



CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-2724

PLANNING DEPARTMENT

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LF010202-07

MEMORANDUM

TO: City Council
Legal and Finance Committee

FROM: Karen Bulman, Planner

DATE: December 18, 2001

RE: 5th Street Tax Increment District

The Tax Increment Finance Committee met on December 11, 2001 to discuss the possibility of creating a Tax Increment District for the 5th Street project. The committee approved a motion stating that the district complies with the criteria established for the approval of a district. (See attached criteria) After discussion of the project, they approved a motion to continue the discussion on the 5th Street Tax Increment District Project Plan until the necessary Infrastructure Development Partnership agreements have been executed. A copy of the Tax Increment Finance Committee minutes for December 11, 2001 is attached to this memo for your review.

If you have any questions, please call me at 394-4120.



EQUAL OPPORTUNITY EMPLOYER

TAX INCREMENT FINANCING IN RAPID CITY
Evaluation Criteria Worksheet

Criteria for Evaluation

Projects applying for assistance through TIF must qualify by meeting certain criteria. Some criteria are mandatory and must be met in order for the Committee to consider the project for assistance. Others are discretionary, and enable the Committee to determine the benefits of the project. The project application must demonstrate how the project meets the required criteria.

Mandatory Criteria

In order to be considered for TIF, a project **must meet each of the following three criteria**;

1. The project must be located within a proposed district in which a minimum of twenty-five percent (25%) of the area of the District is determined to be "blighted". For the purposes of TIF, a "blighted area" is defined as:
- YES
NO

- A. An area in which the structures, buildings, or improvements are conducive to ill health, the transmission of disease, infant mortality, juvenile delinquency, or crime, and which is detrimental to the public health, safety, morals, or welfare; or,
- B. An area that substantially impairs or arrests the sound growth of the municipality, retards the provision of adequate housing accommodations, or constitutes an economic or social liability and is a menace to the public health, safety, or morals, or welfare as a result of substandard, unsafe or deteriorating development; or,
- C. An open area which because of the need for infill development and cost effective use of existing utilities and services, obsolete platting, diversity of ownership, deterioration of structures or site improvements, or otherwise is determined to be blighted, substantially impairs or arrests the sound growth of the community.

This project meets the "blighted" criteria, pursuant to provisions in SDCL 11-9, and item 1.C. above. The proposed project is in an open area that requires infill development and infrastructure to provide continued growth in the community.

2. The project must comply with the adopted Comprehensive Plan and all other appropriate plans and regulations. YES
NO

This project is in compliance with the adopted South Robbinsdale Neighborhood Future Land Use Plan.

3. The use of TIF for the project will not result in the net loss of pre-existing tax revenues to the City and other taxing jurisdictions. YES
NO

The majority of this land is undeveloped. Once the infrastructure is in place and development occurs, the tax revenues should significantly increase.

In addition, a project **must meet two** of the following six criteria:

TIF Qualification Requires 2 YES votes from this Criteria set

Number of YES 2

Number of NO 4

1. The project must demonstrate that it is not economically feasible without the use of TIF. In addition, if the project has site alternatives, the proposal must demonstrate that it would not occur in Rapid City without TIF. YES
NO

This TIF will help pay for the infrastructure oversizing costs. Without this assistance, 5th Street would not be built from Minnesota Street to Catron Boulevard until development occurs, which could be many years into the future.

2. The project will eliminate actual or potential hazard to the public. Hazards may include condemned or unsafe buildings, sites, or structures. YES
NO

The completion of 5th Street will provide a more direct access to Rapid City Regional Hospital for people who live in the southern areas of Rapid City and south of Rapid City. This route could reduce the time and the trauma for those needing medical treatment at the Hospital's Emergency Room.

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. YES
NO

Assisting in the financing of infrastructure improvements, new commercial areas will occur, thereby providing indirect assistance to businesses that could potentially compete with existing businesses in Rapid City.

4. The project will bring new or expanded employment opportunities as demonstrated by proposed wage scales, employee benefits and mixture of full and part-time employees. YES
NO

It is assumed that once the road is completed and development occurs, there will be new or expanded employment opportunities; however, there are no specific jobs that will result from this Tax Increment District.

5. The project will result in additional redevelopment in the following Tax Increment Financing Target Areas: YES
NO

A. Downtown District (see Appendix A for description)

This project is not located in the Downtown District.

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: YES
NO

A. Affordable housing projects must target residents at or below sixty percent (60%) 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.

At this time, there are no proposed plans for the construction of affordable housing under the definitions stated above.

Discretionary Criteria

In addition, the project **should meet several** of the following criteria. The project will be evaluated relative to the criteria outlined below. The extent to which a project meets these criteria will be used in evaluation of the project including the length of time a district may run.

TIF Qualification Requires the project meet several of the Criteria from this set

Number of YES 3

Number of NO 7

1. The project will generate at least one full-time job for each \$10,000 in principal value of the TIF; or would create a minimum of 50 new jobs. YES
NO

Once 5th Street is completed and development occurs, there could be the potential creation of new jobs; however, no specific jobs are proposed at this time.

2. All TIF proceeds are used for the construction of public improvements. YES
NO

All TIF proceeds will be used for the construction of public improvements.

3. The project involves the rehabilitation of a building listed on or eligible for listing on the National Register of Historic Places. YES
NO

This project does not involve the rehabilitation of historic buildings.

4. The project will directly benefit low and moderate income people, as defined by the U.S. Department of Housing and Urban Development as applied to the Community Development Block Grant Program. A project will meet this criterion if at least 51% of the jobs created will be held by or available to low and moderate income people. YES
NO

This project does not directly benefit low and moderate income people as there is not a proposed development for the area.

5. The building or site that is to be redeveloped itself displays conditions of blight as established by the provisions of SDCL 11-9. YES
NO

The site displays conditions of blight as defined by SDCL 11-9-11, "Open areas impairing growth defined as blighted. Any area which is predominately open and which because of obsolete platting, diversity of ownership, deterioration of structures or of site improvements, or otherwise, substantially impairs or arrests the sound growth of a municipality, is a blighted area."

6. The project involves the start-up of an entirely new business or business operation within the City of Rapid City. YES
NO

This TIF does not include the start-up of a new business.

7. The project involves the expansion of an existing business located within Rapid City. YES
NO

This TIF does not include the expansion of an existing business in Rapid City.

8. The project site has displayed a recent pattern of declining real property assessments, as measured by the Pennington County Director of Equalization. YES
NO

The project site has not displayed a recent pattern of declining real property assessments.

9. The project costs are limited to those specific costs associated with a site that exceed the typical or average construction costs (i.e. excessive fill, relocation costs, additional foundation requirements associated with unusual soil conditions, extension of sewer or water mains, on-site or off-site vehicular circulation improvements, etc.) YES
NO

The project costs include the oversizing costs attributed to the completion of 5th Street. These costs would exceed the typical construction costs for a typical road that is built during the development of an area.

10. The developer agrees to waive the five-year tax abatement. YES
NO

This TIF is not an industrial TIF and thereby does not qualify for the tax abatement.

MINUTES
TAX INCREMENT FINANCE COMMITTEE
December 11, 2001

Members Present: Bob DeMersseman, Mel Dreyer, Dan Dryden, Marcia Elkins, Alan Hanks, Tamara Pier, Jim Preston, Bob Wall, Stuart Wevik

Others Present: Dan Bjerke, Karen Bulman, Jerry Munson, Sharlene Mitchell, Randy Nelson, Harold Bies, Sally Broucke, Scott Craig, Rick Kahler, Walt Linderman, Julie Martinez, Scott Nash, Hani Shafai, Stuart Swanson

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

Elkins presented the Tax Increment Financing Evaluation Criteria Worksheet for evaluating and identifying a proposed district's qualification with the established criteria. Elkins indicated that staff has reviewed the evaluation criteria for the 5th Street project noting that the committee would evaluate future district requests. Elkins requested that the committee advise staff regarding the usefulness of the worksheet.

Wall requested clarification of the actual or potential hazard to the public to be eliminated by the district noting his concern with the staff's justification. Discussion followed regarding the district's compliance with the adopted Comprehensive Plan and the elimination of actual or potential public hazards.

In response to Hanks, Elkins indicated that the committee would need to clarify the level of improvements to be funded. Elkins stated that this would be a speculative district noting that there were no identified development projects within the district boundaries at this time.

Discussion followed regarding the proposed district's impact on the City's financial position, the estimated timeframe for area buildout, and funding of the district shortfall pending area development. Discussion followed regarding expansion of the proposed district boundaries to incorporate the new development along 5th Street and Highway 16. Elkins indicated that property value assessments are established as of November 1 noting the impact this deadline would have on the available tax increment.

In response to a question from Nash, Elkins briefly reviewed the improvements that could be included in the tax increment district. Munson voiced support of the proposed district noting that all tax increment districts assume some element of risk. Elkins briefly reviewed the financial proposals for funding of the district. Wall commented on the capitalization of interest during the initial years of the tax increment district noting the impact this would have on repayment of the district. Shafai addressed the residential developments being proposed for the area.

Dreyer expressed concern with the utilization of 2012 funding noting that other projects would provide a faster repayment of the funding. In response to a question from Dreyer, Elkins indicated that the area landowners have not presented executed agreements for the Infrastructure Development funds at this time. Discussion followed regarding area right-of-way issues.

Hanks voiced support for a tax increment district designed to recapture the oversizing costs and for the City/School portion of the district. Hanks indicated that he would not support a tax increment district that would shift costs from the developer to the taxpayer. Elkins clarified that a blending of the Tax Increment and Infrastructure Development programs would place responsibility for the developer costs with the developer. Preston commented on the need for commercial development to support the district noting his discomfort with the volume of City

funding being directed into the 5th Street project. Discussion followed regarding the residential development trend of other communities and the level of commercial development required to provide the necessary impetus to approve the project.

In response to a question from Craig, Hanks clarified that he did not oppose assisting development as long as the cost of the development did not become a taxpayer responsibility. Discussion followed regarding the private and public benefit to be derived from the proposed project. Munson noted his support for the 5th Street project and encouraged the area landowners to resolve their individual issues and proceed forward with the Infrastructure Development program.

Discussion followed regarding the district's ability to meet the required criteria, the financial limitations the 5th Street project would have on other development projects, the need for identified development projects to support the district, and resolution of the area landowner issues.

Nash commented on the status of the area drainage basin noting that construction of the drainage improvements are contingent upon approval of the basin and associated fees.

DeMersseman suggested revision of the tax increment review criteria to include a "good of the City" criteria. Wall commented on the need to finalize area land uses in order to resolve the drainage basin issues. Discussion followed.

Wall moved to find that the 5th Street Tax Increment District does not comply with the criteria established for approval of tax increment districts. Motion died for lack of a second.

DeMersseman moved to find that the 5th Street Tax Increment District does comply with the criteria established for the approval of tax increment district. Hanks seconded the motion for discussion purposes.

Discussion followed regarding the 5th Street Tax Increment District's compliance with the established criteria including such issues as travel time to the hospital, provision of low income housing, and installation of central utilities.

The motion to find that the 5th Street Tax Increment District does comply with the criteria established for the approval of tax increment district carried with Hanks, Wevik, Wall, Dryden and DeMersseman voting YES and Dreyer, Preston and Pier voting NO.

Elkins briefly reviewed the options available for funding of the 5th Street tax increment district.

Hanks moved to recommend approval of Option B allowing for the recapture of funding*:

\$440,000	SD Department of Transportation
\$3,000,000	Tax Increment Financing*
\$2,417,564	Infrastructure Development Partnership Funding
\$610,000	Capital Improvements Funding*
\$100,000	Waste Water Fund*
\$50,000	Water Fund*

Preston seconded the motion.

In response to a question from Dreyer, Hanks clarified that the area landowners must bring the Infrastructure Development Partnership agreement forward prior to formal development of the 5th Street Tax Increment District. Discussion followed regarding placing a timeframe on the motion to

approve. Dryden reviewed the state aid formula to schools and its impact on the City tax payments with the development of a tax increment district noting his concerns with approving the project.

Hanks withdrew the motion, Preston concurred.

The Committee concurred that the 5th Street Tax Increment District met the criteria of approval and recommended delaying development of the district until such time as executed Infrastructure Development agreements are presented by the area landowners.

Discussion followed regarding the landowner's issues with regard to finalizing the Infrastructure Development agreements and structuring of development costs between the City and land owners.

Dreyer moved to continue discussion of the 5th Street Tax Increment District until such time as the necessary Infrastructure Development Partnership agreements have been executed. Preston seconded the motion.

Discussion followed regarding placing a sixty-day timeframe on the execution of the Infrastructure Development agreements. Hanks indicated that the Tax Increment District was contingent upon execution of the Infrastructure Development agreements. Discussion followed regarding finalization of the area drainage basin.

Elkins indicated that based on the present motion the Tax Increment Finance Committee would report to the City Council that consideration of the 5th Street Tax Increment District is contingent upon the execution of the Infrastructure Development Partnership agreements in accordance with the established program guidelines. Elkins noted that the recommendation would be to fund only the oversize costs of the City and School.

In response to Linderman, Bjerke indicated that the 5th Street engineering design plans are available for developer review.

In response to a question from Wall, Elkins indicated that the Infrastructure Development funding has been approved subject to the execution of agreements by the area landowners. Discussion followed regarding the "first come, first serve" funding policy of the Infrastructure Development program.

The motion to continue the 5th Street Tax Increment District until such time as the necessary Infrastructure Development Partnership agreements have been executed carried unanimously.

Hanks moved, Dreyer seconded and carried unanimously to approve the minutes of the November 29, 2001 meeting.

There being no further business the meeting was adjourned at 12:40 p.m.