PROJECT PLAN

TAX INCREMENT DISTRICT #70
HIGHWAY 16 SEWER

Prepared by the

Rapid City Community Planning and Development Services Department
December 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. 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 the approved Tax Increment District will assist in the development of commercial property located along South U.S. Highway 16 and Moon Meadows Drive through the development of public infrastructure improvements. The Tax Increment Funds will be utilized for a sanitary sewer main, turn lanes, Moon Meadows Drive, water main at South U.S. Hwy 16 crossing, a traffic signal, and engineering, contingency, and necessary and convenient costs. The Tax Increment boundaries are located along Catron Boulevard from Fifth Street to U.S. Highway 16, to the properties at the intersection of Catron Boulevard and U.S. Highway 16, south along U.S. Highway 16 to Sammis Trail, and east to the proposed Hyland Crossing Subdivision. The estimated project cost of the improvements is $3,339,182.

The City Council approved the creation of Tax Increment District #70 on September 15, 2008; however, the proposed Project Plan was not approved. The original developer did not bring forward a revised Project Plan. Another developer, who was not involved with the Project Plan in 2008, has now submitted a new application for a Project Plan for this Tax Increment District. The Tax Increment Financing Committee met on December 6, 2011 to discuss this proposed Project Plan for Tax Increment District #70 and

recommended approval of the Project Plan. The Tax Increment District will be financed by the Developer.

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 Developer's Agreement or proposal for refinancing. For purposes of developing 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. The Project Plan will be subdivided into phases, and as such, an additional $2,000 Imputed Administrative Fee will also be included in the Project Plan, as required by the Tax Increment Policy. Such fees 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 $2,826,700 in capital costs associated with funding the costs for the sanitary sewer main, turn lanes, Moon Meadows Drive east of U.S. Highway 16, water main at South U.S. Hwy 16 crossing, and a traffic signal at Moon Meadows Drive and U.S. Hwy 16. In addition, the project plan includes $208,920 in professional services for engineering costs.

2. ECONOMIC FEASIBILITY STUDY

Current Valuation –

Tax Increment District #70 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. In accordance with SDCL 11-9-20, the certification of the base value was requested from the South Dakota Department of Revenue following creation and approval of the district by the City Council. The assessed valuation for the district was certified at $22,894,400 as of October 30, 2008.

CERTIFIED BASE VALUATION OF PROPERTY AS DETERMINED BY THE SOUTH DAKOTA DEPARTMENT OF REVENUE

$22,894,400

Expected Increase in Valuation –

ESTIMATED FUTURE VALUATION OF PROPOSED DISTRICT

Assessed Value of District	$ 22,894,400
Estimated Assessed Value of project (year 20)	$ 90,974,140
Other Anticipated Increases in Assessed Value	$ 0
Estimated Increase in Assessed Value of Land*	$ 0
Estimated Total Valuation (year 20)	$ 113,868,540

*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 20 semi-annual payments over 10 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.

2011 Non Agriculture Tax Levies and Percentage of Total Levy

Taxing Entity	Tax Levy	Percentage of Total Levy
Rapid City Area School District	13.690	63.0%
Pennington County	4.843	22.3%
City of Rapid City	3.150	14.6%
West Dakota Water District	0.087	0.1%
Total Mill Levy	21.711	100%

Anticipated 2011 Non Agriculture Tax Rate: 0.021711

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	TOTAL TAX INCREMENT PAYMENTS	6 MONTH TOTAL
Nov. 2008	2010	$ 5,298,703	$ 99,025	$ 49,512
Nov. 2009	2011	$ 4,130,200	$ 46,959	$ 23,479
Nov. 2010	2012	$ 2,072,100	$ 44,987	$ 22,493
Nov. 2011	2013	$ 2,072,100	$ 44,987	$ 22,493
Nov. 2012	2014	$ 2,072,100	$ 44,987	$ 22,493
Nov. 2013	2015	$ 7,572,100	$ 164,397	$ 82,198
Nov. 2014	2016	$15,072,100	$ 327,230	$ 163,615
Nov. 2015	2017	$26,572,100	$ 576,906	$ 288,453
Nov. 2016	2018	$35,672,100	$ 774,476	$ 387,238
Nov. 2017	2019	$48,172,100	$1,045,864	$ 522,932
Nov. 2018	2020	$58,974,140	$1,280,387	$ 640,193
Nov. 2019	2021	$67,974,140	$1,475,786	$ 737,893
Nov. 2020	2022	$72,974,140	$1,584,341	$ 792,170
Nov. 2021	2023	$74,974,140	$1,627,763	$ 813,881
Nov. 2022	2024	$76,974,140	$1,671,185	$ 835,592
Nov. 2023	2025	$78,974,140	$1,714,607	$ 857,303
Nov. 2024	2026	$80,974,140	$1,758,029	$ 879,014
Nov. 2025	2027	$82,974,140	$1,801,451	$ 900,725
Nov. 2026	2028	$86,974,140	$1,888,295	$ 944,147
Nov. 2027	2029	$90,974,140	$1,975,139	$ 987,569

TOTAL TAX INCREMENT EXPECTED TO ACCRUE BY 12/31/29:

$ 19,946,801

NOTE: Tax increment payments are calculated using 100% of estimated future property valuation and 100% of expected 2011 mill levy.

3. PROJECT COSTS

Capital Costs – The capital costs of $2,826,700 included in the Project Plan are for a sanitary sewer main, turn lanes, Moon Meadows Drive east of U.S. Highway 16, water main at South U.S. Hwy 16 crossing, and a traffic signal at Moon Meadows Drive and U.S. Hwy 16.

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 $3,071,346.30. 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 and Professional fees in the amount of $208,920 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 $212,493.00 are anticipated in the Project Plan.

Necessary and Convenient Payments – Necessary and convenient costs in the amount of $91,069.00 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 September 1, 2013, for its administrative costs in the amount of $22,000. However, in no case shall the City be reimbursed less than $1 on September 1, 2013.

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

Proposed TID Project Costs – Phase I

Capital Costs:		
12” Sanitary Sewer Main	$	264,000.00
Grading	$	1,000,000.00
Salvage and Place Top Soil	$	137,500.00
Mobilization	$	10,000.00
Sewer Manholes	$	63,200.00
Professional Costs:		
Surveying	$	10,000.00
Testing	$	5,000.00
Engineering	$	73,560.00
Financing Costs:		

Financing Interest	$	1,126,166.13
Contingency Costs:	$	109,428.00
Relocation Costs:	$	0
Organizational Costs:	$	0
Necessary and Convenient Costs:	$	46,898.00
Total	$	2,845,752.13

Proposed TID Project Costs – Phase II

Capital Costs:		
Mobilization	$	10,000.00
Turn Lanes at Moon Meadows Drive	$	200,000.00
Traffic Signal	$	250,000.00
Water Main at Hwy 16 Crossing	$	100,000.00
Moon Meadows Drive	$	792,000.00
Professional Costs:		
Surveying	$	10,000.00
Testing	$	5,000.00
Engineering	$	105,360.00
..		
Financing Costs:		
Financing Interest	$	1,945,180.17
Contingency Costs:	$	103,065.00
Relocation Costs:	$	0
Organizational Costs:	$	0
Necessary and Convenient Costs:	$	44,171.00
Total	$	3,564,776.17

Total Proposed TID Project Costs for Phase I and Phase II

Capital Costs:		
12” Sanitary Sewer Main	$	264,000.00
Grading	$	1,000,000.00
Salvage and Place Top Soil	$	137,500.00
Mobilization	$	20,000.00
Sewer Manholes	$	63,200.00
Turn Lanes at Moon Meadows Drive	$	200,000.00
Traffic Signal	$	250,000.00
Water Main at Hwy 16 Crossing	$	100,000.00
Moon Meadows Drive	$	792,000.00
Professional Costs:		
Surveying	$	20,000.00
Testing	$	10,000.00
Engineering	$	178,920.00
Financing Costs:		
Financing Interest	$	3,071,346.30

Contingency Costs:	$	212,493.00
Relocation Costs:	$	0
Organizational Costs:	$	0
Necessary and Convenient Costs:	$	91,069.00
Total	$	6,410,528.30

Imputed Administrative Costs*

City of Rapid City	$	22,000.00

*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 Tax Increment District #70 fund available to the City Finance Officer on September 1, 2013.

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
2010	$ 5,298,703(NA)	$0	$ 22,083	$ 14,458	$ 99	$ 99,025
2011	$ 4,130,200(NA)	$0	$ 10,471	$ 6,856	$ 46	$ 46,959
2012	$ 2,072,100(NA)	$0	$ 10,032	$ 6,568	$ 44	$ 44,987
2013	$ 2,072,100(NA)	$0	$ 10,032	$ 6,568	$ 44	$ 44,987
2014	$ 2,072,100(NA)	$0	$ 10,032	$ 6,568	$ 44	$ 44,987
2015	$ 7,572,100(NA)	$0	$ 36,660	$ 24,001	$ 164	$ 164,397
2016	$ 15,072,100(NA)	$0	$ 72,972	$ 47,775	$ 327	$ 327,230
2017	$ 26,572,100(NA)	$0	$128,650	$ 84,228	$ 576	$ 576,906
2018	$ 35,672,100(NA)	$0	$172,708	$ 113,073	$ 774	$ 774,476
2019	$ 48,172,100(NA)	$0	$233,229	$ 152,697	$ 1,045	$1,045,874
2020	$ 58,974,140(NA)	$0	$285,526	$ 186,936	$ 1,280	$1,280,387
2021	$ 67,974,140(NA)	$0	$329,100	$ 215,464	$ 1,475	$1,475,786
2022	$ 72,974,140(NA)	$0	$353,308	$ 231,313	$ 1,584	$1,584,341
2023	$ 74,974,140(NA)	$0	$362,991	$ 237,653	$ 1,627	$1,627,763
2024	$ 76,974,140(NA)	$0	$372,674	$ 243,993	$ 1,671	$1,671,185
2025	$ 78,974,140(NA)	$0	$382,357	$ 250,332	$ 1,714	$1,714,607

2026	$ 80,974,140(NA)	$0	$392,040	$ 256,672	$ 1,758	$1,758,029
2027	$ 82,974,140(NA)	$0	$401,723	$ 263,011	$ 1,801	$1,801,451
2028	$ 86,974,140(NA)	$0	$421,089	$ 275,691	$ 1,888	$1,888,295
2029	$ 90,974,140(NA)	$0	$440,455	$ 288,370	$ 1,975	$1,975,139

*The Plan anticipates 20 semi-annual payments over 10 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 interest payments due that are not available from Tax Increment District #70. 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, 2021.

The projected amortization rate schedules are listed below showing the amount to be borrowed by the Developer using a 9.0% interest rate.

PROJECTED AMORTIZATION RATE

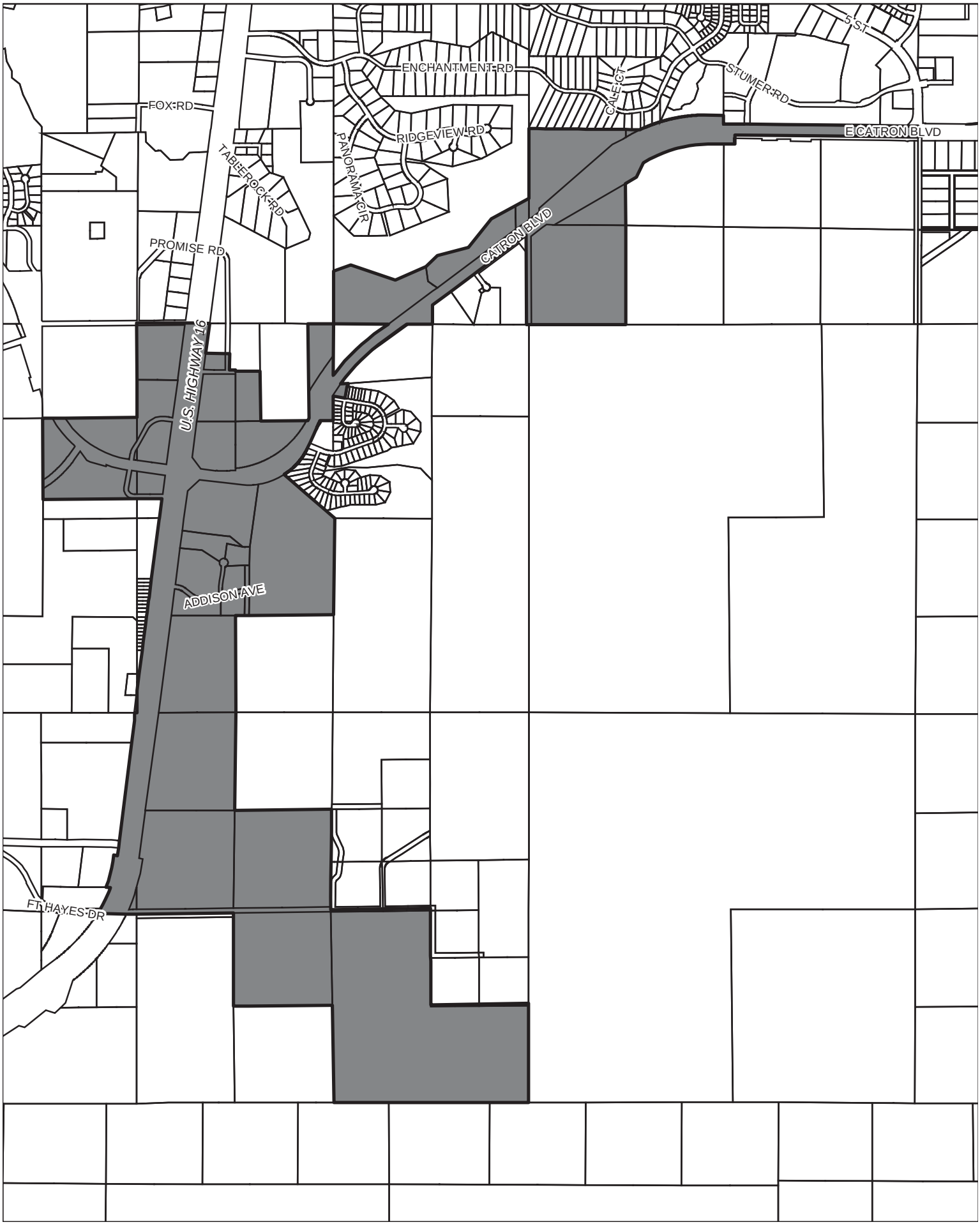
PROJECTED AMORTIZATION RATE – PHASE 1

No.	Payment Date	Beginning Balance	Interest	Total Due	Capital Int Payment	Tax Inc Payment	Total Pay	Loan Balance	Cumulative Interest
1			0.00	0.00	0.00		0.00	0.00	0.00
2		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	6/1/2012	1,719,586.00	77,381.37	1,796,967.37	0.00	77,381.37	77,381.37	1,719,586.00	77,381.37
4	12/1/2012	1,719,586.00	77,381.37	1,796,967.37	0.00	77,381.37	77,381.37	1,719,586.00	154,762.74
5	6/1/2013	1,719,586.00	77,381.37	1,796,967.37	41,171.75	36,209.62	77,381.37	1,760,757.75	232,144.11
6	12/1/2013	1,760,757.75	79,234.10	1,839,991.85	56,740.42	22,493.68	79,234.10	1,817,498.17	311,378.21
7	6/1/2014	1,817,498.17	81,787.42	1,899,285.59	59,293.74	22,493.68	81,787.42	1,876,791.91	393,165.63
8	12/1/2014	1,876,791.91	84,455.64	1,961,247.54	61,961.96	22,493.68	84,455.64	1,938,753.86	477,621.26
9	6/1/2015	1,938,753.86	87,243.92	2,025,997.79	5,044.99	82,198.93	87,243.92	1,943,798.86	564,865.19
10	12/1/2015	1,943,798.86	87,470.95	2,031,269.80	5,272.02	82,198.93	87,470.95	1,949,070.87	652,336.13
11	6/1/2016	1,949,070.87	87,708.19	2,036,779.06	0.00	163,615.18	163,615.18	1,873,163.88	740,044.32
12	12/1/2016	1,873,163.88	84,292.37	1,957,456.26	0.00	163,615.18	163,615.18	1,793,841.08	824,336.70
13	6/1/2017	1,793,841.08	80,722.85	1,874,563.93	0.00	288,453.43	288,453.43	1,586,110.50	905,059.55
14	12/1/2017	1,586,110.50	71,374.97	1,657,485.47	0.00	288,453.43	288,453.43	1,369,032.04	976,434.52
15	6/1/2018	1,369,032.04	61,606.44	1,430,638.48	0.00	387,238.48	387,238.48	1,043,400.00	1,038,040.96
16	12/1/2018	1,043,400.00	46,953.00	1,090,353.00	0.00	387,238.48	387,238.48	703,114.52	1,084,993.96
17	6/1/2019	703,114.52	31,640.15	734,754.67	0.00	522,932.23	522,932.23	211,822.44	1,116,634.11
18	12/1/2019	211,822.44	9,532.01	221,354.45	0.00	221,354.45	221,354.45	0.00	1,126,166.12
19	6/1/2020	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,126,166.12
20	12/1/2020	0.00	0.00	0.01	0.00	0.00	0.00	0.01	1,126,166.13

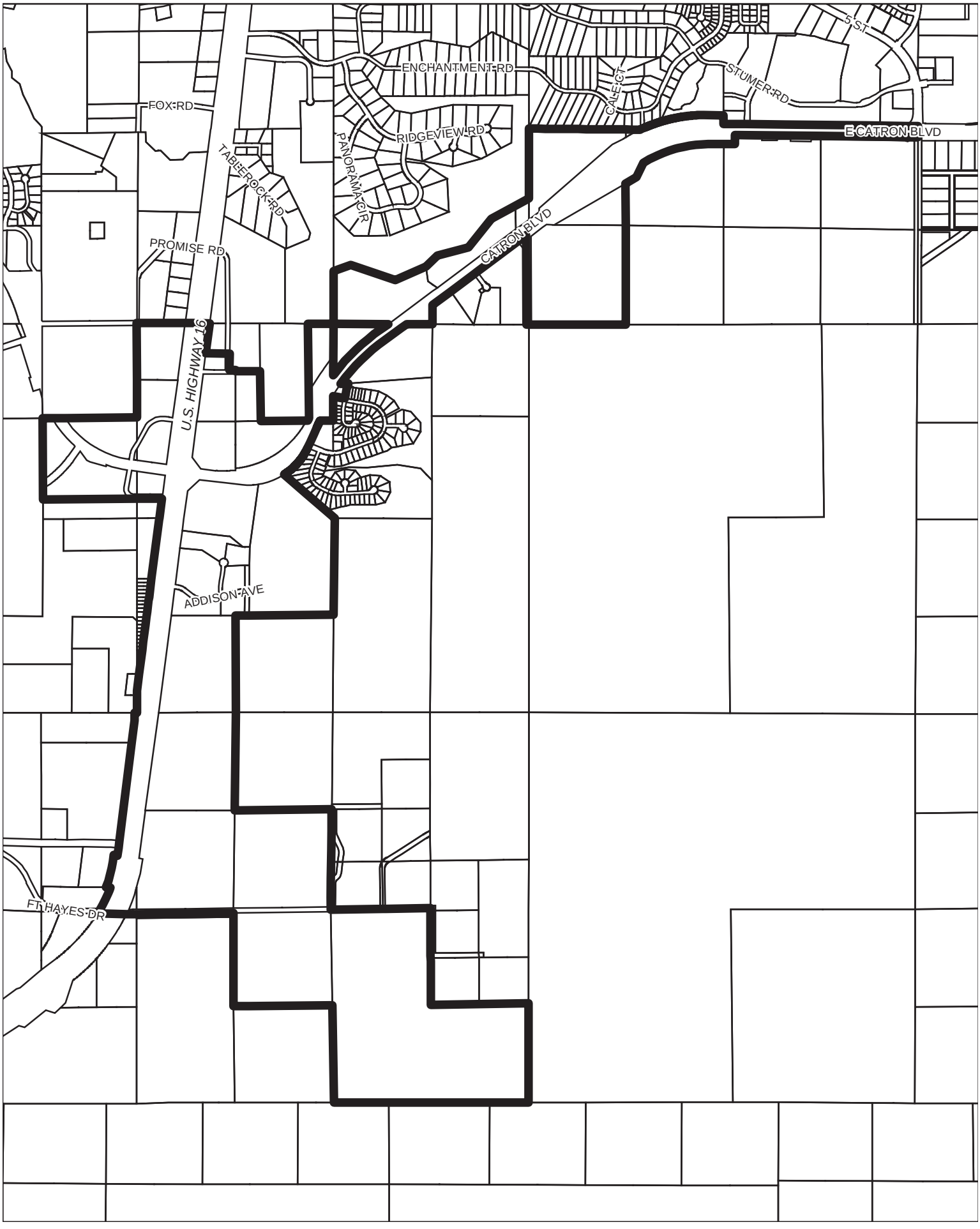
PROJECTED AMORTIZATION RATE – PHASE 2

No.	Payment Date	Beginning Balance	Interest	Total Due	Capital Int Payment	Tax Inc Payment	Total Pay	Loan Balance	Cumulative Interest
1			0.00	0.00	0.00		0.00	0.00	0.00
2		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3	6/1/2012	1,619,596.00	72,881.82	1,692,477.82	72,881.82	0.00	72,881.82	1,692,477.82	72,881.82
4	12/1/2012	1,692,477.82	76,161.50	1,768,639.32	76,161.50	0.00	76,161.50	1,768,639.32	149,043.32
5	6/1/2013	1,768,639.32	79,588.77	1,848,228.09	79,588.77	0.00	79,588.77	1,848,228.09	228,632.09
6	12/1/2013	1,848,228.09	83,170.26	1,931,398.36	83,170.26	0.00	83,170.26	1,931,398.36	311,802.36
7	6/1/2014	1,931,398.36	86,912.93	2,018,311.28	86,912.93	0.00	86,912.93	2,018,311.28	398,715.28
8	12/1/2014	2,018,311.28	90,824.01	2,109,135.29	90,824.01	0.00	90,824.01	2,109,135.29	489,539.29
9	6/1/2015	2,109,135.29	94,911.09	2,204,046.38	94,911.09	0.00	94,911.09	2,204,046.38	584,450.38
10	12/1/2015	2,204,046.38	99,182.09	2,303,228.46	99,182.09	0.00	99,182.09	2,303,228.46	683,632.46
11	6/1/2016	2,303,228.46	103,645.28	2,406,873.75	103,645.28	0.00	103,645.28	2,406,873.75	787,277.75
12	12/1/2016	2,406,873.75	108,309.32	2,515,183.06	108,309.32	0.00	108,309.32	2,515,183.06	895,587.06
13	6/1/2017	2,515,183.06	113,183.24	2,628,366.30	113,183.24	0.00	113,183.24	2,628,366.30	1,008,770.30
14	12/1/2017	2,628,366.30	118,276.48	2,746,642.78	118,276.48	0.00	118,276.48	2,746,642.78	1,127,046.78
15	6/1/2018	2,746,642.78	123,598.93	2,870,241.71	123,598.93	0.00	123,598.93	2,870,241.71	1,250,645.71
16	12/1/2018	2,870,241.71	129,160.88	2,999,402.59	129,160.88	0.00	129,160.88	2,999,402.59	1,379,806.59
17	6/1/2019	2,999,402.59	134,973.12	3,134,375.70	134,973.12	0.00	134,973.12	3,134,375.70	1,514,779.70
18	12/1/2019	3,134,375.70	141,046.91	3,275,422.61	0.00	824,510.01	824,510.01	2,450,912.60	1,655,826.61
19	6/1/2020	2,450,912.60	110,291.07	2,561,203.67	0.00	640,193.78	640,193.78	1,921,009.89	1,766,117.68
20	12/1/2020	1,921,009.89	86,445.44	2,007,455.33	0.00	640,193.78	640,193.78	1,367,261.55	1,852,563.12
21	6/1/2021	1,367,261.55	61,526.77	1,428,788.32	0.00	737,893.28	737,893.28	690,895.04	1,914,089.89
22	12/1/2021	690,895.04	31,090.28	721,985.32	0.00	721,985.32	721,985.32	0.00	1,945,180.17
23	6/1/2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,945,180.17
24	12/1/2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,945,180.17

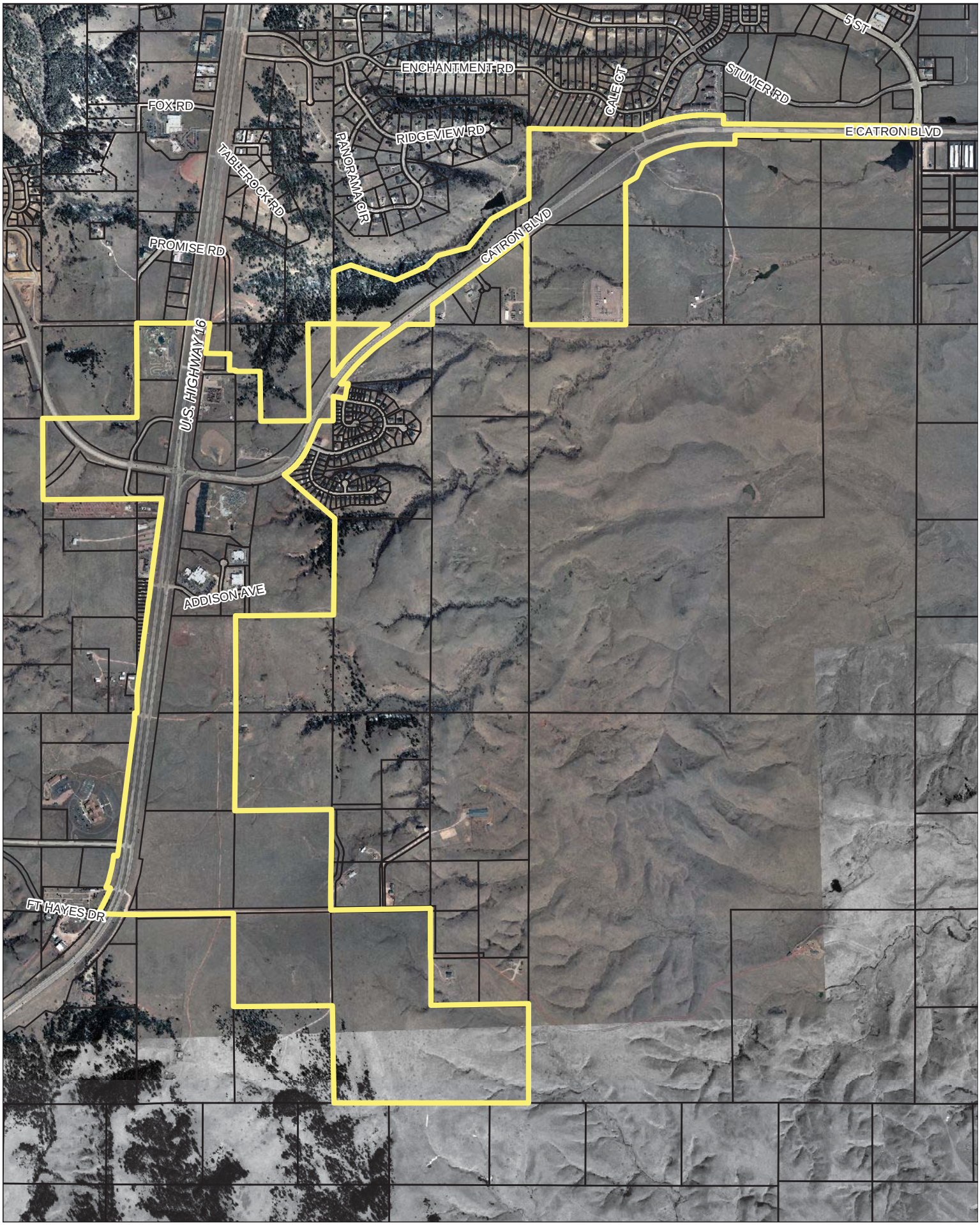
Tax Increment District No.70 - Highway 16 Sewer
Vicinity Map



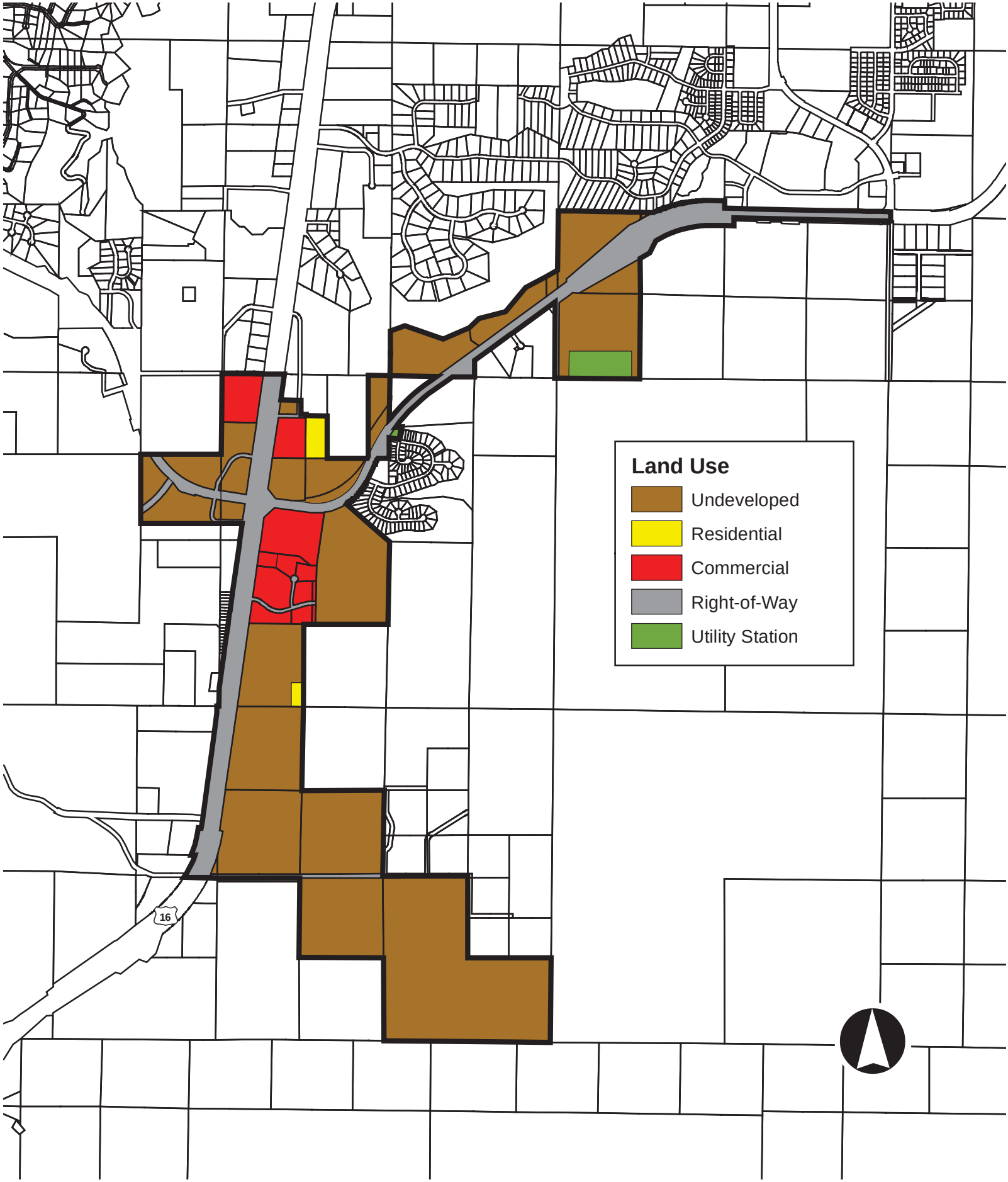
Tax Increment District No.70 - Highway 16 Sewer
Boundary Map



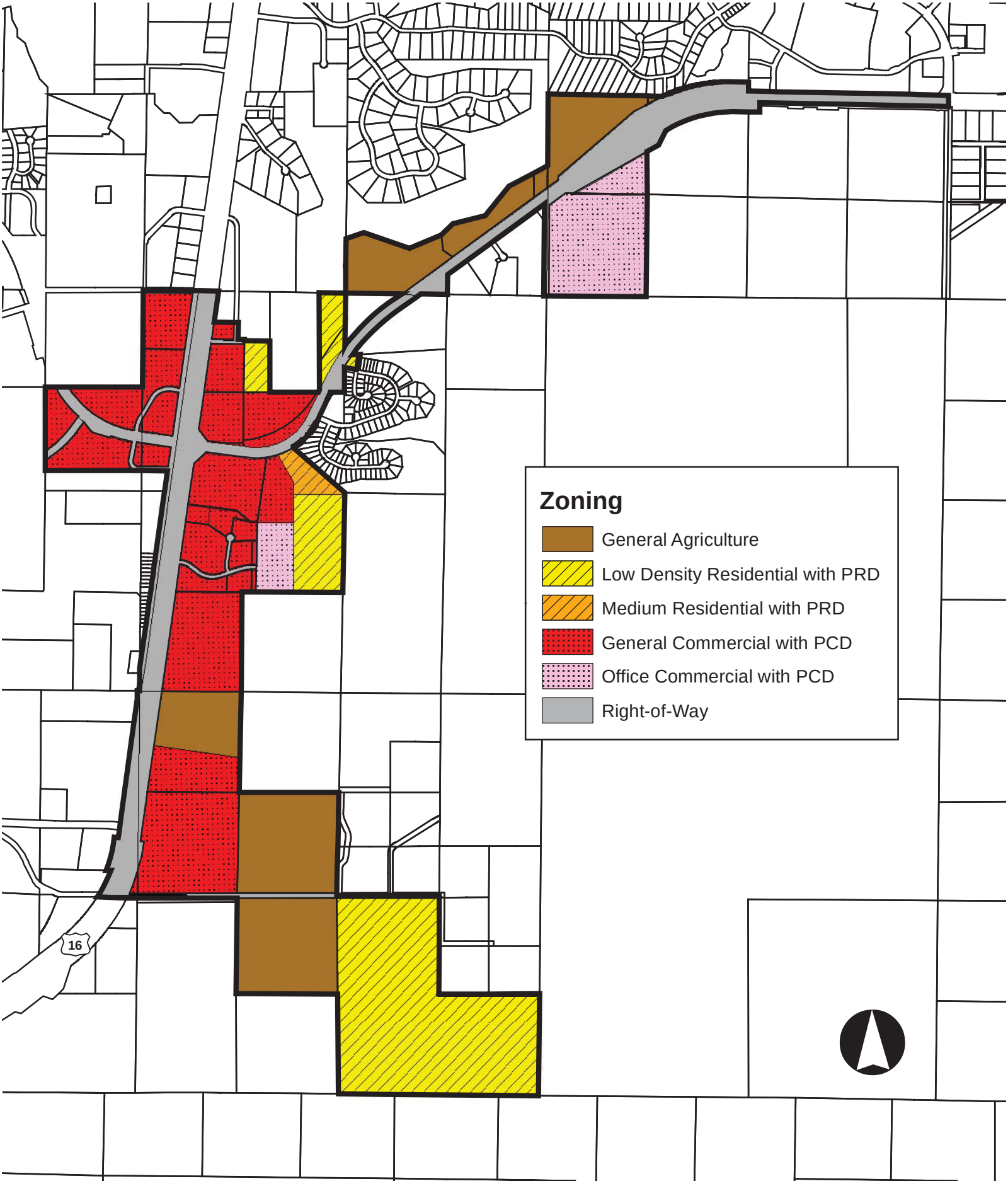
Tax Increment District No.70 - Highway 16 Sewer
Aerial Map



Tax Increment District No.70 - Highway 16 Sewer
Land Use



Tax Increment District No.70 - Highway 16 Sewer
Existing Zoning



Tax Increment District No.70 - Highway 16 Sewer
Public Improvements

