

City of Scottsbluff, Nebraska

Monday, December 5, 2016

Regular Meeting

Item Reports3

Council to review and approve the Tax Increment Financing document.

Staff Contact: Nathan Johnson, City Manager



Tax Increment Financing (TIF) Guidelines and Application

City of Scottsbluff, Nebraska

Revised November 2016

I. INTRODUCTION

The purpose of this guide is to describe the criteria for the use of Tax Increment Financing (TIF) and the procedures which will be used by the City of Scottsbluff City Council, Planning Commission, and Community Redevelopment Authority for evaluating proposals requesting TIF for projects within the City of Scottsbluff, Nebraska. The implementation of TIF is governed by Nebraska's Community Development Law, Sections 18-2101 – 18-2144. The following are guidelines only, TIF applications and plans are always subject to final approval by the City.

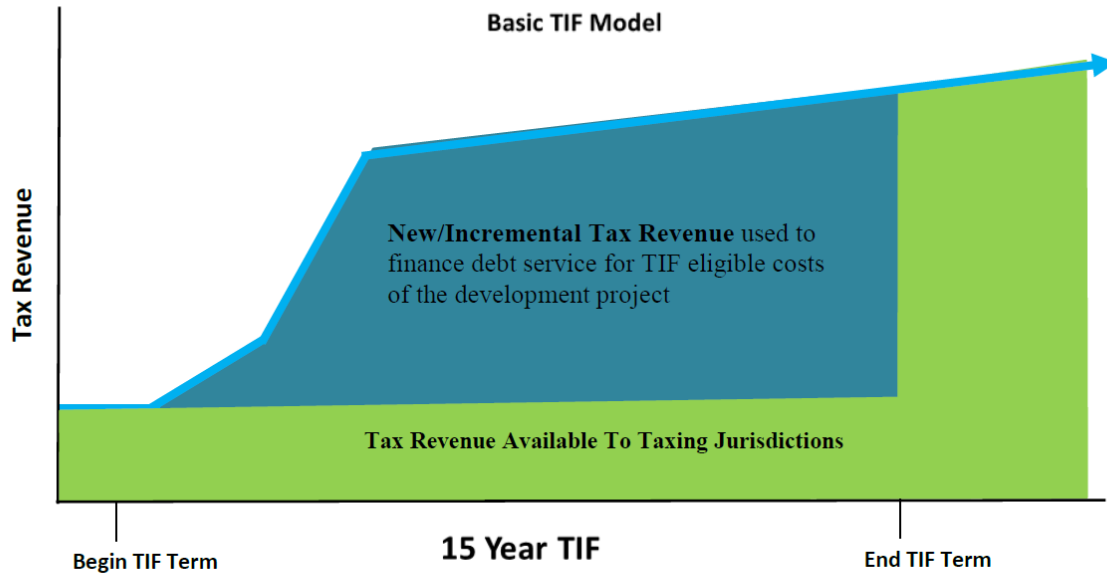
What is TIF?

One of the best tools the City has to incentivize the redevelopment of blighted and substandard properties is Tax Increment Financing (TIF). Properties located in blighted and substandard areas can be extremely expensive to demolish, rehabilitate and develop. TIF can make development or redevelopment of these sites financially feasible by providing funding for the acquisition of these sites, demolition of existing structures, and other eligible site improvements.

In 1980, the voters of the State of Nebraska approved a constitutional amendment permitting the use of TIF to help finance redevelopment projects. TIF funds generally allow for acquisition of property, site preparation, and construction of public improvements associated with projects. In 1984, State voters approved an additional constitutional amendment extending the use of TIF to help finance rehabilitation projects as well.

TIF in Nebraska is primarily designed to finance certain eligible costs (further explained below) associated with a private development project. Essentially, the property tax increases resulting from a development are targeted to repay the eligible costs required by a project. TIF provides a means of encouraging private investment in areas in need of redevelopment, especially in deteriorating areas, by allowing city governments to devote, for up to 15 years, increases in specific property tax revenue as a result of the redevelopment to repay the eligible costs. The chart below demonstrates the public and private benefits of TIF.

A True Public/Private Tool



NOTE: Typically there is a sharp increase in assessed valuation within the first few years, then a plateau or gradual increase in valuation.

TIF has emerged as one of the City of Scottsbluff’s most effective redevelopment and economic development tools, but it is important to remember that there are several restrictions to TIF. TIF can only be utilized in areas that the City has designated as “blighted and substandard.” State statute also requires that any project utilizing TIF must pass the “but-for” test, meaning that the project would not be economically feasible without the use of TIF. TIF is an extremely important tool for redevelopment, and when used correctly, is of great benefit to the City and private developers.

II. PROGRAM GOALS

The City’s Comprehensive Plan, adopted in 2016, developed a community vision based on the input of a large representation of the City’s residents. The following four development principles were identified to guide the implementation of this Community Vision. TIF projects that adhere to these principles will be of highest priority to the City. Please note that the principles listed below are an abbreviated version of the principles listed in the Comprehensive Plan. The Comprehensive Plan can be found on the City’s website (Scottsbluff.org) or can be obtained at City Hall and should be referred to for a more complete description of these principles.

Community Vision

Scottsbluff will be a place where current and future generations want to pursue their aspirations- a place of opportunity.

Interconnection of neighborhoods and amenities

The interconnection of neighborhoods and amenities means where residents live will be connected to the places and things they utilize. It also promotes safe and efficient movement of goods and people to and from other communities and around the City.

Sustainable development

Development should be responsive to the market and social needs of the region and City infrastructure and policies should accommodate development's swift responsiveness. City investments should be fiscally conservative and equitable throughout the City. Growth will not saddle future generations with long term environmental or economic burdens. Development and redevelopment will best respond to the needs of the community if the community is involved in shaping those plans. Included in this strategy are:

- Prioritization of infill development through incentives, residential home rehabilitation, and Brownfields redevelopment.
- Redevelopment in blighted areas that holistically address the economic, social, business, and physical health needs of the community.
- Build a strong community core through place making, mixes of uses, integration of motorized and non-motorized transportation options, and strategic investments for social and economic stability.

Access to culture and recreation

Recreational and entertainment amenities should be woven into the fabric of the community. These amenities include parks and outdoor spaces, playgrounds, sidewalks, walking trails, pools, entertainment venues, restaurants, and plazas. Integrating these amenities into the shared spaces in the community works to promote a community where people want to be and improve the wellness of the community.

Strong neighborhoods and places rooted in our unique character

Communities that make investments to improve quality of life and sense of place are the communities where people and businesses are moving. Scottsbluff will continue to bring energy, stability, and business to the community through place-based development. Enhancing the lived experiences and cultural experiences in the community strengthens the bond residents feel to remain in or return to the community. Scottsbluff also knows strong neighborhoods and housing options help build a strong workforce and healthy families. Together, strong neighborhoods and memorable places help residents grow roots in the community and attract others to live and invest here.

III. PROGRAM CRITERIA

Mandatory Criteria of the TIF Program

Applications for TIF assistance **must meet** the mandatory criteria in order for the project to be considered. The application must demonstrate how the project meets the required criteria.

A project **must meet each of the following** criteria:

1. The project must be located within an area that has been designated as blighted and substandard or within an area eligible for a designation as blighted and substandard as required and set forth by State Statute. See the City of Scottsbluff website (Scottsbluff.org). **(Community Development Law §18-2109)**
 - A.) If the proposed TIF project is not within an area designated as blighted and substandard, the applicant may submit a written request to the City of Scottsbluff requesting a study to determine whether the area meets the statutory definition. The City will then prepare a blighted and substandard study at the cost of the developer. An applicant may also submit to the City a blighted and substandard study for the City's review and use in determining whether an area qualifies as blighted and substandard.
 - B.) The qualification of an area as blighted and substandard does not automatically mean the City will designate the area as blighted and substandard. Making such a designation remains in the sole and absolute discretion of the City Council.
2. The use of TIF for the project will not result in a loss of pre-existing tax revenues to the City and other taxing jurisdictions and the costs and benefits of the project are in the long-term best interest of the community. **(Community Development Law §18-2113 and §18-2116)**
3. The applicant is able to demonstrate that the project would not be **economically feasible** and would not occur in the blighted and substandard area without the use of TIF. Return on investment assists in determining the economic feasibility of the project. **(Community Development Law §18-2113 and §18-2116)**
4. The project must further the objectives of the City's Comprehensive Plan. See Section II, Program Goals, for the main principles set forth by the City of Scottsbluff Comprehensive Plan. **(Community Development Law §18-2112 and §18-2116)**

Other Criteria and Considerations of the TIF Program

1. The applicant must secure financing or be able to show a financial ability to complete the project, including any public improvements, as required. The financial ability can be contingent on TIF being granted. However the applicant must understand that TIF typically only pays for a small portion of a project. The incremental tax allocations paid into Scotts Bluff County are forwarded to the owner/developer, or their assignees, as they are received by the County, to amortize the TIF loan. Except for the incremental tax allocations for the permitted term, the City assumes no responsibility for the repayment of any TIF loan.

2. The City assumes no responsibility for selling or purchasing any TIF loan or bond.
3. All TIF projects must comply with City codes and zoning ordinances, and will be approved subject to compliance with these codes and zoning ordinances, to include urban design review, when applicable.
 - a) **A TIF pre-application meeting must be scheduled for all proposed TIF projects that will include City staff as designated by the City Manager.**
 - b) A Site Plan Review is highly encouraged to determine if the site complies with the current ordinance and addresses the required public improvements. To request a Site Plan Review, contact the City of Scottsbluff at (308) 630-6254.
 - c) **No Building Permit will be issued based on a site plan that does not comply with the provisions of the City's Zoning Ordinance.**
4. The City will not consider applications for projects which will not support at least a \$50,000.00 TIF bond or do not have at least \$50,000.00 in TIF eligible costs.

Uses of TIF

TIF is primarily designed to finance public improvements associated with a project.

The following are considered TIF eligible costs:

- Total amount of public improvements associated with the TIF redevelopment project plan. Public improvements can be located on a redevelopment project site, directly adjacent to the redevelopment project site, or within the general vicinity of the redevelopment project site if those improvements are necessary for or associated with the project.
- Acquisition costs of redevelopment project sites.
- Site preparation, demolition, grading, surcharging, special foundations, and other pre-development work prior to construction of the project such as architectural and engineering services related to the project as well as environmental services and studies.
- Utility extensions and hookups.
- Rehabilitation, major renovations, and retrofitting of structures within the redevelopment project area. TIF **will not cover** normal maintenance and repair costs.
- Public parking.
- Traffic studies, market studies, and appraisals associated with the redevelopment project site.
- TIF fees.

IV. PROJECT SELECTION

Application Process (See separate TIF Application Form attached to these Guidelines)

The City Manager or designee should be the applicant's primary point of contact for the project. This will help ensure that the TIF application, Redevelopment Plan and Redevelopment Agreement approval process are consistent with the timelines for other project site requirement(s) and approvals.

All applications for TIF must be submitted to the City of Scottsbluff for review before initially presenting the application to the Community Redevelopment Authority (CRA). Submittal of the application generally establishes when the Redevelopment Project Plan will be presented to the CRA. CRA meetings are generally scheduled for the 4th Monday of each month at 5:00pm. This scheduled date may change due to holidays or other circumstances. The applicant will be contacted to give a brief presentation to the CRA regarding the TIF project. The TIF Application Submittal Deadline is fourteen (14) business days prior to the CRA meeting at which the application will be presented.

On the TIF Submittal Deadline Date by noon:

- **Submit one (1) hard copy of the entire, completed TIF Application,**
- **Email an electronic copy of the TIF Application,**
- **Submit the \$250.00 TIF Application Fee.**

The TIF application will be evaluated by City Staff, which may request further information from the applicant or require revisions to the application. After final evaluation of the TIF application that is determined to be ready to move forward, the applicant will be notified to:

- **Submit three (3) hard copies of the *revised (if applicable)*, completed TIF Application,**
- **Email the *revised (if applicable)*, completed TIF Application.**

Also, the applicant will be notified of the appropriate meetings to attend to present the TIF project. Once the CRA has provided its recommendation and approval of the initial application, a Redevelopment Project Plan will be prepared by City Staff, **OR** the applicant can hire a qualified person to prepare the plan. If the City Staff prepares the Redevelopment Project Plan, it will be ready within 30 days after application approval and payment of the processing fees (explained below), absent circumstances beyond the City's control.

V. APPROVAL PROCESS

After approval of the application by the Community Redevelopment Authority, the project goes through the following process:

1. **Preparation of a Redevelopment Project Plan:** The Redevelopment Plan has certain statutory requirements and will include a definition of the Tax Increment Project Area. It will also contain information about the use of TIF funds. City Staff can prepare the Plan with the assistance of the Developer. **Alternately**, the applicant can hire a qualified person to prepare the Plan and submit that plan to the City for consideration. If the applicant submits a Plan to the City staff, the City staff may

require certain revisions to the Plan prior to submitting the plan to the Planning Commission (see next step).

2. Approval of the Redevelopment Plan: The Plan is first submitted to the Planning Commission for its recommendation as to whether or not the plan is consistent with the goals set out in the Comprehensive Plan. The Planning Commission will also hold a public hearing to allow for public input on the project. Following the Planning Commission recommendation, the Plan is then submitted to the CRA for review. The CRA will make a recommendation regarding the Plan to City Council. The Plan is then forwarded to City Council for a public hearing. Following the public hearing, City Council can approve a resolution adopting the Redevelopment Plan.

3. Approval of the Redevelopment Agreement: Following approval of the Redevelopment Plan, the City and the owner/developer negotiate a Redevelopment Agreement. The Agreement sets forth the mutual responsibilities of both parties and may include the financial terms of the project. As part of the agreement process, the owner/developer will either demonstrate that they can finance the TIF bond or negotiate loan terms with a private lender. The Redevelopment Agreement will then be submitted to the CRA for approval. The CRA may simultaneously authorize the TIF bond. However, a TIF bond will not be issued by the CRA until eligible project costs are incurred. Interest rates on bonds will be determined by the market at the time the bond is issued.

VI. TIF FEE STRUCTURE

The fee structure for TIF projects are as follows:

1. An initial application fee of \$250.00 – due upon submission of the TIF application
2. Upon conceptual approval of TIF application by the CRA, a processing fee based on the schedule below shall be remitted if the applicant wishes a Plan to be created and considered by the Planning Commission, CRA, and City Council. The processing fee is intended to cover the City's costs and expenses in creating and/or reviewing the Plan and running the Plan through the appropriate approval process.

The processing fee shall be paid prior to the City's preparation and/or review of the Plan. If the processing fee has not been paid for a period of six (6) months after notification of conceptual approval, the application shall be deemed abandoned and the application fee forfeited. The processing fee schedule is as follows:

- If the estimated TIF proceeds available for the Project are \$50,000.00 to \$75,000.00, the processing fee shall be equal to 5% of the estimated TIF proceeds, and the processing fee will also cover the administrative fee.
- If the estimated TIF proceeds available for the Project are \$75,000.01 to \$100,000.00, the processing fee shall be equal to 8% of the estimated TIF proceeds, and the processing fee will also cover the administrative fee.

- If the estimated TIF proceeds available for the Project are over \$100,000.00, the processing fee shall be the greater of (a) \$5,000.00 or (b) 1% of the estimated TIF proceeds. This processing fee will be in addition to the administrative fee set forth below.

3. Upon approval of the Redevelopment Plan and Redevelopment Agreement, the person or organization receiving the TIF Proceeds estimated to be over \$100,000.00 shall pay an administrative fee of \$5,000. The administrative fee is intended to cover the City’s costs and expenses of administering the TIF bond during its life.

Below are examples of the Fees due to the City for particular projects:

Estimated TIF Proceeds	Application Fee	Processing Fee	Administrative Fee	Total
\$50,000.00	\$250.00	\$2,500.00 (5%)	Included in Processing Fee	\$2,750.00
\$75,000.00	\$250.00	\$3,750.00 (5%)	Included in Processing Fee	\$4,000.00
\$80,000.00	\$250.00	\$6,400.00 (8%)	Included in Processing Fee	\$6,650.00
\$100,000.00	\$250.00	\$8,000.00 (8%)	Included in Processing Fee	\$8,250.00
\$110,000.00	\$250.00	\$5,000.00 (minimum)	\$5,000.00	\$10,250.00
\$350,000.00	\$250.00	\$5,000.00 (minimum)	\$5,000.00	\$10,250.00
\$500,000.00	\$250.00	\$5,000.00 (1%)	\$5,000.00	\$10,250.00
\$600,000.00	\$250.00	\$6,000.00 (1%)	\$5,000.00	\$11,250.00
\$1,000,000.00	\$250.00	\$10,000.00 (1%)	\$5,000.00	\$15,250.00

VII. POLICY

This policy shall be reviewed and updated as necessary. Any changes shall be approved by the City Manager and submitted to the Mayor and City Council for their approval.

VIII. DISCLAIMER

This Policy contains general guidance only and shall not be deemed a contract or promise by the City or any of its departments to provide TIF proceeds or any services outlined above. All timelines set forth herein are approximations only and while developers may use these timelines for planning purposes, they should not rely on such timelines, nor shall the City, the CRA, the Planning Commission, or any of their respective officers, agents, and employees be liable for not strictly adhering to any deadline set forth or implied herein. The City, by and through the City Manager, reserves the right to reasonably alter these policies or equitably adjust the fee charged in connection with any project if, in the City Manager’s discretion such alterations or adjustments are in the best interest of the City. Nothing herein, including the payment of any fees, shall guarantee TIF to any person or entity. The receipt of TIF is subject to the developer meeting all statutory and local requirements of TIF and the approval of the City.

APPLICATION FOR TAX INCREMENT FINANCING

Please note that the following application must be typed prior to submission to the City of Scottsbluff. You should attach additional pages when necessary. The applicant(s) or a designated representative must be present at the Community Redevelopment Authority (CRA), Planning Commission, and City Council meetings to answer any questions related to the project. Proper notice of both meetings will be given to applicants by City Staff. **Failure to complete any of these application requirements may result in ineligibility for or delay of approval of Tax Increment Financing.**

1. Please state, the name, address, telephone number and email address of the Redeveloper(s) (the applicant). If the Redeveloper is a business entity, please include the name of the designated representative of the business and the position title.

2. Please describe the property to be redeveloped (the “Project Site”) by address, legal description, or, if necessary, general location. Please include all parcel numbers included in the Project Site. These can be obtained from the Scotts Bluff County Assessor website: <http://www.scottsbluffcounty.org/assessor/assessor-disclaimer-do.html>. Please attach a map of the Project Site if available.

3. Please describe the existing uses and condition of the Project Site.

4. If you do not currently own the Project Site, please explain your plan for acquiring the Project Site, including whether you have a current agreement to acquire the Project Site.

5. Please describe the Redevelopment Plan on the Project Site. In your description, please address (please include your answers in an attached document):

- A. Proposed land uses after redevelopment (please attach a land use plan if available).
- B. The necessity of and plan to demolish or remove structures.
- C. Land coverage and building intensities in the Project Site after redevelopment (please attach a site plan if available).
- D. Standards of population densities in the Project Site expected after redevelopment.
- E. A statement of any proposed changes to zoning, street layouts, building codes, or ordinances.
- F. A statement of any planned subdivision to the Project Site.
- G. A statement of additional public facilities and utilities required to support the Project Site after redevelopment.
- H. Employment within the Project Site before and after redevelopment.
- I. Any other information you deem relevant.

6. Please itemize your estimated project costs (please attach copies of bids or estimates to support estimated project costs):

A. Land Acquisition (if applicable):	\$
B. Site Development (itemize):	\$
C. Building Cost:	\$
D. Architectural & Engineering Fees:	\$
E. Legal Fees:	\$
F. Financing Costs:	\$
G. Broker Costs:	\$
H. Contingencies:	\$
I. Other (itemize):	\$

TOTAL \$

7. Please list the names and addresses of all known architects, engineers, and contractors who will be involved with the Project.

8. Please itemize the following regarding the valuation of the Project Site:

- A. Total estimated assessed valuation of Real Property at completion:
- B. Latest property valuation (from R.E. Tax Statement):

9. Please itemize your projected sources of financing for the Project (please include a construction pro forma if available):

A. Equity:	\$
B. Bank Loan:	\$
C. Tax Increment Financing:	\$
D. Other (itemize):	\$
TOTAL	\$

10. Please set forth your Project schedule.

- A. Expected acquisition date (if applicable):
- B. Demolition start date (if applicable):
- C. Construction start date:
- D. Construction completion date:
- E. If project is phased:
 - Year _____ % Complete
 - Year _____ % Complete

11. Please name any other municipality wherein you, or other entities the applicant has been involved with, has completed developments within the last five years.

12. Tax Increment Financing Request:

A. Describe amount and purpose for which Tax Increment Financing is required:

B. Statement of necessity for use of Tax Increment Financing:
