

**REDEVELOPMENT PLAN FOR
THE FOUNDRY APARTMENTS REDEVELOPMENT PROJECT**

PREPARED OCTOBER, 2022

**BY THE COMMUNITY DEVELOPMENT AGENCY
OF THE CITY OF NORFOLK, NEBRASKA**

A. Introduction

This Redevelopment Plan for the Foundry Apartments Redevelopment Project (this “Redevelopment Plan”), prepared by the Community Development Agency of the City of Norfolk, Nebraska (the “Agency”), is a guide for redevelopment activities to remove or eliminate blight and substandard conditions within the City of Norfolk, Nebraska (“City”). The Mayor and City Council of the City (the "Council"), recognizing that blighted and substandard conditions are a threat to the continued stability and vitality of the City, designated certain areas of the City to be blighted and substandard and in need of redevelopment pursuant to the requirements of the Nebraska Community Development Law, sections 18-2101 et. seq., as amended (the "Act").

Prior to the preparation of this Redevelopment Plan, and in compliance with the Act, the Mayor and Council designated a portion of the City as a blighted and substandard community redevelopment area, such area being commonly referred to as the “Big Red Keno Area” (referred to herein as the “Redevelopment Area”). This Redevelopment Plan sets forth a redevelopment project proposed by Foundry Apartments, LLC (“Redeveloper”), located within the Redevelopment Area to optimize the tax increment financing ("TIF") resources available to offset certain costs deemed eligible for reimbursement by TIF under the Act, and to remove existing and avoid future blighted and substandard conditions, all as further described herein. This Redevelopment Plan contemplates the construction of a multi-family housing apartment complex, together with such public improvements associated therewith, within the Redevelopment Area (such public and private improvements are collectively referred to herein as the "Redevelopment Project").

B. Redevelopment Area; Project Site; Existing Conditions

Exhibit "A", attached hereto and incorporated herein, sets forth the boundaries and existing conditions of the Redevelopment Area. Exhibit "A-1", attached hereto and incorporated herein, sets forth the boundaries and existing conditions of the area to be developed as part of the Redevelopment Project (the "Project Site"). The Project Site is located to the southeast of the intersection of W Pasewalk Ave and Highway 275, in the City. The Project Site is completely engrossed within the blighted and substandard Redevelopment Area and is in need of redevelopment.

C. Conformance with the Comprehensive Plan

It is essential to the City’s comprehensive plan for development (the “Comprehensive Plan”) that dilapidated, inadequate, or deteriorating portions of the City conform to the current and future needs of the City as it continues to grow and expand. Exhibit "B", attached hereto and incorporated herein, shows a portion of the future use map (showing the Redevelopment Area

and surrounding areas) included within the City's Comprehensive Plan. The map sets forth a "Multi Family Residential" designation for future use of the Project Site, which conforms to the anticipated use for the Redevelopment Project. Accordingly, the anticipated uses associated with the Redevelopment Project conform to the desired use of the Project Site set forth in the Comprehensive Plan's future use map.

The Comprehensive Plan further sets forth the following objectives for the area in which the Project Site is located, designated therein as the "Hwy 275 Corridor":

- Consider the provision of incentives to redevelop infill areas that exist for accommodating a variety of new and compatible forms of development.
- New residential developments within this district should encourage or require the incorporation of more dense development practices achieved through either small lot sizes and/or medium to high density residential uses.
- Medium and/or high density residential is targeted along the Highway 275 and Highway 81 Corridors within the district.

The Redevelopment Project will assist in carrying out the foregoing goals and objectives. Accordingly, the Redevelopment Project is in conformance with and furthers the objectives under the City's Comprehensive Plan.

D. Redevelopment Project Overview

With respect to the Redevelopment Project, Redeveloper proposes the construction of a multi-family residential apartment complex, consisting of approximately five 36-unit apartment buildings (180 units total), clubhouse and pool amenities, and approximately 72 covered garages, together with such other improvements ancillary thereto. The Project Site is currently a part of a larger lot on which an existing company (and the current owner), Big Red Restaurant & Sports Bar, is located. It is anticipated that the land comprising the existing business will be subdivided and made into its own tax lot, with the remainder making up the Project Site. Redeveloper is under contract for the purchase of the Project Site, contingent upon subdivision of the site and approval of TIF. No public acquisition of the Project Site is anticipated. Additionally, no families will be displaced as a result of the Redevelopment Project.

Exhibit "C", attached hereto and incorporated herein, sets forth the proposed site plan for the Redevelopment Project.

E. Existing Conditions

1. Existing Land Use

The Project Site currently consists of vacant land.

2. Existing Zoning

The Project Site is currently zoned as C-3 (Service Commercial District) in the Highway Corridor Overlay District.

3. Existing Public Improvements

The Project Site is adjacent to W Pasewalk Ave, but is without direct access to the same. The Project Site is without internal paving, sewer, water, storm sewer, electrical service, public walks, and related infrastructure, but is adjacent to the same for connection and/or extension.

F. Proposed Redevelopment

1. Public Improvements

The Redevelopment Project will require significant infrastructure improvements and other public improvements. These improvements will include, but are not limited to:

a. Public Access; Traffic Flow, Street Layouts and Street Grades

The Project Site is adjacent to W Pasewalk Ave, but is without direct access to the same. Redeveloper will construct paving for ingress and egress therefrom, along with internal streets and walkways. Redeveloper will be required to construct a public sidewalk on the south side of W Pasewalk Ave bordering the Project Site. Additionally, the City may require connectivity to Parker Circle to the east of the Project Site; or in the alternative, construction of a turnaround for Parker Circle. Because the exact nature of the improvements to Parker Circle are not known at this time, a reasonable estimate of such costs is not available. However, the costs of any such improvements for Parker Circle will be TIF eligible. The public improvements for the Redevelopment Project will address any traffic and street infrastructure concerns that would otherwise be created by the Redevelopment Project. All streets and other public infrastructure constructed by Redeveloper will be subject to review and approval by the City's engineer or other designee of the City.

b. Construction of Water and Sewer Improvements.

Redeveloper will construct or extend water and sewer systems to provide appropriate service to the Project Site.

c. Other incidental improvements

The Project Site is currently undeveloped and will require grading to provide effective drainage throughout the area. The Project Site requires filling and grading to properly drain the ground water runoff and provide appropriate grading levels to erect the buildings. Redeveloper also anticipates the construction of electric, gas and telecommunications utilities extending to the buildings on the Project Site. The anticipated public improvements (and costs related to the public improvements) for the Redevelopment Project are listed in Exhibit "E", attached hereto and incorporated herein.

d. Additional public facilities or utilities

Other than the construction or extension of the utilities and infrastructure detailed above, Redeveloper and the City anticipate that the existing public facilities and utilities can adequately meet the demands of the Redevelopment Project.

e. Property Acquisition, Demolition and Disposal

No public acquisition of private property or relocation of families or businesses is necessary to accomplish the Redevelopment Project.

f. Population Density

The Project Site currently sits undeveloped and vacant. The Redevelopment Project is residential in nature and will naturally result in an increase to population density. The anticipated unit breakdown of the apartments is approximately 95 one-bedroom and studio units, and 85 two-bedroom units. Accordingly, an increase in population density of approximately 265 people is estimated within the Project Site; provided that the foregoing unit mix is preliminary and subject to change.

g. Land Coverage

The Project Site is made up of approximately 7 acres of undeveloped land. The Redevelopment Project will consist of the construction of five apartment buildings, one

clubhouse and pool area, and six garage structures, with a land coverage footprint shown on the site plan set forth in Exhibit "C". The Redevelopment Project is subject to and must comply with all applicable land coverage ratios required by the City.

h. Parking

The City's zoning code requires two parking spaces per dwelling unit. Redeveloper anticipates the construction of approximately 180 units, which would require 360 parking spaces. All parking requirements shall be exclusively established via Redeveloper's submission of final plans for the Redevelopment Project to the City, and Redeveloper shall be required to comply with the same.

i. Zoning, Building Code and Ordinance

The Project Site is currently zoned as C-3 (Service Commercial District) in the Highway Corridor Overlay District. A change to a base district R-3 (Multi Family Residential) zoning designation will be required as part of the Redevelopment Project while remaining in the Highway Corridor Overlay District. Redeveloper will be responsible for all zoning, building code, or ordinance changes that are necessary for the Redevelopment Project.

3. Private Improvements

Private improvements for the Project Site consist of the construction of a multi-family residential apartment complex, consisting of approximately five 36-unit apartment buildings (180 units total), clubhouse and pool amenities, and approximately 72 covered garages, in addition to the related facilities and improvements ancillary thereto. Redeveloper or other builders taking conveyance from Redeveloper will construct the private improvements. Paragraph H of this Redevelopment Plan details the anticipated construction schedule for the private improvements.

G. Project Costs

The total estimated costs of the Redevelopment Project are \$26,180,000. The estimated costs of the Redevelopment Project are attached and incorporated herein as Exhibit "D". Such figures are only estimates based upon 2022 pricing, and are subject to change without further amendment of this Redevelopment Plan.

H. Implementation

Redeveloper anticipates that construction of the Redevelopment Project will commence in spring of 2023, and will be completed by the end of 2024. Notwithstanding the foregoing, Redeveloper's timely completion of the Redevelopment Project is subject to extraneous factors, which may necessitate that Redeveloper completes the Redevelopment Project later than the projected date. As such, the anticipated start and completion dates are preliminary and subject to change based upon market conditions, availability of materials, workforce availability and other extraneous factors.

I. Financing

The City and the Agency contemplate the use of TIF for the Redevelopment Project. Section 18-2147 of the Act authorizes the use of TIF. It provides that any ad valorem tax levied upon real property, or any portion thereof, in a redevelopment project shall be divided, for a period not to exceed fifteen years after the effective date as identified in the redevelopment contract, or amendment thereof, or in the resolution(s) of the authority authorizing the issuance of bonds pursuant to the Act, as follows:

- (a) That portion of the ad valorem tax the levy produces 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 are all other taxes collected by or for the body ("Base Tax Amount"); and
- (b) That portion of the ad valorem tax on real property, as provided in the redevelopment contract or bond/note resolution, in the redevelopment project in excess of the Base Tax Amount, if any, (referred to herein as "TIF Revenues") shall be allocated to and, when collected, paid into a special fund of the authority 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, such authority for financing or refinancing, in whole or in part, the redevelopment project.

With respect to the Redevelopment Project, the actual base tax year and Base Tax Amount for the Redevelopment Project will be set forth in the redevelopment contract and/or the resolution authorizing the TIF Indebtedness (defined below). All TIF Revenues generated by the Redevelopment Project shall only be divided and allocated over the applicable 15-year increment period or until full payment of the TIF Indebtedness, whichever occurs first.

1. Necessity of TIF

Redeveloper has represented and warranted to the City that it would not be economically feasible to develop the Redevelopment Project without TIF. In support thereof, Redeveloper stated in its TIF application that:

“Construction and development costs are too high and do not support a commercially reasonable return without TIF. No Investors will commit without TIF because of the low return. Even with TIF, the project returns are small considering the risk Involved. The purchase of the property is contingent upon TIF approval, because the project will not move forward without TIF.”

In support thereof, Redeveloper submitted a return-on-investment (“ROI”) analysis breaking down the profitability of the project with and without TIF. Pursuant to that analysis, the ROI for the Redevelopment Project is 12.14% with TIF and 2.27% without TIF.

The City and Agency find Redeveloper’s representations to be accurate. Accordingly, the Redevelopment Project, as proposed herein, is not economically viable without the assistance of TIF and Redeveloper would not construct the same without TIF.

2. Sources and Uses of Financing

Based upon the projections provided in Exhibit "E", attached hereto and incorporated herein, the Agency and Redeveloper contemplate issuance of one TIF bond or note (the "TIF Indebtedness") in the principal amount of \$4,015,810. The TIF Indebtedness shall bear interest at a rate not to exceed 5.00% per annum. The final principal and interest amount comprising the TIF Indebtedness shall be determined by the Agency and set forth in the redevelopment contract or resolution authorizing the issuance of the TIF Indebtedness.

The total estimated cost of the Redevelopment Project is \$26,180,000. Redeveloper anticipates that the balance of the public and private costs exceeding the TIF Indebtedness will be financed by a mix of equity and traditional bank financing. The above figures are only projections and are subject to change as a result of market conditions and other extraneous factors.

J. Cost-Benefit Analysis

A cost-benefit analysis for the Redevelopment Project is attached as Exhibit "F" and incorporated herein.

Exhibits:

- Exhibit A: Redevelopment Area and Existing Land Use
- Exhibit A-1: Project Site and Existing Land Use
- Exhibit B: Future Land Use Map
- Exhibit C: Site Plan and Future Land Use
- Exhibit D: Estimated Construction Cost of the Redevelopment Project
- Exhibit E: Sources and Uses of TIF
- Exhibit F: Cost-Benefit Analysis

EXHIBIT "A"

Redevelopment Area and Existing Land Use

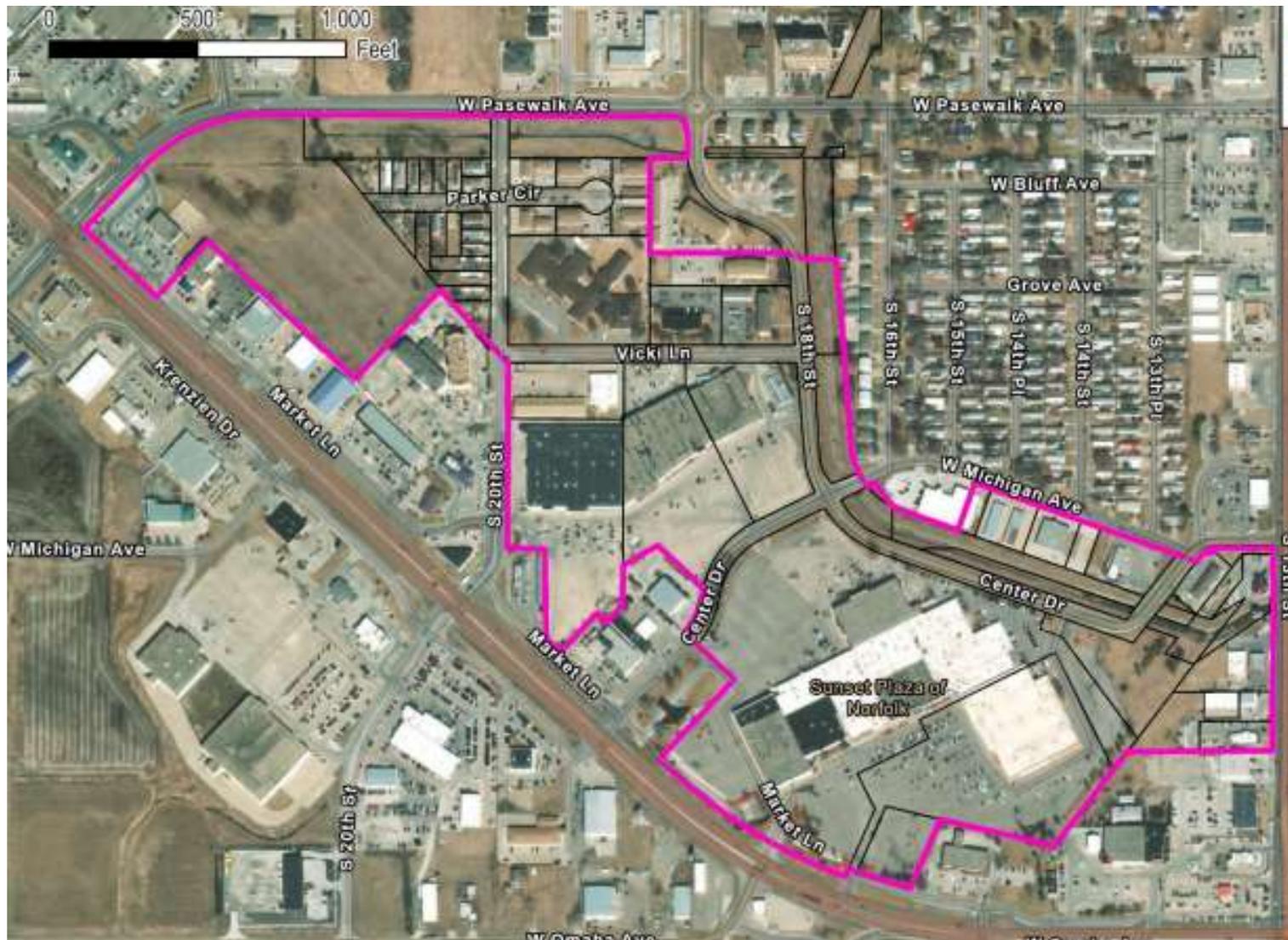


Exhibit "A"

EXHIBIT "A-1"

Project Site and Existing Land Use

Legal Description:

Part of the Southeast Quarter of the Northwest Quarter (SE1/4NW1/4) & Part of the North Half of the Southwest Quarter (N1/2SW1/4), in Section 28, Township 24 North, Range 1 West of the 6th P.M., Madison County, Nebraska.

* The Project Site is part of a larger parcel which will be subdivided following the approval of this Redevelopment Plan. Upon final approval of the City of the subdivision, the legal description of the Project Site created thereby shall replace and supersede the above legal description.

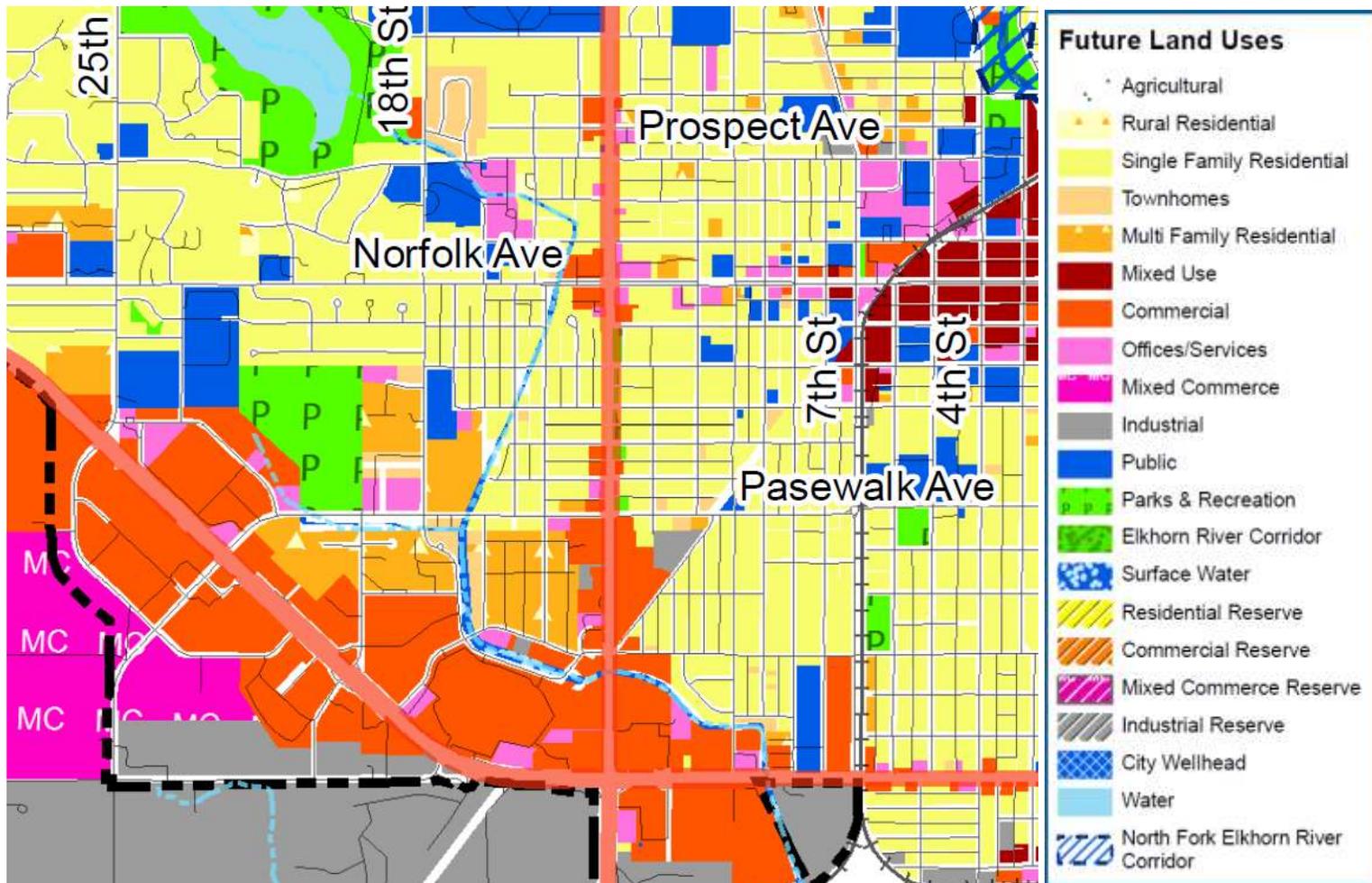
Depiction and Current Condition (outlined in red):



Exhibit "A-1"

EXHIBIT "B"

Future Land Use Map



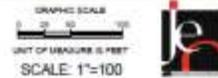
* Project Site designated for Multi Family Residential future use.

EXHIBIT "C"

Site Plan and Future Land Use



FOUNDRY APARTMENTS CONCEPT A
NORFOLK, NEBRASKA



* The above is a preliminary site plan and is subject to change.

Exhibit "C"

EXHIBIT "D"

Estimate of Construction Costs

Hard Construction Costs of Improvements	\$22,425,000
Infrastructure Costs	\$2,200,000
Soft Costs	\$555,000
Developer Fee	\$1,000,000
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TOTAL	\$26,180,000

* A detailed breakdown of these cost items is listed in Exhibit "E".

** The above figures are estimated values based on current pricing. These preliminary estimates are subject to change, as Redeveloper has no control over the change in cost of materials and services between the time of the approval of this Redevelopment Plan and commencement of construction.

EXHIBIT "E"

Sources and Uses of TIF

USES:

Land Acquisition	\$1,500,000
Dirt Work, Infill & Site Preparation	\$1,212,799
Architectural and Engineering Fees	\$330,000
Sidewalks	\$126,000
Parker Circle Improvements	TBD
Water and Sewer Connection & Extension	\$319,600
Electric Extension	\$150,000
Façade & Energy Enhancements	\$250,000
Landscaping & Erosion Control	\$227,750
Contingency	\$212,300
Legal Fees	\$15,000
City Fees	\$15,000
TOTAL	\$4,358,449

* The above "Uses" are preliminary estimates based on current pricing and are subject to change.

SOURCES:

General Assumptions:

Base Value:	\$714,295
Final Value (per apartment):	\$110,000
Final Value (aggregate):	\$20,514,295
Tax Levy (2021):	1.957619%
Yearly TIF Revenues:	\$383,732
Total TIF Revenues:	\$5,755,980
TIF Indebtedness:	\$4,015,810
Interest Rate:	5.00%

* The above "Sources" are preliminary estimates and are subject to change.

EXHIBIT "F"

Cost-Benefit Analysis (Pursuant to Neb. Rev. Stat. § 18-2113)

The cost-benefit analysis for the Redevelopment Project, as described in the attached Redevelopment Plan, which will utilize funds authorized by section 18-2147 of the Act, is provided below:

1. Tax shifts resulting from the approval of the use of funds pursuant to Section 18-2147:

The taxes generated by the base value of the Project Site will continue to be allocated between the relevant taxing jurisdictions pursuant to the Act. Only the incremental taxes created by the Redevelopment Project will be captured to pay for the project's eligible public expenditures. Since the incremental taxes would not exist without the use of TIF to support the Redevelopment Project, the true tax shift of the Redevelopment Project is a positive shift in taxes after 15 years. However, for the purposes of illustrating the incremental taxes used for TIF, the estimated 15 year tax shift for the Redevelopment Project is set forth in Exhibit "E" of the Redevelopment Plan, and is adopted hereby.

Notes:

- 1. The Projected Tax Increment is based on assumed values and levy rates; actual amounts and rates will vary from those assumptions, and it is understood that the actual tax shift may vary materially from the projected amount. The levy rate is assumed to be the 2021 levy rate. There has been no accounting for incremental growth over the 15 year TIF period.*

2. Public infrastructure and community public service needs impacts and local tax impacts arising from the approval of the Redevelopment Project:

a. Public infrastructure improvements and impacts:

The Redevelopment Project requires public infrastructure installation. The Project Site will require the construction of vehicular access from W Pasewalk Ave, the construction of sidewalks, and the construction and/or extension of utilities to serve the buildings on the lot. The public improvements for the Redevelopment Project will address any traffic and street infrastructure concerns that would otherwise be created by the Redevelopment Project. The Project Site will be filled and graded to provide for effective surface water runoff. The Agency

and Redeveloper do not anticipate that the Redevelopment Project will have a negative impact on now-existing City infrastructure.

b. Local Tax impacts (in addition to impacts of Tax Shifts described above):

The Redevelopment Project should create material tax and other public revenue for the City and other local taxing jurisdictions. While the use of TIF will defer receipt of a majority of new ad valorem real property taxes generated by the Redevelopment Project, the Redevelopment Project should generate immediate tax growth for the City. The residents of the new apartments will require and pay for City services. Additionally, the City will collect sales tax on a portion of the materials used for the Redevelopment Project. It is not anticipated that the Redevelopment Project will have any material adverse impact on such City services, but will generate revenue providing support for those services.

3. Impacts on employers and employees of firms locating or expanding within the boundaries of the Project Site:

The Redevelopment Project will result in a limited amount of new business within the Project Site stemming from the operation and management of the apartment complex, which will create additional jobs. Accordingly, it is anticipated that the Redevelopment Project will have a minimal, albeit positive, impact on employers and employees locating or expanding within the boundaries of the Project Site.

4. Impacts on other employers and employees within the City and the immediate area that is located outside of the boundaries of the Project Site:

The Redevelopment Project will provide housing for the City's workforce, which will benefit employees that work in the vicinity of the Project Site, as well as those making up the general population of the City. An increase in population density in the area will also benefit nearby businesses via the increased need for goods and services. Additionally, multi-family housing is a key element for attracting and/or retaining workforce needed by area employers, thereby conferring an additional benefit on employers. Accordingly, the Redevelopment Project is anticipated to have a positive impact on surrounding employers and employees.

5. Impacts on student populations of school districts within the City:

The increase of population density within the Project Site may result in an increase in school-aged children within the related school districts. However, there is no indication that the schools within the district are unable to withstand an increase in enrollment proportionate to the size of the Redevelopment Project. The school district will not receive taxes from the residences

built during the time the increased taxes are utilized to pay the TIF Indebtedness. However, the school district has received state aid to education in the past. Part of the school aid formula involves assessed valuation in the school district. The valuation that generates the TIF payments is not included in the formula and does not count against the state aid that the school district would receive. Taxes on any increase in the base value of the land will benefit the school district. After the TIF indebtedness 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 the school district. As such, Redeveloper and the Agency do not anticipate a negative impact on school districts located within the boundaries of the area of the Redevelopment Project.

6. Other impacts determined by the Agency to be relevant to the consideration of costs and benefits arising from the redevelopment project:

The Project Site 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, residents or straining the public infrastructure. There are no other material impacts determined by the Agency relevant to the consideration of the costs or benefits arising from the Redevelopment Project. As such, the costs of the Redevelopment Project are outweighed by its benefits.

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