

MINUTES OF THE
RAPID CITY PLANNING COMMISSION
February 1, 2013

MEMBERS PRESENT: Carlos Beatty Jr., John Brewer, Dennis Popp, Cody Raterman, Kay Rippentrop, Tim R. Rose and Jan Swank. John Roberts, Council Liaison was also present.

MEMBERS ABSENT: Erik Braun, Sandra Beshara, Linda Marchand, Steve Rolinger, Andrew Scull

STAFF PRESENT: Brett Limbaugh, Patsy Horton, Joel Landeen, Carla Cushman and Andrea Wolff.

Brewer called the meeting to order at 11:31p.m.

---TRAINING SESSION---

1. Tax Increment Finance Training

Brewer confirmed that a quorum of the Planning Commission was present, but that no action would be taken today. Brewer summarized his thoughts on the use and benefits of tax increment financing noting that many districts have paid off early thus returning properties back to the tax role faster than anticipated.

Brewer introduced Karen Bulman and stated that the mission for the day is for the new Planning Commissioners and others to have a better understanding of the tax increment financing function and process.

Bulman explained Tax Increment Financing is an economic development tool that is available throughout state, typically used to build public improvements that enhance development and increase property values and sales tax revenues. The tool allows development that due to extraordinary expense would not otherwise occur.

Bulman reviewed the history of tax increment financing noting that they started in California in the 1950s and spread across the country. Bulman stated tax increment districts are allowed by Chapter 11-9 of the South Dakota Codified Law and Chapter 3.26 of the Rapid City Municipal Code. Bulman stated that South Dakota's tax increment financing is tied to property taxes while other states also use sales taxes.

Rapid City's Tax Increment Financing Guidelines were created in 1991, revised in 2008 and revised again in 2010 to provide additional criteria for local Tax Increment Financing. The 2008 revisions included additional language regarding allowable costs and public notification requirements. In 2010 language was added to address the certification deadline of project costs.

Bulman stated that Rapid City's first Tax Increment District was established in 1983. To date there are seventy-three Tax Increment Districts. However, twenty-

four of those were never created or were dissolved with no implementation. Twenty-four districts have been paid off. Currently there are twenty-five active Tax Increment Districts.

Bulman noted that originally, Tax Increment Finance Districts did not have a specific project plan and Tax Increment Finance Districts from 1983 to 1998 had an average life span of twelve years. Current Tax Increment Districts now have a defined project plan and on average have a seven year life span.

Bulman noted that after many years of high use, the creation of new districts has recently decreased over the last two to three years. Bulman noted that surrounding areas also utilize this tool.

Bulman provided a detailed review of the process and the required actions or 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 explained that the process is 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 are proposed.

Bulman described how overlapping districts function and discussed the overall increment increase for Rapid City since 1983. She also addressed the school tax formula issue noting the City's efforts to ensure that more recent applications are economic development districts so that the school district continues to receive their taxes through the statewide formula.

Bulman reviewed the definition of blight under state law noting that the City Council makes the final determination regarding blight identified in the district.

Bulman discussed the sales tax benefits tax increment financing generated from the increased commercial activity. She also noted that these districts should only be used for areas where development would not occur otherwise.

Brewer noted that the additional sales taxes received from Rushmore Crossing are substantial and that tax increment financing is used for public infrastructure development.

In response to a question from Popp if there are any new Tax Increment Finance applications, Horton noted that a new application will be considered by the Tax Increment Finance Committee on February 5, 2013.

Bulman noted that Rapid City does not initiate any districts, but partners when appropriate. In response to a question from Beatty, Bulman reviewed the

definition of commercial development verses private development as defined by state law.

In response to a question from Popp regarding County Tax Increment Districts, Bulman confirmed that Pennington County has approved tax increment districts but staff does not track them.

Brewer added that the Tax Increment Finance Guidelines are part of the Tax Increment Finance application and noted that the Planning Commission depends on the Tax Increment Finance Committee to vet the projects prior to the Planning Commissions' consideration, restating the importance for each member of the Planning Commission to understand Tax Increment Financing. He noted that although Rapid City does use tax increment financing more than other municipalities, that other municipalities do use other tools. Limbaugh reviewed additional financing options that are available to municipalities and noted that Rapid City does not currently have these options.

Questions followed.

There being no further business Brewer adjourned the meeting at 12:25 p.m.