

PROJECT PLAN
TAX INCREMENT DISTRICT NUMBER TWENTY-FOUR
CITY OF RAPID CITY

Prepared by
PENNINGTON COUNTY-RAPID CITY PLANNING DEPARTMENT
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Introduction

Tax Increment Financing is a method of financing improvements and development in an area which has been determined to be blighted according to the criteria set forth in SDCL 11-9. All this is done without incurring a general obligation for the taxpayers of the entire City.

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 Increment 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 the Base Valuation continue to go to those entities, (City, County, School, etc.), which levy property taxes.

Following completion of taxable improvements, the assessed valuation of the district increases, then the total property taxes paid by the owners of property in the district will increase accordingly. That increase in taxable valuation is the "increment". 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, 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. The philosophy behind Tax Increment Financing is that it will encourage and promote development in an area that would otherwise remain blighted by providing financial assistance to the developer for the extraordinary development costs of the district.

Overview

Century Resources submitted an application to the Tax Increment Financing Review Committee for tax increment financing assistance to re-develop the property located at 1600 Mountain View Road. It is currently the location for Mudjack of Rapid City. The Committee recommended approval of the creation of a Tax Increment District and the drafting of a Project Plan for the proposed development.

Century Resources proposes to build a 9,000 sq. ft. office building at this location. The building will be of wood frame construction with a cedar siding exterior. The office space will be leased to professionals such as doctors, lawyers, engineers and etc.

This project would result in infill development within the area. Infill development provides for the more cost effective use of vacant land where water, sewer, and other public services are already in place. There is a considerable fiscal advantage to the City for the City to use existing infrastructure to its full capacity rather than encouraging development in peripheral areas where the extension of those improvements would be required.

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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 in the Area 2000 Comprehensive Plan, is "to encourage appropriate number and sizes of commercial locations to fill the needs of the people of the community. Commercial locations should be in areas where they will have little or no adverse impacts on surrounding properties." Providing the assistance proposed in this Plan would further the economic goals of the adopted Rapid City Area 2000 Comprehensive Plan.

Project Plan Summary

This Plan establishes the proposed total project costs, as well as the Tax Increment District funded costs. The project involves the preparation of the proposed site and the construction of an office facility. This Plan proposes to use funds created by the tax increment to assist with the demolition of the existing building on the site, removal of old foundations, repair of the retaining wall along Mountain View Road, improve the existing driveway approach and professional fees associated with these portions of the project.

Elements of the Project Plan

This Project Plan, as required by SDCL 11-9-13, will address the following elements:

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

Additionally, the following exhibits are offered:

- I. General Vicinity Map
- II. Tax Increment District Boundary Map
- III. Map of Existing Zoning
- IV. Map of Generalized Land Use

The Map of Proposed Improvements; Statement of Method for Relocating Displaced Persons; and Statement of Changes Needed in Master Plan, Building Codes and Ordinances do not apply to this Project Plan and have not been included in this document.

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 #24 is proposed for creation in accordance with SDCL 11-9-2 to 11-9-11, inclusive. As of this date, Pennington County Director of Equalization's records show an assessed valuation of approximately \$71,150. In accordance with SDCL 11-9-20, certification of that value will be requested from the South Dakota Department of Revenue following creation and approval of the District by the Common Council. The State Department of Revenue has indicated the certified base valuation will be the same as the current assessed value.

ANTICIPATED CERTIFIED BASE VALUATION OF PROPERTY IN TID #24

Lot B of the SE¼, SE¼ and adjacent public rights of way, all located in Section 3, T1N, R7E, BHM, Rapid City, Pennington County, South Dakota.

Anticipated Certified Base Valuation	\$71,150
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Expected Increase in Valuation

The figures for the following estimated increases in valuation are based upon construction costs of \$540,000. In consultation with the Pennington County Director of Equalization, it was determined that the average property in Rapid City is now assessed at one hundred per cent (100%) of its actual value.

ESTIMATED FUTURE VALUATION OF PROPOSED OFFICE BUILDING

Current Assessed Value of District	\$ 71,150
Estimated Assessed Value of Improvements	<u>540,000</u>
Estimated Total Valuation	\$611,150

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.

In an effort to reduce the total costs of this Project Plan, Century Resources has agreed to waive this abatement to shorten the duration of the proposed district and plan to include no more than twenty (20) semi-annual payments over ten (10) years. The potential negative short term impact on the various taxing entities will be reduced while affording all taxing entities an increase in the tax base for future years.

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1993 Tax Levies and Percentage of Total Levy

<u>Taxing Entity</u>	<u>Tax Levy</u>	<u>Percentage of Total Levy</u>
Rapid City Area School District	20.1480	68.35 %
Pennington County	5.9811	20.29 %
City of Rapid City	3.2954	11.18 %
West River Water District	<u>0.0520</u>	<u>0.18 %</u>
Total Tax Levy	29.4765	100.00 %

1993 Tax Rate 0.0294765

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 upon one hundred percent (100%) of the anticipated 1993 mill levy.

Property in Pennington County is assessed January 1 of each year and are due May 1 and November 1 of the following year. The amortization schedule in this Project Plan has the payments from the tax increment fund payable on June 1 and December 1 of the year they are due.

TAX INCREMENT INCOME ESTIMATES

Year assessed	Year due	Valuation Base	New Development	Total	Increment in Valuation	Tax Increment Payment
1994	1995	\$71,150	\$468,850	\$540,000	\$468,850	\$13,820
1995	1996	\$71,150	\$468,850	\$540,000	\$468,850	\$13,820
1996	1997	\$71,150	\$468,850	\$540,000	\$468,850	\$13,820
1997	1998	\$71,150	\$468,850	\$540,000	\$468,850	\$13,820
1998	1999	\$71,150	\$468,850	\$540,000	\$468,850	\$13,820
1999	2000	\$71,150	\$468,850	\$540,000	\$468,850	\$13,820
2000	2001	\$71,150	\$468,850	\$540,000	\$468,850	\$13,820
2001	2002	\$71,150	\$468,850	\$540,000	\$468,850	\$13,591

Total Tax Increment expected to accrue by 12-01-02-----\$110,331

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3. PROJECT COSTS

Capital Costs

The capital costs for this Project Plan include building demolition, oil receptor tank removal, foundation excavation, retaining wall reconstruction, and Mountainview Drive approach improvements.

Financing Costs

The financing costs for this Project Plan are dependent on the interest rate obtained by the developer. For the purposes of this Plan an interest rate of 9% has been used. The five year tax abatement for new industrial structures over \$30,000 in value, amounting to 40% of what normally would be payable without the abatement, will be voluntarily waived by Century Resources.

Real Property Assembly Costs

The real property costs are not included in this Project Plan.

Professional Service Costs

The professional service costs are for the portions of those services related to the capital costs included in this Project Plan.

Relocation Costs

No relocation costs are included in this Project Plan.

Organizational Costs:

No organizational costs are anticipated in this Project Plan.

Necessary and Convenient Payments:

Additional costs not elsewhere classified are not included in this Project Plan.

Imputed Administrative Costs:

No imputed administrative costs are included in this Project Plan.

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TAX INCREMENT DISTRICT #24 PROJECT PLAN COSTS

Capital Costs:	
Building demolition	\$30,000
Site clearing and excavation	15,000
Retaining wall reconstruction	10,000
Approach improvements	5,000
Financing Costs:	
Financing Interest (TID only)	45,331
Real Property Assembly Costs:	
Land purchase	-0-
Professional Service Costs:	
Related to Project Plan Capital Costs	5,000
Relocation Costs:	
None	-0-
Organizational Costs	
None	-0-
Necessary and Convenient Costs	
None	-0-
Imputed Administrative Costs	
None	-0-
TOTAL	\$110,331

4. FISCAL IMPACT STATEMENT

The impact on taxing entities can be derived from determining the approximate increment anticipated during the life of the district. The true impact on taxing entities of this Plan is the increase in valuation of the property within the Tax Increment District. 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 may 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 in the taxable value of the property within this district or, at least, any increase would be significantly delayed, the impact can be considered truly positive.

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IMPACT ON TAXING ENTITIES

Year	Valuation Increment	Schools	County	City	Water	Total Tax Increment
1995	\$468,850	\$9,446	\$2,804	\$1,545	\$25	\$13,820
1996	\$468,850	\$9,446	\$2,804	\$1,545	\$25	\$13,820
1997	\$468,850	\$9,446	\$2,804	\$1,545	\$25	\$13,820
1998	\$468,850	\$9,446	\$2,804	\$1,545	\$25	\$13,820
1999	\$468,850	\$9,446	\$2,804	\$1,545	\$25	\$13,820
2000	\$468,850	\$9,446	\$2,804	\$1,545	\$25	\$13,820
2001	\$468,850	\$9,446	\$2,804	\$1,545	\$25	\$13,820
2002	\$468,850	<u>\$9,289</u>	<u>\$2,758</u>	<u>\$1,520</u>	<u>\$24</u>	<u>\$13,591</u>
TOTALS		\$75,411	\$22,386	\$12,335	\$199	\$110,331

5. FINANCING METHOD

The financing method to be used in the funding of this Plan is to be obtained by the developer. Following approval of this Project Plan and when the funding for the construction of the proposed office building is secured, it is anticipated that a bond or note in the amount necessary to cover applicable project costs will be issued separately.

The City and Century Resources, Inc. will enter into a Contract for Private Development. That agreement will establish that the debt on the Project Costs covered in this Plan will be retired by deposits made in the Tax Increment District #24 fund as taxes are paid on the property in succeeding years. The City of Rapid City Finance Officer will make the disbursements from that fund in accordance with this Plan and the Contract for Private Development. According to SDCL 11-9-25, positive tax increments will be allocated to that 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 payment from this Plan is scheduled to be made on December 1, 2002.

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PROJECTED AMORTIZATION SCHEDULE

PAY DATE	OPENBAL \$65,000 OLDBAL	FINCHG	TOTDUE	CAP INT PAYMENT	TAX INC PAYMENT	BALFWD	CAP INT TOTAL \$12,514
93 (Jun)	\$65,000	\$2,925	\$67,925	\$2,925	\$0	\$67,925	\$9,589
93 (Dec)	\$67,925	\$3,057	\$70,982	\$3,057	\$0	\$70,982	\$6,532
94	\$70,982	\$3,194	\$74,176	\$3,194	\$0	\$74,176	\$3,338
94	\$74,176	\$3,338	\$77,514	\$3,338	\$0	\$77,514	\$0
95	\$77,514	\$3,488	\$81,002		\$6,910	\$74,092	
95	\$74,092	\$3,334	\$77,426		\$6,910	\$70,516	
96	\$70,516	\$3,173	\$73,689		\$6,910	\$66,779	
96	\$66,779	\$3,005	\$69,784		\$6,910	\$62,874	
97	\$62,874	\$2,829	\$65,704		\$6,910	\$58,794	
97	\$58,794	\$2,646	\$61,439		\$6,910	\$54,529	
98	\$54,529	\$2,454	\$56,983		\$6,910	\$50,073	
98	\$50,073	\$2,253	\$52,326		\$6,910	\$45,416	
99	\$45,416	\$2,044	\$47,460		\$6,910	\$40,550	
99	\$40,550	\$1,825	\$42,375		\$6,910	\$35,465	
00	\$35,465	\$1,596	\$37,061		\$6,910	\$30,151	
00	\$30,151	\$1,357	\$31,508		\$6,910	\$24,598	
01	\$24,598	\$1,107	\$25,704		\$6,910	\$18,794	
01	\$18,794	\$846	\$19,640		\$6,910	\$12,730	
02	\$12,730	\$573	\$13,303		\$6,910	\$6,393	
02	\$6,393	\$288	\$6,681		\$6,681	(\$0)	
<hr/>							
TOTALS		\$45,331		\$12,514	\$110,331		

AMORTIZATION TABLE NOTES:

OPENBAL is the total Project Capital Costs

CAP INT TOTAL is the Capitalized Interest advanced to cover interest costs
prior to initial Tax Increment Payments

PAYDATE will be June 15 & December 15 of year indicated.

OLDBAL is balance forward from previous PAYDATE

FINCHG is the finance charge on the OLDBAL @ 9.00%

TOTDUE is (OLDBAL + FINCHG)

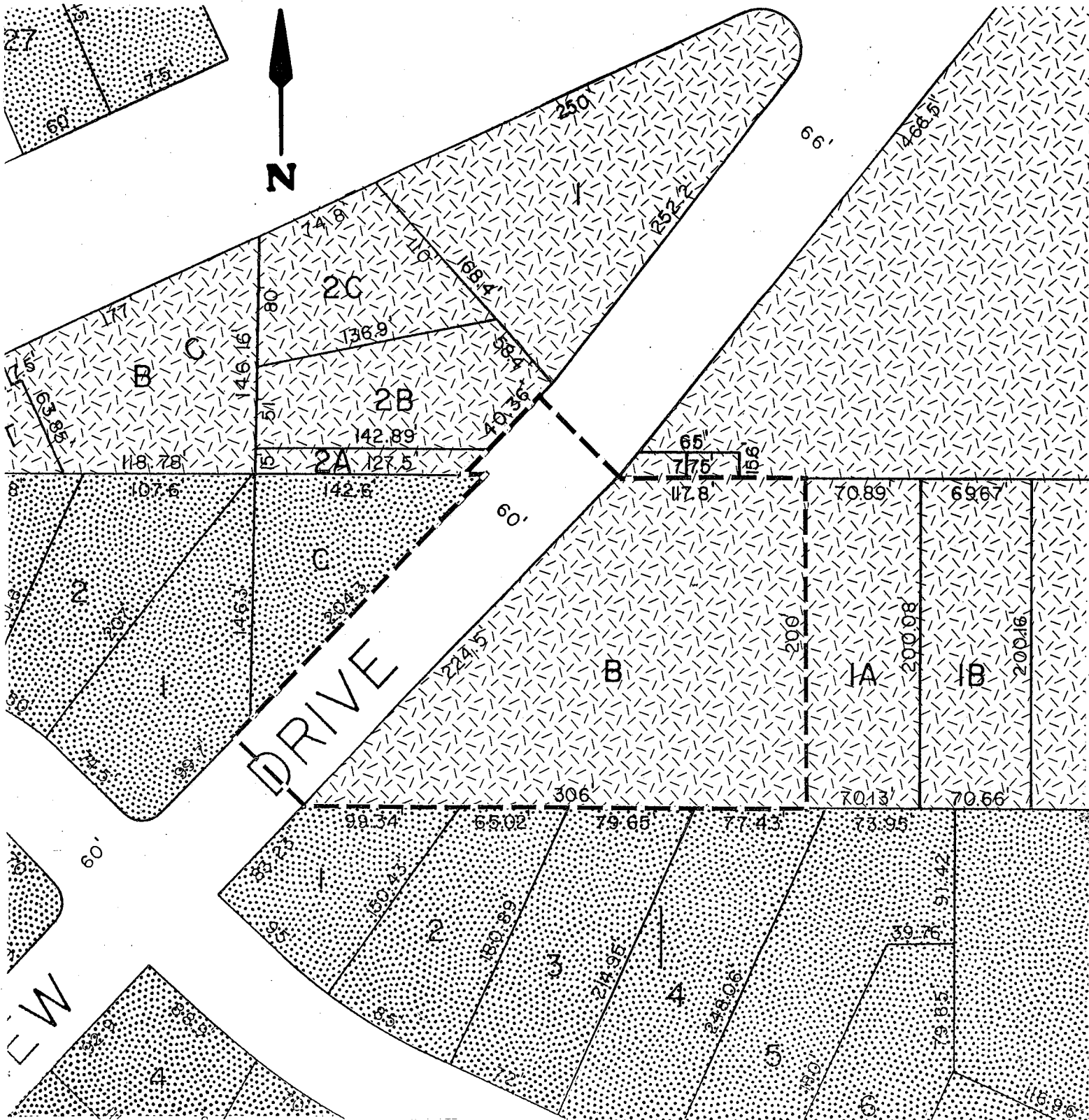
CAP INT PAYMENT is the payment of Capitalized Interest from funds advanced

TAX INC PAYMENT is the Tax Increment income accrued by each PAYDATE

BALFWD is the Balance Forward

PRCNT TTL INCM is percentage of total increment income that is interest
payments and capital costs

		PRCNT TTL INCM
TOTAL FINANCE COSTS.....	\$45,331	41.09%
TOTAL PROJECT CAPITAL COSTS.....	\$65,000	58.91%
TOTAL TAX INCREMENT INCOME.....	\$110,331	



GENERAL COMMERCIAL

LOW DENSITY RESIDENTIAL

T.I.D. #24 LAND USE MAP

