MEMORANDUM

TO: **City Council**

FROM: Marvin Krout, Director of Planning

SUBJECT: **<u>Bill #06-86 and 06R-110 - 84th & Rokeby Road</u>**

DATE: September 5, 2006

cc : Mayor Coleen Seng
Lincoln-Lancaster County Planning Commission
Karl Fredrickson, Public Works
Kent Seacrest
Mike Eckert, Civil Design Group
John Layman

Several comments that were made at last week's City Council hearing on the two agenda items related to the 84th and Rokeby area, which I have paraphrased below, deserve some response from the Planning Department.

1. "Lincoln's housing costs are unaffordable and not competitive with Omaha."

A. Sales prices

Comparisons between the two communities are difficult because of the different kinds of information collected by the realtors' boards in the two communities, which compile information on sale prices, as well as the different manner in which new development is financed. The Omaha board does not break down the information into as many categories as the Lincoln board. The Omaha information combines sales of single family attached and detached dwellings, and since 2004, the sales prices for existing and new housing have been combined. The comparison, however, is still revealing.

- In 2003, the last year that the Omaha board supplied separate information on sales prices of new housing, the average sales price for new homes in the Omaha area was reported as $248,469, and in the Lincoln area, $184,502.

- In 2005, the average sales price for new and existing homes in the Omaha area was reported as $176,259, and in the Lincoln area, $159,412.

B. Income

As was pointed out in the testimony to the Council, housing affordability should take average income in the community into account. One testifier suggested that housing is more affordable in Omaha than in Lincoln because average income in Lincoln lags behind Omaha.

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There are many different sources of data on income, but the U.S. Census is considered a reliable source for this information. The Census Bureau conducts an Annual Housing Survey, and the 2005 information for metropolitan areas was just released. The Census reports that 2005 median family income in the Lincoln area was $60,871, and median household income was $47,029. This compares to $61,217 and $49,197 reported for the Omaha area. It is clear that the difference in median income between the two communities is quite small in relation to the difference in average housing sales price.

C. Taxes and special taxes

A typical property tax levy in unincorporated Douglas County is about $2.60 per $100, including the SID assessment, compared to $2.07 inside Lincoln. The tax levy in Lincoln pays for parks, libraries, professional fire protection, emergency medical service, and other municipal services not available to homeowners in unincorporated Douglas County.

In Lincoln, the sales price for new homes includes the cost of improving the lots with local streets and sidewalks, street lighting, drainage and utilities. But in the Omaha area, the cost of improving the lots is in addition to the sales price, in the form of a special tax on the lots that are benefitting from those improvements. The 20-year per lot assessment for a small new lot in the Omaha area is running about $0.90 per $100 of assessed value, which is about $1,800 per year, Portions of that assessment may be used to fund private services to the lots in the subdivision, such as road and grounds maintenance and snow removal. But the bulk of the assessment paid by the home buyer goes to pay off bonds for the subdivision improvements, on top of his or her mortgage payments and regular taxes. Because the improvements in a new Lincoln home are part of the mortgage, they are typically spread out over 30 years instead of the 20 year assessment, resulting in a lower monthly house payment. In addition, the interest paid on that portion of the mortgage is deductible from federal income tax, whereas SID assessments are not tax deductible.

D. Cost of living

One more comparison: the State's labor department Web page has a reference to a Web site called "The Salary Calculator" that tells you how much more or less you will need in salary if you move from one city to another and want to maintain the same lifestyle. The Salary Calculator says that if your salary in Lincoln today is $100,000, you will need $107,400 to maintain that same lifestyle in Omaha.

Last, a little perspective on housing affordability: data was presented to show that housing cost increases in Lincoln have outpaced income gains. While that is true, it is true around the country. In his most recent visit to Lincoln to rate our economic development performance, Angelos Angelou gave Lincoln high scores because our housing costs had increased at a lower rate and were more affordable than the national average. The low mortgage rates of the past 10 years have compensated for the differential between housing and income, such that a greater percentage of households own their own homes today than ever in the nation's history.

2. "If Lincoln doesn't annex this area, Hickman will."

No way. It is true that the land in the 84th and Rokeby area drains naturally south today. But it is in a drainage basin that flows toward Wagon Train Lake -- a different basin than Hickman's or Bennet's. The 84^{th}/Rokeby area is 6 miles as the crow flies from Hickman's current city limits, and 5 miles from Bennet. Annexation law in Nebraska requires that land proposed for annexation be contiguous to the village limits, and unless it is voluntary, must receive full city services. It is just not reasonable to expect that the good citizens of either village are going to tax themselves to multiply the size of their treatment plant, extend public sewer and water lines and other city services across their drainage basin and annex all the land 5 or 6 miles upstream to the 84th and Rokeby area.

3. "Omaha has grown 7 miles to the west along I-80 in the same time that Lincoln has grown only 1 mile to the east."

With few and usually minor exceptions, communities grow "upstream" toward higher elevations, because it is easier and less expensive for wastewater to run downstream by gravity to the wastewater treatment plant. It is natural to expect Omaha to grow away from the Missouri River to the west and east, just as Lincoln has grown upstream to the north and south from its two sewer treatment plants along Salt Creek. The current draft of the Comprehensive Plan update does show growth in a new direction, northeast along Cornhusker to the future I-80/East Beltway interchange, recognizing it will take a pump station/force main to sewer this area.

But growing further east along I-80 presents not just a topographic problem but a political one. Waverly's citizens would need to agree to be annexed by Lincoln, and Lincoln agree to annex and take over responsibility for Waverly's sewer and other services -- a possible scenario, but not anytime soon.

4. "It’s unfair to double-pay for infrastructure; the market will get confused and shut down if you change policies."

This allegation is in regard to the staff recommending that the applicants pay for the cost of extending the sewer lines, without reimbursement from the impact fees that will be paid out of the development of their lots. The staff position is not a change in policy. The Comprehensive Plan specifically calls for developers to help pay infrastructure costs when they want to advance projects that cannot be funded in the CIP. This request to have City ratepayers reimburse the applicants for sewer construction at a point beyond its 6-year capital planning horizon represents a change of policy. It will encourage other developers to find cheaper land outside the established priority areas and try to commit the City to accelerate its infrastructure program further, which will cause utility fees to increase even higher than projected.

The applicants’ position also demonstrates an attitude of "entitlement" about impact fees that has not been City policy before now. The purpose of sewer impact fees is not just to help pay for the distribution lines in the immediate area. It is also to help pay an equitable share of the costs to expand the treatment plants and build the larger downstream sewer mains and interceptors that make new development possible. Sewer impact fees cover less than 30% of the actual per-lot cost of all sewer improvements attributable to new development. Impact fees generated by the applicants’ proposed development, if not directed back to repay them for advancing the construction of the sewer lines through their own land, otherwise would be used to help pay for the millions of dollars of new sewer pipe being laid along Salt Creek and Beal Slough and continuing improvements at the Teresa Street treatment plant that make new development upstream possible.

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