FINAL

PROJECT PLAN

TAX INCREMENT DISTRICT FOR E. ST. CHARLES RECLAMATION
CITY OF RAPID CITY

Prepared by the

Rapid City Growth Management Department
April 2005

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 value of a district is determined by the South Dakota Department of Revenue at the time the district is created by the City 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.

When in succeeding years, the assessed valuation of the district increases, 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. It is anticipated that one or more of the properties in this proposed Tax Increment District will be used for commercial purposes. The creation of this Tax Increment District for economic development purposes will not require an additional levy to make up for the School District's share of the property taxes included in the Tax Increment.

This financing method is invaluable for encouraging growth and development of blighted properties 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.

OVERVIEW

This plan proposes that a Tax Increment District be created to assist in the development of property adjacent to E. St. Charles Street. The Tax Increment Funds will be utilized for E. St. Charles Street improvements, drainage improvements and reclamation of the City snow dump site. The estimated cost of the improvements is $595,000. The proposed boundaries are located north of St. Patrick Street, east of Creek Drive and west of Cambell Street.

The public improvements included in this District will enhance the ability for new development to occur, extend E. St. Charles Street, provide storm water drainage for the adjacent property, reclaim an unsightly area owned by the City, and expand the City's property tax base.

The applicant will finance the estimated cost of improvements at an estimated 8% interest rate. Should the tax increment revenues exceed the anticipated loan payments, the district debt would be retired early resulting in the full value of the property being returned to the tax rolls more quickly.

PROJECT PLAN SUMMARY

This plan establishes the total project costs, as well as the Tax Increment District funded costs.

Elements of the Project Plan

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

1) Public Works and Other Improvements;
2) Economic Feasibility Study;
3) Project Costs;
4) Fiscal Impact Statement; and,
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 Existing Land Use; and,
V. Map of Public and Other Improvements.

The Statement of Method for Relocating Displaced Persons, as well as the 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.

ELEMENTS OF THE PROJECT PLAN

1. PUBLIC WORKS AND OTHER IMPROVEMENTS

The project plan includes costs associated with one-half the construction of E. St. Charles Street from its current terminus east to Creek Drive. The developer will be responsible for paying for the other half of the street improvements and will not be reimbursed from the Tax Increment District. Oversize costs for the storm drainage improvements, and reclamation of City property used to deposit snow to include hauling top soil, grading, seeding, removing debris, and fencing.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District Number Fifty Two is proposed for creation in accordance with SDCL 11-9-2 to 11-9-11. A vicinity map as well as a boundary map is attached. As of this date, the assessed valuation for the proposed district is established at $1,100,900. In accordance with SDCL 11-9-20, certification of the base value will be requested from the South Dakota Department of Revenue following creation and approval of the district by the City Council.

ANTICIPATED CERTIFIED BASE VALUATION OF PROPERTY IN TID #52

$1,100,900

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Estimated Assessed Value of District	$ 1,100,900
Estimated Assessed Value of project (year 20)	$ 3,400,000
Other Anticipated Increases in Assessed Value	$ 0
Estimated Increase in Assessed Value of Land*	$ 0
Estimated Total Valuation (year 20)	$ 4,500,900

*For purposes of this Tax Increment District, the increase in land value is not included in these estimates. Any additional increase in value will pay off the loan earlier than anticipated.

Revenue Estimates from Tax Increments

The Plan anticipates 35 semi-annual payments over 18 years; however, because of the uncertainty associated with the development, the plan identifies a 20 year payback schedule. The potential negative short-term impact on the various taxing entities will be offset by the increase in the tax base in future years.

2004 Tax Levies and Percentage of Total Levy

Taxing Entity	Tax Levy	Percentage of Total Levy
Rapid City Area School District	16.3984	67.7%
Pennington County	4.7281	19.5%
City of Rapid City	3.0595	12.7%
West Dakota Water District	.0312	.1%
Total Mill Levy	24.2172	100%

Anticipated 2004 Non-Agriculture Tax Rate: 0.0242172

The estimated tax increment available to pay for project costs in the Plan can be calculated by multiplying the anticipated tax rate by the increment in valuation. This calculation results in the following tax increments, which become available as taxes are paid for the applicable periods.

PROJECTED TAX INCREMENT INCOME

ASSESSMT DATE	YEAR TAXES PAID	PROJECTED INCREMENT IN VALUATION	TAX INCREMENT PAYMENTS
Nov 2005	2007	$ 1,200,000	$ 29,060
Nov 2006	2008	$ 3,400,000	$ 82,338

Nov 2007	2009	$ 3,400,000	$ 82,338
Nov 2008	2010	$ 3,400,000	$ 82,338
Nov 2009	2011	$ 3,400,000	$ 82,338
Nov 2010	2012	$ 3,400,000	$ 82,338
Nov 2011	2013	$ 3,400,000	$ 82,338
Nov 2012	2014	$ 3,400,000	$ 82,338
Nov 2013	2015	$ 3,400,000	$ 82,338
Nov 2014	2016	$ 3,400,000	$ 82,338
Nov 2015	2017	$ 3,400,000	$ 82,338
Nov 2016	2018	$ 3,400,000	$ 82,338
Nov 2017	2019	$ 3,400,000	$ 82,338
Nov 2018	2020	$ 3,400,000	$ 82,338
Nov 2019	2021	$ 3,400,000	$ 82,338
Nov 2020	2022	$ 3,400,000	$ 82,338
Nov 2021	2023	$ 3,400,000	$ 82,338
Nov 2022	2024	$ 3,400,000	$ 82,338
Nov 2023	2025	$ 3,400,000	$ 82,338
Nov 2024	2026	$ 3,400,000	$ 82,338

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/26:
$ 1,593,482

NOTE: Tax increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2004 mill levy.

3. PROJECT COSTS

Capital Costs – The capital costs of $455,000 for the Project Plan includes the funding for the extension of E. St. Charles Street, drainage improvements and reclamation of City property.

Financing Costs – The financing costs for this Project Plan are dependent on the interest rate obtained. The applicant will provide all financing for the project costs and will be

reimbursed by the tax revenue accruing from the increment. The anticipated interest rate that the applicant anticipates for this project is 8%. It is estimated that the financing costs will total $655,106.68. If a lower interest rate is obtained, the project costs will be repaid more quickly and the property will be returned to the tax rolls sooner.

Professional Service Costs – Professional service costs in the amount of $60,000 have been included in the Project Plan.

Relocation Costs – No relocation costs are anticipated in the Project Plan.

Organizational Costs – No organizational costs are anticipated in the Project Plan.

Contingency Costs – Contingency costs in the amount of $80,000 have been included in the Project Plan.

Other Necessary and Convenient Payments – No other necessary and convenient costs have been included in the Project Plan.

Imputed Administrative Costs – All Tax Increment District actions require municipal staff time to prepare and enact. The City shall be reimbursed on May 15, 2010, for its administrative costs in the amount of $2050. However, in no case shall the City be reimbursed less than $1 on May 15, 2010.

ESTIMATED PROJECT COSTS TO BE PAID BY THE TAX INCREMENT DISTRICT

Capital Costs:	
E. St. Charles Street improvements	$ 60,000.00
Storm Sewer improvements	$ 245,000.00
Reclamation of City property	$ 150,000.00
Professional Service Costs	$ 0
Engineering and design fees	$ 60,000.00
Financing Costs:	
Financing interest	$ 655,106.68
Contingency Costs:	$ 80,000.00
Relocation Costs:	$ 0
Organizational Costs:	$ 0
Other Necessary and Convenient Costs:	$ 0
TOTAL	$1,250,106.68
Imputed Administrative Costs*	
City of Rapid City	$ 2,050

*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 #52 fund available to the City Finance Officer on May 15, 2010.

4. FISCAL IMPACT STATEMENT

The impact on taxing entities can be derived from determining the tax increment anticipated during the life of the district. The true impact on taxing entities of the 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 the 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 Finance 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.

NET IMPACT ON TAXING ENTITIES

Year Paid	Valuation Increase	Schools	County	City	Water	Total
2007	$ 1,200,000	$ N/A	$ 5,666	$ 3,690	$ 29	$ 29,060
2008	$ 3,400,000	$ N/A	$ 16,055	$ 10,456	$ 82	$ 82,338
2009	$ 3,400,000	$ N/A	$ 16,055	$ 10,456	$ 82	$ 82,338
2010	$ 3,400,000	$ N/A	$ 16,055	$ 10,456	$ 82	$ 82,338
2011	$ 3,400,000	$ N/A	$ 16,055	$ 10,456	$ 82	$ 82,338
2012	$ 3,400,000	$ N/A	$ 16,055	$ 10,456	$ 82	$ 82,338
2013	$ 3,400,000	$ N/A	$ 16,055	$ 10,456	$ 82	$ 82,338
2014	$ 3,400,000	$ N/A	$ 16,055	$ 10,456	$ 82	$ 82,338
2015	$ 3,400,000	$ N/A	$ 16,055	$ 10,456	$ 82	$ 82,338
2016	$ 3,400,000	$ N/A	$ 16,055	$ 10,456	$ 82	$ 82,338
2017	$ 3,400,000	$ N/A	$ 16,055	$ 10,456	$ 82	$ 82,338
2018	$ 3,400,000	$ N/A	$ 16,055	$ 10,456	$ 82	$ 82,338
2019	$ 3,400,000	$ N/A	$ 16,055	$ 10,456	$ 82	$ 82,338
2020	$ 3,400,000	$ N/A	$ 16,055	$ 10,456	$ 82	$ 82,338
2021	$ 3,400,000	$ N/A	$ 16,055	$ 10,456	$ 82	$ 82,338
2022	$ 3,400,000	$ N/A	$ 16,055	$ 10,456	$ 82	$ 82,338
2023	$ 3,400,000	$ N/A	$ 16,055	$ 10,456	$ 82	$ 82,338
2024	$ 3,400,000	$ N/A	$ 16,055	$ 10,456	$ 82	$ 82,338
2025	$ 3,400,000	$ N/A	$ 16,055	$ 10,456	$ 82	$ 82,338
2026	$ 3,400,000	$ N/A	$ 16,055	$ 10,456	$ 82	$ 82,338

*The Plan anticipates 35 semi-annual payments over 18 years; however, the district may run up to 20 years to insure repayment of the project costs.
** N/A due to Economic Development Tax Increment District

6. FINANCING METHOD

The financing method to be used in funding the Plan is to be obtained by the applicant. The applicant will be responsible for any interest payments due for costs that are not

available from Tax Increment District #52. If the tax increment revenues exceed the anticipated loan payments, the debt will be retired early.

The debt on the Tax Increment District Project Costs covered in the Plan will be retired by deposits made in the Tax Increment District 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. 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 June 1, 2022; however, the district may run the full 20 years if necessary to insure repayment.

PROJECTED AMORTIZATION RATE

TABLE

No.	Payment Date	Beginning Balance	Interest	Total Due	Capital Int Payment	Tax Inc Payment	Total Pay	Loan Balance	Cumulative Interest
1	6/1/2005	696,065.00	27,842.60	723,907.60	27,842.60	0.00	27,842.60	696,065.00	27,842.60
2	12/1/2005	696,065.00	27,842.60	723,907.60	27,842.60	0.00	27,842.60	696,065.00	55,685.20
3	6/1/2006	696,065.00	27,842.60	723,907.60	27,842.60	0.00	27,842.60	696,065.00	83,527.80
4	12/1/2006	696,065.00	27,842.60	723,907.60	27,842.60	0.00	27,842.60	696,065.00	111,370.40
5	6/1/2007	696,065.00	27,842.60	723,907.60	13,312.60	14,530.00	27,842.60	696,065.00	139,213.00
6	12/1/2007	696,065.00	27,842.60	723,907.60	13,312.60	14,530.00	27,842.60	696,065.00	167,055.60
7	6/1/2008	696,065.00	27,842.60	723,907.60	0.00	41,169.00	41,169.00	682,738.60	194,898.20
8	12/1/2008	682,738.60	27,309.54	710,048.14	0.00	41,169.00	41,169.00	668,879.14	222,207.74
9	6/1/2009	668,879.14	26,755.17	695,634.31	0.00	41,169.00	41,169.00	654,465.31	248,962.91
10	12/1/2009	654,465.31	26,178.61	680,643.92	0.00	41,169.00	41,169.00	639,474.92	275,141.52
11	6/1/2010	639,474.92	25,579.00	665,053.92	0.00	41,169.00	41,169.00	623,884.92	300,720.52
12	12/1/2010	623,884.92	24,955.40	648,840.32	0.00	41,169.00	41,169.00	607,671.32	325,675.92
13	6/1/2011	607,671.32	24,306.85	631,978.17	0.00	41,169.00	41,169.00	590,809.17	349,982.77
14	12/1/2011	590,809.17	23,632.37	614,441.54	0.00	41,169.00	41,169.00	573,272.54	373,615.14
15	6/1/2012	573,272.54	22,930.90	596,203.44	0.00	41,169.00	41,169.00	555,034.44	396,546.04
16	12/1/2012	555,034.44	22,201.38	577,235.81	0.00	41,169.00	41,169.00	536,066.81	418,747.41
17	6/1/2013	536,066.81	21,442.67	557,509.49	0.00	41,169.00	41,169.00	516,340.49	440,190.09
18	12/1/2013	516,340.49	20,653.62	536,994.11	0.00	41,169.00	41,169.00	495,825.11	460,843.71
19	6/1/2014	495,825.11	19,833.00	515,658.11	0.00	41,169.00	41,169.00	474,489.11	480,676.71
20	12/1/2014	474,489.11	18,979.56	493,468.67	0.00	41,169.00	41,169.00	452,299.67	499,656.27
21	6/1/2015	452,299.67	18,091.99	470,391.66	0.00	41,169.00	41,169.00	429,222.66	517,748.26
22	12/1/2015	429,222.66	17,168.91	446,391.57	0.00	41,169.00	41,169.00	405,222.57	534,917.17
23	6/1/2016	405,222.57	16,208.90	421,431.47	0.00	41,169.00	41,169.00	380,262.47	551,126.07
24	12/1/2016	380,262.47	15,210.50	395,472.97	0.00	41,169.00	41,169.00	354,303.97	566,336.57
25	6/1/2017	354,303.97	14,172.16	368,476.13	0.00	41,169.00	41,169.00	327,307.13	580,508.73
26	12/1/2017	327,307.13	13,092.29	340,399.41	0.00	41,169.00	41,169.00	299,230.41	593,601.01
27	6/1/2018	299,230.41	11,969.22	311,199.63	0.00	41,169.00	41,169.00	270,030.63	605,570.23
28	12/1/2018	270,030.63	10,801.23	280,831.86	0.00	41,169.00	41,169.00	239,662.86	616,371.46
29	6/1/2019	239,662.86	9,586.51	249,249.37	0.00	41,169.00	41,169.00	208,080.37	625,957.97
30	12/1/2019	208,080.37	8,323.21	216,403.58	0.00	41,169.00	41,169.00	175,234.58	634,281.18
31	6/1/2020	175,234.58	7,009.38	182,243.97	0.00	41,169.00	41,169.00	141,074.97	641,290.57
32	12/1/2020	141,074.97	5,643.00	146,717.97	0.00	41,169.00	41,169.00	105,548.97	646,933.57
33	6/1/2021	105,548.97	4,221.96	109,770.93	0.00	41,169.00	41,169.00	68,601.93	651,155.53

34	12/1/2021	68,601.93	2,744.08	71,346.00	0.00	41,169.00	41,169.00	30,177.00	653,899.60
35	6/1/2022	30,177.00	1,207.08	31,384.08	0.00	31,384.08	31,384.08	0.00	655,106.68
36	12/1/2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	655,106.68

Tax Increment District No. 52
E. St. Charles Street Reclamation
Vicinity Map

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Tax Increment District No. 52
E. St. Charles Street Reclamation
Aerial Map

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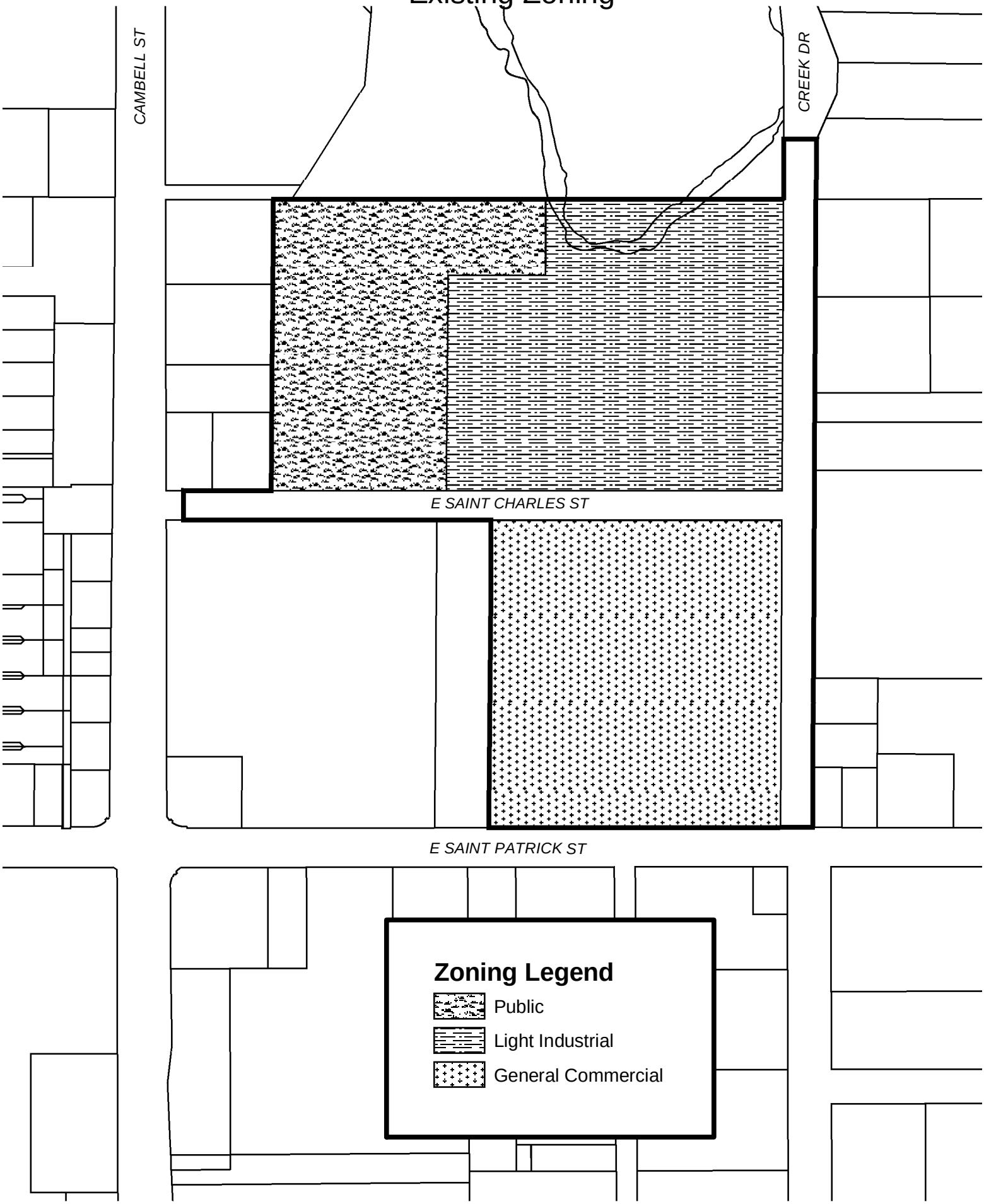
Tax Increment District No. 52
E. St. Charles Street Reclamation
Boundary Map

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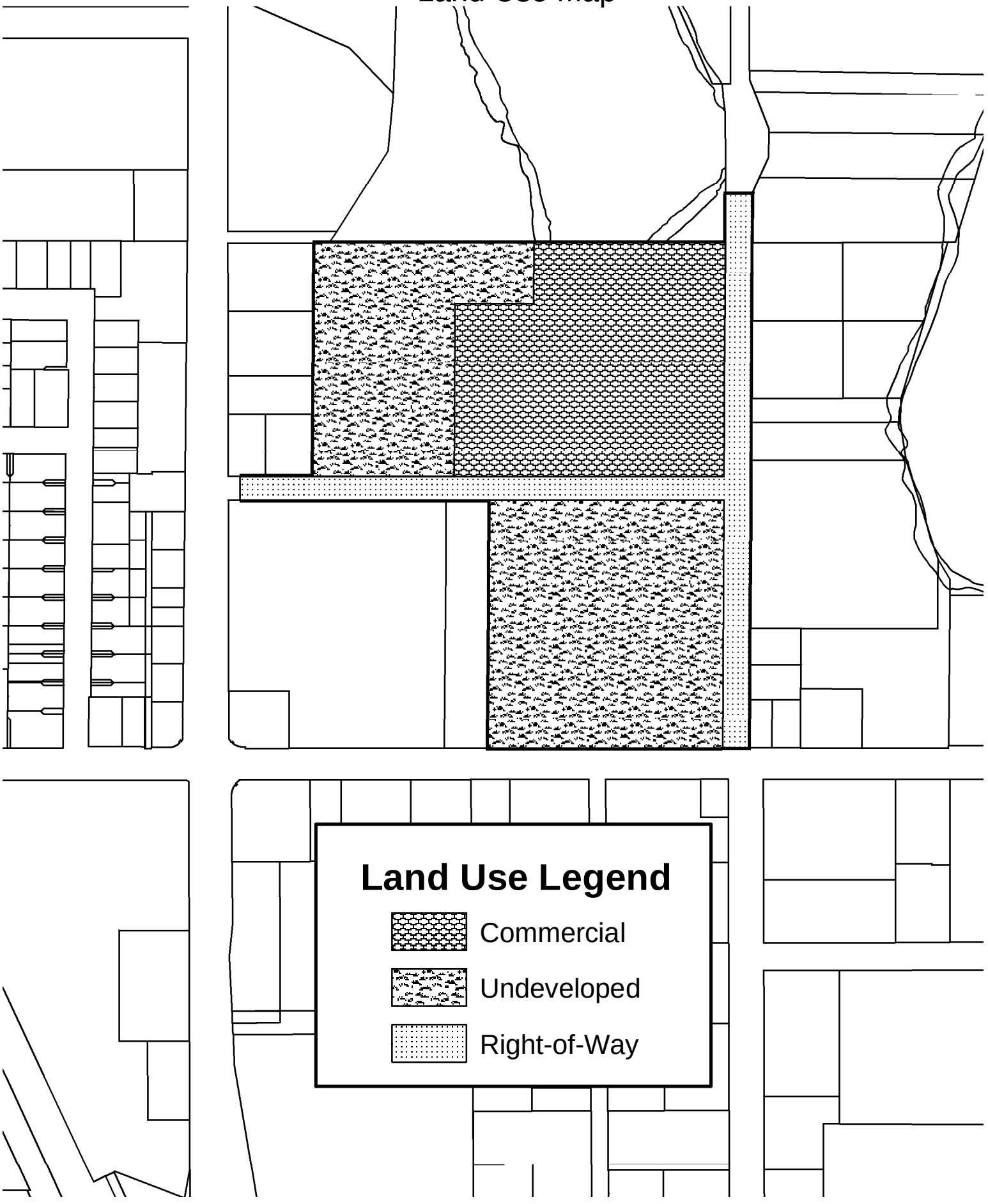
Tax Increment District No. 52
E. St. Charles Street Reclamation
Existing Zoning

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Tax Increment District No. 52
E. St. Charles Street Reclamation
Land Use Map

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Tax Increment District No. 52
E. St. Charles Street Reclamation
Proposed Improvements

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