Final

PROJECT PLAN

TAX INCREMENT DISTRICT NUMBER THIRTY-NINE
CITY OF RAPID CITY

Prepared by the

Rapid City Planning Department
April 2003

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 should be noted that based on changes in state statue in 1996, an additional tax is levied against all property within the School District's jurisdiction to make up for the School District's share of the increment. Thus, the School District continues to receive tax revenue based on the full valuation of the property within the district.

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 Tax Increment District be created to assist in the development of East Rapid Plaza, a 67 acre retail commercial development located east of Century Road, north and west of East North Street and generally south of the railroad right-of-way and I-90 Exit 60. The Tax Increment Funds would be utilized to relocate Western Area Power Administration power lines that cross the site, extend existing water and sewer to the site and construct traffic signals and turn lanes on East North Street. In addition, the applicant has proposed that the City also recover the oversize costs associated with the construction of 1300 lineal feet of Anamosa Street, including the costs of acquiring the right-of-way in excess of 100 feet.

The estimated cost for these infrastructure improvements is $1,700,000. The applicant will obtain private financing to pay for their share of the improvements and will be reimbursed from any tax increment revenues. The City will be responsible for the oversize costs associated with Anamosa Street and will be equally reimbursed from the tax increment revenues. The City will be responsible for passing on revenues received but will not guarantee repayment of the private financing. 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 roles more quickly.

This tax increment plan will allow this commercial area to develop by assisting with infrastructure costs and will enable the City to recover some of the costs associated with their portion of the Anamosa Street construction. This additional commercial development will increase the community's economic vitality while expanding the City's property and sales tax base.

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 capital costs associated with the relocation of Western Area Power Administration power lines, extension of water and sewer, traffic signals and turn lanes, and oversize costs associated with the construction of Anamosa Street.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District Number Thirty-Nine 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 $1,239,700. 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 #39

$1,239,700

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Estimated Assessed Value of District	$ 1,239,700
Anticipated Increases in Assessed Value (Year 20)	$ 16,262,000
Estimated Total Valuation (Year 20)	$ 17,501,700

Revenue Estimates from Tax Increments

The Plan anticipates 30 semi-annual payments over 15 years; however, the district may run up to 20 years to insure repayment of the project costs. The potential negative short-term impact on the various taxing entities will be offset by the increase in the tax base in future years.

2002 Tax Levies and Percentage of Total Levy

Taxing Entity	Tax Levy	Percentage of Total Levy
Rapid City Area School District	17.7052	67.6%
Pennington County	5.1463	19.6%
City of Rapid City	3.3041	12.6%
West Dakota Water District	.0350	0.2%
Total Mill Levy	26.1906	100%

Anticipated 2002 Non Agricultural Tax Rate: 0.0261906

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

ASSESSMENT DATE	YEAR TAXES PAID	PROJECTED INCREMENT IN VALUATION	TAX INCREMENT PAYMENT
Nov 2003	2005	$ 935,900	$ 24,504
Nov 2004	2006	$ 2,339,000	$ 61,260
Nov 2005	2007	$ 4,328,000	$ 113,353

Nov 2006	2008	$ 6,317,000	$ 165,446
Nov. 2007	2009	$ 8,306,000	$ 217,539
Nov. 2008	2010	$ 10,295,000	$ 269,632
Nov. 2009	2011	$ 12,284,000	$ 321,725
Nov. 2010	2012	$ 14,273,000	$ 373,818
Nov. 2011	2013	$ 16,262,000	$ 425,912
Nov. 2012	2014	$ 16,262,000	$ 425,912
Nov 2013	2015	$ 16,262,000	$ 425,912
Nov 2014	2016	$ 16,262,000	$ 425,912
Nov 2015	2017	$ 16,262,000	$ 425,912
Nov 2016	2018	$ 16,262,000	$ 425,912
Nov 2017	2019	$ 16,262,000	$ 425,912
Nov 2018	2020	$ 16,262,000	$ 425,912
Nov 2019	2021	$ 16,262,000	$ 425,912
Nov 2020	2022	$ 16,262,000	$ 425,912
Nov 2021	2023	$ 16,262,000	$ 425,912
Nov 2022	2024	$ 16,262,000	$ 425,912

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/30/24:
$ 6,658,221

NOTE: Tax increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2002 mill levy.

3. PROJECT COSTS

Capital Costs – The capital costs of $1,300,000 for the Project Plan include relocating the Western Area Power Administration power lines, water and sewer extension improvements, oversizing costs for Anamosa Street including acquiring right-of-way, and traffic signals and turn lanes on East North Street.

Financing Costs – The financing costs for this Project Plan are dependent on the interest rate obtained by the applicant and the City. The anticipated interest rate used for the applicant's share of the projections is 9.0%. The anticipated interest rate used for the

City's share of the projections is 6.0%. It should be noted that the City may borrow funds internally or obtain outside financing. It is estimated that the financing costs will total $1,921,662.05. If lower interest rates are obtained, the project costs will be repaid more quickly and the property will be returned to the tax roles sooner.

Professional Service Costs – There are no professional service costs included in this Project Plan.

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

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

Necessary and Convenient Payments – Other necessary and convenient payment costs in the amount of $400,000 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 April 15, 2008, for its administrative costs in the amount of $2050. However, in no case shall the City be reimbursed less than $1 on April 15, 2008.

ESTIMATED PROJECT COSTS TO BE PAID BY THE TAX INCREMENT DISTRICT

Capital Costs:	
Relocate WAPA power lines	$ 300,000.00
Extend existing water and sewer to site	$ 50,000.00
E. North Street traffic signal and turn lanes	$ 150,000.00
Oversize Construction of Anamosa Street (1300 feet)	$ 600,000.00
Oversize right-of-way costs of Anamosa Street	$ 200,000.00
Professional Service:	$ 0
Financing Costs:	
Financing interest	$1,921,662.05
Relocation Costs	$ 0
Organizational Costs	$ 0
Other Necessary and Convenient Costs:	
Contingency Costs	$ 200,000.00
Other	$ 200,000.00
TOTAL	$3,621,662.05
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 #39 fund available to the City Finance Officer on April 15, 2008.

These estimated project costs to be paid by the tax increment district can be identified as costs associated with the applicant and costs associated with the City. Those identified costs are:

PROJECT COSTS OF APPLICANT

Capital Costs:	
Relocate WAPA power lines	$ 300,000.00
Extend existing water and sewer to site	$ 50,000.00
E. North Street traffic signal and turn lanes	$ 150,000.00
Professional Service:	$ 0
Financing Costs:	
Financing Interest	$1,218,393.31
Relocation Costs	$ 0
Organizational Costs	$ 0
Other Necessary and Convenient Costs:	
Contingency Costs	$ 200,000.00
Other	$ 100,000.00
TOTAL	$2,018,393.31

PROJECT COSTS OF CITY

Capital Costs:	
Oversize Construction of Anamosa Street (1300 feet)	$ 600,000.00
Oversize right-of-way costs of Anamosa Street	$ 200,000.00
Professional Service:	$ 0
Financing Costs:	
Financing interest	$ 703,268.74
Relocation Costs	$ 0
Organizational Costs	$ 0
Other Necessary and Convenient Costs:	
Other	$ 100,000.00
TOTAL	$1,603,268.74

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
2005	$ 935,900	$0	$ 4802	$ 3,087	$ 49	$ 24,504
2006	$ 2,339,000	$0	$ 12,006	$ 7,718	$ 122	$ 61,260
2007	$ 4,328,000	$0	$ 22,217	$ 14,282	$ 226	$ 113,353
2008	$ 6,317,000	$0	$ 32,427	$ 20,846	$ 330	$ 165,446
2009	$ 8,306,000	$0	$ 42,637	$ 27,409	$ 435	$ 217,539
2010	$10,295,000	$0	$ 52,847	$ 33,973	$ 539	$ 269,632
2011	$12,284,000	$0	$ 63,058	$ 40,537	$ 643	$ 321,725
2012	$14,273,000	$0	$ 73,268	$ 47,101	$ 747	$ 373,818
2013	$16,262,000	$0	$ 83,478	$ 53,664	$ 851	$ 425,912
2014	$16,262,000	$0	$ 83,478	$ 53,664	$ 851	$ 425,912
2015	$16,262,000	$0	$ 83,478	$ 53,664	$ 851	$ 425,912
2016	$16,262,000	$0	$ 83,478	$ 53,664	$ 851	$ 425,912
2017	$16,262,000	$0	$ 83,478	$ 53,664	$ 851	$ 425,912
2018	$16,262,000	$0	$ 83,478	$ 53,664	$ 851	$ 425,912
2019	$16,262,000	$0	$ 83,478	$ 53,664	$ 851	$ 425,912
2020	$16,262,000	$0	$ 83,478	$ 53,664	$ 851	$ 425,912
2021	$16,262,000	$0	$ 83,478	$ 53,664	$ 851	$ 425,912
2022	$16,262,000	$0	$ 83,478	$ 53,664	$ 851	$ 425,912
2023	$16,262,000	$0	$ 83,478	$ 53,664	$ 851	$ 425,912
2024	$16,262,000	$0	$ 83,478	$ 53,664	$ 851	$425,912

*Pursuant to South Dakota Codified Law, an additional tax is levied for the School District's portion of the taxes. As a result, there is no financial impact on the School District.
*The Plan anticipates 30 semi-annual payments over 15 years; however, the district may run up to 20 years to insure repayment of the project costs.

5. FINANCING METHOD

The financing method to be used in the funding of this Plan is to be obtained by the applicant for his share of the costs and by the City for the City's share of the costs. The applicant and the City will be responsible for any interest payments due for their share of the costs that are not available from Tax Increment District #39. 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 #39 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. Fifty percent of the revenues received will be disbursed to the developer for project costs incurred by the developer and fifty percent will be disbursed to the City of Rapid City for project costs incurred by the City until the City's portion is repaid. At that time all increment payments will be made to the developer. 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, 2018; however, the district may run the full 20 years if necessary to insure repayment.

There are two projected amortization rate schedules listed below. The first schedule shows the $800,000 amount to be borrowed by the applicant using a 9% interest rate. The second schedule shows the $900,000 amount to be borrowed by the City using a 6% interest rate.

PROJECTED AMORTIZATION RATE

Table

No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
1	06/01/2003	800,000.00	36,000.00	0.00	836,000.00	36,000.00
2	12/01/2003	836,000.00	37,620.00	0.00	873,620.00	73,620.00
3	06/01/2004	873,620.00	39,312.90	0.00	912,932.90	112,932.90
4	12/01/2004	912,932.90	41,081.98	0.00	954,014.88	154,014.88
5	06/01/2005	954,014.88	42,930.67	0.00	990,819.55	196,945.55
6	12/01/2005	990,819.55	44,586.88	0.00	1,029,280.43	241,532.43
7	06/01/2006	1,029,280.43	46,317.62	0.00	1,060,283.05	287,850.05
8	12/01/2006	1,060,283.05	47,712.74	0.00	1,092,680.79	335,562.79
9	06/01/2007	1,092,680.79	49,170.64	0.00	1,113,513.43	384,733.42
10	12/01/2007	1,113,513.43	50,108.10	0.00	1,135,283.53	434,841.53
11	06/01/2008	1,135,283.53	51,087.76	0.00	1,145,010.29	485,929.29
12	12/01/2008	1,145,010.29	51,525.46	0.00	1,155,174.75	537,454.75
13	06/01/2009	1,155,174.75	51,982.86	2,401.14	1,152,773.61	589,437.61
14	12/01/2009	1,152,773.61	51,874.81	2,509.19	1,150,264.42	641,312.42
15	06/01/2010	1,150,264.42	51,761.90	15,646.10	1,134,618.32	693,074.32
16	12/01/2010	1,134,618.32	51,057.82	16,350.18	1,118,268.14	744,132.15
17	06/01/2011	1,118,268.14	50,322.07	30,108.93	1,088,159.21	794,454.21
18	12/01/2011	1,088,159.21	48,967.16	31,463.84	1,056,695.37	843,421.38
19	06/01/2012	1,056,695.37	47,551.29	45,902.71	1,010,792.66	890,972.67
20	12/01/2012	1,010,792.66	45,485.67	47,968.33	962,824.33	936,458.34
21	06/01/2013	962,824.33	43,327.09	63,150.91	899,673.42	979,785.43
22	12/01/2013	899,673.42	40,485.30	65,992.70	833,680.72	1,020,270.74
23	06/01/2014	833,680.72	37,515.63	68,962.37	764,718.35	1,057,786.37
24	12/01/2014	764,718.35	34,412.33	72,065.67	692,652.68	1,092,198.70
25	06/01/2015	692,652.68	31,169.37	75,308.63	617,344.05	1,123,368.07
26	12/01/2015	617,344.05	27,780.48	78,697.52	538,646.53	1,151,148.55
27	06/01/2016	538,646.53	24,239.09	82,238.91	456,407.62	1,175,387.64
28	12/01/2016	456,407.62	20,538.34	108,128.95	348,278.67	1,195,925.99
29	06/01/2017	348,278.67	15,672.54	197,283.46	150,995.21	1,211,598.53
30	12/01/2017	150,995.21	6,794.78	150,995.21	0.00	1,218,393.31
31	06/01/2018	0.00	0.00	0.00	0.00	1,218,393.31
32	12/01/2018	0.00	0.00	0.00	0.00	1,218,393.31
33	06/01/2019	0.00	0.00	0.00	0.00	1,218,393.31

Table

No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
1	06/01/2003	900,000.00	27,000.00	0.00	927,000.00	27,000.00
2	12/01/2003	927,000.00	27,810.00	0.00	954,810.00	54,810.00
3	06/01/2004	954,810.00	28,644.30	0.00	983,454.30	83,454.30
4	12/01/2004	983,454.30	29,503.63	0.00	1,012,957.93	112,957.93
5	06/01/2005	1,012,957.93	30,388.74	0.00	1,037,220.67	143,346.67
6	12/01/2005	1,037,220.67	31,116.62	0.00	1,062,211.29	174,463.29
7	06/01/2006	1,062,211.29	31,866.34	0.00	1,078,762.62	206,329.63
8	12/01/2006	1,078,762.62	32,362.88	0.00	1,095,810.49	238,692.50
9	06/01/2007	1,095,810.49	32,874.31	0.00	1,100,346.80	271,566.82
10	12/01/2007	1,100,346.80	33,010.40	0.00	1,105,019.20	304,577.22
11	06/01/2008	1,105,019.20	33,150.58	8,210.42	1,096,808.78	337,727.80
12	12/01/2008	1,096,808.78	32,904.26	8,456.74	1,088,352.04	370,632.06
13	06/01/2009	1,088,352.04	32,650.56	21,733.44	1,066,618.60	403,282.62
14	12/01/2009	1,066,618.60	31,998.56	22,385.44	1,044,233.16	435,281.18
15	06/01/2010	1,044,233.16	31,326.99	36,081.01	1,008,152.15	466,608.18
16	12/01/2010	1,008,152.15	30,244.56	37,163.44	970,988.71	496,852.74
17	06/01/2011	970,988.71	29,129.66	51,301.34	919,687.37	525,982.40
18	12/01/2011	919,687.37	27,590.62	52,840.38	866,846.99	553,573.02
19	06/01/2012	866,846.99	26,005.41	67,448.59	799,398.40	579,578.43
20	12/01/2012	799,398.40	23,981.95	69,472.05	729,926.35	603,560.38
21	06/01/2013	729,926.35	21,897.79	84,580.21	645,346.14	625,458.18
22	12/01/2013	645,346.14	19,360.38	87,117.62	558,228.52	644,818.56
23	06/01/2014	558,228.52	16,746.86	89,731.14	468,497.38	661,565.42
24	12/01/2014	468,497.38	14,054.92	92,423.08	376,074.30	675,620.34
25	06/01/2015	376,074.30	11,282.23	95,195.77	280,878.53	686,902.57
26	12/01/2015	280,878.53	8,426.36	98,051.64	182,826.89	695,328.92
27	06/01/2016	182,826.89	5,484.81	100,993.19	81,833.70	700,813.73
28	12/01/2016	81,833.70	2,455.01	81,833.70	0.00	703,268.74
29	06/01/2017	0.00	0.00	0.00	0.00	703,268.74
30	12/01/2017	0.00	0.00	0.00	0.00	703,268.74
31	06/01/2018	0.00	0.00	0.00	0.00	703,268.74
32	12/01/2018	0.00	0.00	0.00	0.00	703,268.74
33	06/01/2019	0.00	0.00	0.00	0.00	703,268.74

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EGLIN ST

CENTURY RD

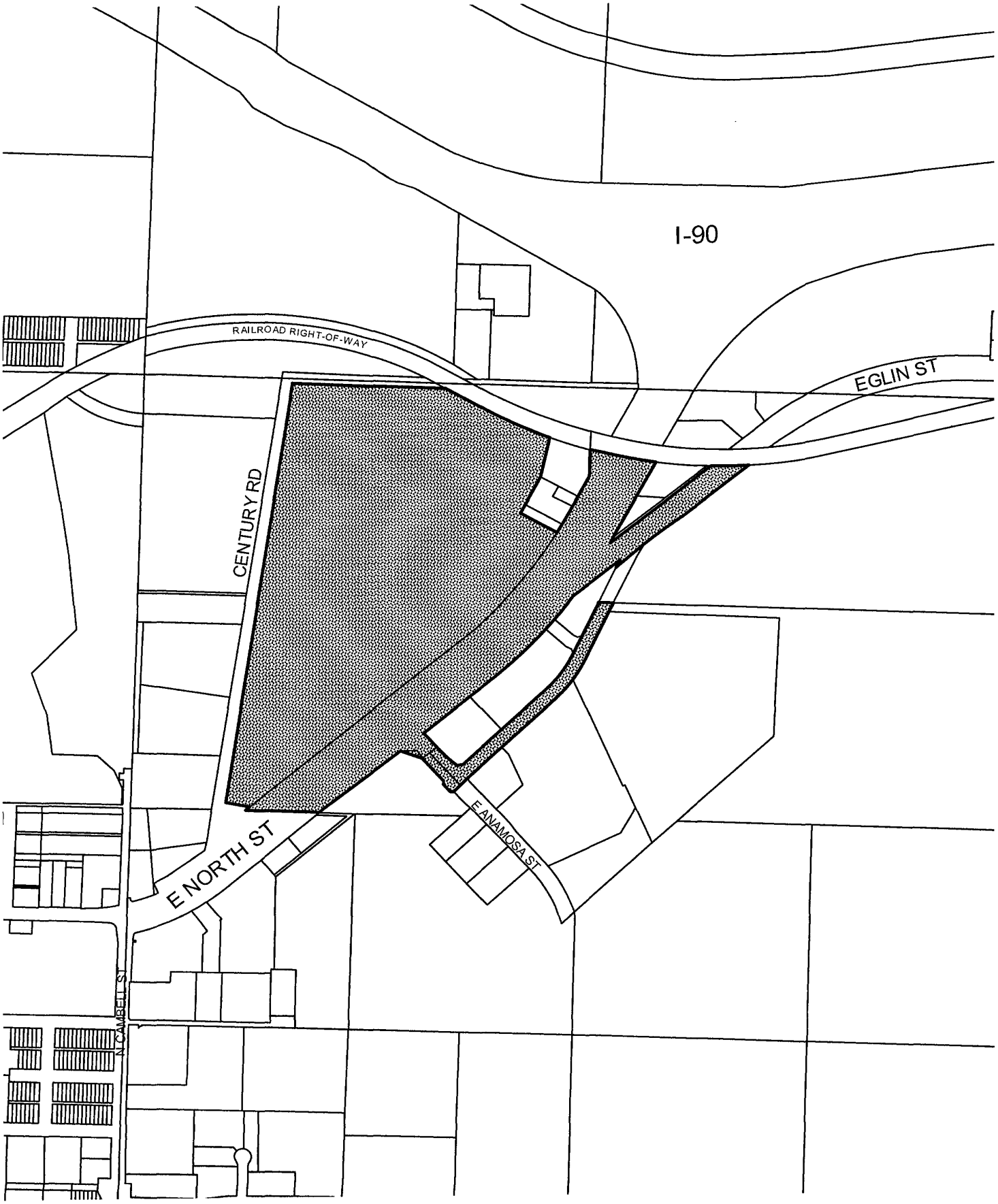
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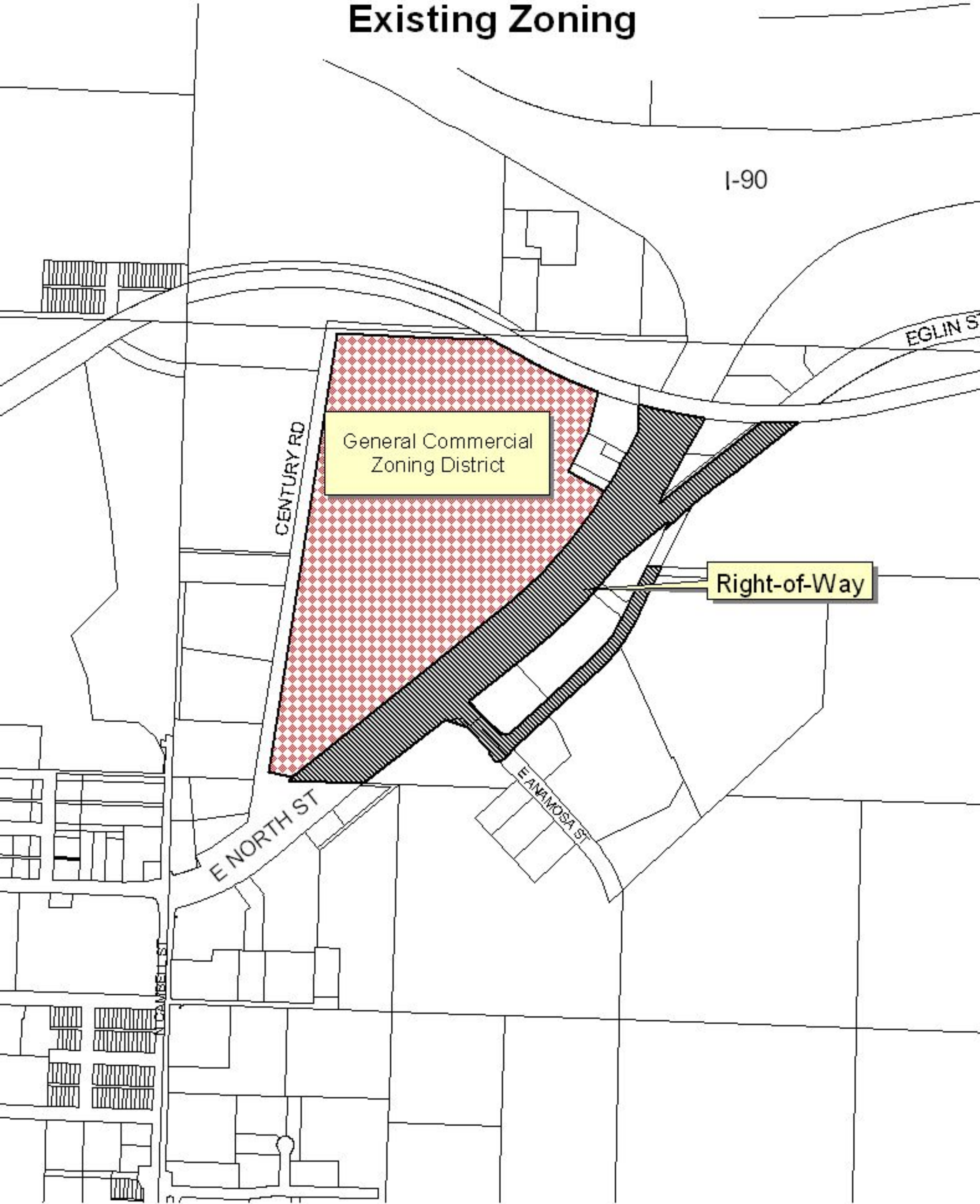
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Tax Increment District No. 39 Boundaries



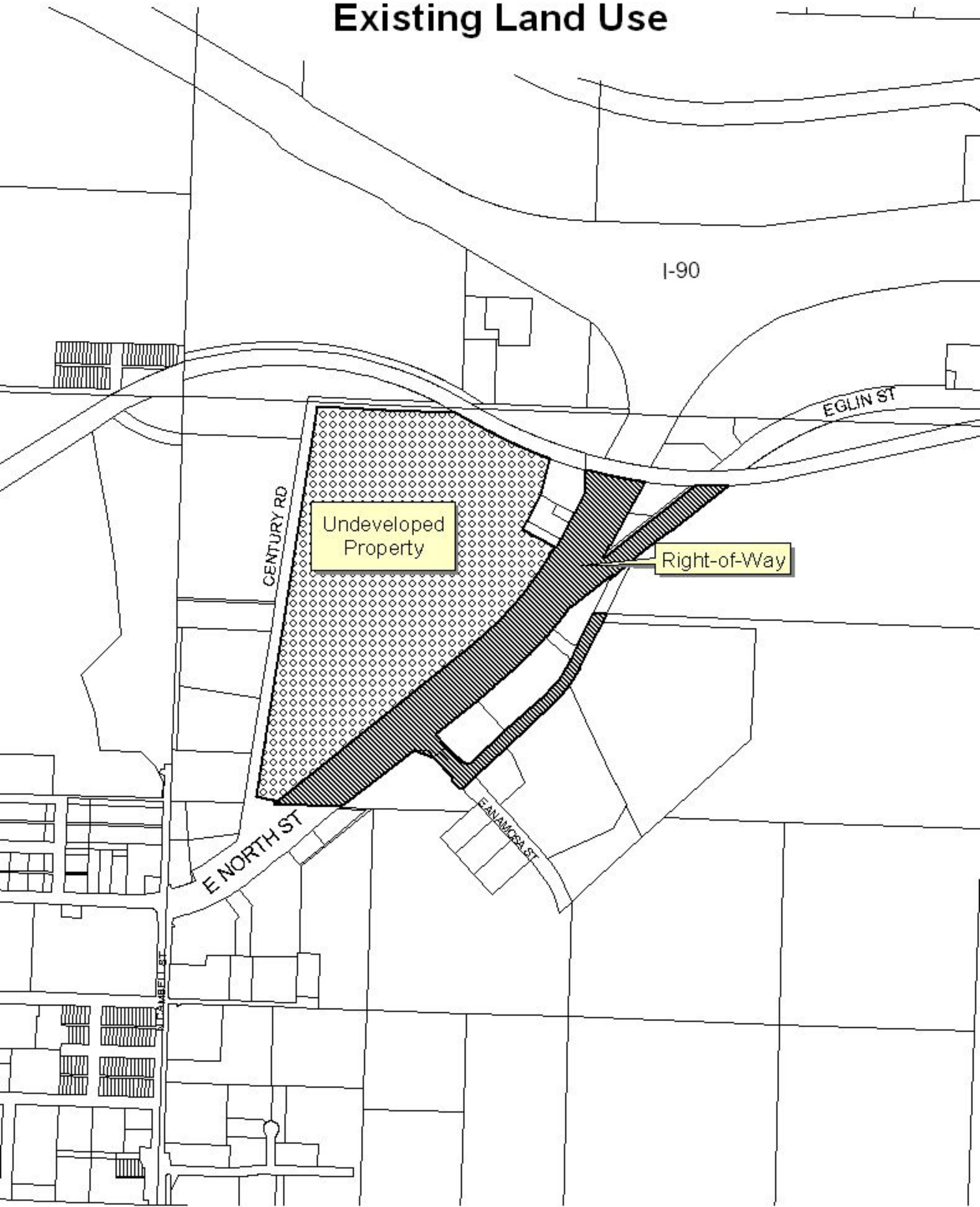
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Tax Increment District No. 39
Existing Zoning



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Tax Increment District No. 39
Existing Land Use



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Tax Increment District No. 39
Proposed Improvements

