

FINAL

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PROJECT PLAN

TAX INCREMENT DISTRICT NUMBER TWENTY-SEVEN
CITY OF RAPID CITY

Prepared by

PENNINGTON COUNTY-RAPID CITY PLANNING DEPARTMENT
May, 1994

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CITY OF RAPID CITY

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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 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 property in the district increases, then the total property taxes paid in the district will 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 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

The U.S. Highway 16 South area was annexed into the City limits in 1978. It is one of the main entrances to Rapid City and the main route from Rapid City to the Mount Rushmore Memorial. Development in the area has been limited by the fact that no central sewer or water service is available to the area. The existing businesses, churches and homes in the area all have wells and use septic drainfields for on-site wastewater treatment.

This Plan proposes that the tax increment created by the construction of the SoDak Gaming, Inc. corporate headquarters facility be used to assist with the costs of extending central sewer and water service to the U.S. Highway 16 South area. Extension of those utilities will likely trigger further development along this commercial corridor.

This Plan involves the extension of sewer and water mains from the Terracita Hills Subdivision up to the U.S. Highway 16 right of way and then south to the intersection with the U.S. Highway 16B Truck Route. There would also be a lift

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OVERVIEW cont'd

station constructed and a second sewer force main constructed to lift the sewage from the lower, southern portion of the project, to the gravity flow main. There will also be a water pumping station completed in conjunction with this project to attain adequate water pressure until such time as an elevated reservoir is constructed. Funding for that reservoir is not included with this Project Plan.

There is a considerable economic advantage to the community for the City to leverage various sources to fund the costs of the extension of public infrastructure to undeveloped commercial and residential land within the City limits. This Project Plan proposes to use a combination of private sector funding from connection fees to the extended utilities and tax increment financing established in this Plan to finance the proposed extension of City water and sewer service to the U.S. Highway 16 South area.

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 wholesale and manufacturing center. Providing the assistance proposed in this Plan would further the economic goals of the adopted Rapid City Area 2000 Comprehensive Plan.

There is considerable undeveloped commercial and residential property located within the proposed service areas for these utilities. It is anticipated that the extension of City utilities to serve these areas will trigger further development in this area.

PROJECT PLAN SUMMARY

This Plan establishes the total project costs, as well as the Tax Increment District funded costs. SoDak Gaming, Inc. has agreed to pay an equitable portion of the project costs as a hook-up fee; they have also agreed to finance the portion of the project costs to be funded with tax increment payments. The City Water Enterprise Fund will finance the remaining balance of the project and will recoup those costs with the payment of future hook-up fees.

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

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Additionally, the following exhibits are offered:

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

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 Project Plan includes the costs of the extension of sewer and water mains from the Terracita Hills Subdivision up to the U.S. Highway 16 right of way and then south to the intersection with the U.S. Highway 16B Truck Route. There would be a lift station constructed and a second sewer force main constructed to lift the sewage from the lower southern portion of the project to the gravity flow main. There will also be a water pumping station completed in conjunction with this project to attain adequate water pressure until such time as an elevated reservoir is constructed. Funding for that reservoir is not included with this Project Plan. The Project Plan also includes construction contingency and engineering design costs as part of the Public Improvement costs.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation

Tax Increment District #27 is proposed for creation in accordance with SDCL 11-9-2 to 11-9-11, inclusive. As of this date, the Pennington County Director of Equalization's records show an assessed valuation of approximately \$5,734,967. 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.

ANTICIPATED CERTIFIED BASE VALUATION OF PROPERTY IN TID #27

\$5,734,967

Expected Increase in Valuation

The figures for the following estimated increases in valuation are based upon construction costs of approximately \$3,693,615 for the SoDak Gaming, Inc. building construction. In consultation with the commercial assessor Sharon Christiansen at the Office of Pennington County Director of Equalization, it was determined that the average commercial and industrial property in Rapid City is now assessed at one hundred per cent (100%) of its actual value.

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The Director Of Equalization's Office was provided with the construction costs, building area, and construction types in order to determine an estimated valuation of the proposed corporate offices, assembly plant and warehouse facility. Even though following development of the SoDak Gaming facility an increase in the valuation of land can be expected, in order to be conservative with the expected increase in valuation of the district, no increase in the land valuation has been included with this estimate.

ESTIMATED FUTURE VALUATION OF
TAX INCREMENT DISTRICT #27

Current Assessed Value of District	\$5,734,967
Estimated Assessed Value of Improvements	\$3,693,615
Estimated Increase in Assessed Value of Land	\$ -0-
Estimated Total Valuation	\$9,428,582
Estimated Increment in Valuation	\$3,693,615

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, SoDak Gaming, Inc. has agreed to waive this abatement to shorten the duration of the proposed district. The Plan includes fifteen (15) semi-annual payments over eight and a half (8½) 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.

1994 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	22.1368	69.29%
Pennington County	6.0937	19.07%
City of Rapid City	3.6676	11.48%
West River Water District	<u>0.0495</u>	<u>0.16%</u>
Total Tax Levy	31.9476	100.0%

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Anticipated 1994 Tax Rate: 0.0319476

The actual Tax Increment Payments available to pay for project costs in this Plan can be calculated by multiplying the effective tax rate by the estimated increment in valuation. These calculations result in the following Tax Increments, which become available as taxes for the applicable periods are paid.

Property in Pennington County is assessed January 1 of each year and taxes 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 15 and December 15 of the year they are due.

PROJECTED TAX INCREMENT INCOME

Year ASSESSED DUE		BASE VALUATION	NEW DEVELOPMENT	TOTAL VALUATION	INCREMENT IN VALUATION	TAX INCREMENT PAYMENT
1995	1996	\$5,734,967	\$3,693,550	\$9,428,517	3,693,550	\$118,000
1996	1997	\$5,734,967	\$3,693,550	\$9,428,517	3,693,550	\$118,000
1997	1998	\$5,734,967	\$3,693,550	\$9,428,517	3,693,550	\$118,000
1998	1999	\$5,734,967	\$3,693,550	\$9,428,517	3,693,550	\$118,000
1999	2000	\$5,734,967	\$3,693,550	\$9,428,517	3,693,550	\$118,000
2000	2001	\$5,734,967	\$3,693,550	\$9,428,517	3,693,550	\$118,000
2001	2002	\$5,734,967	\$3,693,550	\$9,428,517	3,693,550	\$118,000
2002	2003	\$5,734,967	\$3,693,550	\$9,428,517	3,693,550	\$118,000

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12-01-03

\$944,000

NOTE: Tax increment payments are calculated using 100% of estimated increment in valuation and 100% of expected 1994 mill levy.

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3. PROJECT COSTS

Capital Costs

The capital costs for this Project Plan include sewer, water and other public infrastructure associated with those utility extensions.

Financing Costs

The financing costs for this Project Plan are for the portion of the Project Costs financed by SoDak Gaming, Inc. An interest rate of 5.0% 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 SoDak Gaming, Inc.

Real Property Assembly Costs

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

Professional Service Costs

Professional service costs for the design of the public infrastructure are included in this Project Plan.

Relocation Costs

No relocation costs are anticipated in this Project Plan as the land is currently vacant.

Organizational Costs

No organizational costs are anticipated in this Project Plan.

Necessary and Convenient Payments

Contingency costs are included for costs that have not been anticipated in the design and construction of the public infrastructure included in this Project Plan.

Imputed Administrative Costs

All Tax Increment District actions require municipal staff time to prepare and enact. The City shall be reimbursed on June 15, 1996 for its administrative expense in an amount not more than \$2,050. However, in no case shall the City be reimbursed less than \$1.00 on June 15, 1996.

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ESTIMATED PROJECT COSTS

Capital Costs:		
Water Main	12,000 ft @ \$16/ft	\$ 192,000
Gravity Sewer Main	14,000 ft @ \$15/ft	\$ 210,000
Force Sewer Main	8,000 ft @ \$16/ft	\$ 128,000
Manholes & Fittings	35 @ \$4000/ea	\$ 140,000
U.S. Hwy 16 crossing	1 @ \$ 20,000	\$ 20,000
Sewer Lift Station	1 @ \$ 80,000	\$ 80,000
Water Pump Station	1 @ \$120,000	\$ 120,000
Surface Restoration		\$ 50,000
	SUB-TOTAL	\$ 940,000
Financing Costs:		
Financing Interest @5% (TID only)		\$ 168,153
Real Property Assembly Costs:		
None		-0-
Professional Fees:		
Engineering Design		\$ 141,000
Relocation Costs:		
None		\$ -0-
Organizational Costs		
None		\$ -0-
Necessary and Convenient Costs		
Contingency		\$ 94,000
TOTAL		\$1,343,153

PROJECT PLAN FUNDING SOURCES

Capital Costs:		
Tax Increment District		\$ 650,000
SoDak Gaming Hook up Fee		\$ 39,000
(portion of total SoDak contribution)		
City Water Enterprise Fund		\$ 251,000
	SUB-TOTAL	\$ 940,000
Financing Costs:		
Financing Interest @5%		
Tax Increment District		\$ 168,153
Professional Fees:		
Engineering Design		
SoDak Gaming Hook up Fee		\$ 141,000
(portion of total SoDak contribution)		
Relocation Costs:		
None		\$ -0-
Organizational Costs		
None		\$ -0-
Necessary and Convenient Costs		
Contingency		
City Water Enterprise Fund		\$ 94,000
TOTAL		\$1,343,153

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 #27 fund available to the City Finance Officer on June 15, 1996.

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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 this Plan is the future tax revenues from 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.

IMPACT ON TAXING ENTITIES

<u>Year</u>	<u>Increment in Valuation</u>	<u>Schools</u>	<u>County</u>	<u>City</u>	<u>Water</u>	<u>Total Tax Increment</u>
1996	\$3,693,550	\$ 81,763	\$ 22,507	\$ 13,546	\$ 183	\$ 118,000
1997	\$3,693,550	\$ 81,763	\$ 22,507	\$ 13,546	\$ 183	\$ 118,000
1998	\$3,693,550	\$ 81,763	\$ 22,507	\$ 13,546	\$ 183	\$ 118,000
1999	\$3,693,550	\$ 81,763	\$ 22,507	\$ 13,546	\$ 183	\$ 118,000
2000	\$3,693,550	\$ 81,763	\$ 22,507	\$ 13,546	\$ 183	\$ 118,000
2001	\$3,693,550	\$ 81,763	\$ 22,507	\$ 13,546	\$ 183	\$ 118,000
2002	\$3,693,550	\$ 81,763	\$ 22,507	\$ 13,546	\$ 183	\$ 118,000
2003	\$3,693,550	<u>\$ 12,985</u>	<u>\$ 3,574</u>	<u>\$ 2,151</u>	<u>\$ 30</u>	<u>\$ 18,740</u>
		\$585,329	\$161,125	\$ 96,977	\$1,310	\$ 844,740

5. FINANCING METHOD

The financing method will be from a loan for the Tax Increment District Project costs from SoDak Gaming, Inc. The loan will be repaid from the anticipated future income from the Tax Increment District #27 Fund.

The City and SoDak Gaming, Inc. will enter into a Contract for Development. That agreement will establish that the debt on the Tax Increment District Project Costs covered in this Plan will be retired by deposits made in the Tax Increment District #27 fund as taxes are paid on the increment in valuation of the property in the District 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 Development and 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 December 15, 2002.

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PROJECTED AMORTIZATION SCHEDULE

PAY DATE	OPENBAL \$702,703			CAP INT PAYMENT	TAX INC PAYMENT	BALFWD	CAPINT \$52,703
	OLDBAL	FINCHG	TOTDUE				
1995 Jun	\$702,703	\$17,568	\$720,271	\$17,568	\$0	\$702,703	\$35,135
1995 Jun	\$702,703	\$17,568	\$720,271	\$17,568	\$0	\$702,703	\$17,568
1995 Dec	\$702,703	\$17,568	\$720,271	\$17,568	\$0	\$702,703	\$0
1996	\$702,703	\$17,568	\$720,271		\$59,000	\$661,271	
1996	\$661,271	\$16,532	\$677,802		\$59,000	\$618,802	
1997	\$618,802	\$15,470	\$634,272		\$59,000	\$575,272	
1997	\$575,272	\$14,382	\$589,654		\$59,000	\$530,654	
1998	\$530,654	\$13,266	\$543,921		\$59,000	\$484,921	
1998	\$484,921	\$12,123	\$497,044		\$59,000	\$438,044	
1999	\$438,044	\$10,951	\$448,995		\$59,000	\$389,995	
1999	\$389,995	\$9,750	\$399,745		\$59,000	\$340,745	
2000	\$340,745	\$8,519	\$349,263		\$59,000	\$290,263	
2000	\$290,263	\$7,257	\$297,520		\$59,000	\$238,520	
2001	\$238,520	\$5,963	\$244,483		\$59,000	\$185,483	
2001	\$185,483	\$4,637	\$190,120		\$59,000	\$131,120	
2002	\$131,120	\$3,278	\$134,398		\$59,000	\$75,398	
2002	\$75,398	\$1,885	\$77,283		\$59,000	\$18,283	
2003	\$18,283	\$457	\$18,740		\$18,740	(\$0)	
2003	(\$0)	(\$0)	(\$0)		\$0	(\$0)	

TOTALS		\$194,740		\$35,135	\$844,740		

AMORTIZATION TABLE NOTES:

OPENBAL is the total of 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 @ 5.00%

TOTDUE is (OLDBAL + FINCHG)

CAP INT PAYMENT is the payment Capitalized Interest

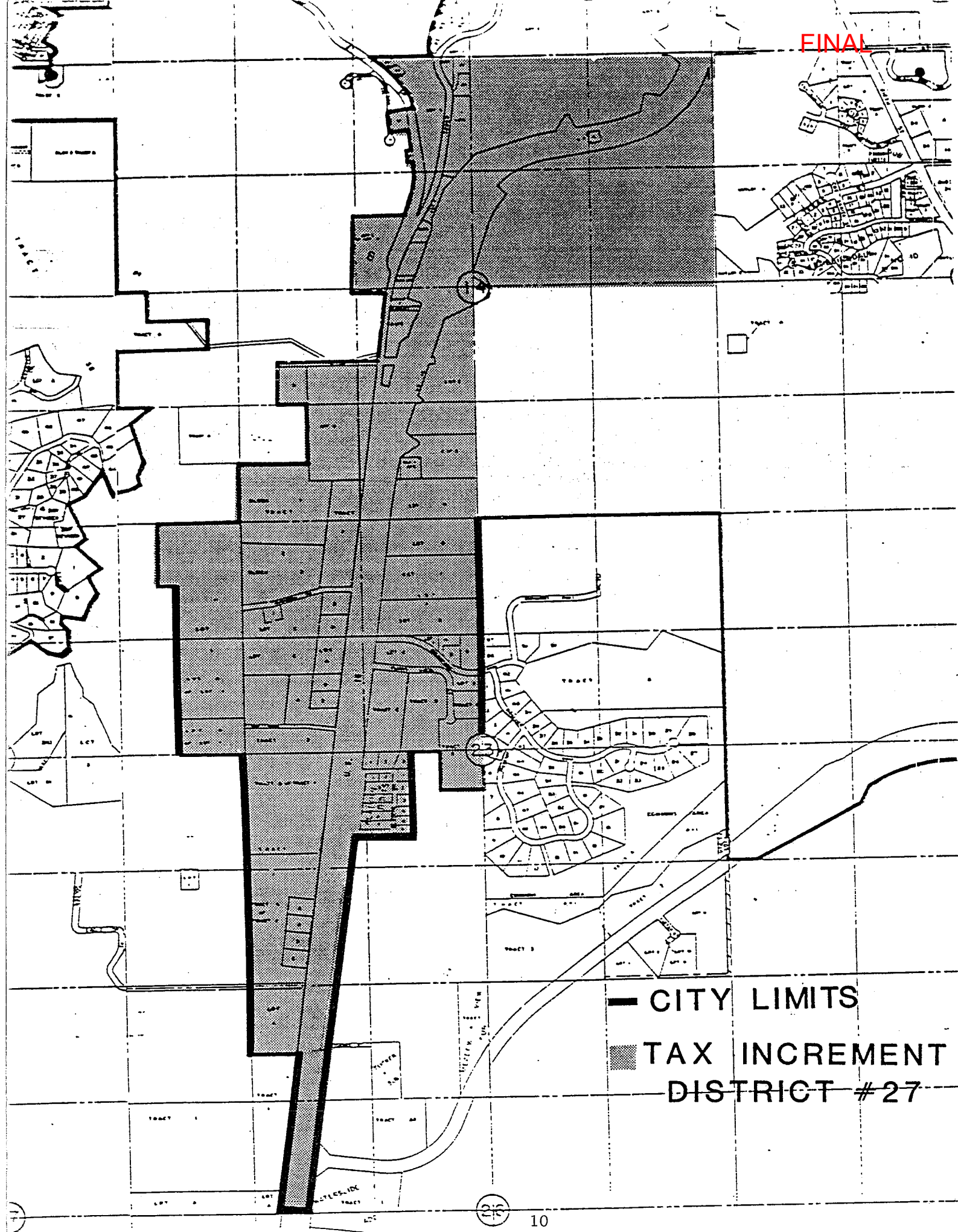
TAX INC PAYMENT is the Tax Increment income

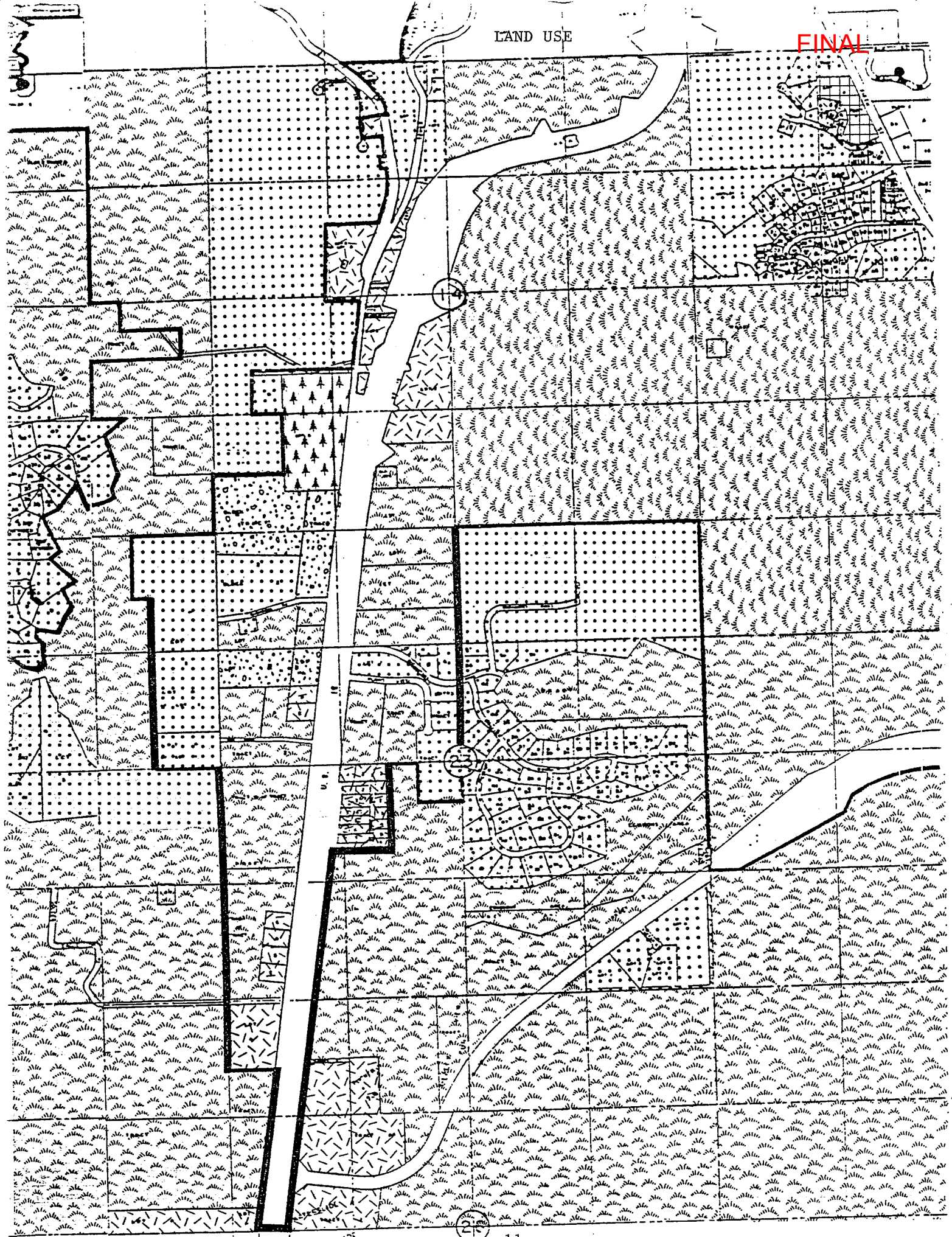
BALFWD is the Balance Forward

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

		PRCNT TTL INCM
TOTAL FINANCE COSTS.....	\$194,740	23.05%
TOTAL PROJECT CAPITAL COSTS.....	\$650,000	76.95%
TOTAL TAX INCREMENT INCOME.....	\$844,740	

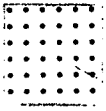
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LEGEND FOR LAND USE

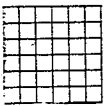
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RESIDENTIAL



COMMERCIAL



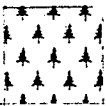
OFFICE COMMERCIAL



VACANT AND/OR AGRICULTURE

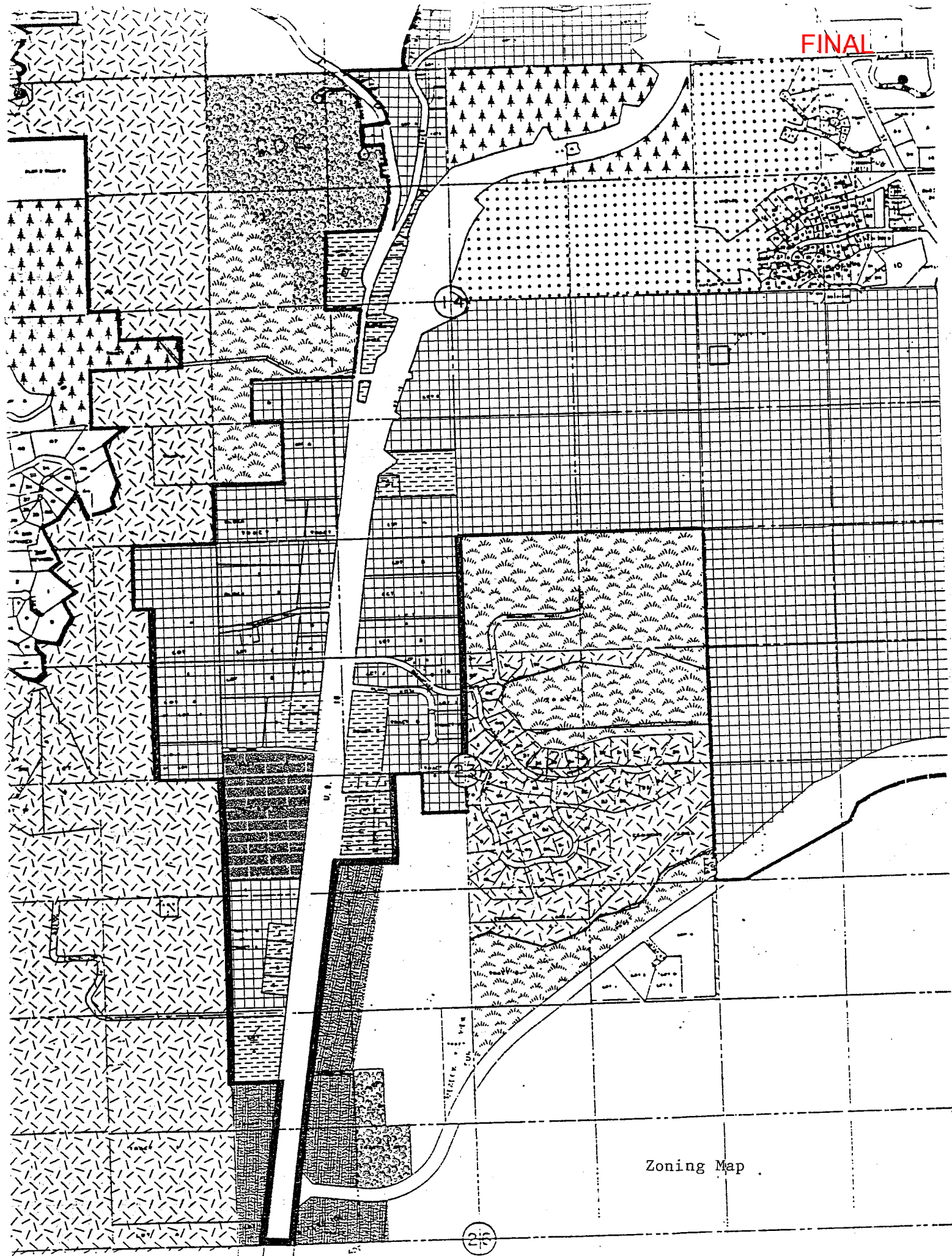


CHURCH



CEMETERY

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Zoning Map

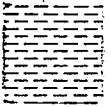
LEGEND FOR ZONING FINAL



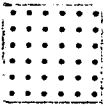
BUSINESS PARK



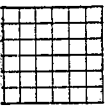
PARK FOREST



GENERAL COMMERCIAL



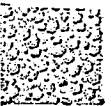
LOW DENSITY RESIDENTIAL (CITY)



GENERAL AGRICULTURE (CITY)



SUBURBAN RESIDENTIAL DISTRICT



LOW DENSITY RESIDENTIAL (COUNTY)



HIGHWAY SERVICE



LIMITED AGRICULTURE



GENERAL AGRICULTURE (COUNTY)

FINAL

WATER MAIN

SEWER MAIN

FORCE MAIN

LIFT STATION

MAP OF
PUBLIC IMPROVEMENTS



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