

STAFF REPORT

May 7, 2020

No. 20TI004 – Application to create Orchard Meadows Lift Station Tax Increment District and approve Project Plan **Item 10**

GENERAL INFORMATION:

APPLICANT	Dream Design International, Inc. for Yasmeen Dream, LLC
PROPERTY OWNER	Multiple property owners
REQUEST	20TI004 – Create Orchard Meadows Tax Increment District and approve Project Plan
LEGAL DESCRIPTION	Tracts AR, BR, C, D, E and L, Lots F, G, H, J, K, L and M, Tract 1, Lots 1 thru 14 of Block 1, Lots 1 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 18 of Block 3, Lot 1 thru 23 of Block 4, Lots 1 thru 27 of Block 5, Lots 1R, 2 thru 8 of Block 6, all of Orchard Meadows; 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; Lot H3 of SE1/4NW1/4, SW1/4NE1/4, and NE1/4SW1/4; Lot H1 of SW1/4NE1/4; Lot H4 of NE1/4SW1/4 and NW1/4SE1/4; Lot H3 of Tract A of E1/2SW1/4 and W1/2SE1/4; Lot H4 of Tract A of E1/2SW1/4 and W1/2SE1/4; Lot H2 of W1/2SE1/4; Lot H5 of Tract A of E1/2SW1/4 and W1/2SE1/4; Lot H3 of SW1/4SE1/4; Lot H6 of Tract A of E1/2SW1/4 and W1/2SE1/4; Balance of Tract A of the E1/2 of the SW1/4 and of the W1/2 of the SE1/4 less Orchard Meadows, less Lot H1 and less Lots H3-H6; S1/2SW1/4NE1/4 less Orchard Meadows, less RR ROW, less Lot H1 and H2 (Dedicated Public ROW), less Lot H1 OF SW1/4NE1/4 (Dedicated Public Greenway), less that PT Lot H3 of SE1/4NW1/4, SW1/4NE1/4, and NE1/4SW1/4 located in S1/2SW1/4NE1/4 (Dedicated Public Greenway), and less ROW; S1/2SE1/4NW1/4 less Orchard Meadows; 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 254.07 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

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SURROUNDING ZONING

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

DATE OF APPLICATION March 31, 2020

REVIEWED BY Patsy Horton / Dan Kools

RECOMMENDATION: The TIF Committee determined that the proposal met the intent of the TIF Policy and directed staff to develop the associated Project Plan (as identified in the TIF Policy) for presentation to the Planning Commission for review and approval, and that the City and Developer enter into an agreement with Rapid Valley Sanitary District to ensure that Rapid Valley Sanitary District will provide all on-going maintenance and operation funds until the TIF construction funded lift station has been decommissioned.

GENERAL COMMENTS: The purpose of the proposed Tax Increment District (TID) is to fund the design and construction of a Rapid Valley Sanitary District lift station and approximately 1,335+/- feet of 6" force main. The new force main connects the lift station to the existing 8" sewer main at the manhole in Elderberry Drive located just south of Jaffa Garden Way, near the east entrance to the Great Plains Tribal Chairman's Health Board facility.

The proposed district overlays TID 78 – Unnamed Tributary Drainage Channel. Any increment generated from the development within both districts is directed to TID 78 for full repayment of certified expenditures before increment funds are allocated to the Orchard Meadows Lift Station tax increment district.

The district boundary is located at the southeastern corner of the intersection of Elk Vale Road and SD Highway 44 and incorporates approximately 254.27 acres. The estimated TIF funded developer project costs are \$872,353.75, not including interest.

STAFF REVIEW: The proposed lift station, to be owned and operated by Rapid Valley Sanitary District, will 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 to lots located solely 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.

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

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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. An alternate facility would be necessary for any additional units.

On September 9, 2019, the Tax Increment Review Committee recommended approval to add a lift station to the TID 78 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.

Subsequently, the developer submitted a proposal for Amendment #2 to change the 15 inch gravity sewer back to a lift station; however, the application was withdrawn before the TIF Committee's consideration.

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 indicated that the City's Southside Drive Sanitary Sewer Extension projects (Exhibit 1 attached) could not 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 a proposed temporary lift station within the subdivision.

The proposed lift station, located on Lot 3, will empty into the 8" sewer main located within Elderberry Way just east of the Great Plains Tribal Chairman's Health Board facility. This lift station will then provide the needed capacity for additional multi-family housing units, townhomes and single family homes located within Orchard Meadows Subdivision.

Although this is not a city-owned facility, the developer, Rapid Valley Sanitary District and the City are working together during the construction and construction management of the lift station and that once the facility is operational, Rapid Valley Sanitary District will provide

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ongoing maintenance and operation funds until the lift station is decommissioned. This includes the developer providing to the city all Rapid Valley Sanitary District approved construction plans, bid estimates and geo-technical reports for this facility as well as the city's ability to review and concur with all change orders (before those are executed in the field).

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 June 1, 2025.

The developers have submitted the following reallocation proposal:

Project Cost Description	Total Estimated Project Costs	TIF Funded Project Costs	TIF Funded %
Capital Costs			
Local Streets	\$7,420,000.00		0.00%
Grading and storm sewer	\$360,000.00		0.00%
Regional Lift Station and Force Main	\$807,215.00	\$781,993.00	98.87%
Turn lanes	\$120,000.00		0.00%
Public Improvements Total	\$8,707,215.00	\$781,993.00	9.00%
Other Development Costs			
Professional Fees	\$730,000.00	\$50,000.00	6.85%
Contingencies	\$40,360.75	\$40,360.75	100.00%
Financing Costs	\$3,714,700.98	\$344,839.54	9.28%
Subtotal	\$13,192,276.73	\$1,217,193.29	9.24%
Imputed Admin Fee – City of Rapid City		\$20,000.00	100.00%
TOTAL	\$13,192,276.73	\$1,237,193.29	9.39%

The proposed Orchard Meadows Lift Station Tax Increment District overlays Tax Increment District 78, approved in 2016. It is anticipated that the TID 78 certified developer costs will be fully repaid in December 2023. Full repayment of the city's drainage channel oversizing costs identified in TID 78 are anticipated by December 2024. Thereafter, all increment generated within this new TID is anticipated to pay eligible expenditures associated with the lift station and force main in three payments, with payoff estimated in December 2025. The developer anticipates a 7.0% interest rate associated with this proposal.

RECOMMENDATION: On March 31, 2020, the TIF Committee determined that the proposal met the intent of the TIF Policy and directed staff to develop the associated Project Plan (as identified in the TIF Policy) for presentation to the Planning Commission for review and approval, and that the City and Developer enter into an agreement with Rapid Valley Sanitary District to ensure that Rapid Valley Sanitary District will provide all on-going maintenance and operation funds until the TIF construction funded lift station has been decommissioned.