

Draft
**RAPID CITY
TAX INCREMENT
FINANCING POLICY**



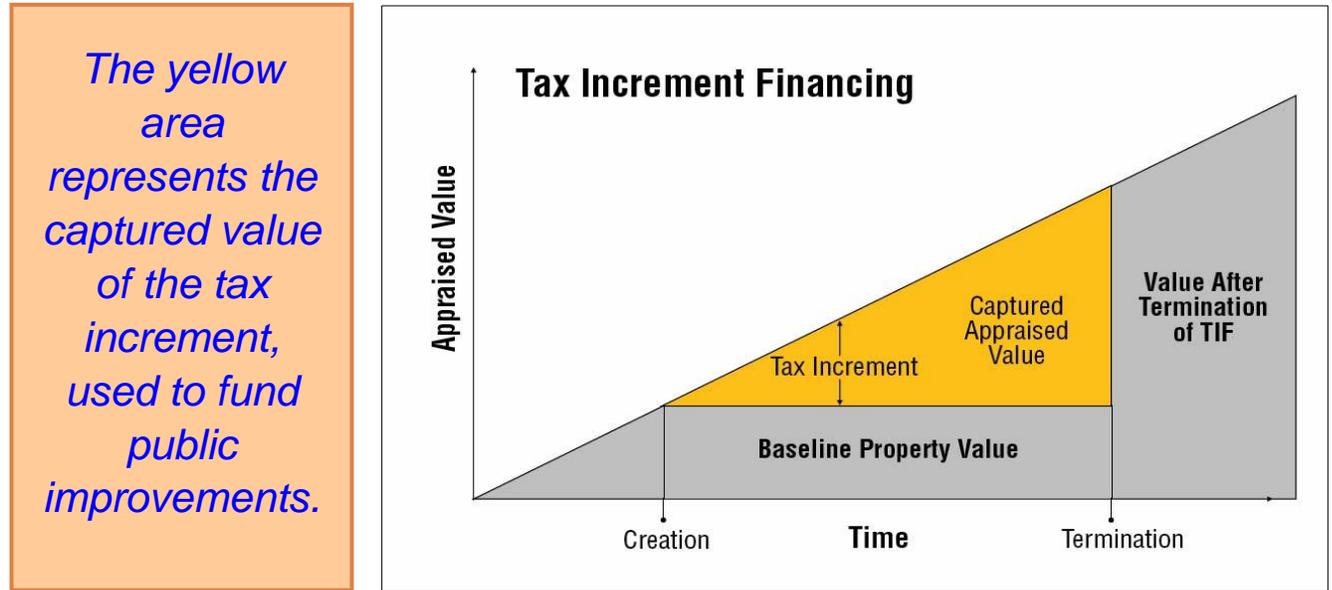
Adopted _____, 2019

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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 demonstrate necessity and 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 implement restrictive covenants to implement policy provisions. The City may apply any requirements or criteria in a flexible manner to meet the overall intent of this policy. The application will be reviewed by 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, 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, including limited life safety improvements to rehabilitated nonresidential structures;
3. To stimulate the construction of safe and affordable housing units disbursed throughout the community for low and moderate income residents;
4. To encourage transit-oriented development or development otherwise planned to reduce the amount of urban sprawl and the associated need for additional public infrastructure, thereby creating livable, sustainable, walkable, bikeable, and transit accessible growth providing good connectivity with surrounding areas;
5. To stimulate economic development in the community by assisting projects that promote the long term economic vitality of the community; and
6. 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

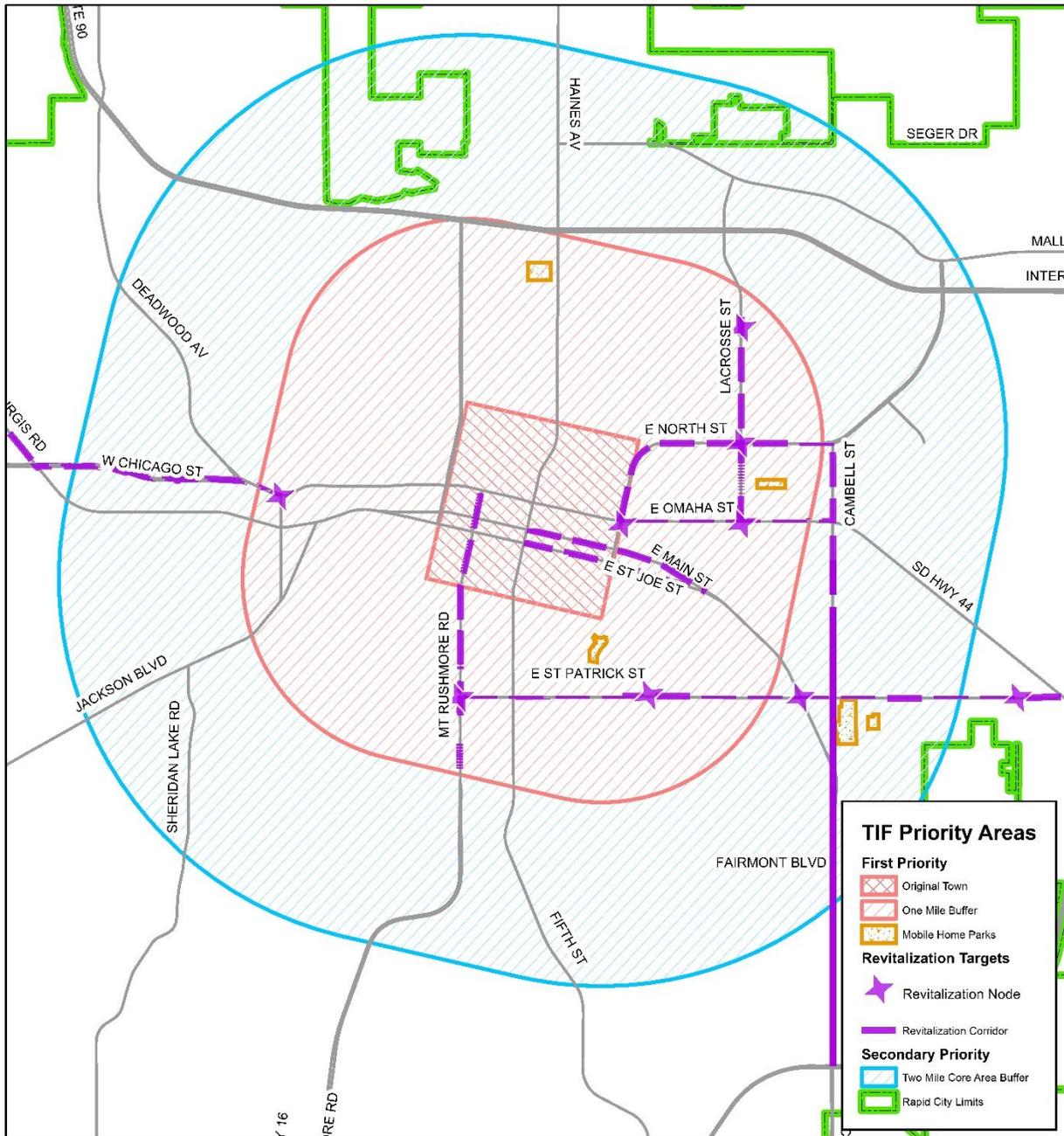
The City of Rapid City has determined that TIF projects must address specific priorities identified in various targeted areas and/or uses as well as community planning documents addressing transportation needs, capital improvements, land use recommendations, utility extension priorities, housing or other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

mobile home parks eligible for redevelopment, based on code compliance issues and/or a decrease in property value.

- 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 should only occur when 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



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 Rapid City Metro Area Average Median Income (AMI), where housing costs, including utilities, are no higher than 30% of AMI as of the date the TIF district is created; 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; or
 - iii. The monthly rental rate of all multi-family housing units in the TIF district for affordable housing rental rates shall meet HUD’s Fair Market Rent rates; the workforce housing rental rates will be at or below the calculated rent for the state’s eighty percent area median income, used by the SDHDA, as of the date the TIF district is created, until the TIF is dissolved. (SDCL states minimum of 5 years); and
 - iv. All residential TIF districts or economic development TIF districts that include any residential units shall include affordable housing on at least fifty-one percent of the single-family lots or multi-family units within each development phase. Five percent of the affordable housing lots and/or units shall target households at or below 30% of HUD’s AMI.

- 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 is demonstrated to do one of the following:
 - 1. Generate at least one new fulltime job from at least one of these industries for each \$75,000 in principal value of the Tax Increment Financing,
 - 2. Create a significant number of new jobs that meet or exceed the targeted hourly rate by Rapid City Economic Development (however, the targeted industry hourly rate shall be no less than 25% of the US Census Bureau’s American Community Survey (ACS) five-year household median income); or

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. TIF is not to be considered a land entitlement; it is only to be used when it can be shown as necessary. The City can and will consider using TIF when a worthy and desired project has *presented evidence* of the necessity of TIF, without which the project would not occur due to extraordinary site or development constraints.
 - a) 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.
 - b) Evaluation methods may 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.
 - c) The evidence presented must demonstrate how the TIF district will result in one or more of the following:
 - i. Creating a special public benefit,
 - ii. Causing significant economic impact to the area and building the local tax base,
 - iii. Reducing the prevalence of blight, and
 - iv. Addressing challenging topography, soils contamination or other environmental concerns.
 - d) Cost comparisons shall include a two-year comparison for similar projects, or cost estimates shall be based on state bid unit prices.
 - e) For economic development projects, 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.
 - f) The use of TIF should be limited to only the amount necessary for a desired project to become possible. Some eligible costs may possibly be determined as unnecessary.
 - g) 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, points can be scored on the evaluation chart when the developer participation rate is at least eighty-five percent (85%), or a higher score if the rate is at least ninety percent (90%). For Rapid City, this participation rate calculation may include 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; or
 - iii. Interest expense for that amount over the city paid interest rate, with a maximum of 4% over current city rate. The loan original fee may also be included as part of the participation rate.
- h) A development agreement shall accompany the approval of the TIF project plan, and may stipulate a lower reimbursement amount than what is eligible based on the determination of necessity.
4. Housing Development Tool:
- a) All residential TIF proposals shall include affordable housing on at least fifty one percent of the single-family lots or multi-family units within each development phase. At least five percent of all single-family lots or multi-family units in each development phase shall include lots or apartments at a reduced price for persons making less than thirty percent (30%) of median income; in lieu of this lot/unit requirement, the developer may 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 the life of the TIF district.
 - c) The monthly affordable housing rental rate for housing units in a multi-family housing structure, including duplexes, shall meet HUD's Fair Market Rent rates; the workforce multi-family housing rental rates as identified above 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 the life of the TIF district.
 - d) Affordable housing development as part of a TIF proposal must be located on a transit service line.
 - e) All residential TIFs shall include restrictive covenants to ensure compliance with these provisions. ~~the affordable housing definitions identified in SDCL 13-13-10.10~~
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 by any taxing agency for the life of the district.
 11. Overlapping Districts. The overlapping of more than two (2) active TID boundaries shall only be permitted when evidence of necessity is demonstrated.
 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 (Appendix #__) and displayed on the proposed public improvements map prepared and submitted with the application. 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. Water line oversizing costs, if upsizing the water line pipe, associated with residential fire sprinkler protection systems may also be eligible for reimbursement.
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 (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*.
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 are demonstrated to 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. The combined professional and construction administration fees shall be limited to a total of seventeen (17%) 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. This may include portions of the installation of fire sprinkler protection systems, inclusive of the associated water fire service lines and associated fire alarm system features.
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.
22. Third party professional services deemed necessary to review the application.

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. Any project cost that is located outside the TIF boundary that may otherwise be considered eligible.
5. Organizational costs.
6. Legal and developer fees.
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 (TRT) 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 (TRT) 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, restrictive covenants, rental income verification, 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 (TRT) will evaluate and score each TIF application as the proposal relates the TIF purpose, targeted areas and uses and project 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).

1. Base Requirements. Evaluation of TIF project applications shall include a review of the following requirements:

- a. Demonstration of Necessity. 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 (but for) the assistance of TIF, and shall determine the level of TIF necessary for the project to move forward (see Principle 3 in Section IV, above). The City may contract with outside professionals to evaluate the proposal to determine necessity; such expenditures shall be considered a developer cost and will be included in the project plan as an eligible expenditure.
 - b. Financial Feasibility and Fiscal Impact. The TIF proposal shall include a study of financial feasibility and fiscal impact, referring to the financial model of the proposed TIF and evaluates both the stability of the TIF revenue projections and the necessity of utilizing TIF. The study shall also review the fiscal impact of the TIF use. The City may contract with outside professionals to evaluate the proposal to determine the financial feasibility and fiscal impact; such expenditures shall be considered a developer cost and will be included in the project plan as an eligible expenditure.
 - c. Cost Projections. The TIF proposal shall include actual cost projections, including TIF eligible costs and overall project costs, to ascertain all costs are reasonable. The development and TIF cost estimates shall be provided in a format similar to estimating oversize costs for city projects and provided at the time of the application submittal.
 - d. Market Analysis. The TIF proposal shall include a market analysis to determine how the project fits within the Rapid City market. The City may contract with outside professionals to evaluate the proposal to determine compliance with South Dakota Codified Laws; such expenditures shall be considered a developer cost and will be included in the project plan as an eligible expenditure.
 - e. 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. The City may contract with outside professionals to evaluate the proposal to determine compliance with South Dakota Codified Laws; such expenditures shall be considered a developer cost and will be included in the project plan as an eligible expenditure.
2. Project Criteria. Evaluation points will be assigned for how the proposed project meets the following criteria:
 1. A majority of the project land will develop infill areas within priority areas.
 - a. First Priority - the area within one (1) mile and inside of the Original Town, between East and West Boulevards and North and South Streets.

- b. 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.
 - c. Infill areas or areas in revitalization nodes or corridors.
2. The project will eliminate actual or potential hazard(s) to the public.
3. The project will result in the redevelopment of blighted areas and / or provides new economic development. Score shall be doubled if both met.
4. The project is a transit-oriented development or otherwise planned to reduce the amount of urban sprawl and the associated need for additional public infrastructure, thereby by creating livable, sustainable, walkable, bikeable, and accessible growth providing good connectivity with surrounding areas.
5. 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.
6. The project involves the expansion of an existing business located within Rapid City.
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 \$75,000 in principal value of the Tax Increment Financing; or would create 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.
 - 1 point: up to 115% of AMI (workforce housing)
 - 2 points: 80% of AMI
 - 3 points: 50% of AMI
11. The project will result in the construction of public improvements as identified in the current Capital Improvements Plan.
12. The developer agrees to waive any discretionary formula for reduced taxation, if applicable, for the life of the district.

13. The project includes regional infrastructure improvements located in or near the TID that are determined beneficial to the community. (Regional infrastructure located outside the TIF boundary is ineligible for reimbursement.)
 14. The developer participation rate (ratio of the amount of developer provided capital used in a project relative to the entire investment in a project) is at least:

85%:	1 point
90%:	2 points
 15. All Tax Increment Financing proceeds are to be used for the construction of public improvements.
 16. The project involves the rehabilitation of a building listed on or eligible for listing on the National Register of Historic Places.
 17. The building or site identified for redevelopment itself displays conditions of blight, as defined in the Rapid City TIF Policy.
 18. The project site has displayed a recent pattern of declining real property assessments, as measured by the Pennington County Director of Equalization.
 19. 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.).
3. Analysis of Financial Feasibility and Fiscal Impact. If the TRT determines that the TIF proposal meets the intent of the Policy, and with the Mayor’s recommendation, the City shall submit the proposal for review by a licensed finance professional (Certified Public Accountant or other certified and licensed financial consulting professional). The finance professional shall prepare an 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.
 4. County and School District Review. Following the TRT’s evaluation of the project application and the receipt of the analysis of financial feasibility and fiscal impact, the project will be presented for the review and recommendation of Pennington County and the Rapid City Area School District.
 5. Official Review and Approval. With the completion of the above evaluation process, a development agreement will be prepared stipulating the TIF amount determined as necessary. The application will be reviewed by the Planning

Commission, with emphasis on determining whether the project area includes appropriate land uses and the existence of blight. A recommendation regarding approval will then be forwarded to the City Council for their consideration and review for final approval.

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 housing costs no higher than thirty percent (30%) of the tenants' income or the Fair Market Rent (FMR) for the HUD Section 8 Program, ~~whichever is greater~~. A mixture of housing units shall not exceed fifty one percent (51%) of the dwelling units of the proposed development to be occupied by households meeting this income guideline. Five percent of the affordable housing lots and/or units shall target households at or below 30% of HUD's AMI.
2. Affordable housing is required to remain affordable as defined above for the life of the TIF. 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 \$75,000 in principal value of the Tax Increment Financing; or would create 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.

TIF Review Team (TRT) – a group established to the perform evaluation of TIF project applications and the management of approved TIF projects. The TRT is comprised of the Mayor, the City Finance Officer, the Community Development Director, the City Engineer, the Long Range Planning Manager, and the Rapid City Economic Development Partnership President.

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.

Workforce Housing – the original selling price of any house in the district sold at or below the first-time homebuyer purchase price and housing income limit used by the South Dakota Housing Development Authority (SDHDA) as of the date the house is sold.

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. Preliminary Review Format
8. Project Plan Format
9. Affordable and Workforce Housing Cost Maximums
10. Single Family Residential Housing Cost Estimate Form
11. Multi-Family Housing Pro Forma Format
12. TID Project Plan, Amendment and Certification Flowchart
13. Financing Requirements
14. TID Certification Process
 - a) Certification Checklist

- b) Certification Affidavit
 - c) Certification Expenditure Tracking Submittal
15. 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
16. State Statute References
- a) SDCL 5-18B – Procurement of Public Improvements
 - b) SDCL 11-9 – Tax Increment Financing