

STAFF REPORT  
March 11, 2020

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**20TIF003 – TID No. 70 Project Plan Amendment #2**

**ITEM 2**

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GENERAL INFORMATION:

APPLICANT	Kent Hagg for Alta Terra Development, LLC
PROPERTY OWNER	Multiple property owners
REQUEST	<b>No. 20TIF003 – Tax Increment District No. 70 Project Plan – Amendment #2</b>
LEGAL DESCRIPTION	Utility Lot 1 Par Subdivision; Tract 2 and Tract 3 of Par Subdivision; all located in Section 23, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; Unplatted Portion of NE1/4 SW1/4 Lying N of Hwy Right-of-Way; Unplatted Portion of NW1/4 SW1/4 Lying N of Hwy Less Lot H1; Unplatted Portion of NW1/4 SW1/4 Lying South of Hwy, Right-of-Way Less Lot H1; Unplatted SW1/4 SW1/4, Less Lot H2 & Less Right-of-Way; all located in Section 24, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; Tract A of Meadow View Subdivision; Lot A Tucker Subdivision; Lot 1 Shipman Heights Subdivision; Unplatted Portion of SE1/4 NW1/4 NW1/4 Lying East of Hwy 16 Less Right-of-Way; Lot A Ranch Subdivision; Tract 1 of W1/2 NW1/4 Less Lot A of Ranch Subdivision, Less Connector Subdivision, Less Lots H1, H2, H3 & Right-of-Way; Tract AR2 Needles Subdivision; Tract B Needles Subdivision; Tract 1 Waterslide Addition; Unplatted Balance of S1/2 SE1/4 NW1/4; Unplatted Balance of NE1/4 SW1/4; Lot 4R and Lot 5 of Old Rodeo Subdivision; Lot 2 and Vacated Physician Drive Adjacent of Said Lot 2 Old Rodeo Subdivision; Lot 3 and Vacated Physician Drive Adjacent to Said Lot 3 Old Rodeo Subdivision; Lot 1 Less Lots 2, 3, 4R, 5 and ROW Old Rodeo Subdivision; Unplatted Lot B of SW1/4 SW1/4 Less RTY; Lot 9R, South Hill Subdivision; Right-of-Way of Tucker Street; Right-of-Way of Promise Road; Right-of-Way of Jordan Drive; Right-of-Way of Addison Avenue; all located in Section 26, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; Lot 1 and Lot 2 of Connector Subdivision, all located in Sections 26 and 27, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; Platted Tract 1 of SE1/4 NE1/4 Less Connector Sub & Less Lot H1 & Less TLC Subdivision; Lot 1 and Lot 2 of TLC Subdivision; all located in Section 27, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; Unplatted NW1/4NW1/4 less Lot H1 and less right-of-way; Unplatted SE1/4NW1/4; Unplatted W1/2SE1/4 and SE1/4SE1/4; Unplatted NE1/4SW1/4; Unplatted SW1/4NW1/4 less Lot H1 and less right-of-way; all located

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	in Section 35, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; Right-of-Way of Catron Boulevard located in Sections 23, 24, 26, and the SE1/4 NE1/4 of Section 27, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota; and, Right-of-Way of US Highway 16 located in Section 26, 27, NE1/4 of Section 34, and NW1/4 of Section 35, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota
PARCEL ACREAGE	Approximately 712.82
LOCATION	Catron Boulevard from 5th Street to South US Highway 16, then south along US Highway 16 to Sammis Trail and east to the proposed Hyland Crossing Subdivision
EXISTING ZONING	General Agriculture District; Low Density Residential District; Medium Density Residential District; General Commercial District; Office Commercial District
SURROUNDING ZONING	
North:	General Agriculture District; Park Forest District; Medium Density Residential District; Office Commercial District; General Commercial District
South:	General Agriculture District; Low Density Residential District (City) / General Agriculture District; Highway Service District; Planned Unit Development (Pennington County)
East:	General Agriculture District; Low Density Residential District (City) / General Agriculture District; Limited Agriculture District; Highway Service District (Pennington County)
West:	General Agriculture District (City) / Highway Service District; Planned Unit Development; Suburban Residential District; General Agriculture District (Pennington County)
DATE OF APPLICATION	2/13/2020
REVIEWED BY	Patsy Horton

**RECOMMENDATION:** Staff recommends approving portions of the reallocation amendment **and denying that portion of the amendment associated with the professional fees (\$6,147.36) incurred beyond the five year timeline** specified in SDCL 11-6-13. These fees should have been incurred before September 15, 2013.

**GENERAL COMMENTS:** The creation of TID #70 was approved on September 15, 2008 and the

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Project Plan was approved on February 6, 2012. The purpose of the Tax Increment District was to assist in the development of commercial property located along South US Highway 16 and Moon Meadows Drive through the development of public infrastructure improvements. The Tax Increment Funds were identified to construct a sanitary sewer main, turn lanes, Moon Meadows Drive, water main crossing at South US Highway 16, a traffic signal, associated engineering costs and contingency costs. The Project Plan is funded by the developer.

The first Project Plan Revision was approved on October 11, 2016, reallocating anticipated final project expenditures.

The proposed second Project Plan Revision is requested in order to certify \$47,587.38 in project costs. This request includes \$6,147.36 in professional costs that were incurred after the 5 year time limit imposed by SDCL 11-9-3, as well as capital costs totaling \$41,440.02. A provision in State Law allows these professional costs outside of the time limit to be reimbursed only in an amendment to a project plan is approved. This reallocation represents less than 1% of the total project costs. This reallocation would not change the base valuation. There is no increase in the total project costs with this reallocation request.

**STAFF REVIEW:**

Overlapping Tax Increment Districts: There are two overlapping Tax Increment Districts, District #76 – Buffalo Crossing, created March 21, 2016 and District #77, Rushmore Gateway Corridor, created April 4, 2016. Any tax increment revenues generated by property located within Tax Increment District #70 are applied first to the certified costs within District #70 until those costs identified in the District #70 Project Plan are repaid in full. Any and all developers associated with subsequent districts created after District #70 are responsible for any approved project costs if anticipated revenues fall short within the statutory 20 year tax increment district life cycle.

Tax Increment Financing Policy: South Dakota Codified Law 11-9-18 authorizes the Planning Commission to adopt an amendment to a Project Plan, subject to approval by the governing body in the same manner as the initial project plan. Per Rapid City's TIF Policy, this amendment will result in an addition \$5,000 of Imputed Administrative Fees to be paid from the District revenue to the City of Rapid City. South Dakota Codified Law 11-9-13 states that no expenditure may be provided for in the plan more than five years after a district is created, unless an amendment is adopted by the government body pursuant to 11-9-13.

Project Costs: The table on the preceding page identifies the proposed line item adjustments.

**Summary of TID #70 Project Plan and Developer Costs - Final Certification of Eligible Expenditures**

	Amended Project Plan October 2016	Eligible Costs December 26, 2019	Add'l Amount Reimbursed w/ Amdt #2	Recommended Reimbursable Amount
<b>Phase I - Capital Projects</b>				
Heavy Constructors				

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12" Sewer Main	\$224,745.00	\$198,791.09	\$0.00	\$198,791.09
Grading	\$728,875.00	\$732,851.37	\$3,976.37	\$732,851.37
Salvage/Top Soil	\$98,455.00	\$88,446.33	\$0.00	\$88,446.33
Mobilization	\$27,778.00	\$37,048.32	\$9,270.32	\$37,048.32
Sewer Manholes	\$54,830.00	\$80,779.93	\$25,949.93	\$80,779.93
<b>Total Phase I - Capital Costs</b>	<b>\$1,134,683.00</b>	<b>\$1,137,917.05</b>	<b>\$39,196.63</b>	<b>\$1,137,917.05</b>
<b>Professional Costs</b>				
Professional Costs / Surveying	\$5,245.00	\$5,873.40	\$628.40	\$5,873.40
Professional Costs / Testing	\$5,275.00	\$6,890.00	\$1,615.00	\$6,890.00
Professional Costs / Engineering	\$227,331.00	\$123,507.22	\$0.00	\$120,251.78
Exceeds 5 yr timeline <sup>(1)</sup>		(\$3,255.44)		
<b>Necessary &amp; Convenient Costs</b>	\$0.00		\$0.00	\$0.00
<b>Contingency</b>	\$0.00		\$0.00	\$0.00
<b>Financing Interest Costs</b>	\$816,529.13	\$816,529.13	\$0.00	\$816,529.13
<b>Total Phase I</b>	<b>\$2,189,063.13</b>	<b>\$2,087,461.36</b>	<b>\$41,440.03</b>	<b>\$2,087,461.36</b>
<b>Phase II - Capital Projects</b>				
Heavy Constructors				
Mobilization	\$27,777.50	\$17,669.21	\$0.00	\$17,669.21
Turn Lanes @ Moon Meadows Dr	\$492,895.00	\$434,225.53	\$0.00	\$434,225.53
Traffic Signal	\$597,600.00	\$597,599.84	\$0.00	\$597,599.84
Water Main @ Hwy 16 Crossing	\$419,210.00	\$327,216.77	\$0.00	\$327,216.77
Moon Meadows Drive	\$928,490.00	\$805,818.14	\$0.00	\$805,818.14
<b>Total Phase II - Capital Costs</b>	<b>\$2,465,972.50</b>	<b>\$2,182,529.49</b>	<b>\$0.00</b>	<b>\$2,182,529.49</b>
<b>Phase II - Professional Costs</b>				
Professional Costs / Surveying	\$5,245.00	\$4,612.20	\$0.00	\$4,612.20
Professional Costs / Testing	\$5,275.00	\$3,621.00	\$0.00	\$3,621.00
Professional Costs / Engineering	\$324,634.00	\$174,910.62	\$0.00	\$172,018.70
Exceeds 5 yr timeline <sup>(1)</sup>		(\$2,891.92)		
<b>Necessary &amp; Convenient Costs</b>	\$0.00		\$0.00	\$0.00
<b>Contingency</b>	\$0.00		\$0.00	\$0.00
<b>Financing Interest Costs</b>	\$1,420,339.17	\$1,420,339.17	\$0.00	\$1,420,339.17
<b>Total Phase II</b>	<b>\$4,221,465.67</b>	<b>\$3,783,120.56</b>	<b>\$0.00</b>	<b>\$3,783,120.56</b>
<b>Additional Imputed Admin Fee</b>	\$20,000.00	\$20,000.00	\$5,000.00	\$25,000.00
<b>Total Certification - TID #70</b>	<b>\$6,430,528.80</b>	<b>\$5,890,581.91</b>	<b>\$46,440.03</b>	<b>\$5,895,581.91</b>
<sup>(1)</sup> Reflects amounts exceeding 5 year timeline per SDCL 11-9-13				

**Staff Recommendation:** Staff recommends approving reallocation of the \$41,440.03 for the Phase I capital costs. However, staff recommends denying the \$6,147.36 in Professional

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Costs that were incurred outside of the 5 year time limit that expired for TID 70 on September 15, 2013. Although the Professional Fees are relatively low, the added interest associated with these costs may extend the timeline in which TID 70 will pay off. With several overlapping TID's sharing this boundary, this recommendation is meant to ensure timely recuperation of funds to minimize any risk that the other two TIDs may not pay off.