FINAL

PROJECT PLAN

TAX INCREMENT DISTRICT #42
REVISED
FOR ELK VALE WATER/TIMMONS BOULEVARD
CITY OF RAPID CITY

Prepared by the

Rapid City Planning Department
November 2003

Revised November 2007

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 a water reservoir and water tower, located east of Elk Vale Road, south of I-90 Exit 61 and north of Twilight Drive.

The water reservoir and water tower will improve water flows for the region, which will include the new elementary school, as well as the Industrial Park. The increased water pressure will provide better fire protection. These improvements will enhance the ability of new development to occur along this north-south corridor from Interstate 90 to S.D. Highway 44 and will increase the community's economic vitality and expand the City's property tax base.

The City will finance the estimated cost of the infrastructure improvements at an estimated 6% 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. A funding source for the cost of the improvements has not been determined.

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 construction of the water reservoir and water tower.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District for Elk Vale Water/Timmons Boulevard 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 $723,760. 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

$723,760

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Estimated Assessed Value of District	$ 723,760
Anticipated Increases in Assessed Value (Year 20)	$ 43,713,600
Estimated Total Valuation (Year 20)	$ 44,437,360

Revenue Estimates from Tax Increments

The Plan anticipates 28 semi-annual payments over 14 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

Taxing Entity	Tax Levy	Percentage of Total Levy
Rapid City Area School District	10.7729	55.9%
Pennington County	5.1463	26.7%
City of Rapid City	3.3041	17.2%
West Dakota Water District	.0350	.2%
Total Mill Levy	19.2583	100%

Anticipated 2002 Owner Occupied Tax Rate: 0.0192583

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 PAYMENT	TOTALS
Nov 2003	2005	$ 2,613,600	$ 68,452	$ 68,452
Nov 2004	2006	$ 14,613,600	$ 382,738	$ 382,738
Nov 2005	2007	$ 16,613,600(NA) $ 10,400,000(OO)	$ 435,120 $ 200,286	$ 635,406
Nov 2006	2008	$ 17,313,600(NA) $ 10,400,000(OO)	$ 453,454 $ 200,286	$ 653,740
Nov. 2007	2009	$ 21,813,600(NA) $ 10,400,000(OO)	$ 571,310 $ 200,286	$ 771,596
Nov. 2008	2010	$ 22,813,600(NA) $ 10,400,000(OO)	$ 597,502 $ 200,286	$ 797,788
Nov. 2009	2011	$ 27,813,600(NA) $ 10,400,000(OO)	$ 728,454 $ 200,286	$ 928,740
Nov. 2010	2012	$ 29,813,600(NA) $ 10,400,000(OO)	$ 780,836 $ 200,286	$ 981,122
Nov. 2011	2013	$ 33,313,600(NA) $ 10,400,000(OO)	$ 872,502 $ 200,286	$1,072,788
Nov. 2012	2014	$ 33,313,600(NA) $ 10,400,000(OO)	$ 872,502 $ 200,286	$1,072,788
Nov. 2013	2015	$ 33,313,600(NA) $ 10,400,000(OO)	$ 872,502 $ 200,286	$1,072,788
Nov. 2014	2016	$ 33,313,600(NA) $ 10,400,000(OO)	$ 872,502 $ 200,286	$1,072,788
Nov. 2015	2017	$ 33,313,600(NA) $ 10,400,000(OO)	$ 872,502 $ 200,286	$1,072,788
Nov. 2016	2018	$ 33,313,600(NA) $ 10,400,000(OO)	$ 872,502 $ 200,286	$1,072,788
Nov. 2017	2019	$ 33,313,600(NA) $ 10,400,000(OO)	$ 872,502 $ 200,286	$1,072,788

Nov. 2018	2020	$ 33,313,600(NA) $ 10,400,000(OO)	$ 872,502 $ 200,286	$1,072,788
Nov. 2019	2021	$ 33,313,600(NA) $ 10,400,000(OO)	$ 872,502 $ 200,286	$1,072,788
Nov. 2020	2022	$ 33,313,600(NA) $ 10,400,000(OO)	$ 872,502 $ 200,286	$1,072,788
Nov. 2021	2023	$ 33,313,600(NA) $ 10,400,000(OO)	$ 872,502 $ 200,286	$1,072,788
Nov. 2022	2024	$ 33,313,600(NA) $ 10,400,000(OO)	$ 872,502 $ 200,286	$1,072,788

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/30/24:
$ 18,093,038

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 $4,750,000 for the Project Plan include funding the water reservoir at $2,250,000 and the water tower at $2,500,000 anticipated to be funded in December 2007.

Financing Costs – The financing costs for this Project Plan are estimated to be $3,157,916.36. The anticipated interest rate used for these projections is 6%. If lower interest rates are 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 of $475,000 for engineering have been included in the 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 – Contingency costs of $475,000 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 December 15, 2008, for its administrative costs in the amount of $2050. However, in no case shall the City be reimbursed less than $1 on December 15, 2008.

ESTIMATED PROJECT COSTS TO BE PAID BY THE TAX INCREMENT DISTRICT

Capital Costs:	
Water Reservoir	$2,250,000.00
Water Tower	$2,500,000.00
Professional Service:	
Engineering Costs for Water Reservoir	$ 225,000.00
Engineering Costs for Water Tower	$ 250,000.00
Financing Costs:	
Financing interest	$3,157,916.36
Relocation Costs	$ 0
Organizational Costs	$ 0
Other Necessary and Convenient Costs:	
Contingency Costs for Water Reservoir	$ 225,000.00
Contingency Costs for Water Tower	$ 225,000.00
Other	$ 25,000.00
TOTAL	$8,857,916.36
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 fund available to the City Finance Officer on December 15, 2008.

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	$ 2,613,600	$0	$0	$0	$0	$0
2006	$14,613,600	$0	$0	$0	$0	$0
2007**	$27,013,600	$0	$ 84,826	$ 54,645	$ 635	$ 317,703
2008	$27,713,600	$0	$174,548	$112,443	$1,307	$ 653,740
2009	$32,213,600	$0	$206,016	$132,715	$1,543	$ 771,596
2010	$33,213,600	$0	$213,009	$137,220	$1,595	$ 797,788
2011	$38,213,600	$0	$247,973	$159,743	$1,857	$ 928,740
2012	$40,213,600	$0	$261,959	$168,753	$1,962	$ 981,122
2013	$43,713,600	$0	$286,434	$184,520	$2,145	$1,072,788
2014	$43,713,600	$0	$286,434	$184,520	$2,145	$1,072,788
2015	$43,713,600	$0	$286,434	$184,520	$2,145	$1,072,788
2016	$43,713,600	$0	$286,434	$184,520	$2,145	$1,072,788
2017	$43,713,600	$0	$286,434	$184,520	$2,145	$1,072,788
2018	$43,713,600	$0	$286,434	$184,520	$2,145	$1,072,788
2019	$43,713,600	$0	$286,434	$184,520	$2,145	$1,072,788
2020	$43,713,600	$0	$286,434	$184,520	$2,145	$1,072,788
2021	$43,713,600	$0	$286,434	$184,520	$2,145	$1,072,788
2022	$43,713,600	$0	$286,434	$184,520	$2,145	$1,072,788
2023	$43,713,600	$0	$286,434	$184,520	$2,145	$1,072,788
2024	$43,713,600	$0	$286,434	$184,520	$2,145	$1,072,788

*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 28 semi-annual payments over 14 years; however, the district may run up to 20 years to insure repayment of the project costs.
**The net impact figures for 2007 are for 6 months.

5. FINANCING METHOD

The financing method to be used in the funding of this Plan is to be obtained by the City. If the tax increment revenues exceed the anticipated loan payments, the debt will be retired early. This district overlaps County Tax Increment District #1 which is projected to be paid in full on June 1, 2007. The County district funds must be paid prior to payment on this district. Therefore, the projected amortization schedule will not begin payments until December 1, 2007.

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, 2017; 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	06/01/2003	0.00	0.00			0.00		0.00	0.00
2	12/01/2003	3,420,279.22	102,608.38	3,522,887.60	102,608.38	0.00	102,608.38	3,420,279.22	102,608.38
3	06/01/2004	3,420,279.22	102,608.38	3,522,887.60	102,608.34	0.00	102,608.38	3,420,279.22	205,216.76
4	12/01/2004	3,420,279.22	102,608.38	3,522,887.60	102,608.34	0.00	102,608.38	3,420,279.22	307,825.14
5	06/01/2005	3,420,279.22	102,608.38	3,522,887.60	102,608.34	0.00	102,608.38	3,420,279.22	410,433.52
6	12/01/2005	3,420,279.22	102,608.38	3,522,887.60	102,608.34	0.00	102,608.38	3,420,279.22	513,041.90
7	06/01/2006	3,420,279.22	102,608.38	3,522,887.60	102,608.34	0.00	102,608.38	3,420,279.22	615,650.28
8	12/01/2006	3,420,279.22	102,608.38	3,522,887.59	102,608.34	0.00	102,608.38	3,420,279.21	718,258.66
9	06/01/2007	3,420,279.21	102,608.38	3,522,887.59	102,608.34	0.00	102,608.38	3,420,279.21	820,867.04
10	12/01/2007	6,420,279.21	192,608.38	6,612,887.59	0.00	317,703.00	317,703.00	6,295,184.59	1,013,475.42
11	06/01/2008	6,295,184.59	188,855.54	6,484,040.12	0.00	326,870.00	326,870.00	6,157,170.12	1,202,330.96
12	12/01/2008	6,157,170.12	184,715.10	6,341,885.23	0.00	326,870.00	326,870.00	6,015,015.23	1,387,046.06
13	06/01/2009	6,015,015.23	180,450.46	6,195,465.68	0.00	385,798.00	385,798.00	5,809,667.68	1,567,496.52
14	12/01/2009	5,809,667.68	174,290.03	5,983,957.71	0.00	385,798.00	385,798.00	5,598,159.71	1,741,786.55
15	06/01/2010	5,598,159.71	167,944.79	5,766,104.51	0.00	398,894.00	398,894.00	5,367,210.51	1,909,731.34
16	12/01/2010	5,367,210.51	161,016.32	5,528,226.82	0.00	398,894.00	398,894.00	5,129,332.82	2,070,747.66
17	06/01/2011	5,129,332.82	153,879.98	5,283,212.81	0.00	464,370.00	464,370.00	4,818,842.81	2,224,627.64
18	12/01/2011	4,818,842.81	144,565.28	4,963,408.09	0.00	464,370.00	464,370.00	4,499,038.09	2,369,192.92
19	06/01/2012	4,499,038.09	134,971.14	4,634,009.23	0.00	490,561.00	490,561.00	4,143,448.23	2,504,164.06
20	12/01/2012	4,143,448.23	124,303.45	4,267,751.68	0.00	490,561.00	490,561.00	3,777,190.68	2,628,467.51
21	06/01/2013	3,777,190.68	113,315.72	3,890,506.40	0.00	536,394.00	536,394.00	3,354,112.40	2,741,783.23
22	12/01/2013	3,354,112.40	100,623.37	3,454,735.77	0.00	536,394.00	536,394.00	2,918,341.77	2,842,406.60
23	06/01/2014	2,918,341.77	87,550.25	3,005,892.03	0.00	536,394.00	536,394.00	2,469,498.03	2,929,956.85
24	12/01/2014	2,469,498.03	74,084.94	2,543,582.97	0.00	536,394.00	536,394.00	2,007,188.97	3,004,041.79
25	06/01/2015	2,007,188.97	60,215.67	2,067,404.64	0.00	536,394.00	536,394.00	1,531,010.64	3,064,257.46
26	12/01/2015	1,531,010.64	45,930.32	1,576,940.95	0.00	536,394.00	536,394.00	1,040,546.95	3,110,187.78
27	06/01/2016	1,040,546.95	31,216.41	1,071,763.36	0.00	536,394.00	536,394.00	535,369.36	3,141,404.19
28	12/01/2016	535,369.36	16,061.08	551,430.44	0.00	536,394.00	536,394.00	15,036.44	3,157,465.27
29	06/01/2017	15,036.44	451.09	15,487.54	0.00	15,487.54	15,487.54	0.00	3,157,916.36
30	12/01/2017	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,157,916.36

REVISED PROJECT PLAN

November 2007

The Revised Project Plan is proposed to amend the costs for the Water Reservoir, Water Tower, Professional Service Costs for the Water Tower and Water Reservoir, and Necessary and Convenient Cost line items. The Water Reservoir and Water Reservoir Professional Service costs have increased. The Water Tower, Water Tower Professional Service Costs and Necessary and Convenient costs have been reduced. The total costs will not change, so the tax increment base will not be re-established.

The Tax Increment Financing Committee met on October 24, 2007 and approved the revised Project Plan.

The proposed change would reallocate the project costs, removing $2,500,000 from Water Tower costs, $250,000 from Professional Service Costs for Engineering Costs for the Tower, Contingency Costs for the Water Reservoir and Water Tower and Other Costs under Necessary and Convenient costs line items and adding $1,500,000 to the Water Reservoir line item and $425,000 to the Engineering Costs for the Reservoir line item. In addition, the balance of the Necessary and Convenient costs will be allocated for Access Road - $400,000, Land Purchase - $50,000, Water Lines and Appurtenances - $450,000, Electrical - $150,000, and Security -$250,000.

REVISED PROJECT COSTS

Capital Costs – The capital costs of $4,750,000 included the construction of the Water Tower and Water Reservoir. The reallocation of costs will increase the Capital Cost line item for the Water Reservoir by $1,500,000 for a total cost of $3,750,000. The Water Tower line item will be reduced to zero.

Financing Costs – The financing costs for this Project Plan are dependent on the interest rate obtained. The anticipated interest rate used for this projection by the City is 6%. The financing costs will remain the same at $3,157,916.36. 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 include the amount of $225,000 for Engineering Cost for the Reservoir and $250,000 for Engineering Costs for the Tower. The reallocation of this line item will increase the Engineering Cost for the Reservoir by $425,000 for a total cost of $650,000 and reduce the Engineering Cost for the Tower to zero.

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

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

Necessary and Convenient Costs – Necessary and convenient costs of $225,000 for Contingency Costs for the Reservoir and $225,000 Contingency Costs for the Tower and $25,000 in Other Costs were included in the Project Plan. The reallocation of this line item will reduce these amounts to zero. Additional Necessary and Convenient Costs are allocated for $400,000 - Access Road, $50,000 - Land Purchase, $450,000 - Water Lines and Appurtenances, $150,000 - Electrical, and $250,000 - Security.

Imputed Administrative Costs – All Tax Increment District actions require municipal staff time to prepare and enact. The City shall be reimbursed on December 15, 2008, for its administrative costs in the amount of $2,050. However, in no case shall the City be reimbursed less than $1 on December 15, 2008.

ESTIMATED PROJECT COSTS TO BE PAID BY THE TAX INCREMENT DISTRICT

Capital Costs:	
Water Reservoir	$3,750,000.00
Water Tower	$ 0
Professional Service:	
Engineering Costs for Water Reservoir	$ 650,000.00
Engineering Costs for Water Tower	$ 0
Financing Costs:	
Financing interest	$3,157,916.36
Relocation Costs	$ 0
Organizational Costs	$ 0
Other Necessary and Convenient Costs:	
Contingency Costs for Water Reservoir	$ 0
Contingency Costs for Water Tower	$ 0
Other	$ 0
Access Road	$ 400,000.00
Land Purchase	$ 50,000.00
Water Lines and Appurtenances	$ 450,000.00
Electrical	$ 150,000.00
Security	$ 250,000.00
TOTAL	$8,857,916.36
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 fund available to the City Finance Officer on December 15, 2008.

FINANCING METHOD

The financing method to be used in the funding of this Plan is to be obtained by the City from the .16 Utility Fund and Water Enterprise fund. If the tax increment revenues exceed the anticipated loan payments, the debt will be retired early.

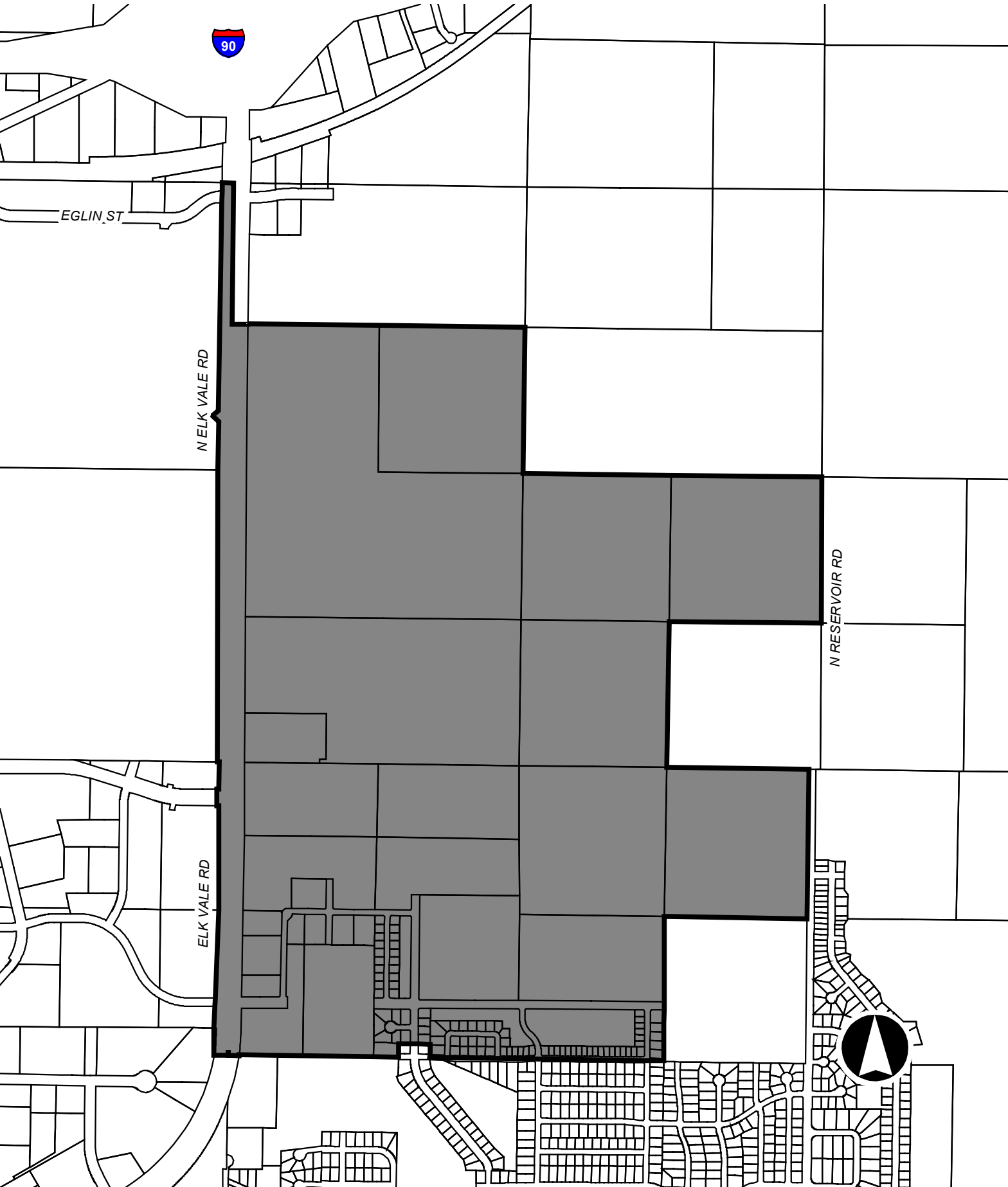
The debt on the Tax Increment District Project Costs covered in the Plan will be retired by deposits made in the Tax Increment District as taxes are paid on the property in succeeding years. The City of Rapid City Finance Officer will make the disbursements

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, 2017; however, the district may run the full 20 years if necessary to ensure repayment.

Tax Increment District No. 42 - Elk Vale Water / Timmons Blvd.

Vicinity Map

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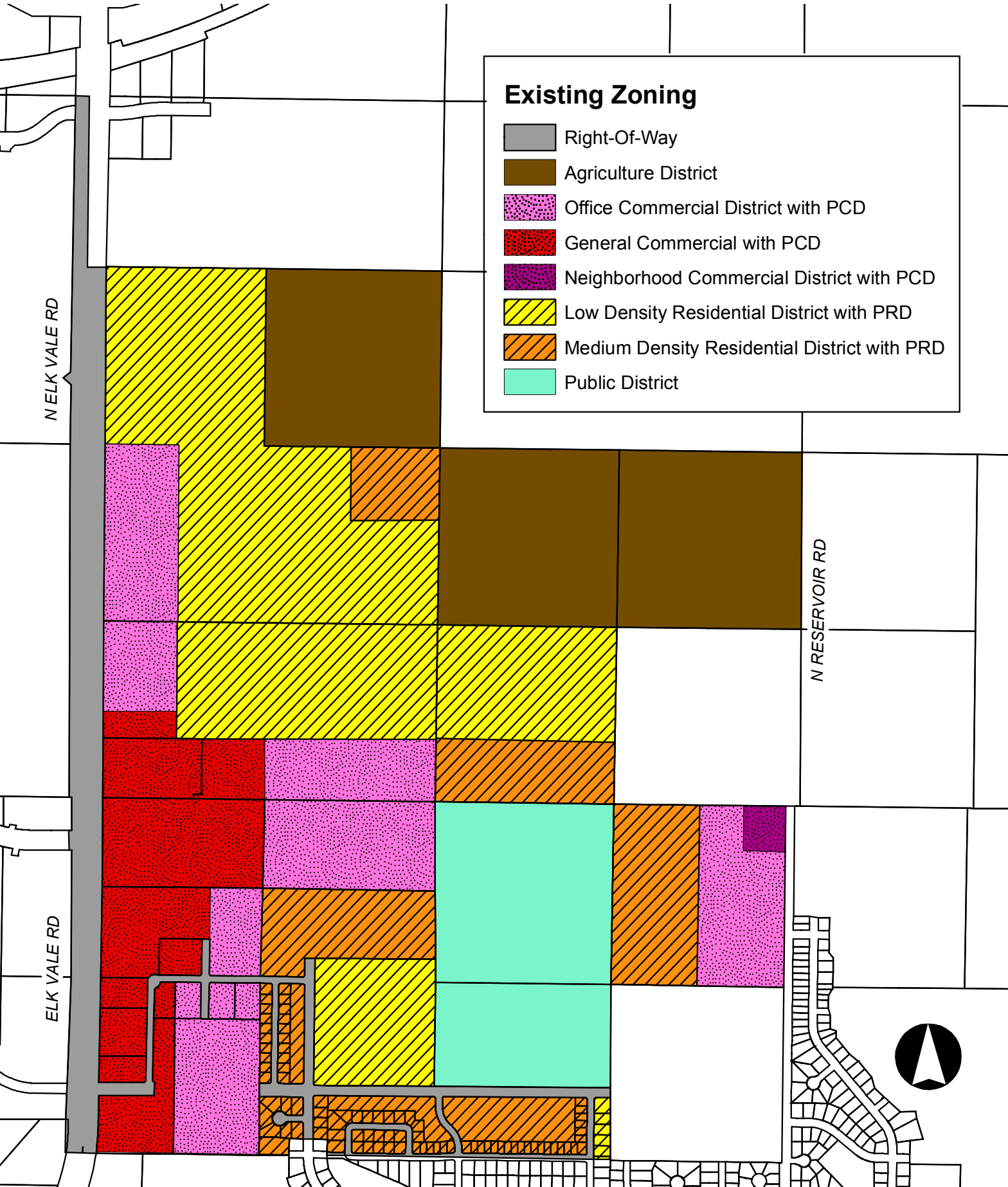
Tax Increment District No. 42 - Elk Vale Water / Timmons Blvd.
Aerial Map

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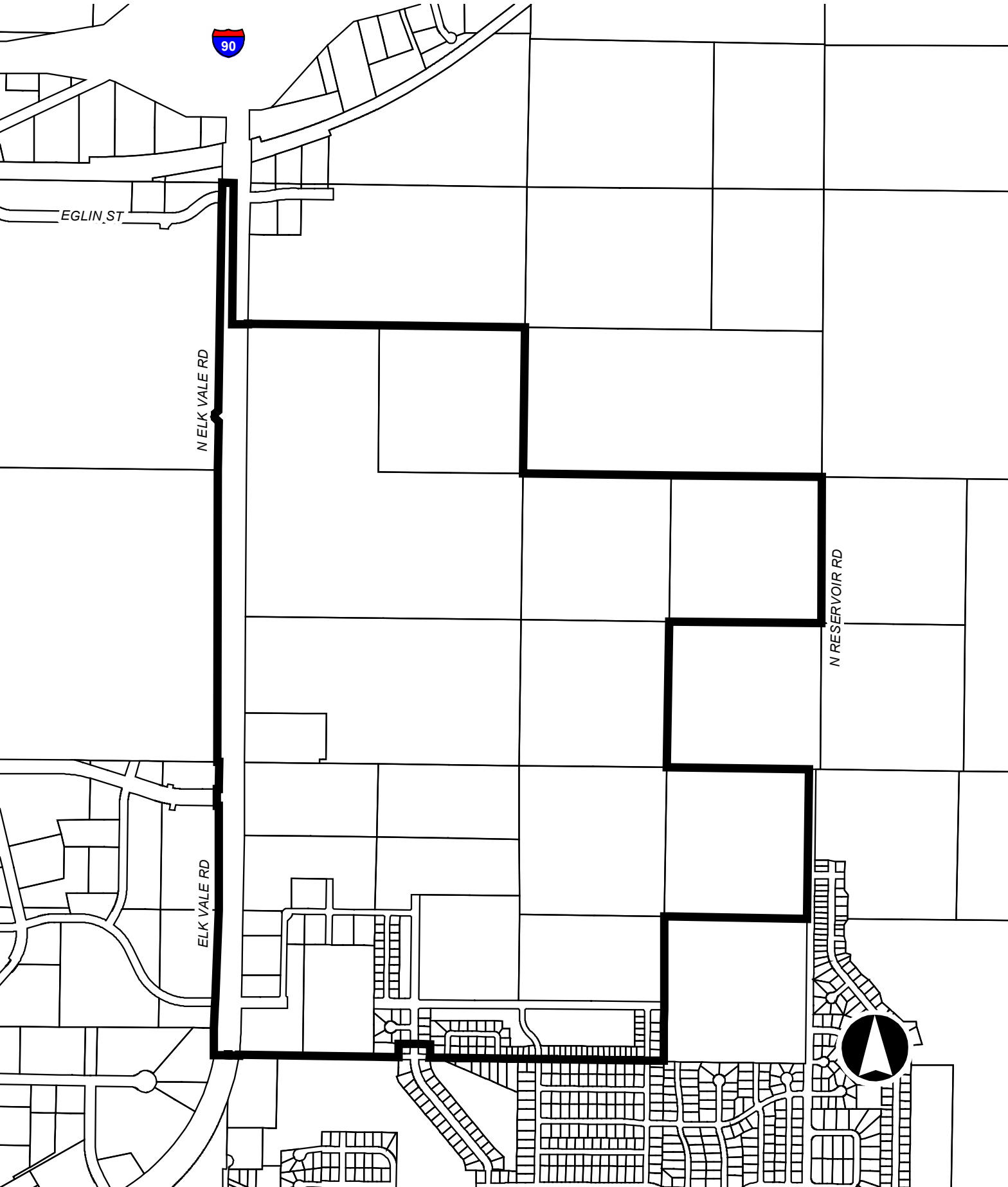
Tax Increment District No. 42 - Elk Vale Water / Timmons Blvd.
Existing Zoning

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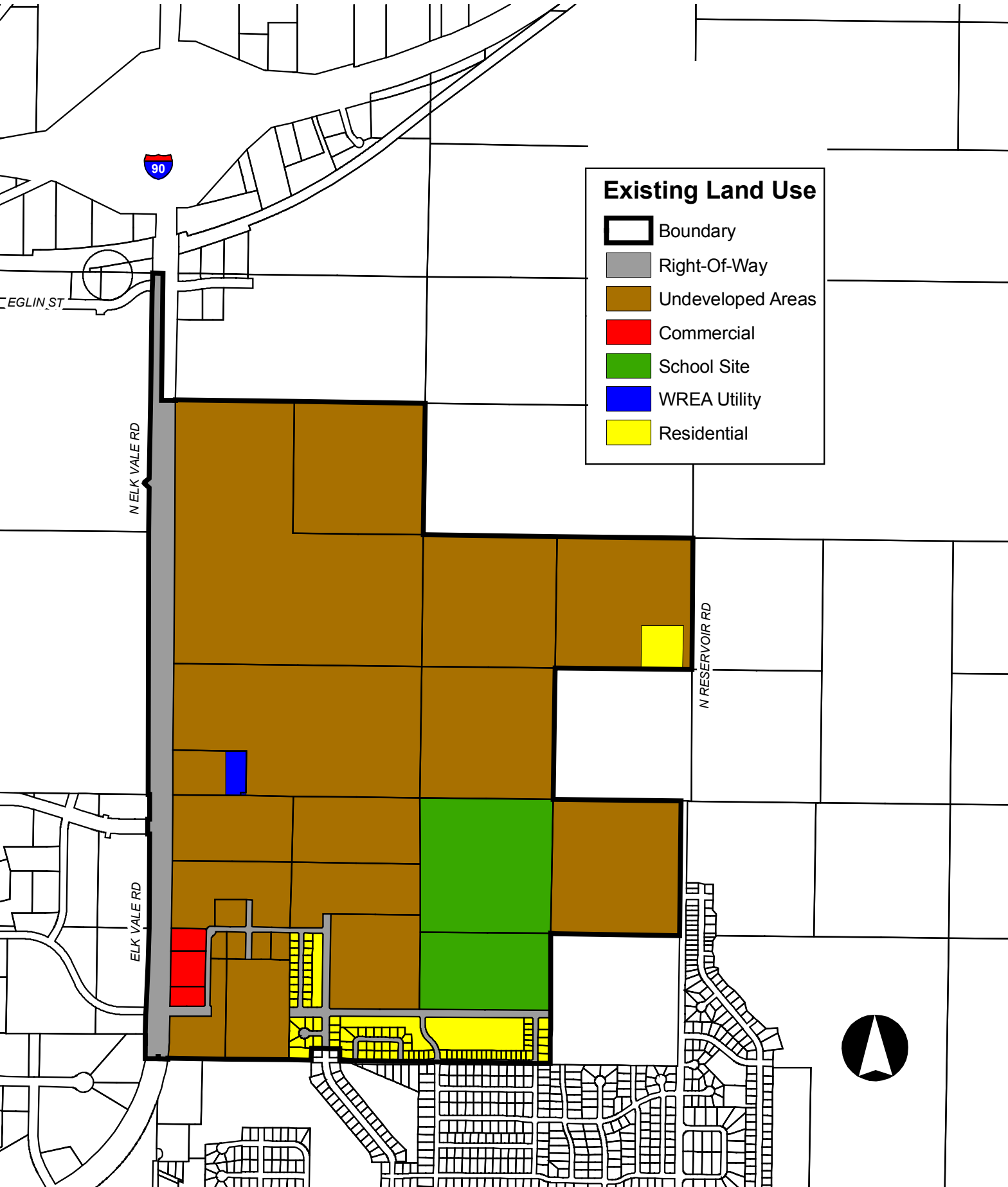
Tax Increment District No. 42 - Elk Vale Water / Timmons Blvd.
Boundary Map

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Tax Increment District No. 42 - Elk Vale Water / Timmons Blvd.
Existing Land Use

FINAL



Tax Increment District No. 42 - Elk Vale Water / Timmons Blvd.
Public Improvements

FINAL

