

MINUTES  
TAX INCREMENT FINANCE COMMITTEE  
June 29, 2007

MEMBERS PRESENT: Malcom Chapman, Ron Kroeger, Peter Anderson, Bob DeMersseman, Karen Meyer, Marcia Elkins, Robin Bommersbach, Joel Landeen

OTHERS PRESENT: Lawrence Kostaneski, Hani Shafai, Phillip Olsen, Dwight Sobczak, Rich Marsh, Ted Schultz, Monica Heller, Karen Bulman, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 11:31 a.m.

East Rapid Plaza TID #39-Project Plan Revision (07TIF014)

Bulman reviewed the request to reallocate project costs noting that the reallocation will not increase the approved project costs for the East Rapid Plaza Tax Increment District #39. Bulman indicated that the reallocation of project costs is necessary to address the increase in oversizing costs for Anamosa Street. Bulman clarified that District revenues would continue to be distributed to the City and Developer on a 50/50 basis.

In response to a question, Elkins stated that the reallocation of project costs would address the City's oversizing costs for the Anamosa Street project.

In response to a question from Anderson, Bulman clarified that the request is for the reallocation of the approved project costs and that there is no request for additional funding.

In response to a question from Chapman, Elkins indicated that the Developer's cost estimates would be provided to the Public Works Department for their review.

Kostaneski stated that the project costs are estimates noting that the District will only reimburse actual expenditures which are not available until project completion. Kostaneski briefly addressed the substantial increase in construction costs that have been realized since the FY-2003 District creation.

**Landeen moved, Chapman seconded and carried unanimously to recommend approval of the requested funding reallocation for the East Rapid Plaza Tax Increment District #39 Project Plan.**

Morningstar (07TIF013)

Bulman presented the Morningstar request for Tax Increment Financing to extend the water and sewer infrastructure to the subdivision. Bulman advised that the Developer has requested funding from the .16 Utility Fund to finance the on-site improvements with the Tax Increment District being the revenue source to repay the fund.

Schultz indicated that the .16 Utility Fund Oversight Committee has reviewed the Morningstar development proposal noting their recommendation that Tax Increment Financing be considered as a repayment source for the .16 funding.

Schultz presented the request for construction of water and sewer infrastructure to the Morningstar Development noting the financial impact of Tax Increment Financing on the project. Schultz identified the sanitary sewer basin boundary and water pressure zone that would be serviced by the proposed infrastructure noting that the project would open approximately 3,000 acres for development. Discussion followed regarding the location of the proposed water reservoir and the proposal to utilize .16 funding with repayment to be generated by the Tax Increment District.

Elkins clarified that the funding request includes the water reservoir and oversizing costs for the water and sewer lines. Elkins indicated that the proposed costs are typical City costs noting that all improvements are within the City limits.

In response to a question from Landeen, Olsen indicated that only on-site improvements are included in the Tax Increment Financing request noting that funding for the on-site and off-site improvements would be addressed separately with the .16 Utility Fund Oversight Committee. In response to a question from Anderson, Elkins confirmed that the Morningstar Subdivision property has been annexed.

In response to a question, Schultz reviewed the proposed subdivision layout including the residential, commercial, and greenway properties. Schultz identified the floodplain acreage that would remain undeveloped indicating their desire to transfer the site to the City for park land purposes. Discussion followed regarding the development timetable for the commercial property.

Elkins addressed the potential interest rate savings should the applicant secure .16 funding for the infrastructure improvements. Discussion followed regarding the manner in which the oversize design costs for the reservoir project are addressed in the funding request. Elkins clarified that oversize design costs are not a typical City cost. Olsen indicated that the water reservoir would be a regional facility. Discussion followed regarding additional revenue sources that could be utilized to repay the .16 Utility Fund.

In response to a question from Anderson, Bulman addressed the impact the Morningstar request would have on the allowable percentage for Tax Increment Districts.

In response to a question from Landeen, Schultz indicated that the proposed reservoir size will support the Morningstar and Green Valley Subdivisions. Schultz indicated that the study addressing water needs should be completed within the month noting that they would look to the City for direction with regard to the reservoir capacity. Discussion followed regarding the Green Valley Estates water issues and financial participation in the water project and the reservoir capacity required to support full build out of the service area.

In response to a question from Kroeger, Olsen indicated that the water reservoir site should be sufficient to support the majority of the area water needs.

Discussion followed regarding area ground water contamination and in-fill development.

**Kroeger moved, DeMersseman seconded and carried unanimously to recommend approval of the Morningstar Tax Increment District request with the identified project costs subject to the following stipulations:**

1. That the engineering design costs be reviewed to remove the oversizing design cost for the water infrastructure;
2. That the water reservoir project costs be included;
3. That the .16 Utility Fund Oversight Committee review the funding request for the on-site improvements; and
3. That the interest rate be reviewed with regard to the project funding coming from the .16 Utility Fund; and with the following program criteria:

**Mandatory Criteria**

1. The project must be located within a proposed district in which a minimum of twenty-five percent (25%) of the area of the District is determined to be "blighted". For the purposes of TIF, a "blighted area" is defined as:
  - C. An open area which because of the need for infill development and cost effective use of existing utilities and services, obsolete platting, diversity of ownership, deterioration of structures or site improvements, or otherwise is determined to be blighted, substantially impairs or arrests the sound growth of the community.
2. The project must comply with the adopted Comprehensive Plan and all other appropriate plans and regulations.
3. The use of TIF for the project will not result in the net loss of pre-existing tax revenues to the City and other taxing jurisdictions.

**Additional Criteria**

1. The project must demonstrate that it is not economically feasible without the use of TIF. In addition, if the project has site alternatives, the proposal must demonstrate that it would not occur in Rapid City without TIF.
3. The project will not provide direct or indirect assistance to retail or service businesses competing with existing businesses in the Rapid City trade area.

**Discretionary Criteria**

2. All TIF proceeds are used for the construction of public improvements.
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.)

Rushmore Crossing TID #56-Project Plan Revision (07TIF015)

Bulman reviewed the request to reallocate project costs from the water and sewer main projects to the Farnwood/Eglin Street construction project. Bulman indicated that the applicant will seek .16 Utility funding for the water and sewer main project costs. Bulman presented the applicant's request to delete Section 6 of the Developer's Agreement requiring that funds from the sale of the land purchased with Tax Increment Finance funds be returned to payoff the Tax Increment Finance expenses.

Discussion followed regarding the request to amend the Developer's Agreement and the available revenue sources for repayment of the .16 Utility funding.

Shafai indicated that the increased road construction costs would be addressed by reallocating the water and sewer project costs noting that .16 Utility funding would be requested to complete the water and sewer infrastructure projects. In response to a question, Shafai indicated that the final portion of the Luna Street construction project has been moved forward to Phase I of the project.

Discussion followed regarding the requested revision to the Developer's Agreement. Shafai outlined the benefits to be realized by both the new development and the existing area businesses from the water and sewer line infrastructure improvements.

Discussion continued regarding the utilization of .16 Utility funding for the water and sewer infrastructure project, identification of a repayment revenue source for the .16 Utility funding and the requested amendment to the Developer's Agreement.

At the request of the Committee, Shafai left the meeting at this time.

Discussion followed regarding the regularity with which Project Plans are being amended.

Chapman advised that he would abstain from voting due to a conflict of interest. Chapman voiced his concern that developers' returning to the City for additional project funding is becoming a normal practice. Chapman indicated that Developers must start accepting responsibility for project cost increases noting his increasing concern with these types of requests. Discussion continued regarding the demand for .16 Utility funding and the need to prioritize the projects requesting the .16 utility funding.

Landeen recommended that the City apply for the .16 Utility funding for the water and sewer project costs noting that this will insure that the projects are completed as designed and that the .16 funding is repaid by the Tax Increment District. Discussion followed regarding the City's financial participation in the Project Plan and the resulting impact on the funding available to the developer for utilization on the road projects.

**Landeen moved, DeMersseman seconded and the motion was approved with Chapman abstaining to recommend that the Rushmore Crossing TID #59-Project Plan be amended as follows:**

- 1. That the water and sewer main project costs remain in the Project Plan subject to the City of Rapid City securing funding for those project costs from the .16 Utility Fund with District revenues to be shared on percentage of investment;**
- 2. That the power line project costs, interest savings and the balance of the contingency funding be reallocated to the Farnswood/Eglin Street project costs; and,**
- 3. That the request to delete Section 6 of the Developer's Agreement be denied.**

Approve Minutes

**Kroeger moved, Chapman seconded and carried unanimously to approve the minutes of the June 5, 2007 meeting.**

Other Business

The Committee recommended that the next Tax Increment Committee meeting be scheduled for July 27, 2007 at 11:30 a.m.

Adjourn

There being no further business the meeting was adjourned at 1:08 p.m.