

STAFF REPORT
January 6, 2005

No. 04TI016 - Tax Increment District #51 - Project Plan

ITEM 59

GENERAL INFORMATION:

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| PETITIONER | Bill Freytag |
| REQUEST | No. 04TI016 - Tax Increment District #51 - Project Plan |
| EXISTING LEGAL DESCRIPTION | Lot 12 thru 13, Madison's Subdivision in the E1/2 SW1/4 of Section 13, T2N, R7E, BHM, Rapid City, Pennington County, South Dakota, and the unplatted balance of the NE1/4, NW1/4 of Section 24, T2N, R7E, BHM, Rapid City, Pennington County, South Dakota |
| PARCEL ACREAGE | Approximately 11.09 acres |
| LOCATION | North of Country Road and west of Haines Avenue |
| EXISTING ZONING | Medium Density Residential District with Planned Residential Development |
| SURROUNDING ZONING | |
| North: | Medium Density Residential District |
| South: | Low Density Residential District |
| East: | Low Density Residential District |
| West: | General Agriculture District |
| PUBLIC UTILITIES | To be extended |
| DATE OF APPLICATION | 12/10/2004 |
| REVIEWED BY | Karen Bulman / David L. Johnson |

RECOMMENDATION: The Tax Increment Financing Committee recommends that the Project Plan for Tax Increment District #51 be approved.

GENERAL COMMENTS: The applicant has requested the creation of a Tax Increment District to assist in the development of public improvements in the Kateland Subdivision to be able to provide homes to low-to-moderate income residents. The applicant will finance the estimated \$500,000 cost of road, sewer, water and drainage improvements for this Tax Increment District at a 6% interest rate. The public improvements will enhance the ability for new development to occur, increasing the availability of affordable homes within the community and expanding the City's property tax base.

The proposed District boundaries incorporate approximately 11.09 acres located north of Country Road and west of Haines Avenue.

STAFF REVIEW: The Tax Increment Financing Review Committee reviewed this proposal on

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November 18, 2004 and found that the proposed project complies with all applicable statutory requirements as well as the City's adopted Tax Increment Policy with the exception of Item 6A of the Mandatory Criteria. The City's adopted policy requires that affordable housing projects must target residents at or below sixty percent (60%) of median income. Information was provided to the Tax Increment Financing Committee indicating that there were not sufficient applicants to fulfill that requirement but that eighty percent (80%) could be obtained. The Tax Increment Financing Review Committee recommended that the median income for the project be approved at 80% instead of 60% as identified by Section 6-A of the tax increment guidelines. In addition to the mandatory criteria, the Committee found 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 eighty percent (80%) of median income with rents at thirty percent (30%) of the tenant's 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 prorated share of increment benefit will be due and payable to the City.

Additionally, the following discretionary criterion is met:

Criteria #2: All Tax Increment Fund proceeds are used for the construction of public improvements.

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

The Tax Increment Financing Project Review Committee recommends approval of the attached resolution approving the Project Plan for Tax Increment District #51 with the recommendation that the project target residents at or below 80% of the median income.