FINAL

PROJECT PLAN

TAX INCREMENT DISTRICT FOR MALL DRIVE
CITY OF RAPID CITY

Prepared by the

Rapid City Planning Department
April 2004

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.

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 fund the development of Mall Drive from Dyess Avenue to the Visitors Information Center on North Elk Vale Drive including sanitary sewer extension, water improvements and drainage improvements. The estimated cost of the improvements is $3,551,000.

The street, sewer, water and drainage improvements will enhance the ability of new development to occur along this east-west corridor north of Interstate 90 from Dyess Avenue to North Elk Vale Road and will increase the community's economic vitality and expand the City's property tax base.

The applicant will finance the estimated cost of the infrastructure improvements at an estimated 9% 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 Mall Drive, sanitary sewer extension and drainage improvements.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation – Tax Increment District Number Forty Four 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 $3,832,100. 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 #44

$3,832,100

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Estimated Assessed Value of District	$ 3,832,100
Estimated Assessed Value of project (year 20)	$ 85,215,856
Other Anticipated Increases in Assessed Value	$ 0
Estimated Increase in Assessed Value of Land*	$ 0
Estimated Total Valuation (year 20)	$ 89,047,956

*For purposes of this Tax Increment District, the increase in land value is not included in these estimates. Any additional value will pay off the loan earlier than anticipated.

Revenue Estimates from Tax Increments

The Plan anticipates 27 semi-annual payments over 14 years; however, because of the uncertainty associated with the development, the plan identifies a 20 year payback schedule. The potential negative short-term impact on the various taxing entities will be offset by the increase in the tax base in future years.

2003 Tax Levies and Percentage of Total Levy

Taxing Entity	Tax Levy	Percentage of Total Levy
Rapid City Area School District	16.9185	67.7%
Pennington County	4.9092	19.6%
City of Rapid City	3.1493	12.6%
West Dakota Water District	.0331	.1%
Total Mill Levy	25.0101	100%

Anticipated 2003 Non Agriculture Tax Rate: 0.0250101

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. 2004	2006	$ 8,700,000	$ 217,588
Nov 2005	2007	$ 10,700,000	$ 267,608
Nov 2006	2008	$ 20,258,600	$ 510,206
Nov 2007	2009	$ 22,440,000	$ 561,226
Nov 2008	2010	$ 24,684,000	$ 617,348
Nov 2009	2011	$ 27,152,400	$ 679,084
Nov.	2012	$ 29,867,640	$ 746,992

2010 Nov. 2011	2013	$ 32,854,404	$ 821,692
Nov. 2012	2014	$ 36,139,844	$ 903,860
Nov. 2013	2015	$ 39,753,828	$ 994,246
Nov. 2014	2016	$ 43,729,210	$ 1,093,672
Nov. 2015	2017	$ 48,102,131	$ 1,203,038
Nov. 2016	2018	$ 52,912,344	$ 1,323,342
Nov. 2017	2019	$ 58,203,578	$ 1,455,676
Nov. 2018	2020	$ 64,023,935	$ 1,601,244
Nov. 2019	2021	$ 70,426,328	$ 1,761,370
Nov. 2020	2022	$ 77,468,960	$ 1,937,506
Nov. 2021	2023	$ 85,215,856	$ 2,131,256
Nov. 2022	2024	$ 93,737,442	$ 2,344,382
Nov. 2023	2025	$103,111,186	$ 2,578,820

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/22:
$ 23,750,156

NOTE: Tax increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2003 mill levy.

3. PROJECT COSTS

Capital Costs – The capital costs of $2,260,000 included in the Project Plan is the construction of Mall Drive, sewer extensions, and drainage improvements.

Financing Costs – The financing costs for this Project Plan are dependent on the interest rate obtained. The anticipated interest rate used for these projections is 9%. It is estimated that the financing costs will total $4,271,706.77. 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 for engineering expenses in the amount of $226,000 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.

Contingency Costs – Contingency costs in the amount of $565,000 have been included in the Project Plan.

Necessary and Convenient Payments – Other necessary and convenient costs in the amount of $500,000 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 May 1, 2009, for its administrative costs in the amount of $2050. However, in no case shall the City be reimbursed less than $1 on May 1, 2009.

ESTIMATED PROJECT COSTS TO BE PAID BY THE TAX INCREMENT DISTRICT

Capital Costs:	
Mall Drive Extension	$1,081,500.00
Drainage Improvements	$ 500,000.00
Sanitary Sewer Extension	$ 420,000.00
Oversize Sewer Extension	$ 158,500.00
Water Improvements	$ 100,000.00
Professional Service and Engineering Design:	
Mall Drive, Sewer Extension, Drainage Improvements	$ 226,000.00
Financing Costs:	
Financing interest	$4,271,706.77
Professional Fees	$ 0
Contingency Costs:	$ 565,000.00
Relocation Costs:	$ 0
Organizational Costs:	$ 0
Necessary and Convenient Costs:	
Contingency	$ 500,000.00
TOTAL	$7,822,706.77
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 #44 fund available to the City Finance Officer on May 1, 2009.

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	Valuation	Schools	County	City	Water	Tax
Paid	Increase					Increment
2006	$ 8,700,000	$ 147,307	$ 42,647	$ 27,416	$ 217	$ 217,588
2007	$10,700,000	$ 181,170	$ 52,451	$ 33,718	$ 267	$ 267,608
2008	$20,400,000	$ 345,409	$100,000	$ 64,285	$ 510	$ 510,206
2009	$22,440,000	$ 379,950	$110,000	$ 70,714	$ 561	$ 561,226
2010	$24,684,000	$ 417,944	$121,000	$ 77,785	$ 617	$ 617,348
2011	$27,152,400	$ 459,739	$133,100	$ 85,564	$ 679	$ 679,084
2012	$29,867,640	$ 505,713	$146,410	$ 94,120	$ 746	$ 746,992
2013	$32,854,404	$ 556,285	$161,051	$103,533	$ 821	$ 821,692
2014	$36,139,844	$ 611,913	$177,156	$113,886	$ 903	$ 903,860
2015	$39,753,828	$ 673,104	$194,872	$125,275	$ 994	$ 994,246
2016	$43,729,210	$ 740,429	$214,363	$137,805	$ 1,093	$1093,692
2017	$48,102,131	$ 814,456	$235,795	$151,582	$ 1,203	$1203,038
2018	$52,912,344	$ 895,902	$259,375	$166,741	$ 1,323	$1323,342
2019	$58,203,578	$ 985,492	$285,312	$183,415	$ 1,455	$1455,676
2020	$64,023,935	$1084042	$313,843	$201,756	$ 1,601	$1601,244
2021	$70,426,328	$1192447	$345,228	$221,932	$ 1,761	$1761,370
2022	$77,468,960	$1311691	$379,751	$244,125	$ 1,937	$1937,506
2023	$85,215,856	$1442860	$417,726	$268,538	$ 2,131	$2131,256
2024	$93,737,442	$1587146	$459,498	$295,392	$ 2,344	$2344,382
2025	$103111186	$1745861	$505,448	$324,931	$ 2,578	$2578,820

*The Plan anticipates 27 semi-annual payments over 14 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. 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 insure repayment.

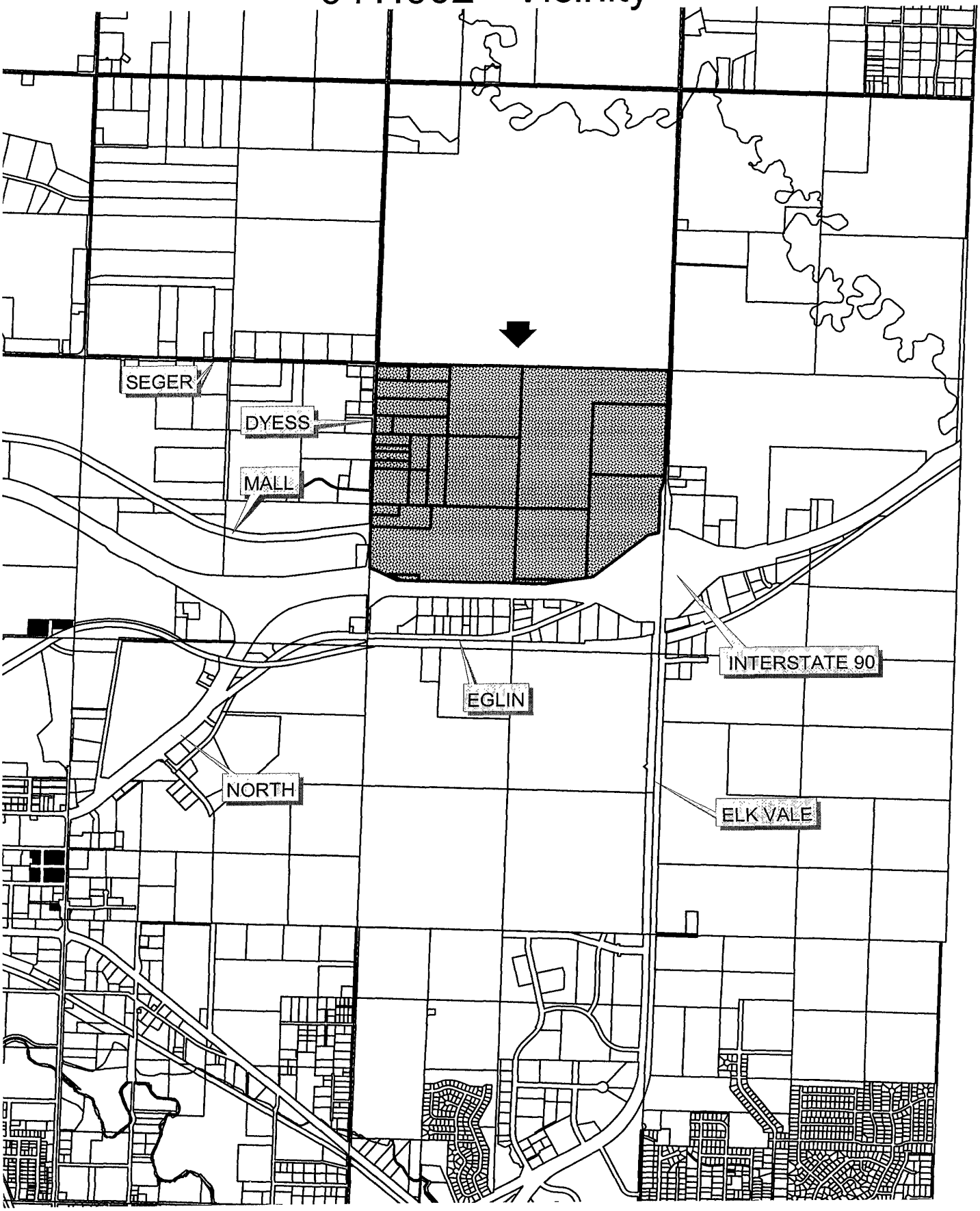
PROJECTED AMORTIZATION RATE

TABLE

No.	Payment Date	Beginning Balance	Interest	Total Due	Capital Int Payment	Tax Inc Payment	Total Pay	Loan Balance	Cumulative Interest
1	12/01/2003	0.00	0.00			0.00		0.00	0.00
2	06/01/2004	4,533,288.00	203,997.96	4,737,285.96	203,997.96	0.00	203,997.96	4,533,288.00	203,997.96
3	12/01/2004	4,533,288.00	203,997.96	4,737,285.96	203,997.96	0.00	203,997.96	4,533,288.00	407,995.92
4	06/01/2005	4,533,288.00	203,997.96	4,737,285.96	203,997.96	0.00	203,997.96	4,533,288.00	611,993.88
5	12/01/2005	4,533,288.00	203,997.96	4,737,285.96	203,997.96	0.00	203,997.96	4,533,288.00	815,991.84
6	06/01/2006	4,533,288.00	203,997.96	4,737,285.96	95,203.96	108,794.00	203,997.96	4,533,288.00	1,019,989.80
7	12/01/2006	4,533,288.00	203,997.96	4,737,285.96	95,203.96	108,794.00	203,997.96	4,533,288.00	1,223,987.76
8	06/01/2007	4,533,288.00	203,997.96	4,737,285.96	70,193.96	133,804.00	203,997.96	4,533,288.00	1,427,985.72
9	12/01/2007	4,533,288.00	203,997.96	4,737,285.96	70,193.96	133,804.00	203,997.96	4,533,288.00	1,631,983.68
10	06/01/2008	4,533,288.00	203,997.96	4,737,285.96	0.00	255,103.00	255,103.00	4,482,182.96	1,835,981.64
11	12/01/2008	4,482,182.96	201,698.23	4,683,881.19	0.00	255,103.00	255,103.00	4,428,778.19	2,037,679.87
12	06/01/2009	4,428,778.19	199,295.02	4,628,073.21	0.00	280,613.00	280,613.00	4,347,460.21	2,236,974.89
13	12/01/2009	4,347,460.21	195,635.71	4,543,095.92	0.00	280,613.00	280,613.00	4,262,482.92	2,432,610.60
14	06/01/2010	4,262,482.92	191,811.73	4,454,294.65	0.00	308,674.00	308,674.00	4,145,620.65	2,624,422.33
15	12/01/2010	4,145,620.65	186,552.93	4,332,173.58	0.00	308,674.00	308,674.00	4,023,499.58	2,810,975.26
16	06/01/2011	4,023,499.58	181,057.48	4,204,557.06	0.00	339,542.00	339,542.00	3,865,015.06	2,992,032.74
17	12/01/2011	3,865,015.06	173,925.68	4,038,940.74	0.00	339,542.00	339,542.00	3,699,398.74	3,165,958.42
18	06/01/2012	3,699,398.74	166,472.94	3,865,871.68	0.00	373,496.00	373,496.00	3,492,375.68	3,332,431.36
19	12/01/2012	3,492,375.68	157,156.91	3,649,532.59	0.00	373,496.00	373,496.00	3,276,036.59	3,489,588.27
20	06/01/2013	3,276,036.59	147,421.65	3,423,458.24	0.00	410,846.00	410,846.00	3,012,612.24	3,637,009.92
21	12/01/2013	3,012,612.24	135,567.55	3,148,179.79	0.00	410,846.00	410,846.00	2,737,333.79	3,772,577.47
22	06/01/2014	2,737,333.79	123,180.02	2,860,513.81	0.00	451,930.00	451,930.00	2,408,583.81	3,895,757.49
23	12/01/2014	2,408,583.81	108,386.27	2,516,970.08	0.00	451,930.00	451,930.00	2,065,040.08	4,004,143.76
24	06/01/2015	2,065,040.08	92,926.80	2,157,966.88	0.00	497,123.00	497,123.00	1,660,843.88	4,097,070.56
25	12/01/2015	1,660,843.88	74,737.97	1,735,581.86	0.00	497,123.00	497,123.00	1,238,458.86	4,171,808.54
26	06/01/2016	1,238,458.86	55,730.65	1,294,189.51	0.00	546,836.00	546,836.00	747,353.51	4,227,539.19
27	12/01/2016	747,353.51	33,630.91	780,984.41	0.00	546,836.00	546,836.00	234,148.41	4,261,170.09
28	06/01/2017	234,148.41	10,536.68	244,685.09	0.00	244,685.09	244,685.09	0.00	4,271,706.77
29	12/01/2017	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,271,706.77
30	06/01/2018	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,271,706.77
31	12/01/2018	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,271,706.77
32	06/01/2019	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,271,706.77
33	12/01/2019	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,271,706.77

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04TI002 - Vicinity

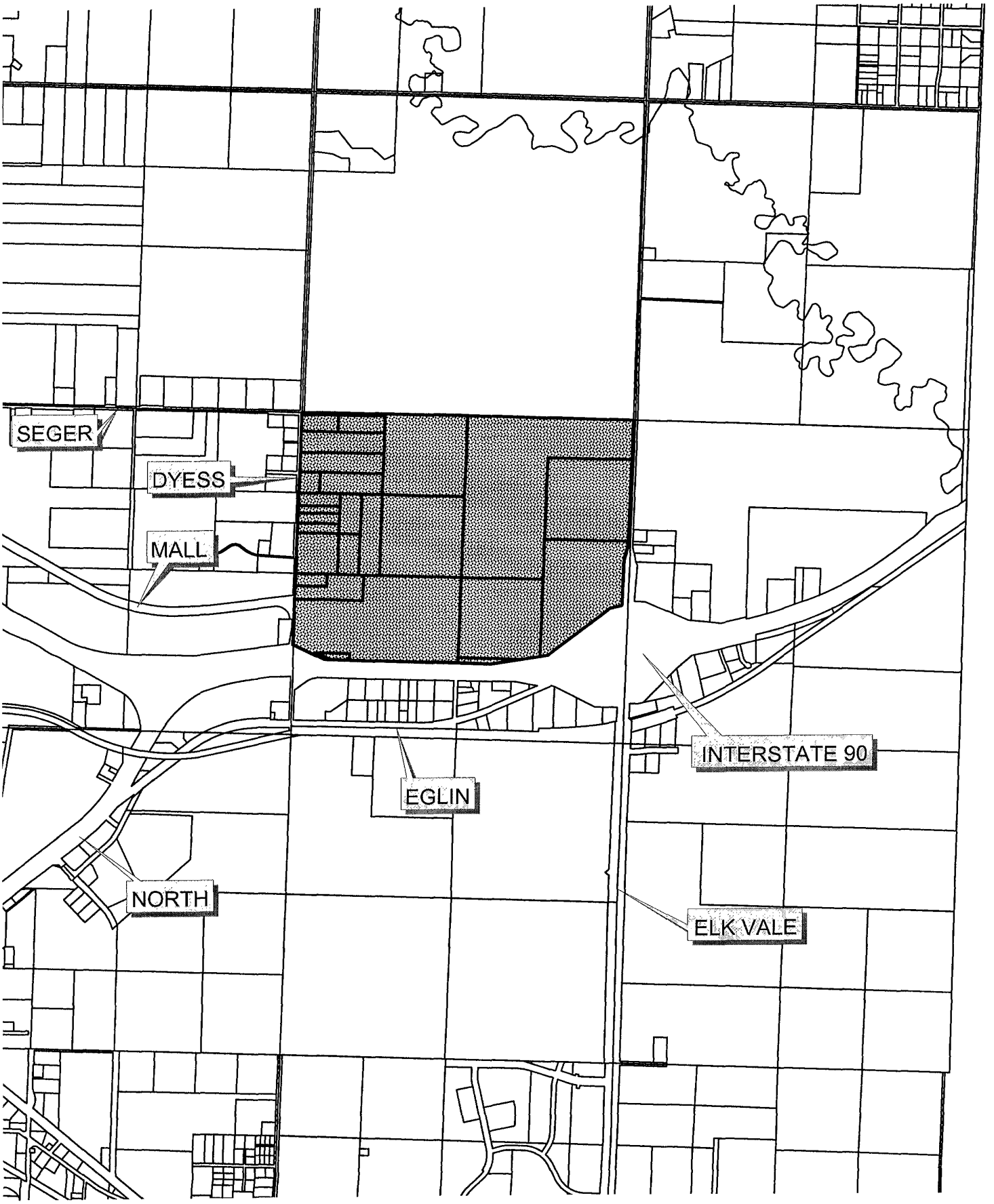


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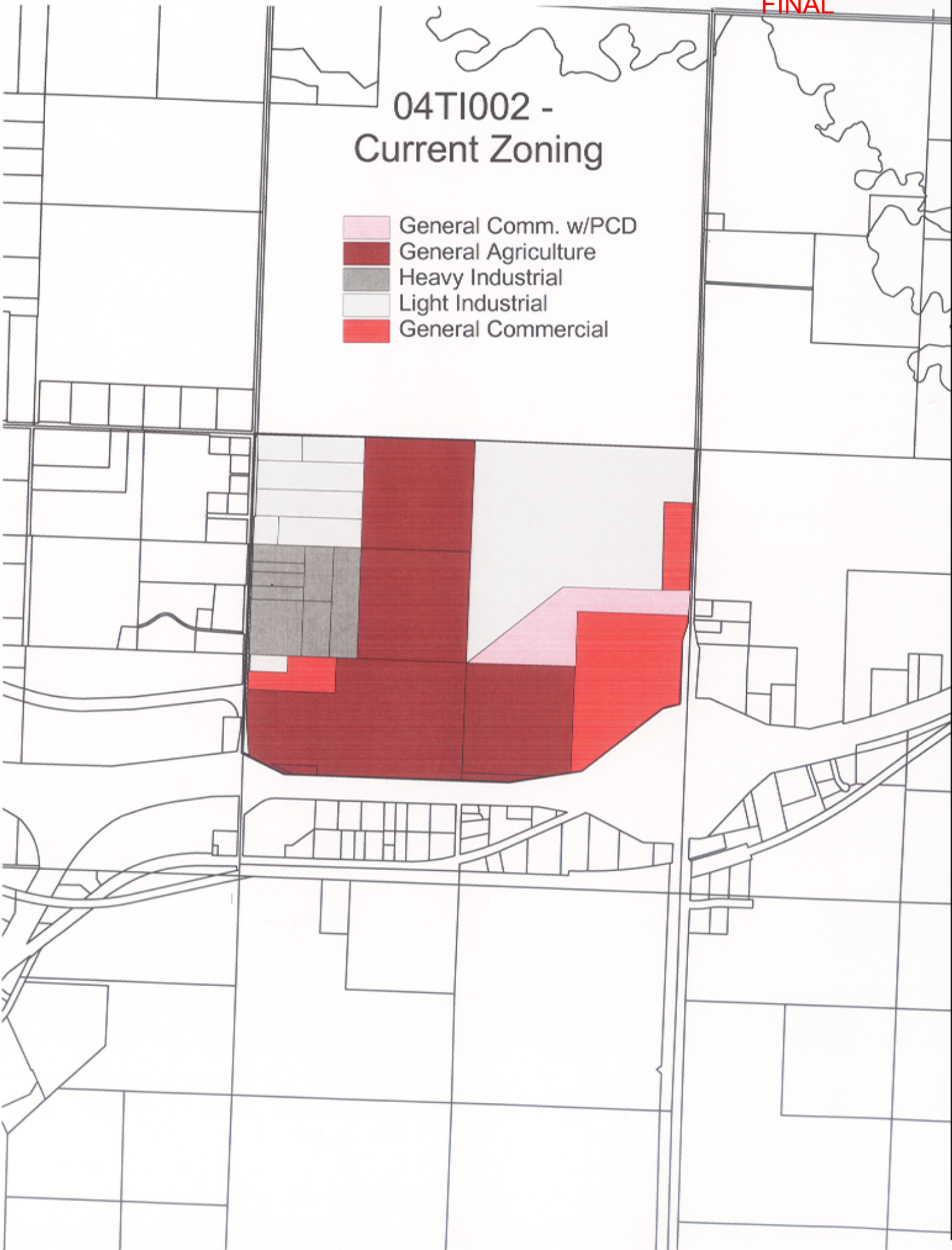
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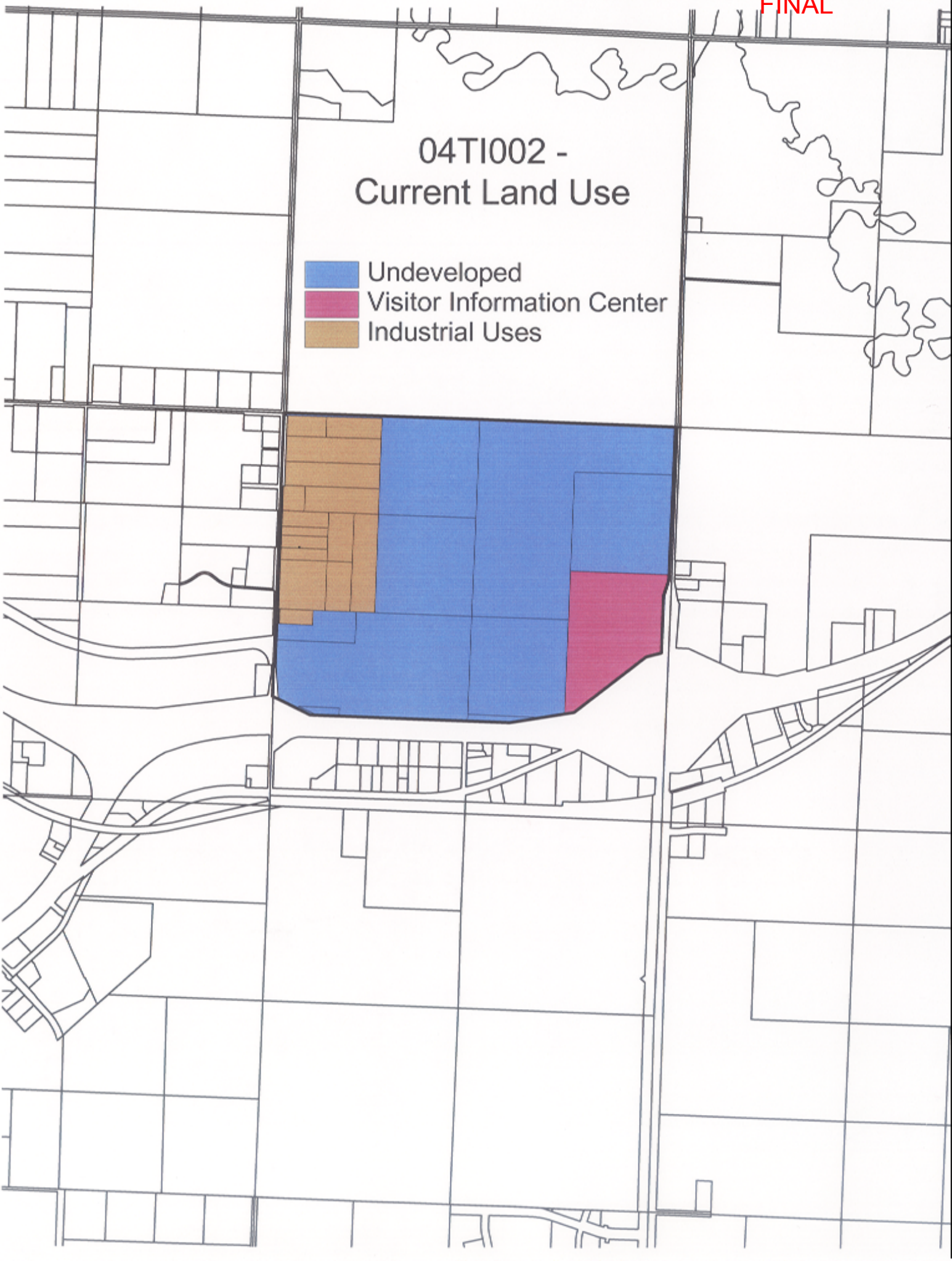
04TI002 - Boundary



FINAL


04TI002 -
Current Zoning
General Comm. w/PCD
General Agriculture
Heavy Industrial
Light Industrial
General Commercial

FINAL


04TI002 -
Current Land Use
Undeveloped
Visitor Information Center
Industrial Uses

FINAL

04TI0021
Proposed Improvements

