

STAFF REPORT
August 9, 2007

No. 07TI014 - A Revision to the Tax Increment District No. 56 ITEM 50
Project Plan

GENERAL INFORMATION:

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| PETITIONER | Dream Design International, Inc. |
| REQUEST | No. 07TI014 - A Revision to the Tax Increment District No. 56 Project Plan |
| EXISTING LEGAL DESCRIPTION | That portion of the Interstate 90 right-of-way lying in the SE1/4 NE1/4 and in the NE1/4 SE1/4 of Section 30, T2N, R8E, BHM, Rapid City, Pennington County, South Dakota; and, Entire Interstate 90 right-of-way located in Section 29, T2N, R8E, BHM, Rapid City, Pennington County, South Dakota; and, Entire Interstate 90 right-of-way located in the SW1/4 of Section 28, T2N, R8E, BHM, Rapid City, Pennington County, South Dakota; and, Tract F, Marshall Heights Subdivision No. 2 and the Interstate 90 right-of-way lying south of and adjacent to Tract F, Marshall Heights Subdivision No. 2, all located in Section 30, T2N, R8E, BHM, Rapid City, Pennington County, South Dakota; and, That portion of the East Disk Drive right-of-way lying east of North LaCrosse Street located in Section 30, T2N, R8E, BHM, Rapid City, Pennington County, South Dakota; and, Lot K-4 less Lot H-1, Marshall Heights Tract, Section 30, T2N, R8E, BHM, Rapid City, Pennington County, South Dakota; and, Lots 1 and 2 and the south ½ of the vacated alley and Pine Street right-of-way adjacent to said lots, Block 2, Rapps Addition, Section 30, T2N, R8E, BHM, Rapid City, Pennington County, South Dakota; and, Lot M of the NW1/4 SE1/4 of Section 30, T2N, R8E, BHM, Rapid City, Pennington County, South Dakota; and, Entire Farnwood Avenue right-of-way, entire Spruce Street right-of-way, and entire Rapp Street right-of-way all located in Section 30, T2N, R8E, BHM, Rapid City, Pennington County, South Dakota; and, That portion of the North LaCrosse Street right-of-way lying adjacent to Lot K-4 of Marshall Heights Tract and Lot 1 of Bedco Subdivision and including the entire intersection of North LaCrosse Street and Rapp Street, all located in Section 30, T2N, R8E, BHM, Rapid City, Pennington County, South Dakota; and, Lot H1 and Lot H2 located in N1/2 SE1/4 of Section 30, T2N, R8E, BHM, Rapid City, Pennington County, South Dakota; and, Unplatted portion of the N1/2 SE1/4 lying south of Interstate 90, Section 30, T2N, R8E, BHM, Rapid City, Pennington |

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a north/south street was approved by the City Council on October 16, 2006. A Second Revised Tax Increment District Project Plan was approved March 19, 2007 by the City Council amending the Project Plan for additional Sewer Main and Financing/Loan Fee costs. A third revision has now been requested to amend the Project Plan for additional costs for Farnwood/Eglin Street for the Developer and to fund the off site Water and Sewer costs and oversizing costs by the City through the .16 Utility Fund. The applicant will fund their share of the project costs at 8% interest and the City will fund their share of the project costs at 6% interest.

The proposed District boundaries are located east of LaCrosse Street and south of U.S. Interstate 90.

The public improvement map has been revised to show the current proposed location of the water main. The original location indicated that the water main would connect from the North-South Street, now called Luna Avenue, to LaCrosse Street. The new location indicates the water main will connect from Luna Avenue to Mall Drive. The costs to construct the water line have not changed. In addition, the map has been revised to show the correct location of the sewer main from Lowry Lane to Eglin Street. The previous map indicated that the sewer main connected from Lowery Lane to Eglin Street east of North Street. The actual location should have continued the sewer main to Eglin Street west of North Street.

A portion of the proposed Tax Increment District is located within Tax Increment District No. 49. The Project Plan for Tax Increment District No. 49 was approved by the City Council on October 2, 2006. The incremental taxes for the property located within Tax Increment District No. 49 will go to pay off Tax Increment District No. 49 before it can be applied to the proposed Tax Increment District for Rushmore Crossing. As the applicant has not provided detailed information on the incremental values of the property with reference to the property lying within the overlapping area, staff cannot project the affect on the proposed Rushmore Crossing Tax Increment District.

STAFF REVIEW: The City Council approved the creation of Tax Increment District #56 on November 21, 2005 and approved the Project Plan on February 6, 2006. On October 16, 2006, the City Council approved a Revised Project Plan. On March 19, 2007, the City Council approved a Second Revised Project Plan.

The Tax Increment Financing Review Committee reviewed additional requests for revisions to the approved Project Plan on June 29, 2007. The revisions include funding additional costs for Farnwood/Eglin Street of \$1,333,584 by reducing the Relocation of Power Lines by \$170,000, the Necessary and Convenient Costs by \$368,287.76, and the Financing interest by \$717,672.54. In addition, a portion of the Phase II costs for the North/South Street (Luna Avenue) in the amount of \$500,000 will be added to Phase I for the Developer.

The request for the City to fund the oversizing and off-site costs for the Sewer and Water Mains in the amount of \$1,806,000 from the .16 Utility Fund was continued to the August 15, 2007 Legal and Finance Committee meeting. The Tax Increment Financing Committee

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found the proposed changes comply with all applicable statutory requirements as well as the City's adopted Tax Increment Policy.

The Tax Increment Financing Project Review Committee recommends approval of the attached resolution approving the Third Revised Project Plan for Tax Increment District #56 subject to the City of Rapid City securing funding for their portion of the project costs from the .16 Utility Fund.