

MINUTES
TAX INCREMENT FINANCE PROJECT REVIEW COMMITTEE
September 23, 2014

MEMBERS PRESENT: Steve Rolinger, Ron Buskerud, David Hillard, Ron Weifenbach, Steve Laurenti and Lyndell Petersen

MEMBERS ABSENT: Dave Janak

OTHERS PRESENT: Patsy Horton, Jeanne Nicholson, Sarah Hanzel, Brett Limbaugh, Tracy Davis, Joel Landeen, Carla Cushman, Hani Shafai, Pat Hall, Erik Braun and Don Hall

Call to Order

Rolinger called the meeting to order at 7:00 a.m.

Approve Minutes

Motion by Hillard, seconded by Weifenbach and carried unanimously to approve the minutes of the February 26, 2013 and June 18, 2013 meetings.

East St. Joseph Housing 2 (14TIF001)

Horton explained that the application is to create a Tax Increment Financing District and a Project Plan for the East St. Joseph Housing. She reviewed the vicinity map and the photographs of the houses that are privately owned and located on the proposed project property. She noted that the Police and Fire Departments provided a report identifying the Calls for Service in the last three years. She also reviewed the Calls for Service Report, the building elevation, site plan, preliminary review, proposed project costs, payoff statistics and the TIF Checklist. She explained the Rapid City Taxable Valuation for other Tax Increment Financing Districts and noted that several have been paid off and have been dissolved.

Shafai stated that the School of Mines is a very successful and respected college in the country. He added that the school has a large impact on the City's economy and that the students attending the school should be provided quality and reasonable housing. He explained that two years ago, the school approached them to assist in providing housing for students. He added that two student housing buildings, which are now controlled by the School of Mines, were constructed for freshman and sophomore students. He stated that the two buildings have improved the appearance of the college and the neighborhood. Shafai commented that some of the damage that has been done to the structures on the proposed project property was done by the Police and Fire Departments during exercises and some were done by illegal activities. He advised that the proposed housing project is consistent with the school's Master Plan. He reviewed the Project Pro Forma addressing interest, project costs, financing costs and projected revenue. He added that the construction of the proposed housing project would improve the aesthetics of the neighborhood, the relationship between the school and the community and would have a positive impact on sales and real estate taxes. He stated that one of the main goals for a Tax Increment Financing District is to make improvements to the community and that the proposed housing project would greatly impact the appearance of this blighted area. Shafai explained that the goals of the developer are to provide economic development in this blighted area and to provide affordable housing to the School of Mines' students.

Hillard commented on the proposed interest rate and expressed his opinion that projected interest rate may be a little high. Shafai concurred and added that it is a projection. If the interest rate is lower, then there will be fewer costs to the community by paying off the proposed TIF faster.

In response to a comment from Weifenbach, Shafai explained that there are no revenues projected for the first floor on the Pro Forma. He noted that the first floor will not be apartments but will be student common areas for studying, eating, game rooms, TV room and possibly a coffee shop.

In response to a question from Weifenbach, Shafai stated that he would be willing to provide financial statements for the first two buildings.

Weifenbach requested clarification as to the number of apartments being proposed. Shafai explained that there will be approximately 130 apartments with approximately 192 units with each student having their own room.

In response to a question from Weifenbach, Pat Hall advised that Bob Paulis is the current owner and that the applicants have the first option to purchase the property. He added that when the Police Department contacted Mr. Paulis about doing exercises on the property, Paulis advised the Police Department to contact the applicants because of the purchase option.

Laurenti requested clarification why a different corporation name is being used for this phase of the student housing project. Shafai explained that the reason for the name change is because of bank lending and liability limits. He commented that the school is leasing the first two buildings for freshman and sophomores but will not be leasing this project. He added that the proposed housing will be for upper classman.

In response to a question from Laurenti, Shafai stated that financial information for the first two buildings would be available on a one-on-one basis because of confidentiality requirements.

In response to a few questions from Laurenti, Shafai responded that the school leases the two buildings for \$1,260,000 a year and that the developers pay the insurance, taxes and maintenance expenses. Shafai stated that he would need to verify with the school what they charge the students for rent.

Shafai added that the design of the proposed housing project is conceptual and the number of one bedroom apartments, two bedroom apartments and the common space area has not been finalized.

In response to a question from Rolinger, Horton reviewed the performance history of existing Tax Increment Financing Districts.

Rolinger expressed his opinion that this area is a blighted area and that he supports the creation of a Tax Increment Financing District for the proposed housing project.

Pat Hall iterated Shafai's comments that the school currently leases the two buildings and that they do not anticipate leasing the proposed housing structure. He added that this building will be for upper classman.

Buskerud expressed his opinion that this area is a blighted area and that he supports the creation of a Tax Increment Financing District for this project.

Weifenbach expressed his opinion that this is a blighted area and noted the City's 25 year plan identifies the elimination of Tax Increment Financing Districts. He added that the proposed project is a great opportunity for the school and will increase competition with other apartment complexes in the City. He expressed his opinion that this development could possibly move forward without a Tax Increment Financing District.

Pat Hall commented that this project will not move forward without a Tax Increment Financing District because the risk would be too high.

Hillard moved to recommend approval of the creation of a Tax Increment Financing District and a Project Plan for the East St. Joseph Housing. The motion was seconded by Buskerud and failed with Weifenbach, Laurenti and Petersen voting no and Rolinger, Hillard and Buskerud voting yes (3 to 3).

Horton advised that the next step would be for the applicant to submit an appeal to the Planning Commission. She briefly explained the appeal process.

There being no further business to come before the committee, Laurenti moved, Weifenbach seconded and motion carried unanimously to adjourn the meeting at 7:49 a.m.