

STAFF REPORT
January 10, 2008

No. 07TI024 - Tax Increment District Project Plan

ITEM 84

GENERAL INFORMATION:

APPLICANT	OS Development, Inc.
AGENT	Ted Schultz for CETEC Engineering
PROPERTY OWNER	OS Development, Inc.
REQUEST	No. 07TI024 - Tax Increment District Project Plan
EXISTING LEGAL DESCRIPTION	The S1/2 NE1/4, SE1/4 less Tract 1 of Bradeen Subdivision, Section 22, T1N, R8E; and the W1/2 NE1/4, SE1/4 NE1/4, NE1/4 NE1/4, Section 27, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota
PARCEL ACREAGE	Approximately 388.0 acres
LOCATION	South of S.D. Highway 44, west of Reservoir Road and east of Elks Meadows
EXISTING ZONING	General Agriculture District - Medium Density Residential District - Neighborhood Commercial District (PCD) - Low Density Residential II District (PRD) - Low Density Residential District
SURROUNDING ZONING	
North:	Limited Agriculture District (Pennington County)
South:	General Agriculture District (Pennington County)
East:	Limited Agriculture District (Pennington County) - General Agriculture District (Pennington County)
West:	No Use District - Limited Agriculture District (Pennington County) - General Agriculture District (Pennington County)
DATE OF APPLICATION	12/6/2007
REVIEWED BY	Karen Bulman / Ted Johnson

RECOMMENDATION: The Tax Increment Financing Committee recommends that the Morningstar Tax Increment District Project Plan be approved.

GENERAL COMMENTS: The applicants have requested the creation of a Tax Increment District to assist in the development of Morningstar Subdivision adjacent to Reservoir Road. The Tax Increment funds are to be utilized for the extension of water infrastructure and oversizing costs for water and sewer. The applicant and City will fund the project costs of the Tax Increment District. The allowable interest rate for the applicant will be the actual certified interest paid at no more than prime plus one-half percent with a maximum not to

STAFF REPORT
January 10, 2008

No. 07TI024 - Tax Increment District Project Plan

ITEM 84

exceed 9%. The anticipated interest rate for the City will be 6%. The project costs will total \$ 2,862,898 for Phase I and \$1,000,000 for Phase II. The Project Plan is estimated to be paid in 9 years.

It is anticipated that one or more of the properties in this proposed Tax Increment District will be used for commercial purposes. As such, the creation of this Tax Increment District for economic development purposes will not require an additional levy to make up for the School District's share of the property taxes included in the Tax Increment. The public improvements will enhance the ability for new development to occur and increase the community's economic vitality and expand the City's property tax base.

The proposed District boundaries incorporate approximately 388 acres located south of S.D. Highway 44, west of Reservoir Road and east of Elks Meadows.

STAFF REVIEW: The Tax Increment Financing Review Committee reviewed this proposal on June 29, 2007 and November 29, 2007 and recommended approval of the creation of Morningstar Tax Increment District. The Tax Increment Financing Committee recommended approval of the Project Plan with additional oversizing costs as identified by the Public Works Department. As such, Public Works staff has identified additional oversizing costs for sewer within the boundaries and future oversizing costs for the extension of the water reservoir. Staff has included Necessary and Convenient costs of \$350,000 for additional oversizing costs for the City that may be identified in the future.

The applicant has indicated that the proposed project complies with all applicable statutory requirements as well as the City's adopted Tax Increment Policy. In addition to the mandatory criteria the applicant indicated that the proposal met the following two optional criteria:

- Criteria #1: The project must demonstrate that it is not economically feasible without the use of Tax Increment Financing. In addition, if the project has site alternatives, the proposal must demonstrate that it would not occur in Rapid City without Tax Increment Financing.
- Criteria #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.

Additionally, the following discretionary criteria are met:

- Criteria #2: All TIF proceeds are used for the construction of public improvements.
- Criteria #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.).

Copies of the adopted Tax Increment Financing Policy are attached for your reference.

The Tax Increment Financing Project Review Committee recommends approval of the attached resolution approving the Project Plan for Morningstar Tax Increment District.