

FINAL

PROJECT PLAN
TAX INCREMENT DISTRICT NUMBER THIRTEEN
CITY OF RAPID CITY

PREPARED BY
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 principle behind this method of financing is simple.

Firstly, the assessed valuation of a district is determined by the 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 this 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, 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.

Overview

This plan proposes that a portion of the tax increment created by the construction of a new 12,000 square foot Federal Express package handling facility be used to help cover the cost of grading and filling the site. The current location for Federal Express is too small, poorly designed for their use, and in an inappropriate location; successful completion of the proposed facility will assure their presence in Rapid City. It will also allow for future expansion of their operation on this same site.

This site is presently vacant and, due to the topography, is difficult to develop. Without the assistance provided by this plan it is very likely that this development would not be feasible and the property would remain vacant. There is developed property to the east and west of this property.

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Overview (cont'd)

This development would accomplish infill development in the area; which is a well established tenet in Planning. 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." A sub-goal, listed under the broader economic goal in the Area 2000 Comprehensive Plan, is to promote the Rapid City area as a regional retail, wholesale and service center. This proposed Federal Express facility is to serve the needs of the western third of South Dakota and portions of Wyoming. It is clear that providing the assistance proposed in this plan would be in furtherance of the economic goals of the Comp Plan.

Federal Express currently employs 16 full-time employees. Following completion of this facility the projection is to increase that employment to 21 employees. There is also future plans to expand this operation further, to 33 employees. This site was chosen specifically because it would allow for that future planned expansion.

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 the package handling facility. The developer has approached the City of Rapid City for tax increment financing because of a combination of higher costs encountered in Rapid City. Similar facilities developed recently in Fargo, North Dakota and Mankato, Minnesota were completed with significantly lower costs. For the proposed site in Rapid City the developer has encountered higher land costs, higher site preparation costs, higher construction costs, and higher landscaping costs. This plan proposes to use funds created by the tax increment to assist the developer with site preparation costs and a portion of their landscaping costs.

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
- 2) Project Costs
- 3) Economic Feasibility Study
- 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

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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 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.

2) PROJECT COSTS

Capital Costs:

The Capital costs for this site that have been bid in one lump sum include site preparation (grading and fill) and building construction costs; landscaping costs are also included under Capital costs.

Financing Costs:

The Financing costs for this project plan are dependent on the interest rate obtained by the developer. Due to 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, a portion of the financing costs will be capitalized interest to cover the shortfall in increment in the first few years of the project plan.

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 legal fees, survey, topography, and platting fees and appraisal fees.

Relocation Costs:

No relocation costs are anticipated in this tax increment district project plan, since the land is currently undeveloped.

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.

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Imputed Administrative Costs:

All tax increment district actions require municipal staff time to prepare and enact. It is estimated that the total administrative costs for city staff will equal \$2050. To the extent there is a balance in the Tax Increment District fund immediately after the bond payment is made on January 1, 1993 the City shall be reimbursed on January 1, 1993 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, 1993.

ESTIMATED PROJECT COSTS

Capital Costs:	
Site preparation & Construction	\$375,958
Landscaping and Irrigation	17,000
Financing Costs:	
Capitalized Interest (TID only)	15,000
Financing Interest (TID only)	92,072
Real Property Assembly Costs:	
Land purchase	100,000
Professional Service Costs:	
Survey, Topography, and Plat	700
Appraisal	750
Legal	1,500
Relocation Costs:	
None	-0-
Organizational Costs	
None	-0-
Necessary and Convenient Costs	
None	-0-
Imputed Administrative Costs	
City of Rapid City Staff Time	2,050
	\$605,030

TAX INCREMENT DISTRICT FUNDED COSTS

Capital Costs:	
Site preparation (Grading and fill)	\$ 40,000
Landscaping & Irrigation	8,000
Financing Costs:	
Capitalized Interest	15,000
Financing Interest	92,072
Imputed Administrative Costs	
City of Rapid City Staff	2,050
	\$157,122

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PROJECTED AMORTIZATION SCHEDULE

PAY DATE	OLDBAL	FINCHG	TOTDUE	CAP INT PAYMENT	TAX INC PAYMENT	TOTPAY	BALFWD	CAP INT BALANCE
START							\$63,000	15,000
1990	\$63,000	\$6,930	\$69,930	\$6,930	-0-	\$6,930	\$63,000	\$8,070
1991	63,000	6,930	69,930	4,567	2,363	6,930	63,000	3,503
1992	63,000	6,930	69,930	2,205	4,725	6,930	63,000	1,298
1993	63,000	6,930	69,930	1,298	7,088	8,386	61,544	-0-
1994	61,544	6,770	68,314		7,088	7,088	61,226	
1995	61,226	6,735	67,961		7,088	7,088	60,873	
1996	60,873	6,696	67,569		9,450	9,450	58,119	
1997	58,119	6,393	64,512		9,450	9,450	55,062	
1998	55,062	6,057	61,119		9,450	9,450	51,669	
1999	51,669	5,684	57,353		9,450	9,450	47,903	
2000	47,903	5,269	53,172		9,450	9,450	43,722	
2001	43,722	4,809	48,531		9,450	9,450	39,081	
2002	39,081	4,299	43,380		9,450	9,450	33,930	
2003	33,930	3,732	37,662		9,450	9,450	28,212	
2004	28,212	3,103	31,315		9,450	9,450	21,865	
2005	21,865	2,405	24,270		9,450	9,450	14,820	
2006	14,820	1,630	16,450		9,450	9,450	7,000	
2007	7,000	770	7,770		9,450	7,770	-0-	

TOTALS \$92,072 \$15,000 \$141,752 \$155,072

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%.

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.....\$92,072

*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, 1993, to the City Finance Officer.

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3) ECONOMIC FEASIBILITY STUDY

Current Valuation

For the 1988 tax year, proposed Lot 4R of Government Lot 4 of Cambell Square Addition is assessed by the Pennington County Director of Equalization at the following rates:

VALUATION OF PROPOSED LOT 4R OF GOVERNMENT LOT 4 CABELL SQUARE ADDITION

Existing Lot 4	\$ 10,595
Portion of Lot 5	8,867

TOTAL Valuation of Lot 4R	\$19,462

Expected Increase in Valuation

The figures for these estimated increases in valuation, to be realized upon completion of the proposed Federal Express package handling facility were provided by Pat Collins, Commercial Assessor for the Pennington County Director of Equalization's Office based on a site plan of this proposed development.

ESTIMATED FUTURE VALUATION OF PROPOSED FEDERAL EXPRESS FACILITY

Current Value	
Land Value	\$19,462
Structure Value	-0-
Estimated Increment in Valuation	
Structure Value	255,000

TOTAL ESTIMATED VALUE	274,462

As stated earlier Pennington County has an automatic tax abatement on all new industrial structures over \$30,000 in value. It reduces the taxes paid on those structures by a total of 40% over the five years it is in effect. The full and true valuations of those structures is reduced by the percentages listed below and reduce the taxes due accordingly.

<u>Year After</u> <u>Construction</u>	<u>Assessed Percent</u> <u>of Full & True</u>
1st	25%
2nd	50%
3rd	75%
4th	75%
5th	75%
thereafter	100%

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Income Estimates From Tax Increments

The actual tax increment available to Tax Increment District #13 can be calculated by multiplying the effective tax rate for the area 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 1988 mill-levy.

YEAR		VALUATION			INCREMENT	TAX
Assessed	Due	Land	Structure	Total	IN VALUATION	INCREMENT
1989	1990	19,462	-0-	19,462	-0-	-0-
1990	1991	19,462	255,000	274,462	255,000	2,363
1991	1992	19,462	255,000	274,462	255,000	4,725
1992	1993	19,462	255,000	274,462	255,000	7,088
1993	1994	19,462	255,000	274,462	255,000	7,088
1994	1995	19,462	255,000	274,462	255,000	7,088
1995	1996	19,462	255,000	274,462	255,000	9,450
1996	1997	19,462	255,000	274,462	255,000	9,450
1997	1998	19,462	255,000	274,462	255,000	9,450
1998	1999	19,462	255,000	274,462	255,000	9,450
1999	2000	19,462	255,000	274,462	255,000	9,450
2000	2001	19,462	255,000	274,462	255,000	9,450
2001	2002	19,462	255,000	274,462	255,000	9,450
2002	2003	19,462	255,000	274,462	255,000	9,450
2003	2004	19,462	255,000	274,462	255,000	9,450
2004	2005	19,462	255,000	274,462	255,000	9,450
2005	2006	19,462	255,000	274,462	255,000	9,450
2006	2007	19,462	255,000	274,462	255,000	9,450
TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY JANUARY 1, 2008						\$141,752

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 following table is a breakdown of the 1988 Mill Levies for the various taxing entities. The table which follows that is an estimate of the impact on each entity based on the estimated increase in valuation obtained from the previous section of this plan.

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1988 Mill Levies and Percentage of Total Levy

Entity	Mill Levy	Percentage
-----	-----	-----
School	43.16	69.9%
County	11.30	18.2%
City	7.20	11.7%
Water District	0.13	0.2%
=====		
Total Mill Levy	61.79	100.0%

Taxation Ratio = 60%

Effective Tax Rate = $\frac{(\text{Total Mill Levy}) \times (\text{Taxation Ratio})}{(1000)}$ = 0.037074

Impact on Taxing Entities

YEAR	TOTAL INCREMENT IN VALUATION	SCHOOLS	COUNTY	CITY	WATER	TOTAL *
1991	255,000	1,652	430	276	5	2,363
1992	255,000	3,303	860	552	10	4,725
1993	255,000	4,955	1,290	829	14	7,088
1994	255,000	4,955	1,290	829	14	7,088
1995	255,000	4,955	1,290	829	14	7,088
1996	255,000	6,605	1,720	1,106	19	9,450
1997	255,000	6,605	1,720	1,106	19	9,450
1998	255,000	6,605	1,720	1,106	19	9,450
1999	255,000	6,605	1,720	1,106	19	9,450
2000	255,000	6,605	1,720	1,106	19	9,450
2001	255,000	6,605	1,720	1,106	19	9,450
2002	255,000	6,605	1,720	1,106	19	9,450
2003	255,000	6,605	1,720	1,106	19	9,450
2004	255,000	6,605	1,720	1,106	19	9,450
2005	255,000	6,605	1,720	1,106	19	9,450
2006	255,000	6,605	1,720	1,106	19	9,450
2007	255,000	6,605	1,720	1,106	19	9,450
=====						
TOTAL *		\$99,080	\$25,800	\$16,587	\$285	\$141,752

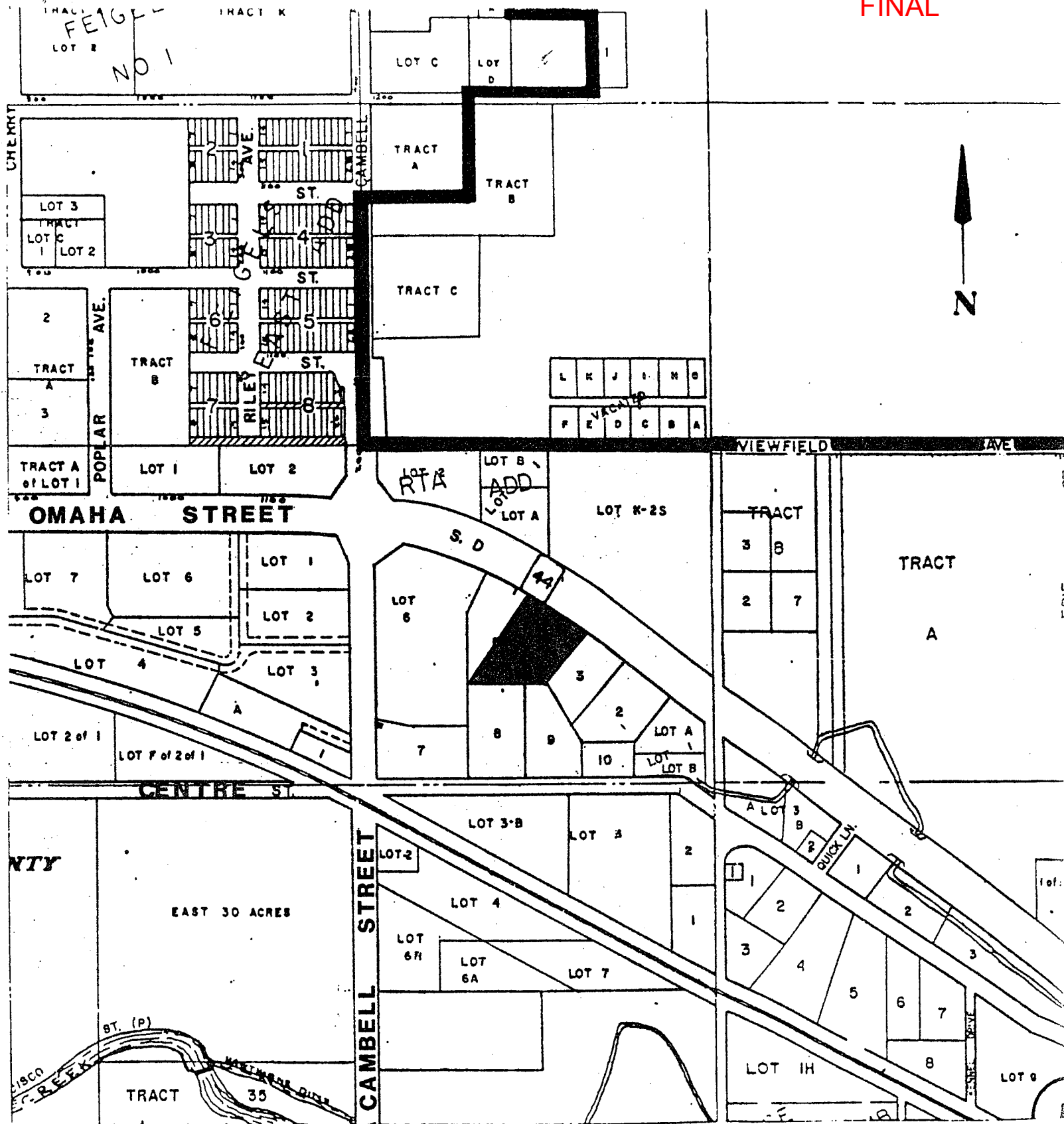
* Total increments may not agree with tax amount when using effective tax rate due to fractional multipliers and rounding.

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5) FINANCING METHOD

The financing method to be used in the funding of this plan is essentially a bond, to be obtained by the developer.

At the time the developer secures funding for the construction of the proposed Federal Express facility, it is anticipated that a bond in the amount necessary to cover the applicable project costs will be issued separately. That debt will be retired by deposits made in the Tax Increment District #13 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 according to the amortization schedule established in this plan.

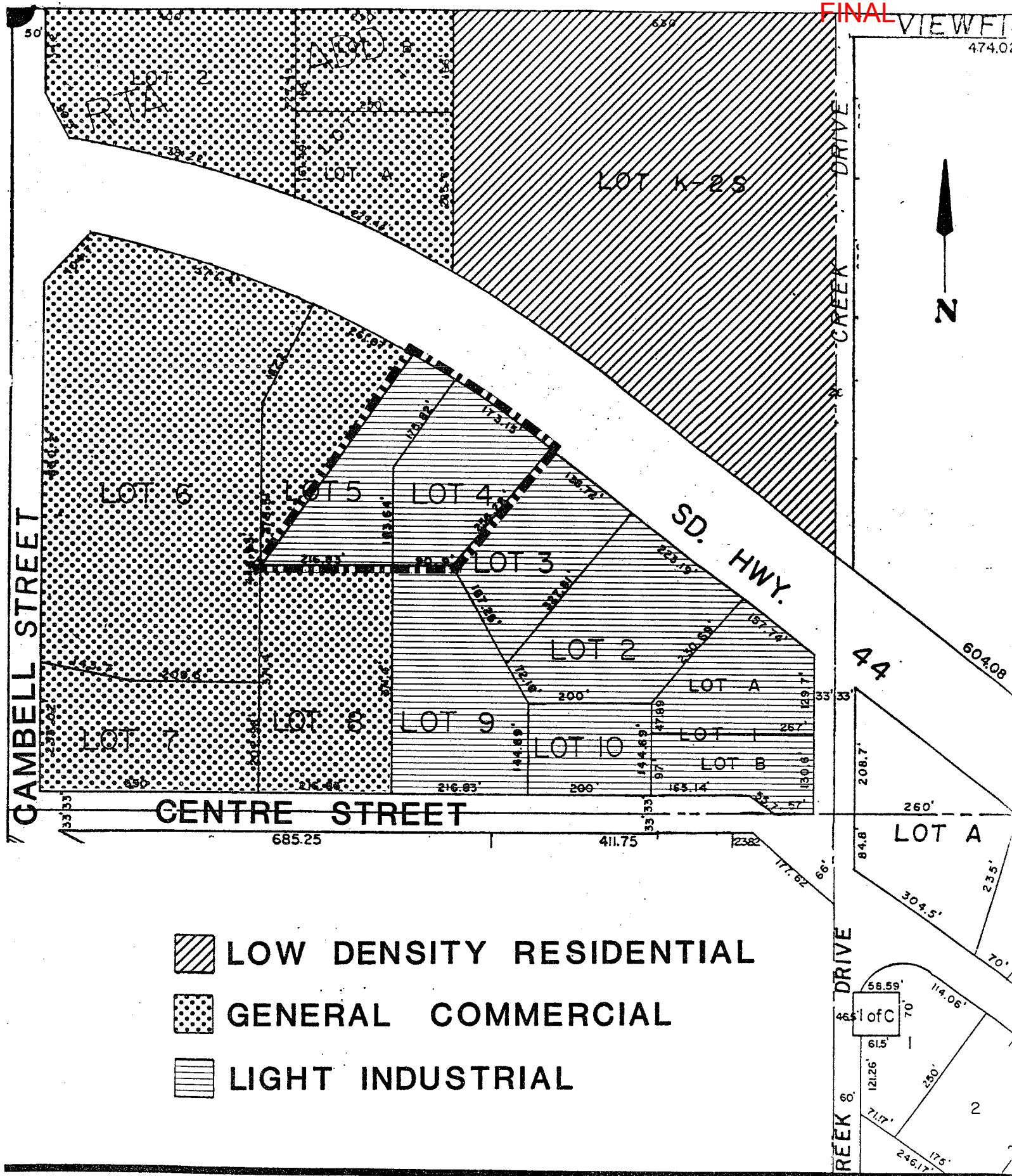


TID #13 VICINITY MAP

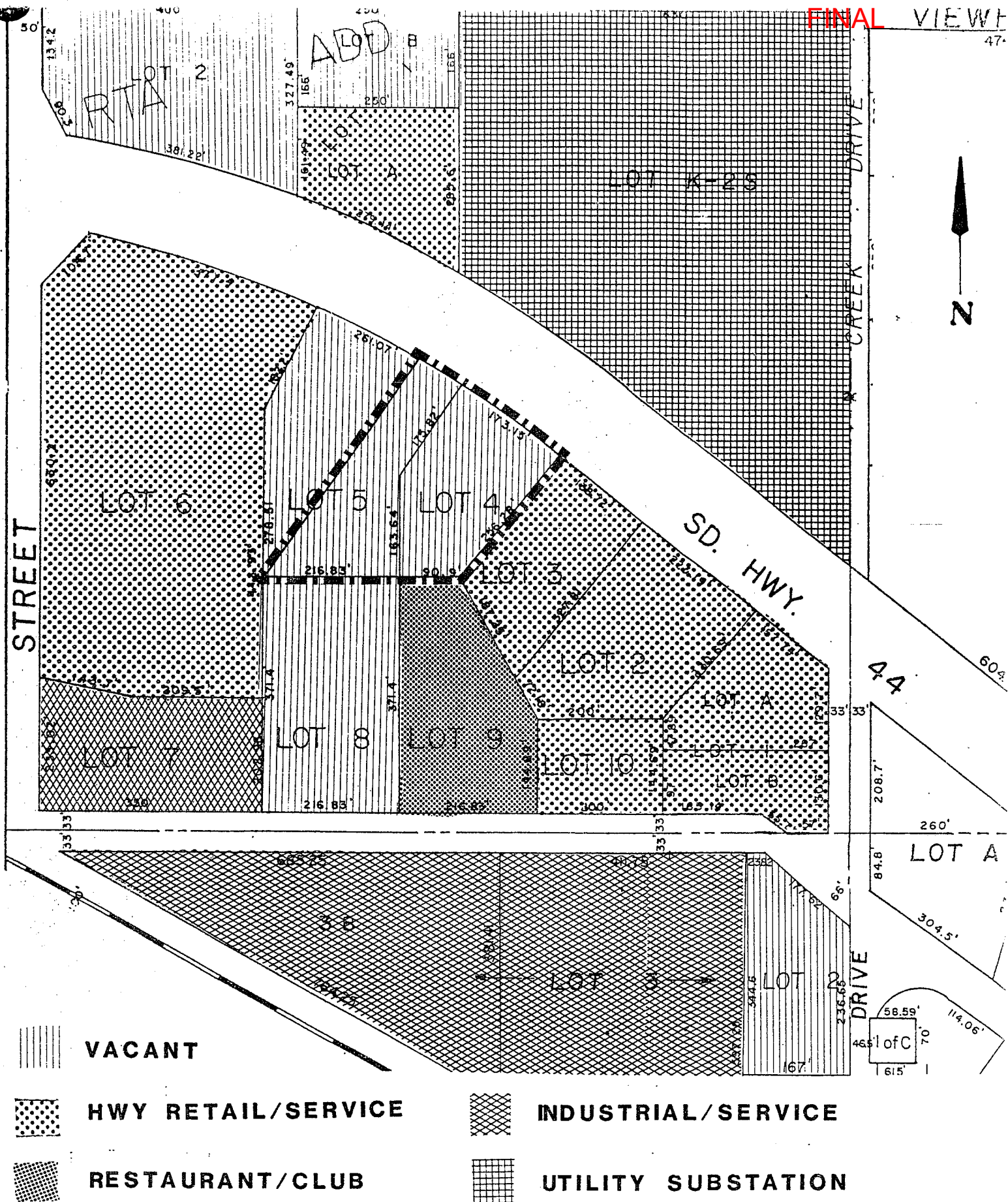


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TID #13 ZONING MAP



TID #13 LAND-USE MAP