

STAFF REPORT
February 4, 2020

No. 20TIF001 – Application for TID #78 Amendment #2 to amend Project Plan Capital Cost Item **Item 2**

GENERAL INFORMATION:

APPLICANT	Dream Design International, Inc. for Yasmeen Dream, LLC
PROPERTY OWNER	Multiple property owners
REQUEST	20TI001 – Amend TID #78 Project Plan Costs
LEGAL DESCRIPTION	Tracts A, B, C, D, E and H, Tract 1, Lots 2 thru 8 of Block 1, Lots 10 thru 13 of Block 1, Lots 1 thru 4 of Block 2, Lot 6 of Block 2, Lots 9 thru 10 of Block 2, Lots 11A and 11B, 12A and 12B, 13A and 13B, 14A and 14B, 15A and 15B, 16A and 16B of Block 2, Lots 1 thru 2 of Block 3, Lot 1 of Block 4, Lot 1 of Block 5, Lots 1A and 1B of Block 6, all of Orchard Meadows; Lot 1 less Tract A and Tract B of Orchard Meadows of the Wally Byam Addition; Lot 1 less Lot H1 and less dedicated right-of-way of the Well Addition; Lot 2 of Tract A of the NE1/4 of the SW1/4; the N1/2 of the SW1/4 of the NE1/4 less the Stekl Subdivision, less Orchard Meadows, less right-of-way, less Lot H1 and Lot H2; the Balance of Tract A of the E1/2 of the SW1/4 and of the W1/2 of the SE1/4 less Lot H1; and the S1/2 of the SW1/4 of the NE1/4 less Lot 1 of the Wally Byam Addition, less the railroad right-of-way, less Orchard Meadows, less Lot H1 and H2, less right-of-way, the S1/2 of the SE1/4 of the NW1/4 less Lot H1; the unplatted Balance of NE1/4 of the SW1/4 Less Lot H1, the unplatted Balance of W1/2 of the SE1/4 less Lot H1; and Lot C of the NE1/4 of the NW1/4 and Lot X of Lot B of the NE1/4 of the NW1/4; and the dedicated public right of way and dedicated railroad right-of-way adjacent to said lots, all located in Section 9, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota
PARCEL ACREAGE	Approximately 253.04 acres
LOCATION	East and west of Elk Vale Road between E. Highway 44 and the current terminus of E Fairmont Street
EXISTING ZONING	Low Density Residential District, Low Density Residential 2 District, Medium Density Residential District, General Commercial District, General Commercial District w/ PD, General Agriculture District, Flood Hazard District and Public District
SURROUNDING ZONING	
North:	Light Industrial District and Suburban Residential District

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South: (PC)
General Agriculture District and Limited Agriculture District
East: (PC)
Suburban Residential District (PC)
West: Floodway, Mobile Home Residential, Medium Density Residential, General Agriculture and Suburban Residential District (PC)

DATE OF APPLICATION January 8, 2020

REVIEWED BY Patsy Horton / Dan Kools

RECOMMENDATION: Staff recommends denying the request to amend the TID #78 Project Plan by changing the gravity sewer main to a temporary lift station as it does not meet Item 3(5) of the Allowable Project Costs as follows:

3. Allowable Project Costs: To accomplish the purposes of Tax Increment Financing, the following costs are determined to be allowable costs:
 5. Regional lift stations, pump stations or other public facilities to be owned by the City of Rapid City

The proposed temporary lift station is located within and will be owned and operated by the Rapid Valley Sanitary District.

If the TIF Committee determines the proposal complies with the allowable project costs as identified above, staff recommends that the City and Developer enter into an agreement with Rapid Valley Sanitary District to ensure that Rapid Valley Sanitary District will provide funds for maintenance and operation of the proposed lift station until the lift station has been decommissioned.

GENERAL COMMENTS: The Project Plan for Tax Increment District #78 was approved on October 3, 2016, and was created to provide funding to realign a portion of the Unnamed Tributary Channel and construct Element #8 as identified in the Unnamed Tributary Drainage Basin Design Plan, including city oversizing costs for the channel. City Council on November 5, 2019, approved Amendment #1 revising the Project Plan reallocating project costs, adding an efficient, cost-effective 15" gravity sewer main in lieu of the temporary lift station originally proposed. The Amendment also added a second phase to accommodate the proposed sewer facility. Amendment #2 adds a lift station as a capital cost and reallocates the \$265,521.79 cost previously identified for a 15" gravity sewer main to the proposed lift station.

STAFF REVIEW: Amendment #2 changes the allowable capital cost expenditures from the approved 15" gravity sewer main to a lift station owned and operated by Rapid Valley Sanitary District, in order to provide much needed sewer capacity for any additional development to occur within Orchard Meadows Subdivision. The lift station service area exhibit identifies that the proposed lift station provides sewer capacity only to lots located

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within Orchard Meadows Subdivision, and are referenced as Tract L, Phase 6 and Future Development. Based on this exhibit as provided, no other development will utilize this lift station; therefore, it is not considered regional.

Background: In July 2014, Rapid Valley Sanitary District and the Developer entered into an agreement for the Developer to provide \$50,000 toward upgrading the Pioneer Drive lift station. This upgrade increased the sewer capacity of the Pioneer Drive lift station from 44 dwelling units within Orchard Meadows Subdivision to 105 dwelling units. Based on this agreement, an additional 35 dwelling units may be connected provided that a capacity analysis determines the feasibility of the additional units, with potential additional improvements.

On September 9, 2019, the Tax Increment Review Committee recommended approval to add a lift station to the project plan and reallocate expenses to partially fund a lift station. The applicant subsequently amended the application indicating that the construction bids were substantially higher than the engineer's cost estimate. As such, before the Planning Commission public hearing, the developer changed the amendment application proposal to include a more efficient, cost-saving long-term solution: install a 15" dry gravity sewer main within Orchard Meadows Subdivision. The developer noted that he would work with Rapid Valley Sanitary District to fund and construct another dry sewer main, approximately 1,320 +/- feet in length, extending east from the southeast corner of Orchard Meadows Subdivision to the eastern most portion of Jolly Lane right-of-way. In 2019, the Planning Commission and City Council approved reallocating costs for the construction of the 15 inch dry gravity sewer main.

Capacity / Time Constraints: Rapid Valley Sanitary District has indicated that its existing lift station located at Pioneer Drive does not have any additional sewer intake capacity. The Pioneer Drive lift station also empties into Rapid City's Jolly Lane lift station located at Jolly Lane, also experiencing intake capacity constraints. However, Rapid City's 2020 Capital Improvements Program (CIP) includes two construction projects to address the Jolly Lane Lift Station constraints: the Jolly Lane to Reservoir Road Trunk Sewer Extension Project (Phase 2) with anticipated construction in 2023-2024, and the Highway 44 Bypass Sewer Extension (Phase 3) with anticipated construction in 2024-2025. Once completed, these two CIP projects, the two proposed gravity sewer mains with a terminus at Jolly Lane, would provide Orchard Meadows with the needed sewer capacity. In conjunction with the two CIP projects, the City will eventually decommission the Jolly Lane lift station.

The applicant has indicated that the City's Southside Drive Sanitary Sewer Extension projects (Exhibit 1 attached) cannot address the Orchard Meadows Subdivision sewer capacity constraints in a timely fashion. The demand for additional residential development requires sewer capacity sooner than the anticipated 2025 completion date for the two CIP projects, thus driving the demand for proposed temporary lift station within the subdivision.

The proposed lift station, located on Lot 3, will empty into the 27" sewer main located within Jaffa Garden Way, connecting to the 42" trunk sewer main located in East Omaha Street / SD Highway 44. The lift station capacity will be designed to accommodate up to 680 equivalent dwelling units or 526 gallons per minute within three Orchard Meadows lots:

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Tract L, Phase 6 and Future Development, identified on the Master Plan as either senior living apartments, multi-family units or single family units.

Current Amendment Proposal: Amendment #2 will change the allowable capital cost expenditures from the approved 15" gravity sewer main to a lift station owned and operated by Rapid Valley Sanitary District. The developer will construct the lift station and Rapid Valley Sanitary District will review and approve the design plans, oversee construction and operate and maintain the facility once construction is complete. All other provisions of the Project Plan as amended remain the same.

Rapid Valley Sanitary District approved plans (KTM Job Number 12-0654.7) for the Phase 6 – Lift Station in Orchard Meadows Subdivision on June 19, 2019, with an estimated cost of \$466,196, including design and contingency; however, the reimbursable cost for the lift station is limited to \$265,521.79.

South Dakota Codified Law 11-9-23 provides for plan amendments, including additional project costs, provided the proposal does not exceed thirty five percent of the original project plan costs and the additional project costs are incurred before the five-year expiration date or October 3, 2021.

The developers have submitted the following reallocation proposal:

TID #78 Cost Reallocation Summary - Amended Project Plan			
	Amendment #1 Project Plan Costs	Reallocation / Line Item Addition	Amendment #2 Project Plan Costs
Developer Phase I			
Capital Projects			
Channel Construction	\$786,868.12	\$0.00	\$786,868.12
Traffic Signal	\$271,327.14	\$0.00	\$271,327.14
Professional Service Costs			
Channel (Design & CA)	\$200,580.59	\$0.00	\$200,580.59
Traffic Signal Component	\$30,000.00	\$0.00	\$30,000.00
Contingency Costs			
Channel Component	\$0.00	\$0.00	\$0.00
Traffic Signal Component	\$0.00	\$0.00	\$0.00
Developer Phase I Total	\$1,288,775.85	\$0.00	\$1,288,775.85
Developer Phase II			
Capital Projects			
15" Gravity Sewer Main	\$265,521.79	(\$265,521.79)	\$0.00
<u>Lift Station</u>	\$0.00	\$265,521.79	\$265,521.79
Developer Phase II Total	\$265,521.79	\$0.00	\$265,521.79

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Total Developer Phase I and II			
Capital Projects			
Channel Construction	\$786,868.12	\$0.00	\$786,868.12
Traffic Signal	\$271,327.14	\$0.00	\$271,327.14
15" Gravity Sewer Main	\$265,521.79	(\$265,521.79)	\$0.00
<u>Lift Station</u>	\$0.00	\$265,521.79	\$265,521.79
Professional Service Costs			
Channel (Design & CA)	\$200,580.59	\$0.00	\$200,580.59
Traffic Signal Component	\$30,000.00	\$0.00	\$30,000.00
Contingency Costs			
Channel Component	\$0.00	\$0.00	\$0.00
Traffic Signal Component	\$0.00	\$0.00	\$0.00
Financing Costs			
	\$682,714.41	\$0.00	\$682,714.41
TID #78 Developer Total	\$2,237,012.05	\$0.00	\$2,237,012.05
City Costs			
Capital Projects			
Channel Construction - Oversizing	\$361,504.30	\$0.00	\$361,504.30
Professional Service Costs			
Channel (Design & CA)	\$28,920.34	\$0.00	\$28,920.34
Contingency Costs			
Channel Component	\$72,300.86	\$0.00	\$72,300.86
Financing Costs			
	\$130,906.35	\$0.00	\$130,906.35
TID #78 City Total	\$593,631.85	\$0.00	\$593,631.85
TOTAL TID 78 AMENDED COSTS			
Capital Costs (Developer and City)			
Channel Construction	\$1,148,372.42	\$0.00	\$1,148,372.42
Traffic signal at SD Highway 44 / Elderberry	\$271,327.14	\$0.00	\$271,327.14
15" Gravity Sewer Main	\$265,521.79	(\$265,521.79)	\$0.00
<u>Lift Station</u>	\$0.00	\$265,521.79	\$265,521.79
Total Capital Costs	\$1,685,221.35	\$0.00	\$1,685,221.35
Professional Fees (Developer and City)			
Channel component (Design and Const Adm)	\$229,500.93	\$0.00	\$229,500.93
Traffic signal component	\$30,000.00	\$0.00	\$30,000.00
Total Professional Fees	\$259,500.93	\$0.00	\$259,500.93
Contingency Costs (Developer and City)			
Channel component	\$72,300.86	\$0.00	\$72,300.86
Traffic signal component	\$0.00	\$0.00	\$0.00

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Total Contingency Costs	\$72,300.86	\$0.00	\$72,300.86
Total Financing Costs	\$813,620.76	\$0.00	\$813,620.76
TOTAL TID 78 AMENDED COSTS	\$2,830,643.90	\$0.00	\$2,830,643.90
Imputed Administrative Costs*			
City of Rapid City	\$27,000.00	\$5,000.00	\$32,000.00

As of December 31, 2019, TID #78 has accrued \$362,147.45 in incremental revenue. On September 18, 2019, the City issued a check in the amount of \$462,726 to the developer for the channel construction oversizing. Once the developer is fully reimbursed, the City will be reimbursed for the oversizing costs and accrued interest.