

PROJECT PLAN  
TAX INCREMENT DISTRICT NUMBER FIFTEEN  
CITY OF RAPID CITY

PREPARED BY  
RAPID CITY PLANNING DEPARTMENT

JUNE, 1990

-----PLAN AMENDED-----

JULY 31, 1990  
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CITY OF RAPID CITY  
TAX INCREMENT DISTRICT NUMBER FIFTEEN  
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### Introduction

Tax Increment Financing is a method of encouraging development in an area which has been determined to need it, without incurring a general obligation for the taxpayers of the entire City. The principle behind this method of financing is simple.

Firstly, the assessed valuation of a district is determined by the South Dakota Department of Revenue at the time the district is created by the Common Council. This valuation is termed the Tax Incremental Base Valuation for the district, or simply the "Base Valuation." As the property taxes for the property are paid, that portion of the taxes paid on this Base Valuation continue to go to those entities, (City, County, School, etc.), which levy property taxes.

If, in succeeding years, the assessed valuation of the district increases, then the total property taxes paid by the owners of property in the district will increase accordingly. This is where the term "increment" comes in.

When the tax bills are paid, only that portion of the tax bill which results from the Base Valuation is paid to the taxing entities. The remainder of the tax bill, known as the Tax Increment, is deposited in a special fund. It is this plan which determines how these accumulated funds will be used.

This financing method is invaluable for encouraging growth and development in areas with special development problems or blight, since the amount of funds available for use by the project plan is directly related to the increase in valuation which a given project or development will create.

### Overview

This plan proposes that a portion of the tax increment created by the construction of a new 100,000 sq.ft. manufacturing facility be used to help cover the cost of land acquisition, site preparation, paving, landscaping, and professional services. The proposed flame resistant clothing manufacturer will create 170 new jobs in the first year of operation, with plans to expand that to a total work force of 300 employees within three years.

This tax increment plan is offered as an incentive to this manufacturer to locate in Rapid City. Without the financial assistance offered in this plan, this development would not be feasible. That would not only delay the likelihood of the significant increase in the taxable valuation of the property within this tax increment district but also eliminate the prospect of bringing these 300 manufacturing jobs to Rapid City. In addition to the creation of these manufacturing jobs, it is a well established economic tenet that there is a multiplier effect of jobs created in the service/retail sector for every manufacturing sector job created. Using a very conservative multiplier of 1.5-2.0 the overall impact of this development on Rapid City's economy could be the creation of from 750-900 new jobs.

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Overview (cont'd)

The stated economic goal of the Rapid City Area 2000 Comprehensive Plan is "to improve economic stability through the promotion of a broader economic base in the Rapid City area in order to assure a variety of economic and employment opportunities for the residents of the area." A sub-goal, listed under the above stated economic goal is "to promote effective means for strengthening the community's industrial base by promoting opportunities for new facilities to locate in the Rapid City area." It is clear that providing the assistance proposed in this project plan would be in furtherance of the economic goals of the Comp Plan.

Project Plan Summary

This plan establishes the proposed tax increment district funded costs. The project involves the acquisition of the property, the preparation of the proposed site, the construction of the parking lot and the installation of landscaping. The Rapid City Area Economic Development Corporation, on behalf of Workrite Uniform Company, approached the City of Rapid City for tax increment financing in order to assure this major employer would be able to locate in Rapid City. This plan proposes to use funds created by the tax increment to assist with project costs in accordance with SDCL 11-9-14 and 11-9-15.

Elements of the Project Plan

This project plan document, as required by SDCL 11-9-13, will address the following elements:

- 1) Public Works Improvements within TID #15
- 2) Economic Feasibility Study
- 3) Detailed Project Costs
- 4) Fiscal Impact Statement
- 5) Financing Method Description

Additionally, the following exhibits are offered:

- I. General Location Map
- II. Map of Generalized Land Use
- III. Map of Existing Zoning

Statement of Method for Relocating Displaced Persons; and Statement of Changes Needed in Master Plan, Map, Building Codes and Ordinances; do not apply in the Project Plan, and therefore have not been included herein.

1) PUBLIC WORKS IMPROVEMENTS

There are no public works improvements proposed with this project plan.

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2) ECONOMIC FEASIBILITY STUDY

Current Valuation

Tax Increment District #15 was created in accordance with SDCL 11-9-2 to 11-9-11, inclusive, on July 3, 1989. As of the date of creation, Pennington County Director of Equalization's records showed an assessed valuation of \$31,765. In accordance with SDCL 11-9-20, certification of that value was requested and received from the South Dakota Department of Revenue on August 15, 1989.

CERTIFIED BASE VALUATION OF PROPERTY IN TID #15

Block 3, Rushmore Reg. Ind. Park - \$31,765

Expected Increase in Valuation

The figures for the following estimated increases in valuation are based on construction costs of \$3,500,000. In consultation with the Pennington County Director of Equalization, it was determined that the average property in Pennington County was assessed at seventy-five percent (75%) of its actual value. In order to estimate the expected taxable valuation of the above construction costs a more conservative seventy percent (70%) factor was applied to those costs. It is anticipated that as the taxable value of all properties in Pennington County are assessed at higher percentages of their actual value the mill levies will be adjusted downward proportionately.

ESTIMATED FUTURE VALUATION OF PROPOSED MANUFACTURING FACILITY

Current Assessed Value	\$ 31,765
Estimated Assessed Value of Improvements	\$2,450,000
Estimated Increase in Assessed Value of Land	50,000
TOTAL ESTIMATED VALUATION	\$2,531,765

Income Estimates from Tax Increments

The State of South Dakota has an automatic tax abatement on all new industrial structures over \$30,000 in value. This effectively reduces the taxes paid on those structures by a total of 40% over the first five years following completion of construction. The taxes due are reduced by the percentages listed below. The year after construction given below assumes that the development proposed will be completed by January 1, 1991.

<u>Year After Construction</u>	<u>Percent of Total Tax Due</u>
1992	25%
1993	50%
1994-1996	75%
thereafter	100%

TAX INCREMENT DISTRICT NUMBER FIFTEEN  
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1990 Mill Levies and Percentage of Total Levy

Entity	Mill Levy	Percentage
-----	-----	-----
Rapid City Area School District	25.8887	67.5%
Pennington County	6.78	17.6%
City of Rapid City	4.32	11.3%
Rapid Valley Sewer District	1.2864	3.4%
West River Water District	0.0725	0.2%
<hr/>		
Total Mill Levy	38.3476	100.0%

Effective 1990 Tax Rate = .0383476

The actual tax increment available to pay for project costs in this plan can be calculated by multiplying the effective tax rate by the increment in valuation. These calculations result in the following tax increments, which become available as taxes for the applicable periods are paid. Note that values for the increments due and payable in the future are estimates based on the 1990 mill-levy.

Property in Pennington is assessed January 1st of each year. The taxes on that assessed valuation are due May 1st and November 1st of the following year. The amortization schedule in this project plan has the payments from the tax increment fund on January 1st the year after they are due.

YEAR		VALUATION			INCREMENT	TAX
Ass'd	Due	Land	Structure	Total	IN VALUATION	INCREMENT*
<hr/>						
1991	1992	\$81,765	\$ 656,250	\$ 738,015	706,250	\$24,000
1992	1993	81,765	1,312,500	1,394,265	1,362,500	48,000
1993	1994	81,765	1,968,750	2,050,515	2,018,750	72,000
1994	1995	81,765	1,968,750	2,050,515	2,018,750	72,000
1995	1996	81,765	1,968,750	2,050,515	2,018,750	72,000
1996	1997	81,765	2,625,000	2,706,765	2,675,000	96,000
1997	1998	81,765	2,625,000	2,706,765	2,675,000	96,000
1998	1999	81,765	2,625,000	2,706,765	2,675,000	96,000
1999	2000	81,765	2,625,000	2,706,765	2,675,000	96,000
2000	2001	81,765	2,625,000	2,706,765	2,675,000	96,000
2001	2002	81,765	2,625,000	2,706,765	2,675,000	96,000
2002	2003	81,765	2,625,000	2,706,765	2,675,000	96,000
2003	2004	81,765	2,625,000	2,706,765	2,675,000	96,000
2004	2005	81,765	2,625,000	2,706,765	2,675,000	96,000
2005	2006	81,765	2,625,000	2,706,765	2,675,000	96,000
2006	2007	81,765	2,625,000	2,706,765	2,675,000	96,000
2007	2008	81,765	2,625,000	2,706,765	2,675,000	96,000

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TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY JANUARY 1, 2009      \$1,440,000

\*Inorder to be conservative with the income projections, when calulating the expected tax increment that will be created, only 95% of the 1990 Mill Levy was used.

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3) PROJECT COSTS

Capital Costs

The Capital costs included in this project plan are: site preparation, paving of off-street parking facilities, landscaping, and capitalized interest to cover the shortfall in increment in the first few years of the project plan.

Financing Costs

The Financing costs for this project plan are dependent on the interest rate obtained. For the purposes of this plan an interest rate of 11% has been used.

Real Property Assembly Costs

The Real Property costs are the cost of acquisition of the site for the project.

Professional Service Costs

The Professional Service costs include engineering, survey, topography, and testing fees.

Relocation Costs

No relocation costs are anticipated in this tax increment district project plan because the land is currently vacant.

Organizational Costs

No organizational costs are anticipated in this tax increment district project plan.

Necessary and Convenient Payments

Additional costs not elsewhere classified are not anticipated in the implementation of this project plan.

Imputed Administrative Costs

All tax increment district actions require municipal staff time to prepare and enact. If there is a balance in the Tax Increment District fund after the bond payment that is due on January 1, 1994 is paid, the City shall be reimbursed on January 1, 1994 for its administrative expense in an amount equal to the fund balance but not more than \$2050. However, in no case shall the City be reimbursed less than \$1.00 on January 1, 1994.

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TAX INCREMENT DISTRICT #15  
ESTIMATED PROJECT COSTS

Capital Costs:	
Site preparation (Grading & Fill)	\$ 42,000
Paving	108,000
Landscaping	44,000
Capitalized Interest	120,000
Financing Costs:	
Financing Interest	747,544
Real Property Assembly Costs:	
Land purchase	233,481
Professional Service Costs:	
Engineering, Testing & Survey	32,000
Relocation Costs:	
None	-0-
Organizational Costs	
None	-0-
Necessary and Convenient Costs	
None	-0-
Imputed Administrative Costs	
City of Rapid City	2,050*
	\$1,329,075

\*The imputed administrative costs are interest free and are to be paid from the balance remaining in the TID #15 fund payable to the City Finance Officer on January 1, 1994.

4) FISCAL IMPACT STATEMENT:

The impact on taxing entities can be derived from determining the approximate increment anticipated during the life of the district. Of course the true impact on the taxing entities is the increase in valuation of the property within the tax increment district that this plan is intended to cause. The taxing entities are only forgoing that income during the life of the district and will realize that income as soon as the debt from the project costs in this plan is retired. The purpose of this plan is to encourage that increase in valuation.

At first glance it might appear that the negative impact on the various entities is significant. But when it is considered that without the use of the tax increment financing proposed in this plan it is very likely that there would be no increase in the taxable value of the property within this district, the impact can be considered truly positive.

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Impact on Taxing Entities

<u>YEAR</u>	<u>INCREMENT IN VALUATION</u>	<u>SCHOOLS</u>	<u>COUNTY</u>	<u>CITY</u>	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL*</u>
1992	\$ 706,250	\$16,200	\$4,224	\$2,712	\$ 816	\$ 48	\$24,000
1993	1,362,500	32,400	8,448	5,424	1,632	96	48,000
1994	2,018,750	48,600	13,176	8,352	2,448	144	72,000
1995	2,018,750	48,600	13,176	8,352	2,448	144	72,000
1996	2,018,750	48,600	13,176	8,352	2,448	144	72,000
1997	2,675,000	64,800	16,896	10,848	3,264	192	96,000
1998	2,675,000	64,800	16,896	10,848	3,264	192	96,000
1999	2,675,000	64,800	16,896	10,848	3,264	192	96,000
2000	2,675,000	64,800	16,896	10,848	3,264	192	96,000
2001	2,675,000	64,800	16,896	10,848	3,264	192	96,000
2002	2,675,000	64,800	16,896	10,848	3,264	192	96,000
2003	2,675,000	64,800	16,896	10,848	3,264	192	96,000
2004	2,675,000	64,800	16,896	10,848	3,264	192	96,000
2005	2,675,000	64,800	16,896	10,848	3,264	192	96,000
2006	2,675,000	64,800	16,896	10,848	3,264	192	96,000
2007	2,675,000	64,800	16,896	10,848	3,264	192	96,000
2008	2,675,000	64,800	16,896	10,848	3,264	192	96,000
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TOTAL*		\$972,000	\$253,440	\$162,720	\$48,960	2,880	\$1,440,000

\* Total increments may not agree with tax amount when using effective tax rate due to fractional multipliers and rounding.

5) FINANCING METHOD

The financing method for this plan is to be obtained through bonds or notes issued by Norwest Bank of Rapid City. The following amortization schedule is based on an eleven percent (11%) interest rate and uses the estimated tax increments projected earlier in this plan. Payments will be made by the City Finance Officer from the Tax Increment Fund to the holders of the bonds or notes issued by Norwest in accordance with this plan. According to SDCL 11-9-25 positive tax increments will be allocated to that Tax Increment Fund until the debt from the project costs is retired or fifteen years following the last expenditure from the project plan; whichever comes first. The final project cost from this plan is scheduled to be made on January 1, 1994.

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PROJECTED AMORTIZATION SCHEDULE

STRTBAL    CAPINT  
\$579,481   \$120,000

<u>PAY</u> <u>DATE</u>	<u>OLDBAL</u>	<u>FINCHG</u>	<u>TOTDUE</u>	<u>CAP INT</u> <u>PAYMENT</u>	<u>TAX INC</u> <u>PAYMENT</u>	<u>TOTPAY</u>	<u>BALFWD</u>	<u>CAP INT</u> <u>BALANCE</u>
1992	\$579,481	\$63,743	\$643,224	\$63,743	-0-	\$63,743	\$579,481	\$56,257
1993	579,481	63,743	643,224	39,743	24,000	63,743	579,481	16,514
1994	579,481	63,743	643,224	15,743	48,000	63,743	579,481	771
1995	579,481	63,743	643,224	771	72,000	72,771	570,453	-0-
1996	570,453	62,750	633,202	-0-	72,000	72,000	561,202	
1997	561,202	61,732	622,935		72,000	72,000	550,935	
1998	550,935	60,603	611,538		96,000	96,000	515,538	
1999	515,538	56,709	572,247		96,000	96,000	476,247	
2000	476,247	52,387	528,634		96,000	96,000	432,634	
2001	432,634	47,590	480,223		96,000	96,000	384,223	
2002	384,223	42,265	426,488		96,000	96,000	330,488	
2003	330,488	36,354	366,842		96,000	96,000	270,842	
2004	270,842	29,793	300,634		96,000	96,000	204,634	
2005	204,634	22,510	227,144		96,000	96,000	131,144	
2006	131,144	14,426	145,570		96,000	96,000	49,570	
2007	49,570	5,453	55,023		55,023	55,023	-0-	
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TOTALS		\$747,544		\$120,000	\$1,207,023	\$1,327,023		

AMORTIZATION TABLE NOTES:

STRTBAL is the starting balance of TID #15 project costs but does not include the imputed administrative costs.

CAPINT is the portion of the starting balance that is the Capitalized Interest and will be bonded in the Tax Increment District Fund.

PAYDATE will be January 1 of the year indicated.

OLDBAL is the balance forward from the previous year.

FINCHG is the finance charge on the OLDBAL @ 11%.

TOTDUE is (OLDBAL + FINCHG).

CAP INT PAYMENT is the portion of TOTPAY from the Bonded Capitalized Interest in the Tax Increment District Fund.

TAX INC PAYMENT is the portion of TOTPAY from the actual Tax Increment accrued in the previous year.

TOTPAY is the total payment for the year,  
(CAP INT PAYMENT + TAX INC PAYMENT).

BALFWD is the Balance Forward.

CAP INT BALANCE is the balance of the Bonded Capitalized Interest remaining in the Tax Increment District Fund.

TOTAL FINANCE COSTS.....\$747,544

## PROJECT PLAN

PAY DATE START	OLDBAL	FINCHG	TOTDUE	CAP INT PAYMENT	TAX INC PAYMENT	TOTPAY	BALFWD \$523,891	CAPINT BALANCE \$101,000
1992	\$523,891	\$57,628	\$581,519	\$57,628	\$0	\$57,628	\$523,891	\$43,372
1993	\$523,891	\$57,628	\$581,519	\$33,628	\$24,000	\$57,628	\$523,891	\$9,744
1994	\$523,891	\$57,628	\$581,519	\$9,628	\$48,000	\$57,628	\$523,891	\$116
1995	\$523,891	\$57,628	\$581,519	\$116	\$72,000	\$72,116	\$509,403	\$0
1996	\$509,403	\$56,034	\$565,437	\$0	\$72,000	\$72,000	\$493,437	\$0
1997	\$493,437	\$54,278	\$547,715	\$0	\$72,000	\$72,000	\$475,715	\$0
1998	\$475,715	\$52,329	\$528,044	\$0	\$96,000	\$96,000	\$432,044	\$0
1999	\$432,044	\$47,525	\$479,569	\$0	\$96,000	\$96,000	\$383,569	\$0
2000	\$383,569	\$42,193	\$425,762	\$0	\$96,000	\$96,000	\$329,762	\$0
2001	\$329,762	\$36,274	\$366,035	\$0	\$96,000	\$96,000	\$270,035	\$0
2002	\$270,035	\$29,704	\$299,739	\$0	\$96,000	\$96,000	\$203,739	\$0
2003	\$203,739	\$22,411	\$226,151	\$0	\$96,000	\$96,000	\$130,151	\$0
2004	\$130,151	\$14,317	\$144,467	\$0	\$96,000	\$96,000	\$48,467	\$0
2005	\$48,467	\$5,331	\$53,799	\$0	\$53,799	\$53,799	(\$0)	\$0
2006	(\$0)	(\$0)	(\$0)	\$0	\$0	\$0	(\$0)	\$0
2007	(\$0)	(\$0)	(\$0)	\$0	\$0	\$0	(\$0)	\$0
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TOTALS	\$590,908		\$101,000	\$1,013,799	\$1,114,799			

## AMORTIZATION TABLE NOTES:

PAYDATE will be January 1 of the year indicated.

OLDBAL is the balance forward from the previous year

FINCHG is the finance charge on the OLDBAL @ 11.0%

TOTDUE is (OLDBAL + FINCHG)

CAP INT PAYMENT is the portion of TOTPAY from the Bonded Capitalized Interest in the Tax Increment District Special Fund.

TAX INC PAYMENT is the portion of TOTPAY from the actual Tax Increment accrued in the previous year

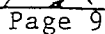
TOTPAY is the total payment for the year  
(CAP INT PAYMENT + TAX INC PAYMENT)

BALFWD is the Balance Forward

CAP INT BALANCE is the balance of the Bonded Capitalized Interest remaining in the Tax Increment District Special Fund

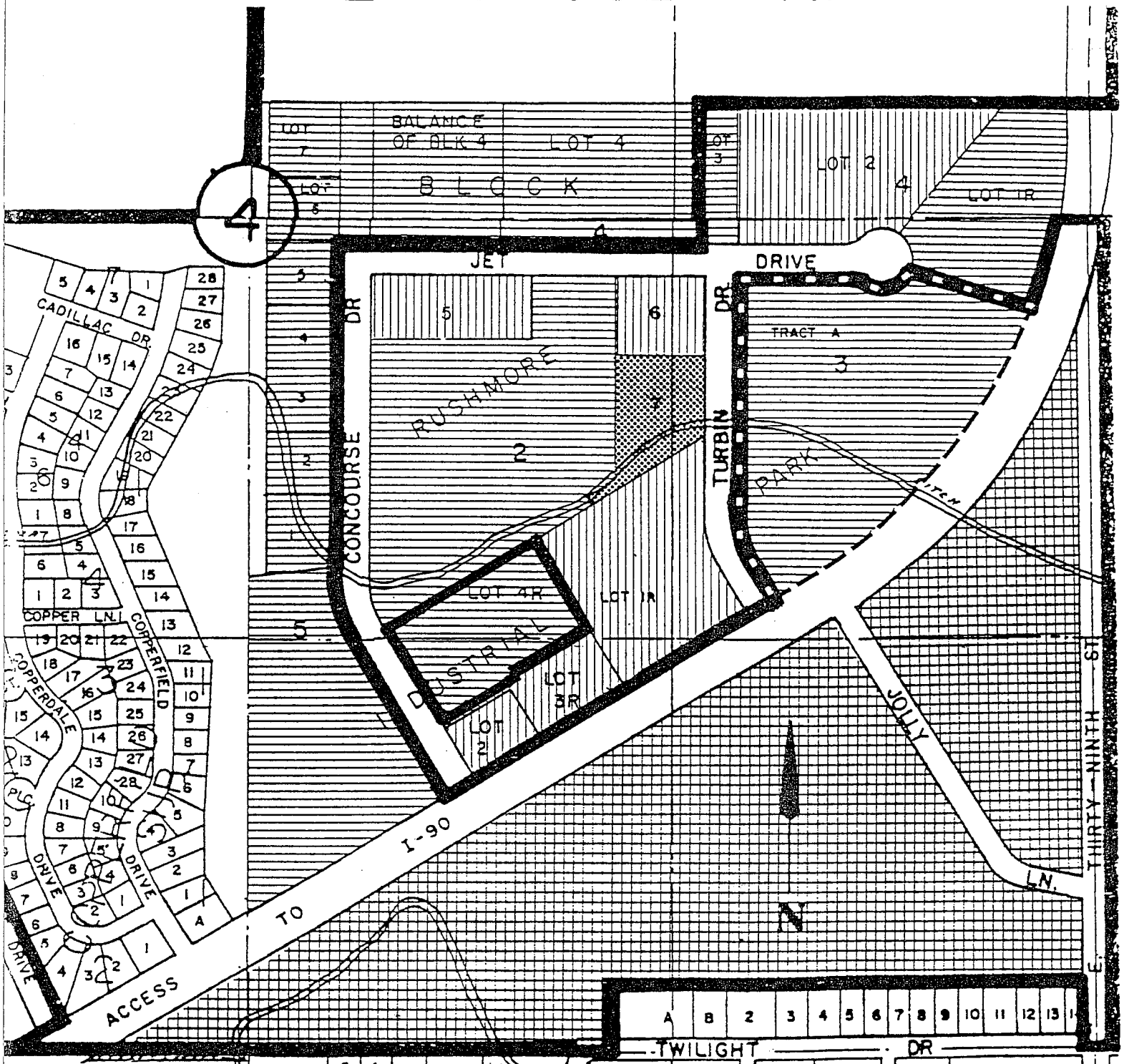
TOTAL FINANCE COSTS..... \$590,908

\*NOTE: The \$1.00 cost for imputed administrative expenses is interest free, and for simplicity is omitted from this table. It is expected that this payment will be made on January 1, 1994, to the City Finance Officer.



# LAND USE MAP

FINAL



VACANT



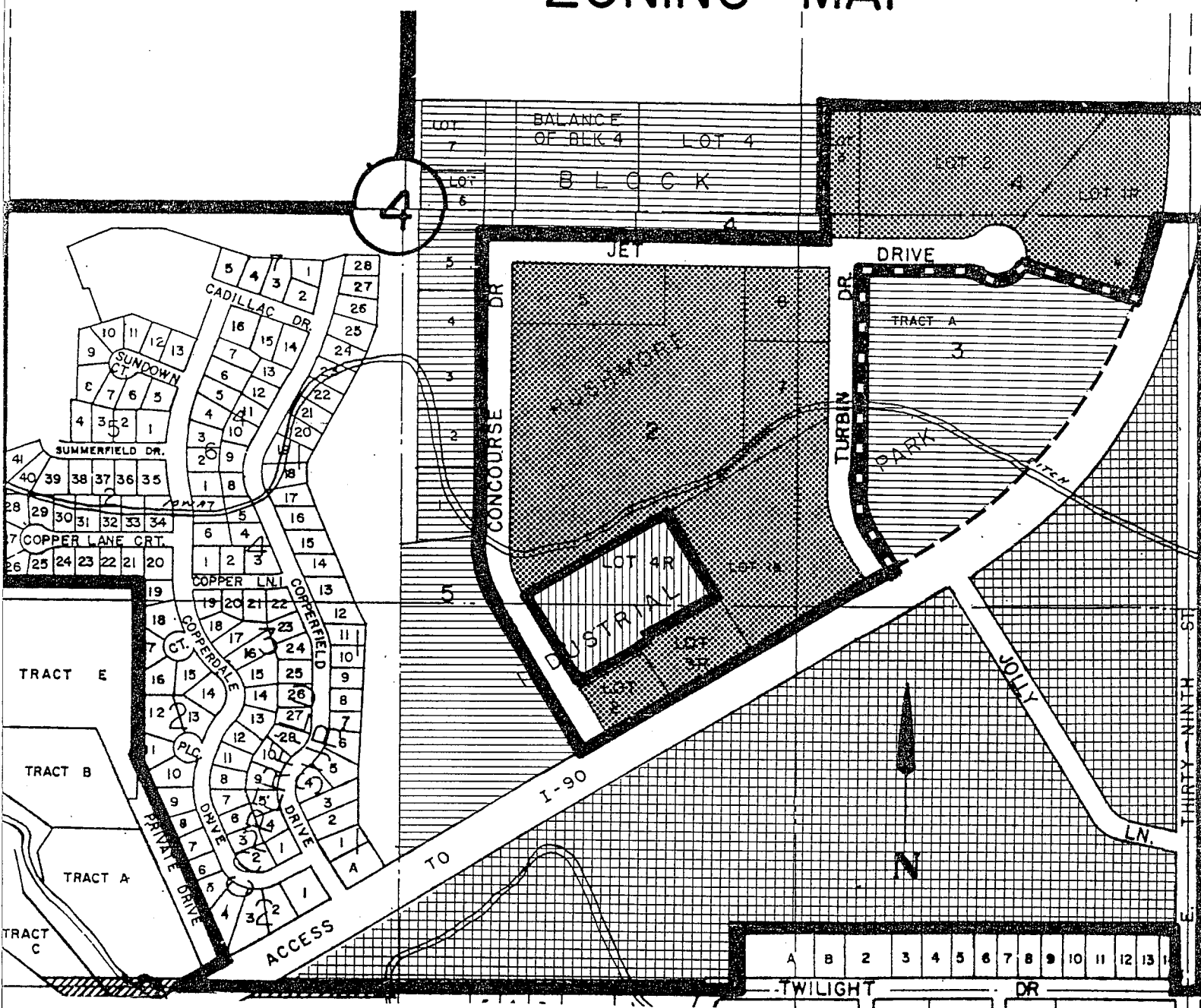
AGRICULTURAL







INDUSTRIAL



UNDER CONSTRUCTION



-  NO USE  
 GENERAL COMMERCIAL  
 LIGHT INDUSTRIAL  
 HEAVY INDUSTRIAL (COUNTY)