

STAFF REPORT
March 10, 2011

No. 11TI002 - Tax Increment District No. 71 Project Plan

ITEM 15

GENERAL INFORMATION:

APPLICANT	Stoneridge, LLC
AGENT	Dream Design International, Inc.
PROPERTY OWNER	Multiple Property Owners
REQUEST	No. 11TI002 - Tax Increment District No. 71 Project Plan
EXISTING LEGAL DESCRIPTION	Lot H2 in Government Lot 2 of Section 19, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota, as recorded in Highway Plat Book 10, Page 136; Lot H2R in the NE1/4 of Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota, as recorded in Highway Plat Book 10, Page 137; A portion of Lot H1 & all of Lot H2 in Parcel A of MJK Subdivision, Section 18, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota, as recorded in Highway Plat Book 9, Page 85, and in amended plat as recorded in Highway Plat Book 9, Page 97; Lot H2 in the SE1/4 of the SE1/4, Section 18, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota, as recorded in Highway Plat Book 6 Page 7; A portion of Section Line Right-of-Way located along the Section Line common to Sections 18 and 19, in the SE1/4 of the SE1/4 of Section 18, and in the N1/2 of the NE1/4, Section 19, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota; Lot H2 in the E1/2 of the NW1/4 of Section 19, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota, as recorded in Highway Plat Book 11, Page 168; Lot H1 in the NW1/4 of the SW1/4 of Section 19, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota, as recorded in Highway Plat Book 6, Page 16; Lot H1 in the E1/2 of the NW1/4 of Section 19, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota, as recorded in Highway Plat Book 6, Page 5; Lot H1 in the SW1/4 of the NW1/4 of Section 19, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota, as recorded in Highway Plat Book 6, Page 15; Lot H5 in the N1/2 of the NE1/4 of Section 19, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota, as recorded in Highway Plat Book 10, Page 120; Lot H1 in the NW1/4 of the NE1/4 and Lot H2 of the NE1/4 of the NE1/4 of Section 19, T1N, R8E, BHM, Rapid City, Pennington

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County, South Dakota, as recorded in Highway Plat Book 6, Page 6; A portion of Lot H4 in Lot H3 in the NE1/4 of Section 19, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota, as recorded in Highway Plat Book 10, Page 109; Lot H2 in the SW1/4 of the SW1/4 of Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota, as recorded in Highway Plat Book 11, Page 129; Lot H2 in the NE1/4 of the SE1/4 of Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota, as recorded in Highway Plat Book 12, Page 32; Lot H2 in the NW1/4 of the SE1/4 of Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota, as recorded in Highway Plat Book 12, Page 31; Lot H1 in the SW1/4 of the SW1/4 of Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota, as recorded in Highway Plat Book 6, Page 22; Lot H1 in the N1/2 of the SW1/4 of Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota, as recorded in Highway Plat Book 6, Page 11; Lot H1 in the N1/2 of the SE1/4 of Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota, as recorded in Highway Plat Book 6, Page 14; Lot H1 in the SE1/4 of the NW1/4 of Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota, as recorded in Highway Plat Book 6, Page 12; Lot H1 in the S1/2 of the NE1/4 of Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota, as recorded in Highway Plat Book 6, Page 13; A portion of Section Line Right-of-Way located along the Section Line common to Sections 19 and 24, in the SW1/4 of the NW1/4 and the NW1/4 of the SE1/4 of Section 19, T1N, R8E, and in the SE1/4 of the NE1/4 and the NE1/4 of the SE1/4, Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; A portion of Section Line Right-of-Way located along the Section Line common to Sections 23 and 24, in the W1/2 of the SW1/4 of Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; Stumer Road public right-of-way located in the S1/2 NE1/4 of Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota as recorded in Plat Book 34 Page 86 (1&2) and Stumer Road, Black Hills Boulevard, and Bald Eagle Lane public right-of-way located in the SW1/4 NE1/4 and the SE1/4 NW1/4 of Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota as recorded in Plat Book 33 Page 146 (1&2), The unplatted portion of the NE1/4 and the unplatted portion of the E1/2 of the NW1/4, Section 19, T1N, R8E, BHM, Rapid City,

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Pennington County, South Dakota; Lots 1 and 3 of Block 1, Lots 1-4 of Block 2, Fifth Street Office Plaza, Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; The unplatted portion of the S1/2 of the N1/2 of the NE1/4, and the unplatted portion of the S1/2 of the NE1/4, Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; and Lots 1, 2A, 3, and 4, Block 1, Lots 7 and 8 of Block 2, and Lot 1, Block 3, Black Hill Center, Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota

PARCEL ACREAGE Approximately 298.78 acres

LOCATION East of U.S. Highway 16, west of S.D. Highway 79 and north and south of Catron Boulevard

DATE OF APPLICATION 2/1/2011

REVIEWED BY Karen Bulman / Ted Johnson

RECOMMENDATION:

The Tax Increment Financing Committee recommends that the Tax Increment District No. 71 Project Plan be approved.

GENERAL COMMENTS: The applicant has requested the creation of a Tax Increment District to assist in the development of commercial property located north of Catron Boulevard, west of S.D. Highway 79 and east of U.S. Highway 16 through the development of public infrastructure improvements. The Tax Increment funds are to be utilized for Fifth Street improvements and turn lanes, Catron Boulevard turn lanes, Stumer Road and Black Hills Boulevard turn lanes and boulevard extensions, traffic signals, engineering, contingency, and necessary and convenient costs. The developer will obtain funding for the project costs of the Tax Increment District and be repaid from the Tax Increment District.

The proposed Tax Increment District overlaps the Fifth Street Tax Increment District #41, which is anticipated to be paid off in June 2016. Any additional revenues from any proposed developments will be distributed to TID #41 until the district is paid off. The additional revenue may allow the district to be paid off sooner.

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%. The project costs will total \$1,495,056. The Project Plan is estimated to be paid in 11 years.

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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. Within the proposed district, 50% 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 proposed District boundaries incorporate approximately 298.78 acres located north and south of Catron Boulevard, west of S.D. Highway 79 and east of U.S. Highway 16.

STAFF REVIEW: The Tax Increment Financing Project Review Committee reviewed this proposal on February 1, 2011 and recommended approval of the creation of the South Robbinsdale Tax Increment District.

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:

- 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 #1: The project will generate at least one full-time job for each \$10,000 in principal value of the Tax Increment Financing; or would create a minimum of 50 new jobs.
- Criteria #2: All TIF proceeds are used for the construction of public improvements.
- Criteria #7: The project involves the expansion of an existing business located within Rapid City.
- 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.

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The Tax Increment Financing Project Review Committee recommended approval of the attached resolution approving the Project Plan for South Robbinsdale Tax Increment District #71.