

MINUTES
TAX INCREMENT FINANCE COMMITTEE
April 3, 2007

MEMBERS PRESENT: Ron Kroeger, Bill Okrepkie, Marcia Elkins, Jim Preston, Joel Landeen

OTHERS PRESENT: Steve Zandstra, Hani Shafai, Mike Stanley, Ray Elliott, Larry Kostaneski, Bob Rothermel, Karen Bulman, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 11:33 a.m. noting the adopted policy allowing only applicants and their representatives to be present. Zandstra and Elliott acknowledged the policy and agreed to have both applicants in attendance for the Minnesota Street Road Project Tax Increment Financing discussion.

Minnesota Street Road Project (07TIF002/07TIF009)

Bulman provided a review of the Elk Country Estates and Plum Creek funding requests for the Minnesota Street Road Project including identified project costs, district valuation, projected term and district boundaries. Bulman clarified that the project will be a developer financed economic development district.

In response to a question from Elliott, Elkins indicated that the Prairie Fire Subdivision is not inside the City limits and cannot be incorporated into the District boundaries. Shafai addressed the development that will occur in Elks Country Estates Subdivision with the provision of the secondary access.

Shafai presented a revised spreadsheet summarizing the total project costs funded by each developer and identified the jointly funded project costs. Shafai clarified that the park project has been removed from the Elks Country Estates request. Shafai indicated that the developer funded District is projected to payout in less than twenty years based on the revised residential and commercial development that was recently submitted.

In response to a question from Landeen, Shafai clarified that the additional District valuation is based on the projected commercial development. Kostaneski stated that repayment of the District within the projected term is dependent on aggressive development during the initial years of the District.

In response to a question from Elkins, Kostaneski addressed the Plum Creek project costs including the increased grading costs. Kostaneski indicated that the final project costs will be reconciled when the final project plan is prepared noting that project costs have increased due to the fluctuating economic factors. Elkins noted the variation in the Plum Creek project costs between the initial application and the information provided at the meeting.

In response to a question from Jablonski, Rothermil addressed the detention pond project costs which included a historic flows analysis. In response to a question, Elkins clarified that land acquisition costs for the drainage facility would be an eligible cost.

In response to a question from Landeen, Rothermil reviewed the items that would be funded from the Administrative and Legal Costs line item. Elkins clarified that only those costs identified in the Project Plan can be reimbursed through the District noting that Administrative costs have not typically been approved costs. Landeen expressed concern that the District

would be billed for legal expenses that were incurred prior to the creation of the District. Discussion followed regarding the eligibility of legal fees.

Elliott indicated that he is proceeding with the Tax Increment District request at the City's request noting that reimbursement of the Administrative and Legal fees are necessary in order to price the Plum Creek properties competitively with adjacent developments.

In response to a question from Okrepkie, Kostaneski indicated that the construction schedule reflects the Minnesota Street bid opening in Spring of 2008 with completion being year end 2008. Discussion followed regarding the design, bid and construction time table for the Minnesota Street project. Elliott indicated that the development of the commercial property adjacent to Elk Vale Road is critical to the economic viability of the Plum Creek development.

In response to a question from Preston, Elkins indicated that the developers must submit the Developer Agreement repayment structure with their application. Elkins recommended that the Minnesota Street Road Project be continued to allow staff to review the joint project request and prepare the Project Overview and to allow the developers to clarify the repayment structure.

In response to a question from Landeen, Shafai indicated that Elks Country Estates would prefer to do a joint project in order to complete Minnesota Street as soon as possible to allow area develop to move forward. In response to a question, Elkins indicated that additional platting is subject to the bid timeline for the road construction project. Preston voiced support for the joint project as it provides for the completion of Minnesota Street and includes commercial development.

Preston moved to continue the Elks Country Estates and Plum Creek Subdivision Minnesota Street Road Project Tax Increment District requests to April 17, 2007 at 11:30 a.m. to allow staff to review the revised project costs with the inclusion of the irrigation pipe and elimination of the park land and administrative costs, to prepare the Project Overview, and to allow the developers to provide clarification of the Developers Agreement repayment structure. Kroeger seconded the motion.

Discussion followed regarding the allowable repayment structures and the reallocation of project costs to the Necessary and Convenient line item.

In response to a question from Okrepkie, Rothermil indicated that the Minnesota Street will be graded for a five lane facility noting that a three lane asphalt facility will be constructed with additional turning lanes at the Elk Vale Road intersection. Discussion followed regarding the anticipated area development with regard to the expansion of Minnesota Street to a five lane facility. Elkins indicated that a second phase could be included in the Project Plan to expand the three lane facility to a five lane facility should area development support the expansion.

Elkins requested that the developers review the revised project costs and provide staff with the final project costs and repayment agreement by Thursday, April 5, 2007 at 4:00 p.m.

The motion to continue the Elks Country Estates and Plum Creek Subdivision Minnesota Street Road Project Tax Increment District requests to April 17, 2007 at 11:30 a.m. to allow staff to review the revised project costs with the inclusion of the irrigation pipe and elimination of the park land and administrative costs, to prepare the Project Overview,

and to allow the developers to provide clarification of the Developers Agreement repayment structure carried unanimously.

Elliott, Kostaneski, Rothermil and Zandstra left the meeting at this time.

Downtown Revitalization Project (07TIF008)

Bulman provided a brief review of the proposed District boundaries, base valuation, term, and residential and commercial tax levies. Bulman indicated that the developer funded economic development District will construct a new parking structure and relocate the existing overhead power lines underground.

Discussion followed regarding the notification requirements for those properties incorporated into a Tax Increment District boundary.

Shafai presented the application request to construct a facility incorporating parking, retail/office space and residential units. Shafai indicated that the proposed facility will address downtown parking needs and spur downtown development. Shafai briefly reviewed the proposed project funding sources. Shafai reviewed the project pro-forma noting that the project is not financially feasible without the Tax Increment Financing.

Stanley provided a historical review of the uses operated on the site and the results of the soil testing for contaminants. Shafai clarified that while the site is not classified "hazardous" the Department of Environment and Natural Resources will require the removal and replacement of the contaminated soils. In response to a question from Elkins, Shafai supported the inclusion of project funding to address the contaminated soils issue.

Shafai indicated that the proposed structure would improve the economic viability of the downtown area with minimum impact on existing infrastructure. Discussion followed regarding the project financial structure including parking revenues and performance bonding, the timetable for presenting the project to the Historic Preservation Commission and the level of engineering and architectural assistance being secured for the project.

Landeen indicated that he would abstain from the vote as the City Attorney's Office does not have an opinion on the "blight" issue at this time.

Preston moved, Kroeger seconded and approved with Landeen abstaining to recommend approval of the developer funded Downtown Revitalization and Parking Development Project Economic Development Tax Increment District with blight defined as the removal and replacement of the contaminated soils on the subject property and with compliance of the following program criteria:

Required Criteria:

- 1. The project must be located within a proposed district in which a minimum of twenty-five percent (25%) of the area of the District is determined to be "blighted". For the purposes of TIF, a "blighted area" is defined as:**
 - A. An area in which the structures, buildings, or improvements are conducive to ill health, the transmission of disease, infant mortality, juvenile delinquency, or crime, and which is detrimental to the public health, safety, morals, or welfare;**
- 2. The project must comply with the adopted Comprehensive Plan and all other appropriate plans and regulations.**

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

Mandatory Criteria:

1. The project must demonstrate that it is not economically feasible without the use of TIF. In addition, if the project has site alternatives, the proposal must demonstrate that it would not occur in Rapid City without TIF.
5. The project will result in additional redevelopment in the following Tax Increment Financing Target Areas:

Discretionary Criteria:

2. All TIF proceeds are used for the construction of public improvements.
6. The project involves the start-up of an entirely new business or business operation within the City of Rapid City.
7. The project involves the expansion of an existing business located within Rapid City.
9. The project costs are limited to those specific costs associated with a site that exceed the typical or average construction costs (i.e. excessive fill, relocation costs, additional foundation requirements associated with unusual soil conditions, extension of sewer or water mains, on-site or off-site vehicular circulation improvements, etc.).

and that the project costs be increased by \$1,000,000 for the removal and replacement of the contaminated soils.

Approval of Minutes

Okrepkie moved, Kroeger seconded and carried unanimously to approve the minutes of the March 16, 2007 meeting.

Other Business

Elkins briefly reviewed the requests that will be presented at the April 17, 2007 meeting.

Adjourn

There being no further business the meeting was adjourned at 1:08 p.m.