

City of Scottsbluff, Nebraska

Monday, October 7, 2013

Regular Meeting

Item Public Inp1

Council discussion and instructions to staff regarding the Blight and Substandard designation of the Sheldon Heights neighborhood.

Staff Contact: Rick Kuckkahn, City Manager

From: Sheldon Heights Home Owners
Scottsbluff, NE

October 3, 2013

To: Mayor and City Council
City of Scottsbluff, NE
2525 Circle Drive
Scottsbluff, NE 69361

Scottsbluff Planning Commission
City of Scottsbluff, NE
2525 Circle Drive
Scottsbluff, NE 69361

RE: Proposed Development at 27th and Hwy 26
Blighted and Substandard Designation
Sheldon Heights Addition

Thanks you for the opportunity to meet with the City Council during your meeting on September 30, 2013 and your scheduled meeting on October 7, 2013.

As I said at your Sept. 30 meeting, the majority of the home owners of Sheldon Heights are supportive of the proposed development in the northeast quadrant of the intersection of 27th Street and Hwy 26. Like the rest of the residents of Scottsbluff, we look forward to a neat and clean development at that unsightly location.

However, we feel that the proposed development of that project comes at great expense and negative impact to Sheldon Heights. Funding for the public improvements is planned to come from the Tax Increment Funding (TIF) program that will essentially be administered by the City of Scottsbluff. As you are aware, the TIF funding allows the City to pay for eligible costs for the design and construction of public improvements including municipal water and sewer systems, street, storm drainage, and sidewalk improvements, and site improvements such as parks and recreation. Repayment to the City is collected by the City from the increase in property taxes collected from the development as a result of increased taxable value. The fully developed property north of 27th street will generate much more property tax than the undeveloped weed patch that currently exists. Because the City will pay for the design and construction cost of the public improvements, the developers will have significantly less investment in that infrastructure cost than if they had to pay those costs themselves. As the property values increase with the development, the property tax assessment will also increase which will have to be paid by the developer/new property owner. Those increased taxes would have to be paid regardless of who pays for the public improvement i.e. City or Developer. The "repayment" cost to the City will be made through increased tax payments which would be made anyway, so the developer will get the new public improvements constructed and paid for by the City with little or no additional costs. There is no such thing as free money, but this is close, for the developer.

The only way for the proposed development to be eligible to use the TIF program is to be included in an area of town that is declared Blighted and Substandard. The Developer and their attorney prepared a required study of the City of Scottsbluff and proposed an area to be determined Blighted and Substandard and presented it to the Council on August 19, 2013. The Council approved that proposal and by Resolution Declared the proposed property enclosed in the described boundary as Blighted and Substandard. **Because of its gravel streets, Sheldon Heights is included in that Blighted and Substandard area.** The study and action was done without knowledge of any homeowner or resident in Sheldon Heights. The Developers attorney states in the study and clearly emphasized to the Council that Sheldon Heights, as the only residential developed property near the proposed development, was key to the qualification of the entire area to be declared Blighted and Substandard. It was pointed out, according to the minutes of the meeting; the area would not qualify as Blighted and Substandard if there was any change to the proposed boundary. Without the Blighted and Substandard declaration, as approved by the Council, the TIF program would not be available to the Developers. Obviously there was a lot of effort taken by the developers and their attorney in the establishment

of the boundary lines because the designated area was the seventh area considered. They tried six times previously but were unsuccessful in meeting the Blighted and Substandard Criteria.

Now here's the rub. According to "most people", being located within and being declared blighted and substandard is a privilege and benefit for property owners within that declared area. Typically, the TIF program is available to all qualifying property owners as described above. Additionally, TIF program funding is considered to lay the groundwork to apply for other government funding. **However, in some conditions, some property owners will not qualify for the TIF program. Sheldon Heights is one of those rare conditions.** The major benefit qualifier of the TIF program is that there will be significant increase in Taxable assessment and revenue to the City to cover the design and construction costs of the needed public improvements. Costs in excess of the increased revenue would need to be paid by the developer.

We have done research to show that neither of the purported benefits of the TIF program will be available to Sheldon Heights. We visited with Representatives of the Nebraska Dept. of Economic Development, the County Assessor, various representatives of local banks and home loan originators and the City manager and offer these reasons why **Sheldon Heights will not qualify for TIF funding and that, in fact, Sheldon Heights is negatively impacted by the Council's decisions.**

1. The TIF requires that the increased property value must be great enough to generate sufficient increase in tax revenue to repay the City for the initial design and construction cost of the public improvements (streets, sidewalk, and storm drain system, etc.). The County assessor has informed us that the Taxable value and property tax assessment of property in Sheldon Heights is on par with the balance of the City of Scottsbluff. According to the County Assessor, paved streets have no bearing on the determination of the county appraisal value of the property. Residential property appraisers indicate they "usually" assign a deduction of 5 to 10 percent value of the property value if the property is not served by paved streets. According to this information, the maximum anticipated increase in tax revenue from Sheldon Heights could be expected to be 5 to 10 percent. **Your City Manager, Rick Kuckkahn, informed me that, based on his research, the increased tax revenue from Sheldon Heights is not sufficient to qualify for TIF funds, as a stand-alone project.**
2. Local Banks and Lending institutions have indicated that the Blighted and Substandard declaration would have little influence on their decision to loan money for house purchase or home improvement in Sheldon Heights, but did indicate that there might be limitations on the amount of money they would loan. In addition, they indicated there might be some hesitation by national mortgage brokers to become involved on a mortgage on property in a blighted neighborhood like Sheldon Heights.
3. Public perception of Sheldon Heights will be negatively impacted with the publicized declaration of being Blighted and Substandard. We have three properties on the market for sale in the neighborhood ranging in price from \$100,000 to \$300,000. One property was on the market before the Council's Designation. Interest in that house has declined to the extent that the owner is considering refinancing and taking the house off the market. One property went on the market the day the Blighted and Substandard declaration hit the press on August 20, 2013. Interest in that property is very infrequent. The third house has or will go on the market soon because the owner passed away in September and the survivors are struggling with decisions and listing prices under the current situation.
4. Projected design and construction costs of paved streets, sidewalks and storm drain facilities were prepared for us by the Developers. Their preliminary estimate of project costs was in excess of

\$668,000. Preliminary estimated cost assessment to each property owner ranges from \$17,000 to \$51,000, provided WNCC, which borders the full length of Erwin Ave would be, assessed for their share of the construction of Erwin Ave. The estimated assessment to WNCC is in excess of \$180,000. The estimated cost assessment to the home owners would be overwhelming and excessive compared to the assessed values of the property.

5. We contacted the Nebr. Dep. of Economic Development and Panhandle Area Development District to investigate the possibility and availability of state and federal grants. We were informed that the Blighted and Substandard Declaration is not sufficient justification for grant approval. The subdivision would need to meet low to moderate income levels.

In summary, we property owners of Sheldon Heights have been negatively impacted by the Council's Resolution Declaring Sheldon Heights Blighted and Substandard. We will be continually so impacted until the Blighted and Substandard Declaration can be lifted. Based on the above discussion, the only way for the declaration to be lifted is for 1) the streets in Sheldon Heights to be paved, or 2) the boundary of the blighted and substandard area be revised to exclude Sheldon Heights. Without financial assistance from the City, developers or through state and federal grants programs we will not be able to pave our streets.

Therefore we are respectfully requesting Council assistance in one of the following options.

1. Earmark, and make available funds anticipated from the revenues of increased taxes generated from the proposed development on the north side of 27th Street. Because of the total dependence on Sheldon Heights for the eligibility of the proposed development to qualify for TIF funds, we feel we are entitled to full payment of the project costs of streets in Sheldon Heights, but we would be willing to negotiate a fair and reasonable cost agreement.
2. Have Council reconsider and rescind their previous resolution and consider an alternate resolution to exclude Sheldon Heights from the Declared Blighted and Substandard area.

Thank you for your understanding in this matter. We look forward to meeting with the City Council on October 7, 2013.

Respectfully Submitted on behalf of Sheldon Heights Home Owners



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cc: Rick Kuckkahn, City Manager

cc: Cindy Dickenson, City Clerk

cc: Annie Urdialis, Development Services Dir

Property Owners Signatures to follow.