



Hall County Regional Planning Commission

**Wednesday, June 10, 2015
Regular Meeting**

Item F2

Redevelopment Plan Amendment Area 1

Staff Contact: Chad Nabity

Agenda Item #5

PLANNING DIRECTOR RECOMMENDATION TO REGIONAL PLANNING COMMISSION:

May 11, 2015

SUBJECT:

Redevelopment plan amendment to support the redevelopment of property located in Blight and Substandard Area 1, The Kaufman Building at 312 W 3rd Street in Downtown Grand Island Nebraska (C-15-2015GI)

PROPOSAL:

T & S Land Development, LLC is proposing to redevelop the second floor of the Kaufman building into commercial office space to support their logistics and dispatching company. They are the current owners of this historic building. They are currently located on the first floor and wish to expand their operation at this location and utilize the 2nd floor of this building. At full build out this development will support 100 employees in the downtown area.

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 project will provide residential development in a location that is intended for these uses.

Development of this property should prevent further decay of this neighborhood. 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 evidenced by the fact that the property is zoned B3 Heavy Business District. The proposed development is within the allowed parameters for the existing zoning district.

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

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 second floor commercial office space at this location appears to be supported by the plan.

RECOMMENDATION:

That the Regional Planning Commission recommend 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 2015

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 KUAFFMAN BUILDING LOCATED AT 308-312 W. 3RD STREET FOR OFFICE USES ON THE FIRST AND SECOND FLOORS INCLUDING FIRE/LIFE SAFETY IMPROVEMENTS AND BUILDING REHABILITATION AND REMODELING.

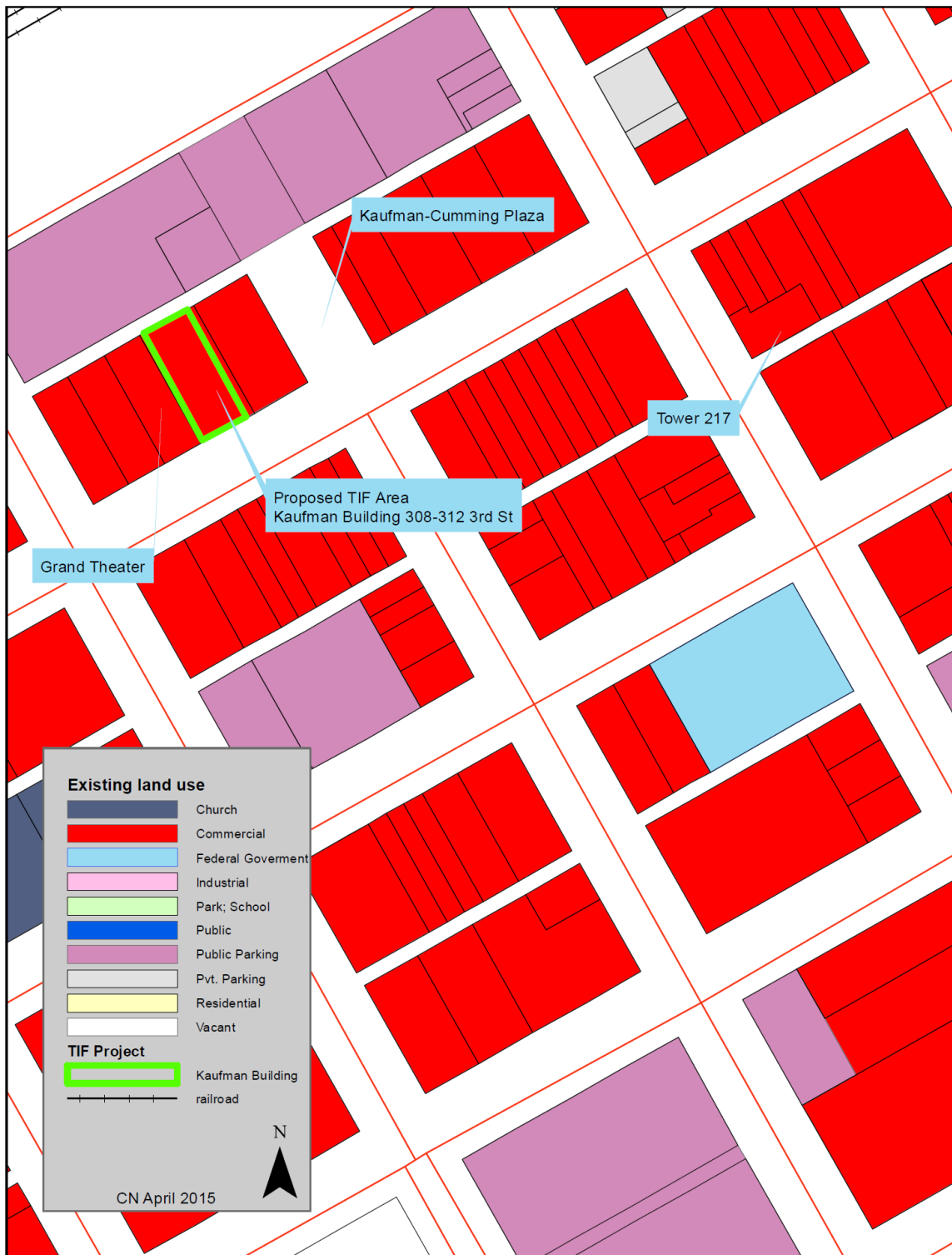
The use of Tax Increment Financing to aid in rehabilitation expenses associated with redevelopment of the Kaufman Building into office space for more than 100 employees for GIX Logistics. The use of Tax Increment Finance is an integral part of the development plan and necessary to make this project affordable. The project will result in renovated commercial office space and an increased number of downtown employees at an existing Grand Island company. This project would not be possible without the use of TIF.

T & S Land Development LLC is the owner of the property. They purchased this property in December of 2014. The purchase price is not included as an eligible TIF activity. The first floor of the building is currently occupied by GIX Logistics and JEO Consulting. The second floor of 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 site work and remodeling. The Grand Island Community Redevelopment Authority (CRA) intends to pledge the ad valorem taxes generated over the 15 year period beginning January 1, 2017 towards the allowable costs and associated financing for the acquisition and site work.

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

308-312 W 3rd Street in Grand Island Nebraska Kaufman Building

Legal Descriptions: Lot 7, Block 57, Original Town of Grand Island, Hall County, Nebraska.



Existing Land Use and Subject Property

The tax increment will be captured for the tax years the payments for which become delinquent in years 2017 through 2031 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 the vacant portions of this historic building for commercial office space as permitted in the B3 Heavy Business Zoning District.

Statutory Pledge of Taxes.

Pursuant to Section 18-2147 of the Act, any ad valorem tax levied upon real property in the Redevelopment Project Area shall be divided, for the period not to exceed 15 years after the effective date of the provision, which effective date shall be January 1, 2017.

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.

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

a. Land Acquisition:

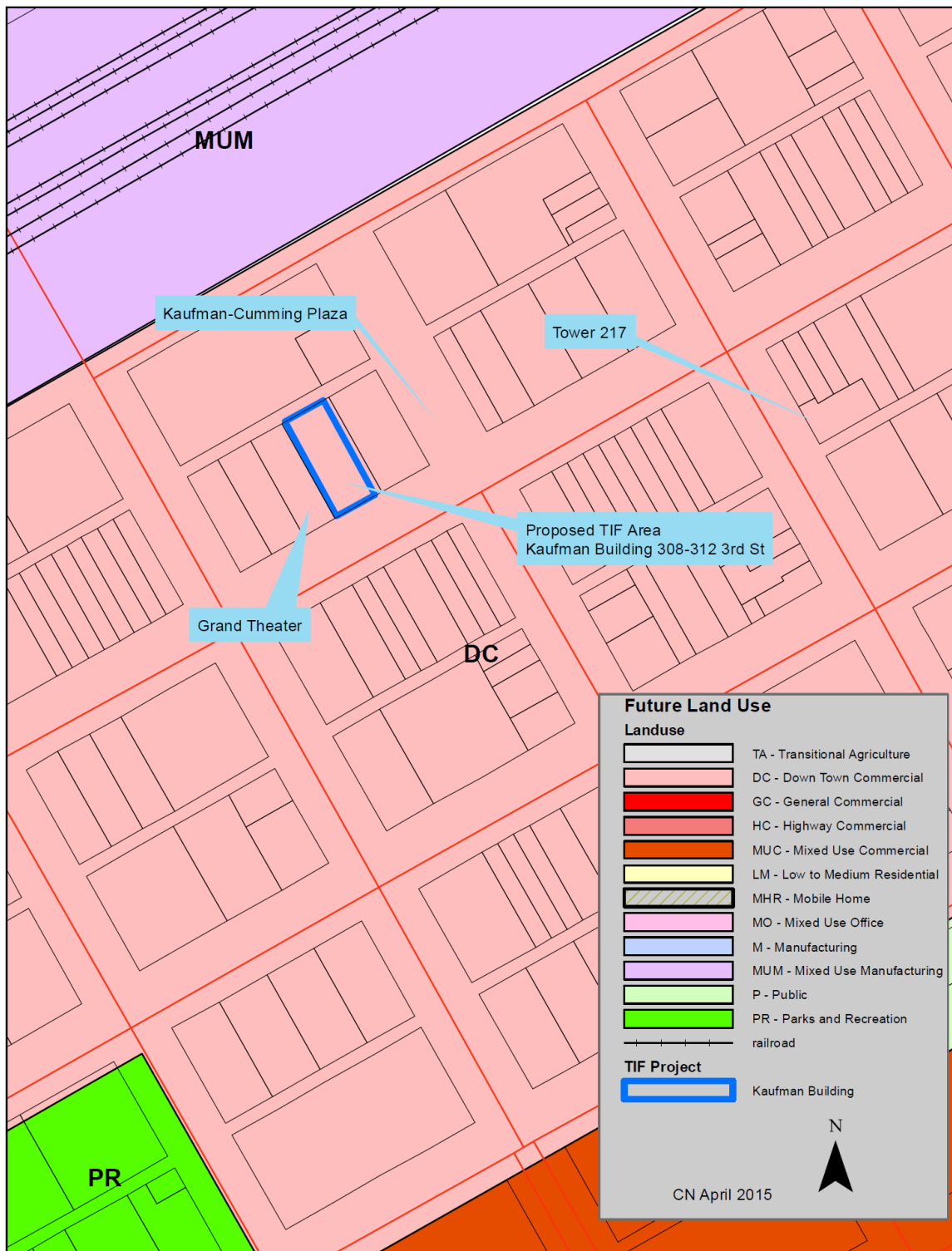
The Redevelopment Plan for Area #1 provides for real property acquisition and this plan amendment does not prohibit such acquisition. There is no proposed acquisition by the authority.

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. No new services are anticipated with this development.

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 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 is a member of the Authority and has disclosed this appropriately. As such she will not take part in any discussions or decisions regarding this application.

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 cost of rehabilitation of this property is \$770,500. Planning related expenses for Architectural and Engineering services of \$73,000 and are

included as a TIF eligible expense. Legal, Developer and Audit Fees including a reimbursement to the City and the CRA of \$6,600 are included as TIF eligible expense. The total of eligible expenses for this project is \$850,600.

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 \$272,788 from the proceeds of the TIF Indebtedness issued by the Authority. 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, 2017 through December 2032.

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.

8. Time Frame for Development

Development of this project is anticipated to be completed between September 2015 and December of 2016. Excess valuation should be available for this project for 15 years beginning with the 2017 tax year.

9. Justification of Project

This is an historic building in downtown Grand Island that will be preserved with this project. This project will provide more base employment within the downtown. Additional downtown employees will support additional housing and retail services in the downtown area.

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 Grand Island Mall Redevelopment Project, including:

Project Sources and Uses. Approximately \$273,000 in public funds from tax increment financing provided by the Grand Island Community Redevelopment Authority will be required to complete the project. This investment by the Authority will leverage \$886,000 in private sector financing; a private investment of \$3.25 for every TIF dollar investment.¹

Use of Funds.			
Description	TIF Funds	Private Funds	Total
Site Acquisition		\$307,500	\$307,500
Site preparation			
Legal and Plan*		\$81,000	\$81,000
Building Costs			
Renovation	\$272,788	\$497,212	\$770,000
Personal Property			
Soft Costs			
TOTALS	\$272,788	\$885,712	\$1,158,500

Tax Revenue. The property to be redeveloped is anticipated to have a January 1, 2016, valuation of approximately \$310,720. Based on the 2013 levy this would result in a real property tax of approximately \$6,840. It is anticipated that the assessed value will increase by \$826,121 upon full completion, as a result of the site redevelopment. This development will result in an estimated tax increase of over \$18,186 annually. The tax

¹ This does not include any investment in personal property at this time.

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 2016 assessed value:	\$ 310,720
Estimated value after completion	\$ 1,136,841
Increment value	\$ 826,121
Annual TIF generated (estimated)	\$ 18,186
TIF bond issue	\$ 272,788

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

The redevelopment project area currently has an estimated valuation of \$310,720. The proposed redevelopment will create additional valuation of \$826,121. 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;

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. 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 and a second exit actually 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;

The proposed project will have no impact on other firms locating or expanding in the area.

(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. The Grand Island labor market is tight but this will create additional full time jobs in the regions. This will allow a local company to expand in our community.

(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 will increase the number of available positions within the city and strength and expand a locally owned company. This will also result in a larger employee base located in the Grand Island Downtown.

Time Frame for Development

Development of this project is anticipated to be completed during between August of 2015 and December 31 of 2016. The base tax year should be calculated on the value of the property as of January 1, 2016. Excess valuation should be available for this project for 15 years beginning in 2017 with taxes due in 2018. 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 \$272,788 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 \$770,000 on TIF eligible activities. 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.