

PROJECT PLAN

TAX INCREMENT DISTRICT #71
SOUTH ROBBINSDALE

Prepared by the
Rapid City Growth Management Department
March 2011

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 is anticipated that one or more of the properties in this proposed Tax Increment District will be used for commercial purposes. Within the proposed District, 50% of the properties are zoned General Commercial District or Office Commercial District. The creation of this Tax Increment District for economic development purposes will not require an additional levy to make up for the School District's share of the property taxes included in the Tax Increment.

This financing method is invaluable for encouraging growth and development of blighted properties with special re-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 commercial property located west of Fifth Street and north of Catron Boulevard through the construction of public infrastructure improvements. The Tax Increment Funds would be utilized for Fifth Street improvements and turn lanes, Catron Boulevard turn lanes, Stumer Road and Black Hills Boulevard turn lanes and road extensions, traffic signals, engineering, contingency, and necessary and convenient costs. The proposed boundaries are located east of U.S. Highway 16, west of S.D. Highway 79 and north and south of Catron Boulevard. The estimated project cost of the improvements is \$1,495,056.

The Tax Increment Financing Committee met on February 1, 2011 to review this proposed Project Plan for the South Robbinsdale Tax Increment District and recommended approval of the Project Plan. The Developer will obtain financing for the Tax Increment District.

The development of the public improvements will enhance the ability for new development to occur in this area increasing the community's economic vitality and expanding the City's property tax base.

The City Finance Officer will review and analyze the proposed financing terms and forward a recommendation for approval or disapproval to the City Council along with the Developers Agreement or proposal for refinancing. For purposes of development of the project plan, all interest expenses shall be calculated utilizing a fixed rate not to exceed 9 percent annual interest as directed by the adopted Tax Increment Financing Guidelines. This interest amount shall be included in the project plan and at no time during the term of the project shall the actual interest expense exceed the amount budgeted in the project plan. An Imputed Administrative Fee in the amount of \$20,000 shall be charged by the City of Rapid City to every Tax Increment District for which a Project Plan is approved. Such fee shall be paid to the City as a project cost from the tax increment fund balance in year five of the Tax Increment District. All project expenditures must be completed within five years of the creation of the district. 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.

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 \$1,223,056 in capital costs associated with funding Fifth Street boulevard and turn lane, Catron Boulevard turn lanes, Stumer Road and Black Hills Boulevard turn lanes and boulevard extensions, and traffic signals. In addition, the project plan includes \$150,000 in professional services.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation – South Robbinsdale Tax Increment District has been created 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 projected as \$9,389,300. In accordance with SDCL 11-9-20, the 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

\$9,389,300

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Estimated Assessed Value of District	\$	9,389,300
Estimated Assessed Value of project (year 20)	\$	38,756,000
Other Anticipated Increases in Assessed Value	\$	0
Estimated Increase in Assessed Value of Land	\$	0
Estimated Total Valuation (year 20)	\$	48,145,300

Revenue Estimates from Tax Increments

The Plan anticipates 21 semi-annual payments over 11 years. The potential negative short-term impact on the various taxing entities will be offset by the increase in the tax base in future years.

2010 Non Agriculture 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	13.837	63.8%
Pennington County	4.843	22.3%
City of Rapid City	3.002	13.8%
West Dakota Water District	0.027	0.1%
Total Mill Levy	21.709	100%

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

<u>ASSESSMT DATE</u>	<u>YEAR TAXES PAID</u>	<u>PROJECTED INCREMENT IN VALUATION</u>	<u>TOTAL TAX INCREMENT PAYMENTS</u>	<u>6 MONTH TOTAL</u>
Nov. 2010	2012	\$ 0	\$ 0	\$ 0
Nov. 2011	2013	\$ 6,000,000	\$ 130,254	\$ 65,127
Nov. 2012	2014	\$ 20,756,000	\$ 450,592	\$ 225,296
Nov. 2013	2015	\$ 23,756,000	\$ 515,719	\$ 257,859
Nov. 2014	2016	\$ 26,756,000	\$ 580,846	\$ 290,423
Nov. 2015	2017	\$ 29,756,000	\$ 645,973	\$ 322,986
Nov 2016	2018	\$ 29,756,000	\$ 645,973	\$ 322,986
Nov 2017	2019	\$ 32,756,000	\$ 711,100	\$ 355,550
Nov 2018	2020	\$ 35,756,000	\$ 776,227	\$ 388,113
Nov 2019	2021	\$ 38,756,000	\$ 841,354	\$ 420,677
Nov 2020	2022	\$ 38,756,000	\$ 841,354	\$ 420,677
Nov 2021	2023	\$ 38,756,000	\$ 841,354	\$ 420,677
Nov 2022	2024	\$ 38,756,000	\$ 841,354	\$ 420,677
Nov 2023	2025	\$ 38,756,000	\$ 841,354	\$ 420,677
Nov 2024	2026	\$ 38,756,000	\$ 841,354	\$ 420,677
Nov 2025	2027	\$ 38,756,000	\$ 841,354	\$ 420,677
Nov 2026	2028	\$ 38,756,000	\$ 841,354	\$ 420,677
Nov 2027	2029	\$ 38,756,000	\$ 841,354	\$ 420,677
Nov 2028	2030	\$ 38,756,000	\$ 841,354	\$ 420,677
Nov 2029	2031	\$ 38,756,000	\$ 841,354	\$ 420,677

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/31:

\$ 13,711,578

NOTE: Tax increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2010 mill levy.

3. PROJECT COSTS

Capital Costs – The capital costs of \$1,223,056 included in the Project Plan are Fifth Street boulevard and turn lane, Catron Boulevard turn lanes, Stumer Road and Black Hills Boulevard turn lanes and boulevard extensions, and traffic signals.

Financing Costs – The financing costs for this Project Plan are dependent on the interest rate obtained. The interest rate used for this project plan is 9.0%. It is estimated that the financing costs will total \$1,552,834.73. 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 fees in the amount of \$150,000 are anticipated in the Project Plan.

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

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

Contingency Costs – Contingency costs in the amount of \$60,000 are anticipated in the Project Plan.

Necessary and Convenient Payments – Necessary and convenient costs in the amount of \$62,000 are anticipated 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 March 15, 2016 for its administrative costs in the amount of \$20,000. However, in no case shall the City be reimbursed less than \$1 on March 15, 2016.

TOTAL ESTIMATED PROJECT COSTS TO BE PAID BY THE TAX INCREMENT DISTRICT

Total Proposed TID Project Costs:

Capital Costs:

Fifth Street Blvd & Turn Lane	\$	528,185.00
Catron Blvd Turn Lanes	\$	96,000.00
Stumer Road Turn Lanes & Blvd Extension	\$	195,000.00
Black Hills Blvd Turn Lanes & Blvd Extension	\$	37,000.00
Traffic Signals	\$	366,871.00

Professional Costs:

Engineering	\$	150,000.00
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Financing Costs:

Financing Interest	\$	1,552,834.73
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Contingency	\$	60,000.00
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Relocation Costs:	\$ 0
Organizational Costs:	\$ 0
Necessary and Convenient Costs:	<u>\$ 62,000.00</u>

Total \$ 3,047,890.73

Imputed Administrative Costs*
City of Rapid City \$ 20,000.00

*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 South Robbinsdale TID fund available to the City Finance Officer on March 15, 2016.

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	Total
Paid	Increase					
2010	0	\$0	\$ 0	\$ 0	\$ 0	\$ 0
2011	\$ 6,000,000	\$0	\$ 29,058	\$ 18,012	\$ 162	\$ 130,254
2012	\$ 20,756,000	\$0	\$100,521	\$ 62,310	\$ 560	\$ 450,592
2013	\$ 23,756,000	\$0	\$115,050	\$ 71,316	\$ 641	\$ 515,719
2014	\$ 26,756,000	\$0	\$129,579	\$ 80,322	\$ 722	\$ 580,846
2015	\$ 29,756,000	\$0	\$144,108	\$ 89,328	\$ 803	\$ 645,973
2016	\$ 29,756,000	\$0	\$144,108	\$ 89,328	\$ 803	\$ 645,973
2017	\$ 32,756,000	\$0	\$158,637	\$ 98,334	\$ 884	\$ 711,100
2018	\$ 35,756,000	\$0	\$173,166	\$ 107,340	\$ 965	\$ 776,227
2019	\$ 38,756,000	\$0	\$187,695	\$ 116,346	\$ 1,046	\$ 841,354
2020	\$ 38,756,000	\$0	\$187,695	\$ 116,346	\$ 1,046	\$ 841,354
2021	\$ 38,756,000	\$0	\$187,695	\$ 116,346	\$ 1,046	\$ 841,354
2022	\$ 38,756,000	\$0	\$187,695	\$ 116,346	\$ 1,046	\$ 841,354
2023	\$ 38,756,000	\$0	\$187,695	\$ 116,346	\$ 1,046	\$ 841,354
2024	\$ 38,756,000	\$0	\$187,695	\$ 116,346	\$ 1,046	\$ 841,354
2025	\$ 38,756,000	\$0	\$187,695	\$ 116,346	\$ 1,046	\$ 841,354
2026	\$ 38,756,000	\$0	\$187,695	\$ 116,346	\$ 1,046	\$ 841,354
2027	\$ 38,756,000	\$0	\$187,695	\$ 116,346	\$ 1,046	\$ 841,354

2028	\$ 38,756,000	\$0	\$187,695	\$ 116,346	\$ 1,046	\$ 841,354
2029	\$ 38,756,000	\$0	\$187,695	\$ 116,346	\$ 1,046	\$ 841,354

*The Plan anticipates 21 semi-annual payments over 11 years.

5. FINANCING METHOD

The financing method to be used in the funding of this Plan is to be obtained by the applicant. The applicant will be responsible for any principal and interest payments due that are not available from South Robbinsdale Tax Increment District. 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 December 1, 2020.

The projected amortization rate schedule listed below shows the amount to be borrowed by the Developer at a 9% interest rate in accordance with the Tax Increment Financing Guidelines.

PROJECTED AMORTIZATION RATE

TABLE

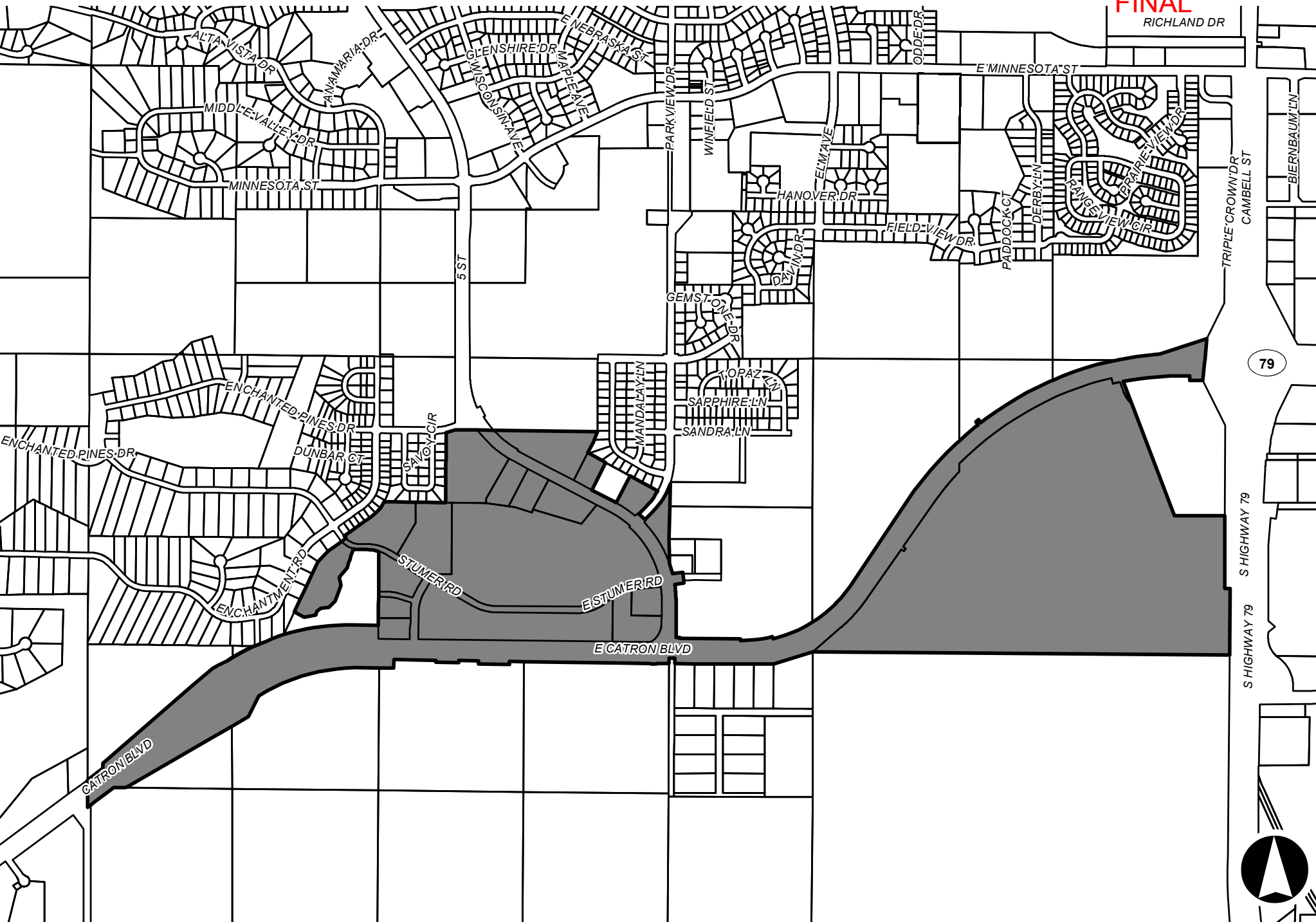
No.	Payment Date	Beginning Balance	Interest	Total Due	Capital Int Payment	Tax Inc Payment	Total Pay	Loan Balance	Cumulative Interest
1	12/1/2010	1,495,056.00	67,277.52	1,562,333.52	67,277.52	0.00	67,277.52	1,562,333.52	67,277.52
2	6/1/2011	1,562,333.52	70,305.01	1,632,638.53	70,305.01	0.00	70,305.01	1,632,638.53	137,582.53
3	12/1/2011	1,632,638.53	73,468.73	1,706,107.26	73,468.73	0.00	73,468.73	1,706,107.26	211,051.26
4	6/1/2012	1,706,107.26	76,774.83	1,782,882.09	76,774.83	0.00	76,774.83	1,782,882.09	287,826.09
5	12/1/2012	1,782,882.09	80,229.69	1,863,111.78	80,229.69	0.00	80,229.69	1,863,111.78	368,055.78
6	6/1/2013	1,863,111.78	83,840.03	1,946,951.81	83,840.03	0.00	83,840.03	1,946,951.81	451,895.81
7	12/1/2013	1,946,951.81	87,612.83	2,034,564.64	87,612.83	0.00	87,612.83	2,034,564.64	539,508.64
8	6/1/2014	2,034,564.64	91,555.41	2,126,120.05	91,555.41	0.00	91,555.41	2,126,120.05	631,064.05
9	12/1/2014	2,126,120.05	95,675.40	2,221,795.46	95,675.40	0.00	95,675.40	2,221,795.46	726,739.46
10	6/1/2015	2,221,795.46	99,980.80	2,321,776.25	99,980.80	0.00	99,980.80	2,321,776.25	826,720.25
11	12/1/2015	2,321,776.25	104,479.93	2,426,256.18	104,479.93	0.00	104,479.93	2,426,256.18	931,200.18
12	6/1/2016	2,426,256.18	109,181.53	2,535,437.71	0.00	290,423.00	290,423.00	2,245,014.71	1,040,381.71
13	12/1/2016	2,245,014.71	101,025.66	2,346,040.37	0.00	290,423.00	290,423.00	2,055,617.37	1,141,407.37
14	6/1/2017	2,055,617.37	92,502.78	2,148,120.16	0.00	322,986.50	322,986.50	1,825,133.66	1,233,910.16
15	12/1/2017	1,825,133.66	82,131.01	1,907,264.67	0.00	322,986.50	322,986.50	1,584,278.17	1,316,041.17
16	6/1/2018	1,584,278.17	71,292.52	1,655,570.69	0.00	322,986.50	322,986.50	1,332,584.19	1,387,333.69
17	12/1/2018	1,332,584.19	59,966.29	1,392,550.48	0.00	322,986.50	322,986.50	1,069,563.98	1,447,299.98
18	6/1/2019	1,069,563.98	48,130.38	1,117,694.35	0.00	355,550.00	355,550.00	762,144.35	1,495,430.35
19	12/1/2019	762,144.35	34,296.50	796,440.85	0.00	355,550.00	355,550.00	440,890.85	1,529,726.85
20	6/1/2020	440,890.85	19,840.09	460,730.94	0.00	388,113.50	388,113.50	72,617.44	1,549,566.94

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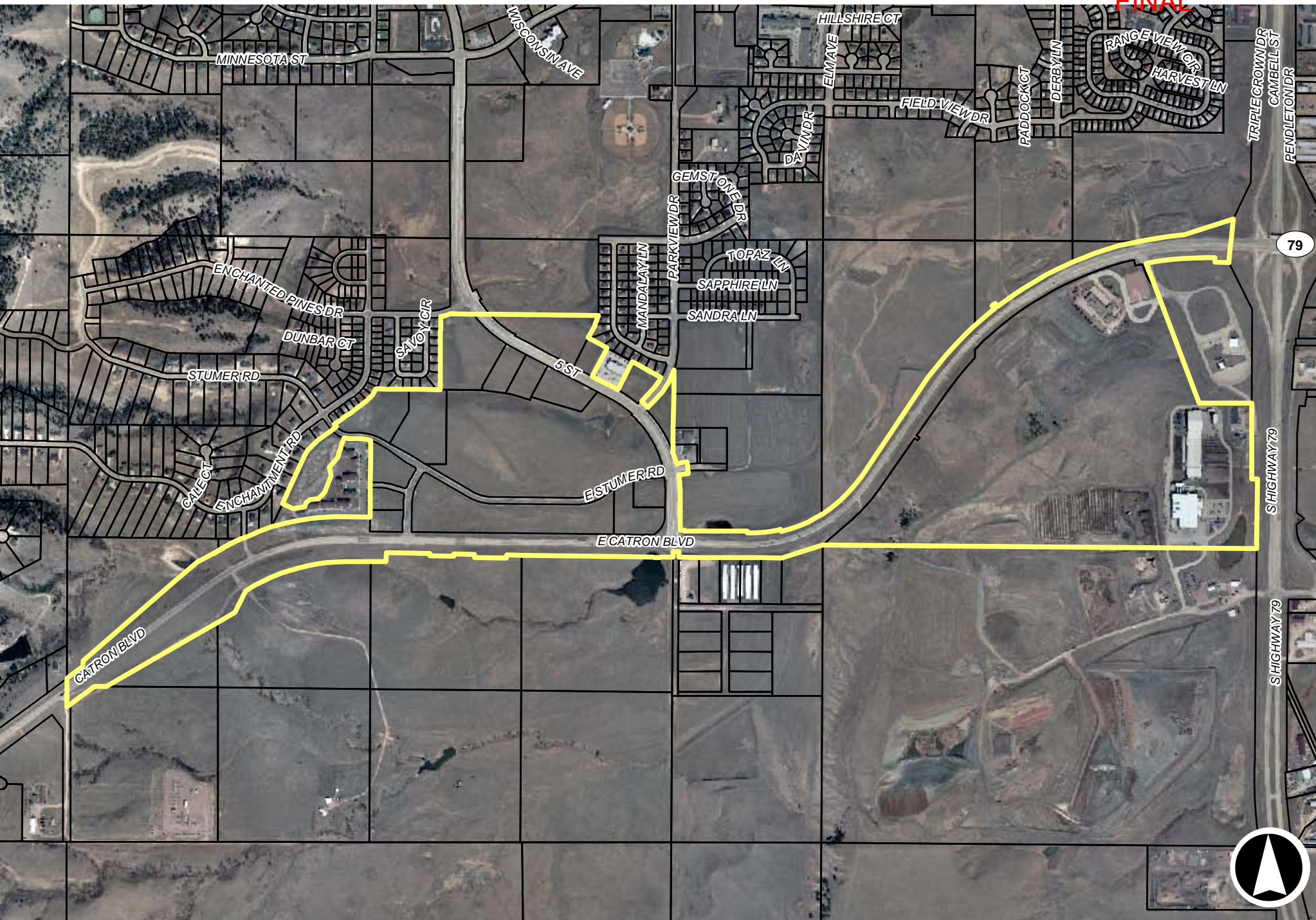
Tax Increment District - South Robbinsdale Tax Increment - Vicinity Map

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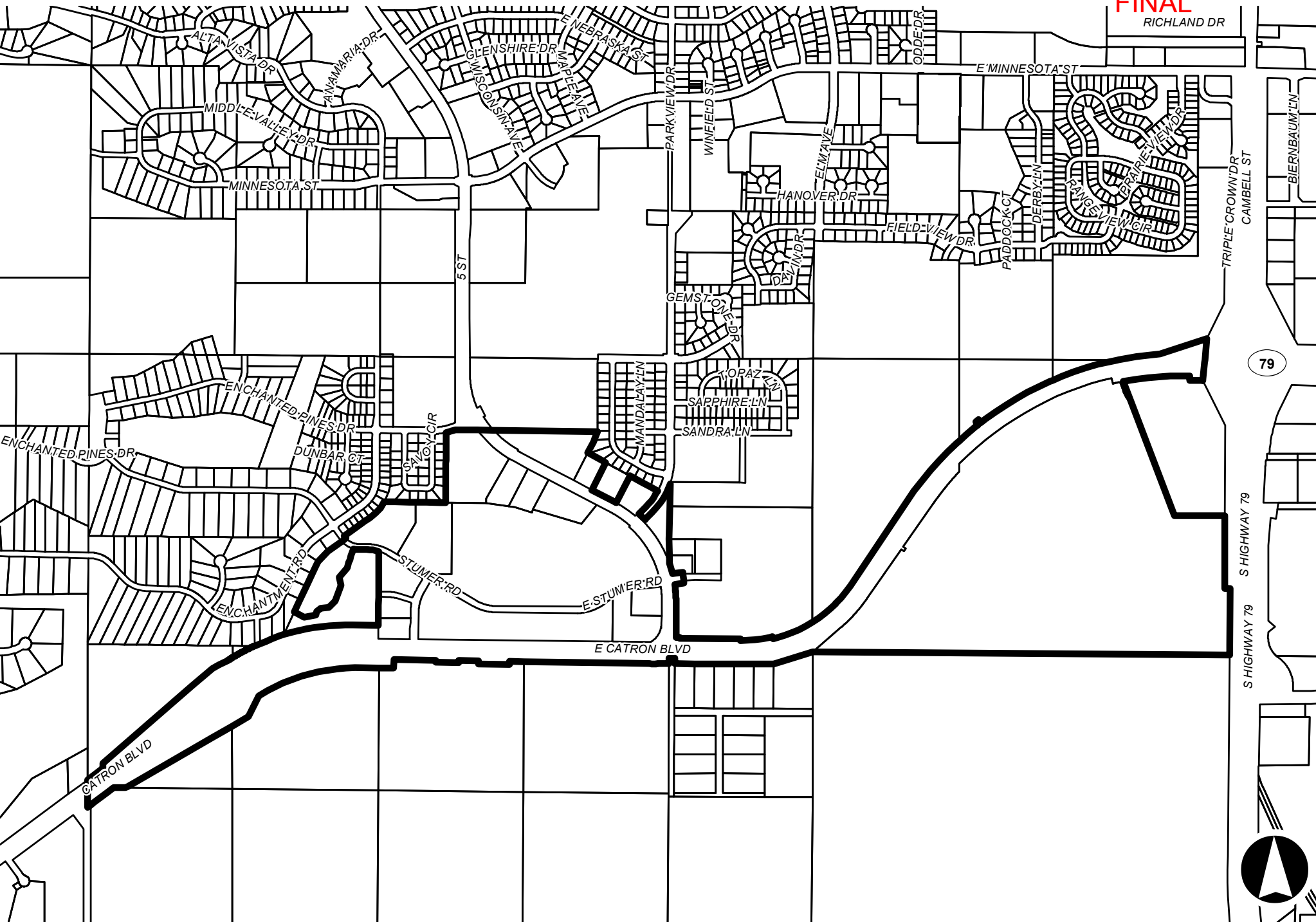
Tax Increment District - South Robbinsdale Tax Increment - Aerial Map

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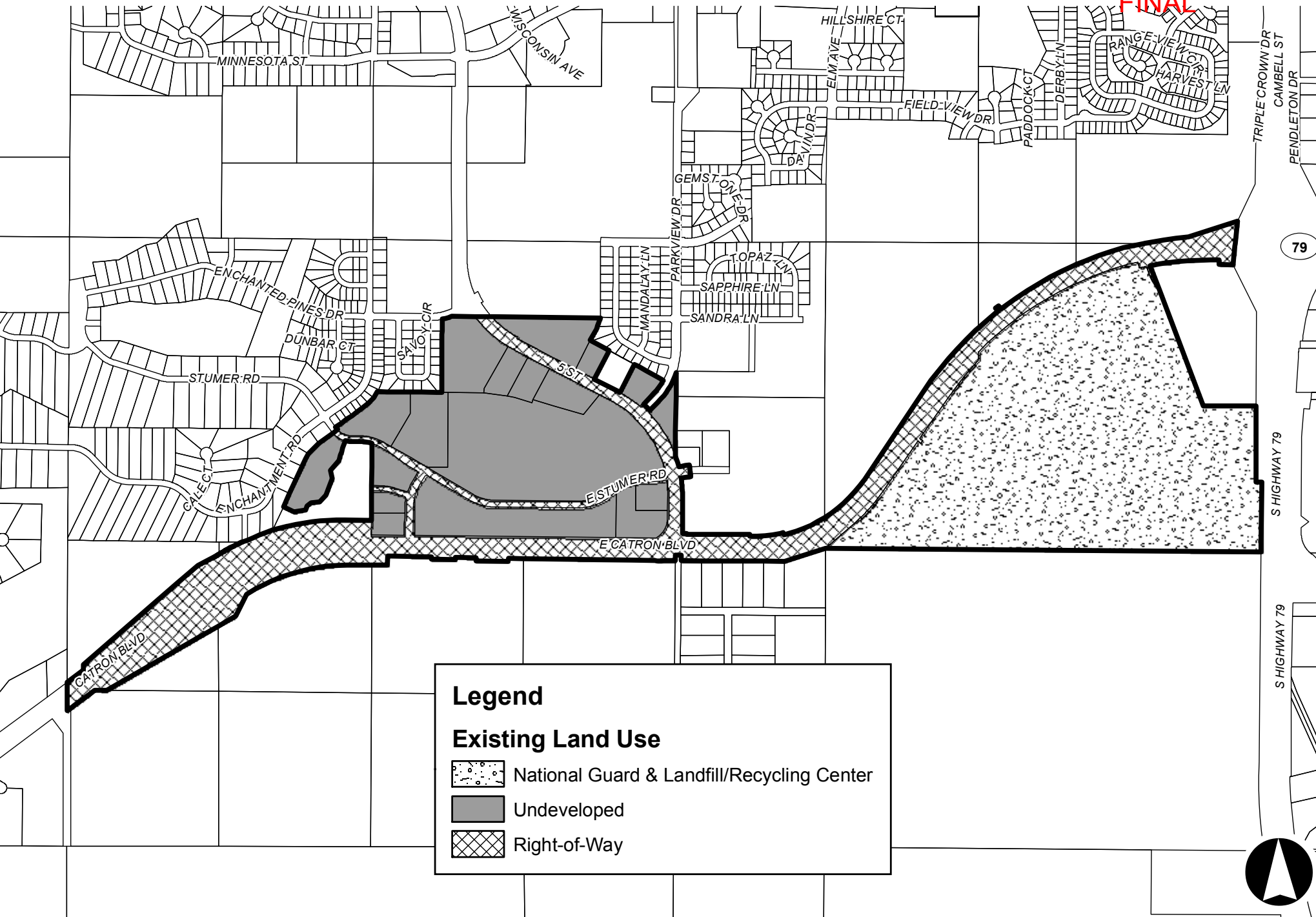
Tax Increment District - South Robbinsdale Tax Increment - Boundary Map

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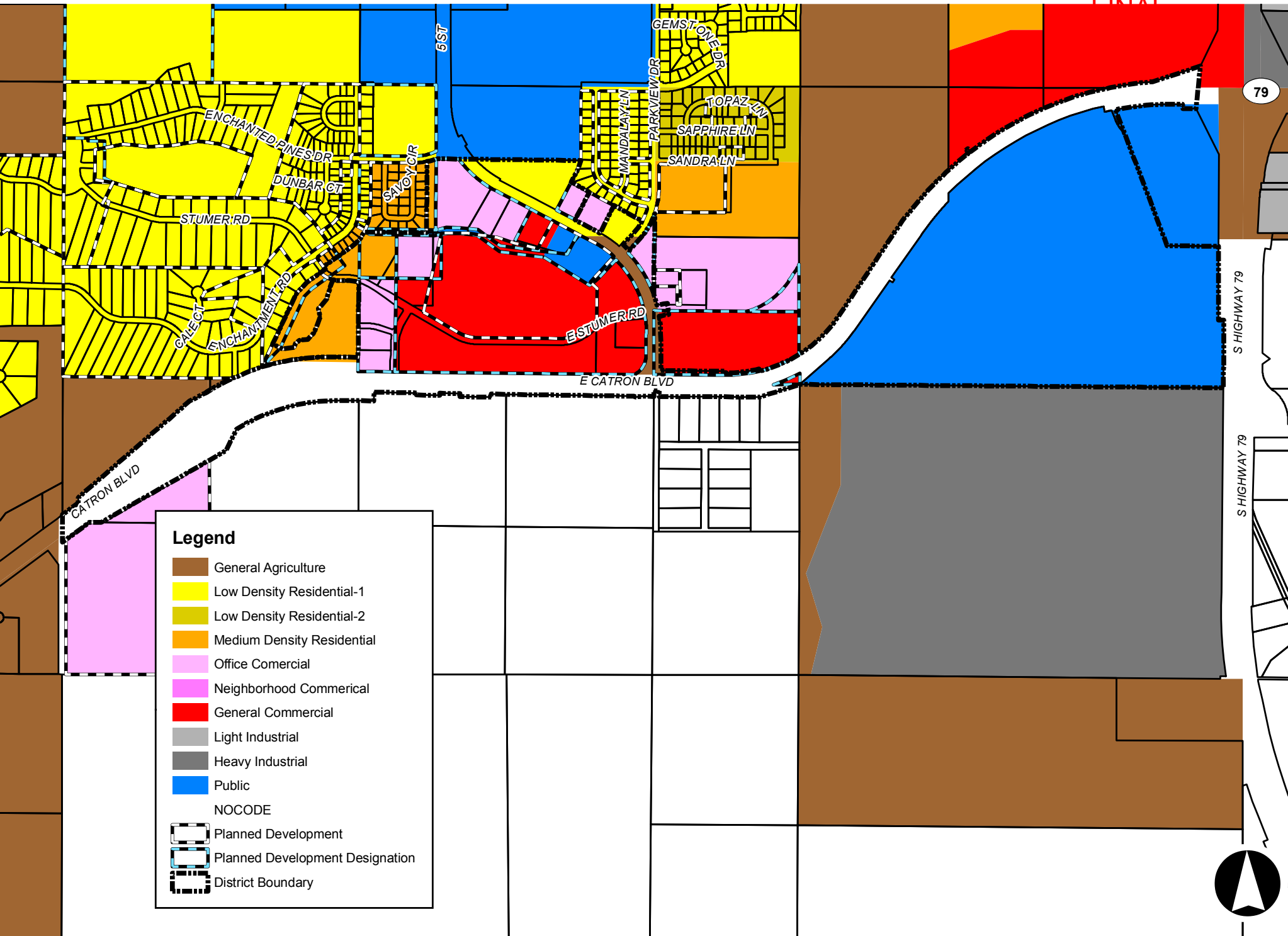


Tax Increment District - South Robbinsdale Tax Increment - Existing Land Use

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Tax Increment District - South Robbinsdale Tax increment - Existing Zoning



Tax Increment District - South Robbinsdale Tax Increment - Public Improvements

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