RAPID CITY TAX INCREMENT FINANCING POLICY

Adopted _____, 2018
Rapid City Tax Increment Financing Policy

I. INTRODUCTION

In 1978, the South Dakota Legislature approved the use of Tax Increment Financing (TIF) by municipalities to help finance redevelopment projects. TIF is a method of funding public investments in an area by capturing, for a time, all of the increased tax revenue that results when public investment stimulates private investment.

Tax Increment Financing (TIF) is one of the few economic development and community redevelopment tools used by the City and private development groups to enhance and enable development projects that provide substantial public benefit by generating economic development, restoring historic buildings and areas, redeveloping blighted areas and cleaning up environmental concerns.

In order to ensure a comprehensive and reasonable review of TIF proposals, the City has established this policy for the review and determination of TIF use in the City. Each proposed TIF project must meet base requirements, and shall be rated as to how well it meets several identified project criteria. The evaluation chart included within this guide provides direction to City Council as to whether a project specifically meets the requirements and criteria established herein.

Implementing TIF often requires a negotiation process between the City and the beneficiaries of the district. The City reserves its right to negotiate terms, and may apply the requirements and criteria in a flexible manner that meets the overall intent of this policy. The application is placed on the Planning Commission and City Council if the proposal meets all of the provisions of this policy.
II. PURPOSE

The City of Rapid City recognizes the community value in utilizing TIF to further the goals contained in the City’s Comprehensive Plan, Utility System Master Plan, Downtown Master Plan, Capital Improvements Program, Community Development Block Grant Consolidated Plan, Rapid City Collective Impact Strategic Plan, and other master planning documents as adopted by the City Council. The following are goals for utilizing this tool:

1. To encourage infill development within the Community Core and other established areas to more efficiently utilize existing public infrastructure;

2. To encourage redevelopment of deteriorated, or otherwise blighted real property;

3. To stimulate the construction of safe and affordable housing units disbursed throughout the community for low and moderate income residents;

4. To stimulate economic development in the community by assisting projects that promote the long term economic vitality of the community; and

5. To facilitate the reconstruction, maintenance and completion of the City’s existing infrastructure network in priority growth or employment areas that support existing growth and guide the future growth of the community.

III. TARGETED AREAS AND USES

The City of Rapid City has determined that TIF projects must address specific priorities identified in various targeted areas and/or uses as well as community planning documents addressing transportation needs, capital improvements, land use recommendations, utility extension priorities, housing or other planning documents, including updates, as follows:

1. Priority Areas (see Exhibit 1: TIF Priority Areas below)
   a) First priority and emphasis for TIF shall be for projects located in infill areas and areas needing redevelopment within the Core Community, defined as the area within one (1) mile and inside of the Original Town, between East and West Boulevards and North and South Streets.
   b) First priority is also given to projects located within existing city boundaries along or within revitalization corridors and nodes.
   c) Secondary priority is given to projects located between one (1) and two (2) miles of the Original Town boundaries.
   d) The creation of tax increment districts in green fields and areas on the outskirts of the community is discouraged, unless the project falls within other targeted areas and uses listed herein. A project area must have been annexed into the City at least five years prior to TIF approval.
Exhibit 1: TIF PRIORITY AREAS

Note: Map reflects extension of Revitalization Corridor along Cambell Street (SD Highway 79) from Centre Street to Catron Blvd.

2. Priority Use: Blight Redevelopment for Housing or Economic Development

A higher priority use and emphasis for TIF shall be assigned to project proposals that include BOTH the redevelopment of blighted areas and provides for additional low to moderate housing units, workforce housing or economic development.

a) For Rapid City, “blight” is defined as:
   i. Residential areas with at least twenty percent (20%) eight year taxable valuation decrease; or
ii. Non-residential areas with stagnant growth determined by less than thirty percent (30%) increase in eight year taxable valuations.

b) For Rapid City, “affordable” and “workforce” housing is defined as:
   i. Affordable housing offered to households at or below 80% of HUD’s Average Median Income (AMI), where housing costs, including utilities is no higher than 30% of AMI; or
   ii. Workforce housing where the original selling price of any house in the district will be at or below the first-time homebuyer purchase price limit used by the South Dakota Housing Development Authority (SDHDA) as of the date the house is sold. (Exhibit 2: Targeted Area)

c) For Rapid City, “economic development” is defined as:
   i. New or expanded wealth generating industries targeting healthcare and life sciences, research, financial and insurance, professional business services (including engineering and IT), metals manufacturing, energy and small-scale food and beverage manufacturing. The project will generate at least one new fulltime job from at least one of these industries for each $40,000 to $75,000 in principal value of the Tax Increment Financing; or would create a minimum of 50 significant number of new jobs that meet or exceed the targeted hourly rate by Rapid City Economic Development.
   ii. Job count required in item 1 above may not include economic considerations related to the construction of public improvements proposed or the construction of structures within the proposed district.

3. **Priority Use: Plan Rapid City**
   Targeted improvements to address plan objectives:
   a) Future Land Use Plan Elements related to Places and Corridors, with emphasis on revitalization corridors (Chapter 10, *Plan Rapid City*); or
   b) Specific neighborhood area goals and policies (Chapter 11, *Plan Rapid City*); or
   c) Immediate Actions as identified in the Implementation Plan Strategies (Near-Term Actions may be considered if all previous Immediate Action items have been completed within each goal (Chapter 12, *Plan Rapid City*); or
   d) Infill areas identified in *Plan Rapid City*; or
   e) Priority affordable housing areas; or
   f) Priority workforce housing areas; or
   g) Priority redevelopment areas

4. **Priority Use: Downtown Master Plan**
   Targeted improvements to address any of the nine priorities associated with the near-term strategies or any remaining implementation strategies if all near-term strategies have been addressed (Chapter 5, *Downtown Master Plan*)

5. **Priority Use: Utility System Master Plan**
   Targeted improvements to address plan objectives:
   a) Regional improvements to address infill and/or existing capacity issues; or
   b) Regional improvements focused on areas where funding has been identified in current *Capital Improvements Plan*
6. **Priority Use: Community Development Block Grant Consolidated Plan**
   Targeted improvements to address plan objectives:
   a) Homelessness - Ending Chronic Involuntary Homelessness
   b) Offender Re-entry
   c) Mental Health and Substance Abuse Collaborative
   d) Truancy and Dropout Rate
   e) Early Childhood Education and Child Care
   f) Transportation
   g) Authentic Youth Civic Engagement (AYCE) - Now called TeenUp
   h) Prosperity Through Asset Building - Bank on Rapid City
   i) Substandard Housing

7. **Priority Use: Rapid City Collective Impact**
   Targeted improvements to address priorities associated with Short or Long Term Affordable Housing, Homelessness or Food Security goals.

IV. **PRINCIPLES**

1. **Project Management.** The TIF Review Team (comprised of the City Finance Officer, Community Development Director, City Engineer, Long Range Planning Manager, other city department representation as deemed necessary, and the Rapid City Economic Development Partnership President) shall manage and coordinate the application process, project plan development and approval, design, construction management, and certification of all public improvements funded within the district. The TIF Review Team shall also be responsible for drafting the Project Plan to ensure consistency and to provide accessible information necessary for decision-making.

2. **No Guarantee of Approval.** Although all applications for TIF shall be reviewed and considered for approval based on merit and how the proposal meets the requirements and criteria listed in this policy, there is no applicant's right to or guarantee of approval. The proposal must meet the minimum scoring criteria before presented to Planning Commission and City Council. The City Council has final approval of any TIF district and takes a conservative approach in utilizing TIF.

3. **Necessity of TIF as an Incentive.** The primary consideration in creating a TIF district is the necessity of TIF as an incentive. The City can and will consider using TIF when a worthy and desired project has presented evidence that TIF is needed, without which the project would not occur due to extraordinary site or development constraints. The evidence presented will also demonstrate how the TIF district will result in creating a special public benefit, reducing the prevalence of blight, creating a special economic impact to the area, and building the local tax base. Examples of supporting evidence may include submission of recent cost comparisons for subdivision expenditures, site excavation, grading,
environmental remediation, as well as detailed review of other significant factors regarding the available labor force, access to air transportation, education system and quality of life for primary workers as well as their spouses/family members, etc. The evidence must be within a two-year timeframe unless special circumstances are involved.

4. **Housing Development Tool:**
   a) All TIF housing proposals shall include either **provide** a percentage of lots or apartments at a reduced price for persons making less than thirty percent (30%) of median income; or contribute a certain dollar amount, to be determined, into a housing trust fund in perpetuity, to be used to develop affordable housing. This option assists homebuyers in purchasing the structure only, thus decreasing housing costs.
   b) Any Tax Increment District proposed for “workforce housing” shall comply with the income and purchase price limits for first-time homebuyers as defined by the South Dakota Housing Development Authority, as of the date the TIF district is created, for a minimum of five years following the date of first occupancy.
   c) The monthly rental rate of all affordable housing units in a multi-family housing structure shall be at or below the calculated rent for the state’s eighty percent area median income, as determined by the South Dakota Housing Development Authority, as of the date the TIF district is created, for a minimum of five years following the date of first occupancy.
   d) Affordable housing development as part of a TIF proposal must be located on a transit service line.

5. **Economic Development Tool.** The City recognizes there are certain development projects that would not occur without the use of economic development tools. TIF is one of the powerful tools at the City’s disposal to provide a necessary financial catalyst to ensure those projects can occur. While the City maintains a strategy of utilizing TIF primarily for excessive development costs, it recognizes that some projects can merit the use of TIF by other justification. Some examples of when it may be recommended to use TIF for special economic development incentives include:
   a) Projects that benefit the fiscal health of the City, County and School District; or
   b) Business retention and recruitment efforts; or
   c) Projects that meet a desired economic development goal of the City related to job creation, industry diversification, infill development or similar goals.

6. **TIF Use for Blight and Excessive Development Costs.** If TIF is requested because of high site development costs, it **shall be demonstrated** that the site costs are extraordinary relative to comparable sites in the City, or contributes to the removal and prevention of blight.
7. **Private Funding.** Private funding is required for TIF within Rapid City; requests for city funding participation will not be accepted. If additional public infrastructure is determined beneficial to enhance the neighborhood area within close proximity of the project proposal, the developer shall also secure private funding for this additional public infrastructure. Both the additional public infrastructure and the associated interest expense shall be reimbursable from available revenues generated within the TID.

8. **Financing Costs Based on Increased Value.** New construction and development increase the taxable value of property thereby increasing the taxes generated on that property and the City’s overall tax base. TIF allows these new taxes, called incremental taxes, to pay for certain project costs associated with bringing the development to fruition. These incremental taxes can statutorily be used to repay the project costs for up to twenty (20) years. However, the City encourages TIF proposals to achieve full repayment within ten (10) years or less. The City also requires the Project Criteria final score to be at least “1” in order to qualify for a timeframe exceeding ten (10) years (see Appendix 2, TIF Evaluation Chart). The developer’s amount financed is repaid as the incremental taxes are generated by the new development.

9. **Code and Policy Compliance.** Any developer awarded TIF must comply with provisions of SDCL 6-1-1 and the City’s conflict of interest policy per Resolution 2016-096.

10. **Waive Reduced Taxation.** The developer, including subsequent property owners, shall waive any discretionary formula for reduced taxation for the life of the district.

11. **The overlapping of more than two (2) active TID boundaries shall be limited, unless evidence of necessity is demonstrated.** A maximum of two (2) active tax increment districts may have overlapping boundaries.

12. **Performance Measures / Clawbacks.** As part of any agreement for the use of TIF, the City may require and include performance measures and subsequent remedies as a condition of utilizing TIF.

13. **Economic Development Grants.** State code allows TIF proceeds to be awarded as grants for economic development purposes (SDCL 11-9-15). The City may elect to consider any use of TIF as an economic development grant award when applicable. However, the City will substantiate the need for, and amount of, any TIF grant award through a thorough evaluation of all project costs and projections, based on the criteria listed in this policy and the findings of an analysis of the project’s financial feasibility and fiscal impact (see Section VI, Evaluation Process, below).

14. **TIF Project Costs.** Each project cost estimate submitted with the application shall be prepared according to the Rapid City Project Book and displayed on the
public improvements map. The project descriptions shall also include detailed references to adopted master plans.

15. **Infrastructure Compliance.** Improvements and infrastructure installed as part of projects approved for TIF must comply with the standards and requirements found in the Rapid City Infrastructure Criteria Manual and Standard Specifications.

V. **COSTS**

**Eligible Costs**

1. Capital costs for the construction of oversizing public works improvements. Cost efficiencies may be realized for private services during construction of public improvements; however, costs associated with the private services are not eligible for reimbursement with tax increment funding.

2. Capital costs for additional *regional* public infrastructure determined beneficial to enhance the neighborhood area where the regional public infrastructure is located within close proximity of the original project proposal and within the TID boundary; interest expenses for the regional public infrastructure may be reimbursed from available revenues generated within the TID. However, the development costs utilizing the regional public infrastructure are not reimbursable. (For example, storm water flows and the required detention for a new development are excluded from reimbursement. The reimbursable expense is the cost associated with historic storm water flows plus regional detention needs minus the cost to retain the new development storm water flows.)

3. Regional storm drainage detention and transmission facilities to accommodate stormwater runoff as identified in the adopted drainage basin plan and located within an infill priority area (improvements for development required on-site detention facilities are ineligible).

4. Reconstruction of existing streets, water, sewer, sidewalks or other public infrastructure located within an infill priority area.

5. Regional city-owned lift stations, pump stations, extensions of off-site sewer, water, street and other public infrastructure identified in the adopted *Utility System Master Plan* and located within an infill priority area.

6. Land acquisition in conjunction with an affordable housing project located within an infill priority area, provided the land is donated to a land trust.

7. Relocation costs in conjunction with an affordable housing project located within an infill priority area.
8. **An economic development TIF project may include costs specific to investments that increase project output capacity, job creation, the finishing of work-spaces, and/or land acquisition.**

9. Demolition costs for the removal of existing structures or infrastructure for infill development and redevelopment sites, provided the demolition does not create a negative tax increment district for no more than two years.

10. Removal and replacement of contaminated soils for infill development sites.

11. City-owned public playgrounds, parks and recreational improvements.

12. Professional service fees limited to public improvements engineering, design, survey and construction management associated with the eligible project costs. Professional and construction administration fees shall be limited to **a total of seventeen (17%)** ten percent of certified public improvements construction cost.

13. Traffic signal expenses and the associated traffic impact study shall be eligible for reimbursement if the intersecting streets warrant signal installation on or before the fourth year after the district is created.

14. Alteration, remodeling, repair or reconstruction of existing non-residential buildings or structures located within a high priority area, within a revitalization node or along a revitalization corridor.

15. TIF assisted rehabilitation within a National Historic District completed according to the Secretary of the Interior’s Standards for Rehabilitation.

16. Contingency costs capped at ten percent of certified public improvements construction costs. The Project Plan shall be amended to reallocate contingency costs to capital costs only.

17. Interest expense eligibility restricted to current interest rate paid by City (developer shall be responsible for interest expense over City rate, including loan origination fees).

18. Imputed administrative fee ($20,000 or 0.5% of the total TIF Costs, whichever is greater) shall be included as a project cost for every Tax Increment District for which a Project Plan is approved.

19. **Residential development infrastructure costs, provided the project meets the standards for transit oriented development.**

20. **Landscaping, including irrigation and design by a professional landscape architect with review and approval by the Parks and Recreation Department, for locations adjacent to a revitalization corridor and/or node. The developer shall be**
responsible for the live vegetative landscaping maintenance for the life of the TIF; thereafter, the Parks and Recreation Department shall be responsible.

21. Costs relating to the development of challenging topography, including the grading and preparation of sites having large swales, deep ravines, steep slopes and hillsides, or other significant topographic situations.

Ineligible Costs

1. Public improvements and site improvements including but not limited to parking lots, landscaping, driveways, site lighting, sidewalks, signs, grading and fill as required in the Rapid City Municipal Code Chapter 16.

2. Financing and interest expenses shall not be reallocated to capital expenditures or any other purpose, unless otherwise noted above.

3. Acquisition of equipment or other permanent fixtures.

4. Public infrastructure, clearing or grading for green field development.

5. Organizational costs.


7. Financing and interest expenses (over city rate).

8. Unconstructed capital costs are ineligible for any other purpose.

VI. PROGRAM PROCEDURES

To achieve the highest and best community benefit from tax increment financing, the TIF Review Team will negotiate with developers to provide the best possible project. In addition to the opportunities and/or restrictions detailed in SDCL 11-9, Rapid City TIFs must also comply with the following general program procedures:

Application Requirements

1. The applicant meets with the TIF Review Team to discuss the proposal to offer guidance regarding the targeted uses of TIF.

2. All applicants must submit a completed application, with required supplemental information, and a $2,500 nonrefundable application fee.

Project Plan and Agreements

1. The City may, on a case-by-case basis, establish public purpose requirements specific to an application that must be met for the project. Such requirements
shall be described in the project plan, development agreement or other binding
document between the City and the applicant, which may be in addition to the
scope of applicable city ordinances or policies. Such items which may be
included and if included would require performance by the applicant. These items
may include but are not limited to: prescribed valuation of a home or building,
vacant infill land use absorption, acreage or building sizes, wages, number of
jobs created/retained, property valuation increases, sales tax generating
capacity, historic preservation, environmental improvements, transportation
improvements, blight remediation, parking improvements, etc.

2. Project Plan expenditures shall be tied to developer’s estimated revenue
projections and included in all agreements utilized in carrying out Project Plan
improvements. Reimbursements shall be issued on a declining scale in relation
to developer’s revenue projections compared to actual revenues generated.

VII. EVALUATION PROCESS

The TIF Review Team will evaluate and score each TIF application as the proposal
relates the TIF purpose, targeted areas and uses and principles-prject criteria identified
herein. The application / proposal must meet the Base Requirements and score a
minimum Project Criteria rating of “10” on the TIF Evaluation Chart to be eligible for
consideration by the Planning Commission and City Council. (Appendix 2, TIF
Evaluation Chart). The Review Team will determine if the proposed TIF meets the intent
of the Policy and SDCL 11-9. The City may hire an independent party (at the cost of the
applicant) to analyze one or more of the following Base Requirements:

Base Requirements. In addition to the statutory requirements identified in SDCL 11-9,
Rapid City’s TIF approval shall also include the following:

1. Determine Necessary Use. The TIF proposal shall demonstrate that its use is a
prudent, practical and necessary use of the TIF incentive program. The project
application shall demonstrate that the project would not be able to move forward
without the assistance of TIF.
   a) There are multiple ways of analyzing whether or not a project would move
   forward without using TIF. The analysis should determine the level of TIF
   necessary for a project to move forward. Common evaluation methods
   include examining whether a project will experience excessive or
   extraordinary site development costs, a project has a capitalization shortfall,
   there are short-term operational deficits, or the cost of business recruitment or
   expansion is higher in Rapid City than comparable cities.
   b) For Economic development projects, additional factors in determining
   necessary use may include an independent analysis of available labor force,
   access to air transportation, education system and quality of life for labor as
   well as spouses/family members.
   c) The use of TIF should be limited to only the amount necessary for a desired
   project to become possible. A component of properly using TIF is determining
what participation rate is necessary for the project to occur. Although the acceptable participation rate may vary from project to project, the developer shall demonstrate a minimum eighty-five percent (85%) participation rate. Points are scored on evaluation chart when participation rate is at or above twenty percent (20%).

d) For Rapid City, this participation rate calculation includes the following:
   i. Subdivision improvement expenditures required in Chapter 16 of the Rapid City Municipal Code;
   ii. Cost efficiencies realized for the concurrent installation of private services during construction of public improvements
   iii. Interest expenses

2. **Financial Feasibility and Fiscal Impact.** The City shall submit the TIF proposal for review by a licensed finance professional (Certified Public Accountant or other certified and licensed finance professional) who shall prepare a financial analysis of the TIF proposal including an evaluation of projected costs versus benefits, financial feasibility and fiscal impact, the stability of the TIF revenue projections, and the necessity of utilizing TIF.

3. **Cost Projections.** The TIF proposal shall include actual cost projections, including TIF-eligible costs and overall project costs, to ascertain all costs are reasonable.

4. **Market Analysis.** The TIF proposal shall include a market analysis to determine (if applicable to project) how the project fits within the Rapid City market.

5. **Legal Review** – The TIF proposal shall include a legal review of project eligibility, project costs, and compliance with South Dakota Codified Laws. Under no circumstances are projects submitted for consideration that do not comply with the provisions of SDCL 11-9.

**Project Criteria.** Evaluation points may be assigned for the proposed projects as follows:

1. **A majority of the project land** The project will develop infill areas within the High Priority Area - the area within one (1) mile and inside of the Original Town, between East and West Boulevards and North and South Streets. Score shall be doubled if project is located within this Priority Area.

2. **A majority of the project land** The project will develop infill areas within the Secondary Priority Area - the area between the one (1) mile and two (2) mile area from the inside of the Original Town, between East and West Boulevards and North and South Streets.

3. **A majority of the project land** will develop infill or redevelop areas in revitalization nodes or corridors. The project is located beyond the Secondary Priority Area extending beyond the two (2) mile area from the inside of the Original Town,
between East and West Boulevards and North and South Streets. Score shall be doubled if project is located within this description.

4. The project will result in BOTH the redevelopment of blighted areas and provides for affordable housing or additional economic development.

5. The project will eliminate actual or potential hazard(s) to the public.

6. The project involves the start-up of an entirely new business in a targeted economic development industry within Rapid City. Score shall be doubled if met. The project will not provide direct or indirect assistance to retail or service businesses competing with existing businesses in the Rapid City trade area.

7. The project will bring new or expanded targeted economic development industry employment opportunities as demonstrated by proposed wage scales, employee benefits and mixture of full and part-time employees.

8. The project will generate at least one new full-time job for each $10,000-$75,000 in principal value of the Tax Increment Financing; or would create a minimum of 50 a significant number of new jobs that meet or exceed the targeted minimum wage rate used by the Rapid City Economic Development Partnership.

9. The project will result in additional redevelopment in the Targeted Uses, as defined in Section III of the TIF Policy.

10. The project will result in the construction of affordable housing or workforce housing units, as defined in Section IV of the TIF Policy. Score shall be doubled if met.

11. The project will result in the construction of public improvements as identified in the current Capital Improvements Plan.

12. The project includes regional infrastructure improvements located in or near the TID that are determined beneficial to the community. (Regional infrastructure installation located outside the TIF boundary are ineligible for reimbursement.)

13. A twenty percent (20%) or higher participation rate (the ratio of the amount of capital used in a project relative to the entire investment in a project). Score shall be doubled.

14. The project involves the rehabilitation of a building listed on or eligible for listing on the National Register of Historic Places.

15. The building or site identified for redevelopment itself displays conditions of blight, as defined in the Rapid City TIF Policy.
The project involves the start-up of an entirely new targeted economic development industry business within the City of Rapid City. (see #6 above)

The project involves the expansion of an existing targeted economic development industry business located within Rapid City. (see #7 above)

16. 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.).

VIII. TIF PROCESS AND FLOW CHART

The following chart displays the summary for the TIF district creation, Project Plan approval, and any subsequent plan amendments, with a more detailed description of the process following the chart.

1. Pre-Application Conference to review draft application

2. Submit Final Application and Fee
3. The Tax Review Team reviews the application, verifies scorecard and submits the Project Plan to the Planning Commission

4. Creation of District and approval of Project Plan

5. Approval of Development Agreement

6. Approval of Assignment Agreement

7. Annual Expense/Progress Report

8. Certification

9. Plan Amendment (if necessary)

10. TIF Fund payments disbursed, with Council approval of first payment

IX. CERTIFICATION

1. Certification is required before any incremental payment is disbursed to the TIF loan. The Certification Process Checklist (see Appendix 12) provides direction for requesting increment revenue reimbursements.

2. The developer will receive a certification spreadsheet as part of the final approval step, tracking the expenditures associated with development inside the district.

3. Final project costs for certification shall be submitted to the Department of Community Development for certification review no later than one hundred twenty (120) days after acceptance of the final project and receipt of warranty surety.

X. DEFINITIONS

The following definitions are for use within this Tax Increment Finance Policy:

Affordable Housing – housing that provides for the occupants to pay no more than thirty percent (30%) of their gross income for housing costs, including utilities, and complies with the following requirements:

1. 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 mixture of housing units shall not exceed twenty five percent (25%) of the dwelling units of the proposed development to be occupied by households meeting this income guideline.
2. Affordable housing is required to remain affordable as defined above for ten years. If affordability is less than ten (10) years, repayment of pro-rata share of increment benefit will be due and payable to the City.

3. Affordable housing development as part of a TIF proposal must be located on a transit service line.

**Base Value** – the value of all property in the TIF district on the date of the creation of the district.

**Blight** – property within a proposed district where the most recent five-year taxable property valuation has decreased by at least ten percent for the entire proposed district. Rapid City TIFs are required to meet additional blight standards, over and above those otherwise defined by South Dakota Codified Law, 11-9. For Rapid City, “blight” is defined as:

1. Residential areas with at least twenty percent (20%) eight year taxable valuation decrease; or

2. Commercial areas with stagnant growth determined by less than thirty percent (30%) increase in eight year taxable valuations

**Core Community** – those areas within of 1 mile and inside of the platted area known as the Original Town of Rapid City, bounded between West Boulevard, East Boulevard, South Street, and North Street (map attached).

**Economic Development** – for Rapid City, “economic development” is new or expanded wealth generating industries targeting research, finance and insurance, professional business services (including engineering and IT), metals manufacturing, energy and small-scale food and beverage manufacturing. The project generates at least one new fulltime job from one of these industries for each $40,000-$75,000 in principal value of the Tax Increment Financing; or would create a minimum of 50 a significant number of new jobs that meet or exceed the targeted hourly rate by Rapid City Economic Development.

**Incremental Taxes** – the new property taxes created because of an increase in property value due to development.

**Incremental Value** – the value of all property in the TIF district less the base value. The “incremental” value occurs when the value of the property increases due to improvements or appreciation.

**Negative Tax Increment District** – the change in assessed valuation resulting in a lower assessed value of the property.
Participation Rate – the ratio of the amount of TIF capital used in a project relative to the entire investment in a project. A 10% participation rate, for example, would mean a total project costing $10 million, is using TIF to offset $1 million of that cost.

Project Plan – a statutorily-required document outlining the structure of the TIF and its components. TIF project costs, methods of financing, development details, and fiscal impacts are among the items required in a TIF Project Plan.

TIF Developer’s Agreement – in a reimbursable TIF, the written agreement between the developer, or private entity, and City that outlines the terms for the use of TIF revenues, payment from the TIF fund, and all other conditions.

TIF District (TID) – an area of one or more properties designated by the City Council, in which incremental taxes are deposited into a special fund for use outlined in the project plan.

TIF Capital – the initial collected capital used to pay for TIF project costs up front. The capital is paid back to its source over time through TIF incremental revenues.

TIF Project Costs – the eligible costs incurred in a project paid using TIF Revenues.

TIF Revenues – the incremental taxes generated by the district.

Transit-Oriented Development – a mixed-use residential and commercial area designed to maximize access to public transport, and often incorporates features to encourage transit ridership.

XI. APPENDICES

1. Application (available after policy adopted)
2. TIF Evaluation Chart
3. Pro Forma Format
4. Amortization Schedules
5. Public Infrastructure Cost Estimate Form
6. City’s Project Book Worksheet For Cost Estimation
7. Affordable and Workforce Housing Cost Maximums
8. Single Family Residential Housing Cost Estimate Form
9. Multi-Family Housing Pro Forma Format
10. TID Project Plan, Amendment and Certification Flowchart
11. Financing Requirements
12. TID Certification Process
a) Certification Checklist  
b) Certification Affidavit  
c) Certification Expenditure Tracking Submittal  

13. City Website Links (www.rcgov.org)  
a) Plan Rapid City, Chapter 10, 11 and 12  
b) Utility System Master Plan  
c) CDBG Consolidated Plan / Annual Action Plan  
d) Drainage Basin Plans  

14. State Statute References  
a) SDCL 5-18B – Procurement of Public Improvements  
b) SDCL 11-9 – Tax Increment Financing