

STAFF REPORT  
July 10, 2008

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**No. 08TI007 - Creation of Tax Increment District**

**ITEM 60**

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GENERAL INFORMATION:

APPLICANT	Hyland Park LLLP
AGENT	Dream Design International, Inc.
PROPERTY OWNER	Multiple owners (see attachment)
REQUEST	<b>No. 08TI007 - Creation of Tax Increment District</b>
EXISTING LEGAL DESCRIPTION	Utility Lot 1 Par Subdivision; Tract 2 and Tract 3 of Par Subdivision; all located in Section 23, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; Unplatted Portion of NE1/4 SW1/4 Lying N of Hwy Right-of-Way; Unplatted Portion of NW1/4 SW1/4 Lying N of Hwy Less Lot H1; Unplatted Portion of NW1/4 SW1/4 Lying South of Hwy, Right-of-Way Less Lot H1; Unplatted SW1/4 SW1/4, Less Lot H2 & Less Right-of-Way; all located in Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; Tract A and Tract B of Meadow View Subdivision; Unplatted, E1/2 W1/2 NE1/4 NW1/4 and the W1/2 E1/2 NE1/4 NW1/4; Unplatted Portion of NE1/4 NW1/4 NW1/4 Lying East of Hwy 16 Less Shipman Heights Subdivision and Less Right-of-Way; Lot A Tucker Subdivision; Lot 1 Shipman Heights Subdivision; Unplatted Portion of SE1/4 NW1/4 NW1/4 Lying East of Hwy 16 Less Right-of-Way; Lot A Ranch Subdivision; Tract 1 of W1/2 NW1/4 Less Lot A of Ranch Subdivision, Less Connector Subdivision, Less Lots H1, H2, H3 & Right-of-Way; Tract AR2 Needles Subdivision; Tract B Needles Subdivision; Tract 1 Waterslide Addition; Unplatted Balance of S1/2 SE1/4 NW1/4; Unplatted Balance of NE1/4 SW1/4; Lot 4R and Lot 5 of Old Rodeo Subdivision; Lot 2 and Vacated Physician Drive Adjacent of Said Lot 2 Old Rodeo Subdivision; Lot 3 and Vacated Physician Drive Adjacent to Said Lot 3 Old Rodeo Subdivision; Lot 1 Less Lots 2, 3, 4R, 5 and ROW Old Rodeo Subdivision; Unplatted Lot B of SW1/4 SW1/4 Less RTY; Right-of-Way of Tucker Street; Right-of-Way of Promise Road; Right-of-Way of Jordan Drive; Right-of-Way of Addison Avenue; all located in Section 26, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; Lot 1 and Lot 2 of Connector Subdivision, all located in Sections 26 and 27, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; Platted Tract 1 of SE1/4 NE1/4 Less Connector Sub & Less Lot H1, Section 27, T1N, R7E, BHM, Rapid City, Pennington

STAFF REPORT  
July 10, 2008

---

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**ITEM 60**

---

County, South Dakota; Unplatted NW1/4NW1/4 less Lot H1 and less right-of-way; Unplatted SE1/4NW1/4; Unplatted W1/2SE1/4 and SE1/4SE1/4; Unplatted NE1/4SW1/4; Unplatted NW1/4NW1/4 less Lot H1 and less right-of-way; all located in Section 35, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; Right-of-Way of Catron Boulevard located in Sections 23, 24, 26, and the SE1/4 NE1/4 of Section 27, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; Right-of-Way of U.S. Highway 16 located in Section 26, 27, NE1/4 of Section 34, and NW1/4 of Section 35, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota

PARCEL ACREAGE

Approximately 744.08 acres

LOCATION

Catron Boulevard from Fifth Street to South U.S. Highway 16, then south along U.S. Highway 16 to Sammis Trail and east to Hyland Crossing Subdivision

EXISTING ZONING

General Agriculture District, Low Density Residential District (PRD), Medium Density Residential District (PRD), General Commercial District (PCD), Office Commercial District (PCD)

SURROUNDING ZONING

North:

General Agriculture District, Park Forest District, General Commercial District (PCD), Office Commercial District (PCD), Medium Density Residential District (PRD)

South:

General Agriculture District, Low Density Residential District (PRD), General Agriculture District (Pennington County), Highway Services District (Pennington County), Planned Unit Development (Pennington County)

East:

General Agriculture District, Low Density Residential District (PRD), Limited Agriculture District (Pennington County), General Agriculture District (Pennington County), Highway Services District (Pennington County)

West:

General Agriculture District, Highway Services District (Pennington County), Planned Unit Development (Pennington County), Suburban Residential District (Pennington County), General Agriculture District (Pennington County)

DATE OF APPLICATION

6/26/2008

REVIEWED BY

Karen Bulman

**RECOMMENDATION:** The Tax Increment Financing Committee recommends that the

STAFF REPORT  
July 10, 2008

---

**No. 08TI007 - Creation of Tax Increment District**

**ITEM 60**

---

Resolution Creating Highway 16B Sewer Tax Increment District be approved. In addition, staff recommends that the lift station property, Lot 9R, South Hill Subdivision, Section 26, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota, be included in the legal description for the Tax Increment District.

GENERAL COMMENTS: The applicant has requested the creation of a Tax Increment District to assist in the development of Hyland Crossing Subdivision. The Tax Increment funds are to be utilized for sanitary sewer main, abandoning two lift stations, sewer force main, turn lanes, traffic signal, new lift station, engineering and contingency costs. The applicant will fund the project costs of the Tax Increment District.

During the construction phase of the project and until the project is cash flowing from a tax revenue basis, the developer and lender shall be free to negotiate an interest rate not to exceed nine (9) percent. Within 90 days of the date the developer is notified by the City that the tax revenue is sufficient to amortize the debt over the remaining life of the Tax Increment Financing District, as confirmed by the Financial Institution, the interest rate on the remaining balance shall be reset at an interest rate of not more than three (3) percent over the published ten (10) year U.S. Treasury rate not to exceed nine (9) percent. The estimated cost of the improvements will be financed by the Developer. A 9% interest rate was used for the project plan.

It is anticipated that one or more of the properties in this proposed Tax Increment District will be used for commercial purposes. Within the proposed District, 37% of the properties are currently zoned General Commercial District. 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 744.08 acres located along Catron Boulevard from Fifth Street to South U.S. Highway 16, then south along U.S. Highway 16 to Sammis Trail and east to Hyland Crossing Subdivision.

STAFF REVIEW: The Tax Increment Financing Project Review Committee reviewed this proposal on June 25, 2008 and recommended approval of the creation of the Highway 16B Sewer 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 two 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 may include condemned or unsafe buildings, sites, or structures.

STAFF REPORT  
July 10, 2008

---

**No. 08TI007 - Creation of Tax Increment District**

**ITEM 60**

---

Additionally, the following discretionary criteria are 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.

During review, staff became aware that the proposed abandoned lift station property on Wellington Drive was inadvertently left out of the District boundaries. As such, staff recommends that the Planning Commission include Lot 9R, South Hill Subdivision, Section 26, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota in the legal description for the Tax Increment District.

The Tax Increment Financing Project Review Committee recommends approval of the attached resolution approving the creation of Highway 16B Sewer Tax Increment District.