WHY ARE POLICY REVISIONS NEEDED?

1. To provide greater focus on promoting infill development, economic development, affordable housing, and transit-oriented development.

2. To provide greater guidance to applicants in the application and certification processes.

3. To improve and simplify staff efforts in the review of applications and the certification process.

4. To ensure that the TIF public financing tool is used responsibly and when determined necessary, i.e. the project could not be built without TIF.
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.
REVISION HIGHLIGHTS

- Included TIF Chart description
- Updated verbiage throughout
- Defined base application requirements
- Added evaluation criteria

The yellow area represents the captured value of the tax increment, used to fund public improvements.
TARGETED USES

• New Economic Development

• 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

• Development and Redevelopment of Infill and Blighted Areas
TARGETED USE

- **Affordable Housing**
  - 30% of housing units within development provided at 60% to 80% AMI, and
  - 5% targeting households at or below 30% AMI

**Existing Policy language:**
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:

A. 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 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 prorate share of increment benefit will be due and payable to the City.

- **Workforce Housing**
  - Housing units within development based on SDHDA limits

**2019 AMI** = $67,500

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Income Limit</th>
<th>FMR Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>80%</td>
<td>$54,000</td>
<td>$1,350</td>
</tr>
<tr>
<td>60%</td>
<td>$40,500</td>
<td>$1,013</td>
</tr>
<tr>
<td>30%</td>
<td>$20,250</td>
<td>$506</td>
</tr>
</tbody>
</table>

**2019 SDHDA Income Limit**

<table>
<thead>
<tr>
<th>First time purchase price</th>
</tr>
</thead>
<tbody>
<tr>
<td>$90,360</td>
</tr>
<tr>
<td>$275,000 or less</td>
</tr>
<tr>
<td>% of Area Median Income</td>
</tr>
<tr>
<td>-------------------------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Annual income-Individual</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Affordable Monthly Rent</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Occupation</td>
</tr>
<tr>
<td></td>
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</tbody>
</table>

An estimated 52% of households earning less than $20K per year paid more than half of their annual incomes toward housing in 2016, and 75% paid more than 30%. Median household incomes in Rapid City fell by 3.2% from 2010 to 2016 while median home prices rose by 11.5%.
8 buildings – 160 total units  
(rent includes all utilities)

**Existing policy requirements:**

51% at or below 80% AMI = 82 units

**New policy requirements:**

30% at or below 80% AMI = 48 units  
5% at or below 30% AMI = 3 units

**CDBG requirements:**

51% at or below 80% AMI = 82 units

**HUD requirements:**  
(programs vary)

51% at or below 80% AMI = 82 units
The FY 2020 Rapid City, SD HUD Metro FMR Area FMRs for All Bedroom Sizes

### Final FY 2020 & Final FY 2019 FMRs By Unit Bedrooms

<table>
<thead>
<tr>
<th>Year</th>
<th>Efficiency</th>
<th>One-Bedroom</th>
<th>Two-Bedroom</th>
<th>Three-Bedroom</th>
<th>Four-Bedroom</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2020 FMR</td>
<td>$549</td>
<td>$639</td>
<td>$841</td>
<td>$1,184</td>
<td>$1,423</td>
</tr>
<tr>
<td>FY 2019 FMR</td>
<td>$590</td>
<td>$671</td>
<td>$888</td>
<td>$1,236</td>
<td>$1,474</td>
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</tbody>
</table>

Pennington County, SD is part of the Rapid City, SD HUD Metro FMR Area, which consists of the following counties: Pennington County, SD. All information here applies to the entirety of the Rapid City, SD HUD Metro FMR Area.

### FY 2019 Income Limits Summary

Selecting any of the buttons labeled "Explanation" will display detailed calculation steps for each of the various parameters.

<table>
<thead>
<tr>
<th>FY 2019 Income Limit Area</th>
<th>Median Family Income</th>
<th>FY 2019 Income Limit Category</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rapid City, SD HUD Metro FMR Area</td>
<td>$67,500</td>
<td>Very Low (50%) Income Limits ($)</td>
<td>24,750</td>
<td>28,250</td>
<td>31,800</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Extremely Low Income Limits ($)</td>
<td>14,850</td>
<td>17,000</td>
<td>21,330</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Low (80%) Income Limits ($)</td>
<td>39,550</td>
<td>45,200</td>
<td>50,850</td>
</tr>
</tbody>
</table>

8 buildings – 160 total units (rent includes all utilities)

**HUD and CDBG requirements:** (HUD programs may vary)

- 51% at or below 80% AMI = 82 units
- 1 person rent max = $988.75
- 2 person rent max = $1,130

1 bd / 1 ba = $1,240
TARGETED USE

Master Plan Implementation

• Plan Rapid City, Rapid City’s Comprehensive Plan

• Downtown Master Plan

• Utility System Master Plan

• Capital Improvement Program

• Community Development Block Grant Consolidated Plan
ENCOURAGE TRANSIT-ORIENTED DEVELOPMENT

- Vibrant, livable and sustainable community
- Compact, walkable, pedestrian-oriented uses, with mixed use communities centered around shared transportation options
- Reduced dependence on a vehicle for mobility and survival, up to 85% in some cases
- Create “live, work and play” spaces
PROJECT MANAGEMENT

- TIF Review Team – Finance, Community Development, Public Works, Elevate Rapid City President/CEO

- Applicant meets with TIF Review Team to discuss proposal prior to submittal

- TIF Review Team presents TIF information to School District and County

- Project Plan and agreements prepared

- City manages public improvement projects including design, construction and construction management
GUIDING PRINCIPLES

• No guarantee of approval

• TIF used only as a necessity

• Ten year payoff encouraged

• Affordable housing development tool

• Economic development tool

• TIF used for blight and excessive development costs

• Must comply with regulations

• Private funding required

• Increased construction valuations fund project and financing costs

• Taxation waiver restrictions

• Limit overlapping district boundaries

• Performance measures / clawbacks

• Limited economic development grants

• Carefully review TIF project costs
REVISED ELIGIBLE COSTS

• Costs tied to public infrastructure needs

• Admin Fee is $20,000 or .5% of the total TIF costs, whichever is greater

• City will refine developer’s project costs as necessary, within reason
BASE REQUIREMENTS

• Determination of necessity
• Financial feasibility and fiscal impact
• Cost projections
• Market analysis
• Legal Review
Flexibility built in scoring with many opportunities to qualify for approval:

- **10 point minimum out of 28 points possible**

- If a project cannot achieve at least 10 points, the use of TIF should be questioned and not recommended
EVALUATION CRITERIA

1. Project improvements address the objectives of planning documents
2. Reduces or eliminates actual or potential public hazards
3. Results in the redevelopment of blighted areas
4. Results in new economic development
5. Involves a transit-oriented development
6. The project will develop infill areas within priority areas:
   - Original Town plus one mile
   - One to two mile buffer from Original Town
   - Revitalization nodes and corridors
7. Involves the start-up of an entirely new business in a targeted economic development industry

8. Involves the expansion of an existing business

9. Brings new or expanded employment opportunities

10. Generates at least one full-time job for each $75,000 in TIF principal value; or creates a significant number of new jobs exceeding the targeted minimum wage rate (2018 = $17.64)
EVALUATION CRITERIA

11. Results in redevelopment in the Targeted Areas

12. Results in affordable / work force housing units

13. Results in the construction of public improvements as identified in the Capital Improvements Program

14. Developer agrees to waive or not participate in any discretionary formula for reduced taxation
15. Regional infrastructure improvements located in or near the TID included in proposal

16. Participation rate – the ratio of developer’s capital relative to the entire project investment of at least 85%

17. Proceeds are used for the construction of public improvements (not required as part of Chapter 16 of the RCMC)

18. Involves the rehabilitation of an historic building, either listed or eligible to be listed on the National Register
19. Invokes a building or site identified for redevelopment that displays conditions of blight

20. Site displays a pattern of declining property assessments

21. Costs are limited to those costs that exceed the typical or average construction costs

(excessive fill, relocation costs, additional foundation requirements with unusual soil conditions, extension of sewer or water mains, on-site or off-site vehicular circulation improvements, etc.)
TIF CERTIFICATION PROCESS

CERTIFICATION FLOW CHART

- Project Plan approved
- Staff provides spreadsheet for tracking expenditures
- Construction complete - City accepts Public Improvements
- Certification Pre-application meeting for certification submittal
- Staff Completes Final Review / Finance begins payments as revenue occurs
- Developer resubmits certification documentation
- TIF Team Review / works with Developer for clarification / documentation
- Developer submits certification documentation