FINAL

PROJECT PLAN
TAX INCREMENT DISTRICT NUMBER 2
CITY OF RAPID CITY

PREPARED BY
RAPID CITY PLANNING DEPARTMENT

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Introduction

Tax Increment Financing is a method of financing improvements in an area which has been determined to need them, without incurring a general obligation for the taxpayers of the entire City. The principle behind this method of financing is simple and elegant.

Firstly, the assessed valuation of a district is determined by the Department of Revenue at the time the district is created by the Common Council. This valuation is termed the Tax Incremental 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 this Base Valuation continue to go to those entities, (City, County, School, etc.), which levy property taxes.

If, in succeeding years, the assessed valuation of the district increases, then the total property taxes paid by the owners of property in the district will increase accordingly. This is where the term "increment" comes in.

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 a needy area, 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.

Tax Increment Financing is a unique tool used in financing improvements to a district. In keeping with this unique nature, this plan is innovative in that it will use the available tax increment to fund the hiring of a Downtown Project Manager, whose responsibilities will include preparing a Comprehensive Downtown Plan. This Downtown Plan -- which will be aided to a large extent by the South Dakota Main Street Program being administered by the Governor's Office of Economic Development -- will constitute an amendment to this plan.

The statute enabling the creation of tax increment districts and their associated plans specifies that project costs "are listed in a project plan as costs of public works and improvements within a tax incremental district, plus any costs incidental thereto..." (SDCL 11-9-14). The employment of a downtown manager to develop the amendment containing public works and improvements for a district is therefore incidental to them, even though, as of yet, they have not been specifically delineated.
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Overview

This project plan will allow for the costs of a Main Street Program Manager and participation in the Main Street Program for a period of three years. The City of Rapid City will apply for inclusion in this Program being administered by the Governor's Office of Economic Development.

The National Main Street Program has achieved remarkable success in the areas of downtown revitalization in communities where it has been implemented. As opposed to the piecemeal approach so many municipalities are forced to utilize, where often some crucial facet of downtown improvement is overlooked, the National Main Street Program takes a comprehensive approach to this important civic goal.

Rapid City has already shown a firm commitment to improving the downtown area, with the creation of the Heart of the City Task Force, the Historic Preservation Commission, and the Historic District Sign Review Board. The City's inclusion in the National Main Street Program could allow a synergistic coordination of these currently disparate downtown improvement and revitalization efforts.

The qualifications for this Main Street Program Manager can best be described by this proposed "Help Wanted" advertisement for the position:

MAIN STREET PROGRAM MANAGER (Heart of the City Development Specialist)

Professional position with emphasis placed on downtown development and promotion. Tasks include preparation of a Business Improvement District and Tax Funding Plan, property management, marketing and promotion of downtown events and businesses, land use Central Business District Comprehensive Plan including sections on zoning, parking, historic preservation, signage, circulation, and building codes.

Administrative responsibilities include budget preparation, board presentations, public presentations, and normal office procedures. Effective written and oral communication techniques a must.

One to two year contract with option to renew for plan implementation. Plan implementation is considered to be ongoing, permanent employment.

Compensation range from $21,000 to $29,000 depending on qualifications and experience. Source of funding is unique Tax Increment Financing Plan.

Applicant should have a basic understanding about individual retail operations, media and promotion, municipal public works and zoning, the practice of lending institutions and the economic climate in which they operate, and a working knowledge of building restoration practices.

It is necessary, if Rapid City is chosen for inclusion in the Main Street Program, to have this Program Manager hired and on board by January 1, 1988.
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Project Plan

Tax Incremental District Number Two, comprised of the downtown core of Rapid City, was created by the City Council on February 18, 1985. At that time, the base valuation was determined to be $32,289,289.00. The total valuation increased to $33,252,508 in 1986, representing an increment in valuation of $963,219; and then decreased to $33,088,425 in 1987, which represents an increment in valuation of $799,136.00.

The actual tax increment available to the City based on these increments in valuation can be calculated by multiplying the effective tax rate for the area by the increment in valuation. These calculations result in the following tax increments, which become available as taxes for the applicable periods are paid. Note that values for the increments due and payable in 1988 and 1989 are estimates based on the 1986 mill-levy, and that the total assessed valuation of the district for 1988 is conservatively estimated as the average of the valuations in 1986 and 1987.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Assessed</th>
<th>Due</th>
<th>VALUATION</th>
<th>INCREMENT IN VALUATION</th>
<th>TAX INCREMENT (based on 1986 mills)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>1986</td>
<td></td>
<td>$32,289,289</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>1986</td>
<td>1987</td>
<td></td>
<td>33,252,508</td>
<td>$963,219</td>
<td>$34,642</td>
</tr>
<tr>
<td>1988*</td>
<td>1989</td>
<td></td>
<td>33,170,466</td>
<td>881,177</td>
<td>31,722</td>
</tr>
</tbody>
</table>

*Projected

This project plan document, as required by SDCL 11-9-13, will address the following elements:

1) Public Works Improvements
2) Economic Feasibility
3) Detailed Project Costs
4) Fiscal Impact Statement
5) Financing Method Description

Additionally, the following exhibits are offered:

I. General Location Map
II. Map of Generalized Land Use
III. Map of Existing Zoning
IV. Map of Conditions at time of District Creation

The Map of Proposed Improvements; Statement of Method for Relocating Displaced Persons; and Statement of Changes Needed in Master Plan, Map, Building Codes and Ordinances; will be developed as part of the Downtown Comprehensive Plan amendment to this plan, and are therefore not included herein.
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ELEMENTS OF THE PROJECT PLAN: (pursuant to SDCL 11-9-21)

PUBLIC WORKS IMPROVEMENTS
There are no Public Works Improvements specifically outlined in this plan. However, the implementation of this plan will facilitate the specification and design of public works and improvements for the district, as a part of the Comprehensive Downtown Plan.

ECONOMIC FEASIBILITY
The feasibility of this plan -- to finance the costs of participation in the South Dakota Main Street Program -- is examined on the following page.

From these preliminary cost/income estimates, it appears as though this preliminary phase of the plan for Tax Incremental District Number Two will realize a surplus of approximately $100 in the three year life of the plan. The City does intend to apply for CDBG funds for the eligible items. If CDBG funds are unavailable, or become available in more limited amounts, then the additional shortfall will be covered from any and all available sources, including private donations, possible grants from the National Endowment for the Arts, and the General Fund. Any liability the project incurs from the General Fund, above and beyond the ability of the Tax Increment and other sources to cover in the first three years, will be repaid to the General Fund from the tax increments available in future years from this district.

PROJECT COSTS

Capital Costs: This plan does not include capital costs, due to the fact that a capital improvements proposal will be an element in the Downtown Comprehensive Plan to be developed.

Financing Costs: Due to the fact that this plan provides for expenditures which are anticipated to be completely covered by the available Tax Increments, no financing costs are specified.

Real Property Assembly Costs: No real property is slated for acquisition as part of this plan.

Professional Service Costs: Although professional services will be an integral part of implementing this plan, the expenditures required to obtain these services will come from sources other than the Tax Increment. Possible sources of these funds include Community Development Block Grants, income from potential Business Improvement Districts, and donated funds.

Relocation Costs: No relocation is included in this plan.

Organizational Costs: Organizational costs are included in the Imputed Administrative Costs.
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Necessary and Convenient Payments: No additional payments above and beyond those in the Imputed Administrative Costs is anticipated.

Imputed Administrative Costs: A breakdown of the Administrative Costs of this preliminary phase of the plan, wherein the Tax Increment will be spent, is submitted here:

<table>
<thead>
<tr>
<th>COST</th>
<th>1988 YEAR 1</th>
<th>1989 YEAR 2</th>
<th>1990 YEAR 3</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative Costs,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Downtown Plan</td>
<td>$ 2,000</td>
<td>$ 2,000</td>
<td>$ 2,000</td>
<td>$6,000</td>
</tr>
<tr>
<td>Program Manager’s Salary and Benefits</td>
<td>25,000</td>
<td>25,000</td>
<td>25,000</td>
<td>75,000</td>
</tr>
<tr>
<td>Travel</td>
<td>1,500</td>
<td>1,500</td>
<td>1,500</td>
<td>4,500</td>
</tr>
<tr>
<td>Promotion</td>
<td>3,000</td>
<td>5,000</td>
<td>7,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Office and Supplies (City employee)</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Additional Staff</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td><strong>CDBG Eligible Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Main Street</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Center Contract</td>
<td>17,800</td>
<td>12,500</td>
<td>5,000</td>
<td>35,300</td>
</tr>
<tr>
<td>Design Costs</td>
<td>10,000</td>
<td>7,500</td>
<td>5,000</td>
<td>22,500</td>
</tr>
<tr>
<td>Administrative Contingency</td>
<td>2,200</td>
<td>2,200</td>
<td>2,200</td>
<td>6,600</td>
</tr>
<tr>
<td><strong>TOTAL COST</strong></td>
<td>$61,500</td>
<td>$55,700</td>
<td>$47,700</td>
<td>$164,900</td>
</tr>
</tbody>
</table>

INCOME ESTIMATES:

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>YEAR 1</th>
<th>YEAR 2</th>
<th>YEAR 3</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Increment</td>
<td>$34,600</td>
<td>$28,700</td>
<td>$31,700</td>
<td>$95,000</td>
</tr>
<tr>
<td>CDBG Funds (after 4/88)</td>
<td>20,000</td>
<td>20,000</td>
<td>20,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Private Donations</td>
<td>10,000</td>
<td>-0-</td>
<td>-0-</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td>$64,600</td>
<td>$48,700</td>
<td>$51,700</td>
<td>$165,000</td>
</tr>
</tbody>
</table>

ANTICIPATED SURPLUS/SHORTFALL:

| TOTAL INCOME                        | $64,600| $48,700| $51,700| $165,000  |
| TOTAL COST                          | -61,500| -55,700| -47,700| -164,900  |
| **SURPLUS/SHORTFALL**              | $ 3,100| $-7,000| $ 4,000| $ 100     |
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FISCAL IMPACT STATEMENT:

The impact on taxing entities can be derived from determining the approximate increment anticipated during the life of the district. Past the years for which the increment has been established, this is at best a speculative projection. For this preliminary phase of the project plan, however, the impact can be determined with some measure of confidence. The mill levies and taxable percentages on which this impact statement will be based are those for the 1986 tax year.

1986 Mill Levies and Assessment Percentages for Taxing Entities

<table>
<thead>
<tr>
<th>Entity</th>
<th>Mill Levy</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>School</td>
<td>40.10</td>
<td>60%</td>
</tr>
<tr>
<td>County</td>
<td>13.49</td>
<td>50%</td>
</tr>
<tr>
<td>City</td>
<td>10.15</td>
<td>50%</td>
</tr>
<tr>
<td>Water District</td>
<td>0.17</td>
<td>50%</td>
</tr>
</tbody>
</table>

Total Mill Levy = 63.91  
Taxation Ratio = 56.2744%

Effective Tax Rate = (Total Mill Levy) X (Taxation Ratio) = 0.035965 (1000)

FISCAL IMPACT

Increment Year 1 Year 2 Year 3
$963,219 $799,136 $881,177

Impact on Taxing Entities

<table>
<thead>
<tr>
<th>Entity</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>School</td>
<td>23,175</td>
<td>19,227</td>
<td>21,201</td>
<td>63,603</td>
</tr>
<tr>
<td>County</td>
<td>6,497</td>
<td>5,390</td>
<td>5,944</td>
<td>17,831</td>
</tr>
<tr>
<td>City</td>
<td>4,888</td>
<td>4,056</td>
<td>4,472</td>
<td>13,416</td>
</tr>
<tr>
<td>Water Dist.</td>
<td>82</td>
<td>68</td>
<td>75</td>
<td>225</td>
</tr>
</tbody>
</table>

$34,642 $28,741 $31,692 $95,075

FINANCING METHOD

Since it appears that, based on the feasibility study and cost breakdown, the Tax Increment will completely pay for this project plan in a timely manner, it is likely that no financing will be required.

In the event that CDBG funds are unavailable or available in a more limited amount, the shortfall will be borrowed from the General Fund, to be repaid from the future tax increment for the district.
Tax Increment District Two -- Land Use

Commercial  Offices  Public/Quasi-Public  Industrial  Residential

[Map of land use zones, including commercial, office, public/ quasi-public, industrial, and residential areas.]

Page 8
Tax Increment District Two -- Existing Zoning
Tax Increment District Two -- Conditions
(As of time district created)

Building Deterioration

Building Code Non-conformance