

**REDEVELOPMENT PLAN FOR THE
PHILLIP AVENUE APARTMENTS REDEVELOPMENT PROJECT**

PREPARED MARCH, 2023

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

A. Introduction

This Redevelopment Plan for the Phillip Avenue 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 “Downtown District Redevelopment Area” (referred to herein as the “Redevelopment Area”). This Redevelopment Plan sets forth a redevelopment project, proposed by Phillip Avenue Apartments, LLC (“Redeveloper”), 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 an approximately 30-unit 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. The Redevelopment Area is identical to the "Downtown District Redevelopment Area," which the Mayor and Council previously declared blighted and substandard and in need of redevelopment. 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 at 414 W Phillip Ave, to the northeast of the intersection of S 5th St and Phillip Ave, 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 Project Site and surrounding areas) included within the City's Comprehensive Plan. The map sets forth a "Mixed Use" designation for future use of the Project Site. Mixed Use allows for myriad of uses, including multi-family apartments. 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 with respect to the downtown area:

- Zoning regulations should encourage and allow vertical mixed-use (residential and office uses on upper floors above ground-level retail, or services) and live-work units in downtown.
- Downtown and its immediate fringe areas should offer a wide variety of medium to high-density housing options to support retail, restaurants, professional services, and entertainment venues.

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

D. Redevelopment Project Overview

The Redevelopment Project consists of the construction of an approximately 30-unit apartment complex on the Project Site. Redeveloper recently acquired the Project Site from Elkhorn Valley Community Development Corp. for a purchase price of \$275,000. 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 (the "Site Plan").

E. Existing Conditions

1. Existing Land Use

The Project Site currently consists of paved and non-paved surfaces and a single vacant structure. The land area of the Project Site is approximately 0.8 acres.

2. Existing Zoning

The Project Site is currently zoned as R-3 (Multiple-Family Residential District).

3. Existing Public Improvements

Public access to the Project Site currently exists from both S 5th St and Phillip Ave. The Project Site is without internal sanitary sewer, water, electrical service, and related infrastructure.

F. Proposed Redevelopment

1. Public Improvements

The Redevelopment Project will require 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

Public access to the Project Site currently exists via S 5th St and Phillip Ave. Redeveloper will construct paving for ingress and egress from S 5th St. 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 extend water and sanitary sewer systems to provide appropriate service to the Project Site; and the Project Site will be filled and graded to provide for effective surface water runoff.

c. Other incidental improvements

Redeveloper will extend electric and communication utilities to the apartment building 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. The existing vacant building on the Project Site will be demolished as part of the Redevelopment Project.

f. Population Density

The Project Site currently sits vacant. The Redevelopment Project is residential in nature and will result in an increase to population density. However, the City desires increased population density, via a variety of housing types, in the downtown area.

g. Land Coverage

The Project Site is approximately 0.8 acres, consisting of a 1,200 square foot (vacant) structure and paved and non-paved surfaces. Land coverage and building densities will increase as a result of the Redevelopment Project, which will consist of the construction of an approximately 11,900 square foot building, as shown on the Site Plan. Additionally, some of the current paved and non-paved surfaces will be removed and replaced with green space. The Redevelopment Project will be required to comply with all applicable land coverage ratio and building density criteria under the City's zoning code.

h. Parking

As shown on the Site Plan, Redeveloper estimates the parking lot serving the building will consist of approximately 53 stalls. There will be a cross parking agreement with the adjacent owner, Midtown Health, to achieve a minimum of two stalls per dwelling unit consistent with parking requirements under the City's zoning code.

i. Zoning, Building Code and Ordinance

The Project Site is currently zoned as R-3 (Multiple-Family Residential District). Accordingly, a zoning change will not be required as part of the Redevelopment Project.

Notwithstanding, Redeveloper shall be responsible for all zoning, building code, or ordinance changes that are necessary for the Redevelopment Project.

2. Private Improvements

Private improvements for the Redevelopment Project Area consist of the construction of an approximately 30-unit apartment complex, 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 cost of the Redevelopment Project is \$5,032,000. The estimated costs of the Redevelopment Project are attached and incorporated herein as Exhibit "D". Such figures are only estimates based upon 2023 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 the spring of 2023, and will be completed by the summer of 2025. 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). The Agency and Redeveloper anticipate the issuance of one TIF bond or note for the Redevelopment Project. 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 represented and warranted in its TIF application that increased construction costs, inflation and interest rate increases make this project not feasible without TIF.

Additionally, Redeveloper provided in its application a projected cash on cash return on investment for the Redevelopment Project, both with and without TIF. Without TIF, the average return on investment over the first ten years is 0.55%. Such a return is inadequate with respect to prudent investment and/or financing. With TIF, the average return on investment over the first ten years is 5.86%.

Additionally, the current conditions of the Project Site, and the added site preparation costs related thereto, contribute to the site’s blighted and substandard condition and the infeasibility of its development without the assistance of TIF. In consideration of the foregoing, the City and Agency have determined that 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 \$445,000. The TIF Indebtedness shall bear interest at a rate not to exceed 9.00% 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. 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.

The total estimated cost of the Redevelopment Project is \$5,032,000. 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
- 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

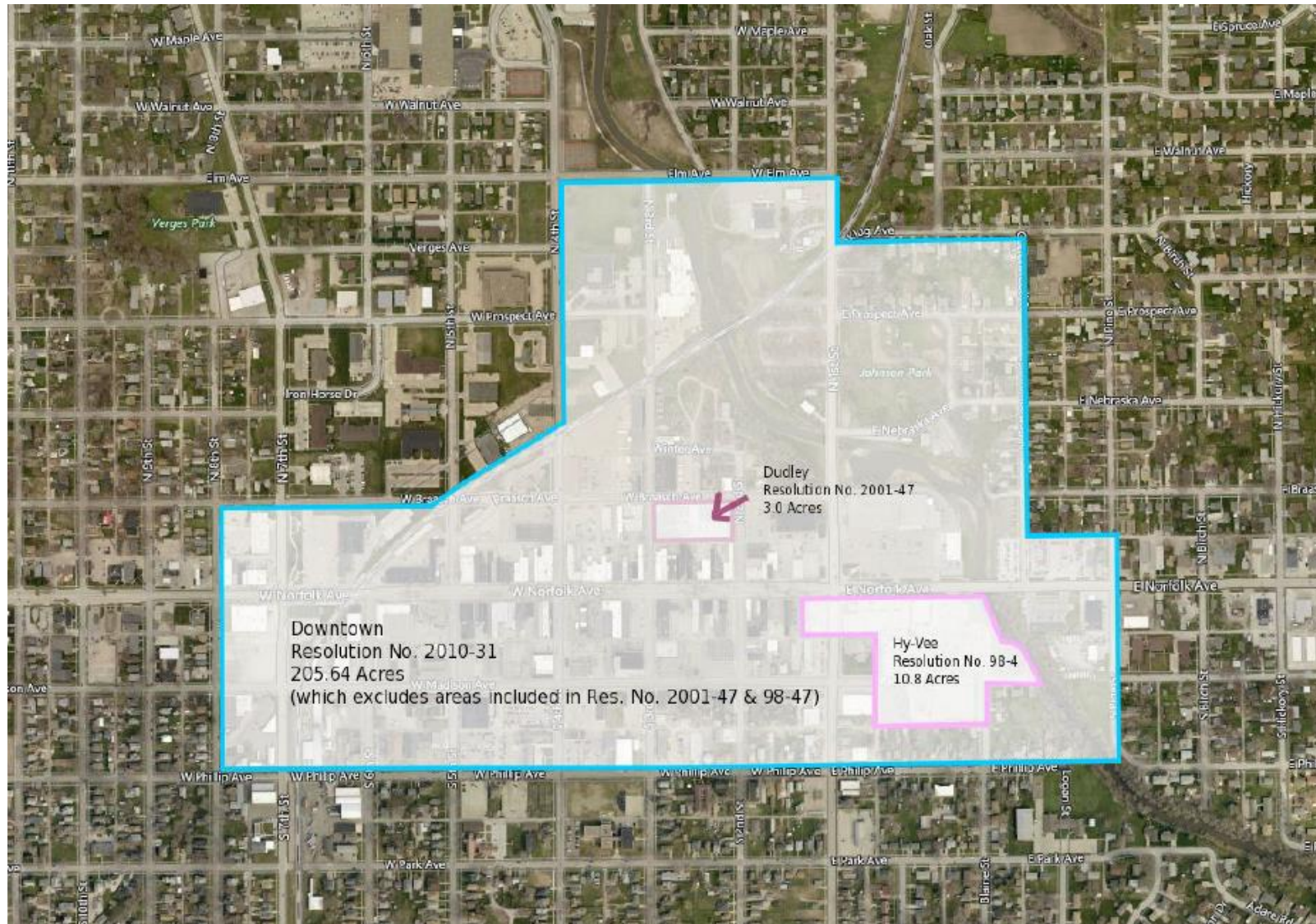


Exhibit "A"

EXHIBIT "A-1"

Project Site and Existing Land Use

Legal Description:

Lot 9 and the West Half and East Half of the South Half of Lot 10, and the West 21 feet of the South Half of Lot 11, Block 6, Koenigstein's First Addition to Norfolk, Madison County, Nebraska; AND

The North Half of the East Half of Lot 10 and the East 45 feet and the North Half of the West 21 feet of Lot 11, Block 6, Koenigstein's (First) Addition to the City of Norfolk, Madison County, Nebraska

* In the event Redeveloper subdivides or replats the Project Site, the legal description(s) of such subdivided or replatted parcel(s) comprising the Project Site, upon final approval of the City with respect thereto, shall replace and supersede the above legal description.

Depiction and Current Condition (outlined in red):

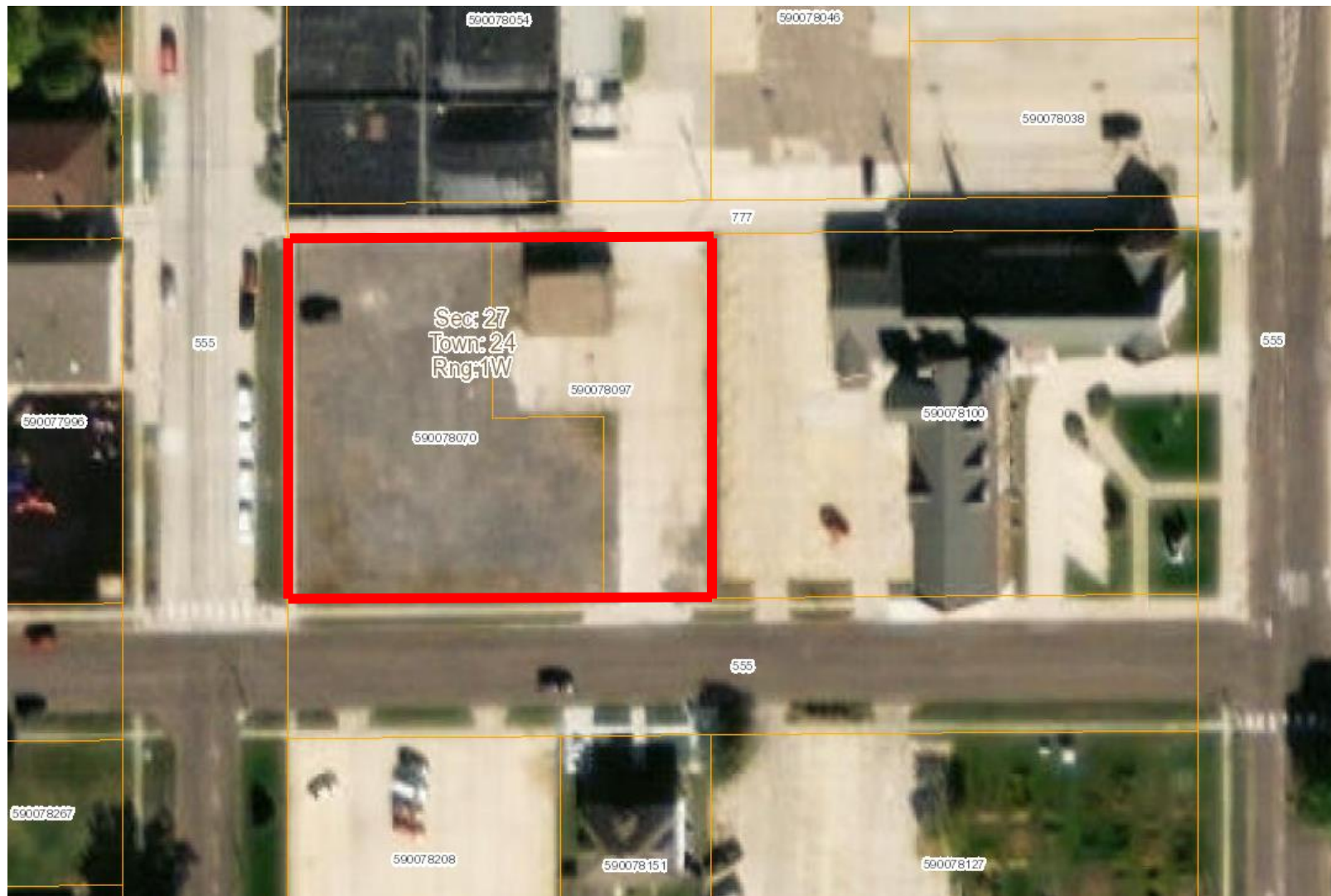
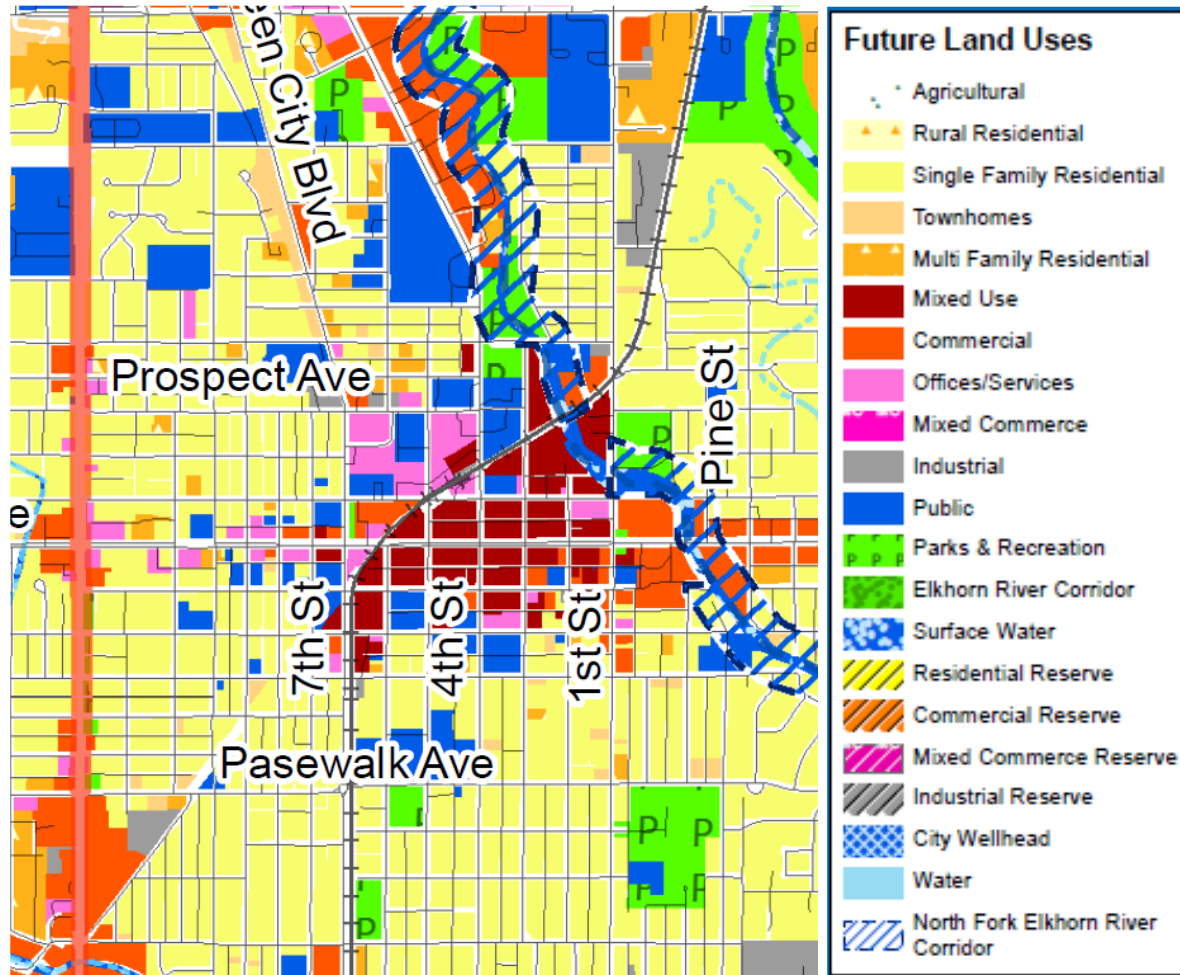


Exhibit "A-1"

EXHIBIT "B"

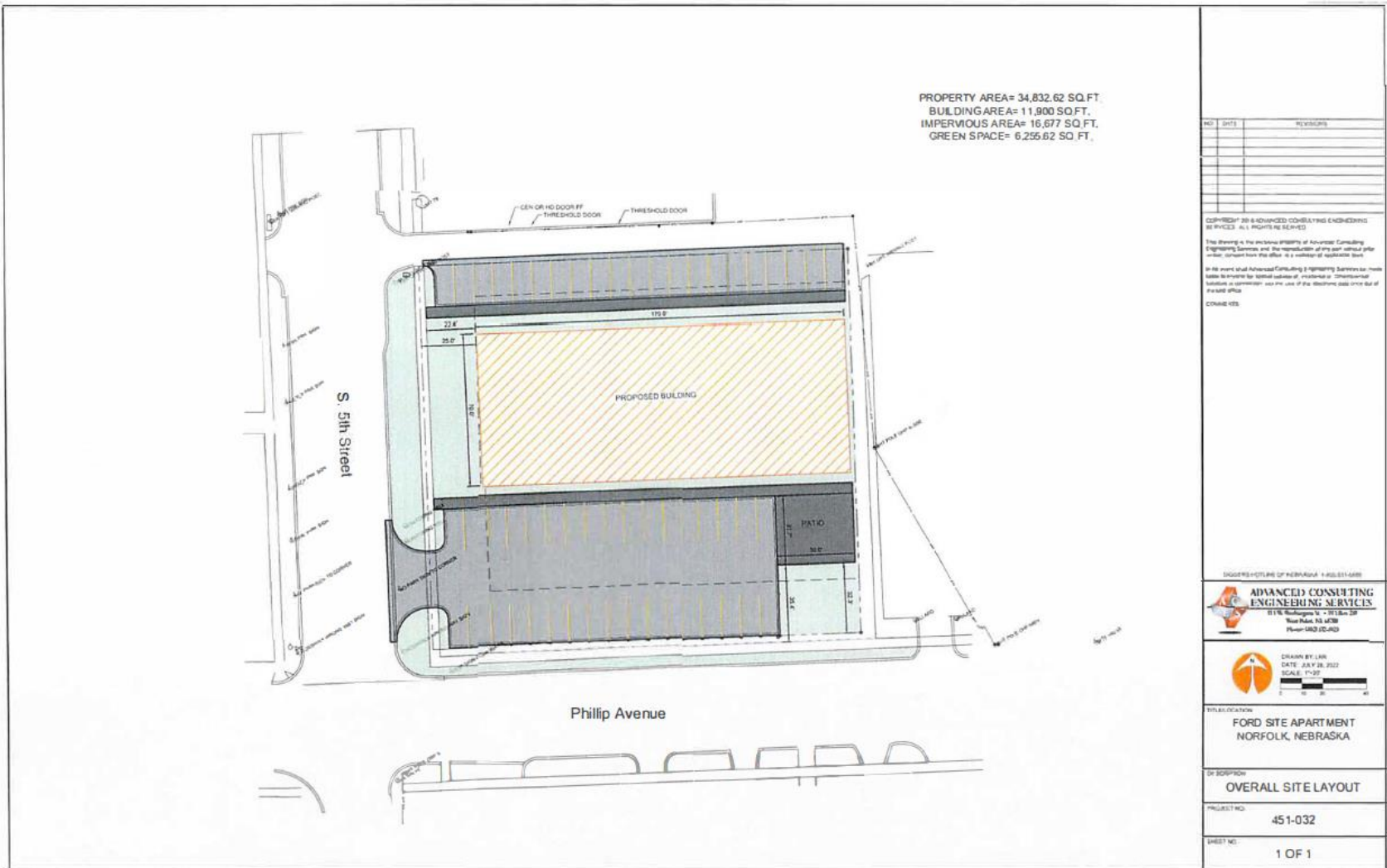
Future Land Use Map



* Project Site designated as Mixed Use.

EXHIBIT "C"

Site Plan and Future Land Use



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

EXHIBIT "D"

Estimate of Construction Costs

Construction Cost	\$4,531,000
Site Acquisition Cost	\$275,000
Site Work & Demo	\$85,000
Water & Sewer Infrastructure	\$52,000
NPPD Infrastructure Cost	\$36,000
Site Engineering	\$28,000
City Legal Fee	\$10,000
Legal and Admin	\$15,000
Total Project Cost	\$5,032,000
Owner's Equity 20%	\$1,006,400
Bank Financing	\$4,025,600

* 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:

Site Acquisition	\$275,000
Dirt Work and removal of building and concrete	\$85,000
Water Extension	\$35,000
Sewer Extension	\$17,000
Electrical Lines	\$36,000
Site Engineering Fees	\$28,000
Legal Fees	\$25,000
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TOTAL	\$501,000

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

SOURCES:

General Assumptions:

Base Value:	\$101,184
Final Value:	\$2,950,000
Tax Levy (2022):	1.960172
Annual TIF Revenues:	\$55,284
Total TIF Revenues:	\$829,260
TIF Indebtedness:	\$445,000
Interest Rate:	9%

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 2022 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 S 5th St, along with the construction and/or extension of utilities to serve the apartments 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 apartment complex 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 the creation of two jobs within the Project Site related to apartment management/maintenance. Accordingly, it is anticipated that the Redevelopment Project will have a 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 needed apartment housing for employees that work in the downtown area. It is also anticipated that this project will provide housing for Wayne State students participating in the Growing Together Initiative. The Growing Together Initiative is aimed at keeping young people in the area as well as attracting other young people to the area. This will also benefit area employers in their ability to attract and retain workers. 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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