

STAFF REPORT

July 5, 2001

No. 01TI002 - Tax Increment District #31 Project Plan

ITEM 75

GENERAL INFORMATION:

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| PETITIONER | Doyle Estes |
| REQUEST | No. 01TI002 - Tax Increment District #31 Project Plan |
| LEGAL DESCRIPTION | NE1/4 of Section 33, T2N, R8E; Balance of the NW1/4 NW1/4 and S1/2 NW1/4 of Section 33, T2N, R8E; SE1/4 of Section 33, T2N, R8E, all located in BHM, Rapid City, Pennington County, South Dakota; Government Lots 1 and 2, Section 4, T1N, R8E; S1/2 NE1/4 less Rushmore Regional Industrial Park, Section 4, T1N, R8E; and Lots 2 and 3 of Block 4, Lots A and B of Lot 1R, Block 4 and Lots 1 and 2, Block 3, Rushmore Regional Industrial Park, Section 4, T1N, R8E; Elk Vale Road right-of-way (including all H Lots) located in Section 4, T1N, R8E; and that portion of the SE1/4 of Section 4, T1N, R8E lying south of Elk Vale Road, BHM, Rapid City, Pennington County, South Dakota |
| PARCEL ACREAGE | Approximately 684 Acres |
| LOCATION | West of Elk Vale Road north of Rushmore Regional Industrial Park |
| EXISTING ZONING | General Agriculture District-General Commercial District-Medium Density Residential District-Light Industrial District |
| SURROUNDING ZONING | |
| North: | General Agriculture District |
| South: | Light Industrial District (City) - (County) |
| East: | (County) |
| West: | General Agriculture District-General Commercial District-Light Industrial District |
| PUBLIC UTILITIES | |
| REPORT BY | Marcia Elkins |

RECOMMENDATION: The Tax Increment Financing Review Committee recommends that the Planning Commission recommend approval of the Tax Increment District #31 Project Plan and attached resolution.

GENERAL COMMENTS: Doyle Estes has requested the creation of a Tax Increment District to assist in the development of his property located east of Elk Vale Road. The property is the site of the proposed Children's Home Society foster care facility.

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The purpose of this Tax Increment District is to fund drainage improvements in the Race Track Drainage Basin. Previously, Pennington County formed a Tax Increment District to fund improvements to build several detention cells. The applicant is now requesting approval of a Tax Increment District to fund the construction of a storm drainage pipe and related improvements to transport the storm drainage from one of the detention cells constructed with funding from the County Tax Increment District. The storm drainage pipe is located outside the previously created County Tax Increment District and is located within the City limits. As a result, the cost of the pipe improvements can not be paid for from revenues from the County Tax Increment District. The estimated cost of the construction of the storm drainage pipe is \$250,000.

Additionally, funding is being requested in the amount of \$250,000 for the construction of an additional detention cell, located upstream in the drainage basin on the west side of Elk Vale Road. While there are no specific development plans currently under consideration for that property, the improvements could be constructed at anytime within the five years following the adoption of the Tax Increment District.

The proposed district will run for 20 years. Based on an anticipated 9% annual interest rate, the twice annual payments would be \$28,302.89. Mr. Estes has proposed to obtain private financing for the project costs. He would be reimbursed from any tax increment revenues. The City will only be responsible for passing on any revenues received. Should the tax increment revenues exceed the anticipated twice annual payment, the district debt would be retired early resulting in the property being returned to the tax roles more quickly.

The proposed district is speculative in nature in that the development immediately anticipated in the district is not adequate to support the projected payment schedule. The only identified development in the area is the Berquist Company's expansion. The anticipated increment associated with that project is \$2,025,980 based on building permit information. It should be noted that since the applicant is obtaining the funding, he will be responsible for any shortfall in funding.

STAFF REVIEW: Pursuant to the adopted Tax Increment Policy, the Tax Increment Financing Review Committee met with the applicant and reviewed their request for the creation of a Tax Increment District. The Review Committee found that the proposed project complied with all applicable statutory requirements as well as the City's adopted Tax Increment Policy. Specifically, the Committee found that in addition to the mandatory criteria, the proposal met the following two optional criteria:

Criteria #2 – The project will eliminate an actual or potential hazard to the public; and,
Criteria #4 – The project will bring new or expanded employment opportunities.

Copies of the adopted Tax Increment Financing Policy are attached for your reference.

Based on the Tax Increment Financing Review Committee's recommendation, staff recommends approval of the attached resolution approving the Project Plan for Tax Increment District Number Thirty-one.