

PROJECT PLAN
TAX INCREMENT DISTRICT NUMBER EIGHTEEN
CITY OF RAPID CITY

PREPARED BY
RAPID CITY PLANNING DEPARTMENT

JUNE, 1990

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CITY OF RAPID CITY
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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 20,000 sq.ft. laboratory and office facility for Horizon's Inc. be used to help cover the cost of site preparation, parking lot paving, other site improvements and landscaping. Horizon's Inc. is a local phototelemetry firm that presently has 56 employees, with plans to expand that to a total work force of 80 employees within five years.

This tax increment plan is offered as assistance to this local firm to insure they remain in Rapid City. Without the financial assistance offered in this plan, there is a strong possibility that this firm would move outside Rapid City and Pennington County. 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 cast serious doubt on retaining this employer in Rapid City.

Horizon's Inc. does expand Rapid City's economic base and this can be demonstrated by the fact that 97% of their business comes from outside Pennington County; with 90% coming from outside of South Dakota. In addition to retaining the 56 existing jobs, this new location will allow them to proceed with expansion of their payroll with 24 new positions.

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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 encouraging existing industries to remain in the community." 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 preparation of the proposed site, the construction of the parking lot and other on-site infrastructure and the installation of landscaping. The Rapid City Area Economic Development Corporation, on behalf of Horizon's Inc., approached the City of Rapid City for tax increment financing in order to assure this employer would be able to remain 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 #18
- 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. Boundary Map of TID #18
- III. Map of Generalized Land Use
- IV. 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 #18 was created in accordance with SDCL 11-9-2 to 11-9-11, inclusive, on January 15, 1990. As of the date of creation, Pennington County Director of Equalization's records showed an assessed valuation of approximately \$46,519. In accordance with SDCL 11-9-20, certification of that value was requested and received from the South Dakota Department of Revenue on February 21, 1990.

CERTIFIED BASE VALUATION OF PROPERTY IN TID #18

Lot 4, Block 4, Rushmore Reg. Ind. Park - \$46,519

Expected Increase in Valuation

The figures for the following estimated increases in valuation are based on construction costs of \$1,200,000. 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	\$ 46,519
Estimated Assessed Value of Improvements	\$840,000
Estimated Increase in Assessed Value of Land	-0-
TOTAL ESTIMATED VALUATION	\$886,519

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

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PROJECT PLAN

FINAL

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	\$46,519	\$210,000	\$256,519	\$210,000	\$ 7,650
1992	1993	46,519	420,000	466,519	420,000	15,300
1993	1994	46,519	630,000	676,519	630,000	22,950
1994	1995	46,519	630,000	676,519	630,000	22,950
1995	1996	46,519	630,000	676,519	630,000	22,950
1996	1997	46,519	840,000	886,519	840,000	30,600
1997	1998	46,519	840,000	886,519	840,000	30,600
1998	1999	46,519	840,000	886,519	840,000	30,600
1999	2000	46,519	840,000	886,519	840,000	30,600
2000	2001	46,519	840,000	886,519	840,000	30,600
2001	2002	46,519	840,000	886,519	840,000	30,600
2002	2003	46,519	840,000	886,519	840,000	30,600
2003	2004	46,519	840,000	886,519	840,000	30,600
2004	2005	46,519	840,000	886,519	840,000	30,600
2005	2006	46,519	840,000	886,519	840,000	30,600
2006	2007	46,519	840,000	886,519	840,000	30,600
2007	2008	46,519	840,000	886,519	840,000	30,600
2008	2009	46,519	840,000	886,519	840,000	30,600

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY JANUARY 1, 2010 \$489,600

*In order to be conservative with the income projections when calculating 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, on-site curb & gutter and sidewalks, parking lot lighting, 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

There are no Real Property costs anticipated in this tax increment district project plan.

Professional Service Costs

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

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 due on January 1, 1995 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, 1995.

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TAX INCREMENT DISTRICT #18
ESTIMATED PROJECT COSTS

Capital Costs:	
Site preparation (Grading & Fill)	\$ 20,000
Retaining wall	7,600
Parking lot paving	64,400
Parking lot lighting	3,500
Utility extension	14,000
Curb and gutter	14,125
Sidewalks	3,000
Landscaping	34,775
Capitalized Interest	46,350
Financing Costs:	
Financing Interest	328,057
Real Property Assembly Costs:	
None	-0-
Professional Service Costs:	
None	-0-
Relocation Costs:	
None	-0-
Organizational Costs	
None	-0-
Necessary and Convenient Costs	
None	-0-
Imputed Administrative Costs	
City of Rapid City	2,050*
<hr/>	
TOTAL TID #18 PROJECT COSTS	\$ 535,807

*The imputed administrative costs are interest free, are not included in the total project costs and are to be paid from the balance remaining in the TID #18 fund payable to the City Finance Officer on January 1, 1995.

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 foregoing 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 notable. 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 of the taxable value of the property within this district or at the very least any increase would be significantly delayed, 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	\$210,000	\$ 5,164	\$ 1,346	\$ 864	\$ 260	\$15	\$ 7,650
1993	420,000	10,328	2,693	1,729	520	30	15,300
1994	630,000	15,491	4,039	2,593	780	45	22,950
1995	630,000	15,491	4,039	2,593	780	45	22,950
1996	630,000	15,491	4,039	2,593	780	45	22,950
1997	840,000	20,655	5,386	3,458	1,040	61	30,600
1998	840,000	20,655	5,386	3,458	1,040	61	30,600
1999	840,000	20,655	5,386	3,458	1,040	61	30,600
2000	840,000	20,655	5,386	3,458	1,040	61	30,600
2001	840,000	20,655	5,386	3,458	1,040	61	30,600
2002	840,000	20,655	5,386	3,458	1,040	61	30,600
2003	840,000	20,655	5,386	3,458	1,040	61	30,600
2004	840,000	20,655	5,386	3,458	1,040	61	30,600
2005	840,000	20,655	5,386	3,458	1,040	61	30,600
2006	840,000	20,655	5,386	3,458	1,040	61	30,600
2007	840,000	20,655	5,386	3,458	1,040	61	30,600
2008	840,000	20,655	5,386	3,458	1,040	61	30,600
2009	840,000	20,655	5,386	3,458	1,040	61	30,600
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TOTAL*		\$330,480	\$86,174	\$55,326	\$16,640	973	\$489,600

* 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 First Bank of South Dakota which will be guaranteed by Horizon's Inc. 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 First Bank of South Dakota 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, 1995.

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PROJECTED AMORTIZATION SCHEDULE

STRTBAL CAPINT
\$207,750 \$46,350

PAY DATE	OLDBAL	FINCHG	TOTDUE	CAP INT PAYMENT	TAX INC PAYMENT	TOTPAY	BALFWD	CAP INT BALANCE
1992	\$207,750	\$22,853	\$230,603	\$22,853	-0-	\$22,853	\$207,750	\$23,498
1993	207,750	22,853	230,603	15,203	7,650	22,853	207,750	8,295
1994	207,750	22,853	230,603	7,553	15,300	22,853	207,750	743
1995	207,750	22,853	230,603	743	22,950	23,693	206,910	-0-
1996	206,910	22,760	229,670	-0-	22,950	22,950	206,720	
1997	206,720	22,739	229,459		22,950	22,950	206,509	
1998	206,509	22,716	229,225		30,600	30,600	198,625	
1999	198,625	21,849	220,474		30,600	30,600	189,874	
2000	189,874	20,886	210,760		30,600	30,600	180,160	
2001	180,160	19,818	199,978		30,600	30,600	169,378	
2002	169,378	18,632	188,009		30,600	30,600	157,409	
2003	157,409	17,315	174,725		30,600	30,600	144,125	
2004	144,125	15,854	159,978		30,600	30,600	129,378	
2005	129,378	14,232	143,610		30,600	30,600	113,010	
2006	113,010	12,431	125,441		30,600	30,600	94,841	
2007	94,841	10,432	105,273		30,600	30,600	74,673	
2008	74,673	8,214	82,887		30,600	30,600	52,287	
2009	52,287	5,752	58,039		30,600	30,600	27,439	
2010	27,439	3,018	30,457		30,457	30,457	-0-	
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TOTALS		\$328,057		\$46,350	\$489,457	\$535,807		

AMORTIZATION TABLE NOTES:

STRTBAL is the starting balance of TID #18 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.

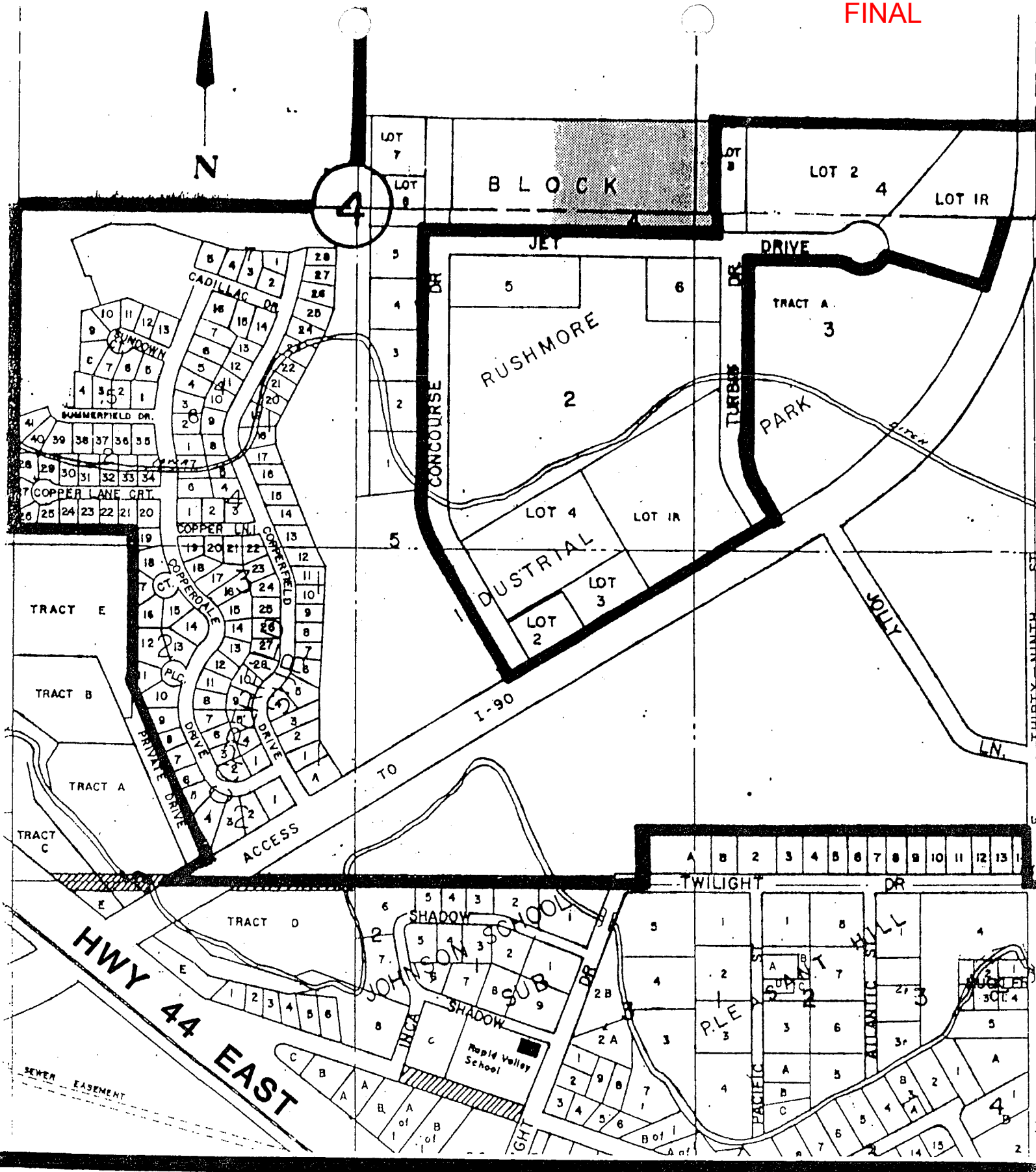
TAX INC PAYMENT is the portion of TOTPAY from the actual Tax Increment accrued in the previous year.

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.

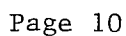
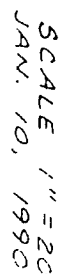
TOTAL FINANCE COSTS.....\$328,057



T.I.D. #18

VICINITY MAP

FINAL



FINAL

N

4

BLOCK

LOT 2

LOT 1R

DRIVE

TRACT A

3

RUSHMORE

2

CONCOURSE

TURBO

PARK

LOT 4

LOT 1R

INDUSTRIAL

LOT 2

LOT 3

I-90

TO

ACCESS

TWILIGHT

DR

TRACT D

SHADOW

JOHNSON SCHOOL

Rapid Valley School

HWY 44 EAST

SHADOW

INCA

P.L.E.

PACIFIC

ATLANTIC

HILL

BUCKLE

3CT 4

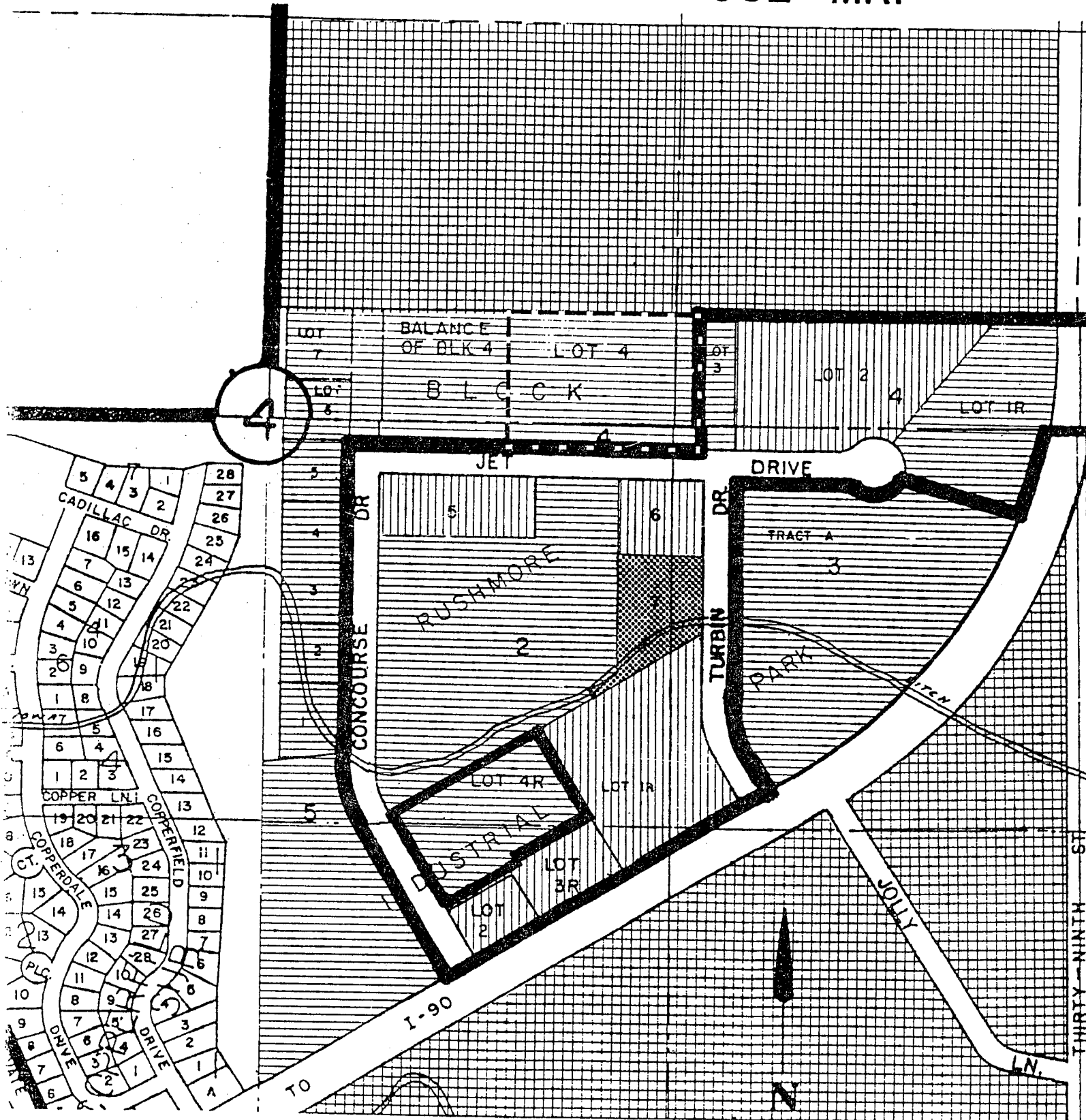
THIRTY-NINTH ST

ROAD

T.I.D. #18

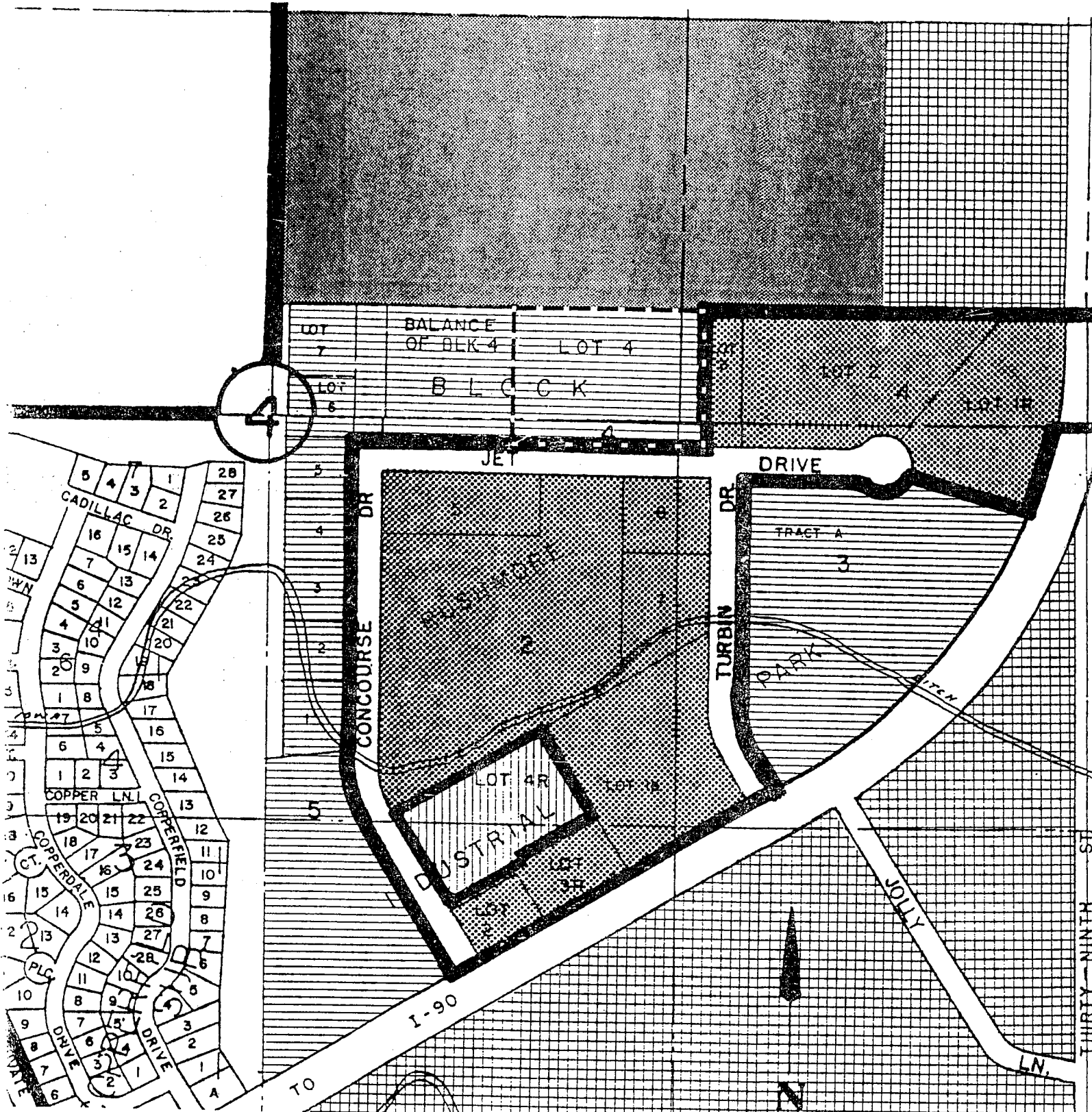
VICINITY MAP





T.I.D. #18 LAND USE MAP FINAL



-  VACANT
-  AGRICULTURAL
-  INDUSTRIAL
-  UNDER CONSTRUCTION

T. D. #18 ZONING MAP ^{FINAL}



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