

Rapid City Tax Increment Program

Policy Review – Benefits and Summary

(changes in red added 1/7/2020)

1. **Increased focus** on infill development, economic development, affordable housing, and transit-oriented development
2. **Greater guidance** to applicants in the application and certification processes
3. **Improved and simplified process** for staff review / certification, saving both time and expense
4. **Assurance of necessity** – Use of the TIF public financing tool is both responsible and necessary
5. **Many opportunities** for the use of TIF throughout the city without area restrictions

Policy Updates

- Added clarifications to address comments from 9/25/19 PC meeting
- Removed TIF approval criteria for projects exceeding 10 years
- Removed emphasis on developing in the core community. Projects may qualify for TIF anywhere in the City
- Added criteria to Rapid City's blight definition to include crime within specific density areas, based on Rapid City's Community Crime Map as well as including language to address structural deterioration
- Added language to address eligible interest rate (was city rate plus 4%, now US Prime Rate plus 1%); added language to address potential market volatility
- Added appeal process for evaluation chart score as well as signature block for the applicant and TRT
- Added TIF applicable definitions for infill development, conflict of interest, real property assembly costs, contingency costs and third party appraisal
- Added clarity to application and approval process
- Removed all reference to necessary and convenient costs. The contingency costs are limited to 10% of the total capital costs, generally based on language from SDCL 9-21-6.1
- Added language to address regional water towers and/or reservoirs
- Added language regarding the application requirements
- Added language clarifying the City's cost and responsibility for hiring third party review

Comment / Change Summary from 11/21/19 Planning Commission

- TIF committee change to team review – provides consistency with other development applications
- Review team reduces impropriety to vet TIF proposals before public hearing requirements met

- Interest rate language was added before publication of the 11/21/19 Policy to allow US Prime Rate plus one percent to address developer/bank concerns about city rate previously included in Policy.
- Allowable interest charges – language was added before publication of the 11/21/19 Policy, and stated the following:

Additional interest expense may be eligible based on the additional project cost provisions of SDCL 11-9-23 if market volatility creates a shortage in the original interest expense projection.

Explanation: SDCL 11-9-23 allows for up to 35% additional project plan costs without requiring redetermination of the base valuation (eliminates the loss of any increment created). This language was added to specifically address concerns regarding the unknown potential of interest rate volatility. Similar to other cost reallocation proposals, an amendment is required to utilize this provision.

- Pro forma prepared spreadsheet template provided for consistent application submittal and to assist with financial feasibility analysis
- Affordable housing – similar to State’s affordable housing language, targets first time home buyer within district as of the date the house is sold; rental rates for a minimum of five years following the date of first occupancy for all multifamily housing units. City’s policy further provides a local definition of affordable vs workforce housing
- Priority area evaluation score points are scored based on proximity to Core Community as identified in Appendix 1; based upon the project location, can receive up to 3 points on the evaluation chart
- Principle #8, page 8, identifies a statutorily allowed 20 year repayment period; the Policy encourages, but does not require, repayment within ten years. This helps ease taxing agency concerns regarding the withholding of potential property tax revenue for the maximum allowable period.
- A 9% maximum interest rate is included in the existing TIF Policy; lowering this allowable target rate to US Prime plus one percent, with the ability to amend the project plan for higher interest expense reduces taxing agency concerns regarding potential excessive inflationary costs to new district projections
- As requested by members of the TIF banking community, language will be added to the developers agreement allowing City invoicing review and approval before bank payments are made. This step can enhance the certification process by reducing the paper search and the amount of time staff and consulting firms spend gathering audit-proofed information regarding the TIF eligible expenditures.
- Other items added to expedite the application and certification process include the following:
 - Construction bid items separated into schedules specific to project plan capital projects, allowing developer to benefit from bidding eligible and ineligible schedules / expenditures within same contract, thus simultaneously securing pricing/construction efficiencies
 - Certification instructions and checklist to clarify required documentation

- Spreadsheet provided to developer after approval of District for ease in tracking project costs
- The term “all” on page 1 has been deleted; “shall” changed to will or may as appropriate.
- Annual expense / Progress Report will be added to the TIF webpage
- Participation rate definition clarified
- Water main oversizing sentence, Eligible Costs Item 1 – sentence structure changed for reading ease