To: Lincoln City Council Members
From: David Landis, Director
Date: July 30, 2008
Subject: AV Plaza Parkway Triangle Redevelopment Project
Amendment to the Antelope Valley Redevelopment Plan

Attached for your review is an amendment to the Antelope Valley Redevelopment Plan to reflect the AV Plaza Parkway Triangle Redevelopment Project (see Exhibit A).

Section 18-2113 of the Community Development Law requires the City to review the project and find that the proposed land uses and building requirements in the Project Area are designed with the general purpose of accomplishing, in conformance with the general plan, a coordinated, adjusted, and harmonious development of the City and its environs, which will, in accordance with present and future needs, promote health, safety, morals, order, convenience, prosperity, and general welfare, as well as efficiency and economy in the process of development. On June 16, the Project Area and project components, including proposed land uses and buildings were found to be in conformance with the Comprehensive Plan, the City’s guiding plan for the protection of public health and safety and sound planning. The Urban Development also finds that the project is in conformance with the existing Antelope Valley Redevelopment Plan, which outlines the redevelopment goals and activities planned for the prevention and elimination of blight.

Section 18-2114 of the Community Development Law requires that proposed amendments to the plan be accompanied with a statement that addresses the following areas: 1) Proposed method and costs of acquisition, 2) proposed methods and costs of redevelopment of the project area; 3) estimated proceeds or revenue from disposal to developers; 4) methods proposed for financing projects; and 5) feasible method proposed for relocating families to be displaced by the project.

1. If this project requires the City to acquire property, the funding source for this acquisition would be tax increment financing generated within the project area. The City would not use eminent domain to acquire property.

2 & 3. The total estimated public cost for the project is up to $12 million for both Phase I and Phase II. The total public cost will be funded through tax increment financing generated by the private development within the project area, as well as, potentially, parking revenue bonds.
4. Following City Council approval of the redevelopment agreement negotiated between the City and developer(s), the City will either issue and sell Community Improvement Financing bonds or notes to fund the public improvements related to these projects, or permit the developer to finance the project through a Developer-Purchased debt instrument.

5. There will be no relocation of families as a result of the project or project amendment.

In addition, Section 18-2116 of the Community Development Law requires the City Council to make the following findings before authorizing the use of Community Development Financing:

- the redevelopment project and plan would not be economically feasible without the use of Tax Increment Financing; and,
- the redevelopment project would not occur in the Community Development area without the use of Tax Increment Financing.

Per Section 18-2116, 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 and found to be in the long-term best interest of the City. The Urban Development Department believes that the public improvements included in this plan amendment would not occur “but for” the Tax Increment Financing generated by private redevelopment within the project area. Exhibit E consists of a cost benefit analysis of the AV Parkway Plaza Triangle Redevelopment Project and shows the TIF funds estimated to be generated by the project.

The revitalization of the Antelope Valley Redevelopment Area is in the best interest of Downtown Lincoln and the entire Lincoln community. The investment in the channel and roadway will create prime locations for private investment; however, additional work must be completed to remove blighted conditions and encourage redevelopment. The additional public investment will complement this project and future redevelopment projects, creating an opportunity for the highest and best use of these sites. The Urban Development Department recommends your approval of the AV Parkway Plaza Triangle Redevelopment Project Amendment to the Lincoln Center Redevelopment Plan.

Following the approval of the Plan Amendment, the following steps will occur in the implementation of the project:

- Negotiate redevelopment agreement with the developers and submit to City Council for approval.
- Request approval from City Council for the issuance of Community Improvement Financing bonds or notes, and issue and sell bonds or notes, if needed.
- Select architects/engineers pursuant to city standard practice to design public improvements.
- Approve the public improvement design.
- Competitively select primary contractor to construct public improvements.
- Construct public facilities and improvements.

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Proposed Amendment to the Antelope Valley Redevelopment Plan for the AV Parkway Plaza Triangle Redevelopment Project

(Following page 76 of the Antelope Valley Redevelopment Plan)

I. AV Parkway Plaza Triangle Redevelopment Project

1. Site Description

The AV Parkway Plaza Triangle Redevelopment Project Area is located in the “super block” that includes Q Street to the South, the proposed site of the Antelope Valley Parkway to the West, and 21st Street and a portion of the proposed site of Union Plaza to the east, as shown on the attached project area map marked Exhibit A. The area will be replatted to accommodate the future public and proposed private improvements.

A. Phase I – Mixed-Use Office and Parking Facility

Phase I of the AV Parkway Plaza Triangle Redevelopment Project includes Q Street to the South, R Street to the North, the proposed site of the Antelope Valley Parkway to the West, and 21st Street and a portion of the proposed site of Union Plaza to the east as shown in the Project area map marked Exhibit B.

B. Phase II – Mixed-Use Commercial

Phase II of the AV Parkway Plaza Triangle Redevelopment Project includes the area surrounded by R Street to the South, the proposed site of the Antelope Valley Parkway to the West, and 21st the proposed site of Union Plaza to the east as shown in the Project area map marked Exhibit B.

2. Project Elements

The AV Parkway Plaza Triangle Redevelopment Project is a two-phase, mixed-use commercial and parking facility project. Phase I includes the construction of a new headquarter office building and adjacent parking structure. Phase II is expected to include a complementary mixed-use commercial building within the Phase II area identified in Exhibit B.

The Redevelopment Project Area and proposed project concepts are consistent with the goals of the Antelope Valley Redevelopment Plan and proposed design standards. The goal in redeveloping this project area is to create an exemplary mixed-use office building to serve as a cornerstone of the Antelope Valley area and a substantial bookend to Downtown redevelopment. The redevelopment of this area will remove blighted and substandard conditions, strengthen Downtown Lincoln, and help shape and encourage future development within East Downtown and Antelope Valley.

The Project Area is located within East Downtown and is currently zoned R-6, B-3, and B-4 (see Exhibit C). The Project Area will be rezoned B-4. The land uses within the proposed project boundaries are a mixture of residential, commercial, industrial, and other uses. A significant portion of the land is currently vacant. None of the existing residential or commercial structures will remain
as part of this project. Land coverage and building density will be altered significantly with the implementation of this project. Future land use is shown on Exhibit D, attached.

The properties within the developable portions of the project area have already been acquired by the Joint Antelope Valley Authority as part of the public portions of the Antelope Valley project or have been acquired or are under contract for acquisition by the developer. The developer will work with the City to acquire those portions of City property needed for the project.

The existing street system within the project area will change as a result of this project, and as part of the Antelope Valley Parkway improvements already being implemented. The developers will seek vacation of R Street from the future Antelope Valley Parkway to Union Plaza, and 20<sup>th</sup> Street from Q to S Streets. The developer is working with the City to determine if the vacation of 21<sup>st</sup> Street north of Q Street will also be feasible, or if there are alternatives to vacation.

The proposed, as well as any other, plans to acquire, relocate, demolish, or dispose of any real private property will follow policy outlined in the Plan.

Public investment may assist in acquisition, demolition, and site preparation; utility relocation, improvements, and resizing; redevelopment of the streetscape surrounding the block and transition area between the project and the plaza; parking; and, other public improvements.

A cost-benefit analysis will be prepared and included as a part of the material that will be presented to City Council.

**A. Phase I – Mixed-Use Office and Parking Facility**

Phase I will include the construction of a headquarter office building. The building is planned to be 160,000 to 200,000 square feet with room for expansion. A parking facility will also be constructed, resulting in 500 to 750 stalls. The office building and parking facility are planned to be located in the mixed-use - office building and parking facility area shown in Exhibit D.

**B. Phase II – Mixed-Use Commercial**

Phase II will include the construction of a mixed-use building or buildings. The total square feet is expected to be between 40,000 and 160,000 square feet, depending upon the specific use. The use is expected to be supportive of or complementary to other uses in East Downtown and within the Antelope Valley area.
3. Proposed Costs and Financing

A. Phase I – Mixed-Use Office and Parking Facility

The estimated total cost to implement Phase I is approximately $62 million, including public improvements. The source of funds for public improvements will be Community Improvement Financing (commonly referred to as Tax Increment Financing or TIF), estimated to be $6 million, generated from the private developments within the project area, and Capital Improvement Program funding, as well as the potential for parking revenue bonds. Funding sources and uses will be negotiated as part of the redevelopment agreement, subject to approval by the Mayor and City Council.

B. Phase II – Mixed-Use Commercial

The estimated total cost to implement Phase II is approximately $10 to $35 million, including public improvements. The source of funds for public improvements will be Community Improvement Financing (commonly referred to as Tax Increment Financing or TIF), estimated to be $1 to $4 million, generated from the private developments within the project area, and Capital Improvement Program funding. Funding sources and uses will be negotiated as part of the redevelopment agreement, subject to approval by the Mayor and City Council.
AV Parkway Plaza Triangle Redevelopment Project Area

Exhibit B
Phase I & II Development Areas
- Gray: Project Area Boundary
- Black: Phase II
- Beige: Phase I
- White: Parcel Boundary

Antelope Valley
Redevelopment Plan
AV Parkway Plaza Triangle Redevelopment Project Area

Exhibit C
Zoning

Antelope Valley
Redevelopment Plan

City of Lincoln
Urban Development GIS
Updated 7/29/08
AV Parkway Plaza Triangle Redevelopment Project Area

Exhibit D
Future Landuse

Antelope Valley
Redevelopment Plan
Exhibit E

Cost Benefit Analysis
AV Parkway Plaza Triangle Redevelopment Project

As required by Nebraska Community Development Law (Nebr. Res. Stat # 18-2147), the City has analyzed the costs and benefits of the proposed AV Parkway Plaza Triangle Redevelopment Project including:

A. Tax Revenues

The AV Parkway Plaza Triangle Redevelopment Project is located in the area bounded by and including a portion of the future Antelope Valley Parkway to the west, future Union Plaza to the east, and Q Street to the south.

*AV Parkway Plaza Triangle - Phase I:*
The Phase I project area (see Exhibit B) had an assessed value in 2007 of approximately $1.8 million. The assessed value of the property within Phase I of the project area will increase by an estimated $43 million as a result of a projected $56 million private investment. This will result in an estimated annual increase of $863,250 in property tax collections, which will pay off a bond issue used to fund the construction of public improvements related to Phase I of the AV Parkway Plaza Triangle Redevelopment Project during the 15-year TIF period. As shown in the Property Tax Allocations table below, the City will forgo 14.33 percent of these collections, or $103,086 per year. The tax increment gained from this redevelopment project area would not be available for use as City general tax revenues over that time, but would be used for eligible public improvements to enable the project to be realized.

Table 1: AV Parkway Plaza Triangle - Phase I
Estimated TIF Generated

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<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Base Value</td>
<td>$1,831,532</td>
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<tr>
<td>Construction/Land Acquisition Costs</td>
<td>$56,000,000</td>
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<tr>
<td>Estimated New Assessed Value</td>
<td></td>
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<tr>
<td>New Assessed Value (80% of Construction/Land</td>
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<tr>
<td>Acquisition Costs</td>
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<tr>
<td>Increment Value</td>
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<td>Annual TIF Generated</td>
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<td>$7,473,003</td>
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<tr>
<td>Coverage Rate (Required by Bond Council)</td>
<td>$719,375</td>
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<tr>
<td>Bond Note Issue</td>
<td>$7,120,834</td>
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<tr>
<td>Reserve Fund / Costs to Issue Bonds</td>
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<tr>
<td>= Coverage Rate x 14 years @ 5%</td>
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<tr>
<td>= 12% Issuance Costs</td>
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<tr>
<td>Funds Available - Dev Purchased</td>
<td>$6,266,334</td>
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Table 2: Tax District 1, Property Tax Allocations as a Percentage of All Allocations

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Lancaster County</td>
<td>13.71</td>
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<tr>
<td>Public Building Commission</td>
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<tr>
<td>City of Lincoln</td>
<td>14.33</td>
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<tr>
<td>Lincoln Public Schools</td>
<td>63.31</td>
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<tr>
<td>Educational Service Unit 18</td>
<td>.70</td>
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<tr>
<td>Lower Platte South NRD</td>
<td>2.08</td>
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<tr>
<td>Railroad Trans. Safety District</td>
<td>1.29</td>
</tr>
<tr>
<td>Southeast Community College</td>
<td>3.43</td>
</tr>
<tr>
<td>LC Agricultural Society</td>
<td>.08</td>
</tr>
<tr>
<td>LC Agricultural Society JPA</td>
<td>.21</td>
</tr>
</tbody>
</table>

Source: Lancaster County Assessor

AV Parkway Plaza Triangle - Phase II:
The Phase II project area (see Exhibit B) also had an assessed value in 2007 of approximately $1.8 million. A user has not been identified for this phase of the project. Therefore, estimates are based upon suitable mixed-use, commercial projects for the area. The assessed value of the property within Phase II of the project area will increase by an estimated $8 to $28 million as a result of a projected $10 to $35 million private investment. This will result in an estimated annual increase of $124,000 to $526,000 in property tax collections, which will pay off a bond issue used to fund the construction of public improvements related to the AV Parkway Plaza Triangle Redevelopment Project during the 15-year TIF period. The tax increment gained from this redevelopment project area would not be available for use as City general tax revenues over that time, but would be used for eligible public improvements to enable these projects to be realized.

B. Public Infrastructure and Community Public Service Needs

Public infrastructure will be enhanced to support this project and the continued redevelopment of Downtown Lincoln and the Antelope Valley Area. Public investment may assist in acquisition, demolition, and site preparation; utility relocation, improvements, and resizing; redevelopment of the streetscape surrounding the block and transition area between the project and the plaza; parking; and, other public improvements. The improvements will be financed with tax increment financing generated from the project area.
The use of TIF is being pursued, because the developer is choosing to redevelop in an area with existing blighted and substandard conditions, including dilapidated buildings that must be demolished and aged utilities. Without the use of TIF, the City feels that the barriers to redevelopment would be so high as to discourage high-density redevelopment as proposed in the Antelope Valley Redevelopment Plan. TIF is not only needed to improve aged public utilities, but to encourage improvements that incorporate the project into the plans for the plaza and parkway.

C. Employment Within the Project Area

In 2005, there were approximately 19,227 persons employed by 907 non-governmental establishments (not including federal, state, local government or the University) within Downtown (68508 zip code area) according to the Census, County Business Patterns, North American Industry Classification System.

While the City’s TIF policy does not require the creation of new jobs in blighted, core areas of the City, this project is expected to bring existing jobs Downtown and create new jobs over the long-term. Assurity currently has 375 employees at its Downtown location and has temporarily relocated another 75 employees from its location in South Lincoln. The consolidation of the Assurity offices into one headquarters in East Downtown will allow for future expansion. Within five years after consolidation, Assurity expects 15 to 20 percent growth in employment. An additional 20,000 to 30,000 square feet of office space will be constructed to accommodate Assurity’s potential growth over the next 20 years. This office space is expected to be leased out to other employers until it is needed. The development of Phase II is also expected to create new managerial, office, service, and/or retail employment.

D. Employment in City Outside the Project Area

According to the Nebraska Department of Labor, Nebraska Workforce Development Labor Market Information for 2005, approximately 127,491 persons in the Lincoln MSA were employed in 8,047 establishments the private sector. The average annual wage for the private sector was $32,267. The median household income for the City in 2005 was $45,790.

The total impact of the project, including both Phase I and Phase II, is not immediately known. The addition of up to 75 to 90 employees over the next five years in an industry with higher than average annual wages will have a positive impact on the Downtown area and City’s economy. Additionally, the project is expected to generate employment related to the construction of the projects and related public improvements. Indirectly, we also expect to see an increase in future private sector employment as a result of other redevelopment or new business growth encouraged by this investment.
E. Other Impacts

This two-phase project is intended to encourage the redevelopment and revitalization of the surrounding area, will improve the appearance of the area, and serve as a cornerstone for future development. Along with other development in Antelope Valley, the project will support the long-term goal of revitalizing the area and creating an extension to Downtown. The construction of an exemplary office building is expected to encourage other major reinvestment projects, including the construction of complementary structures in the area that are respectful of the proposed design standards.

City-wide benefits include the generation of additional tax and other revenues to the City as a whole over the long-term.