

STAFF REPORT  
July 10, 2008

**No. 08TI010 - Project Plan**

**ITEM 63**

GENERAL INFORMATION:

APPLICANT	North Street Fire Station, LLC
AGENT	Ferber Engineering Co., Inc.
PROPERTY OWNER	Multiple owners (see attachment)
REQUEST	<b>No. 08TI010 - Project Plan</b>
EXISTING LEGAL DESCRIPTION	That portion of SE1/4 north of Interstate 90 less Tract A of NE1/4 SE1/4 including that portion of vacated East Mall Drive being part of the outside edge of Lot H5; Lot B-1 of Lot B of SE1/4 NE1/4; Lot A of Lot 1 and the balance of Lot 1, Lot A & B of Lot 3 and Lot 3 less Lots A & B, Lot 2, all of Silver Strike Subdivision; that portion of SW1/4 north of Interstate 90 including vacated East Mall Drive within said SW1/4 less Lot 1 of NE1/4 SW1/4, less Lots 1 & 2 of NW1/4 SW1/4; Lot 1 of NE1/4 SW1/4 including vacated East Mall Drive within said lot; NW1/4 including vacated East Mall Drive located within said NW1/4, less lots AR, B, C less E1/2 NE1/4 NW1/4, less E1/2 NW1/4 NE1/4 NW1/4; Lots B & C of NW1/4; Lot AR; E1/2 NW1/4 NE1/4 NW1/4; SE1/4 NE1/4 NW1/4; NE1/4 NE1/4 NW1/4; that portion of Lot D located in the NW1/4 NE1/4; Lot A and Lot C in NW1/4 NE1/4; Right of way of East Mall Drive; Right of way of North Street; Right of way of Distribution Lane; all located in Section 29, T2N, R8E, BHM, Rapid City, Pennington County, South Dakota; and the Intersection of East Mall Drive and Dyess Avenue located in the western portion of Section 28 and the eastern portion of Section 29, T2N, R8E, BHM, Rapid City, Pennington County, South Dakota
PARCEL ACREAGE	Approximately 367.344
LOCATION	North of U.S. Interstate 90, east of LaCrosse Street and west of Dyess Avenue
EXISTING ZONING	General Commercial District, General Agriculture District, Light Industrial District, Heavy Industrial District
SURROUNDING ZONING North:	Medium Density Residential District, General Commercial District (Pennington County), General Agriculture District (Pennington County), Suburban

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	Residential District (Pennington County), Light Industrial District (Pennington County)
South:	General Commercial District
East:	General Commercial District, Light Industrial District, Heavy Industrial District
West:	General Commercial District, Light Industrial District

DATE OF APPLICATION 6/26/2008

REVIEWED BY Karen Bulman

RECOMMENDATION: The Tax Increment Financing Committee recommends that the North Street Fire Station Tax Increment District Project Plan be approved. Staff further recommends that the funds identified as Contingency be split equally between Contingency and Necessary and Convenient costs in both Phase I and Phase II.

GENERAL COMMENTS: The applicant has requested the creation of a Tax Increment District to assist in the development of commercial property located north of U.S. Interstate 90 east of LaCrosse Street and to assist in the development of a new Fire Station. The Tax Increment funds are to be utilized for E. North Street construction, interim sanitary sewer lift station, sewer force main, gravity sewer, box culvert, widening E. Mall Drive, traffic signal, drainage channel, environmental remediation, Fire Station, engineering and contingency costs. Several applicants, including the City of Rapid City, will fund the project costs of the Tax Increment District.

The new Fire Station will be located on three acres of land donated by one of the applicants of the proposed Tax Increment District. There are no reimbursement costs for the donated land included in the Project Plan costs.

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 Developers and the City. A 7.75% interest rate was used for the developer's portion of the Project Plan in Phase I and 6% was used for the City's portion of the Project Plan. A 9% interest rate was used for Phase II of the Project Plan. The project costs will be \$4,990,574.25 for Phase I and \$1,446,070 for Phase II for a total of \$6,436,644.25. The Project Plan is estimated to be paid in 12 years for Phase I and two additional years for Phase II.

It is anticipated that one or more of the properties in this proposed Tax Increment District will be used for commercial purposes. Within the proposed District, 81% of the properties are zoned General Commercial District, Heavy Industrial District, or Light Industrial District. 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

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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 367.344 acres located north of U.S. Interstate 90, east of LaCrosse Street and west of Dyess Avenue.

STAFF REVIEW: The Tax Increment Financing Review Committee reviewed this proposal on June 25, 2008 and recommended approval of the creation of the North Street Fire Station 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 #2: The project will eliminate actual or potential hazard to the public. Hazards may include condemned or unsafe buildings, sites, or structures.

Additionally, the following discretionary criteria are met:

- Criteria #2: All TIF proceeds are used for the construction of public improvements.
- Criteria #5: The building or site that is to be redeveloped itself displays conditions of blight as established by the provisions of SDCL 11-9.
- Criteria #7: The project involves the expansion of an existing business located within Rapid City.

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

At the May 29, 2008 Tax Increment Financing Policy Committee meeting, the Committee recommended that the percentage of Contingency and Necessary and Convenient costs be specifically identified in the review of any proposed Tax Increment Financing Project Plan. If the total amount exceeded 10%, the Policy Committee recommended that written justification be included in the application. Although this has not been adopted by the City Council at this time, the proposed Contingency costs for this Tax Increment District is 20%. The applicant indicated that the project costs are based on a preliminary design noting that the funding requested for the Contingency line item is due to the lack of final engineering designs and to address potential escalation in construction costs. There are no Necessary and Convenient costs identified in this Plan as recommended by the Tax Increment Financing Project Review Committee. Staff strongly encourages the inclusion of a Necessary and Convenient line item in the Project Plan to provide flexibility to shift dollars should unexpected costs be identified during the construction of the project. Staff would recommend that the dollar amount included for Contingency be split equally between Contingency and Necessary and Convenient Costs in both Phase I and Phase II.

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The Tax Increment Financing Project Review Committee recommends approval of the attached resolution approving the Project Plan for North Street Fire Station Tax Increment District.

## **Property Owners List for North Street Fire Station Tax Increment District**

1. D D B LLC
2. Nine Liens Partnership
3. Wisdom Inc.
4. Daniel B Mutschelknaus
5. LMB Enterprises LLC
6. JD Muth Investments LLC
7. Verne and Ruth Henrickson
8. FMLC Inc
9. Donald and Marsha Gorman/ A & A Auto Salvage
10. Kelly and Clifford Foster
11. Clifford Foster DBA Foster Enterprises/ Kelly Olson
12. Gordon and Darlene Angel