

STAFF REPORT  
April 10, 2008

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**No. 08TI005 - Project Plan for Tax Increment District - Homestead**

**ITEM 45**

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GENERAL INFORMATION:

APPLICANT	Ronald Shape for Innovative Creations LLC
AGENT	Doug Sperlich for Sperlich Consulting, Inc.
PROPERTY OWNER	Ronald Shape
REQUEST	<b>No. 08TI005 - Project Plan for Tax Increment District - Homestead</b>
EXISTING LEGAL DESCRIPTION	SE1/4NE1/4, Government Lot 1 and Tract C of Big Sky Subdivision, and the dedicated right-of-way for Homestead Street lying adjacent to Tract C of Big Sky Subdivision, Section 3, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota
PARCEL ACREAGE	Approximately 105.66 acres
LOCATION	Eastern terminus of Homestead Street
EXISTING ZONING	Low Density Residential District / Public District / Medium Density Residential District (Planned Residential Development) / Office Commercial District (Planned Commercial Development) / Neighborhood Commercial District (Planned Commercial District)
SURROUNDING ZONING	
North:	Public District / Limited Agricultural District - Pennington County
South:	Medium Density Residential District (Planned Residential Development) / Low Density Residential District / Suburban Residential District - Pennington County
East:	Suburban Residential District - Pennington County
West:	Low Density Residential District / Public District
PUBLIC UTILITIES	City sewer and water
DATE OF APPLICATION	3/14/2008
REVIEWED BY	Karen Bulman / Mary Bosworth

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

GENERAL COMMENTS: The applicant has requested the creation of a Tax Increment District to assist in the development of Homestead Subdivision. The Tax Increment funds are to be

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---

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utilized for oversizing costs for drainage/storm sewer and grading for Detention Cell #101 of the County Heights Drainage Basin Design Plan, the 75 foot extension of Homestead Street for the Rapid City Public School District, a 16 inch water line, engineering and necessary and convenient costs. The applicant and the City will fund the project costs of the Tax Increment District.

During the construction phase of the project and until the project is cash flowing from a tax revenue basis, the developer and lender shall be free to negotiate an interest rate not to exceed nine (9) percent. Within 90 days of the date the developer is notified by the City that the tax revenue is sufficient to amortize the debt over the remaining life of the Tax Increment Financing District, as confirmed by the Financial Institution, the interest rate on the remaining balance shall be reset at an interest rate of not more than three (3) percent over the published ten (10) year U.S. Treasury rate not to exceed nine (9) percent. The estimated cost of the improvements will be financed by the City at an estimated 6.0% interest rate. The project costs will total \$2,257,786.04. The Project Plan is estimated to be paid in 15 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 105.66 acres located west of Reservoir Road, east of the terminus of Homestead Street and north of South Pitch Drive.

STAFF REVIEW: The Tax Increment Financing Review Committee reviewed this proposal on February 14, 2008 and recommended approval of the creation of the Homestead Tax Increment District.

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 #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

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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 Homestead Tax Increment District.