

STAFF REPORT  
August 5, 2010

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**No. 10TI002 – Revised Project Plan for Tax Increment District No. 35**      **ITEM 30**

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GENERAL INFORMATION:

|                               |   |
|-------------------------------|---|
| APPLICANT/AGENT               | Doyle Estes   |
| REQUEST                       | <b>No. 10TI002 - Revised Project Plan for Tax Increment District No. 35</b>   |
| EXISTING<br>LEGAL DESCRIPTION | <p>The west 340 feet of the unplatted portion of the S1/2 NW1/4 SW1/4, Section 3, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota; Lot A of NE1/4 NW1/4 &amp; NW1/4 NE1/4, Lots A and B of Lot 1 of Lot D of NW1/4 NE1/4, Lot B of NW1/4 NE1/4, Lot 2 of Lot D of NW1/4 NE1/4, Lot C of NW1/4 NE1/4, Lot 1 less Lot H1 in Block 1, Lots 2-4 less Lot H1 in Lot 4 in Block 1, Lot 9 less Lot H1 in Block 1, Lots 6-8 less Lot H1 of Lot 6 in Block 1, Lot 1 less Lot H1 in Block 2, Lot 2 in Block 2, Lot 3 less Lot H1 in Block 2, all located in Johnson School Subdivision, Section 9, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota; School Lot &amp; Lot "RS" in NW1/4 NE1/4, Section 9, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota; the balance of SE1/4 less Lot H1, less Lot H3 of W1/2 SE1/4 &amp; less Lots H3 &amp; H4 of E1/2 SE1/4, Section 4, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota; Lot H6 in the Hawthorne Ditch located in the NE1/4 NW1/4 of Section 9, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota; Lot H1 in the east 88 feet of Lot D of the NE1/4 NW1/4 of Section 9, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota; Lots H1 in Lots 6, 7, &amp; 8 in Block 2, Lot H1 in Lot 6 in Block 1, Lots H1 in Lots 4 &amp; 5 in Block 1, and Lots H1 in Lots 3, 4, &amp; 5 in Block 2, all located in the Johnson School Subdivision of the NW1/4 NE1/4 of Section 9, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota; Lots H1 in Lots A &amp; B of the Johnson School Subdivision in the NE1/4 NW1/4 and Lot A of the Johnson School Subdivision in the NW1/4 NE1/4, all in Section 9, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota; School Drive right-of-way south of Lot H1 in the east 88 feet of Lot D of the NE1/4 NW1/4 and south of Lot H1 in Lot 8 in Block 2 of the Johnson School Subdivision of the NW1/4 NE1/4 and south of Inca Drive right-of-way, and the vacated School Drive right-of-way south of Lot C of NW1/4 NE1/4 and south of School Lot &amp; Lot "RS" in NW1/4 NE1/4, all located in Section 9, T1N, R8E, BHM, Rapid City,</p> |

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Pennington County, South Dakota; Shadow Drive and Inca Drive rights-of-way in Section 9, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota, and Jolly Lane Road right-of-way in Section 4, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota, more generally described as located west of Elk Vale Road and north of SD Highway 44 East

|                     |  |
|---------------------|--|
| PARCEL ACREAGE      | Approximately 65.58 acre   |
| LOCATION            | West of Elk Vale Road and north of S.D. Highway 44 East  |
| EXISTING ZONING     | General Commercial District – Office Commercial District (Planned Commercial Development) – Light Industrial District (Planned Industrial Development) |
| SURROUNDING ZONING  |  |
| North:              | Light Industrial District  |
| South:              | General Agriculture District – Suburban Residential District (Pennington County)   |
| East:               | Suburban Residential District (Pennington County)  |
| West:               | General Commercial District – Light Industrial District  |
| PUBLIC UTILITIES    | Rapid Valley Sanitary District   |
| DATE OF APPLICATION | 7/20/2010  |
| REVIEWED BY         | Karen Bulman / Mary Bosworth   |

**RECOMMENDATION:**

The Tax Increment Financing Project Review Committee recommends that the Revised Project Plan for Tax Increment District No. 35 be approved.

**GENERAL COMMENTS:**

Tax Increment District No. 35 Project Plan was approved by the City Council on March 18, 2002. The purpose of the Tax Increment District was to fund the construction of a storm drainage pipe and related improvements. The pipe transports the storm drainage from a detention cell lying east of Elk Vale Road to facilitate the development of a foster care facility. The Project Plan is funded by the developer.

The Tax Increment District boundaries incorporate approximately 65.58 acres located west of Elk Vale Road and north of S.D. Highway 44 East.

The Developer is requesting the reallocation of Financing Interest Costs and Necessary and Convenient Contingency Costs to fund additional Capital and Professional Services costs based on the actual project costs for the improvements.

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STAFF REVIEW: On July 19, 2010, the Tax Increment Financing Review Committee reviewed the Developer's request for the changes to reallocate the costs within the Project Plan. The proposed changes would reallocate the Necessary and Convenient costs and Financing costs, removing \$50,000 from Contingency and \$10,233.21 from Interest line items and adding \$40,000 to the Drainage Pipe and \$14,119.09 to the Engineering Design from the Capital costs and Professional Services costs line items. Other Necessary and Convenient Costs to West River Electric Association to move an underground line to accommodate the drainage pipe have been included for \$1,114.12. As noted earlier, these changes are based on the actual project costs for the Developer.

In addition, an additional \$5,000 Imputed Administrative Fee to be paid to the City has been added in accordance with the new Tax Increment Financing Guidelines. The additional Imputed Administrative Fee of \$5,000 will be paid to the City from the Necessary and Convenient Cost Contingency line item. The other Project costs for the Developer will remain the same. All the revised changes are outlined in the following chart:

**Proposed Developer Project Cost Reallocation:**

| <u>Capital Costs:</u>                          | <u>Approved Costs</u> | <u>Changes</u>        | <u>Amended Costs</u> |
|--|-----------------------|-----------------------|----------------------|
| Drainage Pipe                                  | \$ 185,000.00         | <b>\$ 40,000.00</b>   | <b>\$225,000.00</b>  |
| <br><u>Professional Services:</u>              |                       |                       |                      |
| Engineering Design                             | \$ 15,000.00          | <b>\$ 14,119.09</b>   | <b>\$ 29,119.09</b>  |
| <br><u>Financing Costs:</u>                    |                       |                       |                      |
| Interest                                       | \$264,103.23          | <b>(\$ 10,233.21)</b> | <b>\$253,870.02</b>  |
| <br><u>Necessary &amp; Conv. Costs:</u>        |                       |                       |                      |
| Contingency                                    | \$ 50,000.00          | <b>(\$50,000.00)</b>  | <b>\$ 0</b>          |
| Other:   | \$ 0                  |                       |                      |
| <b>Relocation of Electric Lines<br/>(WREA)</b> | <b>\$ 0</b>           | <b>\$ 1,114.12</b>    | <b>\$ 1,114.12</b>   |
| <b>Additional Imputed Admin<br/>Costs</b>      | <b>\$ 0</b>           | <b>\$ 5,000.00</b>    | <b>\$ 5,000.00</b>   |
| <br>Total                                      | <br>\$514,103.23      | <br>\$ 0.00           | <br>\$514,103.23     |

All other costs remain the same. The total costs will not change, so the Tax Increment Base will not be re-established. It should be noted that the approved Project Plan had a projected 9% interest rate. Currently, the Developer is financing the project at a 7.5% interest rate.

The Tax Increment Financing Project Review Committee recommends approval of the attached resolution approving the Revised Project Plan for Tax Increment District No. 35.

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