

## Detailed Project Description and Request for Reallocation

The Tower Road Project Plan and Tax Increment District #47 was approved on Oct 4, 2004. This plan created a Tax Increment District that has assisted in the development of a 122 acre development located adjacent to Tower Road and funded the reconstruction of Tower Road and public infrastructure improvements. The boundaries are located near Tower Road and Fairmont Boulevard and west of U.S. Highway 16. The total cost of the Reconstruction and Professional Services Costs was originally estimated to be \$2,679,657.00.

The project plan was tabled at the September 28, 2004 Legal and Finance Committee meeting as there was not an identified funding source available for the improvements. The Tax Increment Financing Committee met on March 27, 2006 to discuss this proposed Project Plan for Tax Increment District #47 and recommended approval of the Project Plan. In November 2007, the developer requested and was given approval for a Project Plan Revision to reallocate the project costs as shown below. Construction of the identified improvements began in November 2007. The project was bid in 2 phases with grading for Tower Road and future Fairmont Boulevard by Bates Construction and infrastructure improvements for Tower Road by Highmark Construction. The cost of construction has been financed by the developer.

The construction of both the grading project and the infrastructure is nearing completion. The total Reconstruction and Professional Service costs will be approximately \$3,887,000 and the currently approved TIF allocation is as follows:

Tower Road Reconstruction and Improvements	\$2,937,525.00
Professional Service Cost	\$465,000.00
Financing Interest	\$1,257,451.47
Necessary / Convenient Cost	\$234,313.00
<b>TOTAL</b>	<b>\$4,894,289.47</b>

The developer is requesting that the approved TIF allocation be reallocated to cover the increased final Reconstruction cost as follows:

	Approved Costs	Changes	Amended Costs
Tower Road Reconstruction and improvements	\$2,937,525.00	\$250,000.00	\$3,187,525.00
Professional Service Cost	\$465,000.00	\$0.00	\$465,000.00
Financing Interest	\$1,257,451.47	(\$250,000.00)	\$1,007,451.47
Necessary / Convenient Cost	\$234,313.00	\$0.00	\$234,313.00
<b>TOTAL</b>	<b>\$4,894,289.47</b>	<b>\$0.00</b>	<b>\$4,894,289.47</b>

The development of the public improvements has enhanced the ability for new development to occur in this area increasing the community's economic vitality and expanding the City's property tax base.

The applicant has financed the improvements at an estimated 6.5% interest rate. All project expenditures will be completed within five years of the creation of the district. Should the tax increment revenues exceed the anticipated loan payments, the district debt would be retired early, resulting in the full value of the property being returned to the tax rolls more quickly. Should the tax increment revenues fall short of the anticipated loan payoff in 20 years, the district debt short fall would be paid by the developer.

### **Purpose of Tax Increment Financing**

The City of Rapid City has recognized the following purposes for the use of Tax Increment Financing:

1. To encourage the redevelopment of deteriorated or otherwise blighted real property in Rapid City through the investment of public funds.
2. To stimulate economic development in the community by assisting projects that promote the long term economic vitality of the community.
3. To stimulate increased private investment in areas that would have otherwise remained undeveloped or under-developed and which will, in the long term, provide a significant source of additional tax revenues to all taxing entities.
4. To stimulate the construction of safe and affordable housing units for low and moderate income residents and workers in the community and,
5. To facilitate the reconstruction, maintenance and completion of the City's existing infrastructure network to support the existing growth and guide the future growth of the community.

### **Criteria for Evaluation**

1. The project is located within a proposed district in which a minimum of twenty-five percent (25%) of the area of the District has been determined to be "blighted" and the improvements has enhanced the value of substantially all of the other real property in the district. For the purposes of this TIF, the "blighted area" meets the definition by improving an area that has substantially impaired the sound growth of the municipality and has retarded the provision of adequate housing accommodations.
2. The project complies with the adopted Comprehensive Plan and all other appropriate plans and regulations.
3. The use of TIF for the project has not resulted in the net loss of pre-existing tax revenues to the City and other taxing jurisdictions.
4. The project has demonstrated that it was not economically feasible without the use of TIF.
5. The project has not provided direct or indirect assistance to retail or service businesses competing with existing businesses in the Rapid City trade area.
6. The project will bring new or expanded employment opportunities as demonstrated by proposed wage scales, employee benefits and mixture of full and part-time employees.

In addition to the mandatory criteria, this proposal meets the following optional criteria:

1. The project demonstrates that it is not economically feasible without the use of Tax Increment Financing. See attached comparison – Return on Investment.
2. The project eliminated actual and potential hazard to the public.

Additionally, the project meets the following discretionally criteria:

1. All proceeds of the Tax Increment Fund were used for the construction of public improvements.
2. The project costs were limited to those specific costs associated with a site that exceeded the typical construction costs (i.e. excessive additional foundation requirements associated with unusual soil conditions and extension of sewer and water mains)