

STAFF REPORT
January 5, 2012

No. 11TI003 - Project Plan for Tax Increment District No. 70

ITEM 17

GENERAL INFORMATION:

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| APPLICANT | Kent Hagg - Alta Terra Development, LLC |
| REQUEST | No. 11TI003 - Project Plan for Tax Increment District No. 70 |
| 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 of Meadow View Subdivision; 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; Lot 9R, South Hill Subdivision; 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 & Less TLC Subdivision; Lot 1 and Lot 2 of TLC Subdivision; all located in Section 27, T1N, R7E, BHM, Rapid City, Pennington 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 |

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| | 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; and, 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 712.82 |
| LOCATION | Catron Boulevard from 5th Street to South U.S. Highway 16, then south along U.S. Highway 16 to Sammis Trail and east to the proposed Hyland Crossing Subdivision |
| EXISTING ZONING | General Agriculture District - Low Density Residential District - Medium Density Residential District - General Commercial District - Office Commercial District |
| SURROUNDING ZONING | |
| North: | General Agriculture District - Park Forest District - Medium Density Residential District - Office Commercial District - General Commercial District |
| South: | General Agriculture District - Low Density Residential District (City) / General Agriculture District - Highway Service District - Planned Unit Development (Pennington County) |
| East: | General Agriculture District - Low Density Residential District (City) / General Agriculture District - Limited Agriculture District - Highway Service District (Pennington County) |
| West: | General Agriculture District (City) / Highway Service District - Planned Unity Development - Suburban Residential District - General Agriculture District (Pennington County) |
| PUBLIC UTILITIES | To be extended |
| DATE OF APPLICATION | 12/6/2011 |
| REVIEWED BY | Karen Bulman / Ted Johnson |

RECOMMENDATION:

The Tax Increment Financing Committee recommends that the Project Plan for Tax Increment District No. 70 be approved.

GENERAL COMMENTS: The applicant has requested approval of a project plan for Tax Increment District #70 to assist in the development of commercial property located along

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South U.S. Highway 16 and Moon Meadows Drive through the development of public infrastructure improvements. The Tax Increment funds will be utilized for a sanitary sewer main, turn lanes, Moon Meadows Drive, water main at South U.S. Hwy 16 crossing, a traffic signal, engineering, contingency and necessary and convenient costs. The City Council approved the creation of Tax Increment District #70 on September 15, 2008; however, the proposed Project Plan was not approved. The original developer did not bring forward a revised Project Plan. Another developer, who was not involved with the Project Plan in 2008, has now submitted a new application for a Project Plan for this Tax Increment District. The developer will obtain funding for the project costs of the Tax Increment District and be repaid from the Tax Increment District.

The City Finance Officer will review and analyze the proposed financing terms and forward a recommendation for approval or disapproval to the City Council along with the Developers Agreement or proposal for refinancing. For purposes of development of the project plan, all interest expenses shall be calculated utilizing a fixed rate not to exceed 9 percent annual interest as directed in the adopted Tax Increment Financing Guidelines. This interest amount shall be included in the project plan and at no time during the term of the project shall the actual interest expense exceed the amount budgeted in the project plan. The developer has indicated that the anticipated interest rate will be 7.5%. The project costs will total \$3,339,182. The Project Plan is estimated to be paid in 10 years.

The approved Tax Increment Guidelines state that an Imputed Administrative Fee in the amount of \$20,000 shall be charged by the City of Rapid City to every Tax Increment District for which a Project Plan is approved. The plan will be subdivided into phases and as such, an additional \$2,000 Imputed Administrative Fee will also be included in the Project Plan, as required by the Tax Increment Policy. Such fees shall be paid to the City as a project cost from the tax increment fund balance in year five of the Tax Increment District.

It is anticipated that one or more of the properties in this Tax Increment District will be used for commercial purposes. Within the proposed district, 35% of the properties are zoned General Commercial District or Office 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 District boundaries incorporate approximately 712.82 acres located along Catron Boulevard from 5th Street to South U.S. Highway 16, then south along U.S. Highway 16 to Sammis Trail and east to the proposed Hyland Crossing Subdivision.

STAFF REVIEW: The Tax Increment Financing Project Review Committee reviewed this proposal on December 6, 2011 and recommended approval of the Project Plan for Tax Increment District #70.

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 and local criteria, staff has reviewed the information provided by the applicant that identifies that the proposal met the following two optional criteria:

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- 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, staff has reviewed the following discretionary criteria submitted by the applicant that meets the adopted Tax Increment Policy:

- 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 recommended approval of the attached resolution approving the Project Plan for Tax Increment District #70.