

MINUTES OF THE
RAPID CITY PLANNING COMMISSION
Training Session
February 14, 2012
11:30 a.m. to 1:00 p.m.

MEMBERS PRESENT: Erik Braun, John Brewer, Patrick Fink, Linda Marchand, Dennis Popp, Kay Rippentrop and Jan Swank. John Roberts, Council Liaison was also present.

MEMBERS ABSENT: Sandra Beshara, Steve Rolinger, Andrew Scull, Josh Snyder, and Len Weimer.

STAFF PRESENT: Vicki Fisher, Karen Bulman, Patsy Horton, Allison Marsland, Jeanne Nicholson, Pauline Sumption, Mary Floto, Michael Howard, Toni Broom and Risë Ficken.

OTHERS PRESENT: Ritchie Nordstrom, Gary Brown, Charity Doyle, Jerry Wright and Ron Sasso.

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

Brewer provided a brief overview of the tax increment finance application review process noting that the Planning Commission requested that staff provide this training session to discuss tax increment financing.

Bulman explained that tax increment financing is an economic development tool available through State law. Bulman noted that this funding source is appropriate when development cannot occur without the tax increment financing, often due to extraordinary costs. Bulman stated that tax increment financing was introduced in California in the 1950's noting that almost all states allow tax increment districts and some capture not only property tax values, but also sales tax values.

Bulman indicated that Rapid City developed tax increment financing guidelines in 1991 and adopted additional review criteria in 2008. Bulman stated that of the 71 Tax Increment Districts that originated in Rapid City, 23 were never created, 24 were created and have been paid and 24 were created and are still active. Bulman noted Rapid City initially created tax increment districts without project plans noting that in many of these cases a project plan was never submitted and the districts were subsequently dissolved. Bulman advised that prior to 2000, the average district paid off in approximately 12 years noting that since 2000, the average district repayment period averaged only 7 years. Bulman advised that the surrounding communities including Pennington County, Hill City, Box Elder, Wall and Keystone use tax increment financing.

Bulman provided a detailed review of the process and the required actions for both the applicant and staff to develop and obtain approval for a project funded through the use of a tax increment district.

Bulman stated that once the district is created and the project plan is approved, the developer has five years to complete the improvements and 20 years to pay off the loan noting that staff monitors the status of the projects within the active districts.

Bulman discussed Senate Bill 182 currently pending in the State legislature that would affect the five year deadline for completing improvements in a tax increment district.

Bulman explained that the process to reallocate funding or revise a project plan is identical to the process for the approval of the initial project plan noting that the base value of the district must be recertified if additional costs above and beyond the original project cost totals are proposed.

Bulman described how overlapping districts function and discussed the overall increment increase resulting from tax increment financing in Rapid City since 1983. Bulman addressed issues associated with the school formula noting the City's efforts to ensure that recent applications are economic development tax increment districts so that school districts continue to receive their taxes through a statewide formula.

Bulman reviewed the definition of blight under State law noting that the City Council makes the final determination of whether a tax increment district project meets that criteria.

Bulman discussed the sales tax benefit derived from increased commercial activity associated with economic development tax increment districts. Bulman stated that tax increment districts should be used where the development would not otherwise occur without the use of tax increment financing.

Braun requested clarification concerning how the tax increment district boundaries are determined. Bulman stated that the developer typically sets the district boundaries. Bulman indicated that in some cases the developer is encouraged to include additional undeveloped properties so that the loan can be paid off more quickly. Bulman indicated that there is no benefit in including additional property into the boundary if there is no additional development anticipated to occur that would increase the tax base. Discussion followed.

Wright commented that tax increment financing is misunderstood by much of the public noting that public education on the issue may be beneficial. Discussion followed.

Brewer stated that tax increment financing is a complicated concept noting that periodic training on this topic for the Planning Commission and Council is beneficial. Brewer discussed the City of Sioux Falls use of hookup fees to fund public improvements and how their community directs where development will occur. Brewer discussed the costs associated with development as a result of the unique topographic features in the Rapid City area, the substantial increase in the tax base that Rapid City has seen from the use of tax increment financing, and some of the drawbacks associated with the alternative funding mechanisms used by other states and communities to pay for public improvements. Discussion followed.

Nordstrom requested clarification concerning how Rapid City addresses the purchase of land with tax increment financing. Bulman advised that the purchase of land with tax increment funding is permitted under State law noting that the Rapid City Tax Increment Financing Guidelines adopted in 2008 require City Council approval before land acquisition costs can be included in a project plan. Discussion followed.

Nordstrom expressed concern with urban sprawl and requested clarification concerning how to address the issue. Discussion followed concerning urban sprawl, the potential for the City to use incentives for infill development, and the City's Comprehensive Plan.

Wright suggested that a briefing on the City's adopted Comprehensive Plan would be beneficial. Brewer suggested that it would be an appropriate topic for the next Planning Commission training session. Discussion followed concerning the recent revisions to the Future Land Use map and amendments to the Municipal Code resulting in a reduction in the number of applications that are required to amend that plan.

Braun requested clarification concerning whether the competitive bid process is required for a determination of project costs to be included in tax increment districts. Bulman explained that initial cost estimates are provided to the Public Works Department for review to determine if the costs appear to be reasonable noting that bids are not required at that point. Bulman indicated that if the costs are too low the developer will not have enough funding allocated in the tax increment project plan to pay for the improvements. Bulman clarified that if the estimated project costs exceed the actual certified costs for the project, only the actual certified costs will be paid from the increment funds. Discussion followed.

Braun requested clarification concerning whether request for proposals are required for design firms selected for these projects. Bulman explained that initial estimates are provided to Public Works for review and all costs to be paid from the tax increment funds must be certified. Sumption stated that at this time a developer is not required to submit a request for proposals for engineering and/or design costs noting that there has been criticism over this issue in the past. Sumption stated that the design firm is required to submit invoices and will be paid up to the amount approved in the project plan. Discussion followed.

In response to a question from Popp, Bulman indicated that she is not aware of any Tax Increment Financing applications anticipated to be submitted at this time.

In response to a question from Popp, Bulman explained that the staff does not actively invite developers to use tax increment financing. Discussion followed.

Brewer commented that the City of Rapid City also uses tax increment financing as a resource to construct City projects such as water reservoirs, roads and other public improvements.

Bulman stated that Rapid City has a better than average early payoff on tax increment districts noting that the funding source is a good tool for repayment through development and can serve as an alternative to using enterprise funds for public improvements.

Sumption noted that some of the hookup fees for an enterprise funded project developed in the 1970's have not been fully repaid 40 years later. Sumption added that the developer takes the financial risk for the loans they obtain for improvements to be repaid by tax increment financing. Discussion followed.

There being no further business Marchand moved, Popp seconded and unanimously carried to adjourn the meeting at 12:24 p.m. (7 to 0 with Braun, Brewer, Fink, Marchand, Popp, Rippentrop, Swank and voting yes and none voting no)