

MINUTES  
TAX INCREMENT FINANCE COMMITTEE  
December 7, 2004

Members Present: Malcom Chapman, Ethan Schmidt, Dan Dryden, Marcia Elkins, Jason Green, Jim Preston

Others Present: Bill Freytag, Jim Shaw, Ron Kroeger, Barbara Garcia, Joel Landeen, Ted Vore, Sharlene Mitchell

Elkins called the meeting to order at 11:45 a.m.

Freytag provided a brief review of the proposed low/moderate income housing development noting that the purpose of the requested Tax Increment District is to provide the funding necessary to construct the balance of Country Road and build the interior roads to the development. Freytag indicated that the cost for the road, water, sewer and drainage infrastructure improvements has been estimated at \$500,000.

Freytag indicated that funding for the infrastructure improvements has been secured through the South Dakota Housing Authority program noting that the disbursement mechanism for the funds was undetermined at this time. He indicated that the low/moderate income housing guidelines are being coordinated with the assistance of the Community Development Specialist.

Kroeger briefly addressed the goal of the City Council to provide affordable housing in Rapid City complementing Freytag for volunteering for the project. Kroeger addressed the program changes implemented by the South Dakota Housing Authority in response to Freytag's request for funding assistance.

Elkins briefly reviewed the proposed tax increment district, the anticipated increment and revenue based on the estimated infrastructure costs. Elkins clarified that final design plans are required in order to determine the actual infrastructure costs to be included in the proposed district. Elkins indicated that a six (6) percent interest rate was utilized in amortizing the district payout. Freytag indicated that they are anticipating an interest rate lower than the projected six (6) percent which would permit an earlier payoff of the district.

In response to a question, Freytag indicated that the cost projections include both engineering fees and construction costs.

In response to a question from Schmidt, Freytag indicated that the development has been designed to support the low/moderate income purchaser by reducing lot sizes and increasing lot coverages. Freytag identified the anticipated cost per lot noting that without the support of the tax increment district the per lot cost would increase substantially.

Elkins commented on the previous low/moderate housing development projects noting that the Tax Increment Guidelines were modified to specifically address the low/moderate income housing need. Elkins addressed the special recognition the City Council has given to achieving low/moderate income housing developments for Rapid City in the Tax Increment District Policy guidelines.

Freytag clarified that the development has been designed to support the affordable housing project noting that the design would not support development for the regular housing market.

Shaw addressed the efforts of the Community Development staff with regard to the affordable housing project. Shaw addressed the need for affordable housing in Rapid City and the need to develop a partnership in order for this type of development to occur. Shaw complemented Freytag for volunteering to do the affordable housing project. Shaw indicated that the project exemplifies the intent of the Tax Increment program in meeting a community need.

In response to a question, Freytag reviewed the aspects of the New Homeowner educational program. He clarified that the homes will be fully constructed and yards installed when the home owner purchases the property noting that this is not a self-help program.

Elkins requested clarification as to how the development will maintain the ten (10) year low income status as required by the tax increment guidelines. Discussion followed regarding the process for monitoring property owner income during the initial ten (10) year time frame of the program to insure that the tax increment criteria is maintained and the use of second mortgage or covenants as notification requirements.

Elkins indicated that the intent of the project is to allow low/moderate families to invest in a home, build equity and as these homes are resold they are made available to new low/moderate income buyers. Freytag indicated his preference for the use of a second mortgage to track the income requirements of new purchasers.

In response to a question from Schmidt, Freytag indicated that not all lots within the development will be developed for low/moderate income owners. Elkins indicated that the development will incorporate both single family and multi family properties. Freytag indicated that the single family properties will be low/moderate income and the multi-family properties will target the general market.

In response to a question from Elkins, Freytag indicated that the development should meet the 51% low/moderate income housing requirement.

In response to a question from Preston, Elkins indicated that the proposed district would not qualify as an "economic development district". A brief discussion followed regarding the resulting impact to the School District tax base.

Discussion followed regarding the tracking method to be employed to monitor the low/moderate income criteria. In response to a question from Elkins, Garcia recommended that the median income for the project be approved at 80% instead of 60% as identified by Section 6-A of the tax increment guidelines.

Elkins addressed the multiple levels of assistance required to financially support a low/moderate income project.

Garcia indicated that this type of development is required in order to support the affordable housing goals established in the Community Development Block Grant Action Plan.

Preston voiced support for the project as it promotes home ownership. In response to a question from Preston, Garcia indicated that the median income needs to be increased to 80% as there are not sufficient applicants to fulfill the 60% criteria.

In response to a question from Preston, Freytag addressed the demand for Medium Density Residential zoned property in Rapid City.

**Preston moved to recommend approval of the Kateland Subdivision Tax Increment District in the amount of \$500,000 with the recommendation that the project target residents at or below 80% of the median income. Dryden seconded the motion.**

Green indicated that while he understands and supports the intent of the project it is his legal opinion the project does not meet the State statute definition of "blighted" and therefore he would not support approval of the request.

In response to a question from Chapman, Elkins indicated that the City will work with both the development and the South Dakota Housing Development Authority to secure funding for the project.

**The motion to recommend approval of the Kateland Subdivision Tax Increment District in the amount of \$500,000 with the recommendation that the project target residents at or below 80% of the median income carried with Green voting No.**

Approve Minutes

**Green moved, Chapman seconded and carried unanimously to approve the minutes of the November 18, 2004 meeting.**

Adjourn

There being no further business the meeting was adjourned at 12:30 p.m.