

LEGAL AND FINANCE COMMITTEE MINUTES
Rapid City, South Dakota

November 29, 2017

A Legal and Finance Committee meeting was held at the City/School Administration Center in Rapid City, South Dakota, on Wednesday, November 29, 2017, at 12:30 p.m.

A quorum was determined with the following members answering the roll call: Amanda Scott, Laura Armstrong, Becky Drury and Darla Drew. Absent: Steve Laurenti.

(NOTE: For sake of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents are on file with the Master Agenda.)

ADOPTION OF AGENDA

Motion was made by Armstrong, second by Drury and carried to adopt the agenda.

GENERAL PUBLIC COMMENT

None.

CONSENT ITEMS

Motion was made by Drury, second by Armstrong and carried to approve Items 1-8 as they appear on the Consent Items.

- 1) Approve Minutes for November 15, 2017

AIRPORT

- 2) LF112917-01 – Approve Rapid City Regional Airport Rates and Charges for FY2018

MAYOR'S ITEMS

- 3) LF112917-04 – Approve the Appointment of Seth Malott to the Human Relations Commission.

FINANCE DEPARTMENT

- 4) Acknowledge the Following Volunteers for Worker's Compensation Purposes: Paul Swenson (RSVP+), Clarence Larson (RSVP+), Susan Larson (RSVP+), Moira Steiner-Pettit (Police Department), Jace Sears (Parks and Recreation)
- 5) LF112917-02 – Acknowledge October 2017 General Fund Cash Balance Report
- 6) LF112917-03 – Approve Resolution No. 2017-091A a Resolution Fixing Time and Place for Hearing on Assessment Roll for Cleanup of Miscellaneous Property
- 7) LF112917-05 – Approve Request for Property Tax Abatement as Follows: Rhonda Hansen, 2016, \$114.98 [Total for City of Rapid City: \$114.98]

ATTORNEY'S OFFICE

- 8) LF112917-06 – Approve Resolution No. 2017-111 a Resolution Recognizing City's Fulfillment of Warranty Deed Provision Requiring Soccer Complex Property Be Used and Developed for Recreational Purposes and Accepting Quitclaim Deed

END OF CONSENT CALENDAR

Public Comment opened – Items 9 - 11

Public Comment closed

COMMUNITY DEVELOPMENT

- 9) 17OA002 – Drew asked for confirmation that this ordinance is for a land use permit and not actually distributing licenses to sell or have a distillery. City Attorney Joel Landeen confirmed these type of licenses are issued by the State and this ordinance provides a location in the City for this type of use if someone were to obtain a license. Drury moved to approve Second Reading and Recommendation of Ordinance No. 6028 an Ordinance to Allow Artisan Distillers as a Conditional Use in the Central Business District and the General Commercial District by Amending Title 17 of the Rapid City Municipal Code. Second by Drew. Motion carried.
- 10) 17TI004 – Patsy Horton gave a short presentation on the details of this proposed tax increment district located at the northwest corner of Catron Boulevard and Mount Rushmore Road. This particular application is for economic development which means all of the property within the district will stimulate and develop the economic welfare and prosperity of the entire state through commercial development and the area is likely to enhance significantly the value of substantially all of the property within the district. One major item that will be constructed with this project is the collector street that extends along Promise Road to Catron Boulevard. One thing to consider with this particular district is that it overlaps with an existing tax increment district. When an overlap occurs, any revenue generated in the proposed boundary will be directed to pay tax increment district 70 before any increment is directed to the proposal. The overlapping districts in this are TID 70, TID 76 (Buffalo Crossing) and TID 77(Black Hills Corp.) The total value of our property within tax increment districts to-date it is about 2.95% which is clearly within the 10% that the State allows. A couple of new pieces added to this project plan because of previous concerns from the last couple districts regarding reallocating financing costs to use for capital costs. We have included in this project plan as part of the agreement, we would address any amendments that come forward to reallocate costs based on existing expenditures the financing cannot be used for capital costs, they can only use the contingency costs. Also, included in the plan is the school district funding throughout the life of the TIF so everyone knows the entire costs. With all of that considered, the Planning Commission has recommended approval. Drew asked Hani Shafai from Dream Design, what commercial/mixed use will be on this property. Shafai stated there will be a large office building, hospitality (hotel and restaurants) and minor retail stores. Drew asked if Hani's group will be funding Promise Road. Shafai stated they will be funding the TIF for Promise Road anything else will be paid privately. Scott asked Horton if the reallocation clause will be in the agreement as well as the project plan. Horton stated at this time it is included in the project plan, if it is approved it will be added to the agreement that will be brought forward at a later date. Scott asked City Attorney Joel Landeen if this stipulation is added to the agreement, can future City Councils decide to reallocate finance charges. Landeen explained the development agreement is an agreement between the developer and the City. Any party to an agreement can later amend that agreement. If a future Council decides to amend the agreement and remove that provision at a later date they can. But by having it in the agreement to begin with it will make it more difficult to change it later or at the very least make the new council aware that it was originally a condition for approval and it should be discussed. Scott wanted to comment on one thing regarding a TIF based on economic conditions, the primary question asked is would this current development move forward without a TIF. The City gets Promise Road out of this but there are other things involved. Scott asked Horton if she is comfortable with their negotiations on this TIF. Horton stated with the City's current policies, staff does not have the ability to negotiate in that way, it is the TIF Committee's role. Landeen said we are looking at revamping our TIF policies and criteria. The State is also looking into TIFs as well. He stressed that what is in front of you is not a negotiated agreement between City staff and the developer this is the developer's proposal. Community Development Director Ken Young

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explained further on the staff's role in TIF proposals and we are waiting on what comes out of the State Legislature. He said we are looking into a tighter process, a stronger criteria in order to be eligible for a TIF many things may change including the role of the TIF Committee. Scott asked Horton how the base value is set for the property. Horton stated the base value is established by the Department of Revenue in Pierre. The base value that you see today does not include the structures, they were already removed other than the residential structure. Scott asked about the underlying TIF and the values based on the development happening in TID 70 but the apartment complexes have never been built. The revenues used for this application include the building permits for 8 apartment complexes plus a hotel. One issue found in looking at the building permits up to October 31st is the revenues in TID 76 are not what they identified a year ago, they are about \$16 million low. In an overlapping TIF, any revenue generated today all go to pay off TID 70 and after that they are individual. Shafai described the definition of economic development by the State is not related to the real estate tax generation but it is related to the economic impact of the community. TIF 76 still pays off, the building permits are the taxable building permits. Because they sold part of the land to the hospital which will generate roughly 250 jobs which is an economic impact but may not generate the real estate taxes because it is a non-profit organization and is not taxable. The revenues for the apartments and the hotel in TID 70 are included in this application. Drew moved to approve Resolution No. 2017-099 a Resolution to Create Promise Road Tax Increment District and Resolution No. 2017-100 a Resolution to Approve Project Plan for Property Generally Described as Being Located Northwest of the Intersection of Catron Boulevard and Mount Rushmore Road. Second by Armstrong. A vote was taken with Armstrong, Drury and Drew voting "yes" and Scott voting "no". Motion carried.

ATTORNEY'S OFFICE

11) LF112917-07 – Armstrong moved to approve Authorize Mayor and Finance Officer to Sign an Agreement Between the City of Rapid City and the Rapid City Area Schools for the Purchase of the School District's Ownership Interest in the City School Administration Center. Second by Drew. Scott stated since there is no attachment to this item at the moment she asked Armstrong to clarify her motion as to what she is approving. Scott rephrased the question to Armstrong, asking if she is making a recommendation to City Council to approve and are in favor of the City itself buying out the Rapid City Area School's portion of this building based on the amount that was announced in the paper as far as what the City will be paying but withholding a revenue funding source to come before Council at a later date? Armstrong deferred the question to City Attorney Joel Landeen. Landeen explained that he normally does not like asking you to recommend something when you do not have it in front of you which is why he suggested taking it to Council without recommendation. But in this instance we know what the basics are and the details will be available on Monday night. The basics are based on the school district's announcement that they will be moving into the old Black Hills Corp. building. Currently we jointly own this building with the school and the intent is for the City to purchase the School's portion. The purchase amount identified by the Mayor is \$2,904,450, he feels it is appropriate for the Committee to recommend for the basic premise to buy out the school's interest of the property at that amount. The funding source is still to be determined. The school is looking for a commitment from the City to purchase their portion. The Committee made the recommendation to the Council to approve the purchase of the school's portion of the building for an amount of \$2,904,450, with the funding source to be identified at a later date. Motion carried.

ADJOURN

There being no further business to come before the Council at this time, motion was made by Drury, second by Drew and carried to adjourn the meeting at 1:17 p.m.