

STAFF REPORT  
February 10, 2022

---

**No. 22TI001 – Application to create Block 5 Project Tax Increment District and approve Project Plan**      **Item #6**

---

GENERAL INFORMATION:

APPLICANT	Block 5, LLC
PROPERTY OWNER	City of Rapid City
REQUEST	22TI001 – Create Block 5 Project Tax Increment District and approve Project Plan
LEGAL DESCRIPTION	Tract A and the vacated east 13 feet of Sixth Street and the vacated south 3½ feet of Saint Joseph Street, and the vacated west 1 foot of Fifth Street adjacent to said Tract A, Block 95, Original Town of Rapid City, and adjacent Saint Joseph Street right-of-way, adjacent 6th Street right-of-way, and adjacent alley right-of-way, all located in the N½ of the NW¼ of Section 1, Township 1 North, Range 7 East, Black Hills Meridian, Rapid City, Pennington County, South Dakota, more generally described as being located at 525 St. Joseph Street
PARCEL ACREAGE	3.54 acres
LOCATION	South of Saint Joseph Street, north of Alley C, east of 6 <sup>th</sup> Street, west of 5 <sup>th</sup> Street.
EXISTING ZONING	Central Business District
SURROUNDING ZONING	
North:	Central Business District
South:	Central Business District
East:	Central Business District
West:	Central Business District
DATE OF APPLICATION	November 15, 2021
REVIEWED BY	Sarah Hanzel / Dan Kools

RECOMMENDATION: The TIF Committee determined that the proposal meets 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 construct the mixed-use structure on a surface parking lot as identified in the Project Plan.

GENERAL COMMENTS: The proposed Block 5 project is a mixed-use development focused on the prominent corner of 6<sup>th</sup> Street and Saint Joseph Street in downtown Rapid City. The Project includes a mix of commercial space, residential units, and hotel components to bring excitement

STAFF REPORT  
February 10, 2022

---

**No. 22TI001 – Application to create Block 5 Project Tax Increment District and approve Project Plan**      **Item #6**

---

and activity to an underutilized site currently used as a surface parking lot. The purpose of the proposed district is to encourage redevelopment, stimulate economic growth, and stimulate private investment leading to significant additional tax revenues in the long-term.

The proposed 10-story structure is oriented to the intersection of 6<sup>th</sup> and St. Joseph Street, with a building cut-out and retail spaces promoting walkability in alignment with the 6<sup>th</sup> Street Promenade Plan. The hospitality component will bring an additional 117 hotel rooms as part of a Hyatt Place brand upscale hotel and event space. The residential component will add 131 apartment units to the downtown core. The parking structure will include approximately 330 parking stalls to support the added density brought by the project. The City's Parking Enforcement Division is working on a plan with existing leaseholders of the surface parking lot to be re-located within the City's public parking system.

The proposed district includes 3.54 acres and is located south of Saint Joseph Street, north of the alley, and between 6<sup>th</sup> Street and 5<sup>th</sup> Street.

STAFF REVIEW: The purpose of this tax increment district is to help off-set some of the costs of public improvements associated with the proposed development. The increment generated from this district will partially fund 1) site preparation including cleaning of contaminated soils, soil remediation, and excavation; 2) design, engineering, testing, legal, and administrative costs of the TID; 3) Utility location; 4) Parking structure construction; and, 5) Streetscaping and street reconstruction. The TIF proposal is structured as a grant pursuant to South Dakota Codified law 11-9-15; however, many of the project components qualify in the traditional TIF policy. The following table identifies costs incurred by the project which are proposed to be covered in part or in whole through TIF in an amount not to exceed \$8,750,000, plus interest accrued. Note that the identified costs are higher than the TIF request, because the TIF request is only being made for the amount needed to make the project feasible. Of TIF eligible costs, the developer requests that 38% be fully developer funded, with the TIF covering 62%. It is anticipated that the proposed TID will be fully repaid by December 2042. The developer anticipates a 4.5% interest rate associated with this proposal. The TIF proposal includes the following costs estimated to pay off within the 20 year time requirement.

STAFF REPORT  
February 10, 2022

**No. 22TI001 – Application to create Block 5 Project Tax Increment District and approve Project Plan** **Item #6**

ITEM	TOTAL TIF ELIGIBLE PROJECT COSTS	PROPOSED TIF FUNDED PROJECT COSTS
Site Preparation including cleaning of contaminated soils, soil remediation, and excavation	\$1,172,050	Not to Exceed \$8,750,000
Design, Engineering, Testing, Legal, and Administrative Costs of the TID	\$850,000	
Utility Re-location	\$362,515.00	
Parking Structure Reconstruction	\$11,410,058	
Streetscaping and Street Reconstruction	\$245,300	
<b>Total Project Costs Related to TID Eligible Expenditures</b>	<b>\$14,039,623</b>	
Financing Interest		\$5,954,052.95
<b>TOTAL MAX TID COSTS</b>		<b><u>\$14,704,052.95</u></b>

**RECOMMENDATION:** Staff recommends approval of the resolutions to create the proposed tax increment district and the associated project plan to construct a mixed-use development in Downtown Rapid City as identified in the Project Plan.