

**AMENDMENT TO THE
WEST O STREET REDEVELOPMENT PLAN**

Instinct Redevelopment Project – Center of Excellence

1. Introduction

Phase I of the Nature's Variety Redevelopment Project was approved in 2017 to redevelop certain land located in the West O Street Redevelopment Area. At that time, the Nature's Variety Redevelopment Project was contemplated as a multi-phased project. The Amendment to the West O Street Redevelopment Plan for the Nature's Variety Redevelopment Project identified a potential Phase II of the project.

Since the implementation of the Nature's Variety Redevelopment Project in 2017, Nature's Variety has undergone a corporate rebranding and is now known as Instinct Pet Foods. The project presented herein is Phase II of the Nature's Variety Redevelopment Project but will be referred to herein as the Instinct Redevelopment Project to be consistent with the redeveloper's branding and all signage and marketing materials that will be created as part of this redevelopment project. To avoid any confusion, Nature's Variety the same company, and the company will be referred to as Instinct in this document when referring to the previous Phase I or this Phase II.

2. Project Description

The project site includes the following parcels of land:

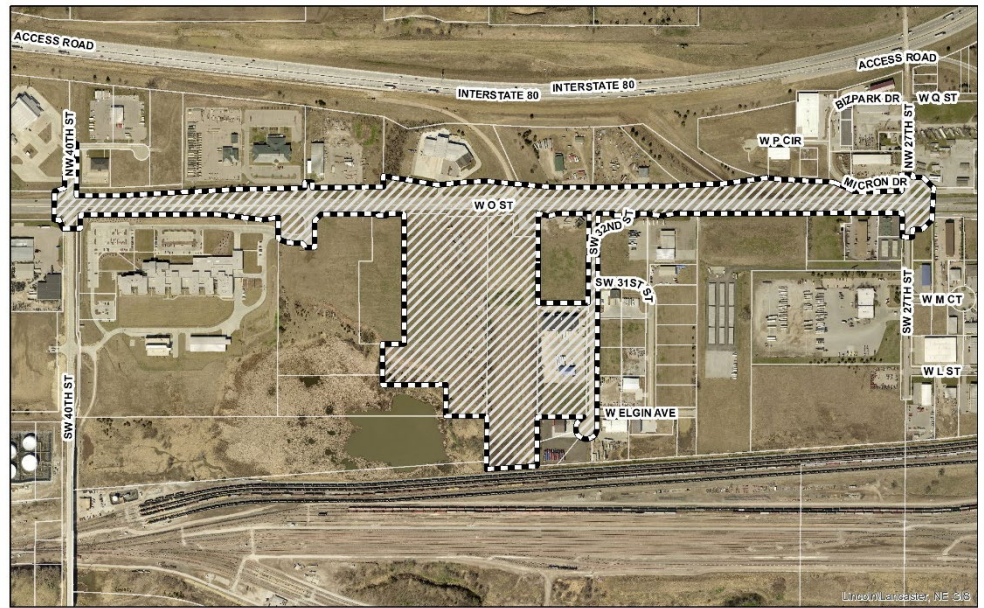
- EDM INDUSTRIAL CENTER 1ST ADDITION, Lot 1, & VAC ROW (INST#2021-03509)
- S29, T10, R6, 6th Principal Meridian, LOT 111 NE
- S29, T10, R6, 6th Principal Meridian, LOTS 69 & 70 NW

Instinct currently operates a freeze-drying facility in an approximately 24,000 square foot building, which was constructed on the Project Site in 2017-2018 as Phase 1 of the Project. Instinct also uses a second building on the Project Site, which is approximately 20,000 square feet, as its raw processing center. In addition to its operations on the Project Site, Instinct operates other aspects of its business at 6501 Cornhusker Highway and 6200 North 56th Street, Lincoln, Nebraska.

Instinct intends to consolidate its operations into a single campus located on the Project Site by constructing an approximately 250,000 square foot production facility, warehouse and office building (the "Facility"). The Facility would be connected to the existing buildings on the Project Site. The construction of the Facility together with all ancillary improvements and connection to the existing buildings to create a single campus is referred to herein as the "Project". A preliminary site plan for the Project is depicted on Exhibit "A". This Project is identified as the "Center of Excellence" within the Company. Further expansion of the manufacturing space as part of the Center of Excellence is anticipated in the future, but this Project will focus on the current expansion on the Project Site.

The Facility will meet LEED certifications for a manufacturing building. There are less than 10 pet food LEED Certified manufacturing sites in the United States. The environmentally friendly Facility focuses on environmentally friendly products. Instinct's manufacturing process for "raw" pet food does not include cooking or fermenting, meaning the Facility will be a non-odorous with less noise than a typical pet food manufacturing plant.

The goal of the Project is to revitalize and strengthen the business community in the West O Street Redevelopment Area through the development of the Facility and additional improvements as part of the Project. The Project will assist in the effort to remove blight and substandard conditions on the Project Site and in the West O Street Redevelopment Area and will enhance the West O Street corridor as an entryway to the City of Lincoln, in furtherance of the purposes set forth in the West O Street Redevelopment Plan. See Project Area map on the right.



Instinct Redevelopment: Project Area

Instinct Project



Other than the two buildings and parking lots currently located on the Project Site, much of the Project Site remains vacant. Surrounding land uses include commercial and industrial uses to the north and east, and a significant amount of undeveloped, vacant land to the west. The proximity of West O Street and Interstate 80 to the north of the Project Site underscore the need for redevelopment of the Project Site in order to enhance the West O Street corridor as an entryway to the City of Lincoln, while the proximity of the railway to the south makes the Project Site an ideal location for industrial development.

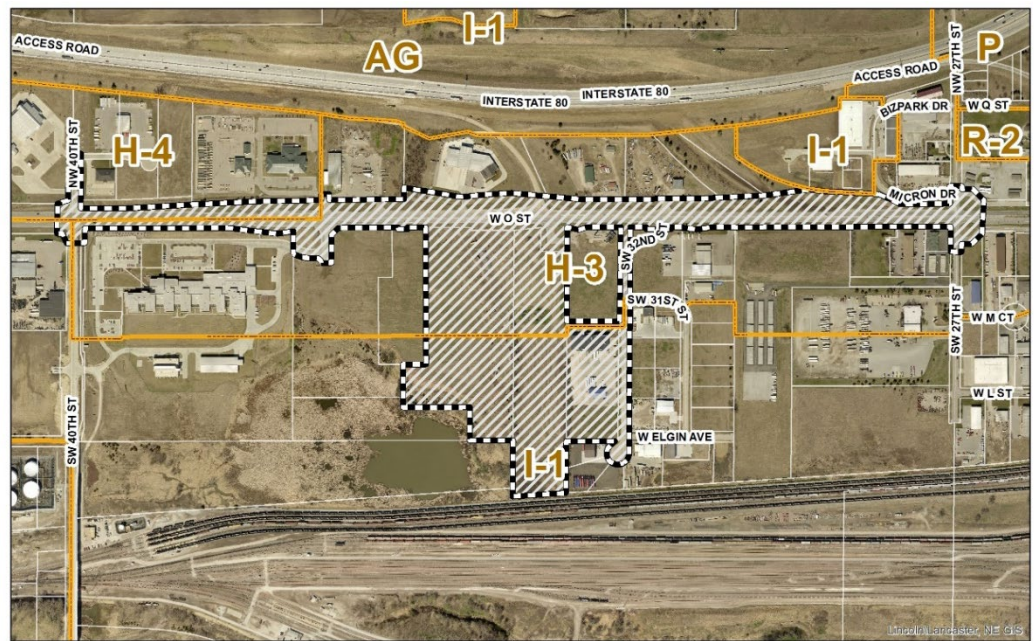
See the current land use map below.



Instinct Redevelopment: Current Land Use



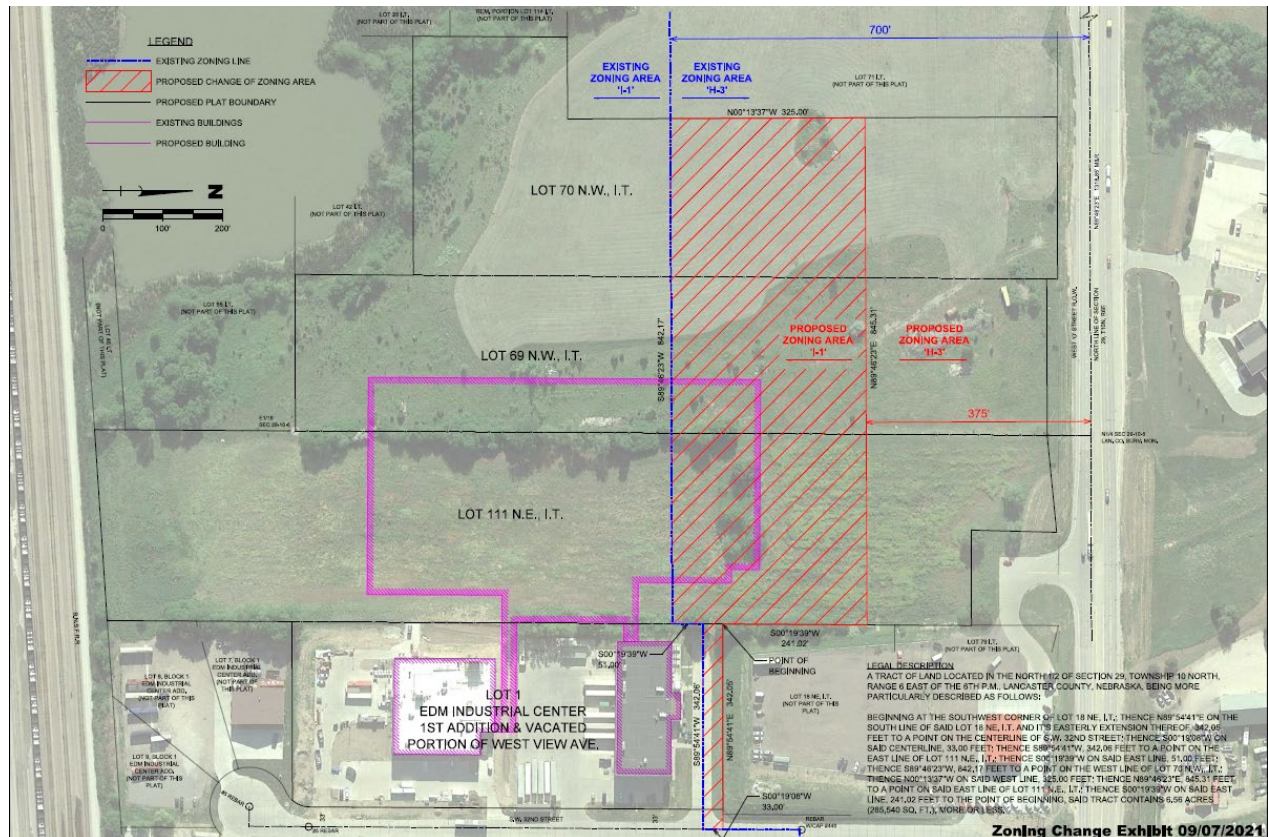
The Project Site is currently zoned with a combination of the I-1 Industrial District and the H-3 Highway Commercial District, which provides for development of light and heavy industrial uses and is characterized by a relatively high intensity of use and land coverage. The land surrounding the Project Site is zoned I-1 Industrial District as well. Nearby zoning includes the H-4 General Commercial District and the H-3 Highway Commercial District along West O Street, and the AG Agriculture District further north and west. Existing zoning is shown to the right.



Instinct Redevelopment: Current Zoning

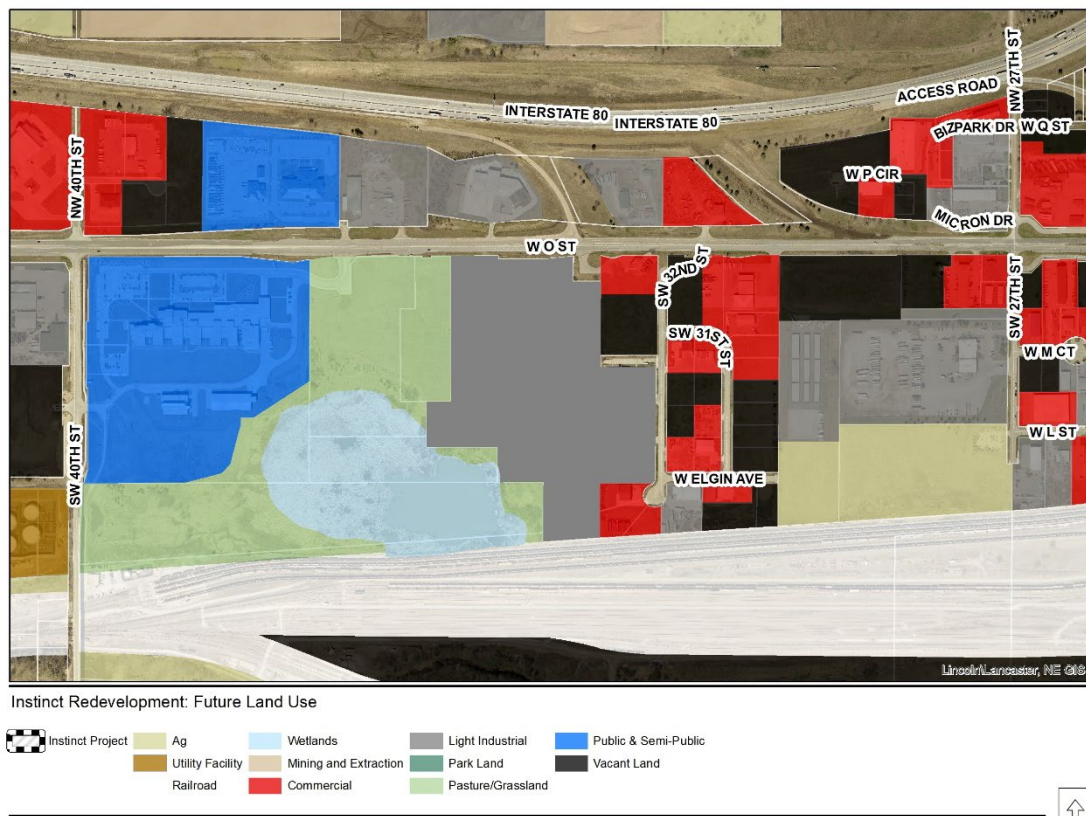


An application has been submitted to the Planning Commission requesting a change of zoning to increase the portion of the area zoned I-1. This would allow for the full development of the Center of Excellence and would retain approximately 375 feet of H-3 Highway Commercial District adjacent to West O Street. A map of the proposed zoning change (shown in relation to the Facility) is set forth below:



The Project is consistent with the West O Street Redevelopment Plan and is intended to support private sector commercial and industrial development in the West O Street Redevelopment Area. The Project is also consistent with the LPlan 2040, the Lincoln-Lancaster County 2040 Comprehensive Plan. Chapter 5 (Business & Economy) of LPlan 2040 indicates that it is the policy of the City of Lincoln and Lancaster County that commercial and industrial centers in Lancaster County be located in existing underdeveloped or redeveloping commercial and industrial areas in order to remove blighted conditions and to more efficiently utilize existing infrastructure. Redevelopment of the Project Site into an industrial facility is also consistent with the 2040 Lincoln Area Future Land Use Plan.

Future land use is shown on the map below.



The Project represents a significant private investment in the West O Street Redevelopment Area. Tax increment funded redevelopment activities may include: site acquisition costs, site preparation and grading, demolition, extension of utilities, streetscape improvements, building and energy efficiency enhancements, and other public improvements in the West O Street Redevelopment Area.

3. Statutory Elements

- Property Acquisition, Demolition, and Disposal:** The proposed redeveloper currently controls the Project Site. It is not anticipated that the Project will require any material demolition or disposal although the expansion project will be connected to the existing improvements which will require some minor exterior demolition. No relocation of families or businesses will occur as a result of the Project.
- Population Density:** The Project consists of the construction of an expansion project consolidated the various uses located around the City into a new production/office facility which will be approximately 250,000 square feet. The project does not include the construction of any residential units. As a result, the Project is not expected to affect the population density in the West O Street Redevelopment Area.

- **Land Coverage:** Land coverage will increase as the Project Site is substantially vacant. Once constructed, the Facility will be approximately 250,000 square feet, which will cover approximately 5.7 acres. The Project is currently going through the subdivision process and will comply with the applicable land-coverage ratios and zoning requirements of the City of Lincoln. Approval of the redevelopment plan for the Project does not change the applicant's requirement to obtain all necessary land use approvals for the Project.
- **Traffic Flow, Street Layouts, and Street Grades:** The Project is likely to increase traffic flow to the Project Site due to an increased presence of Instincts employees and visitors traveling to and from the Project Site. However, the consolidation of all of Instinct's operations into the Center of Excellence on the Project Site should reduce Instinct's inter-facility truck traffic in the City of Lincoln, thus providing a significant benefit to traffic when considering the City as a whole. The Project will have clear and available access to West "O" Street, an arterial street in Lincoln. The Project intends to utilize the SW 32nd Street entrance to the Project Site for employees and utilize the additional existing access point to West O Street that is located west of SW 32nd Street for truck traffic. Instinct is undertaking a traffic study in connection with the Change of Zone application and will take all actions relating to the additional access point that are reasonably required based on the results of the traffic study.
- **Parking:** The Project will include a surface parking lot adjacent to the Facility, which will meet the parking requirements of the I-1 Industrial District.
- **Zoning, Building Code, and Ordinances:** The Project Site is currently zoned I-1 Industrial District and H-3 Highway Commercial District, and the Project is a permitted use in such districts. As stated above, Instinct will need to change the zoning map to increase the portion of the area zoned I-1 to support the development of the Facility. This would change the boundary line between the I-1 and H-3 zoning districts on the Project Site but would retain approximately 375 feet of H-3 Highway Commercial District adjacent to West O Street. A change of zone application with the request has been submitted to the Planning Commission. The two parcels owned by the Redeveloper will be re-platted into one (1) lot prior to project implementation. All applicable building code requirements and ordinances will be satisfied. Approval of the redevelopment plan for the Project does not change the applicant's requirement to obtain all necessary land use approvals for the Project.

4. Proposed Cost and Financing

The estimated total cost to implement the Project is approximately \$180,000,000. This Project cost is inclusive of the anticipated public financing and tax increment financing of approximately \$3,607,264. The project cost will be finalized as the actual size of the Facility and construction costs are determined. The source of the public funds for these improvements will be the tax increment generated from the private developments on the Project Site. However, funding sources and uses will be negotiated

and identified in a Redevelopment Agreement, subject to approval by the Mayor and City Council.

Cost Benefit Analysis

As required by the Nebraska Community Development Law (Neb. Rev. Stat. § 18-2113), the City has analyzed the costs and benefits of the proposed Project, as follows:

- **Public Tax Revenues:**

The 2021 assessed value of the Project Site is \$3,997,500. The final assessed valuation of the Project Site is anticipated to be approximately \$20,000,000.

Tax Increment Financing Analysis		
Description		Amount
Base Value	Current Valuation	\$3,997,500
Not to Protest Value	Anticipated Completed Valuation	\$20,000,000
Increment Value	= Completed Value – Base Value	\$16,002,500
Annual TIF Increment	= Increment x est. levy (2.012986)	\$322,128
TIF Indebtedness Amount	= TIF Increment x 15 years @ 4.0%	\$3,607,264

Upon completion of the Project, the assessed value of the Project Site will increase by approximately \$16,002,500 as a result of the private investment for the Project. This will result in an increase in estimated annual property tax collections during the 15-year TIF period of approximately \$322,128, which will be available to finance the costs of construction of the public improvements related to the Project. The public investment of approximately \$3.6 million will leverage approximately \$180 million in private sector resources. The TIF funds shall be subject to further adjustment as project costs are defined.

Additionally, since the Phase I project site is included in the Project Site and the Phase I project is included within the Center of Excellence Project, the tax increment created by Phase I will be included in the base value of this Project, thus adding the Phase I tax increment of approximately \$25,500 annually to the tax rolls much sooner than anticipated. This is a positive impact that offsets the tax increment created by the Project, resulting in a net effective public investment of approximately \$281,400 annually or approximately \$3.15 million overall.

The Urban Development Department believes that the private and public improvements as designed and proposed in this plan amendment would not occur without the utilization of tax increment financing in the West O Street Redevelopment Area. It would not be economically feasible for the redeveloper to construct the Project improvements without tax increment financing because the existing site conditions constitute a barrier to development that cannot be adequately remedied without the use of tax increment financing.

Public investment may assist with the costs of site acquisition costs, site preparation and grading, demolition, extension of utilities, streetscape improvements,

building and energy efficiency enhancements, and other public improvements in the West O Street Redevelopment Area.

- ***Public Infrastructure and Community Public Service Needs Impacts:***

It is not anticipated that the Project will have an adverse impact on existing public infrastructure. The Project will utilize the incremental tax revenues for installation of utilities and other public infrastructure improvements in the West O Street Redevelopment Area. Additionally, the Project may result in additional traffic improvements to West O Street, depending on the results of the traffic study that is being undertaken in connection with the change of zone for the Project. It is not anticipated that the Project will not have an adverse impact on City services, but instead will generate additional revenue providing support for those services.

- ***Employment within the Redevelopment Project Area:***

It is not anticipated that the Project will have an adverse impact on employers and employees of firms locating or expanding within the boundaries of the area of the Project. It is anticipated that the Project will create an additional approximately 120 jobs in the City of Lincoln. In addition, it is anticipated that the Project will consolidate Instinct operations at this campus and retain the approximately 100 jobs in the Lincoln market which will strengthen the West O Street corridor business community.

- ***Employment in the City outside the Redevelopment Project Area:***

The anticipated job creation resulting from the construction of the Facility on the Project Site is not expected to adversely affect employment in the City outside the Redevelopment Project Area. Instead, the removal of blight and substandard conditions from the Project Site and the West O Street Redevelopment Area is anticipated to enhance the West O Street corridor as an entryway to the City of Lincoln, attracting further commercial and industrial development and creating additional jobs in the West O Street Redevelopment Area and the City of Lincoln as a whole. The Project should increase the need for services and products from existing businesses in and around the West O Street Redevelopment Area. The Project will significantly increase the employment at Instinct and will lead to additional investment in subsequent phases.

- ***Other Impacts:***

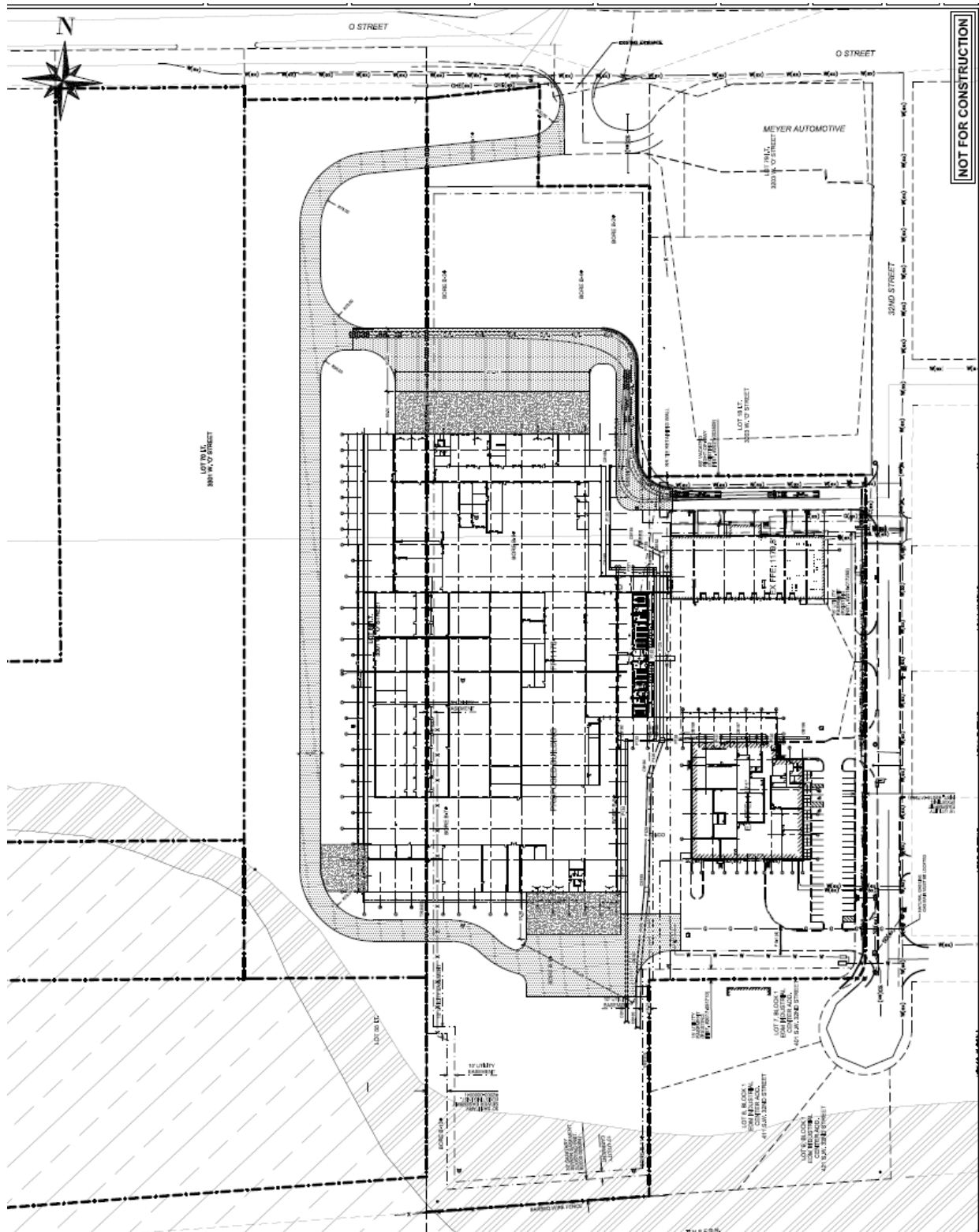
The development of the Project will eliminate the existence of blight and substandard conditions and will attract employers to the West O Street Redevelopment Area and the City of Lincoln. The Project is consistent with the policy of LPlan 2040 and with the West O Street Redevelopment Plan.

The Project should have a positive impact on private sector businesses in the West O Street Redevelopment Area and in the City and will attract additional private investment in and around the West O Street Redevelopment Area. In furtherance of the goals of the West O Street Redevelopment Plan, the Project will enhance the West O Street corridor as an entryway introducing visitors and residents to the City of Lincoln and will strengthen the West O Street business community.

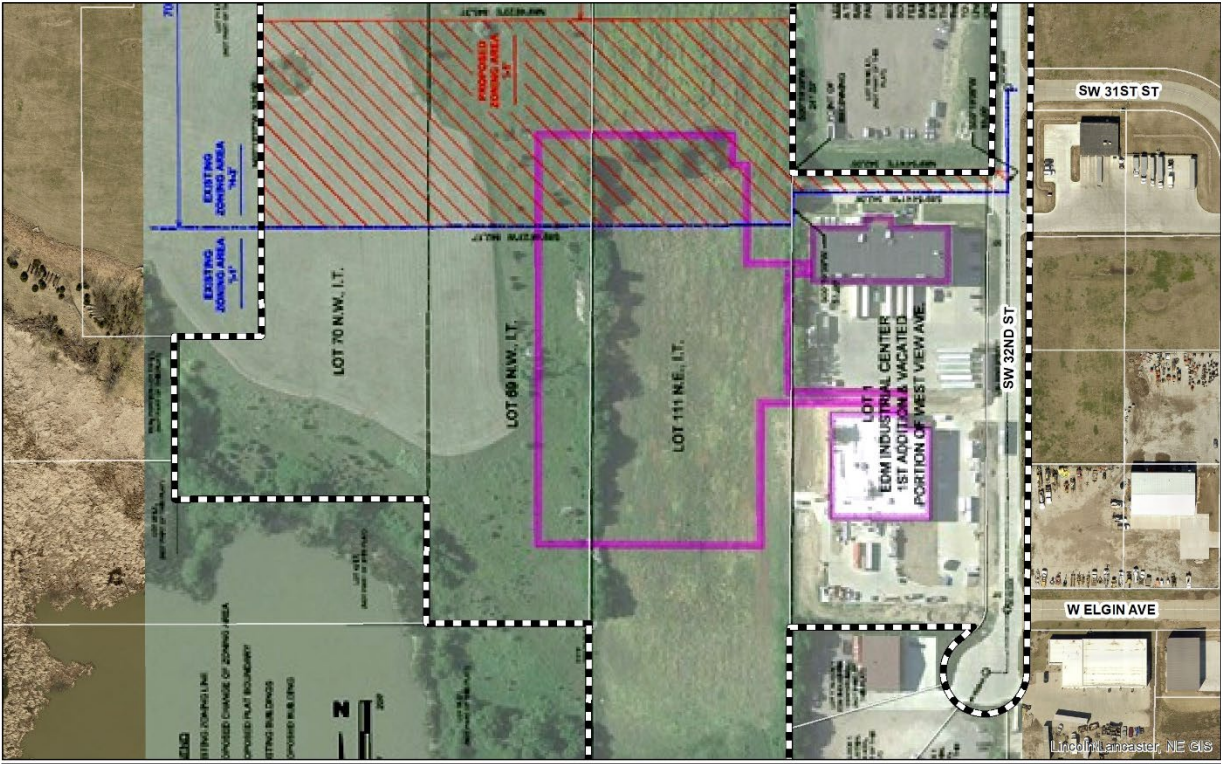
While the use of tax increment financing will defer receipt of a majority of the incremental ad valorem real property taxes generated by the Project for up to 15 years, there will be additional revenue generated by the Project from, for example, personal property taxes on equipment installed in the facility. Upon completion of the 15 year TIF period, the Project will benefit the community through higher property tax revenue.

Exhibit "A"

Preliminary Site Plan



Site Map



Instinct Redevelopment: Site Map

