

Council to consider tax increment district

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A proposal for a downtown office condominium, to be located west of the bus station, was sent to the Rapid City Common Council without recommendation Wednesday.

The council's Legal and Finance Committee made no recommendation because committee members could not agree on whether the developers who proposed the project or the city should pay for a preliminary appraisal of the property. The Rapid City Planning Commission recommended the plan's approval Tuesday. The full council will consider the proposal Monday night.

Partners Mike Gould and Kent Niemann want the council to create a tax increment district for the old Barber Building on Seventh Street, an empty warehouse just west of the Milo Barber Transportation Center. In a tax increment district, a portion of property taxes collected on property within the district are set aside for public improvements within the district. The theory is, public improvements — new sidewalks or sewer lines, for example — will improve the value of existing property and encourage development within the district. More taxes are collected because the property is worth more. The additional taxes collected are set aside for the public improvements. The improvements are paid for in advance through privately financed bonds.

The money from the tax district would be used to help renovate the property.

Under Niemann and Gould's plan, the city would buy the lot on which the Barber building sits, plus two others adjacent to it, all of which are owned by Zella Barber. The city would then improve the lots, including two more adjacent lots it already owns, by demolishing part of the building and constructing a parking lot.

Then, according to the plan,

Niemann and Gould would buy back the Barber building and the land under it.

Niemann and Gould would renovate the building for office condominiums. The city would continue to own the parking lot, which it would lease to Niemann and Gould.

The purpose of a tax increment district is to encourage improvement of blighted areas. "The building is definitely blighted," said city Deputy Planning Director Ken Gibb. The benefit to the city would be a better looking downtown area, a bigger tax base and more downtown parking, Gibb said.

Niemann estimates that the city would collect \$160,000 in extra taxes over 15 years if the land is developed. (He said the city collects about \$2,000 per year in taxes on the property now. Under the plan, the taxes would increase to about \$14,000 per year.)

Niemann said \$160,000 would more than pay for the improvements to the property. Any money not used for improvements within the district revert to the city's general fund. "And you have to remember, the city is collecting nothing right now," he said. He estimated the value of the total project at about \$500,000.

"We're excited about getting more people downtown," Niemann said.

Office condominiums are similar to residential condominiums. Offices would be purchased rather than rented. Niemann said there is a market for that kind of office in Rapid City.

Before the district can be approved, the city must conduct a preliminary appraisal of the property. That could cost as much as \$800. Alderman Guy Edwards said the developer should pay that cost. But City Attorney Ray Woodsend said state law requires that the city development the plan for the district. He also said the cost of the initial appraisal might be lower and recommended the committee take no action. Woodsend said he would report to the council Monday night.