

STAFF REPORT
February 9, 2012

No. 12TI002 - Tax Increment District No. 72 Project Plan

ITEM 22

GENERAL INFORMATION:

APPLICANT	Hani Shafai - Technology Housing, LLC
AGENT	Dream Design International, Inc.
PROPERTY OWNER	Multiple Property Owners
REQUEST	No. 12TI002 - Tax Increment District No. 72 Project Plan
EXISTING LEGAL DESCRIPTION	Lots 1 through 16 and the alley adjacent to Lots 1 through 16 of Block 3 of Denman's Subdivision all located in SW1/4 of the NW1/4 of Section 6, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota
PARCEL ACREAGE	Approximately 1.5 acres
LOCATION	South of East Saint Joseph Street between Elm Avenue and Birch Avenue
EXISTING ZONING	General Commercial District
SURROUNDING ZONING	
North:	General Commercial District
South:	High Density Residential District
East:	Park Forest District
West:	General Commercial District
PUBLIC UTILITIES	City sewer and water
DATE OF APPLICATION	1/24/2012
REVIEWED BY	Karen Bulman / Nicole Lecy

RECOMMENDATION:

The Tax Increment Financing Committee recommends that the Tax Increment District No. 72 Project Plan be approved.

GENERAL COMMENTS: The applicant has requested the creation of a Tax Increment District to assist in the development of property located along E. St. Joseph Street through the demolition of blighted property, public infrastructure improvements, and the redevelopment for student housing. The Tax Increment Funds will be utilized for property acquisition, demolition, alley reconstruction, engineering, contingency, and necessary and convenient costs. The developer will obtain funding for the project costs of the Tax Increment District and be repaid from the Tax Increment District.

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The Tax Increment Guidelines do not allow for land acquisition or clearing and grading of land as an allowable cost without the authorization of the Rapid City Council. On October 3, 2011, the City Council authorized the addition of land acquisition, and clearing and grading of land as allowable costs in the request for Tax Increment Financing.

The City Finance Officer will review and analyze the proposed financing terms and forward a recommendation for approval or disapproval to the City Council along with the Developers Agreement or proposal for refinancing. For purposes of development of the project plan, all interest expenses shall be calculated utilizing a fixed rate not to exceed 9 percent annual interest as directed in the adopted Tax Increment Financing Guidelines. This interest amount shall be included in the project plan and at no time during the term of the project shall the actual interest expense exceed the amount budgeted in the project plan. The developer has indicated that the anticipated interest rate will be 6.5%. The Project Plan is estimated to be paid in 15 years at 6.5% interest and 19 years at 9% interest. The project costs will total \$1,650,000.

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

It is anticipated that one or more of the properties in this proposed Tax Increment District will be used for commercial purposes. The property is currently zoned General Commercial District. A request has been submitted to change that zoning designation to High Density Residential District to allow the multi-story apartment complex to be built on this property. The apartment will be identified as a commercial structure. As such, the creation of this Tax Increment District for economic development purposes will not require an additional levy to make up for the School District's share of the property taxes included in the Tax Increment. The redevelopment of blighted property will enhance the ability for new development to occur and increase the community's economic vitality and expand the City's property tax base.

The proposed District boundary incorporates approximately 1.5 acres located south of E. St. Joseph Street from Elm Avenue to Birch Avenue and includes the alley between E. St. Joseph Street and Kansas City Street.

STAFF REVIEW: The Tax Increment Financing Project Review Committee reviewed this proposal on January 24, 2012 and recommended approval of the creation and the Project Plan for the E. St. Joseph Street Student Housing Tax Increment District.

The applicant has indicated that the proposed project complies with all applicable statutory requirements as well as the City's adopted Tax Increment Policy. In addition to the mandatory and local criteria, staff has reviewed the information provided by the applicant that identifies that the proposal met the following three optional criteria:

Criteria #1: The project must demonstrate that it is not economically feasible without the use of Tax Increment Financing. In addition, if the project has site alternatives, the proposal must demonstrate that it would not occur in Rapid

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- City without Tax Increment Financing.
- Criteria #2: The project will eliminate actual or potential hazard to the public. Hazards may include condemned or unsafe buildings, sites, or structures.
- Criteria #3: The project will not provide direct or indirect assistance to retail or service businesses competing with existing businesses in the Rapid City trade area.

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

- Criteria #5: The building or site that is to be redeveloped itself displays conditions of blight as established by the provisions of SDCL 11-9.

Copies of the adopted Tax Increment Financing Policy are attached for your reference.

The Tax Increment Financing Project Review Committee recommended approval of the attached resolution approving the Project Plan for E. St. Joseph Street Tax Increment District #72.