CASE: C3-19-003
APPLICANT: Planning Department on behalf of the City of Omaha
REQUEST: Approval of the MIDTOWN HOTEL AT 71ST AND HASCALL TIF REDEVELOPMENT PROJECT PLAN
LOCATION: 3301 South 72nd Street

SUBJECT AREA IS SHADED - JANUARY 2019
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REQUEST: Approval of the MIDTOWN HOTEL AT 71ST AND HASCALL TIF REDEVELOPMENT PROJECT PLAN
LOCATION: 3301 South 72nd Street
To: Chairman and Members of the Planning Board

From: David K. Fanslau
Planning Director

Date: January 2, 2019

Subject: MIDTOWN HOTEL AT 71ST AND HASCALL TIF REDEVELOPMENT PROJECT PLAN
3301 South 72nd Street
Case #C3-19-003

Project Description

Background:
The project site, bound by Hascall Street on the north and 72nd Street on the west, had last been a Baymont Inn franchise hotel in its most recent use. The hotel was constructed in 1975.

Existing Land Use and Conditions of the Redevelopment Site:
The existing 93,600 square foot building is presently vacant. It has been unused and neglected for nearly two years. Vagrants have frequently gained access to the building, causing damage and degradation.

Proposed Use and Project Details:
The existing structure will be demolished and the site completely cleared for new construction. The proposed building will be a four story structure with 135 guest rooms with other amenities. Access to the site will be reconfigured to use Hascall Street; eliminating direct access to 72nd Street.

The project will be a dual branded hotel; a “Tru” by Hilton, and a Home 2 (H2) Extended Stay Hotel, with amenities shared by both. A separate, very small commercial building will be constructed on the west end of the property, near 72nd Street, which is intended to be a coffee shop or occupied by a similar retail tenant.

The Developer, MH Hospitality, is owned and managed by Dan Marak. He has considerable experience in the local hotel market, with over 350 hotel rooms currently under construction and five hotel management contracts in Omaha. The project will be MH Hospitality’s tenth Omaha hotel project since 2008.

New Construction: Yes
Acres: 2.6
# Of Buildings: 2
Building Height(s): 4 Floors for the hotel structure, 1 floor for the retail building.

Parking Plan for Proposed Project:

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On-site surface parking will be developed, sufficient for the land use requirements.

The applicant anticipates construction beginning in spring, 2019, with completion during the second quarter of 2020.

**Analysis**

The project site is located within a Community Redevelopment Area, meets the requirements of Nebraska Community Development Law and qualifies for the submission of an application for the utilization of Tax Increment Financing to cover costs associated with project development as submitted for approval through the Tax Increment Financing process.

This redevelopment project plan represents an infill redevelopment opportunity that will remove a neglected, damaged building and return a site that has been idle for approximately two years to productive use. The additional costs of large scale building demolition also contributes to the necessity of using the TIF program for the redevelopment of this property. The project would not be feasible without the assistance of the TIF Program. Ultimately, this project plan will enhance the tax base for various taxing jurisdictions.

The project is in compliance with the City's Master Plan. The project supports goals of the Concept Element of the Master Plan, including promoting the creation of a full range of jobs, encouraging private investment, and reversing deterioration in older areas of the central city (p. 18).

**No Building Permit will be issued based on a site plan that does not comply with the provisions of the Zoning Ordinance.**

**RECOMMENDATION:** Approval.

**ATTACHMENTS:**
General Vicinity Map
Project Plan
Project Finance Summary - Sources & Uses

<table>
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<tr>
<th>Sources of Funds</th>
<th>Amount</th>
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<tr>
<td>Construction Loan / Bank Financing</td>
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<td>Tax Increment Financing Loan</td>
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<td>Owner Equity</td>
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<td><strong>Total Sources of Funds</strong></td>
<td><strong>$18,200,000</strong></td>
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<table>
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<tr>
<th>Uses of Funds</th>
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<tr>
<td>Construction Hard Costs</td>
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<td>Acquisition</td>
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<td>Demolition</td>
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<td>Site Costs</td>
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<td>Hotel FF&amp;E</td>
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<td>Financing Fees</td>
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<tr>
<td><strong>Total Uses of Funds</strong></td>
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Final Valuation Discussion
The applicant estimates a probable final valuation of $16,380,000 upon project completion. The estimate is based on a per square foot cost of $189.19 and a market analysis with comparable hotel developments. The applicant is a former MAI hotel appraiser.

Land Use and Zoning
The building has most recently been in use as a hotel. It is presently vacant and has been vacant for nearly two years. It has experienced vandalism and unauthorized occupancy by vagrants. The site is currently zone CC – Community Commercial, and is in the ACI-2 (65) Area of Civic Importance overlay zone.

Utilities and Public Improvements
Standard utilities (electrical, water, sewer) exist at the site.

Sidewalk improvements and landscaping will be installed in the 72nd Street and the Hascall Street rights-of-way, designed for compliance with urban design guidelines for the ACI.

Transportation
No transportation issues noted. The site is adjacent to 72nd Street, served by the public transit system.

Historical Status
The building is not applicable. The building does not have historic status.

Evaluation Criteria: Mandatory Criteria – from the TIF application

1. The project must be located within a blighted area or an area eligible for a designation of blight as required and set forth by State Statute.
The Project is located in a blighted area, and is lies within the boundaries of the TIF Community Redevelopment Area.

2. **The project must further the objectives of the City's Comprehensive Plan.**

The Project is a redevelopment project, which will demolish run down hotel buildings to reconstruct an updated, energy efficient, and modernized hotel which will continue to bring updated changes to an important transportation center for the City.

3. **The use of TIF for the project will not result in a loss of pre-existing tax revenues to the City and other taxing jurisdictions.**

The Tax Increment Financing request proposes to utilize only the increases in the property taxes resulting from the improvements proposed by the applicant. Existing tax revenues will continue to accrue to the benefit of the City of Omaha and other taxing jurisdictions.

4. **The developer is able to demonstrate that the project would not be economically feasible without the use of TIF. In addition, when the project has site alternatives, the proposal must demonstrate that it would not occur in the area without TIF. Return on investment assists in determining the economic feasibility of the project.**

As shown above, this project is not economically feasible without the use of Tax Increment Financing. The style of hotel that is being offered for this project, requires greater enhancement to the buildings and exterior portions thereof, which provide an enhancement to the surrounding areas. TIF financing fills the gap to make this project feasible by increasing the overall value of the area by ensuring that the site and the surrounding areas will be utilized to their fullest potential. Based upon the projections set forth above, it is reasonable to conclude that this development would not occur in this area without TIF, given the construction costs and complexities involved.

**Cost-Benefit Analysis – from the TIF application**

1. **Tax Shifts resulting from the approval of the use of funds pursuant to section 18-2147 (of the Community Development Law):**

The use of TIF will result in a large gain of tax revenue for Omaha, and no public service needs will be generated as a result of this project. The current level of taxes will continue to flow to the current taxing entities and only the increased value of revenues resulting from the improvements will be applied to the cost of the improvement.

2. **Public infrastructure and community public service needs impacts and local tax impacts arising from projects receiving incentives:**

The proposed TIF will be used to offset site acquisition, site development, and public improvement costs, all of which are eligible expenses. The current property tax system can accommodate the development. Furthermore, the long-term benefit resulting from an increase in the tax base from the development is another valid reason to approve TIF assistance for this project. The project will not expand the use of public fire and police. This project will offer additional jobs for the surrounding areas, and will ensure that this
site continues to be utilized for years to come, rather than having a long time site falling into disrepair.

3. Impacts on employers and employees of firms locating or expanding within the boundaries of the area of redevelopment project:

The development will positively impact the neighborhood within the redevelopment area by providing quality hospitality services and will help spur future developments and improvements within the redevelopment area.

4. Impacts on employers and employees within the city and the immediate area that is located outside of the boundaries of the area of the redevelopment project:

The development will positively impact other businesses in the immediate vicinity outside of the boundaries of the redevelopment area because the addition of quality hospitality services within the redevelopment area will be an asset for the surrounding businesses in the immediate area inside and outside of the boundaries of the redevelopment area. The new project will employ between 40 and 60 people a lot of which are in the pay range of $40,000 or more annually.

5. Impacts on student populations of school districts within the city or village:

This project will have no negative impacts on the school district. The project is not causing any reduction in the base valuation of the subject property, which would take away funds that would otherwise be subject to the public school levy, and adds no additional students to the district. Further, with the potential for new jobs, residents living in and around the area of the project will benefit from the new employment opportunities that are being created.

6. Any other impacts determined by the authority to be relevant to the consideration of costs and benefits arising from the development project:

The elimination of the substandard and blight conditions in this area will bring needed economic opportunities to this area of the community. The revitalization will cause a reasonable increase in traffic in the area. The long-term benefits resulting from the elimination of the substandard and blight condition and the increase in the tax base resulting from the development are other valid justifications to provide assistance to the Project.

TIF Request:

The TIF request is for up to $3,038,797, plus accrued interest. The TIF is 16.7 percent of the total project costs. TIF will be used to offset TIF eligible costs such as acquisition, demolition, site work, architecture and engineering services, and public improvements as required. The total estimated project costs are $18,200,000. This project is required to comply with all Planning Department and Planning Board recommendations.
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