Paulette Tobin
Staff Writer

The Rapid City Common Council should be careful in creating tax increment districts because of the tax dollars they take away from local government, especially the school district, city Finance Officer Richard Wahlstrom said Wednesday.

"We are talking about property tax dollars used to finance private development by people who are in it to make a buck for themselves," Wahlstrom told the Common Council's Legal and Finance Committee.

The city creates tax increment districts as an incentive to economic development, to bring new businesses to the community and to help existing businesses expand.

Such a district allows the developer to defer part of his property taxes for a time and to use those dollars to pay his development and building costs.

Because the school district receives about 70 percent of each property tax dollar, it loses the most when tax increment districts are created, Wahlstrom said.

Wahlstrom used as an example the tax increment district created for Spiegels Inc., which will open a customer service center in Rapid City.

Over the 20-year life of that tax increment district, the school district will forgo $360,000 in property tax revenues, the county $94,000 and the city $60,000.

Alderman Joe Bailey responded: "How much was the school going to receive from Spiegels when they weren't here?"

Audit: BID spent its money on salaries, promotions, ads

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An audit of the now-defunct downtown Rapid City Business Improvement District shows the BID spent its money on salaries, promotions and advertising, city Finance Officer Richard Wahlstrom said Wednesday.

Wahlstrom told the Common Council's Legal and Finance Committee that there had been no abuse, misuse or malfeasance with any of the BID money.

One downtown businessman, Jim Kurtz, who helped defeat the BID, suggested the audit did not go back far enough. He said he wanted an accounting of grants the BID had received from the National Mainstreet organization.

But Wahlstrom said those funds were not part of the BID and had never been commingled with BID funds, which came from assessing downtown property owners and businesses.

"The fact that it does not show what some people wanted it to show is no reason for the city to pay for another audit," Wahlstrom said.

The audit showed that the BID collected $61,725.44 in taxes, another $2,264.75 in donations and $353.92 in interest. More than $10,000 was owed but never collected.

The BID spent $55,665.40, with a balance of $8,678.71.

The BID was repealed last December in a special election.


Wahlstrom said he did not oppose tax increment districts but wanted them used judiciously. Several aldermen said tax increment districts had their place in attracting businesses and jobs to the community.

Although funded by property tax dollars, the businesses also contributed to the community through wages and sales tax, they said.

The council committee recommended approval of a policy that says tax increment districts should be used to leverage private development that would not otherwise happen and which is in the public interest.