OPPORTUNITY CAPTURE FUNDS (OCF)

CITY OF RAPID CITY
CITY COUNCIL // JULY 6, 2021
WHAT IS ELEVATE?
MISSION
Elevate the Rapid City region for everyone.

VISION
Rapid City region is the place people want to be.

CORE VALUES
Work Hard. Face the challenge. Lead the change together.
OCTOBER 2019 - ORG CHART

**ECONOMIC DEVELOPMENT**
- DIRECTOR

**CHAMBER OF COMMERCE**
- ADMIN
- ADMIN
- LRC/YP
- COMMUNICATIONS
- CEO

**ASCENT INNOVATION**
- DIRECTOR
- CLIENT RELATIONS

**OBSERVATIONS:**
- Heavy on administrative positions // Light on economic development and innovation resources
- Investor relations and communications affects entire organization
- To be proactive in economic development & innovation, a resource shift may need to occur
**ELEVATE RAPID CITY**

*Elevate the Rapid City Region for all.*

**5-YR GOALS (2023):**
- 4,000+ JOBS
- 15% INCREASE IN PER-CAPITA INCOME
- $300 M CAPITAL INVESTMENT
- $125 M IN CONSUMER EXPENDITURES

### Pillars
- **ECONOMIC DEVELOPMENT**
- **INNOVATION & ENTREPRENEURSHIP**
- **WORKFORCE & TALENT ATTRACTION**
- **SMALL BUSINESS**
- **BUSINESS ADVOCACY & QUALITY GROWTH**
- **SDEA & MILITARY AFFAIRS**

### Support Pillars
- **MARKETING & COMMUNICATIONS**
  - Elevate Magazine, Video, Design
- **EVENTS & TRAINING**
  - Leadership Rapid City, Young Professionals
- **OPERATIONS**
  - Finance, HR, Accounting, IT
ELEVATE AND ECONOMIC DEVELOPMENT

Attraction, Expansion, Retention

- Project pipeline: 60+ active projects
- Estimated CapX: Over $1 Billion
- Anticipated number of new jobs: 4,250+
- BR&E's completed past 11 months: 125
- BR&E's have resulted in 11 open projects
- Hostings in the past 30 days: 3
- Project wins over the past 6 months: 10

ESTIMATED CAPX: +$1 BILLION
# ECONOMIC INDICATORS

## ELEVATE RAPID CITY

### JUNE 2021 ECONOMIC INDICATORS

**UNEMPLOYMENT RATE:** 3.1% (February: 3.4%)

<table>
<thead>
<tr>
<th>Employment</th>
<th>Current</th>
<th>12 Months % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Weekly Wages</td>
<td>$877</td>
<td>+5.6%</td>
</tr>
<tr>
<td>Nonfarm</td>
<td>67,100</td>
<td>11.8%</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>8,700</td>
<td>55.4%</td>
</tr>
<tr>
<td>Educational and Health Services</td>
<td>12,400</td>
<td>7.8%</td>
</tr>
<tr>
<td>Primary Sector (Education, Health, Finance, Information, and Manufacturing)</td>
<td>12,600</td>
<td>Down 200 from March</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Real Estate</th>
<th>Current</th>
<th>12 Months % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Listings</td>
<td>120</td>
<td>Down 11 from April</td>
</tr>
<tr>
<td>Median Listing Price</td>
<td>$399,900</td>
<td>Up 17,650 from April</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Economy</th>
<th>Current</th>
<th>12 Months % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rapid City Gross Sales</td>
<td>7,084,465,567</td>
<td>Down 11,178,181 from April</td>
</tr>
<tr>
<td>Airport Passenger Traffic</td>
<td>59,094</td>
<td>Up 20,823 passengers from March</td>
</tr>
<tr>
<td>Hotel Occupancy in Rapid City</td>
<td>68.7%</td>
<td>Up 14% from April</td>
</tr>
<tr>
<td>Building Permits</td>
<td>501</td>
<td>Down 58 permits from April</td>
</tr>
<tr>
<td>Building Valuation</td>
<td>$44.5M</td>
<td>Up $70,000,000 from April</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commercial R.E.</th>
<th>Current</th>
<th>National Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Rent/SF</td>
<td>$18.36</td>
<td>$34.20</td>
</tr>
<tr>
<td>Vacancy Rate</td>
<td>7.5%</td>
<td>12.3%</td>
</tr>
<tr>
<td>Vacancy SF</td>
<td>241,000</td>
<td>Down 62,000 from April</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Agriculture</th>
<th>Current</th>
<th>12 Months % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feeder Cattle</td>
<td>$1.55/cwt</td>
<td>Up 1.17 from May</td>
</tr>
<tr>
<td>Corn</td>
<td>$6.33/bu</td>
<td>Down 3.11 from May</td>
</tr>
</tbody>
</table>

*Preliminary April ratio*
HITTING OUR TARGETS...

4-YEAR GOALS

GOAL #1 - 4,000 Jobs (US Bureau of Labor Statistics)
• January 2018 Employment: 68,900
• April 2021 Employment: 73,327 (p)

Total Increase: 4,684 jobs ✓

GOAL #2 - 15% Increase in Incomes (US Bureau of Labor Statistics)
• January 2018 Average Weekly Wages: $730
• April 2021 Average Weekly Wages: $877

Total Increase in Income: 20.13% ✓

GOAL #3 - $300 Million Annual CapX (City Building Permits)

2020 CapEx: $347.4+ million (Rapid City alone) ✓

GOAL #4 - $125 Million in Consumer Spending (State of SD, DOR)
• 2019 Year-End: $6.815 Billion
• 2020 Year-End: $6.961 Billion

Total Increase: $146 million ✓
OCF AND ECONOMIC DEVELOPMENT

OCF = City dollars, City fund

- Money overseen and held by the City of Rapid City
- Used only for local expansion and out-of-state recruitment

Limited Economic Development Tools

- Assist local and out-of-state companies
- Expanding and creating primary jobs in Rapid City Area
GOOD STEWARDS

• **Funds can be used for various needs:**
  - Training
  - Infrastructure
  - Equipment
  - Direct incentive grants
  . . . All centered around job creation!

• **Moving forward ...**
  - Complete application
  - Provide financial history
  - Up-to-date business plan
  - Intended level of job creation numbers
  - Money provided after a payroll audit one year after signed MOU
  - Clawbacks included

This will help mitigate risk and ensure that the company has skin in the game!
Since 2006, 44 projects received funds

- 30 of the 44 projects = local expansions
  - 41 companies still here
    - CAT & Strider Sports
  - 93% success rate
  - 1,945+ jobs created
  - Average of 100x return on CapX
    * Based on grant dollars provided to companies
  - Average of 10x return on Investment
    * Estimated local, state, and federal taxes + payroll
OCF AND ECONOMIC DEVELOPMENT

Recent OCF Success Story:
- $15,000 (max) total incentive – paid one year later, after payroll audit
- 120 new inside sale FTEs with full benefits
- Return on Investment = **Over 20x**

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<th>Changes to Telemarketing Bureaus and Other Contact Centers using Type Emsi Model</th>
<th></th>
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<tbody>
<tr>
<td>$6,574,521</td>
<td>168</td>
</tr>
<tr>
<td>Change in Earnings</td>
<td>Change in Jobs</td>
</tr>
<tr>
<td>1.47 Multiplier</td>
<td>1.40 Multiplier</td>
</tr>
<tr>
<td>$310,607</td>
<td></td>
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<tr>
<td>Change in Taxes on Production and Imports (TPI)</td>
<td></td>
</tr>
</tbody>
</table>

+ Show Job Distributic
POTENTIAL IMPACT FOR OCF

Projected Returns on $2,000,000

- Expected ROI: 10x (conservative) = $20,000,000
- Anticipated New FTEs: 2,000
- Expected CapX: 100x = $200,000,000
QUESTIONS?

WE ARE WORKING HARD

THANK YOU