

Preliminary Review of Proposed Tax Increment Project

Applicant: City of Rapid City and Homestead Street Project, LLC

Proposed Project Title: Homestead Street Extension

Purpose of Tax Increment District: The tax increment district will capture incremental tax funds in order to construct a portion of Homestead Street between Timmons Boulevard and Missoula Street located within Big Sky Business Park, providing direct access to Valley View Elementary School and East Middle School from Elk Vale Road.

Project Cost Description	TID Funded Project Costs
Capital Costs	
Homestead Street Extension	\$1,600,000.00
Public Improvements Total	\$1,600,000.00
Other Development Costs	
Professional Fees	\$130,000.00
Contingencies	\$160,000.00
Financing Costs	\$1,344,475.49
Subtotal	\$3,234,475.49
Imputed Administrative Costs*	
City of Rapid City	\$20,000.00
TOTAL	\$3,254,475.49

The Developer is targeting new residential uses including 59 single family homes and 79 apartments. Additional development may occur within the proposed district boundary; however, only the residential structures are included in the incremental revenue projections.

Proposed Boundary: The proposed boundary encompasses property located east of Elk Vale between Timmons Boulevard and Missoula Street.

Estimated Base Valuation: Using the Pennington County Director of Equalization parcel data, the estimated base valuation is \$13,970,800.

2019 Tax Rate:

- 0.019985 Non-Agriculture Tax Levy
- 0.016372 Owner-Occupied Tax Levy
- 0.014503 Agriculture Tax Levy

Anticipated Time Frame: 15 years

Homestead Street Extension Proposed TID						
As of August 19, 2020						
Annual Interest Rate			7.00%			
Expires	10/19/2040	⁽¹⁾				
Pmt Date	Days	Beginning	Payment	Interest	Principal	Ending
	Outstanding	Balance	Amount	Amount	Amount	Balance
12/1/2020	42	-	(470,000.00)	-	(470,000.00)	470,000.00
6/1/2021	182	470,000.00	(1,420,000.00)	16,404.93	(1,436,404.93)	1,906,404.93
12/1/2021	183	1,906,404.93		66,906.98	(66,906.98)	1,973,311.91

6/1/2022	182	1,973,311.91	23,609.16	68,876.70	(45,267.54)	2,018,579.45
12/1/2022	183	2,018,579.45	23,609.16	70,843.84	(47,234.68)	2,065,814.13
6/1/2023	182	2,065,814.13	66,316.32	72,105.40	(5,789.08)	2,071,603.21
12/1/2023	183	2,071,603.21	66,316.32	72,704.76	(6,388.44)	2,077,991.65
6/1/2024	183	2,077,991.65	105,972.15	72,928.97	33,043.18	2,044,948.47
12/1/2024	183	2,044,948.47	105,972.15	71,769.29	34,202.86	2,010,745.60
6/1/2025	182	2,010,745.60	130,640.40	70,183.28	60,457.12	1,950,288.49
12/1/2025	183	1,950,288.49	130,640.40	68,447.11	62,193.29	1,888,095.20
6/1/2026	182	1,888,095.20	142,576.65	65,902.28	76,674.37	1,811,420.83
12/1/2026	183	1,811,420.83	142,576.65	63,573.43	79,003.22	1,732,417.61
6/1/2027	182	1,732,417.61	142,576.65	60,468.49	82,108.16	1,650,309.45
12/1/2027	183	1,650,309.45	142,576.65	57,919.08	84,657.57	1,565,651.88
6/1/2028	183	1,565,651.88	142,576.65	54,947.95	87,628.70	1,478,023.18
12/1/2028	183	1,478,023.18	142,576.65	51,872.54	90,704.11	1,387,319.07
6/1/2029	182	1,387,319.07	142,576.65	48,423.14	94,153.51	1,293,165.56
12/1/2029	183	1,293,165.56	142,576.65	45,384.80	97,191.85	1,195,973.70
6/1/2030	182	1,195,973.70	142,576.65	41,744.40	100,832.25	1,095,141.45
12/1/2030	183	1,095,141.45	142,576.65	38,434.96	104,141.69	990,999.77
6/1/2031	182	990,999.77	142,576.65	34,589.96	107,986.69	883,013.08
12/1/2031	183	883,013.08	142,576.65	30,990.13	111,586.52	771,426.56
6/1/2032	183	771,426.56	142,576.65	27,073.90	115,502.75	655,923.81
12/1/2032	183	655,923.81	142,576.65	23,020.23	119,556.42	536,367.39
6/1/2033	182	536,367.39	142,576.65	18,721.43	123,855.22	412,512.17
12/1/2033	183	412,512.17	142,576.65	14,477.48	128,099.17	284,413.00
6/1/2034	182	284,413.00	142,576.65	9,927.18	132,649.47	151,763.53
12/1/2034	183	151,763.53	142,576.65	5,326.28	137,250.37	14,513.16
6/1/2035	182	14,513.16	15,019.73	506.57	14,513.16	-
Total		-	1,344,475.49	1,344,475.49		

⁽¹⁾ Date based on Council approving resolution to create district at the October 19, 2020 meeting.

Comments: The applicant has indicated that the anticipated interest rate for the new privately funded district will be near 7%.

Recommendation: Staff recommends approving the request to create the joint application for Homestead Street Extension tax increment district as it meets the intent of the Tax Increment Policy and SDCL 11-9-8 as follows:

Tax Increment Policy:

5. To facilitate the reconstruction, maintenance and completion of the City's existing infrastructure network

SDCL 11-9-8:

- (1) Not less than twenty-five percent, by area, of the real property within the district is a blighted area or not less than fifty percent, by area, of the real property within the district will stimulate and develop the general economic welfare and prosperity of the state through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources development; and
- (2) The improvement of the area is likely to significantly enhance the value of substantially all other real property in the district.