

**CITY OF NORFOLK
REDEVELOPMENT PLAN FOR THE
CHANNEL ROAD LAND, LLC
DEVELOPMENT**

I. INTRODUCTION.

This Redevelopment Plan for a blighted and substandard area of the City of Norfolk, Nebraska ("Redevelopment Plan") is a guide for redevelopment activities to remove or eliminate blight and substandard conditions within the City of Norfolk, Nebraska ("City"). The City recognizes that blight is a threat to the continued stability and vitality of the City as it relates to affordable housing and commercial development.

This Redevelopment Plan sets forth a phased redevelopment project consisting of a 160-apartment multifamily housing development and a commercial building (collectively, the "Redevelopment Project"). The site of the Redevelopment Project, attached hereto as Exhibit "1" and incorporated herein, consists of approximately 19.19 acres to be purchased by Channel Road Land, LLC (the "Redevelopment Area"). Public right of way is included in the Redevelopment Area.

The City has annexed the Redevelopment Area; however, the Redevelopment Project requires zoning permitting multifamily and commercial development. Current market rental rates are insufficient to allow for recovery of development costs, maintenance, operational costs and of tax increment financing. All available evidence suggests that the Redevelopment Area has not attracted the private investment necessary to contribute to the wellbeing of the community, nor is it reasonably anticipated that the area would be developed without public action. To encourage private investment in the Redevelopment Area, this Redevelopment Plan has been prepared to set forth the Redevelopment Project, which is considered to be of the highest priority in accomplishing the goal of revitalizing and strengthening the Redevelopment Area.

"Phase One" of the Redevelopment Project is the development of an apartment complex by Channel Road Land, LLC ("Redeveloper"), consisting of approximately 160 apartments in 20 apartment buildings with 8 apartments each. The development will include a clubhouse of 3,200 square feet and a pool. Eight garage structures will cover an additional 16,000 square feet. Redeveloper anticipates that construction for Phase One will begin in the spring of 2019.

"Phase Two" of the Redevelopment Project is the development of an approximately 10,000 square foot commercial building by Redeveloper. Redeveloper anticipates that construction for Phase Two will begin in 2020. A preliminary site plan showing the anticipated development for Phase One and Phase Two is attached hereto and incorporated herein as Exhibit "2".

In order to offer this development at marketable rental rates the Redeveloper seeks a tax increment financing ("TIF") grant from the City pursuant to the Nebraska Community Development Law sections 18-2101 et. seq., as amended (the "Act"), as part of a two-step phased development project. Redeveloper is unable to undertake the construction in Phase One of the Redevelopment Project without some assurance that Redeveloper can undertake Phase Two. Redeveloper provides that it would not complete the initial public improvements for Phase One but-for the approval of the entire Redevelopment Project and, likewise, Phase Two of the Redevelopment Project would not occur but-for these initial public improvements. Accordingly, this Redevelopment Plan contemplates that the costs and expenses of all the public improvements for the Redevelopment Project are eligible TIF uses for each phase of the Redevelopment Project (as allocated). As such, Redeveloper may apply the TIF revenues generated from each phase of the Redevelopment Project toward the payment of the eligible expenses of the entire Redevelopment Project, if necessary.

Upon the completion of Phase One, Redeveloper will submit to the Community Development Agency of the City (the "Agency") an amendment to the "redevelopment contract" (as defined in the Act) on a form prescribed by the Agency for Phase Two. The redevelopment contract, and each amendment thereof, shall set forth the "effective date" (as defined in the Act) for the pertinent phase.

Redeveloper estimates \$5,253,933 in TIF-eligible costs for the Redevelopment Project. Redeveloper seeks a TIF grant in an amount not to exceed \$3,700,000 for the TIF-eligible costs that include, but are not limited to, site acquisition, site preparation, engineering and architecture, legal fees, infrastructure, utilities and capitalized interest.

Redeveloper will be required to purchase a Tax Increment Revenue Bond ("TIF Bond") from the Agency in an amount not to exceed \$3,700,000. Redeveloper will be required to obtain a bank loan in order to purchase the TIF Bond. Redeveloper will use the TIF Bond proceeds to pay for the TIF-eligible costs. The TIF Bond will be a limited obligation of the Agency, solely repayable from the incremental (increased) ad valorem real property taxes from the Redevelopment Project. Redeveloper and the Agency anticipate that the Agency will issue one TIF Bond encapsulating the TIF-eligible expenses for Phase One and Phase Two; provided, however, that the phases may have different effective dates. The Agency and Redeveloper will provide a more detailed overview of the TIF Bond and its issuance in the redevelopment contract, or amendment thereof, or the resolution authorizing issuance of the TIF Bond.

Real estate taxes that result from the assessments on the real property, prior to the division of taxes to pay the TIF Bond, will continue to be paid to the normal taxing entities during the TIF Bond repayment period as prescribed by the Act. Upon the earlier of repayment of the TIF Bond or expiration of fifteen years after the effective date(s) provided in the redevelopment contract, or an amendment thereof, all increased taxes will be paid to the normal taxing entities.

II. EXISTING CONDITIONS.

This section of the Redevelopment Plan examines the existing conditions within the Redevelopment Area. This section is divided into the following subsections: existing land use, existing zoning, existing public improvements, and existing building condition/blighting influences.

A. Existing Land Use. The existing land use is shown on Exhibit "1". The land within the Redevelopment Area is currently agricultural in nature.

B. Existing Zoning. The Redevelopment Area is zoned R-1, residential.

C. Existing Public Improvements. State Highway 35 (Channel Road) abuts the Redevelopment Area to the east and South Victory Road abuts the Redevelopment Area to the west. No municipal water or sanitary sewer mains serve the Redevelopment Area.

D. Existing Building Conditions/Blighting Influences. Northeast Nebraska Economic Development District conducted a study entitled "Blight and Substandard Study, East Omaha Avenue Redevelopment Area" for the City of Norfolk (the "Blight Study"). The evaluation and subsequent findings of the Blight Study were based upon the criteria outlined in the Act. The Blight Study determined that the study area (i.e., the Redevelopment Area) exhibited a number of deficiencies applicable to the consideration of a "substandard and blight" designation including the existence of conditions which endanger life or property by fire or other causes and dilapidation/deterioration. The Planning Commission and City Council will hold public hearings pursuant to the Act prior to considering action on this Redevelopment Plan.

III. POST-REDEVELOPMENT CONDITIONS.

This section of the Redevelopment Plan examines the future conditions within the Redevelopment Area subsequent to completion of the Redevelopment Project. This section is divided into the following subsections:

- A. Proposed Land Use Plan
- B. Conformance with the Comprehensive Plan; Conformance with the Community Development Law Declarations
- C. Relationship to Local Objectives
- D. Building Requirements and Standards after Redevelopment
- E. Proposed Changes and Actions
- F. Cost-Benefit Analysis
- G. Proposed Cost and Financing
- H. Procedure for Changes in the Approved Redevelopment Plan
- I. Relocation Plan

A. Proposed Land Use Plan. The Redevelopment Area will transition to a multifamily residential complex with a commercial component. The proposed land use for the Redevelopment Area is conceptually shown on Exhibit "2".

B. Conformance with the Comprehensive Plan; Conformance with the Community Development Law Declarations. In accordance with the Act, this Redevelopment Plan has been

designed to conform to the City's adopted Comprehensive Plan as defined in Section 19-5 of the Official City Code (the "Comprehensive Plan"). Although currently zoned as R-1, the Future Land Use Map for the Redevelopment Area shows the proposed future zoning as Commercial Reserve. The Council for the City has taken steps to adopt an ordinance changing the zone to R-3, Multifamily Residential, thus revising the city's plan for the Redevelopment Area. This zone change impacts the entirety of the Redevelopment Area. A further zone change will be required for that portion of the Redevelopment Area developed as Phase Two allowing for commercial development. The Phase Two development is intended to align with the requirements of the Commercial Reserve zone which is consistent with the City's Future Land Use Map. The City Council finds that this Redevelopment Plan is feasible and in conformity with the Comprehensive Plan as a whole and conforms to the legislative declarations and determinations set forth in the Act.

C. Relationship to Local Objectives. This Redevelopment Plan was developed on the basis of the goals, policies and actions adopted by the City for the community as a whole and for the Redevelopment Area. General goals, policies and actions relating to the community as a whole and for the Redevelopment Area are contained in the Comprehensive Plan. The Norfolk Community Housing Study, December 2016, indicates the City requires more than 300 rental units by 2021. The Redevelopment Project will provide approximately one half of the estimated demand. Phase Two of the Redevelopment Project is consistent with the Future Land Use Map for the Redevelopment Area and is intended to provide commercial services to the increased area population resulting from housing constructed pursuant to Phase One.

D. Building Requirements and Redevelopment Standards. The redevelopment of the Redevelopment Area should generally achieve the following requirements and standards:

1. Population Density. There are currently no residential buildings located within the Redevelopment Area. With respect to Phase One, population density within the Redevelopment Area will increase via construction of 20 apartment buildings with 8 apartment units each. Current housing occupancy in the City is 2.35 persons per household.

With respect to Phase Two, the commercial structure will not impact population density.

2. Land Coverage and Building Density. Land coverage in the Redevelopment Area is approximately 19.19 acres. There are currently no buildings within the Redevelopment Area. With respect to Phase One, Redeveloper contemplates that each of the 20 apartment buildings will cover 4,620 square feet for a total apartment coverage of 92,400 square feet, with eight garage structures covering 16,000 square feet in addition to the 3,200 square foot clubhouse.

With respect to Phase Two, land coverage of the commercial structure is dependent on the ultimate design of the commercial enterprise. However, Redeveloper anticipates construction of an approximately 10,000 square foot commercial building. Land coverage will comply with all applicable zoning and land coverage requirements for the area.

3. Building Heights and Massing. Building heights and massing will comply with the proposed R-3 and Commercial zoning districts.

E. Proposed Changes and Actions. This section describes the proposed changes needed, if any, to the zoning ordinances or maps, street layouts, street levels or grades, and building codes and ordinances, and actions to be taken to implement this Redevelopment Plan.

1. Zoning, Building Codes and Ordinances. The Redevelopment Area is zoned R-1 single family residential. With respect to Phase One, this Redevelopment Plan will require a zoning ordinance amendment to R-3 allowing for multifamily development. With respect to Phase Two, this Redevelopment Plan will require a zoning ordinance amendment allowing for commercial uses (likely a C-1 designation). Redeveloper shall be responsible for all zoning, building code and ordinance changes required to carry out the Redevelopment Project.

2. Traffic Flow, Street Layout and Street Grades. Access to the Redevelopment Area will be from Channel Road and South Victory Road. Final design of street grades and paving installation will be subject to approval by the City's engineers. A preliminary rendering of the street improvements is shown on Exhibit "2".

3. Public Redevelopments, Improvements, Facilities, Utilities and Rehabilitations. In order to support the new land uses in the Redevelopment Area, Redeveloper anticipates construction of the following: (1) Extension of water mains from the city water main and throughout the Redevelopment Area; (2) extension of a sanitary sewer main throughout the Redevelopment Area; (3) paving of turn lanes at Channel Road and South Victory Road as required by a traffic study; (4) installation of storm and sanitary sewer and water mains and electrical lines throughout the Redevelopment Area; and (5) installation of a sanitary sewer lift station in the northwest corner of the Redevelopment Area.

4. Site Preparation and Demolition. Site preparation for offsite turn lanes and onsite infrastructure will be required. The Redevelopment Area will require site preparation and grading throughout to address drainage.

5. Private Redevelopment, Improvements, Facilities and Rehabilitation. The private improvements anticipated within the Redevelopment Area include the construction of approximately 20 multi-family apartments with 8 units per building, approximately 8 garage structures, a clubhouse, a pool and a commercial building. Conceptual floor plans for the apartment buildings are attached hereto and incorporated herein as Exhibit "3". Redeveloper will provide additional information for the commercial structure in the amendment to the redevelopment contract for Phase Two.

6. Parking. Exhibit "2" shows the proposed parking to be provided for Phase One of the Development. As to Phase Two, parking spaces will be provided as required by the city's zoning ordinance.

F. Cost-Benefit Analysis. A cost-benefit analysis for the Redevelopment Project is incorporated herein by this reference (“Cost-Benefit Analysis”) and is shown on Exhibit "4". The Cost-Benefit Analysis complies with the requirements of the Act in analyzing the costs and benefits of the Redevelopment Project, including costs and benefits to the economy of the community and the demand for public and private services.

G. Proposed Costs and Financing; Statements. The Agency intends to negotiate a specific redevelopment contract with Redeveloper, outlining the proposed Redevelopment Project, and contributions from TIF which are necessary from the Agency. The redevelopment contract will include a site plan, Redevelopment Project description, specific funding arrangements, and specific covenants and responsibilities of the City, Agency and Redeveloper to implement the Redevelopment Project.

Estimated TIF-eligible Redevelopment Project costs are shown below:

Site Acquisition, Survey and Title	\$ 345,000
Site Preparation	\$ 584,889
Public Streets, Infrastructure & ROW Imp.	\$ 3,540,993
Architecture, Engineering & Planning	\$ 210,000
Legal and Appraisal	\$ 120,000
Planning and Permitting	\$ 160,000
Capitalized Interest	\$ 278,051
City legal costs	\$ 15,000
TOTAL	\$ 5,253,933

The above figures are estimates and are subject to change. Final figures are subject to a specific site plan, design specifications, City approval and public regulations. A breakdown of all estimated sources and uses (including the TIF-eligible costs) is attached hereto and incorporated herein as Exhibit "5".

Construction of the apartment complex and commercial structure will require an estimated private investment of over \$22,000,000. Total TIF-eligible costs will exceed the amount of funds available from the TIF grant that the Agency may elect to issue generated by improvements to the Redevelopment Area.

The Agency will not fund improvements that exceed the amount of funds available from TIF revenues for the Redevelopment Project. The Agency and Redeveloper estimate the amount of the available TIF revenues from the Redevelopment Project at approximately \$5,675,000, assuming the Redevelopment Project will generate a property valuation of approximately \$20,485,600 total for both Phase One and Phase Two, over the present property valuation of the Redevelopment Area.

The TIF revenues are to be allocated under the terms of Section 18-2147(1)(b) of the Act for those tax years set forth in the redevelopment contract, or amendment thereof. The real property ad valorem taxes on the taxable valuation of the Redevelopment Area for the year prior to redevelopment will continue to be paid to the applicable taxing bodies in accordance with the terms of Section 18-2147 of the Act.

Pursuant to Section 18-2147 of the Act, any ad valorem tax levied upon real property on the lots within the Redevelopment Area shall be divided, for a period not to exceed 15 years after the effective date(s) of the provision as determined pursuant to a redevelopment contract, or amendment thereof, between Redeveloper and the Agency, or in the resolution authorizing the TIF Bond.

Said taxes shall be divided as follows:

a. That portion of the ad valorem tax which is produced by the levy at the rate fixed each year by or for each such public body upon the "redevelopment project valuation" (as defined in the Act) shall be paid into the funds of each such public body in the same proportion as are all other taxes collected by or for the body; and

b. That portion of the ad valorem tax on real property in the Redevelopment Area in excess of such amount, if any, shall be allocated to and, when collected, paid into a special fund of the Agency to be used solely to pay the principal of, the interest on, and any premiums due in connection with the bonds of, loans, notes, or advances of money to, or indebtedness incurred by, whether funded, refunded, assumed, or otherwise, the Agency for financing or refinancing, in whole or in part, the Redevelopment Project. When such bonds, loans, notes, advances of money, or indebtedness, including interest and premiums due, have been paid, the Agency shall so notify the county assessor and county treasurer and all ad valorem taxes upon taxable real property in such Redevelopment Project shall be paid into the funds of the respective public bodies.

Because the redevelopment plan proposes to use tax-increment financing funds as authorized in § 18-2147 of the Act, the City Council, sitting as the Agency, finds as follows based upon the representations of Redeveloper:

a. the Redevelopment Project in the plan would not be economically feasible without the use of tax-increment financing;

b. the Redevelopment Project would not occur in the Redevelopment Area without the use of tax-increment financing; and

c. the costs and benefits of the Redevelopment Project, including costs and benefits to other affected political subdivisions, the economy of the community, and the demand for public and private services have been analyzed by the governing body and been found to be in the long term best interest of the community impacted by the Redevelopment Project.

H. Procedure for Changes in the Approved Redevelopment Plan. If the City or Redeveloper desires to substantially modify this Redevelopment Plan, it may do so after public hearing(s) on the proposed change in accordance with the Act.

I. Relocation Plan. No persons or businesses will require relocation as a result of this Redevelopment Plan or the Redevelopment Project.

J. Agency's Special Attorney's Fees. Redeveloper shall reimburse the Agency, or pay directly to the Agency's special counsel, the legal costs and fees incurred by the Agency in relation to the Redevelopment Project as follows: (1) upon the approval of this Redevelopment Plan, Redeveloper shall reimburse the Agency, or pay directly to the Agency's special counsel, a sum of \$7,500; and (2) upon the Agency's issuance of the TIF Bond, Redeveloper shall reimburse the Agency, or pay directly to the Agency's special counsel, a sum of \$7,500. If the Redevelopment Project requires the issuance of more than one TIF Bond, Redeveloper shall reimburse the Agency, or pay directly to the Agency's special counsel, a sum of \$7,500 for each such issuance.

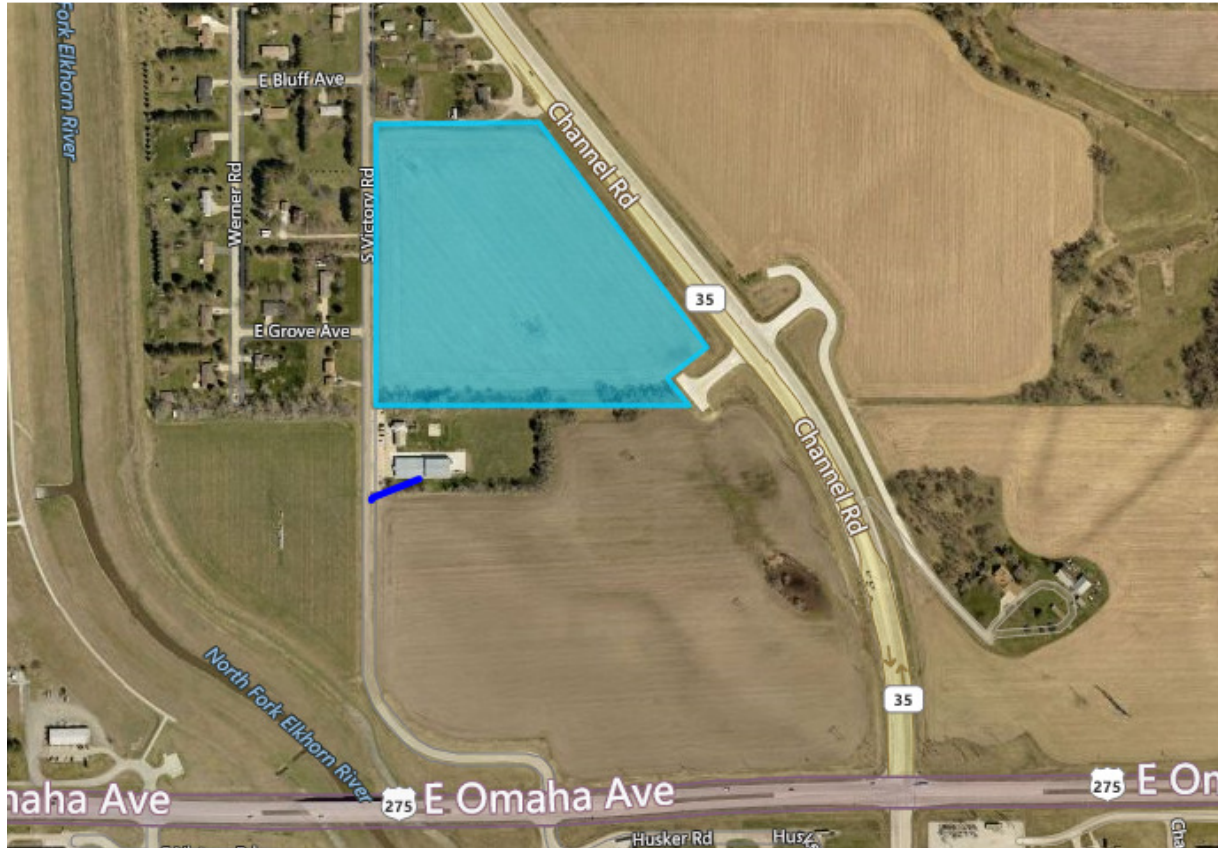
Exhibit "1"
Redevelopment Area

Legal Description:

A tract of land lying wholly in the Northwest 1/4 of the Southwest 1/4 of Section 25, Township 24 North, Range 1 West of the 6th P.M. Madison County, Nebraska which is more particularly described as follows:

Beginning at a point which is 393.0 feet South of the West 1/4 corner of said Section 25; thence South along the West line at said Section 25 to the Southwest corner of the NW1/4SW1/4 of said Section 25; thence East along the South line of said NW1/4SW1/4 of said Section 25, to the Southeast corner of said NW1/4SW1/4 of said Section 25; thence North along the East line of said NW1/4SW1/4 of said Section 25, to the point where said East line intersects with the Southwesterly right-of-way line of U.S. Highway 275; thence in a Northwesterly direction, along said Southwesterly right-of-way line to a point on said right-of-way line which is 598.6 feet directly East of the point of beginning; thence West 598.6 feet to the point of beginning; EXCEPT part conveyed to the State of Nebraska Department of Roads for highway purposes.

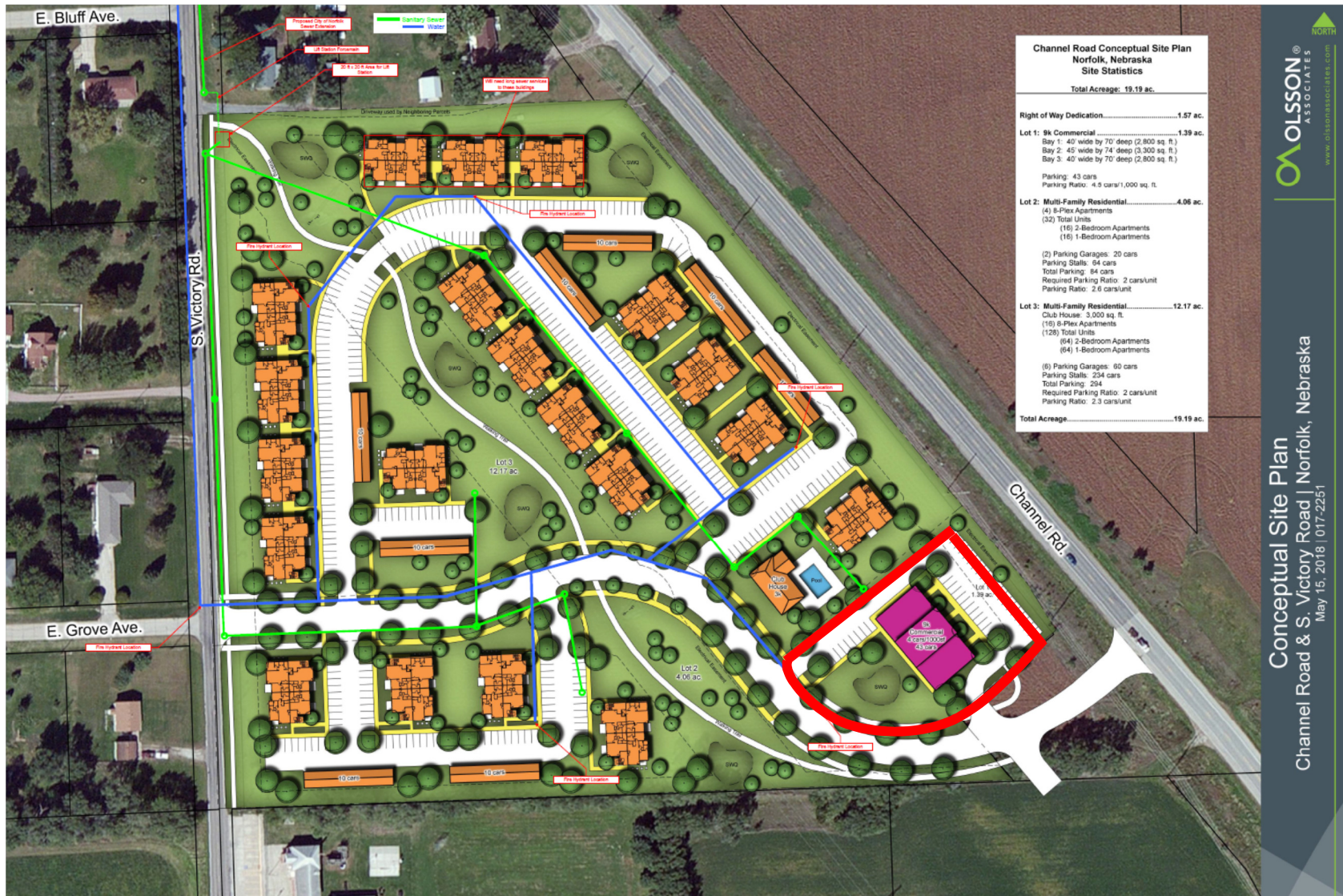
Existing Condition:



- Redevelopment Area shaded blue
- Redeveloper intends to replat the Redevelopment Area as part of the Redevelopment Project. The legal description(s) for the Redevelopment Area derived from any such replat approved by the City shall supersede the legal description provided above.
- Any discrepancies between the above legal description and depiction should be decided in favor of the legal description.

Exhibit "2"

Conceptual Site Plan



- Phase 2 outlined in red

Exhibit "2"

Exhibit "3" **Floor Plans**

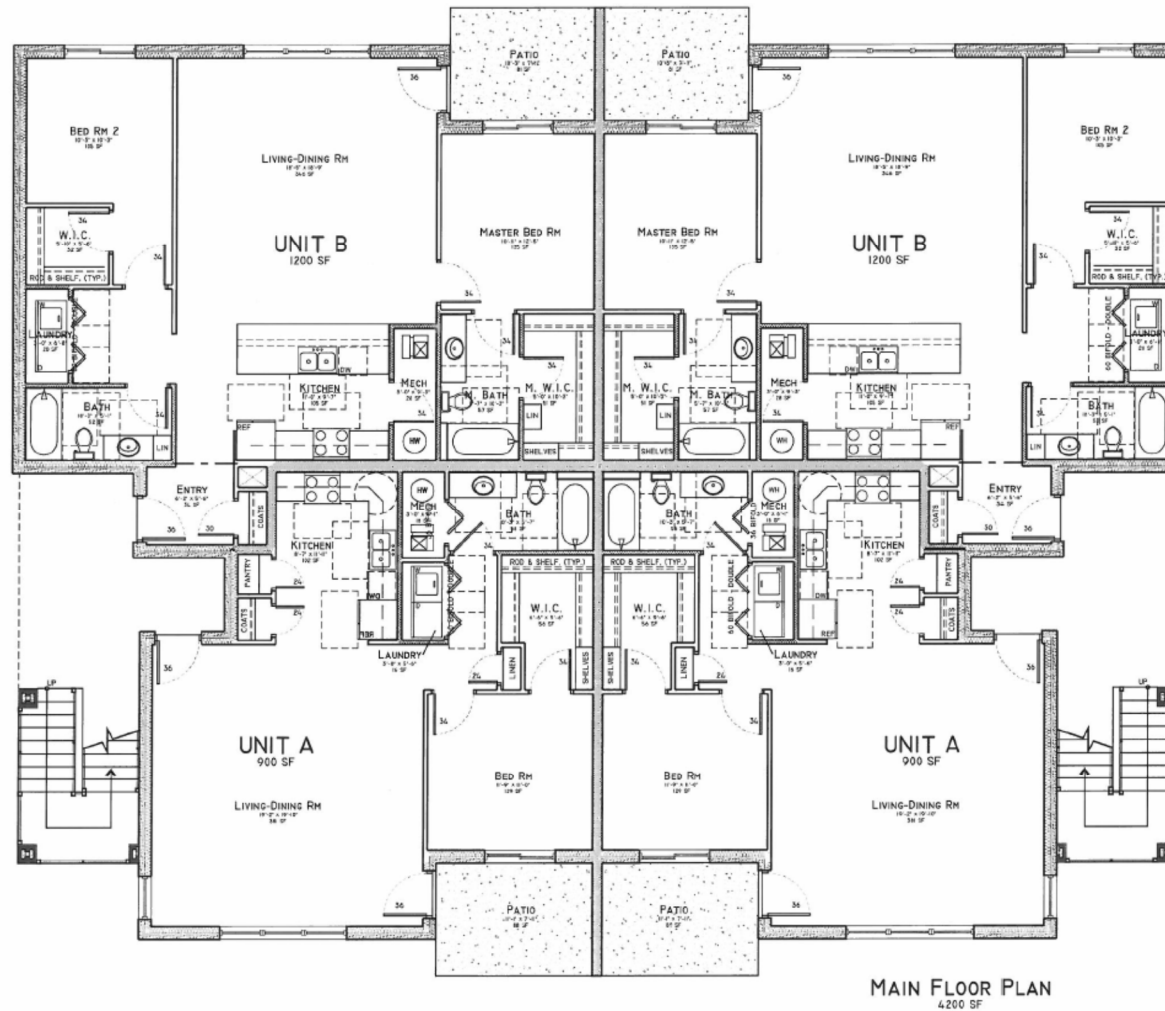


Exhibit "3"

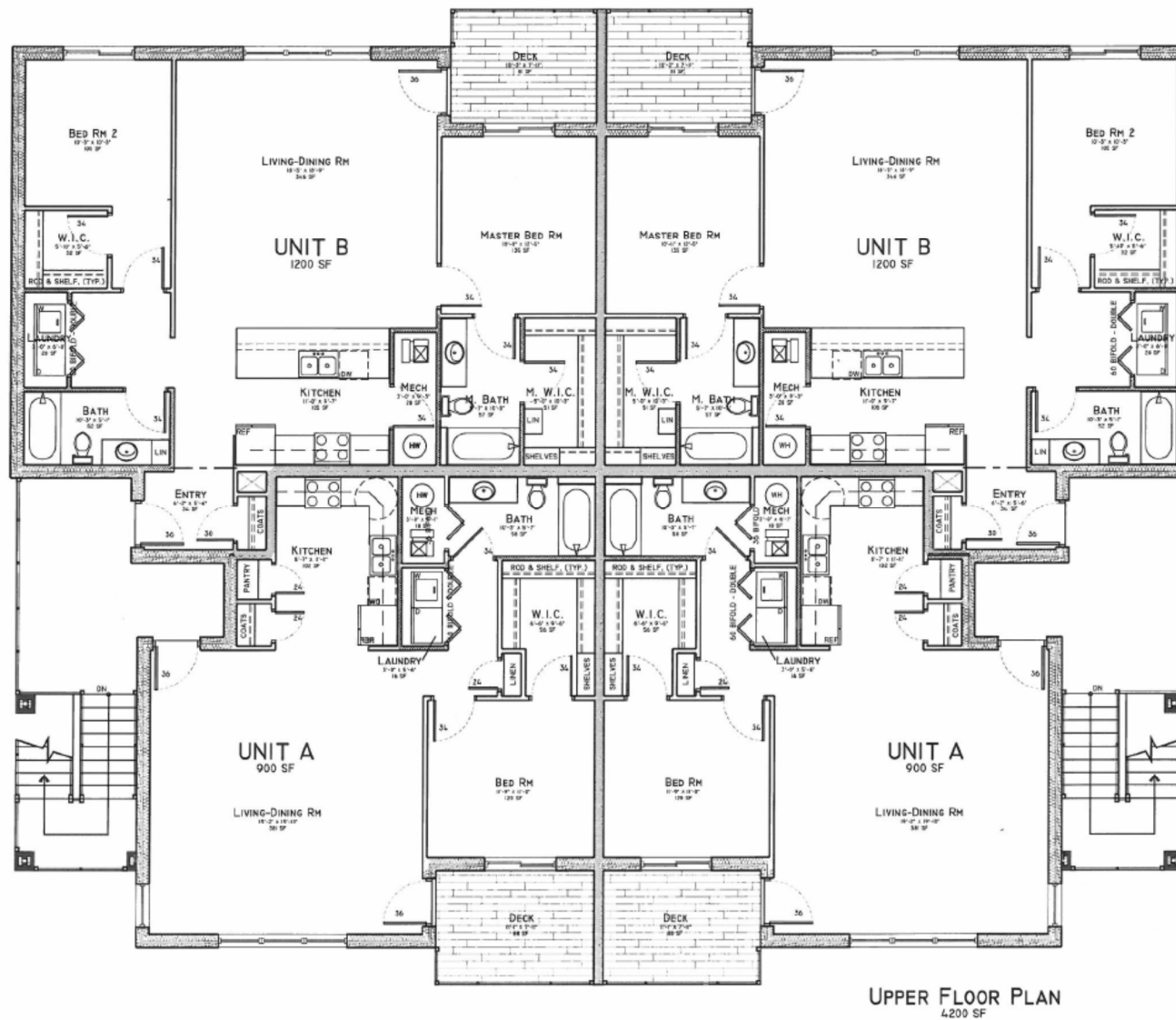


Exhibit "3"

Exhibit "4"
Statutory Cost-Benefit Analysis

As under section 18-2147 of the Act, the Agency has analyzed the costs and benefits of the proposed Redevelopment Project, including:

Redevelopment Project Sources and Uses. Approximately \$3,700,000 in property tax receipts from TIF provided by the Agency is required to complete the proposed redevelopment. Such a TIF grant by the Agency will leverage an estimated \$ 22,261,077 (Phase One and Phase Two) in other investment and financing; an investment of \$6.02 for every dollar of tax increment financing.

Use of Funds. A full schedule of proposed sources and uses of funds is attached as Exhibit "5" to the Redevelopment Plan.

Tax Shifts. The property to be redeveloped is anticipated to have a January 1, 2019, valuation of approximately \$104,000. Based on the 2017 levy this would result in a real property tax of approximately \$2,026. It is anticipated that the assessed value will increase by a minimum of \$20,485,600 when the Redevelopment Project is completed. This will result in an overall tax of approximately \$400,771 annually based on the 2017 levy rate of 1.968713% for property inside the city limits. Of this increased annual amount, approximately \$399,269 represents the estimated tax increment that could be used to pay the TIF Bond issue. The tax increment gained from the Redevelopment Project would not be available for use by the taxing entities as general tax revenues, but would be used to pay the TIF Bond issued to pay for eligible improvements to enable this Redevelopment Project to be realized. To the extent a Redevelopment Project phase has not reached full value at the time taxes are divided, the amount of the annual tax increment will be less.

Estimated 2018 assessed value:	\$ 104,000
Estimated 2019 assessed value:	\$ 4,496,400
Estimated 2020 & after assessed value	\$ 20,589,600
Increment value	\$ 20,485,600
Annual Increment	
2019 increment	\$ 85,609
2020 & after increment	\$ 399,269
Total Increment	\$ 5,675,384
TIF Bond issue	\$ 3,700,000

Public Infrastructure and Community Public Service Impacts. The Redevelopment Project requires extensive public infrastructure installation. Onsite infrastructure totals an estimated \$3,540,000 in addition to required site preparation. Sewer and water extension to the site will be installed by the city pursuant to a special improvement district. Costs allocated to the Redeveloper through the special assessment levy are estimated to exceed \$250,000. Fire and

police protection are considered adequate and no additional personnel or equipment is contemplated.

Employment Within the Project Area. Employment within the Project Area is expected to increase during infrastructure installation and apartment construction. These jobs will be temporary. After completion of the Redevelopment Project, at least three full time employees will be employed at the Phase One portion of the project. As to Phase Two, the number of employees will depend on the facility constructed, but it should result in increased employment within the area.

Employment in the City Outside the Project Area. The construction of 160 apartments over the build-out period will provide incremental local sales to support construction workers during that time. This will result in modest upward pressure for jobs in the service and retail sector. The latest census data shows that the City's population per household is 2.35 persons. At this rate, the population could expand by 376 persons as a result of the full implementation of the project. Many of the current residents travel outside of the community for employment. However, the added population could increase demand for local retail and service jobs.

Local Tax Impacts. This Project will require substantial purchases of materials during home construction. With respect to Phase I, assuming that actual apartment construction cost is \$15,539,000, approximately 40 percent of the cost will be allocated toward materials. Construction materials delivered to the construction site in the City is subject to local sales tax of 1.5%. At 40 percent for materials, local tax could be as high as \$93,000 to the general fund of the City. With respect to Phase II, assuming that commercial construction costs are \$2,500,000, approximately 40 percent of the cost will be allocated toward materials. Construction materials delivered to the construction site in the City is subject to local sales tax of 1.5%. At 40 percent for materials, local tax could be as high as \$15,000 to the general fund of the City.

Impacts on student populations. The addition of school age children as a result of this redevelopment project will have an impact on the Norfolk School District. Assuming each apartment will result in 2.35 persons and there is a traditional family in each apartment, a student population increase of .35 children per apartment is possible for a total of 56 new students. Single parents with multiple school age children will skew this number higher. The district will not receive taxes from the apartments and commercial structure built during the time the increased taxes are utilized to pay the TIF Bond. The district has received state aid to education in the past. Part of the school aid formula involves assessed valuation in the district. The valuation that generates the TIF Bond payments is not included in the formula and does not count against the state aid that the district would receive. Taxes on any increase in the base value of the land will benefit the school district. After the TIF Bond is paid, or at the end of the respective 15 years of division of taxes, whichever is sooner, the increased valuation from the residential construction will be available to all taxing entities.

Other Impacts. The Redevelopment Area is blighted and contains substandard conditions that are a detriment to the City as a whole. The Redevelopment Project will revitalize and occupy a vacant space without negatively impacting the surrounding businesses or straining the public infrastructure. There are no other material impacts determined by the Agency relevant to the

consideration of the cost or benefits arising from the Redevelopment Project. As such, the costs of the Redevelopment Project are outweighed by its benefits.

Exhibit "5"
Sources and Uses of Funds

Sources

HUD loan	\$16,736,300
TIF Grant	\$ 3,700,000
Equity Phase One	\$ 3,024,777
Equity Phase Two	\$ 2,500,000
Total Sources	\$25,961,077

Uses

Site Acquisition, Survey and Title	\$ 345,000
Site Preparation	\$ 584,889
Public Street (Grove), Infrastructure & ROW Imp.	\$ 3,540,993
Architecture, Engineering & Planning	\$ 210,000
Legal and Appraisal	\$ 120,000
Planning and Permitting	\$ 160,000
Capitalized Interest	\$ 278,051
Phase One construction	\$15,539,000
City legal costs	\$ 15,000
Phase Two construction	\$ 2,500,000
HUD Soft Costs	\$ 1,044,857
<u>Reserves</u>	<u>\$ 1,623,287</u>
Total Uses	\$25,961,077