

MINUTES
TAX INCREMENT FINANCE COMMITTEE
June 5, 2007

MEMBERS PRESENT: Malcom Chapman, Ron Kroeger, Ida Fast Wolf, Peter Anderson, Marcia Elkins, Pauline Sumption, Joel Landeen

OTHERS PRESENT: Joe Muth, Doug Sperlich, Kale McNaboe, Dirk Jablonski, Karen Bulman, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 11:34 a.m.

Brookfield Subdivision Drainage Improvements (07TIF010)

Bulman reviewed the amended Tax Increment Financing request noting the reduced District boundaries and the addition of oversizing costs for water and sewer extensions. Bulman reviewed the City and Developer costs noting that the proposed District is projected to payout in nine years.

In response to a question from Chapman, Bulman addressed the anticipated decrease in the District taxable valuation resulting from the boundary revision. Discussion followed regarding the total taxable valuation of the existing Tax Increment Districts, the impact the Brookfield request would have on the total taxable valuation and additional options for reducing the Brookfield District boundaries.

In response to a question from Landeen, McNaboe indicated that area blight would be the inadequate drainage which adversely impacts development of the entire drainage basin area. Discussion followed regarding the statutory blight requirement, how blight is identified within a District, and increase area development opportunities by developing Colbalt Street to collector status.

Elkins recommended including Other Necessary and Convenient Costs funding should the project be recommended for approval. Discussion followed regarding the repayment structure for the Developer and City project costs.

In response to a question from Chapman, Elkins indicated that the proposed annexation must be complete and effective prior to the Tax Increment Financing request being presented to the Planning Commission.

Landeen stated that it is the opinion of the City Attorney's office that the project does not meet the State statute definition of "blighted". Discussion followed regarding the revised project pro-forma.

Chapman addressed the term "affordable housing" and encouraged the Developer to explore additional avenues for providing affordable housing that is compatible with area incomes. A brief discussion followed regarding the various elements that impact the cost of development.

In response to a question from Kroeger, McNaboe addressed the drainage channel design allowing storm water to be metered out of the detention cell within hours of the storm event. In response to a question, McNaboe indicated that lots will be platted to the center of the drainage channel. In response to a question from Elkins, Sperlich clarified that the drainage facility will

be a constantly draining channel. Discussion followed regarding providing water, sewer, road and drainage services to the Brookfield Subdivision and surrounding areas.

Elkins recommended that the staff be authorized to continue working with the applicant to revise and reduce the proposed District boundaries. Anderson voiced support for the project noting it will allow future development to occur. Discussion followed regarding development of the property north of Brookfield Subdivision.

Anderson moved to recommend approval of the Brookfield Subdivision Drainage Improvements Tax Increment District request with the following stipulations:

1. That the annexation of the 160 acres west of Auburn Hills be effective;
2. That staff be authorized to work with the applicant to provide a revised project pro-forma;
3. That staff be authorized to work with the applicant to reduce the District boundary to the greatest degree possible; and,
4. That the Project Costs include appropriate funding for Other Necessary and Convenient Costs.

And with compliance of the following program criteria:

Mandatory 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:
 - B. An area that substantially impairs or arrests the sound growth of the municipality, retards the provision of adequate housing accommodations, or constitutes an economic or social liability and is a menace to the public health, safety, or morals, or welfare as a result of substandard, unsafe or deteriorating development; or,

Additional 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.
3. The project will not provide direct or indirect assistance to retail or service businesses competing with existing businesses in the Rapid City trade area.

Discretionary Criteria

2. All TIF proceeds are used for the construction of public improvements.
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.).

Kroeger seconded the motion.

In response to a question from Kroeger, Muth indicated that he would continue to work with the Teton Coalition to provide affordable housing.

Chapman moved a substitute motion, Fast Wolf seconded and carried unanimously to continue the Brookfield Subdivision Drainage Improvements Tax Increment District request until after the Committee discussion of the Cabela's Economic Development Project.

Muth, Sperlich, McNaboe and Landeen left the meeting at 12:05 p.m.

Chapman indicated that his intent in continuing the Brookfield request was to allow the Committee to review the impact the Cabela's request will have on the taxable valuation percentage. Discussion followed regarding the impact the two requests would have on the total taxable valuation percentage. Sumption addressed the tax benefits realized from commercial properties versus the demand placed on City services by residential developments. Discussion followed regarding the on-going monitoring of the taxable valuation percentage.

Jablonski entered the meeting at 12:09 p.m.

Cabela's Economic Development Project (07TIF012)

Elkins presented the proposed Tax Increment District for the purpose of creating economic development incentives to attract the Cabela's Sporting Goods retail store. Elkins addressed the proposed project costs, the Fire Station site donation, the Visitor Information site exchange agreement and the Elk Vale Drive Lift Station upgrade costs.

Elkins indicated that the proposed District overlaps an existing District noting that the anticipated payout is 2026. Discussion followed regarding the advantages and disadvantages of utilizing connection fees or Tax Increment revenues to repay the .16 Utility Fund. Elkins indicated that the Tax Increment revenues will insure full repayment of the .16 Utility Fund noting the conservative approach taken regarding the District payout. Jablonski advised that historically connection fees provide only 60%-70% repayment of project costs. Discussion followed regarding the anticipated life of the upgraded lift station.

In response to a question from Anderson, Elkins clarified that the City is initiating the Tax Increment District in order to recapture City expenses associated with the Cabela's development. Discussion followed regarding the funding structure of the proposed District including the exchange of the Visitor Information Center site.

Jablonski addressed the preliminary costs for the lift station upgrades. Elkins indicated that a more permanent solution for sanitary sewer services would need to occur within five years. Discussion followed regarding the impact the Brookfield and Cabela's requests would have on the taxable valuation percentage.

Jablonski left the meeting at 12:25 p.m.

Discussion followed regarding the estimated effective date of the Brookfield annexation, reducing the Cabela's District boundaries and the Visitor Information Center proposal.

The Committee concurred that the Cabela's Tax Increment District boundaries should not include the Fire Station site, should include the Elk Vale Road Lift Station site and that the District boundary be reduced to the greatest degree possible.

Chapman moved, Anderson seconded and the motion was approved with Fast Wolf voting No to recommend approval of the Brookfield Subdivision Drainage Improvements Tax Increment District request with the following stipulations:

- 1. That the annexation of the 160 acres west of Auburn Hills be effective;**
- 2. That staff be authorized to work with the applicant to provide a revised project pro-forma;**

3. That staff be authorized to work with the applicant to reduce the District boundary to the greatest degree possible; and,
4. That the Project Costs include appropriate funding for Other Necessary and Convenient Costs.

And with compliance of the following program criteria:

Mandatory 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:
 - B. An area that substantially impairs or arrests the sound growth of the municipality, retards the provision of adequate housing accommodations, or constitutes an economic or social liability and is a menace to the public health, safety, or morals, or welfare as a result of substandard, unsafe or deteriorating development; or,

Additional 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.
3. The project will not provide direct or indirect assistance to retail or service businesses competing with existing businesses in the Rapid City trade area.

Discretionary Criteria

2. All TIF proceeds are used for the construction of public improvements.
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.).

Chapman moved to recommend approval of the Cabela's Economic Development Project Tax Increment District Request with the following stipulations:

1. That the Fire Station site not be incorporated into the District boundaries;
2. That the Elk Vale Road Lift Station site be incorporated into the District boundaries; and,
3. That the District boundary be reduced to the greatest degree possible.

And with compliance of the following program criteria:

Mandatory 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:
 - B. An area that substantially impairs or arrests the sound growth of the municipality, retards the provision of adequate housing accommodations, or constitutes an economic or social liability and is a menace to the public health, safety, or morals, or welfare as a result of substandard, unsafe or deteriorating development; or,

Mandatory Criteria

2. The project will eliminate actual or potential hazard to the public. Hazards may include condemned or unsafe buildings, sites, or structures.
4. The project will bring new or expanded employment opportunities as demonstrated by proposed wage scales, employee benefits and mixture of full and part-time employees.

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.
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.)

Sumption seconded the motion.

Discussion followed regarding the manner in which the Economic Development Foundation would be utilized in the transfer of the Visitor's Information Center site to Cabela's.

The motion to recommend approval of the Cabela's Economic Development Project Tax Increment District Request was approved with Fast Wolf voting No with the following stipulations:

1. That the Fire Station site not be incorporated into the District boundaries;
2. That the Elk Vale Road Lift Station site be incorporated into the District boundaries; and,
3. That the District boundary be reduced to the greatest degree possible.

And with compliance of the following program criteria:

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Sumption seconded the motion.

Discussion followed regarding pending Tax Increment Financing applications.

Approval of Minutes

Chapman moved, Kroeger seconded and carried unanimously to approve the minutes of the May 22, 2007 meeting.

Adjourn

There being no further business the meeting was adjourned at 12:46 p.m.