

STAFF REPORT
May 10, 2012

No. 12TI004 - Tax Increment District #73 Project Plan

ITEM 7

GENERAL INFORMATION:

APPLICANT	President's Plaza, LLC
AGENT	Hani Shafai for Dream Design International, Inc.
PROPERTY OWNER	Multiple Property Owners
REQUEST	No. 12TI004 - Tax Increment District #73 Project Plan
EXISTING LEGAL DESCRIPTION	All of Block 95, including the alley located in Block 95, less the north 90 feet of Lots 17-21 of Block 95 in the Original Town of Rapid City, Lots 1-9 of Block 105 in the Original Town of Rapid City, all of the Sixth Street Right-of-Way lying adjacent to Blocks 94 and 95 in the Original Town of Rapid City, all of the Fifth Street Right-of-Way lying adjacent to Blocks 95 and 96 in the Original Town of Rapid City, and all of the Kansas City Street Right-of-Way lying adjacent to Blocks 95 and 105 in the Original Town of Rapid City, a portion of the alley located in Block 94 adjacent to the Lots 1-3 and Lots 30-32 of Block 94 of the Original Town of Rapid City, a portion of the alley located in Block 96 adjacent to Lots 14-16 and Lots 17-19 of Block 96 in the Original Town of Rapid City, all of the Saint Joseph Street Right-of-Way lying adjacent to Blocks 85 and 95 in the Original Town of Rapid City, all located in Section 1, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota
PARCEL ACREAGE	Approximately 7.16 acres
LOCATION	South of Saint Joseph Street, west of 5th Street, east of 6th Street and north of Quincy Street
EXISTING ZONING	Central Business District
FUTURE LAND USE DESIGNATION	Commercial / Public
SURROUNDING ZONING	
North:	Central Business District
South:	Central Business District
East:	Central Business District
West:	Central Business District
PUBLIC UTILITIES	City sewer and water

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DATE OF APPLICATION 4/16/2012

REVIEWED BY Karen Bulman / Nicole Lecy

RECOMMENDATION:

The Tax Increment Financing Committee recommends that the Tax Increment District #73 Project Plan be approved.

GENERAL COMMENTS: The applicant has requested the creation of a Tax Increment District to assist in the revitalization of Downtown Rapid City through the development of a parking structure on St. Joseph Street. The Tax Increment Funds will be utilized for the public parking structure, relocating power lines underground in the alley, removing contaminated soil, engineering, contingency, and necessary and convenient costs. The developer will obtain funding for the project costs of the Tax Increment District and will be repaid from the Tax Increment District.

The City Finance Officer will review and analyze the proposed financing terms and forward a recommendation for approval or disapproval to the City Council along with the Developers Agreement or proposal for refinancing. For purposes of development of the project plan, all interest expenses are to be calculated utilizing a fixed rate not to exceed 9 percent annual interest as directed in the adopted Tax Increment Financing Guidelines. However, the applicant has requested that a 7 percent annual interest rate be used, as this will allow the district costs to be paid out in 20 years. With City Council approval, this 7% interest amount shall be included in the project plan and at no time during the term of the project shall the actual interest expense exceed the amount budgeted in the project plan. The Project Plan is estimated to be paid in 19 years at 7% interest. The project costs will total \$11,676,375.

The approved Tax Increment Guidelines state that an Imputed Administrative Fee in the amount of \$20,000 shall be charged by the City of Rapid City to every Tax Increment District for which a Project Plan is approved. Such fee shall be paid to the City as a project cost from the tax increment fund balance in year five of the Tax Increment District.

It is anticipated that one or more of the properties in this proposed Tax Increment District will be used for commercial purposes. The property is currently zoned Central Business District. 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 redevelopment of downtown property and 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 boundary incorporates approximately 7.16 acres located between St. Joseph Street and Quincy Street and 5th Street to 6th Street.

STAFF REVIEW: The Tax Increment Financing Project Review Committee reviewed this proposal on April 16, 2012 and recommended approval of the creation of the St. Joseph Street Parking Tax Increment District. Since the Committee recommended approval, the applicant is requesting two properties to be added to the boundaries as well as additional right-of-way. The property owner has agreed to be added to the boundaries. As such, the

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advertising notice has included the additional properties, and the revised legal description is included in all documents.

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 and local criteria, staff has reviewed the information provided by the applicant that identifies 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 may include condemned or unsafe buildings, sites, or structures.
- Criteria #5: The project will result in additional redevelopment in the following Tax Increment Financing Target Areas:

- A. Downtown District

Additionally, staff has reviewed the following discretionary criteria submitted by the applicant that meets the adopted Tax Increment Policy:

- Criteria #2: All Tax Increment Financing proceeds are used for the construction of public improvements.
- 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 #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.

The Tax Increment Financing Project Review Committee recommended approval of the attached resolution approving the project plan for St. Joseph Street Parking Tax Increment District #73.