

MINUTES
TAX INCREMENT FINANCE COMMITTEE
August 3, 2007

MEMBERS PRESENT: Tom Johnson, Bill Okrepkie, Janet Kaiser, Bob DeMersseman, Marcia Elkins, Pauline Sumption, Joel Landeen

OTHERS PRESENT: Doyle Estes, Jim Scull, Blaise Emerson, Steve Thinglestad, Alan Hanks, Dirk Jablonski, Karen Bulman, Karen Gundersen-Olson, Ron Weifenbach, Gary Brown, Bonnie Redden, Fred Weishaupl, Nancy Jensen, Dale Jensen, Nicole Sabbatino (KNBN), Tom Lawrence (Rapid City Weekly News), Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 11:30 a.m.

Red Rocks TID #32 – Project Plan Revision (07TIF016)

In response to a question from Elkins, Sumption voiced her consent to allow the discussion on this item to be open to the public.

Sumption reviewed the request to reallocate funding from the Ground Reservoir line item to the Booster Station line item. Sumption indicated that the reallocation would allow the City to be reimbursed for its expenditures per the development agreement noting that there would be no increase in the approved Project Costs. Sumption indicated that the funding reallocation would allow the Red Rocks Tax Increment District #32 to be dissolved in the near future.

Okrepkie moved, DeMersseman seconded and carried unanimously to recommend approval of the requested revision of the Red Rocks Tax Increment District #32 Project Plan.

U S Highway 16 (07TIF011)

In response to a question from Elkins, Estes voiced his consent to allow the discussion on this item to be open to the public for observation only with the understanding that there be no discussion from the general public.

Bulman provided a brief review of the Dakota Canyon Development Tax Increment Financing request including the base valuation, anticipated increments and revenues, and proposed project costs. Bulman indicated that amortization of the requested project costs reflects a 21 ½ year payout noting that the Developer would provide additional information on the project term.

Bulman presented the revised District Boundary map noting that the valuation of the revised boundary has not been calculated. Estes stated that the District boundaries were revised to eliminate the Water Slide property south of U.S. Highway 16B in compliance with the property owner's request noting that the removed property had not been utilized in projecting District revenues.

Scull addressed the project design elements including building design, area landscaping, the wilderness park development, extension of water and sewer infrastructure and elimination of two existing lift stations. Scull indicated that the goal is to develop an upscale smart growth development that will be a gateway to south Rapid City. Scull addressed the work with the Corps of Engineers to insure continued protection of the area watershed. Scull addressed the

redesign of the Catron Boulevard and U. S. Highway 16 interchanges to accommodate the development including full service traffic lights with acceleration and deceleration traffic lanes.

In response to a question from Okrepkie, Scull indicated that the extension and upgrade of the water and sewer infrastructure to the site will open additional areas for development. In response to a question from Okrepkie, Elkins indicated that both on-site and off-site and oversized sewer costs are reflected in the proposed Project Costs. She noted that Growth Management staff is reviewing the proposed design to determine its ability to service the surrounding area.

In response to a question from Okrepkie, Elkins indicated that the traffic study has been submitted and is under review by the Growth Management staff. In response to a question from Landeen, Elkins addressed the scheduling of Department of Transportation projects for the intersections at Catron Boulevard and U. S. Highway 16.

In response to a question from Okrepkie, Scull addressed the status of the Corps of Engineers permit noting the additional work being done to minimize the impact on the area springs and wetlands.

Emerson identified the properties utilized in the District incremental calculations noting that increment from the undeveloped properties was not considered in the calculations. Emerson concurred with the City's projected amortization noting that the Developer had utilized a different interest rate and an incorrect tax levy rate.

Scull presented revised project costs reflecting adjustments to and elimination of individual line items noting that the final total costs remains unchanged. In response to a question from Elkins, Scull indicated that the retaining walls lien item has been removed from the Project Costs.

In response to a question from Landeen, Scull addressed the grading costs to be funded from the District and by the Developer. Discussion followed regarding the sewer costs and the new alignment for Catron Boulevard. Okrepkie commented on the expanded water and sewer infrastructure benefit the project will provide to the City.

Emerson addressed the discussion to include the Enchanted Hills Open Space in the District Boundary due to the proposed area park improvements. Scull presented the proposed Nature Preserve design plan addressing the extent of the grading work in order to minimize the impact on the canyon, the creek upgrades, and the walking paths. Scull emphasized that the Enchanted Hills Homeowners Association has not agreed to the proposal at this time.

In response to a question from Okrepkie, Scull indicated that the open space lends itself to the nature preserve application noting that park land is need in this area of the City and that the nature preserve enhances the overall project and is a good use of the land.

In response to a question from Johnson, Scull indicated that the on-site storm water mitigation is designed to handle a 100 year event noting that historic flows off the property must be maintained in order to protect downstream waters.

In response to a question from Elkins, Scull indicated that the funding for the Necessary and Convenient Cost and Contingency line items are required to insure that unknown development

challenges associated with the project are properly addressed. He indicated that no specific items have been identified for funding from those line items.

In response to a question from Elkins, Estes indicated that due to the large scale of the project the developer would utilize the Other Necessary and Convenient Cost and Contingency line items to bring forward unknown costs for funding consideration. Elkins outlined the review and approval process for revising the Project Plan allocation.

Discussion followed regarding the oversizing costs included in the water and sewer infrastructure projects. In response to a question from Johnson, Scull indicated that the project will eliminate two lift stations, provide for a gravity flow sanitary sewer and open the surrounding area up for development. Discussion followed regarding the location of the sanitary sewer infrastructure improvements.

Estes addressed the estimated increase in sales and property taxes from the development of the additional properties. Estes stated that the District will be developer funded.

In response to a question from Okrepkie, Emerson addressed the elements that would impact the District increment allowing the District debt to be retired earlier. Estes indicated that the increment projections are conservative and based only on the lands that the developer controls. Discussion followed regarding the anticipated interest rate and impact of the economy on area development.

In response to a question from Elkins, Bulman indicated that the impact of the Dakota Canyon Development on the City's Tax Increment percentage has not been calculated at this time. Discussion followed regarding the current Tax Increment percentage and pending Tax Increment District applications.

Discussion followed regarding amending the proposed District boundaries to remove the developed properties lying west of U. S. Highway 16. Estes recommended that the undeveloped property lying west of U. S. Highway 16 be retained within the District boundaries. Discussion followed regarding the inclusion of the Enchanted Hills open space in the District boundaries.

Okrepkie moved to recommend approval of the Dakota Canyon Marketplace Tax Increment District with blight identified as the steep uneven terrain of the property and the soils and subsurface that are not appropriate for building prohibiting development of the property and with the following stipulations:

1. That the Tax Increment District Project Plan, Exhibit B, revised and presented at the August 3, 2007 Tax Increment Finance Committee meeting be utilized;
2. That the District Boundary be expanded to include the Enchanted Hills Subdivision Open Space; and,
3. That the applicant and City Staff revise the District boundary for the purpose of eliminating the developed properties lying west of U. S. Highway 16.

And citing the following Program Criteria:

Mandatory Criteria

1. The project must be located within a proposed district in which a minimum of twenty-five percent (25%) of the area of the District is determined to be "blighted". For the purposes of TIF, a "blighted area" is defined as:

- B. An area that substantially impairs or arrests the sound growth of the municipality, retards the provision of adequate housing accommodations, or constitutes an economic or social liability and is a menace to the public health, safety, or morals, or welfare as a result of substandard, unsafe or deteriorating development; or,
- 2. The project must comply with the adopted Comprehensive Plan and all other appropriate plans and regulations.
- 3. The use of TIF for the project will not result in the net loss of pre-existing tax revenues to the City and other taxing jurisdictions.

Additional 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 eliminate actual or potential hazard to the public. Hazards may include condemned or unsafe buildings, sites, or structures.
- 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:
 - 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.

Discretionary Criteria

- 1. The project will generate at least one full-time job for each \$10,000 in principal value of the TIF; or would create a minimum of 50 new jobs.
- 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.
- 5. The building or site that is to be redeveloped itself displays conditions of blight as established by the provisions of SDCL 11-9.
- 6. The project involves the start-up of an entirely new business or business operation within the City of Rapid City.

Johnson seconded the motion.

In response to a question from Johnson, Estes indicated that the District boundary had been modified to remove the Water Slide property at that property owner's request. Estes noted that the property owner has acknowledged that the site will benefit from the water and sewer infrastructure improvements. Estes requested that the request be approved as moved and that the City Council address any modification of the District boundary to include the property if they so desire. Johnson acknowledged the suggestion that the City Council address further expansion of the District boundary noting that he would prefer to see the larger boundary to payoff the district sooner.

The motion to recommend approval of the Dakota Canyon Marketplace Tax Increment District with blight identified as the steep uneven terrain of the property and the soils and subsurface that are not appropriate for building prohibiting development of the property and with the following stipulations:

1. That the Tax Increment District Project Plan, Exhibit B, revised and presented at the August 3, 2007 Tax Increment Finance Committee meeting be utilized;
2. That the District Boundary be expanded to include the Enchanted Hills Subdivision Open Space; and,
3. That the applicant and City Staff revise the District boundary for the purpose of eliminating the developed properties lying west of U. S. Highway 16.

And citing the following Program Criteria:

Mandatory Criteria

1. The project must be located within a proposed district in which a minimum of twenty-five percent (25%) of the area of the District is determined to be "blighted". For the purposes of TIF, a "blighted area" is defined as:
 - B. An area that substantially impairs or arrests the sound growth of the municipality, retards the provision of adequate housing accommodations, or constitutes an economic or social liability and is a menace to the public health, safety, or morals, or welfare as a result of substandard, unsafe or deteriorating development; or,
2. The project must comply with the adopted Comprehensive Plan and all other appropriate plans and regulations.
3. The use of TIF for the project will not result in the net loss of pre-existing tax revenues to the City and other taxing jurisdictions.

Additional 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 eliminate actual or potential hazard to the public. Hazards may include condemned or unsafe buildings, sites, or structures.
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:
 - 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.

Discretionary Criteria

1. The project will generate at least one full-time job for each \$10,000 in principal value of the TIF; or would create a minimum of 50 new jobs.
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.
5. The building or site that is to be redeveloped itself displays conditions of blight as established by the provisions of SDCL 11-9.
6. The project involves the start-up of an entirely new business or business operation within the City of Rapid City.

Carried with Okrepkie, Johnson, Kaiser, DeMersseman and Sumption voting YES and Landeen voting NO (5-1).

Approval of Minutes

Johnson moved, Okrepkie seconded and carried unanimously to approve the minutes of the June 29, 2007 meeting.

Adjourn

There being no further business, Okrepkie moved, DeMersseman seconded and carried unanimously to adjourn the meeting at 12:33 p.m.