

STAFF REPORT
July 24, 2008

No. 08TI007 - Creation of Tax Increment District

ITEM 56

GENERAL INFORMATION:

APPLICANT	Hyland Park LLLP
AGENT	Dream Design International, Inc.
PROPERTY OWNER	Multiple owners (see attachment)
REQUEST	No. 08TI007 - Creation of Tax Increment District
EXISTING LEGAL DESCRIPTION	Utility Lot 1 Par Subdivision; Tract 2 and Tract 3 of Par Subdivision; all located in Section 23, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; Unplatted Portion of NE1/4 SW1/4 Lying N of Hwy Right-of-Way; Unplatted Portion of NW1/4 SW1/4 Lying N of Hwy Less Lot H1; Unplatted Portion of NW1/4 SW1/4 Lying South of Hwy, Right-of-Way Less Lot H1; Unplatted SW1/4 SW1/4, Less Lot H2 & Less Right-of-Way; all located in Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; Tract A and Tract B of Meadow View Subdivision; Unplatted, E1/2 W1/2 NE1/4 NW1/4 and the W1/2 E1/2 NE1/4 NW1/4; Unplatted Portion of NE1/4 NW1/4 NW1/4 Lying East of Hwy 16 Less Shipman Heights Subdivision and Less Right-of-Way; Lot A Tucker Subdivision; Lot 1 Shipman Heights Subdivision; Unplatted Portion of SE1/4 NW1/4 NW1/4 Lying East of Hwy 16 Less Right-of-Way; Lot A Ranch Subdivision; Tract 1 of W1/2 NW1/4 Less Lot A of Ranch Subdivision, Less Connector Subdivision, Less Lots H1, H2, H3 & Right-of-Way; Tract AR2 Needles Subdivision; Tract B Needles Subdivision; Tract 1 Waterslide Addition; Unplatted Balance of S1/2 SE1/4 NW1/4; Unplatted Balance of NE1/4 SW1/4; Lot 4R and Lot 5 of Old Rodeo Subdivision; Lot 2 and Vacated Physician Drive Adjacent of Said Lot 2 Old Rodeo Subdivision; Lot 3 and Vacated Physician Drive Adjacent to Said Lot 3 Old Rodeo Subdivision; Lot 1 Less Lots 2, 3, 4R, 5 and ROW Old Rodeo Subdivision; Unplatted Lot B of SW1/4 SW1/4 Less RTY; Right-of-Way of Tucker Street; Right-of-Way of Promise Road; Right-of-Way of Jordan Drive; Right-of-Way of Addison Avenue; all located in Section 26, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; Lot 1 and Lot 2 of Connector Subdivision, all located in Sections 26 and 27, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; Platted Tract 1 of SE1/4 NE1/4 Less Connector Sub & Less Lot H1, Section 27, T1N, R7E, BHM, Rapid City, Pennington

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County, South Dakota; Unplatted NW1/4NW1/4 less Lot H1 and less right-of-way; Unplatted SE1/4NW1/4; Unplatted W1/2SE1/4 and SE1/4SE1/4; Unplatted NE1/4SW1/4; Unplatted SW1/4NW1/4 less Lot H1 and less right-of-way; all located in Section 35, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; Right-of-Way of Catron Boulevard located in Sections 23, 24, 26, and the SE1/4 NE1/4 of Section 27, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; Right-of-Way of U.S. Highway 16 located in Section 26, 27, NE1/4 of Section 34, and NW1/4 of Section 35, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota

PARCEL ACREAGE

Approximately 744.08 acres

LOCATION

Catron Boulevard from Fifth Street to South U.S. Highway 16, then south along U.S. Highway 16 to Sammis Trail and east to Hyland Crossing Subdivision

EXISTING ZONING

General Agriculture District, Low Density Residential District (PRD), Medium Density Residential District (PRD), General Commercial District (PCD), Office Commercial District (PCD)

SURROUNDING ZONING

North:

General Agriculture District, Park Forest District, General Commercial District (PCD), Office Commercial District (PCD), Medium Density Residential District (PRD)

South:

General Agriculture District, Low Density Residential District (PRD), General Agriculture District (Pennington County), Highway Services District (Pennington County), Planned Unit Development (Pennington County)

East:

General Agriculture District, Low Density Residential District (PRD), Limited Agriculture District (Pennington County), General Agriculture District (Pennington County), Highway Services District (Pennington County)

West:

General Agriculture District, Highway Services District (Pennington County), Planned Unit Development (Pennington County), Suburban Residential District (Pennington County), General Agriculture District (Pennington County)

DATE OF APPLICATION

6/26/2008

REVIEWED BY

Karen Bulman

RECOMMENDATION: The Tax Increment Financing Committee recommends that the

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Resolution Creating Highway 16B Sewer Tax Increment District be approved. In addition, staff recommends that the lift station property, Lot 9R, South Hill Subdivision, Section 26, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota, be included in the legal description for the Tax Increment District.

GENERAL COMMENTS: This staff report has been revised as of July 16, 2008. All revised and/or added text is shown in bold print. This application was continued to the July 24, 2008 Planning Commission meeting at the applicant's request. The applicant has requested the creation of a Tax Increment District to assist in the development of Hyland Crossing Subdivision. The Tax Increment funds are to be utilized for sanitary sewer main, abandoning two lift stations, sewer force main, turn lanes, traffic signal, new lift station, engineering and contingency costs. The applicant 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 Developer. A 9% interest rate was used for the project plan.

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, 37% of the properties are currently zoned General Commercial 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 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 744.08 acres located along Catron Boulevard from Fifth Street to South U.S. Highway 16, then south along U.S. Highway 16 to Sammis Trail and east to Hyland Crossing Subdivision.

STAFF REVIEW: The Tax Increment Financing Project Review Committee reviewed this proposal on June 25, 2008 and recommended approval of the creation of the Highway 16B Sewer 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

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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 #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.

During review, staff became aware that the proposed abandoned lift station property on Wellington Drive was inadvertently left out of the District boundaries. As such, staff recommends that the Planning Commission include Lot 9R, South Hill Subdivision, Section 26, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota in the legal description for the Tax Increment District.

This item was continued to the July 24, 2008 Planning Commission meeting at the applicant's request. The Tax Increment Financing Project Review Committee recommends approval of the attached resolution approving the creation of Highway 16B Sewer Tax Increment District.

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**Property Owners List for Highway 16B Sewer Tax
Increment District**

1. Lazy P6 Land Company, Inc
2. S.D. Department of Transportation
3. Prairiewave Black Hills, LLC.
4. North Catron, LLC
5. Phillips Real Estate Holding Company
6. Auckinleck Properties, LLC
7. Catron Boulevard Investors II, LLC
8. Borden & Gabbs, LPI
9. Bonnie L. Flyte
10. Black Hills Federal Credit Union
11. The Maze, Inc
12. Whiteford Enterprises, LLC
13. Greg & Elizabeth Goeken
14. Saint Patrick, LLC
15. Blue Ocean, LLC
16. F & D Shultz LMT Partnership
17. Rushmore Waterslide, Inc
18. SSDH, Inc.
19. Hagg Brothers, LLC
20. First Christian Church
21. Hyland Park, LLP
22. Black Hills Corporation
23. Frank B. Commerford
24. Orthopedic Bldg Partnership/Children's Care Hospital and School
25. Children's Care Hospital and School
26. Orthopedic Building Partnership, LLP
27. Orthopedic Land Company, LLC
28. D & V, LLC
29. RAW Land, LLC/SIGBJORNSON Limited Partnership

Hyland Park LLLC

1. Bob Drew
2. Rich Evans
3. Blue Ribbon Investments: Ted Peifler and Scott Benson
4. Land Trust Development: Mark Brockman, Greg Lowenberg, Kevin Klapprodt, Greg Sheer
5. Hyland Meadows Partner Group: Ken Kirk, Pioneer Enterprises listed as: Kent Morstad, George Boom, David Boom, Kendall Koball, and the merger of the following groups: Miller Funeral Home, Inc., George Boom Funeral Home, Inc., Goise Funeral Chapels, Inc., Care West, Inc, Eidsness Funeral Home, Inc., The Care Group, Inc, and Rude's Funeral Home, Inc.
6. Pete Shelton
7. John McCarthy
8. Jake Schauer
9. BDB Enterprises: Bradley R. Bargman, Brent L. Bargman, Dawn R. Bargman
10. PHP, LLC: Dan Peetz, Joe Hebenstreit, Bill Platz
11. Donovan N. Synstelien
12. Merle G. Karen
13. Peter Koupal
14. Copa Company, LLC: Gregg Krebsbach and Karla Krebsbach
15. Doyle Nehl
16. Messinger Company, LLC: M.Trevor Messinger, Tura Synhorst, Trask Messinger
17. Todd and Wanda Johannsen
18. Christopher Johnson
19. David Demaranville
20. Scott Darger
21. Jeff Gutknecht
22. Todd Ossenfort
23. Barry Peterson