

STAFF REPORT
May 26, 2016

No. 16TI003 – Amend Tax Increment District #70 Project Plan

ITEM 13

GENERAL INFORMATION:

| | |
|-------------------|---|
| APPLICANT | Kent Hagg for Alta Terra Development |
| REQUEST | 16TI003 - Resolution to Amend Project Plan for Tax Increment District #70 |
| 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 in Section 35, T1N, R7E, |

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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 acres |
| 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) |
| PUBLIC UTILITIES | To be extended |
| DATE OF APPLICATION | 2/12/16 |
| REVIEWED BY | Patsy Horton / Ted Johnson |

RECOMMENDATION: The Tax Increment Financing Committee denied amending the Project Plan to reallocate project costs and add a line item for two regional detention ponds. The Planning Commission recommended approval to revise the Project Plan as proposed for

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its consideration.

GENERAL COMMENTS: The creation of TID #70 was approved on September 15, 2008 and the 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 at South US Highway 16 crossing, a traffic signal, engineering and contingency costs. The Project Plan is funded by the developer.

The proposed change reallocates Capital Costs, Professional Costs, Financing Costs, Contingency Costs, and Necessary and Convenient Costs in order to reconcile the approved project costs and add a line item to fund and construct two regional detention ponds in the amount of \$283,562.

SDCL §11-9-23 allows an increase in the originally approved project costs if the municipality adopts an amendment to the original project plan. If this amendment is approved to include the additional \$283,562 for the detention ponds as proposed, the tax incremental base for the district must be re-determined as identified in §11-9-20.

If the base valuation is re-determined, it will decrease the estimated incremental revenue that would have been used to pay for the approved project costs by approximately \$150,000 per year or \$1.78 million for the remaining life of the District.

STAFF REVIEW: On March 29, 2016, the Tax Increment Financing Review Committee denied the applicant's request. On April 21, 2016, the Planning Commission recommended approval of the request and directed staff to revise the Project Plan for consideration at its May 26, 2016 meeting.

Project Costs: The following table identifies the proposed line item adjustments as well as the anticipated cost of the two Regional Detention Pond estimated at \$283,562.

TID 70 Amendment #1 – Cost Reallocation

| | <u>Project Plan</u> <u>Approved Costs</u> | <u>Amendment</u> <u>#1 Changes</u> | <u>Amendment #1</u> <u>Approved Costs</u> |
|---|--|---------------------------------------|--|
| Proposed TID Project Costs – Phase I | | | |
| 12" Sanitary Sewer Main | \$264,000 | (\$39,255) | \$224,745 |
| Grading | \$1,000,000 | (\$271,125) | \$728,875 |
| Salvage and Place Top Soil | \$137,500 | (\$39,045) | \$98,455 |
| Mobilization | \$10,000 | \$17,778 | \$27,778 |
| Sewer Manholes | \$63,200 | (\$8,370) | \$54,830 |
| Surveying | \$10,000 | (\$4,755) | \$5,245 |
| Testing | \$5,000 | \$275 | \$5,275 |
| Engineering | \$73,560 | \$96,096 | \$169,656 |
| Necessary and Convenient Costs | \$46,898 | (\$46,898) | \$0 |
| Contingency | \$109,428 | (\$109,428) | \$0 |
| Financing Interest Costs | \$1,126,166 | (\$355,936) | \$770,230 |
| Total | \$2,845,752 | (\$760,663) | \$2,085,089 |

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Proposed TID Project Costs – Phase II

| | | | |
|--|--------------------|------------------|--------------------|
| Regional Drainage Ponds | \$0 | \$283,562 | \$283,562 |
| Mobilization | \$10,000 | \$17,778 | \$27,778 |
| Turn Lanes at Moon Meadows | \$200,000 | \$292,895 | \$492,895 |
| Traffic Signal | \$250,000 | \$347,600 | \$597,600 |
| Water Main at Hwy 16 Crossing | \$100,000 | \$319,210 | \$419,210 |
| Moon Meadows Drive | \$792,000 | \$108,490 | \$900,490 |
| Surveying | \$10,000 | (\$4,755) | \$5,245 |
| Testing | \$5,000 | \$275 | \$5,275 |
| Engineering | \$105,360 | \$137,639 | \$242,999 |
| Necessary and Convenient Costs | \$44,171 | (\$44,171) | \$0 |
| Contingency | \$103,065 | (\$103,065) | \$0 |
| Financing Interest Costs | \$1,945,180 | (\$614,794) | \$1,330,386 |
| Additional Imputed Administrative | \$0 | \$20,000 | \$20,000 |
| Total | \$3,564,776 | \$477,101 | \$4,041,878 |

Total Proposed TID Project Costs for Phase I and Phase II

| | | | |
|--|--------------------|------------------|--------------------|
| Regional Drainage Ponds | \$0 | \$283,562 | \$283,562 |
| 12" Sanitary Sewer Main | \$264,000 | (\$39,255) | \$224,745 |
| Grading | \$1,000,000 | (\$271,125) | \$728,875 |
| Salvage and Place Top Soil | \$137,500 | (\$39,045) | \$98,455 |
| Mobilization | \$20,000 | \$35,555 | \$55,555 |
| Sewer Manholes | \$63,200 | (\$8,370) | \$54,830 |
| Turn Lanes at Moon Meadows | \$200,000 | \$292,895 | \$492,895 |
| Traffic Signal | \$250,000 | \$347,600 | \$597,600 |
| Water Main at Hwy 16 Crossing | \$100,000 | \$319,210 | \$419,210 |
| Moon Meadows Drive | \$792,000 | \$108,490 | \$900,490 |
| Surveying | \$20,000 | (\$9,510) | \$10,490 |
| Testing | \$10,000 | \$550 | \$10,550 |
| Engineering | \$178,920 | \$233,735 | \$412,655 |
| Necessary and Convenient Costs | \$91,069 | (\$91,069) | \$0 |
| Contingency | \$212,493 | (\$212,493) | \$0 |
| Financing Interest Costs | \$3,071,346 | (\$970,730) | \$2,100,616 |
| Additional Imputed Administrative | \$0 | \$20,000 | \$20,000 |
| Total | \$6,410,528 | \$0 | \$6,410,528 |

*An additional imputed administrative fee has been added in accordance with the Tax Increment Financing Guidelines.

Overlapping Tax Increment Districts: The Project Plan for District #70 provided funding for the sewer main extension from Catron Boulevard south to Moon Meadows Drive on the east side of US Highway 16. Funding was also provided for the extension of Moon Meadows Drive to the east and a traffic signal at US Highway 16 and Moon Meadows Drive, along with turning lane improvements within the US Highway 16 right-of-way.

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. Both Tax Increment Districts 76 and 77 were recently created and all revenues generated within these two Districts will be applied first to the outstanding TID 70 certified expenses.

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STAFF RECOMMENDATION: If the Planning Commission recommends approval of the request to reallocate the line item costs and add the anticipated costs for the two regional detention ponds, staff will also amend the associated Developer's Agreement to carry out the amendment as proposed.