May 1, 2018

Honorable President

and Members of the City Council,

The attached Resolution transmits the 2017 Tax Increment Financing (TIF) Annual Report for the City of Omaha as prepared by Economic Development staff of the City of Omaha Planning Department. The Omaha City Council passed Resolution No. 1008 on August 22, 2017 directing the Planning Department to compile certain information regarding the approval and progress of redevelopment projects that have been approved to use TIF, and present a report to the City Council on or before May 1st each year.

The attached Annual Report will highlight projects approved in 2017 through the City’s TIF Program. Twenty-five applications for TIF were received by the Planning Department for evaluation and eighteen redevelopment projects completed the TIF approval process; submission of application, presentation to the TIF Committee for recommendation, public hearing before Planning Board for recommendation and approval by City Council. The report also identifies redevelopment projects which, according to the City Finance Department, have either completed the 15-year term or paid the TIF note in full. A copy of the report will be placed on the City’s TIF website for public reference.

Your favorable consideration of this Resolution will be appreciated.

Respectfully submitted,

David K. Fanslau
Planning Director

Date

rmf 2673
RESOLVED BY THE CITY COUNCIL OF THE CITY OF OMAHA:

WHEREAS, the City Planning Department maintains the City Master Plan, which guides development for future growth and enhancements; and,

WHEREAS, the primary objectives of the City of Omaha's Master Plan and Community Development Program are to encourage additional private investment and infill development within inner-city neighborhoods; and to eliminate conditions which are detrimental to public health, safety and welfare, by developing vacant, underutilized property within these neighborhoods; and,

WHEREAS, Section 18-2108 of the Nebraska Revised Statutes requires the City of Omaha to adopt a redevelopment plan before taking an active part in a redevelopment project; including the division of ad valorem taxes for a period not to exceed 15 years under Sections 18-2147 through 18-2150, Revised Statutes of Nebraska; and,

WHEREAS, the City of Omaha periodically adopts redevelopment plans in order to participate in redevelopment projects that further the primary objectives of the Master Plan and the Community Development Program; and,

WHEREAS, the City Planning Department collects and maintains information regarding the adoption of redevelopment plans and reports annually to the Property Tax Administrator, as required under Section 18-2117.01 of the Nebraska Revised Statutes; and,

WHEREAS, The Economic Development staff of the City Planning Department has identified, assembled and compiled various statistics and information regarding the use of tax increment financing in the City of Omaha, as well as developed and maintains a website that provides the public with electronic access to copies of all approved redevelopment plans and associated documents for redevelopment projects; and,

WHEREAS, Omaha City Council passed Resolution No. 1008 on August 22, 2017 directing the Planning Department to compile and report certain information regarding the approval and progress of redevelopment projects in which the City of Omaha participates through the division of ad valorem taxes under Sections 18-2147 through 18-2150, Revised Statutes of Nebraska; and,

WHEREAS, the annual report on the use of tax increment financing by the City of Omaha will illustrate the use and impact of tax increment financing on redevelopment efforts in the City of Omaha, in furtherance of goals set forth in the Master Plan; and

WHEREAS, the report is to be presented to the City Council on or before May 1st each year.

By......................................................
Councilmember

Adopted..............................................

..................................................
City Clerk

Approved...........................................
Mayor
NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF OMAHA:

THAT, the attached 2017 Tax Increment Financing (TIF) Annual Report for the City of Omaha, as recommended by the City Planning Department, is hereby accepted.

2673 rmf

APPROVED AS TO FORM:

[Signature]

ASSISTANT CITY ATTORNEY

DATE

MAY 01 2018

C-25A

By.................................Councilmember

Adopted..........................

City Clerk

Approved........................Mayor
Introduction

The City of Omaha is the redevelopment authority which accepts Tax Increment Financing (TIF) applications and approves the use of TIF. The Planning Department, Housing and Community Development Division, Economic Development Staff receive the TIF applications and guide the applicant through the TIF approval process. Redevelopment project plans are evaluated based on zoning regulations, land utilization, compliance with the City’s Master Plan, criteria set forth in the City’s TIF Guidelines and the Nebraska Community Development Law (CDL). ¹

In response to City Council Resolution No. #1008 approved by City Council on August 22, 2017, this annual report was created to disclose information related to the approval and progress of TIF redevelopment projects in 2017. During 2017, 18 TIF redevelopment project sites were improved with the help of TIF. The 18 TIF projects resulted in the following activities:

- 1,582 apartment units of which 150 were for low-income households,
- 18 single-family, for-sale houses,
- 3 hotels within the downtown area, and
- At least 48,374 square feet of commercial space within mixed-use developments or as standalone commercial projects.

The sites were located in community redevelopment areas (CRA) throughout the Omaha area. A complete list of the 18 projects is attached at the end of this report. Certified copies of the final City Council documents from the City Clerk’s Office, which include the TIF application and the redevelopment plan and agreement, can be found on the TIF website under Archived TIF Documents and Reports. Here is a link to the TIF webpage: https://planninghcd.cityofomaha.org/economicdevelopment/tif

Figure 1: Number of TIF Projects Approved by Area - 2017

![Bar Chart showing number of TIF projects by area: Aksarben, Downtown, Midtown, North, South]
Approved 2017 TIF Projects

There were nine historic property rehabilitation redevelopment projects, representing 50% of the TIF improved redevelopment sites in 2017. These projects involved an adaptive re-use and/or significant rehabilitation of the structure(s). Only one of the projects involved both rehabilitation and new construction. The approved rehabilitation projects were as follows:

- Hupmobile and Holiday Inn Express — a mixed-use redevelopment site that includes the preservation and rehabilitation of the Hupmobile structure comprised of 8 market-rate apartment units and approximately 2,000 square feet of ground floor commercial space, and the new construction of a Holiday Inn Express hotel with 100 rooms
- World Hotel (now known as The Peregrine, a Curio Hotel) — conversion and adaptive re-use of an office building into a 90 room boutique hotel
- Bohemian Café — mixed-use project that redevelops several structures, including the former Bohemian Café, totaling approximately 14,259 square feet, into newer, modern uses
- The Landing — conversion of the former Creighton Medical Center/St. Joseph Hospital into approximately 731 market-rate apartments
- NICO Building — conversion of the former National Indemnity Company building into approximately 48 market-rate apartments
- Hanscom Apartments — preservation and rehabilitation of two separate residential structures for low-income households, approximately 75 apartment units
- West Farnam Apartments — preservation and rehabilitation of a residential structure for approximately 9 market-rate apartments
- The Hub — preservation and rehabilitation of a 14,335 square foot structure for new commercial uses such as office, technology, start-up and/or retail.
- Bijoux Residences — preservation and rehabilitation of a structure for mixed-use: commercial space and approximately 14 market-rate apartments

It should be noted that most of the housing projects included some parking provisions for tenants. Of the nine projects, four proposed to utilize Historic Preservation Tax Credits: Hupmobile, World Hotel (now known as The Peregrine, a Curio Hotel), NICO Building, and Hanscom Apartments. Two of the projects involved the use of Low Income Housing Tax Credits (LIHTC) — Hanscom Apartments and Sorensen Heights Senior Housing.

The assistance of TIF allowed code violations to be addressed and resolved. TIF was instrumental in resolving code violations in 3 of the 18 total TIF projects: Hanscom Apartments, West Farnam Apartments, and Bijoux Residences. Recognizing there is a cost to the City associated with monitoring property with a notice of violation(s) as well as safety concerns and public hazard conditions, TIF helps to alleviate that cost and eliminate those conditions through the rehabilitation and redevelopment of the property.

The other nine projects involved 100% new construction. Three of those projects were in the Blackstone Business District:
- Blackstone Knoll — construction of 3 market-rate units and approximately 5,780 square feet of commercial space
- Blackstone Depot Apartments — construction of approximately 56 market-rate units
- Blackstone Corner Apartments and Shops — construction of approximately 112 market-rate units and approximately 12,000 square feet of commercial space

The remaining six projects were as follows:
- Muse — construction of approximately 239 market-rate units targeted for students
- Cambria Suites Hotel at the Yard — construction of approximately 128 room, upscale hotel
- Zone 6 Apts at Aksarben Village — construction of approximately 54 market-rate units
- Habitat for Humanity Adams Park Project 2 — construction of 18 for sale, single family homes
- Sorensen Heights Senior Housing — construction of approximately 75 units of senior housing with a mix of market-rate and low-income housing
- The Centerline — construction of approximately 158 market-rate units
A majority of the housing projects included some parking provisions for tenants.

There were three types of project classifications approved in 2017: mixed-use, housing and commercial. Mixed-use typically includes commercial (office or retail) and residential uses. Only five of the 18 projects, or 28%, were mixed-use. All of the mixed-use TIF projects included housing. The demographics of the housing component represents primarily one to two person households, young professionals and empty-nesters according to some of the development community. Housing represented a majority of the types of projects approved at 55%. Three of the 18 projects, or 17%, were of commercial use; two were hotel projects. The bar chart below illustrates the TIF loan distribution by use type.

See the attached listing of the 18 TIF projects for specific area and type classifications of each TIF project.

**Figure 2: 2017 Approved TIF Loans by Project Type**

- **Commercial** 10%
- **Housing** 73%
- **Mixed-Use** 17%

The following is a summary of other data points for this report:

- Total number of TIF project plans in which taxes where divided pursuant to Sections 18-2147 through 18-2150, Revised Statutes of Nebraska 1 (i.e., total # of TIF projects with a 2017 division date) was 31. This includes two previously approved projects, Capitol District and Millard Lumber, which had three additional phases with 2017 division dates.
- During 2017, the number of TIF project notes paid in full or that reached the 15-year term according to the Finance Department was 12.
- The amount of TIF funds approved totaled $44,668,238, not including estimated accrued interest.
- Estimated project costs for all approved projects totaled $305,801,276.
- The percent of land within the corporate limits of City of Omaha designated as blighted as of 12/31/17 is 18.2%.
Paid Off TIF Projects

Often, newly approved TIF projects or active TIF projects are emphasized as a way to highlight revitalization of neighborhood communities through infill developments, redevelopment activities that transform our employment hubs like Midtown and Downtown, rehabilitation projects that re-purpose and preserve older structures in our city, and other projects that provide quality housing options. Equally important are the matured projects that pay-off early or reach the maximum 15-year term, thereby generating large increases in property tax revenues.

At the end of the 15-year term, the redevelopment sites of TIF projects typically have a significantly higher final property valuation than the base property valuation — the valuation prior to the project being approved for TIF. In the case of the 12 TIF projects on the City’s paid-off list, the cumulative base property valuation was $3,149,700; the base property tax revenues were $62,771. The base property value and property tax revenue and the actual property value and property tax revenue data were obtained from the Douglas County Assessor’s Office and the Finance Department. In the case of the 12 TIF projects on the paid-off list, the aggregate net increase over the base property valuations during the 15-year term was $29,092,500, or 924%. Furthermore, the property tax revenue generated by the TIF redevelopment sites was significantly higher than the property tax revenue prior to the project being approved for TIF. Again, for the same 12 TIF projects, the aggregate increase over the base tax revenues during the 15-year term was $662,266, or 1,055%.

Each year, as the TIF projects pay-off or reach the 15-year term, the increased property valuation becomes an enhancement to the tax base of the local governmental entities and other political subdivisions. Likewise, the increased property tax revenues (i.e. newly generated incremental tax revenue resulting from the TIF project) become a new source of revenue for taxing jurisdictions. The additional tax revenues will flow to the taxing jurisdictions indefinitely.

If the TIF project would not have occurred, the enhancement to the tax base and the gain in additional tax revenues would not have been achieved. One way to evaluate the amount of tax revenue a project might have generated, if there was no TIF, is to compare the actual results to a scenario where no TIF was approved.

Economic development staff in the planning department prepared a simple “what-if” analysis to compare the actual results of the 12 TIF projects on the paid-off list to two scenarios where those same projects had no TIF, and did not experience any redevelopment. One scenario assumed an average increase in property values of 3% over the 15-year period and the other scenario assumed a 2% per year increase in valuation during the 15-year period. The actual tax levy rates were used for the years within the 15-year period to calculate the tax revenues. The primary assumption was that no or little development occurred at the same 12 redevelopment sites of the TIF projects, all else being equal. The results were as follows:

**Scenario One** – No TIF, average 3% increase in the property valuation over the base valuation

- Property valuation increase of $3,244,191 or 103%
- Property tax revenue increase of $81,010 or 129%

**Scenario Two** – No TIF, 2% per year increase in the property valuation

- Property valuation increase of $4,155,962 or 132%
- Property tax revenue increase of $101,513 or 162%

**Actual** – 12 TIF Projects paid off in 2017

- Property valuation increase of $29,092,500 or 924%
- Property tax revenue increase of $662,266, or 1,055%
A 3% average increase was used in Scenario One based on observation of average increases in property values over a 10-year period within Douglas County. While some of the redevelopment project sites may have experienced some level of redevelopment without TIF, it is very unlikely that all of them would have seen reinvestment. This has already been the experience of many areas within CRAs in Omaha. It is also very likely that the level of redevelopment would have been substantially less without the support of the TIF program. (This report is not intended to provide a deep analysis of the potential scenarios.)

The simple conclusion is that the redevelopment sites of the TIF projects would not have achieved the level of increases in property valuation and tax revenues without TIF.
Endnotes:
1Community Development Law, Revised Statutes of Nebraska 18-2101 to 18-2153, as amended

Attachments:
1. Table of 2017 Approved Projects
2. Maps:
   a. Approved TIF Loans with Project Names
   a. Approved TIF Loans by Type
   a. Approved TIF Loans by Area
3. Table of TIF Projects That Paid-off or Reached the 15-Year Term

TIF Data Sources:
- City of Omaha Planning Department, Housing and Community Development — Economic Development
- City of Omaha Finance Department
- Douglas County Assessor’s Office of Nebraska
- Nebraska Department of Revenue, Property Assessment Division
<table>
<thead>
<tr>
<th>Project Name</th>
<th>Area</th>
<th>Project Type</th>
<th>TIF Loan</th>
<th>Est. Total Cost</th>
<th>Property Address(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Hugmobile &amp; Holiday Inn Express</td>
<td>Downtown</td>
<td>Mixed-Use</td>
<td>$ 4,000,000</td>
<td>$ 21,062,358</td>
<td>Southwest of 24th Avenue and Farnam Street</td>
</tr>
<tr>
<td>2. World Hotel, now known as The Peregrine, a Curio Hotel</td>
<td>Downtown</td>
<td>Commercial</td>
<td>$ 1,900,000</td>
<td>$ 13,573,195</td>
<td>203 S 18 Street</td>
</tr>
<tr>
<td>3. Blackstone Knoll</td>
<td>Midtown</td>
<td>Mixed-Use</td>
<td>$ 325,000</td>
<td>$ 2,578,000</td>
<td>3902 Harney Street</td>
</tr>
<tr>
<td>4. Muse (former Micklin Lumber)</td>
<td>North</td>
<td>Housing</td>
<td>$ 5,406,684</td>
<td>$ 30,584,400</td>
<td>1020 N 19 Street</td>
</tr>
<tr>
<td>5. Cambria Suites Hotel at the Yard</td>
<td>Downtown</td>
<td>Commercial</td>
<td>$ 2,237,000</td>
<td>$ 24,551,069</td>
<td>740 N 14 Street</td>
</tr>
<tr>
<td>6. Blackstone Depot Apartments</td>
<td>Midtown</td>
<td>Housing</td>
<td>$ 860,000</td>
<td>$ 8,287,000</td>
<td>3812-20 Harney Street</td>
</tr>
<tr>
<td>7. Zone 6 Apts at Aksarben Village</td>
<td>Aksarben</td>
<td>Housing</td>
<td>$ 1,625,568</td>
<td>$ 15,824,770</td>
<td>6420 Frances Street and 6465 Shirley Street</td>
</tr>
<tr>
<td>8. Bohemian Café</td>
<td>South</td>
<td>Mixed-Use</td>
<td>$ 275,000</td>
<td>$ 2,093,627</td>
<td>1407, 1410, 1411 and 1414 S 13 Street</td>
</tr>
<tr>
<td>9. Landing, The, now known as The Atlas</td>
<td>Midtown</td>
<td>Housing</td>
<td>$ 19,100,000</td>
<td>$ 104,225,000</td>
<td>2929 California Street</td>
</tr>
<tr>
<td>10. Habitat for Humanity Adams Park Project 2</td>
<td>North</td>
<td>Housing</td>
<td>$ 345,000</td>
<td>$ 3,292,000</td>
<td>Emnet Street bound by Malcolm X Ave and J.A. Creighton Blvd</td>
</tr>
<tr>
<td>11. NICO Building</td>
<td>Midtown</td>
<td>Housing</td>
<td>$ 1,140,000</td>
<td>$ 8,139,860</td>
<td>3024 Harney Street</td>
</tr>
<tr>
<td>12. Hancson Apartments</td>
<td>Midtown</td>
<td>Housing</td>
<td>$ 322,986</td>
<td>$ 14,380,421</td>
<td>1029 Park Avenue</td>
</tr>
<tr>
<td>13. West Farnam Apartments</td>
<td>Midtown</td>
<td>Housing</td>
<td>$ 340,000</td>
<td>$ 2,930,000</td>
<td>1317 Dewey Avenue</td>
</tr>
<tr>
<td>14. Sorensen Heights Senior Housing</td>
<td>North</td>
<td>Housing</td>
<td>$ 500,000</td>
<td>$ 10,585,000</td>
<td>6657 N 56 Street</td>
</tr>
<tr>
<td>15. Centerline, The</td>
<td>Aksarben</td>
<td>Housing</td>
<td>$ 2,941,000</td>
<td>$ 23,500,000</td>
<td>7001 Oak Street</td>
</tr>
<tr>
<td>16. Hub, The</td>
<td>North</td>
<td>Commercial</td>
<td>$ 300,000</td>
<td>$ 2,011,806</td>
<td>1605 Nicholas Street</td>
</tr>
<tr>
<td>17. Blackstone Corner Apartments and Shops</td>
<td>Midtown</td>
<td>Mixed-Use</td>
<td>$ 2,800,000</td>
<td>$ 15,824,770</td>
<td>3618 Farnam Street</td>
</tr>
<tr>
<td>18. Bijou Residences</td>
<td>Downtown</td>
<td>Mixed-Use</td>
<td>$ 250,000</td>
<td>$ 2,358,000</td>
<td>563 S 18 Street</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td></td>
<td></td>
<td><strong>$44,668,238</strong></td>
<td><strong>$305,801,276</strong></td>
<td></td>
</tr>
</tbody>
</table>

Notes: 1) Of the 18 Approved TIF projects, 3 started the approval process in 2016. 2) The TIF Loan Amounts do not include accrued interest paid on these loans.
Approved TIF Loans - Year 2017
Approved TIF Loans by Type - Year 2017

TIF Loan Amount
By TIF Type
- Commercial ($4,437,000)
- Housing ($32,581,238)
- Mixed-Use ($7,650,000)

Date: 1/2/2018
Approved TIF Loans by Area - Year 2017

TIF Loan Amount
By TIF Area
- Aksarben ($4,566,568)
- Downtown ($8,387,000)
- Midtown ($24,887,985)
- North ($6,551,684)
- South ($2,75,000)
<table>
<thead>
<tr>
<th>PAID OFF IN 2017 - Project Name</th>
<th>Final BASE Value</th>
<th>Final EXCESS Value</th>
<th>Final TOTAL Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 TURNER PARK LLC</td>
<td>$481,400</td>
<td>$2,289,300</td>
<td>$2,770,700</td>
</tr>
<tr>
<td>2 BRADFORD INVESTMENT GROUP</td>
<td>$147,000</td>
<td>$84,400</td>
<td>$231,400</td>
</tr>
<tr>
<td>3 CINTAS CORPORATION</td>
<td>$575,500</td>
<td>$1,889,100</td>
<td>$2,464,600</td>
</tr>
<tr>
<td>4 710 S 20TH LLC (DRAKE COURT APARTMENTS)</td>
<td>$1,270,300</td>
<td>$5,193,200</td>
<td>$6,463,500</td>
</tr>
<tr>
<td>5 SIGMA DEVELOPMENT SERVICES (OMAHA CLUB BUILDING)</td>
<td>$844,100</td>
<td>$955,600</td>
<td>$1,799,700</td>
</tr>
<tr>
<td>6 KELLOM VILL LP (KELLOM HEIGHTS REDEVELOPMENT PHASE IX)</td>
<td>$28,500</td>
<td>$353,200</td>
<td>$381,700</td>
</tr>
<tr>
<td>7 KELLOM GARDENS LP (KELLOM HEIGHTS REDEV PHASE VII)</td>
<td>$300</td>
<td>$191,700</td>
<td>$192,000</td>
</tr>
<tr>
<td>8 ARMORED KNIGHTS</td>
<td>$29,600</td>
<td>$300,700</td>
<td>$330,300</td>
</tr>
<tr>
<td>9 PHILLIPS REALTY, LLC</td>
<td>$47,900</td>
<td>$822,900</td>
<td>$870,800</td>
</tr>
<tr>
<td>10 KING'S HERITAGE ESTATES I</td>
<td>$266,800</td>
<td>$8,077,400</td>
<td>$8,344,200</td>
</tr>
<tr>
<td>11 NOODLE AV2 LLC (PROJECT 1A)</td>
<td>$33,800</td>
<td>$1,399,600</td>
<td>$1,433,400</td>
</tr>
<tr>
<td>Totals</td>
<td><strong>$3,149,700</strong></td>
<td><strong>$29,092,500</strong></td>
<td><strong>$32,242,200</strong></td>
</tr>
</tbody>
</table>
Item Submitted By: Bridget Hadley/Rikki Flott
Department: Planning
Council Meeting Date: May 1, 2018

Res. that, the attached 2017 Tax Increment Financing (TIF) Annual Report for the City of Omaha, as recommended by the City Planning Department, is hereby accepted.

Presented to City Council

May 1, 2018

APPROVED 7-0

Elizabeth Butler

City Clerk