



MINUTES
TAX INCREMENT FINANCE COMMITTEE
September 28, 2001

Members Present: Bob DeMersseman, Mel Dreyer, Marcia Elkins, Alan Hanks, Tamara Pier, Jim Preston, Stuart Wevik

Others Present: Terri Haverly, Hani Shafai, Pat Burchill, Dan Bjerke, Karen Bulman, Jerry Munson, Sharlene Mitchell

Elkins called the meeting to order at 12:03 p.m.

Approval of Minutes

Dreyer moved, Wevik seconded and carried unanimously to approve the minutes of the August 22, 2001 meeting.

Revisions to Tax Increment District #31 Boundaries and Project Plan

Elkins briefly reviewed the request by the Economic Development Partnership Board to amend the district boundaries of the Tax Increment District #31 and remove specific properties from the district. Elkins indicated that the district boundaries would require revision, as the remaining properties were not contiguous. Elkins indicated that the properties remaining in the district were sufficient to retire the debt in seven years noting that additional development within the boundaries would contribute to early retirement of the debt. Elkins indicated that staff does support the proposed revision of the district boundaries and would work with the Economic Development Partnership to identify new district boundaries.

In response to Dreyer, Elkins outlined the development area for the new West River Electric site noting an alternative may be to extend the district boundaries southward to incorporate this development. Discussion followed regarding the location of the drainage basins within the proposed district. DeMersseman provided an area map identifying the location of the established drainage basins within the Industrial Park. Discussion followed regarding the location of the City limits and incorporation of the West River Electric site into the district boundaries.

Discussion followed regarding the identification of the revised district boundaries. Elkins indicated that the district boundary must be cohesive. Discussion followed regarding the development required to retire the projected debt.

Wevik moved, Pier seconded and carried unanimously to continue the Tax Increment District #31 re-districting request for one week to allow staff to identify a contiguous revised district boundary.

Proposed Fenske Media Tax Increment District

DeMersseman provided a brief review of the proposed project. Burchill indicated that the applicant is proposing to relocate their business from their current site to the Industrial Park. Burchill outlined the applicant's financial investment in the new site. Burchill indicated that this is a family owned and operated business noting the project time constraints in order to meet the March 2002 equipment deliveries. Discussion followed regarding the type of business and marketing area of the Fenske business.



Discussion followed regarding the impact this project would have on the School District property tax revenue.

Dreyer moved to approve the Fenske Media Tax Increment District. Preston seconded the motion.

Discussion followed regarding the topography of the building site, the layout of the Fenske building, and the projected jobs and wages to be created by this project. Hanks indicated that the project would provide infrastructure infill. Discussion followed regarding the criteria for approval of Tax Increment projects and identification of those criteria met by the Fenske project.

DeMersseman reviewed the proposed wage scale and number of new jobs to be created by the project noting the additional sales revenue that will also be generated by the daily operations of the business. Hanks complemented the Fenske business and supported their relocation from Billings, Montana to Rapid City noting the facility will attract national business.

Elkins reviewed previous Tax Increment projects funded in the Industrial Park. DeMersseman addressed the grading work required on the site noting that the Tax Increment funding is required to make the project viable. In response to a question from Elkins, DeMersseman indicated that the City would not be liable, as Fenske will provide the project financing.

Munson commented on the location of the Elk Vale Road access points and the current centerline location of Homestead Street. Discussion followed regarding the eastern extension of Homestead Street. Shafai briefly reviewed the proposal to provide a temporary signalized access to Elk Vale Road from the east noting that this access would be removed at the time East Anamosa Street is constructed. Shafai briefly reviewed the issues associated with the relocation of the radio towers. Discussion followed regarding annexation of the radio tower site.

Munson clarified that his concern was to insure that the Homestead Street centerline remains as currently located.

Elkins briefly reviewed state law regarding the creations of overlying Tax Increment Districts and addressed the process required to facilitate the implementation of the Fenske district.

The motion to approve the Fenske Media Tax Increment District carried unanimously.

Review of Proposed Mall Drive Tax Increment District Revisions

Elkins reviewed the projected costs for the Mall Drive street improvements and water and sewer main extensions. Elkins indicated that \$9.5 million would be required in Tax Increment financing with \$49 million in improvements required to support the district.

In response to Hanks, Bjerke clarified the boundaries of the sewer main extensions and reviewed the physical constraints of the topography, which prohibits gravity feed of the sewer.

Dreyer commented on the existing sewer issues at LaCrosse Street and the immediate need to extend sewer service in this area. Hanks requested clarification of the financing avenues available for the project. Bjerke indicated that funding from the State Revolving Fund could be utilized for infrastructure improvements. Discussion followed regarding the revenue resources available for repayment of the State Revolving Fund loan.



Dreyer proposed utilizing a combination of financing methods to fund the project. Discussion followed regarding the City's bonding capacity and re-direction of the Fifth Street project funding. Hanks indicated that with the utilization of the State road swap funds and the Fifth Street funding the project shortfall would be \$5.5 million.

Shafai indicated that the Mall Drive project is critical to the City noting that the majority of the development in this area will be industrial or commercial resulting in increased sales tax revenue. Discussion followed regarding the City funding two-thirds of the project and area property owners funding the remaining one-third. Dreyer indicated that the infrastructure improvements to the area are a health and safety issue. Discussion followed regarding the utilization of State/City/Private funding sources to fund the district.

Dreyer voiced his support for the Mall Drive project. Elkins indicated that the project would require Council review should funding be redirected from the Fifth Street project to the Mall Drive project. Preston indicated that should the area property owners are invested in the district they would be more active in promoting development of the area.

Bjerke reviewed the location of the water main extension into the area noting that State law requires a ten foot separation between water and sewer mains. Discussion followed regarding the financial benefits of constructing the water and sewer projects simultaneously. Preston commented on the future costs to the City as a result of the proposed road swap with the Department of Transportation.

Hanks moved, Dreyer seconded and carried unanimously to:

- 1. Direct staff to contact the affected property owners located adjacent to the Mall Drive centerline;**
- 2. Present the project proposal to the Infrastructure Development Committee for their recommendation to City Council regarding reallocation of the Fifth Street funding;**
- 3. Address the project's financial impact on the school district revenues;**
- 4. Provide a status update on the City's bonding status;**
- 5. Outline the future maintenance costs to the City as a result of the Department of Transportation road swap; and,**
- 6. Provide updated project costs for the Mall Drive Street improvements and Water Main and Sewer Main extension.**

In response to a question from Munson, Bjerke indicated that additional drainage improvements would be addressed as a shared cost with the developer with the City paying for any oversizing costs.

The next meeting of the Tax Increment Finance Committee was scheduled for Monday, October 15, 2001 at 12:00 p.m. in 3rd Floor West Conference Room.

Adjourn

There being no further business the meeting was adjourned at 1:12 p.m.



MINUTES
TAX INCREMENT FINANCE COMMITTEE
October 15, 2001

Members Present: Mel Dreyer, Marcia Elkins, Alan Hanks, Tamara Pier, Jim Preston, Bob Wall, Stuart Wevik

Others Present: Karen Bulman, Pat Burchill, Doyle Estes, Peter Hendricksen, Terri Haverly, Jerry Munson, Sharlene Mitchell, Ted Vore

Elkins called the meeting to order at 12:04 p.m.

Elkins outlined the existing boundaries of Tax Increment District #31 (attached) (Jolly Lane Drainage Improvements) and the infrastructure improvements to be completed under the district. Elkins briefly reviewed the concerns of the Economic Development Foundation and Hendricksen regarding the inclusion of specific properties in the district boundaries. Elkins presented the information provided by Hendricksen and Dream Design regarding amendment of the district boundaries.

Hendricksen addressed his concerns regarding the inclusion of the Hendricksen/Flack acreage in the district boundaries including the location of the property with relationship to the drainage basin and exclusion of the detention cell from the district improvements. Hendricksen indicated that a personal investment would be required in order to develop the remaining property within the ten-year district timeframe. In response to Elkins, Hendricksen indicated that they were requesting that the district be revised to exclude all Hendricksen/Flack property not located within the drainage basin and to include the construction costs of the detention cell. Hendricksen indicated that removal of the identified parcels from the existing district would allow the use of tax increment financing to promote future development of the area.

Elkins presented options "A" and "B" (attached) for revision of the district boundaries to include the initial drainage improvements and address the concerns of the Economic Development Foundation and Hendricksen.

Elkins presented revised district boundary option "A" and identified the concerns with the flagpole design of the district with regard to the state statute requirement that tax increment districts be a "contiguous geographic area". Discussion followed regarding the development of the Hendricksen/Flack property and the resulting impact on the district.

Elkins presented revised district boundary option "B" noting that the West River Electric Cooperative property has been incorporated into the district and should provide sufficient increment to support the district. Elkins indicated that West River Electric Cooperative is a utility and may be subject to different tax assessment requirements. Elkins indicated that she has contacted the County Director of Equalization and Auditor to clarify the assessment issue. Discussion followed regarding other properties in the immediate area that could be incorporated into the district and their development status at this time and the properties included in the Pennington County Tax Increment District for the Children's Home site. Elkins clarified that all improvements must be constructed within the first five years of the creation of the tax increment district noting the lack of area development to support the expenditures.

Elkins reviewed the proposed cost increases to the district should the Hendricksen/Flack detention cell be included in the district. In response to Dreyer's question regarding area



infrastructure needs, Elkins identified the upper water pressure boundary and indicated that the area Master Plan requires that sufficient water pressure be provided to those properties north of that boundary at the time of development and places responsibility for that improvement on the developer. Discussion followed regarding the impact of water improvements on development of properties lying north of the upper water pressure boundary and the infrastructure improvements required to provide water/sewer service to the area.

Discussion followed regarding the definition of contiguous and flagpole development. Elkins clarified that the entire recorded parcel must be included in the tax increment district noting that a district cannot split a parcel.

Elkins suggested that the best solution would be option "B" subject to the clarification of the tax status of utility properties. Elkins briefly addressed the development issues being addressed by the School District and the impact those issues would have on the development of the West River Electric property. Discussion followed regarding the Master Plan requirement for developer installation of the elevated water tanks versus city funding of the required infrastructure.

Estes recommended that only those properties benefiting from the district be included in the district. Elkins clarified that there is no requirement that a property benefit from the district in order to be included in the district. Discussion followed.

Discussion followed regarding retaining the original district boundaries and expanding the district costs to include the Hendricksen detention cell and the Fenske project. Burchill indicated that Tax Increment Financing is one of the tools the City has to offer when attracting new businesses to the area. Discussion followed regarding other businesses that are considering using tax increment financing to build in the Industrial Park. Elkins clarified that project costs cannot be added at a future date, they must all must be included in the initial project plan.

Elkins stated that information received from the Director of Equalization indicates that the West River Electric Cooperative tax base would provide increment to the district. Discussion followed regarding the impact of infrastructure development on the West River Electric and School District projects and the development timetable for the Fenske project.

Wall moved to recommend approval of the revised Tax Increment District #31 boundaries as presented in option "B" with the inclusion of the West River Electric Cooperative property subject to the ability to capture the development increment and to recommend the dissolution of the existing boundaries of Tax Increment District #31. Dreyer seconded the motion.

Wevik voiced support for the motion noting the development opportunities that will be made available by leaving the Industrial Park open and available for future tax increment projects.

Elkins briefly reviewed the financial structure used in the development of tax increment districts to allow for repayment flexibility. Elkins indicated that the revised district boundaries would be forwarded to the Planning Commission and City Council for formal action noting that the project would only be returned to the Committee if there were issues with the new boundaries or increment based on the West River Electric property.



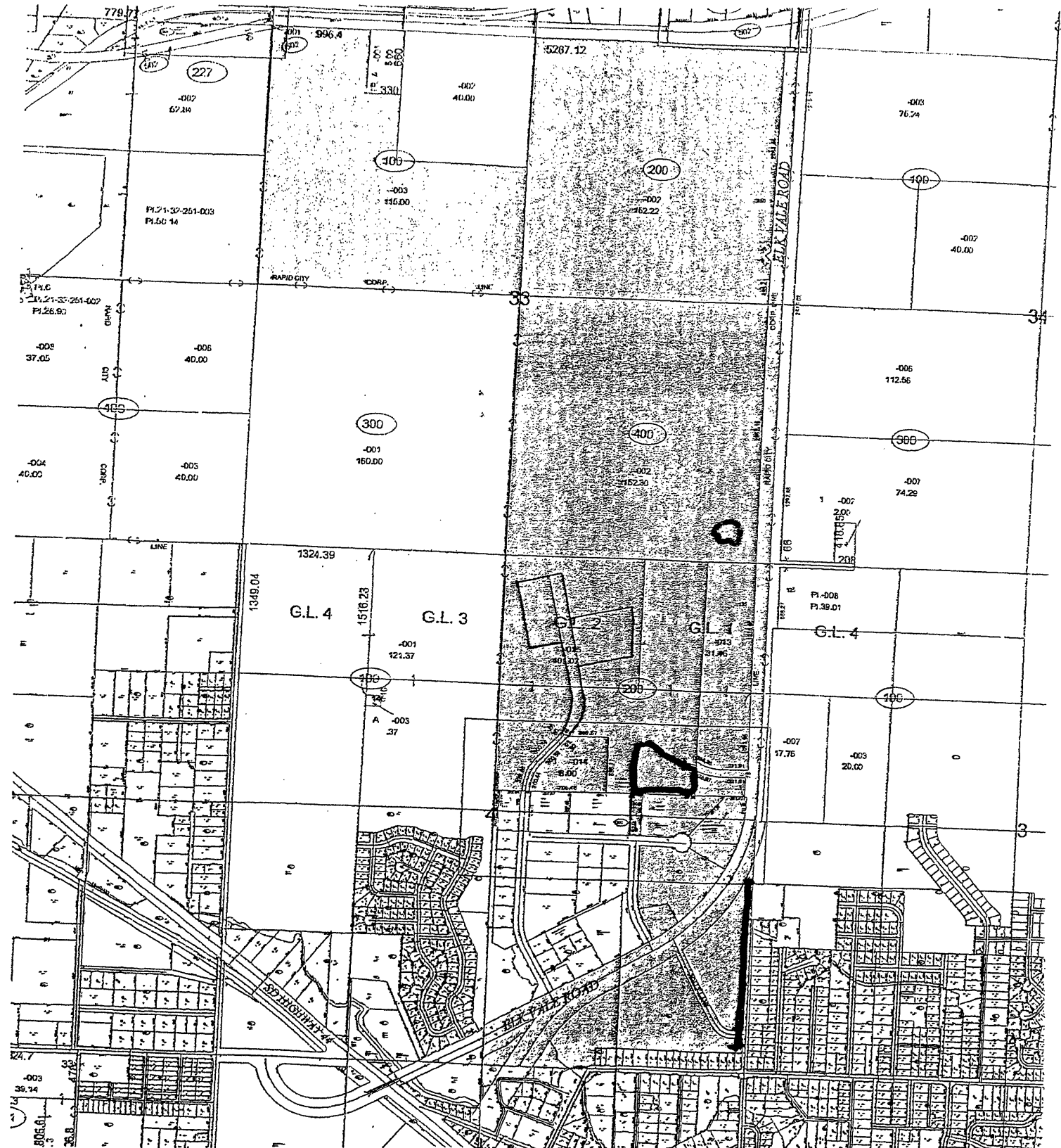
The motion to recommend approval of the revised Tax Increment District #31 boundaries as presented in option "B" with the inclusion of the West River Electric Cooperative property subject to the ability to capture the development increment and to recommend the dissolution of the existing boundaries of Tax Increment District #31 carried unanimously.

Elkins indicated that subject to the direction provided at the Council meeting, the Committee might need to review development of a tax increment district for the construction of Fifth Street.

Adjourn

There being no further business the meeting was adjourned at 12:55 a.m.

Project Plan
Boundary Map
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Tax Increment District #31
Revised Boundary Option "B"

