*City Council Introduction: June 15, 2015
Public Hearing: June 22, 2015

Bill No. 15R-130

FACTSHEET

TITLE: MISCELLANEOUS NO. 15002 - Declaration of Blighted and Substandard for the VA Campus Redevelopment Area

BOARD/COMMITTEE: Planning Commission

APPLICANT: David Landis, Director of the Urban Development Department

RECOMMENDATION: A finding that there is a reasonable presence of substandard and blighted conditions

STAFF RECOMMENDATION: A finding of reasonable presence of substandard and blighted conditions

OTHER DEPARTMENTS AFFECTED: Urban Development

SPONSOR: Planning Department

OPPONENTS: None

REASON FOR LEGISLATION: Request for Resolution for Council action declaring the "VA Campus Redevelopment Area" as set forth in the VA Campus Redevelopment Area Blight and Substandard Determination Study, as a blighted and substandard area as defined in the Nebraska Community Development Law. The study area consists of an estimated 63.5 acres, more or less, of which consists of 20 structures. The Redevelopment Area is generally located 600 S. 70th Street, including the South 70th Street rights-of-way.

DISCUSSION / FINDINGS OF FACT:

1. The Urban Development Department has requested a review of the VA Campus Redevelopment Area Blight and Substandard Determination Study declaring the VA Campus Redevelopment Area as blighted and substandard.

2. The staff recommendation finding a reasonable presence of substandard and blighted conditions is based upon the "Analysis" as set forth on p. 3-6, concluding that the consultant study determines that the VA Campus Redevelopment Area qualifies as substandard and blighted within the definition of the Nebraska Community Development Law. The Substandard and Blight Determination Study is consistent with the redevelopment and revitalization activities identified in the 2040 Comprehensive Plan. The staff presentation is found on p. 7-11. There was no testimony in opposition.

3. On May 27, 2014, after considerable discussion about federally- and city-owned land being in the potential blighted and substandard area, and the proposed use of Tax-Increment Financing, the Planning Commission voted 7-0 to find that there is a reasonable presence of substandard and blighted conditions (Scheer and Weber absent). (See Minutes, p.11-12).

FACTSHEET PREPARED BY: Geri Rorabaugh, Administrative Officer **DATE:** June 8, 2015

REVIEWED BY: David R. Cary, Acting Director of Planning **DATE:** June 8, 2015

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LINCOLN/LANCASTER COUNTY PLANNING STAFF REPORT

for May 27, 2015 PLANNING COMMISSION MEETING

PROJECT #: Miscellaneous No. 15002
VA Campus Redevelopment Area
Blight and Substandard Determination Study

PROPOSAL: The Urban Development Department has forwarded a request to review the VA Campus Redevelopment Area Blight and Substandard Determination Study and to recommend the Area to be declared substandard and blighted.

LOCATION: An area generally located east of South 70th Street and south of O Street, bounded by Wedgewood Drive on the south and the east, including the adjacent right-of-way of South 70th Street.

LAND AREA: 63.5 acres, more or less

CONCLUSION: The consultant's study determines that the VA Campus Redevelopment Area qualifies as substandard and blighted within the definition set forth in the Nebraska Community Development Law, Nebraska Revised Statutes§18-2103. The Substandard and Blight Determination Study is consistent with the redevelopment and revitalization activities identified in Lincoln-Lancaster County 2040 Comprehensive Plan.

RECOMMENDATION:
Finding that there is a reasonable presence of substandard and blighted conditions in the VA Campus Redevelopment Area as per §18-2103 (11) Nebraska Revised Statutes.

GENERAL INFORMATION:

LEGAL DESCRIPTION: Irregular Tract Lot 66 in the NW quarter of S27, T10, R7, 6th Principal Meridian, including the adjacent right-of-way of South 70th Street.

EXISTING ZONING: P Public

EXISTING LAND USE: Medical clinic, office uses, open space

SURROUNDING LAND USE AND ZONING:

North: R-3 Residential; memory care facility (under construction)
B-1 Commercial; bank, retail
O-2 Office
East and South:
R-1 Residential; Single Family housing
West: R-1 Residential; Hospital by special permit
B-1 Commercial; retail

COMPREHENSIVE PLAN SPECIFICATIONS:

The 2040 Lincoln and Lancaster County Comprehensive Plan identifies this area as Public and Semi-Public in the Future Land Use Plan. (p.1.9)

Health Care facilities should: *Provide for accessible physical and mental health care services in appropriate areas in and around residential neighborhoods*.
And: *Any hospital expansion will need to take into consideration the impact on adjacent neighborhoods.*
And the community should: *Plan for further construction on medical campuses*. (p. 8.7)

Avoid encroachment into existing neighborhoods during expansion of existing commercial and industrial uses, and take steps to ensure expansions are in scale with the adjacent neighborhood, are properly screened, fulfill a demonstrated need and are beneficial to health and safety. (p. 5.14)

Mixed Use Redevelopment should: Target existing underdeveloped or redeveloping commercial and industrial areas in order to remove blighted conditions and more efficiently utilize existing infrastructure. (p. 6.2)

ANALYSIS:

1. §18-2109 Nebraska Revised Statutes: "An authority shall not prepare a redevelopment plan for a redevelopment project area unless the governing body of the city in which such area is located has, by resolution adopted after a public hearing...declared such area to be a substandard and blighted area in need of redevelopment. The governing body of the city shall submit the question of whether an area is substandard and blighted to the planning commission or board of the city for its review and recommendation prior to making its declaration...."

   This is a request to determine whether the VA Campus Redevelopment Area should or should not be declared substandard and blighted per §18-2103 (11) Nebraska Revised Statutes. After an area is declared substandard and blighted, the City may proceed with the preparation and approval of a Redevelopment Plan. Redevelopment activities may include utilizing Tax Increment Financing (TIF) from private development to pay for public infrastructure and improvements.

2. The Urban Development Department requests the blight determination study be reviewed by the Planning Commission for conformance with the Comprehensive Plan.

3. This area is designated as Public and Semi-Public in the Comprehensive Plan.

4. Hanna:Keelan Associates P.C. conducted the study to determine whether or not there was a presence of substandard or blighting conditions in the study area per §18-2103 (11) Nebraska Revised Statutes.

5. The area comprises approximately 63.5 acres. According to the land use categories identified in the Blight Study, a majority of the Campus property is Park/Open Space at approximately 57.3% and 27.5% of the land is Public, while 5.8% of the campus is private streets. 5.3 acres of the study area is the public right-of-way of South 70th St., constituting 8.3% of the study area. (See page 14 of blight study.)

6. A **substandard** area is defined in the Nebraska Revised Statutes as containing a predominance of buildings or improvements with at least one of four conditions present:
   1) Dilapidation/deterioration
   2) Age or obsolescence
   3) Inadequate provision for ventilation, light, air, sanitation or open spaces
   4) a) High density of population and overcrowding; or
      b) The existence of conditions which endanger life or property by fire and other causes; or
      c) Any combination of such factors, is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, and crime, and is detrimental to the public health, safety, morals or welfare.

7. According to the Blight Study, the area qualifies as **substandard** because:
   1) Of the 20 structures surveyed, 13 structures or 65% were identified as deteriorating. (p. 5 of study)
   2) Based on field evaluation, approximately 15 of the 20 structures are over 40 years of age (75%). (p. 5)

   A **strong presence** was found of these two factors.

   In addition, a **reasonable presence** was found of the following conditions:
   3) Inadequate provision for ventilation, light, air, sanitation, or open space is evidenced by privately maintained water, sanitary sewer and storm water distribution or collection mains and services lines on the VA Campus that are approaching 85+ years old and are constructed with outmoded materials and will need to be replaced to support redevelopment. (p. 6)
   4) Building conditions, age of water mains, and age of structures contribute to a strong presence of conditions which endanger life or property by fire. (p. 6)

8. A **blighted** area is defined in the Nebraska Revised Statutes as having the presence of one or more of the twelve following conditions:
   1) A substantial number of deteriorated or deteriorating structures;
   2) Existence of defective or inadequate street layout;
   3) Faulty lot layout in relation to size, adequacy, accessibility or usefulness;
   4) Insanitary or unsafe conditions;
   5) Deterioration of site or other improvements;
   6) Diversity of ownership;
   7) Tax or special assessment delinquency exceeding the fair value of the land;
   8) Defective or unusual conditions of title;
   9) Improper subdivision or obsolete platting;

10) The existence of conditions which endanger life or property by fire or other causes;
11) Other environmental and blighting factors
12) One of the following five conditions:
a) Unemployment in the designated blighted area is at least one hundred twenty percent of the state or national average;
b) The average age of the residential or commercial units in the area is at least 40 years;
c) More than half of the plotted and subdivided property in the area is unimproved land that has been within the City for 40 years and has remained unimproved during that time;
d) The per capita income of the designated blighted area is lower than the average per capita income of the city or City in which the area is designated; or
e) The area has had either stable or decreasing population based on the last two decennial censuses.

9. The study found the following 4 **blighting** factors to be present to a strong extent in the study area:
1) 13 of 20 structures were classified as deteriorated or dilapidated. (p. 8)
2) An estimated 87% of the private street surfaces on the campus are in either "fair" or "poor" condition, while three of five parking areas are in "fair" condition. Sidewalks on the Campus are in "fair" but deteriorating condition. (p. 8)
3) Conditions which endanger life or property by fire and other causes is present due to the presence of masonry structures containing combustible elements and fixtures. In addition, water mains on the Campus include portions 85+ years of age, constructed of obsolete materials, and undersized by current engineering standards. (p. 8).
4) Other environmental and blighting factors include functional and economic obsolescence due to deteriorating buildings with outmoded infrastructure, and garages and storage buildings that are inadequate to support modern uses or needs of the VA Campus. (p. 8)

Additional blighting conditions with a strong presence are that 62.4% of the 63.5 acre redevelopment area is undeveloped and that the average age of structures in the area is approximately 66 years. (p. 8)

10. The study finds a strong presence of two factors that constitute an area as substandard within the study area and a reasonable presence of another two factors; and out of 12 possible factors that constitute an area blighted, 4 are strongly present in the area. Therefore it is the conclusion of the study that sufficient conditions and factors meet the criteria of substandard and blight as evidenced in the Blight Study. These factors

present a serious barrier to the planned and coordinated development of the area, have created an environment that negatively impacts private sector investment in the area, and serve as a detriment to the overall healthy economic growth and physical development of the community.

11. The City/County Health Department recommends approval of the blight determination.

12. The Blight Study is on file with the Urban Development Department and the Planning Department.

Prepared by:

Ed Zimmer, Historic Preservation Planner
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DATE: May 14, 2015

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MISCELLANEOUS NO. 15002

MISCELLANEOUS PERMIT NO. 15002, REVIEW OF PROPOSED DETERMINATION THAT THE VA CAMPUS REDEVELOPMENT AREA IS BLIGHTED AND SUBSTANDARD, ON PROPERTY GENERALLY LOCATED AT 600 SOUTH 70TH STREET, INCLUDING ADJACENT RIGHTS-OF-WAY.
PUBLIC HEARING BEFORE THE PLANNING COMMISSION: May 27, 2015

Members present: Lust, Hove, Scheer, Beecham, Cornelius, Corr, Harris, Sunderman; Weber absent.

Staff Recommendation: A finding of Substandard and Blighted Conditions.

Proponents:

David Landis, City Urban Development Director, the applicant, explained that they are examining VA Campus to see if the blighted and substandard conditions as outlined in the state law are present to the extent that this property can be declared consistent with the statutory definition. In the event that the city council approves this process, tax increment financing (TIF) would be available as a tool, which would enable an developer to make a project that has unique aspects that can be costly, such as site acquisition costs, demolition costs, available for redevelopment. Ultimately, we want to get rid of deteriorated buildings and replace them with density and new buildings that meet appropriate standards. Hanna:Keelan reviewed the VA Campus and found several of the substandard area factors and the blight factors present. Using a site map, Landis referred to the area of consideration, including 20 buildings - 13 of which are dilapidated. Several photos were viewed showing the condition of the buildings. He noted that there are several rotted and broken windows, deteriorated roofs, rotted wood and brick work in several of the structures. Landis noted that 65 percent of the campus roads are private and they are bad shape. In summary, the roads and the buildings are in poor condition. In addition, the pipes are 85 years old and made of materials that would not be allowed today. These pipes support the firefighting system of the campus. These are classic blight and substandard conditions.

Staff Questions

Lust asked if all this property is publicly owned? Landis stated that all the property is publicly owned. The land is owned by the federal government with a mix of both city and private streets throughout the campus.

Lust clarified that the request is to declare blight on a public asset. Landis stated absolutely and explained if you were to do an inventory of some of the state resources when he was with the state legislature, they were found to be blighted and substandard, i.e. the Norfolk Regional

Center. Landis indicated that many public entities in this state do not keep up on maintenance and the buildings fall in disrepair. There are plenty of publicly owned buildings that are in deteriorating and substandard conditions.

Lust asked if the intent is to sell this property if a developer can get a redevelopment plan? Landis stated that it would be very expensive to bring the buildings back to good condition. It would be likely that someone would demolish and rebuild, which will include expenses related to the removal of asbestos. It is not uncommon for the federal government to close them and then rent the land. The market won't easily fill into this process because of the costliness of this project, thus assistance of some kind for a developer would be necessary to make the financing work to make it useable.

Lust asked if the city is proposing to use TIF to bail out the failure of the federal government to maintain this property. Landis stated that this is now part of the record and a true statement.

Hove asked if it is the intent of the city to put this property back on the tax rolls? Landis explained that this is not city property so it won't be up to us to do that but he asking the Planning Commission and the City Council to give the department a tool to use that would allow a developer to do that. Landis noted that there is an interested developer and they are working under tight time lines, as there is an obligation to be able to prove that construction in October 2015 for the federal government's provision of VASH housing, which is for veterans who are homeless or very close to being homeless, to move them into appropriate housing conditions. The developer is a holder of some of these vouchers to provide the housing and then they can use that to support homeless veterans. In order to do this, this property needs to be made available via a lease from the federal government for 99 years but taxes would be paid on the land because it is not a governmental function and not tax deductible. The developer is also interested in providing medical facilities, offices and possibly the creation of a new VA clinic, which is to occur in this area, at this location. The developer would love it to be at this location, but that is the decision of the federal government decision that needs to be made.

Beecham asked if there is a guarantee that this area will still be used for veterans or is there a chance that it may not be used for veteran services. Landis indicated that the Veterans Administration did an RFP which requested proposals if they were to decide to part with the property. In response to the RFP, a local developer, working with the Seniors Foundation, made a proposal that includes medical facilities that would not be exclusively used by veterans and the use of the VA housing vouchers. The developer won the RFP, which can only be done for a limited period of time. There is not any other known proposals if the winning RFP is not carried out. This will be limbo and then it will be up to the federal government to figure out what the next phase will be. Landis indicated that it took four years to get to this point in this process. It is unclear how long the time line might be extended.

Beecham asked if the RFP is specific as to the future of the existing buildings other than coming in and tearing them down. Landis stated that they would probably have the authority to tear them down under the RFP. He noted that there are historical buildings on

the property and indicated that they can be very costly to rehab. He referred to “doctors’ row” – a series of three or four buildings on one side that have a rich historical significance but they also have significant problems. Landis indicated that he does not know the outcome for those structures. The Urban Development Department has asked the developer to be sympathetic to the historical aspect of the development. They will be as sensitive as they can afford to be. Once there is a redevelopment plan amendment, it will be presented to the Planning Commission for consideration. Ed Zimmer has been involved in the meetings with the developer. They will be obligated to go through the historical process because of these structures, including a review of the State Historical Preservation Officers.

Scheer asked if in the process of developing the redevelopment agreement, Urban Development and the Planning Department will have influence during the process with the developer to make the community’s wishes known about the disposition or preservation as part of the negotiations. Landis stated that this is a true statement; however, it could be that
what we want the developer to do is more expensive than what the developer is willing to do. In the past, we have done a good job in terms of ensuring what can be done, will be done in terms of historic preservation.

Beecham asked if the buildings are land marked or on the registry. Landis indicated that they are not. He believes that several of the structure would qualify but they are not.

Harris asked if the Planning Commission could attach a recommendation to be sympathetic to the historic nature of the buildings as possible. David Cary, Acting Director of the Planning Department, explained that the action would stand on its own. In addition, the Planning Commission’s statement will be included as part of the record.

Corr asked how the TIF would be affected since this property is currently tax exempt. Landis explained that this could not be done today because there is no tax base. With TIF, you take the new taxes that are currently not being collected and the new valuation that is dedicated to the function of creating the project for up to 15 years. There will be a big bump in the valuation and the taxes on that valuation will make this work. They will need money for pipes and infrastructure. Landis explained that TIF works the same whether it is taxed or untaxed. It involves the growth of the existing valuation and the new valuation of the development project and allocated for the infrastructure.

Sunderman asked if all the taxes on the redevelopment project will go toward TIF since there are currently no taxes being paid on this property. Landis indicated that all the taxes will go toward TIF. However, it is possible to have an agreement in which the amount of change – the new pipes or building of the roads – wouldn’t take 15 years and could be paid off in 10 years. The money would go toward that purpose and then stop. There are projects that have used less than 15 years because they accomplished what was agreed to for the use of TIF in less time.

Rick Peo, Assistant City Attorney, provided clarification and stated that just because the property is tax exempt, doesn’t mean that it has no value. The County Assessor has a duty

to assign property value to property whether it is exempt or non-exempt. The TIF is based on the increase of assessed valuation based on the development. The VA Campus would have some land value. When this goes to private use, there will be a portion that will go to the city's coffers. The taxes on the base value is distributed to all taxing entities. The increment goes to the city to fund TIF. Landis clarified that there is $0 dollars but that doesn't mean there is zero valuation.

Corr asked if some of the TIF is going to go toward private use rather than public to generate the tax dollars. Landis explained that there will be roads and pipes in this area but there could be energy efficiencies, etc. that would be considered a public benefit. The money has to be spent for either a public structure or a public benefit. Energy efficiency is considered a public benefit because it is extended resources.

Corr asked if this is going to remain public land and, if so, how will TIF work. Peo explained that under state statutes, public land becomes taxable if it is used for private purpose. The City of Lincoln pays taxes on property that it owns because it is leased for a private use. A similar situation would occur if the VA leases the property for private purposes, then the private use would become taxable. The proposal today is to implement the first step of a possibility of having a redevelopment agreement come forth or having any activity take place. There are no guarantees that TIF would be used. Landis stated that in this case, for 99 years, the developer may be using it for non-public purposes, then making it taxable.

Corr asked for clarification, stating that VA has a couple of options with the property – tear down everything and build something new, sell off portions of the land that is there and maintain the existing buildings and put in a new facility. The Planning Commission is only considering the blight study today and not any redevelopment agreement. Landis stated that what is before the commission today involves the blight study for this property. This is a necessary pre-condition to allow them to use a tool. If a redevelopment agreement is developed at the end of the negotiation process, and redevelopment plan amendment would come before the to the Planning Commission and then go to the City Council for consideration. In addition, a redevelopment agreement would be prepared for consideration by the City Council. Landis indicated that the fate of this land is not in our control. It is not our land and the VA has decided on this process.

Beecham asked Landis to address the use of TIF and the blighting standard in the different areas of town. TIF is oftentimes used in old factory areas of town but this is located at 70th & Street and not an older area of town. Are we indicating that there would be redevelopment in this area without the use of TIF? Landis in this case, the Planning Commission is being asked whether or not you agree with the planner who believes that this blighted and substandard. It is most common to use TIF in the oldest areas of town. Almost by definition, old buildings will be substandard because standards have changed over time. The older the area, the more likely they are to have substandard conditions present. Landis indicated that it is not that nothing would be done with the land but that the project that may be considered would occur at this location. If you want community redevelopment, you have to make it possible so that dilapidated can come down or be refurbished on a basis that can compete

with a commercial, private sector, profit seeking entity to build at this location rather than the edge of the city. This is done because building at the edge of the city has significant social costs and it leaves a location of older dilapidated structures that are ignored by the market due to elevated costs.

Opponents: None.

ACTION BY PLANNING COMMISSION: May 27, 2015

Beecham moved to recommend approval; seconded by Cornelius.

Cornelius stated that what is before the commission today is a finding of fact and not about TIF or the future use of this property. It is about the condition of this property currently. We were provided a report and are being asked by statute to decide whether we agree with the report presented today showing the conditions of the property. Regardless of maintenance, an area can become substandard simply by existing over time. This is not about how we feel about the property or the area. It is about the facts. Cornelius indicated it is unlikely we would be given the report if there wasn't a reasonable presence of these factors. This seems like a mechanical thing for the commission.

Lust stated that she agrees that there is likely no doubt that this property is substandard and blighted but she finds it difficult when there is public property that is substandard and blighted, and then the city of Lincoln taxpayers have to bear the burden to some degree of helping with the redevelopment of it. We, at all levels of government, should invest in maintenance upfront and it would probably be cheaper. Cornelius stated that this is true of both public or private property. Lust stated that obviously this property is substandard and blighted and something needs to be done about it, and she is going to support the finding.

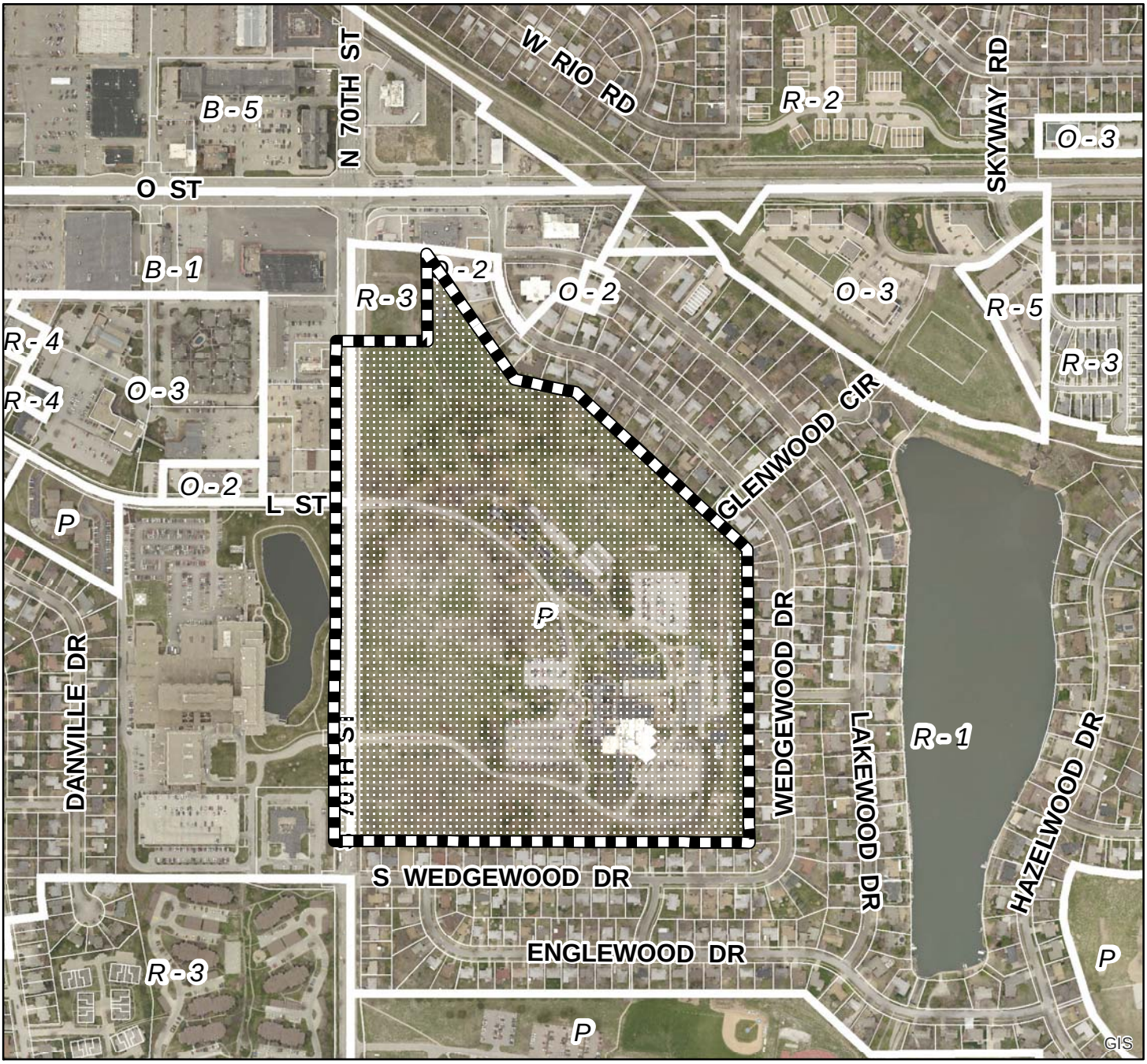
Beecham stated that she would like to see some of the buildings preserved if at all possible if a redevelopment agreement goes forward. These buildings are unique and have a lot of history and add to the area.

Harris agreed with Beecham's previous comments.

Corr stated that it is a shame that these are historical significant buildings that have been allowed to deteriorate so much. It is more shameful that this is how we thank our veterans when they come back from serving our country and they have these dilapidated conditions. Corr stated that she has had occasions to be this facility and other VA facilities and for some reason Lincoln's VA facility has been allowed to deteriorate more than the others within our state – not even within the nation – this is saddening. Now, we are expecting the city of Lincoln to help out the federal government with this. Prevention is ten times cheaper than coming in on the back side. If the federal government is listening, start ponying up for Lincoln. She agreed with Beecham's comments about the historical significance of these structures

and she would hate to see them torn down. She understands the blight – she is aware that there have been several fires in this facility within the past year and, if there are problems with the existing water pipes, this needs to be addressed. She is also aware that employees have to wear their costs when they work because it is so cold. It needs fixed badly.

Motion carried 7-0; Lust, Hove, Beecham, Harris, Cornelius, Corr, and Sunderman; Scheer and Weber absent.



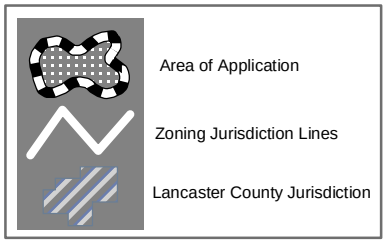
2013 aerial

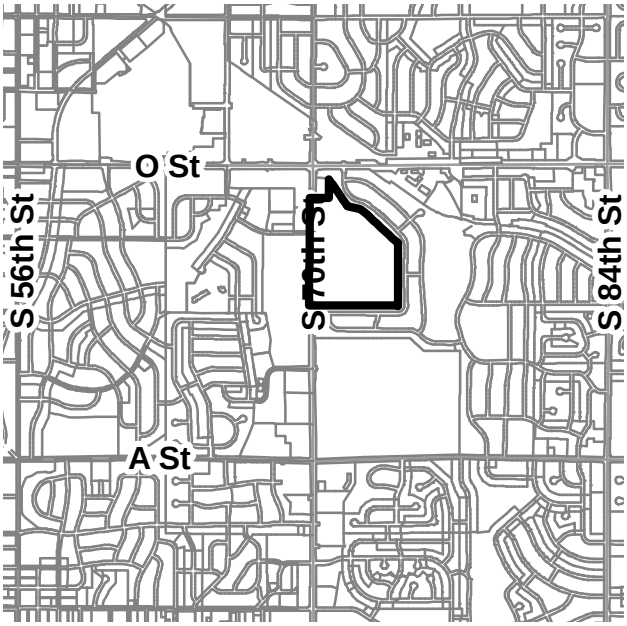
Miscellaneous #: MISC15002
VA Campus Redevelopment Area
S 70th & O St

Zoning:

R-1 to R-8	Residential District
AG	Agricultural District
AGR	Agricultural Residential District
O-1	Office District
O-2	Suburban Office District
O-3	Office Park District
R-T	Residential Transition District
B-1	Local Business District
B-2	Planned Neighborhood Business District
B-3	Commercial District
B-4	Lincoln Center Business District
B-5	Planned Regional Business District
H-1	Interstate Commercial District
H-2	Highway Business District
H-3	Highway Commercial District
H-4	General Commercial District
I-1	Industrial District
I-2	Industrial Park District
I-3	Employment Center District
P	Public Use District

One Square Mile:
Sec.27 T10N R07E
Sec.28 T10N R07E





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CITY OF LINCOLN
NEBRASKA

MAYOR CHRIS BEUTLER
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Urban Development Department
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402-441-7606
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April 28, 2015

David Cary, Acting Director
City of Lincoln-Lancaster County Planning Department
555 S. 10th
Lincoln, NE 68508

Dear David:

Enclosed is the *VA Campus Redevelopment Area Blight and Substandard Determination Study*. The Study was completed in April 2015 by Hanna:Keelan Associates, P.C.

Please forward the Study to the Planning Commission for their earliest consideration and review. My understanding is that it should be on the May 27, 2015 Planning Commission agenda.

If you have questions or need additional information, please contact me at 441-8211 or by e-mail at whjermstad@lincoln.ne.gov. Thank you.

Sincerely,

Wynn S. Hjermstad

Wynn S. Hjermstad, AICP
Community Development Manager

cc: Dave Landis, Director, Urban Development

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LINCOLN
The Community of Opportunity