

STAFF REPORT
July 8, 2004

No. 04TI003 - Resolution Creating Tax Increment District #45 - Mallow Drive **ITEM 33**

GENERAL INFORMATION:

PETITIONER	Joe Muth and Chad Myers
REQUEST	No. 04TI003 - Resolution Creating Tax Increment District #45 - Mallow Drive
EXISTING LEGAL DESCRIPTION	Lots 11 thru 15, Block 5, Mallow Subdivision, Section 35, T2N, R7E, BHM, Rapid City, Pennington County, South Dakota
PARCEL ACREAGE	Approximately .40 acres
LOCATION	811 Mallow Drive
EXISTING ZONING	Medium Density Residential District
SURROUNDING ZONING	
North:	Medium Density Residential District
South:	Medium Density Residential District
East:	Medium Density Residential District
West:	Medium Density Residential District
PUBLIC UTILITIES	City Sewer and Water
DATE OF APPLICATION	06/11/2004
REVIEWED BY	Karen Bulman / David L. Johnson

RECOMMENDATION: The Tax Increment Financing Committee recommends the attached resolution creating Tax Increment District #45 for Mallow Subdivision be denied.

GENERAL COMMENTS: The applicant has requested the creation of a Tax Increment District to facilitate the construction of low-income housing in an undeveloped and under developed neighborhood, specifically to help fund the sprinkler system required for the proposed building due to the insufficient water pressure and water flow in the neighborhood. The property owner will finance the estimated cost of improvements in this Tax Increment District. These improvements will enhance the development of new affordable housing and will therefore, increase the community's economic vitality and expand the City's property tax base.

The proposed District boundaries incorporate approximately .40 acres at 811 Mallow Street, located north of Omaha Street, west of West Boulevard North and south of Silver Street.

STAFF REVIEW: The Tax Increment Financing Review Committee reviewed this proposal on June 11, 2004 and recommended denial of the financing request. The applicant has

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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 criteria, the applicant indicated 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.

Criteria #6: The project will result in the construction of affordable housing units defined as housing where the occupant is paying no more than thirty percent (30%) of gross income for housing costs including utilities, and complies with the following requirements:

A. Affordable housing projects must target residents at or below sixty percent (60%) of median income with rents at thirty percent (30%) of the tenants income or the Fair Market Rent (FMR) for the Section 8 Program whichever is greater. A minimum of 51% of the dwelling units of the proposed development shall be occupied by households meeting this income guideline;

B. Affordable housing is required to remain affordable as defined above for ten (10) years. If affordability is less than ten (10) years, repayment of prorata share of increment benefit will be due and payable to the City.

Additionally, the applicant states that the following discretionary criteria will be met:

Criteria #4: The project will directly benefit low and moderate income people, as defined by the U.S. Department of Housing and Urban Development as applied to the Community Development Block Grant Program. A project will meet this criterion if at least 51% of the jobs created will be held by or available to low and moderate income people.

Criteria #5: The building or site that is to be redeveloped itself displays conditions of blight as established by the provisions of SDCL 11-9.

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.

It is noted that with the recent State legislative action and passage of SB104, the additional tax levied against all property within the School District's jurisdiction to make up for the School District's share of the increment for economic development projects is no longer needed. Thus an additional tax will not be levied against property owners for the School District's portion of the taxes.

The Tax Increment Financing Committee reviewed the information presented, including the

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lack of adequate water pressure for fire flows, necessitating the required improvement for the building to be sprinklered. It was noted that a funding source to provide public improvements to the water system was not available and the time frame for completing those improvements would have an impact on the proposed project. The Committee indicated a preference to funding public improvements to bring adequate fire flows to the entire neighborhood rather than funding on-site improvements.

The Tax Increment Financing Project Review Committee recommends the attached resolution approving the creation of Tax Increment District #45 be denied.