

MINUTES
TAX INCREMENT FINANCING GUIDELINES REVIEW COMMITTEE
September 18, 2007

MEMBERS PRESENT: Malcom Chapman, Karen Olson, Bill Okrepkie, Deb Hadcock, Sam Kooiker, Bob Brandt, Norbert Sebade, Marcia Elkins, Dan Dryden, Mike Tennyson, Dirk Jablonski, Jason Green and Pauline Sumption

OTHERS PRESENT: Risë Ficken

Call to Order

Elkins called the meeting to order at 11:34 a.m. and the Committee members introduced themselves. Elkins described the organizational nature of the meeting.

Elkins advised that the Committee's task as given by the Council is to review the existing policy and provide recommendations as to how the policy should be revised. She identified the materials contained within the agenda packet and the additional information distributed.

Elkins stated that Tax Increment District No. 32 has been repaid noting that a request to dissolve the district will be considered at Planning Commission on September 20, 2007 and by the City Council at their first meeting in October.

In response to a question from Hadcock, Elkins indicated that Tax Increment District No. 32 was created in 2001 and was paid off early in 2007.

Chapman suggested that at least one representative from the County Commission be included in the Committee membership. Discussion followed concerning the benefit of having County Commission membership on the Committee.

In response to a question from Chapman, Elkins advised that all individuals on the membership list are voting members noting that she was requested by the Mayor to chair the Committee.

Chapman moved and Hadcock seconded to request that Mayor Hanks appoint an individual from the County Commission to serve on the Tax Increment Financing Guidelines Review Committee.

Discussion followed concerning the approval of Tax Increment Districts in Pennington County and the total number of members serving on the Committee.

The motion unanimously carried to request that Mayor Hanks appoint an individual from the County Commission to serve on the Tax Increment Financing Guidelines Review Committee.

Elkins provided a brief review the requirements set out in State law for approval of Tax Increment Districts. She noted that in addition to the requirements set out by State law, the City of Rapid City created the Tax Increment Financing Review Committee and developed additional application and review procedures.

Elkins requested clarification concerning how the Committee would like to proceed with the review of the existing policies and procedures noting that staff has some suggestions for some

changes and revisions. She suggested that at least one public hearing be held in order to solicit input from the community.

Discussion followed concerning the Committee's function as a recommending body to the City Council, when and how to provide opportunities for public comment, the need to gather additional information from the public related to concerns with the existing process, the process to be used by the Committee for preparing a recommendation to the City Council concerning the existing review guidelines and the process for reviewing Tax Increment Financing applications.

Tennyson addressed the need to carefully evaluate requests for use of Tax Increment Financing in order to ensure the City's long term ability to continue to use the funding source as an economic development tool. Discussion followed concerning the recent politicizing of Tax Increment Financing and the degree of flexibility within the guidelines as currently written.

Chapman suggested that staff provide a presentation reviewing the State statutes and City created guidelines relating to Tax Increment Financing. Elkins suggested that those discussions could include identifying other economic development tools available to the City.

In response to a question from Brandt, Elkins reviewed the funding structure for the construction of 5th Street south of Minnesota Street.

Brandt addressed concerns related to the need for better notification to property owners who are included in Tax Increment District Boundaries. Elkins indicated that this issue would be addressed at a future Committee meeting.

Elkins requested input on the issue of whether Committee discussions should be open to the public. Lengthy discussion followed regarding concerns related to the presence of the public during the review of individual project plans, the benefit of having public meetings for the purposes of discussing policy issues, the importance of creating public dialogue concerning the issues and the process used by staff to evaluate requests for Tax Increment Financing.

Kooiker entered the meeting at this time.

Elkins suggested that the next meeting consist of a briefing session to review the existing process and guidelines, preliminary suggestions for changes, and other economic development tools available to Rapid City. She stated that the next meeting could consist of a listening session to receive public comment, and a third meeting could subsequently be scheduled to review the information presented and to identify the next steps to be taken.

Discussion followed concerning the opportunity for a briefing session to serve as an educational tool for the public.

Chapman suggested that an executive summary be prepared and made available to the public upon completion of the Committee's work.

In response to a question from Brandt, Elkins indicated that the Committee has the option to make recommendations to discard the policy and rely solely on State statute, leave the policy as is, revise the policy or create a new policy.

Discussion followed concerning the suggested format for changes to be presented to the Committee and the potential to hold additional public meetings to obtain input from members of the development industry.

Jablonski moved and Kooiker seconded to adopt a schedule to include the following three meetings: Informational Briefing Session open to the public; 1.5 Hour Public Listening Session; and, Committee Working Session.

Discussion followed concerning possible meeting formats to best solicit public input and proposed timeframes and methods for accepting public testimony.

Hadcock suggested that an expert speaker from outside of the Committee be requested to address questions related to Tax Increment Financing. Discussion followed.

Kooiker suggested the use of lists including topics for discussion by the Committee to facilitate audience discussion at the public listening session. Chapman indicated that the public concerns must be addressed in the Committee's final work product. Olson discussed the benefits of using lists to outline public concerns.

Jablonski called the question. There was no objection to calling the question.

The motion unanimously carried to adopt a schedule to include the following three meetings: Informational Briefing Session open to the public; 1.5 Hour Public Listening Session; and, Committee Working Session.

Green suggested that dates for the education session and public hearing be announced at an upcoming Legal and Finance Committee meeting. Elkins indicated that display advertisements would also be published in the Rapid City Journal announcing the public meetings.

Discussion followed concerning possible dates, times and room arrangements for the first two meetings.

Okrepkie moved and Jablonski seconded to schedule the Informational Briefing Session open to the public for 7:00 p.m. on Monday, October 22, 2007 in Council Chambers and to schedule the Public Listening Session for 7:00 p.m. on Monday, October 29, 2007 in Council Chambers.

Discussion continued concerning the meeting room setup.

Norbert called the question. There was no objection to calling the question.

The motion unanimously carried to schedule the Informational Briefing Session open to the public for 7:00 p.m. on Monday, October 22, 2007 in Council Chambers and to schedule the Public Listening Session for 7:00 p.m. on Monday, October 29, 2007 in Council Chambers.

The Committee elected to wait to schedule the working session until after the public hearings have been completed.

Chapman requested that the Committee discuss the need to clearly identify developer costs and to review the guidelines related to sustainable affordable housing.

Okrepkie requested that the Committee discuss long-range planning for the use of Tax Increment Financing within the community.

Adjourn

There being no further business the meeting was adjourned at 12:51 p.m.

MINUTES
TAX INCREMENT FINANCING GUIDELINES REVIEW COMMITTEE
October 22, 2007

MEMBERS PRESENT: Malcom Chapman, Karen Gunderson Olson, Bill Okrepkie, Deb Hadcock, Ethan Schmidt, Bob Brandt, Norbert Sebade, Marcia Elkins, Dan Dryden, Dirk Jablonski, Jason Green, Pauline Sumption

OTHERS PRESENT: Alan Hanks, Jim Preston, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 7:02 p.m. and requested a roll call of Committee membership.

Tax Increment Financing Educational Presentation

Elkins stated that the meeting would focus on what Tax Increment Financing is and how it is utilized to encourage development. Elkins stated that public comments on Tax Increment Financing would be received at the Monday, October 29, 2007 meeting at 7:00 p.m. in Council Chambers.

Elkins reviewed the basic provisions of Tax Increment Districts including the maximum term, five year timeframe for incurring reimbursable project expenses and establishment of the base valuation. Elkins addressed the manner in which the increase in property values, or "increment", is utilized to retire development project costs. Elkins stated that all taxing entities realize the full tax benefit upon dissolution of the District noting that a District is dissolved because it is paid in full or has reached the maximum term limit.

In response to a question from Jim Phoenix, Elkins clarified that the property owners in the district continue to pay property taxes based on the full valuation. She noted that the Tax Increment District only affects the manner in which the property taxes are distributed. In response to a question, Elkins addressed the additional benefits that can be realized by the taxing entities during the District term.

In response to a question from Steve Brenden, Elkins indicated that property taxes continue to be assessed regardless of the economic climate noting that the Work Rite District was repaid even though the business failed. Elkins stated that Tax Increment Financing has been utilized as a method to assist development. Elkins indicated that the City of Rapid City assumes a conservative approach when establishing the Tax Increment District Project Costs.

Discussion followed regarding the City's current Tax Increment financial responsibilities. Elkins clarified that the City's financial responsibilities are restricted to public improvements and oversizing costs.

Green provided review of the State statutory requirements for the creation of a Tax Increment District.

In response to a question from Tlustos, Green indicated that the Planning Commission must recommend approval of the proposed District boundaries in order for the request to move forward to City Council.

In response to a question from Jeff Haverly, Green indicated that the blight definitions are in the State statutes and apply to all communities adopting Tax Increment Districts. Green clarified that the City Council is responsible to insure the blight definition is met noting that only one of the three criteria is required to be met.

In response to a question from Brandt, Green indicated that additional research would be required to determine the appeal status of a proposed Tax Increment District denied by the Planning Commission. Discussion followed regarding reallocation of Project Plan costs, re-determination of a District boundary and tax base and dissolution of a District.

In response to a question from Brenden, Green clarified the allowable Project Costs with regard to single family residential structures.

In response to a question, Green indicated that developers are required to comply with the State bid laws and certify all costs presented for payment. Green indicated that the City Finance Office is responsible for the disbursement of the increment funding noting that the City does not certify or guarantee payment. Green stated that the competitive bid process insures that the project is awarded by price. Green indicated that expenditures must comply with guidelines noting that communities do have the discretion to be more restrictive.

In response to a question from Hanks, Green indicated that Rapid City has established the Tax Increment Finance Committee which reviews requests prior to the Planning Commission. Green outlined the Committee membership noting that the Committee is a recommending body to the Planning Commission and is an additional step in the review process that is not required by State statute.

In response to a question from Don Frankenfeld, Green indicated that all information provided to the Planning Commission is public information noting that the information provided to the Tax Increment Finance Committee is proprietary and therefore not available for public review. In response to a question from Frankenfeld, Elkins indicated that the Project Plan presented to the Planning Commission is the project feasibility study. Discussion followed regarding the level of detail provided by the feasibility study.

Elkins indicated that the amortization schedule, prepared by staff utilizing the project costs provided by the developer, verifies the anticipated district payout. Elkins stated that the Project Plan is presented to the Planning Commission making it public information. In response to a question, Green indicated that State statute requires a feasibility study but does not specify how the study is completed. Discussion followed regarding the role and level of review of the Tax Increment Finance Committee.

In response to a question from Frankenfeld, Elkins clarified that the Freedom of Information Act applies only to Federal projects noting that the Project Plan provided at Planning Commission is available to the general public. Discussion followed regarding the developer's ability to secure private financing for the proposed project.

In response to a question from Brandt, Elkins clarified the development costs that are and are not eligible for reimbursement under Tax Increment Financing. Elkins indicated that the Tax Increment Financing Guidelines Review Committee is reviewing the State statutes to determine if the current policy should be more or less restrictive. Discussion followed regarding the

Planning Commission and City Council approval process and possible developer manipulation of the process.

Elkins reviewed the current Tax Increment Financing Guidelines and approval criteria. She encouraged the public to review the criteria and bring suggestions to the October 29, 2007 meeting. Elkins clarified that the approval criteria has been established by Rapid City and is not required by State statute.

Elkins reviewed the Approved Tax increment District Summary Report summarizing the activity from 1983 to the present. Elkins indicated that staff will work on identifying the cumulative impact of all of the created Districts.

Elkins reviewed the manner in which Tax Increment Districts impact the State Aid to Schools. Discussion followed regarding the State Aid to Schools formula, the impact the State statute amendments for Industrial and Economic Development districts have on the School Aid formula and the resulting impact to tax payers in the affected School District. Elkins addressed the 10% Base Valuation requirement and the manner in which Rapid City tracks that percentage.

In response to a question, Elkins indicated that by State statute sales tax revenue is proprietary information and is not available to the City or general public.

Elkins presented the Tax Increment District location map noting that only active Districts are reflected on the map.

In response to a question from Sebade, Elkins indicated that all expenditures must be made inside the district boundaries which sometimes results in overlapping districts.

Adjourn

Elkins again noted the Public Comment meeting scheduled for Monday, October 29, 2007 at 7:00 p.m. in the Council Chambers. There being no further business the meeting was adjourned at 8:18 p.m.

MINUTES
TAX INCREMENT FINANCING GUIDELINES REVIEW COMMITTEE
October 29, 2007

MEMBERS PRESENT: Malcom Chapman, Karen Gunderson Olson, Bill Okrepkie, Sam Kooiker, Ethan Schmidt, Bob Brandt, Norbert Sebade, Mike Tennyson, Marcia Elkins, Dan Dryden, Dirk Jablonski, Jason Green, Pauline Sumption

OTHERS PRESENT: Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 7:02 p.m.

Public Comment

Olson moved to establish a time limit of three minutes per speaker. Brandt seconded the motion.

Olson clarified that after all interested individuals have had an opportunity to speak; then individuals would be allowed to address the Committee again with new comments and questions.

The motion to establish a time limit of three minutes per speaker was approved with Okrepkie and Kooiker voting No.

Jim Mirehouse thanked the Committee for the opportunity to speak publicly about the use of Tax Increment Financing. Mirehouse encouraged the use of Tax Increment Financing as a tool for economic development but encouraged adherence to the established regulations.

Dan Michael expressed concern with the current Pennington County budget short fall noting that without Tax Increment Districts the full valuation, not the base valuation, would be available to the taxing entities. Michael recommended that a representative from the County Board of Commissioners be included in the Tax Increment Review Committee membership. Michael requested clarification of the financing structure for Tax Increment Districts.

Kathy Jarvis expressed concern with the interpretation of the State statutes noting that discrepancies between the "letter of the law and the "intent" of the law. Jarvis recommended wise use of Tax Increment Financing with the Districts being audited to insure performance and fiduciary responsibility to the taxpayers.

Steve Brenden expressed concern that the use of Tax Increment Financing creates a shortfall of the future tax base. Brenden expressed concern with the financing charges paid on the borrowed funds noting that developers appear to be using the City as a bank. Brenden recommended development of a Utility Master Plan and encouraged the use of rate increases and bonding to finance the infrastructure improvements. Brenden indicated that rate increases and bonding would ensure the full tax base is available to all taxing entities.

In response to a question from Don Purdue, Elkins indicated that the Committee would review all of the public comments that are received and the State statutes prior to making recommendations for Policy changes. She indicated that the Committee recommendations would be brought forward for additional public review and comment.

Purdue stated that he does not oppose the use of Tax Increment Financing but indicated that bonding was a less expensive financing method due to the lower interest rates. Purdue encouraged the use of Tax Increment Financing for improvements that benefit the general public such as capital improvements and water, sanitary sewer and street infrastructure improvements. Purdue expressed concern with the use of Tax Increment Financing for grading projects. Purdue indicated that the developer received the benefit of the topographic issues in the land price. Purdue recommended eliminating equipment purchases and financing costs as allowable costs. Purdue urged the City to refrain from becoming a financial resource for developers.

Dorothy Amick requested clarification of the application criteria and financing limitation for applicants. Amick stated that given the financial ability of large corporation the developer should fund their projects and not look to the City for financial assistance.

Bonnie Redden stated that based on her research, Tax Increment Districts impact the property owner as reflected by the steady increase in property taxes. Redden expressed concern with the failing infrastructure and encouraged the City to focus on upgrading the failing systems. Redden expressed her opinion that retail development is not development and is a burden to the taxpayers.

Janet Smith commented on the impact Tax Increment Financing has on the local effort for schools. Smith stated her opinion that Tax Increment Financing is a waste of tax dollars by diverting those tax dollars away from the schools and support of the local government entities.

Diane Dahl encouraged the Committee to provide representation from Pennington County on the Tax Increment Financing Committee. Dahl expressed concern with the lack of discussion on the Dakota Canyon financial request by the Tax Increment Financing Committee.

Brenden recommended more stringent financing guidelines to insure that no financial association exists between the developer and the lending institution. Brenden expressed his opinion that Tax Increment Financing should not be utilized for grading purposes to make a site economically developable. Brenden stated that Tax Increment Financing places the exorbitant project and financing costs on the tax payer.

Smith expressed concern with the City providing the funding for the Cabela's Tax Increment District. Smith requested clarification of the City funded Cabela's Tax Increment District noting that the Tax Increment Financing guidelines require projects to be "developer" funded.

Redden expressed concern with the impact the earth work for the current Tax Increment Districts is having on the City water supply, including Rapid Creek, Jackson Springs and Cleghorn Canyon. Redden stated that it appears most developers do not have a business plan and receive the requested financing with little or no review.

Elkins thanked those attending for their comments noting that the Committee will include the issues presented here with their review of the Tax Increment Financing policy. Elkins indicated the Committee's recommendations would be presented for public review and comment.

Kooiker requested clarification of the current valuation of the active Tax Increment Districts. In response to a question from Kooiker, Elkins indicated that the base valuation is established at the District creation noting that the base valuation does not change during the District term.

Olson thanked those attending for their comments and recommended that the Committee address the issues presented and provide answers at the next public meeting.

Adjourn

There being no further business the meeting was adjourned at 7:41 p.m.

MINUTES
TAX INCREMENT FINANCING GUIDELINES REVIEW COMMITTEE
November 30, 2007

MEMBERS PRESENT: Malcom Chapman, Bill Okrepkie, Karen Gunderson Olson, Sam Kooiker, Ethan Schmidt, Bob Brandt, Dan Dryden, Norbert Sebade, Mike Tennyson, Marcia Elkins, Dirk Jablonski, Jason Green, Pauline Sumption

OTHERS PRESENT: Scott Aust (Rapid City Journal), Karen Bulman, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 11:33 a.m.

Distribution of Minutes

Elkins requested that the Committee members review the minutes of the September 18, 2007, October 22, 2007 and October 29, 2007 meetings. Elkins indicated that formal action on the minutes would be addressed at the next committee meeting.

Review of Tax Increment Financing Districts and Boundaries

Elkins reviewed the annual percentage of total assessed value of taxable property in Tax Increment Districts from December 2001 through November 2007 as provided by Bulman. Elkins presented the Taxable Valuation Spreadsheet noting that the information has been expanded to include the current valuation of all dissolved and active districts.

Elkins addressed the request to recalculate all active districts to more accurately determine their remaining payout term. Elkins addressed the staff commitment required to complete the task and requested direction for the committee.

In response to a question from Schmidt, Elkins indicated that no additional levy is required for the economic development districts.

Okrepkie recommended, and the committee concurred, that the request for recalculation of all active districts be withdrawn as the value of the information provided does not warrant the significant time commitment required by staff.

Elkins presented the Active Tax Increment District location map noting the four overlapping districts. In response to a question from Schmidt, Elkins addressed the issues impacting the creation of overlapping districts.

Additional Public Comment

Elkins presented the comments provided by the Rapid City Area Chamber of Commerce noting that no additional written or e-mail comments have been received.

Options for Policy Revisions

Elkins presented the memorandum outlining the issues address during the public meetings. Elkins indicated that the staff recommendations have not been incorporated in the existing policy format as the City Attorney's Office will redraft the entire policy after all amendments have been identified.

Public Meetings – Elkins presented the staff recommendation to require a majority vote of the committee to open or close a meeting to the general public.

Chapman indicated that addressing the open or closed status at the time of the meeting is problematic for the general public. He voiced support to retain the policy direction for open and closed meetings in its current format. Okrepkie stated that the Tax Increment Finance committee meetings should be closed noting that the general public can address their issues at the Planning Commission, Legal & Finance and City Council meetings. Kooiker addressed the public's concern with the lack of financial information available at the public meetings. Kooiker recommended that all meetings from the Tax Increment Finance Committee through the City Council be open to the general public with full disclosure of all information. Discussion followed regarding public interaction during the Tax Increment Finance Committee meeting.

Green indicated that in order to promote open discussion between staff and Council members the meetings need to remain closed noting that staff comments would be guarded in an open meeting format.

Discussion followed regarding the advantages and disadvantages of open and closed committee meetings and the utilization of executive sessions to address propriety financial information.

In response to a question from Tennyson, Elkins addressed the propriety financial information required at time of application. Tennyson recommended insuring the validity of the financial information by contracting a third disinterested party to analyze the information. Elkins address the financial review provided by the Growth Management and Public Works staff. Discussion followed regarding methods for assuring a neutral and accurate review of the financial information, methods for payment of the analysis, expansion of the committee membership or services to address the outside financial analysis and the subjective nature of the applications.

Jablonski left the meeting at 12:00 p.m.

Chapman suggested disbanding the Tax Increment Finance Committee as it is not required by State statute noting that this would allow the application to be addressed before the standing public meetings only.

Discussion followed regarding the differences between the financial review performed by a Lender and the financial analysis of the projected project costs performed by staff.

Olson indicated that while she wanted staff involved in the discussion of tax increment applications she understood their difficulty being candid in a public environment and suggested removing staff as voting members on the committee.

Chapman indicated that he felt there was merit to allowing the public to listen at the committee level with executive sessions utilized to address financial issues.

Green reiterated the concerns staff would have providing open, candid comment during public meetings. Green suggested a two step process in which the applicant and committee would meet in closed session and then again in an open meeting at which time public comment would be received.

Olson stated that the general public must receive the same level of information provided to the committee in order to raise the level of trust between the development community and the general public. Sebade indicated that the two step process would allow in depth review and public comment for the committee to utilize when providing a recommendation to the Planning Commission.

Discussion followed regarding the benefit to the general public with regard to the level of information provided in the committee meeting, the creation of additional review layers and the resulting impact to staff.

Okrepkie moved to recommend that the Tax Increment Financing Committee meetings be closed to the general public. Motion dies for lack of second.

Kookier stated that the committee process places staff in an uncomfortable position when there are opposing factions in the process. Kookier indicated that staff input is important noting that the conflict occurs as they are also voting members of the committee. Elkins stated that staff is unwilling to argue with or present information that is in conflict with elected officials in public meetings regardless of their voting status. Green concurred. Kookier addressed the benefits of having the application presented at Planning Commission with staff providing the due diligence at that meeting.

Kookier moved to recommend that the Tax Increment Financing Committee be dissolved and the initial hearing of all tax increment financing applications to be before the Planning Commission. Green seconded the motion.

Chapman addressed the political nature of tax increment financing requests and suggested removing all elected officials from the committee. Brandt expressed his opinion that staff should not be a voting member of any committee.

Brandt moved a substitute motion to recommend that the Tax Increment Financing Committee meetings be open to the public with the option for a closed meeting by majority vote of the committee members. Olson seconded the motion.

Discussion followed regarding staff's comfort level during open meetings. Green suggested that allowing portions of the meetings to be closed offers opportunity for criticism fostering additional controversy.

Olson recommended that the committee membership be determined prior to determining the open/closed status of the meetings. Discussion followed.

Chapman moved, Okrepkie seconded substitute motion and carried unanimously to continue the Public Meetings discussion to allow the Committee Membership issue to be addressed.

Committee Membership – In response to a question from Schmidt, Elkins addressed the issues resulting in the creation of the Tax Increment Financing Committee.

Tennyson stated that staff has the expertise to review and provide direction on the Tax Increment applications.

Kooiker indicated that the Council and Planning Commission members should be removed from the committee due to political pressures. Kooiker recommended having a non-voting Council liaison to the Committee. Schmidt indicated that a staff only committee would allow for an in depth review with the applicant.

Discussion followed regarding additional liaison representation from Pennington County and Rapid City Area Schools.

Kooiker left the meeting at 12:54 p.m.

Green moved to recommend that the membership of the Tax Increment Finance Committee be the Growth Management Director or his/her representative, the Public Works Director or his/her representative, the Finance Director or his/her representative, the City Attorney or his/her representative, and the Community Resources Director or his/her representative. Tennyson seconded the motion.

In response to a question from Chapman, Green stated that the intent of the motion is to provide for a closed meeting between the applicant and staff with the staff recommendation presented to the Planning Commission. Green indicated that other individuals could be appointed as non-voting liaisons. Discussion followed regarding additional committee membership and liaison positions.

Green clarified that the staff committee would provide the due diligence review of the application and provide a recommendation to the Planning Commission. Green stated that staff would not have the authority to approve or deny an application. Schmidt suggested that concerns voiced by the committee liaisons should be noted in the minutes.

The motion to recommend that the membership of the Tax Increment Finance Committee be the Growth Management Director or his/her representative, the Public Works Director or his/her representative, the Finance Director or his/her representative, the City Attorney or his/her representative and the Community Resources Director or his/her representative carried unanimously.

Discussion continued regarding the open or closed status of the staff meeting. Olson requested that the issue of the Tax Increment Finance Committee being an open or closed meeting remain on the table for additional discussion.

Next Meeting Date

Elkins requested that the members review the Options for Revisions memo and bring forward any additional discussion items at the next meeting.

The Committee scheduled the next meeting for Thursday, December 6, 2007 @ 11:30 a.m.

Adjourn

There being no further business the meeting was adjourned at 1:10 p.m.

MINUTES
TAX INCREMENT FINANCING GUIDELINES REVIEW COMMITTEE
December 6, 2007

MEMBERS PRESENT: Malcom Chapman, Bill Okrepkie, Karen Gunderson Olson, Sam Kooiker, Ethan Schmidt, Bob Brandt, Norbert Sebade, Mike Tennyson, Marcia Elkins, Jason Green, Pauline Sumption

OTHERS PRESENT: Scott Aust (Rapid City Journal), Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 11:33 a.m.

Approval of Minutes

Chapman moved, Tennyson second and carried unanimously to approve the minutes of the September 18, 2007, October 22, 2007, October 29, 2007 and November 30, 2007 meetings.

Options for Revisions

Elkins indicated that the Committee Membership has been addressed noting that the open or closed status of those meetings was continued for further discussion.

Elkins presented staff's concerns regarding the proposed membership. Elkins indicated that staff feels that the current committee composition is effective noting that the format promotes informed discussion, detailed project review and good recommendations to the Planning Commission. Elkins indicated that staff feels that the Planning Commission, Legal & Finance Committee and City Council meetings provide adequate opportunity for public comment. Chapman concurred with the staff comments.

Chapman stated that removing the City Council members from the committee will eliminate the political issue. Schmidt questioned the need for a staff only committee. Schmidt stated that the Pennington County Board of Commissioners requests that the voting committee membership include a member from the County Commission.

Okrepkie recommended dissolving the committee if the Council representation is eliminated noting that the Tax Increment Committee is not required by State statute.

Green encourage the committee to resolve the membership composition issue noting the impact that composition would have on the issue of open or closed meetings.

Chapman moved and Olson seconded to recommend that the voting membership of the Tax Increment Finance Committee be the Finance Director or his/her representative, the Growth Management Director or his/her representative, the City Attorney or his/her representative, the Economic Development Partnership President or his/her representative, two Planning Commission members appointed by the Mayor, two City Council members appointed by the Mayor, one representative of the Rapid City Area School District appointed by the Superintendent and one Pennington County Board of Commissioner or his/her representative.

Brandt stated that the committee meetings should be open to the public if elected officials are voting members. Kooiker concurred. In response to a question, Elkins stated that staff feels the closed meeting format provides a better environment for discussion.

Discussion followed regarding the even number of members on the proposed committee. Kooiker recommended that the committee Chairperson vote only for the purpose of breaking a tie.

In response to a question from Schmidt, Green addressed the utilization of "executive meetings" at the committee level.

In response to a question from Brandt, Elkins addressed the staff review process for tax increment requests should the committee be dissolved.

Brandt moved a substitute motion and Kooiker seconded to recommend that the Tax Increment Finance Committee be dissolved.

Olson expressed concern with the level of public discussion tax increment requests will receive at the Planning Commission level. Olson indicated that tax payer money funds tax increment requests and they should receive a meaningful and thorough discussion. Elkins concurred noting that the Planning Commission currently defers to the recommendation of the Tax Increment Committee. Elkins expressed concern with the level of review that could be provided by the current format of the Planning Commission and suggested that Tax Increment Financing items be considered at special meetings.

Green stated that the substitute motion will address the public perception that tax increment financing is handed out behind closed doors. Green indicated that elimination of the committee will place the tax increment requests in the normal review process and should initiate more discussion at the Planning Commission level.

Discussion followed regarding the public perception of the Tax Increment Financing Committee process, the public interest in tax increment financing as reflected by the attendance at the hearing meetings and amending the existing policy to make it a more effective document.

Olson stated that during the Mayoral race the use of tax increment financing became an election issue. Olson indicated that closed meetings are perceived as secretive noting that the public will be more trusting of the process if all discussions are open to the public.

Sumption addressed the manner in which the City of Sturgis processes tax increment requests.

Chapman expressed concern with the elimination of the committee and the ramifications on the Planning Commission meetings. Elkins reiterated the suggestion that the Planning Commission be requested to hold separate meetings to address only tax increment applications. Tennyson concurred with the need for a public comment forum. He expressed concern that the Planning Commission forum would not provide the necessary due diligence review. Okrepkie addressed the revised Public Works and Legal & Finance meeting format allowing for substantial discussion controversial of items. Brandt observed that if the tax increment request is controversial then all associated applications will be controversial.

In response to a question from Tennyson, Chapman indicated that he routinely addresses any concerns he may have with an application with staff prior to the Council meeting.

Schmidt stated that from personal experience he felt the Tax Increment Finance Committee provided good review and recommendation of the requests and expressed concern that the length of the Planning Commission meetings would prohibit the same level of review.

Olson stated that the review of tax increment requests must include more information in a public setting and voiced support for establishing special Planning Commission meetings specifically for the discussion of tax increment requests.

Green recommended that tax increment requests be a formal hearing process requiring two readings before Council. Discussion followed regarding the revisions required to the Planning Commission, Legal & Finance and City Council process to insure there is adequate opportunity for public comment.

Schmidt recommended retaining the current committee membership composition and open the meeting to the general public to listen but not comment.

In response to a question from Chapman, Elkins indicated that all changes to the policy needed to be address and voted on individually noting that the policy would then be re-drafted to include the recommended changes. In response to a question, Green indicated that it was appropriate to have further discussion on the policy issues.

The substitute motion to recommend that the Tax Increment Finance Committee be dissolved carried unanimously.

Public Meetings – The Committee concurred that the issue of public meetings has been resolved by dissolving the Tax Increment Review Committee and taking the tax increment requests directly to the Planning Commission.

Elkins indicated that the public hearing process revisions to require two readings before the Legal & Finance Committee and two readings before City Council and the revision of the Planning Commission format to address tax increment requests at special meetings would be added to the Options for Revisions memo.

Blight – Elkins provided a brief review of the staff recommendation for additional blight criteria. Green recommended that the State statutory requirements for blight be adopted as the policy criteria and identified as such to eliminate any misunderstanding.

In response to a question from Chapman, Green indicated that the City can be more restrictive than State law but at the minimum must follow State law.

Okrepkie moved, Kooiker seconded and carried unanimously to request that Green bring forward recommendations for the blight criteria based on State statutory requirements at the next meeting.

Olson requested that Green bring forward any available Attorney General's opinion on blight.

Complete Applications and Application Requirements – Elkins provided a review of the staff recommendations for changes to the application process. In response to a question by Okrepkie, Elkins stated that the City application requirements exceed those required by State statutes for the purpose of project review.

In response to a recommendation from Brandt, Elkins stated that “notification process” would be added to the Options for Revisions memo for later discussion.

Chapman recommended, and the committee concurred, that a complete application must be received prior to the application being placed on the agenda schedule.

Discussion followed regarding the necessity of the application requirements and their availability at public hearings.

Sumption recommended eliminating Item 12 based on the committee’s recommendation to dissolve the Project Review Committee.

In response to a question from Kooiker, Elkins indicated that audited financial statements do not address project feasibility. Discussion followed regarding information for evaluating a project including rate of return.

Discussion followed regarding expanding the corporation or partnership papers classifications to insure disclosure of the participating parties.

Chapman recommended that staff review the submittal requirements outlined in both the current Policy and the current application form and provide a revised list of application materials at the next meeting.

Kooiker moved and Brandt seconded to request that staff review both the current Policy and the current application and provide a revised list of application materials at the next meeting.

Elkins requested that the committee provide direction regarding recommendations for application materials.

Schmidt recommended that Item 10 be expanded to include all business corporation and partnership classifications. In response to a question from Okrepkie, Elkins indicated that the corporation and partnership papers will allow disclosure of the individuals involved in the project. Tennyson concurred noting the need to know who the City is dealing with financially.

Olson recommended that a breakdown of oversizing costs be required at the time of application.

Sumption recommended that Item 2 be expanded to include specific information regarding lender and interest rate. Discussion followed regarding the difficulty in securing a preliminary financial commitment. Brandt stated that evidence of financial ability should be provided at the time of application. Discussion continued.

Elkins recommended that Item 12 be retained to allow for review options.

In response to a recommendation from Schmidt, Elkins indicated that establishing fees for tax increment applications would be added to the Options for Revision memo for discussion at a later time.

Chapman recommended that a detail of the project phasing be provided at the time of application.

The motion to request that staff review both the current Policy and the current application and provide a revised list of application materials at the next meeting carried unanimously.

Interest Rate – Elkins addressed the concern voiced at the public meetings that an applicant may hold a financial interest in both the project and the lending institution.

Schmidt suggested that a disclosure statement clarifying the applicant's involvement in the financial process be added to the application requirements.

In response to a question from Okrepkie, Sebade addressed the possible adverse impact to a project if restrictions are placed on the allowable rate of interest. Discussion followed regarding the utilization of fixed and variable rate interest.

Sebade recommended that the scope of financial involvement be clarified noting the difference between being an owner and holding municipal fund stock in a lending institution.

Sumption stated that a maximum interest rate is established in order to determine the value of the tax increment district noting that the expenditures cannot exceed the allowable costs identified by the Project Plan. Discussion followed regarding the expenditure restrictions and flexibility of the Project Plan.

Kooiker left the meeting at 12:50 p.m.

Sumption stated that the Project Plan identifies the maximum interest rate and dollar amount that will be reimbursed noting that the expenses in excess of the identified amounts are the applicant's responsibility.

Chapman commented on the potential for abuse if the applicant is involved with the financial institution. Chapman suggested allowing the Council to determine if the level of involvement constitutes a conflict of interest. Elkins indicated that disclosure of involvement in the financial institution will be added to the application requirements.

Discussion followed regarding the interest rate issue. Okrepkie request that Sebade and Tennyson assist is providing language to address the interest rate issue. Discussion followed regarding the need to keep the interest rate as low as possible to protect the public tax dollars.

Green moved, Brandt seconded and carried unanimously to request that Sebade and Tennyson provide recommendations for revision of the allowable interest rate language requirements at the next meeting.

Next Meeting

Okrepkie moved, Green seconded and carried unanimously to schedule the next meeting for Thursday December 20, 2007 at 11:30 a.m.

Adjourn

There being no further business Okrepkie moved, Green seconded and carried unanimously to adjourn the meeting at 1:12 p.m.

MINUTES
TAX INCREMENT FINANCING GUIDELINES REVIEW COMMITTEE
December 20, 2007

MEMBERS PRESENT: Malcom Chapman, Karen Gunderson Olson, Sam Kooiker, Ethan Schmidt, Bob Brandt, Dan Dryden, Norbert Sebade, Mike Tennyson, Marcia Elkins, Dirk Jablonski, Jason Green, Pauline Sumption

OTHERS PRESENT: Scott Aust (Rapid City Journal), Steve Denison, Jim Phoenix, Bill Dambow, Dale Jenson, Nancy Jensen, Diane Dahl, Karen Bulman, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 11:35 a.m.

Approval of Minutes

Chapman moved, Brandt seconded and carried unanimously to approve the minutes of the December 6, 2007 meeting.

Review of Revised Blight Criteria

Green addressed the Attorney General's opinion regarding Tax Increment Financing. Green provided a brief review of proposed revisions to the current policy criteria noting the addition of specific language that the creation of a tax increment district is "wholly discretionary".

Green recommended that the State Statutory criteria for tax increment districts replace the current mandatory criteria noting that State Statute establishes the minimum criteria for "blight". Discussion followed regarding including the Statutory criteria in the policy document to insure that applicants are aware of the requirements at all times.

Green recommended that the current mandatory criteria be incorporated into the final policy document to further restrict tax increment actions. Green recommended that the full committee review the current discretionary criteria to determine what elements to retain in the policy.

In response to a question from Jablonski, Green indicated that the City Council has the final determination regarding "blight" noting that he only provides an opinion for their consideration. Discussion followed regarding the City Attorney's office "finding of blight" with regard to the Federal Beef site.

Olson expressed her concern with the City Council taking action in contrast to the City Attorney's opinion with regard to the "blight" issue noting that the economic strength of the immediate area is a direct result from the utilization of tax increment financing.

In response to a question from Brandt, Green encouraged the committee members to discuss the "blight" criteria as provided in the current policy. Discussion followed regarding the level of comment that would be provided from the City Attorney's Office during public hearings.

In response to a question from Chapman, Green clarified the manner in which the State Statutory "blight" criteria would be utilized to evaluate a request for tax increment financing. Chapman indicated that tax increment financing is the only economic tool at the City's disposal noting the problematic appearance when the City Attorney's opinion and Council action are in opposition when addressing the "blight" issue.

In response to a request from Elkins, Green indicated that he would provide written clarification on determination of "blight" utilizing the State Statutory criteria.

Brandt moved and Chapman seconded to incorporate the City Attorney's recommendations for changes to the "blight" criteria in to the Policy with the addition of a written clarification on determination of "blight" utilizing the State Statutory criteria.

Discussion followed regarding possible amendments to the State Law that would address the City Attorney's concerns. Green indicated that State Law currently outlines the minimum standards regarding "blight".

The motion to incorporate the City Attorney's recommendations for changes to the "blight" criteria in to the Policy with the addition of a written clarification on determination of "blight" utilizing the State Statutory criteria carried unanimously.

Revised list of Application Material

Elkins reviewed the proposed changes to the Application for Tax Increment Financing. Discussion followed regarding the Application Information to be provided at time of application.

Tennyson stated that the financial plan would be preliminary at time of application and would remain fluid until such time as the project plan and Developer's Agreement were finalized.

In response to a question from Chapman, Elkins indicated that other financial resources have been incorporated in tax increment districts noting the utilization of South Dakota Housing Development funding for the Kateland Subdivision district.

In response to a question from Elkins, Tennyson indicated that the financial plan can be provided as long as it is understood that the financial plan can change subject to the final Project Plan and Developer's Agreement.

In response to a question from Schmidt, Elkins indicated that the recommendation is to eliminate the Policy Committee noting that the proforma would then be utilized by staff to review the request.

Discussion followed regarding the disclosure of ownership at time of application. In response to a recommendation from Brandt, Elkins indicated that ownership disclosure would be incorporated into both the Policy and Application documents.

The Committee recommended that "self funding" be added to the discussion items.

The Committee recommended that Application Information Item #8 be amended to reflect the recommendations of the City Attorney's Office.

Kooiker requested that language be drafted requiring disclosure of all entities involved in the tax increment request and clarification of the applicant's site control. Kooiker expressed concern that the applicant's primary intent for securing tax increment financing may be for purposes of resale. Elkins and Green indicated that draft language requiring disclosure of all entities to the application and documentation by the applicant that they have site control would be provided at the next meeting. Discussion followed regarding the process for assignment of the Developers Agreement.

In response to a question from Kooiker, Elkins recommended amending the language of Application Items #13 and #15 to address the discretionary submission of audited financial statements.

Jablonski left the meeting at 12:29 p.m.

Discussion followed regarding the required and discretionary status of the identified financial information.

Chapman recommended that the Policy require submission of a complete application, including all requested documentation, prior to the request being placed on a Planning Commission hearing schedule.

Allowable Interest Rates

Sebade and Tennyson provided a review of recommendations regarding establishment of the allowable interest rate for Project Plan purposes.

Tennyson encouraged the use of a Developer Personal Guarantee to insure that the developer has a personal interest in completing the project. Discussion followed regarding the method to secure a personal guarantee from the developer. Green indicated that the Developers Agreement outlines the project completion dates noting that the developer receives payment only when improvements are constructed.

Tennyson recommended that the project plan interest rate reflect the market rate. Elkins clarified that the City will reimburse only the actual interest rate paid noting that the project plan must reflect a maximum interest rate to identify the total interest costs included in the project plan.

Discussion followed regarding the payment of interest with City funded and developer funded tax increment districts. In response to a question, Elkins clarified that the City has not retained the right to finance private development.

In response to a question from Brandt, Sebade indicated that a developer usually works with one financial institution for the entire project.

Tennyson indicated that the interest rate cap is a concern as tax increment districts can run for 15-20 years in term. Tennyson suggested utilization of an adjustable rate loan tied to a specific index scale. Elkins clarified that the interest rate to be charged over the life of the district must be reflected in the Project Plan noting the inability to accurately reflect the interest rate expenditure based on an adjustable interest rate. Discussion followed.

Green left the meeting at 12:59 p.m.

Discussion followed regarding the need to be cognizant of the public perception when addressing the manner in which the interest rate issue is addressed.

In response to a request by Kooiker, Elkins requested that the Finance Office, Sebade and Tennyson review the use of specific interest rate bench marks such as the ten year Treasury note and provide recommendations at the next meeting.

Elkins requested that the Finance Office provide a summary of the current interest rates on the active tax increment districts.

Options for Revisions to the Tax Increment Finance Policy

Elkins recommended that the committee finalize their work on the Application for Tax Increment Financing and address standards for affordable housing projects at the next meeting.

Next Meeting Date

The Committee scheduled the next meeting for Wednesday, January 9, 2008 at 11:30 a.m.

Adjourn

There being no further business the meeting was adjourned at 1:05 p.m.

MINUTES
TAX INCREMENT FINANCING GUIDELINES REVIEW COMMITTEE
January 31, 2008

MEMBERS PRESENT: Malcom Chapman, Karen Gundersen-Olson, Deb Hadcock, Sam Kooiker, Ethan Schmidt, Dan Dryden, Marcia Elkins, Dirk Jablonski, Jason Green, Pauline Sumption

OTHERS PRESENT: Alan Hanks, Dale Jenson, Nancy Jensen, Diane Dahl, Kim Mutschelknaus, Fred Weishaupt, Karen Bulman, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 11:36 a.m.

Approval of Minutes

Chapman moved, Hadcock seconded and carried unanimously to approve the minutes of the December 20, 2007 meeting.

Draft revisions to the Tax Increment Policy Guidelines and Application

Elkins presented the Working Draft Guide for Applicants and Working Draft Application noting that both documents have been revised to incorporate the comments and recommendations from the December meeting. Elkins indicated that the documents are presented for Committee review noting that the item would be placed on the next agenda for discussion.

Discussion of Specific Interest Rate Bench Marks

Sumption presented information on various interest rate indexes that could be utilized as a bench mark for adjustable interest rates for tax increment districts. Sumption indicated that due to the current economy the current fixed rate interest is 7-8 percent.

In response to a question from Schmidt, Sumption indicated a recommendation is not available at this time as Sebade and Tennyson have not had the opportunity to review the information. Sumption encouraged the Committee to select an interest rate index with minimal fluctuation.

Elkins indicated that the intended use of an adjustable rate loan with an established rate cap was to insure that the tax payer receives the benefit of lower interest rates.

Green moved, Gundersen-Olson seconded and carried unanimously to continue the discussion of Specific Interest Rate Bench Marks to the next committee meeting.

Summary of Current Interest Rates on Active Districts

Sumption commented on the interest rate for Tax Increment District #40 noting that the financial institution is charging the full 9% interest even though the Project Plan specifies a 7% interest rate not to exceed 9%.

Sumption encouraged the Committee to insure that the tax payer is protected by requiring the applicant to refinance should interest rates decline.

In response to a question from Kooiker, Sumption indicated that the City has no control or interest in the development loans. Sumption stated that the developer secures the financing and the interest rate is based on the risk of the developer not the City. Sumption indicated that

should the District fail to payout as projected the developer, not the City, is responsible for the loan.

Kooiker requested that all the lending institutions be identified on the interest rate spreadsheet. In response to a question from Hadcock, Kooiker indicated that the requested information would be useful in determining the loan interest rates being assessed by the participating lenders.

In response to a question from Hanks, Green indicated that the Developers Agreement can be amended to incorporate a release to provide the City with full access to the development loan information. Green indicated that the developer is required to certify the loan interest rate.

In response to a request from Sumption, Green indicated that more detailed contract information for the developer and lending institution can be incorporated into the Developer Agreement.

Discussion followed regarding the recommendation to require a developer to refinance, the impact a developer's financial position would have on his ability to secure refinancing and the method utilized to encourage a developer to make a strong effort to secure the lowest interest rate possible. Schmidt recommended utilizing "trader rate" loans which would allow the developer to lock in a fixed interest rate anytime within the loan term. Discussion continued regarding the advantages to the tax payer and developer by refinancing to lower interest rate loans.

Sumption indicated that lending institutions do purchase the higher rate loans for investment purposes.

Elkins recommended that the Interest Rate on Active Districts be continued to the next meeting to allow Sumption to update the spreadsheet with the requested information.

Sustainable Affordable Housing Standards

Chapman stated that Affordable Housing is a Discretionary Criteria and the City should encourage residential developers to incorporate some element of affordable housing in their project. Chapman indicated that while affordable housing is not profitable programs such as the Land Trust could be utilized to address the profitability issue.

Kooiker commented on the two active affordable housing Districts and suggested reviewing current rents and resale values for comparison to "affordable" guidelines. Chapman indicated that the information is available and volunteered to provide a presentation on what other communities are doing with affordable housing projects.

Discussion followed regarding addressing neighborhood concerns with Affordable Housing by utilizing mixed housing and decentralization development.

Green advised the Committee that State Statute prohibits the use of Tax Increment Funding for the construction of single family, duplex and triplex residential units. Green indicated that Tax Increment Funding can be utilized for infrastructure improvements.

Green moved, Chapman seconded and carried unanimously to continue the Sustainable Affordable Housing Standards to the next committee meeting.

Long Range Planning for the Use of Tax Increment Financing

Elkins addressed the Committee's suggestion that Tax Increment Funding be targeted to specific development areas noting that the current policy identifies the Downtown District as a target development area. Jablonski addressed the strain hopscotch development places on the enterprise fund and suggested utilizing the Tax Increment Funding to encourage infill development.

Discussion followed regarding the development policy utilized by Sioux Falls. Green suggested eliminating the bonding process and requiring the developer to install all infrastructure prior to allowing structure development to occur. Elkins indicated that Sioux Falls directs their funding to specific areas noting that development occurring outside of the target area is fully funded by the developer.

Discussion followed regarding the impact political will has on directing development and the need to address the development impact on the entire area when reviewing tax increment funding requests.

Discussion followed regarding the statutory limitations on Tax Increment Districts. Green recommended incorporating master plans and comprehensive plans into the Tax Increment review process. Discussion followed regarding the use of the oversizing policy to direct development.

Kooiker recommended that the Long Range Planning item be continued to allow staff to bring forward additional information on operation and maintenance costs, additional resources required to maintain new development, and additional information on directing development.

Elkins indicated that the Infrastructure Development Partnership fund had been designed as an economic tool to target development to specific areas noting that subsequently it was not utilized in that manner. Elkins addressed the time and expense required to provide a detailed study of operation and maintenance costs noting that only high end single family development and commercial development are self supporting.

Jablonski addressed the financial impact of the Morningstar development on City infrastructure costs. Discussion followed regarding the ordinance addressing the City's requirement to fund oversizing costs and the financial impact of hopscotch development.

In response to a question from Schmidt, Elkins indicated that the City has not performed a "blight" survey. Discussion followed regarding adhering to the existing Policy guidelines, addressing water pressures, fire flows, and overall area impact when reviewing tax increment requests.

Jablonski left the meeting at 12:37 p.m.

Kooiker recommended that the Future Land Use Committee also review requests for Tax Increment Financing. Elkins indicated that the Project Plan is reviewed by staff for compliance with the Comprehensive Plan.

Elkins encouraged the Committee to review and strengthen the allowable project costs. Hanks encouraged strengthening the guidelines to insure that all required information is provided. Chapman indicated that should the Tax Increment Financing Project Review Committee be

reinstated that a set meeting schedule be established with specific deadlines for application submission.

Kooiker moved, Hadcock seconded and carried unanimously to continue the Long Range Planning for the Use of Tax Increment Financing to the next meeting.

Tax Increment Financing Project Review Committee County Representation

Green moved, Hadcock seconded and carried unanimously to table the Tax Increment Financing Project Review Committee County Representation item.

Other Business

In response to a request from Kooiker, Elkins indicated that staff would track the time required to process a tax increment financing request. Green and Sumption addressed the staff commitment required from the City Attorney's Office and Finance Office with regard to tax increment requests.

Next Meeting Date

The Committee scheduled the next meeting for Friday, February 22, 2008 at 11:30 a.m.

Adjourn

There being no further business Chapman moved, Green seconded and carried unanimously to adjourn the meeting at 12:51 p.m.

MINUTES
TAX INCREMENT FINANCING GUIDELINES REVIEW COMMITTEE
February 22, 2008

MEMBERS PRESENT: Malcom Chapman, Karen Gundersen-Olson, Deb Hadcock, Sam Kooiker, Ethan Schmidt, Bob Brandt, Norbert Sebade, Mike Tennyson, Marcia Elkins, Dirk Jablonski

OTHERS PRESENT: Alan Hanks, Dale Jenson, Nancy Jensen, Diane Dahl, Karen Bulman, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 11:40 a.m.

Approve Minutes

Jablonski moved, Gundersen-Olson seconded and carried unanimously to approve the minutes of the January 31, 2008 meeting.

Draft revisions to the Tax Increment Policy Guidelines and Application

Elkins presented the working drafts of the Tax Increment Policy Guidelines Application.

Kooiker moved, Tennyson seconded and carried unanimously to place the working draft Tax Increment Policy Guidelines on the City web site with the appropriate notice that the document is a “working draft only”.

Discussion of Specific Interest Rate Bench Marks

Sebade presented the following language regarding the establishment of interest rates for Tax Increment Districts:

The Tax Increment Finance interest rate shall not exceed nine (9) percent during the life of the Tax Increment Finance. During the construction phase of the project and until the project is cash flowing from a tax revenue basis the developer and lender shall be free to negotiate an interest rate not to exceed nine (9) percent. Within 90 days of the date the developer and financial institution are notified by the City that the tax revenue is sufficient to amortize the debt over the remaining life of the Tax Increment Finance, the interest rate on the remaining balance shall be reset at an interest rate of three (3) percent over the published ten (10) year U.S. Treasury rate. That rate shall remain in effect for a five year period, at which time it will be reset using the same formula. The City shall also retain the right to refinance any Tax Increment Finance through the use of Revenue Bonds or any other funding source available during the life of the Tax Increment Finance.

Kooiker moved, Tennyson seconded and carried unanimously to continue the discussion of the Specific Interest Rate Bench Marks to the next meeting to allow the City Attorney and City Finance Office to review the proposed interest rate language.

Summary of Current Interest Rates on Active Districts

Elkins briefly reviewed the spreadsheet prepared by the City Finance Office outlining the current lending institution and interest rates on the active Tax Increment Districts. Discussion followed regarding the outstanding balances, clarification of fixed or variable interest rates and remaining term to payout of the active Tax Increment Districts.

Jablonski moved, Hadcock seconded and carried unanimously to continue the Summary of Current Interest Rates on Active Districts to the next meeting and to request that the spreadsheet be amended to reflect:

- 1. The remaining balance of all active Districts;**
- 2. The fixed or variable interest rate on all active Districts; and,**
- 3. The remaining term to payout of all active Districts.**

Hanks recommended that an annual report be prepared providing the current status of all active Districts.

Sustainable Affordable Housing Standards

Chapman provided a brief presentation on the utilization of Tax Increment Financing to support affordable housing noting the manner in which affordable housing is addressed in the current policy. Chapman encouraged the Committee to consider expanding the utilization of Tax increment Financing for affordable housing by funding infrastructure improvements, rehabilitation of existing neighborhoods and development of affordable housing units.

Hanks voiced his support for the concept of affordable housing noting the need to address the financial aspect as rehabilitation of existing neighborhoods would not provide the increased tax base necessary to repay the District.

Discussion followed regarding how other States are utilizing Tax Increment Financing to support affordable housing projects and the existing State Statutes that prohibit the utilization of Tax Increment funding for residential housing. Elkins addressed the opinion by the Attorney General with regard to the use of Tax Increment funding for residential housing.

Discussion followed regarding the use of Tax Increment funding for infrastructure costs to encourage the development of affordable housing and establishing a base line definition for "affordable housing".

Elkins reviewed the information on the two affordable housing Tax Increment Districts, South Creek Village and Kateland Subdivision. In response to a question from Kooiker, Elkins indicated that the South Creek Village District is federally funded and monitored to assure compliance with the affordable housing guidelines.

In response to a question from Kooiker, Elkins indicated that only a limited percent of the homes were required to meet the affordable housing guidelines. Elkins requested that Bulman verify the percentage of units required to meet the affordable housing guidelines for the next meeting.

Chapman presented information regarding the average income for a Rapid City retail sales employee in relationship to the current housing market. Gundersen-Olson addressed the issue of "work force" housing noting the breakdown in communities where service individuals such as fire and police employees cannot afford to live in the area they service.

Discussion followed regarding solutions to the affordable housing issue.

Chapman indicated that the current policy does not provide incentives for the development of low income housing. Discussion followed regarding establishment of a subcommittee to address the affordable housing issues.

Hadcock recommended that the subcommittee review the methods utilized by other communities to create affordable housing Districts. Jablonski recommended that the cost to the community also be considered when addressing Tax Increment Districts. Hanks commented on the impact of existing State Statute in the development of affordable housing Districts. Discussion followed regarding the legislative process to amend the existing State Statute.

In response to a question from Kooiker, Elkins indicated that the South Creek Village tax credit guidelines are reflected in the current Policy.

Kooiker moved, Hadcock seconded and carried unanimously to create an Affordable Housing Subcommittee to bring forward recommendations on changes to the existing Policy with Chapman serving as Chairperson with members to be selected by Chapman and the committee to be informed of the those serving on the subcommittee.

Discussion followed regarding the process and timing for amending the current State Statute. The Committee recommended that the Subcommittee work within the confines of the current State Statutes to address the affordable housing issue. Tennyson indicated that additional information regarding income guidelines can be obtained from the South Dakota Housing Development Authority web site.

Long Range Planning for the Use of Tax Increment Financing

Elkins presented the current Tax Increment District valuation spreadsheet and area map of the active Districts. In response to a question from Kooiker, Elkins indicated that staff is tracking their time for processing the current Tax Increment Financing requests noting that fees are a future discussion item.

Gundersen-Olson recommended that the committee identify items that are necessary for long range planning such as housing, work force development, and general development ideas and principles for utilization as a tool to evaluate requests for Tax Increment funding.

Kooiker left the meeting at 12:41 p.m.

Elkins recommended that the Committee review the current Discretionary Criteria to determine if additional criteria or revision of the existing criteria is required to address the issue of Long Range Planning. Discussion followed regarding the impact of economic growth on the Ten (10) percent funding ceiling for Tax Increment Districts.

Hadcock indicated that the long range planning should insure that Tax Increment Financing provides a benefit to the Community.

Chapman moved, Jablonski seconded and carried unanimously to request that the Committee members review the current Tax Increment Financing Policy criteria on pages four and five of the draft Policy and to bring forward recommendations at the next meeting.

Performance Audits for Approved Tax Increment Districts

Elkins addressed the value of annual performance audits noting that current staffing levels are insufficient to assume the additional responsibility. Discussion followed regarding the District elements that would be reviewed in the performance audit.

Tennyson requested input from the City Finance Office noting that the Finance Office has recently issued written requests for current project information from all the active Districts. Tennyson commented on the need to establish an equitable manner to pay for the staff time involved with originating and maintaining the Tax Increment Districts.

Discussion followed regarding how the performance audit information might be utilized.

Hadcock moved, Brandt seconded and carried unanimously to continue the Performance Audits of Approved Tax Increment Districts to the next meeting to allow the City Finance Office to provide comment on the issue.

Next Meeting Date

The Committee scheduled the next meeting for Friday, March 7, 2008 subject to confirmation of quorum.

Adjourn

There being no further business the meeting was adjourned at 1:08 p.m.

MINUTES
TAX INCREMENT FINANCING GUIDELINES REVIEW COMMITTEE
March 7, 2008

MEMBERS PRESENT: Malcom Chapman, Karen Gundersen Olson, Deb Hadcock, Ethan Schmidt, Dan Dryden, Mike Tennyson, Marcia Elkins, Robert Ellis, Pauline Sumption

OTHERS PRESENT: Diane Dahl, Karen Bulman, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 11:35 a.m.

Approve Minutes

Gundersen Olson moved, Ellis seconded and carried unanimously to approve the minutes of the February 22, 2008 meeting.

Elkins indicated that the working draft Policy and Application provided in the packet are updated as directed by the Committee and requested that the members continue to review the documents for changes and corrections.

Elkins presented the request from Kooiker that an "Economic Development" threshold be established, the full disclosure of all applicants be required and an application fee be established. Elkins recommended that the "Economic Development" threshold be added to the working list noting that the applicant disclosure has been addressed and the application fee is on the working list to be addressed.

Hadcock requested that the calculation of the necessary and convenient costs, contingency costs and professional fees be added to the working list.

Ellis requested that requiring an itemized list of estimated costs, including professional fees, be added to the working list.

In response to a question from Gundersen Olson, Elkins recommended that the City Attorney's Office address if it would be possible for an individual to avoid disclosing their participation in a Tax Increment Financing request.

Elkins reviewed the affordable housing requirements specified by the Kateland Subdivision Project Plan. Sumption indicated that the South Dakota Housing Development Authority monitors the Kateland Subdivision development noting that South Dakota Housing is required to provide a bi-annual report addressing compliance with the program guidelines. Discussion followed regarding amendments to the Kateland Subdivision Project Plan to address the affordable housing requirements.

In response to a question, Elkins indicated that compliance requirements for the dwelling units in the South Creek Village District are monitored as part of the Section 8 voucher program. Discussion followed regarding the Federal Housing and Urban Development median income guidelines.

Specific Interest Rate Bench Marks

Tennyson indicated that the item had been continued to allow review of the proposed language by the Finance and City Attorney's offices. Discussion followed regarding review of the proposed interest rate language by the City Attorney's Office. In response to a question from Schmidt, Elkins indicated that current interest rates are between 7 and 8 percent.

Sumption moved, Hadcock seconded and carried unanimously to continue the Specific Interest Rate Bench Marks item to allow the City Attorney's Office to review and comment on the proposed language.

Summary of Current Interest Rates on Active Districts

Elkins indicated that Item 4c, the remaining term to payout, was not available at this time. Elkins addressed the level of review required to provide the information noting that current staffing levels were insufficient to complete the review.

Sumption provided a brief review of the updates to the spreadsheet noting that at present she is unable devote the time necessary to contact all financial institutions regarding the interest rate issue. Sumption recommended that the original certified costs for each District be added to the spreadsheet. Discussion followed regarding the process for updating payments made to the individual Tax Increment Districts.

Elkins recommended that the original anticipated payout term be added to the spreadsheet.

In response to a question from Hadcock, Elkins indicated that current District valuations are not tracked noting that the proposed Performance Audit would address the issue. Discussion followed regarding the process for establishing the base valuation of a District.

The Committee requested that the Interest Rate Spreadsheet be expanded to include the following items and that the updated information be provide at the next meeting:

1. The original anticipated payout term of all active Districts;
2. The certified project costs; and,
3. The original projects costs, excluding interest costs, as identified by the Project Plan.

In response to a question from Hadcock, Elkins addressed the status of District 29 noting the impact on the District payout resulting from the lower building value and development of tax exempt properties within the District.

Discussion followed regarding permitting self funded Districts and the resulting impact on the level of interest rate being charged. The Committee requested that Sumption revise the proposed Interest Rate language to address the self funding issue for Committee review at the next meeting.

In response to a question from Schmidt, Tennyson addressed the certifications required by the Developer during the development phase noting that the financial institution provides a statement of the capitalized interest. Tennyson addressed the interest rate calculation following finalization of the development phase.

Long Range Planning for the Use of Tax Increment Financing

Gundersen Olson voiced her concerns with the extraordinary drainage costs approved for District 53 noting that the box culverts were not a public improvement and benefited only the developer.

Elkins addressed the District 53 drainage issues noting that the improvements were approved as an allowable project cost not as a public improvement. Discussion followed regarding the District 53 improvements, what constitutes a public improvement and what State Statutes identify as allowable project costs.

In response to a question, Elkins addressed the elements of individual and regional drainage facilities noting that the City had secured the required drainage easements for the District 53 property. Elkins clarified that the developer had purchased the property with those easements in place and then requested the extraordinary project costs through the District.

Discussion followed regarding the difference between the District 53 on-site drainage culverts and drainage culverts placed under streets.

Gundersen Olson encouraged the creation of a long range plan that would make Tax Increment Financing more viable to the City. Elkins addressed the use of Tax Increment Financing to target specific areas for development or to redevelop older areas as opposed to funding only new development. Discussion followed regarding utilizing Tax Increment Financing to direct development and the resulting impact on the current policy.

Tennyson advocated an aspect of affordable housing and long term sustainability to provide housing for the City's work force to insure the City's continued growth. Chapman addressed the need to provide for public transportation to allow those living outside the City center an economical method to get to and from work.

Chapman addressed utilizing Tax Increment Financing to redevelop and revitalize older neighborhoods.

Elkins suggested that Tax Increment Financing be directed to the City's structural backbone by upgrading and maintaining the water and sewer mains and major transportation networks. Discussion followed regarding infrastructure development needs and repayment of project costs in developed areas where the required revenue increases will not be realized.

Elkins addressed the benefits realized from the Civic Center and Dakota Gaming districts noting the City's utilization of those developments to install and pay for infrastructure improvements.

Discussion followed regarding the ten percent guideline and the economic issues impacting that percentage.

Chapman recommended that there be more public outreach and education on the use and benefits of Tax Increment Financing. Discussion followed regarding the development of educational materials for distribution to the general public.

Elkins recommended adding language to the "Purpose of Tax increment Financing" addressing the overall goals including maintenance of the City's infrastructure backbone and development of and long term sustainability of affordable housing.

Discussion followed regarding the value of the Tax Increment Financing Committee in providing a detailed review of requests prior to the presentation of those requests to the Planning Commission and City Council and the public perception of the Committee process.

Hadcock left the meeting at 12:55 p.m.

Discussion followed regarding strengthening the current four purposes identified for the use of Tax Increment Financing, restricting the use of Tax Increment funding to City project costs only, and providing flexibility in the policy to capitalize on development opportunities that assist with community growth. Discussion followed regarding the utilization of the Founder's Park District to upgrade infrastructure in adjacent areas.

Schmidt left the meeting at 1:03 p.m. resulting in loss of quorum.

Gundersen-Olson addressed the need to address the public perception that Tax Increment Financing is being utilized for the benefit of the developer rather than the general public. Elkins noted her conversations with the City of Tuscaloosa, AL regarding the Cabela's development.

Chapman stressed the need for public outreach and education as a component of the Tax Increment Financing long range plan. Sumption recommended that all request for Tax Increment funding be reviewed for compliance with the City's long range and master plans.

Elkins indicated that staff would prepare draft language to the "Purpose of Tax Increment Financing" for Committee review.

Next Meeting Date

The next meeting was scheduled for Monday, March 24, 2008 at 11:30 a.m.

Adjourn

Due to lack of quorum, Sumption moved, Gundersen Olson seconded and carried unanimously to adjourn the meeting at 1:15 p.m.

MINUTES
TAX INCREMENT FINANCING GUIDELINES REVIEW COMMITTEE
March 24, 2008

MEMBERS PRESENT: Bill Okrepkie, Karen Gundersen Olson, Sam Kooiker, Bob Brandt, Dan Dryden, Mike Tennyson, Marcia Elkins, Robert Ellis, Pauline Sumption

OTHERS PRESENT: Diane Dahl, Nancy Jensen, Dale Jensen, Alan Hanks, Mike Schad, Karen Bulman, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 11:35 a.m.

Approve Minutes

Okrepkie moved, Dryden seconded and carried unanimously to approve the minutes of the March 7, 2008 meeting.

Specific Interest Rate Bench Marks

Schad presented revisions recommended by the City Attorney's Office to the proposed interest rate language. Discussion followed regarding the determination of when the increment would be sufficient to repay the outstanding debt and certification of the amortization term of the debt.

In response to a question from Okrepkie, Elkins outlined the manner in which the City Council could adjust the interest rate for Tax Increment District requests to be more reflective of the current market. Elkins indicated that a maximum interest rate must be established to permit calculation of the total Project Costs.

Tennyson offered additional amendments to the interest rate language. Discussion followed regarding amendment to the interest rate "reset" language to insure tax payer benefit.

In response to a question from Brandt, Elkins addressed the advantages and disadvantages of utilizing Revenue Bonds to refinance a Tax Increment District.

Tennyson moved, Brandt seconded and carried unanimously to recommend approval of the Interest Rate Bench Mark language as amended:

The Tax Increment Finance interest rate shall not exceed nine (9) percent during the life of the Tax Increment Finance. During the construction phase of the project and until the project is cash flowing from a tax revenue basis the developer and lender shall be free to negotiate an interest rate not to exceed nine (9) percent. Within 90 days of the date the developer is notified by the City that the tax revenue is sufficient to amortize the debt over the remaining life of the Tax Increment Finance District and confirmed by the Financial Institution, the interest rate on the remaining balance shall be reset at an interest rate of not more than three (3) percent over the published ten (10) year U.S. Treasury rate not to exceed nine (9) percent. That rate shall remain in effect for a five year period, at which time it will be reset using the same formula. The City shall also retain the right to refinance any Tax Increment Finance through the use of Revenue Bonds or any other funding source available during the life of the Tax Increment Finance.

Discussion followed regarding the implementation timetable for the proposed interest language.

Kooiker moved to forward the Interest Rate Bench Mark language to the City Council for adoption and immediate implementation for all future Developer Agreements. Okrepkie seconded the motion.

Discussion followed regarding the individual or group implementation of the Task Force recommendations. Okrepkie addressed the impact the Task Force recommendations have on the work of the Tax Increment Finance Project Committee and encouraged the committee to forward stand alone policies such as the Interest Rate recommendation to the City Council for immediate implementation.

The motion to forward the Interest Rate Bench Mark language to the City Council for adoption and immediate implementation for all future Developer Agreements carried unanimously.

Summary of Current Interest Rates on Active Districts

Pauline presented the revised Active District spreadsheet noting the addition of Valuation, Project Costs and Initial Term information. Discussion followed regarding the issues associated with Tax Increment District #19. Sumption indicated that revenues for District #19 are insufficient to secure payout by the end of the term noting that the District will dissolve in two years. Elkins clarified that the financial institution, not the City, will bear the responsibility for the revenue short fall.

Performance Audits of Approved Tax Increment Districts

Elkins indicated that the intent of a Performance Audit is to determine that all project requirements were being met and to determine if actual revenues will be sufficient to repay the District as projected.

In response to a question from Brandt, Elkins indicated that the Performance Audit would not have identified the short falls issues being experienced in District #19 prior to approval of the District. Hanks indicated that a Performance Audit would indicate if a District would payout as projected.

Elkins suggested that an Annual Summary be provided by the Finance Office addressing the total certified costs and outstanding balances on all active Districts. Discussion followed regarding the cost of providing a Performance Audit and identifying the costs as an allowable Project cost.

Hanks recommended that the audit be performed internally. Discussion followed regarding the elements required to provide a cost flow analysis on all active Districts.

Elkins suggested that the Annual Summary with certified costs and outstanding balances would provide the necessary information. Discussion followed regarding the advantages and disadvantages of providing a full performance audit or providing an Annual Summary of the certified costs, outstanding balances and remaining term.

Brandt recommended that the staff cost to prepare the Annual Summary be factored into the proposed application fee. Sumption recommended that the prior year assessment and current year revenues be included in the Annual Summary.

Olson left the meeting 12:05 p.m.

Brant moved to recommend that the City Finance Office provide an Annual Summary of all Active Tax Increment Finance Districts to the City Council utilizing the Summary of Current Interest Rate on Active Districts spreadsheet with the addition of Prior Assessment and Revenues Received information. Tennyson seconded the motion.

Kooiker recommended that the item be continued to permit staff to bring forward a list of elements to be included in the annual update.

In response to a question from Brandt, Elkins indicated that the Annual Summary would be available to the general public. Sumption indicated that she would provide a time frame for presentation of the Annual Summary of Active Tax Increment Finance Districts at the next committee meeting.

The motion to recommend that the City Finance Office provide an Annual Summary of all Active Tax Increment Finance Districts to the City Council utilizing the Summary of Current Interest Rate on Active Districts spreadsheet with the addition of Prior Assessment and Revenues Received information carried unanimously.

Use of Bonding to Finance City Tax Increment Districts

Tennyson commented on the tax payer benefit that would be realized by using revenue bonds to reduce interest rates. Discussion followed regarding the benefits of utilizing revenue bonds to refinance Tax Increment Districts.

Elkins indicated that the current City Attorney opinion is that the revenue bonds would accrue against the City's bonding limit. In response to a question from Brandt, Elkins addressed the City's financial responsibility resulting from the refinancing of active districts noting that the developer would no longer be responsible for any District shortfall. Discussion followed regarding the benefits and liabilities to the City to utilize revenue bonds to refinance active districts. Sumption recommended that for the City's protection only those districts which are cash flowing be considered for refinance.

Kooiker moved, Tennyson seconded and carried unanimously to recommend that the City Finance Office review the active Tax Increment Finance Districts on a case by case basis and provide recommendation to the City Council on the utilization of revenue bonds to refinance those Districts that would provide benefit by interest rate reduction and sufficient revenues to protect the City's financial investment.

Limitation on Allowable Project Costs

Elkins summarized the concerns voiced regarding the current allowable project costs.

Sumption recommended that equipment purchases be eliminated as an allowable cost noting that once paid for the equipment becomes the property of the developer providing no direct benefit to the general public. Tennyson voice support for the retention of grading costs noting that extraordinary grading can be required due to the area topography. Discussion followed regarding equipment purchases and grading costs as allowable project costs.

Hanks expressed concern with the increased engineering costs in the current funding requests and recommended that projects costs be limited to the City oversizing costs for utilities and

streets. Hanks encouraged standardization of the project costs and recommended that funding for extraordinary grading costs be clearly defined. Hanks indicated that Tax Increment Financing should not be utilized to benefit the developer. Discussion followed regarding standardization of allowable project costs.

Kooiker moved to recommend that the Tax Increment Financing Policy language establish general guidelines for Tax Increment Finance Project Costs and provide a list of approved and non-approved costs with an appeal process for those costs identified as non-approved. Dryden seconded the motion.

Discussion followed regarding classification of City oversizing project costs. Hanks recommended that the developer be required to provide a detailed breakdown of expenditures reflecting base costs and oversizing costs.

Elkins stated that allowable project costs are identified by State Statute noting her confidence in the City Council's actions. Elkins addressed previous projects that contained extraordinary projects costs that were approved by the City Council and are a benefit to the City.

Kooiker indicated that the Council membership constantly changes and that the guidelines would provide a level of protection into the future. Brandt suggested that the project cost language provide for extraordinary costs when applicable. Discussion followed regarding the advantages to the developer from a District that funds only City oversizing costs.

The motion to recommend that the Tax Increment Financing Policy language establish general guidelines for Tax Increment Finance Project Costs and provide a list of approved and non-approved costs with an appeal process for those costs identified as non-approved carried with Elkins and Tennyson voting No.

Financial Association Disclosure Language

Schad indicated that the City Attorney does feel full disclosure of all applicants to a Tax Increment Finance request can be required if it meets the City's need. Discussion followed regarding the disclosure language incorporated in to the Working Draft policy.

Okrepkie moved to continue the Financial Association Disclosure Language to the next meeting to allow the City Attorney to review the proposed language. DeMersseman seconded the motion.

Kooiker requested that the language require both the applicant and Financial Institution to fully disclose any association to the Tax Increment Finance request.

The motion to continue the Financial Association Disclosure Language to the next meeting to allow the City Attorney to review the proposed language carried unanimously.

Require all Tax Increment Financing projects to be Developer Funded

Elkins provided a brief report on developer funded Districts. Sumption indicated that developer funded Districts do not accrue against the City's financial debt threshold.

Tennyson moved, Dryden seconded and carried unanimously to acknowledge the report on Requiring all Tax Increment Financing Projects to be Developer Funded.

Identification of Additional Target areas

Elkins indicated that the downtown area is the only area currently targeted for Tax Increment Financing. In response to a question from Sumption, Elkins discussed the City's ability to take advantage of development occurring at any specific time.

Ellis encouraged the utilization of Tax Increment Financing for storm water improvements when the opportunity presents itself.

Sumption moved, Brandt seconded and carried unanimously to retain the Downtown Area as the only identified target area for Tax Increment Financing.

Next Meeting Date

The committee elected to continue their review of the Tax Increment Finance Policy during Elkins' extended medical leave with Hanks to select a chairperson for the next meeting.

Brandt moved, Ellis seconded and carried unanimously to schedule the next committee meeting for Monday, April 14, 2008 at 11:30 a.m. subject to securing a quorum.

Adjourn

There being no further business Brandt moved, Kooiker seconded and carried unanimously to adjourn at 12:48 p.m.

MINUTES
TAX INCREMENT FINANCING GUIDELINES REVIEW COMMITTEE
April 14, 2008

MEMBERS PRESENT: Malcom Chapman, Bill Okrepkie, Karen Gundersen Olson, Deb Hadcock, Sam Kooiker, Ethan Schmidt, Bob Brandt, Mike Tennyson, Robert Ellis, Jason Green, Pauline Sumption

OTHERS PRESENT: Nancy Jensen, Alan Hanks, Mike Schad, Karen Bulman, Sharlene Mitchell

Call to Order

Hanks called the meeting to order at 11:41 a.m.

Approval of Minutes

Okrepkie moved, Brandt seconded and carried unanimously to approve the minutes of the March 24, 2008 meeting.

Timeframe for presentation of Annual Summary of Active Tax Increment Finance Districts

Sumption indicated that the Annual Summary would be presented on or before July 1 of each year.

Green moved, Okrepkie seconded and carried unanimously to acknowledge the report that the Finance Office will present the Annual Summary of Active Tax Increment Finance Districts annually on or before July 1.

Sustainable Affordable Housing Standards

Chapman indicated that additional information from other communities had not been received and requested that the report on housing standards be continued to the next committee meeting.

Green moved, Okrepkie seconded and carried unanimously to continue the Sustainable Affordable Housing Standards to the next committee meeting.

Guidelines to ensure that no financial association exists between the developer and the lending institution

Green presented the disclosure language for committee review:

“The applicant shall identify all persons who have an interest in the project and/or in the entity applying for the tax increment financing district. The disclosures shall require identification of all members of an LLC or LLP, other partners, investors, shareholders and directors of a corporation or any other person who has a financial interest in the project or in the entity applying for the tax increment financing district. The applicant shall be under a continuing obligation to timely update this disclosure throughout the application process and throughout the life of the developer’s agreement.”

Green indicated that the disclosure language requires the applicant to continually update the information throughout the application process and throughout the life of the developer’s agreement. Green recommended that the City Council adopt a separate disclosure policy regarding the assignment of the Tax Increment revenues.

Discussion followed regarding the terminology “timely update” and establishment of a specific timeframe for the applicant to provide the required updates. Hanks indicated that the disclosure

requirements will provide a level of transparency to the request. Discussion followed regarding evaluation of the type and percentage of interest an applicant may have with a financial institution and the impact the disclosure requirements will have on the application process. Discussion followed regarding establishment of a thirty (30) day timeframe for submission of the disclosure information.

Green addressed the impact of the disclosure requirement on multi-national corporations. Discussion followed regarding the disclosure requirements for multi-national corporations and the inclusion of those requirements in the policy to insure consistency and to avoid misunderstanding.

Chapman moved, Hadcock seconded and carried unanimously to recommend that the following language be added to the disclosure requirements:

- 1. The applicant shall be under a continuing obligation to update this disclosure within thirty (30) days of any change throughout the application process and throughout the life of the developer's agreement, and**
- 2. That a publicly traded corporation is deemed to comply with the disclosure requirements with submission of their most current annual report.**

Kooiker entered the meeting at 12:02 p.m.

Further clarification requiring all changes in projects to be sent back through the review process

In response to a question, Green clarified that the current policy language addresses changes to approved districts only. Sumption voiced support for the language directing amendment requests to the Growth Management office noting that funding reallocation requests have been presented to the Finance Office.

In response to a question from Schmidt, Green recommended that the language in Item 6 be amended to read "may approve, amend or reject".

Bulman stated that the current recommendation is to dissolve the Tax Increment Finance Committee. Bulman indicated that should the Tax Increment Finance committee be retained the language would require an amendment to reflect review by the Tax Increment Finance Committee.

In response to a question from Tennyson, Green indicated that a change in District boundary or increase in Project funding would require a recalculation of the District base valuation noting that a reallocation of the approved funds does not require a recalculation. Hanks clarified that the five year timeframe for expenditure of project funds begins with the approval of the District noting that future amendments do not impact the five year timeframe.

Okrepkie moved, Tennyson seconded and carried unanimously to amend Item 6 to read "may approve, amend or reject".

In response to a question from Chapman, Green indicated that the City Council can direct staff to make the necessary corrections to the policy should the Tax increment Finance Committee be reinstated.

Require submission of a “business plan” by the applicant

Green reviewed the State legislature actions regarding amendments to the open public records law and the resulting impact on information provided with Tax Increment Finance applications. Discussion followed regarding the level of proprietary information submitted with the Tax Increment Finance applications.

Discussion followed regarding the type and value of information that would be provided by a business plan. Tennyson recommended clarification of the information to be provided with the business plan to avoid misinterpretation.

Hadcock moved, Tennyson seconded and carried unanimously to table the item to “Require submission of a “business plan” by the applicant”.

Public Hearing Process for adoption of Tax Increment Project Plans

Green addressed the ordinance process required to amend the current process to a public hearing process. Discussion followed regarding the value of the public hearing process.

Gundersen Olson addressed the impact the public hearing process will have on the Legal & Finance Committee and City Council meetings. Gundersen Olson recommended that consideration be given to setting special meetings to hear the Tax Increment requests.

In response to a question, Hanks stated that the responsibility of the Planning Commission is to determine if the request complies with current policy. Discussion followed regarding the use of special meetings to address controversial requests.

Green clarified that all Tax Increment Districts have been acted upon in public meetings. Green indicated that the public hearing notification will notice the date the request will be heard at the City Council meeting.

Kooiker moved, Hadcock seconded and carried unanimously to recommend that the City Council adopt an ordinance to establish a public hearing notification process for Tax Increment Finance requests by setting the application for hearing at City Council prior to the presentation of the application at the Legal & Finance Committee.

Kooiker recommended that the City Council be requested to direct staff to prepare the public hearing notification ordinance. Discussion followed regarding the charge of the Committee to review and provide recommendation for the revision of the current Tax Increment review process. Chapman recommended, and the committee concurred, that the revised Tax increment Policy be submitted as a complete document to insure that there are no conflicts between the proposed revisions.

Use of Special Planning Commission meetings

Green moved, Hadcock seconded and carried with Gundersen Olson voting no to table the item addressing “Use of Special Planning Commission meetings”.

Addition of a Notification Process

Brandt indicated that it is imperative that property owners are notified of a request to include their property in a Tax Increment District. Discussion followed regarding the development impact to properties that are included in a District boundary but receive no financial benefit.

Sumption recommended that the developer, not the City, be responsible for the notification mailing costs. Discussion followed regarding origination responsibility for the mailing list and responsibility for processing the mailings.

Kooiker moved to recommend that certified, return receipt mailings be sent to property owners inside the District boundaries and first class mailings be sent to property owners within 500 feet of the District boundaries. Hadcock seconded the motion.

In response to a question from Gundersen Olson, Tennyson indicated that properties outside the District boundaries are not financially impacted by a Tax Increment District.

Brandt recommended that the first class notification be amended to apply only to the adjoining properties. Discussion followed regarding the process to expand both the District boundary and Project Costs should an adjoining property request to be included in the District.

Brandt moved a substitute motion to recommend that certified return receipt mailings be sent to property owners inside the District boundaries and first class mailings be sent to property owners adjacent to the District boundaries. Okrepkie seconded the motion.

Kooiker requested that the notification process be forwarded to the City Council for formal action.

Brandt moved to recommend that the notification process for property owners inside and adjacent to a Tax Increment District request be forwarded to the City Council for formal action. Okrepkie seconded the motion.

Discussion followed regarding the advantages and disadvantages of submitting recommendations for City Council action individually and as a final comprehensive document. Gundersen Olson indicated that forwarding recommendations individually would increase the appearance of inconsistency.

The motion to recommend that the notification process for property owners inside and adjacent to a Tax Increment District request be forwarded to the City Council for formal action failed 4 to 7.

The substitute motion to recommend that certified, return receipt mailings be sent to property owners inside the District boundaries and first class mailings be sent to property owners adjacent to the District boundaries carried unanimously.

Next Meeting

Hanks requested that staff contact the committee members regarding the date for the next meeting.

Adjourn

There being no further business the meeting was adjourned at 1:03 p.m.

MINUTES
TAX INCREMENT FINANCING GUIDELINES REVIEW COMMITTEE
May 9, 2008

MEMBERS PRESENT: Malcom Chapman, Bill Okrepkie, Deb Hadcock, Sam Kooiker, Ethan Schmidt, Bob Brandt, Dan Dryden, Marcia Elkins, Robert Ellis, Jason Green

OTHERS PRESENT: Nancy Jensen, Dale Jensen, Diane Dahl, Scott Aust (Rapid City Journal), Alan Hanks, Karen Bulman, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 11:35 a.m.

Approval of Minutes

Brandt moved, Green seconded and carried unanimously to approve the minutes of the April 14, 2008 meeting.

Sustainable Affordable Housing Standards

Chapman provided recommendations to create and maintain affordable housing within the community by:

1. Making sites available for affordable and workforce housing;
2. Making the production of affordable and workforce housing more economically feasible;
3. Reducing the regulatory barriers to affordable and workforce housing;
4. Using design innovations to spur affordable and workforce housing; and,
5. Suggesting actions by State government.

Chapman indicated that some communities have utilized tax increment financing to fund investments in affordable housing, to fund investments that will stimulate economic revitalization and to preserve affordable housing opportunities in neighborhoods experiencing increased housing prices.

Discussion followed regarding methods to encourage the development of affordable and workforce housing and application of those methods to commercial development districts. Green addressed the financial benefits realized by the City from commercial and residential developments.

Green moved to recommend that any Tax Increment Finance request containing a residential component be required to provide 25% of the new construction residential component as affordable and workforce housing. Hadcock seconded the motion.

Discussion followed regarding calculation and application of the 25% affordable and workforce housing requirement. Hanks recommended establishing a percentage threshold that can be waived or altered by the City Council at their discretion.

Hadcock moved a substitute motion to direct staff to prepare language for the Committee review and consideration addressing the affordable and workforce housing threshold. Chapman seconded the motion.

Discussion followed regarding the terminology for affordable and workforce housing. Chapman indicated he would provide staff with additional information on affordable and workforce housing.

Chapman addressed the need to insure that the “affordable” status continues in perpetuity by utilizing programs such as the land trust. Discussion followed regarding establishing threshold requirements for affordable and workforce housing, retaining the “affordable” status in perpetuity and methods to allow property owners to realize their equity in an “affordable” property at time of resale.

The substitute motion to direct staff to prepare language for the Committee review and consideration addressing the affordable and workforce housing threshold carried unanimously.

Fees for Tax increment Applications

Elkins addressed the Administrative Fees currently collected from the Tax Increment Districts noting that these funds are for compensation of staff time to administer an active District. Elkins addressed the time commitment by staff during the application process noting that this element of the process is difficult to track.

Green voiced support for the continued assessment of the Administration Fees and for the establishment of an up front application fee.

Green moved to recommend the adoption of a \$1,000.00 application fee for Tax Increment Finance request. Hadcock seconded the motion.

In response to a question from Schmidt, Green indicated that the City incurs processing costs for Tax Increment requests beginning with the initial discussions with an application and continuing until after the District is paid out and dissolved noting that the current Administration Fee is insufficient to address those costs.

In response to a question from Schmidt, Green addressed the purpose for collecting the Administration Fee at the end of a District's fifth year.

Elkins suggested calculating the application fee at the end of the fifth year based on the total certified costs of the District.

Kooiker entered the meeting at 12:17 p.m.

The motion to recommend the adoption of a \$1,000.00 application fee for a Tax Increment Finance request carried unanimously.

Green moved to request that staff provide a recommendation as to what imputed administrative costs should be charged to the Tax Increment District project plans. Chapman seconded the motion.

Discussion followed regarding application fees for District reallocation requests.

Kooiker recommended that the Committee discuss timelines for completion of the Policy request and forwarding the individual recommendations to the City Council in advance of the completed

Policy. Elkins addressed the previous Committee discussion on the issue noting that the request to discuss the matter further would be addressed at the end of the meeting.

The motion to request that staff provide a recommendation as to what imputed administrative costs should be charged to the Tax Increment District project plans carried unanimously.

Review of Discretionary Criteria

Elkins indicated that the revised discretionary criteria have been incorporated into the Working Draft Policy. Elkins requested input on any additional issues regarding the Discretionary Criteria. In response to a question from Hanks, Green indicated that the term "several" allows for discretion by the City Council.

Hadcock moved, Green seconded and carried unanimously to table the Review of Discretionary Criteria item.

Self-funding of Project Financing

Elkins indicated that the issue focused on the payment of interest on a self-funded project. Green indicated that interest cannot be paid on a self funded project as the required reimbursement certification cannot be provided.

Green moved, Hadcock seconded and carried unanimously to table the Self-funding of Project Financing item.

Disclosure of Site Control

Kooiker indicated that the site control issue has been addressed and he recommended that the action be forwarded to City Council for adoption. Discussion followed regarding full disclosure of the financial interests in a project and full disclosure of an applicant's physical control of the proposed site. Green indicated that Items 5 and 12 of the Application Requirements addressed full disclosure of the financial and physical control of a request.

Green moved, Brandt seconded and carried unanimously to table the Disclosure of Site Control item.

Percentage Threshold for "Economic Development" Designation

In response to a question from Hadcock, Elkins stated that the City can be more restrictive as to when it authorizes Tax increment Financing Districts than the State Statutes. Discussion followed.

Kooiker expressed concern with the approval of economic development Tax Increment Districts which are residential in purpose and contain only minimal commercial property. Kooiker recommended that the active Districts classified as economic development districts be reviewed to determine the current percentage of commercial property contained within those districts.

Elkins addressed the benefits realized by the City with the expansion of some districts for the purpose of accomplishing City projects. Elkins cautioned that requiring a percentage threshold could adversely impact the City's ability to complete necessary projects.

Discussion followed regarding establishing a percentage threshold and development of policy guidelines as to when districts are classified as economic development districts.

Hadcock moved to table the percentage threshold for Economic Development designation. Motion failed for lack of second.

Kooiker moved to continue the Percentage Threshold for Economic Development designation item to the next committee meeting and to request that staff provide the percentage of commercial and industrial property contained in the active economic and industrial districts at the next meeting. Schmidt seconded the motion.

Discussion followed regarding utilization of the requested information to establishing a percentage threshold for economic development designations and the resulting impact to property taxes.

Green recommended that the applicant be required to identify those properties included within the district boundary that qualify the district as an economic or industrial designation.

Green moved a substitute motion to request that staff provide a process for determining if a request meets the economic development criteria and the percentage of land contained in the request that is commercially or industrially zoned. Kooiker seconded the motion.

Elkins indicated that all project plans provide a map of the current zoning and future land use designation of all property in the proposed District boundary. Elkins voiced support for the main motion.

In response to a question from Schmidt, Elkins clarified the standards that must be met to be identified as an economic development district in accordance with the South Dakota Codified laws.

The substitute motion to request that staff provide a process for determining if a request meets the economic development criteria and the percentage of land contained in the request that is commercially or industrially zoned failed 4 to 5.

The main motion to continue the Percentage Threshold for Economic Development designation item to the next committee meeting and to request that staff provide the percentage of commercial and industrial property contained in the active economic and industrial districts at the next meeting carried with Hadcock voting no.

Okrepkie moved, Kooiker seconded and carried unanimously to amend the agenda to add Timeline for Forwarding Items to City Council.

Timeline for Forwarding Items to City Council

Kooiker recommended that the committee set a completion date for their work or take action at the next meeting to forward all items acted upon to date to the City Council for formal adoption.

Elkins indicated that the committee should complete their discussions by mid-July noting the committee's promise to hold public hearings on the final draft prior to the City Council presentation. Brandt recommended presenting a complete package to the City Council if the committee can complete their work in the 60 to 75 day timeframe. Discussion followed.

Chapman voiced support for presenting the proposed changes as a complete package. Chapman indicated that this issue has been discussed and the committee consensus was to present a completed package for Council consideration. Chapman indicated that further discussion of this issue is unnecessary and detracts the committee from the completion of their task.

Brandt moved, Green seconded and carried unanimously to present the recommendations to the City Council as a complete package and to direct staff to provide a timeline for completion of the committee tasks and public hearings by August 1, 2008.

Next meeting date

The next committee meeting was scheduled for Thursday, May 29, 2008 at 11:30 a.m.

Adjourn

There being no further business the meeting was adjourned at 1:08 p.m.

MINUTES
TAX INCREMENT FINANCING GUIDELINES REVIEW COMMITTEE
May 29, 2008

MEMBERS PRESENT: Malcom Chapman, Bill Okrepkie, Karen Gundersen Olson, Deb Hadcock, Sam Kooiker, Bob Brandt, Dan Dryden, Norbert Sebade, Mike Tennyson, Marcia Elkins, Robert Ellis, Jason Green, Pauline Sumption

OTHERS PRESENT: Nancy Jensen, Dale Jensen, Alan Hanks, Karen Bulman, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 11:35 a.m.

Approval of Minutes

Okrepkie moved, Brandt seconded and carried unanimously to approve the minutes of the May 9, 2008 meeting.

Imputed Administrative Fees to charge to Project Plan

Green summarized the research completed with the Finance Office, the Growth Management Department and the City Attorney's Office regarding the staff time required to process and administer a Tax Increment District. Green indicated that he has estimated that the Imputed Administrative Fees based on the identified staff time would be approximately \$16,400.

In response to a question from Brandt, Green indicated that there are standard tasks required to process and administer a request regardless of the complexity of the request noting that the \$16,400 fee would provide a base line.

In response to a question from Kooiker, Elkins indicated that the imputed administrative fees are assessed to the District at the end of the fifth year. In response to a question from Kooiker, Green indicated that the \$16,400 fee represents an increase of \$14,350.

In response to a question from Brandt, Elkins indicated that the imputed administrative fee range would be between \$1 and \$16,400 with the amount assessed based on the financial viability of the District.

In response to a question from Hadcock, Elkins indicated that there is no currently fee for a Project Plan reallocation request. Green indicated that the \$1,000 application fee would apply to Project Plan reallocation requests.

Brandt moved, Green seconded and carried unanimously to increase the Imputed Administrative Fees for a Tax Increment District to a range of \$1 to \$20,000.

Review of commercial/industrial property contained in active economic development districts

Elkins presented the summary report of the twenty-one active economic development districts noting the total acreage and total commercial/industrial zoned property per district. Elkins indicated that the zoning reflected on the individual district maps is based on the current zoning and thanked Ficken for her work on the project.

Kooiker moved to recommend that the Project Plan identify the actual percentage of commercial and industrial zoned acreage in the proposed District. Hadcock seconded the motion.

In response to a question from Hanks, Elkins indicated that the percentage of commercial and industrial zoned acreage in the proposed District and the projected percentage of commercial and industrial Future Land Use designation acreage in the proposed District based on the Future Land Use Plan will be identified in the staff report for each request. Discussion followed regarding the manner in which the requested zoning information would be addressed under the new process.

Discussion followed regarding establishing a minimum percentage of commercial and industrial zoned acreage for the economic development designation and the economic development criteria as identified by State statute.

Okrepkie recommended establishing a 20%-30% commercial threshold for a District to qualify for the economic development designation. Chapman indicated that the intent of the motion will bring those percentages forward allowing the City Council to review the merits of each request. Chapman indicated that establishing a minimum threshold could result in denial of requests that provide a necessary public benefit such as the Federal Beef District.

Discussion followed regarding the impact of the District designation on the taxpayer assessment for the School Aid funding. Hanks clarified that the School District funding is not impacted by the creation of a Tax Increment District. Hanks indicated that the District designation addresses the distribution of the School funding to taxpayers State wide or to taxpayers in the affected School District

Discussion followed regarding criteria guidelines for economic development districts. Green voiced support for the motion allowing City Council the discretion to approve or deny a request based on its merits. Discussion continued. Elkins addressed the expansion of the Federal Beef District boundaries for a City infrastructure project noting the impact the boundary expansion requested by the City Council had on the commercial percentages.

The motion to recommend that the Project Plan identify the actual percentage of commercial and industrial zoned acreage in the proposed District carried unanimously.

Calculation method for Necessary and Convenient Costs, Contingency Costs and Professional Fees

In response to a question from Hadcock, Elkins clarified the manner utilized by staff to calculate the Necessary and Convenient Costs. Elkins indicated that the level of detailed engineering information and project size are contributing factors in the cost calculations. Elkins indicated that Contingency Costs and Professional Fees are typically provided by the developer.

In response to a question from Hadcock, Elkins indicated that the detailed development plans are prepared prior to the start of construction noting that a Tax Increment District must be approved prior to the start of any construction. Green indicated that the reallocation of funding from the Necessary and Convenient Costs line item requires Council approval. Discussion followed regarding developer and City initiated reallocation requests.

Elkins commented on the benefits realized by the City from the Necessary and Convenient Cost line item. Brandt indicated the Necessary and Convenient Costs provide a protection to the developer as the project is being proposed without the benefit of a fully engineered design plan.

Hadcock recommended that use of the Necessary and Convenient Costs be restricted to the original project costs.

Kooiker recommended establishing a percentage threshold for use of the Necessary and Convenient Costs with written justifications provided for expenditure requests exceeding that threshold.

In response to a question from Sumption, Elkins clarified the purpose and use of the Necessary and Convenient Costs and Contingency Costs noting the flexibility the Necessary and Convenient Costs provided the City in funding necessary City projects.

Green moved to recommend that a developer be required to provide written justification for funding requests in excess of ten (10%) percent of the total of the Necessary and Convenient Cost and Contingency Cost line items. Kooiker seconded the motion.

Discussion followed regarding the level of documentation required for the reallocation of project costs. Green indicated that the justification requirement will require a developer to carefully consider their initial funding requests. Green recommended that the justification requirement be applicable to both developer and City originated requests. In response to a question from Tennyson, Green indicated that a request for reallocation of Projects Costs would prompt the requirement for written justification.

The motion to recommend that a developer be required to provide written justification for funding requests in excess of ten (10%) percent of the total of the Necessary and Convenient Cost and Contingency Cost line items carried unanimously.

Required itemized list of Estimated Costs, including Professional Fees

Ellis indicated that an itemized list, with associated costs, is needed to clarify what work is being performed and that they are allowable costs.

In response to a question from Kooiker, Green indicated that the City Consultant Selection Process cannot be utilized for Tax Increment requests noting that the applicant has most likely initiated work with a consulting firm prior to application providing that firm with a distinct advantage in the selection process. Green voiced support for the itemization of the Professional Fees.

Elkins clarified that the Public Works Department reviews the Estimated Costs and Professional Fees initially and the Finance Department reviews the fees as they are submitted for payment.

Elkins recommended that the Policy address the payment of management fees noting that some developers have submitted payment requests for managing their own projects. Discussion followed regarding clarification of the allowable Professional Fees as defined by State Statute and the intent of management fees as an allowable cost.

Kooiker moved, Brandt seconded and carried unanimously to recommend that the developer be required to provide an itemized list of the Estimated Costs, including the Professional Fees as identified under South Dakota Codified Law, Chapter 11-9-15.

Oversizing costs for Drainage Improvements

Ellis stated that the developer should fund the drainage improvements required to support their development and that the City should fund any oversized drainage costs that will benefit an expanded service area.

Chapman recommended development of a drainage fee or drainage utility fund to assist in funding community drainage improvement projects. Green stated that the drainage fee discussion is beyond the scope of the committee and recommended that it be discussed in another forum.

Hadcock moved, Green seconded and carried unanimously to table the Oversizing Costs for Drainage Improvements discussion.

Timeline for project completion, public hearings and presentation to City Council

Kooiker moved, Okrepkie seconded and carried unanimously to accept the Timeline Schedule as presented.

In response to a question from Okrepkie, Elkins indicated that additional language on the Affordable Housing item would be provided at the June 12, 2008 meeting.

Green recommended that the future meetings be held as scheduled regardless of quorum. Green indicated that the membership, whether present or absent, can be kept advised of the project progress by routing the meeting discussions to the membership via email.

Adjourn

There being no further business the meeting was adjourned at 12:48 p.m.

MINUTES
TAX INCREMENT FINANCING GUIDELINES REVIEW COMMITTEE
June 12, 2008

MEMBERS PRESENT: Malcom Chapman, Bill Okrepkie, Karen Gundersen Olson, Deb Hadcock, Ethan Schmidt, Bob Brandt, Dan Dryden, Marcia Elkins, Robert Ellis

OTHERS PRESENT: Nancy Jensen, Diane Dahl, Alan Hanks, Mike Schad, Karen Bulman, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 11:35 a.m. noting that a quorum was not present.

Affordable Housing Standards Language

Elkins presented the language for the Committee's consideration regarding the utilization of Tax Increment Financing to encourage the development affordable and workplace housing. Elkins reviewed the affordable housing language in the current Policy noting that it was one of the two of six criteria that must be met.

Okrepkie expressed concern that the proposed language does not protect the taxpayer investment by requiring measures to insure that the affordable status remains in place for future purchasers.

Discussion followed regarding the manner in which properties can be retained as affordable housing.

In response to a question from Dryden, Elkins indicated that all projects costs must be expended within the District boundaries noting that additional projects costs, equal to the donation made to an affordable housing organization, could be added to the Project Plan.

Discussion followed regarding the need for affordable and workforce housing within the community.

Gundersen Olson addressed the philosophical change required for City Council to make the decision that affordable and workforce housing benefits the community. Gundersen Olson stated that those individuals that serve a community bring value to the community and should therefore live in the community. Gundersen Olson recommended that the development of affordable and workforce housing be addressed by the City Council.

Discussion followed regarding how to achieve the goals of affordable housing without placing a financial burden on City taxpayers.

Brandt expressed his opinion that the affordable housing requirement should not be a mandatory burden to all Tax Increment requests noting that there are other avenues the City could consider to promote affordable housing of developments. Discussion continued

Discussion continued regarding how the proposed affordable housing language might be implemented.

Hanks indicated that the task of the Committee is to review the rules and regulations of the current policy noting that the affordable housing issue would be a new component to that policy. Hanks indicated that he would support appointing a separate committee to address the affordable and workforce housing issue.

Discussion continued regarding the proposed housing language.

Okrepkie recommended moving the affordable housing discussion to a different venue noting that the issue requires a more in depth discussion. Gundersen Olson recommended completing the review of the Tax Increment Financing Policy with the understanding that the issue of affordable and workforce housing could be an element incorporated into the Tax Increment Policy at a future time. Brandt expressed concern with placing City Council in the position of voting on the approval or disapproval of public housing.

Chapman and Ellis entered the meeting at 12:00 p.m.

Elkins noted that a quorum was now present. She delayed the meeting for a brief lunch break.

Approval of Minutes

Okrepkie moved, Brandt seconded and carried unanimously to approve the minutes of the May 29, 2008 meeting.

Affordable Housing Standards Language (cont)

Gundersen Olson briefly reviewed the discussion to continue the affordable housing issue to a different venue for a more in depth discussion. Hanks indicated support for the appointment of a new committee to address the affordable housing issue.

Hadcock indicated that affordable housing was an issue the Committee elected to discuss noting that the proposed language can be included in the policy to acknowledge the importance of affordable housing to the community.

Hanks indicated that an element of affordable housing is addressed in the existing policy and suggested moving that language to the Mandatory Criteria section of the policy with the stipulation that it apply to residential developments only.

Discussion followed regarding the political impact of having affordable housing be approved or denied at the discretion of the City Council.

Okrepkie recommended that the affordable housing issue be addressed at a City Council Information meeting.

Brandt moved to retain the current affordable housing language:

- 6. The project will result in the construction of affordable housing units defined as housing where the occupant is paying no more than thirty percent (30%) of gross income for housing costs including utilities and complies with the following requirements:**
 - A. Affordable housing projects must target residents at or below eighty percent (80%) of median income with rents at thirty percent (30%) of the tenants income or the Fair Market Rent (FMR) for the Section 8 Program whichever is greater. A minimum of 51% of the dwelling units of the proposed**

development shall be occupied by households meeting this income guideline;

- B. Affordable housing is required to remain affordable as defined above for ten (10) years. If affordability is less than ten (10) years, repayment of prorata share of increment benefit will be due and payable to the City.**

and to recommend that the Mayor and City Council appoint a committee to address all components of the affordable housing issue. Okrepkie seconded the motion.

Chapman voiced opposition to the motion noting that all of the recommendations of the Committee will go forward to the City Council for discussion and the City Council will be charged with the final composition of the tax increment policy. Chapman urged the Committee to voice their support for the development of affordable housing by including the proposed language in the working draft.

Discussion continued regarding the accountability requirements of the current affordable housing criteria.

Hanks indicated that compliance with the existing language is not mandatory noting that the issue deserves further review. Hanks suggested that other individuals and agencies should be included in the committee appointed to review the issue.

Discussion followed regarding the lack of interest from the community as a whole in the affordable housing issue and methods for the City to renew interest in the issue.

Hadcock moved a substitute motion to move the existing affordable housing language to the Mandatory Criteria section requiring all tax increment funded projects to meet the criteria. Motion failed for lack of a second.

Discussion continued regarding the need to continue the review of the affordable housing issue for the purpose of addressing all components that impact affordable housing developments and to address taxpayer concerns with the use of Tax Increment Financing for such developments.

Brandt called the question, Hadcock seconded and the motion carried with Schmidt and Chapman voting no.

The motion to retain the current affordable housing language:

- 6. The project will result in the construction of affordable housing units defined as housing where the occupant is paying no more than thirty percent (30%) of gross income for housing costs including utilities and complies with the following requirements:**
 - A. Affordable housing projects must target residents at or below eighty percent (80%) of median income with rents at thirty percent (30%) of the tenants income or the Fair Market Rent (FMR) for the Section 8 Program whichever is greater. A minimum of 51% of the dwelling units of the proposed development shall be occupied by households meeting this income guideline;**
 - B. Affordable housing is required to remain affordable as defined above for ten (10) years. If affordability is less than ten (10) years, repayment of prorata share of increment benefit will be due and payable to the City.**

and to recommend that the Mayor and City Council appoint a committee to address all components of the affordable housing issue carried with Schmidt and Chapman voting No.

Long Range Planning for the Use of Tax Increment Financing

Elkins presented the proposed revisions to the Purpose of Tax Increment Financing section of the existing policy.

Brandt moved to approve the amended language to the Purpose of Tax Increment Financing section of the existing policy as follows:

Purpose of Tax Increment Financing. The City of Rapid City recognizes the following purposes for the use of Tax Increment Financing:

- 1. To encourage the redevelopment of deteriorated or otherwise blighted real property in Rapid City through the investment of public funds;**
- 2. To stimulate economic development in the community by assisting projects that promote the long term economic vitality of the community;**
- 3. To stimulate increased private investment in areas that would have otherwise remained undeveloped or under-developed and which will, in the long term, provide a significant source of additional tax revenues to all taxing entities;**
- 4. To stimulate the construction of safe and affordable housing units for low and moderate income residents and workers in the community; and,**
- 5. To facilitate the reconstruction, maintenance and completion of the City's existing infrastructure network to support the existing growth and future growth of the community.**

Dryden seconded the motion.

In response to a question from Gundersen Olson, Elkins recommended inclusion of a friendly amendment to revise the language of Item 5 to add "and guide the future growth of the community". **Brandt and Dryden accepted the friendly amendment to the motion.**

Discussion followed regarding the political will that will be required to address requests for leap frog development.

The motion to approve the amended language to the Purpose of Tax Increment Financing section of the existing policy as follows:

Purpose of Tax Increment Financing. The City of Rapid City recognizes the following purposes for the use of Tax Increment Financing:

- 1. To encourage the redevelopment of deteriorated or otherwise blighted real property in Rapid City through the investment of public funds;**
- 2. To stimulate economic development in the community by assisting projects that promote the long term economic vitality of the community;**
- 3. To stimulate increased private investment in areas that would have otherwise remained undeveloped or under-developed and which will, in the long term, provide a significant source of additional tax revenues to all taxing entities;**
- 4. To stimulate the construction of safe and affordable housing units for low and moderate income residents and workers in the community; and,**
- 5. To facilitate the reconstruction, maintenance and completion of the City's existing infrastructure network to support the existing growth and guide the future growth of the community.**

carried unanimously.

Limitations on Allowable Costs

Elkins presented the draft language to establish general guidelines for allowable and non-allowable Tax Increment Financing Project costs. Elkins clarified that the allowable and non-allowable costs identified in the proposed language are all allowable project costs as identified by State Statute.

Okrepkie moved to approve the Allowable Project Costs language as amended:

Project Costs

Allowable Project Costs: To accomplish the purposes of Tax Increment Financing, the following costs are determined to be allowable costs:

1. Oversizing costs for sewer, water and streets required by the City of Rapid City;
2. Extension of off-site sewer, water, street and public improvements to the development site;
3. Oversizing costs for storm drainage detention and transmission facilities to accommodate storm water runoff beyond that generated by the development;
4. Reconstruction of existing streets, water, sewer, sidewalks or other public infrastructure;
5. Regional lift stations, pump stations or other public facilities to be owned by the City of Rapid City;
6. Public playgrounds, parks and recreational improvements to be owned by the City of Rapid City;
7. Demolition costs for the removal of existing structures or infrastructure;
8. Interest and financing fees;
9. Imputed administrative fees due to the City;
10. Removal and replacement of contaminated soils;
11. Professional service fees limited to engineering, design, survey and construction management associated with allowable project costs;
12. Costs, at the discretion of the governing body, which are found to be necessary or convenient to the creation of the Tax Incremental District or the implementation of the Project Plan; and
13. Alteration, remodeling, repair, or reconstruction of existing buildings or structures.

Project Costs Not Allowed: The following costs are not allowed unless specifically authorized by the Rapid City Council:

1. Acquisition of equipment or other permanent fixtures;
2. Private Development site improvements including but not limited to parking lots, landscaping, driveways, site lighting, sidewalks, signs, grading and fill;
3. Real property assembly costs including land acquisition;
4. Clearing and grading of land;
5. Relocation costs;
6. Organizational costs;
7. Professional service fees including engineering, design, survey and construction management fees associated with project costs not allowed as part of the Project Plan;
8. Legal and developer fees.

Gundersen Olson seconded the motion.

Chapman suggested that as the costs identified on both lists are allowed under State Statute the Not Allowed costs should be non-negotiable and not subject the discretion of the City Council.

In response to a question from Brandt, Elkins clarified that Item 2 of the Not Allowed costs applies to the on-site improvements only.

Discussion followed regarding allowing the City Council flexibility in approving project costs subject to the specific demands of each development.

Chapman moved a substitute motion to approve all costs, Allowed and Not Allowed, as Allowable Project Costs. Okrepkie seconded the motion.

Gundersen Olson spoke against the substitute motion noting the opportunity available to effect change to an operational guideline of the City. Hadcock concurred and urged the Committee to strengthen the Tax Increment guidelines by approving the specific allowable and non-allowable project costs.

Hanks and Dryden left the meeting at 1:07 p.m.

The substitute motion to approve all costs, Allowed and Not Allowed, as Allowable Project Costs failed unanimously.

The motion to approve the Allowable Project Costs language as amended:

Project Costs

Allowable Project Costs: To accomplish the purposes of Tax Increment Financing, the following costs are determined to be allowable costs:

- 1. Oversizing costs for sewer, water and streets required by the City of Rapid City;**
- 2. Extension of off-site sewer, water, street and public improvements to the development site;**
- 3. Oversizing costs for storm drainage detention and transmission facilities to accommodate storm water runoff beyond that generated by the development;**
- 4. Reconstruction of existing streets, water, sewer, sidewalks or other public infrastructure;**
- 5. Regional lift stations, pump stations or other public facilities to be owned by the City of Rapid City;**
- 6. Public playgrounds, parks and recreational improvements to be owned by the City of Rapid City;**
- 7. Demolition costs for the removal of existing structures or infrastructure;**
- 8. Interest and financing fees;**
- 9. Imputed administrative fees due to the City;**
- 10. Removal and replacement of contaminated soils;**
- 11. Professional service fees limited to engineering, design, survey and construction management associated with allowable project costs;**
- 12. Costs, at the discretion of the governing body, which are found to be necessary or convenient to the creation of the Tax Incremental District or the implementation of the Project Plan; and**

13. Alteration, remodeling, repair, or reconstruction of existing buildings or structures.

Project Costs Not Allowed: The following costs are not allowed unless specifically authorized by the Rapid City Council:

- 1. Acquisition of equipment or other permanent fixtures;**
- 2. Private Development site improvements including but not limited to parking lots, landscaping, driveways, site lighting, sidewalks, signs, grading and fill;**
- 3. Real property assembly costs including land acquisition;**
- 4. Clearing and grading of land;**
- 5. Relocation costs;**
- 6. Organizational costs;**
- 7. Professional service fees including engineering, design, survey and construction management fees associated with project costs not allowed as part of the Project Plan; and,**
- 8. Legal and developer fees.**

carried with Chapman and Okrepkie voting no.

Other Business

Elkins expressed the concerns of staff with the proposal to eliminate the Tax Increment Finance Committee and requested that the Committee reconsider this recommendation.

Elkins advised the Committee of the meeting scheduled for June 26, 2008 noting that the meeting will convene at 12:00 p.m.

Adjourn

There being no further business to come before the committee Okrepkie moved, Hadcock seconded and carried unanimously to adjourn at 1:09 p.m.

MINUTES
TAX INCREMENT FINANCING GUIDELINES REVIEW COMMITTEE
June 26, 2008

MEMBERS PRESENT: Bill Okrepkie, Karen Gundersen Olson, Sam Kooiker, Ethan Schmidt, Dan Dryden, Mike Tennyson, Marcia Elkins, Robert Ellis, Jason Green, Pauline Sumption

OTHERS PRESENT: Diane Dahl, Alan Hanks, Ron Weifenbach, Karen Bulman, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 12:03 p.m.

Approve Minutes

Okrepkie moved, Schmidt seconded and carried unanimously to approve the minutes of the June 12, 2008 meeting.

Review of Working Draft – Tax Increment Financing Policy

Elkins presented the following documents for Committee review: Summary of Changes Recommended by the Tax Increment Financing Guidelines Review Committee, Draft Final Report of the Tax Increment Financing Guidelines Review Committee and Working Draft-Tax Increment Financing in Rapid City, A Guide for Applicants.

Green expressed concern that the Interest Rate Bench Mark language could be problematic as there is no clear timeframe as to when the interest rate changes. Green recommended that the triggering mechanism be hard coded in to the language.

Discussion followed regarding amending the Interest Rate Bench Mark language to establish definite criteria that must be met to prompt the rate changes.

In response to a question from Weifenbach, Okrepkie recommended caution when utilizing bonding to refinance a Tax Increment District. Okrepkie indicated that the bonding process would alleviate the developer responsibility for repayment of the District and could adversely impact the City's bonding threshold.

Discussion continued regarding the Interest Rate Bench Mark language.

Kooiker moved to request that the City Attorney provide a revised draft Interest Rate Bench Mark language for Committee consideration at the July 10, 2008 meeting. Okrepkie seconded the motion.

Tennyson indicated that the intent of the Interest Rate Bench Mark language is to secure the lowest interest rates possible for the purpose of paying off a district sooner. Tennyson voiced support for the use of bonding to refinance cash flowing districts.

Schmidt offered amendments to the Interest Rate Bench Mark language of the City Attorney's consideration. Discussion continued.

The motion to request that the City Attorney provide a revised draft Interest Rate Bench Mark language for Committee consideration at the July 10, 2008 meeting carried unanimously.

Review of the Summary of Changes continued.

Gundersen Olson requested that the City Attorney clarify the distinction between blight due to substandard buildings and blight due to lack of infrastructure improvements. Discussion followed regarding the confusion between the State Statute definition of blight and the public perception of blight.

Hanks addressed the broad definition of blight provided by SDCL 11-9-11 noting that "site improvements" does include the lack of infrastructure to a site.

Kooiker indicated that the working language is too broad and requires further clarification.

Kooiker moved to request that the City Attorney provide language clarifying that the lack of City infrastructure alone, such as water, sewer and streets, does not constitute blight for Committee consideration at the July 10, 2008 meeting. Schmidt seconded the motion.

In response to a question from Schmidt, Green indicated that the City guidelines can be more restrictive than State Statute.

In response to a question from Weifenbach, Elkins reviewed the manner in which the blight criteria is addressed in the Staff Report. Weifenbach recommended that the blight criteria be itemized in the Staff Report.

Discussion followed regarding clarification of the "blight" criteria that would allow the City Attorney to support approval of tax increment financing requests. Green indicated that his opinion will continue to be based on State Statute noting that the approval or disapproval of a project rests with the City Council.

Discussion continued regarding the recommendation that the lack of City infrastructure alone be eliminated as a "blight" criteria. Kooiker recommended that the City Attorney provide a more detailed explanation as to why a project does not meet the "blight" criteria.

Gundersen Olson expressed concern with the public perception when the City Council acts in opposition to the recommendation of the City Attorney.

The motion to request that the City Attorney provide language clarifying that the lack of City infrastructure alone, such as water, sewer and streets, does not constitute blight for Committee consideration at the July 10, 2008 meeting carried with Tennyson voting No.

Review of the Summary of Changes continued.

Sumption requested that the presentation date for the Annual Summary of Active Tax Increment Finance Districts be amended to July 31st to allow for a more consistent timeframe for presentation of annual reports to the City Council.

Tennyson moved, Dryden seconded and carried unanimously to amend the reporting date for the Annual Summary of Active Tax Increment Finance Districts to “annually on or before July 31”.

Review of the Summary of Changes continued.

Green recommended assessing the Imputed Administrative Fees to each phase of a Tax Increment District. Sumption addressed the additional accounting requirements for Project Costs that are processed in individual phases.

Elkins clarified that Green's suggestion to assess an Imputed Administrative Fee of \$20,000 per phase. Discussion followed.

Green moved, Gundersen Olson seconded and carried unanimously to request that the City Attorney provide language addressing the application of Imputed Administrative Fees for a phased Tax Increment District for Committee consideration at the July 10, 2008 meeting.

Review of the Summary of Changes continued.

Elkins presented the Final Report of the Tax increment Financing Guidelines Review Committee noting that the public hearing has been tentatively scheduled for July 24, 2008 at 7:00 p.m. in Council Chambers. In response to a question from Weifenbach, Elkins indicated that the public notice of the July 24, 2008 meeting would include notification of a Special City Council meeting for quorum concerns.

Adjourn

There being no further business to come before the Committee, Okrepkie moved, Green seconded and carried unanimously to adjourn the meeting at 1:06 p.m.

MINUTES
TAX INCREMENT FINANCING GUIDELINES REVIEW COMMITTEE
July 10, 2008

MEMBERS PRESENT: Bill Okrepkie, Karen Gundersen Olson, Ethan Schmidt, Bob Brandt, Dan Dryden, Norbert Sebade, Mike Tennyson, Marcia Elkins, Robert Ellis, Jason Green

OTHERS PRESENT: Jennifer Dowling (Black Hills Fox), Steven Schipke (Black Hills Fox), Dave Kidd (Black Hills Fox), Nancy Jensen, Diane Dahl, Dale Jensen, Karen Bulman, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 12:02 p.m.

Approve Minutes

Okrepkie moved, Tennyson seconded and carried unanimously to approve the minutes of the June 26, 2008 meeting.

Kooiker recommended that Agenda Item #6 be addressed pending the arrival of Green.

Review of Working Draft – Tax Increment Financing Policy

Elkins expressed staff's concerns regarding the recommendation to eliminate the Tax Increment Finance Project Review Committee. Ellis voiced support for retention of the Tax Increment Finance Project Review Committee. Discussion followed regarding the impact the membership of the Tax Increment Finance Project Review Committee has on the public perception of its activities.

Kooiker stated that requests for public funding should be addressed in open meetings which allow public comment noting that streaming audio of the meetings should also be provided.

In response to a question from Schmidt, Elkins clarified that the recommendation of the Committee is to dissolve the Tax Increment Finance Project Review Committee.

In response to a question from Okrepkie, Kooiker voiced support for dissolving the Tax Increment Finance Project Review Committee to insure that applications for public funding are addressed in open public hearings.

Green entered the meeting at 12:10 p.m.

Discussion followed regarding the history and purpose of the Tax Increment Finance Project Review Committee. Elkins stated that prior to the establishment of the Tax Increment Finance Project Review Committee tax increment financing requests were presented at the discretion of the Mayor. Elkins indicated that the intent of the Committee was to receive input from the Council and Planning Commission prior to staff time being dedicated to developing a project plan.

Dryden indicated that elimination of the Tax Increment Finance Project Review Committee will require the Planning Commission to dedicate additional time to the review of tax increment requests. Discussion followed regarding the level of information that would be made available to the Planning Commission.

Green clarified that the Council currently has the discretion to require that all financial information be made public. In response to a question from Schmidt, Green clarified that with the elimination of the Tax Increment Finance Project Review Committee the proprietary information would be available to the Mayor and staff only unless otherwise directed by the Council.

In response to a question from Gundersen Olson, Kooiker expressed his opinion that all aspects of an application for public financing should be open to public review. Kooiker indicated that the lack of public comment at the committee level fostered the public distrust of the current process. Discussion continued regarding the impact of the proposed changes on tax increment financing activity.

In response to a question from Gundersen Olson, Sebade suggested that requests for tax increment financing would continue to come forward noting the manner in which an applicant could structure their application to release very limited financial information.

Elkins recommended that the Committee return to the agenda as Green was now present.

Interest Rate Bench Mark Language

Green presented amendments to the Interest Rate Bench Mark Language for the purpose of establishing an identifiable starting date for the interest accrual.

In response to a question from Tennyson, Green indicated that the three year date was proposed as project development is usually completed before the fifth year. Discussion followed regarding clarification of the construction contract initiating the three year timeframe.

In response to a question from Schmidt, Green indicated that the City will determine when substantial completion has occurred.

Discussion followed regarding the constraints of the three year timeframe versus a five year timeframe. Tennyson supported the five year timeframe to insure that the development moves forward and revenues are being generated. Discussion followed.

Kooiker moved to approve the amendments to the Interest Rate Bench Mark Language as follows. The Tax Increment Finance interest rate shall not exceed nine (9) percent during the life of the Tax Increment Finance. No interest expense will be allowed until a contract for construction to begin within 20 days is executed by the developer. During the construction phase of the project the interest rate shall not to exceed nine (9) percent. Upon substantially completion of the improvements, or within 3 years, whichever is less, the rate shall be reset at not more than three (3) percent over the published ten (10) year U.S. Treasury rate not to exceed nine (9) percent. That rate shall remain in effect for a five year period, at which time it will be reset using the same formula. The City shall also retain the right to refinance any Tax Increment Finance through the use of Revenue Bonds or any other funding source available during the life of the Tax Increment Finance. Okrepkie seconded the motion.

Discussion continued regarding the development timeframe.

Tennyson moved to amend the motion to revise the development timeframe for the revised Interest Rate Bench Mark Language from “within three years” to “within five years”. Brandt seconded the motion.

Discussion followed regarding the development timeframe and avenues available to the City to dissolve a non-performing tax increment district.

In response to a question from Gundersen Olson, Ellis indicated that the standard specifications for all infrastructure would be the criteria for determining substantial completion of improvements. Ellis indicated that when the infrastructure is complete to the point that it can be used it is considered substantially complete.

Discussion continued regarding the advantages and disadvantages of a three year or five year development timeframe.

The motion to amend the motion to revise the development timeframe for the revised Interest Rate Bench Mark Language from “within three years” to “within five years” carried 7 to 3.

Kooiker moved to amend the amended motion to clarify that in case of a dispute the City Council shall determine the date of substantial completion. Okrepkie seconded the motion.

Discussion followed regarding the mechanism for determining substantial completion of a project. Kooiker clarified that the Council action would only address the issue of substantial completion should there be a dispute.

The motion to amend the amended motion to clarify that in case of a dispute the City Council shall determine the date of substantial completion carried unanimously.

The motion as amended to revised the Interest Rate Bench Mark Language to read: The Tax Increment Finance interest rate shall not exceed nine (9) percent during the life of the Tax Increment Finance. No interest expense will be allowed until a contract for construction to begin within 20 days is executed by the developer. During the construction phase of the project the interest rate shall not to exceed nine (9) percent. Upon substantially completion of the improvements, or within 5 years, whichever is less, the rate shall be reset at not more than three (3) percent over the published ten (10) year U.S. Treasury rate not to exceed nine (9) percent. That rate shall remain in effect for a five year period, at which time it will be reset using the same formula. The City shall also retain the right to refinance any Tax Increment Finance through the use of Revenue Bonds or any other funding source available during the life of the Tax Increment Finance. In case of a dispute as to the date of substantial completion, the City Council’s determination shall be final, carried unanimously.

Clarification of Blight Language

Green presented the language requested by the committee to clarify that the absence of infrastructure alone would not be sufficient to constitute blight.

Kooiker voiced support for the additional language noting that it will address the public concerns regarding the issue of blight as it applies to a tax increment financing request.

Kooiker moved to approve the incorporation of the following additional blight criteria to the draft policy: Provided that the absence of infrastructure such as City water, City sewer, City streets, by itself shall not be sufficient to constitute blight for purposes of tax increment finance district approval. Schmidt seconded the motion.

Discussion followed regarding the impact the proposed language will have on requests for tax increment financing.

Brandt indicated that the proposed terminology will place the responsibility for infrastructure development on the City. Brandt stated that developers must have access to tax increment financing if they are required to fund all infrastructure development to their projects.

Ellis indicated that the Public Works perspective of blight focuses on improving the quality of life by addressing potential health and safety issues that result from the lack of infrastructure or substandard infrastructure. Ellis indicated that infrastructure improvements that provide improved fire flows, sanitary sewer services and fire and police response times improve the quality of life and reduce the potential for blight. Ellis indicated that the infrastructure improvements could benefit users both inside and outside of the District boundaries.

Gundersen Olson indicated that the proposed terminology does not allow consideration of the community benefits that could be realized by a proposed project.

Kooiker indicated that the use of tax increment financing can be used for infrastructure development noting that it should not be the single purpose of the project. Kooiker indicated that adoption of the proposed terminology would assist in restoring public confidence in the process. Discussion continued.

The motion to approve the incorporation of the following additional blight criteria to the draft policy: Provided that the absence of infrastructure such as City water, City sewer, City streets, by itself shall not be sufficient to constitute blight for purposes of tax increment finance district approval, failed 2 to 8.

Imputed Administrative Fees

Green presented the recommendation to increase the Imputed Administrative Fees by 10% on an initially phased project plan and 25% on a revised and subsequently phased project plan. Green indicated that the intent of the fee increase is to address the additional staff administrative requirements created by a phased project plan.

Discussion followed regarding increasing the imputed administrative fees without resetting the District's base value.

Tennyson moved, Brandt seconded and carried unanimously to increase the Imputed Administrative Fees by 10% on an initially phased project plan and 25% on a revised and subsequently phased project plan.

Review of Working Draft – Tax Increment Financing Policy (cont)

Brandt moved, Green seconded and carried unanimously to approve the Draft Tax Increment Financing Policy as amended and to schedule a public hearing to receive comment on the Draft Tax Increment Financing Policy for Thursday, July 24, 2008 at 7:00 p.m. in the Council Chambers.

Next Meeting

Discussion followed regarding various methods to provide the general public with notice of the July 24, 2008 public hearing including: display ad, direct mail, Chamber of Commerce and Economic Development Partnership mailing lists.

Kooiker recommended that staff provide an introduction at the July 24 meeting summarizing the changes to the Tax Increment Policy. Discussion followed regarding the format for the public hearing.

Adjourn

There being no further business Kooiker moved, Okrepkie seconded and carried unanimously to adjourn the meeting at 1:16 p.m.

MINUTES
TAX INCREMENT FINANCING GUIDELINES REVIEW COMMITTEE
July 24, 2008

MEMBERS PRESENT: Malcom Chapman, Karen Gundersen Olson, Deb Hadcock, Sam Kooiker, Ethan Schmidt, Bob Brandt, Dan Dryden, Mike Tennyson, Marcia Elkins, Robert Ellis, Jason Green, Pauline Sumption

OTHERS PRESENT: Alan Hanks, Karen Bulman, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 7:00 p.m. with an introduction of the committee membership.

Summary of proposed changes to Tax Increment Finance Policy

Green provided a brief review of the committee's nineteen recommended amendments to the Tax Increment Finance Policy.

Public Comment

Green moved, Schmidt seconded and carried unanimously to limit public comment to three minutes per speaker with additional comments being allowed after all speaker requests have been heard.

Fred Weishaupl stated that while some of the proposed changes are good he remains concerned with apparent give-away items such as the remodeling of existing buildings or structures. Weishaupl recommended extending the resubmission timeframe for denied applications to 180 days and requiring an application fee for all resubmissions. Weishaupl indicated that the longer timeframe and application fee would discourage frivolous requests and reduce the demand on staff time. Weishaupl provided a list of written comments.

Michael Derby requested that the committee review a scenario regarding the creation of a Tax Increment District in the Canyon Lake/Chapel Valley area within the context of the revised Policy and provide direction as to how the proposed changes would impact such a development. Derby provided a written summary of the Canyon Lake Tax Increment District scenario. Elkins indicated that the development scenario would be analyzed by the committee during their continued review of the Policy.

Paul Evans expressed his concern with the inclusion of property in a Tax Increment District without the property owner's consent or notification. Evans indicated that it should be mandatory that the applicant notify the land owner when their property is being included in a proposed district. Evans addressed the impact that including property in a district without the property owner's consent could have on that property owner's future development plans.

Dale Jensen voiced support for dissolving the Tax Increment Finance Project Review Committee. Jensen indicated that the general public's lack of understanding of the mechanics of tax increment financing facilitates the general distrust of their use. Jensen indicated that the general public would be more acceptable to funding infrastructure improvements through the use of municipal bonds. Jensen recommended that the classification of Professional Service Fees as an allowable or not allowed project cost be clarified. In response to a question, Elkins indicated that the job creation requirements are established by State statute. Jensen

encouraged the City to identify infrastructure needs and have the funding place before initiating the project.

Bill Dambowoy voiced concern with the impact tax increment financing has on the School District pension fund, capital outlay fund and special education fund. Dambowoy encouraged the committee to fully research the financial impact the tax increment financing projects have on School District funding.

Steven Brenden stated that a main function of tax increment financing was urban renewal and should be used to revitalize older areas through infrastructure improvements. Brenden stated that the volume of Tax Increment Districts is a disservice to the County and School financial positions. Brenden expressed concern that the tax increment districts are being used to the financial advantage of the developer. Brenden indicated that tax increment financing is a handout and suggested that the financially able developers fund their own projects. Brenden encouraged the use of bonding noting that tax increment financing should be utilized for urban renewal instead of new development.

Diana Dahl commended the committee for their efforts on the policy revisions. Dahl voiced support for the retention of the Project Review Committee noting that the volume of applications addressed by the Planning Commission will prohibit the detailed review that tax increment financing applications demand. Dahl indicated that an open meeting format would address the public concerns with the Project Review Committee. Dahl encouraged the committee to provide further clarification of the financial interest disclosure requirements, to give more attention to affordable housing needs and to further restrict the definition of blight.

In response to a question from Weishaupl, Elkins indicated that at the July 31, 2008 meeting the committee would review the public comments and if necessary further revise and edit the Policy. Elkins indicated that should the committee complete their review of the Policy at the July 31, 2008 meeting the document would then move forward to the Legal & Finance Committee for presentation to the City Council and Mayor. In response to a question from Weishaupl, Elkins clarified that the committee does not intend to present the Policy to the Planning Commission for their review and comment at this time.

In response to a request from Jensen, Elkins indicated that the purpose of the meeting was to receive public comment noting that the committee would not address individual questions.

Brenden requested that the clearing and grading of land be permitted for urban renewal projects.

Adjourn

There being no further business to come before the committee, Brandt moved, Tennyson seconded and carried unanimously to adjourn the meeting at 7:37 p.m.

MINUTES
TAX INCREMENT FINANCING GUIDELINES REVIEW COMMITTEE
July 31, 2008

MEMBERS PRESENT: Bill Okrepkie, Karen Gundersen Olson, Deb Hadcock, Sam Kooiker, Ethan Schmidt, Bob Brandt, Dan Dryden, Norbert Sebade, Mike Tennyson, Marcia Elkins, Robert Ellis, Jason Green, Pauline Sumption

OTHERS PRESENT: Fred Weishaupl, Diane Dahl, Mike Derby, Sally Broucek, Nancy Jensen, Dale Jensen, Scott Aust (Rapid City Journal), Katy Sulhoft (KNBN), Alan Hanks, Karen Bulman, Sharlene Mitchell

Call to Order

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

Approval of Minutes

Brandt moved, Green seconded and carried unanimously to approve the minutes of the July 10, 2008 and July 24, 2008 meetings.

Review of Public Comments

Elkins presented the summary of the public comments for committee review.

1. Should the design, construction and expansion of private infrastructure (e.g. lift stations, water storage tanks, water lines, roads) be an allowable cost?

Brandt recommended allowing the costs in special situations subject to the discretion of the City Council. Ellis recommended that taxing entities such as a sanitary district not be allowed to utilize tax increment financing to fund system upgrades as an alternative to raising user rates. In response to a question, Elkins indicated that the policy as currently drafted does give the City Council the discretion to approve such costs. Green recommended that funding these costs be at the discretion of the City Council.

The committee recommended no change to the policy.

2. Should the acquisition of land for a private park be an allowable cost?

Elkins indicated that the policy as currently drafted does not allow the acquisition of private park land except at the discretion of the City Council. In response to a question from Schmidt, Elkins indicated that there are private parks owned by Homeowners Associations. Brandt recommended allowing these costs at the discretion of the City Council.

The committee recommended no change to the policy.

3. Should the demolition of private recreational facilities be an allowable cost?

The committee recommended no change to the policy.

4. Should alterations, remodeling, repair or reconstruction of existing buildings or structures be allowable costs?

Green recommended that utilization of the funding be restricted to “public” buildings. Okrepkie indicated that tax increment financing is an economic development tool that the downtown area should have access to. Hadcock expressed concern that allowing the private sector to utilize tax increment funding to remodel private structures would result in the same public perception of misuse that is currently being addressed. Discussion followed regarding the original intent of Tax Increment Financing to revitalize and reconstruct inner city areas. Sumption expressed concern with the use of public funds for private projects. Gundersen Olson indicated that private renovations should be allowed noting the older areas of the City that would benefit.

Hadcock moved to reclassify Allowable Project Cost #13-Alteration, remodeling, repair or reconstruction of existing buildings or structures as a “Project Costs Not Allowed”. Kooiker seconded the motion.

Discussion followed regarding the disclosure requirements of the current policy.

The motion to reclassify Allowable Project Cost #13-Alteration, remodeling, repair or reconstruction of existing buildings or structures as a “Project Costs Not Allowed” carried with Okrepkie voting No.

5. Should the “costs at the discretion of the governing body, which are found to be necessary or convenient” be allowed as allowable costs? (e.g. City Council exception)

Schmidt indicated that the language is too broad and recommended that all project costs be itemized. Brandt indicated that the language should be retained to insure the City Council can address special situations. Hadcock expressed concern with the general public perception of the language. In response to a question from Kooiker, Green indicated that the language would allow the City Council to consider requests to include developer costs in a project plan. Schmidt recommended that the item be moved to the “Project Costs Not Allowed” section to insure funding requests are fully reviewed by the City Council. Discussion followed regarding the typical projects costs that are funded under the Necessary and Convenient Costs and Contingency Costs line items. In response to a question from Hadcock, Green indicated that the policy language does require the applicant to provide an itemized list of project costs. Discussion continued regarding the manner in which the Necessary and Convenient Costs and Contingency Costs line items are utilized in an active project.

The committee recommended no change to the policy.

6. Should time frame for resubmission of a request that is denied be extended from 30 days to 180 days?

Discussion followed regarding the impact the proposed changes to the tax increment finance application process would have on the resubmission of denied applications. Brandt recommended retaining the 30 day timeframe with the applicant required to pay an application fee at the time of resubmission.

The committee recommended no change to the policy.

7. Should the restriction on the use of tax increment funds for the "clearing and grading of land" be revised or clarified?

In response to a question, Green clarified the types of work that would be performed under the "clearing and grading" category.

The committee recommended no change to the policy.

8. Should construction and reconstruction of dams, spillway repairs, lake bypass systems and dredging be allowable project costs?

In response to a question, Green indicated that these would be considered public infrastructure improvements and would be allowable costs.

The committee recommended no change to the policy.

Other Public Comments

Kooiker recommended that Item #1 of the Discretionary Criteria be amended to reflect the current minimum wage levels.

Green clarified that the \$10,000 amount does not represent a paid wage but is the standard for determining the number of full-time jobs that are to be generated based on the principal value of the tax increment district.

Discussion followed regarding application of the criteria to the principal value of the tax increment district when reviewing a request utilizing the criteria.

Schmidt addressed the concerns of the Pennington County Board of Commissioners regarding the impact tax increment financing has on property tax revenues.

Kooiker recommended that the Pennington County Board of Commissioners be advised of all requests for tax increment financing. Tennyson recommended that the Project Plans be provided to the Pennington County Board of Commissioners for their review. Elkins indicated that all taxing entities are advised by first class mail of the intent to create a tax increment district.

In response to a question, Schmidt indicated that the Pennington County Board of Commissioners is aware that property tax will substantially increase upon dissolution of a District. Schmidt indicated that the Commissioner's concern is with the revenue loss during the term of the District.

In response to a question from Gundersen Olson, Schmidt indicated that the each Commissioner receives a copy of the intent letter noting that the item is not placed on the agenda for public discussion.

Tennyson indicated that retention of the Tax Increment Finance Committee would maintain an avenue of communication with Pennington County.

Review of Final Report and Draft Tax Increment Financing Policy

Elkins indicated that several language changes have been made to the Final Report and Tax Increment Financing Policy noting that the intent of an item has not been altered by the changes.

In response to a question from Kooiker, Elkins indicated that the 10% taxable valuation is recalculated with the submission of each new tax increment financing request.

Brandt moved to forward the Tax Increment Financing Guide for Applicants and the Application for Tax Increment Financing to the City Council for formal action. Okrepkie seconded the motion.

In response to a question from Tennyson, Green indicated that the Imputed Administrative Fee was amended to a set dollar amount as the majority are projects are assessed the maximum fee. Green addressed the advantages of reflecting a set dollar amount for the Imputed Administrative Fee in the Project Plan.

In response to a question from Brandt, Elkins reviewed the current language regarding the Imputed Administrative Fee noting that the fee has never been based on a percentage of the project plan. Elkins indicated that the specific fee will provide direction to the Finance Office when assessing the fee. Green indicated that fee range was removed to eliminate the confusion as to the fee amount to be assessed.

Schmidt addressed the Pennington County Board of Commissioners concern with the fee revenue the City would realize from the tax increment applications. Discussion followed regarding the administrative demands of tax increment districts in relationship to the fee revenues they generate.

Noting his experience as a Planning Commissioner, Kooiker expressed concern that elimination of the Tax Increment Finance Project Review Committee will reduce the amount of review and public comment the applications will receive. Kooiker stated that the School and County participation in the process would be limited if the initial review of the application is at the Planning Commission.

Kooiker moved a substitute motion to reinstate the Tax Increment Finance Project Review Committee with:

- 1. The meeting being a legally noticed public hearings including minutes recordation, streaming audio, public comment and certified mail notification;**
- 2. The committee representation being amended to include a representative of the Pennington County Board of Commissioners; and**
- 3. The recommendation of the Tax Increment Project Review Committee being forwarded to the Planning Commission and City Council.**

Okrepkie seconded the motion.

Brandt indicated that the majority of tax increment financing requests are not controversial noting that the Planning Commission can schedule evening meetings to address those requests that are controversial.

Green indicated that the intent of the Tax Increment Finance Project Review Committee was to receive comment on a request prior to dedicating substantial staff resources to the development

of the Project Plan. Green indicated that he would prefer that the Tax Increment Finance Project Review Committee be dissolved and recommended that should the committee be reinstated that staff be removed as voting members.

In response to a question from Tennyson, Elkins addressed the purpose of the Tax Increment Finance Policy Review Committee. Elkins indicated that a preferable format would be an open meeting with streaming audio and full disclosure of information. Elkins indicated that staff comments would be reserved in the public meeting format.

Tennyson voiced support for reinstatement of the Tax Increment Finance Project Review Committee. Tennyson recommended that the meetings be public meetings versus public hearings to allow staff to provide comment on the requests.

Tennyson move to amend the substitute motion to reinstate the Tax Increment Finance Project Review Committee with the meeting being a public meeting including minutes recordation, streaming audio, public comment and notice of the public meeting. Hadcock seconded the motion.

In response to a question from Gundersen Olson, Elkins indicated that streaming audio can be provided from the public meeting format. Gundersen Olson encouraged the use of the public meeting format to insure that more open discussion is achieved.

Brandt recommended allowing the School District, Pennington County and Economic Development to provide written comments on applications for tax increment financing instead of reinstating the Project Review Committee.

Schmidt spoke against reinstating the Project Review Committee noting that all requests for tax increment financing should be addressed in the public hearing format.

Ellis voiced support for reinstatement of the Project Review Committee and requested clarification of the process to address requests to reallocate project costs.

In response to a question from Sumption, Elkins indicated that the motion to reinstate the Project Review Committee would include staff as voting members of the committee.

In response to a question from Gundersen Olson, Elkins indicated that the Planning Commission can schedule special meetings to address controversial requests for tax increment funding.

Kooiker indicated that reinstatement of the Project Review Committee will provide the County and School District with a voice on tax increment financing requests prior to their presentation to the Planning Commission. Discussion continued regarding the value of the Tax Increment Finance Project Review Committee.

The motion to amend the substitute motion to reinstate the Tax Increment Finance Project Review Committee with the meeting being a public meeting including minutes recordation, streaming audio, public comment and notice of the public meeting carried with Green, Schmidt and Sumption voting No.

Green moved to amend the substitute motion as previously amended to remove staff as voting members of the Tax Increment Finance Project Review Committee. Hadcock seconded the motion.

Green recommended that staff serve in an advisory capacity only to the Tax Increment Finance Project Review Committee.

The motion to amend the substitute motion as previously amended to remove staff as voting members of the Tax Increment Finance Project Review Committee carried unanimously.

In response to a question, Elkins indicated that the revised membership of the Tax Increment Finance Project Review Committee would consist of two City Council members, two Planning Commission members, the Economic Development Partnership President, one representative of the Rapid City Area School District, and one representative of the Pennington County Board of Commissioners.

In response to a question from Brandt, Elkins addressed the appeal process provided by the current policy. Brandt recommended that the Tax Increment Finance Policy Review Committee serve in an advisory capacity only with all applications, regardless of recommendation, moving forward to the Planning Commission.

Sebade left the meeting at 1:00 p.m.

Discussion followed regarding the staff resources required to develop Project Plans. Elkins indicated that the Tax Increment Finance Policy Review Committee provides direction for and negotiates the development of the project plan and district boundaries noting that these activities are limited at the Planning Commission stage. Elkins commented on the significant dedication of staff resources required to prepare the project plans when moving requests forward to the Planning Commission.

Green indicated that the negotiation of project plan elements can occur at the Planning Commission level noting that applications can be continued to allow for the revision of the negotiated elements.

Discussion followed regarding the actions of the Tax Increment Finance Project Review Committee.

Tennyson moved to amend the substitute motion as previously amended to allow the determination of the Tax Increment Finance Project Review Committee to be appealed to the Planning Commission. Ellis seconded the motion.

Extensive discussion followed regarding the impact and process of the appeal process.

The motion to amend the substitute motion as previously amended to allow the determination of the Tax Increment Finance Project Review Committee to be appealed to the Planning Commission carried with Green, Brandt and Schmidt voting No.

Elkins requested that staff be allowed to revise the Tax Increment Financing Guide for Applicants to reflect all the elements of the pending motion as revised prior to the committee taking final action on the document.

Gundersen Olson moved a second substitute motion, Okrepkie seconded and carried with Green voting No to continue action on the Tax Increment Financing Guide for Applicants to allow the document to be revised to reflect the reinstatement of the Tax Increment Finance Project Review Committee.

Adjourn

There being no further business to come before the committee the meeting was adjourned at 1:17 p.m.

MINUTES
TAX INCREMENT FINANCING GUIDELINES REVIEW COMMITTEE
August 19, 2008

MEMBERS PRESENT: Malcom Chapman, Karen Gundersen Olson, Deb Hadcock, Sam Kooiker, Dan Dryden, Mike Tennyson, Marcia Elkins, Robert Ellis, Pauline Sumption

OTHERS PRESENT: Diane Dahl, Dale Jensen, Lyle Hendrickson, Tim Nintrup, Rich Huffman, Harry Christianson, John Nooney, Alan Hanks, Karen Bulman, Sharlene Mitchell

Call to Order

Elkins called the meeting to order at 11:37 a.m.

Approve Minutes

Tennyson moved, Dryden seconded and carried unanimously to approve the minutes of the July 31, 2008 meeting.

Review of Draft Tax Increment Financing Policy

Elkins indicated that in addition to the updated draft policy there were public comments regarding the interest rate and disclosure requirements for committee review.

Elkins reviewed the Policy revisions to reinstate the Tax Increment Finance Project Review Committee, to add a representative of the Pennington County Commission to the committee and to remove staff as voting members of the committee. Elkins reviewed the appeal process included in the draft.

Elkins presented the letter from the Pennington County Commission requesting the County have a liaison position on the Tax Increment Finance Project Review Committee. In response to a question from Hadcock, Elkins reviewed the proposed membership. Dryden recommended that the School District and County Commission positions be of equal status. Hadcock stated that it was her understanding from members of the Pennington County Commission that they did not want to be a voting member of the committee.

In response to a question from Chapman, Elkins indicated that the language "appointed by the Mayor" has been included in the policy since it's inception; however, it can be revised at the committee direction.

Chapman moved, Hadcock seconded and carried unanimously to amend the Policy regarding the City Council members to read "two City Council members appointed by the Mayor and Council leadership".

Dryden moved, Gundersen Olson seconded and carried unanimously to amend the Policy language regarding the School District representative to read "one representative of the Rapid City Area School District or his/her representative appointed by the School Board President".

In response to a question from Gundersen Olson, Hadcock indicated that per her conversations with two of the County Commissioners they would prefer a liaison position to a voting position on City requests.

Gundersen Olson expressed concern with the County Commission's request to be a liaison position only. Discussion followed regarding the voting status of the County Commissioner and School District representatives to the committee.

Elkins presented the letter from Bank West addressing their concerns with the financial impact the proposed interest rate language would have on participating lending institutions.

Huffman recommended removal of the interest rate ceilings noting the interest savings that can be realized when utilizing the prevailing market rates. Huffman recommended requiring that two financial bids be submitted with each application noting that the City could then increase the basis points on the highest bid to develop the Project Plan.

Tennyson commented on his personal experiences with the financial side of tax increment financing noting the need to secure a guarantee from the developer to insure that the project stays on track and is completed in a timely manner.

Kooiker entered the meeting at 12:04 p.m.

Nooney stated that successful developers will keep a project on track noting that the sooner a project is completed the sooner it comes off their financial statements. Nooney indicated that an artificial interest ceiling hurts the taxpayer and encouraged the use of the competitive proposal process with City oversight. Nooney indicated that pricing secured now for a future project results in inflated pricing to protect against possible cost increases.

In response to a question from Elkins, Huffman noted that the bank he is associated with could not submit a proposal for the North Fire Station Tax Increment District due to banking regulations that prohibit a new lending institution from financing long term projects such as tax increment financing projects. Chapman recommended referring the interest rate issue to the subcommittee for further review noting the importance of the issue. Kooiker and Gundersen Olson voiced support for the recommendation.

In response to a question from Hadcock, Tennyson indicated that the comments presented are valid noting that he would support further review of the interest rate issue. Tennyson commented on the need to assure the taxpayers that a competitive process is utilized noting his previous recommendation that there be an outside review process.

Chapman recommended that the subcommittee incorporate additional individuals into the discussion to insure all avenues are fully explored. Discussion followed regarding utilization of the competitive bid process to address the issue of transparency. Gundersen Olson indicated that the goal of the committee is to secure a document that will serve the community well into the future.

Hadcock expressed concern with the public perception of fairness by accepting public comment during the committee meeting. Chapman indicated that while public comment was not received on the interest rate issue during the public hearings the input needs to be heard and considered noting that it may or may not change the committee's final recommendation.

Chapman recommended that the subcommittee also address the reconciliation of the private and public elements of the proposal process.

Kooiker indicated that the interest rate presentation advocated a community benefit noting his appreciation for the information provided.

Kooiker moved to forward the revised Tax Increment Financing Guide for Applicants and the Application for Tax Increment Financing to the City Council for formal action with the exception of Item 4-General Rules of the Tax Increment Financing Program and that Item 4-General Rules of the Tax Increment Financing Program be referred to the Interest Rate Subcommittee for additional review with a recommendation to be provided in 30 days. Ellis seconded the motion.

Chapman indicated that the interest rate issue is an important element of the tax increment financing program noting that approval of the Tax Increment Financing Guide for Applicants in advance of the Subcommittee's recommendation is premature. **Kooiker and Ellis withdrew the motion.**

Kooiker moved to refer Item 4-General Rules of the Tax Increment Financing Program to the Interest Rate Subcommittee for additional review with the stipulation that the Subcommittee recommendation be provided within 30 days. Ellis seconded the motion.

In response to a question, Elkins indicated that the Subcommittee would be allowed to receive input on the interest rate issue from other individuals.

Hadcock recommended that the policy be moved forward noting that the interest rate issue can be addressed by the City Council. Gundersen Olson indicated that the document presented to the City Council should be complete and have the full support of the Committee. Discussion followed regarding the presentation of the final Policy to the City Council.

The motion to refer Item 4-General Rules of the Tax Increment Financing Program to the Interest Rate Subcommittee for additional review with the stipulation that the Subcommittee recommendation be provided within 30 days carried with Hadcock voting No.

Ellis left the meeting at 12:35 p.m.

Elkins presented the concerns voiced by Dahl regarding the lack of disclosure requirements for the financial institution. In response to a question by Tennyson, Elkins clarified the disclosure overlap between the developer and the financial institution. Discussion followed regarding the proposed disclosure language.

In response to a question, Dahl indicated that the ownership of any financial institution submitting a proposal for funding a tax increment financing project should be required to provide the same level of disclosure as required by the developer.

Hanks entered the meeting at 12:37 p.m.

Huffman recommended that the financial institution disclosure be addressed by the Interest Rate Subcommittee. Discussion followed regarding the disclosure requirements for financial institutions.

Hadcock moved, Kooiker seconded and carried unanimously to recommend that the Interest Rate Subcommittee also review the disclosure requirements for the developer and lending institution in relationship to the proposed bid process.

In response to a request from Elkins, no further comment was received from the public individuals in attendance.

Gundersen Olson moved to continue the Draft Tax Increment Financing Policy to allow the Committee to review and consider the recommendations of the Interest Rate Subcommittee. Hadcock seconded the motion.

Kooiker voiced his opposition to any further delay in the adoption of the policy noting that the policy can be amended to address any changes to the interest rate policy.

Chapman voiced support for continuing the policy pending receipt of the Interest Rate Subcommittee recommendations noting that the recommendations of the Affordable Housing Subcommittee should also be included in the final document if presented within the 30 day timeframe.

The motion to continue the Draft Tax Increment Financing Policy to allow the Committee to review and consider the recommendations of the Interest Rate Subcommittee carried with Kooiker voting No.

Elkins indicated that the next Committee meeting would be scheduled after receipt of the Interest Rate Subcommittee recommendation noting that the Affordable Housing Subcommittee recommendation will also be considered if it is presented within the same 30 day timeframe.

Adjourn

There being no further business to come before the Committee the meeting was adjourned at 12:49 p.m.