

MINUTES
TAX INCREMENT FINANCE COMMITTEE
October 27, 2005

MEMBERS PRESENT: Malcom Chapman, Ron Kroeger, Ida Fast Wolf, Scott Nash, Dan Dryden, Bob DeMersseman, Marcia Elkins, Jim Preston, Joel Landeen

OTHERS PRESENT: Dan Coon, Karen Bulman, Sharlene Mitchell, Hani Shafai

Elkins called the meeting to order at 11:35 a.m.

Black Hills Center (05TIF013)

Bulman presented the Black Hills Center tax increment request located on the north side of the Catron Boulevard at the Fifth Street intersection. Bulman indicated that the District would qualify as an economic development district noting that the District includes both residential and commercial development. Bulman indicated that due to recent replatting of the property the base valuations are not available at this time. She indicated that the Department of Equalization has been contacted regarding the current property values.

Bulman provided a review of the projected District increment and revenues noting that the proposed improvements include Stumer Road, Black Hills Boulevard and traffic signals on Catron Boulevard. Bulman indicated that the proposed improvements would be developer financed.

Bulman indicated that the Black Hills Center District boundaries are currently located within the original and revised Fifth Street Tax Increment Districts. Bulman reviewed the proposed District payoff reflecting the overlapping Fifth Street Tax Increment Districts.

In response to a question from Preston, Bulman clarified that the District repayments would commence on June, 2006. Discussion followed regarding the repayment structure for the existing and proposed Tax Increment Districts with regard to the recovery timeframe for the developer financing. Elkins addressed the manner in which joint Districts are paid off noting that the payoff proposal presented is the most conservative.

Shafai presented photographs of the proposed development site. Shafai commented on the high traffic demand created by the intense retail development along the I-90 Interstate corridor and the heavy residential development occurring in the southern area of the City. Shafai indicated that rezoning of the proposed District has been transacted providing commercial zoning in the area.

Shafai presented the final project costs for the development of Fifth Street noting that an Infrastructure Development Partnership loan has been secured for the construction project. Shafai reviewed the developer costs with regard to Parkview Drive and Fifth Street noting the need to address land costs in order for the Black Hills Center project to be financially competitive with the retail Interstate properties. Shafai addressed the area grading noting that without the assistance of the Tax Increment Financing the land costs cannot be lowered to be competitive to the interstate properties. Shafai indicated that the development of retail services along Catron Boulevard will assist in reducing the impact on the Interstate area road network. Shafai reviewed the project costs including Stumer Road, Black Hills Boulevard, and Catron Boulevard turning lanes and signalization. In response to a question from Elkins, Shafai

indicated that the Department of Transportation has reviewed the Catron Boulevard signal and has agreed to pay 50% of the installation costs. In response to a question from Nash, Shafai indicated that the intersection will comply with the 2,300 foot separation required by the Department of Transportation.

In response to a question from Preston, Shafai indicated that the utilization of Tax Increment Districts has reduced land costs for the interstate properties noting that the Tax Increment Financing is critical in order for land costs to be competitive. Shafai addressed the need to attract commercial uses to the area in order for the City to derive the full benefit of its investment in 5th Street.

Landeen expressed his legal opinion that the project does not meet the State statute definition of "blighted" and therefore he would not support the request.

In response to a question from Elkins, Shafai indicated that there would be water and sewer over sizing costs that could be substituted for the turning lanes and signalization costs.

Nash acknowledged the need for commercial uses in the area. Nash stated that he owns property east of the proposed development and would abstain from voting due to a conflict of interest in the development of a drainage channel to the downstream properties. Nash indicated that a drainage channel needs to be constructed through the proposed development and the downstream properties simultaneously in order to properly address area drainage. Nash recommended that the City take a lead role in coordinating the drainage channel development due to the various property owners impacted by the project.

Shafai concurred with Nash with regard to the downstream drainage issues. Shafai identified the location of the two current drainage basins in association to the proposed development. Shafai indicated that drainage calculations have been completed for the site noting the development of on-site detention ponds to address drainage flows from the site.

Elkins addressed the revision of Tax Increment District #41 to include a lift station for sewer services to the area. Elkins indicated that the City Council elected to install sewer lines instead of the lift station noting that repayment of the sewer line project has not been identified. Elkins suggested amending District #41 to include the Black Hills Center proposal noting that the off-site drainage issues could also be included in the revised District.

Nash addressed the need to establish a drainage channel through the entire area as a single project instead of as individual properties are developed. Nash encouraged the City to become involved in resolving the landowner issues associated with the drainage channel development.

Elkins addressed the issues associated with the road development adjacent to the City/School property noting the section where a cost sharing agreement has been established. Elkins indicated that the City/School road costs would be an eligible expense that could also be incorporated into the proposed District. Discussion followed regarding the bid process utilized for the Black Hills Center road construction with regard to the audit requirements for expenditure and reimbursement of public funds.

In response to a question from Chapman, Elkins indicated that the District boundaries could be expanded to incorporate those areas impacted by the drainage channel development. Elkins identified the existing Districts that would be impacted by the expansion of the proposed District

boundaries. In response to a question, Elkins clarified that District #41 does not incorporate the Nash property.

Kroeger addressed the landowner issues associated with the development of the drainage channel noting that the City Council elected to proceed with the 5th Street project due to its importance to the overall City traffic network. Nash encouraged the City to become involved in the drainage channel project and provide mediation between the landowners in order to resolve the issues.

In response to a question, Shafai outlined the improvements that have been completed to date noting that the Black Hills Center project is ready to proceed with development.

In response to a question from Chapman, Elkins indicated that if the existing Tax Increment District were revised the initial base valuations would be lost. Elkins indicated that the existing District could be disbanded and re-established with new base values noting that the repayment timeframe would then be extended for a full 20 years.

In response to a question from Dryden, Elkins indicated that the District boundaries could be expanded to the east. Elkins indicated that by creating a new Tax Increment District the repayment timeframe would be extended to the full 20 years with the commercial values providing the larger portion of the District repayment.

In response to a question from Chapman, Elkins indicated that the District cannot be approved prior to the November 1 deadline due to the hearing timeframes. Elkins indicated that the Department of Equalization has been utilizing an August 1 deadline noting that she has requested clarification of the date change.

Discussion followed regarding the various options for development of the Black Hills Center Tax Increment District.

Landeen commented on the issues to be resolved associated with the drainage channel development noting that expansion of the District for that purpose could delay the Black Hills Center project. Elkins indicated that creation of a new District would provide an additional five years in which to resolve the drainage issues.

Shafai indicated that timing is critical in order to attract commercial developers and encouraged approval of the District with a possible future amendment to include the drainage channel development.

In response to a question from Preston, Elkins addressed the Black Hills Center drainage responsibilities with regard to the downstream properties. Discussion followed regarding downstream and on-site drainage retention requirements. Discussion followed regarding identifying eligible project costs for inclusion in the District in place of the City/School road development costs.

Chapman moved to recommend approval of the Black Hills Center Tax Increment District based on the following criteria:

Mandatory Criteria

1. The project must demonstrate that it is not economically feasible without the use of TIF. In addition, if the project has site alternatives, the proposal must demonstrate that it would not occur in Rapid City without TIF;
2. 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;

Discretionary Criteria

1. All TIF proceeds are used for the construction of public improvements; and,
2. The project costs are limited to those specific costs associated with a site that exceed the typical or average construction costs.

and with the stipulation that staff address the City/School road development costs, provide documentation for Planning Commission review regarding the possible extension of the tax increment boundary eastward to include sewer and storm drainage improvements and provide an evaluation of the following options:

1. Creation of a new tax increment district;
2. Disbandment and recreation of the existing tax increment district; and,
3. Creation of overlapping tax increment districts.

Dryden seconded the motion.

In response to a question by Chapman, Elkins indicated that the developer will fund the requested project costs. Elkins clarified that funding would need to be identified for the additional expenditures prior to incurring costs for those improvements.

Discussion followed regarding other Districts that include unfunded improvements that will be addressed in the future.

The motion to recommend approval of the Black Hills Center Tax Increment District based on the following criteria:

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carried with Landeen voting No and Nash abstaining.

Approval of Minutes

DeMersseman moved, Landeen seconded and carried unanimously to approve the minutes of the September 15, 2005 meeting.

Other Business

The Committee scheduled the next Tax Increment Finance Committee meeting for Tuesday, November 8, 2005 at 12:00 p.m.

Procedural Changes to Tax Increment District Review Process

Landeen indicated that the procedural changes discussed at the September 15, 2005 meeting would not impact the open meeting requirements. Discussion followed regarding the review process.

Chapman recommended requiring the applicant identify the qualifying program criteria as a part of the Tax Increment Financing application process.

Discussion followed regarding the multiple application review process and closed door discussion of the applications.

Landeen moved, Chapman seconded and carried unanimously to request that staff prepare draft revisions to the Tax Increment Program Guide for Applicants to address the inclusion of qualifying program criteria with applications and outline a discussion and application presentation policy.

Adjourn

There being no further business the meeting was adjourned at 12:36 p.m.