

CITY OF RAPID CITY
TAX INCREMENTAL DISTRICT NUMBER SIX
SOUTH CREEK INDUSTRIAL PARK

Project Plan

----- AMENDED -----

MAY 1987

AMENDED, FEBRUARY, 1988

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

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EXHIBITS

- A. Site Location, Conditions and Use
- B. Location of Improvements
- C. Typical Cross Section, South Creek Drive
- D. Tax Increment Abstract, TID #6

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EXECUTIVE SUMMARY

1. On December 29, 1986 the Common Council approved the formation of Tax Increment District Number 6, in accordance with SDCL 11-9.
2. The South Dakota Department of Revenue has certified the full aggregate and assessed value of the district to be \$223,365.00 (1986 base). Development within the Industrial Park has begun with construction and occupancy of the 58,000 square feet building owned by Perdue. Viable growth is dependent upon further development of the infrastructure in this District. Thus, extension of utilities and improved roadway along the established South Creek Drive right-of-way will foster this growth.
3. Given the fact that tax increment has accrued to the Tax Incremental District 6 Fund, the purpose of this plan is to utilize this tax increment to fund the construction of roadway and water line along the South Creek Drive right-of-way. The development of this section of right-of-way is necessary in order to provide access to currently undeveloped sections of South Creek Industrial Park, so that they will become marketable.
4. When amortization of the debt to be incurred by the capitalization of this project has been completed, either this tax increment district will be terminated, or this project plan will be amended. The amendment of this project plan, under state law, would require a reestablishment of the base valuation of the Tax Increment District, thereby requiring at minimum an additional year before any tax increment would again begin to accrue.

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PART I: INTRODUCTION

The South Dakota Legislature enacted legislation commonly referred to as Tax Increment Financing, which provides an economic development tool to encourage development of blighted property. The gist of this legislation is the utilization of increased property tax revenues, resulting from development within a district, to finance qualified public improvements in that district. The availability of this improved infrastructure stimulates further development, generally mitigating the blight conditions which stimulated the district's creation.

This plan proposes that tax increment be used to fund the construction of water line extension and street facilities within the South Creek Industrial Park. Upon the construction of these improvements, it is anticipated that development of this property will be rapid. Hence, the benefits to the taxing entities due to the broadened tax base, as well as the benefits to the community due to increased employment opportunities, make the adoption of this plan a positive step for the future of Rapid City.

PART II: EXISTING SITE CONDITIONS

South Creek Industrial Park, which comprises Tax Increment District Number Six, lies in the southeast Highway 79 industrial corridor area. Its fairly large undeveloped area, roughly 90 acres -- as well as its proximity to Lombardy Industrial Park, the Chicago & Northwestern Railroad line, and the Merillat Plant -- indicates its ideal location for the expansion of industrial activities in the City. The existing zoning of the property is Heavy Industrial, and the Rapid City Area 2000 Plan indicates that the future use of this area is recommended to be industrial in nature.

Tax revenues will accrue to the district fund beginning in 1987, due to the recently completed 58,000 square foot Perdue Furniture Plant located in the district. The Rapid City Economic Development Corporation owns the remaining undeveloped parcels of the district, and has indicated that there is already interest in the further development of these parcels.

Presently, South Creek Drive extends only to the Perdue Plant. The remaining area to the south contains parcels that have a potential for industrial use if access and utilities were available. Further land sales and subsequent private development are precluded by the lack of infrastructure necessary to development.

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PART III: PROPOSED PROJECT AND PROJECT COSTS

SCOPE

Given the continuing goal of attracting new business interests to Rapid City, extension of approximately 1,200 linear feet of South Creek Drive to serve currently land-locked sites would improve the marketability of this prime industrial land. Such activity is in harmony with the Rapid City Area 2000 Plan, which recommends encouraging industrial land uses in this South Highway 79 corridor area.

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 assume project responsibility and funding through the utilization of the Tax Increment District Number Six Fund.

PROJECT COSTS

Capital Costs:

The Rapid City Engineering Department recommends concrete road surface for this industrial road. A water line is required at an estimated cost of \$25,000. To adequately serve expected future growth in the proposed service area of this new water line, a 10" line is recommended. This oversized main will be paid for from the existing budget of the City Public Works Department. An existing sewer trunk line along the entire length of the proposed road is available for lateral connection in the future.

The following cost estimates have been furnished by the City Engineering Department, and include construction, soil testing, and inspection lab tests with a 15% contingency. Design services will be performed by City Engineering Staff.

ITEM	COST
600 LF waterline, 10" diameter	\$ 13,000
600 LF roadway, 36' width	\$ 91,000
<u>Total estimated cost</u>	<u>\$104,000</u>

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.

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Financing Costs:

A finance charge of 10.0% of the unpaid balance of the loan to be acquired from the general fund, shall be paid from the accrued tax increment fund back to the general fund, on the first working day of each year in which there is an unpaid balance due from the previous year, beginning on the first working day of 1989.

In the first year, the tax increment which has accrued will be applied entirely to the finance charge. The first year shortfall in covering the finance charge will be added to the outstanding balance to be carried forward.

In the second and succeeding years, as the reduced tax formula increases the taxable value of the district structure(s), part of the payment made from the tax increment fund will apply to the general fund loan repayment, or principal.

A breakdown of these costs of financing can be estimated, based on zero additional growth in the district, by calculating that the entire available tax increment accumulated during the years beginning with 1988 will be paid on the first day of the next year to amortize this debt. Such a breakdown follows:

ITEM	P A Y M E N T							TOTAL
	1/1/89	1/1/90	1/1/91	1/1/92	1/1/93	1/1/94	1/1/95	
OLDBAL	\$104,000	\$105,215	\$98,675	\$83,605	\$67,028	\$48,793	\$20,857	
FINCHG	10,400	10,522	9,868	8,361	6,703	4,879	2,086	52,819
TOTDUE	\$114,400	\$115,737	\$108,543	\$91,966	\$73,731	\$53,672	\$22,943	
TOTPAY	\$9,185	\$17,062	\$24,938	\$24,938	\$24,938	\$32,815	\$22,943	\$156,819
NEWBAL	\$105,215	\$98,675	\$83,605	\$67,028	\$48,793	\$20,857	-0-	
TOTPAY Breakdown								
AMTFIN	\$10,400	\$10,522	\$9,868	\$8,361	\$6,703	\$4,879	\$2,086	\$52,819
AMTPRN	-1,215	6,540	15,070	16,577	18,235	27,936	20,857	104,000
TOTPAY	\$9,185	\$17,062	\$24,938	\$24,938	\$24,938	\$32,815	\$22,943	\$156,819

NOTES:

- OLDBAL = Balance forward from the previous year
- FINCHG = Finance charge due for balance forward
- TOTDUE = Total obligation (OLDBAL + TOTDUE)
- TOTPAY = Total yearly payment (Amount of accrued tax increment)
- NEWBAL = New balance to be carried forward to the next year
- AMTFIN = Amount of TOTPAY applied to finance charges
- AMTPRN = Amount of TOTPAY applied to the principal

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It is important to note, again, that the above figures are based on the unlikely assumption that there is zero additional taxable growth in the tax increment district. Any significant construction in the district will increase the valuation, and the available tax increment will adjust accordingly. It is totally reasonable to suspect that the implementation of this plan will encourage enough development in the district to permit the amortization of the construction debt in a significantly shorter time frame than the zero-growth estimate of seven years.

PART IV: ECONOMIC FEASIBILITY OF PROJECT

TAX INCREMENT

According to the Pennington County Department of Equalization, the base valuation for Tax Increment District Number Six is \$223,065 as assessed in 1986. This base remains fixed until the costs of the project plan are increased due to project plan amendment, the district is abolished, or fifteen years has passed since creating the district. The 1987 assessed valuation of Tax Increment District Number Six is \$478,760, which represents an increment in valuation of \$255,395.

The following table represents a very conservative year by year estimate of the tax increment which will become available during the first seven years of the life of the district. The taxable building valuation is established on the Reduced Taxable Value Formula of 25% of full and true in the first year after construction, 50% of full and true in the second year, 75% of full and true for years three through five, and 100% of full and true thereafter. This estimate is in fact very conservative since it is based on the unlikely assumption that there will be no further development in the district, and thus no further tax increment.

YEAR Assessed/Due	TOTAL VALUATION	<u>VALUATION INCREMENT</u>			TAX INCREMENT (1986 mills)
		Building \1	Land	Total	
1986 1987	\$ 223,065	-0-	-0-	-0-	-0-
1987 1988	478,760	\$219,005	\$ 36,390	\$255,395	\$ 9,185.28
1988 1989	697,765	438,010	36,390	474,400	17,061.80
1989 1990	916,770	657,015	36,390	693,405	24,938.31
1990 1991	916,770	657,015	36,390	693,405	24,938.31
1991 1992	916,770	657,015	36,390	693,405	24,938.31
1992 1993	1,135,775	876,020	36,390	912,410	32,814.83
1993 1994	1,135,775	876,020	36,390	912,410	32,814.83

MINIMUM EXPECTED TAX INCREMENT ACCRUED BY JANUARY 1, 1995 \$166,691.67

These estimates are all based on the 1986 mill levy schedule as supplied by the Pennington County Auditor's Office, a summary of which is presented on the following page for informational purposes.

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1986 Mill Levies and Assessment Percentages for Taxing Entities

Entity	Mill Levy	Percentage
-----	-----	-----
School	40.10	60%
County	13.49	50%
City	10.15	50%
Water District	0.17	50%
<hr/>		
Total Mill Levy	63.91	
Taxation Ratio		56.2744%

$$\text{Effective Tax Rate} = \frac{(\text{Total Mill Levy}) \times (\text{Taxation Ratio})}{(1000)} = \frac{0.035965}{1000}$$

PROJECT PAYMENT

Amortization of the debt to be incurred by implementation of this project plan, based on the conservative tax increment income estimates, will be possible in a seven year time frame, in the worst case.

PROJECT COSTS	
Capital Costs	\$104,000
Financing	52,819
<hr/>	
TOTAL COSTS	\$156,819
REVENUES	
Tax Increment (years 1-7)	166,692
<hr/>	
TOTAL REVENUES	166,692

It is evident that on or before January 1, 1995 all expenditures provided for in this project plan will have been provided for, and all public improvements described in this plan will have been completed. Therefore, the district will be terminated pursuant to SDCL 11-9-45 and SDCL 11-9-25.

Given the facts that --

- 1) funds will begin to accrue to the Tax Increment District Six Fund in January of 1988; and
- 2) implementation of this project plan will provide access and water service to additional industrial sites, encouraging their development and the subsequent increase in available tax increment; and
- 3) the cost of these improvements is minimal when compared to the tangible and intangible benefits of pursuing this project plan;

-- the best approach to funding the near-term shortfall in construction cost payments is to obtain a loan from the General Fund, to be repaid directly from the tax increment fund on a yearly basis as it accrues, including a 10% finance charge on the previous year's unpaid balance.

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

ANNUAL ESTIMATED TAX INCREMENT FOR EACH ENTITY:

<u>YEAR</u>	<u>TOTAL INCREMENT IN VALUATION</u>	<u>SCHOOLS</u>	<u>COUNTY</u>	<u>CITY</u>	<u>WATER</u>	<u>TOTAL(A)</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
1993	912,415	21,953	6,154	4,631	78	32,816
TOTAL	\$4,634,860	\$111,514	\$31,262	\$23,523	\$395	\$166,694

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

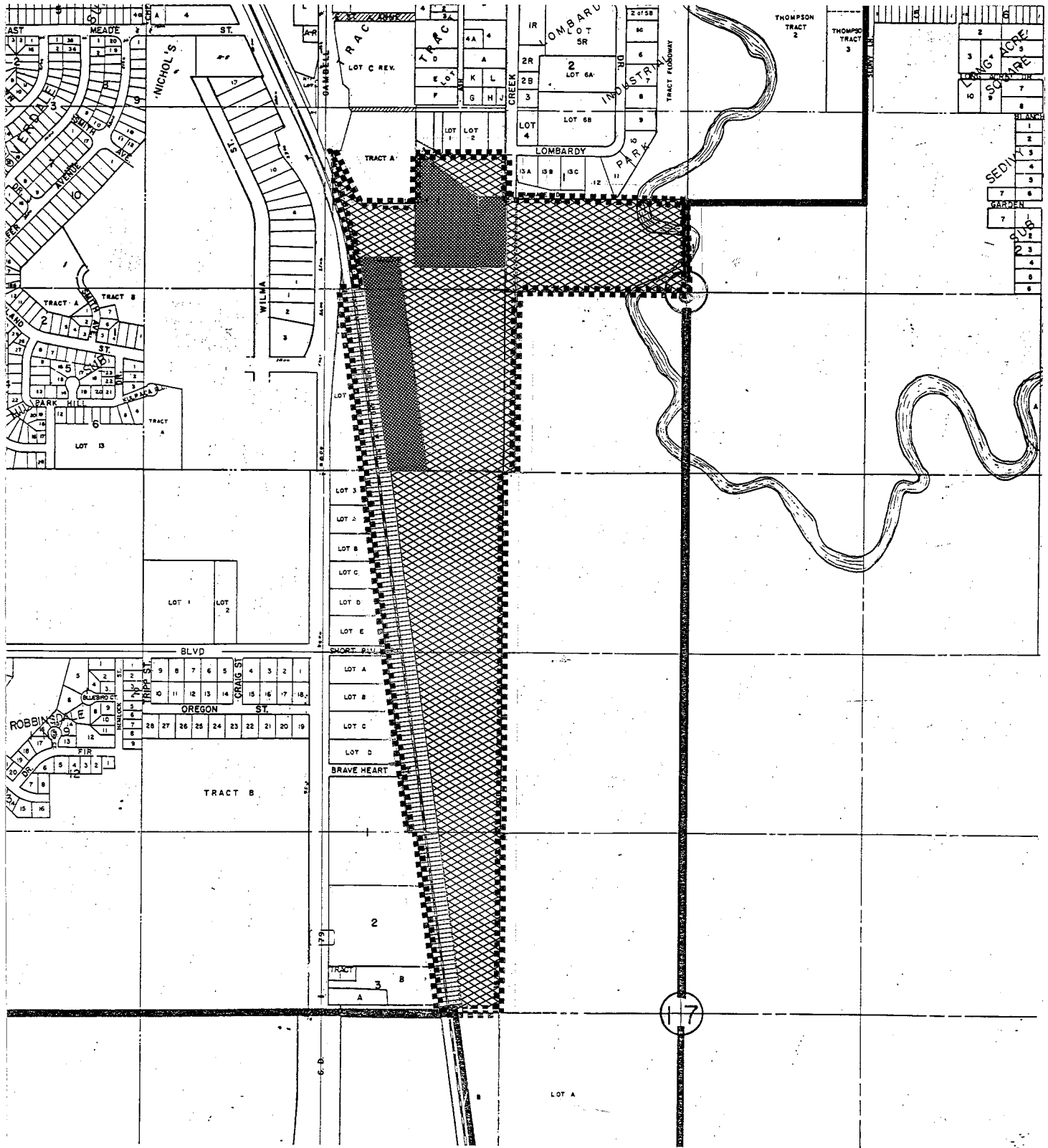
SUMMARY

Elements of a complete project plan, as required by SDCL 11-9-13, have been provided in this document. Those particular items required as specific project costs which are not addressed herein, (i.e. Real property assembly, professional service, imputed administrative, relocation, organizational, and necessary and convenient costs), do not apply in this project plan.




Regarding the zoning and property use impact statement required by SDCL 11-9-16, the items not addressed -- items (3) map of zoning changes; (4) statement of necessary changes in master plan, etc.; (5) estimated nonproject costs statement; and (6) displaced persons relocation method -- do not apply in this project plan.

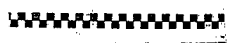
Items (1) existing uses and conditions map; and (2) proposed improvements map; -- required by SDCL 11-9-16 -- are included as exhibits A and B respectively.

EXHIBIT A
VICINITY MAP OF TID #6



USES

-  **HEAVY INDUSTRIAL**
-  **RAILROAD R.O.W.**
-  **VACANT**

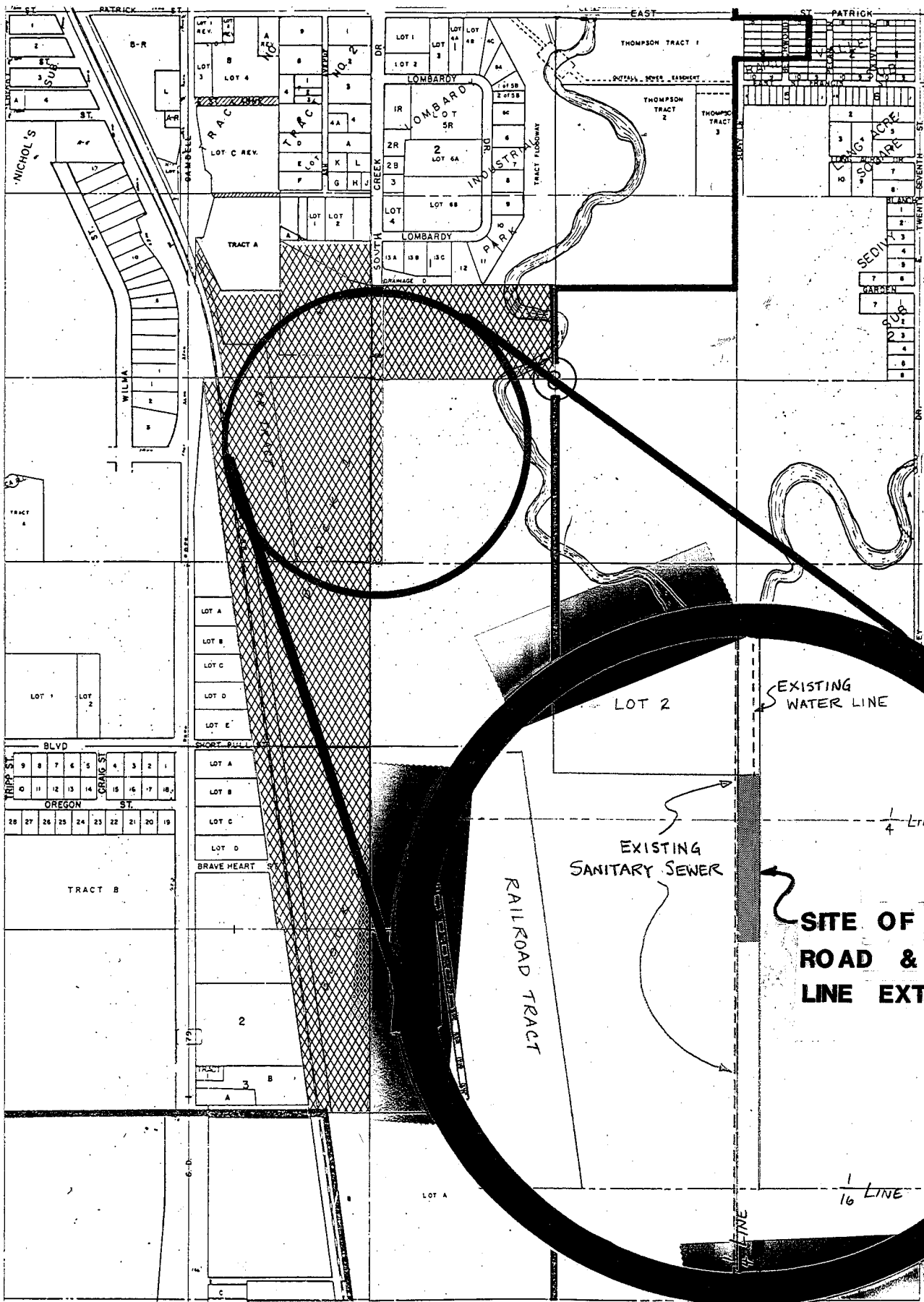


**TID #6
BOUNDARY**

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EXHIBIT B

SITE MAP, SOUTH CREEK DRIVE



LOT 1 REV. 1 2 3 4

LOT 2 REV. 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20

LOT 3 REV. 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30

LOT 4 REV. 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

EXISTING WATER LINE

EXISTING SANITARY SEWER

RAILROAD TRACT

1/4 LINE

1/16 LINE

SITE OF ROAD & WATER LINE EXTENSION

SECTION 7

1 2 3 4 5 6 7 8 9 10

11 12 13 14 15 16 17 18 19 20

21 22 23 24 25 26 27 28 29 30

31 32 33 34 35 36 37 38 39 40

41 42 43 44 45 46 47 48 49 50

51 52 53 54 55 56 57 58 59 60

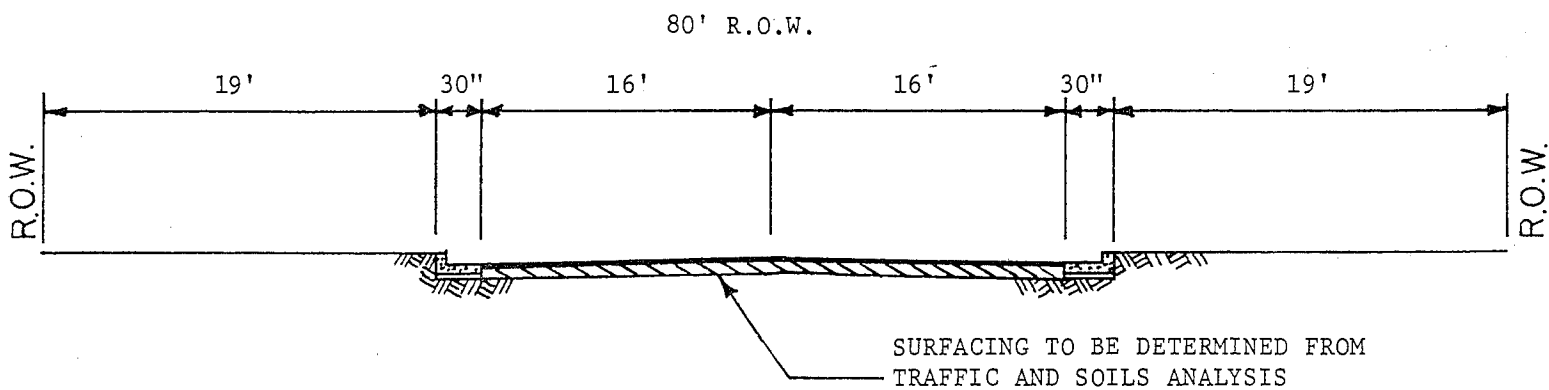
61 62 63 64 65 66 67 68 69 70

71 72 73 74 75 76 77 78 79 80

81 82 83 84 85 86 87 88 89 90

91 92 93 94 95 96 97 98 99 100

EXHIBIT C
TYPICAL CROSS SECTION
OF SOUTH CREEK DRIVE



TYPICAL SECTION
CREEK DRIVE

EXHIBIT D
TAX INCREMENT ABSTRACT

RAPID CITY TID # 006

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