

MINUTES
TAX INCREMENT FINANCE PROJECT REVIEW COMMITTEE
January 14, 2016

MEMBERS PRESENT: Steve Laurenti, Steve Rolinger, David Hillard, David Janak, Amanda Scott and Deb Hadcock

MEMBERS ABSENT: Ron Buskerud and Alternate Andy Scull

OTHERS PRESENT: Patsy Horton, Jeanne Nicholson, Tracy Davis, Carla Cushman, Hani Shafai, Todd Meierhenry, Kent Hagg and Jafar Karim

Call to Order

Rolinger called the meeting to order at 8:00 a.m.

Approve Minutes

Motion by Hillard, seconded by Janak and carried unanimously to approve the minutes of the September 23, 2014 meeting.

Rushmore Gateway Corridor (15TIF001)

Horton informed the Committee that the application is to create a Tax Increment Financing District for the Rushmore Gateway Corridor. She reviewed the proposed boundary, the tasks identified on the application, the checklist and the definition of "blight" as defined in SDCL 11-9-8.

Horton also reviewed the site plan and noted that the applicant is proposing to construct the corporate headquarters, Les Hollers Way, Energy Park Drive, a bike path and sidewalks, extend water, sewer and storm water utilities and install a traffic signal. She also reviewed the Preliminary Review and noted that Black Hills Corporation has submitted the request to the State Auditor for a Special Tax District.

Horton reviewed the base value evaluations, anticipated revenue, project costs, financing rate, construction schedule, amortization schedule and site photos. Horton identified the boundary of TID 70 and explained the payoff process for the tax increment financing districts. She noted that no building permits have been issued within the TID 70 boundary. She reviewed site photographs of the Moon Meadows Drive project.

Horton reminded the Committee that their task is to either approve or deny creating the district. She added that in the event the Committee denies the request, the applicant can appeal to the Planning Commission. She added that the request cannot be appealed to the City Council.

Jafar Karim explained the overview of the project and identified the need for the tax increment financing district. He further explained that the district would allow Black Hills Corporation to accommodate approximately 150 workspaces for future employees in the new corporate headquarters. He reviewed the history of Black Hills Corporation and stated that the company had outgrown their facilities in various locations in the City. He reviewed the drawings for the proposed corporate headquarters. He commented that the financing of the public improvements would provide economic development and improve the corridor.

In response to a question from Haddock, Horton reviewed the tax evaluations through 2014 and noted that 2015 information is not available yet. A brief discussion followed regarding the distribution of tax revenue for centrally assessed entities.

Scott commented that based on the pro forma, it does not appear that any of the TID 70 costs have been certified. Horton stated that was correct.

In response to a question from Scott, Horton explained that the developers have 20 years to certify their costs but it is beneficial to them to certify early. She added that if there are no certified costs, the developer will not be reimbursed for development costs.

In response to a question from Scott, Horton advised that incremental funds have been used to pay off interest costs in TID 70 because the construction costs have not been certified.

In response to a question from Laurenti, Horton explained that a tax increment financing district could be in place for 20 years and that the tax payers will pay for the new City services.

In response to a question from Laurenti, Karim advised that the project was approved by the Board in January 2015 and that ground was broken in September. He added that the tax increment financing district would assist in providing public improvements in the area.

Laurenti inquired as to why \$6 million is not economically feasible for a corporation the size of Black Hills Corporation. He added that he supports the development but that he was unsure about the tax increment financing district.

Hillard commented that Black Hills Corporation is large to the economic development of the community and they are a great corporate citizen. He advised that a lot of energy is spent in trying to bring new businesses to the area. He expressed his opinion that locating the corporate headquarters in Rapid City will create jobs for the community and that the public will benefit from the infrastructure improvements within the tax increment financing district. He expressed his support for the new district.

Todd Meierhenry advised that the State Legislature changed the Tax Increment Financing District laws to add a component for economic development and not be limited to public improvements. He added that the City's Tax Increment Financing District policy has not been updated and still focuses on public improvements.

In response to a question from Laurenti, Karim advised that the tax increment financing district would pay for the public improvements which would then allow Black Hills Corporation the opportunity to finish workspaces for an additional 150 future employees. A brief discussion followed.

In response to a question from Janak, Horton explained that the proposed amortization schedule is for the maximum time frame and noted that most tax increment financing districts pay off in a shorter period of time. She reviewed the potential developments in TID 70 and the surrounding areas outside the district. She added that any incremental payment will be applied to TID 70 first.

In response to a question from Janak, Horton advised that the majority of City services are paid for by sales tax, not property tax.

Rolinger expressed his support for the proposed development and the tax increment financing district.

Kent Hagg, developer for TID 70, advised that projects approved in the Project Plan are close to complete and that the certification of the sewer line will be submitted in the near future. He added that the proposed development will be a huge benefit to the corridor and expressed his support for the tax increment financing district.

Hillard move to recommend approval of the creation of a Tax Increment Financing District for the Rushmore Gateway Corridor. The motion was seconded by Janak and carried with Scott, Rolinger, Janak, Hillard and Hadcock voting yes and Laurenti voting no. (5 to 1)

Buffalo Crossing Development (15TIF002)

Horton advised that the application is to create a Tax Increment Financing District for the Buffalo Crossing Development. She reviewed the boundary map, the checklist, the master plan, the public improvement plan, the preliminary review, the project costs, the pro forma, photographs, the TID 70 boundary map, the sewer line alignments, the Moon Meadows Road improvements, the tax evaluations and the SDCL 11-9-8 definition for “blight”.

Kent Hagg, the developer for TID 70 and a home owner in the Wellington area, stated that the applicant has been working with the South Dakota Department of Transportation regarding the installation of a turning lane into Edinborough development. He added that most of the families in the development support the turning lane and the stop light because of the safety concerns at the intersection into the development. He expressed his support for the proposed tax increment financing district and expressed his opinion that the new district would speed up the payoff of TID 70 and would provide economic development to the community. Hagg advised that he will be submitting an amendment to TID 70 for revised costs.

Hani Shafai reviewed pictures of the former water slide, the goals for the new tax increment district, the increase in employment opportunities, the new infrastructure, the proposed district boundary, the ownership, the public improvements, the regional traffic study, the location of the new traffic signal, the elimination of the approach to the old water slide property, the master plan, the construction schedule, the estimated district costs, the cash flow projections, the tax evaluations and the SDCL 11-9-8 “blight” definition.

Laurenti expressed his appreciation to Mr. Shafai for his investment in the community and inquired as to why he is pursuing a tax increment financing district.

Shafai responded that in order to get big medical facilities to come to the area, we need to provide them the best locations and opportunities that we can.

Laurenti expressed his opinion that the developer could finance the development privately and that he cannot fully support the district because he does not see anything unique about the proposed development.

In response to a question from Laurenti, Horton reviewed the 2016 budget allocation for revenue for services for the City.

Scott expressed her support for the proposed development and paying oversize costs but that she has a hard time paying the contingency costs and other necessary costs identified as public improvements. She stated she understands the need for additional restaurant and hotel services in the area but expressed concern that the proposed restaurant and hotel could impact the existing businesses in the area. Additional discussion followed.

Scott moved to recommend approval of the creation of a Tax Increment Financing District for the Buffalo Crossing Development. The motion was seconded by Hillard and carried with Scott, Rolinger, Janak and Hillard voting yes and Hadcock and Laurenti voting no. (4 to 2)

There being no further business to come before the committee, Scott moved, Laurenti seconded and motion carried unanimously to adjourn the meeting at 9:55 a.m.