

## **City of Wahoo, Nebraska**

### **Tax Increment Financing Wahoo Community Development Agency Policies and Procedures April 8, 2004 (Amended 2022)**

#### **INTRODUCTION**

Tax Increment Financing (TIF) has proven to be a powerful force for revitalizing areas of cities and towns in Nebraska. Formerly referred to as "urban renewal," the purpose of this legislation is the elimination of blighted and substandard areas. TIF permits local governments to use the increased tax revenues produced by a redevelopment project to partially finance the cost of some improvements associated with that project.

#### **TIF COMMITTEE**

All Tax Increment Financing (TIF) petitions must be filed with the Wahoo TIF Committee. This committee, all appointed by the Mayor, includes the Mayor, three City Council members, one Planning Commission member, City Administrator, Utilities General Manager, and Wahoo Economic Development Director. The TIF Committee is only a recommending body on proposed TIF redevelopment plans and projects. Final approval of any proposed use of TIF for redevelopment projects shall be determined by the Community Development Agency (Wahoo City Council), also known as the CDA, after receipt of the recommendation of the TIF Committee and Planning Commission.

#### **APPLICATION PROCESS**

The TIF Committee shall follow the procedures set forth herein in the consideration of and recommendation regarding any proposed TIF redevelopment plan or project, including the following procedures:

- I. The applicant must submit an application to the TIF Committee for its proposed TIF redevelopment plan or project in accordance with the requirements set forth herein.
- II. The TIF Committee will perform a preliminary "cost-benefit" analysis of the plan or project, with or without the assistance of legal counsel.
- III. The TIF Committee shall vote on the proposed redevelopment plan or project within 30 days after receiving the TIF request; a majority vote of the Committee shall determine if the plan or project meets the objectives described below and if it should be advanced for the formal consideration process by the CDA, the Planning Commission, and the City Council.
- IV. Following the TIF Committee's recommendation, the CDA will review the plan or project and make a recommendation for the project to move through the formal approval process with the Planning Commission and the City Council. This process is defined by a statutory process that must be followed.
- V. The CDA (City Council) evaluates the Planning Commission's comments and approves or denies the plan or project.

## USE OF TIF FUNDS

As described in Nebraska Statutes, TIF funds may be used for any of the following purposes (which may be amended by statute):

- I. Public improvements associated with a redevelopment project which are located in the redevelopment area. Such improvements can include streets, street lighting, sewers, sidewalks, utilities, public parking areas, parks/recreation facilities, landscaping of public areas and any other legally permitted municipal activities.
- II. Acquisition of redevelopment sites, including all costs associated with that acquisition.
- III. Site preparation, demolition, grading, surcharging, special foundation work, and other necessary site preparation work.
- IV. Utility extension and hook-ups.
- V. Rehabilitation of structures within the redevelopment areas.

## APPROVAL PROCESS

The TIF approval process consists of three primary steps:

- I. Designation of the Blighted Area – In Wahoo there are several areas that have been designated as blighted and substandard. To be eligible for consideration for use of TIF a proposed redevelopment project must be located in an eligible area that has been declared blighted and substandard.
- II. Preparation and approval of a Redevelopment Plan – The City of Wahoo has approved a General Redevelopment Plan for any areas that have been declared Blighted and Substandard. The City may also choose to prepare a specific redevelopment plan for a project area that may contain more specific goals and defined plans for redevelopment for a specific area. The plan has certain statutory requirements and includes a delineation of the Tax Increment Project Area. It also contains general information about the potential or proposed projects and the eligible use of TIF funds.
- III. Approval of a Redevelopment Agreement/Contract - Following approval of the redevelopment plan (unless there is already one in place), the City and the developer/owner of the proposed project negotiate a redevelopment agreement/contract. This contract sets forth the mutual responsibilities of both parties and may include the financial terms of the project. As part of the agreement process, the City and the developer will determine if the TIF financing is to be used as a private loan (in which case the developer will arrange this financing with a private lender) or a City bond issue (in which case the City and the developer will work with a bond underwriter to arrange this financing). Generally, any amount under \$250,000 should be financed as a private loan by the developer.

## CITY OF WAHOO'S PUBLIC POLICY STATEMENT REGARDING TIF

It is important to note all redevelopment projects/project proposals must meet the following criteria of the City's Public Policy Statement for Wahoo Tax Increment Financing Program:

- I. It is the Policy of the Wahoo Community Development Agency (CDA) to proactively exercise such powers under the Community Development law of the State of Nebraska as are necessary and expedient to assist in the remediation of blight and substandard conditions in the City of Wahoo.

- II. In order to encourage investment in redevelopment areas, the CDA may provide partial loans and/or grants (and/or combinations of loans and grants) for redevelopment projects in areas declared to be blighted and substandard.
- III. The CDA intends to issue bonds for the purposes set forth in §18-2147 of the Nebraska Revised Statutes and pledge the incremental ad valorem taxes on real property in redevelopment projects.
- IV. The CDA does not intend to use its taxing authority to increase the current property tax level to support redevelopment. Wahoo's redevelopment should be self-supporting. The CDA believes that many projects requiring assistance to positively impact blight and substandard conditions will not be of sufficient monetary size to warrant a division of taxes under §18-2147 of the Nebraska Revised Statutes. In order to create needed loan and grant funds to encourage redevelopment, each redevelopment plan, and redevelopment contract, should contain provisions providing for partial funding of a Community Redevelopment fund for smaller projects which do not qualify for the division of taxes under section §18-2147 because of the size of the project. The CDA finds that projects which do not expect an increase in the assessed value of real estate in the redevelopment project in excess of \$250,000.00 are generally not such projects as will benefit from the issuance of bonds under section §18-2147.
- V. The CDA shall generally require any proposed redeveloper to file with its application for redevelopment assistance under a proposed redevelopment plan or a proposed redevelopment contract, a sum of \$5,000.00 to cover costs of staff time, and other costs and expenses of the City of Wahoo. Additionally, the redeveloper shall be responsible for payment of out-of-pocket legal expenses incurred by the CDA. Costs associated with bond issuance are the responsibility of the developer, and may be added to the amount of the bonds. Such payments shall be non-refundable, and the filing of such fee shall not guarantee the acceptance or recommendation for approval of any such plan or contract.
- VI. It is the policy of the CDA to require cash payments of fees and other requirements under redevelopment plans and contracts. However, the CDA reserves the right, in limited circumstances, to accept debt obligations issued by the CDA, in payment of any fees or in satisfaction of any requirements under any redevelopment contractor or redevelopment plan, or substantial modification thereof.
- VII. The CDA finds that the acquisition and the development of undeveloped vacant land, not within a substandard or blighted area, is central to the proper clearance and redevelopment of substandard and blighted areas within the City of Wahoo and is a necessary part of the general community redevelopment program of the city. The CDA further finds that the acquisition and development of land outside the city to within a radius of one mile thereof is necessary and convenient to the proper clearance and redevelopment of substandard and blighted areas within the city and is a necessary adjunct to the general community redevelopment program of the city.
- VIII. Redevelopment projects should generally conform to the General Plan for the development of the City (Comprehensive Plan) and be consistent with the City development standards.

- IX. The CDA finds that one of the more effective methods of eliminating blight and substandard conditions is to promote the city as a retail trade, medical and tourism center. Therefore, improvements to existing facilities, and creation of new and larger retail stores, medical facilities and tourist facilities should be supported and encouraged. Continued expansion of industry, including warehousing, manufacturing, value-added agricultural industries and office complex facilities is an additional method of removing blight and substandard conditions. Such development should be encouraged in the blighted and substandard areas.
- X. Preference will be given to redevelopment projects and redevelopment contracts that result in the retention and or creation of above-average wage jobs. The CDA firmly believes that increased income levels within blighted and substandard areas significantly assist in the reduction of blight and substandard conditions:
- a. The CDA believes that the use of TIF should be reserved for redevelopment plans/projects that demonstrate the highest public benefit, including one or more of the following criteria:
    - i. eliminate blight,
    - ii. finance desirable public improvements,
    - iii. strengthen the employment and economic base,
    - iv. increase property values,
    - v. reduce poverty,
    - vi. create economic stability,
    - vii. stabilize and upgrade existing neighborhoods and areas,
    - viii. facilitate economic self-sufficiency,
    - ix. and implement the Comprehensive Plan of the City of Wahoo and the economic development strategy of the City.
  - b. The CDA shall pay particular attention to the merits of each proposed redevelopment plan/project with regard to:
    - i. potential impact on City service levels,
    - ii. overall contribution to the City economy,
    - iii. and consistency with the City's goals and objectives as expressed in the Comprehensive Plan and other adopted planning or strategic documents.
  - c. The CDA shall consider all proposed redevelopment plans and projects on their individual merits; however, the CDA favors redevelopment plans and projects that impact positively the following issues:
    - i. Job Creation:
      - 1. projects that create jobs with wages that exceed community average,
      - 2. total number of additional employees that will be hired and whether they will be hired from the local population,
      - 3. skill and education levels and range of salary and compensation required for jobs expected to be created,
      - 4. and potential for executive relocation.
    - ii. Vacant Land: If the proposed redevelopment plan or project will involve development/redevelopment of vacant land, it must conform with the Comprehensive Plan of the City of Wahoo and serve as a catalyst for further, high quality development or redevelopment.

- iii. Commercial Rehabilitation: Proposed redevelopment plans/projects involving the rehabilitation of existing retail, commercial, office or industrial facilities should serve to stabilize areas of the City that have or will likely experience deterioration.
  - iv. Retail Use: Proposed redevelopment plans/projects for retail and service commercial uses should be limited to those that encourage an inflow of customers from outside the City or that will provide services or fill retail markets that are currently unavailable or in short supply in the City.
  - v. Residential: Proposed redevelopment plans/projects involving residential units located in areas of infill within the community, be a rehabilitation of an existing multi-family residential structure, or be part of a redevelopment plan/project located in the downtown area of Wahoo.
- d. Other than described above, the CDA does not intend to provide assistance for residential projects. The policy of the CDA is to promote redevelopment projects that have a high probability of long-term benefit to community and long-term survival ability. Therefore, the CDA will generally require as part of application for assistance, financial statements and projections providing sufficient data to determine probably long-term success of the redevelopment project.
- e. Generally, the CDA will require, as part of a redevelopment contract, that provision be made for the installation of and payment for, or provision for payment for, public infrastructure including electrical lines, curbs, gutters, paved streets, sewer, gas and water. Installation of public amenities may also be required, including public parking, benches, pedestrian shelter, bus stops, signage and the like.
- f. In order to remove substandard and blighting influences in the city, the CDA will support projects that capture incremental tax revenues over a wide area to provide beneficial area wide redevelopment or benefit.
- g. The CDA recognizes that proactive remedial action in redevelopment areas requires a continual review of policies and procedures to the end that policy changes may be made on a timely basis to positively impact continual improvement in blighted and substandard areas.
- h. Generally, the CDA will require that not less than 25% of the bond proceeds generated from the project be distributed in the form of a loan secured with a lien on the project. The balance of the proceeds may be distributed as a grant. Terms of the loan shall be determined at the time of application and shall be based on projected repayment ability of the project. As a general policy, loan repayment should be for a term of not greater than five years. Balloon payments would be considered. Receipts from the loan repayment shall be placed into the Community Redevelopment fund.
- i. Developer Financials and Assurance of Marketability for and Final Payment of Bonds:
  - i. Timely payment of tax increment bond financings and the responsibility for such payment rests not with the municipality or its community redevelopment agency or authority issuing the indebtedness, but rather with the developer for any project for which TIF borrowings are requested.

- ii. The City advises developers that the existence of an ability for the issuance of tax increment financings does not assure a ready market for such financing. Accordingly, the City will make inquiry and must have information as to the financial structure and posture of a developer, and/or assurance from the developer that such developer has the ability to deliver any bonds issued to his own lender; to provide a letter of credit or other means of credit enhancement; or to provide some other means of payment guarantee to assure the transaction might be bankable and marketable. In each issuance of bonds the City will exercise its efforts to assist in determination of the marketability of an issue, but makes no pledge or guarantee of such marketability nor will the City be responsible for finding a buyer of any TIF obligation.
  - iii. Changes in tax structure, the manner of levying and collecting taxes, casualty loss of a facility, failure of the property owner to pay taxes, and other factors might result in the inadequacy of incremental tax revenues to pay the principal of and interest on a TIF obligation. A developer must be prepared and must be able to guarantee that should such an event or events occur, the developer will be prepared and will be able to make up any resulting deficiency between available tax revenues and the bond payments then due, or to immediately provide for payment and retirement of outstanding bonds and interest accrued on such bonds.
  - iv. A typical redevelopment agreement makes such findings as set out above and also generally makes provision relative to the lender being an additional named insured under any casualty insurance policy and contains provisions requiring the timely payment of taxes and assessments as well as a minimum non-protest value for the underlying property as developed.
- j. The grant or award of assistance to any particular project shall not obligate the CDA to grant assistance to any other project, whether similar or otherwise.
- k. In addition, the City of Wahoo must conclude that the plan (project) would not be economically feasible without TIF.

More information on this program is available by calling the Wahoo Economic Development Office at 402-443-4001.