

STAFF REPORT  
May 9, 2013

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**No. 13TI003 - Tax Increment #74 Project Plan**

**ITEM 6**

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GENERAL INFORMATION:

APPLICANT	Steve Zandstra - Dennis Zandstra Real Estate Holdings, LLC
REQUEST	<b>No. 13TI003 - Tax Increment #74 Project Plan</b>
EXISTING LEGAL DESCRIPTION	Lots 8-12 of Block 8 of Elks Country Estates; Lots 6-9 of Block 9 of Elks Country Estates; Lots 4-19 of Block 11 of Elks Country Estates; Lot 1 of Block 12 of Elks Country Estates; Lot 1-10 of Block 13 of Elks Country Estates; Lots 1-5 of Block 1 of Elks Crossing; Lots 5-22 of Block 4 of Elks Crossing; Lots 1-15 of Block 5 of Elks Crossing; Lot 2 of Block 6 of Elks Crossing; Lot 1 of Block 8 of Elks Crossing; all Located In Section 16, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota; portions of Tract 1 of the S1/2 of the E1/2 less Elks Country Estates, less Lot H1, less Lot H3 & less ROW; the NE1/4 of the SW1/4 less Plum Creek Sub, less Elks Crossing and less ROW; the NW1/4 of the SW1/4 less Plum Creek Sub, less Elks Crossing, less Lot H1, less Lot H3 and less ROW; the SE1/4 of the SW1/4 less Lot H3R less Elks Crossing and less ROW; the SW1/4 of the SW1/4 less Elks Crossing less Lot H3 and less ROW; all located in Section 16, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota; Lot B of the SW1/4 of the SW1/4 less Lot H1; Lot A of the SE1/4 of the SW1/4 less Lot H1 and less ROW; the S1/2 of the SE1/4 less Lot H1; all located in Section 17, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota; Lot 1, Lot 9, Lot 17, Lot 22 and Lot 23 of Marlin Industrial Park; the NE1/4 of the NE1/4; the NW1/4 of the NE1/4 less Marlin Industrial Park less Lot H1 and less ROW; all located in Section 20, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota; E1/2NE1/4 less Lot H3R; the N1/2 of the N1/2 of the NW1/4 of the NE1/4 less Lot H3R; the N1/2 of the N1/2 of the NE1/4 of the NW1/4 less Lot H3R; all located in Section 21, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota
PARCEL ACREAGE	Approximately 472.49 acres
LOCATION	South and west of Elks Country Estate north and south of Elk Vale Road and east of S.D. Highway 79
EXISTING ZONING	General Agricultural District - Low Density Residential District I - Low Density Residential District II - Medium

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	Density Residential District - Office Commercial District - General Commercial District - Heavy Industrial District (Planned Development)
FUTURE LAND USE DESIGNATION	Residential, Commercial and Industrial
SURROUNDING ZONING	
North:	Limited Agricultural District (Pennington County) - Heavy Industrial District (Pennington County) - General Agricultural District - Heavy Industrial District - Low Density Residential District I - Low Density Residential District II
South:	Limited Agricultural District (Pennington County) - Heavy Industrial District (Pennington County)
East:	General Agricultural District
West:	Heavy Industrial District
PUBLIC UTILITIES	City water and sewer
DATE OF APPLICATION	February 27, 2013
REVIEWED BY	Patsy Horton / Ted Johnson

**RECOMMENDATION:**

**Staff recommends approval of the Resolution approving the Project Plan for Tax Increment District #74.**

**GENERAL COMMENTS: (Updated May 2, 2013. All added and/or revised text is shown in bold print.) The additional information requested from the applicant regarding Tax Increment District #65 is included in the proposed Project Plan for the new District.**

(Updated April 15, 2013. All added and/or revised text is shown in bold print.) This item was continued to the April 25, 2013 Planning Commission meeting to allow the applicant to submit additional information. The applicant has requested a continuation to the May 9, 2013 Planning Commission meeting.

The applicant is requesting the creation of a Tax Increment District and the associated Project Plan to assist in the future development of property adjacent to Elks Crossing and Elks Country Estates. The Tax Increment funds are to be utilized for the extension of Minnesota Street, underground utilities, a regional drainage facility and an irrigation pipe. The applicant will fund the project costs of the Tax Increment District with an anticipated interest rate of 6%.

**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 are to be calculated utilizing a fixed rate not**

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to exceed 9 percent annual interest as directed in the adopted Tax Increment Financing Guidelines. However, the applicant has requested that a 6 percent annual interest rate be used, as this will allow the district costs to be paid out in 20 years. With City Council approval, this 6% 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 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. Such fee 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 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, increase the community's economic vitality and expand the City's property tax base.

The proposed District boundaries incorporate approximately 472.49 acres located south and west of Elks Country Estates and east of Elk Vale Road. Proposed District #74 includes the majority of the existing Tax Increment District #65.

STAFF REVIEW: The Tax Increment Financing Review Committee reviewed this proposal on February 26, 2013 and recommended approval of the creation of Tax Increment District #74 and directed staff to prepare the Project Plan.

When tax increment districts overlap, as in the case of the current proposal, all of the increment generated from a tax increment district are allocated to the first district created. The applicant is providing additional information as requested regarding expended project costs attributed to Tax Increment District #65 in order to validate that the proposed district is viable.

**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:**

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**Criteria #2: All Tax Increment Fund proceeds are used for the construction of public improvements.**

**All improvements must be made within the District boundaries. Documented costs for any oversizing of Minnesota Street must be submitted to the Community Planning and Development Services Department and the Public Works Department for review. Any oversizing costs for Minnesota Street will not be repaid from the Tax Increment District funds until the information is provided.**

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

**Staff recommends approving the attached resolution approving the Project Plan for Tax Increment District #74 East Minnesota Street.**