EXTREMELY BLIGHTED DETERMINATION STUDY FOR THE CITY OF LINCOLN, NEBRASKA

A study to determine if areas already declared Blighted and Substandard meet the Legislative requirements to be declared Extremely Blighted for purposes of receiving potential funding and tax credits.

Prepared by the City of Lincoln, Nebraska, Urban Development Department
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Leirion Gaylor Baird, Mayor
Introduction

Nebraska State Statutes 18-2101 to 18-2154, Community Development Law, allows for the designation of blighted and substandard areas and in 2019 added a provision for extremely blighted areas. To be designated extremely blighted, an area must meet three criteria:

1. Declared blighted and substandard;
2. The unemployment rate average is at least 200% of the average state unemployment rate; and
3. Average poverty rate exceeds 20%.

The benefits of the extremely blighted designation for Lincoln include the potential for additional Housing Trust Fund dollars to be used in the extremely blighted area and for Nebraska State income tax credits for owner occupied homes purchased in the area.

The legislation requires the completion of a study to determine if an area meets the criteria to be declared extremely blighted. Designation of the area as extremely blighted requires action by the Lincoln City Council.

Executive Summary and Recommendation

The City of Lincoln’s Urban Development Department completed the study to identify qualifying areas. The remainder of this report is a Technical Memoranda detailing the methodology of the study. Areas are identified as meeting the criteria and are included in Exhibit D on the last page.

Based on the study, it is the recommendation of the Urban Development Department that the areas identified be declared Extremely Blighted by the Lincoln City Council.
A. Reasons for completing an extremely blighted study

(1) For any city that (a) intends to carry out a redevelopment project which will involve the construction of workforce housing in an extremely blighted area as authorized under of Neb. Rev. Stat. §18-2103(28)(g), (b) intends to declare an area as an extremely blighted area for purposes of funding decisions under of Neb. Rev. Stat. §58-708(1)(b), or (c) intends to declare an area as an extremely blighted area in order for individuals purchasing residences in such area to qualify for the income tax credit authorized in subsection of Neb. Rev. Stat. §77-2715.07(7), the governing body of such city shall first declare, by resolution adopted after the public hearing required under this section, such area to be an extremely blighted area. Neb. Rev. Stat. §18-2102.02 (emphasis added)

B. Legislative Direction

(2) Prior to making such declaration, the governing body of the city shall conduct or cause to be conducted a study or an analysis on whether the area is extremely blighted and shall submit the question of whether such area is extremely blighted to the planning commission or board of the city for its review and recommendation. (…) The planning commission or board shall submit its written recommendations to the governing body of the city within thirty days after the public hearing. Neb. Rev. Stat. §18-2102.02

C. Process

This study provides analysis of the factual circumstances for areas of the City considered potential extremely blighted areas as that term is defined in the Community Development Law.

A blighted and substandard area may also be declared to be extremely blighted if (i) the average rate of unemployment in the area during the period covered by the most recent federal decennial census or American Community Survey 5-Year Estimate is at least two hundred percent of the average rate of unemployment in the state during the same period; and (ii) the average poverty rate in the area exceeds twenty percent for the total federal census tract or tracts or federal census block group or block groups in the area. Neb. Rev. Stat. §18-2103(13)

D. Data Tables

Council Approved Blight -

The Community development law requires that an extremely blighted area meet the minimum substandard and blighted criteria found in Neb. Rev. Stat. 18-2103(3) & (31) and be declared substandard and blighted by the governing body of the City. The City of Lincoln Urban Development Department keeps a list of areas designated as substandard and blighted in its offices and online at https://lincoln.ne.gov/city/urban/redev/index.htm through its interactive map interface. Exhibit (A) “Designated Blighted and Substandard” is attached and identifies areas declared blighted and substandard by City Council action.
Extremely Blighted Components –

Part (i) is a state comparison. The 2017 Nebraska Unemployment rate according to the US Census American Community Survey was 3.8%. Therefore, the average rate of unemployment must exceed 7.6% for an area to be declared extremely blighted.

Urban Development developed an area with an average unemployment of 7.65%. The area average was determined by using the average of the combined areas. Attached is the exhibit “Average Unemployment”, which details an area within the City of Lincoln for which the average unemployment rate exceeds 7.6%.

Part (ii) is a local area finding. Lincoln’s 2017 poverty rate was 15.1% but as required by state statute, an area with 20.1% poverty was identified. The area average was determined by using the average of the combined areas. Attached is the exhibit “Average Poverty” which details an area within the City of Lincoln for where the average poverty rate exceeds 20%.

Data was collected from either accurate local administrative records or 2017 US Census American Community 5-year Survey data. Only census tract level information was used to minimize independent margins of error. Furthermore, the Urban Development Department reviewed the data methodology and averaging process/interpretation with UNO’s David Drozd Research Coordinator at the UNO Center for Public Affairs and consulted with Sen. Justin Wayne, Nebraska Legislature, Chair of the Urban Affairs Committee office to confirm his support of this methodology.

E. Process

The City of Lincoln Urban Development staff overlaid these three facets/areas (i.e. blighted and substandard areas, 20%+ poverty, 200%+ of the Nebraska’s unemployment rate) and identified areas where the three intersected. This proposed extremely blighted area is attached as the exhibit “Proposed Extremely Blighted Area.”

F. Potential Fiscal Impact

Areas that meet only the 20% + average poverty and 200%+ unemployment rate yields a projected 790 homes sales. However, areas that meet the proposed extremely blighted and blighted & substandard definition contain 220 projected homes sales in 2019. Data was gathered through the regional Paragon system (i.e. formerly the Lincoln MLS) through a research/access permission.

A range of potential fiscal impacts can be identified by first comparing the percentage of home ownership from the latest ACS to an administrative tenure determination method (i.e. comparing the situs address and the address of the tax bill). Then the percentage of homeownership identified using these two methods, was applied to the number of sales:

Administrative Ownership Rate: 55.9% or approximately 123 sales
ACS Ownership Rate: 57.3% or approx. 126 sales
If 123 to 126 homes are purchased in the Extremely Blighted and Substandard area and purchasers apply for the $5,000 state tax credit, Lincoln has a projected fiscal impact/benefit ranging from $615,000 to $630,000. The fiscal impact is not a negative to the City as the tax credit is from state income tax liability. It is actually a positive fiscal impact with respect to those residents who qualify for the credit.

G. Conclusion

The data analysis in this study indicates that areas within the city of Lincoln meet the criteria required to be declared extremely blighted. Therefore, it is recommended that the Lincoln City Council declare the areas identified in Exhibit D as extremely blighted.

Exhibits:

A. Designated Blight and Substandard
B. Average Unemployment
C. Average Poverty
D. Proposed Extremely Blighted Area
Approved Substandard and Blighted Areas Within the City Limits

PERCENT OF THE CITY THAT HAS BEEN DECLARED BLIGHTED = 11%
Exhibit B: Average Unemployment

Extremely Blighted Review: An Average Unemployment Study

AVERAGE UNEMPLOYMENT RATE = 7.69%
5,490 (Persons Unemployed in YELLOW Area) / 71,898 (Total Workforce Population in YELLOW Area)

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Exhibit C: Average Poverty
Exhibit D: Proposed Extremely Blighted Area