

## Preliminary Review of Proposed Tax Increment Project

**Applicant:** Yasmeen Dream, LLC by KTM Design Solutions, Inc.

**Proposed Project Title:** Unnamed Tributary Channel Improvements (Orchard Meadows)

**Purpose of Tax Increment District:** The purpose of this proposed Tax Increment District is to realign a portion of the Unnamed Tributary Channel and construct Element #8 identified in the Unnamed Tributary Drainage Basin Design Plan in order to maximize development potential of the property located at the northwest portion of Orchard Meadows Subdivision.

The Tax Increment Funds would be utilized for the construction of portions of a 100 foot wide grass lined section of the Unnamed Tributary Channel from SD Highway 44 south to Rapid Creek, portions of the channel maintenance road adjacent to the channel, crossing(s) of channel for future development road(s), and installation of a traffic signal at SD Highway 44 and Elderberry Way. The Project Plan will be funded by the developer.

The developers are targeting a gas station, dentist office, restaurant, medical facility, a 100 unit apartment complex and 90 single family homes, with additional future development on the property adjacent to Elk Vale Road north of Rapid Creek. Employment at the proposed facilities is anticipated to add at least 50 new jobs.

**Proposed Boundary:** The proposed boundary, commonly referred to as the Wally Byam site, is located in the southeast quadrant of Elk Vale Road and SD Highway 44. The location of the proposed traffic signal is located outside of the existing Rapid City limits; however, the applicant has indicated that an annexation application is forthcoming to annex that portion of the SD Highway 44 right-of-way where the traffic signal will be located.

### Property History

**City's Property Acquisition:** In the early 1990s, the City purchased a portion of the subject property as part of an overall plan to acquire additional Rapid Creek water rights. The Rapid Creek water rights dating back to the 1800s acquired when the City purchased the eastern portion of the subject property provides another source of water for the community. The City purchased the western portion of the subject property within the proposed TID boundary as a result of the Elk Vale Road right-of-way acquisition in 2001, securing additional water rights for the community once the life estate on the property expires. In the early 2000s, the city hosted an annual Airstreamer camping

rendezvous. Thereafter, the city property became known as the “Wally Byam” site after the Airstream camper designer and creator.

**East Greenway Master Plan:** In 1999, the City Council adopted the East Greenway Master Plan with the intent of extending the greenway belt to the east and encompassing most of the existing floodplain throughout the area. The Plan identified the subject property as the potential future site of public open space and park facilities with active recreational areas for soccer, baseball, pool or a skate park. Numerous pedestrian/bike path locations were also identified.

**Agreement for Property Transfer:** In February 2013, the City Council approved an agreement with Yasmeen Dream, LLC to trade portions of the Wally Byam site located outside of the 100 year flood plain adjacent to Rapid Creek for property near the airport adjacent to city-owned property. The transfer agreement acknowledges that the Developer has the ability to seek revisions to the Flood Insurance Rate Map (FIRM) in order to maximize the development potential of the balance of the site. Once the revisions are final, Yasmeen Dream, LLC will transfer back to the City any portion of the property designated as 100 year flood plain. This flood plain provision also follows the property held in the Lytle Life Estate as well, once the life estate expires. The agreement also acknowledged that the Developer will provide a future bike/pedestrian path connection between any bike/pedestrian trails developed along Rapid Creek and Highway 44 or the railroad right-of-way along Highway 44, with the location to be provided at the sole discretion of Yasmeen Dream as suitable and fitting to the ultimate development plan of the property.

**Agreement for Oversizing:** In August 2014, the City Council approved an oversize agreement for stormwater drainage channel improvements to construct Element #8 as identified in the Unnamed Tributary Drainage Basin Design Plan, utilizing the Stormwater Drainage Utility Fee revenue. Element #8 is a grass-lined channel conveying stormwater runoff from SD Highway 44 south to Rapid Creek east of Elk Vale Road. The Council agreed to pay no more than \$462,726, including \$28,920 for design and up to \$433,806 for Element #8 construction, based on estimates provided by the Developer. The agreement also identifies that the Developer shall submit construction plans to the City for approval once the Developer receives a Conditional Letter of Map Revision (CLOMR) from Federal Emergency Management Agency (FEMA). The CLOMR allows the Developer to adjust the location of the channel to maximize the development potential of the property. The estimated TIF costs include the \$462,726 for the City’s portion of the channel oversizing.

**Wetlands Mitigation – Section 404 Permit:** In July, 2015, Yasmeen Dream, LLC received approval by the US Army Corps of Engineers to mitigate and relocate 5.34 acres of wetlands in conjunction with the Orchard Meadows Development. The Developer has identified a compensatory 9.68 acres of wetland in lieu of the existing 5.34 acres of wetland. Additionally, there is 9.12 acres of undisturbed wetlands within the development.

**CLOMR:** The Conditional Letter of Map Revision Narrative dated August 12, 2015 has been submitted to FEMA for review of the proposed conditions, which include the construction of new streets crossing the flooding source, Unnamed Tributary to Rapid Creek, channelization of Unnamed Tributary to Rapid Creek, and fill placement within the Zone AE and Zone X effective FIRM map. The Narrative also identified that the Jim Street crossing shown on the master plan is intended to be constructed as part of a later development phase.

As of this writing, the applicant has received verbal confirmation from FEMA that the CLOMR has been approved as submitted.

**Existing Base Valuation (2015):** \$6,325,700

**2015 Tax Rate:** 0.021768 Non-Agriculture Tax Levy  
0.017021 Owner-Occupied Tax Levy

<b>Anticipated Increment:</b>		<b>Anticipated Increment Revenue:*</b>	
2016	\$3,000,000	2018	\$52,125
2017	\$8,000,000	2019	\$147,786
2018	\$13,500,000	2020	\$254,331
2019	\$21,500,000	2021	\$404,412
2020	\$24,500,000	2022	\$456,537
2021	\$30,500,000	2023	\$573,966
2022	\$30,500,000	2024	\$573,966
2023	\$30,500,000	2025	\$573,966
2024	\$30,500,000	2026	\$573,966
2025	\$30,500,000	2027	\$573,966
2026	\$30,500,000	2028	\$573,966
2027	\$30,500,000	2029	\$573,966
2028	\$30,500,000	2030	\$573,966
2029	\$30,500,000	2031	\$573,966
2030	\$30,500,000	2032	\$573,966
2031	\$30,500,000	2033	\$573,966
2032	\$30,500,000	2034	\$573,966
2033	\$30,500,000	2035	\$573,966
2034	\$30,500,000	2036	\$573,966
2035	\$30,500,000	2037	\$573,966

\*Revenue based on applicant's estimated increment at build out with \$18,000,000 as residential development and \$12,500,000 as commercial development over the life of the TIF.

**Total Proposed TID Project Costs:**

	<b>City Share<sup>1</sup></b>	<b>TIF Funded</b>	<b>Total Cost</b>
<b>Unnamed Tributary Channel</b>			
Construction Costs	\$361,504.30	\$856,194.00	\$1,217,698.70
Professional Fees	\$28,920.34	\$200,080.00	229,000.00
Contingencies	\$72,300.86	\$42,809.70	115,110.56
<b>Subtotal</b>	<b>\$462,725.50</b>	<b>\$1,099,083.70</b>	<b>\$1,561,809.20</b>
<b>Traffic signal / Electrical</b>			
Traffic signal and electrical		\$300,000.00	\$300,000.00
Professional Fees		\$30,000.00	\$30,000.00
Contingencies		\$30,000.00	\$30,000.00
<b>Subtotal</b>		<b>\$360,000.00</b>	<b>\$360,000.00</b>
<b>Financing Interest</b>		<u>\$654,760.54</u>	<u>\$654,760.54</u>
<b>Total Estimated Project Costs</b>	<b>\$462,725.50</b>	<b>\$2,113,844.20</b>	<b>\$2,576,569.74</b>

**Identified Funding Sources:**

Financed by the developer

**Unnamed Tributary Channel – Anticipated Loan Amortization Schedule  
2015 Mill Levy**

<b>Enter values</b>	
Loan amount	\$1,459,084.00
Annual interest rate	7.00 %
Loan period in years	20
Number of payments per year	2
Start date of loan	7/1/2016
Optional extra payments	

<b>Loan summary</b>	
Scheduled payment	See Pro forma
Scheduled number of payments	40
Actual number of payments	15
Total early payments	\$ -
Total interest	\$654,730.54

**Lender name:** Black Hills Community Bank

Pmt. No.	Payment Date	Beginning Balance	TIF Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	1/1/2017	\$1,459,083.70	\$0.00	\$0.00	-\$51,067.93	\$51,067.93	\$1,510,151.63	\$51,067.93

<sup>1</sup> City share is based on the above-referenced August 2014 Oversize Agreement. City's first payment in the amount of 50% of the total verified reimbursable cost due Developer within 45 calendar days of the project completed, tested, as-builts submitted, costs certified, Letter of Map Revision (LOMR) received and project accepted. The remaining 50% shall be made by the City to the Developer if conditions for first payment are met after January 1, 2017.

2	7/1/2017	\$1,510,151.63	\$0.00	\$0.00	-\$52,855.31	\$52,855.31	\$1,563,006.94	\$103,923.24
3	1/1/2018	\$1,563,006.94	\$26,062.50	\$26,062.50	-\$28,642.74	\$54,705.24	\$1,591,649.68	\$158,628.48
4	7/1/2018	\$1,591,649.68	\$26,062.50	\$26,062.50	-\$29,645.24	\$55,707.74	\$1,621,294.92	\$214,336.22
5	1/1/2019	\$1,621,294.92	\$73,893.00	\$73,893.00	\$17,147.68	\$56,745.32	\$1,604,147.24	\$271,081.54
6	7/1/2019	\$1,604,147.24	\$73,893.00	\$73,893.00	\$17,747.85	\$56,145.15	\$1,586,399.39	\$327,226.69
7	1/1/2020	\$1,586,399.39	\$127,165.50	\$127,165.50	\$71,641.52	\$55,523.98	\$1,514,757.87	\$382,750.67
8	7/1/2020	\$1,514,757.87	\$127,165.50	\$127,165.50	\$74,148.97	\$53,016.53	\$1,440,608.90	\$435,767.20
9	1/1/2021	\$1,440,608.90	\$202,206.00	\$202,206.00	\$151,784.69	\$50,421.31	\$1,288,824.21	\$486,188.51
10	7/1/2021	\$1,288,824.21	\$202,206.00	\$202,206.00	\$157,097.15	\$45,108.85	\$1,131,727.06	\$531,297.36
11	1/1/2022	\$1,131,727.06	\$228,268.50	\$228,268.50	\$188,658.05	\$39,610.45	\$943,069.00	\$570,907.80
12	7/1/2022	\$943,069.00	\$228,268.50	\$228,268.50	\$195,261.08	\$33,007.42	\$747,807.92	\$603,915.22
13	1/1/2023	\$747,807.92	\$286,983.00	\$286,983.00	\$260,809.72	\$26,173.28	\$486,998.20	\$630,088.50
14	7/1/2023	\$486,998.20	\$286,983.00	\$286,983.00	\$269,938.06	\$17,044.94	\$217,060.13	\$647,133.43
15	1/1/2024	\$217,060.13	\$286,983.00	\$217,060.13	\$209,463.03	\$7,597.10	\$0.00	\$654,730.54
16	7/1/2024	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$654,730.54

**Comments:** The applicant has indicated that the anticipated interest rate will be 7%. The Tax Increment Financing Guidelines adopted by the City Council indicates that a 9% interest rate must be included in the Project Plan. The estimated interest with the mandatory 9% rate (unless Council authorizes otherwise) is estimated at \$937,020.76, or \$282,290.22 more in interest expense than that proposed by the applicant. The proposed TID can be repaid within the 20 year time frame.