

FINAL

CITY OF RAPID CITY  
TAX INCREMENT DISTRICT NO. 6  
SOUTH CREEK INDUSTRIAL PARK

PRELIMINARY PLAN

MAY 1987

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TAX INCREMENT DISTRICT NO. 6  
SOUTH CREEK INDUSTRIAL PARK  
PROJECT PLAN

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PART I: INTRODUCTION

The South Dakota Legislature enacted an economic development tool commonly referred to as Tax Increment Financing to encourage redevelopment of blighted property. The intent of SDCL 11-9 is to utilize the increasing property tax revenues of new development within a district to finance public improvements which stimulates further redevelopment and greater property taxes. This increase in revenue is the tax increment which would not be realized if the property in the district remained in its original condition. Paying project costs (SDCL 11-9-30) may use one or a combination of methods. If municipal bonds are used in the financing of allowable costs under chapter 9-44, such bonds are not a general obligation of the municipality, since they are issued upon the financial success of the proposed private development and tax revenues. Proposal of this plan includes considering tax increment financing for partial payment of water and street improvements within South Creek Industrial Park.

PART II: EXISTING SITE CONDITIONS

South Creek Industrial Park lies within the Tax Increment District No. 6. Boundaries are within the city limits to the east of Highway 79, south of Lombardy Industrial Park and north of Merillat Particleboard Plant. The area is in close proximity to the Chicago and Northwestern Railroad line and the potential exists for a spur line within the Industrial Park if a company would require rail service. The zoning is Heavy Industrial and the area of the district is approximately 96 acres.

Tax revenues will contribute to the increment beginning in 1987 with Perdue Furniture recently completing a 58,000 square foot manufacturing plant on Lot 1, Block 2. The Rapid City Economic Development Corporation owns the remaining undeveloped parcels of the district.

Presently, South Creek Drive does not extend beyond the Perdue Plant. The remaining area to the south contains parcels that have a potential for industrial use if access were available. (refer to Exhibit A.) Further land sales and subsequent private development is limited by lack of infrastructure needed to serve these sites.

PART III: PROPOSED PROJECT

SCOPE

1. Given the above information and a continued need for attracting new business to Rapid City, extension of approximately 1,200 linear feet of South Creek Drive beyond its present location would improve the marketability of prime industrial sites. Such activity will implement the City's Master Plan of encouraging industrial land use along the corridor of State Highway 79. (refer to Exhibit B.)
2. The South Dakota Department of Transportation has approved funding assistance of \$96,000 for construction of road access within South Creek Industrial Park. This matching grant is available until February 13, 1989 (refer to Exhibit C) Local participation is required in the amount of no less than 20% of the State's participation of actual construction costs. Furthermore, engineering design is the responsibility of the municipality, along with any sewer and water projects that may be required in conjunction with road improvements. Thus, it is the purpose of this plan to initiate local project responsibility and funding through tax increment financing of TID #6.

OVERALL COSTS OF THE PROJECT

1. The Rapid City Engineering Department has recommended concrete road surface rather than asphalt for this industrial road. Initial cost is therefore greater than previously estimated during the grant application. However, overall maintenance costs will be less than asphalt surface. A waterline is required at an estimate of \$35,000. Although, to adequately serve future growth in adjacent areas, a 10" line is recommended. Such an oversized main would be paid by the existing budget of the City Public Works Department. A sewer trunk line has recently been installed and exists for lateral connections from specific users.
2. The following cost estimates are furnished by the City Engineering Department and include construction, soil testing, and inspection lab tests, if required and a contingency of 15%. Design services will be performed by City Engineering Staff.

1,200 LF waterline, 10" diameter	\$ 25,000
1,200 LF roadway, 36' width	<u>\$175,000</u>

Total estimated cost	\$200,000
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3. The above estimate is based on 1987 construction season dollars and does not take into account unexpected increases due to material costs or labor disputes which may increase construction costs at the time bids are requested.

TAX INCREMENT

According to the Pennington County Department of Equalization, the base tax for TID #6 is \$246,165 as assessed in 1986. This base remains fixed until the district boundaries are amended, the district is abolished, or until fifteen years has passed since creating the district. Based on the discretionary valuation formula (SDCL 10-6-35.2), assessed value of the district is \$501,560 resulting in an increase of \$255,395 in 1987. The following table describes the future increments expected on the present assessment:

<u>TAX YEAR</u>	(A) <u>REDUCED TAX FORMULA</u>	(B) <u>ASSESSED VALUE BUILDING ONLY</u>	<u>INCREASED LAND VALUE</u>	(C) <u>ASSESSMENT TOTAL</u>	<u>INCREMENT TAX AMOUNT</u>
1987	25%	219,005	36,390	255,395	\$ 9,186
1988	50%	438,015	36,390	474,405	17,064
1989	75%	657,020	36,390	693,410	24,942
1990	75%	657,020	36,390	693,410	24,942
1991	75%	657,020	36,390	693,410	24,942
1992	100%	876,025	36,390	912,415	32,820
<u>TOTAL</u>				<u>\$3,722,445</u>	<u>\$133,896</u>

(A) Reduced tax formula applies only to structures

(B) Department of Equalization rounds valuation to nearest \$5.00.

(C) Values do not include expected increase or decrease in assessed valuation

Based on the present tax mill levy and valuation, the tax increment in 1992 and thereafter, will be \$32,820 annually and accrued revenues will have totalled \$133,896.

Consolidated mill levy -	63.91
County	13.49
City	10.15
School	40.10
Water	.17

Assessment Ratio -	56.275 effective rate
School	60%
All Others	50%

Effective Tax Rate - 35.97 per \$1000.00 assessed valuation

PROJECT PAYMENT

Payment of debt incurred by participation in the proposed project is therefore possible by the incremental tax revenues available from the existing building and increased land value of Lot 1, Block 2:

Project cost (from Part III, Overall Costs)	\$200,000
S. D. Dept. of Transportation Grant	- 96,000
Total municipal project participation cost	<u>\$104,000</u>
Five year increment tax from existing improvements	\$101,076
Sixth year and subsequent annual tax increment	<u>\$ 32,820</u>
Total tax revenue accrued by 1992	\$133,896

Methods of payment may use one or a combination of techniques to include:

1. Payment by the municipality from the special fund of the tax incremental district;
2. Payment out of the municipality's general funds;
3. Payment out of the proceeds of the sale of municipal improvement bonds issued by the municipality under chapter 9-44;
4. Payment out of the proceeds of revenue bonds issued by the municipality under chapter 0-54;
5. Payment out of the proceeds of the sale of tax incremental bonds or notes issued by the municipality under this chapter.

Given the fact that a tax increment is presently available and expected to accrue within TID #6, implementation of this project plan would provide access and water service to additional industrial sites. Due to the small amount of costs associated with these capital improvements, bond issues may not be the most economical approach. Therefore, payment of construction costs required within the next two (2) years is recommended as a "loan" out of the general fund with repayment from the tax increment special fund.

The Rapid City Economic Development Corporation has indicated that parcels adjacent to the additional 1200 feet of street will be highly marketable. Added development will generate property taxes and increase the increment within the district's special fund and thus provide an opportunity for further public improvements during the life of TID #6. After fifteen years or when the district is abolished, which ever occurs first, the revenues from the entire assessed value of the district shall be available to all entities levying taxes upon the property within the district. Disposition of moneys remaining in the district special fund shall be paid to the treasurer of each tax levying entity (SDCL 11-9-45,91-18).

PART V: STATEMENT REGARDING FISCAL IMPACT OF T.I.D. NUMBER 6 UPON LEVYING ENTITIES WITHIN THE DISTRICT

Applying the Pennington County assessment ratio of 60% for schools and 50% for other taxing entities with a consolidated levy of 63.71 mills for Rapid City property, the following is a tax increment projection:

Assessed valuation increase		\$3,722,445.00
Assessed ratio: Schools	60%	\$2,233,467.00
	Others	50%
		\$1,861,222.00
Consolidated mill levy:	63.91 mills	
	County	13.49
	City	10.15
	School	40.10
	Water	.17

ANNUAL ESTIMATED TAX INCREMENT FOR EACH ENTITY:

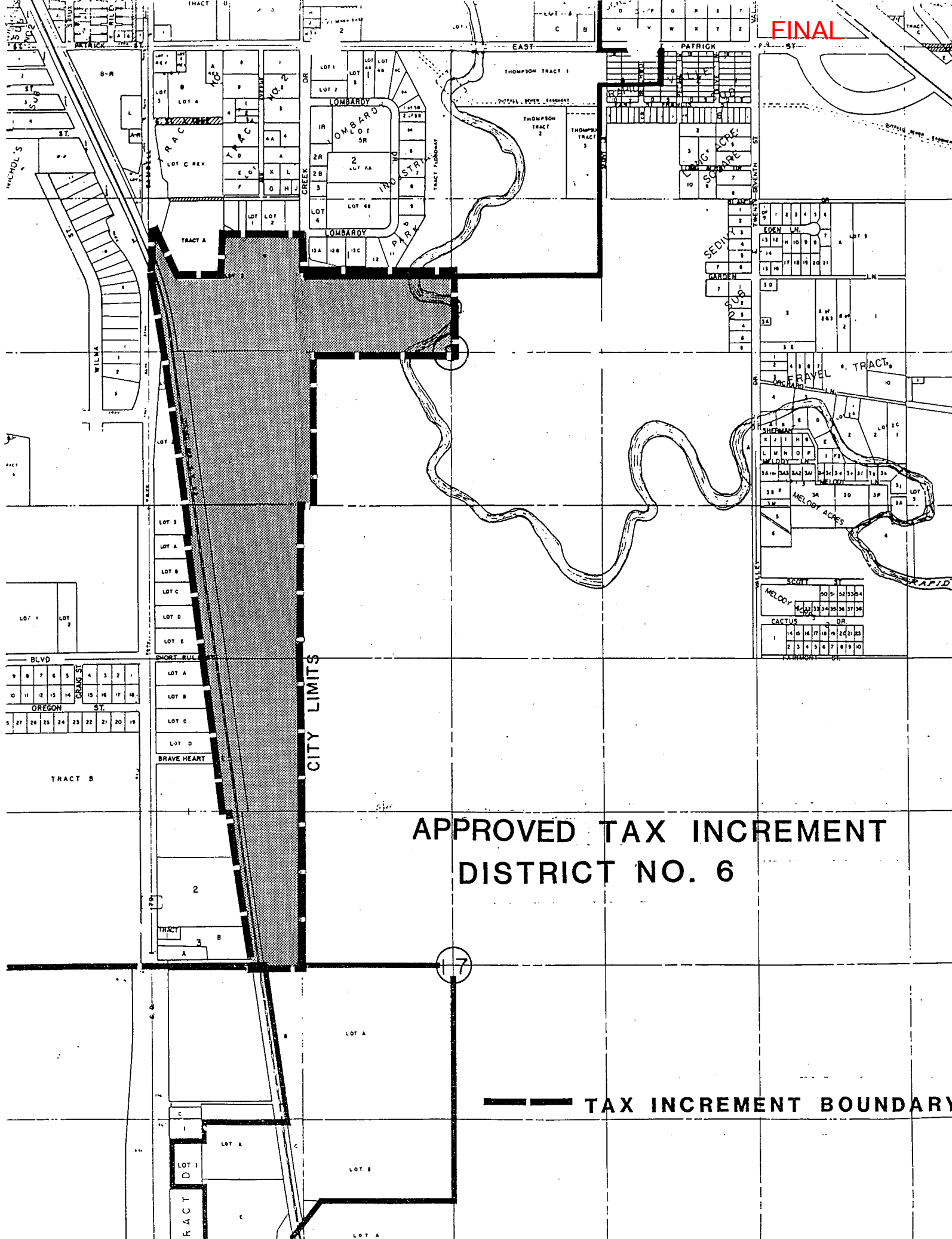
<u>YEAR</u>	<u>ASSESSMENT</u>					<u>TOTAL(A)</u>
	<u>TOTAL</u>	<u>SCHOOLS</u>	<u>COUNTY</u>	<u>CITY</u>	<u>WATER</u>	
1987	\$255,395	\$6,145	\$1,723	\$1,296	\$22	\$9,186
1988	474,405	11,414	3,200	2,408	40	17,062
1989	693,410	16,683	4,677	3,519	59	24,938
1990	693,410	16,683	4,677	3,519	59	24,938
1991	693,410	16,683	4,677	3,519	59	24,938
1992	912,415	21,953	6,154	4,631	78	32,816
<b>TOTAL</b>	<b>\$3,722,445</b>	<b>\$89,561</b>	<b>\$25,108</b>	<b>\$18,892</b>	<b>\$317</b>	<b>\$133,878</b>

(A) Total increments may not agree with tax amount when using effective tax rate due to fractional multipliers and rounding.

EXHIBIT A VICINITY MAP



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APPROVED TAX INCREMENT  
DISTRICT NO. 6

— TAX INCREMENT BOUNDARY

CITY LIMITS

17

9	8	7	6	5	4	3	2	1
10	11	12	13	14	15	16	17	18
5	27	24	25	24	23	22	21	19

BLVD

OREGON ST

SHORT BULL

LOT A

LOT B

LOT C

LOT D

LOT E

LOT A

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30	31	32	33	34
35	36	37	38	39
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45	46	47	48	49
50	51	52	53	54

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EXHIBIT B SITE MAP, SOUTH CREEK DRIVE

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EAST ST. PATRICK STREET

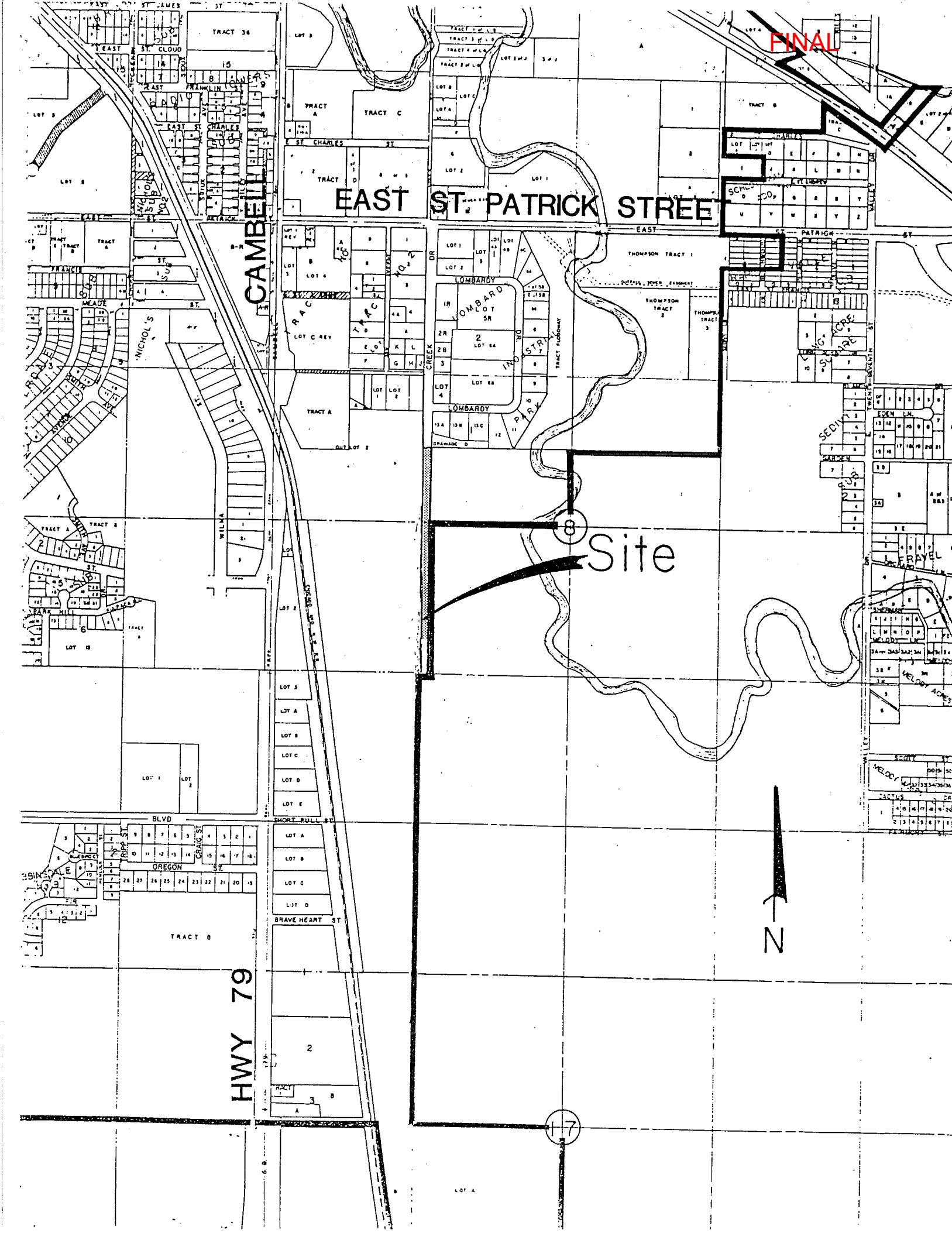
CAMBELL

Site

HWY 79



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EXHIBIT C SDDOT APPROVAL LETTER 2/13/87

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# Department of Transportation

700 Broadway Avenue East  
Pierre, South Dakota 57501-2586

February 13, 1987



The Honorable Arthur LaCroix, Mayor  
City of Rapid City  
22 Main St  
Rapid City, SD 57701

Re: IP-0872 - South Creek Drive  
Industrial Park - Rapid City

Dear Sir:

Your Industrial Park grant application was approved during the January 22, 1987 Department of Transportation Commission Meeting in the amount of \$96,000.00 as requested.

Attached are three copies of the agreement for construction of the project. The agreement is for your review, approval, and signature if acceptable. Please return all copies to this office for signature by State officials after which a copy will be returned for your files.

The next item we should have is a set of plans for review. If you have any questions, please contact me at 773-5243.

Sincerely,

LOCAL GOVERNMENT ASSISTANCE  
David J. Jagim, Program Manager

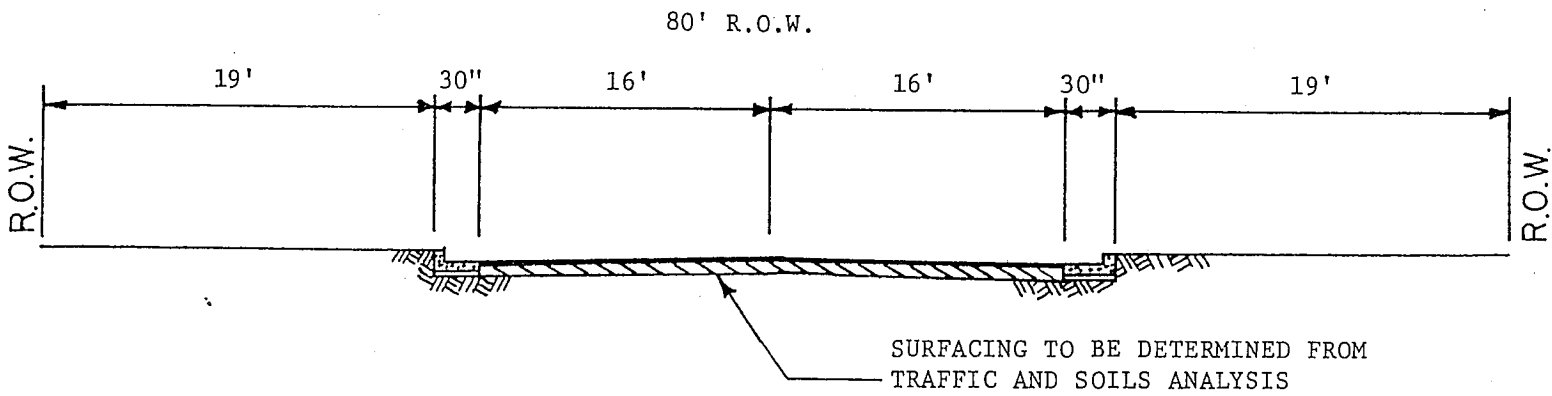
Robert L. Nystrom  
Program Manager

RLN:11f:hz3.dw3work.1044bn1.pln

Enclosures

cc: L. Swanson ✓

EXHIBIT D TYPICAL CROSS SECTION



TYPICAL SECTION  
CREEK DRIVE

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EXHIBIT E TAX INCREMENT ABSTRACT



05/06/87

## TAX INCREMENT ABSTRACT

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RAPID CITY TID # 006

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ABSTRACT CLASS	NUMBER	VALUE	EXEMPTIONS	INCREMENT
AG-A	0,000	0	0	0
AG-A1	0,000	0	0	0
NA-A1	0,000	0	0	0
AG-AC	0,000	0	0	0
NA-AC2	0,000	0	0	0
AG-C	0,000	0	0	0
AG-C1	0,000	0	0	0
NA-C1	0,000	0	0	0
AG-CC	0,000	0	0	0
AG-CC2	0,000	0	0	0
NA-C	0,000	0	0	0
NA-C1	0,000	0	0	0
NA-CC	0,000	0	0	0
NA-CC2	0,000	0	0	0
AG-D	2,000	2,195	0	0
AG-D1	0,000	0	0	0
NA-D1	0,000	0	0	0
AG-DC	0,000	0	0	0
AG-DC2	0,000	0	0	0
NA-D	1,000	50,970	0	0
NA-D1	1,000	3,060	0	0
NA-DC	3,000	203,530	0	36,390
NA-DC2	1,000	219,005	0	219,005
AG-LS1	0,000	0	0	0
AG-LS01	0,000	0	0	0
AG-LS2	0,000	0	0	0
AG-LS02	0,000	0	0	0
NA-LS1	0,000	0	0	0
NA-LS01	0,000	0	0	0
NA-LS2	0,000	0	0	0
NA-LS02	0,000	0	0	0
GRAND TOTAL		478,760	0	255,395
AG TOTAL		2,195		0
NON-AG TOTAL		476,565		255,395