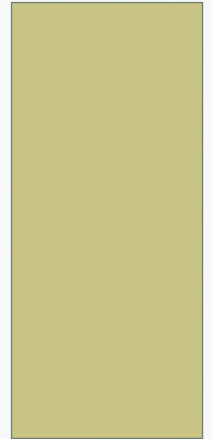


RAPID CITY

TAX INCREMENT FINANCING POLICY



SUMMARY OF PROPOSED CHANGES



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.

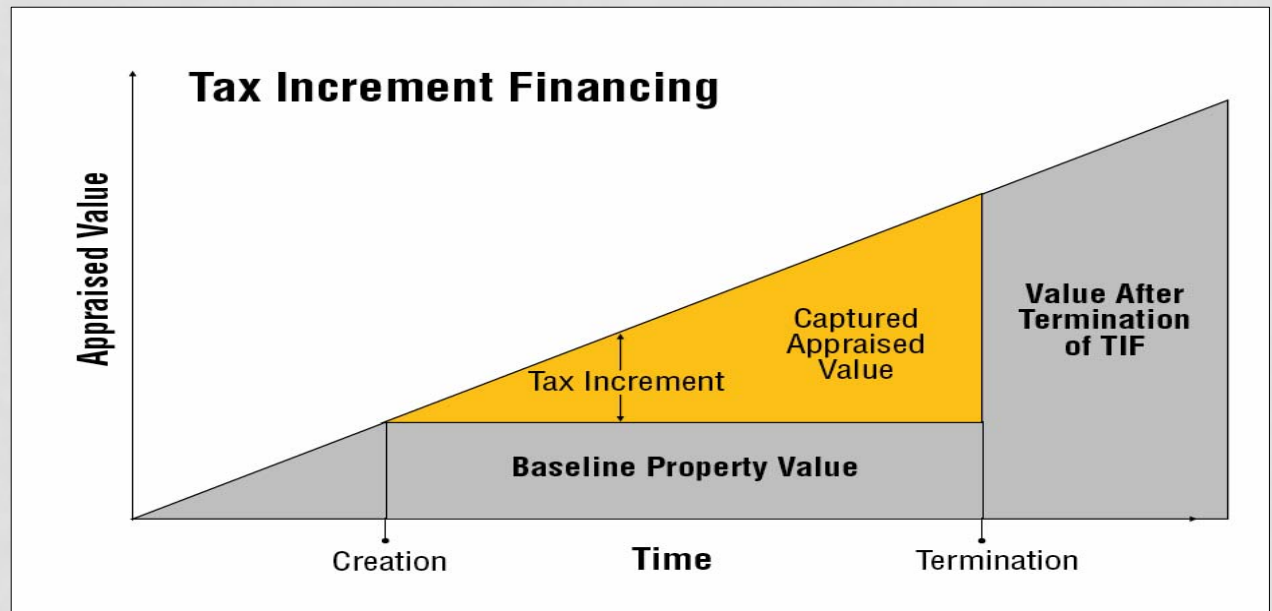
REVISED POLICY BENEFITS

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

2019 AMI = \$67,500

80% = \$54,000 **\$1,350**

60% = \$40,500 **\$1,013**

30% = \$20,250 **\$506**

- **Workforce Housing**

- Housing units within development based on SDHDA limits

2019 SDHDA Income Limit

\$90,360

First time purchase price

\$275,000 or less



RAPID CITY
COLLECTIVE
IMPACT



	Affordable Housing (0-50% AMI)		Workforce Housing (50-120%AMI)	
% of Area Median Income	0-50% Very Low to Low-Income		50-120% Low to Moderate Income	
	5,560 hh	5,080 hh	4,640 hh	5,470 hh
Annual Income-Individual	Under \$20,000	\$20K-\$35K	\$35K-\$50K	\$50K-\$75K
Affordable Monthly Rent	Under \$500	\$500-\$899	\$899-\$1249	\$1,250-\$1,874
Occupation	Day Laborers, Part-Time workers, Recipients of SSI or SSDI Benefits, Housekeeping Staff, Fast Food Workers	Hospitality Worker, Childcare Worker, Bartender, Substitute Teacher, Nursing Assistant, Forestry Worker, Building Maintenance, Culinary Staff	Construction Worker, Electrician, Bus Driver, Hair Stylist, Security Guard, Pharmacy Technician, Enlisted Military Personnel, Nonprofit Staff	Nurse, Teacher, Police Officer, Postal Worker, Plumber, CPA, Architect, Professor, Military Officers

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%



Ph1 = 25

8 aff.
1 30% ↓

Ph2 = 26

8 aff.
1 30% ↓

Ph3 = 26

8 aff.
1 30% ↓

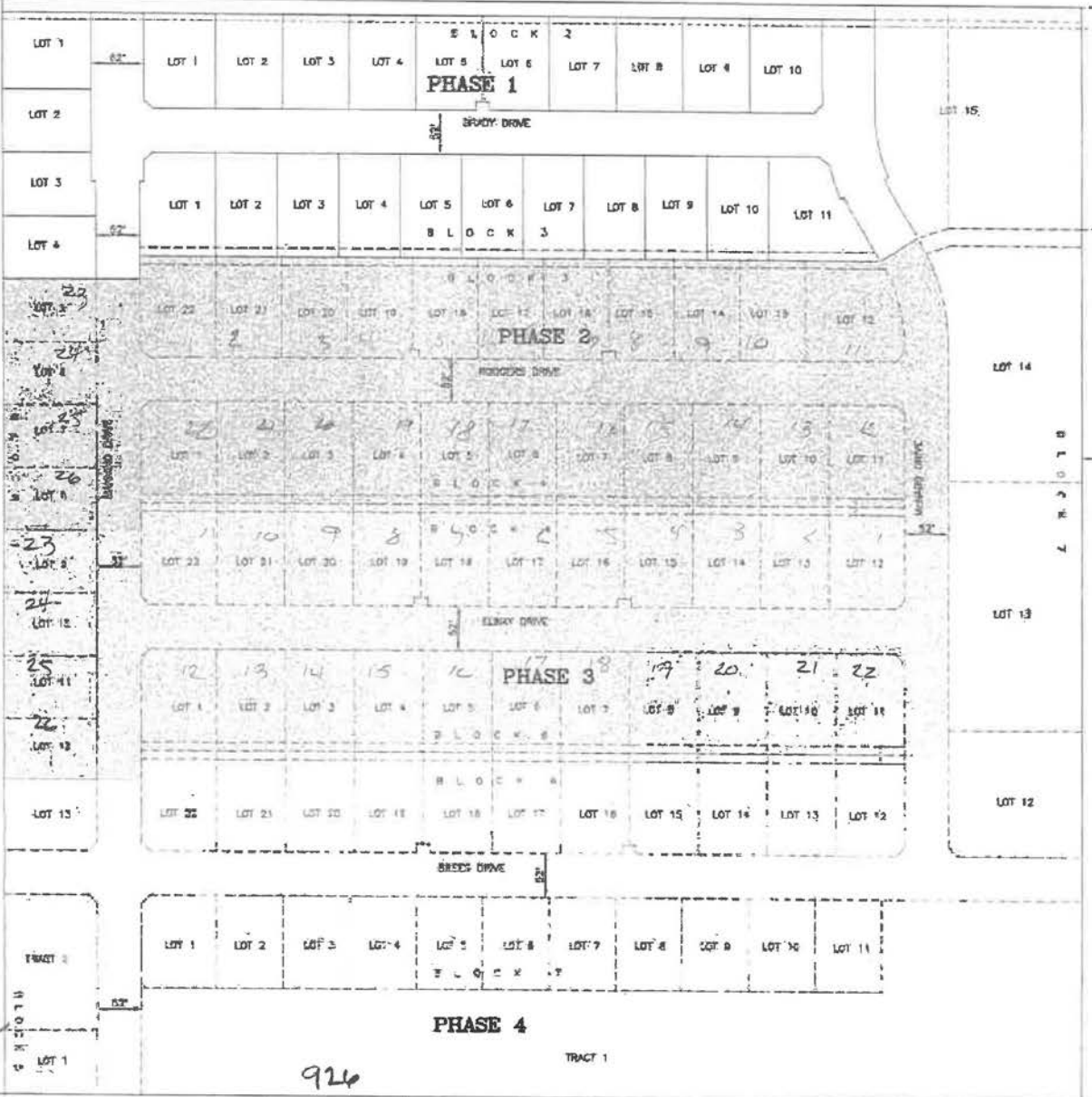
Ph4 = 25

8 aff.
1 30% ↓

102 SF

32 aff

4 30% ↓



5.91 ac
90 MF
27
2 30% ↓

924

200,000

160,000 - 225,000

741

1042

BED / BATH

RENT *

SQ. FT. **

1 bd / 1 ba

from \$1,240

820

2 bd / 1 ba

from \$1,395

1,073

2 bd / 2 ba

from \$1,495

1,119

2 bd / 2 ba

from \$1,555

1,217

3 bd / 2 ba

from \$1,770

1,381

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



FY 2020 FAIR MARKET RENT DOCUMENTATION SYSTEM

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					
Year	Efficiency	One-Bedroom	Two-Bedroom	Three-Bedroom	Four-Bedroom
FY 2020 FMR	\$549	\$639	\$841	\$1,184	\$1,423
FY 2019 FMR	\$590	\$671	\$888	\$1,236	\$1,474

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.

FY 2019 Income Limit Area	Median Family Income Explanation	FY 2019 Income Limit Category	1	2	3
			Rapid City, SD HUD Metro FMR Area	\$67,500	Very Low (50%) Income Limits (\$) Explanation
		Extremely Low Income Limits (\$)* Explanation	14,850	17,000	21,330
		Low (80%) Income Limits (\$) Explanation	39,550	45,200	50,850

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

EVALUATION CRITERIA

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

EVALUATION CRITERIA

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

EVALUATION CRITERIA

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

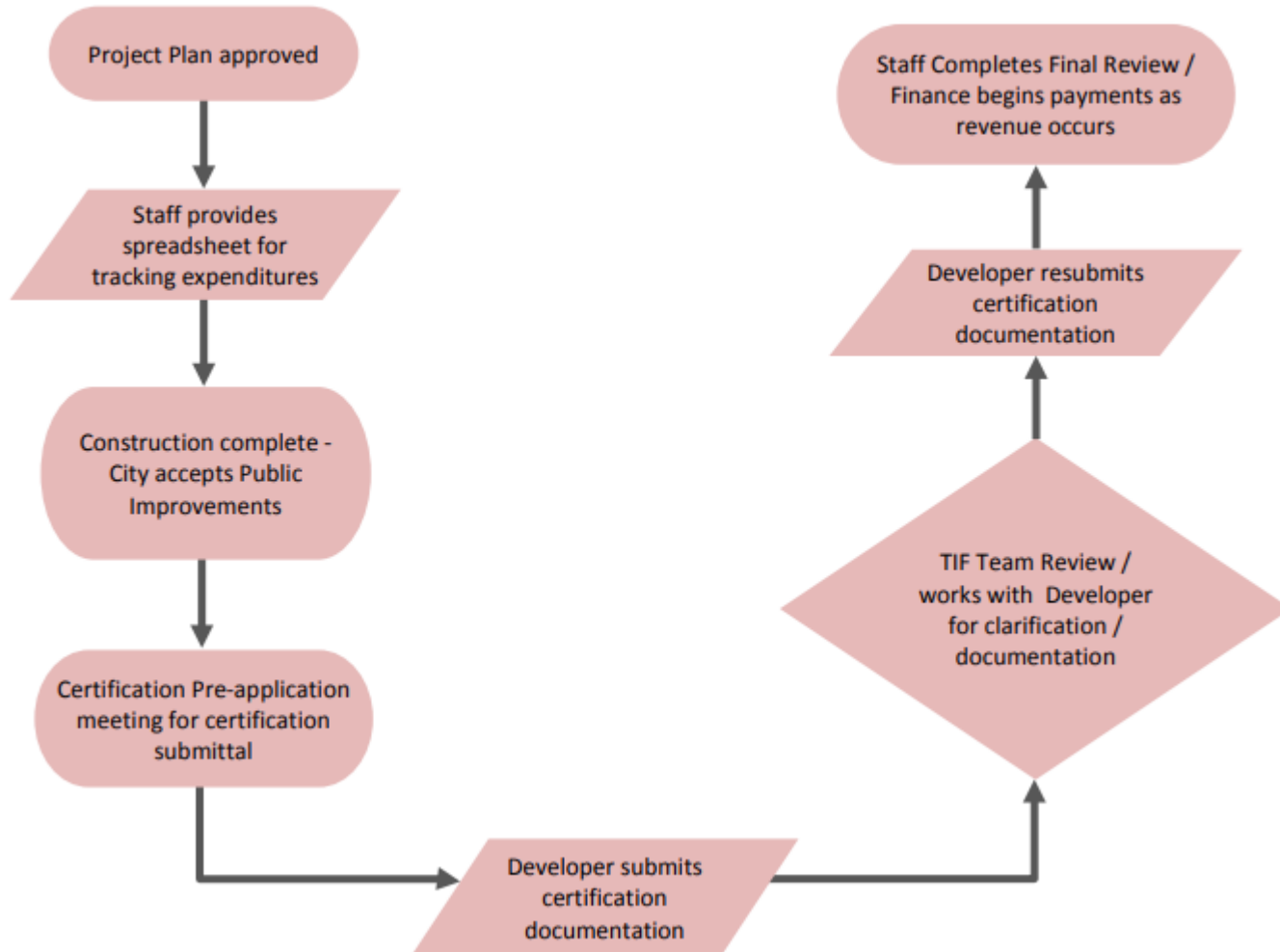
EVALUATION CRITERIA (CONT.)

19. Involves 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



RAPID CITY TIF DISTRICT MAP

