

CITY OF DEADWOOD

PLANNING AND ZONING COMMISSION

May 7, 2008

REGULAR MEETING

The Regular Meeting of the Deadwood Planning and Zoning Commission was called to order by Chairperson Marie Farrier on Wednesday May 7, 2008 at 5:00 p.m. in the Deadwood City Hall Meeting Room located at 102 Sherman Street, Deadwood, SD 57732.

PRESENT PLANNING & ZONING: Marie Farrier, Mel Allen, Larry Ryan, & Jim Shedd. Mr. Jason Campbell, City Attorney was also present.

ABSENT PLANNING & ZONING: Sheree Green.

APPROVAL OF MINUTES:

Mr. Ryan moved to approve the minutes of the April 8, 2008 Special Meeting, as mailed. Mr. Shedd seconded and the motion carried.

All in favor - 4
Opposed - 0

Mr. Allen moved to approve the minutes of the April 16, 2008 Regular Meeting, as mailed. Mr. Ryan seconded and the motion carried.

All in favor - 4
Opposed - 0

SIGN PERMITS:

Relocation of Wild Bill Sign - 624 Main Street

Mr. Keith Umenthum, Deadwood Building Inspector, stated that the applicant was requesting to relocate the Wild Bill Bar sign from its current location at 610 Main Street to its original location at 624 Main Street. Mr. Umenthum stated these types of signs were typically not allowed by the sign ordinance due to the use of neon. He noted this particular sign was considered an existing landmark sign under Section 15.32.320 of the sign ordinance and such signs were exempt from compliance with the regulations of the chapter. Mr. Umenthum recommended approval of the application for the relocation of the sign.

Mr. Ryan moved to approve the relocation of the Wild Bill Bar sign from 610 Main to 624 Main Street. Mr. Allen seconded and the motion carried.

All in favor - 4
Opposed - 0

Neighborhood Housing Services (NHS) - Temporary Informational Banner - 795 Main Street

Mr. Keith Umenthum, Deadwood Building Inspector, stated the applicant was requesting permission to place a temporary banner at 795 Main Street. Mr. Umenthum stated banners and signs used in connection with a special civic event were allowed without a permit if sponsored by a not-for-profit agency. Mr. Umenthum stated that the banner was not for a civic event but pointed out that USDA Rural Development had requested a sign that would communicate to the public that they had provided funding for the renovation of the new NHS offices, located at 795 Main Street. Mr. Umenthum felt it was appropriate to display the banner for a limited time even though it did not advertise a special civic event. He noted the banner would only be displayed for the duration of the remodeling of the new offices. He pointed out that two non-profit agencies were involved and the banner would be displayed until July 15, 2008.

Mr. Umenthum also requested that the fee be waived for the non-profit entity. Mr. Umenthum stated Ms. Joy McCracken, of the Neighborhood Housing Services, was in the audience to answer any additional questions.

Mr. Allen questioned how time periods for banners were determined. Mr. Umenthum stated the Sign Ordinance set the time limits for banners. He noted typically banners could be placed no sooner than 72 hours prior to an event and be removed within 48 hours after the event. He noted in this case the commission could set the time limit.

Mr. Shedd moved to approve the temporary informational banner with the stipulation that it be taken down by July 15, 2008 and the sign permit application fee be waived for a non-profit entity. Mr. Ryan seconded and the motion carried.

<u>All in favor</u>	<u>-</u>	<u>4</u>
<u>Opposed</u>	<u>-</u>	<u>0</u>

NEW BUSINESS:

Chuck Vanderziel - Project Plan for TIFD #6 Ramkota

Mr. Chuck Vanderziel, Black Hills Council of Local Governments, summarized the following information contained in the Draft Project Plan for TIFD #6, for the Convention Center, and on file at City Hall. Mr. Vanderziel stated he was still trying to find out the official name for the project.

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CREATION OF DEADWOOD TID NUMBER SIX

Representatives of project developer Deadwood Resort, LLC first approached officials with the City of Deadwood in the first half of 2004 regarding the possibility of creating a tax incremental finance district to assist in the construction of a municipal convention center on land located within the corporate limits of the City of Deadwood. As mentioned above, the facility would be city-owned and attached to the developer's proposed Deadwood Resort facility. Following a public hearing conducted by the Deadwood Planning and Zoning Commission on May 5, 2004, a proposed district boundary was recommended and forwarded to the Deadwood City Commission. This proposed boundary, containing parcels totaling approximately 20.59 acres, was approved and Deadwood Tax Incremental District Number Six was officially created by Resolution No. 2004-23 of the Deadwood City Commission on July 12, 2004.

Mr. Vanderziel pointed out the TID had been referred to a vote and an election had been held. He noted the vote passed to permit the TID.

Mr. Vanderziel explained the privately held portion (hotel, casino, water park etc.) would have a taxable value of approximately \$22 million; and, the tax revenue would produce the tax increment to pay for the construction of the convention center.

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Current zoning of the property is CH, the City's designation for a Commercial Highway District, which allows for the type of development activity being proposed within the tax increment boundary. Since all land within the District is owned by the developer, no additional property acquisition is required prior to implementation of this Project Plan.

Presented as Figure 2 is a layout of the proposed uses of TID land under the Project Plan being addressed by this document, including the general location of the resort facility, attached water park and municipal convention center. Land located within the approved TID boundary at the time the District was formally created consisted of two parcels of undeveloped property with no real property improvements. All land in the two parcels totaling approximately 20.59 acres comprising the established TID boundary is owned by the developer, thus no property acquisition is required prior to implementation of this Project Plan.

The two parcels have subsequently been replatted into one parcel under the ownership of Deadwood Resort, LLC. Once the convention center has been constructed and the associated physical boundaries determined, this property will be platted and deeded by the developer to the City, thereby conveying ownership to the City of land upon which the municipal convention center will be physically located.

Mr. Vanderziel stated the total acreage, for both lots, was 20.59 acres. He presented copies of the TID Boundary Map, site plan and proposed Preliminary Plat to the commission members. The Preliminary Plat depicted "Deadwood Resort Lot 1A" as the City owned convention center lot. Mr. Vanderziel state the "as build's" would be depicted on the final plat. Mr. Vanderziel pointed out no property tax would be generated from the Convention Center since it would be owned by the City of Deadwood.

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OVERVIEW OF SPECIFIC PROJECT PROPOSAL WITHIN THE TID

The city-owned facility will have its own separate entry, meeting space to accommodate up to 1,300 people, capacity to feed over 1,000 people at one time, the ability to break the large room into four smaller rooms using dividable walls, four separate conference rooms, and a large pre-function area. The facility can be easily served by the resort kitchen facility, but also will contain a warming area for food functions, thereby providing the ability to use an outside caterer. Also, the operator would qualify for a convention liquor license under South Dakota law governing the issuance of such licenses

Since the city-owned building will be tax exempt, no tax increment will be generated from the construction of that facility. Hence, the developer's new 140-unit lodging facility, restaurant/lounge, casino and indoor water park will be the proposed source of tax increment funds.

Estimated cost for the entire project is approximately \$27.5 million, and the convention center portion of the total cost is expected to be in the range of \$5.5 million. A more detailed breakout of cost components is presented below:

Center	Total Project	Convention
General Conditions/Mobilization	1,143,100	141,900
Grading/Trenching/Paving	1,513,000	69,100
Concrete	1,611,300	184,600
Masonry/Stone	545,500	36,800
Steel	1,717,800	950,700
Carpentry/Lumber/Building Materials	2,382,200	270,100
Insulation/Roofing/Siding	2,147,700	452,800
Doors/Windows	1,249,700	523,700
Framing/Flooring/Ceiling/Carpeting	4,464,600	1,029,000
Bath Fixtures/Equipment	403,700	161,300
Projection Screens	30,800	30,800
Blinds/Window Coverings/Counter Tops	152,600	47,800
Pool Construction	1,016,200	-
Elevators	220,500	-
Plumbing/HVAC/Fire Sprinklers	5,374,500	845,400
Electrical	3,563,900	730,900
TOTAL	\$27,537,100	\$5,474,900

Mr. Vanderziel stated the tax rate had fallen 25% in Deadwood since 2004; therefore, the dollar value of taxable valuation would not generate as large of an income as before. He noted it would produce approximately \$500,000 of increment.

ESTIMATE OF ELIGIBLE TID PROJECT COSTS

The law governing tax increment finance districts, as specified in SDCL 11-9, lists eight categories of project costs that are eligible for inclusion in a TID Project Plan. These costs include: 1) capital costs; 2) financing costs; 3) real property assembly costs; 4) professional service costs; 5) imputed administrative costs; 6) relocation costs; 7) organizational costs; and 8) discretionary payments.

As discussed previously, the developer will donate the land upon which the city-owned facility will be constructed, so there will be no land cost associated with the city project.

The largest cost of the project will be the cost of constructing the facility, which is expected to be in the area of \$5.5 million, as discussed previously. In addition, there will be capitalized interest costs required to service the TID debt until such time that tax increment revenues are sufficient to generate adequate funds required for annual debt service.

Other expected TID costs include fees and other expenses of issuing the TID debt, interest on TID debt, and professional service costs associated with creation of the TID and developing the Project Plan. These costs will be more fully discussed in subsequent sections of this document.

Mr. Vanderziel stated that since the convention center project was tax exempt it would get a better interest rate. Mr. Vanderziel noted that the City would issue debt on the project; however, it would not go against the City's bonding because there would be an annual appropriation.

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Existing Assessed Property Valuation - As previously noted, City of Deadwood TID Number Six was created in accordance with the provisions of SDCL 11-9 by Resolution No. 2004-23 of the City of Deadwood on July 12, 2004. This Resolution (copy attached as Exhibit A) also contains the legal descriptions of the parcels of private property contained within the boundaries of this TID. The tax incremental base value of this property at the time of creation of the District was estimated at \$149,580, based upon official 2004 assessed valuation records of the Lawrence County Director of Equalization. Accordingly, the amount of \$149,580 becomes the Tax Incremental Base Valuation for City of Deadwood TID Number Six.

Discussed previously was the fact that the city-owned convention center will not be subject to real property taxation. Consequently, this construction activity will not generate any increase in assessed valuation within the TID boundary. The total estimated project cost of the entire Deadwood Resort project is in excess of \$44 million, including all furniture, fixtures, equipment, gaming devices, startup inventory and pre-opening general and administrative costs. However, only those items dealing with real property improvements will be assessed by the Lawrence County Director of Equalization. Once the taxable valuation of these real property improvements is estimated, the expected amount of tax can be calculated to determine the level of tax increment revenue available to retire authorized TID debt.

Development plans call for construction to commence immediately and completion is scheduled for late summer or early fall of 2009. Project taxable value for land and real property improvements is expected to be in excess of \$22 million upon completion. Further, the project is expected to be twenty-two percent complete by November 1, 2008, which would yield a taxable value for real property improvements of \$4.84 million for assessment year 2009.

Utilizing the information discussed above with respect to estimated year-end completion percentages for the project and the adjustment required to account for the Tax Incremental Base Valuation, the project's annual incremental taxable valuation estimates for assessment years 2009 and 2010 are shown in Table 1.

**TABLE 1
 INCREMENTAL ASSESSED VALUATIONS AND TAXES**

<i>Year Built/ Assessed/Payable</i>	<i>Year- End Percent Complete</i>	<i>Annual Incremental Valuation</i>	<i>Annual Tax Increment</i>
2008/2009/2010	22 %	\$5,325,000	\$130,570
2009/2010/2011	100%	\$22,000,000	\$539,440

Utilizing this effective tax levy of .02452 and the incremental valuation numbers previously discussed for the TID, as summarized in Table 1, estimated annual tax increment receipts that would be available to pay for TID project costs included in this Project Plan can be derived.

The results of this derivation are presented in the last column of Table 1 for the two-year period covering assessment years 2009 and 2010, which have the corresponding payable years of 2010 and 2011. These results yield annual tax increment payments of \$130,570 in 2010, which is the first year that the development will generate tax

increment revenue, based upon 22 percent completion on November 1, 2008 and assessed in January of 2009. Similarly, upon completion in 2009, the full project incremental valuation of \$22 million will be assessed in 2010, with the full annual tax increment of \$539,440 paid in 2011 and all subsequent years.

Mr. Vanderziel noted the anticipated interested rate was 6%. He pointed out that it would be two years before any tax increment would start coming in; however, because debt was issued, interest would accrue; therefore, the city must account for capitalized interest. Mr. Vanderziel explained if the City borrowed \$4.5 million, \$500,000 must be set aside for capitalized interest, leaving \$4 million for construction costs. The interest rate would affect the amount needed to be set aside and the developer would be responsible for any shortfall.

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AUTHORIZED FRONT-END TID PROJECT COSTS

Presented previously was a construction cost estimate of \$5,474,900 for the Deadwood Convention Center. This project will be bid separately from the privately owned portion of the overall project, and the actual cost of the city-owned facility will be determined by the bid process. The agreement reached between the City of Deadwood and Deadwood Resort, LLC specifies that any shortfall in construction funds generated from TID borrowing will be paid by Deadwood Resort, LLC. Further, the parties have used a planning parameter of \$4.5 million as the amount of tax increment proceeds that will be made available to fund the City's portion of the convention center facility.

The \$4.5 million TID participation level in the convention center financing is the total amount of funding that will come from this source. Therefore, any costs associated with issuing this level of debt, including but not limited to bond counsel and underwriting fees, capitalized interest on the debt, and cost of preparing this Project Plan, will come from the \$4.5 million in gross TID funding. Thus, the actual amount of funds available for construction will be reduced by these non-construction expenses. Accordingly, the actual amount that Deadwood Resort, LLC will be required to invest in the city-owned event center will be determined by two primary factors: 1) the actual construction cost of the facility; and 2) the amount of funds available for construction from the \$4.5 million TID financing after all non-construction costs are covered.

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Table 2
DEADWOOD RESORT TAX INCREMENT DISTRICT

CASH FLOW ANALYSIS							
YEAR	BALANCE FORWARD	INTEREST	YEARLY INFRASTRUCTURE	NEW BALANCE	TIF PAYMENT	CAPITALIZED INTEREST	YEAR END BALANCE
2008	\$0	\$135,000	\$4,500,000	\$0	\$0	\$135,000	\$4,500,000
2009	\$4,500,000	\$270,000	\$0	\$4,770,000	\$11,900	\$258,100	\$4,500,000
2010	\$4,500,000	\$270,000		\$4,770,000	\$130,570	\$139,430	\$4,500,000
2011	\$4,500,000	\$270,000		\$4,770,000	\$539,440	\$0	\$4,230,560
2012	\$4,230,560	\$253,834		\$4,484,394	\$539,440	\$0	\$3,944,954
2013	\$3,944,954	\$236,697		\$4,181,051	\$539,440	\$0	\$3,642,211
2014	\$3,642,211	\$218,533		\$3,880,743	\$539,440	\$0	\$3,321,303
2015	\$3,321,303	\$199,278		\$3,520,582	\$539,440	\$0	\$2,981,142
2016	\$2,981,142	\$178,869		\$3,160,010	\$539,440	\$0	\$2,620,570
2017	\$2,620,570	\$157,234		\$2,777,804	\$539,440	\$0	\$2,238,364
2018	\$2,238,364	\$134,302		\$2,372,666	\$539,440	\$0	\$1,833,226
2019	\$1,833,226	\$109,994		\$1,943,220	\$539,440	\$0	\$1,403,780
2020	\$1,403,780	\$84,227		\$1,488,007	\$539,440	\$0	\$948,567
2021	\$948,567	\$56,814		\$1,005,481	\$539,440	\$0	\$466,041
2022	\$466,041	\$27,962		\$484,003	\$484,003	\$0	\$0
		\$2,602,843			\$6,570,313	\$532,530	
Interest:	0.06						

Deadwood Resort TIF Cash Flow Schedule.xls

Table 2 provides a convenient mechanism to show that, based upon estimates of the rate of project construction and expected levels of taxable valuation for the privately owned Deadwood Resort facilities, projected tax revenues will yield a stream of tax increment receipts that can successfully retire all project debt in 2022, which is 14 years after the project is expected to commence and within the maximum time period allowed under the laws that pertain to tax increment districts. Based upon this cash flow analysis, the project appears feasible with respect to retiring the debt that would be used to finance TID costs examined in this project plan.

The actual amounts of capitalized interest and annual interest will be determined once the TID bond placement is completed. As stated earlier, this analysis was based on an

expected interest rate of 6.0 percent. An interest rate lower than 6.0 percent would yield more TID construction funds, while a higher rate would reduce the construction funds available from the TID. In either case, the developer would be responsible for the amount of shortfall between what is generated for construction funding via the TID financing and the actual cost of constructing the convention center.

Mr. Vanderziel referred to Table 2 (located above) regarding the increments. He noted there would be approximately 13 increment payments. He noted the maximum allowed by law was 16 years.

Mr. Vanderziel stated he would be adding language to the project plan that would be presented to the City Commission. He stated the new language would reference the private development agreement between the City and the developer. He noted the agreement would need to be worked out with the City; however, it did not need to be included in the project plan. He stated the agreement would address any shortfalls and the lease for the Convention Center.

Ms. Farrier was uncertain if she was understanding the process. She noted her understanding was that the City issued the debt to build the convention center and the money from taxes would go to pay off the debt. Mr. Vanderziel stated she was correct. Mr. Ryan questioned if 2011 would be the first year for the tax increment. Mr. Vanderziel stated yes, it would be 2011 and referred to Table 2.

Mr. Vanderziel explained that the city would hire a bond council to certify that the bonds were tax exempt. He noted when the debt was issued, it would go on the open market. He noted a reserve fund could be required; therefore, that money would need to come from the \$4.5 million which would leave less for the project. He explained that the bond council would try to place the debt privately to avoid the reserve.

Ms. Farrier questioned when the construction would start. Mr. Vanderziel stated they would begin soon.

Mr. Toscana stated that in the payoff analysis, the assessed value was kept the same; however, generally it would go up and the TID could be paid off quicker. Mr. Vanderziel stated yes, as long as the tax level stayed the same. He pointed out if a reserve fund was used it would also be paid off quicker as well (bonds will be written to be prepaid). Mr. Vanderziel stated he had discussed the tax rate with Ms. Darlene Pikola, Lawrence County Assessor.

Mr. Shedd moved to approve the project plan for the Tax Incremental District #6. Mr. Ryan seconded and the motion carried.

All in favor - 4
Opposed - 0

ADJOURNMENT:

Mr. Ryan moved to adjourn the Regular Meeting of the Planning and Zoning Commission. Mr. Shedd seconded and the motion carried.

All in favor - 4
Opposed - 0

There being no further business, Planning & Zoning Commission adjourned at 5:45 p.m.

ATTEST:

Ms. Marie Farrier
Chairman (Acting)
Planning and Zoning

Ms. Sheree Green
Secretary (Acting)
Planning and Zoning