

STAFF REPORT
October 25, 2007

No. 07TI017 - Project Plan for Tax Increment District

ITEM 2

GENERAL INFORMATION:

APPLICANT	Dakota Canyon Marketplace
AGENT	Doyle Estes
PROPERTY OWNER	Wittingham & LaStrange, Borden & Gabbs, LPI and Lincoln & Talbot, LPI
REQUEST	No. 07TI017 - Project Plan for Tax Increment District
EXISTING LEGAL DESCRIPTION	Tract E of Medicine Ridge No. 2; Lot 1 of Owen Hibbard Subdivision; Lots 1 and 2 in Block 1, and Lots 1, 2 and 3 less Tower Ridge 2 in Block 2, and Lots 1, 2 and 3 in Block 3 of Aladdin Heights Subdivision; Lots 1-12 in Block 1 of Tower Ridge 2; Tracts 2 and 3 and Utility Lot 1 of Par Subdivision; Common Area of Enchanted Hills No. 2; Tract B of Tract 1 of the W1/2 SW1/4 less Lot 1 of IGT Subdivision, Lots A, B and C of the SW1/4 SW1/4, and the unplatted portions of the E1/2 W1/2 SW1/4 and the E1/2 SW1/4; all in Section 23, T1N, R7E BHM; the unplatted portion of the N1/2 SW1/4 lying North of Catron Blvd. Right-of-way, in Section 24, T1N, R7E, BHM; Lot A of Ranch Subdivision; Lots 1 and 2 of Connector Subdivision; Lot 1 of Shipman Heights Subdivision; Tracts AR2 and B of Needles Subdivision; Lot A of Tucker Subdivision; Tracts A and B of Meadow View Subdivision; Tract 1 of the W1/2 NW1/4 less Lot A of Ranch Subdivision and less Connector Subdivision and less Lots H1, H2, H3 and Right-of-way; the unplatted portions of the NW1/4 lying East of Hwy 16 and North of Catron Blvd.; all in Section 26, T1N, R7E, BHM; Tract 1 in the SE1/4 NE1/4 less Connector Subdivision and Less Lot H-1 in Section 27, T1N, R7E, BHM; the Catron Boulevard Right-of-Way: Lot H1 in S1/2 NE1/4, Lot H1 in SE1/4 NW1/4, Lot H1 in N1/2 SE1/4, Lot H1 in N1/2 SW1/4, Lot H2 in SW1/4 SW1/4 in Section 24, T1N, R7E, BHM; and Lot H1 in SE1/4, Lot H2 in E1/2 SW1/4 SE1/4 in Section 23, T1N, R7E, BHM; and Lot H1 in NW1/4 NE1/4, Lot H1 in NE1/4 NW1/4, Lot H1 in SE1/4 NW1/4, Lot H3 in SW1/4 NW1/4, Lot H2 in Tract 1 in W1/2 NW1/4 in Section 26, T1N, R7E, BHM; and Lot H1 in Tract 1 in SE1/4 NE1/4 in Section 27, T1N, R7E, BHM; the East boundary of which is 5th Street and the West boundary of which is the West side of the intersection of Catron Blvd and South Hwy 16 Service Road; the South Hwy 16 and Service Road Right-of-Way: Lots H1 and H2

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in N1/2 NW1/4, Lot H1 in S1/2 NW1/4, Lot H2 in SE1/4 NW1/4, Lot H1 in Lot B of SW1/4 NW1/4, Lot H1 in SW1/4, Lot H2 in W1/2 SW1/4 in Section 23, T1N, R7E, BHM; and Lots H1 and H2 in W1/2 NW1/4, Lot H1 in NW1/4 SW1/4, Lot H1 in Lot B of NW1/4 SW1/4, Lot H1 in SW1/4 SW1/4, Lot H1 in Lot B of SW1/4 SW1/4, Lot H3 in Tract 1 in W1/2 NW1/4 in Section 26, T1N, R7E, BHM; Lot H1 in Tract 1 in SE1/4 NE1/4 in Section 27, T1N, R7E, BHM, Lying North and South of the intersection of Catron Blvd and South Hwy 16 Service Road; the North Boundary of which lies adjacent to the North Lot line of Tract E of Medicine Ridge No. 2 and the South Boundary of which lies adjacent to the South Lot line of Lot 2 of Connector Subdivision; Dedicated Public Rights-of-Way: Northview Drive, and Tablerock Road in Section 23, T1N, R7E, BHM; Tucker Street, and Promise Road lying East of South Hwy 16 and Promise Road lying West of the South Hwy 16 Service Road adjacent To Lot 1 of Owen Hibbard Subdivision, in Sections 23 and 26, T1N, R7E, BHM; all in Rapid City, Pennington County, South Dakota

PARCEL ACREAGE Approximately 338.218 Acres

LOCATION Along U.S. Highway 16 and north of Catron Boulevard

EXISTING ZONING General Commercial District - General Commercial District (PCD) - General Agriculture District - Park Forest District - Business Park District - Low Density Residential District (PRD) - Medium Density District (PRD)

SURROUNDING ZONING

North: General Agriculture District
South: General Commercial District - General Commercial District (Planned Commercial Development)
East: Low Density Residential District - General Agriculture District
West: General Agriculture District - General Commercial District - Park Forest District - Public District - Office Commercial District (Planned Commercial Development)

PUBLIC UTILITIES City Water and Sewer

DATE OF APPLICATION 8/14/2007

REVIEWED BY Karen Bulman

RECOMMENDATION: Staff recommends that the Dakota Canyon Marketplace Tax

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Increment District Project Plan be continued to the November 8, 2007 Planning Commission meeting at the applicant's request.

GENERAL COMMENTS: **This staff report has been revised as of October 5, 2007. All revised and/or added text is shown in bold print. This application was continued at the October 4, 2007 Planning Commission meeting at the applicant's request.** This staff report has been revised as of September 27, 2007. All revised and/or added text is shown in bold print. This application was continued at the September 20, 2007 Planning Commission meeting at the applicant's request. This application was continued at the September 6, 2007 Planning Commission meeting to allow additional public comment. The applicants have requested the creation of a Tax Increment District to assist in the development of property located along U.S. Highway 16. The Tax Increment funds are to be utilized for site clearing and grading, erosion control, wetland mitigation, drainage system, storm sewer, sanitary sewer, water, landscaping, traffic controls, off-site sanitary sewer and nature preserve upgrade. The applicant will fund the project costs of the Tax Increment District. The anticipated interest rate is 9%. The project costs will total \$ 16,600,000. The Project Plan is estimated to be paid in 21 ½ years. The District will be dissolved after 20 years. If the projected incremental income and the project costs remain the same, this Tax Increment District will not pay out in 20 years, leaving a remaining balance of \$3,142,959.32. The Project Plan for the Tax Increment District has been corrected to reflect payments for 20 years only. The interest and total project costs have been corrected to reflect the total amount that can be repaid in 20 years. No other sections of the Project Plan have been changed. (Revised 9-14-07)

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 for economic development purposes will not require an additional levy to make up for the School District's share of the property taxes included in the Tax Increment. The public improvements will enhance the ability for new development to occur and increase the community's economic vitality and expand the City's property tax base.

The proposed District boundaries incorporate approximately 338.218 acres located east of U.S. Highway 16 and north of Catron Boulevard.

STAFF REVIEW: The Tax Increment Financing Review Committee reviewed this proposal on August 3, 2007 and recommended approval of the creation of Dakota Canyon Marketplace Tax Increment District.

The applicant 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 applicant indicated that the proposal met the following three optional criteria:

Criteria #1: The project must demonstrate that it is not economically feasible without the use of Tax Increment Financing. In addition, if the project has site alternatives, the proposal must demonstrate that it would not occur in Rapid City without Tax Increment Financing.

Criteria #2: The project will eliminate actual or potential hazard to the public. Hazards

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- Criteria #6: may include condemned or unsafe buildings, sites, or structures. 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 pro-rata share of increment benefit will be due and payable to the City.

Additionally, the following discretionary criteria are met:

- 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.
- Criteria #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.
- Criteria #5: The building or site that is to be redeveloped itself displays conditions of blight as established by the provisions of SDCL 11-9.
- Criteria #6: The project involves the start-up of an entirely new business or business operation within the City of Rapid City.

Staff has reviewed the boundaries of the proposed District and noted that the current lift station adjacent to Wellington Drive can be abandoned once the off-site sanitary sewer is extended from 5th Street to Wellington Drive. As such, if the Planning Commission recommends approval of the creation of Dakota Canyon Marketplace Tax Increment District, staff recommends that the additional property, Lot 9R, Block 2, South Hill Subdivision, Section 26, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota, be included in the proposed boundaries. The cost of abandoning the lift station at Wellington and an additional lift station on U.S. Highway 16 is approximately \$125,000. These costs have not been included in the Project Plan and a funding source has not been identified. At the September 6, 2007 Planning Commission meeting, the applicant indicated that the developer will fund the abandoning of both lift stations for a total of \$125,000. This amount has been identified under the Sanitary Sewer line item in the Project Plan. (Revised 9-14-07)

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 - Dakota Canyon Marketplace.

This application was continued at the September 6, 2007 Planning Commission meeting to allow further public comment. The applicant has requested that this item be continued for two weeks. Staff recommends that the Project Plan for Tax Increment District – Dakota Canyon Marketplace be continued to the October 4, 2007 Planning Commission meeting at the applicants request. (Revised 9-14-07) This application was continued at the September

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20, 2007 Planning Commission meeting at the applicant's request. The applicant has requested that this item be continued for three weeks. Staff recommends that the Project Plan for Tax Increment District – Dakota Canyon Marketplace be continued to the October 25, 2007 Planning Commission meeting at the applicant's request. (Revised 9-27-07) **This application was continued at the October 4, 2007 Planning Commission meeting at the applicant's request. The applicant has requested that this item be continued for two weeks. Staff recommends that the Creation of Tax Increment District – Dakota Canyon Marketplace be continued to the November 8, 2007 Planning Commission meeting at the applicant's request. (Revised 10-5-07).**