

STAFF REPORT
December 10, 2020

No. 20TI006 – Application to create E Anamosa Street Water Main Extension Tax Increment District and approve Project Plan **Item #6**

GENERAL INFORMATION:

APPLICANT	Yasmeen Dream LLC
PROPERTY OWNER	Multiple property owners
REQUEST	20TI005 – Create E Anamosa Street Water Main Extension Tax Increment District and approve Project Plan
LEGAL DESCRIPTION	Lot A, Lot B, Lot C, Lot G and Lot H of the North Valley Park Subdivision; the Unplatted Balance of N1/2NE1/4 less Lots H2, H3, H4, less RR ROW and less ROW; the S1/2NE1/4 less Menard Sub less North Valley Park Sub; Lot 1 and Lot 2 of Block 1, Lot A1, Lot A2, and Lot A3 of Block 2, Lots 1-17 of Block 3 and Lots 1-3 of Block 4, all of the Shepherd Hills Subdivision; Lot 1 of Block 1 and Lot 1 of Block 2 of the Shepherd Hills West Subdivision; the NE1/4SW1/4 less Menard Subd, less Shepherd Hills Subd, less Shepherd Hills West Subd, and less ROW; the NW1/4SE1/4SW1/4 less Lot H1; the SE1/4SE1/4; the SW1/4SE1/4; the NE1/4SE1/4 less W400 Ft; the NW1/4SE1/4 less Menard Subd, less Shepherd Hills Subd, and less ROW; the W400 Ft of NE1/4SE1/4 less Shepherd Hills Subd and less ROW; and all H lots and dedicated right-of-way adjacent to said lots, all located in Section 32, T2N, R8E, BHM, Rapid City, Pennington County, South Dakota; the S1/2NW1/4 less N160 ft of the SW1/4NW1/4; the SW1/4; the SE1/4SE1/4 less Lot H1 and Lot H2 and less ROW; the N1/2SE1/4 less Lot H1 and Lot H2 and less ROW, and the SW1/4SE1/4; and all H lots and dedicated right-of-way adjacent to said lots, all located in Section 33, T2N, R8E, BHM, Rapid City, Pennington County, South Dakota; the E910 Ft of GL 4; Lot A of NW1/4SW1/4; the E312 Ft of SW1/4NW1/4 less Diamond Ridge Subd and less ROW, the E312 Ft of the N536 Ft of NW1/4SW1/4 less Diamond Ridge Subd and less ROW; GL 3 less Copperfield Vistas Subd and less ROW; GL 2 less Rushmore Business Park less Lots H3, H7, H8 and ROW, the W660 Ft of GL 1 less Rushmore Business Park and less Lots H6 and H8, the N1081.18 Ft of SW1/4NE1/4 less Rushmore Business Park less Lots H2, H3, H4, H9 and ROW; GL 1 less the W660 Ft less Shortcut Subd and less Lots H2 and H5, SE1/4NE1/4 less W660 Ft of N1081.18 Ft less Lots H2, H3, less Rushmore Regional Industrial Park and less Hilltop Business Park Subd; Lot 1 of Block 1 of the Shortcut

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Subdivision; Lot 1, Lots 10A-B, Lots 11-18 and Park Tract of Block 7, Lots 3-8 of Block 8, Lots 1-5 of Block 9, Lots 1A-B, 2A-B, 3A-B and Lots 14-23 of Block 10, Lots 1A-B, 2A-B, 3A-B, 4A-B, 5A-B, 6A-B, 7A-7B, 8A-B and Sign Lot of Block 11, Lots 1A-B of Block 12 of the Copperfield Vistas Subdivision; Lots 1-26 of Block 1, Lots 2-26 of Block 2, Lot 1 and Lot A2 of Block 3, Lot 1 of Block 4, Lot 1 of Block 5, and Lot A and Lot B, all of Diamond Ridge Subdivision; Lot A-B of Block 3, Lot 1R, 3R, 4R and Lot 5 of Block 4, and Lot 1 of Block 5, all of Rushmore Business Park; GL4 less E910 Ft; the SW1/4NW1/4 less E312 Ft and less Diamond Ridge Subd, and the NW1/4SW1/4 less E312 Ft of N536 Ft, less Lot A, and less Diamond Ridge Subd; and all H lots and dedicated right-of-way adjacent to said lots, all located in Section 4, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota; and the NE1/4 of Govt Lot 1 (NE1/4NE1/4NE1/4) of Section 5, T1N, R8E, BHM, Rapid City, Pennington County, South Dakota

PARCEL ACREAGE	Approximately 969.28 acres
LOCATION	East of E North Street and west of Elk Vale Road
EXISTING ZONING	Low Density Residential-1 District (Planned Residential Development) / Low Density Residential-2 District / Mobile Home Residential District (Planned Residential Development) / Medium Density Residential District / Medium Density Residential District (Planned Residential Development) / General Commercial District / Light Industrial District / General Agricultural District
SURROUNDING ZONING	
North:	General Commercial District (Planned Commercial Development Designation), Heavy Industrial District and General Agricultural District
South:	Low Density Residential District, General Commercial District, General Commercial District (Planned Commercial Development), Light Industrial District, Public and Medium Density Residential District
East:	General Commercial District and General Commercial District (Planned Commercial Development)
West:	Low Density Residential-1 District, Medium Density Residential District (Planned Residential Development), General Commercial District, General Commercial District (Planned Commercial Development) and Light Industrial District (Planned Light Industrial Development)

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DATE OF APPLICATION October 29, 2020

REVIEWED BY Patsy Horton / Todd Peckosh

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. Staff also recommends approval of the resolutions to create the proposed tax increment district and the associated project plan to complete the critical water distribution system components and the associated construction projects as identified in the Project Plan. **(Bold text updated December 15, 2020. Staff recommends that the Council amend the Planning Commission stipulations of approval to reflect the following based on the critical regional water distribution system components as follows:**

- 1. Provide funding to city upon TID approval for booster station feasibility study;**
- 2. If applicable, provide booster station funding to city for design within 2 months of feasibility study completion;**
- 3. If applicable, provide booster station funding to city for construction/construction administration within 2 months of design plans completion;**
- 4. Booster station project costs cannot be reallocated to other project plan costs;**
- 5. Donate and dedicate public utility easements for the entire E Anamosa Street corridor located east of N Valley Dr, under full or partial ownership of Yasmeen Dream LLC, BH Capital LLC, BH Capital 6 LLC, etc. and donate costs associated with transferring ownership rights;**
- 6. Donate easements and/or lots for the 4 regional detention ponds and donate costs associated with transferring ownership rights; and**
- 7. Booster station funding reimbursed after the 16” and 20” water mains are connected at Concourse Dr and/or Elk Vale Road.**

GENERAL COMMENTS: The proposed tax increment district will provide tax increment funding to design, grade and install a 16” and 20” water main from E North Street to Elk Vale Road within the E Anamosa Street corridor, grade portions of North Valley Drive, relocate utilities along the E Anamosa Street, North Valley Drive and Mickelson Drive corridors, design and construct four regional detention ponds, provide funding for the City to conduct a feasibility study and design and construct a regional water booster station per the Infrastructure Design Criteria Manual (location and TIF eligibility dependent upon the associated feasibility study), and install a 12” water main in the Mickelson Drive corridor north to E Anamosa Street and construct a portion of Mickelson Drive south of the section line near Western Dakota Tech.

The City of Rapid City desires the installation of a portion of the critical water distribution system in this district and the construction of four regional detention ponds. The Developer has agreed to donate all of the necessary preparation work and right-of-way and/or easement documents to facilitate the ownership transfer for this new infrastructure.

The district boundary is located between E North Street and Elk Vale Road and Eglin Street and Omaha Street (E SD Highway 44) and incorporates approximately 969.28 acres. The

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estimated developer funded, TIF fund reimbursable project costs are \$13,191,040.15, excluding interest.

STAFF REVIEW: The purpose of this tax increment district is to assist in the development of commercial, industrial and residential property located between E North Street and Elk Vale Road north of Omaha Street (SD Highway 44). The increment generated from this district will fund portions of the city's critical water distribution improvements within the district, grade that portion of E Anamosa Street, a principal arterial on the City's Major Street Plan, in order to accommodate the installation of two water mains, and relocate the power line and private utilities existing on those power lines, all within the E Anamosa Street corridor.

The 16" and 20" water main extensions to be installed and located in E Anamosa Street between E Philadelphia Street and just east of Elk Vale Road will provide the needed connections to the water reservoir and the future elevated water tower located east of Elk Vale Road for both the Low and High Pressure Water Zones, all located in this proposed district. In addition to these two water main connections, the existing Utility System Master Plan identifies the need for a booster station located near the existing reservoir and tower, both located just outside this tax increment district. As part of the booster station proposal identified at E Philadelphia and E Anamosa Streets, the developer will provide funding to the city for a feasibility study in order to determine the appropriate location of this needed infrastructure. If the study determines the booster station will meet the needs of the city's water distribution system master plan, the developer will also provide funding to the city for the design and construction of the booster station. The developer has agreed to donate easements for the water mains and the land for the booster station, if applicable, until the entirety of the E Anamosa Street and Mickelson Drive rights-of-way are secured in compliance with the city's subdivision platting process; this includes the document preparation to transfer easement / land ownership rights at no cost to the taxpayers. These two water main extensions connecting both the low level and high level pressure zones between E North Street and the reservoir and the future tower located east of Elk Vale Road are extremely vital to the city's distribution system, and the city's ability to provide adequate water services to the proposed development within this district. Without both of these connections, water service to some or all of the proposed development may be restricted. To ensure water services can meet the needs of the proposed development, both water mains must connect at the existing termini near E Philadelphia/E Anamosa and east of Elk Vale Road.

As of this writing, there is approximately 375 lineal feet of Mickelson Drive without a drivable street connection. Incremental funds generated from this new development are also identified in the amount of \$55,463 to fund paving this portion of Mickelson Drive near Western Dakota Tech's northwestern most property corner; the installation of approximately 2,100 lineal feet of a 12" water main from the existing 8" water main terminus north to the new water main in E Anamosa Street, relocating private utilities in conjunction with the Mickelson Drive corridor for construction purposes, and grading and power line and private utility relocation as necessary for the extension of North Valley Drive between E Philadelphia Street to just east of N Creek Drive. All grading for the three corridors extend no more than 300 feet in each direction of the road centerline, based on the city approved road construction plans. All other improvements, e.g., base course, road pavement, curb and gutter, street lighting, sanitary sewer and storm sewer associated with the road construction and any utility extension for

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development purposes may be constructed as part of the grading and water main extension projects; however, those costs are not part of the increment funded construction projects.

Incremental funds are also designated for the construction of four regional detention ponds within the district. These new ponds will detain storm water from the new development within the district and create needed drainage detention facilities to address downstream flows. The developer has also agreed to donate the land and all preparation of easements and/or drainage lots for conveyance to the city for these four regional detention ponds.

The application proposal includes the following estimated costs with an eleven year payoff:

DESCRIPTION OF ITEM	Total Estimated Project Costs	Non-TIF Funded	TIF Funded Project Costs	TIF Funded %
Capital Costs – Phase I				
<i>2021 Construction</i>				
E Anamosa Str (offsite, grading & water mains)	\$5,908,008.90	\$1,625,000.00	\$4,283,008.90	72.49%
N Valley Dr Grading	\$1,597,900.00	\$550,000.00	\$1,047,900.00	65.58%
Mickelson Dr (offsite, grading & 12" water main)	\$1,213,068.00	\$400,000.00	\$813,068.00	67.03%
Regional Drainage Improvements	\$809,726.65	\$0.00	\$809,726.65	100.00%
<i>2022 Construction</i>				
Regional Booster Station*	\$2,796,000.00	\$0.00	\$2,796,000.00	100.00%
Offsite Sanitary Sewer	\$515,000.00	\$515,000.00		0.00%
Offsite Water Main	\$170,000.00	\$170,000.00		0.00%
Philadelphia Str from Creek Dr to E Anamosa	\$375,000.00	\$375,000.00		0.00%
Local Streets and Utilities	\$29,600,000.00	\$29,600,000.00		0.00%
Capital Costs - Phase I	\$42,984,703.55	\$33,235,000.00	\$9,749,703.55	22.68%
Other Development Costs				
Prof / Construction Admin Fees	\$4,298,470.36	\$3,323,500.00	\$974,970.36	22.68%
Contingency	\$4,298,470.36	\$3,323,500.00	\$974,970.36	22.68%
TOTAL COSTS - PHASE I	\$51,581,644.26	\$39,882,000.00	\$11,699,644.26	22.68%
Capital Costs – Phase II				
<i>2024-2025 Construction</i>				
E Anamosa Str Grading & W Main	\$4,733,899.50	\$1,625,000.00	\$3,108,899.50	65.67%
Regional Drainage Improvements	\$332,437.10	\$0.00	\$332,437.10	100.00%
Construction Costs - Phase II	\$5,066,336.60	\$1,625,000.00	\$3,441,336.60	67.93%

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Other Development Costs				
Prof / Construction Admin Fees	\$506,633.66	\$162,500.00	\$344,133.66	67.93%
Contingency	\$506,633.66	\$162,500.00	\$344,133.66	67.93%
TOTAL COSTS - PHASE II	\$6,079,603.92	\$1,950,000.00	\$4,129,603.92	67.93%
Capital Costs – Phase I and II				
E Anamosa Str (offsite, grading & water mains)	\$10,641,908.40	\$3,250,000.00	\$7,391,908.40	69.46%
N Valley Dr Grading	\$1,597,900.00	\$550,000.00	\$1,047,900.00	65.58%
Mickelson Dr (offsite, grading & 12" water main)	\$1,213,068.00	\$400,000.00	\$813,068.00	67.03%
Regional Drainage Improvements	\$1,142,163.75	\$0.00	\$1,142,163.75	100.00%
Regional Booster Station*	\$2,796,000.00	\$0.00	\$2,796,000.00	100.00%
Offsite Sanitary Sewer	\$515,000.00	\$515,000.00	\$0.00	0.00%
Offsite Water Main	\$170,000.00	\$170,000.00	\$0.00	0.00%
Philadelphia Str from Creek Dr to E Anamosa	\$375,000.00	\$375,000.00	\$0.00	0.00%
Local Streets and Utilities	\$29,600,000.00	\$29,600,000.00	\$0.00	0.00%
Total Construction Costs	\$48,051,040.15	\$34,860,000.00	\$13,191,040.15	27.45%
Other Development Costs				
Prof / Construction Admin Fees	\$4,805,104.02	\$3,486,000.00	\$1,319,104.02	27.45%
Contingency	\$4,805,104.02	\$3,486,000.00	\$1,319,104.02	27.45%
Financing Costs	\$36,909,235.58	\$27,048,942.37	\$10,125,911.70	27.24%
Imputed Administrative Fee				
City of Rapid City	\$25,000.00		\$25,000.00	100.00%
TOTAL TIF COSTS	\$94,595,483.76	\$68,880,942.37	\$25,980,159.88	27.39%

It is anticipated that the proposed TID will be fully repaid by December 2031. The developer anticipates a 7.0% interest rate associated with this proposal. **Project costs updated to reflect phasing plan with separate loans for each phase, increasing the financing and total project costs by \$265,618.49.**

(Bold text updated December 15, 2020. Staff's support of this project is driven by the regional water and drainage improvements proposed. Not only is the proposed booster station important to the critical water distribution system referenced in the Project Plan, but the 16" water main connecting to Concourse and the 20" main connecting to Elk Vale are vital pieces to our water distribution system in order to ensure the high level water zone is feasible and functions as part of the whole system. Without the booster station and these connections to the Elk Vale reservoir, this option severely limits the water capacity not only for the domestic fire flows but also for development purposes within this boundary.

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Chapter 16 of the Rapid City Municipal Code identifies typical subdivision costs borne by the developer that include road construction (including water, sewer, storm sewer, paving, curb/gutter, etc.), to a collector standard, for any collector and/or arterial street located adjacent to any proposed platting action, i.e., N Valley Drive and E Anamosa Street. Staff supported the inclusion of non-regional improvements within this tax increment financing proposal, e.g., 600 feet of grading both N Valley Drive and E Anamosa Street, in order to secure the installation of both water mains for the entire length necessary to connect both mains at E Philadelphia and Concourse/Elk Vale and the potential regional booster station within this boundary.

Stipulation #7, “Booster station funding reimbursed after the 16” and 20” water mains are connected at Concourse Dr and/or Elk Vale Road” is included to ensure that the water main improvements are installed and connected at both ends. If these mains are not connected, the booster station is not a regional facility as it provides capacity to only the Shepherd Hills development.

RECOMMENDATION: Staff recommends approval of the resolutions to create the proposed tax increment district and the associated project plan to complete the critical water distribution system components and the associated construction projects as identified in the Project Plan.

(Bold text updated December 15, 2020. Staff recommends that the Council amend the Planning Commission stipulations of approval to reflect the following based on the critical regional water distribution system components as follows:

- 1. Provide funding to city upon TID approval for booster station feasibility study;**
- 2. If applicable, provide booster station funding to city for design within 2 months of feasibility study completion;**
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- 4. Booster station project costs cannot be reallocated to other project plan costs;**
- 5. Donate and dedicate public utility easements for the entire E Anamosa Street corridor located east of N Valley Dr, under full or partial ownership of Yasmeen Dream LLC, BH Capital LLC, BH Capital 6 LLC, etc. and donate costs associated with transferring ownership rights;**
- 6. Donate easements and/or lots for the 4 regional detention ponds and donate costs associated with transferring ownership rights; and**
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