

STAFF REPORT  
December 8, 2005

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**No. 05TI018 - Project Plan for Tax Increment District No. 58 Black Hills Center**      **ITEM 33**

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GENERAL INFORMATION:

PETITIONER	Dream Design International
REQUEST	<b>No. 05TI018 - Project Plan for Tax Increment District No. 58 Black Hills Center</b>
EXISTING LEGAL DESCRIPTION	Lots 1, 13a, 13b, 14a, 14b, 15a, 15b, 16a, 16b, 17a, 17b, 18a, 18b of Block 2, Block 4, Block 5 and all adjacent rights-of-way all located in Eastridge Estates Subdivision, Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; and the unplatted NW1/4 SW1/4 NE1/4 less Eastridge Estates Subdivision, Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; and Block 1, Fifth Street Office Plaza, Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; and Blocks 1, 2, 3 and 4 and all adjacent rights-of-way all located in South Pointe Subdivision, Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; and Lot 2 including the Enchanted Pines Drive right-of-way lying adjacent to said Lot 2, Block 11, Robbinsdale Addition No. 10, located in Sections 13 and 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; and that portion of the 5th Street right-of-way lying in the NE1/4 NW1/4 SE1/4 Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; and the SW1/4 NE1/4 less NW1/4 SW1/4 NE1/4 and including the U.S. Highway 16B right-of-way lying adjacent to said SW1/4 NE1/4; SE1/4 NE1/4 and the U.S. Highway 16B right-of-way lying adjacent to said SE1/4 NE1/4; unplatted balance of N1/2 NE1/4 less NW1/4 NW1/4 NE1/4 and including the 5th Street, Enchanted Pines Drive and Parkview Drive rights-of-way lying adjacent to said unplatted balance of the N1/2 NE1/4; unplatted balance of SE1/4 NW1/4 and the U.S. Highway 16B right-of-way lying adjacent to said unplatted balance of SE1/4 NW1/4, Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota.
PARCEL ACREAGE	Approximately 200 Acres
LOCATION	At the northwest corner of the intersection of Fifth Street and Catron Boulevard

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EXISTING ZONING	Medium Density Residential District (Planned Residential Development) - Office Commercial District (Planned Commercial Development) - General Commercial District (Planned Commercial Development)
SURROUNDING ZONING	
North:	General Agriculture District
South:	Highway Services District (Pennington County) - General Commercial District (Pennington County)
East:	General Agriculture District - Office Commercial District - General Commercial District (Planned Commercial Development)
West:	Low Density Residential District (Planned Residential Development)
PUBLIC UTILITIES	To be extended
DATE OF APPLICATION	10/28/2005
REVIEWED BY	Karen Bulman / Bob Dominicak

RECOMMENDATION:

**If the Planning Commission finds it appropriate, they should recommend approval of a Second Revised Tax Increment District #41 Project Plan.**

GENERAL COMMENTS:      **This staff report has been revised as of December 2, 2005.**

**All revised and/or added text is shown in bold print.** The applicant has requested the creation of a Tax Increment District to assist in the Black Hills Center through the development of public improvement costs for Stumer Road and Black Hills Boulevard, traffic lights, turn lane and water and sewer improvements adjacent to Catron Boulevard and Fifth Street. The Project Plan includes \$2,332,000 in costs associated with the proposed infrastructure improvements. These improvements will enhance the ability of new development to occur in this area and increase the community's economic vitality and expand the City's property tax base.

The proposed Tax Increment District boundaries are located at the northwestern corner of Catron Boulevard and 5<sup>th</sup> Street. This Tax Increment District is an overlapping district that overlaps TID #41 Revised. Tax Increment District #58 will pay off in 19 years.

It is anticipated that one or more of the properties in this proposed Tax Increment District will be used for commercial purposes. As such, the creation of this Tax Increment District will be an Economic Development Tax Increment District and will not require an additional levy to make up for the School District's share of the property taxes included in the Tax Increment District.

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

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October 27, 2005 and recommended approval of the financing request. The Tax Increment Financing Committee has 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 Tax Increment Financing Committee 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 #4: The project will bring new or expanded employment opportunities as demonstrated by proposed wage scales, employee benefits and mixture of full and part-time employees.

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

Criteria #2: All TIF proceeds are used for the construction of public improvements.

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.

The Tax Increment Financing Committee requested that staff look at several options:

1. Dissolve Tax Increment District #41 – 5<sup>th</sup> Street and recreate the Tax Increment District for the improvements to Fifth Street and the improvements for the Black Hills Center. This option forgoes the incremental value that has been given to Tax Increment District #41 since its creation. However, the newly created Tax Increment District will be paid in **11** years as there will be no interest accruing prior to Tax Increment District #41 being paid.
2. Create a new tax increment district that would encompass a boundary eastward to include sewer and storm drainage improvements. The cost associated with the sewer line was \$138,610.98. Staff was not able to obtain all the necessary information to be able to fully assess Option #2.
3. Propose an overlapping Tax Increment District #58 that would overlap the current Tax Increment District #41. This is the option that was provided to the Tax Increment Financing Project Review Committee and approved by the Committee. The attached Project Plan indicates that the District will be paid in 19 years as Tax Increment District #41 must be paid first.

Option #3 was submitted by the applicant and reviewed by the Tax Increment Financing

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Project Review Committee. The Committee approved the costs included in the proposal for Stumer Road, Black Hills Boulevard, traffic lights, turn lanes and sewer and water oversizing costs. Staff has prepared the Project Plan for this proposed option.

The Tax Increment Financing Project Review Committee recommends the attached resolution approving the Project Plan for Tax Increment District #58 be approved.

**This item was continued at the November 23, 2005 Planning Commission meeting to allow staff to gather financial information regarding Tax Increment District #41 – 5<sup>th</sup> Street. Subsequently, the applicant has requested that the City approve a revised Tax Increment District #41 rather than create Tax Increment Financing District #58. The second revised plan indicates that the Tax Increment District #41 will be paid in December 2016 and the interest costs are \$2,740,653.17. (Revised 12-2-05)**