



CITY OF RAPID CITY

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MEMORANDUM

FROM: Mayor Sam Kooiker *Sam Kooiker*
TO: Legal & Finance Committee
DATE: Tuesday, March 11, 2014
SUBJECT: No. CC020314-04.1 - Authorize Mayor and Finance Officer to Sign Amended Developer's Agreement with President's Plaza (March 12, 2014 Legal & Finance Committee)

During agenda review yesterday, Council President Jerry Wright asked me to summarize my concerns regarding the proposed cash infusion for President's Plaza. Unfortunately, I will be attending a funeral instead of tomorrow's Legal and Finance Committee meeting.

Per the letter from President's Plaza on March 10, the request for \$5 million has been withdrawn. President's Plaza now plans to proceed with the project per the agreements already signed. I am excited about their decision to move forward with the project without additional taxpayer funds or further delays.

Regardless, I think it's important for us all to be on the same page. To reiterate, here were my main objections to the now abandoned proposal for an infusion of \$5 million in cash (\$3 million from the City; \$2 million from Destination Rapid City) for President's Plaza:

- Transparency/Financial Viability – This topic is covered in the March 6 letter from our Finance Officer, and in my January 13 and February 3 letters.
- President's Plaza has stated will no longer be pursuing New Market Tax Credits (NMTC's). Previously, the developers had made it clear that if the NMTC's weren't granted, the project could still be built, although it would be downsized per the previously negotiated agreements. The developers owe it to the community and Council to tell us what that would look like before asking for more taxpayer funds. As it stands now, the project would be potentially downsized even if \$5 million was added.
- In order to fund our general fund departments (Police, Fire, etc), we are allowed to increase the City's share of property taxes by 3% or the CPI (Consumer Price Index), whichever is less. Our community is growing, and we have growing needs. The exciting growth we are seeing in our sales tax revenues and from property tax growth (due to increased building permit activity) has lessened the need to take the Property Tax CPI. In January 2012, I introduced Resolution 2012-004 to require separate consideration for any proposed annual CPI property tax increases, which are typically \$250k - \$400k. The resolution was unanimously approved. In two of the last three budget cycles, we have chosen not to take the CPI. Taking \$3 million all at once from our cash balance represents seven years or more of CPI increases and could trigger an increase in property taxes to fund our operational needs.



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