Posted Dec 9, 2004

Business gets a \$239K boost

CRA approves \$239,000 in tax-increment financing for Harley-Davidson Central

By Tracy Overstreet
tracy.overstreet@theindependent.com

The chairman and the board of Grand Island's Community Redevelopment Authority don't agree on what has become a controversial tax-increment financing question.

Neither do four attorneys.

The board voted 4-1 Wednesday to give \$239,000 of tax-increment financing help over 15 years to Harley-Davidson Central owners Bill and Sandy Lawrey. The financing is for the Lawreys' new \$1.3 million Harley retail building at 2824 S. Locust St.

The controversy has centered on what's commonly called the "but for" test to determine if a project is eligible for tax-increment financing. Would the project have happened "but for" tax-increment financing (TIF)?


"It's the timing issue," CRA Chairman Barry Sandstrom said of why he cast the lone no vote against granting TIF to the Lawreys' project.

Although Sandstrom said his heart told him the project was a good one and the Lawreys made a huge investment on South Locust Street, his head told him

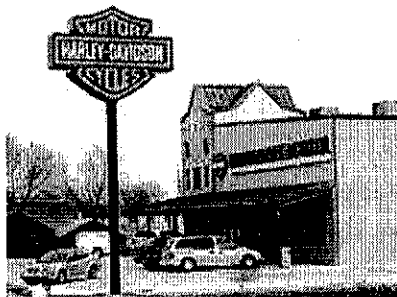
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Independent/Scott Kingsley



Independent/Scott Kingsley

Independent Talk

"For the record, Olive Garden (owned by Darden which also owns Red Lobster) will not build in a town

that the "but for" test has not been met because the new building was nearly completed before the CRA received a TIF application. The new building opened for business last month.

CRA member Lee Elliott said he doesn't think "but for" even comes into play after hearing from TIF attorney Kevin Siebert during a special CRA meeting last week.

research demographics that you will find that we prob. cater to 150,000+ from surrounding areas, but even still, they would be in competition in this town with themselves (Red Lobster), so it will never happen."

- Posted by *TongaLH*, in our Generally Speaking Forum Topic: Letter to the Editor - New Restaurants

Siebert said the question isn't if the project would have happened at all or about finances. The question is whether the project would have been built where it is and to the scale and finish and level that it has been constructed.

"We've stated we would have built it anyway, but not with the additional things," Bill Lawrey told the CRA Wednesday.

He identified the "additional things" as being raising the lot above the flood plain, extensive concrete work on the site and installing a sprinkler system that they could have gotten by without.

CRA member Glen Murray said the Lawreys were also encouraged by Harley-Davidson to move the business from its previous South Locust location to Highway 281.

"(TIF) made it look more lucrative to stay," Lawrey said.

Because the Lawreys used TIF in their decision to stay on South Locust and to add amenities to the building that otherwise wouldn't be there, Murray, an attorney, said he favored the use of TIF.

CRA member Sue Pirnie said she also favored extending TIF because the South Locust corridor is in a blighted and substandard area and the CRA was created to help improve such areas.

There's no doubt that the process broke down, said CRA member Tom Gdowski, but the Lawreys' project improves South Locust, adds employment, increases the tax base and is a major capital investment in a blighted area.

"I feel comfortable with this project," he said. "I don't think we are setting a precedent."

When asked for his legal opinion, CRA attorney Duane Burns sided with Siebert and Murray. The Lawreys' project, just because it was already built, doesn't violate the "but for" clause, although "the timing is awkward," Burns said.

But as attorneys do, a different legal opinion came forward Wednesday.

"I've got some real concerns about that, to be up front with you," City Attorney Doug Walker told the CRA early in the discussion.

He said the timing is a problem, but when asked to elaborate, Walker declined to do so at the CRA meeting. Instead, his advice will likely go to the Grand Island City Council, which has final say on whether the TIF will be approved.

Tax-increment financing takes the property taxes owed on a project and diverts it back to paying for the improvements.

The TIF application must now be forwarded to the Regional Planning Commission for a recommendation and to the Grand Island City Council for final approval. Those two meetings are expected after the first of the year.

In other action, the CRA approved buying a substandard house at 805 E. Ninth for demolition. It will pay \$8,500 to owners Rollie Reynolds and Ed Ziska and spend an estimated \$10,000 more for asbestos removal and demolition.

Web-Posted Jan 12, 2005

Direction needed on tax-increment financing in G.I.

By Tracy Overstreet
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It may be time for Grand Island to come up with some hard and fast rules -- or at least some criteria in black and white -- about who can obtain tax-increment financing in Grand Island and how it can be used, development specialists said.

Tax-increment financing (TIF) is the state-allowed practice of diverting the property taxes owed on an improved property to pay for the improvements instead of paying the taxes to government subdivisions for up to 15 years.


The practice has come under scrutiny of late in Grand Island, with an application from Bill and Sandy Lawrey to forego paying \$239,000 in property taxes over 15 years and instead using the tax money to make debt payments on their new \$1.3 million Harley-Davidson Central store at 2824 S. Locust St.

The final decision on the Harley application is to be made Jan. 25 by the Grand Island City Council. Grand Island Mayor Jay Vavricek and City Administrator Gary Greer have already raised questions about the application including the timing of when the funding request was made (the new building was nearing completion) and if such financial incentives should be granted to retail businesses or should be reserved for other uses such as manufacturing or heavy industry.

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Independent Talk

"For the record, Olive Garden (owned by Darden which also owns Red Lobster) will not build in a town of less than 150,000. I think if you research demographics that you will find that we prob. cater to 150,000+ from surrounding areas, but even still, they would be in competition in this town with themselves (Red Lobster), so it will never happen."

- Posted by *TongaLH*, in our Generally Speaking Forum Topic: Letter to the Editor - New Restaurants

"It's important to have the guidelines in place," said Grand Island Area Chamber of Commerce President Cindy Johnson, who doubles as the director of the Community Redevelopment Authority director, which receives TIF applications.

"Grand Island doesn't have any requirements or prerequisites in place right now," she said.

That means retail, commercial, tourism, housing, manufacturing and any other possible use imaginable is as eligible as the next -- as long as the project is in one of four designated redevelopment areas.

An informal study of TIF uses across the state revealed that projects funded and criteria for funding are all over the board, Johnson said.

Omaha, for example, which has been orally talked about as having a very liberal TIF process, actually has written requirements that businesses funded under the program create a certain number of jobs for low-income people or housing for low-income people.

Hastings, on the other hand, has no requirements for TIF projects, Johnson said, and wants to keep it that way to give flexibility to what projects are funded.

"I'm only concerned about making it efficient for the people who are interested and being consistent," Johnson said.

Not having requirements, she said, has made decision making for the board difficult on the recent Harley application. Board Chairman Barry Sandstrom voted against tax-increment financing for the project, while the remaining four authority members supported the financing -- but only after postponing the decision for further study and receiving differing opinions from four attorneys.

"(Community Redevelopment Authority) attorney Duane Burns has suggested that guidelines be considered for applications for tax-increment financing," Johnson said.

Such guidelines, and the entire South Locust redevelopment plan, will be discussed when the authority meets at 4 p.m. Wednesday at Grand Island City Hall.

The meeting is open to the public.

CRA meeting

When: 4 p.m. Wednesday

Where: Basement of Grand Island City Hall, 100 E. First

Topic: Use of tax-increment financing, the redevelopment of South Locust Street.

Omaha TIF rules

- Can be used for public improvements in a redevelopment area, site acquisition, site preparation, utility extensions and hookups and or rehabilitation of buildings in a redevelopment area.
- Project selection must be made from a project review committee comprising the following or their designee: planning director, finance director, public works director, city attorney, director of housing and community development, finance department representative, mayor's assistant on community growth management, additional mayor's representative.
- Application must include project description, financing plan, proforma, statement that project wouldn't proceed without TIF, preliminary plan, development schedule, public improvements that are also part of the project, corporation or partnership papers, audited financials.
- Project must be in a blighted area or redevelopment area, must further the city's comprehensive plan, must not decrease the pre-existing tax revenues, must not be financially feasible without TIF, must eliminate an actual or potential hazard to the public. Hazards may include condemned or unsafe buildings, sites or structures.
- Residential projects must meet at least three of the following to qualify for 15 years of TIF and nonresidential projects meeting three of the following are eligible for eight years of TIF. Criteria are the project generating at least one full-time job for each \$10,000 in principal value of the TIF loan or a minimum of 50 new jobs; project located in a blighted area; TIF used for the construction of public improvements; rehabilitates a designated city landmark or building eligible for listing on the National

income people; building or site displays conditions of blight; project involves the startup of an entirely new business; the redevelopment site has displayed a recent pattern of declining real property assessments.

- Minimum development cost of a project is \$250,000 and minimum TIF is \$25,000; no one- or two-family structures as a single project will be considered; all TIF-assisted rehabilitation must be in accordance with the secretary of the interior; must include funding for required public improvements; and city assumes no responsibility for the repayment or funding of any TIF bond.