



# **City of Grand Island**

**Tuesday, June 26, 2012**

**Council Session**

## **Item H3**

**Consideration of Referring Blight and Substandard Study for Proposed Redevelopment Area #11 to the Regional Planning Commission (Veterans Hospital Property South of Capital Avenue and East of Broadwell Avenue)**

**Staff Contact: Chad Nabity**

# **Council Agenda Memo**

**From:** Chad Nabity, AICP

**Meeting:** June 26, 2012

**Subject:** Proposed Blighted and Substandard Area #11

**Item #'s:** H-3

**Presenter(s):** Chad Nabity, Director Grand Island CRA

## **Background**

Enclosed you will find a copy of a Substandard and Blight Study as prepared for the Pridon LLC by RDG Planning and Design. This study is for approximately 27 acres of property in north central Grand Island encompassing the Veterans Hospital Campus south of Capital Avenue between Broadwell and Wheeler. The study as prepared and submitted indicates that this property could be considered substandard and blighted. The full study is attached for your review and consideration.

Pridon LLC has submitted this study for the review and consideration of the Grand Island City Council as permitted by Nebraska law. The decision on whether to declare an area substandard and blighted is entirely within the jurisdiction of the City Council with a recommendation from the Planning Commission.

The question before Council will be whether to send the Study to the Planning Commission for their review and feedback. If the item is not sent to the Planning Commission the Council cannot declare the area substandard and blighted. Planning Commission will meet on July 11<sup>th</sup> and would have a recommendation ready for last Council meeting in July.

Once an area has been declared substandard and blighted the CRA can accept redevelopment proposals for the area that might or might not include an application for Tax Increment Financing. Pridon has been awarded a contract by the Veterans Administration to build transitional veteran's housing on this site. They plan to build 58 units of housing on the north end of the property if they can make the finances work. These apartments will be owned by Pridon and subject to property taxes so would be eligible for Tax Increment Financing if the property were declared blighted and substandard.

The VA Hospital is immediately adjacent to CRA Area #6 and was specifically excluded from that study as the CRA did not think that improvements on the VA property would be eligible for Tax Increment Financing. It appears that if the area is declared blighted and substandard that taxes would be paid on the improvements and TIF would be available.

## **Discussion**

The action item tonight relate to the Study for proposed CRA Area No. 11 in north central Grand Island encompassing the Veterans Hospital Campus south of Capital Avenue between Broadwell and Wheeler as shown below. The study was prepared for 27 acres, of all of which are in the Grand Island City Limits



Jason Eley, Assistant City Attorney has reviewed the Nebraska Statutes and case law pertaining to the declaration of property as blighted and substandard. His comments on this application are as follows:

The statutory procedures for accomplishing blight relief include the following steps: (1) the identification of a community redevelopment area consisting of portions of a city declared to be substandard or blighted in accordance with statutory definitions and in need of redevelopment, (2) the formulation of a redevelopment plan for such area or a redevelopment project within such area, and (3) the implementation of the redevelopment plan through various means including acquisition, sale, leasing, and contracting for redevelopment. Nebraska Revised State Statutes (NRSS) 18-2103, 18-2107, and 18-2109.

Under this statutory scheme, the governing body shall afford maximum opportunity consistent with the sound needs of the city as a whole to the rehabilitation or redevelopment of the community redevelopment area by private enterprise. A private development project would be eligible for tax increment financing only if it is included within an area which has previously been declared blighted or substandard and is in furtherance of an existing redevelopment plan for that area. The declaration of property as blighted or substandard is not simply a formality which must be met in order to assist a private developer with tax increment financing; it is the recognition of a specific public purpose which justifies the expenditure of public funds for redevelopment. See *Monarch Chemical Works, Inc. v. City of Omaha*, 203 Neb. 33, 277 N.W.2d 423 (1979), *Fitzke v. Hastings*, 255 NEB 46 (1998)

At this point, Council is only considering point 1 of Mr. Eley's opinion. According to NRSS §18-2109, it is clear that the Planning Commission must have the opportunity to review the Blight Study prior to Council declaring the property substandard and blighted. If Council wishes to consider a declaration of substandard and blight State Statute require that the question of whether an area is substandard and blighted is submitted to the Planning Commission for its review and recommendation.

The Planning Commission recommendation should be done at the first available opportunity, as the Planning Commission has 30 days to respond to Council's request for a recommendation.

### **Blighted Area of the Community**

The city of Grand Island, as a City of the First Class, is permitted to designate an area of up to 35% of the municipal limits as blighted and substandard. As of today, June 7, 2012, 16.91% of the City has been declared blighted and substandard. This microblight area (Area 10) would add another 0.04%. The Veteran's Hospital Area (Area 11) would add

0.15%. If both Areas 10 and 11 were to be declared substandard and blighted by the Council 17.11% of the community would bear that designation.

It does not appear that the declaration of both Area 10 and Area 11 would significantly impact the City's ability to declare other areas substandard and blighted.

### **Alternatives**

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

1. Move to forward the Study to the Planning Commission for their recommendation.
2. Move to not forward the Study to the Planning Commission for their recommendation
3. Refer the issue to a Committee
4. Postpone the issue to future date
5. Take no action on the issue

### **Recommendation**

City Administration recommends that the Council Move to forward the Study to the Planning Commission.

### **Sample Motion**

Move to forward the Study to the Planning Commission for their review and recommendation.

**BLIGHT AREA DESIGNATION**

**For the Veterans Affairs CBOC site in Grand Island**

**City of Grand Island, Nebraska**

**Prepared by  
RDG Planning & Design  
Omaha, Nebraska**

**June, 2012**

This study considers the presence of blighted or substandard conditions in the study area located in the City of Grand Island, pursuant to the requirements of Section 18-2103 of the Nebraska Revised Statutes.

#### GEOGRAPHY OF THE SITE

Beginning at the southeasterly corner of the intersection of Capital Avenue and Broadwell Avenues, thence, in an easterly direction, following the southerly line of Capital Avenue, a distance of 434.5 feet, more or less, to the southwesterly corner of the intersection of Capital Avenue and Wheeler Avenue; thence, in a southeasterly direction, following the southwesterly line of Wheeler Avenue, a distance of 965.76 feet to a point; thence, West, a distance of 124.0 feet to a point; thence, South a distance of 268.0 feet to a point; thence, in a southeasterly direction following the southwesterly line of Wheeler Avenue, a distance of 377.0 feet to a point; thence, in a northerly direction, following the westerly line of Broadwell avenue, a distance of 1460 feet, more or less, to the point of beginning, containing approximately 27 acres.

All in the City of Grand Island, County of Hall, State of Nebraska.

Figure 1 depicts the location of the site and supersedes the above description.

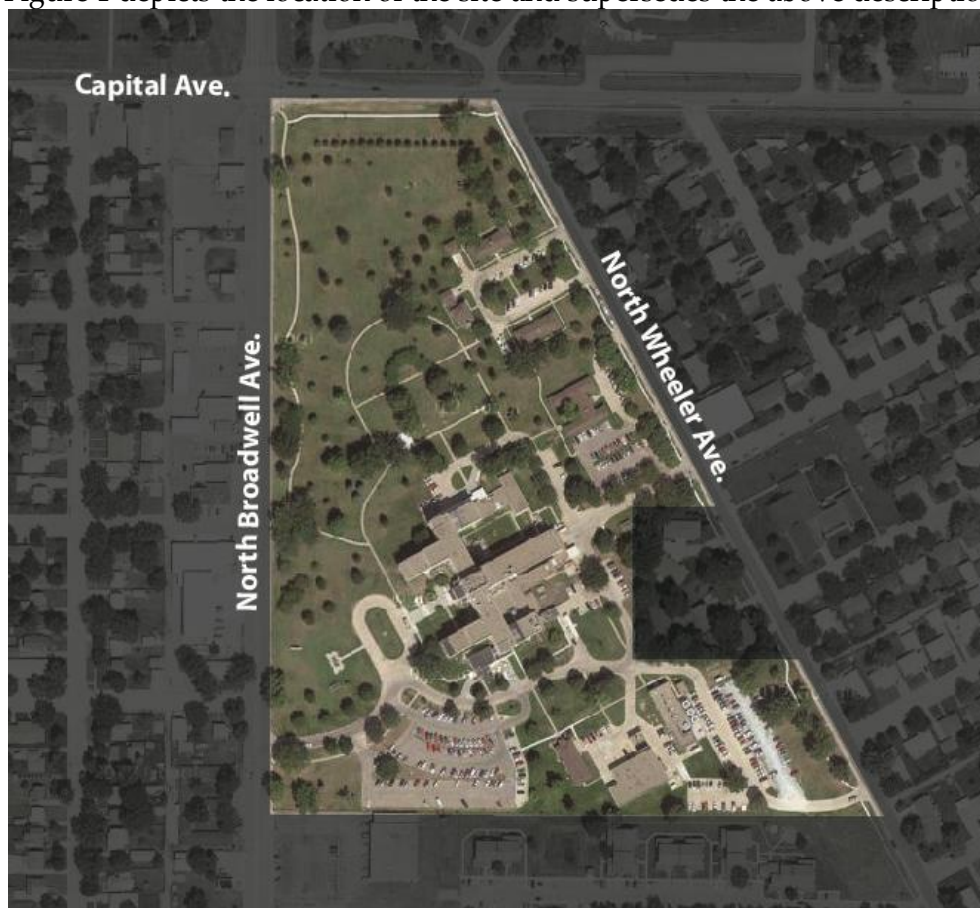


Figure 1: Study area for Veterans Affairs CBOC Site Blight Study.

## DESIGNATION OF BLIGHT

In order to qualify as a blighted and substandard area in accordance with the requirements of Section 18-2103, a parcel or district must comply with certain objective and subjective evaluative criteria, set forth by state statute.

### Objective Criteria

In order to qualify as “blighted,” a site must meet at least one of five objective, or numerical, criteria. These criteria include:

1. *Unemployment.* The qualifying criterion is an unemployment rate in the designated area that is at least 120% of the state or national average. 2000 Census block group data is the most recent decennial census data available to determine the site’s performance with respect to unemployment.

More recent data is provided by the ongoing American Community Survey (ACS), which generates community data from smaller, more frequent samples on an array of topics. Along with 2000 Census data, 2006-2010 “5-year estimates” from the ACS were used to determine whether the site met this criterion.

2. *Average age of residential or commercial units in the area.* The qualifying criterion is that structures in the proposed blighted area have an average age of at least 40 years.
3. *Per capita income.* The qualifying criterion is a per capita income figure for the area that is lower than the average per capita income of the municipality in which the area is located. Block group data from the 2010 Census is the most recent census data utilized to assess this condition. Five-year estimates, (2006-2010) from the ACS also assisted in accurately assessing this criteria.
4. *Population.* The qualifying criterion is that the area has had either a stable or decreasing population based on the last two decennial censuses. Census block group level data from 2000 and 2010 were examined to determine the presence of this condition.
5. *Unimproved land.* This criterion applies to blight designation of predominately vacant areas. Such an area qualifies as “blighted” if more than half of the plotted and subdivided property in the area has been within the city for 40 years and has remained unimproved during that time.



**Subjective Criteria**

In addition to meeting at least one of the objective requirements described above, a potentially blighted area must exhibit the presence of at least one of several subjective criteria. These subjective evaluative criteria include:

1. *Presence of a substantial number of deteriorated or deteriorating structures.*
2. *The existence of defective or inadequate street layout.*
3. *Faulty lot layout in relation to size, adequacy, accessibility, or usefulness.*
4. *Insanitary or unsafe conditions.*
5. *Deterioration of site or other improvements.*
6. *Diversity of ownership.*
7. *Tax or special delinquency exceeding the fair value of the land.*
8. *Defective or unusual conditions of title.*
9. *Improper subdivision or obsolete platting.*
10. *The existence of conditions which endanger life or property by fire and other causes.*
11. *Any combination of such factors that substantially impairs or arrests the sound growth of the community, retards the provision of housing accommodations, or constitutes economic or social liability and is detrimental to the public health, safety, morals, or welfare in its present conditions and use.*

**Documentation of Qualifying Conditions, Objective Criteria**

The data used to evaluate the redevelopment site's blight status is primarily derived from the U.S. Bureau of the Census. To expedite the Census data collection process and provide more fine-grained information, the Census Bureau divides counties and places into several enumeration levels. These include tracts, which are subdivided into block groups and finally into individual blocks. Because the study area includes portions of a block group, examining data at the block level would provide the most accurate evaluation. However, in order to preserve the privacy of individuals, the Census Bureau does not report all types of data at the block level.

Additionally, some data from the 2010 Census is not yet available at the block group level. Some tract data is also not provided by the 2010 Census, such as "per-capita income" because the blight study area is unable to meet the population threshold for data accuracy. Five-year

estimates, (2006-2010) from the American Community Survey are used as a result, providing the most accurate picture in assessing blight designation. Therefore, the population evaluation utilizes 2010 Census block data, while the other objective criteria are evaluated using a combination of 2010, and 2000 Census data, along with 5-year estimates from the American Community Survey.

Analysis of US Census and American Community Survey data indicates that the Veterans Affairs CBOC site meets the statutory requirements for the first level of evaluation for the presence of blighting condition, as required by Section 18-2103 (11). Table 1 illustrates the study area's performance with respect to each of the objective criteria. The area currently meets Objective Criteria 2, 3, and 4, and does not meet Criteria 1 and 5.

<b>Table 1: Objective Criteria for Blight Determination</b>	
1. Unemployment	No
2. Age of Units	Yes
3. Per Capita Income	Yes
4. Population	Yes
5. Unimproved Land	No

*1. Unemployment.* The study area does not meet this criterion. Unemployment data for the 2010 census is not yet available at the block group, or county level. American Community Survey 5-year estimates, (2006-2010) reflect a 4.9% unemployment rate for the study area and 5.1% for Nebraska.

*2. Age of Units.* The redevelopment site meets the criterion concerning the average age of residential structures.

Census 2000 data indicates that of the 284 structures in the Block Group, 197 of them were built before 1970. This data also indicated that no structures had been built in the Block Group since 1990, indicating that the area is fully built out. This means that in 2010, 69.4% of the structures would be over 40 years old, satisfying the 'age of units' criterion.

At the time of this writing, only the count of structures was available for the 2010 Census, indicating 281 structures within the block group. Even assuming that the 3 "lost" structures represented the three oldest within the block group, the area still more than meets the requirement for this criterion.

<b>Table 2: Age of Structures in Block Group 1, Tract 3, Hall County, NE</b>	
Total Structures	281
Built Prior to 1970	194
Percent Built Prior to 1970	69.0%

*Source: U.S. Census Bureau, 2000, 2010*

3. *Per Capita Income.* The project area meets the criterion regarding relative per capita income within the study area.

The average 2010 per capita income in the Census tract containing the study area was \$16,764. This is significantly lower than that of Grand Island as a whole, which was \$21,220. These figures are from the 2006-2010 5-year estimates generated by the American Community Survey, which provide the most current data for the study area.

4. *Population.* Based on a comparison of 2000 and 2010 block group data, the census block group which includes the study area experienced a population decrease from 849 in 2000, to 755 in 2010. This represents an 11% decline in population, satisfying this objective criteria.

5. *Unimproved Land.* Although a significant portion of the land within the study area remains unbuilt, it has significant site improvements including grading, landscaping, and an automatic sprinkler system. The site does not meet the unimproved land criterion.

### Documentation of Qualifying Conditions, Subjective Criteria

Because the area meets at least one of the objective criteria, it was further examined for the presence of subjective qualifying criteria. Analysis of these criteria indicates that the study area meets at least one criterion, which is the statutory requirements for the presence of blighting condition, as required by Section 18-2103 (11). Table 3 presents the performance of the study area relative to the subjective criteria.

Table 3: Subjective Criteria for Blight Determination	
1. Presence of a substantial number of deteriorated or deteriorating structures	No
2. The existence of defective or inadequate street layout	No
3. Faulty lot layout in relation to size, adequacy, accessibility, or usefulness	Yes
4. Insanitary or unsafe conditions	Yes
5. Deterioration of site or other improvements	Yes
6. Diversity of ownership	No
7. Tax or special delinquency exceeding the fair value of the land	No
8. Defective or unusual conditions of title	Unknown
9. Improper subdivision or obsolete platting	Unknown
10. The existence of conditions which endanger life or property by fire and other causes	Yes
11. Any combination of such factors that substantially impairs or arrests the sound growth of the community, retards the provision of housing accommodations, or constitutes economic or social liability and is detrimental to the public health, safety, morals, or welfare in its present conditions and use	Yes

The specific results of this analysis are as follows:

1. *A substantial number of deteriorated or deteriorating structures*

No. Based on visual observation all structures within the study area appear to be maintained in good condition. The age of the structures have resulted in some maintenance and safety issues in the past, including the collapse of a roof.

2. *The existence of defective or inadequate street layout*

No. The study area is bounded on three sides by well-maintained city streets of various sizes and traffic capacities.

3. *Faulty lot layout in relation to size adequacy, accessibility, or usefulness*

Yes. While the few lots within the study area are adequate for potential development, they may need further subdivision to accommodate a wider range of development options.

4. *Insanitary or unsafe conditions*

Yes. Some of the areas along the southeastern boundaries of the site are being used for unsecured and unscreened storage of material and equipment. Standing water in areas of site creates habitat opportunity for nuisance animals and disease carrying insects.



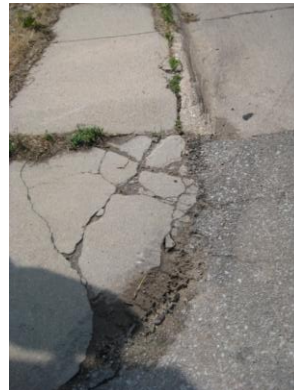
Figures 2, 3: Unscreened storage of equipment and materials and standing water on site.

5. *Deterioration of site or other improvements*

Yes. Relatively recent drainage improvements appear to be defective in their purpose. Also, parking surfaces and curbs in the southern area of the site appear be degrading.



Figures 4, 5: Evidence of failing drainage improvements in the southeastern area of the study area.



Figures 6, 7: Degrading conditions in parking surfaces and curbs

6. *Diversity of ownership*

No. The study area is held under the single ownership of the United States Government.

7. *Tax or special delinquency exceeding the fair value of the land*

No. The entirety of the study area is held by the federal government and is exempt from local and state taxation.

8. *Defective or unusual conditions of title*

Unknown. Evaluation of this criterion requires detailed title analysis of individual properties.

9. *Improper subdivision or obsolete platting*

Unknown. Evaluation of this criterion requires detailed title analysis of individual properties.

10. *The existence of conditions which endanger life or property by fire and other causes*

Yes. According to maps from the Federal Emergency Management Agency, the northwest corner and entire northern site boundary lay within the 500 year flood plain. This suggests an ongoing threat to property from water inundation and damage for structures not elevated out of the floodplain. This condition also creates drainage problems with standing water.

*11. Any combination of such factors that substantially impairs or arrests the sound growth of the community, retards the provision of housing accommodations, or constitutes an economic or social liability and is detrimental to the public health, safety, morals, or welfare in its present condition and use.*

Yes. Few structures within the study area pose environmental, economic, and potential sanitary threats in their present condition. However, environmentally, the combination of degraded areas and elements within the site, and the unscreened storage of vehicles, equipment and materials, create areas that serve to diminish the quality of the surrounding areas. Without redevelopment or rehabilitation, this site will likely continue to exert – at best – a net neutral effect on the vitality and development of Grand Island.

### **Conclusions**

This study substantiates the presence of at least one of the objective criteria and one of the subjective criteria for designation as a blighted area set forth by Section 18-2103 of Nebraska Revised Statutes. Thus, the designated area is hereby determined to be eligible for a declaration of blight, pursuant to the requirements of Section 18-2103 of Nebraska Revised Statutes.

City Council  
Grand Island, Nebraska  
100 East First Street  
Grand Island, NE 68802

20 June 2012

RE: Pridon Victory Village Update

Council Members,

In anticipation of your next council meeting we thought it might be useful for you to have updated information on the Pridon Victory Village Veterans Housing project. To follow is some overall project background and a short summary of our current project financing plan.

#### PROJECT BACKGROUND

Pridon has proposed a 58 unit residential community for homeless, senior and at-risk Veterans to be located on Department of Veterans Affairs (VA) property in Grand Island, Nebraska and will seek to fund the development through CRANE, HOME and TIF tax incentive programs. Pridon has collaborated with the Department of Veterans Affairs leadership and local planning officials to create a financially viable project that meets the needs of the local Veteran population and is respectful of neighbors, zoning requirements and local needs.

Pridon will develop a residential community for homeless, senior and at-risk Veterans that will consist of 43 (664 SF) one bedroom units, plus 9 (1017 SF) two-bedroom/two bath and 6 (1140sf) three-bedroom/two bath units. Our design concept is for 2 (two) separate 3-story buildings with functional separation between families, seniors and single Veterans. One building houses families and single female Veterans while the other is for single male Veterans. This arrangement is for the comfort and security of all residents.

The array of supportive services may differ among the targeted populations, but the development will fully support the Senior Veteran and At-Risk Veteran populations as requested by the VA.

#### PROJECT FINANCING

The financing plan for the project is largely dependent upon tax credit equity available through various sources. The tax credit equity will come from the proceeds of the sale of 9% Low Income Housing Tax Credits (LIHTC). The amount of such tax credit equity will depend



on the amount of tax credits awarded to Pridon as well as the price at which the credits can be sold to investors. The debt structure will also be determined by the tax credit amounts awarded. If debt is needed it will be FHA insured. Construction financing may be provided as part of the FHA insured loan or as negotiated with the LIHTC investors.

The financing plan is largely intact but will be further refined as we continue discussions and finalize our LIHTC applications with financing sought through:

- ▶ **CRANE Program** (Collaborative Resources Allocation for Nebraska) - through NIFA (Nebraska Investment Finance Authority)
- ▶ **HOME Program** – (Home Investment Partnerships Program)
- ▶ **TIF** – (Tax Increment Financing)

FINANCING – SOURCES SOUGHT				
	SOURCE	ANTICIPATED \$ AMOUNT	ANTICIPATED AWARD DATE	REMARKS
TAX INCENTIVES	CRANE Program	\$6.5 million	Jan 2013	Accepted into program Spring 2012
	HOME Program	\$1.0 million	Jan 2013	In process- works with CRANE Program
	TIF Program	\$1.5 million	Oct 2012	Process begins 26 June 2012
TOTAL		\$9.0 million		

Once tax credits are awarded, Pridon will offer these to tax credit syndicators experienced in placing such credits with investors. The firm we use for debt financing will depend on the type of debt and the policies of Nebraska regarding bankers that can be used by developers/borrowers.

Please let us know if we can provide any additional information to you related to TIF funding or this project.

Thank you for your support.

**Dane**

Dane Whitworth  
CEO  
Pridon