

TAX INCREMENT FINANCING POLICY GUIDELINES

LINCOLN, NEBRASKA

2008

STATEMENT OF PURPOSE

This policy outlines the use of Tax Increment Financing (TIF) in the City of Lincoln. Lincoln's purpose in the use of TIF is to remove blight, stimulate investment in deteriorating areas and stimulate job creation.

TIF is a state authorized public funding mechanism for cities to use to help pay for public improvements associated with redevelopment projects in blighted and substandard areas. The Nebraska Community Development Law, Neb. Rev. Stat. §§18-2101, et seq., (the "Act") authorizes communities to designate blighted and substandard areas that have a preponderance of deteriorating buildings, high unemployment, old structures, unimproved land, low-income residents, and/or a declining population along with other factors as eligible for the use of TIF. The Act limits Lincoln from declaring more than 35 percent of a city's geographic area to be declared blighted or substandard for the purpose of TIF financing.

WHO IS IN CHARGE OF THE TIF DETERMINATIONS

The Urban Development Department is designated as the Community Redevelopment Authority for the City of Lincoln. As the Redevelopment Authority for the City, the Urban Development Department is the project manager for all projects involving TIF. Lincoln began TIF projects in 1982 and it has been used in more than 30 local projects. All projects are subject to final review and approval by the City Council.

HOW IS THE TIF DETERMINED

To be eligible to use TIF, the property must be in an area that has been declared blighted and substandard and must have a redevelopment plan that is recommended by the Urban Development Department and approved by the City Council.

The assessed value of the property in a redevelopment area as it existed one year before the project begins is the "base tax year value". An estimate, based on an appraisal, is made to determine the future assessed value of the property after the redevelopment. The difference between the original assessed value and the redeveloped assessed value is called the "tax increment." If the assessed value of the property after the redevelopment is less than the estimated "post-development value", it is the developer's obligation to pay the difference between the estimated "tax increment" and the actual "tax increment."

Property taxes are paid by the property owner on the new assessed value of the redeveloped property. All property taxes on the base year value continue to be distributed to the local tax authorities (LPS, City, County, NRD, SCC, etc.) The property tax collected on the tax increment is commonly used to finance bonds issued by the City to pay for public improvements. When the TIF indebtedness is paid in full, not to exceed 15 years after inception, the local tax authorities then receive the additional property tax revenue resulting from the redevelopment.

WHERE IS THE TIF ELIGIBLE TO BE USED

Lincoln blighted/substandard districts and TIF redevelopment projects are categorized into two categories:

1. “Core Area” which includes all properties located inside the 1950 City boundaries or areas that are classified as low and moderate income according to the 2000 Census figures; and
2. “Outer Area” which includes all properties that are located outside the 1950 City boundaries and are not classified as low and moderate income in the 2000 Census.

In the “Core Areas” TIF is generally used to rehabilitate or replace deteriorated buildings and public infrastructure, while TIF is used in “Outer Areas” to provide public infrastructure to unimproved areas.

“Core Area” TIF Redevelopment Projects

In 1982, downtown was the first area in Lincoln to be declared as blighted and substandard and eligible for redevelopment TIF projects to encourage private investors to redevelop deteriorating structures. Redevelopment plans have since been implemented primarily in the urban core or oldest areas of the City, including Clinton Neighborhood, Malone Neighborhood, North 27th Street, Havelock, University Place, Antelope Valley, 48th and O Streets and South Street.

“Outer Area” TIF Redevelopment Projects

In 2005, the City began also using TIF in unimproved areas. The “Outer Area” projects are generally located near the City’s perimeter and are usually unimproved areas that lack infrastructure and stymie private redevelopment.

WHAT PROJECT IS ELIGIBLE FOR TIF FUNDING

To be considered eligible for TIF financial support, ALL projects must meet the following criteria, as required by Neb.Rev.Stat. §§18-2101 et seq.:

1. The project must be located in an area declared blighted and substandard by the City Council.
2. The project must be in conformance with the City’s Comprehensive Plan and the Redevelopment Plan for the project area.
3. The developer must demonstrate that the project would not be economically feasible without TIF. This is commonly called the “but for” test, meaning the project would not occur as designed or envisioned, “but for” the availability of the TIF funding.

The City of Lincoln also desires that in addition to the requirements of the Act, “Core Area” and “Outer Area” TIF projects should also meet separate criteria to be eligible for TIF financing.

Core Area TIF Project Criteria

All Core Area TIF Projects must be located inside the 1950 Lincoln city boundaries in areas that are classified as low and moderate income in the 2000 Census (see attached). The Project must achieve at least one of the following goals:

- Benefits low and moderate-income people or areas.
- Redevelops a building or site that displays a preponderance of substandard conditions or blight as defined by Nebraska state law.
- Redevelops a site that has displayed a pattern of declining real property assessments, as measured by the Lancaster County Assessor's Office.
- Rehabilitates a designated city landmark, a building listed on or eligible for listing on the National Register of Historic Places, or a building located within a local landmark district.
- Shows exceptional potential to attract additional reinvestment in adjacent blighted or substandard areas.
- Develops new housing opportunities in downtown or a low-to-moderate income neighborhood.
- The project relocates an existing business from an area where it: is incompatible with existing or proposed zoning; improves traffic flow; or addresses other conflicts that require relocation.
- The project involves a new business or the expansion of existing businesses that add to Lincoln's existing tax base.

“Outer Area” Project TIF Criteria

All “Outer Area” TIF projects are located outside the geographic 1950 Lincoln city boundaries and areas that are classified as low and moderate income according to the 2000 Census. “Outer Area” TIF projects should not include existing or newly developing residential areas within their boundaries. Residential areas should not be typically used to generate funds for TIF projects.

Outer Area TIF Projects should achieve at least one of the following goals:

- The project involves a new business or the expansion of businesses that add to Lincoln's existing tax base by generating new primary employment (Primary employers are businesses that have out-of-county sales greater than 50% of their total sales; and will have a median wage for its new employees equal to or in excess of 105% of the average starting wage for Lancaster County.); or
- The project relocates an existing business from an area where it: is incompatible with existing or proposed zoning; improves traffic flow; or addresses other conflicts that require relocation.

The City, in furtherance of appropriate growth, may include adjacent or nearby sites in a project area in addition to the primary employer's site. Nothing in the policy limits the power of the City to exercise its redevelopment authority in furtherance of appropriate growth.

NEB. REV. STAT §§18-2101 et seq. ALLOWABLE USES OF TIF INCREMENT FINANCING:

Eligible expenditures listed in the Act include:

1. Acquisition and site preparation of redevelopment sites including demolition, grading, environmental remediation and related work prior to construction of the project and costs associated with relocation.

2. Public improvements associated with a redevelopment project, including the design and construction of public arterial streets, sidewalks, alleys, water, sewer, street lights, the design and construction of public parking; the design and installation of public streetscape amenities; and the preservation of historic facades.