



# **City of Grand Island**

**Tuesday, January 26, 2010**

**Council Session**

## **Item E4**

**Public Hearing on Redevelopment Plan for Real Estate Located at  
the Southeast Corner of 4th Street and Cedar Street**

**Staff Contact: Chad Nabity**

# **Council Agenda Memo**

**From:** Chad Nabity, AICP

**Meeting:** January 26, 2010

**Subject:** Amendment to Redevelopment Plan for CRA Area #1

**Item #'s:** E-4 & G-8

**Presenter(s):** Chad Nabity, AICP CRA Director

## **Background**

Redevelopment plan amendment for property located in Blight and Substandard Area #1 at the southeast corner of 4<sup>th</sup> and Cedar Streets in Grand Island Nebraska and other properties as necessary to support this development.

Pharmacy Properties LLC is proposing to a U-Save Pharmacy at the corner of 4<sup>th</sup> and Cedar. The developer is seeking Tax Increment Financing to offset the cost of acquisition of the property and site preparation. The property is vacant and has been since 1956.

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 commercial 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 the City of Grand Island. This is evidenced by the fact that the property is zoned B2 General Business Zone. Retail pharmacies are allowed in this district.

## **Discussion**

At the regular meeting of the Regional Planning Commission, held January 6, 2010, the above item was considered following a public hearing. A motion was made by Aguilar and seconded by Haskins, to recommend the approval of the Redevelopment Plan for 423 W 4<sup>th</sup> St. as presented. A roll call vote was taken and the motion passed with 7 members present all voting in favor (Aguilar, O'Neill, Ruge, Hayes, Reynolds, Haskins and Connelly).

Council is being asked to approve a resolution approving the cost benefit analysis as presented along with the amended redevelopment plan for CRA Area #1 and authorizes the CRA to execute a contract for TIF based on the plan amendment.

### **Alternatives**

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

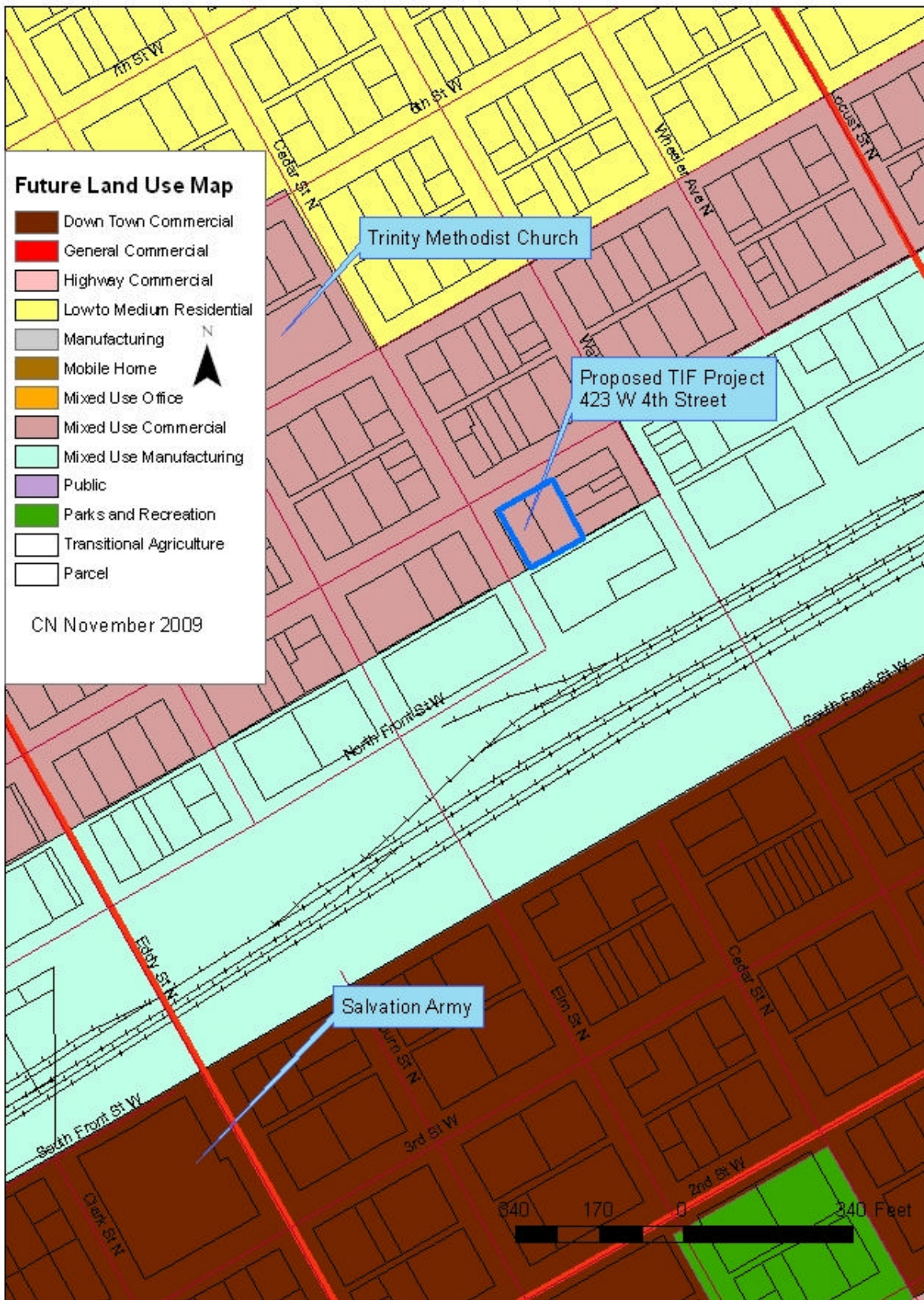
1. Move to approve the resolution
2. Refer the issue to a Committee
3. Postpone the issue to future date
4. Take no action on the issue

### **Recommendation**

The CRA and Hall County Regional Planning Commission recommend that the Council approve the Resolution necessary for the adoption and implementation of this plan.

### **Sample Motion**

Move to continue approve the resolution as submitted.



## **Agenda Item #7**

### **PLANNING DIRECTOR RECOMMENDATION TO REGIONAL PLANNING COMMISSION:**

December 4, 2009

#### **SUBJECT:**

*Redevelopment plan amendment for property located in Blight and Substandard Area #1 at the southeast corner of 4<sup>th</sup> and Cedar Streets in Grand Island Nebraska and other properties as necessary to support this development. (C-07-2010G)*

#### **PROPOSAL:**

Pharmacy Properties LLC is proposing to a U-Save Pharmacy at the corner of 4<sup>th</sup> and Cedar. The developer is seeking Tax Increment Financing to offset the cost of acquisition of the property and site preparation. The property is vacant and has been since 1956.

#### **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 commercial 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 the City of Grand Island. This is evidenced by the fact that the property is zoned B2 General Business Zone. Retail pharmacies are allowed in this district.

The Regional Planning Commission recommendation is limited to the appropriateness of the proposed use at this location. The Grand Island Comprehensive Plan and Zoning Map both call for residential uses 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 residential units at this location **is** 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  
November 2009**

**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 ACQUISITION OF PROPERTY AT 4<sup>TH</sup> AND CEDAR STREETS BY THE DEVELOPER AND SUBSEQUENT SITE CLEAN UP AND EARTHWORK, UTILITY, LANDSCAPING AND PARKING IMPROVEMENTS NECESSARY FOR THE CONSTRUCTION AND OPERATION OF A RETAIL PHARMACY AT THIS LOCATION.

This property has sat vacant for more than 30 years. The use of Tax Increment Financing to aid in the acquisition and clean up of the property makes it feasible for the proposed development.

The acquisition and site work will be paid for by the developer. The developer is responsible for and has provided evidence that they can secure adequate debt financing to cover the costs associated with the acquisition and site work. The Grand Island Community Redevelopment Authority (CRA) intends to pledge the ad valorem taxes generated over the 15 year period beginning January 1, 2011 towards the allowable costs and associated financing for the acquisition and site work.

**TAX INCREMENT FINANCING TO PAY FOR THE ACQUISITION OF THE PROPERTY AND RELATED SITE WORK WILL COME FROM THE FOLLOWING REAL PROPERTY:**

**Property Description (the “Redevelopment Project Area”)**

This property is located at the southeast corner of 4<sup>th</sup> Street and Cedar Street in northeast Grand Island including:

- Lots 3 and 4 of Block 39 of Grand Island Original Town

**The tax increment will be captured for the tax years the payments for which become delinquent in years 2012 through 2025, 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 the retail pharmacy to be constructed on the property to be acquired.**

**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, 2011.

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 acquire the necessary property and provide the necessary site work for the construction of a permitted use on this property.

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.

### **b. Demolition and Removal of Structures:**

The project to be implemented with this plan does not intend that any structures be removed or demolished. This amendment does not prohibit demolition elsewhere in the Redevelopment Project Area.

### **c. Future Land Use Plan**

See the attached map from the 2004 Grand Island Comprehensive Plan. The site is planned for mixed use commercial development. [§18-2103(b) and §18-2111] The attached map also is an accurate site plan of the area after redevelopment. [§18-2111(5)]

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

The area is zoned B2- General Business zone. Commercial development is anticipated based on 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 proposing to a retail pharmacy at this site. The total square footage of the building will be 3,150 square feet. The property is zoned B2 General Business and could accommodate a building of up to 100% of the property or 17,424 square feet. [§18-2103(b) and §18-2111]

**Changes to zoning, street layouts and grades or building codes or ordinances**

The proposed use is permitted in the current zoning district. No changes are anticipated in street layouts or grades. No changes are anticipated in building codes or ordinances.

**f. Additional Public Facilities or Utilities**

Sewer and water are available to support this development. New water and sewer services will be required for this building. No new mains will be required.

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 amendment does not provide for acquisition of any residences and therefore, no relocation is contemplated. [§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]

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 has provided a copy of the purchase agreement for the property with a purchase price of \$96,000. Costs for preparation for development are estimated at \$77,000.

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. That portion of the borrowed funds that can be attributed to eligible expenditures including: acquisition of the property; and subsequent site clean up and earthwork, utility, landscaping and parking improvements as necessary; and architecture, engineering and legal fees; and interest associated with the debt issued to cover these expenditures. . These funds 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, 2011 through December 2025.

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, in that it will allow for the utilization of undeveloped commercial lots. The only conceivable impact as a result of the proposed project is the creation of additional retail space in a commercial district. This will impact traffic on 4<sup>th</sup> Street. New commercial development will raise property values and provide a stimulus to keep surrounding properties properly maintained. 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 during the 2010 and 2011 calendar years. The base tax year should be calculated on the value of the property as of January 1, 2010. Excess valuation should be available for this project for 15 years beginning with the 2011 tax year.

#### 9. Justification of Project

This property has been vacant for more than 30 years. This is infill development in an area with all city services available. Pharmacy Properties LLC is proposing to build a retail pharmacy in this area. Very little new construction has occurred within the 4<sup>th</sup> street business district in the last 30 years. This project does not propose to tear down any buildings with historic value but rather seeks to use vacant property for new construction.

**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.

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

The redevelopment project area currently has an estimated valuation of \$39,495. After acquisition of the property and subsequent improvements a retail pharmacy will be built at this location. This will result in a \$387,000 commercial building being placed on the tax rolls. The proposed investment is substantially higher than the taxable value of the building. 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.

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

The proposed facility will provide job for pharmacists and associated retail personnel.

**(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**

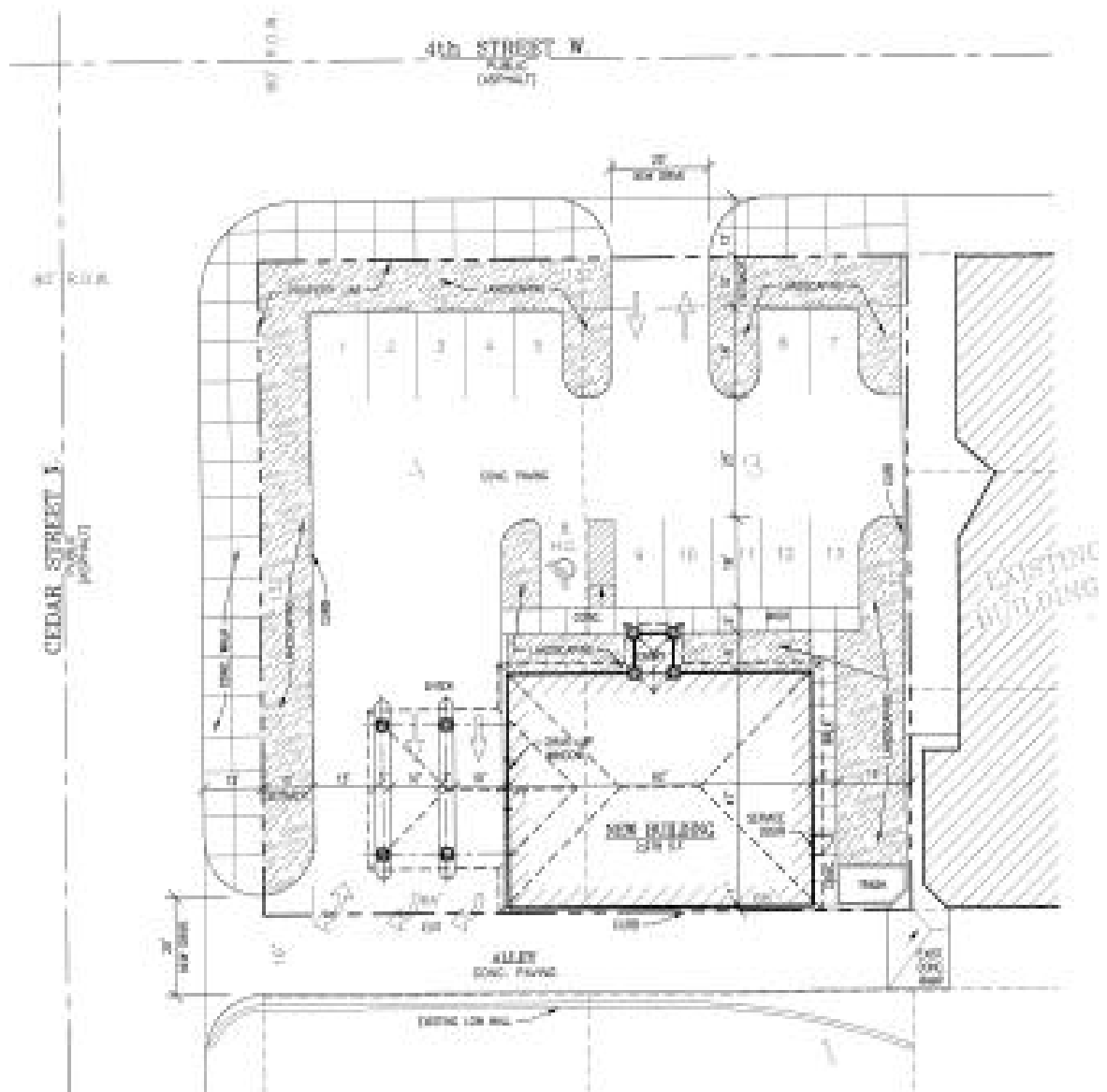
This facility could draw employees from other similar facilities within the City.

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

This proposed development represents some of the first new construction along this stretch of 4<sup>th</sup> Street in many years. Many of the existing buildings have been rehabilitated and reused but there has been little to no new construction.

### **Time Frame for Development**

Development of this project is anticipated to be mostly complete during the 2010 calendar year. The base tax year should be calculated on the value of the property as of January 1, 2010. Excess valuation should be available for this project for 15 years beginning in 2012. Excess valuation will be paid to the developer's lender per the contract between the CRA and the developer for a period not to exceed 15 years or \$111,000. Based on the purchase price of the property and estimates of the expenses of eligible activities the developer will spend \$177,000 on TIF eligible activities.



Proposed Site Plan for Development at 423 W 4<sup>th</sup> Street in Grand Island, NE



## BACKGROUND INFORMATION RELATIVE TO TAX INCREMENT FINANCING REQUEST

### Project Redeveloper Information

Business Name:

PHARMACY PROPERTIES LLC

Address:

2105 S LOCUST ST GRAND ISLAND NE 68801

Telephone No.: 308 398 1964 Fax No.:

308 384 1361

Contact:

MIKE HAMIK

SHELBY THIESZEN

Brief Description of Applicant's

Business: COMMERCIAL PROPERTY DEVELOPMENT

AND LEASING

Present Ownership Proposed Project Site: 4<sup>th</sup> & CEDAR GRAND ISLAND NE  
SOUTH EAST CORNER LOT OF INTERSECTION

Proposed Project: Building square footage, size of property, description of  
buildings – materials, etc. Please attach site plan, if  
available.

45 x 70 = 3150 ft<sup>2</sup> BUILDING  
132 x 132 = 17424 ft<sup>2</sup> PROPERTY  
WOOD FRAME BRICK EXTERIOR CONCRETE  
FLOOR

If Property is to be Subdivided, Show Division Planned:

VI. Estimated Project Costs:

Acquisition Costs:

A. Land

\$ 96,000

B. Building

\$ 0

Construction Costs:

A. Renovation or Building Costs:

\$ 700,000

B. On-Site Improvements:

\$ 100,000

Soft Costs:

A. Architectural & Engineering Fees:

22,000  
\$ ~~12,000~~

B. Financing Fees:

\$ 568,000

C. Legal/Developer/Audit Fees:

\$ 5,000

D. Contingency Reserves:

\$

E. Other (Please Specify)

\$

TOTAL

\$ ~~923,000~~  
149,000

Total Estimated Market Value at Completion:

\$ 950,000

Source of Financing:

A. Developer Equity:

207,845  
\$ ~~500,000~~

B. Commercial Bank Loan:

\$ ~~900,000~~  
1,000,000

Tax Credits:

1. N.I.F.A.

\$

2. Historic Tax Credits

\$

D. Industrial Revenue Bonds:

\$



E. Tax Increment Assistance:

\$ 283,155

F. Other

\$

Name, Address, Phone & Fax Numbers of Architect, Engineer and General Contractor:

~~ROBERT W. ENGEL 2110 S 156th Circle Omaha NE 68130~~  
~~402-330-8287~~

J L PARTINGTON CONSTRUCTION 2014 STAGE COACH RD  
308-384-7089 GRAND ISLAND NE 68801

RICHARD E. WILLIS & ASSOC 2716 W OLD HIGHWAY 30 #B  
PO BOX 1705 GRAND ISLAND NE 68801  
308-384-1810

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

(Please Show Calculations)

950,000 x 2.07% = 19,665.00

Project Construction Schedule:

Construction Start Date:

MARCH 2010

Construction Completion Date:

SEPTEMBER 2010

If Phased Project:

\_\_\_\_\_ Year \_\_\_\_\_ %

Complete

\_\_\_\_\_ Year \_\_\_\_\_ %

Complete

XII. Please Attach Construction Pro Forma

XIII. Please Attach Annual Income & Expense Pro Forma

(With Appropriate Schedules)

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**TAX INCREMENT FINANCING REQUEST INFORMATION**

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

AMOUNT OF INCREMENTAL PROSPECTIVE ANNUAL REAL  
ESTATE TAXES OVER 2008 TAXES ON THE PROPERTY  
FOR 15 YEARS WILL BE USED TO FINANCE FUNDS  
TO DEVELOP THE PROPERTY

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Statement Identifying Financial Gap and Necessity for use of Tax Increment Financing

for Proposed Project: TIF IS AN ESSENTIAL COMPONENT  
IN THE OVERALL FINANCING OF THE PROJECT  
IN ORDER TO CREATE AND SUSTAIN A COMPETITIVE  
AND NECESSARY BUSINESS FOR THIS NEIGHBORHOOD.

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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:

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IV. Please Attach Applicant's Corporate/Business Annual Financial Statements for the Last Three Years.

Post Office Box 1968  
Grand Island, Nebraska 68802-1968  
Phone: 308 385-5240  
Fax: 308 385-5423  
Email: [cnabity@grand-island.com](mailto:cnabity@grand-island.com)

**U SAVE PHARMACY \*\*PROPOSED\*\*  
Income Statement**

**Current Year - Standard  
First 12 months of operation**

	Amount	% Sales
<b>SALES</b>		
Rx	2,000,000.00	96.23%
OTC	65,000.00	3.13%
Hallmark/Gifts	11,700.00	0.56%
Food	1,500.00	0.07%
<b>Total SALES</b>	2,078,200.00	99.99%
<b>OTHER INCOME</b>		
Interest	0.00	0.00%
Miscellaneous income	125.00	0.01%
<b>Total OTHER INCOME</b>	125.00	0.01%
<b>Total Sales</b>	2,078,325.00	100.00%
<b>COST OF SALES</b>		
Rx	1,900,000.00	91.42%
OTC	45,000.00	2.17%
Gifts	14,000.00	0.67%
Food	1,000.00	0.05%
Rebates	-81,600.00	-3.93%
Beginning inventory - Rx	0.00	0.00%
Beginning inventory - OTC	0.00	0.00%
Beginning inventory - Gifts	0.00	0.00%
Beginning inventory - food	0.00	0.00%
Ending inventory - Rx	-225,000.00	-10.83%
Ending inventory - OTC	-15,000.00	-0.72%
Ending inventory - Gifts	-7,300.00	-0.35%
Ending inventory - Food	-700.00	-0.03%
<b>Total COST OF SALES</b>	1,630,400.00	78.45%
<b>Gross Profit</b>	447,925.00	21.55%
<b>OPERATING EXPENSES</b>		
Manager wages	120,000.00	5.77%
Labor	110,000.00	5.29%
Contract labor	1,000.00	0.05%
Bank card charges	5,500.00	0.26%
Office supplies	9,000.00	0.43%
Vehicle	1,000.00	0.05%
Supplies	7,500.00	0.36%
Repairs	3,500.00	0.17%
Utilities	5,000.00	0.24%
Telephone	5,000.00	0.24%
Advertising	10,000.00	0.48%
Postage/Freight	2,000.00	0.10%
Coupons	750.00	0.04%
Rent	72,000.00	3.46%
Other rent	800.00	0.04%
Payroll taxes	20,000.00	0.96%
Other taxes	20,000.00	0.96%
Insurance	15,500.00	0.75%
Interest	20,000.00	0.96%
401-K match	5,000.00	0.24%
Professional fees	2,000.00	0.10%
Fees, dues, subscriptions	7,500.00	0.36%
Bad debts	500.00	0.02%
Bank charges	150.00	0.01%
Donations	1,000.00	0.05%
Computer expense	18,000.00	0.87%
<b>Total OPERATING EXPENSES</b>	462,700.00	22.26%
<b>Operating Profit</b>	-14,775.00	-0.71%
<b>OTHER INCOME/EXPENSE</b>		
Cash long/short	0.00	0.00%
<b>Total OTHER INCOME/EXPENSE</b>	0.00	0.00%
<b>Net Profit</b>	-14,775.00	-0.71%



P.O. Box 1507 • Grand Island, NE 68802 • (308) 384-5350

October 8, 2009

Michael Hamik  
Pharmacy Properties

Dear Mike:

Five Points Bank agrees to provide financing for your company for an amount of \$1,000,000. The interest rate would be 6.5% initially for five years. The rate would then be a five year variable rate with a 5% floor and 8% ceiling with a fifteen year amortization and term. This loan approval is contingent upon receiving clear title, adequate appraised value, and your company receiving TIF approval from the City of Grand Island.

Please contact me if you have questions regarding this information.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward M. O'Boyle".

Edward M. O'Boyle  
Executive Vice President

EMO:jljg