

Preliminary Review of Proposed Tax Increment Project

Applicant: Yasmeen Dream, LLC

Proposed Project Title: Orchard Meadows Lift Station

Purpose of Tax Increment District: The tax increment district will capture incremental tax funds in order to construct a lift station located with Orchard Meadows Subdivision, to be owned and operated by Rapid Valley Sanitary District. The lift station addresses the capacity constraints identified within the subdivision as noted in the attached report. The proposed district will continue stimulating economic development via the construction of a 659 unit apartment complex (20PD008), a 102 unit townhome development (20PD013), additional single family homes, restaurants and medical offices. The tax increment funds will be used to fund the construction of the new lift station (located on Lot 3, Block 6, Orchard Meadows Subdivision) and the associated 6" force main (located adjacent to Jim Street and Elderberry Boulevard), along with professional design fees for the lift station.

The purpose of this proposed Tax Increment District is to assist in addressing the Rapid Valley Sanitary District capacity constraints for this development as identified in the Pioneer Lift Station Analysis (report attached). The eligible construction projects identified will be funded by the developer.

Project Cost Description	Total Estimated Project Costs	TIF Funded Project Costs
Capital Costs		
Local Streets	\$7,420,000.00	
Grading and storm sewer	\$360,000.00	
Regional Lift Station and Force Main	\$807,215.00	\$807,215.00
Turn lanes	\$120,000.00	
Public Improvements Total	\$8,707,215.00	\$807,215.00
Other Development Costs		
Professional Fees	\$730,000.00	\$50,000.00
Contingencies	\$40,360.75	\$40,360.75
Financing Costs	\$3,714,700.98	\$361,320.67
Subtotal	\$13,192,276.73	\$1,258,896.42
Imputed Administrative Costs*		\$20,000.00
City of Rapid City		
TOTAL	\$13,192,276.73	\$1,278,896.42
*The imputed administrative costs are interest-free. This fee is paid after five years when incremental tax funds are available.		

The Developer is targeting new non-residential uses including additional retail and medical offices as well as a 659 unit apartment complex, a 72 unit apartment complex, a 102 unit townhome development and 30 additional single family homes. Only the residential units were included in incremental revenue projections.

Overlapping Tax Increment District: In 2016, TID 78 – Unnamed Tributary Drainage Channel was adopted to fund regional drainage channel improvements in addition to other public improvements. TID 78 includes a maximum of \$2,830,643.90 in reimbursable expenditures. The city has accepted all of the constructed and/or installed public improvements funded with TID 78. The base value when created was \$6,310,400; the 2019 year-end value was \$39,121,200. Any revenues identified in the current proposal will be directed to eligible TID 78 costs until fully reimbursed.

SDCL §11-9-6 allows overlapping districts. However, all tax increments generated within overlapping districts are paid in sequential order.

Proposed Boundary: The proposed boundary encompasses the previously referenced Wally Byam site. However, the site is now referenced as Orchard Meadows Subdivision and is located in the southeast quadrant of Elk Vale Road and SD Highway 44.

Estimated Base Valuation (2019): \$40,670,100, using the Pennington County Director of Equalization parcel data. (There are five additional residential lots included in the proposed district that are not included in TID 78.)

2019 Tax Rate: 0.019985 Non-Agriculture Tax Levy
 0.016372 Owner-Occupied Tax Levy
 0.014503 Agriculture Tax Levy

IMPACT TO TAXING AGENCIES

Year Paid	Valuation Increase	School	County	City	Water	RVSD	Yearly Increment Total
2020	\$19,825,700	\$0	\$92,613	\$61,671	\$465	\$8,860	\$387,457
2021	\$19,825,700	\$0	\$92,613	\$61,671	\$465	\$8,860	\$387,457
2022	\$30,825,700	\$0	\$117,209	\$78,050	\$589	\$11,213	\$490,356
2023	\$36,825,700	\$0	\$224,747	\$149,659	\$1,129	\$21,501	\$940,249
2024	\$36,825,700	\$0	\$260,861	\$173,707	\$1,311	\$24,956	\$1,091,336
2025	\$36,825,700	\$0	\$296,975	\$197,756	\$1,492	\$28,411	\$1,242,423
2026	\$36,825,700	\$0	\$296,975	\$197,756	\$1,492	\$28,411	\$1,242,423
2027	\$36,825,700	\$0	\$296,975	\$197,756	\$1,492	\$28,411	\$1,242,423
2028	\$36,825,700	\$0	\$296,975	\$197,756	\$1,492	\$28,411	\$1,242,423
2029	\$36,825,700	\$0	\$296,975	\$197,756	\$1,492	\$28,411	\$1,242,423
2030	\$36,825,700	\$0	\$296,975	\$197,756	\$1,492	\$28,411	\$1,242,423
2031	\$36,825,700	\$0	\$296,975	\$197,756	\$1,492	\$28,411	\$1,242,423
2032	\$36,825,700	\$0	\$296,975	\$197,756	\$1,492	\$28,411	\$1,242,423
2033	\$36,825,700	\$0	\$296,975	\$197,756	\$1,492	\$28,411	\$1,242,423
2034	\$36,825,700	\$0	\$296,975	\$197,756	\$1,492	\$28,411	\$1,242,423
2035	\$36,825,700	\$0	\$296,975	\$197,756	\$1,492	\$28,411	\$1,242,423
2036	\$36,825,700	\$0	\$296,975	\$197,756	\$1,492	\$28,411	\$1,242,423
2037	\$36,825,700	\$0	\$296,975	\$197,756	\$1,492	\$28,411	\$1,242,423

2038	\$36,825,700	\$0	\$296,975	\$197,756	\$1,492	\$28,411	\$1,242,423
2039	\$36,825,700	\$0	\$296,975	\$197,756	\$1,492	\$28,411	\$1,242,423

Anticipated Time Frame: 6 years

TID	Date TID created	Payoff when Project Plan adopted	Payoff with Lift Station overlapping TID 78
TID 78 – Unnamed Tributary Channel	2016	12/1/2022	6/1/2023
Orchard Meadows Lift Station	2020		6/1/2025
Total Estimated Interest Expense			\$943,001.46

Comments: The applicant has indicated that the anticipated interest rate for the new privately funded district will be near 7%.

Recommendation: Staff recommends denying the request to create the Orchard Meadows Lift Station tax increment district 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 lift station is located within and will be owned and operated by the Rapid Valley Sanitary District.

However, if the TIF Committee determines the proposal complies with the allowable project costs as identified above, staff recommends that the TIF Committee recommends that staff develop the associated Project Plan (as identified in the TIF Policy) for presentation to the Planning Commission and that the City and Developer enter into an agreement with Rapid Valley Sanitary District to ensure that Rapid Valley Sanitary District will provide on-going funds for maintenance and operation of the proposed lift station until the lift station has been decommissioned.