

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

Prepared by
PENNINGTON COUNTY-RAPID CITY PLANNING DEPARTMENT
July, 1993

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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.

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.

Consequently, following completion of taxable improvements, the assessed valuation of the district increases the total property taxes paid by the owners of property in the district increase, accordingly. That increase in taxable valuation is the "increment in valuation". 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 Project Plan which defines how the accumulated funds will be spent.

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

The purpose of the Tax Increment District #25 Project Plan is to help finance the public portion of the cost of completing Park Drive from Westridge Road to the Corral Drive school site and Wonderland Drive from Rosemary Lane to Park Drive, as well as the extension of water and sewer mains in the same area. The completion of these roads will provide access from the north to the newly constructed elementary and middle schools near the intersection of Corral Drive and Park Drive. The schools are scheduled to open Fall of 1993.

Without the completion of these roads many of the students from the neighborhoods to the north would have to be bussed at an increased expense to the School District or be driven over a much longer and more circuitous route. In order to drive to the school, residents of neighborhoods in Parkridge, Canyon Lake Heights and Chapel Vally would either have to drive north to Canyon Lake Drive, east to Sheridan Lake Road or west to Carriage Hills Drive. The need to complete Park Drive and Wonderland Drive to connect to Corral Drive is clear.

As a general policy, roads and utilities are constructed totally at the developer's expense when property is subdivided. In this case however, it is the construction of the school that precipitates the immediate need for the road. At the same time, the

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Overview (cont'd)

construction of the school is likely to trigger residential development of the surrounding vacant property. The purpose of this Tax Increment District is to capture the property taxes paid on any increased valuation within the District to help defray the costs of the road and utility improvements.

The adjoining land owners are being assessed for their portion of the cost of the improvements on a front footage basis. The City will finance the entire project and then recover those costs through the assessment of the adjoining property owners and through the Tax Increment #25 Fund as proposed in this Plan.

Project Plan Summary

This Plan establishes the proposed total project costs, as well as the Tax Increment District funded costs. The project costs are the grading and surfacing of the road construction, the sewer and water main extensions and any drainage improvements associated with the road and utility construction.

The increment will be generated by the construction of residential homes within the District boundaries and the increased property taxes paid following their construction. The current property taxes on the vacant land are relatively low and it is taxed as agricultural land. The taxes paid on the current valuation, the Base Valuation, will continue to go to the various taxing entities.

This Plan projects the subdivision and development of the vacant property in the District on the basis of how similar property in the area has been subdivided and developed. The assumptions and projections made are from the densities and valuations of residential property in the area.

The need for the public infrastructure proposed with this Plan are a direct result of the construction of the schools in this area. Without the construction of the schools the development of the roads and utilities would wait until the property owners were ready to develop their particular parcel.

While the construction of the schools generates the need for the public infrastructure, it can also be expected to trigger the development of the adjacent undeveloped property within the District. This Plan attempts to be both realistic and conservative with the projections of future development. If the development occurs faster than the Plan projects, the increment payments will be greater, and the District will be able to dissolved sooner. If the development occurs slower than the Plan projects the District will be in place until the debt is retired or fifteen (15) years following the last expenditure, whichever comes first.

Furthermore, there is no guarantee that any increment will be generated and the City is not assured of repayment. The projections on this Project are based on the first homes being constructed in 1994, assessed January 1, 1995, with the first taxes due on those increased assessments in 1996. Regardless of how much development occurs in this District it is unlikely that the City will receive any Tax Increment payments until 1996.

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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
- V. Map of Proposed Improvements
- VI. Map of Projected Development Areas

The 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

The improvement of Park Drive from Westridge Road to the Corral Drive school site and Wonderland Drive from Rosemary Lane to Park Drive and the extension of water and sewer mains with those road projects are the public improvements proposed with this Project Plan.

2. ECONOMIC FEASIBILITY STUDY

The assumptions made to project future assessed valuations of development are as follows:
(See Map of Projected Development Areas - Page 15)

Density of Development

AREA A

The undeveloped thirty six (36) acres within the District to the west of the school site is heavily wooded with moderate to severe topography. Access to the property is only available from the north off of Starlite/Rosemary/Wonderland Drive loop street. Access from the west, south or east is not possible due to topography and/or existing development. The development of this property would likely be by a loop street and/or some configuration of cul de sacs extended from the Starlite/Rosemary/Wonderland Drive loop street.

The eighty (80) acres directly north of this property is platted and developed with approximately seventy-five (75) single family home sites. Assuming this property was to develop to a similar density of one dwelling unit an acre, the projection for development of this property is for thirty six (36) dwelling units.

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AREA B

The undeveloped property to the north and east of the school site within the District totals approximately two hundred twenty three (223) acres. The topography of the property is moderate to severe. The property has a substantial amount of gypsum and severe draws but is mostly clear, with few trees. Access to the property is from Park and Nicklaus Drives to the north, Corral and Park Drives to the south, Wonderland and Park Drives to the west and Heidiway Lane to the east.

A Planned Residential Development for Park Ridge Village was approved in 1979 for eighty (80) acres. Approximately fifty (50) of those acres have been developed with one hundred and forty six (146) single family home sites. This is a density of approximately 2.9 dwelling units per acre.

The eighty (80) tract adjacent to Nicklaus Drive to the north will likely remain undeveloped within the next ten (10) years and no tax increment income has been projected from it. For the purposes of this Plan a proposed density of 2.5 dwelling units per acre was used for the one hundred three (143) acres that are expected to develop.

Valuation of Development

AREA A

According to Director of Equalization, the current assessed valuation of the dwelling units in one of the forty acre tracts directly north of this property show an average of \$135,000 per dwelling unit. This was the average assessed valuation used to project future tax increment payments for this area. If the densities of development projected for this area do not occur it is likely that the larger lot sizes will be developed with homes of higher to substantially higher valuations.

AREA B

The average assessed valuation of the homes in the Parkridge Village is approximately \$89,000 per dwelling unit. This is the average assessed valuation used to project the future tax increment payments for this area as development occurs.

Timing of development

A ten year build out is the time frame used to project the increase in taxable valuation of the undeveloped properties included in this Tax Increment. Income projects are based on approximately ten percent (10%) of the projected densities be developed each year. Year one would be 1994, with the improvements assessed January 1, 1995 and the first taxes paid on the increased valuation paid May and November, 1996.

Current Valuation

Tax Increment District #25 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 \$662,700. 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.

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ANTICIPATED CERTIFIED BASE VALUATION OF PROPERTY IN TID #25

\$662,700

Estimated Increase in Valuation

AREA A		AREA B	
Total Acres	36	Total Acres	143
Dwelling Units per acre	1.0	Dwelling Units per acre	2.5
Average Assessed Value per Dwelling Unit	\$135,000	Average Assessed Value per Dwelling Unit	\$89,000

AREA A

YEAR	<u>DWELLING UNITS</u>	<u>YEARLY INCREASE IN VALUATION</u>	<u>CUMMULATIVE TOTAL VALUE</u>
1994	4	\$540,000	\$ 540,000
1995	4	\$540,000	\$1,080,000
1996	4	\$540,000	\$1,620,000
1997	4	\$540,000	\$2,160,000
1998	4	\$540,000	\$2,700,000
1999	3	\$405,000	\$3,105,000
2000	3	\$405,000	\$3,510,000
2001	3	\$405,000	\$3,915,000
2002	3	\$405,000	\$4,320,000
2003	4	\$540,000	<u>\$4,860,000</u>
TOTALS	36		\$4,860,000

AREA B

YEAR	<u>DWELLING UNITS</u>	<u>YEARLY INCREASE IN VALUATION</u>	<u>CUMMULATIVE TOTAL VALUE</u>
1994	36	\$3,204,000	\$ 3,204,000
1995	36	\$3,204,000	\$ 6,408,000
1996	36	\$3,204,000	\$ 9,612,000
1997	36	\$3,204,000	\$12,816,000
1998	36	\$3,204,000	\$16,020,000
1999	36	\$3,204,000	\$19,224,000
2000	36	\$3,204,000	\$22,428,000
2001	36	\$3,204,000	\$25,632,000
2002	36	\$3,204,000	\$28,836,000
2003	<u>34</u>	<u>\$3,026,000</u>	<u>\$31,862,000</u>
TOTALS	358		\$31,862,000

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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

Estimated Income from Tax Increment Payments

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 1993 Tax Rate.

The table below shows the annual Tax Increment Payments based on the expected increase in valuation in the District under the assumptions enumerated previously. The taxes paid on the certified base valuation do not contribute to the income of the District and therefore are not included in the income estimates.

Based on the income estimates the debt incurred in this Project Plan should be retired by June, 2000. After the debt for the Project costs has been retired, the District will be dissolved.

TAX INCREMENT FINANCE DISTRICT #25

Tax Increment Income Estimates

Year Assessed	Year Due	Valuation Base	New Development		Annual Total	Cummulative Assessed Valuation	Increment in Valuation	Tax Increment Payment
			Area A	Area B				
1995	1996	\$662,700	\$540,000	\$3,204,000	\$4,406,700	\$4,406,700	\$3,744,000	\$110,360
1996	1997	\$662,700	\$540,000	\$3,204,000	\$4,406,700	\$8,150,700	\$7,488,000	\$220,720
1997	1998	\$662,700	\$540,000	\$3,204,000	\$4,406,700	\$11,894,700	\$11,232,000	\$331,080
1998	1999	\$662,700	\$540,000	\$3,204,000	\$4,406,700	\$15,638,700	\$14,976,000	\$441,440
1999	2000	\$662,700	\$540,000	\$3,204,000	\$4,406,700	\$19,382,700	\$18,720,000	\$551,800
2000	2001	\$662,700	\$405,000	\$3,204,000	\$4,271,700	\$22,991,700	\$22,329,000	\$658,181
2001	2002	\$662,700	\$405,000	\$3,204,000	\$4,271,700	\$26,600,700	\$25,938,000	\$764,561
2002	2003	\$662,700	\$405,000	\$3,204,000	\$4,271,700	\$30,209,700	\$29,547,000	\$870,942
2003	2004	\$662,700	\$405,000	\$3,204,000	\$4,271,700	\$33,818,700	\$33,156,000	\$977,323
2004	2005	\$662,700	\$540,000	\$3,026,000	\$4,228,700	\$37,384,700	\$36,722,000	\$1,082,436

Total Tax Increment expected to accrue by 12-01-05

\$5,898,483

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3. PROJECT COSTS

Capital Costs

The capital costs included with this Project Plan are for the grading and surfacing of Park Drive from Westridge Road to the Corral Drive school site and Wonderland Drive from Rosemary Lane to Park Drive and the extension of water and sewer mains associated with those road projects.

Financing Costs

No financing costs have been included with this Project Plan.

Real Property Assembly Costs

No real property assembly costs are included with this Project Plan. It is anticipated that all necessary right of way will be dedicated by the property owners.

Professional Service Costs

The professional service costs are the design costs associated with the future design costs for the extension of Wonderland Drive 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:

The Administrative costs included in this Project Plan are based on the City Staff time devoted to development of this Plan.

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TOTAL PROJECT PLAN COSTS

Capital Costs:	
Park Drive grading and surfacing	\$ 900,000
Wonderland Drive grading and surfacing	130,000
Park Drive sewer and water mains	200,000
Wonderland Drive sewer and water mains	25,000
Financing Costs:	
none	-0-
Real Property Assembly Costs:	
none	-0-
Professional Service Costs:	
Wonderland Drive infrastructure design	15,000
Relocation Costs:	
none	-0-
Organizational Costs	
none	-0-
Necessary and Convenient Costs	
none	-0-
Imputed Administrative Costs	
City Staff	<u>10,000</u>
TOTAL	\$1,280,000

TAX INCREMENT DISTRICT #25 PROJECT PLAN COSTS

The proposed funding sources for those Project costs are:

Property owners' assessment	\$ 650,000
Tax Increment District #25	<u>630,000</u>
TOTAL	\$1,280,000

4. FISCAL IMPACT STATEMENT

When the City established its policy on Tax Increment Financing and the Tax Increment Review Committee it was to ensure that the use of tax increment financing was for projects and for costs that minimized the impacts on the affected taxing entities. Many of the criteria for review of tax increment financing are methods by which the time frame an use of funds is kept to a minimum.

In order to reduce the overall costs in this case, no financing costs have been included with this Project Plan. The participation of the neighboring property owners in a portion of the infrastructure costs has also reduced the amount of Tax Increment funds being used.

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FISCAL IMPACT STATEMENT cont'd

Tax Increment District #25 is a prime example of public/private partnership. Because of the need for the road to provide access to the new schools, there is justification for some public funding of the improvements; hence, the tax increment district. On the other hand, the landowners in the area will benefit from dramatically increased value of their currently undeveloped property due to the new infra-structure; hence, they will be assessed on a front-foot basis for the value of the improvements which benefit them.

The total cost of the proposed infrastructure improvements in this plan is \$1,270,000, of that \$630,000 will be funded by Tax Increment payments. Estimates indicate that anticipated residential development will generate taxes totaling more than that investment within five years, after which the total tax payments accrue to the taxing entities. It is projected that within seven years, the new development spawned by the schools and roads will generate additional property taxes every year in an amount that exceeds the one-time construction costs in this plan.

This Plan has attempted to be conservative but realistic in projecting expected rates, densities and valuations of development. As stated previously, if the development occurs faster than projected, the length of time the District is in place will be shorted. If development does not occur as fast as projected the District can run no longer than fifteen (15) years after the last expenditure is made.

The long-run impact of this plan, therefore, is tax revenues far exceeding its costs and accelerated development of a new residential neighborhood as a result of the Tax Increment District. Based on the income projections of this Plan the short term impact on the taxing entities could be expected to be as shown below:

IMPACT ON TAXING ENTITIES

Year	Valuation Increment	Schools	County	City	Water	Total Tax Increment
1996	\$ 3,744,000	\$ 75,435	\$ 22,392	\$12,338	\$ 195	\$110,360
1997	7,488,000	150,871	44,784	24,676	389	220,720
1998	11,232,000	<u>204,312</u>	<u>60,651</u>	<u>33,419</u>	<u>538</u>	<u>298,920</u>
TOTALS		\$430,614	\$127,831	\$70,433	\$1,122	\$630,000

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5. FINANCING METHOD

The City of Rapid City will pay the initial construction costs in this Plan. In October, 1992, the City completed a \$14 million bond sale to refinance certain outstanding, higher cost borrowings and to establish a long-term funding base for its Capital Improvement Plan (CIP). The anticipated costs of cash-flowing the up-front construction costs of the Park Drive project are included in the CIP, and the CIP projections assume both a partial recovery of the costs from the landowners through a deferred assessment, as well as the carrying costs of absorbing the imputed interest. The recommendation of the Tax Increment Financing Committee is that the project plan not include financing costs.

PROJECTED AMORTIZATION SCHEDULE

PAY DATE	OPENBAL \$630,000	TOTDUE	TAX INC PAYMENT	BALFWD
	OLDBAL			
1994 (Jun)	\$630,000	\$630,000	\$0	\$630,000
1994 (Dec)	\$630,000	\$630,000	\$0	\$630,000
1995	\$630,000	\$630,000	\$0	\$630,000
1995	\$630,000	\$630,000	\$0	\$630,000
1996	\$630,000	\$630,000	\$55,180	\$574,820
1996	\$574,820	\$574,820	\$55,180	\$519,640
1997	\$519,640	\$519,640	\$110,360	\$409,280
1997	\$409,280	\$409,280	\$110,360	\$298,920
1998	\$298,920	\$298,920	\$165,540	\$133,380
1998	\$133,380	\$133,380	\$133,380	\$0
TOTALS			\$630,000	

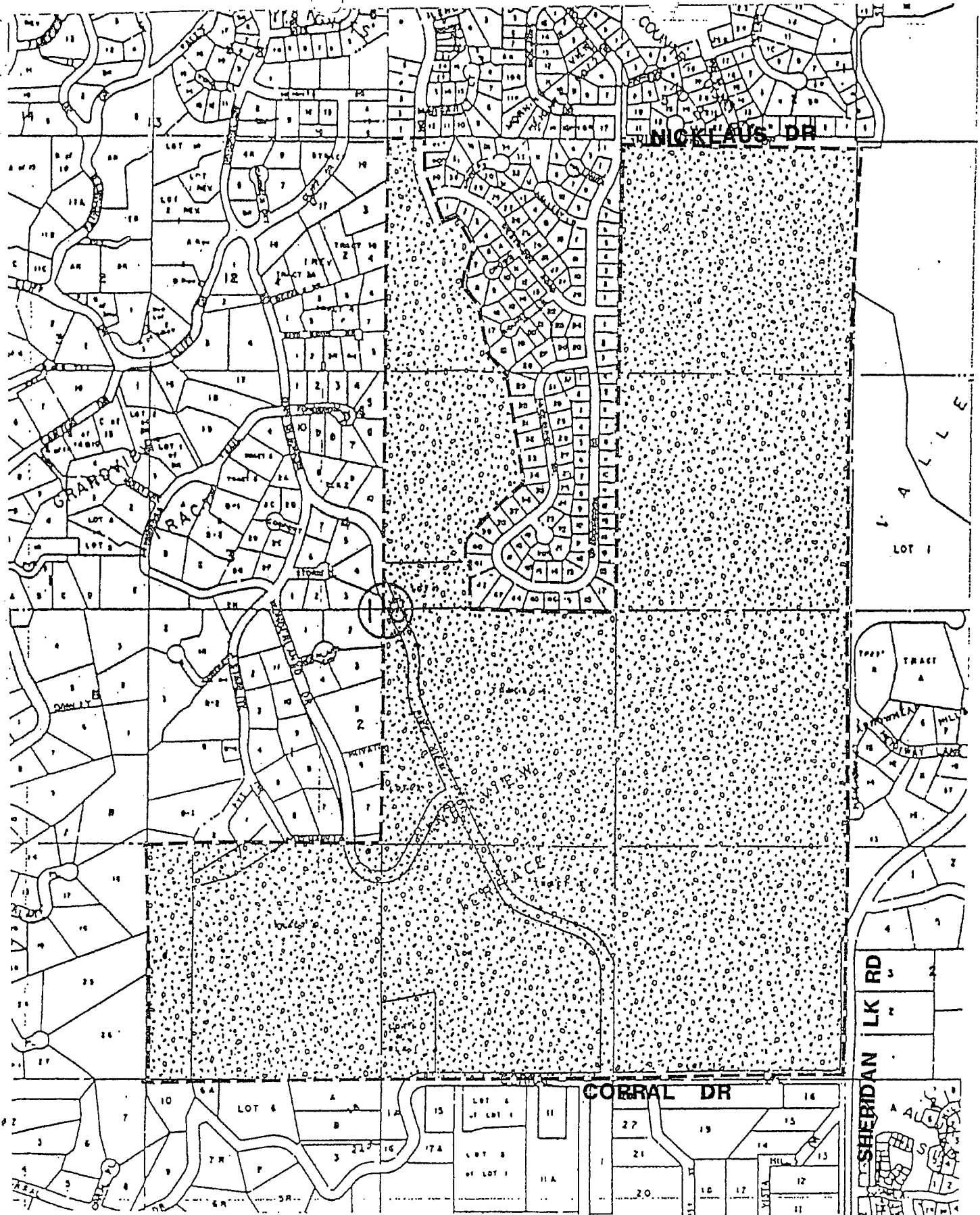
AMORTIZATION TABLE NOTES:

OPENBAL is the total Project Capital Costs
 PAYDATE will be June 15 & December 15 of year indicated.
 OLDBAL is balance forward from previous PAYDATE
 TOTDUE is the total balance due
 TAX INC PAYMENT is Tax Increment Payment paid semi-annually
 BALFWD is the Balance Forward

TOTAL PROJECT CAPITAL COSTS.....	\$630,000
TOTAL TAX INCREMENT INCOME.....	\$630,000

TID #25 VICINITY MAP

FINAL



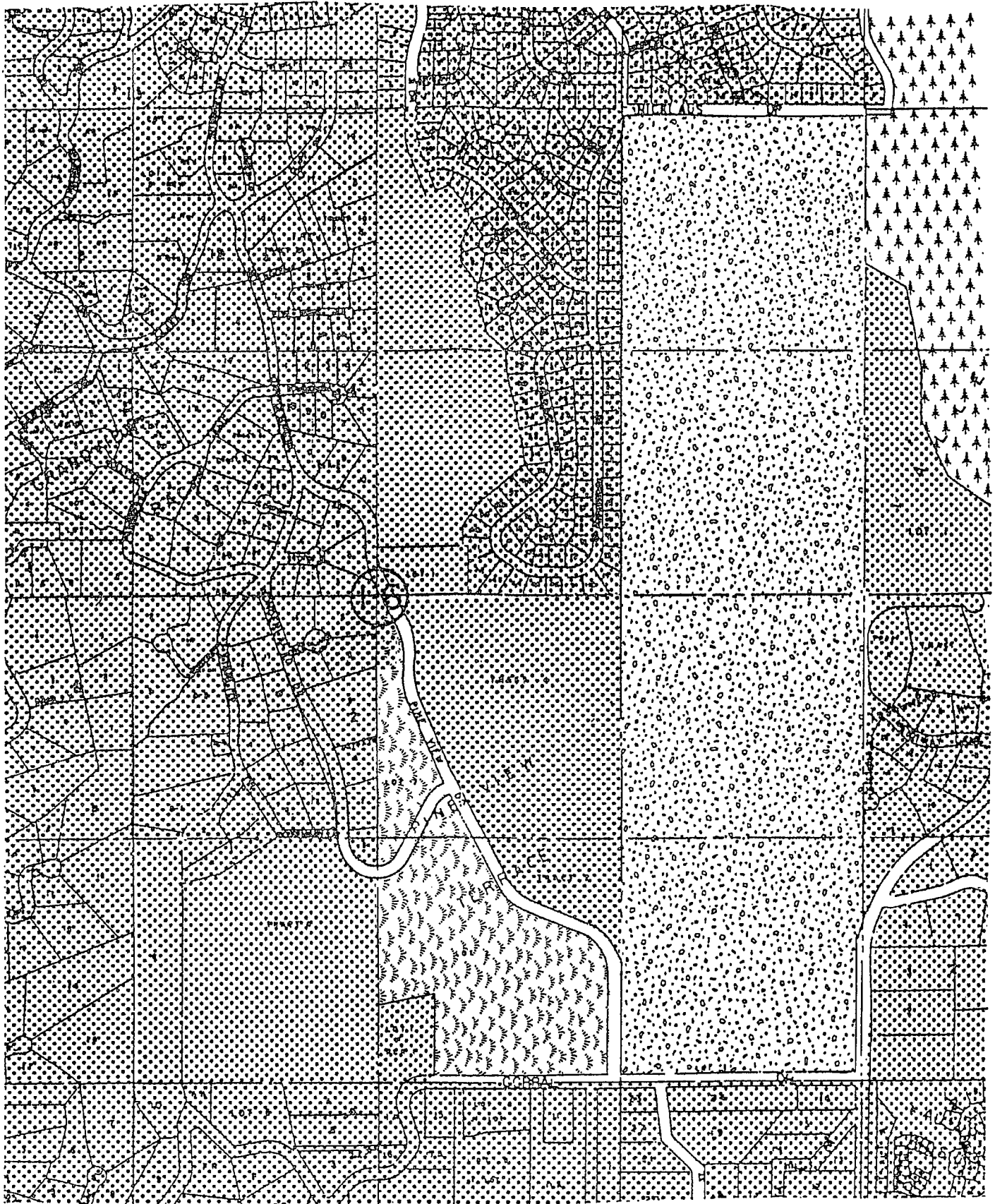
----- DISTRICT BOUNDARY

T.I.D.

25

ZONING MAP

FINAL

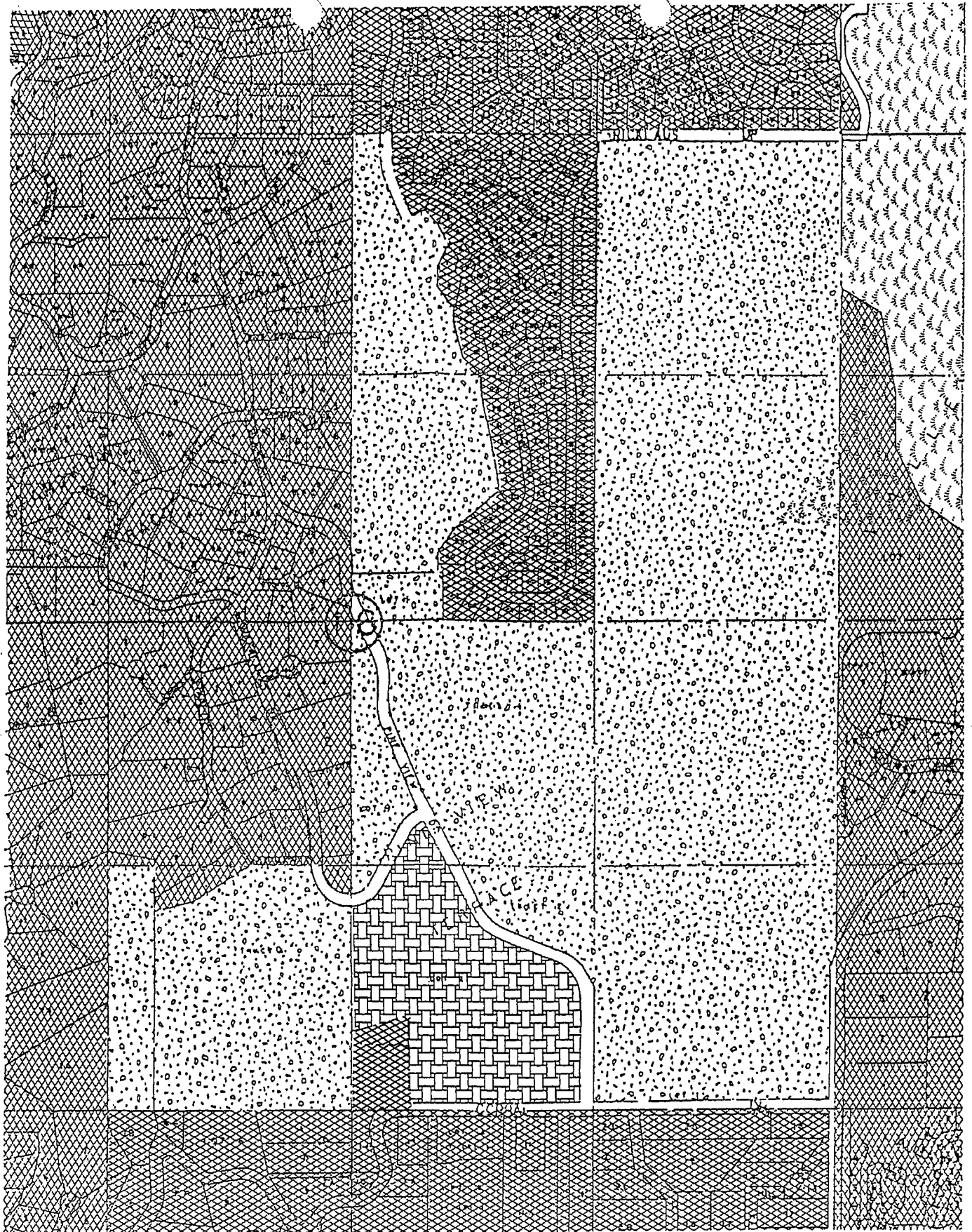


LOW DENSITY RESIDENTIAL

PARK - FOREST

PUBLIC

NO USE



RESIDENTIAL

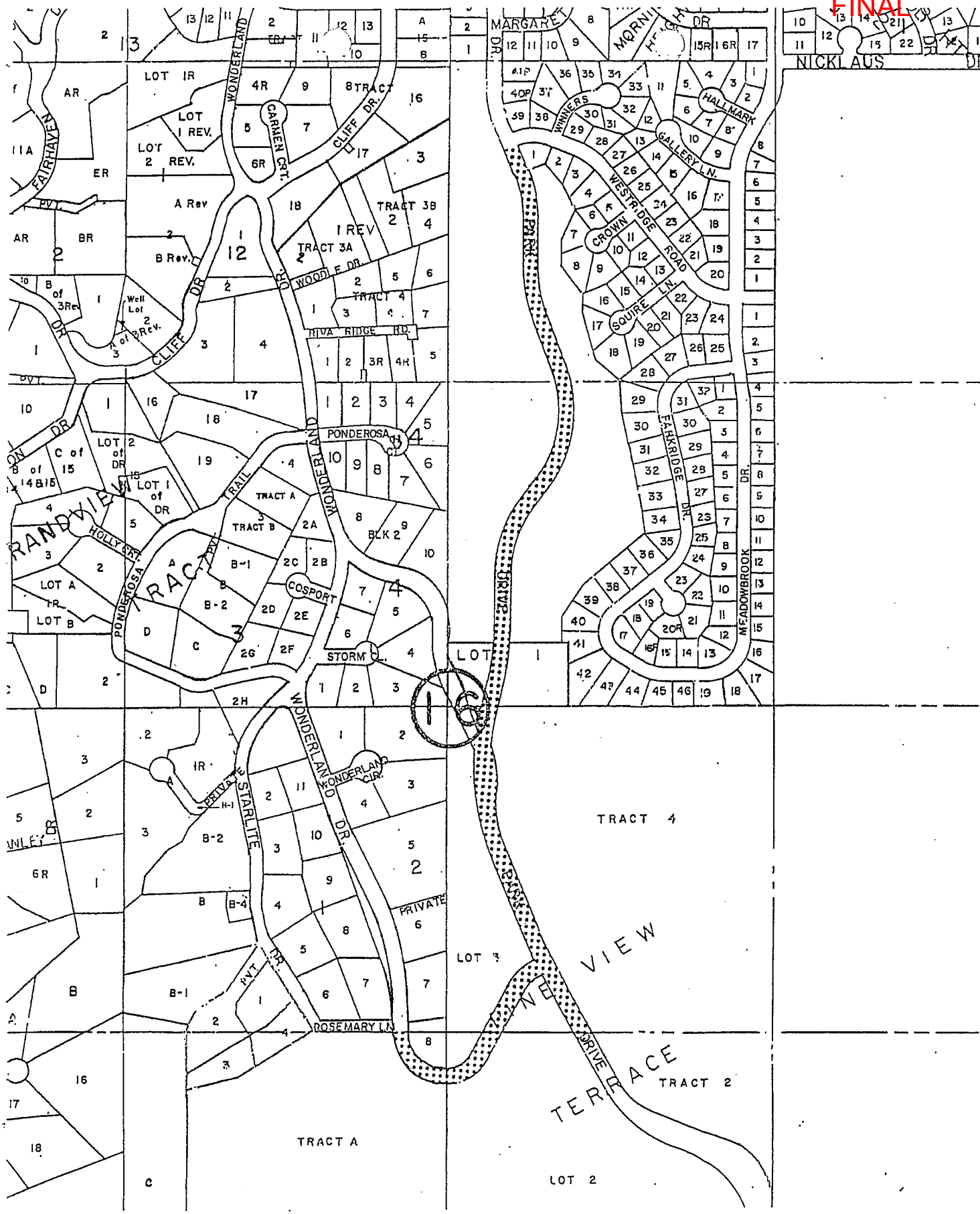
UNDEVELOPED



SCHOOL

GOLF COURSE

FINAL



PUBLIC IMPROVEMENT MAP



AREA A

AREA B