

MINUTES
TAX INCREMENT FINANCE PROJECT REVIEW COMMITTEE
November 16, 2016

MEMBERS PRESENT: Steve Rolinger, Ron Buskerud, David Hillard, Jerry Wright, Lyndell Petersen and Steve Laurenti

MEMBERS ABSENT: David Janak

OTHERS PRESENT: Patsy Horton, Jeanne Nicholson, Pauline Sumption, Sarah Hanzel, Carla Cushman, Ted Johnson, Dale Tech, Doyle Estes, Kathy Johnson and Hani Shafai

Called to Order

Rolinger called the meeting to order at 7:01 a.m.

Approve Minutes

Motion by Hillard, seconded by Wright and carried unanimously to approve the minutes of the July 12, 2016 meeting.

Heartland Retail Center Amendment #2 – Cost Reallocation (16TIF003)

Horton informed the Committee that the amendment is to reallocate project costs to match expenditures for final certification. She added that the tax increment district was approved in 2003. She advised that some costs were certified in 2006 or 2007 and noted that the line item costs are for public infrastructure improvements completed in July, 2008. Horton reviewed the aerial map, the district boundary, tax base valuations, photographs, capital costs and public improvements. She explained that the original project plan projected payoff to be in 2015 and the new proposed payoff is 2021. Horton reminded the Committee that they need to consider the policy criteria in their decision about the proposed amendment. She noted that the Committee can approve the amendment as presented, approve with revisions, continue or deny the amendment.

Laurenti inquired as why it is necessary to amend the district if the original district was supposed to be paid off in 2015.

Horton explained that at the end of every project, it is usually necessary to amend the costs prior to the last certification. She noted that the complete certification has not been completed for this district; only a portion has been certified.

Wright expressed his opinion that part of the delay in development was probably due to the crash of the economy in 2008. He added that the infrastructure improvements that have been made in this area were done by the developer with the aid of the tax increment district.

Horton added that these are developer costs, not oversized costs.

Shafai stated that the payoff date of 2015 was an estimate when the original district was created. He added that this tax increment district did not perform as quickly as expected due to the development of Rushmore Crossing, other commercial development in the area and the economy. He explained that this tax increment district was crucial for the development of this

property because both the City of Rapid City and the City of Box Elder wanted to annex the property. Shafai stated that the components of the district included the new water main, the connection for the water tank and two detention ponds. He added that there were some unexpected costs due to the channel and the EPA requirement for check dams having to be installed. He also added that the box culvert at Eglin Street was not included in the original costs. Shafai also reviewed the time line for the different phases of development in the district and noted that the costs for the delayed improvements increased substantially since the creation of the tax increment district.

Laurenti expressed his opinion that when considering the creation of tax increment districts, the City really needs to review the life of the districts. He added that if the life of a tax increment district was shorter, the developer would be forced to develop the property faster and then the increase in costs would be less and the estimates would be more realistic.

Shafai advised that the applicants were very optimistic about their proposed development in this area and intended to utilize the tax increment district to help with infrastructure costs. He added that part of the delay was the planning and the construction of the University Center and the state of the economy when development started. He added that the applicant disposed of some of the property to the south of the University Center and lost control of that property.

Laurenti stated that he cannot support the proposed amendment because he does not feel the reallocation of costs is for public infrastructure costs.

Wright stated that he can support the proposed amendment because he believes the economy played a large factor in the delay of this development and secondly, the tax increment district was approved by the City who felt that the development was worth annexing into the City of Rapid City rather than the property being annexed by the City of Box Elder.

In response to a question from Hillard, Horton advised that the University Center is a non-taxing entity.

Doyle Estes, applicant, reviewed the number of acres that was encompassed by the original tax increment district. He explained that the University Center sits on 41 acres, which was part gifted and part sold to the State for funding the center. He added that he sold 40 acres south of the University Center but has gotten some of that property back. He added that there were several factors that contributed to the delay of the development in this district. He added that at the planning stages of this development, the City of Rapid City wanted the property annexed into the City and provided the opportunity to apply for a tax increment district to construct the public infrastructure for the development.

Hillard expressed his opinion that the poor economy in 2008 impacted the progress of this development and that the Committee needs to honor the intent of the City when the tax increment district was approved. He added that the substantial increase in the tax valuation of this developed property will benefit both Pennington County and the City of Rapid City.

In response to a question from Rolinger, Horton explained that the tax increment district was created in 2003 and that State law allows 20 years to pay off the district. She noted that the Project Plan indicated that the district should have paid off in 2015 but new actual costs plus interest rates and revenues indicate the district should pay off in 2021.

Rolinger commented that the increase in the tax valuation and the uncontrollable events, this district, in his opinion, is still a win-win situation for the public and is on target to payoff prior to 2023.

Estes stated that the City is currently holding onto \$700,000 for this tax increment district and that there is a projected yearly revenue of \$650,000. He added that development is occurring on the property.

Kathy Johnson added that the reallocation costs for this amendment do not include the \$700,000 and the additional tax revenue generated from the new Taco Bell. She added that 2021 is a conservative payoff date.

In response to a question from Buskerud, Horton explained the certification process and noted that payoffs for tax increments are different when there are multiple phases of development.

Wright moved to recommend approval of the Heartland Retail Center Amendment #2 – Cost Reallocation as presented based on the criteria outlined in the application checklist. The motion was seconded by Hillard and failed with Wright, Rolinger and Hillard voting yes and Laurenti, Petersen and Buskerud voting no. (3 to 3)

A brief discussion followed.

Wright moved to recommend approval of the Heartland Retail Center Amendment #2 – Cost Reallocation as presented based on the criteria outlined in the application checklist. The motion died due to a lack of a second.

Shafai advised that the certified costs are the actual costs for infrastructure which were identified for the tax increment district. He commented that the tax payers are being charged interest on the \$700,000 that the City is currently holding in the City fund. He added that a delay in approving the amendment will cost the taxpayers more money and requested the Committee to reconsider approving the amendment with an amended motion to remove the \$210,000 for the forced main from the project costs.

In response to a question from Rolinger, Horton reviewed the appeal process.

Wright expressed his opinion that the tax valuation of the developed property will substantially benefit both the City and Pennington County.

Cabela's Amendment #1 - Cost Reallocation (16TIF005)

Horton explained that the amendment is to amend the existing project costs for TID #64. She noted that TID #44 was an overlapping district that was paid off in 2014 and encompassed the entire parcel. She briefly reviewed the TID #44 aerial map. Horton stated that all revenues generated from TID #64 are now being used to pay for the project costs. She reviewed the aerial map, base valuations, photographs, project plan, public improvements, lift station costs, revised project costs and amortization schedule.

Horton recommended approval based on the certifiable costs for the lift station and the real property assembly costs.

Laurenti questioned why the costs for the lift station are more than double the estimated costs.

Tech explained that the estimated costs for the lift station were determined well before the creation of the tax increment district and the actual build of the lift station.

In response to a question from Laurenti, Tech explained that when the tax increment district was created, the existing lift station could handle the capacity. He noted that the new lift station was constructed as development occurred in the area.

In response to a question from Laurenti regarding the payoff, Horton advised that it is anticipated that the land costs will be paid off by 2020 and that the sewer lift station should be paid off in 2026. She noted that all funds generated from this district were used to pay off TID #44 in 2014.

Wright moved to recommend approval of the Cabela's Amendment #1 - Cost Reallocation. The motion was seconded by Hillard and carried with Wright, Rolinger, Hillard and Buskerud voting yes and Laurenti and Petersen voting no. (4 to 2)

There being no further business to come before the committee, the meeting adjourned at 8:05 a.m.